



ARLINGTON  
VIRGINIA

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# Internal Audit Report - Contract Compliance Cycle Audit

Department of Environmental Services:  
VMDO Architects, P.C. - Contract Agreement  
No. 16-368-RFP

Report Date: March 20, 2019

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# TRANSMITTAL LETTER

March 20, 2019

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Pursuant to the contract and related statement of work for Arlington County, Virginia (“the County”), we hereby present the contract compliance cycle audit: Department of Environmental Services (“DES”) – VMDO Architects, P.C. (“VMDO”) Contract Agreement No. 16-368-RFP. Our report is organized in the following sections:

<b>Executive Summary</b>	This section includes a background summary of the function, the objectives and approach, and a detailed description of the observation(s) noted during this cycle audit. Identified with each observation is the recommended action(s), and management’s corrective action plan, including the responsible party and estimated completion date.
<b>Background</b>	This section provides an overview of the function within the process and pertinent operational control points and related compliance requirements.
<b>Objectives and Approach</b>	The cycle audit objectives and focus are expanded upon in this section as well as a review of the various phases of our approach.
<b>Process Maps</b>	This section illustrates process maps, which depict data flow, key control points and any identified gaps.

As described in our objectives and procedures outlined on pages 11 and 12 of this report, the observations noted are based on our analysis of the processes, documents, records and information provided to us by the County. This cycle audit focused on evaluating the soundness of internal control policies to safeguard assets and on reviewing compliance with County policies. We offer no assurances that schemes or fraudulent activities have not been, or are not currently being perpetrated by any person within the areas reviewed.

We would like to thank the staff and all those involved in assisting RSM US LLP with this contract compliance cycle audit.

Respectfully Submitted,

*RSM US LLP*

**RSM US LLP**

## EXECUTIVE SUMMARY

### Background

Contract compliance monitoring is an integral piece of the County’s control environment. Contract compliance encompasses all contractual agreements entered into by the County. The focus of this cycle audit was the pre-construction design phase requirements and the related invoicing process. Although certain aspects of the purchasing function are centralized within the Department of Management and Finance (“DMF”), and vendor selection is performed in conjunction with Purchasing (for purchases greater than \$5,000), many of the high risk areas like contract compliance and monitoring are the responsibility of the individual departments / divisions / bureaus.

Effective January 1, 2017, the County implemented a *Contract Administration Policy* for all contracts, regardless of their procurement methodology or dollar value. The purpose was to define and implement a standard policy and process for the administration of contracts and define roles and responsibilities for County personnel that monitor and manage contractual relationships.

The VMDO Architects, P.C. (“VMDO”) contract that was selected for this cycle audit is primarily managed by the Project Officer in the Facilities, Design and Construction (“FDC”) division. Contract Agreement No. 16-368-RFP is a professional services contract to develop a design for the replacement of the Lubber Run Community Center building, recreation spaces and amenities, and on-site parking structures. The original purchase order (“PO”) associated with this contract, was for a total contract amount of \$3,512,902 as of November 1, 2018. Arlington County has paid nineteen (19) invoices during the audit period (July 1, 2017 to November 1, 2018). There have been two change orders related to this contract amounting to \$242,831. Total dollars spent on the VMDO contract during the audit period (July 1, 2017 to November 1, 2018) was \$2,773,734.

The Lubber Run project utilizes a Construction-Management-At-Risk (“CMAR”) delivery method. This is the first time the County has utilized the CMAR delivery method. The CMAR delivery method is collaborative and has the ability to limit the County’s financial exposure since the CMAR builder (MCN Build Inc) provides a Guaranteed Maximum Price (“GMP”) and acts as a consultant throughout most phases of the project. Based on inquiry, with the utilization of CMAR, the County was alerted in the Schematic Design phase that the approved concept design was over budget and the team was able to work iteratively and collaboratively to get within budget.

### Objective and Scope

The scope of this cycle audit encompassed one (1) contract from the Department of Environmental Services: Facilities, Design and Construction Division: Agreement No. 16-368-RFP with VMDO Architects, P.C.

