

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



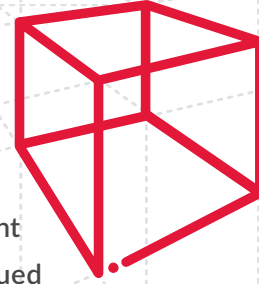
***METROPOLITAN NASHVILLE
AUDIT COMMITTEE***

WORKBOOK

April 10, 2018

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.

Protiviti is not licensed or registered as a public accounting firm and does not issue opinions on financial statements or offer attestation services.

© 2016 Protiviti Inc. An Equal Opportunity Employer M/F/Disability/Veterans.



NC STATE Poole College of Management
Enterprise Risk Management Initiative

protiviti®
Face the Future with Confidence

METROPOLITAN NASHVILLE
REVISED METROPOLITAN AUDIT COMMITTEE MEETING AGENDA
April 10, 2018 4:00 p.m.

Committee Room 2
205 Metropolitan Courthouse

- I. Call Meeting to Order (Brackney Reed - Committee Chairman)
- II. Approval of Minutes for February 13, 2018, Meeting (Brackney Reed – Committee Chairman)
- III. New Business
 - Discussion on Audit of Metropolitan Transit Authority Revenue Collection Process audit report issued March 1, 2018. (Seth Hatfield – Senior Internal Auditor)
 - Discussion on Audit of Development Incentives Managed by Metropolitan Development and Housing Agency audit report issued March 30, 2018. (Ted Ciuba – Internal Auditor I)
 - Discussion on Audit of Office of Family Safety audit report issued April 3, 2018. (Laura Henry – Internal Auditor II)
 - Presentation of the Metropolitan Nashville Government Fiscal Year 2017 Letter of Recommendations to Management. (Crosslin)
 - Presentation of the Metropolitan Nashville Government Fiscal Year 2017 Schedules of Expenditures of Federal and State Awards and Reports Required by the Single Audit Act as Amended and the Uniform Guidance. (Crosslin)
 - Discussion to amend the 2018 Internal Audit Work Plan to include an audit of expenditures by Metro Nashville Public Schools for the current fiscal year and previous fiscal year. This request was received from Metro Public School Board members Ms. Ana Shepard and Ms. Jill Speering. (Mark Swann – Metropolitan Auditor)
 - Follow-Up of the Office of Internal Audit Recommended 2018 Annual Work Plan Engagement – Metropolitan Nashville Government Collaboration with Nonprofit Entities. (Mark Swann – Metropolitan Auditor)
- IV. Fraud Waste and Abuse Hotline and Investigation Update (Mark Swann – Metropolitan Auditor)
 - Fraud, waste, and abuse hotline activity update.
 - Follow-up on assistance for the Metropolitan Nashville Council Special Committee investigation on travel expenses related to former Mayor Barry’s and former Mayor Barry's security detail travel and overtime expenses.
- V. Internal Audit Project Status (Mark Swann – Metropolitan Auditor)
 - On-going projects.
- VI. Other Administrative Matters (Mark Swann – Metropolitan Auditor)
 - FY2018 budget status.
 - Metropolitan Auditor Annual Performance Review Process.

METROPOLITAN NASHVILLE
REVISED METROPOLITAN AUDIT COMMITTEE MEETING AGENDA
April 10, 2018 4:00 p.m.

- VII. Consideration of Items for Future Meetings (Brackney Reed - Committee Chairman)
- VIII. Adjournment of public meeting – Next Meeting Tuesday, June 26, 2018
- IX. Executive session agenda. (Brackney Reed - Committee Chairman)
 - If needed, discussion of pending or ongoing audits or audit related investigations.

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

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



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

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

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

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

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

[Page Intentionally Left Blank]

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

**DRAFT
February 13, 2018**

On Tuesday, February 13, 2018, 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

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

Others

Mark Swann, Metropolitan Auditor
Theresa Costonis, Department of Law
William Walker, Office of Internal Audit
Scott Potter, Metro Water & Sewer
Kim McDoniel, Deputy Finance Director
Honorable Judge Gale Robinson, General Sessions Court
Bob Green, General Sessions Court
Warner Hassel, General Sessions Court
Julius Sloss, Criminal Court Clerk
Patti McNaney, Criminal Court Clerk
Sharon Wahlstrom, Public Works
Stephen Meyer, Health and Education Facilities Board
Cindy Barnett, Health and Education Facilities Board
Mary Cole, Office of Internal Audit
Nan Wen, Office of Internal Audit
Qian Yuan, 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 December 12, 2017, meeting minutes as presented in the Metropolitan Nashville Audit Committee Workbook for February 13, 2018, was made, seconded, and carried.

New Business

Discussion on a request received from Council Member Pulley for an audit/investigation of Mayor Barry's travel expenses and security detail travel expenses and overtime pay (page 16 of the workbook).

Mr. Mark Swann presented Council Member Pulley's request to the Committee. Council Member Bob Mendes advised he had separately contacted Mr. Swann to develop a potential investigation scope of services for this matter. Instead of having multiple inquiries from various members of the council, Mr. Mendes suggested allowing the Office of Internal Audit the

authority to interact and submit a scope of services to the Metropolitan Nashville Council Special Committee. Moreover, if there is a portion of the scope of services that Mr. Swann is not comfortable with he should present those concerns to the Committee. Mr. Swann advised the Office of Internal Audit is available to assist in any way it could and if needed, the Office of Internal Audit management consulting budget is available to help fund any outside consultants or investigation services needed.

Councilman John Cooper advised the importance of the management consulting budget. Councilman Cooper stated that he did not want the Metropolitan Nashville Council Special Committee investigation to cause a restraint on auditing other areas. Vice-Mayor David Briley advised that it is important the investigation be comprehensive and complete. There is also an obligation to manage public resources wisely. Vice-Mayor Briley advised he would like to see the scope of services for the Committee agree, as closely as possible, with the scope of services developed by the Metropolitan Nashville Council Special Committee.

Vice-Mayor Briley wanted to use as many in-house resources as possible while only utilizing outside resources when internal resources are not available. Vice-Mayor Briley agreed with Councilman Cooper's desire not to have the investigation drain the financial resources of the Office of Internal Audit. Vice-Mayor Briley advised the Metropolitan Nashville Council Special Committee might need to hire special counsel for the investigation. Presently, there has not been funding set aside in the current budget for such an expense. A portion of the Office of Internal Audit management consulting budget may be needed. Councilman Cooper stated if there were any anticipation of unspent balances for the fiscal year, it would be prudent to spend those funds as opposed to pulling the money from outside of the Office of Internal Audit.

A **motion** was made for the Metropolitan Auditor to engage in an investigation as requested by Council Members' Pulley and Mendes; and for the Metropolitan Auditor to work with the Metropolitan Nashville Council Special Committee by conducting a coextensive investigation limited to the matters adopted by the Metropolitan Nashville Council resolution (Resolution No. RS2018-1039) creating the Metropolitan Nashville Council Special Committee; and the Metropolitan Auditor is to use available resources as much as possible and if for some reason the Metropolitan Auditor believes because of breadth of work or cost this is not possible, the Metropolitan Auditor is to come back to the Committee for further direction; the motion was seconded, and carried.

