AUDIT COMMITTEE
AGENDA

DATE: October 30, 2024
LOCATION: CITY HALL FOURTH FLOOR CONFERENCE ROOM
TIME: 3:00 PM

I. CALL TO ORDER - Chairperson

II. ANNOUNCE MEMBERS IN ATTENDANCE (VERIFY QUORUM)

III. ADOPTION OF MINUTES: July 31, 2024 Audit Committee Meeting

IV. DEPARTMENT REPORT
   A. Budget Report
   B. Update on Internal Audit Activity
   C. Discussion of Strategic Plan, Charters, and Revised Policies

V. NEW BUSINESS
   A. None

VI. COMMITTEE ACTION REQUIRED
   A. Audit Committee Candidate Consideration
   B. Strategic Plan, Charter, and Policy Approval

VII. CITY COUNCIL ACTION REQUIRED
   A. Nomination of Audit Committee Members for January 2025 - December 2026

VIII. ADJOURNMENT OF PUBLIC MEETING

IX. PUBLIC COMMENTS (5 minutes each)

X. NEXT MEETING - **January 29, 2025 3:00 PM**

XI. EXECUTIVE SESSION - Vote by 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 Sections 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.

XII. ADJOURNMENT OF EXECUTIVE SESSION

UNAPPROVED

AUDIT COMMITTEE
MINUTES

DATE: July 31, 2024
LOCATION: City Hall 4th Floor Conference Room
TIME: 3:00 PM

I. CALL TO ORDER – Chairperson
The meeting was called to order by Jennifer Thayer at 3:01pm.

II. ANNOUNCE MEMBERS IN ATTENDANCE (VERIFY QUORUM)
Audit Committee members present: Jennifer Thayer, Elizabeth Rankin, Karen Reynolds, Patrick Wilkinson
Audit Committee members absent: Trey Judd
Quorum verified? Yes
Internal Audit attendees: Stephanie Fox, Jenn Osteen, Rebecca Darden, Emily Hammer
Other Attendees: None

III. ADOPTION OF MINUTES: April 24, 2024 Audit Committee Meeting
   A. Karen Reynolds made a motion to adopt the minutes for April 24, 2024. Elizabeth Rankin seconded the motion. The motion was approved unanimously.

IV. DEPARTMENT REPORT
Stephanie presented the following department reports.
   A. Budget Reports
      i. FY 2024
      ii. FY 2025
   B. Update on Internal Audit Activity

   C. Quality Assurance and Improvement Program - Annual Review Results
   Stephanie presented the results of the department's annual quality review for FY 2024.

   D. Annual Report
   Stephanie presented the draft of the department's annual report.

   E. Discussion of Internal Audit Charter, Mandatory Guidance, and Organizational Independence within Red Book

UNAPPROVED

Stephanie presented information about the following items in accordance with auditing standards:

- Audit Committee charter
- Internal Audit department charter
- Organizational independence of the department
- Mandatory guidance components within the International Professional Practices Framework

V. NEW BUSINESS

A. Discussion of Potential New Committee Members
One new Audit Committee member will be needed starting in January 2025 to replace Dr. Jennifer Thayer.

The Audit Committee will nominate a candidate to fill that vacancy, and that candidate will be presented to the City Council for confirmation.

VI. COMMITTEE ACTION REQUIRED

A. FY 2025 Audit Plan Approval
Stephanie presented the draft risk-based audit plan for FY 2025.
Elizabeth Rankin made a motion to approve the FY 2025 Audit Plan. Patrick Wilkinson seconded. The motion was approved unanimously.

B. Internal Audit Charter Approval
Patrick Wilkinson made a motion to approve the Internal Audit Charter. Councilperson Karen Reynolds seconded. The motion was approved unanimously.

VII. CITY COUNCIL ACTION REQUIRED

A. None

VIII. ADJOURNMENT OF PUBLIC MEETING

Elizabeth Rankin made a motion to adjourn the public meeting and go into executive session. Councilperson Karen Reynolds seconded. Public meeting was adjourned at 3:42 pm.

IX. PUBLIC COMMENTS (5 minutes each)

X. NEXT MEETING - **October 30, 2024 at 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.

UNAPPROVED

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. Ongoing audits and Investigations

XII. ADJOURNMENT OF EXECUTIVE SESSION

The executive session was adjourned at 4:09 pm.

CITY OF CLARKSVILLE

YEAR-TO-DATE BUDGET REPORT

FOR 2025 13

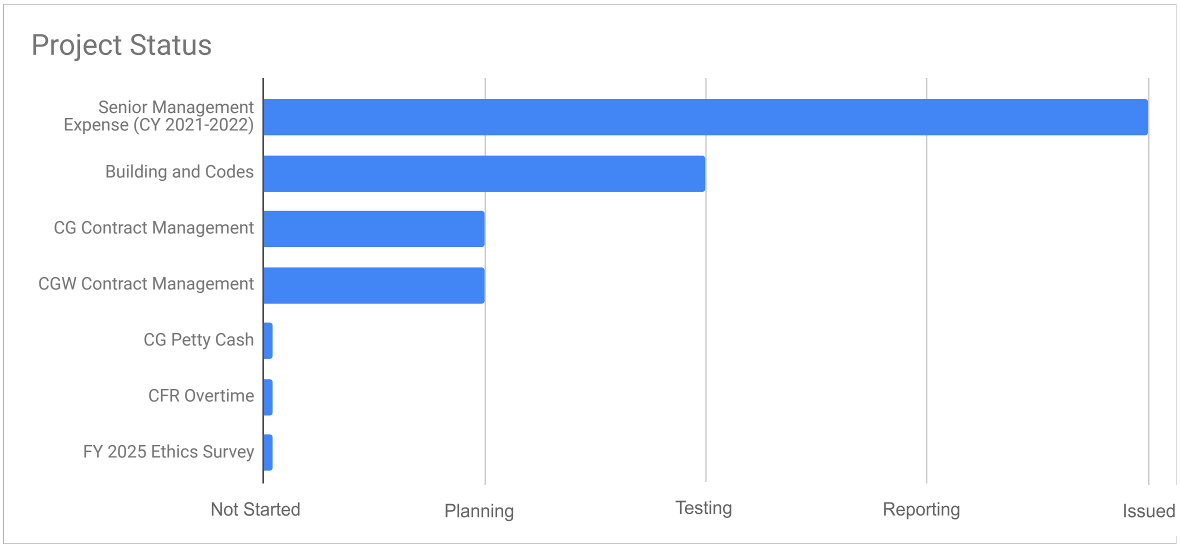
	ORIGINAL APPROP	TRANFRS/ ADJSTMTS	REVISED BUDGET	YTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
1100 General Fund							
10415211 Salaries and Wages-Inter.Audit							
10415211 4111 Full-Time Employe	332,599	0	332,599	88,478.31	.00	244,120.69	26.6%
10415211 4112 Part-Time Employe	2,700	0	2,700	.00	.00	2,700.00	.0%
10415211 4113 Longevity Pay	450	0	450	.00	.00	450.00	.0%
10415211 4211 Health Insurance	60,096	0	60,096	20,032.00	.00	40,064.00	33.3%
10415211 4212 Dental Insurance	1,680	0	1,680	552.00	.00	1,128.00	32.9%
10415211 4213 Life Insurance	212	0	212	69.76	.00	142.24	32.9%
10415211 4214 Disability Insura	1,432	0	1,432	380.44	.00	1,051.56	26.6%
10415211 4221 Social Security C	24,622	0	24,622	6,420.36	.00	18,201.64	26.1%
10415211 4231 TCRS Contribution	41,737	0	41,737	9,979.36	.00	31,757.64	23.9%
TOTAL Salaries and Wages-Inter.Audit	465,528	0	465,528	125,912.23	.00	339,615.77	27.0%
10415213 Operating Expenditures-Int.Aud							
10415213 4321 Employee Training	14,635	0	14,635	844.88	.00	13,790.12	5.8%
10415213 4322 Memberships & Con	1,940	0	1,940	350.00	.00	1,590.00	18.0%
10415213 4323 Employee Testing	105	0	105	.00	.00	105.00	.0%
10415213 4325 Software Renewals	965	0	965	308.82	.00	656.18	32.0%
10415213 4334 Accounting/Auditi	92,000	0	92,000	.00	.00	92,000.00	.0%
10415213 4442 Rental of Equipme	120	0	120	30.49	60.77	28.74	76.1%
10415213 4521 Property Insuranc	335	0	335	329.00	.00	6.00	98.2%
10415213 4523 General Liability	665	0	665	631.00	.00	34.00	94.9%
10415213 4530 Communications	375	0	375	75.29	.00	299.71	20.1%
10415213 4580 Travel	300	0	300	.00	.00	300.00	.0%
10415213 4610 General Supplies	2,100	0	2,100	.00	.00	2,100.00	.0%
10415213 4640 Books & Periodica	2,100	0	2,100	608.39	.00	1,491.61	29.0%
TOTAL Operating Expenditures-Int.Aud	115,640	0	115,640	3,177.87	60.77	112,401.36	2.8%
GRAND TOTAL	581,168	0	581,168	129,090.10	60.77	452,017.13	22.2%

** END OF REPORT - Generated by Fox, Stephanie **

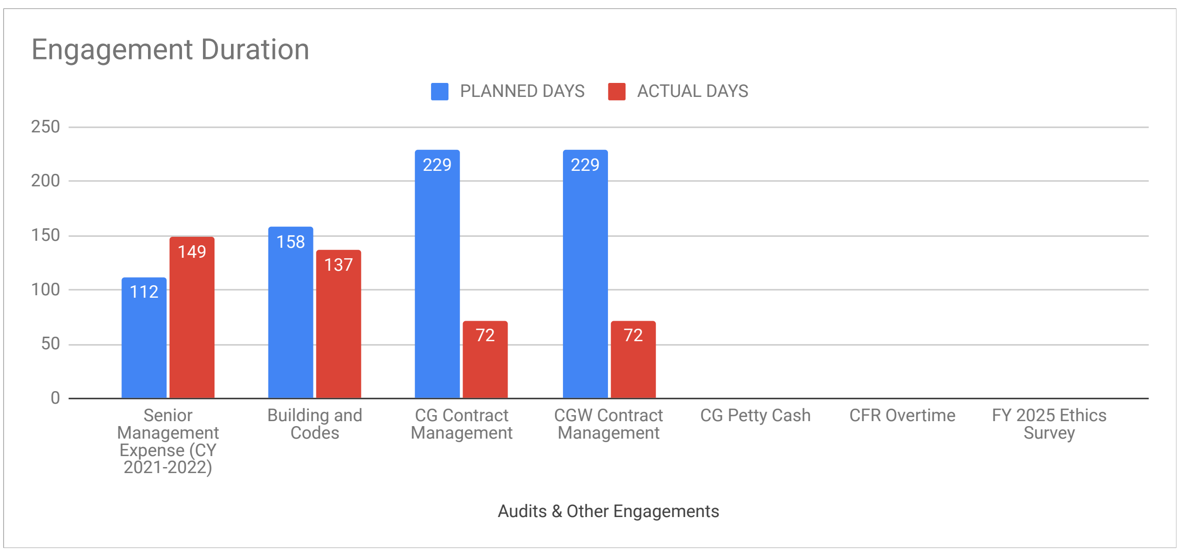
Internal Audit Department

Audit Committee Report
October 2024

Project Statistics



	FY 2025 Budgeted Hours	FY 2025 Actual Hours	Total Project Hours
Senior Management Expense (CY 2021-2022)	100.00	120.00	384.00
Building and Codes	900.00	701.75	789.00
CG Contract Management	500.00	171.00	171.00
CGW Contract Management	500.00	0.00	0.00
CG Petty Cash	400.00	0.00	0.00
CFR Overtime	600.00	0.00	0.00
FY 2025 Ethics Survey	300.00	0.00	0.00



