AUDIT COMMITTEE
AGENDA

DATE: July 30, 2025
LOCATION: City Hall 4th Floor Conference Room
TIME: 3:00 PM

I. CALL TO ORDER – Chairman

II. ANNOUNCE MEMBERS IN ATTENDANCE (VERIFY QUORUM)

III. ADOPTION OF MINUTES: April 30, 2025 Audit Committee Meeting

IV. DEPARTMENT REPORT
   A. Department Update
   B. Quality Assurance and Improvement Program - Annual Review Results
   C. Annual Report
   D. Other Required Communications from Auditing Standards

V. COMMITTEE ACTION REQUIRED
   A. FY 2026 Audit Plan Approval
   B. Internal Audit Charter Approval

VI. CITY COUNCIL ACTION REQUIRED
   A. None

VII. ADJOURNMENT OF PUBLIC MEETING

VIII. PUBLIC COMMENTS (5 minutes each)

IX. NEXT MEETING - **October 29, 2025 at 3:00 PM**

X. EXECUTIVE SESSION – Vote by the Committee to go into executive session.

During executive session and for the remainder of the meeting, the Audit Committee will be discussing only matters that are considered confidential under TCA Section 9-3-405 (d). These items may include:
   A. Items deemed not subject to inspection under TCA Section 10-7-503 and 10-7-504
   B. Current or pending litigation and pending legal controversies
   C. Pending or ongoing audits or audit related investigations

D. Information protected by federal law
E. Matters involving information under TCA Section 9-3-406 where the informant has requested anonymity.

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

XI. ADJOURNMENT OF EXECUTIVE SESSION

UNAPPROVED

AUDIT COMMITTEE
Minutes

DATE: April 30, 2025
LOCATION: City Hall 4th Floor Conference Room
TIME: 3:00 PM

I. CALL TO ORDER – Chairman
The meeting was called to order by Trey Judd at 3:00 pm.

II. ANNOUNCE MEMBERS IN ATTENDANCE (VERIFY QUORUM)
Audit Committee members present: Trey Judd, Keri Lovato, and Elizabeth Rankin. Patrick Wilkinson joined at 3:54 pm.
Audit Committee members absent: Lynn Stokes
Quorum verified? Yes
Internal Audit attendees: Stephanie Fox, Becca Darden, Emily Hammer
Other Attendees: None

III. ADOPTION OF MINUTES
A. February 3, 2025 Audit Committee Meeting
Elizabeth Rankin made a motion to adopt the minutes. Keri Lovato seconded.
The motion was approved unanimously.

IV. DEPARTMENT REPORT
Stephanie presented the budget report and an update on department activity. Stephanie also made a correction regarding an open meetings error that was made during executive session for the February 3rd meeting regarding use of AI in the department.

V. NEW BUSINESS
A. None

VI. COMMITTEE ACTION REQUIRED
A. FY 2026 Budget Approval
Elizabeth Rankin made a motion to approve the FY 2026 Budget. Keri Lovato seconded.
The motion was approved unanimously.

B. Review and Approval of Policy Manual Revisions

UNAPPROVED

Keri Lovato made a motion to approve revisions to the department's policy manual. Elizabeth Rankin seconded. The motion was approved unanimously.

VII. CITY COUNCIL ACTION REQUIRED

A. None

VIII. ADJOURNMENT OF PUBLIC MEETING

Keri Lovato made a motion to adjourn the public meeting and move into executive session. Patrick Wilkinson seconded. The public meeting was adjourned at 3:56 pm.

IX. PUBLIC COMMENTS (5 minutes each)

X. NEXT MEETING - **July 30, 2025 3:00 PM**

XI. EXECUTIVE SESSION – Vote by the Committee to go into executive session.

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

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

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

The following topics were discussed:

A. Ongoing audits and investigations
B. Hotline reports

XII. ADJOURNMENT OF EXECUTIVE SESSION

Elizabeth Rankin made a motion to adjourn the executive session. Keri Lovato seconded. The executive session was adjourned at 4:08 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	-6,035	326,564	316,682.06	.00	9,881.94	97.0%
10415211 4112 Part-Time Employe	2,700	0	2,700	2,358.75	.00	341.25	87.4%
10415211 4113 Longevity Pay	450	0	450	450.00	.00	.00	100.0%
10415211 4211 Health Insurance	60,096	-2,504	57,592	57,592.00	.00	.00	100.0%
10415211 4212 Dental Insurance	1,680	-93	1,587	1,587.00	.00	.00	100.0%
10415211 4213 Life Insurance	212	-9	203	200.56	.00	2.44	98.8%
10415211 4214 Disability Insura	1,432	-37	1,395	1,350.68	.00	44.32	96.8%
10415211 4221 Social Security C	24,622	-620	24,002	23,228.81	.00	773.19	96.8%
10415211 4231 TCRS Contribution	41,737	-770	40,967	39,050.53	.00	1,916.47	95.3%
TOTAL Salaries and Wages-Inter.Audit	465,528	-10,068	455,460	442,500.39	.00	12,959.61	97.2%
10415213 Operating Expenditures-Int.Aud							
10415213 4321 Employee Training	14,635	0	14,635	10,158.04	.00	4,476.96	69.4%
10415213 4322 Memberships & Con	1,940	0	1,940	1,662.48	.00	277.52	85.7%
10415213 4323 Employee Testing	105	-2	103	102.53	.00	.47	99.5%
10415213 4324 Software License	0	322	322	321.17	.00	.83	99.7%
10415213 4325 Software Renewals	965	0	965	953.82	.00	11.18	98.8%
10415213 4334 Accounting/Auditi	92,000	-35,575	56,425	50,987.50	.00	5,437.50	90.4%
10415213 4442 Rental of Equipme	120	-22	98	97.38	.00	.62	99.4%
10415213 4521 Property Insuranc	335	-6	329	329.00	.00	.00	100.0%
10415213 4523 General Liability	665	-34	631	631.00	.00	.00	100.0%
10415213 4530 Communications	375	-54	321	333.12	.00	-12.12	103.8%
10415213 4580 Travel	300	-200	100	.00	.00	100.00	.0%
10415213 4610 General Supplies	2,100	0	2,100	448.53	.00	1,651.47	21.4%
10415213 4640 Books & Periodica	2,100	0	2,100	1,485.69	.00	614.31	70.7%
TOTAL Operating Expenditures-Int.Aud	115,640	-35,571	80,069	67,510.26	.00	12,558.74	84.3%
GRAND TOTAL	581,168	-45,639	535,529	510,010.65	.00	25,518.35	95.2%

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

CITY OF CLARKSVILLE

YEAR-TO-DATE BUDGET REPORT

FOR 2026 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	353,251	0	353,251	10,214.01	.00	343,036.99	2.9%
10415211 4112 Part-Time Employe	2,700	0	2,700	.00	.00	2,700.00	.0%
10415211 4113 Longevity Pay	500	0	500	.00	.00	500.00	.0%
10415211 4211 Health Insurance	66,192	0	66,192	2,068.50	.00	64,123.50	3.1%
10415211 4212 Dental Insurance	1,656	0	1,656	51.75	.00	1,604.25	3.1%
10415211 4213 Life Insurance	212	0	212	6.54	.00	205.46	3.1%
10415211 4214 Disability Insura	1,519	0	1,519	43.92	.00	1,475.08	2.9%
10415211 4221 Social Security C	25,976	0	25,976	734.73	.00	25,241.27	2.8%
10415211 4231 TCRS Contribution	46,148	0	46,148	1,264.42	.00	44,883.58	2.7%
TOTAL Salaries and Wages-Inter.Audit	498,154	0	498,154	14,383.87	.00	483,770.13	2.9%
10415213 Operating Expenditures-Int.Aud							
10415213 4321 Employee Training	10,400	0	10,400	.00	.00	10,400.00	.0%
10415213 4322 Memberships & Con	2,325	0	2,325	.00	.00	2,325.00	.0%
10415213 4323 Employee Testing	105	0	105	.00	.00	105.00	.0%
10415213 4324 Software License	42,200	0	42,200	.00	.00	42,200.00	.0%
10415213 4325 Software Renewals	1,078	0	1,078	.00	.00	1,078.00	.0%
10415213 4334 Accounting/Auditi	87,000	0	87,000	.00	.00	87,000.00	.0%
10415213 4442 Rental of Equipme	120	0	120	8.07	87.75	24.18	79.9%
10415213 4521 Property Insuranc	315	0	315	.00	.00	315.00	.0%
10415213 4523 General Liability	714	0	714	.00	.00	714.00	.0%
10415213 4530 Communications	381	0	381	56.82	.00	324.18	14.9%
10415213 4580 Travel	100	0	100	.00	.00	100.00	.0%
10415213 4610 General Supplies	2,000	0	2,000	.00	.00	2,000.00	.0%
10415213 4640 Books & Periodica	1,115	0	1,115	.00	.00	1,115.00	.0%
TOTAL Operating Expenditures-Int.Aud	147,853	0	147,853	64.89	87.75	147,700.36	.1%
GRAND TOTAL	646,007	0	646,007	14,448.76	87.75	631,470.49	2.3%

