PRINCE WILLIAM COUNTY, VIRGINIA

Prince William County, Virginia

Proposed Internal Audit Plan
Working Draft
Fiscal Year Ending June 30, 2016

Prepared By:

**Internal Auditors**
October 13, 2015

McGladrey

October 13, 2015

The Audit Committee of
Prince William County, Virginia
1 County Complex Court
Prince William, Virginia 22192

We hereby submit the proposed internal audit plan for fiscal year ("FY") ending June 30, 2016 for Prince William County, Virginia ("the County") as determined by updating the risk assessment and proposed three-year internal audit plan for the County that was originally accepted January 29, 2013. We applied a broad-based, business view of risk, linked to the annual budget and operations, and conducted interviews with the Board of County Supervisors ("BOCS") and the County Executive's office to gain a high-level understanding of "What keeps them up at night?" and to focus on their objectives and identified risks. We also conducted interviews with members of the Senior Leadership team and Department Directors within the County to identify opportunities and vulnerabilities. We drilled down in different departments and/or functional areas to understand risk from the perspective of the individuals responsible for controlling such risks.   As in the past, when we talk about 'risk' we focus on Financial, Compliance, Performance and Public Perception. Our risk assessment considers 'inherent risk' which is the risk of a function in a control free environment. Functions with inherently high risk included in the audit plan does not mean 'issues' or concerns over controls exist, rather that the nature of the function has inherently high risk. This audit plan is *on-line real time* and will be consistently presented in *draft* form because it is a *living document*. As factors change and situations arise, this plan can and will change. Our internal audit approach and methodology is outlined below.

Internal Audit Approach and Methodology
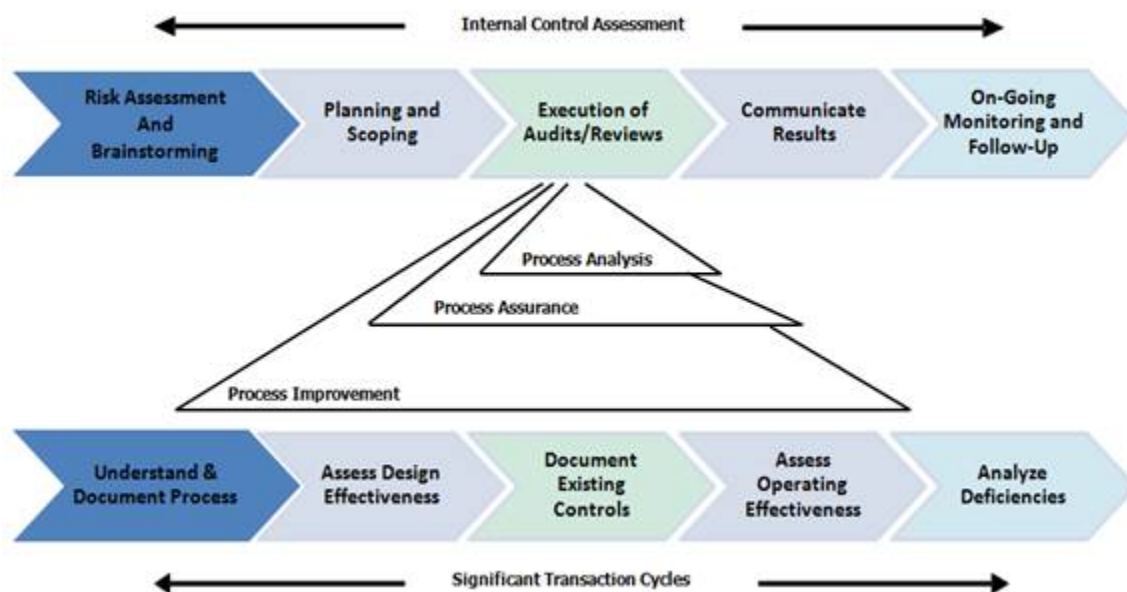
Our interviews were directed toward gaining a high-level understanding of the objectives and related risks in each division or functional area, from the perspective of the individuals responsible for controlling such risks. This risk assessment process drives the planned scope of the internal audit function and forms the basis of the proposed annual three-year internal audit plan.

