

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



***METROPOLITAN NASHVILLE
AUDIT COMMITTEE***

WORKBOOK

September 13, 2016

“Stakeholders want practical, actionable information, not report cards.”

“The business environment is dictating the need to develop certain capabilities...such as the ability to anticipate risks and implement responses.”

Evolution or Irrelevance? Internal Audit at a Crossroads, Deloitte’s Global Chief Audit Executive Survey, 2016

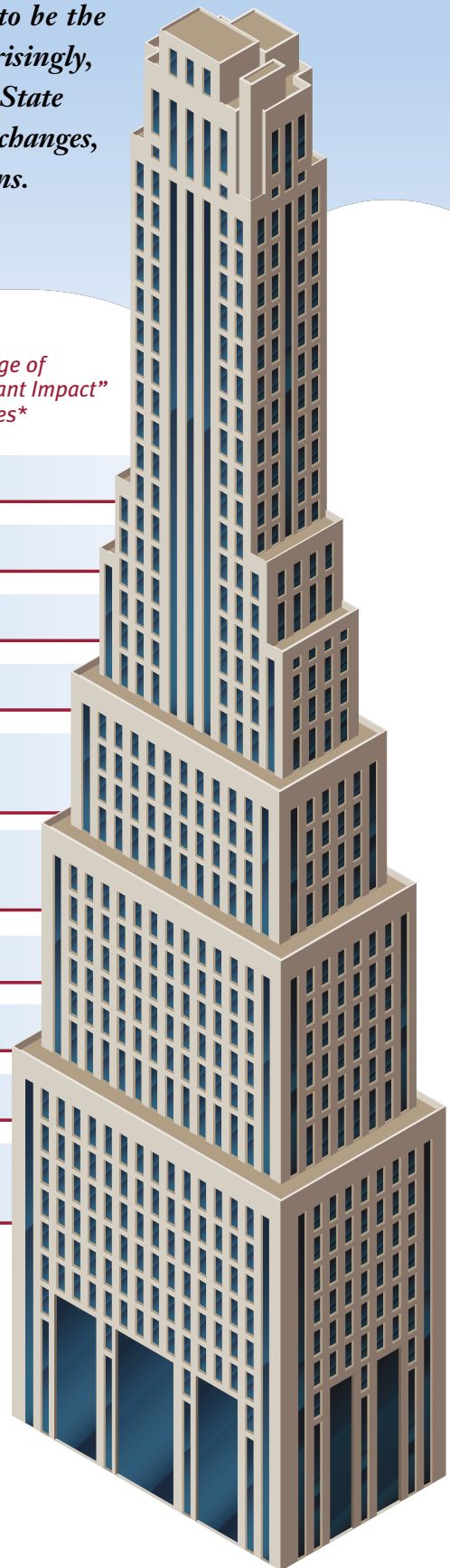
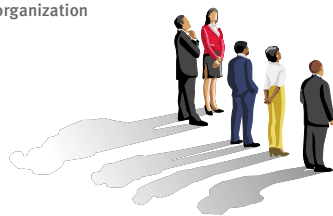
Executive Perspectives on Top Risks for 2016

What do board members and C-suite executives view to be the top risks for their organizations this year? Not surprisingly, according to an annual survey from North Carolina State University's ERM Initiative and Protiviti, regulatory changes, the economy and cyberthreats top their lists of concerns.

<i>Risk Issue</i>	<i>Percentage of "Significant Impact" Responses*</i>
Regulatory changes and scrutiny	60%
Economic conditions	60%
Cyberthreats	57%
Privacy/identity management and information security	53%
Succession challenges and ability to attract and retain top talent	52%
Rapid speed of disruptive innovations and new technologies	51%
Volatility in global financial markets and currencies	50%
Resistance to change operations	49%
Sustaining customer loyalty and retention	46%
Organization's culture may not encourage timely identification and escalation of risk issues	45%

* Each respondent was asked to rate 27 individual risk issues using a 10-point scale, where a score of 1 reflects "No Impact at All" and a score of 10 reflects "Extensive Impact" to their organization over the next year. A score of 6.0 or higher is perceived to be a risk issue that will have a "Significant Impact" on the organization.

The full survey report, *Executive Perspectives on Top Risks for 2016*, may be accessed at erm.ncsu.edu or protiviti.com/toprisks. It includes detailed breakdowns of the results by respondent role, organization size, industry and other categories.



**METROPOLITAN NASHVILLE
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA
September 13, 2016 4:00 p.m.**

**Committee Room 2
205 Metropolitan Courthouse**

- I. Call Meeting to Order (Bob Brannon - Committee Chairman)
- II. Approval of Minutes for July 26, 2016, Meeting. (Bob Brannon – Committee Chairman)
- III. New Business
 - Discussion on Audit of Nashville Farmers Market audit report issued August 18, 2016. (William Walker – Principal Internal Auditor)
 - Discussion on Metropolitan Auditor’s performance measures. (Mark Swann – Metropolitan Auditor)
 - Metropolitan Nashville Audit Committee and Metropolitan Nashville Office of Internal Audit Bylaws annual review. (Bob Brannon – Committee Chairman)
- IV. Unfinished Business
 - Follow-up on July 26, 2016, briefing on assessing the condition of roads, streets, bridges, and overpasses and the impact of not implementing the modified approach of accounting for roads and bridges infrastructure assets. (William Walker – Principal Internal Auditor)
 - Discussion on Audit of Health Department Immunization Program partial accept audit report recommendation. (Mark Swann – Metropolitan Auditor)
 - Follow-up on FY 2015 Comprehensive Annual Financial Report. (Bob Brannon – Committee Chairman)
 - Follow-up on FY 2015 Single Audit and Management Letter. (Bob Brannon – Committee Chairman)
 - Update on internal audit legislation. (John Cooper - Council Member)
- V. Internal Audit Project Status. (Mark Swann – Metropolitan Auditor)
- VI. Fraud Waste and Abuse Hotline and Investigation Update. (Mark Swann – Metropolitan Auditor)
 - Summary of Fraud, Waste, and Abuse Hotline Solicitation
 - Reporting protocol review
- VII. Other Administrative Matters. (Mark Swann – Metropolitan Auditor)
 - Office of Internal Audit Staffing
 - FY 2017 budget status
- VIII. Consideration of Items for Future Meetings. (Bob Brannon - Committee Chairman)

**METROPOLITAN NASHVILLE
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA
September 13, 2016 4:00 p.m.**

- IX. Adjournment of Public Meeting – Next Meeting Thursday, November 17, 2016.
- X. Executive session agenda. (Bob Brannon - Committee Chairman)
- Discussion with the external auditors, Crosslin & Associates, P.C. of the ongoing audits of the FY 2016 Financial Audit, Single Audit, and Management Letter for the Metropolitan Nashville Government of Nashville and Davidson County.

Note: Upon a majority vote of committee members in attendance for the public portion of the meeting, the Metropolitan Nashville Audit Committee may hold confidential, nonpublic executive sessions to discuss the following items (T.C.A. § 9-3-405¹):

1. Items deemed not subject to public inspection under T.C.A. §§ 10-7-503² and 10-7-504³ 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;
4. Information protected by federal law; and
5. Matters involving information under T.C.A. § 9-3-406⁴ where the informant has requested anonymity.



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

¹ T.C.A. § 9-3-405(d). Establishment of audit committee, Notice requirements, Open meetings, Confidential, nonpublic executive session.

² T.C.A. § 10-7-503. Records open to public inspection, Schedule of reasonable charges, Costs.

³ T.C.A. § 10-7-504. Confidential records.

⁴ T.C.A. § 9-3-406. Establishment of process for confidential reporting of suspected illegal, improper, wasteful or fraudulent activity, Retaliatory activities prohibited.

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

**DRAFT
July 26, 2016**

On Tuesday, July 26, 2016, at 5:00 p.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2nd Floor, Committee Room 2. The following people attended the meeting:

Committee Members

Brack Reed, Chamber of Commerce
David Briley, Vice-Mayor
John Cooper, At-Large Council Member
Bob Mendes, At-Large Council Member

Others

Mark Swann, Metropolitan Auditor
Seth Hatfield, Office of Internal Audit
Nan Wen, Office of Internal Audit
Bill Walker, Office of Internal Audit
Tara Ladd, Department of Law
Phil Carr, Department of Finance
Doug Reed, The Fairgrounds Nashville
Dell Crosslin, Crosslin & Associates
John Crosslin, Crosslin & Associates
Mark Macy, Public Works
Sharon Wahlstrom, Public Works
Donald Reid, Public Works
William Davis, Public Works
Hank Clay, MNPS Government Relations

Quorum present? Yes

CALL MEETING TO ORDER

Mr. Brack Reed called the meeting to order.

APPROVAL OF MINUTES

A motion to approve the July 26, 2016, meeting minutes was made, seconded, and carried.

NEW BUSINESS

Public Works – Infrastructure Discussion

Mr. Donald Reid with Public Works gave a presentation on the current condition of Metropolitan Nashville Government's roads and bridges infrastructure. Mr. Reid stated it is the policy of the Metropolitan Nashville Government to maintain at least 70 percent of its roads and streets system at a fair, good, or excellent condition. Public Works is responsible for maintaining 5,852 lane miles of roads. This is more than all of the interstate miles maintained by the Tennessee Department of Transportation.

