COUNTY OF FAIRFAX, VIRGINIA
OFFICE OF FINANCIAL AND PROGRAM AUDIT

June 2017	Quarterly Report

FAIRFAX COUNTY BOARD OF SUPERVISORS
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Table of Contents

FUTURE CONSTRUCTION & OTHER ESCROW ACCOUNTS REVIEW

DETAIL OBSERVATIONS AND ACTION PLANS

STUDY OVERVIEW

The results of this study may not highlight all of 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 ***Office of Financial and Program Audit (OFPA) 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. There are several types of studies performed by OFPA, e.g. operational, financial, compliance, and internal controls. To that end, it is important to note that 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.

For Future Construction, Bond & Conservation Escrow accounts, documents and funds are initially received by Land Development Services (LDS) from developers. These funds are recorded in the County's financial management system's General Ledger (G/L). The funds remain in the custody of the Fairfax County (County's) management until the project has been completed and accepted by the responsible government agency. Escrow Accounts maintained by LDS are for Future Construction, Bond, and Conservation Escrows (generally Bond and Conservation Escrows are not released to another agency, because they are released to the developer after certain conditions of development are met). Generally, Future Construction escrows are posted by one developer and released to another developer when the designated public improvement is completed. In cases where the County performs the work, the County receives the funds. Bond and conservation escrow funds are generally posted and the County does not complete the project unless there is a default. These funds are tracked by LDS and recorded in the Comprehensive Annual Financial Report (CAFR) by the Department of Finance (DOF) for year-end financial reporting. Included in this study was an assessment of the processes related to the management of Escrows (Future Construction, Bond & Conservation), tracking and monitoring construction initiatives, and reporting processes for these funds. As these funds are maintained using escrow accounts, a review of compliance, accounting, and funds recognition drove how this study was executed.

LDS provides regulatory services to protect the health, safety, welfare, and environment of Fairfax County, its constituents, and visitors. The agency accomplishes this mission through effectively regulating land development and building construction. LDS reviews all site and subdivision plans, inspects site development, and is responsible for the plan review, permitting, and inspection of new and existing buildings and structures to ensure compliance with applicable codes and regulations (e.g., Virginia Uniform Statewide Building Code, Chesapeake Bay Preservation Act regulations, Virginia Road and Bridge Standards, numerous provisions of the Fairfax County Code, the County Public Facilities Manual. LDS acts against noncompliant construction and land-disturbing activities. LDS provides technical training and customer outreach programs for homeowners, builders, engineers and contractors to enhance compliance with land development and building code regulations.

The purpose of this study included an assessment of the tracking, accounting, and reconciliation processes of the escrow accounts and construction initiatives. To gain reasonable assurance that the escrow balances are fairly stated and the tracking and monitoring of the construction initiatives are comprehensive, staff performed substantive testing of source documentation and interviewed LDS designated staff. Additionally, OFPA tested the originations and disbursements of the escrow funds while keeping in view the elements of controls. This included a review of the processes related to tracking and reporting of aged escrow account balances to mitigate missed opportunities for use. This exercise was also undertaken to address issues of tracking documentation encumbered by balances which were no longer supported by projects or programs. Lastly, an assessment of internal controls and close-out procedures was performed. Staff reviewed and made recommendations where applicable.

OFPA endeavored to test the future construction and other escrow supported projects for the number outstanding, the length of time on LDS' internal tracking mechanism, and the variance between these items being listed on LDS' internal spreadsheets, proprietary systems, and FOCUS. Accordingly, we met with the Director of LDS, the County Attorney's Office, DOF and members of LDS staff to discuss these matters. We endeavored to test: (1) whether the list of outstanding projects was up to date, (2) whether the county could benefit from the use of funds deposited whereby the projects were either in developer default status and/or the projects were no longer supported by projects or programs, (3) the developer could no longer be identified, and/or (4) whether there could be improvements that would ensure the more timely distribution of funds.

As per LDS, the report utilized to track escrows includes aged escrows in excess of 20 years. As part of OFPA substantive testing, OFPA observed some open projects dating back to the year 1968. These monies remain in the general fund until a developer fulfills the intended purpose that is written in the escrow agreement. We were informed during the meetings with LDS staff that escrow monies are often held for extended periods. Some of the reasons are that escrows are not claimed by the developers, the developers that performed the project cannot be located, and descriptions do not always clearly explain the purpose of some escrows (this results in an inability to properly label the escrows for use). These monies have remained on the County's books as a liability for extended periods.

The County Attorney will advise LDS about legal requirements and options to handle escrows that are no longer required to pay for or guarantee projects but that remain on the agency's and the

County's books. Quantification of Future Construction, Bonds, & Conservation Escrows are provided in ***Appendices B*** & ***C***.

- ***Aged Future Construction Escrows are denoted in Appendix B***
- ***Aged Bond and Conservation Escrows are denoted in Appendix C***

LDS staff stated that disbursing future construction, bond and conservation escrow funds is an arduous task. The process is encumbered by developers who do not respond, are no longer in business, cannot be located after reasonable investigation, or changed ownership, among other things. Also, per LDS staff, many of these escrowed projects take years to complete. This complicates the goal to remain current with only project and/or program supported funds on the County's books.

To ensure that future construction and other escrows are properly classified and managed, LDS should improve its process for receiving and recording deposits from developers. Specifically, LDS should ensure that deposit information includes the LDS application numbers and/or the payor's Tax ID number. OFPA observed instances whereby the application and Tax ID numbers weren't populated in the respective internal spreadsheets and systems. Our review also revealed instances where LDS' monthly reconciliation process was not performed as prescribed by the Accounting Technical Bulletin 020(Financial Transactions Reconciliation). This policy requires that monthly reconciliations be performed by respective Departments/Agencies monthly.

Our audit approach included interviewing internal LDS and other County staff involved in this business process. Also to facilitate this review; OFPA observed employees' work functions and performed detailed transaction testing. Further to this review process, we evaluated the following processes holistically for completeness; compliance, internal controls, financial analysis, and departmental policies and procedures. OFPA conducted a data-driven risk assessment tailored to the County's operating environment related to the review of escrows.

OBJECTIVES AND RESULTS

Business Objectives	Study Assessments
Updated Policies and Procedures	**Satisfactory**
Inspection Process Performed and Documented	**Satisfactory**
Commingled Construction Financing Instruments	**Needs Improvement**
Aged Future Construction Escrow Balances	**Unsatisfactory**
Aged Bond and Conservation Escrow Balances	**Unsatisfactory**
Aged Escrows Management/Oversight	**Unsatisfactory**

Control Summary	
Good Controls	**Weak Controls**
• Over the past year, LDS staff has endeavored to document and standardize all Department processes. Significant progress has been made. • Based on our review; the inspection and documentation process performed by LDS staff, prior to the release of escrows, appears to be adequate.	• The related escrow construction financing instruments were commingled in FOCUS and LDS' internal tracking spreadsheet. • Aged balances for some Future Construction Escrows remain on the list maintained by LDS. These balances also remain on the County's books. • Aged balances for some bond and conservation escrows remain on the list maintained by LDS. These balances also remain on the County's books. • The process to review and address aged escrows could be enhanced.

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).

COMMINGLING CONSTRUCTION FINANCING INSTRUMENTS	
Risk Ranking	**MEDIUM**

LDS should endeavor to enhance processes whereby the original recording (in the G/L and agency internal tracking) of construction financing instruments reflect the correct posting. We are aware in most cases these items are identified and corrected during the reconciliation process. By not initially classifying these items correctly, this process degrades the opportunity for staff to monitor these items in a way that would allow them to take action timely.

For instance, opportunities which may be affected are; ***Proffers*** disseminated to agencies upon the approval of the plan documents, ***Future Construction Escrows*** monitored to ensure there are no defaults by developers, ***Conservation Escrows*** monitored to ensure cash components and Letters of Credit have been received, and monitoring for ***Bond Escrows*** released back to the Developer after the construction commitments have been satisfied. These are processes which require timely monitoring for competent oversight of the construction financing instrument process.

Recommendation

OFPA recommends LDS endeavor to enhance processes whereby the original recording (in the G/L and agency internal tracking) of construction financing instruments reflect the correct posting. Processes should be employed to review misclassifications and controls put in place to eliminate input errors. This process has been discussed and reviewed with DOF. DOF concurs with this recommendation.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Bill Hicks Michael Goodrich	July 1, 2017	William.Hicks@FairfaxCounty.gov Michael.Goodrich@Fairfaxcounty.gov

MANAGEMENT RESPONSE:

LDS is committed to correctly posting transactions when the original recording is made. Misclassifications are corrected when discovered during a reconciliation process. Procedures will be revised as appropriate with the goal of strengthening internal controls. Policies have been developed to clearly distinguish proffers from future construction types of transactions.

