



# METROPOLITAN NASHVILLE OFFICE OF INTERNAL AUDIT

## **INTERNAL AUDIT PERFORMANCE REPORT**

November 1, 2010 through October 31, 2011

Implementation Status as of December 12, 2011

## Report to Metropolitan Nashville Audit Committee

December 13, 2011

Members of the Metropolitan Nashville Audit Committee  
Metropolitan Government of Nashville and Davidson County  
Metro Courthouse  
Nashville, TN 37201

Members of the Metropolitan Nashville Audit Committee:

The Metropolitan Nashville Office of Internal Audit is pleased to present its performance report highlighting accomplishments and audit work completed between November 1, 2010, and October 31, 2011.

The Office of Internal Audit completed thirteen audit projects and five investigation projects during this period. The most significant audit efforts were expended on the audits of the Metro Nashville Police Department crime statistical reporting, State Trial Courts, Music City Convention Center construction project and the Emergency Communication Center operations. Through this effort, internal audit demonstrated control safeguards were working as management intended for over \$52 million in revenues and expenditures. Also, a peer review of the Office of Internal Audit quality control process was successfully completed. This review was performed by members of the Association of Local Government Auditors.

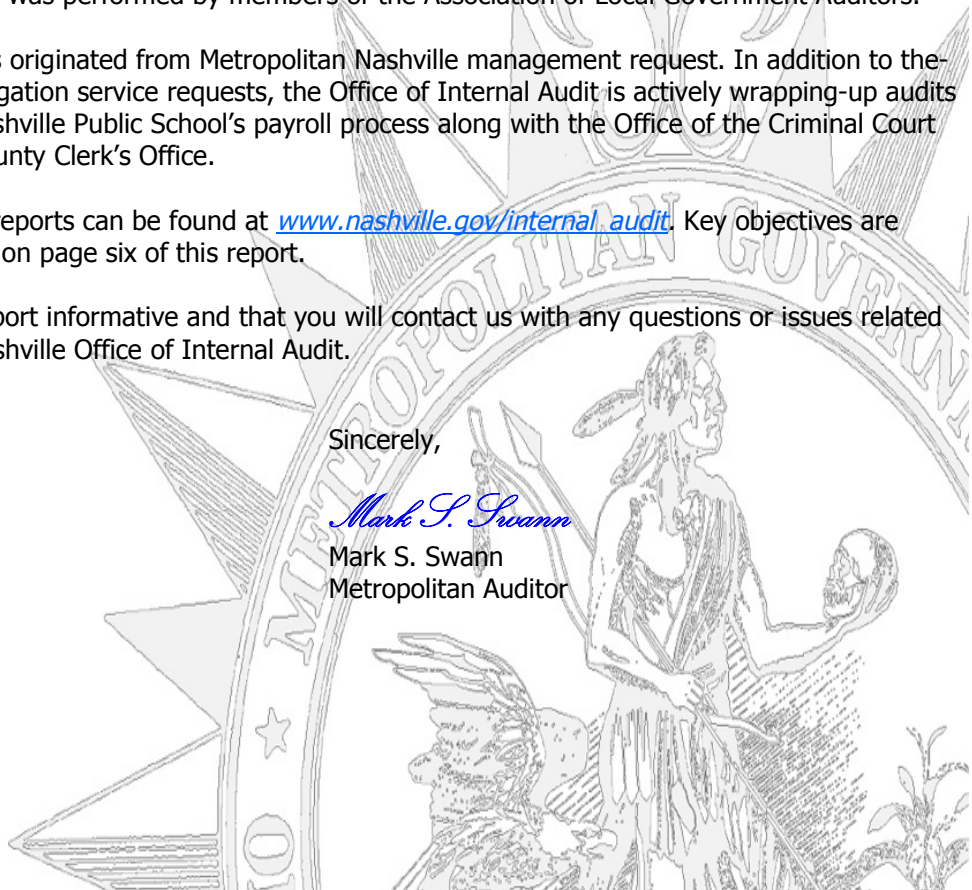
Three of these projects originated from Metropolitan Nashville management request. In addition to these user audit or investigation service requests, the Office of Internal Audit is actively wrapping-up audits of the Metropolitan Nashville Public School's payroll process along with the Office of the Criminal Court Clerk and Davidson County Clerk's Office.

The content for these reports can be found at [www.nashville.gov/internal\\_audit](http://www.nashville.gov/internal_audit). Key objectives are summarized beginning on page six of this report.

I hope you find this report informative and that you will contact us with any questions or issues related to the Metropolitan Nashville Office of Internal Audit.

