



**Audit and Ethics Committee Meeting**

May 27, 2026 8:00 AM - 8:30 AM CDT

NES Board Room 121

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1. Safety Moment - Brad Heck
2. Recommendation for approval of minutes of the Audit and Ethics Committee meeting held April 22, 2026
3. Internal Audit Reports - Baker Tilly - Scott Nalley
  - a. Baker Tilly Internal Audit Executive Summary
4. Executive Session
5. Miscellaneous

## How to Stay Safe Around Roadside Work Zones

Roadside work zones are high-risk areas where both workers and drivers face serious hazards. Awareness, preparation, and following safety protocols can greatly reduce the risk of injury or death.

### Hazards to Be Aware Of

- **Traffic and vehicle hazards:** Lane closures, reduced speeds, and sudden changes in traffic patterns
- **Large vehicles:** Trucks and buses have wide blind spots and may block visibility
- **Environmental factors:** Poor visibility from fog, rain, or glare from warning lights; slick or slippery roads
- **Changing conditions:** Traffic volume, light levels, and weather can shift hazards during the day

### Safety Tips for Drivers

- **Slow down** and follow posted speed limits; work zones often require reduced speeds
- **Stay alert** and avoid distractions (phone, eating, loud music)
- **Watch for signs** indicating lane changes, detours, or reduced speeds
- **Move into the open lane**, when possible, to avoid blind spots
- **Maintain extra space** between your vehicle and the one ahead to prevent rear-end crashes

### Safety Tips for Workers

- **Wear high-visibility clothing** at all times when near traffic
- **Use proper work zone setup:** cones, amber warning lights, and clear signage
- **Never assume drivers will see you;** use barriers if needed
- **Avoid working near moving traffic** unless properly protected
- **Complete specific safety training** for your role, including flagging and hazard awareness

### General Best Practices

- **Plan your route** in advance and use detours when possible
- **Survey the area regularly** for hazards and changes
- **Be aware of nearby work zones** and adjust your route or timing to avoid them
- **Follow MUTCD guidelines** for signs, signals, and barricades in work zones

By combining vigilance from drivers and strict safety measures from workers, roadside work zones can be managed more safely, reducing the risk of serious incidents.

**AUDIT AND ETHICS COMMITTEE MEETING MINUTES  
APRIL 22, 2026**

The Audit and Ethics Committee meeting was held on Wednesday, April 22, 2026.

Committee Members Present: Committee Chair Rob McCabe, Clifton Harris, and Ian Prunty; Anne Davis and Casey Santos attended virtually

Officers Present: Teresa Broyles-Aplin, Laura Smith, Dr. Trish Holliday, Brent Baker and Recording Secretary David Frankenberg

Committee Chair Rob McCabe called the meeting to order at 9:04 a.m.

**MINUTES**

Upon motion by Chair McCabe and seconded by Member Harris, the Committee approved the minutes from the Audit and Ethics Committee meeting held March 25, 2025, with five ayes and zero nays.

**FY26 AUDIT PLAN – PRICEWATERHOUSECOOPERS**

Rich Call presented a report to the Committee in accordance with auditing standards for the year ending June 30, 2026. Chair McCabe noted that there are no concerns regarding PwC’s client acceptance procedures and inquired whether PwC has access to technical support when needed. Mr. Call replied yes.

David Frankenberg recommended approval of the proposed external auditor and related fees.

Upon motion by Member McCabe and seconded by Member Harris, the Board approved the external auditor and related fees with five ayes and zero nays.

**MISCELLANEOUS**

There were no miscellaneous items to present.

**EXECUTIVE SESSION**

There was an Executive Session held that began at 9:13 a.m.

**ADJOURNMENT**

The meeting adjourned at 9:22 a.m.

