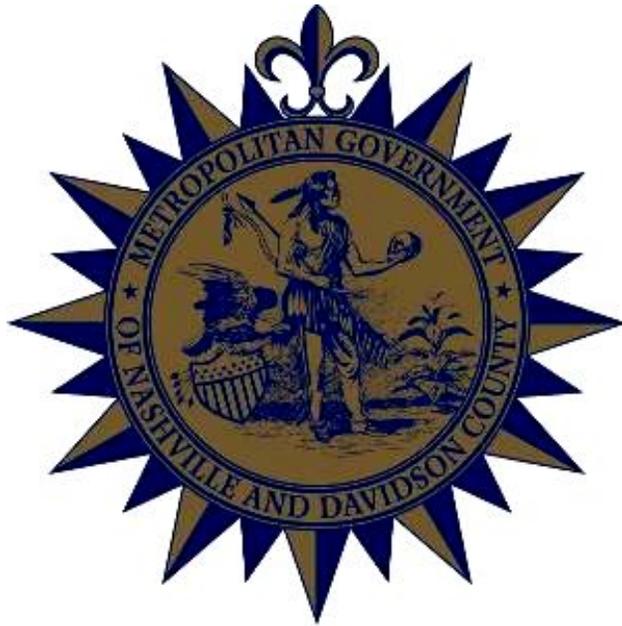


***METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON
COUNTY***



METROPOLITAN AUDIT COMMITTEE

WORKBOOK

October 8, 2013

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AGENDA

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**METROPOLITAN NASHVILLE
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA
October 8, 2013 4:00 p.m.**

**Committee Room 4
205 Metropolitan Courthouse**

- I. Call Meeting to Order
- II. Approval of minutes for the September 10, 2013, meeting (Bob Brannon – Committee Chairman), **Page 7**
- III. New Business
 - Discussion on request to amend current Internal Audit Work Plan to include a comprehensive performance audit of Metropolitan Nashville Public Schools (Mark Swann – Metropolitan Auditor), **Pages 21 to 30**
- IV. Old Business
 - Hotel Occupancy Tax Audit Status, **Page 33**
 - Metropolitan Auditor 2014 recruitment and recommendations (Bob Brannon – Committee Chairman), **Page 34**
- V. Other Administrative Matters (Mark Swann – Metropolitan Auditor)
 - Internal Audit Project Status, **Page 37**
 - FY 2014 Budget, **Page 39**
 - Audit Committee Member Training: 1) Sexual Harassment and 2) Diversity Awareness, **Page 40**
- VI. Consideration of Items for Future Meetings (Bob Brannon - Committee Chairman)
 - External auditor presentation Metropolitan Nashville Fiscal Year 2013 Comprehensive Annual Financial Report
- IX. Adjournment of public meeting – Next meeting Tuesday, December 10, 2013.



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

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MINUTES

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

September 10, 2013

DRAFT MINUTES

On Tuesday, September 10, 2013, 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
Seth Hatfield, Internal Auditor
Sonny Lyons, Human Resources
Theresa Costonis, Department of Law
Rachelle Gallimore-Scruggs, Department of Law

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 July 9, 2013, were approved.

New Business

Discussion on Metropolitan Auditor 2014 recruitment and recommendations for the term July 1, 2014, through June 30, 2022 (Bob Brannon – Committee Chairman, Theresa Costonis – Department of Law, Sonny Lyons – Metro Human Resources Department)

Ms. Costonis briefed the Committee on the process that should be followed for the upcoming selection of Metropolitan Auditor. Ms. Costonis stated that the Metropolitan Nashville Charter 8.121 provision was straightforward. There is a process spelled out for the selection of the Metropolitan Auditor that involves the Committee identifying three qualified candidates. A majority of the Metropolitan Council will select one of those candidates or, if none are chosen, require the Committee to find three more qualified candidates. Ms. Costonis stated that it is advisable that Human Resources be utilized for the selection process as they have the resources and are objective.

Mr. Reed asked what would happen if the Committee could not find three candidates.

Ms. Costonis explained that the charter uses the word “shall” so three candidates would need to be found.

Sonny Lyons presented the job description for the Metropolitan Auditor to the Committee. Mr. Lyons requested the Committee review the job description to determine if any changes need to be made. Mr. Lyons briefed the board on the services that were provided during the previous selection process. Mr. Lyons stated that Human Resources would be willing to help with the process again if called upon.

There was a discussion as to whether a resolution or ordinance was needed for the appointment and it was agreed that would need to be clarified before the next meeting. There was a discussion as to what the timeframe for the selection process should be. Richard Riebeling suggested the candidates be delivered to the Metropolitan Nashville Council in April before the budget discussions begin.

Mr. Lyons stated that the goal would be to post the position in January, go through the interview process in February and March, and deliver the candidates to Metro Council in April.

Ms. Dowell asked if there is a certain amount of time a job posting is left out.

Mr. Lyons stated it depends on the position and what is agreed upon with the Department posting the position. He stated that 30 days is too long and that 10 days to two weeks is better.

Mr. Lyons said he would be at the December Committee meeting and any changes to the job description should be completed by that time.

A motion to use Metro Nashville Human Resources for the Metropolitan Auditor selection process was carried.

Discussion on request to amend current Internal Audit Work Plan to include an audit of Metro Water Services Flood Buy-out Program (Mark Swann – Metropolitan Auditor)

Mr. Swann explained that allegations were made to the Deputy Director of Finance about some improprieties involving the Flood Home Buyout Program. Mr. Swann stated that Scott Potter, Director of Metro Water Services, requested an audit be performed of the program in order to get the highest level of assurance. Mr. Swann stated the allegations of fraud would be investigated as part of the audit.

There were no questions about the amendment.

Mr. Glover motioned for the amendment of the audit plan. Ms. Dowell second. Motion carried.

Discussion on Audit of Information Technology Services Telecom Services audit report issued July 12, 2013 (Mark Swann – Metropolitan Auditor)

Mr. Swann noted that the Audit Committee received a letter stating an audit of Information Technology Services Telecom had been completed. The report was restricted because it involves infrastructure that supports the police department and other government entities. Mr. Swann stated that there was an issue with the disaster recovery plan being incomplete. The audit found that Information Technology Services is doing a good job at verifying the rates on contracts that are used for billings. Mr. Swann stated the departments are responsible for

ensuring that all lines billed to them are lines being used for governmental services. Mr. Swann stated he doesn't know if the departments are actually performing this check, but explained it was an area that would be looked at in the future. There were no questions about the audit from the Committee.

