



Arlington County Board

Audit Committee

Meeting Minutes

September 27, 2018

I. Call to order

Co-chair John Vihstadt called to order the regular meeting of the Audit Committee at 4:32 PM on September 27, 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** – Public Member, Fiscal Affairs Advisory Committee representative
- **Hal Steinberg** – Public Member
- **Nancy Tate** – Public Member

Also in attendance were

- **Chris Horton**—County Auditor
- **Maria Meredith**—Deputy Director, DMF
- **Kevin Doyle**—DMF Internal Auditor
- **Sergio Enriquez** – Arlington resident

III. Approval of minutes from last meeting

- a) **March 22, 2018 minutes:** Approved 7-0
- b) **May 18, 2018:** Approved 7-0
- c) **Discussion:** Hal Steinberg brought forward the question of whether the Audit Committee can see the County Auditor’s draft audit report early enough to provide comments. Hal discussed some of the advantages he saw in providing feedback to the County Auditor while the audit report was still in draft form. Chris reminded the Audit Committee that this issue had been discussed during the



Board charge revision discussions in 2017, and the Board charge revisions regarding when the Audit Committee could see the report were made to strengthen the County Auditor's independence.

- i) Erik Gutshall asked Hal to look at the Board Charge related to the Audit Committee to see how it could be adjusted as minimally as possible to account for the change Hal is seeking.
- ii) Steve noted that it would be helpful to reference the type of membership in the Arlington Audit Committee (combination of public, County management, County Board members). It would be helpful to find relevant comparisons.
- iii) Hal will provide thoughts for next Audit Committee meeting.

IV. Business

1) County Auditor Audit Status report

- a) Audit Update on the audits
 - i) Fleet Management – Chris provided update on the objectives of the Fleet Management audit.
 - ii) Police and Fire Overtime – Chris provided an update on the status and confirmed that the reports will come out in time for the budget process.
 - iii) Economic Development Incentive Funds:
 - (1) FAAC has focused on the value of the EDIFs. Will this be part of the scope? (Tenley)
 - (a) Focus is on the data collection and tracking, not the overall value.
 - (2) It will be important to clarify the scope in the audit, and indicate that an overall value assessment may be coming in a future audit (Nancy)
 - iv) Sheriff's Overtime
 - (1) Will County Manager have an opportunity to comment on recommendations related to budget? (Mark)
 - (a) We will work through this. This is the first audit of a constitutional office.
 - v) Procurement
 - (1) There are three stages in the procurement process. Will we not focus on contract management? (Hal)
 - (a) Chris provided an update on which stage we will focus on – contract development and execution.
 - (2) DMF also does contract compliance audits.
 - vi) BIDs
 - (1) Chris provided an update and clarification of timing and scope

2) DMF Internal Audit briefing and discussion

- a) First topic was a discussion about the Financial Fraud, Waste, and Abuse (FFWA) program. Maria Meredith advised meeting members that protecting anonymity is



a critical element of the program and, as such, the discussion will be at a high level.

- b) Financial Fraud, Waste, and Abuse Hotline (high-level information sharing)
 - i) Both employees and public contact the same hotline.
 - ii) Maria Meredith shared various statistics. One statistic indicates that upon review by the FFWA Committee (also known as the Review Committee) many complaints are not related to financial fraud, waste and abuse within Arlington County Government. As a result, they are not for the FFWA Committee's review. In some instances, the FFWA Committee might redirect the complainant, via the Ethical Advocate (EA) hotline, to the non-emergency police line.
 - iii) Ethical Advocate is an intake center. They do not screen or vet callers' information. They generate an email that goes to the Arlington County Review Committee. The Review Committee determines what to do next including but not limited to a referral to a department, an internal audit review or investigation, a referral to Human Resources or the Arlington County Police Department, or a link to somewhere else to report the issue. In many cases, the Review Committee asks the complainant via the Ethical Advocate system for additional information.
 - iv) Anonymity in the process is maintained in many different ways. When a written complaint is submitted, Ethical Advocate requires the complaint to create a user ID and password. The password is used for the complainant to access the case, for example to provide additional information. No email or phone information is collected.
 - v) 86% of employees are reporting anonymously. According to Ethical Advocate in a typical jurisdiction 98% of employees report anonymously.
 - vi) Questions:
 - (1) If you find an internal control weakness does that inform the audit plan (John)
 - (a) Yes. It is one element of many considerations.
 - (2) Do you report back to the individual through the hotline? (Nancy)
 - (a) Yes. May update the complainant that the matter is in progress. Upon completion of the review and upon approval of closure by the Oversight Committee, the Review Committee will advise the complainant of its closure such as substantiated, for example.
 - (b) In some cases we can't report anything, such as a personnel issue.
 - (3) For substantiated or internal control weaknesses, are there any particular buckets that these fall into? (e.g., departments) (John)
 - (a) No particular overarching themes (Kevin)
 - (4) Did any substantiated complaints result in lasting reforms?
 - (a) Yes: In one case, a policy revision was needed.
 - (5) Any quantitative value Return on Investment? (Tenley)



