



**OFFICE OF FINANCIAL AND PROGRAM AUDIT
SEPTEMBER 2021 DRAFT QUARTERLY REPORT**

**BOARD OF SUPERVISORS
AUDITOR OF THE BOARD**

www.fairfaxcounty.gov/boardauditor

Draft
Fairfax County
Office of Financial and Program Audit



Jim L. Shelton, Jr., MBA, CRP (Auditor of the Board)
Jim.Shelton@FairfaxCounty.gov

FAIRFAX COUNTY DEPARTMENT OF TRANSPORTATION
CASH PROFFER STUDY

DRAFT

Work Plan Review Areas:

- **Proffer Posting Accuracy & Tracking**
- **Age/Use of Unused Proffer Balances**
- **Proffer Drawdowns & Closeouts**

Additional Review Areas Covered:

- **Proffer Developer Operating Status**
- **Proffer Statement Assessment**
- **Escrows Labeled as Proffers**

OBSERVATIONS AND ACTION PLANS

The following tables detail the observations and recommendations for this study along with management’s responses.

AGED PROFFER ANALYTICS

Observation

To perform this section of the study, we extracted all the open proffers **2015** and **older**. This information was stratified and reviewed to assess the last financial activity for the proffers. Below are the results of this analysis:

- **825** out of **1,068 (77%)** Proffers 2015 & Older: **~\$34.5M**
 - Proffers: Aged 5 – 48 Years
 - **349** of **825 (42%)** Proffers **~\$14.6M** (were in prior study)
- **30** of **825: Last Financial Activity 13.99 – 35.58 years** as of 7/23/21
 - 21 of 30 (70%) Proffers (not in prior study): No Financial Activity
 - 7 of 30 (23%) Proffers (included in prior study): No Financial Activity
 - 2 of 30 (7%) Proffers (included in prior study): Financial Activity Not Available
- **Percentage Extrapolated as Context:**
 - No Financial Activity for **28** of **30** Proffers (**93%**) at the Time of Study
 - **93%** of **1,068** Proffers Represent **~993** Proffers w/o Financial Activity

Recommendation

Perform an analysis to assess the status of these aged proffer balances (5 – 48 years) and lack of financial activity (13.99 – 35.58 years) to determine if they remain a going concern. If these items cannot be considered a continued going concern, other use of funds should be considered (e.g., repurposed, escheated, or returned to developer).

Action Plan

Point of Contact	Target Implementation Date	Email Address
Tom Biesiadny (Director, FCDOT)	6/30/2023	Tom.Biesiadny@fairfaxcounty.gov
Todd Wigglesworth (Div. Chief, FCDOT CFD)		Todd.Wigglesworth@fairfaxcounty.gov

Draft
Fairfax County
Office of Financial and Program Audit

MANAGEMENT RESPONSE:

FCDOT concurs with OFPA recommendation. Staff will continue a review of Aged Proffer balances in consultation with the County Attorney's Office (OCA). Many of the older proffer deposits are in amounts insufficient to fully fund the smallest of projects. Searchable electronic databases did not exist when older proffers were received. Small deposits from years ago have been held until additional funding becomes available to fully cover project costs. FCDOT has been verifying these aged proffers and continues to match and aggregate aged proffers to appropriate improvements in accordance with state law.

FCDOT, in consultation with OCA, has established a process which focuses on the repurpose/escheatment of aged proffers oldest to newest. All Aged Proffers over \$100,000 have been reviewed which resulted in ~\$4.5M in contributions subject to escheatment (which require a public hearing). Staff anticipates scheduling late 2021/early 2022. ~\$3M in contributions are subject to repurposing, Staff is working to appropriate funding into Fund 30040 as part of FY 2022 Mid-Year 3rd quarter reviews.

