

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



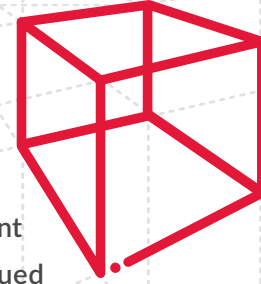
***METROPOLITAN NASHVILLE
AUDIT COMMITTEE***

WORKBOOK

July 11, 2017

Executive Perspectives on Top Risks for 2017

Board members and C-suite executives see a riskier environment for business in 2017 compared to the prior year, according to an annual survey from North Carolina State University's ERM Initiative and Protiviti. Among the many contributing factors: The impact of the U.K. Brexit vote, increased volatility in commodity markets, polarization surrounding the recent U.S. presidential election, terrorist events, asset bubbles in China, continued discussion about fair wages and income equality, and ongoing instability in the Middle East.



The overall global business context is perceived to be noticeably more risky in 2017.

Concerns about economic conditions top the list of risk issues for the coming year, followed closely by regulatory changes and scrutiny.

Cyberthreats, information security and privacy remain critical issues for organizations to address.

RISK ISSUE	2017*	2016*	YOY Trend
Economic conditions	6.61	5.83	↑
Regulatory changes and regulatory scrutiny	6.51	6.06	↑
Cyberthreats	5.91	5.80	↑
Rapid speed of disruptive innovations and new technologies	5.88	5.48	↑
Privacy/identity management and information security	5.87	5.55	↑
Succession challenges and ability to attract and retain top talent	5.76	5.63	↑
Volatility in global financial markets and currencies	5.67	5.33	↑
Organization's culture may not encourage timely identification and escalation of risk issues	5.66	5.30	↑
Resistance to change operations	5.63	5.40	↑
Sustaining customer loyalty and retention	5.62	5.28	↑

* Scores are based on a 10-point scale, with "10" representing that the risk issue will have an extensive impact on the organization.

About the Survey This annual survey of board members and C-suite executives was conducted online in the fall of 2016. Each respondent was asked to rate 30 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.

The full survey report, Executive Perspectives on Top Risks for 2017, may be accessed at erm.ncsu.edu or protiviti.com/toprisks. It includes detailed breakdowns of the results by respondent role, organization size, industry and other categories.

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NC STATE Poole College of Management
Enterprise Risk Management Initiative

**METROPOLITAN NASHVILLE
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA
July 11, 2017 4:00 p.m.**

**Committee Room 2
205 Metropolitan Courthouse**

- I. Call Meeting to Order (Brack Reed - Committee Chairman)
- II. Approval of Minutes for April 11, 2017, Meeting. (Brack Reed – Committee Chairman)
- III. New Business
 - Discussion on Audit of the First Tennessee Ballpark Construction Project audit report issued April 24, 2017. (Mark Swann – Metropolitan Auditor)
 - Discussion on Audit of Assessor of Property audit report issued May 1, 2017. (Mary Cole – Senior Internal Auditor)
 - Discussion on Audit of Metropolitan Public Health Department Finance and Administration Bureau issued May 3, 2017. (Seth Hatfield – Senior Internal Auditor)
 - Discussion on Audit of the Metropolitan Nashville Government Human Resource Department Talent Acquisition Function issued June 28, 2017. (Bill Walker – Principal Internal Auditor)
 - External auditor presentation FY 2017 Financial Audit Communications. (Crosslin)
 - Discussion on Comptroller of the Treasury, Department of Audit, Division of Local Government Audit’s May 12, 2017, correspondences regarding the Comprehensive Annual Financial Report of the Metropolitan Nashville and Davidson County and Single Audit Report for the fiscal year ended June 30, 2016. (Crosslin and Phil Carr – Chief Accountant)
 - Metropolitan Nashville Audit Committee and Metropolitan Nashville Office of Internal Audit bylaws annual review. (Mark Swann – Metropolitan Auditor)
 - Metropolitan Auditor’s annual performance review. (Brack Reed – Committee Chairman)
- IV. Unfinished Business
 - Number of civil service employees vs. non-civil service employees
 - Summary of procurement related audit recommendations
- V. Internal Audit Project Status (Mark Swann – Metropolitan Auditor)
- VI. Fraud Waste and Abuse Hotline and Investigation Update (Mark Swann – Metropolitan Auditor)
 - Request for investigation services update
 - Summary of fraud, waste, and abuse hotline activity

**METROPOLITAN NASHVILLE
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA
July 11, 2017 4:00 p.m.**

- VII. Other Administrative Matters (Mark Swann – Metropolitan Auditor)
 - Office of Internal Audit staffing
 - FY 2017 and FY 2018 budget status.
- VIII. Consideration of Items for Future Meetings (Brack Reed - Committee Chairman)
- IX. Adjournment of Public Meeting – Next Meeting Tuesday, September 12, 2017.
- X. Executive Session Agenda – (If Needed.) (Committee Chairman)
 - Discussion of pending or ongoing audits or audit related investigations.

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

1. Items deemed not subject to public inspection under T.C.A. §§ 10-7-503² and 10-7-504³ and all other matters designated as confidential or privileged under this code;
2. Current or pending litigation and pending legal controversies;
3. Pending or ongoing audits or audit related investigations;
4. Information protected by federal law; and
5. Matters involving information under T.C.A. § 9-3-406⁴ where the informant has requested anonymity.



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

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

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

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

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

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

DRAFT

April 11, 2017

On Tuesday, April 11, 2017, at 4:00 p.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2nd Floor, Committee Room 2. The following people attended the meeting:

Committee Members

Charles Frasier, Tennessee Society of CPA
David Briley, Vice-Mayor
John Cooper, Council Member
Talia Lomax-O'dneal, Director of Finance
Brack Reed, Chamber of Commerce
Bob Mendes, Council Member

Others

Theresa Costonis, Department of Law
Kim McDoniel, Deputy Finance Director
Phil Carr, Chief Accountant
Dell Crosslin, Crosslin
John Crosslin, Crosslin
David Hunt, Crosslin
Melody Fowler-Green, Human Relations Commission
Warner Hassell, General Sessions Court
Bill Walker, Office of Internal Audit
Nan Wen, Office of Internal Audit

Quorum present? Yes

CALL MEETING TO ORDER

Mr. Brack Reed called the meeting to order.

SELECTION OF AUDIT COMMITTEE CHAIR AND VICE- CHAIR

A **motion** to select Mr. Brack Reed as Audit Committee Chair was made, seconded, and carried.

A **motion** to select Mr. Charles Frasier as Audit Committee Vice-Chair was made, seconded, and carried.

APPROVAL OF MINUTES

A **motion** to approve the March 14, 2017, meeting minutes was made, seconded, and carried.

NEW BUSINESS

Discussion on Audit of Human Relations Commission

Ms. Nan Wen summarized the scope, observations, and recommendations of the audit. Mr. Bob Mendes asked if the Human Relations Commission could implement the audit recommendations by the implementation date. Ms. Melody Fowler-Green advised yes. Mr. Mendes asked Ms. Fowler-Green to expound on her comment about the need to enhance the onboarding process at the Metropolitan Nashville Government. Ms. Fowler-Green articulated her position on the subject. An inquiry as to whether the report findings were a function of poor record keeping or questionable activity was raised. Mr. Mark Swann advised there were

purchases made that, initially, appeared to be inappropriate. Once these items were reviewed in more detail, those concerns dissipated.

Mr. Reed inquired as to the last time an audit was conducted on this entity. Ms. Wen advised an audit was previously conducted in 2011. Mr. Swann advised many of the same findings in the 2011 audit report mirrored the findings in the current report.

Action Item: Mr. Mendes requested that this audit be put back on the first Committee meeting following the planned implementation date. Mr. Mendes wanted to follow up on the status of the report's recommendations.

Discussion on the Metropolitan Office of Internal Audit External Quality Control Review

Mr. Bill Walker summarized the scope, methodology, and results of the review. Mr. Frasier commented that peer reviews were extremely important to the profession and that receiving a report without any management comments was significant. No further discussion ensued.

Discussion on the request from Metropolitan General Sessions Court Presiding Judge Gale Robinson to amend the 2017 Internal Audit Work Plan to include an audit of the General Sessions Drug Court and related programs.

Mr. Mark Swann advised a request had been made from Judge Gale Robinson to conduct an audit of the General Sessions Court Treatment Program and related programs (specified as the ACT and Cherished Heart – Sex Trafficking programs). Mr. Swann advised the initial Audit Plan had the General Sessions Traffic School to be audited. Mr. Swann suggested switching the original audit with this one.

Mr. John Cooper inquired about the nature of the Davidson County Drug Court Foundation. Mr. Warner Hassell advised the Davidson County Drug Court Foundation is a nonprofit entity separate from the Metropolitan Nashville Government. A separate audit has been scheduled for the Davidson County Drug Court Foundation. The General Sessions Court has nothing to do with the Davidson County Drug Court Foundation's revenues or expenses. Ms. Talia Lomax-O'dneal inquired if there were any in-kind type transactions between the General Sessions Court and the Davidson County Drug Court Foundation. Mr. Hassell advised they provide office space for one Davidson County Drug Court Foundation employee. Mr. Mendes recommended that the Office of Internal Audit asks questions that would remove any ambiguity regarding the relationship between General Sessions Court and the Davidson County Drug Court Foundation.

Mr. David Briley inquired about the scope of the audit. Mr. Swann advised that the Office of Internal Audit met with Judge Robinson that morning. Judge Robinson communicated that the Office of Internal Audit could audit whatever was appropriate, but he requested, at a minimum, the audit include the fiscal management aspect of the General Sessions Drug Court. Mr. Briley stated concern over the case management documentation process. For example, could the disposition of a case be changed without documentation authorizing the change? Are there better ways to leverage technology in this area?

Mr. Swann advised that our office had met with the Criminal Court Clerk Office and was advised that they are in the process of requesting an enhanced software application for document management. Mr. Briley expressed concern over the risk of an informal decision being made without any supporting documentation and/or transparency.

A discussion ensued over the scope of this audit request.

A **motion** to amend the 2017 Audit Plan to include the audit of the General Sessions Drug Court and related programs was made. Related programs include General Sessions' relationship to the Davidson County Drug Court Foundation as well as the case management process. The motion was seconded and carried.

Discussion on request from Council Member Bob Mendes to amend the 2017 Internal Audit Work Plan to include a performance audit of Metropolitan Building Safety and Codes Department handling of short-term rental properties.

Mr. Swann advised a request had been made from Mr. Mendes to conduct a performance audit of the Metropolitan Building Safety and Codes Department handling of short-term rental properties. Mr. Mendes stated that this request is a function of concerns of various members of the Metropolitan Council related to short-term rental permits. Specifically, that the legal requirements to obtain a permit are not being consistently applied and enforced.

Mr. Briley asked if the audit could include a step verifying that the tax rate applied to short-term rental properties is the correct rate.

A **motion** to amend the 2017 Audit Plan to include the audit of the Metropolitan Building Safety and Codes Department Short Term Rental process was made, seconded and carried.

Presentation of the Metropolitan Nashville Government Fiscal Year 2016 Letter of Recommendations to Management.

