CACHE COUNTY AUDIT COMMITTEE
MARCH 8, 2021
MINUTES

The Cache County Audit Committee convened in a regular session on March 8, 2021 at 11:00 a.m. in the Cache County Historic Courthouse, County Council Chambers, 199 North Main, Logan, Utah.

ATTENDANCE

Members of the Audit Committee in Attendance:

Karl Ward – County Council – Chair	Voting Member
Paul Borup – County Council	Voting Member
David Zook – County Executive	Voting Member
Alan D. Allred – Community Representative	Voting Member
James Swink – County Attorney	Advisory Member
Jess Bradfield – County Clerk / Auditor	Advisory Member
Craig McAllister – County Treasurer	Advisory Member
Cameron Jensen – County Finance Director	Advisory Member
Philip Noble – County Finance Sr. Accountant	Advisory Member
Bryce Mumford – Chief Deputy County Executive	Advisory Member

Members of the Audit Committee Absent:

Barbara Tidwell – County Council	Voting Member

Also in Attendance:
Janeen Allen – Minutes

CALL TO ORDER

Chairman Karl Ward called the meeting to order at 11:10 a.m.

ITEMS OF BUSINESS

APPROVAL OF MINUTES

There was some discussion to correct some errors in the minutes of September 1, 2020 which Allen did.

> **ACTION: Motion was made by Alan Allred and seconded by David Zook to approve the September 1, 2020 minutes as amended. The vote in favor was unanimous, 3-0 (Paul Borup and Barbara Tidwell absent for vote)**

ITEMS FOR DISCUSSION

VISIONING PRESENTATION – JESS BRADFIELD, COUNTY CLERK/AUDITOR

Bradfield summarized one of the largest cases of fraud in the United States that happened to a Kentucky municipality. He discussed what led to the fraud and how Cache County can implement internal checks and balances, as well as control mechanisms that will safeguard the county from fraud. He gave a Powerpoint presentation which is part of these minutes as Attachment A.

Bradfield defined an internal auditor as someone who prevents fraud, waste and/or abuse within the practices of the county. He asked for the Audit Committee's recommendation to the County Council to reallocate funding for an internal audit reorganization that will put the internal audit back into the Auditor's office rather than contracting with an outside source.

Discussion that followed included:
David Zook: So, you, Jess, will be the internal auditor?
Jess Bradfield: Yes
Bryce Mumford: Do you think you can do this without a cost increase?
Jess Bradfield: Yes
Alan Allred: Finding the caliber of internal auditors with the expertise needed will be difficult especially for part-time work. You need personnel who know what they are doing, so when there is a change in the elected officials, the processes are already established and the new person can pick up at that point.

David Zook summarized the options to consider:

- Continue to contract with an outside person at roughly $20,000 / year
- Reallocate funds and other funds so Bradfield and two other part-time internal auditors can perform the function in-house

12:02 p.m. – Paul Borup arrived

Alan Allred stated he isn't ready to make a decision at this meeting. He wants to review the minutes and the powerpoint presentation first.

James Swink said he thought it would be prudent to take some time to look at the options before making the decision.

Allred's concern is that it will end up costing more to get the expertise needed to bring it in-house.

Chairman Ward said he is inclined to try the plan Bradfield has put together with not additional budget impact. He also wants the Audit Committee to meet on a monthly basis for the time being.

Paul Borup said there are two ways to be conservative: cheap or comprehensive. If you go with cheap, it is only temporary and costs more in the end to fix. If you go with comprehensive, it may cost more initially, but will save money in the long run because it is a permanent solution.
Borup suggested allocating more budget initially so that Bradfield can get the experience and expertise needed for the job.

Karl Ward: Suggested having committee members study the options and then come together in a month to make the decision. However, after some more discussion, he said the county won't be out anything if it goes ahead and tries this option to see if it works. He recommended that the proposal be on the council agenda for approval of the reallocation of the money.

Open Items

No other items were brought up for discussion

NEXT SCHEDULED MEETING

To Be Determined

ADJOURNMENT

The meeting adjourned at 12:43 p.m.

