



## **AUDIT COMMITTEE MINUTES**

**DATE: April 26, 2023**

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

**TIME: 3:00 PM**

- I. **CALL TO ORDER – Chairperson**  
The meeting was called to order by Brandon Di Paolo Harrison at 3:00pm.
  
- II. **ANNOUNCE MEMBERS IN ATTENDANCE (VERIFY QUORUM)**  
Audit Committee members present: Dr. Brandon Di Paolo Harrison, Marcia Demorest, Dr. Elizabeth Rankin, and Councilperson Karen Reynolds.  
Audit Committee members absent: Dr. Jennifer Thayer  
Quorum verified? Yes  
Internal Audit attendees: Stephanie Fox, Jenn Osteen, Charlie DeHarde  
Other Attendees: none
  
- III. **ADOPTION OF MINUTES: March 8, 2023**  
Karen Reynolds made a motion to adopt the minutes. Elizabeth Rankin seconded.  
The motion was approved unanimously.
  
- IV. **DEPARTMENT REPORT**
  - A. **FY 2023 Budget Report**  
Stephanie presented the year to date budget report for FY23. Stephanie noted that the funds allocated for the peer review are still in the budget, as the coordinator has had difficulty assembling a team to do our peer review. This expense will also be budgeted for FY 24 in case it cannot be finished by the end of this fiscal year. We are required to have a peer review done by October 2023 to remain in compliance with auditing standards. Stephanie asked if the committee had any questions. Councilperson Reynolds asked about the salary changes that occurred related to the pay study. Stephanie noted there was a general wage increase that affected everyone in the department in July 2022, but any increases due to the pay study differed depending on where an individual employee falls in the pay band. There were no other questions about the budget.

**B. Update on Internal Audit Activity**

Stephanie presented the Internal Audit metrics report. She noted that the Ethics Survey Informational Report would be released to the council on April 26 and posted to the City's website on April 28, 2023. The Ethics Survey engagement was under the amount of budgeted hours for the project and was released within the initially established timelines. The quality assurance review for this engagement did not show deficiencies.

Stephanie also pointed out the Fraud and Audit Hotline summary, which shows that all reports received have been closed.

**V. NEW BUSINESS**

**A. None**

**VI. COMMITTEE ACTION REQUIRED**

**A. FY 2024 Proposed Budget Approval**

Stephanie presented the proposed FY 2024 budget to the committee, focusing on three specific changes. First, as previously noted, the cost of the peer review is included in the budget. Second, a new auditor position has been approved and will appear in the budget presented to the council. We are hoping to hire for the position by the fall. A new auditor provides additional audit and consulting hours, and allows us more flexibility in addressing needs and risks in other departments. Third, the budget includes operating expenses the department will need to accommodate the new auditor, including training, computers, etc. Stephanie also noted the department requested funds for audit software that did not end up in the final budget. The Mayor does understand the benefit of software, and we hope to revisit this request during the year.

Elizabeth Rankin made a motion to approve the FY 2024 Proposed Budget. Karen Reynolds seconded. The motion was approved unanimously.

**B. Policy Update Discussion and Approval**

Stephanie presented the following summary of changes to Internal Audit Policies and Procedures:

- **Policy IA 2020-02 Quality Assurance and Improvement Program**
  - Small wording change to clarify participants in pre-release discussion.
  - Clarify that an auditor may perform the periodic self assessment at the director's discretion.
  - Clarify that in instances of nonconformance, the Audit Committee will recommend necessary changes to the Council.
- **Policy IA 2020-04 Planning Engagements**
  - Two changes to clarify that this policy is applicable to audit engagements, and consulting engagements may have different requirements which are outlined in the consulting policy.
  - Updates to reflect changes made to the Risk Matrix & Testing Program workpaper.
- **Policy IA 2020-05 Performing Engagements**
  - Change to clarify that this policy is applicable to audit engagements, and consulting engagements may have different requirements which are outlined in the consulting policy.

- Updates to reflect changes made to the Risk Matrix & Testing Program workpaper.
- Policy IA 2020-06 Communicating Results
  - Changes to clarify that this policy is applicable to audit engagements, and consulting engagements may have different requirements which are outlined in the consulting policy.
  - Updates wording to reflect changes to report template.
  - Remove reference to conformance language exception related to peer review.
- Policy IA 2020-09 Ethics Related Engagements
  - Clarify what information related to ethics complaints is posted on the Internal Audit website.
- Policy IA 2020-10 Consulting Engagements
  - Move language regarding workpaper retention from one section to another.
  - Update language on where consulting engagement workpapers are stored.
- Policy IA 2020-11 Fraud, Investigations, and Hotline Administration
  - Clarify language on charts.
  - Reorganize notification requirements when a state comptroller report is made.
- Policy IA 2020-ADM Office Administration
  - Add reference to IIA Code of Ethics.
  - Clarify language in Confidentiality and Security Issues section (two instances).
  - Remove reference to voicemail changes in auditor absence.
  - Remove language related to recycling bins and shredders in the finance office.
  - Update language in Training and Development section for consistency with other policies.
  - Update requirements for mileage reimbursement.

Marcia Demorest made a motion to approve the updated policies. Karen Reynolds seconded. The motion was approved unanimously.

VII. CITY COUNCIL ACTION REQUIRED  
A. None

VIII. ADJOURNMENT  
Elizabeth Rankin made a motion to adjourn the public meeting. Marcia Demorest seconded. Public meeting was adjourned at 3:26pm.

IX. PUBLIC COMMENT (5 minutes each)

X. NEXT MEETING - July 26, 2023 3:00 PM

- XI. 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.

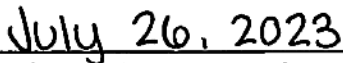
The following topics were discussed:

- A. Hotline reports
- B. Pending or ongoing audits or audit related investigations

- XII. ADJOURNMENT OF EXECUTIVE SESSION  
The executive session was adjourned at 3:40pm.



Charlie DeHarde



Date of Committee Approval