

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

February 2024

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

- 54 audits issued since FY 2015 with 198 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 - \$210,000
- Audit Services Vendor - RSM



Definitions of Risk -

- High

- High importance to business success/achievement of goals and improving its internal controls. Action should be taken immediately.

- Medium

- Moderate importance to business success/achievement of goals and improving its internal controls. Action should be taken in the near term.

- Low

- Low importance to business success/achievement and internal control structure.

Review of Prior Audit Remediation Efforts

Internal Audit is required to validate the implementation of management’s corrective action plans as documented for each reported finding. Since 2015, 54 audits have been completed resulting in 198 audit findings. The following summarizes the status of Internal Audit’s follow-up as of December 2023 (see listing of prior audits in background section)

Total Findings as of December 2023	198
Less: Findings not yet subject to follow up	<u>33</u>
Total Subject to Follow-up	<u><u>165</u></u>

Status of Findings Subject to Follow-up:	
Remediation tested by IA and deemed adequate	95
Remediation of testing currently in process, not completed	12
Items not yet tested by IA	<u>58</u>
Total Subject to Follow-up	<u><u>165</u></u>

<i>Status of Findings Subject to Follow-up: by Rating</i>				
Rating	Remediation tested by IA and deemed adequate	Remediation of testing currently in process	Items Awaiting Testing by IA	Totals
High	15	8	12	35
Moderate	34	3	36	73
Low	46	1	10	57
Totals	95	12	58	165

Recently Completed Audits

Completed By RSM

- County-wide Interdepartmental Purchasing
- HRD – Contract Compliance – Helmsman (Worker's Compensation portion)

Completed ACG Internal Audit:

- County-wide Invoice Review and Payment

Follow-ups:

- DES Controlled Asset (<5K)
- DES Contract Compliance- Art Bus Contract
- DHS Adoption Program
- Completed 2 Internal Control Follow-up Reviews Stemming from Investigations

FY 24 Summary of Findings

County-wide Review of Interdepartmental Purchasing –

Moderate

- Improving Project Officer Coordination for Interdepartmental Purchasing

Low

- Purchasing services not under contract

HRD - Contract Compliance – Helmsman Contract (Worker's Compensation Portion) - No Findings

FY 24 Summary of Findings (cont'd)

County-wide Review of Invoice Approval and Payment –

Several Contract Payments reviewed from several departments where no issues were found

Moderate

- Noncompliance with Contracts/Purchase Order Payment Terms and Conditions
- Lack of Evidence Supporting Receipt of Goods or Services for Purchases.

FY 24 Audits in Process

In Process

- Dependent Eligibility Audit
- DHS – Thrive Contract Funds Verification (Contract 22-DHS-EP-8)
- DPR - Controls over Revenue Generating Activities and Funds Handling
- DTS Follow-ups
 - Server Inventory
 - End Point Devices Inventory (Controlled Assets < \$5K)
 - Wireless Devices
- Three Internal Control Follow-up Reviews (Stemming from Investigations)

Other Internal Audit Activities

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

FY24 Audits to be Started

- DHS & JDR Controls Over Gift Cards
- Contract Compliance Audit (Dept – TBD)
- Information Technology Access Controls Audit (County-wide)

