COUNTY OF FAIRFAX, VIRGINIA
OFFICE OF FINANCIAL AND PROGRAM AUDIT

October 2015 | **Quarterly Report**

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DETAIL OBSERVATIONS AND ACTION PLAN

BACKGROUND

The Department of Tax Administration (DTA) is comprised of four main departments: Department of Supervision, Real Estate, Personal Property and Business License and Revenue Collections. Last quarter a study was performed which focused on the sales and use tax collection process. This quarter the Real Estate Tax process was reviewed to gain reasonable assurance that exempt properties within the County are properly categorized.

SCOPE AND METHODOLOGY

Staff worked with management to review the Real Estate Tax process and understanding how assessments are determined. This included reviewing procedures related to tax exempt properties and the appeals process. The Real Estate Division is responsible for the appraisal and assessments of all residential and commercial properties. Although all properties are assessed, not all properties are subject to pay property taxes. Real estate taxes collected make up approximately 63.5 percent of General Fund revenue. This resulted in a budgeted annual revenue of approximately $2.4B for FY 2016, which reflected an increase of approximately $80.0M from FY 2015.

Assessment Notices:
In accordance with State of Virginia law section 58.1-3330[1] real estate owners are provided notice as an official statement of the assessed value of the real property for tax purposes. Real Estate assessment notices are valued as of January 1, 2015 which represent the estimated fair market value of the property. The assessed value provides the basis for real estate taxes due in July and December of the current year. The County mails real estate assessment notices in February to all real estate owners. For tax year 2015, the County had 352,910 taxable parcels, an increase of 272 taxable parcels from the previous year. For tax year 2015, 278,550 of the 352,910 parcels had a value change in the assessments. Some reasons for property change are the result of appreciation, value declines of property, and/or new construction of homes.

The County provides real estate tax exemptions for exempt organizations, disabled veterans and their surviving spouses. These taxpayers are not subject to local real estate taxes. A sample of 270 properties were reviewed from each District which included residential, commercial and tax exempt properties.

Tax Exempt Status:
All properties are subject to real estate tax unless specifically exempt. Real property owned and operated by tax exempt organizations can be exempted from real estate taxes. Tax exempt organizations that are 501(c) (3) qualified may be exempt but it is not automatic. The exemption can be based on the properties use when used for religious or charitable purposes or can be

[1] Website: https://vacode.org/58.1-3330/

exempted based on property ownership. Some properties may be exempt by designation of the governing body.

Disabled Veterans[2]:
To qualify for this exemption, the Veteran must be declared by the United States Department of Veterans Affairs to have 100% service-connected, permanently and totally disabled status. Participants must submit a one-time application to receive this exemption for the property.

Real Estate Assessment Appeals Process
The real estate assessment appeals process begins in February of the tax year. Property owners who believe their assessment is not representative of the fair market value have the right to appeal an appraisal. They may request a review of the assessment and/or file an appeal with the Board of Equalization.

Conclusion
Policy and procedures regarding the tax assessments, notifications and appeals were provided by the Real Estate Tax Division. The County performs annual assessments of real properties to estimate fair market values. Property owners are notified of their options to pay and rights to appeal. No recommendations noted at this time.

[2] http://www.fairfaxcounty.gov/dta/pdf_files/11-061-obannon_et_al.pdf

COUNTY OWNED VACANT LAND

DETAIL OBSERVATIONS AND ACTION PLAN

BACKGROUND

A study of the Fairfax County (County) Owned Vacant Land was performed by the Office of Financial and Program Audit to review used lands in the County. The study included working with the Facilities Management Department (FMD) to gain and understand how land is valued, efforts to market the land, and any reasons it may be deemed unmarketable. Department of Tax Administration (DTA) was consulted as part of the study, but has no role in helping to determine whether land is buildable or non-buildable.

The Code of Virginia in Section 15.2-2223[3] states that "the local commission shall prepare and recommend a comprehensive plan for the physical development of the territory within its jurisdiction. The County by state law has developed a Plan which is used as a guide for the development of land and natural environments. The law also includes guidance related to zoning ordinances and capital improvement plans. The Comprehensive Plan[4] outlines goals, objectives and policies relating to eleven functional elements; Land Use, Transportation, Housing, Environment, Economic Development, Heritage Resources, Public Facilities, Human Services, Parks and Recreation, Revitalization, and Visual Performing Arts.

SCOPE AND METHODOLOGY

The objective of this study was to gain an understanding of how county owned vacant land is valued and used. Staff met with The Facilities and Management Department (FMD), Department of Planning and Zoning (DPZ), Department of Tax Administration (DTA) and Department of Public Works and Environmental Services (DPWES) to discuss how County owned vacant land is analyzed to determine if a site is buildable or non-buildable.

Land Use Planning

Land Use planning is utilized by the County to manage land development. The County is responsible for meeting the needs of the community while safeguarding natural environments and planning for future projects. Countywide objectives and policies for land use are; pattern, compatibly and density, and pace of development.

Transportation Planning

Transportation planning provides the framework for the continued development of the County's transportation system. This includes the evaluation, assessment, design and future planning needs for streets, highways, bike lanes and public transportation lines.

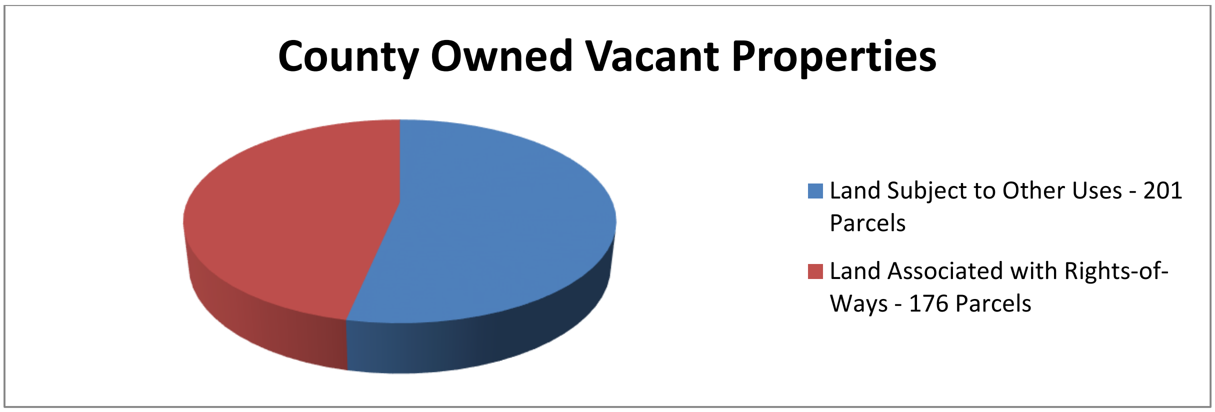
[3] Website: http://law.lis.virginia.gov/vacode/title15.2/chapter22/section15.2-2223/
[4] Fairfax County Comprehensive Plan - http://www.fairfaxcounty.gov/dpz/comprehensiveplan/

Environmental Planning

Environmental planning provides guidance for maintaining a balance between protecting the environment and future development, they are:

- Open Space: The County supports the conservation of land areas in the natural state to preserve, protect and enhance stream valleys, meadows, woodlands, wetlands, farmlands and plant and animal life. Small open spaces should also be available in community and neighborhoods for visual relief, scenic value and buffering purposes.
- Environment Protection: The County has environmental obligations to preserve natural resources and to meet the needs of standards for water quality, air quality and other environmental standards.

Below is a chart of the land use and transportation properties owned by the County:

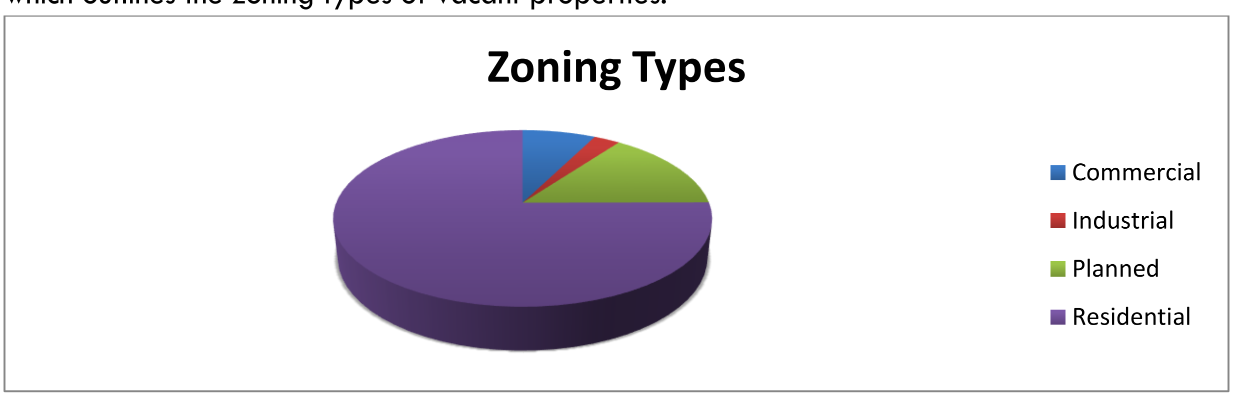


Note: Chart data is comprised of vacant land designation use provide by FMD

Fairfax County Zoning Ordinance[5]

The County's zoning ordinance details how land can be developed in specific geographic zones. Zoning ordinances specify whether zones can be used for residential, commercial, industrial or planned development projects. The zoning ordinance ensures the goals of the comprehensive plan are met; regarding health, safety and general welfare for the public.

