

**FAIRFAX COUNTY, VIRGINIA**

**MEMORANDUM**

TO: Board of Supervisors

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

DATE: November 28, 2001

SUBJECT: Quarterly Status Report on Operations

**EXECUTIVE SUMMARY**

County officials collected \$225,774 of overdue accounts receivable this quarter, bringing the total collected during our review of overdue receivables to \$638,674.

We continued our review of proffered cash pledges. We worked with County staff as they reviewed proffered cash pledges totaling more than \$2 million of \$3 million that had been placed in a "General" account over a number of years due to uncertainty at the time of collection as to where the cash was to be used.

County staff determined that of the \$2 million reviewed in the General account, about \$1.2 million involved the Department of Transportation, \$202,000 the Park Authority Trust Fund, \$134,600 the Department of Housing and Community Development, and about \$500,000 involved others.

Additional research will be conducted on this \$2 million during the next quarter, and on the remaining \$1 million of General account cash proffers. Transfers of funds will be made as appropriate. County staff expects to complete the research, and begin efforts to transfer the General account cash proffers, during the next quarter.

As requested by our Audit Committee at its September 18, 2001, meeting, we also reviewed the final costs of capital facility contracts administered by the Department of Public Works and Environmental Services that were completed during Fiscal Years 2000 and 2001 and compared them with the original estimated costs. While there were both increases and decreases in the final cost of these contracts, on average, the final cost was 2.5% higher than originally estimated in FY 2000, and 2.1% higher in FY 2001.

Finally, grant reimbursement requests, which we monitor at the request of our Audit Committee, continued to be made on a more timely basis, providing about \$5.4 million additional dollars for County investment.

## **ACCOUNTS RECEIVABLE**

For the past several quarters, we have been reviewing the collectibility of \$4.4 million of overdue accounts receivables. These are defined as receivables shown on the County's accounting records that are more than a year old.

This quarter, County staff collected \$225,774 of overdue receivables. These collections bring the total of overdue receivables collected by County Departments since our review began to \$638,674.

The Department of Administration for Human Services staff determined that a receivable for \$768,167, shown on its records as being due from the Commonwealth of Virginia, was not a valid receivable and removed the receivable from the County's records.

As a result of these and other actions taken to resolve overdue accounts receivable in recent quarters, the status of \$4.2 of the \$4.4 million of overdue receivables we have been reviewing has been determined, as follows:

- \$0.639 million has been collected as a result of actions taken during this review;
- \$1.2 million had been collected previously, but not removed from the financial system;
- \$1.568 million should not have been established as receivables; and
- \$0.8 million was not collectible due to bankruptcy, age, legal settlements or other reasons.

The remaining \$0.2 million of the \$4.4 million reviewed is still potentially collectible. Of this amount, \$125,688 involves the Department of Housing and Community Development, and \$80,629 involves the Department of Public Works and Environmental Services.

Actions taken this quarter on overdue receivables by the County's Departments are discussed below.

### **Department of Housing and Community Development**

During this quarter, Department of Housing and Community Development staff took action to collect \$200,856 in overdue Section 8 receivables. This brings the total overdue Section 8 receivables collected during our review to \$425,856.

The Department collected \$199,868 from the Virginia Housing Development Authority, and \$988 from the Inglewood Housing Authority. The Department is still owed \$125,688 in overdue Section 8 receivables by 7 housing authorities.

The Department has enlisted the assistance of the Federal Department of Housing and Urban Development in its continuing efforts to collect the remaining \$125,688 from the following 7 housing authorities.

- Washington D.C. Housing Authority \$ 51,010
- Housing Authority of Baltimore City \$ 29,536
- Housing Authority of the City of Greenville N.C. \$ 28,614
- Housing Opportunities Commission, Kendrick MD \$ 10,741
- San Juan, Puerto Rico Housing Authority \$ 4,858
- West Haven Housing Authority, West Haven CT \$ 562
- Hempstead Housing Authority, Hempstead, NY \$ 367

**Department of Public Works  
and Environmental Services**

The Department of Public Works and Environmental Services (DPWES) staff collected overdue receivables totaling about \$24,918 of potentially collectible receivables during this quarter, bringing the total collected by the Department as a result of this review of overdue receivables to \$49,318.

