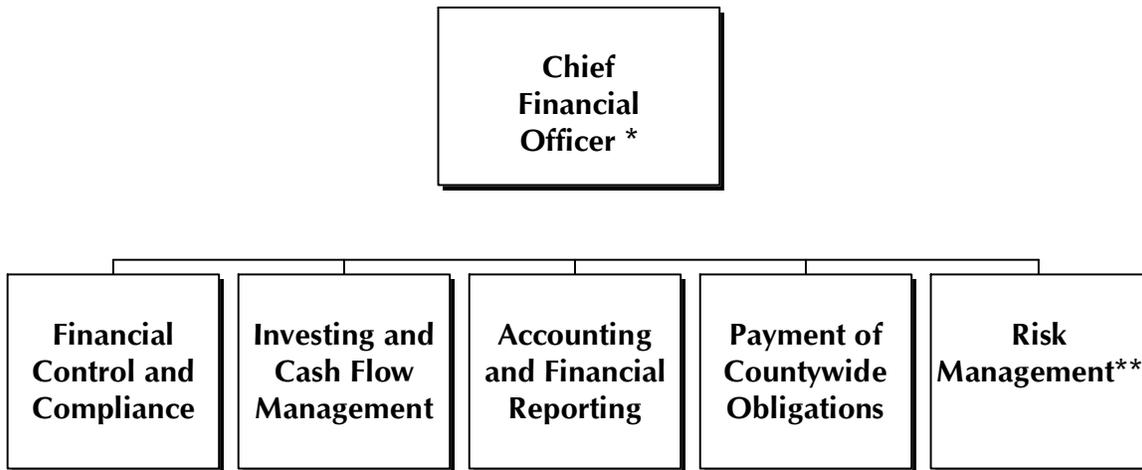


Department of Finance



* 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..

** Risk Management budget and program information is 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.

THINKING STRATEGICALLY

Strategic challenges for the Department include:

- Enabling cost reductions in the payment of countywide obligations through implementation of invoice scanning and enhanced electronic document 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.

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- ◆ Maintaining high quality customer service while keeping pace with technological change and increasing demand for improvements to the timeliness of information retrieval.

In FY 2005, the Department of Finance will implement an 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

 Corporate Stewardship	Recent Success	FY 2005 Initiative	Cost Center
Reduce costs associated with payment of County obligations through electronic payment systems.	✓	✓	Investing and Cash Flow Management
Convert costly manual records retention systems to digital imaging systems.	✓	✓	Payment of Countywide Obligations
Improved efficiency and security of investment operations by use of commercially available software systems.	✓		Investing and Cash Flow Management
Share technical expertise and assure compliance with County policies and sound financial practices through customer-focused Outreach Programs.		✓	Financial Control and Compliance
Facilitate the public's ability to identify unclaimed funds by making data readily available and simple to find on the internet.	✓	✓	Financial Control and Compliance
Reduce costs and improve effectiveness of management reports through implementation of new, automated reporting capabilities.	✓	✓	Financial Control and Compliance
Improved access to County programs and services by making available convenient methods of payment, such as by credit card.	✓		Financial Control and Compliance
Strengthened oversight and control of County assets by automating reconciliation and monitoring functions, using off-the-shelf software and internally developed applications.	✓		Financial Control and Compliance

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Budget and Staff Resources

Agency Summary					
Category	FY 2003 Actual	FY 2004 Adopted Budget Plan	FY 2004 Revised Budget Plan	FY 2005 Advertised Budget Plan	FY 2005 Adopted Budget Plan
Authorized Positions/Staff Years					
Regular	72/ 72	69/ 69	69/ 69	69/ 69	69/ 69
Expenditures:					
Personnel Services	\$3,826,260	\$4,067,151	\$4,067,151	\$4,220,919	\$4,220,919
Operating Expenses	3,376,694	3,138,167	3,363,928	3,545,746	3,665,746
Capital Equipment	0	0	0	0	0
Subtotal	\$7,202,954	\$7,205,318	\$7,431,079	\$7,766,665	\$7,886,665
Less:					
Recovered Costs	(\$259,117)	(\$218,852)	(\$264,687)	(\$218,852)	(\$218,852)
Total Expenditures	\$6,943,837	\$6,986,466	\$7,166,392	\$7,547,813	\$7,667,813
Income:					
State Shared Finance Expenses	\$362,150	\$350,936	\$350,936	\$350,936	\$350,936
State Shared Retirement - Finance	10,674	10,855	10,855	10,855	10,855
Total Income	\$372,824	\$361,791	\$361,791	\$361,791	\$361,791
Net Cost to the County	\$6,571,013	\$6,624,675	\$6,804,601	\$7,186,022	\$7,306,022

