

# METROPOLITAN NASHVILLE AUDIT COMMITTEE MEETING MINUTES

March 12, 2019

On Tuesday, March 12, 2019, 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  
Jim 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  
Karen Johnson, Register of Deeds  
Tom Sealy, Register of Deeds  
Lovie Grant, Register of Deeds  
Patricia Cottrell, Chief Compliance Officer  
Angie Henderson, Council Member  
Scott Davis, Council Member  
Lauren Riley, Principal Internal Auditor

*Quorum present? Yes*

## **CALL MEETING TO ORDER**

Mr. Reed called the meeting to order.

## **APPROVAL OF MINUTES**

Vice-Mayor Shulman requested his name be corrected and that Council Member Henderson should be added to the list of attendees.

A **motion** was made to approve the February 12, 2019, meeting minutes as presented in the Metropolitan Nashville Audit Committee Workbook for March 12, 2019, with the corrections noted was seconded, and carried.

## **UNFINISHED BUSINESS**

Discussion on the audit of the Register of Deeds issued January 24, 2019.

Mr. Swann explained the open questions from the February 12, 2019, meeting relating to the net of fee operations and transparency of Register of Deeds reporting. Mr. Swann stated that a request was made for a Department of Law opinion regarding state governance of the Constitutional Office's fee structure. Mr. Swann stated the opinion was not completed prior to the meeting.

Ms. Johnson provided a description of the fee structure within the Register of Deeds and its governance. Ms. Johnson asserted that the current fee structure allows the office to operate at the highest standard while maintaining flexibility and efficiency. Additionally, the structure works best for the audits they undergo from three separate entities.

Council Member Mendes restated the reason for inviting the Register of Deeds was related to the legality of the fee structure changes recommended. Mr. Swann clarified that the request to discuss included both the legality of changing the structure as well as to discuss the leveraging of Metropolitan Nashville Government systems and centralized processing for transparency. Ms.

Johnson and Mr. Sealy stated their current practices and fee structure are in line with all other Constitutional Offices within Tennessee. Council Member Mendes requested Ms. Johnson return for the next meeting when an opinion from the Department of Law is completed. Ms. Costonis stated the opinion would be provided well before the next meeting.

Mr. Reed stated the agenda item would **remain open**.

Metropolitan Nashville Government Chief Compliance Officer update on Collier Engineering review/audit activity.

Mark Swann stated the Committee requested Judge Cottrell come to the meeting to give an update on the work she has performed relating to Collier Engineering billings to the Metropolitan Nashville Government. Judge Cottrell stated she is performing a review of all contracts, but she began with the Collier Engineering contracts due to the investigation. She is currently working on recommendations to improve the contracting process within the Metropolitan Nashville Government.

Judge Cottrell addressed the Collier Engineering scope of work related to the contract used. She discussed the way the contract was being leveraged and her interpretation of what the contract encompassed. Judge Cottrell stated she spoke with three department heads using the contract for services outside of the contract scope and how to address any additional services they need for related work. Also, Judge Cottrell stated individuals within the Department of Finance are working to build a database from information provided from Collier Engineering billings. Ms. Lomax-O'dneal further discussed the work requested related to billings in the current queue. Ms. Lomax-O'dneal clarified the work being performed is not an audit and is not comprehensive of the conduct that transpired.

Vice-Mayor Shulman requested clarification on whether the documentation was provided or if there is an issue in finding the necessary documentation. Judge Cottrell and Ms. Lomax-O'dneal clarified that the files are in scanned PDF versions, which is causing time to pull the data from each invoice. Council Member Mendes, Judge Cottrell, and Ms. Lomax-O'dneal discussed requiring invoices be provided in a specified format going forward. Council Member Mendes asked if there was a plan to review hours billed for credibility. Judge Cottrell stated there is a plan to review this.

Council Member Mendes asked about the overlap between the various entities reviewing this contract. Judge Cottrell stated she shared her scope of work with Mr. Swann. Mr. Swann stated no active work is being performed by the Office of Internal Audit; work is suspended until Judge Cottrell's work is completed. Mr. Swann stated he is monitoring the work being done at the request of the State Comptroller's Office.

