



June 8, 2021

Durham County Audit Oversight Committee Minutes

I. Call to Order

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

II. Members

Present: Dr. Nicole McCoy, Chair; Mr. Arnold Gordon, Vice Chair; Wendy Jacobs, Secretary; Nimasheena Burns, Commissioner (Alternate); Claudia Hager (Ex-Officio), Interim County Manager.

Absent (Unexcused): Andrew Holland, Member

Absent (Excused): Brenda Howerton, Commissioner

Presenter: Scott Duda, Cherry Bekaert Partner; Mike Carey, Cherry Bekaert Senior Manager; Courtney Wade, Cherry Bekaert Audit Senior; Clarence Birkhead, Sheriff; Darlana Moore, Internal Audit Director.

Others Present: Susan Tezai, Chief Financial Officer; Lyvon Garth, Assistant Director of Information Technology; Patricia Burnside-Jones, Senior Internal Auditor; Clarence Birkhead, Sheriff; Keisha Lovelace, Legal Advisor Office of the Sheriff; Major Thomas Cote, Office of the Sheriff; Manuel Rojas, citizen; Eric Campen, Office of the Sheriff.

III. Business

A. Discussion and Approval of March 9, 2021 Minutes

The meeting was called to order at 3:30pm. Dr. McCoy asked for a motion to approve the minutes. Mr. Gordon made the motion and complimented the minutes for being so thorough. Ms. Jacobs seconded the motion. The motion passed unanimously. Dr. McCoy then turned it over to Scott Duda, Partner at Cherry Bekaert.

B. Cherry Bekaert Financial Audit Presentation – Scott Duda, Partner

Introductions

Mr. Duda informed the Committee that they could ask questions during the presentation, and at the end there would be time for questions as well. Going over the agenda he said, "I'll introduce our team. We will talk about the risk assessment. We've added some items here as well. We'll spend the majority of our time on the risk assessment itself. But also wanted to highlight some things that, again, if we were in your shoes, we would want to be aware of. We'll talk about our single audit program testing, programs that are up for rotation this year, a little bit about the deliverables, so we'll go over risk assessment and planning all the way through our deliverables, and then conclude with time for any questions you all may have."

Introducing the team, "I think I've met most, or all, of you over the years. I'm Scott Duda, an audit partner with Cherry Bekaert. I've been practicing for 25+ years. I refuse to name a number higher than that, so we're going to stick with 25+. I actually started as a manager on the Durham County engagement and have been an engagement partner for probably at least the last 10 years. Mike, do you want to introduce yourself?"

Mike Carey introduced himself as the Audit Manger and introduced Courtney Wade as the Audit Senior for this audit. Courtney said, "hello."

Risk Assessment

Mike Carey then began presenting the risk assessment portion of the presentation. "On the risk assessment, what I hope to accomplish today is to cover these topics: What does the team consider during planning, some of the risk assessment process, I've got a couple of slides on that, significant audit areas for the Durham County audit, and then just developing our testing approach for the significant audit areas.

For audit planning, what really goes into our planning? What we look at is current economics, current initiatives by the County, we're looking for any changes in management and personnel, if someone leaves, we're looking for that loss of knowledge as far as processes specifically in the finance or accounting roles. And then we look at regulatory and external factors and then we actually look at the government unit objectives and what they hope to accomplish during the year, and then we're also looking at some of the measurement and review of the financial performance aspects of the County if they change from year to year.

I just want to go over the risk assessment process at a high level. This is not specific to Durham County. This is just how an auditor conducts their risk assessment process in general. Looking at the types of risk assessment procedures, we're looking at the nature of our planning, the timing of our planning procedures, and then we're also looking at the results of our risk assessment procedures performed in the last audit. We're really looking to see if there's any adjustments, past adjustments, any control findings. Just any odd items we discovered in the prior year that may roll forward into the current year for our risk. And then as part of our risk assessment process in the planning phases we have a lot of questions that we conduct with management. To streamline this, we normally have an hour to two-hour kick-off meeting at the end of April, beginning of May, with any county just to go over these topics that are identified here. We're looking to see if there's any significant changes from the prior year to the current year. In addition to the kick-off meeting with Accounting and Finance we'll have a separate meeting with the DSS or the program staff just for the single audit testing approach. The biggest goal of our team's inquiry with management is to set up our expectations for the upcoming audit. The whole goal with our audit planning is we're looking at changes from prior year to current year and setting our expectations. That way we can develop our audit procedures to address our risk assessment.

In addition, we also look at preliminary analytics. Preliminary analytics are important because what we're looking at is changes from prior year to current year. Performing preliminary analytics helps our team find anomalies within account balances or ratios that we're looking at. If there are account balances or ratios within one of our significant areas, we'll develop audit plans and procedure to address those issues. Types of analytics that are performed are: prior year to current year account balance comparisons, we'll also look at certain debt ratios for liquidity, maybe looking at payable ratios for your payables. We'll also look at certain receivable ratios for aging and/or debt expense for enterprise or business-type funds. This process usually occurs before the kick-off meeting because we have that whole list of inquiries that we want to get an understanding of with the local government. This understanding helps our team get an understanding of what's important given the county's current initiatives, programs, and any structure changes. And this is where our team will gain an understanding of any fraud within the organization as well. Our team will want to discuss any accounting policies with management. For example, see how new accounting rules are being implemented by the county. That's going to be important with the lease provision coming out. And then applicable for this year will be fiduciary and agency funds with any county or local government.

As part of our risk assessment we like to gain an understanding of your internal controls. We're looking at internal controls over key processes and significant audit areas. This will help our team assess the risk of material misstatement, or any deficiencies that were noted in the prior year audit. And then any changes in the

processes from last year to this year. The Cherry Bekaert approach to internal control testing will be outlined in the next two slides. On a rotational basis our team does test controls over disbursements and payroll. And then a final consideration is were just looking at any changes in laws and regulations, accounting estimates, and then any litigation, This is especially important with the recent pandemic and the funds being provided the State and local governments through Coronavirus Relief Funds, the CARES Act, and new for this year the American Rescue Plan regulations. This is also an opportunity for us to evaluate any accounting changes on risk assessment and then we're also looking at any respective accounting estimate changes from prior year to this year. Finally, we like to get an understanding of any changes in litigation, or new threats of litigation, as well as assessments for any county or government. An example might be where the commissioners elect to close a landfill or new debt issuance, etc.

For the final step of our risk assessment process we'll determine materiality and then we'll assess the risk of material misstatement for audit areas that are applicable to Durham County. And then we'll also develop an overall audit strategy for the audit procedures.

What is the formula that we use for risk assessment? There are six assertions that our team looks at for any account balances, or any area that is applicable for Durham County. We'll look at: existence/occurrence, completeness, rights and obligations, valuation/accuracy, classification, and cut-off. Any audit area will be evaluated on a quantitative and qualitative basis. Quantitative basis – we're looking at account balances. How much is you're property and equipment worth relative to total assets? How much are your utility assets compared to your entire business-type activity assets? So, this is more the monetary aspect of our risk assessment and analysis. Our team will also look at qualitative factors of risk. An example of this might be debt, or pension, or OPEB liabilities. The dollar amounts might not be significant, but there are significant disclosures attached to those specific audit areas. So, on a qualitative basis that's going to be a more significant risk because those disclosures are in the financial statement, so we have to evaluate the accuracy of those disclosures, and the estimate of those liabilities on the financial statements.

