

FULTON COUNTY AUDIT COMMITTEE

MEETING COMMITTEE MINUTES

November 10, 2016

Fulton County Government Center
141 Pryor Street
4th Floor Conference Room 4056
Atlanta, Georgia 30303

MINUTES

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

Ratified: February 16, 2017

CALL TO ORDER: Chairman Bob Ellis 2:07 p.m.

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

ALSO PRESENT: Sharon Whitmore, Chief Financial Officer; Sallie Wright, Director of Information Technology; Glen Melendez, IT Assistant Director; Anthony Nicks, County Auditor; Queena Jenkins, Audit Manager; Brigitte Bailey, Audit Coordinator; Danielle Moore, Assistant Audit Manager; Tracee Shields, Auditor; Tamika Stinson, Auditor III, David Lowman, Staff Attorney; John Coulborn, Assistant to Commissioner Bob Ellis, Fred Hoffman, Assistant to Commissioner Bob Ellis

ADOPTION OF AGENDA: A motion was made by Commissioner Garner to approve and adopt the agenda with one amendment that including moving up the State Court item to the first order of business. This was seconded by Mr. Luther Burton. The motion passed by the following vote:

Yeas: 5

Nays: 0

RATIFICATION OF MEETING MINUTES: The meeting minutes from September 12, 2016 were reviewed, accepted and approved with no changes. A motion was made by Commissioner

Garner and seconded by Mr. Hurd to accept the minutes as presented. The motion passed by the following vote:

Yeas: 5

Nays: 0

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

OLD BUSINESS:

State Court Cash Handling Procedures Update

State Court met with the Department of Information Technology (DoIT) to discuss problems they were experiencing with cash handling procedures and system difficulties. More specifically, concerns were raised regarding report production. Glen Melendez met with the vendor and discovered the issue maybe surrounding capabilities of the system. A strategy has been developed on how to fix the problem and is currently being reviewed. Sharon Whitmore, Chief Financial Officer (CFO), also spoke with DoIT and revealed some of the problems in part may be attributed to training and system set-up issues. Some general ledgers are not as detailed as they should be which forces State Court to conduct some actions manually. Additionally, there is some duplication of work as items are lumped into one source code and later have to be entered into a spreadsheet and in the system. They are in the process of trying to determine a new set-up and implement additional training. **The County Auditor's Office, Finance and DoIT will work together with State Court to rectify the deficiencies and implement a good system.**

Mr. Burton questioned whether or not this was a stop gap measure to which Mrs. Whitmore replied no, this is a part of the unified system in the courts. The five year road in DoIT is related to modernizing the DoIT Department. This application (Odyssey) doesn't need modernizing. She indicated they may need to take a look at how the application can match our business processes and vice versa as the County didn't fully understand the capabilities of the system.

Mr. Hurd expressed his concerns regarding recommendations not being implemented in many years. He questioned our ability to have any controls with multiple sets of books. Mr. Nicks indicated he wasn't aware that State Court couldn't get basic reports out of the system. Mr. Hurd advised turning to the Commissioners to have them set some expectations for controls. While Quickbooks was a recommendation made for use, he didn't think that was an effective recommendation. He feels there are no controls and strongly recommends implementation of such as there is no way to account for the dollars or their whereabouts. Commissioner Garner explained that's the purpose of having an audit. Mr. Hurd inquired who made the final decision on how the system and controls are set up. Mr. Whitmore answered the State Court Administrator. Mr. Burton reiterated that this problem was caught by the outside auditor who may be able to help them fix the problem. He thinks the CPA who did the audit may be able to provide some assistance.

Mr. Melendez explained the Odyssey system and what it can do, its ability to balance fees and costs. He agreed with Mr. Hurd that Quickbooks is not effective because there are two systems. Mr. Hurd expressed concerns again that employees may not have known how to

effectively use the system for a period of four years. He's also concerned about the inability to reconcile transactional processes that lumps everything together and that a secondary spreadsheet has to be compiled. He questioned the controls in the process and where it has been. He was not sure if DoIT should be the entity to make the call on whether or not controls were adequate. Mrs. Whitmore and Mr. Nicks explained that the State Court Administrator is responsible for that, not DoIT. Mr. Burton inquired into the background of the Administrator. Commissioner Garner said most are lawyers. Mr. Burton feels items should be coded and that a CPA should be hired to help.