LDS AGED FUTURE CONSTRUCTION ESCROW BALANCES	
Risk Ranking	HIGH

Substantive testing performed by OFPA revealed instances whereby aged future construction escrows remained on the County's books as a liability for extended periods. LDS tracks future construction escrows on various internal spreadsheets. At the inception of our review, LDS provided OFPA with a spreadsheet that listed future construction escrow deposits totaling over $11,691,044, some of which had been on the books for almost 48 years. Some reasons for aged future construction escrows, as asserted by LDS are; some escrows are not claimed by the developers, the developers that performed some projects cannot be located after reasonable investigation, the descriptions don't always clearly explain the purpose of escrows, developers are occasionally not responsive when contacted, some developers are no longer in business, LDS is unable to identify the developers of some projects, and/or there has been a change in ownership of the developer's company.

As noted in ***Appendix B*** below, the aged future construction escrows remaining balance between years 1968 through 2001 was $6,404,841. This represents ~55% of the total recorded balance for this time period.

Recommendation

OFPA staff recommends that LDS staff review and validate the aged future construction escrow balances presented by OFPA during this study. LDS should analyze these items to determine whether they may support projects or programs. Upon completion, efforts should be made to work with DOF or other appropriate agency to reverse the entries and/or release unsupported funds as appropriate. As this process may address management accounting issues only, additional consideration must be given to whether funds may be used on other projects or whether they must be returned and/or escheated.

The County Attorney will advise LDS related to the use of funds and other issues which impact escrows as County staff execute a review and clean-up process. OFPA recommends that LDS staff engage DOF staff to facilitate the review and cleanup process in accordance with the County Attorney's advice, if needed. This initiative should assist staff in reducing the number and amount of aged balances on-going. If a review process is implemented, in a sustainable manner, the likelihood of the process gap should be diminished.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Bill Hicks Michael Goodrich Beth Teare	January 1, 2018	William.Hicks@fairfaxcounty.gov Michael.Goodrich@fairfaxcounty.gov Elizabeth.Teare@fairfaxcounty.gov

MANAGEMENT RESPONSE:

In consultation with the County Attorney's Office, LDS will establish an internal procedure for managing Future Construction balances. Subsequent to that, a plan of action to carry out that policy will be created and monitored by LDS management. The oldest aged construction balances will be handled first, working towards less aged construction balances.

AGED BOND AND CONSERVATION ESCROW BALANCES

Risk Ranking	HIGH

Substantive testing performed by OFPA revealed instances whereby aged bond and conservation escrows remained on the County's books as a liability for extended periods. LDS tracks bond and construction escrows on various internal spreadsheets and an internal system PAWS (Plan and Waivers System). Reasons for aged bond and escrows, as asserted by LDS, are that escrows are not claimed by the developers, the developers that performed the project cannot be located after reasonable investigation, a lack of clarity in the description for which the escrows were earmarked, developers are not being responsive after they are contacted, developers are no longer in business, and/or there was a change in ownership of the developer's company.

As noted in ***Appendix C*** below, the aged bond and conservation escrows for funds between years 1997 through 2001(FAMIS Create Date) was $6,399,262.

Recommendation

OFPA staff recommends that LDS staff review and validate the aged bond and conservation escrow balances presented by OFPA during this study. LDS should analyze these items to determine whether they may support projects or programs. Upon completion, efforts should be made to work with DOF or other appropriate agency to reverse the entries and/or release unsupported funds as appropriate. As this process may address management accounting issues only, additional consideration must be given to whether funds may be used on other projects or whether they must be returned and/or escheated.

The County Attorney will advise LDS related to the use of funds, and other issues which impact escrows as County staff execute a review and clean-up process. OFPA recommends that LDS staff engage DOF staff to facilitate the review and cleanup process in accordance with the County Attorney's advice, if needed. This initiative should assist staff in reducing the number and amount of aged balances on-going. If a review process is implemented, in a sustainable manner, the likelihood of the process gap should be diminished.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Bill Hicks Michael Goodrich Beth Teare	July 1, 2018	William.Hicks@fairfaxcounty.gov Michael.Goodrich@fairfaxcounty.gov Elizabeth.Teare@fairfaxcounty.gov

MANAGEMENT RESPONSE:

LDS and the County Attorney's Office will establish a Fairfax County internal procedure for managing Bond and Conservation Escrow balances. Subsequent to that, a plan of action to carry out that policy will be created and monitored by LDS management. The oldest aged construction balances will be handled first, working towards less aged construction balances.

AGED ESCROWS MANAGEMENT / OVERSIGHT

Risk Ranking	HIGH

The review by OFPA staff revealed many future construction, bond and conservation escrow balances which were aged and unused. No process was identified during our review to compile and address these aged items. It appears not having a process in place to clear aged escrows directly attributed to the LDS list of escrows gradually increasing over time. A review and validation of each aged escrow documentation and balance would assist staff to determine whether the funds could be utilized for another project, returned to the developer, or escheated, as appropriate.

Recommendation

OFPA staff recommends that LDS staff develop and implement a process whereby aged escrow balances that remain on the County's books are reviewed (based on a timeframe as deemed appropriate by LDS management, e.g., every three years) to identify whether the funds can be utilized as earmarked, deployed to other projects, returned to the developer, and/or escheated, as appropriate. This initiative should assist staff in reducing the number and amount of aged balances on-going. If a review process is implemented, in a sustainable manner, the likelihood of the process gap should be diminished.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Bill Hicks Michael Goodrich	July 1, 2019	William.Hicks@FairfaxCounty.gov Michael.Goodrich@Fairfaxcounty.gov

MANAGEMENT RESPONSE:

LDS is committed to review aged escrow balances, beginning with the oldest balances and working towards the more recent balances with respect to future construction and conservation escrows (bonds do not have a similar timeframe). LDS will work from July 1, 2018, and complete its review by July 1, 2019, leaving only the most recent 15 years as outstanding.

LDS CASH PROFFERS REVIEW

DETAIL OBSERVATIONS AND ACTION PLANS

STUDY OVERVIEW

The results of this study may not highlight all of 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 ***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. There are several types of studies performed by OFPA, e.g.; operational, financial, compliance, internal controls, and 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.

One of the functions of the LDS staff is to ensure that all development projects in the County meet the standards of all applicable codes in Virginia. LDS staff is responsible for many essential activities such as reviewing site development plans, inspections. LDS is responsible for receiving and managing the initial receipt of cash proffer funds. LDS tracks/monitors cash proffers with PAWS and on an internal spreadsheet. All cash proffers are paid initially to LDS. LDS's standard operating procedures (SOP) guide how staff manages cash proffers.

Relevant to cash proffers, this study included (but was not limited to) assessments of; the accounting process, tracking/monitoring processes, original amounts received, remaining balances to date, aged balances that remain on the County's books, procedures for transferring funds to agencies with oversight of the projects, and other policies and procedures. LDS staff perform reconciliations for cash proffers on a transactional level rather than reconciling monthly balances. Therefore, OFPA staff was unable to perform a review of LDS monthly cash proffer reconciliations.

For each accepted cash proffer, LDS staff reviews the proffer language and defines conditions in PAWS to facilitate the collection of cash proffer funds. Efforts are made by LDS staff to obtain cash proffer funds based on the collection due date specified in the proffer language. Cash proffer funds are paid in the form of checks. When cash proffer funds are received, they are recorded in the General Fund under a specific G/L account and cost center for proffers. Based on the proffer language, LDS determines the respective agencies/departments where LDS will deposit the cash proffer funds. As per LDS management, once LDS transfers the cash proffer funds, the receiving agency/department is responsible for using, tracking, and monitoring the number of cash proffers and the cash proffer balances. Once LDS transfers the cash proffer to an agency/department, LDS staff close-out the cash proffer in PAWS and on the internal spreadsheet.

Monthly, LDS notifies agencies/departments of transfers of cash proffer funds to the respective agencies/departments. These notifications detail the receipt of funds, amounts, and the applicable proffer language. LDS staff initiates these transfers and, thereafter, is not responsible for further transfers within an agencies'/departments' accounts. As part of this process, LDS staff completes a transfer memo that details the cash proffer name, amount, original account recognition and transfer account.

Pursuant to State of Virginia Code §15.2-2303.2(E) (Supp. 2016), the County is required to provide a complete report of all cash proffer funds expended during the prior fiscal year, among other things. All agencies/departments that receive cash proffer funds relay their data for the reporting period to the Department of Planning and Zoning (DPZ). DPZ compiles all data into a report and submits it to the Commission on Local Government.

LDS staff provided OFPA a complete list of all cash proffers received from 1973 through Y-T-D 2017. This list was data-mined to include only unused aged cash proffers from 2010 and earlier. These funds remain in the general fund under a specific G/L account and cost center for proffers. The date range of 2010 and earlier was chosen as this would allow sufficient time for projects (for which the cash proffer funds were paid) to begin. Unused aged cash proffers remain in the general for several reasons, for example; funds may no longer be supported by projects or programs and/or lack of complete project descriptions in proffer language.

