OFFICE OF FINANCIAL & PROGRAM AUDIT

November 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. As of the September 2011 MWAA Monthly Progress Report, approximately $1.6 billion of the total $3.2 billion Phase I budget had been expended. The Design Build Contract has recorded change orders of approximately 4.52% of the contract amount. MWAA assesses this main construction component of the Project as 53% complete. Utility Relocation has recorded change orders of 17.7% of the contract amount. MWAA assesses this relocation activity as 99% complete.

The overall project schedule, as projected by DTP, changed from a 188 day projected schedule lapse in July 2011 to a 161 day projected lapse in September 2011. The date for the official start of revenue service has not been changed by MWAA.

Sidewalks and Trails Maintenance – Funding Review
As directed by the Audit Committee, OFPA began a review of funding for sidewalks and trails. County staff from the Department of Transportation (DOT), the Park Authority and the Department of Public Works and Environmental Services (DPWES) were consulted. The broad scope of this study at the outset became narrow as we identified infrastructure maintenance funding as a shared concern across the county's sidewalk and trail network.

This report includes initial observations made during the course of this quarter and the results of research OFPA conducted on practices that could be applied, as appropriate, to the county and Park Authority sidewalk and trail programs. The timing of this study coincided with ongoing significant work on pedestrian infrastructure priorities by both the Board of Supervisors and county staff.

Unless otherwise directed by the Audit Committee, OFPA will continue the study of sidewalks and trails into the next quarter. In the next quarter's report, we anticipate including analysis of maintenance inventory countywide including age, rehabilitation strategies, funding allocations and expenditures. We also anticipate engaging DPWES, DOT and the Park Authority in discussions to evaluate how some of the best practices noted in this report could fit into a coordinated sidewalk and trail rehabilitation plan.

Telecommunications – Budget Review
The Department of Management and Budget (DMB) allocates the General Fund operating expenditure budget to various expenditure codes. OFPA staff analyzed the trend of the County's General Fund budget to actual telecommunications expenditures for the past five fiscal years. Although actual telecommunications expenditures have been consistent during the past five fiscal years, the telecommunications budget has varied substantially above actual expenditures. Budgeted and actual telecommunications expenditures have consistently shown a positive balance of at least $3 million each year for the past five years. In fiscal year 2011, the telecommunications budget was $15.7 million while actual expenditures were $11.2 million, a positive difference of $4.5 million. We recommend that DMB review the General Fund budget allocations for

operating expenditures during the fiscal year 2013 budget process to ensure that budgeted expenditures are more accurately aligned with actual expenditures. As part of this process, the County should consider reallocating at least $1.5 million of the telecommunications expenditure budget to support other needed General Fund expenditures.

Internal Service Fund Review – Technology Infrastructure

Internal service funds are established to account for the financing of services and equipment provided by one department or agency to other departments or agencies within the same organization. The County's Technology Infrastructure internal service fund provides support for the County's data center, network services, desktop and laptop replacements, and other IT-related services and equipment provided by the Department of Information Technology (DIT). In fiscal year 2011, County agencies paid approximately $26 million in charges for services and equipment provided by DIT. The Technology Infrastructure Fund maintains reserves that primarily resulted from revenues exceeding expenditures. In fiscal year 2010, the Technology Infrastructure Fund provided a $4.6 million transfer back to the General Fund. OFPA recommends that the County review the status of the reserves in the Technology Infrastructure Fund to identify additional opportunities to support the General Fund. If the fiscal year 2012 actual ending balance for the Technology Infrastructure Fund is higher than currently projected, the County should consider transferring at least $1 million back to the General Fund in accordance with financial accounting and reporting standards.

Seniors-On-The-Go and Taxi Access Review

The Seniors On-The-Go and Taxi Access programs were transferred from the Department of Transportation to the Department of Neighborhood and Community Services (NCS) in FY 2012. OFPA and NCS have examined the possibility of reducing or eliminating the FY 2010 price increase for Seniors On-The-Go, while remaining within the FY 2012 funding level. At this time NCS has been responsible for the program for less than six months and would like to gain additional program experience and consider options to increase usage of the Seniors On-the-Go program while reducing usage of the more expensive Dial-A-Ride program. The goal of any price adjustment would be to align the service utilization with the current level of funding provided by the Board of Supervisors. Any price adjustments recommended by NCS will be brought forward as part of the next budget carryover.

Fraud Hotline – History and Status

The OFPA hotline commenced operations in 1997, with calls being answered on mostly a pro-bono basis by a private firm. Call volume decreased from a peak of 70 in 1997 to a total of four in 2006. Most of the issues raised via the hotline calls were routed to the County Executive's Office and assigned to individual agencies for review and response. Once the County Executive's Office considered the issue resolved, the Auditor of the Board received a memo explaining the outcome. After a business merger resulted in calls no longer being answered on a pro bono basis, the Audit Committee opted to let the County's Internal Audit Office handle calls via the separate hotline they established in 2004. The Internal Audit Office is currently developing plans, in conjunction with the Office of Public Affairs, to increase the public's awareness of the hotline. These plans will include a strategy for maintaining the public's awareness on a long term basis.

STUDY BRIEFINGS

DULLES METRORAIL PROJECT

The Audit Committee requested that OFPA monitor the Dulles Corridor Metrorail Project (Project) with a focus on the project costs and project timeframes. OFPA is tracking the following areas: 1) Project Cost, 2) Start of Revenue Service and 3) Funding Obligations.

Currently, only Phase I is under active construction. Information used in this OFPA report is based on the September 2011, MWAA Monthly Progress Report, dated November 2, 2011.

I. PROJECT COST STRUCTURE

A. Phase I Budget

Phase I of the project has a total budget of approximately $3.2 billion. As of September 2011approximately $1.6 billion or approximately half of the Project funds have been expended.[1] The Project team assesses Phase I as 53% complete.[2] The overall project expenditure and construction completion rates are running in parallel. The Contingency budget of $297.7 million and the Allowance budget of $485.7 million are 9% and 15% of the total Phase I budget respectively. The Project faces challenges in containing the usage rates of the Contingency and Allowance budgets.

B. Change Orders

The MWAA report divides change orders into two broad categories: Amended and Restated Design Build, and Utility Relocation. Through September 2011, there were $77.3 million in total changes to the Design Build category[3] which represent approximately 4.5% of the original total contract amount.

There have been $22.9 million in total changes to the Utility Relocation category, which represent 17.7% of the total original contract amount.[4] MWAA assesses this project phase as 99% complete.[5] The Utility Relocation category data has been unchanged for approximately one year.

C. Contingency Utilization

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 phase. The federal contingency had a starting balance of $297.7 million. Of this amount, $189.6 million has been utilized through project phases 1- 5.

[1] MWAA September Monthly Progress Report: Table 5, Page 11
[2] MWAA September Monthly Progress Report: Page 4
[3] MWAA September Monthly Progress Report: Table 11, Page 28
[4] MWAA September Monthly Progress Report: Table 12, Page 29
[5] MWAA September Monthly Progress Report: Page 4

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

Federal Contingency Utilization Summary, September 2011						
PHASE #	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	$ -
2		Station Design Complete[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	$ -
4		Aerial and Station Foundations Complete	$ 23,000,000		$ 12,617,195	$ 10,382,805
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		$ 189,617,194	$ 108,145,385

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 non federal funding.

