



# Internal Audit Work Plan

First Half of FY2022

Department of Management and Finance

ARLINGTON  
VIRGINIA

# Internal Audit Services

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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. To accomplish the Plan, the County employs both internal resources and external consulting services. The County Board has approved funding of 1.5 FTEs; however, the full time position is currently under recruitment. RSM, LLC – a major provider of assurance, accounting and consulting services to government and corporations – will be working with the County to complete the plan.

The First Half of the Fiscal Year 2022 Work Plan includes one carryover audit from FY 2021 that was not completed due to the understaffing and significant effort spent on following up on previously issued audit recommendations. The Work Plan also includes budgeted time for 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

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## 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.

## Management Concerns

- Management feedback on potential risks related to business operations and accomplishing the organization's mission.

## Time Since Last Audit

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

# Internal Audits

## Contract Compliance Audit

This contract compliance audit will focus on a contract where the County utilizes a vendor to execute certain operations and provide services on the County's behalf.

A County Contract Administration Policy, updated in August 2020, provides guidance to Project Officers to assist with oversight responsibilities for an assigned contract. The contract compliance audit will focus on a specific contract and evaluate the effectiveness of internal controls over the administration of the contract, compliance with County policies, and compliance with the terms of the contract under audit. An internal contract compliance audit of a third party vendor may utilize the County's right to audit clause, and focus on reviewing vendor processes and related controls.

For FY 2022, the plan includes focusing on an elevator inspection contract.

### 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

## Healthcare Costs - Dependent Eligibility

This audit will evaluate the dependent eligibility of members included in the County's health care programs. The audit will test to determine if dependents covered under the employee's health care plan meet the dependent eligibility criteria established by the County. Health care insurance administrators clearly identify dependent eligibility as the County's responsibility to ensure all dependents properly qualify as dependents. Ineligible dependents can represent a significant costs to the County. Dependent eligibility audits are a best practice among employers and helps manage both regulatory compliance and rising health insurance costs.

The primary objective of the audit will be to ensure dependents covered under the County's health care plans meet the dependent eligibility requirements and identify potential weaknesses in controls over dependent eligibility.

### Key Risk Area:

- County paying for health care for ineligible dependents

# Internal Audits

## Interdepartmental Contracting

This audit will evaluate the contract management and effectiveness of the County's interdepartmental contracting process. Interdepartmental contracts will include contracts that are issued by one department and used by others. The audit will include tests to ensure usage of the contract by the other Departments meets the intent and expectations of the contract award (e.g., procured items align with the scope of the contract). The audit will ensure the appropriate coordination is taking place between the primary contract project officer and the other Department personnel procuring goods and/or services from the contract. The audit will also test to ensure multiple contracts are not being issued for the same general scope of work or goods and services. The primary objective of the audit will be to ensure effective contract management and usage when multiple departments utilize the same contract.

### Key Risk Areas:

- Contract management ineffectiveness relating to interdepartmental contracting
- Inadequate coordination between Departments and potential duplication of efforts
- Potential loss in economies of scale due to multiple procurements for same items/services from different vendors
- Approval of contact payments in accordance with County policy

## Purchase Card Expenses – Department of Human Services, Economic Independence Division and Child and Family Services (2021 Carryover)

Purchase cards are intended to provide an alternative method to the traditional purchasing process by utilizing charge cards to handle the purchase of high-volume, low dollar value goods and services. Internal audit has been performing analytical procedures over the past year and identified significant costs charged (over \$200,000 per year) through Purchase Cards supporting the DHS clients of the Economic Independence Division, the Child and Family Services Division, and the Behavior Healthcare Division. The nature of the costs range from providing emergency housing for clients, to travel and transportation costs for foster children. These costs present a higher risk due to the extent and variability on the type of costs and the potential subjective nature on the approval of such costs. Additionally, the approval for purchase card expenses are not as rigorous as invoice payments under approved purchase orders. An audit will evaluate the internal controls covering these PCARD expenses. The audit will also test compliance with State policies and applicable grant agreements, DHS policy and procedures, PCARD policy and the appropriateness and reasonableness of expenditures.

### Key Risk Areas:

- Compliance with State, County and DHS policies and procedures, Purchase Card Policy and Purchasing Resolution
- Compliance with any applicable grant agreements
- Appropriateness/reasonableness of expenditures
- Completeness of documentation to justify purchases

# Other Audit Services

## 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.

# Monitoring Activities

## 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; identify opportunities to improve program effectiveness; and to ensure compliance with PCARD policies and procedures. PCARD transactional data is reviewed on a quarterly 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.