Mr. David Hunt with Crosslin discussed the various aspects of the 2016 Letter of Recommendations to Management. Mr. Hunt advised there were no material findings but Crosslin did have recommendations concerning timely preparation of bank reconciliations, clearing old outstanding items on bank reconciliations, timely recording of cash receipts, completing employee evaluations, and reporting of infrastructure using the modified approach. A discussion of these recommendations occurred.

Action Item: A request was made to ascertain the number of civil service employees vs. non-civil service employees.

Presentation of the Metropolitan Nashville Government Fiscal Year 2016 Schedules of Expenditures of Federal and State Awards and Reports Required by the Single Audit Act as Amended and the Uniform Guidance.

Mr. John Crosslin with Crosslin discussed the various aspects of the 2016 Schedules of Expenditures of Federal and State Awards Reports. A discussion of the reports ensued.

Presentation of Internal Audit Report Recommendations Corrective Action Status as of April 7, 2017.

Mr. Swann presented a report pertaining to outstanding recommendations from previous audit reports. Mr. Mendes stated the importance of audit recommendations being implemented. Ms. Lomax-O'dneal inquired if the report included recommendations that were rejected by management. Mr. Swann advised recommendations where management accepted the risks were not included in the report. Mr. Swann advised the number of recommendations rejected by management had materially decreased over the past year or so. Mr. Swann advised that part of the process is that auditees are invited to attend Audit Committee meetings to voice any concerns regarding report recommendations. This allows dialogue to occur between management and the Audit Committee to address the significance of any rejections.

Action Item: Mr. Cooper inquired how many audits had been conducted on procurement activities. Mr. Swann advised he would need to research and then provide an answer.

Discussion on case files processing and internal audit limitation within the judicial system.

Mr. Swann presented a letter dated March 18, 2010, from the State of Tennessee Attorney General Office. The letter pertained to the Office of Internal Audits limitations within the context of the judicial system. No discussion ensued.

UNFINISHED BUSINESS

Discussion on Internal Audit Legislation

Mr. Cooper advised the legislation passed.

OTHER ADMINISTRATIVE MATTERS

Mr. Swann briefly discussed progress towards the current audit plan and the budget status and the methodology for evaluating the Metropolitan Auditors performance and how any applicable raise would be budgeted.

Mr. Reed inquired if there was need of an executive session. Mr. Swann advised no.

The meeting concluded after 90 minutes at 5:30 p.m.

Respectfully submitted to the Metropolitan Nashville Audit Committee.

Mark Swann
Secretary, Metropolitan Nashville Audit Committee

Approved by the Metropolitan Nashville Audit Committee on July 11, 2017.

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

**DRAFT
March 14, 2017**

On Tuesday, March 14, 2017, at 4:00 p.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2nd Floor, Committee Room 2. The following people attended the meeting:

Committee Members

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

Others

Theresa Costonis, Department of Law
Jim Shulman, Council Member
Kim McDonial, Deputy Finance Director
Chris Taylor, Captain, Parks Police
Ted Ciuba, Office of Internal Audit
James Carson, Office of Internal Audit

Committee Member Not Present

Talia Lomax-O'dneal, Director of Finance

Quorum present? Yes

CALL MEETING TO ORDER

Mr. Bob Brannon called the meeting to order.

APPROVAL OF MINUTES

A motion to approve the December 13, 2017, meeting minutes was made, seconded, and carried.

NEW BUSINESS

Discussion on Audit of Park Police

Mr. James Carson summarized the scope, observations, and recommendations of the audit. Questions concerning the Park Police's progress towards implementing the audit recommendations were asked. Mr. Mark Swann stated progress is being made in implementing the recommendations, though some audit recommendation corrective action completion dates are "ongoing."

Mr. Bob Mendes requested if the Office of Internal Audit performs followed up on the achievement of audit report recommendations' corrective action plans based upon proposed completion dates. Mr. Swann replied that the Office of Internal Audit follows-up on open recommendations annually. Mr. Bob Mendes suggested that this should be done semi-annually.

Mr. Mendes requested a formal audit recommendation implementation reporting system be developed for the Committee's benefit. It is suggested that such a system could take the form of an excel spreadsheet that tracks prior audit recommendations, proposed completion dates, and progress towards achieving said recommendations. Also, Mr. Mendes recommended that the term "ongoing" be phased out and replaced with a specific proposed completion/implementation date. Mr. Swann replied a high-level report on the status of recommendations is in the Office of Internal Audit 2016 Performance Report provided to the Committee at the start of the meeting.

The Office of Internal Audit does have a follow-up system, and a report of all outstanding items is available if the Committee wants to review the report.

A motion that a formal audit recommendation implementation status report is provided to the Committee was made, seconded, and carried.

Discussion on request from the Metropolitan Nashville Council Members Jim Shulman, Nick Leonardo, and Scott Davis for the Office of Internal Audit to conduct a performance and financial audit of matters stemming from the lease and purchase agreement with Autumn Assisted Living Partners, Inc. and the purchase agreement with Vision Real Estate Investment Corporation

Mr. Swann indicated that there was a lack of internal financial controls; resulting in, among other things, management making cash payments for goods and services, in some instances, due to an inability to obtain financial credit. Mr. Swann states that due to an overall lack of basic financial documentation, an audit would be difficult to conduct. Therefore, to move the process forward, it is suggested that the proposed engagement be classified as an agreed-upon procedures engagement.

A motion to amend the Office of Internal Audit Annual Work Plan to include an agreed-upon procedure audit engagement related to the lease and purchase agreement with Autumn Assisted Living Partners, Inc. and the purchase agreement with Vision Real Estate Investment Corporation was made, seconded, and carried.

Mr. Jim Shulman had concerns on how meaningful the engagement results can be when the expected documentation is not available. In addition, he was interested in how the Office of Internal Audit is coordinating with the Finance Department's Office of Financial Accountability. Mr. Swann stated that the Office of Internal Audit did coordinate with the Finance Department and they have limited their efforts to immediate cash flow requirements to provide care and safety to the residents at the facility.

Discussion ensued on how poor financial accounting control practices have been enabled to exist, with the theme being how the taxpayers can have confidence that their money is being spent where management claims. It is proposed that in the likely event that the Office of Internal Audit is unable to account for every spent dollar, then the engagement focus on if traceable expenditures generally meet expectations. Emphasis will be placed upon determining whether expected expenses are greater than revenue plus Hospital Authority subsidies.

Mr. Swann stated the Office of Internal Audit is receiving cooperation from various banks, vendors, employees, and service providers towards piecing together a paper trail.

Questions were raised regarding how to prevent such situations from occurring in the future, including the pros and cons of privatization; whether the Finance Department can structure subsequent contracts in certain ways to mitigate such risks in the future; and, in general, how to create a climate of greater accountability.

Ms. Kim McDonald stated the process for privatization in this instance was unusual, in part, due to a condition that the entity was to be purchased within two years; which explains, in part, why outcomes that are more desirable were not achieved.

Mr. Swann suggested continuing with the agreed-upon procedures audit engagement, with the council members making the audit request as the client.

Discussion of the Office of Internal Audit Recommended 2017 Work Plan

Mr. Swann referenced the recommended 2017 Internal Audit Work Plan on Committee Workbook pages 19 and 20 for the Committee's consideration for approval.

Mr. Mendes asked if a formal enterprise risk management process within the Metropolitan Nashville Government was implemented as discussed last year. Mr. Swann stated \$50,000 was appropriated in the fiscal year 2017 Department of Law budget to pilot an enterprise risk management initiative. However, the funds were redirected to help pay for the Hospital Authority Board governance review to address risks within that entity. Mr. Mendes requested Ms. Theresa Costonis communicate to the Department of Law Director, Mr. Jon Cooper, that this initiative was discussed at the Audit Committee meeting.

Mr. David Briley asked if the Committee can look into instances where private sector costs are paid by the public sector, as such cases where a private contractor excavates a portion of a road or right-of-way, for whatever reason, and then does a substandard job repairing the excavation, thus depreciating the value of the public infrastructure. Mr. John Cooper suggested a review could inspect the quality of the repair work to determine if net damage exists and if so, make recommendations for how the Metropolitan Nashville Government can protect itself. Ms. Costonis offered that current franchise fees, wherein larger telecommunication companies pay five percentage of gross revenue are intended to defray some of this cost impairment.

Mr. Briley requested a written assessment concerning the limits to auditing the General Sessions Courts. Mr. Swann stated that his understanding is that the executive branch has the authority to audit the judicial branch if Metropolitan Nashville Government funds the staff or program within the judicial branch. Mr. Swann further offers that a previous Tennessee State attorney General opinion held that so long as the audit engagement is advisory and not prescriptive, an audit is not an infringement upon the "separation of powers."

Mr. Briley noted that there are several opportunities for potential audits. For example, a recent local media story indicates persons within the Clerks' Office have the ability to email the Sheriff's Office and eliminate another person's jail term, "per judge X." Particular areas of concern include 1) informal/non-traceable communication between judges and their parole officers; 2) document tracking, in general; and 3) an overall lack of adequate oversight and accountability.

A request was made for Mr. Swann to research these concerns and how they could be addressed through potential internal audit engagements.

A motion to approve the recommended Office of Internal Audit 2017 Annual Work Plan as presented by the Metropolitan Auditor was made, seconded, and carried.

UNFINISHED BUSINESS

Discussion on Internal Audit Legislation

Mr. Swann provided the Committee a hand-out that is a recommended amendment to Council Member Shulman's proposed ordinance which is up for a second reading on Tuesday, March 21, 2017. This is an attempt to conflate the proposed ordinances (BL2016-159) introduced by

Mr. John Cooper last year and the proposed ordinance (BL2017-581) introduced by Council Member Shulman.

Discussions involved revisions to the wording of the proposed legislation related to employee reporting of instances of intentional illegal, intentional fraudulent, or intentional improper use of government funds, and the need for access to records, and the scope of audit services.

A motion to approve the recommended ordinance amendment as provided to the Committee was made, seconded, and carried.

OTHER ADMINISTRATIVE MATTERS

A motion to approve the Metropolitan Nashville Office of Internal Audit Performance Report for February 1, 2016, through January 31, 2017, along with the accompanying transmittal to the Metropolitan Council was made, seconded, and carried.

Mr. Swann reviewed the proposed Office of Internal Audit budget improvements and stated that all auditor positions are filled with the recent hire of Mr. Ted Ciuba.

Mr. Bob Brannon was formally recognized for 25 years of Committee volunteer service.

The meeting concluded after 90 minutes at 5:30 p.m.

Respectfully submitted to the Metropolitan Nashville Audit Committee.

Mark Swann
Secretary, Metropolitan Nashville Audit Committee

EXECUTIVE SUMMARY

April 24, 2017



Why We Did This Audit

The audit was conducted because the First Tennessee Ballpark project cost was significant and exceeded the project cost estimate.

What We Recommend

Contract proponents of future capital projects should ensure:

- Budgets are entered in the Finance Department *Capital Improvement Status Report*.
- Agreements are approved by all parties prior to delivery of services.
- Guidance is provided concerning Metropolitan Nashville Travel Policy and contract documentation retention requirements.
- Documentation is retained demonstrating all qualifying providers are considered for receiving Internal Revenue Service Section 179D Energy tax deduction allocations.