For each of the audit areas we evaluate the risk of material misstatement at the assertion levels. Let me just go through the components of the risk assessment formula. Inherent risk is essentially our assessment of prior year audit results, complexity of the accounting area, any type of fraud, and any general accounting concerns or disclosures. So, the inherent risk component was all of those steps I previously discussed. So that's are the inherent risk component of our risk of material misstatement formula here. Now the second component is control risk. Control risk is set at "high" for any area we don't set any control testing. For control risk and inherent risk, we do assess risk based on a 3-tier system of Low, Moderate, or High. So, we do that for each of the assertions on inherent risk, and then we

also do that on control risk. And as I said we set that risk at high unless we do some control testing that allows us to reduce the control risk. As I mentioned we do internal control testing on a rotational basis for the control testing for disbursements and payroll. On the control testing what we'll do is we'll evaluate the internal controls around those two processes. They're more of attribute testing so if the invoice was approved, it'll be yes/no. Was it recorded to its proper fund? Yes/no. So, the results of the prior year testing will dictate what our control risk is. And then finally, the risk of material misstatement is the product of inherent risk times control risk."

Mike presented the following chart that illustrates how the risk of material misstatement is calculated.

Inherent Risk (I/R)	×	Control Risk (C/R)	=	Risk of Material Misstatement (RMM)
High		High		High
High		Moderate		High
High		Low		Moderate to High
Moderate		High		Moderate to High
Moderate		Moderate		Low to Moderate
Moderate		Low		Low to Moderate
Low		High		Moderate to High
Low		Moderate		Low to Moderate
Low		Low		Low

"Significant audit areas specific to Durham County – you've got these seven areas that I'll be going through and discussing the audit procedures that we'll be doing to address our risk assessment. The first significant audit area is cash, cash equivalents, and investments. For this audit area with investments, the investments held by the county are pretty straightforward. They're not complex. And fair value is the determination of the investment and how its valued at year end. All of the Durham Count investments are level one investments or level two. Level one means that you can obtain the information. Their publicly traded. There are no level three investments. Level three investments are any investments with non-observable inputs like subsidiaries, or investments in not-for-profit. The investments for the county are pretty straightforward. We use our evaluation team to corroborate or verify the year-end balances and the fair value reported. We'll also look at the cash reconciliations and we'll scan those and look for any unusual large variances or reconciling items. And then we will compare those reconciliations to the general ledger. We'll also confirm any new significant accounts and investments. Meaning that we'll go to external parties and ask to verify those balances at year end for external evidence to support those. For government receivables and revenues, we like to perform predictive analytics. Predictive analytics are taking some sort of unit outside of the financial system and multiplying that by an expected or published rate to come up with a predicted value. For example, this might be taking the number of library rentals at the library and multiplying it by the approved rental rate to come up with our total revenue

for the year for the government revenue and comparing that to the actual. Those amounts are compared to what was recorded and what our expectations are that we established in audit planning and the risk assessment. Any significant variances or differences are investigated with management.

Specifically, for property tax we'll look at property tax values and compare those to budget looking for any significant differences from what our expectations are, or what the actual budget to variance amounts are. Property values for this year seem to be pretty stable over the past several years and you would expect values of the revenues reported to be in line with what the approved budget is by the Board of Commissioners.

For any receivable we'll obtain the year end receivable allowance as well as receivable schedule, reconcile that to the trial balance and the annual report. Then we'll look at analytics related to the allowances to see if those are in line with our expectations and historical trends.

Government receivables for sales tax, federal and state revenues – as part of our single audit, in program testing, we also get confirmation amounts from public sources as far as expenditures. This should be readily available, and we'll be able to compare those to what was recorded by the county. As well as we'll also get subsequent receipts for the tax amounts reported. Those are published amounts and we'll compare those published amounts to what was reported by the county. We'll validate the amounts recorded or investigate any significant variances or differences. We'll also obtain the sales tax rollforward. We'll scan the rollforward for any unusual or odd amounts. We'll reconcile and foot the schedule and reconcile it to the trial balance and/or the annual report. Similar with the other receivables we'll also get the year end allowance schedule, perform some analytics, and compare those to our expectations and/or historical trend.

Proprietary receivables and revenues – This is another good opportunity for our team to use predictive analytics to support the amounts recorded by the county. We'll take some sort of unit report from the sewer and utility subledgers, multiply that by approved rates by the Board of Commissioners, and we'll compare our calculated, or estimated revenue from those sources outside of the financial system and compare those to the recorded revenue. Any significant differences, we'll go back and reevaluate our expectations, or we'll inquire with management about any differences. We'll also look at the schedule of unbilled revenue and recognized revenues. We'll reconcile this to the general ledger and we'll also scan those schedules for any unusual or material amounts. For the proprietary funds this year our team will be selecting a small sample to ensure the revenue recorded is adequately supported. We'll also obtain the year end receivable allowance schedules and test those as described earlier.

Expenses, accounts payable, and other liabilities – For expenses we'll primarily do analytics. We'll do ratio analytics. Looking at depreciation compared to reported gross assets. Another one would be reported interest relative to debt balances from year to year. We'll also do comparison of prior year to current year expenditures and expenses as well. We're just looking for any ratios or categories that are outside our expectations that were set during our planning phase. And if needed we'll go into further testing of those areas if anything odd comes out. For accounts payable and other liabilities, we'll do a search for unrecorded liabilities, meaning we'll get a disbursement or check register for the subsequent period by fund and we'll compare. And we'll request the supporting documentation. We'll evaluate that to see which period the expenses are recorded in and if they're properly recorded as year-end payables or liabilities. And then we also do some year-end accounts payable turnover analytics to help us as we look at changes in turnover in payables from year to year as well.

Payroll, related costs, and liabilities – I forgot to mention on the last slide we do disbursement testing on a three-year rotation. We also do that for payroll. For payroll what we're looking for on the internal control testing: was the employee properly set up with the correct position? Are the wages being recorded to the proper account? And for year-end liabilities related to payroll there's two tests that we perform. We look at the accrued wages by year end by obtaining the final payroll report of the year and then estimating the number of days accrued, but not yet paid at year end. And then we'll test accrued absences by looking at the wages and accrued hours for employees at year end. We're also looking at the accrued hours and comparing to the PTO or leave policy. Then we'll also do some analytics on payroll looking at the average salary per employee and/or the related cost.

Pension and Other Postemployment Benefits – This, we're looking at the year-end actuarial reports, the assumptions used and the associated expenses and calculations. We're also ticking and tying the actuarial reports to the general ledger and annual report. And then we're evaluating the footnotes for these categories; just ensuring that the footnotes are in line with the actuary reports.

In the significant audit areas, we've noticed there are certain categories that may quantitatively be significant, but qualitatively that we consider lower risk. That's going to be your capital assets, self-insurance, and debt. We still do testing procedures to evaluate these categories, but in terms of complexity, these are relatively simple. We do evaluate Construction in Progress from year to year. We're scanning those schedules for any unusual or significant amounts. What we're really looking for in capital assets is significant changes in useful lives from year to year for depreciation expense. And then self-insurance we're looking at the estimates from year to year that management used to estimate that liability and make sure that's not excessive. Debt we consider not a complex area. Most of the debt held by the County is monitored by the LGC and reviewed and approved. Some of the

procedures that we do is we obtain the rollforward, compare the year end balances to the debt amortization schedules that were approved when the debt financing was approved, and/or if they use an external party we'll look at the amortization schedules for the financing there. We also look at the covenant calculations. That's an important disclosure in the footnotes of any county annual report. We reperform the covenant calculations based on the audited balances at the end of the audit.

