

AUDIT SERVICES OVERSIGHT COMMITTEE
Monday, January 24th, 2022
Virtual Meeting via Zoom 3:30 P.M.

The Audit Services Oversight Committee met at the above date and time with the following members present: Chair-Nick Long, Resident Member Matthew Ruterbories, Mayor Elaine O’Neal, Council Member Jillian Johnson and Council Member DeDreana Freeman.

Also present: Wanda S. Page, City Manager; Bo Ferguson, Deputy City Manager; Bertha T. Johnson, Deputy City Manager; Keith Chadwell, Deputy City Manager; Reginald Johnson, Director, Community Development Department; Terri Holmes, Assistant Director, Community Development Department; Karen Lado, Assistant Director, Community Development Department; Dave Hickman, Interim Director, Finance Department; Christina Riordan, Interim Assistant Director, Budget and Management Services Department; Dr. Germaine F. Brewington, Director, Audit Services Department, the Audit Services Department Staff (Marcus Mundy, Sonal Patel, Dredlin Rodriguez, Francisca Fabian); Karmisha Wallace, Chief of Staff; Matthew Schnars, Senior Planning and Performance Manager, Community Development Department; Elbert Avery, Senior Business Services Manager, Community Development Department; Sarah Zinn, Senior Performance and Compliance Manager, Community Development Department and other guests.

Chair, Nick Long, called the meeting to order at 3:30 p.m.

SUBJECT: APPROVAL OF MINUTES – October 25th, 2021

Motion was made and it was properly seconded to approve the minutes of the October 25th, 2021 Audit Services Oversight Committee meeting.

The motion passed unanimously.

SUBJECT: ADJUSTMENTS TO AGENDA

There were no adjustments to the agenda.

SUBJECT: EXCUSED ABSENCE OF VICE CHAIR-SHANELL FRAZIER

The motion to grant an excused absence of Vice Chair- Shanell Frazer passed unanimously.

SUBJECT: COVID-19 RELIEF FUNDS PERFORMANCE AUDIT DATED JANUARY 2022

Dr. Germaine Brewington, Director of the Audit Services Department gave a PowerPoint presentation. She stated that this audit report was important because proper monitoring ensures the City is not at risk of having to return the COVID-19 relief funds, ensures funds are spent on allowable activities, and minimizes risk of noncompliance as the City continues to receive funding in the future.

Dr. Brewington discussed the objectives of the audit: 1.) to determine if grant funds received for COVID-19 relief related activities were used for allowable expenditures in accordance with grant guidelines; and 2.) to examine internal controls over the tracking and recording of COVID-19 relief funds.

Overall, all grant funds examined were used for allowable expenditures in accordance with grant guidelines; reimbursable grant funds were drawn down timely and the report requirements were being followed for all grants except the ERAP 1 grant. Controls were also in place for the tracking and recording process for grant funds. The Finance Department staff provide oversight of this tracking and recording process, ensuring segregation of duties from the other departments.

Finding 1: Reporting on ERAP 1 funds did not reflect the actual amount spent on eligible activities; and quarterly reporting was not being performed as required.

ERAP 1 funds were received in advance of spending. Approximately \$8.2 million was given to Durham County to distribute the funds for emergency rental and utility assistance. Two levels of reporting were required for the ERAP 1 funds- monthly and quarterly reporting. The monthly reports, which were high level, were submitted on time. The quarterly reporting required more detailed and disaggregated data on the residents served. The quarterly reporting was not submitted in a timely manner to the Department of the Treasury because the data could not be obtained from the system managed by Durham County staff. Senior City leadership were not informed in a timely manner of the issue prior to the end of field work for this audit.

Finding 2: A comprehensive report did not exist to monitor all grant funds received by the City.

Recommendation 1 (Management Concurred)

The Community Development Department staff should comply with the Department of Treasury's quarterly report submission requirements. In addition, staff should reconcile monthly reporting data, quarterly reporting data and actual expenditures to ensure all actual expenditures are reported as soon as possible

Value Added: *Risk Reduction; Compliance*

The quarterly report was submitted in late December, prior to the issuance of this report. However, issues with data integrity, caused again by the lack of full information, has to be examined by Community Development staff and corrected by the next extension date.

Recommendation 2 (Management Concurred)

Senior City leadership should get involved to help Community Development Department staff obtain the necessary information from the County to enable the Department of Community Development to reconcile and resolve data quality questions for ERAP 1 fund report to Department of Treasury.

Value Added: Risk Reduction; Compliance

City leadership and County leadership were notified of the problem with data retrieval and steps were taken to get to the root cause of the problem prior to the issuance of the audit report. As of the ASOC meeting date (January 24, 2022) IT staff from the City and County had begun working to retrieve the needed data for reporting.

Recommendation 3 (Management Concurred)

The Finance Department staff should periodically review the Grants Report to ensure that the Report provides complete and accurate data on all grant funds.