Audit of the First Tennessee Ballpark Construction Project

BACKGROUND

The Metropolitan Nashville Council approved a new ballpark project on December 10, 2013. The first game played at First Tennessee Ballpark on April 17, 2015; approximately 13 months after construction began.

The ballpark construction and land acquisition cost \$69.8 million, \$9.8 million (16 percent) over the November 2013 \$60 million estimate presented to the Metropolitan Nashville Council. The Sounds Baseball Club contributed \$2.2 million offsetting some of the expense.

Initial cost estimates were based on a two-year-old feasibility study and did not factor a compressed design and construction schedule to complete the project for the Spring 2015 season opening game.

Exhibit 1 – Ballpark and Ancillary Investments

Project Description	Improvement	Land	Total Investment
Ballpark Construction	\$56,030,316	\$13,769,141	\$69,799,457
Parks Greenway Improvements	5,600,000	3,886,171	9,486,171
North Nashville Infrastructure	5,580,000		5,580,000
Flood Related Improvements	3,550,000		3,550,000
MWS Water Infrastructure	1,677,000		1,677,000
MWS Stormwater	513,000		513,000
Ballpark Garage Design	472,613		472,613
	<u>\$73,422,929</u>	<u>\$17,655,312</u>	<u>\$91,078,241</u>

Source: Metropolitan Nashville Government EnterpriseOne Financial System

OBJECTIVES AND SCOPE

The objective of this audit is to determine if controls ensure the fiscal management and administrative oversight for the First Tennessee Ballpark construction project.

WHAT WE FOUND

The ballpark was constructed in an expedient manner. General Services Department representatives reviewed and monitored the quality and financial aspects for the project. The actual cost of the ballpark exceed the \$60 million November 2013 estimate presented to the Metropolitan Nashville Council. Infrastructure and greenway related expenses, \$16.9 million, were 23 percent of the total project improvement cost. Some construction services were completed before a purchase order had been approved.

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

We believe that operational management is in a unique position to best understand their operations and may be able to identify more innovative and effective approaches, and we encourage them to do so when providing their response to our recommendations.

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
<i>Recommendations for contract proponents of future capital projects to ensure:</i>		
<p>A.1 - Project budgets are entered in the Finance Department <i>Capital Improvement Status Report</i>.</p>	<p>Agree. Typically, a person in the department’s fiscal office enters/includes relevant information for each capital project as a part of the <i>capital improvement budget request</i>. After detailing information for and submitting this budget request, General Services does not have access to manage the extent of capital project budget information maintained by the Finance Department.</p> <p>Again, Finance Department management maintains the data that is included in the <i>Capital Improvement Status Report</i>. General Services staff receive final, approved project details from the Finance Department when all required approvals are completed.</p> <p>General Services management will direct responsible staff (who are assigned capital project management and oversight duties) to seek and document Finance Department confirmation that each capital project budget is entered for the <i>Capital Improvement Status Report</i>. Toward making this requirement a component of routine business, it will be included as an initial step/task specified by the standard project checklist used by BOSS staff in managing each capital project.</p>	07/01/2017

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
<p>A.2 - Agreements/contracts are approved by all parties prior to delivery of services.</p>	<p>Agree.</p> <p>General Services management understands that contractor service is not properly authorized before relevant agreements/contracts are signed by the parties. Ensuring that proper sequence is, of course, General Services practice notwithstanding the circumstances of the instant construction project.</p> <p>General Services management will formally reiterate this fundamental requirement with staff who are assigned capital project management and oversight duties and who are primarily responsible for approving payment of related invoices.</p>	<p>07/01/2017</p>
<p>A.3 - All qualifying architects, engineers, contractors, or energy services providers are considered for receiving Internal Revenue Service Section 179D tax allocations.</p>	<p>Agree.</p> <p>Despite the identified lack of adequate documentation to the effect for the instant construction project, it is General Service practice to ensure that all capital project architects, engineers, contractors, and energy services providers are properly considered as to whether each qualifies for an IRS Section 179D tax deduction (by having contributed to enhancing energy efficiency in HVAC, hot water, or interior lighting systems or the building envelope of a government-owned building) and the associated allocation letter process.</p> <p>Toward formalizing and better documenting the practice, General Services management will specify this requirement as a standard step detailed by the project checklist (requiring the subject project manager to complete a written statement identifying each contractor/sub-contractor considered and the resulting determination).</p>	<p>07/01/2017</p>

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

<p>A.4 - When competitive procurement for sub-contractors is used, guidance is provided to construction managers concerning minimum competitive procurement internal control expectations. This guidance should include unsuccessful subcontract bid documentation retention requirements.</p>	<p>Agree.</p> <p>While we believe and audit work confirmed that the selection of sub-contractors in the instant construction project did adhere to competitive process requirements, the audit recommendation is a reasonable course that we expect prime contractors will appreciate as well.</p> <p>In the case of projects that provide for Metro contractor selection of one or more sub-contractors, General Services will require that the prime contractor follow specific guidelines for such selections. The guidelines will direct a competitive process in each instance and the maintenance of associated documentation. Specifically, the contractor will be expected to:</p> <ul style="list-style-type: none"> · solicit bids from at least 3 potential subcontractors for completing required work; · request all such bids by means of a solicitation document that includes a clear, precise description of required work, the payment methodology and rate structure with which bids must agree, and a bid deadline; · require sealed bids that are opened together; and · fairly evaluate each bid against one another in terms of cost as well as apparent experience, quality, and ability to meet scheduling requirements. <p>The contractor will also be required to maintain (and be able to provide as may be requested) the following for a period of 6 years after contract end:</p> <ul style="list-style-type: none"> · a list of potential sub-contractors solicited; · a copy of the written solicitation; · a copy of each proposal/bid submitted; and · a written synopsis of proposal/bid evaluations with the specific reasons supporting selection. <p>Toward formalizing the communication of these and other requirements (reference below),</p>	<p>07/01/2017</p>
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APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
	<p>General services management will direct BOSS management to detail the information in a new, standard document summarizing contractor compliance expectations, which, as a standard practice, is to be delivered to construction prime contractors as well as any contractors engaged to manage construction on behalf of Metro.</p>	
<p>A.5 - Metropolitan Nashville Government Travel Policy is communicated to all contractors and travel charges are checked for compliance with the policy.</p>	<p>Agree.</p> <p>While compliance with Metro Travel policy as it pertains to contractors and travel charges is General Service practice, we believe that those standards may not have been adequately communicated to the contractor engaged to manage the ballpark construction project on behalf of Metro.</p> <p>As with the recommendation and corrective action immediately above, General Services management will direct BOSS management to detail both Metro Travel policy and related expectations within the new, standard document summarizing contractor compliance expectations (and to routinely give the document to construction project contractors).</p>	<p>07/01/2017</p>

EXECUTIVE SUMMARY

May 1, 2017



Why We Did This Audit

The incoming Assessor of Property on September 1, 2016, requested an audit of the administrative processes for the office.

What We Recommend

- Review the TimeForce reporting mechanism for the cumulative leave balance report.



- Monitor office fuel usage.
- Maintain and update the fixed and tracked asset listing.
- Implement prior audit recommendations that remain open.

BACKGROUND

The Assessor of Property has a duty to discover, list, classify, and value all property within the jurisdiction of Davidson County. This includes real property and personal property. The department will perform a county-wide reappraisal in 2017.

The Assessor of Property has approximately 95 employees including full-time, part-time, seasonal positions, and hearing officers.

OBJECTIVES AND SCOPE

The objectives of the audit are to determine if:

- Controls are in place to ensure fiscal resources are managed.
- Audit recommendations in the 2014 Assessor of Property audit were implemented.

The audit scope was November 1, 2014, through August 31, 2016.

WHAT WE FOUND



The Assessor of Property has controls in place to ensure fiscal resources are managed. Overall the function is well managed. However, the balances on the TimeForce cumulative report were less than the leave amounts paid out to separated employees, the [REDACTED], fuel usage is not monitored, and the fixed and tracked asset listing are not maintained.

Additionally, six prior accepted audit recommendations from the June 24, 2014, internal audit report were not implemented.

Redacted Report - Due to the sensitive information included in this report, which could detail information security vulnerabilities, weaknesses, and possible threats, the distribution for these matters is limited to management of the Assessor of Property and the Metropolitan Nashville Government. This exemption is granted by Tennessee Code Annotated § 10-7-504 (i) (1) "Information that would allow a person to obtain unauthorized access to confidential information or to government property shall be maintained as confidential."

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

We believe that operational management is in a unique position to best understand their operations and may be able to identify more innovative and effective approaches and we encourage them to do so when providing their response to our recommendations.

Recommendations	Concurrence and Corrective Action Plan	Proposed Completion Date
Management of the Assessor of Property should:		
<p>A. Review the Accrual History Cumulative Leave Balance report and resolve the error in the report.</p>	<p>Accept. Please note the issue with the Accrual History Cumulative Leave Balance Report occurred prior to the new administration taking office September 1, 2016. An attempt will be made to resolve the Leave Balance Report issue calculated by TimeForce. However, because of the setup of the TimeForce system it may not be possible to correct past errors in the reporting component. Staff routinely manually calculates and verifies leave balance for all employees.</p>	December 2017
<p>B. Monitor fuel usage as outlined by Metropolitan Nashville Government General Services Department’s Administrative Order 08-14.</p>	<p>Accept. Please note this issue occurred prior to the new administration taking office September 1, 2016. Going forward we will review the Administrative Order 08-14 and adhere to its directives.</p>	May 22, 2017
<p>C. Ensure that the fixed assets list is updated and maintained in accordance with the Division of Accounts Policy #14 Capital Assets policy.</p>	<p>Accept. Please note this issue occurred prior to the new administration taking office September 1, 2016. Going forward we will update and maintain the fixed assets lists in accordance with the Division of Accounts Policy #14 Capital Assets policy.</p>	December 2017
<p>D. </p>	<p>Accept. </p>	May 22, 2017

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendations	Concurrence and Corrective Action Plan	Proposed Completion Date
<p>E.1 [REDACTED]</p>	<p>Accept. [REDACTED]</p>	<p>January 2020</p>
<p>E.2 [REDACTED]</p>	<p>Accept. [REDACTED]</p>	<p>January 2020</p>
<p>E.3 [REDACTED]</p>	<p>Accept. [REDACTED]</p>	<p>January 2020</p>
<p>E.4 [REDACTED]</p>	<p>Accept. [REDACTED]</p>	<p>December 2017</p>

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendations	Concurrence and Corrective Action Plan	Proposed Completion Date
<p>E.5 [REDACTED]</p>	<p>Accept. [REDACTED]</p>	<p>January 2020</p>
<p>E.6 [REDACTED]</p>	<p>Accept. [REDACTED]</p>	<p>9/30/2017</p>

Audit of the Metropolitan Public Health Department Finance and Administration Bureau

EXECUTIVE SUMMARY

May 3, 2017



Why We Did This Audit

The audit was requested by the Metropolitan Public Health Department to assess key processes within the Bureau of Health and Administration.

What We Recommend

Leverage technology for revenue collections.

