

**Minutes of Meeting**  
**Field Audit Exit Meeting**  
**December 14, 2012**  
**10:00 a.m.**

The Kootenai County Board of Commissioners: Chairman Pro Tem Dan Green and Commissioner Jai Nelson met to discuss the following agenda items. Also present were Finance Director Dave McDowell, County Clerk Cliff Hayes, Chief Deputy Clerk Pat Raffee, County Treasurer Tom Malzahn, Chief Deputy Treasurer Laurie Thomas, Senior Accountant Keith Taylor, and Deputy Clerk Nancy Jones. Also present were CliftonLarsonAllen Principal Harley Reckord and Auditors Brian Shull and Nicole Bailey. Chairman Todd Tondee was excused.

**A. Call to Order:** Chairman Pro Tem Green called the meeting to order at 10:00 a.m.

**B. Introductions:** There were no introductions made.

**C. Changes to the Agenda:** There were no changes made to the agenda.

**D. Old Business:** There was no old business discussed.

**E. New Business:**

CliftonLarsonAllen Auditor Brian Shull informed the Board that December 14, 2012, was scheduled as the final day of field work on the project, with an anticipated final report issue date of March 15, 2013. Mr. Shull explained that once the field work is complete, their company will begin an internal review process to ensure issuance of a comprehensive and accurate final report. Concurrently, the County Auditor staff will be responsible for completing the final Comprehensive Annual Financial Report (CAFR). Kootenai County Finance Director Dave McDowell and Senior Accountant Keith Taylor will meet with CliftonLarsonAllen representatives again in February to review the final CAFR and ensure coherence between the report and the audit findings, in order to support a solid timeline for final delivery in March. Mr. Shull indicated that three (3) official findings will be referenced in the final report, addressing material weakness in two areas. Auditor Nicole Bailey explained that the material weakness in cash exists in regard to cash accounts for Treasurer tax collection deposits and refunds, and the Sheriff real property cash account for writs and garnishments. The financial statement material weakness exists in regard to internal controls associated with recordation of payables at the end of the fiscal year.

Mr. McDowell indicated that the financial statement finding will be addressed in the future by performing Grant administrator interviews for all open Grants at the end of the fiscal year. This change will support timely and accurate recordation of outstanding payables, in accordance with the auditor recommendation. In response to Commissioner Green's question, Mr. Taylor clarified that open Grants are of principal concern because of specific challenges associated with the time sensitive nature of the year-end audit process. With reference to the cash account findings, CliftonLarsenAllen recommendations included the inclusion of all open bank accounts in the general ledger system, performance of small scope internal audits throughout the year to verify internal controls, and adherence to a single set of internal controls for all accounts, including refinement of transaction recordation within the LOGOS system. Ms. Bailey detailed the current processes that are being used for the Treasurer tax collection deposits and refunds, which are tracked outside the LOGOS system and do not conform to recommended best practices or to the processes used by other County departments for collection accounts. Commissioner Nelson noted that this segregation of systems likely results in duplication of staff responsibilities and resources. Ms. Bailey indicated that the repeated writ account

finding is of importance because it is an offsite account with generalized journal entries, which is maintained through a separate software system. In response to Commissioner Green's question, Ms. Bailey confirmed that the issues concerning the Treasurer tax collection deposits and refunds were also identified last year as material weaknesses. Principal Harley Reckord added that findings indicating continued non-compliance with audit recommendations can be seen as a potential liability by third party interests and rating agencies. Mr. Reckord went on to note that additional reviews were conducted of these potential high risk areas, with no indication of fraud or material error in any portion of the audit.

Mr. Shull acknowledged a previous Board request for additional audit recommendations beyond material weaknesses, to include areas where process or management deficiencies could be improved to strengthen the financial process as a whole within the County. Ms. Bailey summarized deficiencies related to payroll, credit card expense approval, inmate trust check writing, and general property inventory procedures. Suggestions for improvement included the creation of additional pre-approval methods for credit card and travel expenses, and a wider segregation of duties, or creation of enhanced review processes, regarding the other noted deficiencies. Mr. McDowell noted that a review process has already been initiated in regard to property inventory and credit card use procedures. Mr. Shull reiterated that the stated deficiencies were as a result of the request for an internal control review, not as a result of any audit findings.

Mr. Shull acknowledged the transparency and responsiveness of the Kootenai County Auditor staff, and the efficiency of the field work process as result. Commissioner Nelson concurred with Mr. McDowell that significant changes will be necessary as County processes change in regard to credit card and travel expense transactions. In response to Kootenai County Treasurer Tom Malzahn's question, Ms. Bailey clarified that the tax collection accounts were fully audited with no evidence of any errors or discrepancies. County Clerk Cliff Hayes stated that he was pleased with the findings, as they were consistent with previous discussions concerning processes in need of review and improvement, and he spoke in favor of proceeding with the suggested recommendations.

- F. Staff Reports:** There were no staff reports.
- G. Public Comment:** This section is reserved for citizens wishing to address the Board regarding a County related issue. There was no public comment.

The meeting was adjourned at 10:52 a.m.

Respectfully submitted,

CLIFFORD T. HAYES, CLERK

BY: \_\_\_\_\_  
Nancy A. Jones, Deputy Clerk