REPORT ON STATEWIDE FINANCIAL MANAGEMENT AND COMPLIANCE

FOR THE QUARTER ENDED SEPTEMBER 30, 2006

OFFICE OF THE COMPTROLLER

DEPARTMENT OF ACCOUNTS

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TABLE OF CONTENTS

REPORT ON STATEWIDE FINANCIAL MANAGEMENT
AND COMPLIANCE
Quarter Ended September 30, 2006

	Page
STATEMENT OF PURPOSE	1
COMPLIANCE	2
Auditor of Public Accounts Reports	2
Audit Reports – Quarter Ended September 30, 2006	2
Agency Findings – Quarter Ended September 30, 2006	4
Status of Prior Audit Findings	8
Annual Summary of APA Audit Findings	20
Compliance Monitoring	21
Exception Registers	21
Response to Inquiries	22
Trial Balance Review	22
Analysis of Appropriation, Allotments and Expenditures, and Cash Balances	23
Disbursement Processing	23
Paperwork Decentralization	24
Prompt Payment Compliance	27
E-Commerce	31
Financial Electronic Data Interchange (EDI)	32
Travel EDI	33
Direct Deposit	38
Payroll Earnings Notices	41
Small Purchase Charge Card (SPCC) and Increased Limit (Gold) Card	45
Travel Charge Card	51
Payroll Controls	53
PMIS/CIPPS Payroll Audit	53
PMIS/CIPPS Exceptions	56
Payroll Certification	57
Healthcare Reconciliations	59
FINANCIAL MANAGEMENT ACTIVITY	60
Commonwealth Accounting and Reporting System (CARS)	60
Payroll	62
Accounts Receivable	64
Indirect Costs	76
Loans and Advances	78

STATEMENT OF PURPOSE

The ***Code of Virginia*** requires that the Department of Accounts (DOA) monitor and account for all transactions involving public funds. In order to carry out this mandate, the Department uses a variety of measures, including automated controls, statistical analyses, pre-audits and post-audits, staff studies and reviews of reports issued by the Auditor of Public Accounts. When taken as a whole, these measures provide an important source of information on the degree of agency compliance with Commonwealth accounting and financial management policies, internal controls, procedures, regulations, and best practices.

The Comptroller's ***Report on Statewide Financial Management and Compliance*** (the *Quarterly Report*) is a summary of measures used by DOA to monitor transactions involving public funds and report findings to the Governor, his Cabinet, and other senior State officials. The *Quarterly Report* uses exception reporting and summary statistics to highlight key findings and trends. The Department also provides additional detailed financial management statistics for agencies and institutions of higher education.

This *Quarterly Report* includes information for the quarter ended September 30, 2006, and comparative FY 2006 data. Some information in the report is for the quarter ended June 30, 2006, which is the most current data available.

David A. Von Moll, CPA, CGFM
Comptroller

COMPLIANCE

Auditor of Public Accounts Reports - Executive Branch Agencies

Agency audit reports issued by the Auditor of Public Accounts (APA) may contain findings because of noncompliance with state laws and regulations. Agencies may also have internal control findings considered to be reportable conditions. Reportable conditions involve matters relating to significant deficiencies in the design or operation of internal control that, in the Auditor's judgment, could adversely affect the agency's ability to record, process, summarize, and report financial data consistent with the assertions of management.

Each agency must provide a written response that includes a Corrective Action Workplan (CAW) to the Department of Planning and Budget, the Department of Accounts, and the agency's Cabinet Secretary when its audit report contains one or more audit findings. Workplans must be submitted within 30 days of receiving the audit report. Commonwealth Accounting Policies and Procedures (CAPP) manual, Topic 10205, *Agency Response to APA Audit*, contains instructions and guidance on preparing the workplan.

Audit Reports – Quarter Ended September 30, 2006

The APA issued 12 separate reports covering 18 agencies, offices, boards, commissions, colleges and universities for the Executive Branch agencies listed on the following table. Ten reports covering 16 agencies were for FY 2005, and two reports for two agencies were for FY 2006. The last column indicates whether the CAW has been received as of the date of this publication for each agency with audit findings. Note that in some cases, the CAW may not have been received because it is not yet due.

	New Findings	Repeat Findings	Total Findings	CAW Received
Administration				
None issued				
Agriculture and Forestry				
None Issued				
Commerce and Trade				
Virginia Small Business Financing Authority	0	0	0	N/A
Education				
Longwood University	4	0	4	YES
Virginia's Museums				
The Science Museum of Virginia	0	1	1	YES
Virginia Museum of Fine Arts	0	0	0	N/A
Frontier Culture Museum of Virginia	0	0	0	N/A
Gunston Hall	1	0	1	YES
Jamestown – Yorktown Foundation	1	1	2	YES
Executive Offices				
Office of the Governor*	0	0	0	N/A

	New Findings	Repeat Findings	Total Findings	CAW Received
Office of the Lieutenant Governor*	0	0	0	N/A
Finance				
None Issued				
Health and Human Resources				
Department of Health Professions	0	0	0	N/A
Independent Agencies				
Virginia Office for Protection & Advocacy	5	0	5	YES
State Corporation Commission	1	0	1	YES
Natural Resources				
Department of Conservation & Recreation	1	0	1	YES
Chippokes Plantation Farm Foundation	0	0	0	N/A
Virginia Museum of Natural History	0	0	0	N/A
Public Safety				
Department of Military Affairs	0	0	0	N/A
Department of Juvenile Justice	2	0	2	Yes
Department of Veterans Services	11	4	15	Yes
Technology				
None Issued				
Transportation				
None Issued				

* These audits are for the fiscal year ended June 30, 2006.

Agency Findings – Quarter Ended September 30, 2006

The following agencies had one or more findings contained in their audit report. Short titles assigned by APA are used to describe the finding, along with a brief summarization of the comments. The audit reports contain the full description of each finding.

Education

Longwood University

1. Develop Firewall Policies and Procedures. The University has not completed its firewall policies and procedures and standard configuration. In addition, there are no current policies that call for the review of the firewall rules.
2. Establish a Security Awareness Training Policy and Program. The University does not have an approved Security Awareness Training Policy and has not provided any training or annual refresher courses.
3. Maintain an Accurate Database of Parking Receivables. LU has not reported receivables due from parking tickets as part of total accounts receivable.
4. Implement Proper Controls to Monitor Wage Employee Hours**.** The University is not properly monitoring the accumulated hours of its wage employees to ensure compliance with the 1,500 hour limit within a year set by the Department of Human Resources Management.

The Science Museum of Virginia

1. Structural Deficit. For the fourth consecutive year, the Science Museum has experienced significant financial difficulties, which has been classified as a **Material Weakness.** The overall structural deficit reached $777,341. In order to pay vendors on time and meet other obligations, SMV incurred a cash deficit during FY 2006. A follow-up report cited a lack of institutional and accounting knowledge and resources, inadequate budgetary controls, a need for more active management oversight over financial operations and improved internal policies and procedures documentation.

Jamestown – Yorktown Foundation

1. Ticketing Improvements System. **As noted in the prior audit**, the Foundation is replacing its ticketing system to better accommodate increased volumes in 2007, and offer ticket packages with neighboring facilities. The system being replaced loses vendor support after July 1, 2007. The project timeline must be carefully monitored to avoid any delays.
2. Develop and Implement Written Policies and Procedures for the Capitalization of Capital Project Costs. The Foundation's policies and procedures are not sufficient to ensure proper and timely capitalization of capital project costs. Inaccurate reporting of the capital assets could result in a material misstatement of the Commonwealth's financial statements.

Gunston Hall

1. Strengthen Controls over Petty Cash Account. There are no written policies and procedures over the petty cash account. In addition, monthly reconciliations were not documented.

Independent Agencies

Virginia Office for Protection and Advocacy

1. Clarify Duties and Responsibilities of the Board and Executive Director. The Office's Board has generally vague and unclear definitions of specific roles and responsibilities of Board Members, the Executive Director, and staff. Governing policies should address these issues.
2. Implement Board Training and Operations. The Office's Board lacks necessary understanding of the budgetary, fiscal, legal, and management constraints under which they must operate within the Commonwealth.
3. Develop Operational Policies and Procedures. The Office has not formalized its operating policies and procedures. The documentation should be comprehensive and include, at a minimum, systems access, payment processing, and Small Purchase Charge Card procedures.
4. Procurement of Services. The Office did not follow Commonwealth procurement guidelines for several large purchases.
5. Indirect Cost Recoveries. The Office lacked detailed procedures for completing their indirect cost recovery proposal. The central cost allocation was incorrect, the calculated indirect cost rate was incorrect, and the statewide recovery amount was also incorrect.

State Corporation Commission

1. Install a Complete and Current Information Security System. The Commission's system should include policies and procedures covering all layers of technology, including business impact, risk assessment, recovery and continuity, security management, and security officer responsibilities.

Natural Resources

Department of Conservation and Recreation

1. Follow Small Purchase Charge Card Procedures. DCR did not consistently comply with the requirements of the card program regarding maintaining supporting documentation, signing and dating employees' purchase logs, and reconciling payments with purchases.

Public Safety

Department of Juvenile Justice

1. Improve Controls over Procurement Records and Contract Administration. The Department does not have a central repository, such as in the Procurement Division, where they maintain contract documentation. Further, DJJ does not always assign contract administrators in writing.
2. Improve Controls over Anthem Contract. The Department did not assign a contract administrator in writing to the Anthem Contract. As a result, late payments incurred interest costs of $24,574, and a duplicate payment of more than $500,000 was made in November 2004.

Department of Veterans Services

1. Ensure Accurate Time and Leave Reporting. The Department did not adequately monitor that employees accurately report time and leave hours. Daily time logs, timesheets, and leave documentation did not consistently reconcile.
2. Strengthen Controls Over the Small Purchase Charge Card Program. **As noted in the prior audit,** the review found inadequate documentation, missing monthly statements, improperly maintained purchase logs and inappropriate card limits.
3. Improve Petty Cash Controls. The Department lacked consistent controls regarding the use, monitoring, and reconciliation of petty cash funds.
4. Properly Report Construction in Progress. Veterans Services is working on two capital projects but did not report construction in progress at June 30, 2005, which underreported its fixed assets.
5. Establish and Implement Adequate Policies and Procedures Over the Veterans Services Foundation. **As noted in the prior audit**, the Department lacks adequate controls over the Foundation funds. This results from a lack of detailed policies and procedures over the Foundation's account.
6. Establish Process for Determining Negotiated Rates. The Department does not have a documented process for determining negotiated rates for assisted living residents.
7. Appropriately Allocate Administrative Costs. DVS does not appropriately allocate administrative costs to the agency's four service areas.
8. Information Systems Security Assurance. The Department does not have adequately documented policies and procedures for security over its critical information systems.
9. Improve Voucher Documentation and Compliance with Procurement and Payment Policies. **As noted in the prior audit**, the Department is still not consistently following established policies and procedures for procuring and paying vendors. In addition, DVS has not maintained adequate supporting documentation for payments and procurements made.
10. Improve Petty Cash Records and Compliance with Requirements. DVS paid sales tax on a number of purchases and failed to keep adequate documentation for purchases. In addition, DVS made a loan out of petty cash and did not consistently or timely reconcile the petty cash accounts.

Department of Veterans Services (continued)

11. Comply with Commonwealth Human Resources Overtime Standards. Several exempt employees earned overtime and on occasion were paid for the loss of unused overtime leave balances. Commonwealth standards allow only non-exempt employees to earn overtime leave, and payment for unused leave only occurs when the employee leaves State service.
12. Implement and Monitor Procedures to Ensure Proper Use of Funds. DVS did not identify federal grant subsidy funds as federal grant funds and did not report the funds on the Schedule of Expenditures of Federal Awards.
13. Improve Debt Collection Efforts and Account Write-offs. **As noted in the prior audit**, DVS does not have supporting documentation to show that the Care Center complied with collection procedures for delinquent accounts.
14. Establish a Memorandum of Understanding with the Department of General Services. The Department receives project management services for capital outlay projects from DGS. They do not have a formal written memorandum of understanding between the two agencies.
15. Properly Manage Fixed Assets. DVS has not listed a number of fixed assets costing $5,000 or more on the Commonwealth's Fixed Asset Accounting and Control System (FAACS).

Status of Prior Audit Findings

The policy governing the Agency Response to APA Audits was recently revised to require follow-up reports on agency workplans every 90 days until control findings are certified by the agency head as corrected. Effective with the quarter ending June 30, 2006, the status of corrective action information reported by agencies under this policy is included in this report.

It is important to note that the status reported is self-reported by the agencies, and will be subject to subsequent review and audit.

COMMONWEALTH OF VIRGINIA
Status Report on Resolution of APA Audit Findings
As of September 30, 2006

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
Department of Planning and Budget				
2005	05-02	Improve documentation for appropriation adjustments.	Corrective action underway. DPB is presently working to overcome system limitations that prevent the entering of multiple revenue source codes for FATS "G" type transactions.	In progress.
Radford University				
2005	05-01	Revise policies and procedures covering cash collection points.	Corrective action underway. Cash collections policies and procedures were updated and distributed on 4/7/06. Financial Services and Internal Audit staff have met with campus departments, and are writing internal office procedures.	In progress.
	05-02	Develop Information Technology policies and procedures.	Corrective action underway. The Information Security Officer has reviewed the IT policies and procedures and is preparing updated standards.	In progress.
	05-03	Create a business plan for the Machine Room.	Corrective action underway. The Executive Director of Information Technology is developing and reviewing a Business Continuity Plan.	In progress.
	05-04	Implement environmental control over the Machine Room.	Corrective action underway. Construction began this summer to install a pre-action dry charge sprinkler system, a water detection system, and sump pumps, and to elevate the ter units to a safe height from the	In progress.

COMMONWEALTH OF VIRGINIA

Status Report on Resolution of APA Audit Findings

As of September 30, 2006

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	
Virginia Tourism Authority				
2005	05-01	Clarify the responsibilities and duties of the Board and the Executive Director.	Corrective action underway. VTA is working with the assigned Assistant Attorney General to develop a request for a ruling on existing legislation and potential recommendations for additional legislation if needed.	In progress.
Virginia Employment Commission				
2005	05-01	Complete the Information Systems Risk Assessment and Impact Analysis.	Corrective action underway. The Information Technology Services Center (ITSC) is analyzing the completed risk assessment of Unemployment Insurance (UI). When the ITSC impact analysis is finalized, the VEC will have completed the identification, ranking and documenting of the agency's business functions.	In progress.
	05-02	Obtain assurance over the security of VITA's infrastructure from VITA.	Corrective action underway. VEC negotiated a MOU with VITA and now the agencies are clarifying changes in server systems and applications.	
	05-03	Hold localities liable for participant data entered in the Workforce Network.	Corrective action implemented. Compliance sampling results are given to the local WIN boards and policy councils. DOL required data validation is complete. VWNIS is being replaced by a VEC-purchased information system.	Complete.
Virginia Commonwealth University				
2005	05-01	This is a repeated point. Resolve cash reconciling items timely.	Corrective action underway. Staff turnover in two key positions delayed completion. Further progress has not been reported.	In progress.

COMMONWEALTH OF VIRGINIA

Status Report on Resolution of APA Audit Findings

As of September 30, 2006

	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
Department of Health				
2005	05-01	This is a repeated point. Remove systems access timely and improve documentation.	Corrective action underway. New operational policies were implemented. Payroll provides a monthly list of separated employees to test against applications accounts. VDH requires all work units to certify monthly that all users with active accounts are authorized to have such access and are current employees.	In progress.
	05-02	Obtain assurance over the security of VITA's infrastructure from VITA.	Corrective action underway. VDH has requested certification from VITA and is evaluating the VITA response.	In progress.
Department of Social Services				
2005	05-01	This is a repeated point. Properly manage access to information systems.	Corrective action underway. DSS sent a broadcast to local departments of social services to remind them of the requirement for verification of SSN reminders for receipt of services.	In progress.
	05-02	This is a repeated point. Properly maintain and report TANF documentation.	Corrective action underway. TANF Transmittal #32, effective April 1, 2006, reiterated the need to verify and document all cases through SVES. Final training for the uniform monitoring procedures was conducted on April 13.	In progress.
	05-03	Maintain a tracking system for local employees.	Corrective action underway. The Divisions of Human Resource Management and Information Systems are continuing to implement corrective measures for this finding.	In progress.
	05-04	Establish controls for foster care and adoption payments.	Corrective action underway. DSS is exploring options including a combination of certification by local agencies of OASIS data and the certifications for related payments sent to the Division of Finance on a monthly	In progress.

COMMONWEALTH OF VIRGINIA

Status Report on Resolution of APA Audit Findings

As of September 30, 2006

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	05-05	Develop disaster recovery procedures for the in-house system.	Corrective action underway. DSS has developed a 10-phase migration plan to transfer DSS' servers and applications to VITA.	In progress.
	05-06	Update client information timely.	Corrective action underway. A system request was submitted for the "legal presence" legislation that will identify all cases where an individual age 19 or older is in a case without a valid social security number (SSN) or birth certificate.	In progress.
	05-07	Properly report TANF unspent balances. $815,750 in costs are questioned.	Corrective action underway. Under TANF regulations, DSS had until September 30, 2006 to spend these funds on TANF basic assistance. Grant reporting procedures are being updated and reviewed.	In progress.
Department of Medical Assistance Services				
	05-02	Implement system-wide strategy for Utilization Units.	Internal Audit is working with Program Integrity and Long Term Care in assessing their internal control processes. Program Integrity has developed a 2006 audit plan and reorganized staff and activities, including outsourcing some of the process to third parties. DMAS was selected for PERM project implementation which will aid in the identification and correction of claims payment errors.	In progress.
Department of Motor Vehicles				
	05-03	Improve information technology security standards and guidelines.	Corrective action underway. Phase One was completed in December 2005. Actual implementation activities are planned to be completed in August 2007.	In progress.

