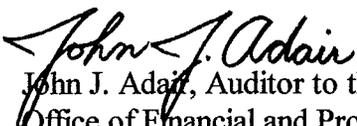


**FAIRFAX COUNTY, VIRGINIA**

**MEMORANDUM**

TO: Board of Supervisors

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

DATE: March 13, 2002

SUBJECT: Quarterly Status Report on Operations

**EXECUTIVE SUMMARY**

County officials collected \$60,970 of overdue accounts receivable this quarter, bringing the total collected during our review of such receivables to \$699,644.

Our review of overdue receivables is essentially completed. However, as requested by our Audit Committee, we will monitor and report on the County's continuing collection of receivables.

The Department of Finance will coordinate the resolution of current and future overdue receivables through monthly reports prepared by its Accounting Operations Division. These reports will help to ensure collection or write off of receivables, as appropriate.

We continued our review of proffered cash pledges, focusing on about \$3 million received by the County and 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 this quarter where most of the proffered cash should have been transferred initially, and have arranged to have it sent to the appropriate County entities. Proffers involving about \$477,000 are still being researched.

Grant reimbursement requests, which we monitor at the request of our Audit Committee, continued to be made on a more timely basis, providing about \$7.65 million additional dollars for County investment.

We were asked in February to participate in a joint investigation of an alleged embezzlement at the Retirement Administration Agency. We are working with Police Department, Office of Internal Audit, Finance Department, and Retirement Administration Agency staff to determine the exact amount embezzled, provide evidence for prosecution, and ensure that controls are in place to prevent such actions in the future.

## **ACCOUNTS RECEIVABLE**

For the past several quarters, we have been reviewing the collectibility of about \$4.4 million of overdue accounts receivables. These are defined as receivables that are more than a year old.

This quarter, County staff collected \$60,970 of overdue receivables. These collections bring the total of overdue receivables collected by County Departments since our review began to \$699,644.

As a result of these and other actions taken to resolve overdue accounts receivable in recent quarters, the status of almost \$4.3 million of the \$4.4 million of overdue receivables we have been reviewing has been determined, as follows:

- \$0.7 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.

Approximately \$131,500 of the \$4.4 million reviewed remains unresolved. About \$80,500 is owed to the Department of Housing and Community Development, and about \$51,000 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 \$40,122 in overdue Section 8 receivables. Department staff collected \$29,381 from the Housing Authority of Baltimore City, and \$10,741 from the Montgomery County Housing Opportunities Commission. This brings the total overdue Section 8 receivables collected by Department staff during our review to \$465,978.

Department staff also determined that one receivable, for \$4,858 from the San Juan, Puerto Rico Housing Authority, is not collectible.

The Department is still owed \$80,553 in overdue Section 8 receivables by 4 housing authorities, as shown below.

- Washington D.C. Housing Authority \$ 51,010
- Housing Authority of the City of Greenville N.C. \$ 28,614
- West Haven Housing Authority, West Haven CT \$ 562
- Hempstead Housing Authority, Hempstead, NY \$ 367

The Department is continuing its efforts to collect this money.

**Police Department**

The Police Department collected \$10,404 in overdue receivables this quarter. This brought the total amount collected to more than \$51,000. Police Department staff said that all of its overdue receivables, more than a year old, have now been collected.

**Department of Public Works  
and Environmental Services**

The Department of Public Works and Environmental Services (DPWES) staff collected overdue receivables totaling about \$10,444 during this quarter, bringing the total collected by the Department as a result of this review of overdue receivables to \$59,762.

In our November 2001 Quarterly Status Report, we said that the DPWES had collected \$49,318 in overdue receivables and had potentially collectible overdue receivables of:

- \$13,547 involving the Department's Division of Solid Waste Disposal and Resource Recovery;
- \$54,577 involving the Wastewater Planning and Monitoring Division; and
- \$6,500 involving the Office of Site Development Services

During this quarter, DPWES staff collected \$10,444; determined it would be collecting an additional \$6,657; concurred with companies that disputed two receivables and removed about \$5,000 from its records; sent about \$46,000 to a collection agency; and worked with the County Attorney's office on \$6,500 in overdue receivables.