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

Contact the Employee Hotline

arlingtonva.ethicaladvocate.com

1-866-565-9206

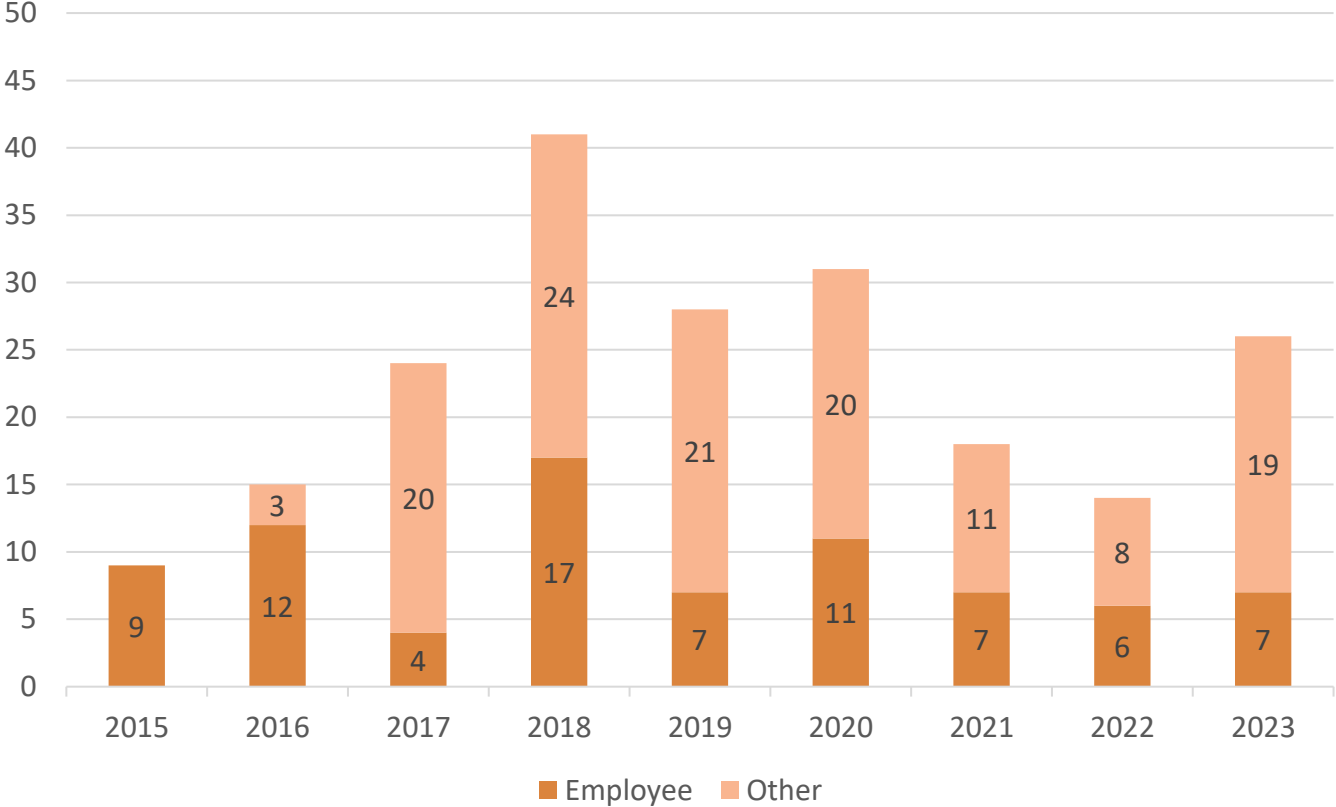
The hotline is for employee use only. In addition to the above options, you may still provide this information directly to your supervisor, HR, DMF or any member of management. For more information on the Employee Hotline and whistleblower protections visit AC Commons.

