

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



***METROPOLITAN NASHVILLE
AUDIT COMMITTEE***

WORKBOOK

February 9, 2016

Treadway Commission – “The audit committee must be vigilant, informed, diligent and probing in fulfilling its oversight responsibilities.”

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**METROPOLITAN NASHVILLE
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA
February 9, 2016 4:00 p.m.**

**Committee Room 4
205 Metropolitan Courthouse**

- I. Call Meeting to Order (Bob Brannon - Committee Chairman)
- II. Approval of Minutes for December 8, 2015, Meeting (Bob Brannon – Committee Chairman)
- III. New Business
 - Election of Committee Chairman and Vice Chairman (Bob Brannon- Committee Chairman)
 - Metro Water Services Clean Water Abatement Program Review (Metro Water Services and Tom Cross – Department of Law)
 - Discussion on Adoption or Acceptance or Closing of the FY 2015 Comprehensive Annual Financial Report (Theresa Costonis – Department of Law)
 - Discussion on Executive Sessions for Audit Committees (Theresa Costonis – Department of Law)
 - Discussion on Audit of Management and Budget Revenue Forecasting audit report issued January 22, 2016
 - Discussion of the Office of Internal Audit Recommended 2016 Annual Work Plan (Mark Swann – Metropolitan Auditor)
 - Discussion on request from the Metropolitan Nashville Board of Education for the Office of Internal Audit to conduct an independent review of End of Course and other grading practices in Metropolitan Nashville Public Schools (Mark Swann – Metropolitan Auditor)
- IV. Unfinished Business
 - Discussion on proposed supporting internal audit legislation (Bob Mendes – Council Member and John Cooper - Council Member)
 - Metropolitan Nashville Audit Committee and Metropolitan Nashville Office of Internal Audit Bylaws annual review (Bob Brannon – Committee Chairman)
 - Annual confirmation of responsibilities outlined in the Metropolitan Nashville Audit Committee Bylaws (Bob Brannon – Committee Chairman, Mark Swann – Metropolitan Auditor)
 - Follow-up on FY 2015 Comprehensive Annual Financial Report (Bob Brannon – Committee Chairman)
 - Pension Plan 2015 Excess Contributions Explanation (CAFR B-117)
 - Follow-up on FY 2014 Single Audit and Management Letter (Bob Brannon – Committee Chairman)

**METROPOLITAN NASHVILLE
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA
February 9, 2016 4:00 p.m.**

- V. Internal Audit Project Status (Mark Swann – Metropolitan Auditor)
- VI. Other Administrative Matters (Mark Swann – Metropolitan Auditor)
 - FY2016 budget status
 - Office of Internal Audit 2015 Performance Report and Metropolitan Nashville Audit Committee 2015 Report to the Metropolitan Nashville Council
 - Recommendations for Director Salary Adjustments
- VII. Consideration of Items for Future Meetings (Bob Brannon - Committee Chairman)
- VIII. Adjournment of public meeting – Next Meeting Tuesday, April 12, 2016.
- IX. Executive session agenda. (Bob Brannon - Committee Chairman)
 - Discussion with the external auditors, Crosslin & Associates, P.C. of the ongoing audit of the FY 2015 Single Audit and Management Letter for the Metropolitan Nashville Government of Nashville and Davidson County.

Note: Upon a majority vote of committee members in attendance for the public portion of the meeting, the Metropolitan Nashville Audit Committee may hold confidential, nonpublic executive sessions to discuss the following items (T.C.A. § 9-3-405¹):

1. Items deemed not subject to public inspection under T.C.A. §§ 10-7-503² and 10-7-504³ and all other matters designated as confidential or privileged under this code;
2. Current or pending litigation and pending legal controversies;
3. Pending or ongoing audits or audit related investigations;
4. Information protected by federal law; and
5. Matters involving information under T.C.A. § 9-3-406⁴ where the informant has requested anonymity.



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

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

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

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

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

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

December 8, 2015

DRAFT MINUTES

On Tuesday, December 8, 2015, 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
David Briley, Vice-Mayor
Talia Lomax-O'dneal, Director of Finance
Bob Mendes, At-Large Council Member
Brack Reed, Chamber of Commerce

Others

Mark Swann, Metropolitan Auditor
Seth Hatfield, Office of Internal Audit
Kim McDoniel, Chief Accountant
Stan Romine, Department of Finance
Dell Crosslin, Crosslin and Associates
John Crosslin, Crosslin and Associates
David Hunt, Crosslin and Associates
Dan Miller, Crosslin and Associates

Quorum present? Yes

Call Meeting to Order

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

Approval of Minutes

A motion to approve the November 10, 2015, meeting minutes was made, seconded, and carried.

New Business

Election of Audit Committee Vice-Chairman

The question was asked whether the audit committee was required to have a vice-chairman. Mr. Swann stated that he did not believe a vice-chairman was required by the bylaws. The committee decided to move ahead without nominating a vice-chairman.

Metro Water Services Clean Water Abatement Program Review

John Crosslin with Crosslin and Associates presented the interim report of the performance audit of the overflow abatement program. Mr. Crosslin gave the new members of audit committee a background on the \$1 to \$1.5 billion dollar project over ten years. The project is in response to a Consent Decree between the United States of America, the State of Tennessee, and the Metropolitan Government of Nashville and Davidson County. The Consent Decree required a Corrective Action Plan/Engineering Report for its sewer system and a Long-term Control Plan for its combined sewer system to achieve the goals of the Clean Water Act. Neither of these plans has been approved by the Environmental Protection Agency as of September 29, 2015.

Mr. Crosslin discussed the two findings and recommendations in the report. Bob Mendes asked about the timeline for implementing the recommendations. Mr. Crosslin stated that the

recommendation was for immediate implementation. Mr. Mendes requested that the management response include a timeline for compliance and stated that the audit bylaws require that as well.

David Briley asked how the Metro Nashville government would know if the unapproved plan will stop Environmental Protection Agency action or if the action under the unapproved plan will be sufficient. Mr. Crosslin stated that all work to this point would have had to be done anyway. He was unaware at what point Metro Water Services would be performing work that would not have been done without the plan, but they were not close to that point in September of this year.

There was a discussion about how to get approval from the Environment Protection Agency quicker and the problems that could arise with proceeding with the project under an unapproved plan.

Talia Lomax-O'dneal asked if the departments are asked to come to the audit committee meetings. Mr. Swann stated that historically if the audit committee had questions, the departments are asked to come to the next meeting. He stated that Water Services is usually at the meeting when the overflow abatement project is discussed, but he neglected to inform them that it was on this agenda. Mr. Swann stated he would invite Water Services management to the next audit committee meeting.

External auditor presentation FY 2015 Comprehensive Annual Financial Report

David Hunt with Crosslin and Associates presented the Comprehensive Annual Financial Report for Metropolitan Government of Nashville and Davidson County for fiscal year 2015. Mr. Hunt provided a workbook to the audit committee for his presentation. Mr. Hunt noted that there were no material weaknesses in fiscal year 2015. This is the second year with no material weaknesses, which means that the Metropolitan Nashville Government will be considered a low-risk auditee for government programs next year.

There were three accounting pronouncements adopted in 2015. The most significant was Government Accounting Standards Board (GASB) Statement No. 68 which required the recording of the net pension liability. Previously this liability was only disclosed in the footnotes. Mr. Hunt explained that the recording of the net pension liability took Metro Nashville from an above-water position to a below water position. There was a discussion about whether this change created a going concern issue. Mr. Hunt stated that it did not create a going concern. The pension is well funded with over \$2 billion, but there is a net liability that is now recorded in the financials.

Mr. Hunt stated that large changes are coming in the next few years with GASB Statement No. 74 and GASB Statement No. 75. GASB 74 will require disclosures regarding Post-employment Benefits other than Pensions (OPEB). GASB 75 will require the recording of the OPEB liability in the financials. The OPEB plan is largely unfunded, and a liability of approximately \$2 billion will hit Metropolitan Nashville Government's net position. Mr. Mendes asked if this will create a going concern. Mr. Hunt stated they would have to evaluate that when the time came, but he guessed it would not. There was a discussion about the consequences if a going concern was created. Mr. Hunt stated that ratings from agencies and the ability to issue debt would be affected. He stated that several governments will be in the same position, and rating agencies will be aware of the change.

Mr. Hunt stated that upcoming GASB Statement No. 76 and No. 77 would not have a significant impact on the financial statements. GASB Statement No. 77 deals with tax abatement disclosures. Mr. Briley asked if any additional disclosures will be required under the new requirements. Mr. Hunt stated that the current disclosures are most likely sufficient to meet the requirements for GASB Statement No. 77. However, payment in lieu of taxes may need to be disclosed.

Mr. Hunt fielded some questions regarding the Comprehensive Annual Financial Report. Questions were asked regarding how the OPEB liability was calculated, where the going concern letters for the General Hospital and Bordeaux are located, the pros or cons of early adoption of GASB pronouncements, the budget for repairing streets and roads and their current condition, and contributions to the pension fund.

Mr. Briley asked if any action was needed other than to accept the FY2015 Comprehensive Annual Financial Report. Mr. Swann explained that the Comprehensive Annual Financial Report was usually left open for a year and then accepted by the audit committee at the end of the year. Mr. Swann said he would research the exact requirements and report back to the committee.

Mr. Mendes stated he would like to go into executive session with the external auditors before voting to accept the FY2015 Comprehensive Annual Financial Report. Mr. Swann stated that public notice had to be issued before the committee could go into the executive session, but he would arrange for that to happen at the next meeting.

Request to revise 2015 Internal Audit Work Plan to include audit of the Clerk & Master

Mr. Swann explained that a request was made to audit the Clerk & Master, and notice of that request was made to Committee members. He requested approval to add the audit to the work plan.

A motion to revise the 2015 Internal Audit Work Plan to include the audit of the Clerk & Master. was made, seconded, and carried.

Old Business

Administration – Frequency of Audit Committee Meetings

Mr. Swann made the recommendation for the audit committee to meet five times within the next year instead of four.

A motion to accept the five scheduled meeting times was made, seconded, and carried.

Discussion on proposed supporting internal audit legislation (Mark Swann – Metropolitan Auditor)

Mr. Briley made a motion for Mr. Swann to meet with Mr. Mendes or John Cooper to hash out the details of the legislation. He suggested that Mr. Mendes or Mr. Cooper be the sponsors of the legislation since they are on the Committee. Mr. Mendes agreed to discuss it further with Mr. Swann.

A motion for Mr. Swann to meet with Mr. Mendes or Mr. Cooper and report back to the Committee was made, seconded, and carried

Follow-up on FY 2014 CAFR, Single Audit and Management Letter

Mr. Brannon stated that the Committee would vote to accept the FY 2014 Comprehensive Annual Financial Report at the next audit committee meeting.

Meeting adjourned after 87 minutes.

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

November 10, 2015

DRAFT MINUTES

On Tuesday, November 10, 2015, 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
David Briley, Vice-Mayor
John Cooper, At-Large Council Member
Talia Lomax-O'dneal, Director of Finance
Bob Mendes, At-Large Council Member
Brack Reed, Chamber of Commerce

Others

Mark Swann, Metropolitan Auditor
Theresa Costonis, Department of Law
Kim McDoniel, Chief Accountant
Seth Hatfield, Office of Internal Audit

Quorum present? Yes

Call Meeting to Order

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

Introduction of New Members

Mr. Brannon introduced the new members of the audit committee. John Cooper and Bob Mendes were recently elected at-large council members and appointed to the Committee. David Briley was elected as Vice-Mayor and Talia Lomax-O'dneal was recently appointed the Director of Finance.

Approval of Minutes

The approval of minutes was deferred until the end of the meeting.

Workbook Orientation

Before discussion began on the Cityworks interim report, Mr. Swann briefed the new members on the workbook that is provided at each audit committee meeting. Mr. Cooper stated that his e-mail address is incorrect in the workbook, and it should be cooperatlarge@nashville.gov.

