

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

June 2023



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

- 51 audits issued since FY 2015 with 194 Findings (Rated Low, Medium & High Risk)
- Management held accountable to establish and execute action plans to remediate findings
- Audit coverage included:
 - Contract Management
 - Purchase Card Compliance
 - Funds Handling
 - Asset Management
 - Payroll/Timekeeping
 - Inventory
 - Special Focus Areas

Current Resources

- 1.5 FTE
- Consultant Dollars - \$200,000
- New Internal Audit Services Contract Currently Being Negotiated with June 2023 Expected Award (Currently RSM providing support services)



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, 51 audits have been completed resulting in 194 audit findings. The following summarizes the status of Internal Audit’s follow-up as of May 2023 (see listing of prior audits in background section)

Total Findings as of May 2023	194
Less: Findings not yet subject to follow up	<u>29</u>
Total Subject to Follow-up	<u>165</u>

Status of Findings Subject to Follow-up:	
Remediation tested by IA and deemed adequate	85
Remediation of testing currently in process, not completed	11
Items not yet tested by IA	<u>69</u>
Total Subject to Follow-up	<u>165</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	13	4	20	37
Moderate	29	4	38	71
Low	43	3	11	57
Totals	85	11	69	165

FYs 22 & 23 Audit Status & Results

Completed By RSM

- CPHD – Contract Compliance – National Elevator Inspection Services
- FIR – Billings, Receivables and Funds Handling
- FIR – Contract Compliance – Digitech

Completed ACG Internal Audit:

- Commuter Services Contract Compliance – 4 contracts
- DHS – Purchase Card Expenses – Economic Independence Division, Child and Family Services Division & Behavioral Healthcare Division
- Purchase Card Reviews (audit of 3 months)

Follow-ups:

- POL PCARD
- PSCM PCARD
- DPR Controlled Asset (<5K)
- DES Contract Compliance- MCN Build Contract
- DES Contract Compliance- VMDO Architects

FYs 22 & 23 Audit Status & Results

In Process

- Dependent Eligibility Audit
- Interdepartmental Purchasing (Management Review)
- County-wide Invoice Review and Payment (Management Review)
- ART Bus Follow-up
- County-wide risk assessment

Postponed

- County-wide – Evaluation and compliance with County's Overtime Policy
- DPR - Controls over Revenue Generating Activities and Funds Handling

FY 22/23- Summary of Findings

CPHD - National Elevator Inspection Services (NEIS) Contract Compliance –

High

- Lack of Adequate Monitoring of Noncompliant or Expired Certificates of Elevator Inspections
- Timeliness of customer payments not monitored and not in accordance with policy and procedures
- Invoice amounts not compliant with pricing terms and conditions of contract

Moderate

- Inadequate supporting software systems leading to inefficiencies with significant manual data entry required
- Collection of filing fees for new installations not compliant with County policy
- NEIS does not provide the required management reports per contract terms for effective monitoring

FY 22/23 - Summary of Findings

DHS – Purchase Card Expenses – Economic Independence Division (EID), Child and Family Services Division (CFSD) & Behavioral Healthcare Division (BHD)

- Moderate
 - Lack of Evidence Supporting Client Receipt of Goods or Services for BHD and EID Client Purchase
 - Non-compliances with Grant Requirements and DHS-CFSD Policy and Procedures
 - Required Pre-Authorization of Goods and Services Under Grant Requirements Not Obtained

FY 22/23- Summary of Findings

DES – Arlington County Commuter Services (ACCS) Contracts (Four) – Contract Compliance Audits

Moderate

- Noncompliance with ACCS Contracts Payment Terms and Conditions
- Noncompliance Found with DES Division of Transportation (DOT) Contract Management and Related Policies and Procedures

Low

- Noncompliance with Other ACCS Contracts Terms and Conditions (Except Contract Payments).

FY 22/23- Summary of Findings

FIRE - Billings, Receipts and Funds Handling

High

- Inadequate monitoring of late payments/accounts receivables
- Lack of segregation of duties over funds handling
- Customer billings do not reconcile to supporting documentation & lack of system controls over billings.

