

**METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON
COUNTY**



**METROPOLITAN NASHVILLE
AUDIT COMMITTEE**

WORKBOOK

September 11, 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 person: \$74,000
 2 people: \$150,000
 3+ people: \$339,000

ASSET MISAPPROPRIATION SCHEMES
 are the most common and least costly

\$114,000
 median loss

89%
 of cases

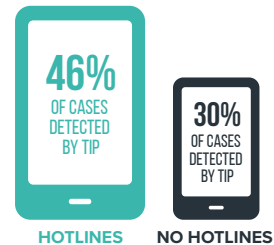
\$800,000
 median loss

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

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

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

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

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**METROPOLITAN NASHVILLE
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA
September 11, 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 July 24, 2018, Meeting. (Brackney Reed – Committee Chairman)
- III. Unfinished Business
 - Discussion on Councilmember Fabian Bedne’s request for an audit of diversity reporting received May 7, 2018. (Mark Swann – Metropolitan Auditor)
 - Acceptance of the Metropolitan Nashville Government Fiscal Year 2017 Letter of Recommendations to Management from Crosslin discussed in the April 10, 2018, Committee meeting. (Brackney Reed – Committee Chairman)
 - Acceptance 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 discussed in the April 10, 2018, Committee meeting. (Brackney Reed – Committee Chairman)
- IV. New Business
 - Discussion on General Sessions Court Presiding Judge Blackburn’s and Court Administrator Warner Hassell’s request for an audit of General Sessions Court Traffic School received September 5, 2018. (Mark Swann – Metropolitan Auditor)
 - Discussion on the audit of the Oracle R12.2 E-Business Suite Implementation issued August 17, 2018. (Mark Swann – Metropolitan Auditor)
 - Discussion on the audit of the Nashville General Hospital Procurement to Pay process issued August 28, 2018. (Seth Hatfield – Senior Auditor)
 - Discussion on the audit of the Metro Water Services Process Control System Security – Public Notice issued August 20, 2018. (Mark Swann-Metropolitan Auditor)
 - Discussion on the audit of Department of Finance Procurement Division issued August 17, 2018. (Mark Swann-Metropolitan Auditor)
 - Discussion on the audit of the Metropolitan Nashville Public Schools Purchasing Card Program issued August 1, 2018. (Mary Cole – Senior Auditor)
 - Discussion on the audit of the Metropolitan Nashville Public Schools Financial Matters issued August 17, 2018. (Mary Cole – Senior Auditor)
 - Discussion on the Then-Mayor Megan Barry’s Travel and Dignitary Security Detail Extra Time Expense Investigation issued August 22, 2018. (Mark Swann-Metropolitan Auditor)
 - Audit Recommendation Follow-up Status – August 2018. (Mark Swann-Metropolitan Auditor)

**METROPOLITAN NASHVILLE
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA
September 11, 2018 4:00 p.m.**

- Metropolitan Nashville Audit Committee Annual Self-Assessment. (Brackney Reed - Committee Chairman)
 - Metropolitan Nashville Audit Committee and Metropolitan Nashville Office of Internal Audit Bylaws annual review. (Mark Swann-Metropolitan Auditor)
- 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 2019 budget status.
- VIII. Consideration of Items for Future Meetings (Brackney Reed - Committee Chairman)
- IX. Adjournment of Public Meeting – Next Meeting Tuesday, November 27, 2018.
- X. Executive Session Agenda – (Brackney Reed - Committee Chairman)
- Discussion on the ongoing audit of Metropolitan Nashville FY 2018 Financial Statements audit with Crosslin. (External Auditor)
 - Discussion of pending or ongoing audits or investigations. (Mark Swann – Metropolitan Auditor)

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

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.

**METROPOLITAN NASHVILLE
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA
September 11, 2018 4:00 p.m.**

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.

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

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

**DRAFT
July 24, 2018**

On Tuesday, July 24, 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
Charles Frasier, Tennessee Society of CPAs
John Cooper, Council Member
Bob Mendes, Council Member

Committee Member Not Present

Talia Lomax-O'dneal, Director of Finance

Others

Mark Swann, Metropolitan Auditor
Theresa Costonis, Department of Law
Dell Crosslin, Crosslin
John Crosslin, Crosslin
David Hunt, Crosslin
Jennifer Manternach, Crosslin
Lindsey Ellis, Crosslin
Phil Carr, Chief Accountant
John Griffey, Chief Information Security Officer
Mike Jameson, Metropolitan Council Executive Director
Elizabeth Waites, Metropolitan Clerk
Innocent Dargbey, Office of Internal Audit
Seth Hatfield, Office of Internal Audit
Bill Walker, Office of Internal Audit
Qian Yuan, Office of Internal Audit

Quorum present? Yes

CALL MEETING TO ORDER

Mr. Brackney Reed called the meeting to order but explained that a quorum would not be present until Mr. Bob Mendes arrived. Mr. Reed stated that the meeting would begin with an informational presentation by Crosslin. The committee members could ask questions to Crosslin, but could not deliberate or call any motions until a quorum was present.

External auditor presentation FY 2018 Financial Audit Communications

Mr. John Crosslin began the presentation by discussing staffing changes as requested previously by the Audit Committee. Mr. John Crosslin will be the Overall Principal In Charge as well as the Principal In Charge for Central Government and the Comprehensive Annual Financial Report. Mr. David Hunt will be the Principal In Charge of the Nashville General Hospital and Water and Sewage, and Jennifer Manternach will be the Director in Charge of Uniform Guidance and State Compliance.

Mr. Crosslin discussed the responsibilities of both Crosslin and management, Crosslin's independence, and the assessment of fraud risk during the audit. Mr. Crosslin presented the steps in their audit methodology and approach which includes audit planning, risk assessment, control evaluation, control testing, substantive testing, and reporting.

The Metropolitan Nashville Government will be considered a high-risk auditee which will require 40 percent audit coverage for federal expenditures under federal programs.

Mr. John Cooper asked whether being a high-risk auditee would be a normal condition for cities. Mr. Crosslin stated that there isn't necessarily a normal for cities. He explained that the Metropolitan Nashville Government is considered a high-risk auditee because the Hospital Authority is a going concern and has a material weakness because management was not sufficiently monitoring transactions, reviewing activity, or reconciling accounts.

Mr. Crosslin summarized significant activity and issues, prior year issues and recommendations, and upcoming GASB statements. He informed the committee that GASB Statement Number 75 would add an approximate \$2.5 to \$2.8 billion liability to the financial statements this year.

Mr. Crosslin stated that all deliverables should be completed by December 31, 2018.

Mr. Cooper asked how long Crosslin, PLLC has been performing external audit work for the Metropolitan Nashville Government, the length of their contract, and how the fee structure was determined. Mr. Dell Crosslin advised the firm has been the external auditors for nine years and are on the second five-year contract. Crosslin has a set fee and creates the budget five years in advance knowing that the budget may be off on some of those years.

Mr. Bob Mendes arrived at 4:18pm. A quorum was then present.

Mr. Cooper asked if there was a performance aspect around the auditing of capital projects. Mr. David Hunt stated that their audit work is objective and is not performance related.

APPROVAL OF MINUTES

A **motion** to approve the April 10, 2018, meeting minutes as presented in the Metropolitan Nashville Audit Committee Workbook for July 24, 2018, was made, seconded, and carried.

NEW BUSINESS

Discussion on Audit of the Information Technology Services – Software Asset Management audit report issued May 2, 2018.

Mr. Innocent Dargbey summarized the objectives, observations, and recommendations for this audit.

Mr. Charles Frasier asked if the recommendations with estimated completion dates of June 30, 2018, have been completed. Mr. John Griffey stated that the recommendation regarding the training of employees on software management policies had been completed, but the recommendation for establishing a software asset management initiative to incorporate license-tracking procedures into business functions will need to be pushed back to the end of August 2018. Mr. Frasier inquired as to whether the controls around software asset management would be considered effective once all four recommendations were implemented. Mr. Dargbey confirmed that the controls would be effective once the recommendations were implemented.

Mr. Cooper asked the make up the Information Security Steering Committee, and it was explained that the committee is interdepartmental and comprised of seven departments. Mr.

Swann stated that there was also an Information Security Advisory Committee. The advisory board is comprised of both private citizens and representatives from departments.

Mr. Mendes asked for clarification on whether the recommendation with an estimated completion date of June 30, 2018, would be able to be implemented by the end of August 2018. Mr. Griffey advised that management believes the implementation could be completed by that time. Mr. Mendes requested that the date is officially changed to August 31, 2018, in their management response to reflect that change.

Discussion on Councilmember Fabian Bedne's request for an audit of diversity reporting received May 7, 2018.

Mr. Swann presented Councilmember Fabian Bedne's request to amend the 2018 Annual Internal Audit Plan to include an audit of the quality of diversity reporting. Mr. Swann explained that the audit could examine the accuracy of the diversity reports in which Mr. Bedne had concerns.

Mr. Frasier inquired about the requirements and standards for diversity reporting. Mr. Swann stated that there might be reporting required by the Equal Employment Opportunity Commission, but he believed Mr. Bedne's request was more related to the diversity information in management reports that are released to the public.

Mr. Cooper asked if the recent benchmark study related to procurement diversity had any human resources implications as he is worried this proposed audit may be duplicative.

Mr. Mendes asked Mr. Mike Jameson if he was aware of which reports Mr. Bedne's request was concerning. Mr. Jameson stated that he was not aware of the specific reports, but Mr. Bedne was concerned with the accuracy of reports regarding certain benchmarks being hit and the legitimacy of the numbers being reported.

Action Item: Mr. Mendes asked that Mr. Jameson follow up with Mr. Bedne about his specific concerns with reports and for Mr. Swann to report back if there are any procedures to perform on those reports.

Discussion on Councilmember Karen Johnson's request for an audit of the Register of Deeds Office received on May 23, 2018.

Mr. Swann explained that Council Member Karen Johnson requested that the audit of the Register of Deeds be prioritized on the annual audit plan to be started before the current Register of Deeds leaves office on August 31, 2018.

Mr. Mendes stated that the audit of the Register of Deeds could be made a higher priority if other important work was not slowed down as a result. Mr. Swann said that no other work would be affected.

Metropolitan Auditor's annual performance review.

Ms. Theresa Costonis reviewed the process used for the evaluation. The evaluation form was developed by polling other departments, white papers for best practices, and the charter requirements for the position. Ms. Costonis previously distributed the evaluation form to each committee member, and all but one responded. Responses were consolidated into a group score. This process was approved by the Audit Committee Chairman who also recommended

that Mr. Swann complete a self-assessment. Ms. Costonis stated that the group average performance evaluation for Mr. Swann was very high.

Mr. Reed requested a motion that the group average performance evaluation is deemed the official performance evaluation of the Metropolitan Auditor.

A **motion** to accept the group average performance evaluation as the annual Metropolitan Auditor performance review and to make the evaluation available to the public by adding the performance review to the Audit Committee Workbook was made, seconded, and carried.

A compensation review was discussed. Mr. Mendes inquired about the targeted savings for the department and how those savings would be accomplished. Mr. Swann stated that the targeted savings for the Office of Internal Audit was approximately \$40,000 and either staff turnover or a reduction in the consulting budget would be used to meet that target.

Mr. Mendes inquired if staff internal auditors received pay increases. Mr. Swann stated that raises for staff ranged from 1.5 percent to 3 percent and summarized the methodology for determining the percentage increase. Mr. Swann recommended an increase of 1.5 percent but explained that the committee could award him anywhere from 0 to 2.5 percent.

A **motion** for Mr. Swann to receive a merit salary increase of 1.5 percent was made, seconded, and carried.

UNFINISHED BUSINESS

Discussion of proposed scope and objectives for an audit of Metropolitan Nashville Government Collaboration with Nonprofit Entities.

Mr. Swann stated that the proposed scope would include six departments. The audit would examine the relationship between the six departments and nonprofit entities and determine if an agreement is in place and whether facilities, personnel, and services are provided.

Mr. Swann explained that the goal of the audit was to determine if more guidance is needed for relationships between the Metropolitan Nashville Government and nonprofit entities.

Mr. Cooper inquired about whether an inventory of nonprofit entities that work with the Metropolitan Nashville Government exists. Mr. Swann explained that these six departments were chosen because it is known the departments work with a number of nonprofit entities. However, the exact number of nonprofit entities associated with the Metropolitan Nashville Government is not known.

Mr. Cooper inquired about the best practices for avoiding trouble in dealing with nonprofit entities. Mr. Hunt was not aware of any best practices related to relationships with nonprofit entities. Mr. Swann stated that not having an agreement between parties and having a Metropolitan Nashville employee on a nonprofit board should be avoided.

Internal Audit Project Status

Mr. Swann summarized the status of current audit projects in the Office of Internal Audit.

Fraud Waste and Abuse Hotline and Investigation Update

Mr. Swann explained that there had been an uptick in the number of investigations from hotline calls and the hours allocated for investigations has doubled as a result.

Other Administrative Matters

The Office of Internal Audit is currently under budget but must reach a targeted savings of \$44,000 for the current fiscal year.

The next meetings are scheduled for September 11, 2018, and November 27, 2018.

A **motion** to adjourn was made, seconded, and carried.

The public meeting adjourned after approximately 57 minutes.

A **motion** to move into Executive Session was made, seconded, and carried.

Respectfully submitted to the Metropolitan Nashville Audit Committee.

Mark Swann
Secretary, Metropolitan Nashville Audit Committee

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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)

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

Letter of Recommendations to Management

June 30, 2017

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

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

YEAR ENDED JUNE 30, 2017

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Swann, Mark (Internal Audit)

From: Hassell, Warner (G.S. Court)
Sent: Wednesday, September 5, 2018 3:23 PM
To: Swann, Mark (Internal Audit)
Cc: Walker, William B (Internal Audit); Blackburn, Judge Melissa (G.S. Court)
Subject: Official Request of an Audit for the General Sessions Court Traffic School

Mark,

After consultation with Presiding Judge Blackburn, we want to officially request an audit of the General Sessions Court Traffic School. This audit should obviously consider improvements in records and cash management procedures as well as the option of the Traffic Violations Bureau assuming the cash management function for the Traffic School.

Let me know if you have any questions concerning this request.

Thanks,

Warner Hassell
Court Administrator
Metropolitan General Sessions Court
408 2nd Ave. N. Suite 1140
P.O. Box 196300
Nashville, TN 37219-6300
Phone: 615-862-8318

EXECUTIVE SUMMARY

August 17, 2018



Why We Did This Audit

The Oracle E-Business Suite R12.2 implementation will affect Metropolitan Nashville Government's financial reporting and daily business practices.

What We Recommend

The Oracle E-Business Suite R12.2 Implementation Steering Committee should ensure that project documentation is properly signed off, available for review, and status reported accurately.

Audit of Oracle E-Business Suite R12.2 Implementation

BACKGROUND

The Oracle JD Edwards EnterpriseOne system which mainly covers the financial, human resources, and payroll support for the Metropolitan Nashville General Government and Metro Nashville Public Schools, expires in December 2019. CSS International was hired to conduct an assessment in 2016 to review business processes and perform a Map/Gap analysis. A decision was made to move to Oracle E-Business Suite R12.2 system based on the assessment result.

