

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



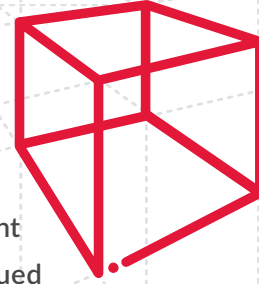
***METROPOLITAN NASHVILLE
AUDIT COMMITTEE***

WORKBOOK

September 12, 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
September 12, 2017 4:00 p.m.**

**Committee Room 2
205 Metropolitan Courthouse**

- I. Call Meeting to Order (Brackney Reed - Committee Chairman)
- II. Approval of Minutes for July 11, 2017, Meeting. (Brackney Reed – Committee Chairman)
- III. New Business
 - Update on Metro Nashville’s Corrective Action Plan/Engineering Report for Sanitary Sewer Overflows and Metro Nashville’s Long Term Control Plan (Scott Potter – Director, Metro Water Services)
 - Discussion on Audit of the Codes and Building Safety Short Term Rental Property Permit Issuance/Renewal Process audit report issued August 30, 2017. (Bill Walker - Principal Auditor)
 - Discussion on Audit of General Sessions Recover Court Fiscal Administration audit report issued August 18, 2017. (Nan Wen –Internal Auditor II)
 - Discussion on Audit of Autumn Assisted Living Partners, Inc. and Vision Real Estate Investment Corp. Contracts issued July 18, 2017. (Mark Swann – Metropolitan Auditor)
 - Metropolitan Nashville Audit Committee Annual Self-Assessment
 - Discussion on External Audit Firm Partner Rotation (Crosslin)
- IV. Unfinished Business
 - Discussion on Audit of Assessor of Property audit report issued May 1, 2017. (Mary Cole – Senior Internal Auditor)
- V. Internal Audit Project Status (Mark Swann – Metropolitan Auditor)
 - Audit Recommendation Follow-up Status – August 2017
- 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
- VII. Other Administrative Matters (Mark Swann – Metropolitan Auditor)
 - Office of Internal Audit staffing
 - FY 2018 budget status.
- VIII. Consideration of Items for Future Meetings (Brackney Reed - Committee Chairman)
- IX. Adjournment of Public Meeting – Next Meeting Tuesday, November 16, 2017.

**METROPOLITAN NASHVILLE
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA
September 12, 2017 4:00 p.m.**

- X. Executive Session Agenda – (Brackney Reed - Committee Chairman)
- Discussion on the ongoing audit of Metropolitan Nashville FY 2017 Financial Statements audit with Crosslin (External Auditor)
 - Discussion of pending or ongoing internal audits or 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.

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

**DRAFT
July 11, 2017**

On Tuesday, July 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
Talia Lomax-O'dneal, Director of Finance
Brackney Reed, Chamber of Commerce
Bob Mendes, Council Member

Committee Member Not Present

John Cooper, Council Member

Others

Mark Swann, Metropolitan Auditor
Theresa Costonis, Department of Law
Kim McDoniel, Deputy Finance Director
Phil Carr, Chief Accountant
Dell Crosslin, Crosslin
Lindsey Ellis, Crosslin
David Hunt, Crosslin
Peter Fontaine, Metropolitan Public Health
Department
Dianne Harden, Metropolitan Public Health
Department
Shannon Hall, Metropolitan Nashville Human
Resources
Jim Pustejovsky, Capital Projects Solutions
Robert Barlow, General Services
Mary Cole, Office of Internal Audit
Seth Hatfield, Office of Internal Audit

Quorum present? Yes

CALL MEETING TO ORDER

Mr. Brackney Reed called the meeting to order.

APPROVAL OF MINUTES

A **motion** to approve the April 11, 2017, meeting minutes as presented in Metropolitan Nashville Audit Committee Workbook for July 11, 2017, on pages 7 through 10 was made, seconded, and carried.

NEW BUSINESS

Discussion on Audit of First Tennessee Ballpark Construction Project

Mr. Mark Swann summarized the background, observations, and recommendations of this audit. Mr. David Briley inquired about litigation against environmental engineers who failed to identify contamination. Ms. Theresa Costonis was not aware of any ongoing litigation. Mr. Bob Mendes inquired about the shortcuts that were made during construction, which led to a discussion regarding the total construction budget, the overrun, and how the costs were allocated to ancillary projects such as the greenway. Mr. Briley commented that having \$9 million attributed to the greenway appeared to be a way to diminish the cost of the ballpark. Mr. Brackney Reed asked if the ancillary improvements were also included in the audit. Mr. Swann stated that the

audit was on the construction manager's contract, which covered all of the projects related to the ballfield. Mr. Jim Pustejovsky clarified part of the greenway cost were the cisterns buried underneath it. These cisterns help the ballpark to fill with water in case there is another catastrophic flood. Mr. Briley stated it was unclear where the funding originated for the greenway and that the Nashville community would not approve of the cost. He commented that the Metropolitan Council should be more circumspect with similar projects in the future.

Discussion on Audit of Assessor of Property

Ms. Mary Cole summarized the objectives, observations, and recommendations of this audit. Mr. Reed asked about the open recommendations from the previous audit. Mr. Swann explained that those recommendations were technology related and will not be implemented until the Assessor of Property upgrades to a new version of their software. Mr. Charles Frasier inquired about the disposition of recommendations. Mr. Swann explained that he will follow-up with management on a bi-annual basis and will update the Committee on the implementation status.

Action Item: Mr. Mendes requested this audit be put on the next meeting agenda and requested the Assessor of Property be in attendance to discuss the audit.

Discussion on Audit of Metropolitan Public Health Department Bureau of Finance and Administration

Mr. Seth Hatfield summarized the objectives, observations, and recommendations of this audit. Mr. Mendes inquired about the weak controls around cash and asked if management was moving towards a better control environment. Mr. Peter Fontaine explained why he requested this audit and updated the Committee on his progress on improving controls within the Metropolitan Public Health Department Bureau of Finance and Administration.

Discussion on Audit of Metropolitan Nashville Government Human Resource Department Talent Acquisition Function

Mr. Swann explained this audit was conducted because talent acquisition is one of the top risks discussed in internal audit publications and conferences, and the best way to mitigate that risk is to have the largest pool possible of qualified candidates. Experis Manpower was hired to evaluate the hiring process as they have considerable experience in recruiting. Mr. Swann summarized the observations and recommendations provided in the report. Ms. Talia Lomax-O'dneal inquired about whether this would be considered an audit or a best practices review. Mr. Swann stated that the intention was for it to be a best practice and operational review as opposed to a compliance audit of Civil Service Rules for hiring. Ms. Shannon Hall expressed her satisfaction with the audit and the recommendations. Ms. Hall explained that as the new Human Resources Director she wanted to have the right people in place before an action plan was put together for the implementation of the recommendations. Mr. Reed asked if Manpower would be used to help with the implementation of any recommendations. Ms. Hall stated that she would pull from internal resources before using Manpower, but she would be open to it. Mr. Reed stated that the Human Resources Department has been very effective, professional, and responsive when assisting the Committee in the past.

External Auditor presentation FY 2017 Financial Audit Communications

Mr. David Hunt presented the financial audit plan for FY 2017. The engagement team, responsibilities, independence, fraud risk, audit methodology, approach, and timeline were summarized. Upcoming Governmental Accounting Standards Board (GASB) statements and

their effect on the financial statements were discussed. Mr. Mendes asked if going concern language would be used once GASB 75 goes into effect. Mr. Hunt explained that further research is needed on how other governments will handle the adoption of GASB 75. Crosslin will continue to seek guidance from the Government Finance Officers Association and other groups regarding the implementation of this statement. Mr. Mendes asked if a meeting would be scheduled around the release of the draft report. Mr. Swann stated that was the goal for the November 2017 meeting. Mr. Mendes asked questions regarding the remaining length of the contract with Crosslin and the rotation of partners on the engagement. There was a discussion regarding rotating engagement partners on the financial audit.

Action Item: Mr. Frasier requested Crosslin put together a tentative plan for partner rotation for discussion at the next Committee meeting.

Metropolitan Auditor's Annual Performance Review

Mr. Reed explained that Mr. Swann performed a self-evaluation which was distributed to the Committee for review. Ms. Lomax-O'dneal expressed concern regarding Mr. Swann performing his own evaluation and salary recommendation. She believed this to be the responsibility of the Committee. Ms. Costonis and Mr. Mendes discussed their knowledge of how other boards have handled evaluations. Mr. Mendes emphasized that it is important for the Committee to establish a process for the evaluation of the Metropolitan Auditor. He stated an example could be for Ms. Costonis, as counsel for the Committee, to distribute, collect, and tabulate evaluation forms and report the results to the Chairman for discussion in an open meeting. Mr. Mendes also stated that he felt Mr. Swann graded himself too hard on his self-assessment.

A **motion** to accept the Metropolitan Auditor annual performance review and approve the recommendation for a salary increase as presented in Metropolitan Nashville Audit Committee Workbook for July 11, 2017, on pages 51 through 59 was made, seconded, and carried. Ms. Lomax-O'dneal abstained due to her not being in favor of self-assessment performance reviews.

Action Item: Mr. Mendes requested that Mr. Swann's evaluation involve feedback from all Committee members and should be completed in May 2018.

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.

Mr. Phil Carr summarized the items noted in the correspondence from the Comptroller of the Treasury. Mr. Carr concurred with all items which were minor in nature and were all related to disclosure issues. Mr. Hunt also stated that the items were minor but appropriate. No discussion ensued.

Metropolitan Nashville Audit Committee and Metropolitan Nashville Office of Internal Audit Bylaws annual review.

Mr. Swann summarized the changes made to the Bylaws for the Metropolitan Nashville Audit Committee and Metropolitan Nashville Office of Internal Audit. No discussion ensued.

A **motion** to approve the recommended changes to the Bylaws as presented in Metropolitan Nashville Audit Committee Workbook for July 11, 2017, on pages 43 through 50 was made, seconded, and carried.

UNFINISHED BUSINESS

Mr. Briley informed the Committee the council committee rooms would have cameras and microphones by fall 2017. The Committee was in agreement that their meetings should be televised.

