

**BUDGET, FINANCE AND PERSONNEL COMMITTEE**  
**February 2, 2010**  
**3:15 P.M.**

Councilwoman Berz, Chairwoman, called the meeting of the Budget, Finance and Personnel Committee to order with Councilmen Benson, Rico, Scott, Gilbert, and McGary present. Councilman Murphy joined the meeting later. Also present was Attorney Michael McMahan and Shirley Crownover, Assistant Clerk to the Council.

Others present included Dan Johnson, Greg Haynes, Paul Page, Jerry Stewart, Steve Leach, Alice Canella, Lee Norris, Larry Zehnder, Chief Parker, Jim Templeton, Gary Hilbert, Dennis Malone, Daisy Madison, Barry Bennett, and John VanWinkle.

Chairwoman Berz called the meeting to order and introduced Mr. Charles Millsaps, Chairman of the Council Audit Committee. She stated that this summary was long time coming, and there had been much discussion—that this Committee had done a wonderful, wonderful job; that this was their first report, and she had gotten this to Council early so that they could review it; that they had the Status Report and could make brief comments. She explained that this committee was advocating a confidential Hotline that would follow Federal guidelines. She turned the meeting over to Mr. Millsaps.

Mr. Millsaps thanked Chairwoman Berz for her help. He proceeded to go over an update of the duties of the Audit Committee in preparing for next year's Audit. First, they would review any audit plan prepared by the Internal Audit Division and recommend to the City Council additional audits that it deems advisable. The Audit Committee had noted on several follow-up audits that the Department Head has not corrected all findings on the initial audit; that after the Audit had been completed, items still had not been corrected. He stated that the Audit Committee felt that this needed to be addressed. Mr. Millsaps went on to say that the Audit Committee met with Warren McEwen of Hazlett, Lewis & Bieter, PLLC with audit findings of this year. This is all referenced for the Council.

Councilman McGary asked if the Audit Committee or the Council would respond to things that had not been corrected? Mr. Millsaps responded that they would set up a procedure to see that the findings are followed up on. Councilman McGary asked if it were the Council's responsibility, how would this happen? Mr. Johnson responded that Administration had looked at the findings of Stan Sewell; that all of his findings are not something that we will act on; that it depends on the severity and whether we have the resources; that they had paid attention—that some findings they elected to act on and some they did not.

Councilman Benson stated that he was glad that Mr. Millsaps brought this up; that this Council does have a responsibility to hear a response. Attorney McMahan stated that if the Auditor says it is non-corrected, that he could report it. Councilman Benson stated that the Council could go to the Chief of Staff and tell him about the problem.

Councilwoman Scott stated that she had read all of these Audits and a significant number had gone into the second part and a lot are valid complaints; that we need to follow a policy or have a policy in place; that if it is not reasonable, the policy should still be followed or either change the policy; that she had read the Audits, and there are some issues; that we either need to address what it is or change what is cited.

Mr. Johnson stated that five years ago, we had no policy, and this is still a work-in-progress.

Chairwoman Berz noted that the Council Audit Committee is a matter of checks and balances; that when the second round comes about and things are not corrected, it is up to the Council to find out why. She asked Mr. Johnson if when the secondary report stated that things are not fixed, will the Council get a follow-up saying how this is being addressed? Mr. Johnson stated the Council could have this report if they wanted it. Chairwoman Berz stated that for the record, we need this.

Ms. Madison added that when it is not addressed the second time, the Department, itself, says why and there is usually a response—that some things are not economically feasible or would take more time—that it is not being ignored.

Councilwoman Scott stated that she read the Audits the first time and some of the things are still out there.

Mr. Johnson explained that they may agree with the Department that we can't do some things at this time; that all of this probably has been addressed; that some things are just not economically feasible. He stated that he would be glad to sit down with the Council on the ones they were concerned about; that it has to do with policy and system; that the Internal Auditor had been investigating the Purchasing Dept. and had come up with some issues. Attorney McMahan added that Paul Page had told him they were redrafting the Purchasing Manual. Mr. Johnson agreed that changes were going on. Councilwoman Scott stated that the Council had no way of knowing—that the Council needs to know where we are going and what is happening. Chairwoman Berz agreed that recommendations from the Council Audit Committee should be addressed.

Councilman Benson stated that he appreciated what this committee was doing in so far as checks and balances; that ten years ago, we never received any kind of Internal Audit, and we appreciate the Internal Auditor being a separate department and going one step further.

Mr. Millsaps agreed that it takes time to correct this; that he had worked on the City's Audit 20 years ago. Chairwoman Berz noted that the Audit Committee members had met with Department Heads. Mr. Millsaps stated that this is where this came up.

Mr. Millsaps next went over a Memo in reference to a Confidential Hotline and Whistleblower Ordinance. He stated that David DiStefano had experience with this and developed this Memo. This will ensure anonymous reporting and will provide oversight responsibility to the Audit Committee. He stated that there were numerous benefits to contracting with an outside provider in setting this up, reiterating that the Audit Committee will oversee this. He noted that Metro Nashville had started using one of these agencies and had gotten over 300 calls, reiterating that employees are protected with anonymity; that down the road, the City might want to do this—that this is just an overview of what is available.

Councilwoman Scott stated that she thought this was a great idea to do this with an outside firm; that she thought this was a good thing.

Chairwoman Berz suggested turning this over to Legal and Legislative to draft an Ordinance.

Councilman Benson stated that he had gone through this experience with whistleblowers; that it could be hard on whistleblowers.

Chairwoman Berz asked Attorney McMahan if he could draft some language? Attorney McMahan responded that an outside vendor is a purchasing item. Chairwoman Berz stated that Attorney McMahan, along with Councilman Murphy, could come up with an Ordinance and secondly, the Purchasing Dept. could be used to provide this service. She thanked Mr. Millsaps for this report.

**On motion of Councilman Murphy, seconded by Councilman Rico, the minutes of the previous meeting were approved as published.**

The meeting adjourned at 3:30 p.m.