

The Honorable Members of the County Board
Management
Arlington County, Virginia

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Arlington County, Virginia (the County) as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

However, during our audit we became aware of other matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. Our comments and suggestions regarding those matters are summarized below. We previously provided a written communication dated October 31, 2017, on the County's internal control. This letter does not affect our communication dated October 31, 2017.

RECONCILIATION OF CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM - SCHOOLS

Monthly contribution reconciliations were not submitted timely in accordance with guidelines from the Virginia Auditor of Public Accounts. For three VNAV "Snapshot" monthly contribution reconciliations reviewed, payments for the Arlington County Public Schools' employer contributions were not submitted before the 10th of the following month. Payments were submitted later that month. For four VNAV "Snapshot" monthly contribution reconciliations reviewed, we noted that the VNAV "Snapshot" was not reconciled to the Arlington County Public Schools' payroll system. This was noted during our examination of the 2017 census data submitted to the Virginia Retirement System. The Virginia Auditor of Public Accounts Specifications for Audits of Counties, Cities and Towns states that the information in an entity's payroll system should reconcile to the information in VNAV through the use of the VNAV "Snapshot." We recommend that an individual at the Schools is assigned to periodically reconcile the Payroll records to the Snapshot.

Management's Response

APS has made reconciliation of the VRS snapshot information a top priority. The process of reconciling the VRS data is a labor-intensive one that has included a change in business practices related to VRS deductions. APS does have an individual designated to review the monthly snapshot and reconcile the data, and will continue to refine and improve the process moving forward. APS is working with our IT staff to see if reports can be created to facilitate reconciliation to the payroll system records.

CAPITAL ASSETS – COUNTY

Capital Assets are not being reviewed on a timely basis. There were capital assets that were capitalized in FY17 but were completed in previous fiscal years. The balances were listed as CIP as of the prior year end, therefore the adjustment would have only been a reclassification between CIP and Depreciable Capital Assets, and would

have no impact on the Total Net Capital Assets. The related unrecorded depreciation expense and accumulated depreciation is deemed immaterial to the financial statements as a whole for the current and prior years.

There were also a number of adjustments to the County's fixed asset schedules after year end close and during the audit. These revisions resulted in multiple schedules being given to the auditors after fieldwork, which required additional audit procedures to be performed. This is likely due to the fact that the County only does an annual close which requires a year's worth of activity to be accounted for and recorded at fiscal year-end. We recommend that entries be made, on the same basis as the other entries during an interim close, to record activity on a timelier basis. This will allow management to review the County's activity more often throughout the year and provide a better picture of the results as well as improve their timeliness and accuracy.

Management's Response

In the last couple of years, the County has made a concerted effort to review older CIP projects with County departments to obtain in service and close-out dates so that the assets can be transferred to Depreciable Capital Assets in a timely manner. The County will setup additional process requirements for monthly communication and timely closeout and continue to enhance this effort. It is therefore possible that similar transactions may be identified in FY 18 during this effort.

Currently, the financial system is not setup for consolidation until year-end close-out and audit completion each fiscal year. The County will work with the technology team to review possible options to consolidate activity concurrently when two fiscal periods are open. Additionally, Accounting staff are not available to begin review and reconciliation of the next year's activity until close-out and audit work for the year is completed. The County will look into options for appropriate staffing and work re-assignment in alignment with available budget and staffing needs to ensure activity for the first two quarters of the fiscal year is closed out simultaneously by December each year and monthly closeout of activity occurs until year-end for the rest of the year. The county is also looking into the purchase of a CAFR reporting tool that provides the ability to review periodic activity and reduce the time involved in manual preparation of schedules and monthly reconciliations.

P-CARD TRANSACTIONS – SCHOOLS

P-Card purchasing guidelines were not consistently adhered to during the year. We noted an instance where sales tax was charged to the P-Card when employees should have a tax exempt number for purchase. The purchase was made through Amazon which currently does not have an exemption feature. In another instance, we noted a purchase was for an early bird check-in option through Southwest Airlines. Per the P-Card guidelines, additional travel services are not necessary and are considered inappropriate.

Management's Response

APS is working with our purchasing department to create a corporate account with Amazon that will be set up as tax exempt. All staff will be able to use the APS Amazon account and receive sales tax exemption. APS is currently working on the P-Card guidelines to update them based on current allowed practices for purchases of airline tickets.

DISCLOSURE FORMS

We noted several economic interest disclosure forms that were signed after the January 17, 2017 deadline issued by the Virginia Auditor of Public Accounts. It did not appear, however, that any of these late forms were related to local officials that are required to sign them under Section 2.2-2115 of the Code of Virginia. We were also informed that each individual who submitted their form after the deadline would be fined \$250 which is the

amount of the civil penalty noted in Section 2.2-3115. We recommend the County make a more concerted effort to ensure that all disclosure forms are received prior to the deadline in future periods.

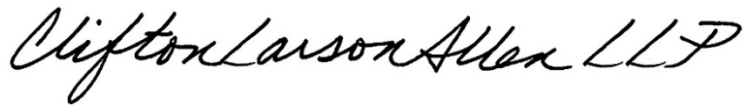
Management's Response

The County developed a better communications plan about financial disclosure forms designed to promote the goal of zero late filings. Employees will be alerted sooner and more often about their responsibility to submit forms by the deadline. Messaging will include Frequently Asked Questions and links to resources to assist with completing the forms. The process of collecting completed forms will be revamped so that all forms are submitted to central and dedicated email box. Each employee will receive a time and date-stamped auto-response (receipt) for their records.

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Arlington County, Virginia's written responses to the matters identified in our audit were not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them. We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of the Honorable Members of the County Board, management, and others within the County, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Clifton Larson Allen LLP". The signature is written in a cursive, flowing style.

Arlington, Virginia
October 31, 2017