OBJECTIVES AND RESULTS

Business Objectives	Study Assessments
Transfer Process of Cash Proffer Funds	Satisfactory
LDS Aged Cash Proffer Balances	Unsatisfactory
LDS Aged Cash Proffers Management/Oversight	Unsatisfactory

Control Summary	
Good Controls	**Weak Controls**
• The process of transferring funds for proffers from LDS to the respective agencies / departments appears to be efficient. These transfers are tracked on the LDS internal spreadsheet and FOCUS.	• LDS aged balances for some proffers remain on the cash proffer list maintained by LDS. These balances also remain on the County's books. • The process to review and address aged cash proffer balances could be enhanced.

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).

LDS UNUSED AGED CASH PROFFERS BALANCES	
Risk Ranking	**HIGH**

A review by OFPA revealed, unused aged proffer balances. OFPA data-mined the spreadsheet that LDS developed to track cash proffers and identified unused aged balances between calendar years 1985 through 2010. In some cases, the balances were aged passed ~25 years. Based on the data provided by LDS, these aged cash proffer balances totaled ~$3M. These monies remain in the general fund. During an opening meeting, LDS staff informed us that cash proffer funds are often held for extended periods. Some of the reasons are; proffers are not claimed by the developers, the developers that performed the project cannot be located, lack of clarity on description for which the cash proffer is earmarked (this results in an inability to properly label the proffer for use). These monies have remained on the County's books as a liability for extended periods. Aged LDS cash proffer balances are provided in ***Appendix D***.

Recommendation

OFPA staff recommends that LDS staff review and validate the aged cash proffers balances presented by OFPA during this study. LDS should analyze these items to determine whether they may be used to support projects or programs. Upon completion, efforts should be made to work with the DOF or other appropriate agencies to reverse the entries and/or release unsupported funds as appropriate. As this process may address management accounting issues only, additional consideration must be given to whether these funds may be used on other projects or whether they must be returned and/or escheated.

The County Attorney will advise LDS related to the use of funds, and other issues which impact proffers as County staff execute a review and clean-up process. OFPA recommends that LDS staff engage DOF staff to facilitate the review and clean-up process in accordance with the County Attorney's advice, if needed. This initiative should assist LDS staff in reducing the number and amount of aged balances on-going. If a review process is implemented, in a sustainable manner, the likelihood of the process gap should be diminished.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Bill Hicks Michael Goodrich Beth Teare	January 1, 2018	William.Hicks@Fairfaxcounty.gov Michael.Goodrich@Fairfaxcounty.gov Elizabeth.Teare@Fairfaxcounty.gov

MANAGEMENT RESPONSE:

LDS is working closely with the County Attorney's Office to prepare and implement a review process to resolve current and future aged proffer balances in accordance with applicable law. LDS concurs that aged cash proffers should be resolved promptly in a responsible, legal manner. LDS notes that some less aged proffers may be planned for use. After LDS finalizes a policy and procedure in consultation with the County Attorney's Office, work will begin from the oldest balances to the newest.

LDS AGED CASH PROFFERS MANAGEMENT / OVERSIGHT

Risk Ranking	**HIGH**

The review by OFPA staff revealed a large number of cash proffer balances which were aged and unused. No process was identified during our review to compile and address these aged items. LDS management concurred that no process has been identified, yet. This lack of a process has contributed to the increase in aged balances that are discussed in this report. A review and validation of the documentation for each aged cash proffer and its balance would assist staff to determine whether the funds could be; utilized for another project, returned to the developer or other payor, or escheated, as appropriate.

Recommendation

OFPA staff recommends that LDS staff develop and implement a process whereby aged cash proffers balances that remain on the County's books are reviewed (based on a timeframe as deemed appropriate by LDS management, e.g. every three years) to identify whether the funds can be utilized as set forth in the proffer language, deployed to other projects, returned to the developer or other payor, and/or escheated, as appropriate. This initiative should assist staff in reducing the number and amount of aged balances on-going. If a review process is implemented, in a sustainable manner, the likelihood of the process gap should be diminished.

Action Plan

Point of Contact	**Target Implementation Date**	**Email Address**
Bill Hicks Michael Goodrich	January 1, 2018	William.Hicks@Fairfaxcounty.gov Michael.Goodrich@Fairfaxcounty.gov

MANAGEMENT RESPONSE:

LDS will implement a Standard Operating Procedure that will evaluate and begin the process of clearing funds from County accounts that are more than 15 years old, as appropriate. A work plan will be established that will annually identify cash proffers that are greater than 15 years old (as of January 1st of each year) with the goal to determine the outcome of each aged cash proffer.

FCPA CASH PROFFERS REVIEW

DETAIL OBSERVATIONS AND ACTION PLANS

STUDY OVERVIEW

The results of this study may not highlight all of 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 ***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. There are several types of studies performed by OFPA, e.g.; operational, financial, compliance, internal controls, and 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.

Cash Proffers are part of the rezoning process in Fairfax County. As part of this process, private developers and individual property owners voluntarily "proffer" funds with conditions that limit or qualify how the funds will be used. This study included (but was not limited to) assessments of the County's current financial management system (FOCUS) reconciled to Fairfax County Park Authority's (FCPA) internal tracking, the FCPA CAFR, and FCPA's allocation of funds to projects. Other study areas included reviews of; aged balances that remain on the County's books, and FCPA policies and procedures. The substantive testing for this study included; a sample of 30 FCPA cash proffers and, a sample of four monthly cash proffer fund reconciliations (June 2016, July 2016, September 2016, and December 2016). To facilitate the cash proffer testing process, the sample was randomly selected utilizing a random number generator to provide assurance that it was unbiased. The testing process was performed through; the review of cash proffer expenditures supporting documentation in FOCUS, verification of the completion of FCPA Approval Memorandum, and review of FCPA close-out procedures. In some instances, supporting documentation was unavailable in FOCUS to perform the review of expenditures. Refer to ***Appendix E*** for the analysis completed for the sample selected.

FCPA staff tracks and monitors proffers on an internal spreadsheet. Detailed on this spreadsheet is the following information: proffer descriptions, amounts received, amounts expensed, and remaining available balances. A separate spreadsheet is maintained by FCPA which is utilized to track cash proffer funds. Proffer funds are included as part of the Fiscal Year Carryover Budget Review each September. Upon Board of Supervisors (BOS) approval of carryover, FCPA proffer funds are posted to the FCPA cash proffers designated account.

OBJECTIVES AND RESULTS

Business Objectives	Study Assessments
Cash Proffers Documentation and Funds Review Process	Satisfactory
Approval Process for Use of Cash Proffers Funds	Satisfactory
Cash Proffer Internal Tracking	Needs Improvement
Cash Proffers Close-out Procedures	Needs Improvement
FCPA Aged Cash Proffer Balances	Unsatisfactory
FCPA Aged Cash Proffer Management / Oversight	Unsatisfactory

Control Summary	
Good Controls	**Weak Controls**
• Based on our sample review, it appears that the initial cash proffer documentation is being adequately reviewed. • Based on our sample review, the internal approval memorandums were properly signed off by the Agency Director.	• Cash proffer internal tracking spreadsheet not updated with pertinent information. • Lack of a close-out process for cash proffers when the funds are fully disbursed. • Aged balances for some FCPA proffers remain on the cash proffer list maintained by FCPA. These balances also remain on the County's books. • The process to review and address aged cash proffer balances could be enhanced.

OBSERVATIONS AND ACTION PLAN

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).

CASH PROFFER INTERNAL TRACKING	
Risk Ranking	**HIGH**

Our review of FCPA's internal tracking spreadsheet (for available tracked items) revealed several instances whereby the document did not detail original proffer-funds-receipt dates that could be utilized to monitor and track cash proffer documentation and activity. There were 650 data points missing in this spreadsheet. Of these items, 364 were Deposit Entry (DE) numbers generated and used by LDS. The remaining missing 286 items were the dates the cash proffer funds were received.

Recommendation

OFPA recommends that efforts be made to complete cash proffer receipt dates on the internal tracking spreadsheet utilized by FCPA for management and oversight of these items. OFPA's review of this tracking spreadsheet provided by FCPA revealed 80 aged items. The total ***Remaining Balances*** for these items was $2,539,345. As this information was obtained by a review after the ***receipt*** of the missing dates on the spreadsheet, OFPA asserts this information is critical to the tracking and oversight of these items.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Kirk Kincannon Janet Burns	June 30, 2018	Kirk.Kincannon@Fairfaxcounty.gov Janet.Burns@Fairfaxcounty.gov

MANAGEMENT RESPONSE:

The Park Authority (FCPA) will work closely with the Office of the County Attorney (OCA) to determine how best to utilize balances. The FCPA's existing Standard Operating Procedure on Proffers (SOP) will be reviewed and a process will be in place by the end of FY 2018 to resolve outstanding balances.

