# Arlington County Board

# Audit Committee

# Meeting Minutes

June 3, 2021

1. Call to order

Co-Chair Takis Karantonis called to order the virtual regular meeting of the Audit Committee at 5:00 PM on June 3, 2021.

1. Roll call

Members of the Audit Committee in attendance were

* Takis Karantonis – Co-chair
* Christian Dorsey – Co-chair
* Brian Sigritz – Public Member, FAAC Representative
* Sonia Salinas – Public Member
* Bill Wiggins – Public Member
* John Vihstadt – Public Member
* Maria Meredith –Director, Department of Management and Finance (DMF)
* Mark Schwartz – County Manager

Also in attendance were

* Chris Horton—County Auditor
* Richard Archambault – Division Chief, Information Security, Privacy, and Regulatory Affairs, Department of Technology Services (DTS)
* Jack Belcher – Chief Information Officer, DTS
* John Bayliss – Chief Operating Officer, DTS
* Michael Stewart – Deputy Director, DMF
* Gilbert Pizano – Budget Manager, DTS
* Sharon Lewis – Purchasing Agent, DMF
* William Jones – Transit Services Manager, Department of Environmental Services
* Alexa Mavroidis – Member of the Public
1. Introduction of New Audit Committee Members

Co-Chair Takis Karantonis introduced new Committee members Bill Wiggins and Sonia Salinas.

1. Approval of minutes from last meeting

On a motion by JOHN VIHSTADT, Member, seconded by BRIAN SIGRITZ, Member, the Audit Committee approved the minutes of the January 28, 2021 meeting as amended. The motion passed by acclamation. Bill Wiggins abstained from the vote. Sonia Salinas was absent from this vote due to technical issues, but later rejoined the meeting.

