

**REPORT TO THE BOARD OF SUPERVISORS  
FAIRFAX COUNTY, VIRGINIA**

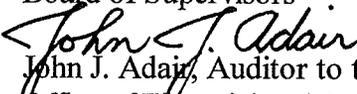
**QUARTERLY STATUS REPORT ON OPERATIONS  
AS OF SEPTEMBER 18, 2002**



**OFFICE OF FINANCIAL AND PROGRAMS AUDITOR**

FAIRFAX COUNTY, VIRGINIA

MEMORANDUM

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

DATE: September 18, 2002

SUBJECT: Quarterly Status Report on Operations

**EXECUTIVE SUMMARY**

Our review of the distribution of \$3.1 million in proffered cash pledges, placed in a "General" Account over the years due to uncertainty as to where these funds should be transferred, neared completion this quarter.

More than \$2.53 million has been transferred out of the General Account to County agencies and others, including \$67,383 this quarter. Of the remaining money in the Account, about \$439,000 involves 38 homeowner associations.

Department of Public Works and Environmental Services staff is working to prepare and send letters, through the Board of Supervisors, to the 38 associations advising them of the proffered money and requirements that must be met to collect the money.

We continued to work with County staff on the reconciliation of future construction escrow accounts. Staff is comparing two future construction escrow databases with the amounts reserved for future construction in the County's Financial and Management Information System, and is reconciling any differences. Work is about 90% completed.

We began a review of how real estate is assessed by Fairfax County. Our focus this quarter was on understanding how residential properties are assessed. We also will be considering issues raised by citizens concerning the assessment process during our review.

Progress continued to be made by County Departments in the expedited collection of grant reimbursements, which provided about \$6.3 million in additional dollars for County investment, and the collection of overdue accounts receivable.

During the next quarter, we will continue our work on General Account proffers, including the homeowner association money, as well as future construction escrows, and the real estate assessment process. We also will continue to monitor the collection of overdue accounts receivable and the expedited requests for grant money.

## **GENERAL ACCOUNT 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, such as offsetting or mitigating the impact of a particular development on public facilities and services.

In our September 2001 Quarterly Status Report, we said that the Plan and Document Control staff showed us a listing of the proffers placed in a "General" Account. This Account contained about \$3.1 million. The money had been placed in the General Account because County staff could not determine which County agency should receive the money at the time it was received.

County staff agreed to review these proffers to see if some of the funds could be transferred to County Departments.

In our June 2002 Quarterly Status Report, we said that County staff had transferred about \$2.46 million of the \$3.1 million out of the General Proffer Account. The money was transferred to the Departments of Transportation, Housing and Community Development, Public Works and Environmental Services, the Park Authority Trust Fund, School Board, the future construction and conservation projects accounts, two homeowner associations and two Parent Teacher Associations.

At the end of June 2002 County staff still had about \$685,000 of General Account proffers that required further research, consisting of about \$258,000 primarily involving County agencies and \$426,626 in proffers involving 36 homeowner associations, as discussed in the following sections.

### **Results of Research Conducted This Quarter On General Account Proffers**

This quarter, County staff was able to determine where \$67,383 of the \$258,000 in General Account proffers involving County agencies should be transferred. The following transfers were made.

- \$66,383 to the Department of Public Works and Environmental Services, and
- \$900 to the School Board's Office of Adult and Community Education for the Woodson Adult Education Program.

This brings the total amount transferred out the General Account during the course of our review to about \$2.53 million, as shown below.

- \$1,386,935 to the Department of Transportation
- \$ 314,937 to the Park Authority Trust Fund
- \$ 248,356 claimed by 2 homeowner associations
- \$ 160,781 to the School Board
- \$ 146,229 to the Department of Housing and Community Development
- \$ 121,200 into the future construction and conservation projects accounts
- \$ 141,160 to the Department of Public Works and Environmental Services
- \$ 8,400 to Parent Teacher Associations

County staff is still researching the remaining \$190,617 in the General Proffers Account that is not related to homeowner associations' proffers.

**Research Of Homeowner Association  
General Account Proffers**

The \$426,626 being held for homeowner associations was reviewed by County staff this quarter to determine the names of the associations and their presidents, and to determine what had to be accomplished by the associations in order for them to be in compliance with the terms of the proffers.

