OFFICE OF FINANCIAL & PROGRAM AUDIT

June 2011

Quarterly Report

FAIRFAX COUNTY BOARD OF SUPERVISORS

AUDITOR OF THE BOARD

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Office of Financial & Program Audit

QUARTERLY REPORT

EXECUTIVE SUMMARY

Dulles Metrorail Project

OFPA continues to monitor the Dulles Corridor Metrorail project around four risk factors: 1) Project Cost Structure, 2) Start of Revenue Service, 3) Funding Obligations, and 4) Phase II.

The Design Build Contract has recorded change orders of 1.18% of the contract amount, with 43.9% of the contracted amount expended. The Metropolitan Washington Airports Authority (MWAA) assesses this main construction component of the Project as 37% complete. Utility Relocation has recorded change orders of 17.72% of the contract amount. MWAA assesses the relocation activity as 99% complete. Approximately 75.5% of the Project's $297.7 million contingency fund has been committed. Approximately 66% of the Project's $485.7 million allowance budget has been committed.

The overall project schedule changed from a -113 day reported schedule lapse in December 2010, to 1 day ahead of schedule in March, to a -71 day lapse in April 2011. These projected revenue operations dates (ROD) have changed while MWAA and Dulles Transit Partners (DTP) work through various disagreements. The substantial changes in the projected ROD do not include the long documented disagreements between MWAA and DTP concerning the West Falls Church Yard or newly evolving challenges concerning the delay in delivery of new rail cars arising from the March earthquake in Japan and resulting tsunami.

Phase 1 funding obligations have not changed. The cost estimates for Phase 2 are still expected in the summer of 2011.

Lorton Arts Foundation

The Audit Committee determined it would be beneficial to make occasional reviews of nonprofit organizations which receive support through the Contributory Fund. The Lorton Arts Foundation (LAF) was selected for review since it is a relatively new organization with both significant accomplishments and significant long term growth plans. The Lorton Arts Foundation completed the first phase of physical renovations of the former prison site and started art program (revenue) operations in 2008. Art programming expanded in 2009 through 2011, while Phase Two rehabilitation was on-going.

While working through the many challenges of historic property rehabilitation, LAF has been able to attract artists to rent restored areas and establish many on-going as well as onetime events. A walk through the completed areas of the property and a review of the programs being offered shows an impressive and dynamic art environment that sets the foundation for future community uses and expansion. While significant accomplishments have been made, significant challenges remain. The LAF Board is aware of the challenges, many of which are typical to this type of endeavor, and is making budget and program adjustments.

Future Construction Escrows

The future construction escrow account contains money deposited by developers for items that cannot be constructed at that specific time. When we began our review, the Department of Public Works and Environmental Services (DPWES) provided us with an extensive list of projects, some of which had been on the books for over 40 years. In addition to time concerns, we found 163 projects representing $3.6 million in deposits that appeared to have been misallocated, some of which are cash proffers that could be used by the County. DPWES staff recognized and agreed that the County collected future construction escrows from developers without a standard practice for following through to monitor their status and initiated an assessment to identify changes needed to improve their standard operating procedures.

Foster Children Transport

There have been concerns over the provision of transportation services to Department of Family Services' clients, the majority of whom are children. Prior to the beginning of our review, the Departments of Family Services and Neighborhood and Community Services began to address these concerns, primarily by moving the provision of this service from county employees using their personal vehicles to an insured professional transportation contractor. As a result of this change, personal vehicles will be replaced by vehicles which will be professionally inspected, maintained and operated.

Connector Bus Service

As part of our ongoing review of expenditures, we examined the contract for the operation of the County's Connector bus system and the procedures in effect for collecting and controlling revenue the system has generated. Based on our work, which included an overview of Connector bus operations but not an audit of internal controls, we concluded that the contract with the service provider was written in a manner that protects the interests of the County and appears to be actively and well managed by Department of Transportation staff. The contractor is being held accountable for any lapses in performance, and the County is guaranteed to receive the revenue processed through the bus fare boxes.

Affordable Housing

Waiting Lists

The Fairfax County Department of Housing and Community Development (HCD) maintains waiting lists for three broad program areas: (1) Public Housing, (2) Fairfax County Rental Program, and (3) Housing Choice Voucher. Applicants are prioritized and ranked based on a point system and federal tenant selection procedures. As of June 2011, there were 13,047 applicants on the Public Housing waiting list and 4,078 on the Rental Program waiting list for the properties that are managed by HCD. The average wait times were 3.9 years for the Public Housing program and 1.4 years for the Rental Program. However, the average wait times for the top ranked applicants with the maximum possible points were 8.1 years and 3.6 years, respectively. We recommend that HCD should continue efforts to ensure that applicants are selected from the waiting lists in a timely manner and in accordance with federal and county standards.

Property

OFPA has reviewed the property listings of the Fairfax County Public Housing and Rental Programs. There are 3,624 housing units ranging from efficiency apartments to single family homes. These units supply approximately 7,281 bedrooms/beds and have an assessed value of over $295 million. Condo fee expenditures related to these properties is approaching $1.5 million per year with 80% of that total being paid from the County's General Fund.

Fire and Rescue Absenteeism

The Audit Committee requested that OFPA report on the Fire and Rescue Department's unscheduled absentee rate and strategies to limit the use of call back time for scheduled absences in the department. In FY 2010, the overall department's sick leave usage rate was 3.3%. In comparison, the FY 2010 countywide sick leave usage rate was calculated at 3.0%. By focusing on the personnel data specific to call back usage, OFPA determined that the FY 2010 sick leave usage rate among field personnel in the department was 4.2%. Applying an "unscheduled factor" to the field personnel sick leave usage rate, the unscheduled absentee rate was estimated to be 2.9% for field personnel in FY 2010. All sick leave usage rates were within a reasonable range of national data found for federal, state, and local governments as well as the private sector. OFPA identified strategies that will help the department further limit the use of call back time for scheduled absences. Strategies include a department review of call back time procedures and full utilization and integration of automated systems to more efficiently track call back time usage.

Telecommunications Costs

OFPA conducted a preliminary review of the County's telecommunications costs. During fiscal year 2011, the County paid approximately $14 million for telecommunications services and equipment. These costs included phone service (land lines, fax lines, and wireless), data lines, telecommunications equipment, and consultants. The County's primary telecommunications vender is Verizon. The Department of Information Technology (DIT) has identified significant billing errors in the Verizon accounts and has negotiated credits back to the County totaling approximately $900,000. OFPA also found that the County paid at least $11,000 in directory assistance calls in the past 12 months. At the direction of the Audit Committee, OFPA will conduct an expanded county-wide review of telecommunications expenditures.

Ongoing Study Areas

OFPA initiated a review of eligibility and recertification for the Public Housing and Fairfax County Rental Programs. While significant work has proceeded, the complexity of program eligibility has required HCD to seek outside assistance, specialized in the various housing programs. We expect the results of this review will be available for our next quarterly report. Since eligibility is linked to the funding of the property acquisition, this will be a component of our next report.

STUDY BRIEFINGS

DULLES METRORAIL PROJECT

The Audit Committee requested OFPA to monitor the Dulles Corridor Metrorail Project (Project) with a focus on the project costs and project timeframes. Current estimates for the project place total costs at approximately $6.5 billion (Phase 1 & 2). OFPA is tracking four risk areas: 1) Project Cost Structure, 2) Start of Revenue Service, 3) Funding Obligations, and 4) Phase II.

I. Project Cost Structure

A. Change Orders

The MWAA report divides change orders into two broad categories: (1) Amended and Restated Design Build (contract), and (2) Utility Relocation. Through April 2011, there were $20 million in total changes to the Amended and Restated category, which represents 1.18% of the original total contract amount.

There have been $22.8 million in total changes to the Utility Relocation category, which represents 17.72% of the total original contract amount. MWAA assesses this project phase as 99% complete.

The following table presents summary information regarding the change orders, a comparison between full funding and expenditures to date, and the critical path timeline. At the Audit Committee's request, the table has been expanded to include a percent complete of the total project and to show changes based on the current cost estimate to completion. Continuing the preparation of this summary will enable the Committee to easily assess the month-to-month changes in these areas. We will present the information from the last three MWAA Monthly Progress Reports. The complete schedules recapping the MWAA activity from April 2010 forward are available on request.

Summary of Dulles Metrorail Monthly Cost Report

	February-11	March-11	April-11
Amended and Restated Design Build Change Orders			
Design Build, w/Highways (original)	$ 1,712,504,538	$ 1,712,504,538	$ 1,712,504,538
Design Build, w/Highways (est. at completion)	$ 1,843,283,131	$ 1,845,909,278	$ 1,856,064,821
Monthly Changes $	$ 532,908	$ (46,743)	$ -
Change to Date $	$ 20,312,145	$ 20,265,402	$ 20,265,402
Expended to Date	$ 746,811,735	$ 776,227,827	$ 814,788,593
Spend Down % of Original Contract	43.61%	45.33%	47.58%
Spend Down % of Estimate at Completion	40.52%	42.05%	43.90%
Monthly Changes % of Original Contract	0.03%	0.00%	0.00%
Changes to Date % of Original Contract	1.19%	1.18%	1.18%
MWAA Stated % Complete	32%	35%	37%
Utility Relocation Change Orders			
Utility Relocation Contract (original)	$ 129,016,151	$ 129,016,151	$ 129,016,151
Utility Relocation Contract (est. at completion)	$ 173,437,775	$ 169,481,798	$ 169,481,798
Monthly Changes $	$ -	$ -	$ -
Change to Date $	$ 22,859,781	$ 22,859,781	$ 22,859,781
Expended to Date	$ 150,311,140	$ 151,372,903	$ 153,415,541
Spend Down % of Original Contract	116.51%	117.33%	118.91%
Spend Down % of Estimate at Completion	86.67%	89.32%	90.52%
Monthly Changes % of Original Contract	0.00%	0.00%	0.00%
Changes to Date % of Original Contract	17.72%	17.72%	17.72%
MWAA Stated % Complete	99%	99%	99%
FFGA (Estimate at Completion)			
Right of Way	$ 68,420,262	$ 68,420,262	$ 66,920,154
WMATA; Vehicles, Procurement & Proj Mgmt	$ 271,635,628	$ 271,635,628	$ 271,635,628
Preliminary Engineering	$ 100,730,999	$ 100,730,999	$ 100,730,999
MWAA; Proj Mgmt Support & Gen Conditions*	$ 191,142,089	$ 191,151,690	$ 191,151,690
FFGA Contingency	$ 81,606,943	$ 81,540,317	$ 72,964,882
FFGA Finance Cost	$ 509,984,571	$ 509,984,571	$ 509,984,571
Original Amount	$ 1,364,904,075	$ 1,364,904,075	$ 1,364,904,075
Estimate at Completion	$ 1,223,520,492	$ 1,223,463,467	$ 1,213,387,924
Expended to Date	$ 311,968,839	$ 319,980,766	$ 339,782,414
Spend Down % of Original Contract	22.86%	23.44%	24.89%
Spend Down % of Est. at Completion	25.50%	26.15%	28.00%
Interrelated Hwy (Estimates at Completion)			
Right of Way	$ 19,899,878	$ 19,899,879	$ 21,399,987
MWAA; General Conditions*	$ 1,663,029	$ 1,663,029	$ 1,663,029
Contingency	$ 3,875,558	$ 5,262,410	$ 3,682,302
Original Amount	$ 59,255,098	$ 59,255,098	$ 59,255,098
Estimate at Completion	$ 25,438,465	$ 26,825,318	$ 26,745,318
Expended to Date	$ 18,544,985	$ 18,544,985	$ 19,150,480
Spend Down % of Original Contract	31.30%	31.30%	32.32%
Spend Down % of Est. At Completion	72.90%	69.13%	71.60%
Monthly Cost Report			
Total Project Cost	$ 3,265,679,863	$ 3,265,679,863	$ 3,265,679,863
Expenditure to Date	$ 1,227,636,700	$ 1,266,337,450	$ 1,327,137,028
Estimate to Complete	$ 2,038,043,162	$ 1,999,342,413	$ 1,938,542,835
Estimate at Completion	$ 3,265,679,862	$ 3,265,679,863	$ 3,265,679,863
Percent Expended	37.59%	38.78%	40.64%
Critical Path Timeline			
Variance from Official Start Date of 12/4/13	-16	1	-71
Unofficial Revised Start of Revenue Service	December 20, 2013	December 11, 2013	February 21, 2014

Source: MWAA Monthly Progress Reports from November 2010 through April 2011.

