



September 14, 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 and transcribed.

II. Members

Present: Dr. Nicole McCoy, Chair; Mr. Arnold Gordon, Vice Chair; Wendy Jacobs, Commissioner/Secretary; Claudia Hager, Interim County Manager; Brenda Howerton, Commissioner

Absent (Unexcused): Andrew Holland, Member

Presenter: Darlana Moore, Internal Audit Director

Others Present: Patricia Burnside-Jones, Senior Internal Auditor; Mischa Preston, Internal Auditor; Jerry Roy, Internal Auditor

III. Business

A. Discussion and Approval of June 8, 2021 Minutes

Dr. McCoy asked for a motion to approve the minutes. Commissioner Jacobs made the motion, noting the incredible detail, and Mr. Gordon seconded the motion. Dr. McCoy asked if there were any revisions or discussion points to address; noting none, the motion passed unanimously.

B. Election of New Members

Dr. McCoy moved the meeting on to agenda item number two - the election of new members. She noted that this vote occurred in the last meeting, but should have happened in the current meeting, and needed to officially be done now. Dr. McCoy started with the vice chair position, and motioned that Arnie be vice chair and asked if the motion could be seconded. Commissioner Jacobs seconded. The motion passed unanimously. Dr. McCoy then moved to the chair position. Arnie moved to nominate Dr. McCoy as chair, Commissioner Jacobs seconded. The motion passed unanimously. Dr. McCoy then summarized that for the chair, she will continue that role for 12 more months, Arnie as the vice chair, and the

secretary is Andrew. Darlana corrected that Commissioner Jacobs is the current secretary.

C. Current Audits

Dr. McCoy then moved to the next agenda item number three – the discussion of the current audit. She noted the most recent audit done was the SSAE 18 review, and asked Darlana Moore to speak on that. Darlana Moore thanked Dr. McCoy and began – “The current audit submission was basically a request by this board after the cash audit. We found that there was a plethora of systems throughout the County that main IS&T was unaware of and so we wanted to sort of get a hold on and inventory all the systems and make sure that – 1st Main IS&T is aware of all the systems that are in the County and 2nd we wanted to make sure that they were documented and accurate or appropriately supported by IS&T staff. There are some other issues that we wanted to discuss but I think we're going to hold off and discuss that at the December meeting because we'll have IS&T here. Manager Hager has been working on putting some things in place as far as possible reporting ways for all the IS&T areas because right now, it's like each area is sort of functioning independently. But one good thing, that we found, is that the policies have been updated, especially after the malware attack and all of that, IS&T has been very proactive in implementing policies and procedures to make sure that all of the systems and the main platforms are secure so if Manager Hager wants to speak on that.”

Interim Manager Hager clarified that she is the Interim Manager, not the Manager, then continued on the note of IS&T audit recommendations: “I think there were some preliminary ones that were made in, I guess, 2019 if I'm not mistaken and right before the malware attack, Greg had developers structure how we would increase the governance. There was more of a straight line for some, dotted lines for others for how work was completed and then 2020 happened in March and so we sort of have been in a situation of hitting the crisis points and doing other things. But through that as well, it exposed to some of the departments where they would benefit by this governance change.” She continued, “It's not uncommon in local governments that there may be some departments that have some structures that are independent of the main area and so bringing them under that umbrella sometimes takes time. The malware attack reinforced that it needs to happen. So, we have a more captive audience. But as a matter of fact, tomorrow at our Department head meeting will be talking about that as well. I mean, we have some that are a little suspicious, but we have reassured them it is for the good of the whole entity. Structurally this is just a best practice so we can give you more information about how we move those steps forward at the December meeting, and Greg can share on that, so we are pleased that came from Greg's perspective. This is helpful for them as well, so they are on the back end trying to catch things.

