METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



METROPOLITAN NASHVILLE AUDIT COMMITTEE

WORKBOOK

November 27, 2018



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METROPOLITAN NASHVILLE METROPOLITAN AUDIT COMMITTEE MEETING AGENDA November 27, 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 September 11, 2018, Meeting. (Brackney Reed Committee Chairman)

III. New Business

- Discussion on the audit of the Metro Water Services Fire Hydrant Inspection, Repair, and Maintenance Process issued November 19, 2018. (Mark Swann-Metropolitan Auditor)
- Discussion on the Collier Engineering, Inc. Investigation report issued October 26, 2018. (Mark Swann-Metropolitan Auditor)
- Discussion on the Metro Nashville Public Schools Hotline Various Alerts April & May 2018 report issued November 6, 2018. (Mark Swann-Metropolitan Auditor)
- Preliminary discussion on dedicated assurance services for Metro Nashville Public Schools. (Mark Swann-Metropolitan Auditor)

IV. Unfinished Business and General Orders

- Metropolitan Nashville Audit Committee and Metropolitan Nashville Office of Internal Audit Bylaws annual review. (Mark Swann-Metropolitan Auditor)
- Nashville General Hospital Procurement-to-Pay Credit Card Follow-Up
- Then-Mayor Megan Barry's Travel and Dignitary Security Detail Extra Time Expense Investigation Recommendation Corrective Action Plans
- 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, December 11, 2018. (May need to be rescheduled)

METROPOLITAN NASHVILLE METROPOLITAN AUDIT COMMITTEE MEETING AGENDA November 27, 2018 4:00 p.m.

- 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
- 5. Matters involving information under T.C.A. § 9-3-406⁴ where the informant has requested anonymity.



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

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

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

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

⁴ TECLA. § 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

September 11, 2018 DRAFT

On Tuesday, September 11, 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 | <u>Others</u> |
|--|---|
| Brackney Reed, Chamber of Commerce | Mark Swann, Metropolitan Auditor |
| Charles Frasier, Tennessee Society of CPAs | Theresa Costonis, Department of Law |
| John Cooper, Council Member | Dell Cosslin, Crosslin |
| Bob Mendes, Council Member | John Crosslin, Crosslin |
| Talia Lomax-O'dneal, Director of Finance | Lindsey Ellis, Crosslin |
| | Dawn Clark, Assistant Director, Information Technology Services |
| | Jeff Gossage, Director of Procurement Department, Metropolitan Nashville Public Schools |
| <u>Others</u> | Brian Hull, Director of Resource Strategy, Metropolitan Nashville Public Schools |
| David Tucker, Assistant Director, Metro Water Services | Joseph Webb, Chief Executive Officer, Nashville General Hospital |
| Brent Freeman, Engineer 3, Metro Water Services | Bruce Naremore, Chief Financial Officer, Nashville General Hospital |
| Gilbert Nave, Metro Water Services | Marc Overlock, General Counsel, Nashville General Hospital |
| Mary Cole, Office of Internal Audit | Michelle Hernandez-Lane, Chief Procurement Officer |
| Seth Hatfield, Office of Internal Audit | Fabian Bedne, Council Member |
| Bill Walker, Office of Internal Audit | Judge Melissa Blackburn, Presiding Judge, General Sessions Court |
| | Warner Hassell, Court Administrator, General Sessions Court |

Quorum present? Yes

CALL MEETING TO ORDER

Mr. Brackney Reed called the meeting to order.

APPROVAL OF MINUTES

A **motion** to approve the July 24, 2018, meeting minutes as presented in the Metropolitan Nashville Audit Committee Workbook for September 11, 2018, was made, seconded, and carried.

UNFINISHED BUSINESS

<u>Discussion of Council Member Fabian Bedne's request for an audit of diversity reporting received May 7, 2018.</u>

Mr. Swann stated Councilman Bedne requested an audit to obtain assurance over the integrity of information provided in the EEO-4 report (local government diversity reporting) and the diversity reports provided during the annual Metro Nashville Council budget hearings. Councilman Bedne was concerned over the accuracy of information provided in the reports.

Discussion ensued on what standards could be used as criteria in the audit. Mr. Swann stated one challenge is that a key source of information would come from the Human Resources database. Information in this database relevant to ethnicity is a voluntary field for an employee to complete. There may be instances where this field will not be populated.

Councilman Cooper asked Councilman Bedne what the Metro Nashville Government should be doing as it relates to this reporting. Councilman Bedne responded that he has been visiting numerous Metro Nashville Government departments and was surprised by the lack of diversity. Councilman Bedne stated someone told him there were inaccuracies in the numbers being reported. Ms. Lomax-O'dneal stated Metro Nashville Government departments were no longer required to submit ethnicity data during the budget process. Consequently, the proposed audit would be looking at past periods which may not be representative of the current level of diversity.

A **motion** to amend the annual internal audit work plan to include an audit of EEO-4 reporting for the last two periods was made, seconded, and carried.

Acceptance of the Metropolitan Nashville Government Fiscal Year 2017 Letter of Recommendations to Management from Crosslin discussed in the April 10, 2018, Committee meeting.

A **motion** to accept the recommendations in the Metropolitan Nashville Government Fiscal Year 2017 Letter of Recommendations to Management was made, seconded, and carried.

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.

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

NEW BUSINESS

<u>Discussion on General Sessions Court Presiding Judge Blackburn's and Court Administrator</u>
Warner Hassell's request for an audit of General Sessions Court Traffic School received
<u>September 5, 2018.</u>

Mr. Swann stated a request was made for an audit of the General Sessions Court Traffic School with an emphasis on the revenue collection process. Councilman Mendes asked for a summation of recent issues leading up to this request. Mr. Hassell explained there was an employee within the traffic school that fabricated court documents for fee waivers and allegedly

misappropriated funds for several years. A discussion ensued over the scope and objectives of the requested audit.

A **motion** to amend the annual internal audit work plan to include an audit of the General Sessions Court Traffic School was made, seconded, and carried.

<u>Discussion on the audit of the Oracle R12.2 E-Business Suite Implementation issued August 17,</u> 2018.

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

Mr. Swann stated the Oracle R12.2 E-Business Suite \$23 million implementation project is primarily to replace the current J.D. Edwards enterprise resource system and additional human resources functionality for the Metropolitan Nashville Public Schools.

A discussion ensued where project status and milestones were summarized by Ms. Dawn Clark.

<u>Discussion on the audit of the Nashville General Hospital Procurement to Pay Process issued</u> <u>August 28, 2018.</u>

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

Ms. Lomax-O'dneal asked if the scope included a review of contracts. Mr. Hatfield stated contracts were reviewed only to the extent of ensuring contracts were properly executed.

Councilman Cooper asked if any credit card statements were paid late or had finance charges applied. Mr. Hatfield stated none were paid late or had finance charges.

Councilman Mendes asked if a determination could be made whether payments made without proper documentation were actually related to the mission of the Nashville General Hospital. A discussion ensued surrounding the missing receipts. The primary cause of the missing receipts pertains to employee turnover.

Ms. Lomax-O'dneal asked several follow up questions, and a brief discussion ensued.

Action Item: Management of Nashville General Hospital is to prepare an extended audit report response to the recommendation related to credit card expenses. Specifically, to conduct an analysis to ascertain if the expenses appear reasonable based on prior period expenses.

