



PRINCE WILLIAM COUNTY

Prince William County, Virginia Internal Audit – Proposed Internal Audit Plan Calendar Year (“CY”) Ending December 31, 2025

March 18, 2025



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TRANSMITTAL LETTER

March 18, 2025

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

We hereby submit the proposed internal audit plan for calendar year (“CY”) ending December 31, 2025, 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 and issued surveys to 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 and issued surveys to County Directors. During our procedures, we discussed and identified areas of high-risk, opportunities and vulnerabilities from their various levels of perspective.

The objective of this risk assessment was 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, and the various departmental personnel involved in assisting us with developing the proposed internal audit plan.

Respectfully Submitted,

RSM US LLP

Internal Audit



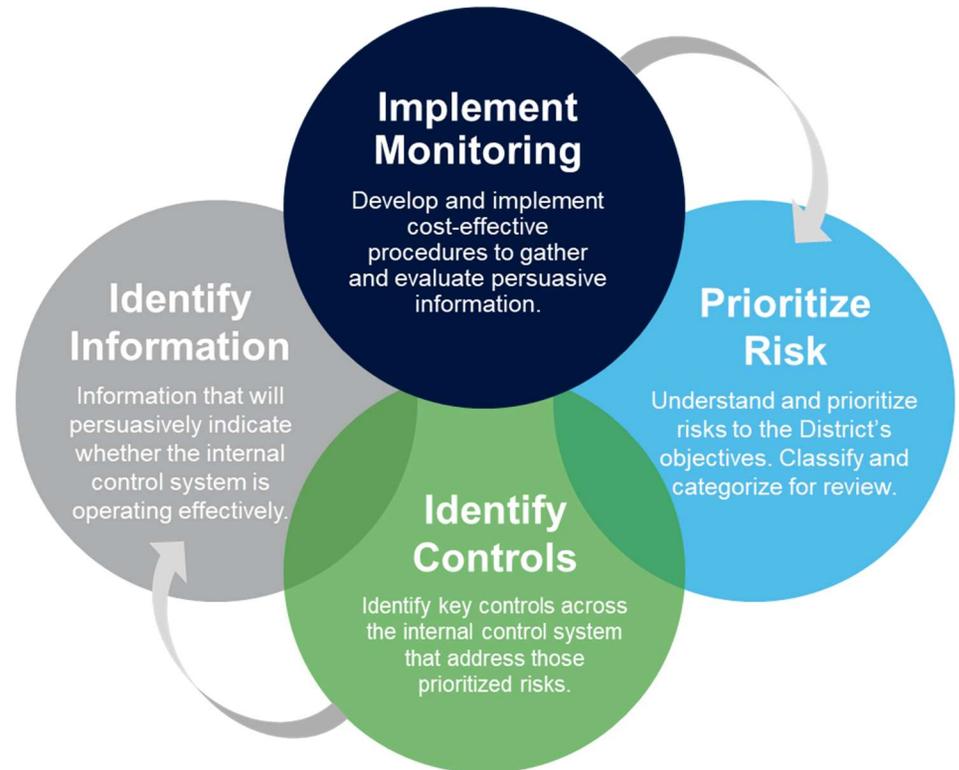
PROCESS OVERVIEW

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 for the Board's consideration. This document 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.

Our approach is based on the widely accepted Committee of Sponsoring Organizations ("COSO") guidance on monitoring Internal Control Systems, as shown to the right. COSO is led by the American Institute of Certified Public Accountants ("AICPA"), Institute of Management Accountants ("IMA"), American Accounting Association ("AAA"), Institute of Internal Auditors ("IIA"), and Financial Executives International ("FEI"), and provides a framework to prevent, detect, and manage fraud risk.

There are five (5) pillars within the COSO framework, each of which are considered as part of this risk assessment and the internal audit activities that follow:

- **Control Environment:** Refers to the overall culture of internal controls and is established from the top down. We interviewed personnel from different layers within the County, from the Board to director-level leadership to gain an understanding of the County's control culture.
- **Risk Assessment:** Stipulates the need for a risk assessment, such as this one. Risk assessments should identify risks that could potentially affect achieving their objectives and should scrutinize these risks to develop an action plan.
- **Control Activities:** Defines processes, activities, actions, and communications performed to mitigate risks and maintain strong internal control. At the direction of the Board, we will execute internal audits based on this proposed internal audit plan and will assess the design and operating effectiveness of internal control activities.
- **Information and Communication:** Defines the need for appropriate, consistent, and timely distribution and communications to stakeholders.
- **Monitoring Activities:** Requires monitoring, measuring, and reporting on the internal control system. This is addressed through our follow-up process.