Source: MWAA Monthly Progress Report, September 2011 - Table 17, p 34

There is an additional $37.3 million of Federal Contingency that has been obligated for Project phases 6 through 10. Since those obligations have not been utilized they are not included in the above MWAA table. To summarize the status of the Federal Contingency, of the original $297.7 million budget, $189.6 million has been utilized and $37.3 million obligated – leaving a balance of $70.8 million as of September 2011, or 24% of the original allocation. The following MWAA table shows the contingency balance after utilized and obligated amounts have been subtracted. These figures do not include contingency amounts which are being reviewed or negotiated by MWAA.

Federal Contingency Utilized and Obligated Summary, *September 2011*			
	BUDGET	**TO-DATE**	**REMAINING**
Phase 1 through 5	$ 200,000,000	$ 189,617,194 (Utilized)	$ 10,382,806
Phase 6 through 10	$ 97,762,579	$ 37,312,946 (Obligated)	$ 60,449,633
TOTAL	$ 297,762,579	$ 226,930,140	$ 70,832,439
Source: MWAA Monthly Progress Report, September 2011 - Table 20, p 41			

There is approximately $31.6 million in additional Contract Change Orders currently under evaluation by MWAA.[6] Depending on the outcome of these evaluations all or a portion of these change orders could be applied against the contingency budget.

D. Allowance Items

There is a $485.7 million budget for allowance items. As the table on the next page shows there are 17 major allowance items, each of which may contain multiple sub-projects.

[6] MWAA September 2011 – Monthly Progress Report, Tables 13 & 14, Pages 30 & 31

Allowance Items Costs, September 2011

ALLOWANCE ITEM #	DESCRIPTION	ALLOWANCE ITEMS AWARDED AND TRANSFERRED TO FIRM FIXED PRICE			
		ALLOWANCE BUDGET W/COMMODITY ESCALATION	BUDGET AWARDED	AWARDED COST	BUDGET AWARDED/ AWARDED COST VARIANCE
C-1	Trackwork [3]	$ 81,431,330	81,431,330	$ 82,209,767	$ 778,437
C-3	Station Finishes & MEP [4]	$ 88,834,891	42,386,869	$ 72,199,040	$ 29,812,17
C-4	WFCY Sound and Box Platforms	$ 6,686,211	$ -	$ -	$ -
C-12	WFCY S&I Building (excludes Site Work)	$ 21,078,576	$ -	$ -	$ -
C-5	Pedestrian Bridges [2]	$ 13,614,891	3,591,557	$ 3,591,557	$ -
C-6	Site Development [1]	$ 44,898,579	1,956,269	$ 2,586,638	$ 630,369
C-12	WFCY S&I Building (Site Work only)	$ 7,960,439	$ -	$ -	$ -
C-7	Installation of Public Art	$ 633,862	$ -	$ -	$ -
C-8	Communications and Security	$ 25,827,090	25,827,090	$ 24,853,006	$ (974,084)
C-9	Fire Suppression	$ 2,667,214	$ -	$ -	$ -
C-10	Elevators and Escalators	$ 38,732,282	38,732,282	$ 36,972,266	$ (1,760,016
C-11	Spare Parts	$ 5,515,011	$ -	$ -	$ -
C-13	Traction Power Supply	$ 59,318,269	32,714,539	$ 47,134,151	$ 14,419,61
C-14	ATC Supply [6]	$ 27,944,840	26,918,598	$ 36,683,380	$ 9,764,782
C-15	Corrosion & Stray Currents	$ 1,579,685	1,579,685	$ 6,918,927	$ 5,339,242
C-16	Contact Rail [3]	$ 10,555,341	10,555,341	$ -	$ (10,555,341
C-17	Replacement Parking at Wiehle Avenue During Construction	$ -	$ -	$ -	$ -
	D-B Allowances Subtotal - Fed	$ 437,278,511	265,693,560	$ 313,148,732	$ 47,455,17
C-2	Wiehle Parking Garage (By others)	$ 29,091,684	$ -	$ -	$ -
	Total Allowance Items - Fed	$ 466,370,195	265,693,560	$ 313,148,732	$ 47,455,17
C-6A	Site Development - Non Fed	$ 18,687,604	$ -	$ -	$ -
C-8A	Communications and Security - Non Fed [5]	$ -	$ -	$ 2,225,612	$ 2,225,612
C-13A	Traction Power Supply - Non Fed [5]	$ 716,079	$ -	$ 8,503,731	$ 8,503,731
C-14A	ATC Supply - Non Fed [5]	$ -	$ -	$ 3,327,331	$ 3,327,331
	Total Allowance Items - Non Fed	$ 19,403,683	$ -	$ 14,056,674	$ 14,056,674
TOTAL ALLOWANCE ITEMS - FEDERAL and NON-FEDERAL		$ 485,773,879	265,693,560	$ 327,205,406	$ 61,511,84

1. MOT Early Roadwork Subcontract awarded cost is $40,186,785 for which scope verses budget is under evaluation. So far Site Demolition, Pond 6 Landscaping and Wayside Facilities - Remote Building Sites has been awarded for $59,324, $66,712 & $2,460,602 (Budget=$1,828,671) respectively.

2. Pedestrian Bridges (Design Fabrication & Delivery) budget awarded is considered same as Subcontract awarded cost in absence of detailed breakdown in the budget.

3. Trackwork & Contact Rail are awarded as one Subcontract. The awarded cost of $82,209,767 is shown in item # 1 in the above table.

4. Awards include (i) Early MEP Trades for award cost of $3,108,128, (ii) Late MEP Trades for award cost of $50,523,384 (Budget=$27,163,926), (iii) Wayside facilities - Remote Building Sites for an award cost of
$12,918,158 (Budget=$6,601,162), and Miscellaneous and Ornamental Steel for award cost of $5,649,370 (Budget=$5,147,732).

5. 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 non federal funding.

6. ATC Cables - portions of C-14, was revised from $6,638,205 to $6,395,889 due to reduction in quantities . The credit of $242,316 has not been processed as of *September 30, 2011* .

Source: MWAA Monthly Progress Report, September 2011 - Table 9, p 25

Total committed funds through the September 2011 MWAA Progress Report are $327.2 million, representing 67% of the allowance budget. Overruns are funded by contingency drawdowns. There have been $61.5 million in overruns through September 2011. DTP has submitted requests for Contract Price Adjustments which could exceed the Allowance Item budget for those categories by approximately $84 million.[7] On a case by case basis MWAA examines if the DTP request is appropriate to the project scope and within the contract terms.

[7] MWAA September 2011 – Monthly Progress Report, pp. 22 - 24

II. START OF REVENUE SERVICE FOR PHASE I

Overall Project Schedule

The MWAA report for September 2011 now anticipates a lag of 161 days (as projected by DTP) with the start of revenue operations in May 2014.[8] (Note the official schedule has not been changed, this is a DTP projection.) The MWAA Project Team continues to pursue numerous long standing disagreements concerning DTP's projection of schedule delays. The Project Team includes significant detail as to the rationale and scope of the disagreements in its monthly reports.

Previous quarterly reports noted the ongoing disagreements between MWAA and DTP related to the West Falls Church rail yard and the railcar delays caused by the March 2011 earthquake in Japan. The DTP schedule projections do not include the rail yard or rail car delivery risks. (At this Project stage the rail car delivery is a WMATA risk, but has implications for the overall project.)