<u>Discussion on the audit of the Metro Water Services Process Control System Security – Public</u> Notice issued August 20, 2018.

Mr. Swann summarized the objectives, observations, and recommendations for this audit. Mr. Swann stated this audit was outsourced to BerryDunn. The audit used the American Water Works Association, Cyber Security Recommended Controls as a benchmark for the audit.

Mr. Swann noted that out of the 82 recommended controls, 42 were found to be fully implemented and 40 were considered to be partially implemented or not implemented, however, several of these controls were of lower risk.

<u>Discussion on the audit of Department of Finance Procurement Division issued August 17,</u> 2018.

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

Mr. Swann stated this audit was requested by the Director of Finance and that the audit was impacted by the voluminous policy and procedures governing procurement.

Mr. Reed asked a question regarding a sole source purchase that did not receive Metropolitan Nashville Council approval. Ms. Lane responded that it was for a pension plan investment consulting contract for the Treasury Department.

<u>Discussion on the audit of the Metropolitan Nashville Public Schools Purchasing Card Program</u> issued August 1, 2018.

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

Councilman Mendes asked if the status was known regarding the completion dates listed by management since two of the dates were in the past. Mr. Gossage responded that the recommendations had been fully implemented. Mr. Gossage explained that the Metro Nashville Board of Education is currently reviewing/modifying purchasing procedures.

Mr. Frasier asked if the vendors listed on the top spend chart in the report offered rebates based on certain levels of use. Mr. Gossage responded that some of the vendors do provide rebates but most are related to cooperative agreements in which the State of Tennessee receives the rebates. Ms. Lomax-O'dneal asked if the purchasing card program itself provided rebates and Mr. Gossage stated that no rebates were provided by the credit card vendor.

<u>Discussion on the audit of the Metropolitan Nashville Public Schools Financial Matters issued August 17, 2018.</u>

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

Ms. Lomax-O'dneal asked if Metropolitan Nashville Public Schools has to prepare a cost allocation plan since some funding comes from the State and Federal governments. Mr. Swann responded that Metropolitan Nashville Public Schools is following the Tennessee Department of Education chart of accounts. Ms. Cole responded that certain indirect costs are allowed, but there was no uniformity so that a definition of central office cost could not be determined.

Mr. Frasier asked if the \$7.5 million shortage listed in the audit report was known at the beginning of the school year, and Ms. Cole explained the timing of events in which specific data (student enrollments numbers, insurance adjustments, etc.) was provided to Metropolitan Nashville Public Schools by the Tennessee Department of Education and internal enrollment figures. Additionally, Mr. Hull provided insight into the timing of events that led to the shortfall.

Councilman Cooper mentioned that Dr. Joseph, Metropolitan Nashville Public Schools Director of Schools, used a central office expense amount in a past meeting and expressed the desire for someone to clarify what central office expense is. Mr. Swann advised the audit used cost allocation definitions based on what was suggested by the Metropolitan Nashville Public Schools Human Resources Department. One of the recommendations in the audit was for the Metropolitan Public Nashville Schools to generate specific criteria and definitions as to how internal cost is to be classified so such information will be consistent in future reporting.

<u>Discussion on the Then-Mayor Megan Barry's Travel and Dignitary Security Detail Extra Time</u> Expense Investigation issued August 22, 2018.

Mr. Swann stated the Committee members were provided this report and asked if there were any questions. Councilman Mendes stated that he regretted the Metropolitan Nashville Council dropping its investigation of this matter. Councilman Mendes believed not having the ability to compel witnesses impeded the Office of Internal Audit's investigation.

Mr. Swann highlighted the pension calculation errors observed during the investigation. The errors resulted in approximately \$100,000 in overpayments or future overpayments from the Metropolitan Nashville General Government Pension Plan to retirees.

Councilman Cooper asked how many employees within the Metropolitan Nashville Government are allowed to supplement their travel from outside sources. Ms. Costonis referred to the Metro Nashville Code of Laws which outline the requirements for employee standards of conduct. From her recollection, the limit is \$25 annually for meals and \$100 annually for entertainment or travel from any one source. Sometimes it will depend on how the gift is being gifted, ror example, if the gift is not for an individual but for the Metro Nashville Government. Mr. Swann stated that one of the recommendations from the investigation report is for the Mayor's Office to develop a handbook for employees to help clarify when gifts, travel, and entertainment are acceptable and when they are not acceptable.

Councilman Cooper asked about the circumstances resulting in Chief Andersen being listed as approving travel request when he stated he never saw the travel requests within the Metro Nashville Travel Authorization System. Mr. Swann stated that Metro Nashville Information Technology Services reviewed and tested the code. Metro Nashville Information Technology concluded that the Travel Authorization System had a logic error. This logic error resulted in the Travel Authorization System recording Chief Andersen as approving travel request for the Police Department Security Detail employees when the workflow was not actually routed to Chief Andersen. The Office of Internal Audit also independently reviewed the source code and conducted tests that resulted in the same conclusion as Information Technology Services. Mr. Swann provided a description of the circumstances in the system logic that resulted in this occurring.

Mr. Frasier asked if the Metropolitan Nashville Government employee standards of conduct specifically mentioned relationships between a supervisor and subordinate. Mr. Swann stated it was not mentioned specifically, but the Police Department did have a policy that addressed handling of close relationships.

A **motion** to request all entities involved in the investigation to present a corrective action plan to address the recommendations in the report was made, seconded, and carried.

Audit Recommendation Follow-up Status – August 2018.

Mr. Swann summarized out of the 23 entities needing to respond, 19 entities did provide status updates. Councilman Mendes asked when deadlines are not met, is there a clear reporting mechanism detailing an explanation for the missed deadlines. Mr. Swann responded that there are explanations, but currently, they are not listed in the reports provided to the Committee.

Action Item: Future Audit Recommendation Follow-up reports should include an explanation for the need of a change in a corrective action completion date and a risk rating system to assist with identification of the significance of an issue.

Audit Committee 2018 Self-Assessment

Mr. Swann reported the Committee was doing everything required by their bylaws with one exception. The only exception was no mechanism existed to provide evidence that the posting of meeting agendas were within the required time frame.

A **motion** to accept the 2018 Audit Committee Self-Assessment was made, seconded, and carried.

Other Administrative Matters

Mr. Swann informed the committee that a Principal Auditor resigned.

Mr. Swann requested the Committee's concurrence for the use of family paid leave benefit time for the care of his father. A **motion** to approve family paid leave for Mr. Swann was made, seconded, and carried.

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

The public meeting adjourned after approximately 1 hour, 45 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 [Page Intentionally Left Blank]

EXECUTIVE SUMMARY

November 19, 2018



Why We Did This Audit

The Director of Metro Water Services requested this audit. Proper inspection and maintenance of fire hydrants provides assurance that adequate water flow is delivered when needed by the Nashville Fire Department.

