



AUDIT COMMITTEE MINUTES

DATE: March 8, 2023

LOCATION: CITY HALL FOURTH FLOOR CONFERENCE ROOM

TIME: 9:30 AM

- I. **CALL TO ORDER – Director of Internal Audit**
The meeting was called to order by Stephanie Fox at 9:30am.

- II. **ANNOUNCE MEMBERS IN ATTENDANCE (VERIFY QUORUM)**
Audit Committee members present: Dr. Brandon Di Paolo Harrison, Dr. Jennifer Thayer, Marcia Demorest, Dr. Elizabeth Rankin, and Councilperson Karen Reynolds.
Audit Committee members absent: none
Quorum verified? Yes
Internal Audit attendees: Stephanie Fox, Jenn Osteen, Charlie DeHarde
Other Attendees:
 - James Bence, Partner at Mauldin & Jenkins
 - Mayor Joe Pitts
 - Laurie Matta, City of Clarksville Chief Financial Officer
 - Christen Wilcox, City of Clarksville Finance Director
 - David Johns, CDE Chief Financial Officer
 - Dawn Thomack, CGW Senior Finance Director
 - Terry Davis, CTS Director of Accounting

- III. **ELECTION OF CHAIRPERSON AND VICE-CHAIRPERSON**
Stephanie read the duties of both the Chairperson and Vice Chairperson.
 - A. **Chairperson**
Elizabeth Rankin made a motion to elect Dr. Brandon Di Paolo Harrison as chairperson. Dr. Jennifer Thayer seconded.
The motion was approved unanimously.

 - B. **Vice Chairperson**
Dr. Brandon Di Paolo Harrison made a motion to elect Dr. Jennifer Thayer as vice chairperson. Elizabeth Rankin seconded.
The motion was approved unanimously.

- IV. **FINANCIAL STATEMENT AUDIT PRESENTATION BY Mauldin & Jenkins**
James Bence, engagement partner with Mauldin & Jenkins, gave a brief description of the firm and their local government auditing experience.

James then presented the results of the City's June 30, 2022 Financial Statement Audit.

Highlights included:

- The audit was performed in accordance with Generally Accepted Auditing Standards, as well as Government Auditing Standards. The objective was to provide an opinion on whether financial statements are materially correct as presented by management.
- The City of Clarksville received an unmodified, or clean, opinion stating that the financial statements as presented by management are materially correct and presented in accordance with generally accepted accounting principles.
- The City's component units (Clarksville Montgomery County Museum, Ajax Senior Center, and Roxy Productions) were audited by other firms, whose work was relied upon by Mauldin & Jenkins.
- The audit, issued on December 28, 2022, did not identify any material weaknesses or material noncompliance.
- The report, in accordance with Uniform Guidance, included the following five major programs in 2022:
 - Federal Transit Cluster
 - Highway Construction and Planning
 - Disaster Grant
 - CDBG Entitlement Grants
 - Coronavirus State and Local Recovery Fund
- Management's estimates and judgements used in preparation of the financial statements were deemed reasonable and were not outside of normal industry practice.
- There were no unrecorded or passed adjustments in this year, meaning that if the auditors suggested any journal entries to management, management agreed and made those adjustments. There were 10 adjustments made by management during the audit.
- The City's General Fund is still relatively strong. The unassigned fund balance contained approximately 33.34% of the City's annual expenditure needs in FY 2022.
- The City's revenues were approximately 1% over budget and expenditures were approximately 2.5% under budget for the 2022 fiscal year.
- The primary sources of revenue for the City were property taxes, which are 35.6% of revenue, and sales taxes, which were 20.9% of revenues. Property taxes and sales taxes have increased 25.8% and 44% respectively over the past 5 years.
- Both CDE and Clarksville Gas and Water had positive operating cash flows for the year. Transit did not have positive cash flows from operations, which is an industry standard. Transit is not expected to generate cash flows, but rather is a public service.
- Water and Wastewater had a very large bond issuance during the year, which is reflected in the ACFR. Due to the timing of the projects this looks like an influx of cash, but is earmarked for projects over the next two years.
- The following were noted as findings:
 - There was a misappropriation of City funds of approximately \$1600, the comptroller released a report on the matter.
 - The City did not report 6 subwards to CDBG subrecipients totaling \$1,165,000 in the Federal Funding Accountability and Transparency Act Subaward Reporting System. This was not material.
- The following are recommendations to management:
 - The auditors recommend the City update the general ledger and subledger and not carry reconciling items.
 - Bond premiums are amortized using a straight-line basis rather than the effective interest method. If the difference in the two methods were to

