



September 2016

Quarterly Report

**FAIRFAX COUNTY BOARD OF SUPERVISORS
AUDITOR OF THE BOARD
www.fairfaxcounty.gov/boardauditor**

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COMPLIANCE AND INVESTMENT PERFORMANCE REVIEW OF PENSION PLANS

DETAIL OBSERVATIONS AND ACTION PLAN

BACKGROUND

The purpose of this study was to review the pension funds which serves as a secure source of retirement income. The Total Assets for the three retirement plans for fiscal year (FY) 2016 were ~\$6.5B. The FY 2016 employer contribution for each of the three retirement systems was ~\$261M. The Office of Financial and Program Audit (OFPA) worked with the Retirement Administration Agency (RAA) to assess efforts to meet the Investment Performance Measures. While a study was conducted March 2014, this study was partially a follow-up and an expansion of the previous work performed.

SCOPE AND METHODOLOGY

The scope of this study included, but not limited to; assessing asset allocation strategies and each systems' investment managers added value. OFPA also assessed how RAA maintains compliance with the investment portfolios policies' related to targets (7.5% assumed rate of return for all systems) and guidelines. The three systems included were; Employees, Uniformed and Police Officers' retirement plans. The review also included assessing controls over fees put forth by fund managers, the inclusion of these fees in relevant documents, e.g. the reconciliation support (Transaction, Asset and Accrual, General Ledger Detail Reports, and etc.) provided by BNY Mellon Bank. The period of this review included FY 2015 and FY 2016.

Retirement benefits for Fairfax County (the County) employees are provided through three separate defined benefit public retirement systems, they are:

1. Employees' Retirement System: For County employees not served by the other two systems and Schools employees not served by the Virginia Retirement System and the Fairfax County Educational Employees Supplementary Retirement System.
2. Uniformed Retirement System: Fire and Rescue personnel, Uniformed Sheriff employees, Helicopter Pilots, and certain staff in Public Safety Communications.
3. Police Officers Retirement System: Sworn Police Officers.

Three separate Boards of Trustees are responsible for carrying out the provisions of each of the three pension plans (plans) as established by County ordinance. This includes establishing the investment administration, objectives, strategies, policies, and investing assets for their respective plans.

Under the direction of the Boards of Trustees, the RAA is responsible for the day-to-day functions of the Plans. RAA staff implements the strategies and policies established by the Boards and ensure timely delivery of member services and benefits. RAA staff oversees investment management firms employed by each of the three Boards and ensures adherence to the plans' executed contracts.

Pension Plan Funding

The plans receive funding through:

- Employee contributions based on a fixed percentage of pay.
- Employer (County) contributions based on a variable percentage of employee pay as determined by actuarial analyses.
- Returns on plan investments.

The County Board of Supervisors approves the employer contribution rates as part of the County's annual budget process. Annual actuarial analyses are conducted for each plan and actuarial experience studies are performed every five years. For each analysis evaluations are made on rate of return for the plan's investments. The required annual contribution rate is determined by other financial and demographic factors of the County.

Investment Responsibility

Investments are monitored and overseen by each Plan's Board of Trustees. The Trustees rely on RAA for strategic advice, implementation and management/oversight of the contracted investment managers. The plans have specific Investment Policies that detail investment objectives, guidelines and performance standards. RAA staff oversees the contracted investment managers' performance.

RAA staff does not undertake any direct buy/sell investment activity. There are 85 contracted investment managers across the three Systems. Of these 85 investment managers 23 serve more than one Plan and six serve all three. The lists of the Fund Managers are provided in Appendices A, B, and C.

RAA staff has procured a consulting firm (Judge Consult Inc.) to perform due diligence on Fund Managers prior to them being on-boarded. This practice commenced approximately two years ago. RAA is currently in process of performing a look-back on Fund Managers on-boarded prior to the implementation of this practice.

The County contracts with an accounting firm (Cherry Bekaert LLP) to conduct an annual financial audit of the financial statements and related disclosures reported in the Retirement System Comprehensive Annual Financial Report (CAFR). The accounting firm used until FY 2015 was KPMG LLP. At the conclusion of the annual financial audit, Cherry Bekaert LLP determines whether the financial statements related disclosures are in accordance with Generally Accepted Accounting Principles (GAAP), in all material respects. OFPA relied on the information reported in the Retirements Systems CAFRs for our study.

Our audit approach included interviewing appropriate staff (internal staff, custodian and external fund contacts) observing employees' work functions, detailed transaction testing, and evaluating the processes for compliance with sound internal controls, regulations, and departmental policies and procedures.

OFPA conducted a data-driven risk assessment tailored to the County's operating environment related to the compliance and investment performance review of pension plans. OFPA also reviewed the departmental procedures to ensure the process employed was holistic and complete.

OBJECTIVES AND RESULTS

Business Objective	Study Assessment
Investment Managers' Target Performance on Prior Retirement System	Satisfactory
Compliance with Investment Policy e.g. Target Mix, Asset Allocation, etc.	Satisfactory
Oversight of Fund Manager Fees by RAA	Needs Improvement
Recognition and Disclosure of Plans Expenses	Needs Improvement

Control Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none"> Historical Investment Performance over year a 20 period represented achieved targets (7.5%) for all three plans as of FY 2015. Investment instruments and asset allocation are in compliance with Investment Policies, which provides guidelines as to asset diversification and risk mitigation. 	<ul style="list-style-type: none"> Sole reliance is on the Fund Managers to compile and remit expenses for the plans. Some Retirement Plans Expenses are not expressly stated and/or disclosed through the financial reporting process.

OBSERVATIONS AND ACTION PLAN

The following table(s) detail observation(s) and recommendation(s) from this study along with management's action plan(s) to address these issue(s).

Fairfax County Office of Financial and Program Audit

OVERSIGHT OF FUND MANAGER FEES BY RAA

Risk Ranking

LOW

Interviews between OFPA and RAA's staff revealed that expenses for the plans are compiled and remitted by the Fund Managers **without complete source documentation**. A majority of these expenses are netted against the County's Retirement Plans Incomes which is maintained by the custodian bank (BNY Mellon). BNY Mellon forwards a reconciliation package to the RAA whereby they review and vouch aggregate data. This process reduces staff ability to assess the reasonableness of the expenses submitted by each fund manager. No expense support is provided with this package. Additionally, an interview with a BNY Mellon representative revealed that no review of these expenses are performed by their staff.

At the highest level, all managers' performance is evaluated based on their returns net of all fees. For managers for which RAA has separate accounts, the senior investment officers review the managers' monthly/quarterly statements for accuracy (including fees charged). For comingled funds, RAA does not for the most part have visibility into the fees accounted for within those funds. RAA receives annual financial statements for these comingled funds and rely on those funds' auditors, custodial banks, third-party administrators, and directors/trustees for determining the accuracy of fees and other data.

Of the 85 investment managers, we endeavored to test the selected 15 investment manager's submitted expenses. To that point, we endeavored to liaise with 15 Fund Managers to obtain support (source documentation, compilation and methodology) for expenses submitted by them to BNY Mellon. All of the information requested was not provided. This limited our ability to fully test the sample population and extrapolate the results in any meaningful way. Of the 15 fund managers selected for review, eight reverted. We judgmentally selected random expenses (e.g.; management, miscellaneous, performance fees and etc.). On average, there were 4 expenses per year for each of the Fund Managers that reverted. To date, seven of the Fund Managers have not responded.

A majority of expenses remitted by the Fund Managers are netted against the county's income by BNY Mellon which was ~USD 32M, net of (Transfer– Securities Disbursed and Distribution to Other Banks) for FY 2016. A list of the expenses net of (Transfer – Securities Disbursed and Distribution to Other Banks) by individual plans are detailed in the tables on Appendices D, E and F.

Additionally, as part of this review RAA staff self-assessed some of these expenses and noted there were some management fees which were miscoded to miscellaneous. These errors have been subsequently corrected.

Lastly, some expenses are netted against dividends from the (sale of investments, redeemed shares, and/or realized returns) whereby complete supporting documentation is provided to the County Retirement staff. Transparency related to these transaction is not available, sole reliance is on the related Fund Managers to ensure the accuracy of these transactions.

