



March 9, 2021
Durham County Audit Oversight Committee Minutes

I. Call to order

The meeting was called to order at 3:30 pm virtually on Microsoft Teams. The meeting was recorded.

II. Members

Present: Dr. Nicole McCoy, Chair; Mr. Arnold Gordon, Vice-Chair; Commissioner Wendy Jacobs, Secretary; Andrew Holland, Member; Commissioner Brenda Howerton; Commissioner Nimasheena Burns; Wendell Davis (Ex-Officio), County Manager

Absent: None

Presenter: Scott Duda, Cherry Bekaert Partner; Mike Carey, Senior Manager; Darlana M. Moore, Internal Audit Director

Others Present: Jodi Miller, General Manager; Clarence Birkhead, Sheriff; Thomas Hinton, Sheriff's Office Finance Officer; Claudia Hager, General Manager; Susan Tezai, Chief Financial Officer; Joanne Pierce, General Manager; Ben Rose, Director of Social Services; Catherine Williamson-Hardy, Deputy Director of Social Services; Kelly Inman, Chief Operations Officer; Jovetta Whitfield, Assistant Director of Social Services-Family Safety and Permanence; Krystal Harris, Assistance Director of Social Services-Customer Accountability and Talent Development; John Sanderlin, Audit Senior; Gina Addicott, Internal Auditor

III. Business

A. Discussion and approval of December 8, 2020 Minutes – Dr. Nicole McCoy

Dr. McCoy stated, "We're going to do two quick things before we get to the Cherry Bekaert financial audit presentation. Dr. McCoy asked, "Do we have a motion to approve the December 9, 2020 minutes?" Mr. Gordon replied, "So moved!" Dr. McCoy asked if there were "Any discussion about the minutes?" Mr. Gordon

indicated, "They look pretty good to me." Commissioner Jacobs stated, "I'm always amazed at the minutes." They're so incredibly detailed." Mr. Gordon commented, "Very good! Very good job, Darlana!" Ms. Moore replied, "Thank you." The minutes were approved unanimously.

B. Introduction of New Board Member, Andrew Holland- Dr. Nicole McCoy, Chair

Next, Dr. McCoy stated, "We were hoping to have introduced Andrew Holland, who is our new community board member, and I don't see him on the call." Ms. Moore indicated, "I don't see him either." Dr. McCoy continued, "I would like to welcome Commissioner Burns to the meeting." Dr. McCoy and other committee members welcomed Commissioner Burns. Dr. McCoy continued, "I don't know if Commissioner Burns wanted to say anything but welcome to our meeting, and it's good to have you here today.

C. Cherry Bekaert Financial Audit Presentation- Scott Duda, Partner

Dr. McCoy continued, "we will now move on to the Cherry Bekaert financial audit presentation." Mr. Duda stated, "Good afternoon. I think I've met most of you over the years. If I have not, I am Scott Duda. I'm the Audit Engagement Partner on the County audit. With me is Mike Carey. I don't see him on the screen now, but I know he's here. He's a senior manager on the engagement. He's been involved both with the County and a number of other audits for a number of years. This is his first year. I believe this is his first year running the County engagement with me."

Mr. Duda continued, "I know it's a little bit of an unusual situation this year. But we've always had good dialogue during these meetings, and I hope we will have that today. Feel free at any point during the presentation or once we conclude to ask Mike or me any questions you may have. So, we're going to talk a little bit on a high level concerning: the engagement, our responsibilities, your responsibilities, and the audit areas of focus. You all should have received a number of deliverables: the CAFR being the primary one and then a Single Audit compliance report and what we call a SAS letter, which is our required communications to you all. So, we'll talk through each of those. Again, I'm happy to answer any questions, pull up any of those deliverables, and walk through any of those if you'd like.

So, in terms of very high level on the engagement, we completed the engagement, the audit as of June 30, 2020. To say that this was an unusual year for any of us is an understatement. But, the County, in particular, when you think back to last spring, you had two once-in-a-lifetime events that happened at the same time. So, the pandemic hit, and we all transitioned as much as we could, virtually, and had to deal with all of that. You also had the ransomware attack, and so both of those things hit about the same time. A number of North Carolina government agencies faced that ransomware attack, but a very unusual situation. So, this engagement was completed through that process.

The audit was conducted in accordance with a number of standards (i.e., Generally Accepted Accounting Principles (GAAP), Generally Accepted Auditing Standards (GAAS), and provisions of the Single Audit Act requirements of Title 2 U.S. Code of Federal Regulation (CFR) for Federal Awards (Uniform Guidance), and North Carolina state law for state funds).¹ That's the compliance testing that we will talk about related to your grants. The grants that you all received.

Our job is to audit the numbers. Your job is to present the numbers to us to be audited. So, we are responsible for forming an opinion about the numbers that you all present to us. In our opinion, as we've talked about in past years, the statements are materially correct. What that means is if we went through every line item of the General Ledger, we would probably find small adjustments. However, none of those would change our opinion about the County's financial capabilities if a user of your statements were presented with those. So, our standard is to make sure that these statements are materially correct. Each fund has its own materiality. Then there are the larger reporting units that have combined materiality.

We have separate materiality calculations and sample sizes for all of our grant testing as well. So throughout that process, we are scoping the testing that we do and using statistically valid samples to ensure that your statements are materially correct, and to obtain reasonable but not absolute assurance. So again, the only way we could give you absolute assurance is to look at every transaction and it wouldn't make sense for anyone to do.

So, where did we focus our time and attention? A few of the most significant risks are management judgments and accounting estimates, reserve accounts, and allowance accounts. Some of the judgments in accounting estimates you all use third parties to provide calculations to you. You all review those for reasonableness and then provide them to us. Again, we review them for reasonableness and along with your cash and investments, including the remaining swaps. Receivables, revenues, obviously, are significant items for the County. Capital assets is another significant item on your Statement of Net Position, accounts payable and expenses, debt obligations, (including compliance with covenants) and then other long-term liabilities like the pension, which again has some of those management judgments and estimates in them.²

Then we talked about the Single Audit.³ That is the compliance testing, both Federal and State, for what we call major programs. You see those listed here, and some of those remain the same year to year because of the significance of the amount moving through those grants.⁴ Others change from year to year. DSS

¹ 2020 Comprehensive Annual Financial Report, *Letter of Transmittal*, pages vii and viii and 2020 Schedule of Expenditures of Federal and State Awards, pages 1-8.