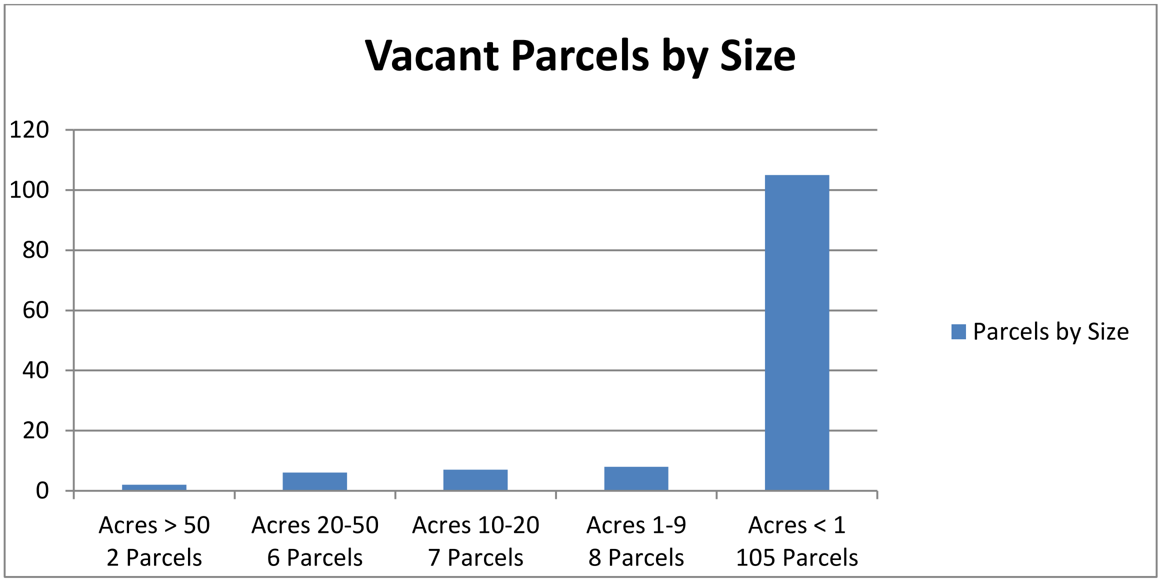
As of 2015, the County owns 377 properties (1,228 acres) which are vacant. Below is a chart which outlines the zoning types of vacant properties.

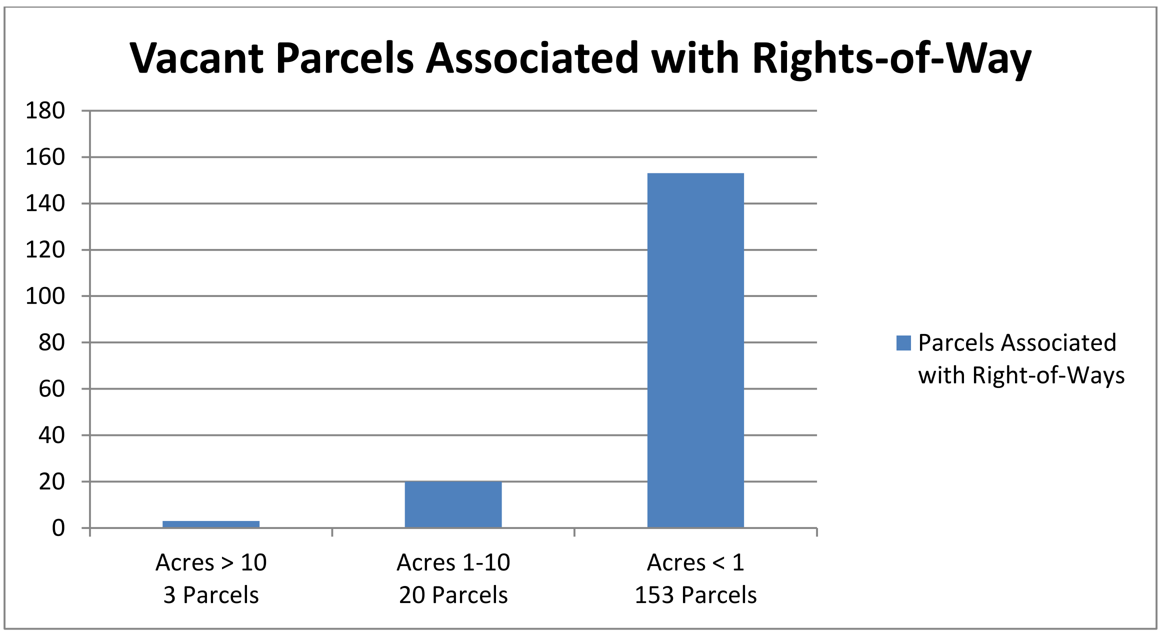


Note: Chart data is comprised of vacant land designation use provide by FMD

[5] Fairfax County Zoning Ordinance - http://www.fairfaxcounty.gov/dpz/zoningordinance/

The Facilities and Management Department (FMD) provided information on current vacant land which included the following data elements; tax map numbers, acreage, zoning type, district, DTA land use designation, and FMD land use designation.





Note: Chart data is comprised of vacant land designation use provide by FMD

OBJECTIVES AND RESULTS

Business Objective	Study Assessment
FMD review of county owned vacant land	Satisfactory
Management of the restriction on parcels	Satisfactory

Control Summary	
Good Controls	**Weak Controls**
• FMD routinely reviews county owned vacant land for use. • The County's Comprehensive Plan is amended as needed to reflect economic growth.	• None noted as part of this review.

OBSERVATIONS

As part of this study, four properties were selected for review to assess if there were potential for future sales or projects:

Tax Map No. 21-4 ((1)) Parcel 14A, Dead Run Elementary School Site

This parcel is 10.231 acres and has been designated for the use of parkland. Legal access to the property via Pine Hill Road has not been settled because the road was never properly dedicated as public right-of-way and is too narrow to permit public vehicular use. A Comprehensive Plan amendment would be required for development of this property.

Tax Map No. 107-4 ((1)) Parcel 31, Lower Potomac Ballfields

This parcel is 26.987 acres and was purchased with Sewer Bond funds for the future expansion of the Norman Cole Pollution Treatment Plant. This expansion would occur as the result of new mandates enacted by the Commonwealth of Virginia, and would most likely require the expansion of the "odor control buffer" around the plant to encumber a huge part of this property. The diamond fields currently onsite were built as part of the most recent plant renovation and are permitted public use. A Comprehensive Plan Amendment would be required to permit any development other than public use. It should be noted that the eastern portion of the parcel lies within the Resource Protection Area around the stream, and is therefore non-buildable.

Tax Map No. 91-3 ((9)) Parcel 8B, Future Kingstowne Library Site

This parcel is 6.646 acres and was purchased with Library Bond funds for the construction of a regional library. The Kingstowne Library is one of the projects included as part of the FY 2013-2017 Capital Improvement Program.

Tax Map No. 101-4 ((1)) Parcel 57, ISA Campus/George Washington RECenter

This parcel is 8.885 acres and is leased to the Park Authority; part of the RECenter Building is located on this property. A task force comprised of multiple County agencies and community leaders has been formed to review the development options of this parcel and others that were part of the original Mount Vernon High School Campus. The school is soon to be vacated by the long term tenant the Islamic Saudi Academy; the task force is looking for ways to reconfigure the site to preserve an educational use at the facility. A Comprehensive Plan Amendment would be required to permit any development other than public use.

In response to a FY 2016 Budget Q&A, the County has eight parcels (29 acres) that have the potential for future planning projects. County parcels are routinely reviewed by FMD for potential sales and marketability. Some parcels are may be deemed undesirable based on restriction on the property such as; proffers, floodplains, easements, conservation, density, parcel pieces and historic preservation.

Conclusion

Staff interviewed members of the Facilities and Management Department (FMD), Department of Planning and Zoning (DPZ) and Department of Public Works and Environmental Services (DPWES) to discuss how County owned vacant land is analyzed to determine if a site has buildable or non-buildable density. No recommendations at this time.

CONTRACT RENEWAL PROCESS

DETAIL OBSERVATIONS AND ACTION PLAN

BACKGROUND

A Sole Source Contract review was performed by the Office of Financial and Program Audit in December 2013. Four recommendations were made to management, which they agreed to implement. A follow-up review was performed on those recommendations in February 2015.

The purpose of this review was to assess the process for monitoring and tracking contract expiry dates. We worked with the Department of Purchasing & Supply Management (DPSM) to assess processes for tracking contract expiry dates to trigger the review and renewal processes of contracts under their purview in a timely manner. This study did not include construction contracts.

SCOPE AND METHODOLOGY

The objective of the study was to examine whether agencies/departments were demonstrably achieving value for money from their goods and services contracts in their decisions to extend, renew or re-tender. To facilitate this study we examined whether departments:

- Rigorously monitored and evaluated current supplier performance against contractually agreed standards, and
- Adequately planned and prepared for contract renewal, re-tender or termination.

We examined 23 contracts files in detail; 13 contracts with expiry dates between August and September of 2015, and 10 contracts which were randomly selected using a random number generator across the total population of active contracts as of 3rd August 2015.
14 of the 23 or 61% of the contracts reviewed were recently extended.

OBJECTIVES AND RESULTS

Business Objective	Study Assessment
Contract File Maintenance	Satisfactory
Contracts Integrated with County's Financial System (FOCUS)	Satisfactory
Defined/Performance Measurement/Monitoring of KPIs	Needs Improvement
Timely Alerts to Enable Early Planning for Contract Expiry	Unsastifactory

Control Summary	
Good Controls	**Weak Controls**
• Existence of Contract Files • Vendors Integrated with County's Financial System (FOCUS) • Documented Standards for Timely Alerts to Enable Early Planning for Contract Expiry	• Timely Alerts to Enable Early Planning for Contract Expiry • Documentation of Performance Measurement / Monitoring of KPIs

OBSERVATIONS AND ACTION PLAN

Below are tables that detail the observations from the study along with management's action plan to address these them.

Fairfax County
Office of Financial and Program Audit

CONTRACT RENEWAL PROCESS

Risk Ranking	LOW

The Department of Purchasing and Supply Management's (Internal Procedural Memorandum NO. 12-222) is not accessible to all county employees. This document provides procedures regarding contract renewal and extension, and closeout information. This information could be useful to the county's employees charged with managing the relationship with their vendors. It could also provide guidance for ensuring adequate time is afforded for either extending or re-tendering for contracted services.

