

**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
AUDIT COMMITTEE MEETING MINUTES
December 10, 2019**

On Tuesday, December 10, 2019, at 4:00 p.m., the Metropolitan Nashville and Davidson County 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
Kevin Crumbo, Director of Finance
Zulfat Suara, Council Member
Thom Druffel, Council Member

Others

Gina Pruitt, Interim Metropolitan Auditor
Theresa Costonis, Department of Law
Phil Carr, Chief Accountant
Dell Crosslin, Crosslin
John Crosslin, Crosslin
David Hunt, Crosslin
Lindsey Ellis, Crosslin
Michelle Lane, Department of Finance
Lauren Riley, Office of Internal Audit
Bill Walker, Office of Internal Audit

Quorum present? Yes

CALL MEETING TO ORDER

Mr. Reed called the meeting to order.

APPROVAL OF MINUTES

A **motion** to approve the November 26, 2019, meeting minutes as presented in the Metropolitan Nashville Audit Committee Workbook for December 10, 2019, was made, seconded, and carried.

New Business

Presentation of the Metropolitan Nashville Government Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019

Mr. John Crosslin presented the audit results for the fiscal year 2019 Comprehensive Annual Financial Report. Engagement team members, responsibilities, standards, independence, fraud risk, deliverables, and the audit methodology were all summarized.

Mr. John Crosslin advised that it is a standard practice to issue a separate audit opinion for the Nashville General Hospital. This will be issued in the next couple of days. Mr. John Crosslin stated that the opinion would be unmodified. Mr. Reed asked if Crosslin could give a brief summary of past opinions on Nashville General Hospital. Mr. Hunt advised that Nashville General Hospital had been a going concern in the past. This was due, in part, to Nashville General Hospital's inability to operate on the original subsidy allocated by the Metropolitan Nashville Government. Historically, Nashville General Hospital would need to go back to the Metropolitan Council to obtain supplemental funding to sustain operations. In the past two fiscal years, Nashville General Hospital has been able to operate on the original subsidy. Mr. Hunt stated Nashville General Hospital has seen significant improvements under new financial

leadership. The subsidy has gone from \$49 million per year to \$44 million over the past two years. The going concern is not present for fiscal year 2019.

Mr. Hunt gave an update on the Metropolitan Nashville Public Schools' audit advising a report would be issued within a couple of weeks.

A discussion ensued over the Single Audit. A discussion also ensued over Other Post-Employment Benefits and its effect on the 2019 Consolidated Financial Statements. Mr. John Crosslin, Mr. Hunt, and Ms. Ellis discussed an issue with the depreciation of capital assets identified in the Metro Water & Sewer Department audit.

Mr. Frasier inquired if the Metropolitan Nashville Government had any significant operating leases. Mr. Hunt advised only one, the capital lease between Nashville General Hospital and Meharry Medical College.

Mr. Crumbo advised he had previously requested a subsequent event be added to the notes of the 2019 Consolidated Annual Financial Statements. The subsequent event related to concerns raised by the Tennessee Comptroller of the Treasury. Mr. Crumbo advised he believed circumstances were such that the note could be removed soon. Mr. Hunt advised this situation also affected the audit of the Nashville General Hospital in that the budget has not been approved for fiscal year 2020. Mr. Hunt advised Nashville General Hospital is dependent on the subsidy for its operations.

A **motion** to accept the 2019 Consolidated Annual Financial Statements with the acknowledgement of the potential removal of the subsequent event related to issues raised by the Tennessee Comptroller of the Treasury was made, seconded, and carried.

Metropolitan Nashville Audit Committee Self-Assessment

Ms. Pruitt discussed the process for the annual self-assessment conducted by the Office of Internal Audit on behalf of the Metropolitan Audit Committee. Specifically, the Office of Internal Audit generated a checklist of the various responsibilities of the Metropolitan Audit Committee. The Office of Internal Audit then verified that these responsibilities had been fulfilled. Ms. Pruitt advised only two requirements were not fulfilled and would be discussed in the "Unfinished Business" portion of the presentation.