New Business

Discussion of Audit of the Cityworks Interim System Development Report audit report issued August 30, 2015

Mr. Swann explained that this was the third interim audit report on the Cityworks system. This audit report looked at acceptance testing. There was "bug testing" being performed, but there were no scripts for acceptance testing. The project team agreed acceptance testing was needed and stated that end users need more help in designing scripts of common scenarios. The project has faced many delays. The implementation date is still undetermined. Mr. Briley asked if the install is handled by Metro Nashville Information Technology Services. Mr. Swann stated Civil Engineering is the project implementer. Mr. Swann stated that the system was originally

supposed to go live before Mayor Karl Dean left office. He explained that the project team realized the system had problems, and it was a good idea to hold off on implementation instead of rolling the system out and dealing with issues post implementation. There was a discussion about the budget of the project. Mr. Swann stated that \$2.6 million has currently been paid out, the capital budget was \$5 million, and the estimate to implement was \$4 million. Ms. Lomax-O'dneal stated the savings were intended to provide flexibility to help smaller departments such as the Beer Board and Transportation Licensing Commission that do not have systems in place.

Discussion on Audit of the Circuit Court Clerk's Funds Held in Trust audit report issued September 3, 2015

Mr. Swann explained the scope of the audit focused on payments and receivables. One issue was that one cash drawer was used by multiple employees. In 2014, there was a large distribution out of escrow. Mr. Swann stated that was due to one very large distribution over a case regarding a piece of property that was acquired for the Music City Center construction project. Overall, Mr. Swann stated that the Circuit Court Clerk had good controls in place.

Discussion on Audit of Finance General Reserve Funding and Capital Asset Process audit report issued September 4, 2015

Mr. Swann described the four percent funding process and stated that no issues were found. The audit of capital assets was initiated due to issues around capital assets in previous audits. The main issue regarding capital assets was that around 25 percent of fully depreciated assets could not be located. Mr. Swann stated that there is now a commitment that physical inventories will be conducted triennially. There was also a recommendation to raise the capitalization threshold to \$10,000. This would decrease the amount of required accounting work and make the capital asset process more efficient. Department heads would still be responsible for tracking assets under the capitalization threshold.

Bob Mendes made a statement regarding the accounting records being inadequate with 25 percent of the assets being unidentified. Ms. McDoniel explained that the reason has to do with the lack of communication between the departments and the Finance Department regarding disposals. Ms. McDoniel stated that they were following up on the items that could not be identified to get them off the books. She said the Finance Department would consider raising the threshold, and they will be more diligent reminding departments to conduct physical inventories. Mr. Cooper asked if the depreciation schedule depended on the classification of assets. Ms. McDoniel stated that was correct. Mr. Cooper requested a copy of a balance sheet, and Ms. McDoniel stated it would be in the Comprehensive Annual Financial Report (CAFR) that will be available the beginning of December. Mr. Reed made the comment that vehicles and computers should always be able to be located. Mr. Swann stated that all computers and vehicles were tagged and tracked.

Mr. Briley asked if there was still a sense that the four percent process was still a valuable process for the government regarding spending, planning, and accounting. Ms. Lomax-O'dneal stated she believes it still makes sense to have funds set aside for smaller asset purchases, but there is always room to improve the process.

Discussion on Audit of General Services Department Radio Communication Division audit report issued November 2, 2015

Mr. Swann described the radio communication system used in Metro Nashville. The “A” system is used for public safety, and the “B” system is used by other agencies. The audit looked at the accounting side of the radio shop. There was an issue with keeping radio inventory records up to date. There is also no receivable system, so no information could be provided on agencies that haven’t paid. There was a recommendation to improve the receivables process.

Mr. Swann explained that a subject matter expert, John Johnson, was hired for a portion of this audit. Mr. Johnson was commendable of the way the radio shop was managing the radio system. The audit did some evaluation work related to the computer systems supporting the radio system. There were some issues in that area, but those could not be discussed because that information is confidential. Mr. Johnson’s report is confidential because it deals with public safety information being transmitted over the radio system.

Mr. Swann explained that the audit committee members could be fingerprinted to receive Criminal Justice Information Systems (CJIS) clearance for confidential reports. There was a discussion of why CJIS clearance was needed and how much information could be divulged to the Committee if they did not have the clearance. Ms. Costonis explained the Tennessee Bureau of Investigation required the clearance for anyone who will have access to law enforcement information. The radio system can be used to transmit public safety information for the Metropolitan Nashville Police Department which is the reason the report was deemed confidential. Mr. Mendes stated that he would like to get fingerprinted for the CJIS clearance.

Mr. Mendes asked if the cost recovery from customer billings was adequate. Mr. Swann said that the difference in expense and revenue could be due to the time the radio shop employees spent on configuring the thousands of radios that went into the field. Ms. Lomax-O’neal also pointed out that several internal service funds had accumulated significant fund balances and were instructed to adjust some of the rates downward for the purpose of decreasing the positive fund balance over time. Mr. Swann stated that management agreed to the recommendation of doing a more detailed review of what the recovery charge should be.

Discussion on Audit of Parks and Recreation Maintenance Division Audit report issued November 5, 2015

Mr. Swann stated that the Maintenance Division represents approximately a third of the overall Metro Parks and Recreation Department budget. The report stated that the Maintenance Division was doing a good job at maintaining parks, but a recommendation was made to formulate a set of standards in which Metro Nashville parks should be maintained. There was a discussion about park standards. Mr. Reed made the comment that there had been many good directors of the Metro Parks and Recreation Department and their visions should be documented to maintain the high level of parks in Nashville.

Another observation dealt with the work order system not providing management with critical information. Management of the Metro Parks and Recreation Department agreed they would begin researching for a replacement work order system.

Mr. Swann stated that safety training was being done, but recordkeeping of safety training should be improved. He stated the Metro Nashville culture around safety seemed to be lacking. Ms. Lomax-O’neal asked if Mr. Swann ever considered doing a Metro Nashville-wide safety

audit. He said a comprehensive safety audit was being considered for next year's Audit Work Plan.

A motion to accept the presented audit reports was made, seconded, and carried.

Metropolitan Nashville Audit Committee and Metropolitan Nashville Office of Internal Audit Bylaws annual review

The confirmation of the bylaws was deferred until the next meeting to allow time for the new committee members to review the information.

Annual confirmation of responsibilities outlined in the Metropolitan Nashville Audit Committee Bylaws

The confirmation of responsibilities was deferred until the next meeting to allow time for the new committee members to review the information.

Annual assessment of Metropolitan Auditor's performance

Mr. Brannon explained that each year, an assessment of the Metropolitan Auditor is drafted in the form of a letter from the Chairman to the Committee, and the Metropolitan Auditor's performance must be approved by the Committee. The letter would be forwarded to Human Resources Department once approved. A motion for the acceptance of the assessment was made, seconded, and carried.

Old Business

Follow-up on CAFR, Single Audit and Management Letter (Bob Brannon – Committee Chairman)

Mr. Brannon explained to the new Committee members that the CAFR is usually left open to allow discussion if anyone has any additional questions or comments. He stated that the FY2015 CAFR should be available soon. Ms. McDoniel confirmed it would be available the beginning of December. There were no questions regarding the CAFR.

Discussion on proposed supporting internal audit legislation (Mark Swann – Metropolitan Auditor)

Mr. Swann stated that the new legislation was written to provide additional support to the internal audit function for areas the Metropolitan Nashville Charter does not address. The legislation clarifies the Office of Internal Audit has access to records. Mr. Swann explained that third party vendors have been hesitant to provide information to the Office of Internal Audit in the past. The legislation also states that internal auditors are responsible for protecting the confidentiality of the information they receive.

The new legislation would also provide the Office of Internal Audit the authority to initiate investigations. In the past, information obtained from hotline calls is presented to the impacted department, and the director may request the Office of Internal Audit to assist with the investigation. Also, the Local Government Office from the Tennessee Comptroller has asked the Office of Internal Audit to conduct investigations in the past.

There was a discussion from the Committee about why the Metropolitan Auditor could not initiate investigations. Mr. Swann stated that the Department of Law determined that the Office of Internal Audit lacks authority to initiate investigations. Ms. Costonis stated that the

Metropolitan Nashville Council could interpret what “Other Audit Services” would entail. The proposed legislation would be added to the existing legislation to allow the Metropolitan Auditor to initiate investigations.

Mr. Mendes suggested that Nashville Electric Service would believe the “Scope of Services” proposed legislation is in conflict with the Metropolitan Nashville Charter. The Metropolitan Nashville Airport Authority was also discussed as an entity that would disagree with the proposed legislation. The Committee considered the reasoning for the proposed legislation for “Scope of Services.” The bylaws were updated in the past, but updating the Metropolitan Nashville Code would make the scope of services more prominent.

Mr. Briley stated that it was not the intention of the Metropolitan Nashville Council for the Metropolitan Auditor not to be able to initiate investigations. Mr. Swann explained that was the impression of some other members in the past, and this legislation would clarify it.

Mr. Swann explained that the purpose of this item was to introduce the proposed legislation at this meeting, and it could be discussed more in the December meeting.

(Mr. Briley left the committee meeting at 5:10 PM)

Internal Audit Project Status (Mark Swann – Metropolitan Auditor)

Mr. Swann explained that 12 out of 19 audit reports had been completed with four projects in progress. The goal is to complete 19 audit reports by January 31, 2016.

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

There has been one hotline call this year. Chris Henson with Metropolitan Nashville Public Schools asked if the hotline could be used as part of an internal investigation being conducted relating to recent Channel 5 news stories. In the last few days, around ten hotline calls have come through in regards to that investigation.

Approval of Minutes

The minutes of the July 28, 2015, audit committee meeting were approved.

Other Administrative Matters (Mark Swann – Metropolitan Auditor)

Mr. Swann stated that the Office of Internal Audit is currently under budget and is currently down one employee.

The next audit committee meeting is scheduled for December 8, 2015. Mr. Swann suggested that the Committee determine if they would rather meet monthly or quarterly. That decision will be deferred until the next audit committee meeting.

Mr. Reed pointed out that the Vice-chairman is no longer on the Committee. He suggested that the appointment of a new Vice-chairman be added to the next agenda.

Mr. Swann stated that Jack Henry was recently hired as a Senior Auditor, and he was previously employed by the Office of Internal Audit.

Ms. Lomax-O'dneal asked when the audit plan was prioritized. Mr. Swann said that would be in the February 2016 meeting.

Meeting adjourned after 78 minutes.

2015 highlights include completion of major projects

Clean Water Nashville completed numerous projects in 2015 that upgraded Metro Nashville wastewater infrastructure.

DODSON CHAPEL PIPE IMPROVEMENTS PROJECT, located in Metro Council Districts 11 and 14, was completed in December 2015.

This project to upgrade system capacity included installation of approximately 3,280 linear feet of 48-inch and 30-inch diameter gravity sewer and 240 feet of 72-inch diameter casing that was placed under Old Hickory Boulevard.

The project reflects the careful planning required to update the system within a vibrant urban environment. In this case, replacing sewer underneath Old Hickory Boulevard meant conducting the work while maintaining traffic flow through the busy corridor. Project teams used jackhammers and other hand-held tools to dig a tunnel underneath Old Hickory. As digging out occurred, steel plate rings were

Work being conducted to expand infrastructure on Dodson Chapel Equalization Tank and Wastewater Pumping Station Expansion.



installed to form a tunnel for the 48-inch diameter sewer pipe.

The Dodson Chapel Pipe Improvements Project is the second major Clean Water Nashville project completed in Hermitage. The Dodson Chapel Equalization Tank and Wastewater Pumping Station Expansion was completed in April 2014.

MILL CREEK/OPRYLAND EQUALIZATION FACILITY, PHASE II, increased storage capacity with the addition of a 19-million gallon, pre-stressed concrete wastewater storage tank adjacent to an existing 15-million gallon tank. The project was completed in April 2015.

Located in Metro Council District 19, the storage tanks are utilized when sewage flows exceed the capacity of the existing sewer system. The peak flows are stored until the flows in the system recede, and the stored volume can be conveyed through the system to treatment.

Expanding capacity of this facility will reduce sanitary sewer overflows.

The new 19-million gallon Mill Creek/Opryland Equalization Facility, Phase II, project increased storage capacity and reduced sanitary sewer overflows.



An area map shows the location of system renewal in a large area of East Nashville that includes two Council districts (top); crews servicing a manhole (bottom).