Discussion on Audit of Nashville Fire Department Grant Administration report issued July 26, 2013.

Mr. Swann explained the audit was initiated at the request of Fire Chief Billy Lynch. Mr. Swann stated that five grants and a TennCare agreement related to EMS reimbursements were reviewed, totaling \$9.6 million. Mr. Swann stated that these were primarily SAFER grants used for staffing, equipment, and training. Mr. Swann noted that the Fire Department is in compliance with the grant terms, but needs to document the grant process and implement procedures for managing grants. Mr. Swann stated that the grant applications were not being reviewed by Metro Legal, Metro Finance, or Metro Council prior to submission.

Mr. Brannon asked why they were not being reviewed.

Mr. Swann stated they were not submitted for review, but were reviewed by Metro Council after the grants were accepted.

Mr. Riebeling explained that the request should be brought before Metro Finance and Metro Legal before submission to ensure everyone is on board.

Mr. Swann stated that the Fire Department agreed to complete this step going forward.

Mr. Swann explained that the department was using the wrong rates labor but this was caught during the review process and corrected before the end of the grant period.

There were no other questions from the Committee.

Discussion on Audit of Metropolitan Development and Housing Agency Procurement-to-Pay Process audit report issued August 2, 2013 (Mark Swann – Metropolitan Auditor)

Mr. Swann explained that an audit was completed of the Metropolitan Development and Housing Agency (MDHA) procurement process and a follow up of the 2009 audit by Kraft CPAs. Mr. Swann noted that all recommendations from the 2009 audit report had been implemented. MDHA processed \$194 million in payments in a two year audit period. Mr. Swann explained that Section 8 payments were included in that figure but were scoped out of the audit. There was an issue involving Section 8 that came up since the audit concluded. Mr. Swann explained that there were no issues with their procurement process. Mr. Swann stated 75% of employees have a procurement card and had about \$7 million in P-card transactions during the audit period. Mr. Swann stated that no irregularities were observed with the use of P-cards but a recommendation was made to help strengthen their review process. It was recommended that those higher in the department not have P-cards since their transactions are not being reviewed. Mr. Swann stated that improvements to strengthen controls around their Yardi computer system were recommended in the report and accepted by MDHA.

Mr. Reibeling asked if Section 8 was scoped out by Internal Audit or MDHA.

Mr. Swann stated that Internal Audit scoped it out due to the size of Section 8 and because it is reviewed by the Federal Government.

Ms. Dowell asked if we would do an Audit of Section 8 due to the issue that arose after the audit.

Mr. Swann explained that the issue was reported to the State Comptroller's Office so it may be handled by the state or it could be turned over to Metro Internal Audit.

There were no other questions about the audit.

Discussion on Hotel Occupancy Taxes for Fiscal Year 2013 audit report issued August 22, 2013 (Mark Swann – Metropolitan Auditor)

Mr. Swann explained that 18 hotels were audited during Fiscal Year 2013 and found that less than half a percent of taxes were underpaid. There have also been four hotel audits completed during the current fiscal year, including one that was underpaid over \$56,000.

Mr. Brannon asked if the hotel operator would be financially able to pay that amount.

Mr. Swann stated that he collected the tax originally so he should be able to pay. Mr. Swann stated that he could not determine if it was deliberate or not. The hotel operator may have had someone in his organization pointing him in the wrong direction which is why the hotel audits are important.

Discussion on Audit of Clerk and Master audit report issued August 28, 2013 (Mark Swann – Metropolitan Auditor)

Mr. Swann explained that the audit of the Clerk and Master focused on revenue collection and expenditures. The Office of Clerk and Master collects \$2 million a year and spends about \$1.5 million a year. Recommendations included improving their reconciliation process, leave time tracking, training, and use of technology.

Mr. Brannon asked who the funds held in trust belonged to.

Mr. Hatfield explained that the funds involved in Chancery Court cases are held until the case is resolved.

Mr. Brannon asked if there were any problems with the funds held in trust.

Mr. Swann stated that no problems were found.

Committee survey results and annual confirmation of responsibilities outlined in the Metropolitan Nashville Audit Committee Bylaws (Bob Brannon – Committee Chairman, Mark Swann – Metropolitan Auditor)

Mr. Swann briefed the Committee on results of the survey which had four respondents. Effectiveness of the Committee, internal auditors, and external auditors were ranked highly. An area of improvement included having Metro management and external auditors engaged in the risk assessment process. Another Committee member requested more exposure of the final Comprehensive Annual Financial Report (CAFR) to the entire Metropolitan Nashville Council.

Mr. Swann presented the FY 2013 Audit Committee Confirmation of Responsibilities to the audit Committee. Mr. Swann stated that the audit Committee met all expectations during the 2013 fiscal year.

Motion for the acceptance of the FY 2013 Audit Committee Confirmation of Responsibilities carried.

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

Mr. Swann explained that an assessment of the Metropolitan Auditor's performance was required by the Metropolitan Nashville Charter. An additional clarification was added to the assessment which stated that unused accrued and earned vacation time will be paid to the Metropolitan Auditor upon termination.

Motion for the acceptance of the annual assessment of the Metropolitan Auditor carried.

Mr. Reed complemented the new audit report implemented by Metro Internal Audit. Mr. Reed stated it was much more readable and was well laid out. Mr. Swann complemented Lauren Riley, who was instrumental in changing the report format.

Bylaws annual review (Bob Brannon – Committee Chairman)

Mr. Brannon asked if there were any comments or suggestions after reviewing the bylaws.

There were no comments or suggestions raised by the Committee.

Old Business

Fiscal Year 2014 Hotel Occupancy Tax audits (Mark Swann – Metropolitan Auditor)

Mr. Swann summarized the hotel audits that have been completed to date. 22 hotel audits have been completed covering close to \$70 million in revenue. Mr. Swann explained that net claims totaled close to \$100,000. The hotels are being given credit for overpayments during the three year audit period. Mr. Swann explained to the Committee that most of the hotels were owned by small business entrepreneurs and the auditors are working hard to cooperate with them. Mr. Swann stated that there is the possibility that the owners could be upset about the audits and requested the Committee contact him if anything comes up.