OVERALL AUDIT FUNCTION

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 Function

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.

Fraud, Waste, and Abuse Hotline Monitoring

RSM is responsible for monitoring the County's Fraud, Waste, and Abuse hotline. We intake all notifications received, and triage as deemed necessary. Activity is reported to the Board Audit Committee of Prince William County at each meeting.

Follow-up Procedures

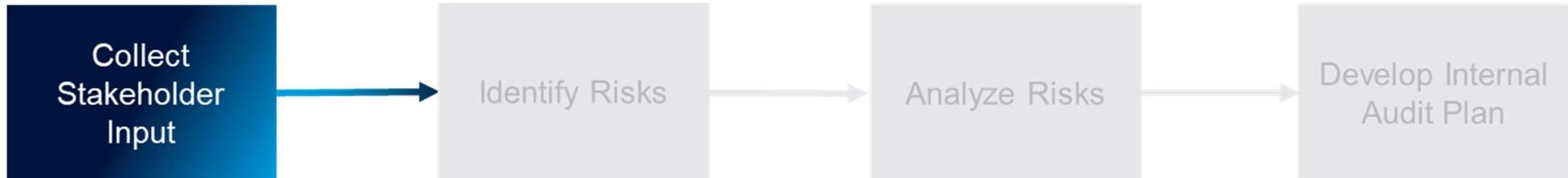
As required by the RSM Internal Audit Methodology, internal auditors should establish a follow-up process to confirm that management actions have been effectively implemented or that Management has accepted the risk of not taking action. Included within each report provided, for each audit completed, 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 government 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.



METHODOLOGY AND APPROACH



We use our risk assessment procedures to identify the categories and business processes that pose the greatest risk opportunity to the County, and those which may require internal audit attention. As a part of our risk assessment, we gather information from various internal and external sources to develop a tailored audit plan designed to address those identified risks.

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 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 2025, the capital improvement plan, the strategic plan, as well as media coverage and BOCS meeting agendas, minutes, and other available documentation. We also issued surveys to the director-level leaders throughout the County to obtain a deeper understanding of emerging risks throughout the County.

Topics discussed during the interviews may include but were not limited to:

- Strategic initiatives;
- Financial planning and analysis;
- Regulations and regulators;
- Human resources and personnel;
- Financial management and reporting processes;
- Industry trends;
- IT risk and governance;
- Third-party risk management;
- Day-to-day operations;
- Former audit results;
- General pain points and areas of concern;
- Business unit structure and changes; and
- Macro-economic environment.

METHODOLOGY AND APPROACH (CONTINUED)



During this stage of the risk assessment, we consider stakeholder responses and previous audit issues and evaluate risk drivers such as growth, employee turnover, new programs or services, regulatory concerns, culture, materiality, and technology. Risk classifications serve as the framework for assessing and prioritizing the risk model. Many audit areas possess diverse features and business processes often exposing an audit area to risks from many of these classifications. This overlap in potential risk requires a comprehensive, multifaceted approach that examines holistic risk and its potential to impact the County and its functions.



RSM evaluates risk across the following classifications when identifying risk within potential audit areas:

External Factors: Known and emerging market trends, industry regulations, external stakeholder expectations, political, environmental, social, and technological events.

Human Resources: Policies, procedures, and practices for attracting, training, and maintaining a qualified, skilled, and diverse workforce.

Reputation: Ability to anticipate and mitigate risks that could adversely affect external perceptions of the County.

Strategic: Executive level oversight, planning, and reporting processes established to achieve strategic objectives, including monitoring performance and organizational alignment to meet objectives.

Operational: Effectiveness and efficiency of processes and communications across departments to achieve strategic, financial, and operational objectives.

