

Update on Internal Audit and the Financial Fraud, Waste and Abuse Hotline to the Audit Committee

January 2025

Department of Management and Finance

Internal Audit

Internal Audit Services

Internal Audit Program 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](#)

Organization

Internal resources and external consulting services will together implement the annual Work Plan and any unexpected needs. In the Fiscal Year (FY) 2015 Adopted Budget, the County Board approved funding for one internal audit position, bringing the total number of internal resources to support this function to 1.5 FTEs. Presently, RSM, LLC. — a major provider of assurance, accounting and consulting services to governments and corporations — is working with the County to complete the Work Plan.



Department of Management & Finance

Internal Audit

Audits Issued

- 59 audits issued since FY 2015 with 224 Findings (Rated Low, Medium & High Risk)
- Management held accountable to establish and execute action plans to remediate findings
- Audit coverage included:
 - Contract Management (including Invoice Payments)
 - Purchase Card Compliance
 - Funds Handling
 - Asset Management
 - Payroll/Timekeeping
 - Inventory
 - Special Focus Areas

Current Resources

- 1.5 FTE
- Consultant Dollars - \$217,000
- Audit Services Vendor - RSM

FY 2024/2025 Audits Completed

Completed By RSM:

- Contract Compliance – DHS – Arlington Thrive
- Revenue and Funds Handling Controls – DPR - Memberships
- General Application Control Audit

Completed ACG Internal Audit:

- Health Benefit Dependent Eligibility Audit
- Controls over Gift Cards – DHS and JDR

FY 2024/2025- Summary of Findings

DHS - Contract Compliance – Arlington Thrive

Findings:

1. Inaccurate financial reports being submitted to the County
2. Return of funding to the County at end of contract period was understated

Recommendations:

1. Future contracts require more detailed reports and monitoring of contract reporting
2. County should seek reimbursement of underpaid amount - \$19K (Paid in Total)

DPR- Revenue and Funds Handling Controls – No Findings

General Applications Audit – Findings not posted

Objective – review the internal controls related to logical access and security administration for selected applications. The objective of this internal audit was to assess whether the internal controls impacting these systems were designed, implemented and operating effectively to adequately mitigate relevant IT risks over unauthorized access to critical system data, configurations and reporting

FY 2024/2025- Summary of Findings

HRD – Health Benefit Dependent Eligibility Audit

Findings:

Out of the 5,149 dependents audited, we were able to verify 4,991 (97%) dependents as being eligible under the County's health and dental plans and 158 (3%) dependents as no longer being eligible as we did not receive the documentation supporting eligibility.

Recommendation:

HRD develop an annual review process to test for dependent eligibility for existing employees and retirees. We understand the resources required for this effort and recommend HRD consider a risk-based sampling technique be employed.

FY 2024/2025- Summary of Findings

DHS & JDR – Controls Over Gift Cards

Findings:

1. Lack of segregation of duties
2. Unreconcilable logs to actual inventory and excessively high inventory
3. Untimely funds handling training
4. Improvements needed in gift card log documentation and receipt documentation. (JDR)

Recommendations:

1. Improved segregation of duties to include new documentation on request for gift card and training.
2. Improved inventory and other controls, reporting and training
3. Implement controls to ensure timely training and prohibiting the handling of gift cards until completion of training
4. Require clients to document receipt of gift cards (JDR) .

FY 2025 In-Process Audits

RSM

- Contract Compliance Audit – Arlington Independent Media (AIM)
- General Application Control Audit – Selected Application
- Contract Compliance – Milani Construction – Contract 23-DESITBPW-559 (Columbia Pike Segments C and D)
- Non-Profit Risk Assessment - County-wide

ACG Internal Audit

- DHS & DPR – Client Fee Reductions

FY 2025 Balance of Audit Plan

County-wide Overtime Policy

Contract Compliance Audit – Contract TBD

HRD- Unemployment Compensation

PCARD Review

Audit Follow-up

Internal Audit is required to validate the implementation of management's corrective action plans as documented for each reported finding.