Recommendation

OFPA recommends RAA request the receipt of all supporting documentation for assessed plans expenses. This information should be maintained in a repository in accordance with county record retention policy. As a review of all these expenses would not be *manageable* or *feasible* at the current staff level, we also recommend that validation is performed on a sample basis. A requirement that these documents are submitted and maintained would provide some **indication that oversight is being performed** and that RAA is validating the compilation and accuracy of the expense submissions.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Jeffrey Weiler	June 30, 2017	Jeffrey.Weiler@FairfaxCounty.gov

MANAGEMENT RESPONSE:

The three retirement systems’ investment managers are set up as either separate accounts or comingled funds. For separate accounts, all of the details of the investments; including securities held, fees paid, and other expenses incurred, are accounted for by the systems’ custodial bank (BNY Mellon). For these separate accounts, the systems’ staff has full transparency already and is able to review fees and expenses as needed. However, for comingled funds, all of the information regarding securities held, fees paid, and expenses incurred are accounted for within each comingled fund. Each comingled fund has a custodial bank that accounts for all of the fund’s financial transactions, boards/trustees who oversee the fund, third-party administrators who oversee the funds, and auditors who review and attest to the validity of all financial activities within the fund. Furthermore, each comingled fund that the systems’ are invested in provides retirement staff with copies of their audited financial statements for their review.

Regardless of how the systems’ assets are accounted for by the investment managers, retirement staff and the three retirement boards evaluate the managers’ performance net of fees. Thus fees and expenses incurred, either in comingled funds or separate accounts, are very much a part of the decision process when determining when to hire or fire a manager.

Also, as has been noted, the systems have each been using the services of an independent consultant (Judge Consult Inc.) to scrutinize the accounting, reporting, auditing, record-keeping, and other related back office functions of potential managers before they are recommended by staff to the boards for

hiring. Staff has not yet used this firm or any others to perform this sort of operational due diligence on all existing managers but, as suggested by the auditor, will begin to do so when feasible.

Furthermore, staff and the retirement boards undertake several methods of ongoing due diligence. Before an investment manager is recommended to the boards staff undertakes an extensive research process; including use of available independent research sources and on-site visits to the managers' facilities. Before a potential manager is approved by the boards, they each make in person presentations to the boards and staff. Once hired, they are periodically asked to present updates to the boards. Finally, staff and board members regularly visit existing managers' facilities to perform on-site due diligence.

In closing and independent of this review, the Retirement Agency has undertaken a reorganization that has taken an existing position to create an investment operations manager position whose responsibilities will include to improve on the systems' accounting for and record keeping activities regarding investment managers and the systems' custodial bank.

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RECOGNITION AND DISCLOSURE FOR PLANS EXPENSES

Risk Ranking

MEDIUM

A review of the recognition of plans expenses by OFPA staff revealed that some expenses are netted against dividends from the (sale of investments, redeemed shares, and/or realized returns). As such, these expenses do not appear in the CAFR and/or the statement provided by BNY Mellon in a transparent manner. This limits management’s availability to identify all related expenses.

This approach understates the reported dollar magnitude of the expenses. While these expenses are reflected as a (Net Value Appreciation or Depreciation) line item in the CAFR, there is no mechanism by which staff can compile these costs to include in the overall expenses for the plans. Lastly, this approach degrades staff ability to review the compilation of these expenses.

Recommendation

OFPA recommends RAA liaise with the appropriate representatives (Fund Managers and/or BNY Mellon staff) to review this process to identify methods for obtaining transparency re: these expenses. Consideration should be given to reviewing these expenses (on a sample basis) at a level that could be supported by the existing staff. This information should be utilized to improve the accuracy of reporting going forward.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Jeffrey Weiler	June 30, 2017	Jeffrey.Weiler@FairfaxCounty.gov

MANAGEMENT RESPONSE:

For the systems’ separate account managers, this level of transparency is already in place. Staff will work with BNY Mellon and the comingled fund managers, in as much as possible, to have expenses recorded in the custodial bank’s and the systems’ financial records.

CONSULTANTS / CONTRACTORS STAFF REVIEW

DETAIL OBSERVATIONS AND ACTION PLAN

BACKGROUND

The purpose of this review was to assess the nature, extent, allowability, and reasonableness of consulting and contractor costs to the County. For the purpose of this study, consultants/contractors were defined as persons who are members of a particular profession or possess a special skill and who were not officers or employees of the County. The study included consultant costs charged directly to contracts, and those charged through indirect pools such as; overhead and administrative expenses.

This study was conducted as Phase I of an ongoing process whereby we initially worked with selected departments/agencies. OFPA staff liaised with the County Executive Office, Department of Procurement and Materials Management (DPMM), Department of Information Technology (DIT), Department of Management and Budget (DMB), Department of Finance (DOF) and FOCUS Business Support Group (FBSG) to develop the study methodology, create data bases, repositories and compile quantitative information. Three departments/agencies were selected for review this period, they were; DIT, FBSG and Fairfax County Park Authority (FCPA). Phase II of this study will commence with the approval of next quarter's Audit Committee Work Plan.

SCOPE AND METHODOLOGY

The goal of this study was to assess staffing levels, assignments, hiring practices for consultants/contractors, and if tenures with the County in excess of 5 years was the most efficient practice. During the execution of the work plan for this study, we realized that no repository existed whereby a complete list of individual consultants by name and title exists. Information related to the employees sampled was limited to the timeframe for which FOCUS was implemented. These anomalies resulted in OFPA staff restructuring the method by which we evaluated the processes and controls utilized to practice direct oversight with respect to above the mentioned attributes.

Given the instances above, OFPA staff did; vouch vendor billings, validated the related support provided before disbursements, the procurement process for consultants/contractors, system access for consultants/contractors, background validation, onboarding for consultants/contractors, contract compliance and service delivery, a review of the disbursement register to validate that remittances were made to only approved vendors (including taking discounts and timely payments), and other related attributes.

Our audit approach included interviewing appropriate staff, reviewing consultant work functions, substantive transaction testing, and evaluating the processes for compliance with sound internal controls, regulations, and departmental policies and procedures. OFPA staff conducted a data-driven risk assessment tailored to the County's operating environment related to the consultants/contractors review. OFPA staff also reviewed the departments/agencies procedures to ensure the process employed was holistic and complete.

Lastly, with the assistance of DPMM and FBSG, OFPA was provided access to Spikes Cavell (The Observatory). This software is a modular suite of data-driven online tools that have been designed to meet the unique requirements of the public sector delivered as a cloud based service. OFPA utilized this tool to extract the total population of contractors procured by the County to select a sample for substantive testing. The selected sample was also utilized to extract a test group of consultants (staff augmentation) for the above mentioned attributes.

Oversight of the County’s consultants/contractors is decentralized as the management, cost reconciliation and hiring is relegated to the individual department/agencies. No repository exist which houses a listing of all County individual consultants by name and title which could be utilized to track and monitor the process by an independent party.

The vendor master file (VMF) requires ongoing maintenance to ensure that the file’s integrity is protected. Internal controls and procedures to effectively maintain the VMF are essential. The file size should be effectively managed by (but not limited to) purging duplicate and inactive vendors, and correcting incomplete or inaccurate remittance information. Effective VMF management will help guard against duplicate payments, and etc.

When it is determined that a vendor is no longer going to be used, DOF takes the necessary steps to deactivate the vendor. VMF version control is limited to four DOF management staff members. To reactivate a vendor, the action to initiate is performed by one of these staff members and approval is performed by a different member. Within this process is the employment of standard segregation of duties (SOD) control element.

OBJECTIVES AND RESULTS

Business Objectives	Study Assessment
Controls Over the Procurement of Contractors/Consultants	Satisfactory
Disbursements and VMF Controls	Satisfactory
Contract Compliance & Contract Repository Maintenance for Contractor and Consultants	Satisfactory
Tracking of Service Delivery	Satisfactory
Vendor Discounts Taken	Needs Improvement
IT Staff Augmentation Pre-Hire Documentation Record Retention	Needs Improvement

Control Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none"> Departments/agencies work directly with DPMM to procure the vendors and services. As subject matter experts in the area of procurement, DPMM provides competent guidance. Only active and properly vetted vendors are remitted to by the County. 	<ul style="list-style-type: none"> Vendor discounts were not taken. In some instances original hire support for background checks were not available.

