



AUDIT COMMITTEE MINUTES

DATE: January 29, 2020

LOCATION: CITY HALL FOURTH FLOOR CONFERENCE ROOM

TIME: 4:00 PM

- I. CALL TO ORDER – Chairman
The meeting was called to order by Rod Wright at 4:00 pm.

- II. ANNOUNCE MEMBERS IN ATTENDANCE (VERIFY QUORUM)
Audit Committee members present: Jeff Henley, Dr. Brandon Di Paolo Harrison, Peter Reyman, and Joel Wallace
Audit Committee members absent: Lynn Stokes
Quorum verified? Yes
Internal Audit attendees: Rod Wright, Stephanie Fox, Cassie Wheeler
Other Attendees:
 - Mayor Joe Pitts
 - 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
 - Jean Adcock, HCD Finance Director
 - Will Wyatt, HR Director
 - Matt Wood, Partner at ATA 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.

Jeff Henley made a motion to nominate Joel Wallace for Audit Committee Chairman. Peter Reyman seconded the nomination. A voice vote was taken and Joel Wallace 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.

Peter Reyman made a motion to nominate Jeff Henley for Audit Committee Vice Chairman. Dr. Brandon Di Paolo Harrison seconded the nomination. A voice vote was taken and Jeff Henley was elected Vice-Chairman.

IV. ADOPTION OF MINUTES: October 30, 2019

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

V. FINANCIAL STATEMENT AUDIT PRESENTATION BY ATA

Matt Wood with ATA presented the FY19 audited financial statements for the City of Clarksville, CDE Lightband, Clarksville Gas, Water, and Wastewater Departments, and Natural Gas Acquisition Corporation (NGAC). Highlights included:

- An unmodified opinion was issued for each of the financial statements. There were no internal control findings and no management letter was issued.
- Total government wide net position increased in FY 2019 to \$940.72 million from \$900.98 million in FY 2018.
- Of the \$29.94 million fund balance in the general fund, \$28.95 million is considered unassigned, which means it is available for any use. The unassigned fund balance was 34.03% of budgeted general fund expenditures for FY2019.
- No internal control findings were noted during the single audit work performed.
- The net position of CDE Lightband Broadband division is in the positive for the first time.
- Clarksville Gas, Water, and Wastewater Departments paid off almost \$23 million in debt, when including bond premiums in FY 2019.
- NGAC is nearing the end of the original prepaid natural gas arrangement. Debt will be paid off in FY 2022.

Chairman Joel Wallace asked whether ATA had any concerns based on the first year of the audit. Matt Wood said the first year is often a challenge, but there were no issues. He expressed his appreciation for each Finance/Accounting team of the City. Their efforts and knowledge helped make ATA's first engagement with the City successful. There were no further questions for ATA.

VI. DEPARTMENT REPORT

A. Budget Report

Rod presented the FY 2020 year to date budget report. The budget is on track, but will deviate over the next 6 months with his departure. Rod addressed the balance in the Accounting/Auditing line item. The balance was in anticipation of using Kraft to audit some IT functions, but we are not at a point where individual audits can be identified. Some of the balance will likely be turned back over to the General Fund. The operating cost charge out line item was also planned in anticipation of IT audits at CDE and CGW, but will not be used this fiscal year. There were no further questions.

B. Update on Internal Audit Activity

- i. Audit Schedule Status and Audit Metrics

Rod reported that the I-9 Audit was just issued, as well as the follow up report for the Clarksville Police Department Evidence Room Audit. Both of those reports will be posted to the website on Friday.

The Ethics Survey project will begin the first week of February. We will create a survey for employees to complete regarding the City's ethical climate and report the results to the management team to address as they deem necessary, such as updating training or policies. . This will be an annual report to help meet the Red Book standards requirement of supporting the governance level ethics related processes.

Customer Disconnects Audits for CDE and CGW were scheduled towards the end of this fiscal year, but the Department will ask to postpone those to FY 2021. The Financial Controls Audit will start in May or June of this year and will likely carry over into next fiscal year. Rod will ask the Audit Committee to approve these schedule adjustments under the Committee Action section of the agenda.

