

**Minutes of Buncombe County Audit Committee**  
**October 15, 2019**  
**9:00 AM**

<b>Members Present:</b>	Larry Harris, Robert Pressley, Al Whitesides, Andrew Hoffman, Danny Yelton, and Mike Knepshield
<b>Members Absent:</b>	Kendra Ferguson
<b>County Staff Present:</b>	Trisha Burnett, Kelly Houston, Terri Orange, Don Warn, Chris Wallace
<b>Others Present:</b>	N/A

---

The Audit Committee Chairman, Larry Harris, called the meeting to order at 9:01 AM.

Chris Wallace, the Buncombe County Information Security Officer, was introduced to the committee. Chris's team and the Internal Audit team work collaboratively to assess audit needs relating to information technology.

**Review and Approval of Meeting Minutes**

The July 9, 2019 and July 29, 2019 meeting minutes were presented and reviewed.

*Danny Yelton moved to approve the minutes as presented. Al Whitesides seconded the motion. The motion passed unanimously.*

**Fiscal Year 2019 Financial Audit Update**

Finance Director Don Warn gave the Audit Committee an update on the progress of the fiscal year 2019 financial audit. Highlights include:

- The Finance Department has provided the draft financial statements to the external auditors.
- The County is waiting for the actuarial values to complete the OPEB calculations.
- A few findings that carryover from the fiscal year 2018 audit are expected, given that it was completed near the end of fiscal year 2019.
- So far, there have not been significant issues encountered.
- There has been discussion regarding the SEFSA (Schedule of Federal and State Awards) and a potential issue from prior years that could potentially impact meeting the October 31<sup>st</sup> deadline for the fiscal year 2019 audit. Mr. Warn stated there is an automatic extension from the Local Government Commission (LGC) until December 1<sup>st</sup>.

**Internal Audit Director Update**

Trisha Burnett provided an update to the Audit Committee on her first month as the Director.

- Goals
  - Meet the expectations of stakeholders
  - Establish consistent communications with stakeholders, including check-ins with Commissioners and Audit Committee members
  - Build relationships with departments and staff to build trust in the Internal Audit process
  - Build one of the best Internal Audit Departments in North Carolina
  - Risk-based assurance

- Provide audit recommendations that add value
- Ensure compliance with *Government Auditing Standards* (AKA Yellow Book), issued by the US Government Accountability Office
  - Peer Review required every three (3) years
- Internal Audit Resources
  - The audit universe (things to be audited) versus the staff size of Internal Audit means that high-risk areas will go unaudited.
  - Internal Audit staff juggle competing demands, such as audit plan work, managing the Ethics Hotline and applicable Let's Talk communications, investigations, and administrative duties.
  - Any department will have administrative duties, and these take time away from audits and investigations.
- Projects
  - Internal Audit is not yet able to do planned audits consistently, due to competing demands and limited staffing.
  - Adding value to the organization starts with being able to evaluate management's risk, governance and control processes – at this time, the County does not yet have a complete risk, governance, and controls process.
  - Internal Audit experiences scope limitations in access to systems in some cases.
- Potential Issues
  - Information technology issues:
    - IT is an underlying component of almost every county process.
    - Software solutions would assist with data mining, which can help identify anomalies in whole populations, as opposed to smaller, test populations.
    - Internal Audit and the Information Security team is working together to access software solutions that might meet the needs of both teams, plus the needs of the County compliance officer.
    - IT auditing requires expertise.
  - Balancing NC public records laws with auditing standards and whistleblower protections.
  - COSO not yet implemented.
    - Internal Audit can assist with training.
    - Management has to accept ownership of implementation.

### **Internal Audit Budget**

Trisha Burnett will present a recommended budget for fiscal year 2021 to the Audit Committee at the December 3, 2019 regular meeting. Trisha asked the Audit Committee if they continue to support adding staff to the Internal Audit Department, as they had supported in the fiscal year 2020 budget process.