Follow-up on external auditor presentation FY 2012 CAFR, Single Audit, and Management Letter (Bob Brannon – Committee Chairman)

Mr. Brannon stated that the Committee received copies of fiscal year 2012 CAFR, Single Audit, and Management Letter. Mr. Brannon asked if there were any additionally comments about the documents.

There were no questions.

Motion for the acceptance of the external auditor presentation fiscal year 2012 CAFR, Single Audit, and Management Letter carried.

Metro Hotline Status and Investigation Reports (Mark Swann – Metropolitan Auditor)

Mr. Swann noted that the Office of Internal Audit receives one to two hotline calls a month. Fifteen hotline calls were received this year and two of those calls are still open.

Internal Audit Project Status (Mark Swann – Metropolitan Auditor)

Mr. Swann explained that 12 out of 17 audits in the audit plan have been completed. There are seven audits in the field work or draft stage. Mr. Swann informed the Committee that they could expect four or five reports before the next audit Committee meeting.

Other Administrative Matters (Mark Swann – Metropolitan Auditor)

FY 2014 Budget

Mr. Swann stated that the Office of Internal Audit is currently under budget.

Audit Committee Member Training

Mr. Swann reminded the Committee members that sexual harassment and diversity training was required of all Committee members. Mr. Swann stated that only three members have completed this training.

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

Mr. Brannon stated that the external auditor presentation of the Metropolitan Nashville Fiscal Year 2013 Comprehensive Annual Financial Report would be a large part of the next meeting.

Meeting adjourned after 45 minutes.

The next meeting is scheduled for Tuesday, December 10, 2013.

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

July 09, 2013

On Tuesday, July 09, 2013, at 4:00 p.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2nd Floor, Committee Room Four. The following people attended the meeting:

Committee Members

Brack Reed, Vice Chairman
Steve Glover, Metro Council
Richard Riebeling, Director of Finance
Jacobia Dowell, Metro Council

Others

Mark Swann, Metropolitan Auditor
Carlos Holt, Internal Audit Manager
Kimberly Smith, Internal Auditor
Theresa Costonis, Department of Law
David Hunt, Crosslin & Associates, P.C.
Dan Miller, Crosslin & Associates, P.C.

Committee Members Absent

Diane Neighbors, Vice-Mayor
Bob Brannon, Chairman

Quorum present? Yes

Call Meeting to Order

Brack Reed, Vice Chairman, called the meeting to order.

Approval of Minutes

The minutes of the meeting on February 12, 2013, were approved.

New Business

External Auditor Presentation of Audit Plan for FY 2013 Financial Statements (Crosslin & Associates) David Hunt, Crosslin & Associates, P.C., presented the *Audit Plan for FY 2013 Financial Statements*.

A copy of the *Audit Plan for FY 2013 Financial Statements*, which had been prepared by Crosslin & Associates, P.C., was provided to all members of the Committee. Mr. Hunt provided a briefing of the plan. He also noted that most of the personnel on the audit team would remain the same except that Richard Lockwood is no longer with the firm and Ben Nichols will fill Richard's role as overall manager of the engagement.

There were no questions by the Committee.

Discussion on request to amend current Internal Audit Work Plan to include an audit of Fire Department Grant Management (Mark Swann – Metropolitan Auditor)

Mark Swann stated the Fire Chief, Mr. Billy Lynch requested an audit of grant management for the Nashville Fire Department. Mr. Swann initiated the audit and it is currently in the draft report phase awaiting management's response. A motion was moved and second.

Discussion on Audit of Finance Department Metro Investment Pool audit report issued March 28, 2013 (Mark Swann – Metropolitan Auditor)

Mr. Swann stated that the Metro Investment Pool is the primary mechanism used by the Metropolitan government to invest all of its excess cash at any given point in time. Concerns were raised about the decrease in the investment pool returns during another audit. Even though it is referred to as an investment pool, it serves as both an investment pool and cash management fund for managing Metro Nashville's daily cash needs. The remainder of funds is invested in the Tennessee Local Government Investment Pool. The Tennessee Local Government Investment Pool (LGIP) takes five basis points for administrative fees. In addition, the costs for operating the cash management fund and local administrative costs are also taken out of the returns. In FY 2012, the return from the Tennessee LGIP was less than the total administrative costs resulting in an overall net decrease. Interest charges were made to funds that are part of the Metro Investment Pool and were in a negative position. These charges to the negative balance funds helped offset the lost investment opportunity of the positive funds. All elements are clearly disclosed in the budget each year. Mr. Swann stated that one recommendation is for the Finance Department to do a better job of communicating with other entities within Metro that the fund is more than an investment pool. It is also a cost recovery method that takes care of administrative costs that occur day to day. Out of the 12 months that were tested for correctness of interest allocation, four months had incorrect accounting entries. The SymPro system that was used for allocating costs is very complex and prone to user error when obtaining and entering figures from it. However, SymPro software calculations were independently tested by the Office of Internal Audit with no exceptions noted. One issue was the generic access, having only one user ID. A recommendation is for more individual accountability and better controls over user access.

There were no questions by the Committee.

Discussion on Audit of Nashville Public Library audit report issued March 28, 2013 (Mark Swann – Metropolitan Auditor)

Mr. Swann indicated that in FY 2013, the Nashville Public Library had a budget of over \$22 million. The audit consisted of a review of revenues and expenditures. The Library was benchmarked with other libraries serving similar populations. In terms of benchmarking, almost every city with a similar population spends more money on libraries than Metro. The Office of Internal Audit determined that revenues were for the most part properly managed. Also, there were no material issues with expenditures. However, shortly after the audit scope period, a temporary shortage of a small cash collection amount was discovered at one of the branch libraries by management. The money, which amounted to .5 percent of the total revenue generated, has since been returned. Controls are working as intended. Some improvements recommended by the Office of Internal Audit include obtaining or creating a mechanism to quantify collection (books and materials) shrinkage (loss). New software settings may be needed that would include controls to note when an item is missing and retain the status without being overwritten although the item was never found.