DEVELOPER OPERATING STATUS

Observation

To perform this section of the study, we extracted all the open proffers **2015** and **older**. From this extracted data we selected all open proffers dated **2010** and **older** with proffer balances greater than **\$50K**. The data extraction yielded a population of **140** of **1,068 (13%)** proffers. These proffers were the source of the developer operating status analysis. Below are the results of this analysis:

- **86** out of **140 (61%)** Developers Not Located
- **25** out of **140 (18%)** Developers Inactive
- **29** out of **140 (21%)** Developers Active

Sources Utilized for Review:

- State Corporate Commission Website (LDS Developer Default Program)
- Virginia Company Directory Website

Disclaimer: Developers' status assessments may require additional work as the analysis was based on the two websites mentioned above using name searches for a large portion of the testing. Companies may: merge, be acquired, or go through name changes. For proffers and escrows with inactive developers, we recommend the agency liaise with the County Attorney on how to address the stewardship of these funds.

Recommendation

Assess the inactive or not located project developers and related proffer funds to determine if the related proffer funds and projects are continued going concerns. If these items cannot be considered a going concern, other use of funds should be considered (e.g., repurposed, escheated, or returned to developer).

Action Plan

Point of Contact	Target Implementation Date	Email Address
Tom Biesiadny (Director, FCDOT)	6/30/2022	Tom.Biesiadny@fairfaxcounty.gov
Todd Wigglesworth (Div. Chief, FCDOT CFD)		Todd.Wigglesworth@fairfaxcounty.gov

Draft
Fairfax County
Office of Financial and Program Audit

MANAGEMENT RESPONSE:

FCDOT concurs with OFPA recommendation. If it is determined that contacting developers is required as a result of FCDOT's current Aged Proffer repurposing process, then steps would be taken to identify and contact the developer. This recommendation is addressed in the current process for addressing Aged Proffers. FCDOT will investigate entries where developer information is missing. If it is determined that contacting developers is required as a result of FCDOT's current Aged Proffer repurposing process, then steps would be taken to identify and contact the developer. FCDOT will enter developer information into the tracking spreadsheet for all new contributions received.

DRAFT

Draft
Fairfax County
Office of Financial and Program Audit

ESCROWS LABELED AS PROFFERS

Observation

To perform this section of the study, we compared data provided by LDS (*the gatekeeper for proffers and escrows coming into the County*) to the proffer/escrow file provided by FCDOT. Based on LDS' source data (as of 15th April 2021) we identified **170** out of **1,872 (9%)** open escrows labeled as proffers in the FCDOT internal tracking document. We reviewed **30** out of **170 (18%)** open escrows labeled as proffers. Below are the results of this analysis:

- **30 of 30 (100%)** of these escrows were *labeled as proffers (results were confirmed by FCDOT)*

FCDOT Internal Tracker Does Not Differentiate Proffers & Escrows

Recommendation

FCDOT internal tracker enhancement to delineate proffers from escrows potentially through codes or another unique identifier. Proffered funds are used for enhancements to the project and are fully spent. Escrow funds are contingencies which in some cases are returned to developers at the completion of the project. Properly tracking these financial instruments would lessen the potential to misallocate funds.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Tom Biesiadny (Director, FCDOT)	6/30/2022	Tom.Biesiadny@fairfaxcounty.gov
Todd Wigglesworth (Div. Chief, FCDOT CFD)		Todd.Wigglesworth@fairfaxcounty.gov

Draft
Fairfax County
Office of Financial and Program Audit

MANAGEMENT RESPONSE:

FCDOT concurs with OFPA recommendation. FCDOT concurs with OFPA's recommendation to delineate between proffers and escrows and will update the status of all developer contributions to include this information. FCDOT continues to improve internal processes for tracking proffers, however, further refinements can be made. FCDOT will enter this information into the tracking spreadsheet for all new contributions received.