The Project Team continues to document what it considers significant discrepancies with DTP schedule projections and schedule performance.[9] The Project Team reports it has provided DTP with findings, recommendations and proposed corrective measures over the last several months.[10] The MWAA Project Team and DTP are continuing efforts to resolve and mitigate the schedule issues.

III. FUNDING OBLIGATIONS OF FAIRFAX COUNTY

Based on the current 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 3 to 9 months, as significant project phases are completed, the ability of MWAA to complete the Phase I - Design Build contract within budget will become apparent.

[8] MWAA September 2011 – Monthly Progress Report, p. 47
[9] MWAA September 2011 – Monthly Progress Report – Chapter 6 – Project Schedule pp. 41 - 49
[10] MWAA September 2011 – Monthly Progress Report, p. 42

SIDEWALKS AND TRAILS MAINTENANCE – FUNDING REVIEW

As directed by the Audit Committee, OFPA began a review of funding for sidewalks and trails. [11] The study scope was broad and encompassed sidewalks and trails in both the county and Park Authority programs. [12] OFPA met with staff and managers from the Department of Transportation (DOT), the Park Authority and the Department of Public Works and Environmental Services (DPWES) to gather information about funding for sidewalks and trails. The broad scope of this study at the outset became narrow as we identified infrastructure maintenance funding as a shared concern across the county's sidewalk and trail network.

This report includes initial observations made during the course of this quarter and the results of research OFPA conducted on practices that could be applied, as appropriate, to the county and Park Authority sidewalk and trail programs. The timing of this study coincided with ongoing significant work on pedestrian infrastructure priorities by both the Board of Supervisors and county staff. The Board is beginning discussions regarding their Transportation Plan that will include priorities for multi-modal transportation projects including sidewalk and trail facilities. County staff, in preparing for the FY 2013 budget are evaluating infrastructure construction and maintenance funding. OFPA is sensitive to the current work being done by stakeholders and offers observations and best practice research that the Board and county staff can consider in their ongoing work on sidewalks and trails.

Sidewalk and Trail Infrastructure – Increasing Maintenance Responsibility

Multi-modal sidewalks and trails form an integral part of the County's transportation infrastructure. Sidewalks and trails are critical assets that provide multiple transportation uses. The term *multi-modal* is used in the transportation industry for facilities that have multiple uses (pedestrian, bicycle) and have multiple connection opportunities to other types of transportation (bus, rail).

The county has benefited in recent years by federal and state emphasis on multi-modal transportation network improvements that have resulted in additional funding opportunities for construction of sidewalks and trails countywide. Leveraged construction funding has resulted in an annual completion of projects that have improved the overall network of sidewalks and trails and increased county and Park Authority inventory.

After construction is complete, operational and maintenance responsibility of a sidewalk or trail is determined by a number of factors including the location inside or outside of right-of-way, easements and land ownership. In an effort to leverage construction resources, sidewalk and trail facilities are often built by one party (a developer, for example) but then revert to the county or the Virginia Department of Transportation (VDOT) for maintenance based on the factors just described.

The majority of sidewalks and trails constructed within VDOT right-of-way are maintained by VDOT. However, VDOT only maintains pedestrian and bicycle facilities that are built within their right-of-way and that meet their construction standards. If there are constraining issues like topography involved that prevent the project from being constructed to VDOT standards, the maintenance responsibility, in most cases, falls to the county. According to DOT staff, many of the missing links constructed in recent years are in areas with challenging topography or other factors that require non-VDOT-standard construction.

[11] The term **sidewalks and trails** is used throughout this report to refer to multi-modal facilities for pedestrian, bicycle, equestrian, and general non-motorized use.
[12] The term **county and Park Authority** is used throughout this report to refer to the sidewalks and trails that are constructed and/or maintained by DOT, DPWES and the Park Authority.

Maintenance Responsibility & Miles				
	VDOT	County	Park Authority	HOA/ Other
Within VDOT ROW	X[1]	X	X	
Easements Outside VDOT ROW		X	X	
Land Owned by Public Entity		X	X	
Land Owned by Private Entity				X
Approximate Maintenance Miles[2]		640	310	

[1] Subject to state criteria. Walkways that do not meet state criteria are maintained by DPWES or the Park Authority if along the frontage of park land..
[2] Per staff, approximate maintenance miles data available for county and Park Authority only. Total does not include pedestrian bridges and fair weather crossings. There are over 380 pedestrian bridges and 135 fair weather crossings in the combined County/Park Authority inventory for maintenance.
Source: Adapted from table 8.4 in Fairfax County Public Facilities Manual; approximate maintenance miles per Park Authority and DPWES staff.

As the county has focused on building a multi-modal network with leveraged construction funding inside and outside of VDOT's right-of-way, the number of miles of county and Park Authority maintenance responsibility has increased. Park Authority staff reports that since FY 2010, five miles of new trails have been added to their maintenance inventory. County maintained sidewalks and trails (those maintained by the Maintenance and Stormwater Management Division of DPWES) have increased by approximately 45 maintenance miles since FY 2010 and staff reports an estimated value of $150 million dollars in walkway assets.

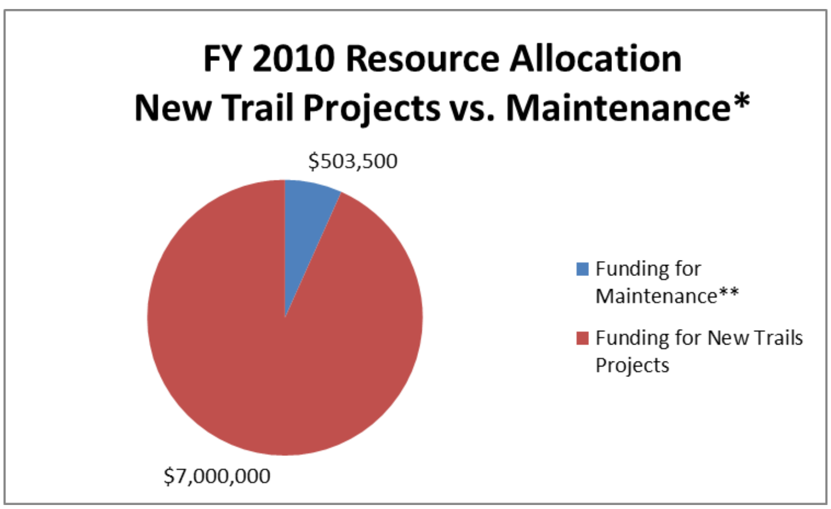
Maintenance Funding Opportunities are Limited
Discussions with staff this quarter included many examples of leveraged funding for construction of sidewalk and trail projects. Limited maintenance funding, however, was noted by all agencies as a significant concern. Maintenance countywide has been reduced in recent budget years to minimum service levels based on requests and emergency needs. DPWES and the Park Authority are currently engaged in emergency trail maintenance resulting from Tropical Storm Lee. The repair work is ongoing and the costs incurred will be drawn from the funds that would have otherwise been used for other requested emergency maintenance. According to DPWES and the Park Authority, ADA compliance projects, removal of downed trees and some limited mowing comprise the bulk of maintenance work on existing infrastructure. All maintenance work conducted on approximately 950 miles of sidewalk and trail infrastructure countywide is emergency in nature and is initiated by request.

