

Minutes of Buncombe County Audit Committee
August 29, 2017
9:00 AM

Members Present: Kendra Ferguson, Larry Harris, Andrew Hoffman, Diane Price, Danny Yelton, and Mike Knepshield, Commissioner Al Whitesides

Also Present:

Gould Killian: Tonya Marshall, Ed Towson, Dan Mullinix

County Staff: Mandy Stone, Tim Flora, Terri Orange, Dustin Clark, Blair Chamberlain, Jennifer Durrett, Autumn Lyvers and Michael Frue

The Audit Committee Chairman, Larry Harris, called the meeting to order at 9:00 AM.

Meeting Minutes

The minutes from the May 17, 2017 meeting were presented. There was no discussion. Danny Yelton moved to accept the minutes. Kendra Ferguson seconded the motion. All Committee members voted in favor of the motion.

County Manager Update

Buncombe County Senior Attorney Michael Frue announced that there would be no discussion regarding the recent news about the current Federal investigation.

County Manager Mandy Stone made a presentation to the Committee about her management style and new perspective on the Buncombe County organization. She provided information about her focus on organizational structure which is a shift from a focus on infrastructure.

She then presented the new management structure for the County of which the foundation consists of four major components: Transparency, Accountability, Diversity and Equity, and Community Engagement. Detail on each of these components can be found in the presentation included with these minutes.

She then gave an overview of the new organizational chart for the County and emphasized that no new positions were added and there were no impacts on the budget.

Budget Update

Diane Price gave a brief budget update highlighting key investments in the FY18 budget and that she expects to bring FY17 savings to the Board of County Commissioners at their October meeting.

She spoke on transparency for the Budget Department and their efforts to increase transparency for the County Commissioners as well as the public. She presented a budget timeline that will be used to help keep the community informed on the budget process and where the budget stands throughout the year. The budget staff has also updated the budget amendment form to include better information each time a budget change is made.

Finance and Tax Update

Tim Flora, CFO, and Dustin Clark, Senior Analyst, gave an update on the Finance and Tax departments.

The Finance Department is focusing heavily on transparency, working on several dashboards to be posted for the public once approved by the Board of County Commissioners. Potential dashboards include: Debt, Budget to Actuals, Economic Development, Community Development Funding, and Salary Information. The dashboards will be easily accessible through buncombecounty.org with drillable functionality to give detailed information.

The CFO and Interim Tax Director recognize the importance of protecting the Tax Department's performance for the future. Based on guidance from the UNC School of Government, a Collector and Assessor model is planned for the future of the department. This model will be adopted to avoid potential conflict that is inherent in a consolidated role. The growth and complexity in the department give opportunity to management to better define roles, segregate responsibilities, and incorporate more checks and balances.

Audit Committee and Internal Audit Recommendations

Internal Auditor Terri Orange gave an update on the changes and restructuring of the internal audit function. She spoke on the new focus on independence of the Internal Auditor with increased access to the County Manager and the Board of County Commissioners as well as increased oversight from the Audit Committee.

She proposed several items to the Committee including the adoption of an Internal Audit Charter, amending the current Audit Committee Resolution, adopting Audit Committee Bylaws, and adopting the COSO Internal Control Framework. Details of each of these items can be found in the presentation attached. The Audit Committee agreed to reconvene in a month or so to vote on the proposed changes that will then be taken to the Board of County Commissioners for their approval.

Conclusion of Meeting

Al Whitesides motioned to adjourn, Diane Price seconded the motion, all approved. Larry Harris adjourned the meeting at 10:13AM.



