

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



***METROPOLITAN AUDIT COMMITTEE
WORKBOOK***

February 12, 2013

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**METROPOLITAN NASHVILLE
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA
February 12, 2013 4:00 p.m.**

**Committee Room 4
205 Metropolitan Courthouse**

- I. Call Meeting to Order
- II. Approval of Minutes for the December 11, 2012, Meeting, (Bob Brannon – Committee Chairman)
- III. New Business
 - External auditor presentation FY 2012 Single Audit and Management Letter (Crosslin & Associates, P.C.)
 - Discussion on request to amend current Internal Audit Work Plan to include an audit of Nashville Expo Center (State Fair) Ovarions Food Service Contract (Mark Swann – Metropolitan Auditor)
 - Discussion on Audit of Payments From and To Nashville Electric Services audit report issued January 17, 2013
 - Discussion on Audit of the Acceptable Use of Information Technology Assets – Metro Action Commission audit report issued February 8, 2013 (Mark Swann – Metropolitan Auditor)
 - Discussion of Office of Internal Audit Recommended 2013 Annual Work Plan (Mark Swann – Metropolitan Auditor)
- IV. Old Business
 - Hotel Occupancy Tax Audits (Mark Swann – Metropolitan Auditor)
 - Audit of Nashville Electric Services by State Comptroller's County Audit Division (Mark Swann – Metropolitan Auditor)
 - Follow-up on external auditor presentation FY 2012 CAFR (Bob Brannon – Committee Chairman)
- V. Metro Hotline Status and Investigation Reports (Carlos Holt – Internal Audit Manager)
- VI. Internal Audit Project Status (Mark Swann – Metropolitan Auditor)
- VII. Other Administrative Matters (Mark Swann – Metropolitan Auditor)
 - Nashville Chapter Tennessee Society of CPA's Reappoint for Mr. Brannon
 - FY 2014 Proposed Budget
 - FY 2013 Budget
 - Staffing

**METROPOLITAN NASHVILLE
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA
February 12, 2013 4:00 p.m.**

VIII. Consideration of Items for Future Meetings (Bob Brannon - Committee Chairman)

IX. Adjournment of public meeting – Next meeting Tuesday, July 9, 2013.



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

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

December 11, 2012

DRAFT MINUTES

On Tuesday, December 11, 2012, at 4:00 p.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2nd Floor, Committee Room 4. The following people attended the meeting:

Committee Members

Bob Brannon, Chairman
Brack Reed, Vice Chairman
Richard Riebeling, Director of Finance
Jacobia Dowell, Council Member
Steve Glover, Council Member

Others

Mark Swann, Metropolitan Auditor
Carlos Holt, Internal Audit Manager
Qian Yuan, Internal Auditor
J. Dell Crosslin, Crosslin & Associates, P.C.
Rich Lockwood, Crosslin & Associates, P.C.
David Hunt, Crosslin & Associates, P.C.
Theresa Costonis, Department of Law
Sharon Wahlstrom, Public Works
Kim McDoniel, Metro Finance

Committee Member Absent

Diane Neighbors, Vice-Mayor

Quorum present? Yes

Call Meeting to Order

Bob Brannon, Committee Chairman, called the meeting to order.

Approval of Minutes

The minutes of the meeting on September 25, 2012, were approved.

New Business

External auditor presentation of fiscal year 2012 Comprehensive Annual Financial Reports (Crosslin & Associates, P.C.)

Mr. David Hunt with Crosslin & Associates presented the Comprehensive Annual Financial Report for the Metropolitan Government of Nashville & Davidson County for fiscal year 2012. Crosslin & Associates distributed a presentation to the committee which was reviewed during the meeting.

Mr. Brannon stated that no particular actions were needed at this point.

Discussion on Agreed-Upon Procedure for the General Sessions Court Probation Office report issued September 27, 2012 (Mark Swann – Metropolitan Auditor)

Mr. Swann explained that this was a follow-up to an audit of the Probation Office when there were several control break-downs. The review looked at revenue collection, monitoring services, drug testing, segregation of duty, and user access rights to the probation computer system. Issues found in the previous audit, such as reconciliation of drug tests to revenue, and use of manual receipts have been addressed with controls implemented. Unnecessary access rights were found assigned to users in the probation information system.

No questions were raised from the committee.

Discussion on Audits of the Acceptable Use of Information Technology Assets (Mark Swann – Metropolitan Auditor)

Mr. Swann explained that the Acceptable Use policy was issued as a part of renewed efforts to improve Metro's information security after several incidents occurred in the past. Three areas, namely Nashville Expo Center, Emergency Management and Metro Action Commission, were tested for compliance with the policy. Two reports were issued and the report on the Metro Action Commission is in draft phase. Mr. Swann stated that overall results were satisfactory.

No questions were raised from the committee.

Discussion on Audit of Contract Monitoring Process at Metro Nashville Public Works audit report issued October 2, 2012 (Mark Swann – Metropolitan Auditor)

Mr. Swann stated Public Works had thirty seven vendors paid over \$400,000 in the audit period and four of these vendors with eight contracts, valued at \$21 million, were chosen and reviewed for the audit. Overall, Public Works monitoring process was satisfactory. Some exceptions were found such as the annual true-up process stipulated in one contract had not occurred, best available quantified information should be used in invitations to bid and a change order over \$100,000 needed actual cost and price data submitted for review.

No questions were raised from the committee.

Discussion on the Information Technology Services' Certificate Service audit report issued October 19, 2012 (Mark Swann – Metropolitan Auditor)

Mr. Swann explained that certificate service is being used by Metro Information Technology Services for information security improvement. It provides identity management to build trust relationships. Metro's public facing website uses an outside vendor for certificate services. Internally, Metro uses its own certificate server to identify a trusted user, application or machine. Metro Information Technology Services requested the audit two years ago before a vendor was finally found to complete the audit. Recommendations were included in the report, but no major exceptions were observed which might cause a breakdown of the system. Mr. Swann stated that the report was confidential and no more details could be released.

Mr. Brannon asked what should be done to read the report. Mr. Swann answered that readers should be finger printed and pass a background check.

No other questions were raised from the committee

Discussion on Audit of Metro Nashville's Motor Fuel Usage audit report issued October 25, 2012 (Mark Swann – Metropolitan Auditor)

Mr. Swann stated that Fleet Management manages Metro's motor fuel and fuel cards used by Public Works, Fire Department, and Metro Parks and Recreation. Metro Schools manages its own fuel. Nine million dollars' worth of fuel was purchased during 2012. The major finding was that no inventory reconciliation had been done. Three random fuel tanks were randomly selected to reconcile purchases, usage and quantity on-hand with a 26 percent variance found going one way or the other. Various reasons were found including lack of meters maintenance and usage monitoring. Going forward, Fleet Management agreed to do monthly inventory reconciliation on all the tanks.

Another observation from this audit was, out of 251 thousand fuel card transactions, 15 thousand transactions were not authorized such as buying higher grade than permitted by policy. The audit recommended General Services to work with the vendor to provide additional control to block unauthorized grades. The audit also recommended that a specialized fuel management computer system and equipment be implemented to improve accountability.

Mr. Brannon asked if the Police Department uses this fuel. Mr. Swann answered that Police uses fuel cards and has underground tanks managed by General Services.

No other questions were raised by the committee.

Discussion on the Audit of Nashville Career Advancement Center audit report issued November 27, 2012 (Mark Swann – Metropolitan Auditor)

Mr. Swann stated that the Nashville Career Advancement Center uses federal funds and was audited by the State of Tennessee grant auditors. The Nashville Career Advancement Center received clean opinions from those audits and internal audit placed reliance on their audit reports. Additional tests were performed on payroll with no observations and recommendations.

No questions were raised by the committee.

Discussion on the Audit of the Metropolitan Nashville Historical Commission audit report issued December 3, 2012 (Mark Swann – Metropolitan Auditor)

Mr. Swann stated that the audit found the Historical Commission did tremendously better than the last audit performed sometime before September 2007. Documents were in compliance with policies and procedures. However, for the project of preserving Nashville City Cemetery, a sole source contract was approved at a low amount but actual spending was much higher, to over \$800 thousand. No documentation was found for bidding out this project. This audit also recommended that the Commission continue to consider incentive programs for historical restoration at local level.

No questions were raised by the committee.

Discussion on the Audit of Nashville Fire Department Drug Inventory audit report issued October 26, 2012 (Mark Swann – Metropolitan Auditor)

Mr. Swann stated overall the Fire Department had better controls than the Health Department over controlled substances. The audit recommended the reconciliation of purchases, and usage be periodically performed. The Fire Department was in agreement.

No questions were raised by the committee.

Announcement

Mr. Swann announced that he received a request from the State Fair to conduct an audit of their Ovations food services concessionaire contract. Mr. Riebeling stated that Mr. Swann should consider that Ovations has four contracts with Metro buildings.

Old Business

Hotel Occupancy Tax Audits (Mark Swann – Metropolitan Auditor)

Mr. Swann presented the status of the Hotel Occupancy Tax audits. He advised that six hotels were audited and \$18,694 recovered from one hotel, and another potential \$3 thousand taxes underpaid due to lack of documentation. Mr. Swann stated that some of the hotels selected changed owners and the auditors had to find the owners who had the records, resulting in additional audit hours.

Mr. Glover asked what time period was audited. Mr. Swann said that it could be up to three years. Mr. Brannon asked how many hotels are there in total. Mr. Swann answered there are approximately 250 hotels. Mr. Glover asked how much revenue the occupancy tax represents. Mr. Swann answered approximately \$40 million a year.

Audit of Nashville Electric Services by State Comptroller's County Audit Division (Mark Swann – Metropolitan Auditor)

Mr. Swann said the report is scheduled to be released on Thursday morning at nine o'clock. Mr. Swann will send a link or copy of the report to the committee.

Follow-up on external auditor presentation FY 2011 Management Letter and Single Audit (Bob Brannon – Committee Chairman)

Mr. Brannon moved to approve the FY 2011 Management Letter and Single Audit Report.

Motion carried by the committee.

Metro Hotline Status and Investigation Reports (Carlos Holt – Internal Audit Manager)

Mr. Holt advised that 29 hotline alerts were received this year with 23 anonymous alerts. Other requests were received from the State and other Metro entities. All investigations were conducted, closed and reported.

Mr. Brannon asked Mr. Holt whether he thinks the hotline is effective. Mr. Holt answered absolutely.

Internal Audit Project Status (Mark Swann – Metropolitan Auditor)

Mr. Swann presented the status of audit projects for the Office of Internal Audit. Mr. Swann advised that the goal for calendar year 2012 was to complete 16 audit projects. As of now, 16 projects were completed. Two are in draft report phase and three are in field work phase about to be completed. One audit will be started next week and three others in January.

Other Administrative Matters (Mark Swann – Metropolitan Auditor)

Office of Internal Audit Annual Performance Report November 1, 2011 to October 31, 2012

Mr. Swann presented the Internal Audit Annual Performance Report. He showed the heat map of audit coverage over the past five years. Mr. Swann advised that 239 recommendations were made this year and the acceptance rate was 87 percent for all recommendations issued since 2007. This rate is lower than anticipated because the State Trial Court did not accept any of their audit report recommendations. About 100 recommendations are in open status. As of now there are 28 recommendations remaining over one year old, partially due to funding issue. Another reason for one recommendation to be open is that no one can answer the question of what Payment Card Industry standards merchant level is Metro Codes Department when it accepts credit card payments.

Mr. Glover asked about how the accepted recommendations were reported. Mr. Swann advised that the implementation of the recommendations was self-reported. Follow-up audits were not done due to lack of resources. Mr. Glover stated that the self-reporting is a good process.

FY 2013 Budget

Mr. Swann stated that the Office of Internal Audit will be on budget this year.

Staffing

Mr. Swann advised that a senior auditor resigned and there are two openings. A Senior Auditor position was open and posted for hire and the process should start in the following week.

Other

Mr. Swann asked whether the committee wants to accept the Annual Performance Report and forward it to Metro Council.

Mr. Riebeling moved to accept the report and forward it to the Council. Mr. Brannon second. Motion carried.

Consideration of Items for Future Meetings (Bob Brannon - Committee Chair)

No items were discussed.

Meeting adjourned after 75 minutes.

The next meeting is scheduled for Tuesday, February 12, 2013.