Recommendation

We recommend that this information is posted on the county's website so that it can be referenced by all county employees.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Patti Innocenti	12/31/2015	patricia.innocenti@fairfaxcounty.gov

MANAGEMENT RESPONSE:

DPSM agrees with auditor's recommendation. The procedural document will be updated and re-issued with clear guidance for both internal and external audiences. The action and timing of each of the renewal milestones will be specified and used as a tool to manage the process.

CONTRACT RENEWAL PROCESS	
Risk Ranking	**MEDIUM**

A contract management plan is a key element of contract governance and identifies how performance data will be collected and monitored and who is responsible for its collection. DPSM's (Internal Procedural Memorandum NO. 12-222) states "Prior to renewing a contract, the Contract Specialist shall obtain confirmation from the end-user department that they have a continuing requirement for the goods/services. Contractor performance and contract expenditure activity should always be examined prior to the exercise of any renewal provision."

Monitoring supplier performance throughout a contract term ensures departments receive the goods and services they purchase, according to the required standard, within the required time frames and achieve value for money. This requires departments to establish contracts with a performance management framework to enable regular monitoring of supplier performance, where applicable. Such a framework should include:

- Key performance indicators (KPIs) to measure supplier performance against contractual deliverables,
- Targets for KPIs to define what is considered satisfactory performance, and
- Clear responsibility for collecting performance data, how the data will be collected and reported, the frequency of reporting and how unsatisfactory performance will be managed.

The supplier performance information gathered throughout the contract term also enables agencies/departments to make an informed decision on whether to extend or re-tender.

While it is the responsibility of the agencies/departments for whom the service is being provided to monitor and collect performance data, in some cases, this information was not maintained in DPSM contract files. For example, we noted, 9 of the 23 or 39% of the contract files where supplier performance information was not provided. It should be noted that in each of these instances the agency/department did request a contract renewal. Additionally, DPSM did update the renewal form as of May/June 2015 requesting this information but in the above mentioned instances the agencies/departments did not comply.

Lastly, for the responses that were received, the agencies/departments responded "good services" and "please renew." No documentation as to the data elements detailed above were provided.

Recommendation

We recommend performance measure guidance is compiled and documented in the DPSM's (Internal Procedural Memorandum NO. 12-222) to assist the agencies/departments. We also recommend that the Contract Specialist work with the agencies/departments to ensure that this information is completed and forward to DPSM for contract file maintenance. This practice would enhance the information being maintained in the County's contract repository.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Patti Innocenti	12/31/2015	patricia.innocenti@fairfaxcounty.gov

MANAGEMENT RESPONSE:

Fairfax County operates under a model of centralized procurement authority with delegated responsibility for contract monitoring and compliance. The vast majority (69%) of the contracts issued and administered by DPSM are classified as requirements contracts. These are term contracts for goods and services that specify unit pricing, but do not include deliverables or milestones. As such, it is incumbent on the end-user to measure performance based on the requirements specified in the purchase order (typically delivery time), these contracts do not include key performance indicators. Recognizing the need for performance feedback from the customer, in May 2015 DPSM implemented an enhanced questionnaire that elicits such information at the time the contract is under review for renewal (attached).

DPSM will add guidance on reporting contractor performance in the revision of Internal Procedural Memorandum No. 12-222 in order to improve the collection of contractor performance history.

CONTRACT RENEWAL PROCESS	
Risk Ranking	**MEDIUM**

Effective, risk-based contract management during the life of a contract means that, by the time a contract is due to expire, the department has clearly established whether it should extend or re-tender.

As per the DPSM's (Internal Procedural Memorandum NO. 12-222) states clear and measurable procedures which would appropriately accomplish this initiative. They are:

1. The Contract Specialist shall review the contract expiration report 180 days prior to the end of the contract term. For contracts with optional renewal terms, the Contract Specialist shall notify the end user of the expiration 150 days prior to the end of the contract term. The end user shall provide notice of their continuing requirement for the goods or services within 30 days.

2. Written notice of the County's intent to renew shall be given approximately 90 days prior to the expiration date of each contract period. If both parties agree to renew the contract, the Contract Specialist shall issue an Amendment to the contract indicating the terms of the renewal 30 days prior to expiration.

Our review identified 13 out of 23 or 57% of the time where these initiatives were either not document or not met. The deferral of this process reduces consideration for re-tendering and competition. Without timely notifications agencies/departments forfeit the potential benefits of returning to the supply market. Incumbent suppliers benefit because they do not need to compete with other suppliers.

Recommendation

We recommend that Contract Specialist endeavor to comply with the documented procedures to ensure the interest of the County is protected.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Patti Innocenti	12/31/2015	patricia.innocenti@fairfaxcounty.gov

MANAGEMENT RESPONSE:

DPSM contract administrators monitor and manage their contract assignments with the objective of ensuring that there is no lapse in contract coverage (particularly for contracts that are mission essential). User generated reports identify pending contract expirations. In addition, the FOCUS contract module sends an alert to the contract administrator based a preselected number of days prior to the expiration date (sample attached). Sixty-seven percent of the contracts in the audit sample included a system alert. DPSM will work with FBSG to improve the functionality of this field.

DPSM uses multiple means to communicate pending contract expirations with the using department. The strategies include: 1) quarterly business planning meetings: direct meeting with customer to review pending contract expirations, 2) email correspondence: notice is sent to the using department with a performance and usage questionnaire.

The department will modify the procedural guidance to clarify internal and external responsibility for prompt contract review and renewal actions.

Note: While DPSM is the authoring entity for 90% of the County's contracts, the remaining 10% are cooperative agreements that were created by another public body. The audit sample was selected by random method; however, it was not representative in that 30% of the sample are cooperative contracts. This is consequential to the timing and method of contract renewal activities. DPSM cannot take any action to initiate a contract renewal on a cooperative contract until the lead public body has renewed the agreement. DPSM believes that this factor may have impacted the audit findings.

GOLF COURSE REVENUE STUDY

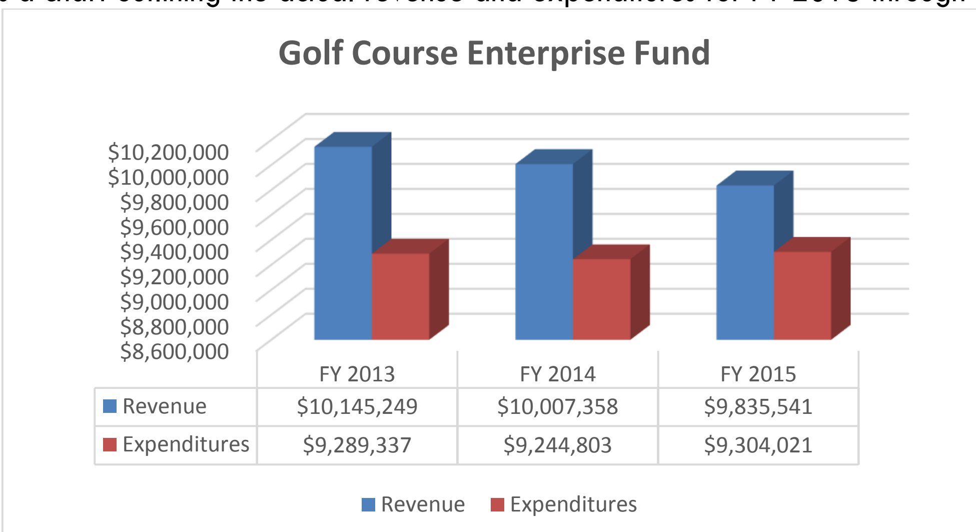
DETAIL OBSERVATIONS AND ACTION PLAN

BACKGROUND

A study was conducted to assess the internal controls related to the management of revenue generated from golf courses. This included assessing contract compliance with applicable rules and regulation, and identifying opportunities for improvement.

The Fairfax County Park Authority Board (FCPA) manages the Golf Course Enterprise Fund which is housed in fund account 80000. This fund is supported by user fees and charges generated from the Park Authority's revenue facilities. The Golf Course Enterprise Fund includes; golf course revenue, donations and grants. Revenue received from golf courses are designed to fully support the operating expenditures and maintenance costs. FCPA strives to achieve a positive recovery rate in order to contribute to capital improvements and repairs of golf courses.

Below is a chart outlining the actual revenue and expenditures for FY 2013 through FY 2015:



The Golf Enterprise Division operates and maintains eight golf courses at seven facilities; Burke Lake, Greendale, Jefferson, Laurel Hill, Oak Marr, Pinecrest and Twin Lakes which has two courses. The Golf Course Enterprise responsibilities include; facility operations, maintenance, programming and customer service.

SCOPE AND METHODOLOGY

The objective of this study was to assess whether the FCPA maintains proper controls with respect to handling cash. Staff also worked with management to identify improvements to enhance revenue for the golf courses.

OBJECTIVES AND RESULTS

Business Objective	Study Assessment
Revenue recovery rate meets/exceeds golf expenditures	Satisfactory
Effective controls over the cash handling	Satisfactory
Formal policy and procedures for the operation of the Golf Enterprise Fund	Satisfactory

Control Summary	
Good Controls	**Weak Controls**
• Cost recovery rates are over 100% • Point of Sale system installed • Policy and procedures are; detailed, updated and signed by staff. • Reconciliations are performed on each cash drawer which includes manager signoff. • Dual control over cash transfers/replenishments.	• Some of the National Golf Foundation Study recommendations have not been implemented.

OBSERVATIONS AND ACTION PLAN

The following table presents the observation and recommendation from the study along with management's action plan to address these issues.