B. Cost Contingency Use

The tracking of contingency fund use is helpful in monitoring the progression of a project and its financial commitments. Contingency funds are classified as federal and non-federal and are tracked separately by MWAA. In the event there are unspent contingency funds in one project phase, those funds are moved to the Project's contingency reserve account. Any positive amount in that reserve account is used prior to the contingency allocation for the next project phase. As shown in the table below, the Full Funding Grant Agreement (FFGA) federal contingency had a starting balance of $297.7 million. Through project phases 1- 5, $189.5 million has been utilized.

CONTIN. PHASE #	CONTIN. RESERVE	DESCRIPTION	PHASE AUTHORIZATION	CONTINGENCY RESERVE	UTILIZED	REMAINING
1		FFGA	$ 59,000,000		$ 22,179,347	$ 36,820,653
	1R	Contingency Reserve From Phase 1		$ 36,820,653	$ 36,820,653	$ 0
2		Station Design Complete (Note 1)	$ 40,000,000		$ 4,429,829	$ 35,570,171
	2R	Contingency Reserve From Phase 2		$ 35,570,171	$ 32,457,931	$ 3,112,240
3		Utility Relocation Complete	$ 40,000,000		$ -	$ 40,000,000
	3R	Contingency Reserve From Phase 3		$ 43,112,240	$ -	$ 43,112,240
5		NATM Tunnel Mined	$ 38,000,000			$ 38,000,000
	5R	Contingency Reserve From Phase 5		$ 81,112,240	$ 81,112,240	$ 0
4		Aerial and Station Foundations Complete	$ 23,000,000		*$ 12,484,754*	*$ 10,515,246*
6		K-Line Tie-In Complete	$ 19,000,000			
7		Guideway Complete	$ 19,000,000			
8		Train Control Complete	$ 17,000,000			
9		Substantial Completion	$ 8,000,000			
10		Revenue Operations Date	$ 34,762,579			
		TOTAL	**$ 297,762,579**		***$ 189,484,753***	***$ 108,277,826***

Note 1 This amount is subject to adjustment pending the Airports Authority's decision on the FTA directive to fund the costs associated with reintroduction of TPSS # 7 and #9 from nonfederal funding.

Source: MWAA progress report for April 2011 (Table 17).

It is important to note from the table that the contingency utilization was not established on a linear basis. Meaning earlier project phases are allocated a greater percentage of the contingency than the latter stages, due to their size and complexity.

Not reflected in the above table is an additional $35.3 million of Federal Contingency that has been obligated for project phases 6 through 10. Since those obligations have not been utilized they are detailed outside of the above MWAA table in their monthly report. To summarize the status of the Federal Contingency, of the original $297.7 million budget, $189.5 million has been utilized and $35.3 million obligated – leaving a balance of $72.9 million still available through April 2011, or 24.5% of the original allocation. There are approximately $47.5 million in possible contingency change orders under evaluation and negotiation by MWAA.

C. Allowance Items

There is a $485.7 million budget for allowance items. There are 17 major allowance items, each of which may contain several sub-projects. Total awarded costs through the April 2011 report are $319.4 million, representing 65.74% of the allowance budget. A listing of allowance item descriptions follows:

ALLOWANCE ITEM #	DESCRIPTION	ALLOWANCE BUDGET W/COMMODITY ESCALATION
C-1	Trackwork	81,431,330
C-2	Wiehle Parking Garage (By others)	29,091,684
C-3	Station Finishes & MEP	88,834,891
C-4	WFCY Sound and Box Platforms	6,686,211
C-5	Pedestrian Bridges	13,614,891
C-6	Site Development	44,898,579
C-6A	Site Development -Non Fed	18,687,604
C-7	Installation of Public Art	633,862
C-8	Communications and Security	25,827,090
C-8A	Communications and Security -Non Fed	
C-9	Fire Suppression	2,667,214
C-10	Elevators and Escalators	38,732,282
C-11	Spare Parts	5,515,011
C-12	WFCY S&I Building	29,039,015
C-13	Traction Power Supply	59,318,269
C-13A	Traction Power Supply -Non Fed	716,079
C-14	Automatic Train Control (ATC) Supply	27,944,840
C-14A	ATC Supply -Non Fed	
C-16	Contact Rail	10,555,341
C-17	Parking at Wiehle Ave. During Construction	0
TOTAL ALLOWANCE ITEMS -FEDERAL and NON-FEDERAL		**485,773,879**

Source: MWAA April 2011 Monthly Report – Table 9, p. 24

D. Contingency and Allowance Items Under Review

There is a significant project team review and verification process for costs prior to their assignment against the respective budget balances noted in the Sections above. Through the April MWAA monthly report (the latest available for the June 2011 Audit Committee Meeting) the percent of the Contingency and Allowance item budgets being utilized increased only 5%, after previously increasing 30% from October 2010 to January 2011.

Budget	January	February	March	April
Contingency Used/Obligated	70.2%	72.6%	72.6%	75.5%
Allowance Item Used	65.7%	65.7%	65.7%	65.7%

The current costs under review for Allowance Items had no increase this quarter. However, this category also had a substantial (15%) increase from October 2010 to January 2011. Given the substantial amount of negotiation, reclassification and cost allocation undertaken by the MWAA Project Team, it is very difficult to project with certainty the determination of the final cost of items currently under review.

The MWAA monthly reports show a difference of approximately $56.5 million between the Project Team and Dulles Transit Partners (DTP) on Allowance Items under active review. This compares favorably to the $77 million difference in our previous quarterly report.

Utilizing the reported DTP requests for change orders and the lower or budgeted amount for Allowance Items, the pending utilization for both these budgets increased significantly from October to January. Considering the costs under review, and expecting that these costs will change, it is apparent that the majority of the Contingency and Allowance Item budgets have significant demands on them:

Percent of Budget Committed Inclusive of Costs Under Review/Negotiation				
	January	**February**	**March**	**April**
Contingency	91.5%	95.0%	93.2%	91.5%
Allowance Items	86.5%	81.2%	80.7%	80.8%

The rate of contingency/allowance budget use slowed in this quarter. However, the overall usage rate has significantly committed funds relatively early in the Project thereby reducing future flexibility. "With receipt of bids in November and December 2010 significant overruns to the budget occurred increasing the potential for this performance to become a trend for future Allowance Items procurements, particularly with respect to finishes."[1] The finishes reference refers to station related items such as mechanical, plumbing, electric, enclosures, pavilions and wayside facilities among many other items.[2]

II. Start of Revenue Service for Phase I

This section discusses areas that present a potential risk to the start of revenue service, exclusive of overall construction and engineering risks.

A. Overall Project Schedule

From November 2010 through January 2011 MWAA reported project delays reaching a high of 113 days in December to the April (and current) estimate of a 71 day delay. The MWAA report for April now anticipates the start of revenue operations as February 21, 2014. (Note the official schedule has not been changed.) The recovery of the schedule lag is contingent upon MWAA and DTP actions. The MWAA Project Team disagrees with the DTP report of a 71 day delay. The Project Team disagrees with DTP based on the estimated time to complete specific tasks and the sequencing of follow on

[1] MWAA April 2011 – Monthly Progress Report, p. 47
[2] MWAA April 2011 – Monthly Progress Report, p. 44

activities.[3] The MWAA Project Team notes that its analysis shows that "DTP is falling behind schedule both in terms of extensions of planned durations and significant shortfall in achieving planned start and finish dates."[4] MWAA notes that it is continuing to work with DTP to address this performance.

B. West Falls Church Yard (WFC)

Disagreement between the MWAA project team and DTP on the schedule for WFC continues. In June 2010, DTP resubmitted a request for change for the WFC yard, showing a completion date in January 2014.[5] WFC was removed from the project critical path in the MWAA June 2010 report. MWAA has not accepted the DTP plans for the WFC Yard and previous MWAA Monthly Progress Reports note that DTP and MWAA discussions are ongoing. The Project Team's previous analysis was that WFC can be completed by the original scheduled date of July 31, 2013.

The disagreement between DTP and MWAA on WFC has been ongoing for approximately one year. WFC has not been on the overall project critical path schedule during this timeframe. Since the WFC completion date must eventually be aligned with the Project Operational Readiness Date more timely resolution of this disagreement is required. As the disagreement between MWAA and DTP has continued both parties are projecting later completion dates. As of April 2011, MWAA reports the DTP completion projection as April 2014 and the MWAA estimate is now October 2013. Hence both parties have effectively moved their projected completion dates out 90 days.

Unless MWAA can receive certification from WMATA that a delay in the readiness of WFC will not impact the start of revenue operations, greater efforts need to be extended by MWAA and DTP to resolve the differences on this project phase. One can only expect that continued schedule delay will eventually lead to additional costs due to related and dependent scheduling issues or the need to accelerate construction.

C. Rail Car - Capacity, Delivery and Testing

MWAA and WMATA faced challenges in having the new rail cars delivered to the Silver Line with significant lead time to allow for full operational testing and deployment on the new (Phase I) rail line. The procurement cycle has been completed for the rail cars and did incur cost overruns. MWAA and WMATA have been exploring ways to mitigate the overruns. MWAA is removing Vehicle Procurement from their risk matrix. MWAA notes "As there is no specified cost penalty to the Project for failure to provide new cars for the Revenue Operations Date, the schedule risk *remains Unchanged since September as well*." (MWAA italics) MWAA further notes that having completed the procurement they will remove this risk from their tracking matrix.

OFPA requested assurance from WMATA that there was sufficient excess rail car capacity to meet Silver Line testing needs and start of revenue service if delivery of the new cars is delayed. WMATA is noted in the MWAA monthly report as stating that they will be able to support the Project needs with existing rail cars if the supplier is unable to improve the delivery schedule.

[3] MWAA April 2011 - Monthly Progress Report, p. 38
[4] MWAA April 2011 - Monthly Progress Report, p.38
[5] MWAA November 2010 - Monthly Progress Report, p.41

The projected delivery schedule for the first rail cars (pilot set of four) is based on 30 months from the notice to the builder to start work. The notice to the contractor was sent on August 16, 2010. This results in the first rail cars arriving in January of 2013 with the order being complete in the mid part of 2014.

The March 2011 earthquake and related tsunami in Japan is impacting several subcontractors of the rail car manufacturer Kawasaki. The subcontractors, located near Tokyo, continue to experience extensive power outages affecting both design and manufacturing. A report on the impact to the rail car delivery schedule is expected from Kawasaki to WMATA this month.[6] This is largely a WMATA issue as there is no specific cost to the Project for the failure of the rail cars to be delivered by the revenue operations date.[7] However, if the delays are extensive, WMATA will need to reevaluate its ability to serve Silver Line traffic from the existing reserve fleet.

III. FUNDING OBLIGATIONS OF FAIRFAX COUNTY

Based on the funding agreement, Fairfax County is obligated to pay 16.1% of the total project costs. If Fairfax County decides not to proceed with Phase II of the project, the obligations would be for 16.1% of the final cost for Phase I. The Phase I activities will continue in 2011 through at least the early part of 2014. Over the next 9 to 15 months, as significant project milestones are completed, the ability of MWAA to complete the Phase I - Design Build contract within budget will become apparent. With this timeline there will still be 15 to 21months before Phase I is scheduled to be complete.