become significant, the City would need to switch to the effective interest method.

V. **ADOPTION OF MINUTES: October 26, 2022**

Dr. Jennifer Thayer made a motion to adopt the minutes. Councilperson Karen Reynolds seconded.

The motion was approved unanimously.

VI. **DEPARTMENT REPORT**

A. **Budget Report**

Stephanie presented the year to date budget report for the department. There were no questions.

B. **Update on Internal Audit Activity**

Stephanie presented the update on internal audit activity. She noted the 80 hours spent on a consulting engagement. This engagement was for the Fire Department, completed in early February, where we reviewed and consulted on their inventory process. We made several control recommendations and received good feedback from the department. At the conclusion of this engagement, we conducted a review of our workpapers in accordance with our quality assurance and improvement program. This review showed no deficiencies.

The Institute of Internal Auditors is revising their auditing standards and the department is in the process of reviewing the new standards. Implementation of the new standards will be required one year after their effective date, which is expected to be this fall.

The department is now attending new hire orientations to introduce the Fraud and Audit Hotline to all new employees hired by the City. The orientations happen every two weeks.

VII. **NEW BUSINESS**

A. **Ethics Policy Acknowledgement**

All members of the Audit Committee signed their Ethics Policy acknowledgement form.

VIII. **COMMITTEE ACTION REQUIRED**

A. **Mauldin & Jenkins Contract Renewal**

Stephanie presented the proposed fees for the Mauldin & Jenkins contract renewal. She also explained a new requirement in state law related to a uniform chart of accounts for municipalities. This will involve some additional work for Mauldin & Jenkins that is outside the scope of the original audit proposal, which includes an additional cost.

Dr. Jennifer Thayer made a motion to renew Mauldin & Jenkins contract. Councilperson Karen Reynolds seconded.

The motion was approved unanimously.

IX. **CITY COUNCIL ACTION REQUIRED**

A. **None**

X. **ADJOURNMENT**

Dr. Jennifer Thayer made a motion to adjourn the public meeting. Marcia Demorest seconded. Public meeting was adjourned at 10:19am.

XI. PUBLIC COMMENT (5 minutes each)

XII. NEXT MEETING - **April 26, 2023 3:00 PM**

II. EXECUTIVE SESSION - Vote by the committee to go into executive session

During executive session and for the remainder of the meeting, the Audit Committee will be discussing only matters that are considered confidential under TCA Section 9-3-405 (d). These items may include:

- A. Items deemed not subject to inspection under TCA Section 10-7-503 and 10-7-504
- B. Current or pending litigation and pending legal controversies
- C. Pending or ongoing audits or audit related investigations
- D. Information protected by federal law
- E. Matters involving information under TCA Section 9-3-406 where the informant has requested anonymity.

At this point in the meeting everyone other than Audit Committee members and those asked to attend by the Audit Committee to address an item related to the categories above will be asked to leave.

The following topics were discussed:

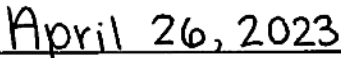
- A. Pending or ongoing audits or audit related investigations

III. ADJOURNMENT OF EXECUTIVE SESSION

The executive session was adjourned at 11:00am.



Charlie DeHarde



Date of Committee Approval