Value Added: Risk Reduction

Prior to the issuance of the audit report, Finance Department staff revised the report to include the reimbursable grant funds as well as the funds received in advance of spending.

Questions/Comments:

Questions by ASOC members:

Resident Member Matthew Ruterbories stated he was interested in knowing when the City enters into contractual partnerships with the County or some other vendors listed in your table, do those contracts acknowledge that there may be expenditure reporting requirements on behalf of the City? And do those contracts stipulate that our partners or the City's partners must provide us that information?

Director Brewington answered yes the contracts do outline the responsibilities of the recipients of these funds including the fact that they must provide specific information and the time table the information is to be provided. During the field work, the Audit staff learned that prior to bringing this finding to light the contracts were probably not as tight as they are currently. As a result of what Audit staff found during the audit, especially with regard to ERAP 1 grant funds, the Community Development Department has tightened up that language in those contracts so that all vendors are clearly aware of what their responsibilities are and what the expectations of the City are.

Director Reginald Johnson also stated yes that the City's contracts do require the submission of data. One of the challenges with the County was the mechanism by which they collected the data. It wasn't that the County did not collect the data; the data was not in a form that the City could use, for reporting purposes. But as a general principal, contracts do require a provision for reporting information.

Chairman Long asked Dr. Brewington for clarification about whether the failure to file the quarterly reporting was due just to the lack of access to the information to facilitate the reporting or was there an additional issue that remained once there was access to the information?

She stated that it was just the lack of access to the data and once the information was received, any data integrity issues or discrepancies should be resolved.

SUBJECT: ASOC MEETING SCHEDULE FOR CALENDAR YEAR 2022

Dr. Brewington next asked the Committee members to discuss the meeting calendar and reaffirm their wishes to continue meeting virtually. The calendar was originally approved at the October 25th meeting. The Committee members voted to continue meeting virtually until it was safe to return in person and to work in tandem with the Council's meeting practices. Madam Mayor O'Neil put out an email addressing the meeting venues for boards, committees and commissions. Some ASOC members had expressed the desire to continue meeting virtually after the spike in the Omicron variant after the Thanksgiving and Christmas holiday season.

Chairman Long stated he agreed with the original calendar approved at the October meeting.

Resident Member Matthew Ruterbories agreed that we should get as close to the format as City Council as possible. If City Council continues to stay virtual, he suggested the ASOC members stick with that format as well. However, Mr. Ruterbories stated that once the Council determines it is appropriate to return in person ASOC members should mirror that format. He agreed like Chairman Long, that the original meeting calendar approved at the October meeting should remain as their schedule. Member Ruterbories asked for a reminder of what the asterisk on the 6/13/2022 meeting was for. Dr. Brewington answered that the asterisk was to highlight that the June meeting falls on the 2nd Monday of the month versus the normal 4th Monday of the month.

Council Member Johnson stated the calendar looked great. She elaborated that City Council doesn't really have a standard they could use to decide whether we would meet virtually or in person and haven't really figured it out yet. Cases are still high and they are still trying to figure out what that is going to look like. Once they have something they will figure out some kind of standard and communicate that out.

Dr. Brewington said since there were no changes, no action needed to be taken. The original calendar (to continue meeting virtually until the end of the fiscal year (June)) had been given to the Clerk's office and will be the calendar shared with the public until a change is made.

Council Member Johnson asked to be sent an invite to the meeting for June since it was not on her calendar. Council Member Freeman also requested it be sent to her as well.

Dr. Brewington said she would make sure invitations were sent for the June meeting that week.

SUBJECT: FY22 SECOND QUARTER (Oct – Dec 2021) REPORT ACTIVITY

Dr. Brewington reviewed the FY22 quarterly report that addressed audit recommendations. There were 20 open recommendations on this quarterly report. After receiving input from the departments to update the status of the recommendations, eight of the 20 recommendations were implemented and closed: Body-worn cameras (2), Employee Performance Evaluation Process (EPEP), Cemetery Operations (4) and Community Development Procurement Process. Six of the eight audit reports closed in FY22 were initiated in FY2021 and two were initiated in FY2022.

Dr. Brewington showed a graph showing audit recommendations by FY. The Audit team does have a target of performing 10 audits per year. In FY2018 and FY2019 nine audits were completed; FY2020 and 2021 eight were completed. This drop was partially due to COVID-19; working remotely and giving departments more time to provide information since people were working remotely. In FY2022 Audit staff have already completed four audits to date. They are where they want to be and on track for the goal for 10 audits this fiscal year.

Dr. Brewington stated that there were approximately 130 recommendations made over the course of five years. With 130 recommendations the Audit team brought value to the City either by improving inefficiencies, reducing risk, reducing cost or bringing the City into compliance with a policy or ordinance or state statute.

Dr. Brewington showed a graph depicting how long these recommendations were open in months. This slide is important to see how long these recommendations are open; and gauge the priority given to implementing these recommendations. Madam Manager has voiced her commitment and her intent to getting these recommendations completed and not letting them languish.

