

# METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



## METROPOLITAN NASHVILLE AUDIT COMMITTEE WORKBOOK

December 13, 2016

### The Three Lines of Defense Model



Adapted from ECIIA/FERMA *Guidance on the 8th EU Company Law Directive, article 41*

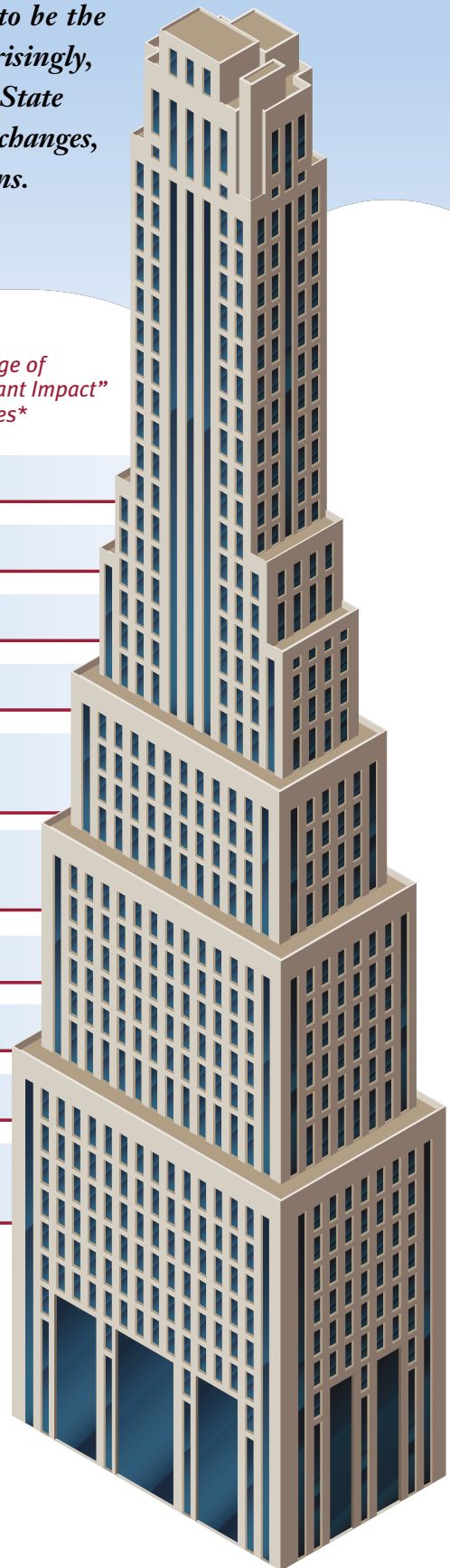
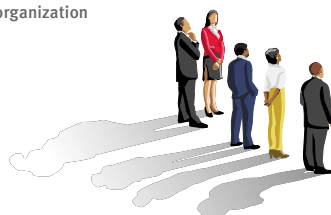
# Executive Perspectives on Top Risks for 2016

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

\* 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](http://erm.ncsu.edu) or [protiviti.com/toprisks](http://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  
December 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 November 17, 2016, Meeting. (Bob Brannon – Committee Chairman)
- III. New Business
  - Discussion of the Audit of the Office of Conservatorship Management audit report issued December 2, 2016. (Nan Wen – Internal Auditor II)
  - Discussion of the Audit of Metropolitan Nashville Public Schools Performance Reporting Process issued December 6, 2016. (Laura Henry – Internal Auditor II)
  - Discussion of the Audit of Metro Nashville Public Works Department Traffic Signalization Improvement Projects – Interim Report One issued December 8, 2016. (Mary Cole – Senior Internal Auditor)
  - Follow-up discussion on Audit of the Metropolitan Nashville Government’s Debt Management Process audit report issued November 2, 2016. (Mark Swann – Metropolitan Auditor)
  - Discussion of the the Metro Water Services Clean Water Nashville Overflow Abatement Program issued October 11, 2016. (Crosslin & Associates, P.C.)
  - External auditor presentation FY 2016 CAFR (Crosslin & Associates, P.C.)
- IV. Unfinished Business
  - 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
- 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)
- IX. Adjournment of Public Meeting – Next Meeting Monday, February 13, 2017

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



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

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

**DRAFT  
November 17, 2016**

On Thursday, November 17, 2016, at 4:00 p.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2<sup>nd</sup> Floor, Committee Room 2. The following people attended the meeting:

Committee Members

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

Others

Mark Swann, Metropolitan Auditor  
Phil Carr, Chief Accountant  
Laura Schloesser, Fairgrounds Nashville  
Doug Peters, Fairgrounds Nashville  
Theresa Costonis, Department of Law  
Gene Nolan, Department of Finance  
David Hunt, Crosslin & Associates  
Angie Hoke, Crosslin & Associates  
Bill Walker, Office of Internal Audit  
Charles Fraizer, Nashville Chapter of  
Tennessee Society of CPA's

*Quorum present? Yes*

**CALL MEETING TO ORDER**

Mr. Bob Brannon called the meeting to order.

**APPROVAL OF MINUTES**

A motion to approve September 13, 2016, meeting minutes was made, seconded, and carried.

**NEW BUSINESS**

Audit of the Information Technology Services – Email Services

Mr. Mark Swann advised the audit had been completed. A copy of the confidential report was submitted to Mr. Mendez. The report was confidential because it could detail vulnerabilities and weaknesses to Metropolitan Nashville information technology systems. Mr. Swann stated that email services are managed well. No additional discussion ensued.

Audit of the Nashville Fairgrounds

Mr. Seth Hatfield discussed the primary objectives and conclusions of the audit. Ms. Talia Lomax-O'Dneal inquired if the technological enhancements recommended would be readily available and/or expensive. Mr. Hatfield advised the research he conducted showed there were several "out of the box systems" that were in the market and thus readily available. Ms. Laura Schloesser stated that in her experience expenses related to the type of system enhancements needed would be moderate.



Mr. Jim Cooper inquired about the capital improvements to be made at the Fairgrounds Nashville. Mr. Doug Peters advised approximately \$55,000 had been spent to date, primarily on design work and survey of the property. Ms. Schlosser advised that construction will begin at the beginning of 2017.

#### Audit of the Debt Management Process

Mr. Swann advised that the Office of Internal Audit had procured the services of Experis Finance to perform this audit. The audit revealed that the debt management policies of the Metropolitan Nashville Government conform to Government Finance Officers Association Best Practices with one exception. This exception pertained to derivative instruments and the fact the Metropolitan Nashville Government does not have a specific policy for derivative instruments. However, the general Metropolitan Nashville Government does not engage in derivative financing, and the Department of Finance has stated that a policy will be established should that ever change. The audit also revealed that debt is being spent on its intended purpose and that Metropolitan Nashville Government is in conformity with regulatory requirements.

Mr. Cooper inquired if debt management services were competitive bid out or negotiated. Mr. Gene Nolan advised revenue bonds and refund bonds are typically negotiated whereas general obligation bonds are bid out. Mr. Nolan advised he could provide a breakdown. Mr. Cooper asked if there was a policy requiring that all such services be bid in all cases. Mr. Nolan said the policy is a function of the type of debt issued. Mr. Swann advised there is a policy which is about 5-6 pages which was approved by the Metropolitan Nashville Council. State law requires a debt policy that is approved by an entities legislative body. Mr. Cooper asked if he could obtain information regarding our issuance costs relative to peer groups. Mr. Swann advised yes.

Mr. David Briley wished to confirm that the derivatives issue was the only deviation from best practices observed. Mr. Swann advised there was another exception identified by Experis Finance pertaining to the inclusion of "disclaimer of underwriter" language in official statements. Government Finance Officers Association Best Practices indicated this language should be excluded from official statements. However, it was prevalent that other peer jurisdiction, of similar operating expenditures, includes the "disclaimer of underwriter" language in their official statements.

Mr. Cooper inquired about the number of underwriters utilized by Metropolitan Nashville Government Mr. Nolan, and Ms. Lomax-O'Dneal advised that the Department of Finance could provide that information for Mr. Cooper.

#### Notification of the Follow-Up Audit of the Nashville Radio Division

Mr. Swann discussed the primary objectives and conclusions of the follow-up audit. No discussion ensued.

#### Request to Conduct an Audit of the Office of the Property Assessor

Mr. Swann advised that a request had been submitted by the new Metropolitan Assessor, Ms. Vivian Wilhoite, to perform an audit of their procurement process. Mr. Brannon asked if Mr. Swann believed the audit should be performed. Mr. Swann advised the he wants to accommodate request for assurance services whenever possible. Conducting the audit would also allow the Office of Internal Audit to conduct a follow-up audit on recommendations made from the previous audit.

A motion was made to approve amending the 2016 Annual Internal Audit Work Plan to include an audit of the Metropolitan Nashville Government's Office of the Property Assessor. The motion was seconded and carried.

#### Request to Conduct an Audit of the Human Relations Commission

Ms. Lomax-O'Dneal advised this request is a function of an audit conducted by the Finance Department over procurement card transactions. Ms. Lomax-O'Dneal advised it was determined that this activity should be reviewed in more depth.

Mr. Swann advised that the audit should expand beyond procurement card purchases and look at the office as a whole. Mr. Swann stated that the Human Relations Office was a relatively small office and had not been audited in several years.

A motion was made to approve amending the 2016 Annual Internal Audit Work Plan to include an audit of the Human Relations Commission. The motion was seconded and carried.

### **UNFINISHED BUSINESS**

#### Auditor Performance Measures

A motion was made to approve the proposed performance measures of the Metropolitan Auditor as presented on pages 27-30 of the Metropolitan Audit Committee Workbook. The motion was seconded and carried.

#### Discussion on Fiscal Year 2015 Comprehensive Annual Financial Report

Mr. Brannon inquired if anyone had any comments regarding the 2015 Comprehensive Annual Financial Report. No discussion ensued.

#### Comprehensive Annual Financial Report for Fiscal Year 2015

Mr. Brannon inquired if anyone wanted to discuss this item. The response was to move forward.

#### Single Audit and Management Letter

Mr. Brannon inquired if anyone wanted to discuss this item. The response was to move forward.

### **INTERNAL AUDIT PROJECT STATUS**

Mr. Swann gave a status of audit projects and investigations.

