REPORT TO THE BOARD OF SUPERVISORS
FAIRFAX COUNTY, VIRGINIA

QUARTERLY STATUS REPORT ON OPERATIONS AS OF APRIL 19, 2004

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: April 19, 2004

SUBJECT: Quarterly Status Report on Operations

EXECUTIVE SUMMARY

During this quarter, we began a review of the County's vehicle fleet. The County's Department of Vehicle Services maintains more than 5,600 vehicles, including nearly 2,200 buses and other vehicles operated by the County's Public School System.

We are attempting to determine whether County agencies have sufficient vehicles to carry out their missions, but not more vehicles than they need. We also are reviewing whether the County's policy encouraging employees traveling on County business to use County vehicles, rather than being reimbursed mileage for using their privately owned vehicles, is having unintended effects on the number of vehicles in the fleet.

We also are examining whether there are economies that can be achieved by sharing vehicles within or among Departments. Additional discussion and review will be needed to answer all of these questions.

In addition to our vehicle review, we continued our monitoring of responses to letters sent by Board Supervisors to Homeowner Associations telling them they are entitled to $343,000 in proffered money we found being held by the County for the Associations. One Association was paid $3,900 this quarter, bringing the total proffered money paid thus far to 8 Homeowner Associations to $78,435. Another Association declined the proffered money, totaling $29,100, which was then transferred to the Park Authority.

We monitor, at our Audit Committee's request, how expeditiously certain County Departments request grant reimbursements. This quarter, expediting requests provided $6.2 million in additional dollars for County investment.

Accounts receivable, which we also monitor at the request of the Audit Committee, decreased by about $2.9 million from October 31, 2003 to February 29, 2004, and receivables over 120 days old decreased by about $220,000.

REVIEW OF THE COUNTY'S VEHICLE FLEET

In January 2004, the new Chairman of the Board of Supervisors, who also is Chairman of the Audit Committee, took office. We met with him to discuss the future direction of our work, and ask for his advice as to areas he would like to see reviewed.

We discussed reviews that might lead to cost savings for the County, and agreed that a County - wide review of the vehicle fleet might be useful.

We then met with the County Executive, Chief Financial Officer, and Director of the Department of Management and Budget to discuss our work for calendar year 2004. We said that the first review we anticipated doing was of the County's vehicle fleet, which is maintained by the Department of Vehicle Services.

County Policy Regarding Vehicle Use

The County has two Procedural Memoranda regarding vehicle use. Procedural Memorandum No. 10-01, County Vehicle Use and Assignment Policies, Criteria and Procedures, was issued to ensure the effective and efficient operation of the County vehicle fleet. The Memorandum states that:

- County employees will be provided County transportation when available, or will be reimbursed for personal costs incurred for transportation when traveling on official business for the County.

- County vehicles may be assigned full time during the working day to specific employees based on a justified operational requirement and not solely by virtue of the assignee's position or title.

- Access to County vehicle will be provided, as available, to other employees having less than full-time needs for official business travel in the local area.

- Employees will be reimbursed at the currently approved rate per mile for the use of privately-owned vehicles on official County business when responsible managers consider it operationally necessary and in the County's best interest to do so.

A second Memorandum, Procedural Memorandum No. 06-03, Fairfax County Travel Policies and Procedures, states with regard to the use of vehicles for carrying out agency missions, that

Employees are encouraged to use County vehicles rather than privately owned vehicles when traveling on County business.

The policy also states that if an employee is required to report to a work site within the County, and uses their own vehicle, the employee will be reimbursed for mileage. The current rate of reimbursement is $0.32.5 cents per mile.

<u>Department of Vehicle Services' Operations</u>

The Department of Vehicle Services (DVS) provides management and maintenance services to the County's vehicle fleet and maintenance support to the Fairfax County Public Schools. DVS maintains more than 5,600 vehicles, including more than 1,500 school buses. DVS does not maintain the vehicles owned by the Fairfax County Water Authority, FASTRAN, or FAIRFAX CONNECTOR buses.