COMMONWEALTH OF VIRGINIA

Status Report on Resolution of APA Audit Findings

As of September 30, 2006

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
Department of Transportation				
2005	05-01	Timely delete employee access upon termination.	Corrective action underway. The Security and Emergency Management Division of VDOT developed a policy statement that was reviewed by the VDOT Information Security Advisory Committee (ISAC) and it is being updated.	In progress.
	05-02	Obtain assurance over the security of VITA's infrastructure from VITA.	Corrective action underway. The Security policy is being updated by the Security and Emergency Management Division of VDOT.	In progress.
Virginia Racing Commission				
2005	05-01	Update operating policies and procedures.	Corrective action underway. Internal policies and procedures for the Commission's operation are in place. Draft documentation of policies and procedures was reviewed and is being finalized.	In progress.
	05-02	Improve documentation of facility inspections.	Corrective action underway. VITA is in the process of contracting out the work via competitive negotiation.	In progress.
The Science Museum of Virginia				
2005	05-01	For the 4th year SMV experienced material financial difficulties.	Corrective action underway. Funding concerns, including structural deficits, remain. The Museum invoices its Foundation once a quarter as specified by the budget, but can move the amount and date to meet cash flow requirements.	In progress.
2004	04-01	Improve cash management.	Not corrected. See 05-01.	Not corrected
	04-02	Improve controls over fixed assets.	Corrective action underway. With DOA assistance, policies and procedures have been proposed and data input in FAACS.	In progress.

COMMONWEALTH OF VIRGINIA

Status Report on Resolution of APA Audit Findings

As of September 30, 2006

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
Gunston Hall				
2005	05-01	Strengthen controls over petty cash.	Corrective action underway. Guidelines are being drawn up. The account is being reconciled monthly.	In progress.
Jamestown - Yorktown Foundation				
2005	05-01	This is a repeated point. Strengthen controls over the Paciolan ticketing system.	Corrective action underway. Control procedures require review of non-standard access requests. The installation of the new Resort Technology ticketing system must be carefully monitored to avoid delays.	In progress.
2004	04-01	See 05-01.	Not corrected. See 05-01.	Not corrected.
2005	05-02	Develop written policies & procedures for capitalizing project costs.	Corrective action underway. Policies and procedures are being written.	In progress.
Longwood University				
2005	05-01	Develop firewall policies and procedures.	Corrective action implemented. The Board of Visitors approved a firewall policy on 9/15/2006. The V. P. of Information and Instructional Technology Services is responsible for the policy.	Completed.
	05-02	Establish a security awareness training policy and program.	Corrective action underway. LU contracted for the training program "Awareity" recommended by VITA. The program is being beta tested and will be rolled out on campus in January 2007.	In progress.
	05-03	Maintain an accurate database of parking receivables.	Corrective action implemented. LU and Cardinal Tracking, the software vendor, tested and reviewed the parking data to create a valid current reconciliation. Correct balances were reported beginning March 31, 2006.	Completed.

COMMONWEALTH OF VIRGINIA

Status Report on Resolution of APA Audit Findings

As of September 30, 2006

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	05-04	Implement proper controls to monitor wage employee hours.	Corrective action implemented. Payroll is monitoring wage employee hours. All previous records were reviewed and made correct. Written procedures are in place.	Completed.
Office of the Attorney General and the Department of Law				
2005	05-01	Strengthen controls over voucher processing.	Corrective action underway. The agency has instituted a review system on all transaction activity. A new Procurement Procedures Desk Reference has been developed and is being reviewed by APA.	In progress.
	05-03	Document Secretaries' approvals of exemptions made to allocations.	Corrective action underway. The agency has documented and filed for audit confirmation of federal funds sources and is working with DMAS to clarify procedures to identify federal funds percentages.	In progress.
	05-07	Improve CollectMax implementation and security issues.	Corrective action underway. DDC has tasked vendor JST to install a user access matrix.	In progress.
Virginia State University				
2005	05-01	Test and update Disaster Recovery Plan.	Corrective action underway. IT has established a Disaster Recovery Team to update and test the Plan.	In progress.
	05-02	This is a repeated point. Document Human Resource policies and procedures.	Corrective action underway. VSU has made substantial progress in preparing the documentation.	In progress.
	04-02		Not corrected. See 05-02.	Not corrected.
	05-04	Improve compliance with Small Purchase Charge Card policies.	Corrective action underway. The SPCC administrator is reviewing purchases to ensure compliance.	In progress.

COMMONWEALTH OF VIRGINIA

Status Report on Resolution of APA Audit Findings

As of September 30, 2006

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
Department of Minority Business Enterprise				
July 1,2004 through January 31, 2006	06-01	This is a repeated point. Enhance the Housing Agreement.	Corrective action underway. The Department of Housing and Community Development (DHCD) took over the fiscal, budgetary, and procurement functions effective July 1, 2005. The Payroll Service Bureau is used for payroll maintenance. The Memorandum should be updated to enhance internal controls over transactions approvals and transmissions.	In progress.
	04-01		Not corrected. See 06-01.	Not corrected.
	06-02	This is a repeated point. Update memorandum of understanding and funding plan with VDOT.	Corrective action underway. DHCD prepares the budget and monitors performance for DMBE, including Transportation funds.	In progress.
	04-03		Not corrected. See 06-02.	Not corrected.
	06-03	This is a repeated point. Improve controls over cell phone usage.	Corrective action underway. DMBE is responsible for timely reviewing wireless charges.	In progress.
	04-04		Not corrected. See 06-03.	Not corrected.
Norfolk State University				
2005	05-01	This is a repeated point. Collect and correct accounts receivable.	Corrective action underway. NSU has not fully implemented previously adopted policies and procedures.	In progress.
	04-01		Not corrected. See 05-01.	Not corrected.
	03-01		Not corrected. See 05-01.	Not corrected.
	05-02	Improve the continuity of operations disaster recovery plan.	Corrective action underway. The data center was relocated. NSU hired a VITA recommended vendor who is developing an improved recovery plan.	In progress.

COMMONWEALTH OF VIRGINIA

Status Report on Resolution of APA Audit Findings

As of September 30, 2006

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
Virginia Office for Protection and Advocacy				
2005	05-01	Clarify duties and responsibilities of the Board and Executive Director.	Corrective action underway. The Executive Director indicates that the Board is studying the issues and will address them.	In progress.
	05-02	Implement Board training and operations.	Corrective action underway. See 05-01.	In progress.
	05-03	Develop operational policies and procedures.	Corrective action underway. The Office has begun the process of centralizing and formalizing the financial functions.	In progress.
	05-04	Procurement of services.	Corrective action underway. See 05-03.	In progress.
	05-05	Indirect Cost Recoveries	Corrective action underway. See 05-03.	In progress.
State Corporation Commission				
2005	05-01	Install a complete and current information security system.	Corrective action underway. The Commission hired Accenture, a consulting firm, to identify what is needed to do the installation. The study has been completed and is being reviewed by the Information Technology Director.	In progress.
Department of Conservation and Recreation				
2005	05-01	Follow small purchase charge card procedures	Corrective action underway. DCR trained employees in proper use of the card. The Internal Auditor is testing compliance in the state parks.	In progress.
Department of Juvenile Justice				
2005	05-01	Improve controls over procurement records and contract administration.	Corrective action underway. Contracts have been listed and assigned in writing to Procurement Officers. Meeting among staff are scheduled before new contracts are bid.	In progress.

COMMONWEALTH OF VIRGINIA

Status Report on Resolution of APA Audit Findings

As of September 30, 2006

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	05-02	Improve controls over Anthem Contract.	A RFP was developed and posted. A contract administrator is assigned. The award is expected in December 2006.	In progress.
Department of Veterans Services				
January 1, 2005 through March 31, 2006	06-01	Ensure accurate time and leave reporting.	Corrective action underway. Changes to time sheets have been made and are now being reviewed monthly by supervisors. New leave slip policies have been implemented and are monitored.	In progress
	06-02	Strengthen controls over the small purchase charge card program.	Corrective action underway. New policies and procedures have been put into place. Monthly purchases activity is monitored by the finance office. DGS made a Procurement Review in August.	In progress
	05-03		Not Corrected. See 06-02.	Not corrected.
	06-03	Improve petty cash controls.	Corrective action underway. New procedures have been developed. Reconciliations are done monthly by the Director of Accounting and reviewed and signed off on by the Director of Finance and Administration.	In progress
	06-04	Properly report construction in progress.	Corrective action underway. Financial reports for FY 2006 included all construction in progress.	In progress
	06-05	Establish and implement adequate policies and procedures over the Veterans Foundation.	Corrective action underway. The Director states that DVS has begun implementing new policies and procedures and expects full corrective action to be complete prior to the next APA audit.	In progress
	06-06	Establish process for determining negotiated rates.	Corrective action underway. Procedures have been developed to determine negotiated room and board rates based on the ability to pay.	In progress

COMMONWEALTH OF VIRGINIA

Status Report on Resolution of APA Audit Findings

As of September 30, 2006

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	06-07	Appropriately allocate administrative costs.	Corrective action underway. Changes have been identified for allocating administrative costs for FY 2007.	In progress
	06-08	Information systems security assurance	Corrective action underway. DVS has published policies regarding use of personal laptops and controlling veterans information. DVS will obtain assistance from VITA to assess security around the newly installed Financial Management System (FMS), also the FY 2007 VITA contract is now modified to provide additional system security.	In progress
	06-09	Improve voucher documentation and compliance with procurement and payment policies.	Corrective action underway. The Director states that DVS has begun implementing new policies and procedures and expects full corrective action to be complete prior to the next APA audit.	In progress
	05-02		Not Corrected. See 06-01.	Not corrected.
	06-10	Improve petty cash records and compliance with requirements.	Corrective action underway. New procedures have been developed. Reconciliations are done monthly by the Director of Accounting and reviewed and signed off on by the Director of Finance and Administration.	In progress
	06-11	Comply with Commonwealth Human Resources overtime standards.	Corrective action underway. Changes in procedures and employee practices have been implemented. Fair Labor Standards Act training was conducted in August.	In progress
	06-12	Implement and monitor procedures to ensure proper use of funds.	Corrective action underway. DVS has corrected the accounting classification of the federal VA subsidy funds. The use of the funds at the Care Center is being reviewed. The review is intended to result in a utilization plan for the funds.	In progress

COMMONWEALTH OF VIRGINIA

Status Report on Resolution of APA Audit Findings

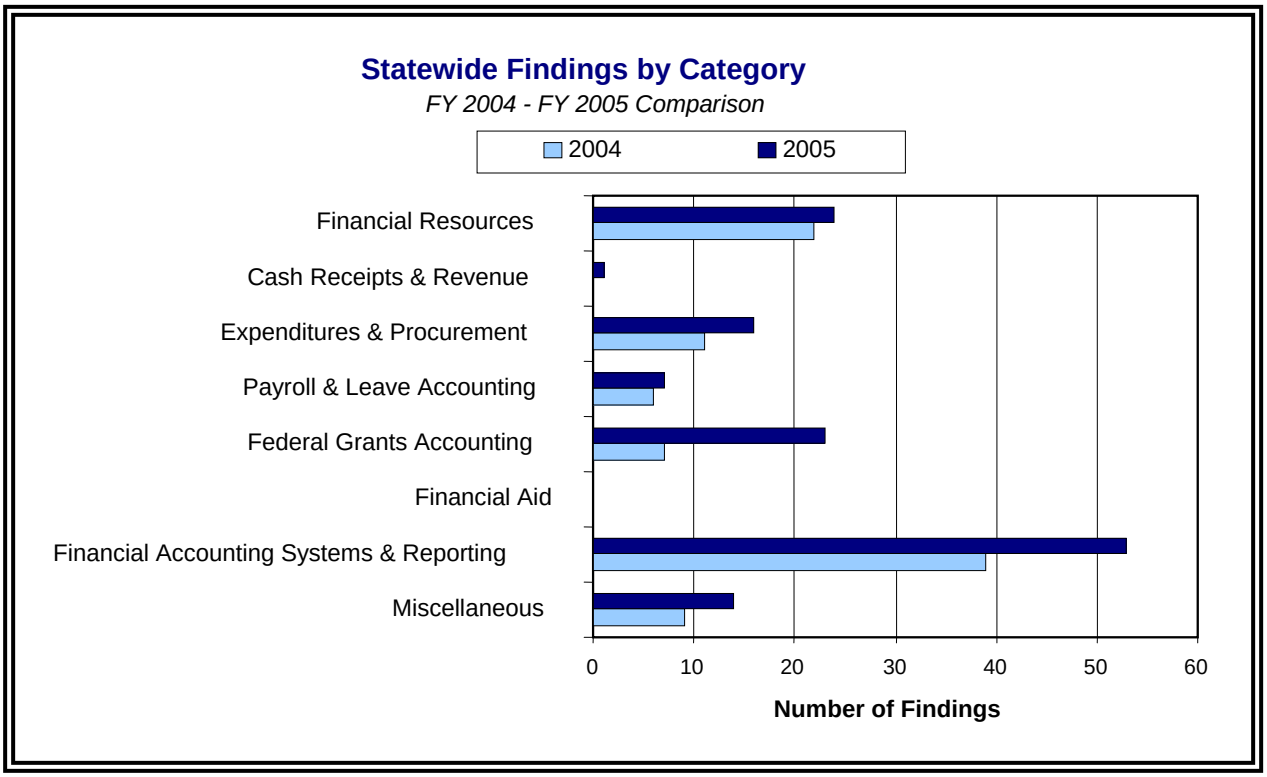
As of September 30, 2006

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	05-04		Not corrected. See 06-12.	Not corrected.
	06-13	Improve debt collection efforts and account write-offs.	Corrective action underway. New collection procedures are being formulated. Accounts receivable are reviewed at least quarterly.	In progress
	05-05		Not corrected. See 06-13	Not corrected
	06-14	Establish a memorandum of understanding with the Dept. of General Services.	Corrective action underway. A MOU for DGS support for capital construction and procurement will be developed upon completion of the Procurement Review being conducted by DGS.	In progress
	06-15	Properly manage fixed assets.	Corrective action underway. Financial reports for FY 2006 included all construction in progress. Further policies and procedures are being developed.	In progress
July 1, 2003 through December 31, 2004	05-01	Develop adequate administrative resources to operate the agency.	Corrective action taken. An Administrative Services Division was formed and staffed. The division is responsible for the ongoing financial and budgetary management of the Department.	Complete.
Department of Game and Inland Fisheries				
Nov. 1, 2005 through March 31, 2006	N/A	There were no internal control or compliance findings issued; however APA issued seven recommendations to further tighten implemented corrective actions.	Corrective action in progress. The Board is developing a new member orientation program, setting the Game Director's performance expectations, drafting rules on loaning Game equipment, and drafting regulations to cover Game vehicles. Game administration is developing a list of standard equipment by position, considering adding an internal audit function, and requiring Media Services to report quarterly to the Board.	In progress.

Annual Summary of APA Audit Findings

As of September 30, 2006, the Auditor of Public Accounts had issued 67 audit reports for 127 Executive Branch agencies for FY 2005. Thirty of these reports reflected no internal control weaknesses or compliance findings. The remaining 37 audit reports, covering 55 agencies contained 138 audit findings that cited internal control weaknesses and instances of noncompliance. For FY 2004, 24 of 67 reports contained findings and 94 total findings were reported. About 38 percent of the FY 2005 audit findings were reported in the Financial Accounting Systems and Reporting area compared to 41 percent for the previous year.

Category	New Findings	Repeat Findings	Total Findings
Financial Accounting Systems & Reporting	44	9	53
Financial Resources	16	8	24
Expenditures & Procurement	12	4	16
Miscellaneous	11	3	14
Federal Grants Accounting	22	1	23
Cash Receipts & Revenue	1	-	1
Payroll & Leave Accounting	7	-	7
Financial Aid	-	-	-
Total	**113**	**25**	**138**



Compliance Monitoring

Exception Registers

The Commonwealth Accounting and Reporting System (CARS) contains the Commonwealth's official accounting records. Therefore, State accounting policy requires that each agency reconcile its internal accounting records to CARS at least monthly and submit the results of the reconciliation via an exception register.

DOA closely monitors exception register status, evaluates exceptions, and posts correcting entries in CARS. Exception registers for July and August were due 8/31/06 and 9/30/06, respectively. No exception registers were late or outstanding.

A web site was developed to facilitate the monitoring of exception register status and to make the relevant information available to agency fiscal officers.

Exception Registers Late or Outstanding

As of October 18, 2006

	Jul	Aug
None		

Key: O/S – Exception Register is outstanding
DATE – The date received by DOA

Response to Inquiries

DOA regularly communicates with agencies regarding petty cash and invoice analyses, financial reporting information, and the FAACS/LAS systems. In many instances, agencies respond in a timely manner. However, in other instances, agencies do not respond timely or simply fail to respond. For the quarter ended September 30, 2006, all responses have been received within an acceptable timeframe.

Trial Balance Review

As an integral part of the monthly reconciliation process, each agency should review their monthly trial balance for any unusual balances and investigate and correct unusual balances immediately. If the unusual balances cannot be corrected at the agency level, the problem should be noted on the exception register. DOA monitors selected key general ledger balances and contacts agencies in writing about certain unusual balances. The following agencies failed to respond timely with corrective action and/or additional information.

Trial Balance Review Outstanding and Unresolved

As of October 18, 2006

	Jun	Jul	Aug
The Science Museum of Virginia	—	X	X

Analysis of Appropriation, Allotments and Expenditures, and Cash Balances

The Appropriation Act prohibits agencies from incurring unauthorized deficits. Therefore, credit cash balances and instances in which expenditures exceed appropriation and allotment require prompt investigation and resolution.

DOA contacts agencies in writing about credit cash balances and appropriations vs. expenditure anomalies. The following agencies failed to respond timely with corrective action and/or additional information.

