

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

**November 27, 2018**

On Tuesday, November 27, 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

Brackney Reed, Chamber of Commerce  
Charles Frasier, Tennessee Society of CPAs  
Talia Lomax-O'dneal, Director of Finance  
Jim Shulman, Vice-Mayor  
John Cooper, Council Member  
Bob Mendes, Council Member

Others

Mark Swann, Metropolitan Auditor  
Theresa Costonis, Attorney, Department of Law  
Dell Cosslin, Crosslin  
Lindsey Ellis, Crosslin  
David Hunt, Crosslin  
John Crosslin, Crosslin  
Mark Sturtevant, Director, Metro Nashville Public Works Department  
Sharon Waltstom, Assistant Director, Metro Nashville Public Works Department  
Monique Odom, Director, Metro Parks and Recreation  
Scott Potter, Director, Metro Water Services  
Phil Carr, Chief Accountant, Metro Department of Finance  
Kim McDaniel, Assistant Director, Department of Finance  
Saul Solomon, Attorney for Collier Engineering Inc.  
Chad Collier, Collier Engineering Inc.  
Angie Henderson, Council Member  
Innocent Dargbey, Office of Internal Audit  
Seth Hatfield, Office of Internal Audit  
Bill Walker, 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 September 11, 2018, meeting minutes as presented in the Metropolitan Nashville Audit Committee Workbook for September 11, 2018, was made, seconded, and carried (pages 7-12 of the workbook).

## **NEW BUSINESS**

### Discussion on the audit of the Metro Water Services Fire Hydrant Inspection, Repair and Maintenance Process issued November 19, 2018 (pages 15-20 of the workbook).

Mr. Darbey summarized the objectives, observations, and recommendations for this audit.

Talia Lomax-O'dneal inquired if it were customary to have responsibility for private hydrants segregated between a water department and a fire department. Mr. Dargbey replied that the Metropolitan Nashville Code explicitly assigns such responsibility to Metro Water Services. Mr. Darbey stated the relationship between the Nashville Fire Department and Metro Water Services is informal. One recommendation of the audit pertained to establishing formal, verifiable agreement on respective responsibilities and procedures.

Council Member Cooper asked about where inspection fees on private hydrants are allocated too. Mr. Dargbey advised fees are going to Metro Water Services who, in turn, use the funds to pay an outside contractor. The report recommendation would have those fees allocated to the Nashville Fire Department who would do the inspections instead of the private vendor. Council Member Cooper inquired if the Council had the ability to modify the Metropolitan Nashville Code of Laws to enhance the fee. The response was yes.

Charles Fraizer inquired if the 17 percent of hydrants not inspected was a consistent number from year to year. Mr. Darbey advised the 17 percent related to all hydrants in existence as of March 2018. Council Member Cooper asked about the action plan for the 17 percent never inspected. Mr. Potter advised they are in the process of procuring an outside vendor to help catch up. Additional employees are being hired to be assigned exclusively to this process.

Mr. Potter gave a summary of the process for inspecting and maintaining a fire hydrant. Vice-Mayor Shulman asked if the overall status of fire hydrants were safe for the general public. Mr. Potter advised that he is very confident in the overall performance of fire hydrants. Mr. Potter advised he was only aware of one failed hydrant in his years as Director of Metro Water Services.

### Discussion on the Collier Engineering, Inc. Investigation report issued on October 26, 2018 (pages 23-25 of the workbook).

Mark Swann advised an investigative report had been issued concerning allegations related to the Metropolitan Nashville Government's contract with Collier Engineering, Inc. and several Metropolitan Nashville Government employees. Specifically, conflicts of interest, standards of conduct violations, and improper contract service improprieties were asserted.

Council Member Mendes asked if the Metropolitan Nashville Office of Internal Audit had contacted law enforcement or the State of Tennessee Comptroller's Office related to the report. Mr. Swann advised no.

Council Member Mendes stated a series of motions.

A **motion** to have the Metropolitan Nashville Office of Internal Audit staff supplement the investigation report to lay out an analysis of the circumstantial evidence that was collected compared to the preponderance of evidence standard was made, seconded, and carried.

A **motion** to have the Metropolitan Nashville Office of Internal Audit staff add a recommendation to the investigation report that all involved personnel be reassigned so as not to work on Collier Engineering, Inc. related matters to address the appearance of preferential treatment was made, seconded, and carried.

A **motion** to have the Metropolitan Nashville Office of Internal Audit staff supplement the investigation report to point out which specific language in the scope of services with Collier Engineering, Inc. can be considered related to the work performed was made, seconded, and carried.

A discussion ensued over matters concerning Allegation H. Specifically, at what point was it discovered that repair work needed to be completed and who had actually covered the cost of this repair work. Mark Sturtevant advised it was not uncommon for mistakes to be made in construction. Sometimes these mistakes are discovered immediately, and sometimes the discoveries are made later. Mark Sturtevant advised the Metro Nashville Public Works Department has a process for catching these type of errors and that is what happened in this situation.

