

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

Greensboro, North Carolina
May 24, 2017

The Audit Committee appointed by the Board of Commissioners, met in a duly noticed meeting on May 24, 2017 at 4:00PM 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 Alan Branson.

ABSENT: None.

ALSO PRESENT: County Manager Marty Lawing; Finance Director Reid Baker; Deputy County Manager Clarence Grier; Deputy Clerk to Board, Scott Baillargeon; Eddie Burke, Cherry Bekaert; Internal Audit, Creola Geddie and Celeste Williams; and members of the media.

Committee Chair Kay Cashion called the meeting to order at 4:00PM. She reviewed the purpose of the meeting and introduced Eddie Burke, CPA with Cherry Bekaert, LLP.

County Manager Marty Lawing stated that if time permitted to receive an update from Internal audit, Creola Geddie and Celeste Williams, regarding an audit planning update. Burke outlined the audit planning agenda and shared the State's new requirement standards.

Commissioner Phillips sought clarification regarding the regulation standards and the volume of records that would need to be gone through.

Burke spoke to the volume of information the audit would generate and stated that the process was a time consuming task. And, questioned if the task would be worth the time of the County to undertake.

Committee Chair Cashion questioned if the audit was for another check and balance.

Burke stated that it was not. Burke outlined the planning agenda, and presented the Client Service Engagement Team. He spoke to the internal control perspective, and the audit process. And, emphasized cyber security within the County to ensure that all employees were using email precautions; however, assured the committee that they would not hack into employee computers.

Commissioner Alan Branson arrived at 4:20PM

Burke spoke to the significant audit areas; assets/revenues; liabilities/expenditures, and other items. He emphasized the audit would spend a lot of time on payroll to ensure efficiency; fixed assets and capitalization policies used by the County. Single Audit Plan; SEFSA; administration controls; and compliance testing.

Burke spoke to the State auditor's office capacity to issue financial statements in North Carolina on whether or not state was issuing federal dollars properly, and stated that the State auditor lacks the manpower to audit all areas efficiently, and therefore would delegate the task to local governments. He emphasized the State was not satisfied with the quality of previous audits. North Carolina State Auditor, Beth Wood, had taken notice and was implementing changes. He stated that as a new requirement of the state, auditors would begin monitoring county case workers to track policies and ensure they are implemented correctly. Burke discussed compliance tests; compliance standards set by the state; and the burden on the Department of Social Services (DSS) to implement the new mandates.

Committee Chair Cashion asked about the criteria used for noncompliance findings.

Burke explained the sample size and the criteria used to accommodate the findings that ensured efficiency and integrity of the total sample.

Commissioner Phillips spoke of the burden placed on staff to pull individual cases files by demographics; addressed the antiquated system, and the differences between the systems; asked about benefits eligibility; and how the process would make determinations to ensure that eligible citizens would continue to receive aid.

Burke stated that it would not be an easy task as files vary in size. He stated that from an efficiency perspective it would be daunting. He outlined the audit process, and assured the committee that there was a process used to document all of said items. The State auditors required that an eligibility population list was provided to track and log information. There was a methodology to determine how selections are made; arbitrary checks consistently made; and spoke to the test, and outlined the sample process and procedure.

Internal Auditor, Celeste Williams, provided a background on the system and examples of the process. She spoke to the NC Fast system, and expressed concerns for the system's cumbersome nature.

Internal Auditor, Creola Geddie, spoke to the finite details of the process, and echoed the cumbersome nature of the process.

Committee Chair Cashion inquired into the individual responsibility for pulling the files; and what percent was approved.

Committee Chair Cashion inquired about the total time and dollars expended on the sample; the sources of funding; and the length of time of the audit.

Finance director Reid Baker stated that the findings report created error deviations to accommodate for change.

Commissioner Phillips asked about assessing infractions made by both veteran employees and new hires; however, attributed any infractions to workload and sloppiness.

Burke clarified that the process would not contain errors as it was created to locate individuals who received benefits and should not have; spoke to the risk-based assessment used to determine which programs to identify before any determination was made. He explained that each item audited was vetted extensively to avoid misidentification of individual errors; and provided an extensive timeline perspective for May through November.

Williams spoke to the ineffectiveness of the software in use among case workers, and the challenges it has created for caseworkers.

Baker stated that his team would shoot for said timeline, and expressed concern over tardiness concerning previous year's audit timeline.

Committee Chair Cashion echoed the Reid Baker's sentiment regarding the previous audit and emphasized that the report was not provided to the committee in enough time. She further emphasized the need to have the report brought before the committee on time for it to be effective.