Credit Cash, Excess Expenditures, and Expenditure Credits Outstanding and Unresolved

As of October 18, 2006

	Jul	Aug
Attorney General and Department of Law	-	X
Virginia Commonwealth University	-	X

Disbursement Processing

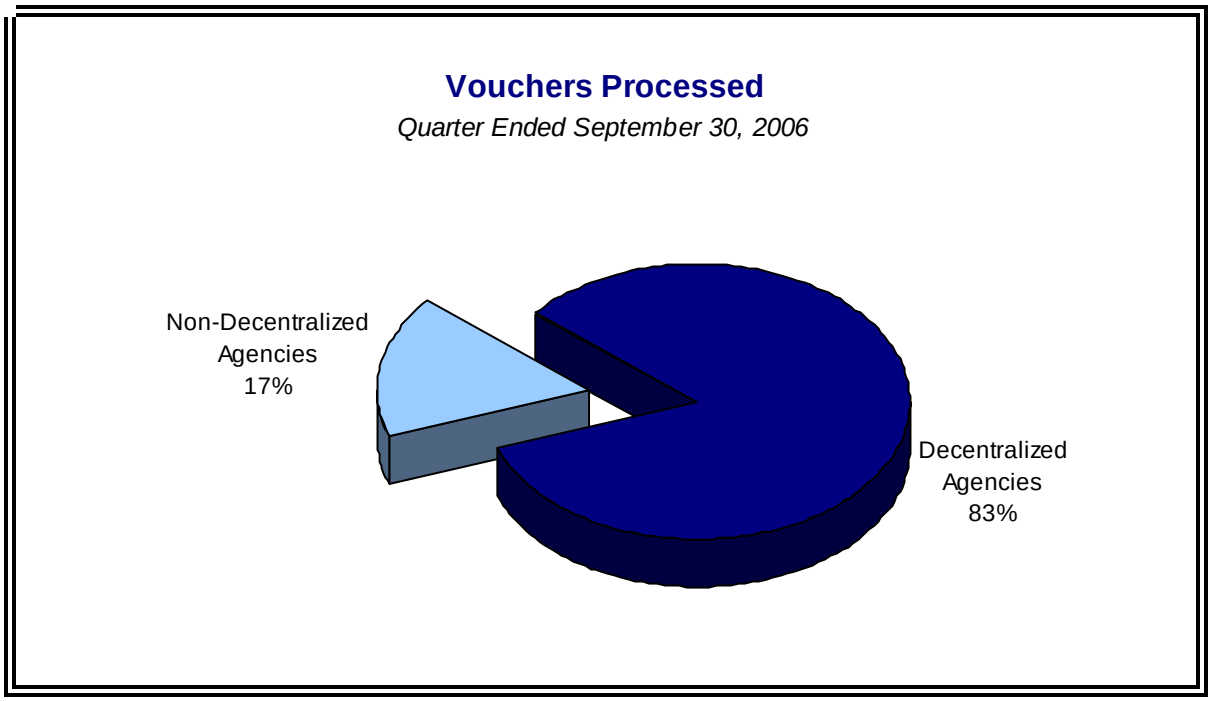
During the quarter ended September 30, 2006, DOA deleted, at the submitting agency's request, 35 payments that were awaiting disbursement from the vendor payment file. These included duplicate payments, payments with incorrect vendors or addresses, and payments with incorrect amounts. This type of transaction may point to areas where improved agency internal accounting controls should be evaluated.

Twenty-six agencies requested deletes during the quarter. No agency requested more than four vendor payment deletes during the quarter.

Paperwork Decentralization

The Commonwealth has decentralized the pre-auditing of most disbursements to individual agencies under a grant of delegated authority from the State Comptroller. Prior to the implementation of the program, over two million document sets (batches) were sent to the central repository each year. This program reduces the flow of documents from these agencies to the central repository in Richmond.

The overall quality of the State pre-audit program is monitored through the use of quality control reviews conducted by DOA staff. Results of these reviews are provided to the agency with corrective action recommendations. The great majority of problems encountered involve documentation inconsistencies, which should be easily corrected. Travel vouchers continue to be the primary source of all problems found.



Note: Totals include vouchers processed by decentralized higher education institutions.

Decentralized Agencies

Compliance reviews were conducted for 11 decentralized agencies during the quarter. The agencies were evaluated for compliance with State expenditure policies and procedures. Vouchers are selected for review based on a random sample designed to ensure 95 percent confidence in the conclusions.

The Exception Rate is determined by dividing the number of vouchers with compliance findings by the number of vouchers reviewed. For agencies receiving a performance rating lower than "Good", the primary reasons for an Exception Rate exceeding 3.9 percent are provided on the next page.

Compliance Rating Legend	
>9.9%	Unacceptable Performance
7.0% to 9.9%	Minimal Performance
4.0% to 6.9%	Satisfactory Performance
1.0% to 3.9%	Good Performance
<1.0%	Exceptional Performance

Decentralized Agency	Vouchers Reviewed	Vouchers with Compliance Findings	Exception Rate	Performance Measurement
Public Safety				
Department of State Police	397	15	3.8%	Good
Natural Resources				
Department of Game and Inland Fisheries	472	6	1.3%	Good
Transportation				
Department of Motor Vehicles	343	10	2.9%	Good
Motor Vehicle Dealer Board (1)	121	0	0.0%	Exceptional
Finance				
Department of Accounts	167	3	1.8%	Good
Department of Planning and Budget (2)	104	3	2.9%	Good
Department of the Treasury (2)	175	4	2.3%	Good
Treasury Board (2)	67	0	0.0%	Exceptional
Commerce and Trade				
Board of Accountancy (1)	141	0	0.0%	Exceptional
Virginia Racing Commission (2)	130	5	3.8%	Good
Education				
State Council of Higher Education for Virginia (2)	222	4	1.8%	Good

Note: No reviews were performed during the quarter for agencies that report to the Secretaries of Administration, Agriculture and Forestry, Health and Human Resources, and Technology.

Note (1) - The Department of the Motor Vehicles is the fiscal agent for the following agencies: Motor Vehicle Dealer Board and Board of Accountancy.

Note (2) – The Department of Accounts is the fiscal agent for the following agencies: Department of Planning and Budget, Department of the Treasury, Treasury Board, Virginia Racing Commission, and State Council of Higher Education for Virginia.

Agencies with Performance Ratings Lower than "Good"

No agencies received a performance rating lower than "Good" for reviews performed during this quarter.

❖ ❖ ❖ ❖ ❖

Non-Decentralized Agencies

Pre-audit of disbursements is conducted at the Department of Accounts for certain agencies that have not demonstrated the capability to manage a delegated program (i.e., have not met statewide decentralization management standards), agencies for which the cost of delegation is greater than the efficiency benefits to be gained through decentralization, or those few agencies, primarily those comprised of elected officials and cabinet officers, for whom this additional safeguard is warranted.

During the quarter, DOA reviewed all non-decentralized agencies. A total of 1,347 non-travel disbursement batches and 484 travel disbursement batches were reviewed, disclosing 60 exceptions that were resolved prior to releasing the transactions for payment.

❖ ❖ ❖ ❖ ❖

Prompt Payment Compliance

The *Code of Virginia* requires that State agencies and institutions pay for goods and services by the required payment due date. The reporting required by the *Code of Virginia* §2.2-4356 is being met by the information presented here. This section details the number and dollar amounts of late payments by secretarial area, institutions and agencies, and the total amount of interest paid. Agencies and institutions that process 50 or more vendor payments during a quarter are reported as not meeting Prompt Pay requirements if fewer than 95 percent of their payments are processed by the required due date.

Statewide Prompt Payment Performance Statistics

	Quarter Ending September 30, 2006		Fiscal Year 2007 To-Date		Comparative Quarter Ended September 30, 2005	
	Late	Total	Late	Total	Late	Total
Number of Payments	8,449	599,923	8,449	599,923	**6,751**	**631,097**
Dollars (in thousands)	$ 62,198	$ 1,401,788	$ 62,198	$ 1,401,788	**$ 29,544**	**$ 1,393,388**
Interest Paid on Late Payments				$ 13,152		
Current Quarter Percentage of Payments in Compliance				98.6%		
Fiscal Year-to-Date Percentage of Payments in Compliance				98.6%		
Comparative Fiscal Year 2006 Percentage of Payments in Compliance				**98.9%**		

Prompt Payment Performance by Secretarial Area

Quarter Ended September 30, 2006

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.4%	97.3%
Agriculture and Forestry	99.4%	99.2%
Commerce and Trade	98.6%	99.5%
Education*	98.4%	94.5%
Executive Offices	97.1%	88.1%
Finance	99.9%	100.0%
Health and Human Resources	98.7%	94.8%
Independent Agencies	97.9%	98.6%
Judicial	99.4%	99.4%
Legislative	99.8%	99.9%
Natural Resources	98.5%	97.8%
Public Safety	99.2%	98.5%
Technology	97.2%	98.9%
Transportation*	99.1%	93.1%
Statewide	**98.6%**	**95.6%**

Prompt Payment Performance by Secretarial Area

Fiscal Year 2007

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.4%	97.3%
Agriculture and Forestry	99.4%	99.2%
Commerce and Trade	98.6%	99.5%
Education *	98.4%	94.5%
Executive Offices	97.1%	88.1%
Finance	99.9%	100.0%
Health and Human Resources	98.7%	94.8%
Independent Agencies	97.9%	98.6%
Judicial	99.4%	99.4%
Legislative	99.8%	99.9%
Natural Resources	98.5%	97.8%
Public Safety	99.2%	98.5%
Technology	97.2%	98.9%
Transportation*	99.1%	93.1%
Statewide	**98.6%**	**95.6%**

* Statistics include those provided independently by Virginia Port Authority, Virginia Polytechnic Institute and State University, University of Virginia, Radford University, James Madison University, Old Dominion University, Virginia Commonwealth University, George Mason University, the College of William and Mary in Virginia, The Virginia Institute of Marine Science, and the University of Mary Washington may include local payments. These agencies and institutions are decentralized for vendor payment processing.

For the quarter ended September 30, 2006, the following agencies and institutions that processed more than 50 vendor payments during the quarter were below the 95 percent prompt payment performance standard.

Prompt Payment Compliance Rate
Agencies Below 95%
Quarter Ended September 30, 2006

Agency	Late Payments	Total Payments	Payments in Compliance
Education			
Frontier Culture Museum of Virginia	17	305	94.4%
Executive Offices			
Attorney General & Department of Law	31	600	94.8%
Health and Human Resources			
Central Virginia Training Center	132	2,222	94.1%
Independent Agencies			
VA Office For Protection and Advocacy	19	178	89.3%
Administation			
State Board of Elections	8	151	94.7%

For FY 2007, the following agencies and institutions that processed more than 200 vendor payments during the year were below the 95 percent prompt payment performance standard.

Prompt Payment Compliance Rate
Agencies Below 95%
Fiscal Year 2007

Agency	Late Payments	Total Payments	Payments in Compliance
Education			
Frontier Culture Museum of Virginia	17	305	94.4%
Executive Offices			
Attorney General & Department of Law	31	600	94.8%
Health and Human Resources			
Central Virginia Training Center	132	2,222	94.1%

Prompt Payment Explanations

Explanations for low prompt payment compliance rates for the first quarter of FY 2007 and year to date were provided by the following agencies.

The Frontier Culture Museum of Virginia reports it had only one full-time and one part-time employee in the fiscal department during the first quarter. The staffing shortage and training issues affected prompt pay standards.

The Attorney General and Department of Law reports that the prompt pay issues are a result of the lack of timely release of FATS transactions giving the agency appropriation authority to expend monies. These FATS transactions are pending and require DPB action. As for identified lease payments, the annual rent escalation rates were in negotiations for the upcoming year rent and such negotiations were not completed until after the payment due dates.

Central Virginia Training Center reports that they had both a transmission delay to CARS and a brief 0200 special fund cash flow problem that resulted in not meeting the 95% threshold. These events were a one time event and should not reoccur.

Virginia Office for Protection and Advocacy reports that they did not meet the prompt pay standard due to the internal server being up and down most of July and August. The agency was working hand in hand with VITA to get the server back up and running correctly. This was resolved in September.

E-Commerce

The primary goal of the Department of Accounts' electronic commerce initiative is to reduce the number of state issued checks by using more efficient electronic payment processes. Tools such as Financial Electronic Data Interchange (EDI), Payroll Direct Deposit, and the Small Purchase Charge Card (SPCC) are more reliable and cost effective than traditional paper checks. Electronic payments are also more secure because of the use of encryption devices and other security measures. In addition to these tools, the use of electronic earnings notices through the Payline Opt Out program further reduces paper processing and related costs.

EDI, Direct Deposit, SPCC and Payline Opt Out are best practices that demonstrate effective financial management, particularly during difficult economic times. They increase efficiency in processing and eliminate wasteful use of time, paper, printing, and postage for both large and small vendor payments, payroll, and employee travel reimbursement. Agencies and institutions are expected to embrace these practices to the fullest extent possible. On the following pages, agencies and institutions are identified if e-commerce statistics indicate that they are not fully utilizing these tools.

Statewide E-Commerce Performance Statistics

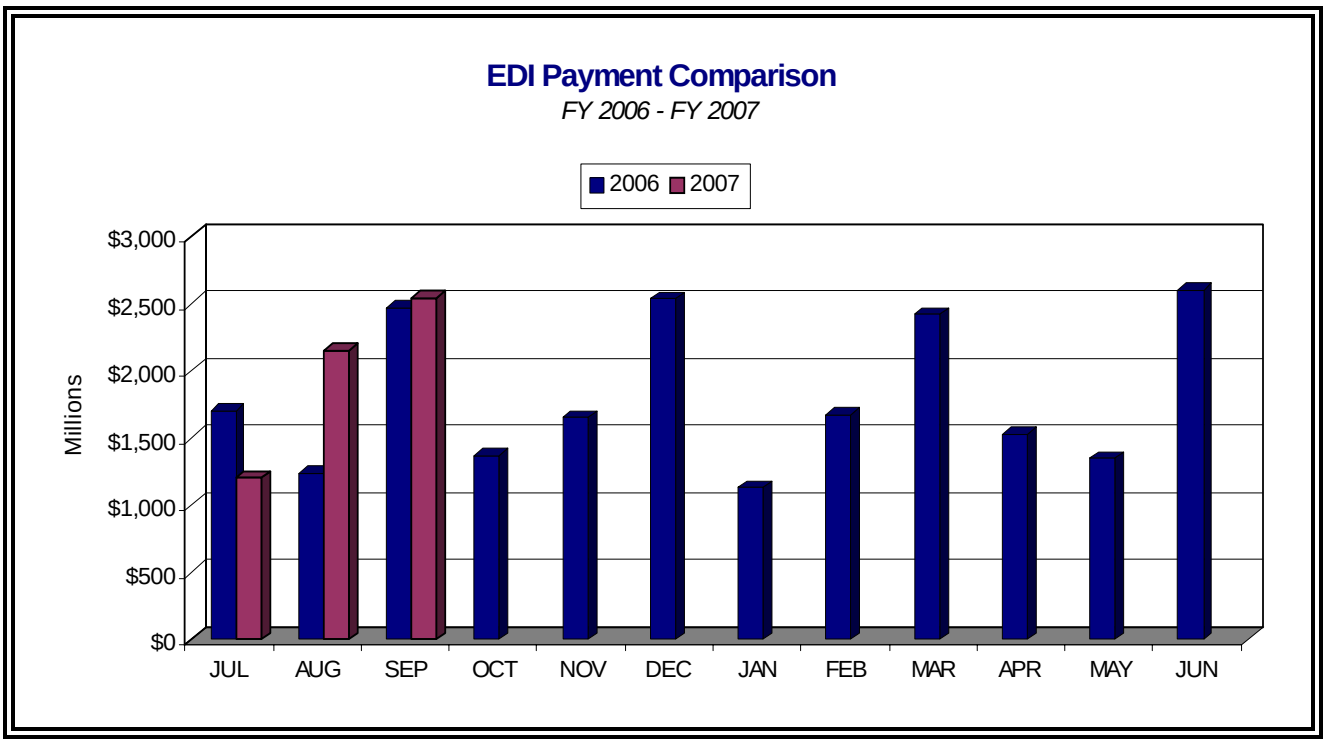
	Quarter Ended September 30, 2006			Comparative Quarter Ended September 30, 2005
	E-Commerce	Total	Percent	Percent
Number of Payments	699,357	971,684	72.0%	61.2%
Payment Amounts	$ 6,696,839,273	$ 7,619,039,042	87.9%	86.7%

Financial Electronic Data Interchange (EDI)

The dollar volume of Financial EDI payments for the first quarter of FY 2007 was $480.1 million (8.9 percent) more than the same quarter last year. The number of trading partner accounts increased by 17 percent from September 2005. The largest portion of this increase is due to efforts to convert state employee travel reimbursements from checks to electronic payments.