The Oracle E-Business Suite R12.2 capital project is a two-year implementation project with a capital spending need of approximately \$23 million and involves about 34,200 hours of work effort. The Metropolitan Nashville Council has appropriated \$18 million for this project to date, with an additional \$5 million to be recommended in this year Capital Spending Plan.

The implementation project started in July 2017, and the new system is estimated to go live in May 2019.

OBJECTIVES AND SCOPE

The audit objective is to determine whether controls exist so the implementation of the Oracle E-Business Suite R12.2 would satisfy business requirements, ensure data security, and segregation of duties.

The interim audit report covered the project period from July 2017 to July 31, 2018. The Accounts Payable module was selected for overall comprehension of the implementation process and review of application controls.

WHAT WE FOUND

Oracle E-Business Suite R12.2 has standard controls built into the system, which need to be configured or customized by developers to satisfy Metropolitan Nashville Government's specific needs. The design phase of the Accounts Payable module is still ongoing in parallel to the building and testing phase of other modules.

The Project Delivery Platform was not being used as described in the CSS Business Plan, which is incorporated as part of the implementation contract.

GOVERNANCE

The Metropolitan Nashville Government Department of Finance, Human Resources Department, Information Technology Services, and Metro Nashville Public Schools formed a steering committee in 2016 to oversee the migration from JD Edwards to Oracle E-Business Suite R12.2.

The project team comprises of members from Metropolitan Nashville Government's Information Technology Services and CSS International. The project management also comprises of representatives from Information Technology Services and CSS International. The Metropolitan Nashville Government created a core team for each functional area affected by the project to assist in documentation, configuration, and to be trained as internal consultants for the new system. Subject matter experts in each functional area have been designated to provide insights, so business requirements are accurately collected, communicated, and implemented.

The project team holds a weekly status meeting and monthly steering committee meeting to report on project status.

PROJECT STATUS

The Metropolitan Nashville Council has appropriated \$18 million in Capital Spending Plans, with an additional \$5 million to be recommended in a future Capital Spending Plan. The expenditure incurred for the project comparing to the approved budget is shown in Exhibit A.

Exhibit A - Project Budget versus Expenditures as of August 8, 2018

Capital Spending Plan	Budget	Total Expensed	Expense Percentage
FY 2017-2018	\$12,000,000	\$11,114,153	92.6%
FY 2017-2018 Mid-Year	6,000,000	1,594,301	26.6%
Grand Total	\$18,000,000	\$12,708,454	70.6%

Source: Metro JD Edwards Three Year Budget/Actual Report

CSS International adopted a phased approach for the implementation. Major phases include design, build, validate, deploy, and training. The business plan presented in the contract defined activities, deliverables, and a timeline for each phase.

The design phase was planned to be completed by September 2017. However, since the project team is running several phases (design, build, and validate) concurrently for different modules to achieve resource efficiency, the design phase for several functional areas is still ongoing. Development of forms, reports, interfaces, conversions, enhancements (FRICE) is a major activity during the design phase. As of August 8, 2018, out of 554 FRICE objects, 378 objects (68 percent) are still in design phase, including 45 FRICE objects (79 percent) of the 57 objects for the Accounts Payable module. The status of the RICE project deliverables is available in Appendix A.

The first integrated system test is on schedule and in preparation. This test covers configuration and conversion of the staging instance and user acceptance for six business functions with 114 RICE objects.

APPENDIX B – MANAGEMENT RESPONSE

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

RECOMMENDATION	Concurrence and Corrective Action Plan	Proposed Completion Date
<i>Recommendation for the Metro Project Management Team to:</i>		
A.1 Ensure the utilization of Project Delivery Platform system monitoring tool so that all deliverables can be effectively tracked.	Accept – All deliverables are being tracked in PDP. The complete project plan including detailed tracking is saved at Document/the library/Enter the Library/00 Project Controls/PMP Project Management Plan/	07/12/18
A.2 Ensure all business requirements, including change documents, are signed off by all pertinent stakeholders of the project, and all deliverables for each phase are received before a phase is closed.	Accept – We will obtain all approved deliverables before the Design phase for R12 is closed. We will follow this same process for the Taleo, iReceivables, and Fusion that have just kicked off on their separate timeline.	07/31/18

EXECUTIVE SUMMARY

August 28, 2018



Why We Did This Audit

The audit was initiated based on the amount of monetary transfers the Nashville General Hospital receives from the Metropolitan Nashville Government.

What We Recommend

- Develop procedures for the competitive sealed bid process.
- Assign one employee outside of the procurement-to-pay process to maintain the vendor master listing.
- Develop policies and procedures for the usage of credit cards.
- Develop retention schedules and maintain documentation for the specified time frame.

Audit of the Nashville General Hospital Procurement-to-Pay Process

BACKGROUND

The Nashville General Hospital procurement-to-pay process includes identifying goods and services needed by the hospital, procuring the best price for those goods and services, and paying the vendors within the established terms. Payments to vendors totaled \$120,674,783 between January 1, 2016, and December 31, 2017.

The Material Management department oversees the procurement and receiving of medical equipment and supplies for the hospital while Accounts Payable within the Accounting department processes invoices and prepares weekly payments to vendors.

Credit cards are used within the hospital for smaller purchases under \$1,000. Credit card purchases totaled \$401,419 between January 1, 2016, and December 31, 2017.

Top purchase categories by the Nashville General Hospital include contract services, professional services of physicians, pharmaceuticals, and maintenance.

OBJECTIVES AND SCOPE

The objectives of this audit are to determine if:

- Controls are in place to manage the procurement-to-pay process.
- Payments are supportive of Nashville General Hospital's mission.
- Payments are made by established terms and pricing.
- Goods and services are received for payments made by the Nashville General Hospital.

The scope of this audit included the procurement and payment for goods and services between January 1, 2016, and December 31, 2017.

WHAT WE FOUND

Controls are generally in place to manage the procurement-to-pay process. However, controls should be strengthened around bidding for goods and services, the vendor master listing, information systems access controls, usage of credit cards, and the retention of records.

Sampled purchases found the vendors were paid on average within 60 days with the exception of invoices from Meharry Medical College. A payment of \$4.4 million was made from the Metropolitan Nashville Government to Meharry Medical College in February 2018 for invoices dating back to fiscal year 2014.

GOVERNANCE

The Hospital Authority Board of Trustees consists of eleven members and is the governing body of the Nashville General Hospital. The Board of Trustees appoints the Chief Executive Officer of the Nashville General Hospital. The Chief Executive Officer has the authority and control to operate the Nashville General Hospital, subject only to policies adopted or orders issued by the Board of Trustees.

The Chief Financial Officer is responsible for policies and procedures for the procurement-to-pay process and reports directly to the Chief Executive Officer. In the absence of a Purchasing Agent, the Chief Executive Officer performs the functions thereof and is authorized by the Board of Trustees to set out for bid, negotiate, and execute contracts on behalf of the Hospital Authority.

The Director of Materials Management oversees the procurement function for all supplies and equipment for the hospital and reports to the Chief Executive Officer.

PROCUREMENT-TO-PAY PROCESS

The procurement process begins when a need is identified by a hospital department. If budgetary funds are available, purchases are to be made by the following procurement methods.

- Under \$1,000: Purchases can be made on the open market.
- \$1,000 to \$3,999.99: Purchases may be made on the open market, but be based on at least three verbal quotations.
- \$4,000 to \$9,999.99: Purchases may be made on the open market, but be based on three written quotations.
- \$10,000 and over: All purchases shall be obtained by competitive sealed bids or proposals.

Exceptions to bidding may be made for professional services contracts, which are awarded based on recognized competence and integrity and for sole source procurements when the purchasing agent determines in writing that there is only one source for the required item. In addition, bidding is not necessary when the Nashville General Hospital utilizes their contracted Group Purchasing Organization (GPO) for general medical supplies, small equipment, and pharmaceuticals. The hospital is currently a member of the Vizient Group Purchasing Organization (formally Med-Assets). The Nashville General Hospital also uses a healthcare-focused benchmarking web tool for real-time best price comparisons for healthcare supplies and equipment.

Potential vendors are vetted by the Materials Management Department before being added to the Vendor Master listing by the Finance Office.

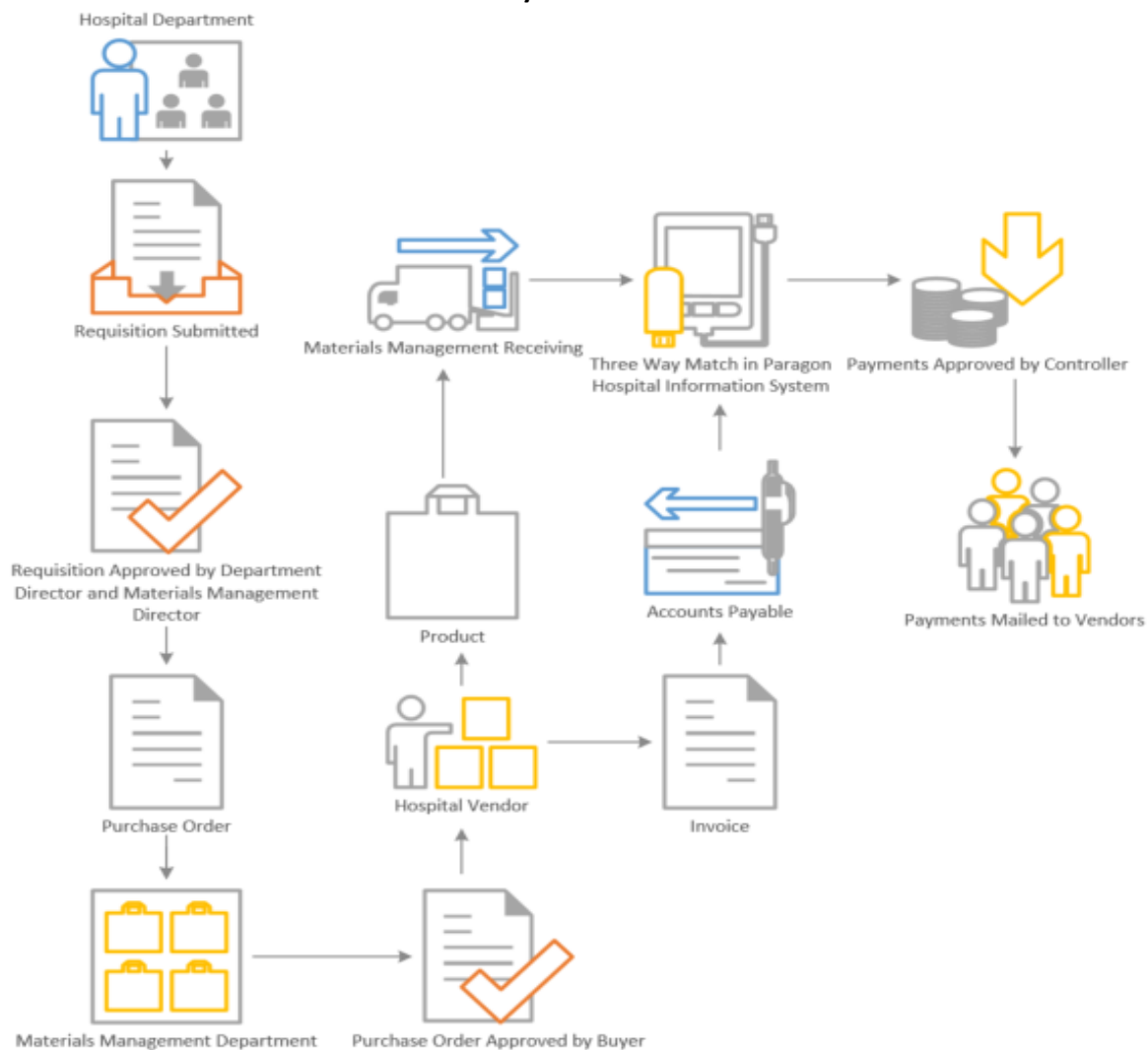
McKesson's Paragon administration and hospital financial application is used to manage the procurement-to-pay process. Requisitions are submitted by hospital departments and approved by the department director and Director of Materials Management. Requisitions are converted to purchase orders upon approval. A hospital buyer will review and approve the purchase order before submitting it to the vendor.

Items are received and counted by the Materials Management Department. A three-way match between the item count, purchase order, and invoice is performed within the Paragon system. Once the three-way match is completed, a payment voucher is automatically created.

Purchase orders are only used for the procurement of tangible supplies and equipment. Services are ordered without the use of purchase orders. Invoices for services are processed through SoftCo, an automated invoice processing application. Invoices are approved in SoftCo by both the department director and Chief Operating Officer. This approval acts as confirmation that the service was received. Once approved, the invoice is transferred to Paragon, and a payment voucher is created.

Payments are made each week based on the current cash position at the hospital. Payments are approved by the Nashville General Hospital Controller before the checks are printed.

Exhibit A – Overview of Procurement-to-Pay Process for Products



FISCAL INFORMATION

The top expense categories and vendors for purchases made by Nashville General Hospital can be seen in Exhibits B and C.

Exhibit B – Top Ten Purchase Categories by Fiscal Year

Expense Category	2015	2016	2017
Contract Services	\$ 6,973,956	\$ 7,371,965	\$ 8,389,007
Administration Medical Director Fees	5,572,320	5,950,985	4,987,827
Metro Nashville Overhead	3,609,900	3,609,900	5,391,321
Medical Supplies	3,665,884	4,541,406	4,332,372
Pharmacy - Inpatient	3,445,978	4,047,042	3,962,296
Repairs and Maintenance	2,663,666	2,517,370	3,157,214
Physician Service Emergency Room	2,094,902	1,733,797	4,155,119
Pharmacy - Outpatient	1,860,372	1,781,084	2,510,181
Interest Expense	2,135,942	1,955,098	1,805,876
Building	1,600,000	1,600,000	1,600,000

Source: Nashville General Hospital's Paragon Information System

Exhibit C – Top Vendors from January 1, 2016, through December 31, 2017

Vendors	Amount	Product / Service
Metropolitan Nashville Government	\$ 16,337,343	Benefits
McKesson Drug	11,913,281	Pharmaceuticals
Meharry Medical College	5,960,085	Professional Services and Utilities
Physynergy, LLC	5,629,783	Anesthesia Contract Services
Owens and Minor	5,517,152	Medical Supplies
Southeastern Emergency Physician	5,311,598	Emergency Room Hospitalist
McKesson Information Solutions	3,437,156	Paragon Information System
Universal Hospital Solutions, Inc.	2,794,084	Medical Equipment Rental
Presidio Networked Solutions	2,525,437	Network Services
Parallon Business Solutions	2,345,642	Accounts Receivable System

Source: Nashville General Hospital's Paragon Information System

Credit cards are assigned to the Chief Executive Officer, the Executive Assistant to the Chief Executive Officer, and the Director of Marketing. Credit cards are used for travel and purchases in the open market of under \$1,000. Credit card purchases totaled \$401,419 from January 1, 2016, through December 31, 2017. Exhibit D provides a summary of the top credit card vendors for this period.

