



Arlington County Board

Audit Committee

Meeting Minutes

January 30, 2020

I. Call to order

Co-Chair Libby Garvey called to order the regular meeting of the Audit Committee at 4:30 PM on January 30, 2020 in Room 311 of the Arlington County Bozman Government Center building.

II. Roll call

Members of the Audit Committee in attendance were

- **Libby Garvey** – Co-chair
- **Christian Dorsey** – Co-chair
- **Mark Schwartz** – County Manager
- **Maria Meredith** – Director, Department of Management and Finance (DMF)
- **Hal Steinberg** – Public Member
- **Nancy Tate** – Public Member
- **Brian Sigritz** – Public Member, Fiscal Affairs Advisory Committee (FAAC) Representative

Also in attendance were

- **Chris Horton** – County Auditor
- **Mason Kushnir** – Deputy County Clerk
- **Krista Edoff** – Partner, Cherry Bekaert
- **Kenneth Saccoccia** – DMF Internal Audit
- **Michael Stewart** – DMF Deputy Director
- **Rahul Bhalla** – DMF Comptroller
- **Barbara Wiley** – DMF
- **Members of the Public**
 - **Duke Banks** – Civic Federation
 - **Burt Bostwick** – Civic Federation
 - **John Tuohy** – FAAC member
 - **John Vihstadt**



III. Approval of minutes from last meeting

On a motion by Maria Meredith, seconded by Nancy Tate, the Audit Committee approved the minutes of the August 1, 2019 meeting as amended. The motion passed by acclamation.

IV. Business

1) *External Audit Report*

- a) Ms. Edoff presented the results of the Cherry Bekaert’s external audit of the County’s FY2019 Financial Statement, including Arlington County, APS, ACG Employee Retirement System, Ballston Public Parking Garage, IDA Ballston Skating Facility, as well as Compliance with governmental auditing standards. Ms. Edoff briefly outlined the methodology and intent of each aspect of the audit.
- b) The audit presented an unmodified (“clean”) opinion of the Financial Statement and Compliance audits. The audit found minor matters of noncompliance relating to submission and tracking of State conflict of interest disclosures and Virginia Department of Social Services requirements concerning annual reviews of system access and policies governing terminated users.
- c) The report identified no significant management issues, although there were three areas of noncompliance relating to prior-year adjustments, concerning timely invoicing, the Ballston Public Parking Garage, and Capital Asset depreciation.
- d) Co-Chair Garvey opened the floor for questions.
 - i) *Mr. Steinberg – Regarding disclosure of conflicts of interest, how does APS track compliance or submission? The Board or Management will follow up.*
 - ii) *Mr. Steinberg – Regarding separating employees and employee access to county systems, is there a system in place to make sure employees’ access has been successfully terminated? Ms. Meredith – There is an exit checklist available for supervisors’ use.*

2) *DMF Internal Audit*

- a) Update on Internal Audit
 - i) Ms. Meredith and Mr. Saccoccia gave a presentation and update on the status of internal audits. They noted ongoing recruitment for an open 1.0 FTE in



DMF's internal audit function. They reported that since 2015, 47 audits have been completed, 3 are in process, and that there are 4 FY 2020 planned audits not started yet. There are also prior audit remediation reviews being performed on a continuous basis.

- ii) Mr. Saccoccia noted accomplishments for CY2019 in high risk areas that were identified as requiring immediate action, including contract compliance within DES – Transit, Inventory and Asset Management within DTS for assets less than \$5,000, Asset Management within DTS for wireless device inventory and billing, process improvements within DES – Equipment Bureau relating to Fuel Card approval and distribution, contract compliance within DES – Facilities policy improvements concerning employee expense reimbursements, inventory and asset management within DTS relating to network servers. Mr. Saccoccia noted that several audits were in process such as a contract compliance audit of the CIGNA health contract, review of the purchasing processes within DMF, ongoing purchasing card (P-card) analytics, and ongoing review of prior audit remediation efforts.
- iii) Mr. Saccoccia noted within the review of prior audit remediation efforts that there are currently 117 internal audit findings since inception of the Internal Audit program subject to follow-up and that 62 were tested and deemed adequately remediated; 14 were in process of being testing and 41 were not yet tested.
- iv) Ms. Garvey opened the floor to questions:
 - (1) *Mr. Steinberg – Are the policy documents discussed above being completed? Meals, inventory controls, etc.? Ms. Meredith replied some were completed and some were in process.*
 - (2) *Mr. Sigriz – Were there audits that could not be completed last year due to the lack of 1.0 FTE? Mr. Saccoccia and Ms. Meredith answered yes, the utility tax as we did not have a right-to-audit clause with the utilities and third-party vendor oversight due to resource constraints.*
 - (3) *Mr. Vihstadt – Has the county analyzed, at a departmental level, the number of findings or number of areas subject to follow up that would help identify trends in cultural or personnel issues within a department, controlling for size, number of employees, etc.? Ms. Meredith noted that*



the largest factor in this trend is the size of the department, as the larger departments (DES) are subject to a greater number of audits (30%)

(a) Ms. Meredith also noted that contract administration trainings and invoice review trainings are being administered county-wide.

