

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



***METROPOLITAN AUDIT COMMITTEE  
WORKBOOK***

**July 8, 2014**

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**METROPOLITAN NASHVILLE  
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA  
July 8, 2014 4:00 p.m.**

**Committee Room 4  
205 Metropolitan Courthouse**

- I. Call Meeting to Order
- II. Approval of Minutes for the February 13, 2014, and April 24, 2014 meetings (Bob Brannon – Committee Chairman)
- III. New Business
  - Introduction of Association of Local Government Auditors Peer Review Team (Mark Swann – Metropolitan Auditor)
  - External auditor presentation FY 2013 Single Audit and Management Letter (Crosslin & Associates, P.C.)
  - External auditor presentation FY 2014 Audit Communication (Crosslin & Associates, P.C.)
  - Discussion on request to amend current Internal Audit Work Plan to include an audit of Historic Commission staffing analysis (Mark Swann – Metropolitan Auditor)
  - Discussion on Audit of the Planning Department audit report issued February 14, 2014 (Mark Swann – Metropolitan Auditor)
  - Discussion on Audit of Permitting and Licensing System Upgrade interim audit report issued February 24, 2014 (Mark Swann – Metropolitan Auditor)
  - Discussion on Audit of Office of Emergency Management audit report issued April 4, 2014 (Mark Swann – Metropolitan Auditor)
  - Discussion on Audit of District Energy System audit report issued April 23, 2014 (Mark Swann – Metropolitan Auditor)
  - Discussion on Audit of Criminal Justice Planning audit report issued May 8, 2014 (Mark Swann – Metropolitan Auditor)
  - Discussion on Audit of Assessor’s Office audit report issued June 24, 2014 (Mark Swann – Metropolitan Auditor)
- IV. Old Business
  - Update on the status of the comprehensive performance audit of Metropolitan Nashville Public Schools (Mark Swann – Metropolitan Auditor and McConnell Jones Lanier & Murphy LLP)
  - Follow-up on the FY 2013 CAFR external auditor presentation (Bob Brannon – Committee Chairman)
  - Hotel Occupancy Tax Audits (Mark Swann – Metropolitan Auditor)

**METROPOLITAN NASHVILLE  
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA  
July 8, 2014 4:00 p.m.**

- V. Metro Hotline Status and Investigation Reports (Carlos Holt – Internal Audit Manager)
- VI. Internal Audit Project Status (Mark Swann – Metropolitan Auditor)
- VII. Other Administrative Matters (Mark Swann – Metropolitan Auditor)
  - FY 2014 Budget Status
  - FY 2015 Budget
  - Office of Internal Audit Move to Parkway Towers
- VIII. Consideration of Items for Future Meetings (Bob Brannon - Committee Chairman)
- IX. Adjournment of public meeting – Next meeting October 14, 2014



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

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

**February 13, 2014**

**DRAFT MINUTES**

On Thursday, February 13, 2014, at 4:00 p.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2<sup>nd</sup> Floor Committee Room 4. The following people attended the meeting:

**Committee Members**

Bob Brannon, Chairman

Brack Reed, Vice Chairman

Richard Riebeling, Director, Metropolitan Nashville Department of Finance

Steve Glover, Council Member

Jacobia Dowell, Council Member

**Others**

Mark Swann, Metropolitan Auditor, Metropolitan Nashville Office of Internal Audit

Carlos L. Holt, Audit Manager, Metropolitan Nashville Office of Internal Audit

Theresa Costonis, Attorney, Metropolitan Nashville Department of Law

Les Bowron, HR Analyst, Metropolitan Nashville Human Resources

Scott Potter, Director, Metro Water Services

Tom Palko, Assistant Director, Metro Water Services

**Committee Member Absent**

Diane Neighbors, Vice Mayor

*Quorum present? Yes*

**Call Meeting to Order**

B. Brannon called the meeting to order.

**Approval of Minutes**

The minutes of the meetings for the December 9, 2013, December 10, 2013, December 19, 2013, and December 23, 2013 were approved.

**New Business**

**Election of Committee Chairman and Vice Chairman**

B. Brannon asked if there were any nominations for Committee Chairman. R. Riebeling nominated Bob Brannon, the motion was seconded and carried.

R. Riebeling nominated B. Reed for Vice Chairman, the motion was seconded and carried.

Discussion on Audit of the Industrial Development Board audit report issued December 16, 2013

The audit report was briefly discussed by M. Swann, who noted that generally controls are in place to manage economic incentives but that some improvements could be made and are contained in the report.

Discussion on Audit of Metropolitan Nashville Credit Card and Expense Reimbursement Top Users audit report issued December 26, 2013

The audit report was briefly discussed by M. Swann, who noted that most departments are complying with requirements but that some purchase levels are being exceeded, authorization for purchases was not always documented, and travel settlements are sometime at the per diem rate rather than actual with per diem rates as a ceiling.

Discussion on Audit of Metro Water Services Home Buyout Program audit report issued January 29, 2014

The audit report was briefly discussed by M. Swann and S. Potter with the main finding related to categorization of costs in one program with instances of some costs that may have been more appropriately place into another more flexible program. S. Potter stated that he is meeting with Tennessee Emergency Management Association (TEMA) to determine the best way to proceed.