Darlana followed: “I feel comfortable with the list that we have obtained, and we also requested a copy of the SOC reports which are the IT audit reports for the

areas that require those reports and what we were looking for ways to see if there were any deficiencies within any of the software, or systems that could possibly affect Durham County and there were none”

Dr. McCoy asked Interim Manager Hager if she thinks there will be any opposition to merging everybody under one umbrella or if it would just be a normal territorial kind of thing. Interim Manager Hager responded that she thinks there may be some, and it becomes trickier in how that relationship works with the office of the Sheriff, where it's a dotted line. In places like public health however, it may be bolstered. “So, we're looking at how do we increase the support for those areas from a staffing perspective as well as putting the dotted line up for DSS same issue. They have staff that we're looking at. Well, do they have sufficient levels, and do they work closely with IS&T? It's just a lot of more formally making sure from a protocol perspective we've defined: These are the steps. This is a checklist. We're not trying to stop what you're doing. It must just follow those steps, so I don't foresee a lot of pushback because they don't have any choice. But I do see the areas we look at with the Sheriff's Office how we navigate that relationship because statutorily they do have some lines in the sand. But I know the Sheriff is also willing to work through it, but we'll update next time on how that will work.”

Dr. McCoy then asked if there are any other questions. Arnie asked if she needed a motion to accept the audit or audit report to approve it. Dr. McCoy said yes, and asked Arnie if he wanted to make a motion. Arnie replied, “So moved”. Darlana pointed out that they have never done that in the past, and Dr. McCoy joked that they never do that, but she was not holding anybody back. Arnie withdrew the motion.

Commissioner Jacobs interjected to make a comment: “I just want to say that I really appreciate it. Basically, this is a glowing audit that found that there were no deficiencies and really the audit noted the full participation of both IS&T and the office of the Sheriff. I just want to acknowledge that, and also that we just celebrated last night that our IS&T department just won a national award – the Digital Counties Award – which we have gotten since 2017.” Commissioner Jacobs then clarified with Interim Manager Hager whether it had been the 3rd or 4th year of receiving this award, and Interim Manager Hager confirmed that it was the 5th year. Commissioner Jacobs then summarized that “Greg Marrow has really been doing an outstanding job. And so, it was nice to read this audit and thank you to all of your staff for their great work Darlana.” Interim Manager Hager and Arnie both agreed, and Darlana thanked Commissioner Jacobs.

Dr. McCoy thanked Darlana for reporting on the SSAE 18 report and moved the meeting on to an update on current audit items.

Darlana began by pointing out the new faces of her audit team and introduced them: “Some new staff you may have seen - Patricia Burnside Jones was at our last meeting. She's our new audit senior and she assists me with supervising audits, so if you can just wave.” She continued to introduce the two new internal

auditors – Jerry Roy and Mischa Preston. “They both come with audit experience and coincidentally they are both from West Virginia and are transplants in North Carolina. They’ve been doing on an exceptional job and I am so excited to have them on the team.”

Current Audits in Process:

Darlana continued: “Concerning the status. We’re currently working on the CIP and LIEAP audit with DSS. We’re in the testing phase so we should be finalizing that wrapping that audit up soon and go into report. We are going to start the register of deeds audit follow up on October first and then will also be starting the IS&T risk assessment review on October first with IS&T Durham County and the office of the Sheriff IS&T. It’s been I think 4 years since we’ve conducted that review so it’s time for that review again, especially after the malware attack. Now, what’s different between that review and the SSAE is the SSAE was inventory and everything - all the software and the systems throughout the County. The risk assessment is going to tell us a little bit more about the controls that we have in place and both technology areas of the office of the Sheriff and IS&T so that’s going to expound on the presentation that Greg then presents in December. We are currently also going back and working on the AP audit. So that’s the status of the current jobs that we’re working on. We were pushed back a month for the DSS audit, but Mischa and Jerry have been working diligently and they’ve done a great job to keep us on schedule and so we’re looking good there with continuing to be on schedule as far as the plan is concerned.”

Dr. McCoy followed up with a question on the registers of deeds follow up audit: “I know back in March - because I was buying and selling a house at the time and I got a little delayed with closing – Will they be ready for the follow up given that little hiccup that happened?” Darlana responded that she needs to meet with Sharon, but that just like with the DSS audit, they generally let her know if there are any issues and that she can’t speak for them currently.