What We Recommend

- Establish dedicated crews and annual schedules to perform inspections and flow-tests of all fire hydrants within the fiveyear cycle.
- Improve cooperation with the Nashville Fire Department to ensure follow-up on private hydrants that fail inspections.
- Enhance data integrity controls within the Hansen and the Mobile Workforce Management Systems

Audit of the Metro Water Services Fire Hydrant Inspection, Flow-Testing, and Maintenance Process

BACKGROUND

Metropolitan Nashville Government's Metro Water Services Department, hereafter called Metro Water Services, is responsible for the installation, inspection, and maintenance of public fire hydrants. Metro Water Services is also to inspect or supervise the inspection of private hydrants in accordance with procedures and at intervals established by the Nashville Fire Department Fire Chief. As of March 31, 2018, Metro Water Services was responsible for 20,880 public fire hydrants in its service area of 388 square miles. Additionally, there were 3,127 private fire hydrants as of fall 2017.

OBJECTIVE AND SCOPE

The objectives of this audit are to determine if:

- Public and private fire hydrants are inspected in accordance with applicable Metropolitan Nashville Code of Laws, Metro Water Services internal policies, and industry standards as outlined by the National Fire Prevention Association and the American Water Works Association.
- Inspection fees for private hydrants are recorded and collected.
- Data is consistent between the Geographical Information, Mobile Workforce Management, and Hansen Asset Management systems.

The scope of the audit is all public and private fire hydrants in service as of March 2018 and the fall of 2017, respectively.

WHAT WE FOUND

Metro Water Services has dedicated management and staff who strive to inspect and maintain fire hydrants properly. They do so by managing the available resources among competing duties and responsibilities. Policies and procedures have been established. Generally, inspection work and maintenance performed was conducted in accordance with internal procedures and industry standards. Fees related to private hydrant inspections were billed and collected.

A portion of public fire hydrants (17 percent) were not inspected or flow-tested within the established five-year period. Opportunities exist to enhance the integrity of data within the Hansen software system. Existing policies and procedures need to be periodically reviewed and updated. Procedures related to the follow up of private hydrants that fail inspection were not followed.

GOVERNANCE

Metropolitan Nashville Code of Laws § 15.12.110 charges Metro Water Services with the installation and maintenance of fire hydrants. The Metro Water Services Systems Services Division is tasked with discharging these responsibilities. The Nashville Fire Department uses these hydrants to respond to fire emergencies and other fire safety measures.

The American Water Works Association – M17 and the National Fire Protection Association – NFPA 25 are two industry standards for hydrant maintenance and flow-testing. The National Fire Protection Association requires hydrants to be inspected and maintained annually and underground and exposed piping serving hydrants to be flow-tested at minimum five-year intervals.

INSPECTION, FLOW-TESTING, AND MAINTENANCE OVERVIEW

Fire hydrants play a critical role in public safety and fire suppression. It is vitally important to have a system in place to properly inspect, flow-test, and maintain fire hydrants to ensure adequate water flow in cases of emergency. Adequate quality controls ensures that fire hydrant readiness will be sufficient and will not put residents and properties in those areas at risk, especially if no fully functional hydrants are within 500 feet as required by the Nashville Fire Department. Moreover, insurance companies collect and evaluate information about hydrant flow-tests and municipal fire suppression efforts in communities throughout the United States as factors in setting rates for premiums. (Refer to Appendix B for a summary of the September 2017 survey report and grades for Nashville.)

Public Hydrants

Metro Water Services installs, inspects, flow-tests, and maintains all public fire hydrants. Inspection, flow-testing, and maintenance work are performed by employees generally, but contractors are used when necessary. Metro Water Services internal policies require all fire hydrants to be flow-tested every five years.

As of March 2018, Metro Water Services had three Standard Operating Procedures for hydrants: (1) Two-hydrant Flow-Tests, (2) Flow Crews-Mobile Dispatch, and (3) Hydrant Repair and Replacement.

Exhibit A summarizes costs to install, inspect, flow-test, and maintain public hydrants for three fiscal years examined. Labor costs include apportioned Systems Services Division labor costs and costs for labor supplied by contractors.

Exhibit A – Costs for Public Fire Hydrant Installation, Inspection, Flow-Testing, and Maintenance

| Fiscal Year Ended | Hydrants Purchased - Complete | Hydrant Purchased - Parts | Labor | Totals |
|-------------------|-------------------------------------|---------------------------------|-------------|-------------|
| June 30, 2017 | \$134,120 | \$109,955 | \$1,206,395 | \$1,450,470 |
| June 30, 2016 | 219,387 | 88,798 | 816,334 | 1,124,519 |
| June 30, 2015 | 124,081 | 122,136 | 321,381 | 567,598 |
| Totals | \$477,588 | \$320,889 | \$2,344,110 | \$3,142,587 |

Source: Metropolitan Nashville Government EnterpriseOne

Private Hydrants

Private hydrants are installed, inspected, flow-tested, and maintained by private property owners with oversight from Metro Water Services and the Nashville Fire Department. The term 'private' is broad and includes private individuals, private companies, Metro Nashville departments/agencies, Tennessee State departments/agencies, and United States departments/agencies that own properties within the Metro Water Services coverage area. Metropolitan Nashville Code of Laws § 15.68.030 requires property owners to perform at least a monthly visual inspection of private hydrants as well as preventive maintenance at six months intervals. As an oversight function, Metro Water Services has a contract with a vendor to observe private hydrant inspections to ensure compliance with Metropolitan Nashville Code of Laws and industry standards. Metro Water Services receives inspections reports from the contractor and submits a list of hydrants that fail inspections to the Nashville Fire Department for follow-up.

Exhibit B shows fees collected from private hydrant owners (revenue) and fees paid to the contractor to monitor inspections.

Exhibit B – Private Hydrant Inspection Fee Revenues and Expenses

| Fiscal Year Ended | Inspection Fee Revenue | Inspection Fees Paid to Contractor |
|-------------------|---------------------------|------------------------------------|
| June 30, 2017 | \$302,508 | \$200,290 |
| June 30, 2016 | 289,308 | 142,063 |
| June 30, 2015 | 280,543 | 177,689 |
| Totals | \$872,359 | \$520,042 |

Source: Metropolitan Nashville Government EnterpriseOne

Inspection and Flow-Testing

Inspections include checking the appearance to remove obstructions around it, painting, and raising or lowering it because of a change in the ground surface grade. In certain instances, when a hydrant is hit by a vehicle, for example, an inspection may not be necessary since such a hydrant needs repair or outright replacement.

Flow-tests are conducted to determine pressure and flow-producing capabilities at any location within the distribution system, that is to determine how much water is available for fighting fires but the flow-test also serves as a means of determining the general condition of the distribution system.

Hydrant inspections and flow-tests originate in one of three ways:

- Routine Inspections inspections generally originate from Metro Water Services' System Service Division based on a review of information on the Geographical Information Systems map.
- On-Demand Inspections inspections that are requested by private companies or developers during the planning stages of new developments.
- Service Request inspections that originate from various sources, including the Nashville Fire
 Department and Metro Water Services Customer Service Center (calls from the public, Metro
 Police, Metro Office of Emergency Department, and others). These are usually related to
 hydrants that are damaged, not functioning well, or complaints about the change in watercolor.

