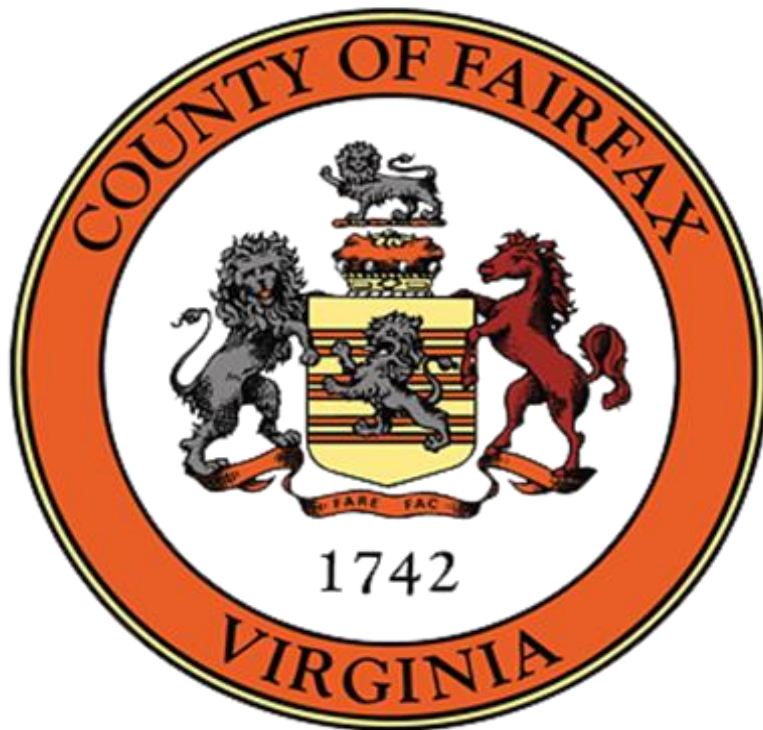


# COUNTY OF FAIRFAX, VIRGINIA OFFICE OF FINANCIAL AND PROGRAM AUDIT

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**June 2020**

**Draft Quarterly Report**

**FAIRFAX COUNTY BOARD OF SUPERVISORS  
AUDITOR OF THE BOARD**

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**ABSTRACT**

Working under the guidance and direction of the Audit Committee, the Auditor of the Board provides an independent means for assessing management's compliance with policies, programs and resources authorized by the Board of Supervisors. Further to this process, efforts are made to gain reasonable assurance that management complies with all appropriate statutes, ordinances and directives.

This agency plans, designs, and conducts studies, surveys, evaluations and investigations of County agencies as assigned by the Board of Supervisors or the Audit Committee (AC). For each study conducted, the agency focuses primarily on the County's Corporate Stewardship vision elements. The agency does this by developing, whenever possible, information during the studies performed which are used to maximize County revenues or reduce County expenditures.

To assist the Office of Financial and Program Audit (OFPA) with executing the responsibilities under our charge, members of the Fairfax County Board of Supervisors (BOS) submit study recommendations of which the findings and management responses are included in published studies. This process is utilized to provide the constituents, BOS and management reasonable assurance that fiscal and physical controls exist within the County.

Additionally, this agency conducts follow-up work on prior period studies. As part of the post study work conducted, we review the agreed upon managements' action plans. To facilitate the process, we collaborate with management prior to completion of studies. Through this collaboration, timelines for the implementation of corrective action and status updates are documented for presentation at the upcoming Audit Committee Meetings.

The results of studies may not highlight all the risks/exposures, process gaps, revenue enhancements and/or expense reductions which could exist. Items reported are those which could be assessed within the scheduled timeframe, and overall organization's data-mining results. The execution of the OFPA's studies are facilitated through various processes such as; sample selections whereby documents are selected and support documentation is requested for compliance and other testing attributes. Our audit approach includes interviewing appropriate staff and substantive transaction testing. OFPA staff employs a holistic approach to assess agencies/departments whereby the review is performed utilizing a flow from origination to closeout for the areas under review.

There are several types of studies performed by OFPA, e.g.; operational, financial, compliance, internal controls, etc. To that end, it is important to note; OFPA staff reserves the option to perform a holistic financial and analytical data-mining process on all data for the organization being reviewed where appropriate. This practice is most often employed to perform reviews for highly transactional studies.

**FCPD PARKING CITATION OPERATIONS STUDY**

**OVERVIEW AND UPDATES**

The results of this study may not highlight all the risks/exposures, process gaps, revenue enhancements and/or expense reductions which could exist. Items reported are those which could be assessed within the scheduled **timeframe, and overall organization's data-mining results**. Office of Financial and Program Audit (OFPA's) studies are facilitated through several processes such as: sample selections, compliance support documentation and various testing approaches. There are several types of studies performed by OFPA, e.g.: performance, operational, financial, compliance, etc. To that end, it is important to note OFPA staff reserves the option to perform a holistic financial and analytical data-mining process on all data for the organization being reviewed where appropriate. This practice is most often employed to perform reviews for highly transactional studies.