² 2020 Comprehensive Annual Financial Report, Statement of Net Position, Financial Section, page 27.

³ "Schedule of Expenditures of Federal and State Awards as of June 30, 2020," pages 1-19.

⁴ "Schedule of Expenditures of Federal and State Awards as of June 30, 2020," page 15-17.

Cross-Cutting and Medicaid, we're going to look at every year. The others on this list will change from year to year, depending upon both the dollar amount of grants you all received and spent and the percentage of those expenditures against all grant expenditures. The last thing that we consider is how many years it's been since we've audited major programs. There is the list of the programs that we audited from last year considered as major."

Dr. McCoy indicated, "I got a quick question for you on the areas of focus for Medicaid. Was that an expansion? Did we expand that audit given our findings from last year?" Mr. Duda replied, "We take into consideration the prior year findings in our sample sizes. So, if we have prior findings, then we are required to increase the sample sizes. You may have remembered from one of the prior years that both the Federal and State have set minimum levels of sample sizes if we have prior findings. So, yes, those sample sizes did go up in the current year." Mr. Duda indicated that "we're just at the very start of this, those minimum sample sizes have just been in the past year or two." He continued "But what can happen is because we are expanding our sample, we are going to find additional compliance issues. It's going to require that we expand our sample. It's sort of not a self-fulfilling prophecy. But it's going to be more difficult to bring those sample sizes down because we're going to have findings. We're going to increase the sample size. That's going to lead to us finding more errors, which is going to lead to us increasing sample size. I'm not sure where that ends yet. We're just at the beginning of that process but to answer your question, yes. Our sample sizes were larger this year than in the prior year because of the prior findings."

Dr. McCoy asked, "Did we find more findings because we expanded our samples?" Mr. Duda replied, "You know it's hard to say did we find them because we expanded our sample. Because I don't know what our sample size would have been and whether we would have selected those. But, again, to answer your question, did we find repeat findings? Yes! So, again next year, we will factor that into our sample sizes as well." Mr. Duda continued "this slide talks about our opinions within the CAFR. You know we have our financial statement opinion. We have our yellow book opinion. The yellow book is on grants internal controls, and then we got the statutory compliance, which is on grant compliance. We had no internal control findings. We had no financial statement findings either."⁵

"So, this is your Federal testing. Our opinion was unmodified in terms of internal controls. We did have two findings related to Medicaid. One is that repeat eligibility finding.⁶ One of the things about this that we're finding and part of the reason for this in terms of remediation. So, there's an issue in a file. It needs to be corrected. We have found that over the last several years, when we are selecting our files, the remediation is happening after we have selected it. So that is the issue here.

⁵ 2020 Comprehensive Annual Financial Report, *Letter of Transmittal*, "Schedule of Expenditures of Federal and State Awards for the Year Ended June 30, 2020 and Report on Internal Control over Compliance," page 4.

⁶ "Schedule of Expenditures of Federal and State Awards for the Year Ended June 30, 2020," pages 11-14.

One of the things is that Medicaid does not state in their compliance supplement how quickly that remediation occurs. What they say is it has to happen within a reasonable period of time. Dr. McCoy asked, "Is 16 months reasonable?" Mr. Duda responded, "I would say no, sixteen months is not reasonable. Does it have to be 30 days? Probably not, especially when we're in the midst of a pandemic. There may be the ceiling and the floor. Where we are in between there, is up for discussion. But I think we've had this finding for a number of years. What we're seeing is the remediation didn't take place within three months or six months, or nine months. It took place immediately after we identified that the file is one that we wanted to test. The one thing that I would suggest is that there be some discussion about what a reasonable period of time is. Does that mean that you all have to put that in writing? Does it need to be a firm policy? I would suggest maybe not because if you set the bar at six months and it is six months and a day, we're going to say you didn't adhere to your internal control policy." Dr. McCoy asked, "did you find that quality reviews are being done on a sample basis."

Mr. Duda replied, "There absolutely is." Dr. McCoy stated, "and that quarterly sample that is being done by operations is not finding everything." Mr. Duda responded "but I wouldn't expect it to; it is a sample. There needs to be a higher level of attention to the remediation. You all are identifying the issues. It's just a matter of how quickly they are being resolved. Again, we can talk about whether it's three months or six months or nine months or a year because it's not set in stone. But, the one thing for me as an external auditor when I select the file, and I see that the remediation takes place a week after we communicated that that's one that we've selected. That to me tells me that it wasn't going to be done within a reasonable period of time barring us from identifying it as a file that we wanted to test. So that's the reason for the repeat finding, and I would suggest because we have had a number of years, it's the remediation issue. You are identifying the issues. It's how quickly they're being cleared. I would suggest there be some discussion about how to address that."

Mr. Gordon commented, "it sounds like to me that we don't know which way to go here. I mean, they cured the problem within a week that seems to be no good. Yet you don't want it to be nine months. I'm sorry I'm not following." Mr. Duda continued, "They cured it within a week well, and sometimes it's not within a week and maybe within a month, but it's only after we identified it as a file. It may have sat with remediation that wasn't being cleared for nine months or more. The only reason that file was picked up, in that remediation took place, is because we said we wanted to test it." Dr. McCoy interjected, "In other words, there should be a better trigger for review versus Scott sample." Mr. Duda responded, "Right, as the external auditor, I can't be your internal control. Commissioner Jacobs indicated, "I have a question, Darlana, and Nicole, is DSS going to be with us later on today?" Dr. McCoy replied, "I don't think so. It's not on the agenda for today." Ms. Moore interjected, "They will be on. We must go over the audit submission, which is the Foster Care and Adoption Eligibility Audit. So, they'll be on, and some of them are on now. But I've invited them at 4:30 after Scott's presentation." Commissioner

Jacobs replied, "Great because I think it would be good to hear directly from the DSS Director because I think there are other issues tied to our QAT program and Medicaid that have to do with staffing. So, you know it is best to hear directly from the staff on it."

