

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

November 17, 2016

On Thursday, November 17, 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
John Cooper, Council Member
Brack Reed, Chamber of Commerce
Talia Lomax-O'Dneal, Director of Finance

Others

Mark Swann, Metropolitan Auditor
Phil Carr, Chief Accountant
Laura Schloesser, Fairgrounds Nashville
Doug Peters, Fairgrounds Nashville
Theresa Costonis, Department of Law
Gene Nolan, Department of Finance
David Hunt, Crosslin & Associates
Angie Hoke, Crosslin & Associates
Bill Walker, Office of Internal Audit
Charles Fraizer, Nashville Chapter of
Tennessee Society of CPA's

Quorum present? Yes

CALL MEETING TO ORDER

Mr. Bob Brannon called the meeting to order.

APPROVAL OF MINUTES

A motion to approve September 13, 2016, meeting minutes was made, seconded, and carried.

NEW BUSINESS

Audit of the Information Technology Services – Email Services

Mr. Mark Swann advised the audit had been completed. A copy of the confidential report was submitted to Mr. Mendez. The report was confidential because it could detail vulnerabilities and weaknesses to Metropolitan Nashville information technology systems. Mr. Swann stated that email services are managed well. No additional discussion ensued.

Audit of the Nashville Fairgrounds

Mr. Seth Hatfield discussed the primary objectives and conclusions of the audit. Ms. Talia Lomax-O'Dneal inquired if the technological enhancements recommended would be readily available and/or expensive. Mr. Hatfield advised the research he conducted showed there were several "out of the box systems" that were in the market and thus readily available. Ms. Laura Schloesser stated that in her experience expenses related to the type of system enhancements needed would be moderate.

Mr. John Cooper inquired about the capital improvements to be made at the Fairgrounds Nashville. Mr. Doug Peters advised approximately \$55,000 had been spent to date, primarily on

design work and survey of the property. Ms. Schlosser advised that construction will begin at the beginning of 2017.

Audit of the Debt Management Process

Mr. Swann advised that the Office of Internal Audit had procured the services of Experis Finance to perform this audit. The audit revealed that the debt management policies of the Metropolitan Nashville Government conform to Government Finance Officers Association Best Practices with one exception. This exception pertained to derivative instruments and the fact the Metropolitan Nashville Government does not have a specific policy for derivative instruments. However, the general Metropolitan Nashville Government does not engage in derivative financing, and the Department of Finance has stated that a policy will be established should that ever change. The audit also revealed that debt is being spent on its intended purpose and that Metropolitan Nashville Government is in conformity with regulatory requirements.

Mr. Cooper inquired if debt management services were competitive bid out or negotiated. Mr. Gene Nolan advised revenue bonds and refund bonds are typically negotiated whereas general obligation bonds are bid out. Mr. Nolan advised he could provide a breakdown. Mr. Cooper asked if there was a policy requiring that all such services be bid in all cases. Mr. Nolan said the policy is a function of the type of debt issued. Mr. Swann advised there is a policy which is about 5-6 pages which was approved by the Metropolitan Nashville Council. State law requires a debt policy that is approved by an entities legislative body. Mr. Cooper asked if he could obtain information regarding our issuance costs relative to peer groups. Mr. Swann advised yes.

Mr. David Briley wished to confirm that the derivatives issue was the only deviation from best practices observed. Mr. Swann advised there was another exception identified by Experis Finance pertaining to the inclusion of "disclaimer of underwriter" language in official statements. Government Finance Officers Association Best Practices indicated this language should be excluded from official statements. However, it was prevalent that other peer jurisdiction, of similar operating expenditures, includes the "disclaimer of underwriter" language in their official statements.

Mr. Cooper inquired about the number of underwriters utilized by Metropolitan Nashville Government Mr. Nolan, and Ms. Lomax-O'Dneal advised that the Department of Finance could provide that information for Mr. Cooper.

Notification of the Follow-Up Audit of the Nashville Radio Division

Mr. Swann discussed the primary objectives and conclusions of the follow-up audit. No discussion ensued.

Request to Conduct an Audit of the Office of the Property Assessor

Mr. Swann advised that a request had been submitted by the new Metropolitan Assessor, Ms. Vivian Wilhoite, to perform an audit of their procurement process. Mr. Brannon asked if Mr. Swann believed the audit should be performed. Mr. Swann advised the he wants to accommodate request for assurance services whenever possible. Conducting the audit would also allow the Office of Internal Audit to conduct a follow-up audit on recommendations made from the previous audit.

A motion was made to approve amending the 2016 Annual Internal Audit Work Plan to include an audit of the Metropolitan Nashville Government's Office of the Property Assessor. The motion was seconded and carried.

Request to Conduct an Audit of the Human Relations Commission

Ms. Lomax-O'Dneal advised this request is a function of an audit conducted by the Finance Department over procurement card transactions. Ms. Lomax-O'Dneal advised it was determined that this activity should be reviewed in more depth.

Mr. Swann advised that the audit should expand beyond procurement card purchases and look at the office as a whole. Mr. Swann stated that the Human Relations Office was a relatively small office and had not been audited in several years.

A motion was made to approve amending the 2016 Annual Internal Audit Work Plan to include an audit of the Human Relations Commission. The motion was seconded and carried.

UNFINISHED BUSINESS

Auditor Performance Measures

A motion was made to approve the proposed performance measures of the Metropolitan Auditor as presented on pages 27-30 of the Metropolitan Audit Committee Workbook. The motion was seconded and carried.

Discussion on Fiscal Year 2015 Comprehensive Annual Financial Report

Mr. Brannon inquired if anyone had any comments regarding the 2015 Comprehensive Annual Financial Report. No discussion ensued.

Comprehensive Annual Financial Report for Fiscal Year 2015

Mr. Brannon inquired if anyone wanted to discuss this item. The response was to move forward.

Single Audit and Management Letter

Mr. Brannon inquired if anyone wanted to discuss this item. The response was to move forward.

INTERNAL AUDIT PROJECT STATUS

Mr. Swann gave a status of audit projects and investigations.

OTHER ADMINISTRATIVE MATTERS

Mr. Swann advised the Office of Internal Audit had just hired two new employees, Ms. Mary Cole and Mr. Innocent Darby.

Mr. Brannon announced his plan not to seek re-appointment to the Metropolitan Nashville Audit Committee after his current term expires in March 2017. The Nashville Chapter of the Tennessee Society of Certified Public Accountants has selected his replacement, Mr. Charles Fraizer. Mr. Fraizer, has many years' experience in both academic and private sector areas.

The public meeting adjourned after approximately 45 minutes.

**EXECUTIVE SESSION – ON-GOING AUDIT OF THE METROPOLITAN NASHVILLE
GOVERNMENT FINANCIAL REPORTS**

Immediately after the public meeting was adjourned a motion to start an executive session of the Metropolitan Nashville Audit Committee for discussing the on-going audit of the Metropolitan Nashville Government's fiscal year 2016 financial reports with the external auditors, Crosslin and Associates, was made, seconded, and carried.

The executive session meeting adjourned after approximately 20 minutes.

Respectfully submitted to the Metropolitan Nashville Audit Committee.



Mark Swann
Secretary, Metropolitan Nashville Audit Committee

Approved by the Metropolitan Nashville Audit Committee on December 13, 2016.