Fairfax County
Office of Financial and Program Audit

GOLF COURSE REVENUE	
Risk Ranking	**LOW**
The National Golf Foundation (NGF) was retained in 2012 by the Park Authority to assist in evaluating the operational and economic performance of the eight golf courses owned by the County. NGF provided recommendations for improvements to enhance the longevity and vitality of golf courses in the County. Based on NGF's recommendations, FCPA has hired a golf enterprise manager and a golf-specific marketing specialist. The golf enterprise manager is responsible for the operation of the seven golf facilities. The golf marketing specialist is responsible for promoting events and banquets at the Laurel Hill Club and Twin Lakes Club. This person is also responsible for promoting the golf courses. Currently golf courses use a POS system, called ParkNet to monitor sales transactions. FCPA is in the process of finalizing a contract with a new vendor that would interface the POS sales transaction with tee times to enhance the experience of golfers. The food and beverage systems have been upgraded as recommended by the NGF.	
Recommendation	
Additional recommendations presented by NGF for the County's golf courses which have not been implemented are; improve drainage and turf conditions at Greendale, upgrade and expand driving range at Burke Lake, improve driving range landing area at Oak Marr and continue to upgrade and replace maintenance equipment at all facilities as needed. As funds permit, FCPA should continue to implement recommendations made by NGF.	

Action Plan

Point of Contact	Target Implementation Date	Email Address
Peter Furey, Manager Golf Enterprises Park Authority Janet Burns, Financial Management Branch Park Authority	Ongoing	peter.furey@fairfaxcounty.gov janet.burns@fairfaxcounty.gov

MANAGEMENT RESPONSE:

Page 2-Control Summary: Good Controls Section: ***"Point of Sale system installed"*** **The Park Authority expects to have a signed contract with a leading golf industry provider of its new integrated Point of Sale (POS) system by mid-October 2015. Full installation is anticipated by January 2016.**

Page 2-Control Summary: Weak Controls: ***"Some of the National Golf Foundation Study recommendations have not been implemented."*** The Park Authority reviewed all the findings and recommendations of the 2012 report and incorporated those that were strategically relevant and practical for the business plan of the agency. The NGF 2012 Operational report recommendations will continue to be evaluated, and where feasible, acted upon in future years as funding and needs dictate.

Status of implementation of Top 14 Physical Upgrades as listed in 2012 NGF Report:

1) **Expand the Oaks Room at Twin Lakes Golf Course:** Completed 2015
2) **Upgrade AV capabilities at Laurel Hill & Twin Lakes:** Completed 2015 Twin Lakes & planned for LHGC 2016
3) **Add wireless internet access @ Laurel Hill & Twin Lakes:** Completed for all 7 golf sites 2015
4) **Switch to token-less range ball dispensers:** Planned for Oak Marr 2016, others in 2016-2017
5) **Add an event pavilion @ Greendale Golf Course:** Funding needed
6) **Add an event pavilion @ Jefferson Golf Course & Park:** Funding needed
7) **Improve the drainage and turf conditions @ Greendale Golf Course:** Major drainage project completed in 2015, bond funded replacement of irrigation system 2016 both of which will improve turf conditions
8) **Upgrade & expand the driving range @ Burke Lake:** The agency entertained a PPEA partnership opportunity with the private sector but is now proceeding with a fully bond funded project to replace the clubhouse and replace the driving range with a fully renovated and expanded driving range. Currently in the planning phase with construction to begin 2017
9) **Driving range landing area improvements @ Oak Marr Golf driving range:** FCPA currently developing design and construction needs for a future bond project
10) **Replace outdated maintenance equipment at all facilities:** Replacement of system vehicles and equipment is ongoing, budget permitting, with expenditures of $64,596 in 2013, $144,796 in 2014, $78,318 in 2015 and $225,000 is budgeted in 2016. The investment in Capital equipment replacement in Golf Enterprises, and throughout the park authority, continues to be a challenge with diminishing available budget resources.
11) **Replace/or renovate Burke Lake clubhouse:** Grouped with #8 above, the driving range expansion and Clubhouse replacement will be bond funded with construction to begin 2017.
12) **New Irrigation System @ Greendale Golf Course:** Bond funded. Construction underway with anticipated completion in FY 2016.

13) **<u>Greens replacement @ Greendale Golf Course:</u>** Not currently considered a strategic top priority for Golf Enterprises or the agency

14) **<u>New Irrigation system @ Pinecrest:</u>** Bond funded and completed in 2015.

In addition to the physical upgrades identified above Golf Enterprises has incorporated numerous operational and programmatic recommendations that resulted from the 2012 NGF Operational review. The review will continue to be utilized along with the agency's Needs Assessment, Financial Sustainability Plan, customer surveys and other reports and findings to further improve performance in Golf Enterprises.

Page 2: Golf Course Revenue: The FCPA has had a Golf Enterprise Manager in place since the 1980s. Since that time, the authority has continued to review and refine the GE staffing structure to best address business needs.

Recommendations by NGF: Significant improvements to the drainage systems at Greendale, as well as other structural improvements resulting in turf improvements, are currently being addressed with the irrigation system replacement in 2015-2016. We wholeheartedly agree with continuing to implement recommendations made by NGF as future funding and agency priorities allow.

REVENUE COLLECTION CONTRACTS STUDY

DETAIL OBSERVATIONS AND ACTION PLAN

BACKGROUND

A study was performed whereby we reviewed a sample of the County's revenue contracts with a focus on best practices, performance measures, monitoring and oversight. The Department of Tax Administration (DTA) Revenue Collection Division is responsible for the billing and collection of current and delinquent taxes for Fairfax County. The Revenue Collection Division outsources the collection of delinquent past due accounts to third party collection agencies.

Before an account is referred to a collection agency the Revenue Collection staff makes every effort to collect on a debt. Staff sends delinquent bills, notices, liens to the debtors. Staff also facilitates force collections through tow actions.

Pursuant to Virginia Code section 58.1-3919.1[6] and section 58.1-3934[7], DTA is allowed to place tax accounts with collection agencies if the debt remains delinquent in excess of 90 days and 180 days for non-tax accounts. The collection agencies are allowed to add a 20 percent fee to the customer's debt as per the contract between them and the County.

The Revenue Collection Division has revenue contracts for tax and non-taxable accounts. Currently, the County has three main contracts for taxable accounts:

- Nationwide Credit Corporation (NCC) for business licenses and property taxes,
- Citations Management for parking tickets, and
- Taxing Authority Consulting Services (TACS) for real estate taxes.

FY 2015 Collection Rates	
Real Estate	99.74%
Personal Property	98.10%
Business License	97.57%

In FY2015, NCC collected $11.1 million in delinquent personal property taxes and vehicle registration fees and $1.76 million in delinquent Business Professional Occupational Licenses (BPOL) revenue. TACS collected $8.5 million in delinquent real estate taxes.

SCOPE AND METHODOLOGY

The scope of the study included a review of the County's revenue contracts focusing on performance measures, monitoring and oversight of the delinquent accounts. Staff also endeavored to assess whether the revenue contract collectors were in compliance with rules and contract requirements.

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[6] Website: http://law.lis.virginia.gov/vacode/title58.1/chapter39/section58.1-3919/
[7] Website: http://law.lis.virginia.gov/vacode/title58.1/chapter39/section58.1-3934/

As per DTA management, they meet with the collection agencies to discuss and review contract initiatives. Payments are deposited weekly in the County's bank account from the collection agencies. Bank deposits are supported by detailed documentation that details the total amount paid by the customer. This documentation includes the collection fee and original debt owed plus any applicable penalties and interest. Although the collection agencies are responsible for the collection efforts, the Revenue Collection Division performs research on accounts. They also have direct authorization over seizures property or assets. Policies and procedures for payment processing are outlined in the revenue contract. The revenue contract details payment methods e.g.; online, by phone, mail or as walk-ins.

OBJECTIVES AND RESULTS

Business Objective	Study Assessment
Collection rate obtained by collection agencies	Satisfactory
Effective monitoring of contract requirements	Satisfactory
Effective monitoring and oversight of collection agencies	Satisfactory

Control Summary	
Good Controls	**Weak Controls**
• Contracts are renewed on a yearly basis after initial contract terms. • Management meets with the collection agencies regularly. • Revenue is deposited in the County's bank account supported by a weekly collection report.	• None noted at this time.

Conclusion:

Our review has revealed that controls are in place to monitor the collection agencies. We also noted that the collection agencies are reaching their agreed upon collection target for the period under review.

FUEL PUMP CONTROLS

BACKGROUND

The Office of Financial and Program Audit conducted a review of controls over the County's fuel pumps this quarter. The Department of Vehicle Services (DVS) is responsible for managing and monitoring the County's 53 automated fuel pump stations. In FY 2015, fuel issued from the County's automated fuel pumps totaled 6.6 million gallons.

DVS uses FuelForce Management System (FuelForce) to monitor and track fuel issued from the County's automated fuel pumps. Departments are assigned code(s) in the FuelForce system. Individuals using county-owned vehicles must enter a department code, vehicle identification number, and an odometer reading at the fuel pump. DVS has implemented controls over the use of fuel codes for county-owned vehicles that are based, in part, on mileage.

"Miscellaneous" codes are a special category of fuel codes that have less restrictive controls and are not linked to a specific vehicle number. Miscellaneous fuel codes are intended for limited use for certain types vehicles and equipment, such as rental/leased vehicles and landscaping equipment. In fiscal year 2015, miscellaneous fuel code transactions initiated at the County's automated fuel pumps totaled 211,037 gallons at a total cost of $501,882.