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

September 25, 2012

On Tuesday, September 25, 2012, at 4:00 p.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2nd Floor, Committee Room 4. The following people attended the meeting:

Committee Members

Bob Brannon, Chairman
Brack Reed, Vice Chairman
Richard Riebeling, Director of Finance
Jacobia Dowell, Council Member
Diane Neighbors, Vice-Mayor

Others

Mark Swann, Metropolitan Auditor
Carlos Holt, Internal Audit Manager
Jack Henry, Internal Auditor
Albert U. Tieche, Administrator of Elections
J. Dell Crosslin, Crosslin & Associates, P.C.
Rich Lockwood, Crosslin & Associates, P.C.
Rachelle Gallimore-Scruggs, Department of Law

Committee Member Absent

Steve Glover, Metro Council

Quorum present? Yes

Call Meeting to Order

Bob Brannon, Committee Chairman, called the meeting to order.

Approval of Minutes

The minutes of the meeting on July 10, 2012, were approved.

New Business

Discussion on Council members' request dated September 4, 2012, for an audit of Davidson County Election Commission Use of Electronic Polling Books (Mark Swann – Metropolitan Auditor)

The Metropolitan Auditor met with the Davidson County Administrator of Elections, Albert Tieche two weeks ago and discussed the issue leading up to this request. Subsequent to this meeting, Mr. Tieche had a meeting with Metropolitan Nashville Council members to explain the events that created the problem at the August 2, 2012, election concerning the use of electronic poll books from Election Systems and Software. Mr. Tieche's internal review revealed that three voting precincts were problematic with the voter history tally and the voting machine tally. He indicated this was a result of poll worker operator error and changes made to the electronic poll book software to facilitate a process improvement request for users of the software in closed primary states. This resulted in the party in order of precedence, in this case the Republican party, being used on the voter application when one was not declared by the voter or poll administrator.

Mr. Swann stated all parties believe an independent internal audit is warranted of the events that occurred at the August 2, 2012, election. However, the Davidson County Administrator of Elections, Mr. Tieche, has requested that due to November presidential pre-election processing requirements, this audit be delayed until after the election. Additionally, the Metropolitan Auditor recommended the audit's scope consist of the entire election process, including manual and automated computer controls relied upon to ensure election integrity.

Ms. Neighbors said that she thinks that everyone was in agreement that the audit should be after the election in November. Ms. Dowell added that she thought everyone was comfortable with doing the audit after the election. Mr. Swann said that several council members had told him that they were concerned about the whole process. The audit should be a good independent objective review of the controls that Metro places reliance on to ensure the integrity of the election process. Just like any process there is a risk of something going wrong, so the goal is to minimize risk to the greatest extent possible.

Ms. Neighbors said that she thought it was the whole acquisition process of the books, the procedures for purchasing and then also anything that happened during the day of the primary. Ms. Neighbors then made the motion and it was seconded that the Office of Internal Audit revise the Office of Internal Audit 2012 Work Plan to include one more audit to facilitate this request and a response be made to the Metropolitan Nashville Council. The motion carried.

Ms. Dowell inquired about using the electronic poll books for this upcoming election because she knows that part of the concerns were around the process and procedures for using the electronic poll books. This was one of the reasons for the request for the audit. It was her understanding that this upcoming election was not using the electronic poll books other than maybe to look up something.

Mr. Riebeling said that was correct and they will be using traditional paper poll books. The Election Commission will still have one electronic poll book in every poll to look up voters that have had a change of address. There were no additional questions by the committee.

Discussion on Juvenile Court Clerk's Office audit report issued August 9, 2012 (Mark Swann – Metropolitan Auditor)

The Juvenile Court Clerk's Office budget for FY2011 was \$1.5 million which allowed the Office to process records related to 46,649 cases; collect fees and fines of \$675,000; process child support of \$2.0 million; and manage a \$1.9 million victims' compensation trust fund portfolio. The audit period included fiscal year 2010, 2011, and the first half of 2012.

The Office of Internal Audit was unable to render an opinion on the completeness of revenue collections for fines and fees along with receipts for child support due to documentation not being available for several months of activity. It was presumed that the documentation was destroyed as a result of the May 2010 flood. Seventy-seven percent of respondents to a survey strongly agreed that service received at the Juvenile Court Clerk's Office was effective.

Key recommendations related to: segregation of duties in the cash collections and recording of cash receipts process; posting cash receipts accounting transactions within two business days; retaining adequate documentation; limiting individual employees' abilities to make changes to accounting sub-systems without adequate approval; and documenting the victims' trust fund investment policy. Management of the Juvenile Court Clerk's Office was responsive to all Office of Internal Audit recommendations. There were no questions by the committee.

Discussion on Metropolitan Transit Authority Procure-to-Pay Process audit report issued August 10, 2012 (Mark Swann – Metropolitan Auditor)

This was a review of the Metropolitan Transit Authority (MTA) procurement process. Between FY 2010 and FY 2011 MTA processed over 18,000 payment vouchers totaling \$60.8 million, \$23 million was for bus purchases and \$6.8 million for fuel. Purchase Orders were managed through the Ron Truly fleet management systems and invoices were paid after a successful two-way or three-way match was completed using MTA's Sage ACCPAC accounting system.

Emerging internal control risks observed included a significant number of purchase orders being created after the invoice for goods or services was received. This was true for 46 percent of our sample. One explanation provided was that most of these purchases could be related to the emergency purchases for the May 2010 flood. However, documentation was lacking on these orders to confirm this claim. Approval of purchase requisitions was not discernible or was missing for 15 of 85 sampled items (17 percent). Also, a significant number of invoices were not paid on time per the invoice due date, which resulted in 197 of 208 (95 percent) invoices with payment discount terms being missed. Also, the temporary Accounts Payable Manager was using the computer user account of the recently retired Accounts Payable Manager, thus diminishing individual accountability of accounts payable computer activity. MTA management was responsive to all Office of Internal Audit recommendations.

There were no questions by the committee.

Discussion on Metro Public Health Department Drug Inventory Management audit report issued August 10, 2012 (Mark Swann – Metropolitan Auditor)

The Metro Public Health Department Pharmacy Services holds a retail and wholesale pharmacy license. The retail pharmacy is located at Metro's Lentz Public Health Center. Indigent patients can fill prescriptions for free or a \$7 co-payment. The wholesale license serves the distribution of medications to the three Metro Nashville public health clinics (*only Schedule IV and V drugs, no "controlled" substances*). Additionally, the Metro Animal Care and Control veterinarian orders and dispenses medicine (*includes Schedule II and III controlled substances*) to animals. For fiscal year 2012, drug expenditures were \$270,000 for pharmacy services and \$44,000 for animal care or a total of \$314,000.

The audit found that Metro Public Health needed to improve its management of drug on-hand inventory. Records were maintained of medications as they were being dispensed. However, periodic reconciliations of drugs on-hand with purchases and dispensations were not performed. Existing computer system functionality was not used to record purchased inventory. Improvement in documenting the disposal of expired drugs was also needed as drugs were properly disposed of but no records were kept as to precisely what was disposed of (including controlled drugs).

Management of the Metro Public Health Department was responsive to all Office of Internal Audit recommendations.

Mr. Riebeling asked if the Office of Internal Audit will follow-up with the Metro Public Health Department Drug Inventory Management to determine their progress on the corrective action.

Mr. Swann said that the Office of Internal Audit will follow-up through a self-reporting system that asks audit clients about the progress of their corrective action plan and the issue stays

open until they indicate they have completed the job. In the annual report, there's a chart of how many recommendations are still open. As audits are performed, like the Juvenile Court Clerk audit, verification of corrective action is performed. There are some shops that do make it their policy to verify after 90 days. The Office of Internal Audit resources are limited, so when the audit client indicates they did take corrective action, they are taken at their worded statement that they actually completed the action.

There were no additional questions by the committee.

Discussion on Music City Convention Center Construction Project interim audit report issued August 14, 2012 (Mark Swann – Metropolitan Auditor)

This was the fifth interim report for the Music City Convention Center Construction project. As of July 11, 2012, 82 percent of the \$585.8 million budget had been paid or \$480.5 million paid out. This audit focused on reviewing the administrative controls over the Owner Controlled Insurance Program (OCIP) which provides project specific insurance coverage including commercial general liability, umbrella/excess liability, builder's risk, employer's liability, and workers' compensation.

The OCIP budgeted cost was \$5.7 million based on initial total labor costs of \$68 million. Recently it was determined that the labor costs estimate will come up short. However, current budget contingency should absorb additional OCIP expenditures. Also, the Hartford Insurance Company has started auditing submitted payrolls for closed contractors and sub-contractors.

It was the Office of Internal Audit's opinion that OCIP was effectively managed by the Convention Center Authority Project Management staff and the OCIP Administrator. Contractor and subcontractor records, totaling \$47.5 million in contract value, were reviewed for 28 OCIP participants to determine the level of compliance with program requirements. No exceptions were observed. Management of the Convention Center Authority Project Management Office was responsive to all Office of Internal Audit recommendations.

Mr. Riebeling asked if the Office of Internal Audit will do some audit work after the fact when the Convention Center opens on May 1. Mr. Swann said that the Office of Internal Audit will have some funds for consulting work that needs to be directed and it might be good to have a close out audit.

There were no additional questions by the committee.

Discussion on Metropolitan Nashville Public Schools Custodial Outsourcing audit report issued August 15, 2012 (Mark Swann – Metropolitan Auditor)

The Metropolitan Nashville Public Schools (MNPS) custodial and grounds keeping outsourcing contract and financial savings projections were reviewed as part of this audit. The contract with GCA Services Group for \$22.7 million per year represents 3.6 percent of MNPS' fiscal year 2011 budget. As a result of this contract, 586 custodial and grounds keeping employees resigned, retired, or were laid off.

The audit identified 209 (36 percent) former MNPS employees who were hired by GCA Services Group. Additionally, using Bureau of Labor Statistics and GCA payroll records, the audit found that GCA Services Group pays more in hourly wages and benefits than the private sector pays

but less than the government sector. This will normally hold true for most hourly labored classified job categories in the Metro Nashville Government.

The Office of Internal Audit was able to verify that projected annual budgeted cost savings of at least \$6.5 million were realized through this outsourcing arrangement. Performance report card grades prepared by MNPS principals were "A" or "B" 94 percent of the time. An audit survey of 15 principals provided an overall average grade of "B".

The audit recommended that MNPS formalize a monitoring plan for this contract to document how the specific contract terms and pricing would be monitored. Subsequent to the release of the audit report, a written contract monitoring plan was developed.

Ms. Dowell stated there is more cost associated than just savings; there are some other intrinsic costs. Personally with the outsourcing, the schools in Ms. Dowell's district are not as clean. When she goes in them they're not as tidy as they were when whoever else was doing it. Ms. Dowell said she wasn't here when they had the big discussion about outsourcing. Mr. Swann stated again that 94 percent of the time the MNPS own internal staff and the Office of Internal Audit small survey of 15 principals gave an overall average grade of "B" and above. Ms. Dowell suggested the community needs to drive by the schools and go in there. She said she would take some pictures and send them to the Office of Internal Audit. She also said that people are not always going to answer honestly when employees are working in your building. They will be biased. Ms. Dowell said that she was anti-outsourcing and it causes a lot of problems.

There were no additional questions or comments by the committee.

Discussion on Hotel Occupancy Tax Audit Approach (Mark Swann – Metropolitan Auditor)

The Office of Internal Audit has completed a pilot audit of three hotels. The hotels included Brentwood Suites (56 rooms), Quality Inn & Suites (173 rooms), and Embassy Suites – Vanderbilt (208 rooms). A review of ten months indicated potential underreporting of hotel property revenue due to calculation errors, missing documentation or application of exemptions to room tax.

Initial results showed that large hotels had sophisticated software for hotel operations with little paper documentation to support rented room nights. This results in an audit skewed more to the surrounding general and application computer controls to place reliance on reports produced by the software. Medium and small hotels are more likely to have a manual system and employees with less knowledge of documentation required to be maintained for hotel occupancy tax audits.

Based on these three initial hotel audits we estimate that it would require 7,800 work hours to audit all 298 hotels (properties in the three year audit scope) in one year. If 2,200 hours were allocated annually, approximately 75 properties could be reviewed resulting in a four year cycle to audit all hotel properties. This briefing is for information purposes only and no motion is required. We still have half of the 800 hours available to continue this project for the remainder of this year.

Mr. Lockwood said if he understands the law, that you only get a three year look back so it might be in the governments best interest to concentrate on high risk hotels that are approaching that three year window before it closes; otherwise, if it closes you can't capture that revenue.

