

**Minutes of Buncombe County Audit Committee**  
**January 18, 2022**  
**9:00 AM**  
**Virtual Meeting**

<b>Members Present:</b>	Chairperson Kendra Ferguson, Commissioner Robert Pressley, Commissioner Al Whitesides, Dr. Glenda Weinert, Mike Kneppshield, Danny Yelton, and Larry Harris,
<b>Members Absent:</b>	N/A
<b>County Staff Present:</b>	Kelly Houston (Risk Manager/Audit Committee Secretary), Dan Keister (Internal Audit Director), Michael Frue (Senior Attorney), and IT Staff (Zoom Support)
<b>Others Present:</b>	N/A

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The Audit Committee Chairperson, Kendra Ferguson, called the meeting to order at 9:03 AM.

**Review of Remote Meeting Rules – Senior Attorney Michael Frue**

County Attorney Michael Frue gave instructions to the Audit Committee on how to conduct the meeting remotely and still maintain compliance with public board meeting requirements.

- REFERENCE: North Carolina Session Law 2020-3, Section 4.31.
- Summary of differences between remote meetings and in-person meetings
  - Each voting member must state his/her name prior to bringing forth a motion or seconding a motion.
  - Mr. Frue recommends that each person state his/her name prior to speaking.
  - The Chairperson is required to conduct a roll call vote.
  - The Committee must allow public comment if there are any attendees who wish to make comments at the designated time for public comment.

Mr. Frue will also remain on the remote meeting of the Audit Committee to ensure compliance with procedures and to answer any procedural questions that may arise.

**Review and Approval of Meeting Minutes – Chairperson Kendra Ferguson**

The December 7, 2021 meeting minutes were presented and reviewed. There were no revisions or discussion.

*Dr. Glenda Weinert moved to approve the minutes as presented. Larry Harris seconded the motion. Through roll call vote, the motion passed unanimously.*

**Fiscal Year 2021 External Audit Update – Audit Committee Secretary Kelly Houston**

The Assistant Finance Director Terri Orange provided an email update on January 13, 2022 to Kelly Houston on the status of the Fiscal Year 2021 external audit. Ms. Houston read the update to the Audit Committee, which stated:

“The single audit is still the delay in completion of our audit. Per CLA, there is an additional addendum coming out later this month and we will be meeting with them next week to discuss whether or not to move ahead with issuance, knowing that any guidance that may be released after issuance would require them to re-evaluate. In the worst-case scenario, it could result in a re-issuance. We should have more information after our meeting next week.”

There were no questions from the Audit Committee. Chairperson Ferguson stated that Finance Director Don Warn communicates with her frequently on the status of the external audit.

### **Welcome and Introduction – New Internal Audit Director**

Chairperson Ferguson introduced Dan Keister, the new Internal Audit Director, to the Audit Committee. Mr. Keister will be working some remotely and some in-person until he and his family to relocate to the area.

Mr. Keister gave a brief update on his first week as the Internal Audit Director. He is still settling in and has a lot of thoughts and vision for the Internal Audit program in Buncombe County. He envisions Internal Audit as a partner to management and align with management in order to provide support and make the organization better.

### **Internal Audit – Transition of Duties Plan – Dan Keister and Kelly Houston**

Mr. Keister provided an overview of his priorities in the next few months.

- Meetings with County leadership through Risk Assessment meetings
- Update the Governance Documents
  - Critical to maintain independence of the Internal Audit program in order to execute audits
- Audit Software
  - Log in and get used to the system and start maximizing how the Internal Audit program uses this tool
- Fill the two vacant Internal Audit positions

Chairperson Ferguson spoke about the importance of the Risk Assessment process in the Internal Audit function and asked about Mr. Keister's first presentation to the Board of Commissioners. Mr. Keister stated that the January 18, 2022 Board meeting was cancelled and he was not sure when his presentation would be rescheduled.

Larry Harris spoke about the importance of public information and in communication with the Board, publicly and individually. Chairperson Ferguson would like to get the next individual meetings with Commissioners scheduled soon. Mr. Frue advised to work with the Clerk to the Board, Lamar Joyner, on scheduling those meetings.

Ms. Houston continues to handle the Employee Ethics Report Line and ongoing monthly Internal Audit tasks until Mr. Keister fills the vacant positions or has the time to learn the tasks himself. Chairperson Ferguson would like to vote on a new Audit Committee secretary at the March meeting, so that Ms. Houston can dedicate more time to her new role as Risk Manager.

### **Internal Audit Update – Kelly Houston**

Ms. Houston gave an update on Internal Audit activities to the Audit Committee, based on the Audit Committee Update report which is attached to the minutes. One Employee Ethics Report Line case has been completed and closed since the last Audit Committee meeting. In addition, the November 2021 Auto Approvals report has been completed and distributed. The December 2021 Auto Approvals report is completed but is pending County Manager review.

The Conflict of Interest investigation has not been started. Ms. Houston will get Mr. Keister updated on the allegations stated and the documentation shared, so he can take on this investigation.