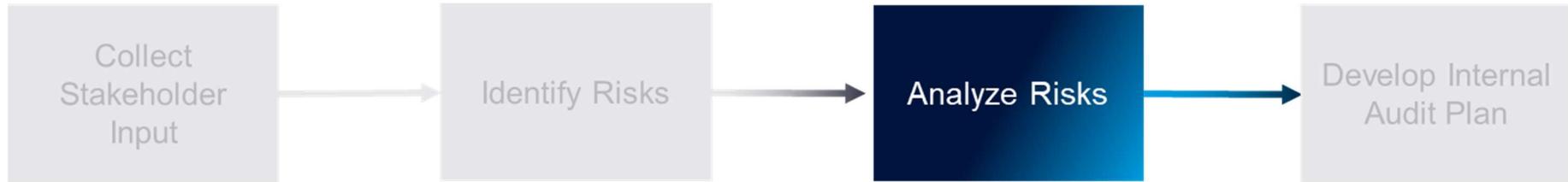
Technology: A sufficient IT infrastructure and environment to meet the needs of the County. Oversight and internal control over data integrity, business continuity, disaster recovery, data privacy, general and application controls, and cybersecurity.

Compliance: Adherence to all applicable laws and regulations, at the local, State, and Federal level.

Financial: Oversight and internal controls over budgeting and forecasting, procurement, financial reporting endowment, and utilization of resources.

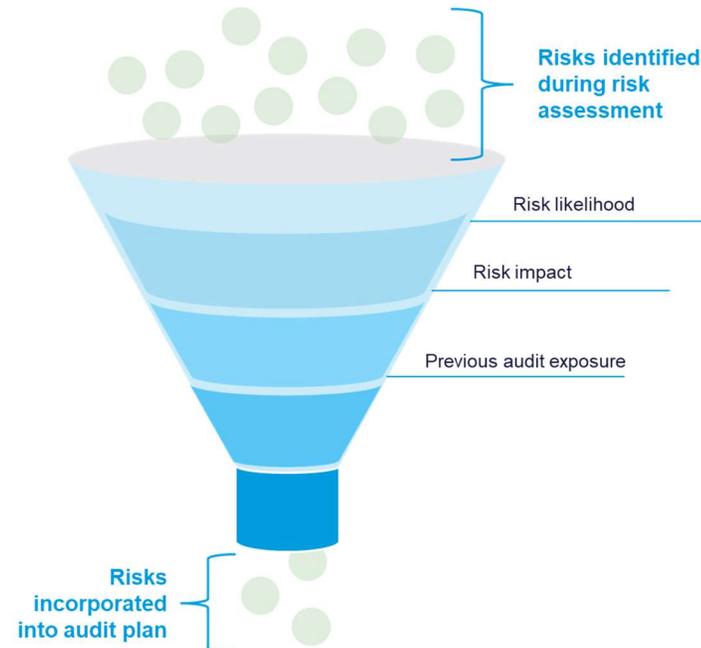
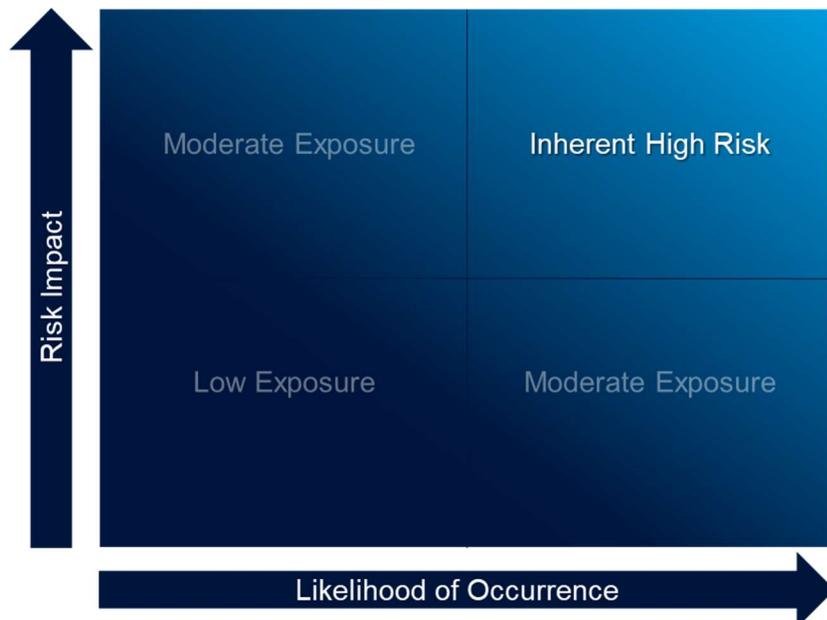