Discussion on Audit of the Health and Educational Facilities Board issued on January 21, 2018 (page 14 of the workbook).

Ms. Nan Wen summarized the objectives and observations of this audit. There were no recommendations for this engagement.

Councilman Cooper inquired about Rocketship Charter School debt and if a related tax lien was tied to assets funded by the Health and Educational Facilities Board. Ms. Barnette advised revenue from Rocketship Charter School financing would be available to pay any tax liens. Ms. Barnette advised real estate was not held by the Board but by the Barnes Trust Fund. The Health and Facilities Board is not a beneficiary but serves as a flow-through entity.

Councilman Cooper asked if parties going through the Board were exclusively tax exempt. Ms. Barnette advised parties could be both tax-exempt and taxable depending on the entity. The advantage for taxable entities to go through the Health and Facilities Board was the reputation the board had in the bond market.

Discussion on the Audit of the General Sessions Recovery Court – Case Management audit report issued on December 18, 2017 (page 15 of the workbook).

Ms. Nan Wen summarized the objectives, observations, and recommendations of this audit.

Councilman Mendes asked if the recommendation with an implementation date of February 1, 2018, had been completed. Mr. Hassel advised yes.

Vice-Mayor Briley inquired if the General Sessions Recovery Court would like to give an update to the state of the court since Judge Robinson took over. Judge Robinson gave an overview of changes made since becoming the presiding judge.

Ms. Talia Lomax-O'dneal inquired about the observation related to retention of documentation. Specifically, what was the root cause of the problem? Judge Robinson advised there was a lot of inconsistencies in how documents were processed. The Recovery Court moved the handling of these documents to the Probation Department and records are now consistently retained.

Discussion on the Audit of the Metro Water Services Payroll Project audit report issued December 28, 2017 (page 22 of the workbook).

Ms. Mary Cole summarized the objectives, observations, and recommendations of this audit.

Mr. Charles Frasier asked if Metro Water Services was transitioning from Peoplesoft to an enterprise resource management system. Mr. Swann advised the Metropolitan Nashville Government is currently transitioning to a new Oracle E-Business Suite enterprise resource management system. The recommendation is to utilize the current system until the Oracle E-Business Suite enterprise resource management system has been implemented.

Fraud Waste and Abuse Hotline and Investigation Update

2012SP-032-001 Nashville West End/Aertson Midtown

Mark Swann gave an update on the nature and results of the investigation.

Councilman Cooper inquired why the developer would not reimburse the Metropolitan Nashville Government for costs associated with the traffic light synchronization. Ms. Wahlstrom advised that the area in question was identified as one of the most dangerous crosswalks in Nashville. Accordingly, the Public Works Department completed the work as they could complete the work more quickly than the developer. Vice-Mayor Briley advised he recalled SP ordinances related to these type of arrangements might not require reimbursement requirements. Vice-Mayor Briley agreed with Councilman Cooper's concern and advised it was something that should be addressed in future legislation. Mr. Swann stated the complainant had additional allegations besides the allegation concerning traffic lights. Vice Mayor Briley asked if we would be doing additional investigations. Mr. Swann advised the proposed 2018 Internal Audit Work Plan for the upcoming year has an audit engagement that would address those allegations.

Metro Action Head Start Program

Mark Swann gave an update on the nature and results of the investigation.

A discussion ensued over the Office of Internal Audit's inability to review income tax returns which in turn are tied to eligibility requirements. Mr. Swann advised while the Office of Internal Audit does not have the ability to review income tax returns, the Grantor does. Mr. Swann

advised the Director of Head Start believed an audit by the Grantor is likely to happen soon. Ms. Lomax-O'dneal asked had there ever been findings related to eligibility in the past for the Head Start program. Mr. Swann advised several years ago an audit was conducted where the Metro Action Commission was unable to produce attendance records. Mr. Swann also advised that some Head Start programs are not operating at capacity while others have a waiting list.

Internal Audit Project Status

Discussion on the 2018 Internal Audit Work Plan (page 25 of the workbook).

Mr. Swann presented a high-level summary of the methodology utilized in developing the Annual Internal Audit Work Plan.

Vice-Mayor Briley and Ms. Lomax-O'dneal stated the proposed audit of the Soccer Stadium was premature as there would not be work done on the stadium during the work plan year. Mr. Reed asked if this audit was to be done during construction or post-construction. Mr. Swann advised during construction.

Ms. Lomax-O'dneal inquired about the Metropolitan Nashville Schools Capital Projects proposed audit. Mr. Swann advised the scope would not be a specific project but the capital projects management process.

Ms. Lomax-O'dneal stated concern over the proposed audit of the relationship between the Metropolitan Nashville Government and various non-profit organizations. Specifically, she was concerned about the overwhelming size related to the scope. Councilman Cooper suggested to re-evaluate the scope and present the results at a subsequent audit committee meeting.

A **motion** to approve the 2018 Internal Audit Work Plan, with the qualification that the Office of Internal Audit provides additional detail as to the scope of work to be performed on item 6 (Metropolitan Nashville Government Collaborations with Non-Profits) at a later time, was made, seconded, and carried.

Discussion on Recommendation of Implementation Follow Up Status (page 32 through 50 in the workbook).

Mr. Swann provided an update on the status of prior audit recommendations.

A discussion ensued over how to interpret the report and the contents of the report. Mr. Mendes suggested having noncompliant departments be brought before the audit committee.

Discussion on the Office of Internal Audit 2018 Performance Report and Metropolitan Nashville Audit Committee Annual Report to the Metropolitan Nashville Council.

Mr. Swann advised the annual report for the Metropolitan Nashville Council was available for review.

A **motion** to attach a listing of those departments who have declined to implement prior audit recommendations was made, seconded, and carried.

Other Administrative Matters

Mr. Swann discussed the Office of Internal Audit budget.

A motion to adjourn the meeting was made, seconded and carried.

The public meeting adjourned after approximately 64 minutes.

Respectfully submitted to the Metropolitan Nashville Audit Committee.

Mark Swann
Secretary, Metropolitan Nashville Audit Committee

EXECUTIVE SUMMARY

March 1, 2018



Why We Did This Audit

The audit was initiated due to the importance of ensuring all revenue collections are managed and are available for public mobility services.

What We Recommend

- Ensure evidence exists that employees agree on amounts of cash collections when custody changes.
- Maintain a listing of assets with advertising and reconcile it to the spreadsheet submitted by the advertising sales contractor.
- Implement automatic passenger counters as a control against fare evasion.

Audit of the Metropolitan Transit Authority Revenue Collection Process

BACKGROUND

The Metropolitan Transit Authority is a component unit of the Metropolitan Nashville Government that provides public transportation to Nashville citizens and visitors.

The Metropolitan Transit Authority generates revenue from bus fares, advertising sales, and rental income from parking and Dunkin Donuts at Music City Central, the downtown Nashville transit station. Operating and non-operating revenue was \$15.3 million for fiscal year 2017.

OBJECTIVES AND SCOPE

The objectives of this audit are to determine if:

- Cash receipts are complete and accurate.
- Cash receipts are deposited within two business days.
- Responsibilities for invoicing, handling, recording, and reconciliation of cash receipts are segregated.
- Cash receipts are secured.

