

# Audit Committee Meeting

## **Meeting Date & Time:**

November 30, 2017

6:00 pm – 7:00 pm

## **Meeting Location:**

Courthouse Plaza

2100 Clarendon Blvd., Room 311

Arlington VA, 22201

## **AGENDA**

1. Approval of the October 18, 2017 Meeting Minutes
2. County Auditor report
  - a. Update on status on Fleet Management and 911 Overtime audits
  - b. Administrative matters
3. Review of FY 2017 external audit results and Q&A (Clifton Larsen Allen)
4. Adjourn



# Arlington County Board

## Audit Committee

### *Meeting Minutes*

October 18, 2017

#### **I. Call to order**

Co-chair John Vihstadt called to order the regular meeting of the Audit Committee at 4:32 PM on October 18, 2017 in Room 300K of the Arlington County Courthouse Plaza building.

#### **II. Roll call**

All Audit Committee members were present for the meeting:

- **Jay Fisette** – Co-chair (arrived at 4:43)
- **John Vihstadt** – Co-chair
- **Mark Schwartz** – County Manager
- **Stephen Agostini** – Director, Department of Management and Finance (DMF)
- **Tenley Peterson** – Public Member
- **Hal Steinberg** – Public Member
- **Nancy Tate** – Public Member (arrived at 4:37)

Also in attendance were

- **Chris Horton**, County Auditor
- **Maria Meredith**, Deputy Director, Department of Management and Finance
- **Kevin Doyle**, Internal Auditor, Department of Management and Finance

#### **III. Approval of minutes from last meeting**

Vihstadt presented the draft minutes from the June 19, 2017 Audit Committee meeting. Some minor corrections to the draft minutes were suggested, such as typo corrections. Horton is responsible for the minutes and will make these changes. The minutes as amended were approved 6-0.

#### **IV. Business**



1) *Department of Management and Finance – Internal Audit:* Maria Meredith and Kevin Doyle of DMF presented a summary of recent audits and then provided an overview of the FY 2018 DMF internal audit plan.

- a) Meredith reviewed the recent audits, noting the following key items:
  - i) Audits are increasing over time;
  - ii) Since FY 2015 thirty audits have been completed, a combined total that counts audits completed by the DMF internal auditor and those completed by the audit contractor who supplements the DMF internal audit program;
  - iii) The audit types include purchase cards, funds handling, grant compliance, contract compliance, payroll/timekeeping, and inventory/asset management; and
  - iv) Follow-up is occurring to track implementations of corrective action plans.
- b) Several items regarding past audits were discussed:
  - i) Definitions of *High, Medium, and Low* risk ratings;
  - ii) Some trends going back over the last three years include lack of documented policies and procedures and segregation of duties issues, especially in smaller work units;
  - iii) There will be fewer p-card audits in future years based on lack of issues found in past audits.
- c) Meredith provided an overview of the FY 2018 DMF Internal Audit Plan. Audit topics will include cycle audits, such as contract compliance, payroll, and asset management. In addition, the Internal Audit program will audit sole source purchases, printing and mail services, county cell phones, and fuel cards, and will conduct follow up assessments.
- d) Several items regarding the audit plan were discussed:
  - i) the scope of the sole source purchases audit;
  - ii) whether the printing and mail services audit will look at consolidation with schools or contracting out; and
  - iii) the risk assessment survey shown in the audit plan.
- e) Vihstadt asked whether the Fuel Card audit will be able to build on learnings from the County Auditor’s Fleet Management audit. Meredith noted that she and Horton have discussed sharing the learnings from the Fleet Management audit for the Internal Audit’s fuel card audit.

2) *County Auditor Report:*

- a) Horton reviewed the County Auditor status report, covering the status of the current audits of Fleet Management and Emergency Communications Center (911) Overtime.