OFPA performed a Traffic Violations study in December 2007 which included **15k** state coded **traffic violations** whereby the revenue was remitted to the state. These citations were miss-coded; the revenue should have been remitted to the County. The purpose of this study was to review **parking citation operations** managed by the Fairfax County Police Department (FCPD). Several types of violations result in parking citations such as: parking, invalid state inspection, license not properly displayed, blocking public or private driveways, etc. In FY19, FCPD processed **~53k** parking citations issued by FCPD, the Sheriff's Office, Fire Marshall, and Metro Police. The County collected **~\$2.6M** of parking citation revenue in FY19. The issued parking citations are forwarded by FCPD to the contracted vendor (Duncan) for data entry and payment collections. The contract is managed by the Department of Tax Administration (DTA). This study included (**but not limited to**), reviews of FY19: parking citation coding, unpaid parking citations, dismissed parking citations, parking citation overpayments, parking citation warnings, and other testing attributes.

For this study, there were limitations to onsite verifications under the current COVID-19 pandemic working environment. The practice of *Social Distancing* precluded our ability to perform side-by-side observations and process analyses typically performed during our studies. Our focus was relegated to assessing the current citation and revenue environment and obtaining concurrence of future process enhancements under the new vendor contract. Testing results are detailed in the observations and recommendations tables.

<b>FCPD Parking Citations Study Observations Summary</b>	
<b>Observations</b>	<b>Study Assessment</b>
State Codes Edit Check	<b>Satisfactory</b>
Unpaid Parking Citation Reconciliation	<b>Needs Improvement</b>
Parking Citation Duplicate Payment Controls	<b>Needs Improvement</b>
Handwritten Parking Citation Processing	<b>Needs Improvement</b>
Parking Citations Dismissals	<b>Needs Improvement</b>

**OBSERVATIONS AND ACTION PLANS**

The following table(s) detail observation(s) and recommendation(s) from this study along with management's action plan(s) to address these issue(s).

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**UNPAID PARKING CITATIONS RECONCILIATION**

**Risk Ranking**

**HIGH**

As per reporting provided by staff, only County citation codes are accepted in the handheld devices used by the officers. We were also informed that the database used by the contractor has the same edit checks. Additionally, all handwritten tickets are reviewed by the parking enforcement supervisor to ensure only County citation codes are listed. To that end, we continued to review the parking citation process with a focus on the completeness of levied fees via citations. To facilitate this part of the review, we performed a reconciliation of unpaid parking citations from two different data sources: queried Duncan parking citation data by FCPD and parking citation files transmitted to Nationwide Credit Corporation (NCC) by Duncan. Under the current County practice, all citations aged past 180 days are transmitted to NCC by Duncan. Preliminary analysis of these data revealed **1,717** unpaid parking citations (aged past 180 days) not transmitted to NCC. To reconcile these differences, we liaised with DTA (as they oversee the Duncan & NCC contracts w/ the County) to verify and stratify the results below:

**FY19 & YTD20 Unpaid Parking Citations Analysis Results**

Parking Citations Not in NCC's Records	# of Parking Citations	Amounts	Reasons Not Transmitted
Records Incomplete / Not Sent	1,607	\$123,669.14	Vehicle Owner Information Not in Record
Records Inaccurate / Not Sent	28	\$3,030.77	Owner Information Incorrect in Record
Cash Application Issues / Not Sent	4	\$289.89	Payment Posting Errors
Suspended in System / Not Sent	19	\$3,860	Awaiting Court or Trial
Recalled	46	\$4,560.58	Personal Information Data Entry Errors
Low Balances	13	\$13.55	Remain Uncollected/Not in NCC Recon File
<b>Totals:</b>	<b>1,717</b>	<b>\$135,423.93</b>	

FCPD parking citations are either handwritten or issued using a handheld device. The handwritten citations are forwarded to Duncan via physical mail. Parking citations issued using handheld devices are transmitted electronically. These parking citations are forwarded by Duncan with license plate and VIN numbers as identifiers for Duncan to complete the additional needed information (e.g. addresses, phone numbers, etc.). Data entry for these FCPD parking citations is performed by Duncan utilizing several databases such as Department of Motor Vehicles (DMV) and National Law Enforcement Telecommunications System (NLETS) to research and identify available information.

Based on these results, **1,635 out of 1,717 (or 95%)** of the unpaid parking citations reviewed were input with incorrect or no owner information on the citation. The remaining **82 out of 1,717 (or 5%)** are uncollected due to: payment posting errors, pending court/trial dates, data entry errors, and low balances. These parking citations were not sent to NCC for collections and fell out of the review process by County staff. These parking citations totaled ~\$135K and are at risk of being written-off due to statute of limitations of three-years. Over the past three calendar years, the following balances have been written-off respectively: ~\$278k, ~\$252k, ~\$275k.

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There were onsite verification limitations to this review due to the working environment under the COVID-19 pandemic. The practice of Social Distancing precluded our ability to perform side-by-side observations and process analyses to identify all root causes that attributed to these process gaps. Our focus was relegated to assessing the current parking citation and revenue environment and obtaining concurrence of future process enhancements under the new contract with a new vendor. We were able to identify process and detective gaps whereby the reconciliation for completeness was performed only on the parking citations flagged for submission to NCC. Parking citations are flagged for submission after all data needed on the citation is complete. This process omitted the review of parking citations that were not complete with needed information to transmit to NCC. Lastly, these parking citations were not sent to NCC for collections which fell out of the review process by County staff. The contract with Duncan expired as of 30<sup>th</sup> April 2020. The current contract was awarded to a new vendor (United Public Safety Inc.) on 20<sup>th</sup> March 2020 and will remain active for five years.

**Recommendation**

We recommend that DTA liaise with the new vendor and perform reviews of these unpaid parking citations to identify needed information to be referred to NCC for collections. Additionally, we recommend DTA enhance the current monthly reconciliation of parking citations referred to NCC to include all citations aged over 112 days. This enhancement would ensure all parking citations aged over 112 days including those with missing/incorrect information are reviewed to close any gaps to mitigate revenue leakage.