1. Business
2. *Department of Technology Services – Contract Management Audit*
	1. *Chris Horton, County Auditor – Jack, John, Richard*
		1. Mr. Horton gave background and presented on the Department of Technology Services Contract Management Audit
		2. Mr. Horton outlined the three fieldwork objectives for the audit, including the evaluation of current contract management procedures within DTS to determine the maturity of the program and identify any areas of improvement, verification that contract managers are appropriately monitoring compliance with contract terms throughout the life of each contract, and assessment of specific contracts to identify risks associated with each agreement, and determine if further review is required. No systematic risks were noted or findings presented with regards to the third objective. Mr. Horton also noted that there are $76.6 million of encumbered purchase orders for the prior three fiscal years, and outlined the County’s purchasing management policies and procedures as they relate to contract administration
		3. Mr. Horton noted two findings and nine recommendations pertaining to this audit.
			1. In the first finding, Mr. Horton noted the use of the Maturity Model to assess that DTS is in the development stage of contract management maturation. Areas of potential improvement include:
				1. Improved or expanded Contract Management trainings, particularly in terms of vendor relationships and management;
				2. Clarification of existing county-wide contract management procedures and development of department specific procedures in conjunction with the Purchasing office; and
				3. Improved contract file maintenance policies and procedures
			2. In the second finding, Mr. Horton noted that improvements are needed in Contract Management processes, and PRISM-related upgrades would help. Areas of potential improvement include:
				1. Development of risk-based standard procedures related to interdepartmental communications pertaining to contracts and contract management;
				2. Development of an automated invoice review and approval process in the PRISM system, or acquisition of an updated financial management system; and
				3. Development of a comprehensive listing of active department contracts.
		4. Mr. Belcher and Mr. Archambault offered thoughts in response to the audit findings, noting substantive agreement with all points excepting departmental ownership of certain training-related items between DTS and DMF. Mr. Archambault also noted that the invoice review and approval process recommendation has been implemented.
		5. Mr. Horton and Co-Chair Dorsey opened the floor for questions.
			1. Mr. Sigritz – what is the current status of enhanced PRISM service or acquisition of a replacement financial management system? Ms. Meredith noted that the proposed CIP includes funding for a replacement financial system, and anticipated a process spanning from Fall 2022 to Spring 2024.
			2. Mr. Vihstadt – noting a number of actionable items for DTS within the audit, what do you anticipate could be implemented in a 6-12 month timeframe and what may take longer? Mr. Archambault noted that communication policies around contract management and contract file reviews are near-term action items, although more extensive contracts may take longer.
			3. Mr. Karantonis – regarding recommendation 2.3 – is this a near term deliverable, or does it need to wait until the acquisition and deployment of a new financial management system? Mr. Archambault noted that the task itself is a “low hanging fruit” but questions remain about what the system of record would be.
			4. Mr. Dorsey – regarding trainings and the shared responsibility between DTS and DMF, is there an opportunity for concurrent tracking? Mr. Archambault noted that a single system of record should be used to generate reports for interested parties. Mr. Horton clarified that this single system of record would apply only to internally conducted trainings, and would not capture any trainings conducted outside the County training system.
			5. Mr. Vihstadt – Regarding the Contract Management Maturity model, is it correct that as a function of the County’s organizational model that it cannot attain the “optimized” stage of the model? Also, can this model be applied to other county departments for their own contract management purposes? Mr. Horton – to the first question, correct, the stage was not included as the County is not organized in such a way that the stage would be relevant, but if all contract management were to be restructured into one department, then the stage could potentially apply. When asked if there was value in sharing this Maturity model across the organization Ms. Meredith replied yes,
3. *County Auditor’s proposed Annual Audit Work Plan*
	1. Mr. Horton gave an overview of his approach to developing the FY2022 Audit Work Plan, and noted flexibility to amend the work plan in consultation with the Board, Audit Committee, and County Management.
	2. Mr. Horton outlined Carryover audits from FY2021 that will require additional hours worked in FY 2022, and proposed the closure of the Sheriff’s Department Overtime audit carried over from FY 2021. This proposal is due to additional positions having been added, the low likelihood of findings dissimilar to those found in the Police Overtime audit, and the value added to Operations in other audit areas.
	3. Mr. Horton proposed an audit of the Specialized Transit for Arlington Residents (STAR) in FY2022
	4. Mr. Horton outlined hours allocated to the completion of follow-up audit work, potential Special Advisory Reports, and Risk Assessment for FY2022. He additionally outlined hours allocated to administrative or support activities related to the County Auditor role.
	5. Mr. Horton noted two newly included items on the Audit Horizon – first, the Gender and Ethnic Diversity audit within the Department of Human Services, and second, the Privacy audit within the Department of Technology Services.
	6. Mr. Horton noted, and Ms. Meredith confirmed, that an audit of Health Plan Dependent Eligibility would be duplicative of work currently in planning phase by DMF Internal Audit.
	7. Mr. Horton opened the floor to questions.