Dr. McCoy stated, "I have a question." She continued, "So as we have these internal control issues and then you go up to the financial statement concerns, the question I have is the magnitude of the Medicaid process and those control issues not significant enough to have a similar finding in the financials? Mr. Duda responded, "No, to rise to that level, it would have to be material to the whole financial statements, which is tens of millions of dollars in order for your Medicaid funding to be impacted to that level. We would have to see something. Medicaid would have to see something along the lines of questionable costs, really involving fraud, or something along those lines before they would say that they were going to reduce your funding.

Repeat findings, like the ones you got here, while it may lead to an additional level of scrutiny on the information, you're reporting back to them, they're not going to reduce your funding for something like that. That's what it would take to generate a financial statement finding from one of these compliance findings. Dr. McCoy interjected, "So from the number value, that's one thing, from a pervasiveness as a control issue, do you think it's fine as well? Mr. Duda replied, "It's not going to impact your funding."

So, we have a second finding, several nonmaterial noncompliance for eligibility technical errors. If you all do have the compliance report, in front of you, on page 12, there are six or seven listed there.⁷ You can see we tried to provide enough detail so that you can see the types of findings that we're talking about, but again relatively minor in terms of the types of findings that we would expect to find in a County of your size. We will rarely have a clean Single Audit where we don't have a finding. So not unusual, you know, it's an opportunity for improvement and something to look at. It is not nearly, I think, as high a priority as the first finding just because we've got the repeat eligibility finding. Ms. Tezai interjected, "Just as a note on page 13, it is the County's documented corrective action plan as to how we plan to address the two findings."

Mr. Gordon commented, "I'm sorry, what report are you referring to." Dr. McCoy responded, "It is labeled Durham County. It was in the original file Durham County June 30 Compliance Report. It is called the Schedule of Expenditures in Federal and State Awards." Mr. Duda interjected, "It is about a 20-page document, not nearly the extent of the CAFR." Dr. McCoy indicated that it was "sent to us on February 25." Mr. Duda continued, "So on pages 12 and 13, you'll see the findings as well as the County's responses. So, the State Single Audit results are very similar and, in fact, mirror the Federal. The reason for that is because those are both

⁷ "Schedule of Expenditures of Federal and State Awards for the Year Ended June 30, 2020," pages 12 and 13.

Federal and State dollars flowing through there. So, you got the same findings on the Stateside that you had on the Federal side.

You also received a short, three-page letter in our required communications. It lists out the management estimates that we talked about before that we focused on. Whether or not there was an adoption of any accounting principle or a change in any accounting principle, corrected misstatements that were found because of our audit procedures. You see, there is none noted here and then uncorrected misstatement. Those are below that materiality threshold that I talked about but so high that we need to raise them to your level to be aware of them. We have none of those as well. Any variance in our testing that we had was such a small level that we would call that trivial. That's normally 5% of that materiality calculation that we talked about."

Dr. McCoy interjected, "Was the Audit Oversight Committee copied on any of those required communications?" Mr. Duda replied, "You should have received a copy of those in the material." Ms. Tezai interjected, "In the past, we've never provided that letter because it's standard. We never have any misrepresentations. We never have any disagreements with management. It is just the standard letter whereby you're attesting to what we did or didn't have. If you want to have them going forward, I will be glad to forward them. I sent you the actual audit reports and not the standard letter. We did not have any findings. So, we do not have a management letter."

Dr. McCoy responded, "if we are considered the Audit Oversight Committee and one of those who were charged with governance, it would be nice to see what we should have been required to understand." Mr. Duda indicated, "The requirement is that the board or City Council or County board get that document. I don't think there's any requirement in the audit standards that you all get a copy, but I can certainly appreciate that you'd want to have it. "

Dr. McCoy replied, "Audit Section AU-C §260.06⁸, and I can check as SAS 114⁹ as well. But it does say if it is governmental, it should go to some of the commissioner's boards. So, I wondered if the Audit Oversight Committee is considered those charged with governance."¹⁰ Mr. Gordon interjects, "Well, we are charged with certainly advising the government."

Ms. Tezai added, "We are very fortunate because it's been quite a while since we have received a management letter, which is good. But when we have received

⁸ AU-C Section 260, "The Auditor's Communication With Those Charged with Governance, section .06 Definitions." 2020, AICPA.

⁹ SAS 114 was superseded by AU-C 380, "The Auditor's Communication With Those Charged With Governance." 2020, AICPA.

¹⁰ Meaning of "Those Charges With Governance – "The person(s) or organization(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and the obligations related to the accountability of the entity. This includes overseeing the financial reporting process. Those charged with governance may include management personnel; for example, executive members of a governance board or an owner-manager." AU-C § 260.06. 2020 AICPA.

management letters in the past, they have gone to the board. Dr. McCoy stated, "I understand that from a management letter too, but these are all letters that he wanted to discuss. You all have received things that he is saying are by a standard communicated to those in charge with governance, and a copy has not been given to us. I just wanted to know if the Audit Oversight Committee one of those individuals or considered that here." Mr. Gordon interjected, "I guess not because we are not getting them."

Mr. Gordon continued, "Well, maybe Wendy, you might pipe in here and tell us whether you think we ought to have that. Commissioner Jacobs responded, "I really don't know. I would really defer to you all to look at what the guidance is on that. What information Darlana has, I don't know." Mr. Gordon asked, "what is your pleasure on this Nicole." "Do you want them?" Dr. McCoy replied, "I mean, I'm just looking at my auditing standards by the AICPA. Per what the standard said (what I just quoted from AU section 260), the standard says parties charged with governance may include legislative oversight and other oversight bodies. So, I was just wondering if the Audit Oversight Committee, is an oversight body per the County. Mr. Gordon then stated, "My own impression is that's exactly what our role is, and Susan said that she doesn't think it's too burdensome to send us those when they occur." Mr. Duda stated this is an annual letter.

Dr. McCoy then indicated, "We need to get a copy of those type of things." I get it's not a management letter, meaning there are no official findings. I understand that, but there are other required communications that happen as you do an audit engagement where the auditor, the third-party, should be doing some required communication to those in charge of governance. So, I wondered if we are getting a copy of it, which we typically don't from this conversation. We're saying we don't typically get copied on it. Then, I just wanted to ask the question, are we even considered one of those charged with governance, just as a whole, given what I've been reading through the standards."

