



# **Arlington County Board**

## **Audit Committee**

### ***Meeting Minutes***

January 28, 2021

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

Co-Chair Takis Karantonis called to order the virtual regular meeting of the Audit Committee at 4:33 PM on January 28, 2021.

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

Members of the Audit Committee in attendance were

- **Takis Karantonis** – Co-chair
- **Christian Dorsey** – Co-chair
- **Brian Sigritz** – Public Member, FAAC Representative
- **Hal Steinberg** – Public Member
- **John Vihstadt** – Public Member
- **Maria Meredith** – Director, Department of Management and Finance (DMF)
- **Mark Schwartz** – County Manager

Also in attendance were

- **Chris Horton** – Arlington County Auditor
- **Krista Edoff, CPA** – Partner, Cherry Bekaert
- **Mason Kushnir** – Deputy County Clerk
- **Michael Stewart** – Deputy Director, DMF
- **Rahul Bhalla** – DMF Comptroller
- **Kenneth Saccoccia** – DMF Internal Auditor
- **Barbara Wiley** – DMF Sr. Financial Analyst
- **Karen Spence** – DMF Assistant Comptroller
- **Lynda Mattocks** – DMF Senior Accountant

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

On a motion by JOHN VIHSTADT, Member, seconded by HAL STEINBERG, Member, the Audit Committee approved the minutes of the January 30, 2020 meeting



as amended. The motion passed 6-0. Co-Chair Takis Karantonis abstained from the vote.

#### **IV. Business**

##### *1) External Audit Report*

##### *a) Cherry Bekaert: Krista Edoff, CPA – Partner*

- i) Ms. Edoff presented the results of the Cherry Bekaert external audit of the County's FY2020 Financial Statements, compliance with Virginia laws and regulations, compliance with federal grants, and test results of the County's internal control environment. Ms. Edoff briefly outlined the methodology and intent of each aspect of the audit.
- ii) The audit presented an unmodified ("Clean") opinion of the County's Financial Statement and Compliance audits. The audit found no material weaknesses to report related to the County's internal control environment, and minor matters of noncompliance related to Medicaid, TANF, and COI submissions.
- iii) Ms. Edoff noted that there were no changes to prior year accounting standards or policies due to COVID-19 related postponements. She noted no difficulties or management level disagreements in conducting the audit. She reported that no audit adjustments were required throughout the course of the audit. Ms. Edoff affirmed that the external auditor is independent of the County and performed their audit accordingly.
- iv) Ms. Edoff and Co-Chair Dorsey opened the floor for questions.
  - (1) Mr. Vihstadt - Are the latest CAFR, Financial, and Compliance audits available online for public inspection? Ms. Meredith confirmed that they are.
  - (2) Mr. Vihstadt - Noted a recurrence of noncompliance with timely submission of Financial Disclosure and Real Estate Interest forms, and noted that the County's position is the same as prior year, and written in future tense. Is there an update from the County Board Clerk as to the status of corrective actions, and the status or consideration of making those forms available online for public inspection. Mr. Dorsey - the submission system has been automated and moved online with a number



of new controls. The County Board Clerk will follow up regarding the matter of public access to those forms.

- (3) Mr. Vihstadt - With regards to the audit of compliance with Virginia state laws and regulations as well as compliance with federal grants, what action or reporting is taken with regards to the findings with appropriate state or federal agencies? Ms. Edoff – findings are reported to a federal audit clearinghouse, where they are passed on to the relevant departments and agencies.
- (4) Mr. Steinberg – commended the County based on the contents of the transmittal letter written by the finance department. Noted that the County is only one of three in the commonwealth responsible for street and highway construction and maintenance, and asked if the state reimburses the County for costs incurred, or if such construction is paid with the County’s own monies. Mr. Bhalla – construction and maintenance is paid out of the County’s own funds. Mr. Dorsey clarified that this pertains to those roads for which the County has sole responsibility – there are roadways within the County over which the state has responsibility, and for which it allocates funding.
- (5) Mr. Sigritz – regarding COVID-19 related postponement of GASB statements, which specific statements were postponed and was the County in the process of working towards compliance? Ms. Edoff – GASB 87 would have become effective in June of 2021, has been postponed one year and will give the County additional time to review its leases. GASB 84 relating to fiduciary activities also would have become effective in 2020 but has been postponed to June 30 of 2021.
- (6) Mr. Karantonis – relating to Statement of Financial interest forms – have those whose files were late or missing been notified, and have the forms been remediated? Ms. Edoff – this may be a management level response, the external auditor is not responsible for follow-up on specific matters of noncompliance.
- (7) Mr. Vihstadt – have any discussions taken place at the state level to make Statement of Financial Interest forms more accessible or understandable for members of the public? Ms. Edoff – none to speak of.



(8) Mr. Sigritz – has there been any discussion at the County level as to audits of CARES act funding received from the State or Fed? Mr. Dorsey – the report later will discuss this.