The objective of this internal audit was designed to assess whether the system of internal controls is adequate and appropriate, for effective contract compliance, with selected provisions of the selected contract as it relates to payment and identified terms.

Nineteen (19) invoices were submitted for payment during the audit period July 1, 2017 to November 1, 2018. We selected all nineteen (19) invoices for detailed testing. Additionally, we reviewed the documentation corresponding to the contractual requirements related to each of the contract phases.

Fieldwork was performed November 2018 through December 2018.

### Overall Summary / Highlights

The observations identified during our assessment are detailed within the pages that follow. We have assigned relative risk or value factors to each observation identified. Risk ratings are the evaluation of the severity of the concern and the potential impact on the operations of each item. There are many areas of risk to consider in determining the relative risk rating of an observation, including financial, operational, and/or compliance, as well as public perception or ‘brand’ risk.

### Number of Observations by Risk Rating

(See page 12 for rating definitions)

	High	Moderate	Low
Contract Compliance Cycle Audit: DES – VMDO Architects, P.C.	1	1	-

We would like to thank all Arlington County team members who assisted us throughout this cycle audit.

## EXECUTIVE SUMMARY (CONTINUED)

### Detailed Observations

Observation	1. Invoice Review
<p style="text-align: center; background-color: red; color: white; padding: 5px;"><b>High</b></p>	<p>Per the County Contract Administration Policy, Section D “Purchase Orders, Invoices and Payments”:</p> <ul style="list-style-type: none"> <li>• <i>“The Contractor must provide appropriate backup documentation with the invoice remitted for payment to substantiate charges.</i></li> <li>• <i>Project Officer to verify that the Contractor’s invoice(s) comply with all contractual requirements prior to approving the invoice for payment.</i></li> <li>• <i>If progress payments are allowable under the contract, review all invoices to determine if the work is progressing under the contract in accordance with the schedule.</i></li> <li>• <i>Sign and date the invoice showing final approval and submit for payment.”</i></li> </ul> <p>Per the Contract Agreement, Section 10 “Reimbursable Expenses”:</p> <ul style="list-style-type: none"> <li>• <i>“The Contractor will charge allowed reimbursable expenses... and must provide verified invoices.”</i></li> </ul> <p>Per the Contract Agreement, Attachment B - Section 1.2 “Reimbursable Expenses”:</p> <ul style="list-style-type: none"> <li>• <i>“An allowance in the amount of \$57,336 is hereby established for reimbursable expenses... The Contractor shall notify the County before the allowance for reimbursable expenses is expended, and submit a schedule of additional expenses to be approved by the County in the form of an Amendment to the Agreement.”</i></li> </ul> <p>As part of detailed testing of nineteen (19) invoices, we noted:</p> <ul style="list-style-type: none"> <li>• Three (3) instances in which the re-calculated invoice amount (percentage complete multiplied by the fixed phase fee) differed from the amount reflected on the approved invoice by a total of \$146,279.  <i>Note: All differences were found and corrected by the Contractor in subsequent invoices; however, the errors were not identified through Project Officer review. Our testing identified six (6) instances, but 3 were intentionally different to correct for errors.</i></li> <li>• One (1) instance in which the Project Officer did not document their review and approval, via sign-off on the invoice.</li> <li>• Additionally, the Project Officer did not have a process to track reimbursed expenses against the contracted agreed-upon allowance.</li> </ul> <p>A critical function of contract compliance is validating the accuracy of invoices. Without appropriate supporting documentation for each invoice and corroborating accurate progress payment, DES cannot validate that the County is being accurately charged for work performed.</p> <p>Without Project Officer monitoring of reimbursed expenses to date, against the contracted allowance, the County is at risk of reimbursing expenses in excess of the contracted allowance.</p>
<p><b>Recommendation</b></p>	<p>We recommend re-emphasizing the requirement of adequate review of invoices submitted by contractors either in the form of training on the County Contract Administration Policy or circulating this internal audit report. The Project Officer should update procedures to track all reimbursable expenses as they are paid through the invoice payment process to validate that the agreed-upon allowance is not exceeded by the Contractor.</p>

