



**COUNTY OF DURHAM**  
**MEMORANDUM**  
**Internal Audit Department**

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**Durham County Audit Oversight Committee Meeting**  
**October 4, 2022**

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**October 4, 2022**  
**Durham County Audit Oversight Committee Minutes**

**I. Members**

Present: Arnold Gordon, Chair; Manuel Rojas, Vice Chair; Dr. Nicole McCoy, Secretary; Wendy Jacobs, Commissioner; Brenda Howerton, Commissioner; Dr. Kimberly Sowell, County Manager; Darlana Moore, Internal Audit Director

Others Present: Margaret Faircloth, Assistant Director of Social Services; Christie McMillan, DSS Administrative Officer; Lee Little, Aging and Adult Services Program Manager; Meghan Russ, DSS Program Manager; Joanne Otuonye, Quality Assurance and Training (QAT) Supervisor; Mischa Preston, Senior Internal Auditor; Jerry Roy, Internal Auditor; Jacob Owusu, Internal Auditor

**II. Call To Order**

Dr. McCoy called the meeting to order at 10:37 am, Tuesday, October 4<sup>th</sup>, 2022.

**III. Business**

**A. Discussion and Approval of Prior Minutes**

Mr. Gordon moved to accept the June 14, 2022; minutes as prepared. Mr. Rojas seconded the motion. There was no discussion. The motion passed unanimously.

**B. Election of New Officers**

Dr. McCoy has been Chair of the AOC for two years. According to the Standards and Protocols a new Chair must be elected after two years of service. Mr. Rojas moved to elect Mr. Arnold Gordon as the new Chair of the AOC, Dr. McCoy seconded. There was no discussion. The motion passed unanimously.

Mr. Gordon moved to elect Mr. Rojas as the new Vice Chair, Dr. McCoy seconded. There was no discussion. The motion passed unanimously.

Mr. Rojas moved to elect Dr. McCoy as the new Secretary. Mr. Gordon seconded. There was no discussion. The motion passed unanimously.

### **C. Presentation of Medicaid Administrative Claiming (MAC) Audit**

Mischa Preston presented the MAC audit report. She informed the committee that MAC is an opportunity for DSS to get reimbursed for some of their administrative activities in relation to Medicaid. She reviewed the issues discovered during the audit – a duplicate timesheet entry, an entry that had an unallowable description, four 5027s were not located in Laserfiche, three of them were located on an employee's T Drive, some 5027s did not have signatures. The audit team also recommended regular training for DSS staff performing MAC activities and that they put together formal policies and procedures. She then opened the floor for questions and discussion.

Mr. Rojas asked about the level of materiality of the findings, and Mischa replied that all of the findings were immaterial.

Dr. McCoy moved to accept the audit as submitted. Mr. Gordon seconded the motion.

Commissioner Jacobs noted that there were DSS staff present during the meeting and asked if any of them would like to make any comments.

Margaret Faircloth introduced herself as the Assistant Director of Business Operations in the Department of Social Services (DSS). She noted that they have reviewed the audit results and deferred to Meghan Russ and Lee Little, Program Managers for further discussion on the finding questioned by DSS.

Lee Little introduced himself to discuss a disagreement DSS had with the finding requiring 5027s to contain a client signature. He said they were waiting on answers from the State regarding signatures of Guardianship clients on the 5027 since they are deemed unable to care for themselves by a judge, and DSS is appointed as their representative.

Mischa responded that Internal Audit had made an informal recommendation that some sort of documentation be retained to show that the legal guardian has approved the completed 5027. She noted that the MAC Operation Guide does speak to clients who are unable to sign for themselves, and in those cases the client would sign with an "X" and a witness signature would be required. She also stated that while Guardianship cases may be a little different than others because the client does not sign, the MAC Operation Guide does require the client's signature to be completed for those specific SIS codes.

Dr. McCoy asked if there was any further discussion.

Meghan Russ added that as part of their management response they did implement internal MAC training. They have also made changes to how they review Daysheets to prevent duplicate entries and inappropriate MAC charges.

Mischa asked if she was correct in her understanding that the corrections for the duplicate and unallowable entries have already been made. Meghan Russ said that was the case.

Darlana thanked DSS for their cooperation, time, and patience noting that they have been hit hard by Internal Audit the last couple of years, and they are still on the plan for a few more audits and audit follow-ups.

The MAC audit was unanimously accepted and the DSS staff were excused from the meeting.

#### **D. Independence of the Internal Audit Department**

MR. GORDON: We've just concluded discussion of the Medicaid Administrative Claims audit. And now, if there's no objections, we're moving onto agenda item four which is the discussion of Internal Audit Independence. We have put on the agenda the item of independence of the County Auditor. This has been a topic of our own internal discussion for a long period of time, at least since I've been on, and Manny precedes me by several centuries. You should have in front of you a draft resolution that we wish to adopt. I want to make it clear that this is not in any way personal. We're not targeting any member of management. But we feel, and have felt for some time, that the office of the independent auditor is in the wrong place in the chain of command. It's obvious that she, or he, whatever the case may be, must audit all activities in the County, and almost all activities of the County report to the County Manager and/or his/her subordinate department heads. That includes herself.

Best practices, both for the private sector and for the public sector, demand that the internal auditor of the entity report directly to the governing body. In the private sector that usually is the corporate board of directors. And in the case of the County, it should be the Board of County Commissioners. The reason for that is obvious, she is rated, approved, given whatever bonuses or perks, etc. within the discretion of the County Manager, by the County Manager. She is therefore under the influence of the County Manager. Now I'm not saying that influence has to be used. But she's under the influence of the County Manager as to how, when, where, who she audits. That is not the degree of independence which best practices demand. On the other side of the picture there are certain activities which we would ask the County Manager to administer for Internal Audit. A dotted line, if you will, up to the County Manager. The County Manager is responsible for housing Internal Audit, paying Internal Audit, using their personnel department to hire staff, and for administering all the other logistical functions that they would for any office of the County that depends on the County Manager and her department heads. So, there is a bit of a dichotomy.

Nonetheless, we feel that the reporting line should be to the BOCC for operational purposes, for example, the plan, when, how, where it is administered, which departments she should she focus on. Of course, you'd be receiving her recommendations for that, but you would be the ones that would be determinative of her proposed work product and her final work product. We see our role, as the Audit Oversight Committee (AOC), as being to advise you, to make recommendations about it. For example, before approving an annual audit plan you would want our input, I hope. And you would want to have our suggestions, as would the Internal Auditor, Darlana. But we feel that the ultimate aim, to ensure true financial integrity, to ensure that the County is performing per best practices throughout government and private industry as well, is that her reporting line for operational purposes should be to you the Commissioners. We know that is an additional load for you, an additional challenge to which we, the AOC, are committed to helping in whatever way we can. Whatever way you decide. I think that's the sum and substance of it.

