



September 8, 2020
Durham County Audit Oversight Committee Minutes

I. Call to order

The meeting was called to order at 3:31 pm virtually on Microsoft Teams. All attendees were informed the meeting was being recorded.

II. Members

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

Absent: Commissioner James Hill (unexcused absence), and Heidi Carter (unexcused absence)

Presenter: Lyvon Garth, Chief Information Security Officer; Susan Tezai, Chief Financial Officer; Ed Miller, Security Manager; Darlana M. Moore, Internal Audit Director

Others Present: Claudia Hager, General Manager; Greg Marrow, Chief Information Officer; Motiryo Keambiroiro, Director of General Services; John Sanderlin, Audit Supervisor; Gina Addicott, Internal Auditor; Zachary Smathers, Internal Auditor

III. Business

A. Prior Meeting Minutes – Mr. Manuel Rojas

Mr. Rojas moved, Mr. Gordon seconded the motion to approve the minutes from December 10, 2019. The minutes were approved unanimously.

B. Election of New Officers – Mr. Manuel Rojas, Chair

Mr. Rojas stated that his term will expire at the end of the month and that he would not be able to be nominated for the upcoming year. He informed Mr. Gordon and Dr. McCoy they could nominate themselves. He then stated that they didn't have three people present that could be nominated, unfortunately.

Mr. Gordon wanted to know if Dr. McCoy was on because he didn't see her initials. Ms. Moore stated that Dr. McCoy is on and Dr. McCoy interjected she was present at the bottom of the screen. Mr. Gordon then remarked that he sees her. Mr. Rojas asked if either one would like to be nominated as Chair for the upcoming year. Mr. Gordon replied, how about Dr. McCoy? She hadn't been the chair yet. Mr. Rojas stated in that case, he will nominate Dr. McCoy as Chair, Mr. Gordon as Vice-Chair (for a second term), and Commissioner James Hill as Secretary. Ms. Darlana Moore interjected that Commissioner Hill could not be nominated because he did win re-election. Ms. Moore continued to explain that he would have to either nominate Commissioner Heidi Carter or Commissioner Wendy Jacobs. Mr. Rojas responded he would nominate Commissioner Wendy Jacobs as Secretary. Mr. Gordon stated he second the motion. Mr. Rojas asked all in favor. Mr. Gordon responded in the affirmative.

Dr. McCoy interjected that she had a question. She asked, "Did anyone apply to be on the Committee this year?" Ms. Moore replied, "We have applications and the board will vote on the 28th. In response, Dr. McCoy indicated okay and voted in the affirmative. Continuing, Mr. Rojas stated in that case, the motion has been approved, and we have three new officers. From this point forward, Mr. Rojas indicated that Dr. McCoy would take over the meeting. Dr. McCoy expressed that she thought she would start the next meeting. Mr. Rojas responded that you take the meeting over as soon as you are nominated and accept the position. Dr. McCoy continued with the meeting and stated that we are going to go to item number three and will discuss IS&T concerns and updates.

C. Discussion with IS&T Concerning Payment Card Industry – Data Security Standard (PCI-DSS) Update – Lyvon Garth

Mr. Rojas commented that this is regarding the Payment Card Industry (PCI) and payments going to the IT system rather than going directly into the bank. Dr. McCoy asked Ms. Moore, is this issue from the previous audit we had from the last meeting? Ms. Moore replied, "Yes and indicated that Mr. Garth mentioned this being a countywide issue in the December minutes. He was asked to come back and talk about: 1) the contingency plan that had been put in place; and 2) whether the County had moved to an analog system or still going through the network. Ms. Moore continued that Mr. Garth also talked about how the County had not had a QSR done. Ms. Moore then turned it over to Mr. Garth to inform everyone concerning IS&T's status.

Mr. Garth indicated that in reaching out to some of the departments, one of the first things he was trying to understand where the information is going to be encrypted. He explained that from his investigation and talking to different departments, the encryption happens at the point of interaction. The encryption occurs as soon as the patron places their card into the card reader. He then indicated that traversing the County network is not presenting any additional risk. The data is encrypted and there is no way of viewing that information. Continuing, he elaborated that from that standpoint, the risk low. At this point, Mr. Rojas

expressed that the concern was that the card must be slid instead of reading the chip. He added that the concern is when the card is slid, the security is not there. Dr. McCoy concurred.