COWAN RIVERSIDE REHABILITATION AREA 1—JONES AVENUE was conducted to renew aging infrastructure and to address downstream overflows by reducing the amount of rainfall that can enter the system through defects.

This project, located in an expansive area that includes Metro Council Districts 5 and 8, consisted of the evaluation of approximately 50,000 linear feet of gravity sewer, associated manholes and services laterals within Metro right-of-way and easements. The resulting construction project included the rehabilitation of approximately 40,000 linear feet of 8- to 15-inch diameter gravity sewer, 230 manholes and 630 service connections.



Comprehensive Annual Financial Report For the Year Ended June 30, 2015

The Metropolitan Government of Nashville and Davidson County
Nashville, Tennessee



Megan Barry, Mayor

Metropolitan Nashville Audit Committee

Executive Session Checklist

- The published agenda must disclose the general nature of the items to be discussed in executive session.
See, T.C.A. §9-3-405(f)
- All business which is public in nature shall be conducted first.
See, T.C.A. §9-3-405(g)(1)
- During the regular public session committee must vote to go into private executive session. Must obtain a majority to be successful.
See, T.C.A. §9-3-405(d)
- Chair must announce during the public portion of the meeting that no business other than the matters stated generally on the published agenda shall be considered during the confidential executive session.
See, T.C.A. §9-3-405(e)
- Adjourn the public portion of the meeting.
See, T.C.A. §9-3-405(g)(2)
- Only individuals whose presence is reasonably necessary in order for the committee to carry out its executive session responsibilities may attend the portion of the executive session relevant to that person's presence.
See, T.C.A. §9-3-405(h)

Permissible Executive Session Subject Matter

1. Items deemed not subject to public inspection under §§ 10-7-503 and 10-7-54, and all other matters designated as confidential or privileged under this code
2. Current or pending litigation and pending legal controversies
3. Pending or ongoing audits or audit related investigations
4. Information protected by federal law
5. Matters involving information under § 9-3-406 where the informant has requested anonymity
See, T.C.A. § 9-3-405(d)

EXECUTIVE SUMMARY

January 22, 2016



Why We Did This Audit

The ability to forecast revenues accurately is a critical component in the annual budget process for the Metropolitan Nashville Government.

What We Recommend

Emerging trends and practices recommended by governmental professional associations should be considered such as:

- Establishing forecasting goals.
- Increasing the use of statistical analysis.
- Piloting multi-year revenue projections.
- Soliciting a broad perspective of expertise from internal and external participants.

For more information on this or any of our reports, email Mark.Swann@nashville.gov

AUDIT OF OFFICE OF MANAGEMENT AND BUDGET REVENUE FORECASTING

BACKGROUND

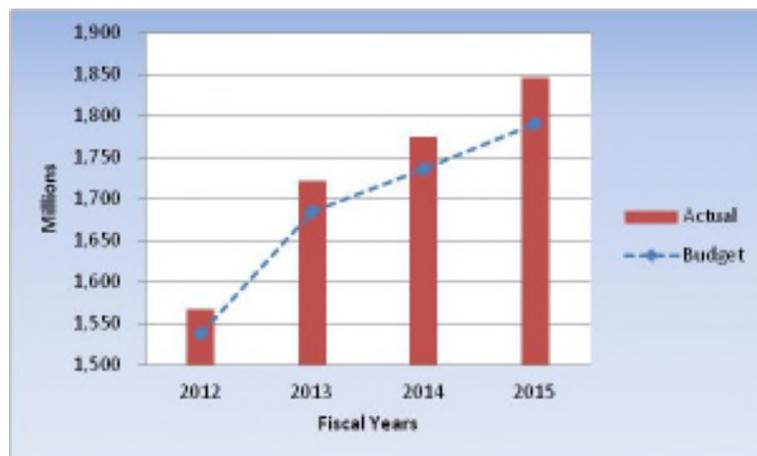
Revenue forecasting is the process whereby entities endeavor to ascertain the amount of revenue that will be available for various programs during a specific period in the future. There are many different revenue forecasting methodologies available with historical trend analysis being by far the most common observed in local government entities.

OBJECTIVES AND SCOPE

The audit scope includes May 1, 2013, through April 30, 2015. The objectives of the audit are to:

- Determine if revenue estimates are methodically and systematically established.
- Determine if sources of information used to project revenues are complete, accurate, and reasonable.
- Determine if revenue estimates are systematically reviewed for reasonableness.
- Determine if peer jurisdictions practices could enhance the forecasting process.

**Exhibit 1 – Total Government Funds Revenue
Budget versus Actual by Fiscal Year (Detail in Appendix C)**



Source: Metropolitan Nashville Budget Ordinances and Comprehensive Annual Financial Reports as of June 30, 2015

WHAT WE FOUND

The Office of Management and Budget relies primarily on historical trend analysis along with professional judgment of employees embedded within departments to develop revenue forecast. A guiding principal is to forecast revenue conservatively to help ensure potential revenue shortfalls do not disrupt approved budgeted services.

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

OFFICE OF INTERNAL AUDIT



RECOMMENDED 2016 AUDIT WORK PLAN February 1, 2016 through January 31, 2017

Recommended to the:
Metropolitan Nashville Audit Committee
February 9, 2016

Execute a Focused, Dynamic Audit Plan



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

February 9, 2016

Metropolitan Nashville Audit Committee Members:

Enclosed is a proposed slate of potential audit projects to be initiated in the calendar year 2016. The draft work plan identifies 19 new audit projects in addition to seven audit projects still in progress from the prior year work plan. Exhibit A below describes the allocation of 12,000 resource hours needed to complete 23 audit and investigation projects during the 2016 plan year.

Exhibit A – 2016 Audit Work Plan Allocation of Work Hours

<i>Status</i>	<i>Number of Projects</i>	<i>Budget Work Hours</i>
2015 Audits Currently In-Progress	7	1,000
New Performance Audits	12	9,800
<i>Total Audit Projects</i>	19	10,800
Metro Integrity Hotline Coordination		200
Investigation Request	4	1,000
<i>Total Report Deliverables</i>	23	12,000

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

I am requesting members of the Metropolitan Nashville Audit Committee to review and approve the 2016 Audit Work Plan. The Office of Internal Audit will use this work plan to select 11 new audit projects along with the seven audits in progress to **complete 19 audit projects during the 2016 plan year**. We also anticipate requests for one additional investigation during the year along with the three currently in progress.

Sincerely,

Mark S. Swann

Attachment A – CY 2016 Audit Plan

*Co-source	CY 2015 Audits In Progress	Hours	Total Hours
1	Hotel Occupancy Tax Audits (Field Work Phase)	80	80
2	Juvenile Court (Reporting Phase)	100	180
3	Health Department - Immunization Programs (Reporting Phase)	50	230
4	Clerk and Master (Field Work Phase)	120	350
5	Farmers Market (Field Work Phase)	300	650
6*	Information Technology Services - Microsoft Exchange Email Application Management(Field Work Phase)	200	850
7	Comcast Franchise Fee Audit (Field Work Phase)	150	1,000
CY 2016 New Audit Areas			
1	Hotel Occupancy Tax Audits	500	1,500
2	Airport Authority - Expenditures (Accounts Payable	600	2,100
3*	Metro-wide Safety Program	800	2,900
4	Metropolitan Development and Housing Agency - Tax Incremental Financing	600	3,500
5	Health and Educational Facilities Board	400	3,900
6	State Trail Courts – Office of Conservatorship Management	800	4,700
7*	General Services - Fleet Operations	800	5,500
8*	Sports Authority – 1 st Tennessee Field Construction Contract	600	6,100
9	General Services – 800 MHz Radio Shop Recommendation Follow-up	100	6,200
10	Metro Parks and Recreation – Park Police	800	7,000
11	Hospital Authority – General Hospital Expenditures (Payroll and Accounts Payable Process)	1,000	8,000
12	Public Works - Smart City Traffic System Development Project	500	8,500
13	Metro Water Services - Storm Water Revenue	800	9,300
14	Human Resource Department - Hiring Process	800	10,100
15	Finance – Purchasing Department	800	10,900
16*	Finance – Treasury Debt Financial Instrument Issuance Process	800	11,700
17	Information Technology Services – Information Back-up and Recovery	600	12,300
18	Metropolitan Nashville Public Schools – Student Information Systems	800	13,100
19*	Metro Water Services – Clean Water Nashville Overflow Abatement Program – Selected Projects Contract Compliance	400	13,500

Attachment B – CY 2016 Risk Prioritization Objectives and Risks

Office of Internal Audit Mission

Independent Appraisal

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

Metro Service Delivery Objectives

Metric Used to Measure Inherent Risk Impact

1. Does not waste or abuse financial resources. (Integrity)

- Risk: Revenue or cash collected is diverted for unintended use
- Risk: Payment for material or service is diverted for personal use
- Risk: Payroll is diverted for personal use
- Risk: Employee time is used for personal use
- Risk: Equipment, material, or information is diverted for personal use

- (C)Total Fees & Collection
- (D) Vendor Payments
- (F) % Payroll Not Regular Pay
- (E) Budget FTEs
- (D) Vendor Payments

2. Provides equal access to services. (Equality)

- Risk: Some participants allowed to by-pass service eligibility requirements
- Risk: Favoritism in employment selection or promotion process
- Risk: Procurement request for bids contain unnecessary qualifications, bundling of scope of work, or insurance requirements

- (H) Number of Citizens Served
- (J) HR Transactions
- (D) Vendor Payments

3a. Managed properly. (Effectiveness)

- Risk: Strategies are not clearly defined, aligned, communicated or understood.
- Risk: Process policies, procedures, and tasks have not been defined or obsolete.
- Risk: People are not trained or held accountable for performance.

- (I) Number of Programs
- (I) Number of Programs
- (E) Budget FTEs

3b. Accomplished as citizens envisioned. (Effectiveness)

- Risk: Services are not aligned with stakeholders expectations

- (H) Number of Citizens Served

4. Cost effective without reducing quality. (Efficiency)

- Risk: Pay too much for material or services

- (G) Expense Appropriation Value

5. Subject to independent appraisal. (Accountability)

- Risk: Independent audit appraisal has not been performed

- (B) Last Audit Month

Mayor's Priority Objectives

- a. Citizens and visitors feel safe in Metro neighborhoods. (Strategy)
- b. Every student in Nashville deserves the best education we can provide them. (Strategy)
- c. Bringing more and better jobs to Nashville (Strategy)
- d. Affordable Housing (Strategy)
- e. Transportation (Strategy)

- (A) Public Safety Impact Yes/No
- (A) Education Impact Yes/No
- Not Considered In Assessment

Attachment B – CY 2016 Risk Prioritization Objectives and Risks

Risk Impact Metric	Source	High	Medium	Low
A. Mayor's Priority- Public Safety or Education Impact	OIA Assumption	Entire Population	Subset Population	No Impact
B. Last Audit Month	OIA Project Records	GT 4 YRS ('09 or older)	3 to 4 YRS ('10 or '11)	LT 2 YRS ('12 '13)
C. Total Fees and Collection	OMB Budget to Actual Report (BAR) June 2015	GT \$6 Million	\$6 Million to \$1 Million	LT \$1 Million
D. Vendor Payments	OMB Budget to Actual Report (BAR) June 2015	GT \$6 Million	\$6 Million to \$1 Million	LT \$1 Million
E. Budget FTEs	FY 2016 Budget	GT 250	250 to 50	LT 50
F. Percent Payroll Not Regular Pay	OMB Budget to Actual Report (BAR) June 2015	GT 25%	25% to 15%	LT 15%
G. Expense Appropriation Value	OMB Budget to Actual Report (BAR) June 2015	GT \$15 Million	\$15 Million to \$2 Million	LT \$2 Million
H. Number of Citizens Served	OIA Assumption	Entire Population	Subset Population	Primarily Metro Internal Stakeholders
I. Number of Programs	FY 2016 Business Units Assigned to Entity	GT 15 Programs or unknown	Between 15 and 5 Programs	LT 5 Programs
J. HR Transaction	EBS HR Transactions for Promotions or New Hire – CY 2015	GT 50	50 to 11	LT 10

Note: Financial information for component units, fiduciary funds, funds held in trust, and other auditable entities were taken from the *Metropolitan Nashville Budget Versus Actual Report June 30, 2015, FY 2015 Comprehensive Annual Financial Report*, or *FY2016 Recommend Budget Book*.