Mr. Reed asked if that statute applied to all situations. If it's fraud or intentional, he thinks, it wouldn't apply. Mr. Swann said the Department of Law was requested for an interpretation whether it was for three years or 36 rolling months.

The Office of Internal Audit is trying to see if the hotel operator is making a good faith effort going backward in time and hope to repair any leakage going forward. To do all the hotels would be time consuming and would take all of the Office of Internal Audit resources to do all of them in one year. As we learn more we will come back and re-visit this subject.

There were no additional questions or comments by the committee.

Discussion on Annual Metro-Wide Audit Risk Priority Assessment (Mark Swann – Metropolitan Auditor)

The committee was asked to review Attachment D, 2012 Risk Prioritization Service Delivery Objectives and associated risk. The 2013 annual work plan preparation will be starting up next month and it will be beneficial to have the committee members review the risk and the impact assumptions used in the annual assessment.

Ms. Dowell asked about item #2 on page 36 of the agenda workbook regarding the risk of "Favoritism in employment selection or promotion process." She asked Mr. Swann how that is measured looking at equality. Mr. Swann said that the metric used to measure the impact was the number of employees. If an entity has more than 500 employees, the entity will receive a high score. If between 50 and 500 full-time equivalent (FTE) employees, it will get a medium score, and if less than 50 FTE it will get a low score. If there are more employees there is more opportunity for favoritism. Ms. Dowell asked if any measurement was done looking at employee promotions for example how many women are in managerial positions. Mr. Swann said we are not doing that for the risk assessment process but the number of positions posted department wide might be something to add to the assessment.

Ms. Dowell said it would be interesting to know how many people are related to someone. She said she hears it all the time about nepotism and situations where there is not equality and maybe all of the managers are related. Ms. Dowell was curious if there was a way of measuring that to find out if there is any truth to these concerns. Mr. Swann said that we can bring that up to the human resources department who has likely had the question before. Mr. Swann said Ms. Dowell had brought up some good points for the annual risk assessment and he could add the number of promotions for an entity as a better measurement than number of employees. There were no additional questions or comments by the committee.

Annual confirmation of responsibilities outlined in the Metropolitan Audit Committee Bylaws. (Bob Brannon – Committee Chairman)

Mr. Swann said he believed all requirements had been fulfilled with the exception of the annual review of the committee and Office of Internal Audit Bylaws. The annual review is an agenda item later in this meeting.

Motion made and carried to concur with the assessment.

Annual assessment of Metropolitan Auditor's performance (Bob Brannon – Committee Chairman)

The Metropolitan Nashville Council approved budget included a two percent salary increase or \$2,600 for the Metropolitan Auditor position. Also, the Metropolitan Auditor has requested his leave time for vacation be increased one week upon completion of five years of service and that his sick time accrue at twelve days annually to align with other civil service employees in the Office of Internal Audit.

Motion made and carried to approve all requests.

Bylaws annual review (Bob Brannon – Committee Chairman)

No recommendations were made for revisions. New Department of Law representatives have been requested to review and make recommendations if needed.

Motion made to approve bylaws as adopted subject to any recommendations by Department of Law.

Motion carried.

Old Business

Audit of Nashville Electric Services by State Comptroller's County Audit Division (Mark Swann – Metropolitan Auditor)

Mr. Swann had discussed the status of this audit with Jim Arnette, State of Tennessee Comptroller, Director of Local Government Audit. Mr. Arnette stated the project is drawing toward a completion with the draft report being reviewed in the next few weeks.

Follow-up on external auditor presentation FY 2011 Management Letter and Single Audit (Bob Brannon – Committee Chairman)

Mr. Brannon said to hold up discussing this item until next meeting.

Metro Hotline Status and Investigation Reports (Carlos Holt – Internal Audit Manager)

Mr. Holt reported that the Office of Internal Audit is still averaging about two calls a month on the Metro Nashville IntegrityLine, 22 items have been closed. One alert was closed that was sent to the State of Tennessee Comptroller recently.

Mr. Brannon asked Mr. Holt if he thought it was worthwhile to have a hotline. Mr. Holt said that if you have an active 24-hour hotline cuts the risk of fraud. There is a requirement for a hotline on certain funds, such as federal and ARRA funds, so the hotline acts as a safety net and is a value added service.

Internal Audit Project Status (Mark Swann – Metropolitan Auditor)

Nine audit reports of the 16 planned for CY 2012 have been issued, two additional audit reports, General Sessions Court Probation Department Agreed-Upon procedure and State Fair / Nashville Expo Center Computer Acceptable Use should be issued this week.

Other Administrative Matters (Mark Swann – Metropolitan Auditor)

FY 2013 Budget

The FY 2013 Budget is approximately \$1.3 million with \$290,000 spent-to-date. An audit of ITS Telecommunications for an estimated \$60,000 will be started next month.

Staffing

One Senior Auditor position is currently open due to resignation because of her spouse being re-posted to Washington D.C. She has recently accepted employment with the U.S. Department of Treasury Inspector General Office for TARP. The Office of Internal Audit is reviewing the timing to facilitate recruitment efforts to fill this position.

Consideration of Items for Future Meetings (Bob Brannon - Committee Chair)

No items were discussed.

Meeting adjourned after 65 minutes.

The next meeting is scheduled for Tuesday, December 11, 2012.

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FY 2012 Single Audit

FY 2012 Management Letter

Swann, Mark (Internal Audit)

From: Faust, Laura (State Fair)
Sent: Monday, December 10, 2012 10:02 AM
To: Swann, Mark (Internal Audit)
Cc: Dozier, Buck (State Fair); Sanders, Kenneth (State Fair); Harris, Kristi (State Fair)
Subject: Concession Vendor Audit

Importance: High

Mark,

As per our conversation this morning, the TN State Fairgrounds has been using Ovations as the concession vendor for the past several years. The contract with them will be ending early 2013 and we would like to have independent audit performed. We would like to see the scope of the audit include the following:

- Review payment documents and percentages paid to us (less sales tax) as per contract provision.
- Review Ovation annual audit reports
- Review of the amortization of the \$500,000 capital fund as referenced in the current contract.
- A full inventory of equipment and the equipment operational status.

I estimate the work to involve only 1 day on site plus time needed to review the various reports and paperwork related to the items mentioned above. We would like the audit performed as soon as possible since our contract with them is ending shortly and we are starting the process to secure a new vendor for concessions through Metro purchasing very soon.

I look forward to working with your team on this project. If you need additional information, please let me know.

Thank you,

Laura

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EXECUTIVE SUMMARY

January 17, 2013

Results in Brief	Background and Recommendations																									
<p>This audit was initiated due to the magnitude of payments between the Metropolitan Nashville Government and Nashville Electric Services. For fiscal year 2012 Metropolitan Nashville Government paid Nashville Electric Services \$58 million for electric services and received \$26.7 million for payment in-lieu of property taxes and reimbursement for shared use of the Metro Nashville 800 MHz trunked radio system.</p> <p style="text-align: center;">Audit Objectives</p> <ul style="list-style-type: none"> • <i>Were payments in-lieu of taxes from Nashville Electric Services calculated in accordance with Tennessee Code Annotated Title 7 Chapter 52 Part 3?</i> <p>Yes. Independent verification confirmed the accuracy of the formula for calculation and actual payments made for fiscal years 2009, 2010, and 2011.</p> <ul style="list-style-type: none"> • <i>Did Nashville Electric Services pay for services rendered by Metro Nashville in accordance with agreed upon terms?</i> <p>Generally yes. The total invoiced amount calculated by Metro Radio Communications for the four fiscal years reviewed, including year-end adjustments, was \$67,537 under-billed based on actual costs recorded in EnterpriseOne (See Observation A.)</p> <ul style="list-style-type: none"> • <i>Were Nashville Electric Services invoices paid for Metro Nashville properties?</i> <p>Yes. Nashville Electric Services electric bill addresses for 39 sample locations were verified to be for Metro Nashville Government use.</p>	<p style="text-align: center;">Payments Summary July 1, 2008 through June 30, 2012</p> <p style="text-align: center;">Nashville Electric Services Paying Metropolitan Nashville</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 20px;"> <thead> <tr style="background-color: #e1eef6;"> <th style="text-align: center;">Fiscal Year</th> <th style="text-align: center;">Payments In-Lieu Of Taxes</th> <th style="text-align: center;">Radio Shop Services</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2009</td> <td style="text-align: right;">\$24,333,795</td> <td style="text-align: right;">\$257,869</td> </tr> <tr> <td style="text-align: center;">2010</td> <td style="text-align: right;">25,005,703</td> <td style="text-align: right;">265,816</td> </tr> <tr> <td style="text-align: center;">2011</td> <td style="text-align: right;">25,646,906</td> <td style="text-align: right;">219,193</td> </tr> <tr> <td style="text-align: center;">2012</td> <td style="text-align: right;">26,561,644</td> <td style="text-align: right;">182,802</td> </tr> </tbody> </table> <p style="text-align: center;">Metropolitan Nashville Paying Nashville Electric Services</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 20px;"> <thead> <tr style="background-color: #e1eef6;"> <th style="text-align: center;">Fiscal Year</th> <th style="text-align: center;">Electric Bills</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2009</td> <td style="text-align: right;">\$55,764,416</td> </tr> <tr> <td style="text-align: center;">2010</td> <td style="text-align: right;">52,457,831</td> </tr> <tr> <td style="text-align: center;">2011</td> <td style="text-align: right;">57,368,636</td> </tr> <tr> <td style="text-align: center;">2012</td> <td style="text-align: right;">58,178,399</td> </tr> </tbody> </table> <p style="text-align: center;">Recommendation</p> <p>The Metropolitan Government Emergency Management Committee should establish a formal process to determine the cost structure for the maintenance and operation of the 800 MHz trunked radio system infrastructure before allocating the total costs to internal users and external agencies such as Nashville Electric Services.</p>	Fiscal Year	Payments In-Lieu Of Taxes	Radio Shop Services	2009	\$24,333,795	\$257,869	2010	25,005,703	265,816	2011	25,646,906	219,193	2012	26,561,644	182,802	Fiscal Year	Electric Bills	2009	\$55,764,416	2010	52,457,831	2011	57,368,636	2012	58,178,399
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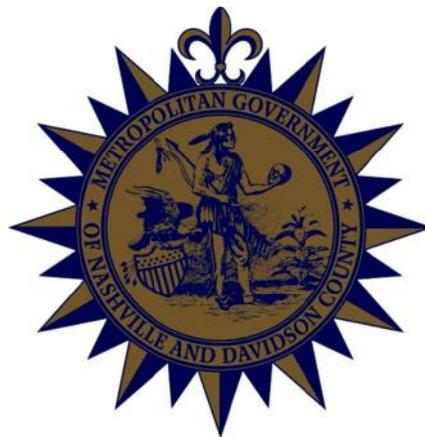
EXECUTIVE SUMMARY

February 8, 2013

Results in Brief	Background and Recommendations
<p>An audit of the <i>Acceptable Use of Information Technology Assets Policy</i> for the Metro Action Commission (MAC) was chosen along with two other entities to determine progress in meeting management’s goal to enhance the overall information security posture for the Metropolitan Nashville Government. This report contains the results for the Metro Action Commission.</p> <p style="text-align: center;">Audit Objectives</p> <ul style="list-style-type: none"> • <i>Were users storing sensitive Metro Nashville information on authorized storage devices?</i> <p>Yes. Interviewing personnel and studying the data flows of the Metro Action Commission operations demonstrated sensitive data, which includes confidential data, was stored according to the Acceptable Use Policy and best security standards.</p> <ul style="list-style-type: none"> • <i>Were employees knowledgeable of Acceptable Use of Information Technology Assets Policy and related Data Classification Policy provisions?</i> <p>Generally yes. Metro Action Commission’s personnel were generally knowledgeable of the Acceptable Use Policy. As a group, they did not have an awareness of the Information Classification Policy, referenced in the Acceptable Use Policy.</p> <ul style="list-style-type: none"> • <i>Were prohibited acts, outlined in the Acceptable Use Policy, being carried out on Metro Nashville equipment?</i> <p>No. Employee personal use accounted for minimal time on the internet and negligible computer workstations resources. Intellectual property rights were in evidence for all installed software on department workstations.</p>	<p>A new <i>Acceptable Use of Information Technology Assets Policy</i> was distributed in May 2011 and went into effect in November 2011. The purpose of the policy was to improve information security management within the Metropolitan Nashville Government.</p> <p style="text-align: center;">Information Classifications</p> <p><i>Public</i> – No risk such as reports meant for public distribution.</p> <p><i>Internal</i> – Lowest risk such as staff phone numbers.</p> <p><i>Confidential</i> – High risk such as social security and credit card numbers.</p> <p><i>Restricted</i>– Highest risk where loss of life could occur, such as witness protection information.</p> <p style="text-align: center;">Recommendations</p> <p>Key recommendations of this report include:</p> <ul style="list-style-type: none"> • Reemphasize with the staff, the lack of expectation of privacy when using Metro Nashville technology assets. • Review and train staff on the use of the Information Classification Policy, which is called out in the Acceptable Use of Information Technology Assets. • Ensure staff is aware and uses only Metro-supplied removable media and cell phones, /PDAs/Blackberries.

**METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON
COUNTY**

OFFICE OF INTERNAL AUDIT



**2013
AUDIT WORK PLAN**

**Recommended to the
Metropolitan Nashville Audit Committee**

February 12, 2013

Audit Relevance to Risk That Matter Most



February 12, 2013

Metropolitan Nashville Audit Committee Members:

Enclosed is a proposed slate of potential audit projects to be initiated in calendar year 2013. The draft work plan identifies 18 new performance and compliance audit projects in addition to eight 2012 audit projects still in progress. Exhibit A below describes the allocation of 10,300 resource hours needed to complete 19 audit and investigation reports during the 2013 plan year.

Exhibit A – CY 2013 Audit Work Plan Allocation of Work Hours

<i>Status</i>	<i>Number of Projects</i>	<i>Budget Work Hours</i>
Audits Currently In-Progress	8	2,140
New Performance Audits	9	7,160
Total Audit Projects	17	9,300
Metro Integrity Hotline Coordination		200
Investigation Request	2	800
Total Report Deliverables	19	10,300

The proposed work plan was developed with the goal to identify risk that matter most and provide enterprise-wide audit coverage. The office solicited request for audit projects from Metropolitan Nashville management, council members, and internal audit staff.

Additional factors considered in preparing the recommended Internal Audit 2013 Work Plan included thought leadership from the Ernst & Young, *The Future of Internal Audit is Now, Insights on Risk, July 2012*. This was a global survey of chief audit executives, C-suite executives, and board members representing organizations with global revenue of \$500 million or more.

Highlights from the publication included:

- Focus regular risk assessment on: (1) enterprise-wide coverage, (2) management participation, and (3) direct link back to the organization’s overall strategy.
- Technology remains a key area of focus, comprising 18 percent of the current audit plan, a percentage expected to grow in the next two years.
- No longer an annual process, the audit plan must be refreshed regularly. Leading functions are developing a three-month frozen window and a nine month fluid plan.

- Find the right balance between assurance and advisory when developing the internal audit strategy.

I am requesting members of the Metropolitan Nashville Audit Committee to review and approve the 2013 Audit Work Plan. The Office of Internal Audit will use this work plan to select 9 new audit projects along with the eight audits in progress to **complete 17 audit projects during the 2013 plan year**. We also anticipate requests for two investigations during the year.

Mark S. Swann

Metropolitan Auditor

Enclosures:

1. Attachment A – CY 2013 Audit Plan
2. Attachment B – CY 2013 Risk Prioritization Objectives and Risks
3. Attachment C – CY 2013 Metro-wide Risk Prioritization Worksheet
4. Attachment D – CY 2013 Office of Internal Audit Coverage Map

Attachment A – CY 2013 Audit Plan

CY 2012 Audits In Progress		Hours	Total Hours
*1	Metro Nashville Information Technology Services - Primary Government Telecommunications	60	60
2	Library	150	210
3	Metropolitan Development and Housing Authority – Procurement to Pay Process and Contract Monitoring	700	910
4	Finance Department - Metro Investment Pool	80	990
5	Hotel Occupancy Tax Audits	150	1,140
6	Davidson County Election Commission	500	1,640
7	Beer Board	350	1990
8	Nashville Expo Center - Ovations Food Services Contract	150	2,140
CY 2013 New Audit Areas			
*1	Convention Center Authority – Music City Convention Center Construction Contract Monitoring	60	2,200
2	Assessor of Property	800	3,000
3	Mayor's Office	800	3,800
4	Police Firearms and Equipment Tracking	800	4,600
5	Industrial Development Board	500	5,100
6	Hotel Occupancy Tax Audits	800	5,900
7	Soil & Water Conservation	400	6,300
8	Circuit Court Clerk - Municipal Citations Other Than Traffic Process	400	6,700
9	Criminal Justice Planning Unit	400	7,100
10	Nashville Education, Community & Arts TV Corporation	400	7,500
11	Travel, Entertainment and Purchase Card Usage (Metro General Government)	800	8,300
12	District Energy System - Vendor Contract / Price Agreement Compliance	800	9,100
13	Clerk & Master (Operations & Fiduciary Funds)	800	9,900
14	Planning Commission	800	10,700
15	MNPS Student Management System (Chancery) Application	600	11,300
16	Accela Automation (KIVA Land Management Replacement) Application	600	11,900
*17	Water & Stormwater Services Capital Project Management	100	12,000
18	4% Reserve Fund and Asset Accounting Process	800	12,800

Execute a Focused, Dynamic Audit Plan

Attachment B – CY 2013 Risk Prioritization Objectives and Risks

Office of Internal Audit Mission

Independent Appraisal

1. **Integrity** - resources are used for the intended purpose
2. **Equality** - services are accessible to the population
3. **Accountability** - internal control environment, results matters performance measures
4. **Effectiveness** - entities mission/objective is being achieved
5. **Efficiency** - prudent (cost effective) use of resources

Metro Service Delivery Objectives	Metric Used to Measure Inherent Risk Impact
<p>1. Does not waste or abuse financial resources. (Integrity)</p> <p>Risk: Revenue or cash collected is diverted for unintended use</p> <p>Risk: Payment for material or service is diverted for personal use</p> <p>Risk: Payroll is diverted for personal use</p> <p>Risk: Employee time is used for personal use</p> <p>Risk: Equipment, material, or information is diverted for personal use</p>	<p>(C)Total Fees & Collection</p> <p>(D) Vendor Payments</p> <p>(F) % Payroll Not Regular Pay</p> <p>(E) Budget FTEs</p> <p>(D) Vendor Payments</p>
<p>2. Provides equal access to services. (Equality)</p> <p>Risk: Some participants allowed to by-pass service eligibility requirements</p> <p>Risk: Favoritism in employment selection or promotion process</p> <p>Risk: Procurement request for bids contain unnecessary qualifications, bundling of scope of work, or insurance requirements</p>	<p>(H) Number of Citizens Served</p> <p>(J) HR Transactions</p> <p>(D) Vendor Payments</p>
<p>3a. Managed properly. (Effectiveness)</p> <p>Risk: Strategies are not clearly defined, aligned, communicated or understood.</p> <p>Risk: Process policies, procedures, and tasks have not been defined or obsolete.</p> <p>Risk: People are not trained or held accountable for performance.</p>	<p>(I) Number of Programs</p> <p>(I) Number of Programs</p> <p>(E) Budget FTEs</p>
<p>3b. Accomplished as citizens envisioned. (Effectiveness)</p> <p>Risk: Services are not aligned with stakeholders expectations</p>	<p>(H) Number of Citizens Served</p>
<p>4. Cost effective without reducing quality. (Efficiency)</p> <p>Risk: Pay too much for material or services</p>	<p>(G) Expense Appropriation Value</p>
<p>5. Subject to independent appraisal. (Accountability)</p> <p>Risk: Independent audit appraisal has not been performed</p>	<p>(B) Last Audit Month</p>
Mayor's Priority Objectives	
<p>a. Citizens and visitors feel safe in Metro neighborhoods. (Strategy)</p>	<p>(A) Public Safety Impact Yes/No</p>
<p>b. Every student in Nashville deserves the best education we can provide them. (Strategy)</p>	<p>(A) Education Impact Yes/No</p> <p>Not Considered In Assessment</p>
<p>c. Bringing more and better jobs to Nashville (Strategy)</p>	<p>Not Considered In Assessment</p>

Attachment B – CY 2013 Risk Prioritization Objectives and Risks

Risk Impact Metric	Source	High	Medium	Low
A. Mayor's Priority- Public Safety or Education Impact	OIA Assumption	Entire Population	Subset Population	No Impact
B. Last Audit Month	OIA Project Records	GT 4 YRS ('08 or older)	3 to 4 YRS ('09 or '10)	LT 2 YRS ('11 '12)
C. Total Fees and Collection	OMB Budget to Actual Report (BAR) June 2012	GT \$6 Million	\$6 Million to \$1 Million	LT \$1 Million
D. Vendor Payments	OMB Budget to Actual Report (BAR) June 2012	GT \$6 Million	\$6 Million to \$1 Million	LT \$1 Million
E. Budget FTEs	FY 2013 Budget	GT 500	500 to 50	LT 50
F. Percent Payroll Not Regular Pay	OMB Budget to Actual Report (BAR) June 2012	LT 74%	75% to 85%	GT 86%
G. Expense Appropriation Value	OMB Budget to Actual Report (BAR) June 2012	GT \$15 Million	\$15 Million to \$2 Million	LT \$2 Million
H. Number of Citizens Served	OIA Assumption	Entire Population	Subset Population	Primarily Metro Internal Stakeholders
I. Number of Programs	FY 2011 Budget or entity web site	GT 15 Programs or unknown	Between 15 and 5 Programs	LT 5 Programs
J. HR Transaction	EBS HR Transactions for Promotions or New Hire – CY 2012	GT 50	50 to 11	LT 10

If an auditable entity has not been subject to an internal audit in recent years, or impacted the Mayor's priorities of public safety or education, then the entity received a higher inherent risk score. Additional factors considered if the entity had significant vendor payments, numerous employees, or provided direct service to the majority of Metro citizens.

Attachment C - 2013 Metro-wide Risk Prioritization Worksheet

Entity	Risk Score	Audit Plan	Last Audit	Expense Actual	FTEs	Fees & Collections	Payroll Regular Pay	Payroll Amount	Payables	Grant Amount Actual	Number of Programs
31-Police	3.25	✓	2011.06	160,279,185	1,797	3,962,385	73%	97,816,633	6,056,801	6,065,020	43
32-Fire	3.21		2012.10	111,008,802	1,171	7,884,948	68%	72,167,333	2,422,788	5,880,198	19
80-MNPS General Purpose Fund	3.19	✓	2012.08	724,595,202	8,876	14,771,312	97%	401,392,088	87,448,731	260,715,284	31
42-Public Works	3.17		2012.10	74,215,379	381	11,403,622	79%	14,812,271	24,605,983	2,035,619	18
65-Water & Sewer Services	3.00	✓	2010.06	115,876,610	800	14,350,941	74%	32,610,974	41,654,164	0	33
30-Sheriff	2.96		2009.06	81,002,007	853	2,555,308	80%	34,015,319	27,126,499	25,909,574	26
26-Juvenile Court	2.95		2006.03	12,997,590	128	18,904	86%	5,111,851	4,639,333	1,306,773	23
68-District Energy System	2.95	✓	2007.07	19,818,064	12	10,434	88%	97,809	12,037,803		2
33-Codes Administration	2.89		2009.09	7,367,623	93	10,287,102	84%	4,067,959	139,252	0	7
F34100- Public, Education, & Government Acces	2.78	✓		958,000							2
70-Community Education Commission	2.78			322,173	4	36,143	88%	104,020	116,383		1
47-Criminal Justice Planning	2.77	✓		387,653	4		85%	271,810	2,385	0	1
91-Emergency Communication Center	2.77		2011.08	12,083,961	175	32	77%	8,146,412	329,882	479,564	6
16-Assessor of Property	2.75	✓		6,863,653	83	2,476	83%	3,739,339	893,136	10,423	4
04-Mayor's Office	2.74	✓	2006.08	6,570,748	34	7,409	92%	2,028,935	589,449	1,445,833	6
25-Clerk and Master of the Chancery Court	2.73	✓		1,497,892	19	1,476,528	86%	933,550	17,838	0	12
38-Health	2.71		2012.08	45,078,797	437	3,673,907	96%	21,945,254	8,846,023	24,545,968	34
37-Social Services	2.65		2007.04	7,377,443	82	17,008	86%	3,507,630	2,108,575	1,469,571	12
07-Planning Commission	2.61	✓	2006.07	5,993,797	38	372,980	88%	2,673,997	1,359,557	1,810,677	5
40-Parks and Recreation	2.60		2012.05	32,406,636	557	9,718,755	83%	16,153,790	4,681,755	913,483	32
06-Law	2.56		2008.09	5,186,839	48	80,992	87%	3,236,026	354,160	0	6
60-Farmers Market	2.54		2005.08	1,307,584	7	961,126	78%	269,413	421,657	0	2
36-Soil and Water Conservation	2.52	✓		76,444	1		97%	43,470	2,910	0	3
39-Library	2.43	✓	2007.06	20,721,650	290	474,479	87%	10,391,092	3,522,793	154,884	20
75-Metro Action Commission	2.39		2013.02	26,786,619	359	143,442	85%	9,569,326	7,594,320	20,623,239	11
21-Public Defender	2.33		2010.07	5,794,852	76	0	88%	3,851,960	59,538	1,579,434	5
76-Nashville Career Advancement Center	2.31		2012.11	7,831,733	46	0	94%	2,064,316	4,127,529	7,738,514	6
17-Trustee	2.29		2010.03	2,204,450	25	0	80%	1,043,358	157,216	0	4
10-General Services	2.27		2012.10	47,142,193	151	41,205,204	79%	6,967,417	19,531,953	4,248,367	11
19-District Attorney	2.27		2011.09	6,997,726	90	941,947	94%	3,850,729	832,611	356,695	5
02-Metropolitan Council Staff	2.26		2010.10	1,709,190	48	0	98%	1,111,387	18,742	0	1
41-Arts Commission	2.26		2010.02	2,393,335	5	1,530	94%	296,869	40,533	0	3
45-Transportation Licensing Commission	2.20		2010.09	461,875	6	312,909	90%	255,335	53,666	0	3
14-Information Tech Services	2.19	✓	2012.10	16,243,216	111	13,275,524	82%	7,413,886	2,851,936	0	18
18-County Clerk	2.19		2012.01	4,303,656	78	5,178,152	88%	2,409,971	199,145	0	7