Commissioner Howerton asked, "Can you [Mr. Duda] explain what's the significance of the letter. I am not understanding what's the significance of this." "Mr. Duda responded, "It's to provide a high-level summary of the engagement. So, it talks about the estimates that are in the financial statements. It talks about whether or not there were changes from year to year. It highlights the adjustments that were posted. It highlights any past adjustments, adjustments that we did not books, and then any other matters that we think is necessary to communicate." Ms. Tezai interjected, "I sent the governance letter to Darlana to forward to the audit committee." Ms. Moore thanked Ms. Tezai and stated, "I'll forward it to them after the meeting. Dr. McCoy continued, "So, it's just a little deeper dive of what he's reporting here."

Mr. Duda continued, "But it has always been a part of our presentations, both to the committee and to the County Commissioners, and it's always been to my understanding provided to the County Commissioners as a part of our reporting to them. So, you know again, if you all want it as part of the audit committee, I think

that's a good thing to have. I know other audit committees review the engagement letters and contracts of the audit before they are finalized. I know that audit committees want to see the management representation letter before it is signed, and the audit is finalized. We've even had some audit committees that want to see our risk assessment and talk through that and our audit approach. So, you know all of those things are things that you all can do, depending upon what you all want to do."

Ms. Tezai interjected, "Just FYI if there were any negative comments like if they did have a problem with management and there were some issues between the auditors and staff (like a materially corrected misstatement), of course, we would forward the letter. "I sent the letter to Darlana to distribute. But just FYI, you'll see that under-corrected and uncorrected misstatement. We are pleased to inform you no misstatements were identified during the audit. So, we had no past adjustment."

Dr. McCoy continued, "The only last question I have is last year we had some minor technical issues that you discussed." I went back and reviewed those notes. Were those technical IT issues that were minor addressed during the audit before you left? In your last meeting that we had, you presented some minor IT issues were in the 2019 findings. I just wanted to know real quick were those minor IT findings from the 2019 review corrected prior to leaving in 2019?"

Mr. Duda responded, "I'd have to go back into that file. So, I know that if we had findings in the 2019 audit, we would have revisited those in 2020. Dr. McCoy asked, "And nothing is outstanding?" Mr. Duda responded, "If we don't have them now, they were corrected at some point between then and now, but whether or not it was corrected. If they were going to be corrected before we finalized 2019, I would have mentioned that in our meeting last year. So, it had to be between last year and this year." Dr. McCoy replied, "perfect, thank you."

Mr. Duda continued, "You got my contact information here, email, telephone number." "One of the things you know that we always talk about is we really want this to be a dialogue. So, you know, if you do want to talk about our risk assessment and if you do want to see a copy of the engagement letter or the contract prior to, feel free to reach out. I'm happy to have a conversation at any point throughout the year. If you just want a status update on where we are on the engagement, I'm happy to provide that as well. Thank you! Thank you so much! Dr. McCoy stated, "We appreciate you, and I think it's Mike Carey, correct? Thank you so much." Mr. Duda responded, "you're welcome." Dr. McCoy asked, "Any other questions for Cherry Bekaert before they leave us for this evening. Thank you very much."

D. Introduction of New Board Member, Andrew Holland- Dr. Nicole McCoy, Chair

Dr. McCoy continued, "We want to take a small pause and go back to agenda item number two and introduce Andrew Holland. Mr. Holland is a new board member.

Say hello Andrew so everybody can see your face and so we can all say welcome and thank you for accepting this appointment with us and serving over the next couple of years on the Audit Oversight Committee for Durham County." Mr. Holland stated, "Thank you, and I'm extremely honored to have the opportunity to serve on this prestigious committee. I look forward to working closely with you all. I actually started my career as an intern in the audit department with the City of Durham. I transitioned to the Assistant to the County Manager for Financial Services with Mecklenburg County Government. I was responsible for conducting enterprise risk assessments in all County departments. So, I felt as though this would be a great opportunity for me. So again, I'm very honored to serve on this committee." Dr. McCoy continued, "Thank you, welcome, welcome, Mr. Andrew Holland. I appreciate you."

E. Discussion of the Following Internal Audit Submission

Foster Care and Adoption Eligibility Audit

Dr. McCoy continued, "All right, so we are going to move on down to item number four, Darlana. Ms. Moore stated, "I do apologize." "I told DSS to come on at 4:30 because we generally are an hour with the external auditor. I've emailed the group asking them to come on now. So, we might have to backtrack a little bit because Scott said many things that I think are very important for DSS to hear and understand. After all, audit follow-up is very important to the organization. The first thing that I'd like to talk about is the audit submission, the Foster Care Eligibility and Adoption Assistance Audit. DSS is a great group, and we all know that they work very hard, and as hard as they work, they are audited just the same. At the time that we were auditing them, they were being audited by three different groups simultaneously. So, we'll talk about that. So that takes a lot of time. It takes a lot of patience, and it takes a lot of dedication to their work. So, I just like to commend them for their patience and for being so professional and working with us.

The second thing that I'd like to say is since my time at being with the County, this is the smallest audit report that you guys have read from me. I think that says a lot about DSS as well. I think it was only like ten pages, nine findings. They really, really, take a lot of pride in what they do. We met a lot to go over the audit findings to discuss ways to remediate the findings. The first finding was three out of 18, where the 5094s were missing from the file. So, we had missing documents. My approach with an audit is different. I don't give the auditee the privilege of pulling files for us. We pull our own files. We go into the systems. We have system access to all the systems throughout the County. Therefore, we go into the systems, and we obtain the files ourselves, whereas Scott said that they have a PBC list, which is prepared by client lists. That's where the auditor asks the auditee to prepare documents for them in preparation of an audit. It itemizes everything that the auditors will need.

So, we select the sample. We go in, and we look for the information ourselves, or we pull the files ourselves. So, the reason being is that you don't have that issue of

people making corrections. So, you have a true file to audit, and that's more helpful. It's more helpful to them because what individuals don't understand or realize is that the auditors know when you make the adjustments. Even when you make adjustments in the systems, the systems have footprints. So, we go, and we check the footprints. When you go in, we know when you make updates to the various files. Everything now is like you can't really hide anything anymore.

