

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

**February 13, 2018**

On Tuesday, February 13, 2018, at 4:00 p.m., the Metropolitan Nashville Audit Committee met in the Metropolitan Courthouse, 2<sup>nd</sup> 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  
Brackney Reed, Chamber of Commerce

Others

Mark Swann, Metropolitan Auditor  
Theresa Costonis, Department of Law  
William Walker, Office of Internal Audit  
Scott Potter, Metro Water & Sewer  
Kim McDoniel, Deputy Finance Director  
Honorable Judge Gale Robinson, General Sessions Court  
Bob Green, General Sessions Court  
Warner Hassel, General Sessions Court  
Julius Sloss, Criminal Court Clerk  
Patti McNaney, Criminal Court Clerk  
Sharon Wahlstrom, Public Works  
Stephen Meyer, Health and Education Facilities Board  
Cindy Barnett, Health and Education Facilities Board  
Mary Cole, Office of Internal Audit  
Nan Wen, Office of Internal Audit  
Qian Yuan, 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 December 12, 2017, meeting minutes as presented in the Metropolitan Nashville Audit Committee Workbook for February 13, 2018, was made, seconded, and carried.

**New Business**

Discussion on a request received from Council Member Pulley for an audit/investigation of Mayor Barry's travel expenses and security detail travel expenses and overtime pay (page 16 of the workbook).

Mr. Mark Swann presented Council Member Pulley's request to the Committee. Council Member Bob Mendes advised he had separately contacted Mr. Swann to develop a potential investigation scope of services for this matter. Instead of having multiple inquiries from various members of the council, Mr. Mendes suggested allowing the Office of Internal Audit the authority to interact and submit a scope of services to the Metropolitan Nashville Council Special Committee. Moreover, if there is a portion of the scope of services that Mr. Swann is not

comfortable with he should present those concerns to the Committee. Mr. Swann advised the Office of Internal Audit is available to assist in any way it could and if needed, the Office of Internal Audit management consulting budget is available to help fund any outside consultants or investigation services needed.

Councilman John Cooper advised the importance of the management consulting budget. Councilman Cooper stated that he did not want the Metropolitan Nashville Council Special Committee investigation to cause a restraint on auditing other areas. Vice-Mayor David Briley advised that it is important the investigation be comprehensive and complete. There is also an obligation to manage public resources wisely. Vice-Mayor Briley advised he would like to see the scope of services for the Committee agree, as closely as possible, with the scope of services developed by the Metropolitan Nashville Council Special Committee.

Vice-Mayor Briley wanted to use as many in-house resources as possible while only utilizing outside resources when internal resources are not available. Vice-Mayor Briley agreed with Councilman Cooper's desire not to have the investigation drain the financial resources of the Office of Internal Audit. Vice-Mayor Briley advised the Metropolitan Nashville Council Special Committee might need to hire special counsel for the investigation. Presently, there has not been funding set aside in the current budget for such an expense. A portion of the Office of Internal Audit management consulting budget may be needed. Councilman Cooper stated if there were any anticipation of unspent balances for the fiscal year, it would be prudent to spend those funds as opposed to pulling the money from outside of the Office of Internal Audit.

A **motion** was made for the Metropolitan Auditor to engage in an investigation as requested by Council Members' Pulley and Mendes; and for the Metropolitan Auditor to work with the Metropolitan Nashville Council Special Committee by conducting a coextensive investigation limited to the matters adopted by the Metropolitan Nashville Council resolution (Resolution No. RS2018-1039) creating the Metropolitan Nashville Council Special Committee; and the Metropolitan Auditor is to use available resources as much as possible and if for some reason the Metropolitan Auditor believes because of breadth of work or cost this is not possible, the Metropolitan Auditor is to come back to the Committee for further direction; the motion was seconded, and carried.

Discussion on Audit of the Health and Educational Facilities Board issued on January 21, 2018 (page 14 of the workbook).

Ms. Nan Wen summarized the objectives and observations of this audit. There were no recommendations for this engagement.

Councilman Cooper inquired about Rocketship Charter School debt and if a related tax lien was tied to assets funded by the Health and Educational Facilities Board. Ms. Barnette advised revenue from Rocketship Charter School financing would be available to pay any tax liens. Ms. Barnette advised real estate was not held by the Board but by the Barnes Trust Fund. The Health and Facilities Board is not a beneficiary but serves as a flow-through entity.

Councilman Cooper asked if parties going through the Board were exclusively tax exempt. Ms. Barnette advised parties could be both tax-exempt and taxable depending on the entity. The advantage for taxable entities to go through the Health and Facilities Board was the reputation the board had in the bond market.

Discussion on the Audit of the General Sessions Recovery Court – Case Management audit report issued on December 18, 2017 (page 15 of the workbook).

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

Councilman Mendes asked if the recommendation with an implementation date of February 1, 2018, had been completed. Mr. Hassel advised yes.

Vice-Mayor Briley inquired if the General Sessions Recovery Court would like to give an update to the state of the court since Judge Robinson took over. Judge Robinson gave an overview of changes made since becoming the presiding judge.