* Risk score on a weighted average of 3 for the last audit time frame, 2 for the Mayor's priorities of safety and education, and all other risk at 1.

Attachment C - 2013 Metro-wide Risk Prioritization Worksheet

Entity	Risk Score	Audit Plan	Last Audit	Expense Actual	FTEs	Fees & Collections	Payroll Regular Pay	Payroll Amount	Payables	Grant Amount Actual	Number of Programs
27-General Sessions Court	2.13		2012.09	10,549,970	120	3,883,004	97%	6,842,547	284,156	0	8
28-State Trial Courts	2.13		2011.07	10,909,335	153	765,626	96%	6,370,328	753,609	2,847,954	8
23-Circuit Court Clerk	2.11	√	2010.06	3,310,071	48	10,566,305	95%	1,753,823	179,336	0	4
62-State Fair	2.07	√	2005.07	3,044,886	24	2,658,248	79%	926,521	903,487	0	3
08-Human Resources	2.04		2009.09	3,862,395	53	0	81%	2,132,260	595,450	0	10
61-Municipal Auditorium	2.04		2010.09	1,637,870	9	1,607,593	82%	415,209	863,744	0	3
15-Finance	2.00	√√√	2010.07	8,238,483	103	922,232	83%	5,371,641	116,417	0	18
03-Metropolitan Clerk	1.96		2010.08	887,469	7	1,266,853	82%	382,354	112,349	0	3
05-Elections	1.92	√	2008.06	3,260,492	32	6,052	59%	1,747,147	557,216	436,409	2
35-Agricultural Extension Serv	1.87		2010.06	257,269	7		98%	188,696	7,261	0	3
44-Human Relations Commission	1.87		2011.06	358,478	3	400	85%	182,132	32,702	0	2
24-Criminal Court Clerk	1.82		2011.12	5,051,318	81	4,750,809	96%	3,193,150	111,902	1,563,338	9
09-Register of Deeds	1.67		2012.04	2,946,000	27	3,953,000	0%	2,364,000	403,000	0	2
22-Juvenile Court Clerk	1.67		2012.08	1,539,345	29	605,791	85%	1,009,195	25,310	0	9
29-Justice Integration Services	1.55		2011.02	2,155,063	19		88%	1,213,128	63,066	0	5
11-Historical Commission	1.48		2012.12	618,336	8	0	92%	408,893	28,825	2,790	3
34-Beer Board	1.48	√		298,009	4	412,384	86%	176,088	5,044	0	2
48-Office of Internal Audit	1.32		2011.04	1,057,036	10	0	86%	642,095	134,331	0	3

Component Funds											
CU Metropolitan Nashville Airport Authority	3.18			105,972,471	270	105,148,029		0			
CU Electric Power Board (NES)	2.96		2012.12	1,111,746,000	990	1,154,512,000					
CU Metropolitan Development & Housing Agency	2.95	√		136,606,534	308	40,680,366			4,778,803	107,473,782	
CU Emergency Communication District	2.88			14,180,464		7,169,109					
CU Metropolitan Nashville Hospital Authority	2.71		2012.06	144,343,767	1,218	140,203,700	0.91	55,043,395	0	0	
CU Industrial Development Board	2.67	√		10,495,262		10,472,567					
CU Metropolitan Transit Authority	2.53		2012.08	69,512,920	500	12,319,856	1.00	192,586	19,667,893	22,613,036	
CU Sports Authority	2.04		2011.05	39,348,947	2	26,944,336	0.86	123,153	8,859	550,800	
CU Nashville Convention Center Authority	1.89	√	2011.12	5,720,436	13	5,491,446	0.83	2,150,323	2,364,435	0	
CU Nashville District Management Corp	1.71		2011.10	1,654,929	1	1,598,765					
CU Gulch Business Improvement District	1.48		2011.10	199,905		135,885					

Fiduciary Funds											
Davidson County Employees' Retirement	0.00			0		1,723,531					
Metro Employees' Benefit Trust	0.00		2009.09	2,119,559,174		81,875,553					

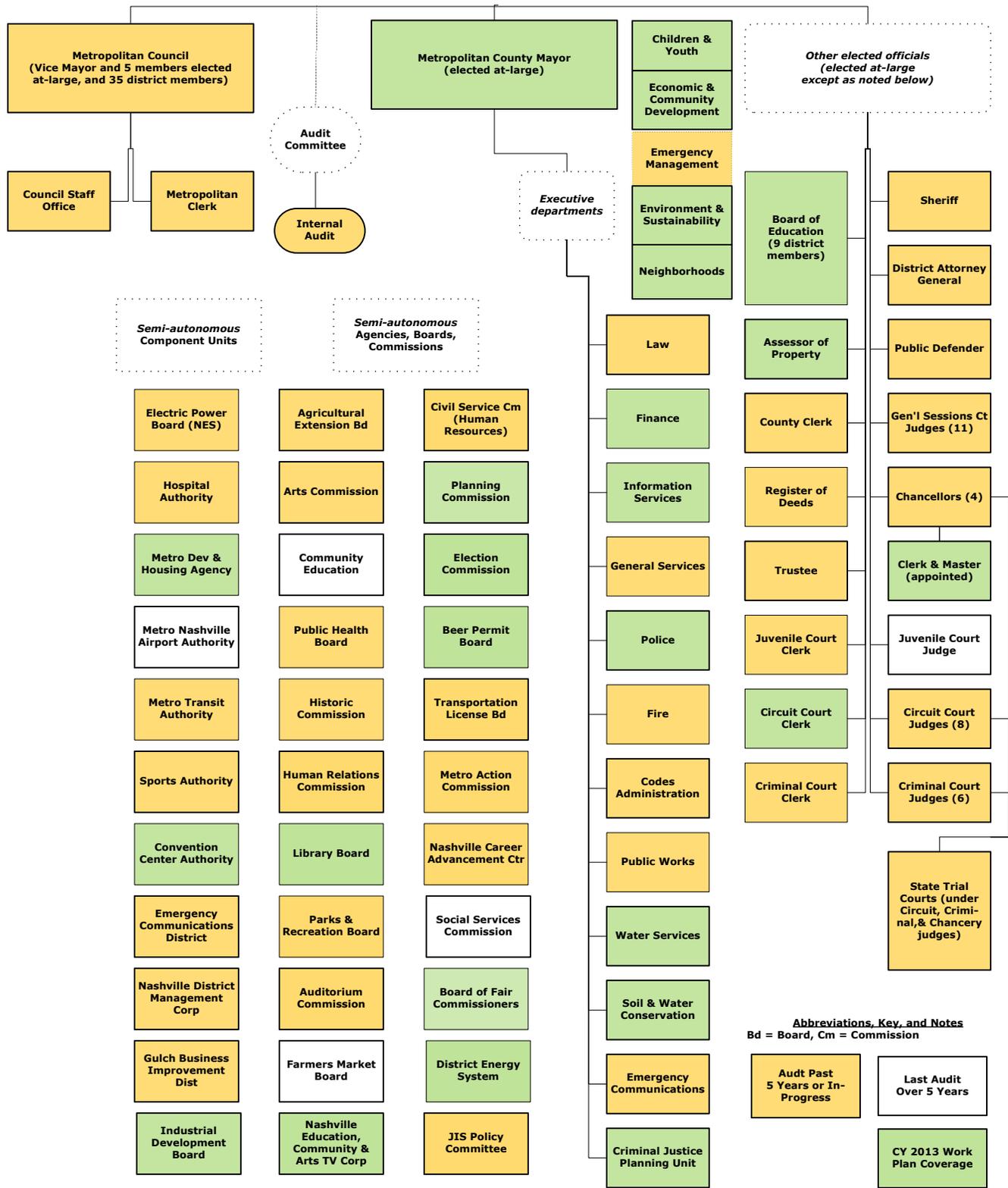
* Risk score on a weighted average of 3 for the last audit time frame, 2 for the Mayor's priorities of safety and education, and all other risk at 1.

Attachment C - 2013 Metro-wide Risk Prioritization Worksheet

Entity	Risk Score	Audit Plan	Last Audit	Expense Actual	FTEs	Fees & Collections	Payroll Regular Pay	Payroll Amount	Payables	Grant Amount Actual	Number of Programs
Employees' Pension and Insurance	0.00		2009.08	0		7,492,453					
Teachers' Retirement Plan	0.00			65,350,578		49,945,932					
Closed City Plan	0.00			0		7,966,275					
Teachers' Civil Services and Pension	0.00			0		4,337,131					
Metro Employees' Flex Benefits	0.00			1,593,507		3,273,031					
Education Flex Benefits	0.00			220,225		888,381					
<u>Funds Held In Trust</u>	0.00										
Circuit Court Clerk	0.00			29,302,880							
Clerk and Master	0.00	v		7,846,952							
Criminal Court Clerk	0.00			9,893,532							
Juvenile Court Clerk	0.00		2009.03	1,862,196							
Sold Property Tax Recv	0.00			3,061,547							
Sheriff Work Release & Inmate Trust	0.00		2009.06	357,183							
Planning Performance Bonds	0.00			2,606,757							
<u>Other Funds</u>											
F30003 4% Reserve Fund (2/1/12)	2.79	v		25,836,951							
90-Debt Services (CAFR B-11)	2.79			112,287,249							
01-Administrative	2.70		2009.09	24,153,800		707,145,060	1.00	73,950	153,462,761	73,950	1
99-Capital Projects (CAFR B-11)	2.48		2010.03	196,663,151							
F30042-30046 Hotel Tax Funds	1.78			36,243,676		35,757,204			32,220,228		
F30706 Regional Transportation Planning	0.00			4,237,500	10						

* Risk score on a weighted average of 3 for the last audit time frame, 2 for the Mayor's priorities of safety and education, and all other risk at 1.

Attachment D - Office of Internal Audit - Audit Coverage Map – February 2013



Funds Held In Trust

Circuit Court Clerk	Clerk & Master	Criminal Court Clerk	Juvenile Court Clerk	Davidson County Employees' Retirement	Metro Employees' Benefit Trust	Employees' Pension & Insurance	Metro Employees' Flex Benefits Plan
Sold Property Tax Recv	Sheriff Work Release & Inmate	Planning Performance Bonds		Teachers' Retirement Plan	Closed City Plan	Teachers' Civil Services and Pension	Education Flex Benefits Plan

Fiduciary Funds

Semi-autonomous Advisory/Appeal Boards		Beautification Bureau	CATV Special Committee	Public Records Commission	Charter Revision Committee	Safety Advisory Board	Health & Higher Education Facilities Bd
Tourist Commission	Board of Equalization	Fire & Building Codes Board	Plumbing Examiners Bd	Electrical Examiners Bd	Housing Code Appeals Board	Zoning Appeals Board	Historical Zoning Commission

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Hotel Occupancy Tax Audit Status

As of February 8, 2013

Hotel/Operators Completed	10
Operators with exceptions	4 (40%)
Total Amount of Claims	\$21,616
Range of Claims Amounts	\$18,694 to \$486

Four (4) hotel audits in progress.