### **OTHER ADMINISTRATIVE MATTERS**

Mr. Swann advised the Office of Internal Audit had just hired two new employees, Ms. Mary Cole and Mr. Innocent Darby.

Mr. Brannon announced his plan not to seek re-appointment to the Metropolitan Nashville Audit Committee after his current term expires in March 2017. The Nashville Chapter of the Tennessee Society of Certified Public Accountants has selected his replacement, Mr. Charles Fraizer. Mr. Fraizer, has many years' experience in both academic and private sector areas.

The public meeting adjourned after approximately 45 minutes.

**EXECUTIVE SESSION – ON-GOING AUDIT OF THE METROPOLITAN NASHVILLE  
GOVERNMENT FINANCIAL REPORTS**

Immediately after the public meeting was adjourned a motion to start an executive session of the Metropolitan Nashville Audit Committee for discussing the on-going audit of the Metropolitan Nashville Government's fiscal year 2016 financial reports with the external auditors, Crosslin and Associates, was made, seconded, and carried.

The executive session meeting adjourned after approximately 20 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**

**September 13, 2016**

On Tuesday, September 13, 2016, at 4:00 p.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2<sup>nd</sup> Floor, Committee Room 2. The following people attended the meeting:

Committee Members

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

Others

Mark Swann, Metropolitan Auditor  
Kim McDoniel, Chief Accountant  
Phil Carr, Department of Finance  
Sharon Wahlstrom, Public Works  
Theresa Costonis, Department of Law  
Bill Walker, Office of Internal Audit  
Dell Crosslin, Crosslin & Associates  
David Hunt, Crosslin & Associates  
John Crosslin, Crosslin & Associates  
Tasha Kennard, Nashville Farmers Market  
Julie Mayer, Crosslin & Associates

*Quorum present? Yes*

**CALL MEETING TO ORDER**

Mr. Bob Brannon called the meeting to order.

**APPROVAL OF MINUTES**

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

**NEW BUSINESS**

Audit of the Nashville Farmers' Market

Mr. Bill Walker discussed the primary objectives and conclusions of the audit. Mr. Bob Brannon inquired if management had accepted the audit recommendations. Mr. Walker advised all recommendations had been accepted and are in the process of being implemented.

Mr. Mendes asked what the Office of Internal Audit believed are the root causes of the issues related to billings and accounts receivable. Specifically, is it a function of technology, staffing, organization, etc. Mr. Walker stated that the processes at the Farmers' Market are very manual which facilitates errors and things being misplaced or lost. Revenues are recorded in an Excel spreadsheet without an audit trail and with various formatting styles. Variation in the way dates and stall numbers are entered significantly hampered our ability to ascertain if payments are received.

Mr. Mendes asked what function within the Metropolitan Nashville Government provides help with the implementation of sound business practices along with technology internal controls. Ms. Tasha Kennard stated she has reached out to the Information Technology Services Department and received assistance in information security requirements necessary for a future information system solicitation along with project management support. Also, the Information Technology

Services Department has offered to assist with the implementation of any technology solution selected. Furthermore, Ms. Kennard stated she would reach out to the Department of Finance to help with the design of internal controls in revised business processes due to the implementation of a new information system.

Mr. David Briley stated he was glad to hear the audit showed merchants were treated in a consistent and fair manner. He was also complimentary of the Nashville Farmers' Market Board.

#### Metropolitan Auditor Performance Measures

Mr. Mark Swann presented a list of potential Metropolitan Auditor and Office of Internal Audit strategic goals, performance standards and measures. Ms. Lomax-O'Dneal asked what was the source of the performance measures listed in the Committee meeting workbook. Mr. Swann advised the performance measures are a combination of performance measures from other Metropolitan Nashville Government entities and internal auditing professional association publications. Effectively executing an annual audit plan, conducting a meaningful risk assessment, remaining objective and independent, procuring professional talent, and adhering to government auditing standards are items Mr. Swann believed the Committee would find important attributes.

A discussion ensued over how to implement the performance review of the Metropolitan Auditor. Once the measures are determined, the Metropolitan Auditor is to annually provide a self-assessment regarding actual performance related to the selected performance measures. The self-assessment is to be submitted to the Committee for review at the end of the fiscal year. The self-assessment will be in addition to the annual performance report listing accomplishments of the Office of Internal Audit.

Ms. Lomax-O'Dneal advised she believed the Metro Action Commission has a good process for conducting director performance reviews. Mr. Mendes stated the annual evaluation should be coordinated by the Committee Chair and results reviewed in a public meeting.

The consensus was to have the Committee consider the measures presented at the next meeting to solidify performance standards for the fiscal year.

#### Review of the Metropolitan Nashville Audit Committee Bylaws and Metropolitan Nashville Office of Internal Audit Bylaws

Recommended changes to the Metropolitan Nashville Audit Committee Bylaws include listing the preference to review the status of the financial audit progress with the external auditor at the project mid-point and near final financial statement draft stages in an executive session. Also, the process of reviewing the annual financial statements is documented for the Committee to "accept" or "not accept" the results of final financial audit reports.

Other changes to the Metropolitan Nashville Audit Committee Bylaws and Metropolitan Nashville Office of Internal Audit Bylaws include adding the term "offices" in the list of entities within the scope of audit activities. This revision aligns with the proposed internal audit legislation.

A discussion ensued over revisions recommended for the Office of Internal Audit Bylaws. Ms. Lomax-O'Dneal asked about the word "individually" in the section referring to Office of Internal Audit personnel being "personally and individually" responsible and accountable for confidential records. Specifically, why was the word individually used and does using this specific word

diminish management's responsibility in handling such records? Mr. Swann advised the wording was used based on recommendations from the Metropolitan Department of Law. Mr. Swann also stated auditors are already individually responsible for confidential information in government auditing standards. Mr. Swann also said the maintenance of confidential information is critical.

Mr. Mendes recommended the first sentence in the "Access to Employees, Records, and Property" section (page 29) be revised to state: "To the fullest extent allowed by applicable laws." Mr. John Cooper advised another level of complexity has arisen on pre-existing contracts that limit the type of information available to outside parties. Contracts with the Sports Authority was cited as an example. Mr. Briley asserted a concern that if an investigation needs to be conducted on an entity such as the Sports Authority, who better to conduct the investigation than the Office of Internal Audit. Mr. Briley stated he wanted to make sure any wording did not prohibit the Office of Internal Audit from going to a place like the Sports Authority to look at information. Mr. Mendes advised the wording change suggested would not enhance or diminish the Office of Internal Audit ability to do so. Mr. Briley concurred.

A motion to approve the Metropolitan Nashville Audit Committee Bylaws and Metropolitan Nashville Office of Internal Audit Bylaws as presented subject to the first sentence "Access to Employees, Records, and Property" (page 29) and the "Scope" (page 24 and page 27) sections stating: "To the fullest extent allowed by applicable laws" was made, seconded, and carried.

## **UNFINISHED BUSINESS**

### Follow Up on the Modified Approach to Reporting Infrastructure

Mr. Walker provided an overview of the comparative review of similar government entities use of the modified approach to reporting infrastructure or lack of use of this approach.

A discussion ensued over the modified approach to reporting infrastructure. Ms. Kim McDoniel provided additional background information related to the history of the terms used and design of the financial report footnote related to the modified approach to reporting infrastructure. Mr. Briley expressed concerns on how the standards used for road conditions and the amounts funded is reported in the annual financial reports.

Mr. David Hunt stated Governmental Accounting Standards Board Statement 34's modified infrastructure disclosure requirement is not prescriptive and could be revised.

The Committee recommended the Department of Finance work on rewording the footnotes to the annual financial report to provide additional clarity as to the state of roads and bridges infrastructure and how the Metropolitan Nashville Government is applying resources to maintain roads and bridges.

### Discussion of Health Department Immunization Program Audit Recommendations

Mr. Swann discussed the insurance claim processing recommendation that was partially accepted in the audit of the Health Department Immunization Program. Mr. Mendes asked if there are any compensating controls in the Health Department that would address the issue identified. Mr. Swann advised that the Office of Internal Audit is starting an audit of the Health Department this week and would revisit the issue related to insurance claim processing.

### Update of Internal Audit Legislation

Mr. Cooper requested the Office of Internal Audit, Department of Finance, and Crosslin and Associates to provide examples of how this legislation would help in performing audit work. He believed concrete examples would assist him in discussions related to this legislation. A discussion ensued over various entities such as the Nashville Electric Service and Sports Authority that had issues with the legislation. Mr. Briley advised that he believed the legislation should be passed and could include the wording Mr. Mendes suggested regarding "To the fullest extent allowed by applicable laws" (see discussion on Metropolitan Nashville Audit Committee Bylaws and Metropolitan Nashville Office of Internal Audit Bylaws above.) Mr. Briley stated that if the Office of Internal Audit has the authority to audit how "the people's" money is being spent, the legislation should be passed. If there are issues that come about, they should be addressed on an individual basis.

Mr. Cooper stated that Nashville Electric Service advised they would be willing to meet with the Committee periodically to field questions. The Committee is willing to meet with Nashville Electric Service to review any wording issues related to this legislation or other concerns.

Mr. Mendes advised that Nashville Electric Service is subject to audits from the State of Tennessee and their own internal audit function. The Metropolitan Nashville Government's Office of Internal Audit function would be a duplication of effort.

A discussion took place regarding coordination of component units with the external financial audit. Ms. McDoniel stated that the Metropolitan Nashville Government Department of Finance receives Nashville Electric Service and other component unit financial statement audit reports for incorporation into the Metropolitan Nashville Government financial statements.

Mr. Swann advised the recommended revisions help clarify the Office of Internal Audit would only have access to records belonging to the Metropolitan Nashville Government, not information belonging exclusively to the entity. Moreover, for contractors, Ms. Lomax-O'Dneal advised every contract has an audit provision.

A motion to revise the wording in accordance with Mr. Mendes recommendations and recirculate the proposed legislation to those entities that are the most concerned about it was made, seconded, and carried.

### **ON-GOING REVIEW ITEMS**

#### Comprehensive Annual Financial Report for Fiscal Year 2015

Mr. Brannon inquired if anyone wanted to discuss this item. The response was to move forward.

#### Single Audit and Management Letter

Mr. Brannon inquired if anyone wanted to discuss this item. The response was to move forward.