### **Public Comment**

There were no members of the public in attendance at the January 18, 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, March 15, 2022 at 9:00 AM
- Tuesday, June 7, 2022 at 9:00 AM
- 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. In the event that a remote meeting is required, accommodations will be made to ensure anyone from the public wishing to comment may do so.

## **Adjournment**

*Danny Yelton moved to adjourn the meeting. Dr. Glenda Weinert seconded the motion. Through roll call vote, the motion passed unanimously. The January 18, 2022 Audit Committee meeting was adjourned at 9:48 AM.*



**Internal Audit Department  
Audit Committee Update  
January 18, 2022**

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**SUMMARY**

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The Internal Audit Department (Internal Audit) provides this report to assist the Audit Committee (Committee) with their oversight responsibilities for the Internal Audit. 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.

Internal Audit operated with no full-time employees from November 15, 2021 to January 10, 2022. Internal Auditor Kelly Houston transferred to her new position (Risk Manager) as of November 15, 2021; however, she has continued to perform the critical functions of the Internal Audit Department. Internal Audit Director Dan Keister began employment on January 10, 2022. The Audit Committee, Mr. Keister and Ms. Houston are working on a transition plan to ensure all aspects of Internal Audit are covered while Mr. Keister gets settled in. Ms. Houston continues to perform critical duties of the Internal Audit Department.

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,

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

Dan Keister, CISA, Internal Audit Director

## **AUDIT PROJECTS**

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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 has been in the planning stage to serve as a model for the implementation of audit management software. Mr. Keister will assess the plan going forward.

### **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**

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Internal Audit performs nonaudit projects as appropriate under GAGAS standards. Because of strict independence and objectivity requirements identified by these standards for staff, Internal Audit only performs certain nonaudit functions as defined in Internal Audit's governing documents. In addition, per the Personnel Ordinance<sup>1</sup>, 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 3<sup>rd</sup> 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 worked with Human Resources and County Management on the third part of the investigation.

Internal Audit has received 20 investigations during Fiscal Year 2022 (July 2021 through current). Of these cases, 5 are active. It should be noted that 7 of the 17 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 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 Ordinance<sup>1</sup>.

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.

<b>Reporting Sources for FY2021 Investigative Services</b>	
<b>3<sup>rd</sup> Party Hotline</b>	47
<b>Direct to Internal Audit</b>	7
<b>Direct to Human Resources</b>	Unknown
<b>Direct to Other Existing Reporting Channels</b>	Unknown
<b>Grand Total</b>	<b>54</b>

<b>Reporting Sources for FY2022 Investigative Services</b>	
<b>3<sup>rd</sup> Party Hotline</b>	19
<b>Direct to Internal Audit</b>	1
<b>Direct to Human Resources</b>	Unknown
<b>Direct to Other Existing Reporting Channels</b>	Unknown
<b>Grand Total</b>	<b>20</b>

<sup>1</sup>It 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**

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**Departmental Administrative Duties**

Internal Audit performs administrative functions for the department to maintain day-to-day operations. The Fiscal Year 2022 Internal Audit Budget that was recommended by the Audit Committee was not adopted by County Management due to competing priorities. As a result, Internal Audit will not be able to place assurance on much 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 software has been implemented and a Director is hired.

In the last report to the Audit Committee, Internal Audit reported management’s decision to not utilize the Conflict-of-Interest Disclosures module through Navex Global, but to build the process in the County’s existing ERP system, Workday. 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 work with the County Legal Department to determine the ramifications of this change of course and what the financial impact will be.

The second implementation is 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. Ms. Houston met with another local government to provide insight on local government-specific information, and the software is ready for Mr. Keister to review the setup for his preferences before go-live. The next step will be for Internal Audit to update the departmental policies and procedures to reflect the new software. Once policies and procedures are updated, a test audit will be conducted to get data in the system and then Internal Audit will provide a demonstration of the software to the Audit Committee. The data analytics portion will be implemented after a Director is hired. The Internal Audit Budget has funds available to obtain additional support from the software vendor for implementing this tool if needed, as the IT Department has stated they do not have the staff resources available to assist with this implementation.

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). 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). The Internal Auditor/Risk Manager is also participating in a year-long course through the UNC School of Government (Municipal and County Administration Course) which will further add value to the work of the County.

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). The Internal Auditor/Risk Manager serves on the Professional Issues Committee through the Association of Local Government Auditors (ALGA). The Internal Auditor/Risk Manager is also a mentor for the Association of Certified Fraud Examiners for global professionals.

