

ARLINGTON COUNTY CIVIC FEDERATION
Revenues & Expenditures Committee
Resolution Supporting the Adequate Funding of the Arlington County Board Auditor
March 18, 2020

WHEREAS,

- The Arlington County Board created the position of Auditor to the County Board in FY2016 with total funding of \$200,000 in FY2017 and one (1) full-time-equivalent (FTE) position;^[1]
- The Arlington County budget grew over 25% between FY2017 and FY2020,^[2] and the proposed budget for FY2021 totals \$1.4 billion;^[3]
- Other jurisdictions (Fairfax Co. w/3 auditors and Montgomery Co. w/6 auditors) have more robust board auditor/inspector general offices with sufficient resources enabling staff to complete multiple audits annually and follow up to ensure that the auditor's/IG's recommendations result in substantial savings and efficiencies for those counties;^[4]
- Since FY2018 (the first year in which a completed audit was expected), the County Board Auditor has had resources to enable completion of only 20%–28% of the audits in the approved audit work plan. One (1) audit was completed in FY 2018, three (3) were begun, and one (1) was carried over to the FY2019 Audit Work Plan. The three (3) audits begun in FY2018 were to be completed in FY2019 before any of new audits could be started;^[5]
- The Board added four (4) new audits to the County Board Auditor's FY2019 Audit Work Plan. Of the seven (7) total audits in this plan, two (2) were completed, three (3) were carried over to the FY2020 Audit Work Plan, and two (2) were moved to the Audit Horizon;^[6]
- The FY2020 Audit Work Plan (the most recent available) lists 19 proposed audits on the "horizon" — meaning audits that are desired but cannot be conducted unless more resources are identified — including audits to review the tracking and monitoring of site plan development benefits (something the ACCF has previously questioned),^[7] the effectiveness of the public engagement process for CIP projects, the effectiveness of the county's street maintenance efforts, the effectiveness of NCAC projects, effectiveness of general controls over information technology security, etc.;^[8]
- Even with an additional \$60,000 in one-time funds for supplementary audit contract support (proposed in the Manager's FY2021 budget) and the removal of two (2) audits from the list of active audits in the FY2020 Audit Work Plan, the County Board Auditor is estimated to be able to complete just 50% of his assigned work;^[9]
- For completed audits, the audited entities have agreed with between 85% and 92% of the Arlington County Board Auditor's recommendations for improvements/changes;^[10]
- The FY2019 and FY2020 Audit Work Plans note follow-up activities that are to be undertaken 1–2 years post audit "to identify and validate management's implementation of audit recommendations." Follow-up on the FY2018 completed audit was to begin in March 2019, but there is no follow-up report. It is unclear whether the County Board Auditor has sufficient time and resources to complete these crucial follow-up reviews;^[11]
- The County Board's charge for its independent auditor (as amended 6-20-17) states, "*Funding: Sufficient funds shall be proposed by the County Manager, after consultation with the Audit Committee, for consideration by the County Board to carry out the County Auditor's annual audit work plan*";^[12] and
- Without additional resources, the County Board Auditor's capacity to conduct timely audits (or to seek contractor support) and to perform timely follow-up reviews is unreasonably constrained, leaving the County Board with less independent feedback and analysis with which to evaluate programs/services and make better informed decisions with respect to the allocation of finite resources.

THEREFORE BE IT RESOLVED,

The Arlington County Civic Federation asks the County Board and County Manager to identify additional funding and/or staffing resources (for example, adding a forensic accountant or a compliance officer) to support the

County Board Auditor's ability to complete audits and follow-up reviews within the established audit work plan's time-frame and to increase overall audit capacity, in order to deliver timely, independent analysis to the County Board and assure Arlington County taxpayers that revenues and fees are being used in the most effective and efficient way possible.