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

CITY OF CLARKSVILLE TENNESSEE

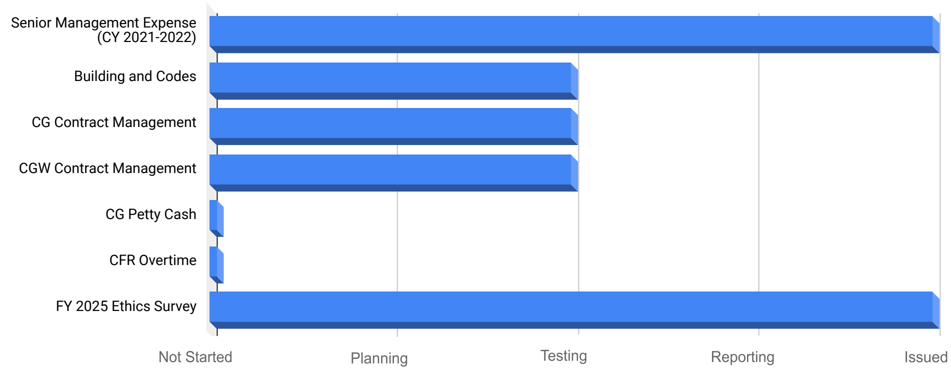
Internal Audit Department

Audit Committee Report

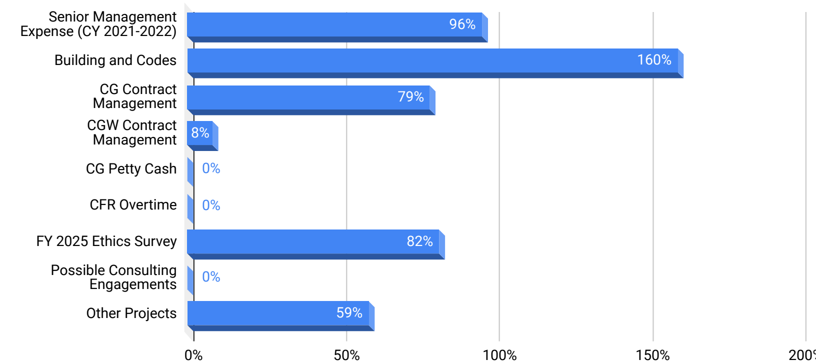
June 2025

Project Statistics

Project Status

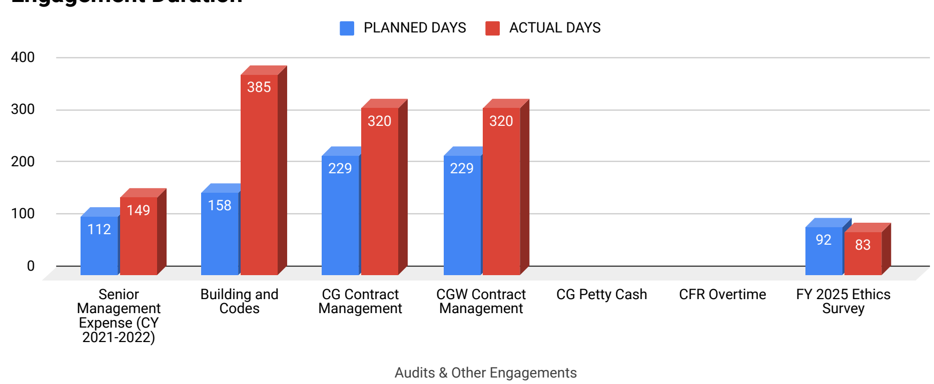


Budgeted Hours Used



	FY 2025 Actual Hours	Total Project Hours	Total Budgeted Hours
Senior Management Expense (CY 2021-2022)	120.00	384.00	400.00
Building and Codes	1,512.50	1,599.75	1,000.00
CG Contract Management	395.75	395.75	500.00
CGW Contract Management	41.25	41.25	500.00
CG Petty Cash	0.00	0.00	400.00
CFR Overtime	0.00	0.00	600.00
FY 2025 Ethics Survey	246.25	246.25	300.00

