

**METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON
COUNTY**



**METROPOLITAN NASHVILLE
AUDIT COMMITTEE**

WORKBOOK

July 24, 2018

“Learning to trust is one life’s most difficult tasks.”

Issac Watts – 17th Century English Christian Minister

Report to the Nations
2018 Global Study on Occupational Fraud and Abuse
Association of Certified Fraud Examiners

2,690
 real cases of occupational fraud
 from
125 countries
 in
23 industry categories

\$7 BILLION+
 IN TOTAL LOSSES

\$130,000
 MEDIAN LOSS PER CASE

22%
 OF CASES CAUSED LOSSES OF
\$1 MILLION+

Median duration of a fraud scheme

16
 MONTHS

CORRUPTION
 was the most common scheme in every global region

INTERNAL CONTROL WEAKNESSES
 WERE RESPONSIBLE FOR NEARLY
HALF OF FRAUDS



ALL 18 ANTI-FRAUD CONTROLS
 ANALYZED WERE ASSOCIATED
 WITH **LOWER FRAUD LOSSES**
 AND **QUICKER DETECTION**



Owners/executives accounted for a small percentage of cases

19%
 OF CASES

but caused a median loss of
\$850,000

LOSSES CAUSED BY MEN WERE 75% LARGER
 than losses caused by women

MEDIAN LOSSES ARE FAR GREATER
 when fraudsters collude

1
 \$74,000

2
 \$150,000

3+
 \$339,000

ASSET MISAPPROPRIATION SCHEMES
 are the most common and least costly

\$114,000
 median loss

89%
 of cases

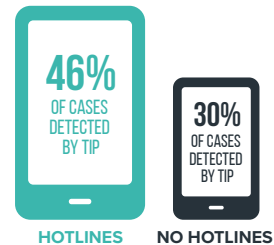
\$800,000
 median loss

TIPS are by far the most common initial detection method



EMPLOYEES
 provide over half of tips, and nearly 1/3 come from **OUTSIDE PARTIES**

ORGANIZATIONS WITH HOTLINES
 detect fraud by tips more often



DATA MONITORING/ANALYSIS and **SURPRISE AUDITS** were correlated with the largest reductions in fraud loss and duration

52% LOWER LOSSES (Data monitoring/analysis)
58% FASTER DETECTION (Data monitoring/analysis)

51% LOWER LOSSES (Surprise audits)
54% FASTER DETECTION (Surprise audits)

Yet only 37% of victim organizations implemented these controls

85%
 OF FRAUDSTERS
 DISPLAYED AT LEAST ONE BEHAVIORAL
RED FLAG OF FRAUD

FRAUDSTERS WHO HAD BEEN WITH THEIR COMPANY LONGER STOLE TWICE AS MUCH

\$200,000
 MEDIAN LOSS
 MORE THAN 5 YEARS' TENURE

\$100,000
 MEDIAN LOSS
 LESS THAN 5 YEARS' TENURE

SMALL BUSINESSES LOST ALMOST TWICE AS MUCH PER SCHEME TO FRAUD

\$104,000
 MEDIAN LOSS
 100+ EMPLOYEES

\$200,000
 MEDIAN LOSS
 <100 EMPLOYEES

OVER THE PAST 10 YEARS, OCCUPATIONAL FRAUD REFERRALS TO PROSECUTION DECLINED 16%

TOP REASON FOR NON-REFERRALS WAS **FEAR OF BAD PUBLICITY** -16%

2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018

ONLY 4%
 OF PERPETRATORS HAD A PRIOR **FRAUD CONVICTION**

A MAJORITY OF THE VICTIMS RECOVERED NOTHING

**METROPOLITAN NASHVILLE
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA
July 24, 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 April 10, 2018, Meeting. (Brackney Reed – Committee Chairman)
- III. New Business
 - Discussion on Audit of the Information Technology Services - Software Asset Management audit report issued May 2, 2018. (Innocent Dargbey – Senior Internal Auditor)
 - Discussion on Councilmember Fabian Bedne’s request for an audit of diversity reporting received May 7, 2018. (Mark Swann – Metropolitan Auditor)
 - Discussion on Councilmember Karen Johnson’s request for an audit of the Register of Deeds Office received May 23, 2018. (Mark Swann – Metropolitan Auditor)
 - External auditor presentation FY 2018 Financial Audit Communications. (Crosslin)
 - Metropolitan Auditor’s annual performance review. (Brackney Reed – Committee Chairman)
 - 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. Unfinished Business (None)
- V. Internal Audit Project Status (Mark Swann – Metropolitan Auditor)
- VI. Fraud Waste and Abuse Hotline and Investigation Update (Mark Swann – Metropolitan Auditor)
 - Summary of fraud, waste, and abuse hotline activity
- VII. Other Administrative Matters (Mark Swann – Metropolitan Auditor)
 - Office of Internal Audit staffing
 - FY 2018 and FY 2019 budget status.
- VIII. Consideration of Items for Future Meetings (Brackney Reed - Committee Chairman)
- IX. Adjournment of Public Meeting – Next Meeting Tuesday, September 11, 2018.

**METROPOLITAN NASHVILLE
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA
July 24, 2018 4:00 p.m.**

X. Executive Session Agenda – (Brackney Reed - Committee Chairman)

- Discussion of pending or ongoing 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.

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

**DRAFT
April 10, 2018**

On Tuesday, April 10, 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

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

Others

Mark Swann, Metropolitan Auditor
Theresa Costonis, Department of Law
Dell Crosslin, Crosslin
John Crosslin, Crosslin
David Hunt, Crosslin
Phil Carr, Chief Accountant
Sheri Weiner, Metropolitan Council
James Harbison, Metropolitan Development
and Housing Agency
Ed Oliphant, Metropolitan Transit Authority
Andrew Sullivan, Office of Family Safety
Seth Hatfield, Office of Internal Audit
Laura Henry, Office of Internal Audit
Ted Ciuba, Office of Internal Audit

Committee Member Not Present

David Briley

Quorum present? Yes

CALL MEETING TO ORDER

Mr. Brackney Reed called the meeting to order.

APPROVAL OF MINUTES

A **motion** to approve the February 13, 2018, meeting minutes as presented in the Metropolitan Nashville Audit Committee Workbook for April 10, 2018, was made, seconded, and carried.

NEW BUSINESS

Discussion on Audit of Metropolitan Transit Authority Revenue Collection Process audit report issued March 1, 2018

Mr. Seth Hatfield summarized the objectives, observations, and recommendations for this audit.

Mr. Charles Frasier asked about the decline in revenue from 2015 through 2017. Mr. Ed Oliphant explained the decrease was due to the institution of free transfers.

Mr. John Cooper asked questions pertaining to how passengers are counted. Mr. Oliphant explained that each passenger is counted by the farebox when the fare is paid or fare media is

used. A monthly analysis of revenue and ridership is conducted to ensure collections are within reason. Mr. Cooper asked how many rides constituted free transfers. Mr. Oliphant did not know at the time but offered to get that information to him.

Ms. Talia Lomax-O'dneal asked on which revenue line the EasyRide contracts were included. Mr. Oliphant stated that revenue would be included in the adult fares and that bus contract services were services provided for the Regional Transit Authority. Adult fares from these contracts can be isolated from the total adult fares.

