

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

Members Present: Larry Harris, Kendra Ferguson, Andrew Hoffman, Robert Pressley, Al Whitesides, Danny Yelton

Members Absent: Mike Knepshield

County Staff Present: Terri Orange, Tim Flora, Jennifer Durrett, Diane Price, Michael Frue, Dustin Clark, Kelly Houston

The Audit Committee Chairman, Larry Harris, called the meeting to order at 9:00 AM.

Review and Approval of Meeting Minutes

The minutes from the December 12, 2017 meeting were presented. There was no discussion. Commissioner Al Whitesides moved to accept the minutes, Commissioner Robert Pressley seconded the motion and the motion passed unanimously.

Review and Approval of Letter to Commissioners

Larry Harris, Chairman, read a letter that he had drafted for the Audit Committee to send to the Board of Commissioners in conjunction with their receipt of the Comprehensive Annual Financial Report and Independent Auditors' Report and entertained a motion to approve. Kendra Ferguson stated that she believed that expressing that internal controls were weak seems harsh. Discussion followed regarding possible changes to phrasing. Commissioner Al Whitesides expressed that the Committee needs to be transparent and that the citizens know there has been a problem. Danny Yelton expressed that he somewhat agreed with Ms. Ferguson on the wording and pointed out that internal controls detected the problem. After discussion, Mr. Whitesides moved to approve the letter as presented, Commissioner Robert Pressley seconded, and the motion passed unanimously. CFO Tim Flora asked Mr. Harris if he intended to present the letter to the Board of Commissioners at their meeting and Mr. Harris said that he would leave it to the Commissioners on the Audit Committee, but believed it would be helpful for them to pass along the Committee's discussion to the Board.

Discussion of Audit Contract for FY 2018

Mr. Harris opened discussion of the external audit contract for fiscal year 2018 by asking Mr. Flora to comment on his email suggesting a Request for Proposals (RFP) be issued for the fiscal year 2018 audit. Mr. Flora stated that it is his opinion that Gould Killian CPA Group (Gould Killian) did an outstanding job, but that given the current environment it is prudent for the County to make a change. He also stated that it would require extra work on behalf of the Finance Department, but was possible. Mr. Harris reiterated that he believed it would be prudent and that it does not reflect on Gould Killian's work.

A possible schedule for the RFP process was laid out by Jennifer Durrett, Controller, ending with Board of Commissioners approval of the Audit Committee's recommendation at the second Board meeting in March.

Danny Yelton then spoke about the External Audit Subcommittee's recent meeting with Gould Killian to discuss the fiscal year 2017 audit. He stated that it was the Subcommittee's opinion that their audit procedures were entirely appropriate and there was nothing the Subcommittee felt should have been done differently or in addition to what was done by Gould Killian. The purpose of issuing an RFP would be only to gain a fresh set of eyes on the County.

A discussion of the RFP and selection method followed with the conclusion being that the External Audit Subcommittee would be involved in the process along with staff and that Internal Auditor Terri Orange would work with the Subcommittee and Finance Department staff to develop the process.

Mr. Flora told the Committee that it is also possible to contract for an audit of County internal controls if the Committee believes it is needed. Mr. Whitesides explained that given that the recent problems were confined to the highest levels of the organization and that the Board is addressing those issues, such an audit is not necessary at this time. Mr. Harris agreed.

The Committee instructed staff to move forward with the RFP process.

Election of Officers for CY 2018

Mr. Harris explained that, per the Committee bylaws, officers must be elected annually to serve for the calendar year. The posts to be filled are Chair, Vice Chair, and Secretary. Ms. Orange reminded the Committee that the bylaws include a provision for the Internal Auditor to perform the duties of Secretary for the Committee without being a member, or, alternatively, they can elect a Secretary from their membership.

Mr. Harris asked for nominations for Chair. Mr. Whitesides nominated Mr. Harris. There were no other nominations. Mr. Harris accepted the nomination.