### **INTERNAL AUDIT PROJECT STATUS**

Mr. Swann gave a status of audit projects and investigations.

### **FRAUD WASTE AND ABUSE HOTLINE AND INVESTIGATION UPDATE**

A discussion ensued over the protocol for reporting fraud, waste, and abuse investigation reports to the Committee. Mr. Swann asked if investigation report topics should be listed in the

Committee's meeting agenda. Mr. Mendes advised he would like to see all investigation reports displayed on the Office of Internal Audit internet website for public transparency. Mr. Briley also suggested ensuring that investigation reports were easily searchable online.

Ms. Lomax-O'Dneal advised she agreed with the posting of investigation reports on the Office of Internal Audit internet website, but her only concern would be cases involving pending litigation. Mr. Briley suggested having a policy whereby all investigation reports are posted and exceptions approved by the Committee. Mr. Swann advised that historically the reason reports are not issued online is because these reports contained individual employee names. Even in situations where a party is exonerated, reputations can still be damaged. The Committee concurred and suggested redacting the names of individuals or referring to people as "Employee A, Employee B" etc.

Ms. Theresa Costonis stated she would review the potential libel concern with posting all investigation reports on the Office of Internal Audit internet website.

#### **OTHER ADMINISTRATIVE MATTERS**

Mr. Swann advised the Office of Internal Audit is in the process of generating a request for proposal for a new fraud, waste, and abuse hotline third party provider.

Mr. Swann advised the Office of Internal Audit is in the process of hiring another senior internal auditor.

The public meeting adjourned after approximately 1 hour and 25 minutes.

#### **EXECUTIVE SESSION – ON-GOING AUDIT OF THE METROPOLITAN NASHVILLE GOVERNMENT FINANCIAL REPORTS**

Immediately after the public meeting was adjourned a motion to start an executive session of the Metropolitan Nashville Audit Committee for discussing the on-going audit of the Metropolitan Nashville Government's fiscal year 2016 financial reports with the external auditors, Crosslin and Associates, was made, seconded, and carried.

The executive session meeting adjourned after approximately 10 minutes.

Respectfully submitted to the Metropolitan Nashville Audit Committee.



Mark Swann  
Secretary, Metropolitan Nashville Audit Committee

**Approved by the Metropolitan Nashville Audit Committee on November 17, 2016.**





## EXECUTIVE SUMMARY

December 2, 2016



### Why We Did This Audit

The audit was conducted due to being a new function which has never been audited that provides valuable oversight to some of our most vulnerable citizens.

### What We Recommend

There were no recommendations noted during this audit.

# Audit of Office of Conservatorship Management

## BACKGROUND

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The Metropolitan Nashville Government's Office of Conservatorship Management was created as a division of the Metropolitan State Trial Courts Department in 2014. The main function and primary goal of this Office are to provide an additional layer of review for the physical care (Care of Person) and financial management (Care of Property) provided by court-appointed guardians and conservators to disabled wards. The Office also offers training and guidance to guardians and conservators to assist them with their roles and responsibilities. The Office works closely with other applicable parties such as the courts, Metro Social Services, and others to ensure ward interest are safeguarded.

## OBJECTIVES AND SCOPE

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The objectives of this audit are to determine if:

- Controls exist to ensure the operational goals and mission of the Office of Conservatorship Management are achieved.
- The Office of Conservatorship Management provides training and guidance to conservators in accordance with the mission of the Office.

The audit scope includes 277 conservatorship cases reviewed by the Office of Conservatorship Management between July 2014 and June 2016.

## WHAT WE FOUND

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The Office of Conservatorship Management has controls in place to help assure achievement of its operational goals and mission. The Office of Conservatorship Management is in the early stage of developing a training program to educate conservators and guardians about conservatorships and guardianships in Davidson County.

## EXECUTIVE SUMMARY

December 6, 2016



### Why We Did This Audit

When in 2015, local news reports started questioning the integrity of the MNPS performance reporting process, the MNPS Board of Education requested the Metropolitan Nashville Office of Internal Audit to review the performance reporting process.

### What We Recommend

- Revise policies to ensure clear and consistent practices in data protection and grade changes.
- Obtain reasonable assurance of the integrity and accuracy of data provided by charter schools.
- Adopt district-wide best practices for information system and data access.
- Formal procedures for application change control should be established.

# AUDIT OF METROPOLITAN NASHVILLE PUBLIC SCHOOLS PERFORMANCE REPORTING PROCESS

## BACKGROUND

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Metropolitan Nashville Public Schools, hereinafter referred as MNPS, student information systems are essential for communicating student, school, and district performance to decision makers and citizens. MNPS provides information from these systems to the Tennessee Department of Education for their annual district and school accountability report. Also, MNPS assesses school performance using its own Academic Performance Framework.

Information systems supporting performance reporting systems is comprised of multiple applications. During this audit, the main application was the *Powerschool School Management System* which captures data from various school processes and interfaces with Tennessee Department of Education information systems. *Infinite Campus* replaced *PowerSchool School Management System* starting in school year 2016-2017.

## OBJECTIVES AND SCOPE

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The objective of this audit is to determine internal controls effectively ensure the integrity of information used for reporting district, school, and student performance. Audit procedures focused on the following:

- Processes where data is generated and input by schools.
- Student information systems data integrity controls.

Records and documentation reviewed cover the school years 2014-2015 and 2015-2016. System configuration was reviewed as of April 2016.

## WHAT WE FOUND

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Several procedures regarding data access and grade changes should be revised for clarification and consistent application at all schools. MNPS should establish procedure to obtain assurance of the integrity of data reported by charter schools.

The data warehouse application effectively validates data input by schools. However, historical records of input errors could be further analyzed so that weak controls in source information systems can be identified and improved.

Employee responsibilities, school assignments, and employment status were not updated promptly in EnterpriseOne resulting in prolonged unneeded access privileges in student information systems.

## GOVERNANCE

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MNPS is governed by the Metropolitan Board of Public Education. The Board consists of nine members, one from each district, and has primary authority over matters related to the schools. MNPS is accountable for following educational standards set by the Tennessee Department of Education and related State and Federal laws and regulations.

The Director of Schools is responsible for management and direction of the schools. Each principal manages the teachers and administrative staff at their own school and reports to the Director.

MNPS is the chartering authority of 31 charter schools (school year 2015-2016) which operate autonomously under the stipulations of their agreements with the district.

## PERFORMANCE REPORTING – INFORMATION SYSTEMS AND PROCESS DESCRIPTION

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In 2015, local news reports started questioning the integrity of the MNPS performance reporting process. Concerns related to performance reporting processes resulted in an MNPS internal assessment and a review of compliance with State of Tennessee education laws and rules on end-of-course exams by the Tennessee Department of Education. Also, the MNPS Board of Education requested the Metropolitan Nashville Office of Internal Audit to review the controls which ensure the integrity of the performance reporting process.

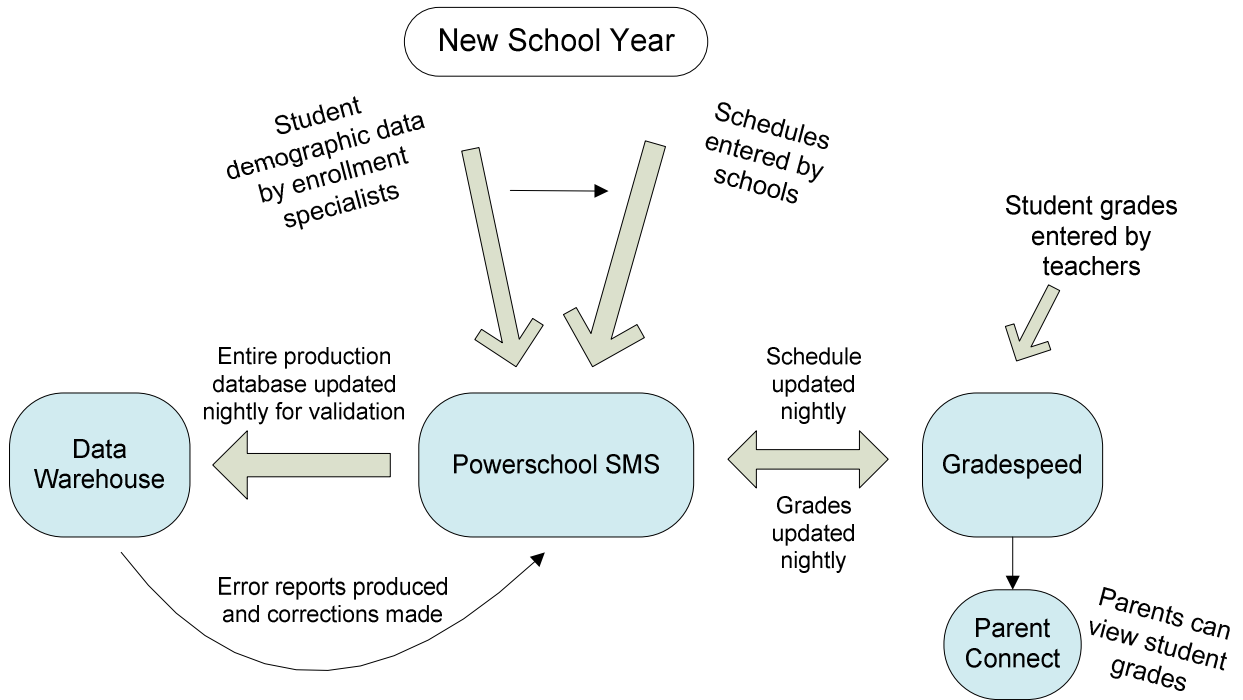
MNPS student information systems are essential for communicating student, school, and district performance to decision makers and citizens. The focus of this audit was on the internal controls for the student information systems and the school performance reporting processes. The performance reports are the Tennessee Department of Education “Report Card” performance reports (154 school reports for 2014-2015 school year) and MNPS Academic Performance Framework (153 school reports for 2014-2015 school year).

