

FULTON COUNTY AUDIT COMMITTEE

MEETING COMMITTEE MINUTES

September 12, 2016

Fulton County Government Center
141 Pryor Street
10th Floor Conference Room
Atlanta, Georgia 30303

MINUTES

This document has been ratified and approved by the Audit Committee.

Ratified: November 10, 2016

CALL TO ORDER: Chairman Bob Ellis 2:02 p.m.

MEMBERS PRESENT: Commissioner Bob Ellis, District 2
Commissioner Joan Garner, District 4
Luther Burton
Phillip Hurd

ALSO PRESENT: Sharon Whitmore, Chief Financial Officer; Sabrina McTier, Comptroller; Ray Turner, Deputy Director of Finance; Anthony Nicks, County Auditor; Queena Jenkins, Audit Manager; Brigitte Bailey, Audit Coordinator; Danielle Moore, Assistant Audit Manager; Tracee Shields, Auditor; David Lowman, Staff Attorney; John Coulborn, Assistant to Commissioner Bob Ellis; April Battiste, PJCGroup, Shauna Herbert, PJC Group

ADOPTION OF AGENDA: A motion was made by Commissioner Ellis to approve and adopt the agenda. This was seconded by Mr. Luther Burton. The motion passed by the following vote:
Yeas: 4 Ellis, Garner, Burton, Heard
Nays: 0

RATIFICATION OF MEETING MINUTES 2-29-16: The meeting minutes from May 12, 2016 were reviewed, accepted and approved with no changes. A motion was made by Mr. Hurd to accept the minutes as presented. This was seconded by Commissioner Garner. The motion passed by the following vote:

Yeas: 4 Ellis, Garner, Burton, Heard
Nays: 0

The final minutes will be placed on the Office of the County Auditor's website.

OLD BUSINESS:

Audit Request and Response Policy Update

The Audit Committee was informed by Mr. Nicks that the new proposed policy went before the Board of Commissioners (BOC) and was approved. The new policy now allows for management responses to accompany the final audit report.

Audit Software Update

An update was given by Mr. Nicks pertaining to the procurement of the Audit Software. Funding has been identified to procure the software via the Department of Information Technology's Innovation Fund under the approval of the County Manager. This procurement is now in process and is expected to occur prior to year-end pending no delays.

Whistle blower Hotline/RFP Update

An update was given by Mr. Nicks pertaining to the procurement of the Whistleblower/Fraud Hotline. A total of 3 cost proposals were received and Mr. Nicks selected the services of Navex Global. Funding has been identified to procure hotline services through the use of non-agency funding, under the approval of the Chief Financial Officer (CFO). This procurement is now in process and is expected to occur prior to year-end pending no delays.

Audit Charter

The Audit Charter was reviewed and confirmed by staff attorney, David Lowman that it is in line with the audit legislation.

Commissioner Garner made a motion to accept the audit charter and it was seconded by Mr. Hurd. The motion passed by the following vote:

Yeas: 4 Ellis, Garner, Burton, Heard

Nays: 0

Budget Review

A review of the 2017 proposed budget was presented to the Audit Committee by Brigitte Bailey, Audit Coordinator. This review included an overview of the department's 2017 target budget, budget enhancements and impact of any budget reductions. Questions were raised by Commissioner Garner regarding the real need for audit staff. Mr. Nicks indicated he would ideally like to have two additional auditors based upon the size of other comparable counties. **Commissioner Garner recommended to Mr. Nicks that he build a plan for two additional auditors and to identify the County's return for gaining additional staff.** Mr. Hurd expressed concerns about the methodology used to determine the additional number of staff. He strongly recommends rather than basing the need for staff on other comparable counties, that the County Auditor investigate the level of assurance the Board of Commissioners (BOC) would like to have in terms of risk exposure. To do that, the County Auditor would need to work closely with members of the BOC to determine how often they want every department audited and what it would take based on the number of people currently on staff. If the BOC desires that the Auditor provide the best assurances there should be a value proposition such as how

much the County could avoid in losses or avoid in fines for non-compliance by mitigating the risk. He recommends we look at how much can be saved if there was no investigation in addition to comparing the cost of litigation and the cost of investigation with and without additional staffing.

Commissioner Ellis posed questions related to the auditing software cost and risk assessment, which were addressed. He also inquired as to whether or not Title VI should be housed in the County Auditor’s Office. Mr. Nicks explained that this is a monitoring position that monitors our adherence to the Title VI rule. He further explained that the position was created as the result of a Title VI audit facing the County. In response to this audit a monitoring program was created. Commissioner Ellis asked Mr. Hurd if Title VI fell under the Auditing Department at Georgia Institute of Technology, where he is the Chief Audit Executive. Mr. Hurd indicated that their Title VI program did until a compliance group was created. Once the compliance group was created, the Title VI monitoring program was transferred from their auditing department to their compliance group.

NEW BUSINESS

External/Outside Audit Update

The external audit presentation was presented by April Battiste and Shauna Herbert of the PJC Group, which are the county’s external auditors. The presenters gave an overview of their role and what they do, which included conducting an audit of the County’s Comprehensive Annual Financial Report, reporting on the internal controls over financial reporting and compliance, and providing a separate opinion on various county funds. In addition, the external auditors reviewed the significant findings, which pertained to Capital Assets, Purchasing and Travel Card violations, and State Court.