CACHE COUNTY AUDIT COMMITTEE
MARCH 8, 2021

ATTACHMENT A

Getting Started:
Establishing an Internal Audit Center of Excellence

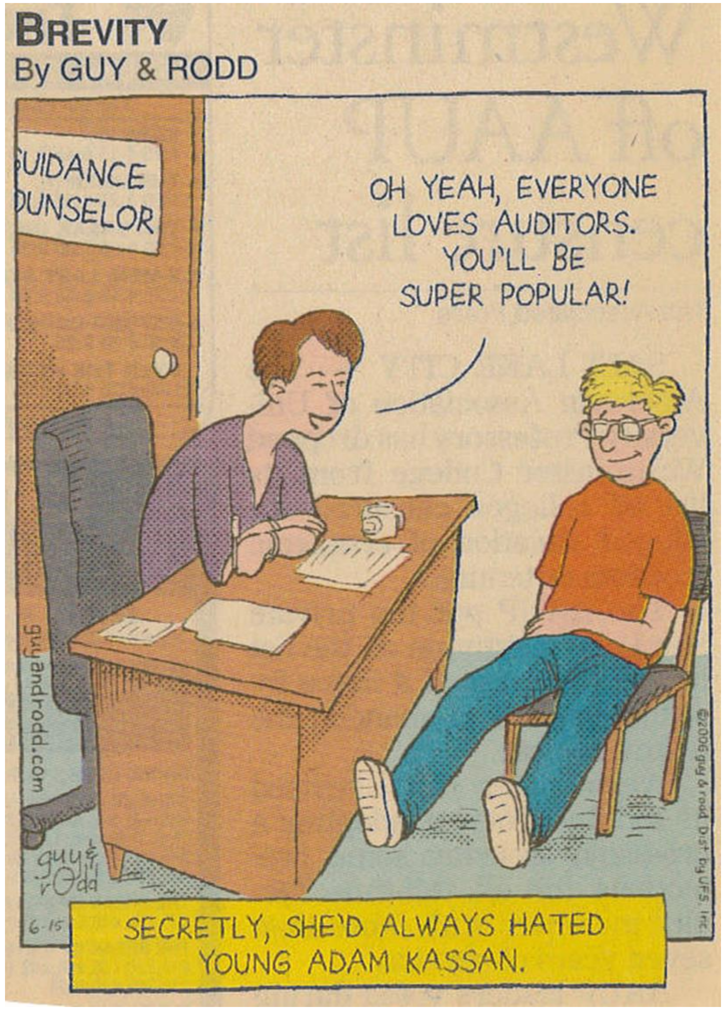
Cache County Auditor
Jess Bradfield

Agenda

1) **Establish Importance of Internal Auditor**
   - ❑ Function
   - ❑ Benefits
   - ❑ Statutory Overview

2) **Examine Best Practices**
   - ❑ Self Reflection
   - ❑ Other Utah Counties

3) **Proposed Path Forward**
   - ❑ Structure
   - ❑ Personnel Needs



Internal Audit Function & Benefits

Cache County
AUDITOR

Purpose

- Mitigate Fraud, Waste and Abuse
- Ensure policy and code is followed
- Provide findings and feedback

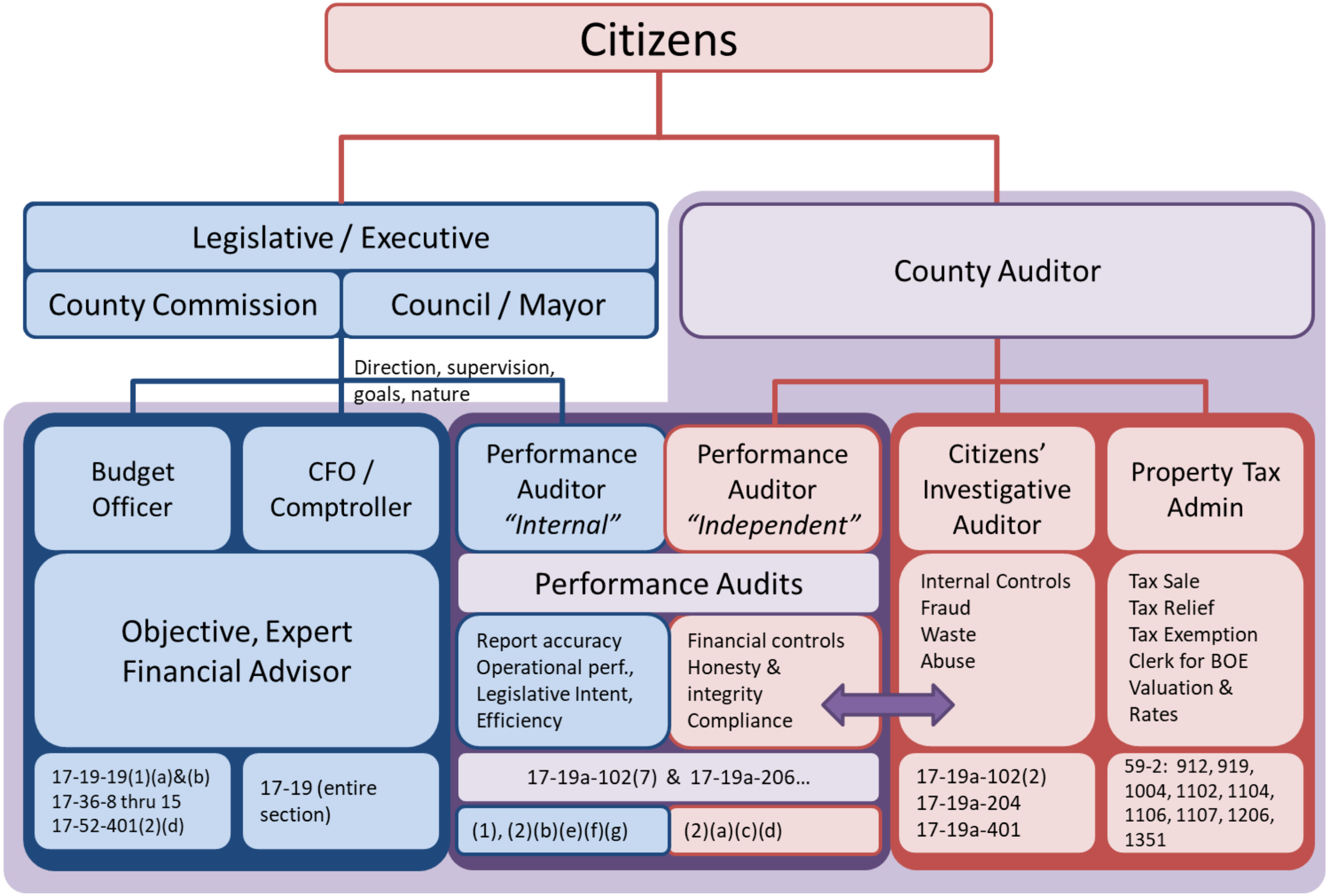
What could Happen?