The scope of this audit was limited to operating, and non-operating revenues generated by the Metropolitan Transit Authority for fiscal years 2017 and 2016. The audit did not include operating assistance from local, state, and federal grants.

WHAT WE FOUND

Cash receipts are accurate and deposited timely. Responsibilities are segregated, but controls could be strengthened around custodial transfers of cash receipts within the Music City Central ticket window.

Implementation of additional management controls to gauge the completeness of advertising sales and passenger counts could enhance the revenue collection process.

GOVERNANCE

The Metropolitan Transit Authority is overseen by a five-member Board of Directors. The Chief Executive Officer of the Metropolitan Transit Authority reports directly to the Board of Directors and is charged with the managerial duties of the entire transit system. The Chief Executive Officer position is the only Metropolitan Nashville Government held position at the Metropolitan Transit Authority; all other employees are employed by the Davidson Transit Organization.

The Metropolitan Transit Authority has a Chief Financial Officer, Chief Development Officer, and Director of Customer Service who are responsible for making operational decisions, policies, and procedures for the portions of the revenue cycle under their area of responsibility.

FINANCIAL BACKGROUND

Operating and non-operating revenues generated by the Metropolitan Transit Authority represented approximately 18 percent of total revenues in fiscal year 2017. The remaining revenue categories related to government assistance and capital contributions. A breakdown of revenues and capital contributions for fiscal years 2015 through 2017 are presented in Exhibit 1 below.

Exhibit 1 – Revenues and Capital Contributions by Fiscal Year

Revenue Type	FY 2015	FY 2016	FY 2017
Full Adult Fares	\$7,653,314	\$6,701,476	\$6,475,636
Discount of Ticket Sales	(2,415)	(2,809)	(4,529)
Senior Citizen Fares	1,248,739	1,392,442	1,418,670
Student Fares	1,770,112	1,470,420	1,359,142
AccessRide Revenue	871,450	879,160	858,157
Contract Services – Bus	1,635,327	1,690,648	1,693,752
Contract Services – Regional Transportation Authority Management	780,000	780,000	803,400
Advertising Revenue	690,960	1,140,723	1,007,653
Total Operating Revenues	\$14,647,487	\$14,052,060	\$13,611,880
Miscellaneous Income: Interest	\$5,288	\$1,905	\$994
Miscellaneous Income: Non-Transportation	130,670	270,325	162,143
Rental Revenue	977,776	993,346	953,687
Amortized Rental Revenue	590,004	590,004	590,004
Other Receipts	10,251	39,671	-
Total Non-Operating Revenues	\$1,713,989	\$1,895,251	\$1,706,828
Total Government Assistance	\$43,470,266	\$47,268,602	\$49,283,039
Total Capital Contributions	\$28,252,441	\$18,442,390	\$19,058,834
Total Revenue and Capital Contributions	\$88,084,183	\$81,658,303	\$83,660,582

Source: Metropolitan Transit Authority's Sage Accounting Software

Bus Fare Collection Process

Passengers purchasing tickets on buses will insert their cash into the farebox upon entering the bus. Cash is deposited into a secure cashbox within the farebox. After each trip, the bus will return to the lot and go through a probing process to empty the receipts from the cashbox. A data probe is used to

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>Recommendation for management of the Metropolitan Transit Authority to:</i>		
<p>A.1 - Ensure evidence exists that customer service representatives agree on the amounts of cash collections transferred between employees.</p>	<p>Accept. Owner – Zeda Riggs We accept this recommendation and will perform a cost benefit analysis to determine the best solution for documenting cash transferring between employees, specifically supervisors and customer care representatives. Depending on the cost benefit, this be addressed by adding an additional supervisor to help cover all Customer Care shifts seven days a week or install a smart safe that is being addressed in Recommendation A.2 below.</p>	6/30/18
<p>A.2 - Perform a smart safe implementation cost-benefit analysis for the deposit of daily collections in the Customer Care Department.</p>	<p>Accept. Owner – Zeda Riggs We accept this recommendation and will perform a cost benefit analysis for implementing a smart safe process. This could possibly be accomplished through an existing contract with our armored car service. We will have the analysis done by June 30, 2018.</p>	6/30/18
<p>A.3 - Establish a retention schedule and maintain the Deposit Pick-Up Log Sheet for the specified period.</p>	<p>Accept. Owner – Al Marashi We accept this recommendation. The Deposit Pick-up Log will be maintained in Customer Care at Music City Central on a rolling two-year basis and will be reviewed quarterly by MTA's Revenue Audit Analyst for completeness and accuracy.</p>	02/28/18
<p>B.1 - Maintain an independent listing of Metropolitan Transit Authority with advertising. Periodically reconcile the internal listing to the monthly report submitted by the advertising contractor.</p>	<p>Accept. Owner – Jason Minser We accept this recommendation. We are updating our transit stop report that tracks when advertising is added or removed from our buses, vans, shelters, or buildings. Once complete, we will reconcile this report on a monthly basis to the monthly revenue report submitted by our advertising contractor.</p>	04/30/18

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
<p>C.1 - Continue working towards the implementation of Automatic Passenger Counters. Periodically reconcile automatic passenger counts to farebox ridership totals.</p>	<p>Reject. Owner – Al Marashi</p> <p>While we accept, in principle, the concept of implementing processes to identify possible fare evasion, we do not believe automatic passenger counters (APC) are accurate enough to identify possible fare evasion. It would also be difficult to reconcile to fare box data. APCs are primarily used for ridership counts reported to the Federal Transit Administration through the National Transit Database. They are also useful in designing new routes or making changes to existing routes by analyzing where riders get on and off.</p> <p>While MTA does have some fare evasion controls in place, we continue to consider some other ideas. Current processes include that the operator inspects the fare of each passenger boarding the vehicle and then follows designated operating procedures if a passenger fails to pay the appropriate fare (including escalation to road supervision and Metro Police as required). In addition to a visual display (OCU) that indicates to the operator whether a valid fare has been paid, there is an audible sound to provide a secondary confirmation or warning to the operator that a valid fare was or was not paid.</p> <p>MTA is also currently testing, through its sister agency, the Regional Transportation Authority of Middle Tennessee (RTA), the use of a third party vendor to have secret riders observe all processes on random RTA bus routes to insure adherence to fare rules as well as several other areas of interest. MTA will be evaluating the effectiveness of this program and possibly implement the same project on MTA buses which would include observation of riders boarding the bus and any possible fare evasion.</p>	<p>09/30/18</p>

EXECUTIVE SUMMARY

March 30, 2018



Why We Did This Audit

The audit was initiated to ensure that public and private stakeholders' interests are protected through defined goals, transparency, and accountability when incentivized development projects occur. In 2016, \$23 million in property taxes were allocated for tax increment financing incentives.

What We Recommend

- Create quantifiable goals to evaluate performance of development incentives.
- Improve financial/economic analyses for development projects.
- Enhance transparency involving incentive award/no-award decision making.
- Maintain and publish project analyses on the internet.

