

FAIRFAX COUNTY, VIRGINIA

MEMORANDUM

TO: Board of Supervisors

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

DATE: March 20, 2007

SUBJECT: Quarterly Status Report on Operations

EXECUTIVE SUMMARY

During this quarter, we worked with Department of Tax Administration (DTA) staff as they reduced the time required to provide new Business, Professional and Occupational Licenses (BPOL).

BPOL customers requesting new licenses in person can now receive a temporary license immediately. The temporary license is valid for 75 days from the date of issuance. A permanent license is sent to the business upon receipt of payment of the BPOL fee. A temporary license can also be obtained by fax if the new business has called and faxed or mailed a copy of their application and requested a license immediately.

We worked with Fairfax County School officials to create a process whereby the schools will provide the Board of Supervisors with semiannual reports that document the receipt, distribution and expenditure of millions of dollars of proffer money. The proffer money, provided by developers to the County and forwarded to the schools, is used to reduce the impact of residential development on school systems.

Fuel consumed by County vehicles, since the imposition of tighter controls over the use of miscellaneous codes to dispense fuel, continued to decrease. Fuel consumed from June 2006 through February 2007 declined by 39,931 gallons compared to the prior fiscal year. This decline has saved the County almost \$80,000. While other factors such as fuel conservation undoubtedly have contributed to the reduction, we believe the improved controls have achieved their intended impact.

Construction of the Public Safety and Transportation Operations Center (PSTOC), which was started by the Manhattan Construction Company in August 2006, continued to progress on schedule and within budget. The County also moved closer to issuing a contract for a Computer Aided Dispatch (CAD) and Records Management System (RMS) that represent major components of Information Technology systems that will be used within the PSTOC facility. Acquisition of these systems, and the other information technology systems needed for the facility, also are on schedule and within budget.

IMPROVEMENTS IN PROCESSING NEW BUSINESS LICENSES

In November 2006 the Board of Supervisors' Audit Committee requested that we look at the time required to process requests for new Business, Professional and Occupational Licenses (BPOL). Some members of the committee had noted that the process took three to four weeks from the time a license was requested by a business, filing for the first time, to the issuance of the license.

The Committee asked that we determine whether there was any way to shorten the time to issue the license for first time filers.

We discussed this issue with Department of Tax Administration (DTA) officials in mid January. DTA staff showed us how the system for obtaining new licenses worked. In subsequent meetings, DTA staff showed us why it took several weeks for some new businesses to get licenses.

After further discussion, and an analysis by DTA staff of the number and types of requests for new licenses, the DTA Director determined that DTA could streamline its operations to produce a temporary license, valid for 75 days, for all new businesses that apply at the Government Center.

A temporary license can also be obtained via fax if the new business calls the DTA Business Section telephone staff and faxes or mails a copy of its application and requests a license immediately.

BPOL Background

Similar to governments throughout the Country, Fairfax County requires companies located or conducting business in the County to obtain certain licenses and permits.

Businesses located within the town limits of Clifton, Herndon or Vienna or in the incorporated cities of Fairfax or Falls Church are not subject to Fairfax County's BPOL requirements.

County businesses, including home-based enterprises and self-employed individuals, that are located or operating in Fairfax County and that have annual gross receipts greater than \$10,000 must have a license and pay an annual BPOL license fee or tax.

The BPOL fee or tax is based on gross receipts for the prior calendar year, without deductions. For businesses operating less than two years, the BPOL fee or tax is based on estimated gross receipts. Adjustments are made for the actual gross receipts in the subsequent year.

The BPOL fee (for businesses with gross receipts under \$100,000) or tax (for businesses with gross receipts over \$100,000) is calculated as follows:

<u>Gross Receipts</u>	<u>License/Fee</u>
\$0 - \$10,000	No fee
\$10,001 - \$50,000	\$30 flat fee
\$50,001 - \$100,000	\$50 flat fee
\$100,001 or greater	Rate based on type of business

In calendar year 2006 DTA processed 8,368 BPOL licenses for new businesses in Fairfax County. DTA collected about \$125.2 million in fees and taxes from new and renewal businesses in Fiscal Year 2006.

