

**METROPOLITAN NASHVILLE AUDIT COMMITTEE
MEETING MINUTES
DRAFT**

April 9, 2019

On Tuesday, April 9, 2019, 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
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
Shannon Hall, Human Resources
Wanda Hadley, Human Resources
Jason Lusk, Human Resources
Stephen Cain, Human Resources
Dawn Clark, Information Technology Services
Karen Johnson, Register of Deeds
Tom Sealy, Register of Deeds
Dell Crosslin, Crosslin
John Crosslin, Crosslin
Jennifer Manternach, Crosslin
Phil Carr, Chief Accountant
Lauren Riley, Principal Internal Auditor

Quorum present? Yes

CALL MEETING TO ORDER

Mr. Reed called the meeting to order.

APPROVAL OF MINUTES

A **motion** was made to approve the March 12, 2019, meeting minutes as presented in the Metropolitan Nashville Audit Committee Workbook for April 9, 2019, was seconded, and carried.

NEW BUSINESS

Discussion on next steps to fill vacancy of the Metropolitan Auditor position.

Mr. Swann stated two appointments must be made: (1) Interim Metropolitan Auditor to fill the remaining term, and (2) an interim appointment to assume the position until it is filled through the full recruitment process. Mr. Reed stated the candidate appointed through the full recruitment process will serve the remaining term of the leaving Metropolitan Auditor, which is three years.

Ms. Costonis read the required appointment steps and qualifications of the Metropolitan Auditor. Ms. Hall explained how the recruitment process has worked for recent executive positions. Ms. Hadley explained the timeline and steps within the recruitment process. Ms. Hadley provided the job description for the position. A discussion was had about where the job posting will be, with which organizations, and how long it will be posted. Council Member Mendes requested the job description include the Certified Fraud Examiner certification under "Preferred Knowledge/Skills/Abilities" section.

A discussion was had about the Audit Committee's involvement in the review of applicants, number of interviews, and other discussions about candidates. The group discussed how to submit comments on candidates reviewed to assist in narrowing the list. A discussion on input related to interview questions was had. Ms. Costonis and Ms. Hall stated comments and discussions with them could be had to ensure input was received. A discussion ensued regarding number of interviews and how they are conducted. Members requested information on how much detail is provided to Metropolitan Nashville Council members before they vote.

A **motion** was made to adopt the outline provided by Human Resources as a guideline dependent upon the requested changes to the job description to include Certified Fraud Examiner, to the timeline for number of applicants at each level, and to the involvement of the Metropolitan Nashville Audit Committee, was seconded, and carried.

Ms. Costonis explained the process for naming an interim individual to fill the acting interim position that will be necessary until a candidate is named through the full recruiting process. Council Member Mendes inquired if the vacancy could be filled by using someone from the three contracts currently in place with the Office of Internal Audit. Ms. Costonis stated that the contracts could be interpreted broadly to include this service. Council Member Mendes requested that the contractors be contacted to submit recommendations. Mr. Frasier and Ms. Costonis stated there were independence concerns around using the contractors. A discussion was had on ways to avoid conflicts with the contractors. A discussion was had regarding internal candidates and their ability to apply for the vacancy.

A **motion** was made for:

- a. The Metropolitan Nashville Audit Committee Chair to direct Mr. Swann to reach out to the three contracted audit services firms as well as the Office of Internal Audit staff to submit a recommendation or volunteer as an acting interim director.
- b. Requested submissions to be received by April 15, 2019.
- c. A special meeting of the Metropolitan Nashville Audit Committee to be scheduled on April 16, 2019 at 2:30 p.m. to review and select the acting interim director.

The motion was seconded and carried.

Annual election of Metropolitan Audit Committee Chairman and Vice Chairman

A **motion** to name Mr. Reed the Metropolitan Audit Committee Chairman for the year was made, was seconded, and carried.

A **motion** to name Mr. Frasier the Metropolitan Audit Committee Vice Chairman for the year was made, was seconded, and carried.

Discussion on the audit of EEOC Form 164, State and Local Government Information (EEO-4) Reporting issued April 5, 2019.

Ms. Riley summarized the scope, observations, and recommendations of the report. Ms. Lomax-O'dneal inquired if the report was provided to Council Member Bedne since he requested the audit. Mr. Swann stated the report was provided to him and his follow up question answered.

Discussion on the interim audit of the Oracle E-Business Suite R12.2 Implementation issued April 2, 2019.

Ms. Riley summarized the scope, observations, and recommendations of the report. Council Member Cooper inquired if the implementation would also be at Metropolitan Nashville Public Schools. Ms. Clark stated the implementation does include the school system.