DVS also is involved in the purchase of county and school vehicles, and manages the vehicle replacement fund. The fund's purpose is to set aside funding over a vehicle's life to pay for replacement of that vehicle when it meets certain criteria. The current replacement criteria include the age, mileage, and condition of the vehicle. This fund is intended primarily for General Fund Agencies. About 30 agencies participate in the replacement fund, which includes approximately 2,065 vehicles.

Additionally, for the Police Department, DVS manages the Helicopter, Boat and the Police Specialty Vehicle Replacement Funds. DVS also manages an Ambulance and a Large Apparatus Replacement Fund to support the Fire and Rescue Department, and a FASTRAN Bus Replacement Fund to support the FASTRAN Program run by the Department of Community and Recreation Services.

DVS manages the County's fuel program, including maintenance of the County's 48 fuel sites. Other services provided include operating the County's motor pool, and submitting purchase requests for County vehicles and related equipment.

DVS operates four maintenance facilities. The Jermantown and West Ox facilities are located on the western side of the County, and the Newington and Alban facilities are on the south end of the County. The DVS Director told us that these facilities operate two shifts in order to handle the maintenance requirements of County vehicles.

DVS also maintains a computerized database that contains information on all of the vehicles that it maintains. At our request, DVS provided us with information showing the number and types of vehicles operated by each County agency, their purchase price, age, average annual and total mileage, and maintenance costs among other things.

Information provided by DVS showed that the number of County and School vehicles and related mission equipment has increased from about 4,400 in Fiscal Year 1991 to more than 5,600 in 2004. The DVS staff indicated that at this level, and with additional increases likely, the capacity for keeping these assets maintained, even with DVS working two shifts at its four maintenance facilities is becoming strained.

DVS provided us with the names of the vehicle coordinators for each County agency. We met with several of the coordinators and other staff located in the Herrity and Pennino buildings this quarter. This included coordinators for the Departments of

- Public Works and Environmental Services
- Transportation
- Planning and Zoning
- Administration for Human Services, and
- The Park Authority

**<u>Preliminary Observations
Regarding County Vehicles</u>**

In meetings with DVS and Department personnel, a number of issues were discussed. None of the issues were resolved this quarter, but several appear to warrant further discussion and review.

These issues include determining:

- Whether a County policy is needed that sets forth the criteria for agencies to use in determining their vehicle requirements;

- Whether agencies have enough vehicles to accomplish their missions, but not more than needed;

- Whether sharing vehicles within Departments, or adopting a policy encouraging greater use of privately owned vehicles would be feasible, and would result in economies of operation.

**<u>Policy for Purchasing
and Replacing Vehicles</u>**

As far as we have been able to determine, there is no general written policy for agencies to follow when determining their vehicle requirements. Each Department apparently determines its own vehicle requirements, using its own criteria, and defends them in discussions with budget analysts from the Department of Management and Budget.

We were told that for some Departments, the criteria used to purchase vehicles includes the County's local travel policy which encourages employees to use County vehicles, rather than privately owned vehicles, when traveling on County business.

It appears that as a general rule, once a vehicle has been purchased, and included in the replacement fund, the vehicle will continue to be replaced, when it meets age and mileage criteria, without further need to formally justify its use.

Determining the Appropriate
Number of County Vehicles

Thus far, it does not appear that any agency we met with has fewer vehicles than it needs to carry out its mission. However, there are indications in the data provided by DVS for all County Departments, that there may be more vehicles than are needed in some Departments as evidenced by low mileage driven over the life of the vehicles, and/or in calendar year 2003.

If there are more vehicles than needed, it may, in part, be due to the County policy that says employees are encouraged to use County vehicles when traveling on County business rather than privately owned vehicles. Strict adherence to this policy could lead to vehicles being purchased even though they will be driven a limited number of miles per year.

The DVS tracks the usage of County vehicles. It provides a notice to each Department citing specific vehicles they drove less than 4,000 miles in the previous calendar year. In March of this year, DVS notified Departments that there were about 430 vehicles, (excluding vehicles purchased in 2003) that had been driven less than 4,000 miles in calendar year 2003. The DVS notification asked the agencies whether they needed the vehicles, or wanted to turn them in. None of the vehicles were turned in. As a general rule, agencies retain their vehicles even when they are driven far less than 4,000 miles in a calendar year.