**APPROVED:** \_\_\_\_\_  
**Committee Chair Rob McCabe**

**NES Power Board  
Audit Committee  
May 27, 2026  
Executive Summary – Internal Audit**

**FY26 Internal Audit Status Report**

<b>CURRENT AUDITS</b>	
<b>Audit Description</b>	<b>Date Started</b>
Physical Security & Employee Safety	November 2025
Cybersecurity Operations	April 2026
Storm Expenditures	April 2026
Meter to Cash	April 2026
Network and Cybersecurity - Corporate	May 2026
<b>UPCOMING AUDITS</b>	
<b>Audit Description</b>	<b>Scheduled Start Date</b>
Capital Projects and Capitalization Process	Defer to FY27
<b>NON-AUDIT SERVICES</b>	
<b>Service Description</b>	<b>Status/Scheduled Date</b>
Enterprise Risk Management Assistance	Complete
Oracle C2M User Roles Segregation of Duties Assistance	In-Process
ServiceNow Integrated Risk Management (IRM) Assistance	In-Process
Fraud Risk Assessment	May 2026
<b>Completed AUDITS</b>	
<b>Audit Description</b>	<b>Completion Date</b>
Travel Expenses	November 2025
Q1 FY26 Follow-up and Remediation	January 2026
Environmental Safety	March 2026
T&D Operations	March 2026
Non-Metered Electric Billing and Miscellaneous Revenues	May 2026
Equipment and Materials Management	May 2026
Contribution in Aid to Construction	May 2026
Board, Executive, and Employee Accounts	May 2026
Q2 & Q3 FY26 Follow-up and Remediation	May 2026

## **Summary of Audit Reports Issued – May 27, 2026**

Baker Tilly Advisory Group, LP, completed certain internal audit services for Nashville Electric Service (NES) for the following audits.

### **Audit: Non-Metered Electric Billing and Miscellaneous Revenue**

Scope of work included a review of billing of flat rate and pole attachment customers, property and right of way lease agreements processes, contract management process, and the payment and collection process of these accounts. Our fieldwork was performed February 2026 through March 2026. The audit covered the period April 1, 2025, through December 31, 2025. Our primary objective was to independently and objectively test and assess the internal controls related to Non-Metered Electric Billing and Miscellaneous Revenues.

During the course of our work, no reportable findings were identified.

### **Audit: Equipment and Materials Management**

Scope of work included a review of vendor selection, vendor contracts, vendor management, purchasing, requisition and replenishment processes, materials inventory management, and related accounting. Our fieldwork was performed November 2025 through December 2025. The audit covered the period from October 1, 2024, through September 30, 2025. Our primary objective was to independently and objectively test and assess the internal controls related to Equipment and Materials Management.

Based on the scope of the audit, the following table portrays the number of audit findings by response priority. Red reflects audit findings that are considered high response priority, yellow reflects audit findings of medium response priority, and green reflects findings of low response priority.

<b>Internal Audit Area</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>
Inventory Cycle Counts and Receiving Process	-	1	-
Scrap Wire Estimated Weight Calculation	-	-	1
<b>Total</b>	<b>-</b>	<b>1</b>	<b>1</b>

### **Audit: Contribution in Aid to Construction**

Scope of work included a review of the Contribution in Aid to Construction (CIAC) processes related to CIAC estimations, calculations, invoicing, payments, true-ups and refunds. Our fieldwork was performed January through March 2026. The audit covered the period from April 1, 2025, through October 31, 2025. Our primary objective was to independently and objectively test and assess the internal controls related to Contribution in Aid to Construction.

Based on the scope of the audit, the following table portrays the number of audit findings by response priority. Red reflects audit findings that are considered high response priority, yellow reflects audit findings of medium response priority, and green reflects findings of low response priority.

Internal Audit Area	High	Medium	Low
Revenue Allowance Spreadsheet	-	1	-
<b>Total</b>	-	1	-

**Audit: FY26 Board, Executives and Employee Accounts**

Scope of work included a review of Board, Executives, and Employee Accounts processes related to billing, adjustments, and meter readings. Our fieldwork was performed February through March 2026. The audit covered the period from January 1, 2025, through December 31, 2025. Our primary objective was to independently and objectively test and assess the internal controls related to Board, Executive, and Employee Accounts.

Based on the scope of the audit, the following table portrays the number of audit findings by response priority. Red reflects audit findings that are considered high response priority, yellow reflects audit findings of medium response priority, and green reflects findings of low response priority.

Internal Audit Area	High	Medium	Low
NES Employee Account Flag	-	1	-
<b>Total</b>	-	1	-

**Audit: Q2 and Q3 FY26 Follow-up & Remediation**

On a quarterly basis Internal Audit performs a follow-up review and testing of internal controls, as needed, to determine and confirm the remediation status of prior audit observations with target implementation dates during the fiscal quarter.

For Q2 and Q3 FY26, 7 prior audit observations were reviewed; 3 were determined to be remediated, 4 have extended target remediation dates.

## Executive Session

## Miscellaneous