Closing out with materiality here. Here are some factors that we consider for materiality here: we look at prior and projected misstatements, we look at managements willingness to make proposed adjustments – the past couple of years we haven't had any adjustments for Durham County, we look at the number of accounts that are involved for management estimation – that's going to be your receivables, your liabilities for the pension accruals, and then we also look at the subsidiaries, or a sample within the account, and if there were any errors discovered through substantive testing.

Here's some of the methodology we used for materiality calculations: we look at materiality based on the government activities, and then we look at the business-type, and then we look at any aggregate discretely presented component units, which will be the Durham County ABC. We also evaluate materiality at the fund level. The methodology is the greater of 1% of total assets, 3% of total revenues, or 3% of total expenditures/expenses. We don't use revenues too often because we primarily get 3% of the expenditures or the expenses. What balances are used? In the planning phases we use the prior year annual report as a basis, and then we'll update our materiality calculations when the trial balance or the annual report is received. Then we also do a comparison of the planning to the updated materiality calculations just to make sure that there's no significant changes from year to year. Materiality for Durham County, for government-wide we're looking at \$8,500,000. For the business-type, which is the sewer utility fund only, it's going to be \$300,000. And then here's the materiality calculations for the individual funds at the moment. General - \$12,000,000; Capital Projects - \$1,500,00; Debt Service - \$1,800,000; Community Health Trust Fund - \$38,000; Nonmajor - \$260,000; Fiduciary - \$55,000. I'll turn it over to Courtney for the single audit testing here."

Darlana pointed out that all three commissioners were present and asked if one of them would please exit. Ms. Howerton volunteered to exit and Ms. Jacobs asked that the minutes reflect an excused absence for Commissioner Howerton.

Single Audit

Courtney Wade began presenting the Single Audit portion of the presentation. "For our single audit testing, this is also based on our risk assessment approach. Depending on if the auditee, such as Durham, is low or high risk, a certain percentage of total federal expenditures has to be tested. On a high level, those

that we consider type A are on a three-year rotation. However, depending on the risk, these can be audited more frequently, such as Medicaid. Once our selection is made our testing includes obtaining an understanding of controls over these programs that are chosen, and developing procedures based on: previous findings, federal and state monitoring reports, as well as federal and state compliance supplements.

On this next slide is a sample of our preliminary selection programs for this current year which will be updated once we have final numbers after the fiscal year end.”

Deliverables

Scott Duda capped off the presentation by talking about deliverables. “You all are familiar with the audit opinion letters. These talk about opinions that you’ll receive for the basic financial statements, internal controls, and the compliance with federal as well as state programs. So, you’ve really got four opinions there. And then you’ve also got any communication of material weaknesses or significant deficiencies. It’s been a number of years since we’ve had to report either of those for the county, although over the course of our tenure we certainly have. And then we’ve got a letter related to those charged with governance. And so, I know that the last time that we met there was some discussion about whether the Board of County Commissioners or the AOC was really charged with governance. A couple of things about that though. We will provide both a letter to the county, but also both in our AOC presentation as well as our presentation to the Board of County Commissioners we will have those required communications delivered. So, it’ll be both in that packet and then also in communication verbally during the meeting.”

Mr. Duda then highlighted changes to the LCG contract. “One of the things that they’ve added is a section related to a requirement that every auditor present to the governing body, and then also some components of that. And so you will see this year, when we wrap this year’s engagement, that not only will we talk about everything we’ve already talked about in prior years and update those, but there will be additional communications based on that LGC contract and the requirements they’ve put in there. Not only are there additional requirements, but there’s also a time frame. It’s got to get done within 45 days of us issuing our opinion.” And so that will be accelerated. You think about when we normally issue the latter part of October, the next 45 days are filled with Thanksgiving, and then right into the Christmas holiday. And then you’ve got changes in schedule for AOC as well as the Board. So that’s just something we’ll have to work through this year.”

A discussion then ensued over how to meet the 45-day requirement with options such as rescheduling a regular meeting and calling a special session being mentioned. Ultimately no decision was made because even though the audit is

scheduled to be completed on October 31st Mr. Duda cannot provide 100% certainty that that goal will be met.

Questions

Dr. McCoy asked Mr. Duda, "how do you look at our independence of the Internal Audit Department here? Do you all evaluate that?" Mr. Duda's response was "the fact that Internal Audit has a direct line to either the AOC or to the County Commissioners. That's the important thing. A lot of times entities will put the Internal Audit function within finance, and Internal Audit cannot get directly to AOC or the Board without going through finance. And that's really what you want. You want the Internal Audit Department to be independent, and to have a direct line so there's no ability to influence the scope of the audit, that sort of thing. You want that driven by something other than any department. So, the fact that you've got direct lines to the governing bodies is important."

Dr. McCoy thanked Mr. Duda "for emphasizing the direct lines and making sure people can get their work done." She then asked Mike for "more insight on what you mean by "rotational basis for payroll and accounts payable?" Mike Carey responded, "When we get a new client, we'll test both payroll and disbursements that year. And then the year after we'll start with payroll or disbursements that year. Once we complete those initial 2 years, for years two and three we'll ask if there's any changes to the process. If there are changes to the process, we'll go back and test payroll or disbursements more often because the process has changed."

Mr. Gordon then asked about who the Internal Audit Director reports to "to make sure that we're complying with Government Auditing Standards regarding independence."

Mr. Duda said he would " need to see the documents or agreements that created that structure to see the language in there to see whether he reports to the AOC, to the Board of County Commissioners, or to a Commissioner specifically." Mr. Gordon stated that it was his understanding of the Charter that the Internal Auditor reports to the Board of County Commissioners while also recognizing that "she must report to the County Manager, or at least copy the County Manager on all her reports, etc." Ms. Jacobs said she would defer to the Charter and bylaws. Mr. Gordon then said, "The question I have is really for Mr. Duda to answer. Are we in compliance with GAO auditing standards if the internal audit department must report through the County Manger, or not? Do the standards require that she report to the governing body?" Scott Duda asked if they could "go back and read the Charter" because he thought the language was there? Commissioner Burns also stated it was her understanding it was in the Charter and that she thought that they were supposed to report through the County Manager. Mr. Gordon acknowledged "she certainly has to know what's going on. But as to the substance

of her audits, and as to her audit plan, she is, in my opinion having studied the Charter, the GAO standards, both of them, she directly reports to the Board of County Commissioners.”

Dr. McCoy read from the Audit Charter section 3 Reporting Structure, “The Director of Audit Department reports to, and is accountable to the County Manager for day-to-day operations. The AOC has oversight responsibilities of the audit function and activities including review and approval of the audit plan and any revisions thereto. The AOC shall work with to ensure maximum coordination between the work of the Director of Internal Audit and the needs of the County Manager and County Commissioners.”

Mr. Gordon expressed his belief that the AOC is an arm of the BOCC and that since Ms. Moore has “coordinate with us it seems that all of her potential planned, and resultant activities should be reported through us to the Board of County Commissioners, as well as to the County Manger.” Ms. Hager stated that she believed things were happening as Mr. Gordon explained and that communication and that she’s not aware of a situation in which the Internal Auditor’s communication with either the AOC or BOCC was impaired.