The cost estimates for Phase II are expected in the summer of 2011. Once the estimates are made official, Fairfax County will have 90 days to commit to proceeding with the second phase of the project. Under the terms of the existing funding agreement, the County will be obligated for 16.1% of the total cost of the project net of any additional Federal or Commonwealth project funding

IV. PHASE II

Phase II Costs

The Phase II cost estimates have risen from a 2009 preliminary estimate of $2.5 billion to a 2010 preliminary estimate of $3.834 billion.

Phase II costs will impact Fairfax County in two ways. The County's 16.1% share will change proportionate to any cost changes and Dulles Toll Road revenues will be required to fund the balance of any cost increases.

V. RECOMMENDATION

The County's Dulles Rail Project Manager should communicate the following to MWAA:

- The need for expeditious resolution to the West Falls Church Yard scope and scheduling issues
- The need for the West Falls Church Yard to be added back to the project schedule and critical path calculation

[6] MWAA April 2011 - Monthly Progress Report, p. 70
[7] MWAA April 2011 - Monthly Progress Report, p. 49

LORTON ARTS FOUNDATION

Overview

The county has significant relationships with various nonprofit organizations which receive funds through the Contributory Fund (Fund 119). The Audit Committee determined it would be beneficial to make occasional reviews of nonprofit organizations which receive support through the Contributory Fund. The Lorton Arts Foundation (LAF) was selected for review since it is a relatively new organization with both significant accomplishments and significant long term growth plans.

As part of the *FY 2005 Carryover Review*, the Board of Supervisors approved funding to support the Lorton Arts Foundation financing and capital renewal plan for operation of a center for the arts at the former Lorton Prison site. The Board had previously approved the negotiation of a lease of the former prison site with LAF, which proposed to use funds generated by leasing the various facilities to individual artists and performing arts groups to rehabilitate and reutilize the historic structures. The Board agreed to provide a dollar for dollar match of donations and contributions received through private fundraising, up to $1,000,000 per year through FY 2011, for maintenance support. The County also agreed to lease back a portion of the rental space if other tenants were not available, for a timeframe and lease rate to be negotiated between the County and LAF.

Phase I of the Foundation's construction plan is now complete and has been in operational use since September 2008. It consists of the Workhouse Arts Center, including artists' studios, art gallery, exhibition space, administrative offices, and performing arts studios. Phase II of the improvements was originally planned to include artists' residences, theater, restaurants, visitor and community heritage center, a museum, music barn, and performing arts center. In March 2010, an amendment to the financing documents between the County and LAF was negotiated. The County agreed to provide, subject to annual appropriation, contingent annual operating deficit support to LAF not to exceed $750,000 in any given year through 2025.

OFPA, the County's Internal Audit Office and the Department of Management and Budget worked together on this review. All parties, including the LAF, agreed on the resulting assessment.

Review Summary

LAF completed the first phase of physical renovations of the former prison site and started art program (revenue) operations in 2008. In addition to the typically unpredictable problems in renovating undocumented historic properties, LAF was faced with the impact of the recession in terms of both operational revenues and donor development.

Art programming expanded in 2009 through 2011, while Phase Two rehabilitation was on-going. The second phase of rehabilitation again met with many of the problems typical in this type of construction. While it is difficult to predict what specific problems will be uncovered and encountered during a rehabilitation of historic properties, it is well understood to expect that significant problems will occur.

While working through the many challenges of historic property rehabilitation, LAF was able to attract artists to rent restored areas and establish many on-going as well as onetime events. A walk through the completed areas of the property and a review of the programs being offered shows an impressive and dynamic art environment that sets the foundation for future community uses and expansion. However, while significant accomplishments have been made, significant challenges remain. These challenges are typical of those that any non-profit would face during the early years of operation and are especially compounded by the recession.

LAF has a January to December fiscal year. So, while the County enters FY 2012 in July, LAF will stay in FY 2011 until December. LAF's largest threat to success is poor operational revenues and the lack of success in developing large scale donor programs. The organization has possibly been too focused on the rehabilitation of the properties and planned use, rather than ensuring the current operations are producing the revenue results needed and budgeted for. Much of this focus is understandable in that bringing the historic properties into a state of occupancy means those buildings bring revenue potential and that significant (although one time) tax credit revenues become available.

In response to these problems, LAF has made significant reductions (approximately $750,000) to its spending plans for the remainder of FY 2011 and intends to continue reductions with its 2012 budget. Additionally, LAF will need to exert considerable effort in fundraising and revenue maximization. At this time, all parties agree LAF should be able to complete FY2011 with constrained losses. Fiscal 2012, which runs January to December of calendar 2012, will be more difficult.

In order to navigate the last half of their current fiscal year and stabilize next fiscal year, LAF is in the process of implementing several important steps.

- General cost controls and revenue opportunity maximization combined with the development of realistic budgets for these categories.
- Reexamination of the rehabilitation projects in Phase II to prioritize projects with the most revenue/fundraising potential.
- Implementation of a comprehensive donor outreach and development program.
- Tighter alignment of the arts programming with revenue needs and the long term needs of LAF.
- Make regular evaluations of fiscal performance and react quickly to declines and opportunities.

The LAF Board is aware of the fiscal challenges facing it. Board members are very engaged in the process of finding solutions and planning for the future success of the Foundation's efforts. The interim president and CEO has a strong list of credentials, non-profit experience and experience with the arts community to provide the leadership required to progress the Foundation through the current challenges.

Recommendations

- The rehabilitation and reutilization of the historic Lorton Prison by the Lorton Arts Foundation brings a significant art and culture center to Fairfax County. LAF is at a critical point in the development of this center. While much has been accomplished by LAF much remains to be completed and serious financial issues must be addressed.

- The County Executive has already begun a process to increase the level of expertise being shared with LAF. LAF and the County have agreed to quarterly meetings to review LAF financials. Additionally, the County Executive should explore and report opportunities for increased engagement with LAF management to ensure the County's interests are addressed.

FUTURE CONSTRUCTION ESCROWS

I. Overview

The future construction escrow account, maintained by the Department of Public Works and Environmental Services (DPWES), contains money deposited by developers for items related to a project that cannot be constructed at that specific time. One example of such construction is a temporary cul-de-sac that is eventually going to be cut through to extend a street when an adjacent property is developed. Generally, future construction escrows are posted by one developer and released to another developer at such time as the designated work is completed. The recipient could be the County if it was the entity that performed the work.

DPWES tracks future construction escrows on various internal spreadsheets. When we began our review, DPWES provided OFPA with a spreadsheet that listed future construction escrow deposits totaling over $16 million, some of which had been on the books for almost 40 years. There was a substantial difference between the amounts shown on the list we were provided and the amounts shown in the County's financial system. The discrepancy between the amounts shown on DPWES spreadsheets and the information in the County's financial records occurred primarily because the department has not been actively reviewing its list of future construction escrows, which resulted in the duplicate listing of some accounts and completed projects not being removed from project lists. The County established a designated account within its financial system to track future construction escrows (Account 1204: PERFORMANCE DEPOSITS – FUTURE). As noted in the table below, the balance of future construction escrow deposits recorded in account 1204 totaled $7 million as of May 2011.

Future Construction Escrow Activity
General Fund – Account 1204

FY	Deposits/ Transfers In	Pay-Outs/ Transfers Out	Balance as of May 2011
1998*	$1,202,020	($258,660)	
1999	$962,074	($87,640)	
2000	$1,704,740	($224,695)	
2001	$1,057,404	($394,643)	
2002	$960,260	($186,234)	
2003	$867,754	($573,853)	
2004	$882,606	($1,879,621)	
2005	$665,681	($138,014)	
2006	$907,400	($140,400)	
2007	$651,592	($564,300)	
2008	$1,645,461	($277,900)	
2009	$758,600	($46,500)	
2010	$350,200	($510,400)	
2011	$95,900	($287,278)	
	$12,711,691	**($5,570,138)**	**$7,141,553**

*During fiscal year 1998, the County updated its financial system, FAMIS. Future construction escrow deposits and transfers prior to fiscal year 1998 are reflected in the 1998 line-item. Internal spreadsheets provided by DPWES indicate that some future construction escrows date back to the 1970s.

OFPA last looked at future construction escrow accounts in 2003. At that time, we reported that some of the money held as future construction escrows were actually proffers and belonged to the County. About $2 million was transferred from the future construction escrow account to the County's Department of Transportation as a result of that work.

II. Record-keeping Problems Exist

We were concerned about the number of projects in the future construction escrow account, the length of time that some of them have been listed, and the substantial discrepancy between the projects listed on DPWES' internal spreadsheets and the information in the County's financial records. Accordingly, we met with the Director of DPWES and members of his staff to discuss these matters. We wanted to find out whether the list of outstanding projects was up to date; whether the county could benefit from the use of funds on deposit in situations where (1) the developer could no longer be identified and/or the project was no longer considered to be viable; and (2) whether there could be improvements that would ensure the more timely distribution of funds for projects that had been completed.

The discrepancy between the amounts shown on DPWES spreadsheets and the information in the County's financial records occurred primarily because the department has not been actively reviewing its list of future construction escrows to determine the status of the projects for which escrow money has been posted. The lack of an active review, which officials attributed primarily to staffing restrictions, resulted in the duplicate listing of some accounts and completed projects not being removed from project lists.

Responsibility for claiming future construction escrow funds has been placed upon the developer or organization completing the work. Also, according to DPWES officials, since many of these escrowed projects take years to complete and DPWES spreadsheets have not been made available to developers, money would remain unclaimed if the organization completing the work either forgot or was otherwise unaware that money had been set aside. Because of the length of time involved with many of the deposits, it is also possible that some are no longer considered to be viable. In those situations, funds would also remain unclaimed unless the organization posting the deposit requested a refund.

DPWES staff recognizes and agrees that the County has collected future construction escrows from developers without a standard practice for following through to monitor their status. With the concurrence of its Director, DPWES has undertaken an effort to update its list of future construction escrows. DPWES is currently conducting a year-by-year analysis of projects in the account to verify the total number of future construction escrow deposits currently with the County. The analysis will also enable DPWES to identify cash proffers that were posted as future construction escrows in error so these funds can be transferred to the appropriate County agency. The Director of DPWES expressed the view that developing a current listing of outstanding future construction escrow projects is a first step to improving administration of this program.

III. Some Future Construction Deposits Have Been Misallocated

We met with DPWES officials in April 2011 to assess progress being made and learned that the reconciliation they had performed for the most recent five fiscal years resulted in the identification of over $900,000 in proffer-related deposits (miscoded as escrows) that could be released to the county. We conducted our own analysis of future construction escrow data maintained in the County's financial system and the Land Development System (LDS) maintained by the Planning and Zoning Administration. Our analysis, which was forwarded to DPWES in early May, identified 163 future construction escrow deposits totaling $3.6 million that appeared to have been misallocated. The following table summarizes the results of our analysis by District.

Potentially Misallocated Future Construction Escrows
Summarized by District

DISTRICT	Total Projects	Total Deposits
SULLY	24	$ 1,039,822
LEE	17	$ 609,861
MOUNT VERNON	18	$ 554,545
SPRINGFIELD	13	$ 434,394
PROVIDENCE	19	$ 317,148
HUNTER MILL	11	$ 170,765
DRANESVILLE	9	$ 100,714
MASON	2	$ 62,535
BRADDOCK	2	$ 17,200
UNKNOWN*	48	$ 323,492
TOTAL	**163**	**$ 3,630,476**

*The "Unknown" category represents deposits that are recorded in the County's financial system as future construction escrows, but are not listed on DPWES' internal spreadsheets.

As stated previously, some of the items listed as future construction escrows are actually related to specific proffers. In reviewing information on proffers, we found that Virginia State Law may authorize the use of cash payments proffered for capital improvements for alternative improvements of the same category within the locality in the vicinity of the improvements for which the cash payments were originally made. The governing body of the locality prior to the use of such cash payments for alternative improvements shall, following a public hearing, find that (1) the improvements for which the cash payments were proffered cannot occur in a timely manner; (2) the alternative improvements are within the vicinity of the proposed improvements for which the cash payments were proffered; and (3) the alternative improvements are in the public interest.