Several reasons were mentioned to us as to why low mileage vehicles are retained. Some agencies have designated certain low mileage vehicles as spares for use when another vehicle is being maintained. Other agencies classify some low mileage vehicles as being vacant, meaning that the agency is keeping them for use because it anticipates that new employees will be hired into positions that currently are not staffed.

Still other agencies, such as those involved in assisting clients with mental health or retardation problems, may drive their vehicles to clients' homes where they stay for the remainder of the day. In such an instance, the need for the vehicles may be justified even though they have low annual mileage.

We have not been able to locate any County policy regarding a minimum number of miles a vehicle should be driven in order to justify retaining it. We have noted that the State of Virginia has conducted several studies of its passenger vehicles over the past 25 years, and has developed mileage numbers - a "break even point for economical use"- which it believes passenger cars of various sizes should be driven.

A January 2004 report by the State's Joint Legislative Audit and Review Commission (JLARC) entitled *Review of the State's Passenger Vehicle Fleet* stated that the break even point for the State's passenger cars is 7,059 miles for compact sedans, 8,571 miles for mid-sized sedans, and 10,851 for upper mid-size/full size/minivan.

State passenger vehicles not meeting these criteria must be turned in to the Virginia Office of Fleet Management Services. However, vehicles used to perform public safety activities, transport clients or wards of the State, or conduct essential agency functions are exempt from the minimum mileage requirement.

In FY 2003, 730 of the State's 3,504 vehicles permanently assigned to agencies and institutions failed to meet the minimum mileage requirement. Of this number, 360 were exempt from the requirement and 204 were within 25% of the requirement, and not recalled, based on a decision by the Virginia Office of Fleet Management Services. The remaining 166 vehicles were recalled to the centralized fleet.

The January 2004 JLARC report disputed the decision of the Office of Fleet Management Services to not recall the 204 vehicles that were within 25% of the break even point, saying many of these vehicles probably should have been recalled.

We believe that additional discussions and review will be needed before a determination can be made regarding whether the County should develop break even points for its vehicles, and whether any of the vehicles that are driven a low number of miles should be turned in to the DVS.

<u>Feasibility of Sharing Vehicles and Encouraging Use of Personal Vehicles for County Business</u>

We discussed with County staff whether economies might be achieved by sharing vehicles within or among Departments. Some Departments told us they already share some of their vehicles among their staff. They have developed a system for signing out vehicles on a daily basis. Other Departments, particularly those with inspectors who must visit construction sites daily, generally assign vehicles to individual inspectors and supervisors for their use. If sharing of vehicles is to be increased within Departments, there must be assurance that there will be no reduction in the capabilities of the Departments to carry out their missions. Vehicles must be available when needed.

DVS operates a motor pool of 40 vehicles located in the Government Center. There also are two vehicles in a mini-pool at the Herrity Building in the Government Center complex. If agencies were to reduce the number of vehicles they operate, and move to a policy of sharing them, it might require an increase in the use of motor pool vehicles. This in turn might also require an expansion of the motor pool to provide more vehicles for the Herrity Building and/or the Pennino building. This also is an issue that will require further discussion and review.

In addition to sharing vehicles, the County could explore a policy encouraging employees to use their own vehicles more frequently, and be reimbursed for mileage. Many County employees already are reimbursed for mileage incurred in local travel.

The FY 2005 County Advertised Budget includes $1,072,269 for Auto Mileage Allowance for employees of General Fund Agencies. Additional information provided to us by the Department of Management and Budget staff shows that when mileage allowance for General Fund Supported and Other Funds is included, the estimated auto mileage allowance for FY 2005 is about $1.48 million.

The State of Virginia paid almost $12 million for personal mileage reimbursement in FY 2003. In fact, the JLARC study published in January 2004 stated that some State employees were receiving such extensive mileage reimbursement that it would have been less expensive to assign vehicles to them.