Audit of Development Incentives Managed by Metropolitan Development and Housing Agency

BACKGROUND

The Metropolitan Development and Housing Agency, hereinafter referred as MDHA, is a state-chartered organization tasked with redeveloping broadly defined blighted areas and generally encouraging the development of affordable housing within Davidson County. To achieve these ends, MDHA seeks to induce development, in part, with various development incentives such as:

- Payments in lieu of taxes.
- Discounted land sales and land write-downs.
- Development/redevelopment district creation.
- Tax increment financing (the focus of this audit engagement).

OBJECTIVES AND SCOPE

The objectives of this audit are to determine if MDHA:

- Practices and controls for tax increment financing development protect the interest of the public and private stakeholders.
- Informs the public regarding the true costs, benefits, and necessity of development incentives.
- Monitors and holds itself and developers accountable for achieving outcomes upon which incentive award decisions are based.
- Complies with applicable laws and regulations regarding tax increment financing incentives.

The scope of this audit is limited to urban incentivized development projects managed by MDHA, particularly through tax increment financing within the past ten years, where MDHA acts as the primary agency involved. Several developments awarded tax increment financing funds are not analyzed in this audit due to MDHA acting as a junior partner to one or more other government agencies such as the Industrial Development Board, or the Mayor's Office of Economic Development (examples include the Omni Hotel/Country Music Hall of Fame and the Sports Authority Ballpark).

WHAT WE FOUND

MDHA is actively taking steps to improve the transparency and general stewardship regarding its use of tax increment financing, particularly within the past few years. No instances of non-compliance with state and local statutes were observed.

MDHA currently oversees 11 tax increment financing-eligible development/redevelopment districts (see Appendix A), primarily through its Department of Urban Development. MDHA also oversees the Capitol Hill redevelopment district, though this district is not eligible for tax increment financing. These districts require yes/no approval votes from the Metropolitan Nashville Council and are generally in close proximity to the urban core. The 11 districts carry \$171.8 million in tax increment financing loan balances from a tax increment financing loan capacity of \$498.5 million (much of which has already been used and repaid).⁴

Exhibit A – MDHA Redevelopment Districts Tax Increment Financing Remaining Capacity as of July 24, 2017

District Name	Created	Last Amended for TIF Capacity	Capacity	Remaining Capacity
Capitol Mall	1/17/1978	4/1/2014	\$230,000,000	\$ 0
Rutledge Hill	4/4/1980	4/1/2014	60,000,000	31,900,000
Arts Center	6/2/1998	4/1/2014	60,000,000	13,500,000
Jefferson Street	11/17/2005	4/1/2014	15,000,000	14,000,000
East Banks	2/29/1996	N/A	25,000,000	18,000,000
Central State	7/21/1999	N/A	7,500,000	7,500,000
Skyline	6/14/2007	N/A	5,000,000	4,800,000
Phillips-Jackson	9/21/1993	12/10/2013	50,000,000	7,400,000
Five Points	1/2/1990	3/4/2014	1,000,000	600,000
Bordeaux	8/10/2015	N/A	15,000,000	15,000,000
Cayce	8/10/2015	N/A	30,000,000	30,000,000
Total			\$498,500,000	\$142,700,000

Source: MDHA’s schedule of tax increment financing status as of July 24, 2017.

TAX INCREMENT FINANCING PROCESS

Tax Increment Financing-District Creation and Metropolitan Nashville Council Approval

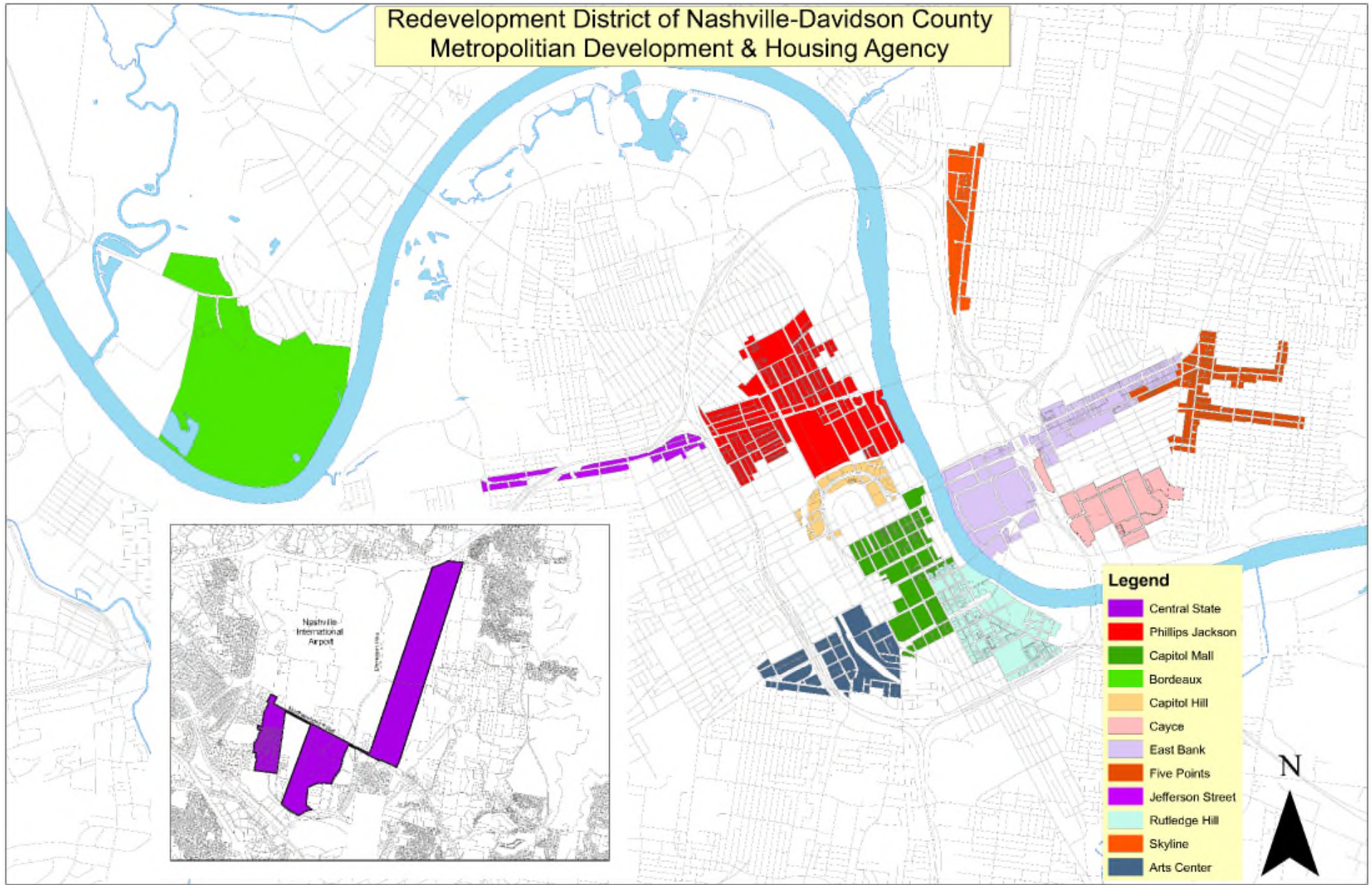
The process for inducing tax increment financing development begins with MDHA’s creation of a proposed tax increment financing-eligible redevelopment district. During this phase, MDHA typically consults with an array of interests including the Metropolitan Nashville Government Planning Department, Office of the Mayor, Metropolitan Nashville Council representatives, and the citizens within the proposed area. Through these consultations, MDHA creates and internally approves a redevelopment plan that outlines the proposed geographic boundaries; land use restrictions; design principles; the dollar amount of the desired development; and the dollar amount of tax increment financing allocated for use. Next, the Metropolitan Nashville Council considers an ordinance, through public hearings, to ultimately approve or reject the development district creation. The public hearings are advertised in the *Tennessean* alerting the public and developers to the new district.

