



Audit & Ethics Committee Meeting

Wednesday, 4/23/2025

8:00 - 8:30 AM CT

Committee Chair Rob McCabe

1. Safety Tip - Jack Baxter

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2. Approval of minutes of the Audit and Ethics Committee meeting held March 26, 2025

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3. Controls and Compliance Integrity Line Update - Sandra Chapman

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4. Internal Audit Reports - Kraft CPAs - Scott Nalley

a. Audit and Ethics Committee Calendar

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b. Internal Audit Status Report

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c. Internal Audit Report - Infrastructure Design and Construction

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d. Recommendations - Infrastructure Design and Construction

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e. Internal Audit Report - FY25 Board, Executive and Employee Accounts

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Flood Safety / Turn Around and Don't Drown

Each year, more deaths occur due to flooding than from any other thunderstorm related hazard. The Centers for Disease Control and Prevention report that over half of all flood-related drownings occur when a vehicle is driven into hazardous flood water. The next highest percentage of flood-related deaths is due to walking into or near flood waters. People underestimate the force and power of water. Many of the deaths occur in cars swept downstream. Many of these drownings are preventable. Never drive around the barriers blocking a flooded road. The road may have collapsed under that water. A mere 6 inches of fast-moving flood water can knock over an adult. It takes just 12 inches of rushing water to carry away most cars and just 2 feet of rushing water can carry away SUVs and trucks. It is NEVER safe to drive or walk into floodwaters.

Here are some general flood safety tips:

- Stay informed and be aware of local forecasts
- Determine whether your home, school or work is in an area likely to flood
- Learn which roadways are likely to flood to prepare for potential evacuation
- Get to higher ground if you are in an area subject to flooding
- Follow evacuation orders
- Create a communication plan so your family will know how to connect during an emergency

And remember, if possible, avoid floodwaters as it is never safe to drive or walk through them.

**AUDIT AND ETHICS COMMITTEE MEETING MINUTES
MARCH 26, 2025**

The Audit and Ethics Committee meeting was held on Wednesday, March 26, 2025.

Committee Members Present: Presiding Chair Michael Vandenberg, Clifton Harris, and Anne Davis

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

Presiding Chair Michael Vandenberg called the meeting to order at 8:01 a.m.

SAFETY TIP

Vaughan Charles presented a safety tip on home ladder safety.

MINUTES

Upon motion by Member Davis and seconded by Member Harris, the Committee approved the minutes from the Audit and Ethics Committee meeting held January 22, 2025, with three ayes and zero nays.

KRAFT ENCOMPASS QA REVIEW

Scott Nalley presented a risk assessment and quality review of the Encompass project focusing on risks related to Go-Live and post-Go Live success. He stated that the project is progressing toward a successful on-time and under-budget Go-Live and reported that the overall risk level as of March 19, 2025, was low to moderate. Mr. Nalley provided production support recommendations in the areas of Business and Information Technology and provided an update on prior QAR recommendations.

Chair Vandenberg asked what risks should be expected during the upcoming Go Live that the Board should be aware of. David Frankenberg responded that the team is evaluating the weather which could potentially be a threat if there are significant outages. He added that there are usually some risks when you execute a final cutover due to real time production environments and ensuring everything has been mapped over, and the data is accurate.

Chair Vandenberg commented that the highest concern remaining is post-implementation hypercare and asked if Mr. Frankenberg feels confident that the project is on the right track. He replied that the project has the internal resources in place and stated that it is not a completely new team coming in, but people which have been working on the project. He stated that there is the opportunity to re-evaluate if the project has adequate resources over the coming months, but at this time there is confidence that there is the expertise needed to proceed.

EXECUTIVE SESSION

The Committee did not go into Executive Session.

MISCELLANEOUS

There were no miscellaneous items to present.

ADJOURNMENT

The meeting adjourned at 8:11 a.m.

