

FAIRFAX COUNTY, VIRGINIA

MEMORANDUM

TO: Board of Supervisors

FROM: 
John J. Adair Auditor to the Board
Office of Financial and Programs Auditor

DATE: March 21, 2000

SUBJECT: Quarterly Status Report on Operations

EXECUTIVE SUMMARY

We monitored Department of Housing and Community Development (DHCD) and Department of Administration for Human Services (DAHS) efforts to reduce reliance on County cash to fund grant expenses during this quarter. We also began grant expense reimbursement reviews at the Police and Fire and Rescue Departments.

DHCD had a \$300,000 improvement this quarter. It has eliminated the need for a total of about \$5.4 million of the \$6.5 million it used monthly from County pooled cash to pay grant expenses in 1999. Investing the \$5.4 million in the Pooled Cash Management Program provides the County with about \$278,000 more interest income annually.

DAHS staff began requesting reimbursement for Head Start and Early Head Start programs monthly, rather than quarterly, in February 2000. Continuing this procedure will provide an additional \$550,000 to the Pooled Cash Management Program, resulting in \$28,000 more in interest income annually for the County.

Our review at the Police Department this quarter resulted in a determination by the Department that it could modify grant expense reimbursement procedures. This should reduce the need for about \$1.6 million of County cash. When the new procedures are operational, investing the \$1.6 million will produce about \$83,000 in interest income annually for the County for the life of the grant programs.

Similarly, Fire and Rescue Department staffs are reviewing their grant reimbursement procedures to determine whether unreimbursed grant expenses, which averaged in excess of \$1 million monthly during 1999, can be requested sooner and received faster. The Department's review should be completed during the next quarter.

We expect to complete our work at the Police and Fire and Rescue Departments by the end of the next quarter. At the request of the Audit Committee, we will monitor all of the agencies that have improved their grant reimbursement procedures to ensure that the improvements are sustained, and will report periodically on their progress.

**DHCD CONTINUES ACTIONS
THAT SHOULD INCREASE
COUNTY INTEREST INCOME**

At the request of the Audit Committee, we have continued to monitor DHCD's implementation of a new procedure designed to expedite reimbursements from the Federal Department of Housing and Urban Development (HUD) for expenses incurred under Federal grant programs operated by DHCD. We also have continued to monitor DHCD's efforts to expedite transfers from other DHCD investments for expenses pre-financed by the County's Pooled Cash Management Program.

During this quarter, we met with the DHCD's new Financial Management Director and discussed the cash management improvements that have occurred so far and the additional opportunities that exist to accelerate reimbursements.

The chart below shows the result of DHCD's efforts to obtain reimbursements promptly. An indicator of DHCD's progress is a comparison of the last year's average end-of-the month cash balances with March 3, 2000 balances. Smaller negative cash balances indicate quicker reimbursements to the County's Pooled Cash Management Program.

DHCD'S CASH MANAGEMENT PROGRESS

Grant Program	Average End-of-Month Negative Cash Balance Per December 1, 1999 Status Report	Negative Cash Balance at March 3, 2000	Amount of Improvement or (Regression)
Community Development Block Grant	\$2,421,918	\$234,707	\$2,187,211
HOME Investment Partnership Grant	265,047	109,448	155,599
Public Housing Under Development	1,113,733	0	1,113,733
Public Housing Under Modernization	289,007	82,760	206,247
Fairfax County Rental Program	535,622	715,496	(179,874)
Private Finance Fund	1,871,222	0	1,871,222
Totals	\$6,496,549	\$1,142,411	\$5,354,138

We reported in our December 1, 1999, quarterly report that DHCD had reduced the average monthly negative balances of \$6.5 million, incurred during 1999, to about \$1.4 million. Since the balances at March 3, 2000 were about \$1.1 million, DHCD has made a further net reduction of about \$300,000 during this quarter. The impact on the interest earned by the Pooled Cash Management Program from this quarter's \$300,000 reduction is more than \$15,000 annually.

In total, the almost \$5.4 million reduction by DHCD of negative balances, if sustained throughout the year, allows the County to earn about \$278,000 in additional interest income annually.

**REIMBURSEMENT FOR TWO
HEAD START GRANT PROGRAMS'
EXPENSES HAS BEEN EXPEDITED**

Last quarter, we reported on the planned acceleration of reimbursement for the Federal Head Start and Early Head Start grant programs expenses from quarterly to monthly. In February 2000, Department of Administration for Human Services (DAHS) staff implemented their new process of requesting monthly reimbursements for these two grant programs. Obtaining reimbursement on a monthly basis has reduced the amount provided by the County's Pooled Cash Management Program for these two grant programs by more than \$550,000 annually.

As shown in the chart below, the additional interest income that will be gained annually by the County is estimated to be more than \$28,000.