METHODOLOGY AND APPROACH (CONTINUED)



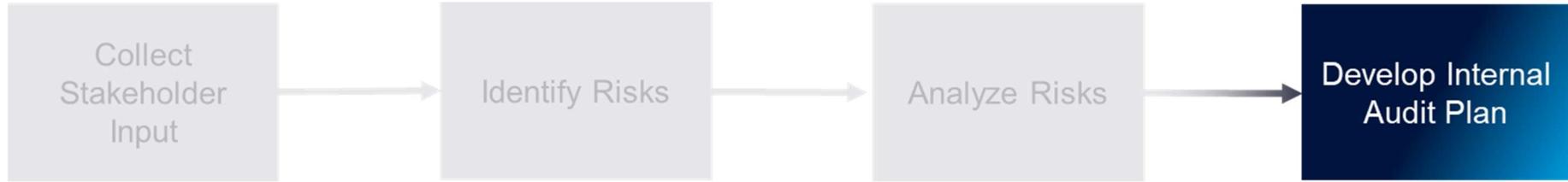
During this stage of the risk assessment, we categorize and prioritize risks, consider the velocity of the risk, or the speed at which the County must respond to the risk to avoid realization, as well as the likelihood and impact of the identified risks. Our analysis of high-risk areas considers ‘inherent risk’, which is the risk of a function in an environment void of controls. Therefore, functions with inherently high-risk are included in the proposed internal audit plan. 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. The proposed internal audit plan is a point-in-time depiction and should be considered a living document and will be consistently presented in *draft* form because it is a *living document*. As factors change and situations inevitably arise, the risks identified can and will change. While inherent risk is the occurrence before the effect of any existing controls, residual risk remains after the application of controls.

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.





PROPOSED INTERNAL AUDIT PLAN CALENDAR YEAR 2025 – WORKING DRAFT



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 may include 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, 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. The proposed internal audit plan topics are listed in alphabetical order and should be considered comparable in severity. *We would like to re-iterate, as previously noted in this document, that the inclusion of a proposed high-risk area of focus 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.*

Proposed Internal Audit Plan

Asset Management

Cash Proffers

Debt Capacity

Human Resources – Hiring Process

Information Technology – Seat Management Fees

Purchasing Cards

Timekeeping

Stormwater/Transportation Inspections Recordkeeping



PROPOSED INTERNAL AUDIT PLAN CALENDAR YEAR 2025 – WORKING DRAFT (CONTINUED)

Asset Management

The County's processes for managing assets are critical to accountability, financial accuracy, and operational efficiency in managing the County's capital assets, including vehicles, equipment, and infrastructure. Effective asset management requires strong internal controls over asset tracking, valuation, maintenance, and disposal to minimize financial, operational, and compliance risks. According to the FY2024 Annual Comprehensive Financial Report, the County reported \$1.08 billion in depreciable capital assets, representing a 6.2% increase from the prior year. As the County continues to expand and invest in its asset base, robust oversight is essential to prevent mismanagement, to determine compliance with state laws and County policies, and maintain the integrity of financial reporting.

Inherent risks may include: misappropriation due to weak controls; inaccurate or incomplete asset records; failure to conduct timely or comprehensive physical inventories; errors in asset valuation or financial reporting; delays in updating asset records following acquisitions or disposals; unauthorized asset use or mismanagement; non-compliance with state or County policies; insufficient monitoring of asset lifecycles and maintenance schedules; and reputational risks due to financial misstatements or public scrutiny.

Internal Audit Strategy:

To assess the County's asset management controls, including the processes for inventory tracking, reconciliation, and reporting. The internal audit would focus on compliance with policies, the accuracy of financial reporting, and the effectiveness of controls in preventing asset loss or mismanagement. Additionally, this internal audit may examine prior inventory results and identify potential areas for process improvement and may include procedures related to asset acquisition and justification of new purchases and asset disposal.

