

Comprehensive Annual Financial Report (CAFR)  
and Audit Update  
Fiscal Year 2017



Buncombe County  
**Finance**



# FISCAL YEAR 2017

Comprehensive Annual Financial Report (CAFR)



Produced in  
Accordance with  
GAAP (Generally  
Accepted  
Accounting  
Principles)



Transparency  
of Financial  
Position



Statistical Section a  
Quick Reference  
for Historical  
Information



Download On  
Our Website

# Questions Raised

Clean Audit During An Ongoing Investigation?

## How can we have an unmodified opinion?

- 1 There are no unreasonable misstatements in our financial statements.
- 2 Any tax dollars used in an inappropriate or illegal manner is material and a betrayal of public trust.
- 3 An unmodified opinion does not mean there has been zero wrongdoing.

## How can we be in good financial position?

- 1 Two categories of actions in question: those clearly inappropriate and those questionable under delegated authority.
- 2 Dollar value of inappropriate actions is not large enough to affect County operations.
- 3 All other actions occurred through budgetary process and therefore do not affect our financial position in any new ways.

## How did something like this happen in the first place?

- 1 Power and position were used to take advantage of systems.
- 2 Previous environment made discovering these exploits very difficult and making changes to any known weaknesses incredibly hard.

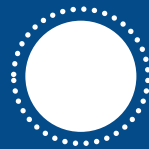
# Timeline

Finance Dept. Reaction to Irregularities

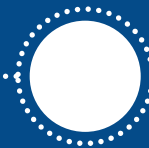
SOME QUESTIONABLE  
COUNTY MANAGER  
ACTIONS OCCUR  
*April – June 2017*



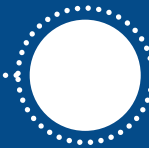
INTERNAL AUDIT &  
HR CONSULTED  
*June 2017*



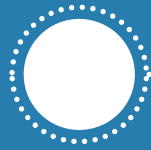
SERIES OF FINANCIAL  
IRREGULARITIES TIED TO  
COUNTY MANAGER  
DISCOVERED  
*June 2017*



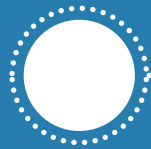
EVENTS DOCUMENTED  
AND DELIVERED TO  
SENIOR ATTORNEY  
*June 2017*



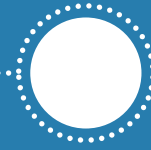
EXTERNAL  
AUDITOR  
NOTIFIED  
*July 2017*



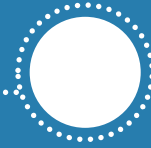
HISTORICAL REVIEW  
OF FINANCIAL  
TRANSACTIONS  
*July 2017 - Ongoing*



LOCAL GOVERNMENT  
COMMISSION (LGC)  
NOTIFIED  
*July 2017*

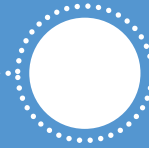


INTERNAL AUDIT AND  
ORG. CHANGES MADE  
*July 2017 - Ongoing*





TODAY



WORK WITH EXTERNAL  
AUDITORS TO  
DETERMINE IMPACT ON  
STATEMENTS  
*August – October 2017*



**GOULD KILLIAN  
CPA GROUP, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

---

**BUNCOMBE COUNTY**  
Auditors' Remarks

# Overview of the Nature of an Audit of Financial Statements



*Independent Auditors' Report*  
Board of Commissioners  
Brunswick County, North Carolina  
Asheville, North Carolina

**Report on the Financial Statements**  
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Brunswick County, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**  
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**  
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Brunswick County Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

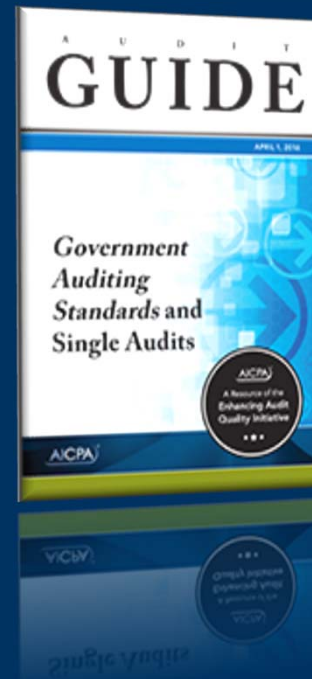
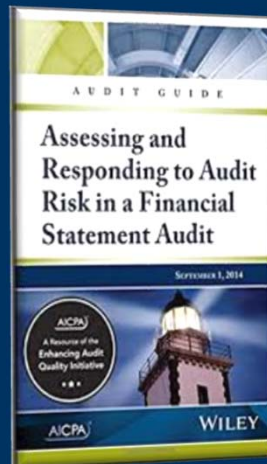
We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our audit opinions.

100 Dove Avenue | Asheville, NC 28801 | P 828.258.0263 | F 828.252.0238 | [www.gk-usa.com](http://www.gk-usa.com)





# Procedures Generally Performed



# Internal Control Discussion



# Internal Control Discussion

## 8.0 IDENTIFYING AND REPORTING FRAUDULENT, IMPROPER, OR ABUSIVE ACTIVITY

With the common goal to provide citizens of Buncombe County with an honest effective and efficient County government, it is the cardholder's duty to report all suspected instances of fraud and abuse to the Internal Auditor or appropriate management. Should the cardholder be uncomfortable with reporting to the Internal Auditor or management, the cardholder may report it confidentially through the County's Whistleblower Hotline toll-free at 1-866-908-7236.

### **Fraudulent Purchases**

Use of the PCard to acquire goods or services that are unauthorized and intended for personal use or gain constitutes a fraud against the County. A cardholder's unauthorized purchase of power tools for his home, a vendor's intentional charges for items not provided, and the unauthorized use by a third party of a cardholder's compromised or stolen account for personal gain are examples of fraudulent PCard transactions.

### **Improper Purchases**

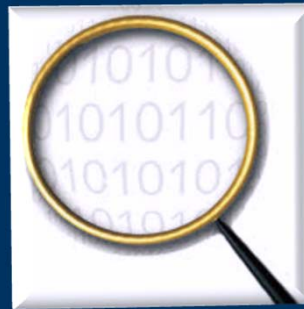
PCard transactions that are intended for County use but are not permitted by law, regulations, or County policy generally are considered improper. Split transactions to circumvent the \$4999.99 single purchase limit is an example of an improper purchase.

### **Abusive Activity**

Purchases of authorized items at terms (e.g. price, quantity) that are excessive, are for a questionable government need, or both are considered abusive. Purchases of items such as a \$300 day planner or allowable refreshments at excessive costs are examples of abusive activity.

# How County's System Worked to Detect Problem

---



# Why No Deficiency Reported

---



Buncombe County  
Financial Statements



# Prevention Going Forward

---