Miscellaneous Fuel Code Transactions
Fiscal Year 2015

Department/Agency	Gallons	Cost
POLICE - LEASED/RENTAL VEHS	46,295	$ 105,666.82
FCPS - FOOD & NUTRITION SVCS	37,887	$ 91,287.95
FIRE & RESCUE DEPARTMENT	29,339	$ 70,843.44
POLICE - FIELD OPERATIONS	23,944	$ 55,871.51
FCPS - PLANT OPERATIONS	20,689	$ 48,494.47
PARKS - EQUIPMENT	17,921	$ 44,668.49
NEIGHBORHOOD/COM-ADMIN	6,997	$ 20,616.72
POLICE - CIB	4,137	$ 8,892.72
DPWES - PUMPING STATIONS	3,945	$ 8,791.44
DPWES MAINTENANCE & STORMWATER MGMT	3,524	$ 8,639.79
SHERIFF DEPARTMENT	3,167	$ 7,778.97
CSB CENTRAL ADMINSTRTATION	3,077	$ 6,654.04
FCPS - FACILITIES MGMNT	2,262	$ 5,533.87
WPFG (World Police Fire Games)	1,509	$ 3,221.18
DPWES WASTEWATER TREATMENT	1,240	$ 3,037.05
DPWES DISPOSAL - I95 LANDFILL	1,311	$ 2,709.11
PARK AUTHORITY	616	$ 1,532.65
FMD - BUILDING SERVICES	481	$ 1,344.44
FCPS - ADMIN/TRANSP	446	$ 1,057.38
DVS - NEWINGTON	395	$ 943.69
DVS - WEST OX	236	$ 557.20
DPWES LEAF COLLECTION	210	$ 526.65
FAMILY SERVICES	196	$ 463.07
POLICE - ACADEMY	181	$ 430.40
HUMAN SERVICES ADMINISTRATION	166	$ 404.17
FMD - O&M, PSC	171	$ 387.67
POLICE - SERVICES & COMMAND	177	$ 379.76
POLICE - MISCELLANEOUS	167	$ 353.91
DPWES COLLECTION - ADMIN WASTE	91	$ 212.01
DPWES WASTEWATER COLLECTION	92	$ 195.61
FMD - O&M, GC	58	$ 156.72
CITY OF FAIRFAX - EMERGENCY	58	$ 139.16
HOUSING & COMMUNITY DEVELOPMENT	42	$ 73.59
FMD - PLANNING & ENGINEERING	7	$ 11.94
DVS - ALBAN	3	$ 4.89
TOTAL FY 2015	**211,037**	**$ 501,882.46**

Source: FuelForce transactions (issues) database provided by DVS.

SCOPE AND METHODOLOGY

The scope of our study included a review of fuel issued from the County's 53 automated fuel pumps during FY 2014 and FY 2015 as well as an assessment of controls over the use of fuel codes. We reviewed available policies and procedures established by DVS (DVS Instruction No. 6 and Procedural Memorandum No. 10-05). We also reviewed previous studies and investigations related to employee fuel thefts conducted by the Office of Financial and Program Audit and the Internal Audit Office. In addition, we analyzed a database of fuel transactions (issues) obtained from the FuelForce system for FY 2014 and FY 2015. The fuel transactions (issues) database DVS provided did not include fuel deliveries to the Connector bus sites. We interviewed DVS management and staff and reviewed recently distributed emails from DVS to departments/agencies regarding miscellaneous fuel codes.

OBJECTIVES AND RESULTS

Business Objective	Study Assessment
Effective controls over the use of fuel pumps for regular county-owned vehicles.	Satisfactory
Formal policies and procedures regarding the use of miscellaneous fuel codes.	Needs Improvement
Effective monitoring and oversight of miscellaneous fuel codes.	Needs Improvement

Control Summary	
Good Controls	**Weak Controls**
• Mileage controls restrict the use of fuel codes for regular county-owned vehicles.	• Lack of formal policies and procedures regarding the use of miscellaneous fuel codes. • Informal "exceptions" granted for miscellaneous fuel code transaction limits. • Heavy reliance on individual departments/agencies to "self-monitor" miscellaneous fuel codes.

OBSERVATIONS AND ACTION PLAN

The following table presents the observations and recommendations from the study along with management's action plan to address these issues.

Fairfax County
Office of Financial and Program Audit

FUEL PUMP CONTROLS	
Risk Ranking	MEDIUM
DVS has not implemented formal policies and procedures regarding the use of miscellaneous fuel codes. DVS officials indicated that they are in the process of developing formal policies and procedures in response to an investigation conducted by the Internal Audit Office. The new procedures are expected to be implemented in Fall/Winter 2015.	

In response to concerns related to employee fuel theft, the former DVS Director established a three gallon transaction limit for miscellaneous fuel codes in 2003. Since that time, DVS has approved informal "exceptions" to the default limit without requiring a business justification from the department/agency. Currently, there are at least 39 miscellaneous fuel codes that exceed the three gallon default limit. The miscellaneous fuel code limit "exceptions" range from 5 gallons to 100 gallons per transaction. As noted in our report, miscellaneous fuel code transactions totaled 211,037 gallons at a total cost of $501,882 in FY 2015.

DVS recently emailed notifications to the departments/agencies with miscellaneous fuel codes. DVS requested business justifications for the use of the miscellaneous fuel codes and for exceptions to the default limit of three gallons. In addition, DVS requested that departments/agencies provide a description of their internal controls and policies and procedures regarding the use and distribution of miscellaneous fuel codes.

Recommendation

DVS should continue efforts to develop and implement formal policies and procedures regarding the use of miscellaneous fuel codes. The procedures should provide guidance to departments/agencies regarding the assignment of miscellaneous fuel codes and any restrictions regarding the use of miscellaneous fuel codes. In addition, the policies and procedures should clearly delineate the responsibilities for monitoring and enforcing the proper use of miscellaneous fuel codes.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Marguerite Guarino	Fall/Winter 2015	Marguerite.guarino@fairfaxcounty.gov

MANAGEMENT RESPONSE:

DVS is currently developing formal policies and procedures that provide direction for the request, approval, and use of miscellaneous fuel codes.

Fairfax County
Office of Financial and Program Audit

FUEL PUMP CONTROLS

Risk Ranking	MEDIUM

DVS relies primarily on individual departments/agencies to monitor and control the use of miscellaneous fuel codes. During the past two fiscal years, total miscellaneous fuel code transactions increased by 18,532 gallons. Specifically, miscellaneous fuel code transactions increased from 192,505 gallons in FY 2014 to 211,037 gallons in FY 2015.

The Police Department and Fairfax County Public Schools (FCPS) Food and Nutrition Services had the highest number of miscellaneous fuel code transactions during FY 2014 and FY 2015. Miscellaneous fuel code transactions for rental/leased vehicles in the Police Department and FCPS Food and Nutrition Services totaled 46,295 gallons and 37,887 gallons respectively in FY 2015. According to officials from DVS and FCPS, miscellaneous fuel codes are used for rental/leased vehicles that are not part of the County's official fleet.

DVS provides monthly miscellaneous fuel code reports to departments/agencies. However, DVS does not maintain information from the departments/agencies regarding the business justifications for the use of miscellaneous fuel codes, the reasons for increases in usage, or formal documentation regarding exemptions to the default limits. Previous studies and reports issued by the Office of Financial and Program Audit and the Internal Audit Office included recommendations to improve to the overall monitoring and oversight of miscellaneous fuel codes.

DVS is currently in the process of obtaining formal business justifications from departments/agencies regarding their use of miscellaneous fuel codes. The departments/agencies are required to submit responses to DVS by October 19, 2015.

Recommendation

DVS should continue efforts to improve monitoring and oversight of miscellaneous fuel codes. Specifically, DVS should require periodic business justifications from departments/agencies regarding the use of miscellaneous fuel codes. In addition, DVS should monitor the aggregate annual usage of miscellaneous fuel codes to identify and mitigate increases in usage. DVS should also explore alternative methods to track individual rental/leased vehicles in the FuelForce system that will <u>not</u> result in additional charges to agencies/departments (e.g. establish a separate series of codes for leased vehicles rather than one miscellaneous code).

Action Plan

Point of Contact	Target Implementation Date	Email Address
Marguerite Guarino	Fall/Winter 2015	Marguerite.guarino@fairfaxcounty.gov

MANAGEMENT RESPONSE:

DVS is currently developing formal policies and procedures that provide direction for the request, approval, and use of miscellaneous fuel codes. The policy will require periodic business justifications from departments/agencies that have been issued miscellaneous fuel codes.

DVS runs, reviews, and analyzes biweekly fuel usage reports to identify general trends and patterns. In addition, reports are provided to departments/agencies for a second analysis. DVS will continue to review and monitor annual usage to identify and mitigate increases in usage, if the business justification does not support the increase.

Agencies/departments that use a miscellaneous code are not charged more than those who are assigned a fuel code.

DVS will explore a logical numerical sequence to apply a series of codes to leased vehicles. Currently, FuelForce requires three pieces of information from a user before it will provide product. Individuals using county-owned vehicles must enter a department/agency code, a vehicle identification number, and an odometer reading at the fuel pump. Some departments rent/lease vehicles for legitimate business reasons and are not assigned a vehicle identification number by DVS. Therefore, a miscellaneous code is provided. DVS will work with departments with rental/leased vehicles and discuss alternative options.

CASH APPLICATION REVIEW

BACKGROUND

The Office of Financial and Program Audit initiated a review of the County's cash application practices this quarter. Cash application refers to the process of applying cash payments (receipts) to the appropriate accounts. For example, if a county resident submits a payment for services provided by the County, the cash payment should be applied to appropriate accounts receivable for that resident. Cash application procedures are an important component of an effective system of internal controls.

SCOPE AND METHODOLOGY

The purpose of this study was to gain reasonable assurance that cash receipts were applied to the appropriate accounts and that cash receipts related to inactive accounts (i.e. accounts receivable that were previously written-off) were adequately tracked and received the appropriate accounting treatment.