## EXECUTIVE SUMMARY (CONTINUED)

### Detailed Observations (continued)

Observation	1. Invoice Review (continued)
<b>Management's Action Plan</b>	<p><b>Response:</b> 1) Immediately, emphasize to all FD&amp;C staff involved the importance of the proper review of invoices to ensure they are being billed in accordance with contract terms. In addition, a short training will be held for those involved on the expectations for invoice review and approval including adequate backup supporting amounts billed by the Contractor and mathematical verification by the Project officer. 2) For future projects, at the initial design consultant kickoff meeting, the project officer will re-emphasize the requirement of adequate review of invoices submitted. 3) the contractor will be required to create and submit with the invoice a spreadsheet to track reimbursed expenses against the contracted agreed-upon allowance 4) all FD&amp;C project management staff will be reminded of the County Contract Administration Policy and the need to comply.</p> <p><b>Responsible Party:</b> FD&amp;C Program Manager and Bureau Chief</p> <p><b>Target Date:</b> In Progress and target completion June 30, 2019.</p>

## EXECUTIVE SUMMARY (CONTINUED)

### Detailed Observations (continued)

Observation	2. Project Progress Documentation
Moderate	<p>Per the Contract Agreement, Article 7 – Section 1 “Time is of the Essence”:</p> <ul style="list-style-type: none"> <li>• <i>“The Contractor acknowledges that the timely completion of the various design phases is essential to the timely completion of the design, the permitting process, the bidding of the design documents and agreement with the CMAR, and completion of the design and the construction of the Project. Accordingly, the County has established the following milestones for the completion of the required design deliverables:</i> <ul style="list-style-type: none"> <li>○ <i>Concept, Programming and Public Outreach: 83 Calendar Days</i></li> <li>○ <i>Schematic Design: 70 Calendar Days</i></li> <li>○ <i>Design Development: 105 Calendar Days</i></li> <li>○ <i>Construction Documents: 197 Calendar Days”</i></li> </ul> </li> <li>• <i>“In the event that during the course of the Project, the Contractor encounters a delay as a result of the action or inaction of the County which the Contractor believes affects the critical path of the project, the Contractor shall...provide notice to the Project Officer of such delay and the actions required on the part of the County to address such delay.”</i></li> </ul> <p>Based on our review we noted:</p> <ul style="list-style-type: none"> <li>• Three (3) instances in which total days to complete the phase exceeded the Schedule of Performance:                     <ul style="list-style-type: none"> <li>○ Concept, Programming and Public Outreach phase was completed in 253 days against the contract scheduled 83 days.</li> <li>○ Schematic Design phase was completed in 184 days against the contract scheduled 70 days.</li> <li>○ Design Development phase was completed in 111 days versus the contract scheduled 105 days.</li> </ul> </li> <li>• Schedule delays were not documented by the Project Officer with evidence of approval.</li> </ul> <p>Based on inquiry, the delays within the Concept, Programming and Public Outreach phase were the result of community feedback and the unanticipated amount of time to adjust plans to meet that community feedback. The County Board directed the additional community outreach take place. Delays within the Schematic Design phase were the result of feedback received from the builder (CMAR), stating schematics needed to be altered to execute the build within budget and meet project requirements.</p> <p><i>Note: A no cost time extension (contract modification) was utilized to address the delays in the project schedule. The vendor was not paid for services related to the contract modifications prior to the signed written amendment.</i></p> <p>Additionally, per the Contract Agreement, Attachment A - Section 1.4 “Bi-Weekly Design Meeting”:</p> <ul style="list-style-type: none"> <li>• <i>“The Contractor shall attend progress meetings with the Project Officer, Department of Parks and Recreation (DPR), and the CMAR every other week. For all meetings, the Contractor shall prepare and submit to the Project Officer meeting minutes within five (5) working days of each meeting. Following the Project Officer's review and approval of the meeting minutes, the Contractor shall distribute the approved meeting minutes to attendees and other County-designated stakeholders as directed by the Project Officer.”</i></li> </ul> <p>Based on our review we noted:</p> <ul style="list-style-type: none"> <li>• 10 out of 44 bi-weekly meetings were not documented via meeting minutes; and,</li> <li>• 0 out of 44 bi-weekly meeting minutes had evidenced review and approval by the Project Officer.</li> </ul>