Sincerely,

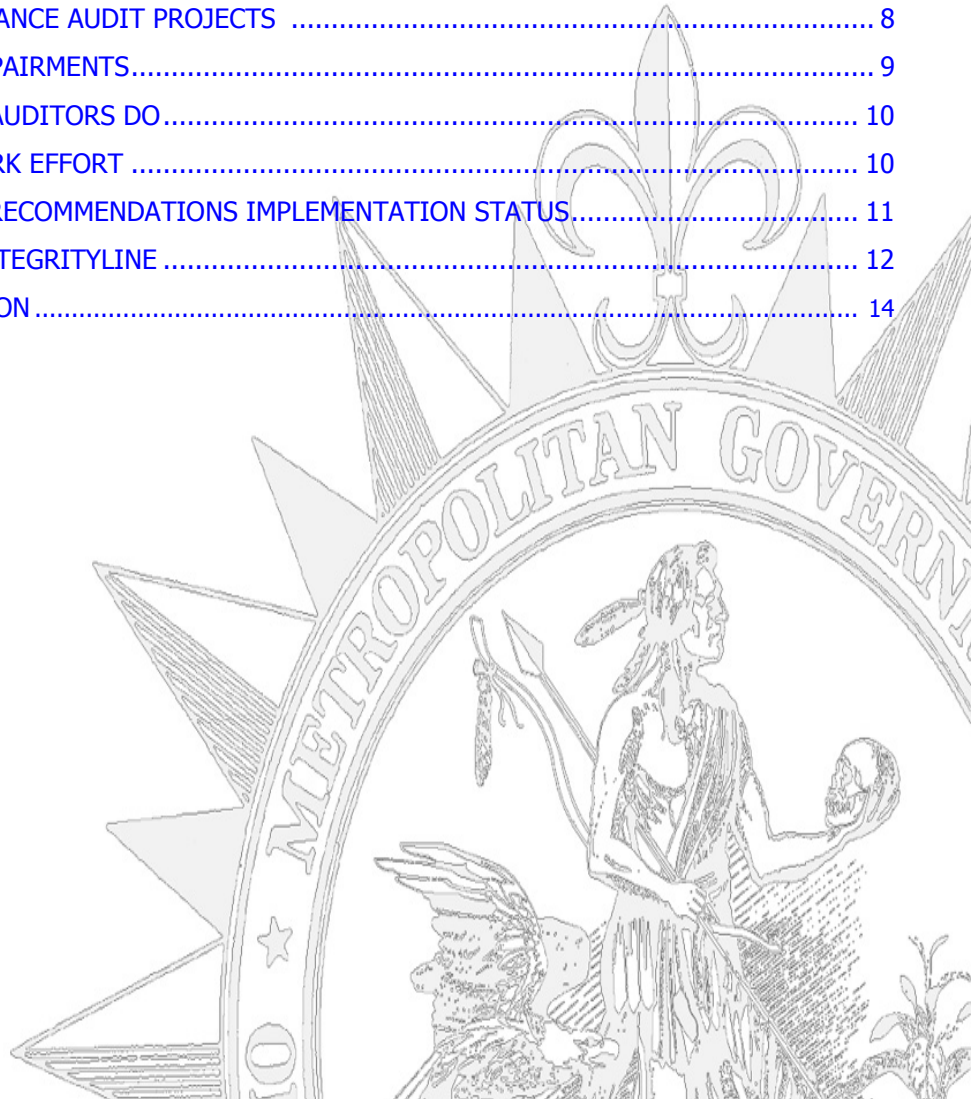
*Mark S. Swann*  
Mark S. Swann  
Metropolitan Auditor





## TABLE OF CONTENTS

OUR ACCOMPLISHMENTS.....	1
OUR MISSION.....	1
OUR VISION.....	1
REPORTING STRUCTURE.....	2
METROPOLITAN NASHVILLE AUDIT COMMITTEE.....	2
INTERNAL AUDIT STAFF.....	3
PROFESSIONAL CREDENTIALS.....	3
PROFESSIONAL ORGANIZATIONS.....	4
PROFESSIONAL CONTINUING EDUCATION.....	4
EXTERNAL QUALITY CONTROL REVIEW.....	5
SUMMARY OF PERFORMANCE AUDIT PROJECTS.....	6
SUMMARY OF COMPLIANCE AUDIT PROJECTS.....	8
ORGANIZATIONAL IMPAIRMENTS.....	9
WHAT DO INTERNAL AUDITORS DO.....	10
INTERNAL AUDIT WORK EFFORT.....	10
SUMMARY OF AUDIT RECOMMENDATIONS IMPLEMENTATION STATUS.....	11
METRO NASHVILLE INTEGRITYLINE.....	12
CONTACT INFORMATION.....	14





## Our Accomplishments

- Determined crime statistical data used for Metro Nashville management decision making was reasonably stated. Provided recommendations to improve reporting of crime statistical data to the Tennessee Bureau of Investigation and Federal Bureau of Investigation for public reports.
- Provided assurance that performance and payment bonds for the Music City Convention Center construction project existed and were in full force.
- Issued thirteen audit reports which appraised management of processes and control safeguards that are working as intended or need additional attention for:
  - ◇ \$13.4 million in Nashville Convention Center annual revenue and expenses.
  - ◇ \$12.1 million for State Trial Court annual expenses.
  - ◇ \$11.6 million for Emergency Communications Center annual expense.
  - ◇ \$9.3 million in District Attorney General annual revenue and expense.
  - ◇ \$4 million in improvement districts expenses.
  - ◇ \$2 million for Justice Integration Services annual expenses.
- Identified 92 recommendations for improving Metro Nashville processes.
- Completed five investigation reports.
- Continued use of technology in audit tasks with upgrades to audit analytic (ACL) and working paper (CCH Teammate) software.
- Marketed new awareness posters for the Metro Nashville IntegrityLine Fraud, Waste, Abuse and Beneficial Suggestion hotline program. Also, fielded 33 alerts for this program during the period.
- Provided support for six Metropolitan Nashville Audit Committee oversight meetings.
- Selected by Association of Local Government Auditors to host the 2013 Annual Convention. This conference will bring approximately 350 visitors to Nashville.

## Our Mission

The 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.

## Our Vision

To be regarded as a valued resource by Council, Metro Nashville management, staff and our audit clients by:

- Applying audit work effort commensurate with perceived risk.
- Consistently identifying significant issues so there are “no surprises”.
- Creating continuous “early warning” control monitoring mechanisms.
- Improving the transparency of Metro Nashville operations.
- Educating the Metro Nashville community on the importance of effective internal control measures and risk management.
- Pursuing professional advancement and sharing knowledge and experience with Metro Nashville management and our peers.





