Internal Audit Work Plan

Fiscal Year 2020

Department of Management and Finance

Internal Audit Services

Arlington County's Internal Audit Division is organizationally located in the Department of Management and Finance. Internal Audit is designed to add value and improve an organization's operations by utilizing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, and governance processes.

Annually, Internal Audit compiles a work plan to guide the efforts of the division so that limited resources can be focused on the highest identified risk areas. In FY 2019, we conducted a formal County-wide risk assessment survey to identify key risk areas to inform this Fiscal Year 2020 Work Plan. To accomplish the Plan, the County employs both internal resources and external consulting services.

The Fiscal Year 2020 Work Plan includes budgeted time for cycle audits, audits of specific programs and processes, non-audit services, follow-up on previously issued audit recommendations, monitoring purchase card activity and internal administrative/quality assurance activities. The pages that follow provide an overview of the Internal Audit Work Plan with the caveat that the schedule is subject to change based on unexpected changes in risk that may affect the organization.

Risk Factors Considered for Selection in the Work Plan

Control Environment

- Existence of formalized policies and procedures, accountability, knowledge and training, operational changes,etc.

Materiality

- Revenues/expenditures, potential for loss, impact to the organization, etc.

Complexity of Activity/Business Process

- Level of complexity involved in day-to-day operations or conducting transactions, regulatory considerations, etc.

Information Technology Systems

- Utilization of automated systems to assist in achieving goals, help with decision-making, monitor progress, realize efficiencies, etc.

Time since last audit

- Time since last review or evaluation for the activity or department

Internal Audits

Contract Compliance & Third Party Vendor Oversight Audits (Three audits)

These contract compliance audits will focus on contracts where the County utilizes vendors to execute certain operations and provide services on the County's behalf. In these cases, relationships are maintained between the vendor and the applicable County department. These relationships are typically long-term and include various critical elements to achieve success. These critical elements may include: reporting to the County, KPIs/Dashboards/Metrics, integrated systems, collaboration with fourth and fifth parties, among other elements.

A County Contract Administration Policy, effective January 1, 2017, provides guidance to Project Officers to assist with oversight responsibilities for an assigned contract. The contract compliance audits will focus on specific contracts and evaluate the effectiveness of internal controls over the administration of the contracts, compliance with County policies, and compliance with the terms of the contract under audit. An internal contract compliance audit of third party vendors may utilize the County's right to audit clause, and focuses on reviewing vendor processes and related controls.

Key Risk Areas:
- Monitoring of vendor performance
- Accuracy of vendor reporting
- Appropriateness of expenditures per contract terms
- Compliance with County policies
- Quality of Services Provided

Information Technology Governance and Risk Assessment

The Department of Technology Services (DTS) is responsible for the majority of the County's systems, applications, and hardware. Periodically, independent assessments need to be performed to ensure that a County's IT environment and infrastructure continue to meet the current and future needs of the County.

The objective of the internal audit is to identify process improvements which will increase DTS's value delivery in alignment with the long term strategic objectives of the County. Through gaining an understanding of the current structure and workings of the DTS, we will assess such areas as:

- Process to intake and prioritize requests for solutions/services.
- Process to identify the requirements of the solution/service and to collaborate with the business throughout the delivery of the project.
- Capabilities to properly plan and manage technology spending and costs
- Process/framework through which the DTS measures performance.
- Executive management oversight committees and the IT strategic planning process.
- Established policies and procedures against leading practices and frameworks
- IT staffing levels, responsibilities and organizational reporting structure
- Evaluation of the sustainability, scalability and risk of the IT infrastructure
- Assessment of current technology costs against industry benchmarks and identified opportunities for savings

Key Risk Areas:
- Ability to maintain the availability of existing systems.
- IT solutions continuing to meet the requirements of the business.
- Effectiveness of existing systems.
- IT solutions alignment with organizational needs.
- Allocation of funding/resources for "fixes" that do not serve the long-term goals of the County.
- Customer satisfaction from employees and the public.

Internal Audits

Monitoring Activities

55 and Older Programs

The Department of Parks and Recreation provides activities and programs to the 55 and older community to keep citizens active and engaged. Offerings vary from community events to fitness programs to group travel. To administer these activities, various funds handling and reimbursement processes are utilized by Parks and Recreation employees. These funds represent one of the largest percentage of funds that are processed through the County's Purchase Card program subject to reimbursement from participants.

An internal audit of the "55 and Older Programs" will focus on evaluating the effectiveness of internal controls over funds handling, including compliance with County policies, and any related reimbursement processes.

Key Risk Areas:
- Segregation of duties
- Appropriateness of funds handling processes
- Compliance with County policies

Purchase Card Activity

The Internal Audit team performs continuous monitoring of purchase card transactions with the primary objectives to assist in identifying any misuse, misappropriation and/or potential fraud; identifying opportunities to improve program effectiveness; and to ensure compliance with PCARD policies and procedures. PCARD transactional data is reviewed on a monthly basis using data analytics to identify transactions for a detailed review. The review results of the transactions are summarized and corrective actions and process improvements, if any identified, are initiated real-time.

Agreed-upon Procedures

Audit Services

Affordable Housing Investment Fund

This advisory engagement will be used to assist the Arlington County Department of Community Planning, Housing, and Development in managing the Affordable Housing Investment Fund (AHIF) Multifamily Housing Loan Portfolio. Specific procedures will be performed to address any potential risks associated with the overall management of the funds. The engagement will include verifying and tracing loan details to source documentation (e.g., agreement) and validating repayment data to amounts approved by the County. The engagement will identify areas for improvement in strengthening internal controls over the management of the investment fund.

Follow up on Prior Audits

Best Practices in Internal Audit require that Internal Audit establish a follow-up process to ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

Included within Management Responses in the previously issued internal audit reports is the targeted implementation date for remediation. Follow-up procedures are performed on those issues where the target dates have been reached, and ample time has passed under the new control (generally six months) to verify and report the implementation status of the recommendations to the previously reported findings.

Internal Audit Information

Internal Audit Mission:

- To strengthen County operations and minimize risk and fraud through systematic evaluation of operations and internal controls.

- To assist senior management and departments to effectively and efficiently implement County programs in compliance with financial, accounting and other County policies by conducting objective internal audits and reviews.

- To test internal controls to provide reasonable assurance that resources are safeguarded against waste and abuse.

- In conjunction with the County Manager's Office and other departments, implement the Financial Fraud, Waste and Abuse Hotline.

Copies of Audit Reports:

https://departments.arlingtonva.us/arlington-county-internal-audit-services/

Financial Fraud, Waste & Abuse Hotline:
Report suspected instances of fraud, waste or abuse

Phone: (866) 565-9206
Online: https://arlingtonva.ethicaladvocate.com