Mr. Harris then asked for nominations for Vice Chair. He stated that it might be helpful to the Committee for a Commissioner to serve as Vice Chair. Mr. Harris nominated Mr. Whitesides as Vice Chair. Mr. Whitesides accepted the nomination.

Mr. Harris nominated Ms. Orange for Secretary. Ms. Orange accepted the nomination.

Mr. Harris called for a motion to elect the following officers for the Audit Committee: Larry Harris, Chair; Al Whitesides, Vice Chair; Terri Orange, Secretary. Ms. Ferguson made the motion, Mr. Pressley seconded and the motion passed unanimously.

Internal Audit Update

Ms. Orange presented an update to the Committee on the Whistleblower/Employee Protection Hotline. The slides are attached to these minutes. The number of calls was up in 2017 over recent years. This seemed to be primarily related to also designating the Whistleblower Hotline as an Employee Protection Hotline in October. A wide variety of calls come through the hotline, not all related to Buncombe County. The primary issue we are working on is how to best handle the calls from employees reporting personnel issues that are more appropriately handled through the grievance process with the Human Resources Department rather than an anonymous hotline. The Internal Auditor and HR Director are working on processes and communications to employees to help address this.

Meeting Schedule

Before adjournment, the Committee discussed setting regular meeting dates. No conclusion was reached and this subject will be explored further at the next meeting.

Adjournment

Chairman Harris adjourned the meeting at 10:00.



INTERNAL AUDIT

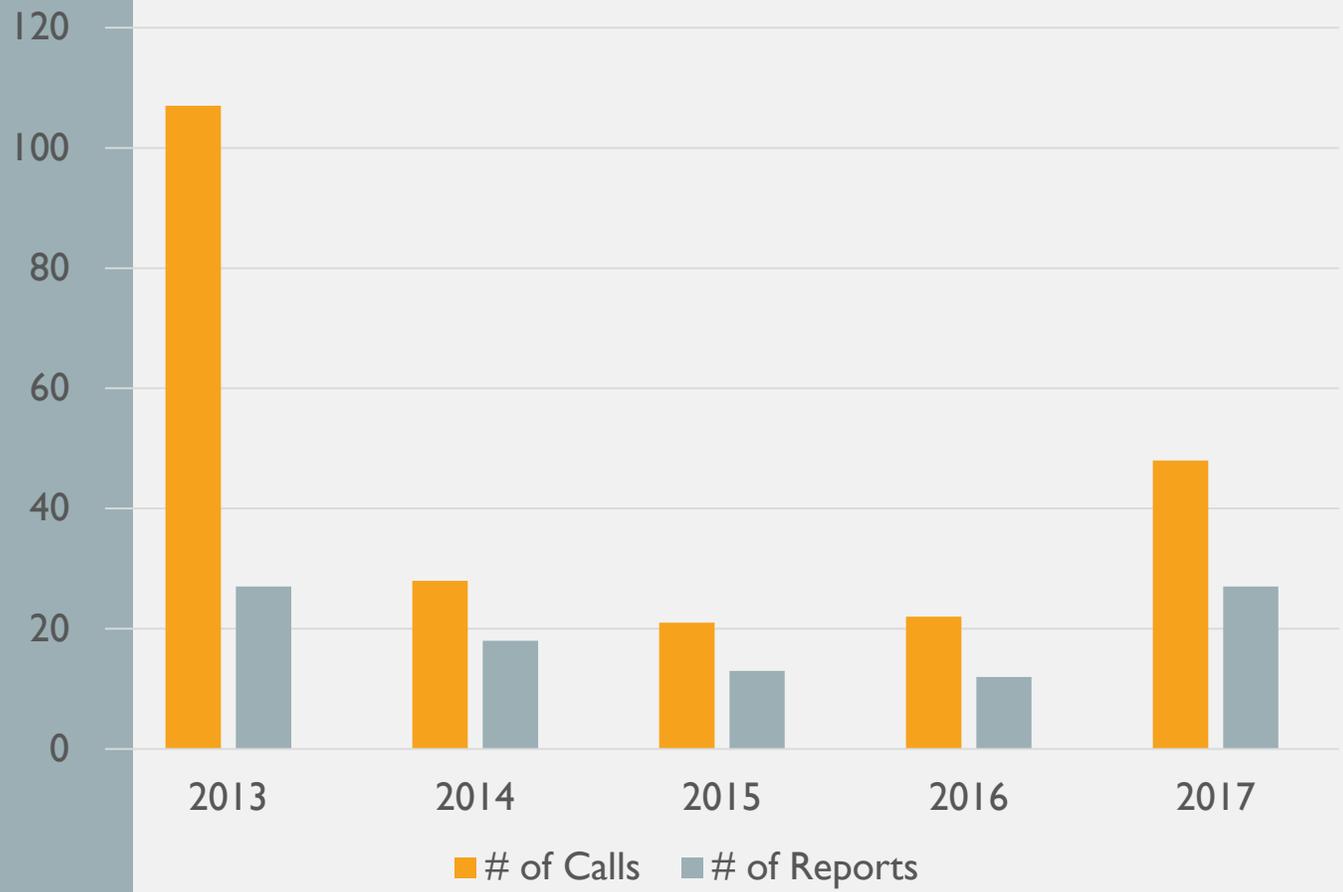
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Employee Protection/Whistleblower Hotline