2) *Update on the DMF Internal Audit*

- a) Ms. Meredith and Mr. Saccoccia presented an update on the County’s internal audit program.
- b) Internal Audit completed the DMF Purchasing Performance Audit, the DES Contract Compliance audit related to 3<sup>rd</sup> Party Vendor Managing the Ballston Mall and other County Garages, and the Department of Human Services (DHS) Contract Compliance audit related to Volunteers of America managing the Mary Marshall Assisted Living Residence. In addition, Internal Audit completed Purchase Card Reviews, and a contract compliance audit in the Department of Human Resources (HRD) related to the CIGNA Health contract. In-process audits include a County-wide information technology audit, an audit of the Department of Parks and Recreation (DPR) 55 and Over program, and the Affordable Housing Investment Fund. The Department of Environmental Services (DES) Commuter Services audit was postponed to Fiscal Year 2021. Mr. Saccoccia outlined definitions of high, medium, and low risk areas as they relate to audits performed.
- c) Mr. Saccoccia noted areas of Moderate and Low risk related to the DES Contract Compliance audit, including the need to improve controls over handling of funds, a lack of monitoring of background checks, noncompliance with records retention requirements, unreconcilable revenue reports, lack of documentation of invoice review and timeliness of payments, and a need for the use of security cameras where cash is handled.
- d) Mr. Saccoccia noted areas of high and moderate risk related to the DHS Contract Compliance audit, including noncompliance with insurance contract requirements, noncompliance with incident reporting contract requirements, insufficient monitoring or reporting of living wage requirements, insufficient backup support for invoice review and approval, and noncompliance with the provision of Data Security procedures and Disaster Recovery plans to the County.
- e) Mr. Saccoccia discussed the findings of the DMF Purchasing Performance audit, noting major improvements since the onboarding of the new Purchasing Agent, a need for improvements to systems and configurations to allow performance tracking and contract monitoring, insufficient FTE’s within the purchasing



department – specifically for contract administration, opportunities for improvement related to managerial policies, and the need for timely updates to the Purchasing Manual in conjunction with expanded and formalized regular training sessions for purchasing staff. Ms. Meredith noted that a replacement to the County’s financial management software (PRISM) had recently been deferred due to the pandemic as it is a significant investment. She also noted increased training for contract administration staff.

- f) Mr. Saccoccia provided a review of prior audit remediation efforts, noting 127 findings subject to follow up. Of those items, 69 were found adequate, 11 currently in testing related to the HRD - Payroll and Timekeeping audit, and 47 awaiting testing. He noted that high-risk findings are prioritized for follow-up.
- g) Mr. Saccoccia provided a review of other internal audit activities, including assisting with the improvement of other departmental processes, conducting investigations reported from any source, and conducting invoice review and payment training courses.
- h) Mr. Saccoccia provided an overview of the FY2021 Work Plan, to include Contract Compliance and Third-Party Vendor oversight audits will be performed of DES - Commuter Services, HRD - Cigna Claims, and HRD - Cigna Rebates. The Affordable Housing Investment Fund audit is in process. An audit will be performed on DHS – Purchase Card Expenses within the Economic Improvement and Child and Family Services divisions. Ongoing work includes county-wide invoice review and approval training, as well as prior audit remediations.
- i) Ms. Meredith noted, with regards to the vacant FTE in DMF, that in response to COVID-19 related budgetary constraints, hiring for the position has been frozen.
- j) The floor was opened to questions.
  - i) Mr. Vihstadt – stated for the record that perhaps the 0.5 FTE allotted to Mr. Saccoccia could be increased.
  - ii) Mr. Vihstadt – with regards to the finding of noncompliance with incident reporting contract requirements in the DHS Contract Compliance audit, was this finding simply an instance of missing documentation, or did VOA fail to notify the County of an incident with a resident within the required 24-hour period? Mr. Saccoccia – the latter, and clarified that notice was given, but not within the required time period.



- iii) Mr. Vihstadt – when high to moderate findings like this are found, how will they influence contract renewal or solicitation of new contracts for a vendor?  
Ms. Meredith – repeat offenses may influence the terms of new solicitations.
- iv) Mr. Sigritz – with regards to the Purchasing Performance audit, is there any potential for cost savings to be realized by migrating to a new system or hiring additional FTE’s to assist with more efficient solicitation of bids or contracts?  
Ms. Meredith, Mr. Stewart – solicitations could be more efficient with an improved and modernized system, particularly with regard to consolidating multiple existing purchasing systems.
- v) Mr. Dorsey – what is done to implement performance or system improvements? What resources exist to aid with implementation? Mr. Stewart noted there aren’t any formal “brain trusts” in the County, but there are external national level resources. However, implementation is narrowly tailored to the County.