Arnie stated that he believes it’s an element of risk when you have staffing shortages like the Sheriff is experiencing, and that that increases the risk of – not necessarily financial risk, but certainly performance risk which could affect liabilities such as injuries. He added that he hopes the commissioners are doing their best to try and fill those vacancies despite it being a tough time since it exposes the county to a lot of risk. Commissioner Jacobs agreed and said Arnie is doing a great job and that is a great point that Interim Manager Hager can respond to.

Interim Manager Hager said that yes, that is a concern they have had from both a management and board perspective. She stated she has done the budget deliberations and shared with the board that they would be presented in October with an approach for areas they have had trouble recruiting. She listed public safety areas such as deputies with the Sheriff’s Department, the detention center, and EMS as examples. She added that there are about 8 categories of positions

that from a management perspective they are very concerned about as far as retention goes. She stated that "We will present options for the board to consider including signing bonuses or retention bonuses and adjustments in salary amounts and ranges that are consistent with the market. In some jurisdictions for example, they have bonuses up to like \$5,000 for deputies \$20,000 for nurses. So, the board has been serious about this and will give those recommendations to the board and we'll share that with Darlana so she can pass that along to the board. One other quick update just so that you will know. We had been planning prior to the malware attack to make sure we had continuity of service infrastructure systems in place, they were tested right before the malware attack. We were planning a tabletop and then the malware attack happened after that. The intent prior to it, was to see where we were exposed and then implement those things. 18 months later, we're now doing some of that. We have a meeting. We will be moving forward with a dual system of all our IT infrastructure. That's underway right now." She added that this would mean there would be a dual system offsite, in another place so that it would be a dual mirroring system. "So, it will be exact. We went down for couple of weeks in some areas. You talked about closing on your house or selling a house or whatever. The case might be - it took us about 3 weeks to get the Register of Deeds system up and going, so now with this dual system, it will be 24 hours or less." She stated that they will make sure to share more details, but that the board approved that investment back in June and those are substantial investments, but the risk warranted it.

Dr. McCoy thanked the Interim Manager and asked if there were any questions regarding the current work plan for the internal audit department. There was no response other than to add that Arnie was having technical difficulties and was currently not in the meeting but was working on getting back on.

D. New Business

Dr. McCoy then moved to item number 5 on the agenda – new business. She stated that one of the items in new business is we have had a person on the board who was appointed to the board way back in December and he has not been attending meetings. She added that "We are trying to just make sure we gave him sufficient amount of time to become an active member of the board and in continuous service to the community and he has not been attending the meetings, so we are moving to a point where we're going to have to get a concerned citizen to replace him, so we're going to - 1. Vote him to no longer continue with service and 2. Ask the Board of Commissioners to then appoint our previous member who comes with a wealth of experience and knowledge, which I'll be welcoming back." She asked if there were any questions on that, and Commissioner Jacobs asked: I just have a question about process. So, is this going to be then communicated to the clerk and asking our board to approve this - is that how it's going to work? Darlana then clarified: So, what we'd like to do is for you guys to vote Mister Holland out, vote Manny in, and then Dr. McCoy can send a letter to the BOC so that you guys can officially bring Manny back on in so that he'll be reinstated by

the December meeting. Dr. McCoy agreed. Commissioner Jacobs then asked if the policy was that if you have not attended 50% of the meetings you are out? And how many meetings has he missed? Darlana responded: This is his second meeting, and according to the AOC bylaws Article 7 under Attendance entitled Attendant Section 3: If a member is absent from more than 1/3 of the regularly scheduled meetings during July first through June 30th time, it shall be the policy of the board of County commissioners, exercisable in its discretion, to remove the appointee, and the absence of showing good cause and to make another appointment. Dr. McCoy asked if there were any other questions regarding that. Dr. McCoy and Commissioner Jacobs noted that they should hold off on calling the vote until Arnie could rejoin the meeting.

Dr. McCoy asked if there was any other new business anyone would like to discuss.

