

Minutes of Buncombe County Audit Committee
June 23, 2021
10:00 AM
200 College Street, Room 310

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: Kelly Houston

Others Present: N/A

The Audit Committee Chairperson, Kendra Ferguson, called the meeting to order at 10:10 AM.

Review and Approval of Meeting Minutes – Chairperson Ferguson

The March 2, 2021 meeting minutes were presented and reviewed. There was no discussion.

Commissioner Al Whitesides moved to approve the minutes as presented. Commissioner Robert Pressley seconded the motion. The motion passed unanimously.

Internal Audit Director Position and Recruitment – Kendra Ferguson

Internal Audit Director Trisha Burnett was unable to attend the meeting and as such, the Risk Assessment presentation and Fiscal Year 2022 Audit Plan will be tabled until a future meeting. Chairperson Ferguson updated the Committee on the Internal Audit Director position and recruitment. Ms. Burnett’s last day with Buncombe County will be June 30, 2021. Ms. Ferguson is meeting with County Manager Avril Pinder to review the Job Description for the Internal Audit Director position and to discuss the recruitment timeline.

Chairperson Ferguson asked the Committee for discussion on the logistics of the recruitment process. In the previous recruitment, the Internal Audit Subcommittee served as the Personnel Committee. The Personnel Committee worked collaboratively with the County Manager on screening and interviewing applicants. The final candidate then met with the full Audit Committee before the Committee approved the hire and recommended the hire to the Board of Commissioners. Through discussion, the Audit Committee agreed that this format worked well and would like to do this again.

Larry Harris made a motion for the Internal Audit Subcommittee to serve as the Personnel Committee, work collaboratively with the County Manager in screening and interviewing applicants, and bring the final candidate before the full Audit Committee to approve the hire and recommend the hire to the Board of Commissioners. Commissioner Al Whitesides seconded the motion. The motion passed unanimously.

Internal Audit Update – 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. Three investigative reports were provided to the Audit Committee.

Ms. Houston will be working on the audit management software implementation starting in July, and that process is expected to last through October. After October, Internal Audit will work with the software company on a timeline to implement the data analytics tools. Ms. Houston will also be implementing a new module in the Employee Ethics Report Line platform, called Conflict of Interest Disclosures. This tool will assist in identifying relationships and conflicts of interest for County staff. This implementation is expected to take 6 weeks, and will start in July.

Chairperson Ferguson advised the Committee that the IT Auditor position that was requested and approved by the Audit Committee during the Fiscal Year 2022 budget process was not approved by County Management. This is a hindrance in the software implementation projects, as the IT Department has stated they do not have the resources to dedicate to assisting with the software implementations. Commissioner Whitesides asked if the County could obtain the services of a third-party contractor to assist with these software implementations. Ms. Houston stated that the audit management software company was compiling information on additional support, and she would report to the Committee on what that support includes and if there is an additional cost to it.

Public Comment

There were no members of the public in attendance at the June 23, 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 and to schedule time to meet with the external financial auditors.

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 at 10:50. Commissioner Al Whitesides seconded the motion. The motion passed unanimously. The June 23, 2021 Audit Committee meeting was adjourned at 10:50 AM.



**Internal Audit Department
Audit Committee Quarterly Update
June 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, Internal Audit has finalized the comprehensive risk assessment and the results of the annual risk assessment will be presented during this meeting. In addition, because of the work from the comprehensive annual risk assessment, Internal Audit is proposing a draft risk-based plan for consideration by this Committee. Note that it is a *flexible* audit plan. Additions of nonaudit projects (factored and limited in the governance documents) may affect timing. As a result, if the governance documents change the scope of Internal Audit responsibility or update the nonaudit services that will be performed, there may need to be updates to the plan. However, any updates will be reported to the Committee.

Internal Audit has also spent a considerable amount of time since the last Committee meeting assisting Human Resources with highly sensitive investigations. This uncovered a need to work on the development of consistent policies and procedures for investigative projects where coordination is required by the Personnel Ordinance. Finally, Internal Audit has worked with an internal subcommittee to revise critical governance documents. These documents will be the foundation of Internal Audit work for the County.

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

Respectfully Submitted,

Trisha Burnett, CPA, CIA, CGAP, CFE, Internal Audit Director
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).

