

**Tennessee Public Utility Commission**  
**Audit Committee**  
**Meeting Minutes**  
**July 13, 2021**

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**Present:** Chair Kenneth C. Hill (by telephone)  
Vice-Chair Herbert H. Hilliard  
Commissioner Robin L. Morrison  
Commissioner David F. Jones  
Commissioner John A. Hie

**In attendance:** Earl Taylor, Executive Director (by telephone)  
Kelly Grams, General Counsel  
Chris Eaton, Fiscal Director  
David Foster, Utilities Director  
Michelle Mairs, Internal Auditor  
Joe Shirley, Audit Committee Secretary

**MINUTES OF MEETING**

**A. Call to Order**

Public notice having been issued on July 2, 2021, Chair Hill called the meeting of the Audit Committee to order on July 13, 2021, at 1:00 p.m. in the Fourth Floor Conference Room of the Commission's offices at 502 Deaderick Street, Nashville, Tennessee.

**B. Quorum**

A quorum of the Audit Committee was deemed present and the meeting was opened for business.

**C. Presentation of Internal Audit Report**

Ms. Mairs presented the internal audit report for the fiscal year ended June 30, 2021. The report was distributed to Committee members for review and discussion.

Ms. Mairs stated that the internal audit report that was previously circulated by email to the Audit Committee contained an error that needed correction. On page 7 of the report in the discussion of the Telecommunications Devices Access Program, the word "applications" in the sentences "Later, the applications are forwarded to the Division Director . . . Once the applications are approved by the Director . . ." should read "invoices" rather than "applications" such that the corrected sentences would read as follows: "Later, the invoices are forwarded to the Division Director . . . Once the invoices are approved by the Director . . ." Further, Vice Chair Hilliard noted that an additional correction may be warranted in the sentence "After this step is completed, the Fiscal Officer forwards them to the Chairman's office for approval." After discussion it was determined that this sentence should read the "Executive Director's office" rather than the "Chairman's office," such that the corrected sentence would read as follows: "After this step is completed, the Fiscal Officer forwards them to the Executive Director's office for approval." Ms. Mairs stated that these errors would be corrected prior to issuing the final internal audit report.

**Tennessee Public Utility Commission**  
**Audit Committee**  
**Meeting Minutes**  
**July 13, 2021**

---

Ms. Mairs stated that, as detailed in the report, four audits were performed in accordance with the annual audit plan approved previously by the Committee: (1) Inspection Fees and Charges; (2) Compliance with Selected Agency Rule Chapter – Tariff Changes Require Thirty (30) Days Notice to the Commission; (3) Underground Utility Damage Prevention – Reimbursement and Penalties; and (4) Telecommunications Devices Access Program - Fees.

With regard to Inspection Fees and Charges and Compliance with Tariff Changes Require Thirty (30) Days Notice to the Commission, Ms. Mairs stated that based on Internal Audit's review of internal controls and related procedures, as well as examination of audit samples and related test work, no material weaknesses were identified and no recommendations for improvements were made in these audit areas.

With regard to Internal Audit's examination of the Underground Utility Damage Prevention Reimbursements and Penalties, Ms. Mairs stated documentation of personnel costs submitted for reimbursement should be improved by developing standardized employee time records and by requiring employees to certify the accuracy of the time they worked performing billable UUDEB related functions. Ms. Mairs stated this recommendation was discussed with and agreed-upon by the Fiscal Director. Internal Audit will follow-up on management's implementation of this recommendation in the next audit.

With regard to the Telecommunications Devices Access Program, Ms. Mairs stated that the examination found that documentation of certain allocated costs requested for reimbursement should be improved, which was discussed with the Fiscal Director. It was recommended, and the Fiscal Director agreed, that existing documentation of these costs should be included in the reimbursement requests. Ms. Mairs stated that Internal Audit will follow-up on management's implementation of this recommendation in the next audit.

Ms. Mairs addressed the follow-up of internal audit recommendations from the prior year's report. The Committee was informed that all prior audit recommendations had been satisfactorily resolved except for one relating to the agency's filing procedures. Due to the COVID-19 pandemic, the agency instituted amended electronic filing procedures. Written procedures have been updated to reflect the amended procedures; however the agency is addressing filing requirements on a going-forward basis through a rulemaking on practice and procedures, and Internal Audit will continue to follow-up and report on agency filing requirements resulting from the rulemaking proceeding.

**D. Approval of Internal Audit Report**

Following review and discussion, on motion duly made, seconded and carried, it was resolved that the internal audit report, as corrected, for the fiscal year ending June 30, 2021 be approved. In accordance with the Audit Committee Charter, a copy of the report will be submitted to the Comptroller of the Treasury.

**Tennessee Public Utility Commission  
Audit Committee  
Meeting Minutes  
July 13, 2021**

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**E. Presentation of Internal Audit Plan**

Ms. Mairs presented the internal audit plan for the upcoming fiscal year ending June 30, 2022. The proposed plan was distributed to Committee members for review and discussion. Based on available resources, a plan to conduct internal audits in the following areas was recommended: (1) Inspection Fees; (2) Compliance with Agency Rule Chapter; (3) Pipeline Safety Grant – Financial Reimbursement; and (4) Equipment Inventory. Further, the audit plan included budgeted hours for follow-up of prior audit recommendations. A report on the results of all internal audits will be issued prior to the end of the fiscal year.

**F. Approval of Internal Audit Plan**

Following review and discussion, on motion duly made, seconded and carried, it was resolved that the proposed internal audit plan for the fiscal year ending June 30, 2022 be approved. In accordance with the Audit Committee Charter, a copy of the plan will be submitted to the Comptroller of the Treasury.

**G. Scheduling of Next Meeting**

Following discussion it was determined that a meeting of the Audit Committee will be scheduled on the date of the June 2022 Commission conference to consider the internal audit report for the fiscal year ending June 30, 2022, and the internal audit plan for the fiscal year ending June 30, 2023. It was noted that if the June 2022 Commission conference was canceled, the scheduled meeting of the Audit Committee will be postponed until the date of the following Commission conference.

**H. Adjourn**

There being no further business, Chair Hill adjourned the meeting.

Minutes prepared by Joe Shirley, Secretary, on 7/14/2021