APPROVED: _____
Presiding Chair Michael Vandenberg

CONTROLS AND COMPLIANCE INTEGRITY LINE UPDATE

Nashville Electric Service provides a confidential avenue for individuals to report allegations of unethical, illegal, or irresponsible acts that may cause serious loss or harm to the organization. This report summarizes the latest activity.

The table below describes the Integrity Line reports received from the independent reporting service and the status of each case for the reporting period.

Case Number	Allegations	Action
1	Work Environment and Harassment	This case was investigated by an outside investigator. Human Resources closed due to lack of sufficient evidence to corroborate the allegations.
2	Favoritism, Management Practices and Training	Human Resources reviewed current policies and determined no violations. This case was closed.
3	Employee Theft of Time	The case has been reviewed by Human Resources and is considered resolved by Human Resources.
4	Abuse of Time/ Financial Concerns	The case has been reviewed by Human Resources and is considered closed due lack of factual evidence..
5	Compliance to Company Policies	Human Resources reviewed current policies and determined no violations. This case is closed.
6	Favoritism, Work Environment, and Management Practices	This case was reviewed by Human Resources and closed due to lack of evidence to support the allegations.

Controls and Compliance is dedicated to ensuring that all reported claims are investigated and properly resolved.

4-23-2025

**THE ELECTRIC POWER BOARD
OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY**

AUDIT & ETHICS COMMITTEE CALENDAR

COMMITTEE ACTIONS	1st Qtr*	2nd Qtr*	3rd Qtr*	4th Qtr*	As Needed
EXTERNAL AUDITORS					
Advise the Board as to appointment and compensation of the external audit firm					X
Review external audit plan	January				
Confirm independence of external auditors	January		August		X
Review any “second opinions” obtained on accounting and financial reporting policies					X
Receive external communications required under generally accepted auditing standards	January		August		
Review and consider completeness of financial statements and consistency of information with that known and make recommendation to the Board as to approval			August		
Review management letter (e.g., control deficiencies)			August		
Review status of management letter corrective actions			August		
Review performance of external auditors and make recommendation to Board regarding appointment or discharge					X
EXECUTIVE MANAGEMENT					
Consider the effectiveness of internal controls	X	X	X	X	
Review Enterprise Risk Management program			September		
Review letter of representations certifying appropriateness of financial statements and disclosures			September		
INTERNAL AUDIT					
Approve the Internal Audit Charter		May			X
Advise the Board as to appointment and compensation of the internal audit firm		May			X
Review and approve the annual audit plan		May			
Review and approve changes to the audit plan		May			X
Review effectiveness of internal audit function		May			X
Review compliance with IIA standards		May			X
Confirm organizational independence		May			

COMMITTEE ACTIONS	1st Qtr*	2nd Qtr*	3rd Qtr*	4th Qtr*	As Needed
COMPLIANCE					
Review effectiveness of system for monitoring compliance	X	X	X	X	
Review findings of examinations of regulatory agencies					X
OTHER					
Receive board training	X				
Review the process for monitoring conflicts of interest				October	
Evaluate committee calendar					X
Evaluate committee performance				X	

* Calendar year

**Nashville Electric Service
Internal Audit Status Report-FY25
As of April 23, 2025**

CURRENT AUDITS	
Audit Description	Date Started
Accounting Processes	January 2025
Q2 FY25 Follow-up and Remediation	March 2025
Power Systems Operations	April 2025
Timekeeping & Payroll	April 2025
NERC/SERC Reporting and Compliance	April 2025
UPCOMING AUDITS	
Audit Description	Scheduled Start Date
Q3 FY25 Follow-up and Remediation	May 2025
Network and Cybersecurity - Corporate	May 2025
Grant, Electric Vehicle, and Other ESG Initiatives Program Management	May 2025
NON-AUDIT SERVICES	
Service Description	Status/Scheduled Date
Enterprise Risk Management Assistance	Complete
Oracle System Implementation (Encompass, Ellipse, Command Center)	In Process
TimeClock Plus Implementation	In Process
Completed AUDITS	
Audit Description	Completion Date
Travel Expenses	July 2024
Q4 FY24 Follow-up and Remediation	August 2024
Metered Electric Billing and Customer Service	October 2024
Q1 FY25 Follow-up and Remediation	October 2024
Employee and Contractor Management (Hiring, Onboarding, Benefits)	December 2024
Purchased Power	January 2025
Vegetation Management Lifecycle (Clearion post implementation review)-FY24	January 2025
Infrastructure Design and Construction	February 2025
Board, Executive, and Employee Accounts	February 2025
Contract Administration	April 2025