Discussion on Audit of the Mayor's Office audit report issued January 30, 2014

The audit report was briefly discussed by M. Swann who noted that a formalized delegation of authority for spending was needed and that the Office of Emergency Management was spun off into a separate audit.

Discussion on Audit of Metropolitan Nashville Police Department Firearms and Equipment Tracking audit report issued February 6, 2014

The audit report was briefly discussed by M. Swann who noted that the primary tracking system used for the approximately 1,400 officers was an Excel based system containing all of the inherent limitations that comes with spreadsheet software. Further, the Metropolitan Nashville Police Department plan is to move to a system that uses the still developing Advanced Records Management System (ARMS) to carry firearms and equipment tracking information.

Discussion of Office of Internal Audit Recommended 2014 Annual Work Plan

M. Swann discussed at length the process undertaken for updating the organizational risk assessment and developing the 2014 Audit Work Plan. He stated that 42 departments were interviewed and common risks identified.

S. Glover motioned for approval of the Audit Work Plan as presented, the motion was seconded and carried.

## **Old Business**

### Metropolitan Auditor Position Announcement Process

L. Bowron discussed the efforts provided so far to advertise the position and accept and screen applications. Approximately six professional organizations (including the American Institute of Certified Public Accountants and the Institute for Internal Auditors) advertised the position which closed for applications on January 31, 2014. There were 56 applications submitted of which 45 were found to be qualified (20 outstanding, 14 well qualified, and 11 qualified).

Committee members briefly discussed how to proceed with it being decided that all 20 outstandingly rated applications and resumes would be forwarded to each committee member who would begin reviewing them. B. Brannon was to nominate his top five candidates for the committee to consider for interviews. A public meeting would be scheduled at a later date, most likely in mid-March. The members hoped to have their required listing of three names ready for Metro Nashville Council by the end of March 2014.

Mr. Bowron departed.

### Update on the status of the comprehensive performance audit of Metropolitan Nashville Public Schools by McConnell Jones Lanier & Murphy LLP (contractor)

M. Swann discussed the update provided by the contractor on February 7, 2014. He noted that they were almost one month late starting the engagement through no fault of their own and that this would likely impact the deliverable date of the report. He emphasized that quality over speed has been stressed to the contractor by several parties. M. Swann also noted the large information request the contractor made to the school system and that the update shows that 56 percent of the requested information has been produced. A community open house event is scheduled for February 18, 2014.

### External auditor presentation of fiscal year 2013 Comprehensive Annual Financial Reports (Crosslin & Associates, P.C.)

B. Brannon stated that this item should be kept open at least for another meeting or so to give everyone an opportunity to review the CAFR in detail and to note any concerns. M. Swann noted that the Management Letter and the Single Audit report had not yet been delivered.

### Hotel Occupancy Tax Audits

M. Swann noted that the number of Hotel Occupancy Tax audits performed in fiscal year 2013 were 18 and so far in 2014 were also 18. The Office of Internal Audit has identified \$215,308 in hotel tax underpayments. B. Reed asked if the process owner (Treasury) would ever take the task back over or would the internal audit function continue to perform the task permanently. M. Swann noted that at least for the current calendar year 1,000 hours were devoted to this effort via the Annual Work Plan.

### Metro Hotline Status and Investigation Reports

C. Holt noted that there were not any new hotline reports since January 1, 2014, and that all open reports from the previous year had been closed.

### Internal Audit Project Status

M. Swann noted that 19 audits had been performed which exceeded the goal of 17 audits; also that eight investigations had been performed (a larger number than anticipated). There are two other audits left on the plan. He noted that almost every department in Metropolitan Nashville has been touched at least once by an audit performed by the Office of Internal Audit in the past six years.

### **Other Administrative Matters**

#### FY 2014 Budget Status

M. Swann presented the status of the current budget showing that some funds may be reverted if not used. He anticipated that the Finance Department would still require some funds to pay for the MNPS audit and that the unused consulting budget would go for that along with a possible supplemental budget request.

#### FY 2015 Budget Proposal

M. Swann presented his budget proposal which includes the requested 3 percent reduction taken from consulting and registration in the amounts of \$32,000 and \$1,700 respectively; also noting that a budget improvement would be needed for the planned lease payments to Parkway Towers beginning in fiscal year 2015 when the office moves. An additional one-time improvement would be needed for moving costs.

#### 2013 Office of Internal Audit Performance Report and 2013 Audit Committee Report to Council

M. Swann reviewed the previously produced 2013 report and cover letter that had previously been used for the Committee Chairman to forward the report to the Metropolitan Nashville Council.

S. Glover moved to accept the report and cover letter and forward the report to the Metropolitan Nashville Council on behalf of the Metropolitan Nashville Audit Committee, the motion was seconded and carried.

### **Consideration of Items for Future Meetings**

M. Swann stated that he had no prospective dates yet for the next meeting. B. Brannon and the Committee decided that they would get together at a later date in a public meeting to review the Metropolitan Auditor applications.

**Meeting adjourned after 65 minutes.**

Minutes of Audit Committee Meeting, April 24, 2014, 3:00 p.m.

