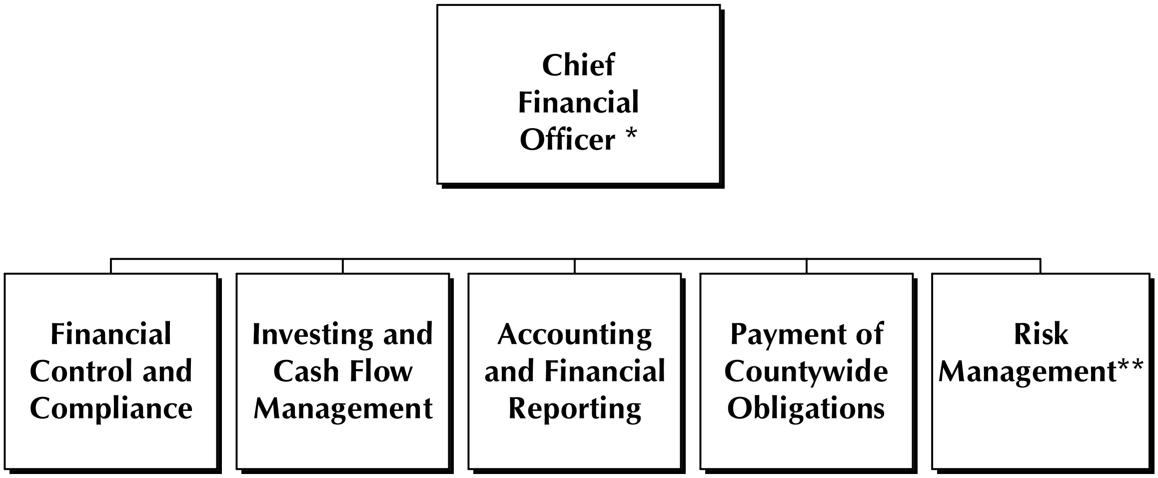
Department of Finance



* The Chief Financial Officer has responsibility for strategic direction of this agency; however, for budget purposes, that position and associated funding are reflected within the Department of Management and Budget.

** The Risk Management budget and program information are reported separately in Fund 501, the County Insurance Fund.

Mission
To protect and maintain the fiscal integrity and financial solvency of the County government.

Focus
The Department of Finance serves the citizens of Fairfax County, its vendors and partners, and agencies throughout the County. The Department's five business areas are Financial Control and Compliance, Investing and Cash Flow Management, Accounting and Financial Reporting, Payment of Countywide Obligations and Risk Management, all of which work together to meet the Department's core business functions. These include collecting non-tax revenue; ensuring accurate processing of financial transactions; investing County cash resources prudently and effectively; identifying and mitigating risk of loss of County financial resources; paying countywide obligations; and ensuring timely reporting of financial data to the governing body, rating agencies, and the public.

In order to provide optimal service to its customers, the Department recognizes that it must remain cognizant of and responsive to the following:

- Partnering with other County departments to leverage resources that are essential toward achieving related objectives;
- Leveraging internal resources to accomplish the Department's mission. This may require analyzing and re-engineering business processes; improving support systems; and using cross-functional approaches and shared resources;
- Responding to the changing countywide requirements and priorities in addition to complying with federal and state legislation, as well as regulatory mandates to accomplish its mission; and
- Maintaining high quality customer service while keeping pace with technological change and increasing demand for improvements to the timeliness of information retrieval.

THINKING STRATEGICALLY

Strategic issues for the Department include:

- Enabling cost reductions in the payment of countywide obligations through implementation of invoice scanning and enhanced electronic document routing approval, filing and retrieval systems;
- Sharing technical expertise and assuring compliance with County policies and sound financial practices; and
- Reducing costs and increasing effectiveness of management reports through implementation of automated reporting capabilities.

Department of Finance

In FY 2007, the Department of Finance will pursue its aggressive strategic plan that focuses on efficiency of operations through new technology and total customer satisfaction. The Department will vigorously pursue automated tools and techniques in all business areas to reduce costs and increase returns.