Nashville Electric Service

FY2025 Infrastructure Design and Construction

Internal Audit Report

For the Period: November 1, 2023 through October 31, 2024



CONFIDENTIAL

This report is intended solely for the use of management and the Board of Directors and should not be used for any other purpose. The Company's external auditors may be provided with a copy of this report in connection with fulfilling their responsibilities.

Nashville Electric Service

Infrastructure Design and Construction

Internal Audit – FY2025

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Report Distribution:	<u>Name</u>	<u>Title</u>
	Jack Baxter	VP Operations
	Vaughan Charles	VP Operations
	Daniel Johnson	VP Operations
	Kevin Phelps	Operations Manager
	Leonard Leech	Engineering Manager

Additional Distribution:	<u>Name</u>	<u>Title</u>
	Rob McCabe	Audit Committee Chair
	Teresa Broyles-Aplin	President & CEO
	David Frankenberg	VP CFO
	Laura Smith	Chief Legal Officer and General Counsel
	Ron Womble	VP CIO



I. Executive Summary

Introduction

KraftCPAs PLLC has performed certain internal audit services for Nashville Electric Service (NES) related to Infrastructure Design and Construction processes. Our fieldwork was performed November 2024 through January 2025. The audit covered the period November 1, 2023 through October 31, 2024. Our primary objective was to independently and objectively test and assess the internal controls related to **Infrastructure Design and Construction**. Our services were performed in accordance with the terms of our contract with an effective date beginning on June 1, 2021. We conducted this audit in accordance with Generally Accepted Government Auditing Standards and the *International Standards for the Professional Practice of Internal Auditing*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Scope

We evaluated the design and operating effectiveness of key controls. Areas of audit emphasis included, but were not limited to, determining whether:

- Infrastructure oversight and continuous monitoring activities are in place in accordance with policy and procedures,
- Infrastructure strategic goals and objectives are documented, monitored, and periodically assessed in accordance with policy and procedures,
- Infrastructure assets and equipment are accounted for, tested, and replaced, as necessary in accordance with policy and procedures,
- Work orders are created, approved, and processed in accordance with policy and procedures,
- Estimates for capital work orders are prepared, reviewed, and approved in accordance with policy and procedures,
- Estimates to actual cost variances are documented, reviewed, and resolved in accordance with policy and procedures,
- Capital expenditures are budgeted, and changes are approved in accordance with policy and procedures, and
- Relevant IT applications (e.g., Cascade, Doble) are logically secured, and data integrity is maintained in accordance with policy.

ESG Considerations

We considered Environment, Social, and Governance (ESG) initiatives that may have an impact on the scope of the audit. During the course of our work, we did not identify any ESG factors that were inherent to the scope of our audit. Inherently, many of the procedures performed in our audit are focused on governance activities.

II. Overview of Results

During the course of our work, no reportable findings were identified. The design and operating effectiveness of controls evaluated during the audit appear adequate and reasonable. However, due to inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Therefore, absolute reliance should not be placed on these controls.

We appreciate the cooperation extended to us by personnel at NES and are pleased to be of service. If there are any questions or comments regarding this report, please contact us. Contact information for the Director and Assistant Director of Internal Audit responsible for this work is presented below.