Interim Manager Hager noted that she has one other update - the board in its June meeting asked for possibly, having an ombudsman office added. Dr. McCoy asked if she wanted to go ahead and talk about that now, and the Interim Manager said that this is impromptu, but she can give the board members some information about some models in the town of Chapel Hill, as well as Orange County, Florida and so I did share information about their structure. I will be giving them within the next couple of weeks a position paper and recommendation on how that would look and so I just wanted to let you know, we did give them some guidance on that, but the final document has not been completed. We've just had so many opportunities that I just have not been able to get to that one.

Dr. McCoy responded that it seems like it's been 90 days, but it feels like 2 weeks. The Interim Manager agreed. Dr. McCoy then added: "So I completely understand. I just started back the school year teaching, and we're alive and so you know it's new. Something we've always done, but it feels brand new so I understand - the last 90 days has only been 2 weeks in my life, I feel.

Interim Manager Hager added that she will forward that information we share with the board and that as a matter of fact, it would be a tag along to an item about the sheriff's and their vacancies. So you'll see that information as well as our strategy with recruiting for hard to recruit positions, which addresses earnings - Arnie's questions. Dr. McCoy then asked: So, does the County just overall feel they're open to the suggestion? Interim Manager Hager said: Yes. We've not had the board conversation yet, but at my one on ones with the board members they welcomed the suggestions because the audit office gets request or concerns, but the board members get a lot as well as accounting managers office gets a lot. And so, for our systems flushing out what the structure will look like because things are coming so many different places and then working through it, but it was, it's so far been well received. But they are of course, looking forward to seeing how it looks structure wise but they were very receptive.

Arnie was able to rejoin the meeting, and Dr. McCoy brought him up to speed saying: We were just talking about the ombudsman position that you talked about

last time in the meeting and how they have been working through that. Arnie responded that he was glad that was being taken seriously and thanked the Interim Manager. She responded: You're welcome and I will forward when I share it with the board. And as I shared with them, we also had some information about the sheriff's vacancies and trying to be proactive. So, you'll get to read more than you probably want to but nevertheless you can see how we're headed.

Dr. McCoy said: OK, thank you, when you get what is some more information than necessary, we might have some questions. She continued: So, Arnie, now that you're back. We can vote. We were having a discussion Arnie regarding the attendance of Andrew Holland and Miss Moore was able to read in this statute or the article that relates to attendance and we're trying to make a motion which will be a recommendation to remove Andrew Holland and replace him with a previous board member - Manny Roja and then we're going to pull that to get that. We're going to have a vote here with us so then I can write a letter and get it to the Board of Commissioners so they can vote on it as well. Arnie joked that "This guy Rojas is of questionable character." Dr. McCoy joked back: "He is questionable, but it's a good question. It's a good question." Arnie asked if they need a motion, to which Dr. McCoy said yes. Arnie moved to vote, and Dr. McCoy seconded. The motion passed unanimously. She continued: We will get that recommendation to the board of Commissioners, so they can have it as part of their planning agenda.

Darlana asked if that motion included both the removal of Andrew Holland and the addition of Manny, and Dr. McCoy said yes, the removal and suggestion to instate Manny because they can't officially... Arnie also added that Manny was only a suggestion to the board.

Dr. McCoy asked for any other new business, any old business, anything we need to bring up. There were no items mentioned.

Dr. McCoy then said: Alright so if all hearts and minds are clear, I want to thank you all for a very nice quick meeting for this evening and I would like to adjourn the meeting if possible. Darlana reminded her she had to take a vote to adjourn. Arnie moved to adjourn, and Commissioner Jacobs seconded. The motion passed unanimously. She continued: "Thank you all again and we'll see each other in December. In our December meeting we'll be thinking maybe Scott should be coming back, having us to vote so we can get that vote and ready for the presentation to the Board of Commissioners for their January meeting or the financials. Otherwise, I think that's all we're going to talk about today. I appreciate everyone and see you soon."

Meeting participants said their thanks and exited the meeting.