DRAFT

Draft
Fairfax County
Office of Financial and Program Audit

PROFFER STATEMENTS NOT AVAILABLE

Observation

To perform this section of the study, we selected **64** out of **1,068 (6%)** of open proffers to assess if proffer statements were on file with FCDOT. These **64** open proffers were selected from other substantive testing performed: proffers labeled as escrows (**30**), earmarked proffer financial activity (**30**), and continuity of proffer information testing between **2017** and **2021** reporting (**4**). Below are the results of this analysis:

- **7 of 64 (11%)** *Not Submitted by FCDOT & Requires Further Research*
- **1 out of 64 (1%)** *FCDOT Staff was Unable to Locate*
- **56 out of 64 (88%)** *Were Provided to Our Office by FCDOT*

Recommendation

Perform research to locate the proffer statements not available during this study. If not located FCDOT should liaise with the County Attorney's Office to identify risk and next steps. Proffer statements provide the following critical information; proffer amount, project name/description, developer conditions, development plan, developer name, rezoning numbers, and other pertinent information.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Tom Biesiadny (Director, FCDOT)	6/30/2022	Tom.Biesiadny@fairfaxcounty.gov
Todd Wigglesworth (Div. Chief, FCDOT CFD)		Todd.Wigglesworth@fairfaxcounty.gov

Draft
Fairfax County
Office of Financial and Program Audit

MANAGEMENT RESPONSE:

FCDOT concurs with OFPA recommendation. FCDOT concurs that proffer statements be included into the internal tracking process. Most proffer statements have been located through online resources provided by LDS or visiting LDS office and securing hardcopies. FCDOT will continue to attempt to locate missing proffer statements, but this is dependent upon LDS either having this information online, or physically stored at LDS, or Department of Planning and Development (DPD) offices.

DRAFT

FAIRFAX & FALLS CHURCH COMMUNITY SERVICES BOARD
REVENUE ANALYSIS STUDY

Work Plan Review Areas:

- **Medicaid Reimbursement Processes**
- **Billing and Collection Efforts**
- **Reconciliation of Billable Services**

Additional Review Areas Covered:

- **Disallowed Amounts to Insurances**
- **Time to Bill for Services**
- **Time to Collect**

Draft
Fairfax County
Office of Financial and Program Audit

OBSERVATIONS AND ACTION PLANS

The following tables detail the observations and recommendations for this study along with management's responses.

TIME TO BILL ANALYTICS W/O DISALLOWANCES

Observation

To perform this section of the study, we data mined the full population of **FY20 & FY21** billing data (as of 20th July 2021) provided by CSB. Also, we sampled 30 bills to identify related delays. We used these data to compare the patient's (**date of service**) to the CSB internal (**posting date**). Below are the results of this analysis:

- **135,094 & 148,171 Bills Processed in FY20 & 21: ~\$26.93M & ~\$32.39M**
 - **FY20 Time to Bill Ranged up to 2,224 days**
 - **32,001 of 135,094 (23.7%) Processed 60 – 2,224 Days After Service ~\$4.95M**
 - **FY21 Time to Bill Ranged up to 644 days**
 - **22,758 of 148,171 (15.4%) Processed in 60 - 644 Days After Service ~\$5.01M**
- **30 Billing Delays Reviewed Reveal the Following Reasons (this list is not exhaustive):**
 - *Resubmission of Claims*
 - *Batched Late, Re-Batched, or Batched Billing Errors*
 - *Incomplete Insurance Information*

Recommendation

We recommend that staff identify areas to improve the revenue cycle, such as; reassess (patient facing) & (claims & medical billing) functions. This information should be used to track and benchmark the revenue cycle performance. This information would provide a pathway for improvements. We also recommend that staff be consistent with collecting patient insurance information upfront.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Daryl Washington (Director, CSB)	9/10/2022	Daryl.Washington@fairfaxcounty.gov
Daniel Herr (Dep. Dir., CSB)		Daniel.Herr@fairfaxcounty.gov
Jessica Burris (CFO, CSB)		Jessica.Burris@fairfaxcounty.gov

Draft
Fairfax County
Office of Financial and Program Audit

MANAGEMENT RESPONSE:

We have worked tirelessly to improve and maximize revenue. This has been evident in the work we've done not only with our billing team, but also the entire revenue cycle partners. In the past two years, some of our accomplishments have been:

- Developed billing dashboard for billing management (key to monitoring industry standard metrics)
- Created a Utilization Management team to assist with the MCO requirements around pre/authorizations
- Instituted meetings to provide feedback to all vested partners in the billing cycle (front door, clinical, utilization management, billing, informatics)

We have and will continue to use these tools to continually improve our Time-to-Bill so that the average remains less than 30 days.