Discussion on Audit of Development Incentives Management by Metropolitan Development and Housing audit report issued March 30, 2018

Mr. Ted Ciuba summarized the objectives, observations, and recommendations for this audit.

Mr. Frasier inquired about developers not obtaining three quotes from lenders. Mr. Ciuba stated that he did not know whether this would be considered a major issue, but a recommendation was made to require developers to obtain three quotes from lenders moving forward, and it was accepted by the department.

Mr. Bob Mendes arrived at 4:17 p.m.

Ms. Lomax-O'dneal asked if this was more of a best practice review because many of the recommendations were already in place when the audit report was issued. Mr. Ciuba explained that some of the observations were for projects that were older and most of the newer projects from 2014 going forward had processes that had improved. Observations were noted because the processes were not consistently performed across all projects.

Mr. Cooper asked if there was a way to determine how much tax increment financing was for the benefit of the public and how much was for the benefit of the landlord. Mr. Ciuba stated there were projects that clearly defined how the financing was used, but there were also projects where the use was unclear. These were questioned, and an observation related to this concern was included in the final audit report.

Mr. Cooper asked if there was a way to find out how many tax increment financing loans have been done in the districts. Mr. James Harbison explained the report that is given to the Metropolitan Nashville Council each year regarding tax increment financing contains this information. Mr. Harbison stated that the report could be modified to include more information on the allocation of the benefits.

Mr. Cooper requested clarification on the rejection of the audit report recommendation that concurrence with individual development projects in excess of \$5,000,000 is obtained by the Metropolitan Nashville Council. Mr. Harbison stated the allocation for the redevelopment district and tax increment financing allocation is approved by the Metropolitan Nashville Council, but he believes the underwriting and approval of individual projects is the role of Metropolitan Development and Housing Agency.

Mr. Cooper inquired about whether there was standard practice for appraisals. Mr. Harbison explained that there is a standard practice in place, but agreed that improvements could be made in determining the fair market value of the property.

Mr. Mendes asked how the best practice or standard was determined for having the Metropolitan Nashville Council approve projects over \$5,000,000. Mr. Mark Swann explained that it was from a control standpoint since there were questions around larger projects, and the thought was to increase transparency by having the Metropolitan Nashville Council take a closer look at those projects.

Discussion on Audit of Office of Family Safety audit report issued April 3, 2018.

Ms. Laura Henry summarized the objectives, observations, and recommendations for this audit.

Ms. Lomax-O'dneal asked whether Kronos was suggested as a timekeeping system for payroll. Mr. Andrew Sullivan stated that while Kronos would solve their problems, the department would not be able to afford the expense. Ms. Lomax-O'dneal explained that there would not be a departmental cost, but the department would need to work with the Metropolitan Nashville Finance department on the implementation.

Ms. Lomax-O'dneal asked if the department complied with the Metropolitan Nashville Donations Policy. Ms. Henry stated that the annual report of donations was produced, but there were no specific procedures on how to handle donations when they are received.

Mr. Mendes commented that the processes and controls around donations are critically important and that donations should be handled robustly.

Action Item: Mr. Mendes requested that the Office of Family Safety accept the recommendation regarding the implementation of a time-keeping system and work with the Metropolitan Nashville Finance Department on the implementation of Kronos. The Office of Family Safety should follow-up with the Office of Internal Audit regarding the request.

Presentation of the Metropolitan Nashville Government Fiscal Year 2017 Letter of Recommendations to Management.

Mr. David Hunt presented the observations and recommendations contained in the Letter of Recommendations to Management. No material weaknesses in internal controls were noted.

Observations discussed included timely reconciliations of bank accounts, timely recording of cash receipts, and segregation of duties on cash receipts.

Action Item: Mr. Mendes requested that Crosslin follow-up on the recommendation regarding the timely recording of cash receipts when the work starts on the upcoming fiscal year 2018 audit.

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.

Mr. John Crosslin summarized the reports and schedules of expenditures required by the Single Audit Act.

The presentation included the report on internal controls over financial reporting and compliance, the report on compliance with federal programs, and the schedule of state and

federal expenditures included in the Single Audit. Approximately \$73 million of \$175 million federal dollars were audited. No material weaknesses or deficiencies were noted.

Mr. Mendes asked for clarification on why the Metropolitan Nashville Government was not considered a low-risk auditee. Mr. Hunt responded the going concern and material weaknesses of the Nashville General Hospital were why the Metropolitan Nashville Government was not considered a low-risk auditee. The higher risk requires Crosslin to audit 40 percent of federal programs as opposed to 20 percent.

Mr. Mendes inquired about whether the allegations against former Mayor Megan Barry changed the work of the auditors. Mr. Hunt explained that they are required to investigate any allegation reported to the Tennessee Comptroller. Crosslin will review the Office of Internal Audit's work papers and decide whether any additional work should be done before reporting to the Tennessee Comptroller.

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 years. This request was received from Metro Public School Board members Ms. Anna Shepard and Ms. Jill Speering.

A **motion** 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 years, was made, seconded, and carried.

Mr. Mendes stated that an e-mail was sent to Ms. Lomax-O'dneal from Councilman Steve Glover requesting an audit of spending by Metro Nashville Public Schools and asked if Mr. Glover's request was the same as the request by the Metro Public School Board members. Mr. Swann explained that they were similar and the audit would be used to determine if there is predication on the more specific allegations related to consulting services and contracting. If there is predication, a separate investigation would be started.

Mr. Cooper asked if Mr. Glover's request had to do with purchases by Metro Nashville Public Schools being unauthorized. Mr. Swann explained that unauthorized purchase requisitions are an internal distinction used for purchases that did not have a formal requisition and purchase order. This does not necessarily mean a purchase was unauthorized, only that the purchase did not meet their internal standard. Mr. Cooper asked if these types of purchases will be included in the audit and Mr. Swann advised that they would be included.

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.

Mr. Swann explained that the Metropolitan Nashville Council Special Committee would be recommending a resolution to disband their efforts, request that the Metropolitan Nashville Audit Committee continues with the investigation, and forward the final report to all members of the Metropolitan Nashville Council. Mr. Swann explained that a motion was needed for him to continue the investigation if the resolution to disband the Metropolitan Nashville Council Special Committee was successfully passed.

Mr. Mendes expressed his support of the Metropolitan Nashville Audit Committee moving forward with the investigation. He stated it was important to know the mechanisms used to commit the fraud and decide what controls should be implemented to prevent this from happening in the future. Mr. Cooper and Mr. Frasier expressed their agreement to move forward with the investigation.

Ms. Lomax-O'dneal stated that she sits on the Pension Committee for the Benefits Board and that the investigation was discussed as one of the resources that could be used in the evaluation of Sergeant Robert Forrest's pension benefits.

Mr. Mendes stated that while he had no doubt that the Metropolitan Nashville Legal Department could provide independent counsel for the investigation, the public perception may be that there is a conflict of interest and that should be considered before seeking legal advice. Mr. Cooper asked if the Office of Internal Audit consulting budget should be used to obtain outside counsel. Mr. Mendes stated that it should be the determination of the Metropolitan Auditor.