In response, Mr. Garth replied that it depends on the card reader itself. Certain card readers will. The ones in departments that has a chip or have an actual terminal will encrypt at the terminal. Mr. Garth continued that wherein the concern would be if you have a device with just a card swiper, it is not an actual device where you swipe in the card and the data goes into the computer to be encrypted before leaving outside the organization. He emphasized that's where the risk comes into play. Mr. Rojas interjected, "in that case, then what we have to concern ourselves with is what kind of card readers we are using."

Mr. Garth continued to state that right now, it looks like most of the departments he have the actual terminals that encrypt at the point of interaction, and he was trying to remember if it was Tax that have just the card swiper. Mr. Gordon interjected that "so we have a problem in Tax?" Mr. Garth replied, potentially yes. Mr. Gordon added that he guesses he, Mr. Garth, will follow-up? Mr. Garth indicated, yes. Mr. Gordon replied, "thank you, Garth." Dr. McCoy asked if there were any more questions regarding this topic.

Commissioner Jacobs joined the meeting at this point, indicating that she could not get on using the teams; it would not load for her. She expressed that she was sorry and that she is calling in and missed the discussion about creating a central policy for credit cards. Ms. Moore interjected that Commissioner Jacobs had not missed that topic and informed Commissioner Jacobs that the Committee was on item number three (PCI compliance with the credit card terminals). Commissioner Jacobs expressed that she thought that they had just finished that.

At this junction, Mr. Rojas informed Commissioner Jacobs that since she had just joined the meeting, the Committee has elected new officers for this upcoming year. Mr. Rojas informed Commissioner Jacobs that he will be coming off Committee at the end of this month. Dr. McCoy was elected as Chair, Mr. Gordon as Vice-Chair, and Commissioner Jacobs as Secretary.

Commissioner Jacobs then commented that considering that she was going to mention that the actual Secretary is whomever wrote the December minutes. Commissioner Jacobs asked, "Who wrote those minutes?" Ms. Moore replied, "Internal Audit always writes the minutes." Commissioner Jacobs stated, "They were the most amazing minutes and I just really wanted to personally commend the person who wrote those minutes because they're going to be the real Secretary, not me." Ms. Moore thanked her and indicated to her that she was the Secretary in spirit. Commissioner Jacobs responded, "I will be in spirit."

Mr. Rojas explained to Commissioner Jacobs that her role of the Secretary is basically to go over the minutes before they are brought to the meeting. To make sure you understand everything that is on there if you were at the last meeting.

Commissioner Jacobs replied that she could handle that. She elaborated that she was not at the previous meeting and because the minutes were so detailed, she could read the minutes and feel like she understood what happened.

Dr. McCoy carried on the meeting by indicating to Commissioner Jacobs that she asked a valid question and thought the Committee was ready to address that question. She asked Commissioner Jacobs to repeat her question. Commissioner Jacobs responded that she just wanted to find out what was decided or what the plan was for a universal policy or practice. Ms. Moore inquired whether they were moving to item four? Dr. McCoy asked if there are any other questions for item three.

Mr. Gordon indicated to Mr. Rojas that maybe they ought to just review. Mr. Gordon indicated that Garth reported he's reviewed the various departments and only see a potential problem with Tax. Tax is still using a sliding card device. They don't have a chip reader. Mr. Gordon ask Mr. Garth, "Did I get that right?" Mr. Garth responded that it is correct; it is not an actual terminal to encrypt at the terminal. The encryption looks like it will occur on the machine itself. Mr. Gordon asked Mr. Garth if he would tell the Committee what he is going to do?

Mr. Garth indicated that he would reach out to Tax and see whether they are looking at alternatives or that he would give them suggestions on ways of mitigating the risk of using slide readers versus using an actual terminal. Mr. Garth explains further that it may be software dependent, but they don't know that until those discussions are had. Mr. Gordon thanked him. At this point, Mr. Rojas inquired to Dr. McCoy whether the Committee is going to talk about that in the upcoming items in the agenda for as the types of readers the County is using so that they could move on. Dr. McCoy replied that she was moving to number four on the agenda.