Summary by Cost Center					
Category	FY 2003 Actual	FY 2004 Adopted Budget Plan	FY 2004 Revised Budget Plan	FY 2005 Advertised Budget Plan	FY 2005 Adopted Budget Plan
Agency Management	\$3,578,818	\$3,685,400	\$3,846,326	\$0	\$0
Investments and Cash Management	386,260	372,260	378,260	0	0
Accounting and Reporting	1,484,309	1,450,223	1,450,223	0	0
Procedures and Controls	1,494,450	1,478,583	1,491,583	0	0
Financial Control and Compliance	0	0	0	2,944,816	2,944,816
Investing and Cash Flow Management	0	0	0	573,776	573,776
Accounting and Financial Reporting	0	0	0	3,075,673	3,195,673
Payment of Countywide Obligations	0	0	0	953,548	953,548
Total Expenditures	\$6,943,837	\$6,986,466	\$7,166,392	\$7,547,813	\$7,667,813

FY 2005 Funding Adjustments

The following funding adjustments from the FY 2004 Revised Budget Plan are necessary to support the FY 2005 program:

- ◆ **Employee Compensation** **\$153,768**
An increase of \$153,768 in Personnel Services associated with salary adjustments necessary to support the County's compensation program.

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- ◆ **Operating Expenses** **\$407,579**
An increase in Operating Expenses primarily due to County mainframe computer charges of \$407,579 based on prior year usage of mainframe applications and agency specific software applications run off the mainframe.
- ◆ **Carryover Adjustments** **(\$79,926)**
A decrease of \$79,926 in Operating Expenses is due to the carryover of one-time expenses as part of the *FY 2003 Carryover Review*.

Board of Supervisors' Adjustments

The following funding adjustments reflect all changes to the FY 2005 Advertised Budget Plan, as approved by the Board of Supervisors on April 26, 2004:

- ◆ **Audit Costs** **\$120,000**
An increase of \$120,000 is required due to the increased cost of the annual independent countywide audit. The County is required by law to use an independent auditor to ensure adherence with generally accepted accounting standards. Changes in the requirements imposed by federal and state regulatory bodies as well as the agency's voluntary compliance with standards promulgated by organizations such as the Governmental Accounting Standards Board have led to increased costs of the audit contract.

Changes to FY 2004 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2004 Revised Budget Plan since passage of the FY 2004 Adopted Budget Plan. Included are all adjustments made as part of the FY 2003 Carryover Review and all other approved changes through December 31, 2003:

- ◆ **Carryover Adjustments** **\$79,926**
As part of the *FY 2003 Carryover Review*, the Board of Supervisors approved encumbered funding of \$79,926 in Operating Expenses.