Mr. Swann summarized the revised scope presented to the Metropolitan Nashville Council Special Committee. The revised scope included examining the standard of conduct and obtaining testimonial evidence from individuals.

A **motion** to amend the 2018 Internal Audit Work Plan to include the revised scope previously presented to the Metropolitan Nashville Council Special Committee was made, seconded, and carried.

Mr. Mendes stated that the Office of Internal Audit has the full support of the Metropolitan Nashville Audit Committee as the investigation moves forward.

Metropolitan Auditor Annual Performance Review Process.

Mr. Swann explained that the Metropolitan Auditor's annual performance evaluation is approaching at the end of June and the committee would need to provide guidance on how the evaluation should be performed. Mr. Mendes and Ms. Theresa Costonis explained that each member would have a chance to provide feedback and the results would be collected by Ms. Costonis and presented at the next Metropolitan Nashville Audit Committee meeting.

The public meeting adjourned after approximately 89 minutes.

Respectfully submitted to the Metropolitan Nashville Audit Committee.

Mark Swann
Secretary, Metropolitan Nashville Audit Committee

Audit of Information Technology Services Software Asset Management

EXECUTIVE SUMMARY

May 2, 2018



Why We Did This Audit

Effective management of software assets not only reduces risk of non-compliance with vendor agreements, but also controls cost associated with assets, and is an essential part of cybersecurity.

What We Recommend

- Operational procedures specific to management of software assets, from acquisition to retirement, should be established to ensure consistency, reduce errors, and enhance continuity of service.
- Improve software asset management practices.

BACKGROUND

Metropolitan Nashville Government's Information Technology Services, hereinafter referred as ITS, manages enterprise software and employs other types of computer programs for operational purposes, including commercial software, shareware, and freeware. ITS manages more than 8,200 workstations, plus over 1,000 physical and virtual servers. About 6,640 of the workstations and 900 servers are managed in the Microsoft System Center Configuration Manager tool. Exhibit A shows ITS software expenditures for fiscal years 2015, 2016, and 2017.

Exhibit A - ITS Software Purchases vs. Non-payroll Expenditure

All ITS Funds	FY 2015	FY 2016	FY 2017
Non-payroll Expenditures	\$25,308,687	\$22,225,576	\$27,451,025
Software and Licenses	4,719,625	6,448,949	7,924,374
Software Percentage	19	29	29

Source: Metropolitan Nashville Government's EnterpriseOne Financial System

OBJECTIVES AND SCOPE

The objectives of this audit are to determine if:

- Governance structures are in place to provide strategic direction for software asset management.
- Controls in processes governing software purchased by ITS are effective.
- ITS is entitled to all software installed on its resources.

The scope of the audit is software acquired, used, and managed by ITS.

WHAT WE FOUND

Governance structure over software asset management exists. However, consistent practices and detailed procedures and plans did not exist to provide guidance for software asset management.

GOVERNANCE

Information Technology Services is empowered by Metropolitan Nashville Code of Law to review all proposed computer-related purchases of the Metropolitan Nashville Government and advise the purchasing agent or the requesting department whether the proposed purchase is appropriate for the need (see Exhibit B for Metro ITS Organizational Chart).

Former Mayor Megan Barry's Executive Order #34 in 2016, affirmed the previous mayor's executive order to establish the Information Security Steering Committee, which should advise the ITS director on information security policies, standards, and practices for the Metropolitan Nashville Government.

SOFTWARE ASSET MANAGEMENT LIFECYCLE

A typical asset lifecycle includes five phases, namely planning, requisition, deployment, maintenance, and retirement. An effective software asset management system should embed control activities into the entire lifecycle of an asset, to mitigate risks such as waste of resources, copyright infringement, license agreement violation, and business interruption. These activities may include software authorization, requisition, deployment, change control, disaster recovery, and license management (which may further include license tracking, recycling, and auditing). Following is a discussion of control activities practiced by ITS through the software asset lifecycle.

Planning

ITS Divisions conduct internal planning sessions before the acquisition of computer programs for their operations. The ITS Executive Leadership Team requires justification for, analyzes said justifications and approves major software purchases for the department, and for the software and Enterprise Applications that are used by other departments and agencies as well.

Requisition

The IT Procurement Division has a managed process in place to follow Metro-wide procurement regulations. This ITS division works with other divisions on software budgets. All division managers approve their own purchase orders, review invoices, and approve payments upon receipts. In addition, this division conducts a true-up process for products included in the Microsoft enterprise agreement. This process can be the starting point for a software asset inventory and license tracking system.

Deployment

Deployment is the process of ensuring that purchased software assets are in operational or productive use. ITS provides deployment services to other departments. Deployment procedures can be used as one of the controls for license verification and tracking. Some software vendors have proprietary built-in control of license utilization enabled at the time of installation.

Maintenance

ITS has a managed change control process. System configuration tools are available in ITS for detecting and monitoring programs installed on devices that are active on the Metropolitan Nashville Government network.

Retirement

The Customer Services Division has a documented hard drive wipe and destruction process where software assets can be identified for license recycling.

OBJECTIVES AND CONCLUSIONS

1. *Are information technology governance structures in place to provide strategic direction for software asset management?*

Yes. Two policies exist that guide the use of software assets in the Metropolitan Nashville Government; they are the *Information Technology Assets Acceptable Use Policy* and *Inventory Ownership of Assets Policy*.

2. *Are controls in the management of software purchased by ITS effective?*

Generally, no. Although some controls exist in different functions in ITS, they are not working in sync to ensure effective management of software assets. However, operational procedures specific to management of software assets, from acquisition to retirement, should be established to ensure consistency, reduce errors, and enhance continuity of service. (See Observations A and B.)

3. *Is Information Technology Services entitled to all software installed on its resources?*

Undeterminable. A complete list of licensed software used by ITS, along with information regarding license type, quantity purchased, utilization, and availability is not available. Tools such as System Center Configuration Manager are not used to cover all active devices. (See Observations B.)

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 ITS to:</i>		
A.1 - Establish a software asset management initiative to incorporate license-tracking procedures into all relevant functions, such as purchasing, deployment, change management, customer services, and assets retirement.	Accept – Develop process for tracking ITS software purchases, enterprise applications managed by ITS and purchases for other departments that are made by ITS-Procurement	06/30/2018
B.1 - Reconsider the long-term benefits of a software asset management system to address metro-wide system tracking and compliance monitoring. Such a system can facilitate in-depth analysis of software license position by automating software data collection, evaluating software license entitlement, and highlighting opportunities to minimize risks and optimize costs.	Accept – Prior to FY20 budget season; we will assess the new practices in place; the cost of a software asset management system; and the cost benefit to purchasing of said system.	1/30/2019
B.2 - Identify, distribute, and regularly update a list of authorized and supported software applications (whitelisting).	Accept – for ITS-owned and enterprise application software managed by ITS use of application whitelisting as a security control is to be assessed and implemented. A centralized listing of all approved and ITS supported software is being built as part of meeting recommendation A1.	01/30/2019
B.3 - Educate and train employees to understand policies and best practices regarding the software asset management processes, roles, responsibilities, and acceptable use.	Accept – we will include this training as part of implementing recommendation A1.	06/30/2018

Swann, Mark (Internal Audit)

From: Fabian Bedne <fabian@bedne.net>
Sent: Friday, May 4, 2018 4:38 PM
To: Swann, Mark (Internal Audit)
Cc: Bedne, Fabian (Council Member); Jameson, Mike (Council Office)
Subject: Re: Annual Internal Audit Work Plan - Diversity Assessments

Thank you Mr Swann

The reason I asked for an audit is because I have been made aware that the data may be compromised. I renew my request to do an audit and insure that the data an reporting is correct.