## EXECUTIVE SUMMARY (CONTINUED)

### Detailed Observations (continued)

Observation	2. Project Progress Documentation (continued)
	<p>Although we did not find that the lack of meeting minutes did or did not cause the delays, maintaining a set of minutes from bi-weekly progress meetings can provide the County with a means of review decisions made during past meetings. These notes can be very beneficial in the event of a dispute with Architectural, Engineering and Construction (“AEC”) vendors later in the project. Without these minutes, modifications or delays to the project design and its schedule may go undocumented, leaving management and key project stakeholders unable to hold vendors accountable to prior commitments, and to negotiate future project outcomes. When meeting minutes are held and distributed regularly, project managers are more likely to elevate instances of project delay to senior members of management because they are in writing. When issues arise during a project and are not elevated, addressed and remediated in a timely manner, they often result in delays to the overall project schedule. Delays to the overall project schedule can expose the County to additional costs, resulting from changes in local subcontractor market conditions, inflation, material price escalation, availability of contractors and materials, as well as many other unforeseen challenges. These potential increases in costs often result in the need for value engineering and cost savings measures later in the job that may deviate from the project from its original conceptual intent.</p> <p>The risks noted herein not only expose the County to project delays and cost overruns, but can lead to reputational damage in the event the County is unable to respond effectively to public or political pressures because of a poor audit / documentation trail.</p>
<b>Recommendation</b>	<p>We recommend a re-emphasis on the contract’s terms regarding bi-weekly meetings and the supporting meeting minutes. Meeting minutes should be recorded for each meeting by the Contractor and reviewed, with evidenced approval by the Project Officer. Details should include, but not be limited to, discussion regarding specific delays throughout the project timeline, as well as the progress of any project changes (contract modifications, etc.). Additionally, we recommend a project progress tracker be developed and utilized throughout the life of the project. This tracker should maintain information regarding established milestones within the contract terms as well as any delays related to reaching these milestones.</p>
<b>Management’s Action Plan</b>	<p><b>Response:</b> DES concurs with the recommendation, however, it should be reiterated that the lack of meeting minutes did not cause the delays experience in the contract. The largest delay was caused by the significant time spent on community outreach and the resulting design changes. In fact, the project is currently on schedule and on budget. Nevertheless, DES concurs with strengthening compliance with contract terms and will take the following actions: 1) The Project officer will re-emphasize all contract terms to include the documentation of bi-weekly meetings by the Contractor. However, the CMAR contractor, MCN Build, is responsible for documenting the bi-weekly meeting minutes at this stage of the project. Therefore, during the kick off meeting, we re-emphasized this requirement to MCN Build The meeting minutes will be reviewed by the Project Officer and retained in the contract file and will include evidence that the Project officer has reviewed the minutes. 2) Project schedules will include milestone dates and dates shall be reviewed as part of bi-weekly meetings so that necessary actions can be taken for developing issues such as potential delays. 3) will allocate sufficient public engagement durations for design contracts in the future.</p> <p><b>Responsible Party:</b> FD&amp;C Program Manager and Bureau Chief</p> <p><b>Target Date:</b> In Progress and target completion June 30, 2019.</p>

## BACKGROUND, OBJECTIVES AND APPROACH

### Background

#### Overview

Contract compliance encompasses all contractual agreements entered into by the County. Although certain aspects of the purchasing function are centralized within the Department of Management and Finance, and vendor selection is performed in conjunction with Purchasing, many of the high-risk areas like contract administration, compliance and monitoring are the responsibility of the individual departments / divisions / bureaus. These monitoring responsibilities specifically include:

- Understanding the scope of work and terms and conditions of the contract;
- Management of contract billings to avoid cost overruns;
- Validation of complete and satisfactory performance of work through physical walkthroughs and site visits, when appropriate;
- Ensuring timely performance of contracted work;
- Providing updates to the Department Director, Division Chief and Department of Management and Finance related to progress and budget, as necessary;
- Maintaining appropriate documentation, in compliance with the County level document retention policy and respective contract; and
- Review and approval of invoices for payment to the Contractor in line with the payment terms and conditions outlined in the agreement.

Effective January 1, 2017, the County implemented a *Contract Administration Policy* for all contracts, regardless of their procurement methodology or dollar value. The purpose was to define and implement a standard policy and process for the administration of contracts and define roles and responsibilities for County personnel that monitor and manage contractual relationships. Specifically, the policy establishes Project Officer and Task Officer Responsibilities, defines internal controls surrounding contract payment, quality assurance and recordkeeping, and outlines all applicable regulations to which the contract administration process must adhere.

#### VMDO Architects, P.C.

The VMDO Architects, P.C. (“VMDO”) contract that was selected for this cycle audit is primarily managed by the Project Officer in the Facilities, Design and Construction (“FD&C”) division. Contract Agreement No. 16-368-RFP is a professional services contract to develop a design for the replacement of the Lubber Run Community Center building, recreation spaces and amenities, and on-site parking structures. The original purchase order (“PO”) associated with this contract, was for a total contract amount of \$3,512,902 as of November 1, 2018. There have been two change orders related to this contract amounting to \$242,831. Arlington County paid nineteen (19) invoices during the audit period (July 1, 2017 to November 1, 2018); see below for total dollars spent on the contract.

Agreement No. 16-368-RFP					
Contractor	Contract Title	Execution Date	Total Dollars Spent on Contract <sup>1</sup>	Contract Type	County Division
VMDO Architects, P.C.	Arlington County Agreement 16-368-RFP	January 4, 2017	\$ 2,773,734	Fixed Price	FDC

<sup>1</sup>Total dollars spent since contract execution (January 1, 2017 through November 1, 2018)

## BACKGROUND, OBJECTIVES AND APPROACH (CONTINUED)

### Background (continued)

#### **CMAR Delivery Method**

The Lubber Run project utilizes a Construction-Management-At-Risk (“CMAR”) delivery method. This is the first time the County has utilized the CMAR delivery method. The CMAR delivery method is a collaborative process beginning in the design phase between the County, Design Team, and Builder. The Builder acts as a pre-construction consultant during the design phase of the project on cost, schedule, value, and quality with the end goal of entering into a Guaranteed Maximum Price (GMP) agreement to build the facility. The GMP is calculated by the CMAR utilizing subcontractor bids and must follow the GMP process included in the CMAR contract. Based on inquiry, with the utilization of CMAR, the County was alerted in the Schematic Design phase that the approved concept design was \$15.7 million over budget and the team was able to work iteratively and collaboratively to remain within budget. VMDO is not the CMAR on this project.

#### **Roles and Responsibilities**

The following departments play key roles in the contract compliance process:

##### Department of Environmental Services – Facilities, Design & Construction

DES – FD&C is responsible for management and oversight of projects and services related to the design and construction of facilities for the County. This is generally accomplished by contracting with professional firms for all design, construction and other services and monitoring the projects until completion. FD&C is also responsible for completing all Project Officer functions as outlined in the contract, overall contract compliance, and reviewing and approving vendor invoices for accuracy prior to payment.

##### Department of Management and Finance (“DMF”)

DMF oversees all financial-related County processes. The Purchasing and Accounts Payable divisions are part of DMF and act as support functions for departments managing vendor contracts. Specifically, Purchasing administers the competitive solicitation process for the purchase of goods and services by the County; executes the contracts and approves POs for the purchases. Accounts Payable is responsible for processing payments to contractors based on invoices approved by the respective departments.