Mr. Gordon said, “I don’t think she enjoys the ability to audit some sections of the County government without the approval of the County Manger. Or, in one case, the department head. And I think we’re remiss in our duties as Audit Oversight Committee if we do make that representation to our overseeing body, the Board of County Commissioners.”

Wendy Jacobs read from the Audit Plan, “Section 2 of Audit Charter that establishes independence provides for the auditor’s general authorities and duties. Internal Audit Director is independent from all elected officials and operational management.” She then asked, “how do we ensure that the auditor is completely independent, even of elected officials?”

Mr. Duda answered, “There’s a difference between reporting to the governing board and being independent. You can absolutely report to the Board of County Commissioners and be independent of the Board of County Commissioners. If an internal auditor brought you all an update of their audit, and then you all took that to the Board of County Commissioners, and the Board said, “Wait a minute. We don’t want her going down that road to continue to investigate.” That is impairing her independence. Now, I am sure, and Darlana can probably speak to this better than I can, I am sure there is a way within the North Carolina Governmental structure, if she felt she was being told to stand down by the Board of County Commissioners in an audit that she felt she needed to pursue, a way to go outside of the County and pursue that. And that would be independent.”

Mr. Gordon then asked "when it comes to determining which organizations should be audited, how deeply they should be audited, and whether information that she needs to complete her audit should be forthcoming. That is not subject to interference from the County Manager. Is that a generally good statement to make.

Mr. Duda answered, "Yeah. I think when presented with that, if I'm a County Commissioner, my question would be, 'why isn't that information forthcoming?' and then "is it necessary for the completion of the audit?" And if the answer to that is yes, then the information should be forthcoming. If it's no, maybe it's just a volume of information that would take an exorbitant amount of time to accumulate just to have. I do think the County Commissioners would evaluate it and come to the conclusion that there's a cost/benefit here. But if it's substantive, then yes, I would agree with you that she should be able to get whatever information she needs to evaluate and conclude on the audit."

Mr. Gordon thanked Mr. Duda for his answer and asked his second question which was "is one of the elements of risk assessment that you would especially focus on those organizations that have long-tenured management or leadership. For purposes of efficiency. I'm not alluding to crime or anything. But for purposes of evaluating operational efficiency, whether we've gotten into a rut so to speak, or are adopting new, or technologically better measures, etc. Would that be an element of risk assessment?"

Mr. Duda answered, "to your one point about being in a rut, no. Our job is not to determine whether or not you all are running efficiently. Our job is to make sure your annual financial statements, CAFR, is materially correct. So, to that portion I would say no. Would our risk assessment be higher if you've got a long-tenured employee who knows how to get around policies and procedures and controls? Yes. It would also be higher if you've got someone new in the position who, maybe, doesn't know how to adhere to those policies and procedures. So, at both of those extremes we would look at that as a tick up on our risk assessment as opposed to down. When you've got somebody who's sort of in that middle tier we wouldn't look at that as a higher risk."

Mr. Gordon thanked Mr. Duda for his answer and Dr. McCoy asked if they would have an increased sample size again for DSS in the single audit testing. Mr. Duda said yes, and that that would be the case until they get a few clean audits.

Dr. McCoy asked if there were any more questions. There were none. Mr. Duda mentioned this being the first time they have done this for Durham County and asked that they provide feedback. Dr. McCoy expressed her appreciation on behalf of the Committee and said it would be good to see some detail on "what may change from last year to this year, or what has changed."

Ms. Jacobs said she “was blown away by that presentation” and that it’s very comforting to me to know that we have you all doing this every year.

The Cherry Bekaert team was thanked and left the meeting.

C. PCI Compliance Update

Because she Sheriff was still on another Zoom call Dr. McCoy asked if there was a motion to move PCI compliance up. Mr. Gordon made the motion. Ms. Jacobs seconded. The motion passed unanimously. Dr. McCoy gave Mr. Garth the floor.

Mr. Garth stated that the last department whose card readers were being evaluated was the Tax Department’s, and their card readers are MagnaCard, or just a regular swipe reader. He stated that the encryption “happens at the point of interaction, which is at the card reader. So, the risk of having data from the card going across the network is not there. So, we no longer have any issues with potentially having sensitive credit card information going across the network in any form or fashion in an unencrypted format.”

There were no questions for Mr. Garth. Dr. McCoy thanked him for the update and gave the floor to Ms. Keisha Lovelace to talk about inventory rooms and disposition of confiscated weapons.

D. Inventory Rooms and Disposition of Confiscated Weapons Discussion

Ms. Lovelace said the Sheriff’s meeting just ended and he should be on soon. Mr. Gordon stated that this has been a long-pending item and it’s his understanding that until legislature makes a move the Sheriff’s hands are tied with regard to confiscated weapons.

Dr McCoy pointed out that “He’s not on yet, but Ms. Lovelace may know.” Mr. Gordon continued: When you have thousands of weapons, there’s an inherent risk and it becomes a target. The wrong people are going to get information about this and it’s a fantastic temptation for corruption. I’m not saying that anyone in the Sheriff’s department would even entertain the thought of misappropriating weapons, but the more weapons there are there, the more trouble we have. I’m not making this a second amendment issue or anything like that, but there’s got to be a resolution to this. Thank you.”

Dr McCoy asked Ms. Lovelace where they stood in regards to coming up with policies and procedures to help with the inventory of those guns, potentially needing a larger inventory room, and the start of disposing of some of those weapons. Ms. Lovelace responded by saying “I think Major Cote is on, and the sheriff probably just joined as well but, they can jump in and take over. Sheriff, I see you just joined, the question is ‘Where are we with disposition of weapons and

at one point there was plans for a larger inventory room.' I know that either last year or 2019 we did expand our storage capacity, Major Cote can speak on that, but I'm going to let Sheriff take over now that he's joined and if Major Cote wants to join in he can speak to that project. Once they're done, I think you're right in the assessment. Unless we get a change in the legislature and change in the statutes, we're very limited in what we can do with those weapons. But Sheriff I'm going to turn it back over to you and Major Cote."

The Sheriff thanked Ms. Lovelace and greeted the group. He agreed that Ms. Lovelace is correct and that they did modify their current storage location to try to make more room, and stated: For me, it is really all about pushing for legislative change, because right now we are just being saddled with not being able to get permission to dispose of these weapons. We're really having to hang on to them for way longer than we did in years past and it's created a hardship across the state of NC. But, as to the specifics of our room that we've already filled up, Major Cote or Eric, which one of you have the most information? Maybe Eric because he's in charge of our property and evidence room and facility. So, Eric, take it away.

Eric added: Yeah, I'm going to make this really simple guys. We started doing an inventory a little over two months ago. We hit the gun vault hard, and definitely took our time. We were looking at over 1,500 guns - we were looking at guns starting from year 2000 until 2013. We did extensive research; it took three of us. It was nonstop there for a while, it's intermingling with all of our other duties we had to do, that's why it has taken so long. We have about five databases that we had to go through. The administrative office of the courts is one of them, CJ Leads which is a law enforcement database that we can use on our end to search cases as well, we've got division of criminal information (DCI) which is the state site that we use as well, we've got Links, and of course our own RMS - record management system. So, with all of us working together as a team, we were able to go through those 1500 or so guns and as of the count to date, we've got 1,268 guns on hand. That consists of 427 long guns (that's rifles, shot guns, assault rifles, that type of thing) and 841 handguns. Domestic violence guns take up 236 of those guns. Now, domestic violence guns, they come and go. Within a month, we may be giving 4 or 5 guns back to the owner. We have those stored in a separate room because we have to deal with those on such a regular basis. The room that we have now, - just to give you an idea - we stored 76 guns in the last few months, which is really good. We've got 86 guns that we have noted as to be for sale, trade, or auction and those are the ones that we're hanging on to. We cannot do anything with those until legislation changes the rule. That's where we're stuck. And I know, Mr. Gordon you have mentioned in the past about 'Why can't we get a judge to sign off on an order to get rid of these guns?'. With you being a prior attorney, you'll know, he can't circumvent the law either, he's bound by the general statute. It would be nice to say 'Yeah, give me a blanket court order and let's get rid of them.', you know.