In our September 2001 Quarterly Status Report, we said that the DPWES had collected \$24,400 in overdue receivables and had about \$105,547 remaining in potentially collectible overdue receivables. Of this amount,

- \$40,528 involved the Department's Division of Solid Waste Disposal and Resource Recovery;
- \$57,419 involved the Wastewater Planning and Monitoring Division;
- \$6,500 involved the Office of Site Development Services; and
- \$1,100 involved the Division of Solid Waste Collection and Recycling.

During this quarter, DPWES staff collected \$24,918. Of this amount, the Solid Waste Disposal and Resource Recovery Division collected \$23,946, and the Wastewater Planning and Monitoring Division collected \$972.

The status of two overdue receivables totaling \$6,500 remained the same at the Office of Site Development Services, and the \$1,100 receivable owed to the Division of Solid

Waste Collection and Recycling, was determined to be uncollectible, and written off, as discussed below.

As a result of the collections and accounts written off this quarter by the DPWES, the amount of potentially collectible overdue accounts receivable within DPWES has been reduced to \$80,629. Details of the actions taken by each division and office are as follows.

**Solid Waste Disposal and Resource  
Recovery Division**

After collections made and reported in our September 2001 Quarterly Status Report, the Solid Waste Disposal and Resource Recovery Division determined it had overdue receivables totaling about \$40,528 that were potentially collectible.

During this quarter, the Division collected \$23,946. Of this amount, 3 vendors, Ogden Martin of Alexandria, (\$17,900) Jeffrey Trash, (\$2,366) and Early Bird (\$3,000) accounted for \$23,266 of the amount collected.

The Division determined that about \$3,033 could not be collected. A total of \$1,553 was written off in accordance with recently established write-off procedures, and \$1,480 in receivables was reversed because of rate adjustments to the vendors' invoices.

An additional \$13,549 is still collectible, according to Division staff, and will be collected.

**Wastewater Planning and Monitoring Division**

After collections made, and reported in our September 2001 Quarterly Status Report, the Wastewater Planning and Monitoring Division had about \$57,419 in accounts receivable over a year old that were potentially collectible. These receivables are unpaid invoices sent to contractors for reimbursement to the agency for damaged sewer lines.

During this quarter, the Division collected \$972 from Newton Asphalt Co., Inc. It also determined that one receivable for \$1,869.99, from Omega Environmental, Inc., would be written off because the company no longer exists.

The collection and write off brought the remaining overdue receivables balance to \$54,577. Of this amount, \$46,062 represents receivables for which no response has been received from the contractors, and \$8,515 represents three bills that are being disputed by the contractors.

Of the \$46,062 for which no response was received, about \$30,390 is owed by the Down Under Construction Company. Division staff said they have arranged to meet with representatives from the County Attorney's Office to discuss the possibility of taking legal action against the Down Under Construction Company.

### **Office of Site Development Services**

The Office of Site Development Services (OSDS) had potentially collectible receivables from two debtors amounting to about \$6,500. However, the two debtors involved have declared bankruptcy. During this quarter, OSDS requested the County Attorney's Office to determine whether OSDS can use the two debtors' Conservation Deposits that they provided to the County to offset their overdue receivables. However, no decision has been reached on this matter.

### **Solid Waste Collection and Recycling Division**

The Solid Waste Collection and Recycling Division had reduced its collectible receivables to \$1,100 as of September. During this quarter, the Division decided to take action to write off the \$1,100 after repeated collection attempts were unsuccessful.

### **Department of Administration For Human Services**

The Department of Administration for Human Services had an uncollected receivable in the amount of \$768,167 that it had billed to the Commonwealth of Virginia three years ago.

Commonwealth staff researched the receivable to determine whether it had been paid and notified County staff on August 24, 2001, that they believe this bill was paid in 1997. Commonwealth staff said they believe payment was included in a lump sum of \$1,614,248 paid to the County which, they said, was approximately twice the normal amount for such a payment.

Department of Administration for Human Service staff found, after researching their records, that payment had been received for this receivable. Staff said that an invoice had been submitted, at the Commonwealth's request, for an estimate of the amount due to the County in April 1997. The Commonwealth paid the County the estimated amount on April 30, 1997.