Call center operated by Ethical Advocate

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

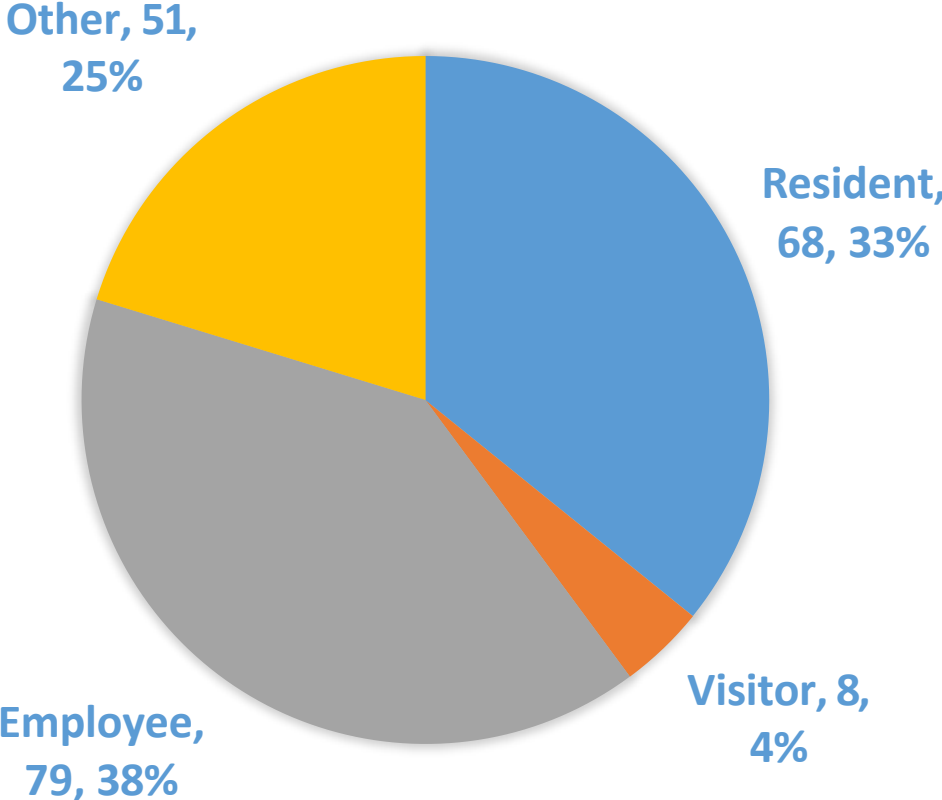
Public hotline implemented in November 2016

Number of Complaints per Calendar Year



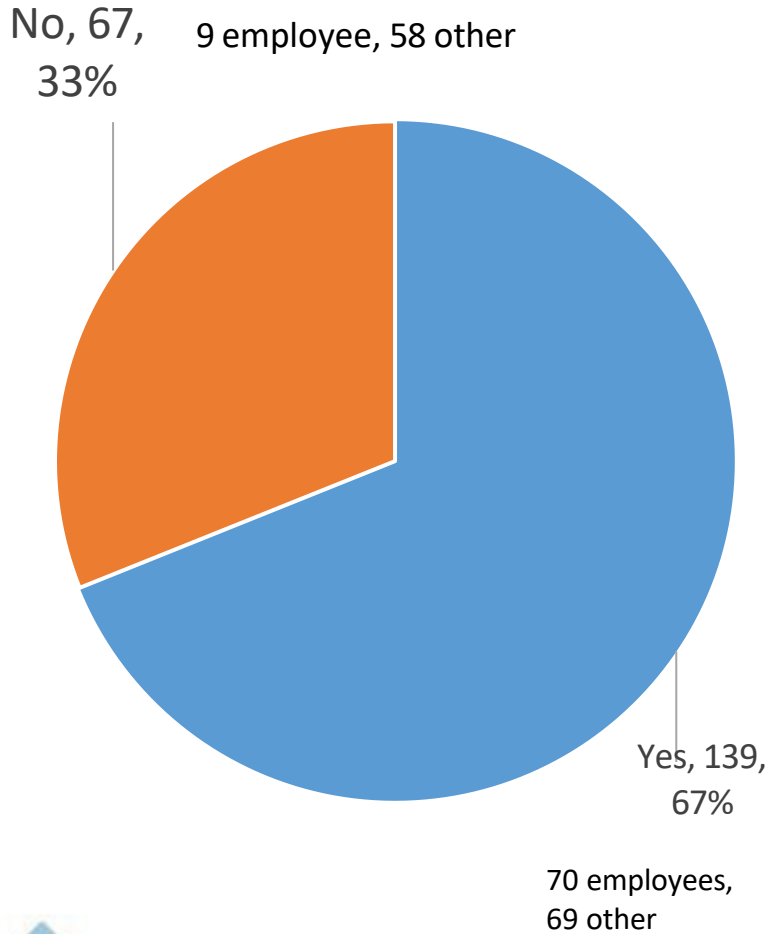
206 Total Complaints – 187 Unique Complaints

Relationship to County (2015-2023)

