

**METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON
COUNTY**



**METROPOLITAN NASHVILLE
AUDIT COMMITTEE**

WORKBOOK

April 12, 2016

"While concerns about regulator changes and regulatory scrutiny are decreasing, it is important to note that this risk still represents the top risk concern across all respondents for 2016."

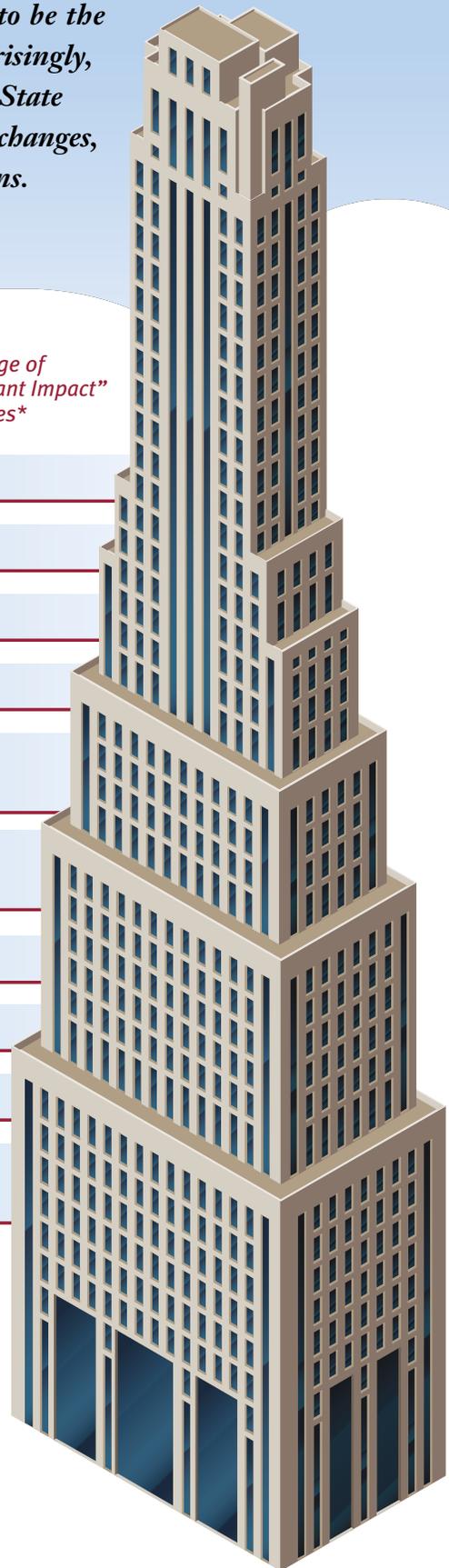
Executive Perspectives on Top Risks for 2016

What do board members and C-suite executives view to be the top risks for their organizations this year? Not surprisingly, according to an annual survey from North Carolina State University's ERM Initiative and Protiviti, regulatory changes, the economy and cyberthreats top their lists of concerns.

<i>Risk Issue</i>	<i>Percentage of "Significant Impact" Responses*</i>
Regulatory changes and scrutiny	60%
Economic conditions	60%
Cyberthreats	57%
Privacy/identity management and information security	53%
Succession challenges and ability to attract and retain top talent	52%
Rapid speed of disruptive innovations and new technologies	51%
Volatility in global financial markets and currencies	50%
Resistance to change operations	49%
Sustaining customer loyalty and retention	46%
Organization's culture may not encourage timely identification and escalation of risk issues	45%

* Each respondent was asked to rate 27 individual risk issues using a 10-point scale, where a score of 1 reflects "No Impact at All" and a score of 10 reflects "Extensive Impact" to their organization over the next year. A score of 6.0 or higher is perceived to be a risk issue that will have a "Significant Impact" on the organization.

The full survey report, *Executive Perspectives on Top Risks for 2016*, may be accessed at erm.ncsu.edu or protiviti.com/toprisks. It includes detailed breakdowns of the results by respondent role, organization size, industry and other categories.



**METROPOLITAN NASHVILLE
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA
April 12, 2016 4:00 p.m.**

**Committee Room 2
205 Metropolitan Courthouse**

- I. Call Meeting to Order (Bob Brannon - Committee Chairman)
- II. Approval of Minutes for February 9, 2016, Meeting. (Bob Brannon – Committee Chairman)
- III. New Business
 - Discussion on Audit of Health Department Immunization Program audit report issued February 18, 2016. (Laura Henry – Internal Auditor I)
 - Discussion on Audit of Clerk and Master of the Chancery Court audit report issued March 18, 2016. (Seth Hatfield – Internal Auditor II)
 - Discussion on Audit of Juvenile Court audit report issued March 31, 2016. (Joe McGinley – Senior Internal Auditor)
 - Briefing on Metropolitan Nashville Information Security Program. (Keith Durbin – Chief Information Officer)
 - Update on Metropolitan Nashville Hospital Authority’s progress with Parallon’s cooperation with external auditors and issues concerning credit receivables balance. (Dr. Joseph Webb and Marc Overlock - Metropolitan Nashville Hospital Authority)
 - External auditor presentation FY 2015 Single Audit and FY 2015 Management Letter. (Crosslin & Associates, P.C.)
 - Discussion on request from the State Fair Board to amend the 2016 Internal Audit Work Plan to include a financial compliance and operations audit of the Metropolitan Nashville Fairgrounds. (Mark Swann – Metropolitan Auditor)
 - Discussion on request to amend the 2016 Internal Audit Work Plan audit of the Metropolitan Nashville Public Schools Student Information Systems to include a review of the district and schools accountability reporting process. This action is responsive to the Metropolitan Nashville Board of Education request 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
 - Update on internal audit legislation. (John Cooper - Council Member)
 - Follow-up on FY 2015 Comprehensive Annual Financial Report. (Bob Brannon – Committee Chairman)
 - Follow-up on FY 2014 Single Audit and Management Letter. (Bob Brannon – Committee Chairman)
- V. Internal Audit Project Status. (Mark Swann – Metropolitan Auditor)

**METROPOLITAN NASHVILLE
METROPOLITAN AUDIT COMMITTEE MEETING AGENDA
April 12, 2016 4:00 p.m.**

- VI. Fraud Waste and Abuse Hotline and Investigation Update. (Mark Swann – Metropolitan Auditor)
- Metro Water Services Storm Water Grates Inspections (Jack Henry – Senior Internal Auditor)
 - Nashville Farmers Market Fiscal Matter (Bill Walker – Principal Internal Auditor)
- VII. Other Administrative Matters. (Mark Swann – Metropolitan Auditor)
- FY 2016 budget status.
 - FY 2017 budget request.
- VIII. Consideration of Items for Future Meetings. (Bob Brannon - Committee Chairman)
- IX. Adjournment of public meeting – Next Meeting Tuesday, July 12, 2016.



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

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

February 9, 2016

DRAFT MINUTES

The regularly scheduled meeting of the Metropolitan Nashville Audit Committee was held on Tuesday, February 9, 2016, at 4:00 p.m., at 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
Kimberly Smith, Office of Internal Audit
Theresa Costonis, Department of Law
Kim McDoniel, Chief Accountant
Gene Nolan, Department of Finance
Dell Crosslin, Crosslin and Associates
David Hunt, Crosslin and Associates
Scott Potter, Director, Metro Water Services
Tom Cross, Department of Law
Ron Taylor, Metro Water Services
Tony Neumaier, Metro Water Services

Quorum present? Yes

Call Meeting to Order

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

Approval of Minutes

A motion to approve December 8, 2015, meeting minutes was made, seconded, and carried.