Our approach primarily defines 'Risk' in a government entity as Financial and Compliance-related, as well as Public Perception risk. Strategic and operational risks are also considered. Using this information and input, we evaluated the level of risk present in each area/function, across a standard spectrum of industry accepted risk categories as follows:

Control Environment	Describes the overall tone and control consciousness of the sub-entity/function. It involves the integrity, ethical values and competence of personnel as well as management philosophy and operating style.
Change	Addresses the extent to which change has impacted or is expected (in the near term) to impact the sub-entity/function, including changes in key personnel, statutes, the organization, its products, services, systems or processes.
Process Risk	Addresses the inherent risk of the activities performed by the sub-entity/function, including the assets managed or in the custody of the sub-entity/function. Process risk addresses the extent of support the sub-entity/function provides to vital business functions, including the threat to continuity of the business caused by failures or errors; the probability of failure due to the amount of judgment, academic or technical skill required to manage the unit or perform key activities.
External Factors	Describes the environment in which the sub-entity operates, and the type and amount of external interaction in which the sub-entity engages. Factors to consider include overall County and regulatory environment, the level of interaction with users and success in satisfying user requirements, the financial reporting environment and results of regulatory compliance audits.
Revenue Source / Materiality	Describes resources available to the sub-entity/function. Factors to consider include maximizing revenues, obtaining additional revenue sources, and producing revenues outside the standardized tax base.

The objective of this assessment is to provide the County with a proposed internal audit plan that has sufficient and continuous internal audit coverage of those areas evaluated as having a relatively high risk profile or that otherwise require internal audit attention for various reasons. As required by the Institute for Internal Auditors and Government Audit Standards, we update our risk assessment and proposed audit plan throughout the fiscal year.

Our approach is based on the widely accepted Committee of Sponsoring Organization ("COSO") guidance on monitoring Internal Control Systems as shown below.
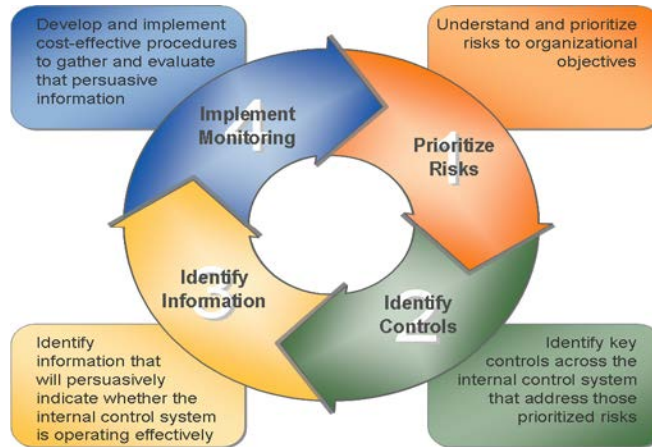

COSO's Monitoring and Implementation Progression

We have included the proposed internal audit plan based on the high risk audit universe. Preparing the internal audit plan from the risk assessment will ensure that we focus on areas of most concern to the County. Key risks are prioritized to determine the proper level of controls as well as risk coverage. The chart below illustrates the exposure environment for positioning the entity's risks and evaluating the desired response based upon the likelihood of occurrence and priority of risk concerns. The audit plan should focus on areas or functions that are high exposure and high priority (the upper right quadrant). It should be noted that several other high risk functions have been included in the Audit Universe.

Inherent Risk

- Risk of an occurrence before the effect of any existing controls.
- If you were building this process, what would you be concerned about?
- What can we <u>not</u> prevent?

Residual Risk

- Risk remaining after the application of controls.
- Potentially reduced impact or likelihood from that of inherent risk.
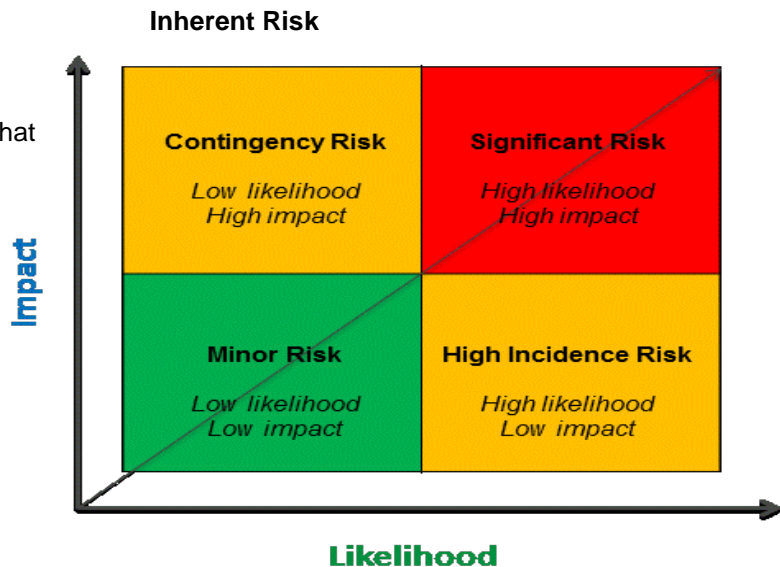
A strong, high-functioning internal audit process has a balance of all types of internal audits and reviews. These should include systematic audits selected through the risk assessment, ad hoc audits as new facts emerge, or requests by the BOCS or Audit Committee. As such, the Audit Plan includes: Overall Audit Functions as required by the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*, Cycle Audits, County-Wide Audits, Individual Function Audits and Special Requests by the BOCS, as well as a contingency. They are further described below:

Overall Audit Functions

Risk Assessment and Proposed Audit Plan / Updates: As required by the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* (Performance Standard #2010), the internal auditor uses risk assessment techniques in developing the internal audit activity's plan and in determining priorities for allocating internal audit resources. The Risk assessment is used to examine auditable units and select areas for review to include in the internal audit activity's plan that have the greatest risk exposure. An effective risk assessment can significantly reduce the risks of audit failure. A documented formal risk analysis should be conducted on at least an annual basis.

Follow-up: As required by the Institute of Internal Auditors *Standards for the Professional Practice of Internal Auditing* (Performance Standard #2500), internal auditors "should establish a follow-up process to ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action." While this Standard applies specifically to the internal audit function, the fundamental due diligence should apply to all audit findings or reported observations by any agency. Included within Management Response in the previously issued internal audit reports is the targeted implementation date for remediation. Follow-up procedures should only be performed on those issues where the target dates have been reached, and ample time has passed under the new control (generally six months) to verify and report the implementation status of the recommendations to the previously reported findings.

Quality Control: As required by the Institute of Internal Auditors' *International Standards for the Practice of Internal Auditing* (Performance Standard #1300), the internal auditors "must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity," including appropriate supervision, periodic internal assessments and ongoing monitoring of quality assurance. McGladrey's Quality Control processes specific to public sector clients includes concurring partner review and when necessary consult with BOCS attorneys prior to reports being issued into the public record.

Transition Audits: Transition audits are conducted to determine whether County assets and administrative responsibilities associated with Department Director(s) departure were effectively transferred and/or terminated.

Cycle Audits

Cycle Audits are narrower in scope than County-wide and Individual Function Audits. The scope is very specific to inherently high-risk, decentralized functions and processes. Generally, the cycle audits provide testing and reassurance that policies and procedures are being followed within different departments or that controls continue to be effective once it has been determined that they have been appropriately designed and implemented.

County-Wide Audits

County-Wide Audits address processes and/or functions that touch all or most departments within the County, such as Human Resources, Finance, Budgeting, Procurement, and Information Technology. These audits are designed to gain economies of scale by taking an entity-wide view, evaluating best practices and standards across the entity as a whole, rather than making department or function-specific recommendations that may not be consistently interpreted or applied.

Individual Function Audits

Individual Function Audits focus on unique scenarios or processes within specific departments or a more narrowly-defined portion of a larger process. For example, a County-Wide audit of cash management will focus on the overall treasury process for the County, while the Parks and Recreation cash management audit will focus specifically on the risks and controls of cash collections of fees and charges for services at the individual park facilities.

Special Projects and Requests

Our proposed audit plan focuses internal audit resources on areas or functions that are high exposure and high priority, as ranked using various risk components. From time to time, the Board, Audit Committee or management may become aware of a situation or potential situation that may add to or amend the existing audit plan. These projects are often specifically defined and narrowly focused for the purpose of validating a specific assertion or conclude on a specific concern.

