



## AUDIT COMMITTEE MINUTES

**DATE: July 29, 2020**

**LOCATION: Google Meet**

**TIME: 3:00 PM**

- I. CALL TO ORDER – Chairman  
The meeting was called to order by Joel Wallace at 3:02 PM.
- II. ANNOUNCE MEMBERS IN ATTENDANCE (VERIFY QUORUM)  
Audit Committee members present: Lynn Stokes, Jeff Henley, Dr. Brandon Di Paolo Harrison, Peter Reyman, and Joel Wallace  
Audit Committee members absent: None  
Quorum verified? Yes  
Internal Audit attendees: Stephanie Fox, Cassie Wheeler  
Other Attendees:
  - Mayor Joe Pitts
  - Laurie Matta, City of Clarksville Chief Financial Officer
  - Deborah Johnson, City of Clarksville Finance Director
- III. MOTION TO CONDUCT MEETING ELECTRONICALLY  
In order to comply with the technical aspects of the Governor’s Executive Order regarding holding open meetings in a forum other than in the open and in public, this body determines that meeting electronically is necessary to protect the health, safety, and welfare of its citizens due to the COVID-19 outbreak.  
  
Joel Wallace called for a motion to conduct the meeting electronically. Dr. Brandon Di Paolo Harrison made the motion, and Jeff Henley seconded. The motion was approved.
- IV. ADOPTION OF MINUTES
  - A. April 27, 2020 Audit Committee meeting
  - B. April 29, 2020 Audit Committee meeting

Joel Wallace called for a motion for approval of both sets of minutes. Dr. Brandon Di Paolo Harrison made the motion, and Jeff Henley seconded. The motion was approved.

V. DEPARTMENT REPORT

A. Budget Reports

Stephanie presented the year ending budget from FY 2020, as well as the FY 2021 year to date budget. Stephanie noted that the FY 2020 budget included reductions for COVID-19 and staffing related reasons. She also explained that the FY 2021 budget is the Mayor's status quo budget that will hopefully be revised to a more normal budget in the next few months.

There were no questions regarding the budget reports.

B. Update on Internal Audit Activity

i. Audit schedule status and metrics

Stephanie presented the audit schedule status and department metrics for FY 2020, as well as the redesigned report for FY 2021 through July 24th. Since the prior meeting, we issued the Ethics Survey results, completed policies and procedures, and continued working on the Vendor Analysis audit.

Stephanie pointed out that FY 2020 utilization rates were reduced due in part to staffing changes. We have done some analysis of our administrative and audit time, ultimately determining that the goal of 80% utilization for staff is not reasonable. Therefore, we are asking the committee to revise the utilization goal from 80% to 75% for staff. The Director goal of 40% remains. Stephanie also gave an explanation of the administrative tasks we perform through the year.

Stephanie updated the committee on the status of the Vendor Analysis audit, which is current in the fieldwork phase. This audit has been delayed due to other projects, but we hope to issue this in late August or early September.

Peter Reyman gave positive feedback on the redesigned metrics and status report.

C. TN Comptroller - Audit Review Letters

Stephanie began discussion by giving a brief overview of the comments received from the Tennessee Comptroller's office related to Clarksville Gas & Water, Natural Gas Acquisition Corporation, and CDE Lightband. Stephanie explained each comment received on the City of Clarksville letter in more detail, including some errors and a comment related to deficit unrestricted net position balances.

Laurie and Deborah provided some additional information about the financial statement preparation process and comments received in the letter. Laurie indicated that they take responsibility for comments noted; however, they rely on external auditors to assist in identifying these errors. Mayor Pitts requested that the committee look into reopening the RFP process in the fall due to the errors noted in the Comptroller's letter.

Stephanie had researched the RFP process and found that the Comptroller's office recommends beginning the RFP process after the prior year's audit is issued and submitted to the Comptroller's office. She explained that in following this timeline, the committee could postpone making a decision until later in the year when more information is available.

The committee discussed the results of the letter, including possible areas for additional training and the potential to use software to reduce the manual work required to compile the financial statements. Further, the committee discussed the need for an exceptional level of service from the external audit firm.

D. Quality Assurance and Improvement Program - Annual Review Results

Stephanie explained the required components of a quality assurance and improvement program, which include ongoing monitoring, periodic self assessments, and an external assessment. She presented the annual review results, which we use as our periodic self assessment.

The results of the annual review were positive, with a few areas for improvement. The results included two areas where improvements are required to demonstrate conformance, and three areas where audit documentation can be further improved. We have developed action plans to address these.

E. Annual Report

Stephanie presented the annual report, which is scheduled for distribution on July 31st. The committee did not have any questions related to the report.

F. Recognition of Mandatory Guidance and Organizational Independence within Red Book

Stephanie explained that the International Professional Practices Framework (Red Book) requires mandatory regular communication of certain information to the Audit Committee and senior management, including mandatory components of the framework. Additionally, the Director is required to annually confirm to the Audit Committee that the department is organizationally independent.