New Business

Election of Committee Chairman and Vice Chairman

A motion to elect Mr. Robert Brannon, Committee Chairman, and Mr. Brack Reed, Vice Chairman was made, seconded, and carried.

Metro Water Services Clean Water Abatement Program Review

Metro Water Services management and Mr. Cross, Department of Law representative for Metro Water Services, briefed the Committee concerning the Consent Decree program. The program has two components; the first part is the Corrective Action Plan / Engineering Report, which is the plan to address sanitary sewer overflows (SSO). This plan addresses about 70 percent of the program investment. These are public health issues, and Metro Water Services does not believe there is any risk of non-acceptance by the Environmental Protection Agency in conducting sanitary sewer overflows projects. This is because it does good for the public.

The program's second component is the Long-term Control Plan. This plan is to address combined sewer overflows (CSO) into the Cumberland River. This plan is still in negotiations with the Environmental Protection Agency to balance the amount of investment that will provide

the greatest benefit in improving water quality. Metro Water Services is not conducting projects under this plan. There are only six combined sewer overflows left. You have to obtain a permit to complete a combined sewer overflow project; permits are not required for sanitary overflow projects.

Mr. Briley asked how we can know that enough work has been done to satisfy the Environmental Protection Agency to minimize the number of sanitary sewer overflows with having built the Whites Creek pumping station. Metro Water Services management stated that the criteria being used for performance are the same criteria that are accepted by the Environmental Protection Agency in Region 4, and all of the other cities under a consent decree are following the same criteria. Mr. Briley asked if there was any risk that the Environmental Protection Agency would not accept these models. Metro Water Services management replied no.

Mr. Briley asked if there is someone that we are talking to at the Environmental Protection Agency. Metro Water Services management replied yes. However, it has been a year since information regarding water quality has been submitted and no response was received from the Environmental Protection Agency.

Mr. Briley asked if we are continuing to build without hearing a response from the Environmental Protection Agency, are we exposing the city to risks, for example, we built the Whites Creek pumping station using the wrong model, millions of dollars are spent, and the Environmental Protection Agency does not accept the project as constructed. Metro Water Services management replied that there is no risk because there are procedures built into the Consent Decree for getting approvals. Nothing has been undertaken they would not have consent to do. Tennessee Department of Environment and Conservation is also party to the Consent Decree. Metro Water Services has been in constant contact with this group, as recent as a few months ago, and they are well aware of our criteria and what is being done.

Mr. Briley stated that his understanding, as of the last meeting, was that we were not in contact with the Environmental Protection Agency in reference to approvals. Metro Water Services management stated that quarterly updates are submitted to the Environmental Protection Agency, which implies contact.

Mr. Cooper asked about lead in water testing. Metro Water Services stated they conduct lead testing every three years, and the results are good. Metro Water Services described the lead testing process and test results.

Discussion on Adoption or Acceptance or Closing of the FY 2015 Comprehensive Annual Financial Report

Ms. Costonis emphasized that there is nothing that states that the Committee has to approve the Comprehensive Annual Financial Report. Continuing with the past practice of not voting to approve is fine. Mr. Brannon stated that in the past, it has been left open for several meeting just in case something additional arises. Mr. Reed added that he believed it should be documented as a best practice as a group, on an ongoing basis, to accept, or not accept, the audit.

A motion to accept the FY 2015 Comprehensive Annual Financial Report was made, seconded, and carried.

Mr. Mendes asked if the Committee wanted to amend the bylaws at some point to describe the process. The Committee agreed.

Discussion on Executive Sessions for Audit Committees

Ms. Costonis stated items to be discussed in executive session are listed in Tennessee Code Annotated § 9-3-405(d). After speaking with Mr. Swann, the FY 2015 Management Letter and FY 2015 Single Audit is still outstanding, has not been submitted to the Committee, and would be considered pending and ongoing. Conversations should be limited to the FY 2015 Management Letter or FY 2015 Single Audit, as opposed to the FY 2015 Comprehensive Annual Financial Report.

Mr. Briley asked if the Comprehensive Annual Financial Report should be made available to the public before the Committee accepts it. Ms. Costonis stated that the Metropolitan Nashville Charter § 16 states that the Comprehensive Annual Financial Report has to be finalized within four months of the close of the year.

Mr. Mendes stated that with Crosslin and Associates having to roll up the other entities, the Committee would have to commit to having meetings within a ten-day window after all of the other units are rolled up, but before the Comprehensive Annual Financial Report becomes available to the public. In the event of any roadblocks, as it relates to the Comprehensive Annual Financial Report, the Committee should consider a mid-process update executive session in September, followed by an almost-final draft executive session in November. The idea is first to identify any issues with conducting the audit that the Committee should know about and then gain an idea of what the final draft will include before it is received.

A motion to adopt a policy to implement a mid-audit executive session from the external auditor and also in close proximity to the final draft prior to acceptance by the Committee in its final form was made, seconded, and carried.

Discussion on the Audit of the Office of Management and Budget Revenue Forecasting Audit Report issued January 22, 2016

Mr. Swann stated that since the last Committee meeting, the Office of Internal Audit released one audit report on revenue forecasting. The controls and review of the process were examined.

Mr. Mendes asked if the response is stating that the Office of Management and Budget would implement the recommendations to the extent reasonable. Ms. Lomax-O'dneal replied yes. Ms. Lomax-O'dneal stated that the Department of Finance was presented with options on how to better approach revenue projections. The recommendations were on track with the direction the Department of Finance is headed in terms of projecting estimates with the new budgeting process. The Department of Finance will try the new methods over the next few years to see if there are any improvements. Budget projections have been very close to actuals over the past few years.

Discussion of the Office of Internal Audit Recommended 2016 Annual Work Plan

Mr. Swann presented the recommended Metropolitan Nashville Office of Internal Audit 2016 Annual Work Plan. Mr. Mendes stated that the risks appeared to be heavier in places that collect cash. Mr. Mendes was interested in hearing what it would take to adopt an enterprise risk management approach and big picture thinking perspective. Mr. Briley stated that approaches from other big cities should be examined. Mr. Swann stated that he had also discussed this

matter with Ms. Lomax-O'dneal. Government auditing standards do not require a risk assessment process. However, the Institute of Internal Auditors standards does require an enterprise risk assessment process be considered when developing an internal audit work plan. Mr. Mendes stated that when Nashville Electric Services adopted the enterprise risk management approach, it dramatically changed the focus of internal audit. Mr. Swann replied that the sponsorship of risk management should not come from the Office of Internal Audit, but from Metro Nashville Government management. Internal audit's role is to assess the risk management process.

Mr. Reed stated that the Office of Internal Audit Recommended 2016 Annual Work Plan seems to include a lot of financial audits, but performance audits should be included as well, which historically have been expensive like the audit of Metropolitan Nashville Public Schools. He inquired about including more performance type audits in the plan. Mr. Swann replied that usually there is a performance element included in each of the audits. Subject-matter experts are also brought in as needed.

Ms. Lomax-O'dneal asked Mr. Swann to explain the scope of the safety program included in the audit plan. Mr. Swann replied that the audit would be Metro-wide from the operational aspect as it relates to employee safety. Metro-wide would include the general government. A subject matter expert would likely be hired for this project.