- Commissioner Whitesides said that he has spoken with other officials in smaller counties that have more staff members in Internal Audit than Buncombe County does.
- Andrew Hoffman asked if more Internal Audit staff could potentially reduce the cost of the external audit.
- Trisha Burnett shared information on benchmarking statistics from the Association of Local Government Auditors (ALGA).
- Commissioner Whitesides asked Trisha to send documentation on position requests to him and Commissioner Pressley to review. Kelly Houston asked the Commissioners if they prefer to have the documentation sent to them, or if they would prefer to have a meeting to discuss the information. Commissioner Pressley said he preferred a meeting.
- The other large portion of the Internal Audit budget is training. *Government Auditing Standards* requires each auditor (regardless of certifications) to meet a minimum number of CPE hours. The training budget will show an increase to reflect compliance to the *Standards*.

- Chairman Harris requested that the recommended budget be sent to the Audit Committee before the December 3, 2019 meeting, so that committee members could review and be prepared for questions at the meeting.

### **Interim Director Payment**

Chairman Harris advised the Audit Committee that County Manager Avril Pinder has recommended a bonus payment to Kelly Houston for serving as the interim Internal Audit Director from Terri Orange's departure to Trisha Burnett's hiring. He explained that the amount was determined by taking the difference from what Kelly's current salary is and what her salary would have been as the Director during that time.

*Al Whitesides moved to approve the additional payment to Kelly Houston for her extra duties performed as the interim director. Robert Pressley seconded the motion. The motion passed unanimously.*

### **Ethics Hotline & Let's Talk Update**

Trisha Burnett explained that the "Let's Talk" communications platform was used for internal and external people for a variety of reasons. Internal Audit sees all of the comments that come through that platform. The County's Communications team distributes the comments to departments as appropriate. Currently, the County does not have a Human Resources Director, and the County Manager has delegated HR duties to herself and the two Assistant County Managers. This arrangement could potentially lead to the perception that there is not appropriate oversight for County management.

*Robert Pressley moved to approve the process of Internal Audit communicating any "Let's Talk" comments regarding direct reports of the Board of Commissioners to the Audit Subcommittee. Al Whitesides seconded the motion. The motion passed unanimously.*

Kelly Houston provided the Committee with an update to the Ethics Hotline. Per the contract with Navex Global (the third-party provider), the hotline is to be used for employees only. While the County continues to have a toll-free number to Navex Global for employees to call, there is now an online tool that can also be used by employees. The toll-free number is answered by Navex Global, not by County staff; the online form is hosted on a Navex Global website, not on a County website. The new platform also provides Internal Audit with an Incident Management system, which allows for better case management, outcomes tracking, and reporting features.

So far for calendar year 2019, the County has received 31 hotline reports. Nine (9) of the 31 total reports have been since Internal Audit implemented the new platform on August 15, 2019.

Trisha Burnett commented that compared to other places she has worked, this is a high number of reports. This shows the hotline is healthy, and that employees feel comfortable reporting issues. However, hotline report management and follow-up take staff resources and currently takes staff time away from planned audit events.

### **Meeting Schedule**

Larry Harris reminded the committee of the next regular meeting scheduled for December 3, 2019 at 9:00 AM. Kelly Houston also reminded the Committee that if any special meetings were necessary in regards to the external audit, it would be communicated at that time. Chairman Harris reiterated that the External Audit Subcommittee was available as needed.

**Public Comment**

Larry Harris noted that there was no member of the public present in the meeting room to make comment. He did ask Chris Wallace, Information Security Officer, if he had any topics to discuss. Chris introduced his role to the County and his team's partnership with Internal Audit. He, along with Internal Audit, see a growing need for a centralized compliance function beyond HIPAA compliance, in order to meet federal and state grant requirements. Chairman Harris asked if external IT audits were conducted. Don Warn advised that CLA did IT testing for the external financial audit. Chris Wallace explained that two years ago, the County went through an external HIPAA compliance audit, which includes a lot of IT components. During that audit, a number of findings were stated. Any findings related to information systems and technology have been addressed; however, there are expected to be repeat findings in the next HIPAA audit due to a lack of documented policy and procedures.

**Adjournment**

Larry Harris adjourned the meeting at 10:06.