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Meeting Minutes for 26, March 2025 Audit Committee Meeting

Audit Committee Members

Susan Cunningham, Audit Committee Co-Chair (Present)
Maureen Coffey, Audit Committee Co-Chair (Present)
Mark Schwartz, County Manager (Present)
Maria Meredith, Management & Finance Director (Present; left meeting at approximately 5:30 p.m.)
Thelma Askey, Community Member (Present)
Luanne Lohr, Community Member (Not Present)
John Vihstadt, Community Member (Not Present)
William (Bill) Wiggins, Community Member (Present)

Office of County Auditor (OCA)

Wayne Scott, County Auditor (Present)
Shirley Brothwell, Assistant County Auditor (Present)

Department of Human Services (DHS)

Brooke Hammond Perez, Economic Independence Division (EID) Director (sitting in for Anita Friedman, Director, DHS)
Nicole Dula, Housing Assistance Bureau Director, EID
Jan Longman, Compliance Officer, DHS
Michael-Dharma Irwin, Quality and Administration Division Director

Call to Order

At 5:06 p.m., Co-Chair Maureen Coffey called the meeting to order. The Co-Chair thanked everyone for attending, especially given the meeting location disruptions that have occurred this week. She welcomed the DHS attendees and thanked them for working with the County Auditor over the last few months on the Housing Grants audit.

Meeting Summary

The meeting of the Audit Committee (Committee) covered several key items. The January 30, 2025, meeting minutes were approved by the Committee (Item 2). The Co-Chairs report covered topics important to the Committee (Item 3). Following this, the County Auditor presented a status update to the FY 2025 Audit Work Plan (Item 4) and reviewed three recently completed audits (Item 5). The Co-Chairs allowed for discussion of miscellaneous items by Committee members (Item 6). The meeting was adjourned at 6:26 p.m.

Item 2 - Approval of Meeting Minutes from January 25, 2025:

Ms. Coffey introduced this item and asked if Committee members had any edits to the draft minutes. Hearing none, Mr. Schwartz motioned to approve the January 30, 2025, meeting minutes; Ms. Meredith seconded the motion. The minutes were unanimously by voice vote. Mr. Wiggins abstained, as he did not attend the January Committee meeting.

Item 3 - Co-Chairs Report

Ms. Coffey noted that the County Board is actively in budget season. Ms. Cunningham said that many people have put forth tremendous effort to develop the budget and find monetary savings. Ms. Coffey said the tax rate hearing will be on Thursday, March 27, and the April County Board meeting, which falls early this month because of the religious holidays, will be on Saturday, April 5th. The recess meeting and budget adoption will be on April 9. All meetings will occur at Central Library. Staff will make sure that everyone knows of the new location.

Ms. Coffey noted that, of relevance for this Committee, there is one position in the budget for OCA that is frozen. Mr. Scott said he would like to keep the position frozen for the time being while he and the new Assistant County Auditor, Ms. Shirley Brothwell, get ramped up and build the structure they want for the office. He recommends keeping the position frozen until 2026.

Ms. Coffey said this concluded the Co-Chairs Report and turned to Mr. Scott for his status update.

Item 4 – Status Update of the OCA FY 2025 Work Plan

Mr. Scott provided an overview of the audit work plan for 2025, noting the overall progress for performance and follow-up audits as well as other key administrative activities. He noted the use of new terminology—Office of County Auditor—which became necessary when the Assistant County Auditor position was filled. Details on the completed Housing Grants Program performance audit were provided under Item 5. The audit of Specialized Transit for Arlington Residents (STAR) is currently underway, while the Site Plan Conditions and Benefits audit is in the planning phase.

STAR Audit

- Timelines have been extended because transactions and activities testing took longer than anticipated.
- Fieldwork will be wrapped up by late April/early May then the reporting phase will begin.
- OCA is looking at major program goals, including safety, reliability, compliance with the Americans with Disabilities Act (ADA), operational effectiveness, customer focus, and accuracy of data records.
- Two sections of fieldwork are largely complete (service provider invoicing and customer complaints and comments); three fieldwork sections are in process (contract management oversight, operational effectiveness, and software functionality).