Vice-Mayor Shulman asked who to contact for any questions that arise related to the work being performed. Judge Cottrell stated she would be the designated contact for any questions. Vice-Mayor Shulman clarified the need for one central person to ensure communication is consistent and clear.

Council Member Cooper inquired about any analytics around determining if the contracts entered into are a good deal for the Metropolitan Nashville Government. Judge Cottrell stated this information is not currently in her plan of work. Mr. Reed stated performance reviews use to be completed to look at best practices. Mr. Swann noted some of the proposed annual audit plan engagements addresses this concern. A discussion ensued around determining

comparable cities, units of measure, and the complexities of obtaining the information. Council Member Cooper reiterated his concerns about ensuring the Metropolitan Nashville Government receives the best deal for work performed.

Mr. Frasier inquired about the accounting for the 20 percent sidewalk requirements.

Mr. Frasier, Judge Cottrell, and Mr. Swann had a discussion about the invoices and bookkeeping regarding contract payments.

Revised Investigation Report Collier Engineering issued January 24, 2019.

Council Member Mendes asserted his remaining concerns around the findings within the Collier Engineering Investigation report.

- Allegation A - Council Member Mendes stated he believes entertainment was provided for a reason, and the behavior would demonstrate a preponderance of evidence.
- Allegation H - Council Member Mendes stated the timeline of events shows the audit was the reason issues were fixed.
- Responses - Council Member Mendes stated Public Works might want to change their responses based on the discussions around the report and any changes made.

Council Member Cooper inquired if there would be any changes to the conflict of interest disclosures based on the findings. Judge Cottrell stated this would be addressed. Judge Cottrell explained that there are currently inconsistent rules on disclosures and conduct.

Vice-Mayor Shulman questioned why Allegation F states that no instances of Marty Szeigis billing time as Senior Project Manager were found. However, the report later states Marty Szeigis asserted he bills his time as a Senior Project Manager. Vice-Mayor Shulman stated this sounds inconsistent and unclear.

Council Member Mendes requested that future versions of the Collier Engineering investigation report be submitted with track changes for easier determination of differences from the original.

Mr. Reed stated this agenda item would remain open.

Metropolitan Nashville Public Schools Procurement Matters Investigation Report issued February 7, 2019.

Mr. Swann stated a revised report was issued to address the individual elements within the previous findings. Mr. Swann stated the new report breaks out the procedural and policy related findings as well as the intent findings in order to be clearer for the reader. Council Member Mendes clarified past disagreements with reports due to the assumption that intent was necessary to substantiate a finding. Council Member Mendes stated the report now clearly shows that policies were not followed.

Ms. Lomax-O'dneal inquired about how intent is established. Mr. Swann stated that through the work performed, no documents or interviews uncovered clear, intentional acts to circumvent policies.

Vice-Mayor Shulman raised questions about contract overages and the conflict of interest policy related to Allegations B, D, E, and H. Ms. Lomax-O'dneal inquired if there was a different conflict of interest policy for Metro Nashville Public Schools. Mr. Swann stated there is a separate policy.

**Action Item:** Mr. Swann stated he would look into Vice-Mayor Shulman's policy questions and have them for the next meeting.

Council Member Mendes asked if the adjustment to the reporting format and the additional questions raised may cause changes to the report recommendations and the applicable corrective action plans. Mr. Swann stated that he believes the current recommendations encompass the additional concerns raised by Vice-Mayor Shulman. A discussion ensued about the recommendations and how they address the issues within the report.

**Action Item:** Mr. Swann stated he would look into the recommendations again to ensure they are inclusive of all concerns.

Council Member Cooper inquired about Metropolitan Nashville Public Schools lack of contract tracking and how iProcurement and Oracle R12.2 will address the issue. Ms. Lomax-O'dneal stated that the Metropolitan Nashville Government has been using iProcurement for many years and is confident in its abilities. A discussion was had about the utilization of iProcurement and Metropolitan Nashville Public Schools current lack of expenditure tracking for contracts.

Council Member Cooper inquired about piggybacking on contracts and the Metropolitan Nashville Government's use of these contracts. Ms. Lomax-O'dneal stated the Metropolitan Nashville Government currently has a strict review of piggybacking contracts to ensure the contract is a good deal and fit for the Metropolitan Nashville Government. Mr. Swann stated the competitive bid process helps demonstrate the Metropolitan Nashville Government is getting the best deal possible even if the process was performed by another entity.