Attachment C - CY2016 Metro-side Inherent Risk Priorization Worksheet

Entity	Inherent	Audit Plan	Last Audit	Total Expenses	FTEs	Fees & Collections	Payroll	Payroll % Not Regular	Vendor Payments	Grants	HR Transactions
31-Police	2.5		7/8/2015	183,620,562	1,852	5,251,529	109,799,869	26	27,719,740	3,606,358	374
32-Fire	2.5		8/6/2015	123,658,576	1,206	7,273,467	72,821,308	31	19,274,627	8,524,286	89
42-Public Works	2.5	√	6/26/2015	132,134,246	395	13,968,169	16,349,834	20	93,332,329	3,065,414	69
38-Health	2.4	√	8/10/2012	41,622,519	486	5,123,011	21,406,547	3	10,627,693	19,711,443	146
65-Water & Sewer Services	2.4	√√	12/22/2014	73,194,092	806	250,503,720	40,173,398	25	107,811,484	1,958,196	134
80-MNPS General Purpose Fund	2.4	√	2/10/2015	1,310,514,166	9,294	724,522,916	466,332,001	3	597,362,174	380,246,318	2,573
30-Sheriff	2.3		11/6/2014	84,194,401	865	3,984,092	36,943,970	19	30,642,048	20,199,945	281
39-Library	2.2		5/28/2013	39,845,914	360	1,391,564	11,393,775	12	23,406,237	150,232	112
40-Parks and Recreation	2.2	√	11/5/2015	110,346,937	575	12,398,628	18,268,974	15	82,774,613	13,312,116	375
33-Codes Administration	2.0		8/31/2015	8,781,803	95	18,225,531	4,327,300	13	2,393,338	-	19
75-Metro Action Commission	2.0		2/8/2013	27,404,943	383	239,204	9,986,627	17	8,209,493	21,148,790	153
10-General Services	1.9	√√	11/2/2015	85,295,622	169	26,471,829	6,956,871	19	57,407,251	-	33
19-District Attorney	1.9		9/21/2011	8,279,294	96	2,636,218	4,514,851	7	2,083,910	146,598	18
26-Juvenile Court	1.9	√	3/28/2006	12,874,706	119	1,037	5,219,604	14	4,862,440	1,310,239	20
91-Emergency Communication Center	1.9		8/25/2011	13,418,240	185	100	9,001,456	23	640,717	407,126	45
14-Information Tech Services	1.8	√	8/31/2015	35,136,964	138	14,624,797	7,532,014	17	22,502,781	-	36
24-Criminal Court Clerk	1.8		12/20/2011	5,364,368	81	4,947,357	3,401,955	4	398,737	1,128,196	20
27-General Sessions Court	1.8		9/27/2012	10,739,406	123	3,851,351	7,159,414	2	817,923	-	30
28-State Trial Courts	1.8		7/29/2011	12,038,474	158	820,614	7,007,538	3	2,173,579	2,910,656	30
05-Elections	1.7		6/20/2013	3,799,726	39	33,476	2,242,166	42	1,017,641	-	14
21-Public Defender	1.7		7/15/2010	6,690,923	84	(2)	4,375,648	10	612,782	2,108,280	15
23-Circuit Court Clerk	1.7		10/9/2013	10,158,178	46	13,733,182	5,883,237	1	1,728,639	-	6
76-Nashville Career Advancement Center	1.7		11/27/2012	7,680,376	41	602,353	1,945,053	7	4,877,249	6,983,009	68
01-District Energy System (01101218)	1.6		4/24/2014	23,040,446	1	21,497,652	109,229	15	16,533,859	-	-
08-Human Resources	1.6	√	9/23/2009	4,111,955	55	-	2,138,809	16	1,103,554	-	7
16-Assessor of Property	1.6		6/24/2014	6,417,934	78	212	3,674,665	19	1,168,422	17,210	30
61-Municipal Auditorium	1.6		9/15/2010	3,351,783	10	1,429,964	503,786	16	2,554,464	-	2
68-District Energy System	1.6		4/24/2014	17,794,960	1	18,590,931	85,016	11	16,322,291	-	-
06-Law	1.5		9/9/2014	17,859,950	48	8,939,478	3,310,076	12	11,352,439	-	5
18-County Clerk	1.5		3/24/2015	3,995,395	79	5,950,778	2,398,332	10	504,884	94,157	21
41-Arts Commission	1.5		2/24/2010	3,983,099	9	36,972	547,952	1	3,204,252	137,600	3
62-State Fair	1.5		5/3/2013	3,431,100	28	3,372,291	1,118,345	9	1,833,795	-	24
07-Planning Commission	1.5		2/14/2014	6,716,383	55	849,494	3,056,573	10	2,590,969	2,691,105	19
15-Finance	1.5	√√	1/22/2016	12,644,070	104	725,929	5,508,709	16	5,038,260	206,496	26
37-Social Services	1.5		8/20/2014	7,903,751	76	188,053	3,507,476	12	2,889,634	1,334,159	16
60-Farmers Market	1.5	√	8/16/2005	1,630,594	7	1,033,188	249,153	10	1,270,370	5,000	4

Attachment C - CY2016 Metro-side Inherent Risk Priorization Worksheet

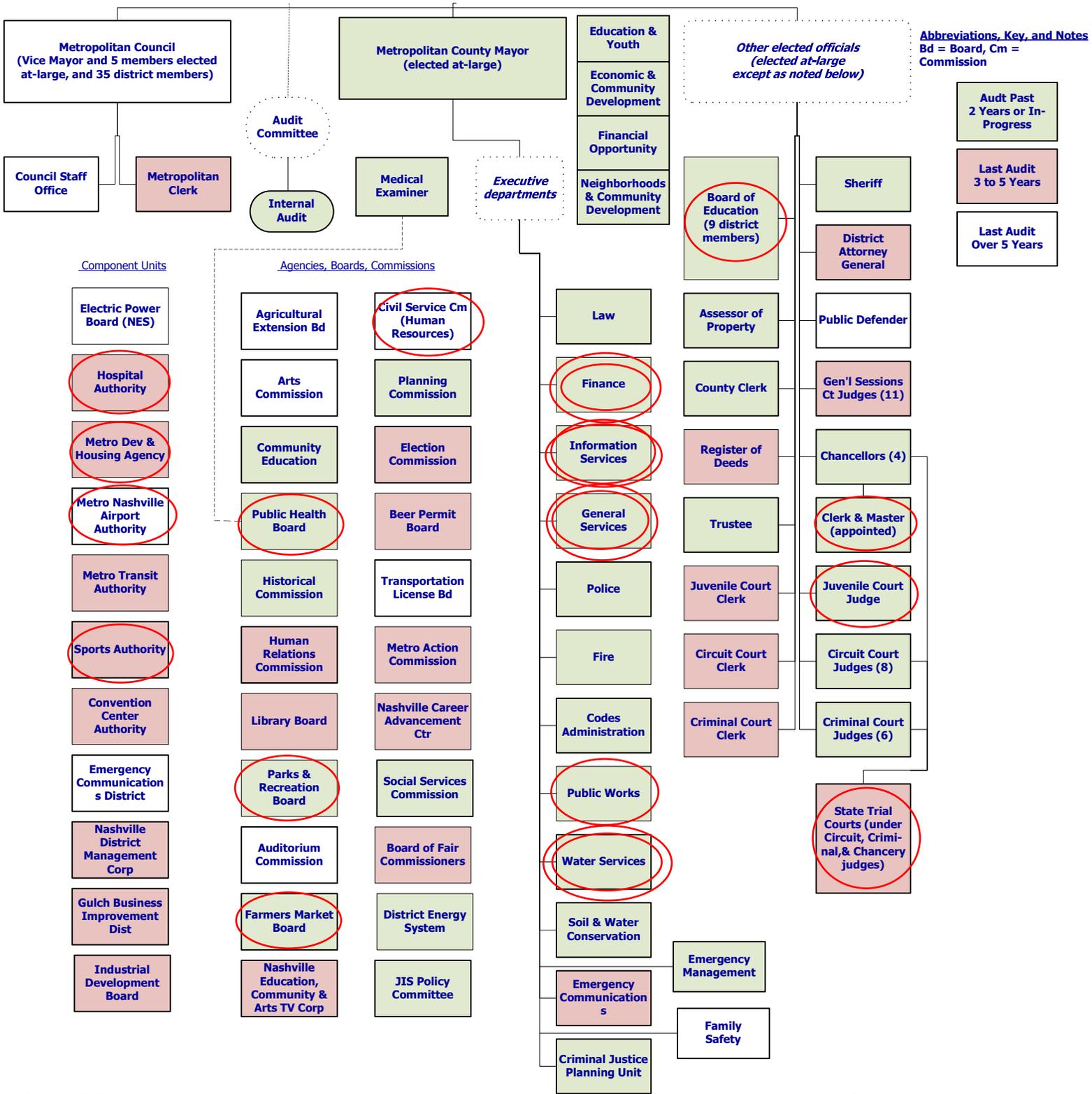
Entity	Inherent	Audit Plan	Last Audit	Total Expenses	FTEs	Fees & Collections	Payroll	Payroll % Not Regular	Vendor Payments	Grants	HR Transactions
09-Register of Deeds	1.4		4/17/2012	2,909,733	-	4,670,563	1,833,196	-	371,241	-	1
Forensic Medical Examiner(01101614)	1.4		4/14/2015	4,576,189	24	140,000	-	-	4,576,189	-	-
22-Juvenile Court Clerk	1.4		8/9/2012	1,570,754	30	635,728	1,053,350	14	70,837	-	9
29-Justice Integration Services	1.4		10/22/2014	2,918,729	19	(5)	1,155,285	10	1,284,761	(1,302)	5
45-Transportation Licensing Commission	1.4		9/30/2010	-	6	-	-	-	-	-	1
17-Trustee	1.3		7/24/2015	2,180,760	25	-	1,051,008	15	687,898	-	5
25-Clerk and Master of the Chancery Court	1.3	√	8/28/2013	1,278,390	18	1,670,461	817,504	12	111,881	-	5
34-Beer Board	1.3		9/6/2013	309,821	5	526,130	182,225	14	43,552	-	2
35-Agricultural Extension Serv	1.3		6/15/2010	275,384	7	-	210,865	5	37,401	-	1
44-Human Relations Commission	1.3		6/20/2011	347,753	4	-	210,842	6	74,901	-	6
49-Office of Emergency Management	1.3		4/4/2014	804,200			500,000	10	40,000		
70-Community Education Commission	1.3		10/31/2014	452,091	3	61,098	146,876	10	253,376	-	4
02-Council Staff	1.2		10/19/2010	1,728,036	49	-	1,113,909	1	66,484	-	-
36-Soil and Water Conservation	1.2		10/30/2013	74,407	1	-	46,984	2	9,471	-	-
03-Metropolitan Clerk	1.1		8/3/2012	1,052,002	6	10,794	297,779	11	619,104	-	-
04-Mayor's Office	1.1		4/4/2014	2,516,442	30	146,636	1,351,119	1	711,509	116,036	-
11-Historical Commission	1.1		1/26/2015	739,028	10	-	470,246	11	72,523	-	2
F34100- Public, Education, & Government Acco	1.1		10/29/2013	-	-	-	-	-	-	-	-
01-Post Audit (01101412)	1.0			1,027,200	-	-	-	-	-	-	-
47-Criminal Justice Planning	1.0		5/8/2014	424,386	4	-	274,024	7	47,046	-	2
48-Office of Internal Audit	1.0		7/10/2014	985,833	10	-	610,600	15	155,622	-	-
51-Office of Family Safety	1.0			758,000		-	458,100	-	55,000	75,000	2
Component Units											
CU Nashville Convention Center Authority	2.2		4/30/2013	70,655,411	158	21,456,384	6,692,086	18	59,505,944	71,810,601	-
CU Electric Power Board (NES)	2.1			1,191,814,000	948	1,246,632,000	-	-	-	-	-
CU Metropolitan Nashville Airport Authority	2.0	√		117,521,420	270	146,735,029	-	-	-	-	-
CU Metropolitan Nashville Hospital Authority	1.9	√	6/28/2012	94,732,415	563	57,773,171	-	-	-	33,472,398	-
CU Metropolitan Development & Housing Agen	1.8	√	8/2/2013	123,185,821	300	18,024,879	-	-	-	101,407,844	-
CU Sports Authority	1.7	√	5/16/2011	48,870,157	2	4,371,116	156,409	8	29,364,312	43,075,824	-
CU Metropolitan Transit Authority	1.6		8/10/2012	98,088,779	1	14,647,480	-	-	-	73,952,000	-
CU Emergency Communication District	1.5			7,124,943	-	6,094,748	-	-	-	-	-
CU Nashville District Management Corp	1.4		10/13/2011	1,781,518	1	1,710,593	-	-	-	69,620	-
CU Gulch Business Improvement District	1.3		10/13/2011	253,740	1	266,446	-	-	-	-	-
CU Industrial Development Board	1.2		12/16/2013	7,970,268	1	4,250	-	-	-	7,972,276	-