Members of Committee Present:

Chairman Robert Brannon

Vice Chairman Brack Reed

Richard Riebeling

Steve Glover

Jacobia Dowell

Others Present:

Theresa Costonis (Legal)

Sonny Lyons (HR)

Actions taken by the Committee:

The Committee voted unanimously to approve the minutes of its April 21, 2014 meeting, with an amendment to the provided draft to reflect the approval of the April 1, 2014 meeting's minutes at that meeting.

The Committee proceeded to interview the candidates for the position of Metropolitan Auditor, for the term beginning on July 1, 2014, who had been selected to be interviewed at the meeting on April 24, 2014, using the process approved at that meeting, i.e., using the list of interview questions prepared with the assistance of Metro H.R. with the addition of a question regarding the applicant's qualifications and ability to meet the position's obligations as described in Section 8.121 of the Metropolitan Government's Charter. Mr. Glover took the lead in asking the questions. Each interviewee was allotted about 20-25 minutes for their interviews, which had been previously scheduled by H.R., spaced out at half hour intervals. The candidates were interviewed in the following order: Julie Zwicknagel, Anthony Neumaier, Mark Swann, Colonel J. Cline, and Robert Boylls. Ms. Zwicknagel, Mr. Neumaier, and Mr. Swann were interviewed in person, Colonel Cline and Mr. Boylls were interviewed live via videoconference on a monitor placed in the room so that the interviewees and Committee members could see each other.

Following the interviews, the Committee deliberated on which three of the five interviewed they would vote to recommend to Council, and how to rank the three chosen, with the most highly recommended candidate ranked first.

Mr. Riebeling made a motion to recommend the following three candidates, ranked in the following order:

1. Mark Swann
2. Colonel J. Cline
3. Anthony Neumaier

Mr. Glover seconded that motion. After some discussion, an amendment was proposed and agreed to by Mr. Riebeling and Mr. Glover, as follows: that the Chair should prepare, with the assistance of legal counsel, a letter to the Metropolitan Council conveying the Committee's recommendations and explaining the process they had followed to reach those recommendations. The conveyance of this letter to Council by the Chair would be contingent upon H.R. obtaining the results of the background checks and reference checks of the applicants to be recommended, and providing that information to the Chair. If the Chair saw anything of concern that he deemed to be worth bringing to the Committee's attention, the letter would not be sent and the Committee would instead hold another meeting to discuss the new information. If the result of the checks did not concern the Chair, the letter was planned to be delivered to the Council prior to the May 6, 2014 meeting of the Metropolitan Council, in anticipation of it being included on the agenda for a vote of Council at the meeting on May 20, 2014.

The amendment to the motion passed unanimously, as did the main motion as amended.

The Meeting adjourned around 5:40 p.m.

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2011, 2012, and 2013

Peer Review Team

Lynn Stokes

City of Clarksville

Catrina McCollum

City of Memphis

Stan Sewell

City of Chattanooga



FY2013 Management Letter

FY2013 Single Audit

**Summary of Management Letter Findings: Fiscal Years 2013, 2012, 2011  
Crosslin and Associates**

Reporting Unit	Observation	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011
<b>County Register</b>	<b>Segregation of Duties with Financial Transactions</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>Clerk and Master</b>	<b>Segregation of Duties with Financial Transactions</b>		<b>Yes</b>	<b>Yes</b>
<b>Circuit Court</b>	<b>Segregation of Duties with Financial Transactions</b>	<b>Yes</b>	<b>Yes</b>	
<b>General Government</b>	<b>Accounts Receivable Accrual</b>			<b>Yes</b>
General Government	Timely Preparation of Bank Reconciliations	Yes	Yes	Yes
General Government	Old Outstanding Items on Bank Reconciliations	Yes	Yes	Yes
General Government	Infrastructure Reported Using the Modified Approach	Yes	Yes	Yes
County Register	Deposit Timing for Cash Collections	Yes	Yes	Yes
General Government	Deposit Timing for Cash Collections		Yes	
General Government	Documenting Approvals for Cash Disbursements		Yes	
General Government	Deficit Balances in Internal Service Fee Funds		Yes	
General Government	Other Postemployment Benefit Plans Funding		Yes	Yes
General Government	Accounts Payable Cutoff			Yes
General Government	Property Taxes –Allowance for Doubtful Accounts			Yes
General Government	Internal Balances			Yes
Clerk and Master	Deposit Timing for Cash Transactions			Yes
Circuit Court	Bank Reconciliations- Cancelled Checks		Yes	
Sheriff Work Release and Inmate Trust	Old Outstanding Items on Bank Reconciliations		Yes	Yes

Those deemed a material weakness by Crosslin and Associates are highlighted in bold.



## FY2014 Audit Communication

**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**



RONNIE STEINE  
COUNCILMEMBER AT-LARGE  
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319 WHITWORTH WAY  
NASHVILLE, TENNESSEE 37205  
EMAIL: RONNIE.STEINE@NASHVILLE.GOV

June 13, 2014

Chairman Robert C. Brannon and Members  
Metropolitan Audit Committee  
173 Jefferson Square  
Nashville, TN 37215

**Re: Metropolitan Historical Commission Staff Audit**

Dear Chairman Brannon and Members of the Audit Committee:

As part of the Fiscal Year 2014 substitute operating budget, the Metropolitan Council allocated funding for a new historic preservationist position for the Metropolitan Historical Commission, which is currently a filled position. The intent for this position was to enable the Historical Commission staff to handle the workload associated with the development of new historic zoning overlay districts and the review of permits for properties within the overlay districts. Mr. Tim Walker, the Executive Director of the Metropolitan Historical Commission, and his staff have recently informed some Council Members and their constituents that they will be unable to process any new historic zoning overlay applications without additional staff.

