



PRINCE WILLIAM COUNTY

Prince William County, Virginia Internal Audit – Proposed Internal Audit Plan Calendar Year Ending December 31, 2021

January 19, 2021



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TRANSMITTAL LETTER



January 19, 2021

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We hereby submit the proposed internal audit plan for calendar year (“CY”) ending December 31, 2021 for Prince William County, Virginia (“County” / “PWC”), as determined by updating the risk assessment for the County.

We applied a broad-based, business view of risk, linked to the annual budget, operations and the strategic plan. We conducted interviews with members of the Board of County Supervisors (“BOCS”), the County Executive, Deputy County Executives, Director of Finance/CFO, and various department Directors to gain an understanding of their objectives and identified risks. During the interviews, we discussed and identified areas of high-risk, opportunities and vulnerabilities from their various levels of perspective.

The objective of this risk assessment is to develop a proposed internal audit plan, the purpose of which is to identify those areas determined as having a relatively high-risk profile or that otherwise require internal audit attention for various reasons. The proposed internal audit plan is *on-line real-time* and labeled as *proposed* because it is a *living document*. As factors change and situations arise, the proposed internal audit plan can and will change. As part of this risk assessment, ‘risk’ focuses on financial, strategic, performance/operational, and compliance risk, as well as the general effect of public perception related to County-wide activities and initiatives.

Our risk assessment considers ‘inherent risk’, which is the risk of a function in an environment void of controls. *Therefore, functions with inherently high-risk may be included in the identified proposed internal audit plan; although their inclusion does not mean ‘issues’ or concerns currently exist, but rather that the high-risk nature of the function is such that a higher potential exists for issues to develop.* We have provided a high-level process of each proposed audit function/area, the key potential financial, compliance, and public perception inherent risks, as well as the internal audit strategy for evaluating the effectiveness of the processes, procedures, and controls in place within the function.

We would like to thank the BOCS, the County Executive’s Office, department Directors, as well as the various departmental staff involved in assisting us with developing the proposed internal audit plan.

Respectfully Submitted,

RSM US LLP

INTERNAL AUDITORS



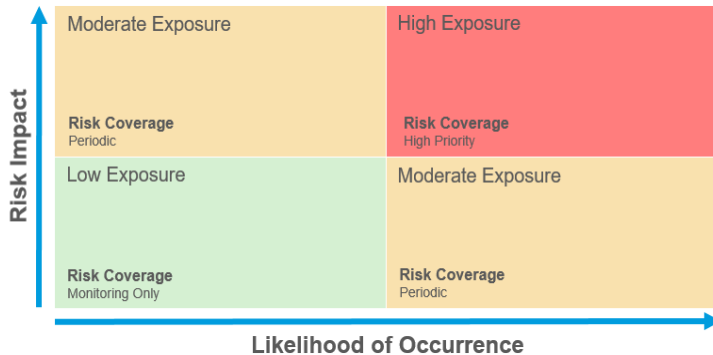
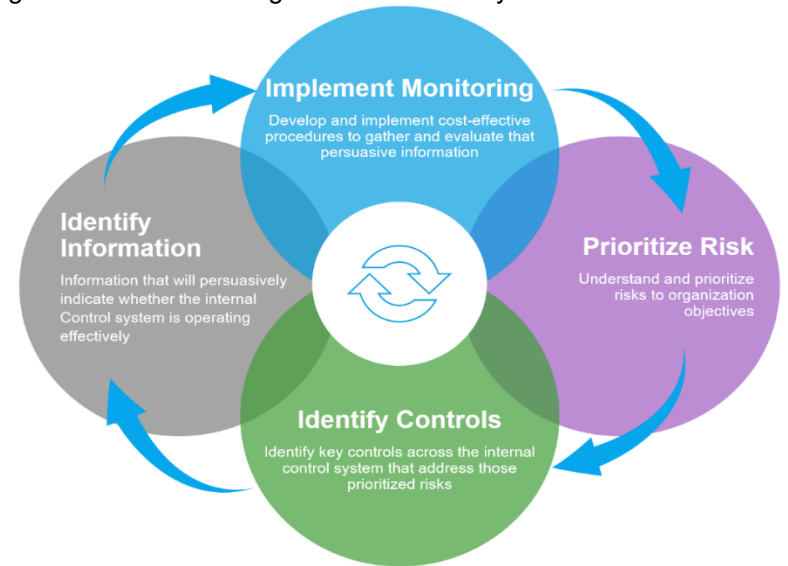
RISK ASSESSMENT METHODOLOGY

As previously noted, the objective of this risk assessment is to provide the County with a proposed internal audit plan that has coverage of those areas evaluated as having a relatively high-risk profile or that otherwise require internal audit attention for various reasons.

Our approach is based on the widely accepted Committee of Sponsoring Organizations (“COSO”) guidance on monitoring Internal Control Systems as shown below:

Preparing the proposed internal audit plan from the risk assessment will facilitate that resources are focused on areas, which are currently of most immediate concern to the County. Our risk assessment considers ‘inherent risk’, which is the risk of a function in an environment void of controls. Therefore, functions with inherently high-risk may be included in the proposed internal audit plan; although their inclusion does not mean ‘issues’ or concerns currently exist, but rather that the high-risk nature of the function is such that a higher potential exists for issues to develop. This proposed internal 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 proposed internal audit plan can and will change.

