



AUDIT COMMITTEE MINUTES

DATE: April 24, 2019

LOCATION: CITY HALL FOURTH FLOOR CONFERENCE ROOM

TIME: 4:00 PM

- I. CALL TO ORDER – Chairman
The meeting was called to order by Jeff Henley at 4:01pm.

- II. ANNOUNCE MEMBERS IN ATTENDANCE (VERIFY QUORUM)
Audit Committee Members Present: Lynn Stokes, Jeff Henley, Jerry Weatherspoon, Peter Reyman, Joyce Norris arrived at 4:05pm
Audit Committee Members Absent: None
Quorum Verified: Yes
Internal Audit Attendees: Rod Wright, Stephanie Fox, Cassie Wheeler, Cassidy Bartley
Other Attendees:
 Mayor Joe Pitts
 Laurie Matta, City of Clarksville Chief Financial Officer

- III. ADOPTION OF MINUTES
November 7, 2018 and January 17, 2019 Audit Committee meetings
Jeff Henley asked the Audit Committee members to review the minutes and called for a motion for approval of the minutes. Jerry Weatherspoon made a motion to accept the minutes and Lynn Stokes seconded. The minutes were approved as presented.

- II. DEPARTMENT REPORT
 - A. Budget Report
 - i. FY2019 YTD report
Rod presented the year-to-date budget for FY 2019. There had been no significant changes in the budget to discuss; however, Rod pointed out that the department would be attending a few conferences and trainings before the end of the fiscal year.

Rod pointed out that there was money left in the accounting and auditing line which will be used for interim work performed by ATA for the FY 2019 financial audit and for potential IT co-sourcing engagement Kraft CPAs. We anticipate an increase in the price of interim work related to the financial audit due to an increase in the planned number

of ATA staff. In prior years, there may have been 2-3 auditors present for interim work. This year, ATA plans to bring anywhere from 4-6 auditors for the interim portion of the audit engagement. ATA will be on site in mid-June.

ii. FY2020 Proposed Budget

There were not any significant increases except the auditing and accounting line for IT co-sourcing. Rod thanked Cassie for her work in preparing the budget documentation. Rod confirmed for Jeff that the negative \$30,000 was for CDE/CGW charge outs related to planned IT services (discussed in detail in the committee action section below). There were no other questions.

Joyce called for a motion to approve the FY 2020 budget. Peter made the motion, and Jeff seconded. The FY 2020 budget was approved unanimously.

B. Update on Internal Audit Activity

i. Audit schedule status

Rod asked for comments or suggestions related to the monthly reports he has been sending out. There were none.

Rod gave the following brief update on audit status:

- The payroll audit has moved into the reporting phase.
- The CPD evidence room audit has been completed.
- The IT organizational structure audit has been put on hold to focus on the ethics policy audit.
- Rod is wrapping up the planning phase of the ethics policy and he will give an update on findings already identified in executive session.
- The golf course audit is progressing and will be discussed further during executive session.
- Management has been notified of the I-9/E-verify audit, but has not yet been officially started.
- Postponement of the Clarksville Fire and Rescue staffing and overtime audit is up for committee action. The search for a new fire chief is underway, due to the current Chief's upcoming retirement. A change in the policy for scheduling vacation time is planned at the fire department which will significantly impact the staffing model and our audit. Therefore, we request to postpone this audit indefinitely, likely until FY 2021.

ii. Audit metrics

Rod presented the audit metrics report for the period. He indicated he will likely update the audit utilization metrics for the department in the upcoming fiscal year.

iii. Weekly Mayor Report

Rod gave the committee a copy of the "sit rep" report which is updated weekly for the Mayor's office.

iv. Standing Committee Attendance Project

Rod presented the attendance report and explained that this is an informational report showing attendance of City Councilmembers at assigned committees. Committee meetings foster communication between the Council and departments, while influencing the control environment and overall governance of the City. The committee

discussed requirements and benefits for regular meetings, as well as the results of the 2017-2018 review. The Mayor gave some information about planned changes to enhance strategic planning for the entire City, while making committee meetings more effective. We plan to post this to our website every January for the previous year.

v. Wins

Stephanie reported that she passed the second part of the Certified Internal Auditor exam, and plans to take the third and final part of the exam in May. She also reported that as part of the fleet audit we recommended creating a brochure with key fleet policy information to keep in all City vehicles. This recommendation was implemented by the Fleet Management Division.