Financial EDI Activity

Financial EDI Activity	Quarter Ended September 30, 2006	Comparative Quarter Ended September 30, 2005
Number of Payments	45,964	44,745
Amount of Payments	$ 5,893,746,439	$ 5,413,668,854
Number of Invoices Paid	185,701	188,894
Estimated Number of Checks Avoided	74,367	74,864
Number of Trading Partner Accounts as of 9/30/06	37,702	32,118



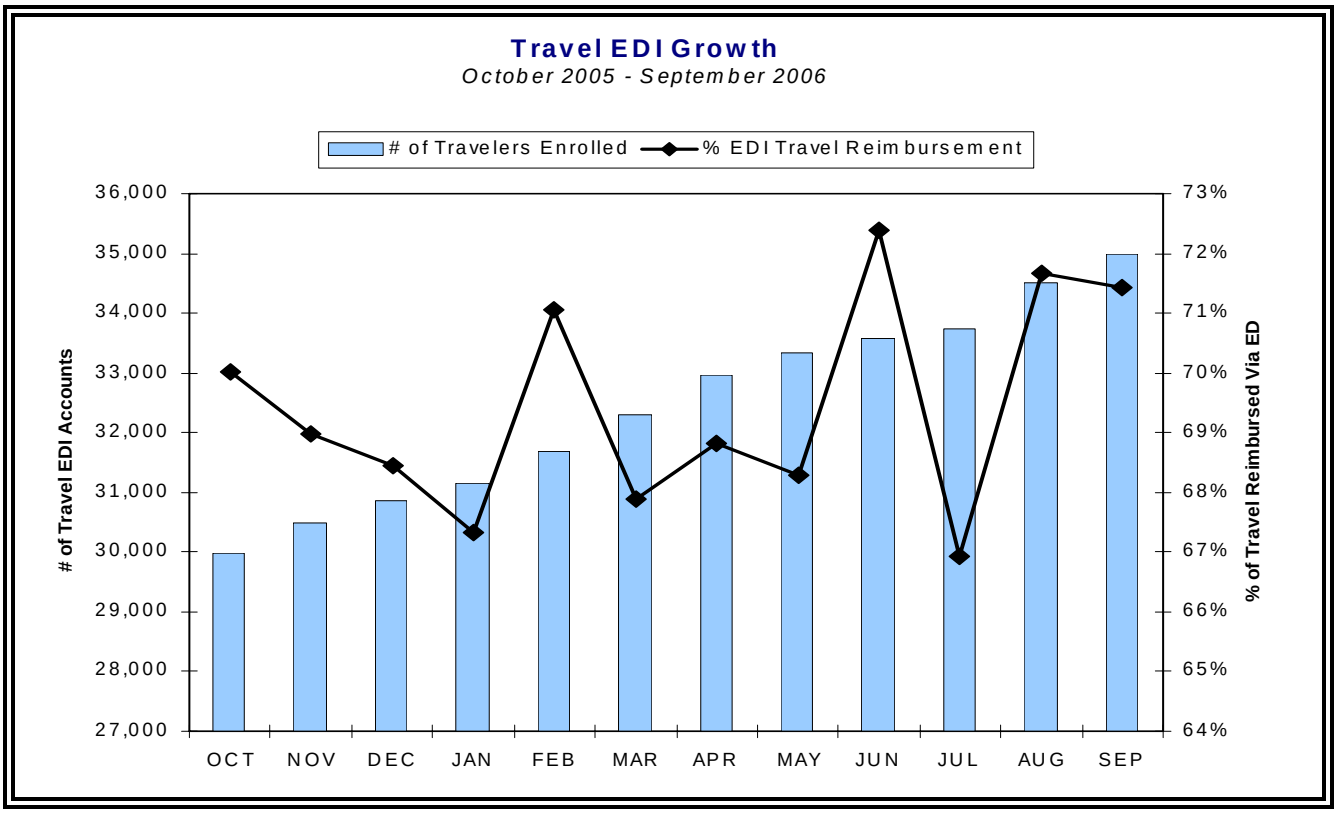
Travel EDI

Expansion of the Travel EDI program is an integral part of the statewide effort to reduce the administrative costs associated with paying for goods and services for the Commonwealth. The Appropriation Act requires employees who travel more than twice a year to be reimbursed using EDI. DOA notified agencies of the requirement through a CARS broadcast screen and calls to the agencies that produce the largest number of travel reimbursement checks. Quarterly utilization statistics are provided to the EDI coordinators of each agency in an effort to increase the number of employees enrolled.

Although participation among certain agencies has increased, many agencies have failed to enroll employees in EDI as required by law.

In accordance with Section 4-5.04g of the Appropriation Act, the Comptroller began charging agencies $1 for each travel reimbursement check issued in lieu of Travel EDI beginning with the second quarter of FY 2004. Agencies are expected to take action to enroll applicable employees in the EDI program and thus avoid the fees altogether. Beginning in FY 2007, this fee is $5 per travel reimbursement check. DOA will implement the increase $1 per quarter so that by the 4th quarter of FY 2007 the fee will be $5.

Agencies are highly encouraged to sign up board and commission members and other non-employees that receive travel reimbursements on a recurring basis.



The following table lists by secretarial area the percentage of travel reimbursements that were made via EDI versus the number of checks that were written for travel reimbursements during the quarter. *The statistics are shown for employees and non-employees.* These statistics do not necessarily show non-compliance with the Appropriation Act requirements.

Travel Reimbursement
Travel EDI Performance by Secretarial Area
Quarter Ended September 30, 2006

Secretarial Area	Employee Percent	Non-Employee Percent	Reimbursement Checks Issued
Administration	77.9%	4.2%	63
Agriculture and Forestry	93.5%	7.7%	116
Commerce and Trade	90.3%	62.0%	269
Education [1]	79.4%	6.7%	1,823
Executive Offices	90.7%	6.7%	45
Finance	95.1%	0.0%	36
Health and Human Resources	87.6%	42.0%	1,442
Independent Agencies	87.9%	0.0%	153
Judicial	15.8%	2.3%	3,412
Legislative	91.4%	15.6%	126
Natural Resources	94.3%	0.0%	211
Public Safety	81.5%	4.5%	1,345
Technology	71.3%	0.0%	42
Transportation [1, 2]	63.4%	33.3%	1,027
Statewide for Quarter	**77.1%**	**16.8%**	**10,110**
Fiscal Year 2007 To-Date			
Statewide	**77.1%**	**16.8%**	**10,110**
Comparative Fiscal Year 2006 To-Date			
Statewide	**74.6%**	**16.8%**	**11,316**

[1] Statistics do not include agencies and institutions decentralized for vendor payment processing.
[2] The Department of Transportation began processing Travel Reimbursements through CARS in FY 2006. Previously, the reimbursements were processed through petty cash.

The following table lists agencies with Employee EDI participation rates below 75 percent that issued more than 25 travel reimbursement checks during the quarter. These statistics are informational only and **do not** necessarily indicate noncompliance with the Appropriation Act.

Agency Employee EDI Performance
Utilization Below 75 Percent

Agency	Percent	Reimbursement Checks Issued
Education		
New River Community College	70.3%	27
Norfolk State University	44.5%	147
Southside Virginia Community College	44.4%	50
Health and Human Resources		
Department of Social Services	72.1%	292
Department of Medical Assistance Services	66.5%	72
Southwestern Virginia Training Center	30.2%	37
Independent Agencies		
State Lottery Department	66.9%	45
Judicial		
Supreme Court	3.6%	639
Magistrate System	3.6%	215
General District Courts	2.4%	320
Combined District Courts	1.9%	266
Circuit Courts	1.6%	569
Juvenile & Domestic Relations District Courts	1.5%	337
Court of Appeals of Virginia	0.0%	46
Public Safety		
Department of Corrections-Central Administration	72.0%	63
Department of Fire Programs	65.6%	73
Augusta Correctional Center	3.6%	54
Technology		
Virginia Information Technologies Agency	72.3%	36
Transportation		
Department of Transportation*	54.0%	746

* The Department of Transportation began processing Travel Reimbursements through CARS on July 1, 2005. Prior to FY 2006, VDOT processed travel reimbursements through petty cash.

The following table lists agencies that issued more than 25 travel reimbursement checks during the quarter and had a Non-employee EDI participation rate below 10 percent. **These statistics are informational only**. The expansion of EDI for Non-employees is a cost savings opportunity for the Commonwealth.

Agency Non-Employee EDI Performance
Utilization Below 10 Percent

Agency	Percent	Reimbursement Checks Issued
Agriculture and Forestry		
Department of Agriculture and Consumer Services	3.8%	51
Education		
Christopher Newport University	1.9%	51
Department of Education	0.0%	576
Longwood University	0.0%	89
Thomas Nelson Community College	0.0%	37
Virginia Commission for the Arts	0.0%	29
Health and Human Resources		
Virginia Board for People with Disabilities	6.9%	27
Department of Rehabilitative Services	2.9%	33
Judicial		
Circuit Courts	4.4%	413
Supreme Court	2.9%	68
Virginia State Bar	0.4%	265
General District Courts	0.0%	81
Juvenile and Domestic Relations District Courts	0.0%	71
Natural Resources		
Marine Resources Commission	0.0%	39
Public Safety		
Department of Fire Programs	9.7%	28
Department of Juvenile Justice	2.9%	34
Department of Criminal Justice Services	0.0%	118
Department of Forensic Science	0.0%	117
Department of Veterans Services	0.0%	34

The following table lists agencies that have accumulated more than $50 in Employee EDI check charges for the Fiscal Year and have a utilization rate below 80 percent. Agencies are charged for each travel reimbursement check issued to an employee after their second check of the Fiscal Year. For the first quarter of FY 2007 the charge is $2 per check. This will increase $1 per quarter until it reaches $5 per check. These statistics indicate noncompliance with §4-5.04.f.5 of the Appropriation Act which requires that all employees likely to travel more than twice per year be reimbursed for travel costs using electronic data interchange.

Agency NonCompliance Travel Check Charges
Utilization Below 80 Percent

Agency	Percent	Year-to-date Charges
Judicial		
Circuit Courts	1.6%	$ 670
Juvenile & Domestic Relations District Courts	1.5%	222
General District Courts	2.4%	148
Combined District Courts	1.9%	134
Supreme Court	3.6%	108
Magistrate System	3.6%	94
Transportation		
Department of Transportation	54.0%	190

Direct Deposit

During the first quarter of FY 2007, 353,618 checks were avoided using direct deposit. Agencies are expected to take proactive steps to improve participation rates, particularly for wage employees.

Direct Deposit Performance by Secretarial Area

Quarter Ended September 30, 2006

Secretarial Area	Direct Deposit % of Salaried Employees	Direct Deposit % of Wage Employees
Administration	91.4%	80.2%
Agriculture and Forestry	93.4%	44.5%
Commerce and Trade	97.4%	87.6%
Education	96.8%	61.3%
Executive Offices	96.9%	50.0%
Finance	94.9%	81.9%
Health and Human Resources	88.1%	78.8%
Independent Agencies	95.3%	81.3%
Judicial	95.4%	53.1%
Legislative	96.7%	82.6%
Natural Resources	96.8%	48.5%
Public Safety	88.8%	74.7%
Technology	96.3%	96.3%
Transportation	90.3%	73.8%
Statewide	**91.4%**	**65.7%**
Comparative Quarter Ended September 30, 2005		
Statewide	**90.2%**	**56.9%**

Statewide Salaried Direct Deposit Performance

Quarter Ended September 30, 2006

Salaried Direct Deposit Participation	91.4%

Salaried Direct Deposit Below 85 Percent

Agency	Percent	Number of Employees
Health and Human Resources		
Western State Hospital	83.9%	726
Southern Virginia Mental Health Institute	82.7%	162
Commonwealth Center for Children and Adolescents	81.9%	138
Southside Virginia Training Center	81.4%	1,340
Piedmont Geriatric Hospital	73.1%	320
Central Virginia Training Center	65.3%	1,454
Public Safety		
Sussex II State Prison	84.7%	365
Haynesville Correctional Center	84.6%	371
Buckingham Correctional Center	84.2%	349
Bland Correctional Center	83.4%	295
Lunenburg Correctional Center	82.4%	261
Nottoway Correctional Center	82.2%	444
Augusta Correctional Center	82.0%	378
Greensville Correctional Center	82.0%	809
Baskerville Correctional Center	81.3%	134
Powhatan Reception and Classification Center	81.1%	127
Fluvanna Women's Correctional Center	81.1%	322
Brunswick Correctional Center	79.5%	386
Powhatan Correctional Center	77.5%	364
Dillwyn Correctional Center	68.0%	253
Transportation		
Department of Transportation - Culpeper	84.8%	541
Department of Transportation - Bristol	84.5%	832

Note: The threshold for salaried direct deposit reporting was raised to 85% effective January 2006.

Statewide Wage Direct Deposit Performance

Quarter Ended September 30, 2006

Wage Direct Deposit Participation	65.7%

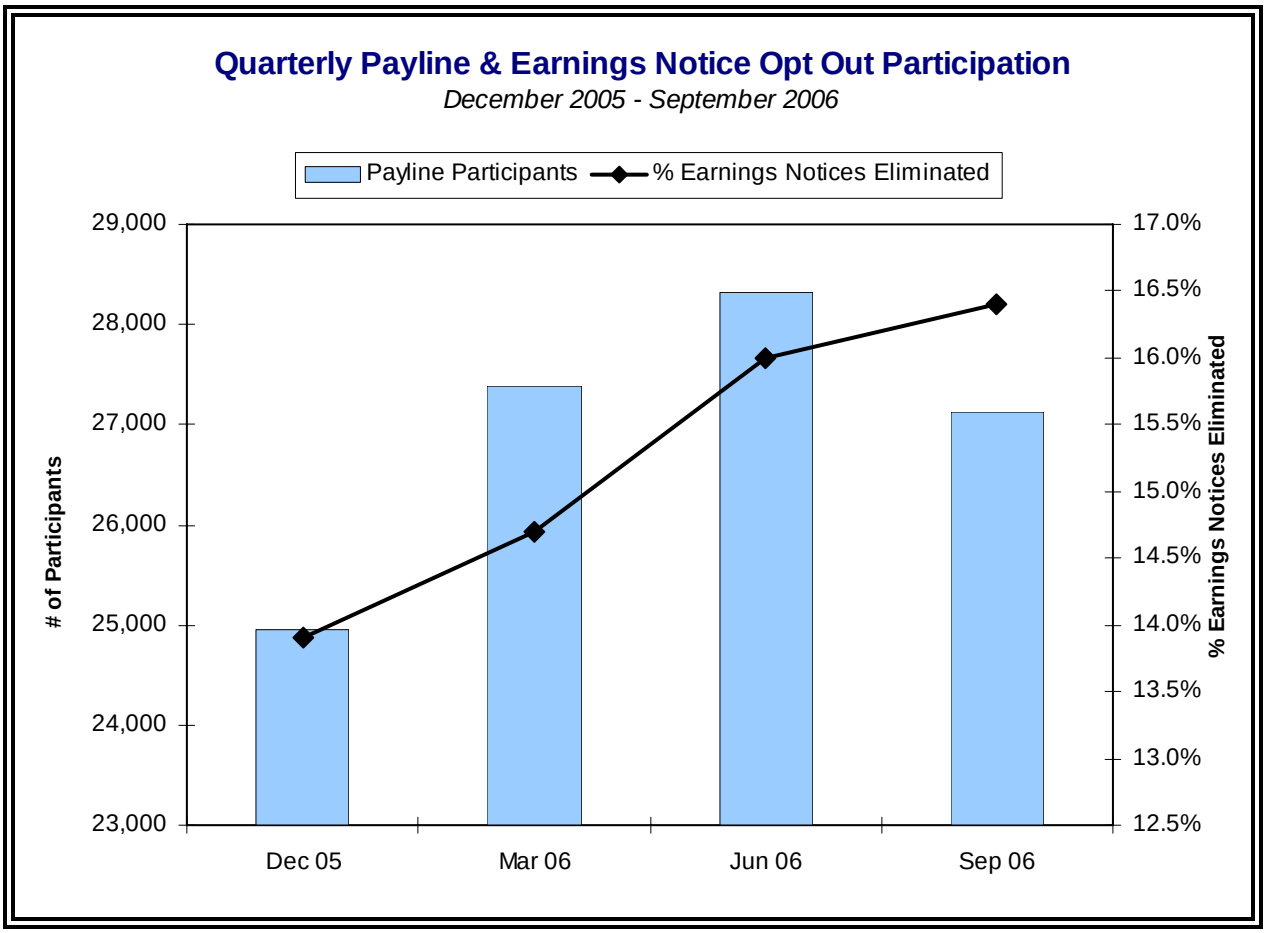
Wage Direct Deposit Below 40 Percent

Agency	Percent	Number of Employees
Agriculture and Forestry		
Department of Forestry	37.5%	72
Commerce and Trade		
Virginia Racing Commission	37.0%	27
Education		
Gunston Hall	38.1%	21
Central Virginia Community College	35.7%	244
Virginia Highlands Community College	34.8%	92
Radford University	28.8%	1,669
Rappahannock Community College	28.8%	73
Richard Bland College	27.3%	22
Longwood University	22.4%	411
Health and Human Resources		
Central Virginia Training Center	39.2%	102
Judicial		
Combined District Courts	36.7%	30
Indigent Defense Commission	23.1%	13
Public Safety		
Department of Military Affairs	31.2%	333

Payroll Earnings Notices

Elimination of earnings notices associated with direct deposit is an additional method for increasing the benefits of electronic payments. Employees are currently able to obtain enhanced information online using the web-based Payline system.

In addition to increasing direct deposit participation, agencies and institutions are expected to encourage employees to enroll in Payline and discontinue receipt of centrally printed earnings notices. Since inception in November 2002, the Commonwealth has eliminated the printing of approximately 873,519 earnings notices. However, statewide participation rates remain low.



The following table lists participation among all statewide employees in Payline and the Opt-Out initiative by secretarial area.

Payline and Earnings Notice Opt-Out Participation by Secretarial Area

Quarter Ended September 30, 2006

Secretarial Area	Percent Payline Participation	Percent Earnings Notices Eliminated*
Administration	50.4%	30.3%
Agriculture and Forestry	23.5%	12.8%
Commerce and Trade	74.9%	52.1%
Education	29.1%	14.8%
Executive Offices	62.8%	54.7%
Finance	78.3%	53.6%
Health and Human Resources	31.3%	15.5%
Independent Agencies	44.6%	31.1%
Judicial	8.3%	2.8%
Legislative	51.1%	44.4%
Natural Resources	41.2%	30.8%
Public Safety	24.8%	11.1%
Technology	79.4%	52.5%
Transportation	30.9%	12.9%
Statewide	**31.2%**	**16.4%**
Comparative Quarter Ended September 30, 2005		
Statewide	**27.4%**	**14.0%**

* Employees must participate in Direct Deposit and Payline in order to opt out of receiving centrally printed earnings notices.

Statistics do not include employees of eight institutions of higher education that are decentralized for payroll processing.

Listed below are agencies where less than four percent of earnings notices have been eliminated by employees on direct deposit. Only agencies and institutions with more than 25 employees are included in this report.

Payline Earnings Notice Elimination
Under 4 Percent
Quarter Ended September 30, 2006

Agency	Percent Earnings Notices Eliminated	Earnings Notices Printed for 09/30/06
Education		
Thomas Nelson Community College	3.5%	517
Rappahannock Community College	3.4%	111
Radford University	2.6%	1,344
Virginia School for the Deaf, Blind and Multi-Disabled at Hampton	2.3%	107
Christopher Newport University	1.8%	1,369
Northern Virginia Community College	1.6%	1,877
Health and Human Resources		
Northern Virginia Training Center	3.8%	498
Piedmont Geriatric Hospital	2.9%	257
Central Virginia Training Center	2.2%	930
Judicial		
Indigent Defense Commission	2.0%	447
Magistrate System	1.6%	391
Combined District Courts	1.4%	190
Court of Appeals of Virginia	1.3%	76
General District Courts	1.0%	943
Juvenile and Domestic Relations District Courts	0.9%	600
Circuit Courts	0.0%	182
Legislative		
Division of Capital Police	1.2%	81
Public Safety		
Division of Community Corrections	3.9%	1,246
Southampton Reception & Classification Center	3.8%	278
Haynesville Correctional Center	3.2%	307
Keen Mountain Correctional Center	2.7%	264
Nottoway Correctional Center	2.5%	346
Brunswick Correctional Center	2.1%	300
Greensville Correctional Center	1.9%	648
Deerfield Correctional Center	0.0%	229

Payline Earnings Notice Elimination
Under 4 Percent
(continued)
Quarter Ended September 30, 2006

Agency	Percent Earnings Notices Eliminated	Earnings Notices Printed for 09/30/06 Payday
Transportation		
Department of Transportation - Hourly	2.0%	257

Small Purchase Charge Card (SPCC) and Increased Limit (Gold) Card

Two purchasing charge card programs offer State agencies and institutions alternative payment methods that improve administrative efficiency by consolidating invoice and payment processing for purchases of less than $50,000. Use of the purchasing charge cards decreases the number of checks issued and the associated administrative costs of processing invoices. Suppliers benefit from expedited receipt of payments and reduced billing costs.

