



March 14, 2023
Durham County Audit Oversight Committee Minutes

1. Call to Order

Mr. Arnold Gordon, the Audit Oversight Committee Chair, called the meeting to order via "Microsoft Teams" at 3:30 P. M.

2. Members Present:

Mr. Arnie Gordon, Chair; Dr. Nicole McCoy, Vice Chair; Mr. Manual Rojas; Commissioner Brenda Howerton; Commissioner Wendy Jacobs; Dr. Kimberly Sowell, County Manager (Ex-Officio); Ms. Monica Wallace, Board Clerk; Ms. Claudia Hager, Interim Manager; Ms. Nimasheena Burns, Board of County Commissioner; Ms. Lechelle Feinberg, County Manager

Other Attendees

Ms. Darlana Moore, Internal Audit Director; Mr. Jacob Owusu, Auditor; Ms. Mischa Preston, Senior Auditor; Mr. Fred Beal, Auditor; Mr. Jerry Roy, Senior Auditor; Ms. Patricia Burnside-Jones, Senior Auditor; Crystally Wright, CFO Finance; Susan Tezai, Chief Finance Officer

Child Support Services (CSS) in the Department of Social Services (DSS)
Ms. Margaret Faircloth, Asst Director of Social Services-Finance; Ms. Kelly Inman, Senior Operations Officer; Ms. Christie McMillan, Senior Accountant; Ms. Lynn Thomas, Programmer manager; Ms. Joanne Otuonye, Social Worker Supervisor III; Ms. Jennifer Gonzales, Finance and Business Compliance Analyst

Federal and State Asset Forfeiture in the Sheriff's Department

Mr. Clarence Birkhead, Sheriff; Mr. Thomas Cote, Deputy Sheriff Major; Mr. Eric Carpenter, Deputy Sheriff Captain; Mr. Robert Whitted, Chief Deputy; Mr. Anthony Butler, Deputy Sheriff Major; Ms. Keischa Lovelace, Legal Advisor; Ms. Keisha Gaither, Finance Manager; Ms. Nicole Locke, Detention Officer

3. Business

- A. The members approved minutes for December 13, 2022, and January 4, 2023.
- B. The Committee moved on to the second bulletin on the agenda which is the Child Support Audit. Mr. Roy proceeded to give an overview of this audit. He mentions several things that were investigated like the receipt of the application fees, the cases that were filed and processed, the review process of child support, and any journal entries that went into SAP. From this, he compiled a list of findings that were disputed by management and received updates regarding the progress to address the findings. Mr. Roy shared his screen on one of the findings that were addressed by the compliance analyst. Ms. Moore and Mr. Rojas elected Mr. Roy to go over and highlight the more significant findings and Mr. Roy proceeded to do so. He started the first with CSS having 60 receipts that were not turned over to the Business Office by the next business day, and P-Card unnegotiated checks being kept in the vault for a period of time which CSS didn't have any clue of what the next steps were. He mentioned the last highlighted finding which is the high dollar value of Transit cards, Bus cards, and Food cards that were in the inventory, also vault but didn't reconcile to their Master inventory. Mr. Roy also mentions in the beginning that there was nothing that management disputed since they were in agreement with the findings and are taking corrective action to remediate. There were a couple of members from DSS who had addressed questions about the vault inventory, and discrepancies from the finding. Mr. Roy addressed those questions. Mr. Gordon accepted the CSS audit and submitted it to the BOCC for their determination.
- C. The Committee moved on to the next bulletin on the agenda which is the Federal and Asset Forfeiture Audit. Ms. Preston proceeded to give an overview of this audit. She started by highlighting the three main findings which were: Separate Accounting Codes, Interest, and the annual Equitable Sharing Agreement and Certification (ESAC) forms. For the Separate Accounting Codes, Ms. Preston states that there were funds that were previously tracked using only one accounting code however the guide requires that the funds be tracked separately so, She recommended that finance create an additional accounting code. Ms. Preston moved on to the next finding Interest. She mentioned that the guide requires that interest earned on these funds has to be spent in the same way as the

