

Minutes of Buncombe County Audit Committee
June 7, 2022
9:00 AM
200 College Street, Room 310, Asheville, NC 28801

Members Present: Chairperson Kendra Ferguson, Commissioner Robert Pressley, Commissioner Al Whitesides, Dr. Glenda Weinert, Danny Yelton, and Larry Harris

Members Absent: Mike Knepshield

County Staff Present: Dan Keister (Internal Audit Director), Kelly Houston (Risk Manager/Audit Committee Secretary), Candace Searcy (Internal Auditor), Paige Anderson (Internal Auditor), Don Warn (Finance Director), Glenn Murray (Accounting and Reporting Manager), Michael Frue (Senior Attorney), and Mark Goodwin (Chief Information Security Officer)

Others Present: N/A

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

Chairperson Kendra Ferguson asked Mr. Keister to give an introduction of the two new staff members. Paige Anderson is a CPA and previously worked as an external auditor at EY, a Big 4 company. Candace brings 10 years of county experience and knowledge.

Review and Approval of Meeting Minutes – Chairperson Kendra Ferguson

The March 15, 2022 meeting minutes were presented and reviewed. There was one correction noted, page 3 “motion to access” should be “motion to approve”.

Commissioner Al Whitesides moved to approve the minutes with correction. Larry Harris seconded the motion. The motion passed unanimously.

Discussion and Approval of FY2022 External Audit Contract - Chairperson Kendra Ferguson and Finance Director Don Warn

Finance Director Don Warn presented the Fiscal Year 2022 external financial audit contract for approval and engagement letter for reference. The highlights are as follows:

- This is the 5th and final year with CLA. A request for proposal will occur this year to determine the next external auditor.
- The proposed audit cost increased approximately 10% from prior year (\$130K to \$144K).
- A few ranges were added to the contract for audit areas in which the time budgeted had to be estimated due to performing the procedures for the first time or new guidance. This includes ARPA funds, GASB 87 (lease accounting), pandemic funding, and SAS 134 (audit report changes).
- Chairperson Ferguson stated that she had reviewed the audit contract and engagement letter, and asked if the Committee members had any questions or concerns. There were none.

Larry Harris made a motion approve the Fiscal Year 2022 audit contract. Dr. Glenda Weinert seconded the motion. The motion passed unanimously.

Mr. Warn stated that the audit contract would go to the Board of Commissioners next.

Discussion on Committee Member Terms – Chairperson Kendra Ferguson

Chairperson Ferguson mentioned that three members of the audit committee are coming upon the end of their term on January 1, 2023. The audit committee rotation schedule is attached to the meeting minutes detailing the positions that will need to be filled. Chairperson Ferguson asked the committee members to think of who they know who may be interested in serving on the committee. She emphasized that there is a formal process, and it does take time to fill these positions, so we are beginning the recruitment process earlier. Mr. Harris suggested to send communications to clerks at the nearby municipalities and to include some details about what the audit committee does and why one might be interested. The group also suggested sending communications to other CPA firms and banks in the area. Mr. Keister mentioned that he will move ahead with the county clerk to market the positions online. Mr. Keister also mentioned that he has been speaking with the communications team on new ways to advertise the openings.

Questions and Responses:

- [Mr. Yelton] I recently changed positions and I no longer fall under the accounting profession. I am now a chief operating officer. Does this affect our membership composition?
 - [Chairperson Ferguson] You still have your CPA and worked in the accounting profession. Since your term is ending in a few months, it is acceptable for you to remain in your position on the audit committee.

Approval New Audit Committee Secretary – Audit Committee

Chairperson Ferguson explained that a new audit committee secretary will need to be assigned. Chairperson Ferguson asked if Mr. Keister had a recommendation for the new secretary. Mr. Keister recommended Miss Anderson.

Dr. Glenda Weinert made a motion to approve Paige Anderson as Audit Committee Secretary. Commissioner Robert Pressley seconded the motion. The motion passed unanimously.

Update from CISO – Chief Information Security Officer Mark Goodwin

Mr. Goodwin gave an informational session on security and the steps the county is taking to strengthen security. The Information Technology department is conducting a risk management framework over the entire county. The review is system by system. For each system the department is obtaining an understanding of the risks and defining the security. Many areas in the county have their own set of required standards and regulations. Along with the aforementioned, the department must comply with their own set of standards, if applicable. Each system is being assessed against the required rules, regulations, and standards. Mr. Goodwin explained that there are four ways to address risk: avoidance, acceptance, mitigation/reduction, and transfer. Mr. Goodwin described that a main issue they identified is that problems would arise but no one took ownership to remediate the problems as processes were not assigned owners. Mr. Goodwin discussed the structure of the IT department. There are three sections: operational, which reviews the problems; technical, which creates solutions; and management, which assesses the conformance with standards and regulations.

Questions and Responses:

- [Mr. Yelton] What is the training around security issues when they occur?
 - [Mr. Goodwin] We have many different approaches depending on the occurrence. We have a phishing program which sends out fake phishing emails to assess the users ability to identify and flag emails that could be phishing. Should the user fail, and interact with the phishing email, they will be notified and guided to a training module. The county also informs new hires during the New Employee Orientation onboarding meeting. There is also specialized training for sensitive roles, such as healthcare roles. The department also has a goal to implement specialized role-based trainings, to provide more in-depth, applicable training.
- [Mr. Harris] Are county electronics encrypted?
 - [Mr. Goodwin] Encryption is the effect that when data is transmitted the information is scrambled so that it cannot be deciphered. The data on devices is encrypted including data at rest and in-flight data.
- [Mr. Frue] What is the procedures if a county phone or other technology is lost?
 - [Mr. Goodwin] We have the capability to remote lock devices which are lost. We also are able to wipe data from those devices. We have had this occur in the past and have been able to utilize these tools to prevent the leakage of county information.

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:

- Two staff have been hired and are working to support the internal audit department
- Mrs. Houston has trained the staff to do monthly Internal Audit tasks, Let's Talk monitoring, and procedures over the audit committee process. Investigation training is underway
- Training over the audit software, Diligent, has been underway and the team is continuing to implement and mold the software to support the audit program
- Staff have been working through Yellow Book courses to get a working knowledge of government auditing standards
- Staff have been working through a course over fraud in the government presented by the Associate of Certified Fraud Examiners
- The team attended the annual ALGA conference as means of staying up to date with current local government audit topics
- Staff have been learning about the organization as whole and the environment in which it exists

Questions and Responses:

- [Mr. Harris] How does the Diligent application support the internal audit function?
 - [Mr. Keister] The Diligent application allows the team to organize and store audit workpapers and documentation. Furthermore, the application has many standards, regulations, and guidance that can be selected to guide the audit program to ensure that the appropriate rules and requirements are being met and completed. There is also an analytics module which is used during audit procedures to gain a better understanding of the entity and its processes and allows the ability to perform testing over the entire population. It is also possible to extrapolate the findings across the population to obtain a more precise understanding of the significance.
- [Mr. Harris] Does the application identify risk areas?
 - [Mr. Keister] There is a module for risk within the Diligent umbrella, but we do not currently subscribe to that application. Through our audit procedures and process we will be identifying risk areas within the audit objective.