Control Summary	
Good Controls	Weak Controls
<p>The DOF performs adequate control over vendors for which information is provided by the departments/agencies.</p> <ul style="list-style-type: none"> • DPMM maintains current and properly executed contracts for contractors and vendors. • The respective departments/agencies verify agreed upon service deliveries based on contracted criteria. 	

OBSERVATIONS AND ACTION PLAN

The following table(s) details observation(s), recommendation(s) and management response(s) from this study.

**Fairfax County
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VENDOR DISCOUNTS NOT TAKEN	
Risk Ranking	LOW
<p>Instructions in the related Procedural Memorandum (PM 12-09) require the County's departments/agencies take advantage of discounts offered when payments are remitted within a specified timeframe. Our review revealed that 63 Enterprise Solutions Incorporated invoices were made to vendors whereby discounts were available but not taken. The total amount of loss of discounts totaled ~\$18K or .3% (of ~5M in disbursements) for FY 2016.</p> <p>As per conversations with DIT, these invoices were submitted to DOF timely but payments were only made upon completion of service delivery.</p>	
Recommendation	
<p>OFPA recommends that DOF Accounts Payable staff continue its new outreach efforts, made possible by recent system enhancements, to work with DIT so that payments are made timely and discounts are taken. All agencies should place emphasis on timely completion of goods/services receiving within FOCUS so that the payment process will be efficient.</p>	

Action Plan

Point of Contact	Target Implementation Date	Email Address
Chris Pietsch Deirdre Finneran Jerry Wilhelm	September 2016	Chris.Pietsch@fairfaxcounty.gov Deirdre.Finneran@FairfaxCounty.gov Jerry.Wilhelm@FairfaxCounty.gov

MANAGEMENT RESPONSE:

The Department of Finance has worked with FBSG and DIT to develop automated processes which have enhanced FOCUS accounts payable procedures and allow for better monitoring of invoice payment timeliness and achieving discounts (when available) from a central oversight perspective. As part of this recent implementation, Accounts Payable staff within DOF reach out to agency personnel regarding invoices that have been scanned into FOCUS but for which no record of goods/services receipt has been entered. It should be noted that in some instances, an invoice is received from the vendor prior to the completion of the terms of the contract or delivery. In these instances, agencies are appropriately deferring goods/services receiving until the vendor has fully completed the terms of the contract or delivery. Conversely, in cases where contract requirements have been met, timely goods/services receiving should be done at the agency level to ensure prompt payment of invoices. DOF will continue to perform this outreach with all county agencies.

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STAFF AGUMENTATION PRE-HIRE DOCUMENTS RECORD RETENTION

Risk Ranking

LOW

A review of the documentation provided by DIT revealed some instances whereby consultants required pre-hire documentation was not retained. As per DIT staff, signed pre-hire documentation (FCG DIT IT Agreement) is required prior to the issuance of security badges and system access. As background checks are **not** required by the County for IT staff augmentations, as reported by DIT, in most cases they are performed. The multiple award contract for IT staff augmentation does not include a requirement for criminal background investigations, rather, it allows the end-user to request background and credential documentation based on the requirements of the engagement.

Secondly, as per the County’s Information Security Policy (provided to OFPA by the Information Security Office through DIT) “County agencies’ solicitation process to acquire IT products, solutions and services shall include a determination of information security requirements and should include clear delineation and understanding of roles and responsibilities of the vendor/contractor/solution provider and the county agency staff, reference to the County’s IT Security, HIPAA and/or PCI Policies as applicable, and, Fairfax County IT Contractor Agreement forms which must become part of the final contract and Statement of Work.”

Our review revealed that these documents were not available for original dates of hire.

Recommendation

We recommend that DIT staff liaise with the appropriate County staff to develop a record retention mechanism to house and retain these documents. Additionally, efforts should be made to have vendors charged with performing criminal background checks, security background checks, and any other contract agreed upon verifications for presentation to the County upon request.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Wanda Gibson George Coulter Ellicia Seard	December 1, 2016	Wanda.Gibson@fairfaxcounty.gov George.Coulter@fairfaxcounty.gov Ellicia.Seard@fairfaxcounty.gov

MANAGEMENT RESPONSE:

The DIT is the County authority and subject matter agency for records and document retention, and has systems and process to house covered document schedules. While typically, the IT program manager using the contractor has the resume that includes credentials, DIT will also keep credentials of staff augmentation contractors on duty in a central place. Official criminal background information is accessed and maintained in automated systems controlled by law enforcement and judicial agencies.

When considering bringing a staff augmentation contractor on-board, DIT IT Program manager(s) scrutinize proposed contractors by firms on County contracts before accepting them for work assignment by reviewing credentials. The information reviewed includes knowledge, skills and experience of the contractor(s) matched to the needs of the associated work, verbal interview of the prospective contractor(s), and disclosure from the firm of prior negative background information known. Criminal background search is readily available at any time through direct inquiry process with local and federal law enforcement databases and DIT IT Security Office has access to this process. Similar to the county's criminal background check procedure for employment, DIT relies on the status information provided by law enforcement and does not maintain copies of criminal records or need to. A negative criminal record would be a disqualifying factor for access to county systems; a clean record does not have a 'document'. DIT provides responsible oversight of its contractors and their work, and has not reported an incident that indicated in retrospect a prior. DIT has monitoring systems and a process that immediately removes any person conducting inappropriate behavior and breach of IT Security policy through county systems or infrastructure, which is documented. These are confidential files. DIT will continue to use best practices in onboarding contractors and establish central files for their credentials. We are targeting December 1, 2016 for implementation modified filing process for relevant documents.

CONTRACTOR REVIEW – INTELLIGENT TRANSPORTATION SYSTEMS

DETAIL OBSERVATIONS AND ACTION PLAN

BACKGROUND

The purpose of this review was to evaluate the Intelligent Transportation Systems (ITS) contractor's (Clever Devices) compliance with the execution of the ITS agreement between Clever Devices and the County. This included assessing the reporting requirements and service delivery provided for the 278 fleet of the Fairfax Connector Buses. OFPA staff also endeavored to assess the delivery of technology for computer aided dispatching (CAD) and automatic vehicle location (AVL) systems, support for billings, disbursements and approvals. Lastly, OFPA assessed the contractor's efforts to control and record staff utilization, use of other consultants, security and recognition of the county's assets, prevention and detection of (fraud, errors, and illegal acts), and identification of losses due to (waste, inefficiency and etc.), and recovery efforts.

SCOPE AND METHODOLOGY

The scope of this study was to assess contractor's efforts to control and record the utilization of staff, the use of other consultants, security of the County's assets, prevention and detection of (fraud, errors, and illegal acts), and identification of losses due to waste, inefficiency, etc., and recovery where applicable. Staff also endeavored to assess if there were any opportunities to increase revenues and reduce operational expenses. The period of this review included the timeframes of FY 2015 and FY 2016.

Our audit approach included interviewing appropriate staff, reviewing consultant work functions, substantive transaction testing, and evaluating the processes for compliance with sound internal controls, regulations, and departmental policies and procedures.

OFPA conducted a data-driven risk assessment tailored to the County's operating environment related to the contractor review of ITS. OFPA also reviewed the departmental procedures to ensure the process employed was holistic and complete.

The Fairfax County Department of Transportation (FCDOT) manages, oversees and coordinates the activities of the FAIRFAX CONNECTOR (Connector) bus system, which provides service throughout the County including the County's 11 Metrorail stations. The County maintains a fleet of 278 buses for FAIRFAX CONNECTOR as of FY 2016. FCDOT operates the Connector bus service through a private contractor. In April 2014, Clever Devices (a vendor of FCDOT) was awarded a five year contract for ITS. The original contract award was ~\$4.4 M with a 1 year renewal option. The ITS project will provide the technology for computer aided dispatching and automatic vehicle location (CAD/AVL) systems, and also includes new system capabilities for service announcements and real time passenger information. Reports and information generated from the ITS system will allow for more efficient scheduling, route refinements, and faster schedule development, which will reduce overall cost of the FAIRFAX CONNECTOR operation. Full system implementation was expected to occur in early FY 2016.

The ITS project implementation had successfully completed eight of twelve milestones during our review period. Guidance provided by FCDOT staff suggested a revised implementation date of early November 2016.