Site Benefits Audit

- Planning activities have begun, and a formal announcement is expected in mid-April.
- OCA had a pre-planning meeting with Community Planning, Housing and Development (CPHD) and is reviewing documentation they provided, which will help shape the scope and objectives for this audit.

Regarding follow-up audits, there were 22 open recommendations when Mr. Scott became the County Auditor; there are now just 9 open recommendations. Follow up on Fleet Management and Department of Technology Services Contract Management audits has recently been completed. Follow up on audits of Police

Overtime and Emergency Communications Center Overtime are underway. OCA hopes to get to follow up on the Nonprofit Funding audit very soon.

On the administrative side, the Assistant County Auditor started with OCA on February 24th. OCA continues to work on its internal policies and procedures revisions to strengthen the audit function, and Ms. Brothwell has added expertise and helped OCA get access to technical resources to ensure the policy updates adhere to recently updated Generally Accepted Government Auditing Standards.

OCA continues to prepare for an upcoming peer review.

In the next few weeks, OCA will start working on developing the 2026 audit plan and will meet with County Board members and the County Manager and some of his key leaders. The 2026 plan will be a full year plan starting on July 1, and, with the additional resources, we expect to have a greater number of performance audits in the plan. Committee members will not see as much follow up activity in the plan given that OCA is closing out open recommendations.

Mr. Scott invited Committee members to share any questions or comments.

Question & Answer Session:

Mr. Wiggins asked if there are best practices for how long audit recommendations should stay open.

Mr. Scott responded that OCA practices will change moving forward. OCA is looking for quicker implementation of audit recommendations. The Housing Grants audit contains specific timeframes by which management intends to address the recommendations, and OCA follow up will be timed to align with those actions.

Ms. Cunningham asked whether, given the budget horizon, there are any developments from the overtime audit follow up that the County Board should keep in mind during budget discussions.

Mr. Scott responded that one outcome was to obtain the Telestaff system, but that had already been factored into the budget. Mr. Schwartz commented that the overtime audits were done to understand the root cause of overtime and what kind of changes could be made to make reporting more effective. There wasn't a lot of analysis in those reports about whether hiring more staff would bring down overtime costs.

Mr. Schwartz asked what thoughts OCA has about getting input from the public or Audit Committee for the 2026 audit plan.

Mr. Scott said he was aware of some community thoughts about issues that could be addressed, and public input is important, but he is still thinking about how to best obtain this input.

Ms. Coffey said that OCA might consider soliciting input from Commission chairs, who have unique expertise in their given areas.

Item 5- Review of Completed Audit Reports

Mr. Scott provided an overview of three audit reports that have been completed since the December 2024 Committee meeting, including one performance audit and two follow-up audits. The Housing Grants Program audit was released on March 10, 2025.

Before reviewing the Housing Grants report, Mr. Scott explained to Committee members that the report layout differs from previously issued reports, and that future performance audits will adhere to this layout. For example, there is a Key Highlights section that provides a high-level message; a Background section that provides context about the program; and an Objectives, Scope, and Methodology section that explains the work that was done. Each Finding identifies criteria (what should be), condition (what is), cause (why accounts for the difference between what should be and what is), and effect (the actual or potential impact of not correcting the identified deficiency). Recommendations follow each Finding, and the Management Response is built into the body of the report (versus being included in the back of the report) for easier reading.

OCA is also introducing a new product numbering scheme that identifies the audit type and year of audit. The numbering scheme is to identify the fiscal audit plan the report is tied to, the department being audited, the type of audit report (e.g., performance, follow up), and the number of the product. This approach will help OCA answer questions about the number of audits that have been completed, of what type, and in what areas.

Housing Grants Audit

The audit objective was to assess the effectiveness of the program and look at the metrics used to report on performance. A 2024 study examined program expansion, i.e., increasing eligibility, so the audit also looked at eligibility of participants. The audit universe was 2024 participants and examined their eligibility, their experiences with applying for housing grants, and whether they received the right amounts at the right time. There were five test areas: (1) application process and validation; (2) program performance measurement; (3) program communication and assistance; (4) status of the 2024 Housing Grant study and any recommendations; and (5) grant application software (called Yardi Voyager) IT controls.