Mr. Reid advised that the original threshold of 70 percent was established in 2004 and was made prior to key events that dramatically affected condition levels. Specifically, increase crude prices, the 2010 flood, and enormous population growth all caused unanticipated wear and tear on our infrastructure. The Metropolitan Nashville Government has made progress in improving roads and streets in fair or better condition from a low of 52.73 percent after the 2010 flood to

63.4 percent. These percentages are provided by ARA, a pavement condition inspection company, who ride approximately one-half of the lane miles in Davidson County every year using specialized inspection equipment to determine the condition of roads and streets.

Ms. Sharon Wahlstrom explained that there is more pressure to get a main road fixed when a water main breaks than for other types of roads. Some of the poor condition roads are in a cul-de-sac that is less-traveled and where there is less pressure to repair poor roads.

Mr. Phil Carr stated he believed if the Metropolitan Nashville Government falls under the 70 percent and can continued to show improvement in road conditions the modified approach for reporting infrastructure maintenance could continue to be used for financial reporting.

Mr. Mark Macy stated that there have been years in which the amount appropriated to fund infrastructure improvements were less than the \$15 million requested. Thus, needed repair costs were deferred. To address this, Public Works received \$35 million for the upcoming budget year to help facilitate getting infrastructure back to 70 percent range.

Mr. John Cooper asked why the fiscal year 2015 Comprehensive Annual Financial Report (CAFR), reported the Actual Spent amount is less than the Needs/Budgeted amount. Since 2011 there was a material difference, \$48 million, between the Needs/Budgeted amount and the Amount Spent for roads and streets. Similarly, bridges and underpasses indicate \$90 million is unspent over five years. Ms. Wahlstrom explained that the unspent funds might be tied up in purchase orders on projects not completed. Sometimes projects take three to five years to complete.

Mr. David Briley stated the genesis of this conversation took place due to a change of wording in the CAFR two to three years ago. Specifically, the threshold went from 70 percent of Roads in "Good or Better" condition to 70 percent of Roads in "Fair or Better" condition. There was confusion as to whether this was a function of a change in measure or a change in the standard.

Mr. Carr stated this was initially a mistake in language, and the change was more about terminology instead of standard. There are very few governments that use the modified approach and in terms of wording, there were no real "models" to go by when this approach was first implemented by the Metropolitan Nashville Government. No one can remember why "Good" was used as opposed to "Fair" but, in substance, the recent change was not an attempt to lower the standard but to correct the terminology to criteria the Metropolitan Nashville Government had always been practicing.

In his opinion, Mr. Briley stated the modified approach does not necessarily communicate if the Metropolitan Nashville Government is adequately taking care of its infrastructure. Since the standard can be changed to whatever the Metropolitan Nashville Government wants it to be, the standard could be lowered to divert money away from needed infrastructure spending to other areas. Mr. Briley advised the modified approach may not be the most prudent method.

Mr. Cooper asked about bridge improvements. Mr. William Davis stated the Needed/Budgeted Amounts for bridges is not necessarily the budgeted number but instead what is needed on an annual basis to maintain our bridge infrastructure at 75 percent. The Needs Amount can be an estimate from a professional engineering firm but is not necessarily the amount budgeted. Mr. Carr stated that he will research the footnote explanation in the CAFR. Mr. Cooper explained it will be easier to appropriate additional funding if the CAFR has a clear explanation of funds already encumbered, instead of the encumbered funds appearing available for expenditure.

There was continued discussion on maintaining the modified approach or changing to depreciation for roads and bridges infrastructure financial reporting. The decision to continue with the modified approach or change to a depreciation approach was acknowledged to be a management decision.

Mr. Bob Mendes made a motion that best practices and benchmarking with similar size local governments on the modified approach for accounting for infrastructure be reviewed and reported back to the Committee. The Committee requested the review include the true difference in the charge between depreciation versus the modified approach, a better understanding of why the Metropolitan Nashville Government adopted this approach, determine if anything is understated, and to know the time goal to get back up to the 70 percent. This motion was seconded and carried.

External Auditor Fiscal Year 2016 Financial Audit Communication

Mr. John Crosslin discussed their agenda, listed engagement team members, and areas to be audited. Mr. John Crosslin described the auditor responsibilities and responsibilities of management. He explained the auditor independence professional standards, AICPA guidance on fraud risk, and the strategy to address risk. He then explained the audit methodology and their timeline for the CAFR audit progress which will be from June 2016 through November 2016.

Mr. Mendes inquired if Crosslin & Associates was satisfied with what they were being paid. He also advised he anticipated that Crosslin & Associates would contact the audit committee if there were any significant issues with the audit or management. Mr. Dell Crosslin advised they were satisfied with the current compensation for the annual audit. Mr. Mendes commented many organizations rotate the principal auditor every so often and if that should be considered in the Metropolitan Nashville Government's engagement. The decision was made to not make a change during the middle of the audit process, but Mr. Dell Crossline was agreeable to considering it for future years.

Audit of Comcast Franchise Fees

Mr. Seth Hatfield described the objective, scope, and methodology used for this audit. The Office of Internal audit tested the accuracy and completeness of franchise fees owed to the Metropolitan Nashville Government. Audit results indicated that Comcast had overpaid the Metropolitan Nashville Government by \$42,197 because Comcast had not excluded bad debt expense and included whole house maintenance revenue in the calculated payment amounts to the Metropolitan Nashville Government. In addition, the auditors recommended that Comcast include subscriber information on the statements sent with the franchise fee payments as required by state law. Steps have since been taken to resolve the overpayment with Comcast.

Audit of Finance Department's Credit Card Purchases

Ms. Nan Wen described the objectives of the audit. Ms. Wen stated the audit showed that the Finance Department has controls in place to provide assurance that credit card usage is reasonably in compliance with Metropolitan Nashville Government financial policies. Controls are in place over the issuance of credit cards. However, maintenance of supporting documentation could be improved, and control over eligible types of card purchases could be tightened.

Mr. Mendes asked if the 15 of 173 purchases for which receipts were not available were for more expensive items or less expensive items. He said that 15 of 173 is 9 percent, but is it also 9 percent of the dollars or is weighted toward expensive or less expensive items. Mr. Swann explained that it was not related to specific amounts of purchases, but due to the fact that finance policy did not require a central repository for the documents resulting in misplaced supporting documentation. This procedure has since been corrected.

Mr. Mendes inquired to the number of credit cards issued within the Finance Department. Mr. Swann indicated that only five credits have been issued to Finance Department personnel.

Audit of Hotel Occupancy Tax for Fiscal Year 2016

Mr. Swann advised that since the Office of Internal Audit began conducting hotel occupancy tax audits, net underpayments identified totaled to almost \$700,000 after accounting for interest and penalties. Approximately \$500,000 has been collected. Mr. Cooper asked how underpayments would be detected if these audits were not conducted. Mr. Swann advised audits are the only way to detect underpayments. Mr. Swann advised other groups within the Metropolitan Nashville Government could conduct these audits as well. Mr. Swann advised there is no mandate to conduct hotel occupancy tax audits. A future audit was suggested to determine which hotels/vacation rental operators were permitted.

Mr. Swann stated that the Metropolitan Nashville Government was in the process of reviewing a proposal from Airbnb to collect and remit transit taxes on behalf of their host. Mr. Mendes requested that this proposal include a requirement for Airbnb to ensure host are permitted by the Metropolitan Nashville Government.

Request for Audit Metropolitan Public Health Department

On April 14, 2016, Dr. William Paul, Director of Health, Metropolitan Public Health Department, requested a financial compliance audit of all non-grant areas and an operational audit of the Bureau of Administration and Finance within the Metropolitan Public Health Department.

A motion was made to accept the audit into the 2016 Internal Audit Work Plan, and the motion was seconded and carried.

Request for Audit of Credit Card Usage within the Finance Department

On April 19, 2016, Ms. Talia Lomax-O'dneal requested an audit of credit card usage within the Finance Department. This audit would complement the existing review of credit card usage for all Metropolitan Nashville Government departments being performed by the Finance Department Office of Financial Accountability.

A motion was made to accept the audit into the 2016 Internal Audit Work Plan, and the motion was seconded and carried.

UNFINISHED BUSINESS

Update on internal audit legislation

Mr. Cooper stated there was very little to report at this time, but it was hoped to have more information at a future meeting.

The Fairgrounds Nashville Potential Audit Objectives

Mr. Bill Walker described the potential objectives for the audit of The Fairgrounds Nashville. After discussion on the audit objectives, the term “governance structure” was revised to “governance interaction.”

A motion was made to accept the audit objectives, and the motion was seconded and carried.

OTHER ADMINISTRATIVE MATTERS

Metropolitan Auditor’s Merit Pay Review

A discussion was conducted regarding the merit pay review for the Metropolitan Auditor. A letter included in the July 26, 2016, *Metropolitan Nashville Audit Committee Workbook*, page 48, states the Committee is satisfied with the performance of the Metropolitan Auditor and concurs with his current \$146,525 annual base salary along with a merit increase of 1.5 percent (\$2,198) plus participation in the Office of Internal Audit merit equal share pool (\$813), for a total salary merit increase of \$3,011. After the total salary merit increase, the Metropolitan Auditor’s annual salary will be \$149,536 effective July 1, 2016.