Of the amount collected, the Solid Waste Disposal and Resource Recovery Division collected \$6,890, and the Wastewater Planning and Monitoring Division collected \$3,554.

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 November 2001 Quarterly Status Report, the Solid Waste Disposal and Resource Recovery Division determined it had overdue receivables totaling about \$13,547 that were potentially collectible.

During this quarter, the Division collected \$6,890 and determined it would be collecting an additional \$6,657.

The \$6,890 was collected from 4 vendors, as follows:

- \$1,902 of \$8,214 in overdue receivables was collected from Jeffrey Trash. This vendor has established an installment payment schedule whereby \$20,000 will be paid each month on all outstanding debt. The payments will be applied first to the invoice currently due, and excess will be applied to the oldest past due invoice.
- \$3,096 of \$3,267 in overdue receivables was collected from Early Bird.
- \$1,801 was collected from James Davidson. The vendor's surety/bonding company paid this claim.
- \$91 was paid by Ogden Martin of Alexandria.

These collections leave \$6,657 remaining in overdue receivables. Of this amount, the Division has installment agreements to collect \$6,482, and assurance from the vendor who owes the remaining \$175 that the invoice will be paid.

### **Wastewater Planning and Monitoring Division**

After collections made, and reported in our November 2001 Quarterly Status Report, the Wastewater Planning and Monitoring Division had about \$54,577 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 \$3,554 from Cox Communications. In addition, Division staff prepared journal entries to remove two disputed invoices totaling \$4,961 from the County's records. The Division said it concurred with the companies disputed claims. One invoice, for \$1,597, involved Dominion Virginia Power, and the other, for \$3,364, involved Leo Construction.

The remaining \$46,062, representing overdue receivables for which no response had been received from contractors contacted by the Division, were sent this quarter to a collection agency, the United States Collection & Credit 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. This quarter, one of the two receivables, amounting to \$5,783, was determined to be uncollectible. The remaining receivable, for \$749, may be partially collectible through offset of an escrow deposit in the County's possession. Site Development staff is working with staff from the County Attorney's Office on this receivable.

### **Monitoring of Future Overdue Receivables**

While the \$4.4 million in overdue receivables that we were reviewing at the request of our Audit Committee has almost completely been resolved, the determination of whether current and future overdue receivables can be collected or must be written off is an ongoing issue.

The Department of Finance is taking the initiative to coordinate the resolution of current and future overdue receivables through the efforts of its Accounting Operations Division. Finance staff said that this Division is sending monthly reports of overdue receivables to County agencies and is following up aggressively with agencies when needed to ensure collection or write off, as appropriate. In addition, this Division is providing quarterly aging reports to senior management, including the Chief Financial Officer and the Finance Department Director, and to the Auditor to the Board of Supervisors, for review.

As requested by our Audit Committee, at our November 27, 2001 meeting, we will monitor the County's collection of overdue receivables.

### **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.

Cash proffers collected by the County usually are designated, by the terms of the proffers, 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 more than \$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 Cash**  
**Proffers Placed in the**  
**"General" Category**

County staff was able to complete reviews of about \$2.667 million of the \$3.144 million contained in the General proffer account. Staff determined this quarter that \$1,995,310 could be transferred out of the General proffer account, as follows:

- \$1,250,535 to the Department of Transportation,
- \$239,561 to the Park Authority Trust Fund,
- \$146,229 to the Department of Housing and Community Development,
- \$159,881 to the School Board,
- \$77,905 to the Department of Public Works and Environmental Services, and
- \$121,200 into the future construction and conservation projects account.

County staff have arranged for the transfer of the proffer money in the General account to these entities.

Of the remaining \$1,148,789 million in the General proffer account, \$671,682 involved proffers being held for homeowner associations, and \$477,107 was still being researched.

Of the \$671,682, involving homeowner associations,

- About \$248,356 was claimed this quarter by 2 homeowner associations, and
- About \$423,326 is being held for 36 homeowner associations.

County staff will continue to research the \$477,107 remaining in the General proffer account. We will include the results of this research in our next quarterly report.

**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 \$1.45 million. Together, the three Departments have increased the amount of cash the County has available to invest by about \$7.65 million.