Execution of Audits / Reviews

The next phase of the internal audit process is execution of the audits/reviews utilizing our methodology below and as outlined in our proposal.
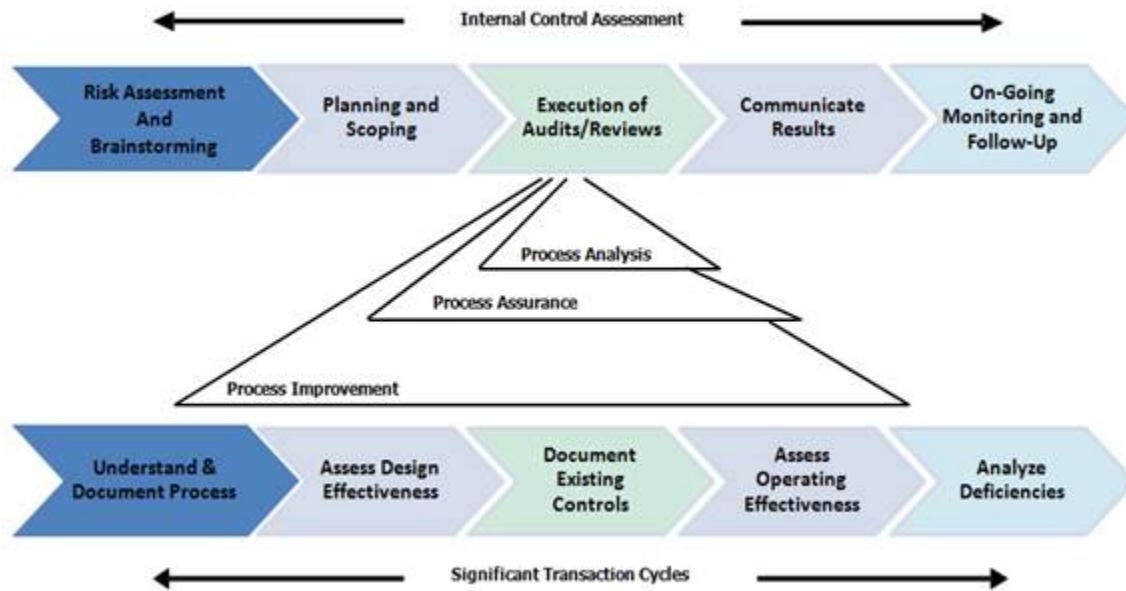
We have attached a snapshot of the internal audit plan working draft as well as details of the risk impact and high-level overview for each of the functions in the plan. We have also included a planned audit strategy for each audit, subject to modification during the initial planning stages of each audit and subsequent discussions with management. We would like to thank the various departments and all those involved in assisting with this process.

Respectfully Submitted,

McGladrey LLP

INTERNAL AUDITORS

Proposed Internal Audit Plan

High Risk Audit Universe and Proposed Internal Audit Plan

McGladrey

Prince William County, Virginia
Working Draft - High Risk Audit Universe and Audit Plan
Proposed Audit Plan Fiscal Year 2015-16
updated October 13, 2015

AUDIT UNIVERSE	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
Overall Audit Functions				
Risk Assessment and Proposed Audit Plan	√ (Ongoing)			√ (Ongoing)
Update Risk Assessment		√ (Ongoing)	√ (Ongoing)	
Follow-up Procedures		√ (Ongoing)	√ (Ongoing)	√ (Ongoing)
Quality Control	√ (Ongoing)	√ (Ongoing)	√ (Ongoing)	√ (Ongoing)
Transition Audits	√ (Ongoing)	√ (Ongoing)	√ (Ongoing)	√ (Ongoing)
Cycle Audits				
Purchasing Card				
Asset Management		√ (Report Accepted)		
Cash Collections/Handling				(Proposed)
Contract Administration	√ (Closed)		√ (Report Accepted)	
Timekeeping				
County-Wide				
Entity Executive Records Retention Assessment				(Proposed)
Strategic Planning				
Succession Planning				
Finance Accounts Payable				
Billing and Collection - Tax Assessments				
Cash Handling/Collections			√ (Report Accepted)	
Cash Management / Investments				(Proposed)
Payroll/timekeeping - Phase 1		√ (Closed)		
Payroll/timekeeping - Phase 2		√ (Follow-up)		
Purchasing Card			√ (Report Accepted)	
Purchasing Compliance				
Self Insurance				
Human Resources Benefits Administration				
Health Care Act				
New Hires / On-Boarding		√ (Report Accepted)		
Out-Boarding				(Proposed)
Overtime Audit			√ (Report Completed)	
Performance Management				
Position Control (budget control)				
DOIT Business Continuity Planning (BCP) Review	√ (Report Accepted)			
Internal Evaluation: Data Security Assessment; ITGC; Internal and External Penetration Testing		√ (Report Accepted)	√ (Report Accepted)	
Remediation and Follow-Up				(Proposed)
IT Optimization/ Risk Assessment				
User Access - Phase 1			√ (Deferred)	
Individual Function				
Community Services Grant Compliance				
Service Placement				(Proposed)
Communications Transparency /Web Management/ Public Interface				
Development Services Performance Bond Escrow				
System Conversion				
Economic Development Compliance and Reporting				
Fire & Rescue Emergency Management / Readiness				
Fire Rescue - Operations				(Proposed)
Individual Stations / Locations*	√ (Follow-up)	√ (Follow-up)	√ (Report Completed)	
Inventory				
Housing Grant Compliance				
Parks and Recreation Cash Collections				
Golf Operations				
Internal Controls / Compliance / Transition		√ (Follow-up)		
Police Animal Control Services				
Human Resources				
Inventory				
Operations			√ (In Progress)	√ (In Progress)
Public Works Building and Ground Maint - Work Order Process			√ (Report Accepted)	
Facilities Construction Management				(Proposed)
Fleet Management	√ (Follow-up)			
Landfill				
Mosquito/ Gypsy Moth Control				
Property and Facilities Management				
Re-Certification				
Solid Waste				
Stormwater Management				
Watershed Improvement				(Proposed)
Social Services Child Protective Services			√ (Report Accepted)	
Benefits Eligibility				
Homeless Services		√ (Follow-up)		
Transportation Programming				
Referendum				
Road Construction / Capital Projects		√ (Closed)		
Traffic Safety				
Special Projects & Requests				
Fire & Rescue LOSAP	√ (Follow-up)			
DOIT PCI Assessment			√ (Report Accepted)	
PRTC Performance Analysis				√ (In Progress)