I personally, me speaking with 46 years of law enforcement experience, 1,268 guns in our vault is not enough. We've got gun violence on the street; young people being killed. We need more guns in our property room. That's how I feel about it. But right now, we're sitting pretty. We've got 148 guns that need court orders that we are waiting to send those requests up through the DA and get them before a judge to make that decision. Like I said, the judge is not going to sit there and say 'cut them up' he'll say sell or trade. Or turn them over to the sheriff's office, to do what the law requires. We'll have to either hang on to them or sell/trade. I know the sheriff, like me, we don't want them back out on the street or killing kids.

As far as guns from other agencies just to give you a quick thing, we've got 52 that we're holding now for Durham PD that we need to turn back over to them, yeah, we're still having issues with that. Then we've got 15 guns from other agencies that we are in the process of getting released back to those agencies so they can get them back to the rightful owners. So that's our figures right now. We're sitting pretty good. Got a little bit of space, more space than what we had." Dr. McCoy asked "Okay, who would be responsible to enact any legislative changes around this?" Mr. Gordon answered "General Assembly" Eric agreed, stating "Yeah, the general assembly would be, but you know it's going to take the police association and the sheriff's association to put pressure. You know, that's where it's needed. And you guys." Mr. Gordon added "As well as the county commissioners." Eric agreed.

The Sheriff agreed and added: I can say as a member of the NC Sheriff's Association, we have had the conversation and we've tried to broach this issue on a number of fronts. Right now, no one's demonstrated a willingness to pick it up and run with it. I'll continue to champion at the North Carolina Sheriff's Association meetings that we have. We certainly could have the commissioners reach out to our Durham delegation, maybe they could get a little more traction. As I said a moment ago, all of my colleagues across the state are dealing with this and are looking for some resolution. We're fortunate that we now have a little bit of breathing room, a little bit of space, because of our modifications and the one's we have been able to dispose of, but it's a problem. Mr. Gordon thanked the Sheriff and Dr. McCoy asked Commissioners Jacob and Burns if they had any questions.

Commissioner Jacobs thanked Dr McCoy and the group for the information provided so far. She continued to thank Eric and his team for their incredible work with these weapons and their storage. She wondered if in terms of legislative strategy: "We know that we would need to have leadership from the Sheriff's Association and the police law enforcement association. Then we've got what's called the NC Association of County Commissioners, which is our statewide

legislative body, and then we've got the league of municipalities on the city side. But I'm wondering if in terms of strategy Sheriff, we know that things like money are issues that people care about because to be successful, it can't just be Durham. They don't like anything that Durham proposes. So we definitely have to have many counties on board and especially rural counties, but I'm just thinking about strategy around first of all the argument that it just costs too much – it also costs sheriff's departments a lot of money to hold on to them, to monitor them - all the things you were just talking about Eric. Obviously it translates into a lot of cost. And that can really be an issue for smaller counties that don't have as much resources.

So, I'm wondering if there's a way to approach it from that point of view as well as the gun violence issue and stolen weapons and maybe we can, with you all taking the lead obviously, coming up with some proposed strategy of focusing on those issues and then the cost. And certainly I know our board would be happy to bring it forward to our delegation. Those are things that come to mind for me, but I don't know if you have any other idea strategy wise, Sheriff."

Mr. Gordon suggested the following strategy: I think the way to get bipartisan backing in the legislature will be a general law saying that unless it's an evidence item, all these weapons should be transferred to the state. In one central depository from all the counties - then it becomes a state problem. No second amendment questions or inferences involved, it's all going to go to the state and the state is going to have to handle it. I don't know who in the state would get it - probably SBI, state troopers, or the custody of the attorney general. But if we could get the weapons out of our hands, get them to the state, then we're doing our duty and it's not our problem anymore. Both sides of the isle could agree on that. And maybe that's the way to do it.

The Sheriff added to Mr. Gordon's suggestion: I think that's an idea that we should present to our Durham delegation. What I will do is circle back to the Sheriff Association with our legal team there and see what other avenues we could pursue to dispose of these weapons. And as you mentioned, we're going to have to find a way to get around the gun advocates and second amendment folks to really have a conversation about the disposition and talk about the costs as Commissioner Jacobs mentioned. This is a burden on particularly smaller agencies having to house these. Corporal Campen mentioned we're holding weapons for Durham simply because Durham doesn't want to take them back, they ran out of space. So, they know we have them, but they'd rather leave them over here. Space is a real issue and then you get into dedicating a room and all of those things that go with that. I think it would be appropriate if we turned them over to the state. Certainly once we can identify that they have no probative value, no evidentiary value, and it's just a paperweight, then we need to destroy them or turn them over to the state. I'm not so sure, Director Shumar would welcome that, but I think

it would be an appropriate next step to start having a conversation regarding who in the state can be responsible for these weapons and their proper destruction.

Ms. Lovejoy responded that until 2013, departments could take weapons and law enforcement could destroy them. The NRA backed a nationwide movement to get laws on the books to attack the gun buy-back programs. This took away the destruction option basically said the weapons could go back to the owner, you can destroy them if they're not workable or doesn't have the ID tag on it anymore, or you're going to have to give it to a gun dealer to auction off and sell with the proceeds going to the school system. She believes that the legislative strategy should include a survey of the rural county experience because the more urban areas, Durham/Forsyth/Wake, don't want these guns back on the streets. She suspects with NC being a red state, even if the weapons are transferred to the state, we're going to see those guns being sold and back on the streets probably here in Durham and other places. Ms. Lovejoy asked the Sheriff if she was correct in that the Durham County preference has been to store them because we don't want them sold and back on the streets and involved in additional crimes. She believes that's what would happen if it went to the state. They would be sold and would be back on the street. It may not be in some of our more rural areas this push, they may be confiscating guns and selling them. "You see the number of advertisements from more rural counties where they have gun auctions and raffles and things like that. So, I think this is a concern in urban areas just because of the proliferation of gun violence – we don't want these guns back on the streets. I don't think there's an easy solution."

Mr. Gordon agreed and thanked Ms. Lovelace. Eric added another complication to the discussion: "they have guns now that are called ghost guns. Those are guns that do not have a serial number. You buy the bottom receiver, and you can actually make your own firearm, and it does not have to have a serial number. So now we've got some of those guns in our gun vault. Now, the law says if it does not have a legible serial number on it, you can destroy it. Here I am destroying somebody's property they made, now I'm in trouble because if I destroy it or Sheriff says cut it up, that gets him in trouble. And that gets me in trouble. There are all these things that are going on a lot of people don't know about."