Attachment C - CY2016 Metro-side Inherent Risk Priorization Worksheet

Entity	Inherent	Audit Plan	Last Audit	Total Expenses	FTEs	Fees & Collections	Payroll	Payroll % Not Regular	Vendor Payments	Grants	HR Transactions
Fiduciary Funds							<u>Net Position</u>				
Metro Employees' Benefit Trust			7/29/2009	143,076,791	-	87,849,401	2,763,495,909	-	-	-	-
Employees' Pension and Insurance			7/29/2009	6,958,917	-	6,959,832	756,166	-	-	-	-
Teachers' Retirement Plan				34,593,913	-	31,444,084	79,635,968	-	-	-	-
Closed City Plan				7,223,686	-	7,223,872	-	-	-	-	-
Teachers' Civil Services and Pension				3,908,042	-	3,907,386	635,435	-	-	-	-
Metro Employees' Flex Benefits				3,303,415	-	3,314,260	1,532,125	-	-	-	-
Davidson County Employees' Retirement				1,571,730	-	1,571,730	-	-	-	-	-
Education Flex Benefits							408,122				
Funds Held In Trust				-	-	-	<u>Net Position</u>	-	-	-	-
County Clerk			3/24/2015	79,514,423		80,694,517	2,904				
Circuit Court Clerk			9/3/2015	64,812,598	-	63,068,107	16,035,740	-	-	-	-
Register of Deeds			4/17/2012	52,845,840		51,547,854	6,295,429				
Sold Property Tax Recv				33,963,988	-	33,729,989	2,113,089	-	-	-	-
Clerk and Master		√	8/28/2013	19,108,779	-	18,396,607	6,718,677	-	-	-	-
Criminal Court Clerk			12/20/2011	14,140,439	-	13,851,013	12,001,018	-	-	-	-
Sheriff Work Release & Inmate Trust			6/12/2009	2,826,031	-	2,803,351	388,611	-	-	-	-
Juvenile Court Clerk			8/9/2012	926,541	-	899,746	1,965,474	-	-	-	-
Planning Performance Bonds			2/14/2014	535,313	-	1,367,359	872,002	-	-	-	-
Other Audit Entities											
99-Capital Projects		√	4/29/2013	356,493,961	-	-	-	-	-	-	-
90-Debt Services		√		223,801,150	-	-	-	-	-	-	-
F30042-30046 Hotel Tax Funds*		√	4/29/2014	-	-	58,547,700	-	-	-	-	-
F30003 4% Reserve Fund (01101499)			9/4/2015	27,683,200	-	-	-	-	-	-	-
F30706 Regional Transportation Planning				-	-	-	-	-	-	-	-
Police Secondary Employment*			7/8/2015	2,537,500	-	2,578,300	-	-	-	-	-
01-Insurance Reserve (01101301)			9/9/2014	1,681,800	-	-	-	-	-	-	-
01-Judgement and Losses (01101308)			9/9/2014	1,416,100	-	-	-	-	-	-	-
F61200-Surplus Property Auction				650,298	-	711,794	-	-	-	-	-
F61200-Police Impound			12/18/2008	375,000	-	475,000	-	-	-	-	-

* - FY2015 Budget

Office of Internal Audit Eight Year Audit Coverage Map



Funds Held In Trust

Circuit Court Clerk	Clerk & Master	Criminal Court Clerk	Juvenile Court Clerk
Sold Property Tax Recv	Sheriff Work Release & Inmate	Planning Performance Bonds	

Fiduciary Funds

Davidson County Employees' Retirement	Metro Employees' Benefit Trust	Employees' Pension & Insurance	Metro Employees' Flex Benefits Plan
Teachers' Retirement Plan	Closed City Plan	Teachers' Civil Services and Pension	Education Flex Benefits Plan

Other Audit Areas

4% Reserve Fund	Hotel Tax Fund
Debt Services	Capital Projects

Advisory/Appeal Boards

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

Regional Transportation Planning	Insurance Reserves
Correctional Health Care	Judgment & Losses

Internal Audit Reports Issued During the Period
 FY 2007 through FY 2016
 Key Departmental Audit Project History

Department Name	Internal Audit Reports Issued FY 2007 - 2016
Metropolitan Nashville Public Schools	FY2015/Metropolitan Nashville Public School System FY2013/Public Schools Custodial Outsourcing FY2012/Public Schools Payroll Process FY2011/Public Schools Food Service Program FY2010/Public Schools Information Security Management
Police Department	FY2016/Police Department Secondary Employment FY2015/Police Department Active Directory Services FY2014/Police Department Firearms and Equipment Tracking FY2011/Police Department Crime Statistical Reporting Process FY2009/Police Department Vehicle Impound
Fire Department	FY2016/Fire Department Payroll Process FY2014/Fire Department Grant Administration FY2013/Fire Department Drug Inventory Management FY2008/Fire Department Emergency Medical Services
Public Works	FY2015/Public Works Parking Management FY2013/Public Works Contract Monitoring FY2009/Public Works Traffic Operations FY2008/Public Works Solid Waste Management
Water Services	FY2015/Metro Water Services Cash Collections FY2014/Metro Water Services Home Buyout Program FY2010/Metro Water and Sewer Billing and Collections FY2016/FY2015/FY2014/Metro Water Service Clean Water Nashville Overflow Abatement Program
Sheriff's Office	FY2015/Sheriff's Office Firearms and Equipment Inventory FY2009/Sheriff's Office Revenue and Collections
Public Health Department	FY2016/Public Health Immunization Program (draft report) FY2013/Public Health Drug Inventory Management FY2009/Public Health Department Food Protection Services FY2007/Public Health Department Animal Control Facilities
Information Technology Services	FY2014/Information Technology Services Telecom Services FY2013/Information Technology Service Certificate Services FY2011/Information Technology Services Active Directory Services FY2009/Information Technology Services Security Management
Finance Department	FY2016/Finance OMB Revenue Forecasting FY2016/Finance General Reserve Funding Capital Asset Process FY2015/Unusual Financial Related Transactions FY2013/Finance Metro Investment Pool FY2011/Finance Accounts Payable Process

**Metropolitan Nashville Office of Internal Audit
2015 Literature Survey of Risks**



Source: Adapted from Metropolitan Nashville Government FY2015-2016 Budget Council Hearing key Risk Request and Metro Budget Book Strategic Issues

The Global Risks Report 2015 ⁱ	Executive Perspectives on Top Risks for 2015 ⁱⁱ
<ol style="list-style-type: none"> 1. Failure of climate change mitigation and adaptation. 2. Large-scale involuntary migration. 3. Water crisis. 4. Fiscal crisis. 5. Asset bubble. 6. Profound social instability. 7. Cyberattacks. 8. Unemployment or underemployment. 9. Weapons of mass destruction. 10. Energy price shock. 11. Biodiversity loss and ecosystem collapse. 12. Spread of infectious diseases. 13. Interstate conflicts. 14. Extreme weather events 15. Food crisis. 16. Terrorist attacks. 17. Failure of financial mechanism or institution. 	<ol style="list-style-type: none"> 1. Regulatory changes and scrutiny. 2. Economic conditions restrict growth opportunities. 3. Prepared to manage cybersecurity that disrupt operations and/or damage our brand. 4. Succession challenges and ability to attract top talent. 5. Organization’s culture may not sufficiently encourage timely identification and escalation of risk issues. 6. Resistance to change may restrict our organization from making necessary adjustments to the business model and core operations. 7. Ensuring privacy/identity management and information security /system protection may require significant resources. 8. Organization may not be prepared to manage unexpected crisis significantly impacting our reputation. 9. Sustaining customer loyalty and retention due to evolving customer preferences and/or demographic shifts in existing customer base.

**Metropolitan Nashville Office of Internal Audit
2015 Literature Survey of Risks**

Global Risk Management Survey Aon Risk Solutionsⁱⁱⁱ	2015 Travelers Business Risk Index Travelers^{iv}
<ol style="list-style-type: none"> 1. Damage to reputation/brand. 2. Economic slowdown/slow recovery. 3. Regulatory/legislative changes. 4. Increasing competition. 5. Failure to attract or retain top talent. 6. Failure to innovate/meet customer needs. 7. Business interruption. 8. Third-party liability. 	<ol style="list-style-type: none"> 1. Medical cost inflation. 2. Technology and data/cyber. 3. Increasing employee benefit costs. 4. Legal liability. 5. Attracting and retaining talent. 6. Broad economic uncertainty. 7. Regulatory compliance.
Enterprise Risk Management in the Public Sector 2015 Survey Result^v	KPMG Internal Audit: Top 10 Key Risks in 2015^{vi}
<ol style="list-style-type: none"> 1. Operational risk. 2. Data security/Privacy. 3. Compliance risk. 4. Reputational risk. 5. Financial /Reporting risk. 6. Strategic risk. 7. Business continuity. 8. Budget/Fiscal uncertainty. 	<ol style="list-style-type: none"> 1. Cybersecurity. 2. Regulatory compliance. 3. Anti-bribery/Anticorruption. 4. International operations. 5. Third-party relationships. 6. Mergers, acquisitions, and divestitures. 7. Strategic alignment. 8. Integrated and continuous risk assessment.

ⁱ *The Global Risks Report 2015, 11th Edition*, World Economic Forum

ⁱⁱ *Executive Perspectives on Top Risks for 2015*, North Carolina State University Poole College of Management ERM Initiative and Protiviti

ⁱⁱⁱ *Global Risk Management Survey*, Aon Risk Solutions

^{iv} *2015 Travelers Business Risk Index*, Travelers

^v *Enterprise Risk Management in the Public Sector 2015 Survey Results*, PwC and Association for Federal Enterprise Risk Management

^{vi} *KPMG Internal Audit: Top 10 Key Risks in 2015*, KPMG



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Dear Mr. Swann;

As you may know, NewsChannel 5 (WTVF-TV) has aired a series of reports surfacing allegations involving end-of-course (EOC) assessments in MNPS high schools and other grading practices in our schools. In the interest of maintaining public confidence in the school system, we believe an independent analysis is needed to examine the allegations reported during the NewsChannel 5 series.

To that end, we are requesting that you assign auditors to examine the situation and make recommendations, if needed, to the Board and management. At first blush, we think engaging McConnell, Jones Lanier & Murphy for a short-term engagement would be a logical next-step, given their familiarity and previous experiences with the district. However, we are certainly open to other ideas and approaches.

The Metropolitan Board of Education has three responsibilities – establishing a budget; setting policy; and monitoring the performance of the district against both the budget and said policies. Having confidence in and clarity around the data allows us to carry out those responsibilities with fidelity. If a short-term analysis can help provide that, then we welcome the opportunity and believe it is in the best interests of our school system, its teachers and students, and the community at large.

We appreciate your consideration of this request.

Sincerely,

Chair

Vice- Chair

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ORDINANCE NO. BL2016-___

An ordinance amending section 2.24.300 of the Metropolitan Code.