D. Discussion with Finance Concerning Credit Card Terminals – Ms. Susan Tezai

At this point, Dr. McCoy turned the meeting over to Ms. Tezai. Ms. Tezai asked if they could hear her. She stated that she had put together a document regarding the research she did with the departments with credit cards and/or credit card terminals. She paused and asked Ms. Moore whether she was able to provide the information to the audit committee. Ms. Moore responded that she didn't receive it. Ms. Tezai then asked Ms. Moore whether she wants her to put it up on the screen? Dr. McCoy interjected that a walkthrough would be fine at this point. Ms. Moore agreed because she didn't have anything. Ms. Moore stated that she had been having issues with her email. Ms. Tezai affirmed and stated she would re-forward the information to Ms. Moore.

Ms. Tezai continued and began her presentation. She then asked Ms. Moore if she could send it now to display in the meeting. Mr. Marrow interjected that he could assist if Ms. Tezai copied him. Ms. Moore thanked Mr. Marrow. Mr. Rojas asked Ms.

Tezai if she could brief the Committee on what the document is about or could she give a synopsis of the information.

Ms. Tezai shared her screen of the document ([Exhibit 1](#))¹ concerning her research of credit card terminals used throughout Durham County. She continued that the communication serves as follow-up from the information requested by the Audit Oversight Committee (AOC) concerning departments that accept credit card payments. The AOC requested more insight on the practices used by departments using credit card terminals. The update outlines current practices concerning credit card payments and identifies some similarities and opportunities for increased efficiencies.

In continuing, she indicated that currently, there are seven County departments that accept credit card payments. They are the Library, Register of Deeds, Sheriff's Office (Finance Division & Detention Center Division), Tax, Public Health, Sewer Utility, and Engineering (Stormwater & Erosion Control Division). All departments have different providers, along with various fees.

According to departments' responses, of the seven departments accepting credit card payments, four use credit card terminals. They are the Library (13 terminals), Sheriff's Office (2 terminals), Public Health (6 terminals), Register of Deeds (12 terminals), and in total, there are 33 terminals. Ms. Tezai sent out a list of questions to all departments, and this is based on the feedback from each department.

Ms. Tezai listed the pros and cons of Durham County continuing with multiple credit card vendors or moving to one vendor.² The recommendations suggested by Ms. Tezai are as follows:

- For departments who have "special" and "specific" needs to continue with their existing vendor and to continue in the future with the selection of the vendor that best meets their needs (e.g., Library, Tax, ROD, Sheriff's Office, and Detention Center).
- For departments who do not currently have the capability to accept credit card payments but pursue this avenue in the future, assess whether they may have "special" and "specific needs. If so, they may proceed with the selection of the vendor that best meets their needs. If not, perhaps they can piggyback on an existing contract (e.g., S&E did with Sewer Utility). That will increase the volume of that existing contract, and we can perhaps negotiate revised/lower fees.
- Due to COVID-19, limited internal resources due to frozen positions, the additional responsibility assigned to human capital, and continuing to recover from the cyber-attack, this is not the time to consider pursuing the task of finding one vendor that could accommodate each department and

¹ Exhibit 1 - Chief Finance Officer's presentation on September 8, 2020, "Follow-Up on County Credit Card Information Memorandum."

² Ibid. See above.

each unique business model without any sacrifice to customer convenience/service or any undue burden upon our employees. Management does not feel that now is the best time for a change affecting multiple departments.

Mr. Rojas stated that it sounds to him there are some benefits in centralizing: better control and better economy of scale in dealing with one vendor. Smaller departments could piggyback with other departments. Also, he stated that he couldn't see why every department would have a different customer rate. He emphasized that the customer is dealing with the County, and the County should have one fee across the board for anyone that uses a credit card to pay for a County service.

Mr. Gordon stated the County does not have the necessary resources to make major changes due to the impact of COVID and external factors. The County is experiencing major budget shortages. He further added this is not the time moving to one vendor and agrees with Ms. Tezai's third recommendation. Mr. Rojas suggested this topic will be discussed next September to review the process if the County can move to a centralized function with a new charge perspective for the customer. Mr. Rojas stated the credit card is a win-win for the County departments since they don't have to keep track of cash. Commissioner Jacobs thanked Ms. Tezai for the report, and she agreed that the County has not completely recovered from the malware. However, she stressed that this is an important issue because people pay their taxes through credit cards, and so much work is done virtually. The County needs a good system not only for the customers but also for staff.