Staff also found an additional \$12,300 being held for 2 homeowner associations in the Conservation Fund. Thus, the total being held for 38 homeowner associations rose to \$438,926.

County staff, through the Supervisors of the County's Magisterial Districts, will be sending letters to the homeowner associations to apprise them of the existence of the proffer money. The letters also will advise the associations as to what must be done in order for them to be eligible to obtain the proffered money.

**FUTURE CONSTRUCTION  
ESCROWS**

At the request of the Audit Committee, we continued working with the Department of Public Works and Environmental Services on future construction escrows with the goal of identifying the amount of funds escrowed by various project types, such as trails.

Departmental staff establishes future construction escrows when they receive amounts from developers representing their share of specific construction projects to take place at

some time in the future. Funds escrowed for specific projects are to be provided to developers or other County offices to help offset the cost of these specific construction projects when they are undertaken.

Departmental staff tracks and reconciles funds received and spent for specific construction projects in two departmental data bases as well as the County's Financial Accounting and Management Information System. Departmental staff is comparing and verifying these data bases to ensure data accuracy. As of the end of August, staff estimated that they had completed 90% of the verification process and expected to be completed in time for us to include the results of their work in our next quarterly report.

### **REVIEW OF REAL ESTATE ASSESSMENT PROCESS**

At the request of the Audit Committee we began working with the Department of Tax Administration's Real Estate Division during this quarter to review the process used to assess the value of real estate for tax purposes. We focused our efforts on obtaining an overview of the Department's responsibilities and resources as well as its process for assessing the value of residential real estate.

The Department of Tax Administration is responsible for both assessing and collecting all real and tangible personal property, business license, and other miscellaneous taxes according to State statutes and County ordinances. The Department, which has 321 positions and a budget of almost \$20 million, expects to collect \$1.9 billion in current taxes and almost \$16 million in delinquent taxes during Fiscal Year 2003.

The Department's Real Estate Division, which is one of the Department's three divisions, assesses real estate within the County annually. The Division has 97 positions and a budget of about \$6 million. The Division is responsible for ensuring that assessments are at market value and are uniform and equitable so that each property owner carries his or her fair share of the tax burden.

According to the County's Fiscal Year 2003 Budget, total real estate assessments are estimated to be almost \$114.9 billion. Taxes paid on real estate are estimated to provide 56.7% of the County's General Fund receipts for Fiscal Year 2003.

### **Neighborhoods and Parcels Assessed by the Real Estate Division**

For purposes of determining the assessed valuations of each residential property, the Real Estate Division groups like parcels of property. These delineations become "neighborhoods" that appraisers use to facilitate the determination of assessed valuations for each residential property. The Division's neighborhoods frequently encompass more than one housing development.

As of the 2002 assessment, the Real Estate Division had grouped 322,297 residential properties into 1,642 neighborhoods. The Fiscal Year 2003 Budget shows that the Division had 36 appraisers assigned to these properties, giving the average appraiser about 9,000 parcels to appraise. The number of parcels per appraiser ranges from about 7,600 to more than 11,000.

During the year each appraiser gathers information that is used to help determine the assessed valuation for each real estate parcel in all of their assigned neighborhoods. Information is obtained from a variety of sources including all sales of property as recorded in the Circuit Court land records, building permits, field inspections, and realtor multiple listings.

During the next quarter, we will continue working with the Department of Tax Administration to gain a more in-depth understanding of the process used to determine an assessed valuation. We also will be considering assessment process issues that have been raised by citizens as we conduct our review.

### **OVERDUE ACCOUNTS RECEIVABLE**

The Department of Finance is coordinating the resolution of current and future overdue receivables through its Accounting Operations Division.

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, the Finance Department Director, and the Auditor to the Board of Supervisors for review.

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

### **Improvements in Monitoring County Receivables**

The Finance Department Director advised us that his staff continues to monitor and improve non-tax accounts receivable collections. He informed us that the latest quarterly Accounts Receivable Aging Report for the quarter ended June 30, 2002, now includes the Health Department.

The Finance Department Director said that at June 30, 2002, the amount of accounts receivable over 120 days old was \$1,895,975. This was an increase of \$81,055, or 4%, from March 31, 2002 to June 30, 2002. However, the Office of Capital Facilities of the Department of Public Works and Environmental Services received payment of all of its

receivables that were more than 120 days old, amounting to \$694,510, in August, reducing the 120 days old receivable balance to about \$1.2 million.