Exhibit D – Top Credit Card Vendors from January 1, 2016, through December 31, 2017

Vendor	Amount	Business Purpose
Jason's Deli	\$21,712	Catering
Regal Cinemas	20,017	Gift Certificates for Employee Birthdays
National Committee for Quality Assurance	12,609	Patient-Centered Medical Home Designation / Survey Tool
Southwest Airlines	12,293	Air Travel
American Airlines	11,002	Air Travel
Vista Print	10,553	Printing Services
Delta Airlines	8,593	Air Travel
Liberty Party Rental	7,970	Product Rental for Events
Indeed	7,626	Recruiting
Tennessean	7,280	Newspaper Advertisements

Source: J.P. Morgan Chase Credit Card Website

OBJECTIVES AND CONCLUSIONS

1. *Are controls in place to manage the procurement-to-pay process?*

Generally, yes. Opportunities exist to strengthen controls within the procurement-to-pay process including bidding for goods and services that are not available through the Group Purchasing Organization, maintenance of the vendor master listing, access to information systems, usage of credit cards, and management approvals. (See Observation A, B, C, D, and E.)

2. *Are payments supportive of Nashville General Hospital's mission?*

Generally, yes excluding credit card purchases. All sampled payments accompanied with supporting documentation were aligned with the mission of the Nashville General Hospital. Supporting documentation for 1 out of 60 (2 percent) of sampled invoices and 40 out of 47 (85 percent) of sampled credit card transactions could not be produced due to staff turnover. (See Observation D.)

3. *Are payments made by established terms and pricing?*

Generally, no. Out of 60 sampled invoices, 50 invoices (83 percent) were not paid within payment terms. However, the average days to pay for the sampled population was 60 days. Invoices for the Professional Services Agreement with Meharry Medical College were not included in the sample. A payment of \$4.4 million was made from the Metropolitan Nashville Government to Meharry Medical College in February 2018. This payment included Professional Service Agreement invoices dating back to October 2016 and other miscellaneous amounts dating to fiscal year 2014. Nashville General Hospital has a history of late payments due to cash shortages, but management is committed to keeping the aging of invoices under 60 days.

4. *Are goods and services received for payments made by the Nashville General Hospital?*

Generally, yes. Controls are in place to ensure goods and services are received before payment is made. A three-way match between the items received, purchase order, and the invoices must be conducted for purchases originating from a purchase order. For purchased services not originated from a purchase order, the invoice must be approved by the hospital department director and Chief Operating Officer before payment is made. Approvals acknowledging receipt were not obtained for 10 out of 37 (27 percent) invoices. (See Observation E.)

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

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

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
<i>Recommendation for management of the Nashville General Hospital to:</i>		
A.1 - Add cost thresholds for bidding to the updated Metropolitan Hospital Authority Purchasing Policy. Ensure that bidding requirements are communicated to and followed by hospital departments.	Accept - We will establish a policy to bid out supplies and equipment that are not otherwise covered by our GPO or City contract, and we will establish bid processes, communications and recordkeeping to meet the highest standards of accountability.	11/5/2018
A.2 - Establish a retention schedule and maintain bidding documentation for the specified period.	Accept – see above – as part of the new bidding requirements, we will retain records for 5 years from date of award.	11/5/2018
A.3 - Develop procedures for the competitive sealed bidding process at the Nashville General Hospital.	Accept – See A.1	11/5/2018
B.1 - Assign one employee and one backup employee to maintain (add, update, inactive) the vendor master listing. The employees assigned this responsibility should be independent of the procurement-to-pay process.	Accept – We have assigned this primary task for vendor maintenance and updates to the Executive Assistant for our Finance Department. The backup support will be from our FIS/HRIS Manager. Neither is involved in procurement process.	10/1/2018
B.2 - Periodically review the vendor master to identify duplicate entries, vendors needing a tax identification numbers (obtain W-9 for new vendors), or vendors that should be inactivated.	Accept – At least quarterly, the staff involved in Section B.1 will review the vendor master for duplicates, TINs and long term inactive vendors.	10/1/2018
C.1 - Ensure that access to the Paragon information system is commensurate with the job responsibilities of employees.	Accept – We have tasked our IT department with removing access for all inactive employees or staff who have not worked for 90 days.	10/1/2018

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
D.1 - Develop policies and procedures for credit cards usage. Policies and procedures should address acceptable use, approvals, reconciliation of statements and receipts, transaction limits, travel, and retention of supporting documentation.	Accept – Effective immediately, all requests for credit card usage are being routed to the CEO Executive Assistant to ensure that purpose is appropriate, that there are no other means to pay for the services or goods, and that receipts will be generated at the time of the spend, thereby eliminating the need to collect receipts after the purchase. In addition, we will create a comprehensive policy on credit card usage and seek to drive purchases through traditional procurement channels to ensure all controls are in place and we complying with GPO and City contracts.	11/5/2018
D.2 - Ensure credit card holders possess the Nashville General Hospital sales tax exemption number and are instructed not to pay sales tax on credit card purchases.	Accept – Note that some transactions do not allow that option for credit card purchases, but we will ensure that our card holders have our sales tax exemption information readily available for when the opportunity to provide that information exists.	10/1/2018
E.1 - Ensure invoices are approved within SoftCo prior to payment.	Accept – There is a hard stop in the SOFTCO system requiring COO and/or CFO approval on items above \$1,000. For purchases less than \$1,000, invoices are approved at the department manager (or similar) level.	8/23/2018
E.2 - Ensure payments are approved prior to payment.	Accept – The Controller reviews all invoices approved for payment will sign off on the paymaster before actual checks/EFT are issued.	8/23/2018
E.3 - Establish a retention schedule and maintain payment approvals for the specified period.	Accept – We will establish a retention schedule and ensure that the approved paymaster or ledger is maintained according to that schedule.	8/23/2018



Why We Did This Audit

The audit was requested by the Director of Finance due to the important role the procurement cycle plays in the financial health of the Metropolitan Nashville Government and to ascertain if taxpayer dollars are being spent in the best interest of the community.

What We Recommend

- Improve the solicitations system of quality control through:
 - Creating “How to Procure” procedures and a buyer training roadmap.
 - Obtaining department certification from peer professional associations.
 - Conducting self-assessment.
- Use iProcurement requisitions and purchase orders for all purchases of goods and services.
- Encourage legislation to raise the competitive bidding limit to the maximum allowed by the State of Tennessee.
- Monitor delegated procurement authority and certificates of insurance.

Audit of the Department of Finance Procurement Division

BACKGROUND

The Metropolitan Nashville Government’s Department of Finance Procurement Division is responsible for overseeing procurement of goods and services for approximately 52 departments, agencies, commissions, and boards. However, Metropolitan Nashville Public Schools and component agencies procurement activity is not overseen by the Procurement Division.

OBJECTIVES AND SCOPE

The audit objectives are to determine if the Procurement Division is:

- Processing solicitations and issuing awards in compliance with the Regulations to the 1992 Procurement Code and Procurement Code.
- Processing solicitations and issuing awards in compliance with Procurement Code for assistance to small, disadvantaged, and service-disabled veteran owned businesses and the procurement nondiscrimination program.

The audit scope covered 788 procurement request over \$10,000 completed between July 1, 2015, and June 30, 2017. Department purchases were excluded.

WHAT WE FOUND

The Procurement Division staff is knowledgeable of and strives to comply with the Procurement Code and Procurement Regulations. A competitive bidding process is in place, and proposers have the ability to appeal solicitation decisions. However, the system of quality control to ensure consistent compliance with the Metropolitan Nashville Government Code of Laws related to procurement and Procurement Regulations needs improvement.

Between July 1, 2015, and June 30, 2017, disbursements for supplies, services, and construction were \$1.3 billion¹, with \$135.5 million (10 percent) of these disbursements not associated with a purchase order or a supplier with a contract.

Raising the department delegation limits to \$25,000 for when public advertising competitive bidding is required could reduce the number of solicitations requiring Procurement Division assistance. The number of suppliers meeting this limit would decrease from 28.7 percent to 20.2 percent while also, encompassing 98.8 percent of the historical spend on goods and services. This analysis assumes one supplier (vendor address number) results in an individual solicitation or purchase order.

¹ See source information for Exhibit 3 – Analysis of Raising Competitive Bid Limit to Maximum Allowed by State Code for Fiscal Years 2016 through 2017, on page 7 of this report.

GOVERNANCE

The Metropolitan Nashville Government Purchasing Agent is appointed by the Mayor and reports to the Director of Finance. Two mayoral appointed boards are also part of the governance structure. The Procurement Standards Board is empowered by the Metropolitan Nashville Council to establish Procurement Regulations, which further define and provide guidance to the Procurement Division in complying with the Procurement Code. The Procurement Appeals Board hears appeals of the Purchasing Agent's protest hearing determinations.

The Procurement Division is responsible for overseeing procurement of goods and services for approximately 52 departments, agencies, commissions, and boards. The Metropolitan Nashville Public Schools and component agencies procurement activity is not overseen by the Procurement Division.

The Metropolitan Nashville Government procurement practices are also subject to Tennessee Code Annotated Title 12, Chapter 3 - Public Purchases, Metropolitan Nashville Code of Laws Title 4, and the Metropolitan Nashville Government Procurement Regulations, which are promulgated by the Procurement Standards Board and serve as the policy effectuating the Code.

BACKGROUND

Various departments and agencies require a wide range of critical and strategic services, supplies, and construction to support essential public functions. It is important the Metropolitan Nashville Government spend taxpayer dollars responsibly, protected from undue influence, and in the best interest of the community. Procurement policies and processes are the means to achieve all of these goals.

The Procurement Division utilizes various methods for procuring goods and services to ensure that the best value and open access are achieved. These methods include:

Delegated Purchasing Authority - The Purchasing Agent delegates purchasing authority to individual department and agency heads for the purchases of goods and services under \$10,000. The Purchasing Agent can revoke this delegated authority for cause.

Invitation to Bid - The award is made to the lowest responsive and responsible bidder.

Request for Proposal - Used when selection criteria in addition to price are necessary to make an award. An evaluation committee reviews all bid responses.

Sole Source Purchase - Used when the item(s) is available from only one source.

Statewide Contracts - Use of State of Tennessee awarded contracts.

Cooperative Contracts - Use of contracts conducted by another municipality or state and marketed by a third party cooperative.

Emergency Purchases – Used when conditions create a threat to public health, welfare, or safety where an immediate and serious need for supplies, services, or construction cannot be met through normal procurement methods.

Sole Brand Purchase - Used when a specific brand needs to be acquired from several sources.

Solicitations result in a standard purchase order or a contract against which purchase orders can be released. Standard purchase order terms are non-negotiable for purchase orders originating from departmental quotes and purchase orders issued in response to invitations to bid or requests for proposal solicitations where no formal contract is developed. If the purchase order is issued as a release against a filed contract, the contract's terms and conditions shall govern.

PROCUREMENT DIVISION ORGANIZATION

For the audit period, the Procurement Division consisted of 20 employees divided into the following three sections:

Purchasing and Contracts - Responsible for issuing and tracking solicitations and contracts.

Business Assistance Office - Coordinates available public and private services in an effort to advance the Metropolitan Nashville Government commitment to assist in the development of minority, service-disabled veteran, small, and women-owned businesses. Some examples of the supporting activities performed by the Business Assistance Office include outreach programs, verifying and maintaining a current database of certifications for minority and women business entities, monitoring utilization of minority and women business entities, and investigating written complaints.

I-Procurement Training and Support - Provides training and support to all departments and agencies, assist in supplier registration, and liaises with the accounts payable division during vendor setup and approval.

In August 2017 new leadership reorganized the Procurement Division.

COMPUTER SYSTEMS

Oracle's iSupplier/iProcurement is used to manage the procurement lifecycle including activity associated with solicitations such as initial solicitation publication, questions, discussions, amendments, electronic bidding/proposal submission, unsealing of submissions, awards information, resulting contracts, and orders. During the fiscal years 2016 and 2017, the Procurement Division registered 1,378 and 1,596 new suppliers, respectively.

iProcurement interfaces with the JD Edwards EnterpriseOne financial system to ensure funds are available prior to purchase order release. If funds are sufficient, the account will be encumbered upon release of the order. Department receipts entered into iProcurement are transferred to EnterpriseOne for matching the delivery of goods with invoice payment requests.

OBJECTIVES AND CONCLUSIONS

1. *Is the Procurement Division processing solicitations and issuing awards in compliance with the Procurement Regulations?*

Generally, yes. The Procurement Division is knowledgeable of and strives to comply with the requirements of the Procurement Code and Procurement Regulations. A competitive bidding process is in place, and proposers have the ability to appeal solicitation decisions. However, the system of quality control to ensure consistent compliance with the Procurement Code and Procurement Regulations needs improvement. A sample of 41 Procurement Regulations or Procurement Code requirements tested demonstrated 4 requirements with a compliance performance of less than 75 percent. (See Observation A.)

2. *Is the Procurement Division Processing solicitations and issuing awards in compliance with Metropolitan Nashville Code of Laws Title 4, Chapters 44 and 46 assistance to small, disadvantaged, and service-disabled veteran owned businesses and the procurement nondiscrimination program?*

Yes. Staff is knowledgeable of and in good faith attempts to comply with the Procurement Nondiscrimination Program. Requirements are outlined on solicitation templates submitted by all potential vendors. Staff reviews solicitations. A sample of 20 Metropolitan Nashville Code of Laws Title 4, Chapters 44 and 46 requirements tested demonstrated 1 requirement with a compliance performance of less than 75 percent. (See Observation A.)