New Initiatives and Recent Accomplishments in Support of the Fairfax County Vision

Exercising Corporate Stewardship	Recent Success	FY 2007 Initiative
Reduced costs associated with payment of County obligations through electronic payment systems.	☑	
Convert costly manual record retention systems to digital imaging systems.	☑	☑
Reduced costs by expanding the use of electronic signatures to enable efficient electronic document routing.	☑	
Reduce costs and improve effectiveness of management reports through implementation of new, automated reporting capabilities.	☑	☑
Improve access to County programs and services through expanded use of convenient methods of payment, such as by credit card and electronic check.	☑	☑
Reduce costs by replacing labor-intensive payables processes with centralized, automated systems.	☑	☑
Increase revenue and reduce costs by utilizing electronic deposits of checks.		☑

Budget and Staff Resources

Agency Summary

Category	FY 2005 Actual	FY 2006 Adopted Budget Plan	FY 2006 Revised Budget Plan	FY 2007 Advertised Budget Plan
Authorized Positions/Staff Years				
Regular	69/ 69	69/ 69	69/ 69	69/ 69
Expenditures:				
Personnel Services	$4,008,837	$4,356,769	$4,356,769	$4,547,279
Operating Expenses	4,170,967	4,441,776	4,448,502	4,760,362
Capital Equipment	6,295	0	14,995	0
Subtotal	**$8,186,099**	**$8,798,545**	**$8,820,266**	**$9,307,641**
Less:				
Recovered Costs	($507,836)	($492,117)	($492,117)	($520,469)
Total Expenditures	**$7,678,263**	**$8,306,428**	**$8,328,149**	**$8,787,172**
Income:				
State Shared Finance Expenses	$338,790	$370,583	$370,583	$377,995
State Shared Retirement - Finance	11,237	11,464	11,464	11,693
Total Income	**$350,027**	**$382,047**	**$382,047**	**$389,688**
Net Cost to the County	**$7,328,236**	**$7,924,381**	**$7,946,102**	**$8,397,484**

FY 2007 Funding Adjustments

The following funding adjustments from the FY 2006 Revised Budget Plan are necessary to support the FY 2007 program:

- **Employee Compensation** **$190,510**
  An increase of $190,510 in Personnel Services associated with salary adjustments necessary to support the County's compensation program.

- **Contract Requirements** **$57,160**
  An increase of $57,160 in contract requirements, including $54,012 in operating expenses for professional and contracting services associated with the annual audit of County agencies and $31,500 for a contract with an actuarial consultant to provide analysis supporting reporting and compliance actions, offset by an increase in recovered costs of $28,352 for the pro-rated portion of the contract attributable to non-General Fund agencies.

- **Intergovernmental Charges** **$233,074**
  An increase of $233,074 is due to intergovernmental charges. Of this total, an increase of $1,686 is for Department of Vehicle Services charges based on anticipated charges for fuel, vehicle replacement and maintenance costs, and the remaining $231,388 is for Information Technology charges based on the agency's historic usage.

- **Carryover Adjustments** **($21,721)**
  A decrease of $21,721, including $6,726 in Operating Expenses and $14,995 in Capital Equipment associated with one-time replacement purchases of items needed to produce checks for the County and Schools in FY 2006.

