
External Quality Control Review

of the
Durham County, NC
Internal Audit Department

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors**
for the period October 1, 2017 to October 31, 2022

REPORT FOR RATING OF PASS



Association of Local Government Auditors

December 8, 2022

Darlana M. Moore
Internal Audit Director
County of Durham
200 E. Main Street
Durham, NC 27701

Dear Ms. Moore,

We have completed a peer review of the Durham County Internal Audit Department for the period October 1, 2017 to October 31, 2022. In accordance with generally accepted government auditing standards peer review requirements, we followed the standards and guidelines contained in the *Peer Review Guide* published by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine whether your internal quality control system was adequately designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States and applicable legal and regulatory requirements. Our procedures included:

- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing audit and attestation engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff, management, and members of the Audit Committee to assess their understanding of, and compliance with, relevant quality control policies and procedures.

Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case but does imply adherence in most situations. Organizations can receive a rating of pass, pass with deficiencies, or fail. The Durham County Internal Audit Department has received a rating of pass.

Further, based on the results of our review, it is our opinion that the Durham County Internal Audit Department's internal quality control system was adequately designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* and applicable legal and regulatory requirements for audits during the period October 1, 2017 to October 31, 2022.

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.

Jay Poole, CPA, CIA, CFE, CGMA
City Auditor (Retired)
City of Chesapeake, VA

Andrea Addis, CIA, CICA, CCFO
Director, Internal Audit
Knox County, TN



Association of Local Government Auditors

December 8, 2022

Darlana M. Moore
Internal Audit Director
County of Durham
200 E. Main Street
Durham, NC 27701

Dear Ms. Moore,

We have completed a peer review of the Durham County Internal Audit Department for the period October 1, 2017 to October 31, 2022 and issued our report thereon dated December 8, 2022. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We would like to mention some of the areas in which we believe your office excels:

- Your Audit Committee members are actively involved in and strongly committed to the success of Durham's Internal Audit Department and have a thorough understanding of the importance of a strong, independent audit function in the safeguarding of and accountability for the County's resources.
- Your policy and procedures manual thoroughly covers *Government Auditing Standards* and the expected procedures and practices for the department's staff in conducting audit work.
- The audit workpapers often took complex and difficult subjects and explained them in a straightforward, easy-to-understand manner.

¹We offer the following observations and suggestions to help your organization achieve full compliance with *Government Auditing Standards*:

- Standard 3.30 states "Auditors should evaluate the following broad categories of threats to independence when applying the GAGAS conceptual framework:
 - g. Structural threat: The threat that an audit organization's placement within a government entity, in combination with the structure of the government entity being audited, will affect the audit organization's ability to perform work and report results objectively.

3.44 Examples of circumstances that create structural threats for an auditor follow:

For internal audit organizations, administrative direction from the audited entity's management."

We observed that the Internal Audit Department reports administratively to the County Manager. Based upon comments received from both staff and the Audit Committee, it appeared that this reporting relationship was adversely impacting both the independence of the audit function and the timely initiation of audit projects in the Annual Audit Plan. For example, an accounts payable audit originally included in the Fiscal Year (FY) 2018 plan had been delayed for five years, through FY 2023, because County Management kept requesting that the audit be delayed. Similarly, a payroll audit originally requested in FY 2019 had been delayed for four years for the same reason. Because the Internal Audit Director reports administratively to the County Manager, she was obligated to honor this request. The Audit Committee members repeatedly raised questions about the delays in moving forward with these audits.

We suggest that the County re-evaluate the structural reporting relationship for the Internal Audit Department and consider moving it to an entity completely independent of County Management such as the Board of Commissioners. Such action would remove the potential impairment of the audit function's independence and may also result in more timely completion of audits requested by the County Board or Audit Committee.

- Standard 4.16 requires that Auditors who plan, direct, perform engagement procedures for, or report on an engagement conducted in accordance with GAGAS should develop and maintain their professional competence by completing at least 80 hours of CPE in every 2-year period as follows. Also, Standard 4.17 states that Auditors should complete at least 20 hours of CPE in each year of the 2-year periods.

We observed that there was one former staff member who had been on staff for over one year and had received just 23 hours of CPE. According to the proration formula provided for *Government Auditing Standards*, she should have had 40 hours. There was a second employee who had only received 16 hours of CPE in one year instead of the minimum 20 requirement. Additionally, there were two employees who needed several hours (12 and 2.5, respectively) to meet their CPE requirement by the end of the 2022 CPE reporting period.

We suggest that the Department take steps to ensure that CPE requirements are met for all applicable employees.

We extend our thanks to you, your staff, and the other officials we met for the hospitality and cooperation extended to us during our review.



Jay Poole, CPA, CIA, CFE, CGMA
City Auditor (Retired)
City of Chesapeake, VA



Andrea Addis, CIA, CICA, CCFO
Director, Internal Audit
Knox County, TN



COUNTY OF DURHAM
MEMORANDUM

Internal Audit Department

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Mr. Paul Geib, Performance Audit Manager
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Office of Board Governance – Audit Services
5225 W. Vliel Street
Milwaukee, WI 53208

Dear Mr. Geib,

Thank you and the peer review team for conducting the Peer Review for Durham County Government's Internal Audit Department. The review was done professionally by well-trained government auditors and the experience was beneficial; enhancing the value of our internal quality control system.

I concur with the recommendation to develop quality control procedures to help ensure meeting CPE requirements. To implement this recommendation, I have revised my policies to review CPE status on a regular basis and not later than the completion of each engagement. Additionally, each Annual Audit Plan will include the status of CPE requirements so it can be reviewed by the Audit Oversight Committee.

I also concur with the recommendation that the Internal Audit Department should be independent of operations. I will work with the Audit Oversight Committee and the Board of County Commissioners to resolve this issue.

Again, thank you for all the time and effort you put into helping Durham County Government's Internal Audit Department become an improved audit organization.

Kindest Regards,

Darlana M. Moore
Internal Audit Director

Cc: Andrea Adiss, Internal Audit Director, Knoxville, TN
Audit Oversight Committee
Board of County Commissioners
County Manager