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

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

Recommendations	Concurrence and Corrective Action Plan	Proposed Completion Date
<i>Recommendation for management of the Department of Finance Procurement Division to improve Procurement Code and Procurement Regulations compliance performance by:</i>		
<p>A.1 Developing “How to Procure” procedures for critical procurement processes and establishing a buyer training roadmap.</p>	<p>ACCEPT - A Procurement Manual for external/departmental stakeholder use is currently underway. The purpose of the manual is to provide a resource for stakeholders that provides information and guidance on the effective and efficient use of the Procurement Process. Manual will include specific “how to’s,” procurement scenarios, and Procurement Code and Regulation references.</p>	<p>12/31/2018</p>
<p>A.2 Developing staff by establishing a buyer model-training curriculum and encourage certification programs for staff. Several government procurement associations offer certifications such as a certified professional public buyer or certified public procurement officer.</p>	<p>ACCEPT - An educational roadmap has already been launched. Staff educational attainment is being reviewed in comparison with required courses necessary for each buying staff member to be certified as a Certified Professional Public Buyer (CPPB) by the National Institute of Government Purchasing (NIGP). Full implementation of this recommendation is subject to funding availability.</p>	<p>06/30/2019</p>

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendations	Concurrence and Corrective Action Plan	Proposed Completion Date
<p>A.3 Seeking accreditation from a national professional procurement organization.</p>	<p>ACCEPT - The Procurement Division is reviewing the criteria necessary to achieve The National Institute of Government Purchasing (NIGP) OA4 Accreditation. This accreditation recognizes agencies that lead the public procurement profession through the implementation of best practices. Agencies meeting the minimum requirements are OA4-accredited for three years. The Accreditation includes a review of 11 core areas including Mission and Strategies, Organizational Structure, Authority and Responsibility, Planning and Scheduling, Standards and Specifications, Personnel and Professional Development, Best Practices, Audit and Evaluation, Cooperative Procurement, Property Management, and Procurement Technology. A milestone date of May 30, 2019, has been established to review achievement of the criteria with the hope of achieving accreditation by the end of 2019. Full implementation of this recommendation is subject to funding availability.</p>	<p>11/30/2019</p>
<p>A.4 Annually conduct a self-assessment of Procurement Code and Procurement Regulations compliance performance.</p>	<p>ACCEPT - The Procurement Division and the Office of Financial Accountability in the Finance Department will work together to implement this recommended change. Work is underway to develop the assessment criteria necessary to enable the Office of Financial Accountability to develop the necessary procedures to conduct the assessment. It is important that an external party conduct the assessment to ensure impartiality. The first assessment will occur during the Fiscal Year 2019.</p>	<p>01/01/2019</p>
<p>A.5 Deciding if purchasing officers' delegation should include the authority to approve an intent to award contracts.</p>	<p>ACCEPT - Tiered delegations will be established to allow for Senior Procurement Officers to make awards of Invitations to Bid. Delegations will be signed, and training of supervisors complete by November 2018 with delegation being effective in January of 2019.</p>	<p>01/01/2019</p>
<p>A.6 Ensuring all solicitation supporting documentation resides in one system of record.</p>	<p>ACCEPT - This modification is currently underway for all procurements. The iProcurement System is being established as the location of record for procurement activity from requisition to receipt, including all sourcing related actions, award letters, amendments, etc.</p>	<p>Currently Underway</p>

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendations	Concurrence and Corrective Action Plan	Proposed Completion Date
<i>Recommendation for management of the Department of Finance Procurement Division to improve Business Assistance Office tasks by:</i>		
B.1 Including Business Assistance Office tasks in the implementation plan to improve the overall system of quality control for procurement activity (see Observation A recommendations).	ACCEPT - Full details regarding Business Assistance Office tasks will be included in the Procurement Manual to provide both internal staff and external stakeholders information and guidance on the effective and efficient use of the procurement process including BAO activities.	11/30/2018
B.2 Ascertaining if the current Oracle R12 Enterprise Business implementation project can capture small, minority, woman, and service-disabled veteran owned businesses primary registered commodity codes along with secondary commodity codes entities they are interested in monitoring.	ACCEPT - Staff is currently working with the implementation team for the Oracle R12 Enterprise Business implementation project to determine steps necessary to address this observation.	06/30/2019
B.3 Providing additional guidance (standard letters) concerning expectations for outreach communication between prime contractors and small, minority, woman and service disabled veteran-owned businesses.	ACCEPT - Business Assistance Office Staff has begun the work of providing minimum standard outreach language to be used by offerors when reaching out to potential subcontractors. This language is not the full extent of what the outreach could include, but is at a minimum what the outreach must include. The language will consist of the specific details outlined in the Procurement Code.	10/01/2018
<i>Recommendation for management of the Department of Finance Procurement Division to:</i>		
C.1 Ensure all procurements for goods and services are enabled through iProcurement requisitions and purchase orders. Exceptions to this policy should require approval from the Purchasing Agent.	ACCEPT - The Procurement Division and Division of Accounts staff will work to develop a policy and procedures for Departmental use of the iProcurement System for those payments which are pursuant to contracts in order to ensure that such payments are the result of requisitions and approved Purchase Orders. The installation of the Oracle R12 product which will result in a singular platform for the iProcurement and Accounting /Payment Systems will facilitate this transition due to increased controls related to contract/PO details and payments. Details regarding this process will also be included in the Procurement Manual which will be made available for departmental users in an effort to provide them with information and guidance on effective use of the Procurement Process from requisition to receipt.	04/30/2019

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendations	Concurrence and Corrective Action Plan	Proposed Completion Date
<p>D.1 Encourage legislation to move the Metropolitan Nashville Government’s competitive bidding limit to match the maximum allowed for Tennessee municipalities.</p>	<p>ACCEPT - Staff is currently engaged in the preparation process to implement this recommended change. This change will require a modification to the Procurement Code through legislative action by the Metropolitan Council. Further, Departmental User Guidelines and subsequent Training, as well as Comprehensive Monitoring will be developed to establish a more robust Delegated Purchasing Authority Program for Metro Departments.</p>	<p>03/30/2019</p>
<p>E.1 Develop a systematic, methodical monitoring program for those departments utilizing delegated authority.</p>	<p>ACCEPT - The Procurement Division and the Office of Financial Accountability in the Finance Department will work together to implement this recommended change. The Office of Financial Accountability is currently working on the development of the procedures for the monitoring process. Those key controls are expected to be completed by January of 2019. Monitoring will begin in FY 2020.</p>	<p>07/01/2019</p>
<p>F.1 Ensure monitoring of contract insurance terms is assigned to staff within the Procurement Division, Department of Law Claims Division, or the contract proponent.</p>	<p>ACCEPT - Monitoring of contract insurance terms has been assigned to staff in the Procurement Division. The Procurement Division has established procedures to receive electronic Certificates of Insurance (COI), for ongoing reviewing to insure appropriateness of coverages as determined by the Department of Law. The Certificates are then uploaded into the iProcurement System as well as the public facing digital document management system where the expiration date of the COI is documented and searchable.</p>	<p>06/30/2019</p>

EXECUTIVE SUMMARY

August 1, 2018



Why We Did This Audit

The audit was initiated because the Metropolitan Nashville Office of Internal Audit has not previously performed an audit of Metro Nashville Public Schools purchasing card activity.

What We Recommend

Management should ensure that all transactions are conducted in accordance with policies and standard operating procedure.

Audit of the Metro Nashville Public Schools Purchasing Card Program

BACKGROUND

The Purchasing Card Program supports the procurement function for the Metro Nashville Public Schools. Purchasing cards are issued by Metro Nashville Public Schools as a mechanism to (a) ensure the timely obtainment of goods and services necessary for the sustainment of critical operation functions (for example maintenance, transportation and so forth), (b) obtain the goods and services of best value to the district in cases where the supplier does not accept a purchase order, and (c) book and pay for travel-related expenses.

Between July 1, 2015, and September 30, 2017, 55 purchasing cardholders processed \$6.1 million in charges through 12,935 purchasing card transactions.

OBJECTIVES AND SCOPE

The audit objective is to determine if Metro Nashville Public Schools management's expectations for the use of purchasing cards are being practiced by purchase cardholders. Management's expectations are communicated to staff in FM 2.111 - Purchasing Policy, FM 2.112 - Purchasing Card Program, and FMp 2.144 - Purchasing Card Program Standard Operating Procedure Outline.

The scope of the audit included the 12,935 purchasing card transactions processed between July 1, 2015, and September 30, 2017.

WHAT WE FOUND

The Metro Nashville Public Schools has policies in place and are generally implementing purchasing card policies effectively. Controls are in place to provide assurance that purchasing card transactions are appropriate, approved, and recorded in the general ledger. Our random and purposeful samples consisting of 124 purchasing card transactions showed all of these expenditures were related to the mission of the Metro Nashville Public Schools.

However, instances of cardholder performance as defined through purchasing card policy and procedures were not consistently practiced. Retention of documentation could be improved. Monthly reconciliations were not signed by the reviewer and cardholder in every case.

GOVERNANCE

Metro Nashville Public Schools reports to the Metro Nashville Board of Public Education. The Metro Nashville Board of Public Education manages and controls all public schools established under its jurisdiction. It has primary authority over school matters, but management responsibilities are delegated to the Director of Schools.

Purchasing card activity is also governed by several internal policies and procedures. Management's expectations are communicated to staff in FM 2.111 - Purchasing Policy, FM 2.112 - Purchasing Card Program, and FMP 2.144 - Purchasing Card Program Standard Operating Procedure Outline.

PURCHASING CARD PROCESS

The Purchasing Card program supports the procurement function of the Metro Nashville Public Schools. Purchasing cards are a mechanism to provide a cost-effective method to procure goods and services.

A breakdown of the top five purchase card merchants expenditures is presented in Exhibit A below.

Exhibit A – Top Five Purchasing Card Merchants between July 1, 2015, and September 30, 2017

Merchant	Amount	Purpose
Southwest Airlines	\$748,900	Travel
Marriott	256,219	Travel
Hilton	194,591	Travel
Amazon	114,407	Various
Neely Coble Company	92,837	Vehicle Parts and Service

Source: Metro Nashville Public Schools purchasing card data from JP Morgan

OBJECTIVE AND CONCLUSION

1. *Did Metro Nashville Public Schools purchasing cardholders perform management expectations as defined through Purchasing Card policy and procedures, specifically FM 2.111 - Purchasing Policy (November 2016), FM 2.112 - Purchasing Card Program (May 2014), and FMP 2.144 - Purchasing Card Program Standard Operating Procedure Outline (March 2012)?*

Generally, yes. Policies and procedures are in place and are generally being followed. Our random and purposeful samples consisting of 124 purchasing card transactions showed all of these expenditures were related to the mission of the Metro Nashville Public Schools. However, instances of cardholder performance as defined through purchasing card policy and procedures were not consistently practiced. (See Observation A.)

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 the management of the Metro Nashville Public Schools to:</i>		
A.1 - Ensure all purchasing card transactions comply with Purchasing Card policies and procedures.	Accept. Accept and is currently the practice.	4/30/2018
A.2 - Review Purchasing Card Program policies and procedures to ensure they reflect management's expectations and current practices.	Accept. Accept and will be finalized during the current fiscal period.	10/1/2018
B.1 - Revise the approval route for Director of Schools' travel expenditures, preferably a member of the Metro Nashville Board of Public Education or the Executive Team.	Accept. Accept and is currently the practice.	3/15/2018
C.1 - Implement an electronic filing method for the retention of purchasing card program documentation.	Accept. Accept the research of solutions, identification of costs, and possible inclusion in budget request. Would like to work with Metro to achieve an Enterprise Solution.	6/30/2019

EXECUTIVE SUMMARY

August 20, 2018



Why We Did This Audit

The audit was initiated because the Metropolitan Nashville Board of Public Education Chair, Anna Shepard and Vice Chair, Jill Speering, along with Council Member Steve Glover requested a review of Metro Nashville Public Schools financial matters.

What We Recommend

Determine if the Metropolitan Nashville Board of Public Education could benefit from a cost accounting report that separates central office costs from other district costs.

Audit of the Metro Nashville Public Schools Financial Matters

BACKGROUND

The Metro Nashville Public Schools prepares an operating budget and submits it to the Metropolitan Nashville Board of Public Education annually. The budget is submitted to the Mayor and the Metropolitan Nashville Government Council. Once it is approved by the Council, the budget becomes law.

The General Purpose School Fund operating budget includes local and state funding sources. Some additional state funding for enrollment “growth” is available if annual enrollment meets certain “growth” requirements. Metro Nashville Public Schools budgeted to receive “growth” funds, but enrollment instead dropped, so no “growth” funds were received. Thus, a funding shortfall was created for the fiscal year 2018.

OBJECTIVES AND SCOPE

The audit objectives are to describe and determine:

- At what point evidence of shortfalls in revenue was or should have become evident to the district, specifically the circumstances surrounding the current \$7.5 million funding shortfall in the fiscal year 2018 budget.
- The extent to which clerical errors affected the fiscal year 2019 budget process.
- The circumstances leading to the withholding of funding from individual schools as communicated to principals in September 2017 and March 2018.
- Costs for central office payroll and vehicles.
- The extent to which administrative and school-based expenditures have fallen within the constraints of the budget.
- The extent to which revenue has matched expenditures.
- Cost for travel and consultants compared to previous years and the approved budgets.
- Contracts entered into that might have affected available funds.

The scope of the audit included the requested items in the fiscal years 2018 and 2017, and comparison with the fiscal year 2016.

WHAT WE FOUND

The current accounting and budget structure do not completely meet the needs of certain members of the Metropolitan Nashville Board of Public Education to identify central office versus centralized services costs. (See Observation A.)

GOVERNANCE

Metro Nashville Public Schools reports to the Metropolitan Nashville Board of Public Education. The Metropolitan Nashville Board of Public Education manages and controls all public schools established under its jurisdiction. It has primary authority over school matters, but management responsibilities are delegated to the Director of Schools.

OPERATING FINANCE STRUCTURE

Exhibit A shows, the Metro Nashville Public Schools expenditures for all funds totaled over \$1.2 billion for the fiscal year 2017. The General Purpose School Fund and Debt Service Fund expenditures comprised 73 percent of all Metro Nashville Public Schools expenditures. The General Purpose School Fund is the chief operating fund for the Metro Nashville Public Schools. It comprises 66 percent of the total School System expenditures and is the focus of the analyses performed in this review.

Exhibit A - Metro Nashville Public Schools Total Expenditures All Funds

Fund	FY 2016	FY 2017	Percent FY 2017
General Purpose School	\$ 795,342,887	\$ 833,811,336	66
Debt Service	80,759,496	86,472,928	7
Nutritional Services	46,442,496	50,772,715	4
Educational Services - Federal, State, and Local Grants	160,279,295	182,900,182	14
School Self Insurance	878,570	2,132,686	0
School Print Shop	506,061	454,776	0
Professional Employee Insurance	110,259,797	115,344,293	9
Total	\$1,194,468,602	\$1,271,888,916	

Source: Metropolitan Nashville Government Comprehensive Annual Report

The Metro Nashville Public Schools General Purpose School Fund is presented as a major fund in the Metropolitan Nashville Government Comprehensive Annual Financial Report. The General Purpose School Fund is used to account for the receipt and disbursement of federal, state, and local funds for education purposes, except those required to be accounted for in another fund (usually capital, debt service, and so forth.) Within the Metro Nashville Public Schools, the General Purpose School Fund has local and state funds, and there are additional funds used to account for federal grants, capital projects, debt service, and so forth. Only the total amount of each federal grant award expected is included in the operating budget process.

The operating budget is by function and object. Examples of functions are the Office of Director of Schools, Board of Education, Chief Financial Officer, and Literacy Program. Examples of objects are Salaries – Certificated, Salaries – Support, Supplies and Materials, and Travel. Based on the general ledger coding, the expenditure and budget for an object within a function are recorded. See examples in Exhibit B.

Exhibit B – Example of General Purpose School Fund Accounting Function Codes and Object Codes

Function Code	Function Name	Object Code	Object Name
1100	Office of the Director of Schools	0xx	Salaries - Certificated
1110	Board of Education	1xx	Salaries - Clerical
1150	Chief Financial Officer	8xx	Travel/Mileage
2232	Literacy Program	9xx	Contracted Services

Source: Metro Nashville Public Schools' 2017-2018 Operating Budget

State funding is the Basic Education Program, based on a complex state formula and on prior year enrollment. These funds are distributed through the Tennessee Department of Education.

Local funds are appropriated by the Metropolitan Nashville Government Council.

Federal funds are budgeted according to the Tennessee Department of Education's guidance, and their budgets are separate and filed with the Tennessee Department of Education.

CONCLUSIONS ON OBJECTIVE ITEMS REQUESTED

- 1) *Describe and determine at what point evidence of shortfalls in revenue was or should have become evident to the district, specifically the circumstances surrounding the \$7.5 million funding shortfall in the fiscal year 2018 budget.*

There was a \$7.5 million funding shortfall in state Basic Education Program funding. The monthly estimates of the state Basic Education Program funding from the Tennessee Department of Education were monitored during the spring 2017 budget preparation and throughout the year. However, the estimates could have continued to fluctuate until at least January 2018. In addition, enrollment could have increased throughout the fall 2017 months to meet the requirements for growth funds, since the later months of the school year are weighted more heavily in the enrollment calculation.

The timing of when management "should have known" and made adjustments accordingly is an internal decision by the Metropolitan Nashville Public Schools.