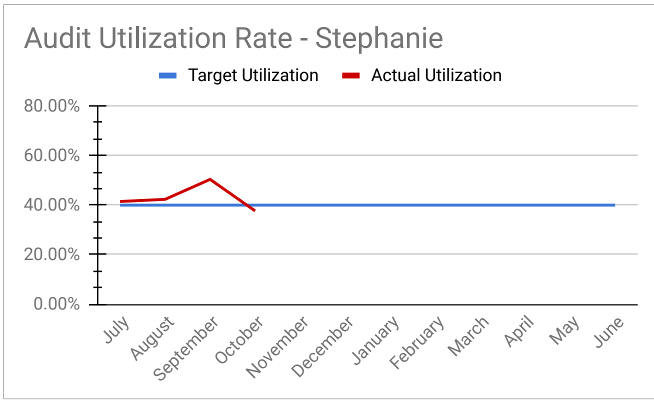
CITY OF CLARKSVILLE TENNESSEE

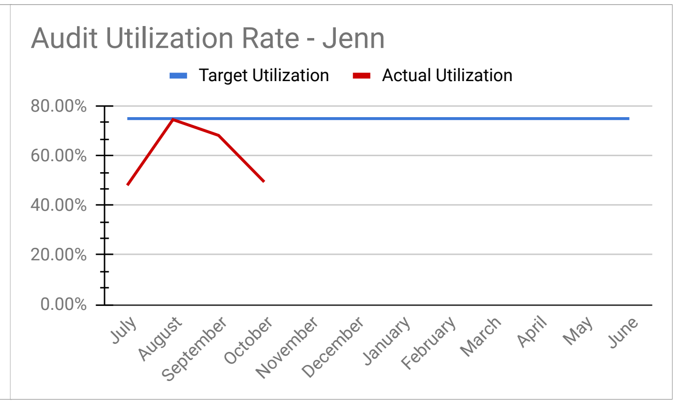
Internal Audit Department
Audit Committee Report
October 2024

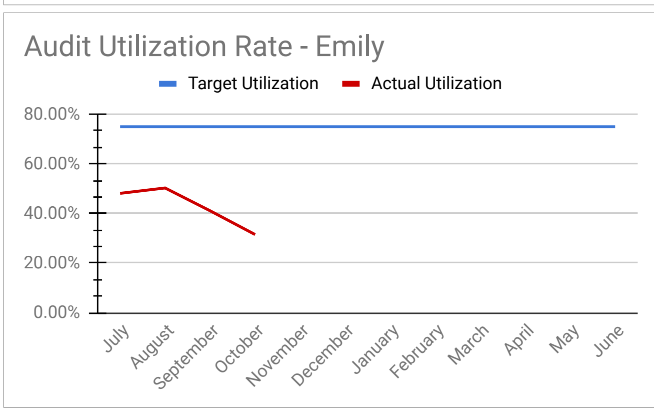
Hotline Statistics

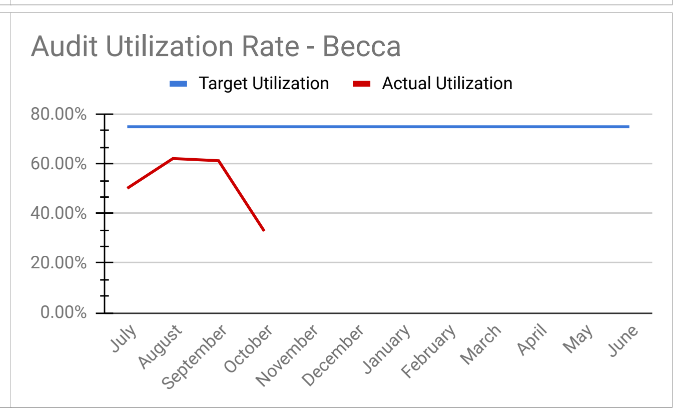
Report Status	Previously Reported	New Reports
Open		
Closed		12
Total Reports for FY 2025	0	12

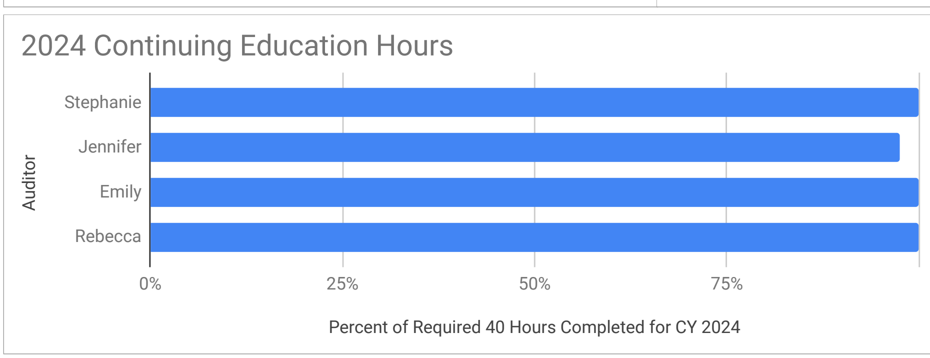
Staff Metrics











City of Clarksville Internal Audit

Strategic Plan 2024

Department Mandate

The City of Clarksville's Internal Audit department was initially established, along with the Audit Committee, on November 1, 2001. On that date, the City Council established the department as an independent appraisal function within the city government by adopting Ordinance 25-2001-02. The applicable code sections were updated 4 times from 2003 through 2008, and the current version of the code pertaining to internal audit was adopted in 2014.

Currently, City Charter Article VI Section 5 and City Code Title 6 Section 6 outline the department's mandate.

Authority - In addition to providing for the existence of an audit committee and department of internal audit, both the City Charter and City Code establish that the department reports directly to the Audit Committee, both administratively and functionally. Additionally, both documents grant the department full unrestricted access to all City records, properties, and personnel relevant to areas under review. This authority and access extends to all city departments, component units, and any other organization or individual that receives city funds. Further, the City Code grants free and unrestricted access to both the Mayor and City Council.

Roles - The City Charter and City Code direct the department to conduct financial, performance, and other audit functions and services determined by the Audit Committee. The director's only roles and responsibilities lie within internal audit.

Responsibilities - The City Codes defines the purpose of the department as follows, *"To assist all levels of management of the city and its component units in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed by internal audit and promoting effective control at reasonable cost."* We fulfill this purpose by providing both audit and consulting services for City departments, as well as administering the City's fraud hotline.

Scope/Internal Audit Services - Section 6-613 of the City Code describes the scope of internal audit activities as *"the examination and evaluation of the adequacy and* *effectiveness of the city's system of internal control structure and the quality of performance in carrying out assigned responsibilities to achieve the city's stated goals and objectives."* This section also provides additional details on the types of work that are included in the scope stated above.

Our Vision

To be a trusted advisor, enhancing organizational value and transparency through insightful and proactive audit and consulting services.

Our Mission

To ensure public trust and promote transparency, accountability, efficiency, and continuous improvement throughout City government.

Our Values

Integrity - Uphold the highest standards of honesty and ethical behavior in all audit activities.

Objectivity - Perform our work in an independent manner, free from bias.

Continuous Improvement - Commit to ongoing enhancement of our audit processes and personal professional development to better serve the City and adapt to changing environments.

Collaboration - Work together with City leaders and stakeholders to address concerns and achieve shared goals.

Transparency - Commit to open and clear communication, ensuring that all stakeholders, including city residents, understand our processes and findings.

Excellence - Strive for the highest quality in our audit practices and continuous improvement in our skills and processes.

Innovation - Embrace and adapt new methodologies and technologies to enhance the effectiveness and efficiency of our audit processes.

Alignment with City of Clarksville

Our department's vision, mission, and values align with the City's goals of transparency and efficiency and effectiveness of service for citizens.

City of Clarksville Vision "One Clarksville"

- First choice for residents and industry led by an efficient, effective and transparent City government focused on quality of life.

City of Clarksville Mission

- Clarksville city government will provide exceptional services in an innovative and responsible manner to enhance the quality of life for the community.

Strategic Objectives

Strategic Objective 1 - Enhance the knowledge and competencies of auditors and the department to provide audits and consulting engagements of the highest quality.

<u>Supporting Initiative #1</u>

- Establish individual development plans for each auditor that identify areas for development of additional skills and competency.
    - Measures: Creation/implementation of a development plan for each auditor, percentage completion of quarterly meetings.

<u>Supporting Initiative #2</u>

- Maintaining a minimum level of 40 hours of continuing education for each calendar year.
    - Measures: Conducting four development discussions with each auditor during FY 2025.

<u>Supporting Initiative #3</u>

- Provide support for additional certifications and continuing education for auditors.
    - Measures: Implementation of a policy related to equity adjustments for certain additional certifications, Number of auditors pursuing additional certifications.

Strategic Objective 2 - Improve efficiency and effectiveness of department processes

<u>Supporting Initiative #1</u>

- Implementation of a quality assurance and improvement plan that is focused on continuous improvement within the department.
    - Measures: Number of improvements to processes made as a result of quality assurance and improvement program components.

<u>Supporting Initiative #2</u>

- Alignment with Global Internal Audit Standards to ensure high quality and efficiency in operations.

    - Measures: Implementation of standards and associated processes by January 2025, results of annual quality reviews that indicate conformance with standards, successful completion of a peer review.

Supporting Initiative #3

- Enhance efficiency in completing engagements
    - Measures: Completion of projects on annual audit plan, percentage of time meeting engagement milestone dates, variance in budgeted and actual engagement hours.

Strategic Objective 3 - Leverage technology to enhance risk coverage and provide high quality service to City management

Supporting Initiative #1

- Expand use of data analytics in engagements
    - Measures: Percentage of engagements which utilize data analytics, types of data analytics used in engagements

Supporting Initiative #2

- Implement audit management software
    - Measures: Evaluating software options, budgeting for implementation cost

Supporting Initiative #3

- Incorporate the use of artificial intelligence in engagements, where appropriate
    - Measures: Identifying possible use cases, establishing departmental guidelines

Strategic Objective 4 - Enhance communication, collaboration, and trust with all City departments

Supporting Initiative #1

- Improve frequency and quality of communication with management during engagements
    - Measures: Establishing regular engagement updates to be provided at periodic intervals, improve report format, implement observation rating system

Supporting Initiative #2

- Increase management utilization of consulting offerings and technical assistance
    - Measures: Number of requests for technical assistance, number of request for consulting projects

Supporting Initiative #3

- Enhance stakeholder engagement and feedback
    - Measures: Increase survey response rate, improve post engagement survey format and questions

City of Clarksville
Internal Audit Manual

Subject	Table of Contents

City of Clarksville
Internal Audit Manual

Policy Number	00	**Review Cycle**	Annual
Subject	Charter		

Audit Committee

Purpose

The Audit Committee of the City of Clarksville is established in Article VI Section 5 of the City of Clarksville Charter (the City Charter) and Clarksville City Code (City Code) Section 6-603 to provide an independent review and oversight of the City's financial reporting processes and the City's internal controls. The Audit Committee also reviews the external auditors' reports and follows up on management's corrective action and compliance with laws, regulations, and ethics. Additionally, the Audit Committee also provides oversight of the Internal Audit Department's independent appraisal function.

Authority and Responsibilities

To establish, maintain, and assure that the City of Clarksville's Internal Audit Department has sufficient authority to fulfill its duties, the Audit Committee will:

- Discuss the Internal Audit Mandate with the Director, including the appropriate authority, role, and responsibilities of Internal Audit.
- Discuss and approve the Internal Audit Department's charter annually.
- Champion the department to enable it to fulfill the purpose of internal auditing and pursue its strategy and objectives.
- Approve the risk-based internal audit plan as described in City Code Section 6-615(a).
- Guide and direct the Director of Internal Audit.
- Approve the Internal Audit Department's budget and resource plan, subject to approval of the overall budget of the City approved by the City Council.
- Receive communications from the Director of Internal Audit on the Internal Audit Department's performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the Director of Internal Audit as described in the City Charter and City Code Section 6-614(f).
- Review and evaluate the performance of the Director of Internal Audit in accordance with the City Charter and City Code Section 6-614(e).
- Fix the compensation of the Director of Internal Audit within the amount appropriated therefore by the City Council as described in the City Charter.
- Make appropriate inquiries of management and the Director of Internal Audit to determine whether there are inappropriate scope or resource limitations.

- Review and select, pursuant to state law of general application, the external auditors required by the City, to include all City departments and activities, and blended component units, for financial, performance, internal, or other special audits per City Code Section 6-609. The awarding of all external audit contracts shall be at the discretion of the Audit Committee, except that discretely presented component units may select their own external auditor. No member of the Audit Committee shall be a member of any audit firm that is awarded an audit engagement.
- Review the external auditors' reports and follow up on management's corrective action and compliance with laws, regulations, and ethics in accordance with City Code Section 6-603.
- Adhere to all remaining City Code sections pertaining to the Clarksville Audit Committee not specifically listed within this Charter.

Internal Audit Department

Purpose and Mission

In accordance with the City of Clarksville's City Code (City Code) Section 6-602, the purpose of the Internal Audit Department is to assist all levels of management of the City and its component units in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed by Internal Audit and promoting effective control at reasonable cost. In addition to the purpose as defined in City Code, Internal Audit adheres to the purpose statement in Domain I of the Global Internal Audit Standards.

In support of the established purpose, the department's mission statement is to ensure public trust and promote transparency, accountability, efficiency, and continuous improvement throughout City government.