Mr. Briley updated the Committee on the consent decree between the United States Environmental Protection Agency and the Metropolitan Government of Nashville and Davidson County. Mr. Briley stated the Environmental Protection Agency did not approve the Metro Nashville Long Term Control Plan proposed by Metro Water Services. Metro Water Services was asked to seek a change in state law before the Environmental Protection Agency will approve the plan. Metro Water Services has not incurred significant expenses on this program, but may be close to starting additional projects in the program. To be in compliance no combined sewer overflow would be allowed. To comply with this requirement may require an additional \$2 billion in capital expenditures. Mr. Briley stated Metro Water Services is trying to get additional relief from the United States Environmental Protection Agency or Tennessee Department of Environment and Conservation concerning this matter.

Number of civil service employees vs. non-civil service employees.

Mr. Swann provided the number of civil service employees and non-civil service employees as of May 2017. Mr. John Cooper requested this information at the previous meeting. See Metropolitan Nashville Audit Committee Workbook for July 11, 2017, page 61.

Summary of procurement related audit recommendations.

Mr. Swann explained that the procurement function is typically part of a department audit. Recommendations related to prior audits were provided to the committee. See Metropolitan Nashville Audit Committee Workbook for July 11, 2017, page 62.

OTHER ADMINISTRATIVE MATTERS

Mr. Swann briefly updated the committee on the budget for fiscal year 2017. He stated that the consulting budget was increased to \$250,000 for fiscal year 2018.

Mr. Swann informed the Committee that the Audit of Autumn Assisted Living Partners, Inc. and Vision Real Estate Investment Corp. Contracts final report would be released within the month.

The meeting concluded after 85 minutes at 5:25 p.m.

Respectfully submitted to the Metropolitan Nashville Audit Committee.

Mark Swann
Secretary, Metropolitan Nashville Audit Committee

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UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION 4
ATLANTA FEDERAL CENTER
61 FORSYTH STREET
ATLANTA, GEORGIA 30303-8960

AUG 10 2017

CERTIFIED MAIL 7015 1730 0002 0524 4478
RETURN RECEIPT REQUESTED

Mr. Scott A. Potter, P.E.
Director
Metro Water Services
1600 2nd Avenue North
Nashville, Tennessee 37208

Re: Nashville Metro Corrective Action Plan/Engineering Report
Consent Decree 3:07-cv-01056
DOJ Case No. 90-5-1-1-09000

TN, DEPT. OF ENV. & CONSERVATION
AUG 14 2017
DIVISION OF WATER RESOURCES

Dear Mr. Potter:

The U.S. Environmental Protection Agency Region 4 has completed its review of Metro Nashville's Corrective Action Plan/Engineering Report (CAP/ER) for Sanitary Sewer Overflows submitted in accordance with Consent Decree 3-07-1056.

The EPA hereby approves the CAP/ER as submitted. If Metro plans to submit updates and/or modifications for consideration by the EPA, please do so in writing at your earliest convenience.

The EPA appreciates your cooperation and ongoing efforts. If there are any questions concerning this decision, please have your staff contact Mr. David Apanian at (404) 562-9477, or send written comments to the address on the letterhead.

Sincerely,

Mary S. Walker
Director
Water Protection Division

cc: Ms. Tisha Benton, Director
Tennessee Department of Environment and Conservation

Ms. Jennifer Dodd, Deputy Director
Tennessee Department of Environment and Conservation



STATE OF TENNESSEE
DEPARTMENT OF ENVIRONMENT AND CONSERVATION
DIVISION OF WATER RESOURCES

William R. Snodgrass Tennessee Tower
312 Rosa L. Parks Avenue, 11th Floor
Nashville, Tennessee 37243

August 18, 2017

Scott Potter, Director
Metro Water Services
1600 2nd Avenue North
Nashville, TN 37208

Re: Metro Nashville Long Term Control Plan

Dear Mr. Potter:

We appreciate meeting with you and other representatives from the city on July 21, 2017. We understand the U.S. Environmental Protection Agency has yet to formally respond to Nashville's Long Term Control Plan (LTCP) submission and we are sorry for the confusion that has resulted from that delay. We understand how it might have appeared to some within the city that the submittal had been denied, but as we discussed, EPA has not yet taken action either way. EPA had previously given verbal approval for work to begin on the sanitary sewer overflow projects detailed in the Corrective Action Plan/Engineering Report (CAP/ER), and has now followed that with written approval. As for the combined sewer overflow work detailed in the LTCP, EPA recently requested information relative to project costs, and it is our understanding that Metro Water Services staff are currently gathering that for EPA.

We appreciate the work Metro Water Services is doing to reduce overflows in the city, which should positively impact human health and water quality. It has also helped Metro Nashville avoid costly federal stipulated penalties under the Consent Order. We continue to work with EPA to find a resolution to their questions, and we will stay in touch with your staff should we receive any additional information or request from EPA.

If you have any additional questions or concerns, please feel free to contact me at (615) 532-0789.

Sincerely,

Tisha Calabrese Benton
Director, Division of Water Resources

CC: Mary Walker, EPA R4
Jennifer Dodd, TDEC DWR

AUDIT OF THE DEPARTMENT OF CODES AND BUILDING SAFETY SHORT TERM RENTAL PROPERTY PERMIT ISSUANCE/RENEWAL PROCESS

EXECUTIVE SUMMARY
August 30, 2017



Why We Did This Audit

The audit was initiated due to a request from a Metropolitan Nashville Council member over concerns permits were potentially not being issued in accordance with applicable law.

What We Recommend

- Verification of owner occupied status for Type I properties should be enhanced.
- Ensure all affidavits are being consistently retained.
- Enhance management review of the process.
- Ensure verification of applicable taxes are collected.
- Enhance utilization of the City Works system.

BACKGROUND

Short term rental properties have been in operation within the Metropolitan Nashville area since April 2015. Operating such a property requires the owner to obtain a permit from the Department of Codes and Building Safety and adhere to various requirements outlined by the Metropolitan Nashville Code of Laws § 17.16.250.E (see Appendix A, pages 8 through 12.) Short term rental properties have become an important and highly visible business due to the complexities of balancing individual property rights to public welfare concerns as well as the booming Nashville tourism industry and related shortage of hotel rooms.

OBJECTIVES AND SCOPE

The objectives of the audit are to determine if Short Term Rental Property Permit:

- Documentation required within the Metropolitan Nashville Code of Laws § 17.16.250.E is reviewed, verified, and approved prior to the issuance or renewal of a permit.
- Requirements are communicated to permit applicants and permit holders.

The audit scope was April 1, 2015, through March 31, 2017.

WHAT WE FOUND

Staff associated with the issuance and renewals of Short Term Rental Property permits were knowledgeable of the process and requirements contained within the applicable code. There are multiple layers of review in the issuance of a permit. Threshold requirements for Type II and Type III properties are verified against independent sources.

However, signed, notarized owner affidavits are not consistently retained. Verification of owner occupied status, while in conformity with applicable ordinances, should be enhanced. There is no verification of a review process for permit renewals. Permits are allowed to be renewed without verification that applicable taxes (hotel occupancy privilege tax or property tax) have been paid.

The number of staff with administrative rights to the City Works computer system should be minimized, and the City Works computer system should be updated to identify all properties owned by a specific person or entity and establish permit expiration dates.

GOVERNANCE

The Short Term Rental Property Permit process is administered by the Department of Codes and Building Safety. Requirements related to the issuance, renewal, and operation of short term rental properties are outlined in with Metropolitan Nashville Code of Laws § 17.16.250.E. Issues related to short term rental property can be appealed by the citizenry to the Board of Zoning Appeals and enforcement is through the Environmental Court.

BACKGROUND

As of May 1, 2017, there were approximately 2,500 active Short Term Rental Property Permit. A breakdown of issued permits by type is presented below:

Exhibit A –Schedule of Permits as of May 1, 2017

Permit Type	Number	Percentage
Type I	1,051	41
Type II	850	33
Type III	652	26
Total	2,553	100

Source: Metropolitan Planning Department

A short term rental property is defined as a “residential dwelling unit consisting of no more than four sleeping rooms and/or advertised through an online marketplace for rent for transient occupancy by guest.” Rooms are rented between 24 hours and 30 days. Owners of short term rental property are required to obtain a permit from the Department of Codes and Building Safety.

The short term rental property market is a relatively new industry. It has been a challenge across the country to predict and address all potential issues related to these properties. Balancing individual property rights against the public welfare can be difficult to navigate. Twelve separate ordinances have either been proposed or passed in a two-year period.

There are three distinct short term rental property classifications which are as follows:

Type I: Owner Occupied

These are properties where the **owner resides** in the same residence or in an owner occupied residence on the same lot. Along with the general requirements for a permit (described below.) Applicants must submit documentation verifying owner occupied status: acceptable documents include (minimum of two such documents) Tennessee Driver’s License, work identification or badge, State of Tennessee Identification Card, Internal Revenue Service W2 Form, Davidson County Voter Registration Card, bank statement, or pay stub.

Type II: Not Owner Occupied

Type II are properties which are **not** the owners’ primary residence. They can be single-family or a duplex. The number Type II properties allowed to operate within each census tract is three percent of the total number of single family or duplex properties.

Type III: Multifamily

Type III properties **may or may not** be the owner's primary residence, and there are no limits on the number permitted to operate within a given census tract. The primary difference is that these properties are multifamily meaning they can be an apartment or condominium. Applicants for this type permit may be the owner or the lessee. If a lessee, signed documentation verifying permission from the owner must be presented with the application.

OBJECTIVES AND CONCLUSIONS

1. *Is all supporting documentation required to obtain a Short Term Rental Property Permit reviewed, verified and approved prior to the **issuance** of a permit in accordance with Metropolitan Nashville Code of Laws § 17.16.250.E?*

Generally, yes. The Department of Codes and Building Safety management and staff involved in this process are knowledgeable of all requirements required to issue a permit in accordance with applicable ordinances. Three separate parties are required to review various requirements and document this review in the City Works computer system before a permit can be issued. Technology is used to verify threshold requirements for Type II and Type III properties. Fees associated with the issuance of short term rental property permits are collected.