Since the Historical Commission received funding for a new historic preservationist position in the current fiscal year, increasing the number of staff members to nine, I am requesting that the Internal Audit Committee authorize an audit of the Historical Commission staff to assess current workload and the need for additional staff. The results of this audit will greatly assist the Council in determining whether additional staff for the Historical Commission is funded.

Thank you for your service to the city and for your attention to this matter.

Sincerely,

A handwritten signature in cursive script that reads "Ronnie Steine".

Ronnie Steine  
Councilman-at-Large  
Chairman, Budget & Finance Committee

cc: Members of the Internal Audit Committee  
Mr. Mark Swann, Metropolitan Auditor  
Mr. Tim Walker

## EXECUTIVE SUMMARY

February 14, 2014



### Why We Did This Audit

The audit was initiated based on the number of years that have elapsed since the last audit and the strategic importance of this process to the citizenry.

### What We Recommend

The Planning Department may mitigate risks by increasing reviews performed on front counter receipts and by segregating the duties within the Metropolitan Planning Organization's dues collection and recording process.

Additionally, the Planning Department could better operational goals by opening dialog internally and externally, assessing staffing needs, establishing performance measures, and evaluating system usage, capital improvements, and Council interaction.

For more information on this or any of our reports, email [Mark.Swann@nashville.gov](mailto:Mark.Swann@nashville.gov)

## PLANNING DEPARTMENT AUDIT

### BACKGROUND

The Planning Department provides design guidance, reviews zoning and subdivision applications, and shapes public policy related to growth and development. The Office of Internal Audit contracted with Rangwala Associates, who performed a consultation engagement service.

### OBJECTIVES AND SCOPE

The objectives of the audit were to:

- Determine if the operational goals and expectations of the Planning Department were met.
- Determine if fiscal resources were used in a manner consistent with Metro Nashville's financial policy and the Planning Department's mission.

The audit scope included July 1, 2011, through June 30, 2013.

### Actual Expense

Fiscal Year	2013	2012
Payroll	\$ 3,853,989	\$ 3,609,139
Internal Service Fees	640,332	942,921
Miscellaneous	1,564,469	1,551,882
Total	\$ 6,058,790	\$ 6,103,942

Source: EnterpriseOne Financial System

### WHAT WE FOUND

#### Office of Internal Audit

In general, the Planning Department had controls in place to effectively manage fiscal resources and protect assets. Service requirements were being effectively delivered. However, some controls regarding receipt of revenue and recording of dues obligations could be strengthened.

#### Rangwala Associates

Rangwala Associates noted observations and opportunities for more effective communication, planning, and usability of graphic resources. (See Appendix B)

# EXECUTIVE SUMMARY

February 24, 2014



## Why We Did This Audit

This system development life cycle audit is to ensure that controls over project management, business processes, data integrity and security are implemented before system go-live.

## What We Recommended

Project sponsor should seek to establish and strengthen the governance structure for the project.

# AUDIT OF THE METROPOLITAN NASHVILLE PERMITTING AND LICENSING SYSTEM UPGRADE – INTERIM REPORT ONE

## BACKGROUND

The land management and permitting software known as KIVA is currently used by 24 agencies in the Metropolitan Nashville Government to provide Nashville citizens with services such as building permits applications, inspections, professional licensing, parcels and streets information lookup, and so forth. The system support contract expired on June 30, 2013. The fiscal year 2013 Capital Spending Plan allocated \$5 million dollars to upgrade this system.

## OBJECTIVES AND SCOPE

The objectives of this system development life cycle audit are to determine if the project is implemented successfully by following best industry practices for information system project management.

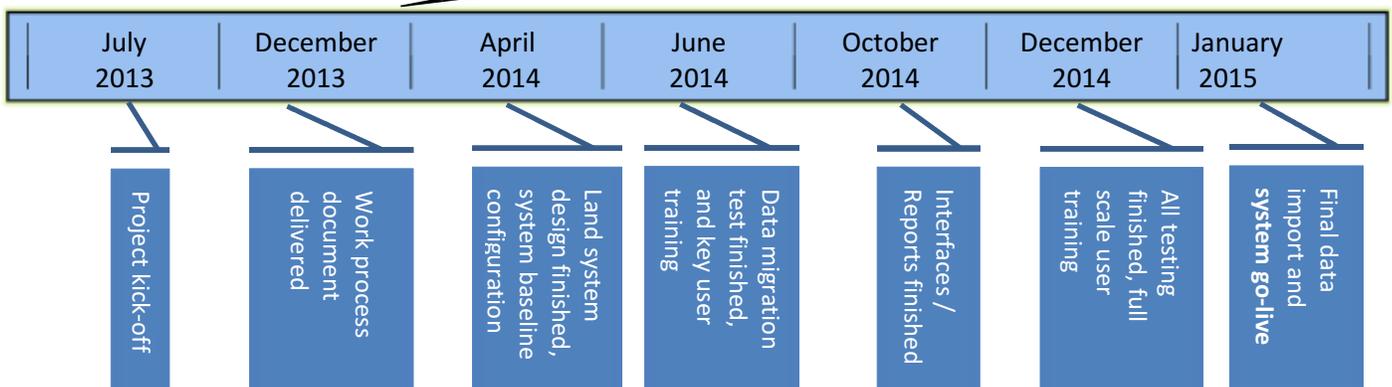
This report covers the project governance practice at the time of the audit.