In March 2018, the Basic Education Program funding for the 2017-2018 school year was expected to be \$7.5 million short. A portion of this shortage consisted of \$5 million budgeted in expectation of receiving Basic Education Program growth funds. However, that \$5 million was not received because no enrollment growth occurred. In addition, \$2.5 million less than the original Basic Education Program estimate from the Tennessee Department of Education was received for the Basic Education Program estimated on prior year enrollment.

Exhibit C– General Purpose School Fund Changes in Basic Education Program Estimates

Month	Estimate	Previous Month's Estimate
April 2017	\$293,567,000	NA
May 2017	288,945,000	\$(4,622,000)
June 2017	288,846,000	(99,000)
July 2017	288,314,000	(532,000)
January 2018	291,446,864	3,132,864
Approved Budget versus January 2018 Revised Corrected Amount		
Approved Budget included \$5 million expected growth funds	298,994,000	
January 2018 Revised Corrected Amount	291,446,864	\$(7,547,136)

Source: Metro Nashville Public Schools’ correspondence from the Tennessee Department of Education and approved budget

Exhibit D– Metro Nashville Public Schools Historical Student Enrollment Growth Percentage

School Year	Enrollment	Growth Percentage
2014-15	84,353	1.80
2015-16	85,797	1.71
2016-17	86,633	0.97
2017-18 Projected	87,590	1.10
2017-18 Actual	85,399	-1.42

Source: Metro Nashville Public Schools

- 2) Describe and determine the extent to which clerical errors affected the fiscal year 2019 budget process.

One error in an exhibit of centralized services was included in information sent to principals for their school budget process. The exhibit of centralized services was sent to principals for information only and did not affect their school budgets. The centralized services expense decreased \$12,239,605, from \$315,765,900 to \$303,526,295, after the correction was made. Centralized services are costs paid for services provided to schools on a district-wide basis.

- 3) Circumstances leading to withholding of funding from schools

The Metropolitan Nashville Office of Internal Audit did not observe evidence of funds being withheld or principals being told funds were withheld from schools.

In March 2018, management implemented a hiring and spending freeze on certain items. The freeze did not apply to the hiring of teachers or bus drivers. The freeze did not mean that purchases could never be allowed, but instead meant that an extra level of approval would be necessary. For items in the freeze, a written exception process had to be followed. In addition, centralized services, such as transportation, maintenance, information technology contracted items, and so forth would still be required to be provided to schools.

Per the communication to principals on March 7, 2018, “This freeze will include all school purchases that fall into the budget category of non-staff expenses (software, supplies, transportation, field

trips, IT purchases, equipment and so forth.) This spending freeze does not apply to federal or school activity funds.” In this communication to principals, the items listed refer to only the items that are budgeted within school budgets, not provided through centralized services.

The communication also clarified how schools could request exceptions to the freeze, “The following general guidelines have been developed for reviewing purchase requests from schools:

- Purchase orders which have already been approved and for which there is a contractual obligation will be reviewed and will be honored to the extent of the obligation. Expenditures over and above any contractual obligation must be submitted as exception requests, including those which would be made on an open purchase order.
- Purchases that are 100 percent grant funded will be approved.
- Previously approved field trips will not be impacted.
- All other purchase requests will be reviewed for impact on service delivery to schools and students, including those, which may have already been submitted but not yet approved, or approved but not yet executed.
- All requests for exception to the freeze on school spending must be approved by the Executive Director of School Support and Improvement and Community Superintendent and submitted to the Chief of Schools on the attached form (School Spending Freeze Exception Request.)
- The Director of Schools will have the final approval on any exceptions.”

4) *Describe and determine central office payroll costs, the number of employees hired in the central office, and vehicles.*

Number Employees Hired in Central Office

Metro Nashville Public Schools is unable to separate central office employees from centralized services employees because a definition of central office does not exist. (See Observation A.)

However, the Metro Nashville Public Schools Chief Human Resources Officer provided her determination of the breakdown of actual filled positions in the “central office,” excluding the positions for centralized services and schools. Based on her schedule (Exhibit E.1) the “central office” increased the number of positions from July 1, 2017, through February 2018. There was a decrease in the number of positions from July 1, 2016, to July 1, 2017.

Exhibit E.1 – Metro Nashville Public Schools Central Office Actual Headcount

Fiscal Year	Federal	Local	R12	Total	+/- Prior Year
2018	68	384	4	456	26
2017	67	363	NA	430	(9)
2016	61	378	NA	439	NA

Source: Metro Nashville Public Schools Chief Human Resources Officer

Central Office Payroll Costs

Metro Nashville Public Schools is unable to separate central office costs from centralized services costs because a definition of central office does not exist. (See Observation A.)

However, the Metro Nashville Public Schools Chief Human Resources Officer and the Budget and Financial Reporting section provided the salaries and related benefits of the Actual Headcount shown in Exhibit E.1 and Exhibit E.2.

Exhibit E.2 – Metro Nashville Public Schools Central Office Payroll Costs for Actual Headcount

Fiscal Year	Number of Employees	Average Salary and Benefits	Total Salary and Benefits	+/- Prior Year
2018	456	\$90,139	\$41,103,384	\$1,527,044
2017	430	92,038	39,576,340	1,734,540
2016	439	86,200	37,841,800	NA

Source: Metro Nashville Public Schools Chief Human Resources Officer and the Budget and Financial Reporting section

Vehicles

Vehicles were assigned to the new four community superintendent positions, as an alternative to paying mileage, in fall 2017. These vehicles assigned were removed from the pool of available vehicles used by other staff. Four new vehicles were ordered in September 2017 to replace the four vehicles that were removed from the pool. The four new vehicles were received in January 2018. Approved capital project funds were used to pay for the new vehicles; therefore, there was no effect on the operating budget.

- 5) *The extent to which administrative and school-based expenditures have fallen within the constraints of the budget.*

Exhibit F shows the budget versus actual expenditures by non-school-based, school-based, and charter/reimbursable expenditure groups for fiscal years 2016, 2017, and 2018 (through June 26, 2018) per Metro Nashville Public Schools Budgeting and Financial Reporting provided classifications.

Exhibit F– General Purpose School Fund Budget to Actual by Function Category, School-Based, and Charter/Reimbursable Expenditures for the Fiscal Years 2018 (See Note *), 2017, and 2016

Period	Function	Function Category	Budget	Actual	Encumbrance	Variance (Over)/Under
2018*	1000	Administration	\$17,950,100	\$16,534,697	\$1,655,523	(\$240,120)
2018*	2000	Leadership and Learning	87,025,439	86,297,604	5,423,533	(4,695,698)
2018*	3000	Attendance and Social Services	12,522,700	8,774,863	71,737	3,676,101
2018*	4000	Transportation	38,016,200	38,348,226	644,455	(976,482)
2018*	5000	Operation of Plant	56,107,300	54,331,793	616,131	1,159,376
2018*	6000	Maintenance of Building	20,358,900	18,781,068	879,586	698,246
2018*	7000	Fixed Charges	42,212,500	40,189,374	46,261	1,976,865
2018*	8000	Adult and Community Services	71,201	67,251	0	3,950
2018*	NA	School-Based	492,286,760	491,230,204	778,584	277,972
2018*	NA	Charter /Reimbursable	112,748,600	114,849,529	48,387	(2,149,316)
		Total Fiscal Year 2018	\$879,299,700	\$869,404,609	\$10,164,197	
2017	1000	Administration	\$16,702,200	\$15,403,934	NA	\$1,298,266
2017	2000	Leadership and Learning	109,121,885	86,382,558	NA	22,739,327

Period	Function	Function Category	Budget	Actual	Encumbrance	Variance (Over)/Under
2017	3000	Attendance and Social Services	9,361,000	8,451,530	NA	909,470
2017	4000	Transportation	36,885,300	40,189,196	NA	(3,303,896)
2017	5000	Operation of Plant	57,612,000	55,126,834	NA	2,485,166
2017	6000	Maintenance of Building	19,762,500	20,208,485	NA	(445,985)
2017	7000	Fixed Charges	40,428,900	40,986,889	NA	(557,989)
2017	8000	Adult and Community Services	76,100	37,320	NA	38,780
2017	NA	School-Based	459,029,015	470,228,425	NA	(11,199,410)
2017	NA	Charter /Reimbursable	94,320,800	96,796,165	NA	(2,475,365)
		Total Fiscal Year 2017	\$843,299,700	\$833,811,336		
2016	1000	Administration	\$16,309,600	\$15,289,888	NA	\$1,019,712
2016	2000	Leadership and Learning	82,730,892	82,618,343	NA	112,549
2016	3000	Attendance and Social Services	9,037,800	8,161,334	NA	876,466
2016	4000	Transportation	34,302,100	39,511,098	NA	(5,208,998)
2016	5000	Operation of Plant	59,981,800	55,368,698	NA	4,613,102
2016	6000	Maintenance of Building	19,746,900	19,766,358	NA	(19,458)
2016	7000	Fixed Charges	39,685,500	39,234,896	NA	450,604
2016	8000	Adult and Community Services	143,974	122,415	NA	21,559
2016	NA	School-Based	473,453,634	459,666,480	NA	13,787,154
2016	NA	Charter /Reimbursable	74,607,800	75,603,377	NA	(995,577)
		Total Fiscal Year 2016	\$810,000,000	\$795,342,887		

Source: Metropolitan Nashville Government JD Edwards EnterpriseOne Financial System and Metro Nashville Public Schools Budgeting and Financial Reporting provided classifications.

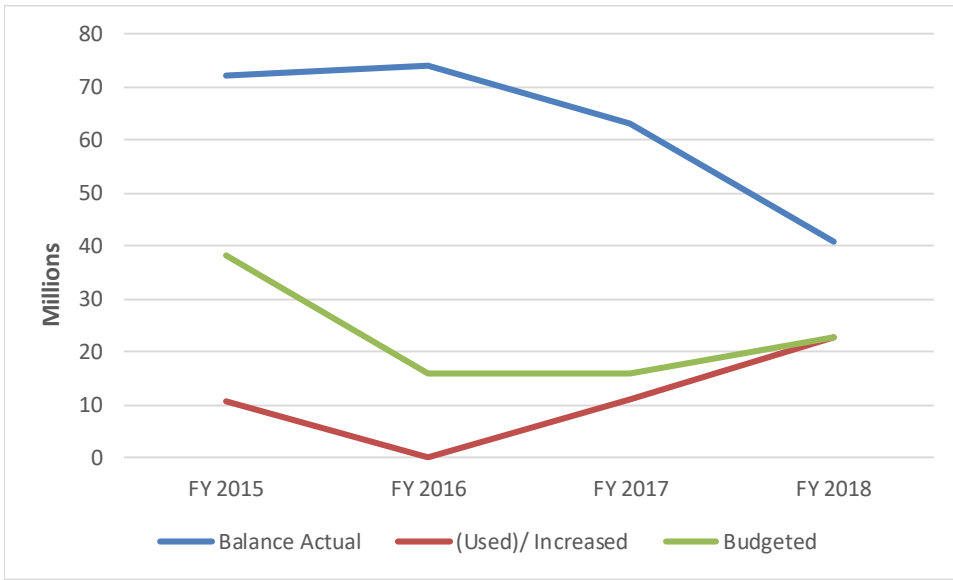
* Actual expenditures for the fiscal year 2018 were not closed. 2018 Variance Includes Encumbrances

6) *The extent to which revenues and expenditures have matched*

Revenue and expenditures have matched for fiscal years 2016 and 2017. Use of fund balance was budgeted to account for the difference between revenue and expenditures.

Exhibit G shows in the fiscal year 2016, the Mayor's Budget recommended and the Metropolitan Nashville Council approved the use of \$16,000,000 from the General Purpose School Fund's fund balance, but none was needed. In the fiscal year 2017, \$16,000,000 from the General Purpose School Fund's fund balance was budgeted for use, but only \$10,869,404 was used, \$5,130,596 less than expected. In the fiscal year 2018, \$19,059,900 from the General Purpose School Fund's fund balance was budgeted, and an additional \$3,500,000 usage of fund balance was approved by the Metropolitan Nashville Council on June 20, 2018, for anticipated expenses beyond the original budget estimate.

**Exhibit G– General Purpose School Fund Balance Usage between Fiscal Years 2015 and 2018
(Fiscal Year 2018 reflects budget amounts, not actual amounts)**



Source: Metropolitan Nashville Government Comprehensive Annual Financial Report – Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Purpose School Fund.

Fiscal Year 2018 is based on Metropolitan Nashville Council appropriations. Actual expenditures for the fiscal year 2018 were not closed.

See Appendix A on page 17 to review details from the Metropolitan Nashville Government Comprehensive Annual Financial Report – Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Purpose School Fund for fiscal years 2016 and 2017.

APPENDIX B – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

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

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
<i>Recommendations for the management of the Metro Nashville Public Schools to:</i>		
A.1 Determine if the Metropolitan Nashville Board of Public Education could benefit from a cost accounting report that separates central office costs from other district costs.	Accept.	06/30/2019
A.2 While still complying with existing Tennessee Department of Education reporting requirements, if the cost accounting report in "1." above is determined to be a benefit, define central office expenditures and determine if the ongoing Oracle R12.2 Enterprise Business Suite implementation project could facilitate budgeting and tracking of central office versus centralized services costs.	Accept.	06/30/2019



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

August 22, 2018

Mr. Brackney Reed
Chair

Mr. Charles Frasier
Vice Chair

Mr. John Cooper
Council Member

Mr. Bob Mendes
Council Member

Ms. Talia Lomax-O'dneal
Finance Department Director

Metropolitan Nashville Audit Committee Members:

THEN-MAYOR MEGAN BARRY'S TRAVEL AND DIGNITARY SECURITY DETAIL EXTRA TIME EXPENSE INVESTIGATION

We conduct investigations and create reports using the Standards of the Association of Certified Fraud Examiners as a guide. The standard of "preponderance of the evidence" is used as a basis for substantiating or not substantiating an allegation. Key definitions used during investigations include:

- Preponderance of Evidence – A certain set of facts "more likely than not" occurred.
- Substantiated – The preponderance of the evidence collected during the investigation indicates that the incident occurred.
- Unsubstantiated - The evidence collected during the investigation indicates there was not a preponderance of the evidence to support the allegation or that the evidence collected during the investigation was conflicting or inconclusive.

On April 10, 2018, the Metropolitan Nashville Audit Committee charged the Metropolitan Nashville Office of Internal Audit to continue the investigation of the circumstances involving the travel and expenses including extra time expenses potentially related to then-Mayor Megan Barry's extramarital affair. The purpose of this investigation was to determine if there was any improper use of public money as described in the revised agreed-upon procedures scope of work submitted to the Metropolitan Nashville Council Special Committee on April 5, 2018, (see Appendix B of the enclosed investigation report) and the results issued in a formal report.

The enclosed report provides additional details concerning our review and investigation of these matters. Our investigation concluded:

- 1) The allegation that Sergeant Robert Forrest conducted non-Metro business-related activities while being paid by the Metropolitan Nashville Government is **substantiated**. This is based upon Sergeant

August 22, 2018

Then-Mayor Megan Barry's Travel and Dignitary Security Detail Extra Time Expense Investigation

Page 2

Robert Forrest's March 6, 2018, plea of conditionally guilty to theft over \$10,000 and his misuse of information technology assets on two occasions. The total compensation Sergeant Robert Forrest received for non-Metropolitan Nashville Government related activities is **not determinable**.