Audit Committee Update

8/29/2017



Agenda

- County Manager Update
 - Foundational Principles
 - County Organizational Overview
- Budget Highlights
- Finance & Tax
 - Changes at the Tax Department
 - Financial Transparency
- Internal Audit
- Questions/Discussion



County Manager Update



Foundation for Moving Forward

Transparency

- Provide full complete access to all information
- Deliver timely, comprehensive, accurate information both proactively and upon request

Accountability

- Align actions with our policies
- Own mistakes and address them
- Put structures in place to hold us accountable to taxpayers through monitoring and evaluation

Diversity & Equity

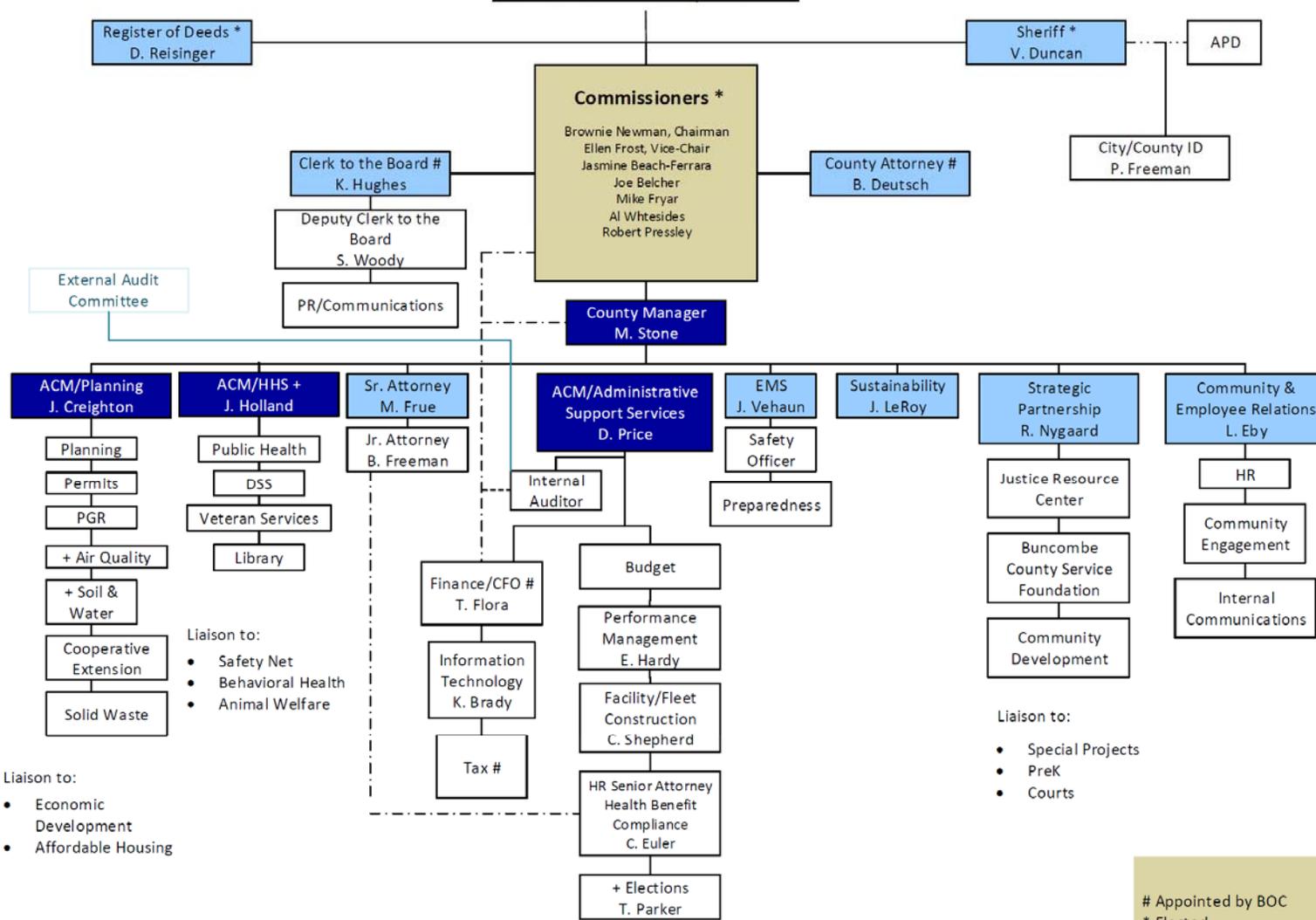
- Ensure a diverse workforce and an inclusive work environment
- Take intentional actions to build a diverse community, making our community welcoming for all
- Address structural factors that impede an individual, group, or neighborhood from realizing their full potential