CASH PROFFERS CLOSE-OUT PROCEDURES

Risk Ranking	MEDIUM

The FCPA cash proffers policies and procedures were utilized to facilitate this review. From our read of these procedures, we could not identify standard processes for the close-out of cash proffers after funds are fully disbursed. As per FCPA staff, no close-out processes are documented and/or utilized. OFPA, with the concurrence of the DOF, asserts that "close-out" would be a beneficial control.

Recommendation

We recommend FCPA staff collaborate with DOF to develop a close-out process for cash proffers and update the FCPA Proffer Processing Procedures with this information. This process would ensure that cash proffers are closed-out both on the FCPA internal tracking spreadsheet and in FOCUS. Additionally, this process will assure no future disbursements from these cash proffers accounts can occur.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Kirk Kincannon Janet Burns	December 31, 2017	Kirk.Kincannon@Fairfaxcounty.gov Janet.Burns@Fairfaxcounty.gov

MANAGEMENT RESPONSE:

The FCPA will enhance its current proffer procedures to clearly define the close out process and will work closely with DOF to include their procedural recommendations. The FCPA will enhance its recording of proffers and spreadsheet tracking to show the full use of that proffer only. When these residual balances were incurred, staff was planning to apply other appropriate proffer funds that had been received and that were not restricted for use for any one project. Applicants in rezoning sometimes choose to proffer cash contributions to public parks and recreation facilities generally for the community with no geographic restriction or identification of a specific project. In the future, the residual balances, if any, will be shown against the account of another appropriate cash proffer. These accounting and procedures changes will be implemented by December 31, 2017.

FCPA AGED CASH PROFFER BALANCES	
Risk Ranking	**HIGH**

A review by OFPA revealed, unused aged cash proffer balances. The aged balances identified were between calendar years 1997 through 2010. In some cases the balances were aged past ~20 years. To compile this data for our analysis, FCPA's internal cash proffer tracking spreadsheet was data-mined to include only aged items from 2010 and earlier. Based on the data provided by FCPA, the aged cash proffer balances identified by our review totaled ~$2.6M. These monies remain in the FCPA Proffer Fund. Aged FCPA cash proffer balances are provided in ***Appendix F***.

Based on the information provided by FCPA, the total amount tracked on that agency's internal spreadsheet is $4,713,409. The aged balance identified by OFPA's review of the data on that spreadsheet totaled $2,539,345. This represents ~54% of the total tracked balance.

Recommendation

OFPA staff recommends that FCPA staff review and validate the aged cash proffers balances presented by OFPA during this study. FCPA should analyze these items to determine whether they may be used to support projects or programs. Upon completion, efforts should be made to work with DOF or appropriate agencies to reverse the entries and/or release unsupported funds as appropriate. As this process may address management accounting issues only, additional consideration must be given to whether these funds may be used on other projects or whether they must be returned and/or escheated.

The County Attorney will advise FCPA related to the use of funds and other issues which impact proffers as County staff execute a review and clean-up process. OFPA recommends that FCPA staff engage DOF staff to facilitate the review and clean-up process in accordance with the County Attorney's advice, if needed. This initiative should assist staff in reducing the number and amount of aged balances on-going. If a review process is implemented, in a sustainable manner, the likelihood of the process gap should be diminished.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Kirk Kincannon Janet Burns Elizabeth Teare	June 30, 2018	Kirk.Kincannon@Fairfaxcounty.gov Janet.Burns@Fairfaxcounty.gov Elizabeth.Teare@Fairfaxcounty.gov

MANAGEMENT RESPONSE:

The FCPA has significant funding needs and welcomes assistance and guidance from the County on utilizing these funds on other projects. FCPA will review and enhance its SOP and actively consult with DOF and OCA on appropriate utilization of cash proffers. The FCPA SOP will be reviewed and revised by the end of FY 2018 to ensure cash proffers are properly utilized.

FCPA AGED CASH PROFFERS MANAGEMENT / OVERSIGHT	
Risk Ranking	**HIGH**

The review by OFPA staff revealed a large number of cash proffer balances which were aged and unused. No process was identified during our review to compile and address these aged items. This lack of a process has contributed to the increase in aged balances that are discussed in this report. A review and validation of the documentation for each aged cash proffer and its balance would assist staff to determine whether the funds could be utilized for another project, returned to the developer or other payor, or escheated, as appropriate.

Recommendation

OFPA staff recommends that FCPA staff develop and implement a process whereby aged cash proffers balances that remain on the County's books are reviewed (based on a timeframe as deemed appropriate by FCPA management, e.g., every three years) to identify whether the funds can be utilized as set forth in the proffer language, deployed to other projects, returned to the developer or other payor, and/or escheated, as appropriate. This initiative should assist staff in reducing the number and amount of aged balances on-going. If a review process is implemented, in a sustainable manner, the likelihood of the process gap should be diminished.

Action Plan

Point of Contact	**Target Implementation Date**	**Email Address**
Kirk Kincannon Janet Burns	June 30, 2018	Kirk.Kincannon@Fairfaxcounty.gov Janet.Burns@Fairfaxcounty.gov

MANAGEMENT RESPONSE:

The FCPA will review and enhance its cash proffer SOP by the end of FY 2018 to address the aged cash proffers. Many of the FCPA cash proffers have an identified and planned use, and FCPA will revisit those uses to ensure they're appropriate and consult with the OCA for advice and support for appropriate utilization.

DPWES CASH PROFFERS REVIEW

STUDY OVERVIEW

The results of this study may not highlight all of 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 ***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. There are several types of studies performed by OFPA, e.g.; operational, financial, compliance, internal controls, and 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.

Cash Proffers are part of the rezoning process in Fairfax County. As part of this process, private developers and individual property owners voluntarily "proffer" funds with conditions that limit or qualify how the funds will be used. To facilitate this study, OFPA staff requested a list of cash proffers from the Department of Public Works and Environmental Services (DPWES). In response to our request, ***DPWES staff asserted that they do not have any cash proffers nor have any been transferred to their agency.*** OFPA staff verified this assertion through various processes. Due to the fact that no cash proffers had been transferred to DPWES (***under our period review)*** substantive testing of data was deemed to be unnecessary. As no review of cash proffer tracking was required, OFPA staff reviewed the coordination and transfer of information between DPWES and LDS. Based on our review, these efforts appear to be adequately performed. ***As such, no reportable items were noted.***

OBJECTIVES AND RESULTS

Business Objectives	Study Assessments
Coordination Effort Between DPWES and LDS	**Satisfactory**
Documented and Approved Reconciliation Plan	**Satisfactory**
Knowledge of the Origination and Execution of the Proffer Process	**Satisfactory**

Control Summary	
Good Controls	**Weak Controls**
• Coordination efforts between DPWES and LDS appear to be adequately performed. • DPWES reconciliation plan has been reviewed and approved by DOF. • DPWES Branch Chief appears to be involved and knowledgeable with and of the process.	• Due to the limited number of cash proffers being managed by DPWES, this area of the matrix in deemed N/A.

CABLE FRANCHISE SALES AND USE TAXES REVIEW

OBSERVATION AND ACTION PLAN

STUDY OVERVIEW

The results of this study may not highlight all of 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 ***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. There are several types of studies performed by OFPA, e.g.; operational, financial, compliance, internal controls, and 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.

Fairfax County serves as the local franchise authority for cable television systems within the County. The County has entered into franchise agreements with three cable operators: Cox, Comcast, and Verizon. The County receives franchise fees from Comcast and Verizon as part of the Communications Sales and Use Taxes (CSTs) paid to the County by the state Department of Taxation. No franchise fee payments are made by Cox as of 2013. All three cable providers pay Public, Educational, and Governmental (PEG) grants directly to the County. Cox and Verizon pay PEG grants based on a percentage of their cable-related gross revenues. Comcast pays PEG grants fees on a per-subscriber basis. Included in this study was an assessment of internal controls related to cable franchise sales and use taxes. For this study, CSTs and PEG paid by cable operators are the County's primary source of cable communications revenue. We also endeavored to assess the internal control structure of the agency and the compliance attributes related to franchise agreements.

The Department of Cable and Consumer Services (DCCS) ***(with a mission to educate and support the public through media, oversight, and outreach)*** includes the following program areas: Consumer Services, Public Utilities, Communications Productions, and Communications Policy and Regulation. Financial support for the agency programs are provided from the General and Cable Communication Funds.

Included in the Fairfax County Code are; the terms and conditions for constructing, standards for cable television operations, and the County's authority to administer the fulfillment of the franchise requirements. The Fairfax County Code was revised in January 2001, to include provisions that better promote cable system competition in Fairfax County and improve customer service standards enforcement.
The purpose of this study included an assessment of controls over processes employed by DCCS staff. This included reviewing processes related to the; monitoring, recognizing and recording

transactional activity, and other control elements for managing the cable franchise agreements. DCCS has procured an Accounting Firm to assess the accuracy of revenue compilation and the submission of these CST and PEG grant remittances. This firm has been procured to review remittances between 2011 thru 2014. DCCS will be procuring consultants to perform this analysis on a three-year basis going forward.