FY 2012 CAFR PRESENTATION

STATE OF TENNESSEE

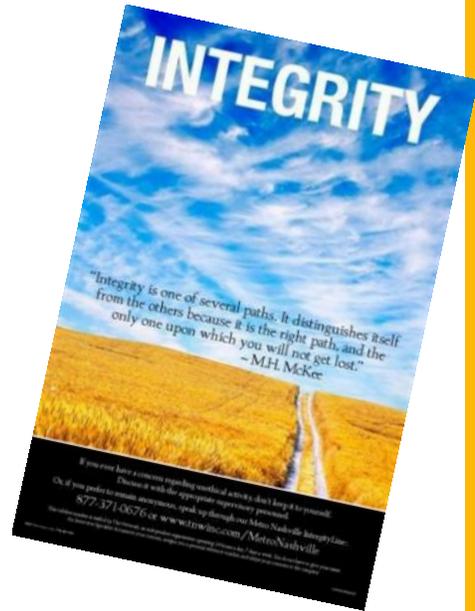
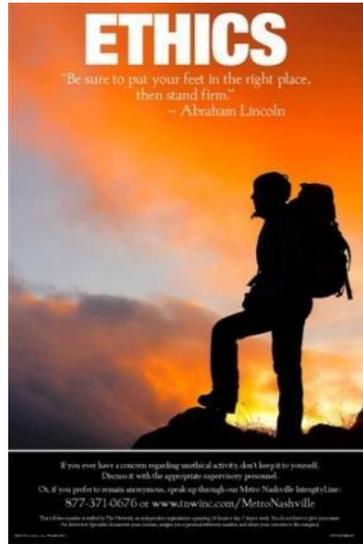
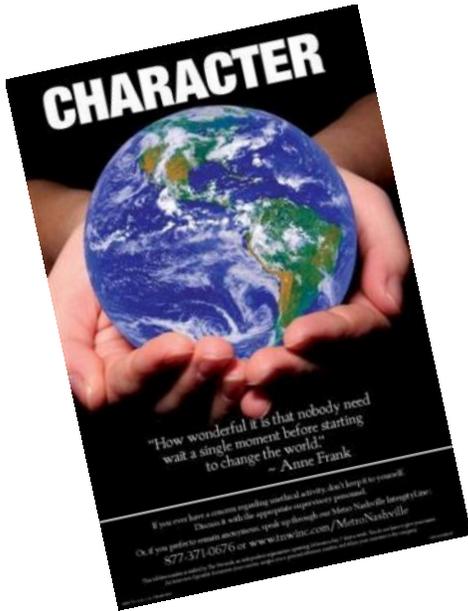
SPECIAL REPORT ON THE
NASHVILLE ELECTRIC SERVICE
FOR THE PERIOD JANUARY 1, 2010
THROUGH DECEMBER 31, 2011



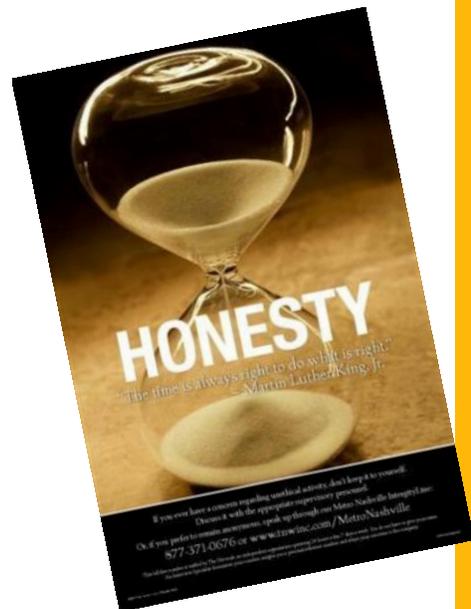
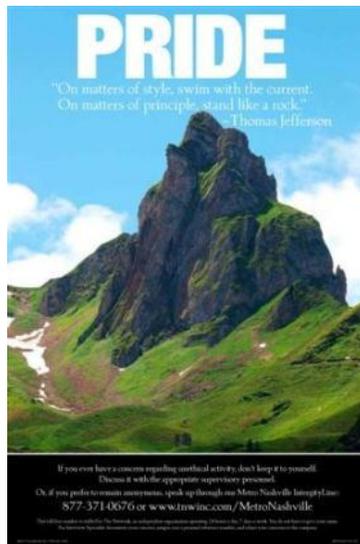
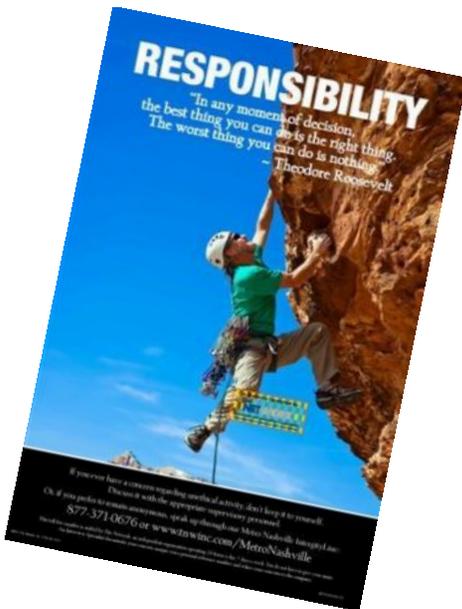
Division of Local Government Audit



After five years of service the Office of Internal Audit is still promoting



Characteristics of a strong workforce



The Network developed different poster designs for the Office of Internal Audit to promote the Metro Nashville IntegrityLine. These posters identify characteristics the office wishes to demonstrate and promote for the Metropolitan Government of Nashville and Davidson County

Metropolitan Nashville & Davidson County

**Metropolitan Office of Internal Audit
Audit Project Status
As of February 12, 2013**

Projects	Planning	Contracts/Orders		Fieldwork	Report	Report Phase	
		SOW	Approval			Draft	Final
Completed							
1) MNPS Payroll					✓		Mar-12
2) Register of Deeds					✓		Apr-12
3) Metro Parks Golf Operations					✓		May-12
4) Hospital Authority - Patient Billing & Collections					✓		Jun-12
5) Juvenile Court Clerk's Office					✓		Aug-12
6) Metro Transit Authority Procurement to Pay Process					✓		Aug-12
7) MNPS Custodial Services Outsourcing					✓		Aug-12
8) Health Dept - Drug Inventory Management					✓		Aug-12
9) Music City Convention Center Authority					✓		Aug-12
10) ITS Public Key Infrastructure					✓		Sep-12
11) General Sessions Court Probation Procedures					✓		Sep-12
12) General Services Fuel Management					✓		Sep-12
13) Public Works Contract Administration					✓		Sep-12
14) Fire Dept - Drug Inventory					✓		Oct-12
15) Nashville Career Advancement Center					✓		Nov-12
16) Historic Commission					✓		Dec-12
17) Payment From & To Nashville Electric Services					✓		Jan-13
18) Acceptable Use Information Assets -MAC, OEM, State Fair					✓		Feb-13
In-Progress							
19) Hotel/Motel Occupancy Tax				✓		Feb-13	
20) Treasury - Metro Investment Pool					✓	Jan-13	
21) Metro Nashville Library					✓	Feb-13	
22) Davidson County Election Commission				✓		Mar-13	
23) MDHA Procurement-to-Pay	✓					Apr-13	
24) Beer Board	✓					Mar-13	
25) Nashville Expo Center - Ovations Contract				✓		Feb-13	
26) ITS Telecommunications				✓		Mar-13	
Anticipated to Start Next 6 weeks							
Music City Convention Center - Change Orders		✓					
Metro IntegrityLine Alerts Since Jan 1, 2013:					Total	Closed	Pending
Metro Hotline Alerts (Fraud, Waste & Abuse, & Suggestions)					4	3	1
Cases Reported to State of TN from Metro Hotline Alert					0	0	0
Cases Tasked to OIA by State of TN					0	0	0
Cases Tasked to OIA by Metro Entities					1	0	1

Note: Goal to complete 16 audit projects in CY 2012. Currently 18 audit projects are completed, and 6 audit projects are in field work or draft report phase.



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Bianca Müller

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Internal Audit Fiscal Year 2013
GSD General Fund as of February 8, 2013

FY 2013 Approved Budget

	Approved FY 2013 Budget	Actual As of February 8, 2013	Difference	Notes
Total Salaries & Fringe	\$ 989,800	\$ 513,148	\$ 476,652	
Other Expenses				Plus \$90,000 encumbrance - Convention Center and ITS Telecommunications audits
Professional & Purchased Services	156,200	20,666	135,534	
Other Expenses	63,200	34,728	28,472	
Internal Service Fees	68,700	68,503	197	
TOTAL EXPENSES	\$ 1,277,900	\$ 637,045	\$ 640,855	

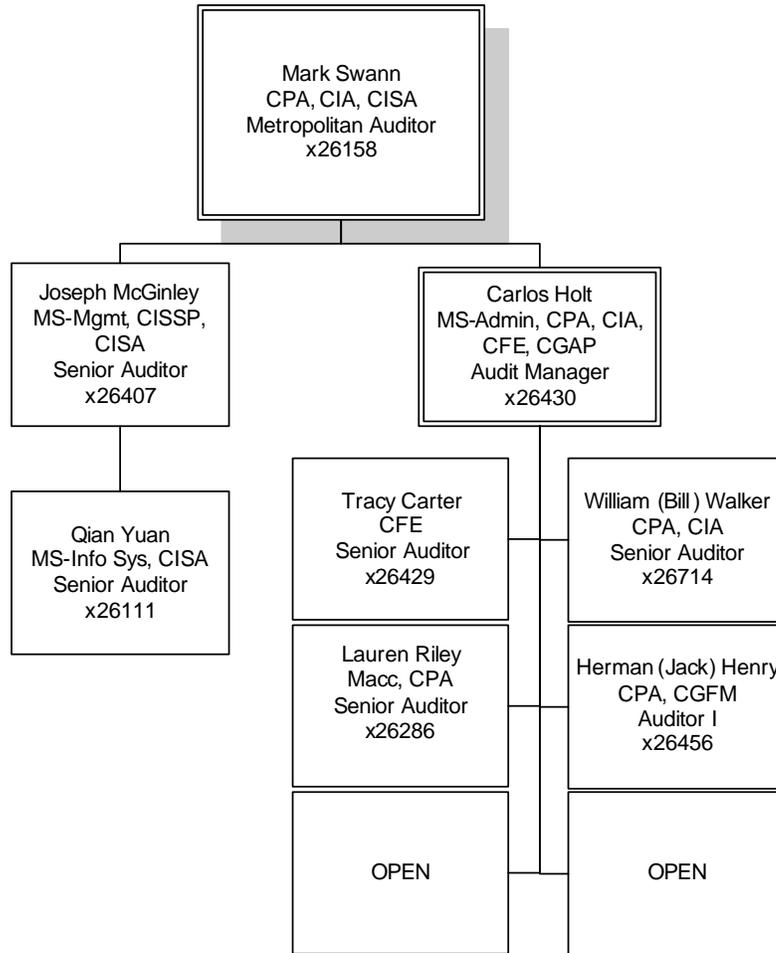
30003 General Fund 4% Reserve \$ 21,429 \$ 11,106 \$ 10,323 AX Core Server Software & Training

FY 2014 Recommended Budget

	*Approved FY 2013 Budget	Recommended 2% Budget Cuts	Difference	Notes
Total Salaries & Fringe	\$ 989,800	\$ -	\$ 989,800	
Other Expenses				
Professional & Purchased Services	86,200	20,800	65,400	
Other Expenses	63,200	2,000	61,200	Software maintenance up \$3k - \$4k
Internal Service Fees	68,700	-	68,700	
TOTAL EXPENSES	\$ 1,207,900	\$ 22,800	\$ 1,185,100	