- 12:33
- 15:43
- 1:01:42

Doesn’t 3rd Party Audit Cover Fraud?

- 47:23

Internal Audit - Statutory Overview



- Per U.S.C. 52-4-103.6.c Meeting of the Audit Committee is being considered an forum for discussing and implementing administrative or operational matters

Internal Audit Practices

Cache County

- Historically had 3rd Party Internal Auditor
- Internal Auditor brings ideas and/or independent audit findings
- Criteria to determine what is audited

Best Internal Audit Practices in Utah

- Well Defined metrics, target, outcomes
- Examples

Internal Audit Best Practices

- ❑ Identify what to audit
- ❑ Gather information on organizations
- ❑ Determine risk rating
- ❑ Categorize risk levels
- ❑ Determine required resources
- ❑ Identify available resources
- ❑ Perform audits & self assessments

Internal Audit Best Practices

Identify What to Audit

- There are many ways to do this
  - Budget – usually broken down by department
  - Financial Statements (CAFR, basic)
  - Organization chart, Phone directory, Website

Remember special organizations

Internal Audit Best Practices

What Information to Gather

Financial "size"

- Expenditures
- Employees
- Nature of transactions (few large vs. many small)

Other factors

- Departmental changes
- Operating environment
- Audits from other agencies

Internal Audit Best Practices

How to Gather Information

- Questionnaire for every department
  - Most data already available
    - Main accountant
    - Finance Director/Comptroller
    - Budget/Financial Statement

Questionnaire

Cache County AUDITOR

Audit Factor	#	Question
Departmental Changes	1	Has management changed since Jan 1 last year?
	2	Has there been >10% turnover since Jan 1 last year?
Operating Environment	5	Is this department highly visible to the public/press?
	6	Does the department receive state/federal grants?
Financial Activity	9	What was the total actual $ expended last year?
	10	Of the total in #9, how much was payroll related cost?
	11	What is the average number of checks per week?
Last Audit	15	When was the last audit performed?
	16	Were there any material findings in the last audit?
Qualitative Adjustment	18	Tips / complaints / audit requests from any source?
	19	Audit Committee direction

Weight Questionnaire

Cache County
AUDITOR

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Cache County
AUDITOR

Gather Information

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Gather Information

Audit Factor	#	Question	CJC	Health Dept	HR	Parks	Weed
Departmental Changes	1	Has management changed since Jan	N	Y	N	N	N
	2	Has there been >10% turnover since	Y	Y	N	N	N
Operating Environment	5	Is this department highly visible to	Y	Y	N	N	N
	6	Does the department receive	Y	Y	N	N	N
Financial Activity	9	What was the total actual $	282,000	10,480,000	437,500	209,000	88,900
	10	Of the total in #9, how much was	125,000	4,490,000	368,000	107,500	77,800
	11	What is the average number of	3	18	2	2	<1
Last Audit	15	When was the last audit performed?	7/24/2012	9/18/2013	1/4/1896	3/3/1852	1/23/2010
	16	Were there any material findings in	N	N	Y	N	N
Qualitative Adjustment	18	Tips / complaints / audit requests	0	1	0	0	0
	19	Audit Committee direction	N	N	N	N	Y