DPWES agreed to seek an opinion from the Office of the County Attorney to determine whether this provision of the law is applicable, particularly in those situations where the depositor of the future construction project can no longer be identified. DPWES also agreed to seek a determination on whether projects that have been on the books for considerably long periods of time can be used, instead, for projects of a similar nature. The County may be able to use outstanding escrows and cash proffers to complete needed projects without the expenditure of additional funds.

In 2005, the Virginia State Code was amended to require that all cash proffers received after July 1, 2005 must be committed within seven years after receiving full payment. Otherwise, the funding would be forfeited to the Commonwealth. There are many details to the 2005 change that will limit forfeitures to the Commonwealth. These details have been covered in a County Attorney opinion. July 2012 marks the end of the first seven year period, before the first cash proffers could possibly become eligible under the 2005 State Code change.

IV. Recommendations

Because the problems we noted in this review are similar to those we found when we last examined this program in 2003, we are recommending certain changes to improve the administration of the future construction escrow program.

- To help ensure that future construction escrows are properly classified and managed, DPWES should improve its process for receiving and recording deposits from developers. Specifically, DPWES should ensure that deposit information includes the DPWES application number and/or Tax ID number.

- To help ensure that this situation does not reoccur, the list of projects in the future construction escrow account should be periodically reviewed and reconciled by DPWES to the County's financial system to help maintain its accuracy.

- To facilitate the identification of projects, the County should code them using its Geographic Information System (GIS). Under GIS, data can be updated, maintained and made available on a daily basis. Information can be referenced geographically to pinpoint the location of projects and could be used by county agencies to identify future construction activity in a particular area.

- These recommendations take on particular significance because in 2005, the Virginia State Code was amended to require that all cash proffers received after July 1, 2005 must be committed within seven years after receiving full payment or the funding will be forfeited to the Commonwealth. If proffers are erroneously recorded as a future construction escrow and not identified the County may not be able to use the funds for the purpose intended. July of this year marks 12 months before the first cash proffers received after the 2005 would become eligible for remittance to the Commonwealth.

Officials from DPWES said that in addition to beginning a reconciliation of projects in the future construction escrow account, they were beginning an assessment to identify changes that would be needed to improve their standard operating procedures. We will follow up on DPWES' actions to improve the administration of future construction escrows and the reclassification of existing escrow amounts in future quarterly reports.

FOSTER CHILDREN TRANSPORT

Overview

As part of the ongoing review of General Fund expenditures directed by the Audit Committee, OFPA's attention was drawn to the significant mileage reimbursements paid by the Department of Family Services. The recent mileage reimbursement expenditure history is as follows:

FY 2010	$366,000
FY 2011	$293,000 YTD

In reviewing the supporting documentation for these reimbursements, OFPA noted that the majority of these mileage reimbursements were for the transportation of foster children clients.

These mileage reimbursements occurred because county staff (case assistants) used personal vehicles for transporting clients. The trips were provided to facilitate client family visits, legal appointments as well as medical and therapy appointments, among other purposes.

In December 2008, the County's Internal Audit Department issued a report on these reimbursements. At the time of that report the case assistants were not county employees. Their status was changed to be in compliance with IRS regulations. The internal audit report found potential overbillings by the case assistants and identified expense reimbursement control concerns.

The case assistants were transitioned from individual contractors to county employees by June of 2009. In looking at the mileage reimbursements for FY 2010 and YTD FY 2011, OFPA found little improvement from the Internal Audit report in December 2008.

In addition to the expenditure concerns inherent in the mileage reimbursement, OFPA noted operational and program issues related to the transportation of clients in personally owned vehicles.

Based on the hours driven in a day, the total miles driven in a day (occasionally 300 to almost 500 miles), and the times of day (often evenings, weekends, holidays) travel outside of the County and Commonwealth, the following issues were identified:

- Automotive insurance adequacy for the client, county, driver/employee and vehicle
- Liability insurance adequacy for the county, client, driver/employee and vehicle
- The mechanical reliability and the modern safety updates of the personal vehicles being used
- The vehicles had no outside indication that they were being used for county business
- Drivers were allowed to start mileage from their homes which were often outside of the county and continue mileage until they returned home for the day
- Drivers were allowed to return home during the day while the client was attending a scheduled appointment, then return to the drop off site to retrieve the client – this mileage was reimbursable.
- Schedule efficiency of how driver assignments were made and whether trip routing and/or consolidation could occur.

OFPA's concerns are that given the sensitive nature of the clients served as well as the distances driven, times of day and locations visited, the use of privately owned vehicles did not appear to be the safest, most suitable or most cost effective form of transportation for clients.

OFPA raised these concerns to the Director of the Department of Family Services (DFS) in April. The Director acknowledged the past audit, current costs and the validity of the concerns presented. In response to their own earlier assessment and evaluation of similar concerns, DFS had begun a process to transition these client transports to the Department of Neighborhood and Community Services (DNCS). The planning for this transition was concluding and an implementation phase was underway when this issue came to OFPA's attention.

The DFS and DNCS have worked together to move the client transport function to DNCS. This decision was based primarily on DNCS's current management of the County's FASTRAN service. The implementation of this transition is expected to be substantially complete in July of this year.

A brief summary of what the transition involves is:

- Transfer/reclassification of two merit staff positions from DFS to DNCS.
- DFS is purchasing 20 vehicles (18 sedans, two mini vans) that will be assigned to DNCS.
- DNCS has formally modified its agreement with the FASTRAN contractor to add children, youth and family transit. (This is a one year addendum to the existing FASTRAN contract.)
- DNCS will seek to use the 'Trapeze' scheduling and routing software currently utilized for FASTRAN services to capture efficiencies with the new transportation duties.
- The FASTRAN contractor will provide for the insurance, maintenance and operation of the vehicles, the County supplies fuel.
- Displaced case assistants will have an opportunity to apply for positions with the FASTRAN contractor (25 exempt positions are being eliminated through this change).
- The transition received Fairfax-Falls Church Community Policy & Management Team (CPMT) approval in April 2011.

Conclusion

There were significant concerns about the provision of transportation services to DFS clients the majority of whom are children. DCNS recognized and began addressing these concerns prior to the OFPA review.

The transition of this service from DFS to DNCS moves the clients from the personal vehicles of county employees to vehicles maintained, operated and insured by a professional transportation contractor. This transition eliminates the use of personal vehicles (and related reimbursements), provides for new vehicles which will be professionally inspected, maintained and operated by a contractor with which the DNCS has experience.

Additionally, DNCS and the Department of Transportation - Connector Bus Service share the cost of the 'Trapeze' software that is used to plan, schedule and manage routes and services. With this software and the HCD experience in operating the FASTRAN program, it is hoped that future efficiencies in planning client transportation services will be gained.

While this transition resolves the immediate concerns related to mileage reimbursement, insurance and general liability, overall program cost concerns remain. It is hoped that the use of the FASTRAN model will bring efficiencies in trip assignments, planning and routing. If these efficiencies can be achieved, operating expenses could be constrained. The transition fully resolves the liability concerns of the replaced process. The full fiscal implications of this change will not be known until DCNS has had an opportunity to complete the transition and develop real world experience with the clients.

Recommendation
OFPA and DCNS will monitor the performance and fiscal impacts of this transition during the one year addendum with the FASTRAN contractor. The results of this monitoring will be reported as a follow-up item.

CONNECTOR BUS SERVICE

Overview

As part of our ongoing review of expenditures, we examined the contract for the operation of the County's Connector bus system and the procedures in effect for collecting and controlling revenue the system has generated. We began this work primarily because of the significance of the contract for bus service—approximately $33 million per year. During our review we did an overview of Connector bus operations but not an audit of internal controls. We looked to find potential oversight weaknesses in contract terms, contract management and accountability, as well as revenue monitoring and accountability; but found none. In our view, the contract has been written in a manner that protects the interests of the County and appears to be actively and well managed by Department of Transportation staff. The procedures and controls governing the revenue collection process and management follow up appear adequate.

Connector buses are based at three locations within the County - stations at West Ox Road, Reston and Huntington. Cash collections at the three stations during the third quarter of fiscal year 2011 totaled $1,223,848. In addition to cash fares, revenue is also collected from the Washington Metropolitan Area Transit Authority (WMATA) for the use of Smart Trip cards. These cards may be used not only on the Connector, but on other buses in the region as well as the Metro system. For the same three months, the Connector collected a total of $1,565,963 from WMATA. Detailed procedures for the reconciliation of Smart Card funds are not part of the Connector bus contract and, thus, were not part of this review.

The collection of revenue basically involves a three step process. When a bus enters the station after the completion of its route, the fare box is scanned by a device called a "probe". The probe downloads fare information including the cash revenue in the box, breaking it down by coin and dollar denominations. The Smart Trip revenue data for transactions on the bus is also downloaded during this process. When the probe is completed, there are a series of interlocks that drop the cash into a secure vault. It should be noted that the process involving the placement of the funds into the secure vault is a "hands off" process in that it is done without anyone being able to access either the vault or the fare box.

An armored car comes to each of the stations and picks up the secure vault. After the pickup is made and the vault is transported to the armored car company, the money is counted and the amount is reconciled to the revenue information recorded on the buses as captured by the probe. The revenue is deposited in the bank, where it is again counted and reconciled. This reconciliation is made between the probe amount and the amounts shown as having been counted by the armored car company and deposited in the bank. Smart Trip data from this process is also included to ensure the County receives its portion of that revenue medium.

The cash collected from the fare boxes is retained by the contractor and the County is given credit for the amounts collected through a reconciliation process that takes place quarterly. We inquired as to why the cash reconciliation was done on a quarterly, rather than a monthly basis and were told that the County used to reconcile the cash monthly, but stopped because of the significant staff time required to do so. We were also told that quarterly reconciliation provided an ancillary benefit in that it enabled the Department to negotiate a prepayment credit of .07% at the beginning of the current contract period. Staff believes this credit, which has provided the Connector with $238,000 for the first three quarters of this fiscal year, helps to offset any benefit that could be gained by performing a monthly reconciliation.

The initiation of the prepayment credit is but one indication of the positive manner in which County employees are actively managing this contract. For example, the terms of the contract between the provider and the County require that the County receive credit for the amounts shown as resulting from the initial probe of the fare boxes or the amount of cash collected, whichever is higher. Thus, if something were to happen to the funds at either the armored car firm or the bank, the County is guaranteed that it would receive the money shown as being collected in the fare boxes. We also noted that contractor performance is closely monitored and the contractor is held accountable during the quarterly reconciliation process for any performance deficiencies that have occurred during the reporting period.

We noted that the Department uses a software system called “Trapeze” to aid in route planning. In another review conducted during this quarter, we noted that the Department of Neighborhood and Community Services also uses “Trapeze” to aid in scheduling the operations of its FASTRAN bus system. Although each Department pays for certain aspects of this software system separately, the costs of the system that are being used by both organizations are being shared.

Conclusion

The contract for the provision of Connector bus service within the County has been written to protect the interests of the County and is being actively monitored. The contractor is being held accountable under the contract for lapses in performance and the County is guaranteed to receive the higher of the amount shown as having been collected during fare box probes or the actual amount of cash that has been collected. In our view, the active monitoring of performance of contracts of any size is essential in order to make sure that contractual terms are being met and that contractors are not allowed to slip into complacency.

