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Arlington County Auditor Annual Audit Work Plan FY 2020

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Introduction

The Annual Audit Work Plan for Fiscal Year 2020 (FY 2020 Plan) comprises the work to be performed by the Arlington County Auditor for the year. The County Auditor reports to the County Board, independent of management, and is charged with conducting performance audits of departments, offices, boards, commissions, activities, and programs of Arlington County that directly or indirectly report, or are accountable to the County Board. Performance audits encompass a variety of scopes and objectives, including effectiveness and efficiency, economy, transparency, internal controls, and compliance.

Strategy

The County Board has determined that FY 2020 Plan should incorporate a focus on areas of high fiscal impact. For the FY 2020 Plan, *fiscal impact* is defined as significant budget impact, and potential that improvements will yield cost savings. This strategy does not presuppose that cost savings will or should occur, nor does it diminish the importance of any potential improvements in operational effectiveness.

Risk Assessment

The FY 2020 Plan is based on a risk assessment performed by the County Auditor, using a variety of sources. These include County data, such as budget documents and the Consolidated Annual Financial Report; County Board work sessions; and analyses performed by the Fiscal Affairs Advisory Commission. Other inputs for the FY 2020 Plan's development were reviews of leading practice local government audit organizations' work plans, discussions with County management officials, and discussions with County Board members.

Flexibility

The FY 2020 Plan is approved by the County Board and is designed to be flexible to respond to organizational needs as they arise. The FY 2020 Plan may be altered by the Board during the year, in consultation with the County Auditor, Audit Committee, and County management, if a significant reallocation of County Auditor resources is deemed necessary.

Change from Previous Audit Work Plans

In previous Audit Work Plans, the County Auditor included audits that could be conducted if capacity allows. However, in both FY 2018 and FY 2019 none of these "if capacity allows" audits were conducted. In an effort to be more realistic and transparent about expected audit work and recognizing that some FY 2019 audits will not be completed until FY 2020, the FY 2020 Plan lists no additional audits to be performed "if capacity allows."

Overview of the Document

The FY 2020 Plan contains three parts. In the first part are the audits to be conducted as part of the FY 2020 Plan. These include previously-begun performance audits that will be completed in FY 2020, as well as audits that are recommended to be initiated *and* conducted in FY 2020. The second part is a brief overview of additional, non-audit activities that the County Auditor performs on an annual basis. Third, the FY 2020 Plan presents an Audit Horizon, which lists audits that could be performed in future years.

Part 1: Proposed Performance Audits

In Part 1, the FY 2020 Plan provides an overview of performance audits to be conducted. This section discusses audits to be carried over from the FY 2019 Plan, two new audits proposed for FY 2020, and a crosswalk of other audit topics from FY 2019 that are not added to the FY 2020 Plan.

Each audit listed includes one or more *initial objectives*. These objective statements are designed to give some insight into areas of interest regarding the audit topic, but do not prematurely identify audit findings. Once an audit is formally begun, the County Auditor will gather key information regarding the audit topic during the audit's planning phase. After this phase has concluded, the County Auditor will determine the *fieldwork objectives* that will be addressed during the fieldwork phase of the audit and contained in the public report.

Selection Criteria

For the FY 2020 Plan, some key selection criteria helped to guide the choice of the selected audits. Each of the audits fulfill the following criteria.

- Potential for fiscal impact, defined as significant budget impact and potential that improvements will yield cost savings
- The need to provide information that is timely and relevant for decision-makers, especially with respect to budget decisions
- The possibility of improving efficiency and effectiveness in operations
- The importance of providing audit coverage in different areas, when considered over multiple fiscal years

The foregoing key selection criteria were also important for the Audit Horizon. The County Auditor also used other criteria, as discussed in the Auditor's policies and procedures, to develop the Audit Horizon. For example, another key criterion for the Audit Horizon was audits conducted recently in other leading practice local audit shops.

Audit Grouping

The FY 2020 Plan consists of two groups: carryover audits and new audits. Carryover audits are FY 2019 Plan audits that were begun in FY 2019 but will not be completed by the beginning of FY 2020.¹ New audits are those that will be kicked off in FY 2020. The FY 2020 Plan recognizes that the County Auditor works by himself and the Plan attempts to be realistic about how many new audits can be undertaken in FY 2020 that meet the County Board's strategy of having potential for fiscal impact.

Four audits appeared on the FY 2019 Plan as new or supplemental audits but were not begun. As discussed further below, these audits are recommended for elimination from the FY 2020 Plan, and in the case of Procurement Practices, an audit of a separate procurement phase – Contract

¹ Audits of Fleet Management and Fire Department Overtime are not included in this group but will be completed shortly after adoption of the FY 2020 Plan.