The proposed increase for the current year is on top of the 3.1 percent cost of living increase provided to all Metropolitan Nashville Government employees.

Mr. Swann advised the Committee an annual evaluation of the Metropolitan Auditor performance was completed in the November 2015 Committee meeting.

Mr. Mendes advised it would be prudent to conduct a more extensive evaluation going forward. Specifically, a review that has distinct objectives that can be measured and not over burdensome.

A motion was made based on a favorable review that the Committee concurs with the letter presented, and the motion was seconded and carried.

No action was taken on the remaining Agenda items because Mr. Briley had to leave and thereafter a quorum was not present.

Fraud Waste and Abuse Hotline and Investigation Update

Metropolitan Nashville Public Schools Fleet Matter

There was discussion on the results of the Metropolitan Nashville Public Schools’ Carl Black Chevrolet investigation into billing errors with \$176,828 owed from Carl Black Chevrolet. Carl Black Chevrolet did a review and found that \$124,000 was owed to Metropolitan Nashville Public Schools. The Metropolitan Nashville Public Schools requested the Metropolitan Nashville Office of Internal Audit investigate this billing matter prior to accepting the offer from Carl Black Chevrolet. Mr. Briley posed the question on whether they can pursue a qui tam case (intentional overbilling to a municipality requires payment of three times the amount of damages) based on these incorrect billings.

Discussion led to the need to review the protocol for distribution of investigation reports going forward.

Metro Water Services Stormwater Grates Investigation Update

Mr. Scott Potter reported by email that the result of an inventory of stormwater grates resulted in 4 out of 1,371 storm water grates (0.29 percent of the inventory) billed incorrectly. The 4 storm water grates are being addressed by the contractor, C K Masonry. This was a follow-up to the investigation related to Metro Water Services Storm Water Division not routinely performing post-upgrade stormwater grate inspections prior to invoice payment in 2014 and 2015.

Mr. Mendes commended the honesty of the Metropolitan Nashville Government employees in both of these investigation matters.

Request for Investigation Services Update

Mr. Swann mentioned there are non-audit service requests for pending investigations. The Hospital Authority Board has a pending request to investigate certain matters at Nashville General Hospital. Mr. Swann stated that all 1,000 budgeted hours for investigations have been used, for six investigations. There was some discussion about pending governance changes with the Hospital Authority Board and the on-going review being performed by Kraft CPAs. The Committee preferred to not have multiple assurance groups at Nashville General Hospital at the same time.

The meeting adjourned after approximately 1 hour and 28 minutes.

Respectfully submitted to the Metropolitan Nashville Audit Committee.

Mark Swann
Secretary, Metropolitan Nashville Audit Committee

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

**DRAFT
April 12, 2016**

On Tuesday, April 12, 2016, at 4:00 p.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2nd Floor, Committee Room 2. The following people attended the meeting:

Committee Members

Bob Brannon, Chairman
David Briley, Vice-Mayor
Talia Lomax-O'dneal, Director of Finance
Bob Mendes, At-Large Council Member
John Cooper, At-Large Council Member

Others

Mark Swann, Metropolitan Auditor
Seth Hatfield, Office of Internal Audit
Kim McDoniel, Chief Accountant
Laura Henry, Office of Internal Audit
Dell Crosslin, Crosslin and Associates
John Crosslin, Crosslin and Associates
David Hunt, Crosslin and Associates
Dan Miller, Crosslin and Associates
Joe McGinley, Office of Internal Audit
Joseph Webb, Hospital Authority
Marc Overlook, Hospital Authority
Keith Durbin, Chief Information Officer
Hank Clay, MNPS Government Relations
Maria Salas, Clerk and Master
Tony Neumaier, Metro Water Services

Quorum present? Yes

Call Meeting to Order

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

Approval of Minutes

A motion to approve the February 9, 2016, meeting minutes was made, seconded, and carried.

New Business

Discussion on Audit of the Health Department Immunization Program audit report issued February 18, 2016

Laura Henry presented a background of the Health Department Immunization Program. The audit objectives, observations, and recommendations were summarized by Ms. Henry. There was a discussion about how the follow-up on audit recommendations is accomplished and the process when management partially agrees with an audit recommendation.

Discussion of the Audit of the Clerk and Master of the Chancery Court audit report issued March 18, 2016

Seth Hatfield stated that this audit was requested by the State Trial Court Administrator due to the transitioning of the Clerk and Master position. Mr. Hatfield summarized the audit objectives and observations that were identified. There was a discussion about why previous audit recommendations from the August 28, 2018, audit report were not implemented.

David Briley joined the meeting at 4:12 p.m.

Discussion of the Juvenile Court audit report issued March 31, 2016

Joe McGinley presented the objectives and observations for this audit. All audit recommendations were implemented. No questions were raised.

Briefing on Metropolitan Nashville Information Security Program

Keith Durbin, Chief Information Officer, presented a history and overview of the Metropolitan Nashville Government Information Security Management Program. The program was formalized by Mayor Dean's Executive Order 38 and reaffirmed by Mayor Barry's Executive Order 34. Mr. Durbin is designated to administer the program, and the program is led by the Chief Information Security Officer.

Questions were asked regarding how often Metro Nashville's information systems are attacked, the groups that are attacking the system, what they would do with stolen information, and which Metro Nashville departments are not supported by Metro Nashville Information Technology Services.

Update on Metropolitan Nashville Hospital Authority's progress with Parallon's cooperation with external auditors and issues concerning credit receivables balance

Dr. Joseph Webb from the Metropolitan Nashville Hospital Authority presented an update on Parallon's cooperation with supplying requested documentation to the external auditors. He also explained the billing process for the hospital and described how credit balances are determined.

The Committee members directed questions to Dr. Webb and the external auditors regarding the billing and claims process to gain a better understanding and to determine how it will impact projections that were previously presented to the Metropolitan Nashville Council.

There was also discussion about why Parallon was hesitant to provide the Service Organization Control report to the external auditors. The auditors were allowed to review the report but were never provided a copy of it.

External auditor presentation FY 2015 Single Audit and FY 2015 Management Letter

Dan Miller presented the results of the FY 2015 Single Audit. No material weaknesses for internal controls were identified and there no instances of noncompliance with laws and regulations. Metro Nashville complied with the major federal programs that were reviewed. There were no material weaknesses identified around grant compliance.

David Hunt discussed the FY 2015 Management Letter. Mr. Hunt stated that some accounts were not being reconciled in a timely basis, outstanding items should be resolved, and controls should be strengthened around credit card transactions. Additionally, roads need to be maintained at 70 percent of fair or better condition to continue using the modified approach and not depreciate infrastructure. Metro Nashville roads are currently falling below that threshold.

Questions were asked about the financial impact if the modified approach was not to be used. There was also a discussion about how to get above the 70 percent threshold and who accesses the condition of the roads. Public Works hires an engineering firm for the assessment. The Committee requested that Public Works attend the next meeting for an update on the improvement of roads. Kim McDoniel will put together an estimate of the financial impact of not using the modified approach for the next meeting.

A motion to accept the audit reports was made, seconded, and carried.

Discussion on request to amend the 2016 Internal Audit Work Plan to include a financial compliance and operations audit of the Metropolitan Nashville Fairgrounds

The Fair Board of Commissioners requested that a financial compliance and operations audit be added to the 2016 Internal Audit Work Plan. After a discussion, the Committee decided to approve the audit through the planning phase. The scope and objectives of the audit will be presented to the Committee at the next meeting.

A motion to amend the 2016 Internal Audit Work Plan to include an audit of the Metropolitan Nashville Fairgrounds through the planning phase was made, seconded, and carried.

Discussion on request to amend the 2016 Internal Audit Work Plan audit of the Metropolitan Nashville Public Schools Student Information Systems to include a review of the district and schools accountability reporting process.

Mr. Swann stated that this audit was requested by the Metropolitan Nashville Board of Education. The purpose of the audit would be to identify and determine the functioning of internal controls that ensure the integrity of information used for reporting district, school, and student performance. This audit would be added on to the audit currently being conducted of the student information systems.

There was a discussion about the related reviews that have been completed both internally by Metropolitan Nashville Schools and by the State of Tennessee. Hank Clay, a representative from the Metropolitan Nashville Public Schools management team, fielded questions from the Committee members in regards to the internal review of credit recovery and end-of-course exams.

The Committee suggested that if the request was approved, any related corrective action plans should be reviewed and endorsed by the Metropolitan Nashville Board of Education.

A motion to revise the 2016 Internal Audit Work Plan for the audit of the Metropolitan Nashville Public Schools Student Information Systems to include a review of the district and schools accountability reporting process was made, seconded, and carried by four members. Talia Lomax-O'dneal abstained from the vote.

Unfinished Business

Update on internal audit legislation

Mr. Cooper gave a brief update on the internal audit legislation. He discussed concerns he has heard about the legislation and believes it is a good exercise to determine the scope of the Metropolitan Nashville Audit Committee within the Metropolitan Nashville Government.

Mr. Cooper will continue to field questions and concerns and will continue to carry the legislation forward.

Fraud Waste and Abuse Hotline and Investigation Update

Metro Water Services Storm Water Grates Inspections

No questions were raised regarding the investigation.