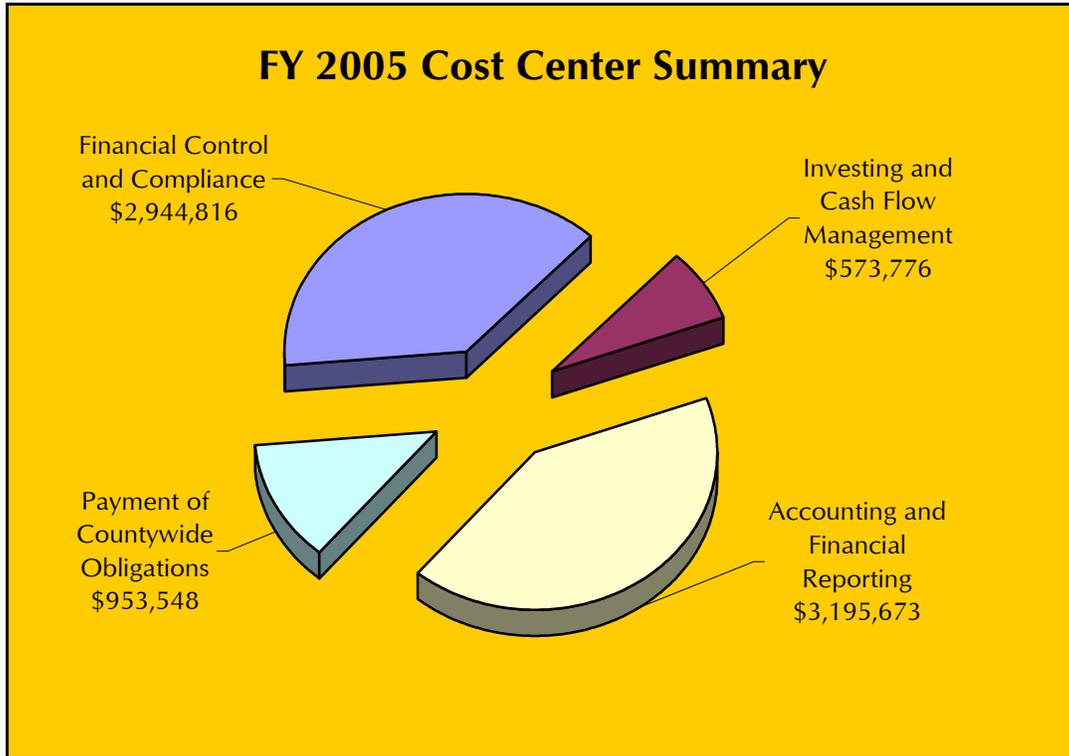
The following funding adjustments reflect all approved changes to the FY 2004 Revised Budget Plan from January 1, 2004 through April 19, 2004. Included are all adjustments made as part of the FY 2004 Third Quarter Review:

- ◆ **Audit Costs** **\$100,000**
An increase of \$100,000 is required due to the increased cost of the annual independent countywide audit. Increased cost of the audit is the result of changes in federal and state regulatory requirements, as well as, voluntary compliance with changes in standards issued by organizations such as the Governmental Accounting Standards Board.

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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 2003 Actual	FY 2004 Adopted Budget Plan	FY 2004 Revised Budget Plan	FY 2005 Advertised Budget Plan	FY 2005 Adopted Budget Plan
Authorized Positions/Staff Years					
Regular	0/0	0/0	0/0	32/32	32/32
Total Expenditures	\$0	\$0	\$0	\$2,944,816	\$2,944,816

Position Summary					
1 Director	3 Business Analysts III	2 Administrative Associates			
1 Deputy Director	1 Business Analyst II	1 Administrative Assistant V			
3 Chiefs, Finance Division	2 Business Analysts I	2 Administrative Assistants IV			
1 Management Analyst III	1 Network Analyst III	4 Administrative Assistants III			
4 Accountants III	1 Network Analyst I	2 Administrative Assistants II			
3 Accountants II					
TOTAL POSITIONS					
32 Positions / 32.0 Staff Years					

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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 develop, validate and update 96 percent of financial policies and procedures on schedule at above average customer satisfaction.
- ◆ To assess compliance with financial policies and procedures by County agencies and issue a compliance report within 30 days of completed assessment.
- ◆ To deliver at least 98 percent of new technologies and systems solutions on schedule at above average customer satisfaction.
- ◆ To ensure that at least 92 percent of bank accounts are reconciled within 30 days.

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2001 Actual	FY 2002 Actual	FY 2003 Estimate/Actual	FY 2004	FY 2005
Output:					
Policies and procedures developed, validated or updated	NA	NA	NA / NA	12	12
New technology solutions or system reengineering responses	NA	NA	NA / NA	500	625
Bank transactions reconciled and resolved within established timeframe	NA	NA	NA / NA	38,969	39,943
Agency compliance assessments completed	NA	NA	NA / NA	17	19
Efficiency:					
Staff hours per policy review project	NA	NA	NA / NA	213	197
Staff hours per customer request	NA	NA	NA / NA	2.9	2.3
Staff hours per 100 bank transactions	NA	NA	NA / NA	1.89	1.84
Staff hours per agency compliance assessment	NA	NA	NA / NA	80	84
Service Quality:					
Average customer satisfaction rating per policy and procedure revision	NA	NA	NA / NA	80%	84%
Average customer satisfaction rating of quality and timeliness of solutions delivered	NA	NA	NA / NA	95%	96%
Percent change of items requiring reconciliation	NA	NA	NA / NA	(1.5%)	(2.0%)
Average customer satisfaction rating of assessments	NA	NA	NA / NA	80%	84%