Further to this review, OFPA staff assessed the processes employed by DCCS staff to gain reasonable assurance of the accuracy of the cable operators' payment methodology. These compilations are the basis for the related receipts. CSTs paid by cable operators are the County's primary source of cable communications revenue. In fiscal year 2016, the Cable Communications Fund received $18.3 million in CST. In addition to CSTs, the County also receives PEG grants from the cable operators. All three cable providers pay PEG grants directly to the County. Cox and Verizon pay PEG grants based on a percentage of their cable-related gross revenues, and Comcast pays on a per-subscriber basis. The PEG grants are provided to support PEG capital costs. Staff reviewed these areas and made recommendations where applicable.

OFPA endeavored to verify if statements certified by the cable operators' authorized financial agents were provided to DCCS. Effective January 1, 2007, the state of Virginia instituted the CST whereby communication service providers (including cable operators) pay the Commonwealth. This process replaced the remittance of Franchise Fees directly to a locality. Accordingly, the cable operators remit the CST to the state.

Additionally, OFPA endeavored to review if annual, quarterly, and special reports were provided from the franchisees to the County on complaints, customer service compliance, service outages, products and services offered, service coverage, etc. Our analysis revealed the topics below for consideration:

- OFPA requested from DCCS the ***revenue support*** from the previous calendar or fiscal year. These statements contain information regarding financial and compliance support.
    - Cox is not required to provide general financial statements that would include Gross Revenues, but is required to provide a breakdown of Gross Revenues with each quarterly payment.
    - Verizon provides Gross Revenues information as part of the documentation with its quarterly PEG grant payments.
    - Comcast does not provide Gross Revenues information as neither the PEG grant nor CST is calculated on Gross Revenues.
        - DCCS has the authority to waive these reporting requirements for Verizon and Comcast as permitted by the Communications Ordinance.
            - Noted during a review of the franchise agreements, cable providers are required to provide supporting details with each payment. The agreements also specify that the County shall have

the right to require further documentation to verify the accuracy of the payments.

- The County had requested the CT-75B package(s) from the Commonwealth, which refused to release it due to confidentiality of taxpayer information (Va. Code Ann. § 58.1-3).
  - Department of Management and Budget (DMB) tracks Communications Sales and Use Tax receipts monthly to project year-end receipts. The Commonwealth of Virginia provides information regarding the total tax and the portion that is the Cable CST. Funds are received and posted by the Department of Finance (DOF) to the Cable Communications Fund.
  - DOF receives Electronic Data Interchange (EDI) remittance details from the state indicating the total monthly remittances of communications tax. Shortly thereafter, DOF receives monthly notifications from Virginia Department of Taxation via FAX informing DOF of the amounts of the remittances.

➢ OFPA requested from DCCS reports showing the Grantee's performance with respect to all applicable customer service standards established in 47 C.F.R. §76.309(c) Franchise Agreement, and the Communications Ordinance, signed by an officer or employee certifying its performance with these customer service standards.
  - This test attribute was successfully reviewed to a satisfactory conclusion.

OFPA reviewed supporting documentation for performance bonds and letters of credit (for Comcast, Verizon and Cox). All related documentation for performance bonds and letters of credit were validated as part of this study. In Fairfax County, the Comcast and Verizon systems are all digital. The Cox system is primarily digital, but retains some analog channels. Accordingly, only Cox currently carries out proof-of-performance tests in the County. Finally, compliance testing for insurance certificates was performed during a prior study. To revisit this area under this review was deemed unnecessary. No reportable items were noted for these areas.

Our audit approach included interviewing appropriate staff, substantive transaction testing, and evaluating the processes for compliance with sound internal controls, regulations, and departmental policies and procedures. OFPA staff also reviewed the departments/agencies procedures to ensure the process employed was holistic and complete.

OBJECTIVES AND RESULTS

Business Objective	Study Assessment
Inspection Standards of Cable Operator Facilities	Satisfactory
Performance Bonds and Letters of Credit Management	Satisfactory
Completeness of Consultant Contract	Needs Improvement

Control Summary	
Good Controls	**Weak Controls**
• Inspection of Cable Operator Facilities performed to gain assurance of compliance with applicable technical and safety standards appeared to be adequate. • Documented support for Performance Bonds and Letters of Credit maintained at DCCS appeared to be complete.	• Existing contract for accounting consultants lacks expressly stated language regarding knowledge transfer and/or working documents sharing.

OBSERVATION AND ACTION PLAN

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).

REVIEW OF CONSULTING ACCOUNTANTS CONTRACT

Risk Ranking	LOW

Franchise fees and PEG Grant remittances are currently being reviewed by an external accounting firm, this firm has been procured to review remittances between 2011 through 2014. DCCS will be procuring consultants to perform this analysis on a three-year basis going forward.

We are aware that DCCS does perform reasonable tests, trending, and materiality analysis on the remittances. This process does provide a certain level of assurance at a macro level, but at the current environment of ***"Budget Constraints"*** the more granular approach to this process, on a three-year basis going forward may be more beneficial.

Recommendation

As mentioned above, DCCS will be procuring consultants to perform an analysis (***of CST and PEG Grant Fees***) on a three-year basis going forward. As asserted by DCCS, skills related to the review and analytics for this area are highly specialized. To that end, OFPA recommends that the new engagement letter/contract include language whereby re-computation documents are provided to DCCS to assist them in reverse engineering the analysis to enhance the knowledge transfer process. We also recommend that DCCS staff work with counsel to develop and include knowledge transfer language in that engagement letter/contract.

As this area of expertise resides with counsel, we acquiesce to counsel's determination as to which document this language should be included. These combined initiatives should be useful in assisting DCCS in maintaining a sustainable review process in subsequent years.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Michael S. Liberman Frederick E. Ellrod III Rebecca L. Makely Erin C. Ward Joanna L. Faust	December 29, 2017	Michael.Liberman@Fairfaxcounty.gov Frederick.Ellrod@Fairfaxcounty.gov Rebecca.Makely@Fairfaxcounty.gov Erin.Ward@Fairfaxcounty.gov Joanna.Faust@Fairfaxcounty.gov

MANAGEMENT RESPONSE:
DCCS concurs with OFPA's recommendation to work with OCA to develop and include knowledge transfer language in the next consultant contract by the target implementation date.

SMALL, WOMEN AND MINORITY (S,WaM) VENDORS INTERDEPARTMENTAL REPORTING REPORT UPDATE

OVERVIEW AND UPDATE

The results of this study may not highlight all of 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 ***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. There are several types of studies performed by OFPA, e.g.; operational, financial, compliance, internal controls, and 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.

In 1995, the Board of Supervisors adopted a policy for the utilization of Small and Minority Business Enterprises (now known as the Small, Women, and Minority Business program). The intent of the policy is, through outreach and education, to promote County business opportunities within the S,WaM business community. The Department of Procurement and Material Management (DPMM) is staffed to implement the BOS policy. DPMM also provides staff support to the County's Small Business Commission. The Small Business Commission (SBC), a twelve-member body appointed by the Board of Supervisors, serves to advise and assist the County government to ensure equitable access to business opportunities for S,WaM suppliers. It is an initiative of the SBC to expand and enhance reporting of S,WaM procurement activity, that is, the amount of procurement dollars expended by the County with S,WaM suppliers.

DPMM is the central procurement function within the County although this authority is not exclusive. As the Board may recall, procurement of architectural, engineering and related consultant services for construction projects and the contracting for construction projects are excluded from the duties of the County Purchasing Agent. It has been the practice of the County to report S,WaM procurement activity only as such procurement was processed through the central procurement department and left capital construction procurement activity excluded and unreported. This omission, to find the basis and solution, is the purpose of the S,WaM Aggregate Reporting Project by the OFPA.

OFPA initiated a review ***(at the request of the Audit Committee)*** to assess the completeness of reporting of S,WaM vendors by the County. Our review included an analysis of S,WaM spend data reported by DPMM to the BOS and SBC. The definitions for each supplier category for County reporting purposes are consistent with the definitions adopted by the Commonwealth of Virginia's Department of Small Business and Supplier Diversity. The Commonwealth classifies suppliers based on the definitions cited in the Code of Virginia, §2.2-4310 (see bullets below).

For a business to obtain the S,WaM certification in Virginia, they must submit an application to the state. DPMM staff does not certify businesses as S,WaM vendors, but rather either follows state certifications or allows businesses to self-classify themselves as either a, large vendor or S,WaM vendor. The County does not establish goals for S,WaM business participation as remedial measures may only be implemented after, "a persuasive analysis that documents a statistically significant disparity between the availability and utilization of women-owned and minority-owned businesses, . . ." per the Code of Virginia.