DRAFT

TIME TO COLLECT (IN FULL) ANALYTICS

Observation

To perform this section of the study, we data mined the full population of **FY20 & FY21** collection data (as of 20th July 2021) provided by CSB. We used these data to compare the CSB internal (**bill batch date**) to the check issuance from vendors/patients for **bills paid in full**. Below are the results of this analysis:

- **105,467** Payments for CSB Services: Processed in **FY20** Totaling **~\$17.81M**
 - **FY20** Time to Collect Ranged up to **2,358** days
 - **< 30 Days: Count (95,050) / (\$16.76M)**
 - 30 – 60 Days: Count (4,234) / (\$659k)
 - 60 – 90 Days: Count (792) / (\$107k)
 - 90-180 Days: Count (949) / (\$143k)
 - > 180 Days: Count (4,442) / (\$136k)
 - **Cumulative > 30 days: Count (10,417) / (\$1.05M)**

- **106,457** Payments for CSB Services: Processed in **FY21** totaling **~\$18.93M**
 - **FY21** Time to Collect Ranged up to **1,826** days
 - **< 30 Days: Count (96,206) / (\$17.35M)**
 - 30 – 60 Days: Count (2,016) / (\$419k)
 - 60 – 90 Days: Count (2,368) / (\$376k)
 - 90-180 Days: Count (3,676) / (\$503k)
 - > 180 Days: Count (2,191) / (\$286k)
 - **Cumulative > 30 days: Count (10,251) / (\$1.58M)**

Recommendation

Collection for CSB under 60 days were 98% & 94% in FY20 & 21. The extended time for some receivables could be improved. Given the high rate of collections, (**exclusive to the time to bill analysis**), OFPA passes further audit work on this section of the study. (**No recommended corrective actions**)

Draft
Fairfax County
Office of Financial and Program Audit

SHARED SERVICES BILLINGS

Observation

To perform this section of the study, we worked with staff to identify agreements between the County and the Cities of Fairfax and Falls Church. We also worked to identify the billing methodology used by the County for service provided to these cities.

Based on interviews with staff regarding healthcare related services to the Cities of Fairfax & Falls Church by the County, it was determined that CSB has an established *Annual Local Share Cost* which is billed to the Cities quarterly. As purported by staff, the basis for these billings is:

- The cities population and an escalation factor.
- City of Falls Church Annual Local Share for *FY20 & FY21* are ~\$887k & ~\$1.01M.
- City of Fairfax Annual Local Share for *FY20 & FY21* are ~\$1.96M & ~\$2.22M.

Also, purported by CSB, Services Agreements & Billing Methodologies not documented.

County's Operational Costs to provide these services had not been tracked at the time of this study.

Recommendation

We recommend that, CSB liaise with County Counsel and other related parties to either locate or create and execute the Cities of Falls Church and Fairfax Shared Service Agreements. These agreements should include billing methodologies for shared services and other pertinent contractual areas for services provided to the Cities of Falls Church and Fairfax.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Daryl Washington (Director, CSB)	09/10/2022	Daryl.Washington@fairfaxcounty.gov
Daniel Herr (Dep. Dir., CSB)		Daniel.Herr@fairfaxcounty.gov
Jessica Burris (CFO, CSB)		Jessica.Burris@fairfaxcounty.gov

MANAGEMENT RESPONSE:

The CSB does have a methodology for shared services revenue. It first takes the percent of the population owned by each jurisdiction (taken from the Weldon Cooper Center for Public Service Demographics) and applies this percent to the previous fiscal year's total adopted budget to arrive at the next fiscal year's proposed shared revenues. This calculation has shown that historically both Fairfax and Falls Church cities have not contributed a commensurate proportion of their revenue with their

respective population statistics. Because the increase could prove burdensome to the local jurisdictions (greater than 50%), we opted for a total of 8.8% increase year over year (which includes a 5% escalation). This would also close the gap between what they contribute and what they should be contributing based on their population.