- b) Horton provided an overview of the audit process brochure that is provided to entities undergoing an audit.
- c) Horton provided a brief overview of the policies and procedures developed for the County Auditor function. These policies and procedures guide the day to day audit activities for the County Auditor, and implement the Audit Committee’s plan for the development of audit protocols as discussed in the September 2016 Audit Committee meeting. Several suggestions for the improvement of policies and procedures were offered by various Audit Committee members. Some items discussed included:
  - i) clarifying when Audit Committee members receive the audit reports;
  - ii) making some additions to the discussion of types and sources of evidence;
  - iii) emphasizing how the County Auditor includes public input to the audit risk assessment process;
  - iv) expanding the discussion of audit objectives to include the reason(s) why an audit occurred in the first place, and;
  - v) clarifying the term “diversity of audit coverage.”
- 3) *Unspent Funds Retention Proposal and Discussion:* Horton reviewed a proposal for using unspent funds that had accrued as of the end of FY 2017. The recommended option was to use the unspent funds to procure a contractor to work for the County Auditor in completing audits on the FY 2018 Audit Work Plan. Schwartz stated that he had included retaining approximately \$108,000 in unspent funds for the County Auditor in his carryover fund recommendations to the Board, based on the County Auditor function being a policy priority for the Board. Other Audit Committee members expressed support for having the unspent funds retained for the County Auditor to use for contracting assistance to complete the Audit Work Plan.
- 4) *Confirmation of next meeting date:* The next meeting will be held on November 30, 2017 at 5:30 PM in Rm 311 of the Arlington County Courthouse Plaza building.

**V. Adjournment**

Co-chair John Vihstadt adjourned the meeting at 6:23 PM.

Minutes submitted by: Chris Horton, County Auditor

## County Auditor Project Status Report – November 2017

This project status report shows the current state of projects underway within the County Auditor’s function. All primary projects within the Annual Audit Work Plan are shown. Supplemental projects are not shown until capacity allows these engagements to be initiated.

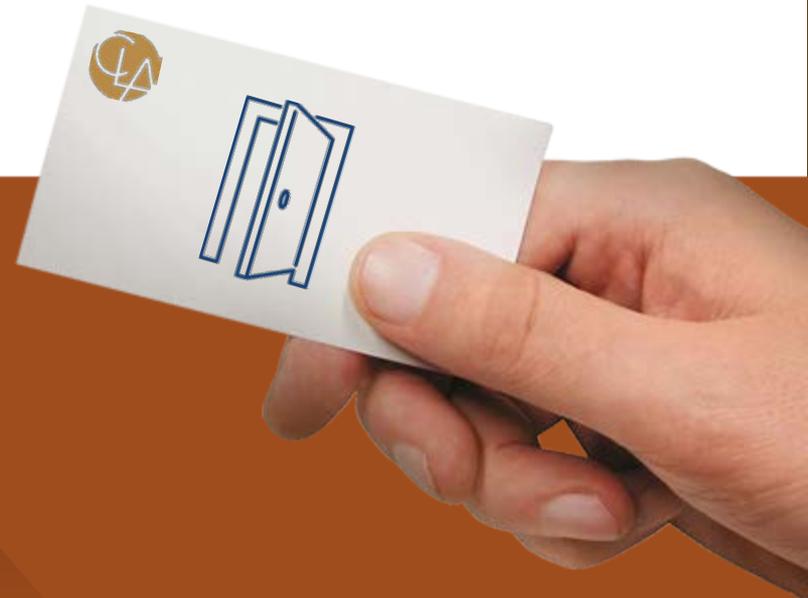
Audits	Kickoff Date	Current Audit Phase		Projected Date for Final Report	Comments
Fleet Management	July 2017	Planning		March 2018	
		Fieldwork	✓		
		Report Writing			
		Management Review			
Public Safety Overtime – Emergency Communications Center (911 Center)	September 2017	Planning		April 2018	
		Fieldwork	✓		
		Report Writing			
		Management Review			
Public Safety Overtime – Fire Department	Kickoff projected for early 2018, based on contractor availability			One or more of the Public Safety Overtime audits related to the Fire Department and Police Department will have work performed by an outside contractor. Funds for contracting were approved on November 28, 2017.	
Public Safety Overtime – Police Department	Kickoff projected for early 2018, based on contractor availability				
Public Safety Overtime – Sheriff’s Department	Kickoff projected for April 2018			The Public Safety Overtime audits related to the Sheriff’s Department will not be kicked off until after the audit of Fleet Management is complete.	

