

September 10, 2013
Audit Oversight Committee Minutes
Durham County

I. Call to order

The meeting was called to order at 3:34 p.m. in the Durham County Administrative Building 2nd Floor Conference Room; 200 East Main Street Durham, NC 27701.

II. Members

Present: Manuel Rojas, outgoing Chair; Harrison Shannon, outgoing Secretary; Germaine Brewington, incoming member; Commissioner Foster, Jr., Commissioner Howerton

Excused Absences:

Michael M. Ruffin, County Manager

Others Attending:

Marqueta Welton, Deputy County Manger representing Michael Ruffin

Lowell Siler, County Attorney, Presenter

Richard Edwards, Internal Audit Director

Brian Welch, Internal Auditor

III. Business

A. Prior Meeting Minutes.

Mr. Shannon moved and Commissioner Foster seconded the motion to approve the June 11, 2013 AOC meeting minutes. The voice vote carried and the minutes were approved.

B. Election of AOC officers for FY2014

Mr. Rojas moved to nominate Mr. Shannon, Commissioner Howerton, and incoming member Ms. Brewington for the positions of Chair, Vice-Chair, and Secretary, respectively.

Commissioner Foster seconded the motion to accept the nominations. The nominations were approved and elected unanimously by voice vote.

C. Overview of Upcoming Risks within the County (Lowell Siler, County Attorney)

Mr. Siler told the Committee the Legal Department tries to be proactive and mitigate for risk. His staff has 10 attorneys, five tasked with Department of Social Services related business, five tasked with County business. Areas where he sees potential legal risks are within DSS, Human Resources (related to terminations and disciplinary actions), and the County Jail (inmate litigation). Currently, the County has ongoing litigation with inmates from the County jail and the case with former DSS Director, Gerri Robinson, hasn't been settled. He noted the County's case with IBM over computer appraisals has been resolved successfully.

Mr. Edwards stated the Legal Department is tasked with facilitation of contract management within the County. Mr. Siler said County contracts tend to be uniform. However, in certain cases where specifics are required, these requirements should be stated within the contract and there needs to be monitoring of contracts to ensure deliverables are in accordance with the contract.

Questions arose regarding legal risks associated with Information Technology (IT) processes. Mr. Siler stated that the new IT Director would be best suited to answer questions related to IT. Additionally, Mr. Edwards stated that the planned FY2014 audits as well as the Enterprise Risk Assessment will cover IT risks.

D. Update on Enterprise Risk Assessment (Richard Edwards, Audit Director)

Mr. Edwards reported to the Committee he was in the process of selecting one of two candidates to conduct the Enterprise Risk Assessment. Particular qualifications he is looking for in a candidate are experience performing risk assessments, knowledge of risk control models, and establishing control environments. He is considering using a staffing to provide a person to conduct the risk assessment as opposed to an accounting firm because it would be less expensive for the County.

Mr. Edwards believes the assessment will take no longer than two months. This timeframe includes the auditor visiting 13 (of the 29) departments, which represent the most risk and having discussions with department directors in each. These discussions with the department directors will entail identifying the departments' objectives, risks that would impede the department from accomplishing these objectives, and controls which would mitigate these risks. At the end of the assessment, the data will be compiled and a ranking order of the risks can be made.

E. Recommendation Implementation Status Update

One Finance Department recommendation was to, "Develop a methodology to separate purchasing functions from receiving functions at the department user level." Mr. Edwards believes the recommendation is better suited for larger departments, specifically alluding to General Services as an example. In the case of General Services, a department that buys in large quantities, a requirement to segregate purchasing and receiving is needed. My Edwards said previous audits have shown General Services has those functions separated. No other department buys on the order of General Services. On the other hand, some departments such as the Audit Department and Veteran General Services have two and three person staffs, and in the case of the Audit Department, a \$500 supply budget to make purchases. Smaller departments such as these do not need segregation requirements when a consideration of significance is considered, although theft and mismanagement should not be tolerated. Mr. Edwards suggested the other departments be reviewed in the future to determine which ones may benefit from a segregation policy. In the meanwhile, Mr. Edwards stated he believes this recommendation should be considered completed.

Ms. Brewington moved to consider the recommendation, "*Develop a methodology to separate purchasing functions from receiving functions at the department user level,*" completed. Commissioner Howerton seconded the motion to consider the recommendation completed. The voice carried unanimously.

F. Self-Evaluation of Audit Committee (Harrison Shannon, Chair)

The Audit Committee is considering an evaluation of itself. The purpose of the "self-evaluation" is to provide a method of evaluating the performance and effectiveness of the Committee. Mr. Shannon suggested that the Committee work through the evaluation during the

next meeting. He suggested making this an agenda item for the next meeting. He suggested 30 minutes be allocated to complete the self-evaluation.

G. Status of Open Recommendations (Richard Edwards, Audit Director)

The two recommendations for the Audit of the Finance Department's Solicitations and Awards processes remain open; (1) *Design and implement a quality and control process for solicitation and awards*, and (2) *Complete development of solicitation and awards policy*. Mr. Edwards reported that the Purchasing Division is currently revamping the processes to separate the solicitation and awards and evaluation processes. The County's Legal Department is reviewing the new policy.

H. Old and New Business

There was no old or new business addressed at the meeting.

I. Next Meeting Date: December 10, 2013 @ 3:30 p.m.

IV. Adjournment

There being no further business, the meeting was adjourned at approximately 5:01 p.m.