As critical sidewalk and trail inventory grows and ages, maintenance costs will gain significance alongside construction costs. Staff noted limited outside sources for maintenance funding. OFPA found localities across the nation with similar sidewalk and trail maintenance challenges. The table below compares the array of construction funding sources identified during our initial review to maintenance funding sources in Fairfax County.

Sidewalk & Trail Funding Sources		
	County (DOT,DPWES)	Park Authority
Construction		
Federal & State Aid	X	
C & I Tax [1]	X	
Transportation Bonds	X	
Park Bonds		X
General Fund	X	X[3]
Proffers	X	X
Future Construction Escrows	X	
Grants	X	X
Donations		X
Maintenance		
General Fund [2]	X	X
Volunteers		X

[1] Commercial and Industrial Real Estate Tax for transportation authorized under the Transportation Funding and Reform Act of 2007 & implemented by the Board of Supervisors as part of the FY 2009 Adopted Budget Plan. The current rate is $.11 per $100 of assessed value.
[2] Both county and Park Authority staff noted use of general fund support for maintenance.
[3] Although the Park Authority does not typically receive General Fund support for trail construction, Park Authority staff noted that the Board allocated General Fund dollars for the construction of the missing segments of the Cross County Trail.
Source: Discussions with county and Park Authority staff

Construction resource allocation versus maintenance resource allocation was illustrated in our initial discussions this quarter with staff in DPWES. Below is a chart adapted from the information provided by DPWES for FY 2010.



*This chart depicts county trail projects and county maintenance and does not include Park Authority data.
**Maintenance includes both routine and capital maintenance for FY 2010. Staff used FY 2009 actual routine maintenance expenditures in this calculation. Staff noted that the overall FY 2011 allocation for maintenance was reduced by approximately 40%. OFPA anticipates further analysis of FY 2011 allocations and expenditures as this study continues.
Source: Maintenance and Stormwater Management Division, DPWES: Presentation to the Trails and Sidewalks Committee, March 10, 2010.

Trails and Sidewalks Committee Provides Important Oversight on Critical Infrastructure
The Fairfax County Trails and Sidewalks Committee is a Board of Supervisors appointed committee that provides citizen input and oversight to planning and developing of the countywide trails system. The Committee was originally established in 1978 in recognition of the need to coordinate the development of a sidewalk and trail network. While the development of the network continues, the maintenance of that network is an ever increasing concern of the Committee. OFPA attended the Committee meeting on November 9, 2011, where the Committee received an update on previous requests for information on the use of volunteers for maintenance of county sidewalks and trails. Recent Committee meetings have also included discussions on maintenance with presentations by the Maintenance and Stormwater Management Division of DPWES and the Park Authority.

It was clear from our observations that the Committee is engaged and interested in keeping the overall sidewalk and trail network viable. The charter and bylaws of the Committee maintain the initial focus on which the Committee was originally formed - the development and construction of new facilities. The Committee, in its work, is making the natural transition to both construction of new facilities and maintenance of existing infrastructure as the county's network continues to expand and age. In addition to development oversight, OFPA believes there may be opportunities for the Committee to advise the Board on maintenance of the existing multi-modal network of sidewalks and trails.

Best Practices for Sidewalk and Trail Infrastructure Maintenance
During the course of our research we found communities across the nation challenged with maintaining critical sidewalk and trail networks. Below are some of the practices found in our research that may be opportunities for efficiency in the county's sidewalk and trail programs. Some of the practices were found internally. This is an indication that better coordination and information sharing between county agencies and departments can improve the efficiency and effectiveness of the entire sidewalk and trail network. In addition to the practices noted below, OFPA believes further review and analysis is warranted to determine how these practices fit into a coordinated sidewalk and trail rehabilitation plan for the county.

Document Inventory and Budget for Maintenance

1. Many localities adhering to GASB 34 consider useful life standards in depreciating infrastructure assets including sidewalks and trails. [13] While these standards are used as components of an accounting exercise, they also provide a useful standard for maintenance planning. Generally accepted useful life standards include: 30 years for concrete sidewalks, 20 years for asphalt trails, 10-15 years for natural surface trails and 25-30 years for pedestrian bridges.
2. Using GPS technology, localities nationwide are updating their sidewalk and trail asset inventory records. Accurate inventory records make condition assessments easier to conduct on routine cycles. OPFA noted standard three-year assessment cycles. Over the course of three years, the entire network is evaluated for maintenance needs that result in an improved basis for maintenance funding. [14] The Park Authority used GIS technology to complete a trail inventory project last year.

[13] The Governmental Accounting Standards Board's (GASB) Statement No. 34 requires that governments depreciate their capital assets including sidewalk and trail infrastructure.
[14] Also as a result of GASB 34, local governments are turning to Asset Management Systems to manage capital assets. Many Asset Management Systems include a 3-year condition assessment cycle.

3. The State of Vermont considers costs and responsibility for maintenance when projects are planned and budgets are developed. They calculate 3-5% of infrastructure replacement costs to be spent on annual maintenance.
4. The Park Authority's Trail Development Strategy Plan includes prioritization criteria for trail development. A sustainability factor is used to evaluate proposed trail projects. Each proposal receives a weighted score on several factors including the estimated maintenance cost (costs dependent on trail surface, width and location). DOT could use a similar strategy for proposed projects that will be county maintained as those projects have a long-term fiscal impact beyond just construction costs. Maintenance estimates made during the project development stage could be helpful in developing annual maintenance budgets.
5. DPWES has considered at least two approaches to developing a maintenance program budget for asphalt trails, in particular. One is a remove/replace approach; the other is a re-surface approach. Both target 5% of the asphalt trail inventory annually (approximately 32 miles per year). Both approaches will require analysis of inventory age and condition to determine maintenance priority areas.

<u>Community Partnerships Provide Additional Resources</u>

1. The Park Authority reports successful partnerships with non-profit trail organizations that contribute monetary donations and labor to Park Authority trail maintenance. Volunteers identify maintenance needs and provide labor for smaller scale maintenance projects. The Trails and Sidewalks Committee has requested information from Department of Transportation and DPWES staff on similar volunteer efforts for county maintained sidewalks and trails. DPWES and DOT are reviewing the use of volunteers. DPWES has engaged in discussions with at least one community trail organization on their participation and assistance with trail maintenance. While it is clear that DOT and DPWES support the concept, several issues remain including project scopes and agreements with community groups on roles and responsibilities. Our research found Adopt-A-Trail programs similar to the Park Authority's program and the one being considered by DPWES throughout the country. Adopters are often recognized with signage along the trail.
2. Adopt-A-Stop programs were also noted in our research for bus stops in some localities. Nearby businesses in commercial areas are the prime targets for an Adopt-A-Stop program. Localities with this program recognize contributing businesses with signs at the bus stop.
3. We found localities and non-profit trail organizations in our research that partner with state transportation agencies like VDOT and VDOT contractors to receive donations of recycled asphalt millings for construction and reconstruction of asphalt trails.
4. There may be opportunities for contract, equipment and expertise sharing with external partners. Some sharing occurs currently on contracts regionally. Additional opportunities may exist for partnerships with regional entities including the Northern Virginia Regional Park Authority.
5. OFPA previously reported on Wireless Telecommunications Facilities in the county in January 2011. OFPA recommended that the county prepare to benefit from an emerging sector of the telecommunications industry: Distributive Antenna System (DAS) networks. DAS networks allow wireless carriers to provide additional capacity and by design are far less obtrusive than the traditional wireless tower facility or rooftop antennas. DAS networks, due to their smaller size, allow greater aesthetic creativity. If space were leased to carriers along appropriate sidewalks

or trails to install and operate DAS networks, the lease revenue could provide a source for maintenance funding.

