

# Audit Committee Meeting

## **Meeting Date & Time:**

Friday, May 18, 2018

5:00 pm – 7:00 pm

## **Meeting Location:**

Courthouse Plaza

2100 Clarendon Blvd., Suite 311

Arlington VA, 22201

## **AGENDA**

1. Call to order
2. Approval of the March 22, 2018 Meeting Minutes
3. County Auditor Audit Status report
4. Draft FY 2019 Annual Audit Work Plan review
  - a. Draft Audit Plan review
  - b. Committee Discussion, including discussion of other potential audit objectives or topics
5. Next Audit Committee Meeting
  - a. Propose rescheduling the July 5, 2018 meeting
  - b. Anticipated topics
6. Adjourn



# Arlington County Board

## Audit Committee

### *Meeting Minutes*

March 22, 2018

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

Co-chair Vihstadt called to order the regular meeting of the Audit Committee at 4:32 PM on March 22, 2018 in Room 311 of the Arlington County Courthouse Plaza building.

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

All Audit Committee members were present for the meeting:

- **John Vihstadt** – Co-chair
- **Erik Gutshall** – Co-chair
- **Mark Schwartz** – County Manager
- **Stephen Agostini** – Director, Department of Management and Finance (DMF)
- **Tenley Peterson** – Fiscal Affairs Advisory Committee representative
- **Hal Steinberg** – Public Member
- **Nancy Tate** – Public Member

Also in attendance were

- **Libby Garvey**, County Board member
- **Chris Horton**, County Auditor
- **Maria Meredith**, Deputy Director, DMF
- **Patricia Sullivan**, Washington Post reporter

Co-chair Vihstadt introduced County Board member Erik Gutshall as the new Audit Committee co-chair. All meeting attendees introduced themselves.

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

Co-Chair Vihstadt presented the draft minutes from the November 30, 2017 Audit Committee meeting. The minutes were approved unanimously. The minutes will be revised to reflect that Ms. Peterson is the Fiscal Affairs Advisory Committee representative.



#### IV. Business

1) *County Auditor report:*

- a) Audit Status Report: Chris Horton provided a project status report for all audits on the FY 2018 Annual Audit Work Plan. The Emergency Communications Center-Overtime audit is complete (discussed later). The Fleet Management audit is in the fieldwork phase. Horton explained that the Emergency Communications Center-Overtime audit had been moved ahead of the Fleet Management audit to ensure that at least one audit was complete prior to the Audit Committee meeting. Horton briefly noted that the Fire and Police Department overtime audits will be kicked off once an audit contractor has been identified. The audit of Sheriff's Department overtime will be kicked off when the Fleet Management audit report draft is complete and submitted to management for review.

The Audit Committee discussed the status report. A suggestion was made to add the initial audit objectives to each audit listed on the status report, as a reminder of what the focus on the audits would be. There was a broader discussion of the Fleet Management's audit current scope. Horton noted the key areas within the scope and that the director of the Department of Environmental Services had been notified of the scope and fieldwork audit objectives. Agostini asked Horton to share the fieldwork audit scope and objectives with him, since DMF plays a role in one of the areas in the audit scope. Regarding the Fire Department Overtime audit Peterson and Schwartz noted the importance of accounting for any changes to the staffing schedule.

- b) Contracting: Horton informed the Audit Committee that the process for finding a contractor to perform the Fire and Police Department overtime audits was still ongoing, and was in the negotiation phase.
- c) Recognition: Horton reported that he had been named as the Secretary-elect for the Association of Local Government Auditors Board of Directors, and had been named as a local government auditing representative to the Comptroller General's Domestic Working Group.

- 2) *Emergency Communications Center Overtime Report:* There was a broad discussion of the Emergency Communications Center Overtime audit report. Horton reviewed the structure of the report, noting that the Report Highlights page includes the reason why the audit was conducted. The Committee also discussed the findings of the audit, and the responses. Schwartz noted that he worked with the management of Public



Safety Communications and Emergency Management to finalize the management response. Horton stated that the response to the recommendations included reasonable timeframes for implementation.

- 3) *DRAFT FY 2019 Annual Audit Work Plan:* The discussion of the draft FY 2019 Annual Audit Work Plan was limited by the time remaining in the meeting (approximately half an hour at the beginning of the discussion). The Committee discussed the proposed procurement audit, including how the proposed audit of procurement came to be included on the Plan. Agostini suggested that the scope of the audit be refined further. Gutshall asked Horton how much work is done to develop more specific information and risk areas prior to submitting the draft Plan. Tate asked Horton if additional information could be provided to clarify why the proposed audits were deemed more important than those on the Audit Horizon but not on the proposed plan. Horton will work on developing information to address each of these three areas for the next Audit Committee meeting.
- 4) *Next meeting date:* The Audit Committee determined that another meeting to complete discussion of the draft Annual Audit Work Plan was merited prior to the County Board's adoption of the Plan. Co-chair Vihstadt noted that the meeting could be combined with efforts to conduct a joint meeting with the Arlington Public Schools Audit Committee. Horton will work to arrange this meeting. Agostini noted that if the joint meeting with the APS Audit Committee would allow for information sharing regarding an APS audit of construction cost benchmarking, it would be helpful to have that meeting prior to the completion of the proposed Capital Improvement Plan.