To fulfill this purpose and mission, the department will provide audit and consulting services related to City operations to management and those charged with governance. These services will be provided in an objective and independent manner. Services may address areas of internal controls, operational efficiency and effectiveness, compliance with laws and regulations, or financial integrity.

The department provides a risk based, systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes throughout the City. This approach helps the City accomplish its objectives and fulfill its responsibility to citizens and the resources they have entrusted to the City.

International Professional Practices Framework and Global Internal Audit Standards

As required by City Code Section 6-610, the City of Clarksville Internal Audit Department will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' (IIA) International Professional Practices Framework (IPPF), including the Global Internal Audit

Standards (the Standards). In addition, Internal Audit will adhere to the policies and procedures contained in the Internal Audit Department's manual, as approved by the Audit Committee.

Mandate

Authority

The City of Clarksville Charter Article VI (the City Charter) establishes the existence of a Department of Internal Audit as an independent agency of the City of Clarksville government, which shall be headed by a Director of Internal Audit. The Director of Internal Audit shall be a certified public accountant meeting the requirements of City Code Section 6-614(b), and will report functionally and administratively to the City Audit Committee (Audit Committee) as required by the Charter.

Additionally, both the City Charter, Article VI Section 5(e) and the City Code Section 6-611 state that authority is granted for full, free, and unrestricted access to any and all of the City's records, physical properties, and personnel relevant to any function under review. Internal Audit's authority shall extend to all City departments, component units, and any other organization or individual that receives City funds. All employees shall assist Internal Audit in fulfilling their staff function. Internal Audit shall also have free and unrestricted access to the Mayor and the City Council.

The Director of Internal Audit will have unrestricted access to, and communicate and interact directly with, the Audit Committee, including in meetings without management present in accordance with TCA 9-3-405(d).

The Audit Committee also authorizes the Internal Audit Department to allocate resources, set frequencies, select subjects, determine scopes of work, apply audit techniques required to accomplish audit objectives, and issue reports.

Further, the Audit Committee authorizes the department to obtain assistance or specialized services from within or outside the City of Clarksville where required to complete engagements. This is subject to budgetary constraints.

Roles

The City Charter and City Code direct the department to conduct financial, performance, and other audit functions and services determined by the Audit Committee. The Director has no roles or responsibilities outside of the Internal Audit Department.

Responsibilities

As noted in the purpose section of this charter, the department has a responsibility to assist all levels of management of the City and its component units in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed by the department and promoting effective control at reasonable cost.

The Internal Audit Department fulfills this purpose by providing an array of audit and consulting services for City departments, as well as administering the City's fraud hotline. Further details on the services provided can be found in the Scope of Work section of this charter.

Independence and Organizational Position

Both the Director of Internal Audit and the Internal Audit Department are structured within the City to ensure independence. The City Charter and City Code both support this independence by establishing that the Director reports both functionally and administratively to the Audit Committee, rather than the Mayor or City Council. The City Charter and City Code also outline the responsibilities of the Audit Committee to support those reporting relationships.

Further, City Code Section 6-612 states that all audit activities shall remain free of influence by any element in the organization, including matters of audit scope, procedures, frequency, timing, or report content to permit maintenance of an independent mental attitude necessary in rendering objective reports. Internal auditors shall have no direct operational responsibility or authority over any of the activities they review. Additionally, they shall not develop nor install systems or procedures, prepare records, or engage in any other activity that would normally be audited.

Independence and objectivity in performing internal audit services are the responsibility of every auditor. Auditors must recognize actual, potential, or perceived impairments to independence or objectivity, and immediately bring those to the Director to be addressed.

The Director of Internal Audit will confirm to the Audit Committee, at least annually, the organizational independence of the Internal Audit Department.

The Director of Internal Audit will disclose to the Audit Committee any potential impairments to independence, including interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

Scope of Work

As stated in the City Code Section 6-613, the scope of Internal Audit encompasses (but is not limited to) the examination and evaluation of the adequacy and effectiveness of the City's system of internal control structure and the quality of performance in carrying out assigned responsibilities to achieve the City's stated goals and objectives. These activities, known as assurance or audit services, provide independent assessments to the Audit Committee, the Mayor, the City Council, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the City of Clarksville. Internal Audit assessments include:

- Evaluating whether risks relating to the achievement of the City of Clarksville's strategic objectives are appropriately identified and managed
- Evaluating whether the actions of the City of Clarkville's governing body, directors, employees, and contractors are in compliance with the City of Clarksville's policies, procedures, and applicable laws, regulations, and governance standards

- Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned
- Reviewing and appraising the economy and efficiency with which resources are employed
- Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations, which could have a significant impact on operations and reports, and whether the organization is in compliance
- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information
- Evaluating whether resources and assets are acquired economically, used efficiently, protected adequately, and, as appropriate, verifying the existence of such assets
- Reviewing specific operations at the request of the Audit Committee, Mayor, or Chief Financial Officer (also referenced as Director of Finance and Revenue), as appropriate
- Reviewing or investigating matters at the request of the Tennessee Comptroller of the Treasury
- Reviewing the quality of performance of the external auditors and the degree of coordination with Internal Audit

Director

The Director of Internal Audit is established in the City Charter Article VI, Section 5. This section mandates that the Director shall be appointed by the Mayor upon nomination by the Audit Committee, subject to confirmation by the City Council. It further specifies that the Director shall possess at least one certification indicating proficiency in auditing or governmental financial management, and lists acceptable types of experience and knowledge.

City Code Section 6-614 refines these requirements and specifies that the Director shall be a Certified Public Accountant.

These requirements help ensure that the Director has the appropriate qualifications and knowledge to carry out the Internal Audit mandate. Human resources maintains a job description with more specific requirements.

The Director will maintain and enhance qualifications and competencies necessary to fulfill roles and responsibilities expected by the Audit Committee.

The Director of Internal Audit has the responsibility to:

- Develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the City.
- Review the strategy with the Audit Committee and senior management periodically.
- Establish and evaluate methodologies to guide the department in a systematic and disciplined manner to implement internal audit strategy, develop the internal audit plan, and conform to the Standards.

- Submit, at least annually, to the Audit Committee a risk-based internal audit plan for review and approval, and communicate the approved plan to senior management.
- Communicate to senior management and the Audit Committee the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan in response to changes in the City of Clarksville's risks, operations, programs, systems, and controls.
- Communicate to senior management and the Audit Committee any significant interim changes to the internal audit plan.
- Communicate any changes that potentially affect the mandate or department charter.
- Submit an annual report to the City Council at the end of each fiscal year disclosing all completed audits and investigations.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Distribute the final engagement communication to appropriate parties. The Director of Internal Audit is the only person who has the authority to issue an audit report.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the Audit Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the Internal Audit Department collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the Internal Audit Charter.
- Ensure trends and emerging issues that could impact the City of Clarksville are considered and communicated to senior management and the Audit Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the Internal Audit Department.
- Ensure adherence to the City of Clarksville's Charter, Code, and relevant policies and procedures, unless such policies and procedures conflict with the Internal Audit Charter. Any such conflicts will be resolved or otherwise communicated to senior management and the Audit Committee.
- Ensure conformance of the Internal Audit Department with the Global Internal Audit Standards*,* unless the Internal Audit department is prohibited by law or regulation from conformance with certain parts of the Standards. The Director of Internal Audit will ensure appropriate disclosures are made to senior management and the Audit Committee and will ensure conformance with all other parts of the Standards.
- Establish a process by which employees, taxpayers, or other citizens may confidentially report suspected illegal, improper, wasteful, or fraudulent activity in accordance with City Code Section 6-617.

Approval/Acknowledgement

Director of Internal Audit Date

Audit Committee Chair Date

Mayor of the City of Clarksville Date

City of Clarksville
Internal Audit Manual

Policy Number	01	Review Cycle	Annual
Subject	Ethics and Professionalism		

Purpose
To define the methodologies employed by the Internal Audit Department to demonstrate ethics and professionalism in all activities. This policy demonstrates conformance with Domain II: Ethics and Professionalism within the Global Internal Audit Standards.

Definitions
Competency - Knowledge, skills, and abilities

Independence - Freedom from conditions that may impair the ability of the internal audit function to carry out internal audit responsibilities in an unbiased manner

Objectivity - Unbiased mental attitude that allows internal auditors to make professional judgments, fulfill their responsibilities, and achieve the purpose of internal auditing

Policy
Internal Audit Department policy is to conduct themselves and their work with ethics and professionalism. In addition to providing appropriate training and continuing education, the department ensures that auditors behave ethically and professionally by properly supervising engagements, mentoring, and feedback in performance reviews. Annually, all staff are required to review the department's policies and acknowledge that they understand and agree to adhere to these policies.

Procedure
Integrity

Honesty and Professional Courage

It is essential that all auditors perform their work with honesty and professional courage, in accordance with all aspects of Standard 1.1. The standard outlines several principles that exemplify professional courage and honesty, including:

- Being truthful, accurate, clear, open, and respectful in all professional relationships and communications, including those where the auditor is expressing skepticism or an opposing viewpoint
- Not making false, misleading, or deceptive statements, nor concealing or omitting findings or other pertinent information from communications

- Disclosing all material facts known that, if not disclosed, could affect the City's ability to make well-informed decisions
- Communicating truthfully and taking appropriate actions, even when confronted by difficult situations

The department supports all auditors in giving legitimate, evidence-based engagement results, whether they are favorable or unfavorable.

We support performing work with honesty and professional courage not only through providing ethics related training and continuing education, but also through proper engagement supervision, mentoring, and performance reviews.

Ethical Expectations
The City has adopted a Code of Ethics that all auditors must be familiar with and abide by. In accordance with City policy, all auditors will receive training specific to the City's Code of Ethics. If auditors identify behavior that is contrary to the City's ethical expectations, that behavior will be reported to appropriate parties.

The department will encourage ethical behavior within the City by conducting ethics specific engagements, like the annual ethics survey, and providing assessments of ethics related risks and controls in individual engagements, where appropriate.

In addition to adhering to the City's ethical expectations, the Standards require auditors to understand and abide by applicable laws and regulations. Further, the Standards specify that auditors not engage in or be party to any activity that is illegal or discreditable to the City or the profession. This includes any activity that may harm the City or City employees.

If auditors identify legal or regulatory violations, the auditor should immediately report this to the Director so that violations can be reported to appropriate parties. As legal requirements for reporting violations may vary widely, these are handled based on the specific circumstances of the situation.

Adhering to the ethical and legal expectations described above is supported by appropriate training and continuing education, as well as proper engagement supervision, mentoring, and feedback in performance reviews.

Independence and Objectivity
City Code Section 6-612 states that all audit activities shall remain free of influence by any element in the organization, including matters of audit scope, procedures, frequency, timing, or report content to permit maintenance of an independent mental attitude necessary in rendering objective reports. Internal auditors shall have no direct operational responsibility or authority over any of the activities they review. Further, internal audit activities are not considered to be part of the internal control structure of any other department.

The Director of Internal Audit will ensure that the Internal Audit Department remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner. If the Director of Internal Audit determines that independence or objectivity may be impaired in fact or appearance, the details of the impairment along with the actions taken will be disclosed to appropriate parties.

Should an impairment to independence and objectivity be identified after completion of an engagement, the Director will discuss the concern with management and the Audit Committee to determine an appropriate resolution.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year
- Performing any operational duties for the City of Clarksville or related entities
- Initiating or approving transactions external to the Internal Audit Department
- Directing the activities of any City of Clarksville employee not employed by the Internal Audit Department, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors

The Internal Audit Department may perform audits where it had previously performed consulting services, provided the nature of the consulting did not impair objectivity and provided individual objectivity is managed when assigning resources to the engagement.

Internal auditors will:

- Timely disclose any impairment of independence or objectivity, in fact or appearance, to the Director and other appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Avoid conflicts of interest and take necessary precautions to avoid being unduly influenced by their own interests or by the interest of others in forming judgments.
- Not accept any tangible or intangible item that may impair or be presumed to impair independence.

To ensure we identify and effectively manage impairments, the department will evaluate auditor objectivity on an annual basis, as well as on an engagement basis.

Annually, each auditor will complete an independence and objectivity form and disclose any potential or known impairments. This annual disclosure will help the Director to appropriately assign engagements and manage resources. As noted above, auditors will notify the Director of any changes to independence or objectivity in a timely manner.

Independence and objectivity is also discussed by the audit team at the beginning of each engagement to ensure that we effectively manage any potential impairments.

The Director of Internal Audit will confirm to the Audit Committee, at least annually, the organizational independence of the Internal Audit Department.

The Director of Internal Audit will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

Competency

Internal auditors must possess and continually develop the proficiency and competency to perform their responsibilities successfully. This includes thorough knowledge of the Standards. Further, auditors should only engage in services for which they have the necessary competencies.