6. Our research noted trail maintenance partnerships with utility companies where trails are built in utility easements. The Park Authority reported coordination with utility companies on construction and noted a recent example of a new trail and stream crossing in the Cub Run Stream Valley built as part of the Transcontinental Gas Pipeline.

Internal Coordination Opportunities to Increase Efficiencies and Cost Savings

1. Since maintenance funding sources are shared, for the most part, by DPWES and the Park Authority, additional maintenance efficiencies may exist for spot improvements with shared knowledge, equipment, and contracts.
2. Our research noted a lending library concept used for maintenance equipment that may be necessary to have on hand but is not used every day. Efficiencies may be found between the Maintenance and Stormwater Management Division, the Park Authority and other entities that use similar equipment for specialized maintenance of sidewalks and trails.
3. The Sheriff's Community Labor Force is already assisting DPWES with maintenance of bus shelters. In Chesterfield County, Virginia, a similar sheriff's department program assisted in the construction of a trail at the county's government center complex. [15] There may be additional efficiencies and cost saving opportunities available in Fairfax County for Community Labor Force assistance. Possibilities include trail mapping, trail assessment, and/or maintenance.
4. OFPA found additional opportunities for coordinated grant applications between DOT and the Park Authority using non-traditional grant sources. Our research identified a relatively small VDOT aid program targeting access to public recreation areas including those operated by a local government or park authority. The Recreational Access Program, administered by VDOT, provides funds to park authorities and local governments for reconstruction and maintenance of pedestrian access facilities to recreational areas. Because it is a VDOT grant, it may not have been considered for coordinated application by the Park Authority and DOT in recent years. Park Authority and DOT staff noted other coordinated projects, most notably the current Burke VRE trail segment under construction.
5. OFPA previously reported DPWES's work to reconcile Future Construction Escrow records with the county's financial system in June 2011. The anticipated reconciliation may identify resources for sidewalk and trail construction and/or maintenance.

The above practices are presented as a resource for the Board of Supervisors and staff to consider as their work continues on sidewalk and trail priorities.

[15] Sheriff Department's Community Labor Force Program provides labor crews consisting of well-screened inmates. The program partners with county agencies to provide labor services that include removing trash at over 300 bus stops and shelters, graffiti removal, and landscaping services at county facilities.

Continuing Study of Sidewalk and Trail Maintenance

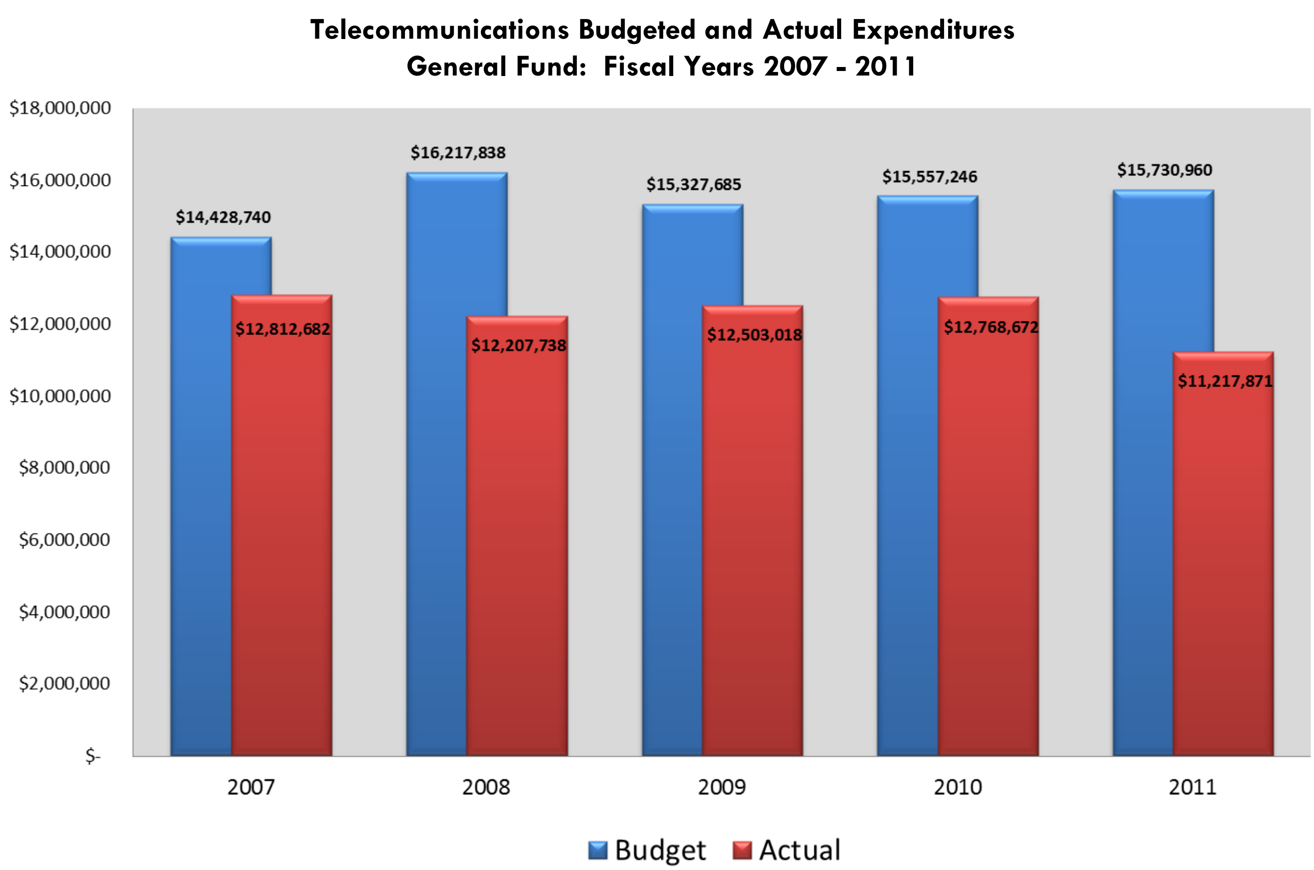
Unless otherwise directed by the Audit Committee, OFPA will continue the study of sidewalks and trails into the next quarter. Our discussions with staff to date have noted concerns about the county's maintenance of critical sidewalk and trail infrastructure. In the next quarter's report, we anticipate including analysis of maintenance inventory countywide including age, rehabilitation strategies, funding allocations and expenditures. We also hope to engage DPWES, DOT and the Park Authority in discussions to evaluate how some of the best practices noted in this report could fit into a coordinated sidewalk and trail rehabilitation plan. Feedback from departments on this report indicated an interest in continuing this study.

TELECOMMUNICATIONS – BUDGET REVIEW

The Department of Management and Budget (DMB) allocates the General Fund operating expenditure budget to various expenditure codes. The expenditure codes allow county agencies to track their budgets for a variety of operating expenditures including office supplies, fuel, uniforms, consultant services, and telecommunications. In fiscal year 2011, the total budget for General Fund operating expenditures was $387 million. Of the total $387 million budget, county agencies spent approximately $331 million, leaving a positive balance of $56 million. According to the 2011 budget carryover package, approximately $34 million of the $56 million balance was encumbered (reserved) for future expenditure commitments. OFPA examined the expenditure codes that contributed to the positive balance between budgeted and actual expenditures in the General Fund. We found that the telecommunications expenditure codes were consistently below budget and had one of the highest positive balances between budgeted and actual expenditures.