#### **Common Definitions**

Some common definitions for construction terminology used throughout this section of the report are as follows:

- *Project Officer* – refers to the County representative responsible for general control, review, and approval of all aspects of the contract, once executed. The Project Officer is appointed by the County’s Department of Environmental Services Director or a designee as identified in the contract, who is the primary point of contact for the Contractor in executing the terms of the contract.
- *Contract Amendment/Modification* – refers to an approved additional cost for expanded work outside of the original work plan considered in the development of the contract price. If the cost is deemed necessary and appropriate, an executed contract amendment is established to allow the Contractor to invoice for the additional work.
- *Fixed Price Contract* – refers to a contract with a fixed price to be paid upon completion of work, as defined by the agreement and project timeline. Fixed price contracts are invoiced on a periodic basis with a breakdown of costs by percentage completion of project phases for the applicable period.

## BACKGROUND, OBJECTIVES AND APPROACH (CONTINUED)

### Background (continued)

#### **Timeline**

Below is a timeline of contractual events for the contracted project.

Date	Event Description
January 4, 2017	Arlington County executes Contract Agreement No. 16-368-RFP with VMDO Architects, P.C.
January 6, 2017	PO 244204 is issued for \$3,512,902.
October 3, 2017	Contract Amendment #1 is executed for additional \$19,583.
May 21, 2018	Contract Amendment #2 is executed for additional \$223,248.

The two contract amendments detailed in the table above were executed to increase total contract costs for the following additional work:

- Amendment #1:
  - Additional services of \$7,720 related to Cost Estimating.
  - Additional services of \$11,863 related to the geotechnical engineer extracting additional boring samples for planned bio-filtration work.
- Amendment #2:
  - Additional services of \$69,603 related to expanding the scope of the required traffic study, and off-site waterline extensions.
  - Additional services of \$153,645 related to construction monitoring during demolition, traffic control plans, and building envelope and pressure testing.

#### **Design and Construction Phases (Performance)**

The following phases are required as part of the contracted services:

- Concept Definition (Programming)/Public Process;
- Schematic Design Phase;
- Design Development Phase;
- Construction Document Phase; and
- Construction Administration and Close-out Phase.

Explicit detailed requirements for each phase can be located within Contract Agreement No. 16-368-RFP with VMDO Architects, P.C. The agreement can be found utilizing the EVA Procurement Portal link on the County's website.

## BACKGROUND, OBJECTIVES AND APPROACH (CONTINUED)

### Objectives and Approach

#### **Objectives**

Contract compliance encompasses all contractual agreements for the purchase of goods and services including, but not limited to, vendor agreements. Although certain aspects of the purchasing function are centralized within the Department of Management and Finance, many of the high-risk areas like contract administration and monitoring are decentralized to the individual departments.

The scope of this internal audit encompassed one (1) contract with VMDO Architects, P.C. (Agreement No. 16-368-RFP). The audit period was July 1, 2017 to November 1, 2018.

The objective of this internal audit was designed to assess whether the system of internal controls is adequate and appropriate, for effective contract compliance, with selected provisions of the selected contract as it relates to payment and identified terms.

Nineteen (19) invoices were submitted for payment during the audit period July 1, 2017 to November 1, 2018. We selected all nineteen (19) invoices for detailed testing. Additionally, we reviewed the documentation corresponding to the contractual requirements related to each of the contract phases.

#### **Approach**

Our approach to the audit execution consisted of the following phases:

##### Understanding and Documentation of the Process

The first phase of this audit consisted primarily of inquiry and walkthroughs, in an effort to obtain understanding of the key personnel, risks, processes, and control relevant to the objectives outlined above. The following was performed as a part of this phase:

- Conducted interviews with the appropriate representatives to discuss the scope and objectives of the audit work, obtain preliminary data, and establish working arrangements;
- Conducted interviews with key personnel to obtain a detailed understanding of the contract compliance process(es);
- Documented flowcharts of the process(es);
- Reviewed the applicable policies and procedures and agreements related to this project;
- Performed walkthroughs to gain an understanding of the function and assess the design of internal controls; and
- Developed a risk-based work plan for the evaluation of the design and operating effectiveness of processes and controls, based on the information obtained through our review, inquiry and walkthrough procedures.

