

Minutes of Buncombe County Audit Committee
May 14, 2019
9:00 AM

Members Present: Larry Harris, Robert Pressley, Al Whitesides, Kendra Ferguson, Andrew Hoffman, Danny Yelton

Members Absent: Mike Knepshield

County Staff Present: Terri Orange, Kelly Houston, Michael Frue, Don Warn, Autumn Lyvers, Avril Pinder, Glenn Murray

Others Present: Bill Early (Principal – CLA), Kasey Harris (Manager – CLA)

The Audit Committee Chairman, Larry Harris, called the meeting to order at 9:02 AM.

Introduction of the new County Manager

Larry Harris introduced and welcomed the new County Manager, Avril Pinder.

Review and Approval of Meeting Minutes

The minutes from the December 4, 2018 meeting were presented. Larry Harris reviewed the minutes with the group and requested an update from Avril Pinder regarding the status of adding a third staff person in the Internal Audit function. Mrs. Pinder reported that the position is not recommended in the fiscal year 2020 budget. Mr. Harris voiced his concern on behalf of the committee, in light of having adequate staffing for the Internal Audit function. Mr. Harris asked Kelly Houston to prepare a written memorandum outlining the justification for a third staff person for Internal Audit on behalf of the Audit Committee, and recommended this decision be reconsidered by County management. Danny Yelton also asked about the level of staffing overall, particularly in the Finance Department. Terri Orange and Don Warn explained that vacated positions in Finance had been filled except for one, which was currently in the application process. Avril Pinder reiterated that the number of positions had not changed.

Danny Yelton moved to approve the minutes. Robert Pressley seconded the motion. The motion passed unanimously.

Introduction of the Audit Committee and Staff

The Audit Committee members, staff and external auditors introduced themselves. Larry Harris extended appreciation to the external audit subcommittee, chaired by Kendra Ferguson, for the all the work they have put in for the fiscal year 2018 Buncombe County audit.

CLA Presentation of the Financial Statement Audit

Bill Early with CLA led the presentation of the financial statement audit for the fiscal year ending June 30, 2018.

Summary

- The financial statements are prepared by County staff - the auditors review and express an opinion.
- An audit provides reasonable, but not absolute, assurance.
- Unmodified (clean) opinion, with findings.

- Significant corrected misstatements are considered above the materiality threshold and are recommended by the auditors. Staff will review and accept responsibility for those corrections.
- Uncorrected misstatements are considered below the materiality threshold and are not normally posted entries. Both CLA and the Finance Department agree on these.
- Management was cooperative throughout the audit.
- With the high turnover in Buncombe County, the staff did a good job completing the financial statements and audit tasks.
- Overview and discussion of findings.
- The Single Audit deadline of March 31st was missed due to the length of the audit, resulting in an instance of noncompliance.
- Summary of upcoming GASB issues and other matters of interest to local governments, such as cybersecurity and crowdfunding.

Questions and Answers

- [Q] Are materiality factors changed due to known issues or areas of past misstatements?
[A] Yes.
- [Q] Is this the cause of the additional time required to complete the audit?
[A] Yes. Also, the tested population increased due to known issues.
- [Q] What contracts do the Board of Commissioners approve?
[A] It depends on the nature and amount of the contract. The County is also in the process of implementing a contract management system that will centralize all contracts.
- [Q] What determines what programs are tested in the Single Audit?
[A] There are established expenditure thresholds as well as risk categories. New guidance is leading to more programs being tested, which yields an increase in external audit costs.
- [Q] What is the status of the findings and corrective actions?
[A] Some items were corrected through the electronic business processes built in the Workday system. Staff are also working to implement checklists, reconciliations and department collaboration to address other items. The County anticipates some of the same findings in the fiscal year 2019 audit report, as the end of fiscal year 2019 is in less than 2 months.
- [Q] Will the audit findings impact the Internal Audit plan?
[A] The audit findings will be taken into consideration for the County-wide risk assessment in planning for the fiscal year 2020 audit plan. Internal Audit is also working with the Auditor Dashboard within the Workday system understand the data presented and identify areas of risk within Workday.

Al Whitesides moved accept the audit report and to recommend the Board of Commissioners accept the audit report. Kendra Ferguson seconded the motion. The motion passed unanimously.

CLA and the Finance Department also presented the revised total audit fee. The total for the fiscal year 2018 audit was \$351,586.40. The original budgeted hours for CLA were 885 hours, and the total hours spent were 2,700 hours. The increased time and expense to complete this audit was due to the high risk of the County due to the federal investigation, indictments occurring during the audit process, staff turnover in the County, and the challenges encountered with the new software implementation.

Danny Yelton asked how many of the increased hours were estimated to be one time. Bill Early explained that the majority of the extra hours were due to the indictments during the audit and the Workday software conversion. Mr. Early also stated that additional audit hours due to changes in Single Audit requirements would be recurring. Avril Pinder asked about the TDA figure. Don Warn explained that the TDA board would approve that.

Al Whitesides moved to approve the final contract amount of \$351,586.40 for the June 30, 2018 audit. Andrew Hoffman seconded the motion. The motion passed unanimously.

Kendra Ferguson moved to amend the audit contract to extend the audit report submission date to May 31, 2019. Robert Pressley seconded the motion. The motion passed unanimously.

Elect Officers of the Audit Committee

The Audit Committee Bylaws requires the Audit Committee elect officers annually. The posts to be filled are Chair, Vice Chair and Secretary. The bylaws include a provision for a member of Internal Audit staff to perform the duties of Secretary for the Committee without being a member, or alternatively, they can elect a Secretary from their membership.

Al Whitesides nominated Larry Harris to continue as the Chair. Larry Harris nominated Al Whitesides to continue as Vice Chair and Kelly Houston as the Secretary. Robert Pressley moved to approve Larry Harris as Audit Committee Chair, Al Whitesides as Audit Committee Vice-Chair, and Kelly Houston as Audit Committee Secretary. Kendra Ferguson seconded the motion. The motion passed unanimously.

Internal Audit Charter Updates

Terri Orange and Kelly Houston explained that the changes to the Internal Audit Charter were summarized as follows:

- Update the language from “Internal Auditor” to “Internal Audit Director”
- Align the Internal Audit Charter with the Buncombe County Personnel Ordinance
- Removal of “Monitoring” activities under the “Responsibility” section, as monitoring activities are typically the responsibility of management
- Align the Internal Audit Charter to NCGS in regards to open and closed sessions

Kendra Ferguson moved to approve the changes to the Internal Audit Charter as presented. Al Whitesides seconded the motion. The motion passed unanimously.

Internal Audit Director Recruitment

Internal Audit Director Terri Orange has accepted a position as Assistant Finance Director and that transition has been made. Avril Pinder updated the Audit Committee on the plan for the recruitment of the new Internal Audit Director. The job will be posted this week and will remain posted for two to three weeks. In addition to the position posting to the County’s website, it will be distributed among various recruitment tools. Management will screen the applicants and will bring two to three applicants back to the Audit Committee.

Internal Audit Update

Due to today’s meeting running over schedule, the Internal Audit update will be moved to the next meeting, which will be planned for June 2019.

Meeting Schedule Update

Since the Audit Committee met today, there is not a need to meet for the regularly scheduled May 21, 2019 meeting. Staff will work with CLA and the Audit Committee to plan a meeting in June 2019.

Adjournment

With no further business, Chairman Harris adjourned the meeting at 10:28 AM.