## Reporting Structure



### Metropolitan Nashville Audit Committee

- ◇ Bob Brannon—Nashville Chapter of the Tennessee Society of CPAs
- ◇ Brack Reed—Nashville Area Chamber of Commerce
- ◇ Diane Neighbors—Vice Mayor
- ◇ Rich Riebeling—Director of Finance
- ◇ Jacobia Dowell—Council Representative
- ◇ Steve Glover—Council Representative

## Internal Audit Staff



Mark Swann, CPA –Texas, CIA, CISA, ACDA  
Metropolitan Auditor  
Abilene Christian University,  
BBA-Accounting



Carlos Holt, CPA, CFF, CIA, CFE, CGAP  
Audit Manager  
Columbia College, BA Business/  
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MS-Administration



Mel Marcella, CPA, CIA, CISA, CFE, CMA  
Senior Auditor  
Murray State University, BS-Accounting;  
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Joe McGinley, CISSP, CISA  
Senior Auditor  
Washington University, BS-Systems  
and Data Processing; St. Louis Univer-  
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Bill Walker, CPA  
Senior Auditor  
Middle Tennessee State University,  
BS-Public Administration



Roxanne Caruso, CIA  
Senior Auditor  
University of Massachusetts,  
BS-Management concentration in Ac-  
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Sharhonda Cole, CFE  
Internal Auditor II  
Tennessee State University,  
BS-Business Administration;  
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MPA



Tracy Carter, CFE  
Internal Auditor II  
University of Tennessee at Knoxville,  
BS-Accounting and Finance



Qian Yuan, CISA, ACDA  
Internal Auditor II, Western Kentucky  
University, BS-Accounting;  
Western Kentucky University,  
MS-Computer Science

**CPA** - Certified Public Accountant

**CGAP** - Certified Government Auditing Professional

**CIA** - Certified Internal Auditor

**CISA** - Certified Information Systems Auditor

**CFE** - Certified Fraud Examiner

**CISSP** - Certified Information Systems Security Professional

**CMA** - Certified Management Accountant

**ACDA** - ACL Certified Data Analyst

**CFF** - Certified in Financial Forensics

## Professional Credentials

The Office of Internal Audit follows the professional standards of the U.S. General Accounting Office. Accordingly, the Office of Internal Audit and its individual auditors hold various professional licenses and certifications, and are members of many prestigious professional audit and accounting associations.

Our membership and participation in professional associations allows us to be updated on relevant issues in business and industry with regard to accounting trends and developing best practices. Continued participation in these organizations keeps our office staff refreshed and responsive to the needs within our government.

## Professional Organizations



As the internal audit profession's recognized authority, The Institute of Internal Auditors is committed to improving internal audit activities worldwide. The Office of Internal Audit has an annual membership with the Institute of Internal Auditors. Four of our staff members are Certified Internal Auditors.

The Office of Internal Audit has an annual membership with the Association of Local Government Auditors (ALGA). ALGA is a professional organization committed to supporting and improving local government auditing through advocacy, collaboration, education, peer reviews, and training, while upholding the highest standards of professional ethics. Three auditor attended the ALGA 2011 annual conference.



***Nashville will be hosting the ALGA 2013 annual conference.***



The Association of Certified Fraud Examiners (ACFE) has become the largest anti-fraud organization in the world and is the premier provider of anti-fraud training and education. Together with nearly 50,000 members, the ACFE is reducing the incidence of fraud. Four staff members are Certified Fraud Examiners.

The Information System Audit and Control Association is a pace-setting global organization for information governance, control, security, and audit professionals. Four staff members are Certified Information Systems Auditors.



In addition to these organizations, we have staff actively participating in the American Institute of CPAs (AICPA), Tennessee Society of CPAs (TSCPA), Government Financial Officers Association (GFOA), Association of Government Accountants (AGA), and the Information Systems Security Association (ISSA).

## Professional Continuing Education

Education seminars expanded our knowledge in the following disciplines:

- Performance auditing facilitate by former City Auditor and Mayor of Kansas City, Mark Funkhouser
- Information security sponsored by the US Department of Homeland Security.
- Local government risk and audit issues sponsored by the Association of Local Government Auditors Conference.
- Fraud trends and awareness sponsored by the Middle Tennessee Association of CFEs
- Accounting trends and issues sponsored by the Tennessee Society of CPAs and America Institute of CPAs.