##### Evaluation of the Process and Controls Design and Testing of Operating Effectiveness

The purpose of this phase was to test compliance and internal controls. This phase also consisted of an evaluation of the design and testing of operating effectiveness. We performed detailed testing for all nineteen (19) invoices associated with the selected contract as of November 1, 2018. Specific procedures performed included:

- Gathered background information on the County's contract compliance and monitoring procedures and any required controls or documentation, including County Board authorization, if necessary;
- Determined whether the selected department/division had related contract compliance procedures outside of County-level procedures;
- Obtained background information on the selected contract, including a copy of the contract, contract administrator information, and detail of expenditures under each contract during our audit period;
- Tested invoices for the selected contract to determine if the supporting documentation agreed to the payment amount and was mathematically accurate;

## BACKGROUND, OBJECTIVES AND APPROACH (CONTINUED)

### Objectives and Approach (continued)

#### Evaluation of the Process and Controls Design and Testing of Operating Effectiveness (Continued)

- Verified that each invoice was charged appropriately against a purchase order as required by the *Contract Administration Policy*;
- Inspected invoices for Project Officer sign-off as required by the *Contract Administration Policy*;
- Determined if payment was made in a timely manner and in accordance with the pricing terms of the contract and the *Contract Administration Policy*, and that payments did not exceed amounts authorized;
- Determined whether goods and services received under the contract were properly verified or monitored prior to payment of the invoice as required by the *Contract Administration Policy*;
- Assessed the adequacy and compliance with select terms of the contract, such as certificate of insurance, right to audit, etc;
- Assessed the overall contract compliance process and controls to determine effectiveness.; and,
- Assessed the documentation corresponding to contractual requirements related to each of the six (6) contract phases.