Mr. Reed inquired about the Four Percent fund. Mr. Swann indicated that those are the small fixed asset purchases. Mr. Glover asked if that goes before the council or is that something the Library does on its own. Mr. Riebeling explained that usually, two or three times per year, the Library and other parties go before the council to request use of the \$20-25 million per year of available Four Percent funds. Mr. Reed then asked that since they had a budget of \$4 million and now have \$2 million remaining, do they still have those funds. Mr. Swann replied that the unused amount should carry forward. Mr. Glover inquired if we are required by charter to give each department Four Percent funds. Mr. Swann replied no. Mr. Riebeling added that some departments, such as Finance, have no need for it. The biggest users of the Four Percent fund are the Library, General Services, Parks, and Fleet Management.

Discussion on Audit of Davidson County Election Commission audit report issued April 17, 2013 (Mark Swann – Metropolitan Auditor)

Mr. Swann stated that this was a council requested audit. The Office of Internal Audit concluded that the controls are working properly. The counts from the voting machines to the precincts had effective controls. Totals may never be exact between public count and control totals. Some reasons may include the application from the ballot may not be collected or someone may not finish casting their vote. Out of ten precincts, six had a public count that matched the applications exactly, three were off by one count, and one precinct was off by four counts. However, another machine was brought in that was not included on the precinct tally and the 4 votes were picked up on it. The biggest issue with the Election Commission is related to poll worker recruiting. After coordinating efforts with the State, their opinion was that a series of errors made had eroded confidence in the election process. There were several opinions for improvement regarding the process, such as having an early voting site open every day and the change of addresses due to the flood. A statewide deadline for change of addresses is needed to eliminate future problems. Mr. Swann also suggested voting my mail, which is cost effective and popular in some comparable cities; however, there are additional risks associated with it including signature comparisons. Overall, the Election Commission members were good stewards of their funding. One issue that did come up was that approvals were not always documented for credit card purchases. Regarding the purchase of electronic poll books, the procurement and contract development processes were followed; but, purchase orders weren't submitted prior to the shipment of goods, which prevented a verification of funds prior to shipment.

There were no questions by the Committee.

Discussion on Audit of Beer Permit Board audit report issued April 22, 2013 (Mark Swann – Metropolitan Auditor)

The Beer Permit Board office consists of four employees, including two administrators and two inspectors, who license and regulate the commerce of beer and alcoholic content of not more than five percent. In FY 2012, the office conducted 3,400 inspections and processed approximately 400 beer applications and 400 dance applications. The records kept were very detailed. Revenue was tested and the controls in place are working well due to the intensive manual process. Due to the size of the department, there is a segregation of duties issue with the same person receiving cash, recording cash, and making deposits. Also, the staff was encouraged to automate their processes perhaps through the KIVA system.

There were no questions by the Committee.

Discussion on Audit of Music City Convention Center Construction Project Interim Report Six-Change Orders audit report issued April 29, 2013 (Mark Swann – Metropolitan Auditor)

The Office of Internal Audit contracted this audit with Experis, a contracting firm in Atlanta. They have a Center of Excellency with a concentration in construction auditing. A representative was sent from Arizona with numerous years of experience in construction auditing to review the change orders. He was impressed by the system of controls in place and rated them as the 2nd best observed in terms of the degree of review, process and approval. Seventy-five percent of the change orders were reviewed for appropriateness, including those that went against the contingency fund, and there didn't appear to be anything out of line based on his experience. Metro is significantly below in change order percentage by comparison based on a project of this size, degree of specifications that were available, and the risks associated with it.

Mr. Reed inquired if this would conclude the audit or would it be ongoing. Mr. Swann responded that we are recommending that no more work be done. Additional work could be done if requested. The biggest thing that could be done is to trace payments to contractors and subcontractors, which is already a part of the performance bond requirement. In addition, the insurers are auditing the payroll on all the contractors. Mr. Swann's opinion is that the risk is no longer there. The remaining item is to assure that the asset is appropriately capitalized in the financial statements. This issue will be reviewed by KPMG, the Convention Center Authority external auditor. The recommendation is that additional audit work not be done unless something new comes up that needs to be addressed.

Ms. Dowell inquired about where to obtain a detailed list of paid minority subcontractors. She did not recall getting it. She had seen the consolidated list but wanted to assure that minority vendors were included. Mr. Swann replied that he could retrieve it and it should be on the MCC website. Another audit required him to look at the DBE reporting to assure the calculations were correct. The minority vendor determinations are made by the State. The Office of Internal Audit verified that there was supporting documentation.

Discussion on Audit of Nashville Expo Center Food and Beverage Operations Management Contract audit report issued May 3, 2013 (Mark Swann – Metropolitan Auditor)

Historically, this contract had not been managed the way it should have been. It cannot be determined if certain funding requirements in the contract ever took place. Some leakage of revenues is possible. Monies were still being received during the audit. The understanding is that the contract has been replaced already or in the process of being replaced. The recommendation is that the contract be monitored better on a day-to-day basis.

There were no questions by the Committee.

Old Business

Hotel Occupancy Tax Audits (Mark Swann – Metropolitan Auditor)

Mr. Swann noted that 17 hotel/motel audits had been completed totaling \$62 million in hotel revenue. Ten hotels had exceptions that ranged from \$77-\$18,000. Exceptions less than \$10 are not pursued. The Office of Internal Audit will conduct 25 audits this calendar year.

Follow-up on external auditor presentation FY 2012 CAFR, Single Audit, and Management Letter (Bob Reed – Committee Chairman)

No questions were raised from the Committee.

Metro Hotline Status (Carlos Holt – Internal Audit Manager)

Mr. Holt reported that the Office of Internal Audit had no new hotline reports for the month of June. Hotline activity normally slows down in the summer. The hotline is on track to again receive 18 to 22 calls for the year. Mr. Swann indicated that the hotline contract will not be renewed after it ends next year. Mr. Holt added that the State of Tennessee Comptrollers Office has a new hotline that is web based, easy to use, and Metro could simply link to the state site when the contract runs out. This is ideal since many of the issues must be forwarded to the state anyway. This would save \$12,000 per year.

Internal Audit Project Status (Mark Swann – Metropolitan Auditor)

Mr. Swann presented the status of audit projects for the Office of Internal Audit. Mr. Swann noted that the goal is to complete 17 audit projects. Currently, seven projects are completed, 8 are in the fieldwork or draft report phase. Four audits are in process. Three investigations have been completed that were tasked to us from the state's hotline.