Conflict of Interest Disclosures Module Update – Internal Audit Director Dan Keister

Management has decided to return to use the Conflict-of-Interest Disclosures module through Navex Global. Mr. Keister is working with both Navex Global and the HR Department on this project. Currently, the group is considering a survey option, whereby a survey will be sent out to determine what, if any, conflicts of interest exist. The group is targeting a goal date of this year. Mr. Keister discussed that the internal audit department should be aware of the results but should not be facilitating the operations of the program.

Governance Documents Update – Internal Audit Director Dan Keister

Mr. Keister discussed that the governance documents will be presented to the board later that day (June 7, 2022) and voted upon. Governance documents had been previously approved by the Audit Committee.

Fiscal Year 2023 Internal Audit Plan Update – Internal Audit Director Dan Keister

Mr. Keister discussed that the 2023 internal audit plan will be presented to the board later that day (June 7, 2022) and voted upon. The internal audit plan had been previously approved by the Audit Committee. The team plans to begin the audit process upon approval.

Public Comment

There were no members of the public who commented at the June 7, 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, August 16, 2022 at 9:00 AM

- 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

The June 7, 2022 Audit Committee meeting was adjourned at 9:51 AM.

The	Governing Board Board of County Commissioners
of	Primary Government Unit Buncombe County
and	Discretely Presented Component Unit (DPCU) (if applicable)

Primary Government Unit, together with DPCU (if applicable), hereinafter referred to as Governmental Unit(s)

and	Auditor Name CliftonLarsonAllen LLP
	Auditor Address 227 West Trade Street 8th Floor Charlotte, NC 28202

Hereinafter referred to as Auditor

for	Fiscal Year Ending 06/30/22	Audit Report Due Date 10/31/22
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Must be within four months of FYE

hereby agree as follows:

1. The Auditor shall audit all statements and disclosures required by U.S. generally accepted auditing standards (GAAS) and additional required legal statements and disclosures of all funds and/or divisions of the Governmental Unit(s). The non-major combining, and individual fund statements and schedules shall be subjected to the auditing procedures applied in the audit of the basic financial statements and an opinion shall be rendered in relation to (as applicable) the governmental activities, the business- type activities, the aggregate DPCUs, each major governmental and enterprise fund, and the aggregate remaining fund information (non-major government and enterprise funds, the internal service fund type, and the fiduciary fund types). The basic financial statements shall include budgetary comparison information in a budgetary comparison statement, rather than as RSI, for the General Fund and any annually budgeted Special Revenue funds.
2. At a minimum, the Auditor shall conduct the audit and render the report in accordance with GAAS. The Auditor shall perform the audit in accordance with *Government Auditing Standards* if the Governmental Unit expended \$100,000 or more in combined Federal and State financial assistance during the reporting period. The auditor shall perform a Single Audit if required by Title 2 US Code of Federal Regulations Part 200 *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) or the State Single Audit Implementation Act. This audit and all associated audit documentation may be subject to review by Federal and State agencies in accordance with Federal and State laws, including the staffs of the Office of State Auditor (OSA) and the Local Government Commission (LGC). If the audit requires a federal single audit in accordance with the Uniform Guidance (§200.501), it is recommended that the Auditor and Governmental Unit(s) jointly agree, in advance of the execution of this contract, which party is responsible for submission of the audit and the accompanying data collection form to the Federal Audit Clearinghouse as required under the Uniform Guidance (§200.512).

If the audit and Auditor communication are found in this review to be substandard, the results of the review may be forwarded to the North Carolina State Board of CPA Examiners (NC State Board).

3. If an entity is determined to be a component of another government as defined by the group audit standards, the entity's auditor shall make a good faith effort to comply in a timely manner with the requests of the group auditor in accordance with AU-6 §600.41 - §600.42.

4. This contract contemplates an unmodified opinion being rendered. If during the process of conducting the audit, the Auditor determines that it will not be possible to render an unmodified opinion on the financial statements of the unit, the Auditor shall contact the LGC Staff to discuss the circumstances leading to that conclusion as soon as is practical and before the final report is issued. The audit shall include such tests of the accounting records and such other auditing procedures as are considered by the Auditor to be necessary in the circumstances. Any limitations or restrictions in scope which would lead to a qualification should be fully explained in an attachment to this contract.

5. If this audit engagement is subject to the standards for audit as defined in *Government Auditing Standards*, 2018 revision, issued by the Comptroller General of the United States, then by accepting this engagement, the Auditor warrants that he/she has met the requirements for a peer review and continuing education as specified in *Government Auditing Standards*. The Auditor agrees to provide a copy of the most recent peer review report to the Governmental Unit(s) and the Secretary of the LGC prior to the execution of an audit contract. Subsequent submissions of the report are required only upon report expiration or upon auditor's receipt of an updated peer review report. If the audit firm received a peer review rating other than pass, the Auditor shall not contract with the Governmental Unit(s) without first contacting the Secretary of the LGC for a peer review analysis that may result in additional contractual requirements.

If the audit engagement is not subject to *Government Accounting Standards* or if financial statements are not prepared in accordance with U.S. generally accepted accounting principles (GAAP) and fail to include all disclosures required by GAAP, the Auditor shall provide an explanation as to why in an attachment to this contract or in an amendment.

6. It is agreed that time is of the essence in this contract. All audits are to be performed and the report of audit submitted to LGC Staff within four months of fiscal year end. If it becomes necessary to amend the audit fee or the date that the audit report will be submitted to the LGC, an amended contract along with a written explanation of the change shall be submitted to the Secretary of the LGC for approval.

7. It is agreed that GAAS include a review of the Governmental Unit's (Units') systems of internal control and accounting as same relate to accountability of funds and adherence to budget and law requirements applicable thereto; that the Auditor shall make a written report, which may or may not be a part of the written report of audit, to the Governing Board setting forth his/her findings, together with his recommendations for improvement. That written report shall include all matters defined as "significant deficiencies and material weaknesses" in AU-C 265 of the *AICPA Professional Standards (Clarified)*. The Auditor shall file a copy of that report with the Secretary of the LGC.

8. All local government and public authority contracts for audit or audit-related work require the approval of the Secretary of the LGC. This includes annual or special audits, agreed upon procedures related to internal controls, bookkeeping or other assistance necessary to prepare the Governmental Unit's (Units') records for audit, financial statement preparation, any finance-related investigations, or any other audit-related work in the State of North Carolina. Approval is not required on contracts and invoices for system improvements and similar services of a non-auditing nature.