New businesses must file a BPOL application and pay any fee or taxes due within 75 days of the date the business began operations in Fairfax County. BPOL renewal applications must be filed and fees or taxes paid annually by March 1st.

New businesses may apply for a business license either by mail or in person at Suite 223 of the Government Center. They apply by completing a Form 8TA-E1 *Application for County of Fairfax Business Professional and Occupational License*. The application is available from the DTA and may also be printed from the internet.

**Previous BPOL Process
For New Licenses**

In prior years, DTA would immediately issue licenses to new businesses that applied by mail or arrived at suite 223 in person provided payment was made and the business involved construction contractors. The reasoning for this was that contractors needed the licenses to pull their permits so they could start work, and otherwise would have to wait up to four weeks before pulling permits and beginning work if they had no license.

All other new businesses were advised that they would receive their licenses in about one to four weeks when DTA did its monthly issuance of BPOL licenses through its automated process. If a business submitted its BPOL application and payment at the beginning of the monthly period, they would have to wait for four weeks for the monthly run to generate the license.

The problem for some new businesses with this delay was that while they could operate their business, they could not open a business bank account until they could produce a business license for the bank.

If a new business requested that the license process be expedited, DTA could, and did, provide a manually typed license in about 15 minutes, provided the fee or tax was paid immediately.

DTA staff told us the reason that a license could take up to four weeks to process was that they were using an old computer system that utilized batch processing.

Once a month the updated BPOL Master File and the Business Data Base were used to generate a BPOL license for all of those new businesses that had applied for and paid the assessed fee or tax, including those that had already received an expedited manually typed license.

When an application for a new business is received DTA determines if the business has ever filed for a BPOL license with the County or if it already exists in the Business Data Base. They do this by checking online both by the business name and the business address.

It is critical to determine whether the business has ever filed a BPOL application with the County. Failure to verify this fact could create duplicate accounts which could eventually lead to duplicate assessments. In addition, if the beginning date for the business is before the current year it is possible that the business has a prior year tax liability.

DTA then determines if all information required to license the business and process the application is provided. Sometimes businesses submit incomplete applications.

If the business doesn't already exist in the system and the application is accurate and complete then they will add the information to the BPOL Master File and the Business Data Base through the various online screens of the BPOL system.

Payments received are currently processed through Cashier for Windows (CFW) which is an off the shelf cashing package acquired from Systems Innovators Inc. It has been customized to interface with the BPOL system for information query and batch overnight posting of payments. BPOL Batch Distribution posts the collected payments from CFW to the BPOL Master Files.

Once a month the updated BPOL Master File and the Business Data Base were used to generate licenses and monthly billings for those new businesses that had not paid the assessed tax.

**DTA Revisions To
The BPOL Process
For New Licenses**

DTA staff analyzed the 8,368 licenses issued in calendar year 2006 and found that 36% were no fee licenses for businesses with gross receipts of less than \$10,000. These were small type businesses such as cleaning services, tree services, etc.

Another 43% of the applicants owed a flat fee of \$30 or \$50 based on gross receipts of less than \$100,000. These 43%, and the 36% no fee licenses, or 79% of the new licenses

requested, can be processed fairly quickly. The remaining 21% were rate based applicants with gross receipts in excess of \$100,000.

Based on this analysis DTA decided to make some administrative changes, and issue temporary licenses to all new applicants on the day they are requested.

The DTA Director has instructed cashiers at the Government Center to issue a temporary license to those new businesses that come to the counter to request licenses. Those businesses who telephone DTA to request a license can obtain a temporary license via fax if they fax or mail a copy of their application and request a license immediately.

The temporary license is valid for 75 days from the date of issuance. The permanent license will be sent to the business upon receipt of payment of the BPOL fee or tax. For businesses reporting gross receipts under \$10,000 with no fee, the permanent license will be issued within the month. Under its new procedures, DTA staff now mails permanent licenses around the 1st and 15th of each month.

We believe the actions taken by the DTA Director should resolve the issue of timely distribution of licenses to new businesses.