# Previously Completed Audits and In-Process

## FY 2021

- [Affordable Housing Investment Funds](#)
- [CIGNA Medical and Pharmacy Claims Audit](#)
- CIGNA Rebates Audit (In Process)
- Contract Compliance – Arlington Commuter Services Contracts (In Process)

## FY 2020 (some audits delayed due to COVID-19)

- [Contract Compliance – Department of Environmental Services – Transportation – Contract 513-15LW](#)
- [Contract Compliance – Department of Human Services – Contract 17-183-SS](#)
- Information Technology Governance and Risk Assessment - in process
- [Arlington 55 and Over Program](#)

## FY 2019

- [Timekeeping Audit – Department of Human Services](#)
- [Contract Compliance – Department of Environmental Services – Facilities Design and Construction – Contract 16-368-RFP](#)
- [Server Inventory Audit – Department of Technology Services](#)
- [Contract Compliance – Department of Environmental Services – Facilities Design and Construction – Contract 17-223-RFP](#)
- [Purchasing Performance Audit](#)
- [Contract Compliance - CIGNA Administration](#)
- [Employee Expense Reimbursement Audit](#)



# Previously Completed Audits and In-Process

## FY 2018

- [Contract Compliance – Department of Environmental Services – Equipment Bureau – Contract 580-13](#)
- [Contract Compliance – Department of Environmental Services – Water, Sewer and Streets – Contract 17-108-ITB](#)
- [Timekeeping – Department of Environmental Services – Facilities Maintenance Bureau](#)
- [Digital Production and Mail Center – Department of Environmental Services](#)
- [Sole Source Purchases](#)
- [County Wireless Devices](#)
- [Fuel Card Program](#)
- [End Point Device Inventory](#)
- [Vendor Management, Contract Compliance – Department of Environmental Services – ART Bus Operations](#)



# Previously Completed Audits

## FY 2017

- [Funds Handling – Department of Human Services: Child and Family Services and Financial Management Bureau](#)
- [Grant Compliance – Department of Human Services: catalog of Federal Domestic Assistance #93.659 – Adoption Assistance](#)
- [Contract Compliance – Department of Environmental Services – Contract 16-234-ITB](#)
- [Purchase Card – Department of Libraries](#)
- [Purchase Card – Department of Environmental Services – Water Pollution Control Plant](#)
- [Purchase Card – Department of Environmental Services: Transportation Division](#)
- [Contract Compliance – Department of Technology Services – Contract 582-14](#)
- [Purchase Card – Juvenile and Domestic Relations Court](#)
- [Funds Handling – Arlington Economic Development: Cultural Affairs Division](#)
- [Grant Compliance – Police Department – Seized Assets – Catalog of Federal Domestic Assistance #16.922 – Equitable Sharing Program](#)
- [Affordable Housing Investment Fund \(AHIF\) Multifamily Housing Loan Portfolio](#)
- [Inventory of Assets valued at Less than \\$5,000 – Department of Parks and Recreation](#)
- [Inventory of Assets valued at Less than \\$5,000 – Dept. of Environmental Services – Water, Sewer, Streets and Water Pollution Control Bureaus](#)
- [Payroll and Timekeeping – Human Resources, Department, Fire Department, Police Department, Department of Environmental Services \(Water, Sewer Streets\), Department of Parks and Recreation \(Sports and Recreation Division\), and Public Safety Communications and Emergency Management](#)

# Previously Completed Audits

## FY 2016

- [Department of Real Estate Assessments Administrative Appeals Process Review](#)
- [Purchase Card Review – Office of Emergency Management](#)
- [Purchase Card Review – Department of Police](#)
- [Purchase Card Review – Department of Community Planning, Housing and Development](#)
- [Purchase Card Review – Department of Parks and Recreation](#)
- [Purchase Card Review – Department of Human Resources](#)

## FY 2015

- [Purchase Card Review of the Department of Environmental Services – Facilities Management and Equipment Bureaus](#)
- [Contract Compliance – Contract 596-14](#)
- [Cash Collection and Handling – Department of Libraries – Central Library](#)
- [Cash Collection and Handling – Department of Parks and Recreation – 3700 Four Mile Run Drive](#)

# Internal Audit Information

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## 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.

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## Copies of Audit Reports:

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

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## Financial Fraud, Waste & Abuse Hotline:

Report suspected instances of fraud, waste or abuse

Phone: (866) 565-9206

Online: <https://arlingtonva.ethicaladvocate.com>