Mr. Swann confirmed there were nine violations of Metropolitan Nashville Public Schools procedures. Mr. Swann stated the Office of Internal Audit did not find evidence of intentional violations, but it could not be said with certainty one way or the other about intent.

Vice-Mayor Shulman requested a Metropolitan Nashville Public Schools representative come to the next meeting.

Mr. Reed stated the agenda item would **remain open**.

## **NEW BUSINESS**

### Discussion on requests received for audits to consider in the 2019 Internal Audit Work Plan.

Mr. Swann explained there were requests made for audits from various individuals within the Metropolitan Nashville Government. Mr. Swann stated these requests were provided in the workbook and the requests related to architectural and engineering or public work matters were included in the recommended 2019 Internal Audit Work Plan.

Mr. Reed recused himself for the discussion and turned the meeting over to the Vice Chair, Mr. Frasier.

### Discussion and approval of the Recommended 2019 Internal Audit Work Plan

Mr. Swann stated the recommended work plan is based on discussions from the previous Committee meeting. Mr. Swann gave an overview of the audits included in the recommended 2019 Internal Audit Work Plan and how they address the previous discussions and concerns. Mr. Swann presented the results of researching all architectural and engineering contracts and payments.

Mr. Frasier inquired if the vendor audits would be financial audits or agreed upon procedures. Mr. Swann stated they would be agreed upon procedures, and preliminary objectives and a vendor audit plan have been developed. A discussion ensued about the architectural and engineering vendor audits and outsourcing the work to established Office of Internal Audit contractors.

Council Member Cooper inquired if it were possible to make the Office of Internal Audit an internal service fee department. A discussion was had about how this would be achieved if found to be beneficial.

Council Member Mendes recommended a sample of the architectural and engineering contractors be used to determine if more should occur. A discussion was had around how many vendor audits to start the process. A decision to perform vendor audits of the top four architectural and engineering firms, including Collier Engineering, was made.

Council Member Mendes inquired about the scope and purpose of the Metropolitan Clerk's request for an audit of lobbyist activity. Mr. Swann stated this was not known and would not be established until audit work began. A discussion concerning the hours and work to be performed for this audit ensued. A decision to leave the audit on the work plan was made.

Mr. Frasier requested clarification on the potential vendor audit objectives and program. Ms. Lomax-O'dneal and Mr. Swann stated additional details of the procedures to be performed and confirmed this will be an attestation engagement.

Ms. Lomax-O'dneal requested a timetable for the vendor audit engagements at the next Audit Committee meeting in April. The Committee agreed to wait until initial results are available to determine if they will expand the scope of vendor audits.

**Action Item:** Mr. Swann stated he would provide a timetable for the vendor audit engagement the April Committee meeting.

A **motion** was made to approve the recommended 2019 Internal Audit Work Plan with the number of architectural and engineering vendor audits limited to the top four in annual expenditures was seconded, and carried.

Additional discussion was had around the audits included within the approved plan. Mr. Swann stated that the plan could be amended throughout the year.

### Internal Audit Recommendation Implementation Status Update

Mr. Swann stated there were 141 open audit recommendations, and the high-risk recommendations had been highlighted for the Audit Committee's review. Council Member

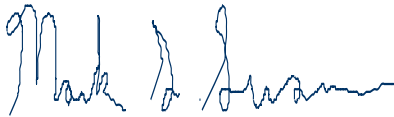
Mendes recommended there be further discussion at the April meeting about having department chairs attend future meetings to state why they had not implemented the recommendations.

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

The next meeting is to be scheduled for April 9, 2019, at 4:00 p.m.

The public meeting adjourned after approximately 1 hour and 45 minutes.

The minutes for the March 12, 2019, Metropolitan Nashville Audit Committee meeting are respectfully submitted.

A handwritten signature in blue ink, appearing to read 'Mark Swann', is written above the typed name.

Mark Swann  
Secretary, Metropolitan Nashville Audit Committee

***Approved by the Metropolitan Nashville Audit Committee on April 9, 2019.***