- Since 2015, 59 audits have been completed resulting in 224 audit findings (see listing of prior audits in background section).
- Completed follow-up audits and closed 97 audit findings (i.e., management took effective action to correct the finding)
- Completed 4 Follow-up Audits this FY – continuing to work this as a priority
- Completed follow-up for internal control issues stemming from investigations for all prior years (11) - one issued this year is outstanding

FY 25 Audit Status – Follow-up

Follow-ups Completed:

- DTS\DMF Server Inventory Audit
- DPR Under 5K Controlled Assets
- DTS Under 5K Controlled Assets
- DTS Wireless Communication Devices
- 3 Internal Control Follow-up Reviews Stemming from Investigations

Follow-ups In Process

- DES Follow-up on Digital Production and Mail Center
- DES Contract Compliance –Equipment Bureau – Contract 580-13
- Purchase Card Review – Public Safety Communications and Emergency Management
- Purchase Card Review – Police Department

Other Internal Audit Activities

- Aid and assist in improvement of other departmental processes
- Conduct investigations reported from any source – FFWA Hotline or otherwise
- Continuous review of PCARD processes and transactions

Financial Fraud Waste and Abuse Hotline Update

**Arlington County Employee
Financial Fraud, Waste & Abuse
Hotline**

Confidential. Secure. 24/7.

Arlington County employees can report incidents using the third party operated Financial Fraud, Waste & Abuse Hotline, and may choose to remain anonymous when reporting. Examples include:

- Conflicts of Interest
- Falsification of records
- Misuse of County resources
- Procurement irregularities
- Bribes, kickbacks, illegal gratuities
- Embezzlement or theft

Contact the Employee Hotline:

arlingtonva.ethicaladvocate.com

1-866-565-9206



The hotline is for employee use only. In addition to the options above, you may still provide this information above directly to your supervisor, HR, DMF, or any member of management. For more information on the Employee Hotline and whistleblower protections visit AC Commons.