original funds, it has to be allocated accordingly, none of these were presented by Finance nor Durham County Sheriff's Office. Ms. Preston recommended that a separate bank account be opened so that that interest could be more easily tracked and allocated to this program and spent in accordance with the guide. The third finding Ms. Preston presented was the Annual ESAC forms. In this form, She mentioned that there were problems reconciling some of the information back to the data stored within SAP which some of the discrepancies with the financial records drawback several years ago. Ms. Preston recommended that management go back and review those numbers and make sure that everything was reported in the correct period and can be reconciled back to supporting documentation Ms. Preston also mentioned that there were no disagreements and management did agree to all the findings. There were a couple of members from the Committee and DCSO who had some questions about the ESAC forms, and the 25 samples that were judgmentally selected. Ms. Preston addressed the question regarding the ESAC forms and Ms. Moore addressed the question about the 25 samples that were judgmentally selected sample selection. Mr. Gordon accepted the Federal and State Asset Forfeiture audit and submitted it to the BOCC for their determination.

- D. For the status of ongoing work Ms. Moore addresses the current standing of the audit plan. She mentions that the Audit Department is currently working on the CARES Act and Accounts Payable Audit. Ms. Moore mentioned that both audits have been progressing slowly. She elects to meet with the finance staff for the second time to get all of the requested information for the AP audit. She also mentioned that some of the delays with AP are related to the finance department being short-staffed, Susan Tezai's retirement, and the 1099's. Ms. Moore mentions that she has expanded the scope of the CARES Act audit to include all COVID-related information. She mentions that one of the commissioners also asked for this information to be reviewed, so she will go ahead and obtain all of the information from DSS. Ms. Moore stated that there is one more audit on the plan, which is the Inmate Housing audit. She mentioned that there are also three follow-up audits, and the sheriff also requested to add Animal Services. Mr. Birkhead explained why this audit must be included and its importance. The committee also agreed that it is reasonable to include this audit in this plan year.

Dr. McCoy raised concerns about ongoing audits (Cares and AP) and the transition after Susan's retirement, emphasizing the need for knowledge transfer. Dr. Sowell stated they had been aware of the situation since the beginning of the year, appreciating Susan's early notice. They've been working to identify an interim CFO and have started the recruitment

process.

Crystal L. Wright is prepared to serve as interim CFO if a permanent successor isn't identified by Susan's retirement date (April 30th). The Finance team successfully navigated interviews with bond rating agencies and received unofficial confirmation of maintaining a AAA Bond rating for Durham County. Developmental Associates, an external firm, is actively recruiting nationally for the CFO position, casting a wide net for candidates. Mr. Gordon inquired about the competitiveness of the pay package, to which Dr. Sowell gave an A++ rating for ensuring competitive salaries. Manny asked if there were ways to expedite the audit process. Ms. Moore explained they're dependent on obtaining documentation and are currently working collaboratively, with plans to speed up once planning is complete.

The external auditor is scheduled for a pre-entrance conference in April, adding urgency to the completion of the audit. Dr. Sowell highlighted the significant efforts of the finance team in preparing for interviews with bond rating agencies, potentially freeing up time for other tasks. The question was raised about staff shortages. Susan had retired, but the Finance team has successfully recruited new candidates, filling some long-standing vacancies.

- E. For new Business, Mr. Gordon moved to discuss new meeting requirements set by the county manager. Ms. Moore informed the board that she met with Dr. Sowell regarding her 101 and emphasized the need for regular meetings with the Board of County Commissioners, potentially on Mondays at 9:00 a.m. Dr. Sowell will coordinate these meetings and Ms. Moore will ensure consistent information dissemination.

- F. For old Business: Meeting Status with Board of County Commissioners: Mr. Gordon highlighted the AOC's belief that the internal auditor should report operationally to the Board of County Commissioners, aligning with GAO standards and peer reviews. The AOC has sent recommendations to the Board and is open to further discussions. Dr. McCoy and Manny emphasized the importance of addressing the issue of independence for the auditor. Mr. Gordon suggested a "dotted line" approach where the county manager retains administrative oversight but doesn't evaluate the internal auditor's performance. Ms. Howerton recommended a conversation after the budget discussions with the full board, potentially in August. Mr. Gordon clarified that their goal is to be proactive in safeguarding against future issues, even if the current management is competent. Ms. Howerton acknowledged the need for all commissioners to be on the same page, highlighting the importance of understanding the complexities involved. Further training and orientation for commissioners

were discussed, as well as the availability of resources from the Association of Local Government Auditors. The need for the county manager's active participation in these discussions was emphasized.

- G. The meeting was adjourned, and there were discussions with the committee on potentially meeting separately afterward. All Attendees expressed gratitude and farewells as the meeting concluded.