Other Administrative Matters (Mark Swann – Metropolitan Auditor)

FY 2014 Budget

Mr. Swann stated that the Office of Internal Audit's new approved budget will continue to decrease. The ability to contract audits out or use contractors has been greatly reduced in the last few years, with \$64,000 remaining and \$12,000 being used for the hotline. Possibly one audit will be conducted on a contracted basis or the funds used for consultants on audits performed internally.

FY 2013 Budget

Mr. Swann stated that the Office of Internal Audit will again be under budget for the year primarily due to open positions and personnel costs.

Staffing

Mr. Swann noted that the Office of Internal Audit is fully staffed, including two new hires: Seth Hatfield and Kimberly Smith.

Staffing – Metropolitan Auditor 2014 Job Posting

As part of the Charter, the Metropolitan Auditor position has to be reapplied for in 2014. By June 2014, another nominated slate of three potential auditors is needed to go before council to vote. Either Human Resources can assist in the recruitment process or the Audit Committee may choose to take on the task themselves. A motion is needed in the minutes for Human Resources to be involved in the process and begin the recruitment process.

Mr. Reed inquired whether this is something that Metro Council has to do. Mr. Swann replied that in the Charter, the initial term ends on June 30, 2014. The next term is for eight years; however, you can always be removed for cause. Previously, recruitment was handled through Human Resources. Three individuals will have to be interviewed and nominated by the Audit Committee for the position. Mr. Holt read the Hiring Process aloud to the Committee.

Ms. Costonis stated that she understood the policy to read that the process would involve Human Resources going through their usually process of posting the position and providing the Committee with qualified applicants. The Committee would in turn select three qualified candidates to recommend to Council. Mr. Swann specified that last time when he was hired, the committee interviewed three, prioritized the order, and submitted them to Council. Mr. Reed inquired about waiting until the next meeting in September to provide time to clarify the details of the process. Mr. Riebeling requested that a Human Resources representative be present at the next meeting in case the Committee decides to utilize their services. Mr. Reed emphasized that he was pleased with Human Resources' previous services. The use of Human Resources is not required. The Metropolitan Clerk could also post the announcement in the paper and Human Resources may not be needed. Mr. Swann agreed to contact Human Resources about attending the next meeting.

Ms. Dowell pointed out that there seemed to be extra costs associated with the recruitment of a new candidate when one is already established in the position with no issues. Mr. Reed responded that it was required by the charter to follow the process of selecting three qualified candidates that they are comfortable could do the job since Council could choose any of the three.

Mr. Riebeling added that the good thing about using Human Resources is that there is a good process already in place that has been used previously.

Mr. Riebeling asked Mr. Swann would he have to reapply for the job like anyone else. Mr. Swann responded yes and he understood that coming into the position.

Mr. Reed asked waiting to make a motion at the September meeting will allow enough time to begin the process. Mr. Swann replied yes. Mr. Glover added that the previous announcement needs to be updated, posted, and allow 30 days for resumes to be submitted. Hopefully, by the beginning of the year, there will be a list of 20 candidates and the Committee can decide how to proceed.

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

Annual Review of Bylaws

Bylaws are included in the workbook provided for review.

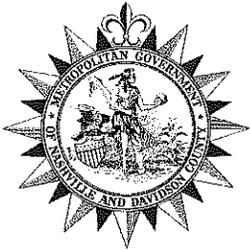
Metropolitan Nashville Audit Committee Annual Self-Assessment

Mr. Swann would like to arrange one-on-one interviews with each Audit Committee member before September to collect feedback. He asked Ms. Costonis if the assessment results could be submitted collectively if conducted individually. She replied yes.

Adjournment

The next meeting is scheduled for Tuesday, September 10, 2013.

Approved by the Metropolitan Nashville Audit Committee on September 10, 2013.



METROPOLITAN COUNCIL

Member of Council

September 17, 2013

Members of the Audit Committee
Metropolitan Government of
Nashville & Davidson County
One Historic Public Square
Nashville, TN 37201

Dear Audit Committee Members:

We, the undersigned Councilmembers, respectfully submit for your consideration a request for a performance audit of the Metropolitan Nashville Public Schools for the purpose of informing our funding decisions in FY 2015 and beyond. It has been over 13 years since a similar effort was undertaken in 2000-2001 by MGT of America under the supervision of Internal Audit. Further, it has been six years since implementation of the MGT of America recommendations have been evaluated. As was the case with the last audit, we view this process as an opportunity to highlight areas where MNPS performs above its peers while making recommendations that will help our schools move to the next level.

Given the size and complexity of MNPS, we propose that the performance audit be conducted once again by a contractor selected through a competitive process who has the experience and expertise for such an undertaking. The contractor should have a reputation for producing performance audits of complex governmental entities, including school districts, with reasonable, practical recommendations that can be implemented over a number of years. We expect the selected contractor will use, to the extent appropriate, the work of MGT and more recently that of Tribal Group and the Annenberg Foundation.

While we defer to the professionals in Internal Audit, we believe the following items should be included in the performance audit:

- Assess all major operations for strengths, weaknesses and inefficiencies, and make recommendations for improvements, citing any financial impacts. This assessment should include an analysis of total education spending at MNPS to determine the amount of direct classroom expenditures (those things that directly and routinely impact students in the classroom like teacher and principal compensation, textbooks and classroom technology); indirect classroom expenditures (also known as classroom support -those things that are managed or filtered through the central office like transportation, information technology infrastructure, building maintenance and repair); and administrative expenditures (those things that do not directly or indirectly serve students like management and supervision, benefits management, human resources and public relations.) This analysis should also include school level data for each MNPS school, including charters, that sets forth expenditures for each of category of direct classroom, indirect classroom (also known as classroom support) and administrative expenditures.
- Evaluate planning and research surrounding services provided to students and teachers, and evaluate the execution of programs designed to enhance student performance. This review should consider MNPS's process for evaluating initiatives and programs (including those funded by federal and private grants) for efficacy and taxpayer value with recommendations for improvement if necessary.