We do not have MOUs on file. CSB will work collaboratively with OCA, DMB, DPMM and the Cities of Falls Church and Fairfax to document and execute an agreement that will align as close and possible and with the constraints of any related covenants to maximize cost recovery.

Draft
Fairfax County
Office of Financial and Program Audit

DISALLOWED INSURANCE CLAIMS

Observation

To perform this section of the study, we data mined the **FY20 & FY21** collection files (full population) to compare the amounts billed by CSB to vendors and patients to the receipts from the vendors, patients, and the Cities of Fairfax and Falls Church. We also worked to identify the billing methodology used by the County for services provided to these cities. Below are the results of this analysis:

- **66,866** of **129,537 (52%)** bills in **FY20** were **disallowed** (*not paid by Insurances*) totaling **~\$2.83M**.
- **63,125** of **122,099 (52%)** bills in **FY21** were **disallowed** (*not paid by Insurances*) totaling **~\$3.13M**.

These bills were generated because services were provided. Purported through interviews with CSB staff, disallowed amounts are due to contractual agreements with insurance companies. The billed amount used in the records is based on self pay clients without insurance rates. The rates contracted with insurance companies are lower resulting in disallowances. The County's Operational Costs have not been established for these services and were not being tracked at the time of this study.

Recommendation

We recommend that staff perform analysis to identify, record and track County's Operational Costs for shared services provided to the Cities of Falls Church & Fairfax. The information should be used to establish contract rates for the Insurance Companies to which the County contracts services to support CSB programs. This review should better align the insurance companies' rates with the County's operational costs and drastically reduce disallowed claims.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Daryl Washington (Director, CSB)	09/10/2023	Daryl.Washington@fairfaxcounty.gov
Daniel Herr (Dep. Dir., CSB)		Daniel.Herr@fairfaxcounty.gov
Jessica Burris (CFO, CSB)		Jessica.Burris@fairfaxcounty.gov

Draft
Fairfax County
Office of Financial and Program Audit

MANAGEMENT RESPONSE:

A disallowed amount is either (1) the difference between what has been billed by the health care provider and what the insurance company has paid, or (2) the cost for services for uninsured clients that do not have the financial means to pay for their services. These amounts are not billed to patient but written off by the CSB.

Our fees for services are aligned with Medicaid. While we have done analysis for some services to determine the true cost of providing those services, we have not done a comprehensive analysis for all services provided by the CSB.

Staff will perform analysis to identify, record and track County's Operational Costs for these services provided with the intent of better understanding our true cost to provide services. This information will be documented and periodically updated to potentially be used in future rate setting and contract negotiations.

DRAFT

Draft
Fairfax County
Office of Financial and Program Audit

BILLING ADJUSTMENTS

Observation

To perform this section of the study, we data mined the **FY20 & FY21** billing files (full population) to identify the billing adjustments. We liaised with CSB to understand the causes for these adjustments. Based on interviews with CSB staff these adjustments are entries made by the billing staff. Staff makes these adjustments to correct: charges that exceed fee schedule, system errors, claims adjusted based on patient eligibililty. This list in not exhaustive, its based on a sample **30** out of **48,299**. Below are the results of this analysis:

- **39,042** Adjustments/Write-offs were Processed in **FY20** Totaling ~**\$5.86M**
- **9,257** Adjustments/Write-offs were Processed in **FY21** Totaling ~**\$1.67M**

Recommendation

We recommend that staff review, stratify and categorize the adjustments/write-offs using a representative population, e.g.; month, fiscal year or measurement that could be performed with existing staff. This information should be used to identify root causes of these adjustments/write-offs to reduce re-occurrences where appropriate. Additionally staff should use this to develop a review process which could be used at the (frequency deemed appropriate by management).