9. Invoices for services rendered under these contracts shall not be paid by the Governmental Unit(s) until the invoice has been approved by the Secretary of the LGC. (This also includes any progress billings.)(G.S. 159-34 and 115C-447) All invoices for Audit work shall be submitted in PDF format to the Secretary of the LGC for approval. The invoice marked 'approved' with approval date shall be returned to

the Auditor to present to the Governmental Unit(s) for payment. This paragraph is not applicable to contracts for audits of hospitals.

10. In consideration of the satisfactory performance of the provisions of this contract, the Governmental Unit(s) shall pay to the Auditor, upon approval by the Secretary of the LGC if required, the fee, which includes any costs the Auditor may incur from work paper or peer reviews or any other quality assurance program required by third parties (federal and state grantor and oversight agencies or other organizations) as required under the Federal and State Single Audit Acts. This does not include fees for any pre-issuance reviews that may be required by the NC Association of CPAs (NCACPA) Peer Review Committee or NC State Board of CPA Examiners (see Item 13).

11. If the Governmental Unit(s) has/have outstanding revenue bonds, the Auditor shall submit to LGC Staff, either in the notes to the audited financial statements or as a separate report, a calculation demonstrating compliance with the revenue bond rate covenant. Additionally, the Auditor shall submit to LGC Staff simultaneously with the Governmental Unit's (Units') audited financial statements any other bond compliance statements or additional reports required by the authorizing bond documents, unless otherwise specified in the bond documents.

12. After completing the audit, the Auditor shall submit to the Governing Board a written report of audit. This report shall include, but not be limited to, the following information: (a) Management's Discussion and Analysis, (b) the financial statements and notes of the Governmental Unit(s) and all of its component units prepared in accordance with GAAP, (c) supplementary information requested by the Governmental Unit(s) or required for full disclosure under the law, and (d) the Auditor's opinion on the material presented. The Auditor shall furnish the required number of copies of the report of audit to the Governing Board upon completion.

13. If the audit firm is required by the NC State Board, the NCACPA Peer Review Committee, or the Secretary of the LGC to have a pre-issuance review of its audit work, there shall be a statement in the engagement letter indicating the pre-issuance review requirement. There also shall be a statement that the Governmental Unit(s) shall not be billed for the pre-issuance review. The pre-issuance review shall be performed prior to the completed audit being submitted to LGC Staff. The pre-issuance review report shall accompany the audit report upon submission to LGC Staff.

14. The Auditor shall submit the report of audit in PDF format to LGC Staff. For audits of units other than hospitals, the audit report should be submitted when (or prior to) submitting the final invoice for services rendered. The report of audit, as filed with the Secretary of the LGC, becomes a matter of public record for inspection, review and copy in the offices of the LGC by any interested parties. Any subsequent revisions to these reports shall be sent to the Secretary of the LGC. These audited financial statements, excluding the Auditors' opinion, may be used in the preparation of official statements for debt offerings by municipal bond rating services to fulfill secondary market disclosure requirements of the Securities and Exchange Commission and for other lawful purposes of the Governmental Unit(s) without requiring consent of the Auditor. If the LGC Staff determines that corrections need to be made to the Governmental Unit's (Units') financial statements, those corrections shall be provided within three business days of notification unless another deadline is agreed to by LGC Staff.

15. Should circumstances disclosed by the audit call for a more detailed investigation by the Auditor than necessary under ordinary circumstances, the Auditor shall inform the Governing Board in writing of the need for such additional investigation and the additional compensation required therefore. Upon approval by the

Secretary of the LGC, this contract may be modified or amended to include the increased time, compensation, or both as may be agreed upon by the Governing Board and the Auditor.

16. If an approved contract needs to be modified or amended for any reason, the change shall be made in writing and pre-audited if the change includes a change in audit fee (pre-audit requirement does not apply to hospitals). This amended contract shall be completed in full, including a written explanation of the change, signed and dated by all original parties to the contract. It shall then be submitted to the Secretary of the LGC for approval. No change to the audit contract shall be effective unless approved by the Secretary of the LGC, the Governing Board, and the Auditor.

17. A copy of the engagement letter, issued by the Auditor and signed by both the Auditor and the Governmental Unit(s), shall be attached to this contract, and except for fees, work, and terms not related to audit services, shall be incorporated by reference as if fully set forth herein as part of this contract. In case of conflict between the terms of the engagement letter and the terms of this contract, the terms of this contract shall take precedence. Engagement letter terms that conflict with the contract are deemed to be void unless the conflicting terms of this contract are specifically deleted in Item 30 of this contract. Engagement letters containing indemnification clauses shall not be accepted by LGC Staff.

18. Special provisions should be limited. Please list any special provisions in an attachment.

19. A separate contract should not be made for each division to be audited or report to be submitted. If a DPCU is subject to the audit requirements detailed in the Local Government Budget and Fiscal Control Act and a separate audit report is issued, a separate audit contract is required. If a separate report is not to be issued and the DPCU is included in the primary government audit, the DPCU shall be named along with the primary government on this audit contract. DPCU Board approval date, signatures from the DPCU Board chairman and finance officer also shall be included on this contract.

20. The contract shall be executed, pre-audited (pre-audit requirement does not apply to hospitals), and physically signed by all parties including Governmental Unit(s) and the Auditor, then submitted in PDF format to the Secretary of the LGC.

21. The contract is not valid until it is approved by the Secretary of the LGC. The staff of the LGC shall notify the Governmental Unit and Auditor of contract approval by email. The audit should not be started before the contract is approved.

22. Retention of Client Records: Auditors are subject to the NC State Board of CPA Examiners' Retention of Client Records Rule 21 NCAC 08N .0305 as it relates to the provision of audit and other attest services, as well as non-attest services. Clients and former clients should be familiar with the requirements of this rule prior to requesting the return of records.

23. This contract may be terminated at any time by mutual consent and agreement of the Governmental Unit(s) and the Auditor, provided that (a) the consent to terminate is in writing and signed by both parties, (b) the parties have agreed on the fee amount which shall be paid to the Auditor (if applicable), and (c) no termination shall be effective until approved in writing by the Secretary of the LGC.

24. The Governmental Unit's (Units') failure or forbearance to enforce, or waiver of, any right or an event of breach or default on one occasion or instance shall not constitute the waiver of such right, breach or default on any subsequent occasion or instance.

25. There are no other agreements between the parties hereto and no other agreements relative hereto that shall be enforceable unless entered into in accordance with the procedure set out herein and approved by the Secretary of the LGC.

26. E-Verify. Auditor shall comply with the requirements of NCGS Chapter 64 Article 2. Further, if Auditor utilizes any subcontractor(s), Auditor shall require such subcontractor(s) to comply with the requirements of NCGS Chapter 64, Article 2.