Okay, the second issue was with the Adoption Assistance. Two out of 10 files were not on Laserfiche, and one file had a missing second page of the adoption decree. The third finding was with the Adoption Subsidy. Two of the files were missing, and the fourth was the Laserfiche record maintenance. It was difficult to maneuver through or to find the various files because we pull our own files. We basically reperform the steps that they perform. So, it was difficult for the auditors to find the information.

The fifth finding was concerning lack of a quality assurance review. So, we know that during the malware attack that it threw a lot of things off, and so for a period of time, the QAT (Quality Assurance Team) was down. During this time, a lot of the quality reviews were not completed, like the Foster Care IV-E quality review and the Adoption Assistance quality review.

One thing that we do when we conduct audits as well is that we go back, and we look at previous audits. If the external auditors have looked at this, we go back and see if there were any findings. If there were any findings, what was the corrective action plan that was put in place? So, the quality assurance review was a part of the correction action plan from the 2018 external audit from Cherry Bekaert and the same with number six. Two of the files (5120s), took three months to complete. Per our review, we saw that the process was averaging ten days. According to DSS management, the malware attack and staffing changes caused a delay in the process.

In addition, we also looked at the Continuity of Operation Plan (COOP). We noticed that the COOP plan wasn't updated to address onsite disruptions in the continuity of services. So, we also recommended they update the COOP plan so that services would not be interrupted in the event of a malware attack or any other disaster that may occur in the future.

Number seven was a hot and heavy one with DSS, the audit liaison. I have worked with the audit liaison on a few audits, and he is absolutely fabulous. He's wonderful to work with. This finding has nothing to do with him because he's an awesome individual and a hard worker. But, this finding, if I am to piggyback off our external auditors, this is one of the most important findings on this report because the audit liaison has other responsibilities.

During our audit engagement, DSS was being audited by three other groups. So, that became difficult, especially if you're dealing with an individual inexperienced with audit, attempting to juggle multiple audits, and having a plethora of requests coming through simultaneously.

Based on what we've experienced in this audit, we recommend that this position be created as a full-time position. DSS has over 28 programs that are continuously audited, and the individual who fills this position should have audit experience. The reason is because this individual will know audit terminology, know how to talk to the auditors, and what the auditors are looking for. In addition, this person will be great as far as what Scott was mentioning concerning the remediation. If that person has any downtime, he/she could conduct remediation reviews separate from the QA team. This individual will look for things that your QA team would not look for because of his/her background."

Dr. McCoy asked, "Do you believe that they are audited enough or frequently enough that this could be a full-time position?" Ms. Moore responded, "This could be a full-time position, yes. Dr. McCoy indicated that "any of you guys [DSS] can speak up." Ms. Moore responded that she believes this could be a full-time position.

Mr. Rose concurred with Ms. Moore. He stated that they have discussed creating a position through some potential reallocations with additional budget requests. They have been restructuring phase three budget requests. They have provided more support in this area and are looking at a compliance officer type of position. Mr. Rose stated, they obtain Federal and State audit reviews, and one time within the last two months, they were subjected to 18 State audits, reviews, and monitoring. Mr. Rose continued to say these were across all programs and not just about one particular business area. Mr. Rose emphasized this position is something that they need.

Dr. McCoy stated to Mr. Rose that Commissioner Jacobs mentioned something about other staffing concerns that he might have, and she asked would this compete with other requests that he has going on or if this is something that could be a higher priority? Mr. Rose stated they all feel like equal priorities, especially the quality assurance aspect. For the current budget year, we were focusing on quality assurance and training because of the capacity in that area. For example, Child Welfare, in the QAT section, they have three and a half positions for the entire Child Welfare Division. Mr. Rose asked Ms. Whitfield how many workers she has, and Ms. Whitfield stated that she has between 122-125 staff. Ms. Whitfield continued to say they are audited frequently from the State and the Federal concerning Child Welfare (not just the internal or the Single Audit). Mr. Gordon asked if 123 is all the DSS staff. Ms. Whitfield and Mr. Rose replied those positions are just in Child Welfare.

Mr. Gordon asked Ms. Moore if she is advocating the audit liaison position for the whole DSS or just the Child Welfare Division. Ms. Moore responded she would say the entire DSS. Mr. Rose explained that one of the biggest liabilities is in Child Welfare, especially with the IV-E and Adoption Assistance audits, because they could potentially have the highest paybacks. For example, if the IV-E case was incorrectly determined eligible and that case was determined eligible in 2015 but not found until 2020, they must go back and pay from 2015. There have been

counties that had to write checks for hundreds of thousands of dollars for just IV-E audits alone.

Mr. Rose continued to explain they are composing and finalizing a QAT whitepaper. Their strategic plan calls for them to establish a QAT position for every unit in Child Welfare. Mr. Rose feels that would be a proportional capacity so that every unit, based on what they do, whether it is Permanency Planning or Child Protective Services, they would have a QAT and a trainer. This individual would be pulling cases, performing the quality control checks for documentation, narratives, and forms. Mr. Rose emphasized that it is competitive, but they are trying to find creative ways to get there. One way is to reallocate through the phase three requests that Commissioner Jacobs and Commissioner Howerton is very familiar with.

Ms. Moore noted that generally, DSS would be invited to the audit submission. However, the external auditor was talking about the Single Audit and Medicaid findings. Ms. Moore stated Mr. Duda was talking about one finding in particular that has remained on the report. She stated, "Mr. Duda discussed that when they were requesting the information from DSS; DSS was correcting the requested files they had requested for testing.". Ms. Moore stated that the information was not being remediated, like after the auditors leave, but upon submission of files to the external auditor. Ms. Moore further added that Commissioner Jacobs wanted DSS to defend themselves or discuss what was going on. Ms. Moore clarified this would be an important part for this new position, remediation.

If the person has downtime, he/she can go through files ensure things are in place. Mr. Rose added this position would play a big part in establishing more effective internal controls, which is key, whether it's Medicaid or Child Welfare. Mr. Rose asked Ms. Williamson-Hardy to address the Medicaid side of the audit.