**Action Plan**

Point of Contact	Target Implementation Date	Email Address
Jay Doshi (Director, DTA)	January 31, 2021	<a href="mailto:Jay.Doshi@fairfaxcounty.gov">Jay.Doshi@fairfaxcounty.gov</a>
Scott Sizemore (Division Director, DTA)		<a href="mailto:Scott.Sizemore@fairfaxcounty.gov">Scott.Sizemore@fairfaxcounty.gov</a>
Nancy Bishop (Accountant III, DTA)		<a href="mailto:Nancy.Bishop@fairfaxcounty.gov">Nancy.Bishop@fairfaxcounty.gov</a>

**MANAGEMENT RESPONSE:**

DTA concurs with the finding and will work with the new vendor United Public Safety Inc. to ensure that all citations aged over 112 days, including any with missing/incorrect information, are reviewed to mitigate revenue loss. With the new vendor, we now have the ability to run monthly reports to determine which accounts have missing/incorrect information. DTA will use available application tools to research the missing information and enter the data into the new vendor system.

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**PARKING CITATION DUPLICATE PAYMENT CONTROLS**

**Risk Ranking**

**HIGH**

Our review of a sample of Duncan FCPD citation invoices revealed a high number of overpayments each month. As per our interviews, citation overpayments are a result of payments remitted by the person who received the citation and the State of Virginia (state). Remittances from the state occur when citations remain unpaid at the time the person's state tax returns are processed. Based on interviews, the state garnished funds from the person's tax returns and remitted the monies to the County for the citation. Also based on interviews, no duplicate payment system checks exist in the Duncan system software used for the services provided under the existing contract. During our interviews we discussed incorporating a duplicative payment system check would enhance the collection process by reducing rework. Overpayments in counts and dollars are below by month:

FY19 & YTD20 Duncan Monthly Invoice Parking Citation Overpayments		
Invoice Date	# of Overpayments	Overpayment Amounts
January 2018	159	\$6,408.73
May 2018	140	\$5,610.70
August 2018	73	\$3,289.14
April 2019	132	\$5,972.49

**Recommendation**

We recommend DTA work with the appropriate parties (e.g. DTA billing SMEs, IT project management staff, etc.) to create system check requirements with the new vendor. These system checks would markedly reduce the number of overpayments and the time and costs related to processing overpayment refunds.

**Action Plan**

Point of Contact	Target Implementation Date	Email Address
Jay Doshi (Director, DTA)	September 30, 2020	<a href="mailto:Jay.Doshi@fairfaxcounty.gov">Jay.Doshi@fairfaxcounty.gov</a>
Scott Sizemore (Division Director, DTA)		<a href="mailto:Scott.Sizemore@fairfaxcounty.gov">Scott.Sizemore@fairfaxcounty.gov</a>
Nancy Bishop (Accountant III, DTA)		<a href="mailto:Nancy.Bishop@fairfaxcounty.gov">Nancy.Bishop@fairfaxcounty.gov</a>



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**MANAGEMENT RESPONSE:**

Citation overpayments are mainly a result of timing. The ticket goes unpaid, DTA will in an effort to collect the debt submit a claim to the State for Set-Off-Debt. Meanwhile, the citizen remits payment. Both the Set-off-Debt and citizen payment are credited to the ticket amount due which then creates the overpayment. Other overpayment reasons can be attributed to a citizen accidentally paying their citation twice because they forgot that they already paid, or a spouse/family member pays along with the citizen. Overpayments can also be the result of a lien action taken by DTA and the payment was also remitted by the citizen. Again, this is timing.

In scenarios where overpayments cannot be avoided, staff will research and refund in accordance with FPS 470 in a timely manner. If an account is paid in full, no overpayment can be applied to the account if payment is made online or by phone and will not be accepted.

DTA will enhance the process by running duplicate payment reports weekly to review and reissue payments timely to limit backlogs.

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**HANDWRITTEN PARKING CITATION PROCESSING**

**Risk Ranking**

**MEDIUM**

We reviewed skeletal parking citations processed by the citation processing vendor, Duncan. Skeletal parking citations are citations created in Duncan’s processing system when citation payments are proffered without a system record. Missing records are a result of timing differences between proffered payment and the receipt of parking citations from FCPD. Based on staff interviews, handwritten parking citations mailed from FCPD to Duncan takes approximately **1-2 weeks**. Staff sends handwritten parking citations to Duncan via physical mail for data entry into the citation system. Approximately **20k** handwritten parking citations are issued annually. We were informed, reconciliations are not performed on handwritten parking citations sent for data entry by Duncan. We reviewed **six** FY19 invoices (**413 citations**) to quantify the skeletal citations. The table below details the skeletal parking citations by count and dollars for the six months reviewed:

FY19 Monthly Skeletal Citations		
Month/Year	# of Skeletal Citations	Skeletal Citation Dollars
Jul-18	75	\$850.00
Aug-18	49	\$3,050.00
Oct-18	77	\$1,050.00
Nov-18	47	\$1,175.00
Feb-19	74	\$1,325.00
Apr-19	91	\$2,025.00
<b>Totals:</b>	<b>413</b>	<b>\$9,475.00</b>

The current unreconciled process exposes the County to revenue loss. Reconciliation of these data would assist in assuring parking citations mailed are entered into the system. This would also assist staff in better tracking aged and unpaid parking citations. Enhanced tracking assists staff in assuring that parking citations are forwarded to collections timely and reduce the possibility of increased write-offs.

