

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

July 11, 2017

On Tuesday, July 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
Talia Lomax-O'dneal, Director of Finance
Brackney Reed, Chamber of Commerce
Bob Mendes, Council Member

Committee Member Not Present

John Cooper, Council Member

Others

Mark Swann, Metropolitan Auditor
Theresa Costonis, Department of Law
Kim McDoniel, Deputy Finance Director
Phil Carr, Chief Accountant
Dell Crosslin, Crosslin
Lindsey Ellis, Crosslin
David Hunt, Crosslin
Peter Fontaine, Metropolitan Public Health
Department
Dianne Harden, Metropolitan Public Health
Department
Shannon Hall, Metropolitan Nashville Human
Resources
Jim Pustejovsky, Capital Projects Solutions
Robert Barlow, General Services
Mary Cole, Office of Internal Audit
Seth Hatfield, Office of Internal Audit

Quorum present? Yes

CALL MEETING TO ORDER

Mr. Brackney Reed called the meeting to order.

APPROVAL OF MINUTES

A **motion** to approve the April 11, 2017, meeting minutes as presented in Metropolitan Nashville Audit Committee Workbook for July 11, 2017, on pages 7 through 10 was made, seconded, and carried.

NEW BUSINESS

Discussion on Audit of First Tennessee Ballpark Construction Project

Mr. Mark Swann summarized the background, observations, and recommendations of this audit. Mr. David Briley inquired about litigation against environmental engineers who failed to identify contamination. Ms. Theresa Costonis was not aware of any ongoing litigation. Mr. Bob Mendes inquired about the shortcuts that were made during construction, which led to a discussion regarding the total construction budget, the overrun, and how the costs were allocated to ancillary projects such as the greenway. Mr. Briley commented that having \$9 million attributed to the greenway appeared to be a way to diminish the cost of the ballpark. Mr. Brackney Reed asked if the ancillary improvements were also included in the audit. Mr. Swann stated that the audit was on the construction manager's contract, which covered all of the projects related to

the ballfield. Mr. Jim Pustejovsky clarified part of the greenway cost were the cisterns buried underneath it. These cisterns help the ballpark to fill with water in case there is another catastrophic flood. Mr. Briley stated it was unclear where the funding originated for the greenway and that the Nashville community would not approve of the cost. He commented that the Metropolitan Council should be more circumspect with similar projects in the future.

Discussion on Audit of Assessor of Property

Ms. Mary Cole summarized the objectives, observations, and recommendations of this audit. Mr. Reed asked about the open recommendations from the previous audit. Mr. Swann explained that those recommendations were technology related and will not be implemented until the Assessor of Property upgrades to a new version of their software. Mr. Charles Frasier inquired about the disposition of recommendations. Mr. Swann explained that he will follow-up with management on a bi-annual basis and will update the Committee on the implementation status.

Action Item: Mr. Mendes requested this audit be put on the next meeting agenda and requested the Assessor of Property be in attendance to discuss the audit.

Discussion on Audit of Metropolitan Public Health Department Bureau of Finance and Administration

Mr. Seth Hatfield summarized the objectives, observations, and recommendations of this audit. Mr. Mendes inquired about the weak controls around cash and asked if management was moving towards a better control environment. Mr. Peter Fontaine explained why he requested this audit and updated the Committee on his progress on improving controls within the Metropolitan Public Health Department Bureau of Finance and Administration.

Discussion on Audit of Metropolitan Nashville Government Human Resource Department Talent Acquisition Function

Mr. Swann explained this audit was conducted because talent acquisition is one of the top risks discussed in internal audit publications and conferences, and the best way to mitigate that risk is to have the largest pool possible of qualified candidates. Experis Manpower was hired to evaluate the hiring process as they have considerable experience in recruiting. Mr. Swann summarized the observations and recommendations provided in the report. Ms. Talia Lomax-O'dneal inquired about whether this would be considered an audit or a best practices review. Mr. Swann stated that the intention was for it to be a best practice and operational review as opposed to a compliance audit of Civil Service Rules for hiring. Ms. Shannon Hall expressed her satisfaction with the audit and the recommendations. Ms. Hall explained that as the new Human Resources Director she wanted to have the right people in place before an action plan was put together for the implementation of the recommendations. Mr. Reed asked if Manpower would be used to help with the implementation of any recommendations. Ms. Hall stated that she would pull from internal resources before using Manpower, but she would be open to it. Mr. Reed stated that the Human Resources Department has been very effective, professional, and responsive when assisting the Committee in the past.