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Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2001 Actual	FY 2002 Actual	FY 2003 Estimate/Actual	FY 2004	FY 2005
Outcome:					
Percent of policy and procedure revisions completed on schedule at above average customer satisfaction	NA	NA	NA / NA	95%	96%
Percent of technology and system solutions delivered on or ahead of schedule	NA	NA	NA / NA	97%	98%
Percent of bank accounts reconciled within 30 days	NA	NA	NA / NA	90%	92%
Percent of compliance reports issued within 30 days.	NA	NA	NA / NA	88%	90%

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. During FY 2003, a team approach to this oversight was launched, with expansion planned for FY 2004 and FY 2005. In FY 2003, internally developed automation tools were introduced that greatly facilitate production of management reports tailored to the specific needs of each agency; this capability has produced savings in direct costs and permitted reallocation of personnel resources. Similarly, using software already available, the task of reconciling the County's bank accounts was greatly reduced in FY 2003, freeing up staff to expand and enhance compliance and customer support services.

Investing and Cash Flow Management



Funding Summary					
Category	FY 2003 Actual	FY 2004 Adopted Budget Plan	FY 2004 Revised Budget Plan	FY 2005 Advertised Budget Plan	FY 2005 Adopted Budget Plan
Authorized Positions/Staff Years					
Regular	0/0	0/0	0/0	8/8	8/8
Total Expenditures	\$0	\$0	\$0	\$573,776	\$573,776

Position Summary					
1 Deputy Director	1 Investment Manager	3 Investment Analysts			
1 Accountant II	1 Accountant I	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.

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- ◆ 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			Current Estimate	Future Estimate
	FY 2001 Actual	FY 2002 Actual	FY 2003 Estimate/Actual	FY 2004	FY 2005
Output:					
Banking service transactions processed	NA	NA	NA / NA	270	280
Annual portfolio return achieved	NA	NA	NA / NA	1.4%	2.0%
Total cash payment transactions conducted	NA	NA	NA / NA	1,800	1,600
Efficiency:					
Staff hours per 100 banking service transactions	NA	NA	NA / NA	183	180
Work years per 100 investment transactions	NA	NA	NA / NA	5.5	5.4
Staff hours per 1,000 cash flow transactions	NA	NA	NA / NA	37.0	35.0
Service Quality:					
Percent of customer satisfaction	NA	NA	NA / NA	95%	96%
Percent of investment transactions in compliance with policy guidelines (i.e., without need of exception approval)	NA	NA	NA / NA	99.5%	99.8%
Percent of days the un-invested cash balance does not fall outside target range	NA	NA	NA / NA	100%	100%
Outcome:					
Percent of timely bank services fully meeting customer expectations	NA	NA	NA / NA	97%	98%
Percent of industry-standard yield achieved	NA	NA	NA / NA	95%	95%
Percent of days target cash balance was met	NA	NA	NA / NA	100%	100%

Performance Measurement Results

There has been a steady increase in requests for banking services as the County looks for new ways to serve and communicate with citizens and to apply technology in capturing efficiencies. The department responds to numerous requests for banking services, ranging from establishment of deposit accounts to creation of complex credit card acceptance agreements. Past results were judged on timeliness and thoroughness of response; henceforth, measurement emphasis will include customer satisfaction in terms of adequacy of the solution, ease of implementation, and creativity in delivering products that meet multiple needs.

The investment climate in FY 2003 reflected 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.

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Accounting and Financial Reporting

Funding Summary					
Category	FY 2003 Actual	FY 2004 Adopted Budget Plan	FY 2004 Revised Budget Plan	FY 2005 Advertised Budget Plan	FY 2005 Adopted Budget Plan
Authorized Positions/Staff Years					
Regular	0/ 0	0/ 0	0/ 0	14/ 14	14/ 14
Total Expenditures	\$0	\$0	\$0	\$3,075,673	\$3,195,673

Position Summary					
1	Chief Finance Division	4	Accountants III	1	Administrative Assistant IV
3	Financial Reporting Managers	4	Accountants II	1	Administrative Assistant III
TOTAL POSITIONS					
14 Positions / 14.0 Staff Years					