**Recommendation**

We recommend that FCPD develop and implement a reconciliation process for handwritten parking citations sent to and entered by the new vendor, on a sample basis (***based on a frequency deemed appropriate by management within existing staff***). While the entire population of handwritten parking citations will not be reconciled due to the volume, sample reconciliations will provide reasonable assurance that the parking citations sent to the vendor are properly accounted in the system.

**Action Plan**

Point of Contact	Target Implementation Date	Email Address

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Chris Edmunds (Captain, FCPD)		<a href="mailto:Chris.Edmunds@fairfaxcounty.gov">Chris.Edmunds@fairfaxcounty.gov</a>
Kerene Gordon (Director of Finance, FCPD)	June 30, 2021	<a href="mailto:Kerene.Gordon@fairfaxcounty.gov">Kerene.Gordon@fairfaxcounty.gov</a>
Bob Otten (Parking Enforcement Sup., FCPD)		<a href="mailto:Robert.Otten@fairfaxcounty.gov">Robert.Otten@fairfaxcounty.gov</a>

**MANAGEMENT RESPONSE:**

Due to the volume of the handwritten tickets; and the fact that a new vendor has only been in place for one month; FCPD would like the opportunity of learning how the new vendor system works in order to explore options on how to put a better reconciliation process in place to handle handwritten tickets. Currently, FCPD does not have a reliable process in place. Twelve months would afford FCPD the opportunity to explore and implement an automated pilot program and evaluate the outcome.

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**PARKING CITATION DISMISSALS**

**Risk Ranking**

**LOW**

We reviewed parking citations dismissed in the vendor’s records and noted documentation inconsistencies and a lack of record completeness for citation dismissals. Parking citations were dismissed using varying documentation, such as: **749 out of 1,480 (or 51%)** without documentation in the assigned fields, **612 out of 1,480 (or 41%)** without adequate documentation in the assigned fields, and **119 out of 1,480 (or 8%)** with adequate documentation in the assigned fields. The current process hinders oversight due to querying, interpretation, and other limitations. Details of our sample are below:

FY19 & YTD20 Dismissed Parking Citations Analysis Results		
Dismissal Documentation	# of Parking Citations	Amounts
<sup>1</sup> Dismissed w/o Documentation	749	\$42,337
Dismissed w/ Adequate Documentation	119	\$11,925
Dismissed w/o Adequate Documentation		
To Court	232	\$23,025
Police Department Request	204	\$5,875
Correction	80	\$4,200
Operator Error	32	\$1,600
Uncategorized Dismissal Terms	64	\$4,875
<b>Total Dismissed w/o Adequate Documentation</b>	<b>612</b>	<b>\$39,575</b>
<b>Total:</b>	<b>1,480</b>	<b>\$93,837</b>

We were informed by FCPD staff that parking citations without documentation are warnings issued by public safety officers. The lack of dismissal documentation diminishes oversight capability of system depressed revenue by vendors. All parking citations are forwarded to Duncan for: data entry, remittances, application, and adjustment of payments, and to forward aged citations (>180 days) to NCC for collections. Duncan enters the citation codes for the parking citations, the related fines are auto populated in the citation records. Parking citation warnings are adjusted by Duncan staff to zero (*removing the original fine*). These adjustments occur when Duncan selects the warning field in the citation records. While other parking citations are reviewed by County staff, these citations fall out of that oversight as County staff only reviews citations flagged for transmission to NCC. Given Duncan’s custody to the assets (payments) and records (citation data entry), this process limits the assurance that only citation warning fines (*as designated by public safety officers*) have been suppressed in the parking citation record. This practice counters County Policy (**FPS 100**) which recommends separation of duties regarding: recording transactions, authorizing transactions, and maintaining custody of assets resulting from these transactions.

Incomplete dismissal documentation diminishes oversight capability of system suppressed revenue by vendors. While other parking citations are reviewed by County staff, these citations also fall out of oversight by County staff that only review citations flagged for transmission to NCC.

<sup>1</sup> Citation Warning: Original Citation Amount Removed by Vendor Duncan

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**Recommendation**

FPCPD parking citations are currently prepopulated with only County citations codes as a control which greatly reduces the event of error. We recommend that parking citation dismissal reasons are standardized. We also recommend a similar prepopulated documentation practice is employed for parking citation dismissal reasons either on the citations, the vendor's system, or both, whichever is appropriate. Standardizing and prepopulating parking citation dismissal reasons would enhance oversight and accountability of the citation dismissal process.

**Action Plan**

Point of Contact	Target Implementation Date	Email Address
Chris Edmunds (Captain, FPCPD)	June 30, 2021	<a href="mailto:Chris.Edmunds@fairfaxcounty.gov">Chris.Edmunds@fairfaxcounty.gov</a>
Kerene Gordon (Director of Finance, FPCPD)		<a href="mailto:Kerene.Gordon@fairfaxcounty.gov">Kerene.Gordon@fairfaxcounty.gov</a>
Bob Otten (Parking Enforcement Sup., FPCPD)		<a href="mailto:Robert.Otten@fairfaxcounty.gov">Robert.Otten@fairfaxcounty.gov</a>

**MANAGEMENT RESPONSE:**

Since the new vendor has been on board for only one month, FPCPD would like this time to explore how the new system works and work with the vendor to set up a more prepopulating and standardized coding system.

