



**March 14, 2017**  
**Durham County Audit Oversight Committee Minutes**

**I. Call to order**

The meeting was called to order at 3:30 PM in the Durham County Manager's Conference Room; 200 East Main Street, Durham, NC 27701

**II. Members**

Present: Mr. Manuel Rojas, Chair; Mr. Arnold Gordon, Vice Chair; Mr. Harrison Shannon; Commissioner Wendy Jacobs; Mr. Wendell Davis, County Manager (Ex- Officio).

Absent: Commissioner James Hill

Presenters: Greg Marrow, IS&T Director; Richard Edwards, Internal Audit Director; Deborah Lane, Human Resources Manager; Mr. Wendell Davis, County Manager

Others Present: Claudia Hager, General Manager  
Greg Marrow, IS&T Director  
George Quick, Chief Financial Officer  
Deborah Lane, Human Resources  
Richard Edwards, Internal Audit Director  
Kierra Simmons, Internal Auditor

**III. Business**

**A. Prior Meeting Minutes**

Mr. Arnold Gordon moved and Mr. Harrison Shannon seconded the motion to approve the December 13, 2016 minutes. Minutes were approved unanimously.

**B. Replacement of Internal Audit Director, Richard Edwards- Mr. Rojas**

Richard Edwards announced to the Committee that he was going to retire in June 2017. Mr. Rojas opened the floor to Deborah Lane, who attended the meeting on behalf of Human Resource Director, Kathy Everett-Perry. Ms. Lane inquired as to how soon the position would need to be filled and who would manage the search. Mr. Davis said he would be involved in the selection process and would suggest a

team to assist. Mr. Rojas inquired whether Richard and members of the board would be able to take part in the process. Mr. Davis stated that he plans on getting feedback from Mr. Edwards. Mr. Davis also invited one member of the Audit Oversight Committee to participate in the five (5) person committee that will be created to find a replacement for Mr. Edwards. The AOC agreed that the Chair, Mr. Rojas, should serve on the five-person committee. Mr. Edwards said he could stay in the position a short while, if needed, while the selection was made.

The Committee voiced that finding a replacement is a priority and wants to ensure that management and Human Resources act aggressively and expeditiously to fill this position. Mr. Quick agreed that the County needed to act quickly and stated that in the past the County has hired a headhunter and placed advertisements on listserv.

For the purpose of continuity, Mr. Edwards stated he would submit a FY 2018 audit plan proposal prior to his departure.

### **C. Discussion of Internal Audit submissions- Richard Edwards**

#### **IS&T Risk Assessment**

IS&T completed a self-control risk assessment of its operations. The assessment discussed areas, primarily related to "cloud" applications that would benefit from more oversight. Richard Edwards opened the floor for Greg Marrow, IS&T Director, to address the risk assessment and its findings. Mr. Marrow gave a brief summary of the assessment and pointed out that the County currently works with two major vendors, Microsoft and SAP, which are very reliable and used by many state agencies.

The Committee expressed its concern with the risk assessment responses indicating that more control should be exercised over cloud applications. Specifically, the Committee was concerned many cloud application were not under the control and direction of IS&T and wanted to see IS&T have tighter reign over these systems. During the discussion, it was recognized that departments bought cloud applications without the knowledge and consent of IS&T and the committee expressed that such a non-coordinated approach was a risk.

Claudia Hager, General Manager over IS&T and Mr. Marrow, agreed to review the cloud application environment with a look towards strengthening controls. Ms. Hager stated that she believes that there should be structured governance and assures the Committee that the County will look at the risk and come back with guiding principles for the Board.

#### **Wellness Clinic Audit Report**

Richard Edwards provided the AOC with a brief summary of the wellness clinic findings. Mr. Edwards stated that based on his analysis, the Wellness Center is cost beneficial; however, it is inconclusive as to whether the Wellness Center has directly impacted employees' health improvements. Mr. Gordon wanted to know why the Wellness Center did not provide vaccinations. There was some uncertainty as to how vaccinations within the County works. However, Ms. Hager

stated that she would follow up about these questions and get back to the Audit Oversight Committee.

### **Fuel Card Controls Engagement**

Richard Edwards provided a brief summary of the Fuel Card Controls engagement. Mr. Rojas asked whether the gas cards could only be used to purchase gas. Mr. Edwards explained that the cards can only be used at the gas pump to make purchases of gas but once the account for that driver was established at the pump, anything on the pump could be purchased. This was discovered when Internal Audit identified a case in which an employee made a car wash purchase. The card availability was established once the card user put his information into the input pad. Mr. Gordon questioned whether the car wash was used on a County vehicle and Mr. Edward clarified that the vehicle was a Sheriff's vehicle.

One of the recommendations was to clarify the gas policy. Mr. Edwards reported that the General Services spokesperson, responsible for card operation, told him the policy was near complete and had sent a draft to him. Commissioner Jacobs asked where the revised gas policy was in terms of completion and implementation. Claudia Hager informed the Committee that the Finance Department, in conjunction with General Services was revising the policy by developing practicable ways for departments to retain receipts and conduct monthly reconciliations, prior to bill payment. Those instructions were expected to take immediate effect. Ms. Hager stated that accountability was a big concern and would be integral to revising the policy. Mr. Gordon questioned whether the County would be able to identify if gas is being used on an individual's private car and Ms. Hager explained that the County is currently working on developing rigorous controls, including reconciling receipts to purchases.

Mr. Rojas stated that the committee wants a response from Mr. Quick on how these receipts can be reconciled in its entirety. Ms. Hager ensured the Committee that there will be a policy created by the next AOC meeting.

### **D. Old Business – Compliance Positions**

Mr. Rojas readdressed his concern about compliance risk that could be costly to the County and still believes that the County should look into adding a compliance office or compliance team to address compliance issues. Mr. Rojas wants to ensure that the County is mitigating the risk of being out of compliance by dealing with compliance issues before they arise. Mr. Davis stated the combination of risk management and what Mr. Quick's compliance manager does in finance is adequate for compliance. Mr. Davis also stated that adding a separate compliance department would be costly and for the reasons he stated, he believes compliance is covered. Mr. Rojas was not satisfied with Mr. Davis' view regarding a compliance officer, and wanted the minutes to reflect that management is satisfied with the compliance program they have installed now. Mr. Gordon weighed in by saying he believes the County would profit from managing and

investigating compliance complaints. The Committee requested the Risk Manager, David English, and Compliance Manager, Crystal Lee Wright, to come to the next meeting to help address their concerns.

**E. New Business**

None.

**F. Next Meeting Date:**

June 13, 2017, 3:30 P.M.

**IV. Adjournment**

There being no further business, the meeting was adjourned at approximately 5:06 PM.