Ms. Talia Lomax-O'dneal inquired about the observation related to retention of documentation. Specifically, what was the root cause of the problem? Judge Robinson advised there was a lot of inconsistencies in how documents were processed. The Recovery Court moved the handling of these documents to the Probation Department and records are now consistently retained.

Discussion on the Audit of the Metro Water Services Payroll Project audit report issued December 28, 2017 (page 22 of the workbook).

Ms. Mary Cole summarized the objectives, observations, and recommendations of this audit.

Mr. Charles Frasier asked if Metro Water Services was transitioning from Peoplesoft to an enterprise resource management system. Mr. Swann advised the Metropolitan Nashville Government is currently transitioning to a new Oracle E-Business Suite enterprise resource management system. The recommendation is to utilize the current system until the Oracle E-Business Suite enterprise resource management system has been implemented.

**Fraud Waste and Abuse Hotline and Investigation Update**

2012SP-032-001 Nashville West End/Aertson Midtown

Mark Swann gave an update on the nature and results of the investigation.

Councilman Cooper inquired why the developer would not reimburse the Metropolitan Nashville Government for costs associated with the traffic light synchronization. Ms. Wahlstrom advised that the area in question was identified as one of the most dangerous crosswalks in Nashville. Accordingly, the Public Works Department completed the work as they could complete the work more quickly than the developer. Vice-Mayor Briley advised he recalled SP ordinances related to these type of arrangements might not require reimbursement requirements. Vice-Mayor Briley agreed with Councilman Cooper's concern and advised it was something that should be addressed in future legislation. Mr. Swann stated the complainant had additional allegations besides the allegation concerning traffic lights. Vice Mayor Briley asked if we would be doing additional investigations. Mr. Swann advised the proposed 2018 Internal Audit Work Plan for the upcoming year has an audit engagement that would address those allegations.

Metro Action Head Start Program

Mark Swann gave an update on the nature and results of the investigation.

A discussion ensued over the Office of Internal Audit's inability to review income tax returns which in turn are tied to eligibility requirements. Mr. Swann advised while the Office of Internal Audit does not have the ability to review income tax returns, the Grantor does. Mr. Swann advised the Director of Head Start believed an audit by the Grantor is likely to happen soon. Ms. Lomax-O'dneal asked had there ever been findings related to eligibility in the past for the Head

Start program. Mr. Swann advised several years ago an audit was conducted where the Metro Action Commission was unable to produce attendance records. Mr. Swann also advised that some Head Start programs are not operating at capacity while others have a waiting list.

### **Internal Audit Project Status**

#### Discussion on the 2018 Internal Audit Work Plan (page 25 of the workbook).

Mr. Swann presented a high-level summary of the methodology utilized in developing the Annual Internal Audit Work Plan.

Vice-Mayor Briley and Ms. Lomax-O'dneal stated the proposed audit of the Soccer Stadium was premature as there would not be work done on the stadium during the work plan year. Mr. Reed asked if this audit was to be done during construction or post-construction. Mr. Swann advised during construction.

Ms. Lomax-O'dneal inquired about the Metropolitan Nashville Schools Capital Projects proposed audit. Mr. Swann advised the scope would not be a specific project but the capital projects management process.

Ms. Lomax-O'dneal stated concern over the proposed audit of the relationship between the Metropolitan Nashville Government and various non-profit organizations. Specifically, she was concerned about the overwhelming size related to the scope. Councilman Cooper suggested to re-evaluate the scope and present the results at a subsequent audit committee meeting.

A **motion** to approve the 2018 Internal Audit Work Plan, with the qualification that the Office of Internal Audit provides additional detail as to the scope of work to be performed on item 6 (Metropolitan Nashville Government Collaborations with Non-Profits) at a later time, was made, seconded, and carried.

#### Discussion on Recommendation of Implementation Follow Up Status (page 32 through 50 in the workbook).

Mr. Swann provided an update on the status of prior audit recommendations.

A discussion ensued over how to interpret the report and the contents of the report. Mr. Mendes suggested having noncompliant departments be brought before the audit committee.

#### Discussion on the Office of Internal Audit 2018 Performance Report and Metropolitan Nashville Audit Committee Annual Report to the Metropolitan Nashville Council.

Mr. Swann advised the annual report for the Metropolitan Nashville Council was available for review.

A **motion** to attach a listing of those departments who have declined to implement prior audit recommendations was made, seconded, and carried.

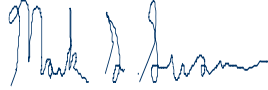
### Other Administrative Matters

Mr. Swann discussed the Office of Internal Audit budget.

A **motion** to adjourn the meeting was made, seconded and carried.

The public meeting adjourned after approximately 64 minutes.

Respectfully submitted to the Metropolitan Nashville Audit Committee.

A handwritten signature in blue ink, appearing to read "Mark Swann".

Mark Swann  
Secretary, Metropolitan Nashville Audit Committee

**Approved by the Metropolitan Nashville Audit Committee on April 10, 2018.**