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County Auditor

Arlington County Auditor Annual Audit Work Plan FY 2021

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Introduction

The Annual Audit Work Plan for Fiscal Year 2021 (FY 2021 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 2021 Plan should incorporate a focus on areas of high fiscal impact. For the FY 2021 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.

The 2021 Plan is intended to further focus on areas of relevance to the County during and after the COVID-19 pandemic.

Risk Assessment

The FY 2021 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 Comprehensive Annual Financial Report and County Board work sessions. Other inputs for the FY 2021 Plan's development were reviews of leading practice local government audit organizations' work plans, discussions with County management officials and staff, work being performed by the Fiscal Affairs Advisory Commission, and discussions with County Board members.

Selection Criteria

For the FY 2021 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 COVID-19 pandemic.
- 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, which is a list of potential future audits (p.10). The County Auditor also used other criteria, as discussed in the Auditor's policies and procedures, to develop the Audit Horizon.

Flexibility

The FY 2021 Plan is approved by the County Board and is designed to be flexible to respond to organizational needs as they arise. The FY 2021 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.

Overview of the Document

The FY 2021 Plan contains three sections. Section 1 provides an overview of how the County Auditor plans to allocate hours for FY 2021. Section 1 also shows new audits for FY 2021, and the disposition of audits from the FY 2020 Plan. Section 2 provides additional information about the initial objectives for the new audits planned for FY 2021. Section 3 presents the Audit Horizon, which are audits that could be performed in future years.

County Board

Libby Garvey, Chair
Katie Cristol
Matt De Ferranti
Christian Dorsey
Takis Karantonis

Audit Committee

Christian Dorsey, Co-chair
Libby Garvey, Co-chair
Brian Sigriz, Citizen member (Fiscal Affairs Advisory Committee representative)
Hal Steinberg, Citizen member
John Vihstadt, Citizen member
Mark Schwartz, County Manager
Maria Meredith, Director, Department of Management and Finance

Section 1: Anticipated Allocation of County Auditor Hours for FY 2021

Section 1 provides an overview of how the County Auditor plans to allocate hours for FY 2021. For the purpose of budgeting, it is assumed that the allocation will equal 2,080 hours. These hours are based on a standard 40-hour week for 52 weeks of paid County time. Time such as vacation leave, sick leave, and holidays are included in the allocation, as shown below.

The information is broken into two sections: *Audit-Related Activities* and *Administrative and Support Activities*. Section 1a shows new audits for FY 2021, and the disposition of audits from the FY 2020 Plan. Audit related activities account for 1520 hours (73%) of the overall yearly allocation. Section 1b describes the variety of administrative activities anticipated for FY 2021. Administrative activities account for the remaining 560 hours (27%) of FY 2021 time.

Section 1a: Audit-Related Activities

Activity Areas	General Description	Additional Descriptive Information	Anticipated Hours
New Audits	This category of work accounts for hours needed to complete proposed audits for FY 2021.	<p>The County Auditor proposes four audits to begin in FY 2021. (Objectives provided in Section 2.)</p> <ul style="list-style-type: none"> • COVID-19 Cost Reimbursement (150 hours) • Non-Profit Funding Allocation Guidance (100 hours) • Housing Grants Program (350 hours) • Risk Management (400 hours) <p>This proposal assumes that one current audit is closed (see <i>Carryover Audits</i> section below).</p>	1000
Carryover Audits	This category of work accounts for hours needed to complete audits that are ongoing in FY 2020.	The County Auditor has five audits ongoing or not yet begun, and the number of expected FY 2021 hours for completion are provided alongside each topic:	175