A departmental goal is to continually develop auditor competencies and skills by providing appropriate training, mentoring and supervision in alignment with policy 08, and opportunities to expand competency. In support of this goal, we have developed the following requirements for continuing professional education. Auditors are also required to track and adhere to requirements of any certifications or professional designations they may hold.

The Internal Audit staff is required to complete 40 hours of continuing professional education (CPE) annually. The topics should be related to auditing, accounting, general government operations (any service provided by the government), information technology, fraud, or any other topic as approved by the Director. The department can utilize the network of various organizations, including the Institute of Internal Auditors (IIA), the Association of Local Government Auditors (ALGA), etc to obtain knowledge, skills, and competencies. Each year the Internal Audit Department budget will include funding for training, pending approval of the City Council.

Of the 40 annual hours of required CPE, at least 2 of those hours must be in the field of ethics and 1 hour must be in the field of information technology.

Auditors will maintain a CPE log in the Internal Audit shared drive. CPE certificates will also be stored as evidence of CPE completion.

Auditors will also maintain a professional profile to demonstrate competency, which should include education, certifications, and memberships/involvement in professional organizations or associations (including board or volunteer positions).

Knowledge, skills, and competencies are evaluated at various times throughout the year, including during development of the audit plan and at the beginning of each engagement.

The Director performs an assessment of knowledge, skills, and competency during the risk assessment and audit plan development process. This helps the Director ensure the department has sufficient competency to perform planned engagements, and assists with assigning appropriate resources for each engagement.

Additionally, knowledge, skills, and competencies of the audit team are assessed at the beginning of each engagement to ensure they are appropriate and sufficient.

Due Professional Care

The department will plan and perform internal audit services in accordance with the Global Internal Audit Standards. The methodologies established in this manual are written specifically for alignment and conformance.

The department must also adhere to the City Charter and City Code, as well as applicable sections of Tennessee Code Annotated.

In accordance with City Code Section 6-610, all audit reports will include a conformance statement. If there are circumstances where the department is unable to conform with a requirement in the Standards, the Director will document and communicate the circumstance, alternative actions taken, the impact of those actions, and the rationale.

The department will perform all work with due professional care, applying the expected care and skill of a reasonably prudent person and competent internal auditor. Notably, this standard of due professional care does not imply infallibility.

Policies and procedures of the department, as well as our standard template workpapers, are designed specifically to adhere to the standards, including due professional care standards. Our planning and testing workpapers consider the following items from standard 4.2:

- The organization’s strategy and objectives
- The interests of those for whom internal audit services are provided and the interests of other stakeholders
- Adequacy and effectiveness of governance, risk management, and control processes
- Cost relative to potential benefits of the internal audit services to be performed
- Extent and timeliness of work needed to achieve engagement objectives
- Relative complexity, materiality, or significance of risks to the activity under review
- Probability of significant errors, fraud, noncompliance, and other risks that might affect objectives, operations, or resources
- Use of appropriate techniques, tools, and technology

In addition to designing our process for adherence to the Standards, Internal Audit staff will sign an annual acknowledgement to adhere to the Standards and the department’s policies and procedures.

The department’s quality assurance and improvement program and methodology for engagement supervision assist in ensuring compliance with the Standards and department policies, further evidencing due professional care.

Skepticism
All Internal Audit staff will exercise professional skepticism in all engagements, and make objective judgments based on facts.

To exercise professional skepticism, all auditors must:

- Maintain an attitude that includes inquisitiveness
- Critically assess the reliability of information
- Be straightforward and honest when raising concerns and asking questions about inconsistencies
- Seek additional evidence to make a judgment about information and statements that might be incomplete, inconsistent, false, or misleading

Engagement supervision and feedback during each engagement help ensure that professional skepticism is practiced by all auditors.

Confidentiality

Use of Information
The City Charter and City Code provide Internal Audit with full, unrestricted access to any and all City records, properties, and personnel relevant to any function under review. This authority allows access to all information that would otherwise be considered a public record in the State of Tennessee, but also allows access to information that is confidential and not subject to public disclosure. Therefore, it is essential that we establish expectations and processes to ensure information accessed is both protected and used appropriately.

The department will adhere to all relevant policies, procedures, laws, and regulations when accessing and using information. A variety of these may apply, including internal City policies, as well as sections of Tennessee Code Annotated.

In accordance with City Code Section 1-606, information accessed may not be used for personal purposes or in any manner detrimental to the City or department.

Safeguarding Information
All information and documents, whether physical or electronic, are to be safeguarded in accordance with department and City policies. Auditors must be aware and demonstrate their responsibilities and respect for protecting information.

This is especially true for information that is not a public record, including information that is personal in nature. Any documents that contain social security numbers, protected health information, or personally identifiable information should be kept in a secure location or appropriately electronically safeguarded.

To ensure security of electronic information, computer passwords should not be shared and computers should be locked when an auditor is away from their desk.

When no staff members are present in the office for an extended period of time, the door to the department should be closed. Auditors should maintain the security of their assigned keys.

Physical documents within the department should be properly stored during auditor absences such as lunch, outside meetings, overnight, and weekends.

All information that is no longer needed will be disposed of in accordance with applicable City policies.

Workpaper Confidentiality and Retention

Until the final audit report is issued, audit documentation and audit findings are subject to change. Therefore, audit related materials should not be released to anyone without the express approval of the Director to ensure there is a legal or professional responsibility to do so.

Audit work in progress is confidential and staff should not discuss audit work with others outside the Internal Audit Department except with appropriate individuals.

All audit reports are considered a public record, and barring certain provisions described in policy 07, there are no restrictions on the release of those reports. However, the workpapers of local government internal audit activities are considered confidential and not open to public inspection per TCA 10-7-504. Workpapers are retained for 10 years from the issuance date of the associated report.

Policy Revision History

Revision Date	N/A	**Revision Approval**	N/A
Initial Date	October 25, 2024	**Initial Approval**	

City of Clarksville
Internal Audit Manual

Policy Number	02	Review Cycle	Annual
Subject	Quality Assurance and Improvement Program		

Purpose
To define the department's quality assurance and improvement program as required by Global Internal Audit Standards (Standards). This policy demonstrates compliance with standards 8.3, 8.4, 12.1, 12.2, and 12.3.

Definitions
Quality assurance and improvement program - A program established by the chief audit executive to evaluate and ensure the internal audit function conforms with the Global Internal Audit Standards, achieves performance objectives, and pursues continuous improvement. The program includes internal and external assessments.

Stakeholder - A party with a direct or indirect interest in an organization's activities and outcomes. Stakeholders may include board, management, employees, customers, vendors, shareholders, regulatory agencies, financial institutions, external auditors, the public, and others.

Policy
It is the responsibility of the Director to develop and maintain the quality assurance and improvement program (QAIP) to adhere to requirements in the Standards. The QAIP includes both internal and external assessments, the results of which will be communicated to the Audit Committee as required. (8.3) The QAIP is intended to assess the adequacy of the department's conformance with the Standards, the City's Code of Ethics, and the department's charter and policies.

Procedure
<u>**External Assessments**</u>

An external assessment (peer review) shall be performed once every 5 years by an independent, qualified assessment team, which must include at least one active Certified Internal Auditor. In this assessment, the peer review team will assess the adequacy of the department's QAIP, as well as conformance with the Standards.

Completion of an external assessment is contingent upon approval of funding for the review through the budget process. If in any case funding is not approved for a peer review and the external assessment is not performed within the 5 year time frame, audit reports will include appropriate disclosure until such time as the external review is completed.

Results of each peer review will be communicated to the Audit Committee and senior management at the next regularly scheduled Audit Committee meeting. This communication will include:

- Scope and frequency of the peer review
- Competencies and independence of the assessment team
- Complete results of the assessment
- Action plans to address deficiencies and opportunities for improvement, where applicable, along with timelines for completion

Action plans must be approved by the Audit Committee and agreed to by the Mayor.
The final results letter will also be posted to the Internal Audit website.

Internal Assessments

Periodic Self Assessments

A periodic self assessment (annual quality review) will be conducted annually by the Director or their designee. This assessment will mimic an external assessment by using peer review resources from the Association of Local Government Auditors as guiding documents.

The objective of this self assessment is to evaluate the following:

- Adequacy of the department's policies and procedures (methodologies)
- How well the department supports achievement of the City's objectives
- Quality of internal audit services performed and supervision provided
- Degree to which stakeholder expectations are met and performance objectives are achieved
- Conformance with the standards

In order to accomplish these objectives, the scope of this assessment includes a review of the following:

- Department policies and procedures
- Engagement documentation for a sample of engagements completed during the review period
- Continuing professional education documentation from the most recent complete calendar year
- Data for performance measures established in the Performance Measurement section of this policy (12.2)

Should this assessment identify any deficiencies or opportunities for improvement, the Director will develop action plans to resolve those deficiencies, along with associated timelines for implementation to correct those deficiencies.

Results of the annual quality review will be communicated to the Audit Committee and senior management directly, and posted to the Internal Audit website. A summary of results will also be included in the annual report issued to the Mayor, City Council, and Audit Committee.

Results will also be provided for use during the department's external assessment.

Ongoing Monitoring
Ongoing monitoring is performed throughout the year and includes multiple components.

Supervision:
Each engagement is supervised from planning to communication of results by the Director (or their designee). This allows the Director to provide timely feedback to auditors, and ensures that all components of the engagement conform to the Standards. Further details about engagement supervision can be found in policy 08.

Templates:
Auditors use standard workpaper templates for planning, test work, and reporting in each engagement. Each template is designed to incorporate applicable standards to ensure conformance. These workpaper templates are updated from time to time as process changes occur or as process efficiencies are identified and implemented.

Engagement Level Quality Review:
An engagement level quality review is performed at the end of each engagement to ensure conformance with the Standards and evidence of proper supervision. When possible, this is performed by an auditor who has had no involvement in the engagement. However, the Director may also perform this review.

Engagement Debrief:
At the end of each engagement, the audit team conducts several discussions to identify potential deficiencies or opportunities for improvement. These include a discussion of resources used to complete the engagement, a discussion of engagement results (to include quality assurance results and impact on future engagements), and an evaluation of the engagement with a focus on refining and improving processes.

Performance Measurement:
To fulfill the Internal Audit mandate, it is essential that we monitor performance and progress. The Director must establish objectives and associated measurements to evaluate performance. These objectives will consider input and expectations of the Audit Committee and senior management.

The Director will review established performance objectives and measures annually, and present them to the Audit Committee for approval.

The performance objectives are as follows:

A. To complete engagements efficiently and effectively

B. To perform investigations efficiently and effectively
C. Address appropriate risk areas
D. Comply with auditing standards

To measure our progress toward these objectives, the department has established the set of indicators listed below. These metrics are reported to the Audit Committee periodically.

- Reported quarterly
  - Progress toward completion of audit plan, including the status of each planned engagement
  - Actual vs planned days to complete an engagement
  - Actual vs budgeted hours for each engagement
  - Audit time utilization rates, which is a ratio of time spent on engagement related activities to working hours
  - Completion of 40 hours of continuing professional education annually in approved topics

- Reported annually
  - Results of annual quality review

In addition to the established performance metrics, a post engagement survey will also be sent to management to gather feedback about the audit process and their audit experience. Results of these surveys will be used to identify issues and make performance improvements.

Policy Revision History

Revision Date	N/A	**Revision Approval**	N/A
Initial Date	October 25, 2024	**Initial Approval**	

City of Clarksville
Internal Audit Manual

Policy Number	03	**Review Cycle**	Annual
Subject	Annual Risk Assessment and Audit Plan		

Purpose
To define the department's annual risk assessment and audit plan development process as required by Global Internal Audit Standards (the Standards). This policy demonstrates compliance with standard 9.1, 9.4, and 9.5.

Definitions
Risk assessment - The identification and analysis of risks relevant to the achievement of an organization's objectives. The significance of risks is typically assessed in terms of impact and likelihood.

Risk criteria - Categories under which risk will be scored for each audit area.

Policy
The Director will conduct a risk assessment at least annually, and develop an annual audit plan. The risk assessment will aid Internal Audit in allocating available resources to priorities that align with the City's objectives; however, other factors may also be considered in developing the final audit plan. The resulting risk based audit plan will be presented to the Audit Committee for review and approval.

The risk assessment process has been designed for simplicity and flexibility to allow alignment with changing risks. The process utilizes risk criteria and associated weights to determine whether audit areas in each department should be selected for audit in the upcoming year. The risk criteria, weighting, and audit areas are based on the professional judgment of the Director and may be modified from year to year.

The annual risk assessment will be documented, along with the associated audit plans for each fiscal year.