SCHOOL PROFFERS

County staff and Fairfax County School representatives have, in recent months, discussed the procedures that are currently in place for transferring and tracking proffer money provided by developers to mitigate the impact of additional students on neighborhood schools.

The proffer money provided by developers generally comes first to the County's Board of Supervisors for subsequent transfer to the school system.

Developers contribute both restricted and non-restricted proffer money. Restricted proffer contributions are designated to a school and for a particular specified purpose. Non-restricted proffer contributions are used for school projects based on a decision of the School Board acting through its Proffer Steering Committee.

School officials said that in most instances where proffers do not specify how the money is to be spent, the proffers do specify that the money it is to be used for a specific school or pyramid of schools that serve the development property.

For proffers specifying what the money is to be spent for, the money is transferred to the schools within 30 days of receipt by the County.

However, "unspecified" proffers have been handled differently by the County. For several years, the County has been accumulating unspecified proffer money until a mutually acceptable accounting and tracking system could be implemented.

The Audit Committee asked our Office to meet and work with School officials to see if a reporting system could be established between the County and the School system that would provide a more detailed and coordinated tracking process that would systematically provide periodic reports to the County and the public on the use of the proffer money.

Background

Most new residential development that is approved and constructed in Fairfax County is subject to a development review process that requires a rezoning application and public hearings.

On September 9, 2002 the Board of Supervisors amended the residential development criteria, as recommended by the County's Planning Commission, implementing a cash proffer system for schools that became effective January 7, 2003.

A School Public Facilities Impact Formula was developed in conjunction with the amended residential development criteria.

A school impact report is generated for each residential rezoning application providing information on what impacts could be anticipated by the proposed new residential development. The impact report estimates the monetary proffer contribution based on the anticipated student yields from a proposed new residential development and recommends the developer mitigate the impacts of the development through a proffered contribution.

Using the adopted methodology and the current construction cost data provided in the adopted FY 2007 – 2011 Capital Improvement Program, the Schools' Department of Facilities Planning increased the per student proffer contribution from \$7,500 to \$11,630 for all residential rezoning applications accepted for processing after June 1, 2006.

Creation of Semi-Annual School Proffer Report

We participated in two meetings with School representatives about the County's request for a proffer report. Fairfax County Public School officials agreed that since the County initially receives the proffer money for Schools, there is a shared responsibility between the County and the Schools to see that it is spent for its intended purposes.

The Schools also agreed that a report providing information on when proffer money is paid to the County and when development triggers are met, in combination with existing tracking of how proffers are or were to be spent, would be useful for its own purposes as well as for the County's need.

The School officials provided a report that shows, for both specified and unspecified proffers, the proffer amount, the amount distributed to schools, the amount expended or committed by schools, and the balance of each proffer.

This report also shows the Supervisory district and the school impacted, and provides a description of how the money was, or is to be, used.

We presented the School's report to our Audit Committee on March 19, 2007. The Audit Committee reviewed the report and determined that it would meet the needs of the Board of Supervisors.

The timing of the transfer to the School system of unspecified proffer money received by the County was discussed and agreement was reached with School officials attending the meeting that it would be provided on a quarterly basis.

CONTROLS OVER THE USE OF MISCELLANEOUS FUEL CODES

Fairfax County agencies use about 3.9 million gallons of fuel a year or more than 300,000 gallons of fuel each month.

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 30,000 gallons per month were dispensed in FY 2005 and FY 2006 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 last year after stealing fuel using miscellaneous codes.

In June 2006 the County took action to tighten controls over fuel, particularly with regard to using miscellaneous 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 November 2006 through February 2007 to see whether the reduction in fuel we noted in our previous Quarterly Status Report had continued.

Since new controls were instituted in June 2006, the number of gallons charged to the Miscellaneous Code by County agencies over the nine month period from June 2006 through February 2007 decreased by 111,027 gallons, while gallons charged to agency codes increased by 71,096.

This means there was a net reduction of 39,931 gallons of fuel, and a savings of about \$80,000 compared to 2005 – 2006 figures for those 9 months.