		<ul style="list-style-type: none"> • Fleet Management (0 in FY 2021) • Sheriff's Department Overtime (100 in FY 2021) • Department of Technology Services - Contract Management (50 Hours of direct time; 25 hours of contractor oversight time in FY 2021) • Economic Development Incentives (Propose closing this audit) • Real Estate Assessment and Appeals (Audit not begun – Propose postponing this audit until a future fiscal year) 	
Contingency	Contingency is hours not allocated to specific audit activities in the budget based on the expectation that budgeted hours may change due to unanticipated changes in the audit environment.		200
Follow-up Audit Work	Follow-up audit work entails going back to previously-audited entities to assess whether the audit recommendations have been implemented. This may involve gathering additional information to validate the implementation status.	<p>The County Auditor anticipates follow-up work on four audits in FY 2021.</p> <ul style="list-style-type: none"> • Police Department Overtime • Fire Department Overtime • Emergency Communications Center Overtime • Fleet Management 	75
Risk Assessment for FY 2022	The County Auditor will conduct additional work beginning in January 2021 to develop a proposed Annual Audit Work Plan for FY 2022.	To develop the Audit Work Plan for an upcoming fiscal year additional risk assessment work is done.	70

Section 1b: Administrative or Support Activities (Total Hours – 560)

Activity	General Description	Additional Descriptive Information	Anticipated Hours
ALGA	County Auditor is the incoming President-elect of the Association of Local Government Auditors (ALGA). ALGA is the pre-eminent professional association for local government auditors in the US and Canada and provides vital links to best practices, peer reviews, audit abstracts, and other key resources for local government auditors.	This President-elect position entails leading the development of the 2021 Annual ALGA Conference, leading the process of evaluating nominees for the 2021-2022 Board of Directors, and serving on the ALGA Board’s Executive Committee. The President-elect serves as the interim President if the ALGA President is unavailable.	150
Training Hours	The County Auditor obtains 40 CPE of continuing education training per year to meet government auditing standards.	The County Auditor can obtain most training hours locally, but occasionally there are travel hours associated with attending trainings.	60
Leave Hours	Leave hours are hours that are paid hours for which the County Auditor is on leave. Leave hours includes holidays, vacation leave, and sick leave.	The County plans for 12 fixed or floating holidays (96 hours) in FY 2021.	225
Other Administrative	There are some administrative activities that do not fit easily into other categories.	Administrative activities include supporting the Audit Committee, including a possible joint meeting with the Arlington Public Schools Audit Committee. Other administrative activities include holding meetings with County Board members as needed, working with County information systems for various tasks, and engaging with other local government auditors to help identify ways the County Auditor can better serve in his role. As a one-person audit shop the County Auditor relies on periodic meetings with other audit leaders	125

		<p>to reflect on audit trends, audit issues, and strategic challenges.</p> <p>The County Auditor also serves on the Comptroller General's Domestic Working Group (1-2 meetings per year), and periodically is asked to provide support or insight for other inter-governmental working groups related to auditing.</p>	
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Section 2: Proposed New Audit Topics for FY 2021

Each audit listed below 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.

For the reporting outcome two types of reports are shown: an *audit report* and a *letter report*. The audit report is the typical report format whose size is determined largely by the information developed in the audit. The letter report is a shorter document, typically 2-5 pages, that requires much less drafting and revising. A letter report has very basic formatting, which further reduces the preparation time.

Audit Area	Department	Initial Objective	Reporting Outcome	Anticipated Hours
Risk Management	Cross-Departmental	<p>The initial objectives would be to assess the strength and timeliness of County-wide risk management and mitigation efforts. As part of this effort discussions will be held across numerous County departments, risk management practices identified and documented, and County practices compared against leading practices for risk management efforts across a multi-functional government operation.</p> <p>This audit would not focus on the Risk Management function in Department of Human Resources, since that function’s role is primarily related to Worker’s Compensation and commercial insurance used by the County. Some discussion with the Risk Manager would be expected, though, in the course of the audit.</p>	Audit Report	400
Housing Grants Program	Department of Human Services	Affordable housing is a key objective of Arlington County government, and the Housing Grants program helps support Arlington County’s affordable housing efforts. The Housing Grants program has received additional funding in the FY 2021 budget. This funding	Audit Report	350