### INFORMATION SYSTEMS

The student management systems are the hub of data coming from all schools. It is a major source of student and school performance information. The primary application is the *PowerSchool School Management System*, a comprehensive application that captures student demographic information, enrollment, scheduling, academic, and disciplinary records. The following applications are some key sources of information for the *PowerSchool School Management System*:

- *GradeSpeed* - Application mandated for teachers to record student course grades.
- *A+* - application that schools use for student credit recovery.
- *SchoolNet* - Web application providing additional resources for teachers and students, where the ACT benchmark tests are available.
- *EnterpriseOne* - Enterprise system providing teacher names and other related information.

**Exhibit 1 - MNPS Student Information System**



**Note:** Infinite Campus replaces *PowerSchool School Management System* and *GradeSpeed* starting in school year 2016-2017.

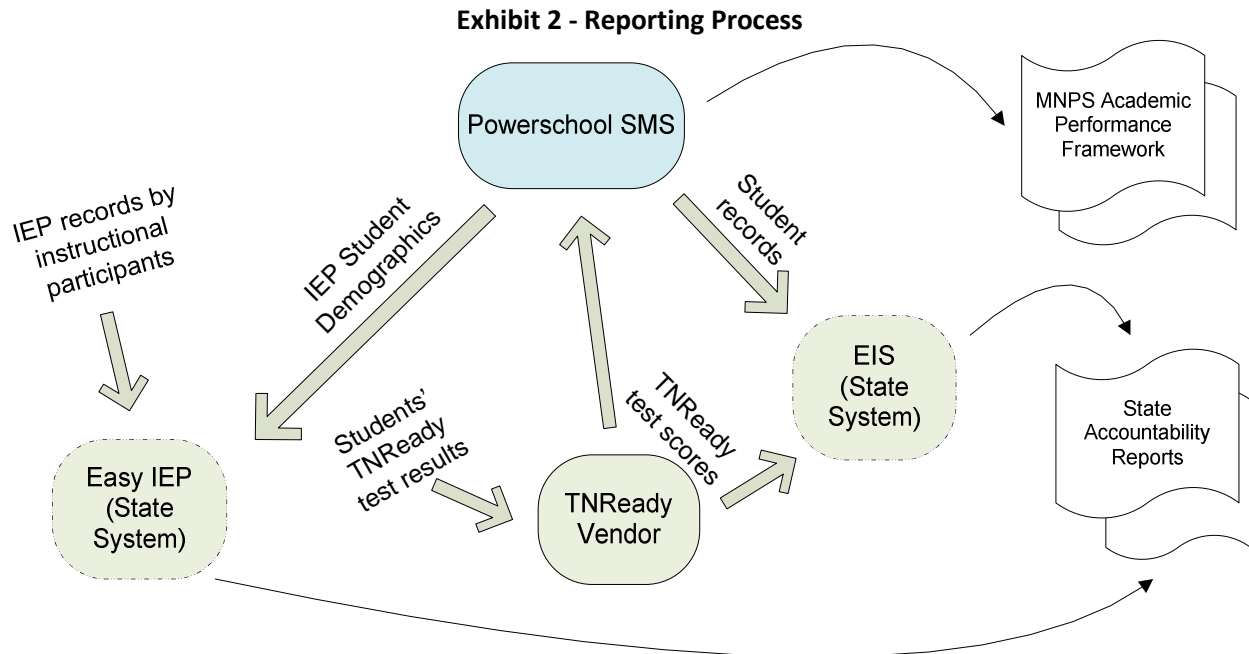
Tennessee Department of Education Information Systems

The *Education Information System* is employed by the Tennessee Department of Education to keep track of student records statewide. The system also has an error checking mechanism that produces error reports daily. MNPS data specialists work with schools to make corrections into the *PowerSchool School Management System* from the error reports.

The Tennessee Department of Education allows each district to have a local administrator who can approve and grant user access to the system based on business needs and location. Most of the access rights are view only with download capability. One permission allows direct editing of information in the *Education Information System*.

The Tennessee Department of Education also manages a web-based program, *EasyIEP*, for statewide individualized education programs. MNPS has an approved local administrator that approves and grants access to users in the district. Users include a wide range of specialists, school counselors, psychiatrists, and so forth. They record progressive student information directly into the *EasyIEP*. An automated nightly process extracts special education student enrollment from the *PowerSchool School Management System* into a spreadsheet saved on a file server before it uploads into the *EasyIEP* system.

## DISTRICT AND SCHOOLS PERFORMANCE REPORTING PROCESS



### Tennessee Department of Education District “Report Card”

The Tennessee Department of Education releases an official “Report Card” each year on the performance of the districts and individual schools. The “Report Card” presents multiple aspects of performance measures including Value-Added, College/Career Readiness, Accountability, Education Climate, and Teachers Qualification.

The Value-Added and College/Career Readiness evaluation is based on a three-year average for grades 3-8 on four subjects, End Of Course and ACT scores for high schools, graduation rate, and ACT benchmark, and so forth.

The accountability system is based on measurements for two aspects, Achievement Measure and Gap Closure Measure. Achievement Measure evaluates whether schools meet their achievement targets established by the Tennessee Department of Education for each school year, and Gap Closure Measure evaluates progress of special groups of students.

### Exhibit 3 - District Accountability Model



*Source: Tennessee Department of Education*

# AUDIT OF METRO NASHVILLE PUBLIC WORKS DEPARTMENT TRAFFIC SIGNAL OPTIMIZATION PROJECT – INTERIM REPORT ONE

## EXECUTIVE SUMMARY

December 8, 2016



### Why We Did This Audit

To help ensure traffic issues are improved through the successful completion of the Traffic Signal Optimization Projects.

### What We Recommend

- Define measures of success to determine whether the investment in the project is justified.
- Maintain an inventory of the keys to the signals' controller boxes.

## BACKGROUND

Metro Nashville Public Works Department initiated two projects in 2015 to improve congested traffic areas in the County. One is to replace obsolete equipment with one of newer technology, and the other to implement optimized signal timing along with new traffic studies for eighteen major street corridors. The total budget for these projects is \$6 million. The engineering work began in February 2016, and the signal timing optimization is expected to be completed by the end of 2016, with the final timing studies and a report from the engineer to be done by spring 2017. These two projects are within budget and on time as of November 7, 2016.

### Exhibit 1 – Project Status as of November 7, 2016

Activity	Plan	Completed
Street Corridors	18	15
Traffic Signals Retimed	550	475
Retiming Completion Date	Fall 2016	In progress
New Controllers for the 18 Corridors	511	436
New Controllers elsewhere	289	10
Controller Installation Completion Date	Spring 2017	In progress
	<b>Budget</b>	<b>Actual</b>
Project Cost	\$6.03 million	\$2.93 million

Source: *Signal Group Assignments and Priority List 2016 MPW Countywide Signal Timing Optimization Project*; See Appendix A. *Public Works Traffic Signal Operation* provided the budget information.

## OBJECTIVE AND SCOPE

The objective of this audit is to assess whether Metro Nashville Public Works Department is managing stakeholders and project risks for the projects to improve traffic signalization. The *Project Management Body of Knowledge Guide* knowledge areas “Project Stakeholder Management” and “Project Risk Management” served as a guideline for the audit.

The audit covers the traffic signal equipment upgrades that began in 2015 and the signal timing optimization project that began in 2016.

## WHAT WE FOUND

The Public Works project team is working with consultants to the completion of these projects. However, the measure of project success was not formally defined. Moreover, management did not maintain an inventory of the keys to the signal control cabinets.

## EXECUTIVE SUMMARY

November 2, 2016



### Why We Did This Audit

The purpose of this audit was to determine that bonds issued by Metro are properly issued, managed, and recorded in the financial statements. In addition, Experis compared nationally recognized Government Finance Officers Association Best Practices to the practices adopted by the Metropolitan Nashville Government.

### What We Recommend

- Document and/or update existing Internal Control Environment.
- Update debt management policy to reflect language considered to be a Best Practice for derivatives.

# AUDIT OF METROPOLITAN NASHVILLE GOVERNMENT'S DEBT MANAGEMENT PROCESS

## BACKGROUND

Metropolitan Nashville Government's (the "Metro"), Department of Finance, is responsible for the debt management function through its Office of the Treasurer and Financial Operations divisions. Jointly these divisions are responsible for issuance, management, and financial reporting for the Metro's public financing of capital projects. Their primary responsibilities include:

- Entering into and initiating the issuance of public debt through municipal bond offerings.
- Management of service providers and minimization of costs associated with public offerings.
- Compliance with Local, State and Federal rules and regulations of the SEC.
- Recording of financial transactions related to the issuance and services of public offerings in the Metro's annual Comprehensive Annual Financial Report.

## OBJECTIVES AND SCOPE

The objectives of this audit were to understand and evaluate the following areas impacting issuance and accounting of debt:

- Effectiveness of debt management practices, policies and procedures, including internal controls.
- Assessment of debt policy in accordance with the Government Finance Officers Association best practices on debt management.
- Compliance with regulatory agencies and Securities and Exchange Commission Rule 15c2-12.
- Analysis of credit rating and debt level through benchmarking against relative peers.
- Assessment of service agreements and fee structures with service providers as it pertains to Debt Management.

The audit scope included Debt Issuances beginning July 1, 2013, through June 30, 2015.

## WHAT WE FOUND

During the audit, we identified the following areas of improvement:

- A. Internal Control documentation for the Department of Finance was either out of date or incomplete and not maintained in a centralized Internal Control Manual as required by the State.
- B. If Metro was to issue derivate debt instruments in the future, the current Debt policy does not address two provisions as recommended by the Government Finance Officers Association considered to be key to the management of these types of instruments.



**METROPOLITAN GOVERNMENT OF NASHVILLE  
AND DAVIDSON COUNTY - METRO WATER SERVICES  
PERFORMANCE AUDIT OF CLEAN WATER  
NASHVILLE OVERFLOW ABATEMENT PROGRAM**

**INTERIM REPORT - MAY 1, 2015 - MAY 31, 2016**

**DATE ISSUED: OCTOBER 11, 2016**

METROPOLITAN GOVERNMENT OF NASHVILLE  
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METROPOLITAN GOVERNMENT OF NASHVILLE  
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**INTRODUCTION**

**Performance Audit Initiation**

Metro Water Services (“MWS”) engaged Crosslin & Associates (“C&A”) in May 2016 to design and implement a performance audit for the Clean Water Nashville Overflow Abatement Program (the “Program”). The design phase of the engagement included three tasks as follows:

1. Identify specific objectives and strategies for achieving the performance engagement goals through discussion with Program personnel, review of available documentation, and review of both legal and internal control requirements.
2. Identify relevant operational and financial performance measures to attain Program goals and objectives.
3. Assist MWS by developing a program to report performance measurement information which will allow MWS to monitor progress toward achieving Program goals and objectives.