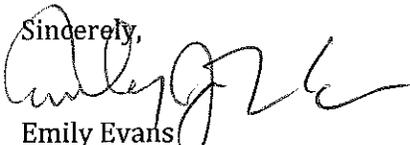
Members of the Audit Committee
Page Two
September 17, 2013

- A review of staffing and recruitment policies to ensure that minimum standards are met in the classroom and that administrative or non-teaching positions are not staffed in excess of policy. This assessment should consider the performance of teacher and principal recruitment efforts and professional development programs.
- An assessment of the charter school budget allocation and its impact on the resources available to non-charter schools with recommendations for mitigation, if appropriate and consistent with state law.
- Develop findings and recommendations for any areas where performance should be improved, including financial impacts and measurable implementation goals, where possible. This assessment should include a review of those non-classroom functions to identify those that might be similar to or redundant with the Metro general government including but not limited to building maintenance and management, information technology infrastructure, procurement, and transportation and fleet management with recommendations, if any.
- A review of any unimplemented recommendations from the MGT of America audit to determine if they are still valid and update as necessary.
- Develop a long-range planning model to help the school system achieve goals to fulfill its educational mission and to enhance its overall effectiveness in the community. This long-range model should ensure that MNPS budgetary priorities are aligned with policy goals and strategic objectives.
- Describe any instances of non-compliance with laws and regulations or any instances of fraud, abuse or illegal acts noted.

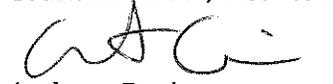
In conducting the performance audit, we expect the contractor to engage the parent and teacher communities for ideas and input. We further expect that the contractor will provide the proper context for its findings through benchmarking against similar school systems and, for the purposes of evaluating non-education functions, against the general Metropolitan Government itself.

Thank you in advance for your time and attention to the very important matter.

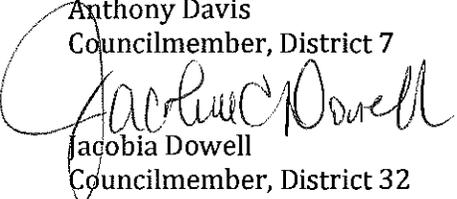
Sincerely,



Emily Evans
Councilmember, District 23



Anthony Davis
Councilmember, District 7



Jacobia Dowell
Councilmember, District 32

~~DD~~
Tony Kemper

James Zedny

Buddy [unclear]

Doug Perdue

Walter Hunt

Roni Stee

Shel [unclear]

Erica Gilmore
[unclear]

Burley Moller

Chapin [unclear]

[unclear]

Jim [unclear]

[unclear]

[unclear]

Devetha Blacklock

Members of Council

Edith Baylor Langster

~~[unclear]~~

Frank R. Harrison

Jason [unclear]

Jason [unclear]

Kan Bennett

[unclear]

Ms. [unclear]

C. A. W.

[unclear]

[unclear]

[unclear]

Karen [unclear]

Christopher [unclear]

Sandra V. Moore

Members of Council



METROPOLITAN COUNCIL

Member of Council

September 17, 2013

The Honorable Karl Dean, Mayor
Metropolitan Government of
Nashville & Davidson County
One Historic Public Square, Suite 100
Nashville, TN 37201

Dear Mayor Dean:

Attached please find a letter to the Audit Committee of the Metropolitan Government requesting a performance audit of Metro Nashville Public Schools. We are writing today to ask for your support of our request. As we note in the letter, it has been quite a number of years since a performance audit was conducted. Performance audits have great value in the way they not only encourage improvement but celebrate success. We expect the results of an MNPS performance audit to do just that.

We understand and appreciate this project is a major undertaking. However, since MNPS occupies almost half of the Metro Government's budget we think it prudent and in the public's best interest to pursue this effort. The 2001 audit was 50% funded by the Metro General fund and 50% funded through private donations. We hope that we can once again pursue a similar arrangement so this mid-year request has a minimum impact on approved budgets. The objectivity of the audit shall be preserved by the oversight of the independent Department of Internal Audit.

Thank you in advance for your time and attention to this matter.

Sincerely,

Emily Evans
Councilmember, District 23

Anthony Davis
Councilmember, District 7

Jacobia Dowell
Councilmember, District 32

Tony Thompson

~~DD~~

Buddy Wilson

Doug Padua

Walter Hunt

Ronnie Stone

John Evigne

~~Rita Arnold~~

~~Stu Wilson~~

Buffy Noller

Chelli Lynn

J. L. B. #

Kim Haruto

Jim Mc

Jay

~~Bob~~

Devette Black

Members of Council

Edith Saylor Langster

~~Edith~~

Frank L. Harrison

Gasman #

Jovan Cotts

Gene Bennett

Wendy

Chad M

Scott

~~Bob~~

Al Young

Kevin Jones

Christopher L. Harmon

Sandra V. Moore

Members of Council

Swann, Mark (Internal Audit)

From: Fabian Bedne <fbedne@gmail.com>
Sent: Friday, September 20, 2013 4:20 PM
To: Swann, Mark (Internal Audit)
Subject: Re: Metropolitan Nashville Public Schools Performance Audit Request

Thank you.

Can we add a question to the audit? What should the per student cost be to run the school system and achieve the goals using data from similar school systems.

Fabian Bedne (from my phone)
615.829.6226

On Sep 20, 2013 4:14 PM, "Swann, Mark (Internal Audit)" <Mark.Swann@nashville.gov> wrote:

Dear Councilmembers:

Your request to add a performance audit for the Metropolitan Nashville Public Schools to the 2013 Internal Audit Work Plan was received and will be considered at a special called Metropolitan Nashville Audit Committee meeting. This meeting is tentatively scheduled for Tuesday, October 8, 2013, at 4:00 p.m. in Council Committee Room 4, 205 Metropolitan Nashville Courthouse.

Preliminary project planning work will begin on this project as internal audit resources become available in the next few days.

Please contact me at [\(615\) 862-6158](tel:6158626158), or [\(615\) 974-8700](tel:6159748700), if you would like to meet about any specific concerns related to this request.