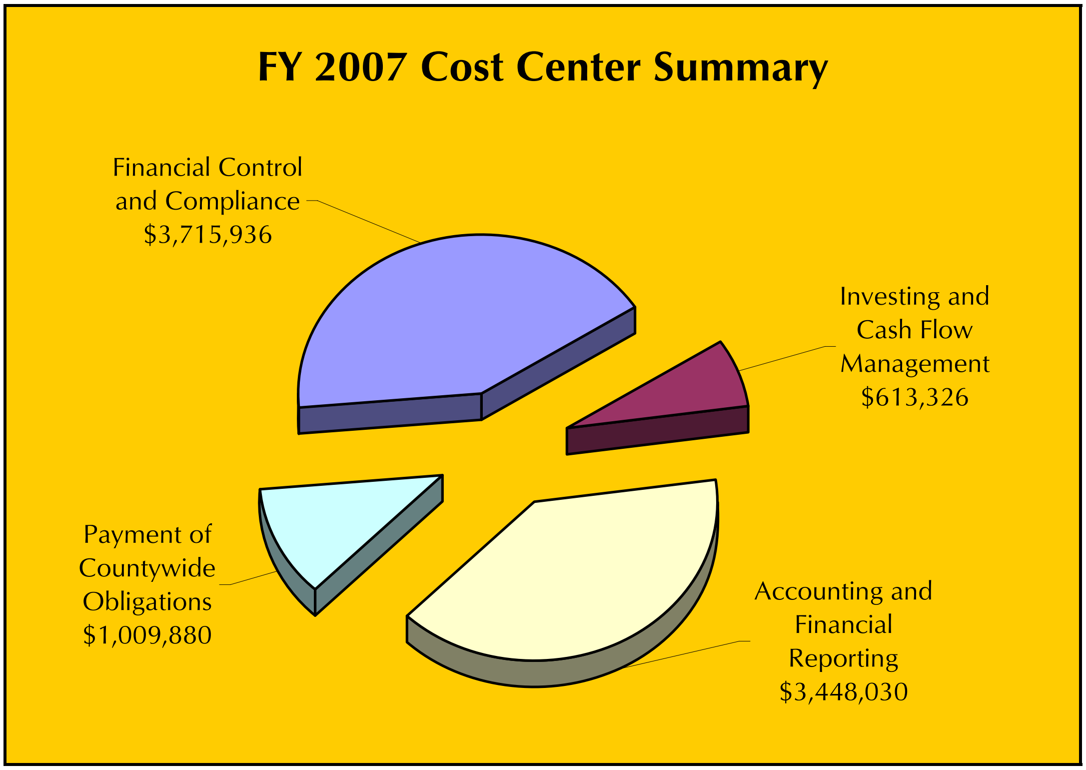
Changes to FY 2006 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2006 Revised Budget Plan since passage of the FY 2006 Adopted Budget Plan. Included are all adjustments made as part of the FY 2005 Carryover Review and all other approved changes through December 31, 2005:

- **Carryover Adjustments** **$21,721**
  As part of the *FY 2005 Carryover Review*, the Board of Supervisors approved encumbered funding of $6,726 in Operating Expenses and $14,995 in Capital Equipment for purchases associated with the replacement of items used to produce checks for the County and Schools.

Cost Centers

The four cost centers of the Department of Finance are Financial Control and Compliance, Investing and Cash Flow Management, Accounting and Financial Reporting, and Payment of Countywide Obligations. These distinct program areas work to fulfill the mission and carry out the key initiatives of the Department of Finance.



Financial Control and Compliance

Funding Summary				
Category	FY 2005 Actual	FY 2006 Adopted Budget Plan	FY 2006 Revised Budget Plan	FY 2007 Advertised Budget Plan
Authorized Positions/Staff Years				
Regular	32/ 32	32/ 32	27/ 27	27/ 27
Total Expenditures	**$2,823,550**	**$3,392,091**	**$3,392,091**	**$3,715,936**

Position Summary					
1	Director	1	Accountant I	1	Info. Tech. Prog. Mgr. I.
1	Deputy Director	3	Business Analysts III	2	Administrative Assistants IV
1	Chief, Finance Division	1	Business Analyst II	3	Administrative Assistants III
1	Management Analyst III	2	Business Analysts I	1	Administrative Assistant II
4	Accountants III	1	Network Analyst III	1	Administrative Associate
2	Accountants II	1	Network Analyst I		
TOTAL POSITIONS 27 Positions / 27.0 Staff Years					

Note: The reduction in the number of FY 2006 positions is attributable to the agency's reorganization according to business areas.

Key Performance Measures

Goal

To continually maintain and improve the financial management systems used across the County in accordance with sound principles of internal control, minimizing inefficiencies or redundancies, and assuring the integrity of data used by the public, the governing body, and County managers.

Objectives

- ♦ To improve compliance and financial support activities in County agencies by facilitating the access to, and the implementation of, services and automated tools that resolve at least 86 percent of the issues identified as needing improvement.

- ♦ To ensure that at least 97 percent of bank accounts are reconciled within 30 days.