Nashville Farmers Market Fiscal Matter

No questions were raised regarding the investigation.

Other Administrative Matters

FY 2016 budget status and FY 2017 budget request

Mr. Swann gave a brief budget status update and reviewed the requested budget increase for the FY 2017 budget.

Meeting adjourned after 115 minutes.

Respectfully submitted to the Metropolitan Nashville Audit Committee members:

Mark Swann
Secretary, Metropolitan Nashville Audit Committee

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EXECUTIVE SUMMARY

August 18, 2016



Why We Did This Audit

The audit was initiated due to the role the Nashville Farmers' Market plays in enhancing the quality of life for the citizenry and the length of time that has elapsed since the last audit.

What We Recommend

The Nashville Farmers' Market should:

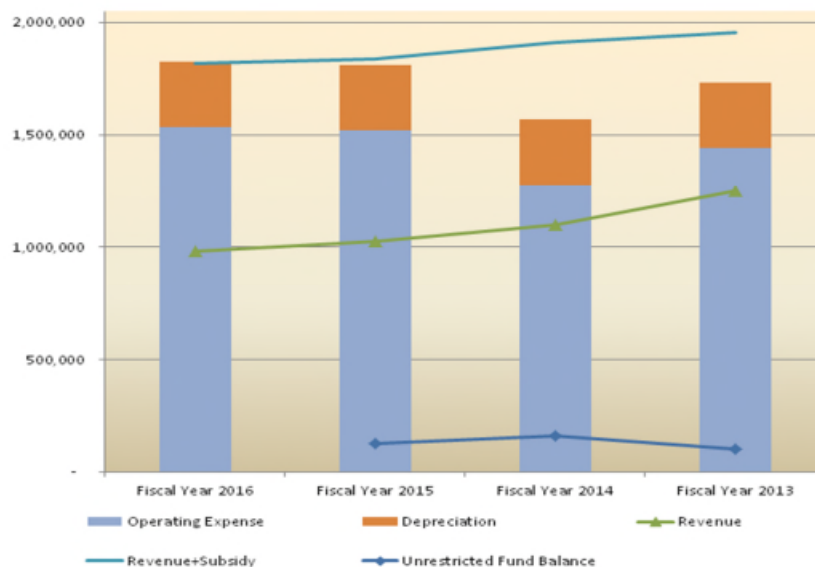
- Leverage technology to enhance financial and operational processes. Develop a more robust billing and accounts receivable system.
- Communicate aging reports and fee waivers to the Board.
- Establish a retention policy for original applications and other material documentation.

Audit of the Nashville Farmers' Market

BACKGROUND

The mission of the Nashville Farmers' Market is "to promote the Farmers' Market and provide retail space and educational products to the regional farmers, local food producers, and retail entrepreneurs so they can supply the highest quality products for the Nashville and regional shopping community".

Exhibit 1 – Financial Overview Fiscal Years 2016, 2015, 2014 and 2013



Source: *The Consolidated Annual Financial Report**

OBJECTIVES AND SCOPE

The objectives of this audit are to determine if:

- Existing controls provide assurance that the operational objectives and mission of the Nashville Farmers' Market are being achieved.
- Controls and procedures are in place to manage fiscal resources.

WHAT WE FOUND

The Nashville Farmers' Market has controls in place to help assure operational objectives are being met. However, the operational goal to be financially self-sufficient has yet to be met.

Control enhancements should be made for revenue and payroll activities, including implementing a more sophisticated document management, billing, and accounts receivable system. Maintenance of supporting documentation could be enhanced, particularly as it pertains to verification of merchant liability insurance.

* As of the date of this report, the fiscal year 2016 year end unrestricted fund balance was not available in the general ledger system.

Metropolitan Auditor Recommended Performance Standards

1. Independence, Objectivity Ethical Attributes

The Metropolitan Auditor demonstrates objectivity in his/her actions and provides verbal and written reports that are clear, complete, and free from bias.

2. Competency Attributes

The Metropolitan Auditor has appropriate professional certifications and actively encourages staff to attain and maintain such qualifications.

The Metropolitan Auditor has a thorough understanding of government services and related risks and ensures resources are deployed to maintain appropriate risk coverage throughout the year.

3. Audit Committee Relationship

The Metropolitan Auditor adequately prepares for and facilitates regular, concise communications with the Metropolitan Nashville Audit Committee.

The Metropolitan Auditor is open with the Metropolitan Nashville Audit Committee and candidly expresses opinions.

The Metropolitan Auditor provides a balanced perspective on topics such as organizational governance, risk, and internal control issues.

When issues requiring action are identified, the Metropolitan Auditor works with senior management to encourage appropriate corrective action in a timely manner.

4. Audit Plan Development and Execution

The Internal Audit Work Plan is developed and documented using a risk-based methodology to ensure audit engagements focus on the right areas (addresses what matters) with insightful objectives and with the right scope.

The Metropolitan Auditor requests appropriate board, elected officials, and senior management input to the internal audit plan.

Plans are monitored and amended as the business environment, and risks change, and the Metropolitan Nashville Audit Committee is appropriately informed of such amendments.

The Metropolitan Auditor allocates time for special projects and advisory services as requested by senior management and/or the board after appropriate consideration of the risks involved.

The Metropolitan Auditor delivers 19 internal audit reports in the internal audit plan year.

Management of the Metropolitan Nashville Government accepts at least 90 percent of internal audit report recommendations in the internal audit plan year.

Metropolitan Auditor Recommended Performance Standards

The Metropolitan Auditor ensures Internal Audit staff percentage of direct time to available time is 85 percent or greater in the internal audit plan year.

The Metropolitan Auditor effectively uses subject matter experts as necessary, such as legal, compliance, fraud, information technology, and other complex government service delivery areas.

The Metropolitan Auditor holds regular meetings with other stakeholders for purposes of debriefing, sharing information, and ensuring ongoing coordination.

The Metropolitan Auditor ensures audits are conducted in accordance with Government Auditing Standards (Yellow Book).

5. Creates a Desirable Work Environment that Encourages Knowledge Sharing, Teamwork, Collaboration, Fairness, and Transparency

The Metropolitan Auditor is effective in building a team. The Metropolitan Auditor promotes collaboration and builds an environment of transparency.

Staff feel they are treated fairly and respected for their contributions to the Metropolitan Nashville Office of Internal Audit.

Professional internal auditors want to work for the Metropolitan Nashville Office of Internal Audit.

6. Continuous Improvement

The Metropolitan Auditor completes two Metropolitan Nashville Office of Internal Audit strategic goals in the internal audit plan year.

Metropolitan Auditor Recommended Performance Standards

Metropolitan Nashville Office of Internal Audit Strategic Goals

1. Enhancing the methodology to target specific value added audits.
2. Coordinate the disposition of internal fraud, waste, and abuse investigations across all Metro Nashville entities.
3. Formalize fraud, waste, and abuse investigation guidelines.
4. Lobby for the Metropolitan Nashville Code of Laws to be revised to clarify Metropolitan Nashville Office of Internal Audit:
 - Access to all Metropolitan Nashville Government records, agreements, information systems, properties, and personnel. Accordingly, Metropolitan Nashville Government or any of its related entities' officials, employees, consultants, and contractors shall furnish any requested Metropolitan Nashville Government information and records within their custody and respond to any questions regarding such information and records.
 - Citizens intended scope of coverage for the Metropolitan Nashville Office of Internal Audit within the Metropolitan Nashville Government.
5. Developing audit subject matter experts within Internal Audit for key government functions (municipal bond financing, justice administration, City Works software, EnterpriseOne software, grants monitoring and administration).
6. Developing continuous monitoring scripts for duplicate payments, fuel card, and credit card misuse, hotel occupancy tax outliers, EnterpriseOne segregation of duties, etc.
7. Cross-walking the various assurance service efforts and the functions covered by their audits and reviews (external auditors, grant reviewers, department auditors, etc.), and consolidate assurance service reports on Metropolitan Nashville Office of Internal Audit internet site.
8. Implementing an analysis model to measure the financial health/stress of individual funds and component units over a multi-year span of time.
9. Coordinating a local government risk repository through the Association of Local Government Auditors.
10. Expanding training of the COSO *Internal Control Framework* and *Enterprise Risk Management* within the Metropolitan Nashville Government community to improve risk management and internal controls.
11. Improve communications of audit services to citizens and management of the Metropolitan Nashville Government through formal reports, video, internet presence, self-audit procedures, fraud, waste, and abuse hotline awareness, and so forth.
12. Implementing IIA Professional Internal Auditing Standards in addition to existing Government Auditing Standards.

Metropolitan Auditor Recommended Performance Standards

Metropolitan Nashville Office of Internal Audit Key Performance Indicators

Performance Measure	Goal	Plan Year		
		2016	2015	2014
Percentage of Direct Time to Available Time (Excluding Director)	85%	82%	79%	85%
Percentage of Recommendations Accepted (Plan Year)	90%	99%	77%	81%
Number of Audit Projects Completed (Plan Year)	19	7	15	19
Percentage of Recommendations Implemented within 1st Follow-Up after Initial Corrective Action Completion Date	85%		n/a	n/a
Percentage of Audit Project Milestone Dates Achieved	85%		n/a	n/a

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

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

SCOPE

The Metropolitan Nashville 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, agency, or office of the Metropolitan Nashville Government. Departments, boards, commissions, officers, agencies, and offices of the Metropolitan Nashville 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 Nashville Government, and any public entity whose existence is created or authorized by the Metropolitan Charter or the Metropolitan County Council.