(4) Mr. Dorsey – Broadly speaking, are project officers and vendors working on reviewing expectations, terms and conditions at the start of contract term, etc.? Generally not, but Mr. Stewart noted that there are examples of such practices being followed, such as the award of contract for Fire Station 8. Ms. Meredith added that Fire Station 8 is a Construction Manager at Risk contract and that we are doing such reviews with the larger contracts utilizing the newer procurement methods.

b) FY2020 Work Plan

i) Mr. Saccoccia presented an overview of the FY2020 Internal Auditor Work Plan, to include contract compliance and third-party vendor oversight within DES, contract compliance and third-party vendor oversight within DHS, technology governance and assessments across all departments, a program audit within DPR, ongoing P-card analytics review, AHIF review, and the ongoing prior findings remediation review.

ii) Ms. Garvey opened the floor to questions

(a) Ms. Garvey – Are there dedicated staff tasked with monitoring contract compliance? Yes, but these staff are not project specific

(b) Mr. Banks – Are departments made aware of pending or upcoming audits? Manager Schwartz confirmed that Department Directors are notified

c) Financial Fraud, Waste, and Abuse Hotline

i) Ms. Meredith and Mr. Saccoccia presented an overview of the Financial Fraud, Waste, and Abuse hotline, noting receipt of 117 total complaints since implementation in 2015, 102 of which were unique

ii) Ms. Meredith and Mr. Saccoccia noted a number of trends, such as a slight decrease in the number of complaints for 2019, of which a number of duplicate complaints in 2018 may be a factor, a recent trend towards more



citizen complaints being filed than internal. It was also noted that most reports are given anonymously, and that submitters often do not return to the system for follow up, and that there are efforts in place to encourage submitters to return and follow up. Mr. Saccoccia outlined ongoing efforts to advertise the hotline, including quarterly inclusion in employee newsletters, Arlington Insider, the County intranet, web page, new employee orientations, and posters.

iii) Ms. Garvey opened the floor to questions

- (1) *Mr. Dorsey – Are we seeing multiple submissions by the same citizen, or are multiple individuals submitting? Ms. Meredith noted that submissions are anonymous so we're not able to answer this question.*
- (2) *Ms. Tate – Is there an explanation for the discrepancy between resident and employee reports? Ms. Meredith noted that many of the citizen complaints are not appropriate for the financial fraud, waste, and abuse hotline.*
- (3) *Ms. Tate – What is the process for citizens learning the results of their complaint? Ms. Meredith reported that citizens must return to the system to see the resolution or any requests for additional information.*
- (4) *Mr. Sigritz – Among substantiated complaints, is there a common thread? Per Ms. Meredith, no.*
- (5) *Mr. Steinberg – What is the most egregious case you've seen reported? Mr. Schwartz responded that the reports are intended to remain anonymous, but that generally speaking the most egregious cases could be termed "misuse of County assets."*
- (6) *Mr. Vihstadt – Among substantiated complaints, has there been analysis at a departmental level to determine trends or common offenders among departments? Mr Saccoccia noted that no formal analysis has been done of departmental trends across all the substantiated complaints.*
- (7) *Mr. Vihstadt, to Manager Schwartz – Do you feel the number of complaints referred to HR are normal? Manager Schwartz responded that it's difficult to say, given the varying nature of complaints, but we don't*



feel that complaints are particularly concentrated among any departments.

3) *County Auditor Report*

- a) Mr. Horton presented an overview of outstanding items on the audit work plan. The Fleet Management audit is in process, and the Audit Work Plan for FY 2021 is being assembled to be presented to the Audit Committee in the spring. The award of a contract to perform the DTS Contract Administration Audit is being finalized, with the contractor that performed the Police Overtime audit.
 - i) Mr. Horton opened the floor to questions
 - (1) *Mr. Steinberg – What is the status of the Sheriff Overtime Audit and Economic Development Incentives? Mr. Horton reported that they are in progress but are behind the Fleet Management audit in priority.*
- b) Mr. Horton presented the Audit Follow-up Report for the Emergency Communications Center (ECC) Overtime audit. In the report, the department provided feedback on the implementation status of recommendations, noting six of thirteen recommendations as implemented.
- c) Mr. Horton presented the question of how much time to devote to follow-up and in what form? He noted that follow-up is a non-audit service that either could be performed with minimal additional audit work (e.g., document review or data validation), or could be very intensive. He outlined two iterations of follow-up report: a precursory management level report, then a more in-depth validation level report. Regarding prioritization of follow-up work, Mr. Horton shared his belief that there is more value in following up in areas where management has reported implementation of recommendations. Mr. Horton also noted that as a one-person audit function, he has to balance his priorities and time.
- d) Mr. Horton opened the floor to discussion of the follow-up process, balance of work, and possible role of the Audit Committee.
 - i) *Ms. Tate – Who is included when referencing management? Mr. Horton clarified that “management” generally refers to County Manager Schwartz and department heads.*
 - ii) *Ms. Tate – Do you have full trust and confidence in the validity of line level employee submissions and reporting on recommendations, and does this guide*