- 2) The allegation that then-Mayor Megan Barry and Sergeant Robert Forrest used Metropolitan Nashville Government public funds to pay for out of town travel whose purpose was exclusively personal is **unsubstantiated**.
- 3.a) The allegation that then-Mayor Megan Barry's and Sergeant Robert Forrest's pleas of conditionally guilty to theft over \$10,000 do not comply with the Metropolitan Nashville Government employee standards of conduct as delineated in then-Mayor Megan Barry's Executive Order Number Five is **substantiated**. However, decisions related to the interpretation of then-Mayor Megan Barry's Executive Order Number Five for employees should be from the applicable department head or the Director of Law, and as of May 2, 2018, for Metropolitan Nashville Government elected officials is the Metropolitan Nashville Government Board of Ethical Conduct.
- 3.b) The allegation that then-Mayor Megan Barry's and Sergeant Robert Forrest's pleas of conditionally guilty to theft over \$10,000 do not comply with the Metropolitan Nashville Government employee standards of conduct as delineated in Metropolitan Nashville Code of Laws § 2.222 is **substantiated**. However, final decisions related to violations of the Metropolitan Nashville Code of Laws § 2.222 *Standards of Conduct, Disclosure of Interest, and Enforcement* for employees is the responsibility of the appointing authority and for Metropolitan Nashville Government elected officials is the Metropolitan Nashville Government Board of Ethical Conduct.

Other Matter #1 – Travel Authorization System

The Travel Authorization system logic sends a notification email to the supervisor's email address and records the department head's name as approving the Travel Authorization form within the system tables if the supervisor is a department head. Since Debby Dale Mason was the department level approver for the Mayor's Office and was designated as Sergeant Robert Forrest's supervisor within the Travel Authorization system, Chief Steve Anderson was never notified of the requests. However, his name was recorded in the system as the department head approving travel requests.

Other Matter #2 – Extra Time Compensation Impact on Pension Payment Calculation

Sergeant Robert Forrest's gross annual Option A election pension amount would be reduced by \$1,117 annually with a \$10,000 reduction in final average earnings, and \$5,026 annually with a \$45,000 reduction in final average earnings.

RECOMMENDATIONS

Recommendations for management of the Metropolitan Nashville Police Department

1. Whenever feasible, use rotating stacked shifts for the Dignitary Security Detail based on the workday security coverage requirements.
2. Monitor top five employees' discretionary extra time in addition to monitoring employees' court appearance extra time.

Recommendations for management of the Metropolitan Nashville Government Department of Finance

1. Provide guidance on how trips for the Mayor are to be funded. Many of the travel expenses related to then-Mayor Megan Barry were funded by outside entities. For example, a trip to the Democratic National Convention was funded through the "*Friends of Megan Barry Committee*," other trips were funded by non-profit organizations. Clarity on the funding sources for specific type trips would reduce the risk of public funds being used inappropriately.
2. Ensure a Travel Expense form is completed for each approved trip in the Travel Authorization System. The existing Metropolitan Nashville Government Travel Expense form includes sections for reimbursable expenses and travel expenses paid using a Metropolitan Nashville Government issued credit card. The Travel Expense form credit card section is not consistently completed for trips, especially when no reimbursable expenses are being claimed. In addition to the two existing Travel Expense form sections, a third section should be added to capture travel expenses paid by third parties, such as non-profit organizations and others.
3. Continue to implement the Oracle E-Business Suite Travel and Expense Management solution as part of the on-going Metropolitan Nashville Government's central accounting system upgrade to improve the process, strengthen controls, and add transparency to travel expenses.

Recommendations for management of the Metropolitan Nashville Government Mayor's Office

1. Establish a Code of Ethics handbook to help and support employees' understanding of the expectations for conducting themselves in an honorable manner and making the right decisions when faced with an ethical dilemma. This handbook should illustrate and define attributes of high employee standards of honesty, integrity, impartiality, and conduct. Scenarios illustrating the application of the Metropolitan Nashville Code of Laws § 2.222.020 – *Standards of Conduct*, especially related to the acceptance of gifts, entertainment, travel, and training should be included.
2. Provide the Metropolitan Nashville Council an annual report listing all in-state and out-of-state travel by the Mayor related to official duties. This report should list the accompanying employees and the funding source for the travel.

Recommendations for management of the Metropolitan Nashville Government Human Resources Department

1. Continue to review the impact of changing the Metropolitan Nashville Police Department 8.5 hours per month sick leave accrual rate with the Metropolitan Nashville Government Department of Law to determine if pensioners' pension calculation corrections need to be processed or pension plan calculation documentation needs to be updated to reflect current practice.
2. Continue to identify pensioners impacted by the duplicate paycheck issue to determine if pension calculations need to be adjusted to reflect the correct pension amount going forward and recover any past overpayments.

Work for this request is closed. Please contact me should you have any further question concerning this matter.

**Open Audit Recommendations Implementation Status
As of August 31, 2018**

Group	Project Name	Issue Date	Reviewed Date		Recommendation Title	Estimated Date	Revised Date	Age
Assessor of Property	Assessor of Property	5/1/2017	5/10/2017		Final Observation A - TimeForce Cumulative Leave Balance Report	7/31/2017	12/31/2018	-113
Assessor of Property	Assessor of Property	5/1/2017	5/10/2017		Final Observation C- Update Fixed Asset List	7/31/2017	12/31/2018	-113
Assessor of Property	Assessor of Property	6/24/2014	1/8/2015		A.3 Application Controls over AssessPro	11/30/2014	12/31/2019	-478
Assessor of Property	Assessor of Property	6/24/2014	1/8/2015		A.1 Application Controls over AssessPro	12/31/2015	5/1/2020	-600
Assessor of Property	Assessor of Property	6/24/2014	1/8/2015		A.7 Application Controls over AssessPro	12/31/2015	5/1/2020	-600
Beer Board Permit	Beer Board	4/24/2013	6/4/2013		B.1 - Leveraging of Available Technology	9/30/2013	9/30/2018	-21
Board of Education	MNPS Performance Audit	2/10/2015	4/20/2015		Recommendation 7-E.1	7/1/2015	12/1/2020	-814
Board of Education	MNPS Student Information Systems	12/14/2016	12/8/2016		D.1-Adopt a formal district-wide application change control procedure for student information systems	9/29/2017	10/31/2018	-52
Board of Education	MNPS Student Information Systems	12/14/2016	12/8/2016		B.2-Establish a procedure to reconcile grade changes recorded in the student information system	6/30/2017	12/1/2018	-83
Board of Education	MNPS Student Information Systems	12/14/2016	12/8/2016	C	E.5-	12/29/2017	7/1/2019	-295
Board of Fair Commissioners	Nashville Fair Grounds	11/23/2016	11/1/2016		A - Leveraging of Technology	7/1/2017	7/1/2017	435
Civil Service Commission	Human Resources Hiring Process	11/21/2017	11/21/2017		D.1 Evaluate Technology Opportunities	6/30/2018	6/30/2019	-294
Civil Service Commission	Human Resources Hiring Process	11/21/2017	11/21/2017		D.2 Establish Technology Metrix	6/30/2018	6/30/2019	-294
Codes Administration Department	Short Term Rental Permitting Process	8/30/2017	8/30/2017		C.1–Review Process	10/1/2017		343
Codes Administration Department	Short Term Rental Permitting Process	8/30/2017	8/30/2017		E.1–Retention of Supporting Documentation	10/1/2017		343
Codes Administration Department	Short Term Rental Permitting Process	8/30/2017	8/30/2017		E.2–Retention of Supporting Documentation	10/1/2017		343
Codes Administration Department	Short Term Rental Permitting Process	8/30/2017	8/30/2017		F.1–Written Policies and Procedures	10/1/2017		343
Codes Administration Department	Short Term Rental Permitting Process	8/30/2017	8/30/2017		A.1-Verification of Owner Occupied Status	12/1/2017		282
Codes Administration Department	Short Term Rental Permitting Process	8/30/2017	8/30/2017		B.1–Verification of Taxes Paid	12/1/2017		282
Codes Administration Department	Short Term Rental Permitting Process	8/30/2017	8/30/2017		C.2–Review Process	12/1/2017		282
Codes Administration Department	Short Term Rental Permitting Process	8/30/2017	8/30/2017		D.1–Utilization of City Works Computer System	12/1/2017		282

C- Confidential Recommendation

CJ - Confidential Criminal Justice Information System Recommendation

**Open Audit Recommendations Implementation Status
As of August 31, 2018**

Group	Project Name	Issue Date	Reviewed Date		Recommendation Title	Estimated Date	Revised Date	Age
Codes Administration Department	Short Term Rental Permitting Process	8/30/2017	8/30/2017		D.2--Utilization of City Works Computer System	12/1/2017		282
Codes Administration Department	Short Term Rental Permitting Process	8/30/2017	8/30/2017		D.3--Utilization of City Works Computer System	12/1/2017		282
Codes Administration Department	Short Term Rental Permitting Process	8/30/2017	8/30/2017		A.2-Verification of Owner Occupied Status	3/1/2018		192
Codes Administration Department	Short Term Rental Permitting Process	8/30/2017	8/30/2017		D.4--Utilization of City Works Computer System	9/1/2018		8
Finance Department	MDHA Development Incentives	3/30/2018	4/4/2018		H.1 - Tax Increment Financing Funds Capture Process	10/31/2018		-52
Finance Department	MDHA Development Incentives	3/30/2018	4/4/2018		H.2 - Tax Increment Financing Funds Capture Process	10/31/2018		-52
General Services Department	Fuel Supply Management	10/26/2012	11/5/2012		A – Fuel Management Synergy	12/31/2012	6/30/2018	71
General Services Department	Fuel Supply Management	10/26/2012	11/5/2012		B.3 – Monitoring of Fuel Tank Inventory	11/5/2012	6/30/2018	71
General Services Department	Fuel Supply Management	10/26/2012	11/5/2012		E.1 – Motor Fuel Tracking System	11/5/2012	6/30/2018	71
General Services Department	Fuel Supply Management	10/26/2012	11/5/2012		E.2 – Motor Fuel Tracking System	11/5/2012	6/30/2018	71
General Services Department	Fuel Supply Management	10/26/2012	11/5/2012		H.2 – Wright Express Online User Access	7/1/2013	12/31/2018	-113
General Services Department	General Services Office of Fleet Manager	9/18/2017	9/18/2017		A.2 A. Preventive Maintenance Compliance	6/30/2018		71
General Services Department	General Services Office of Fleet Manager	9/18/2017	9/18/2017		C.5 Take-Home Vehicle Assignment Monitoring	6/30/2018		71
General Services Department	General Services Office of Fleet Manager	9/18/2017	9/18/2017		C.6 Take-Home Vehicle Assignment Monitoring	6/30/2018		71
General Services Department	General Services Office of Fleet Manager	9/18/2017	9/18/2017		E.2 Auto Parts Inventory Control and Analysis	6/30/2018		71
General Services Department	General Services Office of Fleet Manager	9/18/2017	9/18/2017		E.3 Auto Parts Inventory Control and Analysis	6/30/2018		71
General Services Department	General Services Office of Fleet Manager	9/18/2017	9/18/2017		F.1 Monitoring Rework	6/30/2018		71
General Services Department	General Services Office of Fleet Manager	9/18/2017	9/18/2017		F.2 Monitoring Rework	6/30/2018		71
General Services Department	General Services Office of Fleet Manager	9/18/2017	9/18/2017		B.1 Fleet Utilization Monitoring	6/30/2018	12/31/2018	-113

C- Confidential Recommendation

CJ - Confidential Criminal Justice Information System Recommendation

**Open Audit Recommendations Implementation Status
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Group	Project Name	Issue Date	Reviewed Date		Recommendation Title	Estimated Date	Revised Date	Age
General Services Department	General Services Office of Fleet Manager	9/18/2017	9/18/2017		B.2 Fleet Utilization Monitoring	6/30/2018	12/31/2018	-113
General Services Department	General Services Office of Fleet Manager	9/18/2017	9/18/2017		B.3 Fleet Utilization Monitoring	6/30/2018	12/31/2018	-113
General Services Department	General Services Office of Fleet Manager	9/18/2017	9/18/2017		C.1 Take-Home Vehicle Assignment Monitoring	6/30/2018	12/31/2018	-113
General Services Department	General Services Office of Fleet Manager	9/18/2017	9/18/2017		C.4 Take-Home Vehicle Assignment Monitoring	6/30/2018	12/31/2018	-113
General Services Department	General Services Office of Fleet Manager	9/18/2017	9/18/2017		G.1 Vehicle Procurement Record Keeping	10/31/2017	12/31/2018	-113
Historical Commission	Historical Commission	1/26/2015	2/23/2015		A.2.5 Record presentations	12/31/2015	6/30/2019	-294
Industrial Development Board	Industrial Development Board	12/16/2013	3/13/2014		A.1 - Maintain a Tracking List of Economic Incentives	3/15/2014		1639
Industrial Development Board	Industrial Development Board	12/16/2013	3/13/2014		B.1 - Request Written Job Specific Procedures	3/15/2014		1639
Industrial Development Board	Industrial Development Board	12/16/2013	3/13/2014		B.2 - Develop a Set of Written Policies and Procedures	3/15/2014		1639
Industrial Development Board	Industrial Development Board	12/16/2013	3/13/2014		D.1 - Ensure Payment in Lieu of Taxes Agreements are submitted to the Mayor and State Comptroller	3/15/2014		1639
Information Services Department	ITS - Active Directory Service	4/18/2011	2/4/2015	CJ	C.4 - Improve Controls	2/5/2015	12/30/2019	-477
Information Services Department	ITS - Telecommunications Primary Gover	7/12/2013	1/2/2014	CJ	B.1 Document	6/30/2014	1/30/2019	-143
Information Services Department	Software Asset Management Process	5/2/2018	5/4/2018		Reconsider the long-term benefits of a software asset management system	1/30/2019		-143
Information Services Department	Software Asset Management Process	5/2/2018	5/4/2018		Make available a list of supported software applications	1/30/2019		-143
Information Services Department	Software Asset Management Process	5/2/2018	5/4/2018		Educate and train employees	1/30/2019		-143
JIS Policy Committee	Active Directory Services for Justice Inte	10/22/2014	10/24/2014	CJ	A - Establish	4/30/2015	7/1/2016	800
JIS Policy Committee	Active Directory Services for Justice Inte	10/22/2014	10/24/2014	CJ	B - Formalize	4/30/2015	7/1/2016	800
Juvenile Court Judges	Juvenile Court	3/31/2016	4/8/2016		G.1 - Leave Request	9/1/2016	11/5/2018	-57