Supporting documentation verifying Type I permit owner occupied status is difficult to verify and easy to re-engineer. Verification of taxes paid is not completed prior to issuance of a permit. Signed notarized affidavits could not be located for 6 (50 percent) out of 12 permits sampled. Retention of supporting documentation is inconsistent. Monitoring of zoning examiners to ensure they are conducting a sufficient review is not a component of the permitting process. (See Observations A, B, C, D, E, F, and G.)

2. *Is all supporting documentation required to obtain a Short Term Rental Property Permit reviewed, verified, and approved prior to the **renewal** of a permit in accordance with Metropolitan Nashville Code of Laws § 17.16.250.E?*

Generally, yes. Fees associated with the renewal of a permit are being obtained and deposited in a Metropolitan Nashville Government bank account. Verification of taxes paid (hotel occupancy privilege tax or property taxes) is not being collected prior to renewal. (See Observation C.)

A field does not exist in the City Works computer system to document management's review that all necessary requirements to renew a permit have been met. (See Observation D.)

3. *Are Short Term Rental Property Permit requirements being communicated to applicants and permit holders?*

Yes. All applicable requirements and Metropolitan Nashville Code of Laws are listed on the Department of Codes and Building Safety's website. Staff is available to answer questions applicants or permit holders may have.

APPENDIX B – 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
<i>Recommendation for Management of Metro Department of Codes and Building Safety to:</i>		
A.1: Procure the services from entity that specializes in providing publicly available online information that could help provide assurance of owner occupied status.	Accept. The Metropolitan Department of Codes and Building Safety will work with Host Compliance to achieve this goal.	12/01/2017
A.2: Work with the Metropolitan Nashville Council to clarify the definition of “owner occupied” for Type I permit issuance.	Accept.	03/01/2018
B.1: Ensure that verification of all applicable taxes is obtained and reviewed prior to issuing or renewing Short Term Rental Permits.	Accept. The Metropolitan Department of Codes and Building Safety will work with Information Technology Services and the Treasurer’s Office to achieve this goal.	12/01/2017
C.1: Establish a policy of adding a management level of review on the issuance and renewals of Short Term Rental permits to ensure all applicable documentation has been obtained and reviewed.	Accept.	10/01/2017
C.2 Create a field within the City Works computer system that provides evidence of review of applicable documentation for Short Term Rental Permit renewals.	Accept. The Metropolitan Department of Codes and Building Safety will work with Information Technology Services and City Works to implement as soon as possible.	12/01/2017
D.1: Limit the number of staff with administrative rights to only those parties who have a business need for such rights and privileges.	Accept. The Metropolitan Department of Codes and Building Safety will work with Information Technology Services City Works to implement as far as practical.	12/01/2017
D.2: Develop a methodology to ascertain the number of properties owned by a specific owner.	Accept.	12/01/2017
D.3: Modify the “Date Expired” field to populate upon the issuance or renewal of permit automatically. Limit the ability to modify this field to ensure the integrity of expiration date information.	Accept. The Metropolitan Department of Codes and Building Safety will work with Information Technology Services and City Works to implement as soon as possible	12/01/2017
D.4: Explore technology solutions that facilitate online Short Term Rental Permit applications and renewals.	Accept.	09/01/2018

APPENDIX B – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendations	Concurrence and Corrective Action Plan	Proposed Completion Date
<p>E.1: Work with the Metropolitan Nashville Clerk’s Records Management Division to establish a records disposition authorization schedule for Short Term Rental Permit documentation.</p>	<p>Accept.</p>	<p>10/01/2017</p>
<p>E.2: Ensure all applicable supporting documentation is being retained for a reasonable time.</p>	<p>Accept.</p>	<p>10/01/2017</p>
<p>F.1: Develop written procedures for each critical process and task related to the permitting process and other core requirements. These procedures should be periodically reviewed and updated.</p>	<p>Accept.</p>	<p>10/01/2017</p>

EXECUTIVE SUMMARY

August 23, 2017



Why We Did This Audit

This audit was conducted due to a request from the Presiding Judge of the General Sessions Court. The Presiding Judge initiated the request due to the recent change of Judges within the Recovery Court. A second phase will be conducted and focus on the case management aspect of the Recovery Court. A separate report will be issued for the second phase.

What We Recommend

The General Sessions Recovery Court should:

- Enhance controls for financial activities, especially on travel and work time management.
- Establish formal and explicit roles and responsibilities related to its relationship with the Davidson County Drug Court Foundation.

Audit of General Sessions Recovery Court Fiscal Management

BACKGROUND

The General Sessions Recovery Court was established in 2003 to give rehabilitation opportunities to those who have substance abuse issues and have been arrested for nonviolent offenses. The court offers a voluntary 12-18 month program which includes Recovery services, substance abuse monitoring, and transitional housing residence for participants taking classes in anger management, life skills, and job readiness. There have been over 100 participants in the Recovery program since its inception.

OBJECTIVES AND SCOPE

The audit objectives are to determine:

- Financial activities of the General Sessions Recovery Court comply with applicable Metropolitan Nashville Government financial policies.
- The relationship that exists between the General Sessions Recovery Court and the Davidson County Drug Court Foundation.

This audit covers financial activities of the General Sessions Recovery Court between April 1, 2015, and March 31, 2017.

WHAT WE FOUND

The General Sessions Recovery Court financial activities conform to its established mission. However, the controls over travel and time keeping could be improved.

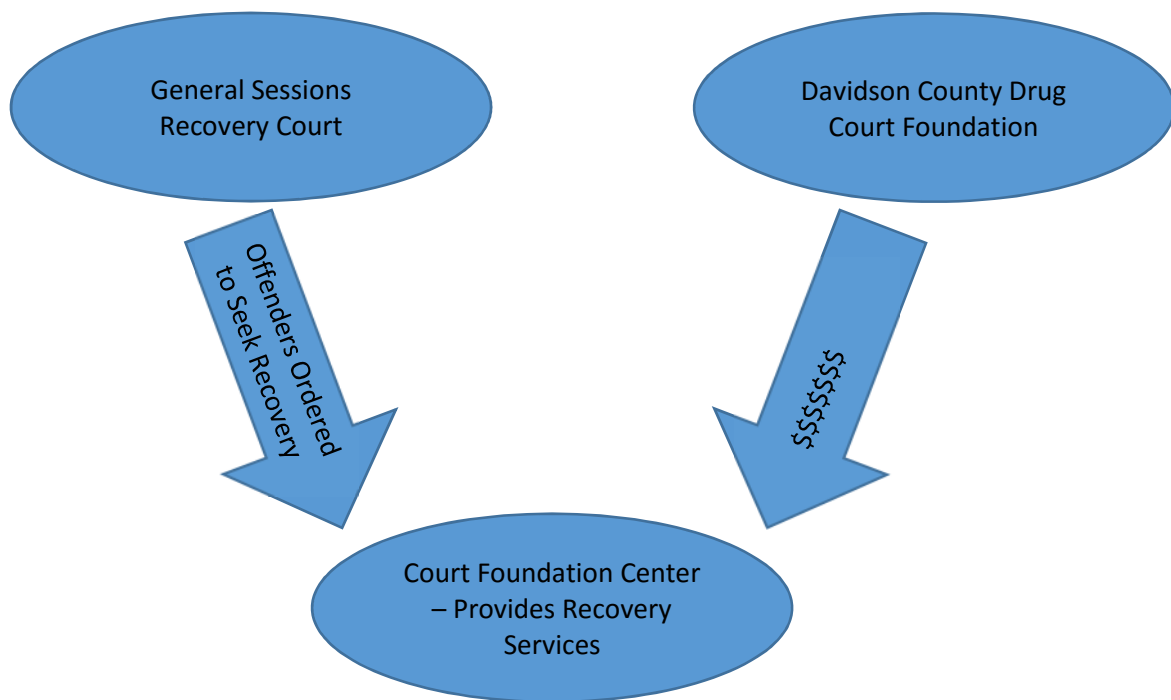
A memorandum of understanding or contract between the General Sessions Recovery Court and the Davison County Drug Court Foundation should be created to define each entity operational and financial relationship and responsibilities.

GOVERNANCE

The General Sessions Recovery Court was established through the ‘Drug Court Recovery Act 2003’ enacted by Tennessee Code Annotated, Title 16. The purpose of the Recovery Court is to reduce crimes as a result of drug use and addiction and to promote public safety. It has a Presiding Judge who hears the cases of drug offenders. A program coordinator is appointed to carry out the Recovery Court’s mission.

GENERAL SESSIONS RECOVERY COURT RELATIONSHIP WITH DAVIDSON COUNTY DRUG COURT FOUNDATION

Exhibit 1 – General Sessions Recovery Court Relationship with Davidson County Drug Court Foundation Diagram



General Sessions Recovery Court

The General Sessions Recovery Court hears cases every Wednesday regarding drug offenses and determines sentencing. The General Sessions Recovery Court includes representatives from the Metropolitan Nashville Police Department, the District Attorney’s Office, the Public Defender’s Office, the General Sessions Probation Office, and the Court Foundation Center.

Drug offenders who have substance abuse problems, were arrested for non-violent offenses, and are willing to participate in a recovery program, are given the opportunity to participate in a three phase recovery program voluntarily. The program typically takes between 12 and 18 months to complete. Participants are required to attend group treatment sessions three times a week. Participants in phase one attend court each week, participants in phase two attend court every other week while participants in the third phase are required to attend court every other week.

In addition to handling drug cases, the General Sessions Recovery Court also administers a specialty court for victims of human trafficking called the Cherished Hearts program. This program seeks to provide sex workers services such as education and long-term treatment other than incarcerating them. The Davidson County Drug Court Foundation provides a portion of the funding along with support from other local agencies. A second program, called ACT, was administered from October 2016 through March of 2017 to deal with less serious drug offenders. This program was discontinued due to the low number of participants in the program.

