



## AUDIT COMMITTEE MINUTES

**DATE: January 17, 2019**

**LOCATION: CITY HALL FOURTH FLOOR CONFERENCE ROOM**

**TIME: 4:00 PM**

- I. CALL TO ORDER – Audit Director  
The meeting was called to order by Rod Wright at 4:02pm.
  
- II. ANNOUNCE MEMBERS IN ATTENDANCE (VERIFY QUORUM)  
Audit Committee Members Present: Joyce Norris, Lynn Stokes, Jeff Henley, Jerry Weatherspoon, Peter Reyman  
Audit Committee Members Absent: None  
Quorum Verified: Yes  
Internal Audit Attendees: Rod Wright, Stephanie Fox, Cassie Wheeler  
Other Attendees:
  - Laurie Matta, City of Clarksville Chief Financial Officer
  - Deborah Johnson, City of Clarksville Finance Director
  - David Johns, CDE Lightband Chief Financial Officer
  - Fred Klein, CGW Chief Financial Officer
  - Lori Wallis, Transit Finance Director
  - Erica Saeger, Crosslin CPAs
  - David Hunt, Crosslin CPAs
  
- III. ELECTION OF CHAIRMAN AND VICE-CHAIRMAN
  - A. Chairman - Be knowledgeable of Audit Committee functions and responsibilities, chair meetings, represent the Audit Committee before City Council or any other official body as necessary, correspond as necessary in regard to Audit Committee issues, prepare Director's annual performance evaluation and obtain the annual ethics acknowledgement, and coordinate with Human Resources to hire (or terminate) in regard to the Director's position.  
  
Jerry Weatherspoon nominated Joyce Norris as Chairman. Jeff Henley seconded the nomination. A voice vote was taken and Joyce Norris was elected Chairman.
  
  - B. Vice-Chairman - Be knowledgeable of Audit Committee functions and responsibilities, fill in for or provide assistance to the Chairman related to any of the duties listed above.

Lynn Stokes nominated Jeff Henley as Vice-Chairman. Peter Reymen seconded the nomination. A voice vote was taken and Jeff Henley was elected Vice-Chairman.

#### IV. ADOPTION OF MINUTES

November 28, 2018 Audit Committee meeting

Joyce Norris asked the Audit Committee members to review the minutes and called for a motion for approval of the minutes. Jeff Henley made a motion to accept the minutes and Peter Reymen seconded. The minutes were approved as presented.

#### V. FINANCIAL STATEMENT AUDIT PRESENTATION BY CROSSLIN

David Hunt, Audit Principal and Erica Saeger, Audit Director with Crosslin CPAs introduced themselves and presented the FY18 external audits for City of Clarksville, CDE Lightband, Clarksville Gas, Water and Sewer Departments (GWS), and Natural Gas Acquisition Corporation (NGAC) as well as the Comprehensive Annual Financial Report (CAFR).

Erica Saeger reviewed the Report to the Audit Committee for the City of Clarksville, CDE, GWS, and NGAC. Highlights include:

- An unmodified opinion was issued for the financial statements of the City of Clarksville, including CDE, GWS, and NGAC financial statements.
- GASB accounting pronouncements are effective and were implemented for the fiscal year 2018:
  - No. 75 increased liabilities and decreased unrestricted net position by approximately \$43 million.
  - The remaining pronouncements No. 81 *Irrevocable Split-Interest Agreements*, No. 85 *OMNIBUS 2017*, No. 86 *CERTAIN DEBT EXTINGUISHMENT ISSUES* did not have a significant impact on the financials.

Erica discussed the management letter found in the results book. Crosslin received a letter from the State of Tennessee which said a fraud reporting form was filed with the State of Tennessee Comptroller's office relating to a potential conflict of interest. A councilman voted in favor of a budget amendment to fund a project that would extend a connector road through or adjacent to land owned by the same councilman. The connector road would likely add value to the councilman's property; however, the potential conflict was not disclosed. Crosslin requested the City's Internal Audit department perform an internal review of this matter and submit a report of their findings to Crosslin. After reviewing the report, Crosslin determined that this item did not have an impact on the FY2018 audit. However, Crosslin recommends the City investigate whether this incident violates the conflict of interest policy. Laurie Matta summarized management's response, stating they will ensure all Council members will receive training, review the City's ethics policy annually, and sign a conflict of interest form. Rod stated there is a scheduled audit of the ethics policy for FY2019.

David Hunt expressed appreciation for management's assistance in the audit process of each entity and stated next year Crosslin will not be performing the external audit. David stated he hopes Crosslin has the opportunity to perform the external audit again in the future. A question was asked about where pronouncement No. 75 was disclosed in the footnotes of the CAFR, which was resolved. Several others expressed their appreciation of Crosslin's work performed for the City.