Before a policy revision involving having more County employees use their own vehicles rather than County vehicles could be implemented, the County would undoubtedly need to exclude employees who need to use County vehicles to perform public safety activities, or transport clients or wards of the State. Insurance costs and risk must also be considered. The County would also need to assure itself that mileage reimbursement for each employee was prudent, and not more costly than assigning the employee a vehicle.

The issues regarding the vehicle fleet discussed in this report are difficult ones, and will require a great deal of discussion and cooperation before they can be resolved. During the next quarter, we will work with County staff to attempt to resolve them.

HOMEOWNER ASSOCIATION CASH 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.

After it was found that the County had money in a "General" proffer account that was being held for Homeowner Associations, County staff wrote to the Supervisors of the County's Magisterial Districts providing them with information regarding these proffers, which totaled $343,206. The Supervisors then advised the 29 Homeowner Associations in their Districts of the proffers and what the Associations had to do in order to be eligible to obtain the proffered money.

The Associations were asked to facilitate the release of the proffered funds by providing the County with information, such as a plan or permit for the facilities mentioned in the proffers, a copy of a construction cost estimate or an itemized receipt for materials and labor, or photographic evidence that the facilities have been constructed.

This quarter, one Homeowner Association, Copeland Pond in the Providence District, requested, and was paid, $3,900 for recreational facilities bringing the total proffered money paid thus far to 8 Homeowner Associations to $78,435.

Another Homeowner Association, Big Rocky Forest, in the Sully District, declined the money from two proffers, totaling $29,100, because it was unable to use it for recreational facilities, which was the purpose stated in the proffers. The money has been donated to the County's Park Authority, at the Big Rocky Forest Homeowners Association's request. The Association asked that the money be used for improvements in the Eleanor C. Lawrence Park, which is adjacent to the Association's community.

We will continue to monitor and report on the Homeowner Association requests in future quarterly status reports.

EXPEDITED GRANT REIMBURSEMENTS CONTINUE

We monitor grant reimbursement requests made by three County Departments at the request of our Audit Committee. Timelier grant reimbursement requests made over the past three 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 as of March 31, 2004, two of the three Departments – the Department of Housing and Community Development and the Fire and Rescue Department – have reduced their negative cash balances (which result from not drawing reimbursements timely) from $7.5 million to about $0.9 million, a reduction of $6.6 million.

The Police Department, however, has increased its negative balance, compared to its balance in 1999, by about $284,000, from $1.6 million to almost $1.9 million. Police Department staff told us they have requested reimbursement of $1.1 million from the Department of Justice, and were planning to prepare and submit a request for about $794,000 to that Department.

Even with that $284,000 increase in the Police Department's negative balance, the amount of cash the County has available to invest, as a result of more expeditious requests for grant reimbursement, has increased by a net of about $6.2 million.

FINANCE DEPARTMENT'S REPORT ON COUNTY RECEIVABLES

The Department of Finance is now responsible for coordinating the resolution of current and future overdue receivables through its Accounting Operations Division. Our Audit Committee has asked us to monitor the collection of receivables.

Accounts Receivable Changes
Between October 31, 2003 and February 29, 2004

According to a report from the Finance Department Director, County accounts receivable as of the end of February 2004 totaled about $14.43 million, a decrease of about $2.9 million from the $17.3 million total at the end of October 2003.

February 29, 2004 receivables over 120 days old totaled about $3.3 million, or 23% of the total receivables. The "over 120 day" category balance decreased by about $220,000, or 6%, during that 4 month period. The net decrease of $220,000 reflects a reduction among County agencies of about $760,000 offset by an increase of about $540,000 for parking tickets.

Reductions in the "Over 120 – Day" receivables occurred primarily in the following agencies:

• Community and Recreation Services	$251,922
• Department of Family Services	$235,600
• Fairfax County Redevelopment and Housing Authority	$ 95,056
• Police Department	$144,127

The Finance Department Director said that the decrease stems from the concerted efforts of County agencies, working in conjunction with Finance Department staff, to collect past due amounts. He said that the increase in the parking ticket balance was due primarily to significant rate increases, and not necessarily to increases in the number of parking tickets that are past due. He said that the increase in the rate for parking tickets, from $20 - $25 to $40 - $45, was implemented on July 1, 2003.