# Arlington County, Virginia (the County)

Results of June 30, 2017  
Financial Statement Audit

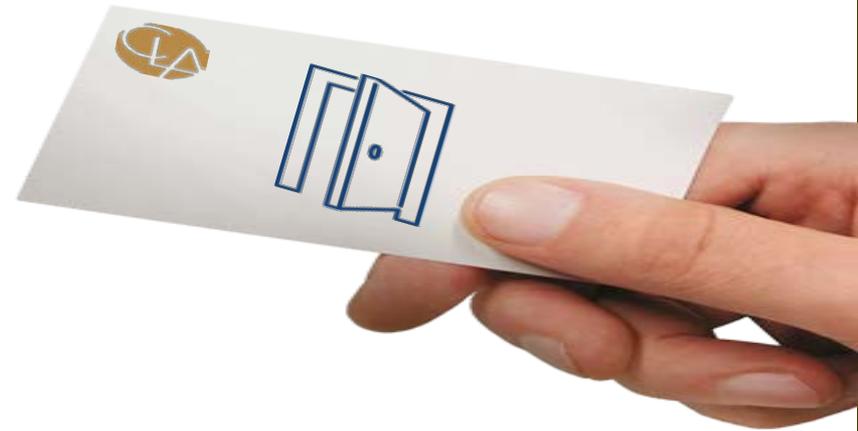


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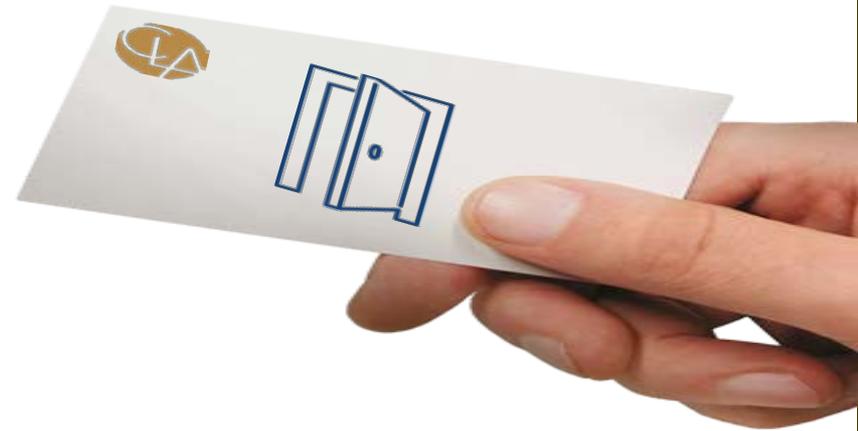
# Agenda

- Our audit approach
- Audit results
- Required communications



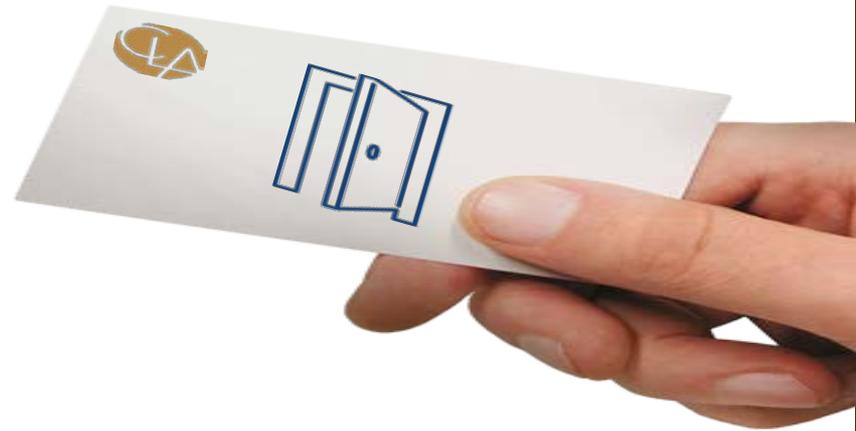
# Our Audit Approach

- Approach – Risk Based with emphasis on assessment of key internal controls
- Communication – Frequent, including regular formal status meetings, and informal communications



