



External Quality Control Review

of the
Metropolitan Government of
Nashville and Davidson County
Office of Internal Audit

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors**
for the period January 1, 2011 - December 31, 2013



Association of Local Government Auditors

July 10, 2014

Mark S. Swann, Metropolitan Auditor
Metropolitan Government of Nashville and Davidson County
Office of Internal Audit
1417 Murfreesboro Pike
Nashville, Tennessee 37217

Dear Mr. Swann,

We have completed a peer review of the Metropolitan Government of Nashville and Davidson County Office of Internal Audit for the period January 1, 2011 through December 31, 2013. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine whether your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures included:

- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audit, nonaudit services and attestation engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff, management, and members of the Audit Committee to assess their understanding of, and compliance with, relevant quality control policies and procedures.

Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the Metropolitan Government of Nashville and Davidson County 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* for audits and attestation engagements during the period January 1, 2011 through December 31, 2013.

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.

Lynn Stokes, CPA
City of Clarksville

Catrina McCollum, CFE
City of Memphis

Stan Sewell, CPA, CGFM, CFE
City of Chattanooga



Association of Local Government Auditors

July 10, 2014

Mark S. Swann, Metropolitan Auditor
Metropolitan Government of Nashville and Davidson County
Office of Internal Audit
1417 Murfreesboro Pike
Nashville, Tennessee 37217

Dear Mr. Swann,

We have completed a peer review of the Metropolitan Government of Nashville and Davidson County Office of Internal Audit for the period January 1, 2011 through December 31, 2013 and issued our report thereon dated July 10, 2014. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We would like to mention some of the areas in which we believe your office excels:

- The Office's reporting to the Metropolitan Audit Committee is very thorough. In particular, the *Workbook* prepared by the Metropolitan Auditor provides comprehensive and valuable information in an effective format.
- The Office's annual *Internal Audit Performance Report* provides a comprehensive report to the citizens substantiating the value provided by the office.
- Audit planning and engagement level risk assessments are extensive and well developed. In addition, organizational level risk assessment is impressive.
- Office staff is well trained, experienced and competent.


We offer the following observations and suggestions to enhance your organization's demonstrated adherence to *Government Auditing Standards*:


- Standard 3.08 states "Auditors should apply the conceptual framework at the audit organization, audit, and individual auditor level...." During our review of audit working papers, we noted there was no documentation of the conceptual framework being applied at the audit level. To enhance and ensure compliance with GAS, we recommend the *How to Audit Guide* be updated to require documentation of an engagement level assessment of risks to independence prior to the initiation of any audit. In addition, a template in TeamMate could be structured to require documentation of the assessment.
- Standard 6.66 states "Auditors should assess the sufficiency and appropriateness of computer-processed information...." During our review of audit working papers, we noted some instances of computer processed information being utilized. However, there was not always documentation in the working papers demonstrating an assessment of reliability had been made. To enhance and ensure compliance with GAS, we recommend the *How to Audit Guide* be updated to require documentation of an assessment regarding the reliability of any computer processed information that will be relied on during an audit. In addition, the current template related to computer systems data could be structured to require such documentation.


- Standard 3.34 states "Before an auditor agrees to provide a nonaudit service to an audited entity, the auditor should determine whether providing such a service would create a threat to independence...A critical component of this determination is consideration of management's ability to effectively oversee the nonaudit service to be performed. The auditor should determine that the audited entity has designated an individual who possesses suitable skill, knowledge, or experience, and that the individual understands the services to be performed sufficiently to oversee them." During our review of nonaudit service engagements, we noted the working papers did not document the designation of a competent individual by management to oversee the services nor was there documentation of management's acceptance of responsibility mandated by the standards. To enhance and ensure compliance with GAS, we recommend the *How to Audit Guide* be updated to require documentation of compliance with GAS 3.34 – 3.58 regarding the provision of nonaudit services. In addition, a template in TeamMate could be structured to require this documentation.

We extend our thanks to you, your staff and the other metropolitan officials we met for the hospitality and cooperation extended to us during our review.

Sincerely,


Lynn Stokes, CPA
City of Clarksville


Catrina McCollum, CFE
City of Memphis


Stan Sewell, CPA, CGFM, CFE
City of Chattanooga

Digitally signed by Stan Sewell
DN: cn=Stan Sewell, o=City of
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Mark S. Swann
Metropolitan Auditor



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METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

July 10, 2014

Ms. Lynn Stokes
Director of Internal Auditor
City of Clarksville, TN

Ms. Catrina McCollum
Supervisory Auditor
City of Memphis, TN

Mr. Stan Sewell
City Auditor
City of Chattanooga, TN

Dear Peer Review Team:

Subject: Metropolitan Nashville Office of Internal Audit External Quality Control Review

Thank you for performing the Metropolitan Nashville Office of Internal Audit external quality control review for the period January 1, 2011, through December 31, 2013. We appreciate your opinion that our audit quality control system complied with *Government Auditing Standards*. We also value the observations and suggestions that you provided to help us excel and improve the quality of our audit process.

We have reviewed the observations and recommendations included in the report and concur that these are areas that we need to improve. Specifically, our plan of corrective action is as follows:

- The *How to Audit Guide* (auditing procedures manual) and TeamMate performance audit template will be updated to include documentation of our engagement level assessment of risk to independence for each audit project. This will be completed by July 31, 2014.
- The *How to Audit Guide* and TeamMate performance audit template will be updated to include documentation of our assessment regarding the reliability of computer processed information used during an audit project. This will be completed by August 29, 2014.
- The *How to Audit Guide* will be revised and a new TeamMate template will be created to document nonaudit service projects. The guide and template will be designed to help ensure compliance with *Government Auditing Standards* 3.34 – 3.58 regarding the provisions of nonaudit services (revised November 2011). This will be completed by October 3, 2014.

It was a pleasure working with such a knowledgeable and skilled review team during this external quality control review.

Sincerely,

Mark S. Swann

cc: Metropolitan Nashville Audit Committee