

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

**DRAFT
December 13, 2016**

On Tuesday December 13, 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
Talia Lomax-O'dneal, Director of Finance
Bob Mendes, Council Member

Committee Member Not Present

Brack Reed – Chamber of Commerce

Others

Mark Swann, Metropolitan Auditor
Phil Carr, Chief Accountant
Tom Eddlemon, Treasurer
Mark Macy, Nashville Public Works
Chip Knauf, Nashville Public Works
Tara Ladd, Department of Law
Rachelle Gallimore-Scruggs, Office of Conservatorship Management
Ron Taylor, Overflow Abatement Program Director
Dell Crosslin, Crosslin & Associates
John Crosslin, Crosslin & Associates
David Hunt, Crosslin & Associates
Angie Hoake, Crosslin & Associates
Mary Cole, Office of Internal Audit
Laura Henry, Office of Internal Audit
Nan Wen, Office of Internal Audit

Quorum present? Yes

CALL MEETING TO ORDER

Mr. Bob Brannon called the meeting to order.

APPROVAL OF MINUTES

A motion to approve November 17, 2016, meeting minutes was made, seconded, and carried.

NEW BUSINESS

Audit of the Conservatorship Management

Ms. Nan Wen discussed the primary objectives and conclusions of the audit. Ms. Lomax-O'dneal asked if pending legislation would affect the Office of Conservatorship Management. Ms. Gallimore-Scruggs advised no. A discussion ensued over the nature and type cases the office reviews. Ms. Gallimore-Scruggs explained the difference between the Care of Property cases vs Care of Person cases. Mr. Briley asked how this program was funded and if any other jurisdictions have a similar function. Ms. Lomax-O'dneal advised the program is funded through the general fund. Ms. Gallimore-Scruggs advised that the Metropolitan Nashville Government is the first to offer this type oversight. There is a recognition that there is a need due to reported abuse. Mr. Mendes pointed out that the genesis for this office came from issues related to

conservatorships in Nashville a couple of years ago. He stated that he remembered Judge Kennedy not having enough resources to ensure fiduciary responsibilities were being met.

Audit of the Metropolitan Nashville Public Schools Performance Reporting Process

Ms. Laura Henry discussed the primary objectives and conclusions of the audit. A discussion ensued over the categories of information in the report that were deemed confidential and the reasons this information was restricted from public purview. It was determined that the confidential classification was appropriate but that it would be helpful to inform the public the reasons why certain information was excluded from the public. A discussion was also made on the number of employees involved in the data integrity group, the ability of school staff to change grades, and the length of time that Metropolitan Nashville Public Schools stated was needed to implement the report's recommendations. Mr. Mendes asked if grades could be modified without detection. Simply stated, Mr. Clay, Mr. Swann, and Ms. Henry answered yes and that the recommendations within the audit will help remedy this issue. Mr. Mendes asked if the recommendations could be implemented sooner, preferably by the next school year, given the importance of the recommendations. Mr. Clay advised that Metropolitan Nashville Public Schools would do their best and keep the Office of Internal Audit abreast of their progress. Mr. Cooper asked if there was a financial incentives for grades to be modified. Mr. Clay advised if there are any they would be very limited. Mr. Clay advised he would need to research the question further and report back to the audit committee. Mr. Clay advised the report had been presented to the Metropolitan Nashville Public Schools Board.

Audit of the Public Works Traffic Signalization Improvement Project

Ms. Mary Cole discussed the primary objectives and conclusions of the audit. A discussion ensued regarding the nature of the Traffic Signalization Improvement project. Mr. Knauf advised this is the second largest project of its type in the United States. The project was completed on time and under budget. The software and hardware for this project have been put in place to facilitate the next phase of implementing an advance traffic management system. Mr. Cooper asked if the system could be hacked. Mr. Knauf advised that they have been working closely with the Information Technology Services Department regarding security controls. Mr. Briley asked if traffic congestion had been significantly reduces as a result of this project. Mr. Knauf advised they have not received the post-project completion reports yet but that he expects significant reduction in delays, fuel consumption, and emissions. Ms. Lomax-O'dneal suggested the report should be distributed publically and not be strictly an internal document. Mr. Mendes advised he has noticed improvements in the West End Corridor.

Follow Up on the Debt Finance Audit

The discussion ensued around issuance cost with particular focus on the cost of underwriters. Mr. Cooper advised he was concerned that the data used to determine if underwriter costs were reasonable may have been limited. Mr. Swann advised there were many variables that went into such fees and that comparing apples to apples in this type analysis was complex. Experis, who conducted the audit, concluded that the fees appeared reasonable based on their professional judgment. The Office of Internal audit also did work to assess the reasonableness of issuance cost and found such cost to be reasonable. Mr. Swann advised more work could be done, if desired. Mr. Cooper asked if a meeting could be set up with Experis to view their work. Mr. Swann advised yes. Mr. Briley advised that the State also provides oversight over all debt that we issue. A discussion ensued on the type of oversight this entailed.

Discussion of the Metropolitan Water Services Clean Water Nashville Overflow Abatement Program.

Mr. John Crosslin discussed the primary objectives, scope and conclusions of the audit. A discussion ensued over the remediation plan, which has still not been approved by the Environmental Protection Agency. The State of Tennessee's requirements in this area are more restrictive than the Environmental Protection Agency's. The reason the remediation plan has not been approved is that while our plan meets the Environmental Protection Agency's standards, they do not meet the State's requirements that are more restrictive. The approval of our remediation plan could be positively impacted if the State of Tennessee adopts the Environmental Protection Agency's guidelines.

External Auditor Presentation of the Comprehensive Financial Annual Report for Fiscal Year 2016

Mr. David Hunt discussed the primary objectives, methodologies and conclusions of the fiscal year 2016 financial audit. This information was included in the presentation handout "Audit Results for FY2016 Financial Statements" distributed to the Committee. Crosslin and Associates is still working on the Metropolitan Nashville Public Schools Internal School Funds audit, Single Audit, Management Letter and Data Collection form. A discussion ensued over Statement of Governmental Accounting Standards (GASB) 45 and unfunded other post-employment benefits (OPEB) amounts. Additional conversation over Metropolitan Nashville General Hospital revenue streams from outside agencies and its going concern status also ensued.

A motion was made to accept the audit of the Comprehensive Annual Financial Statements. The motion was seconded and carried.

UNFINISHED BUSINESS

Update on Internal Audit Legislation

Mr. Swann advised he and the Legal Department had been working on some of the language of the legislation. A discussion ensued regarding the Metropolitan Hotline.

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 one employee retire and was in the process of recruiting another auditor.

The public meeting adjourned after approximately 1 hour and 45 minutes.

Respectfully submitted to the Metropolitan Nashville Audit Committee.



Mark Swann
Secretary, Metropolitan Nashville Audit Committee

Approved by the Metropolitan Nashville Audit Committee on March 14, 2017.