Scott Nalley, CPA, CITP, CIA, CISA, CISSP
Director of Internal Audit
615-782-4252
snalley@kraftcpas.com

Patrick Clark, CPA, CIA
Assistant Director of Internal Audit
615-921-5997
pclark@kraftcpas.com



To: Jack Baxter, Daniel Johnson

From: KraftCPAs

Date: January 27, 2025

During our review covering the period November 1, 2023 through October 31, 2024, the following areas were not considered to be findings within the audit report, but were noted as areas for potential improvement or are recommendations based on best practice:

Infrastructure Asset Testing

Infrastructure assets are not always tested timely and certain testing results are not updated in applicable system applications timely. During our review, we determined the following:

- One of 20 assets sampled from the Cascade application did not have testing completed in accordance with the Operations department's procedure. Additionally, the related work order was generated on May 30, 2022 and was closed on December 28, 2024 after discovery by Internal Audit. While this asset was recently installed, with the work order remaining open, Cascade would not have triggered a new work order during the next scheduled testing cycle.
- Four of 20 relays sampled were not tested within the expected testing period in accordance with Operations department's procedure. One relay had not been tested since its installation in 1990 and three relays at a substation were not tested in 2023 as designated and had not been tested as of December 4, 2024. Without regular testing of capital assets, problematic assets may not be detected timely and could result in inadequate planning for capital projects.
- Electrical testing completed by the 3rd party service provider was not always updated timely in Doble. Four of twenty breakers and transformers tested by the 3rd party service provider were not updated by NES in Doble within the expected two-week review period. If testing is not updated timely within Doble, inaccurate data could be used in decision making processes.

Operations Management should recommunicate the department's asset testing procedures and review thereof, to ensure asset testing is completed timely and testing results are updated in Doble timely. Additionally, management should document the reason or test the one relay that has not been tested since its installation, include the three relays in the next scheduled testing cycle, and update Doble for testing completed by the 3rd party service provider.

Infrastructure Asset Testing Procedures

A formal documented procedure for testing infrastructure assets such as breakers, relays, and transformers is not maintained. Without a formal procedure institutional knowledge can be lost as key employees leave NES. Operations Management should consider formally documenting their infrastructure asset testing procedures to include the types of assets that are tested, testing frequency, and assets excluded from testing.

Cascade Access

Cascade user accounts for retired and terminated employees are not always deactivated timely. Cascade is a maintenance and reliability management application designed to assist in testing electrical equipment life. During our review, we identified active Cascade accounts for seven retirees and one terminated employee in the population of fifty-nine users. Internal Audit determined that the network accounts for these individuals had been disabled, but their Cascade account was still active. Operations Management should consider creating a process to inform the employees' responsible for maintaining Cascade users' access when a user account should be removed and perform an annual review of all users' access.

SORT Meetings

SORT meeting documentation is not always approved by management. During testing of weekly SORT meetings, we determined that two of five sampled weeks did not follow the approval process. Without proper review and approvals, inaccurate data may be used during SORT meetings. While the meetings were shown to have occurred, Planning and Reliability Engineering should ensure the meeting documentation is routed for approval by the appropriate levels of management.



Nashville Electric Service

FY2025 Board, Executive, and Employee Accounts

Internal Audit Report

For the Period: January 1, 2024 through December 31, 2024



CONFIDENTIAL

This report is intended solely for the use of management and the Board of Directors and should not be used for any other purpose. The Company's external auditors may be provided with a copy of this report in connection with fulfilling their responsibilities.