A motion to approve the recommended Metropolitan Nashville Office of Internal Audit 2016 Internal Audit Work Plan was made, seconded, and carried.

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

Mr. Swann stated that a request was received from the Board of Education to review the end of course grading practices. The Office of Internal Audit has limited resources and would likely need to hire someone with expertise in education, service delivery, and grading practices to assist in this investigation. Ms. Mendes stated that there were four things he wanted to know before moving forward, such as more details regarding the scope of what "examine the situation" entails, whose budget is this coming from, a description of the scope of their existing internal review, and the scope and status of any other audits. Ms. Lomax-O'dneal added that we also need to know what they anticipate our role to be, as well as the role of any consultant that may be engaged. Mr. Briley asked about McConnell, Jones Lanier & Murphy's familiarity with this district. Mr. Swann replied that they did performance audits of school districts across the country. Also, the Committee selected this group out of five potential firms that specialize in school district audits to conduct the audit of Metropolitan Nashville Public Schools.

A motion to delay a decision for the Office of Internal Audit to conduct an independent review of End of Course and other grading practices in Metropolitan Nashville Public Schools until more information is received was made, seconded, and carried.

Unfinished Business

Discussion on proposed supporting internal audit legislation

Ms. Costonis stated some additional suggested comments were added to the draft legislation for the Committee's consideration. A few Tennessee Code Annotated sections already speak generally to these sections. Paragraph H Subsection 1 - Access to Records is similar to

Tennessee Code Annotated § 9-3-206. Subsection 1 was added to Section I - Other Audit Services, which mirrors Tennessee Code Annotated § 9-3-406. "Investigation and disposition of reported incidents of fraud as contemplated above in subsection I of this section" was added to Section L - Scope of Services in an effort to make it clearer. Another addition, "and any public entity whose existence is created or authorized by the Metropolitan Charter or the Metropolitan County Council", that effectively excludes entities created pursuant to State law but designated by that law to be a Metro agency or instrumentality. Ms. Lomax-O'dneal stated that not all employees referenced are Metro employees and should be replaced with "employees of these entities."

Mr. Mendes highlighted the language "To the fullest extent allowed by the Charter" in Section H Subsection 1 - Access to Records and Section L – Scope of Services was the results of his meeting with Mr. Swann. Mr. Briley believed this language might limit Metro Nashville Government's authority to audit its entities.

Ms. Lomax-O'dneal asked if any other edits would be made to the ordinance after today. Ms. Costonis stated that Section I, Subsection 2 would be edited to state "No employees of these entities," along with the Section L "investigation and disposition of reported incidents of fraud as contemplated above in subsection I of this section." Also, Mr. Briley's suggestion, instances of "To the fullest extent allow by the Charter" should be removed. Mr. Briley stated that we should assume we have authority unless they tell us otherwise.

A motion to adopt the changes to the proposed supporting internal audit legislation was made, seconded, and carried with a vote of five members in favor and one member, Mr. Mendes, not in favor.

Mr. Swann stated that although there were additional items on the agenda, the Committee should skip to the executive session.

A motion to adjourn the public meeting was made, seconded, and carried.

Adjournment of Public Meeting

Public Meeting adjourned after 90 minutes.

A motion to conduct an executive session was made, seconded, and carried. The Audit Committee went into executive session with the external auditors to discuss the ongoing audit of the FY 2015 Management Letter and Single Audit. Attending the executive session were Mr. Brannon, Mr. Briley, Mr. Cooper, Ms. Lomax-O'dneal, Mr. Mendes, Mr. Reed, all members of the Metropolitan Nashville Audit Committee, Ms. Costonis, Metro Nashville Department of Law, and Crossline and Associates representatives, Mr. Dell Crosslin and Mr. David Hunt.

The executive session adjourned after 15 minutes.

Respectfully submitted to the Metropolitan Nashville Audit Committee members:



Mark Swann
Secretary, Metropolitan Nashville Audit Committee

**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.

EXECUTIVE SUMMARY

February 18, 2016



Why We Did This Audit

The Immunization Program plays an important role to ensure children in Davidson County are immunized against preventable diseases.

What We Recommend

- Keep school visit records, and update the State information system.
- Enforce insurance verification at clinics.
- Establish a bad debt write-off policy and procedure.
- Improve vaccine inventory procedures and cash handling processes at clinics.

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

AUDIT OF METRO PUBLIC HEALTH DEPARTMENT'S IMMUNIZATION SERVICES

BACKGROUND

The Metro Public Health Department Immunization Program is essential for minimizing the risk of spreading preventable diseases within Davidson County. Staff monitors compliance with the federal Vaccines for Children and Section 317 Immunization programs and determines the immunization coverage in Davidson County. Audits are performed at 201 daycare and kindergarten facilities and 57 program providers.

Also, Metro Public Health Department clinics administer free vaccines to eligible individuals, as well as paid vaccines to others.

Exhibit 1 - Vaccines Administered Between September 2013 and August 2015

Services	Shots Administered	Cost to Metro
Vaccines for Children and Section 317 Immunization Programs	59,647	None
Private Paid Vaccine	4,602	\$412,644

Source: Patient Tracking & Billing Management Information System

OBJECTIVES AND SCOPE

The objectives of this audit were to determine if the Metro Public Health Department:

- Immunization Program processes ensure coverage goals are achieved, and staff monitors program providers' compliance with Vaccines for Children Program requirements.
- Clinics' internal controls ensure accountability and safe keeping of vaccine inventory.
- Vaccine billing and collection processes are effective.

The audit scope included all Immunization Program audits completed, and all vaccines administered in the Metro Public Health Department clinics between September 2013 and August 2015.

WHAT WE FOUND

The Immunization Program did not retain all backup documentation to support completed daycare and kindergarten audit engagements. The Metro Public Health Department Clinic's vaccine inventory procedures did not require shots administered to be reconciled to month-end inventory counts, insurance information collected at clinics routinely contained errors resulting in denied claims by insurance carriers, segregation of duties controls were not implemented in vaccine inventory and cash handling processes, and bad debt write-off procedure did not exist.

EXECUTIVE SUMMARY

March 18, 2016



Why We Did This Audit

The audit was initiated based on the request of the State Trial Court Administrator on behalf of the Chancellors due to the transitioning of the Clerk and Master position.

What We Recommend

The Clerk and Master's Office could become more efficient by placing reliance on the Financial Manager of the Odyssey Case Management system and better mitigate risks by improving segregation of duties and compensating controls.

CLERK AND MASTER OF THE CHANCERY COURT AUDIT

BACKGROUND

The Clerk and Master administer the Chancery Court caseload by maintaining books, records, and case files. Also, the Clerk and Master collects and reports revenue from delinquent taxes and court costs along with investing funds held as trustee of the Chancery Court.

Exhibit 1: Clerk and Master Financials for FY 2014 and FY 2015

	FY 2014	FY 2015
REVENUES		
Charges, Commissions, and Fees (Program)	\$1,184,528	\$1,100,017
Fines, Forfeits, and Penalties (Non-Program)	515,699	519,132
Litigation Taxes (Non-Program)	54,286	50,715
Total Revenues	\$1,754,513	\$1,669,864
EXPENDITURES		
Personal Services	\$1,213,217	\$1,166,509
Other Services	224,159	109,034
Total Expenditures	\$1,437,376	\$1,275,543
FUNDS HELD IN TRUST AS OF JUNE 30	\$5,999,530	\$6,712,828

Source: Metro Nashville's EnterpriseOne Financial System

OBJECTIVES AND SCOPE

The objectives of the audit were to determine if:

- Controls and procedures were in place to properly manage fiscal resources.
- Audit recommendations contained in the August 28, 2013, Clerk and Master internal audit report were implemented.