Telecommunications Expenditures Have Been Consistently Below Budget

OFPA staff analyzed the trend of the County's General Fund budget to actual telecommunications expenditures for the past five fiscal years. As shown in the chart below, we found that actual telecommunications expenditures were consistently below budgeted expenditures.



Although actual telecommunications expenditures have been consistent during the past five fiscal years, the telecommunications budget has varied substantially above actual expenditures. In fiscal year 2011, the telecommunications budget was $15.7 million while actual expenditures were $11.2 million, a positive difference of $4.5 million. As we discussed in our September 2011 quarterly report, the Department of Information Technology has successfully recovered over $3 million in overbilled telecommunications charges during the past six years, which could have contributed to the difference between budgeted and actual telecommunications expenditures.

The Telecommunications Budget Should be More Closely Aligned with Actual Expenditures
As the County navigates through challenging economic conditions during the next several years, it is important to ensure that budgeted expenditures are more accurately aligned with actual expenditures. When compared to actual expenditures, budgeted telecommunications expenditures have consistently shown a positive balance of at least $3 million for each of the past five fiscal years. According to DMB officials, this balance has traditionally been used by agencies to offset other operating requirements within the same fiscal year. DMB officials also noted that the total fiscal year 2011General Fund budget for operating expenditures ended with a positive net balance overall of $9 million.

Recommendation
For the fiscal year 2013 budget cycle, the Department of Management and Budget should review the General Fund budget allocations for operating expenditures to ensure that budgeted expenditures are more accurately aligned with actual expenditures. As part of this process, the County should consider reallocating at least $1.5 million of the telecommunications expenditure budget to support other needed General Fund expenditures.

INTERNAL SERVICE FUNDS REVIEW – TECHNOLOGY INFRASTRUCTURE

Internal service funds are established to account for the financing of services and equipment provided by one department or agency to other departments or agencies within the same organization. The internal charges for services that one department or agency charges another department or agency should be on a cost-reimbursement basis. The County currently has five internal service funds: (1) Vehicle Services, (2) Self-Insurance, (3) Document Services, (4) Health Benefits, and (5) Technology Infrastructure. This review focused on the Technology Infrastructure Fund. The Technology Infrastructure Fund provides support for the County's data center, network services, desktop and laptop replacements, and other IT-related services and equipment provided by the Department of Information Technology (DIT).

The Department of Information Technology Charges County Agencies for IT Services and Equipment

DIT charges agencies fees to cover the costs of providing a variety of IT services and equipment. These charges cover the costs of operating and maintaining the data center, providing network services and communications equipment, and replacing desktops and laptop computers. The revenues generated from internal IT-related charges are recorded in the Technology Infrastructure Fund. In fiscal year 2011, County agencies paid approximately $26 million in charges for services and equipment provided by DIT. For example, DIT charges county agencies an annual $500 fee for each desktop and laptop computer to cover PC replacement costs over a five year cycle. The table below shows the revenue and expenditure activity in the Technology Infrastructure Fund over the past five fiscal years.

Technology Infrastructure Fund
Internal Service Charges and Costs: Fiscal Years 2007 - 2011

	2007	2008	2009	2010	2011
Charges for Services	26,274,801	26,570,240	26,582,739	26,396,829	26,563,487
Transfers In:					
From General Fund (001)	1,816,291	1,814,103			
From Cable Communications (105)			1,814,103	1,814,103	1,814,103
Total Revenues	**$ 28,091,092**	**$ 28,384,343**	**$ 28,396,842**	**$ 28,210,932**	**$ 28,377,590**
Cost of Services	(29,388,770)	(28,476,498)	(28,817,984)	(23,694,754)	(28,534,770)
Transfers Out:					
To General Fund (001)			(100,000)	(4,610,443)	
Total Expenditures	**($ 29,388,770)**	**($ 28,476,498)**	**($ 28,917,984)**	**($ 28,305,197)**	**($ 28,534,770)**
Fund Reserves (carried over from prior year)	7,646,278	6,348,600	6,256,445	5,735,303	5,641,038
Ending Balance	**$ 6,348,600**	**$ 6,256,445**	**$ 5,735,303**	**$ 5,641,038**	**$ 5,483,858**

Source: Fairfax County budget documents (fiscal years 2007 – 2011).

Excess Reserves in the Technology Infrastructure Fund Could Provide Additional General Fund Support
The Technology Infrastructure fund maintains reserves that primarily resulted from revenues exceeding expenditures. In fiscal year 2001, county agencies paid $17 million in charges for services provided by DIT, but actual costs were $13 million. By the end of 2002, the Technology Infrastructure reserves had grown to approximately $11.2 million. As shown in the table on the previous page, the reserves totaled $5.4 million at the end of fiscal year 2011. The reserves have decreased over the past five years as revenues have become more closely aligned with expenditures and through transfers back to the General Fund. In fiscal year 2010, the Technology Infrastructure Fund provided a $4.6 million transfer back to the General Fund.

Based on a review of actual revenues, expenditures, and ending balances for the past five fiscal years, OFPA recommends that the County review the status of the reserves in the Technology Infrastructure Fund to identify additional opportunities to support the General Fund. If the fiscal year 2012 actual ending balance for the Technology Infrastructure Fund is higher than currently projected, the County should consider transferring at least $1 million back to the General Fund in accordance with financial accounting and reporting standards.

Recommendations

- The Department of Information Technology and The Department of Management and Budget should continue to monitor revenues and expenditures to ensure that the charges that county agencies pay for IT services are adequately aligned with actual costs and are in accordance with financial accounting and reporting standards.

- During the fiscal year 2013 budget cycle, the County should review the status of reserves in the Technology Infrastructure Fund to identify opportunities for additional General Fund support. If the fiscal year 2012 actual ending balance for the Technology Infrastructure Fund is higher than currently projected, the County should consider transferring at least $1 million from the Technology Infrastructure Fund back to the General Fund in accordance with financial accounting and reporting standards.

SENIORS-ON-THE-GO AND TAXI ACCESS REVIEW

Seniors On-The-Go and Taxi Access are two separate programs operated by Fairfax County to further the mobility of senior citizens and persons with disabilities through subsidized taxi fares. Seniors On-The-Go began as a pilot program within the County in March 2001. Taxi Access began operations in March 2007. Although the programs are essentially similar, participation requirements differ.

Seniors On-the-Go

- Must be 65 years of age or older
- Must be a Fairfax County or City of Fairfax resident
- Must have annual income of $40,000 or less for an individual or $50,000 or less for married couples

Taxi Access

- Must be currently registered with Metro Access
- Must be a Fairfax County or City of Fairfax resident
- There is no income qualification

Both programs had been administered by the County's Department of Transportation; but, in FY 2012, the programs were transferred to the Department of Neighborhood and Community Services (NCS). According to the County's FY 2012 Budget, the change was made in order to consolidate and create efficiencies in both programs and to better align senior services.

