

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

April 12, 2016

On Tuesday, April 12, 2016, at 4:00 p.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2nd Floor, Committee Room 2. 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
John Cooper, At-Large Council Member

Others

Mark Swann, Metropolitan Auditor
Seth Hatfield, Office of Internal Audit
Kim McDoniel, Chief Accountant
Laura Henry, Office of Internal Audit
Dell Crosslin, Crosslin and Associates
John Crosslin, Crosslin and Associates
David Hunt, Crosslin and Associates
Dan Miller, Crosslin and Associates
Joe McGinley, Office of Internal Audit
Joseph Webb, Hospital Authority
Marc Overlook, Hospital Authority
Keith Durbin, Chief Information Officer
Hank Clay, MNPS Government Relations
Maria Salas, Clerk and Master
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 the February 9, 2016, meeting minutes was made, seconded, and carried.

New Business

Discussion on Audit of the Health Department Immunization Program audit report issued February 18, 2016

Laura Henry presented a background of the Health Department Immunization Program. The audit objectives, observations, and recommendations were summarized by Ms. Henry. There was a discussion about how the follow-up on audit recommendations is accomplished and the process when management partially agrees with an audit recommendation.

Discussion of the Audit of the Clerk and Master of the Chancery Court audit report issued March 18, 2016

Seth Hatfield stated that this audit was requested by the State Trial Court Administrator due to the transitioning of the Clerk and Master position. Mr. Hatfield summarized the audit objectives and observations that were identified. There was a discussion about why previous audit recommendations from the August 28, 2018, audit report were not implemented.

David Briley joined the meeting at 4:12 p.m.

Discussion of the Juvenile Court audit report issued March 31, 2016

Joe McGinley presented the objectives and observations for this audit. All audit recommendations were implemented. No questions were raised.

Briefing on Metropolitan Nashville Information Security Program

Keith Durbin, Chief Information Officer, presented a history and overview of the Metropolitan Nashville Government Information Security Management Program. The program was formalized by Mayor Dean's Executive Order 38 and reaffirmed by Mayor Barry's Executive Order 34. Mr. Durbin is designated to administer the program, and the program is led by the Chief Information Security Officer.

Questions were asked regarding how often Metro Nashville's information systems are attacked, the groups that are attacking the system, what they would do with stolen information, and which Metro Nashville departments are not supported by Metro Nashville Information Technology Services.

Update on Metropolitan Nashville Hospital Authority's progress with Parallon's cooperation with external auditors and issues concerning credit receivables balance

Dr. Joseph Webb from the Metropolitan Nashville Hospital Authority presented an update on Parallon's cooperation with supplying requested documentation to the external auditors. He also explained the billing process for the hospital and described how credit balances are determined.

The Committee members directed questions to Dr. Webb and the external auditors regarding the billing and claims process to gain a better understanding and to determine how it will impact projections that were previously presented to the Metropolitan Nashville Council.

There was also discussion about why Parallon was hesitant to provide the Service Organization Control report to the external auditors. The auditors were allowed to review the report but were never provided a copy of it.

External auditor presentation FY 2015 Single Audit and FY 2015 Management Letter

Dan Miller presented the results of the FY 2015 Single Audit. No material weaknesses for internal controls were identified and there were no instances of noncompliance with laws and regulations. Metro Nashville complied with the major federal programs that were reviewed. There were no material weaknesses identified around grant compliance.

David Hunt discussed the FY 2015 Management Letter. Mr. Hunt stated that some accounts were not being reconciled in a timely basis, outstanding items should be resolved, and controls should be strengthened around credit card transactions. Additionally, roads need to be maintained at 70 percent of fair or better condition to continue using the modified approach and not depreciate infrastructure. Metro Nashville roads are currently falling below that threshold.

Questions were asked about the financial impact if the modified approach was not to be used. There was also a discussion about how to get above the 70 percent threshold and who accesses the condition of the roads. Public Works hires an engineering firm for the assessment. The Committee requested that Public Works attend the next meeting for an update on the improvement of roads. Kim McDoniel will put together an estimate of the financial impact of not using the modified approach for the next meeting.

A motion to accept the audit reports was made, seconded, and carried.

Discussion on request to amend the 2016 Internal Audit Work Plan to include a financial compliance and operations audit of the Metropolitan Nashville Fairgrounds

The Fair Board of Commissioners requested that a financial compliance and operations audit be added to the 2016 Internal Audit Work Plan. After a discussion, the Committee decided to approve the audit through the planning phase. The scope and objectives of the audit will be presented to the Committee at the next meeting.

A motion to amend the 2016 Internal Audit Work Plan to include an audit of the Metropolitan Nashville Fairgrounds through the planning phase was made, seconded, and carried.

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.

Mr. Swann stated that this audit was requested by the Metropolitan Nashville Board of Education. The purpose of the audit would be to identify and determine the functioning of internal controls that ensure the integrity of information used for reporting district, school, and student performance. This audit would be added on to the audit currently being conducted of the student information systems.

There was a discussion about the related reviews that have been completed both internally by Metropolitan Nashville Schools and by the State of Tennessee. Hank Clay, a representative from the Metropolitan Nashville Public Schools management team, fielded questions from the Committee members in regards to the internal review of credit recovery and end-of-course exams.

The Committee suggested that if the request was approved, any related corrective action plans should be reviewed and endorsed by the Metropolitan Nashville Board of Education.

A motion to revise the 2016 Internal Audit Work Plan for the audit of the Metropolitan Nashville Public Schools Student Information Systems to include a review of the district and schools accountability reporting process was made, seconded, and carried by four members. Talia Lomax-O'dneal abstained from the vote.

Unfinished Business

Update on internal audit legislation

Mr. Cooper gave a brief update on the internal audit legislation. He discussed concerns he has heard about the legislation and believes it is a good exercise to determine the scope of the Metropolitan Nashville Audit Committee within the Metropolitan Nashville Government.

Mr. Cooper will continue to field questions and concerns and will continue to carry the legislation forward.

Fraud Waste and Abuse Hotline and Investigation Update

Metro Water Services Storm Water Grates Inspections

No questions were raised regarding the investigation.

Nashville Farmers Market Fiscal Matter

No questions were raised regarding the investigation.

Other Administrative Matters

FY 2016 budget status and FY 2017 budget request

Mr. Swann gave a brief budget status update and reviewed the requested budget increase for the FY 2017 budget.

Meeting adjourned after 115 minutes.

Respectfully submitted to the Metropolitan Nashville Audit Committee members:



Mark Swann
Secretary, Metropolitan Nashville Audit Committee

Approved by the Metropolitan Nashville Audit Committee on July 26, 2016.