

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

September 12, 2017

On Tuesday, September 12, 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
Brackney Reed, Chamber of Commerce
Bob Mendes, Council Member

Committee Member Not Present

Talia Lomax-O'dneal, Director of Finance

Others

Mark Swann, Metropolitan Auditor
Theresa Costonis, Department of Law
Kim McDoniel, Deputy Finance Director
Fred Adom, Finance Department
Dell Crosslin, Crosslin
Daniel Miller, Crosslin
David Hunt, Crosslin
Scott Potter, Metro Water Services
Terry Cobb, Codes and Building Safety
Bill Herbert, Codes and Building Safety
Warner Hassel, General Sessions Court
Marc Overlook, Nashville General Hospital
Bruce Naremore, Nashville General Hospital
Christie Scott, Assessor of Property Office
William (Bill) Walker, Office of Internal Audit
Mary Cole, Office of Internal Audit
Nan Wen, 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 July 11, 2017, meeting minutes as presented in the Metropolitan Nashville Audit Committee Workbook for September 12, 2017, was made, seconded, and carried.

NEW BUSINESS

Update on Metro Nashville's Corrective Action Plan/Engineering Report (CAP/ER) for Sanitary Sewer Overflows and Metro Nashville's Long Term Control Plan (Workbook pages 13 through 14)

Mr. Scott Potter gave an update on the status of the plans. The CAP/ER Plan has been approved by the United States Environmental Protection Agency (EPA), and the Long Term Control Plan is still under review by the EPA.

Mr. John Cooper inquired how the \$1.2 billion costs associated with the plan are treated from an accounting perspective and how the cost will be funded. Ms. Kim McDoniel indicated the liability is reported as a commitment in the footnotes of the Metropolitan Nashville Government's annual

financial report. Mr. Potter confirmed the projects would be funded using Metro Water Services revenue bonds. Mr. David Briley asked about overflow and water quality requirements and thresholds. Mr. Potter stated current federal regulations do not allow any overflow releases and the EPA recognizes this standard is not realistic. The EPA is working on potential changes in policy to address this issue.

Mr. Cooper inquired about peer cities and their situation with combined sewer systems. Mr. Potter indicated east of the Mississippi River, cities generally have a combined sewer system, and this issue is not unique to the Metropolitan Nashville Government. Since 1989, Metro Nashville has reduced the number of combined sewer overflow points from 28 to 6 today.

Mr. Bob Mendes inquired about the timeline for completion of the Long Term Control Plan assuming the EPA approves the plan. Mr. Potter advised Metro Water Services would have eleven years from the time of approval to complete the plan.

Discussion on Audit of the Codes and Building Safety Short-Term Rental Property Permit Issuance/Renewal Process (Workbook pages 15 through 19)

Mr. Bill Walker summarized the objectives, observations, and recommendations of this audit.

Mr. Mendes expressed concern over verification of owner-occupied status; specifically, as it relates to the criteria used to define ownership status. Mr. Brackney Reed inquired about how entities that provide short-term rentals and do not apply for a permit are detected. Mr. Bill Herbert explained that it is difficult to detect unpermitted short-term rental properties and explained this is why the Metropolitan Nashville Government recently contracted with Host Compliance to assist with this effort. A discussion ensued over the role of Host Compliance and the need to ensure consequences for non-compliance is publicized to deter future short-term rentals without a permit.

Action Item: Mr. Mendes requested this process be audited again 90 to 120 days after the audit recommendations are implemented.

Discussion on Audit of General Sessions Recovery Court Fiscal Administration (Workbook pages 20 through 24)

Ms. Nan Wen summarized the objectives, observations, and recommendations of this audit.

Mr. Briley inquired about the ability and impact of a Metropolitan Nashville Government employee making a decision related to Davidson County Drug Court Foundation expenditures. Mr. Briley asserted his concern that if a Metropolitan Nashville Government employee could exercise control by initiating/approving expenditures on behalf of the Davidson County Drug Court Foundation, this would create a situation whereby the Metropolitan Nashville Council budgetary process is bypassed. Mr. Warner Hassel responded the foundation is providing recovery treatment services independent from the General Sessions Recovery Court and is not donating funds to the General Sessions Recovery Court. The recently developed memorandum of understanding between the General Sessions Recovery Court and the Davidson County Drug Court Foundation clearly defines roles and expectations of cooperation between the entities.