Cash Proffers

The County receives cash proffers pursuant to certain approved conditional rezonings, which include voluntary conditions (also known as "proffers") offered by the rezoning applicant to mitigate the impacts of their project. These funds are typically allocated toward capital improvements such as transportation, schools, parks, and public safety. The use of cash proffers is governed by the Virginia Code and applicable law, as well as County policies, which dictate how funds are recorded, allocated, and expended. Effective management of these funds is critical to facilitating compliance, financial transparency, and accountability.

According to the County's FY2025 adopted budget, cash proffer expenditures are projected at \$967,373, reflecting a modest increase from the prior year.

Inherent risks may include: misappropriation due to weak controls; errors in manual reconciliations; delays or inaccuracies in deposits; non-compliance with spending restrictions and deadlines; funds not properly monitored, reported, or used for their intended purposes; inadequate project funding due to lack of visibility; and reputational damage resulting from inaccurate fund reporting.

Internal Audit Strategy:

To assess the County's cash proffer management processes to determine whether funds are recorded, allocated, and expended in accordance with Virginia law and County policies. The internal audit will focus on key risk areas, including internal controls over fund tracking, reconciliation processes, compliance with expenditure restrictions, and overall financial reporting. Our approach will include documentation reviews, interviews with key personnel, data analysis to detect anomalies, and targeted transaction testing to validate accuracy and compliance. The internal audit will also assess the segregation of duties, oversight mechanisms, and the adequacy of policies and procedures governing proffer management.



PROPOSED INTERNAL AUDIT PLAN CALENDAR YEAR 2025 – WORKING DRAFT (CONTINUED)

Debt Capacity

The County manages its debt capacity to finance critical infrastructure and public services while maintaining financial stability and strong credit ratings. The County issues debt primarily through general obligation bonds, lease revenue bonds, and other financing mechanisms to fund capital projects such as schools, transportation, utilities, and public safety. Debt issuance and management are governed by the Virginia Constitution, Virginia Code, County policies, and best practices recommended by organizations such as the Government Finance Officers Association (“GFOA”). The County’s Principles of Sound Financial Management establish key debt affordability limits, including maintaining annual debt service below 10% of revenues and total bonded debt under 3% of net assessed property value. As of the most recent fiscal year, the County maintains AAA bond ratings from all three major credit agencies, reflecting its strong financial position. However, maintaining this status requires ongoing assessment of debt affordability, financial forecasting, and compliance with established debt policies.

Inherent risks may include: overleveraging that results in excessive debt relative to available cash flows; inaccurate or inadequate analysis of financial ratios and cash flow projections; failure to monitor compliance with debt covenants and other contractual obligations; deficiencies in forecasting future revenue or cash flow scenarios; outdated or insufficient debt management policies and procedures; lack of rigorous stress testing and scenario analysis of financial resilience; and misalignment between debt levels and the County’s long-term strategic objectives.

Internal Audit Strategy:

To assess the management and monitoring of the County’s debt capacity, including compliance with existing policies, procedures, and state, and federal regulations, laws, and the Virginia Constitution. Aspects of the assessment would include, but not be limited to, testing the methods and assumptions used for forecasting cash flows and calculating key financial ratios; evaluating the processes for monitoring and reporting compliance with debt covenants and contractual obligations; reviewing the adequacy and documentation of debt management policies and procedures; and analyzing the robustness of stress testing and scenario planning exercises used to evaluate financial resilience.

PROPOSED INTERNAL AUDIT PLAN CALENDAR YEAR 2025 – WORKING DRAFT (CONTINUED)

Human Resources – Hiring Process

One of the most critical activities of a high-functioning Human Resources (“HR”) Department is the ability to recruit qualified candidates and execute successful onboarding processes. The HR Department is tasked with providing timely recruitment and selection services that meet the needs of departments to attract and retain highly qualified employees who are committed to being part of the team and exemplifying the County’s vision and values. Subsequent hiring and onboarding processes refer to the procedures taken when an individual is evaluated, interviewed, selected, and approved. This includes working with multiple departments to gather employee information, including state-required documentation, and documenting hiring decisions. In addition to this function being inherently high-risk, there are other factors that have been considered for inclusion in the proposed CY2025 internal audit plan such as, the last internal audit was performed 2014, and the function has experienced change in people, process, and technology.