Davidson County Drug Court Foundation

A nonprofit entity that engages in fundraising activities to provide financial assistance for treatment services. The Foundation established the Court Foundation Center to provide a large portion of these services. Treatment services include intense outpatient classes, low intense outpatient classes, anger management classes, relapse prevention groups, and alcohol and drug assessments.

The Davidson County Drug Court Foundation is governed by a five member Board of Directors. The majority of its funding is obtained through State grants. There is only one employee for the Court Foundation Center who is a Licensed Alcohol Drug Abuse Counselor. All other services are provided by contractors or vendors. The General Sessions Recovery Court provided office space for an employee of the Davidson County Drug Court Foundation until March 2017. This employee works closely with General Sessions Court personnel in conducting treatment assessments and treatment plans for each participant in the program.

Financial information for Davidson County Drug Court Foundation is presented in Exhibit 2.

Exhibit 2 – Davidson County Drug Court Foundation Financials for Fiscal Years 2013, 2014, and 2015

	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013
Contributions, Gifts, Grants	\$187,644	\$108,716	\$121,330
Total Revenue	187,644	108,716	121,330
Professional Fees, Independent Contractors	109,892	67,044	67,822
Occupancy, Rent	20,101	15,211	18,000
Printing, Postage, etc.	2,219		
Other	38,026	33,693	10,253
Total expenses	170,238	115,948	96,075
Excess/Deficit	\$ 17,406	(\$ 7,232)	\$ 25,255

Source: Internal Revenue Service 990 EZ for 2013, 2014, and 2015

General Sessions Recovery Court Financial Information

Highlights of the General Sessions Recovery Court’s financial activities are shown in Exhibit 3 and Exhibit 4.

Exhibit 3 – General Sessions Recovery Court Major Expenditures April 1, 2015, through March 31, 2017

Expenditure Category	2015	2016	2017
Medical Supply	\$ 64,529	\$101,801	\$43,588
Personnel	49,817	94,747	21,490
Registration	10,583	8,460	
Employee Air Travel	4,725	4,021	
Office & Admin Supply	4,515	4,538	773
Care of Persons	4,280	15,291	4,220
Employee Out-of-town Travel	2,297	(32)	(87)
Host & Hostess	1,222	861	81
Other	584	648	103
Personal Use Supply	399	87	
Subscriptions	334	125	
Printing/Binding	302	488	160
Radio Shop Charge	256	(131)	
Cell Phone Service	136	408	68
Food & Ice	23		
Realized Gain/Loss MIP	12	18	
Open Travel Advance		11,950	(438)
Computer Hardware <\$10K		1,244	
Gas		61	
Employee Local Travel/Park		3	
Repair and Maintenance			839
Total	\$144,014	\$244,589	\$70,798

Source: EnterpriseOne Financial System

Exhibit 4 – General Sessions Recovery Court Procurement Top Five Vendors April 1, 2015, through March 31, 2017

Merchant Code Description	Service	Amount
Avertest	Drug Testing	\$209,918
Metro Transit Authority	MTA Bus Pass	19,814
Employees Out-of-Town Travel	Travel Expense	11,162
Recovery Community Inc.	Halfway Housing	8,380
Presidio Networked Solution	Computer Hardware	2,261

Source: Metropolitan Nashville Government EnterpriseOne Financial System

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 Metro Human Relations Commission to:</i>		
<p>A.1 Ensure that all financial activities comply with Metropolitan Nashville Government’s fiscal management policies and General Sessions Court’s Attendance and Leave policy (applicable adopted Civil Service Rules.)</p>	<p>Agree - Judge Gale Robinson assumed control of the General Sessions Recovery Court on February 3, 2017. Judge Robinson transferred the Recovery Court staff to the direct supervision of the General Sessions Probation Director effective March 31, 2017. Compliance with Metro Government’s financial and attendance management policies and procedures were implemented on or before March 31, 2017.</p>	<p>03/31/2017</p>
<p>A.2 Seek reimbursement for the \$8,868 in expenses paid on behalf of non-Metropolitan Nashville Government entities.</p>	<p>Agree - The Davidson County Drug Court Drug Court Foundation reimbursed Metropolitan Government for the entire \$8,868 on behalf of the non-Metropolitan Nashville Government entities referenced in the audit.</p>	<p>08/9/2017</p>
<p>B.1 Establish a memorandum of understanding or contract between the General Sessions Recovery Court and the Davison County Drug Court Foundation to define each entity operational and financial roles and responsibilities as it relates to the General Sessions Recovery Court.</p>	<p>Agree.</p>	<p>09/15/2017</p>

Audit of Autumn Assisted Living Partners, Inc. and Vision Real Estate Investment Corp. Contracts

EXECUTIVE SUMMARY

July 18, 2017



Why We Did This Audit

Members of the Metropolitan Nashville Council requested an audit of financial and performance matters related to the Autumn Assisted Living Partners, Inc. and Vision Real Estate Investment Corp. agreements with the Metropolitan Nashville Hospital Authority.

What We Recommend

- Due diligence procedures be developed to assist with the vetting of future strategic partners that operate services.
- Create and execute a contract monitoring plan with performance reporting intervals for significant contracts.

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

BACKGROUND

In January 2013, Signal Hill Capital Group LLC started work exploring strategic alternatives for the long-term operations of Bordeaux Long-Term Care and J. B. Knowles Assisted Living facilities. In March 2014, redevelopment agreements were approved with a consortium of entities, consisting of Ed Street Development Company, Signature Healthcare Corporation, Vision Real Estate Investment Corp., and Autumn Assisted Living Partners, Inc.

In April 2014, execution of the redevelopment business plan became derailed when the Tennessee General Assembly failed to pass legislation allowing the Metropolitan Nashville Hospital Authority to divide and relocate up to 260 of its Bordeaux Long-Term Care license beds. Also, Vision Real Estate Investment Corp.'s request to rezone 22.98 acres to Specific Plan – Mixed Use Limited was deferred indefinitely in March 2016. Because of these events, Vision Real Estate Investment Corp. was unable to monetize the real estate and Autumn Assisted Living Partners, Inc. remained in an agreement to lease and operate the former J. B. Knowles Assisted Living facility between July 2014 and January 2017.

In March 2015, the Metropolitan Nashville Hospital Authority approved a \$480,000 supplement for fiscal year 2015 and \$360,000 for fiscal year 2016 for Autumn Assisted Living Partners, Inc. to operate the former J. B. Knowles Assisted Living facility. In fiscal year 2014, the subsidy for J. B. Knowles Assisted Living facility was \$1.75 million.

Media reports in 2014 and 2016 highlighted concerns related to day-to-day management of the former J. B. Knowles Assisted Living facility.

OBJECTIVES AND SCOPE

The objective of this audit is to determine if provisions of agreements jointly entered into with the Metropolitan Nashville Hospital Authority and Metropolitan Nashville Government with Vision Real Estate Investment Corp. and Autumn Assisted Living Partners, Inc. were performed. The audit scope was July 1, 2014, through January 31, 2017.

WHAT WE FOUND

Management of Autumn Assisted Living Partners, Inc. mismanaged the fiscal affairs of the former J. B. Knowles Assisted Living facility. Vendors were not paid timely, financial reports were not prepared, resident trust fund accounts were not maintained, and corporate and 1099 tax returns were not filed. Confirmed amounts owed creditors is \$480,952 as of January 31, 2017. Contract performance oversight was lacking by the Metropolitan Nashville Hospital Authority and Metropolitan Nashville Government.

GOVERNANCE

The initiative to explore strategic alternatives for the long-term operations of Bordeaux Long-Term Care and J. B. Knowles Assisted Living facilities was facilitated primarily by the Metropolitan Nashville Government. The final redevelopment agreements and lease were reviewed and approved jointly by the Metropolitan Nashville Hospital Authority Board, Metropolitan Nashville Government, and the Metropolitan Nashville Council.

The financial assistance agreements with Autumn Assisted Living Partners, Inc. were reviewed and approved by the Metropolitan Nashville Hospital Authority Board.

Exhibit A –Schedule of Legal Entities and Licensed Administrators

Entity	Audit Period	Manager or President	Licensed Administrator
Autumn Assisted Living Partners, Inc. (for-profit)	July 2014 to June 2016	Michael Hampton	Paul Miller
Autumn Assisted Living Partners, Inc. (for-profit)	July 2016 to October 2016	Michael Hampton	Michael Hampton
Autumn Hills Assisted Living Facility, LLC (non-profit)	October 2016 to January 2017	Sam Latham	Melvin Corlew
Vision Real Estate Investment Corp. (for-profit)	January 2014 to January 2017	Paul Miller	Not Applicable
ACLF Holding, LLC (non-profit)	June 2016 to January 2017	Sam Latham	Not Applicable

Sources: Tennessee Secretary of State, Tennessee Department of Health, Office of Internal Audit Interviews.

Mr. Michael Hampton stated that all stock for Autumn Assisted Living Partners, Inc. and Vision Real Estate Investment Corp. is held by a closed real estate investment group based in Florida.

SCOPE LIMITATION

Autumn Assisted Living Partners, Inc. and Autumn Assisted Living Facility, LLC did not maintain a system of internal controls or prepare financial accounting statements. Certain records and documentation supporting transactions and account balances were not available for examination. Other records were not adequately maintained. It cannot be determined if all sources of funds were deposited in Autumn Assisted Living Partners, Inc. or Autumn Hills Assisted Living, LLC bank accounts.

Because of this condition, several internal audit conclusions (Objective questions 1.A, 1.B, 1.C, 2.B, 4.A, and 4.B) could not be made. However, information observed along with application of professional judgement is included in the report for the benefit of management to consider in light of the limitations described above.

OBJECTIVES AND CONCLUSIONS

1. From available Autumn Assisted Living Partners, Inc. information:

a. Did Autumn Assisted Living Partners, Inc. annual revenue exceed annual operating expenses?

Undeterminable. Based on the available financial information obtained from bank statements, utility invoices, and professional judgment the Office of Internal Audit estimates expenses did exceed revenues in excess of \$260,000 each fiscal year. Cumulative losses between July 1, 2014, and January 30, 2017, are estimated at \$955,000 before expenses for facility improvements, see Exhibit B.

