

COMMISSIONERS PROCEEDING 1

BOARD OF MORGAN COUNTY COMMISSIONERS
Audit Presentation
Minutes of Special Meeting
August 18, 2010

The Board of County Commissioners met on August 18, 2010 at 9:00 a.m. with Chairman Brian McCracken, Commissioner Tony Carlson and Laura Teague present.

Chairman Brian McCracken opened the special meeting to present the 2009 audit findings. Chairman McCracken asked Finance Director Michelle Covelli to introduce the auditor for the County. Ms. Covelli asked Mr. Bert Bondi from Bondi and Company to present the 2009 audit to the Board.

Mr. Bondi presented the "Comprehensive Annual Financial Report for the fiscal year ending December 31, 2009". Bondi stated that all but two pages of the audit report were the product of the Morgan County Finance Department. Mr. Bondi explained that those two pages were the "Independent Auditors' Report" describing their findings. He indicated that they audited the government activities and business activities, each of the major funds and the aggregate remaining funds as of December 31, 2009. Mr. Bondi said they spot checked the various funds and paid particular attention to the eight million dollars involving federal grants. His firm found one exception needing attention within the Department of Human Service which was the handling of TANF dollars. Within the management analysis portion he found an exception which needs to be addressed. Mr. Bondi told the Board that he gave the County a clean opinion which is the best that you can get from a CPA firm.

Bondi went over the Statement of Net Assets with the Board which includes all of the assets and liabilities for the County. When comparing 2008 to 2009 assets, there is a decrease. In 2008 the amount was two hundred twenty nine million dollars compared to 2009 which is as two hundred twenty four million dollars. This is depreciation to the infrastructure in the amount of ten million dollars. The liabilities were about the same as in 2008. The audit reflects twelve million in property taxes. Morgan County's net equity went down and is attributed to a decrease in investment and capital. The TABOR reserve fund balance had been complied with. The emergency fund set aside for 2009 was to be three percent or more of its fiscal year pending. At December 31, 2009, the County had reserved five hundred and sixty thousand dollars in the General Fund for that purpose, which according to the Finance Department statement was in excess of the required three percent. According to the financial records, Morgan County had a little over thirty one million in expenses. Two point two million dollars were recouped by fees throughout the County in charges for services and grants then including the business activities of the ambulance services and solid waste of one point five million of charges. Mr. Bondi stated the net effect is that the taxpayers of Morgan County had to account for nineteen point eight million dollars to fund the County operations. The County collected twelve million in property taxes. Other taxes collected included specific ownership, interest and sale of assets which calculated to just over thirteen million dollars. The difference totaled six point six million that the County went in the hole with the nine point eight million in depreciation included in the figure. This does not have any capital outlay included so cash on cash we are better of but Bondi also indicated that on an accrual basis of accounting we used up more assets that we brought in revenue which means we spent more than we made.

The next document he presented was the "Report to Governance" which is the subjective portion of the audit. There are three sections which include Financial Analysis, Changes in the Past Year and Items for Improvement (including identification of significant deficiencies).

Financial Analysis

This portion displays financial trends over the past five years. After reaching a high of over \$7.1 million in 2007, expenses have decreased in each of the past two years. Bondi did indicate this does exclude the solid waste and ambulance departments which are considered business type activities. Bondi said the five year trend is level and stable.

The next section was the Public Safety cost per County resident for a five year period. The total public safety category of expenses increased about fourteen percent since 2005, and the corresponding expenditure per citizen increased by twenty percent. Public safety includes the activities of the Sheriff Department, building inspection, communication, emergency management, coroner and the jail. The County has gone from three point five million to just over four million dollars over the past five years.

The final section included a five-year trend of the General Fund's undesignated fund balance compared to annual expenditures. For year ended December 31, 2009, the County shows fifty seven percent of General Fund expenditures can be covered by undesignated funds balance. This is among the lowest overage since 2006.

Changes in the Past Year

Mr. Bondi went over the positive changes for the year which includes improved journal entry process, review of employee reimbursements, checklist for terminated employees and review of special inmate bank statement at the jail.

2 COMMISSIONERS PROCEEDING

Items for Improvement

The items needing improvement indicated a need for changes in the County's payroll function and recommends that the human resources module be used which would improve separation of duties in payroll and the payroll system be administered by two staff members. Michelle Covelli said the County is not using the HR module.

The Temporary Assistance for Needy Families (TANF) audit found that there was not documentation sufficient to verify the funds were appropriately incurred on behalf of TANF-eligible recipients. According to Bondi, the Department of Human Services staff also agreed this needed to be done.

Advisory Comments and Suggestions

Mr. Bondi indicated that the listing of active employees in the human resources module does not agree with the active employee listing in the payroll system and the two need to agree. Another item was the revenue from the Highway Users Tax Funds (HUTF) which is recorded in the County on a cash basis and Bondi suggests it be recorded on the modified accrual basis. In another suggestion, Bondi noted the accounting information system has the capability of allowing for electronic purchase order generation and approvals. Using electronic approvals reduces the hard copy paper trail and would allow for easier tracking of purchase order and quicken the process. A Civil Trust account is used by the Sheriff's Department and the deposit is kept in an unlocked drawer over the weekends. It was recommended the deposit be made on Friday and place it in a locked cabinet or drawer during the week. Reconciliations of the Civil Trust account also need to be addressed for proper bookkeeping practices. Undersheriff Dave Martin said the necessary steps had been taken to alleviate the concerns. The County needs to adopt a Federal Grant Procurement Policy to ensure grant funds are not being distributed to suspended or debarred parties. Susan Bailey indicated that she reviews the companies during the formal bid process. Bondi indicated a written policy was needed. Karol Kopetzky said the list could be made available on the County website. Child support internal controls need to be reviewed by case workers to ensure all requirement documents are retained and appropriately signed and approved. The Low-Income Home Assistance (LEAP) program needs to monitor spending activity regularly throughout the program period to ensure the earmarking requirements are met. Bondi discussed the retainage payable process when dealing with portions of the construction contract price as retainage. Bondi recommends staff review all open construction contracts at year-end and record any retainage amounts in the accounting records. Sam's Club Membership Use Policy was addressed. Bondi said a policy should be adopted to define the use of the Sam's Club memberships. Commissioner Carlson also questioned the review of the cell phone and car usage policies. Bondi said they do not have enough time to look into everything every year, but would be reviewing those next year. Commissioner Teague asked Bondi how he selects which funds to review. Mr. Bondi said his firm knows in advance which to assess as these are the accounts with the most potential risks. These are the accounts which have had concerns in the past and they always include the funds which deal with Federal money. His firm rotates which funds they look at so all are reviewed.

There were no additional questions.

We hereby adjourn and recess at 9:34 a.m.

Respectfully Submitted,

Connie Ingmire
Clerk to the Board

THE BOARD OF COUNTY COMMISSIONERS MORGAN COUNTY, COLORADO

s/Brian McCracken
Brian McCracken, Chairman

s/Tony Carlson
Tony Carlson, Commissioner

s/Laura D. Teague
Laura D. Teague, Commissioner

(SEAL)

ATTEST:

s/ Connie Ingmire
Connie Ingmire, Clerk to the Board