## WHAT WE FOUND

A project steering committee had been formalized and a project charter approved, which addressed stakeholder responsibilities, change control structure, and acceptance criteria. Also, a formal communication plan has been approved by the steering committee.

## PROJECT STATUS AS OF JANUARY 31, 2014

Budget: \$5 million  
Actual: \$890,971



## EXECUTIVE SUMMARY

April 4, 2014



### Why We Did This Audit

The audit was initiated based on the number of years that have elapsed since the last audit was conducted by this office.

### What We Recommend

The Mayor's Office of Emergency Management should reconcile employee leave balances, retrain supervisors and staff on required payroll documentation and signoffs, strengthen fixed assets tracking procedures, continue enhancing the information technology environment, and work with Metropolitan Nashville's Procurement Division to secure an updated delegation of purchasing authority letter.

For more information on this or any of our reports, email [Mark.Swann@nashville.gov](mailto:Mark.Swann@nashville.gov)

# AUDIT OF THE MAYOR'S OFFICE OF EMERGENCY MANAGEMENT

## BACKGROUND

The Mayor's Office of Emergency Management is the Metropolitan Nashville emergency management agency. It is the primary agency for disaster mitigation, preparedness, response, and recovery efforts. It coordinates resources and incidents and assists other departments in day to day events and during emergency or disaster time.

The Mayor's Office, excluding the Office of Emergency Management, was covered in the Audit of The Mayor's Office report issued on January 30, 2014.

## OBJECTIVES AND SCOPE

The objectives of the audit were to determine the following:

- Information technology policies and best practices were followed.
- Assets were accounted for and agreed with internal records.
- Purchases made were in accordance with applicable policies.
- Grant procedures were enhanced based on previous recommendations to ensure proper management going forward.
- Payroll and leave time were maintained in accordance with applicable policies.

The audit scope included November 1, 2010, through October 31, 2013.

Mayor's Office of Emergency Management Funds	FY 2011-12 (Actuals)	FY 2012-13 (Actuals)	FY 2013-14 (Budget)
<b>Receipts &amp; Transfers</b>			
Total Receipts & Transfers	\$ 740,341	\$4,067,624	\$1,766,100
<b>Expenditures &amp; Transfers</b>			
Salary	643,662	472,691	460,600
Fringes	259,177	202,194	205,400
Other, Capital, Transfers	2,804,953	2,841,134	2,007,600
Total Expenditures & Transfers	\$3,707,792	\$3,516,019	\$2,673,600

Table includes only Office of Emergency Management funds from Department 04.  
Source: Metropolitan Nashville's EnterpriseOne Financial System

## WHAT WE FOUND

In general, the Mayor's Office of Emergency Management was in compliance with policies for tracked assets, purchasing, and grant management. However, the tracking of leave time accruals and payroll documentation were lacking. Additionally, the maintenance of fixed assets records and information technology environment could be enhanced.

## EXECUTIVE SUMMARY

April 23, 2014



### Why We Did This Audit

The audit was initiated to evaluate the operational, financial, and management controls and procedures established for operating and maintaining the District Energy System energy generation facility and energy distribution system.

### What We Recommend

An application for exemption from Tennessee sales tax should be submitted.

Change authorizations for additional work outside the original Contract Administrator's scope should be prepared.

For more information on this or any of our reports, email [Mark.Swann@nashville.gov](mailto:Mark.Swann@nashville.gov)

# AUDIT OF THE METROPOLITAN NASHVILLE DISTRICT ENERGY SYSTEM

## BACKGROUND

The mission of the Metro Nashville District Energy System facility is to use natural gas and electricity to produce steam and chilled water. The steam and chilled water is then distributed to over 40 individual buildings in the downtown area.

## OBJECTIVES AND SCOPE

The objectives of the audit were to:

- Determine if contract performance requirements were monitored by Thermal Energy Group, Inc., the Contract Administrator.
- Determine if transactions for energy purchases, capital projects, engineering services, metering, billing, and collection, and District Energy System marketing were in accordance with contract terms.

