

AUDIT SERVICES OVERSIGHT COMMITTEE
Monday, June 15, 2020
Virtual Meeting via Zoom 3:00 P.M.

The Audit Services Oversight Committee met at the above date and time with the following members present: Chair-Maticia Sims and Vice Chair-Nicholas Long, Shanell Frazer, Mayor Steve Schewel, Mayor Pro Tempore Jillian Johnson.

Also present: City Manager Thomas J. Bonfield; Deputy City Managers Wanda Page and Bo Ferguson; Finance Director David Boyd; Finance Services Manager, Dave Hickman, Director of Technology Solutions Kerry Goode; Assistant Technology Solutions Director DeWayne Kendall, Human Resources Director Regina Youngblood; Professor Erika Kranitz, Dr. Mark Beasley, Dr. Al Chen and the NC State Poole College of Management ERM Project Team for the City of Durham, Director of Audit Services Dr. Germaine Brewington and the Audit Services Department Staff.

The Chair, Maticia Sims, called the meeting to order.

SUBJECT: APPROVAL OF MINUTES – FEBRUARY 24, 2020

Motion was made and it was properly seconded to approve the minutes of the February 24, 2020 Audit Services Oversight Committee meeting.

The motion passed unanimously.

SUBJECT: ADJUSTMENTS TO AGENDA

There were no adjustments to the agenda.

SUBJECT: TIMEKEEPING FOLLOW-UP PERFORMANCE AUDIT – MAY 2020 PRESENTATION

Dr. Brewington gave a PowerPoint presentation and stated that Tracking employee time precisely provides reliable data to process payroll accurately. In addition, time tracking can provide transparency, increase productivity, help the organization comply with the Fair Labor Standards Act (FLSA) and help the organization become cost efficient. Failure to track time accurately can lead to employees being paid inaccurately. Her presentation included the background, scope, objectives, results and findings and recommendations for the Audit.

Recommendation 1

The Finance Department staff should continue to implement Recommendations 2 and 5 of the Timekeeping Management Performance Audit (January 2019). Implementation dates should be determined and assigned to ensure the recommendations receive the appropriate prioritization.

Management concurs fully with this recommendation.

Recommendation 2

The Human Resources Department staff should continue to work towards completing implementation of Recommendation 6 (in original 2019 audit) as planned.

Management concurs fully with this recommendation.

SUBJECT: PAYMENT CARD INDUSTRY (PCI) COMPLIANCE PERFORMANCE AUDIT – MARCH 2020 PRESENTATION

Dr. Brewington gave a PowerPoint presentation and stated that all third party service providers (Elavon Merchant Processing System, Paymentus Corporation, Active Network and Payment Express) that the City contracts with to process credit card data are Payment Card Industry (PCI) compliant at present. Her presentation included the background, scope, objectives, results and findings and recommendations for the Audit.

Recommendation 1

The Technology Solutions Department staff should monitor third party service provider's compliance status with Payment Card Industry Data Security Standards requirements. This monitoring requirement should be addressed as part of the Technology Solutions Department Policy.

Management is in full agreement with the recommendation.

Recommendation 2

The City Manager's Office in consultation with the Technology Solutions Department and the City Attorney's Office staff should develop language to be incorporated in contracts where third party service providers are responsible for securing sensitive data. An addendum should be added to current contracts with Elavon Merchant Processing Systems, Paymentus Corporation and Active Network Inc.

Management is in full agreement with the recommendation.

Recommendation 3

The City Manager's Office should direct the appropriate City Department staff to establish a contract with Elavon and ensure that the new contract incorporates language developed in recommendation 2 above.

Management is in full agreement with the recommendation.

SUBJECT: DISCUSSION OF THE ANNUAL AUDIT PLAN PROPOSAL

Dr. Brewington shared with members the proposed list of audit engagements for Fiscal Year 2021. Dr. Brewington stated that fourteen (14) audits had been submitted for their approval versus the normal ten (10) engagements. Dr. Brewington explained that staff looked at their risk model and also took into consideration when proposing the list, the possibility that staff would have to do work remotely and conduct audits in different ways due to the unknowns of the Covid-19 pandemic. Dr. Brewington also indicated the fourteen audits were being proposed in the event a particular department could not commit the staff resources to aid the Audit staff in gathering evidence for its audit objectives. The staff would simply continue to complete the work plan and carryover any audits not completed in FY21. Dr. Brewington reminded members that two of the audits (FY20 Year End Inventory and the EPEP Performance Audit) were mandatory so eight new engagements would be selected from the list of fourteen engagements.

Motion: A motion was made, it was properly seconded, to approve the FY21 annual audit plan.

The motion passed unanimously.

SUBJECT: PRESENTATION OF RESULTS OF THE CITY OF DURHAM ERM PROJECT BY STUDENTS OF THE NC STATE POOLE COLLEGE SCHOOL OF MANAGEMENT (UNDER THE DIRECTION OF PROFESSOR ERICKA KRANITZ)

Chair Sims thanked the students for their work.

Dr. Brewington told the students the Audit staff had considered their recommendations in the FY21 audit plan; and thanked them for their work.

SUBJECT: PRESENTATION OF THE STATUS OF THE MALWARE ATTACK

Director Goode presented the Committee members with a chronology of when the attack happened and what the Technology Solutions Department staff along with many contractors did to get systems operational and devices cleaned. Director Goode stated that the intrusion was possible as a result of a phishing e-mail and the compromise of a City employee's password. Director Goode praised his staff and the contractors who worked around the clock to get the City back up and running as quickly as they did.

A robust discussion occurred with Committee members and Director Goode.

The next virtual meeting is scheduled for August 24, 2020.

There being no further business, the meeting was adjourned at 5:00 p.m.

Respectfully submitted,

Germaine Brewington