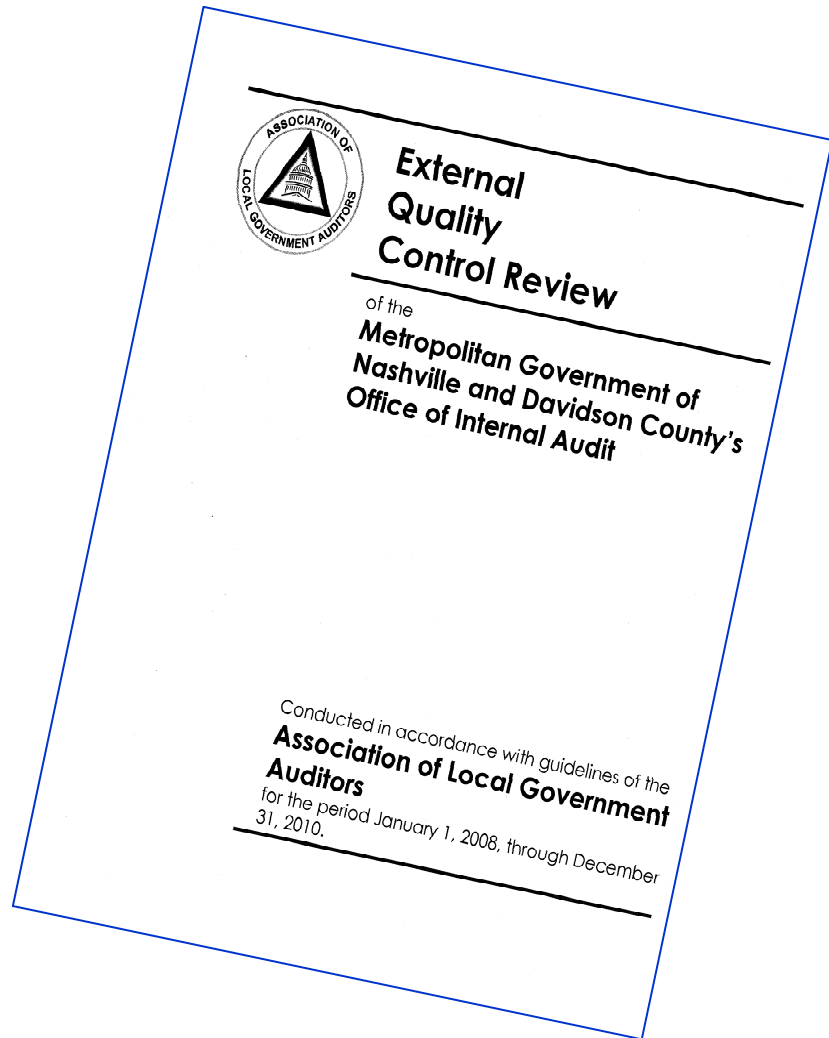


## Who audits the auditors?

Professional standards for conducting audits in government have been promulgated by the comptroller general of the United States and published in Government Auditing Standards. One requirement of Government Auditing Standards is that audit organizations receive an external peer review at least once every three years.

The Metropolitan Nashville Office of Internal Audit's first peer review was completed in April 2011, results can be seen below and on the Office of Internal Audit's website.

*"..it is our opinion the Metropolitan Nashville Office of Internal Audit's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards.."*



The objective of a peer review is to determine whether an audit organization's internal quality control system is in place and operating effectively. Also a peer review provides assurance that established policies and procedures and applicable auditing standards are being followed.

Reciprocal peer reviews performed in the past four years by Metropolitan Nashville Office of Internal Audit staff include the City of Chattanooga, TN; City of Richmond, VA; City of Norfolk, VA; City of Dallas, TX; South Florida Water Management District; and Los Angeles County Metropolitan Transit Authority.



## Summary of Performance Audits

### Music City Convention Center Construction Project (12/28/2010 and 6/27/2011)



We audited the processes and controls in place pertaining to compliance with applicable contract stipulations, laws, regulations governing labor practices, and performance and payment bonds for entities involved in the construction of the Music City Convention Center. The Music City Convention Center is estimated to cost over **\$450 million** upon completion.

#### Key Objectives:

- Were trade and subcontractors in compliance with guidelines regarding employment eligibility to work in the United States?
- Were trade and subcontractors compensating workers according to prevailing wage laws as required by Tennessee Code?
- Was the coverage amount stated within the performance and payment bonds sufficient to cover the contract value?
- Were the performance and payment bonds currently in full force and effect?

### Metropolitan Nashville Police Department's Crime Statistical Reporting (6/24/2011)

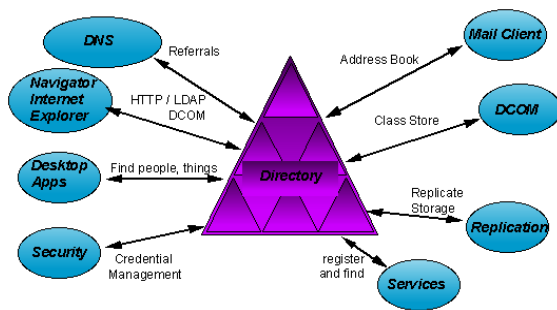


We audited controls over the accuracy of crime statistics reporting by the Metropolitan Nashville Police Department (MNPD). This audit was completed at the request of the honorable Mayor Karl Dean. Subject matter experts from Elite Performance Auditing Consultants LLC, Police Records and Information Management Group, and Mary Karpos, PhD, Director of Policy, Planning and Research for Tennessee Department of Corrections were used to complete this audit.

#### Key Objectives:

- Was MNPD crime data used for internal decision making reasonably stated from January 1, 2007, through December 31, 2009?
- Were MNPD crime statistical data provided to the Tennessee Bureau of Investigation reasonably stated from January 1, 2007, through December 31, 2009?
- Did MNPD leadership personnel provide undue influence to manipulate or misrepresent crime statistical reporting information?

## Information Technology Services Active Directory Service (4/18/2011)



We audited controls and processes of the Identity and Access Management team in the Information Technology Service Department for their management responsibilities in ensuring Active Directory Services satisfy the operational needs of Metro Nashville.

### Key Objectives:

- Was Active Directory Service managed to satisfy the operational needs of Metro Nashville?

## State Trial Courts of the 20<sup>th</sup> Judicial District (7/29/2011)



This audit was divided into two portions, we contracted with National Center for State Courts to conduct the performance portion of the audit as subject matter experts. The compliance portion was conducted by staff members of the Office of Internal Audit. For fiscal years 2008 through 2010 the average cost of expenditures was **\$12.1 million**.

### Keys Area Reviewed:

- Case Management and Scheduling Procedures
- Jury Management
- Community Corrections and Drug Court
- Staffing
- Courthouse Security

## Emergency Communications Center (8/25/2011)

We audited controls over the operational and administrative functions of the Emergency Communication Center (ECC). The ECC receives appropriations to cover personnel expenses and internal services fees. A phone line surcharge for 911 covers improvements for technology and employee development. For fiscal years 2009 through 2011 the average cost of expenditures was **\$11.6 million**.