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**DPWES GENERAL FUND OFFSETS STUDY**

**OVERVIEW AND UPDATES**

We performed a review of the Department of Public Works and Environmental Services (DPWES) Stormwater Special Revenue Fund in March 2020 whereby we identified opportunities for potential adjustments of the offset to the General Fund. The DPWES Stormwater Special Revenue Fund unspent balances at year-end were (~\$11.1M, ~\$6.8M & ~\$21.3M) for FY17-FY19. Revenues for this fund were generated by Service District Tax Levy collections and Stormwater Local Assistance Fund (SLAF) reimbursements. This offset adjustment is under review by DMB & DPWES.

The studies in this report were performed to identify opportunities for potential adjustments to the DPWES General Fund offsets in the next fiscal year. DPWES fund offsets reviewed were: Integrated Pest Management Program (40080), I-95 Refuse Disposal (40170), and Sewer Operation and Maintenance (69010). These transfers partially offset costs for central support services. This study included (*but not limited to*) reviews of FY17-FY19 fund data, such as: revenues, grants, reimbursements, expenses, etc.

For this study, there were limitations to onsite verifications under the current COVID-19 pandemic working environment. The practice of *Social Distancing* precluded our ability to perform side-by-side observations and process analyses typically performed during our studies. Our focus was relegated to assessing the data remotely. Testing results are detailed in the observations and recommendations tables.

<b>DPWES General Fund Offsets Study Observations Summary</b>	
<b>Observations</b>	<b>Study Assessment</b>
I-95 Refuse Disposal Fund Offset	<b>No Offset Opportunity Identified</b>
Integrated Pest Management Fund Offset	<b>Offset Opportunity Identified</b>
Sewer Operation & Maintenance Fund Offset	<b>No Offset Opportunity Identified</b>

**OBSERVATIONS AND ACTION PLANS**

The following table(s) detail observation(s) and recommendation(s) from this study along with management's action plan(s) to address these issue(s).

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**I-95 REFUSE DISPOSAL FUND OFFSET**

**Study Results**

**FOR INFORMATIONAL PURPOSES ONLY**

We performed a review of the DPWES I-95 Refuse Disposal Fund 40170 for the purpose of identifying opportunities to adjust the General Fund offset in the next fiscal year. Areas of review included: revenues, grants, reimbursements, and expenses. The General Fund offset has remained constant at **\$186k** for the last five fiscal years. This fund is managed by the Solid Waste Management Program (SWMP). This transfer to the General Fund partially offsets central support services in Fund 40170. The indirect costs in this fund are: Human Resources, Purchasing, Budget and other administrative services. The I-95 Refuse Disposal fund is supported by refuse disposal revenues (generated by ash disposal fees). Refuse disposal revenues for FY17-FY19 ranged between **~\$5.4M** to **~\$9.7M**.

To perform this analysis, we compiled I-95 Refuse Disposal Fund data for FY17-FY19. The data sources used for this analysis were: FOCUS, CAFR, and other information provided by SWMP. These data were used to assess if opportunities exist to adjust the General Fund offset using unspent balances at year-end. Additionally, we reviewed if service rates support operations. The results of our analysis are below:

I-95 Refuse Disposal Fund (40170) Revenues vs. Expenses			
Fiscal Years	FY17	FY18	FY19
<i>Revenue Rates</i>			
<i>Ash Disposal Fee Per Ton:</i>	\$25.50	\$25.50	\$26.50
<i>Tons of Ash Disposed:</i>	\$221,571	\$203,568	\$331,703
<i>Revenues (FOCUS Period 15 Actuals Recon to CAFR)</i>			
<i>Refuse Disposal Fees:</i>	\$6,084,965	\$5,420,442	\$9,654,954
<i>County Misc Charges for Services:</i>	\$2,788	\$481,078	\$9,298
<i>Sale of Non-Capital Surplus/Salvage:</i>	\$213,489	\$201,149	\$407,877
<i>Sale of Capital Equipment:</i>	\$30,090	\$30,544	\$0
<i>Pooled Investments Interest:</i>	\$203,475	\$269,782	\$474,982
<i>Grant Awards:</i>	\$0	\$0	\$0
<i>Local/State/Federal Reimbursements:</i>	\$0	\$0	\$0
<b>(1) Total Revenues:</b>	<b>\$6,534,807</b>	<b>\$6,402,995</b>	<b>\$10,547,111</b>
<i>Expenses (FOCUS Period 15 Actuals Recon to CAFR)</i>			
<i>Compensation:</i>	\$2,370,909	\$2,394,765	\$2,424,607
<i>Benefits:</i>	\$1,154,688	\$1,196,268	\$1,167,984
<i>Non-Pay Employee Benefits:</i>	\$820	\$820	\$820
<i>Operating Expenses:</i>	\$2,521,488	\$2,018,497	\$952,939
<i>Capital Expenses:</i>	\$3,944,432	\$636,594	\$1,258,640
<b>Total Expenses:</b>	<b>\$9,992,338</b>	<b>\$6,246,943</b>	<b>\$5,804,991</b>
<i>Revenue In Excess of Staff &amp; Ops Expenses:</i>	\$486,901	\$792,645	\$6,000,760
<i>Revenue In Excess of Cap &amp; Debt Service Expenses:</i>	\$2,590,374	\$5,766,401	\$9,288,471
<i>Revenue In Excess of Total Expenses:</i>	<b>(\$3,457,532)</b>	<b>\$156,052</b>	<b>\$4,742,121</b>
<i>General Fund Offsets:</i>	\$186,000	\$186,000	\$186,000
<b>Revenue In Excess of Total Expenses &amp; Offsets:</b>	<b>(\$3,643,532)</b>	<b>(\$29,948)</b>	<b>\$4,556,121</b>
<i>Tickmarks:</i>			
<i>(1): Per DPWES, FY17-FY18 revenues were significantly below budgeted amounts due to a fire at the Fairfax Covanta Plant which required shut down for 11 months.</i>			