Mr. Scott reviewed each audit Finding and Recommendation in greater detail:

- Performance metrics are not aligned with the Affordable Housing Master Plan (AHMP). DHS and CPHD need to work with County leadership to align measures with the AHMP and create a framework for measuring progress against a baseline.
- Program operating procedures are not documented, and implementation is reliant on the experience of those operating the program. DHS should create a comprehensive procedures manual and keep it updated as necessary.
- Personally identifiable information (PII) was stored on an e-mail server. During the audit, staff took steps to delete these emails. Moving forward, DHS should develop procedures for how to properly handle PII that is received during the intake process.
- Written communication to program participants was not always clear. While the team is very experienced, they were using and modifying templates created over time. OCA is recommending that DHS review their templates to ensure clarity and alignment with program regulations, have procedures to update them over time, and share templates with the County Attorney who would review them for potential legal issues.
- A commonly available, annual IT audit report of Yardi Voyager, called a Systems and Organizations Control (SOC) report, was not obtained or reviewed. The software provider is required to have their system audited; the reports look at security over document storage, change management practices, etc. DHS should regularly obtain these reports and review them to identify any findings that might impact the program and Arlington County Government.
- Finally, OCA identified an Other Matter that the Housing Assistance Bureau should develop and implement a grant control checklist for the initial grant approval and renewal process. This would ensure that there is a document trail for every grant that is approved or denied. It's a huge program—\$15 million—with over 1560 participants, but that figure understates the workload

because in 2024 there were also about 1,400 denials. The purpose here is to just make sure that the decisions are documented.

DHS management agreed with all Findings and Recommendations. They expect to address the recommendations by the 4th Quarter of 2026, at which time OCA will initiate a follow up audit.

Ms. Hammond Perez mentioned that EID is already looking at how to capture the true workload so they can figure out appropriate staffing levels. What is an appropriate caseload for housing grants, given that you still have to process applications to inform future budget decisions, particularly if the program continues to grow?

Ms. Cunningham said that another issue discussed during the budget session was income verification and what Arlington can do to invest in a single income verification system. She said the state partners are interested in potentially supporting this, and moving in this direction would save DHS a lot of time, improve service, and help with fraud prevention.

Mr. Scott asked if the Committee had any questions regarding the Housing Grants audit report.

Housing Grants Audit Question & Answer Session

Ms. Coffey asked Mr. Scott to confirm that the Housing Grant audit did not reveal that there were any people receiving grants who should not have been receiving them. Mr. Scott confirmed this, saying everyone who received a grant was eligible.

Ms. Askey asked, regarding the performance measures, whether the program has both output and outcome metrics, i.e., is it just counting program participants or is it also assessing achievement of program objectives.

Mr. Scott replied that the program has both types of measures. They look at number of participants and amount of money spent, but they also look things like are participants migrating out of the program because their circumstances have improved.

Ms. Hammond Perez said that DHS has a range of metrics for every major program; these include both output metrics (e.g., number of households served, timeliness of responding to applications) and outcome metrics (e.g., how many households are retained in the program). One of the goals of the program is to make sure that low-income households can sustain their living situations. She said they try to highlight in the Affordable Housing Plan how the Housing Grant Program contributes to Plan goals and are actively discussing how to improve metrics in the Plan as well as in the program considering the audit findings. Ms. Hammond Perez shared various ideas that have been discussed for new metrics and the pros and cons of each.

Ms. Askey said that EID mentioned something about applicants not following the process and being denied and wondered whether this is an issue of applicants not being qualified or not being aware of how the process works and getting denied even if they would otherwise be qualified. She asked whether the audit found any issues on that score.

Ms. Hammond Perez said that some denials happen because applicants are not eligible; others are denied because DHS never gets all of the needed documentation despite follow up with the applicant. DHS learned from a 2024 study that there is some confusion about the program, even within County staff, on who is eligible. That study recommended establishing a Housing Grants Coordinator to help applicants navigate the process, and DHS hopes that this is something it could still do.