**ADDITIONAL INTEREST THAT CAN BE EARNED
USING THE NEW REIMBURSEMENT PROCEDURE
FOR HEAD START AND EARLY HEAD START PROGRAMS**

Grant Program	CY 1999 Average End-of-Month Negative Cash Balance	Negative Cash Balance at March 3, 2000	Negative Cash Balance Reduction With New Procedure	FY 1999 Average Rate of Return on County Cash Investments	Estimated Additional Interest That Can Be Earned Annually
Head Start Program	\$496,501	\$84,680	\$411,821	5.15%	\$21,209
Early Head Start Program	226,343	88,089	138,254	5.15%	7,120
Totals	\$722,844	\$172,769	\$550,075		\$28,329

We commend DAHS staff for their prompt actions to improve financial management and increase interest income for the County.

**POLICE DEPARTMENT PLANS TO
MODIFY PROCEDURES FOR
REIMBURSEMENT OF GRANT EXPENSES**

We reviewed the Police Department's procedures for requesting reimbursements from Federal and State Governments for expenditures of County funds in the performance of grant programs. Currently, the Police Department has four sizable grants, three from the Federal government, and the fourth from the State government. The Federal grants have enabled the County to hire over 100 additional police officers. The State grant provides reimbursement for the cost of three vehicles and for overtime costs for officers patrolling the I-95/I-395/I-495 Interchange Project.

As shown in the chart below, during calendar year 1999, these four grants had an average monthly negative cash balance of \$1.6 million. Working with Police Department staff, we jointly ascertained that the Department could obtain reimbursements for County expenditures sooner, which would significantly reduce, if not eliminate, the negative cash balances for each of these grants.

Police Department staff said that they would modify their procedures to allow for reimbursements monthly, or sooner, instead of quarterly. This would virtually eliminate the negative cash balances in the four grant accounts. When the Police Department uses its modified reimbursement request procedures, an additional \$1.6 million should become available for the County to invest in its Pooled Cash Management Program. The additional interest that should be earned annually would be \$83,000 during the life of the grant programs.

**INTEREST INCOME THAT COULD BE EARNED
BY ELIMINATING NEGATIVE CASH BALANCES
IN FOUR POLICE DEPARTMENT GRANT PROGRAMS**

Grant Program	Average End-of-Month Negative Cash Balance During CY 1999	FY 1999 Average Rate of Return on County Cash Investments	Estimated Additional Interest That Could Be Earned Annually
Local Law Enforcement Block Grant	\$ 65,470	5.15%	\$ 3,372
COPS More Program	19,817	5.15%	1,021
COPS Universal Hiring Program	1,416,680	5.15%	72,959
VDOT I-95/395/495 Patrol Augmentation	109,886	5.15%	5,659
Totals	\$1,611,853		\$83,011

We will continue to work with Police staff to assist in the completion of the implementation of the new reimbursement procedures during the next quarter.

**FIRE AND RESCUE DEPARTMENT IS
WORKING TO EXPEDITE \$1.1 MILLION
IN GRANT EXPENSE REIMBURSEMENTS**

Several of the Fire and Rescue Department's grant programs are funded on an advance basis. Under those program arrangements, Federal and State agencies provide funds to the County prior to expenditures. However, the Fire and Rescue Department also has four other sizeable Federal and State government grant programs funded on a reimbursement basis. We worked with the Department's staff during the quarter reviewing reimbursement procedures to ascertain whether reimbursements could be expedited.

Two of the grant programs are supported by the Federal Emergency Management Agency (FEMA) and the U.S. Agency for International Development's Office of Foreign Disaster Assistance (OFDA). FEMA and OFDA have memorandums of understanding and cooperative agreements with the Fire and Rescue Department that provide authority to reimburse the County for its costs for maintaining a medical cache and activating and deploying search and rescue staff for domestic and international disasters.

A third grant program, from the U.S. Department of Justice, (DOJ) provides authority to reimburse the County for the cost of specialized emergency response equipment that enhances the County's capability to respond to incidents involving weapons of mass destruction.

The fourth reimbursable program is a grant funded through the Virginia Department of Transportation. It supports the congestion management program of the I-95/I-395/I-495 Interchange Construction Project. The grant provides authority to reimburse the County for its costs to procure a highway incident response vehicle, a foam/supplies support vehicle, and training in the use of foam involving the release of hazardous materials.

As shown in the chart on the following page, these four grants accounted for an average end-of-month negative cash balance of \$1,084,907 during calendar year 1999. The negative cash balances had grown to about \$2.1 million as of March 3, 2000. Working with the Department's staff we jointly concluded that the Fire and Rescue Department could obtain reimbursements for County expenditures sooner, which could practically eliminate negative cash balances for each of these grants.

Fire and Rescue Department staff currently is in the process of reviewing their reimbursement procedures. If reimbursements can be expedited, we expect that money being provided by the County's Pooled Cash Management Program would become available for the County to invest. As reflected in the chart on the following page, the estimated additional interest that could be earned, if the Department's new procedures could eliminate these negative cash balances, would be about \$56,000.