27. **Applicable to audits with fiscal year ends of June 30, 2020 and later.** For all non-attest services, the Auditor shall adhere to the independence rules of the AICPA Professional Code of Conduct and Governmental Auditing Standards, 2018 Revision (as applicable). Financial statement preparation assistance shall be deemed a "significant threat" requiring the Auditor to apply safeguards sufficient to reduce the threat to an acceptable level. If the Auditor cannot reduce the threats to an acceptable level, the Auditor cannot complete the audit. If the Auditor is able to reduce the threats to an acceptable level, the documentation of this determination, including the safeguards applied, must be included in the audit workpapers.

All non-attest service(s) being performed by the Auditor that are necessary to perform the audit must be identified and included in this contract. The Governmental Unit shall designate an individual with the suitable skills, knowledge, and/or experience (SKE) necessary to oversee the services and accept responsibility for the results of the services performed. If the Auditor is able to identify an individual with the appropriate SKE, s/he must document and include in the audit workpapers how he/she reached that conclusion. If the Auditor determines that an individual with the appropriate SKE cannot be identified, the Auditor cannot perform both the non-attest service(s) and the audit. See "Fees for Audit Services" page of this contract to disclose the person identified as having the appropriate SKE for the Governmental Unit.

28. **Applicable to audits with fiscal year ends of June 30, 2021 and later.** The auditor shall present the audited financial statements including any compliance reports to the government unit's governing body or audit committee in an official meeting in open session as soon as the audited financial statements are available but not later than 45 days after the submission of the audit report to the Secretary. The auditor's presentation to the government unit's governing body or audit committee shall include:

- a) the description of each finding, including all material weaknesses and significant deficiencies, as found by the auditor, and any other issues related to the internal controls or fiscal health of the government unit as disclosed in the management letter, the Single Audit or Yellow Book reports, or any other communications from the auditor regarding internal controls as required by current auditing standards set by the Accounting Standards Board or its successor;
- b) the status of the prior year audit findings;
- c) the values of Financial Performance Indicators based on information presented in the audited financial statements; and
- d) notification to the governing body that the governing body shall develop a "Response to the Auditor's Findings, Recommendations, and Fiscal Matters," if required under 20 NCAC 03 .0508.

29. Information based on the audited financial statements shall be submitted to the Secretary for the purpose of identifying Financial Performance Indicators and Financial Performance Indicators of Concern. See 20 NCAC 03 .0502(c)(6).

30. All of the above paragraphs are understood and shall apply to this contract, except the following numbered paragraphs shall be deleted (See Item 17 for clarification).

31. The process for submitting contracts, audit reports and invoices is subject to change. Auditors and units should use the submission process and instructions in effect at the time of submission. Refer to the N.C. Department of State Treasurer website at <https://www.nctreasurer.com/state-and-local-government-finance-division/local-government-commission/submitting-your-audit>

32. All communications regarding audit contract requests for modification or official approvals will be sent to the email addresses provided on the signature pages that follow.

33. Modifications to the language and terms contained in this contract form (LGC-205) are not allowed.

FEEES FOR AUDIT SERVICES

1. For all non-attest services, the Auditor shall adhere to the independence rules of the AICPA Professional Code of Conduct (as applicable) and *Governmental Auditing Standards, 2018 Revision*. Refer to Item 27 of this contract for specific requirements. The following information must be provided by the Auditor; contracts presented to the LGC without this information will be not be approved.

Financial statements were prepared by: Auditor Governmental Unit Third Party

If applicable: Individual at Governmental Unit designated to have the suitable skills, knowledge, and/or experience (SKE) necessary to oversee the non-attest services and accept responsibility for the results of these services:

Name: **Title and Unit / Company:** **Email Address:**

OR Not Applicable (Identification of SKE Individual not applicable for GAAS-only audit or audits with FYEs prior to June 30, 2020.)

2. Fees may not be included in this contract for work performed on Annual Financial Information Reports (AFIRs), Form 990s, or other services not associated with audit fees and costs. Such fees may be included in the engagement letter but may not be included in this contract or in any invoices requiring approval of the LGC. See Items 8 and 13 for details on other allowable and excluded fees.

3. Prior to the submission of the completed audited financial report and applicable compliance reports subject to this contract, or to an amendment to this contract (if required) the Auditor may submit interim invoices for approval for services rendered under this contract to the Secretary of the LGC, not to exceed 75% of the billings for the unit's last annual audit that was submitted to the Secretary of the LGC. Should the 75% cap provided below conflict with the cap calculated by LGC Staff based on the billings on file with the LGC, the LGC calculation prevails. All invoices for services rendered in an audit engagement as defined in 20 NCAC .0503 shall be submitted to the Commission for approval before any payment is made. Payment before approval is a violation of law. (This paragraph not applicable to contracts and invoices associated with audits of hospitals).

PRIMARY GOVERNMENT FEES

Primary Government Unit	Buncombe County
Audit Fee	\$ 162,700 - 190,200 (Estimated range, see engagement letter)
Additional Fees Not Included in Audit Fee:	
Fee per Major Program	\$ 4,500 - \$8,500 (Estimated per excess Pandemic Related Program)
Writing Financial Statements	\$
All Other Non-Attest Services	\$
75% Cap for Interim Invoice Approval <i>(not applicable to hospital contracts)</i>	\$ 98,145.00

DPCU FEES (if applicable)

Discretely Presented Component Unit	
Audit Fee	\$
Additional Fees Not Included in Audit Fee:	
Fee per Major Program	\$
Writing Financial Statements	\$
All Other Non-Attest Services	\$
75% Cap for Interim Invoice Approval <i>(not applicable to hospital contracts)</i>	\$

SIGNATURE PAGE

AUDIT FIRM

Audit Firm* CliftonLarsonAllen LLP	
Authorized Firm Representative (typed or printed)* Christopher Kessler	Signature* 
Date* 04/18/22	Email Address* chris.kessler@claconnect.com

GOVERNMENTAL UNIT

Governmental Unit* Buncombe County	
Date Primary Government Unit Governing Board Approved Audit Contract* (G.S.159-34(a) or G.S.115C-447(a))	
Mayor/Chairperson (typed or printed)*	Signature*
Date	Email Address

Chair of Audit Committee (typed or printed, or "NA")	Signature
Date	Email Address

GOVERNMENTAL UNIT – PRE-AUDIT CERTIFICATE

Required by G.S. 159-28(a1) or G.S. 115C-441(a1).
Not applicable to hospital contracts.

This instrument has been pre-audited in the manner required by The Local Government Budget and Fiscal Control Act or by the School Budget and Fiscal Control Act.