DHCD has improved its negative cash balances by \$4.79 million; the Police Department has improved by about \$1.52 million; and the Fire and Rescue Department has improved by about \$1.34 million.

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

During the next quarter, we will monitor the collection of overdue receivables and the timeliness of the DHCD, Police Department, and Fire and Rescue Department grant expense reimbursement requests. In addition, we will continue our review of the receipt and expenditure of cash proffers. We also will work with the Police Department, the Office of Internal Audit, the Retirement Administration Agency, the Finance Department and others to determine the extent of an alleged embezzlement at the Retirement Administration Agency.

## DHCD'S CASH MANAGEMENT PROGRESS

<u>Grant Program</u>	<u>Average End-of-Month Negative Cash Balance During FY 1999</u>	<u>Negative Cash Balance at August 31, 2001</u>	<u>Negative Cash Balance at October 31, 2001</u>	<u>Negative Cash Balance at February 28, 2002</u>	<u>Amount of Improvement or (Regression) Since FY 1999</u>
Community Development Block Grant	\$ 2,421,918	\$ 650,861	\$ 826,318	\$ 383,946	\$ 2,037,972
HOME Investment Partnership Grant	265,047	-	853,632	-	265,047
Public Housing Under Modernization	289,007	11,548	298,594	-	289,007
Fairfax County Rental Program	535,622	78,927	252,093	206,200	329,422
Private Finance Fund	<u>1,871,222</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,871,222</u>
Totals	<u>\$ 5,382,816</u>	<u>\$ 741,336</u>	<u>\$ 2,230,637</u>	<u>\$ 590,146</u>	<u>\$ 4,792,670</u>

**POLICE DEPARTMENT'S CASH MANAGEMENT PROGRESS**

<u>Grant Program</u>	<u>Average End-of-Month Negative Cash Balance During CY 1999</u>	<u>Negative Cash Balance at August 31, 2001</u>	<u>Negative Cash Balance at October 31, 2001</u>	<u>Negative Cash Balance at February 28, 2002</u>	<u>Amount of Improvement or (Regression) Since CY 1999</u>
Local Law Enforcement Block Grant	\$ 65,470	\$ -	\$ -	\$ -	\$ 65,470
COPS More Program	19,817	82,496	182,816	56,288	(36,471)
COPS Universal Hiring Program	1,416,680	338,615	629,219	-	1,416,680
VDOT I-95/395/495 Patrol Augmentation	<u>109,886</u>	<u>35,496</u>	<u>35,496</u>	<u>35,496</u>	<u>74,390</u>
<b>Totals</b>	<b>\$ 1,611,853</b>	<b>\$ 456,607</b>	<b>\$ 847,531</b>	<b>\$ 91,784</b>	<b>\$ 1,520,069</b>

## FIRE AND RESCUE DEPARTMENT'S CASH MANAGEMENT PROGRESS

<u>Grant Program</u>	<u>Negative Cash Balance March 3, 2000</u>	<u>Negative Cash Balance at August 31, 2001</u>	<u>Negative Cash Balance at October 31, 2001</u>	<u>Negative Cash Balance at February 28, 2002</u>	<u>Amount of Improvement or (Regression) Since March 2000</u>
FEMA/OFDA Activation	\$ 1,699,173	\$ -	\$ 446,457	\$ 517,925 (1)	\$ 1,181,248
International Search and Rescue	127,330	133,008	125,729	250,829	(123,499)
DOJ Domestic Preparedness	18,357	-	-	-	18,357
VDOT Congestion Management	266,304	12,230	12,230	-	266,304
<b>Totals</b>	<b>\$ 2,111,164</b>	<b>\$ 145,238</b>	<b>\$ 584,416</b>	<b>\$ 768,754</b>	<b>\$ 1,342,410</b>

**Footnote:**

- (1) Fire and Rescue Department staff said that these negative balances reflect expenses incurred for (1) FEMA's activation of the US&R team in response to the terrorist attack on the Pentagon last September and (2) FEMA's activation of the US&R team to provide assistance to support activities at the 2002 Olympics in Salt Lake City. Staff said that they already have submitted claims for reimbursement of \$130,526 of the costs incurred and expect to submit additional claims before the end of March.