The base assessment used for tax increment financing redevelopment districts is established in Tennessee Code Annotated § 13-20-205 (a) (1):

“For properties subject to a redevelopment plan or urban renewal plan containing or amended to contain a tax increment financing provision approved prior to July 1, 2006, that portion of the taxes which would be produced by the rate at which the tax is levied each year by each taxing agency, upon the assessed value of such property as shown upon the assessment roll of the

⁴ See April 2017 Council Tax Increment Financing Report.

APPENDIX A – MDHA REDEVELOPMENT DISTRICTS



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.

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
<i>Recommendations for management of MDHA:</i>		
<p>A.1 - Conduct tax and/or economic impact analyses of a proposed redevelopment district creation or expansion, and make the results publicly available, prior to Metropolitan Nashville Government Council approval.</p>	<p>Complete. With the creation of the Donelson TORD, MDHA has expanded its analysis of existing and proposed tax base in the district.</p>	<p><i>Currently being done.</i></p>
<p>A.2 - Account for future real estate appreciation/depreciation with and without the to-be-approved development incentives when calculating tax increment estimates for development districts.</p>	<p>Complete. The results are available for public review and account for natural county wide growth plus anticipated additional growth with the implementation of the district.</p>	<p><i>Currently being done.</i></p>
<p>A.3 - Create quantifiable goals for the creation of potential redevelopment districts such as projected real estate tax appreciation, the number of affordable housing units created, and so forth.</p>	<p>Complete. Specific uses for TIF are intended to incent specific goals for development, such as affordable housing, commercial and so forth. The redevelopment plan provides guidance for how TIF will be allocated to achieve these goals. Moreover, the redevelopment plan amendment process allows for this guidance to be modified as the redevelopment district evolves over the 30-year term of the district.</p>	<p><i>Currently being done.</i></p>
<p>A.4 - Record meeting minutes/summaries of district creation community meetings to include key issues discussed. Include a summary of how highlighted issues are addressed, if at all. Maintain records and make them publicly available.</p>	<p>Accept. Sign in sheets are recorded for each meeting. Currently, comments from previous meetings are summarized and provided as an initial agenda item at the beginning of each community meeting. Moving forward, minutes will be maintained for each meeting and made publically available on the MDHA website.</p>	<p><i>5/1/2018</i></p>
<p>B.1 - Prepare and retain detailed financial analyses which demonstrate the need (or the justification in cases such as desired “public goods” like parks, parking, and so on) for development incentives for each development being actively considered for incentives. Such analyses may include internal rate of return (IRR), “but for,” gap, and/or various cost-benefit analyses.</p>	<p>Complete. The TIF applications submitted by developers include this information. MDHA analyzes the data submitted prior to recommendation of approval or disapproval of a TIF application.</p>	<p><i>Currently being done.</i></p>

APPENDIX B – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
B.2 - Create and retain records of the developer assumption review process, wherein key proforma, design and cost assumptions are vetted and approved by MDHA management.	Complete. The TIF application and analysis is retained for all approved projects.	<i>Currently being done.</i>
B.3 - Create formal end-of-project review and grading procedures for each project based on assumed benefits of a given project using criteria such as cost, timeline, compliance with approved designs, and so forth. Also include end-of-development incentive totals, with the dollar amounts associated with various incentives and from whom/where the incentives came. Include all costs associated with developments, such as site prep, infrastructure improvements, discounted land sales, land acquisition, and so forth.	Complete. The Development Agreement outlines the TIF eligible expenses, and the TIF applied to those expenses. In addition, the TIF loan documents codify the uses. A certification of compliance demonstrates satisfactory completion.	<i>Currently being done.</i>
C.1 - Clearly communicate the fair market value of public land (MDHA or Metropolitan Nashville Government), and the actual transacted value of land conveyed to private developers within MDHA redevelopment project analyses, and also within external reports communicating the total public investment in redevelopment districts and projects.	Accept. MDHA will estimate the fair market value of MDHA or Metro-owned land being disposed of in a transaction. Additionally, MDHA will continue to disclose the “use value” of the property as prescribed by state statute.	5/1/2018
D.1 - Structure agreements in which disbursement of tax increment financing and other incentives are conditioned upon performance of agreed-upon performance measures.	Complete. Performance measures are outlined in the development agreement and the TIF financing agreements. Disbursements are made according to those documents with project completion guarantees required by the developer.	<i>Currently being done.</i>
E.1 - Require developers to produce tax increment financing loan quotes from three or more qualified lenders.	Accept. MDHA will require two or more quotes for TIF loans.	5/1/2018
E.2 - Justify in writing and obtain MDHA Board of Commissioners approval when lenders with less favorable terms are chosen.	Complete. MDHA does not approve lenders with less than favorable terms; often, the criteria that determine the most favorable lender is not exclusive to the interest rate, but also include floating or fixed rate, disbursement provisions, and other requirements to include fees. MDHA considers all factors and makes the best business decision for the loan.	<i>Currently being done.</i>
F.1 - Create a standardized process to determine and document developer compliance with key performance measures agreed upon within development agreements.	Complete. This is currently being done in the Urban Development office.	<i>Currently being done.</i>

APPENDIX B – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
<p>G.1 - Offer to provide a presentation regarding industry best practices and the applicable regulations governing developer/deal fees to address Metropolitan Nashville Council members concerns related to MDHA’s redevelopment programs.</p>	<p>Complete. MDHA sponsors two informational briefing sessions each year where all MDHA programs, statutes, rules, regulations and best practices are presented, with a focus on the two programs MDHA manages for Metro Nashville: Redevelopment Districts and LIHTC PILOT’s. The most recent presentation was November 9th, 2017. MDHA is available to provide additional presentations to Council as desired.</p>	<p><i>Currently being done.</i></p>
<p>G.2 - Improve transparency by posting on the internet summaries and supporting documents for development project analyses.</p>	<p>Complete. MDHA staff and the developer present a detailed briefing to justify all expenses to the MDHA Board of Commissioners to approve all TIF allocations. This briefing is made available along with the Minutes of the Board meeting. In addition, the TIF application is available upon request.</p>	<p><i>Currently being done.</i></p>
<p>G.3 - Consider obtaining Metropolitan Nashville Council concurrence for individual development projects receiving total incentives above a significant threshold (such as developments receiving in excess of \$5,000,000 in total incentives).</p>	<p>Reject. The essence of a redevelopment district is to create a plan to eliminate deleterious uses. MDHA creates the plan that is subsequently approved or rejected by the Metropolitan Council. The Council approved plan authorizes MDHA to utilize a specified amount of TIF debt for implementation. It is MDHA’s responsibility to implement the plan as approved, using its judgment on how to best utilize the debt capacity delegated.</p>	<p>N/A</p>
<p><i>Recommendations for management of the Metropolitan Nashville Government Department of Finance to:</i></p>		
<p>H.1 - Verify the amount of tax increment financing invoiced by MDHA is correct and track tax increment financing loan repayment schedules to ensure no overpayment occurs.</p>	<p>Accept. Metro Finance will coordinate with MDHA and engage an independent accounting firm to perform agreed upon procedures regarding the tax increment financing for the tax year 2016 and all subsequent tax years to assure that payment to MDHA are accurate and that the process is in compliance with regulations.</p>	<p>10/31/2018</p>

