AUDIT COMMITTEE
AGENDA

DATE: April 29, 2026
LOCATION: City Hall 4th Floor Staff Conference
Room TIME: 3:00 PM

I. CALL TO ORDER – Chairman

II. ANNOUNCE MEMBERS IN ATTENDANCE (VERIFY QUORUM)

III. ADOPTION OF MINUTES
- A. October 29, 2025 Audit Committee Meeting
- B. February 4, 2026 Audit Committee Meeting
- C. February 23, 2026 Audit Committee Meeting
- D. March 25, 2026 Audit Committee Meeting

IV. DEPARTMENT REPORT

V. NEW BUSINESS
- A. None

VI. COMMITTEE ACTION REQUIRED
- A. FY 2027 Proposed Budget
- B. Audit Plan Revision
- C. Policy Revisions - Quality Assurance and Improvement Program, Annual Risk Assessment and Audit Plan, Performing Audit Services, Performing Advisory Services

VII. CITY COUNCIL ACTION REQUIRED
- A. None

VIII. ADJOURNMENT OF PUBLIC MEETING

IX. PUBLIC COMMENTS (5 minutes each)

X. NEXT MEETING - **July 29, 2026 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.

XII. ADJOURNMENT OF EXECUTIVE SESSION

UNAPPROVED

AUDIT COMMITTEE
MINUTES

DATE: October 29, 2025
LOCATION: CITY HALL FOURTH 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: Elizabeth Rankin, Lynn Stokes, Trey Judd, Keri Lovato
Audit Committee members absent: None
Quorum verified? Yes
Internal Audit attendees: Stephanie Fox, Rebecca Darden, Kailee Keatts
Other Attendees: None

III. ADOPTION OF MINUTES: July 30, 2025 Audit Committee Meeting
Lynn Stokes made a motion to adopt the minutes. Elizabeth Rankin seconded the motion. The motion was approved unanimously.

IV. DEPARTMENT REPORT
A. Department Update
Stephanie presented the department update, including the budget report and an update on departmental activity.

V. NEW BUSINESS
A. None

VI. COMMITTEE ACTION REQUIRED
A. Audit Committee Candidate Consideration
The committee reviewed qualifications for a potential candidate to serve on the committee from January 2026 - December 2027. The vote for this item is recorded under City Council action required.

UNAPPROVED

VII. CITY COUNCIL ACTION REQUIRED

A. Nomination of Audit Committee Member for January 2026 - December 2027

Lynn Stokes made a motion to nominate Rodney W. Wright to serve on the Audit Committee from January 2026 through December 2027. Keri Lovato seconded the motion. The motion was approved unanimously.

VIII. ADJOURNMENT OF PUBLIC MEETING

Elizabeth Rankin made a motion to adjourn the public meeting and move into executive session. Lynn Stokes seconded the motion. The public meeting was adjourned at 3:42 pm.

IX. PUBLIC COMMENTS (5 minutes each)

X. NEXT MEETING - **February 4, 2026 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.

The following items were discussed during executive session.

a. Ongoing audits and investigations

XII. ADJOURNMENT OF EXECUTIVE SESSION

During executive session, the committee requested to re-enter regular session. Keri Lovato made a motion to re-enter regular session. Elizabeth Rankin seconded. The motion passed unanimously.

Keri Lovato made a motion directing Internal Audit to review prior recommendations and provide internal control recommendations to the Finance Department. Lynn Stokes seconded the motion. The motion was approved unanimously.

Keri Lovato made a motion to adjourn the executive session. Elizabeth Rankin seconded. The meeting was adjourned at 4:04 pm.

UNAPPROVED

AUDIT COMMITTEE
MINUTES

DATE: February 4, 2026
LOCATION: City Hall 4th Floor Conference Room
TIME: 3:00 PM

I. CALL TO ORDER – Director of Internal Audit
The meeting was called to order by Stephanie Fox at 3:03 pm.

II. ANNOUNCE MEMBERS IN ATTENDANCE (VERIFY QUORUM)
Audit Committee members present: Rodney Wright, Lynn Stokes, Keri Lovato, Elizabeth Rankin
Audit Committee members absent: None
Quorum verified? Yes
Internal Audit attendees: Stephanie Fox, Emily Hammer
Other Attendees:
Christen Wilcox, Chief Financial Officer, City of Clarksville
Dawn Thomack, Senior Finance Director, Clarksville Gas and Water
JD Cage, Crosslin
Jennifer Manternach, Crosslin

III. ELECTION OF CHAIRPERSON AND VICE-CHAIRPERSON
A. Chairperson - Be knowledgeable of Audit Committee functions and responsibilities, chair meetings, represent the Audit Committee before City Council or any other official body as necessary, correspond as necessary in regard to Audit Committee issues, prepare Director's annual performance evaluation, and coordinate with Human Resources to hire (or terminate) in regard to the Director's position.

Rodney Wright made a motion to elect Lynn Stokes as Chairman. Rodney Wright withdrew the motion.
Lynn Stokes made a motion to elect Elizabeth Rankin as Chairman.
Keri Lovato seconded the motion to elect Elizabeth Rankin. The motion was approved unanimously.

UNAPPROVED

B. Vice Chairperson - Be knowledgeable of Audit Committee functions and responsibilities, fill in for or provide assistance to the Chairperson related to any of the duties listed above.

Keri Lovato made a motion to elect Lynn Stokes as Vice Chairman. Rodney Wright seconded. The motion was approved unanimously.

IV. FINANCIAL STATEMENT AUDIT PRESENTATION BY Crosslin

Crosslin presented the results of the FY 2025 financial and compliance audit for the City of Clarksville.

V. ADOPTION OF MINUTES

A. October 29, 2025 Audit Committee Meeting

Keri Lovato made a motion to postpone the adoption of the minutes until the April meeting pending review of the recording to verify the accuracy of a motion made during the October meeting. Lynn Stokes seconded. The motion was approved unanimously.