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate/Actual	FY 2006	FY 2007
Output:					
Agency compliance and/or program support assessments completed (1)	NA	19	19 / 30	30	30
Bank transactions reconciled and resolved within established timeframe	NA	40,689	42,316 / 45,759	44,010	46,651
Efficiency:					
Staff hours per agency compliance assessment and/or program support effort	NA	53	55 / 43	43	43
Staff hours per 100 bank transactions	NA	1.66	1.42 / 1.32	1.40	1.37
Service Quality:					
Average customer satisfaction rating of assessment and/or program support implementation effort	NA	91%	85% / 90%	90%	90%
Percent change of items requiring reconciliation	NA	(1.6%)	(1.5%) / (0.6%)	0.5%	0.5%
Outcome:					
Percent of agency compliance assessment issues resolved and/or support efforts completed	NA	95%	80% / 86%	86%	86%
Percent of bank accounts reconciled within 30 days	NA	93%	92% / 96%	96%	97%

(1) The objective to assess compliance was expanded to also include activities aimed at improving compliance and financial processes (such as providing training to improve compliance, facilitating access to financial services and automated tools). This change accounts for the significant increase in actual output for FY 2005.

Performance Measurement Results

A multi-year program of decentralizing certain financial support functions, such as accounts payable operations, has produced cost savings and service enhancements. To assist County agencies in these functions, financial policies, procedures and forms have been introduced in electronic format, available to all users on desktop systems. The effort to attune this guidance with new tools and requirements continues. A key element of decentralization is systematic and effective review of compliance with County policy and sound internal controls. An expanded compliance team was formed in FY 2006 to meet increasing demand from County agencies for this assistance. Substantial savings in the cost of paper were achieved by converting high volume management reports to easily tailored electronic formats. The introduction of electronic signature technology has expedited the movement of vendor invoices and employee travel documentation, improved the security of the payment process, and facilitated timely payments to maximize the opportunity to capture prompt payment discounts. The success of this technique will be translated in FY 2007 to new opportunities to convert from manually signed, paper-based to electronically verified documentation.

Investing and Cash Flow Management

Funding Summary

Category	FY 2005 Actual	FY 2006 Adopted Budget Plan	FY 2006 Revised Budget Plan	FY 2007 Advertised Budget Plan
Authorized Positions/Staff Years				
Regular	8/ 8	8/ 8	8/ 8	8/ 8
Total Expenditures	**$637,600**	**$590,592**	**$594,392**	**$613,326**

Position Summary

1 Deputy Director	1 Investment Manager	3 Investment Analysts
2 Accountants II	1 Administrative Assistant II	

TOTAL POSITIONS
8 Positions / 8.0 Staff Years

Key Performance Measures

Goal

To manage all bank relationships and cash for County agencies in order to ensure the prudent and safe investment of financial assets, maximize interest income, and fund financial obligations.

Objectives

- To ensure that 98 percent of banking services fully meet customer expectations.
- To securely invest cash assets in order to meet daily cash flow requirements and to earn a rate of return that is at least 95 percent of industry-standard yield.
- To manage funds so that the target cash balance is met 100 percent of the time.

Indicator	Prior Year Actuals FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate/Actual	Current Estimate FY 2006	Future Estimate FY 2007
Output:					
Banking service transactions processed	NA	160	168 / 148	176	176
Annual portfolio return achieved	NA	1.0%	2.3% / 2.0%	3.6%	4.0%
Total cash payment transactions conducted	NA	1,823	1,710 / 1,736	1,625	1,600
Efficiency:					
Staff hours per 100 banking service transactions	NA	183	180 / 180	180	180
Work years per 100 investment transactions (1)	NA	0.6	0.5 / 0.6	0.6	0.6
Staff hours per 1,000 cash flow transactions	NA	36.0	35.0 / 35.0	35.0	35.0
Service Quality:					
Percent of customer satisfaction	NA	95%	95% / 96%	96%	96%
Percent of investment transactions in compliance with policy guidelines (i.e., without need of exception approval)	NA	100.0%	99.8% / 100.0%	99.5%	99.5%
Percent of days the un-invested cash balance does not fall outside target range	NA	98%	97% / 100%	97%	98%
Outcome:					
Percent of timely bank services fully meeting customer expectations	NA	98%	98% / 98%	98%	98%
Percent of industry-standard yield achieved	NA	111%	95% / 106%	95%	95%
Percent of days target cash balance was met	NA	100%	100% / 100%	100%	100%

(1) FY 2005 "actual work years per 100 investment transactions" was greatly reduced as a result of the implementation of a restructured investment portfolio. The investment portfolio was restructured into larger blocks, thereby reducing the total number of trades per month.