AFFORDABLE HOUSING – WAITING LISTS

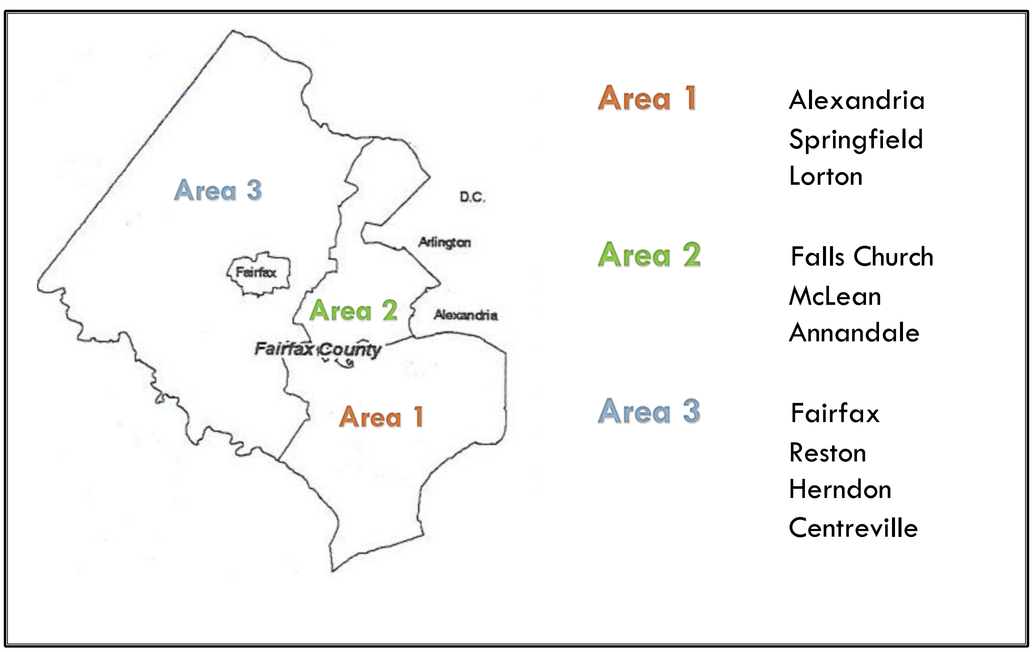
I. Overview

The Fairfax County Department of Housing and Community Development (HCD) maintains waiting lists for three broad program areas: (1) Public Housing, (2) Fairfax County Rental Program, and (3) Housing Choice Voucher.

- **Public Housing (PH)** – This program provides rental assistance for housing units that were built or acquired using federal public housing funds. The housing units in this program are located throughout the County and include townhouses, garden apartments, and condominiums. The Fairfax County Redevelopment and Housing Authority (FCRHA) owns 1,063 public housing units.
- **Fairfax County Rental Program (FCRP)** –This program is administered by HCD and is available to those who live <u>or</u> work in Fairfax County or the Town of Herndon. This program includes housing for families, single persons, seniors, and supportive housing for special populations. The Rental Program generally serves working households with incomes that are higher than households in the Public Housing and Housing Choice Voucher programs. The FCRHA owns approximately 2,500 rental program units.
- **Housing Choice Voucher (HCP)** – HCD administers the federal Housing Choice Voucher program (formerly known as the Section 8 program) for Fairfax County, the City of Falls Church, the City of Fairfax, and the Town of Herndon. Participants in this program receive assistance to rent privately-owned housing units that are located in apartment complexes, condominiums, townhouses, or single-family homes. There are approximately 3,400 housing vouchers in this program. Because the Housing Choice Voucher units are not owned by the FCRHA, we did not include this program in the scope of our review.

The waiting lists for Public Housing and the Rental Program are divided into three geographic service areas within the County as shown on the map below.

Fairfax County Rental Program and Public Housing Service Areas



Within each service area, the Public Housing and Rental Program waiting lists are divided by bedroom size according to the applicant's need and family composition. The table below provides a breakdown of the number of applicants on each waiting list by service area and unit bedroom size as well as the average length of time the applicants have remained on the list.

Fairfax County Public Housing and Rental Program Waiting Lists
As of June 2011

Program/Area	Unit Bedrooms	Applicants on Waiting List*	Average Time on Waiting List (Years)
	1 BR	1,466	3.6
	2 BR	2,336	3.8
	3 BR	1,465	3.8
	4 BR	501	4.3
Public Housing – Area 1		**5,768**	**3.9 Years**
	1 BR	1,324	3.7
	2 BR	1,551	3.5
	3 BR	1,035	3.8
	4 BR	2	4.2
Public Housing – Area 2		**3,912**	**3.8 Years**
	2 BR	1,840	3.8
	3 BR	1,203	3.7
	4 BR	324	4.3
Public Housing – Area 3		**3,367**	**3.9 Years**
	Total Public Housing	**13,047**	**3.9 Years**
	1 BR	646	1.3
	2 BR	652	1.3
	3 BR	470	1.8
	4 BR	59	1.6
Rental Program – Area 1		**1,827**	**1.5 Years**
	1 BR	815	1.2
	2 BR	877	1.3
	3 BR	506	1.2
	4 BR	53	1.1
Rental Program – Area 3		**2,251**	**1.2 Years**
	Total Rental Program	**4,078**	**1.4 Years**

Note: Waiting list data provided by HCD as of June 2, 2011. The waiting list data provided by HCD does not include the waiting lists maintained by third-party managed rental properties.

*The same applicant can be listed on as many as five separate waiting lists for each service area of the public housing and rental programs. The 17,125 total applicant records for Public Housing (13,047) and the Rental Program (4,078) represent 10,750 unique applicants.

II. Waiting List Selection Procedures

The U.S. Department of Housing and Urban Development (HUD) has established standards that guide how applicants are prioritized and selected from public housing waiting lists. In accordance with those standards, FCRHA has established local preferences and a tenant selection plan as part of its Admissions and Continued Occupancy Policy for the Public Housing program. FCRHA has also established a tenant selection plan for the Fairfax County Rental Program with a residency requirement that is closely modeled after the Public Housing residency preference.

Applicants on the Public Housing and Rental Program waiting lists are prioritized and ranked by a "preference point" system. For the Public Housing program, there are three preference point categories with a maximum of 13 total points.

- **Work Preference (8 points) –** the applicant or spouse is employed, attending school and/or participating in a job training program or a combination of these for at least 20 hours per week; or is 62 years or older; or meets HUD's definition of being handicapped or disabled, or is the only adult in the household working less than 20 hours per week and who is the primary caretaker of a disabled dependent.
- **Residency Preference (4 points) –** the applicant lives or works in Fairfax County, the City of Falls Church, the City of Fairfax, or the Town of Herndon.
- **Rent Burden Preference (1 point) –** the applicant pays more than 30% of gross annual income for rent and utilities or earns less than 50% of area median income.

For the Fairfax County Rental Program, applicants must meet income and residency requirements. Applicants in this program can receive a maximum of 4 points based on the residency preference to live or work in Fairfax County or the Town of Herndon. Public Housing and Rental Program applicants who receive the maximum points available are further prioritized and ranked by the date and time their application was received.

Applicants may be removed from the waiting list if they do not respond to HCD's notices to verify their interest in the program, or if they do not show up for the eligibility interview. Applicants may also be removed from the waiting list if they are determined to be ineligible for the program or if they decline a housing offer twice.

III. Waiting List Times Vary

A variety of factors can affect the length of time an applicant remains on the waiting list. These factors include the applicant's ranking on the list, the availability of units, changes in family composition, or unit size preferences. Based on an analysis of the waiting list data provided by HCD, we determined that applicants remain on the Public Housing and Rental Program waiting lists for an average of 3.9 years and 1.5 years, respectively. However, we noted that the top ranked applicants have remained on the waiting lists substantially longer than the average wait times for each program. Specifically, the top ranked applicants with the maximum available preference points have remained on the Public Housing and Rental Program waiting lists for an average of 8.1 years and 3.6 years, respectively.

We reviewed the top ranked applicants on the waiting lists for the Public Housing program and found two applicants with the maximum preference points who have remained on the waiting list for over 10 years. According to HCD officials, these applicants are currently being served under the Housing Choice Voucher program, but have expressed a continued interest in the Public Housing program. HCD officials reported that one applicant had a change in family size in 2007 that required a unit with more bedrooms. According HCD, since 2007 there have been only four openings for larger housing units, which were all filled with clients from higher priority medical or occupancy transfer lists. Since the average length of time for the highest ranked applicants is significantly higher than the overall program averages, we recommend that HCD continue efforts to review the waiting lists to ensure that applicants are selected in accordance with federal and county standards.

IV. Recommendation

The Fairfax County Department of Housing and Community Development should continue efforts to ensure that applicants are selected from the Public Housing and Rental Program waiting lists in a timely manner and in accordance with federal and county standards and guidelines.

AFFORDABLE HOUSING – PROPERTY

The Department of Housing and Community Development (HCD) manages 75 housing properties through the Fairfax County Public Housing (PH) and Fairfax County Rental Program (FCRP). These properties may be a single building, multiple buildings or a complex of buildings (apartments). The individual housing units may be in the form of efficiency apartments, multi-bedroom apartments, townhomes, single family homes and mobile home pad sites. Altogether there are approximately 3,624 housing units within the 75 properties with a total assessed value exceeding $295 million. Within these units are over 7,281 bedrooms/beds.

The property component of this review sought to establish a baseline for the number and assessed value of the housing units owned by the Fairfax County Redevelopment and Housing Authority (FCRHA) and the County. These properties are managed by the HCD.

The Rental Program was designed to serve working households with incomes slightly higher than those in Public Housing and/or those who are participating in the Federal Housing Choice Voucher Program. The major source of funding for FCRP is rental income and assistance from Fairfax County.

The Public Housing Program receives most of its funding through rental income, HUD operating subsidies/annual contribution and the HUD Capital Fund Program. The units are owned by FCRHA and are managed by HCD. The units were purchased or acquired using funds obtained through Federal public housing programs.[8]

There are approximately 3,400 vouchers currently in the Housing Choice Voucher Program (formerly known as Section 8). These units are not part of the Public Housing and Rental Program housing units. Because the Housing Choice Voucher units are not owned by the FCRHA, we did not include this program in the scope of our review.

Property Funding Determines Use and Client Eligibility

The Public Housing and Rental Program properties must be administered under the rules of their original funding source. Clients assigned to the units must meet the rules of the programs used to acquire and fund the property. As an example, the property known as Olley Glen is 99% owned by a private for profit limited partnership. The FCRHA has a 1% interest. The ownership (whether it be for profit, non-profit, or the FCRHA) must comply with the terms and covenants imposed by the funding source. These terms and covenants may last in perpetuity or for as long as any financing loan is outstanding or regulatory agreement is in place. Funding may come from a single source or from multiple sources which will add layers of complexity to managing the properties.

Housing Property Values

The value of the Public Housing and Rental Program housing was determined through an analysis of the property values assessed by the County's Department of Tax Administration (DTA). DTA is required by the Commonwealth to assess all property even if held by a non-profit or authority. The DTA assessed values are the most economical and consistent available for the purposes of this report and reflect values impacted by deed restrictions, equity limitations and other program as well as financing conditions.

[8] Source: Housing Fundamentals: How Affordable Housing is provided in Fairfax County (HCD June 2009)

Free online real estate valuations were not used for a variety of reasons. The units in this review have deed restrictions which, for example, limit the fair market values. Even if the property were to be sold instead of used as a rental, the sale would need to be with restrictions on the current and future sales price, limiting the equity potential. These significant factors are not captured by online valuation services.

Assessed Values By Property			
		DTA Unit Values	**Per Unit DTA Value**
Locations/Property IDs	75		
PH/FCRP Dwelling Units (Total)	**3,624**	**$ 295,495,535**	**$ 81,539**
PH/FCRP Units (Properties with 6 units or less)	75	$ 9,421,223	$ 125,616
PH/FCRP Units (Properties with 7 units or more)	3,549	$ 286,074,312	$ 80,607

As the above table shows there are approximately 3,624 housing units in the Public Housing and Rental Program housing programs. The total assessed value of the properties is in excess of $295 million. The market and assessed value of these properties is impacted by the deed restrictions placed on them through the program initially used to acquire them.