The onboard computers that run the CAD/AVL, radio controller, automatic passenger counting system, voice announcement, and the new bus time system are the IVN's (Intelligent Vehicle Network). Each of these components are designed to work together. These components will use data that is collected and processed by the onboard computer, the Clever Devices IVN, and will be sent from the buses to inform dispatchers and passengers about bus location and on-time performance. While FCDOT maintained an internal IVN inventory list for the Fairfax Connector ITS project, this list was not included in the County fixed asset register.

OBJECTIVES AND RESULTS

Business Objectives	Study Assessment
Oversight of Project Implementation of ITS	Satisfactory
Contract Management, Quality Assurance and Management of Capital Resources	Satisfactory
Support for Billings, Disbursements and Approvals for Clever Devices	Satisfactory
Controls Over Fixed Assets	Needs Improvement
Consultant Timesheets, Expenses and Completed Voucher Package	Needs Improvement

Control Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none"> Management team employed good governance and oversight of the project implementation of ITS. Controls over contract management, quality assurance and managing capital resources. Supporting documentation and methodology for billing compilations, disbursements and approvals for Clever Devices properly documented. 	<ul style="list-style-type: none"> Fixed assets managed by FCDOT for the ITS project was not recorded in the fixed asset register, additions / deletions not recorded, and not depreciated. Inaccurate consultant expenses and complete voucher packages to support consultant (TranSystems) time billed for consulting services not provided.

OBSERVATIONS AND ACTION PLAN

The following table(s) detail observation(s) and recommendation(s) from this study along with management's action plan(s) to address these issue(s).

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FIXED ASSETS MANAGEMENT

Risk Ranking

MEDIUM

While FCDOT does maintain an internal IVN inventory list for the Fairfax Connector ITS project, OFPA's review of the procedure utilized by FCDOT staff to account for accountable equipment revealed process gaps. Some accountable equipment was not; recorded in the County's fixed asset register, the County's CAFR or depreciated. The accountable equipment not included in the fixed asset register amounted to ~\$1.7M. Additionally, there was no method to track additions and deletions in the County's records.

Recommendation

OFPA staff liaised with DPMM to assess how equipment of this type should be recorded in the County's books. Based on the information provided, jointly we recommend that FCDOT staff liaise with DPMM and DOF to record the assets (ITS project IVN's) as sub-Connector Bus assets in the County's fixed asset register. Additionally, FCDOT should follow PM No. 12-03 administrative procedures related to the acquisition, transfer, disposal and physical validation of all accountable equipment.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Dwayne Pelfrey Efon Epanty Michael Lannon	When project is substantially completed to 95%.	Dwayne.Pelfrey@FairfaxCounty.gov Efon.Epanty@FairfaxCounty.gov Michael.Lannon@FairfaxCounty.gov

MANAGEMENT RESPONSE:

A 3G Real Internal Order (RIO1) was established in FOCUS for this project. As per the FOCUS Resource Center document *How to Understand Internal Orders*, TECO (Technically Complete) is defined as: "A Real IO has reached the substantially complete status (usually 95% or >) and is ready for a capital asset to be created and depreciation to start." The status of the ITS project has not reached that state to date. FCDOT discussed the Internal Auditor's recommendation with OFPA, DOF and DPMM. These process are designed to ensure that measures are in place to facilitate the timely recording of these assets in the appropriate registers and financial records. Based on the coordination with OFPA, DOF and DPMM, FCDOT will submit a TECO form to ensure all assets are properly valued and recorded prior to project completion.

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CONSULTANT TIME SHEETS AND EXPENSES

Risk Ranking

LOW

Analysis by OFPA revealed that consultant fees billed by TranSystems for services rendered did not include a complete voucher package to support invoices. While invoices were provided for the work performed, time sheets were not included to substantiate the disbursements or timed billed to the project. This increases the risk of inaccurate time billed to the project and not rectified in a timely manner, should there be any inaccurate billing for the services provided. Additionally, our review revealed that some mileage and hotel expenses for a consultant was inaccurately expensed.

Recommendation

OFPA recommends FCDOT request the receipt of a complete voucher package for assessed consultant expenses. This information should be maintained in a repository in accordance with the County record retention policy. FCDOT should also monitor consultant expenses billed as part of the ITS project. This will address the adequacy of controls established and maintained by the management to provide reasonable assurance that the County's objectives and goals will be met efficiently and economically.

Below is a sample of TranSystems invoices submitted for which payments were disbursed without reviews of supporting documentation (e.g. timesheet with approval) other than extended invoice.

TRANSYSTEMS DISBURSEMENTS							
Sample	Fiscal Year	Invoice Date	PO Number	Vouchers Package Properly Approved	Scope of Work (SOW) Delivery Verified	Accuracy of Disbursement Verified	Invoices Not Supported
Sample 1	2015	1/16/2015	8500114813	√	√	\$8,252.75	√
Sample 2	2015	2/20/2015	8500114813	√	√	\$4,631.00	√
Sample 3	2015	3/20/2015	8500114813	√	√	\$3,055.25	√
Sample 4	2016	10/9/2015	8500114813	√	√	\$26,405.50	√
Sample 5	2016	11/20/2015	8500114813	√	√	\$5,832.78	√
Sample 6	2016	2/19/2016	8500114813	√	√	\$6,715.50	√
Sample 7	2016	4/22/2016	8500114813	√	√	\$12,805.38	√
Total						\$67,698.16	

Of this sample ~\$67K out of \$81K or (~84%) of disbursements were made without review of the requisite supporting documentation (e.g. timesheets).

Action Plan

Point of Contact	Target Implementation Date	Email Address
Dwayne Pelfrey Efon Epanty Michael Lannon	Practices Implemented.	Dwayne.Pelfrey@FairfaxCounty.gov Efon.Epanty@FairfaxCounty.gov Michael.Lannon@FairfaxCounty.gov

MANAGEMENT RESPONSE:

FCDOT recognizes the importance for the ITS Project Consultant – TranSystems to include a complete voucher package to support invoices for consultant fees billed. While we acknowledge the importance of including staff timesheets in the voucher packages, we believe that all the approved consultant expenses and time billed for consulting services provided by TranSystems are accurate, based on FCDOT staff's direct involvement with the consultant on this project. More specifically, consultant work hours and levels of effort for assigned work do meet project expectations, and matches with the budget for consulting services. All consultant expenses and voucher packages are reviewed by FCDOT staff based on the consultant's levels of effort to ensure accuracy and completeness of assigned work. FCDOT staff independently assess TranSystems' work processes, track consultant time/hours, and pre-approve any travel and work assignments by TranSystems.

However, in accordance with the auditor's findings, the FCDOT personnel have implemented the following changes:

- Beginning immediately, TranSystems is to provide all back-up consultant timesheets as part of the monthly voucher package for payment.
- FCDOT staff will make a worksheet for the ITS project consultants. Add the totals from all worksheets. Balance the total to timesheets for each voucher package. If totals do not balance, recheck all worksheets and time with TranSystems.
- FCDOT's Transit Division Chief will meet monthly with staff to review each line item per worksheet for the ITS project consultant before invoice approval.

INTERNAL SERVICE FUNDS REVIEW

DETAIL OBSERVATIONS AND ACTION PLAN

BACKGROUND

Internal Service Funds are proprietary funds used to record goods and services provided by one department/agency in the County to another department/agency within the County. Most of these goods and services are on a cost reimbursement basis. In most cases, revenue to the providing agency for these goods and services as well as corresponding expenditures, are recorded with a journal entry to the Enterprise Resource Planning System (FOCUS). Exceptions to this process are costs related to the County Insurance Fund, Multi-Functional Devices (MFD), and Disaster Recovery whereby the expenses related to these services is merely budgeted for and recorded.

Internal Service Funds include; County Insurance Fund (Fund 60000), Department of Vehicles Services (Fund 60010), Document Services Division (Fund 60020), Technology Infrastructure Services (Fund 60030) and Health Benefits Fund (Fund 60040).

The County's Insurance Fund is used to meet the County's casualty obligations, liability exposure and workers compensation requirements. The Department of Vehicle Services (DVS) Fund ensures the County's vehicle fleet are properly maintained and operated in a safe and cost effective manner. The Document Services Division Fund provides printing and copying for departments/agencies and MFDs throughout the County. The Technology Infrastructure Services Fund provides data center and network services associated with the operation and maintenance of the mainframe, data communications, PC replacements and radio network connections. The Health Benefits Fund is utilized to support self-insurance health benefits for County employees.