Exhibit B– Estimated Statement of Revenues and Expenses (No Depreciation) for Fiscal Year 2014, Fiscal Year 2015, Fiscal Year 2016 and Seven Months Ending January 31, 2017

NOTE Not an Official Financial Statement	Autumn Assisted Living Partners, Inc.			J. B. Knowles
	2017	2016	2015	2014
Estimated Operating Revenues:				
Net Resident Revenue	\$ 758,980	\$ 1,430,280	\$ 1,474,120	\$ 1,198,138
Estimated Operating Expenses:				
Salaries and Wages	675,349	1,055,621	1,097,210	2,657,932
Administrator and CEO Salary	85,226	146,102	146,102	
Food and Nutrition	112,000	192,000	192,000	257,352
Utilities	100,246	172,160	199,298	228,206
Administrative and General	43,750	75,000	75,000	495,020
Insurance	30,300	52,000	52,000	23,260
Legal Expense	117,800			
Total Estimated Operating Expenses	1,164,672	1,692,883	1,761,610	3,661,770
Estimated Net Income/(Loss)	(405,692)	(262,603)	(287,490)	(2,463,632)
Supplement from Metropolitan Nashville Hospital Authority	-	360,000	480,000	1,754,635
Increase (decrease) in net position	\$ (405,692)	\$ 97,397	\$ 192,510	\$ (708,997)
Facility Improvements	\$ -	\$ 70,628	\$ 141,256	

Sources: Estimated net monthly average resident revenue, \$1,370 times monthly census; salaries, wages, and utilities are actual incurred; administrator and chief operating officer salary is Tennessee Comptroller Medicaid Nursing Facility allowable compensation cost schedule. Food, nutrition, administrative and general expense are estimates. Fiscal year 2014 information compiled from Metropolitan Nashville Hospital Authority financial records. *See Scope Limitation on page 1.*

b. Did Autumn Assisted Living Partners, Inc. monthly cash flow and cash position meet current operating obligations?

Undeterminable. Using the estimated revenue and expenses presented in Exhibit B Autumn Assisted Living Partners, Inc., estimated monthly operating expenses exceeded net revenue between \$21,500 and \$24,000 or more each month for fiscal years 2015 and 2016, respectively. The Metropolitan Nashville Hospital Authority provided a \$40,000 and \$30,000 monthly supplement to assist with operating expenses for fiscal years 2015 and 2016, respectively. Analysis of banking records shows a monthly average positive cash flow of \$2,600 for fiscal year

2015 and positive cash flow of \$515 for fiscal year 2016. In fiscal year 2017, the monthly average positive cash flow was \$2,100. **See Scope Limitation on page 1.**

- c. *Did Autumn Assisted Living Partners, Inc. expenses support the mission of providing quality assisted living services?*

Undeterminable. Out of the \$4.5 million withdrawn from Autumn Assisted Living Partners, Inc. and Autumn Hill Assisted Living, LLC bank accounts, \$3.3 million, or 73 percent of the withdrawals were documented with existing records for payroll and utilities. An additional \$1.1 million or 24 percent of the withdrawals are estimated to be needed for food, insurance, general supplies, and capital improvements along with other administrative expense. See Exhibit C for a sample of other types of disbursements observed.

Exhibit C –Examples of Disbursements without Documentation between July 2014 and February 2017

Manager/Administrator	Michael Hampton / Paul Miller or Michael Hampton	Sam Latham / Melvin Corlew
Disbursement Category	July 2014 to October 2016	November 2016 to February 2017
Metropolitan Nashville Government on behalf of Vision Real Estate Investment Corp.	\$25,000	
Le Villa Day Care, no documentation	40,000	
Paul Miller, no documentation	35,000	
Shelby County Government, no documentation	20,008	
Clerk US District Court Settlement for Greenhills Senior Health Center	2,000	
Fisk University, no documentation	2,008	
Automated Teller Machine (ATM) Withdrawals, no documentation	99,443	
Non-Sufficient Funds (NSF) and Other Bank Fees	20,390	\$18
Loans, no documentation	82,932	
Cash, Employee, or Contractor with Notation of Business Purpose (See Note A and B)	114,612 ^A	99,293 ^B
Cash, Employee, or Contractor without Notation of Business Purpose (See Note A and B)	334,636 ^A	6,295 ^B
Personal Credit Card (US Bank) for Reimbursement of Expenses, no documentation	7,447	
Legal Fees, no documentation	30,700	
Accounting Services, no documentation	15,600	

Sources: Office of Internal Audit review of bank statements, deposits, and withdrawals. **See Scope Limitation on page 1.**

**Exhibit D – Autumn Hills Assisted Living Partners, Inc. / Autumn Hills Living Facility, LLC Creditor
Liability as of January 31, 2017 – Confirmed and Potential Amounts Total \$716,073**

Confirmed Amount		Potential Amount	
Vendor	Amount	Vendor	Amount
Gordon Food Service, Inc.	108,760	Resident Trust Funds	127,407
Gordon Food Service, Inc. Attorney Fees	17,087	Internal Revenue Service - Payroll	26,055
James Rice's Attorneys	59,600	Garnishments Outstanding	22,043
James Rice	58,207	Garnishments Attorney Fees	683
Tennessee Department of Labor & Workforce	39,519	SimplexGrinnell	18,364
NES	33,545	Sam Latham - Severance	17,000
Atrium Pharmacy	21,553	Social Security Administration - Refund	7,000
McKesson	20,474	International Systems of America	3,244
Direct Supply	18,777	MCC Nashville	3,241
Sam Latham - Payroll Loan	16,000	Hobart Service	2,491
Consolidated Staffing	14,757	Cintas	2,138
J & D Service	10,727	Directv	1,462
Piedmont Gas	9,338	Green Olive Tree Consulting	1,133
Nashville Water	6,660	Stericycle	997
Life Safety Services	6,308	Shred-It	493
McKesson Attorney Fees	5,325	Republic Services	390
Consolidated Staffing - Attorney Fees	4,427	Holt Plumbing	384
NTT Data	4,317	Ecolab (Swisher)	309
Buckeye Cleaning Center	3,527	ACE Grease Services, Inc.	259
RJ Young	3,077	O2 Sleep	30
Dr. Vollmer	3,000	Comcast	-
Summit Agency of Nashville	2,500	United Healthcare	-
IPFS Corporation	1,888	Aflac	-
Chemsearch	1,418	ProAssurance Specialty Insurance Company, In	-
Employee Pay - #1	1,422	Colonial Life	-
Madison Academy	1,085	Total	\$ 235,121
Accrued Vacation - Employees	970		
Doorways	942		
Paychex	853		
Employee Pay - #2	800		
Employee Expenses - #3	911		
Employee Expenses - #4	684		
AT&T	415		
Delta Lighting Products, Inc.	381		
Labor Ready	368		
Tennessee Labor & Workforce Boiler Ins	350		
A-1 Janitorial Services	296		
Lewis Bakeries Inc.	295		
HealthWorks	246		
Tennessee Department of Revenue	143		
Total	\$ 480,952		

Sources: Confirmation with vendors, court records, estimate for resident trust accounts, and available vendor files observed.

Notes: Resident Trust Funds consist of balance as of June 30, 2014, plus estimated additions of \$60 per resident per month less average monthly withdrawals. Employee Pay #1 and Employee Expenses #3 were paid by Mr. Hampton in June 2017.

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

We believe that operational management is in a unique position understand best 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 Metropolitan Nashville Hospital Authority should:		
A. Develop a screening and due diligence written plan on how to assess risks and levels of screening required to vet any potential third party providers of services. Screening efforts depending on the assessment of risk may include a media search, professional and business license/registration confirmation, credit review, and search for legal actions against an organization and key officers.	Management of the Metropolitan Nashville Hospital Authority did not provide response to the recommendations included in the audit report.	TBD
B. For high-risk contracts, develop a written monitoring plan with designated responsibilities and reporting intervals to monitor each element of contract performance along with other relevant quality of services factors.	Management of the Metropolitan Nashville Hospital Authority did not provide response to the recommendations included in the audit report.	TBD
Management of the Metropolitan Nashville Government should:		
A. Develop a screening and due diligence written plan on how to assess risks and levels of screening required to vet any potential third party providers of services. Screening efforts depending on the assessment of risk may include a media search, professional and business license/registration confirmation, credit review, and search for legal actions against an organization and key officers.	Accept. We will immediately implement all screening efforts recommended for high risk service contracts, which will include any services that provide direct care to individuals. A written policy will also be developed and issued to all Metro departments within the next 3 months.	October 31, 2017
B. For high-risk contracts, develop a written monitoring plan with designated responsibilities and reporting intervals to monitor each element of contract performance along with other relevant quality of services factors.	Accept. The policy referred to above will include requirements around monitoring conducted by the department staff and reporting to the responsible Department of Agency Head.	October 31, 2017

FY 2017 Audit Committee Confirmation of Responsibilities

		Meets Expectations	Caution	Needs Improvement	Comments
Financial Statements	1. While 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, and follow-up as appropriate.	✓			FY2016 financial audit engagement discussed in executive session with Crosslin on September 13, 2016, and November 17, 2016.
	2. Review final reports and accept, or not accept, the audit results.		✓		FY2016 CAFR accepted on December 13, 2016. Management Letter and Single Audit discussed April 11, 2017, <u>no motion to accept or not accept.</u>
	3. Review with Metro Nashville management and the external auditors all matters requiring communication to the Committee under generally accepted auditing standards.	✓			FY2016 Crosslin's audit plan presentation on July 26, 2016, and FY2017 Crosslin's audit plan presentation on July 11, 2017.
Risk Management and Internal Control	4. Understand the scope of internal and external auditors' reviews of internal controls over financial reporting and government service activities, and obtain reports on significant observations and recommendations, together with department, board, commission, officer or agency management's responses.	✓			Crosslin's FY2016 Management Letter discussed July 11, 2017. Office of Internal Audit reports concerning internal control environment routinely discussed during committee meetings.
	5. Engage with Metropolitan Auditor in performing a Metro Nashville entity-wide risk assessment to form an audit work plan.	✓			Internal Audit Annual Work Plan recommendations and risk prioritization reviewed by Committee on March 14, 2017. Recommendations for audit engagements received from committee members John Cooper and Bob Mendes.
	6. Meet with auditee after issuance of audit report by Metropolitan Auditor to discuss observations. Monitor corrective actions implemented by auditee.	✓			Status of audit recommendations implementation follow-up included in the <i>Office of Internal Audit Annual Report February 2016 to January 2017</i> issued to Metropolitan Nashville Council on March 16, 2017. Recommendation follow-up report reviewed by Committee on April 11, 2017. Operational management routinely requested to attend committee meetings and discuss corrective action plans.