External Auditor presentation FY 2017 Financial Audit Communications

Mr. David Hunt presented the financial audit plan for FY 2017. The engagement team, responsibilities, independence, fraud risk, audit methodology, approach, and timeline were summarized. Upcoming Governmental Accounting Standards Board (GASB) statements and their effect on the financial statements were discussed. Mr. Mendes asked if going concern

language would be used once GASB 75 goes into effect. Mr. Hunt explained that further research is needed on how other governments will handle the adoption of GASB 75. Crosslin will continue to seek guidance from the Government Finance Officers Association and other groups regarding the implementation of this statement. Mr. Mendes asked if a meeting would be scheduled around the release of the draft report. Mr. Swann stated that was the goal for the November 2017 meeting. Mr. Mendes asked questions regarding the remaining length of the contract with Crosslin and the rotation of partners on the engagement. There was a discussion regarding rotating engagement partners on the financial audit.

Action Item: Mr. Frasier requested Crosslin put together a tentative plan for partner rotation for discussion at the next Committee meeting.

Metropolitan Auditor's Annual Performance Review

Mr. Reed explained that Mr. Swann performed a self-evaluation which was distributed to the Committee for review. Ms. Lomax-O'dneal expressed concern regarding Mr. Swann performing his own evaluation and salary recommendation. She believed this to be the responsibility of the Committee. Ms. Costonis and Mr. Mendes discussed their knowledge of how other boards have handled evaluations. Mr. Mendes emphasized that it is important for the Committee to establish a process for the evaluation of the Metropolitan Auditor. He stated an example could be for Ms. Costonis, as counsel for the Committee, to distribute, collect, and tabulate evaluation forms and report the results to the Chairman for discussion in an open meeting. Mr. Mendes also stated that he felt Mr. Swann graded himself too hard on his self-assessment.

A **motion** to accept the Metropolitan Auditor annual performance review and approve the recommendation for a salary increase as presented in Metropolitan Nashville Audit Committee Workbook for July 11, 2017, on pages 51 through 59 was made, seconded, and carried. Ms. Lomax-O'dneal abstained due to her not being in favor of self-assessment performance reviews.

Action Item: Mr. Mendes requested that Mr. Swann's evaluation involve feedback from all Committee members and should be completed in May 2018.

Discussion on Comptroller of the Treasury, Department of Audit, Division of Local Government Audit's May 12, 2017, Correspondences Regarding the Comprehensive Annual Financial Report of the Metropolitan Nashville and Davidson County and Single Audit Report for the Fiscal Year Ended June 30, 2016.

Mr. Phil Carr summarized the items noted in the correspondence from the Comptroller of the Treasury. Mr. Carr concurred with all items which were minor in nature and were all related to disclosure issues. Mr. Hunt also stated that the items were minor but appropriate. No discussion ensued.

Metropolitan Nashville Audit Committee and Metropolitan Nashville Office of Internal Audit Bylaws annual review.

Mr. Swann summarized the changes made to the Bylaws for the Metropolitan Nashville Audit Committee and Metropolitan Nashville Office of Internal Audit. No discussion ensued.

A **motion** to approve the recommended changes to the Bylaws as presented in Metropolitan Nashville Audit Committee Workbook for July 11, 2017, on pages 43 through 50 was made, seconded, and carried.

UNFINISHED BUSINESS

Mr. Briley informed the Committee the council committee rooms would have cameras and microphones by fall 2017. The Committee was in agreement that their meetings should be televised.

Mr. Briley updated the Committee on the consent decree between the United States Environmental Protection Agency and the Metropolitan Government of Nashville and Davidson County. Mr. Briley stated the Environmental Protection Agency did not approve the Metro Nashville Long Term Control Plan proposed by Metro Water Services. Metro Water Services was asked to seek a change in state law before the Environmental Protection Agency will approve the plan. Metro Water Services has not incurred significant expenses on this program, but may be close to starting additional projects in the program. To be in compliance no combined sewer overflow would be allowed. To comply with this requirement may require an additional \$2 billion in capital expenditures. Mr. Briley stated Metro Water Services is trying to get additional relief from the United States Environmental Protection Agency or Tennessee Department of Environment and Conservation concerning this matter.

Number of civil service employees vs. non-civil service employees.

Mr. Swann provided the number of civil service employees and non-civil service employees as of May 2017. Mr. John Cooper requested this information at the previous meeting. See Metropolitan Nashville Audit Committee Workbook for July 11, 2017, page 61.

Summary of procurement related audit recommendations.

Mr. Swann explained that the procurement function is typically part of a department audit. Recommendations related to prior audits were provided to the committee. See Metropolitan Nashville Audit Committee Workbook for July 11, 2017, page 62.

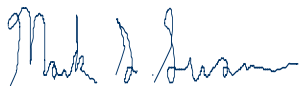
OTHER ADMINISTRATIVE MATTERS

Mr. Swann briefly updated the committee on the budget for fiscal year 2017. He stated that the consulting budget was increased to \$250,000 for fiscal year 2018.

Mr. Swann informed the Committee that the Audit of Autumn Assisted Living Partners, Inc. and Vision Real Estate Investment Corp. Contracts final report would be released within the month.

The meeting concluded after 85 minutes at 5:25 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 September 12, 2017.