## **V. Adjournment**

Co-chair Vihstadt adjourned the meeting at 6:33 PM.

Minutes submitted by: Chris Horton, County Auditor

## County Auditor Project Status Report – as of May 15, 2018

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.

FY 2018 Audits	Kickoff Date	Current Audit Phase		Projected Date for Final Report	Initial Objective on the Annual Audit Work Plan	Comments
Fleet Management	July 24, 2017	Planning		July 2018	The initial objective was to assess the effectiveness of the County’s fleet management operations.	Fieldwork is focusing on the following areas: 1. <i>DES’ process of evaluating fleet efficiency</i> 2. <i>Shop safety</i> 3. <i>Access to accurate fleet management data</i> 4. <i>Vehicle maintenance timeliness</i> 5. <i>Auto auction</i>
		Fieldwork	✓			
		Report Writing				
		Management Review				
Public Safety Overtime – Fire Department	May 1, 2018	Planning	✓	September 2018	The initial objective is to assess the administration and use of overtime in the Fire 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.	Audit conducted in conjunction with SC&H Group.
		Fieldwork				
		Report Writing				
		Management Review				

County Auditor Project Status Report – as of May 15, 2018

Public Safety Overtime – Police Department	May 2, 2018	<i>Planning</i>	✓	September 2018	The initial objective is to assess the administration and use of overtime in the Police 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.	Audit conducted in conjunction with SC&H Group.
		<i>Fieldwork</i>				
		<i>Report Writing</i>				
		<i>Management Review</i>				
Public Safety Overtime – Sheriff’s Department	Projected for June 2018	<i>Planning</i>	NA	TBD	The initial objective is 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.	The Public Safety Overtime audits related to the Sheriff’s Department will be kicked off after the draft Fleet Management report is provided to department management.
		<i>Fieldwork</i>				
		<i>Report Writing</i>				
		<i>Management Review</i>				



Chris Horton, Ph.D., CIA, CGAP  
County Auditor

Arlington County Auditor  
DRAFT Annual Audit Work Plan FY  
2019

March 22, 2018

## Introduction

The Annual Audit Work Plan for Fiscal Year 2019 (FY 2019 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.

## Risk Assessment

The FY 2019 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; analyses performed by the Fiscal Affairs Advisory Commission; and information gathered from a public solicitation of audit ideas in February and March 2018. Other inputs for the FY 2019 Plan's development were reviews of leading practice local government audit organizations' work plans, discussions with County management officials, and discussions with Audit Committee and County Board members.

## Selection Criteria

For the FY 2019 Plan, proposed audits' key selection criteria are:

- 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;
- Feedback gathered through the County Auditor's solicitation of public ideas; and
- The importance of addressing areas of key interest to the County Board, Audit Committee, or County management.

The foregoing key selection criteria were also important for the Audit Horizon. The other key criterion for the Audit Horizon was audits conducted recently in other leading practice local audit shops.

## Public Feedback

From February 7 to March 9, 2018, the County Auditor reached out to the public for input on possible audit topics in the FY 2019 Plan. The suggested audit topics spanned a wide range, and several of the community ideas are included in the FY 2019 Plan.

- Both the Neighborhood Conservation Advisory Commission (NCAC) and the topic of Site Plan benefits are included as supplemental performance audits to be performed if capacity allows.
- Some topics were suggested by multiple submitters, and are contained in the Audit Horizon, including: affordable housing; street maintenance; and the Department of Environmental Services' permitting process (included as One Stop Arlington).

The community feedback regarding Arlington Public Schools (APS) is being addressed in part by the APS internal audit function. In some cases, APS functions may be included in the County Auditor's audit scope, if they fall under the management of a specific County program or activity being audited. For example, an audit of the Capital Improvement Planning (CIP) process could also contain an element related to how effectively Arlington Public Schools is included in the CIP process.

### Flexibility

The FY 2019 Plan is approved by the County Board, and is designed to be flexible to respond to organizational needs as they arise. The FY 2019 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 2019 Plan contains three parts. First are performance audits that would be conducted in FY 2019, and audits that are available to be conducted if capacity allows. Second is a brief overview of additional, non-audit activities that the County Auditor will perform. Finally, the FY 2019 Plan presents an Audit Horizon, which lists audits that could be performed in future years.