Whereas, it would facilitate the ability of the Division of Metropolitan Audit to perform its functions as contemplated in Section 8.121 of the Charter and Section 2.24.300 of the Metropolitan Code, to require all metropolitan departments and agencies to cooperate fully with the audits and investigations of that office; and,

Whereas, it is also desirable to establish a process by which suspected illegal, improper, wasteful, or fraudulent activity can be reported and investigated; and,

Whereas, it is further beneficial to ensure that certain additional information is communicated in a timely manner to the Division of Metropolitan Audit; and,

Whereas, it is also desirable to establish that the Division of Metropolitan Audit scope of service encompasses any departments, boards, commissions, officers, agencies, or offices of the Metropolitan Government; and,

Whereas, the citizens of Nashville and Davidson County will benefit through the actions contemplated herein.

NOW, THEREFORE, BE IT ENACTED BY THE COUNCIL OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY:

Section 1. Section 2.24.300 of the Metropolitan Code is hereby amended by adding the following new subsections H. through L. to the end of Section 2.24.300:

H. Access to Records.

1. To the fullest extent allowed by the Charter, the Division of Metropolitan Audit personnel shall have full access to all Metropolitan Government of Nashville and Davidson County records, agreements, information systems, properties, and personnel. Accordingly, Metropolitan Government of Nashville and Davidson County or any of its related entities' officials, employees, consultants, and contractors shall furnish any requested information and records within their custody and respond to any questions regarding powers, duties, activities, organization, property, financial transactions, and methods of business.

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

3. In addition, Metropolitan Government of Nashville and Davidson County or any of its related entities' officials, employees, consultants, and contractors shall provide access to Division of Metropolitan Audit personnel for the inspection of all property, equipment, and facilities within their custody and the observation of any operations for which they are responsible.

I. Other Audit Services.

In addition to financial, performance, or other audit services, the Division of Metropolitan Audit shall establish a process by which suspected illegal, improper, wasteful, or fraudulent activity can be reported. The Metropolitan Auditor shall investigate, or cause to be investigated, all activity reported by this process. The disposition of all reports shall be communicated to the Metropolitan Nashville Audit Committee, Metropolitan Mayor, and Department of Law.

J. Notice of Instance of Fraud, Waste, and Abuse.

All reports of unlawful conduct completed in accordance with the State of Tennessee Local Government Instances of Fraud Reporting Act involving Metropolitan Government of Nashville and Davidson County departments, boards, commissions, officers, or agencies shall be communicated in a timely manner to the Metropolitan Auditor. Such reports shall also be communicated to the office of the Comptroller of the Treasury if so required by state law.

K. Notice of Audit Activities.

The engagement plans and final reports for all financial, performance, and other audit activities conducted on the behalf of Metropolitan Government of Nashville and Davidson County departments, boards, commissions, officers, agencies, or offices shall be communicated in a timely manner to the Metropolitan Auditor.

L. Scope of Services.

To the fullest extent allowed by the Charter, the Division of Metropolitan Audit is authorized to conduct financial audits, performance audits or other audit services, including the disposition of fraud incidents, concerning any department, board, commission, officer, agency, or office of the Metropolitan Government. Departments, boards, commissions, officers, agencies, and offices of the Metropolitan Government means those entities which encompass all of the governmental and corporate functions previously performed by Davidson County and the City of Nashville existing at the formation of the Metropolitan Government, and any public entity whose existence is created or authorized by the Metropolitan Charter or the Metropolitan County Council.

Section 2. This ordinance shall take effect from and after its final passage, the welfare of The Metropolitan Government of Nashville and Davidson County requiring it.

RECOMMENDED BY:

Robert C. Brannon, Chair
Audit Committee

INTRODUCED BY:

Council Member(s)

APPROVED AS TO THE AVAILABILITY
OF FUNDS:

Talia Lomax-O'dneal, Director
Department of Finance

APPROVED AS TO FORM AND
LEGALITY:

Assistant Metropolitan Attorney

Annual Review

Metropolitan Nashville Audit Committee Bylaws

Metropolitan Nashville Office of Internal Audit Bylaws

FY 2015 Audit Committee Confirmation of Responsibilities

		Meets Expectations	Caution	Needs Improvement	Comments
Financial Statements	1. Review the results of audits, including any difficulties encountered, and follow up as appropriate.	√			FY2014 CAFR Discussed with Crosslin & Associates December 9, 2014; Management Letter and Single Audit discussed July 28, 2015.
	2. Review with Metro Nashville management and the external auditors all matters requiring communication to the Committee under generally accepted auditing standards.	√			FY2015 Crosslin & Associates audit plan presentation on July 28, 2015.
Risk Management and Internal Control	3. Understand the scope of internal and external auditors' reviews of internal controls over financial reporting and government service activities, and obtain reports on significant observations and recommendations, together with department, board, commission, officer or agency management's responses.	√			Crosslin & Associates FY2014 Management Letter discussed July 28, 2015. Office of Internal Audit reports concerning internal control environment routinely discussed during committee meetings.
	4. Engage with Metropolitan Auditor in performing a Metro Nashville entity-wide risk assessment to form an audit work plan.	√			Internal Audit Annual Work Plan recommendations and risk prioritization reviewed by Committee on February 10, 2015.
	5. Meet with auditee after issuance of audit report by Metropolitan Auditor to discuss observations. Hold follow-up to monitor corrective actions implemented by auditee.	√			Status of audit recommendations implementation follow-up included in the Office of Internal Audit <i>Annual Report November 2013 to October 2014</i> issued to Metropolitan Nashville Council on February 24, 2015. Meeting with Register of Deeds October 14, 2014.
Internal Audit	6. Review and approve the audit plan and all major changes to the plan.	√			Annual Internal Audit Work Plan Approved on February 10, 2015.

FY 2015 Audit Committee Confirmation of Responsibilities

		Meets Expectations	Caution	Needs Improvement	Comments
	7. Review and approve the Division of Metropolitan Audit Bylaws annually.	√			Bylaws last reviewed October 14, 2014.
	8. Assure continued independence of Metropolitan Auditor. Ensure there are no unjustified restrictions or limitations to the discharge of internal audit responsibilities.	√			Confirmation included in the Office of Internal Audit <i>Annual Report November 2013 to October 2014</i> issued to Metropolitan Nashville Council on February 24, 2015.
	9. Review annually the activities, staffing and organizational structure of the internal audit function.	√			Administration of Internal Audit Office reviewed as a standing Audit Committee meeting agenda item.
	10. Review the effectiveness of the internal audit function, including compliance with generally accepted government auditing standards.	√			Last peer review completed July 10, 2014, with an opinion the Metropolitan Nashville Office of Internal Audit quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards.
	11. Recommend the appointment of the Metropolitan Auditor.	√			Recruitment and interviews conducted in Spring 2014 with recommendation made to Metropolitan Nashville Council on May 20, 2014.
	12. For cause remove the Metropolitan Auditor.	√			Not applicable.
	13. At least once per year, review the performance of the Metropolitan Auditor and concur with the annual compensation and salary adjustment.	√			Committee reviewed as part of 2014 Metropolitan Auditor recruitment for recommendation to the Metropolitan Nashville Council.
Reporting	14. Issue annual report to the Council and Mayor regarding Committee activities, issues and related recommendations.	√			Confirmation included in the Office of Internal Audit Annual Report November 2013 to October 2014 issued to Metropolitan Nashville Council on February 24, 2015.

FY 2015 Audit Committee Confirmation of Responsibilities

		Meets Expectations	Caution	Needs Improvement	Comments
	15. Provide an open avenue of communication between internal audit, the external auditors, and department, board, commission, officer or agency management.	√			Meetings with internal and external auditors. Management corrective action plans included in final internal audit reports and external auditors management letter.
	16. Review any other Government issued reports related to committee responsibilities.	√			Crosslin & Associates' review of the Metro Water Services Clean Water Abatement Program was discussed at the December 9, 2014 committee meeting. Register of Deeds corrective action plan discussed October 14, 2014
Other	17. Ensure committee members undergo appropriate orientation upon appointment.	√			Orientation meetings for new council member appointments conducted in October and November 2015.
	18. 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.	√			Bylaws last reviewed October 14, 2015.
	19. Confirm annually that all responsibilities outlined in these bylaws have been carried out.	√			Last reviewed and confirmed October 14, 2015.
Meetings	20. The Committee will meet at least once per quarter	√			FY 2014 - Meeting held July 8, 2014, October 14, 2014, December 9, 2014, February 10, 2015, March 12, 2015 (MNPS Report to Council). FY2015 - July 28, 2015.
	21. Meeting agendas along with appropriate briefing materials will be prepared and provided in advance to members by the Metropolitan Auditor.	√			Agenda, internal audit reports and other selected material provided by e-mail prior to Audit Committee meetings by the Metropolitan Auditor.
	22. Minutes will be prepared by the Metropolitan Auditor.	√			Minutes were prepared and posted on Office of Internal Audit web site after approval.

FY 2015 Audit Committee Confirmation of Responsibilities

		Meets Expectations	Caution	Needs Improvement	Comments
Composition	23. Follow the provisions provided in Metropolitan Code of Law, Section 2.23.300(E) Division of Metropolitan Audit.	√			Audit Committee membership is consistent with Metropolitan Code of Laws requirements.

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

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



Comprehensive Annual Financial Report For the Year Ended June 30, 2015

The Metropolitan Government of Nashville and Davidson County
Nashville, Tennessee



Megan Barry, Mayor

Swann, Mark (Internal Audit)

From: Swann, Mark (Internal Audit)
Sent: Tuesday, December 15, 2015 2:40 PM
To: Bob Brannon; Brack Reed; Briley, David (Vice Mayor); Cooper, John (Council Member); Lomax-O'dneal, Talia (Finance Director's Office); Mendes, Bob (Council Member)
Cc: McDoniel, Kim (Finance - Division of Accounts)
Subject: FW: Audit Committe quesiton on pension contributions

Metropolitan Nashville Audit Committee Members:

Crosslin & Associates reviewed the FY2015 CAFR with the Metropolitan Nashville Audit Committee in the December 8, 2015, audit committee meeting. During the discussion, the Committee requested additional information be researched concerning the Metro Plan "Contribution Excess" (\$14,362,917) reported on page B-117 of the FY2015 CAFR. Please see below the explanation provided by the actuary. Also, Kim McDoniel, Chief Accountant is available to walk through or answer any questions you have concerning this or any other matter in the FY2015 CAFR, her direct number is 615-862-6114.

Mark Swann

Mark S. Swann – Metropolitan Auditor

Metropolitan Nashville Office of Internal Audit
Tel: 615 862-6158 | Mobile: 615 974-8700 | Fax: 615 862-6425

From: McDoniel, Kim (Finance - Division of Accounts)
Sent: Tuesday, December 15, 2015 1:45 PM
To: Swann, Mark (Internal Audit)
Cc: Lomax-O'dneal, Talia (Finance Director's Office)
Subject: FW: Audit Committe quesiton on pension contributions

Mark –

Below is the response from the actuary. I think of these variances as timing differences. As noted in the CAFR on page B-78 the contribution rate last year was 17.987%. The contribution rate recommended by the actuaries, approved by the Benefit Board, and included in the 15-16 budget is 15.51% - which takes into account updated information on the liability, past contributions and investment performance in recent years.

On another matter – I would be happy to meet with any of the Audit Committee members individually if they have questions about the CAFR or if they want to walk through the information contained in the CAFR. I know from the previous meeting, for example, that John Cooper had some interest in the CAFR and wasn't able to attend. So if you think it is appropriate, please let the committee members know they can contact me if they would like to talk about the CAFR. My direct number is 615-862-6114.

Thanks!

From: Kevin.Sullivan@bpsm.com [<mailto:Kevin.Sullivan@bpsm.com>]
Sent: Thursday, December 10, 2015 4:01 PM
To: McDoniel, Kim (Finance - Division of Accounts)
Subject: RE: Audit Committe quesiton on pension contributions

Hi Kim,

The actual contributions always trail the actuarially determined/recommended contribution by one year (due to the timing of the valuation). So that the actuarially determined contribution determined for the period July 1, 2013-June 30, 2014 was actually made during the July 1, 2014 to June 30, 2015 period. The actual contribution will generally be lower than the actuarially determined contribution when contributions rates are rising (as was the case for the several years leading up to July 1, 2014). Since the contribution rate fell at July 1, 2014, the opposite was true and the actual was higher than the recommended contribution. This will likely be the case again next year, since the recommended contribution is likely to fall again with the results of the June 30, 2015 valuation.