Procedure
<u>**Annual Risk Assessment**</u>

Gathering Information

The department collects information to be used in the annual risk assessment throughout the year. This occurs in a variety of ways, including:

- Standing meetings with various departments

- Attendance at council committee meetings
- From other audits or consulting engagements
- Annual internal control/risk assessment meetings with Finance and department management
- Other informal interactions with departments and senior management
- Audit Committee meetings

In addition to the sources listed above, the Director also solicits feedback from select members of City leadership and senior management. Specifically, the Director will ask the Mayor, Chief of Staff, CFO, IT Director, and City Attorney about areas of particular concern which may benefit from an audit or consulting engagement.

Process
The formal annual risk assessment process begins with a review of the prior year's methodology to determine whether any updates are needed. The Director will review the audit universe for completeness, risk criteria considered in the prior year, and relative weights previously assigned to the risk criteria. Changes can be made to these at the Director's discretion. A summary of changes, along with finalized risk criteria definitions and weights will be documented within the risk assessment workbook.

The Director will use information gathered throughout the year to score the risk criteria for each audit area. The score for each risk criteria will be multiplied by the applicable weight. All weighted scores will then be totaled to arrive at a cumulative risk score.

Areas with the highest cumulative risk scores are typically selected for the audit plan, subject to constraints discussed below.

Audit Plan

Development
After the risk assessment is completed, the Director will prepare the annual audit plan. The audit plan should support the achievement of the City's objectives.

Available audit hours are calculated for each employee. This calculation considers days worked per year, along with time allotted for necessary administrative work. The available audit hours are then allocated among projects selected for inclusion in the audit plan.

While the audit plan normally includes projects with high cumulative risk scores, there are two other non-risk based engagements that may be included in an audit plan. These are the employee ethics survey and the senior management expense audit, which are described in the Non-Risk Based Engagement section of this policy.

The audit plan contains budgeted hours for specific projects. These include allotments for:
- Employee Ethics Survey
- Senior Management Expense (as appropriate)
- Possible consulting engagements that may arise during the year

- Hotline investigations
- Other technical assistance for departments
- Follow up or monitoring activities on prior audits
- Meeting attendance and completion of the annual risk assessment

In cases where audits have a known area or scope, these will be listed on the audit plan. However, it is permissible to list a general audit area on the plan, with the specific scope to be refined during the planning phase of the audit. In these instances, refining the scope during the engagement will allow us more flexibility to tailor the scheduled audits to current risks in the selected areas.

Knowledge, Skills, And Competencies Assessment
After a draft audit plan is compiled, the Director will assess whether the department has adequate knowledge, skills, and competencies to complete the planned engagements. Should a gap be identified, the Director will document how that gap will be addressed. Gaps may sometimes require additional training for staff, co-sourcing from another internal audit provider, or another resource. If gaps are unable to be sufficiently mitigated, this will be communicated to the Audit Committee and may result in declining the engagement.

Approval
If sufficient knowledge, skills, and competencies exist or any gaps can be appropriately addressed, the Director will present the draft audit plan to the Audit Committee for approval.

Revisions
It is possible that the audit plan will need to be updated as the year progresses. This may be due to unforeseen challenges within audits, new priorities, or changing risks. Should a change in the audit plan be warranted, it will be presented to the Audit Committee for approval.

There may be instances where surprise audits are deemed necessary for successful completion of the Internal Audit Department's mission. These are not precluded by this policy, as long as they are properly communicated to and approved by the Audit Committee.

Non-Risk Based Engagements

Employee Ethics Survey
The department performs an annual ethics survey, which is intended to gauge the awareness of the City's Code of Ethics, quality of ethics training, compliance with various laws and City policies, and the participants' perception of the City's ethical environment. Questions may change from year to year and may be targeted at different aspects of ethics within the City. The survey is anonymous, and is sent to all employees, including the Mayor and the City Council.

The results of the survey are intended first and foremost to be used for risk assessment and audit planning purposes within the Internal Audit Department. As the information may be useful for management in making improvements to the ethical environment of the City, an informational report of the results will be provided to the Mayor, Chief of Staff, City Council, and released publicly. Where appropriate, the report will also contain recommendations for improving the City's ethics related processes.

Senior Management Expense

On August 20, 2008, the Audit Committee approved a policy to require an audit of senior management expenses on a bi-annual basis. This continues to be the policy of the Internal Audit Department.

For purposes of this audit, senior management is defined as the Mayor, the Chief of Staff, department heads, and council members. The audit shall include expenses of the Mayor and Chief of Staff (or the positions that approximate those positions). The included expenses will be those charged to the Mayor's budget as well as those that have been charged to other budgets on behalf of the Mayor or Chief of Staff. The expenses of other department heads and council members will be included in the audit on a judgmental basis.

Coordination and Reliance on the Work of Other Providers

The Director is required to coordinate with internal and external providers of assurance services and consider whether to rely upon their work. Coordination of services minimizes duplication of efforts, enhances coverage of key risks, and improves the value added by providers. If the work of other providers is relied upon, the Director will document the basis for reliance and retains responsibility for the conclusions reached by the internal audit function.

Policy Revision History

Revision Date	N/A	**Revision Approval**	N/A
Initial Date	October 25, 2024	**Initial Approval**	

Policy Number	04	Review Cycle	Annual
Subject	Resource Management		

Purpose
To define resource management responsibilities and processes. This policy demonstrates compliance with Global Internal Audit Standards 8.2, 10.1, 10.2, and 10.3.

Policy
The Director is responsible for obtaining and managing department resources to ensure fulfillment of the mandate and audit plan. As we operate in a government environment where budget and resources are limited, we must fulfill our mission to the best of our ability with resources available. It is our goal to manage resources as effectively as possible to maximize the impact of our work.

Where possible, we will work with the Audit Committee and senior management to obtain sufficient resources. If this is not possible, the Director will inform the Audit Committee about the impact of insufficient resources, as well as how those will be addressed.

Procedure

Financial Resources

The Director is responsible for developing a budget to enable successful completion of the audit plan. The budget includes salaries and benefits for auditors, funds for training and continuing education, technology resources, other supplies, and the City's financial and compliance audit.

Each year, the Director will prepare a budget for consideration in accordance with City laws and regulations.

The Director will present the proposed budget to the Audit Committee for their consideration and approval; however, the department's budget is part of the larger City budget that is presented by the Mayor for City Council approval.

As the Mayor ultimately presents the budget to City Council for approval, the Mayor may make adjustments to the department budget at their discretion. Further, it is possible that the City Council will make adjustments prior to their final approval.

The department will operate within the appropriated budget, and the Director will bring any necessary adjustments to the Audit Committee, Mayor, and Chief Financial Officer.

Human Resources

The Director is required to effectively manage the department's human resources to accomplish the internal audit plan. This includes not only developing an approach to recruit, develop, and retain qualified internal auditors, but also ensuring that those resources are appropriate, sufficient, and effectively deployed.

This is achieved by hiring qualified auditors with varying experience, providing opportunities for continuing education, providing budgetary resources to obtain professional designations relevant to internal auditing, assigning auditors a wide variety of engagements/tasks, and providing meaningful feedback and mentoring. This combination of actions helps the Director ensure that appropriate resources are available to help accomplish the audit plan.

The Director is also responsible for ensuring that sufficient resources are available to accomplish the audit plan. In the government environment, the department must operate with a limited number of positions that have been approved and funded. Requests for new positions can be made when properly justified; however, both the Mayor and City Council must approve any new positions.

The Director must also effectively deploy resources to accomplish the audit plan. Resources are monitored on a regular basis throughout engagements and for day to day operations. The Director may shift assigned responsibilities as necessary to most efficiently accomplish tasks.

Each year, the Director considers the appropriateness and sufficiency of human resources in developing the audit plan to ensure that those resources can be effectively deployed to accomplish the audit plan with available resources.

Technological Resources

The Director must ensure the department has adequate technology to support the internal audit process. Technology will be regularly evaluated, including during annual budget preparation to determine whether additional technology is needed to improve efficiency and effectiveness of department processes. Requests will be included in the proposed budget as appropriate.

The Director will collaborate with the City's IT department to ensure cohesiveness with existing systems for all technology requests and implementation.

Auditors will be provided appropriate training when new technology is implemented.

Policy Revision History

Revision Date	N/A	**Revision Approval**	N/A
Initial Date	October 25, 2024	**Initial Approval**	

City of Clarksville
Internal Audit Manual

Policy Number	05	**Review Cycle**	Annual
Subject	Performing Audit Services		

Purpose
This policy demonstrates compliance with Domain V of the Standards as well as standard 9.3.

Definitions
Methodologies - Policies, processes, and procedures established by the chief audit executive that guide the internal audit function and enhance its effectiveness.

Workpapers - Documentation of the internal audit work done when planning and performing engagements. The documentation provides supporting information for engagement findings and conclusions.

Policy
The Internal Audit Department will conduct audits in a systematic, disciplined, and consistent manner, in accordance with the Standards and department methodologies. Standard template workpapers will be used as a basic structure for all audits to ensure that work adheres to these requirements.

Procedure

Engagement Documentation
All information and evidence to support the audit results will be documented and retained for 10 years. The analysis, evaluations, and supporting information relevant should all be documented where a competent person could repeat the work and derive the same results.

In all phases of each audit, documentation will be reviewed for accuracy, relevance, and completeness and approved by the Director. Workpaper templates are used for consistency between audits and adherence to the Standards and policies. Workpapers as a whole should be a complete collection of information collected, procedures completed, results, and a logical basis for each step.

Engagement Resources
The types and quantities of resources required to meet the audit objectives will be determined with consideration of the audit's nature, complexity, and timeline. Internal Audit will strategize the most efficient and effective use of the available financial, human, and technological

resources and will assess whether they are sufficient and appropriate for the audit. If there are resource limitations that impact the ability to meet audit objectives, the Director will be made aware of the issue and then discuss with senior management and the Audit Committee about the potential consequences and collaborate on an appropriate course of action.

Initial/Announcement Communication

Internal Audit should announce the audit to the appropriate management using the audit start notification. This announcement will give advance notice to management and relevant staff about the reasoning for the review and general topic of review. This will also be used to request information and/or documents needed to begin developing the work program and assessing risks.

Entrance Meeting

An entrance meeting will be organized and documented as a workpaper. This meeting is for internal audit and the management of the activity under review. Discussion topics for this meeting include an overview of the audit process, as well as specific questions related to the engagement. Frequency and preferences of communication will be discussed.

Ongoing Communication

Ongoing communication is required for transparency and helps identify and resolve any misunderstandings or differences. If there are any changes to the audit scope, objectives, or timing it will be promptly communicated to management.

Other ongoing communication includes:

- Updates about audit progress
- Any issues requiring immediate attention, such as a GRC issue
- Requests for any necessary information and resources to perform the audit

Risk Assessment

The risk assessment process aims to identify, prioritize, and manage risks associated with the activities under review, ensuring alignment with the City's strategies and risk tolerance. This is documented as the risk matrix and testing program workpaper. The risk assessment will be updated at various points throughout the audit. Internal Audit will gather detailed information and documentation necessary for a comprehensive understanding of the activity under review. This includes consideration of the items listed specifically in standard 13.2. Information can also be gathered by conducting interviews, surveys, and process observations to understand current operational procedures.

Performing the Risk Assessment

Once an understanding is developed, auditors will identify risks that may keep the activity under review from meeting its objectives. Risks from the following categories should be considered:

- Fraud-related risks
- Strategic risks
- Operational risks

- Financial risks
- Compliance risks

Risks will be evaluated and prioritized based on their significance using impact and likelihood. For each risk identified, the auditor will determine whether a control exists to mitigate that risk. Based on that information, the auditor should evaluate whether the control is appropriately designed. Considering any controls, the auditor will determine the residual likelihood and impact for each identified risk. This evaluation assists auditors in designing procedures to test for operational effectiveness.

Review and Updates

If risks relevant to the audit were previously identified, Internal Audit will review and update the risk assessment as necessary based on new information or changes to the operational environment. At the end of each engagement, the auditor should update the risk matrix based on test procedures conducted to indicate whether the control as designed was operating effectively.

Engagement Objectives and Scope

Each audit should have clearly established and documented objectives and scope. Objectives and scope may be adjusted as required by the specifics of the audit engagement and will be approved by the Director.

Engagement Objectives

Engagement objectives should clearly articulate the audit's purpose and outline specific goals to be met, including any required by law or regulation. Objectives should be in alignment with both the specific business objectives of the activity under review and the overarching objectives of the City.

Scope

Scope specifies the activities, locations, processes, systems, components, time period, and other elements to be reviewed, establishing clear boundaries and focus for the audit. The scope should be defined after establishing objectives, ensuring it is sufficiently broad to fulfill these objectives. Each engagement objective should be evaluated independently to ensure it is feasible within the defined scope. Stakeholder requests regarding inclusion or exclusion of certain items, or constraints on engagement duration, will be evaluated for a limitation to the scope.

