

**MINUTES OF THE COMMITTEE OF THE GUILFORD COUNTY
BOARD OF COMMISSIONERS
(AUDIT COMMITTEE)**

Greensboro, North Carolina
April 26, 2016

The Audit Committee appointed by the Board of Commissioners, met in a duly noticed meeting on April 26, 2016 at 11:30 AM in the J. Harry Weatherly Conference Room of the Old County Courthouse, 301 West Market Street.

PRESENT: Committee Chair, Commissioner Kay Cashion; Commissioners Jeff Phillips and Justin Conrad.

ABSENT: None.

ALSO PRESENT: County Manager Marty Lawing; Finance Director Reid Baker; Deputy County Manager Clarence Grier; Ariane Webb, Deputy Clerk to Board, Eddie Burke, Cherry Bekaert, LLP; Lonnie Keogh, Cherry Bekaert, LLP; and members of the media.

Committee Chair Kay Cashion called the meeting to order at 11:45AM. She reviewed the purpose of the meeting and introduced Eddie Burke, CPA with Cherry Bekaert, LLP.

Burke shared the Audit Engagement Team assigned to Guilford County is in the planning stages where audit goals will be defined. He noted he is seeking direction from this committee to identify areas focus for the audit.

Burke introduced the Engagement Team and discussed their roles. He reviewed the role of the external audit and noted their plan to perform the audit under approved governmental auditing standards. Burke discussed the four (4) opinions on County operations that would be presented upon audit completion and noted the audit will provide information on the County's financial status, control and compliance with laws, and federal and state grant compliance. He noted the new Uniform Grant Compliance rules will change the language of the final opinions, and noted these will be communicated through a document to the Audit Committee.

Burke reviewed the audit methodology of assessing the County's risk in financial reporting and grant compliance. He stated these risks will be characterized as inherent, control and substantive. Burke discussed the process of gathering evidence to support risk findings and noted they will evaluate internal controls in Information Services and Finance, and substantive controls.

Burke reviewed the areas of focus for the financial audit.

Committee Chair Cashion questioned the process for choosing employees to conduct interviews related to the fraud risk assessment.

Burke stated higher-level staff, such as the County Manager, Deputy County Manager and Finance Director, along with a Commissioner, will be selected for interviews. He stated other employees will be chosen at random.

Burke reviewed the areas of focus for the single audit and referenced the six (6) programs that will be evaluated this year. He discussed changes to Governmental Accounting Standards Board (GASB) reporting standards for the upcoming years and emphasized the importance of utilizing GASB 73 to report pensions and related assets.

Reid Baker, Finance Director, stated the County will draft a trust agreement using GASB 73 standards and spoke to the robust nature of the plan.

Burke stated assets must be defined within the trust agreement by June 30, 2016, and noted this agreement designates the purpose of the assets.

County Manager Marty Lawing noted the state will report a net liability in its retirement pension plan this year, but confirmed the plan is still robust, compared to those in other states.

Baker noted the amount contributed to the pension plan is equal to the amount paid to recipients.

Committee Chair Cashion questioned if these contributions taxable.

Burke confirmed the pension contributions were subject to an earnings tax. He discussed the new GASB 75 reporting standards for Other Post-Employment Benefits (OPEB).

Baker stated the County reported significant OPEB liability at entity levels in prior years, and noted this liability has decreased. He noted while there is still a requirement to report, there will be less impact upon the County, which can be managed by OPEB standards.

Burke explained the new GASB 75 standards are designed to highlight retirement benefits and pension plans.

Baker noted North Carolina's retirement plan is in a favorable position compared to those in other states.

Burke stated North Carolina's plan is approximately 95% funded and GASB standards consider plans funded at 80% or less as not fully funded.

Burke reviewed the audit timeline and noted the auditors will communicate with the County if an area of immediate concern is discovered. He stated the final report will be presented in November 2016.

Baker noted the state is normally delayed in providing grant confirmation to local entities, which stalls the audit process. He stated this is a concern for multiple counties.

Commissioner Phillips questioned if the current audit will address areas of concern discovered during previous audits.

Burke noted the audit will address the County's progress on corrective action plans from the prior year, and noted the primary areas of concern were related to issues with turnover and NCFASST operations within Department of Health & Human Services (DHHS).

Lonnie Keogh, Cherry Bekaert, noted the increased need for services combined with a challenging delivery process resulted in significant issues within DHHS.

Commissioner Phillips spoke to his anticipation of significantly improved findings this fiscal year.

Burke commented on the helpfulness of County staff when identifying issues.

Committee Chair Cashion questioned including GCASB reporting standards in the external audit process.

Lawing stated GCASB reporting will be reviewed by the County's Internal Audit department.

Keogh noted the single audit reviews Medicaid and Choice Health Insurance Program (CHIPS) annually, due to the size of the program and associated funding. She stated the Low Income Home Energy Assistance Program (LIHEAP), Smart Start and Juvenile Crime Prevention Program (JCPC) are reviewed on a three (3) year rotation.

Burke reviewed the program selection process for the single audit.

Committee Chair Cashion questioned a reference to employee contracts discussed during the May 5, 2014 audit committee meeting.

Burke noted the contracts were considered a possible pre-audit requirement, at the time, however the legal opinion has since been revised and this is no longer an issue.

Lawing questioned if the audit will review files for FY 2016, or will prior years be reviewed, as well.

Keogh stated auditors are awaiting a response from the state regarding which files should be reviewed, and noted the decision will consider service dates versus dates of eligibility.

Lawing noted discussion surrounding the October 31 deadline for submitting audit reports to the state.

Burke stated a thirty (30) day grace period was previously allowed, however the Local Government Commission (LGC) has placed an emphasis on timeliness and is requiring local governments and the state to adhere to the deadline.

Baker noted the final sales tax distribution will be received in mid-September, and due to its status as the second largest source of revenue, these amounts must be included in the audit. He noted County staff must work quickly to submit all audit information by the October 31 deadline.

There being no further discussion, the meeting was adjourned by unanimous consent at 12:39PM.

Katie S. Cashion, Committee Chair

Ariane Webb, Deputy Clerk to Board