Administration – is recommended instead. For additional discussion, see the *Mapping to Previous Audit Work Plan* section on page 5.

Carryover Audits from the FY 2019 Annual Audit Work Plan

Two audits from the FY 2019 Plan are in the process of completion and are anticipated to be complete in the 2nd Quarter of FY 2020 (October -December 2019). The table below provides the initial scope and objective for these audits and the audit phase as of the date of this FY 2020 Plan.

Audit Area	Department	Initial Objective and Scope	Phase as of 6/11/2019	Anticipated Completion
Public Safety Overtime	Sheriff's Department	The initial objective was to assess the administration and use of overtime in the Sheriff's Department. Elements could include the need for overtime, the use of effective overtime management techniques, the impact of current staffing levels and policies, and opportunities for potential savings.	Planning	October-December 2019
Economic Development Incentive Funds	Arlington Economic Development (AED)	The initial objective was to assess AED's process for monitoring of economic development incentive funds for compliance with agreed-upon requirements. Additional elements could include the quality and frequency of economic development incentive fund reporting, the quality and accuracy of the information used in the reports, and root cause analysis for any issues identified in the audit. Note that the matter of economic development incentive funds' overall effectiveness would be excluded from the scope of this audit, and potentially included in a future audit once enough longitudinal data are available.	Planning	October - December 2019

New Performance Audits to be Completed in FY 2020

Two new performance audits are recommended for FY 2020. These are expected to be initiated once the carryover audit draft reports are completed.

Audit Area	Department	Initial Objective and Scope
Contract Administration	Department of Technology Services (DTS)	The initial objective will be to assess the effectiveness of contract management within Technology Services. Contract management is decentralized within County government, so departments manage executed contracts within their purview. This audit would focus on DTS-wide contract management practices rather than only focusing on specific contracts.
Real Estate Assessment and Appeals	Department of Management and Finance	<p>The primary objective of this audit will be to evaluate the real estate assessment and appeals process and the adequacy of related internal controls. Elements may include the processes for measuring performance, tracking appeals and resulting modifications, managing required approvals and exemptions, and the policies and procedures in place for all the foregoing.</p> <p>The scope will include the Board of Equalization, which conducts appeal hearings on property assessment disputes between taxpayers and the County Assessor.</p>

Mapping to Previous Audit Work Plan

To assist readers in following the disposition of audits that were approved in FY 2019, the following table provides a list of audit areas and initial objectives that were approved in the FY 2019 plan but were not yet kicked off. These audits are not recommended to be carried over to the FY 2020 Plan.

The audit of Business Improvement District oversight may have yielded important managerial insights for the County but was not expected to have significant fiscal impact. Consequently, the County Auditor recommends that this audit not be carried over. This audit was added to the Audit Horizon as a potential audit topic for future years.

The audit of Procurement Practices Efficiency was planned for kickoff no earlier than 4th Quarter of FY 2019. However, the new Director of Department of Management and Finance (DMF) has identified a quicker evaluation of procurement practices efficiency as a strategic managerial priority and has engaged with the outside audit firm that serves as part of DMF's internal audit function to perform a substantially similar audit on a quicker timetable. While this outside audit does not prevent the County Auditor from performing a similar future audit, the County Auditor recommends replacing the Procurement Practices Efficiency audit with an audit of Contract Administration, another highly important procurement process, as discussed in the previous section.

The County Auditor proposes in the Audit Horizon to do some additional work on procurement practices to be determined in FY 2021 or later. This work, for example, could be a follow-up on DMF internal audit recommendations.

The audits that were listed under *Supplemental Audits if Capacity Allows* in the FY 2019 Plan are ones with public saliency and opportunities for improving efficiency and effectiveness. However, the County Auditor noted that neither of these proposed audit areas are expected to have significant fiscal impact. Both audits have been added to the Audit Horizon, as potential audits for future years.

Audit Area	Department	Initial Objective	Supplemental Audit “if Capacity Allows” on FY 2019 Plan?
Business Improvement Districts oversight	Multiple departments, primarily Arlington Economic Development (AED)	The initial objectives would be to evaluate how well the County is overseeing the BIDs and whether the County should make improvements to facilitate the BIDs’ strategic effectiveness. Elements could include whether the County is ensuring that the BIDs comply with current BID agreements, whether improvements are needed in BID agreements or work plans, the effectiveness of the County’s guidance to the BIDs, and the timeliness and accuracy of fund transfers to the BIDs.	No
Procurement Practices Efficiency	Multiple departments, primarily Department of Management and Finance	The initial objective would be to assess the efficiency of County procurement practices from a department’s initial request through contract completion. The initial request would incorporate the scope of services development process, while contract completion would occur when a contract is signed and ready for implementation. Audit elements would also include an analysis of root causes for any inefficiencies identified. While the Purchasing Office is contained within the Department of Management and Finance, this audit may include procurement process activities conducted by other offices or departments, such as the County Attorney’s Office. Note that the process of strategic planning for a procurement, as well as the contract administration (contract management and monitoring process) would be excluded from the scope of this audit,	No