## Performance Audits

Each audit listed includes one or more *initial objectives*. These objectives 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 answered during the fieldwork phase of the audit and addressed in the public report.

Some audits on the FY 2018 Plan have been initiated but not completed as of the end of FY 2018. These include the audits of Fleet Management, performed by the County Auditor, and audits of Police Department and Fire Department overtime usage, primarily conducted by a third-party audit contractor.<sup>1</sup> These audits will be completed prior to initiating the FY 2019 Plan’s performance audits.

The FY 2019 Work Plan is designed to be a flexible, dynamic document that allows for the addition of audits that address risks that may appear during the year, or whose priority to the organization may change during the year. In such cases, the County Auditor will assess these emerging risks, consulting with the County Board, Audit Committee, and County management, and make a recommendation to the Board regarding whether audit resources should be allocated to meet the emergent need.

<b>Carryover Performance Audit from the FY 2018 Annual Audit Work Plan</b>		
<b>Audit Area</b>	<b>Department</b>	<b>Initial Objective and Scope</b>
Public Safety Overtime	Sheriff’s Department	The initial objective is 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.
<b>New Performance Audits Expected to be Completed in FY 2019</b>		
<b>Audit Area</b>	<b>Department</b>	<b>Initial Objective and Scope</b>
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

<sup>1</sup> The County Auditor is responsible for all audits conducted on the Annual Audit Work Plans. SC&H Group is providing additional staff to conduct the primary planning and fieldwork activities for the audits of Police Department overtime and Fire Department overtime.

		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, and potentially included in a separate audit.
Economic Development Incentive Funds	Arlington Economic Development (AED)	The initial objective would be 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.
Business Improvement Districts ( <b>two possible scopes and objectives</b> )	Multiple departments, primarily Arlington Economic Development (AED)	<b>The County Auditor recommends Option 1.</b>  <b>Option 1:</b> Under this option AED, and other applicable County programs or staff, would be the recipient of the audit. The initial objectives for option 1 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.

	A Business Improvement District to be determined	<b>Option 2:</b> Under this option a selected BID would be the recipient of the audit. The initial objective for option 2 would be to assess the effectiveness and efficiency of a selected BID in using County tax dollars. Elements could include how well the BID is helping to meet the County’s goals, such as its economic development goals, and whether the BID is complying with its current BID agreement. One of the goals of the audit would be to develop a framework by which other BIDs and partnerships may be assessed, either by County management or through a self-assessment.
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**Supplemental Performance Audits if Capacity Allows**

<b>Audit Area</b>	<b>Department</b>	<b>Initial Objective</b>
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.
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.

## Additional Non-Audit Efforts

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

Additional Efforts	
Activity	Purpose
Follow-up Activities	In FY 2019, the County Auditor will conduct follow-up work to identify and validate management's implementation of audit recommendations. Based on the implementation dates selected by management for FY 2018 audits, follow-up work is expected to begin in March 2019.
Training and Development	The County Auditor policies and procedures call for the Auditor to complete 40 hours of continuing professional education each calendar year to maintain compliance with Government Auditing Standards. This level of training also allows the County Auditor to maintain certifications required for the position.
Risk Assessment	The County Auditor will conduct additional work beginning in January 2019 to develop a proposed Annual Audit Work Plan for FY 2020.
Third Party Procurement and Oversight (if necessary)	For any audit work is performed by third parties, the County Auditor is responsible for assisting with procurement and then ensuring that the individual(s) performs work in accordance with the terms of the agreement. Depending on the size of the audit contracted, and the skill level of the third parties, this procurement and oversight work is estimated to add approximately 100 hours per audit.

## Audit Horizon

The purpose of an Audit Horizon is to list audit areas that likely could be reviewed productively at the current time. Audits that appear on the Audit Horizon may appear 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.

<b>Audit Area</b>	<b>Department</b>	<b>Initial objective</b>
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.
Capital Construction	Multiple departments, primarily Department of Environmental Services	The initial objective would be to assess whether the County effectively manages CIP projects within budget and schedule. The audit would focus on a sample of CIP projects.
Capital Improvement Plan (CIP)	Multiple departments, primarily Department of Management and Finance	The initial objective would be to assess the effectiveness of the capital improvement planning process. Elements could include whether the County effectively provides oversight and coordination of the process for identifying capital infrastructure needs and implementing projects; develops integrated, long-term CIP planning; and identifies needed capital infrastructure requirements. This audit could also contain an element related to how effectively Arlington Public Schools is included in the CIP process.
Contract Management	Department of Technology Services (DTS)	The initial objective would 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.
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

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.
Facilities Management	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 objectives would be to: assess the City'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.
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.
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.
Performance Measures	Multiple departments, primarily Department of Management and Finance	The initial objectives of the audit would be to assess the effectiveness of County the 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 has begun an initial study of County performance measures in 2018 that could be useful for this 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.
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>

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