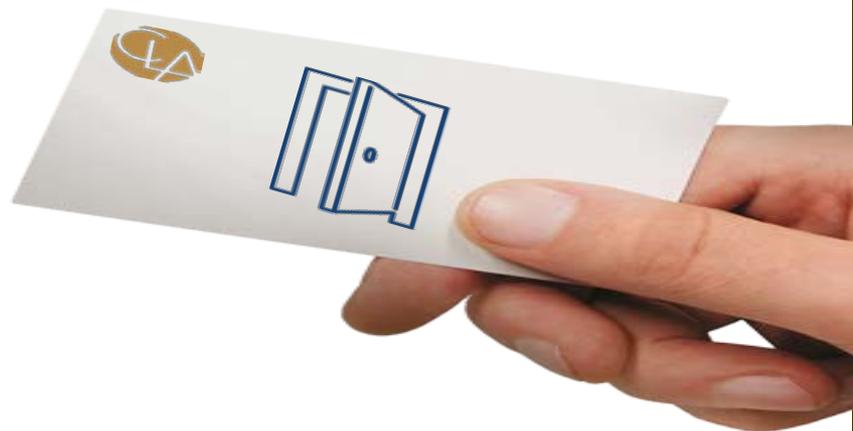
# Audit Results

- **Auditors' Opinion on Financial Statements – Unmodified**
- **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards – no material weaknesses or significant deficiencies noted**
- **Independent Auditors' Report on Compliance for Each Major Federal Program, Report on Internal Control, and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance – no findings**
- **Other Matters Letter – less significant items/best practices/observations**



# Required Communications

- **Auditors' Responsibility Under Generally Accepted Auditing Standards:**
  - The financial statements are the responsibility of management. Our audit was performed for the purpose of forming opinions as to whether the Financial Statements have been prepared in accordance with GAAP.
- **Qualitative Aspects of Accounting Practices**
  - Management is responsible for the selection and use of appropriate accounting policies. Significant accounting policies are disclosed in the Summary of Significant Accounting Policies in Note 1 of the Financial Statements.



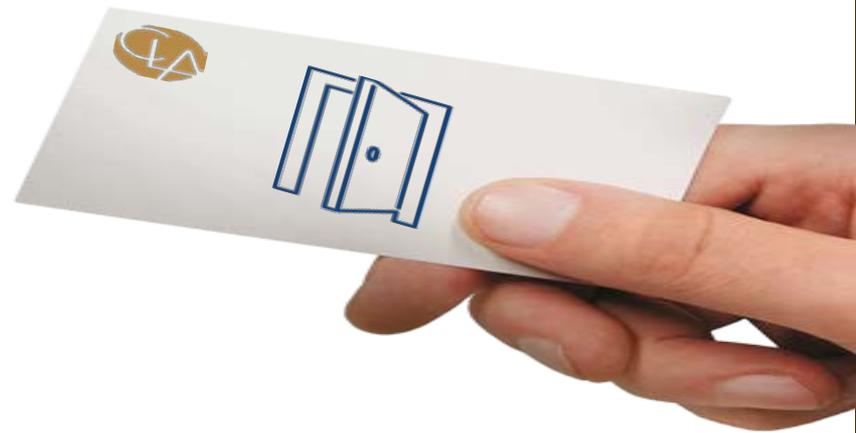
## Required Communications (continued)

- The preparation of the Financial Statements requires that certain estimates and judgments be made by management. These judgments and estimates include:
  - Depreciable lives of capital assets
  - Receivable allowance
  - Pension liability and other post-employment benefits liability are based on computations performed by outside specialists.
- We concluded that management has a reasonable basis for significant judgments and estimates that impact the Financial Statements.
- No sensitive Financial Statement disclosures.



## Required Communications (continued)

- As described in Note 17, the County implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and the related statement; GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, by recognizing its net OPEB liability related to its other post-employment benefits. Accordingly, the cumulative effect of the accounting change is recorded at the beginning of the year in the financial statement of the governmental activities.



## Required Communications (continued)

- **Difficulties Encountered in Performing the Audit**
  - No significant difficulties were encountered during the audit.
- **Disagreements with Management**
  - There were no disagreements with management on financial accounting and reporting matters, auditing procedures, or other matters.
- **Representations from Management**
  - The representation letter was signed by management.