Mr. Gordon commended Ms. Tezai for the report and asked if the County accepts credit card payments over the phone. In response, Ms. Tezai stated she does not think so. Ms. Tezai will go back to the departments to ask that specific question. Mr. Rojas asked Ed Miller, the Security Manager, if security should be involved in the process to make sure that the security of data flowing in the system is protected. Mr. Miller stated the credit card issue is not part of the physical security; it's IS&T.

Ms. Tezai asked the Committee if the smaller departments should piggyback on an existing contract to increase the volume. The Committee agreed that smaller departments should piggyback and increase the volume.

Dr. McCoy moved to revisit the credit card terminal discussion and recommendations at the September 2021 meeting, Mr. Rojas seconded the motion. The vote was unanimous.

E. Discussion with Security Concerning Cameras within the Register of Deeds and Tax – Ed Miller

Mr. Miller gave a brief overview of the surveillance cameras within the Register of Deeds. The cameras record to an enterprise server. The cameras record at a minimum of 30 days. As of September 8, 2020, it is at 48 days of storage for the

video. It is restricted as to who can download the video, the only people who can download the video are Mr. Miller, the Deputy Director, and Assistance Director. The video is provided to department directors upon request. Mr. Miller keeps documentation of any requests before it is handed out to the departments.

Mr. Rojas asked if the recording is available online. Mr. Miller responded that there is a web application that requires a username and password that is assigned by him. Moreover, Mr. Miller also controls the user's access level, whether it is view or search. About 95% of the users only can see the live view and search for their departments. Mr. Rojas questioned if the web application should be online for anybody that has access. Mr. Miller stated that was a valid question; however, he hasn't discussed this concern with IS&T. Dr. McCoy asked if the cameras have ever recorded beyond 30 or 48 days for the departments' use. Mr. Miller stated not from the departments; however, he receives requests from traffic accidents that he does not give out.

Mr. Rojas asked what else the cameras record besides the Register of Deeds. Mr. Miller stated the cameras are scattered around all entrances, but not employee areas. The cameras can't see HIPPA or sensitive information due to the low resolution. They are used primarily for security assessment, so if something is happening, they can look at the cameras before security arrives. They are also used for forensics since the cameras can capture the suspect and time. The cameras do not record audio. Mr. Rojas asked where the cameras are located.

Mr. Miller responded Administration Building I and II, Human Health Services (HHS) (which will move to the new security S2 system soon), Main, South, Stanford L. Warren, Bragtown Library, EMS, General Services, and the Court House will be install them next year.

There are cameras at the Court House, but Mr. Miller does not have access to them. The Court House cameras can only be viewed at the Sheriff's Office. Mr. Rojas asked if the cameras are centralized in the IT system. Mr. Miller stated they are on the server at the Admin II Building, and they are accessed by an IP address.

Mr. Rojas asked if the server's location is secured and what kind of protection is in place. Mr. Miller explained that the server is located in the basement of the Admin II Building in the server room, which is accessed by only IS&T and some General Services staff. Mr. Rojas further asked if there is fire suppression to protect the server or other machines. Mr. Marrow stated the room is not a full-fledged data center like the data center at Admin I. So, there is not fire suppression. Mr. Rojas asked if the data is backed up, and Mr. Miller said that access control is backed up; however, the backup is physically located in the same room as the main server. It has no additional protection because it is currently not saved in the cloud or OneDrive. Mr. Miller stated they are currently working towards it. However, so far, it has been cost-prohibitive.

Further, security is migrating many of the buildings to the new S2 security system, and Mr. Miller will look into it more closely once the migration is complete. Mr. Rojas suggested the Committee follow up on this topic and requested a timeline for the data backup and fire suppression. Mr. Miller said it is not possible this fiscal year and to give him six months until the budgetary season for the next fiscal year.