Primary Governmental Unit Finance Officer* (typed or printed) Donald P. Warn	Signature*
Date of Pre-Audit Certificate*	Email Address* don.warn@buncombecounty.org

**SIGNATURE PAGE – DPCU
(complete only if applicable)**

DISCRETELY PRESENTED COMPONENT UNIT

DPCU*	
Date DPCU Governing Board Approved Audit Contract* (Ref: G.S. 159-34(a) or G.S. 115C-447(a))	
DPCU Chairperson (typed or printed)*	Signature*
Date*	Email Address*

Chair of Audit Committee (typed or printed, or "NA")	Signature
Date	Email Address

DPCU – PRE-AUDIT CERTIFICATE

Required by G.S. 159-28(a1) or G.S. 115C-441(a1).
Not applicable to hospital contracts.

This instrument has been pre-audited in the manner required by The Local Government Budget and Fiscal Control Act or by the School Budget and Fiscal Control Act.

DPCU Finance Officer (typed or printed)*	Signature*
Date of Pre-Audit Certificate*	Email Address*

Remember to print this form, and obtain all required signatures prior to submission.

PRINT



CliftonLarsonAllen LLP
227 West Trade Street, Suite 800
Charlotte, NC 28202

phone 704-998-5200 fax 704-998-5250
CLAconnect.com

April 18, 2022

Board of County Commissioners and Management
Buncombe County, North Carolina

Dear Ladies and Gentlemen:

We are pleased to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the audit services CliftonLarsonAllen LLP (“CLA,” “we,” “us,” and “our”) will provide for Buncombe County, North Carolina (“you,” “your,” or “the entity”) for the year ended June 30, 2022.

Christopher Kessler, CPA, Principal is responsible for the performance of the audit engagement.

Scope of audit services

We will audit the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of Buncombe County, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements.

The Governmental Accounting Standards Board (GASB) provides for certain required supplementary information (RSI) to accompany the entity’s basic financial statements. The RSI will be subjected to certain limited procedures, but will not be audited.

We will also evaluate and report on the presentation of the supplementary information other than RSI accompanying the financial statements in relation to the financial statements as a whole. The following information other than RSI accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements and our auditors’ report will not provide an opinion or any assurance on that information:

1. Introductory Section
2. Statistical Section

Nonaudit services

We will also provide the following nonaudit services:

- Prepare the Data Collection Form.



CLA is an independent member of Nexia International, a leading, global network of independent accounting and consulting firms. See nexia.com/member-firm-disclaimer for details.

Audit objectives

The objectives of our audit are to obtain reasonable assurance about whether the basic financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions about whether your basic financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Our audit will be conducted in accordance with U.S. GAAS; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards require us to be independent of the entity and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. Our audit will include tests of your accounting records, a determination of major program(s) in accordance with the Uniform Guidance, and other procedures we consider necessary to enable us to express opinions and render the required reports. We will apply certain limited procedures to the RSI in accordance with U.S. GAAS. However, we will not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. We will also perform procedures to enable us to express an opinion on whether the supplementary information (as identified above) other than RSI accompanying the financial statements is fairly stated, in all material respects, in relation to the financial statements as a whole.

The objectives of our audit also include:

- Reporting on internal control over financial reporting and on compliance with the provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Reporting on internal control over compliance related to major programs and expressing an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Uniform Guidance.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance.

The Uniform Guidance report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

We will issue written reports upon completion of our audit of your financial statements and compliance with requirements applicable to major programs. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph to our auditors' report, or if necessary, withdraw from the engagement. If our opinions on the financial statements or the single audit compliance opinion is other than unmodified, we will discuss the reasons with you in advance. If circumstances occur related to the condition of your records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements or material noncompliance caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming opinions on the financial statements or an opinion on compliance, we retain the right to take any course of action permitted by professional standards, including declining to express opinions or issue reports, or withdrawing from the engagement.

We will issue written reports upon completion of our audit of your financial statements and compliance with requirements applicable to major programs. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement. If our opinions on the financial statements or the single audit compliance opinion are other than unmodified, we will discuss the reasons with you in advance. If circumstances occur related to the condition of your records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements or material noncompliance caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming opinions on the financial statements or an opinion on compliance, we retain the right to take any course of action permitted by professional standards, including declining to express opinions or issue reports, or withdrawing from the engagement.

Auditor responsibilities, procedures, and limitations

We will conduct our audit in accordance with U.S. GAAS, the standards for financial audits contained in *Government Auditing Standards*, and the Uniform Guidance. Those standards require that we exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. As part of our audit, we will:

- Identify and assess the risks of material misstatement of the financial statements and material noncompliance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement or a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing opinions on the effectiveness of the entity's internal control. However, we will communicate to you in writing any significant deficiencies or material weaknesses in internal control relevant to the audit of the basic financial statements that we have identified during the audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the basic financial statements, including the amounts and disclosures, and whether the basic financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.

Although our audit planning has not been concluded and modifications may be made, we have identified the following significant risk(s) of material misstatement as part of our audit planning:

- Management Override of Controls
- Revenue Recognition

There is an unavoidable risk, because of the inherent limitations of an audit, together with the inherent limitations of internal control, that some material misstatements or noncompliance may not be detected, even though the audit is properly planned and performed in accordance with U.S. GAAS, *Government Auditing Standards*, and the Uniform Guidance. Because we will not perform a detailed examination of all transactions, material misstatements, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity, may not be detected. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not require auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or on major programs. However, we will inform the appropriate level of management and those charged with governance of any material errors, fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management and those charged with governance of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a single audit.

Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting fraud or errors that are material to the financial statements and to preventing and detecting misstatements resulting from noncompliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with the direct and material compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify deficiencies, significant deficiencies, or material weaknesses in internal control. However, we will communicate to you in writing significant deficiencies or material weaknesses in internal control relevant to the audit of the basic financial statements that we identify during the audit that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the entity's compliance with the provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

We will include in our report on internal control over financial reporting and on compliance relevant information about any identified or suspected instances of fraud and any identified or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements that may have occurred that are required to be communicated under *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with federal statutes, regulations, and the terms and conditions of federal awards that may have a direct and material effect on each of the entity's major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the "OMB Compliance Supplement" for the types of compliance requirements that could have a direct and material effect on each of the entity's major programs. The purpose of these procedures will be to express an opinion on the entity's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

We will evaluate the presentation of the schedule of expenditures of federal awards accompanying the financial statements in relation to the financial statements as a whole. We will make certain inquiries of management and evaluate the form, content, and methods of preparing the schedule to determine whether the information complies with U.S. GAAP and the Uniform Guidance, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We will compare and reconcile the schedule to the underlying accounting records and other records used to prepare the financial statements or to the financial statements themselves.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Management responsibilities

Our audit will be conducted on the basis that you (management and, when appropriate, those charged with governance) acknowledge and understand that you have certain responsibilities that are fundamental to the conduct of an audit.

You are responsible for the preparation and fair presentation of the financial statements, RSI, and the schedule of expenditures of federal awards in accordance with U.S. GAAP. Management is also responsible for identifying all federal awards received, understanding and complying with the compliance requirements, and for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in accordance with the requirements of the Uniform Guidance.