Help **9-1-1** protect you. 

### Key Objectives:

- Were 9-1-1 emergency communication operations effective?
- Did the ECC training program prepare call takers/dispatchers?
- Was the ECC network and data protected from unauthorized access?



## Summary of Compliance Audits

During this period the Office of Internal Audit completed seven audits focused on compliance with existing policy and procedures or contracts. The policy and procedures encompassed internal control measures relied upon by management to help ensure “best value” procurement decisions are made, contract terms are monitored, employee work and leave schedules are tracked, assets and valuable equipment are safeguarded, employee talent is maximized, and information is secured.

An overarching recommendation from this audit work was the need to improve asset accounting records and tracking of equipment, such as computers and digital cameras.

### Nashville Convention Center (4/8/2011)



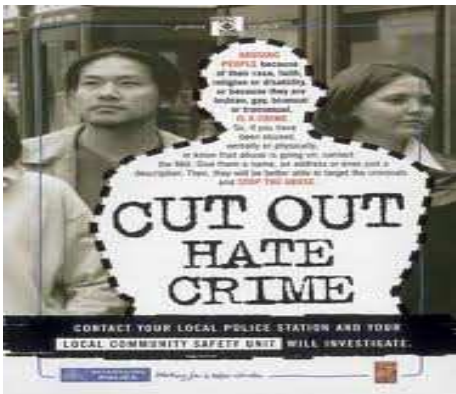
The mission of the Nashville Convention Center is to provide convention, trade show and meeting products to attendees and meeting planners so they can experience a superior serviced event, while at the same time creating a positive economic impact on Nashville and Middle Tennessee. The annual expenditures for fiscal years 2008 through 2010 averaged **\$7.7 million**. During the same time period the Nashville Convention center collected on average **\$5.7 million** in revenue.

### Nashville Sports Authority Contracts (5/16/2011)



The Nashville Sports Authority serves as landlord for Nashville’s two professional sport venues, the Bridgestone Arena and LP Field. This audit focused on compliance with specified contract terms with Powers Management LLC, Nashville Hockey Club, and Central Parking System of Tennessee Inc. Revenue reviewed included **\$4.2 million** for Bridgestone Arena seat user fees and **\$623 thousand** for ‘Lot E’ parking spaces.

### Nashville Human Relations Commission (6/20/2011)



The mission of the Human Relations Commission is to protect and promote the personal dignity of all people by protecting and promoting their safety, health, security, peace, and general welfare. The newly appointed director requested this audit. The annual expenditures for fiscal years 2009 and 2010 averaged **\$405 thousand**.





**District Attorney General,  
20th Judicial District  
(9/21/2011)**



The mission of the Office of The District Attorney General is to investigate and prosecute all criminal offenses that occur within Davidson County where there is sufficient evidence to warrant conviction. All prosecutions are designed to punish offenders, incapacitate violent and repeat criminals and generally to deter future criminal activity. For fiscal years 2009 through 2011 the annual expenses averaged **\$7.1 million**, while the annual average collected was **\$2.2 million**.

**Justice Integration Services Department  
(2/8/2011)**



The mission of Justice Integration Services department is to provide customized integrated case management software and technology support products to the Metropolitan Nashville justice agencies. The annual expenditures for fiscal years 2008 through 2010 were **\$2 million**.

**Central Business Improvement District and Gulch Business Improvement District  
(10/13/2012)**



These districts are components units of the Metropolitan Nashville Government and serve distinct geographical areas. The mission of both districts is to "promote the successful revitalization of downtown Nashville thereby furthering the health, safety, morals, and general economic welfare of the Metropolitan Nashville and Davidson County". The districts are managed by the **Nashville Downtown Partnership** who is contracted to provide goods and services specified in the ordinances.

The Gulch Business Improvement District collected **\$681 thousand** for fiscal years 2008 through 2010 while the Central Business Improvement District collected **\$3.5 million** for those same fiscal years.

**Organizational Impairments**

There were no unwarranted restrictions on the staffing of the internal audit activity or on access by internal auditors to organization activities, records, property, and personnel during this period.