- (a) We have some specific qualitative improvements (Steve)
- (b) In one instance Purchase Card spend for a particular department decreased significantly, in another inventory controls increased (Kevin)
- (c) The hotline is a “good hygiene” for organization [preventative control]. (Steve)
- vii) Resources behind Hotline: What is the rough FTE resource that we are putting to this?
 - (1) Kevin and Maria spend a percentage of their time.
 - (2) There is a Review Committee that is an initial review of the hotline complaints. Make recommendations for whistleblower protection as appropriate.
 - (3) Oversight Committee: provides oversight of the Review Committee’s work.
- viii) Steve talked about the importance of having processes in place to protect the whistleblower protection aspect. Steve referenced his federal experience.
 - (1) It is important to focus on whistleblower retaliation protection, rather than whistleblowers’ existence. (Hal)
- ix) The County discusses the Financial, Fraud, Waste, Abuse Hotline in the orientation for new employees. Information is also included in the employee ethics training.
- x) Do we need any adjustments or revisions to the whistleblower policy? (John)
 - (1) No, serving well (Maria)
- c) Summary of FY 2018 audits
 - i) Resources: 1.5 FTE plus consultants though the 0.5 FTE was just recently hired.
 - ii) Do we have a protocol or best practice for how long we can keep the internal auditor consultant? (Tenley)
 - (1) No (Maria, Chris)
 - iii) When audits are selected, we don’t have a good sense of what we are going to find. So we may have results with no findings or with many. We choose based on a risk assessment and by reviewing processes that allow us to be good stewards of funds.
 - iv) Audit results, knowledge of other internal audits and external audits completed (for example federal audits) aid Internal Audit in developing audit plans. Internal audit will start a data analytics review of P-cards. New half-time person will work on this. RSM (the County’s internal audit co-source contractor) has some tools to help with analytics.
 - (1) Is there a specific algorithm? (John)
 - (2) Steve reviewed specific risk criteria that would help to generate audits areas for P-card reviews.
 - v) What does High, Medium, Low mean in the audits (Nancy)



- (1) Maria reviewed the definitions
- vi) Maria and Kevin reviewed table showing total findings since 2015, and their risk ranking.
- d) Other activities
 - i) Internal Audit wants departments to see the value of offerings. Other internal audit activities (p. 18 of the internal audit report) were reviewed.
- e) FY 2019 Audit Plan for Internal Audit
 - i) First half of the audit plan is in place
 - (1) Cycle audit of contract compliance
 - (2) Possible audit of utility taxes
 - (a) E.g., make sure parcels are being charged commercial or residential rates as appropriate.
 - f) First DMF risk assessment survey (high-level information sharing, p. 19 of the Internal Audit presentation)
 - i) How do the audit findings of high risk map to the business risk categories? (John)
 - (1) Not clean fit into the business risk categories (Steve)
 - (2) Still developing the capacity for identifying and understanding risk. (Steve)
 - (3) Survey is going to Executive Leadership Team, Extended Management Team, individuals with significant role in financial processes, and others. (about 200)
 - ii) The survey is anonymous
 - iii) Discussion
 - (1) Federal government is getting into Enterprise Risk Management (ERM) in a broader way: reputation risks, and program delivery risks. If the risk survey is started and goes well, the survey can be expanded into broader ERM areas. (Hal)
- 3) **Status of Joint APS-County Audit Committee Meeting for discussion of APS Construction Costs audit**
 - a) John reviewed the efforts to set up a joint meeting with APS Audit Committee and County Audit Committee.
 - b) Schools construction cost audit expected to go public on 10/2 with a media release.
 - c) After that point schools will start working to find a date to meet with the County Audit Committee jointly.
 - d) Potential issues:
 - i) Public engagement process
 - ii) Schools amenities
 - iii) Use permit conditions
 - e) Mark discussed the process of working with schools to streamline use permit conditions. Will apply to Reed School, coming before the Board in November.



- f) We also want to also learn what else the audit function at APS is working on.
- 4) **Next meeting:**
 - a) Wednesday, December 19, 2018, Rm 311, 4:30-6:30 PM
 - b) Anticipated topics: Briefing of issued County Auditor audit(s); External auditor briefing.

V. Adjournment

Co-chair Vihstadt adjourned the meeting at 6:35 PM.

Minutes submitted by: Chris Horton, County Auditor