DR. MCCOY: Yes.

MR. GORDON: We prepared the paper called Internal Audit Independence, which you should have. And another one called Restructuring of the Internal Audit Department. In addition, I have prepared a resolution of this committee, hopefully for adoption after discussion today, wherein we do exactly what I just discussed. And, of course, our resolution is a recommendation to you. You can throw it in the garbage. You can adopt it. You can modify it and tell us how, when, where, whatever you wish to do. That's the sum and substance of this item on the agenda and I defer to my fellow committee members.

MR. ROJAS: This item first came up the last time we had a full meeting. I brought it up. We feel very strongly about audit independence. The Audit Oversight Committee, the bylaws of this committee, which were approved a couple of times, the last time I think was 2010 by the Board of County Commissioners, clearly state that it's an independent committee for the purpose of oversight over the audit department. Which means this committee is basically in charge of managing what the auditor does. Reviewing the audit plan, approving the audit plan, and making sure that we have a good audit plan. And making sure that it's completed. The problem is that the right arm of this committee is the Internal Auditor. The Internal Auditor is not completely independent of management. This puts this committee at risk of not being independent as the bylaws state. That's part of the reason why we bring this matter up. We need to be fully independent in order to have a complete and objective audit opinion on the things that we're auditing. So that's where we stand right now. I think what we'd like to do is to bring this before the Commissioners and have it looked upon by the full Board and consider the changing of oversight to be strictly by the BOCC. We'd like to hear of any other comments by the County Manager or other parties.

MANAGER SOWELL: What I am passing out is the summary of reporting structure of internal audit departments.

MR. ROJAS: One last thing is I don't mean to compare us to other counties and how they do things.

MANAGER SOWELL: Oh, we must if we talk about best practices.

MR. ROJAS: I think we need to look at what's best for Durham County and how we want to structure the audit department, the audit function, and the audit oversight. Years ago, a long time ago, in the early 2000s, is when this committee was formed, and the bylaws were originally drafted. Since then, like I said, they've been recertified. So, it's pretty clear that the Board of County Commissioners stands behind the Audit Oversight Committee. And they stand behind what the Audit Oversight Committee does, and that is oversee the performance of the audit plan itself. That's where we are right now.

MANAGER SOWELL: I'd like to make a comment whenever you all are ready. I just want to make sure our board members are fully informed, because it is completely up to them, and I will respect their decision. But I think they should have the most information so that they can make the best decision whatever decision they come to. If you all are ready, I have a few comments.

DR. MCCOY: We are.

MANAGER SOWELL: Ok. So, I completely agree that we have to do what's best for Durham County. But I heard multiple references to "best practices" for County government, so I took it upon myself to look at where the Internal Audit Department reports in the top 10 largest counties in this state as well as the top 4 cities in the state. When you talk about best practices it means that those governments or municipalities that have a similar reporting structure, similar urban structure, similar organization structure. When it's a best practice a lot of people are actually using that. This printout here demonstrates that most of the top 10 largest counties in North Carolina the Internal Audit Department reports to either the City Manager or the County Manager, and some municipalities and counties actually report lower than the City or County Manager. There are two jurisdictions in which the department does report to the BOCC. One of them, Buncombe County, and you can Google this, was because of some financial improprieties that happened at the County Manager and senior leadership level – and that was when they made that change. And I think it was appropriate. But for this situation – I will say I feel like I'm uniquely qualified to have this conversation. You all may not know my career started out as an auditor in one of the Big 6, Deloitte Touche, so I am fully aware of how audit procedures should work. I am fully aware of the value of audit, whether it be internal or external. And I am a proponent of making sure we are auditing our internal processes, making sure there are no improprieties or malfeasance. And I will be the first one to point out some stuff and say 'look at this' and if we find that there are issues, we need to address it. I didn't get to this level sweeping things under the rug. That's what I'm about. So, I wanted us to see that

it is not best practice in the state of North Carolina for internal audit departments to report to a board. Now if we want to get into specifics about Durham County, because you mentioned that, we should look at what's best for Durham County, we can do that.

I have a copy of the initial report that was provided to me on an investigation. I will just say, and I want to respect where we are, but I will just say I had some concerns, there were some deficiencies in how that investigation was carried out. As an auditor I know what it looks like when we are not being objective. And that investigation, to me, was not objective.

DR. MCCOY: My only concern is I want us to be conscious of the fact that we are talking about a confidential matter.

MANAGER SOWELL: That's not confidential.

DR. MCCOY: Do we want to go to closed session? Because our meeting notes are public.

MANAGER SOWELL: I'm saying I was not comfortable with how that investigation was carried out.

DR. MCCOY: OK. Just want to make sure we stay just on the operation.

MANAGER SOWELL: I'm fully aware. I've been through municipal, and county government administration courts.

DR. MCCOY: I hear you. I just want to make sure we put it on the notes.

MANAGER SOWELL: Right. But I need for this committee, and my board members, to understand there are some areas of concern with how some of our internal audit processes are carried out. I won't divulge that in here, but I'm saying if we put that burden on our board members who may not be as familiar with how an audit should be carried out, who may not be as familiar with making sure we are reporting responsibly – because if we issue a report that is damaging to Durham County, but it is not done in a responsible manner, that is trust that has been eroded. And it is hard to reestablish trust with our community. So, this is not just about giving someone the reporting structure to the BOCC so that they can feel like they get a fair performance. This is about protecting the integrity of our internal audit department. It concerns me if we were to allow the reporting structure to go to the board and the board may not know what to look for.

MS. MOORE: Excuse me a minute. Can I dismiss my staff?

DR. MCCOY: Yes.

*At this point, Mischa Preston, Jerry Roy, and Jacob Owusu were dismissed.*

DR. MCCOY: I hear your passion in what you're saying. And we appreciate your passion. I don't want you to lose sight of the Audit Oversight Committee and our role in the process, too. If our recommendation is that the Director of Internal Audit does not report to the County Manager, the Board of County Commissioners still has the AOC. And they elect us to come on, and our expertise as well. There's still this forum, and a panel, to have those issues and concerns discussed. So, I hear what you're saying, and we understand it, but also there's this role that we have as audit oversight, and if we see things that we are concerned with we bring them up as well. So, I don't want to lose sight of your expertise that you're bringing on board, but I also want to reiterate the panel's expertise and experiences that we bring on board as well.