Any limitations that arise should be discussed with management to seek a resolution. Unresolved issues will be escalated to the Audit Committee if necessary.

Engagement Memo

Once the engagement scope and objectives are finalized and approved by the Director, the auditor will send an engagement memo to the appropriate parties.

Evaluation Criteria

Identification and Assessment

The most relevant criteria should be determined for evaluating the aspects of the activity under review, as defined in the audit objectives and scope. Auditors must evaluate whether management has established adequate criteria to assess whether the activity has achieved its intended objectives and goals. If the criteria for the evaluation is deemed adequate then it should be used. If it is found lacking, the auditor must collaborate with management to define suitable criteria.

Work Program

Development and Documentation

The work program is a comprehensive program created to meet the audit objectives. This program is created from insights gained in the planning phase and the outcomes of the risk assessment. It will specify the evaluation criteria for each objective, outline the tasks required, identify the methodologies to be used, list the tools necessary for task execution, and assign the internal auditors responsible for each task.

Approval and Review

The work program must be reviewed and approved by the Director prior to implementation and whenever modifications are necessary.

Work Program Contents

Each work program should link identified risks and controls from the risk assessment to the testing approach planned, the audit findings, and conclusions. It should include details such as the name of the internal auditor responsible, the completion date of tasks, workpaper references, and records of task review and approval.

Analyses and Evaluations

Information

All information gathered should be relevant to the audit objectives, fall within the defined scope, and contribute meaningfully to the development of audit findings and conclusions.

Information must be factual and current to be considered reliable. Reliability can be enhanced when the information is directly sourced by Internal Audit, corroborated, or obtained from a system with effective governance, risk, and compliance measures.

Collected information should be sufficient enough to perform thorough analyses and evaluations. Information should be comprehensive enough that another competent person could replicate the audit process, using the work program, and arrive at the same conclusions.

If relevant information is unattainable, this should be noted as a finding.

Engagement Findings/Observations
The information gathered should be used to identify and analyze potential audit findings. Analyses should be used to identify discrepancies between the established evaluation criteria and the current state (condition) of the activity under review.

Any differences are considered potential findings that require further evaluation. If initial analyses do not provide sufficient evidence to substantiate a potential finding, additional analyses should be considered.

If there are no significant differences found between the evaluation criteria and the current condition, the audit conclusion should emphasize satisfactory performance.

Evaluation of Findings

Each potential finding will be evaluated to determine its significance for prioritization. This evaluation should be done by considering the likelihood, impact, risk tolerance, and other important factors.

Findings should be written in plain language to clearly explain the difference between the criteria and the conditions observed. Evidence is needed to support the finding and justify its significance.

Internal Audit will collaborate with management to determine the root cause, potential effects, and the significance of the issue.

Any significant risks will be documented and communicated as a finding/observation. Internal Audit will determine whether to report other risks as findings based on circumstances.

Recommendations and Action Plans

Internal Audit will develop recommendations, request management action plans, and collaborate with management to agree on actions. Internal Audit recommendations must be discussed with the management of the activity under review.

The recommendations/actions plans should resolve the differences between the established criteria and the condition, mitigate the risks, address the root cause, and enhance or improve the activity under review.

A single finding can have multiple recommendations or corrective actions. Internal Audit should evaluate and discuss the feasibility and reasonableness of the recommendations/action plans.

If there are any disagreements with the recommendations or action plan, both parties should come to a resolution. It is ultimately management's responsibility to implement actions to address the findings.

Engagement Conclusions

Internal Audit will develop an audit conclusion that summarizes the audit results relative to the objectives for the audit, as well as the significance of the findings. Audit conclusions will include Internal Audit's judgment regarding the effectiveness of the governance, risk management, and/or control processes or the activity under review and acknowledgement of effective processes.

Closing Communication

The exit conference will be used to finalize the engagement results with appropriate parties before issuing a final communication. This is an opportunity to discuss any differences or disagreements about the audit results with a goal of reaching agreement.

The feasibility of the recommendations or management action plans should be discussed including weighing the costs. Management actions plans may not be fully developed for the exit conference, in this case management ideas and Internal Audit recommendations should be discussed and evaluated.

In accordance with City Code Section 6-616, management has 15 calendar days to provide action plans, with an extension to 22 calendar days if approved by the Director for good cause. Management action plans must include expected timing of implementation and the personnel responsible.

Final Communication

The final communication is the last communication of an audit. It must be accurate, objective, clear, concise, constructive, complete, and timely.

The final communication should have a statement that the audit was conducted in conformance with the Global Internal Audit Standards. If conformance was not achieved, then the final communication should disclose the reasons for nonconformance, specific standards not conformed with, and the impact of nonconformity.

If management has initiated or completed actions to address a finding before the final communication, the actions will be acknowledged in this communication.

This will be reviewed and distributed by the Director to all appropriate parties.

The final communication should include:

- Title
- Background (brief synopsis of the activity under review)
- Recognition (positive aspects of the activity under review and/or appreciation of cooperation)
- Objectives
- Scope
- Recommendations/Action Plans
- Conclusions

- Findings with significance and prioritization
- Scope limitations with explanation, if applicable
- Personnel tasked with addressing findings
- Date recommendations/action plans should be implemented

Confirming the Implementation of Recommendations or Action Plans

Internal Audit must confirm that management has implemented the recommendation or action plans. Internal Audit should inquire about progress on the implementation, perform follow-up assessments using a risk-based approach, and update the status of management's action in the Internal Audit tracking document.

The significance of the findings will determine the extent of the follow up. If management has not completed agreed upon action plans by the estimated completion dates, they must provide a written update which includes an explanation of the delay. This will be documented in follow up workpapers.

Policy Revision History

Revision Date	N/A	**Revision Approval**	N/A
Initial Date	October 25, 2024	**Initial Approval**	

City of Clarksville
Internal Audit Manual

Policy Number	06	Review Cycle	Annual
Subject	Performing Consulting Services		

This policy will be developed for approval in the January Audit Committee meeting.

Policy Revision History

Revision Date	N/A	Revision Approval	N/A
Initial Date		Initial Approval	

City of Clarksville
Internal Audit Manual

Policy Number	07	**Review Cycle**	Annual
Subject	Communication		

Purpose
To define the department's activities related to communication principles. This policy demonstrates compliance with standards 11.1, 11.2, 11.3, 11.4, 11.5, and 15.1.

Policy
The department strives to communicate effectively with its stakeholders. We recognize that effective communication is based on a variety of factors, including building relationships, establishing trust, and ensuring stakeholders and the City benefit from results of internal audit services. The Director will establish both formal and ongoing communications that enhance effectiveness.

Procedure
<u>Building Relationships and Communicating with Stakeholders</u>
The Director is responsible for developing a communication strategy that builds relationships and trust with stakeholders. This communication strategy includes both formal and informal communications.

Engagement communications are a key part of this strategy, and are discussed in more detail in policy 05. Outside of engagement communications, we strive to communicate with stakeholders on a regular basis. The combination of all of these communications helps enhance our understanding of the City and its risks, processes, and requirements. This is accomplished in the following ways.

Audit Committee Meetings
Regularly scheduled Audit Committee meetings occur quarterly, and special sessions can be called when necessary. At all regularly scheduled meetings, the Director provides updates to the committee on the department's budget, progress on the audit plan and associated metrics, and updates on hotline reports. Each meeting also includes a non-public executive session (provided for in TCA 9-3-405), where the Director and audit staff can provide additional information to the committee about ongoing audits or investigations, etc. Management is not present in this portion of the meeting.

In addition to the department reports described above, the Director includes other topics on the agenda as appropriate. Depending on the meeting, topics may include:

- The presentation of financial and compliance audit results
- Policy updates
- Annual budget approval
- Discussion of standards and the department charter
- Approval of the audit plan
- Discussion of the department's quality assurance and improvement program results
- Discussion of new committee members
- Procurement for the City's financial and compliance audit

Other Committee Meetings

Auditors are assigned committee meetings to attend on a monthly basis. This gives other departments, council members, and senior management an opportunity to see and interact with auditors outside of an audit setting. Additionally, it helps keep up to date with things that are happening in each department, which is essential for comprehensive assessment of risks. These interactions help develop trust and relationships, which prove valuable during subsequent engagements for those departments.

Standing Meetings

The Director has regularly scheduled standing meetings with other departments. The frequency of these meetings is dependent upon the specific department. Topics in these meetings may cover a variety of topics, including current issues and risks facing the department. This provides an opportunity for the Director to keep up with departmental challenges and discuss their governance, risk management, and controls. This also provides a venue for the Director to offer potential consulting services that may be useful.

Strategy and Leadership Sessions

Strategy and leadership sessions are another communication pathway in which various members of the department participate. These typically involve senior management and leadership of all City departments. These are useful for both developing trust with other departments and understanding the City's strategy for providing services to citizens.

Feedback from Stakeholders

The department also solicits feedback from departments at the end of each engagement. This helps enhance internal audit processes and further develop trust and support with stakeholders.

Effective Communication

The department strives to ensure that all communications are accurate, objective, clear, concise, constructive, complete, and timely. These characteristics are defined in the table below.

Accurate	Free from errors and distortions, faithful to the underlying facts
Objective	Fair, impartial, and unbiased, the result of a fair-minded and balanced assessment of all relevant facts and circumstances
Clear	Easily understood and logical, avoiding unnecessary technical language, providing all significant and relevant information
Concise	To the point, avoid unnecessary elaboration, superfluous detail,

	redundancy, and wordiness
Constructive	Helpful to management and the organization, lead to improvements where needed
Complete	Lack nothing that is essential to the target audience, includes all significant and relevant information and observations to support recommendations and conclusions
Timely	Opportune and expedient, allow management to take appropriate corrective action

Similar to other standards, supervision and quality assurance methodologies help ensure that communication has these characteristics. These may include coaching or review by the Director or other staff members where appropriate. Formal engagement communications go through an extensive review process within the department prior to release to management or publicly.

Communicating Results

We communicate the results of each engagement in both formal and informal ways. We strive to communicate results to management throughout each engagement. This may include written and verbal communication methods across meetings, phone calls, and emails.

All formal engagement results are communicated to management and senior management, as well as the Audit Committee. Each formal results communications will include conclusions on the engagement, where appropriate. For audits, this includes conclusions on the specific audit objectives.

Themes across multiple engagements are communicated to senior management and the Audit Committee informally in meetings; however, reports are typically not issued to communicate these themes.

The department does not issue conclusions at the department or City level. This is not required or typically expected by senior management or City leaders.

Special Considerations

The Internal Audit Department recognizes that information in our audit reports has the potential to be miscommunicated, misinterpreted, and taken out of context by the public, media, and politicians to gain political advantage. In order to protect the independence of the Internal Audit Department and to ensure that information is accurately communicated during an election season, no final internal audit reports shall be issued on a City election day for the offices of Mayor, City Council, or City Judge, nor for a period of thirty days prior to the day of the election. For other elections, report release may be restricted at the discretion of the Audit Committee by majority vote.

Audit reports are a public record; however, there are exceptions outlined in Tennessee Code Annotated that may require special treatment of reports. TCA Section 10-7-504 lists various types of information which are considered confidential. If there is a question about whether the information contained in an audit report is confidential, the Director should consult with the City

Attorney to determine whether any portion of the report should be redacted prior to release. Outside of these circumstances, there are no limitations on the distribution and use of the results.

While audit reports are public records, the workpapers of local government internal audit activities are considered confidential and are not open to public inspection per TCA 10-7-504.

Errors and Omissions

In the event that errors or omissions are identified after the report is released, the Director must discuss the level of significance with the Audit Committee. If errors are determined to be significant, the Director must communicate corrected information to all parties who received the original communication. Since the audit report is a public record, this will involve working with the City's communications department to draft a press release to notify the public users of the report.

Communicating the Acceptance of Risks

In the event the Director concludes that management has accepted a level of risk that may be unacceptable to the City, the Director will bring the issue to the attention of senior management. If the matter is not resolved by senior management, the Director will elevate the issue through the City Council and Audit Committee. In accordance with this standard, it is not the Director's responsibility to resolve the risk.

Policy Revision History

Revision Date	N/A	**Revision Approval**	N/A
Initial Date	October 25, 2024	**Initial Approval**	

City of Clarksville
Internal Audit Manual

Policy Number	08	**Review Cycle**	Annual
Subject	Supervision		

Purpose
To define the activities required to adequately supervise all engagements performed within the Internal Audit Department, as well as activities to supervise and develop auditors. This policy demonstrates compliance with standard 12.3.