Moderate

- Not safeguarding funds in accordance with County policy
- Not making timely deposits in accordance with County policy

FY 22/23- Summary of Findings

FIRE - Digitech Contract – Ambulatory Billings – Contract Compliance Audit

Low

- Hardship waivers not processed in accordance with County policy
- Contractor not complying with HIPAA reporting requirement

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
- 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

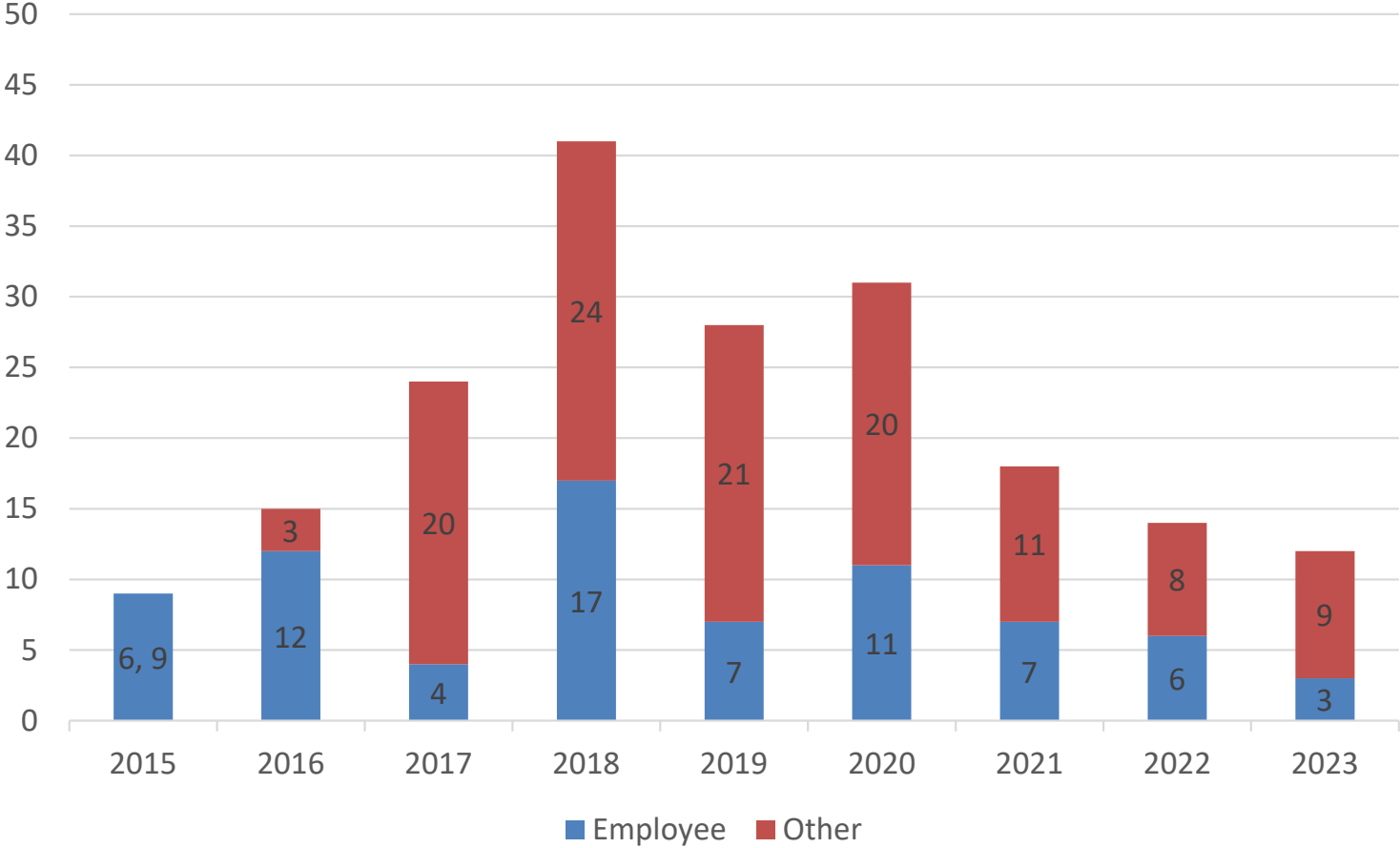
The hotline is for employee use only. In addition to the above options, you may still provide this information directly to your supervisor, HR, DMF or any member of management. For more information on the Employee Hotline and whistleblower protections visit AC Commons.