Cassie and Rod reported that the payroll audit has resulted in several ancillary issues coming to light, which will lead to improvements among several departments. Cassie has collaborated with several different City departments to resolve these issues and ultimately enhance the overall process. Examples include working toward paying actual hours worked and implementing 26 pay periods.

vi. IT Co-sourcing

This is the potential arrangement with Kraft CPAs which is discussed in detail in the Committee Action section below.

vii. Intern

Rod thanked our spring intern, Cassidy Bartley, for her work. She has done a great job handling assigned tasks and we are appreciative of her time with us.

We have budgeted for another spring intern during the FY 2020 budget.

viii. New Report Format

The committee gave positive feedback on the new report format. During development our main focus was on identifying the needs of our audience and simplifying the format for ease of reading. One important change will be reporting management action plans rather than auditor recommendations, as well as developing a finding ranking system over the coming year. While we may still have recommendations, we will focus on what management is going to do to address findings. We intend to have a detailed findings meeting with management to discuss issues and develop action plans that are acceptable to all stakeholders.

ix. Internal Control Meetings

Finance has begun scheduling this year's internal control meetings. The meetings are an opportunity to meet with individual departments and discuss changes within the past year and mitigate any new or changing risks for the department.

x. Policy updates to begin July meeting

Rod explained that we will begin updating our internal policies and procedures to reflect the change in standards to red book. We will be presenting these changes to the committee for approval over the next few meetings.

III. NEW BUSINESS

A. Audit Committee Members for 2020-2021

Two audit committee members' terms expire at the end of this year. Both Joyce and Jerry have served two terms on the committee, so they will be rolling off. Rod gave some requirements for the position. There was limited discussion about possible candidates to fill these positions.

IV. COMMITTEE ACTION REQUIRED

A. Approve Kraft CPAs IT project

We are looking to create a co-sourcing agreement with Kraft CPAs to perform some IT audit work, where Kraft would function as a part of internal audit. The first engagement of the proposal involves Kraft gaining an understanding of the organization, including City General, CDE, and Clarksville Gas & Water. Using that information, we will build a risk assessment and determine which IT engagements are necessary for the upcoming years. While we hope that this will be an enduring relationship for IT audit services, we are not currently committing to a long term arrangement with Kraft. We have budgeted funds in the FY 2020 budget, including charge outs for CDE and CGW, for some IT engagements. We estimate that the portion of the risk assessment applicable to FY 2019 will be \$15,000.

There was discussion of qualifications of Kraft CPAs to perform these services, as well as the services to be performed.

Joyce called for a motion to approve the planned Kraft CPAs IT project. Lynn made the motion, Peter seconded. The motion was approved.

B. Approve postponement of the CFR audit

Joyce called for a motion to postpone the overtime and staffing audit of the fire department. Jeff made the motion, Jerry seconded. The motion was approved.

V. CITY COUNCIL ACTION REQUIRED

VI. ADJOURNMENT OF PUBLIC MEETING

Joyce requested a motion to adjourn the public meeting and go into executive session. Jeff made the motion, Lynn seconded. The public meeting was adjourned at 4:53 PM.

VII. PUBLIC COMMENTS (5 minutes each)

VIII. NEXT MEETING - **July 31, 2019 4:00 PM**

IX. 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

X. ADJOURNMENT OF EXECUTIVE SESSION

Peter made a motion to adjourn executive session. The motion was seconded by Lynn. Executive session was adjourned at 6:03 PM

Stephanie Joy
Stephanie Fox

7/31/19
Date of Committee Approval