RESPONSIBILITIES

Financial Statements

- While the financial statement audit engagement is ongoing meet in executive session with the external auditor near the mid-point of the audit engagement and prior to final issuance of the comprehensive annual financial report, to review progress, including any difficulties encountered, with the audit engagement and follow-up as appropriate.
- Review final audit reports and accept, or not accept, the audit results.
- Review with Metropolitan Nashville Government 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, agency, or office management's responses.
- Engage with the Metropolitan Auditor in performing a Metropolitan Nashville Government entity-wide risk assessment to form an audit work plan.

**METROPOLITAN GOVERNMENT OF
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- 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 internal audit work plan and all major changes to the plan.
- Review and approve the Division of Metropolitan Audit Bylaws annually.
- Assure continued independence of the 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 an annual report to the Metropolitan Nashville 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, agency, or office 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.
- Annually confirm that all responsibilities outlined in these bylaws have been carried out.

**METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY
METROPOLITAN NASHVILLE AUDIT COMMITTEE BYLAWS
SEPTEMBER 2016 DRAFT REVIEW COPY**

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, agency, or office management, auditors or others to attend meetings and provide pertinent 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
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PURPOSE

The Division of Metropolitan Audit, commonly referred to as the Metropolitan Nashville 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 (Metropolitan Nashville Government.)

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, agency, or office of the Metropolitan Nashville Government. Departments, boards, commissions, officers, agencies, and offices of the Metropolitan Nashville 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 Nashville 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 Metropolitan Nashville Government's control environment.
- Interaction with the various governance groups occurs as needed.
- External auditors' proposed audit scope and approach supplement internal audit efforts.

**METROPOLITAN GOVERNMENT OF
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DIVISION OF METROPOLITAN AUDIT BYLAWS
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- Activities indicate fraud, abuse, or illegal acts which need further investigation.
- Computer-based systems incorporate adequate controls.

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 Metropolitan Nashville Government personnel.
- Obtain regular updates from department, board, commission, officer, agency, or office 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 internal audit work plan to the Metropolitan Nashville Audit Committee for review and approval. The schedule shall include the proposed plan for auditing departments, boards, commissions, officers, agencies, offices, activities, systems, processes, and subcontractors for the subsequent twelve months. This plan may be amended during the period after review with the Metropolitan Nashville Audit Committee. Additionally, the Metropolitan Auditor may independently initiate and conduct any other audit deemed necessary with subsequent approval by the Metropolitan Nashville Audit Committee.

The internal audit work plan 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 Metropolitan Nashville Government monitoring functions so that the desirable audit coverage is provided, and audit effort is properly coordinated.

**METROPOLITAN GOVERNMENT OF
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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 Nashville Audit Committee, Department of Law, Mayor and Tennessee Comptroller of the Treasury. If it appears that the irregularity is criminal in nature, the Metropolitan Auditor shall notify the appropriate authority in addition to those officials previously cited.

ACCESS TO EMPLOYEES, RECORDS AND PROPERTY

The Metropolitan Nashville Office of Internal Audit personnel shall have full access to all Metropolitan Nashville Government records, agreements, information systems, properties, and personnel. Accordingly, Metropolitan Nashville Government or any of its related entities' officials, employees, consultants, and contractors shall furnish any requested Metropolitan Nashville Government information and records within their custody and respond to any questions regarding such information and records.

Metropolitan Nashville Office of Internal Audit 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. Metropolitan Nashville Office of Internal Audit personnel shall not publicly disclose any information received during an audit that is considered 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, agency, or office director or his/her designee for review and comment regarding factual content before it is released to the Metropolitan Nashville 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 of issuance of the final draft audit report. 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

**METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY
DIVISION OF METROPOLITAN AUDIT BYLAWS
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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 Nashville Audit Committee, the Mayor and the audited department, board, commission, officer, agency, or office. 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 Nashville Audit Committee and shall retain a copy as a permanent record. A copy will be posted on the Metropolitan Nashville Office of Internal Audit's internet site.

ANNUAL REPORT

The Metropolitan Auditor shall submit an annual report to the Metropolitan Nashville Audit Committee, during the first quarter of each calendar year, indicating audits completed, major concerns, corrective actions taken, and significant observations that have not been fully addressed by audited department, board, commission, officer, agency, or office 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 organization records, agreements, information systems, properties, or 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 Metropolitan Nashville Office of Internal Audit.

INDEPENDENCE

**METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY
DIVISION OF METROPOLITAN AUDIT BYLAWS
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To provide for the independence of the Metropolitan Nashville Office of Internal Audit, its personnel report to the Metropolitan Auditor, who reports administratively and functionally to the Metropolitan Nashville Audit Committee as established in the Metropolitan Nashville Code of Law, Section 2.24.300 Division of Metropolitan Audit.

In all matters relating to audit work, the Metropolitan Nashville Office of Internal 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.

FUNDING

The Metropolitan Nashville Office of Internal Audit shall submit budget proposals, in accordance with procedures established by the Metropolitan Nashville Government 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 Nashville Audit Committee.

**METROPOLITAN OFFICE OF INTERNAL AUDIT
MODIFIED ACCRUAL APPROACH
METROPOLITAN NASHVILLE AUDIT COMMITTEE INQUIRY**

BACKGROUND

The Metropolitan Nashville Audit Committee requested information be collected on how pervasive the modified approach was being utilized by other governmental entities and what were considered to be best practices when using this approach. To address this request, the Metropolitan Nashville Office of Internal Audit reviewed the following:

- The Comprehensive Annual Financial Reports for ten peer jurisdictions based on total general government expenditures to determine which financial reporting methodology the jurisdiction utilized. (See Exhibit A.)
- A study published in the *Journal of Government Financial Management* in the Spring of 2013. This study reviewed the Comprehensive Annual Financial Reports of 205 jurisdictions. The study stratified its sample selection based on population. The study showed only nine of the 205 jurisdictions sampled utilized the modified approach for financial reporting of infrastructure cost. (See Exhibit B.)

SUMMARY OF RESULTS

The vast majority of jurisdictions have opted to depreciate their infrastructure assets as opposed to using the modified approach (9 out of 214).

The potential reasons cited for not using the modified approach includes the time and effort to implement the approach, lack of an adequate asset management system, and not wishing to disclose that incurred expenditures are not sufficient preserve infrastructure assets at an acceptable level.

For those jurisdictions that did utilize the modified approach, a significant variance existed in the type of infrastructure assets that were being measured as well as the criteria established by management regarding what was considered an acceptable level of preservation.

One goal of the modified approach is to enhance communication to decision makers and citizens about the state and cost of maintaining critical public infrastructure. Based on the variances mentioned above, this goal has not been realized to the extent intended.

EXHIBIT A: PEER JURISDICTION COMPARISON

Jurisdiction	Expenditures	Method	Useful Life Measure
County of Nassau, NY	\$2,818,842,000	Depreciation	15 to 40
City of Memphis, TN	2,694,879,000	Depreciation	50
County of Sacramento, CA	2,658,076,000	Depreciation	20 to 50
Harris County, TX	2,516,876,000	Depreciation	Roads (20), Bridges (40)
City of Baltimore, MD	2,515,903,000	Depreciation	25 to 80
Nashville & Davidson County, TN	2,476,807,474	Modified Approach	Not Applicable
County of Alameda, CA	2,435,663,000	Depreciation	10 to 100
City and County of Denver, CO	2,426,274,000	Depreciation	6 to 50
Baltimore County, MD	2,329,066,000	Depreciation	20 to 75
County of Contra Costa, CA	2,325,893,000	Depreciation	Not Available
Westchester County, NY	2,247,003,000	Depreciation	50