The implementation phase of the engagement included testing these determined performance measurement objectives and goals and issuing the results of the engagement procedures in an annual report that includes both observations and any related recommendations. An annual report will be issued throughout the duration of the Program. This is the fourth annual performance audit report for the Program.

**Background**

MWS began an aggressive improvement and rehabilitation program in 1990 through 2006 to reduce the number of combined sewer overflows (“CSOs”) and sanitary sewer overflows (“SSOs”), making tremendous progress toward improving water quality in the Cumberland River and its major tributaries. However, despite these improvements, a significant number of overflows still remained, prompting state and federal regulatory agencies to approach MWS in 2006 about the need for additional work within the sewer system.

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**INTRODUCTION - Continued**

**Background - Continued**

In March 2009, a Consent Decree between the United States of America, the State of Tennessee, and the Metropolitan Government of Nashville and Davidson County was approved and entered with the United States District Court for the Middle District of Tennessee. The Consent Decree was filed on behalf of the United States Environmental Protection Agency (“EPA”) and the Tennessee Department of Environment and Conservation (“TDEC”), requiring MWS to use its best efforts to achieve the following goals:

1. Full compliance with National Pollutant Discharge Elimination System (“NPDES”) permits, the Clean Water Act (“CWA”), the Tennessee Water Quality Control Act, and related regulations.
2. Elimination of SSOs, due to a later submitted design storm.
3. Compliance with EPA’s CSO Control Policy.

Under the Consent Decree, MWS is required to fully develop, in two years, a Corrective Action Plan/Engineering Report (“CAP/ER”) for its sanitary sewer system, a Long-term Control Plan (“LTCP”) for its combined sewer system to achieve the goals of the CWA, and meet water quality requirements in the Cumberland River. Due to the impacts of the May 2010 flood, MWS received a six month extension for the CAP/ER and the LTCP to be fully developed, and further a two year extension for final compliance. As such, these reports were developed and filed with the EPA, effective September 12, 2011. At a total estimated cost of \$1.0-\$1.5 billion, the Program represents a major investment in overflow abatement for the Nashville community. As of October 11, 2016, the EPA has not yet given final approval for either of the CAP/ER or LTCP plans.

See Appendix A for both the CAP/ER and LTCP Implementation Plans and Schedules submitted to the EPA.

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**EXECUTIVE SUMMARY**

**Scope of Performance Audit**

MWS engaged C&A to perform the fourth annual performance audit of the Clean Water Nashville Overflow Abatement Program (the “Program”) for interim period of May 1, 2015 through May 31, 2016. The performance audit was conducted over a three-month period from May 2016 through July 2016. As of May 31, 2016, the Program had 37 active projects (each in various phases of the project) that are covered under the Consent Decree (see Appendix A for complete list of Consent Decree projects). As of May 31, 2016, a total of approximately \$202.6 million out of a budgeted \$1.5 billion had been incurred for projects (See detail of these expenditures by project at Appendix A).

C&A selected 16 active projects for testing performance measurement objectives. As of May 31, 2016, the following projects were active and selected for testing:

<u>Project Name</u>	<u>Escalated Budget</u>	<u>Project Phase</u>
Mill Creek Opryland Equalization Facility- Phase III	\$98.2 million	Planning
Central WWTP Capacity Improvements and CSO Reduction - A	\$7.8 million	Design
Central WWTP - Sludge Transfer Facility	\$-0-	Design
28 <sup>th</sup> Avenue Rehabilitation -Area 1 Clifton Avenue	\$10.3 million	Construction
Cowan Riverside Rehabilitation -Area 3 West Trinity Lane	\$8.9 million	Construction
Lakewood Rehabilitation -Area 1 Sewer	\$-0-	Construction
Shelby Park Rehabilitation -Area 4 Brush Hill Road	\$10.5 million	Construction
Davidson and Brook Hollow Sewer Improvements	\$8.9 million	Construction
Smith Springs Rehabilitation -Area 1 Priest Lake Meadows	\$8.3 million	Construction
West Park Equalization Facility Phase II	\$15.4 million	Construction
Mill Creek Opryland Equalization Facility - Phase II	\$19.3 million	Closeout

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**EXECUTIVE SUMMARY - Continued**

**Scope of Performance Audit - Continued**

<u>Project Name</u>	<u>Escalated Budget</u>	<u>Project Phase</u>
Westchester Drive Rehabilitation	\$-0-	Closeout
Dodson Chapel Equalization Facility	\$25.1 million	Completed
Apex Sewer Corrections	\$3.3 million	Completed
Neely's Bend Rehabilitation	\$2.4 million	Completed
Joelton Rehabilitation	\$7.0 million	Completed

See the Performance Audit Observations, Recommendations and Management Responses section of the report for detailed observations, recommendations and management responses for each performance measurement tested.

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**PERFORMANCE AUDIT OBSERVATIONS, RECOMMENDATIONS  
AND MANAGEMENT RESPONSES**

**CONFLICTS OF INTEREST**

Observation

During fieldwork, C&A noted that conflict of interest disclosures had been disseminated to all key individuals and the signed copies were properly filed in the Program Management Information System (“PMIS”). Signed conflict of interest disclosures are required to be obtained annually for all key individuals. Any disclosures are reviewed for potential conflicts and controls have been put into place for any potential ethics violations. Signed conflict of interest disclosures and related controls are being monitored regularly for compliance.

Recommendation

None.

Management’s Response

No response necessary.

**PROGRAM AND RELATED PROJECT BUDGET COSTS VS. ACTUAL RESULTS  
AND FINANCIAL DATA TRACKING WITHIN THE PMIS DATABASE AND  
METRO FINANCE**

Observations

During fieldwork, C&A noted actual costs for all projects tested were closely monitored to respective budget costs within the PMIS database. For each of the projects tested, we observed that the project’s budget is properly supported by cost estimates. Actual costs to date through May 31, 2016, are either below or in line with budgeted costs to date.

Recommendations

None.

Management’s Response

No response necessary.

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**PERFORMANCE AUDIT OBSERVATIONS, RECOMMENDATIONS  
AND MANAGEMENT RESPONSES - Continued**

**PROCESS FOR CHANGING PROJECT BUDGET COSTS**

Observation

C&A reviewed certain project budget cost changes to verify that the changes were made with proper approvals, had a justification document properly completed, and appeared reasonable in nature. During our testing, we observed that three projects tested had significant budget changes.

We noted that the significant changes to the three projects' budgets were supported by source documents, approved by appropriate Program management, and noted in meeting minutes.

Recommendation

None.

Management's Response

No response necessary.

Observation

C&A reviewed project budget cost changes for potential non-related Program costs ("CIP") added to a project's facility. CIP costs are costs related to MWS capital projects for water or storm water enhancements. During our fieldwork, C&A noted two projects with budget cost changes that included CIP costs. These two projects were Lakewood Rehabilitation - Area 1 Sewer and Central WWTP - Sludge Transfer Facility.

Lakewood Rehabilitation - Area 1 Sewer had an approved change justification order to increase the project's budget to \$10.3 million in construction costs of which \$5.3 million was Program costs and \$5 million was CIP costs. C&A reviewed the most recent actual project costs to date through May 31, 2016, noting \$5.8 million is CIP costs.

Central WWTP - Sludge Transfer Facility project was created in March 2016 with an approved change justification order for total project costs of \$3.2 million. This project was created to capture the design and construction work for an existing maintenance building to screen sludge and scum prior to transferring it to the Biosolids Facility for processing. This was the first subproject created under one of the Program's projects, Central WWTP Capacity Improvement and CSO Reduction.



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**PERFORMANCE AUDIT OBSERVATIONS, RECOMMENDATIONS  
AND MANAGEMENT RESPONSES - Continued**

**PROCESS FOR CHANGING PROJECT BUDGET COSTS - Continued**

Observation - Continued

C&A's review of the Central WWTP - Sludge Transfer Facility project details and further meetings with MWS and Program Controls Group led to discovering this project is not a direct capacity improvement and CSO reduction project. As a result, Program Controls Group submitted an approved change justification order, which removed the project out of the Program and transferred it to MWS CIP budget.

Recommendation

C&A recommends that Program Controls Group should work with MWS in allocating CIP costs out of the current purchase order for the Lakewood Rehabilitation - Area 1 Sewer project and creating a separate purchase order for MWS CIP budget.

Management's Response

The Program Management Team will determine the final allocation of costs between Program and non-Program (i.e. CIP) sources upon conclusion of construction closeout which is currently active. Any changes that require updates to the project cost or funding will be addressed in coordination with MWS Accounting.

**PROGRAM MANAGEMENT INTERNAL CONTROLS FOR  
PAYMENT PROCESSING**

Observation

During fieldwork, payments were tested for evidence of proper review of documentation, accuracy and timeliness. It was noted that in one of our projects tested, a selected invoice for the project was not transmitted by the Program Management Team to Metro Finance for payment within the two-day requirement as outlined in the Program Management Plan ("PMP") - Vol II - Procedures - Invoice Review. This two-day requirement was effective until April 2016. In April 2016, PMP-Vol II - Procedures - Invoice Review was updated to change the timeframe for Program Controls Group to transmit the approved invoice/construction pay application package from two to twenty days.

The invoice dated August 14, 2015, was transmitted by the Program Controls Group to Metro Finance four business days after approval.

Effective for the interim period under audit until April 2016, invoice review procedures stated that the Program Controls Group had two business days to assemble and send to Metro Finance the approved invoice/construction pay application package.

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**PERFORMANCE AUDIT OBSERVATIONS, RECOMMENDATIONS  
AND MANAGEMENT RESPONSES - Continued**

**PROGRAM MANAGEMENT INTERNAL CONTROLS FOR  
PAYMENT PROCESSING - Continued**

Recommendation

C&A recommends that the Program Controls Group assemble and send the approved invoice/construction pay application packages for all projects within the specified timeframe, outlined in the PMP-Vol. 11- Procedures-Invoice Review.