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			Current Estimate	Future Estimate
	FY 2001 Actual	FY 2002 Actual	FY 2003 Estimate/Actual	FY 2004	FY 2005
Output:					
Fund and agency accounts reviewed and analyzed	NA	NA	NA / NA	138	138
Mandated reports issued	NA	NA	NA / NA	6	6
Fixed asset records reconciled	NA	NA	NA / NA	4,576	4,896
Efficiency:					
Staff hours per account reviewed and analyzed	NA	NA	NA / NA	74	69
Staff hours per report issued	NA	NA	NA / NA	1,941	1,889
Staff hours per fixed asset record reconciled	NA	NA	NA / NA	0.50	0.47
Service Quality:					
Percent of accounts requiring no year-end adjustment	NA	NA	NA / NA	95%	95%
Certificate of Achievement awarded by Government Finance Officers Association	NA	NA	NA / NA	Yes	Yes

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Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2001 Actual	FY 2002 Actual	FY 2003 Estimate/Actual	FY 2004	FY 2005
Days to complete monthly asset reviews and reconciliations	NA	NA	NA / NA	30	30
Outcome:					
Unqualified audit opinions	NA	NA	NA / NA	Yes	Yes
Percent of complete, timely reports with no audit comment	NA	NA	NA / NA	100%	100%
Percent of asset reconciliations completed within 30 days of month-end	NA	NA	NA / NA	90%	90%

Performance Measurement Results

The County met all statutory, regulatory, and external mandates for timely, comprehensive financial reporting. The FY 2002 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 quality of this product. This was the 26th consecutive year Fairfax County earned this distinction.

Payment of Countywide Obligations

Funding Summary					
Category	FY 2003 Actual	FY 2004 Adopted Budget Plan	FY 2004 Revised Budget Plan	FY 2005 Advertised Budget Plan	FY 2005 Adopted Budget Plan
Authorized Positions/Staff Years					
Regular	0/0	0/0	0/0	15/15	15/15
Total Expenditures	\$0	\$0	\$0	\$953,548	\$953,548

Position Summary					
1 Accountant III	1 Management Analyst III	1 Accountant II			
2 Administrative Associates	4 Administrative Assistants V	1 Administrative Assistant IV			
4 Administrative Assistants III	1 Administrative Assistant II				
TOTAL POSITIONS					
15 Positions / 15.0 Staff Years					

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 98.5 percent of obligations are paid accurately and timely.
- ◆ To increase processing efficiency by 4.5 percent by developing and implementing electronic commerce initiatives associated with accounts payable and payment production programs.

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- ◆ To produce checks and electronic transfers in payment of County obligations on or before the authorized payment date at least 97 percent of the time.

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2001 Actual	FY 2002 Actual	FY 2003 Estimate/Actual	FY 2004	FY 2005
Output:					
Adjustments or corrections to payment transactions	NA	NA	NA / NA	4,000	3,000
Checks and electronic payments initiated	NA	NA	NA / NA	327,366	330,000
Payments processed utilizing e-commerce initiatives	NA	NA	NA / NA	2,512	13,000
Efficiency:					
Staff hours of proactive data analysis per adjustment or correction	NA	NA	NA / NA	0.36	0.58
Cost per payment (check or transfer)	NA	NA	NA / NA	\$0.495	\$0.495
Staff hours used to research, develop and implement e-commerce payments	NA	NA	NA / NA	2.15	0.57
Service Quality:					
Percent of customers fully satisfied with service provided	NA	NA	NA / NA	94.0%	96.0%
Percent of payments issued by due date	NA	NA	NA / NA	99.8%	99.8%
Percent of agencies fully satisfied with e-commerce initiatives	NA	NA	NA / NA	95%	96%
Outcome:					
Percent change of countywide obligations paid without requiring adjustment or correction	NA	NA	NA / NA	98.0%	98.5%
Percent of payees rating payment system fully satisfactory	NA	NA	NA / NA	96%	97%
Percent change in processing efficiency resulting from use of e-commerce	NA	NA	NA / NA	0.1%	4.5%

Performance Measurement Results

The accounts payable and check-writing operations have been joined in a common business area to capture the benefits of enhanced teamwork and to facilitate future process reengineering. In FY 2005 the department will expand its FY 2004 initiatives of converting invoice processing and check issuance to more efficient electronic image handling and electronic payment methods. The FY 2005 performance expectations reflect increasing customer acceptance of these modern techniques and the associated costs show an expected downward trend as conversion from checks to electronic transfer increases.