

Audit Oversight Committee

Meeting Minutes

October 6, 2007

I. Call to order

Richard Edwards called to order the regular meeting of the Durham County Audit Oversight Committee at 4:30 p.m. on October 4, 2007, in the County Manager's, 2nd floor conference room, 200 East Main Street, Durham, NC 27701.

II. Roll call

The following persons were present:

Mr. Richard Edwards
Mr. Jeffrey S. Gittler
Mr. Samuel A. Maclin
Mr. Manuel L. Rojas
Mrs. Ellen W. Reckhow
Mr. Michael Ruffin
Mr. George Quick, presenter
Mr. Wendell Davis, presenter

III. Initial business

- a) The first order of business was to elect officers for the positions of Chair, Vice- Chair, and Secretary. Mr. Gittler volunteered to hold the position of interim Chair, Mrs. Reckhow volunteered to hold the position of Vice-Chair, and Mr. Maclin volunteered to hold the position of secretary. The meeting was turned over to Mr. Gittler to moderate.
- b) Mr. George Quick, Finance Director presented the status of the external audit. The auditor is in the process of reviewing financial documentation and expects to have it completed soon. The finance department will complete the financial statements soon afterwards and expects to have the CAFR completed in December, ahead of schedule.

General questions were asked about how long the current auditor, Cherry, Bekaert & Holland has been providing auditing services for the county and if it is time to re-bid the contract. Mr. Quick stated that the firm had been with the county approximately 11 years. He stated that there are only a few firms in the Raleigh/Durham area that is capable of doing the work the county requires. He stated that these firms also are providing auditing services to Wake and Orange counties, other counties in the immediate area of Durham County. Mr. Ruffin stated that the time is approaching to re-bid the contract. Specifics regarding re-bidding the contract were not discussed.

The committee members discussed the lack of ready access and availability of audit reports to the Board in prior years. It was noted that reports were available but had to be requested. Noting that audit report information is important to the Board, the committee agreed that the results of the current audit would be reported to the Oversight Committee. This will provide the committee the opportunity to exercise its role in oversight of the external/financial audit and control processes and make more informed decisions. The committee agreed to have the auditor present at the December 17, 2007, committee meeting.

The external auditor has expressed to Mr. Quick, Finance Director, and to the internal audit director, that it may be beneficial to transfer some of its work to the internal audit function. Mr. Edwards stated that he expected the external auditor to present a list of work to him in the next few weeks. Mr. Rajas cautioned that such added work can take away from the internal auditor's annual workplan. Mr. Edwards stated that he would present proposed audit work to the committee along with his recommendations when he receives the list.

- c) The committee approved the audit plan with minor changes. The committee decided that the audit of the Sheriff's Office would be given priority because of the recent cash management issues at the office and the upcoming budgeting process in the spring of calendar year 2008. The committee directed Mr. Edwards to begin the Sheriff's Office cash handling audit and report the status of the audit to the committee at the December committee meeting.

The committee discussed the need for auditing cash handling procedures in the Mental Health Department. Mr. Quick explained that changes had been made in the way department generated revenues are received since the prior cash handling problems occurred. Mrs. Reckhow stated that some cash still comes into the department and desired to see the cash handling procedures reviewed. Mr. Edwards stated that he would review the Mental Health Department as part of the capping report on cash handling practices. The capping report is to provide an overall assessment of county cash handling practices based upon the individual department audits and make county-wide recommendations to improve controls where needed. The committee also decided that the Tax Department revaluation and billing and collections audit would commence after completing the departmental cash handling audits.

- d) Housekeeping issues: The committee decided that communications between the internal auditor and committee members would be a free exchange between the two as often as necessary. Committee members can communicate in the most expedite way with the auditor and vice versa. Issues do not need to go through the county Manager before they come to the audit director.

All information required for consideration and review at an upcoming committee meeting will be provided to members at least one week before the meeting is to commence.

- e) A question regarding audit reporting procedures arose. Page four of the Audit Charter indicates that reports "...will be distributed to the AOC as they are released or as part of the normal distribution of audit reports". Mr. Edwards stated that the process of finalizing an audit report includes submitting the report to the committee for review and comment. He added that the provision for draft report review was clear in the audit policies and procedures. Mr. Edwards promised to provide committee members with the policies and procedures before the next meeting.

Committee members were asked to review the charter and by-laws and where there are concerns, bring them forward for discussion at future committee meetings.

IV. Adjournment

Mr. Gittler adjourned the meeting at approximately 6:30 p.m.

Minutes submitted by: Samuel A. Maclin

Minutes approved by: