

Minutes of Buncombe County Audit Committee
August 3, 2021
9:30 AM
200 College Street, Room 310

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

Members Absent: N/A

County Staff Present: Kelly Houston (Internal Auditor), Terri Orange (Assistant Finance Director), Avril Pinder - attended virtually (County Manager)

Others Present: Chris Kessler and Gaby Miller, CLA (attended virtually)

The Audit Committee Chairperson, Kendra Ferguson, called the meeting to order at 9:34 AM.

Review and Approval of Meeting Minutes – Chairperson Kendra Ferguson

The June 23, 2021 meeting minutes were presented and reviewed. There was no revisions or discussion.

Commissioner Robert Pressley moved to approve the minutes as presented. Larry Harris seconded the motion. The motion passed unanimously. (Chairperson Ferguson completed a roll call vote for the member attending virtually.)

Fiscal Year 2021 Audit Plan – Chris Kessler - CLA

Chairperson Ferguson introduced Chris Kessler with CLA. Mr. Kessler presented to the Committee the overview of the Fiscal Year 2021 external financial audit. The areas covered included:

- Audit Services
- Auditor Responsibilities
- Planned Scope and Timing
- Governance and Management Responsibilities
- Communication
- 2021 Approach and Considerations

Mr. Kessler emphasized that the Audit Committee was welcome to reach out to him or Ms. Miller at any time with questions or concerns. In addition, the OMB guidance is not yet available, but CLA is proceeding with testing based on last year's guidance at this preliminary stage.

[Q] Chairperson Ferguson: Do you have an expectation of the major programs to be audited?

[A] Mr. Kessler: Ms. Miller has a preliminary list, which is currently at eight programs (there were seven last year).

[Q] Mr. Harris: Can you summarize what the criteria is for what programs are audited?

[A] Mr. Kessler: It is a mix of risk rating, federal and state regulations (such as Medicaid and COVID funding), and a requirement that programs be audited on a rotational basis.

[Q] Chairperson Ferguson: Will fieldwork be conducted remotely?

[A] Mr. Kessler: Fieldwork will be conducted remotely as much as possible. However, in-person fieldwork may be needed, and CLA will be onsite to conduct that work when needed.

[Q] Chairperson Ferguson: Does the County Finance Department have any updates to share?

[A] Ms. Orange: The Accounting and Reporting Manager has resigned and this is a key position during the external audit.

[Q] Larry Harris: How do Committee members sign up for the webinars offered through CLA?

[A] Mr. Kessler: Committee members can sign up for up for an email distribution list. He will also send topics to Ms. Houston to distribute to the Committee as they come available.

Software Implementation Update – Internal Auditor Kelly Houston

Ms. Houston reported that the Internal Audit Department is working on two software tool implementations. The first is the Conflict of Interest Disclosures Module through an existing software solution. Notices will be distributed to all employees to disclose any conflicts of interest they may have related to County business. Reporting on these conflicts will be available. Chairperson Ferguson asked the estimated time to completion on this project. Ms. Houston reported the goal is by the end of August 2021. Internal Audit is currently working with the Information Technology Department to reconcile variances between Workday and Active Directory, so the notices will only be sent to employees, and no other Active Directory accounts such as voicemail boxes and contract workers.

The second tool in the implementation stage is the audit management software through Galvanize. Because the County's Internal Audit function is small and new, the out-of-the-box solution is being implemented (no customization at this time). The second part of the Galvanize solution, data analytics, will be implemented after the Internal Audit Director position is filled.

Mr. Harris stated he would like a short demo of the software to help the Committee understand its functionality and how it will benefit the Internal Audit function. Ms. Houston will add this to a future Committee agenda.

Internal Audit Director Recruitment Update – Chairperson Kendra Ferguson

Chairperson Ferguson reported to the Committee that there were a limited number of applicants, but there are some strong candidates. The Human Resources Department has completed an initial review and provided a scoring matrix to the County Manager and Chairperson Ferguson. The Internal Audit Subcommittee will begin reviewing the applicants to start interviews. Chairperson Ferguson asked Ms. Pinder if she had any information to add. Ms. Pinder stated that while there are a limited number of candidates, there are some qualified applicants.

Internal Audit Update – Internal Auditor Kelly Houston

Internal Auditor Kelly Houston gave a brief update on the Internal Audit activities since the last meeting and what is planned for the coming months in the absence of an Internal Audit Director.

The Internal Audit report was provided to the Committee, and has been attached to the minutes. The summary report for Fiscal Year 2021 and 2022 Employee Ethics Report Line cases has also been provided to the Committee and attached to the minutes. Two investigative reports were provided to the Audit Committee.

Ms. Houston has been working on ongoing investigations, administrative tasks, and the implementation of the two software solutions. There are multiple outstanding Employee Ethics Report Line cases that are related to one area, and it is anticipated that those will be completed this week. Mr. Harris asked if Internal Audit communicated more in-depth about Employee Ethics Report Line cases and patterns to the Internal Audit Subcommittee. Ms. Houston and Chairperson Ferguson both stated yes.

The fielding and management of Let's Talk calls and messages transitioned back to the Communications and Public Engagement Team on July 12, 2021. Internal Audit continues to monitor the Let's Talk calls and messages

for potential fraud, waste, abuse, compliance violations, and issues related to County management to be reported to the Internal Audit Subcommittee.

Ms. Houston will continue to keep the Internal Audit Department moving forward with daily activities, software implementation, and meeting the Business Plan needs in the absence of a Director.

Public Comment

There were no members of the public in attendance at the August 3, 2021 meeting.

Meeting Schedule Reminder for Calendar Year 2021

The following dates are for scheduled meetings of the Audit Committee for calendar year 2021:

- Tuesday, October 19, 2021 at 9:00 AM
- Tuesday, December 7, 2021 at 9:00 AM


Chairperson Ferguson advised the Committee to expect some additional meetings in the coming months as the Internal Audit Director position is recruited.

A determination on meeting location will be made based on the status of the COVID pandemic and communicated to the Committee members, staff and public via email and public-facing website. Tentatively, future meetings are scheduled to be in-person based on current trends in the COVID pandemic.

Each of these proposed meeting dates aligns with regularly scheduled meeting dates for the Board of Commissioners. If an Audit Committee meeting is needed outside of the adopted regular schedule, it will be advertised in accordance with special meeting requirements.

Adjournment

Dr. Glenda Weinert moved to adjourn the meeting. Commissioner Al Whitesides seconded the motion. The motion passed unanimously. The August 3, 2021 Audit Committee meeting was adjourned at 10:14 AM.



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Buncombe County, NC

Presentation of the June 30, 2021 Audit Plan

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Audit Services To Be Performed

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Financial Statements	<ul style="list-style-type: none">• Financial statement audit for the year ended June 30, 2021 in accordance with <i>Government Auditing Standards</i>
Federal and State Compliance	<ul style="list-style-type: none">• Single Audit in accordance with Uniform Guidance and the State Single Audit Implementation Act• Includes audit of the Schedule of Expenditures of Federal and State Awards and certification of the Data Collection Form



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Auditor's Responsibilities

- Forming an Opinion
- Considering Internal Control over Financial Reporting and Compliance
- Planning and performing the audit to obtain reasonable evidence whether the financial statements are free from material misstatement
- Performing tests of the entity's compliance with certain provisions of laws, regulations, contracts and grants (as applicable)

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Auditor's Responsibilities (Continued)

- Communication of significant matters that are relevant to your responsibilities in overseeing the financial reporting process
- Communicating matters required by law, regulation, agreement or other requirements

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Planned Scope and Timing

- Auditing all major and non-major funds of the County
- Expected audit timing
 - Continuous auditing and planning throughout the year, specifically in single audit
 - Final fieldwork begins at the end of August
 - Planned issuance by October 31, 2021.
- We will examine on a test basis, evidence supporting the amounts and disclosures in the financial statements
- Obtain an understanding of the County and its environment, including the internal control
 - This will be used to assess the risks of material misstatement of the financial statements and;
 - To design the nature, timing and extent of our audit procedures
- Follow up on prior year findings and status of management’s corrective action plan

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Governance and Management Responsibilities

- Our audit does not relieve the Committee, Board of Commissioners or management of their responsibilities
- Management will be required to make certain representations at the conclusion of the audit

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Communication Throughout the Audit

- There will be two-way communication with governance throughout the audit
- We will communicate the results of the audit and any significant findings at the conclusion of the audit
- Some matters may be communicated sooner if significant
- All members of the Committee are welcome join all our webinars and events!

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2021 Approach and Current Considerations

- Management's Response and Corrective Action Plan to 2020 audit findings and areas of improvement
- Pandemic Funding – Financial audit and single audit impact
- 2021 Compliance Supplement – Still Pending from OMB
 - COVID-19 related programs will be required to be tested
- GASB 84 – *Fiduciary Activities*

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Questions?

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**BUNCOMBE
COUNTY**
GOVERNMENT
— NORTH CAROLINA —

Internal Audit

**Internal Audit Department
Audit Committee Update
August 3, 2021**

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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 Internal Audit.

