

July 20, 2010

Authority Members
Audit Committee Members
Ben Griffin, Commissioner of Finance and Revenue
Lynn Stokes, Internal Auditor

RE: Management Corrective Action Plan

We have prepared our responses to the Findings and Recommendation provided by Mrs. Lynn Stokes, Internal Auditor of the City of Clarksville, per her report dated June 15, 2010.

1. Recurring Findings in the External Audit Report

Recommendation: Each year's audit findings should be resolved before the end of the following reporting period.

Management's Response: We acknowledge this finding. The Authority will address each finding on an annual basis prior to the end of the following reporting period with the goal of resolving each finding as expeditiously as is practicable. This communication will be in writing and will include a detailed corrective action plan. In addition, the Authority is in the process of creating an internal control policy manual which we hope to complete before January 1, 2011.

2. Weaknesses Surrounding Personnel Policies

Recommendation: Amend and follow written personnel policies.

Management's Response: We acknowledge this finding. The Authority follows the Tennessee Code Annotated, ("TCA"), regarding Airport Authorities and its written "Personnel Rules and Regulations Employee Handbook" in regards to personnel policies. Enforcement of our current written polices has not been consistent and we will make appropriate changes to follow our written procedures. All overtime and payroll rules will be followed under our new management team. A time clock has been installed for hourly employees.

In regards to our budget we feel we acted in good faith regarding our interpretation of budget line items and employee payroll allocations within the City budget. We were confused by City line item expenditures, but now better understand how funds from the City are ear-marked and how to seek adjustment for allocated funds. We will alter/edit our internal controls with regard to personnel policies to bring them in accordance to TCA, State and Federal requirements for Airport Authorities.

3. Purchasing Policies Not Followed

Recommendation: Give all staff and Board members a copy of the city Purchasing Policy. Educate staff and Board members about the policy. Enforce the use of the policy.

Management's Response: We acknowledge this finding. Unfortunately, the Authority did not preserve documentation that provided proof of competitive bidding on the items reviewed by Mrs. Lynn Stokes. Our current Bylaws require the Authority to follow Section 6-102 of the City Code for specific purchases. The Authority will make sure to follow all requirements of its Bylaws as well as its written internal controls. We will educate all staff and board members on the Authority's internal controls over purchasing. We are also looking into implementing purchase orders for Airport purchases of items. The Authority will follow the City of Clarksville purchasing policy.

4. Lack of Oversight Over the Use of Debit Cards

Recommendation: The Authority should make a complete review of all debit card transactions over the past year and determine that all charges were for business purposes.

Management's Response: We acknowledge this finding. We understand the State has been notified of this issue and they have contracted with our auditor to investigate further. We will comply with all requests by the State and our auditor regarding this investigation. We will follow those recommendations as to whether further action, legal or otherwise, is necessary.

In response to this finding, there have been personnel changes and the debit cards employees were using have been canceled. We have also removed access to our online banking accounts from personnel who have recently ceased their employment with the Authority.

5. Weakness in Professional Services Documentation

Recommendation: Request itemized invoices from professional service providers.

Management's Response: We partially disagree with this finding. Normally, the Authority does obtain itemized billing for professional services. By way of example, the Airport Authority's regular attorney, Gregory D. Smith, presents itemized bills about every two (2) months. The Authority employed Mr. Dan Thomas, esquire as outside legal counsel for a pending lawsuit related to skydiving. In an effort to protect attorney/client confidences, Mr. Thomas' billings have been on a monthly flat rate that equals the funds allotted monthly for his services until insurance proceeds begin paying his bill. If Mr. Thomas itemized his bill, it could exceed available funds for payment and possibly become a public record which could be obtained by the other side of the litigation. Itemization under these circumstances possibly allows for insight into thought processes of the Authority and counsel. As for normal procedures, itemized billing is standard practice when it does not undermine attorney/client privilege.

6. Mileage Reimbursement Rate Above Federal Rate

Recommendation: Periodically check the GSA website for updated reimbursement rates. Add the additional .08 per mile to the employee's taxable income at the end of the year.

Management's Response: We acknowledge this finding. The Authority office manager did not follow up on changes to reimbursement rates allowed by GSA and/or IRC (Internal Revenue Code). The Authority has accepted the resignation of the office manager and is currently looking for an accounting clerk/bookkeeping firm and Airport manager. These new positions will be trained on acceptable reimbursement practices and our employee handbook will be amended accordingly. Since the overpayment constitutes employee compensation, we will make the appropriate changes to their W-2s as well as amend affected quarterly payroll tax reports.

Other Recommendations:

The Authority's board will discuss Mrs. Lynn Stokes' recommendations. We invite City and County Officials to be included in this process.

Regards,

Ronald E. Whitford, Chairman
Clarksville-Montgomery County Regional
Airport Authority Board of Directors