

**Tennessee Public Utility Commission
Audit Committee
Meeting Minutes
June 20, 2022**

Present: Chair Kenneth C. Hill (by telephone)
Vice-Chair Herbert H. Hilliard
Commissioner Robin L. Morrison
Commissioner Clay R. Good
Commissioner John A. Hie

Not Attending: Commissioner David F. Jones

In attendance: Earl Taylor, Executive Director
Kelly Grams, General Counsel
Chris Eaton, Fiscal Director
Ashlee Hatfield, Operations Director
Tim Schwarz, Communications Director
Michelle Mairs, Internal Auditor
Joe Shirley, Audit Committee Secretary

MINUTES OF MEETING

A. Call to Order

Public notice having been issued on June 8, 2022, Chair Hill called the meeting of the Audit Committee to order on June 20, 2022, at 12:20 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, 2022. The report was distributed to Committee members for review and discussion.

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 Specifications Rule; (3) Gas Pipeline Safety Grant Financial Reimbursement and (4) Equipment Inventory.

With regard to Inspection Fees and Charges and Equipment Inventory audits, 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 compliance with the Tariff Specifications Rule, Ms. Mairs noted a recommendation for improvement was made to strengthen

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procedures to assure the utilities' compliance with tariffing requirements and to assure that the utilities' complete set of tariffs on file with the Commission be updated timely for individual tariff filings once they become effective. With regard to financial reimbursement of the Gas Pipeline Safety Grant, a recommendation was made to track and document shipping and postal costs charged to the program through implementation and maintenance of logs for mailings and shipments. Management concurred with the audit recommendations and provided corrective action plans for implementing them. Internal Audit will follow up and report back to the Committee in the next report.

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 two – one relating to the agency's filing procedures and the other relating to documentation of personnel costs charged to the Underground Utility Damage Prevention program. Ms. Mairs stated the agency was addressing the filing procedures through an ongoing rulemaking on practice and procedure, and that management indicated it was on track to implement standardized timesheets to document personnel costs for the UUDP reimbursement for the fiscal year ending June 30, 2022. Ms. Mairs stated internal audit will continue following up on management plans to address these areas and report back to the committee.

D. Approval of Internal Audit Report

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

E. Presentation of Internal Audit Plan

Ms. Mairs presented the internal audit plan for the upcoming fiscal year ending June 30, 2023. 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) Purchasing and Internal Action Requests; (3) Receipt of Online Payments; (4) Compliance with Small Minority Business Plan Requirements; and (5) Compliance with Title VI Requirements. 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 by Commissioner Hilliard, seconded Commissioner Morrison and carried by unanimous vote, it was resolved that the proposed internal audit plan for the fiscal year ending June 30, 2023 be approved. In

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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 2023 Commission conference to consider the internal audit report for the fiscal year ending June 30, 2023, and the internal audit plan for the fiscal year ending June 30, 2024. It was noted that if the June 2023 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 6/24/2022