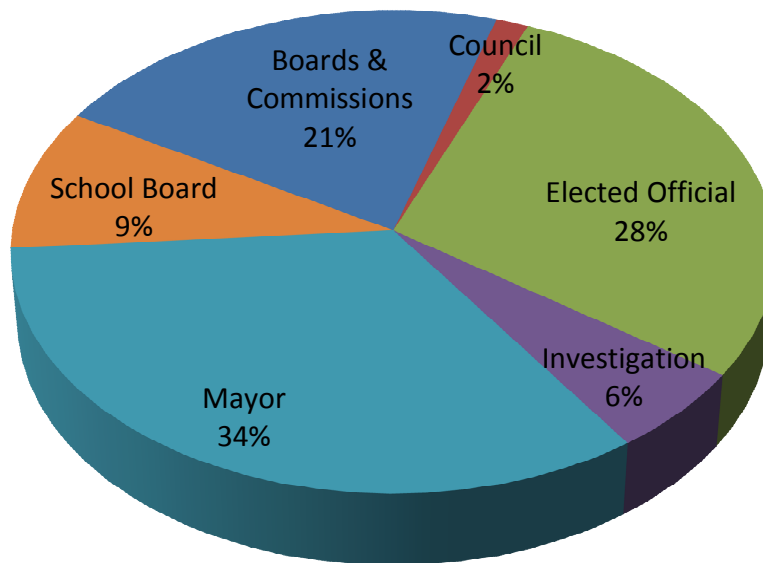




### ***What do Internal Auditors do?***

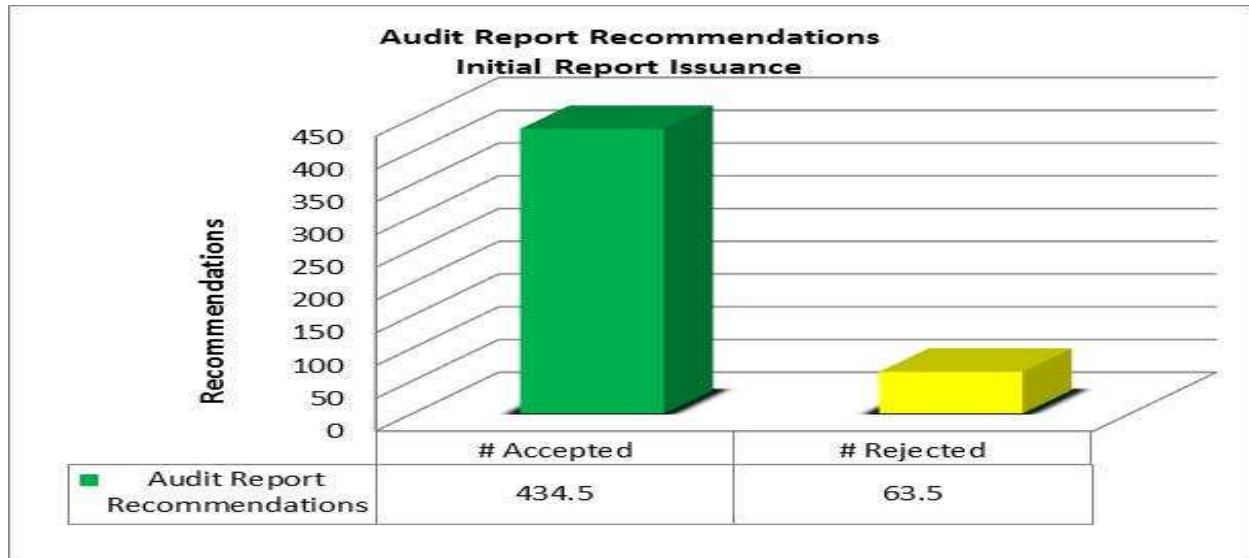
- ◇ Keep an eye on the organization climate
- ◇ Serve as a safety net for an organization
- ◇ Find out what's working and what's not
- ◇ Help organizations accomplish objectives

### **Internal Audit Work Effort July 2007 to October 2011 48,600 Direct Hours**

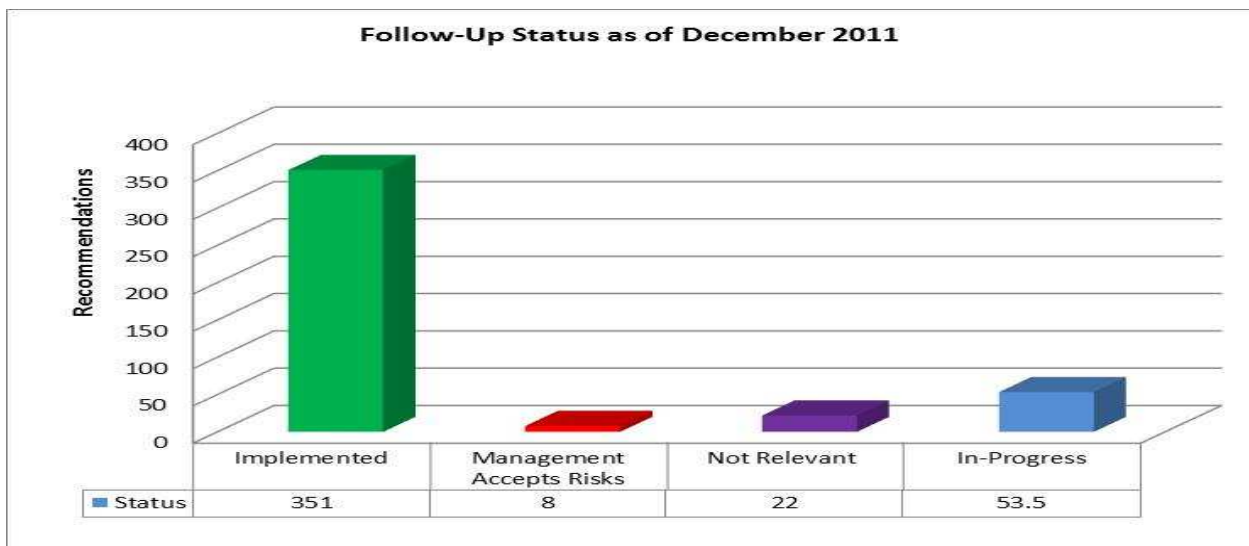


## Audit Recommendations Implementation Status

### Audits Issued Between April 2007 and October 2011



The Office of Internal Audit issued 54 performance and follow-up audit reports since being reorganized as an independent audit organization in March 2007. The audits identified 498 recommendations for improvement, with 434.5 **(87%) of the recommendations being accepted** when the report was issued. The acceptance rate was impacted by the lack of receiving a management response for several State Trial Courts, 20th Judicial District audit recommendations. The Association of Local Government Auditors **benchmark is a 94% acceptance rate.**



Departments were asked to provide implementation status for the accepted audit report recommendations as of December 9, 2011. Out of the 434.5 accepted recommendations, 351 **(81%) were implemented** and 53.5 recommendation were still in-progress pending corrective action tasks.