Thank you for doing this and having the research that's done. We are concerned not just with best practices and what other people are doing, but we also need to be concerned with what's right and what is necessary for Durham County. So just because the masses are doing it, the question is, "is it still the right thing to do?" And that's really what we're here to have a conversation about. As we see that people are doing this we think about the standard, we think about what's going on, we think about what changes we've seen over the last couple of years prior to you even coming. We see the movement of audits, and audit scope changing, now we're getting into what is the integrity and objectivity that can be done and structured here. If you have concerns operationally about what's going on the question that I would then ask is when I first I asked you what are your issues and concerns, what did you say? I tried calling you about it, those types of things. My thing is these are where we need to be having these discussions. Even if there is a restructure based on the motion that's presented, that would not change, because at the end of the day you are the client.

MANAGER SOWELL: It would change. I will tell you.

DR. MCCOY: I don't think your input would change. You would still have your input of how you see things we're doing, how you see them occurring, and you report them to the board. So, you would be able to voice your concerns as well.

MANAGER SOWELL: So, I need to explain some things. I need the board to understand I wouldn't see things the way I see them now. They wouldn't be required to come to me for approval. If she reports to the board, that's going directly to the board. I don't have to look at anything.

DR. MCCOY: But then the question is what are you approving?

MANAGER SOWELL: Again, what I'm saying is first of all, I don't even know why you keep saying we need to do what's right. What's wrong? What are we trying to correct? And I understand I am only six months in.



MR. GORDON: I may address that. The gold standard for accounting and auditing is the General Accounting Office. In two GAO reports, one in 2011, which was a revision of a previous one, and in 2018 again they talk about the independence of a government auditor. Independence, let me just read some of it. "In all matters relating to the audit work the audit organization and the individual auditor, whether government or public, must be independent." 3.03. Independence comprises, it goes on to say, independence of mind, independence of appearance. Let me skip to the relevant points. "They maintain their independence so that their opinions, findings, conclusions, judgments, and recommendations will be impartial and viewed as impartial by reasonable and informed third parties. They are not independent and thus are not capable of exercising objective and impartial judgment on all issues associated with conducting the audit and reporting on the work if they are subordinate to the agencies or the agent that they are auditing." Except under limited circumstances, discussed somewhere else, should be independent from an audited entity. Auditors should be independent from an audited entity during any period of time that falls within the period covered by the financial statements or subject matter of the audit." That's the entire year. Anyway, if you look at GAO report 12-331g, which I can turn over to you now.

MS. MOORE: It's the Yellow Book.

MR. GORDON: Do they have it?

MS. MOORE: No. I don't think so.

MR. GORDON: The point of it all is this would have happened if John Doe were the County Manager.

MANAGER SOWELL: I get it.

MR. GORDON: The problem is that as she performs her audits, she is in effect auditing her boss. Her boss' performance may, or may not, be reflected in the final audit report. Her subordinates who owe her, obviously, loyalty and support, are being audited. And they may, or may not, have influence on the County Manager, as they should. So, the best practice is not what other counties may, or may not, be doing, but what is in fact construed to be the gold standard for the country and for the private sector. As I look down this list of counties one would objectively eliminate the fourth column, Finance Department. Since the auditor audits the finance department, one of the most important areas she must get into, those three are obviously out of whack. I don't see how the internal auditor can be independent of the head of the finance department if they are in the finance department. Assistant Manager – the Assistant Manager is beholden to the County Manager. So, the third column seems to me would be also out of whack. The first column, obviously there are two counties that report to the BOCC, and I submit to you most respectfully, that the

placement of the internal auditor in those nine other counties is incorrect. I have nothing to do with any of these counties except Durham, but I would submit that that is incorrect. It should not be there. For the obvious reason that the internal auditor, no matter how objective, no matter how well-organized, and well-spirited, and well-intentioned the County Manager, it's just not where the internal auditor should be. Not to really preserve her independence. Now, for example, our internal auditor, her performance is appraised by, rated by, her compensation is dependent upon, the County Manager. I'm not saying that isn't being done fairly and objectively in this case, but who knows what could happen with the next County Manager, or ten County Mangers from now. Who knows what could prevail? We have seen egregious problems in internal audit in other jurisdictions, in this state and elsewhere. Especially at the municipal level. For that reason, while I do appreciate the research done here, I don't think it is really determinable. That's how I would reply to that. Again, GAO report, as far as we're concerned is dispositive.

COMMISSIONER HOWERTON: Let me ask a question. What are commissioners supposed to do? What will be the responsibility of the Commissioners?

MR. GORDON: I have drafted a resolution of this committee, which of course merely recommends to you -

COMMISSIONER HOWERTON: So, you've got commissioners who don't have a clue about auditing and the responsibility of auditing, and don't have the time to learn it. We get a report as commissioners, what are we supposed to do with it?

MR. GORDON: First of all, your Audit Oversight Committee has got to be in that equation. Let's start from the beginning. Let's talk about the determination that X Department has to be audited, or a division within that department needs to be audited. Like DSS. The Internal Auditor would make a recommendation to both you and, secondarily, a copy of that information to the County Manager. She should know what internal audits are going on. It's not like she could be kept in the blind. But you would be the recipient and the determinator of what internal audits are being conducted. So, the first thing is she would submit her plan to you for approval.

DR. MCCOY: Which we currently do.

MR. GORDON: Which we currently do, and which we pass on before you even get it and make our own recommendations.

COMMISSIONER JACOBS: The County Manager is an ex-officio member of the Audit Committee.

MR. GORDON: That's correct. We're not cutting her out.

MR. ROJAS: Can I add something. The Audit Oversight Committee was created about 15 years ago by the BOCC because they realized they did not have any audit skills. So, they deferred the audit problem to an audit oversight committee. Which is made up of three public members who have some experience with auditing or finance, and also included two commissioners that were on this board. So that was recognized some time ago. And certainly, this is no dissatisfaction with the County Manager at all. We've been through several County Managers so far. Back then Mike Ruffin was the County Manger, and he decided the Board needed some assistance in overseeing the audit function, therefore the AOC was created. The bylaws were drafted. The bylaws were approved. The bylaws were again looked upon with Commissioner Page when he was Chairman in 2010, I believe it was. And a mission statement was added to be clear what the mission of this committee was. And it is basically to help the BOCC oversee the audit function. You guys don't need to be experts in auditing. That's why you defer it to the AOC. The AOC then was given the task of overseeing the audit function. This means the Audit Oversight Committee looks at the audit plan and makes sure that those audits are completed and makes sure the auditor has a risk plan to determine what needs to be audited. The AOC is more or less managing without direct authority over the Internal Auditor. When you look at other counties, I think Durham County was a pioneer in looking at Internal Audit as an independent function when they created the AOC. We've been a pioneer all along. These other counties have not followed suit. That's unfortunate for them. Maybe they haven't given the internal audit function the proper authority.