Inherent risks may include: outdated, inadequate, or undocumented policies and procedures surrounding job posting, recruiting, screening, and offers of employment; interdepartmental collaboration is ineffective; onboarding processes are inefficient; candidate vetting procedures are inadequate or inappropriate; new hire approval process is inconsistent or incomplete; compensation decisions do not receive proper approval; employees are hired who are not adequately screened and/or qualified; and non-compliance with applicable policies, laws and regulations, resulting in fines or legal implications.

Internal Audit Strategy:

To assess the County’s hiring processes, including job postings, candidate screening, hiring approvals, and onboarding procedures. The internal audit will determine whether recruitment activities comply with established policies, background checks and pre-employment documentation are consistently applied, and hiring approvals, including compensation decisions, are properly executed. It will also analyze hiring timelines to identify potential process delays. Internal audit procedures will include interviews, document reviews, sample testing, and comparisons against industry practices.

Information Technology – Seat Management Fees

A critical function of the Department of Information Technology (“DoIT”) is the administration of IT Assessment Fees, commonly referred to as “seat management fees.” This fee structure funds the maintenance, provisioning, and governance of technology resources across County departments as part of DoIT’s operational framework. The process involves establishing fee structures, applying cost recovery methodologies, and confirming that collected funds are allocated to IT projects in alignment with the County’s strategic objectives. Given evolving technology needs, increased demand for IT services, and the necessity of equitable resource distribution, this function presents inherent risks.

Inherent risks may include: outdated, inadequate, or undocumented fee structures and methodologies; lack of transparency in fee calculations and allocations; inconsistent application of fee policies across departments; misallocation of collected funds to projects not aligned with DoIT priorities; non-compliance with cost recovery guidelines; insufficient documentation and audit trails; and inadequate communication with stakeholders regarding fee policies and utilization.

Internal Audit Strategy:

To assess processes related to determination, application, and utilization of DoIT assessment fees. Aspects of the assessment would include, but not be limited to, evaluating the methods and assumptions used for calculating the fees; reviewing the documentation and internal controls supporting fee determinations and revenue collection; assessing the consistency and transparency of fee application across departments; verifying that allocated funds are used in accordance with established policies and DoIT priorities; and testing compliance with applicable cost recovery guidelines and internal policies.



PROPOSED INTERNAL AUDIT PLAN CALENDAR YEAR 2025 – WORKING DRAFT (CONTINUED)

Purchasing Cards

A well-managed Procurement Card (“P-Card”) program enhances operational efficiency by streamlining low-dollar purchases while maintaining appropriate oversight and controls. The County’s P-Card program facilitates decentralized purchasing across departments, reducing administrative burdens associated with traditional procurement methods. Because purchases are reviewed and approved after the expenditure has been made, p-card use is inherently high-risk. Robust policies, procedures, and review processes are essential to detecting and preventing inappropriate purchases. The p-card function was last reviewed by internal audit in 2018; since then, many organizational changes have occurred, including those related to people, processes, and technology.

Inherent risks may include: outdated, inadequate, or undocumented policies and procedures; unauthorized or improper use of purchasing cards; inadequate oversight or segregation of duties; failure to adhere to established spending limits and documentation requirements; lack of timely reconciliations and audits; potential non-compliance with County policies and regulatory requirements; inability to identify duplicative payments or split purchases; and insufficient training for employees on proper purchasing card procedures, leading to inappropriate purchases, financial loss, and reputational damage.

Internal Audit Strategy:

To assess the design and effectiveness of internal controls over the use of P-cards. This would include an examination of compliance with existing policies, procedures, and applicable regulatory requirements. The internal audit would include the identification of process gaps, if any, and proposed opportunities for improvement. The approach may include integration of data analytics designed to evaluate p-card spend, spend-by-vendor, p-card usage, and identification of instances wherein the p-card policy may have been circumvented.



PROPOSED INTERNAL AUDIT PLAN CALENDAR YEAR 2025 – WORKING DRAFT (CONTINUED)

Timekeeping

Accurate and efficient timekeeping is essential for confirming that employee work hours, overtime, and leave are properly recorded and reconciled, supporting accurate payroll processing, compliance with labor laws, and effective cost allocation. Given that multiple departments rely on timely and precise timekeeping data, the County must maintain strong internal controls to manage this function and mitigate financial and operational risks. According to the FY2025 budget, the County employs over 5,374 full-time-equivalent employees, with appropriations for salaries and benefits exceeding \$688 million. The County's timekeeping function was last reviewed in 2018, and since then, changes in personnel, processes, and technology have increased the need for reassessment.