		and potentially included in a separate audit.	
Neighborhood Conservation Advisory Commission (NCAC)	Multiple departments, primarily Community Planning, Housing and Development	The initial objective would be to assess the effectiveness of the NCAC projects, encompassing project selection, prioritization, scoping, and project execution. Elements could include a benchmarking of similar advisory commissions in other local jurisdictions and reviewing a sample of current or completed projects to determine if there are opportunities for improvement.	Yes
Site Plan Benefits	Community Planning, Housing and Development	The initial objective would be to assess the effectiveness of controls to ensure that site plan benefits are tracked and followed-up through the implementation of benefits and any associated ongoing monitoring. Elements could include the quality and frequency of site plan benefits reporting, the quality and accuracy of the information used in the reports, and root cause analysis for any issues identified in the audit.	Yes

Part 2: Additional Non-Audit Efforts

In addition to conducting performance audits the County Auditor allocates time to other activities not directly attributable to an audit engagement.

Additional Efforts	
Activity	Purpose
Follow-up Activities	<p>In FY 2020, the County Auditor will conduct follow-up work to identify and validate management’s implementation of audit recommendations.</p> <p>Follow-up work generally occurs at the one year and two-year points after audit report issuance. This allows departments sufficient time to implement recommendations. A public report to the Audit Committee will be developed after the completion of the two-year point.</p> <p>After two years, audit follow up work will occur only if determined necessary by the County Auditor in conjunction with the affected department(s), the County Manager’s Office, or the County Board. The Audit Committee also will offer advice regarding the value of additional follow-up work.</p>
Training and Development	<p>The County Auditor policies and procedures call for the Auditor to complete 80 hours of continuing professional education in every two-year period, with at least 20 hours in each year of the two-year period to maintain compliance with Government Auditing Standards (Yellow Book). This level of training helps the County Auditor to maintain audit competencies, as required by Yellow Book, and allows the County Auditor to maintain certifications required for the position</p>
Risk Assessment	<p>The County Auditor will conduct additional work beginning in January 2020 to develop a proposed Annual Audit Work Plan for FY 2021.</p>
Professional Service	<p>The County Auditors serves on the Board of the Association of Local Government Auditors (ALGA), and travels twice per year to Board meetings. These travel expenses are paid by ALGA. The County Auditors also periodically performs tasks associated with Board of Directors service.</p>

Part 3: Audit Horizon

The purpose of an Audit Horizon is to list audit areas that could be reviewed productively at the current time. Audits that appear on the Audit Horizon may be on a future list of performance audits to be conducted but being listed on the Audit Horizon does not guarantee that a program or function will be audited in the near future. A subsequent risk assessment process would be used to make that final determination.

For convenience, the Audit Horizon is presented alphabetically by audit area. Audits marked with an asterisk (*) are new to the Audit Horizon in FY 2020. Audits marked with a double asterisk (**) were moved to the FY 2020 Audit Horizon from the FY 2019 Plan.

Audit Area	Department	Initial objective
Affordable Housing	Multiple departments, primarily Community Planning, Housing and Development	The initial objective would be to assess the effectiveness of the County's affordable housing program. Elements could include the oversight and impact of the housing grants program, and whether controls that would help to achieve the County's Affordable Housing Principles and Goals are in place and effective.
Business Improvement Districts oversight**	Multiple departments, primarily Arlington Economic Development (AED)	The initial objectives would be to evaluate how well the County is overseeing the BIDs and whether the County should make improvements to facilitate the BIDs' strategic effectiveness. Elements could include whether the County is ensuring that the BIDs comply with current BID agreements, whether improvements are needed in BID agreements or work plans, the effectiveness of the County's guidance to the BIDs, and the timeliness and accuracy of fund transfers to the BIDs.
Contract Administration – Capital Construction*	Multiple departments, primarily Department of Environmental Services	The initial objective would be to assess whether the County effectively manages capital construction projects within budget and schedule. The audit would focus on a sample of contracts.
Contract Administration – Human Services*	Department of Human Services	The initial objective would be to assess whether the Department effectively manages human services contracts. This audit would focus on DHS-wide contract management practices rather than only focusing on specific contracts.
Compensation Practices	Department of Human Resources	The initial objective would be to assess the equity and effectiveness of County's compensation practices. Elements could include testing the equity of pay within the open range pay system, and assessing the effectiveness of support given to management to implementing pay for performance assessments.