In-progress recommendations that have been open in excess of one year totaled 27. Common delays were attributed to the necessity for budget funding or implementation of computer applications.

## Got Issues? Try the Metro Nashville IntegrityLine

[www.tnvinc.com/MetroNashville](http://www.tnvinc.com/MetroNashville)

The Office of Internal Audit implemented a Fraud, Waste and Abuse Hotline in 2008. With the implementation of the hotline the office put in place a mechanism for both internal and external individuals or organizations to report matters they believe important concerning the Metro Nashville government. The hotline also provides an avenue for anyone to be able to provide suggestions or ideas to make Metro Nashville better.

Unethical, illegal or irresponsible acts can cause serious loss or harm to an organization, its employees and its customers. That's why it's everyone's responsibility to help prevent these activities and the Metro Nashville IntegrityLine allows anonymous communication via internet or telephone, 24 hours a day, 7 days a week.

MAKE @ DIFFERENCE

You Are the Solution for Maintaining a Safe and Secure Workplace.

### Metro Nashville IntegrityLine

Unethical, illegal or irresponsible acts can cause serious loss or harm to an organization, its employees and its customers. That is why it's everyone's responsibility to help prevent these activities. Additionally, anyone can provide a suggestion or idea to make Metro Nashville better. You make a difference!

While reporting directly to a manager or supervisor represents the most effective way to report your concerns, our organization also offers an anonymous option. We have retained the services of The Network, an independent reporting service that allows you to communicate anonymously via Internet or telephone, 24 hours a day, 7 days a week.

#### Reporting Types

Some common examples of reports include:

- Suggestions benefiting Metro Nashville
- Conflicts of interest
- Accounting or auditing irregularities
- Theft or fraud
- Disclosure of proprietary information
- Misuse of assets
- Antitrust or competition violations
- Improper dealings with customers or vendors
- Creating or ignoring safety hazards
- Ideas to improve service or save money

#### SPEAK UP

You may report your concerns or ideas anonymously by contacting The Network.

[File a Report Online](#)

Or call toll-free

## 877-371-0676

24 hours a day, 7 days a week. You DO ACT! Have to give your name.

Metro Nashville employees should report CEO, Sexual Harassment and Substance Abuse issues to their Department of Human Resources Representative. Citizens should report these issues to the Department of Human Resources at (615) 862-6040.

Upon receipt of the report, The Network will forward the information to our organization for investigation and follow-up. Resolution of any kind against anyone who reports a concern is a violation of our organization's policies and will not be tolerated.

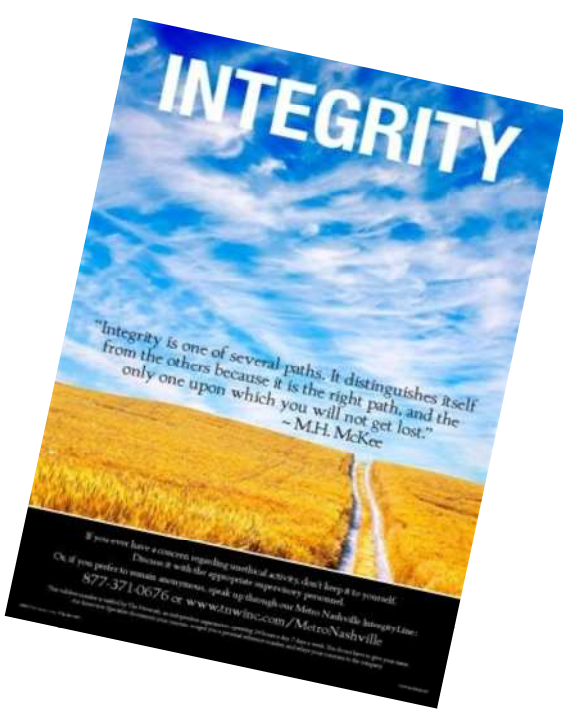
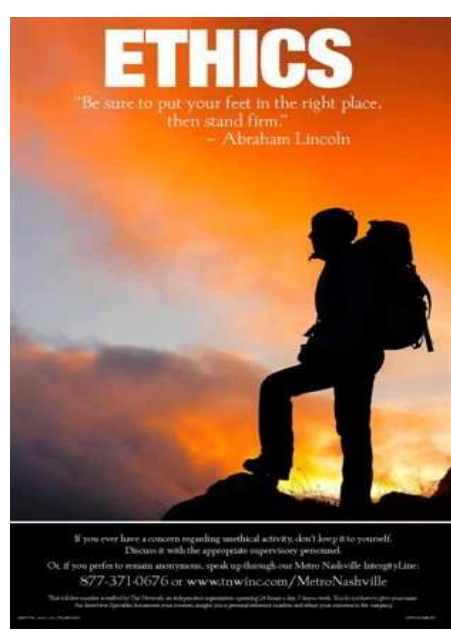
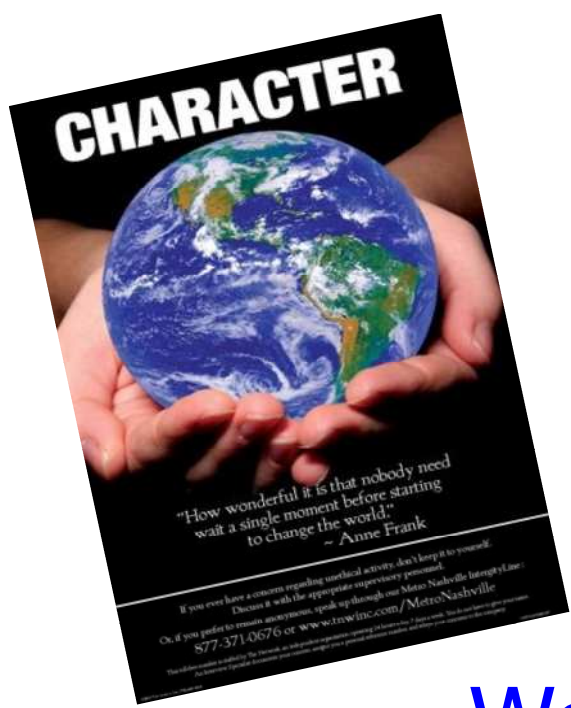
WE BELIEVE EVERY EMPLOYEE SHARES IN THE RESPONSIBILITY FOR PROMOTING A POSITIVE WORKPLACE AND PLEASE TO MAKE A DIFFERENCE.