Engagement Duration



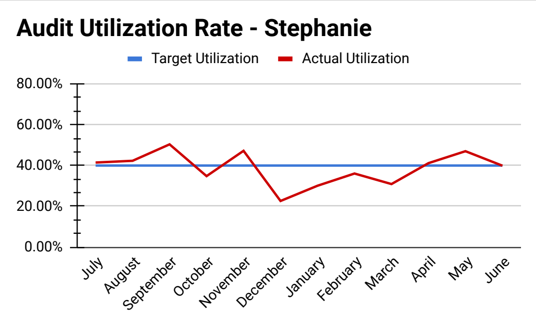
CITY OF CLARKSVILLE TENNESSEE

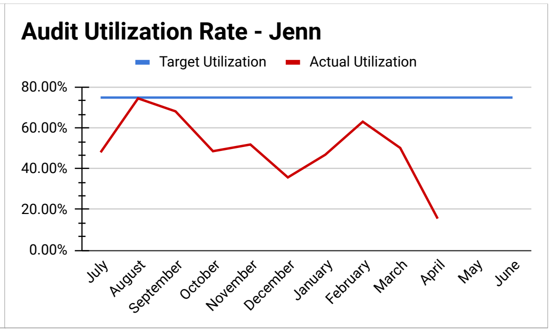
Internal Audit Department
Audit Committee Report
June 2025

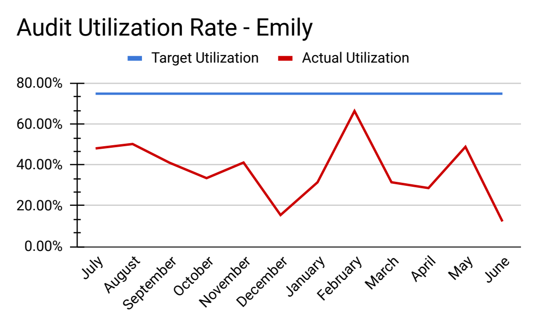
Hotline Statistics

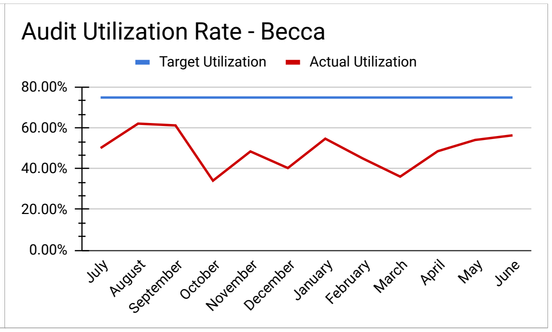
Report Status	Previously Reported	New Reports
Open		
Closed	22	4
Total Reports for FY 2025	22	4