Inherent risks may include: outdated, inadequate, or undocumented policies and procedures; inaccurate or incomplete recording of employee work hours; unauthorized modifications to time entries; ineffective segregation of duties in the timekeeping process; delays or errors in payroll processing due to misreported time data; non-compliance with labor laws, overtime regulations, and County policies; employees paid for time not worked or approved; and insufficient training for personnel managing timekeeping systems.

Internal Audit Strategy:

To assess whether the internal control structure over time tracking, recording, monitoring, and reporting is appropriately designed and operating effectively to mitigate inherent risk. This internal audit will focus on assessing the systems and protocols used for capturing, validating, and reconciling employee work hours, including both electronic timekeeping systems and any manual processes in place. Our procedures will involve testing the accuracy and timeliness of recorded time entries, evaluating the supervisory review and approval mechanisms, and confirming that timekeeping data is consistently reconciled with payroll records. Additionally, the internal audit will examine the adequacy of training and communication provided to staff responsible for managing the timekeeping function and verify that processes comply with applicable labor regulations and County policies.



PROPOSED INTERNAL AUDIT PLAN CALENDAR YEAR 2025 – WORKING DRAFT (CONTINUED)

Stormwater/Transportation Inspections Recordkeeping

Effective oversight of commercial site inspections and enforcement activities is critical for maintaining compliance with County policies and regulatory requirements while promoting accountability, operational efficiency, and resource management. Given that multiple departments, including Environmental Services (“ES”) and the Department of Transportation (“DOT”), share responsibility for conducting inspections and enforcement actions, the County must maintain strong internal controls to govern this function and mitigate compliance, financial, and operational risks. Inspections play a key role in adherence to environmental and safety regulations, making the reliability of inspector oversight and time reporting essential for informed decision-making and resource allocation.

Inherent risks may include: inadequate or outdated policies and procedures; inconsistent or inaccurate inspection records; unreliable time reporting by inspectors; ineffective workload distribution between ES and DOT inspectors; insufficient oversight mechanisms for enforcement actions; non-compliance with Department of Environmental Quality (“DEQ”) mandates and County regulatory requirements; and inefficient use of resources leading to operational and financial inefficiencies.

Internal Audit Strategy:

To assess whether the system of internal controls over commercial site inspections and enforcement activities is designed effectively and functioning as intended to mitigate inherent risks. The audit will focus on evaluating oversight mechanisms, time reporting accuracy, and the effectiveness of internal controls in promoting accountability, operational efficiency, and resource management. The approach will include reviewing policies, procedures, and accountability structures governing site inspections and enforcement actions, assessing workload distribution between ES and DOT inspectors, evaluating the reliability of inspector time logs and enforcement records, reviewing compliance with DEQ mandates and County regulations, and analyzing financial implications related to inspection effectiveness and resource allocation. Audit procedures will involve reviewing relevant County policies and procedures, conducting interviews and walkthroughs with key personnel, analyzing time reporting and inspection records, assessing consistency in inspection procedures, and benchmarking against peer jurisdictions. Targeted testing will be performed to evaluate the design and operational effectiveness of internal controls related to inspector oversight and enforcement activities.



PROPOSED PROJECT OUTSIDE OF INTERNAL AUDIT PLAN – WORKING DRAFT

ARPA Monitoring

Signed into law on March 11, 2021, The American Rescue Plan Act of 2021 (“ARPA”) provides \$350 billion in additional funding for state and local governments. The local funding portion is approximately \$130 billion, equally divided between cities and counties. Localities will receive the funds in two tranches—the first after the U.S. Treasury certifies the proceeds to each jurisdiction and the second one year later. For counties, the \$65 billion will be allocated based on the County’s population. ARPA specifies several eligible uses and restrictions for the funds that each recipient must comply with, including that funding must be spent through its duration (obligated by December 31, 2024, and expended by December 31, 2026). As with previous COVID-19 relief packages, implementation is an extensive process as new or updated guidance is developed and released by the U.S. Treasury. Internal audit has been performing annual and on-going sub-recipient ARPA monitoring for the County since 2022.