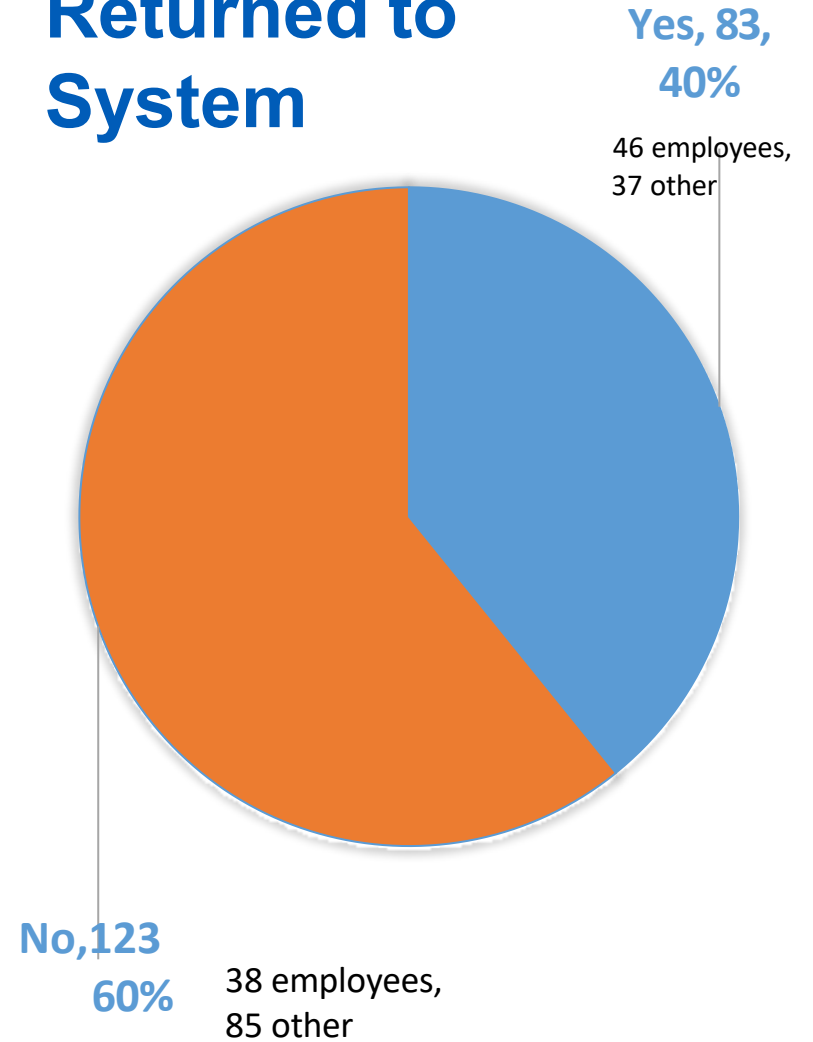


Complaint Information (2015-2023)

