

Audit Oversight Committee
Meeting Minutes
October 21, 2008

I. Call to order

Ms. Karen Percent, Committee Chair, called to Special Meeting of the Durham County Audit Oversight Committee at 4:03 p.m. on September 09, 2008, in the County Manager's, 2nd Floor Conference Room; 200 East Main Street, Durham, NC 27701.

II. Roll call

The following people were present:

Ms. Karen Percent, Committee Chair
Commissioner Reckhow, Vice Chair
Mr. Samuel Maclin, Secretary
Commissioner Lewis A. Cheek, Committee Member
Mr. Manuel L. Rojas, Committee Member
Mr. Michael M. Ruffin, County Manager
Mr. Richard Edwards, Audit Director
Ms. Pam Meyer, Budget Director
Mr. George Quick, Finance Director

III. Initial business

A. The minutes were approved with one wording revision.

B. Grant Management

Richard Edwards opened the discussion on the Grants Audit report by stating that the audit focused on whether a method was in place to monitor grantee expenditures. He told the Committee that management reviewed the report and was addressing the audit findings and recommendations. Mr. Ruffin followed up by expressing that his team, consisting of an Assistant Manager and Mr. Quick and Ms. Meyer was addressing the report findings and recommendations. Mr. Ruffin said management of the grant program has been transitioned to the Assistant Manager who will have responsibility for day to day oversight of the program.

Commissioner Reckhow followed up with questions regarding corrective action to resolve issues addressed in the report. As a result of her questions, the Committee requested that management develop an action plan to address shortcomings cited in the report findings. Management was asked to respond to information provided by Operation Breakthrough, Planned Parenthood, and Communities in Schools. Commissioner Reckhow also expressed that any information required by the County from grantee agencies should be used by the County in its administrative processes. Mr. Ruffin said management would

review the issues and report to the Committee before the Board of County Commissioner's November work session.

Additionally the Committee wants management to revise its response to the report recommendations by including more implementation details including implementation dates. Mr. Ruffin said his group led by Laura Jensen, the Assistant Manager, would satisfy that objective.

Mortgage payments made by Genesis Homes was cited in the report as an issue that needed to be addressed by better defining how funds can be used. Commissioner Reckhow stated that since Genesis Home had communicated how they would use the grant funds and had used it in that manner; she believed the agency had acted properly. Mr. Quick stated in response that mortgage payments are not operational expenses and if the funds were granted under the operational expense umbrella, they did not meet the criteria. Mr. Quick pointed out the County leans towards providing grant funding for operational expenses. The Committee did not decide upon the appropriateness of the mortgage payment, however, Ms. Percent commented that the report recommends that management develop criteria for the use of grant funds.

A question arose during the September meeting regarding whether alternatives existed to the current policy provision requiring agency audits as a grant requirement. The Committee expected answers regarding this issue at the October meeting. In response, Ms. Percent and Mr. Quick recognized that audits are costly and that an agency with a small operational budget may face a hardship as a result of the audit requirement. Mr. Quick stated that he had developed criteria addressing audits for consideration in revised policy. He said much of the criteria are based upon the agency's operational budget. Mr. Rojas did not comment on the subject of the audits requirements; however, he commented that instead of less oversight, he was in favor of increased agency oversight.

Several suggestions for revising the grant program were discussed. One of those suggestions brought forward by Ms. Percent was that consideration be given to a threshold or cutoff on the percentage of the agency's operational costs the County would fund. Another suggestion was that agencies account for grant funds by segregating or setting them aside in a special account upon receipt and accounting for expenditures against the set aside as funds are drawn down.

Mr. Rojas suggested a change to one of the report recommendations. He suggested that recommendation #2 "Develop a method to obtain and review County grant expenditure data" be revised to read "Develop a method to obtain, review, and confirm County grant expenditure data." The Committee accepted this recommendation without a vote and the recommendation will be revised.

Commissioner Lewis moved and Mr. Rojas seconded a motion that the Grant Report be approved and accepted with amendments to be made as a result of

revisions to management's response. The revisions were to include an implementation plan to further research some of specific agency examples used to support the report findings.

C. EMS Collection Processes

Richard Edwards provided the status of the questions regarding EMS collection practices. He reported that he had developed questions and after review by Ms. Carolyn Titus, the Deputy Manager, sent them to Mr. Smith, the EMS Director to provide answers. Mr. Smith has responded to the questions and Mr. Edwards said he was in the process of reviewing the responses. Mr. Edwards said he would present the results of the questions and responses to the Committee before the December meeting for discussion at the December meeting. The Committee Chair made the members aware that the EMS collections process would be an agenda item for the next meeting.

Commissioner Reckhow reminded the Committee that a question from the September meeting regarding how and when EMS got information for billing purposes from patients it transported still needed to be answered. Mr. Edwards reported that a question regarding that issue was asked of Mr. Smith and that Mr. Smith had responded. Mr. Edwards said the response will be available for review before the December committee meeting. Commissioner Reckhow indicated that she was very much interested in the collection process and thought an audit of the process may be required. An EMS Collection Audit revision to the Annual Plan was not brought to a vote. Mr. Edwards stated that he would provide information regarding the concerns of the committee in time for review and discussion at the December meeting.

D. EMS Receivables

Mr. Ruffin brought up for discussion an issue regarding the EMS Accounts receivable inventory. Mr. Edwards suggested and Mr. Quick agreed that the value of EMS receivables needs to better reflect the amount the County reasonable expects to collect. The amount that is not expected to be collected should be written-off for accounting purposes. The County Attorney said the accounts could not be written off legally under State law, however, he allowed that some mechanism could be used for audit purposes. Several points were discussed regarding this issue resulting in the decision that the issue would be studied further to see how to best represent the accounts in the Comprehensive Annual Financial Report (CAFR).

The Committee asked Mr. Quick to discuss write-offs rules with the external auditor to “clean up the financial books” and also the possibility of “charitable write-offs” to acknowledge costs to the County for EMS services that are not reimbursed.

IV. Adjournment

The meeting was adjourned at approximately 5:24 p.m.

Minutes submitted by:

Minutes approved by:

DRAFT