Strengthen controls for cash receipts, segregation of duties, and capital asset inventory.

Update and communicate the MPHD Cash Deposits policy with staff.

BACKGROUND

The Metropolitan Public Health Department (MPHD) aims to protect, improve, and sustain the health and well-being of all people in Metropolitan Nashville through a variety of services and programs. The funding for these programs is generated from state and federal grants, the general fund, and services provided by the various bureaus within the department. This audit focused on the functions within the Finance and Administration with an emphasis on non-grant revenue generated from services.

OBJECTIVES AND SCOPE

The objectives of this audit are to determine if:

- Controls ensure the MPHD's non-grant revenue is complete, accurate, and recorded.
- Controls ensure that expenditures are for a valid service delivery purpose, accurately calculated, and solicited in accordance with Metropolitan Nashville Government's procurement code.
- Controls ensure payroll and timekeeping activities are for work performed and in accordance with Metropolitan Nashville Board of Health Civil Service Rules.
- Capital and tracked assets are safeguarded.
- Information and technology assets and access privileges are protected from unauthorized use.

WHAT WE FOUND

Strong controls were in place for payroll and procurement functions. The MPHD should utilize technology to improve internal controls around the revenue process. Detailed policies and procedures should be developed and periodically updated and communicated to employees.

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

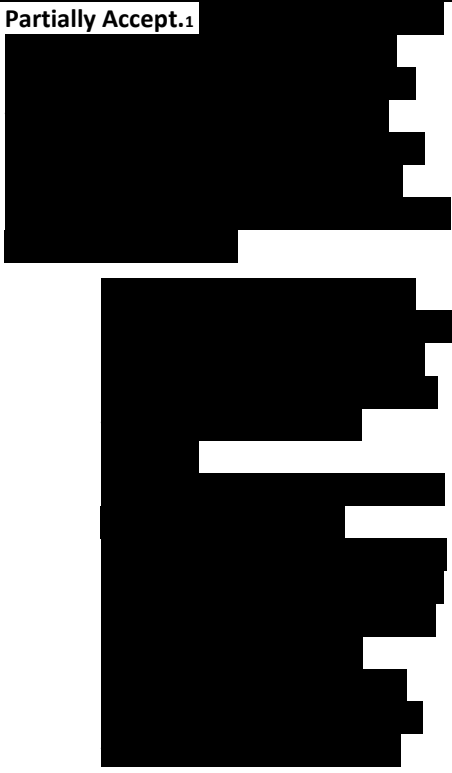
We believe that operational management is in a unique position to best understand their operations and may be able to identify more innovative and effective approaches, and we encourage them to do so when providing their response to our recommendations.

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
<i>Recommendations for management of the Metropolitan Public Health Department to:</i>		
<p>A.1: Leverage technologies that will maximize the effectiveness and efficiency of financial operations. The technology should have strong general and application controls, audit trails, and the ability to generate reports that facilitate financial and operational analysis.</p>	<p>Accept. MPHD has already made significant progress toward this goal through initiation of online customer self-payment options. Further progress on that process is currently deferred, pending conclusion on upcoming re-bidding of Metro payment processor contract. Along with the RDC mentioned in A.2, MPHD will continue to investigate other ways to leverage technology including receivables module in EBS and other systems such as QuickBooks and Sage.</p>	<p>Partially implemented already and subject to continuous improvement. Expect expansion of online payment options in FY17-18.</p>
<p>A.2: Consider procuring check scanners or a smart safe for the deposit of daily collections.</p>	<p>Accept. Working towards a RDC (Remote Deposit Capture) solution with Metro Treasury. The service is currently offered with First TN Bank, but Metro is about to re-bid its banking contract, so delays in getting system implemented are possible.</p>	<p>9/30/2017</p>
<p>B.1: Periodically conduct an inventory of receipt books.</p>	<p>Accept. MPHD Finance will keep an audit task workbook with tabs for each audit function, to include review of the receipt books. As noted in action Plan A.1. Other automated systems for receivables will be explored.</p>	<p>6/30/2017</p>
<p>B.2: Document the employees that are issued receipt books from the business office.</p>	<p>Accept. A new column will be added to the receipt book log for “issued to” signature.</p>	<p>5/30/2017</p>
<p>C.1: Ensure that incompatible revenue collection duties such as payment handling, deposit preparation, recordkeeping, and authorization are properly segregated.</p>	<p>Accept. Job responsibilities will be reassigned to provide necessary segregation of duties. Cashier will have read-only capabilities within the EnterpriseOne Financial System.</p>	<p>6/30/2017</p>

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
<p>D.1: Ensure that critical information related to cash receipt deposits is being captured by applicable personnel.</p>	<p>Accept. A standardized procedure for recording payments and reconciliation will be developed. Procedures will include retention and maintenance of cash receipt documents. Training will be provided to appropriate staff and supervisors. Quarterly monitoring will occur by Finance staff.</p>	<p>8/1/2017</p>
<p>D.2: Ensure that supervisors outside of the cash receipts process are reconciling deposits and maintaining the cash deposit log.</p>	<p>Accept. Supervisors are required to confirm the information and amount of the receivable warrant is correct by initials. The policy and procedure will be reviewed with all supervisors at least annually or as needed.</p>	<p>8/1/2017</p>
<p>D.3: Job specific procedures should be written for each position involved in the cash receipt process.</p>	<p>Accept. Finance will coordinate with each department collecting funds for job specific procedures.</p>	<p>8/1/2017</p>
<p>D.4: Ensure policies and procedures are periodically reviewed and communicated to employees.</p>	<p>Accept. Finance Manager will conduct an annual review of all MPHD Finance policies and procedures. Policies are available to all staff on the Financial Management Intranet page. Annually, an e-mail will be sent to appropriate staff asking them to review. Training will be offered on an as-needed basis.</p>	<p>8/1/2017</p>
<p>E.1: A periodic inventory of capital assets should be conducted and reconciled with the Master Asset Listing within the EnterpriseOne Financial System on at least a triennial basis.</p>	<p>Accept. Finance Manager will conduct a review of the report on a triennial basis.</p>	<p>8/1/2017</p>
<p>E.2: The inventory control supervisor should be granted read-only access to the fixed asset module within the EnterpriseOne Financial System.</p>	<p>Accept. Inventory Control Supervisor and Finance Manager will attend the next EBS Fixed Asset Class for reading and reporting.</p>	<p>8/1/2017</p>

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
<p>F.1: Ensure cash receipts are deposited within one business day of receipt.</p>	<p>Partially Accept.¹</p> 	<p>8/1/2017</p>

¹Redacted Report - Due to the sensitive information included in this report, which could detail information security vulnerabilities, weaknesses, and possible threats, the distribution for these matters is limited to management of the Metropolitan Public Health Department and the Metropolitan Nashville Government. This exemption is granted by Tennessee Code Annotated § 10-7-504 (i) (1) "Information that would allow a person to obtain unauthorized access to confidential information or to government property shall be maintained as confidential."

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
<p>G.1: Implement a procedure for the notification of the MPHD Information Technology division when an employee is terminated.</p>	<p>Accept. The department has an employee exit clearance procedure which includes notification to the Information Technology division of employee’s termination. Where this process fell short was with temporary labor and contractors who are not considered employees, so when they left, IT was not notified of their not needing access any longer since they did not proceed through the employee exit process. Now when a supervisor requests system access for a temp or a contractor, IT asks how long the employee will need access so that they can be removed from the system after that period. If the duration is unknown at the time of the request to add to the system, the supervisor is asked to notify IT when the temp or contractor no longer needs access so that it can be deactivated. IT will also do periodic checks with the requesting supervisor to verify that the temp or contractor is still working and needing access.</p>	<p>6/30/2017</p>

AUDIT OF METROPOLITAN NASHVILLE GOVERNMENT HUMAN RESOURCE DEPARTMENT TALENT ACQUISITION FUNCTION

EXECUTIVE SUMMARY
June 28, 2017



Why We Did This Audit

The audit was initiated due to the critical role talent acquisition plays in the ability of the Metropolitan Nashville Government to accomplish its varying missions and objectives.

What We Recommend

- Establish clear lines of responsibility, expectations, and accountability within the talent acquisition process.
- Identify a cross functional team to define/update the talent acquisition process.
- Leverage technology more effectively.
- Leverage social media.
- Establish performance measures.
- Improve the efficiency of the candidate list process.

For more information on this report, email
Mark.Swann@nashville.gov

BACKGROUND & SCOPE

Metropolitan Nashville Government Human Resource Department has a central talent acquisition function that supports the various departments within the government structure. Each of these departments has some latitude to determine the way in which they want to conduct their hiring practices. The challenge for the central talent acquisition team is to provide support to each individual department in a way that adds value while providing a level of consistency in key areas where there are compliance and/or cost considerations.

Metro Nashville retained the services of ManpowerGroup Solutions to conduct an independent audit to explore potential opportunities for the central talent acquisition organization to expand collaboration and enhance service delivery in supporting the talent acquisition and staffing needs of the organization.

METHODOLOGY & APPROACH

Our findings for this project are based on collecting data from the following sources:

- Roundtable discussion with the central Human Resource Department team.
- Interviews with a sample of central Human Resource Department team members.
- Interviews with a sample of department employees (Codes, Diversity, General Services, Library, Sherriff, Finance, Information Technology Services, Union representatives.)
- Review of documentation provided to us (time-to-fill reports, job descriptions, Civil Service Rules, documented recruitment procedures and policies.)
- Our experience with similar clients.
- Best practice research.

WHAT WE FOUND

Staff participating in the talent acquisition process are committed and diligent in the desire to do their jobs well. There is a concerted and rigorous effort to comply with existing general government Civil Service Rules and Policies.

The mission, vision, and strategy related to the talent acquisition process are not fully developed. Information technology and social media are not leveraged to its potential.

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

AUDIT OBSERVATIONS

Internal control helps entities achieve important objectives and sustain and improve performance. The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework (COSO)*, enables organizations to effectively and efficiently develop systems of internal control that adapt to changing business and operating environment, mitigate risks to acceptable levels, and support sound decision-making and governance of the organization. The audit observations listed are offered to assist management in fulfilling their internal control responsibilities.

