

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

February 13, 2014

On Thursday, February 13, 2014, 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

Brack Reed, Vice Chairman

Richard Riebeling, Director, Metropolitan
Nashville Department of Finance

Steve Glover, Council Member

Jacobia Dowell, Council Member

Others

Mark Swann, Metropolitan Auditor, Metropolitan
Nashville Office of Internal Audit

Carlos L. Holt, Audit Manager, Metropolitan
Nashville Office of Internal Audit

Theresa Costonis, Attorney, Metropolitan Nashville
Department of Law

Les Bowron, HR Analyst, Metropolitan Nashville
Human Resources

Scott Potter, Director, Metro Water Services

Tom Palko, Assistant Director, Metro Water
Services

Committee Member Absent

Diane Neighbors, Vice Mayor

Quorum present? Yes

Call Meeting to Order

B. Brannon called the meeting to order.

Approval of Minutes

The minutes of the meetings for the December 9, 2013, December 10, 2013, December 19, 2013, and December 23, 2013 were approved.

New Business

Election of Committee Chairman and Vice Chairman

B. Brannon asked if there were any nominations for Committee Chairman. R. Riebeling nominated Bob Brannon, the motion was seconded and carried.

R. Riebeling nominated B. Reed for Vice Chairman, the motion was seconded and carried.

Discussion on Audit of the Industrial Development Board audit report issued December 16, 2013

The audit report was briefly discussed by M. Swann, who noted that generally controls are in place to manage economic incentives but that some improvements could be made and are contained in the report.

Discussion on Audit of Metropolitan Nashville Credit Card and Expense Reimbursement Top Users audit report issued December 26, 2013

The audit report was briefly discussed by M. Swann, who noted that most departments are complying with requirements but that some purchase levels are being exceeded, authorization for purchases was not always documented, and travel settlements are sometime at the per diem rate rather than actual with per diem rates as a ceiling.

Discussion on Audit of Metro Water Services Home Buyout Program audit report issued January 29, 2014

The audit report was briefly discussed by M. Swann and S. Potter with the main finding related to categorization of costs in one program with instances of some costs that may have been more appropriately place into another more flexible program. S. Potter stated that he is meeting with Tennessee Emergency Management Association (TEMA) to determine the best way to proceed.

Discussion on Audit of the Mayor's Office audit report issued January 30, 2014

The audit report was briefly discussed by M. Swann who noted that a formalized delegation of authority for spending was needed and that the Office of Emergency Management was spun off into a separate audit.

Discussion on Audit of Metropolitan Nashville Police Department Firearms and Equipment Tracking audit report issued February 6, 2014

The audit report was briefly discussed by M. Swann who noted that the primary tracking system used for the approximately 1,400 officers was an Excel based system containing all of the inherent limitations that comes with spreadsheet software. Further, the Metropolitan Nashville Police Department plan is to move to a system that uses the still developing Advanced Records Management System (ARMS) to carry firearms and equipment tracking information.

Discussion of Office of Internal Audit Recommended 2014 Annual Work Plan

M. Swann discussed at length the process undertaken for updating the organizational risk assessment and developing the 2014 Audit Work Plan. He stated that 42 departments were interviewed and common risks identified.

S. Glover motioned for approval of the Audit Work Plan as presented, the motion was seconded and carried.

Old Business

Metropolitan Auditor Position Announcement Process

L. Bowron discussed the efforts provided so far to advertise the position and accept and screen applications. Approximately six professional organizations (including the American Institute of Certified Public Accountants and the Institute for Internal Auditors) advertised the position which closed for applications on January 31, 2014. There were 56 applications submitted of which 45 were found to be qualified (20 outstanding, 14 well qualified, and 11 qualified).

Committee members briefly discussed how to proceed with it being decided that all 20 outstandingly rated applications and resumes would be forwarded to each committee member who would begin reviewing them. B. Brannon was to nominate his top five candidates for the committee to consider for interviews. A public meeting would be scheduled at a later date, most likely in mid-March. The members hoped to have their required listing of three names ready for Metro Nashville Council by the end of March 2014.

Mr. Bowron departed.

Update on the status of the comprehensive performance audit of Metropolitan Nashville Public Schools by McConnell Jones Lanier & Murphy LLP (contractor)

M. Swann discussed the update provided by the contractor on February 7, 2014. He noted that they were almost one month late starting the engagement through no fault of their own and that this would likely impact the deliverable date of the report. He emphasized that quality over speed has been stressed to the contractor by several parties. M. Swann also noted the large information request the contractor made to the school system and that the update shows that 56 percent of the requested information has been produced. A community open house event is scheduled for February 18, 2014.

External auditor presentation of fiscal year 2013 Comprehensive Annual Financial Reports (Crosslin & Associates, P.C.)

B. Brannon stated that this item should be kept open at least for another meeting or so to give everyone an opportunity to review the CAFR in detail and to note any concerns. M. Swann noted that the Management Letter and the Single Audit report had not yet been delivered.

Hotel Occupancy Tax Audits

M. Swann noted that the number of Hotel Occupancy Tax audits performed in fiscal year 2013 were 18 and so far in 2014 were also 18. The Office of Internal Audit has identified \$215,308 in hotel tax underpayments. B. Reed asked if the process owner (Treasury) would ever take the task back over or would the internal audit function continue to perform the task permanently. M. Swann noted that at least for the current calendar year 1,000 hours were devoted to this effort via the Annual Work Plan.

Metro Hotline Status and Investigation Reports

C. Holt noted that there were not any new hotline reports since January 1, 2014, and that all open reports from the previous year had been closed.

Internal Audit Project Status

M. Swann noted that 19 audits had been performed which exceeded the goal of 17 audits; also that eight investigations had been performed (a larger number than anticipated). There are two other audits left on the plan. He noted that almost every department in Metropolitan Nashville has been touched at least once by an audit performed by the Office of Internal Audit in the past six years.

Other Administrative Matters

FY 2014 Budget Status

M. Swann presented the status of the current budget showing that some funds may be reverted if not used. He anticipated that the Finance Department would still require some funds to pay for the MNPS audit and that the unused consulting budget would go for that along with a possible supplemental budget request.

FY 2015 Budget Proposal

M. Swann presented his budget proposal which includes the requested 3 percent reduction taken from consulting and registration in the amounts of \$32,000 and \$1,700 respectively; also noting that a budget improvement would be needed for the planned lease payments to Parkway Towers beginning in fiscal year 2015 when the office moves. An additional one-time improvement would be needed for moving costs.

2013 Office of Internal Audit Performance Report and 2013 Audit Committee Report to Council

M. Swann reviewed the previously produced 2013 report and cover letter that had previously been used for the Committee Chairman to forward the report to the Metropolitan Nashville Council.

S. Glover moved to accept the report and cover letter and forward the report to the Metropolitan Nashville Council on behalf of the Metropolitan Nashville Audit Committee, the motion was seconded and carried.

Consideration of Items for Future Meetings

M. Swann stated that he had no prospective dates yet for the next meeting. B. Brannon and the Committee decided that they would get together at a later date in a public meeting to review the Metropolitan Auditor applications.

Meeting adjourned after 65 minutes.

Approved at the July 8, 2014 Metropolitan Nashville Audit Committee meeting.