Since the Committee last met, the Internal Audit Director (“Director”) resigned, and the Department has been operating with one employee (Internal Auditor). The comprehensive annual risk assessment and draft risk-based audit plan has been placed on hold by the direction of the Committee and County Management until a new Director is hired. In addition, if the governance documents change the scope of Internal Audit responsibility or update the nonaudit services that will be performed, updates to the plan may be necessary.

The Internal Auditor has focused on the daily operations of the Internal Audit Department, ongoing investigations, implementation of two technology solutions, and moving Internal Audit’s offices at the request of management.

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

Respectfully Submitted,

Kelly Houston, CIA, CGAP, CFE, Internal Auditor

AUDIT PROJECTS

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

PROJECTS IN PROGRESS

A procurement card (p-card) audit is in the planning stage, and will serve as a model for the implementation of audit management software.

PLANNED PROJECTS

To Be Determined

Internal Audit planned projects are based on the risk-based audit plan, pending approval from the Committee. Once the Committee approves the proposed risk-based audit plan, the plan will then be presented to the Board of Commissioners for approval, keeping in mind the need for flexibility. Risk is measured by likelihood of occurrence and impact if the event occurred. Internal Audit works to ensure the objectives of the County are met and uses risk-prioritization from information gathered during the risk assessment to determine the projects. It is the desire of Internal Audit that the Committee, the Board, and Management view Internal Audit as a trusted partner. The Committee, Board, and Management can place confidence in the work of Internal Audit from the requirement of a thorough review of Internal Audit policies, procedures, and conclusions by external subject matter experts. This process, called a Peer Review, ensures the guidance and mandates within the appropriate standards were followed and documented appropriately.

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 47 investigations during Fiscal Year 2021 (July 2020 through June 2021). Of these cases, 25 are complete, 19 are in progress, 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 have 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 is currently working with Human Resources and County Management on the third part of the investigation.

Internal Audit has received 6 investigations during Fiscal Year 2022 (July 2021 through June 2022). Of these cases, 6 are still active. It should be noted that 5 of the 6 complaints are related to the similar issues noted in the paragraph above, and Internal Audit is working 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 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	6
Direct to Internal Audit	0
Direct to Human Resources	Unknown
Direct to Other Existing Reporting Channels	Unknown
Grand Total	6

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.

ADMINISTRATIVE

Departmental Administrative Duties

Internal Audit performs administrative functions for the department to maintain the day-to-day operations of Internal Audit. Internal Audit has completed the fiscal year 2022 budget request that was approved by the Audit Committee. However, due to competing priorities, County Management did not provide adequate resources to ensure the County’s risk management processes are effective and objectives will be met. As a result, Internal Audit will not be able to place assurance on all of the County’s highest risks or assist in risk identification to the extent desired. However, Internal Audit was granted audit management and data analytic software and an additional position that was put on hold in FY2020 to await the impact of COVID-19. The software project was approved mid-FY2021 to move forward and implementation has started in FY2022. In addition, the entry-level audit position will be sought after the first of the calendar year once the software has been implemented (anticipated to hire January 2022).

Internal Audit is in the midst of the implementation of two key resources. The first is an additional module through the Navex Global solution for Conflict of Interest Disclosures. This will allow disclosure and reporting on potential conflict of interests all employees may have. The second is the implementation of the audit management and data analytics tool. The audit management portion is the first phase of implementation. Due to the Buncombe County Internal Audit Department being new in policies and procedures, the solution will be implemented out of the box (meaning, limited customization). As the Department matures and hires a Director, the solution can be customized to meet any changing needs. The data analytics portion will not be implemented until a later time, when additional resources can be allocated for this implementation.

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

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

Outreach throughout the County and involvement in national organizations have occurred since the previous meeting. The Internal Auditor serves on the Professional Issues Committee through the Association of Local Government Auditors (ALGA). The Internal Auditor is also a mentor for the Association of Certified Fraud Examiners for global professionals. Finally, work on internal control, risk, compliance and fraud trainings and resource templates for County departments are ongoing as Internal Audit can allocate time and resources to these efforts. The Board, the Committee, and the County at large should be proud to have Buncombe County represented at the highest levels of the internal audit profession.

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.

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) Let's Talk: Fielding all emails, voicemails, and web comments the County receives (as of 07-09-2021, the number received was 1,107, while the number requiring responses is 961)

NOTE: The Communications Team resumed this responsibility as of July 12, 2021. Buncombe County Internal Audit continues to monitor the Let's Talk activity for issues related to fraud, waste, abuse, compliance violations, and potential County Management issues.