Mr. Mendes asked if the Recovery Court Judge has the ability to appoint Davidson County Drug Court Foundation Board members. Mr. Hassel advised not to his knowledge.

Mr. Briley asked if all the expenditures included in the audit report paid by the General Sessions Court on behalf of the Davidson County Drug Court Foundation have been reimbursed to the Metropolitan Nashville Government. Mr. Swann advised yes.

Mr. Cooper inquired about the staffing level. Mr. Hassel responded with a discussion on how the General Sessions Recovery Court is staffed.

Mr. Charles Frasier inquired about the legal status of the Court Foundation Center established by the Davidson County Drug Court Foundation. Mr. Hassel indicated the Court Foundation Center is the entity providing treatment services.

Action Item: Mr. Mendes requested the Department of Law to determine if the memorandum of understanding needed to be approved by the Metropolitan Nashville Council.

Discussion on Audit of Autumn Assisted Living Partners (Workbook pages 25 through 30)

Mr. Mark Swann summarized the objectives, observations, and recommendations of this audit.

Mr. Cooper inquired, and a discussion ensued over the business/real estate plan that was not successfully completed by the operator. Mr. Cooper inquired about the lack of monitoring of the contractor. Mr. Marc Overlook advised that Metropolitan Nashville General Hospital management has taken steps to ensure this situation does not occur again.

A discussion ensued over the amount of money unaccounted for and the amount the Metropolitan Nashville Government paid to cover unpaid bills for Autumn Assisted Living Partners. Ms. Kim McDoniel indicated earlier this year the Metropolitan Nashville Government paid vendors that were essential for life and safety at the facility, such as utility and fire safety vendors. The Metropolitan Nashville Government has not paid any other vendors owed money from Autumn Assisted Living Partners, approximately \$500,000.

Metropolitan Nashville Audit Committee Annual Self-Assessment (Workbook pages 31 through 34)

Mr. Swann discussed the Metropolitan Nashville Audit Committee annual self-assessment. Mr. Swann advised the only cautionary item pertained to the Committee not making a motion to accept the fiscal year 2016 Single Audit Report and a self-assessment had not been completed for the previous year.

A **motion** to accept the Metropolitan Nashville Audit Committee Annual Self-Assessment was made, seconded, and carried.

Action Item: Mr. Mendes requested the 2016 Single Audit Report be considered for acceptance at the next Committee meeting.

Discussion on External Audit Firm Partner Rotation

Mr. David Hunt presented an organizational chart outlining the proposed Crosslin engagement team for the fiscal year 2018 engagement. Mr. Hunt advised that the primary change would be that Mr. Daniel Miller would be the new Principal-in-Charge for the next two years. Mr. Hunt summarized the various Crosslin team members who would be responsible for key areas of the engagement. Mr. Hunt advised that Crosslin had rotated leadership roles for key engagement areas. Mr. Hunt advised that while the leadership roles in key areas had changed, the collective

institutional knowledge that Crosslin has obtained over the years, which is critical in performing a successful audit, remains intact. No discussion ensued.

UNFINISHED BUSINESS

Discussion on Audit of the Assessor of Property (Workbook pages 45 through 48)

Ms. Mary Cole summarized the objectives, observations, and recommendations of this audit. No discussion ensued.

OTHER ADMINISTRATIVE MATTERS

Mr. Swann briefly updated the Committee on an investigation that had recently been completed concerning Metro Water Services contractor Civic Engineering and Information Technologies, Inc. In addition, the Committee was advised the Office of Internal Audit is currently working on two additional investigations.

Mr. Swann briefly updated the Committee on the status of previous audit recommendations listed in the Metropolitan Nashville Audit Committee Workbook for September 12, 2017, pages 35 through 42.

Action Items: Mr. Reed requested that pending audit recommendations be sorted by the entity responsible for corrective action in future reports.

Mr. Swann advised that budget and staffing information could be reviewed in the Metropolitan Nashville Audit Committee Workbook for September 12, 2017, pages 51 through 57.

The public meeting adjourned after approximately 75 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 2017 financial reports with the external auditors, Crosslin, was made, seconded, and carried.

The executive session meeting adjourned after approximately 15 minutes.

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