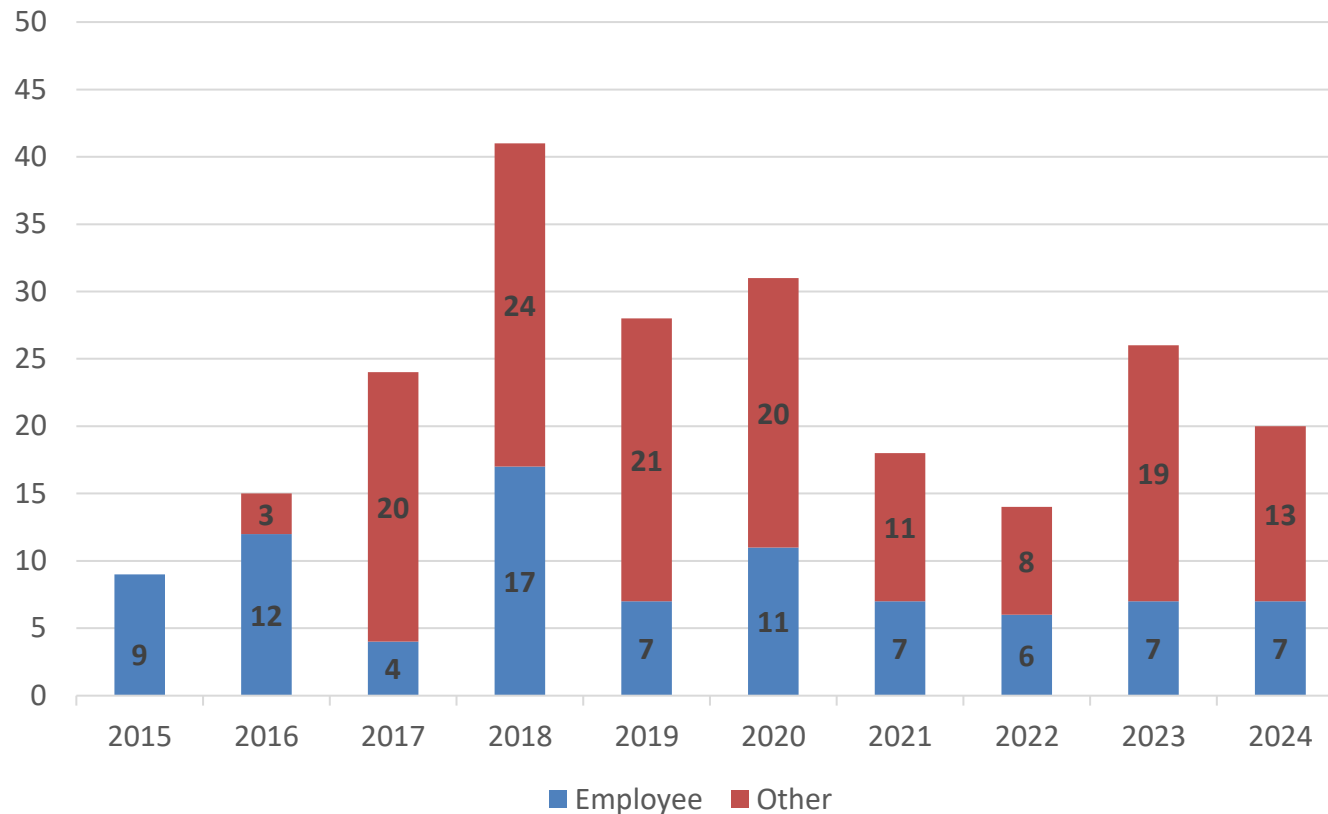


Call center/Web intake operated by
Ethical Advocate

Employee hotline implemented in May
2015 with an Administrative Regulation
Whistleblower Policy

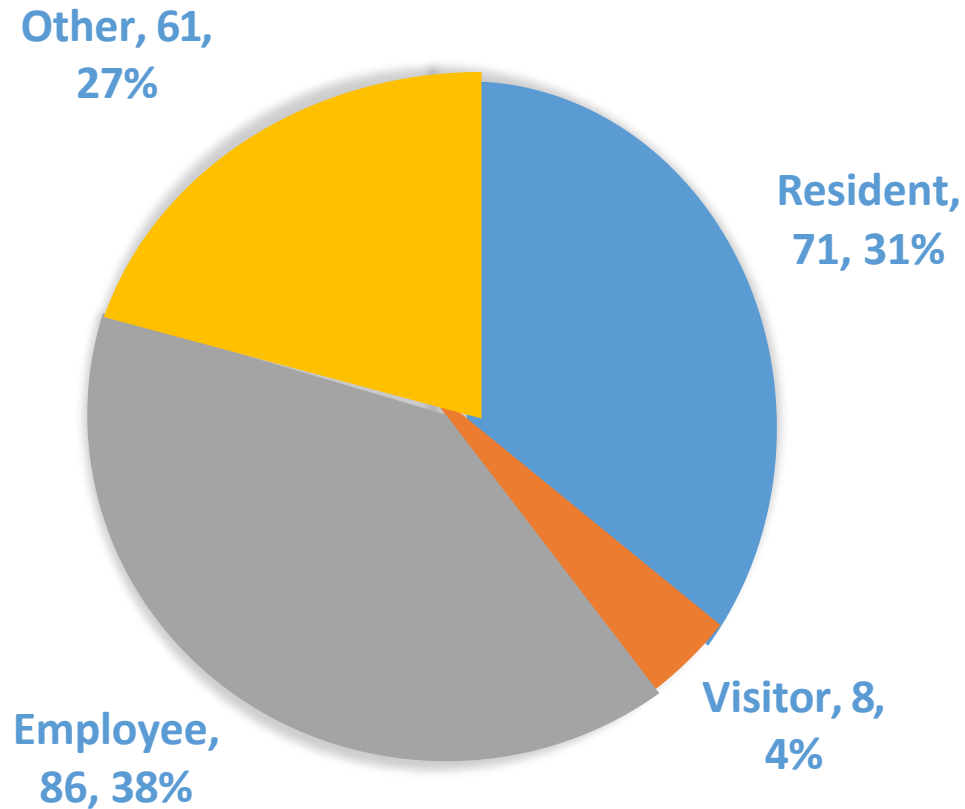
Public hotline implemented in November
2016