SCOPE AND METHODOLOGY

OFPA staff worked with departments/agencies to understand the operational process, billing rates used, control elements, management oversight and recording of internal service funds. This included meeting with departments' management and staff to understand the process and services provided.

The County Insurance Fund (Fund 60000) is utilized to meet the County's need for Worker's Compensation Benefits, Countywide commercial insurance and medical self-insurance liability. For FY 2017, the County Insurance Fund has an appropriated budget of \$24.8M of which a portion is transferred in from the General Fund annually. The calculation for Fund 60000 is comprised of; historic and projected workers compensation, healthcare premium cost for insurance, anticipated cost of payouts for commercial insurance claims, maintenance for automated external defibrillators (AED), contingent liabilities, employee compensation and fringe benefits. A previous study was conducted by OFPA on risk management claims for Department of Public Works and Environment Services (DPWES). Similar studies for other agencies may be forth coming.

DVS (Fund 60010) provides maintenance and management services to the County's vehicle fleet. DVS also manages the County's Vehicle Replacement Fund which is used to purchase new vehicles at the end of the useful life of the asset. In FY 2016, 33 agencies participated in the Vehicle Replacement Fund whereby their departments/agencies were charged a monthly fee. The calculation is based on the replacement cost of an equivalent vehicle, projected salvage value and projected life years.

DVS passes-through costs of repair parts to the agencies responsible for the vehicle. These charges are at costs with a 31% markup. If a vehicle requires commercial repairs from an outside repair shop the markup is 10%, which cannot exceed \$200 per repair above the original cost.

For departments/agencies that do not have a vehicle fleet, the County's Motor Pool is available. The Motor Pool is a fleet of vehicles which are available to County employees for performing official County business. County employees can rent a motor pool vehicle which is paid for through their departmental funds. Rental rates are published on DVS website and updated annually with DMB. For FY 2017, the rental rates are \$6.00 per hour (maximum \$48.00 per day) plus .30 cents per mile. Rental cost include the; cost of fuel, overhead cost which consist of personnel expenses, repairs, maintenance, and service parts.

To perform this review, OFPA staff met with DVS management and staff to review policies and procedures, select a sample of invoices for FY 2015 and 2016 and gain reasonable assurance that rates were charged correctly. A sample of 30 monthly department charges were selected for review. A random number generator and audit judgment was utilized to perform an unbiased assessment of charges.

Documentation was reviewed to reconcile the billing statements to end-user departments. Individual charges are entered into DVS's M5 financial system. These charges are then entered into FOCUS which produces the monthly billing statements.

OFPA staff reviewed monthly billing reports and supporting data sent to departments/agencies monthly. Included in these reports are; vehicle numbers, labor hours, labor costs, parts costs, commercial repair costs and car wash costs. As part of our review, labor rate charges were verified for accuracy. A review of the parts costs and markup, as well as commercial repair and markup costs were also verified for accuracy. No exceptions were noted for the sample reviewed for labor cost, parts cost and commercial cost. Rental rates and mileage were also verified without exceptions.

The Document Services Division (Fund 60020) is located within the DIT and is responsible for; The Print Shop, Multi-Functional Devices, Mailing Services and Archives and Records Management. This review focused on The Print Shop Services and Multi-Functional Devices. The Mailing Services and Archives and Records Management were assigned to DIT for FY 2017 and therefore had no activity in Fund 60020 for the period under review.

The Print Shop is responsible for the County's print jobs including; business cards, envelopes and special projects. FCPS is also a customer of the County's Print Shop. Orders can be placed online with a County user ID and password. Print Shop users can select print options, quantity and receive price quotes before placing an order online. The requestor may request a proof prior to printing. To facilitate this process the requestor must notify the Print Shop within 48 hours of any changes.

MFDs are printers located throughout the County. Employees must have a County ID to use these printers. MFD printers have the ability to print high volume jobs, copy, scan and fax. Utilizing MFDs contributes to the County's 'green efforts' in reducing paper whereby this equipment provides an electronic medium option, e.g. document scanning. The County has approximately 500 multi-function devices throughout the County's facilities. In FY 2016, the appropriation in the General Fund for these devices was reduced by \$175,000.

The cost for the MFD's is based on contract cost and paid by the General Fund. The contract between the County and Ricoh American Corporation expires on June 30, 2019. In FY 2017, \$3.9M was appropriated in Fund 60020 to support MFD's.

DIT is also responsible for the Technology Infrastructure Services (Fund 60030). Technology Infrastructure Services include; Data Center and Network Services to the County, Disaster Recovery, Radio Communications and PC Replacement. Technology Infrastructure Services provides support for information technology (IT) system platforms, hardware and communication systems. Technology Infrastructure Services function 24 hours a day, seven days a week.

The data communications network incorporates commercial networks and fiber-optic Institutional Network (I-Net) infrastructures. The I-Net provides bandwidth and security access which connects County agencies to applications available on the server platforms. The server platform supports 16,000 end-user devices, over 900 virtual servers and 600 production databases throughout the County facilities. To maintain technology infrastructure, the expense to support the service is allocated to County departments/agencies through an annual charge back.

The PC Replacement Program is designed to provide a cost effective way to upgrade PC's, laptops and tablets as needed. The PC Replacement Program is based on a five year cycle which includes a total of 14,000 PC's. Of the 14,000 PC's, 11,500 are desktops and 2,500 are laptops. The replacement costs for the County's PC's include hardware, software licenses, security, disposal, service desk and desk side staff support. The cost per departments/agencies is \$500 per PC. These charges are collected annually through a FOCUS journal entry.

Included in Fund 60030 is Radio Communications; which supports the public safety and public service functions. This includes the County radio systems, devices and support services (e.g. Police, Fire, Connector Bus Fleet, Fastran and Fairfax County Public Schools (FCPS) Buses, etc). Radio communications are a reliable way for public safety workers to communicate in supporting emergency response situations with local, state and federal partners. Departments/agencies are

charged on a time and material basis for work performed. The hourly rate is \$45 per hour, actual material costs and a 2.5% equipment recovery rate which supports radio replacements.

Charges for Disaster Recovery are costs for service, assets and facilities/equipment in the DIT Data Center. Funds are appropriated to the DIT agency to offset the Disaster Recovery costs. There are no chargebacks to individual departments/agencies.

Health Benefits (Fund 60040) is an administrative unit for the County’s self-insured health plans. The County’s self-insured plans are utilized to pay for claims and third party administrative fees. There are currently four self-insured open access plans through Cigna. The Health Benefits Fund are also utilized to pay premiums for active and retired employees. Appropriated in the FY 2017 Adopted Budget for Health Benefits is ~\$35M.

The County currently contributes 85 percent of the total premium for active employees enrolled as individuals and 75 percent for active employees enrolled in a family or two party plan. Retirees over the age of 55 currently receive a subsidy toward the health insurance premium from the County based on their length of service.

As per the FY 2016 Adopted Budget Plan projection, the County will raise premiums for the second half of FY 2017, to offset increases in claim expenses. ***It should be noted that this is for budgetary projections only.*** Final premium decisions will be made in the fall of 2016.

OBJECTIVES AND RESULTS

Business Objectives	Study Assessment
DVS Works With DMB To Update Billing Rates Annually	Satisfactory
DVS Motor Pool Customers Can Reserve Vehicles Online	Satisfactory
The Print Shop Online Order Capability	Satisfactory
Internal Service Fund Policies and Procedures	Needs Improvement
The Print Shop Verification of Customers Using Cost Centers	Needs Improvement

Control Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none"> • DVS meets with DMB annually to update billing rates that are published on their departmental website. • DVS established base and replacement rates for vehicles. • Price quotes are available for customers from the DIT Print Shop before online purchases are finalized. 	<ul style="list-style-type: none"> • Accounting Technical Bulletin (ATB) 014 Internal Service Fund Billing should be updated. • Enhancements should be made to the customer cost center verification process. Print Shop customers provide the charging cost centers in the online order. The current cost centers verification process has revealed accuracy gaps.

OBSERVATIONS AND ACTION PLAN

The following table(s) detail observation(s) and recommendation(s) from this study along with management's action plan(s) to address these issue(s).