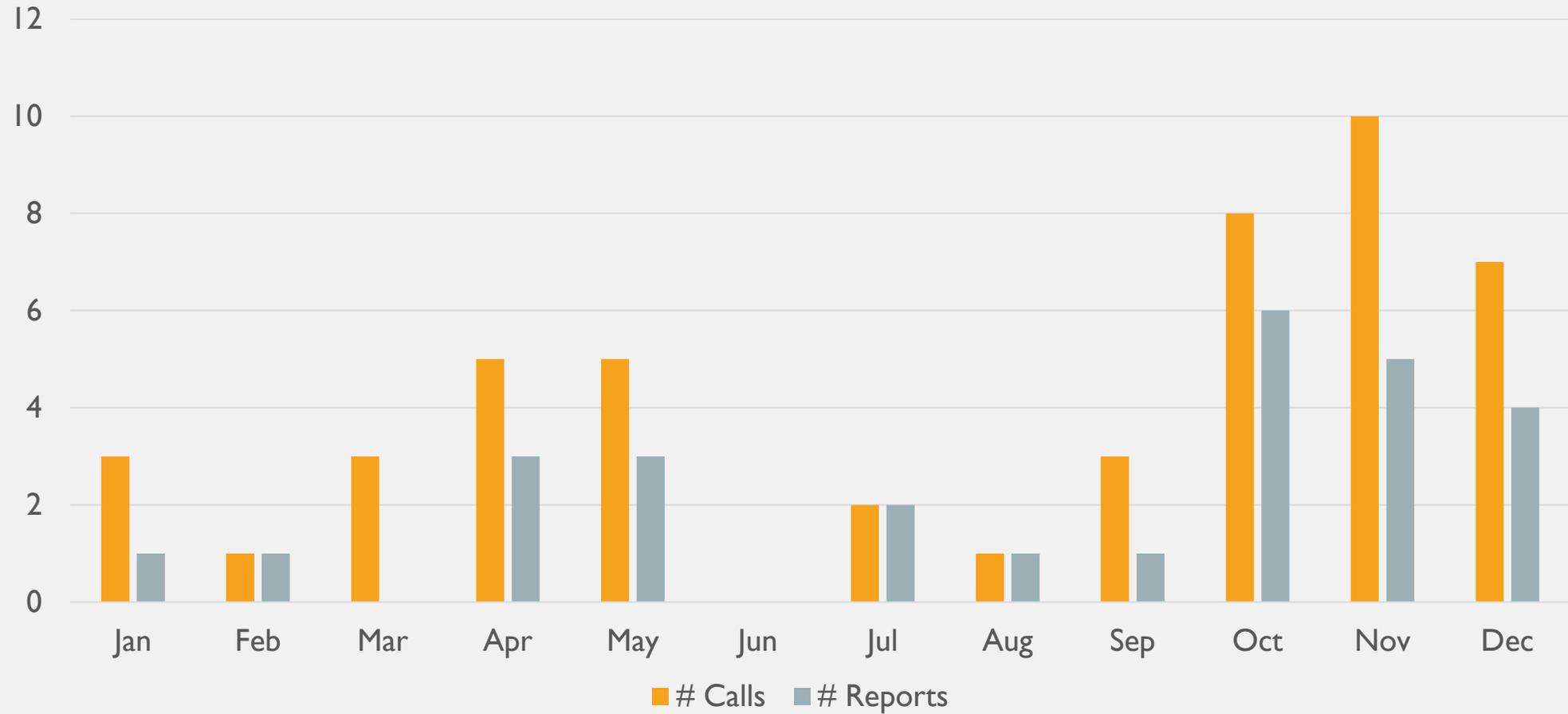
The screenshot shows the Buncombe County North Carolina website. The header includes the county logo and navigation menus for "I WANT TO...", "COUNTY SERVICES", and "TRANSPARENCY". A dark blue navigation bar contains "I WANT TO...", "Contact", "Do Business", and "Explore". The main content area is titled "Whistleblower Hotline" and features a toll-free number: 1-866-908-7236. Below the number, a paragraph states: "Buncombe County Government has a 'whistleblower' hotline number and is encouraging citizens to report any incidents of possible fraud, theft, illegal or unethical behavior by County staff. All reports can be made in an anonymous manner." A left sidebar lists navigation options: "EMAIL", "County Manager", "Commissioners", "Let's Talk", "How are we doing?", and "Public Relations".

