

**Minutes of Meeting**  
**CliftonLarsonAllen – Exit Audit Report**  
**April 22, 2014**  
**3:00 p.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 Jim Brannon, Chief Deputy Clerk Pat Raffee, Treasurer Tom Malzahn, Finance Director David McDowell, Senior Accountant Keith Taylor and CliftonLarsonAllen representatives Nicole Bailey, Brian Shull and Harley Reckord and Deputy Clerk Pamela Bogaert.

**A. Call to Order:** Chairman Tondee called the meeting to order at 3:01 p.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 Audit Principal Harley Reckord introduced Audit Principal Brian Shull and Engagement Director Nicole Bailey. Mr. Shull presented CliftonLarsonAllen's Governance Letter, formerly known as the SAS 114, and outlined the communication as required by professional standards. Mr. Shull noted that, overall, the audit opinions were clean and advised that the most sensitive issue affecting the financial statements were management's estimate of the landfill closure and post-closure costs; the estimate of depreciation and the estimate of the allowance for doubtful accounts based on historical water and sewer revenues and the collectability of individual accounts.

Mr. Shull then presented CliftonLarsonAllen's audit opinion that the County's financial statements are free of material misstatement and advised that that is the highest level of assurance CliftonLarsonAllen can provide.

Ms. Bailey noted that both the Tax Collection account and the Sheriff's Civil Writs Garnishment Account have been sampled and tested. However, Ms. Bailey noted that these accounts should be added to the County's system by transaction, rather than only periodically. Further, Ms. Bailey recommended that all bank statements be mailed directly to the Auditor's office.

Ms. Bailey outlined several audit opinions in regard to internal control weaknesses:

Inmate Trust Cash Procedures – The current process allows for some of the staff at the Sheriff's Department to book an inmate, release an inmate and disburse the inmate's funds. It was recommended that if a person books an inmate into the system, that person is not able to release and pay the inmate their money. In response to Commissioner Nelson's question, Finance Director David McDowell advised the Board that modifications have been made to the inmate trust cash procedure to address segregation of duties.

Ms. Bailey advised the Board that, after review of a sample of employee files, some election forms signed by the employee were not included in the employee files supporting the amount of deferred compensation elected. Ms. Bailey recommended the County review their employee files to verify all election forms are current and complete.

Ms. Bailey recommended that the County review all Airport lease and utility agreements to verify that customers are being charged for all services rendered. Commissioner Green noted that the Auditor's office had recently completed an internal audit of the Airport leases and would be implementing changes within the next thirty (30) days.

Ms. Bailey explained that there is a wording error within the Fund Balance Policy and recommended that the current wording of this policy be changed to read "By definition, Fund Balance for Special Revenue Funds maintain an accumulated fund balance as Committed Fund Balance unless otherwise classified in another fund balance category". Commissioner Nelson agreed to work on implementing the change.

Ms. Bailey also noted that gains and losses in regard to capital assets have not been recorded using the same policy and recommended the County choose a policy and verify it is being consistently followed during the year when disposals occur. Mr. McDowell advised that the processes are currently being evaluated.

Finally, Ms. Bailey recommended that the petty cash collection procedures for iron rangers be reviewed to gain a better understanding and comfort level that the money is flowing correctly each time. Chairman Tondee suggested the Auditor's office perform an internal audit of iron rangers.

Ms. Bailey confirmed that all cash accounts, including the Tax Collection account and the Sheriff's Civil Writ Garnishment accounts were reconciled, tested and reviewed during the audit. Mr. Reckord noted that all accounts are confirmed directly with each individual bank.

Commissioner Nelson asked about the progress of the software upgrade required to integrate the Tax Collector's funds into the County's system, GRM/Manatron. Commissioner Nelson noted that, in October, 2013, Chief Deputy Treasurer Laurie Thomas advised that the system upgrade would take place within three (3) to four (4) months from that time. Mr. McDowell reported that, through cooperation with the Treasurer's department, daily tax collection information is now being received and recorded in the general ledger on a daily basis. Commissioner Nelson noted that this is a duplication of effort as the Treasurer is recording the information in a separate database as well.

Treasurer Tom Malzahn stated that although the tax collection information is not recorded in the County's system, it is, however, recorded in the public system. Commissioner Nelson noted that the goal would be to eventually integrate this information into the County's system.

**F. Staff Reports:** There were no staff reports.

**G. Public Comment:** Mr. Frank Davis noted that in 2012 the Inmate Trust Account was listed as a material weakness and wondered why it was not listed as such in the 2013 audit. Ms. Bailey advised that the Inmate Trust Account was found as a material weakness in 2012 because transactions were not being recorded in the County’s internal general ledger in a timely manner. Ms. Bailey also advised that procedures have been implemented so that all transactions are recorded promptly. Ms. Bailey noted that the checks are housed at the Inmate Trust Account due to their potentially confidential nature, however, the account was sampled and tested and is available for CliftonLarsonAllen review.

The meeting was adjourned at 3:46 p.m.

Respectfully submitted,

JIM BRANNON, CLERK

TODD TONDEE, CHAIRMAN

BY: \_\_\_\_\_  
Pamela B. Bogaert, Deputy Clerk

\_\_\_\_\_