The audit scope included July 1, 2014, through November 30, 2015.

WHAT WE FOUND

The Clerk and Master had controls in place to effectively manage resources and protect assets. However, information systems could be more effectively utilized and protected, and controls could be improved around leave time and credit card purchases. Additionally, six prior accepted audit recommendations from the August 28, 2013, internal audit report were not implemented.

EXECUTIVE SUMMARY

March 31, 2016



Why We Did This Audit

The audit was conducted due to the important role the Juvenile Court has with children and the length of time since the last audit.

What We Recommend

- Changes to case information within the Juvenile Court information systems should have supervisory approval, and only staff with an operational requirement to make administrative changes should have access to change case information.
- Reconcile juvenile cases in the Automated Records Management System to the Juvenile Court computer systems.

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

AUDIT OF THE JUVENILE COURT

BACKGROUND

The mission of the Juvenile Court is to ensure that every child and family that comes into contact with the Court is met with justice, fairness, and hope. The Court processed 16,673 and 15,915 cases in fiscal years 2014 and 2015, respectively.

Exhibit 1 – Juvenile Court Operational Expense and Budget

Funding	FY2014	FY2015
Budget	\$12,178,941	\$11,492,898
Actual	\$11,674,085	\$11,135,576

Source: Metropolitan Nashville JD Edwards EnterpriseOne Financial System

OBJECTIVES AND SCOPE

The objectives of the Juvenile Court audit were to determine:

- Cases are managed in accordance with laws and regulations, as well as the mission of the Court.
- Information system controls are working as management intended.
- Controls and procedures ensure firearms in the Warrants Department are tracked and safeguarded.
- Contracts are monitored, specifically for the Detention Center.
- Financial operations are managed.
- Implementation status of 2006 audit report recommendations.

The audit scope included all work performed in fiscal years 2014, 2015, and quarter one fiscal year 2016. Activities related to the newly formed Assessment Team and the Support, Intervention, and Accountability Team are not included in the audit scope due to them being recently established.

WHAT WE FOUND

We found changes can be made to case information within the Juvenile Court computer systems by certain authorized personnel without prior supervisory approval and without an audit trail. Also, reconciliations between the Metropolitan Nashville Police Department's Automated Records Management System and Juvenile Court computer systems are not routinely conducted.

The financial information reported by the Juvenile Court was generally complete, accurate, and recorded in accordance with Metropolitan Nashville Government financial policies.

Metropolitan Nashville Government Information Security Program

Keith Durban – Chief Information Officer

John Griffey – Chief Information Security Officer

CIS Critical Security Controls - Version 6.0



To learn more about the CIS Critical Security Controls and download a free detailed version please visit: <http://www.cisecurity.org/critical-controls/>

CSC 1: Inventory of Authorized and Unauthorized Devices

CSC 2: Inventory of Authorized and Unauthorized Software

CSC 3: Secure Configurations for Hardware and Software on Mobile Devices, Laptops, Workstations, and Servers

CSC 4: Continuous Vulnerability Assessment and Remediation

CSC 5: Controlled Use of Administrative Privileges

CSC 6: Maintenance, Monitoring, and Analysis of Audit Logs

CSC 7: Email and Web Browser Protections

CSC 8: Malware Defenses

CSC 9: Limitation and Control of Network Ports, Protocols, and Services

CSC 10: Data Recovery Capability

CSC 11: Secure Configurations for Network Devices such as Firewalls, Routers, and Switches

CSC 12: Boundary Defense

CSC 13: Data Protection

CSC 14: Controlled Access Based on the Need to Know

CSC 15: Wireless Access Control

CSC 16: Account Monitoring and Control

CSC 17: Security Skills Assessment and Appropriate Training to Fill Gaps

CSC 18: Application Software Security

CSC 19: Incident Response and Management

CSC 20: Penetration Tests and Red Team Exercises

Source: *The CIS Critical Security Controls for Effective Cyber Defense*, Version 6.0, October 15, 2015, The Center for Internet Security



29 March 2016

Mark S. Swann
Metropolitan Auditor
Office of Internal Audit
404 James Robertson Parkway
Nashville, TN 37219

Re: Request to Update the Metropolitan Nashville Audit Committee – Parallon Cooperation with External Auditors

Dear Mr. Swann:

This will serve to confirm my receipt of your March 11th correspondence in which you advised me that members of the Metropolitan Nashville Audit Committee had raised concerns about issues that the Metropolitan Nashville Hospital Authority auditors, Crosslin & Associates, set forth in a January 26th letter to the MNHA Board. Specifically you referenced Crosslin's efforts to obtain information from MNHA's third party billing vendor, Parallon, in relation to their performance over the prior fiscal year. You requested that I provide the Audit Committee with an update about the actions MNHA took to facilitate Parallon's providing to Crosslin the requested Service Organizations Control Report (SOC1, Type II), along with any issues MNHA has had with the \$900,000 credit receivables balance.

At the time Crosslin sought the SOC1 report, it was our initial understanding that Parallon had concerns about opening up their proprietary systems to public access through a governmental agency audit. Pursuant to our contract with Parallon, MNHA and its auditors had a contractual right to access Parallon's SOC1. To clarify for the Committee, an SOC1 is a report on efficacy of the financial and security controls that Parallon had in place while servicing MNHA's billings for hospital services. A Type 1 SOC1 focuses on a description of Parallon's systems and whether the company designed its controls to achieve adequate security, confidentiality and efficiency in its MNHA delegated billing operations. A Type 2 report, which MNHA and its auditors had a right to review, contains the same opinions as a Type 1 report with the addition of both an opinion on the operating effectiveness of the required controls and a detailed description of the service auditor's tests of Parallon's controls and results.

After Parallon's invitation to Crosslin auditors to conduct a site visit proved unfruitful, it was my understanding that Parallon provided the SOC1 report as originally requested.

Our Audit Principal, Angie Hoke, noted in her January letter that her review of the SOC1 report at Parallon headquarters revealed:

“processes and controls (that) appeared to be designed and operating effectively, which supported the audit approach we had determined in our audit planning (and, thankfully, therefore did not require us to change our strategy or expand our testing already performed...)”

In relation to the \$900,000 credit receivables balance, this amount involved a disagreement between NGH and Parallon as to whether the TennCare managed care organization, AmeriChoice, incorrectly paid NGH for certain patient services. These amounts are called “contractuals”. In the normal process of provider billings with health carriers, each party strives for accuracy in billing and resulting reimbursement. An insurance carrier will expect a refund for any claims that it retrospectively adjudicates as being non-reimbursable. This amount is accounted for as a “credit balance” that is due the carrier. NGH took the position with Parallon that, since AmeriChoice determined that claims amounting to \$218,230 worth of contractuals were correctly filed and paid, no credit balance arose. Parallon disagreed relying on the results of its claims processing system.