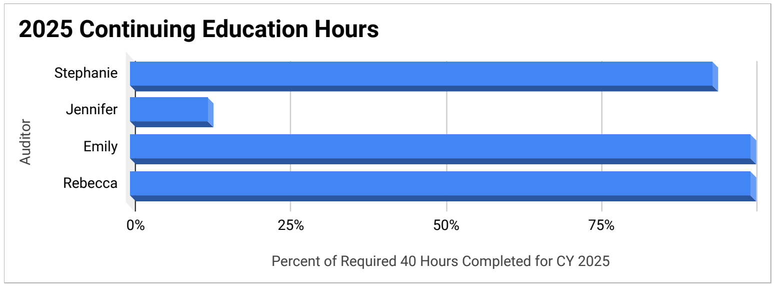
Staff Metrics





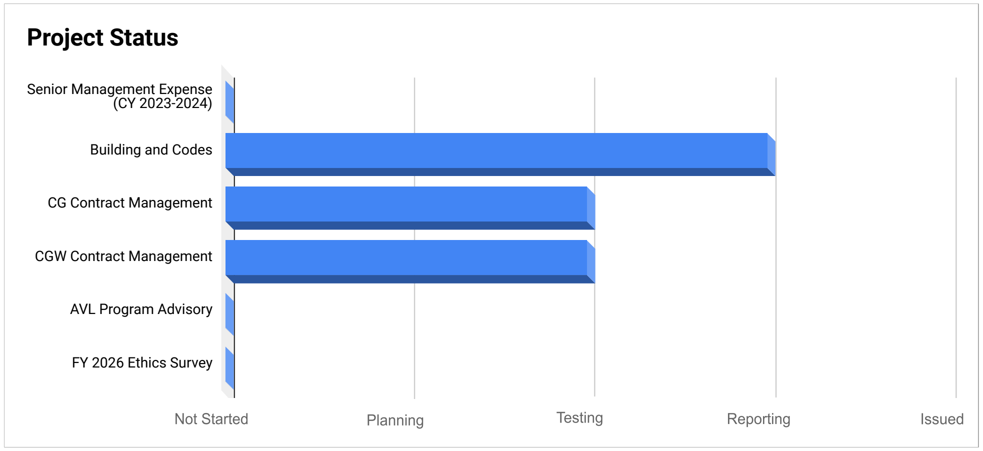


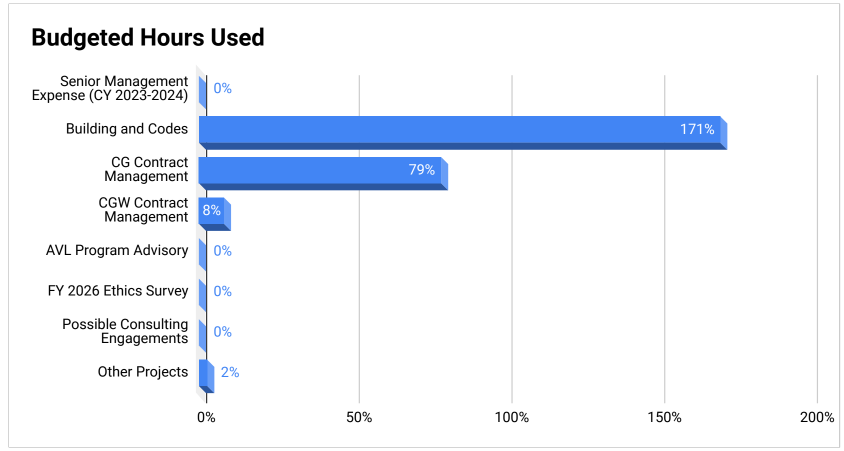




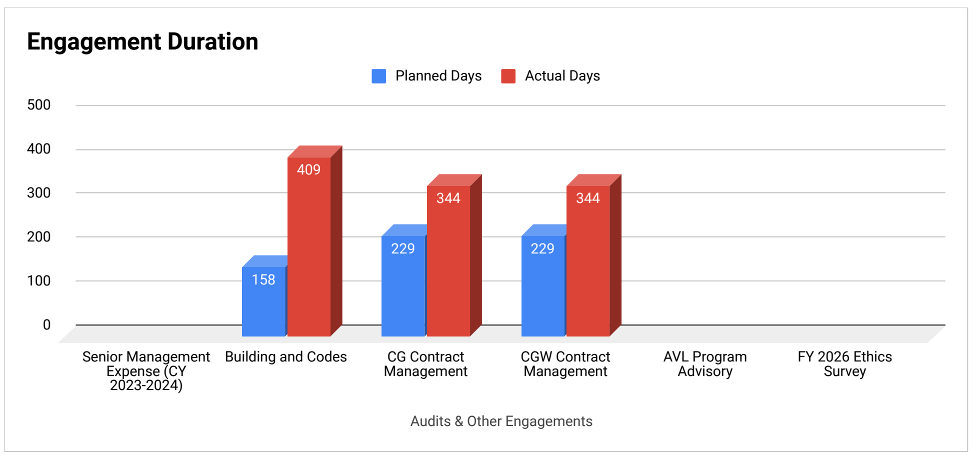
Internal Audit Department
Audit Committee Report
July 2025

Project Statistics





	FY 2026 Actual Hours	Total Project Hours	Total Budgeted Hours
Senior Management Expense (CY 2023-2024)	0.00	0.00	500.00
Building and Codes	106.50	1,706.25	1,000.00
CG Contract Management	0.00	395.75	500.00
CGW Contract Management	0.00	41.25	500.00
AVL Program Advisory	0.00	0.00	100.00
FY 2026 Ethics Survey	0.00	0.00	300.00

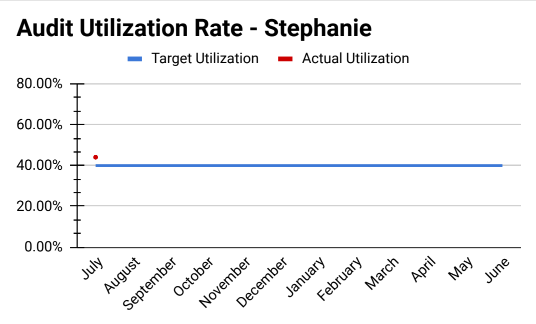


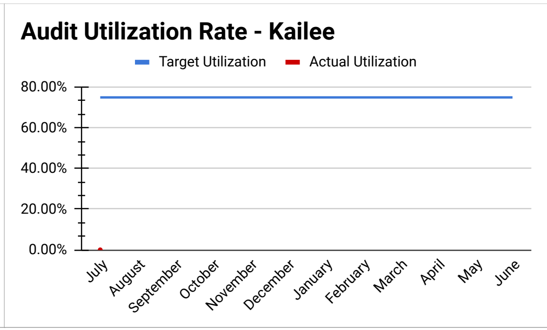
Internal Audit Department
Audit Committee Report
July 2025

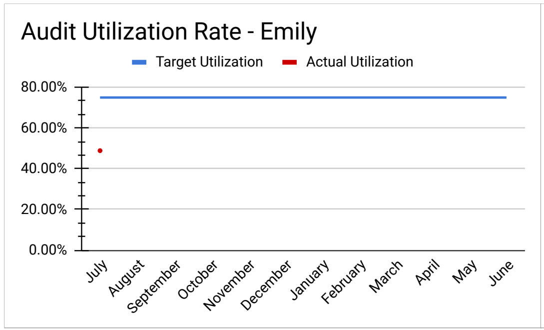
Hotline Statistics

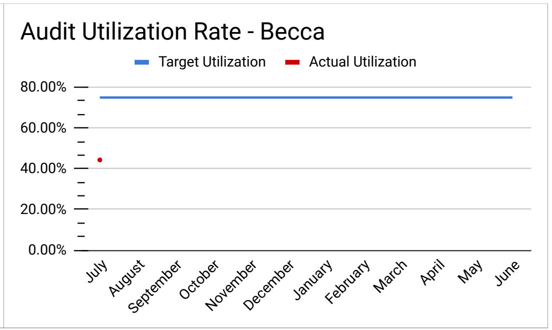
Report Status	Previously Reported	New Reports
Open	0	0
Closed	0	1
Total Reports for FY 2026	0	1

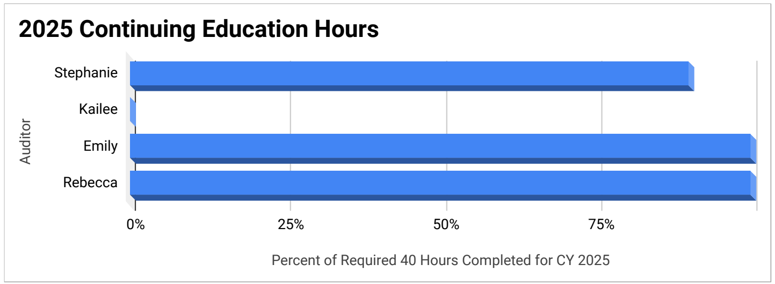
Staff Metrics











Memo

To: Audit Committee Members

From: Stephanie Fox, Director of Internal Audit

Date: July 25, 2025

Re: Reporting on the Quality Assurance and Improvement Program

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In accordance with Standards 8.3, 8.4, and 12.1 of the Global Internal Audit Standards (the Standards), we maintain a quality assurance and improvement program that includes both external and internal assessments of the department's conformance with the Standards and progress toward performance objectives. The program has three main components where quality is evaluated. These components are described in the table below.

Component	Description
Standard 8.4 External Assessment	External assessments or peer reviews are required to be performed by qualified and independent reviewers every five years. Our most recent peer review was completed in October of 2023. The results of that review supported our conformance with the Standards. More information can be found on our website.
Standard 12.1 Periodic Self Assessment	Periodic self assessment is done each year during our department's annual quality review. Details about the scope of this review, as well as the results for FY 2025, are listed in the paragraphs below.
Standard 12.1 Ongoing Monitoring	Ongoing monitoring is incorporated into the routine activities of the department and includes engagement supervision, as well as policies and procedures designed to ensure conformance with the Standards. We evaluate the effectiveness of those monitoring steps at the conclusion of each engagement. The review is limited and is documented within the workpapers for each engagement.