We met with managers and staff from the Department of Finance and requested a complete list of cash payments related to non-tax accounts receivable for FY 2015. We also requested a list of cash payments related to inactive non-tax accounts receivable for FY 2013, FY 2014, and FY 2015. We were informed that the Department of Finance does not maintain detailed information related to cash receipts for departments/agencies that have external (non-FOCUS) systems for the following reasons:

- Only a small number of departments/agencies currently use the accounts receivable module in the County's enterprise resource planning system (FOCUS). At least six departments/agencies use external systems to track billing information and cash payments related to accounts receivable. The external systems do not currently interface with FOCUS and the accounts receivable information related to those departments/agencies is only available in summary form in FOCUS for FY 2015. The list that was provided to us represented a small percentage of cash payments related to accounts receivable that were initiated in FOCUS and did not include any cash payments from the external systems. The Department of Finance informed us that we would have to contact each department/agency directly to obtain detailed information regarding cash receipts from the external systems.

- The County does not discretely track or separately identify payments related to accounts receivable that were previously written off and deemed uncollectible. The Department of Finance informed us that payments related to previously written-off accounts receivable were infrequent. However, we were unable to verify that statement because a centralized list of cash payments related to written-off accounts receivable is not maintained.

OBJECTIVES AND RESULTS

Business Objective	Study Assessment
General billing and collections procedures for non-tax accounts receivable.	Satisfactory
Detailed and complete system-generated reports for accounts receivable and related payment and billing data.	Needs Improvement
Tracking and reporting of "unapplied" cash payments.	Needs Improvement

Control Summary	
Good Controls	**Weak Controls**
• The Department of Finance recently issued updated and revised billing and collections procedures for non-tax accounts receivable. The new procedures address monitoring responsibilities, write-offs, reconciliations, and reporting requirements.	• Decentralized financial data has resulted in a lack of detailed and complete accounts receivable data in the County's enterprise resource planning system (FOCUS). Data from external systems is only available in summary form. • Lack of discrete tracking for cash payments related to accounts receivable that were previously written off and deemed uncollectible.

OBSERVATIONS AND ACTION PLAN

The following table presents the observations and recommendations from the study along with management's action plan to address these issues.

Fairfax County

Office of Financial and Program Audit

CASH APPLICATION REVIEW	
Risk Ranking	**MEDIUM**
Only a small number of departments/agencies currently use the accounts receivable module the County's enterprise resource planning system (FOCUS). At least six departments/agencies use external systems to track billing information and cash payments related to accounts receivable. The external systems do not currently interface with FOCUS and the accounts receivable information related to those departments/agencies is only available in summary form in FOCUS. Comprehensive and complete data related accounts receivable is not available in FOCUS. Unless substantial time and effort were spent compiling data from the departments/agencies with external systems, a complete list of cash payments related to accounts receivable is currently unavailable. The absence of a centralized repository of financial data (or adequate system interfaces) leads to delays in obtaining data, the inability to perform effective reconciliations, and a heavy reliance on manual processes to record and track detailed financial information.	
Recommendation	
In an effort to improve monitoring, oversight, and transparency, the County should explore cost effective options create a centralized repository of critical financial data maintained in the various external systems, or explore cost effective options to establish system interfaces between FOCUS and the various external systems that maintain critical financial data.	

Action Plan

Point of Contact	Target Implementation Date	Email Address
Kevin Greenlief	As systems are replaced or modernized as part of the normal budget cycle.	Kevin.Greenlief@FairfaxCounty.gov

MANAGEMENT RESPONSE: **SEE MEMO ON PAGE 34.**

Fairfax County
Office of Financial and Program Audit

CASH APPLICATION REVIEW

Risk Ranking	LOW

The County does not discretely track or separately identify payments related to accounts receivable that were previously written off and deemed uncollectible. According to managers from the Department of Finance, cash payments related to accounts receivable that were previously written off are treated as revenue.

Best practices generally require that "unapplied" cash payments related to previously written off accounts receivable should be recorded in a separate account. The unapplied cash payments should then be researched to determine the proper account.

Recommendation

The County should implement policies and procedures for tracking cash payments related to accounts receivable that have been written off. Efforts should also be made to research and reconcile unapplied cash payments for receivables previously written off to the appropriate accounts.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Chris Pietsch	February 2016	Chris.Pietsch@FairfaxCounty.gov

MANAGEMENT RESPONSE:

County of Fairfax, Virginia

MEMORANDUM

DATE: October 6, 2015

TO: Jim L. Shelton
Auditor of the Board

FROM: Christopher J. Pietsch, Director
Department of Finance

SUBJECT: Management Response – Cash Application Review

The Department of Finance has reviewed the findings and recommendations contained in the draft report of the Office of Financial and Program Audit's Cash Application Review. Our management response to each item is contained below. If you have any questions regarding this response, please contact me.

FINDING #1

Recommendation:
In an effort to improve monitoring, oversight, and transparency, the County should explore cost effective options to create a centralized repository of critical financial data maintained in the various external systems, or explore cost effective options to establish system interfaces between FOCUS and the various external systems that maintain critical financial data.

Management Response:
This recommendation was addressed in detail within the October 6, 2015, response to the Non-Tax Accounts Receivable Follow-Up Review; the response was provided by the Departments of Taxation Administration and Information Technology. The issue noted during that review was essentially overlapping with this finding. The Department of Finance (DOF) has provided input and is in full agreement with that response.

FINDING #2

Recommendation:
The County should implement policies and procedures for tracking cash payments related to accounts receivable that have been written off. Efforts should also be made to research and reconcile unapplied cash payments for receivables previously written off to the appropriate accounts.

Management Response:
Accounts receivable collections and cash application processing are handled in a decentralized manner by agencies throughout the County. The Department of Finance provides oversight guidance to agencies through Financial Policy Statements (FPSs) and Accounting Technical Bulletins (ATBs); two such policies applicable to this area are FPS 436 - Billing and Collections Procedures (Non-Tax Accounts) and ATB 40070 - Processing Monetary Receipts.

Within FPS 436, it is noted that accounts with expiring statute of limitations under the Code of Virginia Sec. 8.01-246 are to be written off from the department's accounting records and all collection attempts to end as soon as the account has reached the statute of limitations. The statute allows for collections for up to three or five years, depending on whether a written contract is in place. Any payments received for accounts written off after the expiration of the statute of limitations should be accepted and recorded in FOCUS or other county approved external business system as revenue.

The receipt of monies for accounts that have been written off is generally rare and control risks are deemed low, such that there have not been specific countywide detail level procedures in the past under the ATBs or FPSs. While discussions with agency financial staff outside of DOF indicate that such payments are reviewed to determine the legitimacy of the debt owed to the County, and these payments are accounted for in County revenue, there is not full consistency in the method of processing the payments. Some agencies have indicated that when they get this type of payment they process the payment straight to the original general ledger revenue account related to the original accounts receivable area, while others back out the external business system accounts receivable write-off and post the payment to the individual receivable account.

To address any processing inconsistencies, DOF will review FPS 436 and ATB 40070 and will revise them accordingly, in line with best practices. We plan to have these policy updates completed and guidance provided to County agencies by February 2016.

cc: David J. Molchany, Deputy County Executive
Joseph M. Mondoro, Chief Financial Officer and Director, Department of Management and Budget
Kevin C. Greenlief, Director, Department of Taxation
Wanda M. Gibson, Chief Information Officer and Director, Department of Information Technology
Ellicia Seard, Manager, FOCUS Business Support Group

NON-TAX ACCOUNTS RECEIVABLE
FOLLOW-UP REVIEW

BACKGROUND

The Office of Financial and Program Audit conducted a follow-up review of our May 2012 report on non-tax accounts receivable. At the time of our May 2012 review, the County's non-tax billing and collections process was decentralized and inconsistent. To help facilitate a more consistent and effective non-tax collections process, the Chief Financial Officer transferred the responsibility for monitoring non-tax accounts receivable from the Department of Finance to the Department of Tax Administration (DTA) in April 2012.[8]

STATUS AS OF JULY 2015

DTA is currently responsible for monitoring non-tax accounts receivable for seven county agencies: (1) Community Services Board, (2) Department of Public Works and Environmental Services (DPWES), (3) Fire and Rescue, (4) Health Department, (5) Housing and Community Development, (6) Police Department, and (7) Department of Family Services.[9]

The following table lists the agencies that are currently under DTA's purview. It is important to note that DTA does not monitor collections for all billable services for the agencies under its purview. For example, DTA does not monitor collections related to the Fire and Rescue Department's Emergency Medical Service (EMS) ambulance fees. As noted in the table below, nearly all of the agencies under DTA's purview use external systems to track non-tax accounts receivable.

DTA Non-Tax Collections Monitoring
Agencies and Billable Services
As of June 2015

Agency	Billable Service	Billing System
Community Services Board (CSB)	Social and Mental Health Services (Self Pay)	Credible
DPWES - Solid Waste	Disposal Fees	LIS
DPWES - Land Development Services	Elevator Inspections	FOCUS
Fire and Rescue	Fire Inspections	FOCUS
Health Department	Clinic Fees (Self Pay)	AVATAR
Housing and Community Development	Rents, Damage Claims, Fraud	Yardi
Police Department	False Alarms	Crywolf
Department of Family Services	School Age Child Care (SACC) Fees	Dynaxis

Source: Department of Tax Administration.

[8] Memo from Susan Datta, Chief Financial Officer/Budget Director, dated April 2, 2012.

[9] Other agencies with non-tax accounts receivable, such as the Courts and the Libraries, are outside of DTA's purview.

As of May 2015, delinquent non-tax receivables monitored by DTA totaled $5.3 million. The Community Services Board (CSB) accounted for over half of the total non-tax delinquent accounts receivable balance ($2.7 million). DTA contracts with a private collections agency, Nationwide Credit Corporation (NCC), for non-tax collection services. Delinquent accounts that have not been paid within 181 days are referred to NCC.