Stephanie explained each of the mandatory elements of the framework, including the Mission of Internal Audit, Definition of Internal Auditing, Core Principles, Code of Ethics, and the Standards. Additionally, she presented both the purpose and authority of the department, both of which are set forth in the Internal Audit Department Charter and City Code. She also confirmed that the department is organizationally independent, reporting both functionally and administratively to the Audit Committee per City Code.

VI. NEW BUSINESS

A. External Auditor rotation discussion

Stephanie asked whether the committee is interested in adopting a policy or code change to require rotation of external audit firms at a predetermined interval. She explained guidance from the Tennessee Comptroller's office and Government Finance Officers Association, both of which had concerns regarding the potential lack of qualified and interested firms.

The committee discussed possible benefits of establishing a policy for rotating external auditors, or at least requiring a new RFP at a periodic interval. The committee also discussed the appropriate frequency at which this would occur. The committee discussed frequencies of both three years and five years, with the ability to select the same firm if the pool of potential firms was not sufficient. Stephanie will further research this topic and bring that to the committee at the next meeting.

B. New Audit Committee members for CY 2021

Stephanie explained that two members will be completing their current terms on the Audit Committee in December. Lynn Stokes has already served two terms and cannot be reappointed; however, Peter Reyman can be reappointed for another two years. Peter indicated he would like to continue to serve on the Audit Committee for an additional term.

Stephanie asked the committee if they knew anyone who would be interested in joining the committee in January. Lynn Stokes suggested Marcia Demorest, CFO of the Clarksville Montgomery County School System, may be interested. Dr. Brandon Di Paolo Harrison recommended Dr. Jennifer Thayer, a tax and accounting professor at APSU.

Stephanie will contact the potential candidates and the committee will vote to recommend a new committee member at the October meeting.

VII. COMMITTEE ACTION REQUIRED

A. FY 2021 External Audit (if necessary)

Dr. Brandon Di Paolo Harrison made a motion to seek a new external audit firm by RFP. Peter Reyman seconded the motion. The committee discussed the motion, confirming that ATA would finish the FY 2020 audit, and the RFP would be for the FY 2021 audit.

A roll call vote was conducted, resulting in the following:

Yes - Joel Wallace, Peter Reyman, Dr. Brandon Di Paolo Harrison

No - Lynn Stokes, Jeff Henley

B. Approval of Fraud, Investigation, and Hotline Administration Policy

Stephanie presented the draft policy for committee approval. The policy aims to enhance consistency in investigations by outlining how the department handles fraud hotline reports. Lynn Stokes gave positive feedback on the policy and accompanying flow charts.

Lynn Stokes made a motion to approve the Fraud, Investigation, and Hotline Administration policy. Jeff Henley seconded the motion. The policy was approved unanimously.

C. Approval of revised utilization metrics

Stephanie explained the need to change the established goal for utilization metrics from 80% for staff to 75%.

Lynn Stokes made a motion to approve the revised utilization metrics. Dr. Brandon Di Paolo Harrison seconded the motion. The policy was approved unanimously.

D. Approval of FY 2021 Audit Plan

Stephanie presented the draft FY 2021 Audit Plan for the department, which includes the following:

- Vendor Analysis (carried over from FY 2020)
- Financial Controls (carried over from FY 2020)
- CDE HR Complaint Process
- Workforce Diversity consulting engagement
- Ethics Survey
- Senior Management Expense Audit (for CY 2019-2020)

- Additional hours allocated for consulting engagements, hotline investigations, and follow up on past audits

Lynn Stokes asked the status of hiring another auditor. Stephanie stated that we have completed some interviews and plan to conduct a few more the following week. Stephanie also clarified that the available audit plan hours include those for a new auditor; therefore, delays in hiring will reduce the available hours on the audit plan.

Dr. Brandon Di Paolo Harrison made a motion to approve the audit plan for FY 2021. Lynn Stokes seconded. The audit plan was approved as presented.

VIII. CITY COUNCIL ACTION REQUIRED  
A. None

IX. ADJOURNMENT OF PUBLIC MEETING  
Joel Wallace called for a motion to adjourn the public meeting and go into executive session. Dr. Brandon Di Paolo Harrison made the motion, and Lynn Stokes seconded. Joel Wallace conducted a voice vote that resulted in a unanimous yes. The public meeting was adjourned at 4:15 pm.

X. PUBLIC COMMENTS (5 minutes each)

XI. NEXT MEETING - **October 28, 2020 3:00 PM**

XII. EXECUTIVE SESSION – Vote by the Committee to go into executive session.

At this point in the meeting everyone other than Audit Committee members and those asked to attend by the Audit Committee to address a pending audit issue will be asked to leave.

- A. Ongoing audits and investigations
- B. Hotline reports
- C. Audit plan

XIII. ADJOURNMENT OF EXECUTIVE SESSION  
Dr. Brandon Di Paolo Harrison made a motion to adjourn the executive session and Peter Reyman seconded. Executive session was adjourned at 4:33 pm.

Stephanie Fox  
Stephanie Fox

10/28/2020  
Date of Committee Approval