VI. DEPARTMENT REPORT

Stephanie presented the budget report and an update on department activity.

VII. NEW BUSINESS

A. None

VIII. COMMITTEE ACTION REQUIRED

A. Crosslin Contract Renewal

Lynn Stokes made a motion to approve the Crosslin contract renewal for the FY 2026 financial and compliance audit. Rodney Wright seconded. The motion was approved unanimously.

B. Performance Objectives and Measures

Stephanie presented the proposed updates to performance objectives and measures for the department.

Keri Lovato made a motion to approve the performance objectives and measures. Lynn Stokes seconded. The motion was approved unanimously.

C. Audit Committee Candidate Consideration

The committee reviewed qualifications for a potential candidate to serve on the committee from March 2026 - December 2027. The vote for this item is recorded under City Council action required.

IX. CITY COUNCIL ACTION REQUIRED

A. Nomination of Audit Committee Member for March 2026 - December 2027

Keri Lovato made a motion to nominate Chris Reneau to serve on the Audit Committee from March 2026 through December 2027. Rodney Wright seconded. The motion was approved unanimously.

X. ADJOURNMENT OF PUBLIC MEETING

UNAPPROVED

Keri Lovato made a motion to adjourn the public meeting and move into executive session. Rodney Wright seconded. The public meeting was adjourned at 4:24 pm.

XI. PUBLIC COMMENTS (5 minutes each)

XII. NEXT MEETING - **April 29, 2026 3:00 PM**

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

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

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

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

The following items were discussed during executive session.

a. Ongoing audits and investigations

XIV. ADJOURNMENT OF EXECUTIVE SESSION

Keri Lovato made a motion to adjourn the executive session. Lynn Stokes seconded. The executive session was adjourned at 4:45 pm.

UNAPPROVED

AUDIT COMMITTEE
MINUTES

DATE: February 23, 2026
LOCATION: City Hall 4th Floor Conference Room
TIME: 3:00 PM

I. CALL TO ORDER – Chairman
The meeting was called to order by Elizabeth Rankin at 3:03 pm.

II. ANNOUNCE MEMBERS IN ATTENDANCE (VERIFY QUORUM)
Audit Committee members present: Rodney Wright, Lynn Stokes, Keri Lovato, Elizabeth Rankin
Audit Committee members absent: None
Quorum verified? Yes
Internal Audit attendees: Stephanie Fox, Emily Hammer
Other Attendees:
Zachary Johnston, Assistant City Attorney, City of Clarksville
Christen Wilcox, Chief Financial Officer, City of Clarksville
Dawn Thomack, Senior Finance Director, Clarksville Gas and Water
David Johns, Chief Financial Officer, CDE Lightband

III. NEW BUSINESS
A. None

IV. COMMITTEE ACTION REQUIRED
A. Discussion and vote on Crosslin contract renewal from February 4, 2026 meeting
Following the previous meeting, the City was notified that Crosslin did not timely file the CDE Lightband audit for FY 2025 with the Tennessee Comptroller's Office.

Rodney Wright made a motion to rescind the approval for the Crosslin contract renewal. Keri Lovato seconded. The motion was approved unanimously.

Keri Lovato made a motion for Internal Audit to issue a request for proposals to select a new audit firm. Lynn Stokes seconded.

UNAPPROVED

Rodney Wright made a motion to amend the motion to issue a request for proposals to include a one year term, with five additional renewals. Lynn Stokes seconded. The motion to amend was approved unanimously.

The motion as amended was approved unanimously.

V. CITY COUNCIL ACTION REQUIRED

A. None

VI. ADJOURNMENT OF PUBLIC MEETING

Keri Lovato made a motion to adjourn the public meeting. Lynn Stokes seconded. The public meeting was adjourned at 3:29 pm.

VII. PUBLIC COMMENTS (5 minutes each)

VIII. NEXT MEETING - **April 29, 2026 3:00 PM**

UNAPPROVED

AUDIT COMMITTEE
MINUTES

DATE: March 25, 2026
LOCATION: City Hall 4th Floor Conference Room
TIME: 2:00 PM

I. CALL TO ORDER – Chairman
The meeting was called to order by Elizabeth Rankin at 2:08 pm.

II. ANNOUNCE MEMBERS IN ATTENDANCE (VERIFY QUORUM)
Audit Committee members present: Rodney Wright, Lynn Stokes, Keri Lovato, Elizabeth Rankin, Chris Reneau
Audit Committee members absent: None
Quorum verified? Yes
Internal Audit attendees: Stephanie Fox, Emily Hammer
Other Attendees:
Christen Wilcox, Chief Financial Officer, City of Clarksville
Dawn Thomack, Senior Finance Director, Clarksville Gas and Water
David Johns, Chief Financial Officer, CDE Lightband

III. PRESENTATION OF FINANCIAL AND COMPLIANCE AUDIT PROPOSALS
Stephanie Fox gave a brief overview of the request for proposals (RFP) process.

The following firms presented proposals to perform financial and compliance audits for the City of Clarksville, CDE Lightband, and Clarksville Gas, Water, and Wastewater:

ATA
CliftonLarsonAllen LLP
Mauldin & Jenkins

IV. ADJOURNMENT
Keri Lovato made a motion to adjourn the public meeting. Chris Reneau seconded. The public meeting was adjourned at 4:30 pm.

V. PUBLIC COMMENTS (5 minutes each)

VI. NEXT MEETING - **April 29, 2026 3:00 PM**

Audit Plan Status

The table below shows FY 2026 projects and their current status.