A **motion** to have the Metropolitan Nashville Office of Internal Audit staff to clarify the investigation report by providing a specific timeline for the events related to Allegation H such as when the Office of Internal Audit became aware of the matter and when the Metro Nashville Public Works Department pursued a remedy to the matter was made, seconded, and carried.

A **motion** to have the Metropolitan Nashville Office of Internal Audit staff to supplement the investigation report to point out the specific language in the Collier Engineering, Inc. contract scope of services related to the Allegation H complaint matters was made, seconded, and carried.

A **motion** to have the Metropolitan Nashville Office of Internal Audit staff request each applicable department head to provide a corrective action plan for the investigation report was made, seconded, and carried.

Vice-Mayor Shulman inquired if corrective action plans were routinely required by the management of Metropolitan Nashville Government entities. Mark Swann advised corrective plans were always requested during normal audits but not investigations. Vice-Mayor Shulman and Talia Lomax-O'dneal advised they believed it to be a good idea to do so. Mark Swann advised it would be done.

Council Member Cooper inquired as to the mechanisms whereby the allegations were brought to the Metropolitan Nashville Office of Internal Audit attention. Mark Swann advised the Mayor's Office advised of all the allegations other than Allegation H.

Council Member Henderson addressed her concern that she believed the scope of additional services provided by Collier Engineering, Inc. did not conform to the nature of the work in the contract.

Talia Lomax-O'dneal requested each applicable department head to be given the opportunity to give a statement about their thoughts on the investigation report.

Scott Potter advised a Metro Water Services employee showed a lapse in judgment. Mr. Potter advised he fully trusts this employee and this was the only lapse in judgment this employee has ever displayed. This employee understands the significant impact of this error and displays remorse. Metro Water Services has executed a policy whereby any employee able to influence a contract must re-read the ethics policy and relay that to their assistant director and then to Mr. Potter. Training is also being provided to Metro Water Services management by the Department of Law.

Monique Odom stated Metro Parks and Recreation had one employee who showed a lapse in judgment. This employee has been with the Metropolitan Nashville Government for a long time and is on the senior leadership staff. This employee is someone she trusts. This employee has been counseled on this matter, and the counseling session is reflected in their personnel file. The Department of Law was utilized to provide training, and the Metropolitan Nashville Government's Standards of Conduct was distributed to all Metro Parks and Recreation employees.

Mark Sturtevant stated the Metro Nashville Public Works Department takes these allegations very seriously and knows the impact between the appearance of a vendor obtaining preferential treatment and actual preferential treatment can be the same in the public's mind. All five employees were met with on more than one occasion, and the serious lapse in judgment was communicated. Mark Sturtevant advised they were good employees and remorseful. An ethics-training program has begun at Metro Nashville Public Works Department with 51 employees having attended the class thus far. The goal is to have all employees receive the training. An internal review was done, and the following corrective steps have been taken:

- 1) All procurement request for proposal activity related to design and engineering services paving, sidewalks, and capital projects have been suspended temporarily.
- 2) During this suspension period, the Metro Nashville Public Works Department, working with the Department of Finance and the Mayor's Office will re-evaluate the methodology used to scope and select work. A focus will be given to ensure that no unnecessary favor is given to vendors the Department has extensively worked with in the past.
- 3) All contracts requiring a 20 percent or more increase will be required to go through a formal amendment process.
- 4) Efforts to reduce Metro Nashville Public Works Department dependency on private vendors will continue. This will require the assistance of the Mayor's Office and Metropolitan Nashville Council to modify the existing operating budget.

Council Member Cooper inquired if there were any rules related to vendors offering gifts to Metropolitan Nashville Government employees. Michelle Lane stated the Procurement Code offers a remedy in the form of debarment in situations of criminal activity, embezzlement, etc. Michelle Lane advised there are opportunities for improvement related to tightening up rules in this area. Council Member Cooper asked the Department of Law and the Purchasing Agent to work together to strengthen the language in the Procurement Code as it relates to this issue.

Vice-Mayor Shulman asked if the suspension of the current request for proposals would have a materially negative impact on the Paving Program. Mark Stearvant advised no. Current contracts are in place to ensure work continues. Vice-Mayor Shulman requested Metro Public Works keeps the Metropolitan Nashville Council informed.

Saul Solomon, attorney representing Collier Engineering, Inc., made a statement asserting Collier Engineering, Inc. management and staff are honest and civic-minded. Collier Engineering, Inc. procured an independent accounting firm to review their records to help ensure nothing inappropriate had occurred. Prior to the allegations, it was discovered that entertaining Metropolitan Nashville Government employees could be an issue even though there was nothing explicitly in the contract prohibiting it. Accordingly, training was conducted for all Collier Engineering, Inc. employees. Saul Solomon advised there was no need for Collier Engineering, Inc. to curry favor to be awarded contracts, as there has been a long-standing positive relationship in place with the Metropolitan Nashville Government. Saul Solomon advised his client was aware of the impact that even the appearance of impropriety and that his client was willing to whatever action was needed to ensure that this appearance matter did not occur in the future.

