

**June 30, 2014**  
**Audit Oversight Committee Minutes**  
**Durham County**

**I. Call to order**

The meeting was called to order at 3:33 p.m. in the Durham County Manager's Conference Room; 200 East Main Street Durham, NC 27701.

**II. Members**

Present: Harrison Shannon, Chair; Commissioner Howerton, Vice-Chair; Germaine Brewington, Secretary; Manuel Rojas, Member; Commissioner Page, Member; County Manager Wendell Davis, member

Others Attending:

Richard Edwards, Internal Audit Director  
Melanie Burke, Senior Internal Auditor  
Brian Welch, Internal Auditor  
Dionne Hines, Assistant to the County Manager (Intern)  
Brittney Thaxton, Summer Youth Intern

**III. Business**

**A. Prior Meeting Minutes**

Commissioner Howerton moved and Mr. Rojas seconded the motion to approve the March 18, 2014, AOC meeting minutes. The voice vote carried unanimously and the minutes were approved.

**B. Introductions**

Members and other attendants formally introduced themselves at the beginning of the meeting.

**C. Recognition of Service**

Mr. Rojas was recognized by Commissioner Page and other members for his years of service and contributions to the Committee. Mr. Rojas has served on the Committee since 2007, and this is his last meeting. Mr. Rojas stated that serving on the Committee has been a privilege.

**D. FY 2015 Audit Plan Discussion ( Richard Edwards, Audit Director)**

Mr. Edwards provided the Committee members with a draft of the FY 2015 Audit Plan for review and approval. Two items of discussion arose before the plan was approved. Mr. Rojas wanted clarification on the definition of "non-real assets" and Commissioner Page wanted to know if all business regarding DSS past audits were cleared. Mr. Edwards explained non-real assets as those assets that were not real estate. Mr. Edwards agreed to forward prior DSS reports to Commissioner Page for his review.

Commissioner Howerton moved to approve the FY 2015 Audit Plan. Ms. Brewington seconded the motion. The voice carried and the FY 2015 Audit Plan was approved by Committee.

**E. Committee Self-Assessment Discussion (Harrison Shannon)**

A proposed self-assessment of the committee has been on the Committee agenda for the past three meetings without resolution regarding whether to go forward with the assessment. The assessment tool is a series of questions taken from AICPA best practices for government audit committees designed to measure if a committee's practices are in accordance with best practices. Mr. Shannon wanted input from Committee members regarding their thoughts on the usefulness of the Self-Assessment and whether the Committee should assess itself using the tool. Mr. Edwards told the Committee that he believes the Self-Assessment tool will provide a means for the Committee to evaluate itself and better understand its overall role. Additionally, he stated, members will be able to answer whether or not the Committee is following best practices. Several members expressed their thought that working through the assessment would be helpful.

Commissioner Howerton moved and Ms. Brewington seconded the motion to discuss the results of the Self-Assessment at the next meeting. To prepare, each member would answer the assessment questions and turn them in to Mr. Edwards with 10 days of the June 30<sup>th</sup> meeting. Mr. Edwards would send them to Ms. Brewington who agreed to assemble and compile the data for the discussion. The voice carried with Mr. Rojas voting against the motion.

**F. Status of County-Wide Risk Assessment (Richard Edwards, Audit Director)**

Mr. Edwards stated that the County-Wide Risk Assessment has not achieved the anticipated results he had expected at the onset of the project, and at this time he believes there is no benefit to the County in investing additional time in this project. Brian Welch, Internal Auditor has worked on this project since November, and from all the compiled information, it appears that the risks to the County are relatively small, especially when compared to big companies. Mr. Edwards also believes the risks identified by the departments are limited in scope. Mr. Edwards pointed out the exception for the need to continue with risk assessment at the audit department level is for the IT department. Continued IT risk assessment is included in the 2015 Audit Plan.

Mr. Rojas pointed out that risk assessment is a function of management and should not reside with the auditor. The Committee was in favor of discontinuing the process through the efforts of the auditor; deciding that management may address it through the metrics based management processes the County is embarking upon as put forward by the County Manager.

**G. Cooperative Extension Service Compliance Audit (Melanie Burke, Senior Internal Auditor)**

Ms. Burke stated the Cooperative Extension Service Audit is 99% complete. The report will be finalized after the response from the Cooperative Extension Service Director. The purpose of the audit was to determine if there were adequate controls over grant related expenditures and financial reporting. Audit testing of 85 items covering a two year period, FY 2012 and FY 2013, found all expenditures were spent within the terms of the grant agreements and all were expensed to the appropriate grant. From the sample, there were nine items posted under the incorrect general ledger account, but were still posted under the correct grant. These errors did not, however, negatively impact overall grant reporting.

As a result, two recommendations were made to increase controls over the review of procurement card purchases. The recommendations were: (1) increase training of staff to review proper use of general ledger accounts, and (2) develop a quick reference guide for staff. The Cooperative Extension Director agrees with the findings and plans to implement the recommendations immediately. Additionally, the Director plans to add an additional level of review of procurement card logs by an administrative assistant, which will review for accurate recording prior to the Director's review and sign off.

**H. Old Business.**

There was no old business.

**I. New Business.**

The Committee members decided due to scheduling conflicts, meeting on September 9, 2014, would not be possible. Therefore, it was decided that the meeting will be scheduled for September 2, 2014 @ 3:30 p.m.

**J. Next Meeting Date: September 2, 2014 @ 3:30 p.m.**

**IV. Adjournment**

There being no further business, the meeting was adjourned at approximately 4:45 p.m.