FY 2017 Audit Committee Confirmation of Responsibilities

		Meets Expectations	Caution	Needs Improvement	Comments
Internal Audit	7. Review and approve the audit plan and all major changes to the plan.	✓			Annual Internal Audit Work Plan Approved on March 14, 2017. The Committee amended the 2016 Internal Audit Work Plan six times for new audit projects.
	8. Review and approve the Division of Metropolitan Audit Bylaws annually.	✓			Bylaws last reviewed July 11, 2017.
	9. Assure continued independence of Metropolitan Auditor. Ensure there are no unjustified restrictions or limitations to the discharge of internal audit responsibilities.	✓			Confirmation included in the <i>Office of Internal Audit Annual Report February 2016 to January 2017</i> issued to Metropolitan Nashville Council on March 16, 2017. BL 2017-581 approved on April 5, 2017, provides additional clarity on Office of Internal Audit access to records and personnel, and fraud, waste, and abuse investigations.
	10. Review annually the activities, staffing and organizational structure of the internal audit function.	✓			Administration of Internal Audit Office reviewed as a standing Audit Committee meeting agenda item.
	11. Review the effectiveness of the internal audit function, including compliance with generally accepted government auditing standards.	✓			Last peer review completed April 7, 2017, with an opinion the Metropolitan Nashville Office of Internal Audit quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards.
	12. Recommend the appointment of the Metropolitan Auditor.	✓			Recruitment and interviews conducted in Spring 2014 with recommendation for an eight year term made to Metropolitan Nashville Council on May 20, 2014.
	13. For cause remove the Metropolitan Auditor.	✓			Not applicable.
	14. At least once per year, review the performance of the Metropolitan Auditor and concur with the annual compensation and salary adjustment.	✓			Metropolitan Auditor annual performance review completed July 11, 2017. Performance goals and criteria reviewed and approved on November 17, 2016.

FY 2017 Audit Committee Confirmation of Responsibilities

		Meets Expectations	Caution	Needs Improvement	Comments
Reporting	15. Issue annual report to the Council and Mayor regarding Committee activities, issues and related recommendations.	✓			The <i>Office of Internal Audit Annual Report February 2016 to January 2017</i> issued to Metropolitan Nashville Council on March 16, 2017.
	16. Provide an open avenue of communication between internal audit, the external auditors, and department, board, commission, officer or agency management.	✓			Meetings with internal and external auditors. Management corrective action plans included in final internal audit reports and external auditors management letter. Operational management routinely requested to attend committee meetings and discuss corrective action plans.
	17. Review any other government issued reports related to committee responsibilities.	✓			Crosslin's review of the Metro Water Services Clean Water Abatement Program was discussed at the December 13, 2016, committee meeting. Public Works pavement condition history report was reviewed during the September 13, 2016, committee meeting.
Other	18. Ensure committee members undergo appropriate orientation upon appointment.	✓			Orientation meetings for Mr. Frasier completed on January 4, 2017.
	19. Review and assess the adequacy of the Metropolitan Nashville Committee Bylaws annually, requesting approval for proposed changes, and ensuring appropriate disclosure as may be required by law or regulation.	✓			Bylaws last reviewed and revised July 11, 2017.
	20. Confirm annually that all responsibilities outlined in these bylaws have been carried out.			✓	Last reviewed and confirmed November 10, 2015.

FY 2017 Audit Committee Confirmation of Responsibilities

		Meets Expectations	Caution	Needs Improvement	Comments
Meetings	21. The Committee will meet at least once per quarter	✓			FY 2017 - Six meetings held on: (1) July 26, 2016, (2) September 13, 2016, (3) November 17, 2016, (4) December 13, 2016, (5) March 14, 2017, and (6) April 11, 2017.
	22. Meeting agendas along with appropriate briefing materials will be prepared and provided in advance to members by the Metropolitan Auditor.	✓			Agenda, internal audit reports and other selected material provided by e-mail prior to committee meetings by the Metropolitan Auditor.
	23. Minutes will be prepared by the Metropolitan Auditor.	✓			Minutes were prepared and posted on Committee web site after approval.
	24. Meeting agendas and minutes are posted to the Metropolitan Nashville Audit Committee page on Nashville.gov in a searchable electronic format.	✓			Meeting agendas, workbooks, and minutes are available in searchable pdf format since February 14, 2012, on the Committee Nashville.gov internet page.
	25. 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.	✓			September 12, 2017, meeting was posted on September 6, 2017, six days in advance. Last approved meeting minutes for April 11, 2017, were posted on the Committee's Nashville.gov internet page
Composition	26. Follow the provisions provided in Metropolitan Code of Laws, Section 2.23.300(E) Division of Metropolitan Audit.	✓			Audit Committee membership is consistent with Metropolitan Code of Laws requirements.

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

Committee Purpose: The Metropolitan Nashville Audit Committee is to ensure that the Metropolitan Government of Nashville and Davidson County (Metro Nashville) has effective,

**Open Audit Recommendations Implementation Status
As of September 8, 2017**

Project Name	Issue Date		Recommendation Title	Estimated Date	Revised Date	Age in Days
ITS Department Information Security Management	11/11/2008	CJ	D -	12/31/2008	12/31/2016	251
ITS - Active Directory Service	4/18/2011	CJ	C.4 -	2/5/2015	7/31/2017	39
Register of Deeds	4/17/2012	CJ	H.7 -	12/1/2012	11/30/2016	282
MTA Procure To Pay	8/10/2012		B.2 - Accounting and Purchasing Systems Conflicting Vendor Files	12/31/2012	12/15/2017	(98)
ITS - PKI Infrastructure	10/19/2012	CJ	14	8/31/2013	7/15/2017	55
ITS - PKI Infrastructure	10/19/2012	CJ	15	8/31/2013	7/15/2017	55
ITS - PKI Infrastructure	10/19/2012	CJ	17	8/31/2013	4/15/2017	146
Fuel Supply Management	10/26/2012		A - Fuel Management Synergy	12/31/2012	11/30/2017	(83)
Fuel Supply Management	10/26/2012		B.3 - Monitoring of Fuel Tank Inventory	11/5/2012	11/30/2017	(83)
Fuel Supply Management	10/26/2012		E.1 - Motor Fuel Tracking System	11/5/2012	11/30/2017	(83)
Fuel Supply Management	10/26/2012		E.2 - Motor Fuel Tracking System	11/5/2012	11/30/2017	(83)
Fuel Supply Management	10/26/2012	C	H.2 -	7/1/2013	11/30/2017	(83)
Fuel Supply Management	10/26/2012		J.1 - Monitor Wright Express Rebates	11/5/2012	11/30/2017	(83)
Fuel Supply Management	10/26/2012		L - Documented Procedures	11/5/2012	11/30/2017	(83)
Beer Board	4/24/2013		B.1 - Leveraging of Available Technology	9/30/2013	4/30/2017	131
ITS - Telecommunications Primary Government	7/12/2013	CJ	B.1	6/30/2014	10/31/2015	678
ITS - Telecommunications Primary Government	7/12/2013	CJ	C.1	1/9/2014	3/31/2016	526
ITS - Telecommunications Primary Government	7/12/2013	CJ	C.2	1/9/2014	3/31/2016	526
ITS - Telecommunications Primary Government	7/12/2013	CJ	C.3	1/9/2014	3/31/2016	526
Industrial Development Board	12/16/2013		A.1 - Maintain a Tracking List of Economic Incentives	3/15/2014		1,273
Industrial Development Board	12/16/2013		B.1 - Request Written Job Specific Procedures	3/15/2014		1,273
Industrial Development Board	12/16/2013		B.2 - Develop a Set of Written Policies and Procedures	3/15/2014		1,273
Industrial Development Board	12/16/2013		D.1 - Ensure Payment in Lieu of Taxes Agreements are submitted to the Mayor and State Comptroller	3/15/2014		1,273
Assessor of Property	6/24/2014	C	A.1	12/31/2015	5/1/2020	(966)
Assessor of Property	6/24/2014	C	A.3	11/30/2014	12/31/2017	(114)
Assessor of Property	6/24/2014	C	A.7	12/31/2015	5/1/2020	(966)
Active Directory Services for Justice Integration Services	10/22/2014	CJ	A -	4/30/2015	7/1/2016	434
Active Directory Services for Justice Integration Services	10/22/2014	CJ	B -	4/30/2015	7/1/2016	434
Metro Water Services Cash Collections	12/22/2014		A.4 Segregation of Duties	12/1/2015	4/30/2017	131
Metro Water Services Cash Collections	12/22/2014		C.1 Permitting Area Documentation	12/1/2015	12/29/2017	(112)
Historical Commission	1/26/2015		A.2.5 Record presentations	12/31/2015	12/31/2017	(114)
Historical Commission	1/26/2015		A.2.8 Web applications	12/31/2015	10/1/2017	(23)
MNPS Performance Audit	2/10/2015		Recommendation 10-C.1	7/1/2015	9/1/2018	(358)
MNPS Performance Audit	2/10/2015		Recommendation 10-G.2	7/1/2015	7/1/2018	(296)
MNPS Performance Audit	2/10/2015		Recommendation 12-B.1	6/1/2016	6/1/2018	(266)