Inherent risks may include: loss of funding due to failure to adequately monitor the disposition of received funds, including subrecipient spending; failure to adhere to federal ARPA program requirements; failure to adhere to internal policies and procedures; insufficient internal reporting and/or documentation processing for ARPA procedures; inappropriate expenditure of ARPA funding received.

Internal Audit Strategy:

To perform monitoring of the application process, reporting requirements, and adherence to any regulatory guidelines, policies and procedures governing the use of ARPA funds received by the County. Audit procedures may include review and assessment of the expenditure of ARPA funds received by the County, including funds spent directly by the County, as well as funds provided to subrecipients.

Note: ARPA funding includes an allowance for administrative costs, such as monitoring. This project will be funded within the allowable costs per ARPA, and not part of the annual internal audit budget allocation.

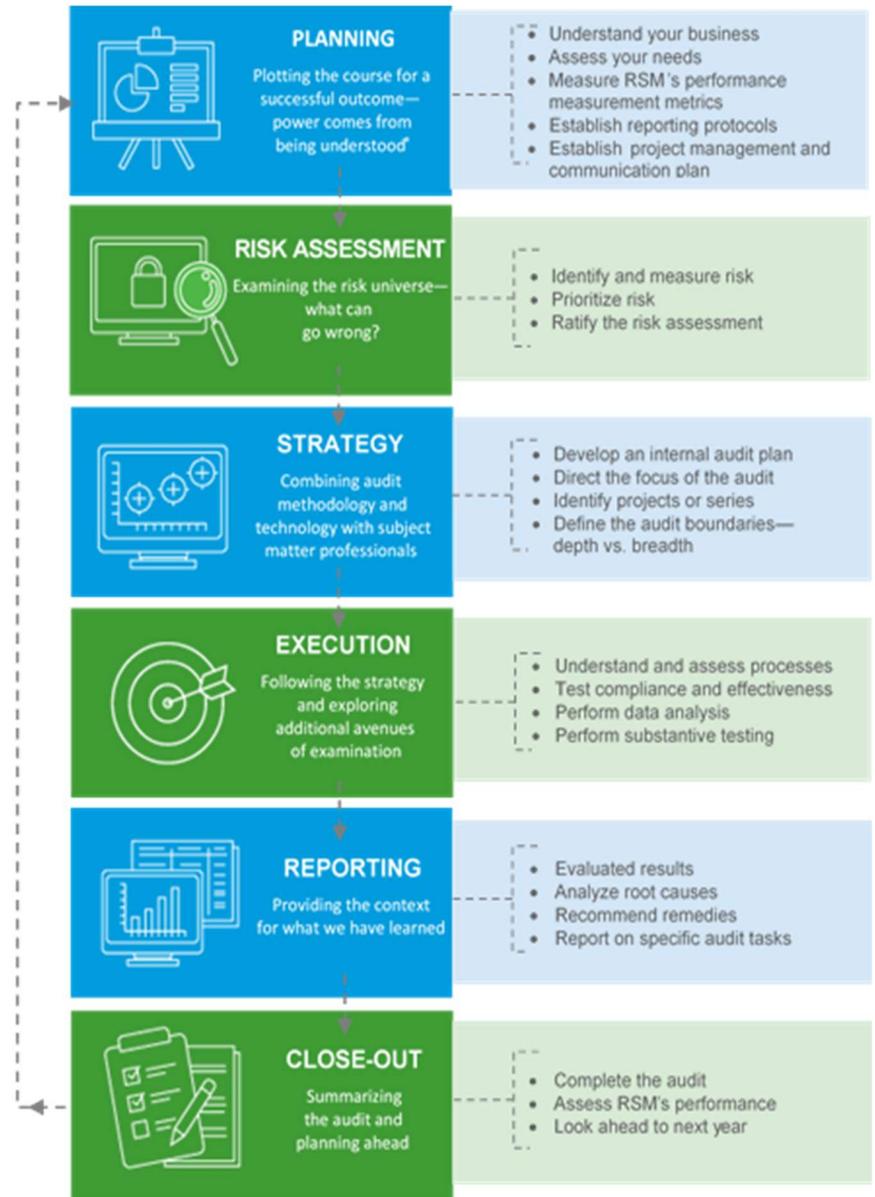


APPENDIX: INTERNAL AUDIT METHODOLOGY

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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