Tracee Shields, Auditor III, explained that Quickbooks and spreadsheets were used because the staff didn't realize Odyssey's full capabilities. Ms. Shields further explained that Quickbooks is used for garnishments and liens right now and that Odyssey is being used more as a case management system versus a financial management system. Like the outside auditor, Ms. Shield believes it's more of a training issue due to lack of management oversight. Commissioner Ellis inquired if other areas in the courts were using the financial management side of Odyssey and Ms. Shields indicated yes. She revealed this is more of a training issue and the number of duties assigned to employees. Commissioner Ellis inquired about the completion of the internal audit as he would like to see it published in the near future. He feels once published, the absurdity of the problems can be highlighted and management can provide a response that includes recommendations for a fix to be implemented. Commissioner Ellis asked the group for their recommendations. Ms. Shields recommended increased training and use of Odyssey's financial system versus manual processing.

Ms. Blazej asked DoIT if any of the historical data can be entered in Odyssey. Mr. Melendez indicated they would look at the business process to see if it's feasible and see what would be involved in that process. He indicated they have already begun training and would be coordinating future training sessions. Commissioner Garner asked is Odyssey being used in other areas. Mr. Melendez responded, yes with liens and garnishments. Ms. Whitmore asked if DoIT looked at the financial management side and Mr. Melendez responded no, they only looked at the case management side. Mr. Nicks feels they don't have people with the appropriate management skills in this area. Mrs. Whitmore believes the whole back office, management oversight, internal controls and the skill sets of staff may need to be evaluated. She feels someone with an accounting background would be beneficial in that area. Commissioner Ellis wanted to know the release date of the report. Mr. Nicks indicated within the next one to two weeks.

Mr. Burton explained that in most organizations, the books have to be signed off on the financial statement by someone in the capacity of the County Manager, CFO, Director of Finance or the person who prepared the CAFR. He feels these people should have the authority to tell the courts how to do things. Mrs. Whitmore indicated that they do provide guidance and feedback but have no mechanism to force them to implement recommendations.

Mr. Hurd asked if a forensic auditor came in and found \$1M was stolen, who would be responsible. Commissioner Ellis and Garner both indicated the State Court Judge. Commissioner

Ellis asked the auditor how often reconciliations should be done and Ms. Shields indicated monthly. She also added that Standard Operating Procedures (SOP) need to be developed as there are currently none in existence. Ms. Blazej thought SOPs were a basic item that should be in place. Commissioner Ellis and Garner and Mr. Nicks indicated yes. Ms. Blazej indicated the frightening part is how much money has floated through this area with the inability to safely say where it is. Commissioner Ellis wanted to know if there was a way to determine how much money there is and is it being captured? Ms. Shields responded yes, but it would be difficult to assign a dollar amount because of the lack of reconciliation. Mr. Hurd feels like we could be losing a huge revenue stream. Commissioner Garner indicated this is why we have the audit done. Mr. Hurd feels a forensic auditor should come in and be able to piece together the books and that money may be recoverable.

Audit Software Update

An update was given by Mrs. Queena Jenkins, Audit Manager, pertaining to the procurement of the Audit Software. The software has been approved and procured and is on track for full implementation. Ms. Jenkins will be coordinating training and working directly with the vendor as the onsite contact to complete full testing and implementation.

Whistleblower Hotline/RFP Update

An update was given by Mr. Nicks pertaining to the procurement of the Whistleblower/Fraud Hotline. The hotline has been approved and procured at the recommendation of Mr. Nicks. The framework development section has been completed and the email portion of the website is expected to go live in January, 2017. The telephone portion of the website is expected to go live in February, 2017. Ms. Brigitte Bailey, Audit Coordinator, informed the Committee that a Systems Advocate, who is not a member of the internal audit team, would need to be assigned in the event a complaint was filed against an employee of the department. Ms. Bailey explained the role of the advocate which entails notification of any complaints filed through the hotline on internal audit employees. The advocate would be responsible for furthering the investigation and working with the audit committee to review, resolve and make recommendations of action or escalation. The advocate would also have access to the system and would be able to monitor complaints as desired. Ms. Cheryl Blazej agreed to serve as the Systems Advocate.