Council Member Mendes asked if Collier Engineering, Inc. would be willing to provide the independent audit report referenced in the investigation report to the Committee. Saul Solomon advised yes.

Discussion on the Metro Nashville Public Schools Hotline Various Alerts April and May 2018 report issued November 6, 2018.

Mark Swann advised six investigative reports had been issued related to allegations made against the Metro Nashville Public Schools. Mark Swann gave an overview of what the allegations pertained too and advised they were all unsubstantiated.

Council Member Mendes inquired if the recommendations in the report were accepted. Mark Swann advised historic Office of Internal Audit protocol did not typically involve getting management response on investigations, but he would ask for a management response from Metro Nashville Public Schools.

Preliminary discussion on dedicated assurance services for Metro Nashville Public Schools (pages 26-27 of the workbook).

Mark Swann advised the Metropolitan Nashville Board of Education Governance Committee had made a request to the Metropolitan Nashville Office of Internal Audit related to the possibility of having additional audit assurance resources allocated specifically to their entity. A possible scenario would be two additional full-time equivalents being hired by and under the management of the Metropolitan Nashville Office of Internal Audit. If funded and implemented, a memorandum of understanding between the Metropolitan Nashville Nashville Board of Education and the Metropolitan Nashville Audit Committee would need to be established.

Mark Swann advised this request was in the preliminary stages, and the objective of this agenda item is to ascertain if this matter is something the Metropolitan Nashville Audit Committee would like him to continue to pursue with the Metropolitan Nashville Nashville Board of Education Governance Committee.

Talia Lomax-O'dneal asked if the Metropolitan Nashville Public Schools had an internal audit function and how they could possibly play into this. Mark Swann advised the current internal audit shop focuses almost exclusively on activity funds. This group reports to Metro Nashville Public Schools management, not the Metropolitan Nashville Nashville Board of Education, thus diminishing independence.

Mark Swann advised the Office of Internal Audit historically had a presence in the Metro Nashville Public Schools conducting a number of audits; approximately 10 percent of the Office's audit effort over the past ten years. However, the Metropolitan Nashville Public Schools represents almost half of the Metropolitan Nashville Government budget, and additional resources would be beneficial.

The consensus of the Metropolitan Nashville Audit Committee was to continue to explore this initiative with the Metropolitan Nashville Board of Education Governance Committee.

### **Unfinished Business and General Orders**

#### Metropolitan Nashville Audit Committee and Metropolitan Nashville Office of Internal Audit Bylaws annual review (page 31 of the workbook).

Mark Swann advised there were no recommend changes or modifications to the bylaws.

A **motion** to approve the Metropolitan Nashville Audit Committee Bylaws and the Metropolitan Office of Internal Audit Bylaws was made, seconded, and carried.

#### Nashville General Hospital Procurement-to-Pay Credit Card Follow-Up (pages 32-33 of the workbook).

Mark Swann advised Nashville General Hospital was able to locate around half of the missing receipts representing around \$7,200. A form is now being generated to ensure the business purpose of an expense is disclosed and approved.

Council Member Mendes stated Nashville General Hospital still needed to conduct an analysis of credit card expenses in relation to prior periods to assist in ascertaining the appropriateness of the expenses. Mark Swann stated the Office of Internal Audit would continue to follow up on this request with the management of Nashville General Hospital.

#### Then-Mayor Megan Barry's Travel and Dignitary Security Detail Extra Time Expense Investigation Recommendation Corrective Action Plans (pages 34-35 of the workbook).

Mark Swann advised management corrective action plans for the investigation had been received. Council Member Mendes inquired about the recommendation pertaining to the Mayor's Office disclosing to the Metropolitan Nashville Council all trips taken by the Mayor, the costs, and funding sources. Mark Swann advised the Mayor's Office would disclose this additional information in the annual disclosure forms generated each year and submitted to the Metropolitan Nashville Clerk.

Vice-Mayor Shulman stated concern over the disclosure only going directly to the Metropolitan Nashville Clerk's Office. Vice Mayor Shulman also was concerned that there are no explicit requirements requiring the Mayor's Office to do so. Council Member Mendes advised that the Metropolitan Nashville Council could modify the Metropolitan Nashville Code of Laws to make it a requirement.

A discussion ensued over the monitoring of Metro Nashville Police Department overtime expense and parties who, at times, fund travel for the Mayor (Chamber of Commerce, etc.).

Other Administrative Matters

No questions or discussion ensued over administrative matters.

Consideration of Items for Future Meetings

A conversation ensued over tentatively having the next meeting on December 11, 2018.

The public meeting adjourned after approximately 1 hour, 10 minutes.

A **motion** to move into executive session to discuss the ongoing Metropolitan Nashville Government financial audit for the year ended June 30, 2018, with the Metropolitan Nashville Government Department of Finance and Crosslin was made, seconded, and carried.

Respectfully submitted to the Metropolitan Nashville Audit Committee.



Mark Swann  
Secretary, Metropolitan Nashville Audit Committee

**Approved by the Metropolitan Nashville Audit Committee on December 11, 2018.**