The Finance Department Director noted in his transmission of the quarterly Accounts Receivable Aging Report that it did not include the School Aged Child Care's (SACC's) balances or the outstanding parking tickets aggressively being pursued by the Department of Tax Administration. He said that he expects these items to be included in the next quarterly report.

Regarding the parking tickets, the Finance Department Director said that as of June 30, 2002, \$1,964,089 was outstanding in parking tickets and \$1,612,342 was more than 120 days past due. These numbers constantly change as tickets are added, collected, or expire. The Finance Department Director pointed out that the Department of Tax Administration, which is responsible for the collection of parking tickets, has increased collection actions. These actions include aggressive booting of debtors' cars, filing liens, and referring debts to private collection agencies and/or the County Attorney's Office for legal action.

#### **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 two years 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 \$2.8 million. Together, the three Departments have increased the amount of cash the County has available to invest by about \$6.3 million.

DHCD has improved its negative cash balances by \$4.2 million; the Police Department has improved by about \$0.7 million; and the Fire and Rescue Department has improved by about \$1.4 million.

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

During the next quarter, we will continue our review of the real assessment process. In addition, we will continue our review of the receipt and expenditure of cash proffers, and of future construction escrows. We also will 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 to work with the Police Department, the Office of Internal Audit, the Retirement Administration Agency, the Finance Department and others to complete work on 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 February 28, 2002</u>	<u>Negative Cash Balance at May 31, 2002</u>	<u>Negative Cash Balance at August 30, 2002</u>	<u>Amount of Improvement or (Regression) Since FY 1999</u>
Community Development Block Grant	\$ 2,421,918	\$ 383,946	\$ -	\$ 1,037,371 (1)	\$ 1,384,547
HOME Investment Partnership Grant	265,047	-	87,069	46,425	218,622
Public Housing Under Modernization	289,007	-	3,502	109,500 (2)	179,507
Fairfax County Rental Program	535,622	206,200	4,011	-	535,622
Private Finance Fund	<u>1,871,222</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,871,222</u>
<b>Totals</b>	<b>\$ 5,382,816</b>	<b>\$ 590,146</b>	<b>\$ 94,582</b>	<b>\$ 1,193,296</b>	<b>\$ 4,189,520</b>

**Footnotes:**

- (1) DHCD expects to obtain reimbursement via the U.S. Department of Housing and Urban Development's computer system as soon as HUD finishes loading its computer with it's FY 2003 grant budgets, which is necessary for HUD to process grantee reimbursement requests.
- (2) Reimbursement received on September 3rd which reduces negative cash balance down to \$9,555.

## 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 February 28, 2002</u>	<u>Negative Cash Balance at May 31, 2002</u>	<u>Negative Cash Balance at August 30, 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	56,288	145,344	74,639	(54,822)
COPS Universal Hiring Program	1,416,680	-	594,537	610,001 (1)	806,679
VDOT I-95/395/495 Patrol Augmentation	<u>109,886</u>	<u>35,496</u>	<u>167,197</u>	<u>204,104 (1)</u>	<u>(94,218)</u>
Totals	<u>\$ 1,611,853</u>	<u>\$ 91,784</u>	<u>\$ 907,078</u>	<u>\$ 888,744</u>	<u>\$ 723,109</u>

**Footnote:**

(1) Police Department staff expects to receive reimbursement later in September 2002.

## 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 February 28, 2002</u>	<u>Negative Cash Balance at May 31, 2002</u>	<u>Negative Cash Balance at August 30, 2002</u>	<u>Amount of Improvement or (Regression) Since March 2000</u>
FEMA/OFDA Activation	\$ 1,699,173	\$ 517,925	\$ 47,617	\$ 53,189	\$ 1,645,984
International Search and Rescue	127,330	250,829	418,174	621,576 (1)	(494,246)
DOJ Domestic Preparedness	18,357	-	23,208	23,208	(4,851)
VDOT Congestion Management	<u>266,304</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>266,304</u>
<b>Totals</b>	<b>\$ 2,111,164</b>	<b>\$ 768,754</b>	<b>\$ 488,999</b>	<b>\$ 697,973</b>	<b>\$ 1,413,191</b>

**Footnote:**

(1) Fire and Rescue staff expects to receive reimbursement later in September 2002.