Nashville Electric Service

Board, Executive, and Employee Accounts
Internal Audit – FY2025

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Report Distribution:	<u>Name</u>	<u>Title</u>
	Jack Baxter	VP Operations
	Brent Baker	VP Chief Customer & Innovation Officer
	Trish Holliday	VP Chief People Officer
	Eric Lewis	Operations Manager
	Jay Neal	Revenue & Rates Manager
	Tim Simmons	Facilities & Security Manager
	Sandra Chapman	Controls & Compliance Manager

Additional Distribution:	<u>Name</u>	<u>Title</u>
	Rob McCabe	Audit Committee Chair
	Teresa Broyles-Aplin	President & CEO
	David Frankenberg	VP CFO
	Laura Smith	VP Chief Legal Officer & General Counsel
	Ron Womble	VP CIO



I. Executive Summary

Introduction

KraftCPAs PLLC has performed certain internal audit services for Nashville Electric Service (NES) related to Board, Executive, and Employee Accounts process. Our fieldwork was performed during February 2025 through March 2025. The audit covered the period January 1, 2024 through December 31, 2024. Our primary objective was to independently and objectively test and assess the internal controls related to **Board, Executive, and Employee Accounts**. Our services were performed in accordance with the terms of our contract with an effective date beginning on June 1, 2021. We conducted this audit in accordance with Generally Accepted Government Auditing Standards and the *International Standards for the Professional Practice of Internal Auditing*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Scope

We evaluated the design and operating effectiveness of key controls. Areas of audit emphasis included, but were not limited to, determining whether:

- Residence meter numbers match NES customer account records in the Customer Information System (CIS),
- Meters are functioning properly, are not damaged, or have not been inappropriately modified,
- Selected accounts are billed in compliance with NES policy,
- Employees have not made transactions on their own accounts, and
- Employee accounts are monitored by Security and, Controls and Compliance.

ESG Considerations

We considered Environment, Social, and Governance (ESG) initiatives that may have an impact on the scope of the audit. We did not identify any extraordinary ESG initiatives that had an impact on the audit scope. Inherently, many of the procedures performed in our audit are focused on governance activities.

II. Overview of Results

During the course of our work, no reportable findings were identified. The design and operating effectiveness of controls evaluated during the audit appear adequate and reasonable. However, due to inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Therefore, absolute reliance should not be placed on these controls.

We appreciate the cooperation extended to us by personnel at NES and are pleased to be of service. If there are any questions or comments regarding this report, please contact us. Contact information for the Director and Assistant Director of Internal Audit responsible for this work is presented below.

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Nashville Electric Service

FY2025 Contract Administration – PATH Company

Internal Audit Report

For the Period: October 1, 2023 through November 30, 2024



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Nashville Electric Service

Contract Administration – PATH Company
Internal Audit – FY2025

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Report Distribution:	<u>Name</u>	<u>Title</u>
	Vaughan Charles	VP Grid Transformation & Project Mgt.
	Joey Streisel	Energy Services Supervisor

Additional Distribution:	<u>Name</u>	<u>Title</u>
	Rob McCabe	Audit Committee Chair
	Teresa Broyles-Aplin	President & CEO
	David Frankenberg	VP & CFO
	Laura Smith	Chief Legal Officer and General Counsel



I. Executive Summary

Introduction

KraftCPAs PLLC has performed certain internal audit services for Nashville Electric Service (NES) related to the Contract Administration for PATH Company. Our fieldwork was performed January 2025 through February 2025. The audit covered the period October 1, 2023 through November 30, 2024. Our primary objective was to independently and objectively test and assess the internal controls related to **Contract Administration** for the Metro LED streetlight conversion project performed by PATH Company. Our services were performed in accordance with the terms of our contract with an effective date beginning on June 1, 2021. We conducted this audit in accordance with Generally Accepted Government Auditing Standards and the *International Standards for the Professional Practice of Internal Auditing*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Scope

We evaluated the design and operating effectiveness of key controls. Areas of audit emphasis included, but were not limited to, determining whether:

- A project plan is maintained and periodically reported on to monitor streetlight conversions and track actual spending versus budgeted amounts,
- Contractor performance is monitored, and any deficiencies identified are remediated and reported on in accordance with the contract terms,
- Invoices are complete and accurate, including billable items and rates in accordance with contract terms,
- Customer inquiries or complaints specifically related to the streetlight conversion project are dispositioned appropriately and communications to customers are appropriate, as needed,
- Addendums or amendments to the original contract, if any, are reviewed and approved in accordance with NES policy, and
- Contractor complies with other terms and conditions of the contract and the PATH Company Professional Services Agreement, which may include certificates of insurance, bonding, subcontractor affidavits, and records documentation.