Based on our analysis, FY17-FY18 expenses exceeded revenues by **~\$3.6M** & **~\$30k**, respectively. SWMP informed us revenues were significantly below budgeted amounts due to the shutdown of the Covanta Fairfax Plant as a result of a plant fire. The plant remained closed for 11 months (February

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2017 – December 2017). Ash tonnages produced by Covanta and disposed of at the I-95 Landfill is the main source of revenue for the I-95 Refuse Fund. Other revenue sources for this fund are generated by refuse disposal from: County citizens, Energy Resource Recovery Facility, and other municipalities. Covanta Fairfax returned to normal operations in January 2018. Per the FY19 I-95 Refuse Disposal Fund Statement, revenues are estimated to return to recent trends outside the periods effected by the Covanta Fairfax fire. Based on interviews with staff, the unspent balance in FY19 was ~\$4.6M which can be attributed to Covanta Fairfax operating the entire fiscal year. The biggest cost driver to the negative ending fund balance in FY17-18 were two large construction projects completed in FY17 which resulted in an unspent balance of \$4.6M at FY19. Prior to FY17-18 (*during the shutdown of Covanta*) the unspent balances between FY14 – F16 ranged between (\$1.4M) - \$1M.

**Recommendation**

Given the fluctuation in ending balances for this fund, we did not identify opportunities for adjustments to the General Fund offset.



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**INTEGRATED PEST MANAGEMENT PROGRAM FUND OFFSET**

**Study Results**

**OPPORTUNITY IDENTIFIED FOR CONSIDERATION**

We performed a review of the DPWES Integrated Pest Management Fund 40080 for the purpose of identifying opportunities to adjust the General Fund offset in the next fiscal year. Areas of review included: revenues, grants, reimbursements, and expenses. The General Fund offset has remained constant at **\$141k** for the last five fiscal years. This fund is managed by the Wastewater (WW) & Stormwater Management (STW) Programs. This transfer to the General Fund partially offsets central support services in Fund 40080. The indirect costs in this fund are: Human Resources, Purchasing, Budget and other administrative services. The Integrated Pest Management fund is supported by revenues (generated by a Countywide Real Estate Tax Levy). The tax levy revenues for FY17-FY19 ranged between **~\$2.3M to ~\$2.4M**.

To perform this analysis, we compiled Integrated Pest Management Fund data for FY17-FY19. The data sources used for this analysis were: FOCUS, CAFR, and other information provided by WW & STW. These data were used to assess if opportunities exist to adjust the General Fund offset using unspent balances at year-end. Additionally, we reviewed if tax levy rates support operations. The results of our analysis are below:

Integrated Pest Management Program Fund (40080) Revenues vs. Expenses			
Fiscal Years	FY17	FY18	FY19
<i>Revenues Rates</i>			
<i>Countywide Tax Levy:</i>	\$0.001	\$0.001	\$0.001
<i>Total Real Estate Assessed Value:</i>	\$238,115,810,652	\$246,653,398,040	\$255,728,318,525
<i>Revenues (FOCUS Period 15 Actuals Recon to CAFR)</i>			
<i>Real Estate Tax-Current:</i>	\$2,309,512	\$2,352,781	\$2,438,730
<i>Pooled Investments Interest:</i>	\$18,927	\$30,922	\$56,943
<i>Grant Awards:</i>	\$0	\$0	\$0
<i>Local/State/Federal Reimbursements:</i>	\$0	\$0	\$0
<b>Total Revenues:</b>	<b>\$2,328,440</b>	<b>\$2,383,703</b>	<b>\$2,495,673</b>
<i>Expenses (FOCUS Period 15 Actuals Recon to CAFR)</i>			
<i>Compensation:</i>	\$1,087,584	\$1,082,841	\$1,198,290
<i>Benefits:</i>	\$359,620	\$369,758	\$431,857
<i>Operating Expenses:</i>	\$373,137	\$410,578	\$246,395
<i>Capital Expenses:</i>	\$43,078	\$17,631	\$9,581
<b>Total Expenses:</b>	<b>\$1,863,420</b>	<b>\$1,880,809</b>	<b>\$1,886,123</b>
<i>Revenue In Excess of Staff &amp; Ops Expenses:</i>	\$508,098	\$520,525	\$619,131
<i>Revenue In Excess of Cap &amp; Debt Service Expenses:</i>	\$2,285,361	\$2,366,072	\$2,486,092
<i>Revenue In Excess of Total Expenses:</i>	\$465,020	\$502,894	\$609,550
<i>Total General Fund Offsets:</i>	\$141,000	\$141,000	\$141,000
<b>Revenue In Excess of Total Expenses &amp; Offsets:</b>	<b>\$324,019</b>	<b>\$361,894</b>	<b>\$468,550</b>

Based on our analysis, there are unspent balances for FY17-FY19 ranging from **~\$324k - ~\$469k**.

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**Recommendation**

While there are statutory limitations on the use of monies in this fund, we are recommending a review of the unspent balances for opportunities for adjustments to the General Fund offset.

