FAIRFAX COUNTY, VIRGINIA

MEMORANDUM

TO: Board of Supervisors

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

DATE: September 19, 2006

SUBJECT: Quarterly Status Report on Operations

EXECUTIVE SUMMARY

This quarter, as a result of its annual review of underutilized vehicles, the County determined that 10 vehicles must be turned in to the Department of Vehicle Services. This brings the total required to be turned in since our April 2004 report on underutilized vehicles to 167.

The estimated savings from the return of the 10 vehicles is $125,000, consisting of a one time savings of $110,000 and an annual maintenance savings of $15,000. This brings the total savings for the 167 vehicles required to be turned in to about $2.1 million. Annual maintenance savings on those vehicles will be about $315,000.

During this quarter, we completed our review of the Developer Default Program. We also continued our reviews of the County's controls over fuel and the construction of the Public Safety and Transportation Operations Center (PSTOC).

Regarding the Developer Default Program, four staff members will be added to the Department of Public Works and Environmental Services' Bonds and Agreements Branch. This additional staff should significantly reduce the backlog of developer defaults, which had risen to more than 600 over the past several years.

County agencies tightened controls over fuel in June 2006, especially the use of miscellaneous codes for fueling vehicles. Agencies now get monthly fuel reports on the use of miscellaneous codes by employees showing the date, time and identity of the employees fueling vehicles. County fuel consumption decreased during June, July and August 2006 as compared to consumption in those months in 2005.

The PSTOC project moved into the construction phase this quarter with the award of a contract to the Manhattan Construction Company. In addition, bids were received on the software to be used to dispatch emergency vehicles from PSTOC. The PSTOC project remains within its budget, with completion estimated by Spring/Summer 2008.

FURTHER REDUCTION IN UNDERUTILIZED VEHICLES

In our April 2004 Quarterly Status Report, we discussed the need for the County to determine the appropriate number of County vehicles. The County set up a Fleet Utilization Management Committee, and in January 2005 determined that 117 vehicles were being underutilized and should be turned in.

In December 2005, the Fleet Utilization Management Committee determined that another 40 vehicles should be turned in, bring the total to 157 vehicles.

During this quarter, the County made its third reduction in vehicles, asking agencies to turn in 10 vehicles. Thus, a total of 167 vehicles have been ordered to be turned in since January 2005.

Analysis of FY 2006 Underutilized Vehicles

For Fiscal Year 2006, agencies were asked to justify vehicles that had been operated less than 4,500 miles. An April 10, 2006, memo from the Director of the Department of Vehicle Services provided each County agency with a list of their vehicles which had accumulated less than 4,500 miles in the 12-month period ending March 31, 2006.

The County had planned to use less than 5,000 miles as criteria for low-utilization, however due to the fact that the new policy had been in place for just over one year, the decision was made to only review those with less than 4,500 miles over the period April 1, 2005, to March 31, 2006.

A total of 94 County vehicles were identified as low-utilization. Agencies were asked to justify the continued need for these vehicles and to determine whether any of them could be turned in to the Department of Vehicle Services.

The Fleet Utilization Management Committee examined the justifications for retaining the low-utilization vehicles submitted by the impacted agencies. Based on this review, 11 of the 94 were designated as surplus and were to be removed from the fleet.

The County Executive notified agencies on July 7, 2006, as to which vehicles should be turned in. Agencies were given the option of submitting a final appeal within 30 days through the appropriate Deputy County Executive.

One appeal, involving a vehicle operated by the Park Authority, was upheld, reducing the number of vehicles to be turned in to 10.

Staff estimates that turning in the 10 vehicles that had been determined to be surplus would result in savings of $125,000, consisting of a one time savings of $110,000 and an annual maintenance savings of $15,000.

With the $125,000 savings from the return of the 10 vehicles, this brings the total savings for the 167 vehicles required to be turned in to about $2.1 million. Annual maintenance savings on those vehicles will be about $315,000.

REVIEW OF DEVELOPER DEFAULT PROGRAM

At the Audit Committee's request, we are reviewing the Developer Default Program, which is administered by Land Development Services' Environmental and Facilities Inspections Division, specifically, the Bonds and Agreements Branch.

The Developer Default Program is designed to ensure the completion of public and proffered improvements, including roads, curbs, gutters, walkways, and storm sewers that are required on development projects within the County. The Developer Default Program is necessitated by economic conditions or other factors that result in some developers not completing the required public facilities or site improvements.

The County currently has approximately 3,000 construction projects ongoing, of which, about 1,500 require public or proffered improvements, and are therefore bonded. Of the 1,500 bonded projects, 633 projects were in default as of August 31, 2006.

A project is considered in default if the developer has not completed all of the required improvements by the date specified in the development agreement with the County. When a project is in default, the County has a five-year statute of limitations in which to enforce the requirements of the development agreement and ensure that either the developer completes the work, or the County takes the necessary legal action to acquire the developer's security to complete the required improvements.