#### Reporting

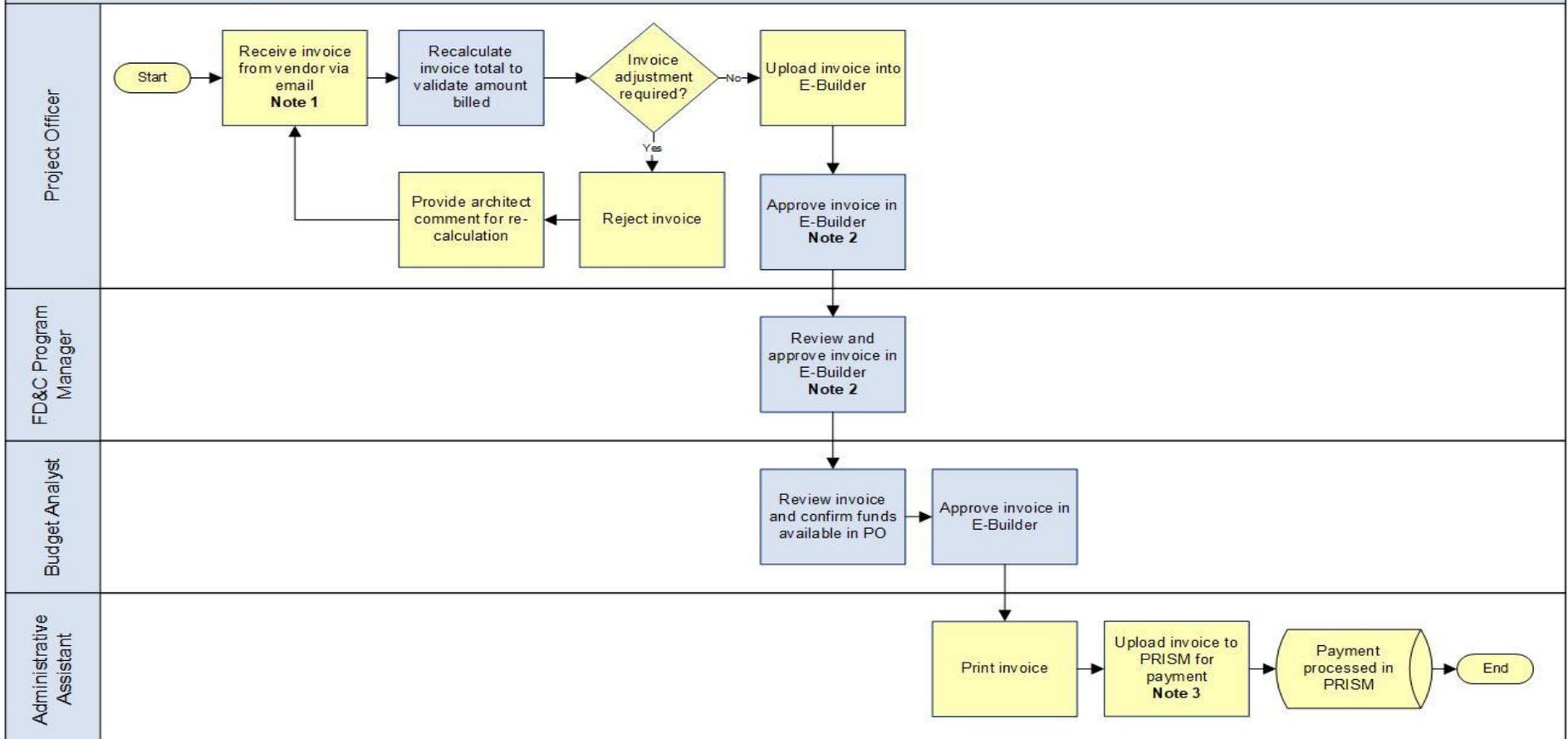
At the conclusion of this audit, we vetted the facts of this cycle audit with DES. The draft report was submitted to DES and DMF for review. An exit meeting was held with DES and DMF to formally review and discuss the draft report and modify accordingly.

Observation Risk Rating Definitions	
Rating	Explanation
Low	Observation presents a low risk (i.e., impact on financial statements, internal control environment, public perception/brand, or business operations) to the organization for the topic reviewed and/or is of low importance to business success / achievement of goals and internal control structure.
Moderate	Observation presents a moderate risk (i.e., impact on financial statements, internal control environment, public perception/brand, or business operations) to the organization for the topic reviewed and/or is of moderate importance to business success / achievement of goals and improve its internal control structure. Action should be in the near term.
High	Observation presents a high risk (i.e., impact on financial statements, internal control environment, public perception/brand, or business operations) to the organization for the topic reviewed and/or is of high importance to business success / achievement of goals and improve its internal control structure. Action should be taken immediately.

## PROCESS MAP:

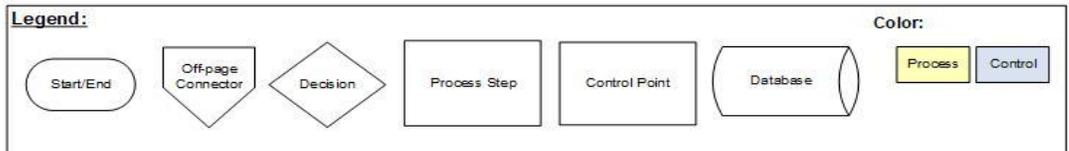
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#### Vendor Invoice Review & Approval



**Notes:**

1. Vendor invoices include billing related to percentage completion of each design phase as well as travel (mileage) and meal expenses, as approved by the Contract Officer.
2. The workflow within E-Builder automatically sends the invoice to the next reviewer once approved by the previous reviewer.
3. Payments are usually submitted on Monday or Wednesday and are processed the following day.





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