In any event, Ms. Hoke reported to MNHA that patient credits were three times higher than in prior years. The table below outlines the prior credit balances by annual comparison:

Credit Balances in Prior Years vs. Calendar Year	
2013	\$382,205
2014	\$340,953
2015	\$965,370
Less Adjustment	(\$218,230)
Remaining 2015 Credit Balance	\$747,140

Ms. Hoke obtained a listing of the credit balances and noted that they appeared to have been created out of the normal revenue and A/R processes, which Crosslin tested. That testing process revealed that the AmeriChoice issue presented actual credit balances that would be worked out in the normal billing and adjustment process. Like virtually all hospitals, NGH will true up credit balances due insurance carriers by use of subsequent remittance advice. A remittance advice is the industry jargon for a set of payments that a carrier provides to a hospital following the next set of billings. In other words, NGH will take a debit from the amount of its next remittance advice to in effect “pay back” an insurance carrier. This process is far more efficient than having NGH cut a separate set of checks for each credit balance that arises with a batch of claims.

Please let me know if you or the Committee members have any further questions or need additional information.

Sincerely,

A handwritten signature in black ink, appearing to be 'J Webb', written over a horizontal line.

Joseph Webb, D.Sc., FACHE
Chief Executive Officer

C: MNHA Board of Trustees



FY 2015

Single Audit Report

Letter of Recommendations to Management



March 8, 2016

Mr. Mark Swann, Director
Nashville Office of Internal Audit
404 James Robertson Parkway, Suite 190
Nashville, TN 37219

Dear Mr. Swann,

At the March 8th, 2016 meeting of the Metropolitan Board of Fair Commissioners, it was voted on by the Board to request a financial and operations audit be performed by Metro. Recently, Mr. Buck Dozier retired as Executive Director of the Metropolitan Fairgrounds. As the Metropolitan Board of Fair Commissioners begins the search for a new Executive Director, the Board believes it would be appropriate to request an audit of the current operations at the Fairgrounds in order to give the new director insight into the status of the current operations and suggested areas of improvement. Additionally, we feel an audit is long overdue as one has not been performed in many years. We are hopeful the findings from the audit will allow the new Executive Director and the Board with the information needed to execute a management strategy that will ensure successful operations at the Fairgrounds.

It is my understanding that the Board needs to request that the Metropolitan Audit Committee consider this request. Please consider this letter as an official request from the Metropolitan Board of Fair Commissioners to request a financial and operations audit to be scheduled at the earliest date. Thank you, in advance for your attention to this request.

Sincerely,

A handwritten signature in cursive script that reads "Ned Horton by Ken Sanders".

Ned Horton, Chairman
Metropolitan Board of Fair Commissioners

Internal Review Report

OVERVIEW AND REVIEW PROCESS

Key Highlights

- The internal review process was labor intensive and thorough. The credibility of the review is validated by the fact that the district independently identified many of the same students that the Tennessee Department of Education (TDOE) inquired about.
- After four months of research, the district found no indication of systemic “gamesmanship” where students were being moved out of classes to avoid end-of-course (EOC) exams in order to inflate school performance data, which was the primary allegation made against the district.
- The district did identify a relatively small number of cases where students were removed from EOC courses and placed in credit recovery without having the opportunity to first attempt the second semester of the course in a traditional classroom. Most of these students did not take the EOC exam. However, these students accounted for only 0.1% of EOC exams administered during that particular school year.
- In response to the internal review findings, the district has revised and strengthened its course retake policy to give more specific guidance on when credit recovery should be used to help struggling students.

Review Process

- Interim Director of Schools Chris Henson asked Chief Operating Officer Fred Carr to investigate the allegations being made against the district related to the use of credit recovery and EOC testing.
- The TDOE separately asked for information on more than 500 students in regard to EOC exam participation.
- The Chief Operating Officer is responsible for testing and accountability through the Department of Research, Assessment and Evaluation (RAE). The Chief Academic Officer is responsible for principal supervision.
 - This structure is set up deliberately to separate the two and keep accountability independent from instructional leadership. One does not answer to the other.
- RAE worked for four months carefully analyzing student data from multiple sources to answer TDOE inquiries and internal questions about student class assignments and EOC participation.
- This was a time-intensive process that required many hundreds of staff hours. The result is an “Internal Review” report, as well as a spreadsheet and multiple pieces of documentation delivered to TDOE.
- In addition, RAE did a system-wide analysis to review school practices related to credit recovery and participation that have resulted in changes to policy and practice.

SUMMARY OF ANALYSIS AND FINDINGS

Credit Recovery

- There is no system-wide course code to identify credits earned in credit recovery, making it impossible to accurately identify the number of students taking credit recovery.

- Furthermore, there is little state guidance on use of credit recovery programs and great variation from district to district.
- In Metro Schools, there are inconsistencies in the way credit recovery is applied and used.
- In several cases, it appears district policies and procedures were not followed, allowing 42 students to earn course credit through credit recovery without initially completing the second semester of the course in a traditional classroom.
 - 42 students represent 0.1% of the 35,561 EOC exams administered in 2014-15.

End-of-Course Exams

- While there is one outlier among the district's 24 high schools, deep and detailed analysis of EOC participation rates found no evidence of systemic gamesmanship or intentional manipulation of EOC data.
- With the exception of one school, all high schools had EOC errors in numbers small enough to be attributable to human error or complicated student mobility. At the outlier high school, the issue is being addressed with administration.
- The state calculates participation rate in a simple manner that counts the number of attempted tests against the number of answer documents returned. This counts all students who are enrolled in an EOC class on that day, but not all students who were enrolled in that EOC class at some point during the year.
- To account for this difference, RAE used several different methods to calculate participation rate. One included following a cohort of students through four years of high school and analyzing their EOC participation independent of the state's calculation.
 - This method helps account for students moving in and out of classes and taking tests at different times.
 - It also takes into account legitimate exclusions, such as absent students, students in Advanced Placement or International Baccalaureate classes, certain English learner students and others.
- In both calculations, the state's official calculation and the district's more thorough calculation, participation rates were very high.
 - State Calculation
 - 98% overall in 2014-15
 - At or above 97% in each subject for each of the past three years
 - All zoned high schools exceed 95% annually
 - District Cohort Calculation (including legitimate exclusions)
 - Algebra I – 98.4%
 - Algebra II – 96.4%
 - English I – 98%
 - English II – 96.8%
 - English III – 93.1%
 - Biology I – 99.3%
- In the case of English III, some of these students are scheduled to take the EOC this spring. Others missed the test last spring and were not required to take it over the summer because the state did not offer EOCs last summer.
- Given this exceptional circumstance, and in order to get a more typical view of Algebra II and English III participation at these schools, RAE applied the district calculation to the 2013-14 cohort of 11th graders.
 - In this analysis, Hunters Lane High School did have an unusually high number of students (21) with no EOC record in Algebra II. All other schools had 7 or fewer.
 - Hunters Lane also had an unusually high number of students (27) with no EOC record in English III. All other schools had 3 or fewer.
 - The majority of these Hunters Lane students were moved out of the course during the second semester and into credit recovery.

ACT Participation

- Calculating ACT participation rate can also be done in multiple ways. To answer media inquiries, RAE was asked to calculate the rate as a percentage of 11th graders, which is typically the year students take the test.
- But in fact, TDOE has indicated that official participation rates, soon to be used in district accountability, will likely be based upon high school completers, not tied to a specific grade level. TDOE even encourages the use of vouchers to allow 12th graders to take the ACT if they miss it in the 11th grade.
- Obviously, this means vastly different rates can be produced depending on the method used. The district believes it should be calculated against high school completers, as the ACT is seen as a culminating activity for students.
- Using this method, the ACT participation rate for the class of 2014 was 94%. That number dropped to 87.4% in 2015 due to a snow storm that closed schools on the ACT test day. The make-up day was during spring break. This caused many students to miss the test entirely.
- In addition, a great deal of data quality issues exist in calculating ACT participation. ACT will often generate multiple records for one student or put students in the district file who are not enrolled in Metro Schools.
- Because of these issues, RAE is hesitant to generate more detailed participation data until TDOE finalizes the rules surrounding accountability for participation.