Subsequently, in 1998, the County submitted a request for payment for the actual amount of expenses incurred, and set up a receivable for this amount, which was \$768,167. That receivable remained on the County's records for the next three years until our Office requested information on why the receivable had not been collected. Based on the County's determination that payment was received in 1997, the staff has removed the receivable from the County's records.

### **Police Department**

The Police Department, which has in recent quarters collected about \$41,000 in overdue receivables from the Federal Bureau of Investigation (FBI), continued its efforts to

collect additional receivables due from the FBI. Police Department staff said, however, that no collections had been made during this quarter.

## **PROFFERS**

A cash proffer is a written voluntary offer of money, submitted as part of a rezoning application and accepted by a locality upon approval of the rezoning. Cash proffers may address various issues, including but not limited to offsetting or mitigating the impact of a particular development on public facilities and services.

Fairfax County collected about \$13 million in cash proffers over the past two fiscal years. The money collected has been designated, by the terms of the proffers, generally for either transportation improvements, the Housing Trust Fund, recreation facilities or the Fairfax County Park Authority. If a cash proffer, by its terms, is to be used by an agency or entity other than the Department of Housing and Community Development, the Department of Transportation, or the Park Authority, it is put into a "General" Account when the proffer is paid.

In our September 2001 Quarterly Status Report, we said that the Plan and Document Control staff showed us a listing of the proffers designated as "General" proffers. The list contained about \$3 million worth of proffers, some of which have remained undesignated for an extended period of time.

We discussed these proffers with the Chief of Plan and Document Control. He agreed that it would be useful to research these transactions to see if some of these funds should be transferred to the Departments of Housing or Transportation, the Park Authority, or some other organization.

### **Results of Review of Proffers Placed in the "General" Category**

County staff were able to complete preliminary reviews of \$2 million of the \$3 million contained in the General proffer account. Staff determined this quarter that of the \$2 million reviewed in the General account, about \$1.2 million involved the Department of Transportation, \$202,000 the Park Authority Trust Fund, \$134,600 the Department of Housing and Community Development, and about \$500,000 involved others.

Additional research will be conducted on this \$2 million during the next quarter and on the remaining \$1 million of General account cash proffers. Transfers of funds will be made as appropriate. County staff expects to complete the research and begin efforts towards transferring the General account proffers during the next quarter.

We will include an update on the results of Plan and Document Control's research of the remaining "General" category proffers in our next quarterly status report.

**Cost Increases for Capital Construction  
Contracts Administered by DPWES  
For FY 2000 and FY 2001  
Were Minimal**

At our September Audit Committee meeting, the Committee requested that we review the original and final cost for capital construction contracts completed in FY 2000 and FY 2001. During this quarter, we reviewed capital construction contracts meeting this criteria administered by the DPWES.

County staff from the Office of Capital Facilities, DPWES, have been monitoring capital construction costs as part of their performance measurement process. They provided us with information for each contract administered by their Office that was completed in FY 2000 and FY 2001. The information showed that on average, the cost increase for contracts completed in FY 2000 was 2.5%, and the increase for contracts completed in FY 2001 was 2.1%.

**Capital Construction Contracts  
Completed in Fiscal Year 2000**

A total of 39 capital construction projects were completed in Fiscal Year 2000. The total of the estimated original contract costs for these 39 projects was \$98,757,103. The final contract cost for the 39 projects was \$101,268,260, which represented an overall increase of about 2.5%.

Of the 39 contracts, 21 had increases totaling an average of 3.38%, and 13 had decreases totaling an average of 8.86%, with 5 contracts being completed at the original contract estimate.

**Capital Construction Contracts  
Completed in Fiscal Year 2001**

A total of 42 capital construction projects were completed in Fiscal Year 2001. The total of the estimated original contract costs for these 42 projects was \$ 22,721,651. The final contract cost for the 42 projects was \$23,205,462, which was an overall increase of about 2.1%.

Of the 42 projects, 15 had increases totaling an average of 5.56%, and 22 had decreases totaling an average of 5.34% with 5 contracts being completed at the original contract estimate.