**Action Plan**

Point of Contact	Target Implementation Date	Email Address
Christina Jackson (Director, DMB)	February 28, 2021	<a href="mailto:Christina.Jackson@fairfaxcounty.gov">Christina.Jackson@fairfaxcounty.gov</a>
Ellicia Seard (Deputy Director, DMB)		<a href="mailto:Ellicia.Seard-McCormick@fairfaxcounty.gov">Ellicia.Seard-McCormick@fairfaxcounty.gov</a>
Randy Bartlett - FYSA (Director, DPWES)		<a href="mailto:Randy.Bartlett@fairfaxcounty.gov">Randy.Bartlett@fairfaxcounty.gov</a>
Anand Goutam – FYSA (Financial Manager, WW)		<a href="mailto:Anand.Goutam@fairfaxcounty.gov">Anand.Goutam@fairfaxcounty.gov</a>
<b>*For Your Situational Awareness</b>		

**MANAGEMENT RESPONSE:**

DMB concurs with the recommendation. As part of our annual budget process review of Fund 40080, Integrated Pest Management Program ending balances and the spending plan for the programs funded via this funding source, we will review the indirect cost allocation. For example, during the FY 2020 annual budget process, DMB worked with staff who oversee the Integrated Pest Management program, from both the Health Department and Stormwater Services, to review the unreserved ending balance and determine if the ending balance could be utilized to address other requirements. As a result of that review and as part of the FY 2020 Adopted Budget Process, the following adjustments were implemented.

- An amendment to the service district’s enabling legislation in Appendix I of the County Code was approved by the Board of Supervisors at the May 7, 2019 Board of Supervisors Meeting to allow revenue collected by the fund to be used for removal and/or remediation of hazardous trees. FY 2020 funding included \$250,000 for this effort and an additional \$50,000 was added in FY 2021. This brings the total funding to \$300,000 for the removal and/or remediation of hazardous trees. It should be noted that amending the County Code alleviated the General Fund burden for the removal and/or remediation of hazardous trees.
- Due to increased departmental and programmatic requirements, 2/2.0 FTE new positions were added as part of the FY 2020 Adopted Budget Plan.

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It is anticipated that the adjustments noted above, will significantly decrease the ending balance. Since the analysis completed by the Office of Financial and Program Audit covered the period FY 2017 to FY 2019, it does not include the impact on the ending balance of the FY 2020 adjustments approved by the Board. However, as part of the upcoming annual review of the programs' ending balance and spending plan to support the operations of the program, we will incorporate not only the impact of the FY 2020 adjustments noted above but we will also include the study recommendation to review the indirect cost allocations charged to offset General Fund costs associated with central support services provided to the Integrated Pest Management Program. Since these estimates will be included as part of the budget plan, our estimated completion date is February 28, 2021.

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**SEWER OPERATION AND MAINTENANCE FUND OFFSET**

**Study Results**

**FOR INFORMATIONAL PURPOSES ONLY**

We performed a review of the DPWES Sewer Operation and Maintenance Fund 69010 for the purpose of identifying opportunities to adjust the General Fund offset in the next fiscal year. Areas of review included: revenues, grants, reimbursements, and expenses. The General Fund offset has remained constant at **\$2.85M** for the last five fiscal years. This fund is managed through the WW Program. This transfer to the General Fund partially offsets central support services in Fund 69010. The indirect costs in this fund are: Human Resources, Purchasing, Budget and other administrative services. The Sewer Operation and Maintenance fund is supported by transfers from the Sewer Revenue Fund (69000). The transfers for FY17-FY19 ranged between **~\$93M** to **~\$101.4M**.

To perform this analysis, we compiled Sewer Operation and Maintenance Fund data for FY17-FY19. The data sources used for this analysis were: FOCUS, Fund Statements and other information provided by WW. These data were used to assess if opportunities exist to adjust the General Fund offset using unspent balances at year-end. Additionally, we reviewed if transfer amounts support operations. The results of our analysis are below:

Sewer Operations and Maintenance Fund (69010) Revenues vs. Expenses			
Fiscal Years	FY17	FY18	FY19
<i>Revenue Rates</i>			
<i>Sewer Service Charge (Per 1,000 Gallons of Water):</i>	\$6.68	\$6.75	\$7.00
<i>Sewer Consumption Gallons of Water:</i>	6,048,615	7,468,831	7,352,222
<i>Revenues (Fund Statement Actuals Recon to FOCUS Period 15)</i>			
<i>Transfer-In Sewer Revenue from Fund 690-69000</i>	\$93,000,000	\$101,440,000	\$100,470,000
<i>Grant Awards:</i>	\$0	\$0	\$0
<i>Water Quality Improvement Fund State Reimbursements:</i>	\$0	\$0	\$0
<b>Total Revenues:</b>	<b>\$93,000,000</b>	<b>\$101,440,000</b>	<b>\$100,470,000</b>
<i>Expenses (Fund Statement Actuals Recon to FOCUS Period 15)</i>			
<i>Compensation:</i>	\$19,366,468	\$19,307,795	\$20,577,354
<i>Benefits:</i>	\$8,866,858	\$9,314,173	\$10,081,435
<i>Non-Pay Employee Benefits:</i>	\$180,000	\$180,000	\$180,000
<i>Operating Expenses:</i>	\$62,932,926	\$68,746,904	\$68,383,412
<i>Work Performed For Others:</i>	(\$458,076)	(\$782,769)	(\$682,619)
<i>Capital Expenses:</i>	\$824,018	\$732,363	\$693,462
<b>Total Expenses:</b>	<b>\$91,712,195</b>	<b>\$97,498,466</b>	<b>\$99,233,045</b>
<i>Revenue In Excess of Staff &amp; Ops Expenses:</i>	\$2,111,824	\$4,673,897	\$1,930,418
<i>Revenue In Excess of Cap &amp; Debt Service Expenses:</i>	\$92,175,982	\$100,707,637	\$99,776,538
<i>Revenue In Excess of Total Expenses:</i>	\$1,287,805	\$3,941,534	\$1,236,955
<i>General Fund Offsets:</i>	\$2,850,000	\$2,850,000	\$2,850,000
<b>Revenue In Excess of Total Expenses &amp; Offsets:</b>	<b>(\$1,562,195)</b>	<b>\$1,091,534</b>	<b>(\$1,613,045)</b>