		<p>increase was proposed prior to the COVID-19 pandemic, but the Housing Grants program may also provide assistance to help with the impacts of the COVID-19 pandemic on recipients' jobs.</p> <p>The initial objective would be to assess the effectiveness of the Housing Grants program in reviewing applications timely and determining eligibility accurately.</p>		
COVID-19 Cost Reimbursement	Cross-Departmental	<p>The County has received funds pursuant to the federal CARES Act to help defray costs related to the COVID-19 pandemic. The initial objective would be to determine whether the County has an effective process for ensuring key requirements of receiving federal COVID-19 reimbursements are met and communicated to the granting entities. The requirements may come from the federal government or from the state government. This audit would focus on targeted testing of County documentation compared to federal guidance, and would serve as a complement to other concurrent audits with similar aims.</p>	Letter Report	150
Non-Profit Funding	Cross-departmental	<p>The County Board appropriates funding to non-profits in service of numerous County objectives, and such funding is expected to be particularly important to meet community needs in the wake of the COVID-19 pandemic. For example, the County allocates funds to Arlington Thrive for emergency financial assistance.</p> <p>The objective would be to conduct a limited scope engagement to answer the following question: <i>What practices are available for policymakers to make decisions on non-profit funding allocations?</i> This engagement would involve gathering information through methods primarily including benchmarking and academic studies.</p>	Letter Report	100

Section 3: FY 2021 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. Topic are listed in alphabetical order.

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 whether controls that would help to achieve the County’s Affordable Housing Principles and Goals are in place and effective. The proposed Housing Grants program in FY 2021 would be the first County Auditor engagement to address affordable housing.
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	Department of Human Services Department of Parks and Recreation	The initial objective would be to assess the effectiveness of contract management within either Parks and Recreation or Human Services. Contract management is decentralized within County government, so departments manage executed contracts within their purview. These two audits would focus on department-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. For this engagement the audit is expected to be limited County-owned buildings. 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.
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	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 costs savings or improved effectiveness.
Permit Arlington	Multiple Departments	The initial objective would be to assess the effectiveness and efficiency of the permitting process within Permit Arlington. Elements could include the consistency of information provided to permit applicants and the timeliness of permit application decisions. The Permit Arlington process is still being

		developed and implemented, and this audit may need to be broken into multiple pieces to match the phases of Permit 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: whether for selected projects the process for capital projects engagement adheres to County guidelines for public engagement; how well the County monitors and evaluates the impact of public engagement; and the cost and benefits associated with completing public engagement (e.g., staff time and additional project amenities). 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 audit of purchasing timeliness scheduled to be released by DMF internal audit in 2020. The audit could be a follow-up review, or it could address areas outside the scope of the DMF audit.
Recruiting Process	Department of Human Resources	The initial objective would be to assess the effectiveness and equity of the County's 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; the management's monitoring and improvement of the recruiting process; and how well the County's workforce reflects the County's demographic characteristics (e.g., race and gender).
Short-Term Rental Regulation	Community Planning, Housing & Development	On December 10, 2016, and January 28, 2017, the County Board adopted new Zoning Ordinance regulations that allow short-term rentals through online services such as Airbnb, Craigslist, VRBO and other similar services. The new regulations went into effect on December 31, 2016. The initial audit objectives would be to determine the effectiveness of the County's short-term rental regulations, how the County evaluates the effects of short-term rentals on housing, the regulation enforcement process, and possible equity considerations with respect to short-term rental regulation.

Site Plan Benefits	Community Planning, Housing and Development	<p>Site plan conditions are typically necessary for all types of site plans. Conditions ensure that a project substantially complies with County plans, policies and Zoning Ordinance regulations for a particular area, or are in exchange for bonuses and other benefits approved as part of the project. Increased density, height or other modifications can have an impact on the surrounding community, and site plan conditions help mitigate these impacts.</p> <p>The initial objective would be to assess whether the site plan benefits the County is supposed to receive are tracked and followed-up effectively to ensure the benefits are obtained as intended. 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.</p>
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>
Real Estate Assessment and Appeals ¹	Department of Management and Finance	The primary objective of this audit would 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.
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.
Water and Sewer	Department of Environmental Services	The initial audit objectives could include: water and sewer billing issues; capital planning for water and sewer infrastructure upgrade and whether better value options exist for system upgrades.

¹ This audit is on the FY 2020 Work Plan but is recommended for postponement to a future year.