Project	Status	Note
Building & Codes Permitting Audit	Completed	Issued in October 2025
City General Contract Management Change Order Audit Clarksville Gas & Water Contract Management Change Order Audit	Ongoing - Reporting Phase	Working with CGW on their management responses and action plans. Both reports will be issued at the same time.
FY 2026 Ethics Survey	Completed	Issued April 2026
IT Assessment	Completed	Completed April 2026
Wire Transfer Controls Advisory Engagement	Completed	Completed April 2026
AVL Program Advisory Engagement	Not Yet Started	
Senior Management Expense Audit (Calendar Years 2023-2024)	Ongoing - Planning Phase	

Ongoing/Recently Completed Project Hours

Project	Hours Actual	Hours Budgeted
City General Contract Management Change Order Audit Clarksville Gas & Water Contract Management Change Order Audit	1,270.75	1,000
FY 2026 Ethics Survey	184.5	300
IT Assessment	14.5	100
Wire Transfer Controls Advisory Engagement	69.5	80
Senior Management Expense Audit (Calendar Years 2023-2024)	88.5	500

Hotline Activity

We have received 31 total hotline reports since July 1, 2025. Ten of these were received after the last regular committee meeting in February. All of the reports have been resolved and are considered closed.

Staff Metrics

Continuing Professional Education Requirements

Auditor	Percentage of Required Hours Completed
Stephanie	42.5%
Emily	45%
Kailee	0%
Becca	2.5%

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	-44,180	309,071	223,799.15	.00	85,271.85	72.4%
10415211 4112	Part-Time Employe	2,700	-2,700	0	.00	.00	.00	.0%
10415211 4113	Longevity Pay	500	0	500	500.00	.00	.00	100.0%
10415211 4211	Health Insurance	66,192	-6,940	59,252	47,575.50	.00	11,676.50	80.3%
10415211 4212	Dental Insurance	1,656	-173	1,483	1,190.25	.00	292.75	80.3%
10415211 4213	Life Insurance	212	-4	208	150.42	.00	57.58	72.3%
10415211 4214	Disability Insura	1,519	-185	1,334	962.26	.00	371.74	72.1%
10415211 4221	Social Security C	25,976	-3,515	22,461	16,276.52	.00	6,184.48	72.5%
10415211 4231	TCRS Contribution	46,148	-7,064	39,084	29,577.64	.00	9,506.36	75.7%
TOTAL Salaries and Wages-Inter.Audit		498,154	-64,761	433,393	320,031.74	.00	113,361.26	73.8%
10415213 Operating Expenditures-Int.Aud								
10415213 4321	Employee Training	10,400	-1,500	8,900	5,408.26	.00	3,491.74	60.8%
10415213 4322	Memberships & Con	2,325	-170	2,155	1,813.37	.00	341.63	84.1%
10415213 4323	Employee Testing	105	-57	48	48.00	.00	.00	100.0%
10415213 4324	Software License	42,200	0	42,200	34,226.62	6,451.61	1,521.77	96.4%
10415213 4325	Software Renewals	1,078	0	1,078	384.76	.00	693.24	35.7%
10415213 4334	Accounting/Auditi	87,000	-5,910	81,090	50,877.50	212.50	30,000.00	63.0%
10415213 4442	Rental of Equipme	120	-16	104	87.11	15.95	.94	99.1%
10415213 4521	Property Insuranc	315	-44	271	270.84	.00	.16	99.9%
10415213 4523	General Liability	714	-28	686	685.19	.00	.81	99.9%
10415213 4530	Communications	381	0	381	287.75	56.82	36.43	90.4%
10415213 4580	Travel	100	-100	0	.00	.00	.00	.0%
10415213 4610	General Supplies	2,000	-1,000	1,000	234.17	.00	765.83	23.4%
10415213 4640	Books & Periodica	1,115	-400	715	.00	.00	715.00	.0%
TOTAL Operating Expenditures-Int.Aud		147,853	-9,225	138,628	94,323.57	6,736.88	37,567.55	72.9%
GRAND TOTAL		646,007	-73,986	572,021	414,355.31	6,736.88	150,928.81	73.6%

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

CITY OF CLARKSVILLE

NEXT YEAR / CURRENT YEAR BUDGET ANALYSIS

PROJECTION: 2027 2027 City of Clarksville Budget FOR PERIOD 99

ACCOUNTS FOR: General Fund		2025 ACTUAL	2026 ORIG BUD	2026 REVISED BUD	2026 ACTUAL	2026 PROJECTION	2027 Finance	COMMENT
521	Internal Audit							
10415211	Salaries and Wages-Inter.Audit							
10415211 4111	Full-Time	317,771.66	353,251.00	309,071.00	223,799.15	.00	339,232.00	
10415211 4112	Part-Time	2,358.75	2,700.00	.00	.00	.00	.00	
10415211 4113	Longevity	450.00	500.00	500.00	500.00	.00	550.00	
10415211 4211	Health	57,592.00	66,192.00	59,252.00	47,575.50	.00	71,304.00	
10415211 4212	Dental	1,587.00	1,656.00	1,483.00	1,190.25	.00	1,656.00	
10415211 4213	Life	200.56	212.00	208.00	150.42	.00	212.00	
10415211 4214	Disability	1,355.37	1,519.00	1,334.00	962.26	.00	1,461.00	
10415211 4221	Social Sec	23,312.16	25,976.00	22,461.00	16,276.52	.00	24,447.00	
10415211 4231	TCRS	39,214.51	46,148.00	39,084.00	29,577.64	.00	52,226.00	
10415211 4261	OJI	.00	.00	.00	.00	.00	1,426.00	
TOTAL Salaries and Wages-Int		443,842.01	498,154.00	433,393.00	320,031.74	.00	492,514.00	
10415213	Operating Expenditures-Int.Aud							
10415213 4321	Training	10,158.04	10,400.00	8,900.00	5,408.26	.00	15,050.00	
10415213 4322	Memb/Conv	1,662.48	2,325.00	2,155.00	1,813.37	.00	2,740.00	
10415213 4323	Testing	102.53	105.00	48.00	48.00	.00	.00	
10415213 4324	License	321.17	42,200.00	42,200.00	40,678.23	.00	1,300.00	
10415213 4325	Soft/Renew	953.82	1,078.00	1,078.00	384.76	.00	31,140.00	
10415213 4334	Acct/Audit	50,987.50	87,000.00	81,090.00	51,090.00	.00	78,000.00	
10415213 4442	Equip Rent	97.38	120.00	104.00	103.06	.00	120.00	
10415213 4521	Property	329.00	315.00	271.00	270.84	.00	284.00	
10415213 4522	Auto Ins	.00	.00	.00	.00	.00	635.00	
10415213 4523	Gen.Liab	631.00	714.00	686.00	685.19	.00	1,969.00	
10415213 4530	Commun.	333.12	381.00	381.00	344.57	.00	200.00	
10415213 4580	Travel	.00	100.00	.00	.00	.00	100.00	
10415213 4610	Gen.Supp.	448.53	2,000.00	1,000.00	234.17	.00	1,500.00	
10415213 4640	Bks & Per.	1,485.69	1,115.00	715.00	.00	.00	1,115.00	
TOTAL Operating Expenditures		67,510.26	147,853.00	138,628.00	101,060.45	.00	134,153.00	
TOTAL Internal Audit		511,352.27	646,007.00	572,021.00	421,092.19	.00	626,667.00	
TOTAL General Fund		511,352.27	646,007.00	572,021.00	421,092.19	.00	626,667.00	
	TOTAL REVENUE	.00	.00	.00	.00	.00	.00	
	TOTAL EXPENSE	511,352.27	646,007.00	572,021.00	421,092.19	.00	626,667.00	
	GRAND TOTAL	511,352.27	646,007.00	572,021.00	421,092.19	.00	626,667.00	