This reduction, if sustained for 12 months, would result in a reduction of 53,240 gallons and savings of about \$106,000 over a full year.

Prior to this reduction, the amount of fuel issued to County agency vehicles had been increasing, by 197,358 gallons and 84,049 gallons respectively, over the two previous Fiscal Years.

We believe that improved controls over the use of miscellaneous fuel codes have helped to minimize inappropriate fuel issuances, thus helping the County to reduce fuel usage. It is difficult to determine exactly how many gallons of fuel, and consequently how much of the savings, is directly attributable to the improved controls. Factors such as fuel conservation efforts by the County, the reduction in the number of vehicles in the County fleet, and operational changes within agencies have impacted fuel consumption. However, we believe the improved controls have worked as intended since they were instituted in June 2006.

PUBLIC SAFETY AND TRANSPORTATION 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 among 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 Construction Project

The County had 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.

In the previous quarter, the contractor had stabilized the building site by putting in a silt pond and super silt fences to ensure there would be little or no silt or erosion issues. The contractor also had installed about 85% of the asphalt parking area. Curbs and gutters and onsite utilities, including storm sewer pipe, sanitary sewers and water lines are in place.

During this quarter, the footings and foundation of the PSTOC building were completed, and the contractor poured the first floor concrete slab.

The PSTOC building will have a steel structure. In January, the contractor began to bring the steel components to the site, and a substantial portion of the shell of the building has been completed. The erection of the steel components is expected to take about 4 ½ months. Staff anticipates that the contractor will begin enclosing the building in June 2007.

County staff said the PSTOC construction is progressing on schedule, and within budget, with substantial 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.

Computer Assisted Dispatch and
Records Management Systems

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 three vendors have been evaluated, and two vendors are still in the process.

This quarter, site visits were made to jurisdictions employing similar software configurations or offering valuable functional or implementation lessons to Fairfax County in order to observe vendor systems in operation.

Staff said that none of the installed sites offered direct comparability in terms of both jurisdictional size and software components implemented, so a range of installations was selected to assess the product components as effectively as possible.

A visit to Norfolk, VA, was made to review an installation where many of the same set of products the County plans to use have been procured from one of the vendors the County is contemplating using.

Staff went to Kansas City, Missouri, which is similar in population and public safety agency size to Fairfax County, to view an installation with all the vendor products that the County intends to use, and which were procured from one of the same vendors being considered by the County.

Staff also went to Overland Park, a jurisdiction outside Kansas City, to review the Police Records Management System component of the procurement. Palm Beach and Fort Lauderdale, Florida, were visited to observe a Fire and Rescue CAD installation (at Palm Beach) and a tablet-based system for recording EMS patient care in the field that is under consideration by the County for this procurement.

Louisville, Kentucky, was visited because it offered unique “lessons learned” about implementing an Enterprise Geographic Information System model to support one of the products under consideration.

County staff has scheduled oral presentations by the vendors regarding their proposed systems. The two companies will be provided with a list of issues and questions regarding their proposals in March 2007 and allowed three week to prepare their responses to the issues.

The oral presentations are scheduled for April 3rd and 5th, and each contractor will have one day to provide their answers to the issues identified by the County during the evaluation of the technical proposals, business proposals, vendor product demonstrations and site visits..

The County expects to begin negotiations with one or both of the vendors early in April and a contract for the CAD/RMS systems is expected to be awarded around the end of May 2007.

Progress Involving Other Systems

The Computer Aided Dispatch System is in important part of the PSTOC operations, but just one of many functions critical to PSTOC operations.

Progress continued to be made on the other systems, such as the E-911 telecommunications equipment; cabling; the audio/video system to support operations; an in-building antenna system; furniture for 59 call taker positions for the housing of the radio, CAD, and voice equipment for the 911 operations; and a building security system.

Department of Information Technology staff said that they anticipate that Requests for Proposal will be issued by late spring for an audio visual system, radio systems, Emergency Operations Center furniture, and security systems.

As of this quarter, the acquisition of the CAD/RMS systems, and the other Information Technology systems, are on schedule and within budget.

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