Ms. Williamson-Hardy stated it has been a resource issue, which is one of the biggest reasons the budget restraints impacted their request for the additional position. Ms. Williamson-Hardy added that they have done something similar to what Ms. Moore had suggested. They hired a contractor to manage the remediation process to ensure DSS follows through with the plan they had in place. The contractor was a former Program Manager who has retired, and she has extended expertise in the program area. Ms. Williamson-Hardy stressed that they had put much attention on the Medicaid side, following up on the actions they have put into place because that is one area they have failed in the past. Ms. Williamson-Hardy explained they had made tremendous strive in the Medicaid area, and she asked Ms. Harris if she has anything to add.

Ms. Harris moved on to explain that through the Single Audit, in order to remediate certain things in the quality control tool, they need to ensure if corrections are warranted, if so, they can go into the quality control tool to acknowledge that they have corrected the error. This way, Ms. Harris' team, and the quality assurance team can see and know the error corrected at a specific date. DSS has been

working with IS&T to help find a better online web-based tool so everyone will be on the same page. Also, these are things QAT has been implementing as well.

Dr. McCoy asked whether there is any intent to go back to review existing files. Are we just looking at this as a control going forward for the Medicaid issue that the external auditors keep finding? Dr. McCoy continued to state because the sample size will get larger and larger, and with that, she doesn't know how far back the auditors will go. The question is, even if they implement something now as a control, if we don't have someone trying to look at what we may have missed in the past, that could be part of their sample when they get back here next year. Dr. McCoy expressed she was just wondering are we looking at anything that could be active. She knows it seems like a lot of work to potentially go back and do, but that would be where our biggest exposure would be, just in case the external auditors came back and found something again. Ms. Harris responded the following:

"So, we don't go back to do a lot of work, we work a month behind, so this month, we're processing February's work. It would be hard to go back, but we do at times. We do some targeted reviews when we see that there's an error trend, which we also have been looking at. When we meet weekly with Medicaid, we talk about the error trends that we're finding in QAT. So, we may focus on targeted reviews and specific errors that will help us in the long run with audits. We can catch some of the ongoing errors then once the auditors come, we won't have those errors. We try to figure out the best ways to work when we know we can't go back. We try to figure out different ways to catch and monitor for error trends." Dr. McCoy stated those are a lot of files to go back to. Ms. Harris replied that is another area with capacity. We don't have the capacity in QAT.

In continuation, Ms. Moore presented the subsequent findings. Ms. Moore communicated the following:

"The next few findings were follow-up from the 2018 external auditor's report. We could not find evidence of any supervisory review of the 5012s. The final finding was centralized forms and instructions. We recommended that they have one centralized place. Ms. Moore asked Ms. Whitfield to comment on the last finding. In response, Whitefield presented the following:

"Just to be informed for the future, all of our forms are housed on the Internet and when the County shifted from the old Internet to the current one; you have to be invited to the DSS Internet group, and that is where the agency forms are housed, as well as links to the State forms and even to the HR forms. So, that's where the forms are housed. We even have a subfolder for Child Welfare; Child Welfare forms, frequent forms that we use are housed in that subfolder. What we have learned is that staff may not be as familiar, particularly the new workers. That's where the forms are located. It is about informing and training staff on how to utilize MyDco, an intranet system, but the documents are there along with training from our County Attorneys. That information is there, as well. Outside

persons like auditors, we will have to extend you an invite even to get access to that."

Dr. McCoy asked Mr. Rose if he has anything else that he would like to say in response to his review. Mr. Rose answered he was late coming into the meeting; he does not know if Jovetta talked about the program corrections they made. Jovetta has done a lot of work over the last two or three months to put in some corrective actions, and he didn't know if Ms. Whitfield wanted to share any of those. Ms. Whitfield commented the following:

"We've been working on several things. It started last year, but with the Malware attack, it sort of backed us up, so we were working on a Child Welfare onboarding curriculum, which will have a lot of processes and procedures written down. It'll be in modules; our staff will have to be trained. We're also looking at that subfolder that I mentioned on the Intranet and how to use it and structure it to be more user-friendly to our staff. Since the audit, we have updated the organization checklist that you referenced, Darlana; I just have not sent it out. There were some more recommendations made yesterday that we need to add to it based on some information we learned from the State. So that will go out probably by the end of this week for staff. The 5120 training which is a big component of it.

The State did a pilot 5120 training, which is the first-ever training they've done on 5120s. They did that in February, so all the supervisors and managers were required to take it. All but two supervisors took it because of conflicts. I think they were in court, and court supersedes anything when it comes to training. The State is looking to continue that hopefully, but it was just a pilot for those three days in February. Once they put it back out there again, it will be something that will be required of staff to do annually."

Mr. Rose added, "The only other thing I would add is as a Director, I feel that quality assurance and training are our best internal control. It is something that we need to build capacity and because the liability is big. Medicaid, Food and Nutrition, Child Welfare, even Child Support, to a lesser extent in Adult Services, have lots of liabilities and potential paybacks. Medicaid, and Food and Nutrition, Crystal didn't go into her staffing, but it's the same as Child Welfare. The proportion is very low. We have well over 70,000 cases of public assistance. We have a total of 25 QAT staff for all the programs. As for the Adult Medicaid, Family and Children Medicaid, and Food Nutrition, there is 16 staff for well over 70,000 cases. So, we just cannot get to the sample size that we need to get to with that level. They do tend to get bumped down with the priority list. So, any support you guys could give us to help us at least shine that light. That's why we're doing the whitepaper while we're making it a focus of our budget. We know we're not going to get it all this year, but we want to build it over time to get back to a better place so that we can improve our outcomes and improve our audit, so thank you for that."

Once Mr. Rose finished, Ms. Williamson-Hardy noted these employees are also the trainers, so they are not singularly focused. Often those are competing interests

because training needs to happen while quality reviews need to occur. Their time is split between both of those roles, and it can be very challenging with the limited number of staff that we have.

Ms. Inman, the Chief Operations Officer, also mentioned, "Another point we had talked about too is how our Internal Audit pointed to some of our IT needs. When we look at overarching the need for our second party software, it was highlighted, and the Laserfiche upgrades that we've asked for from County IS&T. We saw those come out in this audit. I want to highlight those in our budget as well." Mr. Rose thanked Ms. Inman for her remark.