APPENDIX B – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
H.2 - Monitor for compliance with Ordinance No. BL2016-157 pertaining to tax increment financing.	Accept. Metro Finance will coordinate with MDHA and engage an independent accounting firm to perform agreed upon procedures regarding the tax increment financing for the tax year 2016 and all subsequent tax years to assure that payment to MDHA are accurate and that the process is in compliance with regulations.	<i>10/31/2018</i>

EXECUTIVE SUMMARY

April 3, 2018



Why We Did This Audit

The audit was initiated because the Office of Family Safety has not been subject to an internal audit since its creation in July 2015.

What We Recommend

- Review and correct employee benefit time balances to ensure compliance with the department's Leave Policy.
- Require confirmation of benefit leave time balances by employees.
- Implement use of an electronic time-off tracking system.
- Implement written policy or procedures for the collection and handling of monetary and non-monetary donations.
- Upload all credit card receipts into the Fifth Third website.

Audit of the Office of Family Safety

BACKGROUND

The mission of Metropolitan Nashville Government's Office of Family Safety is to improve victim safety and offender accountability through the coordination of services provided to domestic violence and sexual assault victims by Metropolitan Nashville Government, its Family Justice Center and nonprofit partners.

OBJECTIVES AND SCOPE

The objectives of this audit are to determine if:

- Payroll processes are in place, and expenses are in accordance with department policies.
- Purchases are in accordance with Metropolitan Nashville Government's Procurement Code and Regulations.
- Controls are in place to ensure management of donations.
- Credit card expenses are in accordance with Metropolitan Nashville Government's Credit Card Policy.
- Travel expenditures are in accordance with Metropolitan Nashville Government's Travel Policies.
- Grants are approved, expended, reimbursed, and monitored.

The scope of this audit related to the Office of Family Safety's compliance with applicable Metropolitan Nashville Government financial policies and Office of Family Safety departmental policies between July 1, 2015, and September 30, 2017.

WHAT WE FOUND

The Office of Family Safety has improved their controls since the department was created in July 2015. However, controls for retention of credit card transactions, benefit leave time processing, and the collection of donations need to improve.

GOVERNANCE

The Office of Family Safety is managed by a Department Head who is appointed by the Mayor.

BACKGROUND INFORMATION

The Office of Family Safety was created in July 2015 to assist victims of domestic abuse and sexual assault in Davidson County. The Office works closely with the Metropolitan Nashville Police Department, the Office of the District Attorney General, 20th Judicial District, employees of the court system, as well as several nonprofits in the community, such as the Legal Aid Society of Middle Tennessee, and the YWCA.

The Office trains hundreds of Metropolitan Nashville Government employees, including police officers and court staff, on domestic violence. They also investigate domestic violence deaths with a Domestic Assault Death Review Panel and work with police and federal agencies on firearm dispossession.

One of the primary operations is the Jean Crowe Advocacy Center that opened in September 2014. The center provides a safe place for victims to go before court hearings, sit with advocates to learn about the legal process, discuss their options with lawyers, and provides victims with a place to relax before going to court. The center is staffed with security to provide protection. Exhibit 1 below shows in calendar years 2015 and 2016 the Jean Crowe Advocacy Center served 14,842 participants.

Exhibit 1 – Participants served by the Jean Crowe Advocacy Center for Calendar Years 2015 and 2016.

	2015	2016	Total
Victims	4,234	5,664	9,898
Children	353	617	970
Family & Friends	2,251	1,723	3,974
Total	6,838	8,004	14,842

Source: Jean Crowe Advocacy Center Internal Reports

FINANCIAL INFORMATION

The department was partially funded by the following grants.

- *STOP Grant* - From the State of Tennessee Office of Criminal Justice Program. This grant is passed through to the Legal Aid Society of Middle Tennessee to fund the salaries of two employees who work at the Jean Crowe Advocacy Center.
- *Arrest Grant* - From the United States Department of Justice. This grant funds the salaries of two Office of Family Safety employees, enables the implementation of a risk/lethality program, training program, and the civil/legal advocacy program, and is meant to improve the substance and quality of presentations.

Along with revenue provided by grants, the Office of Family Safety also receives a few monetary donations. These donations typically come from charity organizations or people who have seen the benefits of the work being done by the Office of Family Safety and the Jean Crowe Advocacy Center. These monetary donations make up less than one percent of total revenue. Local businesses also donate

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>Recommendation for the management of the Office of Family Safety to:</i>		
A.1 – Review and correct employee benefit time balances to ensure compliance with the department’s Leave Policy.	Accept. Benefit time and balances will be correct to be in compliance with department leave policy.	06/30/2018
A.2 - Annually confirm employees benefit time balances in writing.	Accept. Employees will need to sign off annually.	06/30/2018
A.3 - Require employees to sign leave request forms, along with a supervisor.	Accept. Employee and supervisor will sign leave requests	06/30/2018
A.4 – Implement an electronic time-off tracking system for small offices.	Neither accept nor reject. An electronic time off tracking system will be explored to see if an affordable one can be identified.	N/A
B.1 – Implement written policies and procedures for the collection and handling of monetary and non-monetary donations.	Accept. Written policies and procedures will be developed and posted.	06/30/2018
C.1 - Maintain documentation at a central location supporting charges to all authorized cards and upload copies of receipt to the Fifth Third Bank website.	Accept. Documentation will be maintained with the OFS Financial Officer who will explore the process of uploading receipts to the bank website.	06/30/2018

**THE METROPOLITAN GOVERNMENT OF NASHVILLE
AND DAVIDSON COUNTY, TENNESSEE**

Letter of Recommendations to Management

June 30, 2017

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

**SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE AWARDS AND REPORTS
REQUIRED BY THE SINGLE AUDIT ACT
AS AMENDED AND THE UNIFORM GUIDANCE**

YEAR ENDED JUNE 30, 2017



2601 Bransford Ave. • Nashville, TN 37204
615/259-8487 • Fax: 615/214-4480

Anna Shepherd, Chair
Jill Speering, Vice Chair
Dr. Jo Ann Brannon
Christiane Buggs
Amy Frogge
Sharon Dixon Gentry, EdD
Tyese Hunter
Mary Pierce
Will Pinkston

March 14, 2018

Mark Swann
404 James Robertson Parkway, Suite 190
Nashville, TN 37219

Mr. Swann:

We are requesting an audit of expenditures by Metropolitan Nashville Public Schools for the current fiscal year and previous fiscal year.