I hope this helps. Let me know if you would like to discuss. Thanks.

S. Kevin Sullivan, F.S.A.

Consulting Actuary / Principal
BPS&M, LLC, A Wells Fargo Company
5301 Virginia Way, Suite 400
Brentwood, TN 37027
N2636-040
Phone: (615) 665-5343
Fax: (615) 665-1650
Email: Kevin.Sullivan@bpsm.com

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FY2014 Management Letter

FY2014 Single Audit

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**Metropolitan Nashville Office of Internal Audit
Audit Project Status
As of February 9, 2015**

Projects	Planning	Fieldwork	Report	Report Phase	
				Draft	Final
Completed					
01) Police Department Secondary Employment			✓		Jul-15
02) County Clerk- Cash Collections			✓		Mar-15
03) Permitting Upgrade (City Works) System Development Audit			✓		Aug-15
04) Medical Examiner's Office			✓		Apr-15
05) Metropolitan Nashville Public Schools			✓		Feb-15
06) Hotel Motel Tax Summary FY 2015			✓		Jul-15
07) Public Works Parking			✓		Jun-15
08) Fire Department Payroll			✓		Jul-15
09) Trustee Office Cash Collections			✓		Jul-15
10) Finance Department Asset Accounting & 4% Funding			✓		Sep-15
11) Circuit Court Clerk Funds Held in Trust			✓		Sep-15
12) Parks and Recreation Maintenance			✓		Nov-15
13) General Services 800 MHz Radio Shop			✓		Nov-15
14) Metro-Wide Revenue Forecasting			✓		Jan-16
15) Health Department Immunization Program			✓	Feb-16	
16) Comcast Franchise Fee		✓			
17) Juvenile Court			✓	Feb-16	
18) ITS Microsoft Exchange Email		✓			
19) Farmers Market		✓			
20) Clerk and Master			✓	Feb-16	
Anticipated to Start Next 3 weeks					
Metro IntegrityLine Alerts Calendar Year 2015 Plus January 2016 - New Hotline Just Opened			Total	Closed	Pending
Metro Hotline Alerts (Fraud, Waste & Abuse)			21	21	0
Cases Reported to State of TN			0	0	0
Cases Tasked to OIA by State of TN			1	1	0
Cases Tasked to OIA by Metro Entities			3	0	3

Note: Goal to complete 19 audit projects for Plan Year 2015. Currently 14 audit projects are completed, and 5 audit projects are in field work or draft report phase.

**Metro Nashville Government
Waste and Abuse Hotline**

**Waste?
Fraud?
Abuse?**



Your Call Matters

Report Any Problems Toll-Free

You Don't Have To Give Your Name

1-855-252-7606 or

www.hotline-services.com

Use Organization Name: Metro Nashville

We Can't Do It Without You

**Summary of Hotel Occupancy Tax Audit Results
As of February 9, 2016**

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	\$ 37,849	\$ 14,974	\$ 30,766
2014	29	\$ 182,368,581	\$ 14,242,187	\$ 351,732	\$ 123,638	\$ 60,308
2015	14	\$ 42,664,158	\$ 2,849,694	\$ 100,166	\$ 37,551	\$ 11,382
2016	11	\$ 140,364,789	\$ 10,008,825	\$ 64,565	\$ 23,475	\$ 19,019
Grand Total	72	\$ 429,138,233	\$ 32,486,290	\$ 554,312	\$ 199,638	\$ 121,475
Fiscal Year	Percent of Tax Underpayment	Net Claims				
2013	-0.7%	\$ 22,058				
2014	-2.5%	\$ 415,061				
2015	-3.5%	\$ 126,335				
2016	-0.6%	\$ 69,021				
Total	-1.7%	\$ 632,475				

**Office of Internal Audit Budget versus Actual
GSD General Fund as of February 8, 2016**

FY 2016 Approved Budget

	FY 2016 Budget	Actual As of Feb 8, 2016	Difference	Notes
Total Salaries & Fringe	\$ 1,049,900	\$ 496,547	\$ 553,353	
Other Expenses				
Professional & Purchased Services	75,100	12,425	62,675	
Building Rent Parkway Towers	55,500	27,482	28,018	
Other Expenses	71,700	27,603	44,098	
Internal Service Fees	38,200	38,200	-	Information Technology
TOTAL EXPENSES	\$ 1,290,400	\$ 602,256	\$ 688,144	

30003 General Fund 4% Reserve	\$ 11,689	\$ -	\$ 11,689	AX Core Server Software & Training; Office Furniture
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METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

February 9, 2016

Members of the Metropolitan Nashville Council
Metropolitan Government of Nashville and Davidson County
Metro Courthouse
Nashville, Tennessee 37201

Annual Report to Council

The Metropolitan Nashville Audit Committee is presenting its annual report to the Metropolitan Council highlighting some of the audit work completed between November 2014 and October 2015 as well the implementation status of previously completed internal audit projects.

For this period, the Metropolitan Nashville Audit Committee was comprised of Vice Mayor Diane Neighbors, Council Members Jacobia Dowell and Steve Glover, Metro Nashville Director of Finance Richard Riebeling, Brack Reed, who represents the Chamber of Commerce and Robert Brannon, who represent the Nashville Chapter of the Tennessee Society of CPAs.

Please feel free to contact any Metropolitan Nashville Audit Committee member about the contents of this report or about any audit matter.

Crossland and Associates P.C. External Audit

The Metropolitan Nashville Audit Committee received and reviewed the Metropolitan Government of Nashville and Davidson County Comprehensive Annual Financial Report for the year ended June 30, 2015, without any exceptions noted.

Office of Internal Audit Projects Completed

The Office of Internal Audit issued 18 audit reports providing 150 recommendations for improving Metro Nashville processes during this period. A summary of the audit reports begins on page seven of the enclosed report. All of these reports, along with other reports issued in previous years, can be found at the Office of Internal Audit's website at <http://www.nashville.gov/internal-audit>.

Office of Internal Audit Accomplishments

- Conducted 16 audits which included 234 recommendations for improvement were identified with a 78 percent acceptance rate.

- Accommodated Metropolitan Nashville Council and management requests pertaining to:
Metropolitan Nashville Public Schools Metro Water Services
Hotel Occupancy Tax Historic Zoning and Historical Commission
- Selected 16 hotels representing \$3.7 million in hotel occupancy taxes for audit. Determined from revenue and room night data that over \$109 thousand had been underpaid and was referred to the Metropolitan Treasurer for collection.
- Completed one requests for investigation of fraud, waste, and abuse issues.

**Summary of Office of Internal Audit Recommendations Implementation Status
Audits Issued Between April 2007 and October 2014**

Audit entities were asked to provide implementation status for accepted audit recommendations for 127 reports issued since March 2007. Out of the 1,108 accepted recommendations, 931 (84%) were reported as implemented.

I hope you find this report informative and that you will contact us with any questions or issues related to external or internal audit efforts within the Metropolitan Nashville Government.

Sincerely,

Robert C. Brannon

Enclosure

cc: Mayor Megan Barry
Members of Metropolitan Nashville Audit Committee
Mark Swann, Metropolitan Auditor

METROPOLITAN NASHVILLE OFFICE OF INTERNAL AUDIT



INTERNAL AUDIT PERFORMANCE REPORT
November 1, 2014 through October 31, 2015

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



MEGAN BARRY
MAYOR

DIRECTOR OF FINANCE
METROPOLITAN COURTHOUSE
ONE PUBLIC SQUARE, SUITE 108
NASHVILLE, TENNESSEE 37201
(615) 862-6151
(615) 862-6156 FAX

MEMORANDUM

To: Metro Department Heads Governed by a Board/Commission
From: Talia Lomax-O'dneal, Director of Finance
Veronica Frazier, Director of Human Resources
Date: January 14, 2016
Subject: Recommendations for Salary Adjustments

Please be advised that salary recommendations for Department Heads/Directors require full Board/Commission approval prior to consideration by the Department of Finance and the Department of Human Resources. All such recommendations must be made with assurance that both adequate funding is available within the organization's allocated budget for the fiscal year, and is in accordance with the approved Metro pay plan prior to Board/Commission action.

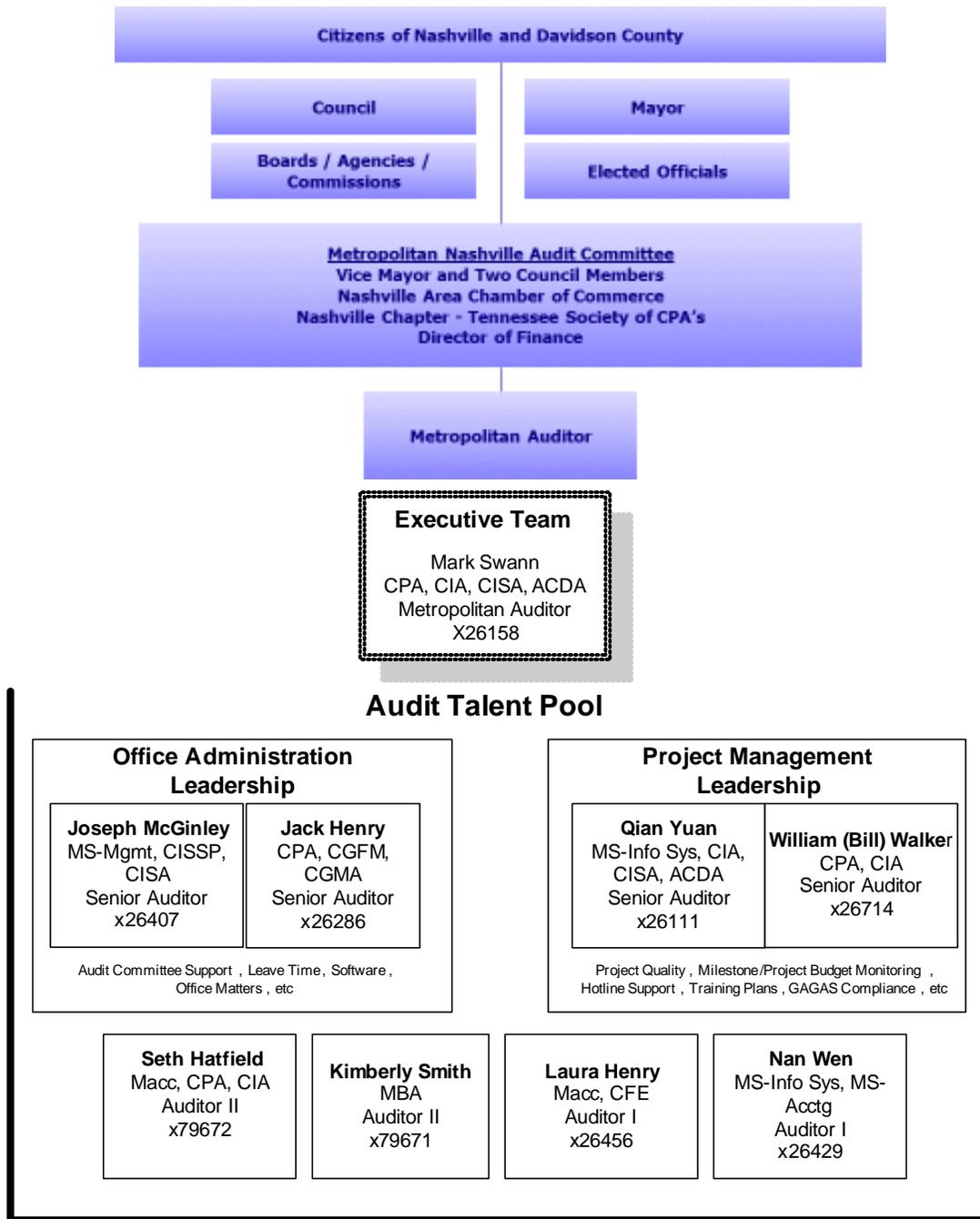
Please share this information with your Board/Commission.

Feel free to contact either one of us if you have any questions.