Exhibit C - Public Hydrant Work Orders processed between April 1, 2017, and March 31, 2018

| Inspection Type | Number | Percent of Total |
|-----------------|--------|------------------|
| Routine | 6,896 | 82 |
| On-Demand | 566 | 7 |
| Service Request | 898 | 11 |
| Total | 8,360 | 100 |

Source: Hansen Asset Management System

There were 20,880 public hydrants in operation as of March 2018 and 3,127 private hydrants in operation as of fall 2017 within the Metro Water Services area. The National Fire Protection Association requires hydrants to be inspected and maintained annually and underground and exposed piping serving hydrants to be flow-tested at minimum 5-year intervals. Exhibit D summarizes the inspection and flow-testing activity within the Metro Water Services service area.

Exhibit D – Public Hydrants Inspected and Flow-Test Completion Rates

| Category | Period | Hydrants | Percent of Total |
|-------------------------|------------------------|----------|---------------------|
| Up to 3 years | 4/1/2015 - 3/31/2018 | 13,563 | 65 |
| Over 3 years to 5 years | 4/1/2013 - 3/31/2015 | 3,840 | 18 |
| Over 5 years | 4/1/1999 * - 3/31/2013 | 3,275 | 16 |
| Not inspected/flowed | Various | 202 | 1 |
| | Totals | 20,880 | 100 |

Source: Hansen Asset Management System, * - Earliest period for which data is available

Information Systems

Metro Water Services uses a variety of systems to track hydrants and activity related to hydrants. These systems include the Geographic Information System, Hansen Asset Management System, Mobile Workforce Management System, and enQuesta.

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.

| | Concurrence and Corrective Action Plan | Proposed Completion Date |
|---|--|-----------------------------|
| Recommendations for management of Metro Wat | er Services to: | |
| A-1. Establish dedicated crews and annual schedules to perform inspections and flow-tests of all fire hydrants within the five-year cycle. | Accept – MWS had purchased vehicles for 3 additional fire hydrant flow trucks prior to the audit and have promoted 3 leaders for these crews. We have also advertised for a supervisor over these crews in the Water Maintenance section of System Services. | 01/31/2019 |
| A-2. Perform periodic reviews of completion rates to assist with general operational and scheduling decisions. | Accept – MWS prepares a report each Monday that reports action at each hydrant for the previous week. The new supervisor over the Water Quality section will review this report and schedule any follow up needed. | 01/31/2019 |
| A-3. Review repair data over a certain period to determine if priority codes need to be revised to suit current operational conditions. | Accept – MWS is currently reviewing products to replace Mobile Workforce Management (MWM). We will review the priority codes when we implement the new software. | 06/30/2019 |
| B-1 . Re-establish a verifiable agreement with the Nashville Fire Department to perform regular inspections and follow-ups for private hydrants. | Accept – MWS will re-establish the previous agreement with the Nashville Fire Department (NFD) to conduct spring and fall public fire hydrant inspections. | 06/30/2019 |
| B-2 . Train the Nashville Fire Department to perform regular inspections and follow-up inspections for private hydrants. Use fees collected from private owners to pay the Nashville Fire Department for this service. | Accept – MWS will discuss moving the private hydrant inspection process from a private contractor to the NFD. | 06/30/2019 |
| B-3. Request the Metropolitan Nashville Council to increase the \$40 fee per inspected private hydrant to accommodate the cost for follow-up inspections. | Accept – MWS will evaluate the fee to determine if it needs to be increased and supply documentation to justify the amount for cost recovery. | 06/30/2019 |
| C-1. Establish use of the 'log feature' in Hansen as a standard operating procedure and periodically review the same for compliance. The documentation should include a historical trail of what has been changed. | Accept – MWS has developed and implemented a log-entry SOP. We will evaluate for any other process improvements required. | 01/01/2019 |
| C-2. Ensure adequate documentation is retained regarding activities performed for all inspections, flow-tests, and maintenance of hydrants. This should include revising the 'flushing work order' to include more of the AWWA inspection and repair items. Also, consider retaining information | Accept – MWS has updated the SOP and flow sheet and we are evaluating software to include checklists of items electronically that are currently on the paper flow sheet. | 06/30/2019 |

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

| in Mobile Workforce Management system for a longer time period. | | |
|---|---|------------------------|
| C-3. Periodically sample and review hydrant information in Hansen for reasonableness and retain evidence of such reviews. This should include hydrants that have in-service (IS) status but have no inspection and flow-test data. | Accept – Hydrant data is reviewed but repair times from MWM are not changed. MWS is evaluating new software to replace MWM to address the problems with reliable timestamps. System Services and Engineering will review the in-service process. | 06/30/2019 |
| C-4. Enhance procedures to timely capture and update hydrant ownership change information in the Hansen private hydrant asset management system to agree with the billing system. This will reduce billing time and speed up receipts of payment from the owners. | Accept – Private hydrants are flowed twice per year. Address updates are pulled from the billing system (Enquesta) twice per year when flowing starts. | Occurs twice per year. |

Mark S. Swann **Metropolitan Auditor**



OFFICE OF INTERNAL AUDIT 404 James Robertson Parkway, Suite 190 NASHVILLE, TENNESSEE 37219 615-862-6158

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

October 26, 2018

Mr. Mark Stueverant Metro Public Works

Director

Ms. Talia Lomax-O'dneal Metro Finance Department

Director

Ms. Monique Odom

Metro Parks and Recreation

Director

Ms. Michelle Hernandez-Lane Metro Nashville Government

Purchasing Agent

Mr. Scott Potter **Metro Water Services**

Director

Dear Mr. Sturtevant, Ms. Odom, Mr. Potter, Ms. Lomax-Odneal, and Ms. Hernandez-Lane

COLLIER ENGINEERING, INC. INVESTIGATION

The Metropolitan Office of Internal Audit received a formal request from Mayor David Briley on May 7, 2018, to investigate the allegation that Collier Engineering, Inc. was improperly entertaining various officials within the Metropolitan Nashville Government. Several other complaints were also made related to Collier Engineering, Inc.'s working relationship with the Metropolitan Nashville Government.

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

- A. The allegation that there is an appearance of preferential treatment being given to Collier Engineering, Inc. by Metropolitan Nashville Government employees in exchange for entertainment and gifts is substantiated.
- B. The allegation that projects are being given to Collier Engineering, Inc. outside the scope of current contracts and when vendors are on contract for the same services is unsubstantiated because proposals submitted with the allegation were either rejected by the Metropolitan Nashville Government Procurement Agent or approved and found to be within the scope of services included in Public Works Contract 363266.
- C. The allegation that Collier Engineering, Inc. is submitting invoices with little supporting documentation, invoices are only being reviewed by Donald Reid, and employees who question the invoices are being taken out of the review process is unsubstantiated because invoices were found to have sufficient documentation, controls around billing at Collier Engineering, Inc. were reviewed by an independent certified public accounting firm with no issues noted, and no evidence could be obtained to show that Donald Reid was removing employees from the review process within Public Works.