Management's Response

The Program Management Team now tracks invoice and pay application turnaround time metrics as part of the monthly Program Assessment Report. These metrics will be used to identify invoices or pay applications that are not processed in the specified timeframe as well as to monitor trends in processing times.

**PROJECT COST RECONCILIATION BETWEEN PMIS DATABASE  
AND METRO FINANCE**

Observation

During the current period procedures, C&A noted that the Programs Control Group reconciles actual invoice costs processed in PMIS to EBS on a monthly basis. C&A selected the reconciliation for monthly period of April 2016 and further selected 10 of the 16 tested projects to verify the propriety of the reconciliation process by the Programs Control Group. For each of the selected 10 projects, C&A verified all invoice amounts from inception of the project through April 30, 2016, processed in PMIS were properly posted as payments in EBS, with no exceptions noted.

Recommendation

None.

Management's Response

No response necessary.

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**PERFORMANCE AUDIT OBSERVATIONS, RECOMMENDATIONS  
AND MANAGEMENT RESPONSES - Continued**

**COMPLIANCE WITH METRO PROCUREMENT REGULATIONS**

Observation

C&A reviewed selected projects to ensure proper procurement procedures were followed and to confirm whether relevant data was entered correctly in the project cost sheets within PMIS, consistent with each individual contract. We also reviewed change orders to confirm that proper signatures were obtained. We compared the contracted amounts with the budgets to see if there were any unsupported variations. No unexplained deviations were noted. We noted that, in certain circumstances, only limited procurement documentation existed. We inquired about the limited documentation as it related to the procurement process. It was noted that the procurement process is handled by the Metro Procurement Department and communicated to the PMT through a liaison and that management did not think that it is prudent to place sensitive documents within the file that is viewed by various contractors and subcontractors. Due to the sensitive nature of the information, C&A contacted both the MWS Finance Department and Procurement Department to request the items noted that was not included within PMIS in order to ensure that the proper procurement procedures were followed. C&A reviewed all documents noting no exceptions.

Recommendation

None.

Management's Response

No response necessary.

**PROGRAM MANAGEMENT PROCESSES FOR QUALITY CONTROLS  
AND RISK ASSESSMENT**

Observation

C&A conducted an assessment of quality control documents that are required to be prepared, reviewed and signed by designated responsible parties at various phases of the projects. C&A found documentation was properly filed, with no exceptions noted.

Recommendation

None.

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**PERFORMANCE AUDIT OBSERVATIONS, RECOMMENDATIONS  
AND MANAGEMENT RESPONSES - Continued**

**PROGRAM MANAGEMENT PROCESSES FOR QUALITY CONTROLS  
AND RISK ASSESSMENT - Continued**

Management's Response

No response necessary.

Observation

The Program Management Plan ("PMP") - Vol. I, section 6, states that risk assessment should be performed at the project level with a defined set of documentation (risk assessment matrix including consequence ratings and likelihood of occurrence rating). We noted that formal project specific risk assessments were prepared and placed into PMIS in order to comply with the PMP.

Recommendation

None.

Management's Response

No response necessary.

Observation

The PMIS database is designed in such a way that it can be utilized by all members of the Project Management Team, and all contractors and subcontractors at a level appropriate for their needs. We noted in the PMP that training for individuals at various levels should be provided to allow for full utilization of the resources provided and for consistency in documentation placed in the file.

C&A selected and tested 10 program management consultant staff members and 5 each of design and construction management consultants on current active projects. We verified that each consultant's training dates were included in a training log in PMIS without exception.

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**PERFORMANCE AUDIT OBSERVATIONS, RECOMMENDATIONS  
AND MANAGEMENT RESPONSES - Continued**

**PROGRAM MANAGEMENT PROCESSES FOR QUALITY CONTROLS  
AND RISK ASSESSMENT - Continued**

Recommendation

None.

Management's Response

No response necessary.

Observation

The PMP states that periodic audits are to be performed internally. C&A noted that two internal audits were conducted by the PMC Quality Manager as described in the Quality Management Plan during the period covered by our procedures.

Recommendation

None.

Management's Response

No response necessary.

**PROGRAM AND RELATED PROJECTS TIMELINE PERFORMANCE**

Observation

C&A reviewed the timeline for tested projects to determine if any significant changes had been made, and if so, we obtained support for the justification and approval of these timeline changes. For any significant delays, we found that there was documentation to support that the proper members of management (both Program Management and MWS) had been informed.

Recommendation

None.

Management's Response

No response necessary.

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**PERFORMANCE AUDIT OBSERVATIONS, RECOMMENDATIONS  
AND MANAGEMENT RESPONSES - Continued**

**PROJECT PERFORMANCE IN ACCORDANCE WITH DESIGN**

Observation

C&A noted that there were several projects in the construction phase that had been processed through the PMP. Of the projects reviewed, the designs submitted appeared to represent the RFPs. Reviews of the designs at various milestones were being performed by management and the engineers of record were monitoring changes that may impact the intent of the design for maximizing resources to resolve problems. We also noted field visits are being performed by the Construction Managers with cross-references to the expectations.

Recommendation

None.

Management's Response

No response necessary.

**EPA AND TDEC REPORTING REQUIREMENTS COMPLIANCE**

Observation

C&A reviewed MWS's compliance with the various reporting requirements as it relates to the Consent Decree with particular attention to the Project Management Team's maintenance of documentation, content, and deadlines. C&A did not note any non-compliance.

Recommendation

None.

Management's Response

No response necessary.

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**PERFORMANCE AUDIT OBSERVATIONS, RECOMMENDATIONS  
AND MANAGEMENT RESPONSES - Continued**

**PROJECT SITE VISITS**

Observation

C&A conducted on-site visits for 10 of the 13 projects currently in either the construction or closeout phase. For each of these 10 projects, C&A met with the Site Construction Manager and performed a walkthrough of the site location, noting the current status of the project, including description/design of the project. Each project's timeline of completion in its current phase and percentage of completion costs were in line with that reported on the respective project summary reports reviewed and tested with no exception.

Recommendation

None.

Management's Response

No response necessary.

**PROCESS FOR REASSIGNMENT OF UNUSED BUDGETED FUNDS**

Observation

During the prior year engagement, several projects were moved into the close out phase and the Program Management Team documented procedures to address the process for the reassignment of unused budgeted funds. Based on discussions with the Program Management Team and per review of PMIS, C&A observed that any unused budgeted funds from projects that have been closed out have been transferred from the individual project's detail cost sheet as Contingency - Forecasted Adjustments to the OAP Program detail cost sheet as Cross Phase-Contingency-Budgeted Changes (Approved). As of May 31, 2016, a total of \$50.2 million of unused budgeted funds from the various OAP projects that have closed out from inception of the Program through May 2016 have been captured in this contingency reserve fund for the overall CWN Program. C&A reviewed the forecasted adjustments along with the budget changes and verified that these processes are the same noting no exceptions. Therefore, it appears that the Program Management Team has implemented its process for tracking unused budgeted funds from projects closed out and is transferring these unused budgeted funds back into the overall Program reserve.

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**PERFORMANCE AUDIT OBSERVATIONS, RECOMMENDATIONS  
AND MANAGEMENT RESPONSES - Continued**

**PROCESS FOR REASSIGNMENT OF UNUSED BUDGETED FUNDS - Continued**

Recommendation

None.

Management's Response

No response necessary.



# Clean Water Nashville Overflow Abatement Program

## CAP/ER & LTCP Implementation Plans & Schedules

CD Name	Sub-Program	Expended Amount	Start	End
<b>Early Action Projects (EAP)</b>				
Barker Road Omohundro Equalization Storage Phase I	CAP-ER	\$12,310,818	5/15/2006	5/14/2008
Broadway Improvements	LTCP	\$646,794	7/1/2010	11/1/2011
Dodson Chapel Equalization Facility	CAP-ER	\$15,712,251	12/6/2010	11/25/2013
Driftwood Equalization Facility	LTCP	\$2,577,921	1/4/2011	11/27/2013
Dry Creek Waste Water Treatment Plant Optimization	CAP-ER	\$0	7/1/2003	12/31/2007
Holiday Travel Park Gravity Conversion	CAP-ER	\$114,638	6/2/2007	9/1/2012
Lakewood Rehabilitation (EAP)	CAP-ER	\$12,460,646	1/10/2011	3/24/2016
Mill Creek 36 in Trunk Sewer System Rehabilitation	CAP-ER	\$1,682,251	1/2/2008	9/30/2011
Rockwood Conveyance Improvement	CAP-ER	\$1,215,193	12/1/2011	5/1/2012
Smith Springs Equalization Storage	CAP-ER	\$0	7/11/2005	4/7/2006
Van Buren Improvements	LTCP	\$646,794	7/1/2010	11/1/2011
Washington CSO Facility Improvements	LTCP	\$19,613,899	7/1/2010	4/27/2012
West Park Equalization Storage Phase I	CAP-ER	\$9,366,031	1/2/2006	6/29/2011
Whites Creek Pump Station Improvements	CAP-ER	\$21,832,738	7/1/2009	11/14/2013
Whites Creek WWTP Disinfection & Optimization	CAP-ER	\$6,498,937	7/1/2008	12/21/2012
Subtotal:		\$104,678,911		
<b>Overflow Abatement Program (OAP)</b>				
28th Avenue Rehabilitation	CAP-ER	\$552,660	3/1/2012	2/5/2023
Apex Sewer Corrections	LTCP	\$1,198,909	7/5/2012	7/1/2014
Bandywood - Green Hills Rehabilitation (SU03A)	CAP-ER	\$0	7/31/2017	1/6/2020
Benedict & Crutcher Equalization Facility	LTCP	\$877	12/4/2018	9/3/2022
Berwick Trail Pipe Improvements	CAP-ER	\$408	11/13/2018	7/9/2022
Berwick Trail Pump Station Upgrades	CAP-ER	\$111,831	5/7/2012	7/9/2022
Boscobel Equalization Facility	LTCP	\$0	12/4/2018	9/3/2022
Brick Church Pike Pipe Improvements	CAP-ER	\$2,593,541	4/12/2012	11/19/2018
Central Wastewater Treatment Plant Equalization - Phase I	LTCP	\$0	1/28/2014	8/7/2019
Central Wastewater Treatment Plant Equalization - Phase II	LTCP	\$0	4/8/2015	11/4/2020
Central Wastewater Treatment Plant Equalization - Phase III	LTCP	\$0	6/4/2018	3/7/2023
Central Wastewater Treatment Plant Grit and Pump Station Upgrades	LTCP	\$0	1/28/2014	5/7/2020
Central Wastewater Treatment Plant Capacity Improvements and CSO Reduction-A	LTCP	\$638,177	6/11/2014	8/31/2021
Central Wastewater Treatment Plant Capacity Improvements and CSO Reduction-B	LTCP	\$973,875	6/11/2014	10/21/2021
Cleece Ferry Rehabilitation	CAP-ER	\$0	1/1/2017	12/26/2021
Combined Sewer System and First Avenue Tunnel Rehabilitation	LTCP	\$0	9/2/2019	11/24/2022
Cowan Riverside Rehabilitation	CAP-ER	\$10,632,181	12/30/2011	10/11/2017
Cowan Street Pipe Improvements	CAP-ER	\$0	8/3/2017	2/27/2023
Cowan Street Pump Station Upgrades	CAP-ER	\$0	6/30/2019	10/10/2022
Davidson and Brook Hollow Sewer Improvements	CAP-ER	\$1,047,610	12/28/2012	7/1/2016
Davidson Branch Pump Station and Equalization Facility	CAP-ER	\$1,240,944	5/7/2012	1/13/2019
Dodson Chapel Pipe Improvements	CAP-ER	\$4,436,614	11/30/2011	11/11/2015
Dry Creek Pipe Improvements	CAP-ER	\$85,076	8/31/2012	2/11/2023
Ewing Creek - Brick Church Equalization Facility	CAP-ER	\$1,719,347	5/7/2012	6/13/2018
First Avenue Tunnel Access	LTCP	\$0	3/29/2017	8/19/2020
Foster Avenue Rehabilitation GL01	CAP-ER	\$0	2/1/2019	10/27/2021

