

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

April 11, 2017

On Tuesday, April 11, 2017, 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

Charles Frasier, Tennessee Society of CPA
David Briley, Vice-Mayor
John Cooper, Council Member
Talia Lomax-O'dneal, Director of Finance
Brack Reed, Chamber of Commerce
Bob Mendes, Council Member

Others

Theresa Costonis, Department of Law
Kim McDoniel, Deputy Finance Director
Phil Carr, Chief Accountant
Dell Crosslin, Crosslin
John Crosslin, Crosslin
David Hunt, Crosslin
Melody Fowler-Green, Human Relations Commission
Warner Hassell, General Sessions Court
Bill Walker, Office of Internal Audit
Nan Wen, Office of Internal Audit

Quorum present? Yes

CALL MEETING TO ORDER

Mr. Brack Reed called the meeting to order.

SELECTION OF AUDIT COMMITTEE CHAIR AND VICE- CHAIR

A **motion** to select Mr. Brack Reed as Audit Committee Chair was made, seconded, and carried.

A **motion** to select Mr. Charles Frasier as Audit Committee Vice-Chair was made, seconded, and carried.

APPROVAL OF MINUTES

A **motion** to approve the March 14, 2017, meeting minutes was made, seconded, and carried.

NEW BUSINESS

Discussion on Audit of Human Relations Commission

Ms. Nan Wen summarized the scope, observations, and recommendations of the audit. Mr. Bob Mendes asked if the Human Relations Commission could implement the audit recommendations by the implementation date. Ms. Melody Fowler-Green advised yes. Mr. Mendes asked Ms. Fowler-Green to expound on her comment about the need to enhance the onboarding process at the Metropolitan Nashville Government. Ms. Fowler-Green articulated her position on the subject. An inquiry as to whether the report findings were a function of poor record keeping or questionable activity was raised. Mr. Mark Swann advised there were purchases made that, initially, appeared to be inappropriate. Once these items were reviewed in more detail, those concerns dissipated.

Mr. Reed inquired as to the last time an audit was conducted on this entity. Ms. Wen advised an audit was previously conducted in 2011. Mr. Swann advised many of the same findings in the 2011 audit report mirrored the findings in the current report.

Action Item: Mr. Mendes requested that this audit be put back on the first Committee meeting following the planned implementation date. Mr. Mendes wanted to follow up on the status of the report's recommendations.

Discussion on the Metropolitan Office of Internal Audit External Quality Control Review

Mr. Bill Walker summarized the scope, methodology, and results of the review. Mr. Frasier commented that peer reviews were extremely important to the profession and that receiving a report without any management comments was significant. No further discussion ensued.

Discussion on the request from Metropolitan General Sessions Court Presiding Judge Gale Robinson to amend the 2017 Internal Audit Work Plan to include an audit of the General Sessions Drug Court and related programs.

Mr. Mark Swann advised a request had been made from Judge Gale Robinson to conduct an audit of the General Sessions Court Treatment Program and related programs (specified as the ACT and Cherished Heart – Sex Trafficking programs). Mr. Swann advised the initial Audit Plan had the General Sessions Traffic School to be audited. Mr. Swann suggested switching the original audit with this one.

Mr. John Cooper inquired about the nature of the Davidson County Drug Court Foundation. Mr. Warner Hassell advised the Davidson County Drug Court Foundation is a nonprofit entity separate from the Metropolitan Nashville Government. A separate audit has been scheduled for the Davidson County Drug Court Foundation. The General Sessions Court has nothing to do with the Davidson County Drug Court Foundation's revenues or expenses. Ms. Talia Lomax-O'dneal inquired if there were any in-kind type transactions between the General Sessions Court and the Davidson County Drug Court Foundation. Mr. Hassell advised they provide office space for one Davidson County Drug Court Foundation employee. Mr. Mendes recommended that the Office of Internal Audit asks questions that would remove any ambiguity regarding the relationship between General Sessions Court and the Davidson County Drug Court Foundation.

Mr. David Briley inquired about the scope of the audit. Mr. Swann advised that the Office of Internal Audit met with Judge Robinson that morning. Judge Robinson communicated that the Office of Internal Audit could audit whatever was appropriate, but he requested, at a minimum, the audit include the fiscal management aspect of the General Sessions Drug Court. Mr. Briley stated concern over the case management documentation process. For example, could the disposition of a case be changed without documentation authorizing the change? Are there better ways to leverage technology in this area?