The chart below illustrates the exposure environment for positioning the County’s risks and evaluating the desired response based upon the likelihood of occurrence and priority of risk concerns. The proposed internal audit plan generally focuses on areas or functions that are high exposure and high priority (the upper right quadrant). We also consider other areas that are not included in this quadrant to insert a level of unpredictability into the proposed internal audit plan and risk assessment process in order facilitate County-wide awareness that all business units, functions and processes may be subject to an internal audit at any time.



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 not prevent?

Residual Risk

- Risk remaining after the application of controls.
- Potentially reduced impact or likelihood.

Our risk assessment was conducted utilizing a broad-based business view of risk. We conducted interviews with members of the BOCS to gain an understanding of their perspective of risk, focusing on their objectives in order to identify potential risks. We also conducted interviews with the County Executive, Deputy County Executives, Director of Finance/CFO, and various department Directors and other personnel within the County to identify risks, vulnerabilities and potential opportunities. Meeting with various levels within the County gave us insight and understanding of potential risk from their various levels of perspective. In addition, we reviewed the adopted budget for fiscal year 2021, the fiscal year 2021-2026 capital improvement plan, the strategic plan, as well as media coverage and BOCS meeting agendas, minutes, and other available documentation.



RISK ASSESSMENT METHODOLOGY (CONTINUED)

The risk assessment process drives the planned scope of the internal audit function and forms the basis of the proposed internal audit plan. Our approach primarily defines 'Risk' in a government entity as Financial and Compliance-related risk, as well as Public Perception risk. Strategic, performance and operational risks are also considered. We evaluate the level of risk present in each area / function, across a standard spectrum of industry-accepted risk categories as follows:

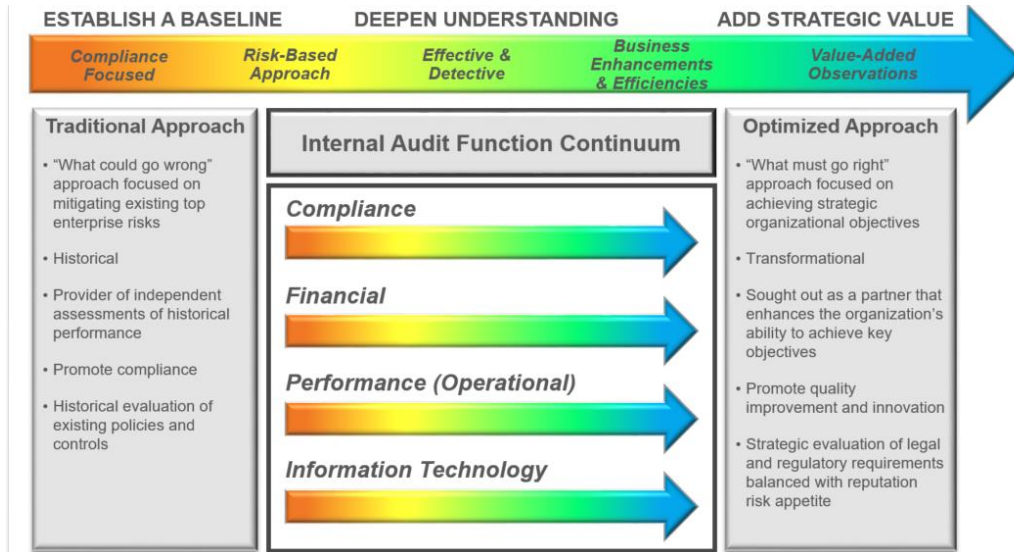
Control Environment	<ul style="list-style-type: none">• Demonstrates commitment to integrity and ethical values• Exercises oversight responsibilities• Establishes structure, authority and responsibility• Demonstrates commitment to competence• Enforces accountability
Risk Assessment	<ul style="list-style-type: none">• Specifies suitable objectives• Identifies and analyzes risk• Assesses fraud risk• Identifies and analyzes significant change
Control Activities	<ul style="list-style-type: none">• Selects and develops control activities• Selects and develops general controls over technology• Deploys through policies and procedures
Information & Communication	<ul style="list-style-type: none">• Uses relevant information• Communicates internally• Communicates externally
Monitoring	<ul style="list-style-type: none">• Conducts ongoing and/or separate evaluations• Evaluates and communicates deficiencies

As shown on the following pages, a strong, high-functioning internal audit process has a balance of all types of internal audits and reviews. As such, the proposed internal audit plan includes Overall Audit Functions, Cycle Audits, Entity-Wide Audits, Individual Function Audits and Special Requests. The proposed plan may also include performance and / or consultative-type projects that assist management with strategy, ongoing initiatives and planning. We have presented a snapshot of the proposed internal audit plan working draft separately, as well as a summary of the planned audit strategy for each audit, subject to modification during the initial planning stages of each audit and subsequent discussions with management.