Focus Area	Recommendations	Action Items	Proposed Completion Date
A. Mission, vision, strategy, governance	A.1 Develop mission, vision, and strategy in a team session where individuals can understand and own the outcome and communicate to organization - Confirm central team and department accountabilities.	Accept.	12/31/2017*
	A.2 Reinforce a balanced focus and priorities – support departments by sourcing enough quality candidates and providing guidance and tools throughout the process so they can fill jobs with quality candidates in an efficient and compliant manner in the timeframe needed.	Accept.	12/31/2017*
B. People, structure, capabilities	B.1 Leaders should reconcile differences in team member perspectives by ‘picking a lane’ and outlining performance priorities, desired behaviors, and what success looks like.	Accept.	3/31/2018*
	B.2 Redefine roles and accountabilities within the team consistent with strategy.	Accept.	3/31/2018*
	B.3 Evaluate options for developing/adding technology and sourcing expertise.	Accept.	3/31/2018*
	B.4 Practice good performance management – set goals, coach employees for development, align compensation to job accountabilities and performance.	Accept.	3/31/2018*
C. Processes	C.1 Identify a cross-functional project team to map the end-to-end hiring process beginning with budget and ending with new hires to identify areas of process improvement and action items	Accept.	3/31/2018*

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Focus Area	Recommendations	Action Items	Proposed Completion Date
	<ul style="list-style-type: none"> - Simplify, - Add value, - Transparency and accountability. 		
	C.2 Improve efficiency of candidate list process and commit to refreshing lists frequently to update candidate status to add value to the departments.	Accept.	3/31/2018*
	C.3 Review process for position advertising and expand reach for hard to fill positions by leveraging community outreach, social media, and technology.	Accept.	3/31/2018*
D. Technology	D.1 Evaluate the opportunities to leverage available or potential new technology tools to gain insight into the workforce and marketplace and to make process more efficient; identify recommendations <ul style="list-style-type: none"> - Use internal resources to identify immediate technology areas of improvement, - Leverage external experts to develop an information technology recruitment strategy. 	Accept.	6/30/2018*
	D.2 Define important metrics for tracking performance and gathering insights; reinforce data integrity and consistency of data entry.	Accept.	6/30/2018*
E. Service delivery and value add	E.1 Identify a cross-functional team to define/update service delivery model – roles of the central team, department HR, department hiring managers; include updating service delivery standards and commitments.	Accept.	6/30/2018*
	E.2 Develop a standard reporting package including a productivity report for internal department use and a scorecard for communicating outside of the department to inform and manage expectations.	Accept.	6/30/2018*

* Dates are estimated and will be influenced by the addition of Human Resource Manager to be hired.

CROSSLIN

FY 2017 Audit Communication



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841

May 12, 2017

Ms. Talia Lomax-O'dneal, Director of Finance
Ms. Kimberly McDoniel, Deputy Finance Director
Metropolitan Government of Nashville and Davidson County
700 2nd Avenue South Suite 310
Nashville, TN 37219-6300

Dear Ms. Lomax-O'dneal and Ms. McDoniel:

This letter acknowledges receipt of the audited financial statements of the Comprehensive Annual Financial Report of the Metropolitan Government of Nashville and Davidson County including the separate Single Audit Report for the fiscal year ended June 30, 2016. These financial statements have been reviewed and accepted as part of the public records of the State of Tennessee.

The audited financial statements of the Metropolitan Government of Nashville and Davidson County are the responsibility of the government's management. During our review and approval of these financial statements, we observed the following point regarding the published report:

1. Notes 3 to the financial statements included disclosures regarding the government's deposits and investments. The notes should also indicate the legal provisions related to deposits and investments, which at a minimum should indicate the provisions that "are required by state statutes." Please refer to the *Codification of Governmental Accounting and Financial Reporting Standards* (2015-2016 Edition), Sections C20.103 and I50.146, and the Governmental Accounting Standards Board *Implementation Guide No. 2015-1*, Question and Answer 1.6.1, for reporting guidance.
2. In proprietary funds, revenues should be reported net of discounts and allowances. The discount or allowance amount may be parenthetically disclosed on the face of the operating statement or in a note to the financial statements. Alternatively, revenues may be reported gross with the related discounts and allowances reported directly beneath the revenue amount. The department of water and sewerage services and stormwater operations funds appeared to have current year allowance activity. Please refer to *Codification of Governmental Accounting and Financial Reporting Standards* (2015-2016 Edition), Section 2200, footnote 44, for reporting guidance.

Ms. Talia Lomax-O'dneal, Director of Finance
Ms. Kimberly McDoniel, Deputy Finance Director
Davidson County
May 12, 2017
Page 2 of 2

3. The Notes to the Financial Statements (page B-43) disclosed that the district energy system is self supporting; however, the financial report reflected a \$1.8 million transfer from the general fund to the district energy system (pages B-106 and B-107). If this transfer is for reimbursement of services provided, it should be reported as a reimbursement and not a transfer. Please refer to the *Codification of Governmental Accounting and Financial Reporting Standards* (2015-2016 Edition), Section 1800.102, for reporting guidance.
4. The Schedule of the Government's Contributions – Teacher Pension Plans of the TCRS (page B-133) reflected a 2015 actuarially determined contribution of \$29,367 for the Teacher Retirement Plan (2). This was not consistent with the amount provided by the Tennessee Consolidated Retirement System (TCRS) of \$ 734,166. It appears these amounts should be consistent. Required supplemental information for pensions is located on TCRS's website at: <https://publicreports.treasury.tn.gov/>.

These points will be communicated to the auditor and should be addressed in any subsequent reports of the Davidson County. Please notify me if you have any questions.

Sincerely yours,



Lisa W. Bellar, CPA, Auditor
Division of Local Government Audit

cc: Mr. David Hunt
Crosslin, PLLC
Certified Public Accountants

Metropolitan Government of Nashville and Davidson County Audit Committee

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



TO: Metropolitan Government of Nashville and Davidson County Audit Committee

FROM: Phil Carr, Chief Accountant, Division of Accounts

DATE: June 27, 2017

RE: State of Tennessee Review of June 30, 2016 CAFR

The CAFR for the Metropolitan Government of Nashville and Davidson County (Metro) is submitted annually to the Tennessee Comptroller of Treasury Division of Local Government Audit as required by the State of Tennessee. Local Government Audit reviews the CAFR and provides observations which are to be addressed in the subsequent year's CAFR. The following is a summary of the observations regarding the June 30, 2016 CAFR and Metro's responses:

Observation

Note 3 includes disclosures regarding deposits and investments. The notes should indicate the legal provisions related to deposits and investments, which at a minimum should indicate the provisions that "are required by state statutes."

Management's Response

We concur. While the note regarding deposits and investments currently discloses Metro's authorized investments, the note will be revised to add additional language regarding the legal provisions that are related to state statutes.

Observation

In proprietary funds, revenues should be reported net of discounts and allowances. The discount or allowance amount may be parenthetically disclosed on the face of the operating statement or in the notes to the financial statements. Alternatively, revenues may be reported gross with the related discounts and allowances reported directly beneath the revenue amount.

FINANCIAL OPERATIONS

Management's Response

We concur. The allowance has been historically netted with revenues; the financial statements will be revised to either report the allowances beneath the revenue amounts or disclose the allowances in the notes.

Observation

The notes (B-43) disclose that the District Energy System (DES) is self-supporting; however, the financial report reflects a transfer from the General Fund to DES. If this transfer is for reimbursement of services provided, it should be reported as a reimbursement and not a transfer.

Management's Response

We concur. While DES is primarily self-supporting, it does receive an annual subsidy from the General Fund which is reported as a transfer. As noted in the operating revenue definition on page B-43 of the 2016 CAFR, charges to departments for services are reported as operating revenues. As noted in the transfer description on page B-106, transfers include subsidies. Both revenues and transfers for DES have been correctly reported; however, the DES description will be revised to indicate that it also receives a subsidy.

Observation

The Schedule of the Government's Contributions – Teacher Pension Plans of the TCRS (B-133) reflects a 2015 actuarially determined contribution of \$29,367 for the Teacher Retirement Plan. This is not consistent with the amount provided by the TCRS of \$734,166.

Management's Response

We concur. The notes and RSI for the TCRS hybrid plan were drafted using the plan information published on the TCRS's website with a revision date of 7/25/16 and reflecting a required contribution of \$29,367. The website was subsequently updated with plan information with a revision date of 9/13/16 and reflecting a required contribution of \$734,166. We were not notified or aware of the revision. In the future, we will check the TCRS website periodically to ascertain that we are using the most recently revised TCRS information in drafting the CAFR.



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841

May 26, 2017

Mr. Phil Carr, Finance Manager
Nashville Convention Center Authority
700 2nd Avenue South Suite 310
Nashville, TN 37219-6300

Dear Mr. Carr:

This letter acknowledges receipt of the audited financial statements of the Nashville Convention Center Authority for the fiscal years ended June 30, 2016, and 2015. These financial statements have been reviewed and accepted as part of the public records of the State of Tennessee.

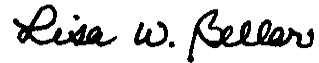
The audited financial statements of the Nashville Convention Center Authority are the responsibility of the authority's management. During our review and approval of these financial statements, we observed the following points regarding the published report:

1. Note 3 of the financial statements included disclosures regarding the authority's investments. The notes should also indicate the legal provisions related to investments, which at a minimum should indicate the provisions that "are required by state statutes." Please refer to the *Codification of Governmental Accounting and Financial Reporting Standards* (2015-2016 Edition), Section I50.146, for reporting guidance.
2. Note 8 to the financial statements disclosed that certain employees are provided pension benefits through participation in the Metropolitan Government's defined benefit pension plan. Because these employees are part of metro government's plan, cost-sharing pension plan reporting requirements should be used to report the authority's participation in the plan. The authority did report their proportion of the plan's net pension liability and deferred inflows and outflows of resources and included some pension disclosures. However, the report did not include all applicable note disclosures and did not include any Required Supplementary Information (RSI) related to their participation in metro government's plan. Please refer to the *Codification of Governmental Accounting and Financial Reporting Standards* (2015-2016 Edition), Sections P20.115, .171-.180, and .901 (Illustration 3), for reporting guidance.

Mr. Phil Carr, Finance Manager
Nashville Convention Center Authority
May 26, 2017
Page 2 of 2

These points will be communicated to the auditor and should be addressed in any subsequent reports of the Nashville Convention Center Authority. Please notify me if you have any questions.

Sincerely yours,

Handwritten signature of Lisa W. Bellar in black ink.

Lisa W. Bellar, CPA, Auditor
Division of Local Government Audit

cc: Mrs. Eileen McGinn
KPMG
Certified Public Accountants

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



TO: Convention Center Authority

FROM: Phil Carr, Chief Accountant, Division of Accounts

DATE: June 27, 2017

RE: State of Tennessee Review of June 30, 2016 Nashville Convention Center Authority Audit Report

The Audit Report for the Nashville Convention Center Authority (CCA) is submitted annually to the Tennessee Comptroller of Treasury Division of Local Government Audit as required by the State of Tennessee. Local Government Audit reviews the Report and provides observations which are to be addressed in the subsequent year's Report. The following is a summary of the observations regarding the June 30, 2016 Report and Metro's responses:

Observation

Note 3 includes disclosures regarding deposits and investments. The notes should indicate the legal provisions related to deposits and investments, which at a minimum should indicate the provisions that "are required by state statutes."

Management's Response

We concur. While the note regarding deposits and investments currently discloses CCA's authorized investments, the note will be revised to add additional language regarding the legal provisions that are related to state statutes.

Observation

Note 8 discloses that certain employees are provided pension benefits through participation in the Metropolitan Government's (Metro's) defined benefit pension plan. Because these employees are part of Metro's plan, cost-sharing pension plan reporting requirements should be used to report CCA's participation. While CCA did report its proportion of the plan's net pension liability and deferred inflows and outflows of resources and some note disclosures, the report did not include all note disclosures or Required Supplementary Information (RSI) related to CCA's participation in Metro's plan.