C- Confidential Recommendation

CJ - Confidential Criminal Justice Information System Recommendation

**Open Audit Recommendations Implementation Status
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Group	Project Name	Issue Date	Reviewed Date		Recommendation Title	Estimated Date	Revised Date	Age
Law Department	Occupational Health and Safety Program	10/10/2017	10/12/2017		G.05 - Prior Accepted Audit Recommendations Status	3/31/2018	1/5/2018	247
Law Department	Occupational Health and Safety Program	10/10/2017	10/12/2017		A.1 – Lack of a Formal Occupational Health and Safety System Framework	3/31/2018	1/6/2029	-3772
Law Department	Occupational Health and Safety Program	10/10/2017	10/12/2017		B.1 – Enhancements to the Metro Safety Advisory Board	3/31/2018	1/6/2029	-3772
Law Department	Occupational Health and Safety Program	10/10/2017	10/12/2017		B.2 – Enhancements to the Metro Safety Advisory Board	3/31/2018	1/6/2029	-3772
Law Department	Occupational Health and Safety Program	10/10/2017	10/12/2017		B.3 – Enhancements to the Metro Safety Advisory Board	3/31/2018	1/6/2029	-3772
Law Department	Occupational Health and Safety Program	10/10/2017	10/12/2017		B.4 – Enhancements to the Metro Safety Advisory Board	3/31/2018	1/6/2029	-3772
Law Department	Occupational Health and Safety Program	10/10/2017	10/12/2017		C.1 – Right Sizing Occupational Health and Safety Staff	3/31/2018	1/6/2029	-3772
Law Department	Occupational Health and Safety Program	10/10/2017	10/12/2017		D.1 - Job Hazard Analysis	3/31/2018	1/6/2029	-3772
Law Department	Occupational Health and Safety Program	10/10/2017	10/12/2017		E.1 – Training Requirements	3/31/2018	1/6/2029	-3772
Law Department	Occupational Health and Safety Program	10/10/2017	10/12/2017		E.2 – Training Requirements	3/31/2018	1/6/2029	-3772
Law Department	Occupational Health and Safety Program	10/10/2017	10/12/2017		F.1– Monitoring and Inspections	3/31/2018	1/6/2029	-3772
Law Department	Occupational Health and Safety Program	10/10/2017	10/12/2017		G.02 - Prior Accepted Audit Recommendations Status	3/31/2018	1/6/2029	-3772
Law Department	Occupational Health and Safety Program	10/10/2017	10/12/2017		G.03 - Prior Accepted Audit Recommendations Status	3/31/2018	1/6/2029	-3772
Law Department	Occupational Health and Safety Program	10/10/2017	10/12/2017		G.04 - Prior Accepted Audit Recommendations Status	3/31/2018	1/6/2029	-3772
Law Department	Occupational Health and Safety Program	10/10/2017	10/12/2017		G.06 - Prior Accepted Audit Recommendations Status	3/31/2018	1/6/2029	-3772
Law Department	Occupational Health and Safety Program	10/10/2017	10/12/2017		G.07 - Prior Accepted Audit Recommendations Status	3/31/2018	1/6/2029	-3772
Law Department	Occupational Health and Safety Program	10/10/2017	10/12/2017		G.08 - Prior Accepted Audit Recommendations Status	3/31/2018	1/6/2029	-3772
Law Department	Occupational Health and Safety Program	10/10/2017	10/12/2017		G.09 - Prior Accepted Audit Recommendations Status	3/31/2018	1/6/2029	-3772
Law Department	Occupational Health and Safety Program	10/10/2017	10/12/2017		G.10 - Prior Accepted Audit Recommendations Status	3/31/2018	1/6/2029	-3772
Law Department	Occupational Health and Safety Program	10/10/2017	10/12/2017		G.11 - Prior Accepted Audit Recommendations Status	3/31/2018	1/6/2029	-3772
Law Department	Occupational Health and Safety Program	10/10/2017	10/12/2017		G.12 - Prior Accepted Audit Recommendations Status	3/31/2018	1/6/2029	-3772
Law Department	Occupational Health and Safety Program	10/10/2017	10/12/2017		G.13 - Prior Accepted Audit Recommendations Status	3/31/2018	1/6/2029	-3772
Law Department	Occupational Health and Safety Program	10/10/2017	10/12/2017		G.14 - Prior Accepted Audit Recommendations Status	3/31/2018	1/6/2029	-3772
Metro Dev & Housing Agency	MDHA Development Incentives	3/30/2018	4/4/2018		G.2 – Additional Council Review Time and Data Disclosure Before Approval	4/3/2018		159
Metro Dev & Housing Agency	MDHA Development Incentives	3/30/2018	4/4/2018		A.4 - Development District Creation	5/1/2018		131
Metro Dev & Housing Agency	MDHA Development Incentives	3/30/2018	4/4/2018		C.1 - Land Incentives Not Transparent	5/1/2018		131
Metro Dev & Housing Agency	MDHA Development Incentives	3/30/2018	4/4/2018		E.1 – Tax Increment Financing Loan Selection	5/1/2018		131
Metro Dev & Housing Agency	MDHA Development Incentives	3/30/2018	4/4/2018		A.1 - Development District Creation	4/2/2018		0
Metro Dev & Housing Agency	MDHA Development Incentives	3/30/2018	4/4/2018		A.2 - Development District Creation	4/2/2018		0

C- Confidential Recommendation

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Group	Project Name	Issue Date	Reviewed Date		Recommendation Title	Estimated Date	Revised Date	Age
Metro Dev & Housing Agency	MDHA Development Incentives	3/30/2018	4/4/2018		A.3 - Development District Creation	4/2/2018		0
Metro Dev & Housing Agency	MDHA Development Incentives	3/30/2018	4/4/2018		B.1 - Individual Development Projects	4/2/2018		0
Metro Dev & Housing Agency	MDHA Development Incentives	3/30/2018	4/4/2018		B.2 - Individual Development Projects	4/2/2018		0
Metro Dev & Housing Agency	MDHA Development Incentives	3/30/2018	4/4/2018		B.3 - Individual Development Projects	4/2/2018		0
Metro Dev & Housing Agency	MDHA Development Incentives	3/30/2018	4/4/2018		D.1 – Performance-Based Disbursement of Funds	4/3/2018		0
Metro Dev & Housing Agency	MDHA Development Incentives	3/30/2018	4/4/2018		E.2 – Tax Increment Financing Loan Selection	4/3/2018		0
Metro Dev & Housing Agency	MDHA Development Incentives	3/30/2018	4/4/2018		F.1 – Development Agreement Monitoring and Compliance	4/3/2018		0
Metro Dev & Housing Agency	MDHA Development Incentives	3/30/2018	4/4/2018		G.1 – Additional Council Review Time and Data Disclosure Before Approval	4/3/2018		0
Metro Water Services	Payroll	12/28/2017	1/2/2018		C.1-Inefficient Use of PeopleSoft	12/31/2018	12/31/2018	-113
Metro Water Services	MWS Infrastructure Security	8/20/2018	8/20/2018	C	PM-2	10/31/2018		-52
Metro Water Services	MWS Infrastructure Security	8/20/2018	8/20/2018	C	SI-3	10/31/2018		-52
Metro Water Services	MWS Infrastructure Security	8/20/2018	8/20/2018	C	AU-1	12/31/2018		-113
Metro Water Services	MWS Infrastructure Security	8/20/2018	8/20/2018	C	AU-2	12/31/2018		-113
Metro Water Services	MWS Infrastructure Security	8/20/2018	8/20/2018	C	IA-10	12/31/2018		-113
Metro Water Services	MWS Infrastructure Security	8/20/2018	8/20/2018	C	SA-5	12/31/2018		-113
Metro Water Services	MWS Infrastructure Security	8/20/2018	8/20/2018	C	AU-8	3/1/2019		-173
Metro Water Services	MWS Infrastructure Security	8/20/2018	8/20/2018	C	SI-5	3/1/2019		-173
Metro Water Services	MWS Infrastructure Security	8/20/2018	8/20/2018	C	AU-6	7/1/2019		-295
Metro Water Services	MWS Infrastructure Security	8/20/2018	8/20/2018	C	PM-3	7/1/2019		-295
Metro Water Services	MWS Infrastructure Security	8/20/2018	8/20/2018	C	CM-2	12/31/2019		-478
Metro Water Services	MWS Infrastructure Security	8/20/2018	8/20/2018	C	RA-1	12/31/2019		-478
Parks & Recreation Board	Parks and Recreation Maintenance Oper	11/5/2015	11/20/2015		B – Work Order System	1/31/2017	3/1/2020	-539
Public Healt Board	Health Department’s Bureau of Administ	5/5/2017	8/8/2017		D.2 Monitoring of Controls over Cash Deposits are Lacking	8/1/2017	9/15/2017	359
Public Healt Board	Health Department’s Bureau of Administ	5/5/2017	8/8/2017		E.1 Inventory of Capital Assets	8/1/2017	10/1/2017	343
Public Healt Board	Health Department’s Bureau of Administ	5/5/2017	8/8/2017		E.2 Inventory of Capital Assets	8/1/2017	10/1/2017	343
Public Healt Board	Health Department’s Bureau of Administ	5/5/2017	8/8/2017		D.3 Monitoring of Controls over Cash Deposits are Lacking	8/1/2017	11/1/2017	312

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Group	Project Name	Issue Date	Reviewed Date		Recommendation Title	Estimated Date	Revised Date	Age
Public Health Board	Health Department's Bureau of Administration	5/5/2017	8/8/2017		D.4 Monitoring of Controls over Cash Deposits are Lacking	8/1/2017	11/1/2017	312
Public Health Board	MPHD Medical Examiner's Office	4/14/2015	4/16/2015		A.1-Medical Examiner's Office Solicitation	6/30/2018	6/30/2018	71
Public Health Board	MPHD Medical Examiner's Office	4/14/2015	4/16/2015		C.1 Contract Monitoring	6/30/2018	6/30/2018	71
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	IA-2(5):	11/17/2017		296
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	IA-2:	11/27/2017		286
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	IA-5(8):	11/27/2017		286
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	IA-5(1):	11/27/2017		286
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	AC-6:	1/1/2018		251
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	SC-2:	1/1/2018		251
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	AC-7:	1/1/2018		251
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	AC-17(4):	1/31/2018		221
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	AC-6(2):	1/31/2018		221
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	IA-5:	1/31/2018		221
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	IA-5(4):	1/31/2018		221
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	CA-3:	2/28/2018		193
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	AC-2:	2/28/2018		193
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	AC-2(7):	2/28/2018		193
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	AC-5:	2/28/2018		193
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	AU-6:	3/31/2018		162
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	CM-4(1):	3/31/2018		162
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	CM-6:	3/31/2018		162
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	SI-2(2):	6/30/2018		71
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	AC-2(1):	6/30/2018		71
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	AC-2(3):	6/30/2018		71
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	IA-2(1):	6/30/2018		71
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	IA-2(8):	6/30/2018		71
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	IA-2(9):	6/30/2018		71
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	IA-2(11):	6/30/2018		71
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	AU-12:	6/30/2018		71
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	AU-2:	6/30/2018		71
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	AU-2(3):	6/30/2018		71
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	AU-5:	6/30/2018		71
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	AU-6(3):	6/30/2018		71
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	CM-3(1):	6/30/2018		71
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	CM-4:	6/30/2018		71
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	SC-28:	6/30/2018		71
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	AC-11:	6/30/2018		71

C- Confidential Recommendation

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Group	Project Name	Issue Date	Reviewed Date		Recommendation Title	Estimated Date	Revised Date	Age
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	AC-2(4):	6/30/2018		71
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	AC-6(9):	6/30/2018		71
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	CA-7:	6/30/2018		71
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	CM-9:	6/30/2018		71
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	CP-2:	6/30/2018		71
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	IA-4:	6/30/2018		71
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	IR-8:	6/30/2018		71
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	MA-1:	6/30/2018		71
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	SA-11:	6/30/2018		71
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	SI-11:	6/30/2018		71
Sheriff's Office	DCSO Information Security	10/31/2017	11/27/2017	CJ	A.	6/30/2018		71
WeGo	MTA Revenue Collection Process	5/31/2018	5/8/2018		B – Advertising Contract Monitoring	5/7/2018	12/31/2018	-113
WeGo	MTA Revenue Collection Process	5/31/2018	5/8/2018		A.1 – Custody of Cash Transfers	6/30/2018	1/1/2019	-114
WeGo	MTA Revenue Collection Process	5/31/2018	5/8/2018		A.2 – Custody of Cash Transfers	6/30/2018	1/1/2019	-114

FY 2018 Audit Committee Confirmation of Responsibilities

		Meets Expectations	Caution	Needs Improvement	Comments
Financial Statements	1. While financial statement audit engagement is ongoing meet in executive session with the external auditor near the mid-point of the audit engagement and prior to final issuance of the comprehensive annual financial report to review progress, including any difficulties encountered, and follow-up as appropriate.	✓			FY2017 financial audit engagement discussed in executive session with Crosslin on September 12, 2017 and November 28, 2017. FY 2017 financial audit engagement was also discussed in an open session on December 12, 2017 meeting.
	2. Review final reports and accept, or not accept, the audit results.	✓			FY2017 CAFR accepted on December 12, 2017. Management Letter and Single Audit discussed April 10, 2018, motion to accept or not accept on Sept 11, 2018 agenda.
	3. Review with Metro Nashville management and the external auditors all matters requiring communication to the Committee under generally accepted auditing standards.	✓			FY2018 Crosslin's audit plan presentation on July 11, 2017, and FY2019 Crosslin's audit plan presentation on July 24, 2018.
Risk Management and Internal Control	4. Understand the scope of internal and external auditors' reviews of internal controls over financial reporting and government service activities, and obtain reports on significant observations and recommendations, together with department, board, commission, officer or agency management's responses.	✓			Crosslin's FY2017 Management Letter discussed April 10, 2018. Office of Internal Audit reports concerning internal control environment routinely discussed during committee meetings.
	5. Engage with Metropolitan Auditor in performing a Metro Nashville entity-wide risk assessment to form an audit work plan.	✓			Internal Audit Annual Work Plan recommendations and risk prioritization reviewed and approved by the Committee on February 13, 2018.
	6. Meet with auditee after issuance of audit report by Metropolitan Auditor to discuss observations. Monitor corrective actions implemented by auditee.	✓			Status of audit recommendations implementation follow-up included in the <i>Office of Internal Audit Annual Report February 2017 to January 2018</i> issued to Metropolitan Nashville Council on February 13, 2018. Operational management routinely requested to attend committee meetings and discuss corrective action plans.

FY 2018 Audit Committee Confirmation of Responsibilities

		Meets Expectations	Caution	Needs Improvement	Comments
Internal Audit	7. Review and approve the audit plan and all major changes to the plan.	✓			Annual Internal Audit Work Plan Approved on March 14, 2017. The Committee amended the 2017 Internal Audit Work Plan two times for new audit projects.
	8. Review and approve the Division of Metropolitan Audit Bylaws annually.	✓			Bylaws last reviewed July 11, 2017.
	9. Assure continued independence of Metropolitan Auditor. Ensure there are no unjustified restrictions or limitations to the discharge of internal audit responsibilities.	✓			Confirmation included in the <i>Office of Internal Audit Annual Report February 2017 to January 2018</i> issued to Metropolitan Nashville Council on February 13, 2018. BL 2017-581 approved on April 5, 2017, provides additional clarity on Office of Internal Audit access to records and personnel, and fraud, waste, and abuse investigations.
	10. Review annually the activities, staffing and organizational structure of the internal audit function.	✓			Administration of Internal Audit Office reviewed as a standing Audit Committee meeting agenda item.
	11. Review the effectiveness of the internal audit function, including compliance with generally accepted government auditing standards.	✓			Last peer review completed April 7, 2017, with an opinion the Metropolitan Nashville Office of Internal Audit quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards.
	12. Recommend the appointment of the Metropolitan Auditor.	✓			Recruitment and interviews conducted in Spring 2014 with recommendation for an eight year term made to Metropolitan Nashville Council on May 20, 2014.
	13. For cause remove the Metropolitan Auditor.	✓			Not applicable.
	14. At least once per year, review the performance of the Metropolitan Auditor and concur with the annual compensation and salary adjustment.	✓			Metropolitan Auditor annual performance review completed July 24, 2018. Performance goals and criteria reviewed and approved on November 17, 2016.