Community Engagement

- Connect with the community in meaningful ways that allow for community input
- Build partnerships that combine elected, resident, community organization and public agency leadership with staff leadership and infrastructure support



Buncombe County Citizens



- Liaison to:
- Economic Development
 - Affordable Housing

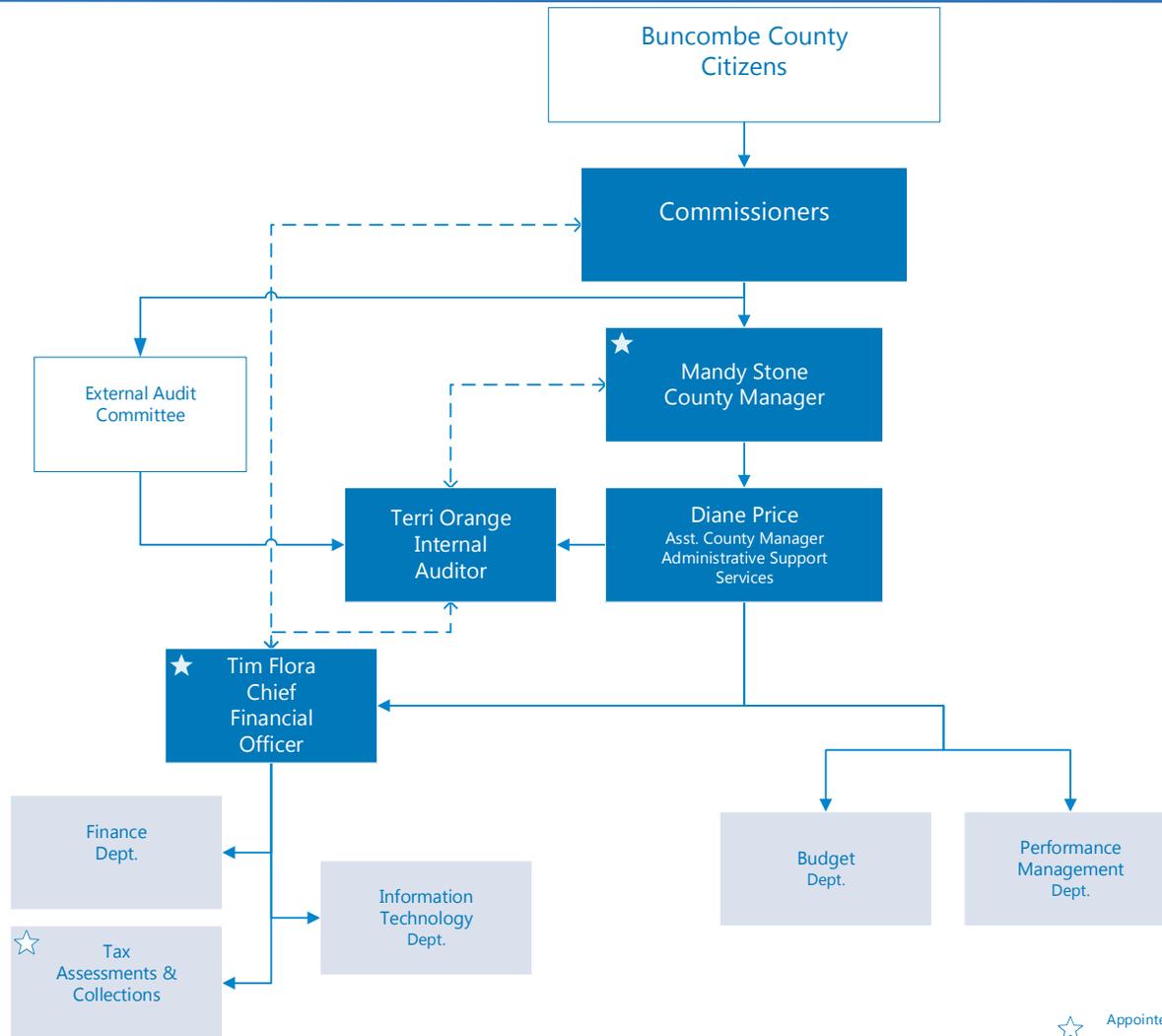
- Liaison to:
- Safety Net
 - Behavioral Health
 - Animal Welfare