Make a Difference is powered by [The Network](#). A service of The Network, Inc. © 2011 The Network, Inc. All rights reserved.

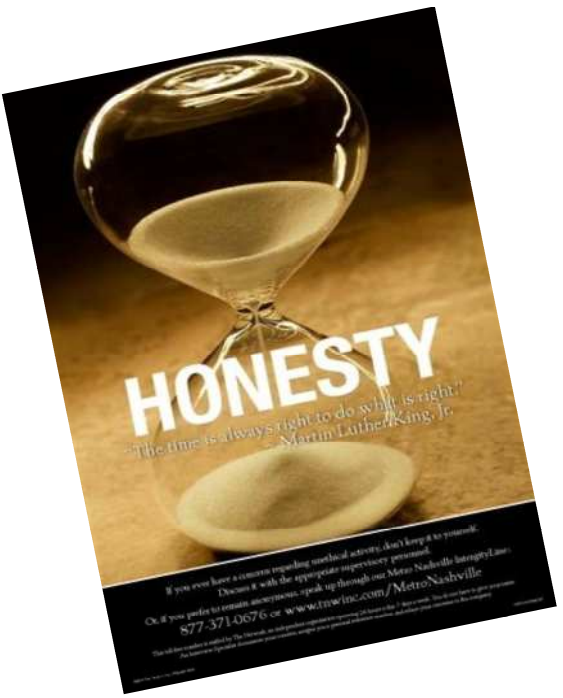
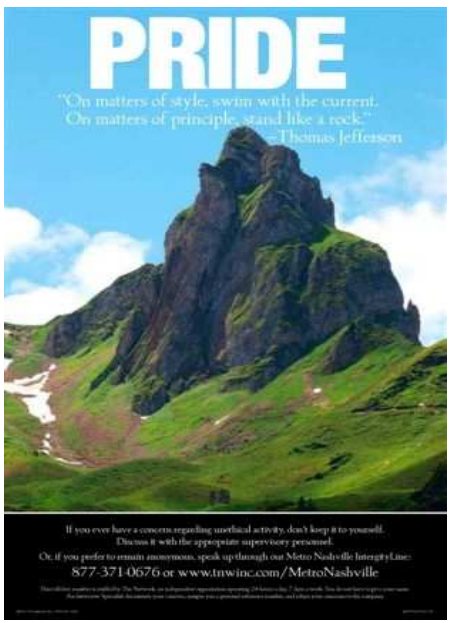
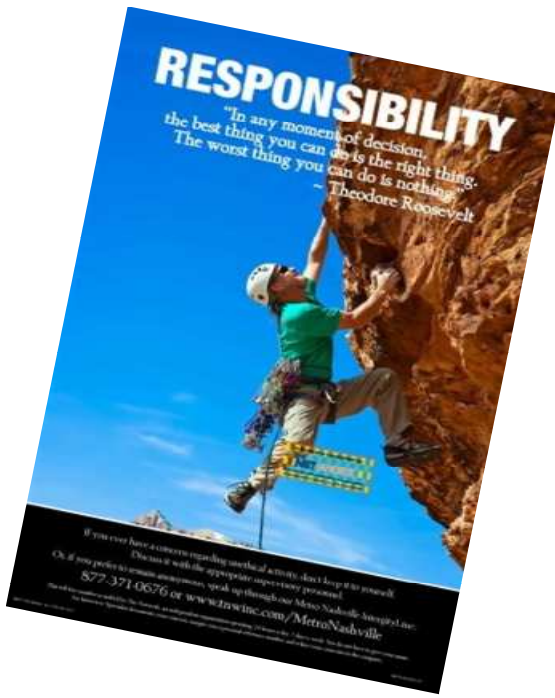
## Metro Nashville IntegrityLine Statistics

From November 1, 2010, through October 31, 2011, the Office of Internal Audit **received 33 calls on the Metro Nashville IntegrityLine** that required further attention.





We all need.....



The Network developed different poster designs for the Office of Internal Audit to promote the Metro Nashville IntegrityLine. These posters identify characteristics the office wishes to demonstrate and promote for the Metropolitan Government of Nashville and Davidson County





## **Transparency**

The Office of Internal Audit reports directly to the Metropolitan Nashville Audit Committee throughout the year. All final reports are available on the Office of Internal Audit's website. Additionally access to the Fraud Hotline can be accessed through the website.

**Note:** This is a performance report of the Office of Internal Audit achievements and accomplishments and should not be considered an audit report. Generally accepted government auditing standards were not used in the preparation of this report.

## **WEBSITE**

Visit us online: [http://nashville.gov/internal\\_audit](http://nashville.gov/internal_audit)

## **ADDRESS**

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- The Network Inc.
- Metro Nashville Photographer
- Wiki Media
- The various professional organizations
- The United States Government Photos and Images