- D. The allegation that **only inspectors that are on good terms with Donald Reid** are allowed to inspect paving projects for Public Works is **unsubstantiated** because no evidence could be obtained that Donald Reid is selecting which inspectors are assigned by Collier Engineering, Inc. to Public Works paving projects.
- E. The allegation that **Public Works required Google Fiber to work with Collier Engineering, Inc. in order to expedite permitting** is **unsubstantiated** because no evidence was obtained that Public Works made it a requirement for Google Fiber to work with Collier Engineering, Inc. and no work was completed for Google Fiber by Collier Engineering, Inc.
- F. The allegation that Collier Engineering, Inc. is **billing time for Marty Szeigis and Benny Word as project management, but they are not managing projects** was **unsubstantiated** because work performed by Benny Word and Marty Szeigis can be classified as project management.
- G. The allegation that **Terri Troup, Senior Procurement Officer, has a conflict of interest** as she is a former employee of both Collier Engineering, Inc. and Public Works and is processing contract amendments for Collier Engineering, Inc. is **unsubstantiated** because prior employment with a contractor is not specified in the Metro Code of Law as a conflict of interest, and Terri Troup did not approve any of the purchase orders or contract amendments included with the allegations.
- H. The allegation that Collier Engineering, Inc. made mistakes on Metropolitan Nashville Public School sidewalk projects that resulted in repair costs being absorbed by the Metropolitan Nashville Government is unsubstantiated. Although mistakes related to Americans with Disabilities standards were made by Collier Engineering, Inc., the square footage of rework represents a small percentage of the total installed square footage of sidewalks at Metropolitan Nashville Public Schools. Both Public Works and Collier Engineering, Inc. have agreed that Collier Engineering, Inc. will cover the costs of the rework.

Recommendations

- The Metropolitan Nashville Governments' Director of Public Works, Director of Metro Water Services, and Director of Parks and Recreations should take appropriate administrative action to cure the appearance of preferential treatment being given to contractors. Administrative action may include training employees on Metro Code of Law Sections 4.48.030 and 4.48.050 regarding ethics in public contracting and Metro Code of Law Section 2.222.020 general standards of ethical conduct, and conflict of interest.
- 2. Management of the Metropolitan Nashville Government Public Works Department should ensure that credit for all reworks for Metropolitan Nashville Public School Sidewalk Projects are received by Collier Engineering, Inc.

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

Sincerely,

Mark S. Swani

Mark S. Swann Metropolitan Auditor



OFFICE OF INTERNAL AUDIT 404 James Robertson Parkway, Suite 190 NASHVILLE, TENNESSEE 37219 615-862-6158

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

November 6, 2018

Dr. Shawn Joseph Metro Nashville Public Schools Director

Dear Dr. Joseph,

METRO NASHVILLE PUBLIC SCHOOLS HOTLINE VARIOUS ALERTS APRIL & MAY 2018

Source of Allegations

Between April 14, 2018, and May 15, 2018, the Metropolitan Nashville Office of Internal Audit received hotline alerts related to a variety of matters involving Metro Nashville Public Schools.

Purpose of Investigation

The Metropolitan Nashville Office of Internal Audit conducts internal investigations of potential violation of governance policies established for the Metropolitan Nashville Government or investigations of potential fraud, waste, and abuse. Investigation requests are received from the management of the Metropolitan Nashville Government or tips received from the Metropolitan Nashville Government fraud, waste, and abuse hotline.

Any findings or observations of potential fraud and other criminal acts would be referred to the 20th Judicial District Attorney Office, Metropolitan Nashville Police Department, or other appropriate agency. Any findings related to employee misconduct, waste, abuse; as well as process inefficiencies and deficient internal controls would be forwarded to the management of the Metropolitan Nashville Government for corrective action.

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.

November 6, 2018 METRO NASHVILLE PUBLIC SCHOOLS HOTLINE VARIOUS ALERTS APRIL & MAY 2018 Page 2

The Metropolitan Nashville Office of Internal Audit discovery of evidence is primarily from Metropolitan Nashville Government's personnel testimonial statements, financial and operations records, and information assets (computers, email, mobile phone, and so forth). Personal private information assets and financial and operations records will be reviewed when voluntarily provided by parties involved in an investigation or contractual audit clauses facilitate such reviews.

The purpose of this investigation is to determine if there were any matters of improper use of public resources by Metro Nashville Public Schools that would require management action or referred to other appropriate agencies.

Allegations

- 1. Dr. Darwin Mason manipulatively and maliciously did not follow Metro Nashville Public School's procurement policies and made purchases that were not timely used.
- 2. Management of Maplewood High School engaged in money laundering, and theft from teachers and customers using the Firestone Auto Garage, and students were not able to attend core English and Math classes because they were needed to work in the Firestone Auto Garage.
- 3. Dr. Megan Cusson-Lark used proceeds from selling tables/booths at the fall 2017 college fair to purchase and distribute The Salon Professional Academy beauty spa gift certificates to counselors against Metro Nashville Public Schools' policy.
- 4. There was an unfair and unethical process of awarding the 50 percent tuition scholarship to the 15 Metro Nashville Public Schools employees enrolled in the Trevecca Nazarene University Ed S to Ed D program.
- 5. Dr. Tony Majors, Metro Nashville Public Schools, Executive Officer for Student Services, attended a faith-based conference in Boston at the expense of tax-payers. The caller believes tax-payer money should not pay for a faith-based conference since the Metro Nashville Public Schools is considered a secular school system.
- 6. Dr. Keiva Wiley mismanaged and mishandled money; that she did not follow/ignored purchasing procedures and was fired as a result; that she continued to receive a salary after she was terminated from employment and was not living in Tennessee.

Summary and Outcome of Investigation

After performing an investigation of the above-listed allegations, and using the preponderance of evidence standard as a basis, the Office of Internal Audit believes:

- 1. Dr. Darwin Mason did request technology that was not put into service timely. However, the allegation that this action was manipulative and with malice is **unsubstantiated**.
- 2. The allegation that management of Maplewood High School engaged in money laundering, and theft from teachers and customers using the Firestone Auto Garage, and students were not able to attend core English and Math classes, because they were needed to work in the Firestone Auto Garage, is **unsubstantiated.**

- 3. The allegation that Dr. Megan Cusson-Lark used proceeds from selling tables/booths at the fall 2017 college fair was used to purchase and distribute The Salon Professional Academy beauty spa gift certificates to counselors against Metro Nashville Public Schools' policy is **unsubstantiated.**
- 4. The allegation that there was an unfair and unethical process of awarding the 50 percent tuition scholarship to the 15 Metro Nashville Public Schools employees enrolled in the Trevecca Nazarene University Ed S to Ed D program is **unsubstantiated.**
- 5. The allegation that Tony Majors attended a faith-based conference paid for by tax-payers is **unsubstantiated.**
- 6. The allegations that Dr. Keiva Wiley mismanaged and mishandled money; that she did not follow/ignored purchasing procedures and was fired as a result; that she continued to receive a salary after she was fired and was not even in Tennessee are **unsubstantiated.**

Recommendations

- 1. Management should better plan technology purchases by including the participation of knowledgeable information technology personnel to advise on all requirements for placing technology and similar purchase in-service as soon as possible.
- 2. Management of Maplewood High School Automotive Training Center should continue to work on finalizing written procedures surrounding the processing of work orders and receiving payments to help guide students and staff with processing auto repair activities within the auto garage. In the absence of a fully functional point of sale system processing of work orders and receipt of payments should be segregated between the workshop instructor and bookkeeper.

When possible a point of sale system should include: 1) houses work orders approved by customers, 2) will receive payments against approved work-orders, and 3) has a daily close-out activity report with sub-totals for parts and donations received, and should provide a control total for the bookkeeper and principal.