Legend

Ongoing Function	
Audit Closed	
Audit Deferred	
Follow-up in progress	
Audit Report Completed	
Audit Report Accepted	
Audit In Progress	
Proposed for Upcoming Year	

Cycle Audits

Cash Collections and Handling

The County's current Cash Management and Revenue Recognition Policy was issued effective June 1, 2013, and will be modified based on the results of our report issued during FY 2014-2015. The County's cash collection process is decentralized with multiple cash collection points established across the County, making it inherently more challenging to control.   The primary objective of this cycle audit will be to assess whether the selected departments/agencies/divisions are adhering to the County's policy. The audit will cover the cash collections and handling process up to and including recording revenue in the general ledger and reconciliations of related accounts used to record revenue collections.

Inherent Risk	Control Environment	Change	Process Risk	External Factors	Revenue Source / Materiality	Risk Rating
	H	H	H	H	H	HIGH

Potential Significant Risks
- Improper segregation of duties
- Undocumented, inadequate or outdated policies and procedures
- Noncompliance with County policy, Virginia Code, rules and regulations
- Transactions are not properly authorized or restricted to appropriate personnel
- Deposit accounts are not properly reconciled or reviewed
- Funds are not properly safeguarded and timely deposited
- Revenue not recorded in the County's financial accounting system in a timely manner

Internal Audit Strategy
This cycle audit will be designed to assess whether the system of internal controls is adequate and appropriate for promoting and encouraging the achievement of management's objectives in the categories of compliance with County policy, as well as the effective and efficient operations of the existing internal controls.

We will evaluate and perform tests of controls at selected departments/agencies/divisions, including but not limited to the following areas:
- Compliance with BOCS policies or internal procedures
- Timely recording in general ledger
- Adequate recordkeeping
- Authorization of transactions and reconciliation of accounts
- Proper segregation of duties
- Physical security over cash

County-Wide Audits

Entity Executive: Records Retention Assessment

A formal, standardized records and information management ("RIM") program helps organizations to mitigate risk, increase operational efficiency by identifying and removing redundancies, and reduce cost associated with litigation and the discovery of electronically stored information. An effective RIM program assists the County with mandated transparency and accountability. The purpose of this project will be to assess the County's records retention process and provide recommendations to consider for program improvement.