Delinquent Non-Tax Accounts Receivable
Agencies and Billable Services Monitored By DTA
As of May 2015

Agency	31 to 60 days	61 to 90 days	91 to 120 days	121 to 150 days	151 to 180 days	181 + days	Total
Community Services Board (CSB)	$ 296,900	$ 239,360	$ 204,442	$ 173,699	$ 121,493	$ 1,677,644	$ 2,713,538
DPWES - Solid Waste	$ 333,931	$ 3,580	$ 1,007	$ -	$ 272	$ 2,050	$ 340,840
DPWES - LDS	$ 36,257	$ 48,192	$ 23,749	$ 34,955	$ 17,373	$ 4,840	$ 165,366
Fire and Rescue	$ 43,143	$ 19,968	$ 7,392	$ 8,041	$ 3,996	$ 34,844	$ 117,384
Health Department	$ 20,509	$ 1,705	$ 997	$ 1,360	$ -	$ 22,263	$ 46,834
Housing	$ 341,670	$ 12,467	$ 102,799	$ -	$ -	$ 233,782	$ 690,718
Police Department	$ 45,200	$ 15,975	$ 6,600	$ -	$ 2,476	$ 18,804	$ 89,055
Department of Family Services	$ 218,673	$ 76,472	$ 420,435	$ -	$ -	$ 413,687	$ 1,129,267
Total	**$ 1,336,283**	**$ 417,719**	**$ 767,421**	**$ 218,055**	**$ 145,610**	**$ 2,407,914**	**$ 5,293,002**

Source: Department of Tax Administration.

In June 2015, the Department of Finance issued Financial Policy Statement (FPS) 436 – Billing and Collection Procedures (Non-Tax Accounts). The new procedures provide guidance regarding the collection and monitoring process and address agency responsibilities, reconciliations, write-offs, and reporting requirements.

SCOPE AND METHODOLOGY

The scope of our study was limited to DTA's efforts to monitor non-tax accounts receivable. We reviewed the following documents:

- Financial Policy Statement (FPS) 436 - Billing and Collection Procedures (Non-Tax Accounts), issued by the Department of Finance on June 23, 2015.
- The Department of Tax Administration's Financial Reconciliation Plan.
- The Department of Tax Administration's Procedures for Non-Tax Account Monitoring.
- Copies of accounts receivable aging reports from the agencies with external billing systems.
- Copies of emails, memos, and other directives from the Department of Tax Administration to county agencies reading non-tax billing procedures, collections, and write-offs.
- The current contract with Nationwide Credit Corporation (NCC).

OBJECTIVES AND RESULTS

Business Objective	Study Assessment
Updated and revised billing and collection procedures for non-tax accounts receivable.	Satisfactory
Useful and complete system-generated reports to help facilitate the monitoring and collections of non-tax accounts receivable.	Needs Improvement

Control Summary	
Good Controls	**Weak Controls**
• In June 2015, the Department of Finance issued new billing and collections procedures for non-tax accounts receivable. The new procedures address monitoring responsibilities, billing procedures, write-offs, reconciliations, and reporting requirements.	• Accounts receivable data in the County's enterprise resource planning system (FOCUS) is limited, resulting in a manual process for compiling and monitoring accounts receivable aging reports. • Six of the seven agencies under DTA's purview use external systems to track accounts receivable. The external systems do not currently interface with FOCUS. • Some of the external systems were not specifically designed for billing and collections activities and cannot produce useful reports.

OBSERVATIONS AND ACTION PLAN

The following table presents the observations and recommendations from the study along with management's action plan to address these issues.

Fairfax County
Office of Financial and Program Audit

NON-TAX ACCOUNTS RECEIVABLE - FOLLOW-UP REVIEW

Risk Ranking	MEDIUM

The Department of Tax Administration is responsible for monitoring non-tax accounts receivable for seven county agencies. As noted in the table below, six of the seven agencies under DTA's purview use external systems.

	Agency	Billing System
1	Community Services Board (CSB)	Credible
2	DPWES - Solid Waste	LIS
	DPWES - Land Development Services	FOCUS
3	Fire and Rescue	FOCUS
4	Health Department	AVATAR
5	Housing and Community Development	Yardi
6	Police Department	Crywolf
7	Department of Family Services	Dynaxis

The external billing systems do not currently interface with the County's enterprise resource planning system (FOCUS). As a result, the accounts receivable data in FOCUS is limited and the system-generated accounts receivable aging reports are unusable. DTA staff must request hardcopies of the accounts receivable aging reports from the agencies with external systems and manually compile the information into an Excel spreadsheet. DTA does not currently audit the accounts receivable reports from the external systems.

Some of the external systems have limited reporting capabilities. For example, it can take up to 45 minutes to run the accounts receivable aging report from CSB's external billing system (Credible). In addition, the Credible system will only produce PDF report files, which are difficult to analyze. CSB accounted for over $2.7 million of the total $5.3 million non-tax delinquent accounts receivable balance under DTA's purview as of May 2015.

Recommendation

The Department of Tax Administration (DTA) should work with the FOCUS Business Support Group (FBSG) to explore options using existing resources to develop useful and complete system-generated accounts receivable aging reports.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Kevin Greenlief	As systems are replaced or modernized as part of the normal budget cycle.	Kevin.Greenlief@FairfaxCounty.gov

MANAGEMENT RESPONSE: **SEE MEMO 10/6/15**

County of Fairfax, Virginia

To protect and enrich the quality of life for the people, neighborhoods and diverse communities of Fairfax County

DATE: October 6, 2015

TO: Jim Shelton, Auditor of the Board

FROM: Kevin C. Greenlief, Director
Department of Tax Administration (DTA)

And

Wanda Gibson, Chief Information Officer
Director , Department of Information Technology (DIT)

SUBJECT: Management Response to Non-Tax Accounts Receivable Audit

Audit Recommendation: "The Department of Tax Administration (DTA) should work with the FOCUS Business Support Group (FBSG) to explore options using existing resources to develop useful and complete system-generated accounts receivable aging reports."

Management Response: Rather than incurring additional costs at this time by trying to retrofit programming logic into existing systems, staff proposes that the Auditor's recommendation be incorporated to the extent possible into the requirements definition as the existing systems are replaced, upgraded or modernized in the future as part of the normal budget cycle.

This joint response has been coordinated among DTA, DIT, the FOCUS Business Support Group (FBSG), the Department of Finance (DOF), and the Department of Management and Budget (DMB).

DTA's Assessment of Operational Issues Associated with Automation Enhancements for Non-Tax Receivables Collection Process

As recommended, DTA has explored options with FBSG, along with DIT, DMB and the Department of Finance. Unfortunately none exist at this time using existing resources. As explained further below, the cost to program requisite system changes is estimated to cost not less than $846,000. Based on a rough estimate, it appears that it could take upwards of seven years to recoup this investment via penalties and interest that might otherwise be collected during the first 180 days of delinquency as a result of the programming changes.

It is important to note that when the Board adopted late payment penalties and interest to be charged on Non-Tax accounts, the Board also adopted the 2nd enactment clause to Section 1-1-18 of the Fairfax County Code which reads as follows:

"That this ordinance shall…be implemented thereafter on an agency by agency basis at the direction of the County Executive upon the determination by the County Executive that the necessary billing systems are in place to accommodate the imposition of the late payment penalty and interest established by this ordinance."

The Department of Finance notes that during the system design and implementation process for FOCUS, the FOCUS project team (which included representatives from the departments of Finance, Information Technology, and Management and Budget) inventoried and reviewed each of these agency systems (specifically Credible, LIS, AVATAR, Yardi, Crywolf and Dynaxis) containing detailed accounts receivable data to consider either utilizing the FOCUS AR module or building interfaces from the external systems to FOCUS. At that time, given the costs involved, complexity of the programmatic receivables processes in these agencies, and the project timeline for implementation, a business decision was made not to change these external business systems or build interfaces as part of the implementation of FOCUS.

Accordingly, given the cost and complexity of these system changes, the County has taken advantage of the 2nd enactment clause and does not charge the penalty and interest until 181 days, at which time the account is placed with DTA's Collection Agent, NCC. The citizen is notified in advance of the pending increase in charges and once the account is placed, NCC adds the late payment penalties and interest at that time using their own collection data base.

Inasmuch as half of the outstanding debt is already placed with NCC, we have already assessed the late payment penalties and interest and are tracking this via their computer system. That said, unlike property taxes this represents unsecured debt and the nature of the debt often makes it much more difficult to collect. A summary of the Non-Tax Collections was last presented to the Board in Action Item 2 in the September 22, 2015 Board package.

As discussed in the audit, DTA currently receives accounts receivable information from each agency noted therein for collection purposes. Staff agrees that this is a manual process. Nonetheless, although DTA is a strong supporter of automation, we are able to accommodate the manual workload at this time and still accomplish our mission absent the programming changes.

In harmony with the essence of the Auditor's recommendation, DTA does agree that we should obtain source documentation from each system to validate that we are being given correct totals. We already receive manual aging reports from which we make the determination to place delinquencies with our Collection Agent, but the source documentation will help validate that we are being given the correct totals, excluding insurance payments and intergovernmental transfers.

To this end, and with the assistance of DIT, DTA will meet with the respective agencies and their system vendors in the effort to obtain control total reports from those agency systems as an on-going process. DTA does not anticipate that this will have a material impact on collections, but DTA does concur that this should provide a useful financial control.

DIT's Assessment of Technical work associated with Automation Enhancements for Non-Tax Receivables Collections Process

As part of our analysis associated with the audit recommendations for developing system generated accounts receivable aging reports, the Department of Information Technology (DIT) working with the FOCUS Business Support Group (FBSG) conducted research about the capabilities of the initiating programmatic case management systems that produce the original receivable obligation, associated business rules and invoicing, and, work associated with developing interfaces to FOCUS and establishing the aging and interest calculations in FOCUS for reporting.

DIT further worked with the system owner agencies and associated commercial-off-the-shelf (COTS) solution vendors to ascertain feasibility and costs for the required modifications to these systems' billing modules for aging and interest calculation, as well as to determine any limitations that may be associated with the business rules for the supported program that may inhibit applying interest. The team also assessed the effort and business issues associated with establishing that capability in FOCUS when the system of record can more appropriately provide extension feature. These 'COTS' solutions are not 'shadow' systems to FOCUS, they are the official system of record that manages these programs with all the required business logic which includes state and federal compliance requirements and ultimately based on those rules produces the original invoice.