I know this is a strong accusation and that is why I feel it is important to err on the side of safety and double check.

Thank you.

On Fri, May 4, 2018 at 3:20 PM Swann, Mark (Internal Audit) <Mark.Swann@nashville.gov> wrote:

Councilman Bedne,

I wanted to reach out to you concerning your suggestion to the Office of Internal Audit for an audit of “diversity in employment with an emphasis on any barriers that could exist for new Americans.” We very much value and appreciate your input. I apologize for not getting back to you sooner.

The audit universe for the Metropolitan Government of Nashville is very large and diverse. One of our Office’s biggest challenges is applying audit resources efficiently and effectively. Consequently, the input of someone with your experience and insights is valuable.

Our normal process is to review and analyze each request, apply it to an in-house risk matrix, generate a recommended internal audit work plan, and then present the audit plan to the Metropolitan Nashville Audit Committee. The Metropolitan Nashville Audit Committee will then review and approve the audit plan. There are several variables analyzed in determining which audit subjects are included in the recommended annual audit plan. One variable is ascertaining if any recent studies or audits have been conducted on a potential audit subject. Another variable is the level of oversight. For this particular subject, we noted the following:

- ***Audit of the Metropolitan Nashville Government Human Resource Department Talent Acquisition Function*** (attached)– issued June 28, 2017; this audit was conducted by ManpowerGroup Solutions. While the focus of this audit was on the overall hiring practices, the Chief Diversity Officer was interviewed, and diversity of workforce was considered as part of the audit.

- **INLUCIVICS Report** – issued January 2015, <https://www.nashville.gov/Human-Relations-Commission/Publications.aspx>
- **Metro General Government Demographics Report** – generated quarterly, <http://www.nashville.gov/Human-Resources/Workforce-Demographics.aspx>
- **Diversity Advisory Committee** - established February 2016, <https://www.nashville.gov/Government/Diversity-Advisory-Committee.aspx>

The 2017 internal audit engagement did not specifically look into the potential barriers that could exist in the hiring of new Americans. However, recent Metropolitan Nashville Government initiatives include the Diversity Advisory Committee, the Chief Diversity Officer, and the Metropolitan Human Relations Commission studies which all provide valuable information to address concerns with workforce diversity. The primary point here is other audit subjects do not have the type mechanisms in place listed above. Consequently, other audit subjects have ended up with a higher risk score in our in-house risk matrix. These factors are the reason this subject has not been placed on the Metropolitan Nashville Internal Audit Work Plan to date.

I hope this answers your concerns. Again, I greatly appreciate your input and hope you will continue to provide additional suggestions in the future. I would gladly meet with you or talk to you on the phone about this subject for future audit coverage consideration.

Thank you again for your suggestions and service to the Metropolitan Nashville Government.

Mark Swann

Mark S. Swann – Metropolitan Auditor

Metropolitan Nashville Office of Internal Audit
Tel: 615 862-6158 | Mobile: 615 974-8700 | Fax: 615 862-6425

[Metro Nashville Fraud Waste or Abuse Hotline](#) or call 877-647-3335

(Use Client Code: Metro and Organization Name: Metro)

Swann, Mark (Internal Audit)

From: Hayes, Roseanne (Council Office)
Sent: Wednesday, May 23, 2018 10:19 AM
To: Swann, Mark (Internal Audit)
Subject: Audit of the Register of Deeds Office

This communication is being sent at the request of Councilmember Karen Johnson.

Councilmember Karen Johnson is requesting an audit of the information systems, travel, budget, operations and new payroll system of the Register of Deeds office. She will be taking office September 1, 2018 and would like this audit, if possible, completed before she takes office on September 1, 2108.

Thank you.

Rosie

Roseanne Hayes, Chief of Staff
Vice Mayor/Metro Council Office
One Public Square, Suite 204
Nashville, TN 37201
Office: 615.880.3350
Cell: 615.305.4330

CROSSLIN

FY 2018 Audit Communication



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

July 12, 2018

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

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

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

Subject: Metropolitan Auditor Fiscal Year 2018 Salary Adjustment

The Metropolitan Nashville Audit Committee recommended, and the Metropolitan Nashville Council elected Mark Swann to serve as Metropolitan Auditor for a second eight-year term commencing July 1, 2014. The Committee is satisfied with the performance of the Metropolitan Auditor and approves a merit increase of 1.5 percent (\$2,333) for fiscal year 2019. After the total salary merit increase for fiscal year 2019, the Metropolitan Auditor's annual salary will be \$157,911 effective July 1, 2018.

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

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

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

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Brackney Reed".

Brackney Reed

Fiscal Year 2018 Metropolitan Auditor Performance Review

COMBINED AVERAGE SCORES IN RED

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.	11/12 2.75
2. Competency	
2.a - The Metropolitan Auditor has appropriate professional certifications and actively encourages staff to attain and maintain such qualifications.	12/12 3
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.	11/12 2.75
3. Audit Committee Relationship	
3.a - The Metropolitan Auditor adequately prepares for and facilitates regular, concise communications with the Metropolitan Nashville Audit Committee.	12/12 3
3.b - The Metropolitan Auditor is open with the Metropolitan Nashville Audit Committee and candidly expresses opinions.	10/12 2.5
3.c - The Metropolitan Auditor provides a balanced perspective on topics such as organizational governance, risk, and internal control issues.	11/12 2.75
3.d - When issues requiring action are identified, the Metropolitan Auditor works with senior management to encourage appropriate corrective action in a timely manner.	12/12 3
4. Audit Plan Development and Execution	
4.a - The Internal Audit Work Plan is developed and documented using a risk-based methodology to ensure audit engagements focus on the right areas (addresses what matters) with insightful objectives and with the right scope.	11/12 2.75
4.b - The Metropolitan Auditor requests appropriate boards, elected officials, and senior management input to the internal audit plan.	11/12 2.75
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.	11/12 2.75
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.	12/12 3
4.e - The Metropolitan Auditor delivers 19 internal audit reports.	10/12 2.5
4.f - Management of the Metropolitan Nashville Government accepts at least 90 percent of internal audit report recommendations.	11/12 2.75

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.	7/9 2.33
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.	10/12 2.5
4.i - The Metropolitan Auditor holds regular meetings with other stakeholders for purposes of debriefing, sharing information, and ensuring ongoing coordination.	11/12 2.75
4.j - The Metropolitan Auditor ensures audits are conducted in accordance with Government Auditing Standards (Yellow Book).	12/12 3

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.	9/9 3
5.b - The Metropolitan Auditor promotes collaboration and builds an environment of transparency.	8/9 2.67
5.c - Staff believes they are treated fairly and respected for their contributions to the Metropolitan Nashville Office of Internal Audit.	6/6 3
5.d Professional internal auditors want to work for the Metropolitan Nashville Office of Internal Audit.	6/6 3

6. Continuous Improvement

6.a - The Metropolitan Auditor completes two Metropolitan Nashville Office of Internal Audit strategic goals.	11/12 2.75
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Total	<u>225/243 61.25</u>
Average Assessment Score	=.9259 or
	2.7778 out of
	3 or
	<u><u>61.75/22=2.78</u></u>

**June 2018 Metropolitan Auditor Performance Review
Based on Plan Year February 2017 to January 2018
Summary**

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

1 - Needs Improvement: Performance fails to meet the minimum performance standards for the position.