* - Excludes \$70,000 FY 13 carry forward for professional services

Office of Internal Audit Organization Chart February 11, 2013



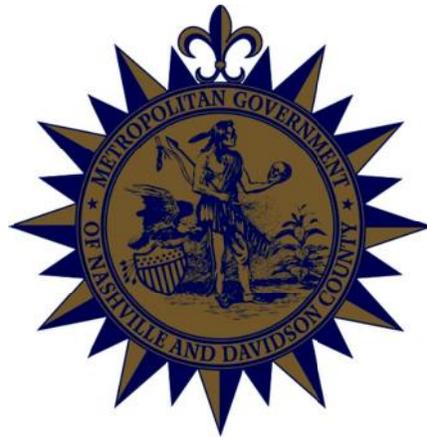
**METROPOLITAN NASHVILLE AUDIT COMMITTEE
2013 MEETING PLAN**

Meeting Date	Proposed Agenda Topics
February 12, 2013	<ul style="list-style-type: none"> • External Audit Single Audit and Management Letter presentation • Internal Audit Annual Work Plan approval • Internal Audit issued report discussion • Follow-up Comprehensive Annual Financial Report
July 9, 2013	<ul style="list-style-type: none"> • External Audit plan and required communications • Internal Audit issued report discussion • Follow-up Comprehensive Annual Financial Report, Single Audit Report, and Management Letter
September 10, 2013	<ul style="list-style-type: none"> • Metropolitan Audit Committee self-assessment • Metropolitan Auditor performance review • Bylaws annual review • Internal Audit issued report discussion
December 10, 2013	<ul style="list-style-type: none"> • External Audit Comprehensive Annual Financial Report • Office of Internal Audit Annual Performance Report • Internal Audit issued report discussion

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**METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON
COUNTY**

OFFICE OF INTERNAL AUDIT



**2012
AUDIT WORK PLAN**

**APPROVED BY THE
METROPOLITAN AUDIT COMMITTEE**

**February 14, 2012
(Revised September 25, 2012)**

Attachment A - CY 2012 Audit Plan Summary

(* Co-source Audit)

CY 2011 Audits In Progress	
1	Register of Deeds
2	Parks - Golf Course Operations
3	Metropolitan Nashville Public Schools – Payroll
*4	Metro Nashville Information Technology Services – Public Key Infrastructure
5	Juvenile Court Clerk
6	Metro Transit Authority – Procurement to Pay Process and Contract Monitoring
7	Nashville Hospital Authority – Patient Billing and Collections
8	General Services - Fuel Management
9	Electric Power Board (NES) - Payments in Lieu of Property Taxes and Interlocal Agreements
CY 2012 New Audit Areas	
1	Convention Center Authority – Music City Convention Center Construction Contract Monitoring
*2	Metro Nashville Information Technology Services - Primary Government Telecommunications (Voice and Data)
3	Library
4	Metropolitan Development and Housing Authority – Procurement to Pay Process and Contract Monitoring
*5	Metropolitan Nashville Public Schools - Post Custodial Services Outsourcing Review
6	Fire Department - Drug Inventory Management
7	Health Department - Drug Inventory Management
8	Circuit Court Clerk - Municipal Citations Other Than Traffic Process
9	Computer Acceptable Use - (Review three entities: Office of Emergency Management, State Fair and Metro Action Commission)
10	Nashville Career Advancement Center
11	Public Works - Vendor Contract / Price Agreement Compliance
12	District Energy System - Vendor Contract / Price Agreement Compliance
13	Finance Department - Metro Investment Pool
14	Historic Commission
15	Beer Board
16	General Sessions Court Probation Department
17	Hotel Occupancy Tax Audits

Attachment A - CY 2012 Audit Plan Summary

(* Co-source Audit)

18	Davidson County Election Commission
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Attachment B - CY 2011 Audits In Progress Detail

* = Co-source	Department	Potential Key Audit Objectives
1	Register of Deeds	<p><i>Audit is in the field work phase.</i></p> <ul style="list-style-type: none"> • Does documentation support key performance metrics? • Are all documents received by the Register of Deeds accurately and timely recorded? • Are documents recorded by the Register of Deeds done so in accordance with applicable laws and regulations? • Are Register of Deeds expenditures prudent and reasonable? • Is revenue collected by the Register of Deeds complete, deposited in accordance with Metro Treasury policies, properly safeguarded, and accurately and timely recorded into the accounting system?
2	Parks Golf Course Operations	<p><i>Audit is in the field work phase.</i></p> <ul style="list-style-type: none"> • Are Golf Course expenditures prudent and reasonable? • Are revenues collected by Golf Course operations complete, deposited in accordance with Metro Treasury policies, properly safeguarded, and recorded into the accounting system? • Is attendance at Metro Golf Course operations comparable to other comparable governmentally run golf courses? • Are Metro's Golf Course operations revenue and expenses comparable to other publically or privately run golf courses? • How satisfied are local citizens with the services provided by Metro's Golf courses?
3	Metropolitan Nashville Public Schools – Payroll	<p><i>Audit is in the reporting phase.</i></p> <ul style="list-style-type: none"> • Are only authorized, active employees being included in payroll amounts? • Are various payroll functions such as employment, timekeeping, recordkeeping, and distribution of checks properly segregated? • Are employees being paid the correct rate of pay for the correct number of hours worked? • Are payroll deductions such as Federal Income Tax, Social Security Tax, Medicare, ING contributions, Insurance

Attachment B - CY 2011 Audits In Progress Detail

* = Co-source	Department	Potential Key Audit Objectives
		<p>etc. being properly calculated and deducted from employee paychecks?</p> <ul style="list-style-type: none"> • Are payroll processes and policies in accordance with applicable laws and regulations? • Are payroll amounts supported by proper documentation? • Are payroll amounts approved by MNPS management?
*4	Metro Information Technology Services – Public Key Infrastructure	<p><i>Audit is in the planning phase.</i> <u>Certificate Services Infrastructure Review</u> Obtain reasonable assurance that the implemented certificate service infrastructure is in line with operational needs of Metropolitan Government of Nashville. This process may include, but not limited to:</p> <ul style="list-style-type: none"> • review of design documentation; • identify the scope of the services; • review certificate policy and certificate practices statement; • review implemented role services; • review pre-production testing or audit items and reports. <p><u>Security Controls Review</u> Identify and evaluate controls designed to secure the infrastructure including hardware and service modules. Possible tasks include, but not limited to:</p> <ul style="list-style-type: none"> • identify and evaluate controls over root key generation; • identify and evaluate controls over key recovery; • identify and evaluate physical security control of certificate authority; • identify potential attack surfaces; • review audit policy; • review certificate monitoring procedure.
5	Juvenile Court Clerk	<p><i>Audit is in the field work phase.</i></p> <ul style="list-style-type: none"> • Has the Juvenile Court Clerk effectively implemented prior audit recommendations? • Are expenditures prudent and reasonable? • Is revenue collected complete, deposited in accordance with Metro Treasury policies, properly safeguarded, and accurately and timely recorded into the

Attachment B - CY 2011 Audits In Progress Detail

* = Co-source	Department	Potential Key Audit Objectives
		accounting system? <ul style="list-style-type: none"> • Are child support payments properly accounted for and submitted to the appropriate party? • Is the Juvenile Court Clerk adequately retaining court documentation in accordance with state and/or local law?
6	Metro Transit Authority – Procurement to Pay Process and Contract Monitoring	<p><i>Audit is in the field work phase.</i></p> <ul style="list-style-type: none"> • Is the Metro Transit Authority properly monitoring vendor contracts to ensure compliance with contract terms? • Does the Metro Transit Authority comply with the Metropolitan Procurement Code when procuring goods and services? • Are Metro Transit Authority expenditures prudent and reasonable? • Are incompatible procurement task properly segregated? • Are expenditures properly reviewed and approved by Metro Transit Authority management?
7	Nashville Hospital Authority – Patient Billing and Collections	<p><i>Audit is in the field work phase.</i></p> <ul style="list-style-type: none"> • Are patients receiving services properly billed for each service received? • Are patients and/or insurance providers being billed in a timely manner? • Are contractual adjustments made to patient receivables in accordance with applicable contracts? • Are receivables being monitored for timely payment? • Are write-off's of receivables properly reviewed and approved by Nashville Hospital Authority management?
8	General Services - Fuel Management	<p><i>Audit is in the field work phase.</i></p> <ul style="list-style-type: none"> • Is the fuel management program providing fuel to authorized vehicles only? • Is the fuel management program properly capturing all revenues for fuel purchases by other Metro departments? • Are participating departments being properly charged for fuel purchases?
9	Electric Power Board (NES) – Payment in Lieu of Property Tax and Interlocal Agreements	<p><i>Audit is in the field work phase.</i></p> <ul style="list-style-type: none"> • Is Nashville Electric Services complying with applicable Metro Charter provisions and subsequent interlocal agreements? • Are payments in lieu of property taxes accurate?

Attachment B - CY 2012 Audits

* = Co-source	Department	Potential Key Audit Objectives
1	Convention Center Authority – Music City Convention Center Construction Contract Monitoring	<ul style="list-style-type: none"> • Are contractors complying with contract terms? • Are change orders approved by the proper authority? • Are contractors and subcontractors in compliance with wage and hour requirements? • Are invoices submitted by the contractor properly approved for payment, adequately supported, and accurately invoiced? • Are there indicators that bids from contractors are not fair and reasonable?
*2	Metro Nashville Information Technology Services - Primary Government Telecom Audit	<ul style="list-style-type: none"> • Are communication expenditures prudent and reasonable? • Do invoices agree with contracts and pricing agreements? • Are unnecessary capacities or features being paid for? • Are communication devices safeguarded? • Are required communication services delivered cost effectively and to agreed level of quality?
3	Library	<ul style="list-style-type: none"> • Are expenditures prudent and reasonable? • Are fee collections controlled and safeguarded? • Are payroll and time leave policies reasonable and being properly being adhered too? • Are performance and user demand reports accurate?
4	Metropolitan Development and Housing Authority – Procurement to Pay Process and Contract Monitoring	<ul style="list-style-type: none"> • Is the MDHA properly monitoring vendor contracts to ensure compliance with contract terms? • Does the MDHA comply with its policy and procedures when procuring goods and services? • Are MDHA expenditures prudent and reasonable? • Are incompatible procurement task properly segregated? • Are all expenditures incurred by the MDHA properly recorded into the accounting system? • Are expenditures properly reviewed and approved by MDHA management?
*5	Metropolitan Nashville Public Schools - Post Custodial Services	<ul style="list-style-type: none"> • Were the expected benefits of outsourcing

Attachment B - CY 2012 Audits

* = Co-source	Department	Potential Key Audit Objectives
	Outsourcing Review	custodial services at the MNPS realized? • Were there any unforeseen costs associated with the outsourcing of custodial services at the MNPD?
6	Fire Department - Drug Inventory Management	• Is the Fire Department adequately managing its drug inventory?
7	Health Department - Drug Inventory Management	• Is the Health Department adequately managing its drug inventory?
8	Circuit Court Clerk - Municipal Citations Other Than Traffic Process	• Does the Circuit Court Clerk have functioning controls in place over processing non-traffic citations? • Are all non-traffic citations issued by applicable authorities processed and tracked to final disposition?
9	Computer Acceptable Use - (Review three entities: Office of Emergency Management, State Fair, and Metro Action Commission)	• Are network remote users authorized? • Are computer devices being effectively tracked? • Is sensitive data protected? • Is Metro in compliance with the terms of software license agreements? • Is non-work related files stored on Metro hardware
10	Nashville Career Advancement Center	• Are grant terms being followed? • Are expenditures prudent and reasonable? • Are fee collections controlled and safeguarded? • Are payroll and time leave policies reasonable and being properly being adhered too? • Are performance and user demand reports accurate?
11	Public Works - Vendor Contract / Price Agreement Compliance	• Do invoices agree with contracts and pricing agreements? • Are unnecessary capacities or features being paid for? • Were goods or services received?
12	District Energy System - Vendor Contract / Price Agreement Compliance	• Do invoices agree with contracts and pricing agreements? • Are unnecessary capacities or features being paid for? • Were goods or services received?
13	Finance Department - Metro Investment Pool	• How does the Metro Investment Pool work? • Are accounting entries accurate and reflective of the Metro Investment Pool activities?