Fairfax County
Office of Financial and Program Audit

POLICIES AND PROCEDURES

Risk Ranking

Low

Policies and procedures should be updated to accurately reflect current practices. The current Accounting Technical Bulletin (ATB) 014 references outdated service fund entities such as; Central Stores and Equipment Management Transportation Agency. Secondly, ATB 014 references procedures and guidance for the previous enterprise resource system FAMIS which is no longer utilized. Lastly, the billing process should be updated to reflect current practices.

Recommendation

ATB 014 should be updated by the DOF to reflect current policies and procedures pertaining to internal service funds and billing for goods and services. Additionally, this document should be updated to reflect the system currently in use.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Chris Pietsch	October 31, 2016	Christopher.Pietsch@FairfaxCounty.gov

MANAGEMENT RESPONSE:

As part of DOF's review of all policy/procedure documents issued by our department, we had previously determined that the guidance issued in ATB 014 was a step-by-step process instruction better suited for training guidance than a policy.

DOF meets regularly with the FBSG to review existing online training guidance for any necessary updates. Currently DOF and FBSG, along with the Organizational Development and Training team (OD&T) within the Department of Human Resources, are refining the existing online training guidance on processing journal entries currently utilized by FOCUS users to include additional details on processing internal service fund billing.

Fairfax County
Office of Financial and Program Audit

VERIFICATION OF CUSTOMERS USING APPROPRIATE COST CENTER

Risk Ranking

Low

A download of customer orders were provided by The Print Shop for FY's 2015 and 2016. A sample of 25 monthly billings were selected and reviewed in detail. Of this sample 2 out of the 35 monthly billings (or ~6%) of the population reflected orders recorded to the incorrect cost center.

OFPA's cost center was incorrectly charged ~\$1K in FY 2016. Upon review of the documentation it was discovered that the customer belonged to the Department of Family Services.

Recommendation

OFPA recommends that The Print Shop enhance the cost center validation process to improve billing accuracy for the department.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Tom Rose Tonya Mills	November 2016	Tom.Rose@FairfaxCounty.gov Tonya.mills@FairfaxCounty.gov

MANAGEMENT RESPONSE:

Agencies requesting work from the Print Shop provide the cost center codes for their job(s) to be charged and the Print Shop does a simple manual check against a list of county agencies' cost centers when receiving the work order to validate cost center numbers, however, DIT is not the authority for validation of agencies' assignment of work to specific cost centers. This process has resulted in a very low billing error rate that is within a diminutive margin of error and has not affected DIT's targets for balanced revenues. The effort required to make corrections in FOCUS is minimal, and while the amount that were miscoded were diminutive, staff will make appropriate to correcting journal entries. DIT will look into process improvements which will include communications to customer agencies to be accurate in providing the appropriate cost centers for work requests.

GRANTS MANAGEMENT REVIEW

DETAIL OBSERVATIONS AND ACTION PLAN

BACKGROUND

The purpose of this review by OFPA was to assess the management and oversight of grants in the Federal-State Grant Fund for Fairfax County (County). This review will include Federal, State and Other Grants in the Federal-State Grant Fund (collectively called grants for the purpose of this review). This review does not include; federal and/or state revenue received in other County funds, including the General Fund, such as the reimbursement for human services programs not in the Federal-State Grant Fund, e.g.; Medicaid, Foster Care, and Children's Services Act. In addition, non-grant state revenue such as state cost sharing for constitutional officers and other compensation board expenses, and Personal Property Tax Relief Act (PPTRA) reimbursements are excluded from this review.

The DMB defines a grant in the Federal-State Grant Fund as an award of financial assistance disbursed by one party (Grant Sponsor), often a State or Federal Government Department, Corporation, Foundation, Trust, or Non-profit organization, to a recipient (the County). Most grants fund a specific program or project. In order to receive a grant, recipients typically, but not always, apply for the award directly to the Grant Sponsor administering the program by submitting some form of written proposal or application. The Grant Sponsor must then determine the amount of assistance to be awarded and notifies the recipient of the award. In order for an award to be considered official, a contract or grant agreement is entered between the Grant Sponsor and the recipient where details of the use of the award, the restrictions and limitations of the award, and reporting requirements of the award may be included. Detailed in the award is the time period during which the recipient may use the assistance. Some grant awards also require a local match. The local match are resources the County is required to contribute as a condition of the grant award. The local match is met as either a cash match (referred to as Local Cash Match), in-kind match, or a combination of the two, depending on the grantor requirements and available County resources.

There were a total of 667 grants in the Federal-State Grant Fund with financial activity in either FY 2015 or FY 2016. This study was conducted as Phase 1 of an ongoing process whereby we initially worked with selected departments/agencies. OFPA staff liaised with the DMB and DOF to develop the study methodology, create downloads and compile quantitative information. This quarter, OFPA staff selected; the Department of Neighborhood and Community Services (DNCS), the Health Department and the Office to Prevent and End Homelessness (OPEH) for this study.

SCOPE AND METHODOLOGY

The scope of this review is to assess the controls and practices over grants in the Federal-State Grant Fund for the County. The review will include assessing compliance with County policies and procedures and grant reporting requirements to grantors. OFPA staff worked with DMB to assess indirect cost allocations, third quarter and carryover closeout procedures. This included assessing

the accuracy of revenue and/or expenditure postings, how obligations are paid, how all encumbrances and reservations are liquidated.

For this review OFPA staff assessed five grants per agency for a total of 15 grants, additional agencies and grants will be reviewed upon approval of upcoming proposed Audit Committee Work Plans. The three agencies under review this quarter are the DNCS, the Health Department and OPEH. The grant awards ranged from ~\$1K to ~\$3.3M. These departments/agencies and grants have been selected to gain an understanding of the process. Preceding forward larger departments/agencies and grants will be reviewed.

OFPA staff met with DMB and DOF to assess the accounting and recording for grants. A list of all grants in the Federal-State Grant Fund with financial activity in either FY 2015 or FY 2016 was provided by DMB. A sample of 15 grants were reviewed for; compliance with County policies and procedures, grant reporting efforts, indirect cost allocations and accuracy of revenue and expenditure transactions. We reviewed grants in three different stages which were; Awarded, Closing and Closed. In the Appendix section is a checklist of items we were assessing for each grant under review.

The grantor outlines the stipulations and guidelines for the grant award. County agency financial and program staff are responsible for ensuring compliance with all grantor requirements. County agency financial staff worked with DMB and DOF to ensure compliance with County policies and procedures.

Grants reviewed this quarter for DNCS included; USDA Summer Lunch Program, Local Government Challenge, Youth Smoking Prevention, The Joey Pizzano Memorial Fund and Fairfax Families 4 Kids Conservation 4 Youth. (See Appendix G Test Attributes)

Grants reviewed this quarter for the Health Department included; Women, Infants and Children (WIC), Perinatal Health Services, Maternal Infant and Early Childhood Home Visits and Voluntary National Retail Food Regulatory Program Standards. (See Appendix H Test Attributes)

Grants reviewed this quarter for OPEH included; Community Housing Resource Program, Emergency Solutions Grant and CoC Planning Project HUD Grant. (See Appendix I Test Attributes)

OBJECTIVES AND RESULTS

Business Objectives	Study Assessment
Departments/Agencies Work Closely With DMB Grants Team to Set Up and Monitor Grants	Satisfactory
Departments/Agencies Reconcile Expenditures Monthly	Satisfactory
Requested Billing Documentation Sent To Grantor's On Time	Satisfactory

Control Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none"> • Departments/Agencies work closely with DMB on recording grants in FOCUS and answering any clarifying questions. • Expenditures are reconciled monthly with supporting documentation. • Supporting billing documentation required by grantors is sent on time and in a clear and concise manner. 	<ul style="list-style-type: none"> • N/A

OBSERVATIONS AND ACTION PLAN

The following table includes the overall study conclusion.