2 – Successful: Performance meets the standard for the position.

3 – Exceptional: Performance is significantly above the performance standard for 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.	3
2. Competency.	
2.a - The Metropolitan Auditor has appropriate professional certifications and actively encourages staff to attain and maintain such qualifications.	3
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.	2
3. Audit Committee Relationship.	
3.a - The Metropolitan Auditor adequately prepares for and facilitates regular, concise communications with the Metropolitan Nashville Audit Committee.	3
3.b - The Metropolitan Auditor is open with the Metropolitan Nashville Audit Committee and candidly expresses opinions.	2
3.c - The Metropolitan Auditor provides a balanced perspective on topics such as organizational governance, risk, and internal control issues.	2
3.d - When issues requiring action are identified, the Metropolitan Auditor works with senior management to encourage appropriate corrective action in a timely manner.	3
4. Audit Plan Development and Execution.	
4.a - The Internal Audit Work Plan is developed and documented using a risk-based methodology to ensure audit engagements focus on the right areas (addresses what matters) with insightful objectives and with the right scope.	2
4.b - The Metropolitan Auditor requests appropriate boards, elected officials, and senior management input to the internal audit plan.	2
4.c - Plans are monitored and amended as the business environment, and risks change, and the Metropolitan Nashville Audit Committee is appropriately informed of such amendments.	2
4.d - The Metropolitan Auditor allocates time for special projects and advisory services as requested by senior management and/or the board after appropriate consideration of the risks involved.	2
4.e - The Metropolitan Auditor delivers 18 internal audit reports. <i>(Actual = 16 audits and 4 investigation reports)</i>	2

**June 2018 Metropolitan Auditor Performance Review
Based on Plan Year February 2017 to January 2018
Summary**

	Assessment Score
4.f - Management of the Metropolitan Nashville Government accepts at least 90 percent of internal audit report recommendations.	2
4.g - The Metropolitan Auditor ensures Internal Audit staff percentage of direct time to available time is 85 percent or greater. <i>(Actual = 83%)</i>	2
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.	2
4.i - The Metropolitan Auditor holds regular meetings with other stakeholders for purposes of debriefing, sharing information, and ensuring ongoing coordination.	2
4.j - The Metropolitan Auditor ensures audits are conducted in accordance with Government Auditing Standards (Yellow Book).	3
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.	2
5.b - The Metropolitan Auditor promotes collaboration and builds an environment of transparency.	3
5.c - Staff believes they are treated fairly and respected for their contributions to the Metropolitan Nashville Office of Internal Audit.	2
5.d Professional internal auditors want to work for the Metropolitan Nashville Office of Internal Audit.	2
6. Continuous Improvement.	
6.a - The Metropolitan Auditor completes two Metropolitan Nashville Office of Internal Audit strategic goals.	2
Total out of 22 Attributes	50
Average Assessment Score	2.27

**June 2018 Metropolitan Auditor Performance Review
Based on Plan Year February 2017 to January 2018
Reviewer Comments**

1. Independence, Objectivity Ethical Attributes

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

Metropolitan Auditor Self-Review – In the review period 16 audit reports, 4 investigation reports, 8 hotel tax compliance reviews, and 6 audit committee workbooks were issued. All reports were presented in an objective manner, clear, complete, and free from bias.

2. Competency Attributes

2.a - The Metropolitan Auditor has appropriate professional certifications and actively encourages staff to attain and maintain such qualifications. **3 – Exceptional**

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

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

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

Metropolitan Auditor Self-Review – The Metropolitan Auditor has over thirty-five years of experience in auditing, information systems, and information security. With over 15 years of government auditing experience within Metropolitan Nashville Government, City of San Antonio, and Saudi Aramco Community Services. Examples of audit engagements highlighting areas of risk coverage during the review period included General Government Occupational Safety, Autumn Hills Assisted Living Partners, Inc., General Sessions Recovery Court, MDHA Development Incentives, Metropolitan Transit Authority Revenue Collections, Codes and Building Safety Short Term Rental Program, and Office of Fleet Management.

3. Audit Committee Relationship

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

Metropolitan Auditor Self-Review – In the review period, six (6) audit committee workbooks were issued. Executive summaries are part of all audit reports issued.

June 2018 Metropolitan Auditor Performance Review
Based on Plan Year February 2017 to January 2018
Reviewer Comments

3.b - The Metropolitan Auditor is open with the Metropolitan Nashville Audit Committee and candidly expresses opinions. **2 – Successful**

Metropolitan Auditor Self-Review – The Metropolitan Auditor is open and provides the necessary background for discussion during communications with the Metropolitan Nashville Audit Committee.

3.c - The Metropolitan Auditor provides a balanced perspective on topics such as organizational governance, risk, and internal control issues. **2 – Successful**

Metropolitan Auditor Self-Review – Reports during the review period have covered a wide range of topics such as organizational governance (Health and Education Facility Board), risk (Park Police, General Government Occupational Safety, Human Resources Talent Acquisition Function, General Sessions Recovery Court Case Management, Codes and Building Safety Short Term Rentals) information security risks (Davidson County Sheriff Office Information Security), internal controls (Metro Water Services Payroll, Assessor of Property, Health Department Finance and Administration Bureau), contract compliance (Autumn Assisted Living Partners and First Tennessee Ballpark Construction, and hotel occupancy tax).

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

Metropolitan Auditor Self-Review – The Metropolitan Auditor provides meaningful, realistic recommendations to improve the delivery of government services. This is demonstrated with the 99 percent audit report recommendation acceptance during the Plan year.

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. **2 – Successful**

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

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

4.b - The Metropolitan Auditor requests appropriate board, elected officials, and senior management input to the internal audit plan. **2 – Successful**

Metropolitan Auditor Self-Review – The Metropolitan Auditor has always requested input during the annual audit plan prioritization. Five audit engagements completed during the review period were requested by management (Autumn Assisted Living Partners, General Sessions Recovery Court Case Management and Fiscal Management, Codes and Building Safety Short Term Rentals, Assessor of Property, and Metro Water Services Payroll.)