The Finance Director also said that approximately 50% of the "Over 120-Day" receivables is due from the Commonwealth of Virginia and other governments, and it is anticipated that these accounts will be collected.

WORK TO BE PERFORMED DURING THE NEXT QUARTER

During the next quarter, we will continue our review of County vehicles. We also will monitor the collection of overdue receivables and the timeliness of the Department of Housing and Community Development, Police Department, and Fire and Rescue Department grant expense reimbursement requests.

DHCD'S CASH MANAGEMENT PROGRESS

Grant Program	Average End-of-Month **Negative** Cash Balance During FY 1999	**Negative** Cash Balance at August 29, 2003	**Negative** Cash Balance at October 31,2003	**Negative** Cash Balance at March 31, 2004	Amount of Improvement or (Regression) Since FY 1999
Community Development Block Grant	$ 2,421,918	$ 1,023,961	$ 55,836	$ -	$ 2,421,918
HOME Investment Partnership Grant	265,047	292,686	184,107	251,303	13,744
Public Housing Under Modernization	289,007	-	99,570	-	289,007
Fairfax County Rental Program	535,622	-	-	-	535,622
Private Finance Fund	1,871,222	-	-	-	1,871,222
Totals	$ 5,382,816	$ 1,316,647	$ 339,513	$ 251,303	$ 5,131,513

POLICE DEPARTMENT'S CASH MANAGEMENT PROGRESS

Grant Program	Average End-of-Month Negative Cash Balance During CY 1999	Negative Cash Baslance at August 29, 2003	Negative Cash Balance at October 31, 2003	Negative Cash Balance at March 31, 2004		Amount of Improvement or (Regression) Since CY 1999
Local Law Enforcement Block Grant	$ 65,470	$ -	$ -	$ -		$ 65,470
COPS More Program	19,817	75,142	75,142	1,101,805	**(1)**	(1,081,988)
COPS Universal Hiring Program	1,416,680	-	108,084	794,336	**(2)**	622,344
VDOT I-95/395/495 Patrol Augmentation	109,886	52,021	-	-		109,886
Totals	$ 1,611,853	$ 127,163	$ 183,226	$ 1,896,141		$ (284,288)

Footnotes:

(1) Police Department staff has requested reimbursement from the U.S. Department of Justice.

(2) Police Department staff is planning to prepare and submit a reimbursement request to the U.S. Department of Justice.

FIRE AND RESCUE DEPARTMENT'S CASH MANAGEMENT PROGRESS

Grant Program	**Negative Cash Balance March 3, 2000**	**Negative Cash Balance at August 29, 2003**	**Negative Cash Balance at October 31, 2003**	**Negative Cash Balance at March 31, 2004**		Amount of Improvement or (Regression) Since March 2000
FEMA/OFDA Activation	$ 1,699,173	$ -	$ -	$ -		$ 1,699,173
FEMA National Search and Rescue Response **(1)**			-	50,514	**(1)**	(50,514)
Interntional Search and Rescue **(2)**	127,330	311,080	310,684	310,684	**(2)**	(183,354)
USAID Urban Search and Rescue Assistance **(2)**			174,681	407,423	**(2)**	(407,423)
DOJ Domestic Preparedness	18,357	-	-	-		18,357
VDOT Congestion Management	266,304	-	-	-		266,304
Totals	$ 2,111,164	$ 311,080	$ 485,365	$ 768,621		$ 1,342,543

Footnotes:

(1) This new FEMA National Search and Rescue Response grant replaces the FEMA/OFDA Activation grant. Further, Fire and Rescue Department staff informed us that FEMA will fully fund the costs of 3 positions under this new grant which are intended to aide Departmental staff in the administration of the grant, including accelerated filings of claims for reimbursement of expenses incurred under the grant.

(2) The new USAID Urban Search & Rescue Assistance grant replaces the International Search and Rescue grant. The old grant still has an unreimbursed negative cash balance of $310,684 as of the end of March, because USAID will not provide final reimbursement until it completes its close-out audit.