

Minutes of Meeting
Internal Audit Committee
May 31, 2016
11:00 a.m.

The Kootenai County Board of Commissioners: Chairman Dan Green, Commissioner Marc Eberlein, and Commissioner David Stewart met to discuss the following agenda items. Also present were Clerk Jim Brannon, Chief Deputy Clerk Pat Raffee, Finance Director Dena Darrow, Senior Staff Accountant Keith Taylor, Staff Accountant Nancy Curotto, Assessor Mike McDowell, Chief Deputy Assessor Richard Houser, Coroner Warren Keene, Prosecutor Barry McHugh, Treasurer Steve Matheson, Undersheriff Dan Mattos, and Deputy Clerk Alicia Lynch. Also present was CliftonLarsonAllan principal Brian Shull.

- A. **Call to Order:** Chairman Dan Green called the meeting to order 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:**
Discussion among the Elected Officials about an audit committee including: roles and responsibilities of the committee, how the committee might be organized, and membership in the committee

Finance Director Dena Darrow provided a comparison of audit committees a government (Ada County) and a for-profit entity (Itron).

Chairman Green asked if there were any Elected Officials opposed to an audit committee; none were.

Citizens Linda Fillios and Russ McLain entered the meeting at 11:05 a.m.

Chairman Green inquired whether there would be mandatory participation from the Elected Officials on the committee. Treasurer Steve Matheson suggested that the committee would make recommendations but not mandates, and an Elected Official could choose not to participate.

Assessor Mike McDowell asked whether the Clerk was willing to abdicate constitutional auditing authorities to a committee and if the agreement would go beyond the terms of the current Elected Officials. Chairman Green clarified that the Clerk's Auditor role was not the same as what was being proposed so the Clerk would not be abdicating any constitutional authorities.

Clerk Jim Brannon recommended that the internal audit team needed to have a closer working relationship with the contracted external audit team. He also suggested separating the internal audit team from the Clerk's budget. Treasurer Matheson agreed the internal audit team needed to have a separate budget for reporting clarity.

Commissioner Marc Eberlein said he supported the concept of a citizen on the committee, and inquired if the other Elected Officials were in favor of an outside representative. Treasurer Matheson said a citizen on the committee would add legitimacy to the audit committee. Clerk Brannon agreed that citizen representation would add transparency.

Undersheriff Dan Mattos said that both he and Sheriff Ben Wolfinger supported an audit committee because it provided legitimacy and transparency to County operations. He asked what kind of decisions the Elected Officials foresaw the committee voting on. Chairman Green said that the committee would vote on tasks and would not vote to force recommendations onto other Elected Officials. Treasurer Matheson added that his vision of the committee would be an advisory role and the Elected Official receiving a recommendation would choose how to respond.

Undersheriff Mattos exited the meeting at 11:25 a.m.

Assessor McDowell said that he was not sure the internal audit staff needed to be full time. He suggested an ongoing committee overseeing an ad hoc team comprised of contracted experts hired to deal with each specific audit. Commissioner David Stewart said he would support outside auditors with specific knowledge relevant to a particular audit. Treasurer Matheson disagreed, stating that a specialized audit team would not be necessary to review processes and internal controls.

The attendees discussed at length whether topic specific knowledge was necessary to perform compliance and procedural audits.

Undersheriff Mattos rejoined the meeting at 11:34 a.m.

Citizen Russ McLain exited the meeting at 11:38 a.m.

The attendees discussed the following:

- Whether the committee would be ongoing or ad hoc
- Whether the internal audit staff would be ongoing or ad hoc
- The number of Elected Officials on the committee
- Citizen participation on the committee

The attendees agreed to a committee configuration of seven Elected Officials.

Chairman Green called for a vote to decide whether a citizen at large would be included during the starting phase of the committee. Voting against a citizen representative was Assessor McDowell, Chairman Green, Clerk Brannon, Commissioner Stewart, Prosecutor Barry McHugh, Treasurer Matheson, and Undersheriff Dan Mattos.

Clerk Brannon suggested a Chairman of the audit committee be elected by the committee, and if no Chair was selected the position would default to a Commissioner or the Clerk. Prosecutor McHugh said that if no one volunteered for the position then that indicated there was a lack of interest in an internal audit function and the

committee needed to be eliminated. Chairman Green agreed with Prosecutor McHugh. The attendees agreed that the committee would elect a Chairman.

Clerk Brannon exited the meeting at 11:46 a.m. and rejoined the meeting at 11:47 a.m.

Discussion among the Elected Officials about the internal audit function reporting lines and budget implications for the internal audit function

Assessor McDowell asked whether reporting lines were the equivalent to the internal audit team's authority. Ms. Darrow replied that the reporting line determined under whose authority the internal audit team reported. Prosecutor McHugh suggested that the discussion of reporting lines and roles be postponed until there was a finalized audit committee.

CliftonLarsonAllan principal Brian Shull noted that in the external audit team's exit interview he recommended that the internal audit team be separated from the Clerk's reporting line due to most financial reporting and money handling occurring in the Clerk's division. He asked whether transferring the internal audit team to the audit committee's reporting line would resolve the current impediments. Chairman Green said no Elected Official could discipline another and therefore the same impediments would be present regardless of where the team reported.

Clerk Brannon commented that a recommendation from the audit committee would carry more weight than from the Clerk alone. Chairman Green said that he did not believe the issue would be resolved by moving the reporting line. Clerk Brannon suggested removing the secondary reporting line between the internal audit team and the Clerk shown in the example from Ada County, and Chairman Green agreed.

Commissioner Eberlein requested a memorandum of understanding be drafted to move the conversation forward. Assessor McDowell restated his opinion that the internal audit team needed to be ad hoc. The attendees agreed that the details would be determined after a resolution was made to establish the audit committee.

- 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 11:59 a.m.

Respectfully submitted,

JIM BRANNON, CLERK

DANIEL H. GREEN, CHAIRMAN

BY: _____
Alicia Lynch, Deputy Clerk
