



March 13, 2018
Durham County Audit Oversight Committee Minutes

I. Call to order

The meeting was called to order at 3:33 PM in the Durham County Manager's Conference Room located at 200 East Main Street, Durham, NC 27701.

II. Members

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

Absent: Commissioner Heidi Carter.¹

Presenters: Greg Marrow, IS&T Director; John Myatt, IS&T Assistant Director; Claudia Hager, Durham County General Manager; and Susan Tezai, Chief Financial Officer.

Others Present: Darlana M. Moore, Internal Audit Director; Alecia Amoo, Internal Auditor; and Fort Bragg Civil Affairs Team.²

III. Business

A. Prior Meeting Minutes

Mr. Rojas moved and Mr. Harrison Shannon seconded the motion to approve the minutes. The minutes were approved unanimously.

¹ Commissioner Heidi Carter is an alternate member who was not required to be present.

² The Fort Bragg Civil Affairs Team visited Durham County to learn about County governance, and the Team attended the AOC meeting to observe how the meeting was conducted.

B. Status Update Concerning IS&T Disaster Recovery Plan – Greg Marrow

Darlana Moore informed everyone that IS&T is in process of developing a disaster recovery plan. Greg Marrow and John Myatt from IS&T provided an update on the disaster recovery plan.³

C. Contract Monitoring and Compliance Audit – Darlana M. Moore

Internal Audit completed the Contract Monitoring and Compliance Audit. Darlana M. Moore gave a brief overview of the audit objectives and explained that Internal Audit selected ten (10) departments to examine. Commissioner Jacobs expressed concern about the findings. County Manager Davis informed the Committee that the findings were immaterial and that Internal Audit provided recommendations to help clear up business practices. He also acknowledged that this report was one of the best reports he read in years. Mr. Rojas asked Ms. Moore to identify the most important findings.

Ms. Moore identified the finding related to payments for goods and services without executing contracts or encumbering funds. She explained that there were instances when departments did not follow the established contract process in order to receive goods and services from vendors. Commissioner Jacobs asked if the money paid under these circumstances was unaccounted for and Ms. Moore, County Manager Davis, Ms. Hager, and Ms. Tezai all replied “No.” They assured Commissioner Jacobs that the money was accounted for and properly paid.

Ms. Tezai explained that vendors provided goods and services to the County and the County was legally required to pay the vendors. She said the issue was that some departments did not follow the County’s process to execute contracts and encumber funds prior to paying vendors. Ms. Moore reassured the Committee that this finding was immaterial. She also informed the Committee that the departments, including Finance and Legal, are working with Internal Audit to address the findings and to make sure that departments comply with policies and procedures.

Ms. Tezai informed the Committee that Finance has already implemented certain actions. She said that training is a priority and will be mandated. County Manager Davis replied that even though the County has policies and procedures, there may be instances when the County must respond to emergency circumstances. He said that the departments need to know the process to follow under emergency circumstances and the Finance Department will have to evaluate departments’ justifications for paying for goods and services outside of the regular contract process. Ms. Tezai said that there will be consequences for departments that circumvent the contract process without an adequate justification.

Mr. Shannon said that it is important for the County to determine what money was spent due to poor planning by departments. Ms. Hager said that from a process review standpoint, the County will examine the issues, process map the issues, and determine what rules need to be put in place to have appropriate internal controls. The County can look at how technology can help with the contract process to ensure

³ Since the disaster recovery plan update included confidential information, the meeting minutes do not disclose the information discussed.

compliance with policies and procedures. Ms. Hager stated that there needs to be a proper balance of accountability and consequences for departments.

Ms. Moore stated that based upon her professional judgment, the departments' contract administrators need to understand contract provisions, details of contract deliverables, and need to ensure that contract deliverables are received prior to payments. Ms. Moore informed the Committee that Internal Audit will conduct follow-up audits and re-test all findings identified within the report.

Mr. Rojas acknowledged that this was a wide audit that took a lot of effort. He asked Ms. Moore to provide a grade of the audit based upon what she found. Ms. Moore replied that she could not provide a letter grade, but based upon her professional opinion, she would say that the audit was fair. She explained that this audit was a systematic audit that examined 10 departments. She said that the contract monitoring process is functioning and many of the issues identified in the report can be fixed with adequate training. She stated that a big issue found related to the Certificates of Insurance. Ms. Moore said that this audit caused communication throughout the County to address the issues. She believes that it will take team effort to take the County from fair to great. Mr. Rojas said that change requires effort from all departments and all departments need to be aligned to correct the issues.

Ms. Moore stated that this audit report will not lay dormant. Each department responded to the audit findings and provided dates of when they will implement the changes. Internal Audit will follow-up and conduct reviews based upon the dates provided by management.

County Manager Davis said that different departments have different systematic strategies to make sure that things will get done.

Mr. Gordon asked if there were any other questions and no one responded.

D. Old Business

None.

E. New Business

Mr. Rojas informed the Committee that his membership term runs out next month. He announced that this meeting may be his last meeting. Commissioner Jacobs asked if he was eligible for appointment. Mr. Rojas replied that there is a limit to serve in office. Ms. Moore clarified that there is a limit to serve in office, but not to be a member. Mr. Rojas said he would think about it.

County Manager Davis responded that he hoped Mr. Rojas will remain a member, and he thanked Mr. Rojas for volunteering his services to help the County. County Manager Davis said that Mr. Rojas has been helpful to make sure that Durham County has had a successful operation and that internal controls were improved. Everyone applauded to thank Mr. Rojas for his service as an AOC member.

Commissioner Jacobs said that the County relies heavily on the expertise of members of the community, and the County could not do its work without people like Mr. Rojas and Mr. Gordon.

F. Next Meeting Date:

June 12, 2018, 3:30 P.M.

IV. Adjournment

There being no further business, the meeting was adjourned at approximately 4:29 PM.