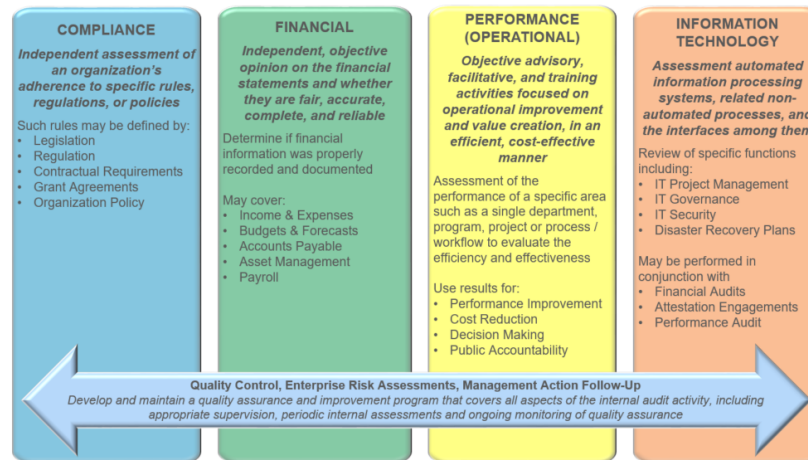


INTERNAL AUDIT CONTINUUM AND TYPES OF INTERNAL AUDITS

As an internal audit function develops and matures, the various types of audits performed will move through a lifecycle of the control environment in order to not only strengthen and enhance processes and controls, but also to facilitate strategy, decision-making and long-term planning.



The various types of audits that are proposed should include a hybrid mix of audit types, as shown below.





CALENDAR YEAR ENDED DECEMBER 31, 2021 INTERNAL AUDIT PLAN – WORKING DRAFT

As the County's Internal Auditors, we have developed an internal audit methodology aligned with Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and AICPA consulting standards. These include systematic audits selected through the risk assessment, ad hoc audits as new facts emerge, or requests by the BOCS or County Executive.

Overall Audit Functions

Risk Assessment and Audit Plan Development

As required by the RSM Internal Audit Methodology, the internal auditor uses risk assessment techniques in developing the internal audit plan and 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 plan that have the greatest risk exposure.

Update Risk Assessment and Audit Plan Development

Risk is not stagnant. It is constantly evolving. As factors change and situations arise, this plan can and will change. As required by the RSM Internal Audit Methodology, the risk assessment and proposed audit plan is required to be updated annually.

Follow-up Procedures

As required by the RSM Internal Audit Methodology, internal auditors should establish a follow-up process to ensure that management actions have been effectively implemented or that Management has accepted the risk of not taking action. Included within each report provided, for each audit completed, a Management Response section will be added for Management to respond and include an action plan for remediation (if needed), as well as a targeted date of completion. Follow-up procedures will be performed after the completion date noted by Management. Follow-up typically occurs after ample time has passed with the new control / procedure in place (generally six months) to verify and report the implementation status of the recommendations and Management's action related to the previously reported findings. Annually, we perform procedures for those issues where the target dates have been reached to verify and report the implementation status of recommendations to the previously reported findings. Follow-up reports will be presented to the Audit Committee periodically through-out the calendar year.

Quality Control

The RSM Internal Audit Methodology requires the internal auditors to 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. RSM's Quality Control processes specific to public sector clients include, when applicable, concurring partner review (independent of the engagement) and, when necessary, consultation with the County's Attorney prior to reports being issued into the public record.





PROPOSED INTERNAL AUDIT PLAN – WORKING DRAFT (CONTINUED)

The objective of this assessment is to identify those areas judged as having a relatively high-risk profile or that otherwise require internal audit attention for various reasons. Through the risk assessment, we have identified and propose the following functions be reviewed during CY 2021. In addition, we have identified proposed audit areas for possible inclusion in future internal audit plans. The below proposed subject areas are in no particular order.

BOARDS, COMMITTEES, AND COMMISSIONS – PHASE 2 (DEFERRED FROM CY 2020)

CY 2021

As part of the CY 2019 Internal Audit Plan, we completed the Prince William County, Virginia Internal Audit Report – Boards, Commissions, and Committees (“BCC”) – Phase 1. The primary objective of the internal audit was to compile an inventory of the known County BCCs and evaluate the effectiveness of controls surrounding the administrative tasks to manage the BCCs, as well as to perform a high-level analysis of the County’s BCCs as compared to a relevant County peer group. As a product of Phase 1, a second internal audit will be performed (“Phase 2”) assisting the assessment of the overall effectiveness of each individual board, commission, or committee.

Inherent risks may include: Inactive/ineffective BCCs; and Damaged public perception of BCCs effectiveness.

Internal Audit Strategy:

The purpose of Phase 2 of this internal audit will be to evaluate the effectiveness of existing BCCs and provide support as described within the Management Action Plan within the Phase 1 Internal Audit report. During Phase 1, approximately 77 BCCs existed, ~38% of which were required by State or Federal regulation. We will assist in identifying non-required BCCs, which do not clearly support critical County operations. The identified BCCs will be prioritized for evaluation as part of the planned “BCC Refresh” which will provide consistency and transparency into the County’s BCCs going forward.

LAND USE

CY 2021

The Planning Department (“Planning”) regulates the use of land throughout the County to promote the efficient use of resources, as well as desirable social and environmental outcomes. As part of regulating land use, Planning works with citizens and developers to identify and manage the needs of the community, while also safeguarding natural resources through the systematic assessment of the alternative uses of land, along with economic and social conditions, to determine the best uses for available land. Planning has recently experienced turnover in leadership positions, which could increase the risks to effective and efficient operations.

Inherent risks may include: Inadequate or ineffective communication with County stakeholders; Lack of transparency regarding land use decisions; Inappropriate relationships with developers; and Non-compliance with land-use related regulations and requirements.

Internal Audit Strategy:

The purpose of the internal audit will be to review the land use process, benchmarking and analyzing comparative data and operations related to identified aspects (to be determined) of the Land Use process. We will perform additional procedures on-site as deemed necessary to appropriately assess the operations and control environment.