# Clean Water Nashville Overflow Abatement Program

## CAP/ER & LTCP Implementation Plans & Schedules

CD Name	Sub-Program	Expended Amount	Start	End
Gibson Creek Equalization Facility	CAP-ER	\$57,394	2/3/2013	2/20/2019
Gibson Creek Rehabilitation	CAP-ER	\$246,212	12/3/2012	7/29/2017
Green Improvements	LTCP	\$252,168	7/31/2012	7/30/2023
Henry Ford Drive Pipe Improvements	CAP-ER	\$0	12/3/2017	4/25/2022
Hidden Acres Pump Station Upgrades	CAP-ER	\$2,748	6/1/2016	4/25/2023
Highway 100 Tyne Boulevard Pipe Improvements	CAP-ER	\$4,085,881	12/1/2011	7/13/2025
Hurricane Creek Pipe Improvements	CAP-ER	\$90,523	11/1/2014	7/20/2020
Joelton Rehabilitation	CAP-ER	\$907,222	3/6/2012	6/16/2014
Kerrigan Trash Trap Replacement	LTCP	\$0	11/20/2019	4/12/2023
Kerrigan Weir Dynamic Addition	LTCP	\$198	6/1/2019	9/7/2022
Lakewood Rehabilitation	CAP-ER	\$133,641	1/10/2011	12/6/2019
Langford Farms-Madison Heights Rehabilitation	CAP-ER	\$71,778	5/30/2015	5/19/2017
Loves Branch Pump Station Upgrades	CAP-ER	\$494,976	5/7/2012	5/18/2023
Madison Heights Rainbow Terrace Rehabilitation	CAP-ER	\$2,682	5/30/2015	6/1/2017
Mill Creek Opryland Equalization Facility - Phase II	CAP-ER	\$11,734,199	2/2/2012	4/3/2015
Mill Creek Opryland Equalization Facility - Phase III	CAP-ER	\$0	8/9/2014	7/10/2023
Mill Creek Trunk Improvements	CAP-ER	\$42,989	1/31/2016	10/10/2022
Neely's Bend Pump Station Upgrades	CAP-ER	\$276,609	5/7/2012	4/15/2023
Neely's Bend Rehabilitation	CAP-ER	\$3,010,081	12/30/2011	12/8/2014
Norman Drive Pipe Improvements GC14	CAP-ER	\$19,277	1/31/2017	3/25/2021
Parthenon Area Improvements	LTCP	\$278,379	3/26/2012	2/13/2020
Program Cross-Phase	N/A	\$22,053,470	6/1/2016	6/1/2016
River Drive Rehabilitation	CAP-ER	\$0	1/31/2018	11/25/2020
Riverside Drive Pump Station Upgrades	CAP-ER	\$0	6/30/2019	2/28/2024
Schrader Equalization Facility	LTCP	\$0	2/12/2018	5/1/2022
Shelby Park Rehabilitation	CAP-ER	\$20,174,685	2/1/2012	1/25/2022
Smith Springs Rehabilitation	CAP-ER	\$889,163	4/3/2012	11/25/2020
Vandiver Pump Station Upgrades	CAP-ER	\$197,395	5/7/2012	3/14/2023
West Park Equalization Facility Phase II	CAP-ER	\$7,627,090	1/3/2012	2/3/2017
West Park Equalization Facility Phase III	CAP-ER	\$0	1/3/2012	11/8/2016

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Subtotal: \$97,880,810

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Total: \$202,559,721

Count: 71

Total for LTCP:	\$26,827,991
Total for CAP-ER:	\$153,678,260
Total for Program Cross-Phase:	<u>\$22,053,470</u>
Total:	<u><u>\$202,559,721</u></u>



FY 2016 CAFR PRESENTATION

and

Metro Water Services Clean Water  
Abatement Program Review

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**AUDIT COMMITTEE RECOMMENDED SUBSTITUTE**  
**As of September 13, 2016**

**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. **To the fullest extent allowed by applicable law** 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 **Metropolitan Government of Nashville and Davidson County** 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.

**To the fullest extent allowed by applicable law** 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.

RECOMMENDED BY:

INTRODUCED BY:

\_\_\_\_\_  
Robert C. Brannon, Chair  
Audit Committee

\_\_\_\_\_  
\_\_\_\_\_  
Council Member(s)

APPROVED AS TO THE AVAILABILITY  
OF FUNDS:

\_\_\_\_\_  
Talía Lomax-O'dneal, Director  
Department of Finance

APPROVED AS TO FORM AND  
LEGALITY:

\_\_\_\_\_  
Assistant Metropolitan Attorney





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

Audit Plan Year February 2016 to January 2017	Report Phase					
	Projects	Planning	Fieldwork	Report	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				✓		Dec-16
8) First Tennessee Park Construction				✓	Dec-16	
9) Human Resources Civil Service Hiring Process (On Hold)			✓			
10) Nashville Fairgrounds				✓		Nov-16
11) Finance Long Term Debt Process				✓		Nov-16
12) Finance Department Credit Card Usage				✓		Jul-16
13) FY2016 Hotel Audit Summary				✓		Jul-16
14) State Trial Court - Office of Conservatorship Management				✓		Dec-16
15) Public Works - Responsive Traffic Signal Timing Program				✓		Nov-16
16) Parks & Recreation - Park Police				✓	Dec-16	
17) 800 MHz Radio Shop Recommendation Follow-Up				✓		Nov-16
18) Health Department Bureau of Administration and Finance			✓			
19) Office of Assessor	✓					
20) Human Relations Commission	✓					
<b>Metro IntegrityLine Alerts February 2016 to January 2017</b>				<b>Total</b>	<b>Closed</b>	<b>Pending</b>
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				4	4	0
Cases Tasked to OIA by Metro Entities				2	2	0

**Note:** Goal to complete 19 audit projects for Plan Year 2016. Currently 14 audit projects are completed, and 1 audit projects is 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?**



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**Your Call Matters**

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**Report Any Problems Toll-Free**

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

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

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

**Use Organization Name: Metro Nashville**

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



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

		<b>FY 2017 Budget</b>	<b>Actual As of December 11, 2016</b>	<b>Difference</b>	<b>Notes</b>
Total Salaries & Fringe		\$ 1,079,500	417,157	\$ 662,343	
Other Expenses					
Professional & Purchased Services		125,100	10,121	114,979	
Building Rent Parkway Towers		55,500	23,001	32,499	
Other Expenses		71,900	25,131	46,769	
Internal Service Fees		50,900	50,900	-	Information Technology
<b>TOTAL EXPENSES</b>		<b>\$ 1,382,900</b>	<b>\$ 526,310</b>	<b>\$ 856,590</b>	
30003 General Fund 4% Reserve		\$ 8,725	\$ -	\$ 8,725	

**Office of Internal Audit Budget History**

<b>For the year ending June 30,</b>	<b>Co-sourcing Audit Budget</b>	<b>Total Budget</b>	<b>Co-sourcing Percent of Budget</b>	<b>FTE</b>
<b>2008</b>	<b>\$ 500,000</b>	<b>\$ 1,477,000</b>	<b>34%</b>	<b>10</b>
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

## 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, CFE  
Senior Auditor  
x79672

**James Carson**  
MBA, CIA, CFE  
Senior Auditor  
X26430

**Mary Cole**  
Macc, CPA,CFE,  
CGFM  
Senior Auditor  
X26407

**Innocent Dargbey**  
MS-Finance, MBA,  
CPA  
Senior Auditor  
x79671

**Laura Henry**  
Macc, CFE  
Auditor II  
x26456

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

**Open**  
Auditor I

**METROPOLITAN NASHVILLE AUDIT COMMITTEE  
RECOMMENDED 2017 MEETING PLAN**

<b>Meeting Date</b>	<b>Proposed Agenda Topics</b>
February 28, 2017 (Tuesday)	<ul style="list-style-type: none"> <li>• Office of Internal Audit Annual Performance Report</li> <li>• Internal Audit Annual Work Plan approval</li> <li>• Internal Audit issued report discussion</li> <li>• Follow-up Comprehensive Annual Financial Report, Single Audit Report, and Management Letter</li> </ul>
April 11, 2017 (Tuesday)	<ul style="list-style-type: none"> <li>• External Audit Single Audit and Management Letter presentation</li> <li>• Information Security Program Update</li> <li>• Internal Audit issued report discussion</li> <li>• Follow-up Comprehensive Annual Financial Report</li> </ul>
July 11, 2017 (Tuesday)	<ul style="list-style-type: none"> <li>• External Audit plan and required communications</li> <li>• Internal Audit issued report discussion</li> <li>• Metropolitan Auditor performance review</li> <li>• Follow-up Comprehensive Annual Financial Report, Single Audit Report, and Management Letter</li> </ul>
September 12, 2017 (Tuesday)	<ul style="list-style-type: none"> <li>• Metropolitan Audit Committee self-assessment</li> <li>• Bylaws annual review</li> <li>• Internal Audit issued report discussion</li> <li>• External Audit Comprehensive Annual Financial Report Audit Progress Executive Session</li> </ul>
November 16, 2017 (Thursday)	<ul style="list-style-type: none"> <li>• Internal Audit issued report discussion</li> <li>• External Audit Comprehensive Annual Financial Report Audit Progress Executive Session</li> </ul>
December 12, 2017 (Tuesday)	<ul style="list-style-type: none"> <li>• External Audit Comprehensive Annual Financial Report</li> <li>• Internal Audit issued report discussion</li> </ul>





