



# Internal Audit Work Plan

Fiscal Year 2022

(2<sup>nd</sup> Half)

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. To accomplish the Plan, the County employs both internal resources and external consulting services. The County Board has approved funding of 1.5 FTEs and the Division is fully staffed as of August 2021. 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 2<sup>nd</sup> Half of the Fiscal Year 2022 Work Plan includes audits identified by a risk assessment process as detailed on the following page. The 2<sup>nd</sup> half of the 2022 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

---

## 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.

### 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

## County's Overtime Policy

This audit will evaluate Departmental Compliance with Arlington County's overtime policies and procedures (Administrative Regulation 2.12 and AC Common page "Request Overtime and Comp Time"). Overtime represents a significant cost to the County and the Human Resources Department has established policies and procedures to ensure the proper approval and usage of overtime. County policy requires documented advance approval of overtime unless there is an emergency. This is a generally accepted policy to control overtime costs and to ensure it's spent on essential mission operations. The primary objective of this audit will be to assess Departmental compliance with County overtime policies and Departmental unique policies, when applicable. The audit will also evaluate the County and Departmental policies to ensure they provide the necessary controls covering overtime.

### Key risk Areas:

- Overtime being spent without the appropriate monitoring and approval
- Overtime being spent on non-essential County operations
- Overtime being incurred when more fiscally prudent to increase FTEs

# Internal Audits

## Invoice Review and Approval – County-wide

In August 2020, DMF issued a comprehensive Invoice Review and Approval policy detailing the procedures to follow to ensure invoice payments are processed accurately. The policy implemented the internal controls necessary to safeguard County funds as part of the invoice payment process. Invoice payments amounts to several millions of dollars per year. The policy requires invoice payments to be properly approved, well supported and compliant with contract terms. The review will be performed county-wide and test County compliance with the policy. The audit will also test any supplemental Departmental policies issued covering invoice payments.

### Key Risk Areas:

- Compliance with County and Departmental policies and procedures
- Compliance with contract payment terms
- Accuracy of contract payments
- Completeness of documentation to support payments
- Ensuring proper safeguarding of County assets

## Controls over Revenue Generating Activities and Funds Handling – Fire Department

This audit will evaluate the controls over the Arlington Fire Department revenue generating activities. The Fire Department generates over \$1 million in revenue per year for billable services provided including the issuance of permits and fire system testing. The Fire Department processes include invoicing for services performed, collecting and depositing the associated fees and tracking outstanding invoices. Funds handling involves those activities performed to process collection transactions in the ordinary course of business. The County's Department of Management and Finance ("DMF") developed a county-wide Funds Handling Policy, effective November 2017. This audit will include testing Department compliance the County policy and evaluate the effectiveness of internal controls over the recording, invoicing and collection processes.

### Key Risk Areas:

- Proper controls over funds handling and compliance with County policy
- Proper controls over the proper recording, invoicing and collecting for services provided by the Fire Department

# 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 as resources allow) 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](#)
- 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

---

## 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>