- A <u>small business</u> is defined as a business, independently owned or operated by one or more individuals who are U.S. citizens or legal resident aliens, and together with affiliates, has 250 or fewer employees, or average annual gross receipts of $10 million or less averaged over the previous three years. One or more of the individual owners shall control both the management and daily business operations of the small business.

- <u>Women-Owned businesses</u> must be; at least 51% owned by one or more women. These women must be U.S. citizens or legal resident aliens. Additionally, for Women-Owned businesses which are corporations, partnerships, limited companies, or other entities, to qualify; one or more women must have at least 51% equity ownership and control management and daily operations.

- <u>Minority-Owned businesses</u> must be; at least 51% owned by one or more minority individuals who are U.S. citizens or legal resident aliens. Additionally, for minority-owned businesses which are corporations, partnerships, limited companies, or other entities, to qualify; one or more minorities must have at least 51% of the equity ownership and control management and daily operations.

To kick off this study, OFPA staff reviewed the data sources and data definitions employed by DPMM to monitor and enhance S,WaM vendors' participation. The data source is FOCUS spend conducted through the procurement module. The spend data is defined as expenditures processed by the County for goods and services within a fiscal year. DPMM's reported S,WaM data:

- Includes purchase order (PO) spend.
- Excludes procurement card data which is ***not*** PO spend
- Includes spend data from Fairfax County Public Schools (FCPS) Office of Procurement Services which is conducted under the authority of the County Purchasing Agent.
- Excludes information of S,WaM data from other agencies/departments with procurement authority

DPMM reports ***<u>their</u>*** figures annually to both the BOS and Small Business Commission. DPMM provided their Fiscal Year (FY) 16 S,WaM Report to OFPA (***see Appendix G***). This report details the DPMM procured S,WaM percentage and a breakdown of spend on each S,WaM classification. For FY16, DPMM's procurement for S,WaM businesses was 43.18%.

Given the complexity of; coordinating the agencies/departments, standardizing the classifications, compiling the data for analysis, and other areas germane to a cross departmental study, this review will be performed over several quarters. This study will be executed as a project. Included in next quarter's update, OFPA staff will provide a status update utilizing a project management presentation to complement the narrative. The presentation will be phased out over the three upcoming quarters whereby the updates will include; project flow, milestones, pain points, objectives, dates for completion, status of completion, open items, goals of the project, and any other pertinent information deemed to be informative. This list is not exhaustive, as this process moves forward additional items will be added.

ACCOMPLISHMENTS

OFPA staff has met with DPMM staff on several occasions to discuss the study plan and determine feasible objectives. Efforts are currently being made to identify systems within the County which capture spend data for other agencies with procurement authority. Initiatives are also being made by DPMM to have (S,WaM classification) data pulled from other data bases (FOCUS) for upload into (Spikes Cavell) to assist in the analysis. An interdepartmental meeting was held whereby all agencies/departments with procurement authority attended. Some of the topics discussed were; the feasibility of standardizing the S,WaM vendor classifications, the process of submitting/validating data to DPMM for annual reporting, and aggregate S,WaM data reporting of all agencies/departments by DPMM. The agencies /departments identified to participate in the study are; DPMM, Department of Transportation (DOT), FCPS, FCPA, DPWES, Department of Housing and Community Development (DHCD), and Department of Administration for Human Services (DAHS). Determinations are currently being made if the Retirement Administration Agency (RAA) will be included.

Several representatives from each agency/department with procurement authority attended this interdepartmental meeting. OFPA staff provided relevant S,WaM documentation and discussed the objectives and goals of this project. The documentation provided to the attendees of the meeting included; meeting agenda, meeting notes compiled over this quarter, a list of all attendees contact information, survey questionnaire, County S,WaM Program information, S,WaM supplier diversity outreach schedule (***as performed by DPMM***), and three previous DPMM S,WaM report-outs. The survey questionnaire was provided to the attendees as a means to gain an understanding of processes utilized to track spend on S,WaM vendors and any other related information.

All attendees were in agreement with the initiative to utilize a standardized classification process (***using the state of Virginia classification list***) to classify S,WaM vendors. DPMM will provide the state S,WaM classification list to the agencies/departments with procurement authority. DPMM informed that several vendors in FOCUS have not classified their business type. DPMM staff is assessing the opportunity of determining a method to address this issue for reporting purposes. Additionally, there was no opposition to allowing DPMM to report S,WaM vendor spend data for all procurement authorities. OFPA informed the attendees that additional meetings will take place as this process moves forward. DPMM will continue its reporting to the BOS and Small Business Commission, including the aggregate results if the project can be accomplished. Aligned with this effort, our review will include an assessment of whether S,WaM vendors receive the opportunity to compete fairly for the County's business.

APPENDICES

APPENDIX A

The Future Construction, Bond, Conservation Escrows were reviewed with LDS in conjunction with the Cash Proffers. The aggregate review revealed the following summary information:

FCPA / LDS / FUTURE CONSTRUCTION / BONDS & CONSERVATIONS SUMMARY OF AGED CONSTRUCTION FINANCING INSTRUMENTS					
	Number of Aged Items	Period Of Aged Items Being Reviewed	AMOUNT RECEIVED	BALANCE REMAINING	Difference
FCPA CASH PROFFERS	80	1997 - 2010	$3,291,196	**$2,539,345**	**$751,851**
LDS CASH PROFFERS	138	1985 - 2010	$3,078,089	**$2,945,586**	**$132,503**
LDS FUTURE CONSTRUCTION ESCROWS	920	1968 - 2002	$6,502,862	**$6,404,841**	**$98,021**
LDS BONDS & CONSERVATIONS ESCROWS	887	1997 - 2001 ***Note 1***	$6,399,262	**$6,399,262**	**$0**
	2025	*Total No. Of Aged Financing Instruments*			
Original Amount of Funds Between Years 1968 thru 2010:			***$19,271,409***		
Balance Remaining Between Years 1968 Thru 2010:				***$18,289,034***	
Difference Between Original Amount Received and Balance Remaining:					**$982,375**

Tick Mark Legend:

Note 1: The dates for these items are based on the FAMIS Create Date.

It should also be noted that no original amount received was not provided but it does not affect this analysis.

This analysis is based on the remaining balances. These items were and are currently being reviewed by LDS.

APPENDIX B

LDS SUMMARY AGED FUTURE CONSTRUCTION ESCROWS				
Number of Aged Items Presented to LDS For Review	Period Of Aged Items Being Reviewed	AMOUNT RECEIVED	BALANCE REMAINING	Difference
1	1968	$3,000	**$3,000**	**$0**
3	1970	$1,200	**$1,200**	**$0**
29	1971	$67,485	**$65,105**	**$2,380**
80	1972	$229,686	**$218,128**	**$11,558**
34	1973	$76,000	**$76,000**	**$0**
24	1974	$97,849	**$50,989**	**$46,860**
14	1975	$43,778	**$38,578**	**$5,200**
20	1976	$21,195	**$21,195**	**$0**
42	1977	$98,838	**$98,838**	**$0**
60	1978	$204,572	**$204,572**	**$0**
31	1979	$62,642	**$62,642**	**$0**
24	1980	$68,934	**$68,934**	**$0**
20	1981	$90,647	**$90,647**	**$0**
17	1982	$35,589	**$35,589**	**$0**
25	1983	$110,186	**$110,186**	**$0**
26	1984	$94,194	**$94,194**	**$0**
25	1985	$120,976	**$120,976**	**$0**
21	1986	$124,418	**$124,418**	**$0**
21	1987	$181,570	**$181,570**	**$0**
18	1988	$65,524	**$65,524**	**$0**
25	1989	$175,345	**$175,345**	**$0**
19	1990	$143,230	**$143,230**	**$0**
15	1991	$215,850	**$215,850**	**$0**
22	1992	$153,871	**$153,871**	**$0**
38	1993	$404,843	**$404,843**	**$0**
34	1994	$376,247	**$373,882**	**$2,365**
20	1995	$166,679	**$166,679**	**$0**
29	1996	$797,386	**$768,996**	**$28,390**
36	1997	$516,231	**$516,231**	**$0**
33	1998	$328,708	**$328,708**	**$0**
33	1999	$502,330	**$502,330**	**$0**
32	2000	$431,129	**$427,161**	**$3,968**
37	2001	$405,165	**$405,165**	**$0**
0	2002	$0	**$0**	**$0**
12	***Note 1***	$87,565	**$90,265**	**-$2,700**
920	***Total No. Of Aged Escrows***			
Original Amount of Funds Between Years 1968 thru 2002:		***$6,502,862***		
Balance Remaining Between Years 1968 Thru 2002:			***$6,404,841***	

Tick Mark:
Note 1: Missing pertinent information, e.g.; dates, amounts, plan numbers, type, and etc.
Additionally, there were periods whereby no original amounts were provided resulting in a negative balance on document.