Commissioner Burns followed up with a question to Eric after reminding him that he had previously taken her and another Commissioner to see the gun room: If I remember, two things that really stuck out to me – you are holding DPD's guns down there and if I'm not mistaken, you also have a full room – almost full room – just for domestic violence weapons? Eric corrected to state that they only have 236 domestic violence guns. Commissioner Burns responded that "That's a lot, that's more than one." Eric agreed that while it is a lot, they still have plenty of additional room for more. He also pointed out the following example: "I know two people in Durham NC, right now, that we've taken their guns twice. One guy had like 76 firearms at his house. We're talking long guns, handguns. 76. So, when we

take that 76 and put them in our small room, yes it gets full quick. Four or five months later, we're giving them back. We've done this twice. So, you know, we've got some space, to work with that, those bad situations like that." He is, however, concerned about the amount of space in the main gun room. They were able to free up 400 or 500 guns after their inventory, and now those are set aside in bags waiting to be destroyed. In addition: "We've got a bunch that we acquired prior to 2013 – we were able to look up those cases in the AOC and the judge had already ordered the gun destroyed and we're going to honor that order. We have to honor it. So, you know, we're not going to say, well since it's past 2013 law changed, we can't do what the judge says. We're going to deal with destroying those guns. So, we do have several that we can get rid of." Commissioner Burns thanked Eric stating that he answered the questions she was wondering. She added that a point of follow up unrelated to the audit would be to continue, as elected officials, to figure out what can be done about the rest of the weapons.

The Sheriff thanked Commissioner Burns and made one additional comment regarding domestic violence weapons to say: "You would not believe the number of negative complaints I've received when they know we're taking someone's weapons as it relates to domestic violence. And that is clearly coming from the NRA second amendment supporters and how they continue to claim it's a violation of their constitutional rights when we do that. So, the gun advocates are alive and well in Durham and certainly the state of NC, and that's what we're up against right now."

Dr. McCoy thanked the Sheriff and commissioners for their comments and suggestions and for their immediacy to bring this issue to light and doing something about it. She asked: "Is there anything else we want to discuss relating to this? And then, from an AOC perspective, do we want to make a motion to revisit this in 12 months to make sure we are moving forward on something? Or do we feel this is good enough and we can hand it over to the commissioners?" Mr. Gordon responded that the ball is in the commissioners court.

Dr. McCoy again thanked the Sheriff, Eric, and Ms. Lovelace, and they exited the call.

E. Status of the Audit Plan

Dr. McCoy noted that the next action item was discussion of the audit plan, and that at the end of that discussion they would move to the next action item of approving the plan. She indicated to Darlana to begin her presentation.

Darlana began her discussion of the audit plan: "Thank you so much. So, the 2021 audit plan consisted of three audits: the Payroll/Overtime Audit, the Accounts Payable Audit, and the Foster Care Eligibility Audit. We also had one review, the SSAE 18 review. And we had two audit follow ups: Sheriff turnover audit follow-

up, and contract monitoring audit follow-up. All of the audit follow ups have been completed to date, the SSAE 18 has been completed, we're in report status, so that's still in progress, you guys should have that report soon. Foster care eligibility has been completed the payroll audit overtime audit was put on hold due to the malware and Covid issue, and the AP audit is in progress."

Dr. McCoy clarified that the payroll audit hold was done under the previous county manager, and Darlana agreed. Dr. McCoy then asked "Is there increased risk with the payroll audit and the CARES Act?" and Darlana responded that "Yes, there could be increased risk. Because of the different monies that came in and how the monies were paid." Dr. McCoy added that Scott will be looking at CARES as part of the single audit, and Claudia agreed.

Dr. McCoy asked Darlana how much of the payroll audit she was able to complete before it was put on hold, and Darlana replied: "After we obtained system access to come back on, I did ask to start the payroll audit again at which point it was suspended indefinitely." Dr. McCoy clarified that is why it was not on the 2022 plan, and Darlana agreed. Commissioner Jacobs asked if the payroll audit was suspended indefinitely due to Covid and the malware attack, to which Darlana corrected, "No, I was asked to not complete it." Commissioner Jacobs asked "By who?" and Darlana answered the County Manager. Mr. Gordon asked "Which manager?". Claudia stated that it was not her, and asked Darlana if that audit would be added to the 2022 plan, as that was her understanding. Darlana responded stating that she "was going to carry it forward on the 2022 plan, but I was told by the previous manager that we were not going to complete the audit at all." Claudia then asked if it could be added to the internal audit because it would get reviewed by the external auditors. Dr. McCoy added that even if it was added, it would still happen after the external audit, and asked Darlana if that was correct. Darlana said yes.

Claudia stated that she knew there were some timing issues during the year because of the convergence of the state auditors and recovering from the malware attack, in addition to some other compliance reviews, but that she did not realize it was not going to be a future audit. Commissioner Jacobs asked Darlana what her recommendation and plan for moving forward would be. Darlana said that there are other issues that would need discussed in closed session, but that "I just want to be able to do my job and do my job freely and clearly without any obstruction. And that's my response to that." Mr. Gordon agreed that they ought to reserve that for the executive session that follows.

Dr. McCoy then moved to AP, confirming with Darlana that AP was getting rolled forward to the 2022 plan. Darlana agreed, adding that the AP audit "should have been completed this plan year, but it was not." Dr. McCoy recounted Darlana stating at the prior meeting that she was trying to complete it before the current

meeting; Darlana said that was correct. Dr. McCoy asked if there had been any major reasons for delay. Darlana began: "Well, first of all you know, I have to go through the CFO for everything. The CFO wants me to explain why I'm interviewing her staff. You know, I know she's been audited by the external auditors, but the CFO is always questioning what audit is doing and why we're doing it and how it relates to the engagement letter. So, for example, at the beginning of the audit we have our pre-planning where we go in and we look up all the laws, regulations, look at the previous audits and how the previous audits relate to the current audit and if there are any findings that we can make sure that those things have been remediated during the audit. We also do a fluctuation analysis. So, the auditors at the time fluxed, I think, three years, and we sent the fluctuation analysis to finance for them to explain the variance of all of their AP accounts.

I then received an email from the AP manager telling me that this fluctuation analysis was not included in the engagement letter. I then sent an email to the CFO asking her if she would please forward the fluctuation analysis back. I gave them an additional week to do so. The CFO then responded maybe three or four days later copying a whole lot of people and saying that she and her compliance manager reviewed the information and she sent back basically everything that we sent to her including the response of the auditor in charge saying that it was not included in the management letter. Basically, they were not going to send me the information. I then responded, and I also cited, that they could not withhold information from me. And I also cited in the charter that audit has access to all information. I still to this day have not received that information.

Mr. Gordon interjected: "Madam chair –"

Darlana continued: "That's just one. Understandably, the AP manager there has some issues where she's out of town. So, I understand, that's understandable. So, I then tried to get information from the external auditor. I then called Claudia and informed her that I did ask the external auditor for the information. Claudia then told me I should have communicated with Susan. I then said I'm typing the email now. I sent the email saying one sentence, 'I communicated with the external auditor'. Susan then sent me an email back telling me how unprofessional I was blah blah blah."

Claudia interjected: "Darlana, I –"

Darlana summarized: "Right, so in other words, I didn't get the information from the external auditor as well." Claudia then asked if she could make a statement, as Interim. "It appears as though, you know, I work with all departments and the internal auditor having access to getting the information is most important. Some of you know my history some don't, but we have to come to a different place in how we're communicating because I don't feel as though it's an issue of trying not to be compliant. It's probably – it's a little more complex, but it is simple as well.