FINANCIAL OPERATIONS

Management's Response

We concur. Certain CCA employees who were former Metro employees are eligible to participate in Metro's plan. While the CCA notes have referred readers to Metro's CAFR for more information regarding the plan, additional note disclosures and RSI will be added to the CCA statements so that they will include all cost-sharing pension plan reporting requirements.

**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

To the extent permitted by the Metropolitan Charter the Metropolitan Nashville Audit Committee is authorized to conduct financial audits, performance audits, or other audit services including investigation and disposition of reported incidents of fraud concerning any department, board, commission, officer, agency, or office of the Metropolitan Government which receives direct services from or to which funds are appropriated by the Metropolitan Government or which the Metropolitan Government provides a guarantee for long-term indebtedness. 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 Council.

RESPONSIBILITIES

Financial Statements

- While the financial statement audit engagement is ongoing meet in executive session with the external auditor near the mid-point of the audit engagement and prior to final issuance of the comprehensive annual financial report, to review progress, including any difficulties encountered, with the audit engagement and follow-up as appropriate.
- Review final audit reports and accept, or not accept, the audit results.
- Review with Metropolitan Nashville Government management and the external auditors all matters requiring communication to the Committee under generally accepted auditing standards.

Risk Management and Internal Control

- Understand the scope of internal and external auditors' reviews of internal controls over financial reporting and government service activities, and obtain reports on significant observations and recommendations, together with department, board, commission, officer, agency, or office management's responses.
- Engage with the Metropolitan Auditor in performing a Metropolitan Nashville Government entity-wide risk assessment to form an audit work plan.

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

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

Internal Audit

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

Reporting Responsibilities

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

Other Responsibilities

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

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

COMPOSITION

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

MEETINGS

The Committee will meet at least once per quarter, with authority to convene additional meetings, as circumstances require. The Committee will invite members of department, board, commission, officer, agency, or office management, auditors or others to attend meetings and provide pertinent information as necessary. Meeting agendas along with appropriate briefing materials will be prepared and provided in advance to members by the Metropolitan Auditor. Minutes will be prepared by the Metropolitan Auditor.

Meeting agendas and minutes/proceedings are to be posted directly to the Metropolitan Nashville Audit Committee page on Nashville.gov at: <http://www.nashville.gov/Government/Boards-and-Commissions.aspx>. Meeting agendas and minutes/proceedings postings should be prepared in a searchable electronic format.

Meeting agendas will be posted six calendar days in advance of the meeting date. Approved meeting minutes will be posted within two workdays of approval by the Committee.

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

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

To the extent permitted by the Metropolitan Charter 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 concerning any department, board, commission, officer, agency, or office of the Metropolitan Government which receives direct services from or to which funds are appropriated by the Metropolitan Government or which the Metropolitan Government provides a guarantee for long-term indebtedness. 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 Council.

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

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

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

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

The Metropolitan Auditor shall have authority to:

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

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

AUDIT SCHEDULE

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

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

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

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

Tennessee Comptroller of the Treasury. If it appears that the irregularity is criminal in nature, the Metropolitan Auditor shall notify the appropriate authority in addition to those officials previously cited.

ACCESS TO EMPLOYEES, RECORDS AND PROPERTY

To the extent permitted by the Metropolitan Charter the Division of Metropolitan Audit, with strict accountability for confidential and safeguarding records and information, shall have access to all Metropolitan Government's records, agreements, information systems, physical properties, and personnel. Such authority shall include but is not limited to, the ability to review, research, and conduct interviews, along with the ability to have access to any and all necessary documentation as described in this subsection. To the extent permitted by the Metropolitan Charter, all Metropolitan Government departments, boards, commissions, officers, agencies, or offices, along with all entities contracting with the Metropolitan Government shall co-operate fully with the Metropolitan Auditor during any such review or request to the fullest extent of applicable law. Any failure to cooperate with the Metropolitan Auditor shall be reported to the Audit Committee, Finance Director, Director of Law, and the Metropolitan Council.

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.

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

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 will request status reports every six months from audited entities** regarding actions taken to address reported audit concerns and recommendations.

REPORTS TO METROPOLITAN AUDIT COMMITTEE

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

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

ANNUAL REPORT

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

CONTRACT AUDITORS, CONSULTANTS, AND EXPERTS

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

INDEPENDENCE

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

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

Committee as established in the Metropolitan Nashville Code of Law, Section 2.24.300 Division of Metropolitan Audit.

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

STANDARDS OF AUDIT PRACTICE

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

STANDARDS OF INVESTIGATION PRACTICE

The Metropolitan Auditor shall establish procedures for conducting fraud, waste, and abuse investigations.

FUNDING

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

RECORDS

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

REASSESSMENT

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



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

July 11, 2017

Talia Lomax-O'dneal
Director of Finance
1 Public Square, Suite 106
Nashville, Tennessee 37201

Shannon Hall
Director of Human Resources
404 James Robertson Parkway, Suite 1000
Nashville, Tennessee 37219

Dear Ms. Lomax-O'dneal and Ms. Hall,

Subject: Metropolitan Auditor Fiscal Year 2018 Salary Adjustment

The Metropolitan Nashville Audit Committee recommended, and the Metropolitan Nashville Council elected Mark Swann to serve as Metropolitan Auditor for a second eight-year term commencing July 1, 2014. The Committee is satisfied with the performance of the Metropolitan Auditor and approves a merit increase of 1.5 percent (\$2,243) for fiscal year 2018, plus participation in the Office of Internal Audit Priority III merit pool (\$810), for a total salary merit increase of \$3,053. After the total salary merit increase and general government 2.0 percent cost of living adjustment for fiscal year 2018, the Metropolitan Auditor's annual salary will be \$155,579 effective July 1, 2017.

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

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

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

Respectfully submitted,

Brack Reed

Fiscal Year 2017 Metropolitan Auditor Performance Review

The Metropolitan Auditor self-review for each performance standard is rated as either (1) Unacceptable; (2) Acceptable; (3) Commendable; or (4) Exemplary.

	Assessment Score
1. Independence, Objectivity, & Ethical	
1.a - The Metropolitan Auditor demonstrates objectivity in his/her actions and provides verbal and written reports that are clear, complete, and free from bias.	3
2. Competency	
2.a - The Metropolitan Auditor has appropriate professional certifications and actively encourages staff to attain and maintain such qualifications.	4
2.b - The Metropolitan Auditor has a thorough understanding of government services and related risks and ensures resources are deployed to maintain appropriate risk coverage throughout the year.	3
3. Audit Committee Relationship	
3.a - The Metropolitan Auditor adequately prepares for and facilitates regular, concise communications with the Metropolitan Nashville Audit Committee.	3
3.b - The Metropolitan Auditor is open with the Metropolitan Nashville Audit Committee and candidly expresses opinions.	3
3.c - The Metropolitan Auditor provides a balanced perspective on topics such as organizational governance, risk, and internal control issues.	3
3.d - When issues requiring action are identified, the Metropolitan Auditor works with senior management to encourage appropriate corrective action in a timely manner.	3
4. Audit Plan Development and Execution	
4.a - The Internal Audit Work Plan is developed and documented using a risk-based methodology to ensure audit engagements focus on the right areas (addresses what matters) with insightful objectives and with the right scope.	3
4.b - The Metropolitan Auditor requests appropriate boards, elected officials, and senior management input to the internal audit plan.	2
4.c - Plans are monitored and amended as the business environment, and risks change, and the Metropolitan Nashville Audit Committee is appropriately informed of such amendments.	2
4.d - The Metropolitan Auditor allocates time for special projects and advisory services as requested by senior management and/or the board after appropriate consideration of the risks involved.	3
4.e - The Metropolitan Auditor delivers 19 internal audit reports.	2
4.f - Management of the Metropolitan Nashville Government accepts at least 90 percent of internal audit report recommendations.	3
4.g - The Metropolitan Auditor ensures Internal Audit staff percentage of direct time to available time is 85 percent or greater.	2

Fiscal Year 2017 Metropolitan Auditor Performance Review

4.h - The Metropolitan Auditor effectively uses subject matter experts as necessary, such as legal, compliance, fraud, information technology, and other complex government service delivery areas.	3
4.i - The Metropolitan Auditor holds regular meetings with other stakeholders for purposes of debriefing, sharing information, and ensuring ongoing coordination.	3
4.j - The Metropolitan Auditor ensures audits are conducted in accordance with Government Auditing Standards (Yellow Book).	4
5. Creates a Desirable Work Environment that Encourages Knowledge Sharing, Teamwork, Collaboration, Fairness, and Transparency	
5.a - The Metropolitan Auditor is effective in building a team.	3
5.b - The Metropolitan Auditor promotes collaboration and builds an environment of transparency.	3
5.c - Staff believes they are treated fairly and respected for their contributions to the Metropolitan Nashville Office of Internal Audit.	3
5.d Professional internal auditors want to work for the Metropolitan Nashville Office of Internal Audit.	3
6. Continuous Improvement	
6.a - The Metropolitan Auditor completes two Metropolitan Nashville Office of Internal Audit strategic goals.	2

Total	63
Average Assessment Score	2.9

Fiscal Year 2017 Metropolitan Auditor Performance Review

1. Independence, Objectivity Ethical Attributes

1.a - The Metropolitan Auditor demonstrates objectivity in his/her actions and provides verbal and written reports that are clear, complete, and free from bias. (3) Commendable

Metropolitan Auditor Self-Review – In the review period 16 audit reports, 1 investigation report, and 6 audit committee workbooks were issued. All reports were presented in an objective manner, clear, complete, and free from bias.

2. Competency Attributes

2.a - The Metropolitan Auditor has appropriate professional certifications and actively encourages staff to attain and maintain such qualifications. (4) Exemplary

Metropolitan Auditor Self-Review – The Metropolitan Auditor is a certified public accountant (CPA) licensed in Tennessee and Texas, certified internal auditor (CIA), certified information systems auditor (CISA), audit command language certified data analyst (ADA), and a certified municipal finance officer in Tennessee (CMFO). The CMFO certification was accomplished during the review period. During the review period, staff achieved the certified information systems auditor (one employee), certified fraud examiner (one employee), and certified municipal finance officer in Tennessee (one employee.)

Collectively, the staff possess professional certifications as certified public accountants (6), certified internal auditors (5), certified fraud examiners (4), certified information systems auditors (3), certified municipal finance officer (2), audit command language certified data analyst (2), and certified government financial manager (1). Eight out of ten staff possess graduate degrees.

2.b - The Metropolitan Auditor has a thorough understanding of government services and related risks and ensures resources are deployed to maintain appropriate risk coverage throughout the year. (3) Commendable

Metropolitan Auditor Self-Review – The Metropolitan Auditor has over thirty years of experience in auditing, information systems, and information security. With over 12 years in auditing government services within Metropolitan Nashville Government, City of San Antonio, and Saudi Aramco Community Services. Audit engagements highlighting areas of risk coverage during the review period included ITS Email Services, Public Safety Radio, Traffic Signalization Improvements, Debt Management, HR Talent Acquisition, Conservatorship Management, and MNPS Performance Reporting Process.

3. Audit Committee Relationship

3.a - The Metropolitan Auditor adequately prepares for and facilitates regular, concise communications with the Metropolitan Nashville Audit Committee. (3) Commendable

Metropolitan Auditor Self-Review – In the review period, six audit committee workbooks were issued. Executive summaries are part of all audit reports issued.