Rate the Risk

Audit Factor	#	Question	CJC	Health Dept	HR	Parks	Weed
Departmental Changes	1	Has management changed since Jan	N	Y	N	N	N
	2	Has there been >10% turnover since	Y	Y	N	N	N
Operating Environment	5	Is this department highly visible to	Y	Y	N	N	N
	6	Does the department receive	Y	Y	N	N	N
Financial Activity	9	What was the total actual $	282,000	10,480,000	437,500	209,000	88,900
	10	Of the total in #9, how much was	125,000	4,490,000	368,000	107,500	77,800
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Last Audit	15	When was the last audit performed?	7/24/2012	9/18/2013	1/4/1896	3/3/1852	1/23/2010
	16	Were there any material findings in	N	N	Y	N	N
Qualitative Adjustment	18	Tips / complaints / audit requests	0	1	0	0	0
	19	Audit Committee direction	N	N	N	N	Y
		Departmental Changes (20%)	0.0	15.0	0.0	0.0	0.0
		Operating Environment (20%)	17.5	20.0	5.0	5.0	5.0
		Financial Activity (37%)	17.5	37.5	17.5	27.5	17.5
		Last Audit (8%)	2.5	2.5	5.0	7.5	2.5
		Qualitative Adjustment (15%)	15.0	5.0	12.5	5.0	5.0
		PRELIMINARY RISK RATING (100 possible points)	**52.5**	**80.0**	**40.0**	**45.0**	**30.0**

Rank the Risk

Department	Dept Changes	Operating Enviro.	Financial Activity	Last Audit	Qualitative Assessment	TOTAL	Risk Level	Desired Frequency
Health Dept	5.0	20.0	37.5	2.5	5.0	**80.0**	High	2 years
CJC	0.0	17.5	17.5	2.5	15.0	**52.5**	Medium	3-4 years
Parks	0.0	7.5	30.0	2.5	5.0	**45.0**	Medium	3-4 years
HR	0.0	5.0	17.5	2.5	15.0	**40.0**	Low	5 years
Weed	0.0	5.0	17.5	2.5	2.5	**30.0**	Low	5 years

NOTE: **"High" risk does NOT mean "bad" department.**
It mostly reflects the nature of the department's business.

Required vs Available Resources

Cache County AUDITOR

Required

Department	Dept Changes	2014	2015	2016	2017	2018	Desired Frequency
Health Dept	5.0	Health Dept		Health Dept		Health Dept	2 years
CJC	0.0		CJC			CJC	3-4 years
Parks	0.0	Parks				Parks	3-4 years
HR	0.0		HR				5 years
Weed	0.0					Weed	5 years

Available

Department	Desired Frequency	2014	2015	2016	2017	2018	2019
Health Dept	2 years	Health Dept		Health Dept		Health Dept	
CJC	3-4 years		CJC			CJC	
Parks	3-4 years	Parks				Parks	
HR	5 years		HR				
Weed	5 years					Weed	

Perform the Audits

Good Resources to help

- GFOA "Guide to Auditing" & Training
- Government auditing standards ("Yellow Book" – gao.gov/yellowbook)
- Office of State Auditor

Refine your own system and process

Annual Self-Assessments

Dept. completes survey. Auditor reviews & follows-up

Focus on key controls & key areas of risk

Possible questions:

- ❑ Do you provide pre-numbered receipts for payments to your office?
- ❑ Can the employee who performs the bank reconciliation also make payments to vendors?

Rotate questions each year, focusing on different areas

BENEFITS

- Raise awareness
- Help identify red flags before "real" audit

Needs Assessment

Internal Auditor

- Lack of ongoing performance audits
- Underutilized Internal Auditor contract ($110/hour retainer fee)
- Missed opportunity for county improvement and compliance
- Increase departmental accountability

Auditor

TAX ADMIN (FT)

- Seasonal

INTERNAL AUDITOR (outsourced)

Request

Internal Auditor

- Reallocate Internal Auditor funding from external to PT internal
- No Cost Increase (Internal Audit allocated $30,000)
- Auditor to increase participation with Internal Auditing
- Establish good will between departments
- Regular cadence to ensure accountability

Auditor

TAX ADMIN (FT)

- Seasonal

PT INTERNAL AUDITOR

PT INTERNAL AUDITOR