Lawing requested that two additional weeks be built into the schedule to allot for unforeseen challenges to the timeline.

Committee Chair Cashion spoke to the previous year's problems regarding the state.

Burke discussed the needs and procedures of working with the State, and the impacts the would affect the finalization of the report.

Committee Chair Cashion stressed the need for open communication, and stated that the Board wants to be notified of all findings that come up throughout the process. She asked about how the findings would be presented to the Board.

Burke stressed that all findings would be presented to the Board.

Commissioner Phillips echoed Committee Chair Cashion's sentiment and stressed that he wanted the Board notified as soon as possible regarding anything that may arise during the audit.

Burke thanked the committee for their time.

Baker presented several observations concerning local government audits. He spoke to the quality of the items revealed; the unfamiliarity of local firms within the government audit game, and was concerned that not all audits were equal, and stressed the issue of inconsistency throughout audits.

Baker spoke to the firm and the effectiveness for how Cherry Bekaert, LLC operated. He stressed that his firm worked closely with governments to ensure efficient results.

Committee Chair Cashion asked about the possibility of counties grouping together to combine services and reduce costs for the audit.

Burke asserted that he had not encountered that being practiced. He addressed the committee's concerns and spoke to providing compensation plans that attracted talented individuals to perform

audits. He emphasized that there was a decrease in the number of CPAs in the public sector. And addressed the increased disparity and differences between rural versus urban areas to fill the roles and provide efficient services. And, provided additional information regarding a beta test to restructure the firm to account for the compression of data.

Deputy County Manager, Clarence Grier, spoke to the deficiency of auditors on the CPA side; the performance of independent audits; and the performance on the finance director side.

Baker discussed receivable sales tax and the impacts of those audits. And expressed concern over the timeframe of audit.

Burke left the meeting at 4:56PM

Lawing stated that there was a desire to update the audit committee several times a year, and introduced Celeste Williams and Creola Geddie from the Guilford County Internal Audit Department.

Williams introduced the Internal Audit Charter, and spoke to specific topics Internal Audit Director, Deborah Alston, wanted to highlight, and discussed the single audit work; referenced a conference with DSS staff. She outlined the current ongoing audits among the fire department, County procurement cards, foster care and adoption assistance programs, and outside agencies such as Honda and Proctor and Gamble.

Geddie discussed some of the current challenges to audits such as timekeeping of personnel, and the Lawson timekeeping system among parks and rec software. She presented opportunities for improvement, and spoke to conducting follow-ups to identify returns on County investment.

Commissioner Phillips asked about how, when opportunities for improvements were located, were disseminated throughout the department.

Geddie spoke to the process of the software to identify short-comings in the system. The current process is set up to test the efficiency of the system in use. She stated that an apples-to-apples brand of consistency was sought.

Commissioner Phillips restated his question of communication of the reports

Lawing clarified to provide Commissioner Phillips's point and stated that improvements were communicated through department memorandums.

Clerk to the Board, Robin Keller, left the meeting at 5:05PM.

Williams discussed the processes to provide constant communication with department directors, in report form that goes to the department director who would then have the opportunity to respond. The finalized document would be submitted for executive staff review.

Committee Chair Cashion inquired about the case management and software usage outlined in the packet.

Geddie spoke to the business requirements of software, and clarified that the language was in reference to the parks and rec department's software specifically.

Commissioner Phillips asked about staffing demands; did the Internal Audit Department have adequate resources to effectively do what was needed in the size and scope of Guilford County. He emphasized that the committee needed to know if that was not the case, and why.

Williams deferred to Deborah Alston for an answer.

Commissioner Phillips stressed the critical importance of the audit, and opportunities needed to be identified and located at every turn and communicated to the committee for review.

Williams spoke to the timing of the audit and the time constraints it placed on the whole process. And, discussed the added challenges of the cumbersome nature of the single audit work process, the time crunch that the process created; and the general adherence to the generated audit plan.

Baker emphasized his observable concerns and stated that he never hesitated to phone the audit director and allow them to assess a working resolve of his concerns.

Commissioner Phillips emphasized the need for Lawing to communicate with directors to ensure efficiency. He stated that he did not want to hear about problems that had gotten out of hand or control.

Committee Chair Cashion inquired if there were at present any issues that needed to be addressed.

Geddie stated there were none at that present time.

Committee Chair Cashion asked the committee if there were any other questions and concerns, there being none, the meeting adjourned by general consensus at 5:30PM.

Katie S. Cashion, Committee Chair

Scot Baillargeon, Deputy Clerk to Board