Inherent Risk	Control Environment	Change	Process Risk	External Factors	Revenue Source / Materiality	Risk Rating
	H	M	H	H	H	HIGH

Potential Significant Risks
- Records are not available
- Undocumented, inadequate or outdated policies and procedures
- Noncompliance with County policy, federal and state laws, rules and regulations
- Records are not safeguarded
- Technology practices are inadequate
- County staff have not been properly trained
- Communication is insufficient/incomplete

Internal Audit Strategy
We will focus our audit on the following criteria to assess the County's RIM program:
- RIM Program Governance — Governance exists that defines goals, staff roles and responsibilities and drives the development of effective, repeatable and auditable RIM processes.
- Policies, Procedures and Practices — Supporting policies, procedures and practices exist to help carry out the program as part of the normal course of the organization's operations.
- Retention and Disposition — A records retention policy exists that is easy for staff to understand and use. The policy identifies the records types created, received, managed, and used by the organization regardless of the record's media. The policy contains retention based on relevant legal, fiscal, and business requirements and is used in a systematic way by staff in the normal course of business operations.
- E-discovery and Legal Hold Readiness — E-discovery and legal hold workflows and processes are in place to meet federal and state regulatory requirements. Responsibilities have been assigned to assist in identifying, preserving, collecting, reviewing and producing relevant documents/Electronically Stored Information ("ESI") in a timely and cost-efficient manner.
- Information Technology —Technology practices and tools are available to enable compliance with records retention, ESI management, legal hold readiness and preservation and collection. Records and information is systematically backed up for disaster recovery and business continuity purposes and the data retained only for those purposes.
- Training and Communication — Training is provided to staff to help them in understanding program requirements, desired behaviors and leading practices. Communications are systematically issued to foster staff awareness of program policies, procedures and practices with an emphasis on their roles and responsibilities.

County-Wide Audits - continued

Finance: Cash Management/ Investments

The audited financial statements as of June 30, 2014, show the County primary government has cash and investments of $692 million and component units with $270 million. A Cash Management/Investments audit is intended to evaluate the controls over investments. We will test to evaluate that County funds are in accordance with the County's adopted investment strategy, accounted for and reconciled timely, appropriately, and monitored for compliance with County policies and procedures, as well as evaluating the impact of any instances of noncompliance, if applicable.

Inherent Risk	Control Environment	Change	Process Risk	External Factors	Revenue Source / Materiality	Risk Rating
	H	M	H	H	H	HIGH

Potential Significant Risks
- Improper segregation of duties
- Undocumented, inadequate or outdated policies and procedures
- Noncompliance with Virginia Code, rules and regulations related to cash and investments
- Transactions are not properly authorized or restricted to appropriate personnel
- Disbursements are not made for legitimate purchases or expenses
- All methods of payment (check, wires, purchase cards, credit accounts) are not properly restricted
- Accounts are not properly reconciled or reviewed
- Inadequate monitoring of cash flow and liquidity indicators
- Investments are not made in accordance with the County's investment strategy
- Investment performance is not monitored and evaluated

Internal Audit Strategy
This audit will be designed to assess whether the system of internal controls is adequate and appropriate for promoting and encouraging the achievement of management's objectives in the categories of compliance with applicable laws, administrative rules and other guidelines, as well as the effective and efficient operations of the existing internal controls.

We will evaluate and perform tests of controls, including but not limited to the following areas:
- Compliance with Virginia Code for allowable cash and investment strategies
- Compliance with County policies or internal procedures
- Authorization of transactions and reconciliation of accounts
- Proper segregation of duties
- Monitoring of investment performance
- Monitoring of cash flows and key performance indicators

County-Wide Audits - continued

Human Resources: Out-Boarding

The process of out-boarding employees (leaving the organization) is as important as on-boarding them. All organizations lose people and need to transition them out of the workforce as quickly and efficiently as possible. The IT systems, applications, and confidential data stored can prove to be at risk during the off-boarding process. The objectives of this internal audit will be to review and assess the County's out-boarding process and provide recommendations to consider for process improvement.

Inherent Risk	Control Environment	Change	Process Risk	External Factors	Revenue Source / Materiality	Risk Rating
	H	H	H	H	H	HIGH

Potential Significant Risks
- Processes and procedures surrounding employee transfer, resignations, and termination are non-existing or not effective
- Non-compliance with applicable policies, laws and regulations
- Collaboration with Departments is ineffective
- The transfer, resignations, and termination process is not efficient/timely thus employee access in the varying systems remain active
- County assets have not been appropriately maintained and safeguarded

Internal Audit Strategy
The audit will focus on the following, but not limited to the following areas:
- Effectiveness of the process
- Determine if the County's physical property/assets are protected
- Assess compliance and security regarding systems and physical access
- Assess knowledge transfer process
- Determine effectiveness of collaboration between departments
- Identify control gaps, opportunities for process improvement, and efficiency gains

Department of Information Technology: Remediation and Follow-Up

The corrective action follow-up process is critical to maintaining an effective internal control environment and ensuring that the County has accepted the risk of not taking action to reported observations. Since 2012-2013, the following reports have been issued to the Department of Information Technology ("DoIT"):
- Business Continuity Planning
- Internal Evaluation:
    - Data Security Assessment
    - Information Technology General Controls
    - Internal and External Penetration Testing
- Payment Card Industry Assessment

At the conclusion of each engagement, McGladrey issued reports that contained our findings and recommendations related the above audits. The corrective action follow-up process is critical to maintaining an effective internal control environment and ensuring that the County has accepted the risk of not taking action to reported observations.