Number of Complaints per Calendar Year

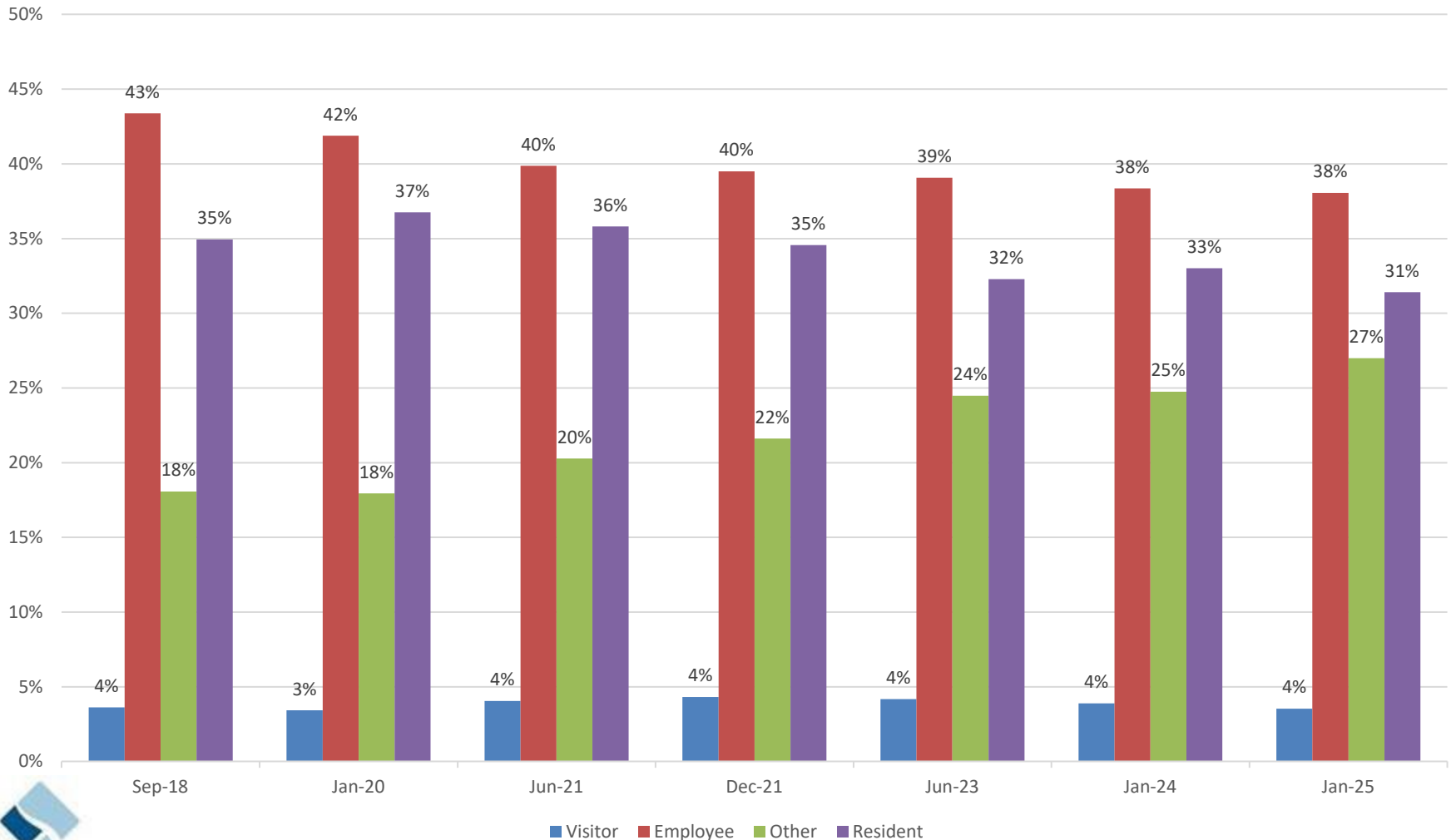


226 Total Complaints – 205 Unique Complaints

Relationship to County CYs 2015-2024

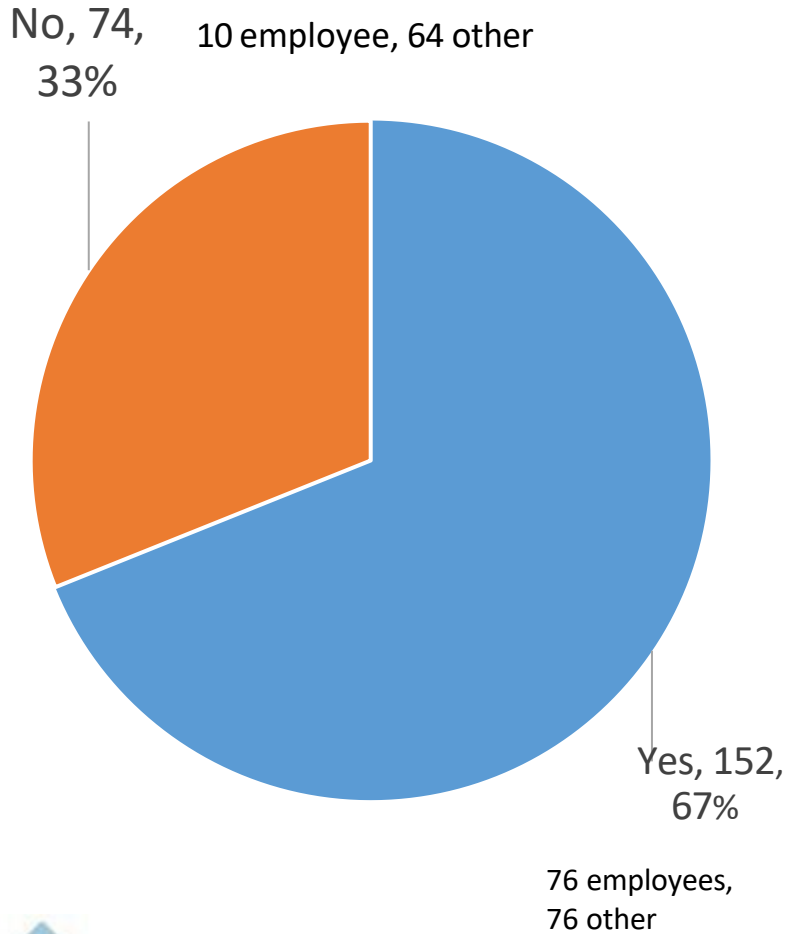


Relationship to County CYs 2015-2024

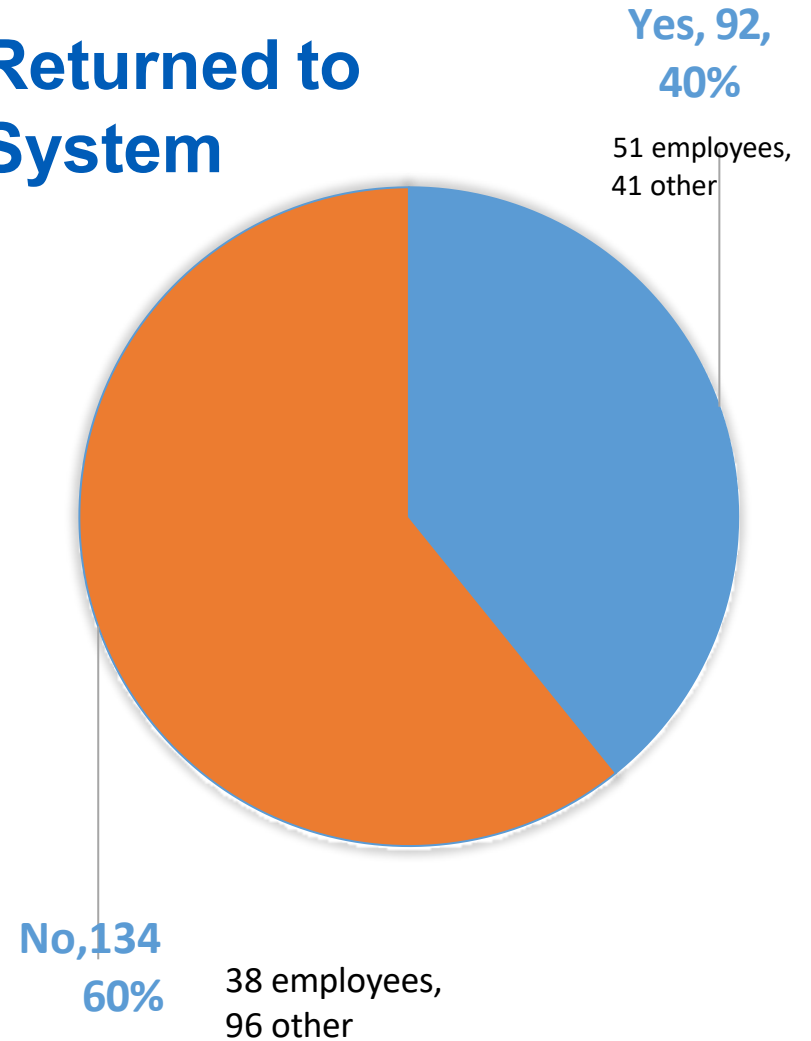


Complaint Information CYs 2015-2024

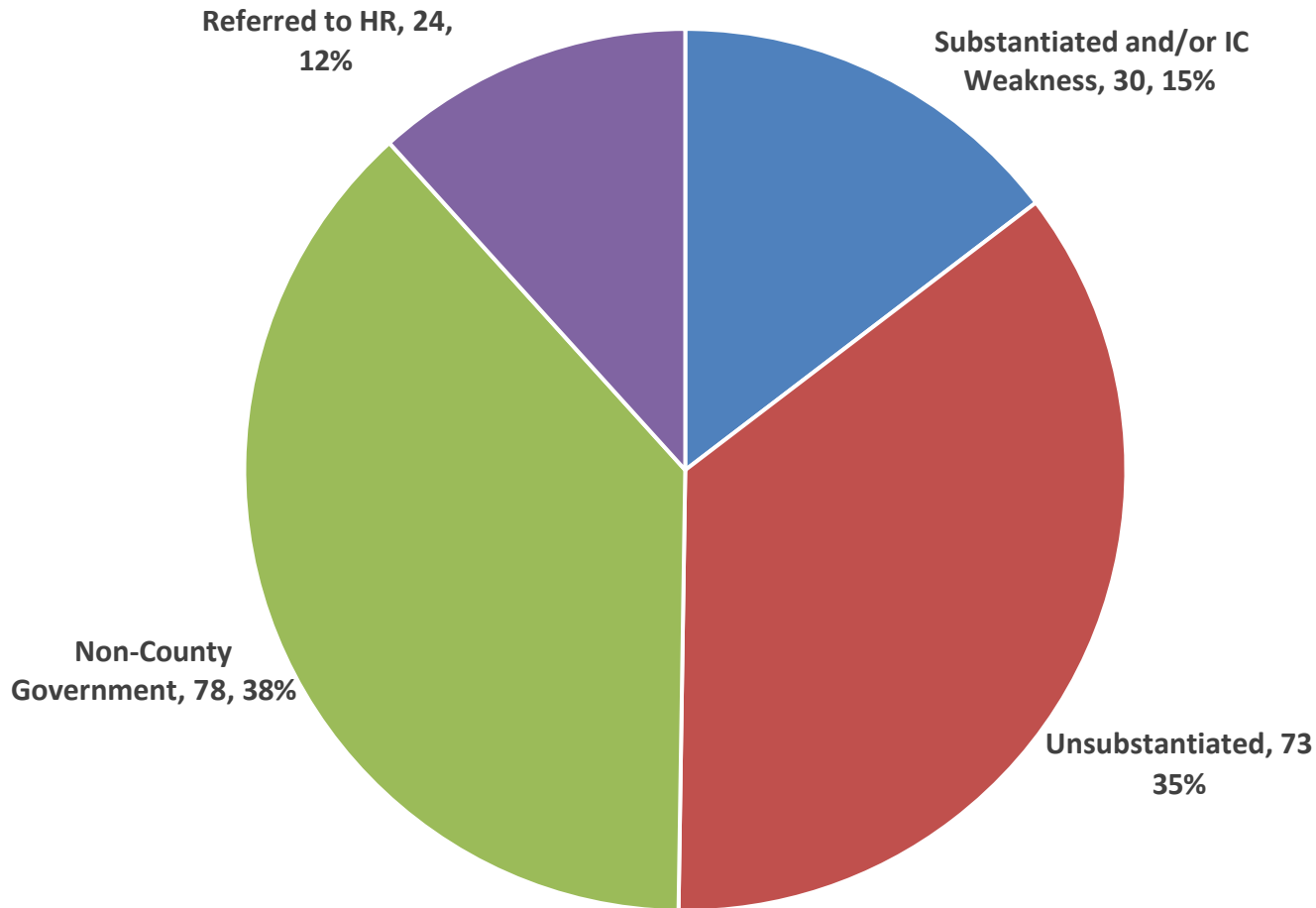
Anonymous



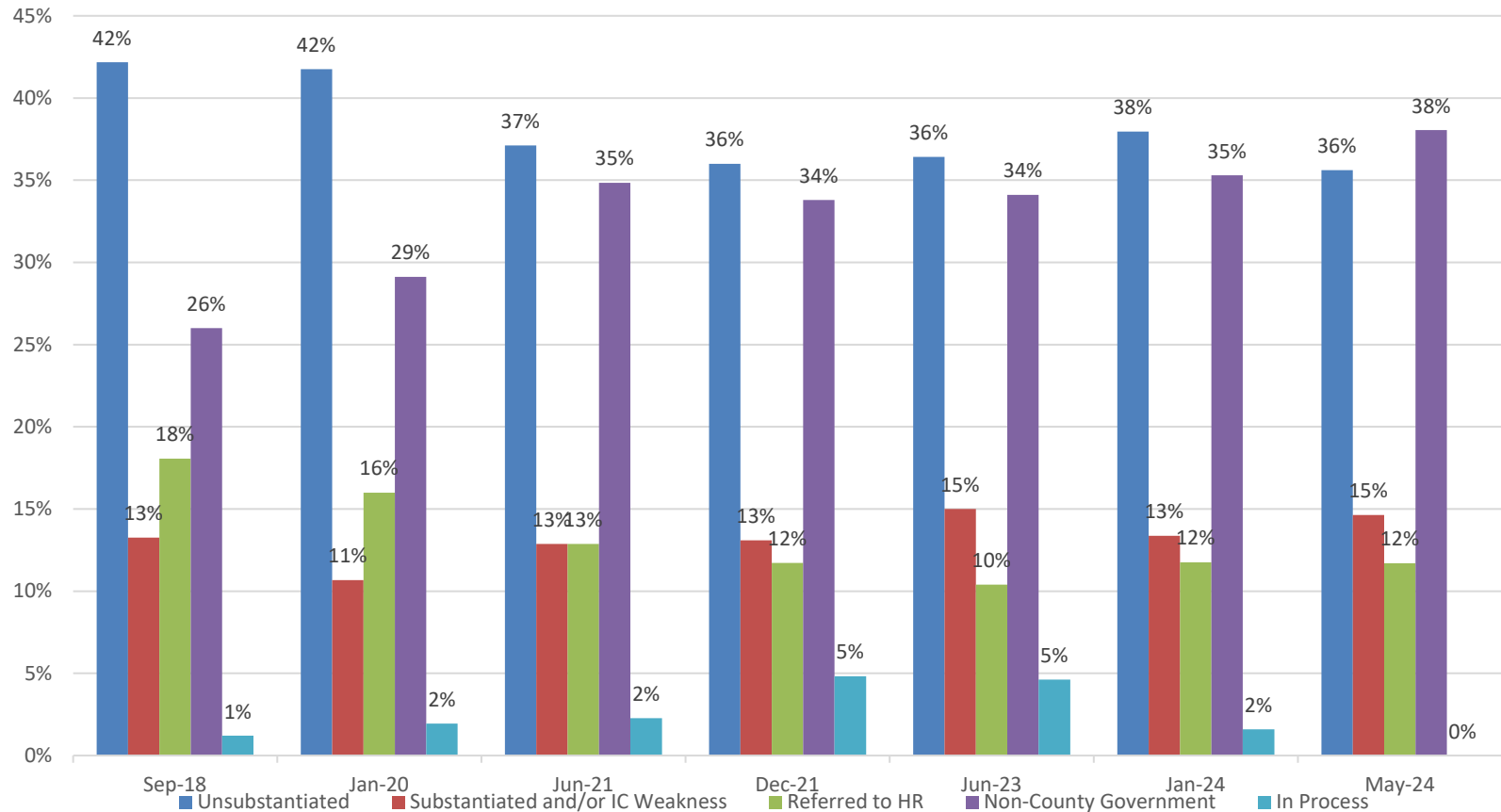
Returned to System



Type/Result of Complaint CYs 2015-2024