We will move forward with the Vendor Analysis Audit, utilizing our APSU intern who can use Microsoft Power BI to analyze the vendor payment data. We will also continue forward with the various follow ups on prior audits. Rod presented the remainder of the audit metrics reports and there were no questions.

ii. Policy Updates (see Committee Action)

The Audit Charter, Consulting, Ethics, and QAIP policies have been drafted. Rod asked the Audit Committee to meet in March to discuss and approve the new policies. A folder containing the draft policies will be shared with the Audit Committee to allow time for review prior to the March meeting.

Rod thanked everyone for their support during his time working for the City and wished the department luck going forward. Chairman Joel Wallace thanked Rod for his efforts and wished him luck in his future endeavors.

VII. NEW BUSINESS

A. Obtain Ethics Acknowledgements from Audit Committee members

The Ethics Policy acknowledgements were received from all present Audit Committee members.

VIII. COMMITTEE ACTION REQUIRED

A. Approve Meeting in early March for P&P presentation and approval

Rod asked that the Audit Committee meet in March as previously discussed. The department will coordinate the scheduling of the March meeting.

B. Audit Plan Adjustment

Rod requested to transfer the Customer Disconnects Audits for CDE and CGW to the next fiscal year. Dr. Brandon Di Paolo Harrison made a motion to approve the transfer, and Jeff Henley seconded. The audit plan adjustment was approved.

C. Recommend appointment of Interim Audit Director

Rod explained the last time the Audit Director position was vacated, the Audit Committee voted to appoint an Interim Audit Director. Rod recommended that the

Audit Committee nominate Stephanie Fox as the Interim Audit Director. Jeff Henley made a motion to approve the nomination, and Dr. Brandon Di Paolo Harrison seconded. Joel Wallace asked if Rod believed Stephanie was qualified for the role. Rod explained Stephanie is a Certified Public Accountant (CPA), Certified Internal Auditor (CIA), which is the premier designation for the Red Book standards. She has been with the department for almost 5 years, has previous management experience, and has been an integral part of the Red Book standards transition. The motion was approved.

D. Discussion and approval of Director recruitment approach

Rod invited Will Wyatt, HR Director, to make a few comments. Will explained that the Audit Committee is responsible for selecting the next Director of Internal Audit. Human Resources will work with the Internal Audit staff and Audit Committee in conducting the recruitment. The Audit Committee can choose to conduct a department only/City only recruitment or an external recruitment. Human Resources will provide the Audit Committee with a list of qualified candidates. The Audit Committee will interview candidates and recommend a selected candidate to the Mayor. The Mayor shall appoint the Director of Internal Audit, subject to confirmation by a majority vote of the City Council.

Rod recommended an internal recruitment to keep the momentum going with the Red Book standards transition. Jeff Henley voiced concerns about the small candidate pool for internal recruitment. Peter Reyman commented that continuity of operations is important and a new director could come in and change the direction the department is moving. We have spent so much time and effort trying to progressively move forward that it could be detrimental to the department. Peter confirms he concurs with Rod's assessment and wants to conduct an internal recruitment given the current circumstances of the department. Dr. Brandon Di Paolo Harrison concurs with Peter Reyman from an accounting standpoint, especially for the size of the department. There were no other questions or comments. Rod asks the Audit Committee to vote on an approach to move the recruitment process forward. He explained that this is not a final decision and the Audit Committee can later choose to recruit externally. Jeff Henley made a motion to move forward with an internal recruitment and Peter Reyman seconded. The Audit Committee discusses the criteria required for the Director position. The motion passed.

IX. CITY COUNCIL ACTION REQUIRED

A. None

X. ADJOURNMENT OF PUBLIC MEETING

Peter Reyman made a motion to adjourn the public meeting and go into executive session. Dr. Brandon Di Paolo Harrison seconded, and the public meeting was adjourned at 4:54 pm.

XI. PUBLIC COMMENTS (5 minutes each)

The Mayor wished Rod Wright good luck and expressed his gratitude for Rod's invaluable help to him and the City. The Mayor acknowledged that the department will be left with two highly capable staff members.

XII. NEXT MEETING - **April 29, 2020 4:00 PM**

XIII. 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

XIV. ADJOURNMENT OF EXECUTIVE SESSION

Dr. Brandon Di Paolo Harrison made a motion to adjourn the executive session and Jeff Henley seconded. Executive session was adjourned at 5:28 pm.

Cassie Wheeler
Cassie Wheeler

3/31/2020
Date of Committee Approval