APPENDIX C

LDS SUMMARY AGED BOND & CONSERVATION ESCROWS

Number of Aged Items Presented to LDS For Review	Period Of Aged Items Being Reviewed	AMOUNT RECEIVED
643	FAMIS Create Date 1997	$3,348,627
33	FAMIS Create Date 1998	$555,990
65	FAMIS Create Date 1999	$620,930
76	FAMIS Create Date 2000	$1,161,133
70	FAMIS Create Date 2001	$712,582
887	*Total No. Of Aged Bonds & Conservation Escrows*	
FAMIS Create Date for Funds Between Years 1997 thru 2001:		**$6,399,262**

APPENDIX D

LDS SUMMARY AGED CASH PROFFERS				
Number of Aged Items Presented to LDS For Review	Period Of Aged Items Being Reviewed	AMOUNT RECEIVED	BALANCE REMAINING	Difference
1	1985	$13,500	**$13,500**	**$0**
1	1987	$3,000	**$3,000**	**$0**
25	1990	$266,813	**$266,813**	**$0**
4	1991	$109,900	**$109,900**	**$0**
6	1992	$176,252	**$176,252**	**$0**
5	1993	$50,800	**$50,800**	**$0**
9	1994	$77,480	**$77,480**	**$0**
4	1995	$73,940	**$73,940**	**$0**
6	1996	$421,957	**$421,957**	**$0**
10	1997	$148,313	**$148,313**	**$0**
3	1998	$10,538	**$10,538**	**$0**
4	1999	$65,046	**$65,046**	**$0**
6	2000	$77,229	**$57,687**	**$19,542**
3	2001	$35,121	**$35,121**	**$0**
6	2002	$40,922	**$40,922**	**$0**
4	2003	$33,000	**$33,000**	**$0**
3	2004	$156,193	**$156,193**	**$0**
8	2005	$85,458	**$85,458**	**$0**
9	2006	$365,950	**$274,760**	**$91,190**
4	2007	$157,415	**$157,415**	**$0**
12	2008	$480,883	**$459,112**	**$21,771**
4	2009	$146,379	**$146,379**	**$0**
1	2010	$82,000	**$82,000**	**$0**
138	***Total No. Of Aged Cash Proffers***			
Orignal Amount of Funds Between Years 1985 thru 2010:		***$3,078,089***		
Balance Remaining Betweens Years 1985 Thru 2010:			***$2,945,586***	
Difference Between Orginal Amount Received and Balance Remaining:				**$132,503**

APPENDIX E

FCPA Proffers Review / Verification of Transactions									
Park Name	Project Code	Rezoning Case #	Date Proffer Received	Proffer Amount Received	Proffer Amount Expensed	Available Balance	Disbursements Supported w/ Documentation	FCPA Approval Memorandum Completed	Closed Out
PATRIOT PARK (POPES HEAD)	PR-000058-037	PCA-1986-001-10	7/27/2005	$262,631.00	$178,694.00	$83,937.00	✓	✓	***Note 6***
MOUNT VERNON SUP	PR-000058-084	RZ-2011-MV-001 (received from multiple amounts of $186.91)	4/7/2014	$82,028.00	$82,028.00	$0.00	✓	✓	✓
MOUNT VERNON SUP	PR-000058-011	RZ-2000-MV-038	7/8/2002	$36,290.00	$27,920.69	$8,369.31	✓	✓	***Note 6***
MOUNT VERNON SUP	PR-000058-043	RZ-2002-MV-046	5/5/2004	$34,820.00	$13,722.42	$21,097.58	***Note 2***	✓	***Note 6***
VILLA LEE/ACC SV PARK	PR-000058-070	RZ-1999-PR-017	3/30/2001	$25,000.00	$24,999.96	$0.04	✓	✓	✓
LEE SUPERVISOR DISTRICT	PR-000058-101	RZ-2011-LE-016	6/5/2014	$339,628.61	$30,923.52	$308,705.09	***Note 2***	✓	***Note 6***
PROVIDENCE SUPRVSR	PR-000058-107	RZ-2004-PR-044	4/22/2015	$240,883.32	$32,159.00	$208,724.32	***Note 2***	✓	***Note 6***
PATRIOT PARK (POPES HEAD)	PR-000058-037	RZ-1984-P-101-02	4/4/2007	$200,891.20	$0.00	$200,891.20	***Note3***	✓	***Note 6***
PATRIOT PARK (POPES HEAD)	PR-000058-037	RZ-2005-SP-019	4/8/2008	$193,304.00	$0.00	$193,304.00	***Note3***	✓	***Note 6***
HUNTINGTON PARK	PR-000058-037	RZ-2001-MV-011	11/6/2006	$100,000.00	$0.00	$100,000.00	***Note3***	✓	***Note 6***
MASON SUPERVISOR DIST	PR-000058-083	RZ-2011-MA-029	2/14/2013	$75,471.00	$75,088.68	$382.32	***Note 2***	✓	***Note 6***
NOTTOWAY PARK	PR-000058-107	RZ-2011-PR-018	6/13/2014	$25,000.00	$5,579.00	$19,421.00	***Note 2***	✓	***Note 6***
MCLEAN CENTRAL PARK	PR-000058-104	RZ-1993-D-030 (Multiple payments)	4/1/1997	$24,700.00	$3,873.33	$20,826.67	✓	✓	***Note 6***
DUNN LORING PARK	PR-000058-112	RZ-2005-PR-039	5/29/2013	$23,951.00	$0.00	$23,951.00	***Note3***	✓	***Note 6***
SULLY SPV DIST	PR-000058-100	RZ-2005-SU-011	8/29/2006	$23,596.00	$0.00	$23,596.00	***Note3***	✓	***Note 6***
PROVIDENCE SUPRVSR	PR-000058-020	RZ-1999-PR-034	6/14/2005	$64,800.00	$64,800.06	($0.06)	***Note 2***	✓	***Note 5***
PROVIDENCE SUPRVSR	PR-000058-016	PCA-2002-PR-016	12/5/2005	$60,000.00	$19,703.00	$40,297.00	***Note 2***	✓	***Note 6***
LEE SUPERVISOR DISTRICT	PR-000058-101	RZ-2010-LE-018	8/1/2013	$23,066.00	$23,066.00	$0.00	✓	✓	✓
PROVIDENCE SUPRVSR	PR-000058-038	RZ-2003-PR-026	9/16/2010	$21,965.00	$21,965.00	$0.00	***Note 2***	✓	***Note 5***
LINCOLNIA PARK	PR-000058-095	RZ-1985-M-112	2/13/1996	$21,900.00	$21,900.00	$0.00	***Note 2***	✓	***Note 5***
BARRINGTON(SOUTH RUN)	PR-000058-092	Before FOCUS	BEFORE FAMIS 4.2	$21,480.00	$21,418.74	$61.26	***Note 2***	✓	***Note 6***
ALABAMA DRIVE PARK	Not Provided	Memo	3/13/1997	$12,200.00	$12,349.76	($149.76)	***Note 2***	***Note 4***	***Note 5***
WAYLAND STREET PARK	PR-000058-096	RZ-1985-P-002-1	7/23/1998	$20,000.00	$20,000.00	$0.00	✓	✓	✓
PROVIDENCE SUPRVSR	PR-000058-105	RZ-2014-PR-012	11/10/2015	$21,432.00	$21,590.63	($158.63)	✓	✓	✓
MOUNT VERNON SUP	PR-000058-067	RZ-2003-MV-034	11/9/2006	$54,520.00	$39,823.00	$14,697.00	✓	✓	***Note 6***
SULLY SPV DIST	Not Provided	RZ-2004-SU-009	6/27/2005	$42,665.00	$0.00	$42,665.00	***Note3***	✓	***Note 6***
FAIRFAX VILLA PARK	PR-000058-074	RZ-2001-BR-022	6/3/2005	$35,335.00	$8,341.00	$26,994.00	✓	✓	***Note 6***
LEE DISTRICT PARK	PR-000058-069	RZ-2011-LE-008	4/9/2013	$25,000.00	$25,000.00	$0.00	✓	✓	✓
PROVIDENCE SUPRVSR	PR-000058-089	RZ-2005-PR-020	1/14/2014	$40,810.00	$31,852.23	$8,957.77	***Note 2***	✓	***Note 6***
SULLY SPV DIST	PR-000058-057	RZ-2003-SU-061	3/20/2006	$28,809.00	$0.00	$28,809.00	***Note 3***	✓	***Note 6***

Tick Mark Legend:

Note 1: Shading represents areas whereby disbursements exceeded proffer amount. For project PR-000058-105, approval for this over expense was obtained.
Note 2: In most cases, the project codes represent multiple cash proffers. For these items, disbursements were traced to FCPA internal reporting.
Note 3: No disbursement made against this proffer balance.
Note 4: Excessively aged items which pre-dates staff, no documentation available. As this is an anomaly, OFPA deems this as a non-reportable item.
Note 5: Close out verification for these items could not be performed as this process does not exist.
Note 6: These items have either been partially disbursed or no disbursement has occurred.

