Minutes of Buncombe County Audit Committee
August 16, 2022
9:00 AM
200 College Street, Room 310, Asheville, NC 28801

Members Present:	Chairperson Kendra Ferguson, Commissioner Robert Pressley, Commissioner Al Whitesides, and Larry Harris
Members Absent:	Danny Yelton, Dr. Glenda Weinert, and Mike Knepshield
County Staff Present:	Dan Keister (Internal Audit Director), Candace Searcy (Internal Auditor), Paige Anderson (Internal Auditor/Audit Committee Secretary), Kelly Houston (Risk Manager), Michael Frue (Senior Attorney), Glenn Murray (Accounting and Reporting Manager), and Brandon Freeman (Senior Attorney)
Others Present:	N/A

The Audit Committee Chairperson, Kendra Ferguson, called the meeting to order at 9:02 AM.

Review and Approval of Meeting Minutes – Chairperson Kendra Ferguson
The June 7, 2022 meeting minutes were presented and reviewed. There were no revisions or discussion.

> *Through a voice vote, the motion passed unanimously.*

Discussion on Committee Member Terms – Chairperson Kendra Ferguson
Mr. Keister gave a brief update on the Committee Member recruitment. There have been no applications received to this point. The Communications team is marketing the openings on a regular basis. The Committee held further discussion on how to find applicants who may be interested given we haven't received any applications. The positions that will need to be filled include a member of the banking community, a member of the accounting profession, and a member of another governing body. Commissioner Whitesides stated he could reach out to his connections in the banking field. Chairperson Ferguson stated she could reach out to her connections in the accounting field. Lastly, Mr. Harris suggested sending communications to clerks at the nearby municipalities. Mr. Keister mentioned that the Internal Audit team will prioritize getting the communications over to the other town clerks. Additionally, the Audit Committee requested that Internal Audit provide the link to the application so it can be shared.

Internal Audit Update – Internal Audit Director Dan Keister
Mr. Keister gave a brief update on Internal Audit activities, in addition to the Internal Audit Update Report, which is attached to the minutes.

Highlights of the Internal Audit Update include:
- Audit governance materials were approved by the Board of Commissioners
- The ITGC project has been started and is currently in the planning phase
- Brief summary of audit cycle
- Discussion of Mark and Eric's roles in the IT department
- Discussion over NIST and that we will be using this as criteria for the ITGC audit
- Next steps are wrapping up discussions and planning, defining scope, working through fieldwork,
- Preliminary discussion points can be expected to be shared at the next Audit Committee meeting
- In the future, the team will start planning while completing the reporting phase of previous audit project to stay on schedule
- Staff have continued with the monthly reporting process, investigations, and using Diligent software

Questions and Responses:
- [Mr. Harris] What is the name of the software?
  o [Mr. Keister] The software has foregone a rebranding. It was previously Galvanized, and it is now Diligent.
- [Mr. Harris] Is Diligent geared towards government?
  o [Mr. Keister] The software is usable by all types of businesses. It's a widely known software with a large bank of training modules and high quality customer service.
- [Mr. Harris] Who does IT report to?
  o [Mr. Keister] The IT department reports to Sybil but there is a high visibility into the department and they work with all departments.
- [Chairperson Ferguson] When the governance documents were presented to the board were there any questions?
  o [Mr. Keister] They asked about when the documents could be posted. Mr. Keister presented during a briefing meeting so the Board had some background and time to ask questions prior to it being presented in the regular meeting.
- [Chairperson Ferguson] Could you provide an update on the Conflict of Interest disclosures module?
  o [Mr. Keister] This project has been transitioned outside of Internal Audit as to not hinder our independence. An update of future procedures and processes should be released within the County soon. They anticipate requiring an annual survey and they do have a policy in place. The policy was created by the Human Resources department. It is still open as to who the annual survey and future processes will sit with.
  o [Mrs. Houston] They are also changing some of the survey questions to be better aligned with the policy.