C - Confidential Recommendation

CJ - Confidential Criminal Justice Information System Recommendation

**Open Audit Recommendations Implementation Status
As of September 8, 2017**

Project Name	Issue Date		Recommendation Title	Estimated Date	Revised Date	Age in Days
MNPS Performance Audit	2/10/2015		Recommendation 4-C.1	7/1/2015	12/31/2017	(114)
MNPS Performance Audit	2/10/2015		Recommendation 7-E.1	7/1/2015	12/1/2017	(84)
MNPS Performance Audit	2/10/2015		Recommendation 8-K.1	7/1/2015	9/1/2018	(358)
MPHD Medical Examiner's Office	4/14/2015		A.1-Medical Examiner's Office Solicitation	6/30/2018	6/30/2018	(295)
MPHD Medical Examiner's Office	4/14/2015		C.1 Contract Monitoring	6/30/2018	6/30/2018	(295)
Metro Permitting and Licensing System Upgrade	8/31/2015		Report II - B: Metropolitan Nashville Information Security Policies	1/4/2016		613
Metro Permitting and Licensing System Upgrade	8/31/2015		Report II - C: Complete Definition of User Roles, Groups and Permissions	1/4/2016		613
Metro Permitting and Licensing System Upgrade	8/31/2015		Report III - A: Formalize User Testing Plans	1/4/2016		613
Radio Shop Operations	11/2/2015	CJ	A.1 -	5/1/2016	12/31/2017	(114)
Radio Shop Operations	11/2/2015	CJ	A.2 -	5/1/2016	7/17/2017	53
Radio Shop Operations	11/2/2015	CJ	B.1 -	5/1/2016	4/28/2017	133
Radio Shop Operations	11/2/2015	CJ	C.1 -	5/1/2016	7/31/2017	39
Radio Shop Operations	11/2/2015	CJ	C.2 -	7/1/2016	7/31/2017	39
Radio Shop Operations	11/2/2015		E.1- Inventory Tracking	11/1/2016	7/31/2017	39
Radio Shop Operations	11/2/2015	CJ	SME A.1 -	1/1/2016	7/31/2017	39
Radio Shop Operations	11/2/2015	CJ	SME A.2 -	7/1/2016	7/31/2017	39
Radio Shop Operations	11/2/2015	CJ	SME A.3 -	7/1/2016	7/31/2017	39
Radio Shop Operations	11/2/2015	CJ	SME A.7 -	5/1/2016	3/31/2017	161
Radio Shop Operations	11/2/2015		SME B.2 - Evaluate adequacy of the preventive maintenance plan	5/1/2016	1/31/2017	220
Radio Shop Operations	11/2/2015		SME B.3 - Evaluate adequacy of the preventive maintenance plan	5/1/2016	2/28/2017	192
Radio Shop Operations	11/2/2015		SME B.6 - Evaluate adequacy of the preventive maintenance plan	6/1/2016	7/31/2017	39
Radio Shop Operations	11/2/2015		SME C.2 - Recommending industry standards	12/1/2015	12/31/2016	251
Radio Shop Operations	11/2/2015		SME C.4 - Recommending industry standards	1/1/2016	7/31/2017	39
Radio Shop Operations	11/2/2015		SME C.6 - Recommending industry standards	6/1/2016	7/31/2017	39
Radio Shop Operations	11/2/2015		SME C.8 - Recommending industry standards	6/1/2016	7/31/2017	39
Radio Shop Operations	11/2/2015		SME C.9 - Recommending industry standards	7/1/2016	7/31/2017	39
Radio Shop Operations	11/2/2015		SME D.1 - Assess capacity in accordance to user needs	7/1/2016	7/31/2017	39
Radio Shop Operations	11/2/2015		SME D.3 - Assess capacity in accordance to user needs	1/1/2016	12/31/2016	251
Parks and Recreation Maintenance Operations	11/5/2015		B - Work Order System	1/31/2017		220
Clerk and Master	3/18/2016		A.1 - Odyssey Case Management Management System Financial Manager Utilization	12/31/2016	12/31/2017	(114)
Juvenile Court	3/31/2016		G.1 - Leave Request	9/1/2016	1/1/2018	(115)

C - Confidential Recommendation

CJ - Confidential Criminal Justice Information System Recommendation

**Open Audit Recommendations Implementation Status
As of September 8, 2017**

Project Name	Issue Date		Recommendation Title	Estimated Date	Revised Date	Age in Days
Farmer's Market	8/18/2016		A.1 - Leveraging of Technology	6/1/2017	6/1/2017	99
OVER ONE YEAR SINCE AUDIT REPORT ISSUED						
ITS - Microsoft Exchange Management	10/5/2016	CJ	A.4	6/30/2017	4/30/2017	131
Nashville Fair Grounds	11/23/2016		A - Leveraging of Technology	7/1/2017	7/1/2017	69
Nashville Fair Grounds	11/23/2016		D - Controls over Recreational Vehicle Parking	12/31/2016	3/1/2017	191
Nashville Fair Grounds	11/23/2016		E - Untimely Depositing and Recording of Cash Receipts	12/31/2016	3/1/2017	191
Nashville Fair Grounds	11/23/2016		G.1 - Review of Accounts Receivable	3/31/2017	2/28/2017	192
Nashville Fair Grounds	11/23/2016		G.2 - Review of Accounts Receivable	3/31/2017	3/14/2017	178
Public Works Traffic Signal Timing Optimization Project	12/8/2016		A.1 – Project Success Criteria	4/30/2017	6/5/2017	95
Public Works Traffic Signal Timing Optimization Project	12/8/2016		A.2 – Project Success Criteria	4/30/2017	6/5/2017	95
MNPS Student Information Systems	12/14/2016		B.1-Clarify in the Grading procedure or records retention schedule	9/29/2017	10/31/2017	(53)
MNPS Student Information Systems	12/14/2016		B.2-Establish a procedure to reconcile grade changes recorded in the student information system	6/30/2017	3/1/2018	(174)
MNPS Student Information Systems	12/14/2016		D.1-Adopt a formal district-wide application change control procedure for student information systems	9/29/2017	12/31/2017	(114)
MNPS Student Information Systems	12/14/2016		E.2-Establish a district-wide integrated data governing framework	9/29/2017	7/1/2018	(296)
MNPS Student Information Systems	12/14/2016		E.4-Remove data warehouse maintenance activities from the development team	9/29/2017	12/31/2017	(114)
MNPS Student Information Systems	12/14/2016		E.5-Develop an annual training program for all employees	12/29/2017	7/1/2018	(296)
Parks Police	2/24/2017		A.1 - Weapons Inventory	1/15/2018	1/15/2018	(129)
Parks Police	2/24/2017		E - Surveillance Cameras in the Parks	6/30/2017		70
Assessor of Property	5/1/2017		A - TimeForce Cumulative Leave Balance Report	7/31/2017		39
Assessor of Property	5/1/2017		B -Monitor Fuel Usage	7/31/2017		39
Assessor of Property	5/1/2017		C- Update Fixed Asset List	7/31/2017		39
Assessor of Property	5/1/2017		D -TimeForce Application Administrators	7/31/2017		39
Health Department's Bureau of Administration and Finance	5/5/2017		A.1 Leveraging of Technology	6/30/2018		(295)
Health Department's Bureau of Administration and Finance	5/5/2017		A.2 Leveraging of Technology	9/30/2017		(22)
Health Department's Bureau of Administration and Finance	5/5/2017		B.1 Receipt Book Inventory	6/30/2017		70
Health Department's Bureau of Administration and Finance	5/5/2017		B.2 Receipt Book Inventory	5/30/2017		101
Health Department's Bureau of Administration and Finance	5/5/2017		C.1 Segregation of Duties	6/30/2017		70
Health Department's Bureau of Administration and Finance	5/5/2017		D.1 Monitoring of Controls over Cash Deposits are Lacking	8/1/2017		38
Health Department's Bureau of Administration and Finance	5/5/2017		D.2 Monitoring of Controls over Cash Deposits are Lacking	8/1/2017		38

C - Confidential Recommendation

CJ - Confidential Criminal Justice Information System Recommendation

**Open Audit Recommendations Implementation Status
As of September 8, 2017**

Project Name	Issue Date		Recommendation Title	Estimated Date	Revised Date	Age in Days
Health Department's Bureau of Administration and Finance	5/5/2017		D.3 Monitoring of Controls over Cash Deposits are Lacking	8/1/2017		38
Health Department's Bureau of Administration and Finance	5/5/2017		D.4 Monitoring of Controls over Cash Deposits are Lacking	8/1/2017		38
Health Department's Bureau of Administration and Finance	5/5/2017		E.1 Inventory of Capital Assets	8/1/2017		38
Health Department's Bureau of Administration and Finance	5/5/2017		E.2 Inventory of Capital Assets	8/1/2017		38
Health Department's Bureau of Administration and Finance	5/5/2017		F.1 Timeliness of Cash Deposits	8/1/2017		38
Health Department's Bureau of Administration and Finance	5/5/2017		G.1 Access Privileges for Information Systems	6/30/2017		70
Autumn Assisted Living Partners, Inc.	7/18/2017		A - Third-Party Screening and Due Diligence Procedures (Metro Govt Finance Department)	10/31/2017		(53)
Autumn Assisted Living Partners, Inc.	7/18/2017		B - Contract Monitoring (Metro Govt Finance Dept)	10/31/2017		(53)
Autumn Assisted Living Partners, Inc.	7/18/2017		A - Third-Party Screening and Due Diligence Procedures (Metro Hospital Authority)	11/1/2017		(54)
Autumn Assisted Living Partners, Inc.	7/18/2017		B - Contract Monitoring (Metro Hospital Authority)	11/1/2017		(54)
General Sessions Court Recovery Court - Fiscal Management	8/18/2017		B.1 - Relationship with the Davidson County Drug Court Foundation	9/15/2017		(7)
Short Term Rental Permitting Process	8/30/2017		A.1-Verification of Owner Occupied Status	12/1/2017		(84)
Short Term Rental Permitting Process	8/30/2017		A.2-Verification of Owner Occupied Status	3/1/2018		(174)
Short Term Rental Permitting Process	8/30/2017		B.1-Verification of Taxes Paid	12/1/2017		(84)
Short Term Rental Permitting Process	8/30/2017		C.1-Review Process	10/1/2017		(23)
Short Term Rental Permitting Process	8/30/2017		C.2-Review Process	12/1/2017		(84)
Short Term Rental Permitting Process	8/30/2017		D.1-Utilization of City Works Computer System	12/1/2017		(84)
Short Term Rental Permitting Process	8/30/2017		D.2-Utilization of City Works Computer System	12/1/2017		(84)
Short Term Rental Permitting Process	8/30/2017		D.3-Utilization of City Works Computer System	12/1/2017		(84)
Short Term Rental Permitting Process	8/30/2017		D.4-Utilization of City Works Computer System	9/1/2018		(358)
Short Term Rental Permitting Process	8/30/2017		E.1-Retention of Supporting Documentation	10/1/2017		(23)
Short Term Rental Permitting Process	8/30/2017		E.2-Retention of Supporting Documentation	10/1/2017		(23)
Short Term Rental Permitting Process	8/30/2017		F.1-Written Policies and Procedures	10/1/2017		(23)