Call center operated by Ethical Advocate

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

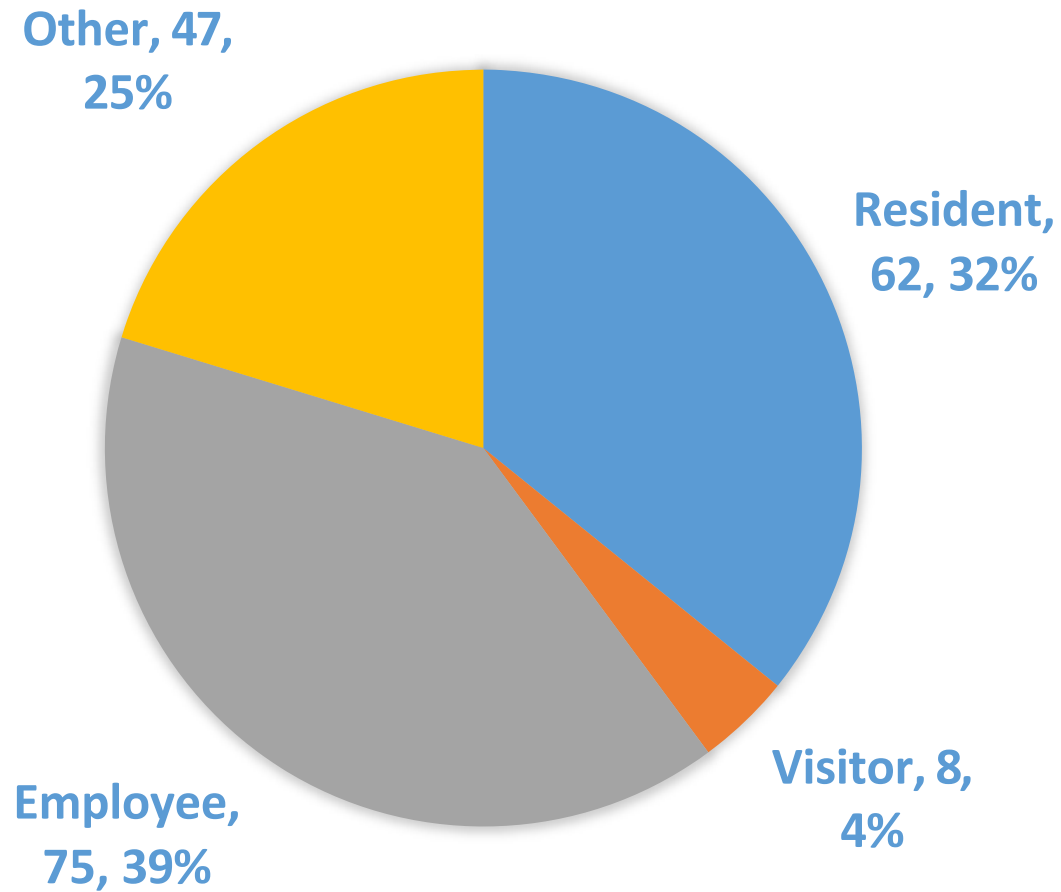
Public hotline implemented in November 2016

Number of Complaints per Calendar Year



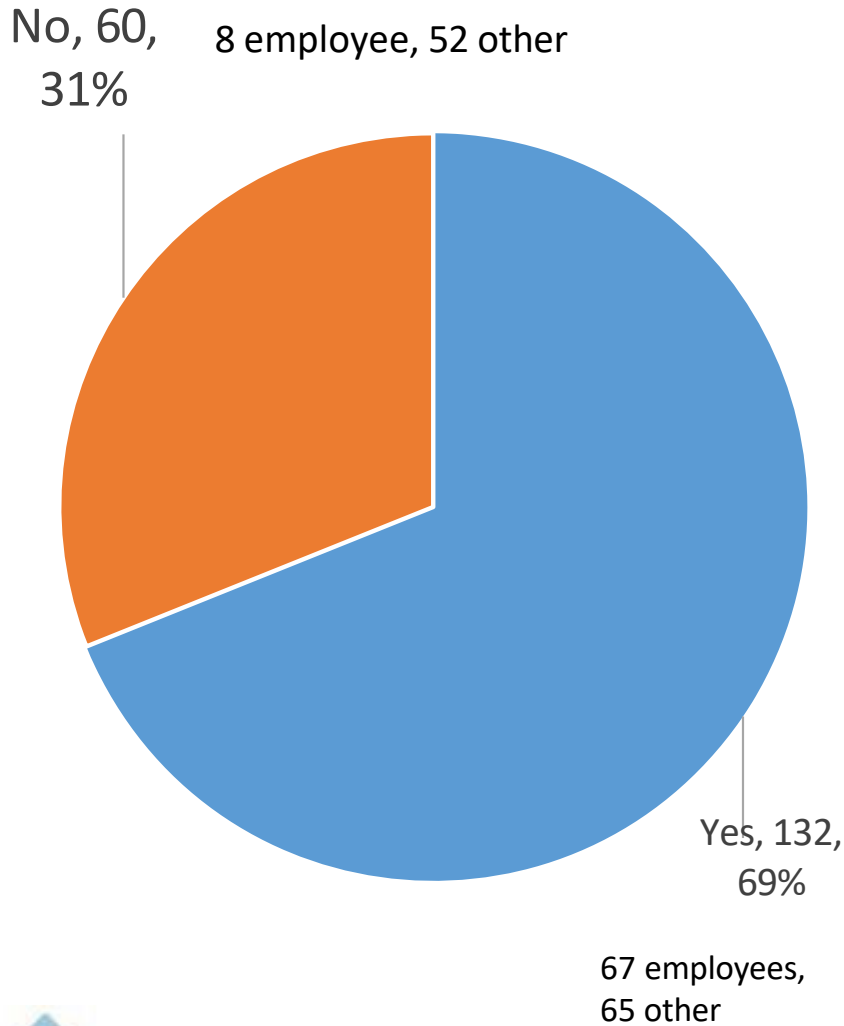
192 Total Complaints – 173 Unique Complaints