**June 2018 Metropolitan Auditor Performance Review
Based on Plan Year February 2017 to January 2018
Reviewer Comments**

4.c - Plans are monitored and amended as the business environment, and risks change, and the Metropolitan Nashville Audit Committee is appropriately informed of such amendments. **2 – Successful**

Metropolitan Auditor Self-Review – The Metropolitan Auditor obtains approval from the Metropolitan Nashville Audit Committee for all revisions to the Annual Audit Plan. The Annual Audit Plan was revised during the plan year to accommodate emerging risks related to General Sessions Recovery Court and Short Term Rental Permitting Process.

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. **2 – Successful**

Metropolitan Auditor Self-Review – The Office of Internal Audit runs potential duplicate payment reports on behalf of the Finance Department. With a non-audit service agreement, the Finance Department accepts full responsibility for the duplicate payment reports.

4.e - The Metropolitan Auditor delivers 18 internal audit reports. (2) Acceptable

Metropolitan Auditor Self-Review – The Office of Internal Audit completed 16 audit reports, 4 investigation reports, and 8 hotel tax compliance reviews during the review period.

4.f - Management of the Metropolitan Nashville Government accepts at least 90 percent of internal audit report recommendations. **3 – Exceptional**

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

4.g - The Metropolitan Auditor ensures Internal Audit staff percentage of direct time to available time is 85 percent or greater. **2 – Successful**

Metropolitan Auditor Self-Review – Internal Audit staff percentage of direct time to available time was 83 percent during the review period.

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. **2 – Successful**

Metropolitan Auditor Self-Review – The Metropolitan Auditor secured the service of subject matter experts during the review period for the Davidson County Sheriff Office Information Technology Security (BerryDunn), Human Resources Talent Acquisition (Experis HR), and construction auditing (Experis Finance and Robert McDonald).

4.i - The Metropolitan Auditor holds regular meetings with other stakeholders for purposes of debriefing, sharing information, and ensuring ongoing coordination. **2 – Successful**

Metropolitan Auditor Self-Review – The Metropolitan Auditor attempts to ensure audit assurance services are not duplicated by meeting periodically with the Finance Department Office of Financial Accountability, consulting with external auditors Crosslin for internal audit engagements, BerryDunn to complete PCI Compliance reviews, and City of Goodlettsville hotel tax compliance audit efforts.

June 2018 Metropolitan Auditor Performance Review
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4.j - The Metropolitan Auditor ensures audits are conducted in accordance with Government Auditing Standards (Yellow Book). **3 – Exceptional**

Metropolitan Auditor Self-Review – In April 2017, the Office of Internal Audit received the highest opinion of compliance with Government Auditing Standards for the period between January 1, 2014, and December 31, 2016, from the Association of Local Government Auditors. An external self-assessment is required every three (3) years.

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

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

5.a - The Metropolitan Auditor is effective in building a team. **2 – Successful**

Metropolitan Auditor Self-Review – Results (4.0) received from six auditors on staff indicated they agree.

5.b - The Metropolitan Auditor promotes collaboration and builds an environment of transparency. **3 – Exceptional**

Metropolitan Auditor Self-Review – Results (4.6) received from six auditors on staff indicated they agree.

5.c - Staff believes they are treated fairly and respected for their contributions to the Metropolitan Nashville Office of Internal Audit. **2 – Successful**

Metropolitan Auditor Self-Review – Results (4.2) received from six auditors on staff indicated they agree.

5.d Professional internal auditors want to work for the Metropolitan Nashville Office of Internal Audit. **2 – Successful**

Metropolitan Auditor Self-Review – Results (4.2) received from six auditors on staff indicated they agree.

6. Continuous Improvement

6.a - The Metropolitan Auditor completes two Metropolitan Nashville Office of Internal Audit strategic goals. **2 – Successful**

Metropolitan Auditor Self-Review – The Metropolitan Auditor completed two strategic goals during the Plan year. The internal audit legislation BL2017-581 was approved in April 2017, duplicate payment scripts were processed five times for the Department of Finance, and scripts to identify occupancy tax outliers are available to identify compliance high-risk hotel operators.

**June 2018 Metropolitan Auditor Performance Review
Based on Plan Year February 2017 to January 2018
Reviewer Comments**

Metropolitan Nashville Office of Internal Audit Strategic Goals

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

**June 2018 Metropolitan Auditor Performance Review
Based on Plan Year February 2017 to January 2018
Reviewer Comments**

Metropolitan Nashville Office of Internal Audit Key Performance Indicators

Performance Measure	Goal	Plan Year (Feb to Jan)		
		2017	2016	2015
Percentage of Direct Time to Available Time (Excluding Director)	85%	83%	84%	83%
Percentage of Recommendations Accepted	90%	99%	99%	86%
Number of Audit Projects Completed	18	16	15	14
Percentage of Recommendations Implemented within 1st Follow-Up after Initial Corrective Action Completion Date	85%	85%	88%	83%
Percentage of Audit Project Milestone Dates Achieved*	85%	40%	35%	n/a

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

**June 2018 Metropolitan Auditor Performance Review
Based on Plan Year February 2017 to January 2018
Summary**

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

1 - Needs Improvement: Performance fails to meet the minimum performance standards for the position.

2 – Successful: Performance meets the standard for the position.

3 – Exceptional: Performance is significantly above the performance standard for 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.	3
2. Competency.	
2.a - The Metropolitan Auditor has appropriate professional certifications and actively encourages staff to attain and maintain such qualifications.	3
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.	2
3. Audit Committee Relationship.	
3.a - The Metropolitan Auditor adequately prepares for and facilitates regular, concise communications with the Metropolitan Nashville Audit Committee.	3
3.b - The Metropolitan Auditor is open with the Metropolitan Nashville Audit Committee and candidly expresses opinions.	2
3.c - The Metropolitan Auditor provides a balanced perspective on topics such as organizational governance, risk, and internal control issues.	2
3.d - When issues requiring action are identified, the Metropolitan Auditor works with senior management to encourage appropriate corrective action in a timely manner.	3
4. Audit Plan Development and Execution.	
4.a - The Internal Audit Work Plan is developed and documented using a risk-based methodology to ensure audit engagements focus on the right areas (addresses what matters) with insightful objectives and with the right scope.	2
4.b - The Metropolitan Auditor requests appropriate boards, elected officials, and senior management input to the internal audit plan.	2
4.c - Plans are monitored and amended as the business environment, and risks change, and the Metropolitan Nashville Audit Committee is appropriately informed of such amendments.	2
4.d - The Metropolitan Auditor allocates time for special projects and advisory services as requested by senior management and/or the board after appropriate consideration of the risks involved.	2
4.e - The Metropolitan Auditor delivers 18 internal audit reports. <i>(Actual = 16 audits and 4 investigation reports)</i>	2

**June 2018 Metropolitan Auditor Performance Review
Based on Plan Year February 2017 to January 2018
Summary**

	Assessment Score
4.f - Management of the Metropolitan Nashville Government accepts at least 90 percent of internal audit report recommendations.	2
4.g - The Metropolitan Auditor ensures Internal Audit staff percentage of direct time to available time is 85 percent or greater. <i>(Actual = 83%)</i>	2
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.	2
4.i - The Metropolitan Auditor holds regular meetings with other stakeholders for purposes of debriefing, sharing information, and ensuring ongoing coordination.	2
4.j - The Metropolitan Auditor ensures audits are conducted in accordance with Government Auditing Standards (Yellow Book).	3
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.	2
5.b - The Metropolitan Auditor promotes collaboration and builds an environment of transparency.	3
5.c - Staff believes they are treated fairly and respected for their contributions to the Metropolitan Nashville Office of Internal Audit.	2
5.d Professional internal auditors want to work for the Metropolitan Nashville Office of Internal Audit.	2
6. Continuous Improvement.	
6.a - The Metropolitan Auditor completes two Metropolitan Nashville Office of Internal Audit strategic goals.	2
Total out of 22 Attributes	50
Average Assessment Score	2.27

June 2018 Metropolitan Auditor Performance Review
Based on Plan Year February 2017 to January 2018
Reviewer Comments

1. Independence, Objectivity Ethical Attributes

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

Metropolitan Auditor Self-Review – In the review period 16 audit reports, 4 investigation reports, 8 hotel tax compliance reviews, and 6 audit committee workbooks were issued. All reports were presented in an objective manner, clear, complete, and free from bias.

