

**Tennessee Public Utility Commission  
Audit Committee  
Meeting Minutes  
June 23, 2025**

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

**Not Present:** Commissioner Herbert Hilliard

**In attendance:** Earl Taylor, Executive Director  
Kelly Grams, General Counsel  
Ashlee Hatfield, Director of Operations  
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 12, 2025, Chairman Jones called the meeting of the Audit Committee to order on June 23, 2025, 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 16, 2025. The materials consisted of an agenda, audit report, follow-up matrix, and audit plan. Additionally, a synopsis of performance audits taken from the Comptroller's Office website was distributed.

**C. Presentation of Internal Audit Report**

Ms. Mairs presented the internal audit report for the fiscal year ended June 30, 2025. 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) Filing and Miscellaneous Fees; (3) Record Retention; and (4) Conflict of Interest.

Ms. Mairs reported that, based on the audit work conducted, internal audit concluded that the agency was generally in material compliance with applicable statutes, policies and procedures governing inspection fees, filing fees, record retention, and conflict of interest. While no substantial, material deficiencies or improprieties were discovered in the areas

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audited, Ms. Mairs reported that certain errors, oversights and inconsistencies were noted that resulted in audit recommendation to strengthen and improve some policies and procedures. In particular, in the review of utility inspection fee forms, collections, and administrative procedures, internal audit recommends that management develop, implement, and execute procedures to ensure that all companies, including those designated as UD-18 (*i.e.*, natural gas) and UD-20 (*i.e.*, water, wastewater, and electric), having unpaid inspection fees and delinquent after a reasonable grace period are identified for appropriate collection efforts. These procedures should address management's collection efforts for dilatory companies and include a prescribed methodology for subsequent referral of delinquent companies to the Legal Division for appropriate action.

The review of the overall inspection fee process revealed that reconciliations performed by the CFO after bank deposits are made are not formally documented in policy. Since these reconciliations are an important financial safeguard, internal audit recommends that all inspection fee-related procedures be documented in writing and updated, when applicable, in a timely manner to reflect current practices.

The review of the agency's filing fee collection procedures showed inconsistencies in how its policy is being implemented across various dockets. Although the financial impact is insignificant, internal audit noted that filings fees are not consistently assessed in dockets involving joint petitions and applications of more than one party. Internal audit recommends that management update and clarify the agency's filing fee collection procedures to support a more streamlined process that promotes consistent application across all dockets.

The review of the agency's record retention function revealed that affidavits were missing from 8 out of 41 sampled Gas Safety records. The affidavit is a key document evidencing the completion of inspections. As a result, internal audit recommends strengthening retention procedures to ensure that the required affidavits for Gas Safety are consistently completed, timely submitted, and properly retained.

The review of the Commission's external employment (or conflict-of-interest) policy and related administration showed that timely follow-up procedures need to be developed to ensure that all agency employees comply with the policy. Internal audit recommends that the Human Resources Director create an internal written procedure with follow-up procedures that ensure all employees complete the conflict-of-interest questionnaire within a designated period of time.

Ms. Mairs stated that for each of the audit recommendations, management concurred with the recommendation and established corrective action plans to address and implement recommended changes and to strengthen and improve controls and procedures in the affected areas. Ms. Mairs indicated that internal audit will continue to follow up on

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management's implementation of the planned corrective actions and will report the results of the follow up review in the next report to the Audit Committee.

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 two 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. First, internal audit reviewed management implementation of revised payment card procedures to better document authorization of all p-card transactions. The follow up review revealed that management has satisfactorily implemented procedures to document management's approval of p-card transactions and instances of actual costs exceeding estimated costs of these transactions.

Second, regarding the follow up of internal audit's prior recommendation to conform general filing practices with the agency's rules and policies, Ms. Mairs noted that earlier that day the Commissioners had approved proposed rules that significantly updated and modernized the agency's filing requirements, and that in doing so management had made substantial progress towards aligning rules and polices with current, best practices. Ms. Mairs noted that, considering the Commissioners' approval, the final proposed rules will be forwarded to the Attorney General for review and will be filed subsequently with the Secretary of State for publication. Ms. Mairs stated that internal audit anticipates the rules will become effective within the next fiscal year, and that internal audit will conduct a follow up review to ensure that internal audit's recommendation to reconcile the agency's rules, policies, procedures and practices is fully implemented. Internal audit will report on the results of this follow up review in its next report to the Audit Committee.

**D. Approval of Internal Audit Report**

Following review and discussion, on motion duly made by Chairman Jones, seconded by Vice Chairman Hie, and carried by unanimous vote of the Audit Committee, it was resolved that the internal audit report for the fiscal year ending June 30, 2025, be approved as submitted. 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, 2026. Ms. Mairs stated that, based on risk assessments and available resources, a plan to conduct internal audits in the following areas was recommended: (1) Inspection Fees; (2) Hiring and Separation Procedures; (3) Data Security and Integrity; (4) Shared Databases; and (5) 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 ending June 30, 2026.

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**F. Approval of Internal Audit Plan**

Following review and discussion, on motion duly made by Chairman Jones, seconded by Vice Chairman Hie, 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, 2026, 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. Miscellaneous Business**

Mr. Foster and Mr. Shirley led a discussion about the agency's performance audit scheduled by the Comptroller of the Treasury to begin in December 2025 or January 2026. It was noted that a performance audit differs from a financial and compliance audit. According to the Comptroller's Office website, the objective of the performance audit is to determine the extent to which the agency is faithfully carrying out its programs and to assess the extent to which the agency is fulfilling its statutory mandate, as well as the efficiency and effectiveness of management's organization and use of resources. It was noted that the performance audit will be reported to the Government Operations Committee and used to inform the Legislature during the agency's upcoming sunset review. After discussion, it was determined that senior management should coordinate to ensure that the Comptroller's Office receives full, consistent and timely cooperation and responses from agency personnel during the audit.

**H. 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 2026 Commission conference to consider the internal audit report for the fiscal year ending June 30, 2026, and the internal audit plan for the fiscal year ending June 30, 2027.

**I. Adjourn**

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

Minutes prepared by Joe Shirley, Secretary, on 6/25/2025