Relationship to County

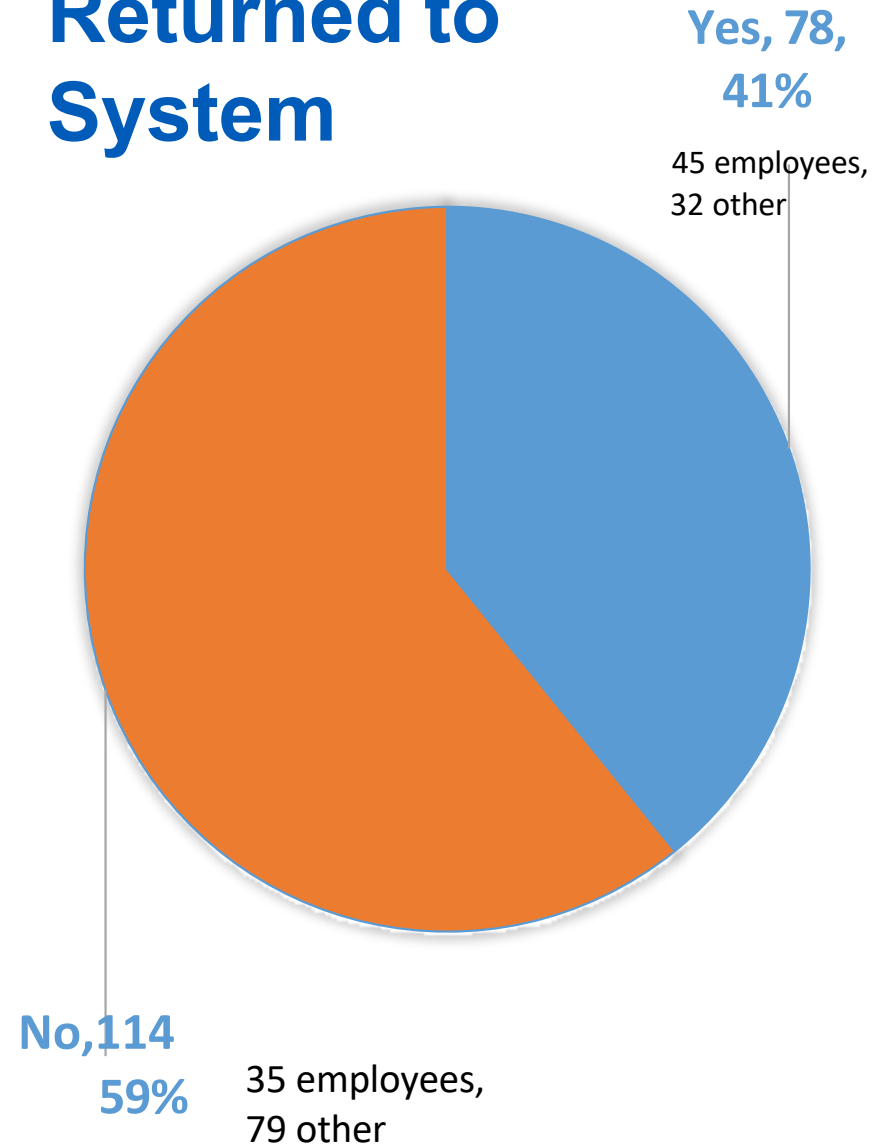


Complaint Information

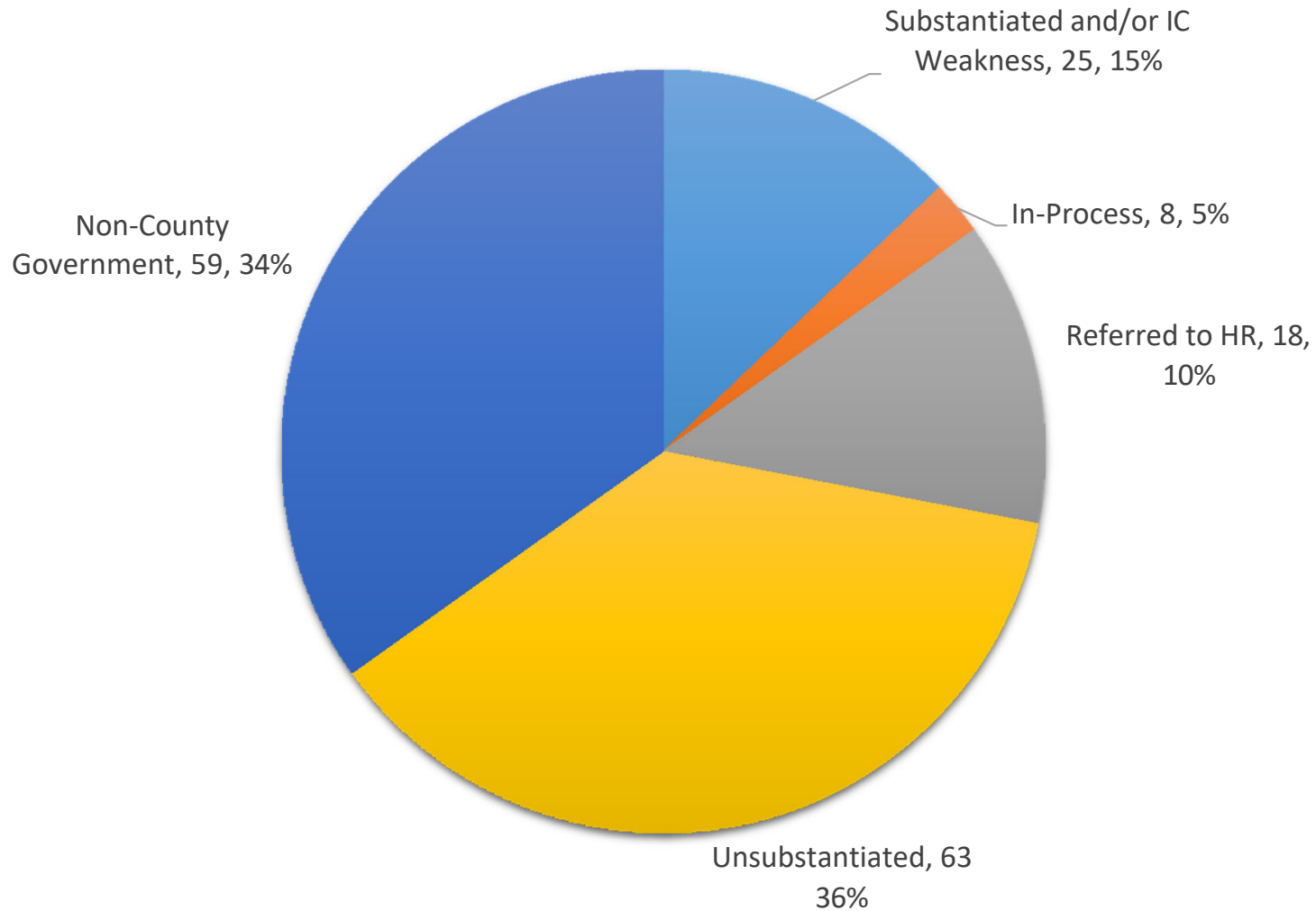
Anonymous



Returned to System



Type/Result of Complaint



Continued Advertisement

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

Background

Listing of Completed Audits FY 2015- FY2023



Previously Completed Audits and In-Process

FY 2022

- [Contract Compliance – National Elevator Inspection Services](#)
- [DHS PCARD Purchases in Support of Client Services](#)
- Invoice Review and Approval (In Process)
- [Review of Controls over FIR Billing, Revenue and Funds Handling](#)
- [FIR Contract Compliance – Digitech](#)
- Interdepartmental Purchases (In Process)
- Health Benefit Dependent Eligibility Audit (In Process)
- Comprehensive Risk Assessment (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](#)

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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](#)