The audit scope included the two fiscal years ended June 30, 2012, and June 30, 2013. The propriety fund's Statements of Revenue and Expenses for these periods are shown below:

Financial Statement Item	Fiscal Year 2012	Fiscal Year 2013
Operating Revenue	\$15,752,135	\$16,713,174
Operating Expenses	15,086,960	16,273,937
Operating Income	665,175	439,237
Non-operating Expense	(2,781,944)	(1,359,762)
Loss Before Capital Grants and Contributions and Transfers	(2,116,769)	(920,525)
Capital Grants and Contributions:		
Transfers In	2,386,138	2,372,635
Transfers Out	(475,614)	(495,057)
Change in Net Position	\$ (206,245)	\$ 957,053

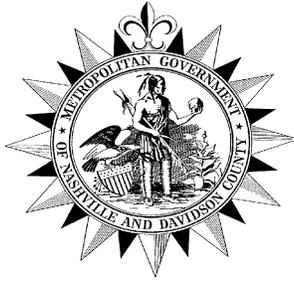
Source: Metropolitan Nashville Comprehensive Financial Report

## WHAT WE FOUND

We found the Contract Administrator, Thermal Engineering Group, Inc., was providing oversight on behalf of Metro Nashville for the District Energy System. Constellation NewEnergy, Inc., was operating, maintaining, and managing the facility within the terms of the contract for daily operations. Reviewing sales tax exemption status with the Tennessee Department of Revenue, and documenting review of invoices and additional services provided by the Contract Administrator would improve the system of internal controls.

# EXECUTIVE SUMMARY

May 8, 2014



## Why We Did This Audit

The audit was initiated based on the number of years that have elapsed since the last audit was conducted by this office.

## What We Recommend

Criminal Justice Planning should refine, remove, or add operational objectives to provide a clear, updated focus. Additionally, they should improve access controls for information systems and improve training and development efforts for employees.

For more information on this or any of our reports, email [Mark.Swann@nashville.gov](mailto:Mark.Swann@nashville.gov)

# AUDIT OF CRIMINAL JUSTICE PLANNING

## BACKGROUND

The United States District Court of the Middle District of Tennessee entered a population cap injunction order on July 25, 1990, after determining that unconstitutional overcrowding conditions existed in Metropolitan Nashville jails. To dissolve the injunction, Metropolitan Nashville Government filed a Jail Management Plan in 2000 that established a Criminal Justice Steering Committee to assist in coordinating criminal justice policy and decision-making.

Criminal Justice Planning, formed in 2003 and formally funded in 2005, serves as staff of the Criminal Justice Steering Committee. Its powers and duties include conducting research and planning to advise decision makers on incarceration obligations, forecasting inmate populations, and providing other requested reports.

## OBJECTIVES AND SCOPE

The objectives of the audit were to determine the following:

- Was the organization structure designed to support service delivery objectives and were stakeholder needs satisfied?
- Were payroll expenditures for work performed and were leave usages approved and accrued in accordance with applicable policy?
- Were information and technology assets and access privileges protected from unauthorized use?

The audit scope included February 1, 2012, through January 31, 2014.

Operating Expenses	FY 2012 (Actuals)	FY 2013 (Actuals)	FY 2014 (Budget)
Personal Services	\$356,786	\$355,228	\$374,600
Communications	2,310	2,644	3,400
Internal Service Fees	27,961	30,925	33,600
Other Expenses	595	1,951	6,500
<b>Total Operating Expenses</b>	<b>\$387,652</b>	<b>\$390,748</b>	<b>\$418,100</b>

Source: Metropolitan Nashville's EnterpriseOne Financial System

## WHAT WE FOUND

Criminal Justice Planning's stakeholders were generally satisfied with reporting products. However, due to general declines in crime rates and inmate intake numbers, coupled with current excess jail capacity, the usefulness of population projections have declined.

## EXECUTIVE SUMMARY

June 24, 2014



### Why We Did This Audit

The audit was conducted because property valuation has a significant impact on the \$895 million in annual property taxes. It has been seven years since the last audit was conducted by our office.

### What We Recommend

The Assessor's Office should establish procedures and responsibility for conversion to digital mapping practices should be formalized.

Formalize procedures for reconciling the Final Assessment Roll transfer to the Metropolitan Trustee's *Manatron* computer system.

Application controls related to *AssessPro* also require enhancement.

## AUDIT OF THE ASSESSOR OF PROPERTY

### BACKGROUND

The Assessor of Property has a duty to discover, list, classify, and value all property within the jurisdiction of Davidson County. This includes real property and personal property. The Office of Internal Audit contracted with *Experis® Finance Tax Division* to supplement the analysis of best practices and procedures for the appraisal process (see Appendix A).

### OBJECTIVES AND SCOPE

The objectives of the audit were to determine the following:

- Procedures for the general appraisal process were adequately designed and effectively implemented.
- Information technology system controls safeguard the integrity of assessment information.
- Labor and operational expenditures complimented the Assessor's Office mission.

The audit scope included July 1, 2011, through October 31, 2013.

**Scope Limitation:** The Office of Internal Audit was unable to conduct a review of personal property tax compliance procedures due to confidentiality restrictions delineated in Tennessee Code Annotated § 67-5-402.