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

Mr. Swann stated the Law Department had made a determination on the possibility for the Register of Deeds to become an appropriated office. A discussion ensued around the Law Department's determination that the Register of Deeds could become an appropriated office. Ms. Johnson stated her reasons for maintaining the office on a net-of-fees basis. Mr. Frasier inquired if any cost savings analysis was performed. Ms. Johnson stated there was not an analysis. Council Member Mendes agreed that the original question regarding legality of changing the office setup was answered.

Presentation of the Metropolitan Nashville Government Fiscal Year 2018 Letter of Recommendations to Management

Mr. J. Crosslin presented the observations and recommendations contained in the Letter of Recommendations to Management. No material weaknesses or significant deficiencies were noted.

Observations discussed included timely reconciliations of bank accounts, outstanding items on reconciliations, segregation of duties on cash receipts, employment eligibility verification, tax anticipation notes, and Register of Deeds. Mr. Frasier inquired about why the Register of Deeds did not incorporate segregation of duties during the prior administration. Mr. J. Crosslin stated it was a management decision that the current Register of Deeds is correcting.

Presentation of the Metropolitan Nashville Government Fiscal Year 2018 Schedules of Expenditures of Federal and State Awards and Reports Required by the Single Audit Act as Amended and the Uniform Guidance.

Ms. Manternach explained that Crosslin reissued the 2016 and 2017 Schedules of Expenditures of Federal and State Awards and Reports Required by the Single Audit Act as Amended and the Uniform Guidance due to an error in the 2016 report. A grant was identified with an incorrect account number and clustered incorrectly. This resulted in a compliance finding. A recommendation to implement additional controls was made.

Council Member Mendes inquired about ramifications of the finding and corrective action plan. A discussion about the notification of the re-filings of the reports and the questions since then occurred. Council Member Cooper inquired about the amount of the grant. Ms. Manternach stated the grant was \$4 million and \$6 million in 2016 and 2017 respectively.

Ms. Manternach explained the reissued 2017 filing due to the error discovered in the 2016 grant. Ms. Manternach discussed the 2018 report. The presentation included the report on internal controls over financial reporting and compliance, the report on compliance with federal programs, and the schedule of state and federal expenditures included in the Single Audit.

Mr. Frasier inquired why the fraud threshold is so low and how can it be changed. Ms. Manternach explained that the threshold is set by the State of Tennessee. Council Member Mendes asked about the review and recommendations around the Mayor's Office. Mr. Reed inquired why Metropolitan Nashville Government is not a low risk auditee. Ms. Manternach stated that the going concern for the hospital caused the loss of low risk status. This going concern causes two years of not being eligible for low risk.

Ms. Lomax-O'dneal left the meeting at 5:31pm.

UNFINISHED BUSINESS

Discussion and timeline on the four architecture and engineering vendor audits to be performed by EY and BerryDunn.

Mr. Swann gave a brief update on the services that EY and BerryDunn will provide for the four vendor audits. Council Member Cooper inquired on who will issue the final report. Mr. Swann stated BerryDunn will issue the reports for their vendors. The Metropolitan Nashville Office of Internal Audit will issue the report for the vendors assigned to EY. EY will assist the Metropolitan Nashville Office of Internal Audit in completing the audit procedures.

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

Mr. Swann provided answers for the information requests made during the March 12, 2019, Metropolitan Nashville Audit Committee meeting. Mr. Swann covered the topics of contract spending, honorarium acceptance and policy, and the need for additional recommendations.

Council Member Mendes stated that during the meeting, the Director of Schools had stepped down. Council Member Mendes moved to accept the report as a completed project. No objections were made.

Discussion to revisit and amend the 2019 Internal Audit Work Plan.

Mr. Swann presented an amended 2019 Internal Audit Work Plan. Mr. Swann explained the amended plan included four additional audits to supplement the decrease in hours related to architecture and engineering vendor audits. Council Member Cooper requested the amended plan include the audit of the "Metro General Government Infrastructure Participation Agreements Process," which was listed as another potential audit engagement.

A **motion** was made to accept the amended 2019 Internal Audit Work Plan with the addition of "Metro General Government Infrastructure Participation Agreement Process," was seconded, and carried.

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

The next meeting is to be scheduled for April 16, 2019, at 2:30 p.m.

The public meeting adjourned after approximately 1 hour and 41 minutes.

The minutes for the April 9, 2019, Metropolitan Nashville Audit Committee meeting are respectfully submitted.

Mark Swann
Secretary, Metropolitan Nashville Audit Committee