**Fairfax County
Office of Financial and Program Audit**

GRANTS MANAGEMENT REVIEW
CONCLUSION
<p>During this review we assessed the various attributes of the financial administration for grant activity, accuracy of data in FOCUS, reconciling expenditures/revenues and grant closeout procedures. No reportable items were noted during this review. OFPA will continue to review additional departments/agencies grants upon approval of the proposed quarterly Audit Committee Work Plans.</p>

UNIFORMED RETIREMENT SYSTEM

Acadian Asset Management, Boston, MA
Advisory Research, Chicago, IL
Anchorage Capital Group
AQR Investor Services, Greenwich, CT
Ashmore Investment Management, London, England
BlueCrest Capital Management, New York, NY
BNY Mellon Cash Investment Strategies, Pittsburgh, PA
Brandywine Global Investment Management, Philadelphia, PA
Bridgewater Associates, Westport, CT
Cohen & Steers Capital Management, New York, NY
Criterion Capital Management, San Francisco, CA
Czech Asset Management, L.L.P., Old Greenwich, CT
Davidson Kempner Institutional Partners, LP, New York, NY
DoubleLine Capital, Los Angeles, CA
Garcia Hamilton & Associates, Houston, TX
Gresham Investment Management, LLC, New York, NY
Harbourvest Partmers, LLC. Boston, MA
JP Morgan Investment Management, New York, NY
King Street Capital Management, LLC, New York, NY
Manulife Asset Management, Boston, MA
Marathon Asset Management, London, UK
Millennium Management, LLC, New York, NY
OrbiMED Healthcare Fund Management, New York, NY
Pantheon Ventures, Inc., San Francisco, CA
Parametric Portfolio Advisors, Edina, MN
PIMCO, Newport Beach, CA
Siguler Guff & Co. LP, New York, NY
Starboard Value and Opportunity, LTD., New York, NY
Systematica Investments Limited, New York, NY
UBS Realty Investors, LLC., Hartford, CT
Wellington Management Co., LLP, Boston, MA

EMPLOYEES' RETIREMENT SYSTEM

Aberdeen Asset Management Inc., Philadelphia, PA
AQR Capital Management, Greenwich, CT
Axiom Investors, LLC, Greenwich, CT
BlackRock Inc., San Francisco, CA
BNY Mellon Cash Investment Strategies, Pittsburgh, PA
Brandywine Global Investment Management, Philadelphia, PA
Bridgewater Associates, Westport, CT
Cohen & Steers Capital Management, New York, NY
Columbia Wanger Asset Management, Chicago, IL
Czech Asset Management, L.P., Old Greenwich, CT
DePrince, Race & Zollo, Winterpark, FL
DoubleLine Capital, L.P., Los Angeles, CA
Dyal Capital Partners, New York, NY
Eagle Trading Systems, Inc., Princeton, NJ
Emerging Sovereign Group, LLC, New York, NY
First Eagle Investment Management, New York, NY
Hoisington Investment Management Co., Austin, TX
JP Morgan Investment Management, New York, NY
Lazard Asset Management, LLC., New York, NY
LSV Asset Management, Chicago, IL
Marathon Asset Management, London, UK
Millennium Management, LLC, New York, NY
Nicholas Company, Milwaukee, WI
Parametric Portfolio Advisors, Edina, MN
PIMCO, Newport Beach, CA
Post Advisory Group, Los Angeles, CA
QMS Capital Management, LP, Durham, NC
Quantative Management Associates, Newark, NJ
Pzena Investment Management, New York, NY
Research Affiliates, LLC, Newport Beach, CA
Sands Capital Management, Arlington, VA
Shenkman Capital Management, New York, NY
Stark Investments, St. Francis, WI
WCM Asset Management, Laguna Beach, CA

POLICE OFFICERS RETIREMENT SYSTEM

Acadian Asset Management, Boston, MA
AQR Capital Management, Greenwich, CT
BlackRock, San Francisco, CA
BlueCrest Capital Management, New York, NY
BNY Mellon Cash Investment Strategies, Pittsburgh, PA
Bridgewater Associates, Westport, CT
Cohen & Steers Capital Management, New York, NY
Czech Asset Management, Old Greenwich, CT
DoubleLine Capital, Los Angeles, CA
Dyal Capital Partners, New York, NY
Emerging Sovereign Group, LLC, New York, NY
King Street Capital Management, LLC, New York, NY
Loomis Sayles & Co, Boston, MA
Oaktree Capital Management, Los Angeles, CA PIMCO, Newport Beach, CA
Parametric Portfolio Advisors, Edina, MN
PIMCO, Newport Beach, CA
Sands Capital Management, Inc., Arlington, VA
Solus Alternative Asset Management, L, New York, NY
Standish Mellon Asset Management, Pittsburgh, PA
Starboard Value and Opportunity, LTD., New York, NY
Systematica Investments Limited, New York, NY
The Clifton Group, Minneapolis, MN
WCM Asset Management, Laguna Beach, CA

Appendix D

FUND MANAGEMENT EXPENSES / POLICE OFFICERS RETIREMENT SYSTEM FY2015	
<i>Expense Category</i>	<i>Account Bal.</i>
Custodian Fees	\$2,866.73
Class Action Fees	\$799.82
Investment Advisory Fees	\$2,395,179.65
Stock Loan Fees	\$23,675.62
Dividend Withholding Tax	\$70,760.86
Interest Withholding Tax	\$5,112.56
Commission On Futures Contracts	\$13,809.60
Micellaneous Expense	\$2,218,048.46
Total	\$4,730,253.30

FUND MANAGEMENT EXPENSES / POLICE OFFICERS RETIREMENT SYSTEM FY2016	
<i>Funds Mngr.</i>	<i>Account Bal.</i>
Custodian Fees	\$5,902.85
Class Action Fees	\$1,825.09
Investment Advisory Fees	\$2,844,829.00
Stock Loan Fees	\$21,790.62
Dividend Withholding Tax	\$95,794.45
Interest Withholding Tax	\$4,388.46
Commission On Futures Contracts	\$26,230.70
Micellaneous Expense	\$4,650,819.61
Fee For Long Balance	\$25.38
CCP Swap Fees	\$2,935.23
Total	\$7,654,541.39

Appendix E

FUND MANAGEMENT EXPENSES / EMPLOYEES RETIREMENT SYSTEM FY2015	
<i>Expense Category</i>	<i>Account Bal.</i>
Custodian Fees	\$9,981.99
Class Action Fees	\$4,084.11
Investment Advisory Fees	\$12,175,179.91
Stock Loan Fees	\$299,051.88
Dividend Withholding Tax	\$303,775.93
Interest Withholding Tax	\$247,827.37
Commission On Futures Contracts	\$97,522.59
Micellaneous Expense	\$1,441,739.51
Micellaneous Tax	\$2,754.76
Micellaneous Fee	\$193,724.41
Fee For Long Balance	\$77.47
Interest Expense	\$1,642,403.05
TMPG Charges	\$217.54
CCP Swap Fees	\$1,018.28
Total	\$16,419,358.80

FUND MANAGEMENT EXPENSES / EMPLOYEES RETIREMENT SYSTEM FY2016	
<i>Funds Mngr.</i>	<i>Account Bal.</i>
Custodian Fees	\$11,856.46
Class Action Fees	\$8,534.89
Investment Advisory Fees	\$12,326,754.59
Stock Loan Fees	\$346,338.77
Dividend Withholding Tax	\$298,315.54
Interest Withholding Tax	\$186,669.35
Commission On Futures Contracts	\$224,721.07
Micellaneous Expense	\$4,806,223.96
Fee For Long Balance	\$189.55
Fees On Futures Contract	\$676.49
Interest Expense	\$842,496.77
CCP Swap Fees	\$6,838.36
Miscellaneous Tax	\$2,793.96
Total	\$19,062,409.76

Appendix F

FUND MANAGEMENT EXPENSES / UNIFORMED RETIREMENT SYSTEM FY2015	
<i>Expense Category</i>	<i>Account Bal.</i>
Custodian Fees	\$7,252.73
Class Action Fees	\$556.29
Investment Advisory Fees	\$4,470,906.47
Stock Loan Fees	\$64,266.55
Taxes & Insurance	\$1,056.97
Dividend Withholding Tax	\$198,643.53
Interest Withholding Tax	\$64,413.91
Commission On Futures Contracts	\$24,407.66
Micellaneous Expense	\$389,106.79
Micellaneous Tax	\$1,168.67
Fee For Long Balance	\$0.90
Interest Expense	\$105,629.63
CCP Swap Fees	\$463.82
Total	\$5,327,873.92