I wish that we could've talked about this outside of this conversation, but I do know that as the audit committee you do have to make sure that the information flows properly. I was copied on some of these communications and probably know some of the reasons for some of the questions, but right now is not the right time to work through that because I don't have my information and my style is just not to cause you know, a bunch of back and forth." Dr. McCoy interjected to indicate that Susan had her hand up and that once Claudia was finished, they would shift to Susan. Claudia then continued: "My role is mediator oftentimes. It is a delicate balance. It was much tougher when I worked in higher ed because we always had the state auditors there. And so, it was always the state auditors and internal auditors. And so, I can speak to just being in different environments and how communication flows, etc. We can get to a different place. Okay? And there again, I think that there again we just have to figure out how to make that work, and I feel like we can do that."

Dr. McCoy noted to Arnie that before he says something, Susan has had her hand up and they will go to her now.

Susan began: "Okay, thank you. I am not trying to be difficult; I don't really appreciate the insinuations that are being made that I'm not cooperating. I do have a compliance manager who is also an expert in audit. So, for instance with the lead sheet, just FYI, the scope in the engagement letter that we went over said the audit would include account payables from July 1, 2020 to August 31, 2021. It did not mention anything about variables, analytics, going back prior years. That was the scope, during that time frame. So, when we got the request, I did ask 'Why?' because it is out of scope based on the current letter. So, between Covid, fiber, being short five positions, and everything going on, I didn't think that it was appropriate to do anything that was out of scope. I asked for clarity as to why it would be in scope - I have not received that clarity. As it relates to the email, obviously I'd be happy to forward you the email that I sent, but what I said was professional courtesy. I'm not asking for permission to contact the external auditor. Anybody is welcome to contact the external auditor at any given time. What I said was professional courtesy to let me know up front. That's what I said. So.

And as it relates to the payroll audit, the payroll audit, I have no idea why it has not continued. She did ask me that she wanted to continue it around Christmas, we were still truing up Prudential files and those things from the cyber-attack, we were still testing retirement codes, and additional codes related to Covid. I did not think that was the appropriate time, out of all of the divisions that were hit, the Payroll division was hit the hardest. We've had configuration changes in the payroll division of the SAP system more from March 6 from the cyber attack to now than since we implemented. Which was October 1, 2005 to March 6. And the testing has been rigorous. Only the payroll staff can do the testing. I've been validating the accounting for them because the payroll manager position was frozen and

they're not strong on the accounting side. So, that was not a good time. So, we agreed – or I thought we agreed to move to the AP audit. We've been very cooperative. Yes, Crystal is out on intermittent FMLA, but she's working remote and we've been trying to adhere to any requests. We do not have the sample yet for that AP audit. We're ready to pull it whenever we get it.

So, we wish to be cooperative, we wish to work together as a team. But when I want to know why something is in scope when in my opinion it is not, then I think that I have the right as CFO to ask. And when my compliance manager is giving me information, and she agrees that it is out of scope, then it is still my responsibility to ask. And I'm going to ask, if nothing else for clarification. And that's all I'm looking for."

Darlana replied: "Can I speak before you recognize Arnie please because I'd like to recognize the fact that I did explain – I did extend an email explaining why we need the fluctuation analysis and how it would benefit the audit, so that answers that. Secondly, I did not say that Susan was holding up the payroll audit. However, when we first initiated the payroll audit, I did ask for read only access to SAP, in which I was denied. And I was denied for a period of time.

And so, you know, it's a combination of everything which - even if she's not attempting to block - it gives the appearance that she is. So, I was denied access to SAP in which I had to go to the manager at the time, County Manager Davis, and tell him I'm only asking for read only access. Claudia is aware of this because she sent me an email basically telling me that I needed to log in all of our activity and I was like 'I'm not going to log in the activity because if HR is not logging the activity, and finance is not logging the activity, then why should audit?'. We're trained how to handle confidential information. And then at the same time, you know, I get what Susan is saying. I don't have a problem in working with anyone, but I don't have to go through Susan for everything. I think Claudia wants me to communicate with Susan often, but I'm independent. I don't have to go to Susan if I'm talking to the external auditor and I don't have to – I should not have to tell her if she has an individual in her office that's an expert in audit, then the individual should know why I'm asking for the information that I am. In addition to that, I have the discretion to expand the scope at any time. So the information that I might start off with - things on the engagement letter - it might not end on the engagement letter, because we have found some things during either planning or during field work that would cause us to expand the scope.

Dr. McCoy stated: "Okay, at this point I would like to just get back to the plan, I just was hoping to get some high-level understanding of why it was slightly delayed. I got a lot of understanding. Arnie, did you want to say something so we get back to the plan and see if we're going to include payroll this year and approve the plan?"

Mr. Gordon replied: "Well, on that subject, yeah, I would – I think this matter has to be discussed in closed session. But there's a basic misunderstanding on the part of the acting county manager. She is not a mediator as to what the internal auditor can do. She used the word mediator. Basically –" Claudia interjected: "Well no, well Arnie - " Mr. Gordon interjected: "Excuse me, let me finish please." Claudia agreed.

Mr. Gordon continued: "Thank you, thank you. I appreciate it. There's a basic misunderstanding here. And that is that the internal auditor is independent. She is not beholden to obfuscation, blocking, repeated questioning, inquiry into her motives in either maintaining or expanding an audit. She is beholden only to the county commissioners on that. And I know I'm getting emotional here, and I don't mean to. But, you must all, you, Susan, the management of this county must understand that either we have an independent internal audit function, or we have something that's dependent on the will, the whimsy, of whoever happens to be in the management chain of command above her. It is violative of the GAO standards, it is violative of the Yellow Book, it is violative of all understanding about internal audit function. For her to have to negotiate her way down the field through box and tackles. So, that's my opinion, you can take it for what it's worth, I have no dog in this race. I'm just telling you that what I hear sounds like it's not appropriate. Thank you." Susan countered: "And I would like to add please real quick that I think that it is appropriate when you feel like there's a process, and the process is not being done as efficiently as you would like or you would like clarification to understand why something is being done, that you should always ask. And also, when the scope is changed, the scope needs to be revised, the written scope. And I don't – I've not received any revised scopes." Mr. Gordon replied: "That's a very bureaucratic answer. She doesn't have to explain the scope of her audit to you, or to anyone else. Except to the board of county commissioners. I was an executive with the Internal Revenue Service. We had a very, very expansive internal audit function, and it was clear from the commissioner on down, that the Chief of Internal audit could get what he wants when he wanted it as he wanted it, without any interference. That's the standard that prevents – that should prevail in all governmental agencies. So, I'm just urging you to get rid of this attitude that Darlana must be beholden to your requirements concerning her internal audit. She is only beholden to the board of county commissioners. Sounds cruel but that's the truth."

Dr. McCoy shifted gears: "Alright, Claudia you had your hand up, we must get back to the audit plan and stop all of this." Claudia said understood and continued: "I am sure, because this is just totally inappropriate. But I just wanted just to clarify. When I said the word mediate, it is not to interfere in any way. But, the style and approach that have been used here was different than the approach that Darlana and I had been doing. And so, when I say mediate, it is making sure that with departments that there's an understanding and so - we can move on." Dr. McCoy said okay. Mr. Gordon said thank you.