ESG Considerations

We considered Environment, Social, and Governance (ESG) initiatives that may have an impact on the scope of the audit. The Metro LED streetlight conversion project is aimed at reducing environmental impact as LED lights consume less energy and emit fewer greenhouse gases than existing lighting. Many of the procedures performed in our audit are focused on governance activities.

II. Overview of Results

During the course of our work, no reportable findings were identified. The design and operating effectiveness of controls evaluated during the audit appear adequate and reasonable. However, due to inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Therefore, absolute reliance should not be placed on these controls.

We appreciate the cooperation extended to us by personnel at NES and are pleased to be of service. If there are any questions or comments regarding this report, please contact us. Contact information for the Director and Assistant Director of Internal Audit responsible for this work is presented below.

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**Nashville Electric Service
Contract Administration – PATH Company
Recommendations and Best Practices**



To: Vaughan Charles, VP Grid Transformation and Project Management, and Joey Streisel,
Energy Services Supervisor

From: KraftCPAs

Date: March 31, 2025

During our review covering the period October 1, 2023 through November 30, 2024, the following areas were not considered to be findings within the audit report, but were noted as areas for potential improvement or are recommendations based on best practice:

Interruption of Service to NES Customers

- Third-party contractor may not always notify NES timely when there is an unintentional or accidental interruption or de-energizing of service during the LED streetlight conversion process, in accordance with the PATH contract terms. During the audit period, one NES customer had a disturbance in service on July 10, 2024 which caused damage to the customer’s appliances inside their home. The field installer notified the contracting party at the time of the incident; however, NES was not aware of the incident until the customer submitted a claim with the NES Legal Department on July 25, 2024. While the contractor covered all costs associated with this claim as per the contract, NES management should consider inquiring about service interruptions and other customer service interferences with PATH Company during their weekly touchpoint meeting as a regular agenda item.

Certificates of Disposal

- Certificates of Disposal for streetlights and other materials replaced by the third-party contractor may not always be provided to NES timely. Certificates of Disposal are issued by the recycling or disposal company confirming that materials have been properly handled and disposed of according to applicable regulations. During our testing, we determined that Certificates of Disposal were not on file with NES for materials that had been disposed of by PATH Company. Once identified, NES obtained the Certificates of Disposal from PATH Company. NES Management should consider requesting the Certificates of Disposal on an established periodic basis and retaining these certificates.



Nashville Electric Service

FY2025 Contract Administration – BG Staffing

Internal Audit Report

For the Period: December 1, 2023 through November 30, 2024



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Nashville Electric Service

Contract Administration – BG Staffing
Internal Audit – FY2025

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Report Distribution:	<u>Name</u>	<u>Title</u>
	Ron Womble	VP CIO

Additional Distribution:	<u>Name</u>	<u>Title</u>
	Rob McCabe	Audit Committee Chair
	Teresa Broyles-Aplin	President & CEO
	David Frankenberg	VP CFO
	Laura Smith	VP Chief Legal Officer & General Counsel



I. Executive Summary

Introduction

KraftCPAs PLLC has performed certain internal audit services for Nashville Electric Service (NES) related to the Contract Administration for BG Staffing. Our fieldwork was performed February 2025 through March 2025. The audit covered the period December 1, 2023 through November 30, 2024. Our primary objective was to independently and objectively test and assess the internal controls related to **Contract Administration** for on-site information technology staffing services provided by BG Staffing. Our services were performed in accordance with the terms of our contract with an effective date beginning on June 1, 2021. We conducted this audit in accordance with Generally Accepted Government Auditing Standards and the *International Standards for the Professional Practice of Internal Auditing*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Scope