FUND MANAGEMENT EXPENSES / UNIFORMED RETIREMENT SYSTEM FY2016	
<i>Funds Mngr.</i>	<i>Account Bal.</i>
Custodian Fees	\$7,197.83
Class Action Fees	\$1,584.71
Investment Advisory Fees	\$4,135,518.66
Stock Loan Fees	\$53,723.30
Dividend Withholding Tax	\$146,919.47
Interest Withholding Tax	\$67,223.17
Commission On Futures Contracts	\$30,625.37
Micellaneous Expense	\$2,110,395.12
Miscellaneous Fee	\$114.00
Fee For Long Balance	\$351.86
Insurance Expense	\$21,539.72
Miscellaneous Tax	(\$1,112.92)
CCP Swap Fees	\$3,950.99
Total	\$6,578,031.28

Appendix G

Department of Neighborhood and Community Services						
Checklist	USDA Summer Lunch Program	Youth Smoking Prevention	Local Government Challenge	Joey Pizzano Memorial Fund	FFX Families 4 Kids	
Program Year	2016	2016	2016	2015	2014	
Grant status as of August 2016	Closing	Award	Closed	Closing	Closed	
Award type	Federal	State	State	Other	Other	
Award amount	\$342,625	\$60,000	\$5,000	\$38,072	\$1,000	
Grant close out notification to grantor	✓	N/A	✓	✓	✓	
Grant closeout date to grantor	06/15/16	N/A	01/29/16	06/15/16	01/30/15	
Local cash match and/or in-kind contributions	\$70,213	N/A	\$5,000	N/A	N/A	
Financial administration of grant activity	✓	✓	✓	✓	✓	
Accuracy of financial data in FOCUS	✓	✓	✓	✓	✓	
Compliance with grantor's required monitoring process and procedures	✓	✓	✓	✓	✓	
Timeliness of billing and collection efforts	✓	✓	✓	✓	✓	
Progress and/or progress reports are submitted to grantor's or pass through entity	✓	✓	✓	✓	N/A	
Grant agreement award requirements satisfied	✓	✓	✓	✓	✓	
Encumbrances and reservations have been liquidated and obligations have been paid	✓	✓	✓	✓	✓	
Billing for grants is complete and accurate	✓	✓	✓	✓	✓	
All grant income has been received	✓	✓	✓	✓	✓	
Cash matching efforts and/or in-kind contributions are complete, accurate and timely	✓	N/A	✓	N/A	N/A	
All miscoding's have been corrected	N/A	N/A	N/A	✓	N/A	
Reconcile program year revenues and expenditures	✓	✓	✓	✓	✓	
Accuracy of year-end reconciliations of revenues and expenditures for carryover	✓	✓	✓	✓	✓	
Carryover of unexpended grants funds	N/A	N/A	N/A	N/A	N/A	
Accuracy of the appropriation of new or supplemental awards	✓	N/A	N/A	N/A	N/A	
Accurate indirect cost rates used on County grants and contracts with the Federal and State Governments	✓	N/A	N/A	N/A	N/A	

Legend:
N/A = Non-applicable

Appendix H

The Health Department									
Checklist	WIC	Perinatal Health SVC	Miechv	Miechv	Miechv	Food Reg Prog Stand			
	2015	2015	2015	2015	2016	2015			
Program Year	Closing	Closed	Closing	Closing	Award	Closing			
Grant status as of August 2016	Federal	Federal	Federal	Federal	Federal	Federal			
Award type	\$3,334,600	\$258,746	\$497,305	\$496,616	\$18,000	\$18,000			
Award amount	✓	✓	✓	✓	N/A	✓			
Grant close out notification to grantor	1/12/2016	1/12/2016	6/9/2016	N/A	N/A	1/19/2016			
Grant closeout date to grantor	N/A	N/A	N/A	N/A	N/A	N/A			
Local cash match and/or in-kind contributions	✓	✓	✓	✓	✓	✓			
Financial administration of grant activity	✓	✓	✓	✓	✓	✓			
Accuracy of financial data in FOCUS	✓	✓	✓	✓	✓	✓			
Compliance with grantor's required monitoring process and procedures	✓	✓	✓	✓	✓	✓			
Timeliness of billing and collection efforts	✓	✓	✓	✓	✓	✓			
Progress and/or progress reports are submitted to grantor's or pass through entity	✓	✓	✓	✓	✓	✓			
Grant agreement award requirements satisfied	✓	✓	✓	✓	✓	✓			
Encumbrances and reservations have been liquidated and obligations have been paid	✓	✓	✓	✓	✓	✓			
Billing for grants is complete and accurate	✓	✓	✓	✓	✓	✓			
All grant income has been received	✓	✓	✓	✓	✓	✓			
Cash matching efforts and/or in-kind contributions are complete, accurate and timely	N/A	N/A	N/A	N/A	N/A	N/A			
All miscoding's have been corrected	✓	✓	✓	✓	✓	✓			
Reconcile program year revenues and expenditures	✓	✓	✓	✓	✓	✓			
Accuracy of year-end reconciliations of revenues and expenditures for carryover	✓	✓	✓	✓	✓	✓			
Carryover of unexpended grants funds	N/A	N/A	N/A	N/A	N/A	N/A			
Accuracy of the appropriation of new or supplemental awards	N/A	N/A	N/A	N/A	N/A	N/A			
Accurate indirect cost rates used on County grants and contracts with the Federal and State Governments	N/A	N/A	N/A	N/A	N/A	N/A			

Legend:
N/A = Non-applicable

Appendix I

The Office to Prevent and End Homelessness						
Checklist	Community Housing and Resource Program 2014	Community Housing and Resource Program 2015	Community Housing and Resource Program 2016	Emergency Solutions	CoC Planning Project HUD	
Program Year	2014	2015	2016	2015	2014	
Grant status as of August 2016	Closed	Closing	Award	Award	Closed	
Award type	Federal	Federal	Federal	Federal	Federal	
Award amount	\$768,398	\$746,310	\$813,644	\$771,772	\$34,510	
Grant close out notification to grantor	✓	✓	N/A	N/A	✓	
Grant closeout date to grantor	1/31/2015	6/15/2016	N/A	N/A	2/28/2015	
Local cash match and/or in-kind contributions	\$328,591	\$306,503	\$373,837	\$385,886	N/A	
Financial administration of grant activity	✓	✓	✓	✓	✓	
Accuracy of financial data in FOCUS	✓	✓	✓	✓	✓	
Compliance with grantor's required monitoring process and procedures	✓	✓	✓	✓	✓	
Timeliness of billing and collection efforts	✓	✓	✓	✓	✓	
Progress and/or progress reports are submitted to grantor's or pass through entity	✓	✓	✓	✓	✓	
Grant agreement award requirements satisfied	✓	✓	✓	✓	✓	
Encumbrances and reservations have been liquidated and obligations have been paid	N/A	N/A	N/A	N/A	N/A	
Billing for grants is complete and accurate	✓	✓	✓	✓	✓	
All grant income has been received	✓	✓	✓	✓	✓	
Cash matching efforts and/or in-kind contributions are complete, accurate and timely	✓	✓	✓	✓	✓	
All miscoding's have been corrected	N/A	N/A	N/A	N/A	N/A	
Reconcile program year revenues and expenditures	✓	✓	✓	✓	✓	
Accuracy of year-end reconciliations of revenues and expenditures for carryover	✓	✓	✓	✓	✓	
Carryover of unexpended grants funds	✓	✓	✓	✓	✓	
Accuracy of the appropriation of new or supplemental awards	N/A	N/A	N/A	N/A	N/A	
Accurate indirect cost rates used on County grants and contracts with the Federal and State Governments	N/A	N/A	N/A	N/A	N/A	

Legend:
N/A = Non-applicable

LIST OF ACRONYMS

AED	Automated External Defibrillators
AVL	Automatic Vehicle Location
CAD	Computer Aided Dispatching
CAFR	Comprehensive Annual Financial Report
DIT	Department of Information Technology
DMB	Department of Management and Budget
DOF	Department of Finance
DPMM	Department of Procurement and Material Management
DPWES	Department of Public Works and Environmental Services
DVS	Department of Vehicle Services
FBSG	FOCUS Business Support Group
FCDOT	Fairfax County Department of Transportation
FCPA	Fairfax County Park Authority
FY	Fiscal Year
ITS	Intelligent Transportation Systems
IVN	Intelligent Vehicle Network
MFD	Multi-Functional Devices
OFPA	Office of Financial and Program Audit
PM	Procedural Memorandum
SME	Subject Matter Expert
VMF	Vendor Master File