Management's responsibilities include the selection and application of accounting principles; recording and reflecting all transactions in the financial statements; determining the reasonableness of significant accounting estimates included in the financial statements; adjusting the financial statements to correct material misstatements; and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for 12 months beyond the financial statement date.

Management is responsible for compliance with applicable laws and regulations and the provisions of contracts and grant agreements, including compliance with federal statutes, regulations, and the terms and conditions of federal awards applicable to the entity's federal programs. Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

You are responsible for the design, implementation, and maintenance of effective internal control, including internal control over compliance, relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including evaluating and monitoring ongoing activities and safeguarding assets to help ensure that appropriate goals and objectives are met; and that there is reasonable assurance that government programs are administered in compliance with compliance requirements.

You are responsible for the design, implementation, and maintenance of internal controls to prevent and detect fraud; assessing the risk that the financial statements may be materially misstated as a result of fraud; and for informing us about all known or suspected fraud affecting the entity involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for implementing systems designed to achieve compliance with applicable laws and regulations and the provisions of contracts and grant agreements, including compliance with federal statutes, regulations, and the terms and conditions of federal awards applicable to the entity's federal programs; identifying and ensuring that the entity complies with applicable laws, regulations, contracts, and grant agreements, including compliance with federal statutes, regulations, and the terms and conditions of federal awards applicable to the entity's federal programs; and informing us of all instances of identified or suspected noncompliance whose effects on the financial statements should be considered.

You are responsible for taking timely and appropriate steps to remedy any fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we may report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified, including noncompliance identified in audit findings; and to follow up and take prompt corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings should be available for our review on June 30, 2022.

You are responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, including amounts and disclosures, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters, and for the accuracy and completeness of that information (including information from within and outside of the general and subsidiary ledgers), and for ensuring management information and financial information is reliable and properly reported; (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance; (3) additional information that we may request for the purpose of the audit; and (4) unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence. You agree to inform us of events occurring or facts discovered subsequent to the date of the financial statements that may affect the financial statements.

You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon or make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

Management is responsible for the preparation and fair presentation of other supplementary information in accordance with U.S. GAAP. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. You agree to provide us written representations related to the presentation of the supplementary information.

Management is responsible for providing us with a written confirmation concerning representations made by you and your staff to us in connection with the audit and the presentation of the basic financial statements and RSI. During our engagement, we will request information and explanations from you regarding, among other matters, the entity's activities, internal control, future plans, specific transactions, and accounting systems and procedures. The procedures we will perform during our engagement and the conclusions we reach as a basis for our report will be heavily influenced by the representations that we receive in the representation letter and otherwise from you. Accordingly, inaccurate, incomplete, or false representations could cause us to expend unnecessary effort or could cause a material fraud or error to go undetected by our procedures. In view of the foregoing, you agree that we shall not be responsible for any misstatements in the entity's financial statements that we may fail to detect as a result of misrepresentations made to us by you.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies to us of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the "Audit objectives" section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other engagements or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

Responsibilities and limitations related to nonaudit services

For all nonaudit services we may provide to you, management agrees to assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, and/or experience to understand and oversee the services; evaluate the adequacy and results of the services; and accept responsibility for the results of the services. Management is also responsible for ensuring that your data and records are complete and that you have received sufficient information to oversee the services.

Use of financial statements

The financial statements and our report thereon are for management's use. If you intend to reproduce and publish the financial statements and our report thereon, they must be reproduced in their entirety. Inclusion of the audited financial statements in a document, such as an annual report or an offering document, should be done only with our prior approval of the document. You are responsible to provide us the opportunity to review such documents before issuance.

If the parties (i.e., you and CLA) agree that CLA will not be involved with your official statements related to municipal securities filings or other offering documents, we will require that any official statements or other offering documents issued by you with which we are not involved clearly indicate that CLA is not involved with the contents of such documents. Such disclosure should read as follows:

CliftonLarsonAllen LLP, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. CliftonLarsonAllen LLP also has not performed any procedures relating to this offering document.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website or submitted on a regulator website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in those sites or to consider the consistency of other information in the electronic site with the original document.

We may issue preliminary draft financial statements to you for your review. Any preliminary draft financial statements should not be relied on or distributed.

Engagement administration and other matters

We understand that your employees will prepare all confirmations, account analyses, and audit schedules we request and will locate any documents or invoices selected by us for testing. A list of information we expect to need for our audit and the dates required will be provided in a separate communication.

At the conclusion of the engagement, we will complete the auditor sections of the electronic Data Collection Form SF-SAC and perform the steps to certify the Form SF-SAC and single audit reporting package. It is management's responsibility to complete the auditee sections of the Data Collection Form.

We will create the single audit reporting package PDF file for submission; however, it is management's responsibility to review for completeness and accuracy and electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse and, if appropriate, to pass-through entities. The Data Collection Form and the reporting package must be electronically submitted within the earlier of 30 calendar days after receipt of the auditors' reports or nine months after the end of the audit period.

We will provide copies of our reports to the entity; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing confidential or sensitive information, copies of our reports are to be made available for public inspection.

We are available to perform additional procedures with regard to fraud detection and prevention, at your request, as a separate engagement, subject to completion of our normal engagement acceptance procedures. The terms and fees of such an engagement would be documented in a separate engagement letter.

The audit documentation for this engagement is the sole and exclusive property of CLA and constitutes confidential and proprietary information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to Office of the State Auditor or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of CLA personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven years after the report release date or for any additional period requested by the Office of the State Auditor. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Except as permitted by the "Consent" section of this agreement, CLA will not disclose any confidential, proprietary, or privileged information of the entity to any persons without the authorization of entity management or unless required by law. This confidentiality provision does not prohibit us from disclosing your information to one or more of our affiliated companies in order to provide services that you have requested from us or from any such affiliated company. Any such affiliated company shall be subject to the same restrictions on the use and disclosure of your information as apply to us.

Professional standards require us to be independent with respect to you in the performance of these services. Any discussion that you have with our personnel regarding potential employment with you could impair our independence with respect to this engagement. Therefore, we request that you inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence and objectivity.

Further, any employment offers to any staff members working on this engagement without our prior knowledge may require substantial additional procedures to ensure our independence. You will be responsible for any additional costs incurred to perform these procedures.

Our relationship with you is limited to that described in this letter. As such, you understand and agree that we are acting solely as independent accountants. We are not acting in any way as a fiduciary or assuming any fiduciary responsibilities for you. We are not responsible for the preparation of any report to any governmental agency, or any other form, return, or report or for providing advice or any other service not specifically recited in this letter.

Our engagement ends on delivery of our signed report. Any additional services that might be requested will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

Government Auditing Standards require that we make our most recent external peer review report publicly available. The report is posted on our website at www.CLAconnect.com/Aboutus/.