Through the use of the DTA assessments, OFPA determined that the average housing unit assessed value is approximately $81,500. This value includes apartments and single family detached dwellings. By segmenting the number of individual dwelling units in a property the above table shows a more accurate reflection of the per unit value of the property holdings. This segmentation was done to differentiate between apartment buildings, condo and townhome groupings. Properties with six units or less (mostly single family homes and townhouses) have an average value of $125,000 each. Apartment properties (7 units or more) have an average value of $80,600. Most of the units in Public Housing and the Rental Program are apartments or other multifamily type properties.

Non-Housing Utilized Properties

Through this study OFPA identified 11 properties which are either vacant land or are not inventoried as being used in the Public Housing or Rental programs. These properties were excluded from the above analysis. Two of the 11 have planned program uses or are actively in development and one is used as the FCRHA maintenance facility. Three are outparcels needed to complete an assemblage and provide options for future property use.

The remaining five parcels are vacant lots which merit consideration for sale. The total assessed value of these five properties is $787,140. The longest held property was acquired in 1978 the most recent was acquired in 2004. During the course of this study, HCD acknowledged that one parcel with an assessed value of $255,000 could be transferred from the FCRHA to the County in the near future. All of the lots require additional research to determine if a sale is appropriate and how the proceeds from the sale of these properties would be allocated (County, FCRHA, or HUD). The sale of the vacant property could return the property to the tax rolls, thus increasing the County's property tax revenues. HCD cautions that additional research is needed as the parcels could have issues related to access, building restrictions or could be planned as open spaces.

Condo Fees

HCD advises that over the last 30 years the County and FCRHA have had a practice of encouraging a balanced distribution of affordable housing throughout the County. This was done through "scattered site' acquisitions and development, largely through the purchase of condo units.

In FY 2010, HCD paid approximately $1.470 million in condo fees. The FY 2011 trend is higher in that the fees paid through May 2011 are approximately $1.485 million. Condo fees are paid through a variety of funds, with 80% coming from the County's General Fund.

	FY 2010 Condo Fee Expenditures by Fund	
Fund Number	**Description**	**Amount**
001	General Fund	$1,182,108
106	Fairfax-Falls Church Community Services Board	$15,731
143	Homeowner & Business Loan Programs	$15,514
941	Fairfax County Rental Program	$110,203
948	FCRHA Private Financing	$3,967
967	Public Housing Projects Under Management	$143,250
	Total	**$1,470,773**

Source: Expenditure data obtained from FAMIS

The per unit condo fees range from a low of $41/month or $490/year to a high of $567/month or $6,800/year. The average condo fee payment per unit is $208/month or $2,500/year. At a minimum, condo fees typically include the maintenance of common area landscaping, road and parking lots. In addition the fees may include:

- Maintenance of buildings such as roof replacements, exterior trim painting, siding repair and replacement
- Utility cost sharing such as: water, electric, natural gas, trash removal etc.
- Provision and use of common facilities such as playground/parks, gathering facilities, common area pools and exercise facilities

Condo fees of $15,731 were paid for CSB supervised apartments through Fund 106. Fees of $15,514 were paid through Fund 143 for properties in the Moderate Income and Direct Sales (MIDS) and ADU Resale Programs. The expenditures from Fund 143 are only made when the property returns to County/FCRHA responsibility while in between program sales.

Turnover Costs

Turnover costs are incurred when a housing unit is prepared for occupancy after a tenant moves out. Turnover costs include painting, repairs and cleaning and contribute to the overall expense of managing a property. A consistent and reliable method for tracking turnover costs is an important aspect of effective property management. Currently, HCD tracks turnover costs and unit vacancy information on various internal spreadsheets making it difficult to obtain consistent and reliable data on costs and unit vacancy. HCD recognizes the vulnerability of not using a reliable system for such an important cost tracking function.

It is important for HCD to improve its tracking of turnover costs because, in some cases, the FCRHA may be able to recover these costs from tenants. In addition, it is important to track the number of days between the time a tenant moves out of a unit and the time the unit is ready for the next tenant to move in, to ensure compliance with federal standards. HCD officials have indicated that effective July 1, 2011, they will start to track turnover costs and unit vacancy timeframes in their property management system, YARDI.

Recommendations

- The five vacant parcels identified through this study should be researched and considered for sale by the FCRHA. HCD should determine the appropriateness of selling the parcels (with a total assessed value of $787,140) and how the proceeds from any sales will be allocated (County, FCRHA or HUD).

- HCD should follow through on their current efforts to use their existing property management system (YARDI) to track property related turnover costs and vacancy periods.

- At the direction of the Audit Committee, OFPA will examine and determine the funding sources for the Public Housing and Rental Program properties as part of our ongoing review of eligibility.

FIRE AND RESCUE ABSENTEEISM

Overview

The Audit Committee requested OFPA research the following questions related to the Fire and Rescue Department's use of call back time:

- What is the "unscheduled" absentee rate in the Fire and Rescue Department?
  - Is this rate in line with the county's non-public safety agencies?
  - Is this rate in line with any private sector data?
- Are there reasonable strategies, not currently in use, that could limit the use of overtime for scheduled absences?

The Fire and Rescue Department requires minimum staffing of 334 field personnel daily to ensure emergency response services are delivered within industry standards. The Fire and Rescue Chief has reported that in FY 2010, on average, 27 employees were called back into service each day to meet the 334 personnel minimum staffing requirement.

Call back time in the Fire and Rescue Department is overtime largely worked by field personnel on their scheduled day off when they are called back into service. In OFPA's January 2011 Quarterly Report, the call back time category was noted as the largest category of overtime used in the Fire and Rescue Department in FY 2010. In FY 2011, call back time continues to exceed all other categories of Pay Extra (overtime) for the department.

The focus of this study was to determine an unscheduled absentee rate, compare absenteeism in the department to general county and private sector absentee rates and identify strategies to limit the use of call back time for scheduled absences.

Unscheduled Absence Defined

For the purposes of this study, sick leave data was used to analyze unscheduled absences. County and Fire Department policy require most leave types to be scheduled in advance with the exception of sick leave. Prior to this study, no distinction was available between scheduled sick leave (medical appointments for example) and unscheduled sick leave. As part of this study, the Fire and Rescue Department agreed to track scheduled versus unscheduled sick leave during the months of April and May. The results of this tracking effort were used by OFPA to develop an "unscheduled factor" to apply to sick leave usage. Through this analysis it was determined that 70% of sick leave among field personnel in the department is unscheduled. The department reported that uniformed field operations positions (firefighters and medics) require the majority of call back time to backfill positions and ensure adequate numbers of staff per shift. Data specific to uniformed field operations (and not the department as a whole) was used to arrive at the closest unscheduled absentee rate related to call back usage.

Estimated Unscheduled Absentee Rate

OFPA used the Fire and Rescue Department Plan of the Day (POD) reports for field personnel to calculate an estimated unscheduled absentee rate. The POD reports are routinely used by the department for statistical analysis and specifically were used by the Chief to report on the average number of employees called back into service in FY 2010. These reports include both call back and sick leave totals by day and provided the data necessary to apply the 70% unscheduled absentee factor that was directly related to call back time

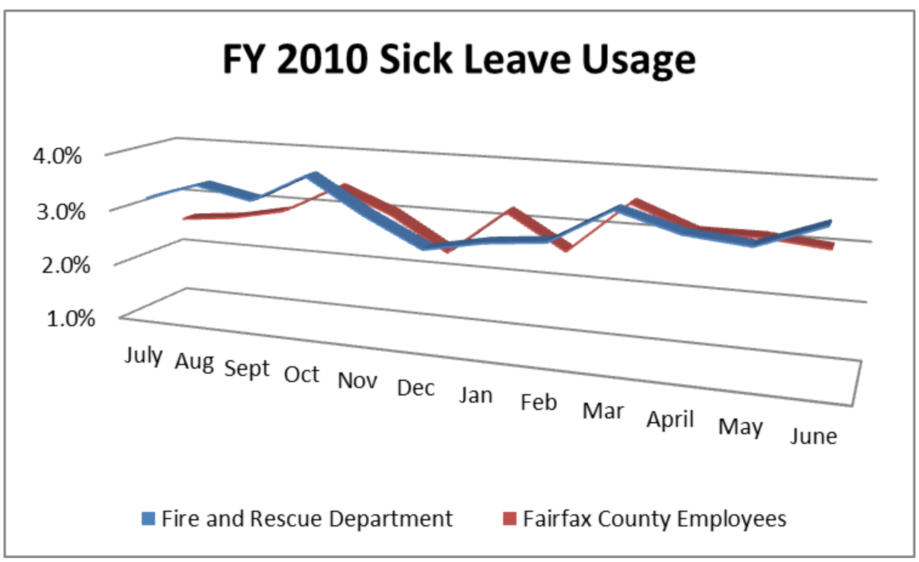
usage in field operations. POD reports are EXCEL spreadsheets and the data is manually entered from the department's Telestaff system, an automated resource allocation system that manages staffing levels.
The FY 2010 estimated unscheduled absentee rate for field operation personnel in the Fire and Rescue Department was: 2.9%. This estimated unscheduled rate is 70% of the FY 2010 total sick leave usage rate among field personnel in the department (4.2%).

Fire and Rescue Department Sick Leave Usage Rate Compared to General County
PRISM, the county's payroll system, was used to validate the estimated unscheduled absentee rate calculated from the POD reports for field personnel and compare it to the overall department's sick leave usage and to the sick leave usage rate of the general county employee population.

FY 2010 Fire and Rescue Sick Leave Usage Rates	
Department Rate (civilian and uniformed; both scheduled and unscheduled)*	3.3%
Uniformed Field Positions Only (both scheduled and unscheduled)**	4.2%
Uniformed Field Positions Only (unscheduled)***	2.9%

* Rate based on sick leave hours in PRISM; ** Rate based on sick leave hours in POD Reports; *** 70% unscheduled factor applied to POD report data; Source: PRISM and Department POD Reports

The line chart included in this report illustrates FY 2010 sick leave usage department wide and county wide. The FY 2010 average sick leave usage rates were 3.3% for the Fire and Rescue Department and 3.0% for the general county employee population. Usage fluctuated within 1% throughout the year. It is important to note that the chart below includes data derived from the sick leave usage of the entire Fire and Rescue Department (both uniformed and civilian). The preponderance of call back time is attributable to staffing deficiencies among uniformed field personnel only.

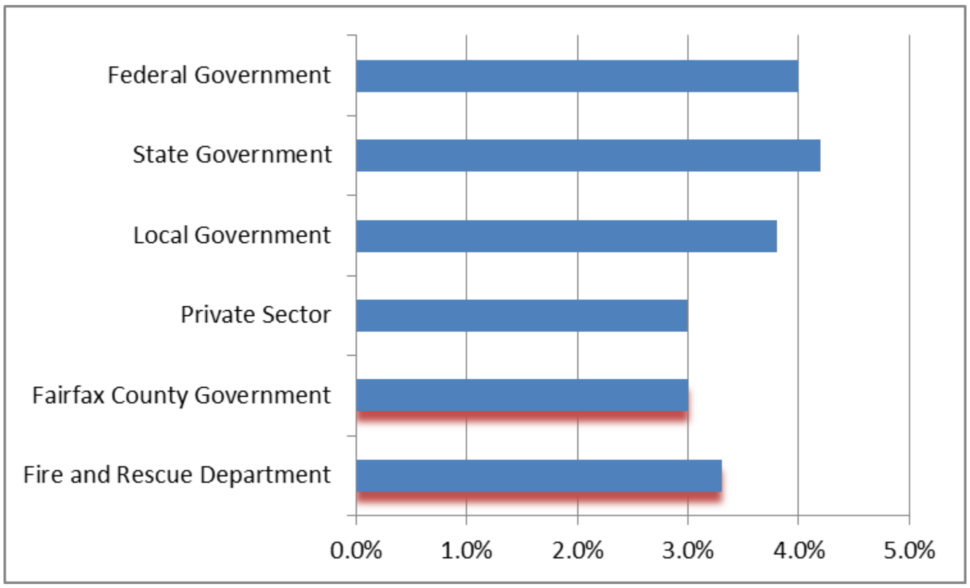


Source: FY 2010 PRISM payroll data (Fairfax County Government and Fire and Rescue Department).