Inherent Risk	Control Environment	Change	Process Risk	External Factors	Revenue Source / Materiality	Risk Rating
	H	H	H	H	H	HIGH

Potential Significant Risks
- IT goals and initiatives are not aligned with and will not meet the overall objectives of the County
- An effective internal control system in not in place and IT will not be prepared to respond to events that could impact the overall achievement of the County's business objectives
- The activities and direction of the IT department do not align with the overall business strategies of the County and could lead to budgetary issues, the inability to deliver the level of services desired and mismanagement
- Lack of employee awareness and understanding of their responsibilities as it relates to information security
- Unauthorized access to systems leading to errors, fraud, misuse or alteration of data
- Loss, theft or damage to IT assets
- Unauthorized modifications to system impacting the reliability, availability and integrity of systems is data is not maintained
- Modified systems fail to meet the expectations or needs of the County, exceed time and cost estimates, and are not cost effective to maintain

Internal Audit Strategy
We will focus our efforts to work with DoIT in regards to their remediation plan for the above. This will also include a re-evaluation of the recommendations previously reported to assess whether correction action has been taken to secure the County's networks, servers and databases, taking into consideration the County's conversion to a new enterprise resource planning ("ERP") system.

Community Services: Service Placement

The County is mandated to establish a Community Services Board to provide emergency services and case management, services subject to the availability of appropriated state funds. Community Services is the single point of entry into publicly funded mental health, developmental and substance abuse services providing mental health, intellectual disability, substance abuse, emergency services and early intervention programs for residents of the County and the cities of Manassas and Manassas Park. Per the FY 2015-2016 budget, Community Services amounts to 31% of the County's Human Services budget ($38.5M out of $127M). Community Services is a highly visible department and public perception is a key risk factor for this department.

Inherent Risk	Control Environment	Change	Process Risk	External Factors	Revenue Source / Materiality	Risk Rating
	H	M	H	H	H	HIGH

Potential Significant Risks
- Failure to comply with County Policy, Federal and State laws, rules and regulations
- Inadequate policies or procedures
- Inadequate monitoring of effectiveness of operations
- Failure to provide effective management oversight and administration of service placement
- Staffing levels inconsistent with department needs or industry standards
- Failure to obtain adequate and appropriate training for employees
- Improper safeguarding of assets

Internal Audit Strategy
The objective of the audit will focus on service placement by performing the following:
- Conduct interviews with staff and key personnel to understand overall organization, staffing, operations and risk areas
- Collect and review relevant documentation and information, including budgetary and financial reports, human resources information, strategic planning documents, statistical reports and performance indicator data
- Determine that policies and procedures are in place and operating effectively
- Test for compliance with applicable County Policies, Federal and State laws, rules and regulations
- We will perform additional procedures on-site as deemed necessary to appropriately assess the operations and control environment

Individual Functions - continued

Fire & Rescue: Fire and Rescue Operations

The Department of Fire & Rescue's mission is to protect lives, property and the environment through timely, professional, humanitarian services essential to the health, safety and well-being of the community, with a budget of $76 million. This mission is performed in conjunction with the Volunteer Fire & Rescue Companies, with a budget of $37 million. This internal audit will be a performance analysis of fire and rescue operations, including career staff and volunteer fire and rescue companies, to analyze areas such as staffing and ability to respond to incidents.