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, Grants Governance Team, Offboarding Work Group, Investigative/Admin Leave Work Group, IT Security and Data Privacy Work Group, Tech Review Team, COVID Revenue Team, Policy Review Team, Foundational Focus Group and the Race for Equity Co-Design Team
- 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)	In Progress			
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)	In Progress			
95	Policy Violation	In Progress			
96	Discrimination/ Harassment	In Progress			

**Employee Ethics Report Line  
Fiscal Year 2021 Summary**

Report #	Summary	Action	Notes	Report Issued	Report Name
25	Supervisor Issue	Training/Coaching	Closed	No	
26	Supervisor Issue	Training/Coaching	Closed	No	
27	Favoritism	Substantiated-Identified System Issue	Closed	No	
28	Test Report	Setting up system for HR use	Closed	No	
29	Test Report	Setting up system for HR use	Closed	No	
30	Favoritism	Probable Sustantiation with Additional Evidence	HR to Reassess in May/June 2021	No	
31	Discrimination/Harassment	Training/Coaching	Closed	No	
32	Test Report	Setting up system for HR use	Closed	No	
33	Complaint about apartment	Not in Buncombe County's Jurisdiction	Closed	No	
34	Test Report	Setting up system for HR use	Closed	No	
35	Misleading Information in Workday	Substantiated-Management Addressed	Closed	No	
36	Test Report	Setting up system for HR use	Closed	No	
37	Hiring Irregularities	Identified System Issue	Closed-See Investigation Report	Yes	Part 2 Report-Hiring Inconsistency 06-07-21 Final.pdf
38	Hiring Irregularities	Identified System Issue	Closed-See Investigation Report	Yes	Part 2 Report-Hiring Inconsistency 06-07-21 Final.pdf
39	HR Entry	Unsubstantiated-No Action Necessary	Closed	No	
40	HR Entry	Substantiated-Non-Disciplinary Action Issued	Closed	No	
41	HR Entry	Not Actionable	Closed	No	
42	HR Entry	Not Actionable	Closed	No	
43	Test Report	Setting up system for HR use	Closed	No	
44	HR Entry	Not accessible to Internal Audit staff	N/A	No	
45	HR Entry	Not accessible to Internal Audit staff	N/A	No	
46	HR Entry	Not accessible to Internal Audit staff	N/A	No	
47	Supervisor Issue	Unsubstantiated-No Action Necessary	Closed	No	

**Employee Ethics Report Line  
Fiscal Year 2021 Summary**

Report #	Summary	Action	Notes	Report Issued	Report Name
48	Discrimination/Harassment	Original Issue Unsubstantiated- Compliance Violations Noted	Closed-See Investigation Report	Yes	Case 48 IA Report.pdf
49	Compensation	Identified System Issue- No Action Taken	Closed	No	
50	Management Issue	Identified System Issue	Closed	No	
51	Management Issue	Identified System Issue	Closed	No	
52	Hiring Irregularities	Identified System Issue	Closed-See Investigation Report	Yes	Part 2 Report-Hiring Inconsistency 06-07-21 Final.pdf
53	Compensation	Identified System Issue- No Action Taken	Closed	No	
54	Inquiry about On- Call Pay	Inquiry Resolved- Provided Information	Closed	No	
55	Process Review	Not Actionable	Closed	No	
56	Hiring Irregularities	Identified System Issue	Closed-See Investigation Report	Yes	Part 2 Report-Hiring Inconsistency 06-07-21 Final.pdf
57	Hiring Irregularities	Identified System Issue	Closed-See Investigation Report	Yes	Part 2 Report-Hiring Inconsistency 06-07-21 Final.pdf
58	Supervisor Issue	Insufficient Information	Closed - Management and HR work ongoing	No	
59	Substance Abuse	Insufficient Information	Closed	No	
60	Supervisor Issue	Insufficient Information	Closed - Management and HR work ongoing	No	
61	Supervisor Issue	Insufficient Information	Closed - Management and HR work ongoing	No	
62	Supervisor Issue	Insufficient Information	Closed - Management and HR work ongoing	No	
63	Supervisor Issue	Insufficient Information	Closed - Management and HR work ongoing	No	
64	Supervisor Issue	Insufficient Information	Closed - Management and HR work ongoing	No	
65	Supervisor Issue	Insufficient Information	Closed - Management and HR work ongoing	No	
66	Supervisor Issue	Insufficient Information	Closed - Management and HR work ongoing	No	
67	Supervisor Issue	Insufficient Information	Closed - Management and HR work ongoing	No	
68	Supervisor Issue	Insufficient Information	Closed - Management and HR work ongoing	No	
69	Supervisor Issue	Insufficient Information	Closed - Management and HR work ongoing	No	
70	Supervisor Issue	Insufficient Information	Closed - Management and HR work ongoing	No	

**Employee Ethics Report Line  
Fiscal Year 2021 Summary**

<b>Report #</b>	<b>Summary</b>	<b>Action</b>	<b>Notes</b>	<b>Report Issued</b>	<b>Report Name</b>
71	Supervisor Issue	Insufficient Information	Closed - Management and HR work ongoing	No	
72	Supervisor Issue	Insufficient Information	Closed - Management and HR work ongoing	No	
73	Supervisor Issue	Insufficient Information	Closed - Management and HR work ongoing	No	
74	Supervisor Issue	Insufficient Information	Closed - Management and HR work ongoing	No	
75	Supervisor Issue	Insufficient Information	Closed - Management and HR work ongoing	No	
76	Employee Concern	Identified System Issue	Closed	Yes	Case 76 IA Report.pdf
77	Supervisor Issue	Insufficient Information	Closed - Management and HR work ongoing	No	