End Notes

- [1] Arlington County FY2018 Proposed Budget: <https://budget.arlingtonva.us/wp-content/uploads/sites/18/2017/02/FY-2018-Proposed.pdf>
- [2] Arlington County FY2020 Adopted Budget: <https://arlingtonva.s3.amazonaws.com/wp-content/uploads/sites/18/2019/10/All-in-One-for-web-with-cover-4.pdf>
- [3] Arlington County FY2021 Proposed Budget: <https://arlingtonva.s3.amazonaws.com/wp-content/uploads/sites/18/2020/02/FY-21-Proposed-All-in-one-02242020.pdf>
- [4] Fairfax County Board Auditor and Montgomery County Inspector General websites: <https://www.fairfaxcounty.gov/boardauditor/recent-quarterly-reports> and <https://www.montgomerycountymd.gov/OIG/igproduct.html>
- [5] Arlington County FY2020 Proposed Budget and Arlington County Board Auditor web page: <https://arlingtonva.s3.amazonaws.com/wp-content/uploads/sites/18/2019/02/1-FY20-All-in-One-for-Web-v4.pdf#page=113> and <https://countyboard.arlingtonva.us/county-auditor/>
- [6] Arlington County FY2021 Proposed Budget: <https://arlingtonva.s3.amazonaws.com/wp-content/uploads/sites/18/2020/02/FY-21-Proposed-All-in-one-02242020.pdf>
- [7] Arlington County Civic Federation 3-1-11 Motion for Resolution on Community Benefits Information: <http://www.civfed.org/rescommbene.pdf>
- [8] Arlington County Board Auditor's FY2020 Approved Audit Work Plan: <https://arlingtonva.s3.amazonaws.com/wp-content/uploads/sites/22/2019/07/Annual-Audit-Work-Plan-FY-2020-Approved.pdf>
- [9] Arlington County FY2021 Proposed Budget: <https://arlingtonva.s3.amazonaws.com/wp-content/uploads/sites/18/2020/02/FY-21-Proposed-All-in-one-02242020.pdf>
- [10] Arlington County FY2021 Proposed Budget: <https://arlingtonva.s3.amazonaws.com/wp-content/uploads/sites/18/2020/02/FY-21-Proposed-All-in-one-02242020.pdf>
- [11] Arlington County Board Auditor's Approved FY2019 and FY2020 Audit Work Plans: <https://arlingtonva.s3.amazonaws.com/wp-content/uploads/sites/22/2018/06/Annual-Audit-Work-Plan-FY-2019.pdf> and <https://arlingtonva.s3.amazonaws.com/wp-content/uploads/sites/22/2019/07/Annual-Audit-Work-Plan-FY-2020-Approved.pdf>

**Report Accompanying the R&E Committee's Resolution Supporting the Adequate Funding of the Arlington
County Board Auditor
ACCF Revenues & Expenditures Committee
March 18, 2020**

Regular and thorough auditing of public financial systems and accounts isn't optional: It a required core function of government at *all* levels to ensure that public funds are being managed and used responsibly.

Audits provide essential accountability and transparency over government programs.... Government auditing provides objective analysis and information needed to make the decisions necessary to help create a better future. —Comptroller General of the United States, GAO^[1]

THE TWO BRANCHES OF ARLINGTON COUNTY'S INTERNAL AUDIT FUNCTION

County Manager's internal auditors: The County Manager has 1.5 full-time equivalent (FTE) staff members in the Dept. of Management and Finance (DMF) who are tasked to "strengthen County operations and minimize risk and fraud through systematic evaluation of operations and internal controls."^[2]

DMF's internal audit staff also works with the county's external auditor, currently Cherry Bekaert LLP, which double-checks the county's financial statements to test operating and internal controls as well as confirm compliance with Government Accounting Standards Board (GASB) and other requirements.

Though DMF is allotted 1.5 FTEs for its internal audit function, it is not always fully staffed. A January 2020 presentation to the county's Audit Committee underscores this persistent problem.