**INTEREST INCOME THAT COULD BE EARNED
BY ELIMINATING NEGATIVE CASH BALANCES IN FOUR
FIRE AND RESCUE DEPARTMENT GRANT PROGRAMS**

Grant Program	Average End-of-Month Negative Cash Balance During CY 1999	FY 1999 Average Rate of Return on County Cash Investments	Estimated Additional Interest That Could Be Earned Annually
FEMA/OFDA Activation	\$ 811,767	5.15%	\$41,806
International Search and Rescue	100,242	5.15%	5,162
VDOT Congestion Management	131,769	5.15%	6,786
DOJ Domestic Preparedness	41,129	5.15%	2,118
Totals	\$1,084,907		\$55,872

During the next quarter we will continue to work with the Fire and Rescue Department to assist in the successful implementation of procedures for more expeditious reimbursements of grant expenses.

**JUVENILE AND DOMESTIC RELATIONS
DISTRICT COURT CONTINUES TO
EXPEDITE STATE REIMBURSEMENT
FOR PAYROLL EXPENSES**

In our September 22, 1999 Status Report on Operations, we reported that the Juvenile and Domestic Relations District Court's staff, in conjunction with staff from the Department of Human Resources, was successful in developing a special PRISM-generated report. That new report, which also required assistance from the Department of Information Technology to produce, enabled the Court's staff to obtain State reimbursements for County pre-financed payroll more efficiently and more rapidly.

In the attached January 14, 2000, memorandum to the Director of the Department of Human Resources, the Director of the Juvenile and Domestic Relations District Court assessed the benefit of this new PRISM-generated report. (See Appendix I.) The Director said that the new report enables his staff to obtain the \$100,000 per pay period salary reimbursement in 2-3 weeks rather than 3-4 months, which was previously required.

In a related development, Department of Human Resources is planning a training course that will teach agency personnel how to download PRISM data into a spreadsheet for further analysis or reformatting for grant reimbursements, as the Juvenile and Domestic Relations District Court staff is now doing. This should help to expedite reimbursements of County expenditures made on grantors' behalf.

We commend these staffs who are working diligently to further the streamline the County's operations.

WORK PLANNED FOR
THE NEXT QUARTER

During the next quarter, we expect to complete our work at the Police and Fire and Rescue Departments as they modify their cash management techniques. We anticipate reporting on their progress in our next quarterly report. In addition, we will continue to monitor and report periodically on DHCD's and DAHS's progress in minimizing negative cash balances.

Also, there is a possibility that the Retirement Administration Agency will request our participation on a task force to oversee the development of a new funding policy for County contributions to the three retirement systems it administers. As discussed in our December 1, 1999, report the Audit Committee authorized our participation as long as it does not interfere with our ability to fulfill our other audit responsibilities to the Board of Supervisors.

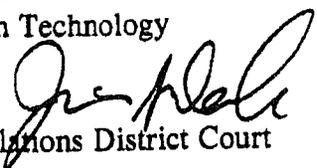
FAIRFAX COUNTY, VIRGINIA

MEMORANDUM

TO: Peter Schroth, Director
Department of Personnel Management

DATE: January 14, 2000

Peggy Van Lowe, Director
Department of Information Technology

FROM: James S. Dedes, Director 
Juvenile and Domestic Relations District Court

SUBJECT: Payroll Reimbursement - PRISM Reporting

REF: Auditors Meeting, 4/22/99

On behalf of myself and the Juvenile Court, we would like to express our appreciation for the efforts of Ms. Evelyn Grieve and Mr. Gary Smith for working with Juvenile Court staff, particularly Mr. David Barte and Ms. Libby Kephart, to develop a PRISM downloading process to automate the Local Court Service Unit reimbursement process.

As you may remember, JDRC staff met with Mr. John Adair and Mr. Steven Sadler, appointed members from the Board Of Supervisors auditing staff, to examine ways to collect reimbursements from external sources in a more timely and efficient manner. The overall goal, as directed by the Board, was to use existing resources to find better ways to collect monies due to Fairfax County more promptly, thereby allowing the County to collect interest and reduce the level of outstanding collections.

After meeting with Ms. Grieve and Mr. Smith, it was determined that a more efficient reporting process pertaining to position reimbursements could be implemented to allow JDRC staff to submit a more timely payroll report to the State. It was understood that this report could be generated by the current PRISM personnel system on a bi-weekly basis and that this report could serve as the justification and detail required by the state to receive payment of approximately \$100,000 every payperiod. It has also reduced the collection process time-frame from the previous 3-4 month process to a 2-3 week process and has also reduced the high number of staff and man-hours previously required to produce this report.

It is important to this agency that these persons be recognized for their efforts. Again, we thank you for their support.

cc: Edward L. Long, Jr., Department of Management and Budget

John Adair, Office of Financial and Programs Auditor

 Steven Sadler, Office of Financial and Programs Auditor

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