

The Honorable Members of the County Board
Management
Arlington County, Virginia

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Arlington County, Virginia (the "County"), as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we considered the County's internal control over financial reporting ("internal control") as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

During our audit, we noted opportunities for strengthening internal controls and operating efficiencies. This letter does not affect our report on the financial statements of the County.

We will review the status of our comments during our next audit engagement. We have already discussed these comments and suggestions with various County personnel, and we will be pleased to discuss in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

Capital Assets

Construction in progress ("CIP") - During our testing of Arlington County Public Schools' ("Schools") capital assets, we noted that CIP is not being separately captured for financial reporting and depreciation purposes when input by the County into the fixed asset ledger. As Schools is constructing three new schools and construction was in progress at June 30, 2018, we recommend a process be implemented to separately track CIP, as depreciation expense should not be captured until the asset is placed in service.

View of Responsible Officials: Schools will implement a process to separately track CIP beginning in FY19. Since portions of current projects have already been capitalized and depreciation started, we will only identify expenditures on these projects beginning July 1, 2018 as CIP. Any new projects coming online will be fully tracked as CIP until the project is complete.

General capital assets – During our testing of County and Schools capital assets, we noted several invoices for capital asset purchases that were expensed in the government-wide financial statements rather than being capitalized. We recommend a process be implemented to ensure personnel are consistently and correctly capturing all significant capital assets purchased during the year.

View of Responsible Officials: Schools will implement procedures to enhance the recognition of capital assets instead of expensing these items. Particularly, we will provide additional training to end user schools and departments to stress the need to correctly code capital assets to accounts that represent capital assets.

The County will stress with our project managers the need to be more diligent in using the correct accounting charge codes and for a periodic review. The County will develop a fixed asset policy and roll out training to educate project managers on properly classifying capital expenses. Until such policy/training can be developed, Department of Environmental Services will distribute a memo, with the input of the Department of Management and Finance, to reiterate fixed asset requirements and the information that should be confirmed and reviewed during requisition approvals to ensure mistakes are caught.

Housing Choice Voucher Program (HCVP)

Recertification checklists - During our program eligibility testing, we noted several instances where recertification checklists were not being completed on a consistent basis. Failure to complete the checklist could result in incomplete file documentation to support a participant's eligibility determination or an incorrect eligibility determination for a participant's Housing Assistance Payment (HAP). We recommend program management reiterate to personnel the importance of completing the checklist and monitor for compliance during their existing monitoring process.

View of Responsible Officials: Department of Human Services ("DHS") will update the Housing Choice Voucher Program's Annual Recertification Standard Operating Procedure and will retrain staff to ensure understanding and compliance. Compliance with the procedure will be incorporated into the annual monitoring process.

Documentation – During our program eligibility testing, we noted one instance where documentation was not obtained to support the current year balance of a participant's previously claimed assets. We noted that per federal program guidelines this is not a circumstance that requires the County to terminate the participant's benefits; however, based on program policies, the case worker should have documented procedures taken and judgments made in the determination. We recommend program management ensure personnel are knowledgeable of written policies and enforce and ensure policies are being followed through the existing monitoring process.

View of Responsible Officials: DHS will retrain Housing Choice Voucher staff on the existing policy and procedure governing documentation.

This communication is intended solely for the information and use of County and Schools management and is not intended to be, and should not be, used by anyone other than these specified parties.

Cherry Bekart LLP

Tysons Corner, Virginia
October 30, 2018