**EXPEDITED GRANT  
REIMBURSEMENTS CONTINUE**

We monitor grant reimbursement requests made by three County Departments at the request of our Audit Committee. More timely grant reimbursement requests made over the past year-and-a-half have provided millions of additional dollars for the County to

invest in its Pooled Cash Management Program, increasing interest income by a substantial amount.

Appendixes I, II, and III show that the three Departments – the Department of Housing and Community Development, the Police Department and the Fire and Rescue Department – have reduced their negative cash balances (which result from not drawing reimbursements timely) from \$9.1 million in 1999 to about \$3.7 million. Together, the three Departments have increased the amount of cash the County has available to invest by about \$5.4 million.

DHCD has improved its negative cash balances by \$3.15 million; the Police Department has improved by about \$.76 million; and the Fire and Rescue Department has improved by about \$1.5 million.

**WORK TO BE PERFORMED**  
**DURING THE NEXT QUARTER**

During the next quarter, we will continue to monitor the collection of overdue receivables and the timeliness of the DHCD, Police Department, and Fire and Rescue Department grant expense reimbursement requests. We also will continue our review of the receipt and expenditure of cash proffers. In addition, at the request of the Audit Committee, we will do a comparative analysis of the cost per square foot of selected capital construction projects.

## APPENDIX I

## DHCD'S CASH MANAGEMENT PROGRESS

Grant Program	Average End-of-Month Negative Cash Balance During FY 1999	Negative Cash Balance at May 31,2001	Negative Cash Balance at August 31, 2001	Negative Cash Balance at October 31, 2001	Amount of Improvement or (Regression) Since FY 1999
Community Development Block Grant	\$2,421,918	\$ 411,903	\$650,861	\$ 826,318 (1)	\$1,595,600
HOME Investment Partnership Grant	265,047	586,777	0	853,632 (2)	(588,585)
Public Housing Under Modernization	289,007	217,391	11,548	298,594 (3)	(9,587)
Fairfax County Rental Program	535,622	0	78,927	252,093 (4)	283,529
Private Finance Fund	1,871,222	0	0	0	1,871,222
<b>Totals</b>	<b>\$5,382,816</b>	<b>\$1,216,071</b>	<b>\$741,336</b>	<b>\$2,230,637</b>	<b>\$3,152,179</b>

## Footnotes:

- (1) Ninety percent of the negative cash amount is due to the Federal Department of Housing and Urban Development's not loading the amount awarded to DHCD into its computer system. Therefore, DHCD has been unable to file for reimbursement. DHCD expects the problem to be corrected this month.
- (2) DHCD staff said this amount consists of one large expenditure that was recorded at the end of October 2001. HUD is expected to reimburse this amount in November 2001.
- (3) This balance represents October expenses to be reimbursed in November 2001.
- (4) This balance represents unreimbursed partnership project expenses that will be reimbursed by most of the projects by the end of the calendar year.

APPENDIX III

**FIRE AND RESCUE DEPARTMENT'S CASH MANAGEMENT PROGRESS**

Grant Program	Negative Cash Balance at March 3, 2000	Negative Cash Balance at May 31, 2001	Negative Cash Balance at August 31, 2001	Negative Cash Balance at October 31, 2001	Amount of Improvement or (Regression) Since March
FEMA/OFDA Activation	\$1,699,173	\$ 0	\$ 0	\$446,457 (1)	\$1,252,716
International Search and Rescue	127,330	431,970	133,008	125,729	1,601
DOJ Domestic Preparedness	18,357	83,802	0	0	18,357
VDOT Congestion Management	266,304	6,000	12,230	12,230 (2)	254,074
Totals	\$2,111,164	\$521,772	\$145,238	\$584,416	\$1,526,748

Footnotes:

- (1) On September 11, 2001, the Fire and Rescue Department's Urban Search and Rescue Team was activated by the Federal Emergency Management Agency (FEMA) to respond to the Pentagon to assist with search and rescue activities. As of November 8, 2001, approximately \$481,400 in reimbursable expenses had been incurred. A request for reimbursement will be submitted as soon as documentation supporting the expenses incurred is completed.
- (2) This amount has been received, and was posted on November 1, 2001.