Performance Measurement Results

The number of banking services transactions fluctuates year-to-year with little predictability. The Department responds to numerous requests for banking services, ranging from establishment of deposit accounts to creation of complex credit card acceptance agreements. Regardless of the number of actions, County agencies look for timely and thorough response to their needs. In FY 2005 and FY 2006, those two elements of customer satisfaction were the focus of process improvement and resource allocation. Quarterly focus group reviews indicate a high degree of success.

The County's approach to investment operations is embodied in its Investment Policy. During FY 2005, that policy received certification by the Association of Public Treasurers of the U.S. and Canada, one of only 35 state and local governments nationwide (and the only Virginia jurisdiction) to receive this distinction.

The investment climate in FY 2005 and early FY 2006 continued to reflect the general tension in the U.S. economy. Following the County's primary focus on safety and liquidity, investment operations successfully met all cash flow requirements while assuring that available funds were invested productively within carefully monitored policy guidelines. A minor restructuring of the investment portfolio in FY 2005 produced a revenue enhancement that is fully faithful to the tenets of sound financial stewardship.

Accounting and Financial Reporting

Funding Summary				
Category	FY 2005 Actual	FY 2006 Adopted Budget Plan	FY 2006 Revised Budget Plan	FY 2007 Advertised Budget Plan
Authorized Positions/Staff Years				
Regular	13/ 13	13/ 13	14/ 14	14/ 14
Total Expenditures	**$3,360,087**	**$3,349,284**	**$3,349,417**	**$3,448,030**

Position Summary					
1	Chief, Finance Division	4	Accountants III	1	Accountant I
3	Financial Reporting Managers	5	Accountants II		
TOTAL POSITIONS					
14 Positions / 14.0 Staff Years					

Note: The FY 2006 position increase is attributable to the agency's reorganization according to business areas.

Key Performance Measures

Goal

To provide technical accounting oversight and guidance to County agencies to ensure that generally accepted accounting procedures, legal requirements, and County policies and procedures are consistently applied; to maintain the integrity of the County's accounting records; and to satisfy fully all reporting requirements.

Objectives

- ♦ To provide technical oversight of accounting records by reviewing and analyzing financial records of all County agencies so that the County earns an unqualified audit opinion.

- ♦ To provide technical oversight of the County's fixed asset accounting records by performing reconciliation of the financial reports of the County's finance and purchasing systems for all County agencies and to complete this activity for at least 90 percent of the County agencies within 30 days after each month-end.

Indicator	Prior Year Actuals FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate/Actual	Current Estimate FY 2006	Future Estimate FY 2007
Output:					
Fund and agency accounts reviewed and analyzed	NA	138	138 / 140	143	143
Mandated reports issued	NA	6	6 / 6	6	6
Fixed asset records reconciled (1)	NA	4,498	4,588 / 5,248	5,300	5,353
Efficiency:					
Staff hours per account reviewed and analyzed	NA	62	65 / 69	68	68
Staff hours per report issued (2)	NA	1,532	1,480 / 1,195	1,200	1,200
Staff hours per fixed asset record reconciled	NA	0.51	0.50 / 0.44	0.43	0.43

Indicator	Prior Year Actuals FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate/Actual	Current Estimate FY 2006	Future Estimate FY 2007
Service Quality:					
Percent of accounts requiring no year-end adjustment	NA	95%	95% / 96%	95%	95%
Certificate of Achievement awarded by Government Finance Officers' Association	NA	Yes	Yes / Yes	Yes	Yes
Days to complete monthly asset reviews and reconciliations	NA	30	30 / 30	30	30
Outcome:					
Unqualified audit opinions	NA	Yes	Yes / Yes	Yes	Yes
Percent of complete, timely reports with no audit comment	NA	100%	100% / 100%	100%	100%
Percent of asset reconciliations completed within 30 days of month-end	NA	100%	90% / 100%	90%	90%

(1) In FY 2005, infrastructure assets were included in fixed asset reconciliations.

(2) Actual staff hours per report issued in FY 2005 was significantly reduced due to extensive planning, increased automation and minimal staff turnover.

Performance Measurement Results

The County met all statutory, regulatory, and external mandates for timely, comprehensive financial reporting. The FY 2004 Comprehensive Annual Financial Report (the most recent report) was awarded a Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the U.S. and Canada, a peer review recognition as to the high quality of this product. This was the 28th consecutive year Fairfax County earned this distinction.