1.5 FTEs are budgeted; we have been operating for the past 11 months with .5 FTE while we've been actively recruiting the 1.0 FTE^[3]

For a budget of the size (\$1.8 billion proposed for FY2021) and complexity of Arlington's, one part-time internal auditor is insufficient. In 2012, when Arlington had only a 0.5 FTE internal auditor, the county's then-external auditor made this recommendation:

At present, the County does not have an independent internal audit function. We believe that an organization with the County's size and complexity warrants consideration of an internal audit function.^[4]

The external auditor repeated this advice in 2013, after insufficient progress had been made in the intervening year.^[5]

Subsequently, the "temporary" 0.5 FTE internal auditor position was made permanent, and an additional 1.0 FTE internal audit position was reallocated to DMF. In FY2016, \$200,000 in ongoing budget funding was allocated to fund additional contract audit support as a supplement to staff's audits.^[6]

County Board's Auditor: It was also in 2016 that the County Board created the position of County Board Auditor. The board's internal auditor has a different mission:

The Arlington County Auditor serves as an independent audit function for the Arlington County Board and works under the oversight of the County Board, which is advised in this role by the Audit Committee. The County Auditor conducts independent performance audits of County departments, programs, and services; focusing on program efficiency, effectiveness, and transparency.^[7]

This portion of the county's internal audit function is supported by 1 FTE—the County Board Auditor himself—without any administrative support staff. The County Board Auditor also has had a much smaller amount of money (\$25,883 in FY2019 and only \$18,498 in FY2020 to supplement his work with contract auditors) than do the County Manager's internal auditors.^[8]

THE COUNTY BOARD AUDITOR'S STAFFING/FUNDING AND THE AUDIT WORK PLAN

To the Manager's credit, he has proposed providing an additional \$50,000 in one-time funds to his own internal auditors (to fund additional contract audit support), and he proposed an additional \$60,000 in one-time funds to provide additional contract audit support for the County Board Auditor in FY2021.

FY2021 Proposed Internal Audit Resources

| | | |
|-----------------------|----------|--|
| DMF Internal Auditors | 1.5 FTEs | \$239,715 in one-time and ongoing funds for contract audit support |
| County Board Auditor | 1.0 FTE | \$78,498 in one-time funds for contract audit support |

Source: Manager's Proposed FY2021 Budget <https://arlingtonva.s3.amazonaws.com/wp-content/uploads/sites/18/2020/02/FY-21-Proposed-All-in-one-02242020.pdf>

Despite allocating fewer resources to support the County Board Auditor's Audit Work Plan, the County Board in consultation with the Audit Committee^[9] has continued to approve a very robust Audit Work Plan for the County Board Auditor.^[10]

Even with no administrative support and limited funding to engage outside contract audit support, the County Board Auditor has completed several important audits since 2018: Emergency Communications Center Overtime, Police Dept. Overtime and Fire Dept. Overtime audits.^[11]

Those departments whose audits were completed in 2019 fully agreed with 85% of the County Board Auditor's recommendations and partially agreed with another 15% of his recommendations. So the County Board Auditor's work is helping departments to identify changes that would improve efficiency, effectiveness and transparency.

However, as noted in R&E’s resolution, even with the removal two audits from the County Board Auditor’s active list of audits (transferring them instead to the inactive Audit Horizon list) in FY2020 and the additional \$60,000 in proposed funding for supplemental contract audit support in FY2021, the Manager estimates that the County Board Auditor will be able to complete only 50% of his approved Audit Work Plan.

County Board Auditor Performance Measures

| Critical Measures | FY 2016 Actual | FY 2017 Actual | FY 2018 Actual | FY 2019 Actual | FY 2020 Estimate | FY 2021 Estimate |
|--|----------------|----------------|----------------|----------------|------------------|------------------|
| Percent of audit plan complete | N/A | N/A | 20% | 28% | 25% | 50% |
| Percent of audit recommendations audited functions agrees with | N/A | N/A | 92% | 85% | 85% | 85% |

Source: Manager’s Proposed FY2021 Budget <https://arlingtonva.s3.amazonaws.com/wp-content/uploads/sites/18/2020/02/FY-21-Proposed-All-in-one-02242020.pdf>

CONCLUSION/RECOMMENDATION

As noted in R&E’s resolution, the County Board’s charge for its auditor (as amended 6-20-17) includes the following requirement:

“Funding: Sufficient funds shall be proposed by the County Manager, after consultation with the Audit Committee, for consideration by the County Board to carry out the County Auditor’s annual audit work plan” Arlington County Board’s adopted/amended charge for its auditor^[12]

And yet lack of funding and resources continues to hinder the County Board Auditor’s progress in the timely completion of the audits that the County Board and Audit Committee have assigned. He also clearly lacks sufficient time and resources to follow up on previous audits—confirming that his recommendations have, in fact, been adopted—even though these follow-ups have been added to his Audit Work Plan.