Type/Result of Complaint CYs 2015-2024



Continued Advertisement

- Quarterly included in e-News (employee news)
- Insider
- AC Commons – County intranet
- County web page
- Replace posters as needed
- Cards provided at employee orientation

Background

Listing of Completed Audits FY 2015- FY2025

In-Process Audits

FY 2025 -

- Contract Compliance Audit – Arlington Independent Media (AIM)
- General Application Control Audit – Selected Application
- Contract Compliance – Meloni Construction
- Non-Profit Risk Assessment - County-wide
- DHS & DPR – Fee Reductions

Previously Completed Audits

FY 2024

- [HDR Contract Compliance Helmsman Management Services Contract No. 19-147-RFP \(Worker's Compensation Portion\)](#)
- [DHS - Funds Verification Review - Arlington Thrive Contract 22-DHS-EP8](#)
- [DPR - Controls over Revenue and Funds Handling - Memberships](#)
- DHS & JDR – Controls over Gift Cards
- County-wide Review of Application Controls

FY 2023

- [Invoice Review and Approval](#)
- [Review of Controls over FIR Billing, Revenue and Funds Handling](#)
- [FIR Contract Compliance – Digitech](#)
- [Interdepartmental Purchases](#)
- [Health Benefit Dependent Eligibility Audit](#)

FY 2022

- [Contract Compliance – National Elevator Inspection Services](#)
- [DHS PCARD Purchases in Support of Client Services](#)

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Previously Completed Audits and In-Process

FY 2021

- [Affordable Housing Investment Funds](#)
- [CIGNA Medical and Pharmacy Claims Audit](#)
- [CIGNA Rebates Audit](#)
- [Contract Compliance - Department of Environmental Services- Arlington Commuter Services Contracts](#)

FY 2020

- [Contract Compliance – Department of Environmental Services – Transportation – Contract 513-15LW](#)
- [Contract Compliance – Department of Human Services – Contract 17-183-SS](#)
- [Arlington 55 and Over Program](#)

Previously Completed Audits

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](#)

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](#)