PROPOSED INTERNAL AUDIT PLAN – WORKING DRAFT (CONTINUED)

CYBER SECURITY AND PRIVACY – PENETRATION TESTING

CY 2021 AND CY 2022

Cybersecurity is a priority within the public sector. We have periodically performed network scanning and deeper targeted penetration testing since 2015. Threats are constantly changing and evolving, thus inherently high-risk. Organizations like the County are under constant attack from external attackers. The prospect of finding that an attacker has penetrated the organization's defenses and is able to steal data from the organization's network keeps most leaders up at night. As threats to data and systems have evolved, so have the requirements for safeguarding user and County information. The processes and people that support the security of technology are the key components in protecting these valuable business assets. Given the work from home environment due to the COVID-19 pandemic, it is imperative to constantly measure the security of technology assets to understand the ability to defend against threats.

Inherent risks may include: Undetected threats and attacks to County systems; Loss or manipulation of critical data; Systems and applications are not configured appropriately to support proper maintenance and monitoring (closed-loop feedback); County data is not being stored securely; and Time and resources may be inefficiently spent manually analyzing threats to County systems.

Internal Audit Strategy:

The objective of *internal* penetration testing is to assess current security controls to determine the actionable impact from an attacker gaining access to the internal network. The objective of *external* penetration testing is to assess current security controls to determine the actionable impact from an attacker attempting to bypass perimeter security controls and accessing the internal network or sensitive data. The focus of penetration testing is not to prove that the network is free of all vulnerabilities; rather, the focus is to validate the organization's security posture and configuration standards through assessing the resiliency of the internal network against a determined attacker. This level of testing relies heavily on techniques and toolsets favored by real-world threat actors in order to closely simulate an attack scenario and leverages both manual and automated testing methods.

TAXPAYER SERVICES

CY 2021

Limited scope procedures were performed over the Taxpayer Services Division as part of the Cash Handling internal audit report accepted July 20, 2020. As a result of procedures performed, it was recommended that an internal audit be performed of the entire cash handling process related to all tax types, due to the inherent high-risk over this function. The complexities of the Taxpayer Services Division's operations include various teams and individuals that are responsible for a myriad of tax types, and different collection process. The Division experienced managerial changes during CY 2020 and is responsible for the collection of the majority of the County's revenue.

Inherent risks may include: Inadequate controls to detect fraud, waste and abuse; Inadequate segregation of duties; Outdated, inadequate or undocumented policies, and procedures; Non-compliance and inconsistencies with policies and procedures; Errors or misappropriations; and Inconsistency in cash collection and handling processes.

Internal Audit Strategy:

The purpose of the internal audit will be to conduct a review of the controls, policies, and procedures surrounding the numerous cash collection processes.



PROPOSED INTERNAL AUDIT PLAN – WORKING DRAFT (CONTINUED)

CONSTRUCTION PROJECT MANAGEMENT

CY 2021

Per the fiscal year (“FY”) 2021-26 Capital Improvement Program (“CIP”), the County plans on approximately \$562M in total program spending. Construction project management is handled by various departments: Facilities & Fleet Management, Transportation, and Parks, Recreation and Tourism. Many of these programs involve the County’s management of construction work performed by third parties. Proper Construction Project Management can help to increase control, reduce construction costs, and improve outcomes within these complex risk environments. Part of the ongoing assessment process consists of addressing regulatory changes, employing technology solutions, performing design and construction risk assessments, and executing final accounting, compliance and forensic audits.

Inherent risks may include: Inaccurate projections of future cash flows and debt created by capital project budgeting; Inadequate processes in place to monitor CIP; Inappropriate process(es) for selecting contractors; Insufficient project management resulting in budget overages and quality of work issues.

Internal Audit Strategy:

The objectives of the internal audit would include the assessment of process and program control design and effectiveness surrounding the project planning, budgeting, timeline development, timely completion within budget and meet contract terms. We will also review for potential opportunities to gain efficiency through centralization with other County construction functions.

Contract Compliance - Elections (DEFERRED FROM CY 2020)

CY 2021

Contract compliance encompasses all contractual agreements. It includes those activities performed from the time a contract has been executed until the work has been completed and accepted, payment has been made, and disputes have been resolved. Although the Board of Elections is independent and isn’t required to adhere to all County purchasing requirements, there are procurement requirements under the Code of Virginia.

Inherent risks may include: Outdated, inadequate or undocumented policies, and procedures; Inadequate controls to detect fraud, waste and abuse; Inadequate segregation of duties; Non-compliance/improprieties with Code of Virginia and County policies for solicitation and procurement; Unreported conflicts of interest; Vendor favoritism; Non-performance of vendors; Inappropriate spending due to non-compliance with contract terms; Non-compliance and inconsistencies with policies and procedures; and Failure to meet select contract provisions.

Internal Audit Strategy:

The purpose of the internal audit will be to assess whether the system of internal controls specific to elections-related agreements is adequate and appropriate for effective contract compliance, with selected provisions of the contract as it relates to the procurement and payment for goods/services, management and administration of vendors and contracts, and assess the Board of Elections’ monitoring processes for opportunities for improvement. We will select a sample of contracts to test in detail for compliance with proper procurement, and agreement terms and conditions, including pricing and invoicing, as well as adherence to any right to audit clauses and required insurance coverage, and other potential risks as appropriate.