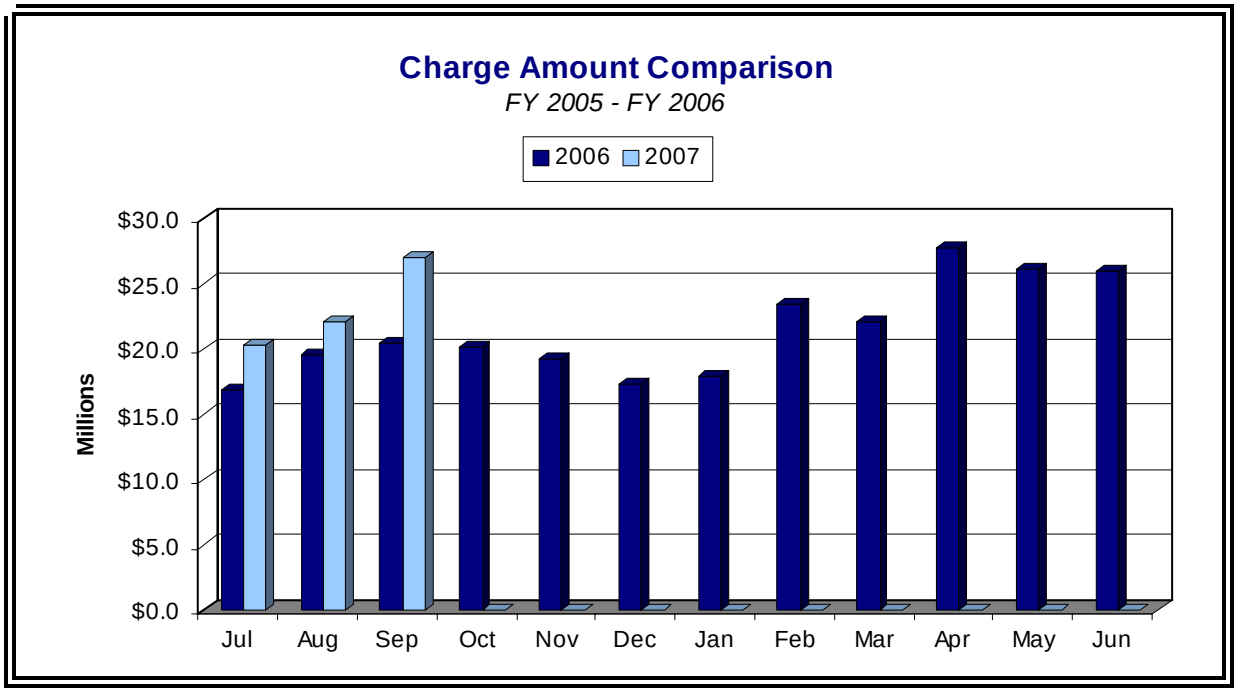
The Small Purchase Charge Card continues to be used for purchases under $5,000. Agencies are strongly encouraged to obtain a Gold Card for use for purchases up to $50,000.

The total amount charged on SPCC and Gold cards during the first quarter of FY 2007 increased by $12.5 million or 22 percent from the same quarter last year.

Small Purchase Charge Card Program

Charge Card Activity	Quarter Ended September 30, 2006	Fiscal Year 2007 To-Date	Comparative Fiscal Year 2006 To-Date
Amount of Charges	$ 69,310,873	$ 69,310,873	$ 56,801,765
Estimated Number of Checks Avoided	174,910	174,910	126,421
Total Number of Participating Agencies		212	199
Total Number of Cards Outstanding		12,509	10,134

The following chart compares charge activity for FY 2007 to activity for FY 2006:



SPCC Utilization Compliance

Maximum use of the SPCC program, in conjunction with other e-commerce initiatives, is essential to the statewide effort to reduce the costs associated with paying for goods and services for the Commonwealth.

Charge card utilization by secretarial area and agency underutilization for this quarter is based solely on GE MasterCard transaction data. For purposes of computing the $2 underutilization charge imposed in accordance with § 4-5.04g. of the Appropriation Act, the threshold has been set at 70%.

Beginning with FY 2007, in accordance with § 4-5.04 of the Appropriation Act, the underutilization charge imposed for agencies under the 70% threshold will be as follows:

FY 2007 1st Quarter	$2.00
FY 2007 2nd Quarter	$3.00
FY 2007 3rd Quarter	$4.00
FY 2007 4th Quarter	$5.00

All payments under $5,000 processed through CARS and not placed on the purchase card will be matched against GE MasterCard's vendor base in excess of 25 million merchants based on Tax Identification number.

Each agency will receive a report of payments to participating suppliers which should have been paid by the SPCC by DOA. If you have any questions regarding the data you can email cca@doa.virginia.gov for more information.

Statewide SPCC Performance

Quarter Ended September 30, 2006

Percentage Utilization for Eligible Transactions	**73%**

SPCC Utilization by Secretarial Area

Quarter Ended September 30, 2006

Secretarial Area	Payments in Compliance[1]	Non-Compliant Transactions[2]
Administration	74%	1,089
Agriculture and Forestry	70%	1,074
Commerce and Trade	75%	1,000
Education*	83%	6,790
Executive Offices	97%	29
Finance	93%	87
Health and Human Resources**	67%	12,075
Independent Agencies	52%	1,101
Judicial	36%	2,342
Legislative	97%	36
Natural Resources	86%	1,750
Public Safety	84%	4,978
Technology	30%	1,256
Transportation*	57%	11,401
Statewide	**73%**	**45,008**

* Statistics do not include agencies and institutions decentralized for vendor payment processing.

** Department of Rehabilitative Services division of DDS payments not included in the above statistics.

(1) **"Payments in Compliance"** represents the percentage of purchases made from participating SPCC vendors using the purchasing card.

(2) **"Non-Compliant Transactions"** represents the number of small purchases from participating SPCC vendors where the purchasing card was not used for payment.

Agency SPCC Performance
Utilization Below 70 Percent

Agency	Payments in Compliance	Non-Compliant Transactions
Administration		
Department of Charitable Gaming	50%	8
Agriculture and Forestry		
Department of Forestry	69%	522
Commerce and Trade		
Virginia Employment Commission	47%	716
Department of Labor and Industry	28%	174
Education		
Virginia School for the Deaf and Blind at Staunton	68%	118
The Library of Virginia	65%	241
Thomas Nelson Community College	57%	384
Norfolk State University	45%	1,225
Health and Human Resources		
Department of Health	69%	3,764
Southeastern Virginia Training Center	69%	183
Southwestern Virginia Mental Health Institute	69%	282
Northern Virginia Mental Health Institute	61%	243
Central Virginia Training Center	61%	520
Department of Social Services	58%	901
Department for the Blind and Vision Impaired	45%	1,425
Northern Virginia Training Center	44%	440
Department of Rehabilitative Services	37%	2,984
Independent Agencies		
Virginia Office for Protection and Advocacy	64%	53
State Lottery Department	59%	227
State Corporation Commission	1%	644

Agency SPCC Performance
Utilization Below 70 Percent (continued)

Agency	Payments in Compliance	Non-Compliant Transactions
Judicial		
Indigent Defense Commission	57%	234
Board of Bar Examiners	0%	38
Circuit Courts	0%	247
Combined District Courts	0%	264
General District Courts	0%	661
Judicial Inquiry and Review Commission	0%	6
Juvenile and Domestic Relations District Courts	0%	464
Magistrate System	0%	129
Virginia Criminal Sentencing Commission	0%	35
Legislative		
Commission on the Virginia Alcohol Safety Action Program	0%	11
Natural Resources		
Department of Environmental Quality	61%	533
Public Safety		
Department of Juvenile Justice	69%	1,022
Department of State Police	68%	877
Department of Corrections	65%	134
Virginia Parole Board	0%	5
Technology		
Virginia Information Technologies Agency	30%	1,256
Transportation		
Department of Motor Vehicles	64%	1,302
Department of Transportation	55%	10,042

SPCC Payment Compliance

Agencies and institutions participating in the SPCC program are required to submit GE MasterCard payments via EDI no later than the **8th** of each month. Failure to pay the correct amount when due jeopardizes the Commonwealth's contractual relationship with the purchasing card vendor and may result in suspension of an agency's charge card program. Any agency that pays their bill late by more than two (2) days is reported. For the month of July, this represents the bill date of July 17, 2006, with the payment due no later than August 8, 2006.

Agencies are credited under prompt payment reporting for timely payment of each purchasing charge card transaction. **Effective July 1, 2006, if an agency is late paying their purchase card bill, agency prompt payment statistics may be adjusted downward to reflect each charge card transaction paid in the consolidated monthly bill as a late payment.**

The following chart lists agencies more than two days late in submitting their payments.

Agency Name	July	Aug	Sept
Administration			
Department of General Services		X	
Department of Minority Business Enterprise			X
Education			
Eastern Shore Community College			X
Mountain Empire Community College	X		
Patrick Henry Community College		X	
University of Virginia Medical Center			X
Public Safety			
Buckingham Correctional Center	X		
Commonwealth's Attorneys' Services Council			X
Technology			
Virginia Information Technologies Agency	X		

Travel Charge Card

The Commonwealth of Virginia has contracted with GE to provide employees with a means of charging reimbursable travel and related expenses while conducting official state business. Unlike the SPCC program, in which the agency directly receives and pays a summarized bill for all cardholders, each cardholder is personally responsible for all charges placed on the travel card and for paying the bill on time.

One of the major concerns under this program is the timely payment of card statements. Delinquent accounts result in higher costs to the contractor and ultimately threaten the viability of the Commonwealth's travel charge card program. The contract provides for the following actions on delinquent accounts:

- 30 days past due – noted on statement, letter sent to the cardholder.
- 31 - 60 days past due – charging privileges are temporarily suspended until balance is paid.
- 61 - 90 days past due – the account is permanently closed. Cardholder is no longer eligible to participate in the program.

The following table identifies the number of delinquent card accounts with GE MasterCard by agency during the quarter ended September 30, 2006, and the total amounts past due.

Travel Charge Card Program

As of September 30, 2006

Agency	Total Delinquent Accounts	Amounts 60 Days Past Due	Amounts 90-120 Days Past Due	Amounts >150 Days Past Due
Commerce and Trade				
Department of Business Assistance	1	$ 2,215	$ 0	$ 0
Department of Labor and Industry	1	331	0	0
Virginia Tourism Authority	2	839	0	0
Education				
George Mason University	4	972	581	0
Longwood University	1	1,289	0	0
Norfolk State University	9	2,442	1,871	3,481
Old Dominion University	1	3,000	0	0
Radford University	1	20	0	0
Thomas Nelson Community College	1	155	0	0
University of Virginia	5	2,081	1,618	0

Travel Charge Card Program

As of September 30, 2006

(continued)

Agency	Total Delinquent Accounts	Amounts 60 Days Past Due	Amounts 90-120 Days Past Due	Amounts >150 Days Past Due
Education				
Virginia Commonwealth University	4	$ 1,255	$ 0	$ 0
Virginia Military Institute	1	241	0	0
Virginia Polytechnic Institute and State University	5	907	1,248	0
Virginia State University	5	431	0	759
Health and Human Resources				
Department of Medical Assistance Services	1	32	0	0
Department of Social Services	2	115	121	0
Public Safety				
Commonwealth's Attorneys' Services Council	1	39	151	0
Department of Veterans Services	1	49	0	0
Technology				
Virginia Information Technologies Agency	1	14	0	0
Transportation				
Department of Transportation	2	0	474	884

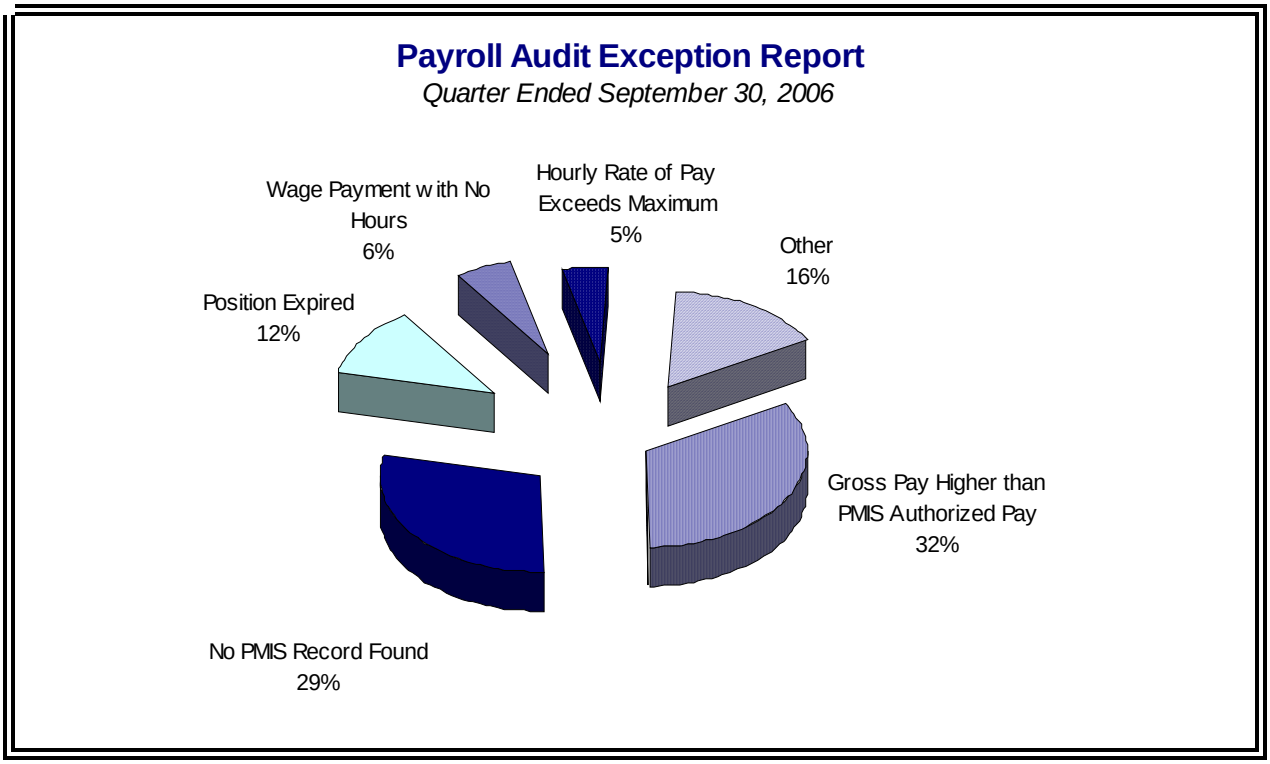
Payroll Controls

PMIS/CIPPS Payroll Audit

During the quarter, DOA's automated comparison of payroll and personnel (PMIS) records examined 428,416 salaried pay transactions and 213,786 wage pay transactions. The comparison is performed following each payday and is designed to identify discrepancies between authorized salary/wage amounts in PMIS and amounts paid in CIPPS. There were 2,886 new exceptions noted statewide during the quarter, with an overall exception rate of 0.46 percent.

The statewide salaried payroll exception rate was 0.65 percent and the wage payroll exception rate was 0.08 percent. During this quarter, 70 employee paychecks were reduced to recover $48,903.16 in overpayments.

While the largest cause of exceptions is the result of agency failure to complete the salary increase authorization process by updating PMIS salary amounts *prior* to paying the increased salary amount in CIPPS, the second largest cause of exceptions is related to timing differences in payroll and PMIS processing due to transfers. The PMIS authorization is an important internal control over payroll processing. Such exceptions can largely be avoided through timely PMIS data entry by agency Human Resource staff. Although segregation of these Human Resource and Payroll functions is an effective internal control, coordination and communication between agency Human Resource and Payroll staffs is essential.



Exception percentages are calculated by dividing the number of exceptions by the number of salaried or wage employees. Agencies are reported below if the percentage of payroll exceptions to salaried or wage payments exceeds three times the statewide average for the quarter.