The County may use the developer's cash, set-aside letter or letter of credit, or file suit against the developer and the insurance company, if applicable, in order to secure sufficient funds to complete the project.

During this quarter, County staff completed its review of the Developer Default Program, including funding and staffing, directed toward reducing the backlog of defaults.

Results of County Review of Staffing and Funding of Developer Default Program

At our March 2006 meeting with the Audit Committee, we discussed the increase in defaults in the Developer Default Program in recent years. We also discussed the reduction in staff in the Bonds and Agreements Branch involved in the Program, from seven to two, that occurred after the January 2000 reorganization in the Department of Public Works and Environmental Services.

Following our meeting with the Audit Committee, one of the members of the Audit Committee proposed that additional positions be provided for the Department of Public Works and Environmental Services to catch up on the backlog of Developer Default Projects.

As a result of that proposal, the County Executive ordered that a review be conducted of the status of the Developer Default Program, including funding and the appropriate level of staffing, and the review results were included in the FY 2006 Carryover review.

On July 31, 2006, at the FY 2006 Carryover review, one of the County Executive’s proposals to the Board of Supervisors was that four positions be added to the staff of Land Development Services. Funds were to be made available to support the creation of positions for a Management Analyst II, an Engineering Technician III, and two Assistant Supervising Engineering Inspectors.

The County Executive’s proposal said that the four positions will work to reduce the backlog of projects in default and complete projects that have been in default for more than two years.

The creation of the four positions was agreed to by the Board of Supervisors in the September 11, 2006, Board meeting.

Department of Public Works and Environmental Services staff said that the four positions should be filled by the beginning of 2007, and that they will be instrumental in helping manage the default cases.

Staff said their plan is to initiate action against developers at a much earlier time and to be more proactive in managing default situations. They said that these steps, coupled with redeploying two existing inspector positions to focus on default projects, will help reduce the total number of default projects.

Staff cautioned that the economy plays a large role in a developer’s ability to complete projects, and said that while the steps being taken will enhance how the default program is managed, the economy will have an impact on the number of projects that must be managed.

Assuming there is no deterioration in the local economy, staff anticipates there will be a marked downward trend in the number of default projects within a year from now.

We intend to check on the number of projects in default from time to time, and ensure that the decrease does, in fact, occur.

CONTROLS OVER THE USE OF MISCELLANEOUS FUEL CODES

Fairfax County agencies, schools, FASTRAN, and Connector buses use over 9 million gallons of fuel each year. Of that amount, Fairfax County agencies use about 3.9 million gallons a year, or more than 300,000 gallons of fuel each month. With the recent increase in fuel costs, the County fuel bill has more than doubled from what it was three years ago.

We had, in previous Quarterly Status Reports, discussed the need to better control the fuel provided at the County's 47 fuel locations, especially with regard to the use of miscellaneous codes.

Miscellaneous codes were designed to be used only in certain restricted circumstances. However, the use of miscellaneous codes had grown to the point where about 433,000 gallons were dispensed in FY 2004, (about 36,000 gallons per month), 356,000 gallons in FY 2005, (about 30,000 gallons per month) and 352,000 gallons in FY 2006 (about 29,333 per month) using miscellaneous codes.

Our concern was that a system allowing employees to enter a miscellaneous code when getting fuel could provide an anonymity that could allow some individuals to take fuel for their personal use. Two County employees were arrested, prosecuted and dismissed by the County this year after stealing fuel using miscellaneous codes.

New Controls Over Miscellaneous Fuel Codes

During the last quarter, the County took action to tighten controls over fuel, particularly with regard to using miscellaneous codes.

The Department of Vehicle Services worked with Department vehicle coordinators and Department Directors to make changes in the use of the miscellaneous fuel codes.

Changes now in effect have eliminated miscellaneous codes at agencies that did not use them often; limited miscellaneous code use in certain agencies to specific groups and individuals; and added miscellaneous code use in certain agencies to more easily identify users and provide better control. Where possible, access to fuel has been limited to certain locations and fuel types.

In addition, unique driver identification PIN numbers were established, and monthly reports are generated for each agency with details (date, time, quantity and location) for all miscellaneous fuel used.

Fuel Consumption
Has Been Reduced

During this quarter, we reviewed the monthly fuel reports generated for County agencies under the new system, and the total monthly use of fuel in June, July and August to see whether the system is working as planned.

The total reduction of fuel used by County agencies over those 3 months when compared to the same three months in FY 2005 was about 18,400 gallons.

The number of gallons charged to the Miscellaneous Code by County agencies during June, July and August 2006 decreased by 36,400 gallons compared to FY 2005 figures for those months. The number of gallons of fuel charged to Agency Codes increased by 18,000 gallons. This resulted in the net decrease of 18,400 gallons used by agencies over the three month period, a pace that, if sustained, would result in a reduction of 73,600 gallons over a full year.