PROPOSED INTERNAL AUDIT PLAN – WORKING DRAFT (CONTINUED)

HUMAN CAPITAL MANAGEMENT (“HCM”) SYSTEM IMPLEMENTATION SUPPORT

CY 2021 AND CY 2022

The County’s Human Resource Department (“HR”) is in the process of designing and implementing a new system of record, which will house the County’s employee and payroll related information. RSM has been assisting the County from a SME perspective to assist with future state design and process flows, ensuring best practices, addressing pain points/audit issues; assistance/recommendation with training plan/approach; testing, etc.

Inherent risks may include: System implemented operates ineffectively; System does not meet stated requirements, specifications, or constraints; and Anticipated changes are not considered during implementation causing immediate gaps between process and systems.

Internal Audit Strategy:

The purpose of the internal audit will be to continue working closely with the County’s project Leads/SMEs to provide enhanced support and operate as a combined team (PWC/RSM) working with the implementer.

HEALTH DISTRICT ANALYSIS

CY 2021

The Virginia Department of Health operates localized health districts that operate multiple programs to protect and improve health and well-being of residents. Services provided include: immunizations; environmental health services; family planning services; confidential diagnosis, treatment, and counseling; tuberculin testing and diagnostic chest x-rays; early intervention services; and nutritional education. Currently the County contracts with the Virginia Department of Health to provide these services to its residents. Other counties have chosen to operate their own internal department, rather than contracting with the state. An analysis of other localities decisions to bring these services in-house could provide insights that would help the County in determining whether to continue outsourcing this function to the state or creating a health department that would provide these services to its residents.

Inherent risks may include: Not achieving the mission in the eyes of public stakeholders; Inefficient or uneconomic provision of health services to residents; Lack of in-house expertise to provide all required services; Inappropriate handling of medical data and failure to meet privacy concerns of residents.

Internal Audit Strategy:

The objectives of the internal audit would include: Conducting an analysis of other comparable counties who have chosen to provide health services through their own departments, to help determine the costs and benefits of the County providing health services to residents, versus continuing to contract these services through the Virginia Department of Health, and potentially identify additional budget/resource needs for bringing the health function in-house.



PROPOSED INTERNAL AUDIT PLAN – WORKING DRAFT (CONTINUED)

DATA CENTERS

CY 2021

The fiscal year 2021 Personal Property Tax Levies were adopted as part of Resolution No. 20-330, during the April 28, 2020 Regular Meeting of the BOCS. This resolution included an increased levy on computer equipment and peripherals used in data centers, raising it from \$1.25 to \$1.35 per \$100 valuation. For Data Centers, Special Use Permit Fees of \$7,159.58 are also required to be paid as part of the land use applications. The increased levy was due in part to the desire to capitalize on the fact that Northern Virginia contains the largest data center metro area in the US.

Inherent risks may include: Improper assessment of tax; Outdated, inadequate or undocumented policies, and procedures; Inadequate controls to detect fraud, waste and abuse; Inefficiencies in the tax assessment and approval process; and Lack of controls in reporting, disclosure, and monitoring of tax as applicable to specific confidentially requirements and regulations.

Internal Audit Strategy:

The purpose of the Data Center internal audit will be to: Evaluate the County's current assessment and approval process for raising personal property tax levies; Financial analysis, including performance measures and comparisons; Review and assess design and documentation of relevant variables necessary to facilitate tax levy increase; and developing a roadmap of actionable projects to align the intended use of the new funds with the desires of public stakeholders.

CONTRACTOR VS COUNTY EMPLOYEE IDENTIFICATION REGULATORY CHANGES

CY 2021

The County is required to report all new employee hires to the Commonwealth of Virginia Employment Commission. A legislative change that became effective in July 2020 requires that the County now also report all independent contractors brought in to perform work for the County. The goal of the regulation is to verify that all contractors are true independent and are not, in effect miscategorized employees. As the County works to become compliant with the new regulation, it is imperative that all independent contractors are appropriately identified. Currently, all outside vendors – which includes independent contractor/1099 workers – are treated as vendors in Ascend, the County's accounting system. The County's migration to the cloud may allow for more accurate contractor identification, given it will provide more flexibility within the Ascend system and enable the ability to select "individual" or "entity" when registering new vendors.

Inherent risks may include: Lack of compliance with Commonwealth reporting requirements; Failure to identify the full population of independent contractors working with the County; and Inability to confirm that all contractors are properly categorized as independent and not treated as employees.

Internal Audit Strategy:

The purpose of the internal audit will be to: Evaluate the current system for identifying County independent contracted workers to verify completeness; Assess the current population of independent contracted workers to determine the risk of miscategorization; and Research and evaluate potential options for best practices in tracking and reporting independent contracted workers.

TO BE DETERMINED AUDIT AREA

CY 2021

As previously discussed, this proposed internal 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 proposed internal audit plan can and will change. There is a placeholder in the current proposed internal audit plan for a project 'to be determined' to allow for future coverage



CONSIDERATION FOR FUTURE PROPOSED INTERNAL AUDIT PLAN – WORKING DRAFT

We have identified the below audit areas for consideration in future internal audit plans. The below proposed subject areas are in no particular order.

SMALL, WOMEN, AND MINORITY-OWNED BUSINESSES

Small, Women, and Minority-Owned Businesses (“SWaM”) is a County program to enhance business opportunities for small, women, and minority-owned businesses. The County’s Purchasing Division seeks to increase opportunities for participation in the procurement process by: Ensuring that SWaM businesses have the maximum practicable opportunity in every procurement; Making SWaM owned firms aware of the County’s procurement policies; and Encouraging SWaM participation in training seminars and purchasing fairs.