Mr. Reed advised he would like the Audit Committee to have time to review the checklist before they accepted the assessment. The Audit Committee concurred and will vote to accept or reject the self-assessment at the next meeting.

Metropolitan Nashville Audit Committee and Metropolitan Nashville Office of Internal Audit Bylaws and Annual Review

Ms. Pruitt discussed the review of the bylaws of the Metropolitan Nashville Audit Committee and Metropolitan Office of Internal Audit. Mr. Crumbo asked if anything needed to be changed. No one stated any changes needed. Mr. Reed asked if anything had changed. No previous changes were noted.

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

Discussion of the Audit of Cooperative Purchases Best Practices issued December 2, 2019.

Ms. Riley summarized the scope, observations, and recommendations of the report. Vice-Mayor Shulman inquired about issues surrounding Cooperative Purchases with the Metropolitan Nashville Public Schools outlined in a previous audit report and whether these had been addressed. Ms. Riley stated the results of the Metropolitan Nashville Schools investigation were not reviewed during the work of this audit; however, she would follow-up and get the information back to him.

Discussion on the Audit of Unusual Fuel Transactions issued December 5, 2019.

Mr. Walker summarized the scope, observations, and recommendations of the report. Mr. Frasier inquired about the sample of transactions made outside the State of Tennessee where the credit card company had identified fraudulent activity. Specifically, had the sample size been expanded to ascertain how persistent the issue was. Mr. Walker advised they were not. A discussion ensued on the nature of fuel transactions in various departments.

UNFINISHED BUSINESS

Discussion on Potential Candidates for the Metropolitan Auditor Position

Ms. Pruitt stated that Human Resources had submitted applications and resumes for candidates classified as outstanding and well-qualified to each Audit Committee member. Members were asked to review the information and provide a list of their top five to eight candidates to Human Resources. Ms. Pruitt requested that the candidates submit this to Human Resources by Christmas. Ms. Pruitt advised the goal was to have 10-12 candidates that Human Resources could complete background checks on. Once these have been completed, interviews would be conducted.

Mr. Reed discussed how the interview process was conducted during the previous round. Mr. Reed advised there may be concerns over the two-year term for the position. Ms. Pruitt also advised members should conduct due diligence research to be able to ask questions in addition to the standard questions, if needed. Mr. Reed encouraged committee members to respond to Human Resources quickly.

Acceptance of the Metropolitan Nashville Government Fiscal Year 2018 Letter of Recommendations to Management from Crosslin and the Metropolitan 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 discussed in the April 9, 2019, Committee Meeting

Ms. Pruitt advised that in performing the self-assessment of the Metropolitan Nashville Audit Committee Bylaws, it was noted that accepting or rejecting these two items had not been completed as required. This was a simple oversight during the April 9, 2019, meeting. Mr. Reed requested that the committee be given time to review the reports and vote to accept/reject them at the next meeting.

OTHER ADMINISTRATIVE MATTERS

Ms. Pruitt presented the proposed Metropolitan Nashville Audit Committee meeting dates for 2020. Mr. Reed inquired if these meetings corresponded with the regularly scheduled Metropolitan Council meetings or were on opposite weeks. Ms. Pruitt stated the schedule was set on off weeks of Metropolitan Council meetings.

A **motion** was made to accept the proposed Metropolitan Audit Committee meeting dates, was seconded, and carried.

The next regularly scheduled meeting is February 11, 2020 at 4:00 p.m.

The public meeting adjourned after approximately 1 hour.

A **motion** was made for the Metropolitan Audit Committee to go into Executive Session, was seconded, and carried.

The minutes for the December 10, 2019, Metropolitan Nashville Audit Committee meeting are respectfully submitted.

A handwritten signature in black ink that reads "Bill Walker". The signature is written in a cursive style and is followed by a long horizontal line extending to the right.

Bill Walker, Interim Metropolitan Nashville Auditor
Secretary, Metropolitan Nashville Audit Committee

Approved by the Metropolitan Nashville Audit Committee on February 11, 2020