Policy
All engagements will be supervised to ensure that engagement objectives are achieved, engagements are performed to the department's quality standards, auditor development opportunities are identified and communicated, and that engagements are performed timely. Engagement supervision will occur throughout the engagement from planning through follow up/monitoring.

Procedure
Due to the size of the Internal Audit Department, the Director will typically be the engagement supervisor; however, another sufficiently qualified and experienced auditor could act as the engagement supervisor at the Director's discretion.

The engagement process within the Department is highly collaborative between the engagement team and the Director; therefore, engagement supervision occurs on an almost continual basis from the beginning phases of the engagement through completion and monitoring. The following steps outline how engagements are formally supervised through each engagement, but informal engagement supervision occurs each day in the form of department discussions and meetings.

During all phases of the engagement, the Director will be responsible for reviewing all workpapers (required and supporting) evidenced by a sign off and date. This review will be evidenced by comments and review notes made by the Director and their associated responses from the auditor. Review comments are preserved within engagement workpapers as resolved comments or in another form where necessary. Any comments that result from the Director's review will be addressed by the auditor when received.

In addition to the supervision requirements listed above, the Director must also approve the engagement work program that has been developed by the engagement team. When approving the work program, the Director will consider: (1) whether it is designed to achieve engagement objectives and (2) whether it will meet engagement performance standards established by internal policies and the Standards. If changes are made to the work program at any time during the engagement, those changes must be approved by the Director.

Prior to the release of the engagement results, an engagement level QA will be performed to ensure quality. After the engagement is completed, the Director will conduct a post audit continuous improvement meeting with the engagement team. This meeting will serve as a venue to not only discuss potential improvements to the engagement process, but also as a venue for discussions promoting staff development.

In addition to formal engagement supervision, the Director is responsible for supervising and developing auditors to enhance competencies and performance in accordance with standard 3.1.

Policy Revision History

Revision Date	N/A	**Revision Approval**	N/A
Initial Date	October 25, 2024	**Initial Approval**	

Policy Number	09	Review Cycle	Annual
Subject	Fraud, Investigations, and Hotline Administration		

Purpose
To define the Internal Audit Department's policy and procedures related to fraud and administration of the City's Fraud and Audit Hotline.

Definitions
Fraud - An intentional deception that violates a law or the public trust for personal benefit or the benefit of others.

Policy
The Internal Audit Department, along with the City of Clarksville, is committed to conducting business with high ethical standards and in compliance with the law. In accordance with City Code Section 6-617 and TCA Section 9-3-406, the Internal Audit Department has established a hotline by which employees, taxpayers, and other citizens may confidentially report suspected illegal, improper, wasteful, or fraudulent activity.

It is the Internal Audit Department's intent to fully investigate any suspected acts of illegal, improper, wasteful, or fraudulent activity. An objective and impartial investigation will be conducted regardless of the party involved.

Procedure
The Internal Audit Department maintains the City's Fraud and Audit Hotline. The hotline gives citizens, employees, and elected officials a confidential method for reporting illegal, improper, wasteful, or fraudulent activity by City officials or employees. While the hotline is not intended to be used as a method to report improper activities by private citizens or private businesses, complaints like this are occasionally received.

The department categorizes reports according to the method by which they are received. The two main methods for reporting are by phone (voice recording) or by an online reporting form accessible through the City's website. Both methods allow for confidential reporting; however, the person making the report can choose to give their contact information. Occasionally, the department receives information outside of the established hotline that may require investigation, including through discussions with employees, assurance or consulting engagements, or other avenues.

Reports received by phone or the online reporting form are emailed to all Internal Audit staff members through an automated system. The department maintains hotline report logs by fiscal year, where all reports are logged when received.

While each report received is unique and handled based on professional judgment, the department uses the general framework laid out in **Chart 1** and **Chart 2** on the following pages. Depending on the nature of the report, related investigative work may take priority over regularly scheduled audit work. Any investigation that results from a report will be carried out in a confidential manner; however, anonymity cannot be guaranteed as an investigation progresses.

Investigations will be fully documented, with appropriate supporting documentation. The Director (or designee) shall review and approve investigation associated workpapers.

If information available to the department suggests unlawful conduct may have occurred, the Director (or designee) will report that information to the State Comptroller within a reasonable amount of time (not to exceed 5 working days) in accordance with TCA 8-4-503. Occasionally after reporting an incident as noted above, the incident will be returned to the department from the Comptroller or external audit firm for further investigation. In these situations, the department will work with those entities throughout the investigation process in handling the issue.

Depending on the nature of the incident/report, the department may adjust the audit plan to review internal control or other process related issues that may have allowed the opportunity for the incident to occur.

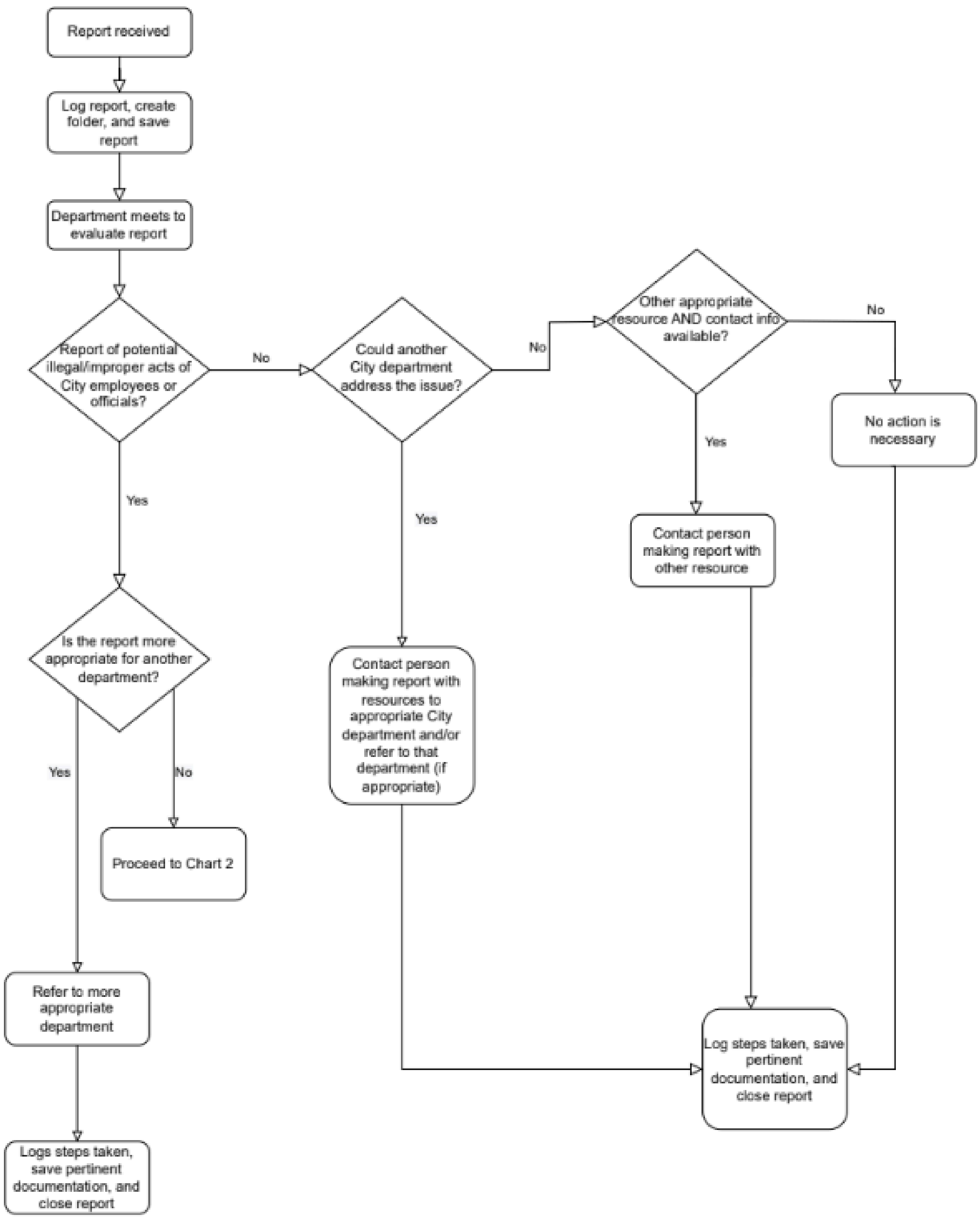
As a general rule, the department does not issue formal investigative reports; however, issues identified may be reported within an audit report, if appropriate.

A status summary of the reports received on the City's Fraud and Audit Hotline will be provided to the Audit Committee at each regularly scheduled meeting.

Policy Revision History

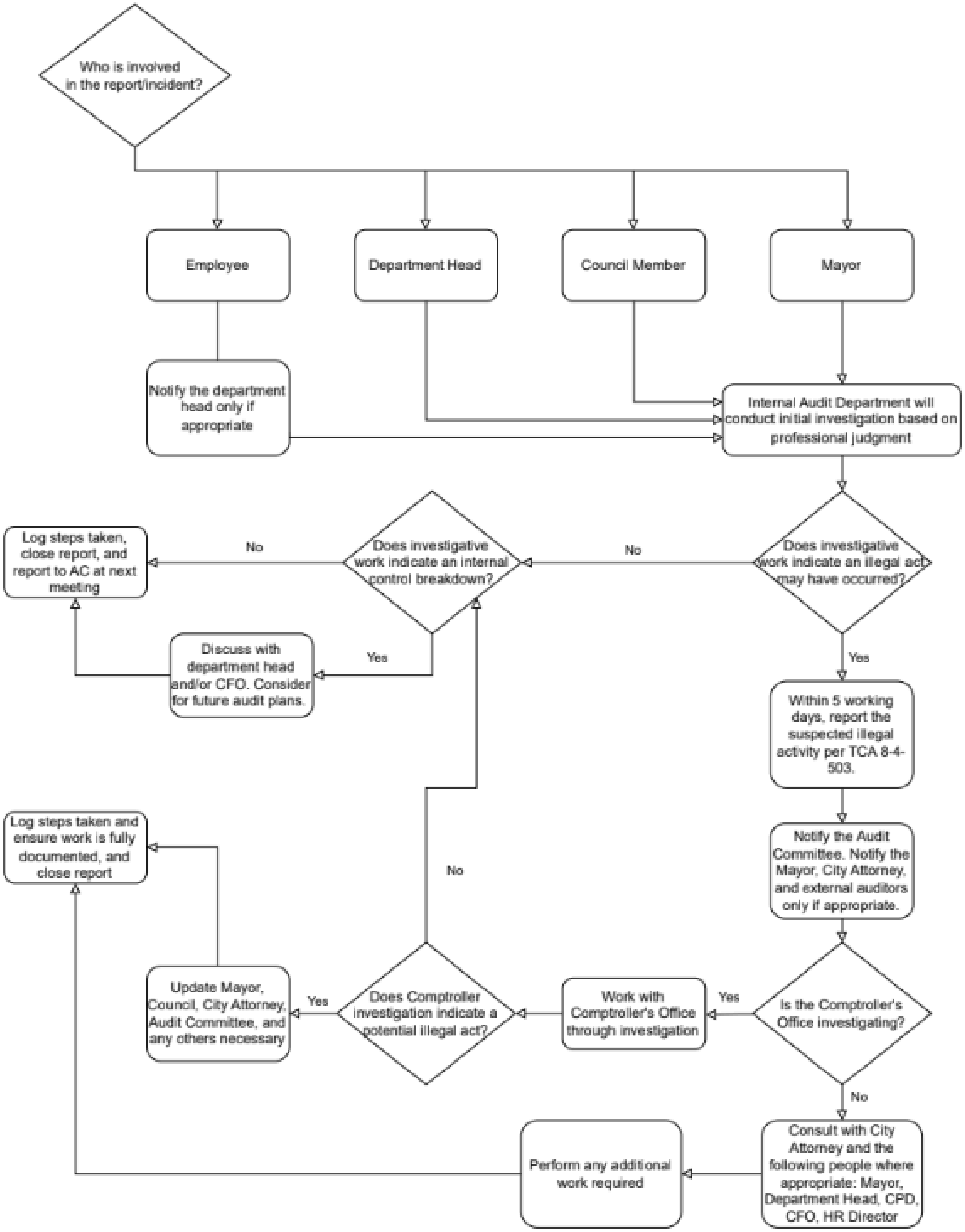
Revision Date	N/A	**Revision Approval**	N/A
Initial Date	October 25, 2024	**Initial Approval**	

Chart 1



Report received
Log report, create folder, and save report
Department meets to evaluate report
Report of potential illegal/improper acts of City employees or officials?
No
Could another City department address the issue?
No
Other appropriate resource AND contact info available?
No
No action is necessary
Yes
Contact person making report with other resource
Yes
Yes
Is the report more appropriate for another department?
Contact person making report with resources to appropriate City department and/or refer to that department (if appropriate)
Yes
No
Proceed to Chart 2
Refer to more appropriate department
Log steps taken, save pertinent documentation, and close report
Logs steps taken, save pertinent documentation, and close report

Chart 2


Who is involved in the report/incident?
Employee
Department Head
Council Member
Mayor
Notify the department head only if appropriate
Internal Audit Department will conduct initial investigation based on professional judgment
Does investigative work indicate an illegal act may have occurred?
No
Does investigative work indicate an internal control breakdown?
No
Log steps taken, close report, and report to AC at next meeting
Yes
Discuss with department head and/or CFO. Consider for future audit plans.
Yes
Within 5 working days, report the suspected illegal activity per TCA 8-4-503.
Notify the Audit Committee. Notify the Mayor, City Attorney, and external auditors only if appropriate.
Is the Comptroller's Office investigating?
Yes
Work with Comptroller's Office through investigation
Does Comptroller investigation indicate a potential illegal act?
No
Yes
Update Mayor, Council, City Attorney, Audit Committee, and any others necessary
Log steps taken and ensure work is fully documented, and close report
No
Consult with City Attorney and the following people where appropriate: Mayor, Department Head, CPD, CFO, HR Director
Perform any additional work required

City of Clarksville
Internal Audit Manual

Policy Number	10	Review Cycle	Annual
Subject	Office Administration		

Purpose
To document an overview of administrative procedures of the Internal Audit Department.