Mark S. Swann – Metropolitan Auditor

Metropolitan Nashville Office of Internal Audit
Tel: [615 862-6158](tel:6158626158) | Mobile: [615 974-8700](tel:6159748700) | Fax: [615 214-3602](tel:6152143602)

Got Issues? Try the Metro Nashville Integrity Line: www.tnwinc.com/MetroNashville

Summary of MNPS Audit and Management Consulting Reports

Report/Project	Date	Recommendations
MGT of America Performance Audit of MNPS	January 2001	230 (March 2016, 205 Implemented)
CSS Magellan Project Recommendation Report	November 2009	102
CSS Human Capital Division		
Transportation Department		
School Nutrition Department		
OIA – Information Security	July 2009	4
OIA – Food Service Program	August 2010	8
OIA – MNPS Payroll Process	March 2012	19
OIA – MNPS Custodian Outsourcing	August 2012	1
Metro Nashville Single Audit (Crossland & Associates)	Annually	
Metro Nashville CAFR (Crossland & Associates)	Annually	
Metro Nashville Management Letter (Crossland & Associates)	Annually	
Metro Nashville Activity Funds (Crossland & Associates)	Annually	
Tennessee Department of Education - Fiscal Oversight and Management Review Process	2013	
Council of Great Schools Performance Measurement and Benchmarking (District #47)	October 2012	
Chamber of Commerce Annual Report Card - 2012	2012	5
Chamber of Commerce Annual Report Card - 2011	2011	5
Chamber of Commerce Annual Report Card - 2010	2010	10
<i>Instructional Delivery and Student Performance</i>		
Tribal – End of Semester 1 Report	December 2011	
Tribal – Progress and Next Steps	December 2012	
Lynch School of Education, Boston College – Inspirational School Partnership with the MNPS	August 2012	
Annenberg Institute of School Reform – MNPS Achieves Evaluation Year 1	December 2010	
Annenberg Institute of School Reform – MNPS Achieves Evaluation Year 2	November 2011	
Annenberg Institute of School Reform – MNPS Achieves Evaluation Year 3	November 2012	

Potential MNPS Performance Audit	
Council Request Scope of Work – September 17, 2013	
<ol style="list-style-type: none"> 1. Performance Audit Major Operations <ol style="list-style-type: none"> a. District Organization and Management b. Educational Service Delivery c. Talent (Human Capital) Management d. Financial Management e. Facilities f. Food Services g. Transportation h. Safety and Security i. Technology Management 	
<ol style="list-style-type: none"> 2. Analysis of Total Education Spending for each MNPS school, including charters. <ol style="list-style-type: none"> a. Direct Classroom (directly and routinely impact students in classrooms like teachers and principal compensation, textbooks, classroom technology) b. Indirect Classroom (classroom support like transportation, information technology infrastructure, building maintenance and repair) c. Administrative (things that do not directly or indirectly serve students like management and supervision, benefits management, human resources, and public relations) 	
<ol style="list-style-type: none"> 3. Evaluate the methodology used by MNPS to evaluate the success or failure of individual initiatives and programs designed to enhance student performance for efficacy and taxpayer value. (Return on Investment) 	
<ol style="list-style-type: none"> 4. Review of staffing and recruitment policies to ensure minimum standards are met in the classroom and administrative or non-teaching positions are not staffed in excess of policy. 	
<ol style="list-style-type: none"> 5. Assessment of teacher and principal recruitment program. (1.c above) 	
<ol style="list-style-type: none"> 6. Assessment of professional development program. (1.c above) 	
<ol style="list-style-type: none"> 7. Assessment of charter school budget allocation and its impact on non-charter schools. 	
<ol style="list-style-type: none"> 8. Identification of non-classroom functions that might be similar to or redundant with the Metro Nashville general government including but not limited to: <ol style="list-style-type: none"> a. Building Maintenance (Metro General Services Department, BOSS) b. Information Technology Infrastructure (Metro ITS Department) c. Procurement (Metro Finance Purchasing Division) 	

d. Transportation (Metro General Service Department, Fleet Management)	
9. Review unimplemented recommendations (230 total recommendations) from MGT of America Performance Audit of MNPS – January 2001 to determine if they are still valid and update as necessary.	
10. Describe any instances of non-compliance with laws and regulations or any instances of fraud, abuse or illegal acts observed.	
Councilmember Bedne Additional Scope of Work Request	
11. What should the per student cost be to run the school system and achieve the goals using data from similar school systems.	

Swann, Mark (Internal Audit)

Subject: FW: Metro Nashville Public Schools Performance Review

From: Lesli Cathey [mailto:Lesli.Cathey@lbb.state.tx.us]
Sent: Wednesday, October 02, 2013 3:47 PM
To: Hatfield, Seth
Subject: Re: Metro Nashville Public Schools Performance Review

Hi Seth,
We haven't recently reviewed any districts in this size range, but these are the consulting costs for some others to give you an idea of the range:

- 2013 Beaumont ISD with 19,848 students: \$285,143
- 2007 Irving ISD with 32,620 students: \$277,790
- 2003 Brownsville ISD with 42,541 students: \$350,000
- 2001 Dallas ISD with 159,908 students: \$800,000

Let me know if we can provide any other information.

Sincerely,
Lesli Cathey
Manager, School Performance Review
Texas Legislative Budget Board
512-475-0213
lesli.cathey@lbb.state.tx.us

2001 Metropolitan Nashville Public Schools - MGT of America with 69.579 students: \$499,570

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**Summary of Hotel Occupancy Tax Audit Results
As of October 7, 2013**

Fiscal Year	Number of Audits	Total Hotel Revenue	Total Tax Reported	Tax Underpaid	Penalty & Interest	Tax Overpaid
2013	18	\$ 63,740,705	\$ 5,385,583	\$ (22,243)	\$ (10,271)	\$ 1,868
2014	9	21,839,810	1,735,587	(96,607)	(30,522)	6,548
Grand Total	27	\$ 85,580,515	\$ 7,121,170	\$ (118,851)	\$ (40,793)	\$ 8,416
Fiscal Year	Percent of Tax Underpayment	Net Claims				
2013	-0.4%	\$ 30,647				
2014	-5.6%	\$ 120,581				
Total	-1.7%	\$ 151,228				

Metropolitan Auditor Recruitment and Recommendation to the Metropolitan Nashville Council

Sec. 8.121. - Division of metropolitan audit.

There shall be, as an independent agency of the metropolitan government, a division of metropolitan audit, the director of which is designated as the metropolitan auditor. The metropolitan auditor shall be a person: With a well founded reputation in government or public finance and the audit function as may be exhibited by a record of exceptional performance for at least five (5) years as a financial officer of a government or business; Who has, through education and experience as an accountant, auditor, CFO, controller or principal accounting officer of a governmental entity or private business an understanding of Generally Accepted Accounting Principles, Governmental Auditing Standards Board standards, financial statements, internal controls and procedures for financial reporting, and the audit functions of a governmental entity.