		1. Mr. Schwartz – considering that ART Operations are audited by the FTA and Metro, how would the balance of your work priorities for the proposed STAR audit factor in? Mr. Horton – this audit area is an area of interest for Board members, the subject matter is complex in nature and offers an opportunity to examine issues from the perspective of equity in county operations. Mr. Jones – agreed, and would give insight into operations looking forward
		2. Mr. Vihstadt – regarding decision to close the Sheriff overtime audit – Police and Fire overtime audits yielded valuable and actionable results, would there not be value in identifying the same issues within the Sheriff’s department, or would the Sheriff be amenable to taking the Police and Fire results and extrapolating actionable items from them? Mr. Horton – in essence yes, existing audits would provide a roadmap to implementing improvements without the need for a full audit. Also, technology-related issues identified in the prior audits will have been structurally remediated. Mr. Dorsey – also, due to COVID-19 operational changes, a major source of overtime due to officer roll-call was addressed.
		3. Mr. Sigritz – can you speak to the differences between audit reports, letter reports, etc.? Mr. Horton – a letter report is a vehicle for top-line information, an audit report is much more in-depth but at the same time is much more resource intensive to prepare. Mr. Sigritz – following up, would there be value in conducting the Sheriff overtime audit as a letter report? Mr. Horton – the issue is more with the amount of fieldwork outstanding.
		4. Mr. Karantonis – when can final reports be expected for carryover audits with a letter report listed as the reporting outcome? Mr. Horton – imminently, some to be released before the next Committee meeting and others soon to follow.
		5. Mr. Wiggins – can you review your estimated hours allocated to follow-up audit work, considering that follow-ups often take longer than anticipated? Mr. Horton – agreed, and it is possible the hours allocated are too low, but the approach is to only test and follow-up on recommendations that management has reported to be implemented.
		6. Mr. Wiggins – considering that higher-risk or more complex recommendations may take longer to implement, how do you test or follow up on those? Mr. Horton – does not assign risk to specific recommendations, those are management level determinations.
		7. Mr. Vihstadt – considering that we’re lowering the Fleet Management audit to a letter report from a full audit report, what will be missed or omitted? Mr. Horton – primarily, background information.
		8. Mr. Vihstadt – how will you ensure that you are minimizing duplication of efforts related to the STAR audit? Mr. Horton – liaising with other auditors, although it may be the case that other audits are examining other aspects of the system.
		9. Mr. Sigritz – regarding COVID-19 cost reimbursement, has thought been given to looking into American Rescue Plan funding as well? Mr. Horton – would like to keep the scope focused on CARES Act
		10. Mr. Vihstadt – regarding Gender and Ethnic Diversity – do you feel that the County currently lacks the resources or information to identify or report on these demographic data points? Mr. Schwartz – we do have raw data that is included in the annual report and barrier analysis. Mr. Horton – the information should be reasonably accessible for purposes of conducting this potential audit
		11. Mr. Dorsey – appreciates the inclusion of Privacy on the audit horizon, and suggests that the DTS audit not be removed from the Audit Horizon until the eligibility audit has actually been conducted. Also, can those in this meeting or those watching suggest audits or work to be included? Mr. Horton – yes, but before the June Recessed County Board meeting when the work plan is adopted.
	8. Mr. Karantonis noted no further objections to the Draft Audit Work Plan.
4. *Audit Follow-Up Reports*
	1. Police Department Overtime
		1. Mr. Horton provided an overview of the Police Overtime Audit Follow-Up Report, noting that of nineteen recommendations subject to follow-up, fifteen had been fully implemented. The four remaining recommendations were partially implemented, of which three were on track for full implementation prior to the next follow-up review. Implementation of the final recommendation is subject to PRISM upgrades or acquisition of a new payroll management system.
	2. Fire Department Overtime
		1. Mr. Horton provided an overview of the Fire Department Overtime Audit Follow-Up Report, noting that of twenty-three recommendations subject to follow-up, three had been fully implemented. The remaining recommendations were either partially implemented or not implemented and will be revisited in Fall of 2021.
	3. Mr. Horton opened the floor to questions.
		1. Mr. Vihstadt – there is a large discrepancy between the number of recommendations implemented by Police and Fire Department, to what is that discrepancy attributable? Mr. Schwartz – a major explanation could be staffing needs, Fire Department has been unable to hire the additional staffer recommended due to a COVID-Related hiring freeze. Attention has also been on other high-priority items. Ms. Meredith – to follow up noted, since the time of this follow-up report, Fire Chief Povlitz has identified several other recommendations as having been implemented.
		2. Mr. Vihstadt – given staffing challenges in both departments, do you have thoughts on what we might expect in terms of overtime needs in the future? Mr. Schwartz – acknowledges staffing difficulties, particularly with police, and notes that issues with overtime have likely been heightened in ACPD relative to ACFD.
5. *2021 Audit Committee Meetings: Scheduling and Topics*
	1. Mr. Dorsey proposed the next meeting for the First Thursday in September (September 2nd) at 5:00 PM. There were no objections.
	2. Mr. Horton noted that scheduling for the first Thursday in December would preclude the opportunity to review the External Audit Report. Mr. Dorsey noted that he would discuss among leadership but that the date should be held as probable.
	3. Mr. Vihstadt noted, regarding the December Meeting, that there may be value in conducting a joint meeting of the County and Public Schools Audit Committees.
6. Adjournment

Co-Chair Dorsey adjourned the meeting at 7:25 PM.

Minutes submitted by: Mason Kushnir, Deputy County Clerk