



**September 13, 2011
Audit Oversight Committee Minutes
Durham County**

I. Call to order

The meeting was called to order at 3:30 p.m. in the County Manager's Conference Room; 200 East Main Street, 2nd Floor, Durham, NC 27701.

II. Members

Present: Commissioner Page, Chair; Manuel Rojas, Vice Chair; William Pierce; Commissioner Reckhow; Fay Culpepper; Michael M Ruffin, County Manager

III. Others Attending

George Quick, Finance Director
Michael Andrews, Chief Deputy, Office of the Sheriff
Barbara Torian, Director, SAP Shared Services
Kathy Everett-Perry, Assistant County Attorney

IV. Business

- A. **Prior Meeting Minutes.** Manny Rojas moved and Fay Culpepper seconded the motion to accept the minutes as presented. The voice vote carried and the minutes were approved.
- B. **Discussion of audit recommendation for the Sheriff to hire a person with a background in financial controls.**

Background: The following recommendation from the 2010 Internal Audit report remains open:

Obtain through hiring, training, or other means, qualified personnel to develop and implement financial internal controls and grant them the appropriate authority to implement and monitor them.

The Sheriff was invited to address the issue with committee. Chief Andrews represented the Sheriff. Sheriff's Office representatives planned and developed a "Business Officer" job position to meet the objective of the recommendation. Implementation was withheld until completion of the 2012 budget cycle. The reasoning was that funding decisions would be the ultimate factor in the decision to implement the recommendation. The Office of the Sheriff proposed funding for the position in its fiscal year 2012 budget request. The funding request was not approved by County officials.

The sum of the discussion was that the budget request was not approved; therefore, the Sheriff did not hire a Business Officer. Commissioner Reckhow moved and Bill Pierce seconded the motion that the County Manager continue talks with the Sheriff regarding the position and that he report the status of his discussions to the Committee by the March 2012 meeting. The motion carried unanimously.

The committee also discussed the merits of the Internal Auditor continuing to keep the recommendation open since it appears that the implementation decisions depend upon the outcome of talks between the Manager and the Sheriff. The varying opinions ranged from closing the recommendation to taking a wait and see approach. The Committee decided to keep the recommendation open until Manager/Sheriff discussions are finalized.

- C. Kathy Everett-Perry, Assistant County Attorney, provided status of legal risks to the County that may have financial impact. In her opinion, the County is on solid ground with its largest case, the IBM tax assessment case. The Committee requested, and Ms. Everett-Perry agreed to provide, potential effects of the pending cases.
- D. Barbara Torian, Director, SAP Shared Services, provided an overview of the SAP upgrade. The most important factor in the decision to upgrade was that SAP was no longer going to service/maintain the platform the County owns. Additionally, the upgraded version allows more functionality than the former system. The lack of SAP maintenance was going to cost the County more in the longer-term than the cost to upgrade. The Finance Director and the SAP Director agreed that there were no practical options available other than the upgrade. The budget for the upgrade was \$2.5 M. Of that amount, \$1.7 M had been spent as of September 13th.
- E. Discussion of Accounts Payable Internal Audit. George Quick, Finance Director, addressed Internal Audit's recommendations to purge the master vendor files of unused and duplicate vendors. The purge process was delayed due to the SAP upgrade and will take place when more priority issues are addressed. Mr. Quick said his intentions are to purge the master file within the next year. The recommendation will remain open until the file has been purged. The implementation date is September 13, 2012.

The recommendation to implement segregation of duties related to purchasing and receiving functions in small departments remains open. The Manager said he will discuss the matter with his management team and report to the Committee at the December meeting.

- F. Election of Officers: The Committee elected officers to fill the following positions for Fiscal Year 2012. Chair – Manny Rojas; Vice Chair – William Pierce; Secretary – Fay Culpepper.
- G. Consideration to revise Committee By-Laws, Article III, Membership, to insert language allowing for a County Manager designee was decided against. The Committee decided

that a revision to the By-Laws was not necessary and that the Manager may send a representative to meetings in his place as needed.

H. Other Matters: After a brief discussion pertaining to an AOC retreat, the Committee indicated disinterest in holding such an event without potential subject matters being agreed upon by the Committee in advance.

I. **Next Meeting Date.** The next meeting is scheduled for December 13th at 3:30 p.m.

V. Adjournment

There being no further business, the meeting was adjourned at approximately 5:15 p.m.