Thank you.

copy: Rich Riebeling, COO

Metropolitan Nashville Office of Internal Audit



Sept 2015 Re-hire: Jack Henry, Senior Auditor

One open position - Internal Audit Manager

**METROPOLITAN NASHVILLE AUDIT COMMITTEE
RECOMMENDED 2016 MEETING PLAN**

Meeting Date	Proposed Agenda Topics
February 9, 2016	<ul style="list-style-type: none"> • Office of Internal Audit Annual Performance Report • Internal Audit Annual Work Plan approval • Internal Audit issued report discussion • Follow-up Comprehensive Annual Financial Report, Single Audit Report, and Management Letter
April 12, 2016	<ul style="list-style-type: none"> • External Audit Single Audit and Management Letter presentation • Information Security Program Update • Internal Audit issued report discussion • Follow-up Comprehensive Annual Financial Report
July 12, 2016	<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
October 11, 2016	<ul style="list-style-type: none"> • Metropolitan Audit Committee self-assessment • Metropolitan Auditor performance review • Bylaws annual review • Internal Audit issued report discussion
December 13, 2016	<ul style="list-style-type: none"> • External Audit Comprehensive Annual Financial Report • Internal Audit issued report discussion

**CY 2015 Approved Audit Plan
As of February 9, 2016**

*Co-source	CY 2014 Audits In Progress	Hours	Total Hours	Status
1	Police Department - Secondary Employment	80	80	Completed
2	County Clerk's Office - Cash Collections	80	160	Completed
3	Metro Land Computer System Project	100	260	Completed
4	Office of the Medical Examiner	80	340	Completed
5	Metropolitan Nashville Public Schools	100	440	Completed
6	Fire Department – Payroll	500	940	Completed
7	Trustee's Office - Cash Collections	600	1,540	Completed
8	Finance Department and Other Functions - Asset Accounting Process / 4% Funding Process	500	2,040	Completed
CY 2015 New Audit Areas				
1	Hotel Occupancy Tax Audits	1,000	3,040	Completed
2	Airport Authority - Accounts Payable Process	800	3,840	
3	Juvenile Court	800	4,640	In-Progress
4	Metro General Government Annual Budget Revenue Estimates	800	5,440	Completed
5	Comcast Franchise Fee Audit	800	6,240	In-Progress
6	Metro Owned Parking Facilities Management and Public Works Parking Enforcement	800	5,440	Completed
7*	General Services - Fleet Operations	800	6,240	
8	General Services - Radio Shop Operations	800	6,640	Completed
9	Health Department - Immunization Programs	800	7,040	In-Progress
10	Parks & Recreation - Maintenance Operations	800	7,840	Completed
11	Farmers Market	800	8,640	In-Progress
12	Circuit Court Clerk Funds Held In Trust	800	9,440	Completed
13*	Metro Water Services - Storm Water Revenue	800	10,240	
14	Human Resource Hiring Process	800	11,040	
15	Finance – Purchasing Department	800	11,840	
16*	Finance – Treasury Debt Issuance and Sustainability	800	12,640	
17	Information Technology Services - Microsoft Exchange Email Application Management	800	13,440	In-Progress
18*	Metro Wide - Payment Card Industry Data Security Standard Compliance	800	14,240	
19*	Metro Water Services – Clean Water Nashville Overflow Abatement Program – Selected Projects Contracts	800	15,040	Completed
20**	Clerk & Master			In-Progress

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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
Vice Mayor David Briley One Public Square, Suite 204 Nashville, TN 37201- (615) 880-3357 david.briley@nashville.gov Representing:	9/1/2015	8/31/2019
Mr. John Cooper 3925 Woodlawn Drive Nashville, TN 37205- (615) 969-4444 CooperAtLarge@nashville.gov Representing: Metro Council	10/20/2015	9/30/2017
Ms. Talia Lomax-O'dneal One Public Square, Suite 106 Nashville, TN 37201- (615) 862-6151 talia.lomaxodneal@nashville.gov Representing: Director of Finance	10/1/2015	
Mr. Bob Mendes 416 Fairfax Avenue Nashville, TN 37212- (615) 756-3510 bob.mendes@nashville.gov Representing: Metro Council	10/20/2015	9/30/2017
Mr. Brack Reed 511 Union Street, Suite 1400 Nashville, TN 37219- (615) 770-8494 brack_reed@gspnet.com Representing: Nashville Area Chamber of Commerce	2/20/2015	3/20/2019

Printed 12-Nov-15

Metropolitan Clerk's Office

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

PURPOSE

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

SCOPE

The Metropolitan Audit Committee (Committee) is authorized to conduct financial audits, performance audits or other audit services, including disposition of fraud incidents, concerning any department, board, commission, officer or agency of the Metropolitan Government. Departments, boards, commissions, officers and agencies of the Metropolitan Government means those entities which encompass all of the governmental and corporate functions previously performed by Davidson County and the City of Nashville existing at the formation of the Metropolitan Government, and any public entity whose existence is created or authorized by the Metropolitan Charter or the Metropolitan County Council.

RESPONSIBILITIES

Financial Statements

- Review the results of audits, including any difficulties encountered, and follow up as appropriate.
- Review with Metro Nashville management and the external auditors all matters requiring communication to the Committee under generally accepted auditing standards.

Risk Management and Internal Control

- Understand the scope of internal and external auditors' reviews of internal controls over financial reporting and government service activities, and obtain reports on significant observations and recommendations, together with department, board, commission, officer or agency management's responses.
- Engage with Metropolitan Auditor in performing a Metro Nashville entity-wide risk assessment to form an audit work plan.
- Meet with auditee after issuance of audit report by Metropolitan Auditor to discuss observations. Hold follow-up to monitor corrective actions implemented by auditee.

Internal Audit

- Review and approve the audit plan and all major changes to the plan.
- Review and approve the Division of Metropolitan Audit Bylaws annually.

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

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

Reporting Responsibilities

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

Other Responsibilities

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

COMPOSITION

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

MEETINGS

The Committee will meet at least once per quarter, with authority to convene additional meetings, as circumstances require. The Committee will invite members of department, board, commission, officer or agency management, auditors or others to attend meetings and provide pertinent

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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.

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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

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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.

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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.

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ANNUAL REPORT

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

CONTRACT AUDITORS, CONSULTANTS AND EXPERTS

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

INDEPENDENCE

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

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

STANDARDS OF AUDIT PRACTICE

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

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FUNDING

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

RECORDS

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

REASSESSMENT

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

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

Article IV. - Division of Metropolitan Audit

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

2.24.300 - Division of metropolitan audit.

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

(Ord. BL2007-1318 § 2, 2007)

Sec. 8.121. - Division of metropolitan audit.

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

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

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

Council

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

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

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

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

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

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

Metro Code 2.04.033 – Metropolitan Council

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

Mayor and Department of Metropolitan Finance

Metro Charter Section 5.03 – Power and authority of mayor.

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

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

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

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

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

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SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT

Division of Metropolitan Audit

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

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

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

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

Tennessee Code Annotated

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

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

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

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

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

- (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. "Working papers" includes, but is not limited to, auditee records, intra-agency and interagency communications, draft reports, schedules, notes, memoranda and all other records relating to an audit or investigation by internal audit staff.

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.**

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**SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT
T.C.A. 4-18-101 False Claims Act**

4-18-103. Liability for violations.

(a) Any person who commits any of the following acts shall be liable to the state or to the political subdivision for three (3) times the amount of damages that the state or the political subdivision sustains because of the act of that person. A person who commits any of the following acts shall also be liable to the state or to the political subdivision for the costs of a civil action brought to recover any of those penalties or damages, and shall be liable to the state or political subdivision for a civil penalty of not less than two thousand five hundred dollars (\$2,500) and not more than ten thousand dollars (\$10,000) for each false claim:

- (1) Knowingly presents or causes to be presented to an officer or employee of the state or of any political subdivision thereof, a false claim for payment or approval;
 - (2) Knowingly makes, uses, or causes to be made or used a false record or statement to get a false claim paid or approved by the state or by any political subdivision;
 - (3) Conspires to defraud the state or any political subdivision by getting a false claim allowed or paid by the state or by any political subdivision;
 - (4) Has possession, custody, or control of public property or money used or to be used by the state or by any political subdivision and knowingly delivers or causes to be delivered less property than the amount for which the person receives a certificate or receipt;
 - (5) Is authorized to make or deliver a document certifying receipt of property used or to be used by the state or by any political subdivision and knowingly makes or delivers a receipt that falsely represents the property used or to be used;
 - (6) Knowingly buys, or receives as a pledge of an obligation or debt, public property from any person who lawfully may not sell or pledge the property;
 - (7) Knowingly makes, uses, or causes to be made or used a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to the state or to any political subdivision;
 - (8) Is a beneficiary of an inadvertent submission of a false claim to the state or a political subdivision, subsequently discovers the falsity of the claim, and fails to disclose the false claim to the state or the political subdivision within a reasonable time after discovery of the false claim; or
 - (9) Knowingly makes, uses, or causes to be made or used any false or fraudulent conduct, representation, or practice in order to procure anything of value directly or indirectly from the state or any political subdivision.
- (e) This section does not apply to claims, records, or statements made pursuant to workers' compensation claims.

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(f) This section does not apply to claims, records, or statements made under any statute applicable to any tax administered by the department of revenue.

4-18-104. Investigation and prosecution.

(b) (1) The *prosecuting authority of a political subdivision shall diligently investigate violations under § 4-18-103 involving political subdivision funds*. If the prosecuting authority finds that a person has violated or is violating § 4-18-103, the prosecuting authority may bring a civil action under this section against that person.

(c) (1) *A person may bring a civil action for a violation of this chapter for the person and either for the state of Tennessee in the name of the state, if any state funds are involved, or for a political subdivision in the name of the political subdivision, if political subdivision funds are involved, or for both the state and political subdivision if state and political subdivision funds are involved. The person bringing the action shall be referred to as the qui tam plaintiff*. Once filed, the action may be dismissed only with the written consent of the court, taking into account the best interests of the parties involved and the public purposes behind this chapter.

(B) For purposes of subdivision (d)(3)(A), "*original source*" means an individual, who has *direct and independent knowledge of the information on which the allegations are based*, who voluntarily provided the information to the state or political subdivision before filing an action based on that information, and whose information provided the basis or catalyst for the investigation, hearing, audit, or report that led to the public disclosure as described in subdivision (d)(3)(A).

(2) If the state or *political subdivision proceeds* with an action brought by a qui tam plaintiff under subsection (c), *the qui tam plaintiff shall, subject to subdivisions (g)(4) and (5), receive at least twenty-five percent (25%) but not more than thirty-three percent (33%) of the proceeds* of the action or settlement of the claim, depending upon the extent to which the qui tam plaintiff substantially contributed to the prosecution of the action. ...

(3) If the state or *political subdivision does not proceed with an action* under subsection (c), the qui tam plaintiff shall, subject to subdivisions (g)(4) and (5), receive an amount that the court decides is reasonable for collecting the civil penalty and damages on behalf of the government. The amount shall be *not less than thirty-five percent (35%) and not more than fifty percent (50%)* of the proceeds of the action or settlement and shall be paid out of these proceeds.

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,** ...”

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SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT

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.”

Metropolitan Nashville Audit Committee

Executive Session Checklist

- The published agenda must disclose the general nature of the items to be discussed in executive session.
See, T.C.A. §9-3-405(f)
- All business which is public in nature shall be conducted first.
See, T.C.A. §9-3-405(g)(1)
- During the regular public session committee must vote to go into private executive session. Must obtain a majority to be successful.
See, T.C.A. §9-3-405(d)
- Chair must announce during the public portion of the meeting that no business other than the matters stated generally on the published agenda shall be considered during the confidential executive session.
See, T.C.A. §9-3-405(e)
- Adjourn the public portion of the meeting.
See, T.C.A. §9-3-405(g)(2)
- Only individuals whose presence is reasonably necessary in order for the committee to carry out its executive session responsibilities may attend the portion of the executive session relevant to that person's presence.
See, T.C.A. §9-3-405(h)

Permissible Executive Session Subject Matter

1. Items deemed not subject to public inspection under §§ 10-7-503 and 10-7-54, and all other matters designated as confidential or privileged under this code
2. Current or pending litigation and pending legal controversies
3. Pending or ongoing audits or audit related investigations
4. Information protected by federal law
5. Matters involving information under § 9-3-406 where the informant has requested anonymity
See, T.C.A. § 9-3-405(d)