Erica Saeger and David Hunt left the meeting.

## VI. DEPARTMENT REPORT

### A. Budget Report

A budget report was provided, but there was no new information to discuss about the budget. Rod asked if anyone had any questions and there were none.

### B. Update on Internal Audit activity

#### 1. Audit schedule status

Rod reported the Senior Management Expense Report Audit was issued in November. The Payroll Audit is still in the process of fieldwork. Discussions are in process with Laurie and her team, along with Human Resources, about findings. We are also working with management for corrective actions and writing out results. Sole Source Audit was issued on 12/09/18. We kicked off and are in the midst of the field work of the Evidence Room Audit. We are currently about half way done with testing. IT Organization Audit is currently in progress. Rod is meeting with IT directors in town, including the IT director at Austin Peay and the IT director for the school system. Rod is preplanning the Ethics Policy Audit and we are having informal discussions with Legal and Finance. The Golf Course Audit has been reassigned to Stephanie and we will be focusing on inventory processes and cash handling. Once the Payroll Audit is issued, the I-9 E-Verify Audit will begin, which will include all new hires since November 2017, including CDE and CGW. Cassie and Stephanie will then work together on the Fire Department Overtime Audit after the other two audits are complete.

#### 2. Audit metrics

Rod said he will start reporting the audit metrics to the Audit Committee on a monthly basis.

#### 3. Weekly Mayor Report

Rod explained the new weekly Mayor reports that each department head will complete. The report includes near term highlights, key tasks, status, short and long term highlights, hot items, and Mayor items of interest. We are excited about this new line of communication and reporting to the Mayor's Office. This will facilitate issue resolution in every audit. Rod is also scheduled to have a monthly meeting with the Mayor and Mr. James Halford, Chief of Staff.

#### 4. Standing Committee Attendance Project

We decided to add a project which was reporting standing committee attendance. Rod explained one of the items the Mayor has communicated is adding objectives to standing committees. We will be asking management's response to the results before information is released. This will be a report we conduct on an annual basis.

#### 5. Wins

Stephanie reported that she passed the first part of CIA exam. She has two more exams to take and hopes to finish before the end of the fiscal year. Also, Stephanie reported during the Evidence Room Audit, prior audits were reviewed and one of the findings was a requirement in the State Comptroller Drug Fund manual that anyone handling cash must have fidelity bonds. We were trying to determine whether the City's blanket crime insurance policy would cover us, so we brought this to the attention of the Comptroller's Office and they now plan on updating their manual because the requirements changed.

#### 6. Issued Annual Report

Issued annual report on 12/14/18.

7. Intern Hired

Cassidy Bartley is the new intern hired, starting 02/04/19. She is a student at Austin Peay and will be receiving school credit for the internship.

VII. NEW BUSINESS

A. New policy - report issuance on or before elections

This item was postponed last meeting and revisions were made as requested by the Audit Committee. Rod asked the Audit Committee to review the revised proposed language to add to the Internal Audit Manual 4.09.4 Report Release and Distribution section. After some discussion, Lynn Stokes made a motion to accept the proposed language with one grammatical correction and Peter Reyman seconded. The proposed language of the addition to the Internal Audit Manual was approved with the noted grammatical revision.

VIII. COMMITTEE ACTION REQUIRED

A. New policy - report issuance on or before elections

See New Business section above.

IX. CITY COUNCIL ACTION REQUIRED

X. ADJOURNMENT OF PUBLIC MEETING

Joyce Norris requested a motion to adjourn the public meeting and enter executive session. Jeff Henley made the motion. Peter Reyman seconded. Public meeting was adjourned at 4:56pm.

XI. PUBLIC COMMENTS (5 minutes each)

XII. NEXT MEETING - April 24, 2019 4:00 PM

XIII. EXECUTIVE SESSION

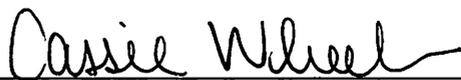
Vote by the Committee to go into executive session. Lynn made a motion to enter executive session. Jeff seconded.

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.

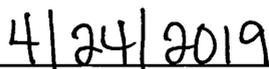
- A. Ongoing audits and investigations
- B. Hotline reports
- C. Audit plan

XIV. ADJOURNMENT OF EXECUTIVE SESSION

Lynn made a motion to adjourn executive session. Jeff seconded. Executive session adjourned at 5:52pm.



Cassie Wheeler



Date of Committee Approval