Minutes of Buncombe County Audit Committee
February 21, 2023
9:00 AM
200 College Street, Room 310, Asheville, NC 28801

Members Present:	Chairperson Kendra Ferguson, Commissioner Al Whitesides, Commissioner Terri Wells, Danny Yelton, Dr. Glenda Weinert, and Bill Christy
Members Absent:	Patrick Fitzsimmons
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 Mason Scott (Interim Finance Director)
Others Present:	N/A

The Audit Committee Chairperson, Kendra Ferguson, called the meeting to order at 9:00 AM.

Welcome New Members – Chairperson Kendra Ferguson
Chairperson Kendra Ferguson welcomed our three new members to the committee, Commissioner Terri Wells, Bill Christy, and Patrick Fitzsimmons.

Review and Approval of Meeting Minutes – Chairperson Kendra Ferguson
The December 5, 2022 meeting minutes were presented and reviewed. There were no revisions or discussion.

Through a voice vote, the motion passed unanimously.

External Audit Proposal Discussion– Chairperson Kendra Ferguson and Mr. Mason Scott
The county has used the same auditor, CLA, for the past five years, 2018 through 2022. It is standard practice every five years to bid out for proposal. On January 5th the request was issued. The finance department has completed an RFP and we have received four responses. Finance is asking for direction on next steps for this review. Finance's next steps are targeting a presentation to the Board of Commissioners for approval of contract either late March or early April. The Audit committee will have virtual interviews with the four candidates to determine the best fit for the next external auditor. Proposals will be provided to committee members before interviews. Audit committee recommendation will be submitted to the Board of Commissioners on March 21st with an approval scheduled at the April 4th meeting.

Questions and Responses:
[Dr. Weinert] Once you set up the meeting dates with the external auditors will you send out an email?
[Chairperson Ferguson] Yes, we will coordinate with Paige.

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:
- 3 active audits, ITGC (reporting phase is complete) and Cash Management (testing/reporting phase), and Grants Management (planning phase).
- ITGC

- o Documented over 90 key controls within the environment in Diligent.
- o Inquiring with Legal department to get context on what we have performed and assessing the best reporting format and presentation audience for the ITGC audit results to prevent exposure that would put the County at unnecessary risk for attack.
- o Next steps are tracking remediation items.
- o Mr. Keister thanked the IT Department for their time and collaborative efforts throughout the audit.

Questions and Responses:
- o [Chairperson Ferguson] What would be the timeline for remediation?
- o [Mr. Keister] In diligent you can schedule an estimated target of remediation. Timeline will vary based on topic.
- o [Chairperson Ferguson] What is the allotted time for internal audit staff to work on follow ups?
- o [Mr. Keister] For higher risk items, I would say every three years you want to look at something as part of the audit plan. In this coming years audit plan, we will adjust for hours spent on remediation for all projects.
- o [Chairperson Ferguson] Have the results from this audit been communicated to Avril?
- o [Mr. Keister] The results have been communicated to Eric Grau, Information Technology Director. Next steps would be to have her included, and I think she needs to be included in some element of that ongoing remediation discussion.

- Cash Management
  - o Scoping discussions with Finance involved volume and complexity of transactions.
  - o Best practice checklist created in lieu of policy, aggregating these in a summary level discussion point.
  - o Flowcharts for specific departments cash management processes.
  - o We will make recommendations to departments and Finance.

Questions and Responses:
- o [Mr. Christy] How many departments handle cash; I have no idea what the scope is?
- o [Mr. Keister] It was quite a few, I don't have the total number off the top of my head but we selected five so that gives you a sense that it was a pretty large sample.
- o [Chairperson Ferguson] What were some of the departments you looked at?
- o [Mr. Keister] We looked at Sheriff's Office, HHS, Emergency Services, Register of Deeds and Tax.
- o [Chairperson Ferguson] What kind of timeframe do you have in mind to wrap that up?
- o [Mr. Keister] We want to ideally be through reporting in the next month or so.
- o [Dr. Weinert] In your analysis with cash, did your determination rise to a level of concern?
- o [Mr. Keister] Inherently cash handling processes are risky. I would put it at one of the higher risk areas. If you take it into the context of full scope of transactions and payment types we are taking in, it may not be the highest. We looked at five departments and the opportunity to streamline those processes through those departments, the opportunity is there for error.

- Grants Management
  - o Kickoff meeting with Rachel Nygaard and new grants manager, Amanda Thompson.
  - o Amanda's experience is with a centralized process and recommends this type of process rather than decentralized for Buncombe County.
  - o Setting example and standard (robust policy/procedure defined as manual) that we will audit against.
  - o Working with grant management team from centralized process to understand policy and take a sample-based approach, volume from a dollar standpoint and elements of full life cycle.
  - o System – element of centralization

Questions and Responses:
- o [Commissioner Whitesides] Even thought it is early, do you think down the road that it will be advantageous to centralize grants?
- o [Mr. Keister] Discussions at this point from a best practice perspective would suggest centralizing. If you look at other places and recommendations by standards, I think centralized lends itself to less opportunity

to error or fraud in some cases. There must be a serious discussion around what does that resourcing module look like.

- o [Chairperson Ferguson] What kind of population are we looking at? Are we looking at Federal, State, Local, Private?
- o [Mr. Keister] We have currently pulled them all as available and we are analyzing that. We pulled the Grants Manager into the scoping discussion because she is fresh to the organization. She has experience in her previous role with centralized processes.