FY 2018 Audit Committee Confirmation of Responsibilities

		Meets Expectations	Caution	Needs Improvement	Comments
Reporting	15. Issue annual report to the Council and Mayor regarding Committee activities, issues and related recommendations.	✓			The <i>Office of Internal Audit Annual Report February 2017 to January 2018</i> issued to Metropolitan Nashville Council on February 13, 2018.
	16. Provide an open avenue of communication between internal audit, the external auditors, and department, board, commission, officer or agency management.	✓			Meetings with internal and external auditors. Management corrective action plans included in final internal audit reports and external auditors management letter. Operational management routinely requested to attend committee meetings and discuss corrective action plans.
	17. Review any other government issued reports related to committee responsibilities.	✓			Not applicable.
Other	18. Ensure committee members undergo appropriate orientation upon appointment.	✓			Not applicable.
	19. Review and assess the adequacy of the Metropolitan Nashville Committee Bylaws annually, requesting approval for proposed changes, and ensuring appropriate disclosure as may be required by law or regulation.	✓			Bylaws last reviewed and revised July 11, 2017.
	20. Confirm annually that all responsibilities outlined in these bylaws have been carried out.	✓			Last reviewed and confirmed September 12, 2017.

FY 2018 Audit Committee Confirmation of Responsibilities

		Meets Expectations	Caution	Needs Improvement	Comments
Meetings	21. The Committee will meet at least once per quarter	✓			FY 2018 - Six meetings held on: (1) July 11, 2017, (2) September 12, 2017, (3) November 28, 2017, (4) December 12, 2017, (5) February 13, 2018, and (6) April 10, 2018.
	22. Meeting agendas along with appropriate briefing materials will be prepared and provided in advance to members by the Metropolitan Auditor.	✓			Agenda, internal audit reports and other selected material provided by e-mail prior to committee meetings by the Metropolitan Auditor.
	23. Minutes will be prepared by the Metropolitan Auditor.	✓			Minutes were prepared and posted on Committee web site after approval.
	24. Meeting agendas and minutes are posted to the Metropolitan Nashville Audit Committee page on Nashville.gov in a searchable electronic format.	✓			Meeting agendas, workbooks, and minutes are available in searchable pdf format since February 14, 2012, on the Committee Nashville.gov internet page.
	25. Meeting agendas will be posted six calendar days in advance of the meeting date. Approved meeting minutes will be posted within two workdays of approval by the committee.	✓		✓	All agenda's and approved meeting minutes were posted on the committee website. Out of 6 meeting minute postings, 5 were posted between 0 and 5 work days, the April 10, 2018, minutes were not posted for 65 days. There is currently not a mechanism in place to track the timeliness of posting agendas.
Composition	26. Follow the provisions provided in Metropolitan Code of Laws, Section 2.23.300(E) Division of Metropolitan Audit.	✓			Audit Committee membership is consistent with Metropolitan Code of Laws requirements.

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

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

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**Metropolitan Nashville Office of Internal Audit
Audit Project Status
As of September 11, 2018**

Audit Plan Year February 2018 to January 2019	Report Phase					
	Projects	Planning	Fieldwork	Report	Draft	Final
1) Finance Department - Procurement Division				✓		Aug-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				✓		Aug-18
7) Barnes Fund - Affordable Housing				✓	Oct-18	
8) Hospital Authority - Procurement to Pay Process				✓		Aug-18
9) Fire Hydrant Maintenance Process				✓	Sep-18	
10) MNPS Expenditures and Budget Issues				✓		Aug-18
11) MWS Infrastructure Computer Systems Security				✓		Aug-18
12) Oracle Enterprise Business System R12 (Interim)				✓		Aug-18
13) Register of Deeds			✓			
15) Parks & Recreation Wave Country	✓					
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						Aug-18
* -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 10 audit projects are completed, and 2 audit projects are in the draft report phase.

**Metropolitan Nashville Office of Internal Audit
2018 Approve Work Plan Status As Of September 9, 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	122
4	Metropolitan Nashville Public Schools – Credit Card Purchases Review (Reporting Phase)	100	235
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	114
8	Mayor's Office - Barnes Fund for Affordable Housing (Planning Phase)	800	822
9	Hospital Authority – General Hospital Purchase to Pay Process (Planning Phase)	800	1,014
CY 2018 New Audit Areas			
1	Hotel Occupancy Tax Audits – 2018 (Outsourced 7 Goodlettsville Hotels)	500	1
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	433
5	Metro Water Services and Fire Department - Fire Hydrant Maintenance and Inspection Process	800	889
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	90
13*	Library – Building Security	400	

**Metropolitan Nashville Office of Internal Audit
2018 Approve Work Plan Status As Of September 9, 2018**

14*	Sports Authority / General Services Department - MLS Soccer Stadium Construction Project	600	
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	539
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	85
Audit Recommendation Follow-up			
22	Codes and Building Safety - Short Term Rental Permitting Process Audit Follow-Up	250	89
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	976
	Total Audit Services Effort To Date		5,568
	Summary	Budget	Actual
	Audit Services	11,900	5,568
	Investigation Services	1,200	3,198
	Special Projects	400	198
	Total (66% Effort Used To Date)	13,500	8,964

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

Call 877-270-8334

or

<https://www.redflagreporting.com/nashville>



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Office of Internal Audit Budget versus Actual
GSD General Fund as of September 7, 2018
FY 2019 Approved Budget

		FY 2019			Notes
		Budget	Actual	Difference	
Total Salaries & Fringe		1,138,300	\$ 163,152	\$ 975,148	
Other Expenses					
Professional & Purchased Services		248,000	111	247,889	\$25,000 encumbered.
Building Rent Parkway Towers		55,500	9,251	46,249	\$4,671 per month
Other Expenses		71,900	1,665	70,235	
Internal Service Fees		50,000	50,000	-	Information Technology
Budget Adjustment		(40,200)			
TOTAL EXPENSES		\$ 1,523,500	\$ 224,179	\$ 1,299,321	15 percent utilization

30003 General Fund 4% Reserve	\$ 8,725	\$ -	\$ 8,725	\$8,074 Audit analytic software + \$651 furniture
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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
2019	248,000	1,523,500	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 GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY
DIVISION OF METROPOLITAN AUDIT BYLAWS**

PURPOSE

The Division of Metropolitan Audit, commonly referred to as the Metropolitan Nashville Office of Internal Audit, is an independent appraisal agency established to ensure and enhance the integrity, equality, accountability, effectiveness, and efficiency of service activities, and to pursue an atmosphere of honesty and mutual trust within the Metropolitan Government of Nashville and Davidson County (Metropolitan Nashville Government.)

SCOPE

To the extent permitted by the Metropolitan Charter the Division of Metropolitan Audit is authorized to conduct financial audits, performance audits, or other audit services including investigation and disposition of reported incidents of fraud concerning any department, board, commission, officer, agency, or office of the Metropolitan Government which receives direct services from or to which funds are appropriated by the Metropolitan Government or which the Metropolitan Government provides a guarantee for long-term indebtedness. Departments, boards, commissions, officers, agencies, and offices of the Metropolitan Government means those entities which encompass all of the governmental and corporate functions previously performed by Davidson County and the City of Nashville existing at the formation of the Metropolitan Government, and any public entity whose existence is created or authorized by the Metropolitan Charter or the Metropolitan Council.

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

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

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

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

The Metropolitan Auditor shall have authority to:

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

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

AUDIT SCHEDULE

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

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

REPORT OF IRREGULARITIES

If during an audit, the auditor becomes aware of fraud, abuse, or illegal acts, the Metropolitan Auditor shall report the irregularities to the Metropolitan Nashville Audit Committee, Department of Law, Mayor and

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

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

ACCESS TO EMPLOYEES, RECORDS AND PROPERTY

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

Metropolitan Nashville Office of Internal Audit personnel are individually responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work and complying with any other regulatory requirements necessitated by their being granted such access. Metropolitan Nashville Office of Internal Audit personnel shall not publicly disclose any information received during an audit that is considered confidential in nature by any local, state, or federal law or regulation.

AGENCY RESPONSE

A final draft of the audit report will be forwarded to the audited department, board, commission, officer, agency, or office director or his/her designee for review and comment regarding factual content before it is released to the Metropolitan Nashville Audit Committee. The audit entity must respond in writing, and specify agreement with audit observations and recommendations or reasons for disagreement with observations and/or recommendations, plans for implementing solutions to issues identified, and a timetable to complete such activities. The response must be forwarded to the Metropolitan Auditor within fifteen business days of issuance of the final draft audit report. The Metropolitan Auditor will include the response in the report. If no response is received, the Metropolitan Auditor will note that fact in the transmittal letter and will release the audit report. Any subsequent responses shall be distributed to those who received the audit report.

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

AUDIT FOLLOW-UP

The Metropolitan Auditor shall follow-up on audit recommendations as practicable to determine whether corrective action has been implemented. The Metropolitan Auditor will request status reports every six months from audited entities regarding actions taken to address reported audit concerns and recommendations.

REPORTS TO METROPOLITAN AUDIT COMMITTEE

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

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

ANNUAL REPORT

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

CONTRACT AUDITORS, CONSULTANTS, AND EXPERTS

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

INDEPENDENCE

To provide for the independence of the Metropolitan Nashville Office of Internal Audit, its personnel report to the Metropolitan Auditor, who reports administratively and functionally to the Metropolitan Nashville Audit

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

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

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

STANDARDS OF AUDIT PRACTICE

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

STANDARDS OF INVESTIGATION PRACTICE

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

FUNDING

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

RECORDS

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

REASSESSMENT

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

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Article IV. - Division of Metropolitan Audit

2.24.300 - Division of metropolitan audit.

- A. There shall be, as an independent agency of the metropolitan government, a division of metropolitan audit, the director of which is designated as the metropolitan auditor. The metropolitan auditor shall be a person:
1. With a well founded reputation in government or public finance and the audit function as may be exhibited by a record of exceptional performance for at least five years as a financial officer of a government or business;
 2. Who has, through education and experience as an accountant, auditor, CFO, controller or principal accounting officer of a governmental entity or private business an understanding of Generally Accepted Accounting Principles, Governmental Auditing Standards Board standards, financial statements, internal controls and procedures for financial reporting, and the audit functions of a governmental entity.
- B. The metropolitan auditor shall be appointed by a majority vote of the council from a list of three persons recommended by the audit committee whom the audit committee deems best qualified and available to fill the position. If the council deems that the persons recommended by the audit committee to serve as metropolitan auditor are not suitable and/or qualified, the council shall reject the names submitted and the audit committee shall recommend three additional persons deemed qualified and available to fill the position. The metropolitan auditor shall serve a term of eight years but shall be subject to removal for cause during the term by a vote of four members of the audit committee. The first term of the metropolitan auditor will end on June 30, 2014, regardless of whether the full eight years has been served. A vacancy occurring during a term shall be filled temporarily with a qualified acting metropolitan auditor by the majority vote of the audit committee. The filling of the vacancy for the remainder of a term and for any new term shall be filled by a majority vote of the council through the process provided in this section. The compensation for the metropolitan auditor shall be established as part of the general pay plan provided by Section 12.10 of the Metropolitan Charter.
- C.

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

- D. The metropolitan auditor shall appoint and remove, subject to the civil service provisions of article 12 of this Charter, all officers and employees of the division.
- E. There shall be a metropolitan audit committee which shall be composed of six members, as follows: The vice-mayor and the director of finance shall be members by virtue of their official positions. Two members of the metropolitan county council shall be selected by that body from its membership to serve a two-year term. One member shall be selected by the Nashville Area Chamber of Commerce to serve a four-year term. One member shall be selected by the Nashville Chapter of the Tennessee Society of Certified Public Accountants to serve a four-year term except that the member first selected shall serve a two year term. Members shall be eligible to succeed themselves. The General Provisions of Article 11, Chapter 1, of this Charter shall be applicable to the audit committee unless otherwise specified in this section.
- F. The audit committee will oversee the annual audit plan, fix the compensation of the metropolitan auditor, and review and evaluate at least annually the performance of the metropolitan auditor.
- G. All audit reports issued by the metropolitan auditor are public documents and shall at all times, during business hours, be open for personal inspection by any citizen of Tennessee.
- H. Access to Records and Personnel. To the extent permitted by the Metropolitan Charter the division of metropolitan audit, with strict accountability for confidential and safeguarding records and information, shall have access to all metropolitan government's records, agreements, information systems, physical properties, and personnel. Such authority shall include but is not limited to, the ability to review, research, and conduct interviews, along with the ability to have access to any and all necessary documentation as described in this subsection. To the extent permitted by the Metropolitan Charter, all metropolitan government departments, boards, commissions, officers, agencies, or offices, along with all entities contracting with the metropolitan government shall co-operate fully with the metropolitan auditor during

any such review or request to the fullest extent of applicable law. Any failure to cooperate with the metropolitan auditor shall be reported to the audit committee, finance director, director of law, and the metropolitan council.

- I. Other Audit Services.
 1. In addition to financial or performance services, the division of metropolitan audit shall establish a process by which suspected illegal, improper, wasteful, or fraudulent activity could be reported. The metropolitan auditor shall investigate, or cause to be investigated, all activity reported by this process. The disposition of all reports shall be communicated to the Metropolitan Nashville Audit Committee, Metropolitan Mayor, and Department of Law.
 2. No employees of the metropolitan government or its agencies shall suffer any retaliatory action for reporting to or cooperating with the division of metropolitan audit or the audit committee as contemplated in T.C.A. 9-3-406 and T.C.A. 50-1-304.
 3. It shall be the duty of employees of the metropolitan government or its agencies to report any known act of intentional illegal, intentional fraudulent, or intentional improper use of government funds.
- J. Notice of Instance of Fraud, Waste, and Abuse. All reports of unlawful conduct completed in accordance with the State of Tennessee Local Government Instances of Fraud Reporting Act involving metropolitan government departments, boards, commissions, officers, or agencies shall be communicated in a timely manner to the metropolitan auditor. Such reports shall also be communicated to the office of the comptroller of the treasury if so required by state law.
- K. Notice of Audit Activities. The engagement plans and final reports for all financial, performance, and other audit activities conducted on behalf of metropolitan government departments, boards, commissions, officers, agencies, or offices shall be communicated in a timely manner to the metropolitan auditor.
- L. Scope of Services. To the extent permitted by the Metropolitan Charter the division of metropolitan audit is authorized to conduct financial audits, performance audits, or other audit services including investigation and disposition of reported incidents of fraud as contemplated above in subsection I of this section and the Metropolitan Charter, concerning any department, board, commission, officer, agency, or office of the metropolitan government which receives direct services from or to which funds

are appropriated by the metropolitan government or for 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.

(Amdt. 1 to Ord. BL2017-581 § 1, 2017; Ord. BL2017-581 § 1, 2017; Ord. BL2007-1318 § 2, 2007)

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Sec. 8.121. - Division of metropolitan audit.

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

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

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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)