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

CITY OF CLARKSVILLE

NEXT YEAR BUDGET DETAIL REPORT

PROJECTION: 2027 2027 City of Clarksville Budget

ACCOUNTS FOR: General Fund		VENDOR	QUANTITY	UNIT COST	2027 Finance
521 Internal Audit					
10415213 Operating Expenditures-Int.Aud					
10415213 4321 -					15,050.00 *
	CONTINUING PROFESSIONAL EDUCATION (CPE). CPE IS REQUIRED TO MAINTAIN APPLICABLE LICENSES/DESIGNATIONS AND ADHERE TO AUDITING STANDARDS.		4.00	750.00	3,000.00
	ASSOCIATION OF LOCAL GOVERNMENT AUDITORS (ALGA) CONFERENCE - LOCAL GOVT ACCT/AUDIT UPDATE CPE/TRAINING AND NETWORKING WITH OTHER LOCAL GOVERNMENT AUDITORS		4.00	1,875.00	7,500.00
	MIDDLE TENNESSEE ASSOCIATION OF CERTIFIED FRAUD EXAMINERS - ANNUAL FRAUD CONFERENCE FRAUD DETECTION AND DETERRENCE CPE		1.00	500.00	500.00
	CERTIFIED PUBLIC ACCOUNTANT (CPA) EXAM FEES AND LICENSURE		1.00	2,000.00	2,000.00
	CERTIFIED MUNICIPAL FINANCE OFFICER (CMFO) PROGRAM COST		1.00	550.00	550.00
	CERTIFICATIONS FOR AUDIT STAFF FUNDING FOR ADDITIONAL APPLICABLE CERTIFICATIONS FOR STAFF		1.00	1,500.00	1,500.00
10415213 4322 -					2,740.00 *
	TENNESSEE SOCIETY OF CPAS (TSCPA)		2.00	340.00	680.00
	AMERICAN INSTITUTE OF CPAS (AICPA)		2.00	370.00	740.00
	ASSOCIATION OF LOCAL GOVERNMENT AUDITORS (ALGA) - GROUP MEMBERSHIP		1.00	320.00	320.00
	INSTITUTE OF INTERNAL AUDITORS (IIA) GROUP MEMBERSHIP		1.00	800.00	800.00
	MIDDLE TN ASSOCIATION OF CERTIFIED FRAUD EXAMINERS		4.00	50.00	200.00
10415213 4324 -					1,300.00 *
	MICROSOFT OFFICE LICENSES FOR REPLACEMENT COMPUTERS Adjusted per Stephanie; JS 4.3.26		1.00	1,300.00	1,300.00
10415213 4325 -					31,140.00 *
	ARBUTUS DATA ANALYTICS SOFTWARE		1.00	700.00	700.00
	ADOBE ACROBAT - ANNUAL SUBSCRIPTIONS		4.00	110.00	440.00
	AUDIT SOFTWARE ANNUAL SUBSCRIPTION		4.00	7,500.00	30,000.00