APPENDIX F

FCPA SUMMARY AGED CASH PROFFERS				
Number of Aged Items Presented to FCPA For Review	Period Of Aged Items Being Reviewed	AMOUNT RECEIVED	BALANCE REMAINING	Difference
1	1997	$24,700	**$20,827**	**$3,873**
5	1998	$41,974	**$22,659**	**$19,315**
2	1999	$63,559	**$10,728**	**$52,831**
2	2000	$80,741	**$8,014**	**$72,727**
6	2001	$104,163	**$84,560**	**$19,603**
8	2002	$124,109	**$75,870**	**$48,239**
6	2003	$104,949	**$92,101**	**$12,848**
4	2004	$599,229	**$562,789**	**$36,440**
18	2005	$841,521	**$528,954**	**$312,567**
13	2006	$604,906	**$499,846**	**$105,060**
8	2007	$422,829	**$417,787**	**$5,042**
3	2008	$242,154	**$198,990**	**$43,164**
2	2009	$19,316	**$12,737**	**$6,579**
2	2010	$17,046	**$3,483**	**$13,563**
80	*Total No. Of Aged Cash Proffers*			
Orignal Amount of Funds Between Years 1997 thru 2010:		***$3,291,196***		
Balance Remaining Betweens Years 1997 Thru 2010:			***$2,539,345***	
Difference Between Orginal Amount Received and Balance Remaining:				**$751,851**

APPENDIX G

Fiscal Year 2016 SWaM Report

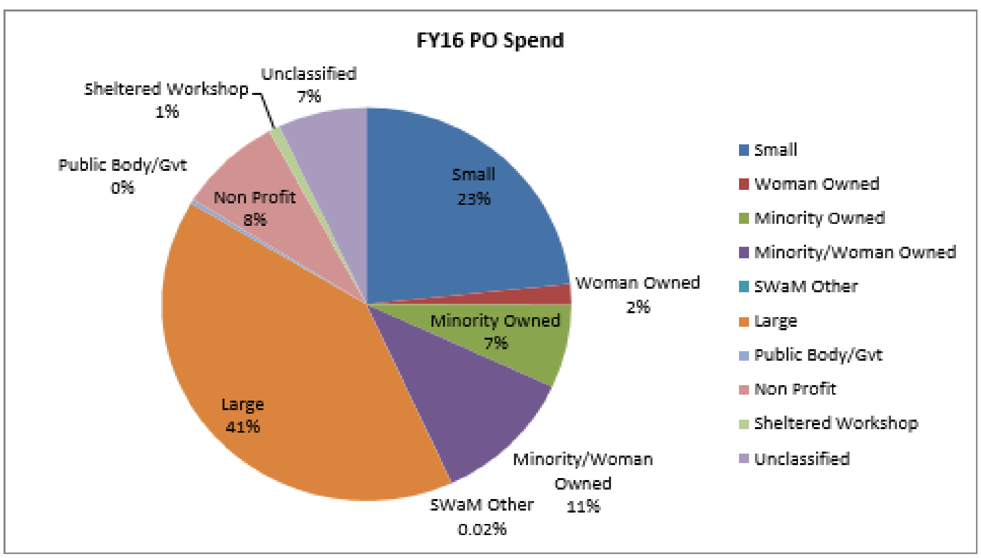
Fairfax County Department of Procurement and Material Management

FY16 spend by measure of purchase order spend totaled **$631,958,216.90**. The total share of Small, Woman and Minority-Owned (SWaM) businesses was **43.18%**.

FY16 Spend by Category

Aggregate Categories	PO Spend	%
Small	$ 147,463,860.52	23.33%
Woman Owned*	$ 10,867,231.32	1.72%
Minority Owned*	$ 43,200,664.41	6.84%
Minority/Woman Owned*	$ 71,251,936.63	11.27%
SWaM Other**	$ 101,126.96	0.02%
TOTAL SWaM	**$ 272,884,819.84**	**43.18%**
Large	$ 255,293,413.28	40.40%
TOTAL Large	**$ 255,293,413.28**	**40.40%**
Public Body/Gvt	$ 2,338,085.59	0.37%
Non Profit	$ 51,630,154.87	8.17%
Sheltered Workshop	$ 5,489,330.14	0.87%
Unclassified	$ 44,322,413.18	7.01%
TOTAL Other	**$ 103,779,983.78**	**16.42%**
TOTAL PO Spend	**$ 631,958,216.90**	**100.00%**

**Includes both large and small businesses*
******SWaM Other includes:*** *Large Minority Service Disabled, Small Service Disabled*



LIST OF ACRONYMS

BOS	Board of Supervisors
CAFR	Comprehensive Annual Financial Report
CST	Communication Sales and Use Taxes
DAHS	Department of Administration for Human Services
DCCS	Department of Cable and Consumer Services
DE	Deposit Entry Number
DHCD	Department of Housing and Community Development
DMB	Department of Management and Budget
DOF	Department of Finance
DOT	Department of Transportation
DPWES	Department of Public Works and Environmental Services
DPZ	Department of Planning and Zoning
DPMM	Department of Procurement and Material Management
EDI	Electronic Data Interchange
FCPA	Fairfax County Park Authority
FCPS	Fairfax County Public Schools
FY	Fiscal Year
GF	General Fund
G/L	General Ledger
LDS	Land Development Services
OCA	Office of the County Attorney
OFPA	Office of Financial and Program Audit
PAWS	Plan and Waivers System
PEG	Public Educational and Governmental
PM	Procedural Memorandum
PO	Purchase Order
RAA	Retirement Administration Agency
SBC	Small Business Commission
SOP	Standard Operating Procedures
S,WAM	Small, Women and Minority
Y-T-D	Year to Date

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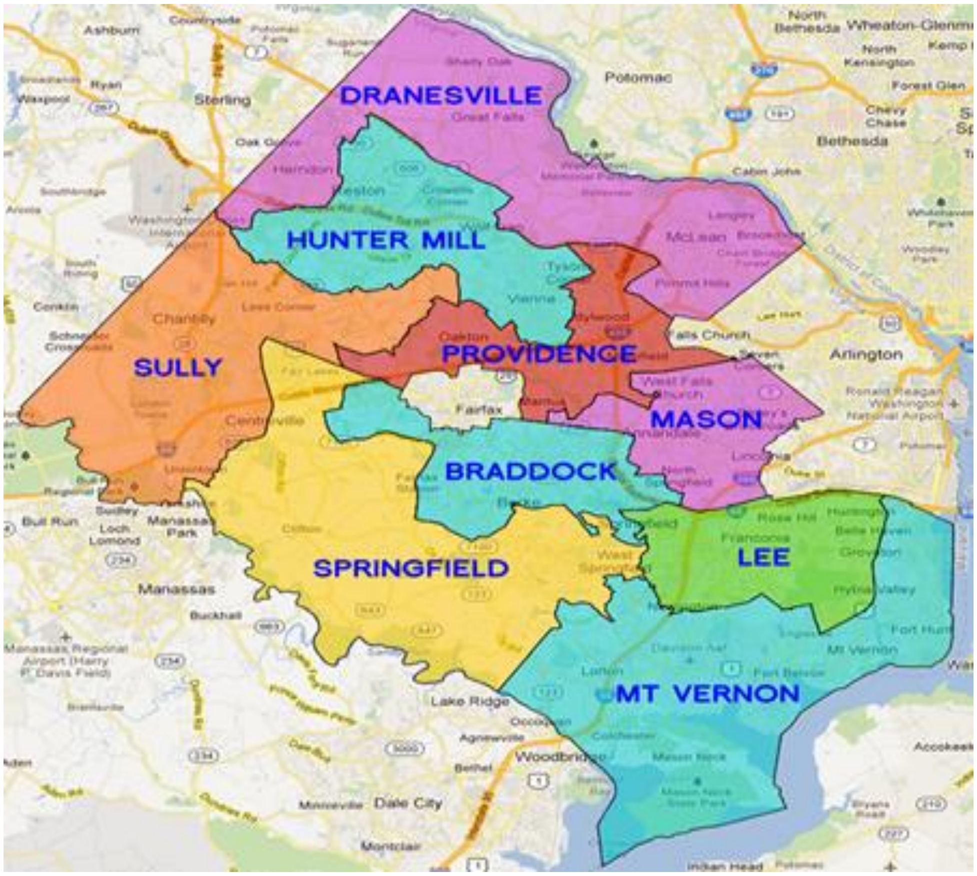

FAIRFAX COUNTY BOARD OF SUPERVISORS
AUDITOR OF THE BOARD
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Office of the Financial and Program Audit
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