FMLA Leave Management*	Department of Human Resources	The initial objective would be to determine whether the County complies with the Family and Medical Leave Act (FMLA) regulations and follows best practices. Elements of testing could include: reviewing and comparing the Family and Medical Leave Act and regulations and the County's FMLA policy; comparing County processes for FMLA management to leading practices; and reviewing timeliness of leave determinations.
Facilities Management and Repair	Department of Environmental Services	The initial objective would be to assess the effectiveness of facilities management practices. Elements could include the adequacy and effectiveness of the work order processes; the timeliness of repairs; the alignment of preventative maintenance activities with relevant standards; and the impact of retrofitting facilities to meet energy standards.
Financial Condition Analysis	Department of Management and Finance	The initial objective would be to assess the County's current financial condition, such as revenues, debt, and capital assets, and the degree to which financial information is publicly reported in comparison to leading practice. The financial condition analysis would not be intended as a predictive (prospective) analysis or as a substitute for the annual financial audit, but rather as a broad analytical and diagnostic tool.
Health Plan Dependent Eligibility*	Department of Human Resources	The initial objective would be to verify that only those individuals qualified as health plan dependents are enrolled in the plan. Elements could include determining whether ineligible dependents are enrolled in the County's health care plan, and whether the processes and controls used to enroll and maintain dependents in the health plan operating effectively.
Information Technology – Security Management	Department of Technology Services	The initial objective would be to assess the effectiveness of general controls over information technology security management using a recognized source of audit guidance, such as the Federal Information Systems Control Audit Manual. The review of security management would help to address the controls over personally identifiable information of employees and community members that are held by County technology systems.
Neighborhood Conservation Advisory Commission (NCAC)**	Multiple departments, primarily Community Planning, Housing and Development	The initial objective would be to assess the effectiveness of the NCAC projects, encompassing project selection, prioritization, scoping, and project execution. Elements could include a benchmarking of similar advisory commissions in other local jurisdictions and reviewing a sample of current or completed projects to determine if there are opportunities for improvement.

One-Stop Arlington	Multiple Departments	The initial objective would be to assess the effectiveness and efficiency of the permitting process within One-Stop Arlington. Elements could include the consistency of information provided to permit applicants and the timeliness of permit application decisions. The One-Stop Arlington process is still being developed and implemented, and this audit may need to be broken into multiple pieces to match the phases of One-Stop Arlington implementation.
Performance Measures	Multiple departments, primarily Department of Management and Finance	The initial objectives would be to assess the effectiveness of County performance measurement and reporting frameworks in collecting, validating, and using performance information, and publicly reporting performance information. The County Auditor notes that the Fiscal Affairs Advisory Commission performed a study of County performance measures in calendar year 2018 that could be useful for this audit.
Public Engagement*	Capital Projects	The initial objective would be to determine for a selected period whether the process for capital projects adheres to County guidelines for public engagement; how well the County monitors and evaluates the impact of public engagement; and the cost in time and other resources to complete public engagement for selected projects. The scope of the audit may be individual projects or all projects within selected departments, as indicated by an updated risk assessment.
Procurement Practices Efficiency*	Multiple departments, primarily Department of Management and Finance	The initial objective would be determined based on the scope and findings of the planned audit of purchasing timeliness by DMF internal audit in 2019. The audit could be a follow-up review, or it could address areas outside the scope of the DMF internal audit.
Recruiting Process	Department of Human Resources	The initial objective would be to assess the effectiveness of recruiting and hiring practices. Elements could include the goals and plan for the recruiting process; the timeliness of filling open positions; the consistency, objectivity, and fairness of the recruiting process; and management's monitoring and improvement of the recruiting process.
Site Plan Benefits*	Community Planning, Housing and Development	The initial objective would be to assess the effectiveness of controls to ensure that site plan benefits are tracked and followed-up through the implementation of benefits and any associated ongoing monitoring. Elements could include the quality and frequency of site plan benefits reporting, the quality and accuracy of the information used in the reports, and root cause analysis for any issues identified in the audit.

Street Maintenance	Department of Environmental Services	The initial objective would be to assess the effectiveness of the County's asphalt maintenance, street marking, and street sweeping activities. Elements could include strategic planning for street maintenance, timeliness of completion, and monitoring of compliance with established standards. <i>This audit may require outside consultant assistance.</i>
Voter Registration and Outreach	Office of the Electoral Board and Voter Registration	The initial objectives would be to assess controls over the accuracy of the voter registration database, and the effectiveness of the outreach and education programs. Elements could include benchmarking other outreach and education efforts.