MR. GORDON: If I may interject, some of these counties have had scandals which could've been uncovered by internal audit. Notably, the one I'm aware of, the one in Wake County. I believe Orange County too.

COMMISSIONER JACOBS: It seems like, functionally, maybe things wouldn't really change that much. Maybe twice a year we would have a closed session where audit reports would be discussed with the Board of County Commissioners. Honestly, since I've been on the committee, the County Manager hasn't really had that much to do with directly, I guess this is my sixth year now, but usually things just function. It seems like what you're saying is maybe twice a year there will be some type of report where the Audit Oversight Committee comes to the Board just to inform the Board of what's going on. I don't see that much changing.

MR. GORDON: Yes. That would be part of it. To further answer Commissioner Howerton's question, how would it work? You would receive recommendations for what should be audited. You would receive the audit plan; you would review it after we've reviewed it and made our recommendations. You would receive the audit reports after we've reviewed them. You would also be getting, and I think you do now, the report of the external auditor after we've reviewed it. And you would hire, this is what's different, or fire, rate, this is the added responsibility, the conduct of the Internal Auditor. She, in turn, would do the same for her subordinates. So, the biggest difference is that there would be a

dotted line to the County Manager, and a direct line in the chain of command to the BOCC. So that she reports to you for all operational reasons. For anything related to logistics: housing, hiring, firing, pay, cars, whatever, obviously she would report to the County Manager and be supported by the County Manager. We don't see any reason why, in terms of placement on the organization chart, there should be any difference between the County Attorney.

COMMISSIONER HOWERTON: I'm not understanding the purpose for all of this. I'm really not. I've got the information. I've read it. I hear what you're saying, but it's really not making organizational sense to me right now. It's just not. Maybe there's something I'm missing, but I'm just not getting the why.

MR. GORDON: The why really is to preserve us. It is to protect us from what may happen.

COMMISSIONER HOWERTON: In what way?

MR. GORDON: When there is a lack, and there definitely is, a lack of independence, if something goes awry in the County government that the internal auditor has not looked at, or could not look at, or when it is mentioned in public that she or he is subordinate to the County Manager, we lose the appearance of objectivity. If something goes awry, and inevitably it will, we will be under attack (all of us) and under criticism, constructive or otherwise, for what we could or should have done in the first place. That's the whole purpose of internal audit, is to protect us.

COMMISSIONER HOWERTON: So, the other thing I hear you saying, and correct me if I'm wrong, what I hear you saying is that you want the Board of County Commissioners to be responsible for a report that they have no expertise in, clarifying that it's accurate.

MR. GORDON: Except that you will have the support, as it's supposed to be, of this committee. And we will review everything before it goes to you, so you will not be in the dark so to speak.

MS. MOORE: May I say something please? Because I'm just sitting here and I'm not saying a word and I'd like some things to be on the record. I want it in the minutes. So, first of all, let me just say this, I started with the County on October 23, 2017. When I started with the County it was different for all of the auditees, which are the departments. Because I guess I audit differently than my predecessor. And when I say different, I mean looking at everything from the inception to everything going into the GL. When we talk about objectivity I don't just go in and audit. When I say "I" I'm talking about the Internal Audit Department. We audit in accordance with the Yellow Book.

COMMISSIONER JACOBS: What is the yellow book?

MS. MOORE: The Yellow Book is the GAO document that you were passed. That's what I will be peer-reviewed on in December. So, if I'm not auditing or conducting investigations according to objectivity it will be noted, and it will be cited when my peers come in to peer review me. The Yellow Book gives us guidance as to how to conduct audits from the start of the audit to the completion of the report. Therefore, we're not rogue auditors. I take offense, respectfully take offense, to saying we're not objective because my staff and I work very hard. And we work very long hours. And those kids, they've been doing a damn good job.

When it comes to investigations, and especially when it comes to investigations of peers, it's hard. It's hard because you have to separate yourself and say, "ok, what is best." Especially in the audit function because I have a fiduciary responsibility to the citizens of Durham County. So, I don't know what the particulars are that Dr. Sowell is referring to. I have had two one-on-ones with you and at no time did you cite any of this.

MANAGER SOWELL: I asked questions and you said, "oh, I didn't know about that."

MS. MOORE: Yes ma'am, you asked questions. What did I say I didn't know about? The questions you asked, I answered. You asked me about my audit process. I walked you through the process from start to finish. You asked me about my peer review – how I was peer-reviewed, who peer-reviews me – so at no time did I say there was anything I did not know about.

MANAGER SOWELL: I asked you about the contractual authority that General Statute 130A.45 gives to the Public Health Director.

MS. MOORE: Okay, right, and I did not know about that.

MANAGER SOWELL: And it had a bearing on a finding. So that's what I'm saying, if there's information and knowledge that people don't know about then they don't ask the right questions. I'm not slamming anyone. I'm just saying you have to have the appropriate knowledge to have questions to ask. I asked you about the-

DR. MCCOY: So-

MANAGER SOWELL: We have to go here because you all are recommending to our board that they take authority for something that I am really afraid for them to take authority of.

DR. MCCOY: And I hear you. My thing is, the process may change a little, but you'll still have that input. You would still be able to review the report. You would still have the input to have that conversation.

MANAGER SOWELL: I would expect the AOC to have the conversations with her that I had. To sit with her for an hour and go line by line through that report and ask questions.

DR. MCCOY: So, is that your recommendation as part of this motion?

MANAGER SOWELL: That would be the AOC. That's not just once a month, in an hour you all come in sit down and review. We had in depth conversations and we went back and forth. This is not just something where you all will come in review the review and say, "Oh, it looks good. We have some periodical changes here and there." No, no, no, no. You have to understand operationally what every department in this County does and make sure that we have done a just job in performing the audits and that we have considered and compared things that need to be compared. That's what I would expect.

MR. GORDON: But on every audit, you're getting a copy of the audit. Your subordinate managers have a responsibility and have been allowed to make full comment. And in many of those cases comments have been taken into consideration and the report amended. So, no one is denying that you should have input. No one is recommending you be kept in the dark. The audit plan is still the County's. It's for anyone in the County, including the public, to see.

MS. MOORE: Let me ask a question. Dr. Sowell, when did you learn of the reg? When you first read the report and we first sat down you had no knowledge of the reg yourself.

MANAGER SOWELL: I absolutely did.