Fiscal Year 2017 Metropolitan Auditor Performance Review

3.b - The Metropolitan Auditor is open with the Metropolitan Nashville Audit Committee and candidly expresses opinions. (3) Commendable

Metropolitan Auditor Self-Review – The Metropolitan Auditor has always worked at being open and providing the necessary background for discussion during communications with the Metropolitan Nashville Audit Committee.

3.c - The Metropolitan Auditor provides a balanced perspective on topics such as organizational governance, risk, and internal control issues. (3) Commendable

Metropolitan Auditor Self-Review – Reports during the review period have covered a wide range of topics such as organizational governance (Farmers Market and Human Relations), risk (Park Police training and weapons inventory, information security topics for email services, traffic signalization, public safety radio corrective action, conservatorship management, and so forth), internal controls (Finance Department credit card purchases, hotel occupancy tax compliance, Nashville Fairgrounds, Assessor of Property, debt management, student performance reporting, and so forth.)

3.d - When issues requiring action are identified, the Metropolitan Auditor works with senior management to encourage appropriate corrective action in a timely manner. (3) Commendable

Metropolitan Auditor Self-Review – The Metropolitan Auditor has always worked providing meaningful, realistic recommendations to improve the delivery of government services. This is demonstrated with the 99 percent audit report recommendation acceptance.

4. Audit Plan Development and Execution

4.a - The Internal Audit Work Plan is developed and documented using a risk-based methodology to ensure audit engagements focus on the right areas (addresses what matters) with insightful objectives and with the right scope. (3) Commendable

Metropolitan Auditor Self-Review – The annual work plan is developed using a risk prioritization methodology to help ensure audits are conducted in areas of significant risk. Factors used to help prioritize recommended audit areas include the number of employees and human resource actions, total expenditures, total revenue collected, and impact on public safety and education.

This area can be improved by researching and deploying new methodology that includes additional input and consideration of existing mitigating controls.

4.b - The Metropolitan Auditor requests appropriate board, elected officials, and senior management input to the internal audit plan. (2) Acceptable

Metropolitan Auditor Self-Review – The Metropolitan Auditor has always requested input during the annual audit plan prioritization. Seven audit engagements completed during the review period were requested by management (Fairgrounds Nashville, Finance Department Credit Card, Health Department Finance and Administration Bureau, Property Assessor's Office, Human Relations, MNPS Student Performance Reporting, and Hotel Occupancy Tax Compliance.)

Fiscal Year 2017 Metropolitan Auditor Performance Review

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

(2) Acceptable

Metropolitan Auditor Self-Review – The Metropolitan Auditor obtains approval from the Metropolitan Nashville Audit Committee for all revisions to the Annual Audit Plan.

4.d - The Metropolitan Auditor allocates time for special projects and advisory services as requested by senior management and/or the board after appropriate consideration of the risks involved. (3) Commendable

Metropolitan Auditor Self-Review – The Metropolitan Auditor allowed staff with extensive information systems governance and controls experience to assist with the Information Technology System's review of Public Works Technology systems. In addition, the Office runs potential duplicate payment reports on behalf of the Finance Department. Through the use of a non-audit service agreement, the Finance Department accepts full responsibility for the duplicate payment reports.

4.e - The Metropolitan Auditor delivers 19 internal audit reports. (2) Acceptable

Metropolitan Auditor Self-Review – The Office of Internal Audit completed 17 audit reports during the review period. This number includes the external quality control review report.

4.f - Management of the Metropolitan Nashville Government accepts at least 90 percent of internal audit report recommendations. (3) Commendable

Metropolitan Auditor Self-Review – Management accepted 99 percent of internal audit report recommendations during the review period.

4.g - The Metropolitan Auditor ensures Internal Audit staff percentage of direct time to available time is 85 percent or greater. (2) Acceptable

Metropolitan Auditor Self-Review – Internal Audit staff percentage of direct time to available time was 80 percent during the review period. This was partially attributed to onboarding four new auditors during the review period. New auditors require additional training on Metropolitan Nashville information systems such as J. D. Edwards Financial, IProcurement, Defensive Driving, and department software, Teammate and ACL.

4.h - The Metropolitan Auditor effectively uses subject matter experts as necessary, such as legal, compliance, fraud, information technology, and other complex government service delivery areas. (3) Commendable

Metropolitan Auditor Self-Review – The Metropolitan Auditor secured the service of subject matter experts during the review period for the HR Talent Acquisition (ManpowerGroup Solutions), Debt Management (Experis Finance), First Tennessee Ballpark (McDonald & Associates and Experis Finance Construction Audit Center of Excellence), and Davidson County Sheriff Office Information Technology Security (BerryDunn.)

Fiscal Year 2017 Metropolitan Auditor Performance Review

4.i - The Metropolitan Auditor holds regular meetings with other stakeholders for purposes of debriefing, sharing information, and ensuring ongoing coordination. (3) Commendable

Metropolitan Auditor Self-Review – The Metropolitan Auditor attempts to ensure audit assurance services are not duplicated by meeting periodically with the Finance Department Office of Financial Accountability, deferring to external auditors Crosslin for Metro Water Services' Clean Water Nashville Overflow Abatement Program review, and BerryDunn to complete ITS Information Security Risk Assessment and PCI Compliance reviews.

4.j - The Metropolitan Auditor ensures audits are conducted in accordance with Government Auditing Standards (Yellow Book). (4) Exemplary

Metropolitan Auditor Self-Review – During the review period, the Office of Internal Audit received the highest opinion of compliance with Government Auditing Standards for the period between January 1, 2014, and December 31, 2016, from the Association of Local Government Auditors.

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

Staff available in the office were surveyed to respond with their opinion of the standards below. The staff was asked to rank each standard on a scale of: 1-Strongly Disagree 2- Disagree 3- Neutral 4-Agree 5-Strongly Agree. Surveys were received from six out of nine auditors.

5.a - The Metropolitan Auditor is effective in building a team. (3) Commendable

Metropolitan Auditor Self-Review – Results (4.5) received from six auditors on staff indicated they agree.

5.b - The Metropolitan Auditor promotes collaboration and builds an environment of transparency. (3) Commendable

Metropolitan Auditor Self-Review – Results (4.7) received from six auditors on staff indicated they agree.

5.c - Staff believes they are treated fairly and respected for their contributions to the Metropolitan Nashville Office of Internal Audit. (3) Commendable

Metropolitan Auditor Self-Review – Results (4.3) received from six auditors on staff indicated they agree.

5.d Professional internal auditors want to work for the Metropolitan Nashville Office of Internal Audit. (3) Commendable

Metropolitan Auditor Self-Review – Results (4.3) received from six auditors on staff indicated they agree. The last Senior Internal Auditor recruitment had 11 qualified candidates.

Fiscal Year 2017 Metropolitan Auditor Performance Review

6. Continuous Improvement

6.a - The Metropolitan Auditor completes two Metropolitan Nashville Office of Internal Audit strategic goals. (2) Acceptable

Metropolitan Auditor Self-Review – The Metropolitan Auditor only completed one strategic goal during the review period. The internal audit legislation BL2017-581 was approved in April 2017.

Metropolitan Nashville Office of Internal Audit Strategic Goals

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

Fiscal Year 2017 Metropolitan Auditor Performance Review

12. Implement IIA Professional Internal Auditing Standards in addition to existing Government Auditing Standards.

Metropolitan Nashville Office of Internal Audit Key Performance Indicators

Performance Measure	Goal	Fiscal Year		
		2017	2016	2015
Percentage of Direct Time to Available Time (Excluding Director)	85%	80%	82%	79%
Percentage of Recommendations Accepted	90%	99%	84%	86%
Number of Audit Projects Completed	19	17	14	17
		Plan Year		
Percentage of Recommendations Implemented within 1st Follow-Up after Initial Corrective Action Completion Date	85%	88	85	n/a
Percentage of Audit Project Milestone Dates Achieved	85%	*	*	n/a

* - Milestone dates have not historically been maintained to compile meaningful results. The goal is to ensure milestone dates are maintained and 85% are achieved in fiscal year 2018.

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Crosslin

Letter of Recommendations to Management

June 30, 2016

Missing Employee Evaluations

Observation

In testing internal controls over payroll, we identified that 21 Of 30 MNPS employees tested and 3 of 29 general government employees tested did not have documentation of an evaluation for fiscal year 2016 included in personnel file. None of the employees identified were Civil Service employees. As a best practice, an annual evaluation should be performed and documented in the personnel files for all employees.

General Government Note

The Metropolitan Charter along with the Civil Service Rules states that Civil Service employees must be evaluated at least on an annual basis.

April 11, 2017 Audit Committee Meeting Question

How many Civil Service employees versus non-Civil Service employees are there in the Metropolitan Nashville Government?

Entity	Civil Service Employees	Non-Civil Service Employees	Total Employees
Metro General Government (May 2017)	5,902	3,535	9,437
Metropolitan Nashville Public Schools (2016 CAFR)	-0-	9,658	9,658
Total	5,902	13,193	19,095

Procurement Related Audit Observations

July 6, 2017

From a sample of 609 audit recommendations from 2007 through 2017, 77 procurement-related observations are noted. From these, the following are common themes:

1. General lack of adherence to official procurement procedures/policies, such as:
 - a. Procurement-related documentation lacking or incomplete
 - b. Non-compliance of selection process for significant vendors
 - c. Inconsistent policy compliance with purchase card or credit cards
 - d. Lack of documentation for petty cash purchases
 - e. Non-compliance with Metro Nashville leasing procurement rules
 - f. Monitoring and compliance of Prevailing Wage rates

2. General lack of adherence to contract terms/agreements
 - a. Services rendered beyond contract date
 - b. \$10,000+ expenditures unsupported by contract terms
 - c. Purchases made after bid expiration

3. General lack of adequate procurement/purchase controls
 - a. Inadequate contract monitoring efforts
 - b. Lack of cost data or price data analysis
 - c. Incomplete formalized delegation of authority for procurement and account payable workflow

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**Metropolitan Nashville Office of Internal Audit
 Audit Project Status
 As of July 11, 2017**

Audit Plan Year February 2017 to January 2018	Projects	Planning	Fieldwork	Report	Report Phase	
					Draft	Final
1) First Tennessee Park Construction				✓		Apr-17
2) Human Resources Civil Service Hiring Process				✓		Jun-17
3) Parks Police				✓		Feb-17
4) Health Department Bureau of Administration and Finance				✓		May-17
5) Office of Assessor				✓		May-17
6) Human Relations Commission				✓		Apr-17
7) Metro-wide Occupational Safety				✓	Jul-17	
8) Office of Fleet Management				✓	Jul-17	
9) Autumn Hills Assisted Living Contracts				✓	Jul-17	
10) General Sessions Treatment Court - Phase I				✓	Jul-17	
11) Building Safety and Codes Short Term Rental Permitting				✓	Jul-17	
12) Metro Water Services - Payroll		✓				
13) Finance Department - Procurement Division		✓				
14) FY2017 Hotel Occupancy Tax Summary				✓	Jul-17	
15) Davidson County Sheriff Office - Information Security				✓	Jul-17	
<u>Announcement Anticipated in next Two Weeks</u>						
MDHA Development Project Financing Process		✓				
Metro IntegrityLine Alerts - February 2017 to January 2018				Total	Closed	Pending
Metro Hotline Alerts (Fraud, Waste & Abuse)				3	1	2
Cases Reported to State of TN				0	0	0
Cases Tasked to OIA by State of TN				0	0	0
Cases Tasked to OIA by Metro Entities (Included in Hotline Alerts Above)				1	0	1

Note: Goal to complete 19 audit projects for Plan Year 2017. Currently 6 audit projects are completed, and 7 audit projects are in the draft report phase.

