AUDIT COMMITTEE
MINUTES

DATE: January 26, 2022
LOCATION: CITY HALL FOURTH FLOOR CONFERENCE ROOM
TIME: 3:00 PM

I. CALL TO ORDER – Director of Internal Audit
The meeting was called to order by Stephanie Fox at 3:00 pm.

II. ANNOUNCE MEMBERS IN ATTENDANCE (VERIFY QUORUM)
Audit Committee members present: Peter Reyman, Marcia Demorest, Karen Reynolds
Audit Committee members absent: Dr. Jennifer Thayer, Dr. Brandon Di Paolo Harrison
Quorum verified? Yes
Internal Audit attendees: Stephanie Fox, Jenn Osteen
Other Attendees:
James Bence, Partner at Mauldin & Jenkins
Laurie Matta, City of Clarksville Chief Financial Officer
Christen Wilcox, City of Clarksville Finance Director
David Johns, CDE Chief Financial Officer
Gina Wilbur, CDE Comptroller
Dawn Thomack, CGW Senior Finance Director
Deborah Johnson, Neighborhood and Community Services Deputy Director
Lori Wallis, Transit Finance Director

III. ELECTION OF CHAIRPERSON AND VICE-CHAIRPERSON

A. Chairperson - 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.

Councilperson Karen Reynolds made a motion to elect Peter Reyman as chairperson. Marcia Demorest seconded.

The motion was approved unanimously.

B. Vice Chairperson - 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 elect Dr. Brandon Di Paolo Harrison as vice chairperson. Councilperson Karen Reynolds 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 as this was their first year auditing the City of Clarksville. They are a large regional firm, serving several states and with significant experience in external audits of local governments.

James then presented the results of the City's June 30, 2021 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 report in accordance with Uniform Guidance included the following three major programs in 2021:
    - Federal Transit Cluster
    - Coronavirus Relief Fund
    - Disaster Grants

  All three programs received unmodified opinions stating there were no material weaknesses in the internal controls and no instances of noncompliance with program guidelines.
- The City ended the year with slightly more revenue and fewer expenditures than anticipated for the 2021 fiscal year, which resulted in an increase to the unassigned fund balance of about five million dollars.
- Primary revenue sources for the general fund include:
    - Property taxes which accounted for 35% of FY21 revenue
    - Sales taxes which accounted for 23% of FY21 revenue
- Both CDE and Clarksville Gas and Water had positive operating cash flows for the year. A portion of the positive cash flow was reinvested into infrastructure, capital assets, and/or financing arrangements.
- There were three adjustments, described below, which were required to correct the reporting of revenues. These were reported as a material weakness for year end reporting.
    - Accrual of revenue for unbilled services for water and wastewater for services rendered before year end
    - Recording a grant as revenue rather than a liability after all applicable eligibility requirements were met

    - Adjusting the fund balance for Community Development to properly classify loan repayments
- The firm also issued a management letter which included additional recommendations for improvement.

V. ADOPTION OF MINUTES: October 27, 2021

Councilperson Karen Reynolds made a motion to adopt the minutes. Marcia Demorest seconded. The motion was approved unanimously.

VI. DEPARTMENT REPORT

A. Budget Report

Stephanie presented the budget report as of January 2022. She noted the available budget in training and memberships, which will be spent in the spring. The other major expenditure in the budget is the external audit. A final bill for the FY 2021 audit and a bill for interim work on the FY 2022 audit will also be paid from the current budget.

B. Update on Internal Audit Activity

Stephanie presented the metrics report for the department. It has been updated to reflect the changes that were approved in the last Audit Committee meeting, to add a consulting engagement for Neighborhood and Community Services and remove the CDE HR complaint audit.

Stephanie noted that the audit team has begun fieldwork for the Neighborhood and Community Services Audit and offered to discuss audit results to date during executive session.

The next engagement for Internal Audit is the Annual Ethics Survey, which is planned to begin in February. Stephanie noted that our new intern will be working on the Ethics Survey.

C. APSU Internship

Stephanie announced that the department's new intern, Nathan, will be starting work on Monday, January 31, and we are looking forward to working with him.

VII. NEW BUSINESS

A. Ethics Policy Acknowledgement

Peter Reyman asked all members of the committee to review, sign, and date the Ethics Policy acknowledgement.

B. Mauldin & Jenkins Contract Renewal

Stephanie explained the original external audit proposal from Mauldin & Jenkins only gave one year of pricing for the FY 2021 and the firm indicated that there may be inflationary increases in price. The increase from the FY 2021 audit to FY 2022 would be about $10,000, or 7%. The price is still comparable to the other proposals submitted during the RFP process and considered reasonable in comparison. The Audit Committee can choose to renew the contract with Mauldin & Jenkins annually.

Peter Reyman noted that the price increase was reasonable and made a motion to renew the external audit contract with Mauldin & Jenkins. Councilperson Karen Reynolds seconded. The motion was approved unanimously.

VIII. COMMITTEE ACTION REQUIRED

None

IX. CITY COUNCIL ACTION REQUIRED

A. None

X. ADJOURNMENT OF PUBLIC MEETING

Peter Reyman called for a motion to adjourn the public meeting and go into executive session. Councilperson Karen Reynolds made the motion and Marcia Demorest seconded. Public meeting was adjourned at 3:49 pm.

XI. PUBLIC COMMENT (5 minutes each)

XII. NEXT MEETING - **April 27, 2022 3:00 PM**

XIII. 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

XIV. ADJOURNMENT OF EXECUTIVE SESSION

The executive session was adjourned at 4:16 pm.

Charlie DeHarde

Charlie DeHarde

April 27, 2022

Date of Committee Approval