Inherent Risks may include: Inadequate or inconsistent policies fail to encourage increased SWaM participation in County procurements; The County fails to meet internal goals for procurement awards to SWaM businesses; and Monitoring is insufficient to appropriately track SWaM participation in County procurements and subsequent awards to SWaM businesses.

Internal Audit Strategy:

The purpose of the internal audit will be to determine whether the County has appropriate policies and monitoring tools to accurately track SWaM procurement participation and awards, and to determine whether internal award goals for SWaM businesses are being met.

BUSINESS CONTINUITY

The COVID-19 pandemic has brought business continuity under scrutiny, with the opportunity to enhance functionality/flexibility into the future. Business continuity is the advance planning and preparation undertaken to ensure that the County will have the capability to operate its critical functions when an unplanned emergency event has occurred. A business continuity plan considers various unpredictable events such as natural disasters, fires, disease outbreaks, cyberattacks, and other external threats. Business continuity focuses on the risk management, oversight and planning the County needs to stay operational during a disruption, including transparency and communication. A subset of business continuity, the disaster recovery plan is mainly data focused, concentrating on storing data in a way that can be accessed following a disaster. Business continuity plans should be reviewed and updated on an on-going basis, so it remains accurate, actionable, and reflective of current environmental threats.

Inherent risks may include: Reputational harm and liability resulting from a protracted inability to provide essential services to County residents; Inability to restore data and systems required to perform necessary business functions; Loss of data and information; Inadequate backup facilities and infrastructure to accommodate County personnel; Ineffective transparency and communication internally and externally.

Internal Audit Strategy:

The purpose of the internal audit will be to provide the County with an independent assessment of the County’s business continuity plan, including the comprehensiveness of the elements included in the plan and related documentation. The internal audit would consider the implementation of recommendations provided in the recently completed Continuity of Operations Plan assessment.



CONSIDERATION FOR FUTURE PROPOSED INTERNAL AUDIT PLAN – WORKING DRAFT (CONTINUED)

FIRE AND RESCUE SYSTEM RESPONSE TIME REPORTING DATA ANALYSIS

June 2015, a Computer Aided Dispatch (“CAD”), via Motorola Premier One, system was installed in PWC Public Safety Communications Center (“Dispatch”). Agency Web is used to roster the units and feeds to CAD (both apparatus and operational personnel). The two systems are interconnected and the technology can allow the system to flag and prevent operational personnel from rostering in specific positions on apparatus based on their certifications, ensuring properly credentialed individuals are placed on the correct apparatus.

Inherent risks may include: Lack of proper personnel and apparatuses responding to County emergencies; Delayed response times impacting resident safety; Failure to meet regulatory requirements and/or meet service level objectives.

Internal Audit Strategy:

The purpose of the internal audit will be to review and analyze the quality and effectiveness of the reporting related to response time and call volume by apparatus by the fire and rescue system, which may include accuracy and completeness of data related to emergency response times, and availability of appropriate apparatuses to respond to emergency.

FIRE AND RESCUE FINANCIAL OPERATIONS (FIRE LEVY AND NON-FIRE LEVY)

The PWC Department of Fire and Rescue, along with eight volunteer fire and rescue departments, comprise the Prince William County's fire and rescue system. Together, their mission is to provide high quality and efficient firefighting and emergency services to residents of Prince William County. Each volunteer fire and rescue company is managed individually by an appointed volunteer fire chief and president who are responsible for all administrative and operational aspects, including financial controls over funding sources (including fundraising activities such as Bingo, etc) and expenditures. The volunteer companies are individually established nonprofit organizations as a 501(c) (3) or 501(c) (4), creating a firewall between the entities. Current insurance requirements include effective internal controls over various financial components. Due to the decentralized nature of the companies and governance, as well as the fiscal impact of their operations to the County, they are inherently high-risk.

Inherent risks may include: Bank reconciliations not being performed in a timely manner; Not all bank accounts are reconciled; Not all reconciliations are independently reviewed; Not all bank accounts are on the GL; Insufficient controls over transaction authorization or restricted to appropriate personnel; Inappropriate cutoff; Outdated, inadequate or undocumented policies, and procedures; Inadequate controls to detect fraud, waste and abuse; Inadequate segregation of duties; Impact of unaddressed risks on insurability; Misappropriation of assets; and Loss of tax-exempt status as a nonprofit organization.

Internal Audit Strategy:

The purpose of the internal audit will be to assess the operating effectiveness over financial processes (taking insurance requirements into considerations) such as: cash handling and bank reconciliation process for all accounts held by the volunteer company, expenditures, inventory, and nonprofit organization status.



CONSIDERATION FOR FUTURE PROPOSED INTERNAL AUDIT PLAN – WORKING DRAFT (CONTINUED)

Remote Workforce Assessment

The COVID-19 pandemic has required the rapid adoption of remote work environments and has introduced new risks to security and productivity. Without time for coordination, many County employees were provided with laptops and peripherals and sent home to work safely. As time has passed, additional consideration can be given to things like employee-created workarounds, employee device use, a safe reentry plan, operational adjustments, and remaining compliant with regulatory requirements. The business risk profile has changed and the remote workforce is likely to affect regulatory requirements and governance.

Inherent risks may include: Lack of oversight of assets assigned to employees working remotely; Security of employee-owned broadband/internet services; Loss of employee productivity and inaccurate timekeeping; Lack of segregation of duties resulting from remote working, and increased potential that controls are bypassed.