Tennessee Department of Education Inquiries

- Having TDOE provide a list of specific student names and cases for review was extremely helpful. Some cases could be easily explained by absences, mobility, discipline or other circumstances. Others could not.
- After reviewing cases and sending responses back to TDOE, Department officials still had questions about 86 students. Of these 86 cases, only four schools had more than 5 students on the list:
 - Hunters Lane – 30
 - Maplewood – 14
 - Glenciff – 7
 - Pearl-Cohn – 7
- Another TDOE inquiry centered on a relatively high percentage of 9th graders without English I EOC answer documents (20.2% in 2013-14 and 17.8% in 2014-15).
- Analysis of student course history shows that many of these students have been classified as 9th graders for more than one year because they have not earned the required number or type of credits to be on track for four-year graduation.
 - In many other districts, students are not listed as “9th grade repeaters” regardless of credits earned. That is not the case in Metro Schools.
- So even though these students may be classified as 9th graders, most would have taken the English I EOC in a previous year and many were enrolled in English II or III.
- In addition, many of those 9th graders were English learners who are taking language development courses before English I.
- Taking these into consideration, course enrollment analysis shows that less than 3% of 9th graders during these years were not enrolled in an English class.

RECOMMENDATIONS AND NEXT STEPS

- Metro Schools takes test participation and academic intervention very seriously. While we do not feel there have been widespread, systemic issues in either area, it is clear that more monitoring needs to occur and new policies and procedures implemented.

Credit Recovery

- Credit recovery can provide good reinforcement of core academic concepts, and we stand by our use of it to help students earn credits in classes they previously failed.
- However, the TDOE's current four year calculation for graduation rate puts increased pressure on students and teachers to earn credits, particularly in subjects that require four years of classes like math and English.
- We recommend the state adopt a five year calculation for graduation rate to give students more flexibility in retaking classes and earning credits.
- The new student information system through Infinite Campus will allow for course codes that specifically identify credit recovery. This will make reporting and oversight more robust.
- The course retake policy has been revised and strengthened to give greater guidance for principals, counselors and teachers on the best educational practices for when to use credit recovery to help struggling students.

End-of-Course Exams

- RAE will produce an EOC course enrollment file at the time of testing to help verify which students need to take EOC exams. This will be post-exam verification much more thorough than it is currently.
- RAE will also generate a new report to monitor EOC exam participation based on the more strict calculation method to share with district leadership.
- Based on the arduous data analysis work done by RAE staff to answer TDOE inquiries, a new report will be built in the Data Warehouse that allows for automatic generation of the same data analysis. This report will be available to school counselors and district staff for easy monitoring of student credits earned and EOC requirements.

ACT Participation

- ACT participation is now part of district accountability to TDOE, though districts do not yet know how TDOE will calculate the rate. Once these business rules are finalized, RAE will refine its own reporting.
- RAE will continue working with school staff to identify students eligible to test.
- RAE will continue attempts to address ACT data quality concerns prior to calculating participation rate.
- We recommend that TDOE allow 12th graders to test on the one day each year set aside for statewide ACT testing.

TNReady and TCAP Tests

- RAE recommends using the same methods to monitor EOC participation that are detailed above and applying them also to TCAP and TNReady exams in grades 3-8.



2601 Bransford Ave. • Nashville, TN 37204
615/259-8487 • Fax: 615/214-4480

Sharon Dixon Gentry, EdD, Chair
Anna Shepherd, Vice Chair
Dr. Jo Ann Brannon
Amy Frogge
Tyese Hunter
Elissa Kim
Mary Pierce
Will Pinkston
Jill Speering

Mark S. Swann
Metropolitan Auditor
Office of Internal Audit
404 James Robertson Parkway
Suite 190
Nashville, TN 37219

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. BL2016-159**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. 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.

1. 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.

2. No employees of these entities shall suffer any retaliatory action for reporting to or cooperating with the Division of Metropolitan Audit or the Audit Committee.

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.

The Division of Metropolitan Audit is authorized to conduct financial audits, performance audits or other audit services, including investigation and disposition of reported incidents of fraud as contemplated above in subsection I of this section, 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.

Sponsored by: John Cooper

LEGISLATIVE HISTORY	
Introduced:	March 1, 2016
Passed First Reading:	March 1, 2016
Referred to:	Budget & Finance Committee
Deferred to April 19, 2016:	March 15, 2016
Passed Second Reading:	
Passed Third Reading:	
Approved:	
By:	

Requests for ADA accommodation should be directed to the Metropolitan Clerk at 615/862-6770.



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

The Metropolitan Government of Nashville and Davidson County
Nashville, Tennessee



Megan Barry, Mayor



FY2014 Management Letter

FY2014 Single Audit

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**Summary of Hotel Occupancy Tax Audit Results
As of April 7, 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	15	\$ 195,849,557	\$ 14,150,449	\$ 106,816	\$ 40,036	\$ 24,072
Grand Total	76	\$ 484,623,001	\$ 36,627,914	\$ 596,564	\$ 216,199	\$ 126,528
Fiscal Year	Percent of Tax Underpayment	Net Claims				
2013	-0.7%	\$ 22,058				
2014	-2.5%	\$ 415,061				
2015	-3.5%	\$ 126,335				
2016	-0.8%	\$ 122,781				
Total	-1.6%	\$ 686,235				

**Metro Nashville Government
Waste and Abuse Hotline**

**Waste?
Fraud?
Abuse?**



Your Call Matters

Report Any Problems Toll-Free

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1-855-252-7606 or

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Use Organization Name: Metro Nashville

We Can't Do It Without You

Mark S. Swann
Metropolitan Auditor



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

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

March 18, 2016

Mr. Scott Potter
Director
Metro Nashville Department of Water and Sewer Services
1600 Second Avenue North
Nashville, Tennessee 37208

Mr. Potter:

REQUEST FOR INVESTIGATION – METRO WATER SERVICES STORMWATER GRATES UPGRADE INSPECTIONS ALLEGATIONS

The Metropolitan Nashville Office of Internal Audit conducted an investigation pertaining to a request received, on January 27, 2016, from you regarding allegations of contractors associated with the Bike Friendly Grate program being paid without benefit of inspection and conspiracy to defrauding the public

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

Our investigation concluded that Metro Water Services Stormwater Division was not routinely performing post-upgrade grate inspections prior to invoice payment in 2014 and 2015. This allegation was therefore **substantiated**. The allegation that management of Metro Water Services conspired to defraud the public was **unsubstantiated**.

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

Sincerely,

A handwritten signature in black ink that reads "Mark S. Swann".

Mark S. Swann

Enclosure
cc: Honorable Mayor Megan Barry, Metropolitan Nashville Government



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

March 23, 2016

Nashville Farmers' Market Board Members
900 Rosa L Parks Blvd,
Nashville, TN 37208

Members of the Nashville Farmers' Market Board:

REQUEST FOR INVESTIGATION – NASHVILLE FARMERS' MARKET ALLEGATIONS

The Metropolitan Nashville Office of Internal Audit conducted an investigation pertaining to a request received, on February 4, 2016, from Ms. Margot McCormack, Chairperson, Nashville Farmers' Market Board, regarding allegations of fiscal matters within the Nashville Farmers' Market.

Our investigation concluded that the allegation that the Director of the Nashville Farmers' Market acted in a financially irresponsible matter by waiving fees was **unsubstantiated**. The total amount waived, refunded, or received subsequent to facility use represented 0.32 percent of fiscal year 2015 operational revenue. The Metropolitan Nashville Department of Law advised the Nashville Farmers' Market Rules versus Policy could be interpreted multiple ways. Given the uncertainties surrounding the delegated authority to waive fees, the allegations the Director of the Nashville Farmers Market acted outside of her authority was **unsubstantiated**.

The allegation that the Director of the Nashville Farmers' Market maliciously or intentionally violated the Metropolitan Procurement Code was **unsubstantiated**. The allegation that the Director of the Nashville Farmers' Market attempted to maliciously or intentionally abuse personal leave time was **unsubstantiated**.

The enclosed report provides additional details concerning our review and investigation of these matters. Work for this request is closed. Please contact me should you have any further question concerning this matter.

Sincerely,

A handwritten signature in cursive script that reads "Mark S. Swann".

Mark S. Swann

**Office of Internal Audit Budget versus Actual
GSD General Fund as of April 7, 2016**

FY 2016 Approved Budget

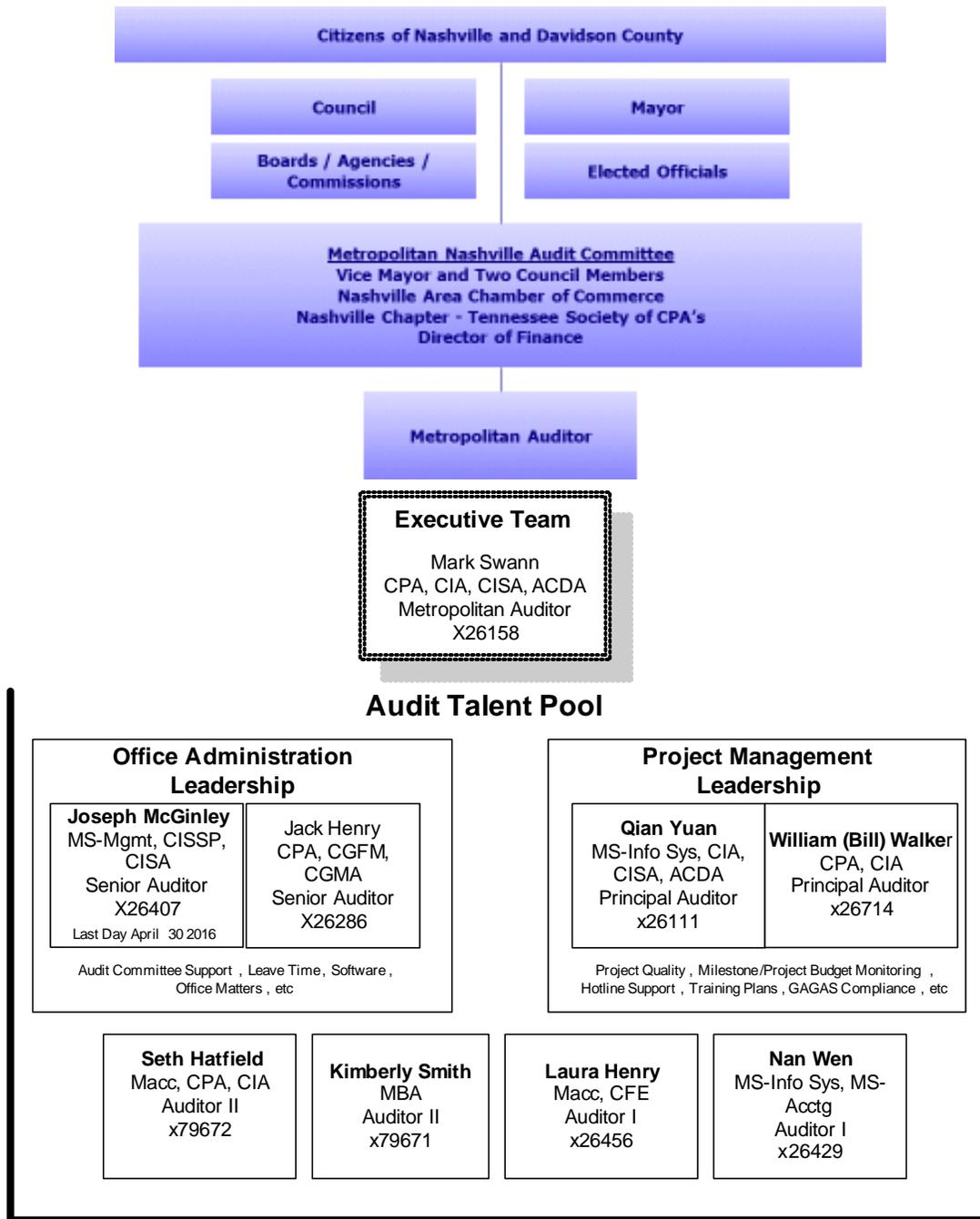
	FY 2016 Budget	Actual As of April 7, 2016	Difference	Notes
Total Salaries & Fringe	\$ 1,049,900	632,288	\$ 417,612	
Other Expenses				
Professional & Purchased Services	75,100	20,207	54,893	
Building Rent Parkway Towers	55,500	41,223	14,277	
Other Expenses	71,700	54,939	16,761	
Internal Service Fees	38,200	38,200	-	Information Technology
TOTAL EXPENSES	\$ 1,290,400	\$ 786,857	\$ 503,543	

30003 General Fund 4% Reserve \$ 11,689 \$ - \$ 11,689 AX Core Server Software & Training; Office Furniture

FY 2017 Proposed Budget Modifications

1. Increase Management Consulting	\$ 75,000
2. Administrative Assistance	63,000
3. Software Improvements	11,000
	<u>\$ 149,000</u>

Metropolitan Nashville Office of Internal Audit



**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

2016 Internal Audit Work Plan As of April 7, 2016
Plan Period February 2016 to January 2017

*Co-source	CY 2015 Audits In Progress	Plan Hours	Actual Hours	Status
1	Hotel Occupancy Tax Audits	80	17	Completed
2	Juvenile Court	100	59	Completed
3	Health Department - Immunization Programs (Reporting Phase)	50	9	Completed
4	Clerk and Master	120	118	Completed
5	Farmers Market (Field Work Phase)	300	244	In-Progress
6*	Information Technology Services - Microsoft Exchange Email Application Management(Reporting Phase)	200	93	In-Progress
7	Comcast Franchise Fee Audit (Reporting Phase)	150	158	In-Progress
CY 2016 New Audit Areas				
1	Hotel Occupancy Tax Audits	500	36	In-Progress
2	Airport Authority - Expenditures (Accounts Payable)	600		
3*	Metro-wide Employee Safety Program	800		
4	Metropolitan Development and Housing Agency - Tax Incremental Financing	600		
5	Health and Educational Facilities Board	400		
6	State Trail Courts – Office of Conservatorship Management	800		
7*	General Services - Fleet Operations	800		
8*	Sports Authority – 1 st Tennessee Field Construction Contract	600	6	In-Progress
9	General Services – 800 MHz Radio Shop Recommendation Follow-up	100		
10	Metro Parks and Recreation – Park Police	800		
11	Hospital Authority – General Hospital Expenditures (Payroll and Accounts Payable Process)	1,000		
12	Public Works - Smart City Traffic System Development Project	500		
13	Metro Water Services - Storm Water Revenue	800		
14	Human Resource Department - Hiring Process	800	184	In-Progress
15	Finance – Purchasing Department	800		
16*	Finance – Treasury Debt Financial Instrument Issuance Process	800	61	
17	Information Technology Services – Information Back-up and Recovery	600		
18	Metropolitan Nashville Public Schools – Student Information Systems	800	464	In-Progress
19*	Metro Water Services – Clean Water Nashville Overflow Abatement Program – Selected Projects Contract Compliance	400		
Other	Investigations	1000	772	In-Progress - 2 Completed - 3
Total Approved Work Effort		12,000	2,221	19%