- Liaison to:
- Special Projects
 - PreK
 - Courts

Appointed by BOC
* Elected
+ Separate Board



County Organizational Chart



☆ Appointed by the Board of County Commissioners



Budget Highlights

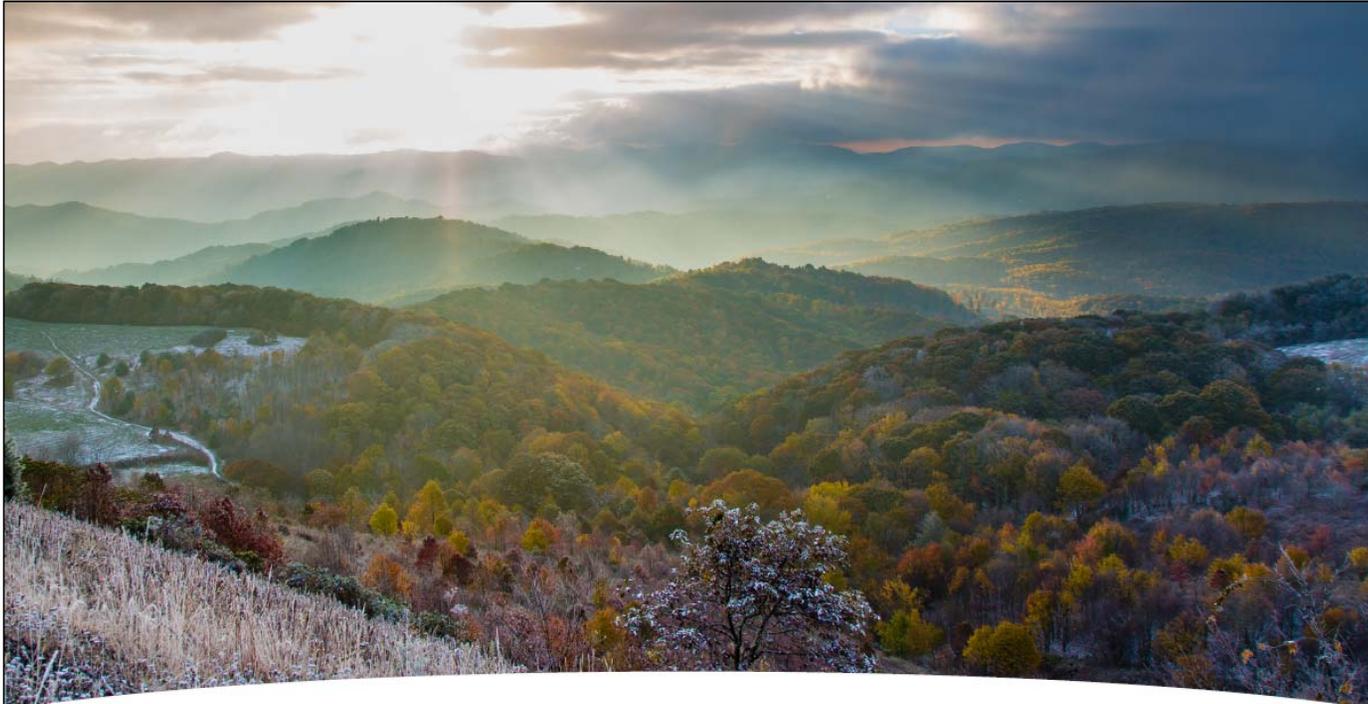


FY2018 Budget Highlights

- General Fund Adopted Budget - \$330,735,388
County-wide Budget - \$433,202,854
- Adopted Tax Rate – 53.9 cents
Revenue Neutral Tax Rate – 51.3 cents
Previous Tax Rate – 60.4 cents
- Positive Revenue Trends (compared to FY17 adopted)
 - Sales Tax ↑ 9%
 - Excise Tax ↑ 10%
 - Building Permits ↑ 6%
- Increased Investments:
 - Education - \$4,884,234
To fulfill second phase of teacher supplement increases and State-proposed increases in certified and non-certified personnel pay and benefits.
 - Justice Resource Support - \$547,500
Includes Justice Resource Coordinator position and AOC Contract to widen focus on evidence-based diversion programs for non-violent offenders.
 - Sustainability Office - \$551,019
Includes Sustainability Officer position, Community Clean Energy Projects, Energy Audits, and Energy Efficiency Home Repair.
 - Pre-K - \$156,632
Support for one preschool classroom at Johnston Elementary that will serve an additional 18 children in the 2017-18 school year.



FY 2018 Budget in Brief



Budget in Brief **FY 2018**





FY2018 Budget Timeline Example

CAPITAL & IT REQUESTS (OCT 4 - NOV 4)

[Capital Improvement Policy](#)
[Capital Improvement Plan \(Adopted\)](#)
[Sample Capital Project Request Form](#)
[Vehicle Replacement Policy](#)

SALARY & WAGE PROJECTIONS COMPILED BY
BUDGET & MANAGEMENT SERVICES

OCT
2016

NOV
2016

DEC
2016

JAN
2017

FEB
2017

COMMUNITY FUNDING APPLICATIONS OPEN (NOV 4 - DEC 2)