- Same phone number serves both employees and citizens
 - Third party administrator
 - Can be anonymous or not
- If anonymous, caller is provided call-back date
 - All reports go to IA
- Not to be confused with “Let’s Talk”

Hotline Activity-Historical



Hotline Activity 2017

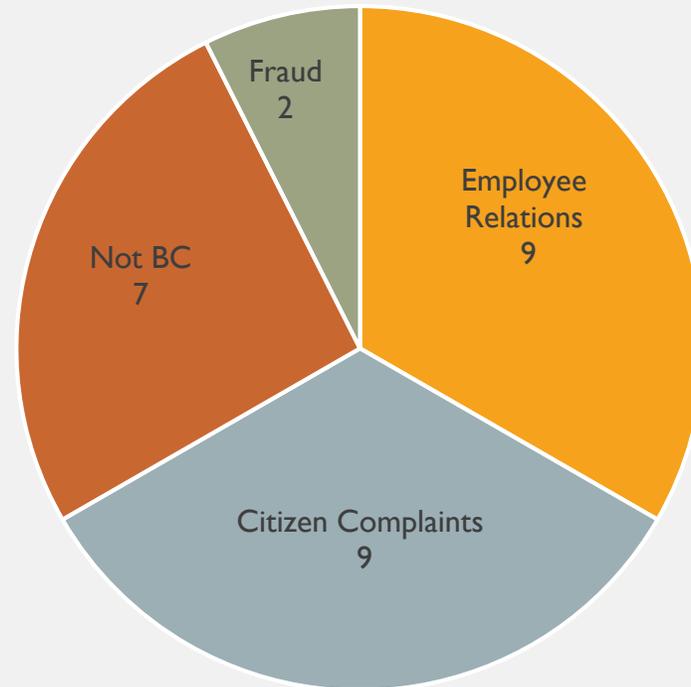


Hotline Report Types

2016



2017



Items of Note

- In place since 2006
- Since at least 2010, Internal Auditor or a Finance Department supervisor has administered
- Hotlines are ideally a management control with IA evaluating
- If IA involved in the control, need other party to evaluate i.e. Audit Committee/Subcommittee
- Personnel Ordinance instructs IA to report hotline activity to the Audit Committee annually
- Process adjustments
 - Routing protocol – personnel issues to HR Director – other protocols
 - Communications to employees re: HR resources available, routing protocols, limitations
 - Additional recipient of reports