Payment of Countywide Obligations

Funding Summary

Category	FY 2005 Actual	FY 2006 Adopted Budget Plan	FY 2006 Revised Budget Plan	FY 2007 Advertised Budget Plan
Authorized Positions/Staff Years				
Regular	16/ 16	16/ 16	20/ 20	20/ 20
Total Expenditures	**$857,026**	**$974,461**	**$992,249**	**$1,009,880**

Position Summary

1	Chief, Finance Division	2	Accountants II	6	Administrative Assistants III
1	Financial Reporting Manager	3	Administrative Assistants V	1	Administrative Assistant II
1	Management Analyst III	3	Administrative Assistants IV	2	Administrative Associates

TOTAL POSITIONS
20 Positions / 20.0 Staff Years

Note: The increase in the number of FY 2006 positions is attributable to the agency's reorganization according to business areas.

Key Performance Measures

Goal

To provide guidance and oversight in fiscal management practices in order to maintain the highest level of accountability and to provide accurate and timely financial performance information to County agencies and external customers.

Objectives

- ♦ To provide analysis, training and customer support to decentralized accounts payable operations to ensure payments initiated by County agencies comply with county policies; to obtain available discounts for prompt payments; and to ensure that at least 99.0 percent of obligations are paid accurately and timely.
- ♦ To increase processing efficiency by at least 5 percent by developing and implementing electronic commerce initiatives associated with accounts payable and payment production programs.
- ♦ To produce checks and electronic transfers in payment of County obligations on or before the authorized payment date at least 99 percent of the time.

	Prior Year Actuals			Current Estimate	Future Estimate
Indicator	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate/Actual	FY 2006	FY 2007
Output:					
Adjustments or corrections to payment transactions (1)	NA	3,932	3,500 / 3,435	3,378	3,277
Checks and electronic payments initiated	NA	324,274	320,000 / 309,208	299,932	290,934
Payments processed utilizing e-commerce initiatives (2)	NA	11,491	25,000 / 23,168	27,802	29,247
Efficiency:					
Staff hours of proactive data analysis per adjustment or correction	NA	0.36	0.41 / 0.42	0.41	0.39
Cost per payment (check or transfer)	NA	$0.489	$0.468 / $0.479	$0.515	$0.471
Staff hours used to research, develop and implement e-commerce payments	NA	0.45	0.20 / 0.21	0.21	0.21
Service Quality:					
Percent of customers fully satisfied with service provided	NA	94.0%	96.0% / 96.0%	97.0%	98.0%
Percent of payments issued by due date	NA	99.8%	99.8% / 98.0%	99.0%	99.0%
Percent of agencies fully satisfied with e-commerce initiatives	NA	95%	96% / 96%	97%	98%

Indicator	Prior Year Actuals FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate/Actual	Current Estimate FY 2006	Future Estimate FY 2007
Outcome:					
Percent change of countywide obligations paid without requiring adjustment or correction	NA	98.3%	98.5% / 98.5%	99.0%	99.0%
Percent change in processing efficiency resulting from use of e-commerce	NA	4.3%	5.0% / 5.0%	5.0%	5.0%
Percent of payees rating payment system fully satisfactory	NA	96%	97% / 97%	98%	99%

(1) Increased coordination with agencies on proper recording of transactions has resulted in a decrease in the number of exceptions.

(2) FY 2005 experienced a significant increase in the use of electronic payments as a result of the new travel policy requirement to pay travel reimbursements electronically. It is anticipated that as greater emphasis is placed on the use of electronic payment methods, there will be a corresponding decrease in the number of payments made by check.

Performance Measurement Results

The accounts payable and check-writing operations are joined in a common business area to capture the benefits of enhanced teamwork and to facilitate future process reengineering. In FY 2006 the Department continued to expand its initiatives of converting invoice processing and check issuance to more efficient electronic image handling and electronic payment methods. More than twice as many electronic payments were made in FY 2005 than in FY 2004; further expansion of electronic payments is expected for FY 2006 and FY 2007. In addition to increasing customer acceptance of these modern payment techniques, opportunities were identified to introduce electronic payments as a standard rather than an option.