

November 5, 2014
Audit Oversight Committee Minutes
Durham County

I. Call to order

The meeting was called to order at 10:17 a.m. in the Durham County Manager's Conference Room, located at 200 East Main Street Durham, NC 27701.

II. Members

Present: Harrison Shannon, Chair; Commissioner Howerton, Vice-Chair; Jenna Meints, Member; Commissioner Page, Member; County Manager Wendell Davis, Member

Absent: Germaine Brewington, Member

Others Attending:

Richard Edwards, Internal Audit Director

Melanie Burke, Senior Internal Auditor

III. Business

A. Prior Meeting Minutes

Commissioner Howerton moved and Mr. Shannon seconded the motion to approve the June 30, 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. Election of Officers

The Committee elected officers to fill the following positions for the fiscal year 2015. Chair – Mr. Harrison Shannon; Vice Chair – Commissioner Howerton

The Committee decided to leave the position of Secretary unfilled going forward.

D. Committee Self-Assessment Discussion (Harrison Shannon)

A proposed self-assessment of the committee has been on the Committee agenda for the past four meetings without resolution regarding whether to go forward with the assessment. Mr. Harrison noted that during the last Committee meeting members agreed to answer the self -assessment questions and turn them in to Mr. Edwards prior to the next Committee meeting. Only two members completed this request.

Mr. Harrison continued to say that he feels the self-assessment would be a good tool for the Committee to use make certain that the Committee is serving its intended purpose and to determine if any changes can be made within the committee to make it more effective. Mr. Davis suggested that Mr. Edwards walk the Audit Committee through the Audit Oversight Committee by-laws and then pair that with the self-assessment to determine what additional task the Audit Committee should take on.

Mr. Edwards notes that the Committee is responsible for addressing internal controls for the County including Internal and External audits and countywide risk assessments. Additionally, he stated, that risk assessment is a function of the Audit Committee and Management and not a function of Internal Audit. Mr. Davis notes that the County Manager office needs to develop an understanding of management's role in the risk assessment process and develop an implementation strategy.

The Audit Committee members were tasked with reading the Standards for Internal Controls in the Federal Government and preparing for a discussion on the topic at the March 2015 regular meeting. Mr. Edwards agreed to provide the standards to committee members. Two members asked that they receive hard copies of the standards.

E. Discussion of EMS Report (Richard Edwards, Internal Audit Director and Melanie Burke, Senior Internal Auditor)

Mr. Edwards asked if any members had any questions regarding the EMS billing audit report. Commissioner Howerton asked if the EMS department is billing patients who received services and who were not subsequently billed. Ms. Burke responded that EMS is able to bill for services rendered within 365 days and that EMS is in the process of doing so with the 41 cases that were discovered. Discussion continued on the cause of the billing errors and the recommendations made in the report. Ms. Burke and Mr. Edwards explained that Internal Audit would be conducting a follow-up of the EMS department to make sure recommendations have been implemented.

Mr. Shannon inquired if all resources were being used to collect on patient accounts. Ms. Burke responded that testing showed that the EMS department is using actions such as garnishment, debt set off, and collections to collect on accounts. Additionally Mr. Shannon inquired into the percentage of cash collections handled by EMS. Ms. Burke responded that she was unsure of the percentage of cash payments received by the EMS department but that cash receipts were minimal as testing showed that most payments came directly from Medicare, Medicaid, private insurances, and lastly cash payments from patients.

F. Status of Capital Assets Management Audit

Ms. Burke stated that the Capital Assets Management audit was in the draft report stage waiting on management's response to recommendations. The purpose of this audit was to determine if non-real estate property held by the County is accurately valued, safeguarded, and disposed of properly. Audit testing covered capital assets held by the County as of June 30, 2014. Ninety items were selected for testing. Testing included physically locating the assets and determining if the asset was properly secured, recalculating the current book value of assets, and determining if the asset was categorized correctly and assigned the correct useful life for depreciation purposes. Additionally, we reviewed asset disposal procedures.

Audit findings revealed that computer hardware with a useful life of 3 years was being depreciated over 37 months instead of 36 months, two items were identified under an incorrect asset class, and thirty-one items were not identified with appropriate inventory tags. Recommendations included (1) Finance work with SAP to correct the calculation error (2) correct erroneously depreciated values and report them correctly (3) develop and processes for asset categorization that includes input from the user department and (4) develop a process for affixing identification tags that includes distribution of tags to department heads or its designee when item is received.

Mr. Edwards stated that Committee members should receive a final copy of the report within the next two weeks.

G. Implementation Status Update (Richard Edwards)

Mr. Edwards stated that the next task of the audit staff would be to follow-up on recommendations made in prior audit reports. Three departments were issued several recommendations that need followed-up activity. They are General Services, EMS, and Cooperative Extension departments. Of those, he stated that follow-up on implementation of the Vehicle Maintenance Contract Monitoring recommendations under General Services would be most intensive. The follow-up will take several intensive steps to determine if General Services is assuring that labor hours for repairs were based upon standards and if prices for parts were marked-up according to contract terms.

H. Peer Review (Richard Edwards)

Mr. Edwards stated that an outside peer review would be conducted on the Internal Audit Department beginning on Monday, November 10. The peer review will include a review of the implementation of the department's policies and procedures for adherence to Government audit standards for quality assurance and reporting. Mr. Edwards stated that in reviewing documents supporting the structure of the office, the reviewers had indicated they have questions regarding the Department's structure as it relates to independence.

I. Old Business

No Old Business

J. New Business

The December meeting is traditionally the one in which the External Auditors make its presentation to the Committee. Mr. Edwards signaled that he wanted to invite all the County Commissioners to the meeting for the presentation.

The Committee Members decided to take no action to resume regularly scheduled Audit Committee meetings on the second Tuesday of March, June, September, and December pending confirmation from Commissioners Page and Howerton on their availability.

Ms. Meints suggested that the members of the Durham County Audit Committee attend the next scheduled meeting of the City of Durham's Audit Oversight Committee on Monday, January 4, 2015 to observe a meeting of a peer committee.

K. Next Meeting Date: Tuesday, December 2, 2014 @ 3:30 p.m.

IV. Adjournment

There being no further business, the meeting was adjourned at approximately 11:35 a.m.