Attachment B - CY 2012 Audits

* = Co-source	Department	Potential Key Audit Objectives
14	Historic Commission	<ul style="list-style-type: none"> • Are expenditures prudent and reasonable? • Are fee collections controlled and safeguarded? • Are payroll and time leave policies reasonable and being properly being adhered too? • Are performance and user demand reports accurate?
15	Beer Board	<ul style="list-style-type: none"> • Are expenditures prudent and reasonable? • Are fee collections controlled and safeguarded? • Are payroll and time leave policies reasonable and being properly being adhered too? • Are performance and user demand reports accurate?
C. Approved Additions		
16 ¹	General Sessions Court Probation Department	Agreed-upon Procedure to follow-up on prior audit recommendations related to revenue collection and drug testing.
17 ²	Hotel Occupancy Tax Audits	Pilot audits of individual hotel properties in Davidson County for the purpose of providing assurance service as of the accuracy and completeness of hotel occupancy tax returns.
18 ³	Davidson County Election Commission	<ul style="list-style-type: none"> • Are expenditures prudent and reasonable? • Are payroll and time leave policies reasonable and being properly being adhered too? • Are election computer integrity controls working as intended? Application Change Control?

¹ Addition approved by Metropolitan Nashville Audit Committee at the July 10, 2012 meeting.

² Addition approved by Metropolitan Nashville Audit Committee at the July 10, 2012 meeting.

³ Addition approved by Metropolitan Nashville Audit Committee at the September 25, 2012 meeting.

Metropolitan Audit Committee

Metropolitan Code of Laws Section 2.24.300

Term-varied

6 Members

	<u>Date of Appt.</u>	<u>Term Exp.</u>
Mr. Robert C. Brannon 173 Jefferson Square Nashville, TN 37215- (615) 385-2491 bbrannon@associatedpackaging.com Representing: TSCPA, Nashville Chapter	2/2/2013	3/20/2017
Ms. Jacobia Dowell 2609 Welshcrest Drive Antioch, TN 37013- (615) 498-7094 jacobia.dowell@nashville.gov Representing: Metro Council	10/18/2011	9/30/2013
Mr. Steve Glover 4576 Raccoon Trail Hermitage, TN 37076- (615) 866-9514 steve.glover@nashville.gov Representing: Metro Council	10/18/2011	9/30/2013
Vice Mayor Diane Neighbors One Public Square, Suite 204 Nashville, TN 37201- (615) 880-3357 diane.neighbors@nashville.gov Representing:	9/1/2011	8/31/2015
Mr. Brack Reed 511 Union Street, Suite 1400 Nashville, TN 37219- (615) 770-8494 brack_reed@gspnet.com Representing: Nashville Area Chamber of Commerce	2/1/2011	3/20/2015
Mr. Richard M. Riebeling One Public Square, Suite 106 Nashville, TN 37201- (615) 862-6151 richard.riebeling@nashville.gov Representing: Director of Finance	9/1/2011	8/31/2015

Printed 04-Feb-13

Metropolitan Clerk's Office

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

PURPOSE

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

SCOPE

The Metropolitan Audit Committee (Committee) is authorized to conduct financial audits, performance audits or other audit services, including disposition of fraud incidents, concerning any department, board, commission, officer or agency of the Metropolitan Government. Departments, boards, commissions, officers and agencies 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 County Council.

RESPONSIBILITIES

Financial Statements

- Review the results of audits, including any difficulties encountered, and follow up as appropriate.
- Review with Metro Nashville 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 or agency management's responses.
- Engage with Metropolitan Auditor in performing a Metro Nashville entity-wide risk assessment to form an audit work plan.
- 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 audit plan and all major changes to the plan.
- Review and approve the Division of Metropolitan Audit Bylaws annually.

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

- Assure continued independence of 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 annual report to the 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 or agency 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.
- Confirm annually that all responsibilities outlined in these bylaws have been carried out.

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 or agency management, auditors or others to attend meetings and provide pertinent

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

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.

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

PURPOSE

The Division of Metropolitan Audit, commonly referred to as the Metropolitan 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 (Metro Nashville.)

SCOPE

The Metropolitan Auditor is authorized to conduct financial audits, performance audits or other audit services, including disposition of fraud incidents, concerning any department, board, commission, officer or agency of the Metropolitan Government. Departments, boards, commissions, officers and agencies 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 County 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 Metro Nashville'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

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

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 Government personnel
- Obtain regular updates from department, board, commission, officer or agency 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 audit schedule to the Metropolitan Audit Committee for review and approval. The schedule shall include the proposed plan for auditing departments, boards, commissions, officers, agencies, activities, systems, processes and subcontractors for the subsequent twelve months. This schedule may be amended during the period after review with the Metropolitan Audit Committee. Additionally, the Metropolitan Auditor may independently initiate and conduct any other audit deemed necessary with subsequent approval by the Metropolitan Audit Committee.

The schedule 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 Metro Nashville 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 Audit Committee, the Department of Law, the Mayor and the Tennessee Comptroller of the Treasury. If it appears that the irregularity is criminal in nature, the auditor shall notify the appropriate authority in addition to those officials previously cited.

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

ACCESS TO EMPLOYEES, RECORDS AND PROPERTY

The Division of Metropolitan Audit is authorized to have full, complete, and unrestricted access to all information (including automated data), physical properties, and personnel required to conduct a thorough and complete examination of the subject under review. Employees should cooperate with auditors and provide all information pertinent to the audit. The auditor shall not publicly disclose any information received during an audit that is considered proprietary (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 or agency director or his/her designee for review and comment regarding factual content before it is released to the Metropolitan 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. 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 may request periodic status reports 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 Audit Committee, the Mayor and the audited department, board, commission, officer or agency. 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 Audit Committee and shall retain a copy as a permanent record. A copy will be posted on the Division's internet site.

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ANNUAL REPORT

The Metropolitan Auditor shall submit an annual report to the Metropolitan Audit Committee, during the fourth quarter of each year, indicating audits completed, major concerns, corrective actions taken, and significant observations that have not been fully addressed by audited department, board, commission, officer or agency 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 all organization activities, records, property and 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 Division of Metropolitan Audit.

INDEPENDENCE

To provide for the independence of the Division of Metropolitan Audit, its personnel report to the Metropolitan Auditor, who reports administratively and functionally to the Metropolitan Audit Committee as established in the Metropolitan Code of Law, Section 2.24.300 Division of Metropolitan Audit.

In all matters relating to audit work, the Division of Metropolitan 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.

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FUNDING

The Division of Metropolitan Audit shall submit budget proposals, in accordance with procedures established by the Metropolitan 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 Audit Committee.

Metro Government of Nashville and Davidson County, Tennessee, Code of Ordinances >> - THE CODE OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE >> **Title 2 - ADMINISTRATION >> Division I. - Council, Offices, Officers and Departments >> Chapter 2.24 - DEPARTMENT OF FINANCE >> Article IV. - Division of Metropolitan Audit >>**

Article IV. - Division of Metropolitan Audit

[2.24.300 - Division of metropolitan audit.](#)

2.24.300 - Division of metropolitan audit.

- A. There shall be, as an independent agency of the metropolitan government, a division of metropolitan audit, the director of which is designated as the metropolitan auditor. The metropolitan auditor shall be a person:
1. With a well founded reputation in government or public finance and the audit function as may be exhibited by a record of exceptional performance for at least five years as a financial officer of a government or business;
 2. Who has, through education and experience as an accountant, auditor, CFO, controller or principal accounting officer of a governmental entity or private business an understanding of Generally Accepted Accounting Principles, Governmental Auditing Standards Board standards, financial statements, internal controls and procedures for financial reporting, and the audit functions of a governmental entity.
- B. The metropolitan auditor shall be appointed by a majority vote of the council from a list of three persons recommended by the audit committee whom the audit committee deems best qualified and available to fill the position. If the council deems that the persons recommended by the audit committee to serve as metropolitan auditor are not suitable and/or qualified, the council shall reject the names submitted and the audit committee shall recommend three additional persons deemed qualified and available to fill the position. The metropolitan auditor shall serve a term of eight years but shall be subject to removal for cause during the term by a vote of four members of the audit committee. The first term of the metropolitan auditor will end on June 30, 2014, regardless of whether the full eight years has been served. A vacancy occurring during a term shall be filled temporarily with a qualified acting metropolitan auditor by the majority vote of the audit committee. The filling of the vacancy for the remainder of a term and for any new term shall be filled by a majority vote of the council through the process provided in this section. The compensation for the metropolitan auditor shall be established as part of the general pay plan provided by Section 12.10 of the Metropolitan Charter.
- C. The metropolitan auditor shall conduct, or cause to be conducted financial, performance and other audit services following Government Auditing Standards established by the United States Government Accountability Office, and the metropolitan auditor shall follow the independent and other professional standards established and published under Government Auditing Standards.
- D. The metropolitan auditor shall appoint and remove, subject to the civil service provisions of article 12 of this Charter, all officers and employees of the division.
- E. There shall be a metropolitan audit committee which shall be composed of six members, as follows: The vice mayor and the director of finance shall be members by virtue of their official positions. Two members of the metropolitan county council shall be selected by that body from its membership to serve a two-year term. One member shall be selected by the Nashville Area Chamber of Commerce to serve a four-year term. One member shall be selected by the Nashville Chapter of the Tennessee Society of Certified Public Accountants to serve a four-year term except that the member first selected shall serve a two year term. Members shall be eligible to succeed themselves. The General Provisions of Article 11, Chapter 1, of this Charter shall be applicable to the audit committee unless otherwise specified in this section.
- F. The audit committee will oversee the annual audit plan, fix the compensation of the metropolitan auditor, and review and evaluate at least annually the performance of the metropolitan auditor.
- G. All audit reports issued by the metropolitan auditor are public documents and shall at all times, during business hours, be open for personal inspection by any citizen of Tennessee.

(Ord. BL2007-1318 § 2, 2007)

Sec. 8.121. - Division of metropolitan audit.

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

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

**METROPOLITAN GOVERNMENT OF NASHVILLE
AND DAVIDSON COUNTY
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SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT

Council

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

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

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

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

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

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

Metro Code 2.04.033 – Metropolitan Council

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

Mayor and Department of Metropolitan Finance

Metro Charter Section 5.03 – Power and authority of mayor.

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

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

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

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

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

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SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT

Division of Metropolitan Audit

Metro Charter Section 8.121 – *Related Fiscal Provisions, Division of metropolitan audit; and Metro Code 2.24.300 Division of metropolitan audit.*

(A) “There shall, be as an independent agency of the metropolitan government, a division of metropolitan audit, the director which is designated as the metropolitan auditor....”

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

(F) “The **audit committee** will **oversee the annual audit plan** and will review and evaluate annually the performance of the metropolitan auditor.”

Tennessee Code Annotated

T.C.A. 9-3-405 Establishment of audit committee

(a) “**Local governments are encouraged to consider establishing an audit committee.**”

(b) “The governing body of the local government shall create the audit committee. The audit committee members shall be external to management and may be members of the governing body, citizens from within the boundaries of the local government, or a combination of both. **Members of the audit committee shall be selected by the legislative body. The audit committee shall establish responsibilities and duties that are stated in a resolution approved by the legislative body. The responsibilities and duties, at a minimum, shall address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics.** The resolution creating the duties and responsibilities of the audit committee shall be submitted to the comptroller prior to approval by the legislative body...if an audit committee was created by a legislative body whose charter requires charter changes to be approved in a referendum, and if such actions occurred and were approved in a referendum prior to January 1, 2011, then such an audit committee shall be considered created pursuant to this part.”

(c) “...shall abide by the notice requirements adhered to by the local government...”

(d) “...the audit committee may hold confidential, non-public executive sessions to discuss the following items...”

T.C.A. 9-3-406

(a) An **audit committee** created pursuant to this chapter shall **establish a process** by which employees, taxpayers or other **citizens may confidentially report suspected illegal, improper, wasteful or fraudulent activity.** The detailed information received pursuant to such a report of

**METROPOLITAN GOVERNMENT OF NASHVILLE
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SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT illegal, improper, wasteful or fraudulent activity or any investigation of this activity, except those matters disclosed in the final reports, shall be considered audit working papers and shall be confidential under the provisions of title 10, chapter 7.”

T.C.A. 9-4-304

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

Notwithstanding any law to the contrary, **working papers created, obtained or compiled by an internal audit staff are confidential and are therefore not an open record** pursuant to Title 10, Chapter 7.”

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

Local Government Instances of Fraud Reporting Act

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

8-4-505 The detailed information received and generated pursuant to this part shall be considered confidential working papers of the comptroller of the treasury and is therefore **not an open record** pursuant to title 10, chapter 7.

Other Related Provisions

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

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

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

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

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

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

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

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

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