Fiscal Year 2022 Audit Plan Update – CLA, Gaby Miller
Gaby Miller, CLA Manager of the Buncombe County Audit, joined the meeting virtually to address questions the board has regarding the FY22 audit.
- [Chairperson Ferguson] Could you provide an update on where we are in the audit process and the audit plan?
  o [Ms. Miller] We have concluded with the preliminary work. We plan to perform single audit procedures over emergency rental assistance (ERA) program, Medicaid, ARPA Funds, Foster Care Title IV-E, State Program for Juveniles. They will perform eligibility testing to assess whether recipients fall within the requirements. Testing for high number samples have been complete. There are still open items in the single audit category.
- [Chairperson Ferguson] Is the Compliance Supplement out?
  o [Ms. Miller] Yes, this has been released.
- [Chairperson Ferguson] The Compliance Supplement is what pushed the audit back last year. With that being released already, can we expect to be done on time this year?
  o [Ms. Miller] As of right now, we are expecting to be on time this year if we receive the trial balance at the agreed upon time. Prior to last year, we've also experienced some delays for the OPEB report.
- [Mr. Harris] Could you explain what the OPEB report is?
  o [Ms. Miller] It is a third party evaluation report in which the other post-employment benefits (OPEB) plan is assessed using consensus data and other assumptions/methods to project the future liability.
- [Mr. Harris] Could this change due to the stock market?
  o [Ms. Miller] Yes, the methodologies do assess the current market changes to assist in predicting future liability.
- [Mr. Harris] Some State pension funds have dropped due to investing money in cryptocurrency. I'm curious if North Carolina invested in cryptocurrency.
  o [Ms. Miller] North Carolina is pretty conservative in their investment strategy. The OPEB is not invested in cryptocurrency. Everything has dropped as of 6/30 in investments but nothing too risky to impact the coverage.
- [Chairperson Ferguson] OPEB is for retiree benefits and is frozen, correct?
  o [Ms. Miller] Yes, that is correct.
- [Chairperson Ferguson] Will you be coming onsite?
  o [Ms. Miller] Given that everything is available to us in Workday, we are able to do the audit remotely. If Terri or Don would like to see us come in, we will. We also may need to come onsite for the single audits which do have some paper files.
- [Mr. Harris] Have hours changed given the remote environment?

o [Ms. Miller] There have been some changes but they are often offset by new programs, regulations, etc. that require additional work.

- [Mr. Harris] Could you provide a summary of the audit timeline?
  o [Ms. Miller] In June, we perform our preliminary fieldwork. This includes planning, risk assessment, internal control testing, and single audit planning. September through October, we perform the final fieldwork. This includes our substantive testing.
- [Mr. Harris] If something unusual is found, who do you reach out to?
  o [Ms. Miller] Terri or Don. If it something that involves either of them specifically we will reach out to the Internal Audit team or the Audit Committee.

Public Comment
There were no members of the public who commented at the August 16, 2022 meeting.

Meeting Schedule Reminder for Calendar Year 2022
The following dates are for the remaining scheduled meetings of the Audit Committee for calendar year 2022:

- Tuesday, November 1, 2022 at 9:00 AM
- Tuesday, December 6, 2022 at 9:00 AM

The meetings will be held at 200 College Street, Asheville, NC 28801, unless trends in the COVID pandemic response require remote meetings. Such changes will be communicated to the Committee members, staff and public via email and public-facing website. If a remote meeting is required, accommodations will be made to ensure anyone from the public wishing to comment may do so.

Adjournment
Commissioner Whitesides moved to adjourn the meeting. Commissioner Pressley seconded the motion. Through voice vote, the motion passed unanimously. The August 16, 2022 Audit Committee meeting was adjourned at 9:57 AM.

Internal Audit Department
Audit Committee Update
August 16, 2022

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SUMMARY

The Internal Audit Department (Internal Audit) provides this report to assist the Audit Committee (Committee) with their oversight responsibilities for the Department. It is Internal Audit's goal to be a leader among local government Internal Audit Departments and provide support to the Buncombe County Board of Commissioners, County Management, the Audit Committee, and residents and visitors of Buncombe County in assessing accountability, transparency, and continuous improvement in County operations.

Since the last Audit Committee Meeting held in June 2022, the Internal Audit team presented the Risk Assessment, Audit Governance documentation and the FY 2023 Internal Audit Plan to the Board of Commissioners. Review and approval for all audit materials presented was obtained. Upon receiving approval, the Internal Audit department has begun the first audit on the FY 2023 plan, a review of Information Technology. Numerous planning meetings and learning sessions with key IT personnel have been conducted to gain a better understanding of the environment and nature of the program.

In addition, the team has continued to focus on implementing, the audit software, Dilligent to support the audit program. Also, Internal Audit Staff has been focusing on a number of key Internal Audit supported functions, such as auto-approvals, Let's Talk audit committee reporting, and EERL investigations.

If there are any questions regarding the content of this report, I am available for discussion. Thank you for your public service to Buncombe County and your continued support of Internal Audit.