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

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Metropolitan Clerk's Office

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

PURPOSE

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

SCOPE

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

RESPONSIBILITIES

Financial Statements

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

Risk Management and Internal Control

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

Internal Audit

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

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

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

Reporting Responsibilities

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

Other Responsibilities

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

COMPOSITION

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

MEETINGS

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

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

information as necessary. Meeting agendas along with appropriate briefing materials will be prepared and provided in advance to members by the Metropolitan Auditor. Minutes will be prepared by the Metropolitan Auditor.

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

PURPOSE

The Division of Metropolitan Audit, commonly referred to as the Metropolitan Office of Internal Audit, is an independent appraisal agency established to ensure and enhance the integrity, equality, accountability, effectiveness and efficiency of service activities, and to pursue an atmosphere of honesty and mutual trust within the Metropolitan Government of Nashville and Davidson County (Metro Nashville.)

SCOPE

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

The Metropolitan Auditor shall conduct financial, performance, or other audit services in order to independently and objectively determine whether:

- Risks, including safety, environment, fiscal, information technology and fraud, are appropriately identified and managed
- Programs, plans and objectives are achieved
- Significant financial, managerial and operating information is accurate, reliable and timely
- Activities and programs are being conducted in compliance with policies, standards, procedures and applicable local, state and federal laws or regulations
- Resources are acquired economically, used efficiently and protected adequately
- Quality and continuous improvement are fostered in Metro Nashville's control environment
- Interaction with the various governance groups occurs as needed
- External auditors' proposed audit scope and approach supplement internal audit efforts
- Activities indicate fraud, abuse or illegal acts which need further investigation
- Computer-based systems incorporate adequate controls

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

The Metropolitan Auditor shall have authority to:

- Review the effectiveness of internal controls for monitoring compliance with laws and regulations
- Review the observations of any examinations by regulatory agencies, and any auditor observation
- Review the process for communicating the code of conduct to Government personnel
- Obtain regular updates from department, board, commission, officer or agency management regarding compliance matters

The Metropolitan Auditor shall have authority to accept requests from management to perform special administrative reviews, special projects, and advisory services.

AUDIT SCHEDULE

At the beginning of each calendar year, the Metropolitan Auditor shall submit a twelve month audit schedule to the Metropolitan Audit Committee for review and approval. The schedule shall include the proposed plan for auditing departments, boards, commissions, officers, agencies, activities, systems, processes and subcontractors for the subsequent twelve months. This schedule may be amended during the period after review with the Metropolitan Audit Committee. Additionally, the Metropolitan Auditor may independently initiate and conduct any other audit deemed necessary with subsequent approval by the Metropolitan Audit Committee.

The schedule will ensure audit activities have been directed toward the highest exposure to risk and toward increasing efficiency, economy and effectiveness of programs. In the selection of audit areas and audit objectives, the determination of audit scope and the timing of audit work, the auditor will consult, as needed, with federal and state auditors, external auditors and other Metro Nashville monitoring functions so that the desirable audit coverage is provided and audit effort is properly coordinated.

REPORT OF IRREGULARITIES

If, during an audit, the auditor becomes aware of fraud, abuse or illegal acts, the Metropolitan Auditor shall report the irregularities to the Metropolitan Audit Committee, the Department of Law, the Mayor and the Tennessee Comptroller of the Treasury. If it appears that the irregularity is criminal in nature, the auditor shall notify the appropriate authority in addition to those officials previously cited.

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

ACCESS TO EMPLOYEES, RECORDS AND PROPERTY

The Division of Metropolitan Audit is authorized to have full, complete, and unrestricted access to all information (including automated data), physical properties, and personnel required to conduct a thorough and complete examination of the subject under review. Employees should cooperate with auditors and provide all information pertinent to the audit. The auditor shall not publicly disclose any information received during an audit that is considered proprietary (confidential) in nature by any local, state or federal law or regulation.

AGENCY RESPONSE

A final draft of the audit report will be forwarded to the audited department, board, commission, officer or agency director or his/her designee for review and comment regarding factual content before it is released to the Metropolitan Audit Committee. The audit entity must respond in writing, and specify agreement with audit observations and recommendations or reasons for disagreement with observations and/or recommendations, plans for implementing solutions to issues identified, and a timetable to complete such activities. The response must be forwarded to the Metropolitan Auditor within fifteen business days. The Metropolitan Auditor will include the response in the report. If no response is received, the Metropolitan Auditor will note that fact in the transmittal letter and will release the audit report. Any subsequent responses shall be distributed to those who received the audit report.

AUDIT FOLLOW-UP

The Metropolitan Auditor shall follow-up on audit recommendations as practicable to determine whether corrective action has been implemented. The Metropolitan Auditor may request periodic status reports from audited entities regarding actions taken to address reported audit concerns and recommendations.

REPORTS TO METROPOLITAN AUDIT COMMITTEE

Each audit will result in a written report containing relevant background information and observations and recommendations, and shall communicate results to the Metropolitan Audit Committee, the Mayor and the audited department, board, commission, officer or agency. Subject to applicable local, state or federal laws, the report shall also be available for public examination.

The Metropolitan Auditor shall submit each audit report to the Metropolitan Audit Committee and shall retain a copy as a permanent record. A copy will be posted on the Division's internet site.

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

ANNUAL REPORT

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

CONTRACT AUDITORS, CONSULTANTS AND EXPERTS

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

INDEPENDENCE

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

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

STANDARDS OF AUDIT PRACTICE

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

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

FUNDING

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

RECORDS

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

REASSESSMENT

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

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

Article IV. - Division of Metropolitan Audit

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

2.24.300 - Division of metropolitan audit.

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

(Ord. BL2007-1318 § 2, 2007)

Sec. 8.121. - Division of metropolitan audit.

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

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

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

SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT

Council

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

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

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

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

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

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

Metro Code 2.04.033 – Metropolitan Council

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

Mayor and Department of Metropolitan Finance

Metro Charter Section 5.03 – Power and authority of mayor.

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

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

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

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

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

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

SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT

Division of Metropolitan Audit

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

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

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

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

Tennessee Code Annotated

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

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

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

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

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

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

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

SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT

- (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.**

**METROPOLITAN GOVERNMENT OF NASHVILLE
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METROPOLITAN AUDIT COMMITTEE**

**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.

**METROPOLITAN GOVERNMENT OF NASHVILLE
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METROPOLITAN AUDIT COMMITTEE**

SELECTED METRO CHARTER and CODE SECTIONS RELATED TO AUDIT

(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,** ...”

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

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)