MS. MOORE: So, let me just say this, because it's sounding like you're trying to say I'm incompetent.

MANAGER SOWELL: I didn't say you're incompetent.

MS. MOORE: Do we know every law? Does every auditor know every law?

MANAGER SOWELL: What I'm saying is there is knowledge that a manager has. I absolutely want to know if there are improprieties going on, if there is malfeasance going on. It is my duty to make sure we address it.

DR. MCCOY: Dr. Sowell, you will still have that.

MANAGER SOWELL: I'm not saying I won't. What I'm saying to you is -

DR. MCCOY: That is, to me, a process of the audit, that you would still have that opportunity. And when the audit report is presented here, you have that opportunity to have that discussion here too, because that happens before it gets to the BOCC. We all have a

role. And the process allows everybody to have that voice. We also have the auditee here when they present so they can say what they need to say. To your point that I may not know, these are mechanisms that are currently in place that allow everyone to have a voice and opportunity to say what they need to say so that we have a good understanding of what happened during the audit, what issues were brought up, the context of those items. We still want you to be just as passionate and do those things, because that expertise is good before it rolls up to the BOCC. So, none of that's going to change. Our current process allows all individuals to have that voice so that there is a good understanding of what was done, and the quality that was done. Anything that was missed can be brought up and rebutted here. We just had a rebuttal earlier when they presented the Medicaid report. So, we're not changing any of that.

MANAGER SOWELL: Our conversations get much deeper.

MR. ROJAS: When this whole thing was created, when the Audit Oversight Committee was created, we recognized that. That's why the County Manager was made a part of this committee, a member of this committee. A non-voting member, but certainly a member of this committee, so that we can hear all facets of what's going on. So, we're not excluding the County Manager. And really what's happening now is not what we intended at all. To make you separate yourself and say, "we don't have any confidence in you." That's not it at all. We have very much confidence in you. We think you do a good job. I know you're new, but hey, everybody starts out somewhere and obviously it's going very well. But the situation that we're creating here is not what was intended at all when we started looking at independence. I thought that maybe you would support taking the auditor away from you so there would never be any question like, "hey, the County Manager oversees the Internal Auditor, so maybe she swayed her opinion." I thought you would say, "you know, I don't want to have anything to do with managing the auditor. Separate me and the auditor so when the auditor issues an opinion or issues a report that is purely the auditor's opinion and not mine." It shows it's an unbiased opinion. Not biased by anyone except for the auditor herself.

MR. GORDON: The crux of all of this boils down to one question, "How independent should the Internal Auditor be from management without sacrificing the benefits that accrue from her being a member of the system?" I think you would acknowledge that if your office alone, for some reason, were being audited by Darlana, or some immediate subordinate like not you personally, but your immediate office, I think you would acknowledge that she should be independent.

MANAGER SOWELL: I would actually get an independent audit group to come in and do that, to be completely honest with you.

MR. GORDON: Well, you have an independent auditor. She's the Internal Auditor.

MANAGER SOWELL: I will just leave it at this. I hear you. It would be easy for me to say, "Yeah. I want to be independent." But I know what can happen. I will just say it is up to our board. I'm trying to look out and protect the image and what comes out from Durham County government. But whatever the Board decides I will abide by. It will be easier for me if it were removed from my reporting structure. But as a former auditor and as a County administrator I don't advise that that happen.

MR. ROJAS: The County Manager always has a voice in what the County Auditor does by being a member of the AOC, always has a voice.

MANAGER SOWELL: There are things that I have said to her one-on-one that I wouldn't say in a public setting, so that's where the line is drawn.

MR. GORDON: Anything the County Commissioners would like to say?

COMMISSIONER JACOBS: What I hear Kim saying is she wants to make sure that there is a role for the County Manager because there are things the County Manager is going to know that the Internal Auditor may not know. That's what I hear you saying when you refer to certain general statutes and things like that.

COMMISSIONER HOWERTON: And the County Commissioners will not know.

COMMISSIONER JACOBS: Ultimate responsibility for County government rests with us statutorily. I want to do whatever is considered best practice. That's my concern, because ultimately if something does go wrong the blame will be on elected officials. If we're going to change the way we're doing things I just want to make sure that in the process the County Manager will have input in this audit advisory. Then if there is an annual presentation, closed session, with the County Commissioners that the County Manager is also there to weigh-in so that we always have that perspective if there was some disagreement. For me, ultimately, this is a Board of County Commissioners' decision. So, the audit committee can make a recommendation, but it then needs to be discussed and decided upon. That's my perspective. You all are the experts, that's why we appoint you all. I know there is going to be an external peer review, and the peer review folks, they may recommend this. I don't know.

MR. ROJAS: I do want to say, Wendy, that we realize in making this recommendation of auditor Independence that there are a lot of details that still need to be worked out, and we can't work them out here in this meeting obviously. We probably need a working session or something where we can talk about how we make this transition happen. Who's responsible for what? The AOC was created years ago kind of for this purpose. The AOC was not created for the day-to-day supervision of the Internal Auditor. But the AOC was created to oversee the audit function. Managers are part of it, but in this transition that we're talking about right now, there's a lot of details that need to be work out. And I think



we could meet in a separate situation and have a discussion to see how we make this happen and see if it's actually pliable.

COMMISSIONER JACOBS: The other people that we provide oversight to - we don't have any expertise about tax administration. The Tax Administrator reports to us once a year. The County Attorney, Register of Deeds, the Sheriff, although we don't appoint them, they still report to us. We know we don't have that expertise, but it's an annual thing. This is just an annual thing, where the internal auditor reports to our board once a year.

MANAGER SOWELL: The only difference is that the internal auditor is working with internal departments all year long. That's the difference.

MR. GORDON: That's exactly the reason for this draft resolution.

COMMISSIONER HOWERTON: What I keep seeing applies to the newspaper. If the County Commissioners are responsible, and we approve an audit, and something is incorrect in that audit, it's going to be the first thing that hits the newspaper. There's no chance of correcting it before it hits the paper.

MS. MOORE: Can I say something? I'm sorry, if you guys feel -

COMMISSIONER HOWERTON: I'm not saying you would do anything wrong. This is not about you. It's about the process. This is about the process that you're asking the County Commissioners to take on that not one of us has any expertise in. That makes me uncomfortable that we have no expertise in something you're asking us to take on. If any of us had any expertise I think it'd be different. You have five people that have no auditing experience. You're saying we don't need any. I beg to differ. We need to know something here.

DR. MCCOY: You are responsible - when it's presented here you vote as well on the audit. As a person who is going through training for Independent Directorship, they all talk about, if something is new to you, you get trained. So maybe we hold a training session for the BOCC. There are things that we can do, if that's the issue, to help us get over those humps. So that's what I'm offering.

