

June 28, 2011
Audit Oversight Committee Minutes
Durham County

I. Call to order

The meeting was called to order at 4:00 p.m. in the County Manager's 2nd Floor Conference Room; 200 East Main Street, Durham, NC 27701.

II. Members

Present:

Commissioner Page, Chair; Manuel Rojas, Vice Chair; William Pierce, member; Commissioner Reckhow, member; Michael Palmer, Deputy County Manager, in lieu County Manager Michael Ruffin

III. Others Attending

Richard Edwards, Internal Audit Director
Joseph Asbell, Internal Auditor

IV. Business

- A. **Prior Meeting Minutes.** Commissioner Reckhow moved and Mr. Pierce seconded approval of the February 15, 2011 minutes as presented. The voice vote carried and the minutes were approved.
- B. **Discussion of vacant Committee member and officer position.** Mr. Edwards informed the Committee that the position of former member Mr. Stroupe, who was secretary, was currently vacant. He also informed the Committee that Vice Chair Rojas would conclude regular scheduled meetings under his term at the conclusion of the June 28th meeting resulting in two vacant positions. He wanted to know if the Board wanted to appoint two members at the same BOCC meeting or at separate meetings. Commissioner Reckhow felt it could be done at the same time; however, Mr. Rojas raised concerns about the urgency of filling Mr. Stroupe's position as soon as possible while his term did not end until September and did not require urgent action.

The Committee considered progress to date on filling the current vacant position. Mr. Edwards informed the members that one candidate, a CPA, applied in accordance with time limits and a second candidate applied after the period expired. Mr. Edwards continued the conversation by stating that the compliant applicant was a CPA and that since the Committee had a member who was a CPA his preference would be a candidate with business background, preferably someone with managing experience and knowledge of management controls. The consensus of the discussion was that a person with qualifications as stipulated in the By-Laws, regardless of certification, should be selected. Also the decision was made that the compliant candidate would come before the BOCC for selection on July 25th and that the non-compliant candidate can reapply for the next vacant position.

Also, Mr. Pierce volunteered to fill the vacant Secretary position until one is elected. The election of Committee officers for the 2012 fiscal year will take place at the September meeting.

Additional discussion took place regarding the selection process in regards to BOCC procedures when only one person applies for a position or if the BOCC does not believe an applicant is suitable when the applicant pool is limited. Suggestions were made that the BOCC can decide to obtain more applicants under those circumstances; however, the committee acknowledged that such decisions are to be made by the BOCC using its powers of discretion.

- C. **Reconsideration of AOC Article II By-Laws amendments.** Mr. Rojas moved and Commissioner Reckhow seconded the motion to reaffirm the February 15th By-Laws revision and delete the reference to committee oversight of the County Manager. The motion passed by a three- to-one vote with Mr. Pierce voting in opposition.
- D. **Discussion of Accounts Payable audit.** Mr. Edwards pointed out that recommendations from the March 4, 2011 report had not been implemented. The reason cited for the delay in purging erroneous and inactive vendors was that SAP shared services had not acted because they are in the midst of the SAP upgrade. Questions arose regarding the exact reason for the delay, e.g. is the delay because of the lack of a plan or criteria to identify candidates for deletion or the lack of expertise to implement the purge activity. Commissioner Reckhow expressed that she was interested in the status of all three of the recommendations, two of which do not involve purging of the files. Mr. Rojas moved and Commissioner Reckhow seconded a motion to request a formal explanation from the Finance Director on why the recommendations have not been implemented and when they will be implemented. The motion passed unanimously. Mr. Palmer was instructed to follow-up with the Finance Director to obtain the requested information.
- E. **Update on contract administration.** As a result of a Department of Social Services Audit, Mr. Edwards made recommendations for improved contract administration throughout the County. Mr. Edwards informed the Committee that the County Manager has taken action to implement an initiative to improve contract administration processes and procedures, including designating a person in each department trained on the contract process by Legal. Mr. Palmer, speaking on behalf of the County Manager, stated the effort is substantial and the Manager has informed department heads that progress to implement improved contract administration will be considered in their performance evaluations.
- F. **Discussion of Audit Plan and Selection Assessment.** Mr. Edwards outlined the proposed Annual Audit Plan for FY 2012. Following discussion, Commissioner Reckhow moved and Vice-Chair Rojas seconded a motion to approve the proposed Annual Audit Plan. The Committee approved the plan unanimously. Committee members Reckhow, Rojas and Pierce expressed thanks for the systematic ranking of various risk factors that contributed to the selection of auditing engagements in the plan.
- G. **Other matters.** The Committee agrees that a retreat would be beneficial to discuss and decide AOC issues including its responsibility and authority. Accordingly, the Committee agreed that planning would begin for a fall (October) retreat. Chairman Page and Vice Chairman Rojas, with assistance from Mr. Edwards, will lead the effort to organize the retreat.
- H. **Next Meeting Date.** The next meeting is scheduled for September 13th at 3:00 p.m.

V. Adjournment

There being no further business, the meeting was adjourned at approximately 5:40 p.m.