Respectfully Submitted,

Dan Keister, CISA, Internal Audit Director

Candace Searcy, Internal Auditor

Paige Anderson, CPA, Internal Auditor

AUDIT PROJECTS

Internal Audit performs audit projects in accordance with generally accepted government auditing standards (GAGAS), issued by the Government Accountability Office's Comptroller General of the United States. These standards provide guidance to Internal Audit regarding qualifications of staff, requirements for systems of quality control and peer review, as well as planning, conducting, supervising, documenting, and reporting on audits. Internal Audit also consults the International Professional Practices Framework (IPPF) published by the Institute of Internal Auditors (IIA).

PROJECTS IN PROGRESS
Since the last Audit Committee meeting held in June 2022, Internal Audit has kicked off the FY 2023 review of Information Technology.

At this time the Information Technology review is in the scoping phase of the project. The Internal Audit team has conducted the formal kick-off meeting and held a number of process interviews with key Information Technology Staff. Upon completion of detailed walkthroughs, the fieldwork phase of the engagement will begin.

PLANNED PROJECTS
The FY 2023 Internal Audit Plan has been approved; therefore, the planned audit schedule is as follows:

- Q1 Information Technology

- Q2 Cash Management

- Q3 Grant Management

- Q4 Annual Risk Assessment

NONAUDIT PROJECTS

Internal Audit performs nonaudit projects as appropriate under GAGAS standards. Because of strict independence and objectivity requirements identified by these standards for staff, Internal Audit only performs certain nonaudit functions as defined in Internal Audit's governing documents. In addition, per the Personnel Ordinance[1], Internal Audit has been given primary responsibility for all investigations of illegal or unethical behavior across the County.

Investigations
Internal Audit has received 26 investigations during Fiscal Year 2022 (July 2021 through June 2022). Of these cases, 4 cases are open and are in the report review phase. It should be noted that 8 of the 26 complaints are related to an extensive investigation that was conducted in the prior fiscal year due to a large number of reports being submitted relating to the same issue. This investigation has concluded and was discussed with the Audit Committee in a prior meeting.

Internal Audit has received 3 investigations during Fiscal Year 2023 (July 2022 through current). One investigation has been handed off to HR as it relates to personnel matters. One investigation has been conducted and Internal Audit is in the reporting phase. The final investigation has just begun.

Internal Audit has no way to verify that there are no other report intake mechanisms used by the County and cannot ensure the current Personnel Ordinance is being followed. It should be noted that Human Resources has determined it will use Ethics Point as a case management tool, the HR department is working with the vendor to implement the use of case management tool at this time.

It is common for a County our size to have an active hotline. Internal Audit intends to work on additional ways to market Ethics Point (or as known by County staff the 'Employee Ethics Report Line' or EERL). In addition, Internal Audit intends to work to inventory other reporting mechanisms that may exist within the County and explore a centralized repository for lodging complaints. Communications & Public Engagement intends to procure software to centralize public communications and input and Internal Audit intends to participate in discussions on how to best centralize all complaints for appropriate investigation or delegation.

Reporting Sources for FY2022 Investigative Services	
3rd Party Hotline	25
Direct to Internal Audit	1
Direct to Human Resources	Unknown
Direct to Other Existing Reporting Channels	Unknown
Grand Total	26

Reporting Sources for FY2023 Investigative Services	
3rd Party Hotline	3
Direct to Internal Audit	0
Direct to Human Resources	Unknown
Direct to Other Existing Reporting Channels	Unknown
Grand Total	3

Coordination
These services include coordination and facilitation for external auditing or monitoring agencies. Internal Audit staff have worked with the County Legal Department on external matters.

Other Concerns Reported
Internal Audit maintains a log of other concerns brought to Internal Audit's attention that do not rise to the level of an investigation.

In Fiscal Year 2023 (July 2022 through August 2022), 0 concerns have been brought to Internal Audit's attention.

ADMINISTRATIVE

Departmental Administrative Duties
Internal Audit performs administrative functions for the department to maintain day-to-day operations.

Since the last Audit Committee meeting, the Internal Audit Department has coordinated the refresh of the following Audit Governance Documents (Audit Committee Charter, Audit Committee By-laws, and the Internal Audit Charter). The draft documents have been approved by the Audit Committee and the Board of Commissioners.

The Internal Audit Department is utilizing Diligent the audit support and data analytic software to support the execution of the 2023 Internal Audit plan.

Internal Audit also and continues to coordinate Audit Committee meetings in conjunction with the Audit Committee Chair, as well as provides resources, information, and documentation to the Audit Committee.

