

December 10, 2013
Audit Oversight Committee Minutes
Durham County

I. Call to order

The meeting was called to order at 3:31 p.m. in the Durham County Commissioner's Conference Room; 200 East Main Street Durham, NC 27701.

II. Members

Present: Harrison Shannon, Chair, Commissioner Howerton; Vice-Chair, Manuel Rojas, Member
Commissioner Reckhow; Alternate (via phone)

Others Attending:

J. Scott Duda, Cherry, Bekaert & Holland Representative, Presenter
April Adams, Cherry, Bekaert & Holland Representative, Presenter
George Quick, Finance Director
Richard Edwards, Internal Audit Director
Brian Welch, Internal Auditor

Excused Absences:

Commissioner Page, Member
Michael M. Ruffin, County Manager
Germaine Brewington, Secretary

III. Business

A. Prior Meeting Minutes.

Mr. Rojas moved and Commissioner Howerton seconded the motion to approve the September 10, 2013 AOC meeting minutes. The voice vote carried and the minutes were approved.

B. External Auditor Briefing on CAFR (J. Scott Duda, Cherry, Bekaert & Holland Representative)

Mr. Duda, a representative of the Cherry, Bekaert, & Holland firm made a presentation of the 2013 audit results. The audit found one material weakness in the financial statements involving the State Revolving Loan. In prior years, the fund was considered grants by the state but is currently considering the funds a loan. The County continued to record it as a grant, thus the weakness. Mr. Duda noted that the audit did not find any money missing and that the error in recording would have eventually been recognized when the payments became due. The audit did not find "significant deficiencies," with this issue.

The Audit of Federal programs did not find any significant deficiencies or instances of noncompliance. The State Single Audit found one significant deficiency of internal controls and one instance of nonmaterial noncompliance in the DSS Crosscutting review. Four instances in which time entries recorded for employees did not match the records of the State were found. The auditors believed the employees were lax in recording their time. The audit did not find material misstatements in the audit.

C. Status of Enterprise Risk Assessment (Richard Edwards and Brian Welch, Internal Audit Department)

Mr. Edwards told the Committee that the decision was made to forgo hiring independent contractors to perform the Enterprise Risk Assessment. The inability to contain costs if hiring externally was a concern. As such, it was decided that the Internal Audit Department would perform the risk assessment. Brian Welch, the staff auditor for the County, has started working with County departments with the completion of their respective risk assessments. He anticipates a completion date around the end of February for all 29 County Departments.

D. Recommendation Status Report (Richard Edwards, Audit Director)

The County has contracts with Speight's Automotive Service, Inc. and Rick Hendrick Chevrolet of Durham to perform vehicle maintenance work for its fleet of vehicles. The contracts have been in force since 2005 and 2006, respectively. Mr. Edwards reported to the Committee that the audit of Vehicle Maintenance Contract Monitoring resulted in the following proposed recommendations:

1. Establish an effective and efficient contract monitoring program that focuses on labor, materials, and parts charges.
2. Include language in future contracts to clearly indicate that industry standards are to be used for determining labor hour costs.
3. Clarify language in future contracts that clearly identify what material and parts costs are to be included in preventative maintenance services such as oil changes.
4. Hold service providers accountable for providing all data required in contract terms.

E. Self Evaluation of Audit Committee (Harrison Shannon, Chair)

Mr. Shannon proposed and the Committee agreed to postpone discussion of the self-evaluation of the Audit Committee until the next March 11, 2014, meeting.

F. Old and New Business

There was no old or new business addressed at the meeting.

G. Next Meeting Date: March 11, 2014 @ 3:30 p.m.

IV. Adjournment

There being no further business, the meeting was adjourned at approximately 5:06 p.m.