NEXT YEAR BUDGET DETAIL REPORT

PROJECTION: 2027 2027 City of Clarksville Budget

ACCOUNTS FOR: General Fund		VENDOR	QUANTITY	UNIT COST	2027 Finance
10415213 4334 -					78,000.00 *
	CITY GENERAL FINANCIAL & COMPLIANCE AUDIT - FY 2026 AUDIT		1.00	58,000.00	58,000.00
	CITY GENERAL FINANCIAL & COMPLIANCE AUDIT - FY 2027 INTERIM AUDIT WORK		1.00	20,000.00	20,000.00
10415213 4442 -					120.00 *
	ALLOCATED PORTION WATER COOLER RENTAL		1.00	120.00	120.00
10415213 4521 -					284.00 *
	PROPERTY INSURANCE - PREMIUM ALLOCATION		1.00	284.00	284.00
10415213 4522 -					635.00 *
	AUTOMOBILE INSURANCE - INTERNAL SERVICE FUND ALLOCATION		1.00	635.00	635.00
10415213 4523 -					1,969.00 *
	GENERAL LIABILITY INSURANCE - PREMIUM ALLOCATION		1.00	734.00	734.00
	GENERAL LIABILITY INSURANCE - INTERNAL SERVICE FUND ALLOCATION		1.00	1,235.00	1,235.00
10415213 4530 -					200.00 *
	ALLOCATION PER I.T.		1.00	200.00	200.00
10415213 4580 -					100.00 *
	LOCAL TRAVEL - MILEAGE		1.00	100.00	100.00
10415213 4610 -					1,500.00 *
	GENERAL SUPPLIES		1.00	1,500.00	1,500.00
10415213 4640 -					1,115.00 *
	RESOURCE MATERIALS		1.00	400.00	400.00
	KNOWLEDGELEADER SUBSCRIPTION AUDIT PROGRAMS, CHECKLISTS, TOOLS, RESOURCES, AND BEST PRACTICES		1.00	715.00	715.00
TOTAL Operating Expenditures-Int.Aud					134,153.00
TOTAL Internal Audit					134,153.00
TOTAL General Fund					134,153.00
	TOTAL REVENUE				.00
	TOTAL EXPENSE				134,153.00
	GRAND TOTAL				134,153.00

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

City of Clarksville
Internal Audit
FY 2026 Audit Plan (Partial)

Proposed Project Revisions and Substitutions

Current

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
Follow Up Assessments	These assessments check the status of audit observations and recommendations from prior audits.	Estimated Hours Available: 400

Proposed

Key Advisory Engagement	This engagement is planned to be an evaluation of the processes supporting the creation, distribution, and maintenance of City Hall keys.	Status: New - Not Started Estimated Hours to Complete: 200
Follow Up Assessments	These assessments check the status of audit observations and recommendations from prior audits.	Estimated Hours Available: 300

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
External Assessments
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)

If this assessment identifies 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.

If nonconformance with the Standards affects the overall scope of operation of the department, the Director will disclose the nonconformance and related impact to the Audit Committee and senior management.

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. ~~C~~To complete engagements efficiently and effectively
B. ~~P~~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
    - Status of fraud hotline reports
    - ~~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
    - Post engagement feedback survey ratings

- 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	January 29, 2026	**Revision Approval**	
Revision Date	April 25, 2025	**Revision Approval**	April 30, 2025
Initial Date	October 25, 2024	**Initial Approval**	October 30, 2024

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 standards 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 risk assessment and audit plan will consider coverage of information technology governance, fraud risk, the effectiveness of the organization's compliance and ethics programs, and other high-risk areas.

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

Procedure

Annual Risk Assessment

Gathering Information

The risk assessment and audit plan must be based on the department's comprehensive understanding of the City's governance, risk management, and control processes. 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 advisory 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 advisory engagement.

To complement the information sources listed above, information from outside sources is considered to identify emerging risks and other trends. Outside sources may include the Association of Local Government Auditors, the Institute of Internal Auditors, other continuing education focused on emerging risks, audit reports from other jurisdictions, and interactions with other local government internal audit departments.

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.

There are three key phases for the annual risk assessment that build upon one another. The Director will use information gathered throughout the year to score and evaluate the applicable risk criteria for each phase.

1. Phase One - Department Evaluation
    a. The department as a whole is scored on established risk criteria.
    b. The departments exceeding an established risk threshold will move to phase two
2. Phase Two - Functional Area Evaluation
    a. Departments will be broken down into functional areas for a tailored risk assessment.
    b. The highest scoring functional area and respective department will move to phase three
3. Phase Three - Audit Topic Proposals
    a. Audit topics will be proposed and tailored to the chosen departmental functional areas.

b. Topics will be chosen based on professional judgment, considering risk, impact, and/or available budget hours.

~~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 identified during the process described above are~~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 is predominantly comprised of the risk based projects identified above~~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 (as appropriate)
- Senior Management Expense (as appropriate)
- Possible advisory 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 and related resource estimates~~requirements~~ 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 a biennial~~n 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 biennial~~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. If the Director cannot achieve an appropriate level of coordination, the Director will discuss this issue with senior management and the Audit Committee if necessary.

Policy Revision History

Revision Date	April 20, 2026	**Revision Approval**	
Revision Date	April 25, 2025	**Revision Approval**	April 30, 2025
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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. As each workpaper for the engagement is completed, it should be signed and dated by the auditor and assigned to the Director of Internal Audit (Director), or their designee, for review. For workpapers in Google formats, the Director should be assigned through a comment in the document. For other formats, the file should be shared to the Director from Google Drive.

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. Each engagement may require different workpapers depending on the nature of the audit. Workpapers required for every audit are listed in the table below.

Workpaper Index	**Workpaper Name**
00	Audit Program
01-01	Planning Memo
01-01a	GRC Assessment
01-01b	Scope and Objective Development
01-03	Independence and Objectivity
01-04	Audit Start Email PDF
01-05	Engagement Memo Email PDF
03-02.1	Audit Report Draft
03-02.2	Reference Draft
03-04	Exit Meeting Notes
03-05	Management Response
03-06	Pre-Release Discussion
03-07	Communication to AC/Mayor
03-07.5	Final Communication
03-08	Final Report PDF
05-01	Engagement Level QA Checklist
07	Post Audit Continuous Improvement Meeting

Audit Setup

At the onset of each engagement, the auditor will create an electronic folder on the Internal Audit shared drive to store workpapers associated with the engagement. The auditor will copy the standard workpaper templates into the engagement folder. Planning workpapers will be stored in the subfolder 01 Planning. Testing workpapers will be stored in the subfolder 02 Testing. Reporting workpapers will be stored in the subfolder 03 Reporting. Follow up workpapers will be stored in the subfolder 04 Follow Up. The quality assurance workpapers will be stored in the subfolder 05 QA.

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. The auditor should prepare the audit start notifications by filling in audit specific fields highlighted on the templates in WP 01-04 .