Internal Audit Strategy:

The purpose of the internal audit will be to objectively assess the current state of the County's remote working environment and the continued effectiveness of internal controls. Specific procedures could include evaluating centralized policies and guidance provided to the departments, and selecting a sample of departments to review their individual policies for allowing remote working, adapting controls for a remote environment, maintaining employee productivity, and protecting County assets. We will also consider best practices for tracking productivity, and deploying and tracking assets.

INSURANCE COVERAGE

The County maintains insurance coverages to protect against the risk of financial loss due to different types of adverse events that could occur, related to categories such as property damage, the operation of County vehicles, injury to persons, and data breaches. Similarly, the County requires that third parties contracted by the County also maintain required coverage types and limits. An insurance coverage review provides insight to the County's current exposure and coverage surrounding its own operations, as well as those of its contractors, employees.

Inherent risks may include: Unforeseen exposure in a specific business unit or department without coverage, or with deficient coverage; Overlapping coverage; Overpaying premiums; Outdated, inadequate or undocumented policies, and procedures for updating/procuring insurance; Inadequate controls to detect contractor non-compliance with insurance requirements.

Internal Audit Strategy:

The purpose of the internal audit will be to assess and understand the current internal and third-party insurance coverage requirements, compared to the existing insurance coverages of the County and its stakeholders; To evaluate the processes for periodically reviewing and updating internal insurance coverages; To include coverage types, amounts, and other reporting such as employee classifications; To review the internal controls to verify that all contractors maintain required insurance coverage types and amounts. Note: this internal audit would be specific to liability/indemnification insurance coverages and would not include Workers Compensation insurance.



CONSIDERATION FOR FUTURE PROPOSED INTERNAL AUDIT PLAN – WORKING DRAFT (CONTINUED)

PUBLIC SAFETY COMMUNICATIONS SERVICE REVIEW AND STAFFING LEVELS

The office of Public Safety Communications (“PSC”) is responsible for managing the flow of information for the County’s public safety agencies for both 9-1-1 emergency and non-emergency situations. PSC employees are telecommunicators who receive and process calls using secured Computer Aided Dispatch terminals to enter, clear, and modify confidential data in the Virginia Criminal Information Network and the National Crime Information Center, and answer multi-lined phone systems to assist police officers and other jurisdictions with various law enforcement, fire, and emergency rescue tasks. They are all required to be certified as Emergency Medical Dispatchers – a certification that must be renewed every two years.

Inherent risks may include: Undocumented or outdated business continuity plan in the event of a network failure; Inadequate system of controls in place to protect confidential data; Inadequate process for monitoring the issuance of employee licensures and certifications, re-certifications, and expirations; Improperly trained employees; Inefficient use of County resources due to under- or overstaffing of personnel during a shift; and Failure to meet established performance metrics that could adversely impact emergency response.

Internal Audit Strategy:

The purpose of the internal audit will be to assess the appropriateness of current staffing levels in the PSC, proportionate to the volume and length of calls received during each of the three shift schedules. The audit will also include an examination of the documented policies, procedures, and related system of controls surrounding employee training and certification, consumer data protection, and business continuity plans.

DATA GOVERNANCE AND PROTECTION

Data governance consists of the execution and enforcement of authority over the management of data and data-related assets. It is a continuous practice that permeates throughout the entire entity, rather than ownership being solely to Department of Information Technology (“DoIT”). Once implemented, it becomes a standard operating procedure which produces strong and reliable output, efficiency and communication across the County. Data governance enables data to be used as a strategic asset, and assists decision-makers define goals, objectives, and focus areas. Privacy concerns are inherently high-risk wherever sensitive information is collected, stored, used, and finally destroyed or deleted – in digital form or otherwise. As laws and regulations surrounding data protection are constantly changing, it is critical to keep abreast of any changes in laws/regulations and continually reassess compliance with data privacy and security regulations.

Inherent risks may include: Outdated, inadequate or undocumented policies, and procedures; Inadequate controls to detect fraud, waste and abuse; Inadequate segregation of duties; Inappropriate handling of data due to non-compliance with applicable standards; Non-compliance and inconsistencies with policies and procedures; and Failure to meet privacy concerns of stakeholders.

Internal Audit Strategy:

The purpose of the internal audit will be to assess and identify any areas of risk associated with protection of sensitive data that could cause harm to the County. We will perform additional procedures on-site as deemed necessary to appropriately assess the operations and control environment.



CONSIDERATION FOR FUTURE PROPOSED INTERNAL AUDIT PLAN – WORKING DRAFT (CONTINUED)

VENDOR MANAGEMENT

The County departments and divisions contracts with a multitude of external parties for a variety of specialized services needed throughout the County. 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 Risks may include: Undocumented or outdated County policies on third-party vendor selection criteria; Inadequate system of controls to mitigate the risk of selecting a vendor that creates unacceptable level of risk; Inadequate process(es) in place to monitor and reevaluate the adherence of existing vendors in the system to County policies; non-existent consideration of potential or current vendors' SOC reporting compliance.

Internal Audit Strategy:

The purpose of the internal audit will be designed to assess whether the system of internal controls is adequate and appropriate, at the department (or division) 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 compliance with certain purchasing aspects, management and administration of vendors and contracts, including monitoring. It will include the selection of certain high-risk vendors and/or contracts. The review will also focus on the impact of COVID-related remote working on the County's need for vendor-provided services.