Action Plan

Point of Contact	Target Implementation Date	Email Address
Daryl Washington (Director, CSB)	09/10/2022	Daryl.Washington@fairfaxcounty.gov
Daniel Herr (Dep. Dir., CSB)		Daniel.Herr@fairfaxcounty.gov
Jessica Burris (CFO, CSB)		Jessica.Burris@fairfaxcounty.gov

Draft
Fairfax County
Office of Financial and Program Audit

MANAGEMENT RESPONSE:

Our adjustments/write-offs include the following:

- Disallowed amounts based on contractual obligations
- Disallowed amounts based on client's liability and ability to pay
- Items that have exceeded the debt collection timeline

Staff will continue to use existing tools to review the adjustments/write-offs to understand root causes of them. We will use this data to provide feedback to all invested partners in the billing cycle to improve in areas where possible.

DRAFT

**Allowance for Vote by Audit Committee to Adopt
*September 2021 Draft Quarterly Report***

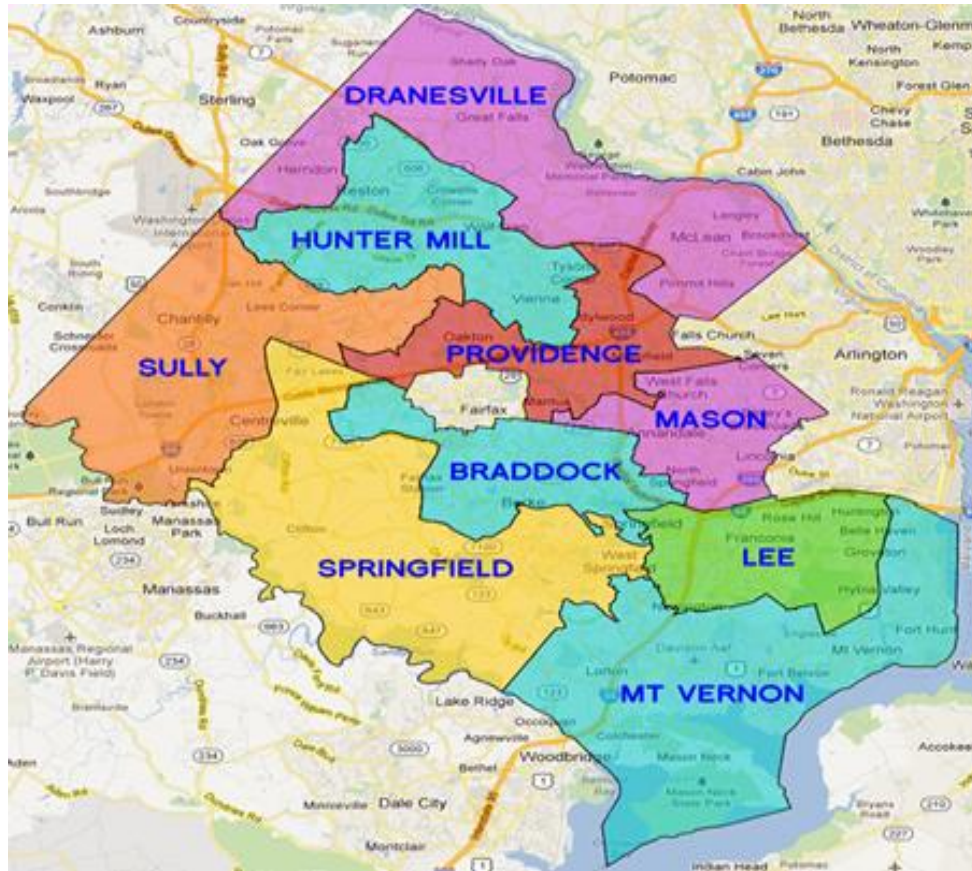
Draft
Fairfax County
Office of Financial and Program Audit

LIST OF ACRONYMS

AC	Audit Committee
BOS	Board of Supervisors
CSB	Fairfax Falls Church Community Services Board
FCDOT	Fairfax County Department of Transportation
FY	Fiscal Year
LDS	Land Development Services
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
OFPA	Office of Financial and Program Audit

DRAFT

Draft
Fairfax County
Office of Financial and Program Audit



FAIRFAX COUNTY BOARD OF SUPERVISORS
AUDITOR OF THE BOARD
www.fairfaxcounty.gov/boardauditor
Office of the Financial and Program Audit
12000 Government Center Parkway, Suite 233
Fairfax, Virginia 22035