Fire and Rescue Department Sick Leave Rate Compared to National Data

The most recent national data from the US Department of Labor (*Household Data – Annual Averages for 2010*) was obtained to benchmark the department against both private and public sectors.

The survey parameters for the national data make a straight comparison difficult, however, general sick leave is the basis for both national and county ratios and both the department –wide data and the county-wide data included many of the same categories as the national survey.[9] The national data provided is the ratio of the number of employees taking sick leave to the number of people employed. The department-wide and county-wide data used for this analysis is the ratio of sick leave hours taken to the number of total hours. It should be noted that, county staff may also use annual leave for some of the categories (such as family or personal obligations) that are in the national data calculations.



Source: US Department of Labor, *Household Data – Annual Averages for 2010* (federal government, state government, local government, private sector) and FY 2010 PRISM payroll data (Fairfax County Government and Fire and Rescue Department).

Overall, the above chart indicates Fairfax County compares favorably to Federal, State and other local governments as well as the private sector. Comparing the estimated unscheduled absentee rate for field personnel in the department (2.9%) is not statistically valid as the other data sets did not make a scheduled/unscheduled distinction. The data source used for the county-to- national comparison pulled sick leave data for the entire Fire and Rescue Department (3.3%) as it was the most relevant to the national survey parameters. In contrast, the data used to estimate the unscheduled absentee rate for field personnel (2.9%) came specifically from field operations, a subset of the department as a whole.

[9] The absences in the national data are defined as instances when persons who usually work 35 or more hours a week worked less than 35 hours during the reference week for one of the following reasons: own illness, injury, or medical issue; child care issue; other family or personal obligation; civic or military duty; maternity or paternity leave. Excluded from the national data are vacation days and holidays. The data obtained from the US Department of Labor are ratios of workers with absences to total full-time wage and salary employment. The Fairfax County and Fire and Rescue Department data are ratios of sick leave hours to total hours (regular hours worked plus all leave hours).

Various Factors Impact Minimum Staffing

While unscheduled absences do have an impact on meeting minimum staffing requirements, this study found that there are a number of additional variables which have an impact on meeting required staffing levels in the department. OFPA conducted a sample analysis of 16 selected daily POD reports from January to April 2011 to test how staffing levels are impacted. The analysis identified a number of variables including vacant positions and employees detailed elsewhere that impact minimum staffing requirements. The table below includes 4 of the 16 days studied and illustrates the impact of a number of different variables on staffing levels.

Plan of the Day Reports	Thursday 1/6/11	Friday 1/7/11	Saturday 1/8/11	Wednesday 2/16/11
Shift	B Shift	C Shift	A Shift	B Shift
Minimum Staffing Requirement	334	334	334	334
Total Allocated Positions to Field Operations*	414	414	414	414
Vacant Positions	(17)	(26)	(27)	(17)
Subtotal - Actual employed level for the day	397	388	387	397
Military Leave	(1)	0	(6)	(2)
Leave Without Pay	(1)	0	0	(1)
FMLA	(5)	(2)	(6)	(2)
Light Duty	(6)	(8)	(7)	(8)
Injury Leave	(6)	(3)	(7)	(4)
Detail out of Operations (DOOPs)	(11)	(2)	(1)	(4)
Other	0	(2)	0	0
Subtotal - Positions filled before annual & sick leave	367	371	360	376
Annual Leave**	(22)	(29)	(45)	(22)
Subtotal - Positions before sick leave	345	342	315	354
Sick Leave	(22)	(26)	(17)	(17)
Total positions staffed on this day	323	316	298	337
Deficit (# of positions not staffed below the minimum staffing requirement)	11	18	36	0
Total Positions Working Call Back as Noted on the Department's Plan of the Day Report	15	19	38	6

*Total Allocated Positions to Field Operations = Total budgeted positions allocated to field operations per 24 hour shift in 37 stations. The department noted that this staffing level is set in anticipation of fluctuations in leave.
** Forty-five leave slots are allowed by department policy per shift. Annual leave requests are done months in advance and approved based on seniority.
Source: Fire and Rescue Department Plan of the Day (POD) Reports

Observations from the POD Report analysis:

- **Vacant Positions –** OFPA reviewed vacancies with department staff. The department noted that in FY 2010, 10.8 positions per day were vacant. In FY 2011, that average is up to 20/day. The lowest vacancy number in the sample OFPA studied was the B Shift with 17 vacancies in February of this year. The highest was the A Shift with 31 vacancies in that same month. The department noted that budget savings realized by holding positions open for extended periods challenge resource allocation in a minimum staffing environment and can require the use of call back time and overtime, in general.

- **Employees Detailed Out of Operations (DOOPS) –** Field operations personnel who are assigned tasks outside of their regular job duties are referred to as "detailed out of operations". Department management has direct control over DOOPS and this study found that in recent years efforts have been made to reduce the impact of DOOP assignments on overtime. The department noted that in FY 2010, 9 positions per day, on average, were detailed out of operations. In FY 2011, the daily average is 4.6 positions per day. DOOPs impact on staffing is evident in the *Plan of the Day Report Table* included in this report. An example of the DOOPS impact was observed in the analysis of the POD Report for January 6, 2011. On that day, eleven positions were detailed out of B Shift operations. Eight of those positions left the field to attend training and 3 were assigned to Urban Search and Rescue Team activities. [10]
- **Call Back Time is Worked When Minimum Staffing is Met** - OFPA's POD report analysis found two out of 16 days studied had positions called back into service even when minimum staffing for the shift was met. An example of this occurrence is included in the *Plan of the Day Report Table* (Wednesday 2/16/11). In the table provided, B shift on February 16th had 6 positions on call back time that were above the minimum staffing level. January 6th, 7th and 8th also had positions on call back time that exceeded the minimum staffing level (4 positions on January 6th, 1 position on January 7th and 2 positions on January 8th). In their review of this OFPA analysis, department staff provided the following as further explanation of why additional positions are called back above the minimum staffing requirement:
  - Partial Shift - Differentials of one or two positions (January 7th and January 8th) on POD Reports usually indicate partial shifts filled. The PODs data reflects at the start of the shift that 334 personnel had reported to work, however when one person leaves mid-shift (due to illness, etc.) an additional call back person comes in to fill the last 12 hours of the shift. Because the POD Reports capture people and hours, partial shifts worked can make the day appear slightly overstaffed. One person working call back for a partial shift can appear on the POD Report as two positions filled.
  - Specialty Deficiency (ALS, Technical Rescue, Hazmat) – The 334 personnel staffed are not comprised of the right specialties to meet minimum staffing requirements. On February 16th, 337 personnel reported to work, however of the 337 there were not enough ALS certified personnel to meet the minimum ALS needs. Six personnel with ALS certification were called back in order to staff ALS required vehicles.
  - Emergencies – In the case of an emergency (excessive flooding, snow), the department may place personnel on units that are not normally minimum staffed. For example, with the December 2010 and February 2011 snow events, four wheel drive vehicles were "up-staffed" to meet service delivery needs. This up-staffing brought the daily staffing figures above the required 334.
- **Call Back Time Worked Does Not Have a Direct Correlation with Sick Leave Used –** The POD reports also provided detailed information on sick leave and call back time worked by position. The *Sick Leave vs. Call Back by Position Table* included in this report illustrates OFPA's finding that sick leave and/or unscheduled absences do not always equate to call back time worked. Out of the 16 POD Reports studied, seven of the days studied had total positions called back that exceeded the

[10] Activities/hours associated with the Urban Search and Rescue Team are reimbursed by the federal government.

number of positions taking sick leave that day. Two out of the 16 days that had exactly the same sick leave and call back totals are illustrated in the *Sick Leave vs. Call Back by Position Table* in this report. This table shows there is not a one-to-one correlation in sick leave taken to call back worked by position.

Sick Leave vs. Call Back by Position				
Field Operations Positions	**Wed. 1/12/11 C Shift**		**Friday 1/28/11 A Shift**	
	Sick Leave	**Called Back**	**Sick Leave**	**Called Back**
Suppression Officer in Charge (OIC)	5	1	5	0
Advanced Life Support OIC	1	1	3	2
Advanced Life Support Technician	4	3	0	2
Firefighter Medic	0	1	2	4
Firefighter	5	7	4	6
Technician	6	8	3	3
Batallion Chief	0	0	0	0
Emergency Medical Services Captain	0	0	0	1
Deputy Chief Aide/OPS6	0	0	1	0
Safety Officer	0	0	0	0
Day Total	**21**	**21**	**18**	**18**
70 % Unscheduled Factor Applied	**14.7**		**12.6**	

Source: Fire and Rescue Department Plan of the Day (POD) Reports

Call Back Time Description

Chapter 4 of the County's Personnel Regulations defines call back time and the parameters that apply to all county employees. Countywide, employees called back to work (when off duty) are credited with a minimum of four hours overtime in each separate instance, excluding travel time, regardless of the hours actually worked. Policy states that call back time is to be used only in those situations where an employee is off duty and is called to return to work after departing the work site. Call back time does not apply to incidents where an employee's work period is extended. Extensions of work periods (overtime) are governed by the Personnel Regulations regarding overtime and are subject to the Fair Labor Standards Act requirements. The County policies regarding call back time, however, are not a specific requirement of the Fair Labor Standards Act (FLSA) or other federal labor regulations. Call back policy implementation is at the sole discretion of the County.

Several departments throughout Fairfax County Government use call back time to compensate employees for critical work that occurs during off-duty hours (examples include Police, Health Department, and Facilities Management). For the Fire and Rescue Department, county policy (*Personnel/Payroll Memorandum No. 14A*) converts the 4.0 minimum hour policy that applies countywide to a minimum of 5.6 hours to fit 24-hour shift lengths for uniformed field personnel. In addition, *Personnel/Payroll Memorandum No. 14A* also states that call back time does **not** apply to employees **scheduled in advance** to work additional hours either at the end of their shift or on a scheduled day off.

OFPA verified that a minimum of 5.6 hours is granted for less time worked in the department; however, the payroll data analysis conducted for this study found only 25 employees in the department claimed exactly 5.6 hours of call back time on pay period reports in FY 2010. Of those 25, not one employee claimed exactly 5.6 hours more than twice throughout the year. Analysis also found employees in the department claimed call back time in increments less than 5.6 indicating that actual hours worked are also claimed.

The payroll analysis conducted as part of this study did not find excessive numbers of employees claiming the minimum hours allowed. However, this study did find that the term "call back" is applied broadly by department staff to the majority of work performed on a scheduled day off. In contrast, county policy limits call back time by specifically **excluding** additional hours **scheduled in advance** on a day off. Broad use of the term "call back" for any additional work performed on off-duty days is not consistent with county policy and could result in hours miscoded to call back that were scheduled in advance.

In 2009, Internal Audit completed a payroll audit that included the Fire and Rescue Department. A two-layer review of all timesheets was implemented as a result of the audit. Timesheet verification and job number coding were also noted as concerns. The department and OFPA agree that updated procedures on call back time will improve time reporting accuracy among field personnel.

Call Back Time Includes Training and Urban Search and Rescue Team (USAR) Activity

An analysis of the job numbers used in association with call back reported in the county's payroll system revealed numerous codes used for call back time including backfill for training, promotional exams and conference attendance. OFPA's payroll analysis confirmed the observations noted in the department's POD Reports that the reasons for call back time in FY 2010 were not exclusively related to backfill for personnel taking either scheduled or unscheduled leave. Backfill for department training and activities related to the Urban Search and Rescue Team (USAR) were noted in the PRISM analysis as factors having an impact on total call back usage. [11] According to department staff, training outside of normal work hours and overtime worked to backfill for someone in training are often coded to call back time, rather than regular overtime. OFPA analysis of job numbers coded to call back overtime in FY 2010 found approximately 3,300 hours of call back time coded to training, promotional exams and conference related activities. Backfill for these types of activities may in some cases be scheduled in advance.

