

**Tennessee Public Utility Commission  
Audit Committee  
Meeting Minutes  
June 17, 2024**

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**Present:** Chairman Herbert Hilliard  
Vice Chairman David Jones  
Commissioner Clay Good  
Commissioner Robin Morrison  
Commissioner David Crowell  
Commissioner John Hie  
Commissioner Kenneth Hill (by telephone)

**In attendance:** Earl Taylor, Executive Director  
Kelly Grams, General Counsel  
Ashlee Hatfield, Operations Director  
Michelle Mairs, Deputy Director of Utilities/Internal Auditor  
David Foster, Director of Utilities  
Joe Shirley, Audit Committee Secretary

**MINUTES OF MEETING**

**A. Call to Order**

Public notice having been issued on June 6, 2024, Chairman Hilliard called the meeting of the Audit Committee to order on June 17, 2024, 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. A hardcopy of the meeting materials was distributed to members of the Audit Committee and staff who were present for the meeting, an electronic copy having been sent previously on June 10, 2024. The materials consisted of an agenda, audit report, follow-up matrix, and audit plan.

**C. Presentation of Internal Audit Report**

Ms. Mairs presented the internal audit report for the fiscal year ended June 30, 2024. 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) Payment Card (P-Card) Transactions; (3) Compliance with Alternative Ratemaking Methodology (ARM) Requirements; and (4) Compliance with Mandatory Training Requirements.

Ms. Mairs reported that, based on the audit work conducted, internal audit concluded that the agency was generally in compliance with applicable statutes, policies and procedures governing inspection fees, ARMs, and mandatory training. Internal audit concluded that the Commission is correctly carrying out statutory requirements for assessing, collecting, depositing, and recording inspection fees; that the Commission is in compliance with the requirements and deadlines for implementing ARMs set forth in the ARM statute (T.C.A.

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§ 65-5-103(d)) and related Commission orders; and that the Commission is appropriately implementing and documenting the Department of Human Resources' mandatory training requirements. With regard to the Payment Card audit, Ms. Mairs noted that while no improper payments were noted, internal audit did recommend certain improvements in documenting Payment Card transactions. In particular, internal audit recommends that all P-Card transactions, not otherwise preapproved, be approved through the agency's Internal Action Request (IAR) process, and that any cost overruns above the approved estimates also be approved for payment. Ms. Mairs stated that Samantha Lamon, the agency's CFO, agreed with internal audit's recommendations and developed a corrective action plan to revise the agency's policies and procedures to implement the recommendations by January 1, 2025.

Ms. Mairs also addressed the follow-up of internal audit recommendations from the prior years' reports. The Audit Committee was informed that internal audit was tracking eight open audit recommendations and had followed-up with management about the status of the recommendations, as well as reviewed management's implementation of corrective action plans to address the recommendations. Ms. Mairs reported that all but one of the eight open audit recommendations have been satisfactorily resolved. However, internal audit's prior recommendation to strengthen and improve the Commission's general filing procedures has not been fully addressed. The Commission continues to use a modified filing procedure established in March 2020, but is presently conducting a rulemaking on practice and procedure to address comprehensive filing requirements on a going-forward basis, which is a collaborative process among various agency divisions as well as outside stakeholders. Ms. Mairs stated that internal audit will continue following up on the implementation of new filing procedures through the rulemaking process and will report back to the Audit Committee in the next audit report.

**D. Approval of Internal Audit Report**

Following review and discussion, on motion duly made by Vice Chairman Jones, seconded by Commissioner Hill, and carried by unanimous vote of the Audit Committee, it was resolved that the internal audit report for the fiscal year ending June 30, 2024, be approved. In accordance with the Audit Committee Charter, Ms. Mairs will transmit a copy of the report 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, 2025. Based on available resources, a plan to conduct internal audits in the following areas was recommended: (1) Inspection Fees; (2) Filing and Miscellaneous Fees; (3) Compliance with Agency-Specific Records Disposition Authorization (RDA) Policies and Procedures; (4) Compliance with Conflict of Interest Requirements; and (5) Follow-up of Prior Audit Recommendations.

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Upon inquiry by Chairman Hilliard and discussion by staff, Ms. Mairs expressed that internal audit had sufficient available resources to carry out the agency's internal audit function. In her role as the agency's internal auditor, Ms. Mairs stated that she obtains assistance from the professional accounting staff of the Utilities Division to complete the scheduled audits. Ms. Mairs indicated that Craig Cox, Emily Qing She, Lisa Foust, and Grace Marek had assisted in completing the current year's internal audit report.

With regard to internal audit's access to the Audit Committee, Chairman Hilliard inquired whether staff was aware that internal audit may meet and confer with the Audit Committee outside of management's presence if needed. Ms. Mairs acknowledged that she was aware of internal audit's ability to do so, and Mr. Shirley indicated that the Audit Committee Charter and the introduction to the internal audit report set forth the organization of the agency's internal audit function, including its ability to meet independently with the Audit Committee.

A report on the results of all internal audits will be issued prior to the end of the fiscal year ending June 30, 2025.

**F. Approval of Internal Audit Plan**

Following review and discussion, on motion duly made by Commissioner Morrison, seconded by Vice Chairman Jones, and carried by unanimous vote of the Audit Committee, it was resolved that the proposed internal audit plan for the fiscal year ending June 30, 2025, be approved. In accordance with the Audit Committee Charter, Ms. Mairs will transmit a copy of the plan 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 2025 Commission conference to consider the internal audit report for the fiscal year ending June 30, 2025, and the internal audit plan for the fiscal year ending June 30, 2026.

**H. Adjourn**

There being no further business, Chairman Hilliard adjourned the meeting.

Minutes prepared by Joe Shirley, Secretary, on 6/18/2024