COMMISSIONER HOWERTON: It won't happen right away. There's got to be a lot more conversation about this. I'm not ready to move on.

MR. GORDON: In furtherance to that conversation, I have drafted, and I just amended the draft resolution we gave to you. Down where it says, "now therefore we resolve" I made a little mistake there, it should be that "it is *recommended* to the BOCC" after the words "AOC that." In other words, we're recommending to you. One - remains unchanged. Two - "The County Manager and subordinate offices do responsibly provide logistical support

to the IAD and staff insofar as to ensure the activities of the IAD receive the resources;” and I added “and to provide input on all IA activities to the AOC and BOCC.” I would ask that we entertain a motion for the adoption of this resolution. Do we have a motion?

MR. ROJAS: I’d like to move that the Auditor Independence Resolution be adopted.

DR. MCCOY: I second.

MR. GORDON: All in favor?

*Dr. McCoy, Mr. Gordon, Mr. Rojas, and Commissioner Jacobs voted “aye.”  
Commissioner Howerton voted “nay.”*

MR. GORDON: So, it is adopted 4-1, Commissioner Howerton dissenting.

COMMISSIONER JACOBS: I just have a question. What is the process then? Would you all be coming to our Board?

MR. GORDON: If you wish.

MR. ROJAS: I think the original intention was for the AOC to bring it to the attention of the BOCC to recognize that auditor independence would be beneficial to the County. And maybe this should be a motion for this board to ask the BOCC to look into the matter, discuss it, and vote upon whether to transition the Internal Auditor from under the County Manager to the BOCC.

MR. GORDON: With all due respect, that’s exactly what this resolution recommends.

MR. ROJAS: We recommend that the BOCC take this on and vote upon it. Look at it and say, “Is this what we want to do?”

MR. GORDON: If you need more information, or want to meet with us separately, no problem. We’re at your disposal. And likewise, Dr. Sowell, if you would like more information or whatever.

COMMISSIONER JACOBS: It sounds like maybe there should be a discussion.

MANAGER SOWELL: I will leave this to you all.

COMMISSIONER HOWERTON: I don’t understand all of the particulars around all that you’re asking us to do. And I’m not a stupid woman and I’ve been around here for 14 years. I have a little bit of insight here. I’m just not comfortable with all that this is saying.

MR. GORDON: Well, that's why we offered further discussion. We've adopted this motion. We've recommended it to you, the independence of the internal auditor. We'd be glad to meet with the full body if you'd like to further explain it, elaborate it, and do what we need to do to make every Commissioner comfortable and recommend it. We could go to other sources, for instance GAAP (Generally Accepted Accounting Principles), that would also support the position of independence.

COMMISSIONER HOWERTON: I would like to give it some thought and see what my questions are. I'm just not comfortable here to say yes. I can't just move off a dime because my gut is saying no. And when that happens, I have to honor that until I can get some more information. What I would suggest is I need some time before I can recommend it to the Board. The Board can move forward in spite of my objection because all you need is three. But right now, as Chair, I'm not comfortable bringing this before the Board.

MR. ROJAS: I think that's the proper thing to do. This isn't something we take lightly. This is something I've been thinking about since I met you in our first AOC meeting. I've been talking about this for a long time. The three of us have talked about it with you guys. So, it's something we've talked about, thought about. There are still a lot of details to be worked out. We want the County Manager to be on the team with us, saying "Yes, I think that would be a good thing also." We want everybody to say "yes." One person dissenting would not be the proper thing.

COMMISSIONER HOWERTON: Give me some time to do some research and analysis around this for us to get comfortable with what it is that you're recommending one way or the other.

MR. GORDON: That's exactly what we should do.

MR. ROJAS: That's what we want.

## **E. Status of the Audit Plan**

MR. GORDON: We move on to item five, discussion of ongoing work. Darlana.

MS. MOORE: Currently, we are concluding the Asset Forfeiture and Child Support audits. We should be exiting out of those soon and issuing a report. Our next audits are going to be the CARES Act and the AP (Accounts Payable) audits. Concerning CARES and AP, I am getting a little pushback there. I sent the Manager an email concerning my discussion with Claudia. Normally what I do is talk to the managers ahead of time to ask them if it's a good time, as a courtesy, to come in and conduct the audit. Currently Finance is working on the external audit. Initially, I had a lot of Finance audits that have been pushed onto this current plan from other plans. I audited the Sheriff, which is the Asset Forfeiture audit, and DSS, which is Child Support. Initially, Claudia said we were ready to go with CARES.

Then she came back and said “No, let’s do CARES in November and AP in mid-December. We know that December is a month that a lot of people are going to be out, so you may as well say that’s pushing it back to January. The only other audits that I can put in place that are on the plan would be going back to the Sheriff and DSS and auditing them again. Because the majority of the audits that are on the plan are Finance, the Sheriff, and DSS.

I sent the Manager a letter yesterday morning so that she could be aware that if I’m continuously pushing back, or getting pushed back, it’s going to affect the plan and the plan will not get completed.

MR. ROJAS: Let me understand. Are saying that management is telling you when you can and when you can’t audit?

MS. MOORE: Pretty much.

MR. ROJAS: That’s a problem.

MS. MOORE: Let me say this. And I’m speaking respectfully because we’re all adults in the room. I feel like you’ve been here six months and my body of work for five years is being judged. Which it’s going to be judged by professionals in December, so that’s not a problem. But we follow the protocols and the standards of the Yellow Book. That’s what we do. And I apologize if I’m taking it personally because I am. Because you said one of the issues was how we carry out audits.

MANAGER SOWELL: That one investigation.

MS. MOORE: I don’t know how you used that one reg, but that investigation was carried out correctly. That is how management is interpreting how the investigation was carried out. And there’s one other thing that’s going around that I’m hearing that Audit is destroying the image of Durham County. The image or the brand. When Wendell was here, he had an audit background. As far and I can tell he piggybacked off of Mike Ruffin. Wendell had no issues with my audit reports with my audit findings. I think he was a very intelligent person. He read my reports. The Board read my reports. I think to question the objectivity of these audits is to question this board who has a board member with a CPA, Big Four experience, Ph.D. in accounting, and an accounting professor. We have highly degreed individuals. An attorney, an ex-audit manager. And I am also Big Four.

We audit in accordance with standards. What was said when I did speak to Claudia was that she didn’t want this to be a witch hunt. I want to know exactly what you guys are looking at, I want to know exactly what the population is (the sample population), and the scope. And anyone with an audit background knows I can’t give her any of that information until we have conducted proper planning.