Mr. Scott said the audit did not find any issues on this. He said applicants are able to apply more than once, so if they are denied on their first attempt, they can apply again.

Mr. Wiggins stated that for him, this audit was a Gold Standard. He said he likes the new format of the report and appreciated that the audit report covered several program aspects, including identifying areas that could go bad without sufficient attention. He asked DHS what it thought of the audit.

Ms. Hammond Perez said the experience was very positive. The program has never been audited so having OCA come in with their perspective was great. She said OCA was able to do a deep dive that she, as a manager, doesn't always have time to work on. She said DHS generally agreed with their findings and would love to work with them again.

Ms. Cunningham asked DHS whether there was anything that they would like to see done differently next time around.

DHS staff responded that a lot of things went really well. For example, a Microsoft Teams communication channel was created to share documents. The audit was not disruptive to the staff. The questions were good but not asked in a harsh way. If DHS continues to grow, it will need to address some controls that the audit has identified.

Mr. Schwartz asked, hypothetically, how comfortable would OCA or DHS be with expanding the program.

Mr. Scott said he thought it would be smart to link program goals to the Affordable Housing Master plan and review the data on how things are going. He said it was great to see the existing performance measures. Ms. Hammond Perez said if DHS expands, it will need more staff. Mr. Scott also mentioned it would need better tools.

Ms. Coffey said that she has a lot of trust in County staff, but it's great to be able to say that the County is spending taxpayer money correctly, that the program is effective and compliant. The Board can point to the report and say, the things that were found are small problems that are fixable.

Mr. Wiggins said that it might be useful to do some scenario testing, like how the program would cope if applications suddenly doubled. He said it's important to be ready and consider how many more people DHS would need in a dire situation. Ms. Coffey contributed that this scenario was tested during the pandemic. Ms. Cunningham shared that if the County is going to keep the program, which she believes it will, then it's time to invest in it. It should be easier for DHS staff and everyone else to carry out the mission. In tough years, DHS will need to be more effective.

Following the Q&A, DHS staff left the meeting.

Audit Follow Up

Two follow-up audit reports were presented.

- The DTS Contract Management report, issued in 2021, had seven open recommendations.
 - Of the seven open recommendations, six have been closed while one on contract management files requires further follow-up.
 - The issue with contract management files centers on whether we are getting the products and services that we contracted for and at the agreed upon price.
 - Management is doing work to make sure that contract management team fully understands their role in approving contracts.
 - OCA will revisit this in the 2nd Quarter of FY 2026.

- The Fleet Management report, issued in 2021, had one open recommendation on low usage vehicles that has now been closed.

Mr. Scott asked if the Committee had any questions regarding the follow-up audit reports presented.

Audit Follow Up Question & Answer Session

Ms. Askey asked when the DTS Contract Management audit was done and whether it is normal for recommendation implementation to take so long.

Mr. Scott responded that the DTS audit was part of the 2020 audit plan. The last follow up was done by a previous County Auditor, Chris Horton, in May 2022. The more recent County Auditor did not do any follow up. Had he done follow up, the issue would have surfaced sooner and could have been addressed.

Ms. Cunningham weighed in that OCA is just now doing follow up on 2019 and 2020 audits, which is not a best practice. Ms. Coffey shared that actions were probably taken before OCA did this most recent follow up but were not documented in the files.

Ms. Coffey said she hoped that today's presentation gives everyone a good sense of what OCA has spent their time on lately. The amount of progress in such a short amount of time is impressive, especially given that the County Auditor only came onboard about 8-9 months ago, starting from scratch, and she felt very excited to see such a comprehensive review and so much follow up work being done. She said she hoped everyone felt good about the progress that has been made.

Item 6- Miscellaneous Items

Ms. Coffey said she did not have any items and asked if others did. Committee members did not have any Miscellaneous Items.

The next Committee meeting is June 26th at 4:30 pm.

Adjournment

Co-Chair Maureen Coffey moved at 6:26 pm to adjourn the meeting. Co-Chair Susan Cunningham seconded the motion. Without objection, the meeting was adjourned.

Minutes submitted by: Shirley Brothwell, Assistant County Auditor

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