Seniors On-The-Go and Taxi Access operate through the sale of discount ticket books that participants buy from the County and use to pay their taxi fares. The taxi companies then submit the tickets to the County for reimbursement. These subsidies represent the most significant cost of the program. The pricing structure and ticket values are shown below:

Pricing Structure		
	Seniors On-The-Go	Taxi Access
Prior to FY 2010	$10	$10
Beginning in FY 2010	$20	$10
12 Month Book Purchase Limit		
Single Applicants	16	8
Joint Applicants	32	NA

Book Price/Value		
Price	Value	Subsidy
$10	$33	69.7%
$15	$33	54.5%
$20	$33	39.4%

In FY 2010 the cost of a ticket book for Seniors On-The-Go was raised to $20. The FY 2010 budget for Seniors On-The-Go was reduced by $126,000 as seniors bore more of the cost of the ticket books. The cost of a ticket book for Taxi Access remained at $10, but in spite of the $10 price, the program has not attracted as many users as anticipated when established in 2007. In FY 2011, the County reduced the budget for Taxi Access by $120,000 in recognition of the lower level of participation.

Information on prior year revenue from ticket book sales, the approved budgets, and actual expenditures for both programs is presented below:

End of Fiscal Year Budget Balance				
Seniors On-The-Go	Ticket Book Revenue	Per Svc & Operating Budget	Actual Expenditures	Revenue + Budget Less Expenditures
FY 2007	$ 66,490	$ 1,164,578	$ 302,305	$ 928,763
FY 2008	$ 70,500	$ 502,720	$ 419,307	$ 153,913
FY 2009	$ 65,160	$ 1,269,657	$ 417,669	$ 917,148
FY 2010	$ 79,090	$ 624,934	$ 193,533	$ 510,491
FY 2011	$ 63,640	$ 281,249	$ 127,613	$ 217,276
Taxi Access				
FY 2007	NA	NA	$ 12,574	NA
FY 2008	$ 11,670	$ 633,240	$ 28,501	$ 616,409
FY 2009	$ 13,160	$ 8,379	$ 40,188	$ (18,649)
FY 2010	$ 9,440	$ 334,243	$ 23,205	$ 320,478
FY 2011	$ 7,880	$ 113,649	$ 51,722	$ 69,807

Seniors On-The-Go		
	New Customer Sign Ups	Ticket Book Sales
FY 2007	421	5,955
FY2008	462	7,275
FY 2009	413	7,461
FY 2010	180	3,871
FY 2011	171	3,204

The action taken in FY 2010 to increase the price of a ticket book for Seniors-On-The-Go participants coincided with a significant reduction on the number of new enrollees into the program and a reduction in ticket book sales.

The reduction in customer activity raises the question of whether a price rollback might have a positive effect on program participation. However, it must also be recognized that such an action would increase the amount of the subsidy being paid by the County on the sale of the books. Using sales averages before and after the price increase, we calculated that reducing the price of a ticket book to the $10 price that existed previously could increase the County's operating expenses to approximately $171,000. Reducing the price to $15 could increase the operating expenses to approximately $110,000. While a reduction in ticket price will result in increased expenditures, this increase will be within the existing funding level approved by the Board of Supervisors. However, these two programs would no longer be returning unspent funds to the General Fund at the end of the fiscal year.

We met with the Director of NCS and his staff to discuss this observation and the possibility of a price rollback in the cost of a Seniors-On-The-Go ticket book. We reviewed the significant drop in both customer sign-ups and ticket book sales after the implementation of the price increase. We also discussed the differences between the amounts budgeted for the Seniors-On-The-Go and Taxi Access programs and the amounts that were actually spent. As a reminder, the programs were operated from DOT when the price roll backs occurred.

During our meeting, the Director pointed out that these programs were transferred to the Department of Neighborhood and Community Services (NCS) in order to better align transportation services. In this regard, he said that one of the Department's goals was to encourage eligible users of the Department's FASTRAN (Dial a Ride) program to begin utilizing Seniors-On-The-Go. This would allow more flexibility for participants in arranging for transportation and enable the County to attract users from a system that is almost fully subsidized by the County to one that is partially subsidized. Reducing the price of a Seniors-On-The-Go ticket book could provide further impetus to that initiative.

The transfer of the Seniors On-The-Go and Taxi Access programs to NCS allows some savings in operational expenses such as advertising and administrative costs. However, the most significant program cost will remain the subsidy of the taxi fares. This transfer from the Department of Transportation also better locates these human service focused transportation functions within a department with a corollary function. However, this transition is less than six months old. The Director of NCS rightfully wishes to gain more experience with incorporating these functions within the department prior to recommending any pricing adjustments.

Recommendation
A number of factors need to be taken into consideration before making any decision on changing the price of a ticket book for Seniors-On-The-Go. NCS does need to gain at least 12 months of experience with the programs to be able to determine any changes in pricing strategy. In order to facilitate a prudent pricing decision, NCS should be allowed to operate the programs through FY 2012 and if the department considers that pricing adjustments can be made, while remaining within the existing program budgets, those recommendations could be brought forward as part of the next budget carryover.

FRAUD HOTLINE – HISTORY AND STATUS

During the September 20, 2011 presentation of the new OFPA web pages and contact points, the Audit Committee discussed the telephone hotline operation previously monitored by OFPA and requested information on current hotline operations and activities.

Background

The Board of Supervisors moved forward with the establishment of a 24 hour Hotline to receive reports of possible waste, fraud and mismanagement within county government in November 1996.[16] Given the technology available at the time, it was the consensus of the Board that a private firm experienced in the operations of such hotlines should be utilized to receive and record calls. The firm was to be staffed with professional call takers trained to deal with callers concerned about anonymity and to obtain pertinent information to establish that the call was appropriate for handling through the hotline. Operations commenced in 1997 with a public relations campaign.

The Fairfax Group through its affiliate Background Research International, LLC responded to a Request for Proposal with a 'pro-bono' offer. Audit Committee citizen member, Michael Hershman is the president of the Fairfax Group. Background Research Intl. LLC received a monthly fee of $125 to cover telephone, answering service and administrative costs.[17] Hotline operations within OFPA were based on a Procedural Memorandum dated July 17, 1995.

Calls received on the hotline were documented by Background Research and forwarded directly to the Auditor of the Board. Based on the Procedural Memorandum, the Auditor of the Board was to refer calls for investigation and action based on the nature of the messages received. Messages were to be referred for follow-up as outlined below:

I. Reports to be referred to the Board of Supervisors through its Chair
- Allegations of misfeasance, nonfeasance or malfeasance on the part of the County Executive, County Attorney or Auditor of the Board.

II. Reports to be referred to individual members of the Board of Supervisors
- Requests for constituent service
- Requests for response from a specific member of the Board of Supervisors

III. Reports to be referred to the County Executive
- Allegations of criminal conduct for referral to the Chief of Police
- Allegations of misfeasance, nonfeasance or malfeasance by county employees
- Questions, requests for and complaints concerning County services
- Allegations/complaints of discrimination in the provision of County services
- Allegations or complaints of employment discrimination in the County's exempt or merit services

IV. Reports to be referred to the Audit Committee
- Allegations that appropriated funds of the County are not being expended for the purposes for which such appropriations were made
- Allegations questioning the effectiveness and efficiency of County agencies and County funded programs.

[16] Board Matter – Katherine Hanley: November 18, 1996
[17] Purchase Order-51349 dated July 8, 1997

The table below shows the number of calls received by the Hotline from calendar years 1997 to 2006. Division of the calls by type was not compiled at that time. The Auditor of the Board during this period, John Adair, was consulted for this study. Mr. Adair advised that almost none of the calls were related to fraud, waste or abuse. Under the procedural memorandum most of the calls were referred to the County Executive's Office. Once the allegation was investigated a report was furnished to the Auditor of the Board documenting the resolution.