In response, Commissioner Jacobs expressed her concern over the next fiscal year's budget. The budget will be tight for the upcoming fiscal year. She stated that the next year's budget is based on the current revenue coming in now. The occupancy tax revenue is down 60%, and according to the economic forecast, the County will not be able to recover for the next several years. Miller stated they could look at what technology is available and what would be the best way to back up the video data. Mr. Rojas asked if the server from Admin II can be moved into the Admin I computer room, where the other equipment is located. Mr. Gordon added that the move would cost money. Mr. Miller stated if something happens to the computer room in Admin I, everything will be lost or destroyed. Mr. Miller said he is hesitant to move everything into one location, and he will look at it as an option. Mr. Miller will discuss the topic with IS&T.

Dr. McCoy moved to revisit the data backup topic until the June 2021 meeting. Mr. Gordon seconded the motion. The vote was unanimous.

F. Discussion of the following Internal Audit Submission – Ms. Darlana Moore

Ms. Moore presented the 2021 Audit Plan, and she emphasized that Countywide Payroll Audit (900 hours) was halted due to malware and COVID impact. Internal Audit has not restarted the Payroll Audit because Finance is currently going through the annual external audit. As for the Foster Care and Adoption Eligibility Audit, she budgeted 900 hours toward it. Ms. Moore budgeted 400 hours for the SSAE-18 Review. Ms. Moore allocated 2,200 hours toward the Continued 2020 Audit Projects. Ms. Moore increased the Special Investigations Audit to 1,000 hours, based on the past numbers. She added back the Accounts Payable Audit for 700 hours; therefore, the total hours for 2021 Audit Projects is 1,700 hours.

The 250 hours for audit follow-up remain the same. Under the Administration section, staff development remains 120 hours; however, the staff support increased to 946 hours due to the July and August malware and COVID hours. Office Management is 1,950 hours; which is the time allotted for Ms. Moore's supervision. County approved holidays are 270 hours, and approved employee leave is 161.50 hours. The total Administration hours are 3,447.50. The total hours for the 2021 Audit Plan are 7,597.50 hours.

Mr. Gordon asked if there is enough time under staff development since the Internal Audit department has hired two new staff members. Ms. Moore explained that she incorporated hours in staff development and staff support, as well. When SAP was down, Internal Audit staff worked on the staff development. Commissioner Jacobs

asked about the new staff, and Ms. Moore stated that besides the new hire of John Sanderlin and Zachary Smathers, she is looking to fill another position. Mr. Rojas moved to approve the Audit Plan, and Mr. Gordon seconded the motion. The vote was unanimous. Commissioner Jacobs welcomed the new Audit staff.

G. New Business – None

H. Old Business – Discuss Resolution to the Board of County Commissioners Regarding Internal Audit Staffing

Ms. Moore thanked the Committee for sending the letter to the Commissioners'. Internal Audit was awarded an additional position. She thanked the AOC for recognizing the severity of the shortage within the department. Commissioner Jacobs noted that all other requests for additional staffing from other departments could only be partially granted. Mr. Gordon thanked the Commissioners as well. Commissioner Jacobs emphasized that a follow-up recognition from the AOC Chair to the Board of Commissioners would be greatly appreciated.

Mr. Rojas said the Committee would follow Commissioner Jacobs' guidance and send the thank-you letter. Mr. Rojas further explained that the resolution from last December did not ask for a specific number of positions to add to the Audit staff. Instead, the Committee requested that the ISO standards be used to determine the staffing. Commissioner Jacobs stated that was a good rationale for the request. She recommended that the recognition letter to the BOCC be referenced back to the original request and mention how it helps reach ISO standards. Mrs. Rojas agreed with Commissioner Jacobs's guidance.

I. Next Meeting Date – December 8, 2020, at 3:30 pm.

J. Adjournment

County Manager, Wendell Davis, recognized Mr. Rojas for his service on the Committee and on behalf of all the citizens and Durham County. Mr. Davis wished Mr. Rojas well and thanked him for providing clean audits throughout his time on the Committee. Mr. Gordon also thanked Mr. Rojas for his service and for being his mentor. Commissioner Jacobs suggested a proper service recognition for Mr. Rojas and suggested him to reapply to be on the Committee subsequent one year. Mr. Rojas stated that he appreciated all that he and the Committee have done during his long run, and he enjoyed being a part of the Committee. There being no further business, the meeting was adjourned at approximately 4:35 pm.