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

Sincerely,

Mark S. Swann

Enclosures

cc: Honorable Mayor David Briley
Metropolitan Nashville Board of Public Education
Metropolitan Nashville Audit Committee
Jon Cooper, Director, Department of Law
Theresa Costonis, Attorney, Department of Law

Internal Audit Reports Issued During the Period FY 2007 through FY 2019 **Key Departmental Audit Project History**

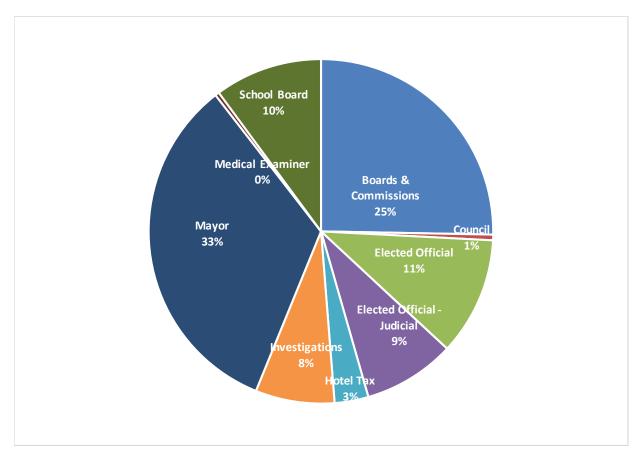
| Department Name | Internal Audit Reports Issued FY 2007 - 2019 |
|------------------------|---|
| Metropolitan Nashville | FY2019/ Public Schools Financial Matters |
| Public Schools | FY2019/ Public Schools Procurement Cards |
| | FY2017/Public Schools Performance Reporting Process |
| | FY2015/Metropolitan Nashville Public School System |
| | FY2013/Public Schools Custodial Outsourcing |
| | |

| Dublic Cabacata | FV2010/ Public Schools Principle Induction |
|----------------------------------|---|
| Public Schools | FY2019/ Public Schools Procurement Cards |
| | FY2017/Public Schools Performance Reporting Process |
| | FY2015/Metropolitan Nashville Public School System |
| | FY2013/Public Schools Custodial Outsourcing |
| | FY2012/Public Schools Payroll Process |
| | FY2011/Public Schools Food Service Program |
| | FY2010/Public Schools Information Security Management |
| Police Department | FY2016/Police Department Secondary Employment |
| | FY2015/Police Department Active Directory Services |
| | FY2014/Police Department Firearms and Equipment Tracking |
| | FY2011/Police Department Crime Statistical Reporting Process |
| | FY2009/Police Department Vehicle Impound |
| Fire Department | FY2016/Fire Department Payroll Process |
| | FY2014/Fire Department Grant Administration |
| | FY2013/Fire Department Drug Inventory Management |
| | FY2008/Fire Department Emergency Medical Services |
| Public Works | FY2017/Public Works Traffic Signalization Project |
| | FY2015/Public Works Parking Management |
| | FY2013/Public Works Contract Monitoring |
| | FY2009/Public Works Traffic Operations |
| | FY2008/Public Works Solid Waste Management |
| Water Services | FY2019/ Metro Water Services Fire Hydrant Maintenance Process |
| | FY2019/ Metro Water Services Process Control Systems Security |
| | FY2018/Metro Water Services Payroll |
| | FY2015/Metro Water Services Cash Collections |
| | FY2014/Metro Water Services Home Buyout Program |
| | FY2010/Metro Water and Sewer Billing and Collections |
| | FY2016/FY2015/FY2014/Metro Water Service Clean Water Nashville |
| | Overflow Abatement Program |
| Sheriff's Office | FY2018/Sheriff's Office Information Security Management |
| | FY2015/Sheriff's Office Firearms and Equipment Inventory |
| | FY2009/Sheriff's Office Revenue and Collections |
| Public Health Department | FY2017/Public Health Finance and Administration Bureau |
| - acino ricaren 2 oparen en en e | FY2016/Public Health Immunization Program |
| | FY2013/Public Health Drug Inventory Management |
| | FY2009/Public Health Department Food Protection Services |
| | FY2007/Public Health Department Animal Control Facilities |
| Information Technology | FY2018/Information Technology Services Software Management |
| Services | FY2014/Information Technology Services Telecom Services |
| | FY2013/Information Technology Service Certificate Services |
| | FY2011/Information Technology Services Active Directory Services |
| | FY2009/Information Technology Services Security Management |
| Finance Department | FY2019/Finance Purchasing and Business Assistance Office |
| i mance bepartment | FY2019/Prinance Furchasing and Business Assistance Office FY2019/Oracle Enterprise Financials R.12.2 Implementation |
| | FY2019/Oracle Enterprise Financials R.12.2 Implementation FY2016/Finance OMB Revenue Forecasting |
| | |
| | FY2016/Finance General Reserve Funding Capital Asset Process |

Internal Audit Reports Issued During the Period FY 2007 through FY 2019 Key Departmental Audit Project History

| | FY2015/Unusual Financial Related Transactions |
|--------------------|---|
| | FY2013/Finance Metro Investment Pool |
| | FY2011/Finance Accounts Payable Process |
| Hospital Authority | FY2018/General Hospital Procure-to-Pay Process |
| | FY2018/Autumn Assisted Living Partners Contract |
| | FY2012/Hospital Authority Billing Process |
| | FY2009/General Hospital Performance Audit Follow-Up |

Total Audit Assurance Service Deployment January 2008 through November 2018



| Agency | Total Hours | Percent |
|-----------------------------|--------------------|---------|
| Boards & Commissions | 36,396 | 25% |
| Council | 767 | 1% |
| Elected Official | 15,960 | 11% |
| Elected Official - Judicial | 12,416 | 9% |
| Hotel Tax | 4,574 | 3% |
| Investigations | 10,663 | 7% |
| Mayor | 47,975 | 33% |
| Medical Examiner | 560 | 0% |
| School Board | 14,531 | 10% |
| Grand Total | 143,841 | |

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Annual Review

Metropolitan Nashville Audit Committee Bylaws

Metropolitan Nashville Office of Internal Audit Bylaws

Swann, Mark (Internal Audit)

From: Naremore, Bruce < Bruce.Naremore@NashvilleHA.org >

Sent: Tuesday, November 20, 2018 5:57 PM

To: Swann, Mark (Internal Audit); Webb, Joseph (Hospital Authority)

Cc: Hatfield, Seth (Internal Audit); Walker, William B (Internal Audit); Simmons, Sharon

Subject: RE: Audit of the Nashville General Hospital Procurement-to-Pay Process -- Follow Up

Attachments: Credit card test_11_06_2018.xlsx

Mark

We asked the credit card holders to review their files and records for the credit card documentation that caused some concern for the Audit Committee on the samples that Seth Hatfield and his team reviewed. I am forwarding their documentation in which they have proper receipts for approximately \$7,200 of the \$9,200 in charges to those credit cards. It is not an excuse for those receipts and documents not being in the AP files and folders at the time of the review; however, it covers roughly 78% of the total spend involved.