The analysis included ascertainment of the feasibility to implement the aging and interest calculation within the COTS case management systems since the business logic within the COTS solutions associated with the programs may already exist and provide for seamless integrity of the program and the central collections process. In these cases, the information can be automatically sent to FOCUS for enterprise reporting for DTA and others.

Finally the analysis included the effort and cost for each interface from the programmatic system-of-record to FOCUS, and configuring the aging and interest calculation rules in FOCUS using required system lifecycle development process. All costs are rough-order of magnitude, based on estimates provided by the COTS solution vendors and work effort for the FOCUS enhancements:

AGENCY	BILLABLE SERVICE	BILLING SYSTEM	COST Estimate
Community Services Board (CSB)	Social and Mental Health Services (Self Pay)	*Credible*	$306,000 estimate for vendor development, interface file, and FOCUS configuration.
DPWES-Solid Waste	Disposal Fees	*LIS*	App meets requirement; $56 K est. for FOCUS interface and configuration.
DPWES – Land Development Services	Elevator Inspections	*FOCUS*	**Complete**: calculated automatically in FOCUS.
Fire and Rescue	Fire Inspections	*FOCUS*	**Complete**: calculated automatically in FOCUS.
Health Department	Clinic Fees (Self Pay)	*AVATAR*	Determined not feasible to do any work in the existing system which is scheduled to be replaced. The new system will have the capabilities required; estimated cost of is about $1.8 million for the new system tentatively scheduled for 2018 (**cost not included in total below**). **It is not recommended to develop this app in FOCUS** based on the business complexity around the insurance billing and allowable interest calculation determinations; if done the work would replicate the capability that will be in the new system at additional cost to the County. The FOCUS interface and configuration est. $56 K.
Housing and Community Development	Rents, Damage Claims, Fraud	*Yardi*	Being done in Yardi. Interface and configuration for FOCUS est. $56K.
Police Department	False Alarms	*Crywolf*	System is currently being replaced and will include the ability to perform billing and aging and interest calculation. FOCUS interface and configuration cost est. $56K.
Department of Family Services	School Aged Child Care (SACC) Fees	DynAxys	COTs modification, FOCUS interface and configuration estimated at $316K.
		TOTAL Est. Cost	**$846,000**

Attachment

cc: David Molchany, Deputy County Executive
Joe Mondoro, Chief Financial Officer
Chris Pietsch, Director, Department of Finance
E. Scott Sizemore, Director, Revenue Collection Division, DTA
Ellicia Seard, Manager, FOCUS Business Support Group

RECORDS MANAGEMENT

BACKGROUND

The Virginia Public Records Act (§ 42.1-76 et seq.), "…establishes a single body of law applicable to all public officers and employees to ensure that the procedures used to manage and preserve public records will be uniform throughout the commonwealth." The Fairfax County Public Library – Archives and Records Management Branch is responsible for ensuring that the County complies with the Virginia Public Records Act, as well as all legally mandated record retention and disposal schedules. In addition, the Archives and Records Management Branch provides professional assistance and advice to departments/agencies regarding the management, retention, and storage of their records.

The County stores hardcopy (non-electronic) records in the central warehouse facility located in Springfield. The Records Management section of the warehouse is approximately 32,000 square feet with a total capacity of approximately 70,000 storage boxes. As of June 2015, there were approximately 47,000 assigned box spaces and 23,000 unassigned box spaces in the Records Management section of the warehouse. Records stored at the warehouse include legal files, health records, criminal case files (including organized crime and narcotics cases), planning and zoning records, tax records, contract files, personnel files, and financial records.

SCOPE AND METHODOLOGY

The scope of this study included a review of the records management procedures established by the Archives and Records Management Branch. We reviewed the Virginia Public Records Act and the Fairfax County Archives and Records Management Manual. We also reviewed quarterly activity reports and training materials prepared by the Archives and Records Management Branch. In addition, we obtained an inventory download totaling 46,902 records from the records management system for the Archives and Records Management Branch. We then selected a sample of 35 boxes and verified that the selected boxes were catalogued and stored in the warehouse. For the boxes in our sample that had been destroyed, we verified that the Archives and Records Management Branch had the appropriate documentation on file, such as Form RM-3 (Certificate of Records Destruction), or a notification sent to the department/agency. We also interviewed the County Archivist. The scope of our study did not include electronic records or data storage.

OBJECTIVES AND RESULTS

Business Objective	Study Assessment
Records management system (HP Records Manager) for records stored in the central warehouse.	Satisfactory
Records management training and consultations provided to departments/agencies.	Satisfactory
Records management compliance review program.	Needs Improvement

Control Summary

Good Controls	Weak Controls
• Central warehouse records management system (HP Records Manager). • Training and consultations provided to departments/agencies.	• Lack of a formal records management compliance review program.

OBSERVATIONS AND ACTION PLAN

The following table presents the observations and recommendations from the study along with management's action plan to address these issues.

Fairfax County
Office of Financial and Program Audit

RECORDS MANAGEMENT

Risk Ranking	**MEDIUM**

The Virginia Public Records Act grants authority to the Library of Virginia to ensure consistent records management practices throughout the Commonwealth and its political subdivisions. The "Conducting Compliance Reviews (Audits)" section of the Virginia Public Records Management Manual states, "**A sound records management program must have a mechanism in place for auditing compliance. Policies and procedures are worthwhile only if they are followed and staff members are held accountable.**" The Virginia Public Records Management Manual further states that compliance review findings should be reported to the appropriate managers for action. Information learned from the compliance review, including possible best practices, should be communicated throughout the organization.

Although the Archives and Management Branch provides training and technical assistance to departments/agencies, it has not yet implemented a formal records management compliance review program for the County.

Recommendation

The Archives and Records Management Branch should implement a formal compliance review program consistent with the "Conducting Compliance Reviews (Audits)" section of the Virginia Public Records Management Manual.

Action Plan

Point of Contact	**Target Implementation Date**	**Email Address**
Edwin S. Clay III Director, Fairfax County Public Library 703 -324-8308	April – Sept. 2016	Edwin.Clay@fairfaxcounty.gov

MANAGEMENT RESPONSE:

Fairfax County Public Library concurs with the auditor's recommendation. The current method for gauging compliance is based on agency instigated contacts and does not provide coverage of all County agencies equally. A systematic compliance review program will provide all agencies the opportunity to benefit from the services available through Archives and Records Management. The most immediate benefits of a review program usually include reduced operating costs associated with searching, retrieval, storage and management of records; reduced volume due to controlling the creation and duplication of records; stronger liability protection; faster and more efficient service delivery to customers; and quicker response to VFOIA and subpoena requests.

We therefore propose the following initiatives:

1) The formation of a countywide Records Management Roundtable. Due to the size of Fairfax County's government and the decentralized nature of its functions it is difficult for a small agency like Archives to establish and maintain working relationships across the large number of existing agencies, divisions and branches. This group would meet 2 to 4 times a year (TBD) for the purpose of sharing information, issues and solutions to Records issues encountered by agencies. Membership would be open to staff who share specific RM responsibilities. Goals include networking opportunities for RM staff from diverse agencies, beyond the targeted trainings, sharing of best practices and the opportunity for Archives to assess the needs of records managers throughout the County. Initial focus would be to assist agencies to review (or in many cases develop) their specific records management policies. This group would be coordinated by Archives and Records Management Branch and would require no dedicated funding or additional staff support. Target date: April 2016.

2) Develop a Records Management Compliance Review system based upon Chapter 15 of the Virginia Public Records Management Manual. Reviews would include, but not be restricted to:

    Inventory of records created and maintained
    Agency specific RM policies
    Storage and security of information resources
    Disposal procedures and documentation

   It is proposed that each agency be subject to review every five years with a 12 month follow up.

   First phase, Pilot Review, May 2016: It is proposed that one mid-size agency be selected to conduct a pilot compliance review no later than May of 2016. The goal is to develop a process that will gather the appropriate information with the least disruption to the agency. Results would also be used to determine who, beyond the agency itself, would need to review the findings.

   Second phase, Implementation, Sept. 2016: Successful completion of the Pilot should result in both a methodology and a schedule of agencies to be reviewed. Also under consideration could be the feasibility of developing a "quick" review in addition to a more comprehensive review.

3) At current staffing levels it is estimated that Archives will be able to conduct 4 to 6 Compliance Reviews per year. Archives and Records Management Branch has a total of six full time staff, two professional and four administrative level. Branch responsibilities include operation of the County Records Center, presenting formal training through EmployeeU (and by appointment to individual agencies), and providing Records management consultations to agencies upon request. The two professional staff members who are qualified to conduct Compliance Reviews are also primarily responsible for the education and consulting duties and share management over the remaining staff. In order to establish an ongoing review program to perform and maintain current reviews on the dozens of agencies and divisions it will require the services of an additional staff member. The addition of one full time position in the Management Analyst I (S-21) class (as a Records Management Analyst I)would allow the existing professional duties and compliance reviews to be shared among three positions.

List of ACRONYMS

BPOL	Business Professional Occupational License
CSB	Community Services Board
DPSM	Department of Purchasing and Supply Management
DPWES	Department of Public Works and Environmental Services
DPZ	Department of Planning and Zoning
DTA	Department of Tax Administration
DVS	Department of Vehicle Services
FBSG	FOCUS Business Support Group
FCPA	Fairfax County Park Authority
FCPS	Fairfax County Public Schools
FMD	Facilities and Management Department
FOCUS	Enterprise Resource Planning System
FPS	Financial Policy Statement
FY	Fiscal Year
NCC	Nationwide Credit Corporation
NGF	National Golf Foundation
TACS	Taxing Authority Consulting Services