- 2) 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
- 3) Meetings: The Management Advisory Group, Agenda Review, Department Director meetings, Grants Governance Team, Offboarding Work Group, Investigative/Admin Leave Work Group, IT Security and Data Privacy Work Group, Tech Review Team, COVID Revenue Team, and the Race for Equity Co-Design Team
- 4) 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 2021 Summary**

Report #	Summary	Action	Notes
25	Supervisor Issue	Training/Coaching	Closed
26	Supervisor Issue	Training/Coaching	Closed
27	Favoritism	Substantiated-Identified System Issue	Closed
28	Test Report	Setting up system for HR use	Closed
29	Test Report	Setting up system for HR use	Closed
30	Favoritism	Probable Sustantiation with Additional Evidence	HR to Reassess in May/June 2021
31	Discrimination/Harassment	Training/Coaching	Closed
32	Test Report	Setting up system for HR use	Closed
33	Complaint about apartment	Not in Buncombe County's Jurisdiction	Closed
34	Test Report	Setting up system for HR use	Closed
35	Misleading Information in Workday	Substantiated-Management Addressed	Closed
36	Test Report	Setting up system for HR use	Closed
37	Hiring Irregularities	Identified System Issue	Closed-See Investigation Report
38	Hiring Irregularities	Identified System Issue	Closed-See Investigation Report
39	HR Entry	Unsubstantiated-No Action Necessary	Closed
40	HR Entry	Substantiated-Non-Disciplinary Action Issued	Closed
41	HR Entry	Not Actionable	Closed
42	HR Entry	Not Actionable	Closed
43	Test Report	Setting up system for HR use	Closed
44	HR Entry	Not accessible to Internal Audit staff	N/A
45	HR Entry	Not accessible to Internal Audit staff	N/A
46	HR Entry	Not accessible to Internal Audit staff	N/A
47	Supervisor Issue	Unsubstantiated-No Action Necessary	Closed
48	Discrimination/Harassment	Original Issue Unsubstantiated-Compliance Violations Noted	Closed-See Investigation Report
49	Compensation	Identified System Issue-No Action Taken	Closed
50	Management Issue	Identified System Issue	Closed
51	Management Issue	Identified System Issue	Closed
52	Hiring Irregularities	Identified System Issue	Closed-See Investigation Report
53	Compensation	Identified System Issue-No Action Taken	Closed
54	Inquiry about On-Call Pay	Inquiry Resolved-Provided Information	Closed
55	Process Review	In Progress	

Report #	Summary	Action	Notes
56	Hiring Irregularities	Identified System Issue	Closed-See Investigation Report
57	Hiring Irregularities	Identified System Issue	Closed-See Investigation Report
58	Supervisor Issue	In Progress - Part 3	Partnership with HR
59	Substance Abuse	Insufficient Information	Closed
60	Supervisor Issue	In Progress - Part 3	Partnership with HR
61	Supervisor Issue	In Progress - Part 3	Partnership with HR
62	Supervisor Issue	In Progress - Part 3	Partnership with HR
63	Supervisor Issue	In Progress - Part 3	Partnership with HR
64	Supervisor Issue	In Progress - Part 3	Partnership with HR
65	Supervisor Issue	In Progress - Part 3	Partnership with HR
66	Supervisor Issue	In Progress - Part 3	Partnership with HR
67	Supervisor Issue	In Progress - Part 3	Partnership with HR
68	Supervisor Issue	In Progress - Part 3	Partnership with HR
69	Supervisor Issue	In Progress - Part 3	Partnership with HR
70	Supervisor Issue	In Progress - Part 3	Partnership with HR
71	Supervisor Issue	In Progress - Part 3	Partnership with HR
72	Supervisor Issue	In Progress - Part 3	Partnership with HR
73	Supervisor Issue	In Progress - Part 3	Partnership with HR
74	Supervisor Issue	In Progress - Part 3	Partnership with HR
75	Supervisor Issue	In Progress - Part 3	Partnership with HR
76	Employee Concern	Identified System Issue	Closed
77	Supervisor Issue	In Progress - Part 3	Partnership with HR

Employee Ethics Report Line
Fiscal Year 2022 Summary

Report #	Summary	Action	Notes
78	Supervisor Issue	In Progress - Part 3	Partnership with HR
79	Supervisor Issue	In Progress - Part 3	Partnership with HR
80	Favoritism	In Progress	Partnership with BCSO/HR
81	Supervisor Issue	In Progress - Part 3	Partnership with HR
82	Supervisor Issue	In Progress - Part 3	Partnership with HR
83	Supervisor Issue	In Progress - Part 3	Partnership with HR