Prior to this reduction, the amount of fuel issued to County agency vehicles had been increasing over the past two Fiscal Years.

Fuel issued to County agency vehicles increased 5.4% from FY 2004 to FY 2005, and 2.2% from FY 2005 to FY 2006. Total gallons issued for those Fiscal Years were 3,657,332 gallons in FY 2004; 3,854,690 gallons in FY 2005; and 3,938,739 gallons in FY 2006.

If the trend of the past quarter continues, instead of an increase of 197,358 gallons, as occurred between FY 2004 and FY2005, or an increase of 84,049 gallons, as occurred between FY 2005 and FY 2006, there may be a reduction in FY 2007 of 73,600 gallons compared to FY 2006.

At the current average fuel cost to the County for the past quarter of about $2.50 per gallon for unleaded and diesel fuel, the County fuel costs decreased by about $46,000 for the three month period, June through August 2006, when compared to the same three months in 2005. If this reduction continues at the same pace over a year, and average fuel prices remain constant, the savings for FY 2007 would be about $184,000.

We do not know if all of the reduction is due to the improved controls over fuel. Some of the reduction may be the result of fuel conservation efforts by the County, or other unknown reasons, but we believe that most of it is the result of better controls over fuel.

We believe the reduced use of fuel can continue as long as the new controls remain in place and if the County's agencies continue to review monthly fuel usage reports and take action when they notice something out of the ordinary.

We will continue to look at the fuel usage reports as well.

PUBLIC SAFETY AND TRANSPORTATON OPERATIONS CENTER COSTS

The County plans to build and open a new Public Safety and Transportation Operations Center (PSTOC). PSTOC will provide public safety and transportation services using coordinated technology and integrated data systems between Fairfax County, the Virginia Department of Transportation, and the Virginia State Police.

PSTOC will include an improved Emergency Operations Center, and a new Public Safety Communications Center that will improve the central routing for all 911 calls received in the County.

Also included in this project, but housed in a separate building, is the Fairfax County Police Department Forensics Facility, including the Crime Scene Section, the Electronic Surveillance Unit, the DNA Laboratory, and NOVARIS (the Northern Virginia Regional Identification System).

The County's share of PSTOC, which includes the Emergency Operations Center and Public Safety Communications Center, is $102.5 million. The Commonwealth of Virginia's share of PSTOC is about $20 million. The Forensics Facility, which is being co-located with PSTOC, is an additional $13 million. The total cost of PSTOC including the County and Commonwealth amounts and the Forensics Facility is $135.5 million.

Because of the cost and relatively short time frame to complete the construction of the project, our office was asked to monitor the project to help provide assurance that it will be completed on time and within budget and will deliver the expected functionality.

Progress This Quarter on the PSTOC Project

During this quarter:

- The County infrastructure contract work moved forward on schedule and within budget.
- A contract was awarded, and work began, to construct the PSTOC facility.
- Bidders were pre-qualified and several submitted bids on a new Computer Aided Dispatch system for PSTOC.

Infrastructure Contract

The infrastructure contract, awarded by the County to get the site grading done, the sub base in place, and the utilities in place in order to prepare the PSTOC site for construction, was completed with regard to the area where the PSTOC facility will be constructed. Infrastructure work for the entire site is 95% completed as of September 2006.

PSTOC Construction Contract

The County awarded a contract to the Manhattan Construction Company for $56,111,000 in June 2006. The contract amount was in line with County estimates. Construction work began in August 2006, and County staff said it was progressing on schedule as of September 2006 with completion anticipated in Spring/Summer 2008.

PSTOC Information Technology Progress

About $37 million of the County's PSTOC project cost involves information technology. Timing of the purchases of information technology equipment is very important because while the equipment must be available when the PSTOC becomes operational, the County wants to hold off on purchasing the equipment as long as possible to ensure it has the latest technological changes for the equipment purchased.

Late in 2005, a Request for Qualifications was issued for a Computer Assisted Dispatch (CAD) system and a Records Management System (RMS) resulting in 12 responses. Six of the 12 were pre-qualified, and a Request for Proposals was issued in April 2006. Three of the six responded to the Request for Proposals for the system.

The County is now engaged in an evaluation of the bidders for the CAD/RMS systems. The Technical Proposals submitted by the three vendors have been evaluated, and two vendors are still in the process.

The next part of the process involves extensive two-week product evaluations as well as reviews of the Business Proposals. The third part of the process will involve site visits to jurisdictions similar to Fairfax County to observe vendor systems in operation, and listen to oral presentations by the vendors regarding their proposed systems.

County staff expects that demonstrations will be completed by the end of October 2006. Business cost proposals for the CAD/RMS products will be reviewed after the demonstrations have been completed.

Site visits should be finished by November 2006, and negotiations may begin as early as December 2006. A contract for the CAD/RMS systems is expected to be awarded around March 2007.

We will continue to provide periodic updates regarding the status of the PSTOC project in future quarterly status reports.