#### Exhibit 1 - Assessor's Office Expenses

	2013	2012	2011
Payroll	\$5,386,461	\$5,227,014	\$5,497,876
Non-Payroll	1,013,465	892,879	856,224
Internal Service Fees	676,988	743,758	793,392
Four Percent	5,180	130,576	98,775
Total Expenditures	\$7,082,094	\$6,994,227	\$7,246,267

Source: *EnterpriseOne Financial System*

### KEY OBSERVATIONS

The Assessor's Office procedures and policies met or exceeded prevailing professional property assessment standards. However, Planning Department's standards are used for digital mapping. These standards are not always aligned with the Assessor's Office mapping standards and can cause added work when differences impact assessment calculations. There was no formalized process for reconciling the Assessor's Office Property's Final Assessment Roll transfer to the Metropolitan Trustee's *Manatron* computer system. Also, a formal staff succession plan should be developed and computer security controls need improving.



***DRAFT REPORT***

**OPERATIONAL/PERFORMANCE  
 AUDIT REPORT OF METROPOLITAN  
 NASHVILLE PUBLIC SCHOOLS**

*SUBMITTED TO:*

**METROPOLITAN GOVERNMENT OF  
 NASHVILLE AND DAVIDSON COUNTY**

*ATTENTION:*

**MARK SWANN  
 METROPOLITAN GOVERNMENT AUDITOR**

**JULY XX 2014**

***FOR METRO GOVERNMENT, MNPS,  
 AND MJLM CONSULTING TEAM  
 (MANAGEMENT DISCUSSION PURPOSES ONLY)***





FY 2013 CAFR PRESENTATION

and

Metro Water Services Clean Water  
Abatement Program Review

**Summary of Hotel Occupancy Tax Audit Results  
As of July 8, 2014**

Fiscal Year	Number of Audits	Total Hotel Revenue	Total Tax Reported	Tax Underpaid	Penalty & Interest	Tax Overpaid
2013	18	\$ 63,740,704.55	\$ 5,385,583.07	\$ 22,243.45	\$ 10,271.00	\$ 1,867.87
2014	29	\$ 182,368,581.24	\$ 14,242,187.50	\$ 352,792.05	\$ 122,177.92	\$ 49,230.48
Grand Total	47	\$ 246,109,285.79	\$ 19,627,770.57	\$ 375,035.50	\$ 132,448.92	\$ 51,098.35
Fiscal Year	Percent of Tax Underpayment	Net Claims				
2013	-0.4%	\$ 30,647				
2014	-2.5%	\$ 425,739				
Total	-1.9%	\$ 456,386				



**Metropolitan Office of Internal Audit  
Audit Project Status  
As of July 8, 2014**

Projects	Planning	Fieldwork	Report	Report Phase	
				Draft	Final
1) Planning Department			✓		Feb-14
2) Office of Emergency Management			✓		Apr-14
3) District Energy System			✓		Apr-14
4) Criminal Justice Planning Unit			✓		May-14
5) Metro Land Development Project			✓		Feb-14
6) Assessor of Property			✓		Jun-14
7) Metropolitan Nashville Public Schools			✓	Jul-14	
8) Office of Internal Audit Peer Review		✓			
9) Parks Department Centennial Sportsplex			✓	Jun-14	
10) Metropolitan Social Services			✓	Jul-14	
11) Community Education Commission		✓			
12) Law Department Claims Processing		✓			
13) Metro Water Services - Cash Collections	✓				
14) Finance Department Suspicious Transactions			✓	Jul-14	
<b>Anticipated to Start Next 3 weeks</b>					
<b>Metro IntegrityLine Alerts Since Jan 1, 2014:</b>			<b>Total</b>	<b>Closed</b>	<b>Pending</b>
Metro Hotline Alerts (Fraud, Waste & Abuse)			4	4	0
Cases Reported to State of TN			1	0	1
Cases Tasked to OIA by State of TN			0	0	0
Cases Tasked to OIA by Metro Entities			1	1	0

**Note:** Goal to complete 19 audit projects for Plan Year 2014. Currently 6 audit projects are completed, and 8 audit projects are in field work or draft report phase.



**Office of Internal Audit Budget versus Actual  
GSD General Fund as of July 6, 2014**

**FY 2014 Approved Budget**

		Approved			
		FY 2014	Actual As of	Difference	Notes
		Budget	July 6, 2014		
Total Salaries & Fringe		\$ 996,300	\$ 912,839	\$ 83,461	
Other Expenses					
Professional & Purchased Services		60,200	37,651	22,549	
Other Expenses		66,400	51,564	14,836	
Internal Service Fees		56,400	56,400	-	
<b>TOTAL EXPENSES</b>		<b>\$ 1,179,300</b>	<b>\$ 1,058,454</b>	<b>\$ 120,846</b>	

**FY 2015 Approved Budget**

		Approved			
		FY 2015	Actual As of	Difference	Notes
		Budget	July 6, 2014		
Total Salaries & Fringe		\$ 996,300	\$ -	\$ 996,300	
Other Expenses					
Professional & Purchased Services		45,200	-	45,200	
Building Rent Parkway Towers		55,500			
Other Expenses		66,400	-	66,400	
Internal Service Fees		31,400	-	31,400	Information Technology
<b>TOTAL EXPENSES</b>		<b>\$ 1,194,800</b>	<b>\$ -</b>	<b>\$ 1,194,800</b>	

30003 General Fund 4% Reserve

	\$ 20,074	\$ -	\$ 20,074
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AX Core Server Software & Training; Office Furniture



