

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

December 12, 2017

On Tuesday, December 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

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

Committee Member Not Present

Brackney Reed, Chamber of Commerce

Others

Mark Swann, Metropolitan Auditor
Theresa Costonis, Department of Law
Dell Crosslin, Crosslin
David Hunt, Crosslin
Lindsey Ellis, Crosslin
Daniel Miller, Crosslin
Nancy Whittemore, Director of General Services
Stacey Wall, Office of Fleet Management
Robert Barlow, General Services
Kim McDoniel, Deputy Finance Director
Maryanne Morris, Department of Finance
Bruce Naremore, Hospital Authority – Chief Financial Officer
Marc Overlock, Hospital Authority – General Counsel
Qian Yuan, Office of Internal Audit
Seth Hatfield, Office of Internal Audit

Quorum present? Yes

CALL MEETING TO ORDER

Mr. Charles Frasier called the meeting to order.

APPROVAL OF MINUTES

A **motion** to approve the November 28, 2017, meeting minutes as presented in the Metropolitan Nashville Audit Committee Workbook for December 12, 2017, was made, seconded, and carried.

UNFINISHED BUSINESS

Discussion on Audit of the Office of Fleet Management audit report issued September 18, 2017

Mr. Seth Hatfield addressed the question raised at the last audit committee meeting regarding the turn-around time on repairs from vendors. Audit work conducted in that area was summarized.

Ms. Talia Lomax-O'dneal explained that she had inquired about third-party repair work after hearing anecdotal feedback from departments regarding turn-around time for repairs. She was

assuming that no findings in the report meant that there was nothing out of line with industry standards.

Mr. Mark Swann directed the Committee to page 19 in the workbook that summarized some of the work conducted during the audit involving turn-around time on repairs from third parties. He explained that the data could not be fully relied on because the previous software system was not a fleet management system. The new FASTER Fleet Management System should provide much better information in determining turn-around time.

Ms. Nancy Whittemore provided additional information from FASTER. Since March 2017, ninety-three percent of repairs were conducted in-house. She explained that that seven percent conducted by vendors included wrecked cars.

Mr. David Briley asked if departments have an obligation to manage utilization or just the authority. Ms. Whittemore explained that utilization is important to track when determining fleet replacements every year. Ms. Whittemore explained that the Department of General Services would have conversations with the Finance Department around budget time and look for possible ways to reduce the fleet, but departments will sometimes draw a hard line when it comes to holding on to vehicles. Ms. Whittemore advised that they have programs in place to help show departments that sharing vehicles can work. Lentz Public Health Center, Public Works, and the Fulton Complex all have electric vehicles that are shared.

Mr. Briley commented that discussions during department Council presentations might be necessary if some departments are vetoing how many vehicles the department has and how those vehicles are used. Ms. Whittemore stated she would be happy to provide recommendations during the budget time for the Council and Budget Office to explore.

Mr. Bob Mendes commented that legislation might be necessary if departments don't cooperate with the Office of Fleet Management with utilization requirements and fleet reductions, but he would rather departments voluntarily work with the Office of Fleet Management.

Ms. Lomax-O'dneal inquired about any changes in the number of take-home vehicles over the last few years. Ms. Whittemore stated that a listing of take-home vehicles are obtained from departments each year, and the number of take-home vehicles has decreased overall. Ms. Lomax-O'dneal asked if take-home vehicles were in the scope of the audit. Mr. Swann advised that the audit did address take-home vehicles and that some vehicles were identified that might not meet the criteria to be taken home. He explained that take-home vehicles would be part of department audits moving forward. If vehicles are identified that do not meet the criteria, the department would need to provide an exception from the Director of General Services as instructed in the administrative order for take-home vehicle assignments. Ms. Whittemore provided a copy of the current take-home vehicle listing to the Committee.

Mr. Frasier asked if June 2018 was the date for completion of the audit recommendations. Ms. Whittemore confirmed that date and stated that have begun working on the recommendations.

Discussion on the ongoing audit of Metropolitan Nashville FY 2017 Financial Statements audit with Crosslin (External Auditor)

Mr. David Hunt presented the audit results for the FY 2017 financial statements to the Committee. Mr. Hunt discussed the required communications of the CAFR and related audit as

required by auditing standards. Engagement team members, responsibilities, independence, fraud risk, deliverables, and the audit methodology were all summarized.