Data Mining/Analytics (DEFERRED FROM CY 2020)

The County's systems of record, such as Ascend, house a large amount of data and information related to the County's business and operations (ex. expenditures, payroll, etc.). Data Analytic and Data Mining tools can enable effective decision-making and optimization within almost any organization.

- Data analytics focus on identification and presentation of information related to specific activities within an organization (ex. trend analysis, categorical data, etc.). Data analysis tools allow the process for collecting and presenting information to be automated and consistently performed.
- Data mining utilizes available data to identify unknown relationships in data.

Inherent risks may include: Systems and applications are not configured appropriately to support data analytics and data mining (poor data quality); County data is not being utilized effectively to make business decisions; and Time and resources may be inefficiently spent manually analyzing and presenting data from County systems.

Internal Audit Strategy:

The purpose of the internal audit will be to assess quality of financial data generated and stored by the County and opportunities to employ tools, which enable data analytics and data mining. Common areas of opportunity for data analytics and data mining include expenditures, overtime, benefits, and others. Our procedures may include Assessing data quality for use in analytics; Designing key performance indicators ("KPI") and key risk indicators ("KRI") to support decision-making; and Integrating KPI and KRI design into data visualization tools to enable constant analysis of performance and risk. We will collaborate with the "DoIT to gain an understanding of system capabilities and tools currently utilized in the County (if applicable).

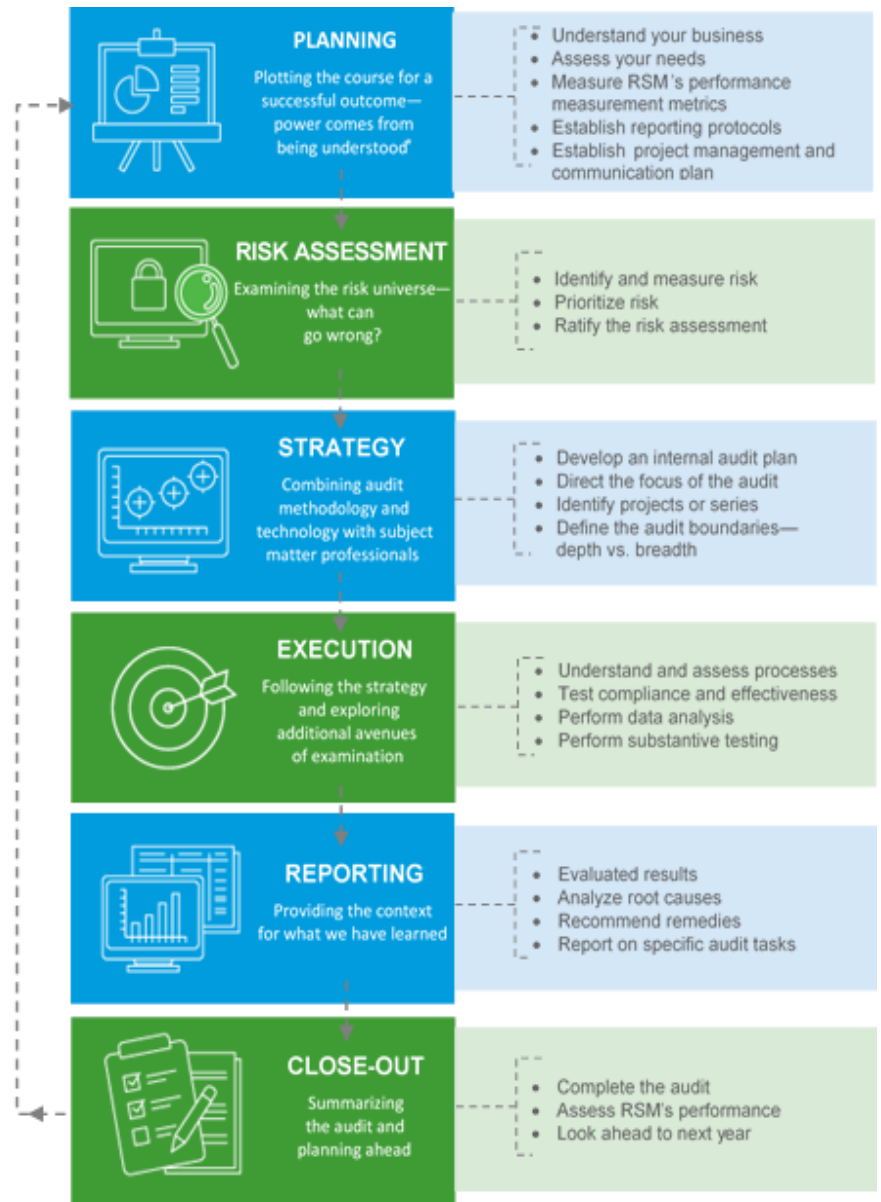



APPENDIX: INTERNAL AUDIT METHODOLOGY

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 process and ad hoc audits as new facts emerge, or by request from the BOCS or the County Executive.

RSM has a comprehensive internal audit methodology with a holistic approach to assessing the County's most critical risks. There is no one-size-fits-all internal audit project; therefore, we have a flexible methodology that helps internal audit evolve from a necessary process to assume a more strategic role within the County. A high-level overview is included in the matrix below.

We leverage proven processes and advanced technology to help mitigate risk, monitor compliance and add value to the County. Our methodology is grounded in understanding the County's needs and working with the County to develop a responsive approach to meet and exceed those expectations. In addition, we integrate quality assurance and project management resources to increase visibility into internal audit projects, providing real-time results and insight into progress.





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