There are two notification templates which need to be completed and sent:

1. To the department head of the area being audited
2. To the Mayor, Chief of Staff, CFO, City Attorney, and City Council.

The auditor should assign the document to the Director for review when completed. The Director will email the audit start notifications to the appropriate parties and include a copy of each to the Audit Committee. The auditor will save these emails and any responses as PDFs in the 01 Planning folder.

Independence and Objectivity Discussion

The Internal Audit Department will discuss any potential impairments to independence or objectivity during the audit kick off meeting. In addition to the discussion, each engagement team member will complete a page of WP 01-03 Independence and Objectivity. If any independence or objectivity issues arise during the audit, the team member should notify the Director immediately.

Entrance Meeting

An entrance meeting will be organized by either the auditor or Director with the management of the area under review. The auditor should have a general understanding of the area prior to this meeting to prepare a list of questions and discussion topics. Discussion topics for this meeting include an overview of the audit process, department objectives, management concerns, and established criteria for accomplishing objectives. Frequency and preferences of communication will also be discussed for continuing the audit. After the meeting, the auditor will document the discussion as a planning workpaper (WP 01-06).

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

Planning Memo

The planning memo (WP 01-01) is one of two key planning documents. The goal of this workpaper is to gain an understanding of both the department and process under review and document all necessary planning considerations. The planning memo will be completed with information obtained from management during the entrance and other discussions, as well as research on the engagement topic. The table below lists each section of the planning memo and gives a brief description of what should be included. All relevant documentation related to the planning memo should be saved as supporting documentation in the planning memo support folder.

WP Section	Description
Department/Program Overview	This section should give a background of the department and program under review. It may include key personnel, important information about the process, history of the process, any important changes to the process, etc.
Department Objectives & Performance Management	This section should address the strategies and objectives of the department/activity under review, how those objectives align with the City's strategies and objectives, and how the department controls its performance. It should also discuss the department's identified risks, as well as how those risks are mitigated.
Applications/Systems Overview	This section should include information about any software that is used in the process under audit, as well as how it is used.
Self Identified Issues and/or Regulatory Issues	This section should include any potential issues identified by management regarding the process under review. These are likely to be described by management at the entrance meeting. This may also include any regulatory areas where management has concerns.
Prior Audit Results	In this section, the auditor will identify any prior audits or investigations of the area and review any issues identified during those audits/investigations. The auditor will review

	these to determine whether they may still be applicable to the current engagement.
Regulation Review	The auditor should identify any regulations that are applicable to the department and relevant to the process under review and list them here. These regulations should be saved in the supporting documentation folder and reviewed by the auditor to identify requirements that may be reviewed during the engagement.
Policy Review	This section should include any City or department level policies that are relevant to the topic at hand. As with the regulations identified above, the policies should be saved and reviewed by the auditor to determine applicable requirements related to the process.
Opportunities to Contribute	This section should describe areas where the Internal Audit Department has an opportunity to make significant improvements to governance, risk management, and control processes.
Engagement Objectives	The engagement team will develop appropriate engagement objectives which reflect the preliminary risk assessment performed on WP 00.
Engagement Scope	The engagement team will also establish the scope of the engagement, which must be sufficient to achieve the objectives of the engagement. The scope will include details such as the audit period, and consideration of relevant processes, systems, records, personnel, and physical properties. This section may also include any applicable scope exclusions. If the engagement team identifies any significant advisory engagement opportunities during an audit, any resulting advisory project will be performed in accordance with the department's advisory engagement policy.
Technology Based Audit Techniques	In this section, the engagement team will identify any areas where technology based audit techniques or other data analysis can be used to improve efficiency or effectiveness of the engagement. If there are areas where this would be useful, the team should also identify what tools will be used.

GRC Assessment

The GRC assessment (WP 01-01a) is a supporting workpaper to WP 01-01 Planning Memo. The auditor should use this workpaper to consider the adequacy and effectiveness of the governance, risk management, and control processes. It includes a summary of the condition of internal control based on the COSO framework.

Walkthroughs

The auditor may set up time to perform walkthroughs of the process under audit with the department. In the walkthrough, the auditor may observe in more detail how the process under audit works. It also provides time with personnel who perform the function for asking detailed questions. The walkthrough will be documented upon return by the auditor as WP 01-07. The walkthrough workpaper will also contain an evaluation of controls that are present in the process. Multiple walkthroughs can be performed for each engagement. Results of walkthroughs may be documented in a process flow chart also.

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 tabs within the audit program (WP 00). 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 walkthroughs 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 on a scale of 1-5. 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 appears to be appropriately designed. Considering any controls, the auditor will determine the residual likelihood and impact for each identified risk. Finally, the audit team will evaluate the significance of identified risks and prioritize them for review. This evaluation assists auditors in designing procedures to test for operational effectiveness.

For engagements where relevant risks have been identified in a previous engagement, auditors are only required to review and update the previous engagement's risk assessment. This would be applicable in the senior management expense audit and the annual employee ethics survey.

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.

Work/Audit Program (13.6)

Development and Documentation
The work program (WP 00) 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. This is the roadmap for the audit and gives details of each step in the audit for replication. It will specify the evaluation criteria for each objective, outline the tasks required, identify the methodologies to be used, define the sample size, list the tools necessary for task execution, and assign the internal auditors responsible for each task. The work program should determine whether the controls in place are adequate to mitigate the inherent risks in the process.

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, sample sizes, and records of task review and approval.

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 evaluated for adequate sufficiency and relevance 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 evidence collected is not adequately sufficient, relevant, and reliable, auditors will determine whether to gather additional information. If additional analysis is required, the work program

should be updated and approved by the Director. If relevant information is unattainable, Internal Audit will determine if it 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 additional analysis is required, the work program should be updated and approved by the Director.

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

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. During planning, the Scope and Objective Development workpaper (WP 01-01b) should be used to curate discussions to decide these two items.

