

Minutes of Meeting
Third-Party Audit Discussion
October 16, 2013
11:00 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 Clerk Clifford Hayes, Chief Deputy Clerk Pat Raffee, Finance Director David McDowell, Senior Accountant Keith Taylor, Prosecutor Barry McHugh, Sheriff Ben Wolfinger, Treasurer Tom Malzahn, Chief Deputy Treasurer Laurie Thomas, and Deputy Clerk Nancy Jones.

A. Call to Order: Chairman Tondee called the meeting to order at 11:00 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:

Chairman Tondee explained that the purpose of the meeting was to obtain a status update on the findings of the FY2012 third-party audit, and to discuss the upcoming audit for FY2013. Finance Director David McDowell stated that no change has occurred with regard to the recording of the Treasurer's transactions. CliftonLarsonAllen, the external auditing firm that was hired by the County, has noted this process as a material weakness for the past two (2) years. Chairman Tondee asked if any progress had been made regarding potential software updates that would help alleviate reconciliation issues. Mr. McDowell stated that good progress has been made; however, that update is not yet fully functional in the LOGOS software. The software company has indicated that it may be available in six (6) to eight (8) months. Chief Deputy Treasurer Laurie Thomas shared that the Treasurer's Office attempted to work with the available features of the LOGOS software, but that those were insufficient to meet their needs. Ms. Thomas has asked Thomson Reuters/Manatron to create a software proposal for the County, as their product does have a reconciliation function. While that solution would allow for a more automated reconciliation process (compared to current practices, which include manual processing of monthly reconciliations), it would still require the use of two separate systems. Ms. Thomas stated that the Thomson Reuters proposal would not be considered unless the software included a function to export to LOGOS. Further, Ms. Thomas explained that the overall goal would be to replace the current recording system completely and enter daily data into the new program. Mr. McDowell noted that functionality of daily recording is already available in the LOGOS software, and that use of separate systems may still result in additional findings by the external auditors. Mr. McDowell opined that the best option would be to incorporate all processes, including daily transaction recording, into the existing LOGOS system, which is already used by all other County departments. This would eliminate current repetitive processes, show the intent to move toward more cohesive procedures, and serve as preparation for when the reconciliation feature is added. Mr. McDowell also noted that Thomson Reuters would likely charge a fee for the ability to export to LOGOS, making a single program more cost effective, as well. This item may be discussed again once the software proposal is received from Thomson Reuters.

Commissioner Green noted that the reconciliation resolution does not sufficiently address the concerns of the Auditor's Department or the external auditors, in that it does not provide for the delivery of daily

cash receipt totals. Mr. McDowell stated that the monthly turnover process is not meant to be a reporting of cash but, instead, a report of the distribution of monies collected. Further, Mr. McDowell shared his opinion that the material weakness would be resolved by recording cash daily, as it is received. Senior Accountant Keith Taylor noted that the Auditor's Department would not need to receive information on individual transactions. Instead, a record of the daily deposits for property tax collection would be sufficient to meet their needs. Currently, the general ledger contains only a monthly total for Treasurer's Office deposits, with daily deposit information for all other departments. Chief Deputy Clerk Pat Raffee asked whether copies of the Treasurer's daily deposit receipts could be provided to the Auditor's Department. Ms. Thomas stated that this has been a long-standing option, but that a process for recording the data had not been determined. Mr. Taylor established that his department would be willing to complete the daily data entry if the Treasurer would provide the information. Mr. McDowell confirmed that the daily entry of receipts should be adequate to address the external audit findings, as those entries could be compared against the individual line item transactions in the Treasurer's Manatron software. Ms. Thomas advised that multiple deposit slips are often generated each day, and she agreed to begin providing copies of those to the Auditor's Department.

The attendees went on to discuss external audit findings that were identified last year regarding the Kootenai County Sheriff's Office (KCSO). Mr. Taylor noted that previous findings associated with the inmate trust account have now been resolved. Sheriff Ben Wolfinger added that KCSO recently received Legal approval to move forward with a program that will allow inmate reimbursements to be issued on individual debit cards, which is the next step in the resolution process. Mr. Taylor shared that the planned improvements are procedural and that, because the financial controls have been addressed, this item is no longer considered a control deficiency. Sheriff Wolfinger went on to discuss the writs and garnishment account, which was also noted as an area of concern on the last external audit. Sheriff Wolfinger detailed the procedures used for these accounts and explained why the solutions initiated for the inmate trust accounts cannot be used to address civil account transactions. Mr. McDowell acknowledged that this item will require additional consideration and resolution, and that it will likely remain a residual finding on this year's audit.

In closing, the group discussed budget year-end processes and procedures, as well as the anticipated timeline for the external audit. Mr. McDowell verified that year-end interviews were completed with all grant recipients to ensure compliance in that area. The Board expressed interest in having each Commissioner meet with the CliftonLarsonAllen representatives on an individual basis during the audit process, to give them the opportunity to discuss focus areas, ask questions regarding procedures, and receive general information about the external audit process.

- 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 11:33 a.m.

Respectfully submitted,
CLIFFORD T. HAYES, CLERK

BY: _____
Nancy A. Jones, Deputy Clerk