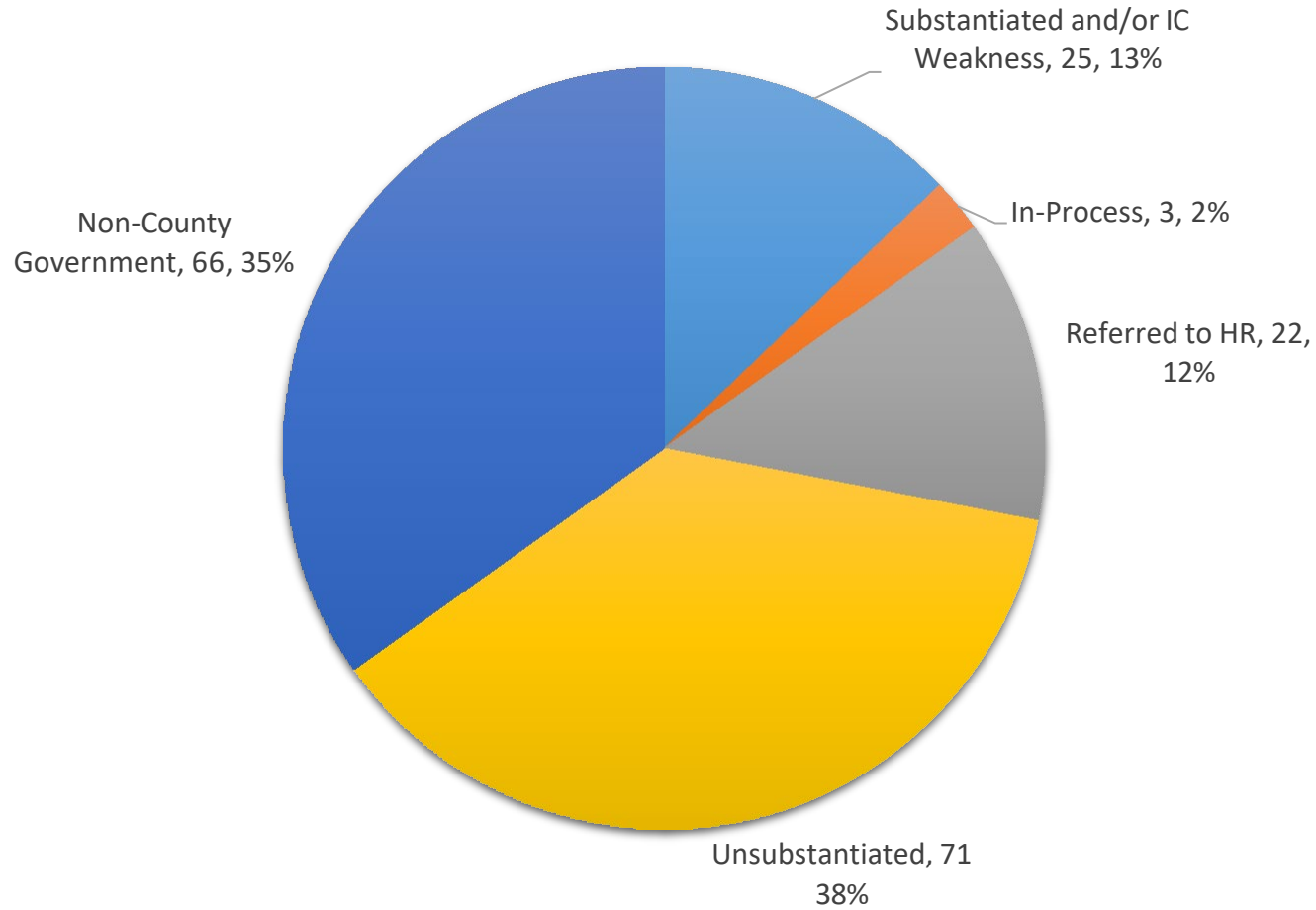
Anonymous



Returned to System



Type/Result of Complaint (2015-2023)



Continued Advertisement

- Quarterly included in e-News (employee news)
- Insider
- AC Commons – County intranet
- County web page
- Replace posters as needed – recently created new poster to attract awareness
- Cards provided at orientation

Background

Listing of Completed Audits FY 2015- FY2024

Previously Completed Audits and In-Process

FY 2024

- [HDR Contract Compliance Helmsman Management Services Contract No. 19-147-RFP \(Worker's Compensation Portion\)](#)
- DHS – Funds Verification Review - Thrive Contract 22-DHS-EP-8. (In Process)
- DPR - Controls over Revenue Generating Activities and Funds Handling (In Process)

FY 2023

- [Invoice Review and Approval](#)
- [Review of Controls over FIR Billing, Revenue and Funds Handling](#)
- [FIR Contract Compliance – Digitech](#)
- [Interdepartmental Purchases](#)
- [Purchase Card Monitoring Executive Summary – December 2022](#)
- [Purchase Card Monitoring Executive Summary-September 2022](#)
- Health Benefit Dependent Eligibility Audit (In Process)

FY 2022

- [Contract Compliance – National Elevator Inspection Services](#)
- [DHS PCARD Purchases in Support of Client Services](#)
- [Purchase Card Monitoring Executive Summary – April 2022](#)
- [Purchase Card Monitoring Executive Summary – July 2021](#)

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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](#)
- [Purchase Card Monitoring Executive Summary – May 2021](#)
- [Purchase Card Monitoring Executive Summary – January 2021](#)
- [Purchase Card Monitoring Executive Summary –October 2020](#)

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](#)
- [Purchase Card Monitoring Executive Summary – March 2020](#)

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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](#)