

Minutes of Buncombe County Audit Committee
June 5, 2018
9:00 AM

- Members Present:** Larry Harris, Commissioner Robert Pressley, Commissioner Al Whitesides, Danny Yelton, Andrew Hoffman
- Members Absent:** Kendra Ferguson, Mike Knepshield
- County Staff Present:** Terri Orange, Jennifer Durrett, Diane Price, Michael Frue, Dustin Clark, Kelly Houston, Autumn Lyvers, Blair Chamberlain,
- Others Present:** Bill Early, Principal – CliftonLarsonAllen (CLA), Chris Kessler, Manager – CliftonLarsonAllen (CLA)
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The Audit Committee Chairman, Larry Harris, called the meeting to order at 9:01 AM.

Review and Approval of Meeting Minutes

The minutes from the March 13, 2018 meeting were presented. There was no discussion. Danny Yelton moved to approve the minutes. Commissioner Al Whitesides seconded the motion. The motion passed unanimously.

Staffing Changes

Terri Orange, Internal Auditor, reported to the Audit Committee that the Chief Financial Officer, Tim Flora, submitted his resignation last week. Performance Management Director Eric Hardy will serve as the interim Chief Financial Officer until the position is filled, in addition to his current role.

CliftonLarsonAllen (CLA) Introduction and Presentation

Controller Jennifer Durrett introduced the representatives from the CLA team, Bill Early and Chris Kessler. Introductions of the committee members and staff present were made to the CLA team. Chairman Harris also introduced the two Audit Committee members who were not in attendance.

CLA began the presentation with a brief introduction of their backgrounds. Bill Early has approximately 22 years of experience in governmental auditing and Chris Kessler has approximately 10 years of experience in governmental auditing. As a team, they are focused only on governmental audits. CLA emphasized the desire to have open communication with the Buncombe County Governance and Management teams. Buncombe County Government is CLA's first North Carolina local government client.

The presentation covered the following areas:

- Responsibilities of the Auditor
 - Form an opinion
 - Consideration of internal control over Financial Reporting and Compliance
 - Obtain reasonable evidence to assure that the financial statements are free from material misstatement
 - Testing
 - Communication
- Planned Scope and Timing
 - Fieldwork
 - CLA onsite beginning June 4, 2018 for preliminary fieldwork
 - The next phase begins September 10, 2018.
 - CLA will focus on all major and non-major funds.

- CLA will obtain an understanding of Buncombe County and its control environment to assess risk of material misstatement.
- Audit Services to be Performed
 - Audit of Financial Statements
 - Audit of Federal and State Compliance
- Audit Approach
 - Identify high risk areas
 - Data analytics will be used in the high risk areas
 - Will include whole data population instead of sampling
 - Even if this process does not yield audit findings, it may lead to recommendations for best practices
 - Examples of high risk areas may include:
 - Procurement and procurement cards
 - IT Control Environment and System Implementation
 - CLA has a specialized team for IT-related areas
 - Revenue Recognition
 - Payroll Expenditures
 - Management's Override of Controls
 - Grant Compliance
- Governance and Management's Responsibilities
- Communication throughout the audit process
 - CLA again emphasized the desire to have two-way communication with the Buncombe County Governance and Management teams.
 - Audit results will be communicated at the end of the audit. The audit results may include both findings and/or best practices.
 - If there are any significant matters, CLA will communicate as soon as the significant issues are identified
 - The committee discussed and approved the following protocol for communication if significant matters arise:
 - CLA to include Internal Auditor Terri Orange in initial communication
 - Terri Orange will then meet with the Audit Sub-Committee
 - If the matter needs communication to the Audit Committee, a special meeting will be called
 - Per Michael Frue, if the matter is related to personnel or legal matters, it could be closed session.
 - Per Michael Frue, there is a 48-hour notice requirement for special meetings.
 - Commissioner Whitesides moved to accept this communication protocol in the event of unexpected and significant issues during the course of the external audit. Commissioner Pressley seconded the motion. The motion passed unanimously.
- Presentation Summary
 - CLA explained that with any change in external auditors, there should be the understanding that new audit firms have different procedures and different philosophies. They may review and/or test areas that have not been reviewed or tested previously.
 - CLA expects to expand the number of fraud interviews they conduct. This will be a deeper review of the organizational culture and potential fraud risk.

Fiscal Year 2019 Internal Audit Plan

Terri Orange presented the Fiscal Year 2019 Internal Audit Plan to the committee. The audit plan is a tool for planning the use of audit resources, but is subject to change throughout the year as the need arises. Any significant change from the plan will be reported to the Audit Committee. Highlights of the plan include:

- Investigation Support
 - The support Internal Audit provides to investigators is unpredictable in timing and scope, which makes it challenging to predict the capacity of Internal Audit during the ongoing investigation.
 - Internal Audit is part of the vetting process for Public Records requests relating to the investigation.
- Support management in COSO implementation in FY 2019
 - Onsite COSO training June 14-15, 2018
 - Approximately 35 staff will attend
 - Senior leadership and Commissioners are invited to attend as they are able to
 - Training is through the Institute of Internal Auditors (IIA)
 - Presenter has a governmental background
 - Management implements COSO; however Internal Audit will be a resource during the project
- Internal Audit Function
 - Working with other governments to learn best practices and network
 - Needs Assessment of Software specific for auditing
 - Internal Audit structure is key to peer review requirements
 - Chairman Harris asked for more information on peer review. Terri Orange explained that the International Standards for the Professional Practice of Internal Auditing (IPPF) requires peer review be conducted at least every five years.
 - CLA recommends using the Association of Local Government Auditors (ALGA) Peer Review Program and encourages participating in peer reviews as a learning tool for a new Internal Audit department.
- Risk Assessment
 - Previous risk assessment will be updated and used for FY 2019
 - COSO implementation process will be a learning tool as well
- Analysis of Workday implementation
 - CLA will include the Workday software implementation in their audit
 - Internal Audit will build upon CLA recommendations
- Technology Management Project
 - Assess controls in various areas, such as connectivity, software licensing, and inventory
- Planned Audits
 - Sheriff Transition Audit
 - Current Sheriff not seeking re-election
 - Internal Audit to review Property and Evidence, as well as BCAT (Buncombe County Anti-Crime Task Force)
 - New or Revised Fiscal Policies
 - Review compliance with updated fiscal policies, such as the revised Procurement Card policy or the policy regarding employee bonuses
 - Public Board Procedural Compliance
 - Are public boards aware of requirements?
 - Are public boards following requirements?
- Review of Ongoing Activities, such as the Whistleblower Hotline administration and investigations, Senior Leadership Team, Fiscal Accountability Team, Workday Governance Team, and Management Team

Danny Yelton moved to approve the Fiscal Year 2019 Internal Audit Plan. Commissioner Whitesides seconded the motion. The motion passed unanimously.

Meeting Schedule

Terri Orange reminded the committee about the upcoming scheduled meetings.

- Tuesday, October 23, 2018 at 9:00 AM
- Tuesday, December 4, 2018 at 9:00 AM

Chairman Harris asked for clarification of the timeline of the financial statement and external auditor process. Terri Orange and Jennifer Durrett explained the following steps:

- Audit Committee reviews the draft financial statements
- Buncombe County submits the financial statements to the Local Government Commission (LGC) by October 31
- After LGC approval, the external auditors will present to the Audit Committee and then the Buncombe County Board of Commissioners

Adjournment

Chairman Harris adjourned the meeting at 9:57 AM.