I can definitively inform that for the last 3 monthly statements from Chase Bank – we have 100% compliance – receipts are in place – including the somewhat challenging online transactions which have become required for e-commerce entities including the Tennesseean (newspaper) Facebook (advertising), Indeed and Linkedin (job postings) – these entities do not lend themselves to traditional purchase order procurement processes, and the receipts need to be printed real time. Our card holders are now attuned to it and requiring those before they allow others to use their cards. We have also added a request form that outlines the data points needed for credit card use – date of request, requesting party, Dept charged, Amount, Vendor name, purpose, how the expense supports Hospital mission, a Dept Manager approval and then signed off by the cardholder with receipt in place or printed at that time. We are also reaching out to repetitive vendors to determine if we can set them up on a PO or other traditional arrangement that assures maximum controls while enhancing our contract compliance with our primary Group Purchasing Organization, Vizient, or through our ability to access Metro contracting vendors and pricing.

I can have my assistant scan the support documents and send them to you. We modified Seth's spreadsheet to reflect GREEN means we believe we have proper receipt; and red means we were unable to locate anything to support at this time. It is attached – but I will need Ms Simmons to send the scanned support documents tomorrow. She will also send a sample of the Credit Card Request form.

Regards

Bruce Naremore | Chief Financial Officer

1818 Albion Street | Nashville, Tennessee 37208 | www.nashvillegeneral.org (o) 615.341.4432 | (c) 504.352.5960 | (f) 615.341.4202 | bruce.naremore@nashvilleha.org



we care for YOU. for life.

From: Swann, Mark (Internal Audit) < Mark. Swann@nashville.gov>

Sent: Monday, November 5, 2018 9:12 AM

To: Naremore, Bruce <Bruce.Naremore@NashvilleHA.org>; Webb, Joseph <Joseph.Webb@NashvilleHA.org>

Cc: Hatfield, Seth (Internal Audit) <Seth.Hatfield@nashville.gov>; Walker, William B (Internal Audit)

<William.Walker4@nashville.gov>

Subject: Audit of the Nashville General Hospital Procurement-to-Pay Process -- Follow Up

Request for Use of NGH Credit Card Account

| Date of Request | | | |
|--|-----|----|--|
| Requested By | | | |
| Department to be Charged | | | |
| Amount of Purchase | | | |
| Vendor Name | | | |
| Purpose of Purchase | | | |
| How Does this Purchase Support the Mission of NGH? | | | |
| Department Manager Approval | | | |
| Purchase Completed By | | | |
| Receipt Acquired | Yes | No | |

APPENDIX A – MANAGEMENT RESPONSES AND CORRECTIVE ACTION PLANS

| Recommendation | Concurrence and Corrective Action Plan | Proposed Completio Date |
|--|---|----------------------------|
| Recommendation for management of the Metropo | litan Nashville Police Department to: | |
| A.1 Whenever feasible, use rotating stacked shifts for the Dignitary Security Detail based on the workday security coverage requirements. | Accept. Currently in place. | Completed |
| A.2 Monitor top five employees' discretionary extra time in addition to monitoring employees' court appearance extra time. | Accept. Currently in place. | Completed |
| Recommendation for management of the Metropo | litan Nashville Government Department of F | inance to: |
| B.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. | Accept. The Policy Committee will review and revise as necessary the Travel Policy in regards to travel expenses funded by outside entities for Metro-related travel. | 12/31/2018 |
| B.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. | Accept. The Travel Expense form will be revised as recommended and as needed in conjunction with any revisions to the Travel Policy as a result of Recommendation 1. The implementation of Oracle R12 for travel will necessitate revisions to the travel approval process, and the ability to ensure completion of a Travel Expense form for all approved travel will be considered during the implementation. See Recommendation A.3 below. | 12/31/2018 |
| B.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. | Accept. The implementation of Oracle R12 is in process and will replace the current application for the approval of travel. Oracle R12 is expected to be implemented by May 2019. | 05/31/2019 |

APPENDIX A – MANAGEMENT RESPONSES AND CORRECTIVE ACTION PLANS

| Recommendation | Concurrence and Corrective | Proposed Completion |
|--|--|---------------------|
| C.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. | Action Plan Accept. Metropolitan Code of Laws Section 2.222 and Executive Order #5, which are currently in effect, define these standards. However, the Mayor's Office has asked the Department of Human Resources to develop guidance on Metro employee standards of conduct using Metro's existing regulations as a base. Once compiled, Human Resources will share this with our office to be included in the Mayor's Office internal policies and procedures. | Date Early 2019 |
| C.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. | Accept. Metropolitan Code of Laws Section 2.222.030 requires filing of both the Annual Disclosure Statement and the Benefit Reporting Statement by January 31st of each year. The Mayor's Office will include this report as a part of the filing of these reports. | 1/31/2019 |
| Recommendation for management of the Metropo | litan Nashville Government Human Resource | es Department to: |
| D.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. | Accept. The Human Resources Department is consulting with the Department of Law on next appropriate steps. | TBD |
| D.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. | Accept. Human Resources and other Metro parties have already identified and corrected all impacted pensioners and resolved related overpayment issues. | Completed |

35

Metropolitan Nashville Office of Internal Audit Audit Project Status As of November 27, 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 Sofware Asset Management Process | | | ✓ | | May-18 |
| 6) MNPS Procurement Cards | | | ✓ | | Aug-18 |
| 7) Barnes Fund - Affordable Housing | | | ✓ | Nov-18 | |
| 8) Hospital Authority - Procurement to Pay Process | | | ✓ | | Aug-18 |
| 9) Fire Hydrant Mainteance Process | | | ✓ | | Nov-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 | | | ✓ | Nov-18 | |
| 15) Parks & Recreation Wave Country | | | ✓ | Dec-18 | |
| 16) Metro General Government Benefits Administration | ✓ | | | | |
| 17) Developer Conditions and Infrastructure Incentives | ✓ | | | | |
| 18) Arts Commission | | ✓ | | | |
| 19) General Sessions Court - Traffic School | | | ✓ | Dec-18 | |
| 20) Follow-Up Short-Term Rental | | | ✓ | Dec-18 | |
| 21) Follow-Up Radio Shop | | ✓ | | | |
| 22) Follow-Up Metro Human Relations | | ✓ | | | |
| Metro IntegrityLine Alerts - February 2018 to January 2019 | | | Total | Closed | Pending |
| Metro Hotline Alerts (Fraud, Waste & Abuse) | | | 21 | 9 | 12 |
| *- Mayor's Office and Security Detail Investigation | | | | | Aug-18 |
| * -Contractor Collier | | | | | Oct-18 |
| *- MNPS Other Alerts | | | | | Nov-18 |
| *- MNPS Purchasing Alerts | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Metropolitan Nashville Office of Internal Audit 2018 Approve Work Plan Status As Of November 27, 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) | | | | | | |
| 4 | Metropolitan Nashville Public Schools – Credit Card Purchases Review (Reporting Phase) | 100 | 272 | | | | |
| 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 | 1012 | | | | |
| 9 | Hospital Authority – General Hospital Purchase to Pay Process (Planning Phase) | 800 | 1014 | | | | |
| | CY 2018 New Audit Areas | | | | | | |
| 1 | Hotel Occupancy Tax Audits – 2018 (Outsourced 7 Goodlettsville Hotels) | 500 | 33 | | | | |
| 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 | 765 | | | | |
| 5 | Metro Water Services and Fire Department - Fire Hydrant Inspection, Flow Testing, and Maintenance Process | 800 | 1001 | | | | |
| 6 | Metropolitan Nashville Government Collaboration with Nonprofit Entities | 800 | | | | | |
| 7 | Planning Commission – Zoning Conditions Enforcement and Coordination with Public Works - Development Infrastructure Incentives | 800 | 167 | | | | |
| 8 | Metro Water Services - Storm Water Billing and Revenue Collection | 800 | | | | | |
| 9 | General Government Employee Benefits Management | 800 | 14 | | | | |
| 10 | Public Works Contract Monitoring – Collier Engineering (\$9.3 Million FY 2017) | 400 | | | | | |
| 11 | Arts Commission | 600 | 165 | | | | |
| 12 | Parks and Recreation Department - Wave Pool Operations | 400 | 389 | | | | |
| 13* | Library – Building Security | 400 | | | | | |