The Single Audit is still ongoing. The Metropolitan Nashville Government did not qualify as low-risk, so testing including a minimum of 40 percent coverage of total federal expenditures of \$175 million. Mr. Frasier asked for the criteria to be considered low-risk. Mr. Hunt explained that the material weakness from the Hospital Authority caused the Metropolitan Nashville Government to be considered high-risk.

Significant activity, unusual items, and adopted accounting pronouncements were summarized. The pronouncements did not have a significant impact on the FY 2017 financial statements. Mr. Hunt explained that the upcoming GASB Statement No. 75 would require the liability for other post-employment benefits (OPEB) to be included in the financial statements. Mr. Mendes inquired about whether the negative net position after the adoption will cause a going concern. Mr. Hunt stated his personal opinion would be the adoption would not cause a going concern because OPEB is a long-term liability that will continue to be funded.

Mr. John Cooper inquired about industry practices regarding trust funds for OPEB. Mr. Hunt stated that trust funds for OPEB and pensions are handled differently, as some governments have them and some do not. Mr. Daniel Miller explained that most governments with pensions would have a pension trust fund, but most governments with OPEB will not have an OPEB trust fund.

Action Item: Mr. Cooper requested that Crosslin provide information regarding the number of municipalities that have trust funds for OPEB.

Mr. Hunt summarized accounting estimates, unaudited information in the financial statements, and other additional required communications. Upcoming accounting pronouncements were presented to the Committee. Only GASB Statement No. 75 will have a significant impact as discussed earlier.

Mr. Hunt discussed some of the highlights from the Comprehensive Annual Financial Report and took questions from the Committee.

Mr. Briley inquired whether the undesignated fund balance exceeded the five percent of annual expenditures minimum balance requirement. Mr. Hunt advised that it did.

Mr. Briley asked questions regarding the difference between self-pay and charity care. Mr. Bruce Naremore explained the process for providing charity care. A discussion ensued regarding charity care and how the subsidy provided to the Hospital Authority is utilized.

Mr. Briley left the Audit Committee Meeting at 4:55pm.

The possibility of transferring patients to other hospitals with a lower cost structure was discussed. Mr. Naremore stated that eligibility for someone in that kind of program would be important because the number of people eligible would determine the size of the funding needed. Mr. Naremore believes that General Hospital's cost of patient care is lower than any of the area hospitals. He also advised the Committee that patients relying on General Hospital for cancer treatment could be effected under the scenario of transferring patients to other hospitals. General Hospital is a safety net hospital and is able to participate in the US Government 340B

Drug Discount Program but to be eligible for the 340B Drug Discount Program a hospital must have in-patient beds.

Mr. Mendes clarified that his questions regarding charity care were to gain an understanding of how costs related to the subsidy and were not under the premise of sending patients to other hospitals.

A **motion** to accept the *Metropolitan Nashville Government Comprehensive Annual Financial Report for the Year Ended June 30, 2017*, was made, seconded, and carried.

Other Administrative Matters

Mr. Swann presented the proposed six meeting dates for the next calendar year. Mr. Cooper inquired about the FY 2019 audit plan. Mr. Swann clarified that the next audit plan would be presented in February 2018. Mr. Mendes asked if the Metropolitan Audit employment and compensation process had been decided. Mr. Swann stated that information would be provided to the Committee at the April 2018 meeting and the review was scheduled for June 2018.

A recommendation to follow-up on the Office of Fleet Management and Short Term Rental Program audits were discussed. Ms. Lomax-O'dneal commented that legislation to assist the Office of Fleet Management with managing fleet utilization might be necessary. Mr. Mendes agreed to work with the administration regarding any proposed legislation regarding fleet utilization if necessary.

The public meeting adjourned after approximately 67 minutes.

Respectfully submitted to the Metropolitan Nashville Audit Committee.



Mark Swann
Secretary, Metropolitan Nashville Audit Committee

Approved by the Metropolitan Nashville Audit Committee on February 13, 2018.