COMPLETED PROJECTS

Annual Risk Assessment

Internal Audit began working on the annual risk assessment prior to the COVID-19 pandemic. As a result of staff reassignments and other priorities, this project was put on hold. The purpose of the risk assessment is to assist Internal Audit in prioritizing the FY22 projects. There are various sources being used by Internal Audit to provide additional information for this process. COSO status, business-enabling functions, data review, benchmarking, IT risks, fraud risks, and other miscellaneous information gathered. One source included interviews with 42 individuals. This has been broken down as follows:

- 7 County Commissioners
- 3 members of Senior Leadership (County Manager and two Assistant County Managers)
- 28 Department Directors
- 4 Subject matter experts: Risk Manager, Compliance Officer, Chief Information Security Officer, Safety Officer

In the prior Committee meeting update, there were four department directors that had not participated. Internal Audit wishes to extend our thanks to the County Manager for her facilitation efforts in finalizing the remaining interviews.

PROJECTS IN PROGRESS

As the risk assessment has been finalized, there are currently no audit projects.

PLANNED PROJECTS

To Be Determined

Internal Audit planned projects are based on the risk-based audit plan, pending approval from the Committee. Once the proposed risk-based audit plan is approved by Committee, it 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 use 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 42 investigations during the current fiscal year. Of these cases, 25 are complete, 17 are in progress, and 7 have been performed in cooperation with Human Resources per the Personnel Ordinance¹. It should be noted that 21 of the 3rd Party Hotline requests are related to similar issues, and has required an extensive investigation in partnership with Human Resources. Since the last Committee meeting, Internal Audit and Human Resources have interviewed numerous staff and external stakeholders, review of extensive documentation and validation of data related to the overall investigation. The extensive investigation was divided into three parts. These reports will be discussed with the Committee as appropriate once finalized, since they are related to personnel matters. Other investigations requiring delegation are awaiting closure from the department. 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 direct violation of the 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). Since the last Committee meeting, an article was published on County Central in an attempt to market the 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 FY202 Investigative Services	
3rd Party Hotline	35
Direct to Internal Audit	7
Direct to Human Resources	7
Direct to Other Existing Reporting Channels	Unknown
Grand Total	49

Process Reviews

Process review projects will be performed at management's request. While these projects may take time away from planned risk-based projects, they serve three very important purposes: 1) to improve efficiencies and effectiveness in a proactive manner, 2) to reinforce Internal Audit's role and purpose to be a valuable partner, and 3) to provide Internal Audit with more insight regarding risks. Areas addressed can include internal controls, process improvement, and identification of efficiencies. Once finalized, reports will be issued to department management for guidance. This is an area that Internal Audit has emphasized and pursued heavily as many areas are experiencing change. Recently, the Internal Auditor was requested by a department to ensure processes related to pandemic mitigation efforts were documented and all risks were addressed. This work was recently completed. While Internal Audit has not been officially requested for other process reviews at this time, during risk assessment interviews, many departments expressed interest in this service.

Training

Internal Audit developed a training series on the COSO Internal Control Framework to be offered through the professional development initiatives in Human Resources. The Internal Audit Director held a COSO training for the Audit Subcommittee in April 2021.

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 met with the external financial audit manager from CLA in March to discuss risk areas. In addition, CLA provided internal control documentation for Internal Audit to review and leverage for the risk assessment process.

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, 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 analytic software and an additional position that was put on hold last year to await the impact of COVID-19. Only the analytic software project was approved mid FY2021 to move forward and has been planned for FY2022. In addition, an 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 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. In addition, Internal Audit has worked with the Internal Audit Subcommittee to ensure they have the appropriate information needed to assist Internal Audit in decision-making, prioritizing work, and evaluating risk. In continuing to learn the profession better, since our last Committee meeting, the Director has obtained the Certified Government Auditing Professional certification and the Internal Auditor has obtained the Certified Fraud Examiner certification. The Board, the Committee, and the County at large should be proud to have professionals with a combined 7 certifications and over 40 years of experience.

Outreach throughout the County and involvement in national organizations have occurred since the previous meeting. Both staff members serve on Committees through the Association of Local Government Auditors (ALGA). The Director serves on the ALGA Online Resources Committee, while the Internal Auditor serves on the ALGA Professional Issues Committee and is a mentor for the Association of Certified Fraud Examiners for professionals aspiring to obtain their CFE designation. Buncombe County Internal Audit was also featured during a presentation at the annual ALGA conference, related to the adaptivity of auditors in being reassigned during the COVID pandemic. 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. This has required multiple work sessions with Performance Management.

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 06-18-2021, the number received was 1,080, while the number requiring responses is 934)
- 2) COVID-19 Pandemic Response: Assistance with onsite work at Emergency Services, extensive assistance with the vaccine sites
- 3) 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
- 4) 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, and the Race for Equity Co-Design Team

**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	Closed
45	HR Entry	Not accessible to Internal Audit staff	Closed
46	HR Entry	Not accessible to Internal Audit staff	Closed
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	In Progress - Part 3	Partnership with HR
51	Management Issue	In Progress - Part 3	Partnership with HR
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