Mediation

Any disagreement, controversy, or claim (“Dispute”) that may arise out of any aspect of our services or relationship with you, including this engagement, shall be submitted to non-binding mediation by written notice (“Mediation Notice”) to the other party. In mediation, we will work with you to resolve any differences voluntarily with the aid of an impartial mediator.

The mediation will be conducted as specified by the mediator and agreed upon by the parties. The parties agree to discuss their differences in good faith and to attempt, with the assistance of the mediator, to reach an amicable resolution of the Dispute.

Each party will bear its own costs in the mediation. The fees and expenses of the mediator will be shared equally by the parties.

Any Dispute will be governed by the laws of the state of Minnesota, without giving effect to choice of law principles.

Time limitation

The nature of our services makes it difficult, with the passage of time, to gather and present evidence that fully and fairly establishes the facts underlying any Dispute that may arise between the parties. The parties agree that, notwithstanding any statute or law of limitations that might otherwise apply to a Dispute, including one arising out of this agreement or the services performed under this agreement, for breach of contract or fiduciary duty, tort, fraud, misrepresentation or any other cause of action or remedy, any action or legal proceeding by you against us must be commenced within twenty-four (24) months (“Limitation Period”) after the date when we deliver our final audit report under this agreement to you, regardless of whether we do other services for you relating to the audit report, or you shall be forever barred from commencing a lawsuit or obtaining any legal or equitable relief or recovery.

The Limitation Period applies and begins to run even if you have not suffered any damage or loss, or have not become aware of the existence or possible existence of a Dispute.

Fees

Our professional fees will be billed based on the time involved and the degree of responsibility and skills required. We will also bill for expenses (including internal and administrative charges) plus a technology and client support fee of five percent (5%) of all professional fees billed. The total professional fees for the engagement are estimated in the table below. The fees are based on anticipated cooperation from your personnel and their assistance with preparing confirmations and requested schedules. If the requested items are not available on the dates required or are not accurate, the fee for services will likely be higher. If unexpected circumstances require significant additional time, we will advise you before undertaking work that would require a substantial increase in the fee. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed even if we have not issued our reports. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

Service	Estimated Amount
Audit of Financial Statements and Single Audit	\$144,000
Implementation of <i>Statement on Auditing Standards 134</i>	\$1,200
Audit of the County’s American Rescue Plan Act Activity	\$10,000 - \$20,000
Audit of the County’s Implementation of GASB 87 - <i>Leases</i>	\$7,500 - \$25,000
Excess Pandemic Related Major Programs for Single Audit Testing	\$4,500 - \$8,500 per program

Unanticipated services

We do not anticipate encountering the need to perform additional services beyond those described in this letter. Below are listings of services considered to be outside the scope of our engagement. If any such service needs to be completed before the audit can proceed in an efficient manner, we will determine whether we can provide the service and maintain our independence. If appropriate, we will notify you and provide a fair and reasonable price for providing the service. We will bill you for the service at periodic dates after the additional service has been performed.

Bookkeeping services

Bookkeeping services are not audit services. Bookkeeping services include the following activities:

- Preparation of a trial balance
- Account reconciliations
- Bank statement reconciliations
- Capital asset accounting (e.g., calculating depreciation, identify capital assets for additions and deletions)
- Calculating accruals
- Analyzing transactions for proper recording
- Converting cash basis accounting records to accrual basis
- Preparation of financial statements and the related notes to the financial statements
- Processing immaterial adjustments through the financial statements
- Adjusting the financial statements for new activities and new disclosures

Additional work resulting from unanticipated changes in your organization or accounting records

If your organization undergoes significant changes in key personnel, accounting systems, and/or internal control, we are required to update our audit documentation and audit plan. The following are examples of situations that will require additional audit work:

- Revising documentation of your internal control for changes resulting from your implementation of new information systems
- Deterioration in the quality of the entity's accounting records during the current-year engagement in comparison to the prior-year engagement
- Significant new accounting issues
- Significant changes in your volume of business
- Mergers, acquisitions, or other business combinations
- New or unusual transactions

- Changes in audit scope or requirements resulting from changes in your activities
- Erroneous or incomplete accounting records
- Evidence of material weaknesses or significant deficiencies in internal control
- Substantial increases in the number or significance of problem loans
- Regulatory examination matters
- Implementation or adoption of new or existing accounting, reporting, regulatory, or tax requirements
- New financial statement disclosures

Changes in engagement timing and assistance by your personnel

The fee estimate is based on anticipated cooperation from your personnel and their assistance with timely preparation of confirmations and requested schedules. If the requested items are not available on the dates required or are not accurate, we will advise management. Additional time and costs may be necessary because of such unanticipated delays. Examples of situations that may cause our estimated fee to increase include:

- Significant delays in responding to our requests for information such as reconciling variances or providing requested supporting documentation (e.g., invoices, contracts, and other documents)
- Rescheduling our fieldwork
- Schedule disruption caused by litigation, financial challenges (going concern), loan covenants (waivers), etc.
- Identifying a significant number of proposed audit adjustments
- Schedules prepared by your personnel that do not reconcile to the general ledger
- Numerous revisions to information and schedules provided by your personnel
- Restating financial statements for accounting errors in the prior year
- Lack of availability of entity personnel during audit fieldwork

Changes in accounting and audit standards

Standard setters and regulators continue to evaluate and modify standards. Such changes may result in new or revised financial reporting and disclosure requirements or expand the nature, timing, and scope of the activities we are required to perform. To the extent that the amount of time required to provide the services described in this letter increases due to such changes, our fee may need to be adjusted. We will discuss such circumstances with you prior to performing the additional work.

Changes related to COVID-19

COVID-19 continues to have significant direct and indirect impacts on financial reporting, disclosure requirements, and the nature, timing, and scope of the activities we are required to perform. To the extent that the amount of time required to provide the services described in this letter increases due to such changes, our fee may need to be adjusted. We will discuss such circumstances with you prior to performing the additional work.

Other fees

You also agree to compensate us for any time and expenses, including time and expenses of legal counsel, we may incur in responding to discovery requests or participating as a witness or otherwise in any legal, regulatory, or other proceedings that we are asked to respond to on your behalf.

Finance charges and collection expenses

You agree that if any statement is not paid within 30 days from its billing date, the unpaid balance shall accrue interest at the monthly rate of one and one-quarter percent (1.25%), which is an annual percentage rate of 15%. In the event that any collection action is required to collect unpaid balances due us, reasonable attorney fees and expenses shall be recoverable.

Consent

Consent to use information for benchmarking analysis

In an effort to better serve the needs of our clients, we develop a variety of benchmark, performance indicator, and predictive analysis reports, using anonymized client data obtained from our audit, tax, and other engagements. Business and financial information that you provide to us may be combined with information from other clients and included within the aggregated data that we use in these reports. While some of these analytical reports will be published and released publicly, please be assured that the separate information that we obtain from you will remain confidential, as required by the AICPA Code of Professional Conduct.