- Risk Assessment
  - o Kick off work soon.
  - o Bringing draft audit plan to June meeting,
  - o General program update
  - o Remediation discussion

Questions and Responses:
- o [Chairperson Ferguson] In terms of timing, are we shooting for that June meeting where you will present a proposed audit plan?
- o [Mr. Keister] Ideally, I would like to do June. Before than I would like to submit the risk assessment and draft audit plan for next year. I will also provide a general program update which the commissioners have requested.

- One EERL case has been closed since our last meeting. Multiple cases have been passed along to appropriate department.

Chairperson Ferguson reminded the Audit Committee that we are still recruiting for a member of accounting profession to replace Danny Yelton**.**

Public Comment
There were no members of the public who commented at the February 21, 2023, meeting.

Meeting Schedule Reminder for Calendar Year 2023
> Tuesday, March 21, 2023, at 9:00 AM
> Tuesday, June 6, 2023, at 9:00 AM
> Tuesday, September 5, 2023, at 9:00 AM
> Tuesday, December 5, 2023, at 9:00 AM

Adjournment
Chairperson Kendra Ferguson moved to adjourn the meeting. Commissioner Whiteside seconded the motion. Through voice vote, the motion passed unanimously. The February 21, 2023, Audit Committee meeting was adjourned at 9:50 AM.

Internal Audit Department
Audit Committee Update
February 21, 2023

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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 December 2022, the Internal Audit department has concluded the first audit on the FY 2023 plan, a review of Information Technology General Controls, and is currently wrapping up the reporting phase of the project. Internal Audit is within the fieldwork phase of the Cash Management audit. Additionally, Internal Audit has kicked off the Grants Management project and is currently in the planning phase.

In addition, the team has continued to focus on utilizing, the audit software, Diligent to support the audit program. Internal Audit Staff continue to work on a number of key Internal Audit supported functions, such as Let's Talk audit committee reporting and EERL investigations.

If there are any questions regarding the content of this report, we are 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 December 2022, Internal Audit has kicked off the FY 2023 review of Grant Management and is working through the fieldwork phase of the Cash Management project.

The Grant Management review is in the planning phase of the project. The Internal Audit team has kicked off the project and is currently conducting walkthrough conversations with various grants personnel to get an understanding of current state processes relating to Grant Management.

The Cash Management review is in the fieldwork phase of the project. The Internal Audit team held in-person observations and completed flowcharts of the cash management processes for the selected departments. Test plans are being executed at this time.

The Information Technology review is in the reporting phase of the project. Internal Audit is working on the report output given the sensitive nature of the IT Audit.

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). At this time all cases for Fiscal Year 2022 have been either investigated by IA and reported out, closed for insufficient information, or handed off to the appropriate department and the status of remediation is being tracked by IA.

Internal Audit has received 15 investigations during Fiscal Year 2023 (July 2022 through current). Eleven investigations have been handed off to the relevant department. Two investigations have been conducted by Internal Audit and are complete. One has been closed for insufficient information. Another case has been closed as a larger audit project is planned to address the concerns.

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	15
Direct to Internal Audit	0
Direct to Human Resources	Unknown
Direct to Other Existing Reporting Channels	Unknown
Grand Total	**15**

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 February 2023), 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.

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

2) 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	Closed - Insufficent Information	No	
96	Discrimination/ Harassment	Not Substantiated	Closed	Yes	Case 96 IA Report Final.pdf
97	Other	HR - In Progress	Closed - HR work ongoing	No	

Employee Ethics Report Line
Fiscal Year 2022 Summary

Report #	Summary	Action	Notes	Report Issued	Report Name
98	Hiring Irregularities (Public Safety)	Identified System Issue	Closed	Yes	Case 98 IA Report Final.pdf
99	Conflicts of Interest, Stealing and Poor Leadership (Public Safety)	Identified System Issue	Closed	Yes	Case 99 IA Report Final.pdf
100	Inappropriate Social Media Conduct (Public Safety)	HR - In Progress	Closed - HR work ongoing	No	
101	Hostile behavior (Public Safety)	HR - In Progress	Closed - HR work ongoing	No	
102	Health and Safety	Action taken by management	Closed	Yes	Case 102 IA Report FINAL.pdf

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103	Poor Leadership and Discrimination	HR - In Progress	Closed - HR work ongoing	No	
104	Other	Action taken by management	Closed	Yes	Case 104 IA Report FINAL.pdf
105	Compensation study	Internal Audit is taking this report into consideration during our annual risk assessment	Closed	No	
106	Personnel Related Matter	HR - In Progress	Closed - HR work ongoing	No	
107	Policy Violation	SO - In Progress	Closed - Referred to Sheriff's Office	No	
108	Personnel Related Matter	HR - In Progress	Closed - HR work ongoing	No	
109	Looking for update on compensation study appeals	Management provided update via County Central	Closed	No	
110	Public Safety Concerns	Action taken by management	Closed	Yes	Case 110 IA Report FINAL.pdf
111	Personnel Related Matter	Training/Coaching	Closed	No	
112	Personnel Related Matter	HR - In Progress	Closed - HR work ongoing	No	
113	Personnel Related Matter	Training/Coaching	Closed	No	
114	Personnel Related Matter	Training/Coaching	Closed	No	
115	Poor Leadership	Insufficient Information	Closed	No	
116	IT Related Matter	IT - In Progress	Work ongoing		
117	Personnel Related Matter	SO - In Progress	Closed - Referred to Sheriff's Office	No	

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