

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

Greensboro, North Carolina
November 13, 2018

The Audit Committee appointed by the Board of Commissioners, met in a duly noticed meeting on November 13, 2018 at 10:00AM in the J. Harry Weatherly Conference Room located on the second floor of the Old County Courthouse, 301 West Market Street, Greensboro, NC.

PRESENT: Committee Chair, Commissioner Kay Cashion and Committee Member, Commissioner Alan Branson

ABSENT: Commissioners Jeff Phillips and Justin Conrad

ALSO PRESENT: County Manager Marty Lawing; Deputy County Manager Clarence Grier; County Attorney Mark Payne; Robin Keller, Clerk to Board; Chad Muhlestein, Internal Audit Director; Matt Mason, Deputy County Attorney; Harley Will, Finance Director; Eddie Burke, CPA, Cherry Bekaert

I. WELCOME AND CALL TO ORDER

Commissioner Kay Cashion called the meeting to order and welcomed those present.

County Manager Marty Lawing invited Mr. Eddie Burke with Cherry Bekaert to review the external audit findings.

II. EXTERNAL AUDIT REVIEW

Mr. Eddie Burke introduced the audit review and shared that, with the addition of new staff to the firm, an additional six (6) weeks of time was saved during the audit. He noted this allowed more time for consultation with the department.

Commissioner Cashion questioned the amount of time his team spent with each department.

Burke stated his team spent approximately 750-900 total hours in consultation with departments and noted a significant amount of this time was spent with Finance and DHHS-Division of Social Services (DSS). He confirmed auditing was conducted in-person and remotely.

Commissioner Cashion questioned the audit process.

Burke discussed the SMART sheet tool which emphasized obtaining records and information during the initial stages of the audit. He noted county staff prepped documents prior to the arrival of the auditors.

Burke stated that while his staff determine the programs and scope of the single audits, the work is conducted by county Internal Audit staff and Cherry Bekaert staff provide a secondary review.

He reviewed the meeting agenda and introduced the client services team conducting the audit review. Burke discussed key highlights of the audit and confirmed the audit was completed and submitted to the Local Government Commission (LGC) on October 31, 2018.

He discussed the mechanism for determining which programs require auditing and shared that eight (8) programs were reviewed. Burke noted that one of the major changes this year was the County's adoption of GASB statement 75, which required the county to fully record un-funded post-employment benefits.

Commissioner Cashion questioned the impact of GASB statement 75 upon the county's financial health.

Burke shared that while accounting for \$145 million in un-funded post-employment benefits does affect the accrual level, daily financial operations of the county are not impacted.

County Manager Marty Lawing shared the example of prior bond rating calls that have not been affected by other post-employment benefits (OPEB) liability.

Burke stated that this requirement is a new national standard, but noted North Carolina is faring much better than other units of government across the country. He continued reviewing key highlights and noted the requirement for Tourism Development Authority (TDA) bonding of the Finance Director. Burke shared the LGC ruling requiring this type bonding for the Finance Director.

Finance Director Harley Will shared the Guilford County TDA's willingness to pay for this bond.

Burke discussed the audit of county procurement cards (P-Cards) and noted the result of no material findings for the county. He reviewed the outcome of the county's census audit to the test the ORBIT system, which is tied to the State Retirement System. Burke confirmed there were no material findings associated with this audit.

He reviewed the internal controls for the county and discussed the assessment of journal entries. Burke discussed the assessment of Information Technology (IT) controls, Ransomware protocols and Automated Clearing House (ACH) payment modifications.

Commissioner Cashion questioned the IT controls for the county.

Will shared they county implemented internal controls several months ago, in anticipation of Malware attacks.

The committee reviewed IT training opportunities and Burke recommended annual IT training regarding email use.

III. SIGNIFICANT AUDIT AREAS

Burke discussed his team's review of the county's financial statements. He reviewed highlights of the single audit, including the control environment for grants. Burke noted the team monitored timeliness of reporting, procurement and local match funding. He spoke to the decrease in intergovernmental revenue primarily associated with the state taking over administration of the Child Daycare program.

Burke discussed the decrease in the general fund, primarily driven by a reduction in operating costs. He discussed the LGC policy for counties to maintain an available fund balance equal to 8% of expenditures.

Commissioner Cashion questioned the county's current fund balance.

Lawing stated the county's available fund balance was currently equal to 14% of expenditures.

Burke reviewed the status of cash and investments, and noted the county is maintaining liquidity and earning at the maximum rate.

Lawing stated the decrease in investment revenue resulted from a payout of bond investments.

Burke confirmed capital assets remain stable, but long-term debt increased from \$1.04 billion to \$1.1 billion, primarily driven by GASB75 requirements to record OPEB liability. He discussed the state liability for retirement pensions.

Commissioner Cashion questioned if the State's percentage rate had changed.

Will shared that the rate was changed to a more realistic percentage.

Burke summarized the audit findings and noted that the overall control environment was good. He recommended ongoing monitoring in certain areas and thanked the Internal Audit and Finance staff for their work.

Internal Audit Director Chad Muhlestein expressed his interest in identifying more efficiencies within his department and producing more clean audits.

Lawing shared he was pleased there were no findings in the single audit programs, despite the larger sample sizes used this year.

Burke clarified there was a need to conduct an exit conference with DSS staff to review potential findings. He questioned what procedures the county had in place to address potential findings associated with liabilities resulting from new Medicaid policies.

Lawing shared the addition of a DSS quality control team to review files and the consideration liability insurance to cover errors and omissions. He stated they are awaiting the state's findings regarding coverage of premiums for this type of insurance.

Deputy County Manager Clarence Grier shared additional information regarding proactive measures implemented by our Information Services (IS) department, in collaboration with the Internal Audit department.

Burke suggested the county contact Wake County Internal Audit Director John Stephenson for guidance on additional internal controls being utilized in other counties. He discussed trends observed in local governments and offered recommendations on additional internal control options.

Will provided draft copies of the 2018 Comprehensive Annual Financial Report (CAFR) to the committee.

Commissioner Cashion shared she would like an audit summary provided prior to the committee meetings and questioned the timing of this year's CAFR.

Will addressed the timeframe for LGC approval and report review.

Burke shared that the City of Greensboro's CAFR was ready for signature on October 22, 2018.

Cashion expressed her interest in receiving presentation documents and reports in advance, so the committee is prepared to ask additional questions.

Burke confirmed April Adams, with Cherry Bekaert, will be present a summary to the Board of Commissioners during the November 15, 2018 regular meeting.

Commissioner Cashion questioned when the Board would consider renewal of the contract with Cherry Bekaert.

Burke stated the renewal proposal included a 2.5% increase to conduct auditing services.

The committee reviewed the contract renewal terms for audit services with Cherry Bekaert and expressed their support for a three (3) year renewal term to include a 1% cost increase.

IV. ADJOURN

There being no further business, the committee adjourned by unanimous consent at 11:16AM.

Commissioner Kay Cashion, Committee Chair

Clerk to Board