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, objectives, and proposed timing are finalized and approved by the Director, the auditor will send an engagement memo to the appropriate parties. The auditor should prepare the engagement memo (WP 01-05) by filling in specific fields highlighted on the

template. This workpaper should then be assigned to the Director for review, who will then email the engagement memo to appropriate recipients (department head, Mayor, Chief of Staff, other department contacts).

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 to be inadequate, the auditor must collaborate with management to define suitable criteria.

Evaluation of Findings

Through planning and testing, the auditor will keep a list of possible observations and findings in WP 03-01. Each potential finding will be evaluated to determine its significance for prioritization, either high, medium, or low. This evaluation should be done by considering the likelihood and impact of the finding.. Each finding should include a workpaper reference and a brief description of the issue identified. The Internal Audit staff will then meet to discuss the observations and categorize them into a limited number of observations of the report. The possible observations can be disposed of in 3 different ways: (1) verbally to management, (2) formally to management outside of the audit report, or (3) in the audit report. All material observations within the scope of the audit will be included in the audit report.

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.

Internal Audit will review management responses to ensure they properly address issues. If there are disagreements, both parties will work together to come to a resolution. If no resolution can be reached, Internal Audit may provide a written rebuttal to be included in the audit report alongside management's responses.

¶

~~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.

Audit Report Draft

The auditor will prepare the first draft of the audit report in WP 03-02.1 and it should be marked DRAFT until the final report is ready to be released. The report template should be used to assist the auditor in addressing the applicable standards and enhance consistency among reports.

The report template consists of three main sections:

1. The background: Provides pertinent details of the process to enhance the reader's understanding of the subject matter
2. The audit objectives, scope, and methodology
3. The audit results: Contains observations and applicable conclusions related to audit objectives, as well as management action plans and comments.

The audit report template does not contain a section dedicated to an overall opinion, as the department does not typically provide an overall opinion on the process being audited. Should an audit result in no observations or findings, this satisfactory performance on the part of the department will be acknowledged in the audit report.

In writing the report, the auditor will need to condense the observations into high level summaries of the issues identified. Although condensed, the observations in the report should still contain the elements of a finding. The possible finding WP can be used as a guide. The writing in the report itself should be high quality and use proper grammar and sentence structure. The Director, as well as other Internal Audit staff members will review the report upon completion. The review process for reports is extensive and is meant to ensure the report is as accurate, objective, clear, concise, constructive, complete, and timely as possible.

Reference Draft

Once the report is completed, the auditor will also prepare a reference draft of the report in WP 03-02.2. A reference draft is a copy of the report on which the auditor traces the content of the report back to specific workpapers. The reference draft helps ensure that the report is properly supported by work performed. The Director will review the reference draft upon completion.

Engagement Conclusions

Internal Audit will develop an audit conclusion that summarizes the audit results relative to the objectives for the audit, as well as an overall risk rating (high, medium, low) based on the significance of the findings and professional judgement. 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 meeting includes a discussion of all observations, recommendations, and verbal management comments. 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.

Management Response

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. Management action plans will be included in the final results communication.

Internal Audit will review management's response and related action plans to ensure they are sufficient to address the underlying issues noted in the engagement. Internal Audit will work with management to resolve any differences of opinion related to the action plans. If that is not possible, Internal Audit may publish the final communication with a rebuttal to management's response. Internal Audit is not required or otherwise obligated to change results based on disagreements with management.

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, as required by City Code Section 6-610. 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. Appropriate parties include those who can ensure that results are given due consideration.

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. Results of follow up assessments will be communicated to appropriate parties, including the Audit Committee.

The Director will review applicable information to determine whether the department has accepted a risk exceeding a reasonable risk tolerance. If this is the case, the Director will discuss with the Mayor and/or Audit Committee.

Policy Revision History

Revision Date	March 31, 2026	**Revision Approval**	

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City of Clarksville
Internal Audit Manual

Policy Number	06	Review Cycle	Annual
Subject	Performing Advisory Services		

Purpose
To define the department's methodologies related to the performance of advisory engagements. This policy demonstrates compliance with Global Internal Audit Standards in Domain V: Performing Internal Audit Services, as well as standards 2.2, 3.1, 5.2, and 9.1.

Definitions
Client - the department or management team requesting the engagement.

Advisory Services - As defined by the Standards, services through which internal auditors provide advice to an organization's stakeholders without providing assurance or taking on management responsibilities. The nature and scope of these services are subject to agreement with management. (Advisory services may also be known as consulting services.)

Policy
The Internal Audit Department will conduct advisory services 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 advisory engagements~~audits~~ to ensure that work adheres to these requirements.

Advisory engagements shall be approved by the Audit Committee as part of the annual plan or as a special request developing during the fiscal year. Hours will be included in the annual audit plan for advisory engagements that might develop during the fiscal year. Engagements requiring less than 80 hours of time do not need the approval of the Audit Committee prior to commencement; however, the Audit Committee should be informed of this project at the next Audit Committee meeting. For special requests requiring 80 hours or more, the Director of Internal Audit will notify the Audit Committee about the request and suggest how the annual audit plan could be modified to accommodate the request. If the request is not of an urgent nature, the Director may recommend that it be included in the next audit plan.

Per City Code Section 6-612 Independence, "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." This section limits the development, implementation of systems and procedures, and processing of transactions, but does not preclude the department from

providing guidance to management on operational improvements, management of risks, or other value added services as long as management agrees to ownership of the process described in the advisory engagement documentation.

At times, other departments may ask for Internal Audit's assistance outside of a formal advisory engagement. This is frequently in the form of questions related to various topics or part of a request for input from all City departments. In these situations, the scale of the request is typically small and management is not requesting a formalized advisory engagement; however, it is important to provide timely assistance to requesting departments, as Internal Audit's input may add value to City operations. Responses to these requests are generally in the form of possible items for further consideration by the requesting department. These requests are not considered advisory engagements which are governed by this policy.