Following completion of the audit review, Audit Committee members had questions, which included the following. The questions were addressed by the external auditors:

AUDIT COMMITTEE MEMBER	QUESTION	ANSWER
Burton	Were the findings a continuation from last year’s audit?	No
Burton	How long did the audit take to complete?	Approximately 5 months.
Burton	How many employees were used to conduct the audit?	Six
Burton	How many are professional Certified Public Accountants (CPA)?	Two
Ellis	Is an onsite review done on physical inventory?	No asset observation is completed.

AUDIT COMMITTEE MEMBER	QUESTION	ANSWER
Hurd	How long has PJC been the County's auditor?	6 years
Hurd	What is the trend of the findings?	Overall, internal controls were present but some needed to be strengthened or enhanced so that individuals follow them.
Ellis	How did the State Court Audit come up?	During the internal control review and regular course of the audit.

Commissioner Ellis made two observations for the CFO, Sharon Whitmore. He would like the CFO to look more at cash management and bolster internal controls in that area. He would also like to look at the inventory of the County's assets. Ms. Whitmore indicated that the Finance Department and the Department of Real Estate and Asset Management (DREAM) are already looking into these items by way of policy administration and accounting. Risk management has stepped in to develop a plan to conduct a real physical inventory and having effective internal controls in place.

Mr. Hurd expressed concerns to the CFO regarding the cash counts; he attempted to determine if cash count reviews were in place. Ms. Whitmore explained that one had been completed earlier in 2016 through the County Auditor's Office. However, Finance made a decision to remove petty cash from the departments as the need no longer existed since most items could be procured through the use of the Purchasing Card.

Following the external auditors review, Mr. Nicks commented on the State Court finding and recommendation. Mr. Nicks indicated State Court has had a problem for years so there has been an effort to improve internal controls in this area. Mr. Hurd asked the County Auditor to rate the severity of the problem because it seems like there have been red flags concerning cash management operations. Mr. Nicks indicated he believed the department has hired people who can do the reconciliation now and if he had to rate it, he would say that it has improved considerably. Mr. Hurd expressed his concerns that this has been a continuous problem with State Court with no reconciliation of funds. He's concerned that their financial records are also held on a different system than the County's system and that tracking the input and output of those funds may not be accurate. He further expressed his concerns over the opportunity to commit fraud without sufficient tracking of revenue. Ms. Whitmore provided an explanation as to why State Court was on a different accounting system, Odyssey. Mr. Hurd had additional questions regarding Odyssey's tracking, input and output methods, which Ms. Whitmore attempted to answer.

Commissioner Ellis directed Mr. Nicks to get a better understanding of what took place in prior years in State Court as it relates to their cash handling procedures and ensure that there

were not any material misses in 2016. In addition, he would like for Mr. Nicks to ensure sufficient internal controls are in place going forward.

OTHER BUSINESS

Forensic Audit Firm

An update was provided by Mr. Nicks regarding the Forensic Auditors involvement in the Wolf Creek Audit. Commissioner Ellis inquired as to whether or not funding should be required for forensic auditors in the future once the Whistleblower/Fraud Hotline was implemented. Sharon Whitmore, CFO, indicated that there is already funding in the non-agency accounting lines for special audits when needed and forensic auditors would be covered under that non-agency funding.

Mr. Burton questioned who was responsible for implementing corrective actions once an audit has identified a lack of internal controls. Mr. Nicks explained that the role of the County Auditor's Office is to identify the problems and it's the role of County management to ensure corrective actions are implemented. The County Auditor's Office will conduct follow-up reviews and/or audits to determine if plans have been implemented based on risk.

Commissioner Ellis questioned the role of the proposed whistleblower staff to determine if it is more administrative or investigative. Mr. Nicks explained that it is more investigative. Mr. Hurd asked how the department planned to market the hotline to employees. Mr. Nicks informed them through county emails. Ms. Bailey added that the department also planned to market the program through new employee orientation, the County's website, during open enrollment, Fulco News and flyers in an effort to ensure every employee is aware of its existence.

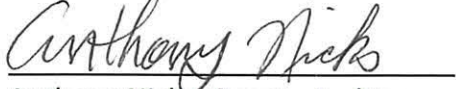
Commissioner Garner had questions regarding fraud training and asked Mr. Hurd does his organization do training annually regarding fraud. Mr. Hurd indicated that the Certified Fraud Examiner (CFE) comes in and performs training sessions with upper management.

Commissioner Ellis informed the Audit Committee that they may hear of two upcoming audits through the media; those audits are for the Tax Assessor's Office and Wolf Creek Amphitheatre. Mr. Hurd questioned if anything was sent to them on the Wolf Creek Amphitheatre audit and Mr. Nicks informed him no, there was not but provided him with a brief overview of the audit objectives. Commissioner Ellis instructed the other committee members to reach out to Mr. Nicks if they have any questions regarding the Tax Assessor's or Wolf Creek Amphitheatre Audits.

ADJOURNMENT

There being no further business, a motion was made by Commissioner Ellis to adjourn and the meeting adjourned at 3:58 p.m.

Respectfully submitted,

Handwritten signature of Anthony Nicks in black ink, written over a horizontal line.

Anthony Nicks, County Auditor

Handwritten signature of Brigitte Bailey in blue ink, written over a horizontal line.

Brigitte Bailey, Audit Coordinator