Management Tracking Challenged by Current Systems

This study found that the two systems used by department staff to manage human resources (PRISM and Telestaff) are not integrated. In addition, department staff noted that Telestaff has resource allocation capabilities and reporting tools that have not yet been fully explored and tested. Full training on all of the system's tools is a budget expense that has been tabled in past cycles. In the interim as a budget savings, the department developed a very useful and detailed Excel report (Plan of the Day – POD) that synthesizes critical Telestaff data. The Excel reports contain complex data that is both manually entered and analyzed. Department staff acknowledged that the Telestaff system may be able to perform these functions more efficiently.

OFPA discussed future opportunities to automate analysis and reporting functions with department staff. Fire and Rescue staff reported discussions with the FOCUS Team on interface capabilities between SAP and Telestaff. Department staff noted two issues with integration: timing and funding. The functional design for

[11] Call back overtime is widely used to backfill for USAR activities. Expenses generated from all USAR activity (including overtime and backfill) are reimbursed by the federal government.

the interface was not included in the initial conversion time frame and is not anticipated by department staff for the revised conversion schedule. No funds (either within the FOCUS Project or the department) have been identified for the interface of Telestaff and SAP. Preliminary research by department staff estimated an initial investment of approximately $85,000 with recurring annual maintenance of $17,500.

Summary Findings

- OFPA determined that the overall Fire and Rescue Department sick leave usage rate was 3.3% in FY 2010. Further, by focusing on the personnel data specific to call back usage (field personnel in the department) OFPA determined that the FY 2010 sick leave usage rate among field personnel in the department was 4.2%. Applying the "unscheduled factor" to the field personnel sick leave usage rate, OFPA estimated that the unscheduled absentee rate was 2.9% for field personnel in FY 2010.
  - The FY 2010 countywide sick leave rate was 3.0% which is comparable to the 3.3% total sick leave usage rate for the department.
  - The sick leave usage rates calculated were within a reasonable range of national data found for federal, state, and local governments as well as the private sector.
- Sick leave and/or unscheduled absences in the department do not always equate to call back time worked. Factors including vacancies, employees detailed out of operations, training, and Urban Search and Rescue Team activities among others play a role.
- Current department practice includes broad application of the term "call back" to the majority of work done on scheduled days off. County call back policy documents state that call back time is **not** intended for work on a scheduled day off that is **arranged in advance**.
- The department has an automated system to manage staffing (Telestaff). Telestaff is not integrated with other systems and data generated is manually entered and analyzed in the Plan of the Day spreadsheets designed by department staff in Excel. The ad-hoc spreadsheet reports meet department needs but further efficiencies could be realized with better use of the existing Telestaff system and future integration with FOCUS.

Recommendations

The Audit Committee specifically tasked OFPA to identify strategies to limit the use of overtime for scheduled absences. Throughout the course of this study, three recommendations became clear:

- OFPA recommends that the Fire and Rescue Department review procedures for reporting backfill on scheduled days off that is arranged in advance. Currently, the term "call back" is a broadly used term in the department and is applied to the majority of backfill hours worked on a scheduled day off. County policy on call back time specifically **excludes** work done on off-duty days that is arranged with advance notice. Consistency with county policy could be improved with additional department procedures that apply to backfill work performed on off-duty days that is scheduled in advance. While this recommendation has the potential of reducing the number of hours coded to call back time for scheduled absences/backfill , it may not reduce overtime use, in general as backfill will continue to be necessary to meet the minimum staffing requirement.
- OFPA recommends that the Fire and Rescue Department continue tracking scheduled and unscheduled sick leave usage. Staff agreed the data obtained will be beneficial in future analyses at the department level and expressed interest in continuing the tracking started for this study. This recommendation will provide additional trend data on unscheduled absences to department management.
- OFPA recommends pursuance of automated system capabilities should be explored to reduce manual report generation and ensure proper controls on call back policy usage. In particular, OFPA recommends that Fire and Rescue Department staff engage the FOCUS Project on the following:
  a. A timeline for integration of the Telestaff system in future phases , and
  b. Confirmation of integration costs and identification of funding to integrate Telestaff as soon as possible. Estimates for the initial investment required for integration are less than 1% of the total annual expenses for overtime in the department. Schedule efficiencies realized with integration of the systems may result in savings greater than the initial investment.

  This recommendation will not directly limit the use of overtime for scheduled absences but will provide the department with additional tools to manage and analyze their human resource capital resulting in efficiencies.

TELECOMMUNICATIONS COSTS

I. Overview

The County contracts with various companies to provide telecommunications services and equipment. Telecommunications services include the County's digital phone system (land lines), wireless service (cell phones), data networks, and telecommunications consultants. The Department of Information Technology (DIT) oversees the County's largest telecommunications accounts. However, other County agencies may enter into their own contracts for telecommunications services and equipment. The County's main telecommunications vendor is Verizon. According to DIT, the County has 202 Verizon accounts that support 2,116 lines. Approximately 3 million phone calls are placed from County offices each year.

OFPA staff analyzed expenditures recorded in the County's financial system and determined that the County paid over $14 million for telecommunications services during fiscal year 2011. These expenditures included phone service (land lines, fax lines, and wireless), data lines, telecommunications equipment, and consultants. Most of the County's fiscal year 2011 telecommunications expenditures were paid from the General Fund. The table below summarizes the County's fiscal year 2011 telecommunications expenditures by vendor.

Fairfax County Telecommunications Expenditures
Fiscal Year 2011

Vendor	Total Expenditures
Verizon Virginia	7,453,975
Verizon Business Network Services	1,414,875
Verizon (Other)	181,550
Subtotal Verizon	**$ 9,050,400**
Avaya Communications	1,253,780
AT&T (Wireless)	878,837
Sprint	545,436
Nextel	391,297
Cox Communications	236,216
Quality Communications	232,615
Cellco Partnership	178,011
Centric Telecom	154,787
Other	1,086,218
Total Telecommunications Expenditures	**$ 14,007,597**

Source: 2011 fiscal year-to-date expenditure data obtained from the County's financial system, FAMIS.

II. Significant Billing Errors and Unnecessary Charges

As part of our ongoing review of County expenditures, we selected and examined a sample of monthly bills from the County's largest Verizon phone service accounts. We noted that for one summary account, the County paid $173,254 over a 12 month period for "Local Usage" charges. We questioned DIT regarding the basis for these charges. According to DIT officials, the "Local Usage" charges are based on a contract rate of $500 for each Primary Rate Interface (PRI) circuit. However, DIT officials stated that they have identified significant billing errors in the Verizon "Local Usage" charges. For example, in some cases, Verizon charged the County $650 per PRI circuit instead of the contract rate of $500. In addition to discovering charges that were higher than the contract rates, DIT also identified significant billing errors in the Verizon accounts resulting from the following practices:

- **Slamming and Cramming** – Slamming is the practice of switching long distance service to another company that charges higher rates without the account holder's permission. Cramming is the practice of including optional services on a phone bill (such as additional voice mail and paging services) that were not authorized by the account holder. DIT officials stated that the Verizon accounts have now been blocked to prevent unauthorized services.
- **Late Payment Charges** –Verizon charged the County late payment fees even though the phone bills were paid on time.
- **Non-County Accounts** – Data entry errors in Verizon's billing department resulted in the County paying for outside phone accounts.

DIT is in the process of negotiating with Verizon to ensure that the County is appropriately reimbursed for the billing errors. DIT officials indicated that they have successfully negotiated with Verizon to provide approximately $900,000 in billing credits back to the County. In addition, DIT will continue to use telecommunications consultants to help identify cost savings opportunities in the Verizon accounts.

During our preliminary review of the County's phone bills, we also noted that the County paid at least $11,000 in directory assistance charges during the last 12 months. With the advent of free online search services, the need for directory assistance services has decreased over the past decade. According to DIT officials, efforts were made in the past to curb the use of directory assistance, but this area has not been recently reviewed.

Fairfax County
Directory Assistance (411) Rates

Verizon Phone Lines:	
Local	$ .95 per call
National	$ 1.50 per call
Verizon Wireless	$ 1.25 per call
AT&T Wireless	$ 1.99 per call
Sprint	$ 1.79 per call

III. Recommendation

At the direction of the Audit Committee, OFPA will conduct a county-wide review of telecommunications expenditures. The purpose of the review will be to identify opportunities to recover costs resulting from billing errors and unnecessary charges.

PRIOR STUDIES FOLLOW-UP

WIRELESS FACILITY LEASES ON COUNTY-OWNED PROPERTY

The recommendation made in the January 2011 Quarterly Report to acquire true market data via contracted services is being coordinated by the Facilities Management Department and includes participation by both the Park Authority and Fairfax County Public Schools. The Request for Proposal (RFP) development is underway. The Department of Planning and Zoning is also assisting in this effort with the development of maps that show existing land use approvals for wireless facilities on private property.

DEPARTMENT OF PUBLIC SAFETY COMMUNICATIONS (DPSC) – OVERTIME STUDY

In the January 2011 Quarterly Report, DPSC vacancies were noted as a factor impacting overtime use in the agency. There were 19 vacant positions in the Operations Bureau at that time. Our March report noted the hiring of 14 trainees and in June, 16 new trainees were hired. DPSC currently has 16 vacancies. New hires enter a 20 week training period before becoming fully certified call takers. OFPA continues to monitor vacancies in DPSC.

REIMBURSEMENT FOR POLICE SERVICES REVENUE ANALYSIS

The March 2011 OFPA quarterly report outlined continued work on reimbursements for police services. Internal reports prepared by the Police Department's Administrative Support Bureau show reimbursements totaling just over $1.7 million and this amount is consistent with the FY 2010 reimbursable overtime expenses OFPA previously reported in the January 2011 Quarterly report.

FY 2010 Reimbursements for Police Services	
General Fund Reimbursements (Services to VDOT, FCPS, Task Forces, Other)	$ 914,067
Grant Reimbursements	$ 472,965
Reimbursements from Other County Agencies	$ 350,760
Total	**$ 1,737,792**

The Police Department anticipates a review of the flat rate charged for police services in FY 2012 to ensure costs are recovered and fees charged are in line with market rates for similar services.

RESERVES REVIEW

As part of the January 2011 Quarterly Report, OFPA recommended that the Department of Management and Budget with the Department of Finance provide information to the Board of Supervisors on the implementation of GASB 54. The timing and format for communicating this information is being developed. The implementation of this new accounting standard is mandatory with the County's FY 2011 financial statements and CAFR preparation.

LIST OF ACRONYMS

DIT	Fairfax County Department of Information Technology
DMB	Fairfax County Department of Management and Budget
DNCS	Fairfax County Department Neighborhood and Community Services
DOF	Fairfax County Department of Finance
DOOP	Detailed Out of Operations
DPSC	Fairfax County Department of Public Safety Communications
DPWES	Fairfax County Department of Public Works and Environmental Services
DTP	Dulles Transit Partners
F&R	Fairfax County Fire and Rescue
FCRHA	Fairfax County Redevelopment and Housing Authority
FFGA	Full Funding Grant Agreement
FY	Fiscal Year
HCD	Fairfax County Department of Housing and Community Development
HUD	U.S. Department of Housing and Urban Development
LAF	Lorton Arts Foundation
LDS	Land Development System
MWAA	Metropolitan Washington Airports Authority
OFPA	Fairfax County Office of Financial and Program Audit
POD	Plan of the Day
PRI	Primary Rate Interface
RFP	Request for Proposals
ROD	Revenue Operations Date
USAR	Urban Search and Rescue Team
WFC	West Falls Church
WMATA	Washington Metropolitan Area Transit Authority