In continuation, Commissioner Jacobs asked Mr. Rose how many positions he was supposed to get with phase three to address Medicaid recertifications. She asked for the number of people that they were inferring. Mr. Rose replied, "In phase one and two, we brought in I think 37 roughly new positions, give or take that. That has helped us get out of Medicaid corrective actions with the State. There were a lot of capacity issues there.

What we would like to do in phase three, and I'm just going to lay it out there since we have two Commissioners here, is request 18 positions. We would like to get those 18 positions still, but I would like to restructure those requests to be more about the audit compliance in the QAT aspect, not to say that we are not still including some positions for the income maintenance. We need to restructure that last request because we haven't fused Medicaid and Food and Nutrition. We have infused them with a lot of resources, and that's a great thing, but with that, we have not infused the support with the quality control aspect of it. So, that is where I would like to refocus on the worst-case scenario; if we had to negotiate down a little bit, that would be fine too if Accounting's budget is tight. I'd love to get the 18, but if we could get 11 or 12 positions and then really focus them on audit and quality control aspects. Again, or positions that are hard to get because we always tend to get the social worker. The CPS social workers are a lot easier to sell. When you're competing with other departments and everyone's needs are great, but to sell that quality control person who just doesn't have the muster. This would be an opportunity to have positions in a budget, if they get approved. Maybe we could restructure then a little bit. Mr. Gordon responded to Mr. Rose, "You are giving up positions before you even had to negotiate, and now you are not going to get more than 11 or 12." Everyone laughed at Mr. Gordon's comment.

Mr. Rose acknowledged that he knows they are in tough budget times and want to be good partners with Accounting, but he thinks that would be a good step. Mr. Rose continued to say, "We would have to build it over time, but I believe we are one of the few DSS counties that have established quality control and training as its own unit. Usually, that is done in the larger agencies. I think Mecklenburg County has that, but we've not really given it the force and capacity to address the caseload size. We must be more effective. We had a lot of turnovers, and it is a big challenge for our department. Many our audit findings we can sometimes tie it

to turnover, quite frankly." After Mr. Rose's report, Dr. McCoy and Mr. Gordon thanked Mr. Rose for all he has done.

Sheriff Turnover Audit Follow-up

In continuation, Ms. Moore stated if there are no more questions or comments concerning the audit submission, I would like to move on to audit follow-up for the Contract Monitoring and Compliance Audit and the Sheriff Turnover Audit. Ms. Moore proceeded to present the following:

"We can get the easiest one out of the way first. I saw that Sheriff Birkhead is on along with his staff, Finance Manager, Butch Hinton, and Jennifer Matteo. First, I want to talk about the significance of the audit follow-up. Audit follow-up is very important, and it's a very integral part of any organization. Whereas in private industry, they have SOX, which is the Sarbanes Oxley Act of 2002, whereas every quarter, their internal controls are audited, and then the CFO signs off on them. While the government is sort of different. You guys must pretty much rely on the Internal Audit to come in and look at the internal controls. What I would like to impress upon everyone is that these internal controls are yours. They are your own. It is management's responsibility to maintain internal controls. It is management's responsibility to make sure that any audit findings are remediated and if you think that the audit findings are immaterial. It still rolls up to your CAFR. It still rolls up to the County Manager and the CFO signing off on that CAFR.

I would just like to commend the Sheriff's Office; they had remediated all their findings. They updated every one of their policies and procedures. I mean, as soon as Butch got there, he got to work on that, and he did an exceptional job.

We had one finding during the audit where we saw that the revenue recognition for one account was recorded in the incorrect period. I had recommended that Jennifer create a monthly reconciliation, which she did. Jennifer was telling me how helpful the recommendation was to her. She has since balanced each month due to the monthly reconciliations being performed.

There were no findings noted during audit follow-up; therefore, we can close the Sheriff Turnover Audit. So, we give them a clap." Sheriff Birkhead, in response, stated, "Thank you, everyone, thank you, Darlana, for working with us; my team takes excellent direction from you. We appreciate you pointing out what our deficiencies were, and we jumped right on it. So, thank you very much." Dr. McCoy thanked the Sheriff for his hard work.

Contract Monitoring and Compliance Audit Follow-up

Moving onto the Contract Monitoring and Compliance Audit Follow-up, Ms. Moore indicated the following:

"The next was the very first audit that I worked on when I got here, which is the Contract Monitoring and Compliance Audit. It gives us pleasure to announce that

all ten departments passed. There were no deficiencies noted. All of them had implemented all the processes that Finance had put in place. So, ten departments did great.

We only had a couple of things that we must follow back up on. Susan and Claudia are on, and they can discuss those findings. Finance Purchasing has expanded the scope of DocuSign; it was in the test phase three years ago; however, they have expanded the scope to include the fund reservations. Susan and Claudia can speak more on that, and so that's why that is in process.

Concerning the corrective action plan, we were having some issues with departments taking advantage of having non-emergency issues or circumstances, so we had asked a few years ago to include a corrective action plan within the manual, and that hasn't been implemented yet. We also had so many findings the year of the audit; we asked that Finance Purchasing implement contract monitoring audits, that had not been implemented as well. I'll open the floor to Susan and Claudia so they can speak more on those issues."

Ms. Tezai stated the following:

"This is Susan. So for the DocuSign, after we were in the process, we rolled it out County-wide, and they merged and expanded the scope to include the decentralization of the fund reservation, which is the encumbrance that is attached to the contract to satisfy the pre-audit.

In order to make this more efficient, decentralizing at the department level increases data entry and workflow approval. This process makes it easier to combine information and move forward with DocuSign to process in a more efficient and timely manner. Due to COVID and the cyberattack, that project got to put on hold.

Currently, the project is back running, and we are moving forward. We do hope to be able to go live by June 30, 2021, as recommended. However, the vacant position in the Purchasing Division have now been unfrozen. Also, with training for new hires and June 30 being the fiscal year-end, it may not go live until the first quarter of 2022. That should be absolutely the latest." Dr. McCoy inserted by September 30th, and Ms. Tezai stated yes. Ms. Tezai continued to report the following:

"Corrective action plans have been in place; they just not have been documented in the manual. There are two types: there's the exception for emergencies, which naturally there is no consequence. For those non-emergencies, of course, just like with anything else, some people would abuse it, and some would not. We've always tracked those in procurement. There have never been any consequences for multiple offenders, and so that was one of the recommendations. We need to work with the Manager's office to determine what consequences may occur and need to figure out and determine internally what's the reasonable number of recurrences for the consequences. So, we agree. We will take care of that, and

we have not done that yet. Also, as I said, we will work with the Manager's office to determine what consequences might occur if you want different levels of consequences. Also, to make sure that the departments are notified."