Source: Comprehensive Financial Reports for Each Jurisdiction

**METROPOLITAN OFFICE OF INTERNAL AUDIT
MODIFIED ACCRUAL APPROACH
METROPOLITAN NASHVILLE AUDIT COMMITTEE INQUIRY**

EXHIBIT B: GFOA STUDY

Jurisdiction	Infrastructure Applied	Condition Classifications	Benchmark
<i>Nashville, TN</i>	<i>Roads, Streets, Bridges, Underpasses</i>	<i>Reports total percentage rated good or better (four levels, excellent, good, fair and poor)—no breakdown of percent good or percent excellent. No other levels reported.</i>	<i>Maintain 70% rated good or better</i>
Los Angeles, CA	Bridges Only	Reports percentage in each of five condition levels: A=Very Good; B=Good to Fair; C=Fair to Poor; D=Very Poor; F=Failure	Maintain 70% rated A or B PLUS none rated below D.
Anchorage, AK	Paved Roads	Reports percentage rated 'Good or Better' combined and percentage rated "Fair."	Maintain 60% rated good or better
Fort Wayne, IN	Roads	Reports the average rating on a 1-100 scale instead of reporting the percentage that met each of 4 or 5 levels.	Maintain average condition in the range of 60-79
Freemont, CA	Roads and Streets	Reports in two ways: percentage rated in each of 3 levels: 'Good to Excellent;' Fair; Sub-standard—Poor. Also reports average condition Rating.	Originally maintain and average of 70%. Reduced in 2011 to average between 50-60%
Roseville, CA	Street Paving	Reports Average PQI (Pavement Quality Index: a 1-10 scale) for Arterial Roads, and for Residential Streets; and Average Ground Management Index (levels 1 to 6) for Parks/Landscaping.	Maintain arterial at 7.5 or better, residential at 6.5 or better
Redona Beach, CA	Street Paving	Reports Average PQI (Paving Quality Index) and percentage rated Very Good; Good; Fair and Poor.	Maintain average PQI 70 ('03-'07)—as of '02 set goal to achieve average of 80 by FY '08/09
Lufkin, TX	Street Paving	Reports PCI (Pavement Condition Index) categorized as Excellent (80-100), Fair (56-79), and Substandard (< 55	Specifies a condition level of 56 (lowest established minimum-condition level of any of the cities)
Saco, ME	All Infrastructure	Two systems: street pavement & all other (which includes storm drainage, sidewalks, & traffic signals)— reports percentage in each AMSR (Asset Management System Rating) level: 1 (Excellent to Good); 2 (Fair); 3&4 (Poor to Substandard	A minimum PCI of 70 (AMSR level 2)for all streets, and a minimum level of 2 for all other

Source: "The Modified Approach to Reporting the Cost of Infrastructure" by Charlotte Pryor, Ph.D. Journal of Government Financial Management, Spring 2013.

Swann, Mark (Internal Audit)

From: Wahlstrom, Sharon (Public Works)
Sent: Thursday, August 25, 2016 9:22 AM
To: Walker, William B (Internal Audit); Swann, Mark (Internal Audit)
Cc: Reid, Donald (Public Works); McDoniel, Kim (Finance - Division of Accounts); Lomax-O'dneal, Talia (Finance Director's Office); Sturtevant, Mark (Mayor's Office)
Subject: FW: Audit Committee Request
Attachments: PAVEMENT CONDITION HISTORY.docx

Please see the Engineering response below. We are currently coordinating with Kim McDoniel and Talia Lomax-O'dneil on a new format for the CAFR that provides better information about what funding is needed, versus budgeted, versus spent, versus planned. This format should help answer some of the remaining questions presented by Councilmember Cooper and Vice Mayor Briley.

Thanks.

~Sharon W.
615-880-1681

From: Reid, Donald (Public Works)
Sent: Tuesday, August 23, 2016 11:14 AM
To: Wahlstrom, Sharon (Public Works)
Cc: Jones, Thomas (Public Works)
Subject: RE: Audit Committee Request

Based upon the historical trend in the attachment we are averaging an increase of 2 percent each year. The would mean we would be back at 70 in approximately 3 to 4 year.

From: Walker, William B (Internal Audit)
Sent: Thursday, August 18, 2016 3:44 PM
To: Wahlstrom, Sharon (Public Works)
Cc: Swann, Mark (Internal Audit)
Subject: Audit Committee Request

Sharon, I hope you are well. One of the questions brought up in the last audit committee meeting was the 70 percent threshold used in assessing our infrastructure. Is there a timeline as to when Metro expects to be back above the 70 percent for the "Percentage of Lane-Miles in Fair or Better Condition" schedule?

Thank you in advance for your help. Please feel free to contact me with any questions or concerns.

Bill Walker, CPA, CIA

Metropolitan Nashville Office of Internal Audit
Tel: 615 862-6714 | Mobile: 615 400-1991 | Fax: 615 862-6425

Got Issues? Try the Metro Nashville Integrity Line: www.tnvinc.com/MetroNashville

PAVEMENT CONDITION HISTORY

Percentage of Lane Miles in Excellent, Good, & Fair Condition

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
63.40%	62.22%	61.63%	60.08%	57.47%	52.73%

It is the policy of the Government to maintain at least 70% of its roads and streets system at a fair, good or excellent condition.

Fair (OCI 70-79)

Good (OCI 80-84)

Excellent (OCI 85-100)

From: McDoniel, Kim (Finance - Division of Accounts)
 Sent: Friday, September 9, 2016 11:08 AM
 To: Swann, Mark (Internal Audit) <Mark.Swann@nashville.gov>
 Cc: Carr, Phil (Finance - Acctg and Reporting) <Phil.Carr@nashville.gov>; Wahlstrom, Sharon (Public Works) <Sharon.Wahlstrom@nashville.gov>; Walker, William B (Internal Audit) <William.Walker4@nashville.gov>
 Subject: FW: Article on road condition

Mark -

I'm following up with Public Works on why the percentage for 2015 is different than CAFR - more on that later.

What has been reported on the needed/budgeted line is what Public Works indicated was needed. We will break that out for clarity beginning with the 2016 CAFR. See the below.

Note that the amounts spent in a given year would include amounts that were budgeted in prior years. For the years 2011 through 2015 reported in the CAFR, at June 30, 2016 a total of \$8.3 million was budgeted but unspent and unencumbered.

	2015	2014	2013	2012	2011
Needed	32,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Budgeted	30,000,000	20,000,000	25,000,000	-	12,000,000

-----Original Message-----

From: Swann, Mark (Internal Audit)
 Sent: Thursday, September 08, 2016 10:06 AM
 To: McDoniel, Kim (Finance - Division of Accounts)
 Cc: Carr, Phil (Finance - Acctg and Reporting); Walker, William B (Internal Audit)
 Subject: RE: Article on road condition

Kim,

I wanted to check-in on the question from the audit committee for the "Needs/Budgeted" line item for the audit committee meeting next week. The attached Payment Conditions history was provided by Public Works and the research on modified accrual reporting was completed by the Office of Internal Audit.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

CONDITION RATING OF TRANSPORTATION NETWORK

Unaudited – See Accompanying Accountants' Report

The transportation network of the Government is segregated into two subsystems: roads and streets, and bridges and underpasses. Information regarding condition and needed and actual maintenance costs is presented below.

ROADS AND STREETS

Percentage of Lane Miles in Fair or Better Condition

Percentage of Lane-Miles in Fair or Better Condition

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
60.5 %	61.6 %	60.1 %	57.5 %	52.7 %

The condition of road and street pavement is measured using a vehicle called the South Dakota Road Profiler and calculated using the Cartegraph Pavement View Plus pavement management system. The condition is determined based on data collected by the laser road surface test located beneath the Profiler (surface condition) and the distresses are collected from roadway images along with other road and street information such as traffic surface type, street length, street width, area and location. The system uses a measurement scale that is based on a condition index ranging from zero for a pavement in very poor condition to 100 for a pavement in excellent condition. The condition index is used to classify roads and streets as excellent (100-85), good (84-80), fair (79-70) and below standard (less than 69). Condition assessments are collected on an annual basis for half of the county. For assessment purposes, the county is divided into 5 groups with groups 1, 3 and 4 assessed in one year and groups 2 and 5 assessed in the alternate year. The condition of groups 2 and 5 was assessed in fiscal year 2015. The condition of groups 1, 3 and 4 was assessed and reported in fiscal year 2014. It is the policy of the Government to maintain at least 70 percent of its road and street system at a fair or better condition.

As indicated in the table above, the percentage of lane miles in fair or better condition increased for groups 2 and 5 in 2015 as compared to 2013, despite excessive snow and ice during the 2014-15 winter. Also noteworthy regarding the 5-year trend of lower than historical percentages is that these years followed the destructive flood of May 2010. The Government continues to recover from that major catastrophe, which is evidenced by improvements over the 2011 rate of 52.7%.

There were 14 lane miles of roads added in 2015, bringing the total to 5,866 lane miles of roads and streets in the transportation network. The majority of the growth is due to additions of two-lane roads from new developments.

Comparison of Needed to Actual Maintenance

Comparison of needed to Actual Maintenance

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Needed/Budgeted	\$ 32,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000
Actual Spent	17,265,524	18,330,337	9,894,464	7,987,836	10,247,615
Difference	<u>\$ (14,734,476)</u>	<u>\$ (1,669,663)</u>	<u>\$ (10,105,536)</u>	<u>\$ (12,012,164)</u>	<u>\$ (9,752,385)</u>

During fiscal year 2015, the actual amount spent on roadway paving and surface treatment was less than the budgeted amount. Maintaining the condition of the roads and streets in accordance with the policy referenced above continues to be a priority as evidenced by a budget increase to \$32 million in 2015 from \$20 million in 2014. Also, spending in the last two years totaling \$35.6 million was double the \$17.9 million spent in the previous two year periods.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 CONDITION RATING OF TRANSPORTATION NETWORK (CONTINUED)

Unaudited – See Accompanying Accountants' Report

BRIDGES AND UNDERPASSES

Percentage of Deck Area in Fair or Better Condition

Percentage of Deck Area in Fair or Better Condition

2015	2014	2013	2012	2011
97.1 %	97.1 %	98.9 %	98.9 %	98.8 %

Condition assessments are determined by the State every two years. Results are released by the State late in the calendar year. Thus, the most recent assessment results were provided late in calendar year 2013 and reported for fiscal 2015. Due to this timing, condition assessments reported above for each even year are the results provided by the State. The condition for each odd year is reported at the previous year's value unless the Public Works Department of the Government has a basis for recalculation internally. The condition for 2012 reflected a slight increase due to the completion of two bridge replacement projects, while the condition reported for 2013 remained the same. Although the condition reported for 2014 reflects a slight decrease, the condition remains high at a rate of 97.1%. With no basis for recalculation for 2015, it is reported the same as 2014.