**Metropolitan Nashville Office of Internal Audit  
2014 Work Plan**

*Co-source	CY 2013 Audits In Progress	Hours	Total Hours
1	Mayor's Office - Office of Emergency Management	300	300
2	Planning Department	40	340
3	Finance Department - District Energy System	100	440
4	Assessor of Property	300	740
5	Metro Wide - Metro Land Computer System Project	200	940
6	Metropolitan Nashville Public Schools	200	1,140
*7	Metro Water Services - Clean Water Nashville Overflow Abatement Program (Review reports from Crosslin & Associates)	20	1,160
<b>CY 2014 New Audit Areas</b>			
*1	Office of Internal Audit - Peer Review	80	1,240
2	Airport Authority - Accounts Payable Process	800	2,040
3	Juvenile Court - Prior Audit Follow-Up and Payroll/Timekeeping	800	2,840
4	Parks and Recreation - Centennial Sportsplex	800	3,640
5	Social Services	800	4,440
6	Hotel Occupancy Tax Audits	1,000	5,440
7	Davidson County Sheriff's Office - Firearms and Equipment Tracking	800	6,240
8	Community Education	400	6,640
9	Criminal Justice Planning Unit	400	7,040
10	Fire Department - Payroll	800	7,840
11	Police Department - Secondary Employment	800	8,640
12	Law Department - Claims Processing	800	9,440
13	Metro Water Services - Cash Collections	600	10,040
14	Trustee's Office - Cash Collections	600	10,640
15	County Clerk's Office - Cash Collections	600	11,240
16	Metro Wide - Payment Card Industry Data Security Standard Compliance	600	11,840
17	Finance Department and Other Functions - Annual Budget Revenue Estimates	600	12,440
18	Finance Department and Other Functions - Potential Suspicious Transactions (Duplicate Pay, Employee Address Match, Employee Payroll Duplicate Accounts, etc.)	800	13,240

**Metropolitan Nashville Office of Internal Audit  
2014 Work Plan**

19	Finance Department and Other Functions - Asset Accounting Process / 4% Funding Process	800	14,040
<b>Information Technology Audits</b>			
20	Information Technology Services - Microsoft Exchange Email Application Management	800	14,840
21	Justice Integration Service - Active Directory Security – jis.org	300	15,140
22	Davidson County Sheriff's Office - Active Directory Security – dcso.org	300	15,440
23	Police Department - Active Directory Security – metropd.org	300	15,740

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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>
<b>Mr. Robert C. Brannon</b>	<b>Chm</b>	<b>2/2/2013</b>	<b>3/20/2017</b>
173 Jefferson Square Nashville, TN 37215- (615) 385-2491      bbrannon@associatedpackaging.com Representing: TSCPA, Nashville Chapter			
<b>Ms. Jacobia Dowell</b>		<b>9/17/2013</b>	<b>8/31/2015</b>
2609 Welshcrest Drive Antioch, TN 37013- (615) 498-7094      jacobia.dowell@nashville.gov Representing: Metro Council			
<b>Mr. Steve Glover</b>		<b>9/17/2013</b>	<b>8/31/2015</b>
4576 Raccoon Trail Hermitage, TN 37076- (615) 866-9514      steve.glover@nashville.gov Representing: Metro Council			
<b>Vice Mayor Diane Neighbors</b>		<b>9/1/2011</b>	<b>8/31/2015</b>
One Public Square, Suite 204 Nashville, TN 37201- (615) 880-3357      diane.neighbors@nashville.gov Representing:			
<b>Mr. Brack Reed</b>		<b>2/1/2011</b>	<b>3/20/2015</b>
511 Union Street, Suite 1400 Nashville, TN 37219- (615) 770-8494      brack_reed@gspnet.com Representing: Nashville Area Chamber of Commerce			
<b>Mr. Richard M. Riebeling</b>		<b>9/1/2011</b>	<b>8/31/2015</b>
One Public Square, Suite 106 Nashville, TN 37201- (615) 862-6151      richard.riebeling@nashville.gov Representing: Director of Finance			

Printed 18-Sep-13

**Metropolitan Clerk's Office**



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

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**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**

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- 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**

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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**

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**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**

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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**

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**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**

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**ANNUAL REPORT**

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

**CONTRACT AUDITORS, CONSULTANTS AND EXPERTS**

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

**INDEPENDENCE**

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

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

**STANDARDS OF AUDIT PRACTICE**

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

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

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**FUNDING**

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

**RECORDS**

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

**REASSESSMENT**

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



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

**Article IV. - Division of Metropolitan Audit**

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

**2.24.300 - Division of metropolitan audit.**

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

*(Ord. BL2007-1318 § 2, 2007)*



**Sec. 8.121. - Division of metropolitan audit.**

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

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

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**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  
AND DAVIDSON COUNTY  
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...”

- (1) Items deemed not subject to public inspection under §§ 10-7-503 and 10-7-504, and all other matters designated as confidential or privileged under this code;
- (2) Current or pending litigation and pending legal controversies;
- (3) Pending or ongoing audits or audit related investigations;

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- (4) Information protected by federal law; and
- (5) Matters involving information under § 9-3-406 where the informant has requested anonymity.

***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 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. 4-3-304***

(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**

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**SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT 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**

“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.”

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