Payroll Exception Audit

Agency Payroll Exceptions as a Percent of Salaried Payments

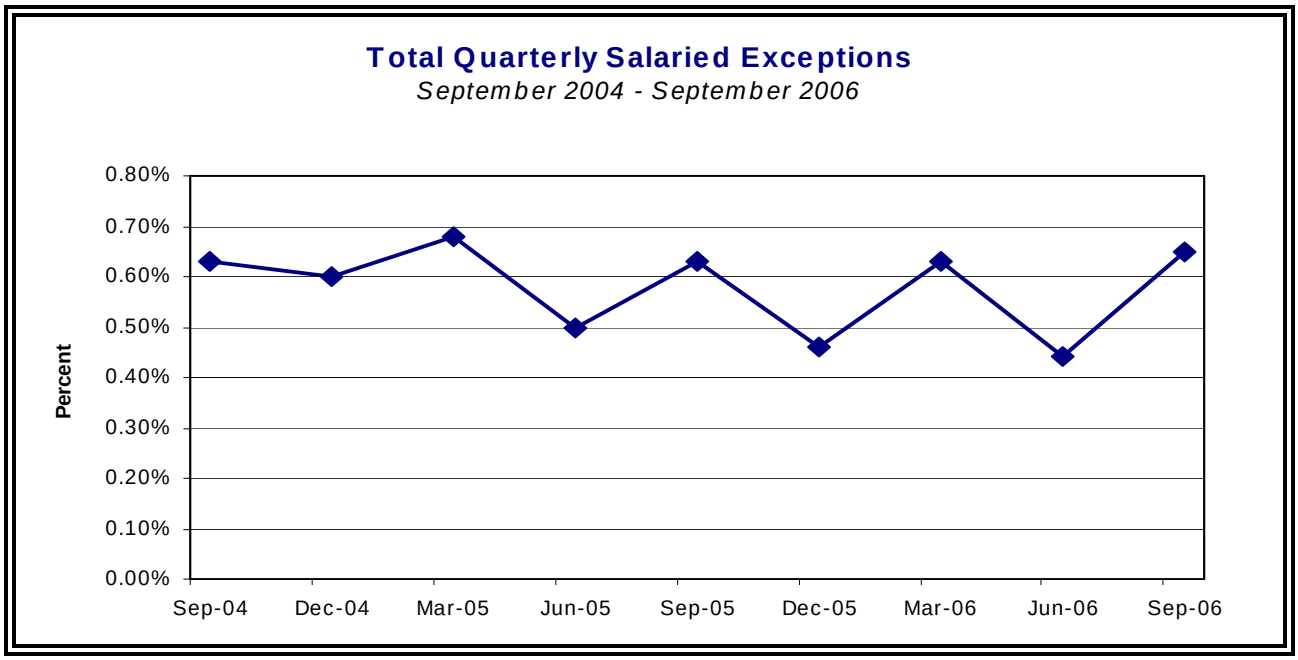
Quarter Ended September 30, 2006

Agency	Exceptions as a % of Salaried Payments

There were no reportable salary exceptions for the quarter.

Total Salaried Payroll Exceptions for the Quarter	**0.65%**

The following chart compares payroll exceptions as a percentage of salaried payments by quarter for the past two years.



Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Wage Payments
Quarter Ended September 30, 2006

Agency	Exceptions as a % of Salaried Payments
Radford University	**0.25%**
Wage Payroll Exceptions for the Quarter	**0.08%**

The following chart compares payroll exceptions as a percentage of wage payments by quarter for the past two years.

Note: Increase in second and third quarters of FY 2005 resulted from change in class codes in PMIS, but not in CIPPS.

PMIS/CIPPS Exceptions

Agencies are required to submit explanations and/or reconciliations for the differences identified on the CIPPS/PMIS Unresolved Exceptions Report, within six weeks of notification. There were no agencies with unresolved exceptions for the quarter.

❖ ❖ ❖ ❖ ❖

Payroll Certification

Agencies are required to calculate, verify, and authorize the amount to be disbursed for each payroll. This responsibility can be met through the timely preparation of agency payrolls, request and review of automated edit reports, and correction of errors prior to requesting actual payroll runs which result in payroll disbursements. This process is referred to as "payroll certification." Payroll certification serves as a critical internal control to ensure payroll disbursements are accurate and authorized. Agency payroll certifications are monitored centrally to ensure that agencies conduct this important function.

Differences between the amount calculated by the payroll system based on agency input and the amount certified by the agency to be disbursed based on edit reports are identified in automated reports provided to agencies. Agencies are required to submit explanations and/or reconciliations of the differences identified on this report by the end of the day following receipt of the report. Differences result from agency payroll errors, miscalculations, online certification data entry errors, and inappropriately high volumes of changes following certification. Although differences do not result in undetected incorrect payments, such errors are avoidable and are not consistent with sound internal control over payroll.

Since timely certification is also essential, authorized and trained staff, as well as telecommunications access and computer terminals, must be available at all times. Reliable back-up plans are necessary should any of these resources be unavailable on a critical payroll processing date due to emergency or other circumstances.

Agencies are required to enter applicable payroll certification requests into the payroll system by 3:30 p.m. daily to ensure sufficient time is available for central review by DOA staff to validate certification entries, a critical compensating control. Late entries, either initial or correcting, make certification review more difficult or impossible. When a data entry error is detected during the review process, DOA must make corrections to avoid inaccurate payroll disbursements and/or voluminous and costly corrective action.

The table on the following page lists agencies and institutions that have failed to comply with one or more of the requirements for accurate and timely payroll certification.

Payroll Certification Compliance

Agency	Variance Amount (a)	Performed by DOA (b)	Submitted Late (c)	Corrected by DOA (d)
Administration				
Department of General Services	$ 39,253			
Agriculture and Forestry				
Department of Agriculture and Consumer Services	48,871			
Education				
Dabney S. Lancaster Community College		1		
Lord Fairfax Community College	6,100,103			
Thomas Nelson Community College	736,000			
Tidewater Community College	54,055			
Virginia State University	51,516			
Health and Human Resources				
Department of Rehabilitative Services	6,000,125			
Independent Agencies				
Virginia College Savings Plan			3	
Virginia Workers' Compensation Commission		1		
Natural Resources				
Marine Resources Commission	45,000			
Public Safety				
Department of Veterans Services	22,589			

Columns show the following:

(a) Variance in dollars for agencies whose certified amounts varied from actual computed amounts by more than $20,000 for any payrolls processed during the quarter.
(b) The number of times DOA had to perform the certification function for the agency due to inadequate agency back-up.
(c) The number of certifications that were submitted or altered later than the daily deadline.
(d) The number of times DOA made corrections to agency certifications during the quarter.

Health Care Reconciliations

Employee health care fringe benefits costs are covered by a combination of agency paid and employee-paid premiums. Agencies are required to return a *Certification of Automated Health Care Reconciliations* form to DOA by the close of the month following the month of coverage. This reconciliation annotates differences between health care eligibility records (BES) and health care premium payments collected through payroll deduction.

The following table lists those agencies that were late in submitting their certification or had problems requiring additional adjustments. Such problems may include incomplete or incorrect documents or required IAT's not submitted to DOA. Health care reconciliations for the months of June, July and August were due 07/31/06, 08/31/06 and 09/29/06 respectively.

Schedule of Health Care Reconciliations Received Late

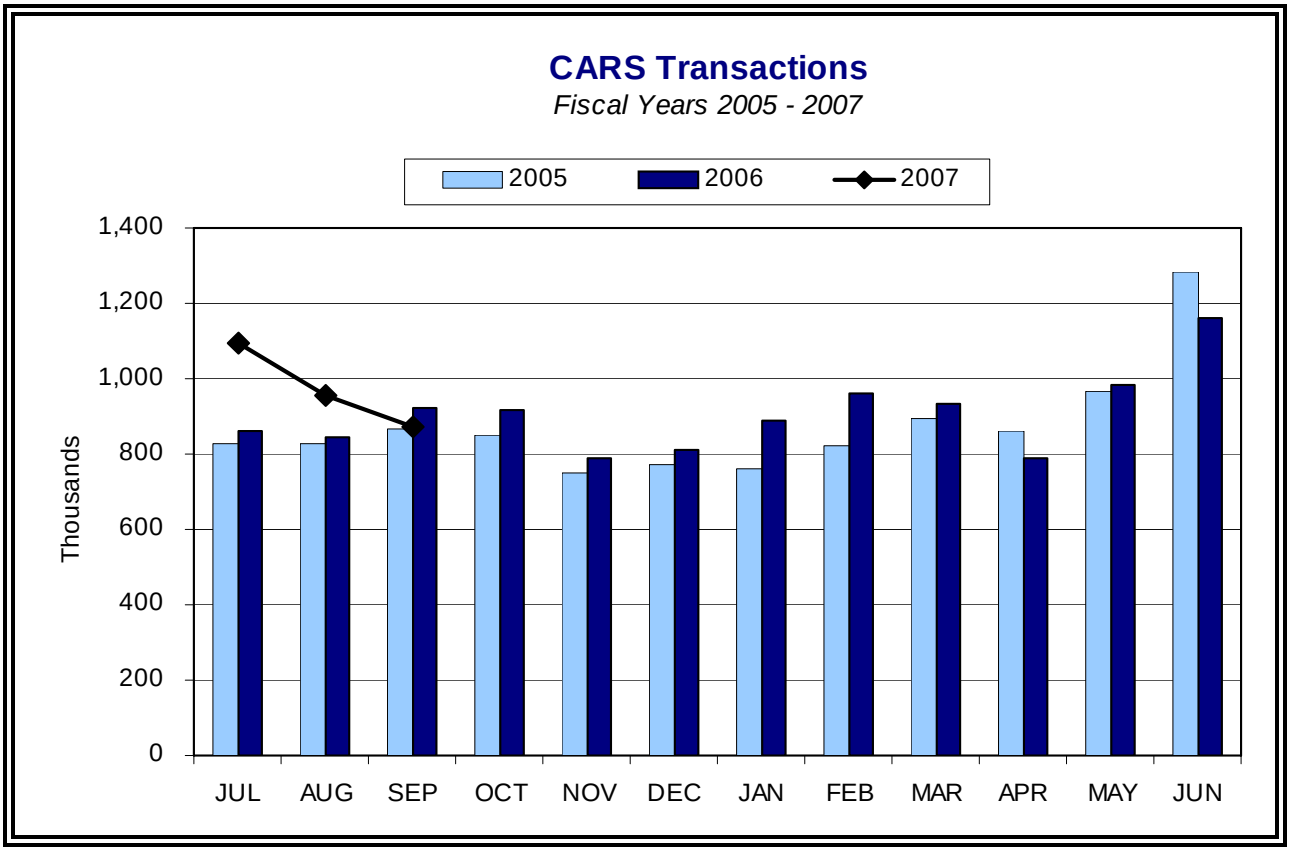
	June	July	Aug
Education			
Rappahannock Community College			X
Health and Human Resources			
Department of Social Services	X		
Legislative			
Division of Legislative Automated Systems			X
Public Safety			
Virginia Correctional Center For Women	X		
Department of Veterans Services	X		
Powhatan Reception & Classification Center	X		
St. Brides Correctional Center	X		

FINANCIAL MANAGEMENT ACTIVITY

DOA monitors several types of financial activity. Various measures are used to track activities for CARS, payroll, accounts receivable, indirect cost recoveries, treasury loans, and Fixed Asset Accounting and Control System (FAACS).

Commonwealth Accounting and Reporting System (CARS)

CARS activity trends provide important information about statewide accounting. Currently, measures are used to track CARS transactions and error counts. A marked increase or decrease in the number of CARS transactions may indicate that an agency has changed the way it accounts for an activity. Such change may require DOA review.

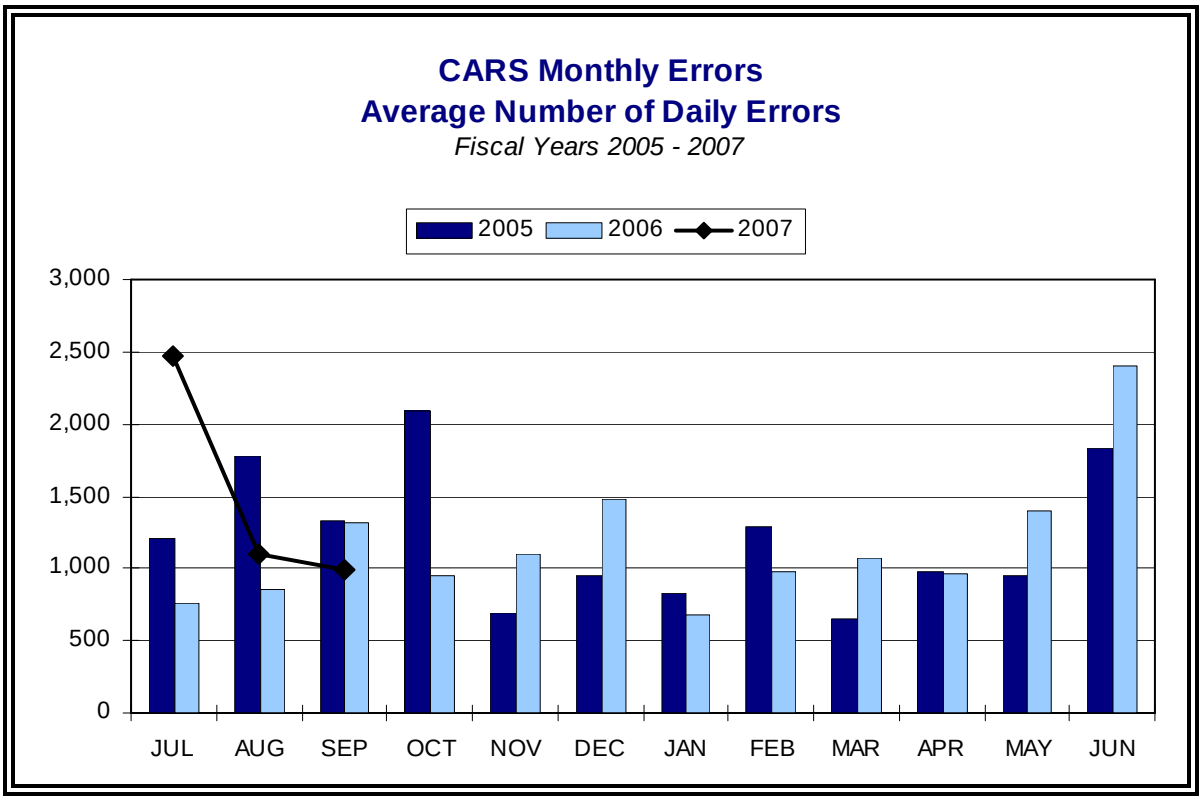


CARS Edits

One of the most important management tools used by DOA is the monitoring of CARS errors generated by standard system edits. Batches remain on the error file until problems are resolved, which, for disbursement transactions, can lead to noncompliance with prompt payment standards and poor vendor relations. During the first quarter of FY 2007, the most frequent reasons cited for transactions processing to the error file were:

- Program/Service Area Not in the Table
- Certified Amounts Not Balanced
- Available Cash Negative

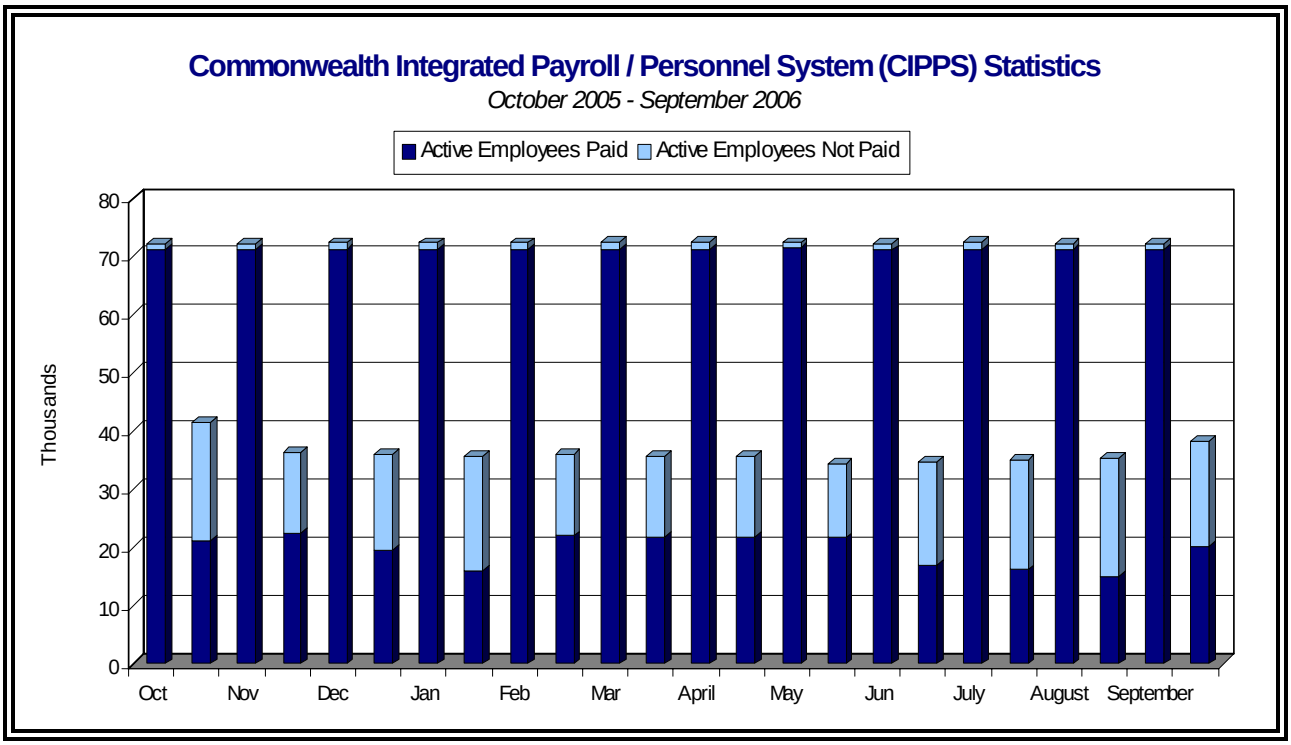
The changes to the program structure led to higher than normal error rates for July. Agencies may avoid funding errors by more closely monitoring cash and allotment balances. Sound agency cash management practices should be developed to ensure transactions are not submitted to CARS when funding is not available. Agencies should develop procedures to ensure certified amounts are calculated properly.



Payroll

The central payroll system for State government is known as *CIPPS*, the Commonwealth Integrated Payroll Personnel System. CIPPS is one of the largest payroll operations in the Commonwealth, serving 108,338 employees. Payroll services are also provided through eight decentralized higher education institutions.

Total gross payrolls for the Commonwealth were approximately $449 million each month of the quarter. On average, 88,228 employees were paid each month, of which 71,155 are salary employees.



Note: The first bar for each month represents salaried employees, and the next bar represents wage employees. Not all active employees are paid on a current basis. Examples would include employees on extended leave without pay and adjunct faculty not teaching during the current semester.

Statistics do not include employees of eight institutions of higher education that are decentralized for payroll processing.

Benefit Participation by CIPPS Agencies

The Commonwealth offers a variety of benefits to state employees, including health care, optional retirement plans, deferred compensation, and flexible reimbursement rograms. During the quarter, state mployees purchased 11,143 savings bonds ith a face value of over $1.4 million.