[Community Funding Website](#)
[Funding Summary](#)
[Grant Applications](#)
[Resolution](#)
[Performance Analysis Review \(FY 2017 3rd Qtr\)](#)

DEPARTMENTAL OPERATING REQUESTS

Must be Completed prior to April 30th

PLANNING RETREAT (JAN 19)

Board of Commissioners Annual Planning Retreat

CONSUMER PRICE INDEX DATA RELEASED

Salary and wage impact calculated by Budget & Management Services



Financial Transparency



Financial Transparency Update

At the direction of the new County Manager, a Transparency Initiative is underway to make County financial information more accessible than ever before.

Items in Progress:

- Debt Information
- Budget to Actuals
- Economic Development
- Community Development Funding
- Salary Information





Tax



Changes at the Tax Department

Buncombe County Tax Department has a track-record of success!

So why is there a need for change?

- Key Personnel Have Retired
- Major system/process implementations (AssessPro, NCPTS)
- New County Manager reorganizational strategy
- Stronger emphasis on internal audit and avoiding potential conflicts
- Chief Financial Officer and Interim Tax Director recognize importance of protecting Tax Department performance for the future



Changes at the Tax Department

- **Tax Director position frozen**
- **Assessments and Collections separated into distinct divisions**
- **Collector and Assessor model planned for the future**
 - Based on guidance from UNC School of Government and principle of segregation of duties, this model will be adopted to avoid potential of conflict inherent in consolidated role
 - Growth & complexity means need to better define roles, segregate responsibilities and incorporate more checks and balances.