Ms. Hager added Susan in her first explanation shared our focus this past year. You saw the fruits of our labor with the first discussion with us having a clean audit, and it took all-hands-on-deck. We just did not circle back to some things, such as these items and documenting some of them in our manual. We feel good about closing the loop on this one and the Manager's office. I came from an environment where we had some strict consequences, including losing one position. With levels and transitioning the consequences to the organization, we just have to flesh those out. Ms. Tezai then added she is so proud of their staff because with limited resources to go through two disasters and have to rebuild data from the cyberattack and then with the pandemic. Finance was dedicated and with no findings.

Ms. Tezai continued onto finding number six, and she presented the following:

"We agree with the payment for goods and services recommendation as well. We will include the procedures for procuring goods and services without executing contacts or encumbering funds due to emergencies. We will also include that these procedures are not be used for non-emergency situations, so that's not a problem. As for the contract monitoring audits, we agree. Unfortunately, we have only one Compliance Manager for the entire County. For the past three budget requests, we requested a position under her because compliance is very important, as you have seen and discussed with DSS. It's not just DSS that must be compliant; it's Public Health, it's the Sheriff Office, it's county-wide.

We have been very fortunate that the departments tried to get external funds as much as possible to help the County, not only post-COVID even pre-COVID; they have never stopped trying. Post-COVID, there are so many additional resources that we must increase compliance monitoring. We are committed to doing everything we can. I believe this further supports the need of an additional position under Crystally, our Compliance Manager. This will ensure that we continue to adequately monitor contracts and all these external funding sources that we're getting as a result of COVID and other external funding. I think Claudia sent out a notification today, and it looks like the County is getting another 62 million dollars out of the 1.9 trillion dollars." Ms. Tezai asked Ms. Hager to speak about the 62-million-dollar funding. Ms. Hager described the following:

"Deborah Craig-Ray shared documentation that Durham County is slated to get about \$62 million related to the next allocation of resources to local government. Prior to this point, Susan, the compliance officer and me, and a couple of others talked about just what's needed infrastructure-wise to ensure if additional waves of Federal dollars come through the door and how do we handle that. We have been very fortunate to have a contract employee, who's a former State Auditor, CPA, and very seasoned to help us these last eight months. She has been

invaluable, and it has been all-hands-on-deck, including myself at night trying to make sure that we are dotting the I's and crossing the T's from a compliance perspective. CARES dollars with a State audit review has a different level of scrutiny than some of the departments that are outside of human services such as DSS have not been used to. So, to ensure that we were ready, it truly has been an all-hands-on-deck to make sure we get things done regardless of the staffing level. We also know that's not sustainable, and we won't go into all of those conversations right now.

Back to Susan's point, as we look at going forward and looking at compliance at the level that we have, we will do some reassessment as Ben has talked about as we have attrition and as we do operational assessments. We are doing that in Goal 5 right now; we're doing a SWOT analysis of what's on the forefront. We did this a few years ago and did some reshuffling of positions and workloads. Those kinds of things to optimize capacity that we have in-house. These things give a little bit of insight into what we're planning. Again, we just saw the \$62 million on a budget of close to 700 million. It sort of blends in, but it's different because these dollars have so many other levels of scrutiny beyond what we normally have to do." Commissioner Jacobs stated she is just excited to hear that from Ms. Hager. In response, Ms. Hager added she just saw that email from Ms. Craig-Ray. She immediately forwarded it to Crystally, the Compliance Manager, to start looking into interpretations and roles.

Ms. Moore thanked everybody for their help and participation during the audit and audit reviews. Dr. McCoy thanked everyone for reporting to the Audit Oversight Committee. She appreciated everyone who took their time to come to the meeting and to support this process. Dr. McCoy again thanked everyone for their hard work and for giving their opinions for the audit follow-ups. Dr. McCoy moved onto the new business. Ms. Moore asked the departments to leave the call, and she thanked each of the departments for being in the meeting.

F. New Business

Mr. Gordon raised a question for the Sheriff, but the Sheriff had departed the meeting at that time. Mr. Gordon asked whether the Sheriff Office had acquired space for storing weapons. Ms. Moore informed Mr. Gordon that the Sheriff's Office did obtain more space offsite. Mr. Gordon questioned whether there were any legal resolutions concerning disposal of the weapons. In response, Ms. Moore stated she would invite the Sheriff's Office to speak at the next Audit Oversight Committee meeting. Dr. McCoy asked if this was a separate audit or if it was a part of the current audit. Ms. Moore responded that it was a part of the Sheriff Turnover Audit.

Commissioner Jacobs expressed her gratitude by stating, "Darlane, I appreciate the work that you and all of your staff are doing. What struck me is when you were saying that you're doing this work to help the departments. I think you were referring to the files, and you were saying *This is the way that we can be most*

helpful to you. I think that is a great way of looking at it. The work you're doing is to come in to help the departments, and so at the end of the day, that's what it is about. I appreciate the work you all are doing." Ms. Moore thanked Commissioner Jacobs in return.

D. Old Business- Tax Department- PCI Compliance

Dr. McCoy asked if there are any old businesses. Ms. Moore added there is old business and she didn't include it on this agenda. Ms. Moore stated at the meeting before last; the AOC asked to bring IS&T back to follow up on the Tax PCI compliance issue. Ms. Moore said she will add them to the next meeting.

Dr. McCoy reaffirmed we will do the Sheriff storage and the Tax PCI compliance piece at the next AOC meeting. Dr. McCoy asked if there is any other old business before she moves to adjourn. Mr. Gordon replied move to adjourn.

G. Adjournment

Dr. McCoy moved to adjourn the meeting, and Commissioner Jacobs seconded. The vote was unanimous. There being no further business, the meeting was adjourned at approximately 5:00 pm.