Metropolitan Nashville Office of Internal Audit 2018 Approve Work Plan Status As Of November 27, 2018

| | Sports Authority / General Services Department - MLS Soccer Stadium | | | | | |
|-----|---|--------|--------|--|--|--|
| 14* | Construction Project | 600 | | | | |
| | Metropolitan Nashville Public Schools - Capital Project Construction | 600 | | | | |
| 15* | Program | | | | | |
| 16 | General Services Department – Construction Owner Representative Contractors (Capital Project Solutions, etc.) | 400 | | | | |
| 10 | | | | | | |
| | Information Technology Risk | | | | | |
| 17 | Oracle R12 E-Business Suite / Taleo Implementation Project | 800 | 544 | | | |
| 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 | 152 | | | |
| 23 | Information Technology Services - Radio Shop Audit Follow-Up | 250 | 100 | | | |
| 24 | General Services Department - Fleet Management Audit Follow-Up | 250 | | | | |
| 25 | Human Relations Commission Audit Follow-Up | 250 | 26 | | | |
| | | 16,800 | | | | |
| | Revisions to the 2018 Approved Internal Audit Work Plan | | | | | |
| 26 | MNPS Expenditure and Budget Matters | 800 | 1003 | | | |
| 27 | General Sessions Court – Traffic School (Contracted to Kraft CPA) | 400 | 89 | | | |
| 28 | Metro General Government Diversity Regulatory Reporting | 400 | | | | |
| | Total Audit Services Effort To Date | | 7,226 | | | |
| | | | | | | |
| | Summary | Budget | Actual | | | |
| | Audit Services | 11,900 | 7,226 | | | |
| | Investigation Services | 1,200 | 3,731 | | | |
| | Special Projects | 400 | 373 | | | |
| | Total (84% Effort Used To Date) | 13,500 | 11,330 | | | |

Metro Nashville Red Flag Fraud, Waste, and Abuse Hotline

Call 877-270-8334

or

https://www.redflagreporting.com/nashville



Office of Internal Audit Budget versus Actual GSD General Fund as of November 20, 2018 FY 2019 Approved Budget

| | FY 2019 | | | | |
|-----------------------------------|-----------------|---------------|----|------------|---|
| | Budget | Actual | ١ | Difference | Notes |
| Total Salaries & Fringe | \$ 1,138,300 | \$ 381,093 | \$ | 757,207 | |
| | | | | | |
| Other Expenses | | | | | |
| Professional & Purchased Services | 248,000 | 40,444 | | 207,556 | |
| Building Rent Parkway Towers | 55,500 | 18,594 | | 36,906 | \$4,580 per month |
| Other Expenses | 71,900 | 11,089 | | 60,811 | |
| Internal Service Fees | 50,000 | 50,000 | | - | Information Technology |
| *Budget Adjustment | (40,200) | | | | |
| TOTAL EXPENSES | \$ 1,523,500 | \$ 501,220 | \$ | 1,022,280 | 33 percent utilization |
| | | | | | |
| * Budget Adjustment | \$ 40,200 | \$ 33,362 | | 6,838 | Open positions and FMLA without pay |
| · | | | | | |
| 30003 General Fund 4% Reserve | \$ 8,725 | \$ - | \$ | 8,725 | \$8,074 Audit analytic software + \$651 furniture |
| | | | | | |

| Office of Internal Audit Budget History | | | | | | | |
|---|---------------------|---------------------|------------|-----|--|--|--|
| | | Co-sourcing | | | | | |
| | Co-sourcing | | Percent of | | | | |
| For the year ending June 30, | Audit Budget | Total Budget | 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 | 1,563,700 | 16% | 10 | | | |

Metropolitan Nashville Office of Internal Audit

Executive Team

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

Project and Office Management Leadership

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

William (Bill) Walker CPA, ĆIA 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, ČPA,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

Office Phone: 615-862-6110

METROPOLITAN NASHVILLE AUDIT COMMITTEE 2018 MEETING PLAN

| Meeting Date | Proposed Agenda Topics |
|------------------------------|--|
| February 13, 2018 (Tuesday) | 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) | 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) | FY2018 External Audit plan and required communications |
| | Internal Audit issued report discussion |
| | Metropolitan Auditor performance review |
| September 11, 2018 (Tuesday) | 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) | Internal Audit issued report discussion |
| | External Audit Comprehensive Annual Financial Report Audit Progress Executive Session |
| December 11, 2018 (Tuesday) | External Audit Comprehensive Annual Financial Report |
| | Internal Audit issued report discussion |

Metropolitan Audit Committee

Metropolitan Code of Laws Section 2.24.300 Term-varied 6 Members

 Date of Appt.
 Term Exp.

 Mr. John Cooper
 10/3/2017
 9/30/2019

3925 Woodlawn Drive Nashville, TN 37205-

(615) 969-4444 CooperAtLarge@nashville.gov

Representing: Metro Council

Mr. Charles C. Frasier VChm 3/21/2017 3/20/2021

One University Park Drive Nashville, TN 37204-

(615) 966-5738 charles.frasier@lipscomb.edu

Representing: TSCPA, Nashville Chapter

Ms. Talia Lomax-O'dneal 10/1/2015

One Public Square, Suite 106 Nashville, TN 37201-

(615) 862-6151 talia.lomaxodneal@nashville.gov

Representing: Director of Finance

Mr. Bob Mendes 10/3/2017 9/30/2019

One Public Square, Suite 204 Nashville, TN 37201-

(615) 756-3533 bob.mendes@nashville.gov

Representing: Metro Council

Mr. Brack Reed Chm 2/20/2015 3/20/2019

222 Second Avenue South #1400 Nashville, TN 37201-

(615) 770-8100 brack_reed@gspnet.com

Representing: Nashville Area Chamber of Commerce

Vice Mayor Jim Shulman 9/6/2018 8/31/2019

One Public Square, Suite 204 Nashville, TN 37201-

(615) 880-3357 jim.shulman@nashville.gov

Representing: Vice Mayor

Printed 13-Sep-18

Metropolitan Clerk's Office

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

PURPOSE

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

SCOPE

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

RESPONSIBILITIES

Financial Statements

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

Risk Management and Internal Control

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

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

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

Internal Audit

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

Reporting Responsibilities

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

Other Responsibilities

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

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

COMPOSITION

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

MEETINGS

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

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

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

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.

- 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

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.

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

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.

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:
 - 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;
 - 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.
- The metropolitan auditor shall be appointed by a majority vote of the council from a B. 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 <u>Section 12.10</u> 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 <u>article 12</u> 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

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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.
 - 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

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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)

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)

 $\ \ \, \square$ 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)

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