**2016 Internal Audit Work Plan as of December 11, 2016**  
**Plan Period February 2016 to January 2017**  
**As of December 11, 2016**

<b>*Co-source</b>	<b>CY 2015 Audits In Progress</b>	<b>Plan Hours</b>	<b>Actual Hours</b>	<b>Status</b>
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	224	Completed
7	Comcast Franchise Fee Audit (Reporting Phase)	150	183	Completed
<b>CY 2016 New Audit Areas</b>				
1	Hotel Occupancy Tax Audits	500	87	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	On Hold
6	State Trial Courts – Office of Conservatorship Management	800	509	Completed
7*	General Services - Fleet Operations	800		
8*	Sports Authority – 1 <sup>st</sup> Tennessee Field Construction Contract	600	997	In-Progress
9	General Services – 800 MHz Radio Shop Recommendation Follow-up	100	131	Completed
10	Metro Parks and Recreation – Park Police	800	742	In-Progress
11	Hospital Authority – General Hospital Expenditures (Payroll and Accounts Payable Process)	1,000		
12	Public Works - Smart City Traffic Signal Program	500	508	Completed
13	Metro Water Services - Storm Water Revenue	800		
14	Human Resource Department - Hiring Process	800	511	On Hold
15	Finance – Purchasing Department	800		
16*	Finance – Treasury Debt Financial Instrument Issuance Process	800	285	Completed
17	Information Technology Services – Information Back-up and Recovery	600		
18	Metropolitan Nashville Public Schools – Student Information Systems and District/School Accountability System	800	1,554	Completed
19*	Metro Water Services – Clean Water Nashville Overflow Abatement Program – Selected Projects Contract Compliance	400		

**2016 Internal Audit Work Plan as of December 11, 2016**  
**Plan Period February 2016 to January 2017**  
**As of December 11, 2016**

<b>Approved Additions to CY 2016 Internal Audit Plan</b>				
20	The Fairgrounds Nashville	600	774	Completed
21	Finance Department – Credit Card Usage	200	239	Completed
22	Health Department – Compliance and Operational Audit	600	675	In-Progress
23	Office of Property Assessor	600	179	In-Progress
24	Human Relations Commission Purchasing Activity	300	57	In-Progress
<b>Fraud, Waste, and Abuse Investigations and Hotline Support</b>				
	Fraud, Waste, and Abuse Investigations and Hotline Support	1,200	1,286	
	<b>Grand Total</b>	<b>17,000</b>	<b>9,937</b>	
	<b>Total Budget Direct Hours In Plan Year</b>	<b>12,000</b>	<b>9,937</b>	<b>83%</b>

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# Metropolitan Audit Committee

Metropolitan Code of Laws Section 2.24.300

Term-varied

6 Members

	<u>Date of Appt.</u>	<u>Term Exp.</u>
<b>Mr. Robert C. Brannon</b> 173 Jefferson Square Nashville, TN 37215- (615) 385-2491      bbrannon@associatedpackaging.com Representing: TSCPA, Nashville Chapter	<b>2/2/2013</b>	<b>3/20/2017</b>
<b>Vice Mayor David Briley</b> One Public Square, Suite 204 Nashville, TN 37201- (615) 880-3357      david.briley@nashville.gov Representing:	<b>9/1/2015</b>	<b>8/31/2019</b>
<b>Mr. John Cooper</b> 3925 Woodlawn Drive Nashville, TN 37205- (615) 969-4444      CooperAtLarge@nashville.gov Representing: Metro Council	<b>10/20/2015</b>	<b>9/30/2017</b>
<b>Ms. Talia Lomax-O'dneal</b> One Public Square, Suite 106 Nashville, TN 37201- (615) 862-6151      talia.lomaxodneal@nashville.gov Representing: Director of Finance	<b>10/1/2015</b>	
<b>Mr. Bob Mendes</b> One Public Square, Suite 204 Nashville, TN 37201- (615) 756-3533      bob.mendes@nashville.gov Representing: Metro Council	<b>10/20/2015</b>	<b>9/30/2017</b>
<b>Mr. Brack Reed</b> 511 Union Street, Suite 1400 Nashville, TN 37219- (615) 770-8494      brack_reed@gspnet.com Representing: Nashville Area Chamber of Commerce	<b>2/20/2015</b>	<b>3/20/2019</b>

Printed 09-May-16

**Metropolitan Clerk's Office**



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

---

**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.
- Meet with auditee after issuance of audit report by Metropolitan Auditor to discuss observations. Hold follow-up to monitor corrective actions implemented by auditee.



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

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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.

**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.

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

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**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.
- Activities indicate fraud, abuse, or illegal acts which need further investigation.
- Computer-based systems incorporate adequate controls.

**METROPOLITAN GOVERNMENT OF  
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The Metropolitan Auditor shall have authority to:

- Review the effectiveness of internal controls for monitoring compliance with laws and regulations.
- Review the observations of any examinations by regulatory agencies, and any auditor observation.
- Review the process for communicating the code of conduct to 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.

## **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.

**METROPOLITAN GOVERNMENT OF  
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**ACCESS TO EMPLOYEES, RECORDS AND PROPERTY**

To the extent allowed by applicable law 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**

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

**METROPOLITAN GOVERNMENT OF  
NASHVILLE AND DAVIDSON COUNTY  
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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**

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.

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**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.





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

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

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

**2.24.300 - Division of metropolitan audit.**

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

*(Ord. BL2007-1318 § 2, 2007)*



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

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

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

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**METROPOLITAN GOVERNMENT OF NASHVILLE  
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METROPOLITAN AUDIT COMMITTEE**

**SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT**

*Council*

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

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

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

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

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

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

*Metro Code 2.04.033 – Metropolitan Council*

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

*Mayor and Department of Metropolitan Finance*

*Metro Charter Section 5.03 – Power and authority of mayor.*

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

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

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

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

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

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**SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT**

***Division of Metropolitan Audit***

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

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

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

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

***Tennessee Code Annotated***

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

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

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

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

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

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

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**SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT**

- (4) Information protected by federal law; and
- (5) Matters involving information under § 9-3-406 where the informant has requested anonymity.

***T.C.A. 9-3-406***

(a) An **audit committee** created pursuant to this chapter shall **establish a process** by which employees, taxpayers or other **citizens may confidentially report suspected illegal, improper, wasteful or fraudulent activity.** The detailed information received pursuant to such a report of illegal, improper, wasteful or fraudulent activity or any investigation of this activity, except those matters disclosed in the final reports, shall be considered audit working papers and **shall be confidential under the provisions of title 10, chapter 7."**

***T.C.A. 4-3-304***

(9) Establish minimum standards for the performance of audits by the internal audit staffs of local governments, special taxing districts, utility districts, political subdivisions, state departments, boards, commissions, institutions, agencies, authorities or other entities of the state. These standards, which shall be established by the comptroller of the treasury, shall include "Standards for the Professional Practice of Internal Auditing" published by the Institute of Internal Auditors, Inc., or such other standards as may be approved by the comptroller of the treasury. All audit reports issued by such internal audit staffs shall include a statement that the audit was conducted pursuant to these standards.

Notwithstanding any law to the contrary, working papers created, obtained or compiled by an internal audit staff are confidential and are therefore not an open record pursuant to title 10, chapter 7. "Working papers" includes, but is not limited to, auditee records, intra-agency and interagency communications, draft reports, schedules, notes, memoranda and all other records relating to an audit or investigation by internal audit staff.

***T.C.A. 8-4-501-505***

**Local Government Instances of Fraud Reporting Act**

**8-4-503 (a)** A public official with knowledge based upon available information that reasonably causes the public official to believe that unlawful conduct has occurred shall report the information in a reasonable amount of time (defined as not exceeding 5 working days in definition) to the office of the comptroller of the treasury.

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



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

**4-18-103. Liability for violations.**

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

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

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

**4-18-104. Investigation and prosecution.**

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

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

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

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

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

*Other Related Provisions*

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

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

**METROPOLITAN GOVERNMENT OF NASHVILLE  
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**SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT**

**Charter Appendix Two, Electric Power Board, Article 42, 18**

“That said electric power board of the metropolitan government shall have **exclusive management and control of the operation** of said electric power plan and/or distribution system. ....”

**Charter Appendix Two, Electric Power Board, Article 42, 24**

“That **neither the mayor, the metropolitan council, nor any other officer, department board or commission of the metropolitan government, shall have or exercise and authority whatsoever over the electric power board created under the terms and provisions of this Charter**, other and except to the extent herein expressly provided, and the provisions of this article shall prevail over any conflicting provisions appearing in any other article in this Charter.”

**Charter Appendix Four, Transit Authority, Article 64, 6 (f)**

“The metropolitan treasurer shall keep accurate records and books dealing with the separate accounts of metropolitan transit authority.... Such books and records shall be **open to inspection and examination by accountants or auditors** of the metropolitan government as all books and records of the metropolitan treasurer are inspected.”

“The books and records of the secretary of the authority likewise shall be **open to inspection and examination by the accountants or auditors** of the metropolitan government.”

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# Metropolitan Nashville Audit Committee

## Executive Session Checklist

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- 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

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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)