2. Competency Attributes

2.a - The Metropolitan Auditor has appropriate professional certifications and actively encourages staff to attain and maintain such qualifications. **3 – Exceptional**

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

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

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

Metropolitan Auditor Self-Review – The Metropolitan Auditor has over thirty-five years of experience in auditing, information systems, and information security. With over 15 years of government auditing experience within Metropolitan Nashville Government, City of San Antonio, and Saudi Aramco Community Services. Examples of audit engagements highlighting areas of risk coverage during the review period included General Government Occupational Safety, Autumn Hills Assisted Living Partners, Inc., General Sessions Recovery Court, MDHA Development Incentives, Metropolitan Transit Authority Revenue Collections, Codes and Building Safety Short Term Rental Program, and Office of Fleet Management.

3. Audit Committee Relationship

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

Metropolitan Auditor Self-Review – In the review period, six (6) audit committee workbooks were issued. Executive summaries are part of all audit reports issued.

**June 2018 Metropolitan Auditor Performance Review
Based on Plan Year February 2017 to January 2018
Reviewer Comments**

3.b - The Metropolitan Auditor is open with the Metropolitan Nashville Audit Committee and candidly expresses opinions. **2 – Successful**

Metropolitan Auditor Self-Review – The Metropolitan Auditor is open and provides the necessary background for discussion during communications with the Metropolitan Nashville Audit Committee.

3.c - The Metropolitan Auditor provides a balanced perspective on topics such as organizational governance, risk, and internal control issues. **2 – Successful**

Metropolitan Auditor Self-Review – Reports during the review period have covered a wide range of topics such as organizational governance (Health and Education Facility Board), risk (Park Police, General Government Occupational Safety, Human Resources Talent Acquisition Function, General Sessions Recovery Court Case Management, Codes and Building Safety Short Term Rentals) information security risks (Davidson County Sheriff Office Information Security), internal controls (Metro Water Services Payroll, Assessor of Property, Health Department Finance and Administration Bureau), contract compliance (Autumn Assisted Living Partners and First Tennessee Ballpark Construction, and hotel occupancy tax).

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

Metropolitan Auditor Self-Review – The Metropolitan Auditor provides meaningful, realistic recommendations to improve the delivery of government services. This is demonstrated with the 99 percent audit report recommendation acceptance during the Plan year.

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. **2 – Successful**

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

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

4.b - The Metropolitan Auditor requests appropriate board, elected officials, and senior management input to the internal audit plan. **2 – Successful**

Metropolitan Auditor Self-Review – The Metropolitan Auditor has always requested input during the annual audit plan prioritization. Five audit engagements completed during the review period were requested by management (Autumn Assisted Living Partners, General Sessions Recovery Court Case Management and Fiscal Management, Codes and Building Safety Short Term Rentals, Assessor of Property, and Metro Water Services Payroll.)

**June 2018 Metropolitan Auditor Performance Review
Based on Plan Year February 2017 to January 2018
Reviewer Comments**

4.c - Plans are monitored and amended as the business environment, and risks change, and the Metropolitan Nashville Audit Committee is appropriately informed of such amendments. **2 – Successful**

Metropolitan Auditor Self-Review – The Metropolitan Auditor obtains approval from the Metropolitan Nashville Audit Committee for all revisions to the Annual Audit Plan. The Annual Audit Plan was revised during the plan year to accommodate emerging risks related to General Sessions Recovery Court and Short Term Rental Permitting Process.

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. **2 – Successful**

Metropolitan Auditor Self-Review – The Office of Internal Audit runs potential duplicate payment reports on behalf of the Finance Department. With a non-audit service agreement, the Finance Department accepts full responsibility for the duplicate payment reports.

4.e - The Metropolitan Auditor delivers 18 internal audit reports. (2) Acceptable

Metropolitan Auditor Self-Review – The Office of Internal Audit completed 16 audit reports, 4 investigation reports, and 8 hotel tax compliance reviews during the review period.

4.f - Management of the Metropolitan Nashville Government accepts at least 90 percent of internal audit report recommendations. **3 – Exceptional**

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

4.g - The Metropolitan Auditor ensures Internal Audit staff percentage of direct time to available time is 85 percent or greater. **2 – Successful**

Metropolitan Auditor Self-Review – Internal Audit staff percentage of direct time to available time was 83 percent during the review period.

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. **2 – Successful**

Metropolitan Auditor Self-Review – The Metropolitan Auditor secured the service of subject matter experts during the review period for the Davidson County Sheriff Office Information Technology Security (BerryDunn), Human Resources Talent Acquisition (Experis HR), and construction auditing (Experis Finance and Robert McDonald).

4.i - The Metropolitan Auditor holds regular meetings with other stakeholders for purposes of debriefing, sharing information, and ensuring ongoing coordination. **2 – Successful**

Metropolitan Auditor Self-Review – The Metropolitan Auditor attempts to ensure audit assurance services are not duplicated by meeting periodically with the Finance Department Office of Financial Accountability, consulting with external auditors Crosslin for internal audit engagements, BerryDunn to complete PCI Compliance reviews, and City of Goodlettsville hotel tax compliance audit efforts.

June 2018 Metropolitan Auditor Performance Review
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4.j - The Metropolitan Auditor ensures audits are conducted in accordance with Government Auditing Standards (Yellow Book). **3 – Exceptional**

Metropolitan Auditor Self-Review – In April 2017, the Office of Internal Audit received the highest opinion of compliance with Government Auditing Standards for the period between January 1, 2014, and December 31, 2016, from the Association of Local Government Auditors. An external self-assessment is required every three (3) years.

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

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

5.a - The Metropolitan Auditor is effective in building a team. **2 – Successful**

Metropolitan Auditor Self-Review – Results (4.0) received from six auditors on staff indicated they agree.

5.b - The Metropolitan Auditor promotes collaboration and builds an environment of transparency. **3 – Exceptional**

Metropolitan Auditor Self-Review – Results (4.6) received from six auditors on staff indicated they agree.

5.c - Staff believes they are treated fairly and respected for their contributions to the Metropolitan Nashville Office of Internal Audit. **2 – Successful**

Metropolitan Auditor Self-Review – Results (4.2) received from six auditors on staff indicated they agree.