Policy
All Internal Audit personnel will adhere to the administrative policies described below. Any issues related to these policies should be brought to the Director's attention. While many topics are covered, this policy is not meant to be all inclusive of acceptable office practices.

Procedure
Service Philosophy and Professionalism
It is expected that all audit staff will strive for professional excellence. Accordingly, audit staff are expected to conduct themselves in a courteous manner that focuses on problem resolution, not conflict.

Audit staff are expected to dress in a professional manner that is appropriate for the circumstances. Business attire will vary depending upon daily activities. For instance, formal meetings with public leaders may warrant more formal business attire than conducting interviews with auditees which may justify business casual attire. Occasionally, field work may require much more casual attire, such as jeans, boots, or shorts. In these cases the overlying theme should be that the clothing is neat, clean, and in good condition.

For daily office work, clothing that would be worn on the weekend generally is inappropriate for the office. The one routine exception to this is that the City has established Friday as a casual day. On these days jeans and appropriate shirts are acceptable provided that they are neat, clean, and in good condition. T-shirts with slogans or sayings on them are generally not considered appropriate.

Rules of Conduct
Audit staff must be particularly careful that private interests and activities do not adversely affect or conflict with their public position duties. Audit staff should avoid any action that might result in, or create the appearance of using their public position for private gain.

Audit staff should be familiar with the City Code of Ethics, and will complete ethics training annually. Material noncompliance with the ethics policy is subject to appropriate disciplinary action.

Work Environment

The Internal Audit Department strives for a professional, high-performance workplace environment. Auditors should use headphones or play music at a low level that cannot be heard beyond their office. In addition, children should not be brought to the office for extended periods of time during normal work hours.

Work Hours

Under the City's pay plan all auditors are considered exempt, salaried professionals and as such they are not entitled to paid overtime and they generally receive no compensation of any kind for extra hours worked. It is expected that persons holding exempt management positions will remain on duty for whatever time is necessary to carry out the responsibilities of their positions. City policy allows the Director to occasionally grant excused time off for extra hours of required work. Excused time will only be granted for job performance that exceeds the basic requirements of the job and not solely on extra hours worked to accomplish the basic job. This determination will be made by the Director.

Although exempt salaried professionals are not required under the Fair Labor Standards Act to have "normal" work hours, it is City's practice to have a standard work schedule for management employees. The most common work schedule for a full-time auditor is a seven and a half hour day, with every weekend off. City policy allows a flexible scheduling arrangement where an additional hour is worked 8 out of 10 business days in a two week period, and the 10th business day is off. This arrangement can be approved by the Director based on availability and seniority.

Time off requests are done electronically through ExecuTime and approved by the Director. Time sheets are to be submitted for Director approval at the end of each two week pay period in ExecuTime.

The following general rules apply to work hours:

- The Internal Audit Department strives to be open to customers from 8:00 AM to 4:30 PM, Monday through Friday.
- If circumstances prevent keeping the office open, and no one will be in the office for an extended period of time, a sign should be placed on the door.
- Lunch hours generally should be no more than one hour per work day for an eight hour day.
- Breaks, while not required under the Fair Labor Standards Act, are permitted but should be reasonable in length.
- Once a work schedule is established, the Director should be notified of any unexpected late arrivals or absences as soon as possible.
- Vacation requests should be made as far in advance as reasonably possible.
- Vacation and personal leave requests will be approved subject to the ability to

provide adequate office coverage.

- If there are conflicts in leave and/or alternative work schedule requests, the most senior employee's request generally will have priority over the least senior employee's request.

Time Reporting

The Internal Audit Department uses a consolidated timesheet where each employee has a different tab to report their hours worked. To allow most efficient time reporting, the timesheet should be updated on a weekly basis. Time worked is separated between direct time and admin time. Direct time includes work on specific audits, consulting engagements, technical help for departments, or other projects. Admin time includes non-project time such as training, meetings, and leave time.

The smallest increment necessary for reporting is one quarter hour. In reporting work hours, staff normally account for 37.5 hours per week. If additional hours are worked those should also be reported on the time sheet.

It is important to accurately report time because it is used for a variety of critical purposes, including in department metrics and future audit planning. The department metrics are used to evaluate the efficiency and productivity of work performed by individual auditors as well as the Internal Audit Department as a whole.

"Checking-Out"

When auditors plan to be gone for an extended period of time (greater than an hour), they communicate to the Director their destination and when they expect to return. If audit staff plan to be out of the office on assignment for more than a day, during their absence they should communicate with the Director by email or phone at least once daily.

Building and Office Access

Audit staff will be provided with an office key for which they are held accountable. If the office will be empty for an extended period of time, the door should be locked. Audit staff are not to obtain duplicate keys without the permission of the Director.

Security badges are issued for building access. Audit staff are responsible for being knowledgeable of and complying with regulations regarding the proper use of security badges as required by Human Resources.

Facility and Office Use

City office space, equipment, supplies, and services are not for personal use unless they are allowed for by City policy. This includes the use of the internet, e-mail, computers, digital devices, phones and cellular phones, and other similar items.

Computer Security, Software Compliance, and Access to Information

The objective of computer system security is to ensure that only authorized persons have access to information and operations. Passwords should be developed in accordance with guidelines recommended by the Information Technology department.

Audit staff are responsible for operating their own City issued computer. The Director should be notified of problems that arise with hardware or software which cannot readily be resolved. IT work orders can be submitted to the IT staff for assistance with issues described above.

The City adheres to certain software practices to ensure that employees and the organization obey the law and do not commit copyright infringement. In addition, the use or installation of any software that has not been approved by Information Technology is prohibited.

Disclosing your password, making unauthorized copies of software, or accessing applications or information (including electronic information) for inappropriate reasons are subject to disciplinary action up to and including termination.

Auditors are expected to be knowledgeable of and compliant with IT's Computer Usage policy which is available on Internal Audit's shared drive.

Laptops and Other Digital Devices- Security and Use

Audit staff should protect the security of laptops and other digital devices at all times. Portable storage such as USB drives should be encrypted if sensitive information will be temporarily or permanently stored on such devices. Personal USB drives should not be used in City computers for any reason.

Telephone Use – Calls, Voicemail, and Text Messages

Phones should be answered in a courteous manner. In general the employee will tell the caller they have reached the Internal Audit Department along with their name.

Personal local calls either using the City's phone system or a personal cell phone are to be kept to a minimum. Personal long distance calls are not acceptable on the City's landline phone except for an emergency of limited duration. Text messaging on personal cell phones should be kept to a minimum and should not cause continuous interruptions throughout the day.

Email and Internet

Infrequent personal use of the City's email system is authorized. Remember that emails are subject to open records requests.

Limited personal use of the internet is allowed; however, personal use must not interfere with the performance of normal work duties. In addition, personal use should be done during the employee's personal time (such as lunch or before and after normal work hours) and should be of reasonable duration. No inappropriate use of the Internet is allowed. Inappropriate use includes photographs, screensavers, or text that could be offensive to members of the public or other staff; posting to nonbusiness chat rooms and discussion forums; private commercial activities such as operating a private business using City owned equipment; and other uses incompatible with public service.

Social Media

Audit staff should use discretion in the types of information posted to personal social media sites that can be accessed by the public. Posting items to public forums that might damage the credibility of the auditor or the Internal Audit Department is discouraged and may be grounds for discipline.

Recycling and Discarding of Documents

Audit staff are to conserve and recycle discarded paper documents. Sensitive or confidential items must be shredded.

Procurement

All purchases must be approved by the Director before the purchase is made. For large purchases the approval process is accomplished through the Munis PO system. For smaller P-card purchases, email permission should be received before the purchase is made. The Director reviews and approves the P-card transactions as they appear on the monthly P-card statement. Employees are expected to be familiar and comply with the City's P-card policy.

External Audit Procurement

In accordance with City Code section 6-609, the Audit Committee shall select the external audit firm for the City. The committee will select the external audit firm through the City's established request for proposals (RFP) process. Each contract for the external audit will be for one year, renewable annually by the Audit Committee. To encourage competition and auditor rotation when possible, a new RFP will be issued at least every 3 years.

Staff Meetings

The department will have staff meetings on a regular basis. The format and frequency of these meetings may change depending on the needs of the department.

Compensation and Employee Benefits

Internal Audit staff will be compensated and receive employee benefits in accordance with City policy.

Performance Reviews

Formal performance reviews are conducted once per fiscal year prior to June 30th. This process is intended to evaluate job performance, working relationships, and professional growth. The Director prepares an evaluation of the employee's performance in accordance with the City's adopted evaluation methodology, and meets with the employee to discuss the results.

In addition to the annual formal evaluation, performance issues are discussed throughout the year. Review comments provided as part of engagement supervision are also indicators of employee performance.

Resignation and Termination

Any employee intending to resign his or her position should, out of professional courtesy, give the Director at least two weeks written notice.

Delegation of Authority in Director's Absence

When the Director is absent for extended periods of time, the most senior auditor is authorized to handle day to day audit issues that may occur during this time. For non-routine issues that may arise, the most senior auditor should consult with the Audit Committee Chair for determination of action.

Emergencies

Audit staff should be familiar with evacuation procedures in case of fire or other emergencies. In addition, staff should know how to notify building security and other appropriate City personnel in case of emergency. If audit staff feel they are being threatened, they should call building security or 911.

Travel

All City related travel must be done in accordance with the City's Travel Policy and associated procedures.

Political Activities

Engaging in political activities while on the job is prohibited. Employees may not spend time on the job promoting candidates, ballot measures, or political committees. Employees may express personal views, as appropriate; however, when expressing those views to other employees they should clearly indicate that they are not the views of the Internal Audit Department.

City Policies and Procedures

The City of Clarksville has developed policies and procedures that apply to all City employees. Audit staff are to be familiar with these policies and procedures.

Policy Revision History

Revision Date	N/A	**Revision Approval**	N/A
Initial Date	October 25, 2024	**Initial Approval**	

Lynn Stokes – Professional Bio

I have lived in Clarksville for 39 years.

Accounting/Auditing Experience and Credentials

- Passed the CPA exam in 1991
- Worked as an auditor and tax professional with a local CPA firm for 14 years. This work involved conducting financial audits of area local governments and non-profit organizations. The work also involved tax preparation for individuals, non-profits, partnerships and LLCs.
- Worked as Director of Internal Audit for the City of Clarksville for 9 years conducting internal audits of various City departments and other processes within City government. The worked involved developing risk assessments and understanding the internal controls surrounding the area being audited. An audit report was issued for each audit conducted.
- Worked part time for another local CPA firm for three years conducting the financial audit of Montgomery County E911.
- Attended 80 hours of training every two years to maintain CPA credential through 2018.

Applicable Volunteer Experience

- Habitat for Humanity of Montgomery County – Treasurer for three years, Board president for two years.
- Fort Campbell Historical Foundation – Financial reporting oversight of $22M grant funds for the Tennessee Wings of Liberty Museum – 2022 – current.
- Treasurer for local church for 17 years.
- Tax preparer for Volunteer Income Tax Assistance (VITA) program of the IRS – three years.