your follow-up? I.e. do you feel employees may simply producing what they've been directed to produce? Mr. Horton agreed that Ms. Tate's suggestion is a consideration in determining the amount of follow-up work that is needed and noted that he can make a professional judgement based on a reasonableness test that informs whether more in-depth review may be merited. Ms. Tate approves of this approach, in that it frees up time resources, and noted that more time could be devoted to in-depth follow up given more resources devoted to auditor, but currently things are working well.

iii) Mr. Dorsey – Could prioritization of audit recommendations be a good exercise for the Audit Committee? Could such prioritization then be used to guide follow-up by auditor? This question was followed by discussion among the committee.

(1) Mr. Steinberg, to Mr. Horton – If DMF internal audit's follow-up is being done, could the County Auditor adopt similar practices or use the internal audits as a guide? Mr. Horton noted that in some cases there may be value in looking at the Internal Audit functions practices, although the nature of the audits being performed by the two offices, as well as their staffing, is different.

(2) Mr. Saccoccia feels that if a finding is worth including in the report, it is worth following up on.

(3) Mr. Steinberg – Auditors may have the resources or knowledge to make prioritization determinations, but members of the Audit Committee do not.

(4) Mr. Steinberg – Prioritization of Mr. Horton's work should be focused on new audits, and less on follow-up. Mr. Sigritz concurred.

(5) Mr. Steinberg notes that independent management could perform follow-up, to which Mr. Schwartz concurred.

iv) Mr. Vihstadt – Regarding the ECC audit, as a result of pay increases and opening of a new position for hiring, training, and recruitment, is there more stability or less turnover in ECC? Mr. Schwartz responded that the quality of employees has improved, but vacant positions remain. The turnover and the effort needed to find quality staff is at about the same level, which mirrors a nationwide trend.



- v) *In closing, Mr. Horton noted a general consensus among the committee towards balancing time resources and using professional judgement in terms of the amount of follow up work needed on particular follow-up projects.*
- e) Mr. Horton gave a presentation on the concept of equity in auditing and presented how the concept of equity could be used to inform performance audit scope and objectives. Considering equity in an audit could also result in equity-related findings and recommendations. Horton observed that the County Board Equity Resolution, passed in September 2019, sets the stage for additional audit focus on equity-related issues. He discussed examples of how equity considerations are incorporated in audits conducted by other jurisdictions, noted that the lens of equity could be used to scope existing audits or inform the Audit Work Plan, and explained that audit findings this year and onward may include an equity component.
- f) Mr. Horton opened the floor to discussion
- i) *Mr. Schwartz explained in response to a question from Ms. Tate that the notion of equity in county policy and processes is evolving and ongoing. Currently, training is the primary focus. As an example in the library there is a consideration of reducing the amount of library fines levied, as these disproportionately impact those with the least ability to pay.*
- ii) *Mr. Steinberg noted that guidelines exist for developing the County Auditor's annual Audit Work Plan and wondered how equity fits into them, noting that traditionally audits focus on high fiscal impact areas.*
- iii) *Mr. Dorsey noted that departments are working on departmental racial equity analyses, which could inform future audits.*
- iv) *Mr. Horton reported that in other audits related to equity a key finding was the lack of available data to inform decisions as they relate to issues of class or racial equity*
- v) *Mr. Vihstadt – Relating to King County findings, where enforcement has a disproportionate impact on certain populations: is there anything updating what King county has done, specific follow up? Mr. Horton discussed that efforts are in place to change enforcement strategy as a result of the King County findings. Mr. Horton will follow up with King County to find additional information.*



4) *2020 Audit Committee Meetings: Scheduling and Topics*

- a) The committee discussed topics for the next meeting, to include the draft Audit Work Plan. Scheduling will likely aim for late March or early April, to be determined.

5) *Recognition of Nancy Tate*

- a) The committee took time to recognize Ms. Tate for her time and contributions and, as Mr. Horton noted, for her help in developing the Audit Work Plans.

V. Adjournment

Co-Chair Libby Garvey adjourned the meeting at 6:18 PM.

Minutes submitted by: Mason Kushnir, Deputy County Clerk