We understand your next regularly scheduled meeting is in April, but ongoing budget discussions make this a time-sensitive matter. We would be grateful if you would consider expediting your consideration of this important issue.

Most immediately, we would like clarity surrounding:

- At what point evidence of shortfalls in revenue were or should have become evident to our district, and specifically the circumstances surrounding the current \$7.5 million dollars shortfall in this year's budget
- Costs for travel incurred by MNPS compared to previous years and our approved budgets
- Costs for consultants incurred by MNPS compared to previous years and our approved budgets
- Costs for central office payroll incurred by MNPS compared to previous years and our approved budgets (Please include any benefits or perks, such as vehicles, as well as the number of employees hired in Central Office.)
- Contracts entered into by MNPS that might have affected our available funds
- The extent to which clerical errors have affected this current year's budget process
- The circumstances leading to the withholding of funding from individual schools as communicated to principals in September 2017 and March 2018

Less urgently but equally importantly, we would like to understand:

- The extent to which administrative expenditures have fallen within the constraints of our budget
- The extent to which school-based expenditures have fallen within the constraints of our budget

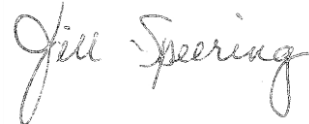
- The extent to which our revenues and expenditures have matched

If we may be of assistance, please don't hesitate to contact us.

Sincerely,



Anna Shepherd
Board Chair



Jill Speering
Board Vice-Chair

Metropolitan Nashville Government Collaboration with Nonprofit Entities

	Agreement	Facilities	Personnel	Services	Other
Non-Profit --> Metro					
Metro --> Non-Profit					

Scope of Engagement

- 1) Metropolitan Nashville Police Department
- 2) Nashville Fire Department
- 3) Parks and Recreation Department
- 4) General Sessions Court
- 5) Mayor's Office
- 6) Health Department

Objectives: Determine internal controls in place to mitigate risks associated with the Metropolitan Nashville Government's collaboration with non-profit entities. Determine if identified controls are working as intended or if additional management controls are needed to manage relationships with non-profit organizations.

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**





METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

March 2, 2018

Ms. Erica Gilmore
Council Member, At-Large

Mr. Bob Mendes
Council Member, At-Large

Ms. Brenda Haywood
Council Member, District 3

Ms. Burkley Allen
Council Member, District 18

Ms. Mina Johnson
Council Member, District 23

Mr. Russ Pulley
Council Member, District 25

Mr. Robert Swope
Council Member, District 4

Dear Council Members:

Agreed-Upon Procedure - Office of Internal Audit Assistance to the Metropolitan Nashville Council Special Committee

On Tuesday, February 13, 2018, the Metropolitan Nashville Audit Committee approved a motion for the Metropolitan Nashville Office of Internal Audit to assist the Metropolitan Nashville Council Special Committee with their investigation. The purpose of this letter is to check if the Metropolitan Nashville Council Special Committee would like to engage our Office to assist in their investigation of the circumstances involving the travel and expenses including overtime expenses potentially related to the Mayor's extramarital affair to determine if there was any improper use of public money.

We would like to confirm our understanding of the terms and objectives of this engagement and the nature and limitations of services that the Office of Internal Audit will provide. The Office of Internal Audit will perform the agreed-upon procedures concerning Mayor Barry's travel expenses, and her security detail's travel expenses and overtime pay to determine whether any of this was improper as enumerated in Schedule A. The engagement will primarily include activities between September 25, 2015, and January 31, 2018. The agreed-upon procedures will be conducted by the Statements on Standards for Attestation Engagements issued by the American Institute of Certified Public Accountants and additional standards by the Governmental Auditing Standards, July 2011 Revision. The Office of Internal Audit will issue a written report with a list of procedures performed and our findings.

Because the agreed-upon procedures listed in the attached Schedule A do not constitute an examination, we will not express an opinion on these procedures, or the effectiveness and efficiency of the processes reviewed. Also, we have no obligation to perform any procedures beyond that agreed-upon by all parties.

If, after full consideration, you agree that the preceding terms shall govern this engagement, please sign this letter in the space provided and return the original signed letter to me, keeping a fully executed

March 2, 2018

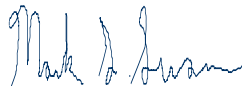
Agreed-Upon Procedure - Office of Internal Audit Assistance to the Metropolitan Nashville Council
Special Committee

Page 2

copy for your records. If the need for additional procedures arises, our agreement with you will need to be revised. It is customary for us to enumerate these revisions in an addendum to this letter.

Thank you for your attention to this matter, and please contact me with any questions you may have.

Sincerely,



Mark S. Swann

Accepted by: Burkley Allen

Ms. Burkley Allen, Chairman, Metropolitan Nashville Council Special Committee

cc: Metropolitan Nashville Audit Committee
Mayor Megan Barry
Richard Riebeling, Chief Operating Officer
Jon Cooper, Director, Department of Law
Chief Steve Anderson, Metropolitan Nashville Police Department
Mike Jameson, Metropolitan Nashville Council Office, Director

SCHEDULE A

Office of Internal Audit Assistance to the Metropolitan Nashville Council Special Committee Agreed-Upon Procedures as of March 2, 2018

Security Detail Payroll

Are all overtime payments substantiated by business purpose, and approved in accordance with established Metropolitan Nashville Police Department, Civil Service, Department of Human Resources, and Department of Finance policies or rules?

- Review MNPD overtime policy regarding the Mayor's security detail (daily hours, work period definition, scheduling, etc.).
- Analyze Sergeant Forrest's overall overtime hours (last four years, or years from different mayors).
- Compare Sergeant Forrest's schedule with that of the Mayor.
- Compare overtime records to both schedules.
- Analyze overtime hours of other officers on the detail.
- Inquire and determine the impact of overtime compensation on pension payment calculation.

Travel Expenses

Are all travel expenses for Mayor Barry, Sergeant Forrest, and the Mayor's security detail substantiated with a business purpose, documented, and approved in accordance with Department of Finance and Metropolitan Nashville Police Department policy?

- Obtain Mayor Barry, Sergeant Forrest, and the Mayor's security detail schedule for the past two years. Identify events and duration of events requiring overnight stays.
- Obtain a list of travel requests, event registration (if any), reimbursement for travel reports, fuel card, and credit card purchases related to Mayor Barry, Sergeant Forrest, and the Mayor's security detail travel.
- Obtain Mayor Barry's annual benefits (foundation and conference sponsors) reporting forms from the Metropolitan Clerk's Office.
- Obtain Office of Mayor's annual report of gifts and donations (foundation and conference sponsors).
- Obtain Mayor Barry's Candidate Campaign Disclosures from the Davidson County Election Commission for potential travel-related expense after September 25, 2015.
- Obtain all Travel Authorization Request from the Metropolitan Nashville Government Department of Finance for Mayor Barry, Sergeant Forrest, and the Mayor's security detail.
- Review the Travel Authorization Request site's approval routing program code used between September 25, 2015, and January 31, 2018.
- Research events identified in the procedures above for Mayor Barry's presence.
- For events requiring overnight stays, schedule the type of transportation, date of transportation, departure and arrival locations for transportation, overnight lodging expenses, meals, and other related expenses.