Subcontractors

CLA may, at times, use subcontractors to perform services under this agreement, and they may have access to your information and records. Any such subcontractors will be subject to the same restrictions on the use of such information and records as apply to CLA under this agreement.

Agreement

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. This letter constitutes the entire agreement regarding these services and supersedes all prior agreements (whether oral or written), understandings, negotiations, and discussions between you and CLA. If you have any questions, please let us know. Please sign, date, and return this letter to us to indicate your acknowledgment and understanding of, and agreement with, the arrangements for our audit of your financial statements including the terms of our engagement and the parties' respective responsibilities.

Sincerely,

CliftonLarsonAllen LLP



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Response:

This letter correctly sets forth the understanding of Buncombe County, North Carolina.

Authorized governance signature: _____

Title: _____

Date: _____

Authorized management signature: _____

Title: _____

Date: _____

**Buncombe County, NC
Audit Committee**

The committee bylaws allow members to serve two consecutive terms. Current term number is listed after each member's term expiration date.

Required Membership Composition	2022	Term Expiration	Term #
Buncombe County Commissioner	* Al Whitesides	*	
Buncombe County Commissioner	* Robert Pressley	*	
Member of Another Governing Body	Larry Harris	1/1/2023	2nd
Member of Accounting Profession	Kendra Ferguson	1/1/2024	2nd
Member of Accounting Profession	Danny Yelton	1/1/2023	2nd
Member of Banking Community	Mike Kneppshield **	1/1/2023	2nd
Member of Business Community	Dr. Glenda Weinert	7/1/2024	1st

* Variable depending on election

** Appointed to complete Al Whitesides' term as member of banking community



**Internal Audit Department
Audit Committee Update
June 7, 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 Internal Audit 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 March 2022, the Internal Audit Director has interviewed and hired two new Internal Auditors. The Internal Audit Department is now fully staffed with both County Internal Auditors reporting to the Director of Internal Audit. Upon hire of the new Audit team members, the team has been focusing on training to support the Internal Audit Program. Training highlights include, that the full team attended the annual ALGA conference, received vendor supported training sessions for the County Audit software Diligent, and the team has completed a number of Yellow Book auditing courses. Additionally, Ms. Houston has been training the new staff on a number of key Internal Audit supported functions, such as auto-approvals, Let’s Talk audit committee reporting, and EERL investigations.

The FY 2023 Audit Plan and Governance Documentation are scheduled to be presented to the Board of Commissioners on June 7th, 2022. Upon Approval of the FY 2023 Audit Plan the team will begin execution of the audit program and provide reporting to the Audit Committee and Board of Commissioners throughout FY 2023.

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

Kelly Houston, CIA, CGAP, CFE, Internal Auditor/Risk Manager

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

Internal Audit has worked with management to finalize the FY 2023 Enterprise Risk Assessment. The Assessment was performed utilizing the Enterprise Risk Management – COSO Integrated Framework. Both the Enterprise Risk Assessment as well as the proposed FY 2023 Audit Plan are Scheduled to be reviewed by the Board of Commissioners on June 7th, 2022.

PLANNED PROJECTS

Upon approval of the FY 2023 Internal Audit Plan, the team will begin execution of the following FY 2023 IA Projects (Information Technology General Control, Cash Management, and Grant Management).

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 Ordinance¹, Internal Audit has been given primary responsibility for all investigations of illegal or unethical behavior across the County.

Investigations

Internal Audit has received 54 investigations during Fiscal Year 2021 (July 2020 through June 2021). Of these cases, 51 are complete and 3 do not have the details available to Internal Audit. It should be noted that 25 of the 3rd Party Hotline requests are related to similar issues and required an extensive investigation in partnership with Human Resources. The extensive investigation was divided into three parts. The first two reports were discussed in a prior Audit Committee meeting, and Internal Audit worked with Human Resources and County Management on the third part of the investigation.

Internal Audit has received 25 investigations during Fiscal Year 2022 (July 2021 through current). Of these cases, 7 are active. It should be noted that 7 of the 22 complaints are related to the similar issues noted in the paragraph above, and Internal Audit worked with Human Resources and County Management on the third part of the investigation.

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 not use Ethics Point as a case management tool, opting instead to use Microsoft Excel; therefore, Internal Audit does not have an updated count of complaints that went directly to Human Resources. This is a violation of the current Personnel Ordinance¹.

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 FY2021 Investigative Services	
3rd Party Hotline	47
Direct to Internal Audit	7
Direct to Human Resources	Unknown
Direct to Other Existing Reporting Channels	Unknown
Grand Total	54

Reporting Sources for FY2022 Investigative Services	
3rd Party Hotline	24
Direct to Internal Audit	1
Direct to Human Resources	Unknown
Direct to Other Existing Reporting Channels	Unknown
Grand Total	25

¹It should be noted that the Human Resources Director has been tasked with a rewrite of the Personnel Ordinance.

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 2021 (July 2020 through June 2021), 10 concerns were brought to Internal Audit’s attention. Examples of these concerns include inconsistencies with IRS guidance, concerns over terminated employees still having access to County systems, Workday Business Process failures, and a potential CJIS violation. These concerns were discussed with management.

In Fiscal Year 2022 (July 2021 through current), 11 concerns have been brought to Internal Audit’s attention. Examples of these concerns include policy violations reported, conflicts of interest, concern about an underrepresented group, pay inequity, red flags noted in financial processes, concerns with promotional processes, and a concern about a nonprofit receiving funding. These concerns have been communicated to management, and one concern was moved to investigation status after the information was reviewed by Internal Audit.

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 are set to be approved by the Board of Commissioners in June 2023.

Additionally, Internal Audit was granted two Internal Auditor positions to hire in 2022. These positions have been filled and both staff are currently supporting the county Internal Audit Department.

The Internal Audit Department is wrapping up the implementation of Galvanize (Diligent) the audit support and data analytic software. The system will be used to support the execution of the 2023 Internal Audit plan.

Management has decided to use Navex Global to support the COI disclosure process. This module was an out-of-the-box solution to allow disclosure and reporting on potential conflicts of interest all employees may have. A contract was signed for this product, and Internal Audit is continuing to partner with the Human Resources Department to support the use of Navex Global COI Disclosures module.

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

Internal Audit has also participated in continuing professional education (CPE). The team attending the annual ALGA conference and has been training using other resources in preparation for the execution of the FY 2023 Internal Audit Plan. 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 and Foundational Focus Group
- 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	HR - In Progress			
96	Discrimination/ Harassment	Not Substantiated	Closed	Yes	Case 96 IA Report Final.pdf
97	Other	HR - In Progress			
98	Hiring Irregularities (Public Safety)	In Progress			

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)	In Progress			
100	Inappropriate Social Media Conduct (Public Safety)	HR - In Progress			
101	Hostile behavior (Public Safety)	HR - In Progress			