Inherent Risk	Control Environment	Change	Process Risk	External Factors	Revenue Source / Materiality	Risk Rating
	H	H	H	H	H	HIGH

Potential Significant Risks
- Public safety is compromised due to inadequate staffing
- Tarnished and diminished public perception due to inability to respond
- Un-realistic response time goals

Internal Audit Strategy
To accomplish our objectives we performed the following audit procedures:
- Review pertinent laws, policies and regulations
- Gather and analyze agreements and information regarding first responder requirements
- Identify, collect, and analyze management reports related response times
- Evaluate current processes and practices

Police Department: Operations

The Police Department's mission is to enhance the quality of life by providing police services through shared responsibility with the public, with a budget of $90 million. The internal audit is a carry-over from FY 2014-2015, and will be a performance analysis of the workforce as it relates to comparable local, surrounding and national jurisdictions. The objective of our internal audit will focus on reviewing, benchmarking and analyzing comparative data and 'best in class' police operations related to workforce and makeup of the Police Department to assist the County with decision making.

Inherent Risk	Control Environment	Change	Process Risk	External Factors	Revenue Source / Materiality	Risk Rating
	H	H	H	H	H	HIGH

Potential Significant Risks
- Public safety is compromised due to inappropriate staffing
- Tarnished and/diminished public perception
- Un-realistic goals
- Inappropriate resources allocated

Internal Audit Strategy
Services and scope of work to meet the audit objectives will focus on the following:
- Surrounding VA counties and industry standards across the United States
- Composition and responsiveness
- Budget and analytics
- Community representation
- Crime rates
- Attrition and vacancies
- Potential increase in staffing in other areas of public safety, such as human services, to alleviate need for additional workforce
- Capital impact
- Existing policies and requirements regarding operational standards
- Certifications and Awards
- Key Performance Indicators (KPIs)

Public Works: Facilities Construction Management - Vendor Management, Administration and Compliance

Facilities Construction, within Public Works, oversees the County's construction projects. Projects are typically managed by a county-employed construction manager and the work is performed by an outside contractor. Cost of construction projects are allocated to the benefiting program. Funding sources for construction projects are varied, and may include specific restrictions on use. This audit will focus on contract compliance, and fiscal monitoring of selected construction contracts.

Use of contractors for these functions helps afford the County access to specializations on a project by project basis. Establishing appropriate monitoring controls over outsourced functions, including regular review and remediation (if applicable), of contractor performance is critical to the successful use of outside parties in this high-risk environment.

Inherent Risk	Control Environment	Change	Process Risk	External Factors	Revenue Source / Materiality	Risk Rating
	H	M	H	H	H	HIGH

Potential Significant Risks
- Undocumented or inadequate policies and procedures
- Compliance with and documentation of the selection process
- Adequate oversight of contractors is not maintained
- Appropriate invoice and change order review is not performed
- Ongoing monitoring of contractors is not performed
- Contractor performance is not evaluated on a timely basis
- Inconsistent monitoring and evaluation of vendors
- Underperformance of contractors is not remediated
- Inadequate documentation and audit trail of projects, vendor history

Internal Audit Strategy
This audit will be designed to assess whether the system of internal controls is adequate and appropriate, at the department level, for promoting and encouraging the achievement of management's objectives in the categories of compliance with applicable laws, administrative rules and other guidelines. It will focus on the management and administration of vendors and contract including monitoring. It will include the selection of certain high risk vendors and/or contracts. Objectives will include:
- Determine that policies and procedures are in place and operating effectively
- Obtain and review key outsourced design and construction management contracts
  - Engineering
  - Project management
  - Construction
  - Others as identified
- Identify the monitoring controls in-place over outsourced design, construction, and project management functions
- Test compliance and documentation of the selection process
- Assess that monitoring controls are designed and operating effectively
- Identify control gaps, opportunities for process improvement, and efficiency gains

Public Works: Watershed Improvement

In the Commonwealth of Virginia, Federal and State watershed regulations are administered by the Virginia Department of Environmental Quality. Those regulations have changes over the past several years. In addition to reviewing compliance, the overall objectives of the audit of watershed improvement will be to review the approach utilized by the County's watershed improvement team as it relates to the implementation of the new regulations and to compare those to applicable jurisdictions.

Inherent Risk	Control Environment	Change	Process Risk	External Factors	Revenue Source / Materiality	Risk Rating
	H	H	H	H	H	HIGH

Potential Significant Risks
- Non-compliance with applicable policies, laws and regulations
- Ineffective/inefficient implementation of required watershed improvement regulations

Internal Audit Strategy
To achieve the audit objectives, the audit will utilize several methodologies including but not limited to:
- Review applicable County, state, and federal rules and regulations and internal policies and procedures
- Review applicable contracts and plans regarding the implementation of the new regulations into actual projects
- Compare the County's process of implementation to comparable jurisdictions
- Review relevant internal and external audits and reviews, if any

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