Decisions so far

2015

Budget Split From Finance

2017

- Performance Management Dept.
- Collections Split From Assessments

2016

Internal Audit Split From Finance



Internal Audit



Internal Control Recommendations

- Restructure Internal Audit Function
- Adopt Internal Audit Charter
- Amend Resolution Creating Audit Committee
- Amend Audit Committee Charter
- Adopt Audit Committee Bylaws
- Adopt COSO Internal Control – Integrated Framework



Restructure Internal Audit Function

- Independence
 - Increased access to BoCC & County Manager
 - Increased Audit Committee oversight
- Responsibility
 - Internal Audit charter
 - Increased access to managerial decision-making processes



Adopt Internal Audit Charter

- Discusses
 - Core principles
 - Governance
 - Authority
 - Organization
 - Independence & Objectivity
 - Responsibility
 - Internal Audit Plan
 - Reporting & Monitoring
 - Quality Assurance & Improvement



Amending Resolution

- Resolution establishing the Audit Committee in 2000 specified that the membership consist of:
 - 1 member of BoCC
 - 1 member of the County's Management Team
 - 1 member of another governing body within the County
 - 2 members of the accounting profession
 - 1 member of the banking community
 - 1 member of the business community in general



Amending Resolution

- Resolution establishing the Audit Committee in 2000 specified that the membership consist of:
 - ~~1~~ 2 members of BoCC
 - ~~1 member of the County's Management Team~~
 - 1 member of another governing body within the County
 - 2 members of the accounting profession
 - 1 member of the banking community
 - 1 member of the business community in general
- Replace Management Team member with another BoCC member



Amend Audit Committee Charter

- Principal changes
 - Remove Management Team member and replace with another BoCC member
 - Additional oversight of Internal Audit function, including:
 - Approving the charter
 - Approving the annual audit plan
 - Approving appointment or dismissal of Internal Auditor
 - Reviewing the effectiveness of the internal audit function



Adopt Audit Committee Bylaws

- Bylaws formalize the rules and procedures for the operation of the Audit Committee
- Items to note:
 - Membership composition
 - Terms of office and limitations
 - Officers
 - Secretary – Internal Auditor option
 - Meeting information based on NC open meeting laws
 - Procedural matters



Adopt COSO Internal Control Framework

- The Committee of Sponsoring Organizations of the Treadway Commission (COSO) established a common internal control model applicable to all organizations
- Governing body adoption is a best practice recommendation by the Government Finance Officers Association (GFOA)



Key Concepts of COSO Framework

- Internal Control is a process, implemented by an entity's board, management and other personnel, designed to provide "reasonable assurance" regarding the achievement of objectives in the following categories:
 - Effectiveness and efficiency of **operations**
 - Reliability of **financial reporting**
 - **Compliance** with laws and regulations
 - Safeguarding of assets