Adopting the recommendations in these audits is key to utilizing finite county resources more efficiently and effectively—and to applying those savings to other funding priorities.

Clearly, there are more audits on the County Board Auditor’s Audit Horizon that the County Board would like to see completed. Among them is a proposed audit to evaluate the tracking and monitoring of site plan community benefits accrued from site plan conditions—something the ACCF has previously questioned.

In fact, the ACCF indefinitely deferred action on a 2011 draft resolution requesting community benefits information, after then-County Manager Barbara Donnellan promised greater transparency.^[13]

We are still waiting for the county to provide a complete and accurate public accounting of the status and disposition of the county’s site plan community benefits derived from redevelopment projects.

Likewise, without the analysis that the County Board Auditor provides, the County Board has less information with which to evaluate programs or services and how to allocate scarce resources in a way that will give the public the best bang for its buck.

The R&E Committee recommends that the County Board and County Manager work together to provide additional staff and/or additional funds to enable the completion of timely audits and follow-up reviews as established in the County Board Auditor’s Audit Work Plan.

Additional resources, it is hoped, will increase audit capacity so that questions about important matters—for example, the adequacy and appropriateness of the county’s reserve level—can be analyzed objectively and promptly for the benefit of the Board, the Manager and the public.

Respectfully submitted,

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Revenues & Expenditures Committee
Arlington County Civic Federation

End Notes

- [1] GAO Government Auditing Standards (2011, p. 1): <https://www.gao.gov/assets/590/587281.pdf>
- [2] Arlington County Proposed FY2021 Budget: <https://arlingtonva.s3.amazonaws.com/wp-content/uploads/sites/18/2020/02/FY-21-Proposed-All-in-one-02242020.pdf>
- [3] Update on Internal Audit and the Financial Fraud, Waste and Abuse Hotline to the Audit Committee (January 2020): <https://arlingtonva.s3.amazonaws.com/wp-content/uploads/sites/5/2020/01/Z-1-Audit-Committee-Update-January-2020.pdf>
- [4] External auditor CliftonLarsonAllen 10/31/12 letter to management, p. 1 (electronic copy unavailable online)
- [5] External auditor CliftonLarsonAllen 10/29/13 letter to management, pp. 1–2 (electronic copy unavailable online)
- [6] Arlington County Adopted FY2016 Budget, p. 144: https://budget.arlingtonva.us/wp-content/uploads/sites/18/2015/06/FY16A_Final-All-in-One-Adopted-File.pdf
- [7] Arlington County Proposed FY2021 Budget: <https://arlingtonva.s3.amazonaws.com/wp-content/uploads/sites/18/2020/02/FY-21-Proposed-All-in-one-02242020.pdf>
- [8] Arlington County Proposed FY2021 Budget: <https://arlingtonva.s3.amazonaws.com/wp-content/uploads/sites/18/2020/02/FY-21-Proposed-All-in-one-02242020.pdf>
- [9] Note: The Audit Committee comprises the County Manager, the DMF Director, 2 County Board members and 3 citizen appointees): <https://arlingtonva.s3.dualstack.us-east-1.amazonaws.com/wp-content/uploads/sites/22/2016/03/Revised-Auditor-Board-Charge-FINAL-6-20-17.pdf>
- [10] Arlington County Auditor Annual Audit Work Plan FY 2020: <https://arlingtonva.s3.amazonaws.com/wp-content/uploads/sites/22/2019/07/Annual-Audit-Work-Plan-FY-2020-Approved.pdf>
- [11] County Board Auditor web page: <https://countyboard.arlingtonva.us/county-auditor/>
- [12] County Board Charge: Independent County Auditor Adopted: July 21, 2015, Adopted Amended June 20, 2017: <https://countyboard.arlingtonva.us/wp-content/uploads/sites/22/2016/03/Revised-Auditor-Board-Charge-FINAL-6-20-17.pdf>
- [13] Arlington County Civic Federation 3-1-11 Motion for Resolution on Community Benefits Information: <http://www.civfed.org/rescommbene.pdf>