We evaluated the design and operating effectiveness of key controls. Areas of audit emphasis included, but were not limited to, determining whether:

- Contractor performance is monitored, and any deficiencies identified are remediated and reported on in accordance with the contract terms, for the following areas:
 - Maintenance Periods
 - Special Events
 - Internal Data Network Availability, and
 - Help Desk Tickets
- Contractor complies with other terms and conditions of the contract, and the BG Staffing Agreement and NES management has adequate internal processes in place over:
 - Approval of subcontractors,
 - Communication between contractor and NES (e.g., monthly status reports), and
 - Development of an Annual Work Plan (AWP) and annual Training and Development Plan.
- BG Staffing contractors are onboarded in accordance with the BG Staffing Agreement (e.g., background checks, drug screenings, credit checks, contractor acknowledgment of adherence to NES policies),
- Addendums or amendments to the original contract, if any, are reviewed and approved in accordance with NES policy, and
- Invoices are complete and accurate, including billable items and rates in accordance with contract terms (e.g., billable items may include hours worked, travel expenses, training expenses, miscellaneous expenses, and cost of living adjustments).

ESG Considerations

We considered Environment, Social, and Governance (ESG) initiatives that may have an impact on the scope of the audit. We did not identify any extraordinary ESG initiatives that had an impact on the audit scope. Inherently, many of the procedures performed in our audit are focused on governance activities.

II. Overview of Results

During the course of our work, no reportable findings were identified. The design and operating effectiveness of controls evaluated during the audit appear adequate and reasonable. However, due to inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Therefore, absolute reliance should not be placed on these controls.

We appreciate the cooperation extended to us by personnel at NES and are pleased to be of service. If there are any questions or comments regarding this report, please contact us. Contact information for the Director and Assistant Director of Internal Audit responsible for this work is presented below.

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pclark@kraftcpas.com



**Nashville Electric Service
Contract Administration – BG Staffing
Recommendations and Best Practices**



To: Ron Womble, VP Chief Information Officer

From: KraftCPAs

Date: April 1, 2025

During our review covering the period December 1, 2023 through November 30, 2024, the following areas were not considered to be findings within the audit report, but were noted as areas for potential improvement or are recommendations based on best practice:

BG Contractor Supplemental Pay Process

- Infrequently, BG Staffing provides supplemental pay (i.e., lump sum, pay for performance, hiring incentives) to their employees that is passed through as an expense to NES; however, the supplemental pay process is not included in the BG Staffing Agreement and not documented in the NES IT Site Procedures Manual. NES and BG Staffing management have developed and implemented a procedure for documenting and approving supplemental pay, but do not have a formal documented policy of the guidelines and expectations. Since 2018, thirty instances of supplemental pay occurred totaling approximately \$94,000. During the period covered by our review, we determined that the October 2024 BG Staffing Invoice included supplemental pay for one contractor. The payment was documented, approved, and paid according to prescribed procedures. NES management should determine if supplemental pay is an appropriate component of the IT staffing agreement. If so, NES management should include the contractor supplemental pay process and guidelines in the NES IT Site Procedures Manual and/or consider amending the BG Staffing Agreement.

Contract Provisions Not In Place

- Over time, certain provisions of the BG Staffing Agreement were discontinued with NES management knowledge, and the contract was not amended. The following contractual provisions are not in place:
 - Contractor shall report use of minority subcontractors to NES annually, and
 - Contractor shall provide NES with a survey to be distributed to the relevant users supported under the scope of the Agreement annually.

Non-performance of these provisions does not appear to negatively impact the quality of services provided; however, if implemented they could enhance reporting to NES management, and provide BG Staffing with insights into customer experiences, identify areas for improvement, and opportunities to enhance customer satisfaction. NES management should consider requesting BG Staffing to report on use of minority subcontractors and implement the annual customer survey. Alternatively, NES management should consider amending the Agreement.

Executive Session
(if needed)

Miscellaneous