

Minutes of Meeting
CliftonLarsonAllen – CAFR Presentation
April 17, 2013
9:00 a.m.

The Kootenai County Board of Commissioners: Chairman Todd Tondee, Commissioner Dan Green, and Commissioner Jai Nelson met to discuss the following agenda items. Also present were Finance Director David McDowell, Chief Deputy Clerk Pat Raffee, Chief Deputy Treasurer Laurie Thomas, Senior Accountant Keith Taylor, and Deputy Clerk Nancy Jones. Also present were CliftonLarsonAllen Principal Harley Reckord and Audit Manager Brian Shull.

A. Call to Order: Chairman Tondee called the meeting to order at 9:03 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 Principal Harley Reckord and Audit Manager Brian Shull came before the Board to provide a summary of their annual audit results as the financial oversight group for Kootenai County. Mr. Reckord stated that the audit went well, as did the internal control review. Review of the basic financial statement section of the 2012 Comprehensive Annual Financial Report (CAFR) yielded an unqualified opinion, reflecting that the financials were fairly stated and presented in accordance with the generally accepted accounting principles. Mr. Reckord added that all three CAFR review findings were unqualified, with no deficiencies, although two (2) financial statement material findings were noted.

Mr. Shull defined “internal controls” as those policies or procedures that are in place to allow an organization to identify errors, whether by mistake or by fraud, and to respond in a reasonable time period. Mr. Shull stated that, during the audit, one repeated internal control material weakness was identified, with regard to a few bank accounts that are outside the central controls established by the County. The referenced accounts are the Sheriff Writs and Garnishments Account, the Inmate Trust Account, and the account for Treasurer Tax Collection (for both deposits and refunds). The transactions initiated in these accounts are tracked outside the central accounting (LOGOS) system, and do not conform to recommended best practices, or to the processes used by other County departments for collection accounts. Mr. Shull explained that, for an organization as large as Kootenai County, and due to the vast number of transactions that occur in these accounts, capturing all transactions under a central control system is imperative. Transactions related to the Tax Collection Account are recorded in a system that presents an increased risk for complications in communication, correct recordation of transactions, and expediency in recognizing errors. Mr. Shull noted that the audit did not reflect any significant transaction errors, but he stated that the deficiency in internal controls does lend itself to an increased risk for such errors, and that controls over cash would be much stronger if they were centralized. Senior Accountant Keith Taylor shared that the Inmate Trust Account is now being accounted for within LOGOS, and that the Writs and Garnishments Account could be moved into LOGOS with approval from the Sheriff. Financial Director David McDowell explained that the challenges in completing this change are related to the volume of daily transactions, but that the Auditor is actively working on a resolution. Mr. McDowell indicated that internal controls for the Sheriff’s accounts could be addressed and improved in the next year, but that improvements to the Tax Collection Account controls will likely take longer.

In response to a question from the Board, Mr. McDowell stated that he would prefer to have daily deposit entries into LOGOS for the Tax Collection Accounts. Chief Deputy Treasurer Laurie Thomas pointed out that the current process was not classified as a material finding until the 2011 audit. In addition, she stated that information regarding distributions is transferred electronically into the LOGOS system on a monthly basis, and that the Tax Collector Spreadsheet is also delivered to the Auditor monthly, along with the bank reconciliation, as required by statute. Ms. Thomas has researched potential purchase of additional bank reconciliation software, as the bank reconciliation function within LOGOS is not functional. Mr. Reckord noted that the audit findings do not address whether regulations are being met according to Idaho Code, but that they are meant to reflect whether or not best accounting practices are being met.

Mr. Shull stated that there were no findings over the single audit. One outstanding transaction was entered as a liability after the close of the fiscal year, resulting in an additional material finding within the audit. Mr. McDowell explained that this error was addressed, and that processes and procedures have already been amended to avoid this situation in the future. The Grant Management Office is working with the Auditor's Office to continue tightening timing and internal controls for all year-end Grant reporting.

- 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 9:44 a.m.

Respectfully submitted,

CLIFFORD T. HAYES, CLERK

BY: _____
Nancy A. Jones, Deputy Clerk