Calendar Year	Number of Calls
1997	70
1998	48
1999	6
2000	12
2001	3
2002	2
2003	7
2004	1
2005	9
2006	4

Source: OFPA Records

Through a business merger during calendar 2006, Background Research International, LLC changed ownership. For a period of time the calls were handled by the new owners, who subsequently stopped providing the pro-bono service. When asked during this study, Mr. Adair remarked that after reporting the disruption in the monitoring of the OFPA hotline, the Audit Committee opted to let the County's Internal Audit Office (IAO) hotline handle the calls.

Current Status

The IAO hotline was activated in September 2004. During 2004, the IAO took actions to update and enhance the visibility of the County's Fraud Policy. In 2007, the County's Ethics Policy was revised and the IAO was assigned to oversee compliance with the revised policy and provide answers for ethics related inquiries. Currently, the IAO operates both a traditional Hotline and an Ethics Help Line. The Ethics Help Line provides a forum for county staff to ask questions about potential ethical conflicts as well as report allegations of ethical wrong doing. Responses to inquires about potential conflicts may include coordination with other agencies such as Purchasing, Human Resources or the County Attorney.

The table below shows the number and breakdown of calls concerning instances of alleged fraud and ethics allegations/questions from fiscal year 2007 to 2011.

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Fraud					
Unsubstantiated	6	11	21	16	7
Referred to Other Entity *	6	15	16	13	8
Fraud Noted	0	3	4	2	5
No Fraud, But Control Issues Noted	4	4	4	3	1
Total Fraud Allegations Received	16	33	45	34	21
Ethics**					
Questions	N/A	11	7	3	6
Unsubstantiated	N/A	19	6	15	8
Referred to Other Entity*	N/A	1	1	0	1
Ethics Violation Noted	N/A	2	0	1	0
No Ethics Violation, But Control Issues Noted	N/A	3	2	3	4
Investigation Ongoing	N/A	0	0	0	1
Total Ethics Allegations/Questions Received	N/A	36	16	22	20

*Referred to other entity includes investigations done by Department of Family Services Fraud Unit (e.g., food stamps, Medicare, or similar benefit program fraud), Department of Code Compliance, Social Security Administration, Virginia Department of Professional & Occupational Regulation, etc. In addition, this category includes incidents where individual contacting IAO was referred to the Consumer Affairs Branch of DCCP (e.g., identify theft issues) or directly to the Police Department if the allegation involved external sources (i.e., not county employees) committing financial crimes against county citizens.

**The county's Ethics Policy was revised in September 2007; therefore, there were no ethics allegations or questions received during FY 2007. IAO's Ethics Help Line went into effect in October 2007.

Source: Internal Audit Office

IAO has several training courses and presentations for county staff which are coordinated with other county agencies and conducted on a regular basis. These courses increase fraud awareness and provide tools and resources to make County staff and managers better aware of risks and the controls that should be in place in their agencies.

IAO is developing plans, in conjunction with the Office of Public Affairs (OPA), to increase the public's awareness of the hotline. As part of this plan IAO and OPA will include a strategy for recurring hotline notifications to maintain the public's awareness on a long term basis.

Allegations of inefficiency and misuse of resources are sometimes the subject of constituent calls to Board Member offices. The Auditor of the Board will continue to work with Board Members, via the Board's Audit Committee, on issues of this type. Board Members are encouraged to use the Board's Audit Committee and OFPA as a resource for independent reviews of issues brought to their attention. Issues will be assigned by the Audit Committee to the Board's Auditor and depending on the scope and complexity may be investigated outside of the quarterly report cycle.

PRIOR STUDIES FOLLOW-UP

FUTURE CONSTRUCTION ESCROWS

Our June 2011 report on future construction escrows identified future construction escrow (FCE) deposits that appeared to have been misallocated. The report contained a series of recommendations designed to improve the administration of the future construction escrow program. The Department of Public Works and Environmental Services (DPWES) has expressed a commitment to implementing the recommendations and reporting the correction of the misallocated deposits. Since our June 2011 report, DPWES has worked with the Department of Finance to determine the nature of the difference between its future construction escrow deposit records and the County's financial system (FAMIS). DPWES has identified a group of additional deposits that were recorded in a summary file during the 1997 FAMIS system upgrade, which may account for a substantial portion of the difference. As agreed to by all parties, the county's Internal Audit Office is providing staff resources to assist DPWES with the reconciliation between FAMIS and DPWES' records to help facilitate the correction and reclassification of the FCE deposits.

SCHOOL AGE CHILD CARE (SACC) REVENUE ANALYSIS

In the March 2011 Quarterly Report, OFPA identified improvements to help the School Age Child Care Program manage delinquent program fee accounts. Fees for child care are charged monthly on a sliding scale based on adjusted household income. The study found that the majority of delinquent accounts were in the highest income bracket that pays the full cost of the child care service provided. The March 2011 SACC recommendations were:

- Continue implementation of updated Department of Finance Billing and Collection Procedures to include the addition of administrative collection agent costs (20% of charges owed) to delinquent accounts. Our study found that delinquent SACC accounts did not include an additional 20% to cover the administrative costs of the collection service as allowed by state code and authorized by the Board.
- Impose a 10% late payment fee on accounts not paid by the due date. Our study found no penalty for late payment of a monthly bill and an analysis of accounts revealed a pattern of predictable delinquencies especially in the highest income bracket of the sliding fee scale.

As of November, the Department of Finance continues its efforts to draft guidance to departments for the collection agency fees and late payment penalties.

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 (FMD) and includes participation by both the Park Authority and Fairfax County Public Schools (Schools). The first draft report from the consultant addressing market data is anticipated on November 30, 2011.

FMD, the Park Authority and Schools have also been reviewing maps prepared by the Department of Planning and Zoning that identify current wireless facilities in the county.

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 requirements that relate to fund balance reporting. We also recommended that, to the extent possible, the Department of Finance and the Department of Management and Budget ensure consistency between the County's financial statements and the Budget regarding significant reserve designations. Implementation of GASB 54 is required of all governments to improve the transparency and accuracy of the reporting of reserves.

On October 25, 2011, the Board received a memo from the County Executive which provides information as to the implementation of GASB 54 and its impact on the presentation of reserves.

LIST OF ACRONYMS

ADA	Americans with Disabilities Act
CAFR	Comprehensive Annual Financial Report
DAS	Distributive Antenna System
DIT	Fairfax County Department of Information Technology
DMB	Fairfax County Department of Management and Budget
DOT	Fairfax County Department of Transportation
DPWES	Fairfax County Department of Public Works and Environmental Services
DTP	Dulles Transit Partners
FFGA	Full Funding Grant Agreement
FY	Fiscal Year
GASB	Governmental Accounting Standards Board
IAO	Fairfax County Internal Audit Office
MWAA	Metropolitan Washington Airports Authority
NCS	Fairfax County Department of Neighborhood and Community Services
OFPA	Fairfax County Office of Financial and Program Audit
PMOC	Project Management Oversight Contractor
ROD	Revenue Operations Date
VDOT	Virginia Department of Transportation
WFC	West Falls Church
WMATA	Washington Metropolitan Area Transit Authority