The condition of bridges and underpasses is measured using the Federal Aid Bridge Inspection System supervised by the Tennessee Department of Transportation (TDOT), which is based on a two-year cycle of inspections of structures designated in two categories: Non-Federal Aid and Federal Aid Urban. The inspection system uses a measurement that classifies the condition as good, fair, poor or critical. The Public Works Department of the Government reviews all findings on all inspections. It is the policy of the Government to maintain at least 75 percent of its bridges and underpasses in fair or better condition.

There are currently 218 Non-Federal Aid and 109 Federal Aid Urban bridges and underpasses in the transportation network determined from the final analysis of the 2013 inspection as compared to 219 Non-Federal Aid and 108 Federal Aid Urban bridges and underpasses from the final analysis of the 2011 inspection. The 2013 TDOT inspection determined the network consists of 1 less Non-Federal Aid bridge and underpass and 1 additional Federal Aid Urban bridge and underpass as compared to the 2011 inspection. The John Seigenthaler Pedestrian Bridge (formerly the Shelby Pedestrian Bridge) was added to the list as a special structure. Total square feet of deck area is estimated to be 1,319,519. Deck area is calculated based on TDOT inspection reports for bridges conveying vehicular traffic only.

Comparison of Needed to Actual Maintenance

Comparison of needed to Actual Maintenance

	2015	2014	2013	2012	2011
Needed/Budgeted	\$ 26,820,557	\$ 27,426,000	\$ 17,595,720	\$ 14,900,000	\$ 14,862,000
Actual Spent	3,326,729	2,981,757	1,985,619	2,827,816	2,305,765
Difference	\$ (23,493,828)	\$ (24,444,243)	\$ (15,610,101)	\$ (12,072,184)	\$ (12,556,235)

During fiscal year 2015, the actual amount spent on bridge and underpass repair and maintenance was significantly lower than the needed amount. Maintaining the condition of bridges and underpasses in accordance with the Government's policy referenced above continues to be a priority as reflected in the condition rating. The needed maintenance for 2015 decreased slightly from 2014 by \$600,000.

Swann, Mark (Internal Audit)

From: Atchley, Joe (Health)
Sent: Tuesday, June 21, 2016 11:49 AM
To: Harden, Dianne (Health)
Subject: FW: Procedures for corrections
Attachments: Self-corrections in PTBMIS 1-28-16.docx

From: PTBMIS Helpdesk (Heath)
Sent: Wednesday, March 09, 2016 2:39 PM
To: Russell, Keisha (Health); Fanfan, Carline (Health); Gregory, Marilyn (Health); Stratz, Denise (Health); Bess, Karen (Health)
Cc: Stamm, Sanjana (Health); Anderson, Shoana (Health); Hutcheson, John (Health - Vendor); Foster, Norman (Health); Campbell, Camille (Health); Brooks, Rhonda (Health); Harden, Dianne (Health); Atchley, Joe (Health); Morris, Shelia (Health)
Subject: Procedures for corrections

Good afternoon,

As lead clerks, you now have the ability to make certain corrections in PTBMIS, as outlined in the attached document. Please send correction emails with the appropriate screenshots to this mailbox. Additionally, if you have any questions, send them to this mailbox as well.

<p>C.2 Restrict the responsibility of updating patient insurance information to the clerks at the clinic front desk, rather than allowing an employee in the finance office to make changes in the Patient Tracking and Billing Management Information System.</p>	<p>Partially accept. We are currently working on giving more responsibility to the clerks for the updating of patient information. However, if an insurance remit reflects that a patient is not covered under insurer's policy or that they are not the primary insurer, we feel that it is only practical for MPHD Finance to implement the appropriate changes and note any changes in the note field of the patient registration screen.</p>	<p>May 1, 2016</p>
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Comprehensive Annual Financial Report For the Year Ended June 30, 2015

The Metropolitan Government of Nashville and Davidson County
Nashville, Tennessee



Megan Barry, Mayor



FY 2015

Single Audit Report

Letter of Recommendations to Management

ORDINANCE NO. BL2016-159**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 cooperate fully 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, agencies, or offices 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.

1. 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.

2. No employees of these entities shall suffer any retaliatory action for reporting to or cooperating with the Division of Metropolitan Audit or the Audit Committee.

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, agencies, or offices 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 investigation and disposition of reported incidents of fraud as contemplated above in subsection I of this section, concerning any department, board, commission, officer, agency, or office of the Metropolitan Government. Departments, boards, commissions, officers, agencies, and offices 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.

Sponsored by: John Cooper

LEGISLATIVE HISTORY	
Introduced:	March 1, 2016
Passed First Reading:	March 1, 2016
Referred to:	Budget & Finance Committee
Deferred to April 19, 2016:	March 15, 2016
Passed Second Reading:	
Passed Third Reading:	
Approved:	
By:	

Requests for ADA accommodation should be directed to the Metropolitan Clerk at 615/862-6770.

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**Metropolitan Nashville Office of Internal Audit
Audit Project Status
As of September 13, 2016**

Audit Plan Year February 2016 to January 2017 Projects	Planning	Fieldwork	Report	Report Phase	
				Draft	Final
1) Health Department Immunization Program			✓		Feb-16
2) Comcast Franchise Fee			✓		Jun-16
3) Juvenile Court			✓		Mar-16
4) ITS Microsoft Exchange Email			✓	Sep-16	
5) Nashville Farmers Market			✓		Aug-16
6) Clerk and Master			✓		Mar-16
7) MNPS Student Management Information Systems			✓	Sep-16	
8) First Tennessee Park Construction			✓	Sep-16	
9) Human Resources Civil Service Hiring Process		✓			
10) Nashville Fairgrounds			✓	Sep-16	
11) Finance Long Term Debt Process			✓	Sep-16	
12) Finance Department Credit Card Usage			✓		Jul-16
13) FY2016 Hotel Audit Summary			✓		Jul-16
14) Health and Education Facilities Board	✓				
15) State Trial Court - Office of Conservatorship Management		✓			
16) Public Works - Responsive Traffic Signal Timing Program	✓				
17) Parks & Recreation - Park Police	✓				
18) 800 MHz Radio Shop Recommendation Follow-Up		✓			
Metro IntegrityLine Alerts February 2016 to January 2017			Total	Closed	Pending
Metro Hotline Alerts (Fraud, Waste & Abuse)			6	6	0
Cases Reported to State of TN			0	0	0
Cases Tasked to OIA by State of TN			3	3	0
Cases Tasked to OIA by Metro Entities			2	2	0

Note: Goal to complete 19 audit projects for Plan Year 2016. Currently 7 audit projects are completed, and 5 audit projects are in the draft report phase.

**Summary of Hotel Occupancy Tax Audit Results
As of September 11, 2016**

Fiscal Year	Number of Audits	Total Hotel Revenue	Total Tax Reported	Tax Underpaid	Penalty & Interest	Tax Overpaid
2013	18	\$ 63,740,705	\$ 5,385,583	\$ 37,849	\$ 14,974	\$ 30,766
2014	29	\$ 182,368,581	\$ 14,242,187	\$ 351,732	\$ 123,638	\$ 60,308
2015	14	\$ 42,664,158	\$ 2,849,694	\$ 100,166	\$ 37,551	\$ 11,382
2016	15	\$ 195,849,557	\$ 14,150,449	\$ 106,816	\$ 40,036	\$ 24,072
2017	1	\$ 6,759,004	\$ 595,423	\$ 4,302	\$ 918	\$ 1,404
Grand Total	76	\$ 484,623,001	\$ 36,627,914	\$ 596,564	\$ 216,199	\$ 126,528
Fiscal Year	Percent of Tax Underpayment	Net Claims				
2013	-0.7%	\$ 22,058				
2014	-2.5%	\$ 415,061				
2015	-3.5%	\$ 126,335				
2016	-0.8%	\$ 122,781				
2017	-0.7%	\$ 3,816				
Total	-1.6%	\$ 690,051				

**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

Fraud, Waste, and Abuse Hotline Investigation Report Protocol Review

Metropolitan Nashville Audit Committee Hotline Investigation Final Report

- a. Final Report (Open Record) distribution to:
 - Impacted Department Director/Board
 - Department of Law
 - Metropolitan Nashville Audit Committee
 - Others as circumstance requires, District Attorney, Chief of Police
 - Mayor's Office
- b. Summary transmittal letter included in Audit Committee Workbook and matter itemized on Metropolitan Nashville Audit Committee meeting agenda.