Internal Audit continues to participate in continuing professional education (CPE). CPE is required for audits performed under GAGAS standards whether auditors are certified or not. A minimum of 80 CPE hours over two years with no less than 20 per year is required. Additional CPE requirements may be necessary depending on staff certifications (i.e., Certified Fraud Examiner).

Outreach throughout the County and involvement in national organizations have occurred since the previous meeting. The Internal Audit Director is a member of the Institute of Internal Auditors (IIA) and Information Systems Audit and Control Association (ISACA).

Internal Audit has also participated in business planning related to the County's strategic plan. Ongoing work in implementation of Internal Audit's Business Plan continues, as this is an ongoing process.

Internal Audit has worked with the Audit Committee, Board of Commissioners, and County Management to ensure they have the appropriate information needed to assist Internal Audit in decision-making, prioritizing work, and evaluating risk.

County Administrative Duties
Internal Audit also performs administrative functions on behalf of management, while ensuring to keep independence and objectivity at the forefront. These projects include:

1) Monitoring: Monthly review of timecards, expense reports, and purchase card activity for all appointed and elected officials, in response to an audit finding during the fiscal year 2018 external audit, as directed by the Board of Commissioners

2) Meetings: Department Director meetings, Foundational Focus Group, Policy Review Workgroup, and Grants Governance Workgroup

3) Department Assistance: Internal Audit assists departments as requested with questions related to historical information, questions about best practices, etc.

Employee Ethics Report Line
Fiscal Year 2022 Summary

Report #	Summary	Action	Notes	Report Issued	Report Name
78	Supervisor Issue	Insufficient Information	Closed - Management and HR work ongoing	No	
79	Supervisor Issue	Insufficient Information	Closed - Management and HR work ongoing	No	
80	Favoritism	Unsubstantiated	Closed - Sheriff's Office provided information	Yes	Case 80 IA Report.pdf
81	Supervisor Issue	Insufficient Information	Closed - Management and HR work ongoing	No	
82	Supervisor Issue	Insufficient Information	Closed - Management and HR work ongoing	No	
83	Supervisor Issue	Insufficient Information	Closed - Management and HR work ongoing	No	
84	Supervisor Issue	Insufficient Information	Closed - Management and HR work ongoing	No	
85	Employee Performance Concern	Not Actionable	Closed - Management and HR work ongoing	No	
86	Inadequate Staffing Concern (Public Safety)	Identified System Issue	Closed - Management actions ongoing	Yes	Case 86 IA Report.pdf
87	Failing Equipment (Public Safety)	Insufficient Information	Closed - Made recommendations to management	Yes	Case 87 IA Report-Revised.pdf
88	Compensation	Substantiated - Identified System Issue - No Action Taken	Closed - Management action pending compensation study	Yes	Case 88 IA Report.pdf
89	County Policy Violation	Insufficient Information	Closed - Made recommendations to management	Yes	Case 89 IA Report.pdf
90	Retaliation Complaint	Identified System Issue	Closed	Yes	Case 90 IA Report-Revised.pdf
91	Unrelated to BC Operations	Not Actionable	Closed - Referred to Sheriff's Office	Yes	Case 91 IA Report.pdf
92	Inquiry about Hiring Decision	In Progress	Closed	Yes	Case 92 IA Report.pdf
93	Unrelated to BC Operations	Not Actionable	Closed	Yes	Case 93 IA Report.pdf
94	Hiring Irregularities (Public Safety)	Identified System Issue	Closed	Yes	Case 94 IA Report.pdf
95	Policy Violation	Insufficient Information	Report in review		
96	Discrimination/ Harassment	Not Substantiated	Closed	Yes	Case 96 IA Report Final.pdf
97	Other	HR - In Progress	Closed	N/A	
98	Hiring Irregularities (Public Safety)	Identified System Issue	Report in review		

Employee Ethics Report Line
Fiscal Year 2022 Summary

Report #	Summary	Action	Notes	Report Issued	Report Name
99	Conflicts of Interest, Stealing and Poor Leadership (Public Safety)	Identified System Issue	Report in review		
100	Inappropriate Social Media Conduct (Public Safety)	HR - In Progress	Closed - HR work ongoing	N/A	
101	Hostile behavior (Public Safety)	HR - In Progress	Closed - HR work ongoing	N/A	
102	Health and Safety	Action taken by management	Report in review		

Employee Ethics Report Line
Fiscal Year 2023 Summary

Report #	Summary	Action	Notes	Report Issued	Report Name
103	Poor Leadership and Discrimination	HR - In Progress	Closed - HR work ongoing	N/A	
104	Other	In Progress			
105	Compensation study	In Progress			