Procedure

Advisory engagements allow the Internal Audit Department to add value and provide advice outside of the audit process, while allowing management to maintain responsibility for processes and internal controls. Examples of these services may include advising on the design and implementation of new policies, processes, and systems; providing forensic services; providing training; and facilitating discussions about risks and controls. Advisory engagements typically originate by request of the Mayor, CFO, or Department Heads. They may include or encompass the areas of governance, risk management, and internal control processes as agreed upon with management requesting the engagements. The department will follow the same retention guidelines as required for all audits, as well as other requirements in the Internal Audit reporting policy as they apply (5.2).

Initial Assessment

Each advisory engagement begins with a client meeting to gather more information about the requested engagement. At this initial meeting, topics of discussion should include:

- Management's expectations of the work to be performed and how results will be communicated
- Nature and timing of the engagement
- Management's objectives and goals related to the engagement, as well as any associated risks

After this meeting, the Department will meet internally to discuss independence and objectivity related to the proposed engagement. The Internal Audit Department, and specifically auditors, may provide advisory engagements relating to operations for which they previously had responsibility, with appropriate disclosure to the client (2.2). This should be limited based on the Director of Internal Audit's judgment. Any other potential impairments to independence or objectivity must also be disclosed to the party requesting the engagement prior to accepting the engagement (2.2).

At this time, the Director and engagement team will also perform an analysis to determine whether the engagement can be accepted. The Director must assess whether the department has the knowledge, skills, or other competencies needed to perform the engagement. If the

department does not possess the required skills and competence, the Director may decline or postpone the engagement, have the team or members of the team attend training to obtain the necessary skills, or obtain competent advice and assistance from a third party (3.1).

Other considerations in determining whether an engagement should be accepted include:

1. Potential impairments to independence
2. The complexity of work needed to achieve engagement objectives
3. The cost of the engagement in relation to potential benefits
4. Whether the engagement has potential to improve City operations
5. Resources necessary to perform the engagement (13.5)

Planning

If the engagement is accepted, the Department begins the planning phase and prepares a management agreement related to the engagement.

The objectives, scope, responsibilities, and deliverables of the project must be agreed upon with the engagement client and this agreement must be in writing for all engagements (Domain V Intro). The written agreement can be sent via email, given that management provides a reply indicating their agreement. The agreement must include management's understanding and agreement that Internal Audit does not assume any ownership or responsibility for the process or policy included in the scope of the engagement (Domain V Intro).

Documentation for each of these engagements will vary based on the nature of the engagement; however, there are a limited number of workpapers that are required for each engagement, and for which templates are provided.

Performing the Engagement

Work programs must be documented for each engagement; however, this documentation may vary based on the nature and complexity of the engagement (13.6). The program must be sufficient to address the agreed upon objectives and must address the risks and controls consistent with the objectives (13.3). Due to the nature of advisory services, a formal, documented risk assessment and evaluation of criteria may not be necessary depending on the engagement (13.2, 13.4). For analysis or evaluation in any engagement, auditors must gather information that is relevant, reliable, and sufficient (14.1). This ensures that there is a reasonable basis for observations and conclusions. If information does not meet these criteria, auditors should evaluate whether to gather additional information. In the case that this information cannot be obtained, this should be discussed with the director for next steps. ~~Similarly~~~~However,~~ gGathering evidence to develop findings may not be necessary depending on the management agreement (14.2). However, if this is required based on the type of engagement, potential findings will be analyzed and evaluated in accordance with standards 14.2 and 14.3.

Throughout the engagement, auditors should be alert to any significant risks or control issues that are present. The auditor should keep the management team requesting the engagement and the Director of Internal Audit informed of the progress of the engagement (13.1). If auditors

encounter any issues related to the scope of the engagement, they will notify the Director of Internal Audit. The department requesting the engagement and the audit team will then meet to determine if the engagement should continue. This may include a discussion of whether an audit of the area is more appropriate.

Reporting the Results of the Engagement
The Director of Internal Audit is responsible for communicating the results of the advisory engagement to the engagement client and to those in management identified for distribution of the report. The final communication must include the objectives, scope, recommendations and/or action plans (if applicable), and conclusions (15.1). The conclusion must summarize the results relative to the engagement objectives and management objectives. The conclusion must also summarize the internal auditors' professional judgement about the overall significance of the findings (14.5). This should occur in the method specified in the management agreement.

If any issues are identified outside the scope of the engagement, these issues must be communicated to the management team. These issues can be reported in writing as part of the advisory engagement report, verbally, or written separately.

Advisory engagement reports will be distributed as agreed with management. The Audit Committee will always be included in report distributions and aware of the results of advisory engagements. Advisory engagement reports will not be posted to the City website, unless agreed upon by management in the written agreement at the beginning of the engagement. The Director will assess whether posting the results of the engagement will be beneficial for the City.

Prior to releasing any agreed upon deliverables, an engagement level quality assessment will be performed in accordance with the Department's Quality Assurance and Improvement Program Policy.

Monitoring Disposition of Results
Due to the nature of these services, the results are not monitored.

Post Engagement Risk and Future Audit Planning Considerations
Information obtained during advisory engagements, specifically those related to risk and risk management, should be incorporated into the evaluation of risk for the organization and the organization's management of risk. Information related to internal control functionality or lack of internal control within a process should be incorporated into the risk assessment process and considered for future audits (9.1 considerations).

Future consideration must also be given to potential impairments. The Internal Audit Department may provide assurance services where it had previously performed advisory services, provided the nature of the engagement did not impair objectivity of the department or individual auditors. The Director should take precautions to address any impairments including limiting the assurance engagement to those auditors not performing the advisory

engagement and allowing for more than a year to pass between the advisory engagement and the assurance engagement (2.2).

Policy Revision History

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