Benefit Participation
Number of Participating Employees

Benefit	As of 9/30/2006	Comparative As of 9/30/2005	Comparative As of 9/30/2004
Health Care			
COVA Care	82,109	81,529	79,931
Kaiser	1,986	1,921	1,845
Optional Retirement Plans*			
Fidelity Investments	530	527	515
TIAA/CREF	1,575	1,549	1,490
Political Appointee - ORP	99	79	86
Deferred Compensation*			
Great West Life	33,019	31,855	29,165
Flexible Reimbursement*			
Dependent Care	694	665	700
Medical Care	5,845	5,115	4,938

* Statistics do not include employees of eight institutions of higher education that are decentralized for payroll processing.

Note: TIAA-CREF and Fidelity are the only ORP's offered to higher education after June 30, 2004.

Accounts Receivable

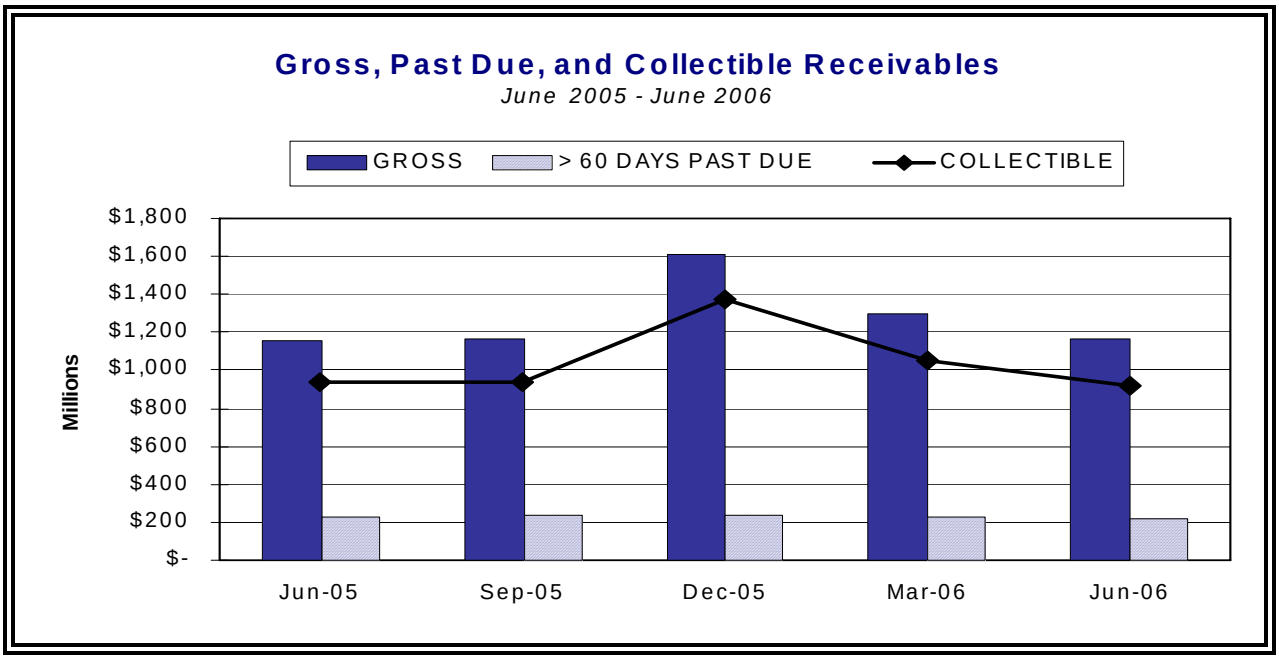
Executive Summary

Chapter 48 of the ***Code of Virginia*** requires the Department of Accounts, along with the Office of the Attorney General, to oversee, report on, and monitor the Commonwealth's accounts receivable program. In order to carry out this responsibility, DOA has issued policies and procedures on accounting, collecting, reporting, and writing off accounts receivable. In addition, DOA provides technical assistance to agencies and institutions and uses statistical analyses and audit reports to monitor the ongoing effectiveness of agencies in managing their accounts receivable.

In an effort to present more meaningful information, DOA continues to exclude data from the tables (except for the final table on past due receivables) from the Department of Taxation, consisting largely of statutory assessments and non-filers assessments, and the circuit and district courts, which report judgments and fines with extremely low collection statistics.

Commonwealth agencies and institutions reported adjusted gross receivables of $1.17 billion at June 30, 2006, with $923.2 million considered collectible. Receivables over 60 days past due as of June 30, 2006 totaled $220.1 million. Of that amount, $15.2 million was placed with private collection agencies, $17.3 million was placed with the Division of Debt Collection and $187.6 million was retained in-house for additional collection efforts.

It is important to note that the adjusted state receivables largely consist of unemployment taxes, tuition and fees, and billings for several indigent care programs, which present numerous special challenges in collection. “Trade receivables” typical of the private sector, which are generated by billings for the provision of goods and/or services, make up only a small portion of the state’s receivables.

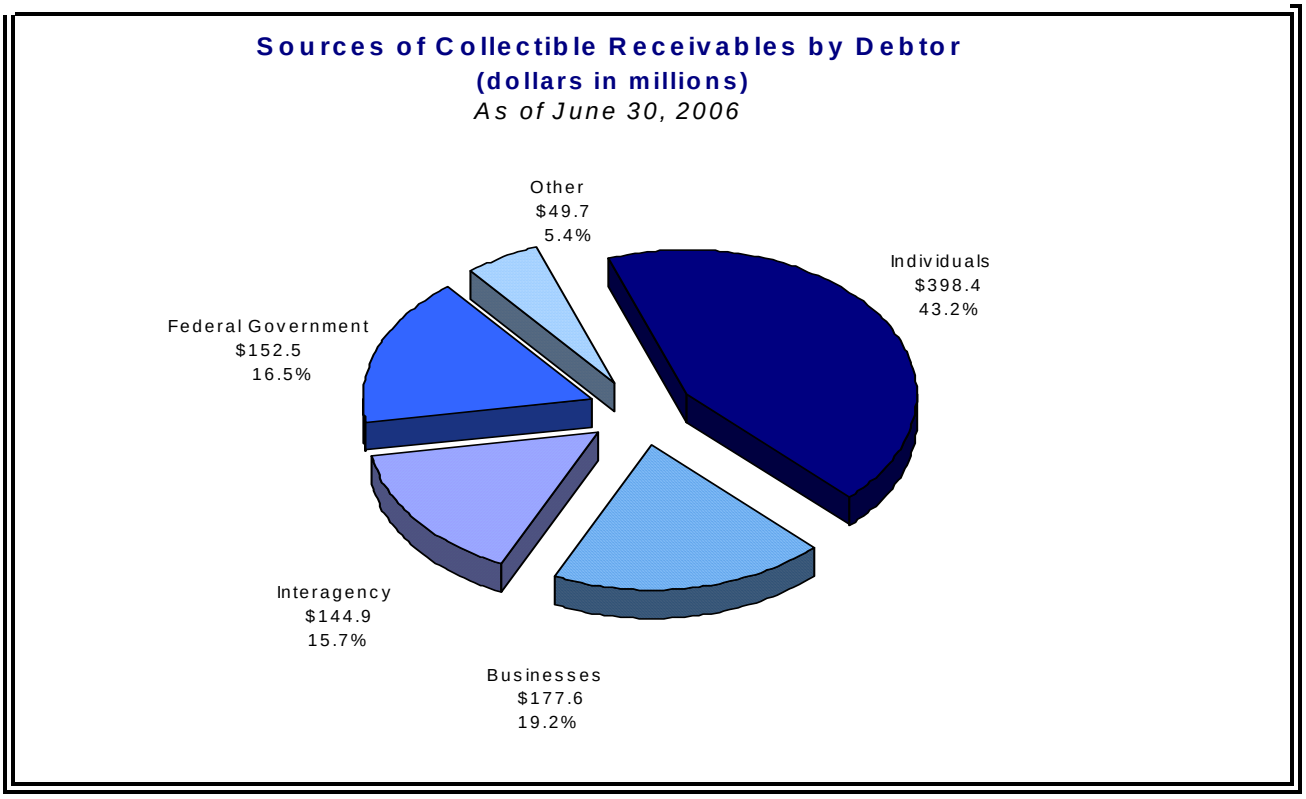


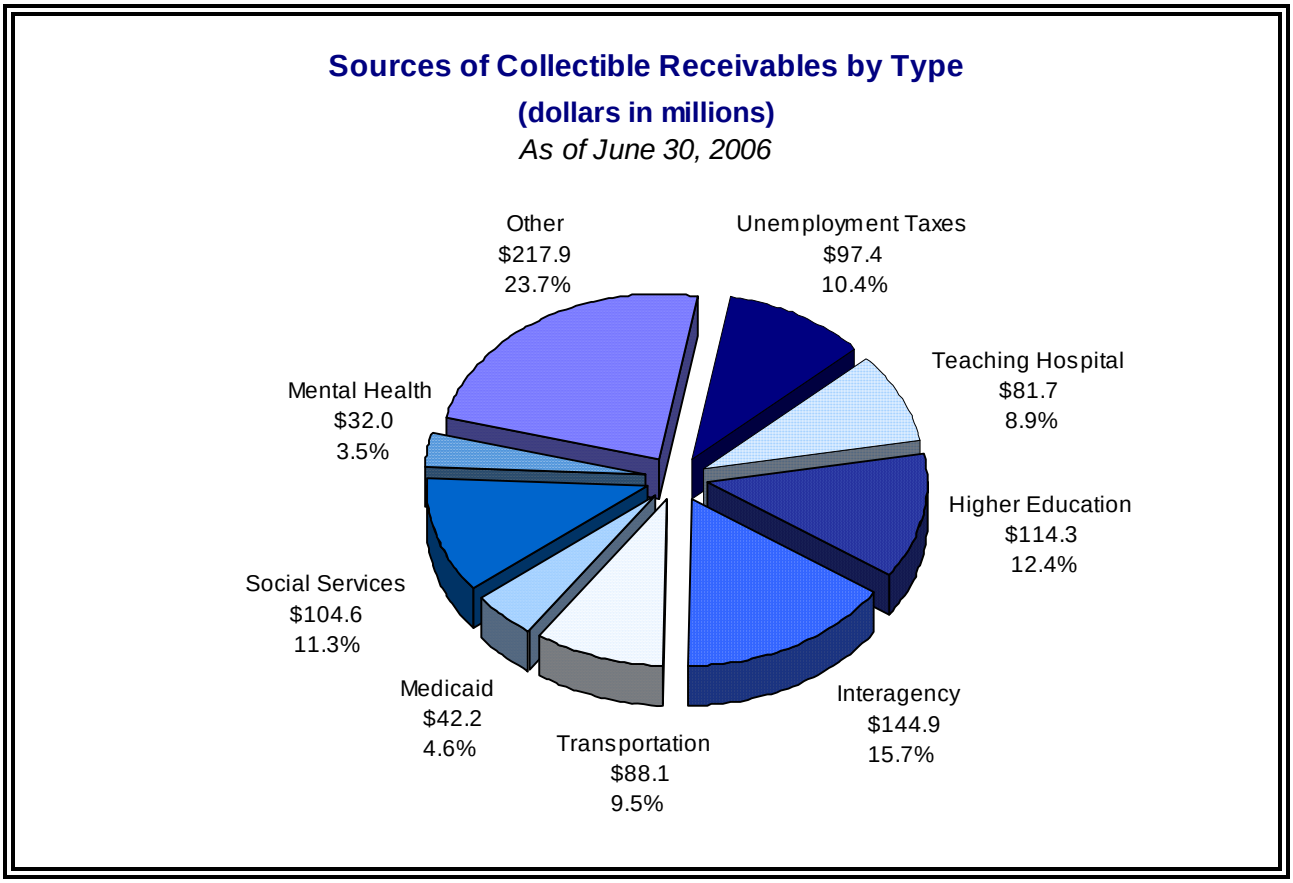
As of June 30, 2006, agencies expected to collect $923.2 million (79 percent) of the $1.17 billion adjusted gross receivables. About 4 percent are due to the General Fund, primarily for Medicaid penalties. The balance (approximately $882.3 million) is due to several non-general funds.

Collectible Receivables by Fund
Not Including Circuit and District Courts, or the Department of Taxation
As of June 30, 2006

Fund	Source		Amount	Percent
General Fund 4%	Medicaid	$	32,210,077	78%
	Social Services		3,380,798	8%
	State Police Permits		2,669,274	7%
	Labor and Industry Inspections		706,829	2%
	Other		1,584,929	4%
	Subtotal		40,551,907	99%
	Interagency Receivables		354,432	1%
	Total General Fund Collectible	**$**	**40,906,339**	**100%**
Nongeneral Funds 96%	Medicaid	$	9,995,238	1%
	Unemployment Taxes		97,384,424	11%
	Transportation		88,131,080	11%
	Child Support Enforcement		74,989,468	8%
	Federal Government		141,447,820	16%
	MHMR Patient Services		32,011,192	4%
	Hospital		81,725,033	9%
	Enterprise		51,981,169	6%
	Higher Education		114,341,194	13%
	Other		45,735,599	5%
	Subtotal		737,742,217	84%
	Interagency Receivables		144,536,014	16%
	Total Nongeneral Fund Collectible	**$**	**882,278,231**	**100%**
All Funds	**Grand Total**	**$**	**923,184,570**	**100%**

Summary of Receivables by Source





Not counting Taxation and the Courts, 10 agencies account for 80 percent of the Commonwealth's adjusted gross and 77 percent of the adjusted collectible accounts receivable balances.

Accounts Receivable Summary

Not Including Circuit Courts, District Courts, and Department of Taxation

Quarter Ended June 30, 2006

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
University of Virginia Medical Center	$ 130,647,451	$ 15,308,116	$ 115,339,335
Department of Social Services	249,568,899	141,058,670	108,510,229
Department of Education	105,809,782	-	105,809,782
Virginia Employment Commission	126,956,809	27,012,419	99,944,390
Department of Transportation	92,160,821	3,608,727	88,552,094
Department of Medical Assistance Services	73,170,258	30,800,700	42,369,558
State Lottery Department	41,152,210	-	41,152,210
Virginia Polytechnic Institute and State University	39,614,131	1,207,901	38,406,230
Virginia Information Technologies Agency	35,938,836	-	35,938,836
Mental Health, Mental Retardation & Substance Abuse Services	45,810,012	13,798,820	32,011,192
Total	**940,829,209**	**232,795,353**	**708,033,856**
All Other Agencies	228,640,467	13,489,753	215,150,714
Grand Total	**$ 1,169,469,676**	**$ 246,285,106**	**$ 923,184,570**

In addition to internal administrative collection efforts, agencies have three other collection tools available to them. These are computerized matching and debt setoff programs at the Departments of Taxation, Lottery and Accounts, private collection agencies, and the Attorney General's Division of Debt Collection.

DOA requires state agencies and institutions to use the computerized matching and debt setoff programs for receivables that are 30 days or more past due. DOA also requires the use of private collection agencies on delinquent accounts that are 60 days or more past due that are not sent to the Attorney General's Division of Debt Collection. The Office of the Attorney General requires state agencies and institutions to send accounts of $3,000 or more and 60 days or more past due to the Division of Debt Collection.

These additional collection tools recovered $14.3 million during the quarter ended June 30, 2006. The Division of Debt Collection contributed $2.0 million. Private collection agencies collected $8.3 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected $4.0 million.

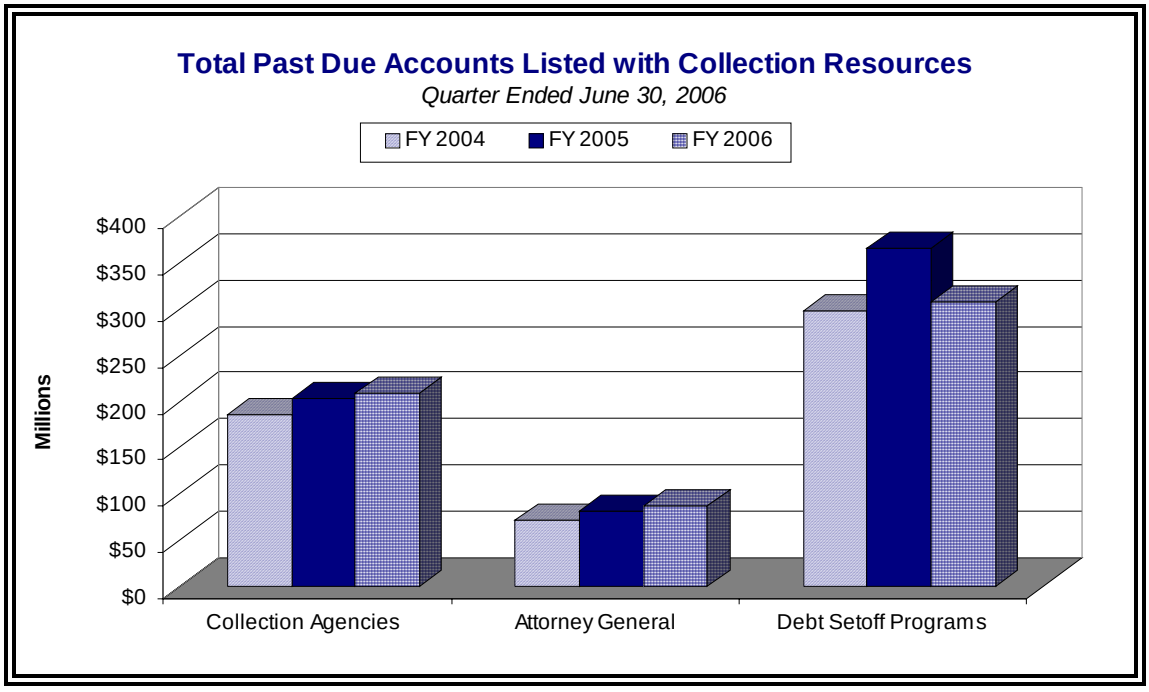
Collectible Receivables Over 60 Days Past Due

Not Including Circuit and District Courts and the Department of Taxation

As of June 30, 2006

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	$ 80,363,183	$ -	$ -	$ 80,363,183
Virginia Employment Commission	38,911,699	6,762,495	6,476,740	25,672,464
Department of Medical Assistance Services	23,067,509	2,056,793	1,741,726	19,268,990
University of Virginia Medical Center	17,124,240	-	-	17,124,240
Department of Transportation	12,560,237	659,769	4,036,433	7,864,035
Department of Mental Health, Mental Retardation & Substance Abuse Services	8,819,710	-	-	8,819,710
University of Virginia - Academic Division	3,257,941	453,360	-	2,804,581
Department of Labor & Industry	2,890,263	773,319	350,816	1,766,128
Virginia Polytechnic Institute & State University	2,728,642	434,799	992,260	1,301,583
Virginia Commonwealth University	2,605,555	291,622	8,345	2,305,588
Total	**192,328,979**	**11,432,157**	**13,606,320**	**167,290,502**
All Other Agencies	27,793,050	3,714,800	3,734,768	20,343,482
TOTAL OVER 60 DAYS	**$ 220,122,029**	**$ 15,146,957**	**$ 17,341,088**	**$ 187,633,984**
Uncollectable Amounts Placed for Collection, Including Accounts Written Off	382,586,207	194,070,416	69,188,867	119,326,924
TOTAL COLLECTION EFFORTS	**$ 602,708,236**	**$ 209,217,373**	**$ 86,529,955**	**$ 306,960,908**

Note: The additional amounts retained by agencies are placed for collection with several debt setoff collection programs.