Based on our analysis, expenses exceed revenues for FY17 & FY19 by **~\$1.6M** for both fiscal years. In the FY21 Updated Budget Proposal, WW sewer service charge increases were removed due to the effect of the COVID-19 pandemic on the economy. Presented in the FY20 Sewer Operation and Maintenance Fund Statement, the transfer amounts to this fund are supported by the sewer service charges revenue collected. The FY18 the unspent balance was **~\$1.1M**. Prior to FY17-19, the unspent balances between FY14 – FY16 ranged between (**~\$5.1M**) - **~\$4.1M**.

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**Recommendation**

Given the fluctuation in ending balances for this fund, we did not identify opportunities for adjustments to the General Fund offset.

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**LIST OF ACRONYMS**

AC	Audit Committee
BOS	Board of Supervisors
DMB	Department of Management and Budget
DMV	Department of Motor Vehicles
DPWES	Department of Public Works and Environmental Services
DTA	Department of Tax Administration
FCPD	Fairfax County Police Department
FY	Fiscal Year
NCC	Nationwide Credit Corporation
NLETS	National Law Enforcement Telecommunications System
OFPA	Office of Financial and Program Audit
SLAF	Stormwater Local Assistance Fund
STW	Stormwater Management Program
SWMP	Solid Waste Management Program
WW	Wastewater Management Program

**ADDENDUM SHEET**

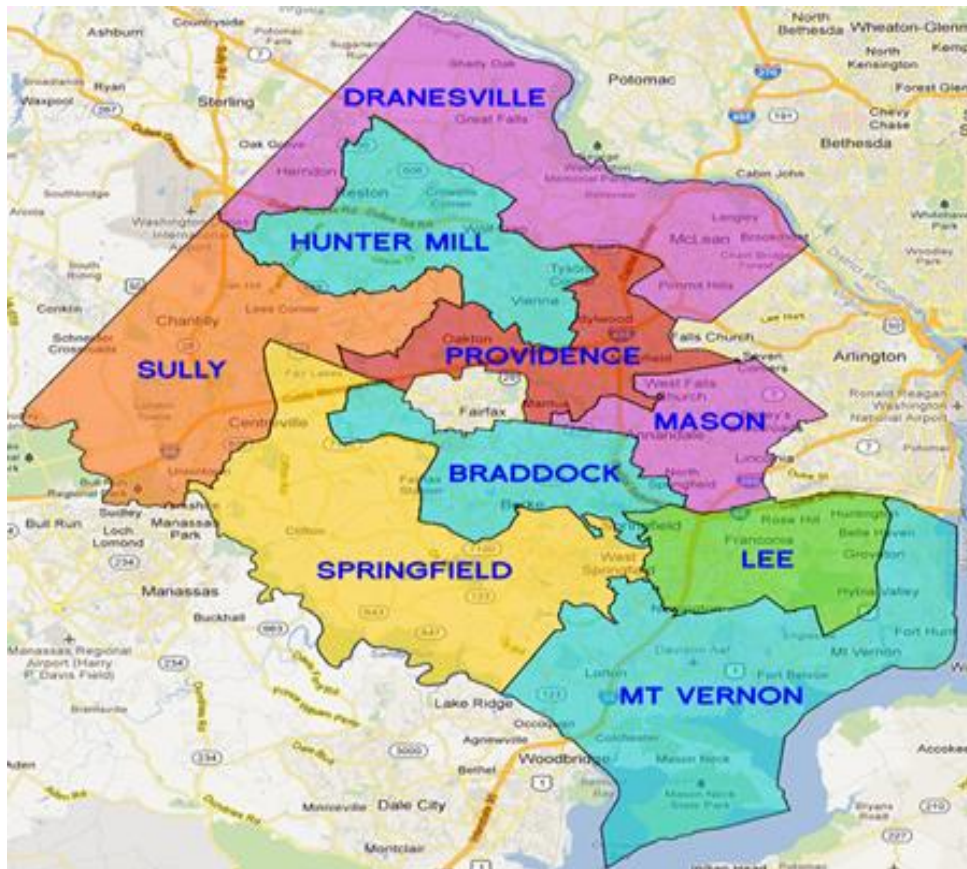
***OFPA (June 2020 /Agency Report and/or Debriefing)***

***6/16/2020***

The table below lists discussions from the Audit Committee.

<b><i>Location in Document</i></b>	<b><i>Comments</i></b>

***~End~***



**FAIRFAX COUNTY BOARD OF SUPERVISORS  
AUDITOR OF THE BOARD**  
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