CITY OF CLARKSVILLE TENNESSEE

Results of the Annual Quality Review for FY 2025

We perform an annual quality review of our work each year. Our process uses peer review resources from the Association of Local Government Auditors to evaluate our conformance with the Standards.

Specifically, the annual quality review includes an evaluation of the department's quality control systems and engagements during the year to confirm adherence to the Standards. This involves a review of:

- The Internal Audit Charter
- Departmental policies and procedures
- Continuing education records for department staff

This is our first official annual quality review since implementation of the updated Standards which were released in 2024. We are happy to report the results of the FY 2025 review, which support conformance to the Standards at this time. In our evaluation, the Internal Audit Charter, policies, and procedures addressed requirements of the Standards.

CITY OF CLARKSVILLE INTERNAL AUDIT FY 2025 ANNUAL REPORT

Message from the Director

In accordance with City Code Section 6-615, we are happy to present you with this annual report which highlights the department's accomplishments and work for FY 2025.

This year included many projects outside of audits and investigations that were necessary to keep the department in compliance with auditing standards and ensure we are providing the highest quality services to our stakeholders. During the year, we implemented updated auditing standards, which required a rewrite of departmental policies and procedures, as well as revisions to many of our internal processes and standard workpapers. We also redesigned our audit report for enhanced clarity in reporting engagement results.

FY 2026 will be another busy year with many opportunities to add value to City operations. In addition to the planned audit and advisory engagements, we will be focusing on implementing an audit management software, redesigning our annual city-wide risk assessment process, and implementing new performance metrics for our department. We look forward to continuing work in support of our mission to ensure public trust and promote transparency, accountability, and efficiency throughout City government.

Stephanie Fox CPA, CIA, CMFO
Director of Internal Audit

FY 2025 Accomplishments

Below is a list of audits, investigations, and other activities completed during FY 2025. More information on these is available on our website.

- Completed Senior Management Expense Audit (CY 2021-2022)
- Completed 2025 Ethics Survey and Informational Report
- Implemented revised auditing standards and updated departmental policies accordingly
- Redesigned audit report template for enhanced clarity
- Implemented a new ranking system for audit results to better communicate significance of observations
- Created and implemented formal strategic plan for the department
- Conducted annual city-wide risk assessment and developed FY 2026 audit plan
- Performed annual quality review as required by auditing standards
- Received and resolved 26 complaints to the City's Fraud and Audit Hotline
- Redesigned the City's gift disclosure form and converted to a seamless doc
- Collaborated on annual internal control and risk assessment meetings for each City department
- Served on a team peer reviewing another local government internal audit department

Project Highlights

Senior Management Expense Audit (CY 2021-2022)

This audit is conducted every 2 years and assesses the appropriateness of expenses for the Mayor, City Council, and a selection of department heads. This year's audit showed that controls were in place to ensure appropriateness of senior management expenses, and included some recommendations for process improvement.

2025 Ethics Survey and Informational Report

2025 marked our sixth annual employee ethics survey and accompanying informational report. 57% of employees responded to the survey, this was an increase of 2% from 2024.

Ongoing Projects

Building and Codes Permitting Audit

City General Contract Change Order Process Audit

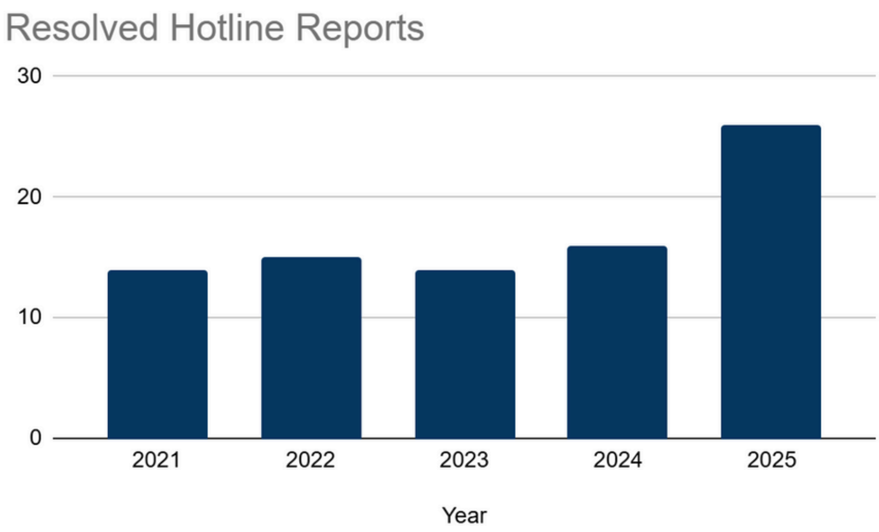
Clarksville Gas & Water Contract Change Order Process Audit

We anticipate these projects to be completed in Fall 2025.