MANAGER SOWELL: We should have an audit work plan though, of what we will be auditing.

MS. MOORE: The work plan comes into play with what our objectives are. We work from our objectives.

MANAGER SOWELL: And me, you, and her will sit down and have a conversation about this. I got your email. I think where the frustration is coming in, I think AP was supposed to be audited in January.

MS. MOORE: No ma'am.

MANAGER SOWELL: That's not the case. Ok.

MS. MOORE: I'll explain to you all as I explained to Claudia yesterday. When the AOC approves the audit plan, they approve the audits. I then decide when all of the areas are going to be audited. Nobody in management knows when those audits are going to take place.

MANAGER SOWELL: So again, just like we know when our external auditors are coming in, I think we should sit down with the directors and say, "here is what I'm planning." Departments have heavy work seasons. So, I would want to make sure that they have the available staff to respond to your needs and requests. I think that's where the disconnect is. People feel like Internal Audit is just dropping in to say "ok, we're ready to do the audit."

MR. GORDON: That's what internal audit is supposed to do.

MANAGER SOWELL: That's a surprise audit. That's a cash audit.

MR. ROJAS: No.

MS. MOORE: No ma'am.

MANAGER SOWELL: When you have a work plan you let people know we're going to do your audit this year. What does it look like to come in during year-end close activities to our Finance Department that is wrapped up in year-end close and that is now preparing to work with external auditors and say, "Oh, now internal audit is here?" You've got to finish closing your year, work with your external auditors, and now work with your internal auditors. That, to me, can be managed. That's the conversation.

MR. GORDON: Internal Audit does, and should, notify the manager that she is coming in, but the manager should have zero input, except to advise her "it's a busy season can we

put it off till January?” The final determination is hers – not the manager’s. Otherwise, what we are doing is creating a path to evasion of controls.

MANAGER SOWELL: We’ll sit down. Because there are some underlying things that you all are not aware of. And I don’t want to discuss that here. What I’m saying is I give her full authority to go in and do her audits.

MR. GORDON: That’s exactly the point.

MANAGER SOWELL: That’s exactly what she needs to do.

MR. GORDON: You don’t have the authority to give her authority. That is our whole point.

MANAGER SOWELL: I’m sorry. I give her full authority to have conversations with people. But as the County Manager, I have to make sure that staff’s workload is balanced. Do you know what our vacancy rate is? So, do we want to drive people?

MR. GORDON: I’m sure it’s high.

MANAGER SOWELL: So, it’s not just about our audit team coming in to say “thou shalt.” It’s about making sure we have properly planned and managed. If we have a work plan, why can’t we sit down with the directors and say, “alright, between this time and this time your staff needs to be ready.” And it shouldn’t be when they are doing year-end closing. You all are finance professionals. You know what year-end closing processes look like. How would you have felt if you are doing year-end processes, you are now making reports and sitting down to talk with external auditors, and then here comes the internal auditor.

MR. GORDON: No one is saying that the manager being audited doesn’t have input and can’t complain.

MANAGER SOWELL: But that’s what’s happening.

MS. MOORE: That’s not true.

MANAGER SOWELL: You’re saying that she should not have any type of input.

MR. GORDON: No.

MANAGER SOWELL: As an administrator, that is unacceptable.

MR. GORDON: That’s not what we’re saying.

MANAGER SOWELL: I’m hearing two different things.

MR. GORDON: The manager that's being audited can certainly object to the timing, the manner, the performance, etc. What we are saying is the final decision on that is not with management. It's with the internal auditor. And I am sure that any reasonable internal auditor will make accommodations to respect that.

MS. MOORE: Can I please say something? I don't know what you're hearing, but I always contact the managers at least a month or two in advance before going in.

MANAGER SOWELL: I just want us to sit down.

MS. MOORE: One moment Dr. Sowell. I let you guys talk. I really did. But now I'm telling you my side of the story because I know you're listening to operations.

MANAGER SOWELL: I want both sides in the room.

MS. MOORE: I don't have a problem with that Dr. Sowell, and any time you schedule a meeting I would love to have that conversation. So, I always contact them. And you all know this, you can go back in the minutes, it's normally Finance that's never ready. No time of the year are they ready. Therefore, it's always DSS, normally Ben, if you guys remember, who's always taking the hit. "Ben, Finance is not ready. Do you mind if I move one of your audits up?" He will say yes, although it's not comfortable for his staff either. They're short-staffed at DSS too. Everyone in the entire organization is short-staffed.

DR. MCCOY: I think we have had enough time to let both sides say what they need to say. So, the resolution at this point is to say what?

MR. GORDON: Is to accept the report of the internal auditor.

DR. MCCOY: Right. So now Finance basically has issues about timing?

MANAGER SOWELL: The timing.

DR. MCCOY: The timing. So, we have to what? Go back into the Sheriff.

MS. MOORE: The Sheriff or DSS and start new audits there.

MR. GORDON: The Sheriff is short-staffed too. I suggest we go back into DSS.

DR. MCCOY: But we just had a report from Medicaid.

MS. MOORE: And we're just finishing up the Child Support audit.

COMMISSIONER JACOBS: Can I just say something? It's not fair to then go back to the Sheriff. DSS and Sheriff we know are two of the most under-staffed departments in County government. I have to say both of them have been accommodating. When you guys have presented on DSS and the Sheriff the comments are always the staff were very accommodating and gave you whatever you needed. I'm sorry, but every department needs to be like that. You can't just be like "No. I'm busy and you can't have my stuff." DSS, I know from being Chair, those poor people are constantly being audited by the State. I don't want to push something back on them again.

MR. GORDON: How about a hiatus? In other words, you've got audit reports to finish. You've got other work. And we've got the holiday season upon us.

DR. MCCOY: Understanding that if we do take a hiatus, how long will it be? And now the BOCC has to understand that the audit department is basically taking a hiatus.

MR. GORDON: It's not like they're going on leave.

DR. MCCOY: And then they'll probably just do training, and the audit plan probably won't get completed.

MS. MOORE: It won't be complete for the year. The CARES Act is a 1200-hour audit, which you and I talked about in our last one-on-one, that CARES was coming up. You asked me what my next audits were. I told you what the next audits were. So, nobody's blindsided here.

MANAGER SOWELL: We're going to have an internal meeting.

DR. MCCOY: At this point, the implications are if we do take a hiatus, there's a potential that everything would shift. And is there anything that can be done with your staff during this?

MS. MOORE: And I'm also hiring more staff. I was talking with them today about working on some audit follow-up, but that would be DSS again. We can work on training, and we can also work on preparing for the peer review.