**Summary of Hotel Occupancy Tax Audit Results
As of April 7, 2017**

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	2	\$ 26,697,797	\$ 1,948,212	\$ 6,714	\$ 1,587	\$ 6,404
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	-0.3%	\$ 1,897				
Total	-1.6%	\$ 688,132				

New Hotline Provider Starting January 12, 2017 (5 Year Agreement)

**Metro Nashville Red Flag
Fraud, Waste, and Abuse Hotline**

Call 877-647-3335

or

**<https://login.redflagreporting.com/>
Use Client Code: Metro**



Office of Internal Audit Budget versus Actual
 GSD General Fund as of July 7, 2017
 FY 2017 Approved Budget

	FY 2017 Budget	Actual As of July 7, 2017	Difference	Notes
Total Salaries & Fringe	\$ 1,079,500	978,142	\$ 101,358	
Other Expenses				
Professional & Purchased Services	125,100	110,175	14,925	
Building Rent Parkway Towers	55,500	50,383	5,117	
Other Expenses	71,900	68,084	3,816	
Internal Service Fees	50,900	50,900	-	Information Technology
TOTAL EXPENSES	\$ 1,382,900	\$ 1,257,684	\$ 125,216	91 Percent utilization
30003 General Fund 4% Reserve	\$ 8,725	\$ -	\$ 8,725	

Office of Internal Audit Budget History

For the year ending June 30,	Co-sourcing Audit Budget	Total Budget	Co-sourcing Percent of Budget	FTE
2008	\$ 500,000	\$ 1,477,000	34%	10
2009	231,000	1,481,600	16%	13
2010	112,000	1,262,000	9%	12
2011	234,000	1,359,800	17%	11
2012	165,000	1,265,400	13%	10
2013	156,200	1,277,900	12%	10
2014	60,200	1,179,300	5%	10
2015	45,100	1,214,900	4%	10
2016	75,100	1,290,400	6%	10
2017	125,100	1,382,900	9%	10
2018 (Estimate)	248,000	1,544,500	16%	10

Recommended to OMB FY 2018 Budget

Area of Need	FY 2018 Amount Requested	FY 2018 Amount Approved
Professional & Purchased Services	\$ 125,000	\$ 122,900
Administrative Assistant	63,100	0
Staff Career Ladder	10,000	0
Software Inflation	2,000	0
Rent Equipment	1,000	0
Total	\$ 201,100	\$ 122,900

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-Computer
Science, 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

Ted Ciuba
MS-Finance, MBA
Auditor I
x26286

**METROPOLITAN NASHVILLE AUDIT COMMITTEE
2017 MEETING PLAN**

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

**Office of Internal Audit
2017 Approved Internal Audit Work Plan Status**

*Co-source	CY 2016 Audits In Progress	Plan Hours	Actual Hours	Status
1	Sports Authority – 1 st Tennessee Field Construction Contract	100	64	Completed
2	Metro Parks and Recreation – Park Police	40	3	Completed
3*	Human Resource Department - Hiring Process	60	43	Completed
4	Health Department – Compliance and Operational Audit	100	87	Completed
5	Office of Property Assessor	200	107	Completed
6	Human Relations Commission	200	267	Completed
CY 2017 New Audit Areas				
1	Hotel Occupancy Tax Audits	500	855	In-Progress
2	Metro-wide Occupational Safety Program	800	682	In-Progress
3	Autumn Hills Assisted Living Contract	800	959	In-Progress
4	General Services - Fleet Operations	800	1,339	In-Progress
5	Metropolitan Development and Housing Agency – Development Project Financing Process (Tax Incremental Financing / Public-Private Financing)	800		
6	Hospital Authority – General Hospital Purchase to Pay Process	800		
7*	Finance – Purchasing Division	800	148	In-Progress
8	Metropolitan Nashville Public Schools – Credit Card Purchases Review	400		
9	Metro Water Services – Payroll Process	800	389	In-Progress
10	Barnes Fund for Affordable Housing	800		
11	Office of Family Safety	800		
12	Metropolitan Transit Authority - Revenue Collection Process	800		
13	Health and Educational Facilities Board	400		
14	General Sessions Court – Traffic Safety Education Department	800		
15	Airport Authority - Purchase to Pay Process	800		
16	Metro-wide Customer Service Performance	800		
17	Metro Water Services - Storm Water Revenue	800		
18	Metro-wide Software License/Subscription Monitoring	800		
19	Unusual Financial Transactions Review (payables, credit card, fuel card, time entry, top ten travel, etc.)	800		

**Office of Internal Audit
2017 Approved Internal Audit Work Plan Status**

		Plan Hours	Actual Hours	Status
20*	Davidson County Sheriff Office – Information Security (Active Directory Services, Email Services, Network, End Nodes, Remote Access)	100	56	In-Progress
21*	Information Technology Services – Information Back-up and Recovery	100		
22*	Metropolitan Nashville Public Schools – Information Security (Active Directory Services, Email Services, Network, End Nodes, Remote Access)	100		
23*	Health Department – Information Technology Governance	100		
24*	Office of Internal Audit Peer Review (Association of Local Government Auditors)	100	70	Completed
Approved Additions to Annual Work Plan				
25	General Sessions Treatment Court and Related Programs	800	326	In-Progress
26	Building Safety and Codes Department Short Term Rental Permitting Process	800	576	In-Progress
Fraud, Waste, and Abuse Investigations and Hotline Support				
	Fraud, Waste, and Abuse Investigations and Hotline Support	1,200	20	
	Grand Total	18,100	5,991	
	Total Budget Direct Hours In Plan Year	11,500	5,991	52%

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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>
Vice Mayor David Briley One Public Square, Suite 204 Nashville, TN 37201- (615) 880-3357 david.briley@nashville.gov Representing: Vice Mayor	9/1/2015	8/31/2019
Mr. John Cooper 3925 Woodlawn Drive Nashville, TN 37205- (615) 969-4444 CooperAtLarge@nashville.gov Representing: Metro Council	10/20/2015	9/30/2017
Mr. Charles C. Frasier VChm One University Park Drive Nashville, TN 37204- (615) 966-5738 charles.frasier@lipscomb.edu Representing: TSCPA, Nashville Chapter	3/21/2017	3/20/2021
Ms. Talia Lomax-O'dneal One Public Square, Suite 106 Nashville, TN 37201- (615) 862-6151 talia.lomaxodneal@nashville.gov Representing: Director of Finance	10/1/2015	
Mr. Bob Mendes One Public Square, Suite 204 Nashville, TN 37201- (615) 756-3533 bob.mendes@nashville.gov Representing: Metro Council	10/20/2015	9/30/2017
Mr. Brack Reed Chm 511 Union Street, Suite 1400 Nashville, TN 37219- (615) 770-8200 brack_reed@gspnet.com Representing: Nashville Area Chamber of Commerce	2/20/2015	3/20/2019

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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**

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**

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**

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
NASHVILLE AND DAVIDSON COUNTY
DIVISION OF METROPOLITAN AUDIT BYLAWS**

The Metropolitan Auditor shall have authority to:

- Review the effectiveness of internal controls for monitoring compliance with laws and regulations.
- Review the observations of any examinations by regulatory agencies, and any auditor observation.
- Review the process for communicating the code of conduct to 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
NASHVILLE AND DAVIDSON COUNTY
DIVISION OF METROPOLITAN AUDIT BYLAWS**

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
DIVISION OF METROPOLITAN AUDIT BYLAWS**

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.

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

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.

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)

H. Access to Records and Personnel.

To the extent permitted by the Metropolitan Charter the Division of Metropolitan Audit, with strict accountability for confidential and safeguarding records and information, shall have access to all Metropolitan Government's records, agreements, information systems, physical properties, and personnel. Such authority shall include but is not limited to, the ability to review, research, and conduct interviews, along with the ability to have access to any and all necessary documentation as described in this subsection. To the extent permitted by the Metropolitan Charter, all Metropolitan Government departments, boards, commissions, officers, agencies, or offices, along with all entities contracting with the Metropolitan Government shall co-operate fully with the Metropolitan Auditor during any such review or request to the fullest extent of applicable law. Any failure to cooperate with the Metropolitan Auditor shall be reported to the Audit Committee, Finance Director, Director of Law, and the Metropolitan Council.

I. Other Audit Services.

1. In addition to financial or performance services, the Division of Metropolitan Audit shall establish a process by which suspected illegal, improper, wasteful, or fraudulent activity could 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 the Metropolitan Government or its agencies shall suffer any retaliatory action for reporting to or cooperating with the Division of Metropolitan Audit or the Audit Committee as contemplated in TCA 9-3-406 and TCA 50-1-304.

3. It shall be the duty of employees of the Metropolitan Government or its agencies to report any known act of intentional illegal, intentional fraudulent, or intentional improper use of government funds.

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 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 behalf of Metropolitan Government departments, boards, commissions, officers, agencies, or offices shall be communicated in a timely manner to the Metropolitan Auditor.

L. Scope of Services.

To the extent permitted by the Metropolitan Charter 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 and the Metropolitan Charter, concerning any department, board, commission, officer, agency, or office of the Metropolitan Government which receives direct services from or to which funds are appropriated by the Metropolitan Government or which the Metropolitan Government provides a guarantee for long-term indebtedness. 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 Council.

(Ord. BL2017-581)

Sec. 8.121. - Division of metropolitan audit.

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

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

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

SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT

Council

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

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

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

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

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

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

Metro Code 2.04.033 – Metropolitan Council

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

Mayor and Department of Metropolitan Finance

Metro Charter Section 5.03 – Power and authority of mayor.

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

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

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

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

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

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

Division of Metropolitan Audit

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

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

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

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

Tennessee Code Annotated

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

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

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

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

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

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

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

T.C.A. 9-3-406

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

T.C.A. 4-3-304

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

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

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

Local Government Instances of Fraud Reporting Act

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

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

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

4-18-103. Liability for violations.

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

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

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

4-18-104. Investigation and prosecution.

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

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

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

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

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

Other Related Provisions

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

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

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SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT

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

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

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

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

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

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

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

Metropolitan Nashville Audit Committee

Executive Session Checklist

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

Permissible Executive Session Subject Matter

1. Items deemed not subject to public inspection under §§ 10-7-503 and 10-7-54, and all other matters designated as confidential or privileged under this code
2. Current or pending litigation and pending legal controversies
3. Pending or ongoing audits or audit related investigations
4. Information protected by federal law
5. Matters involving information under § 9-3-406 where the informant has requested anonymity
See, T.C.A. § 9-3-405(d)