Audit Charter

The Audit Charter was reviewed and approved by the audit committee for presentation to the Board of Commissioners (BOC) for consideration and approval. **Ms. Bailey was directed to have this item placed on the December, 2016 BOC agenda.**

Budget Update 2017

Ms. Bailey explained the budget is being considered by the BOC and will be reviewed and approved no later than January, 2017.

NEW BUSINESS

Audit Committee Appointments 2017-2019

Mr. Nicks began to review the audit legislation with the Committee and expressed concerns about the continuance of the committee based on the initial audit legislation. Commissioner Ellis and Ms. Bailey reviewed the revised legislation and indicated that the continuance of the Committee was not in question but rather the term of the committee members. Commissioner Ellis confirmed he changed that in the initial legislation and Ms. Bailey cited the section of the change in the legislation for the Committee members. Ms. Bailey went on to explain that the legislation indicated the initial term for committee members was identified for years 2015 and 2016. With their current terms expiring on December 31, 2016, the BOC would need to re-appoint the current members or present a slate of new members. In addition, they would need to identify the term length for the new or re-appointed members as the language in the legislation was silent to the term limit beyond the initial appointment. Commissioner Ellis asked the current members if they would be willing to continue service in their capacity to which they all agreed. **Commissioner Ellis directed Ms. Bailey to contact the Clerk to the Commission to confirm the expiration dates for the audit committee board appointments. If new appointments or re-appointments are in order to have the Clerk to the Commission follow his procedure in notifying the Board so that the Board could make any such new appointments or re-appointments.**

Ms. Bailey indicated that the legislation may need to be changed to incorporate the term length for all future audit committee members. Commissioner Ellis asked the staff attorney present, David Lowman, if this was something that could be incorporated into the audit charter verses modifying the legislation again. Mr. Lowman indicated yes. **Commissioner Ellis directed Ms. Bailey to include language in the charter before it was presented to the BOC in December that indicated all future term limits for audit committee members would be for a period of two years. She was asked to work with the County Attorney's office to ensure any legal compliance.**

2017 Meeting Dates/Schedule

Ms. Bailey presented the 2017 proposed meeting dates to the audit committee. Two date changes were requested due to conflicts. **Ms. Bailey was directed to select revised dates based on information provided by the committee and email the members with final date selection.**

OTHER BUSINESS

Outside/External Auditor

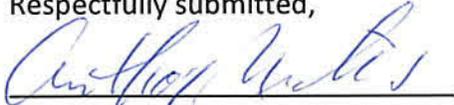
Mr. Burton would like to see the outside auditor/CPA here more frequently than once per year. He wanted to know the relationship with the outside auditor. Mr. Nicks feel there's an open line of communication between his office and the external auditor. Mrs. Whitmore explained that the outside auditors are in every month to do the pension plan review. Mr. Hurd asked how long the County had been using this auditor. Mrs. Whitmore stated 6 plus years. She went on to explain that they were initially a sub-contractor under KPMG where they were assigned audit work and now perform the CAFR. She further explained that the County does a Request

for Proposal (RFP) for services every three years. Mr. Nicks indicated that the responses to the RFP are limited because the work is not quite that lucrative for them. Commissioner Ellis would like the next RFP to be brought to the audit committee for review and he would like to see a member of the audit committee serve on the selection committee as well to which Mr. Nicks agreed.

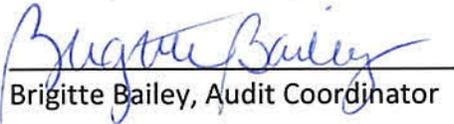
ADJOURNMENT

There being no further business, a motion was made by Commissioner Ellis to adjourn and the meeting adjourned at 4:07 p.m.

Respectfully submitted,



Anthony Nicks, County Auditor



Brigitte Bailey, Audit Coordinator