Dr. McCoy continued: "Alright, so, I think Wendy you had the question on should we add payroll to the 2022 plan? Commissioner Jacobs, correct, that was your question?" Commissioner Jacobs nodded, and Dr. McCoy continued: "So, I think it's important. It's going to happen after Scott Duda has already done his portion of the single audit. I don't know what breadth and depth would be needed at that point, because it will follow immediately after that, and I'm not sure if Darlana wants to give any comments about adding that back on either this year or maybe a year after. Ms. Moore?" Darlana replied: "Well I know right now that, I know for certain that there were issues in payroll, which is why we expanded the scope of that audit. And I know that right now, HR and payroll are working together to work on some of those issues. So, in order to give them time to rectify some things, I would say we could wait and put that on the 2023 audit plan." Dr. McCoy asked Commissioner Jacobs if that would be okay, and Commissioner Jacobs gave a thumbs up, stating that she 100% deferred to the rest of the group on this matter.

Dr. McCoy agreed, stating: "I would think so too because it would have been nice to be able to have an internal review before Scott does his portion of the single audit act but it is past that point. But we can always wait a year after and then go in and see what's there. The finance area and payroll area will have time to clear any comments Scott has, and then we can potentially go in in the year 2023. So that'll be something that we will look for at that point. Okay? Commissioner Jacobs I think – I see you're nodding so I appreciate it." Dr. McCoy then continued: "And the only other thing on this order that you were talking about that is left to go over potentially would be SSAE 18 because you're in reporting. Will that report be done before June 30th?" Darlana replied: "Yes, it will." Dr. McCoy noted that they won't have to put hours to that in 2022, and Darlana agreed, adding that they just received the last SOC reports and should be good with that.

Dr. McCoy moved on to the non-audit items: "We're on page six of our PowerPoints if you have it. You have the non-audit projects, can you walk us through what those are and then get into the audit projects so we can approve a plan, please." Darlana confirmed the page they were looking at, then continued: "So, the 2022 non-audit projects – when Manny was on the board, and Manny is an SIT auditor, the board was really, really focused on IS&T. Normally, in the past, Durham County IS&T has performed an annual IS&T assessment. Given with the malware attack, and Covid, and all of that, I felt that it was imperative to put it back on the plan. And I don't know if you guys remember, one December Scott Duda also stated that he had found some minor issues in IS&T. And that was the December before we had the malware attack. We have never had – and let me just say this – I don't have the authority to audit the office of the Sheriff. Because I have a good relationship with the sheriff, he allows us access. So, I do go over this information with him prior to, which is why it's on the plan – because the Sheriff is proactively trying to make sure that things are in place and everything is functioning as it

should. So, that's why we have the IS&T risk assessment for the office of the Sheriff as well, because when I went back looking through my predecessor's previous audits, I didn't see any IS&T reviews for the office of the Sheriff." Darlana stated those are the 2022 non-audit projects. Dr. McCoy asked if those would be outsourced or be done internally, to which Darlana replied they would be done internally but IS&T themselves.

Darlana continued on to the 2022 audit projects: "The peer review. The peer reviews – and I just talked to our regional coordinator – we are peer reviewed by ALGA which are my peers. So, it's going to be the individuals who run the various audit shops, come in and peer review one another. So, I just spoke with our coordinator. They're currently still conducting paperless peer reviews, which means everything is done electronically. Because we missed a cycle, and you guys voted for me to forgo one cycle because I didn't feel comfortable with them coming in and peer reviewing my predecessor's records and then I didn't see, I just wasn't comfortable with that. So, we missed a cycle. So, because we missed a cycle, and because I'm a new director, they have to come in and physically conduct the peer review. They are not currently doing that, so we're on a waitlist. So, I have no date as to when they'll come in, but I will keep you all posted concerning that.

The special investigations are self-explanatory, and I'll go more in detail with the two ongoing investigations in closed session. As I state every year, Ben Rose, who is the director of social services, has asked that they stay on the plan because Ben wants his entire agency looked at and evaluated and he wants to know so that he can actively mitigate any risks. So, he asked that we look at the Adult Aging Program. As you know there are 26 programs within DSS. Now, there are various programs within the Adult Aging Services. We had basically lumped everything into one, but when we had a breakout session with Ben and his staff, they asked that we separate CIP and LIEAP then audit CIP and LIEAP together and Medicaid Administrative Claims separately. So, that's why you see two audits opposed to one for DSS.

And then, we have not, because of all the issues and everything, we hadn't looked at the gas cards for general services in a while and we added that to the plan as well. Any questions? "

Dr. McCoy said no, and Darlana continued: "On page seven, we have the audit follow up which is the follow up for the register of deeds and the cash audit. And then, the audit management and administration is the given, all of that is explained within the packet and it's pretty standard."

Dr. McCoy asked how many full time staff this plan was based off of, and Darlana replied four. Dr. McCoy then asked what the current staffing levels are, to which Darlana replied: "Current staffing levels is just myself and Ms. Burnside, I just lost two staff and I have two more coming on – one on June 14th and one on the 28th.

So that will put us up to a total staff in Internal Audit of four with one open position – a Senior Internal Auditor. Dr. McCoy then asked if the additional open position was temporary or permanent, and Darlana answered permanent. Mr. Gordon asked if that meant the team would not be delivering on the 7800 total hours, and Darlana replied that even without the last senior position, she still believes the 2022 plan is deliverable, adding that she is a working Director and that we could make it happen. Mr. Gordon thanked her, and Dr. McCoy asked if the commissioners had any questions.

Commissioner Jacobs asked Darlana about the process for the Library follow-up. Darlana replied that the library follow-up is part of the cash audit and findings will be addressed as part of that follow-up. Dr. McCoy clarified: "Commissioner Jacobs, she was probably asking where are you at, have you implemented anything, if you had implemented - you might do some light testing around the new implementation and then move forward." Commissioner Jacobs affirmed. Dr. McCoy asked Commissioner Burns if she had any questions; Commissioner Burns replied no and thank you.

F. Approval of the Audit Plan

Dr. McCoy then made a motion to approve the 2022 audit plan. Mr. Gordon stated, "So moved" and Commissioner Burns stated "Second.". Dr. McCoy then stated that the plan has been discussed and approved. The final item of business before closed session was to discuss new officers.

G. Election of New Officers

Dr. McCoy asked Mr. Gordon if he was ready to be chair next time, to which he responded no. Dr. McCoy asked what he meant by no, and Mr. Gordon stated that Dr. McCoy does such a great job. Mr. Gordon added that he believes Dr. McCoy does a much better job than he does, and that he's not trained as an auditor. Dr. McCoy countered that Mr. Gordon is a lawyer and just as good.

Commissioner Jacobs motioned to reappoint Dr McCoy as chair, Mr. Gordon seconded. Dr. McCoy asked if all approve, and hands were raised in the affirmative with none opposed.

Commissioner Jacobs then motioned to approve Mr. Gordon as Vice Chair, Dr. McCoy seconded. All approved, none opposed.

Darlana pointed out that the group was just supposed to discuss who would be nominated and the vote occurs in September, Dr. McCoy replied that they go additional work done early.

H. New Business

No new business was noted Dr. McCoy read the following statement: "Motion to adjourn into closed session pursuant to NCGS Section 143-318.11 Paragraph 3 and Paragraph 7 to consult with an attorney approved or retained by the county to preserve the county privilege – the county client privilege, and to discuss a matter related to planning executing and reporting an investigation regarding an allegation of criminal misconduct by a former employee. So, as I say that, we're going to now move into the closed session." Mr. Gordon pointed out that they would have to adopt the motion first, to which he seconded. All approved, none opposed." Manny was thanked, and the meeting moved to closed session. The meeting ended at 5:42pm.