

**Minutes of Meeting**  
**Auditor**  
**May 10, 2016**  
**11:00 a.m.**

The Kootenai County Board of Commissioners: Chairman Dan Green and Commissioner Marc Eberlein met to discuss the following agenda item. Also present were Clerk Jim Brannon, Chief Deputy Clerk Pat Raffee, Staff Accountant Melissa Merrifield, Treasurer Steve Matheson, Prosecutor Barry McHugh, and Deputy Clerk Alicia Lynch. Commissioner David Stewart was excused.

- A. Call to Order:** Chairman Dan Green called the meeting to order at 11:00 a.m.
- B. Changes to the Agenda:** There were no changes to the agenda.
- C. Old Business:** There was no old business discussed.
- D. New Business:**

**Possible creation of an Audit Committee**

Clerk Jim Brannon reminded the Board that at the Fiscal Year 2015 Audit Exit Meeting CliftonLarsonAllen's external audit team had suggested changing the internal audit team's reporting structure by either moving internal audit to the highest level of governance or creating an internal audit committee. Clerk Brannon explained that under the current reporting structure the internal audit team lacked the authority to pursue results. He added that having the internal audit team in the Clerk's Division brought the Clerk into disputes with other departments, and he felt it was inappropriate for the Clerk to be in that position.

Chairman Green suggested that moving the internal audit team under the Board would not change the challenges and limitations the team faced, since the Board could not dictate to other Elected Officials any more than the Clerk could. Clerk Brannon replied that while the Elected Officials were equal, the Board controls the budget and therefore had more authority than the Clerk regarding internal audits.

Commissioner Marc Eberlein asked if moving the internal audit team or creating an internal audit committee would require additional staff. Clerk Brannon replied that no additional staff was under discussion at this time, although there was currently one open internal auditor position that he would not fill until a decision was made regarding the team's reporting structure.

Commissioner David Stewart entered the meeting at 11:04 a.m.

Clerk Brannon said having the internal audit team report to him also complicated audits of the Clerk's Division, and brought potential conflicts of interest. He added that all County monies went through the both the Clerk's and the Treasurer's Divisions emphasizing his request for the team to be removed from the Clerk's reporting line.

Clerk Brannon pointed out that Human Resources serves all of the Elected Officials but reports to the Board. He said that he believed the internal audit function should be structured the same way.

Chief Deputy Clerk Pat Raffee presented some limitations and challenges that the internal audit team had faced in the last few years, including fear of audits, resistance to change, an unclear understanding of risk tolerance, and lack of authority to ensure follow through on recommendations. She suggested that instead of attempting to get consensus among Elected Officials it might be easier to trust an internal audit committee. Ms. Raffee said that better direction and an understanding of the County's risk tolerance would focus the audit projects and would help the team's credibility with other departments. She added that currently the internal audit team was over-serving the Sheriff's and Clerk's Divisions, while under-serving the rest of the County.

Treasurer Steve Matheson stated that he supported the internal audit team reporting to an audit committee. He suggested:

- Each Elected Official be invited to participate on the committee
- The Board of County Commissioners have one vote instead of three
- Each vote be equal
- No Elected Official could block the internal audit team acting on committee instructions.

Treasurer Matheson also recommended offering the internal audit team as consultants for the first year in order to build trust. He said, in his opinion, the internal audit team reporting structure either needed to be changed, or the internal audit function needed to be dissolved.

Prosecutor Barry McHugh suggested that the audit committee could have a Chairman in a supervisory role, and the committee would select internal audit team personnel. He said if the internal audit team's competence was in question, that would be a valid reason for an Elected Official to prohibit an internal audit. He said he supported building trust in the internal audit team by offering consulting services for a year.

Chairman Green recommended a smaller committee of three Elected Officials, stating that larger committees struggled to reach consensus. He suggested that the members of the committee rotate every year.

Commissioner David Stewart said he supported moving the internal audit team to the BOCC's reporting line because the BOCC controlled the budget. He commented that he did not think it was appropriate for the Clerk to be maligned over internal audit findings. He added that he believed buy-in from the Elected Officials was necessary for an effective internal audit team.

Chairman Green noted that if the committee was assigning internal audit's direction, then it wasn't necessarily important which department's budget the internal audit team was under, or the team's physical location.

Commissioner Eberlein commented that buy-in from the Elected Officials would be difficult unless all Elected Officials were participants on the audit committee.

Treasurer Matheson mentioned that if the committee was set up so that all of the Elected Officials believed in the committee, then it would be impossible for an Elected Official to block an audit without raising suspicions.

Prosecutor McHugh said it would be less awkward for the internal audit team to report to the BOCC. He reasoned that if the committee chose to increase the internal audit team's budget they would be essentially requesting the BOCC increase the Clerk's budget. Commissioner Eberlein agreed.

Ms. Raffee provided examples of audit committee composition at Ada County and the City and County of Denver. She explained that Ada County's audit committee was comprised completely of internal County leaders, while Denver's was comprised of mostly citizens though led by the elected Clerk. She said that the audit committees typically had multi-year published audit plans, and articulated levels of risk appetite for the organization. Ms. Raffee also dispelled some myths about the County's internal audit task assignments.

Commissioner Eberlein said he was against dissolving the internal audit function. He added that he was not in favor of an internal audit team operating without a charter or an audit committee's direction.

Chairman Green requested that Clerk Brannon and Treasurer Matheson meet with Assessor Mike McDowell, Coroner Warren Keene, and Sheriff Ben Wolfinger to apprise them of what was discussed. He said that discussion of an audit committee would be on the agenda for the May 18, 2016, Elected Officials meeting.

- E. Public Comment:** This section is reserved for citizens wishing to address the Board regarding a County related issue. Idaho Law prohibits Board action on items brought under this section except in an emergency circumstance. Comments related to future public hearings should be held for that public hearing. There were no public comments.

Chairman Green adjourned the meeting at 11:58 a.m.

Respectfully submitted,

JIM BRANNON, CLERK

DANIEL H. GREEN, CHAIRMAN

BY: \_\_\_\_\_  
Alicia Lynch, Deputy Clerk

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