SCHEDULE A

Office of Internal Audit Assistance to the Metropolitan Nashville Council Special Committee Agreed-Upon Procedures as of March 2, 2018

- Compare schedule of overnight event expenses to Mayor Barry and Sergeant Forrest's official Metropolitan Nashville Government schedule.
- Review electronic evidence (email and/or mobile phone communications) for travel schedule and travel planning insights.

[Page Intentionally Left Blank]

**Metropolitan Nashville Office of Internal Audit
Audit Project Status
As of April 6, 2018**

Audit Plan Year February 2018 to January 2019				Report Phase	
Projects	Planning	Fieldwork	Report	Draft	Final
1) Finance Department - Procurement Division			✓	Apr-18	
2) MDHA Development Project Financing Process			✓		Mar-18
3) MTA Revenue Collection Process			✓		Mar-18
4) Office of Family Safety			✓		Apr-18
5) ITS Software Asset Management Process			✓	Apr-18	
6) MNPS Procurement Cards			✓	Apr-18	
7) Barnes Fund - Affordable Housing		✓			
8) Hospital Authority - Procurement to Pay Process		✓			
9) Fire Hydrant Maintenance Process	✓				
10) Mayor's Office and Security Detail Investigation		✓			
11) MNPS Expenditures and Budget Issues	✓				
Metro IntegrityLine Alerts - February 2018 to January 2019			Total	Closed	Pending
Metro Hotline Alerts (Fraud, Waste & Abuse)			0	0	0
Cases Reported to State of TN			0	0	0
Cases Tasked to OIA by State of TN			0	0	0

Note: Goal to complete 20 audit projects for Plan Year 2018. Currently 3 audit projects are completed, and 3 audit projects are in the draft report phase.

Office of Internal Audit Budget versus Actual
GSD General Fund as of April 6, 2018
FY 2018 Approved Budget

		FY 2018			Notes
		Budget	Actual	Difference	
Total Salaries & Fringe		\$ 1,116,300	\$ 773,847	\$ 342,453	
Other Expenses					
Professional & Purchased Services		248,000	19,223	228,777	
Building Rent Parkway Towers		55,500	41,223	14,277	\$4,580 per month
Other Expenses		71,900	39,061	32,839	
Internal Service Fees		54,000	54,000	-	Information Technology
TOTAL EXPENSES		\$ 1,545,700	\$ 927,353	\$ 618,347	60 percent utilization
30003 General Fund 4% Reserve		\$ 8,725	\$ -	\$ 8,725	\$8,074 Audit analytic software + \$651 furniture

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,
CMFO
Metropolitan Auditor
X26158

Project and Office Management Leadership

Qian Yuan
MS-Computer
Science, CIA, CISA,
ACDA, CMFO
Principal Auditor
x26111

William (Bill) Walker
CPA, CIA
Principal Auditor
x26714

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

Audit Talent Pool

Seth Hatfield
Macc, CPA, CIA, CFE
Senior Auditor
x79672

James Carson
MBA, CIA, CFE
Senior Auditor
X26430

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

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

Laura Henry
Macc, CFE
Auditor II
x26456

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

Ted Ciuba
MS-Finance, MBA
Auditor I
x26286

Fiscal Year 2018 Metropolitan Auditor Performance Review

The Metropolitan Auditor self-review for each performance standard is rated as either:

- (1) Need Improvement: Performance fails to meet the minimum performance standards for the position.
 - (2) Successful: Performance meets the standards of the position.
 - (3) Exceptional: Performance is significantly above the performance standards of the position.
-

**Assessment
Score**

1. Independence, Objectivity, & Ethical

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

2. Competency

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

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

3. Audit Committee Relationship

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

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

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

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

4. Audit Plan Development and Execution

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

4.b - The Metropolitan Auditor requests appropriate boards, elected officials, and senior management input to the internal audit plan.

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

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

4.e - The Metropolitan Auditor delivers 19 internal audit reports.

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

Fiscal Year 2018 Metropolitan Auditor Performance Review

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

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

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

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

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

5.a - The Metropolitan Auditor is effective in building a team.

5.b - The Metropolitan Auditor promotes collaboration and builds an environment of transparency.

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

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

6. Continuous Improvement

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

Total
Average Assessment Score

=====

**METROPOLITAN NASHVILLE AUDIT COMMITTEE
2018 MEETING PLAN**

Meeting Date	Proposed Agenda Topics
February 13, 2018 (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 • Open Audit Recommendations Status
April 10, 2018 (Tuesday)	<ul style="list-style-type: none"> • Election of Chairman and Vice Chairman • External Audit Single Audit and Management Letter presentation • Information Security Program Update • Internal Audit issued report discussion
June 26, 2018 (Tuesday)	<ul style="list-style-type: none"> • FY2018 External Audit plan and required communications • Internal Audit issued report discussion • Metropolitan Auditor performance review
September 11, 2018 (Tuesday)	<ul style="list-style-type: none"> • Metropolitan Audit Committee self-assessment • Bylaws annual review • Internal Audit issued report discussion • Open Audit Recommendations Status • External Audit Comprehensive Annual Financial Report Audit Progress Executive Session
November 27, 2018 (Tuesday)	<ul style="list-style-type: none"> • Internal Audit issued report discussion • External Audit Comprehensive Annual Financial Report Audit Progress Executive Session
December 11, 2018 (Tuesday)	<ul style="list-style-type: none"> • External Audit Comprehensive Annual Financial Report • Internal Audit issued report discussion

Metropolitan Audit Committee

Metropolitan Code of Laws Section 2.24.300

Term-varied

6 Members

	<u>Date of Appt.</u>	<u>Term Exp.</u>
Vice Mayor David Briley One Public Square, Suite 204 Nashville, TN 37201- (615) 880-3357 david.briley@nashville.gov Representing: Vice Mayor	9/1/2015	8/31/2019
Mr. John Cooper 3925 Woodlawn Drive Nashville, TN 37205- (615) 969-4444 CooperAtLarge@nashville.gov Representing: Metro Council	10/3/2017	9/30/2019
Mr. Charles C. Frasier VChm One University Park Drive Nashville, TN 37204- (615) 966-5738 charles.frasier@lipscomb.edu Representing: TSCPA, Nashville Chapter	3/21/2017	3/20/2021
Ms. Talia Lomax-O'dneal One Public Square, Suite 106 Nashville, TN 37201- (615) 862-6151 talia.lomaxodneal@nashville.gov Representing: Director of Finance	10/1/2015	
Mr. Bob Mendes One Public Square, Suite 204 Nashville, TN 37201- (615) 756-3533 bob.mendes@nashville.gov Representing: Metro Council	10/3/2017	9/30/2019
Mr. Brack Reed Chm 222 Second Avenue South #1400 Nashville, TN 37201- (615) 770-8100 brack_reed@gspnet.com Representing: Nashville Area Chamber of Commerce	2/20/2015	3/20/2019

Printed 16-Nov-17

Metropolitan Clerk's Office

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

PURPOSE

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

SCOPE

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 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)