### 3) *Update on the Financial Fraud, Waste and Abuse Hotline*

- a) Mr. Saccoccia presented an overview of the purpose and function of the Financial Fraud, Waste and Abuse Hotline including provisions for anonymity and report tracking. 31 reports were submitted in 2020, slightly elevated from 2019 but well below 2018 levels. Sources of reports are somewhat evenly split between employees and residents, with the remaining third coming from visitors or other sources. Approximately 2/3 of complaints are anonymous, and 1/3 return to the system for tracking and follow-up.
- b) Approximately 2/3 of submitted complaints were either unsubstantiated or unrelated to County Government. Of the remainder, 17 reports were referred to Human Resources, 1 investigation is in process, and 17 were found to be substantiated and/or related to internal control weaknesses.
- c) The hotline continues to be advertised via quarterly inclusion in e-news, Arlington Insider, on AC Commons, on the County website and via physical posters and cards handed out at new employee orientations.
- d) Mr. Dorsey opened the floor to questions.
  - i) Mr. Vihstadt – considering that complaints can be anonymous, could the County’s whistleblower policy be explained? Where is it located, and how



would an employee find it? Ms. Meredith – it is an administrative regulation which can be found on AC Commons, and a link can be found to the policy when filing a complaint. In addition, in-person training was e administered. Mr. Vihstadt noted that it may be helpful to post the policy in a publicly accessible location.

- ii) Mr. Sigritz – how are complaints tracked when they are reported by a means other than the hotline? Mr. Dorsey – the Board office, as an example, does not regularly receive complaints of this nature, but where it does, a system is needed to sort and analyze them – this is an outstanding priority for the Board and Manager’s office.

#### 4) *County Auditor Report*

- a) Mr. Horton presented an overview of audits in progress that were identified in the 2020 work plan, including the DTS Contract Administration audit currently under technical review, the DES Fleet Management audit approaching technical review, the Sheriff Overtime audit at the end of the planning phase, and two letter reports regarding CARES act funding and on Non-profit funding allocation examining how funding is allocated for non-profit organizations.
- b) Mr. Horton noted two audits on the work plan that should begin in Spring of 2021, including the Housing Grants audit and Risk Management audit, each of which have special considerations in the context of COVID-19.
- c) Mr. Horton outlined ongoing follow-up on the Police Overtime audit, to be presented at the next meeting of the Audit committee. He noted as well that the first follow-up of the Fire Overtime audit will be issued within a week of the January 28<sup>th</sup> committee meeting, and that the second follow up of the Emergency Communications Center audit would be issued in February.
- d) Mr. Horton noted that a number of audits are under consideration for the 2021 Audit Work Plan but noted that resource constraints may impact the number of new projects opened.
- e) Mr. Dorsey opened the floor to questions.
  - i) Mr. Dorsey returned to an earlier question by Mr. Sigritz related to how CARES act funding appropriations and allocations are monitored. Mr.



Schwartz – the Deputy Director of DMF is primarily responsible for tracking and can discuss further.

(1) Mr. Stewart reported that day to day duties have primarily centered on CARES act funding since April, and he has personally reviewed all allocations. The County has also brought on a national firm specializing in federal emergency funding and meets weekly. Funding will be included in 2021 audits. Noted for the record that OMB was slow to issue audit guidance on CARES act funding.

ii) Mr. Sigritz – following up, was it possible to use any CARES act funding to bring the national firm onboard? Mr. Stewart – Yes, Coronavirus Relief Fund funds were used as allowed, no local cost was incurred.

iii) Mr. Sigritz – how much of an impact has COVID-19 had on the County Auditor’s ability to complete audits? Mr. Horton – working remotely presented him with difficulties, as did time constraints on the part of staff responding to new day-to-day challenges.

iv) Mr. Vihstadt – noted for the record his belief that the County Auditor should be adequately resourced, and asked what plans exist in 2021 to increase communications with members of the Audit committee and meet quarterly? Mr. Horton – From an administrative standpoint, we are in a better position to conduct committee meetings in 2021 than in 2020 and am optimistic that quarterly meetings will resume. He discussed the continued growth and development of committee norms, including regular communications, written or otherwise.

(1) Mr. Dorsey noted the Board’s perspective of seeing value in more meetings and communications, but recognized resource constraints – including difficulties in accommodating each of the County’s various statutorily required Advisory Groups and their respective public meeting requirements. He commended Mr. Horton for his flexibility in that context.

5) *2021 Audit Committee Meetings: Scheduling and Topics*

a) Consideration of 2021 Audit Committee Meeting scheduling and topic selection was deferred to the following Audit Committee meeting.





6) *Recognition of Hal Steinberg*

- a) Members of the Audit Committee offered remarks recognizing charter member Hal Steinberg for his service on the Committee

**V. Adjournment**

Co-Chair Dorsey adjourned the meeting at 6:49 PM.

Minutes submitted by: Mason Kushnir, Deputy County Clerk