Fraud and Audit Hotline

The Internal Audit department is also responsible for managing the City's fraud hotline. The hotline can be used by anyone to report activity by City employees or City officials that is illegal, improper, wasteful, or fraudulent. Reports are confidential and can be made on our website (linked here), or by calling 931-648-6166.

We received and resolved 26 hotline reports during FY 2025. As shown in the chart, this is a significant increase from the number of reports in prior years.



Approved FY 2026 Projects -DRAFT

We develop an audit plan to guide our work during each fiscal year. The audit plan is based on a City-wide risk assessment which looks at every department. This plan is then presented to the Audit Committee for approval. For fiscal year 2026, the Audit Committee has approved the following projects.

- Building & Codes Permitting Audit
- City General Contract Change Order Process Audit
- Clarksville Gas & Water Contract Change Order Process Audit
- Senior Management Expense Audit (CY 2023-2024)
- AVL Program Advisory Engagement
- FY 2026 Ethics Survey
- Follow Up Assessments on Prior Audits
- IT Assessment (Co- Sourced)

Contact Us

Address: 1 Public Square, Suite 315 | Clarksville, TN 37040

Phone: 931-648-6106

Website: www.clarksvilletn.gov/275/Internal-Audit

Fraud Hotline: 931-648-6166

City of Clarksville Internal Audit FY 2026 Audit Plan DRAFT

Audit Services

Building & Codes Permitting Audit	This audit is a review of the permitting process for residential and commercial building permits, as well as trade permits. It focuses on permit issuance and inspections.	Status: Ongoing Estimated Additional Hours to Complete: 300
City General Contract Change Order Process Audit	This audit is a review of the controls surrounding the change order process for City General contracts. It focuses on ensuring change orders were properly calculated, documented, and approved.	Status: Ongoing Estimated Additional Hours to Complete: 282
Clarksville Gas & Water Contract Change Order Process Audit	This audit is a review of the controls surrounding the change order process for Clarksville Gas & Water contracts. It focuses on ensuring change orders were properly calculated, documented, and approved.	Status: Ongoing Estimated Additional Hours to Complete: 281
Senior Management Expense Audit (CY 2023-2024)	This audit is conducted every two years and reviews the appropriateness of expenses for the Mayor, City Council, and a selection of department heads.	Status: New - Not Started Estimated Hours to Complete: 500

Advisory Services

AVL Program Advisory Engagement	This engagement is planned to be an evaluation of the City's use of automatic vehicle location (AVL) tools.	Status: New - Not Started Estimated Hours to Complete: 100
Other Potential Advisory Engagements	Each year, we include a limited amount of hours for department requests for advisory services.	Estimated Hours Available: 50

Other Projects

FY 2026 Ethics Survey	This project involves conducting an employee survey and preparing an informational report illustrating those results. The survey is sent to all City employees to gauge perceptions of ethics within City government.	Estimated Hours to Complete: 300
IT Assessment (Co-Sourced)	This engagement is planned as a review of an IT topic to be performed by an outside firm with technical expertise in this area.	Estimated Hours Available: 100
Fraud Hotline Investigations	These investigations are a result of reports to the City's Fraud and Audit Hotline. Investigations are conducted as reports are received.	Estimated Hours Available: 300
Other Technical Assistance for Departments	Each year, we include a limited amount of hours to provide technical assistance requested by other departments.	Estimated Hours Available: 100

Other Projects (continued)

Follow Up Assessments	These assessments check the status of audit observations and recommendations from prior audits.	Estimated Hours Available: 400
FY 2026 Annual Risk Assessment	This project is a risk assessment of all departments in the City. It serves as the basis for our audit plan for next fiscal year.	Estimated Hours Available: 200

City of Clarksville
Internal Audit Manual

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

<u>Audit Committee</u>

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 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.
- Assess the effectiveness and efficiency of the Internal Audit Department.
- 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.

The Audit Committee expects that management will provide support for the Internal Audit Department, including meeting applicable essential conditions established in the Standards.

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 a 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 advisory 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 adhering 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 as defined in 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 advisory 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