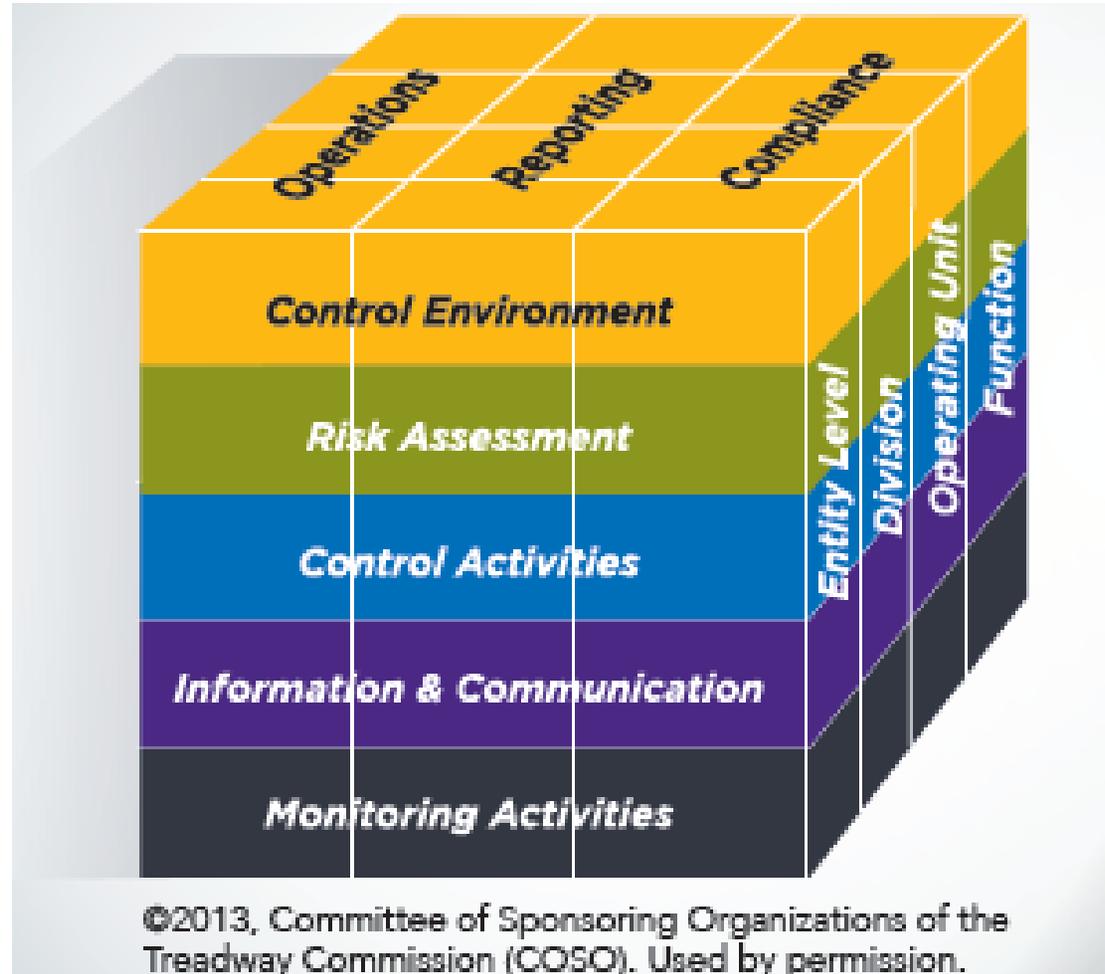
COSO-Components of Internal Control

- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring

ALL must be present and functioning



COSO Internal Control-Integrated Framework





Principles of Internal Control

Control Environment

1. Demonstrates commitment to integrity and ethical values
2. Exercises oversight responsibility
3. Establishes structure, authority and responsibility
4. Demonstrates commitment to competence
5. Enforces accountability

Risk Assessment

6. Specifies suitable objectives
7. Identifies and analyzes risk
8. Assesses fraud risk
9. Identifies and analyzes significant change

Control Activities

10. Selects and develops control activities
11. Selects and develops general controls over technology
12. Deploys through policies and procedures

Information & Communication

13. Uses relevant information
14. Communicates internally
15. Communicates externally

Monitoring Activities

16. Conducts ongoing and/or separate evaluations
17. Evaluates and communicates deficiencies



Internal Control Framework Responsibilities

- **Governing Body Responsibilities**
 - Establish oversight of the system of internal control, using sub-committee, if desired (e.g. Audit Committee)
 - Challenge management and ask tough questions
 - Ensure they are aware of risks, internal control deficiencies, and management's plan to address
 - Seek input from internal and external auditors
- **Senior Management's Responsibilities**
 - Assess the system of internal control related to the Framework and make adjustments as needed
 - Inform the Board of risks to organizational goals, internal control deficiencies, and the plan to address



Internal Control Framework Responsibilities

- Internal Auditor Responsibilities
 - Use the COSO Framework to inform audit plan design and internal control recommendations
- External Auditor Responsibilities
 - Assess the system of internal control related to the Framework



Audit Committee Recommendations to BoCC

- Adopt Internal Audit Charter
- Amend Resolution Creating Audit Committee
- Amend Audit Committee Charter
- Adopt COSO Internal Control – Integrated Framework