Investigation Final Report on Behalf of Comptroller of the State of Tennessee

- a. Final Report (Confidential) distribution to:
 - Office of the Comptroller of the State of Tennessee
 - Impacted Department Director/Board
 - Department of Law
 - Metropolitan Nashville Audit Committee
 - Others as circumstance requires, District Attorney, Chief of Police
 - Mayor's Office

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**Office of Internal Audit Budget versus Actual
GSD General Fund as of September 11, 2016
FY 2017 Approved Budget**

		FY 2017 Budget	Actual As of September 11, 2016	Difference	Notes
Total Salaries & Fringe		\$ 1,079,500	168,744	\$ 910,756	
Other Expenses					
Professional & Purchased Services		125,100	7,835	117,265	
Building Rent Parkway Towers		55,500	9,261	46,239	
Other Expenses		71,900	7,998	63,902	
Internal Service Fees		50,900	-	50,900	Information Technology
TOTAL EXPENSES		\$ 1,382,900	\$ 193,838	\$ 1,189,062	
30003 General Fund 4% Reserve		\$ 8,725	\$ -	\$ 8,725	

Office of Internal Audit Budget History

For the year ending June 30,	Co-sourcing Audit Budget	Total Budget	Co-sourcing Percent of Budget	FTE
2008	\$ 500,000	\$ 1,477,000	34%	10
2009	231,000	1,481,600	16%	13
2010	112,000	1,262,000	9%	12
2011	234,000	1,359,800	17%	11
2012	165,000	1,265,400	13%	10
2013	156,200	1,277,900	12%	10
2014	60,200	1,179,300	5%	10
2015	45,100	1,214,900	4%	10
2016	75,100	1,290,400	6%	10
2017	125,100	1,382,900	9%	10

Metropolitan Nashville Office of Internal Audit

As of September 6, 2016

Executive Team

Mark Swann
CPA, CIA, CISA, ACDA
Metropolitan Auditor
X26158

Project and Office Management Leadership

Qian Yuan
MS-Info Sys, CIA, CISA,
ACDA
Principal Auditor
x26111

William (Bill) Walker
CPA, CIA
Principal Auditor
x26714

Project Quality, Milestone/Project Budget Monitoring, Hotline Support, Training Plans, GAGAS Compliance,
Office Support, etc

Audit Talent Pool

Seth Hatfield
Macc, CPA, CIA
Senior Auditor
x79672

Herman (Jack) Henry
CPA, CGFM, CGMA
Senior Auditor
x26286

James Carson
MBA, CIA, CFE
Senior Auditor
x26430

Mary Cole
Macc, CPA, CISA, CFE,
CGFM
Senior Auditor
x26407

Laura Henry
Macc, CFE
Auditor II
x26456

Nan Wen
MS-Info Sys, MS-Acctg,
CPA
Auditor II
x26429

OPEN

**METROPOLITAN NASHVILLE AUDIT COMMITTEE
2016 MEETING PLAN**

Meeting Date	Proposed Agenda Topics
February 9, 2016	<ul style="list-style-type: none"> • Office of Internal Audit Annual Performance Report • Internal Audit Annual Work Plan approval • Internal Audit issued report discussion • Follow-up Comprehensive Annual Financial Report, Single Audit Report, and Management Letter
April 12, 2016	<ul style="list-style-type: none"> • External Audit Single Audit and Management Letter presentation • Information Security Program Update • Internal Audit issued report discussion • Follow-up Comprehensive Annual Financial Report
July 26, 2016	<ul style="list-style-type: none"> • External Audit plan and required communications • Internal Audit issued report discussion • Metropolitan Auditor performance review • Follow-up Comprehensive Annual Financial Report, Single Audit Report, and Management Letter
September 13, 2016	<ul style="list-style-type: none"> • Metropolitan Audit Committee self-assessment • Bylaws annual review • Internal Audit issued report discussion • Executive Session - FY 2016 Comprehensive Annual Financial Report Audit Midpoint Update
November 17, 2016	<ul style="list-style-type: none"> • Internal Audit issued report discussion • Executive Session – FY 2016 Draft Comprehensive Annual Financial Report Update
December 13, 2016	<ul style="list-style-type: none"> • External Audit Comprehensive Annual Financial Report • Internal Audit issued report discussion

2016 Internal Audit Work Plan as of September 11, 2016
Plan Period February 2016 to January 2017

*Co-source	CY 2015 Audits In Progress	Plan Hours	Actual Hours	Status
1	Hotel Occupancy Tax Audits	80	76	Completed
2	Juvenile Court	100	60	Completed
3	Health Department - Immunization Programs (Reporting Phase)	50	9	Completed
4	Clerk and Master	120	119	Completed
5	Farmers Market (Field Work Phase)	300	614	Completed
6*	Information Technology Services - Microsoft Exchange Email Application Management(Reporting Phase)	200	215	Draft Report
7	Comcast Franchise Fee Audit (Reporting Phase)	150	183	Completed
CY 2016 New Audit Areas				
1	Hotel Occupancy Tax Audits	500	138	In-Progress
2	Airport Authority - Expenditures (Accounts Payable)	600		
3*	Metro-wide Employee Safety Program	800	34	
4	Metropolitan Development and Housing Agency - Tax Incremental Financing	600		
5	Health and Educational Facilities Board	400	84	In-Progress
6	State Trial Courts – Office of Conservatorship Management	800	153	In-Progress
7*	General Services - Fleet Operations	800		
8*	Sports Authority – 1 st Tennessee Field Construction Contract	600	804	In-Progress
9	General Services – 800 MHz Radio Shop Recommendation Follow-up	100	51	In-Progress
10	Metro Parks and Recreation – Park Police	800	83	In-Progress
11	Hospital Authority – General Hospital Expenditures (Payroll and Accounts Payable Process)	1,000		
12	Public Works - Smart City Traffic Signal Program	500	139	In-Progress
13	Metro Water Services - Storm Water Revenue	800		
14	Human Resource Department - Hiring Process	800	494	In-Progress
15	Finance – Purchasing Department	800		
16*	Finance – Treasury Debt Financial Instrument Issuance Process	800	250	In-Progress
17	Information Technology Services – Information Back-up and Recovery	600		
18	Metropolitan Nashville Public Schools – Student Information Systems and District/School Accountability System	800	1,533	In-Progress
19*	Metro Water Services – Clean Water Nashville Overflow Abatement Program – Selected Projects Contract Compliance	400		

2016 Internal Audit Work Plan as of September 11, 2016
Plan Period February 2016 to January 2017

Approved Additions to CY 2016 Internal Audit Plan				
20	The Fairgrounds Nashville	600	605	In-Progress
21	Finance Department – Credit Card Usage	200	239	Completed
22	Health Department – Compliance and Operational Audit	600		
Fraud, Waste, and Abuse Investigations and Hotline Support				
	Fraud, Waste, and Abuse Investigations and Hotline Support	1,200	1,286	

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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 CooperAtLarge@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 One Public Square, Suite 204 Nashville, TN 37201- (615) 756-3533 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 09-May-16

Metropolitan Clerk's Office

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

PURPOSE

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

SCOPE

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

RESPONSIBILITIES

Financial Statements

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

Risk Management and Internal Control

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

Internal Audit

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

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

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

Reporting Responsibilities

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

Other Responsibilities

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

COMPOSITION

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

MEETINGS

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

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

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

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

PURPOSE

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

SCOPE

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

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

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

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

The Metropolitan Auditor shall have authority to:

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

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

AUDIT SCHEDULE

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

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

REPORT OF IRREGULARITIES

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

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

ACCESS TO EMPLOYEES, RECORDS AND PROPERTY

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

AGENCY RESPONSE

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

AUDIT FOLLOW-UP

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

REPORTS TO METROPOLITAN AUDIT COMMITTEE

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

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

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

ANNUAL REPORT

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

CONTRACT AUDITORS, CONSULTANTS AND EXPERTS

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

INDEPENDENCE

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

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

STANDARDS OF AUDIT PRACTICE

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

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

FUNDING

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

RECORDS

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

REASSESSMENT

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

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

Article IV. - Division of Metropolitan Audit

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

2.24.300 - Division of metropolitan audit.

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

(Ord. BL2007-1318 § 2, 2007)

Sec. 8.121. - Division of metropolitan audit.

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

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

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

SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT

Council

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

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

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

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

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

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

Metro Code 2.04.033 – Metropolitan Council

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

Mayor and Department of Metropolitan Finance

Metro Charter Section 5.03 – Power and authority of mayor.

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

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

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

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

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

**METROPOLITAN GOVERNMENT OF NASHVILLE
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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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Metropolitan Nashville Audit Committee

Executive Session Checklist

- The published agenda must disclose the general nature of the items to be discussed in executive session.
See, T.C.A. §9-3-405(f)
- All business which is public in nature shall be conducted first.
See, T.C.A. §9-3-405(g)(1)
- During the regular public session committee must vote to go into private executive session. Must obtain a majority to be successful.
See, T.C.A. §9-3-405(d)
- Chair must announce during the public portion of the meeting that no business other than the matters stated generally on the published agenda shall be considered during the confidential executive session.
See, T.C.A. §9-3-405(e)
- Adjourn the public portion of the meeting.
See, T.C.A. §9-3-405(g)(2)
- Only individuals whose presence is reasonably necessary in order for the committee to carry out its executive session responsibilities may attend the portion of the executive session relevant to that person's presence.
See, T.C.A. §9-3-405(h)

Permissible Executive Session Subject Matter

1. Items deemed not subject to public inspection under §§ 10-7-503 and 10-7-54, 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
4. Information protected by federal law
5. Matters involving information under § 9-3-406 where the informant has requested anonymity
See, T.C.A. § 9-3-405(d)