



METROPOLITAN GOVERNMENT OF NASHVILLE & DAVIDSON COUNTY

Metropolitan Government of Nashville and Davidson County - Finance Dept. Policy: Internal Control

Effective Date: January 23, 2026

Revision Date: March 6, 2026

Policy Number: 1.16

Sponsor: Division of Accounts

Purpose

The purpose of this Internal Control Policy is to establish uniform standards for the design, implementation, and monitoring of internal controls across all departments and agencies of the Metropolitan Government of Nashville and Davidson County ("the Government"). In accordance with T.C.A. § 9-18-102, the Government is required to establish and maintain an internal control system consistent with the U.S. Government Accountability Office (GAO) Standards for Internal Control in the Federal Government (Green Book).

Definitions

Internal Control: A process affected by oversight bodies, management, and other personnel, designed to provide reasonable assurance that the Government's objectives in reporting, operations, and compliance will be achieved.

The components of internal control are:

- Control Environment
- Risk Assessment
- Control Activities
- Information & Communication
- Monitoring

Department: Any department, board, commission, or agency for which the Metropolitan Council provides an annual budget appropriation.

Budget Appropriation: A legal authorization granted by the Council to make expenditures and to incur obligations for specific purposes. An appropriation is usually limited in amount and time when it may be expended. Metro general fund appropriations lapse (expire) at the end of each fiscal year.

General Policies

The Government shall maintain an internal control system that:

- Promotes ethical conduct, accountability, and transparency.
- Provides reasonable assurance over the effectiveness and efficiency of operations.
- Ensures compliance with laws, regulations, grant requirements, contracts, and adopted financial policies.
- Ensures the reliability and accuracy of financial reporting.
- Protects public resources from waste, fraud, abuse, unauthorized use, and mismanagement.
- Incorporates appropriate segregation of duties and compensating controls where full segregation is not practical.
- Is reviewed and updated annually.

Departmental Responsibility for Compliance

Each Department Head shall ensure the following:



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- Internal controls are established, documented, maintained, and reviewed annually.
- Policies and procedures are communicated to all employees.
- Segregation of duties is maintained.
- Compensating controls are implemented where necessary.
- Annual risk assessments are performed.
- Internal control documentation is updated annually or as needed.
- Supporting documentation is retained.
- Employees are trained.
- Corrective action is taken timely.

Finance Department Coordination of Compliance

The Department of Finance shall:

- Provide guidance, training, and advisory support.
- Maintain accounting systems and financial policies.
- Review departmental documentation to ensure departmentally established internal controls are in line with the overall governmental internal control system.
- Coordinate with Internal Audit.

Compliance and Audit

Departments are subject to periodic monitoring of departmental internal controls and Internal Audit review. Findings must be addressed in a timely manner.

Applicable Local, State or Federal Regulations

Metro. Charter art. 8, § 8.103: The director of finance shall be responsible to the mayor for the administration of the financial affairs of the metropolitan government.

Metro. Charter art. 8, § 8.104: The budget officer, with the advice and assistance of the chief accountant, shall write, revise and maintain a proper standard procedure instruction manual to be followed by all officers, departments, boards and other agencies of the government to ensure uniform accounting and budgetary procedures.

Metro. Charter art. 8, § 8.105: The chief accountant shall maintain a general accounting system and such cost accounting records as shall be required by the director of finance.

Tenn. Code Ann. § 9-18-102

GAO Green Book

COSO Framework

Associated Policies

All Finance Department policies.

Effective Date

This Policy Statement shall become effective upon issuance and shall be applied to all Metro departments and agencies.



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Approvals

Approval of the Director of Finance

I hereby approve this Policy Statement of the Department of Finance and as such agree with and authorize the actions necessary to implement its requirements.

Jenneen Reed

Director of Finance

Date: March 6, 2026