The last slide highlighted that there were 20 recommendations with eight closed in the second quarter of the fiscal year. Of those eight recommendations implemented, six helped reduce risks, one helped improve efficiency and five helped with bringing policies into compliance.

SUBJECT: FY22 SECOND QUARTER FRAUD, WASTE AND ABUSE STATUS UPDATE

Senior Auditor Dredlin Rodriguez presented a PowerPoint on updates for Fraud, Waste and Abuse activity for FY22-second quarter. During the second quarter Audit staff received nine allegations; four were related to unethical behavior and conflict of interests, four were related to fraud and one was related to waste. In terms of the disposition, five cases were full investigations and four were short consultations. There has been an increase from 2019 to 2022 of 33% on consultations received, a direct result of the outreach of the Audit staff throughout the City. Audit staff have been working on their Widely Important Goal (WIG), which is relationship building. The goal is important since it's directly related to the Audit department's mission. Dredlin thanked the City department directors, the City Executive Team, and the Committee members for their support because it is crucial to the Audit Department being able to complete its mission.

Council member Johnson asked if case numbers 15 and 19 on the detailed report both related to Neighborhood Improvement Services (NIS) and their community outreach work? She also asked if the complaints were from NIS or another department; and if the calls were from residents calling in?

Senior Auditor Rodriguez – confirmed they were from NIS. She stated that most of the allegations are anonymous so they don't have a way of identifying the person or caller.

Council Member Johnson stated those programs are really critical to our equitable engagement and community outreach work. She stated she was just a little worried someone would be concerned about conflict of interest or money not going where it was supposed to go. We are very on top of that. But it seems the program is more community facing, and there is potential for complaints from people not receiving funds and using this hotline to express dissatisfaction.

Senior Auditor Rodriguez explained that staff did receive one complaint related to one of the bids. She stated that staff analyze each complaint. And after investigating the matter, staff did not see a concern about the misappropriation of any funds. Internal controls were in place around the funds.

Dr. Brewington stated a lot of times the complainant is not known to us. Also a complainant may not have full information and as such does not understand the whole process. This specific complaint was deemed not to be a conflict of interest as alleged. Dr. Brewington offered Council Member Johnson that the Audit team can take a look at complaints 15 and 19 again; but Council Member Johnson concluded she was not worried.

Resident member Ruterbories stated his question was not necessarily related to fraud/waste but wanted to hear from Dr. Brewington, or any other member of the audit staff, what their priorities or what the department's priorities are for Continued Professional Education (CPE), conferences or certifications for the year 2022.

Dr. Brewington stated Audit staff are required to obtain at least 40 hours of CPE every year; it differs based on the certification a staff member has. Audit staff have to receive a minimum of 40 hours each year or 80 in two years according to the Peer Review guidelines. Dr. Brewington thanked the City Manager and Budget Department for their support of the Audit Department's mission, because she stated the line item for training in the Department's budget is the largest line item they control. She feels that the staff are given sufficient funds to ensure staff can maintain their proficiency in the necessary areas to continue to work in local government. Our Professional Associations are giving us the option for meeting virtually so that really helps us out a lot. We do have specific requirements, i.e., we all have a certain number of hours of ethics, fraud training, and general audit training we must have. We have to keep track of the CPE hours since we have peer reviews every three years where the peer review team verifies our compliance with the CPE requirements; and our next peer review is in December 2022. Our Administrative Coordinator Francisca is working on documenting and verifying our CPEs for each staff member.

Resident member Ruterbories stated he encouraged the Audit team staff to think about their jobs and their continued education in ways it can benefit the City instead of just thinking of it as another check the box item to make sure the training adds value to City and to the department. Dr. Brewington stated they do take subject matters they enjoy but they also keep a framework of what they need to have, which is updated quarterly. We don't have unlimited resources, but we do have a variety of training through the professional associations and being able to take seminars virtually has played a big part in staff getting what they need while also staying safe; and being able to take training they enjoy.

Chairman Long stated he didn't have a question but wanted to add a comment on the work the Audit staff has done. When we take a step back and see the graph of the report through the years, you can see all the work done in the last four years. Its impressive to know over 130 recommendations have been made to improve processes at the City. As a resident of Durham, this isn't stuff people know about. You are the unseen heroes and I commend the department for all the work it has done.

Dr. Brewington thanked Chairman Long for his comments.

OTHER BUSINESS

There was no other business to discuss.

Director Brewington thanked the Audit staff; Sonal, Dredlin, and Marcus. Marcus is the person who makes the meetings happen as the facilitator and she stated she really appreciates that. Francisca who is our new Administrative Coordinator has really been instrumental over the past few weeks in helping to get the report finalized and materials ready for distribution. Dr. Brewington thanked Dredlin for presenting.

Next meeting is scheduled for February 28, 2022. The meeting will begin at 3:30 p.m. and it will be virtual.

Chair Nick Long adjourned the meeting at 4:22pm

Respectfully submitted,

Francisca Fabian