The metropolitan auditor shall be appointed by a majority vote of the council from a 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.

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**Metropolitan Office of Internal Audit
Audit Project Status
As of October 8, 2013**

Projects	Planning	Fieldwork	Report	Report Phase	
				Draft	Final
In-Progress					
1) Treasury - Metro Investment Pool			✓		Mar-13
2) Metro Nashville Library			✓		Mar-13
3) Davidson County Election Commission			✓		Apr-13
4) MDHA Procurement-to-Pay			✓		Jul-13
5) Beer Board			✓		Apr-13
6) Music City Convention Center - Change Orders			✓		Apr-13
7) Nashville Expo Center - Ovations Contract			✓		May-13
8) ITS Telecommunications			✓		Jul-13
9) Hotel/Motel Occupancy Tax			✓		Aug-13
10) MDHA Procurement-to-Pay			✓		Aug-13
11) Fire Dept Grants Management			✓		Jul-13
12) Kiva Upgrade Development Project		✓			
13) Soil & Water Conservation			✓	Oct-13	
14) Clerk & Master			✓		Aug-13
15) Circuit Court Clerk - Municipal Citations			✓	Oct-13	
16) Employee Expenses & Credit Card Usage			✓	Oct-13	
17) MNPD Firearms & Equipment Tracking			✓	Oct-13	
18) Industrial Development Board			✓	Oct-13	
19) Nashville Education, Community & Arts Television			✓	Oct-13	
20) Planning Department		✓			
21) District Energy System	✓				
22) Metro Water Services Flood Buy Out Program		✓			
Anticipated to Start Next 3 weeks					
Metro IntegrityLine Alerts Since Jan 1, 2013:					
Metro Hotline Alerts (Fraud, Waste & Abuse, & Suggestions)			Total	Closed	Pending
			16	14	2
Cases Reported to State of TN from Metro Hotline Alert			0	0	0
Cases Tasked to OIA by State of TN			4	4	0
Cases Tasked to OIA by Metro Entities			2	1	1

Note: Goal to complete 17 audit projects in CY 2013. Currently 12 audit projects are completed, and 10 audit projects are in field work or draft report phase.

**Office of Internal Audit Budget versus Actual
GSD General Fund as of October 7, 2013**

FY 2014 Approved Budget

	Approved FY 2014 Budget	Actual As of Sept 7, 2013	Difference	Notes
Total Salaries & Fringe	\$ 989,800	\$ 245,219	\$ 744,581	
Other Expenses				
Professional & Purchased Services	64,400	-	64,400	Encumbrances of \$22,412, balance \$41,988
Other Expenses	62,200	9,397	52,803	
Internal Service Fees	56,400	43,449	12,951	
TOTAL EXPENSES	\$ 1,172,800	\$ 298,065	\$ 874,735	

30003 General Fund 4% Reserve \$ 21,429 \$ 13,356 \$ 8,073 AX Core Server Software & Training

RESOURCES FOR BOARDS AND COMMISSIONS

Boards and Commissions play a vital role in Metropolitan Government. Citizens who volunteer to serve Metro Boards and Commissions participate in the process of establishing policy and making quasi-judicial decisions.

TRAINING

Board and Commission members are required to complete sexual harassment and diversity awareness training to comply with the [Mayor's Executive Order No.010](#).

Members may receive this required training by: attending classes offered by Human Resources; listening to CDs which are available with the department representative; or listening to audio training. The audio training is available below on the computer hyperlink:

Members must listen to both audio trainings to comply with Executive Order No. 010.

- [Sexual Harassment](#)
- [Diversity Training](#)

Once the board or commission member listens to both computer hyperlinks, the member must report to their board or commission representative that the training has been completed and the proper forms will be completed and turned into Human Resources.

Other Resources

HANDBOOK

This handbook is intended as a guide for board and commission members. ; If members have a specific question, they should contact their board or commission representative.

ROBERT'S RULES

Metropolitan Nashville Office of Internal Audit

Metropolitan Nashville Audit Committee

Executive Team

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

Carlos Holt
MS-Admin, MS-Finance &
Acctg CPA, CIA, CFE,
CGAP
Audit Manager
x26430

Audit Talent Pool

Tracy Carter CFE Senior Auditor x26429	Joseph McGinley MS-Mgmt, CISSP, CISA Senior Auditor x26407	Lauren Riley Macc, CPA Senior Auditor x26286	William (Bill) Walker CPA, CIA Senior Auditor x26714	Qian Yuan MS-Info Sys, CISA, ACDA Senior Auditor x26111
	Seth Hatfield Macc Auditor I x74591	Herman (Jack) Henry CPA, CGFM Auditor II x26456	Kimberly Smith MBA Auditor I x74593	

**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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ANNUAL WORK PLAN

**CY 2013 Internal Audit Work Plan Status
As of October 8, 2013**

*Co-source	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	Acela Automation (KIVA Land Management Replacement) Application	600	11,900

**CY 2013 Internal Audit Work Plan Status
As of October 8, 2013**

*17 ¹	Water & Stormwater Services Capital Project Management	100	12,000
18	4% Reserve Fund and Asset Accounting Process	800	12,800
CY 2013 Added Audit Projects			
19 ²	Nashville Fire Department Grant Management	600	13,400
20 ³	Water & Stormwater Services Flood Home Buyout Program	600	14,000
Legend to Highlighted Colors			
	Audit Project Completed		
	Audit Project In-Progress		

¹ Deferred due to Metro Water Services contracting Crosslin & Associates on a consulting engagement to review and monitor the project management and other controls related to the Clean Water Abatement Program. Crosslin & Associates to debrief Audit Committee at December 10, 2013 committee meeting.

² Approved by Metropolitan Nashville Audit Committee on July 9, 2013.

³ Approved by Metropolitan Nashville Audit Committee on September 10, 2013

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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

**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.

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

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.

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

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
METROPOLITAN AUDIT COMMITTEE**

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.”

**METROPOLITAN GOVERNMENT OF NASHVILLE
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METROPOLITAN AUDIT COMMITTEE**

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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SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT
“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.”