5.d Professional internal auditors want to work for the Metropolitan Nashville Office of Internal Audit. **2 – Successful**

Metropolitan Auditor Self-Review – Results (4.2) received from six auditors on staff indicated they agree.

6. Continuous Improvement

6.a - The Metropolitan Auditor completes two Metropolitan Nashville Office of Internal Audit strategic goals. **2 – Successful**

Metropolitan Auditor Self-Review – The Metropolitan Auditor completed two strategic goals during the Plan year. The internal audit legislation BL2017-581 was approved in April 2017, duplicate payment scripts were processed five times for the Department of Finance, and scripts to identify occupancy tax outliers are available to identify compliance high-risk hotel operators.

**June 2018 Metropolitan Auditor Performance Review
Based on Plan Year February 2017 to January 2018
Reviewer Comments**

Metropolitan Nashville Office of Internal Audit Strategic Goals

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

**June 2018 Metropolitan Auditor Performance Review
Based on Plan Year February 2017 to January 2018
Reviewer Comments**

Metropolitan Nashville Office of Internal Audit Key Performance Indicators

Performance Measure	Goal	Plan Year (Feb to Jan)		
		2017	2016	2015
Percentage of Direct Time to Available Time (Excluding Director)	85%	83%	84%	83%
Percentage of Recommendations Accepted	90%	99%	99%	86%
Number of Audit Projects Completed	18	16	15	14
Percentage of Recommendations Implemented within 1st Follow-Up after Initial Corrective Action Completion Date	85%	85%	88%	83%
Percentage of Audit Project Milestone Dates Achieved*	85%	40%	35%	n/a

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

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.

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**Metropolitan Nashville Office of Internal Audit
Audit Project Status
As of July 24, 2018**

Audit Plan Year February 2018 to January 2019	Projects	Planning	Fieldwork	Report	Report Phase	
					Draft	Final
	1) Finance Department - Procurement Division			✓	Jul-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			✓		May-18
	6) MNPS Procurement Cards			✓	Jul-18	
	7) Barnes Fund - Affordable Housing			✓	Aug-18	
	8) Hospital Authority - Procurement to Pay Process			✓	Jul-18	
	9) Fire Hydrant Maintenance Process			✓	Aug-18	
	10) MNPS Expenditures and Budget Issues			✓	Jul-18	
	11) MWS Infrastructure Computer Systems Security			✓	Jul-18	
	12) Oracle Enterprise Business System R12 (Interim)			✓	Aug-18	
	13) Register of Deeds	✓				
Metro IntegrityLine Alerts - February 2018 to January 2019				Total	Closed	Pending
	Metro Hotline Alerts (Fraud, Waste & Abuse)			20	2	18
	*- Mayor's Office and Security Detail Investigation					
	* -Contractor					
	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 4 audit projects are completed, and 8 audit projects are in the draft report phase.

**Metropolitan Nashville Office of Internal Audit
2018 Approve Work Plan Status As Of July 20, 2018**

*Co-source	CY 2017 Audits In Progress	Hours	Actual
1	Hotel Occupancy Tax Audits – 2017	100	1
2	Metropolitan Development and Housing Agency – Development Incentive Process (Reporting Phase)	40	37
3	Finance – Purchasing Division (Reporting Phase)	60	119
4	Metropolitan Nashville Public Schools – Credit Card Purchases Review (Reporting Phase)	100	232
5	Office of Family Safety (Reporting Phase)	60	111
6	Metropolitan Transit Authority - Revenue Collection Process (Reporting Phase)	20	10
7	Information Technology Services - Software License/Subscription Monitoring (Reporting Phase)	120	106
8	Mayor's Office - Barnes Fund for Affordable Housing (Planning Phase)	800	606
9	Hospital Authority – General Hospital Purchase to Pay Process (Planning Phase)	800	1,008
CY 2018 New Audit Areas			
1	Hotel Occupancy Tax Audits - 2018	500	
2	Mayor's Office / Nashville Career Advancement Center Opportunity Now Program	800	
3	Metropolitan Nashville Government Unusual Financial Transactions Review (payables, credit card, fuel card, time entry, top ten travel, etc.)	800	
4	Register of Deeds (Collections, Credit Card, Payroll, Expenses, Application Security, etc.)	800	
5	Metro Water Services and Fire Department - Fire Hydrant Maintenance and Inspection Process	800	812
6	Metropolitan Nashville Government Collaboration with Nonprofit Entities	800	
7	Planning Commission – Zoning Conditions Enforcement and Coordination with Public Works - Development Infrastructure Incentives	800	
8	Metro Water Services - Storm Water Billing and Revenue Collection	800	
9	General Government Employee Benefits Management	800	
10	Public Works Contract Monitoring – Collier Engineering (\$9.3 Million FY 2017)	400	
11	Arts Commission	600	
12	Parks and Recreation Department - Wave Pool Operations	400	
13*	Library – Building Security	400	
14*	Sports Authority / General Services Department - MLS Soccer Stadium Construction Project	600	

**Metropolitan Nashville Office of Internal Audit
2018 Approved Work Plan Status As Of July 20, 2018**

15*	Metropolitan Nashville Public Schools - Capital Project Construction Program	600	
16	General Services Department – Construction Owner Representative Contractors (Capital Project Solutions, etc.)	400	
Information Technology Risk			
17	Oracle R12 E-Business Suite / Taleo Implementation Project	800	470
18	Police Department - Advance Records Management System Application Review	800	
19*	Metropolitan Nashville Public Schools - Information Technology Security Management	600	
20*	Health Department – Information Technology Security Management and Governance	600	
21*	Metro Water Services – Infrastructure Information Security Management	600	49
Audit Recommendation Follow-up			
22	Codes and Building Safety - Short Term Rental Permitting Process Audit Follow-Up	250	
23	Information Technology Services - Radio Shop Audit Follow-Up	250	
24	General Services Department - Fleet Management Audit Follow-Up	250	
25	Human Relations Commission Audit Follow-Up	250	
		16,800	
Revisions to the 2018 Approved Internal Audit Work Plan			
26	MNPS Expenditure and Budget Matters	800	821
	Total Audit Services Effort To Date		4,383
	Summary	Budget	Actual
	Audit Services	11,900	4,383
	Investigation Services	1,200	2,397
	Special Projects	400	225
	Total (52% Effort Used To Date)	13,500	7,005

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

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

Call 877-647-3335

or

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



Office of Internal Audit Budget versus Actual
GSD General Fund as of July 19, 2018
FY 2018 Approved Budget

		FY 2018			Notes
		Budget	Actual	Difference	
Total Salaries & Fringe		\$ 1,116,300	\$ 1,062,289	\$ 54,011	
Other Expenses					
Professional & Purchased Services		248,000	52,228	195,772	
Building Rent Parkway Towers		55,500	54,963	537	\$4,580 per month
Other Expenses		71,900	56,268	15,632	
Internal Service Fees		54,000	54,000	-	Information Technology
TOTAL EXPENSES		\$ 1,545,700	\$ 1,279,748	\$ 265,952	83 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

**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

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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.

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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)