Mr. Swann advised that our office had met with the Criminal Court Clerk Office and was advised that they are in the process of requesting an enhanced software application for document management. Mr. Briley expressed concern over the risk of an informal decision being made without any supporting documentation and/or transparency.

A discussion ensued over the scope of this audit request.

A **motion** to amend the 2017 Audit Plan to include the audit of the General Sessions Drug Court and related programs was made. Related programs include General Sessions' relationship to

the Davidson County Drug Court Foundation as well as the case management process. The motion was seconded and carried.

Discussion on request from Council Member Bob Mendes to amend the 2017 Internal Audit Work Plan to include a performance audit of Metropolitan Building Safety and Codes Department handling of short-term rental properties.

Mr. Swann advised a request had been made from Mr. Mendes to conduct a performance audit of the Metropolitan Building Safety and Codes Department handling of short-term rental properties. Mr. Mendes stated that this request is a function of concerns of various members of the Metropolitan Council related to short-term rental permits. Specifically, that the legal requirements to obtain a permit are not being consistently applied and enforced.

Mr. Briley asked if the audit could include a step verifying that the tax rate applied to short-term rental properties is the correct rate.

A **motion** to amend the 2017 Audit Plan to include the audit of the Metropolitan Building Safety and Codes Department Short Term Rental process was made, seconded and carried.

Presentation of the Metropolitan Nashville Government Fiscal Year 2016 Letter of Recommendations to Management.

Mr. David Hunt with Crosslin discussed the various aspects of the 2016 Letter of Recommendations to Management. Mr. Hunt advised there were no material findings but Crosslin did have recommendations concerning timely preparation of bank reconciliations, clearing old outstanding items on bank reconciliations, timely recording of cash receipts, completing employee evaluations, and reporting of infrastructure using the modified approach. A discussion of these recommendations occurred.

Action Item: A request was made to ascertain the number of civil service employees vs. non-civil service employees.

Presentation of the Metropolitan Nashville Government Fiscal Year 2016 Schedules of Expenditures of Federal and State Awards and Reports Required by the Single Audit Act as Amended and the Uniform Guidance.

Mr. John Crosslin with Crosslin discussed the various aspects of the 2016 Schedules of Expenditures of Federal and State Awards Reports. A discussion of the reports ensued.

Presentation of Internal Audit Report Recommendations Corrective Action Status as of April 7, 2017.

Mr. Swann presented a report pertaining to outstanding recommendations from previous audit reports. Mr. Mendes stated the importance of audit recommendations being implemented. Ms. Lomax-O'dneal inquired if the report included recommendations that were rejected by management. Mr. Swann advised recommendations where management accepted the risks were not included in the report. Mr. Swann advised the number of recommendations rejected by management had materially decreased over the past year or so. Mr. Swann advised that part of the process is that auditees are invited to attend Audit Committee meetings to voice any concerns regarding report recommendations. This allows dialogue to occur between management and the Audit Committee to address the significance of any rejections.

Action Item: Mr. Cooper inquired how many audits had been conducted on procurement activities. Mr. Swann advised he would need to research and then provide an answer.

Discussion on case files processing and internal audit limitation within the judicial system.

Mr. Swann presented a letter dated March 18, 2010, from the State of Tennessee Attorney General Office. The letter pertained to the Office of Internal Audits limitations within the context of the judicial system. No discussion ensued.

UNFINISHED BUSINESS

Discussion on Internal Audit Legislation

Mr. Cooper advised the legislation passed.

OTHER ADMINISTRATIVE MATTERS

Mr. Swann briefly discussed progress towards the current audit plan and the budget status and the methodology for evaluating the Metropolitan Auditors performance and how any applicable raise would be budgeted.

Mr. Reed inquired if there was need of an executive session. Mr. Swann advised no.

The meeting concluded after 90 minutes at 5:30 p.m.

Respectfully submitted to the Metropolitan Nashville Audit Committee.



Mark Swann
Secretary, Metropolitan Nashville Audit Committee

Approved by the Metropolitan Nashville Audit Committee on July 11, 2017.