

METROPOLITAN NASHVILLE AUDIT COMMITTEE MEETING MINUTES

December 11, 2018

On Tuesday, December 11, 2018, 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

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

Others

Mark Swann, Metropolitan Auditor
Theresa Costonis, Department of Law
John Crosslin, Crosslin
David Hunt, Crosslin
Lindsey Ellis, Crosslin
Phil Carr, Department of Finance
David Sturtevant, Division of Local
Government Audit, State of Tennessee

Quorum present? Yes

CALL MEETING TO ORDER

Mr. Brackney Reed called the meeting to order.

APPROVAL OF MINUTES

A **motion** to approve the November 27, 2018, meeting minutes as presented in the Metropolitan Nashville Audit Committee Workbook for December 11, 2018, was made, seconded, and carried.

NEW BUSINESS

Presentation by the Division of Local Government Audit, Tennessee Comptroller of the Treasury on external auditor contracting and review of annual financial statements.

Mr. David Sturtevant gave a brief overview of the roles and responsibilities of the Division of Local Government Audit within the Tennessee Comptroller of the Treasury. Mr. Sturtevant advised his division is responsible for the external audit of all 95 counties in Tennessee. Mr. Sturtevant advised the Metropolitan Nashville Government is one of five counties in Tennessee where the external audit is contracted out to a third party. Mr. Sturtevant outlined the Division of Local Government Audit's responsibilities regarding the contracted work. The Metropolitan Nashville Government has received the Certification of Achievement award for the high quality of its financial reporting for several years from the Government Finance Officers Association. Mr. Sturtevant advised his division also conducts periodic Peer Reviews on contracted audits to ensure they are conducted in accordance with Governmental Auditing Standards. A Peer Review was conducted on Crosslin with no deficiencies noted.

Brackney Reed asked if other local/county governments had an internal audit function. Mr. Sturtevant advised he was aware of internal audit functions in Shelby and Hamilton Counties. Brackney Reed asked these internal audit functions were independent. Mr. Sturtevant advised no.

Presentation of the Metropolitan Nashville Government Comprehensive Annual Financial Report for the Year Ended June 30, 2018.

Mr. John Crosslin presented the audit results for the fiscal year 2018 Comprehensive Annual Financial Report. Engagement team members, responsibilities, independence, fraud risk, deliverables, and the audit methodology were all summarized. Mr. David Hunt advised the audit opinion for the Nashville General Hospital would be issued shortly. Mr. Crosslin went through upcoming accounting developments.

Talia Lomax-O'dneal inquired about how the instances of fraud that had occurred within the Metropolitan Nashville Government during the fiscal year impacted Crosslin's audit engagement. Mr. Crosslin advised that the instances of fraud that occurred were not considered material as they relate to the financial statements. Ms. Lomax-O'dneal inquired about the fraud that took place at the Traffic School regarding theft of money and if any additional test work was conducted. Mr. Hunt advised the materiality was well beneath their threshold. However, Crosslin does look at applicable internal controls. Crosslin also must report to the State of Tennessee Comptroller's Office how they considered the instances of fraud in conducting the audit. Mr. Sturtevant advised external auditors are required to report the amount of any stolen monies to the Comptroller's Office. The Comptroller's Office will monitor the amount until restitution is made or amounts are written off. Crosslin also monitors the amounts to determine if it is material to the financial audit.

Council Member Cooper inquired if fund balances were based on an accrual or cash basis. Mr. Crosslin advised fund financial statements utilize modified accrual basis. Government-wide financial statements utilize full accrual. Council Member Cooper advised the \$59 million fund balance was higher than expected. Ms. Lomax-O'dneal advised that it was true due to actions taken by management. A discussion ensued over what makes up the difference between the \$59 million fund balance and the estimated fund balance presented to the Metropolitan Nashville Council during the budget process.

Council Member Mendes stated that audits for component units are not available online for the public to view. Council Member Mendes inquired what could be done to make these audit reports available. Mr. Mark Swann advised they are located on the Comptroller of Tennessee's website. Council Member Mendes suggested the public generally looks to the Metropolitan Nashville Government's website and is unaware the reports are located elsewhere.

Action Item: Council Member Mendes requested component units financial reports be put on the Metropolitan Nashville Government's website. Council Member Mendes also requested the fraud reporting information submitted by Crosslin to the Comptroller's Office be included on the Metropolitan Nashville Government's website.

A **motion** to accept the Metropolitan Nashville Government Comprehensive Annual Financial Report for the Year Ended June 30, 2018, was made, seconded, and carried.

Discussion on the Follow Up Audit of Human Relations Commission issued December 6, 2018.

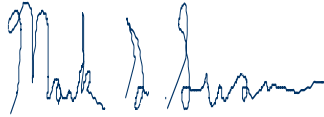
Mr. Mark Swann provided a summary of the scope, objectives, and recommendations related to the follow-up audit.

Other Administrative Matters

Mr. Swann presented the proposed six meeting dates for the next calendar year. Mr. Swann also went over project status and budget matters.

The public meeting adjourned after approximately 50 minutes.

The minutes for the December 11, 2018, Metropolitan Nashville Audit Committee meeting are respectfully submitted.

A handwritten signature in blue ink, appearing to read 'Mark Swann', written in a cursive style.

Mark Swann
Secretary, Metropolitan Nashville Audit Committee