**Audit Recommendations Closed Due to Management Acceptance of Risk or No Longer Applicable
As of September 8, 2017**

Project Name	Actual Issue Date	Recommendation Title	Recommendation	Response	Recommendation State	Last Status Update	Close Date
Public Works Parking Facilities Management	6/26/2015	C.2 – Expansion of Revenues	Perform a cost study of implementing a booting and/or towing program in conjunction with an electronic ticket writing system.	Concur — PW has already begun the process of gathering information on electronic ticket writing systems and will commission a cost study on implementation of a booting and/or towing program.	Closed - Mgt Accepts Risk	Public Works did not receive funding to perform this kind of cost study. Public Works requests that this recommendation be removed as there may never be any available funding. PW has asked for funding for various studies every year for 10 years or more and has not received funding.	9/8/2017
Public Works Parking Facilities Management	6/26/2015	C.3 – Expansion of Revenues	Explore potential changes to State of Tennessee laws and regulations that might help mitigate abuse of handicap parking waivers.	Concur – PW will request that the Metro Legal Department assist in analyzing TN laws and regulations to determine if changes can be made that will help mitigate abuse of handicapped parking waivers.	Closed - Mgt Accepts Risk	Public Works did not receive funding to perform this kind of legislative study. Public Works requests that this recommendation be removed as there may never be any available funding. PW has asked for funding for various studies every year for 10 years or more and has not received funding.	9/8/2017

**Audit Recommendations Closed Due to Management Acceptance of Risk or No Longer Applicable
As of September 8, 2017**

Project Name	Actual Issue Date	Recommendation Title	Recommendation	Response	Recommendation State	Last Status Update	Close Date
MNPS Performance Audit	2/10/2015	Chapter 7 Alternative Sourcing Recommendation	If labor cost reductions are not achieved by the end of 2016-2017, the School System should proceed with an outsource request for proposal process.	Partially Accept. Labor cost comparisons show that while salary scales for Nutrition Services are comparable to other school systems, Metro General Government benefits have better employee options at slightly more cost than comparable school nutrition operations. Various configurations can be used to achieve successful operation of school nutrition programs in a school district. At this point, consideration for outsourcing is not relevant to the current operation.	Closed - Mgt Accepts Risk	The end of the period in the audit recommendation has not occurred. achieved by the end of 2016-2017,	2/22/2017

**Audit Recommendations Closed Due to Management Acceptance of Risk or No Longer Applicable
As of September 8, 2017**

Project Name	Actual Issue Date	Recommendation Title	Recommendation	Response	Recommendation State	Last Status Update	Close Date
Assessor of Property	6/24/2014	Experis A.2 Address	Addressing going forward prospective concern regarding possible discrepancies between the new digital parcel area mapping practices versus the historical orthophotography.	Agree. Area calculation is a very important phase of the mapping and assessment process and all methods of appraisal rely on the size of a parcel as a key element of value; thus the process should be systematic and accurate. The Office has communicated its concerns regarding this recommendation and intends to continue to engage in discussions regarding this recommendation	Closed - No Longer Applicable	At present, the Mapping Department is reviewing parcels for area discrepancies on a case-by-case basis as potential issues are recognized or are otherwise brought to its attention. As a result, the Office is receiving area corrections that may impact the appraisal and assessment of certain properties as they are processed by the Mapping Department. This process is working satisfactorily at present and it is anticipated that this process will be part of the dialogue that is intended pursuant to Experis C - Reputational Risk. Accordingly, the revised implementation date is 08/01/16.	5/1/2017

**Audit Recommendations Closed Due to Management Acceptance of Risk or No Longer Applicable
As of September 8, 2017**

Project Name	Actual Issue Date	Recommendation Title	Recommendation	Response	Recommendation State	Last Status Update	Close Date
Assessor of Property	6/24/2014	Experis C - Reputati	Developing a more formal resolution and strategy for movement to digital parcel maps will contribute to more accuracy for the Davidson County constituency.	Agree. See Experis A.1 and A.3 above. Agree. Base map accuracy and timeliness is critical to the Office's fulfilling its duties and responsibilities including: locating, identifying, inventorying, and appraising land. Accordingly, the Office seeks to have more authority and responsibility for digital mapping practices and intends to continue to engage in discussions to this end, including with the Planning Department, which currently creates and maintains the base maps. Agree. The Office has been engaged with other entities involved with PILOT agreements to develop a plan for their administration. It is awaiting an anticipated proposal which should include a schedule	Closed - No Longer Applicable	The Office seeks to amend its approach to ensure that the base maps meet its needs so that it can fulfill its duties and responsibilities from having more authority and responsibility for digital mapping to having stakeholder input and internally reviewing and auditing the maps for accuracy. Accordingly, the Office intends to work with the Mapping Department to review its processes and procedures of the Mapping Departments work to ensure that they produce maps and map amendments that meet the Office's requirements. In addition, the Office will review its internal audit procedures. The intent being that agreed upon standards and an internal audit program will be reduced to writing by 08/01/16. Accordingly, the revised implementation date is 08/01/16.	5/1/2017

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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>

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**Metropolitan Nashville Office of Internal Audit
Audit Project Status
As of September 12, 2017**

Audit Plan Year February 2017 to January 2018	Report Phase					
	Projects	Planning	Fieldwork	Report	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				✓	Aug-17	
8) Office of Fleet Management				✓	Aug-17	
9) Autumn Hills Assisted Living Contracts				✓		Jul-17
10) General Sessions Recovery Court - Fiscal Management				✓		Aug-17
11) Building Safety and Codes Short Term Rental Permitting				✓		Aug-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				✓	Aug-17	
16) MDHA Development Project Financing Process			✓			
17) General Sessions Recovery Court - Case Management			✓			
<u>Announcement Anticipated in next Two Weeks</u>						
MTA Revenue Collection Process						
Metro IntegrityLine Alerts - February 2017 to January 2018				Total	Closed	Pending
Metro Hotline Alerts (Fraud, Waste & Abuse)				4	2	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)				2	1	1

Note: Goal to complete 19 audit projects for Plan Year 2017. Currently 9 audit projects are completed, and 4 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 September 8, 2017
FY 2018 Approved Budget

		FY 2017			Notes
		Budget	Actual	Difference	
Total Salaries & Fringe		\$ 1,116,300	\$ 164,403	\$ 951,897	
Other Expenses					
Professional & Purchased Services		248,000	10,529	237,471	
Building Rent Parkway Towers		55,500	9,161	46,339	
Other Expenses		71,900	4,862	67,038	
Internal Service Fees		54,000	54,000	-	Information Technology
TOTAL EXPENSES		\$ 1,545,700	\$ 242,954	\$ 1,302,746	16 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	248,000	1,545,700	16%	10

Metropolitan Nashville Office of Internal Audit

Executive Team

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

Project and Office Management Leadership

Qian Yuan
MS-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
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Mary Cole
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X26407

Innocent Dargbey
MS-Finance, MBA,
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Laura Henry
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Nan Wen
MS-Info Sys, MS-
Acctg, CPA
Auditor II
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Ted Ciuba
MS-Finance, MBA
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**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	82	Completed
2	Metro Parks and Recreation – Park Police	40	3	Completed
3*	Human Resource Department - Hiring Process	60	44	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	905	In-Progress
2	Metro-wide Occupational Safety Program	800	723	Draft Report
3	Autumn Hills Assisted Living Contract	800	993	Completed
4	General Services - Fleet Operations	800	1,477	Draft Report
5	Metropolitan Development and Housing Agency – Development Project Financing Process (Tax Incremental Financing / Public-Private Financing)	800	324	In-Progress
6	Hospital Authority – General Hospital Purchase to Pay Process	800		
7*	Finance – Purchasing Division	800	593	In-Progress
8	Metropolitan Nashville Public Schools – Credit Card Purchases Review	400		
9	Metro Water Services – Payroll Process	800	1,046	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	85	Draft Report
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	52	Completed
Approved Additions to Annual Work Plan				
25	General Sessions Treatment Court and Related Programs	800	809	In-Progress
26	Building Safety and Codes Department Short Term Rental Permitting Process	800	599	Completed
Fraud, Waste, and Abuse Investigations and Hotline Support				
	Fraud, Waste, and Abuse Investigations and Hotline Support	1,200	311	
	Grand Total	18,100	5,991	
	Total Budget Direct Hours In Plan Year	11,500	8,507¹	74%

¹ Actual hours reported as of September 7, 2017

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**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.

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)

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Sec. 8.121. - Division of metropolitan audit.

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

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

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

SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT

Council

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

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

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

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

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

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

Metro Code 2.04.033 – Metropolitan Council

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

Mayor and Department of Metropolitan Finance

Metro Charter Section 5.03 – Power and authority of mayor.

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

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

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

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

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

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

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;

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

SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT

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

T.C.A. 9-3-406

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

T.C.A. 4-3-304

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

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

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

Local Government Instances of Fraud Reporting Act

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

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

**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.

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

SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT

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

4-18-104. Investigation and prosecution.

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

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

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

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

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

Other Related Provisions

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

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

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

SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT

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

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

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

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

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

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

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

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Metropolitan Nashville Audit Committee

Executive Session Checklist

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

Permissible Executive Session Subject Matter

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