COMMISSIONER JACOBS: So, should we revise the audit plan then?

MS. MOORE: Yes. We will have to revise the audit plan. If we want the plan to be completed. I would like to say this before the board, in front of the professionals that know audit. When I have managers asking me saying, "I want to know the full sample, the full scope, the full this, the full that" I cannot give them that up front without reports, without population, without all of that. Then to make a comment that "I don't this to be a witch hunt." What is a witch hunt when we're following audit standards and protocol?



MANAGER SOWELL: I want us to meet internally so I can hear everybody in the room together. And we can talk through this together. I hear you. But I'd like to hear everybody in the room, so I can hear what everybody has to say.

DR. MCCOY: Darlana, if you could figure out how you can make a modification to the audit plan.

MS. MOORE: Will we need a special meeting to vote on the amended plan?

DR. MCCOY: Yes. And we need to do that outside of the December meeting.

MS. MOORE: That's the longest meeting of the year.

DR. MCCOY: So, we need to do that prior.

COMMISSIONER JACOBS: What about the special investigation? Don't you have that to do too?

MS. MOORE: The Manager has that.

MANAGER SOWELL: I have that for us to discuss under one of the next two items. But there are multiple special investigations that I have a list of. I only have one that I was reviewing. There were others that were on the list.

DR. MCCOY: So, we closed out item five.

MR. GORDON: On the agenda?

MS. MOORE: Yes.

MR. ROJAS: We're through with discussion on number five?

MS. MOORE: Yes.

MR. GORDON: Any new business or old business?

DR. SOWELL: I don't know if you want this covered under new business or old business?

MR. GORDON: It doesn't matter.

DR. SOWELL: And I would defer to the committee on how you all would like to handle this; Darlana had sent to me the draft of the report of the special investigation of Dr.

Jackson. And, I have heard you say in previous meetings that you all would not like for the manager to control what the report says, so I would like for us to do this in collaboration to review and have the discussion and I would like for us to do it here. I have copies of the report.

MR. GORDON: Wait a minute. Are we ready to do that now?

MS. MOORE: That's fine.

MR. ROJAS: Should we have a chance to read over that report before we talk about it?

MS. MOORE: You guys have already read it. I think she just wants to discuss what changes or edits she wants made.

DR. SOWELL: I want to discuss what my comments were for everyone to hear.

MR. ROJAS to MS. MOORE: Did you provide us a list of spending authorities as it relates to contracts and who has the right to spend over a certain amount, such as \$3k?

MS. MOORE: I think I did.

MR. ROJAS: We need that information now.

MS. MOORE: I don't have a copy of it and I don't know it off of the top of my head. That was a part of the contract monitoring.

MR. ROJAS: Different people have different spending levels of authority.

MS. MOORE: Yes, sir. And that was a part of the contract monitoring audit.

MR. ROJAS: Yep.

MR. GORDON: Why don't we proceed. Go head ma'am.

DR. SOWELL: And so, I appreciate the work that went into this. It looks like a lot of work that went into it. As you can see, it outlines why this investigation took place. And so, the overall finding was looking to see if there was any malfeasance committed by Dr. Jackson. The investigation found that it was unsubstantiated. So, there was no malfeasance found. However, during the course of the investigation, there was some other items noted. So, I'll just go through the findings, conclusions, and recommendations and share with you some of my thoughts where I had some concerns.

The first one was full-time hours not worked by a contractor. This resulted in a conversation that Darlana and I had in the difference between an employee and a contractor. So, if we contract with someone to perform work for us.

DR. MCCOY: Hold on. Shouldn't we be in closed session to discuss this?

MR. GORDON: Yes.

COMMISSIONER JACOBS: Yes.

MR. GORDON: I will now entertain the motion that we now adjourn to executive session.

End of recording.

*The committee then went into closed session*

Attendance Sheet for Audit Oversight Committee Meeting 10-4-2022

NAME	TITLE
Dr. Nicole McCoy	Secretary
Manny Rojas	Vice Chair
Arnold Gordon	Chair
Darlana Moore	Internal Audit Director
Mischa Preston	Senior Internal Auditor
Jerry Roy	Internal Auditor
Jacob Owusu	Internal Auditor
Wendy Jacobs	County Commissioner
Brenda Howerton	County Commissioner
Margaret Faircloth	Assistant Director of Social Services
Christie McMillan	Administrative Officer
Kimberly Sowell	County Manager
Lee Little	Program Manager – Aging and Adult Services
Meghan Russ	Program Manager – SA In Home
Joanne Otuonye	QAT Supervisor

**Resolution of the Durham County Internal Audit Oversight Committee (AOC), October 4, 2022**

Whereas, inter alia, this Committee is charged with the responsibility to recommend to the Durham County Board of County Commissioners (BOCC) how the county government is best served in the manner in which the Internal Audit activities of this government should be best practiced; and,

Whereas, the AOC, after careful study and observation, has determined that the Director of the Internal Audit Department (IAD) can best conduct its mission and responsibilities by being independent of direct management by the County Manager and subordinate departments and other offices of the County, in order to conduct fair, unbiased, and independent internal audits to ensure the financial and operational integrity of all county government activities; and,

Whereas, it has been established that best practices for internal audit activities, both in the private and public sectors, mandate that to preserve the independence of the Internal Audit function that said function should report directly to the governing body of such organizations;

Now therefore, be it resolved by the AOC that:

1. The County's Internal Audit Director report to, and be supervised by the BOCC;
2. The County Manager and subordinate offices be responsible only to provide logistical support to the IAD and staff, in so far as to ensure that the activities of the IAD receive the resources, facilities, and other functions necessary for its proper functioning as should be determined by the BOCC;
3. The BOCC should be responsible for evaluating the performance of the Internal Auditor and directing the manner and particulars of the compensations to be accorded to the Internal Auditor so far as the law permits and in the sole discretion of the OCC;
4. Nothing herein is to be construed as advising or recommending any violation of County or State laws, rules or regulations as determined by the BOCC.

AUDIT OVERSIGHT COMMITTEE MEETING  
INTERNAL AUDIT REPORTING STRUCTURE  
OCTOBER 4, 2022

County/City	BOCC	County/City Manager	Asst. Manager	Finance Department
Buncombe County	X			
Cabarrus County				X
Cumberland County		X		
Durham County		X		
Forsyth County	X			
Gaston County		X		
Guilford County		X		
Mecklenburg County		X		
Orange County		X		
Union County				X
Wake County		X		
City of Asheville		X		
City of Durham		X		
City of Greensboro			X	
City of Raleigh			X	
City of Winston Salem				X