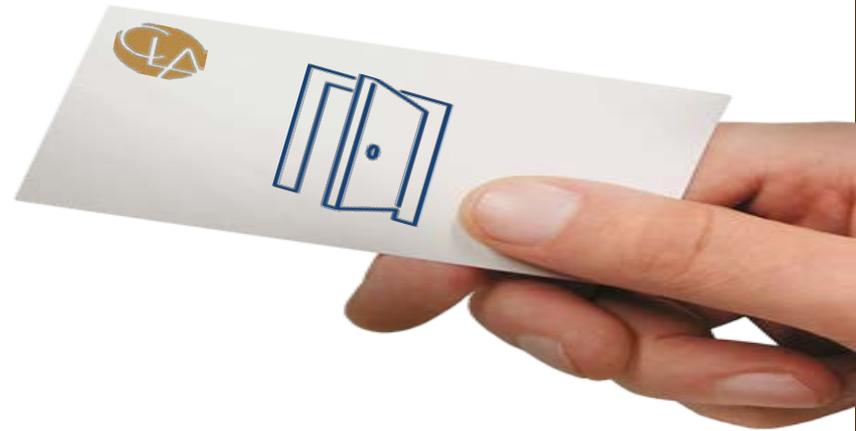
## Required Communications (continued)

- **Consultations with Other Accountants**
  - We were informed by management that they made no consultations on the applications of GAAP and GAAS.
- **Significant Issues Discussed with Management Prior to Retention**
  - There were no significant issues discussed with management prior to retention as the auditors.
- **Other Significant Findings or Issues**
  - There were no additional findings or issues not previously discussed.



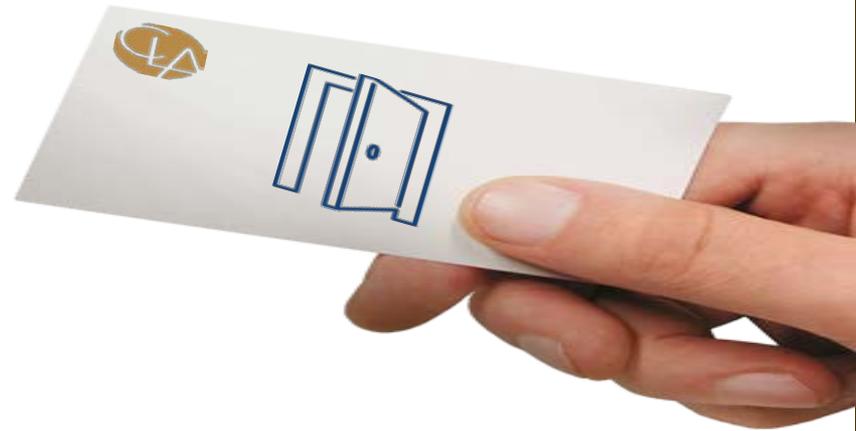
## Required Communications (continued)

- **Uncorrected misstatements** Management did not identify and we did not notify them of any uncorrected financial statement misstatements.
- **Corrected misstatements** None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

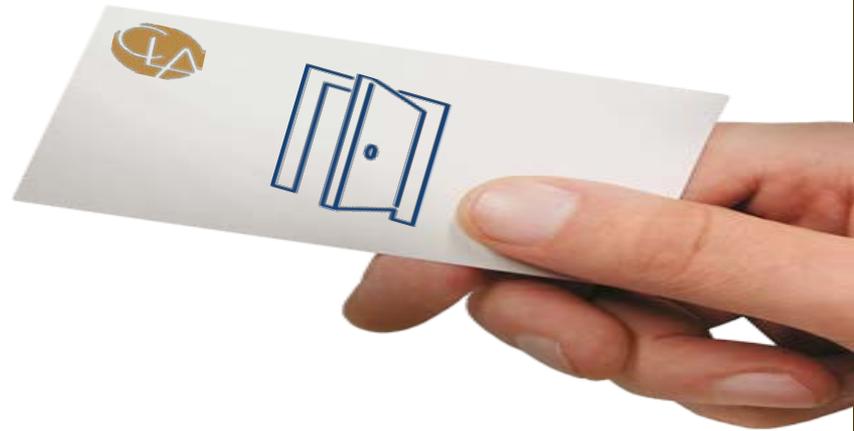


## Required Communications (continued)

- **Other Information in Documents Containing Audited Financial Statements**
  - We do not express an opinion on required supplemental information or supplemental information.



**Thank you to the County staff for  
their assistance during the  
engagement!**





# Greg Bussink, CPA

## Principal

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