Comptroller's Debt Setoff (CDS) Program

CDS is one of the debt setoff programs used by agencies to collect past due accounts receivable owed the State, primarily by businesses and individuals acting in a business capacity. Under CDS, a payment made by the State to the debtor may be withheld, in full or in part, to satisfy the debt owed the State. CDS collected $4.1 million for the first quarter of FY 2007. Please note the amount reported is before any refunds.

Receivable Trend Data

One way to measure an agency's effectiveness at collecting its accounts receivable is to look at how efficient collection procedures are on accounts that are more than 60 days past due. The following table looks at trend percentages of receivables over 60 days past due as a percentage of gross receivables for the agencies with the largest amounts over 60 days past due.

Percentage of Gross Receivables Over 60 Days Past Due

Agency	Percent at 6/30/06	Comparative Percent at 3/31/06	Comparative Percent at 12/31/05
Department of Social Services	32%	29%	29%
Virginia Employment Commission	31%	10%	36%
Department of Medical Assistance Services	32%	32%	34%
University of Virginia Medical Center	13%	11%	18%
Department of Transportation	14%	81%	58%
Department of Mental Health, Mental Retardation & Substance Abuse Services	19%	21%	27%
University of Virginia - Academic Division	15%	15%	5%
Department of Labor and Industry	91%	92%	89%
Virginia Polytechnic Institute & State University	7%	6%	3%
Virginia Commonwealth University	12%	14%	3%
Statewide Average - All Agencies	**19%**	**18%**	**15%**

Another way to measure agency debt collection effectiveness is to compare amounts collected to amounts billed. The table below presents trend percentages for the ten agencies with the highest collectible accounts receivable balances. In total, these ten agencies are responsible for 76 percent of the Commonwealth's collectible receivables balances, as adjusted to exclude the Department of Taxation and the circuit and district courts. Percentages over 100% indicate the collection of prior balances as well as current billings.

In evaluating these percentages it is important to understand that the percentages may fluctuate based on how the different agencies conduct their business and the cycles that those businesses typically follow.

The statewide average of 92% indicates that for every $1 billed during the quarter ended June 30, 2006, the state collected 92 cents. This rate is 1 percent more than last year, and an 8% increase from the June 30, 2004 quarter.

Collections as a Percentage of Billings

Agency	Percent at 6/30/06	Comparative Percent at 6/30/05	Comparative Percent at 6/30/04
University of Virginia Medical Center	56%	48%	43%
Department of Social Services	104%	106%	96%
Department of Education	73%	70%	68%
Virginia Employment Commission	267%	256%	205%
Department of Transportation	66%	72%	91%
Department of Medical Assistance Services	48%	65%	28%
State Lottery Department	105%	100%	61%
Virginia Polytechnic Institute and State University	114%	121%	110%
Virginia Information Technologies Agency	96%	102%	87%
Department of Mental Health, Mental Retardation & Substance Abuse Services	47%	48%	54%
Statewide Average - All Agencies	**92%**	**91%**	**84%**

Commonwealth Receivables Analysis:

The following individual accounts receivables narratives describe agency collection programs and related trend information:

Department of Medical Assistance Services (DMAS)

DMAS is responsible for overseeing service delivery to eligible recipients and reviewing and auditing the providers of a variety of federally and State funded health care programs. These programs include Medicaid, Family Access to Medical Insurance Security (FAMIS), and State and Local Hospitalization (SLH) programs.

DMAS' collectible accounts receivable of $42.4 million at June 30, 2006, is $2.8 million more than the $39.6 million reported at June 30, 2005. Total past due receivables have decreased by $8.9 million, to $26.9 million.

University of Virginia Medical Center (UVAH)

UVAH provides primary and specialty health care for Central Virginia by operating a 500 bed hospital, a School of Medicine and over twenty research centers. The majority of its receivables consist of Medicaid and Medicare reimbursements and payments from third party insurers.

The Hospital's collectible receivables of $115.3 million at June 30, 2006, were a $9.3 million decrease from the $124.6 million reported the previous year. Past due receivables fell $14.1 million to $59.9 million at June 30, 2006.

Virginia Employment Commission (VEC)

VEC is responsible for paying unemployment insurance benefits to workers who have become unemployed. VEC also provides employment assistance for job seekers and analyzes and reports on a variety of labor market information.

VEC collectible receivables were $99.4 million at June 30, 2006, a decrease of $10.5 million from the previous year. Total past due receivables of $40.6 million decreased by $2.4 million from $43.0 million the previous year. VEC collects employer tax receivables in-house. The Attorney General's Office is involved in contested cases. Unemployment benefit overpayments to individuals are referred to private collections agencies after in-house efforts have produced no results and when debtors have left the state.

Virginia Information Technologies Agency (VITA)

VITA is the state's central information technologies provider. VITA operates the information technology infrastructure for much of State government, providing both hardware and services. VITA also procures hardware and software for agencies and institutions of higher education.

VITA reported collectible receivables at June 30, 2006, of $35.9 million, a $4.2 million increase from the previous year's $31.7 million. Most of these dollars are owed by other state agencies. As of June 30, 2006, $481,015 was over 60 days past due, a $372,106 increase over the previous year.

State Lottery Department (SLD)

The State Lottery Department is an independent agency which is responsible for operating the State's on-line lottery and scratch-off games and actively participates in two multi-state games, Mega Millions and Win for Life. Retail merchants who sell the Virginia Lottery games are covered by surety bonds and deposit Lottery receipts into bank accounts approved by the State Treasurer.

At June 30, 2006, the Virginia Lottery reported net receivables of $41.1 million, a $12.3 million decrease from the previous year's net of $53.4 million. Billings during the June 30, 2006 quarter decreased $19.6 million and collections decreased by $10.9 million when compared to the June 30, 2005 quarter. At June 30, 2006, the Virginia Lottery had $422,579 that was over 60 days past due. The total amount is covered by surety bond and involves approximately 20 retailers.

Department of Education (DOE)

Education acts as the pass-through agency for state and federal education funds and determines the allocation of funds to local school divisions under the Direct Aid to Public Education Program. Localities file expenditure reimbursement requests with the Department who then reviews the claims for accuracy and correctness. Eligible expenditures under federal grants are paid by DOE, which then draws down the money from the U. S. Department of Education.

At June 30, 2006, DOE had $105.9 million of accounts receivable due from the Federal government under Direct Aid. This is consistent with the prior year, which recognized a receivable of $109.7 million.

Virginia Polytechnic Institute and State University (VPISU)

VPISU is one of the Commonwealth's largest universities and one of two land grant institutions in the state. At June 30, 2006, the University reported net collectible receivables of $38.4 million, a $5.5 million increase over the prior year. At the same time, past due receivables increased by $1.9 million over last year.

The University uses a variety of collection methods to encourage payments. At June 30, 2006, VPISU had $1.0 million of accounts with the Attorney General's Division of Debt Collection, $480,878 placed with private collection agencies and $1.9 million listed for Taxation's Debt Setoff Programs.

Department of Mental Health, Mental Retardation, and Substance Abuse Services (DMHMRSAS)

DMHMRSAS operates 16 facilities around the State to treat patients. These facilities account for nearly all of the department's receivables, consisting primarily of fees due for patient care. DMHMRSAS bills third party insurers and patient assistance programs such as Medicare and Medicaid whenever they are available. In other cases, the Department looks to responsible family members and tangible real and personal property for payment. When property is located, liens are filed in the local courts so that when estates are liquidated, DMHMRSAS can recover some of the costs involved in a patient's care.

At June 30, 2006, the Department reported net receivables of $32.0 million, a $94,363 decrease from the previous year. $18.8 million was past due, with $8.8 million

being over 60 days past due. Total past due receivables decreased by $4.2 million over the year, and accounts over 60 days past due decreased by $1.6 million. At June 30, 2006, the Department had $6.5 million of accounts placed with the Attorney General and $1.4 million listed in Taxation's Debt Setoff Programs.

Department of Transportation (VDOT)

Depending upon how a particular road construction project is funded, VDOT receives payments from a variety of sources. These include the federal government, local government units, and for damage repairs, responsible parties or their insurers. The majority of VDOT receivables stem from these sources.

At June 30, 2006, VDOT reported $88.6 million of collectible receivables, a decrease of $4.8 million from the prior year. VDOT also reported $15.7 million total past due and $12.6 million being over 60 days past due. Past due receivables increased by $1.1 million over the year, while receivables over 60 days past due decreased by $1.5 million. VDOT reports that the large majority of the accounts over 60 days past due continue to be amounts owed by cities, counties and towns that are participating on long-term construction projects with the department and where the local fund shares are provided by local debt financing.

VDOT reported placing $9.0 million of their unpaid accounts with the Attorney General's Division of Debt Collection, $1.0 million with private collection agencies and $1.3 million with Taxation's Debt Setoff Programs.

Department of Social Services (DSS)

Social Services provide financial assistance to eligible individuals and families through 121 local departments of social services. The assistance programs include the Temporary Assistance for Needy Families (TANF), Medicaid, Food Stamps, and Community Services Block Grants. In addition to the assistance programs, DSS is the federally-mandated state agency to provide child support enforcement assistance. Child support paid for children receiving money from an assistance program is required to be paid to the federal and state funds which provide the assistance. Overpayments of assistance benefits from ineligible participants must also be repaid to the originating funds. Receivables due from the Federal government usually are the Federal share of assistance payments and allowable cost recoveries made through the local offices during the preceding month.

At June 30, 2006, DSS reported gross receivables of $249.6 million, an allowance for doubtful accounts of $141.1 million and collectible receivables of $108.5 million. Past due receivables totaled $81.9 million, of which $80.4 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for $196.1 million (79%) of the gross receivables, $121.1 million (86%) of the allowance for doubtful accounts and $75.0 million (69%) of the collectible receivables.

Between June 30, 2006 and 2005, gross receivables increased $31.0 million and collectible receivables decreased by $1.1 million. Write offs for the quarter totaled $69,468. Total past due receivables increased by $19.7 million and receivables

over 60 days past due increased by $19.5 million.

Department of Rail and Public Transportation (DRPT)

DRPT is responsible for overseeing Virginia's railroads, providing funding and project resources for public transportation, and researching feasible alternatives for commuters. DRPT works closely with VDOT, the railroads, local governments, the Washington Metropolitan Area Transit Authority, and the Federal Transit Authority.

At June 30, 2006, DRPT had gross and net receivables of $8.9 million. The majority of this money is due via an interagency transfer from VDOT. $972,047 was past due at June 30, 2006. Of this amount, $499,586 was over 60 days past due.

Virginia Commonwealth University (VCU)

VCU, based in Richmond, offers 140 degree programs to over 28,500 students in a variety of fields ranging from accounting to pharmacy at both undergraduate and graduate levels.

At June 30, 2006, VCU had $19.5 million of collectible receivables, a $3.7 million increase over June 30, 2005. Total past due accounts were $5.7 million, a $650,446 increase over June 30, 2005. Accounts over 60 days past due of $2.6 million increased by $188,279 over the prior year. Billings decreased by $8.3 million to $57.1 million and collections decreased by $9.0 million to $63.3 million for the June 30, 2006 quarter as compared to the June 30, 2005 quarter.

The following table is prepared to present the June 30, 2006 aging information in conformity with the provisions of Section 2.2-603.E.(ii) of the Code of Virginia.

Taxation and the Circuit and District Courts accounted for 83% ($1.56 billion) of the Commonwealth's total $1.87 billion past due accounts receivable at June 30, 2006. Another eighteen agencies accounted for 16% ($292 million), leaving 70 other agencies to comprise the last one percent at $23 million.

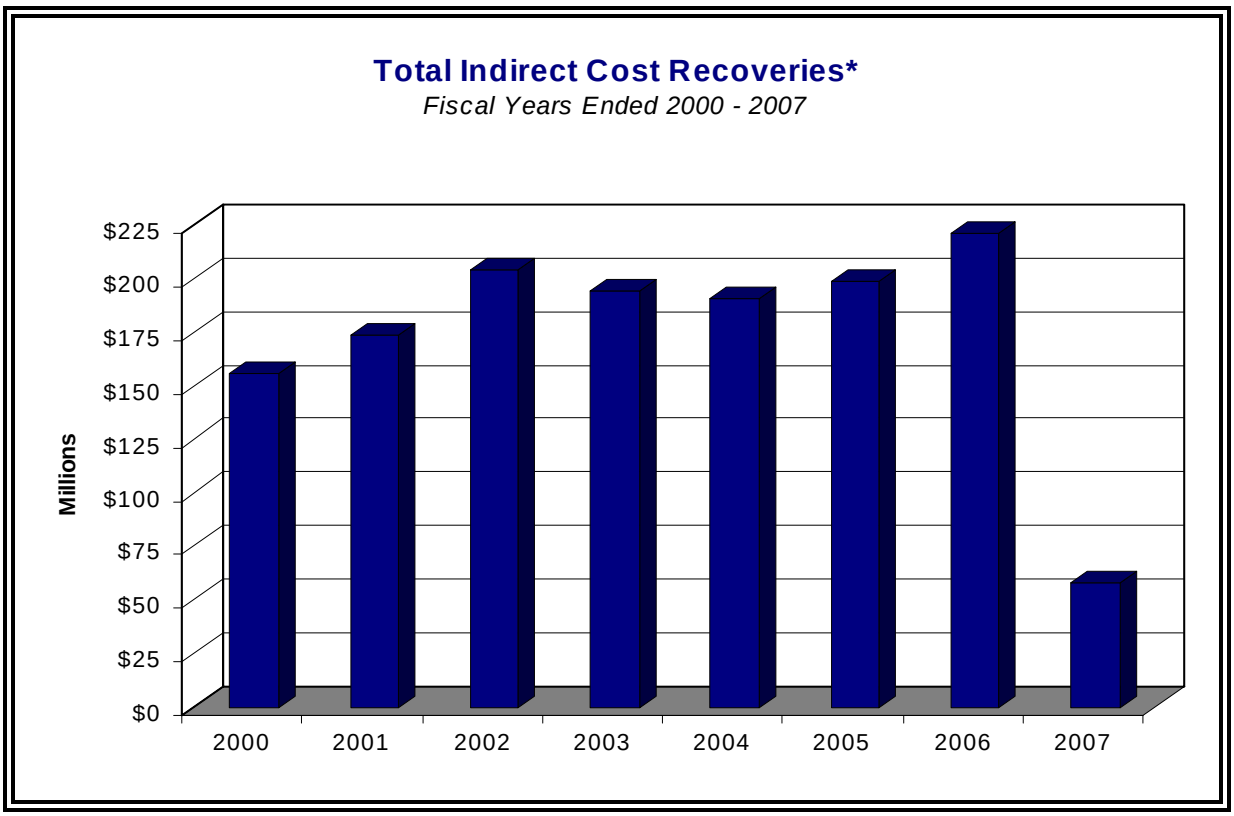
Agencies with the Largest Volume of Past Due Receivables

As of June 30, 2006

Agency	Total Past Due	1 to 180 Days Past Due	181 to 360 Days Past Due	Over One Year
Department of Taxation	$ 1,108,188,197	$ 92,439,595	$ 54,228,346	$ 961,520,256
Localities' Circuit and District Courts	448,921,277	34,734,198	55,204,751	358,982,328
Total - Taxation Assessments and Court Fines and Fees	**1,557,109,474**	**127,173,793**	**109,433,097**	**1,320,502,584**
All Other Large Dollar Agencies:				
Department of Social Services	81,852,905	4,420,056	4,444,613	72,988,236
University of Virginia Medical Center	59,890,829	54,775,441	7,182,261	(2,066,873)
Virginia Employment Commission	40,619,003	10,209,176	5,819,033	24,590,794
Department of Medical Assistance Services	26,863,631	10,338,824	4,197,301	12,327,506
Department of Mental Health, Mental Retardation and Substance Abuse Services	18,776,470	17,047,373	1,565,759	163,338
Department of Transportation	15,682,248	4,568,245	3,519,534	7,594,469
University of Virginia - Academic Division	7,103,258	6,196,327	281,464	625,467
Virginia Polytechnic Institute & State University	7,053,038	5,828,641	498,252	726,145
Virginia Commonwealth University	5,726,398	3,222,082	1,272,250	1,232,066
Virginia Information Technologies Agency	5,033,670	4,925,910	99,477	8,283
George Mason University	4,079,504	3,258,937	627,804	192,763
University of Virginia's College at Wise	3,732,089	3,730,336	1,445	308
Department of State Police	3,163,689	2,585,099	34,024	544,566
Department of Labor and Industry	3,012,408	359,311	309,280	2,343,817
Virginia Community College System	2,700,372	1,996,983	472,178	231,211
State Corporation Commission	2,645,854	1,905,206	740,648	-
Virginia Workers' Compensation Commission	2,169,385	677,617	596,163	895,605
Department of Motor Vehicles	1,994,892	890,000	1,094,208	10,684
Total - Largest Dollar Volume Agencies	**292,099,643**	**136,935,564**	**32,755,694**	**122,408,385**
All Other Agencies	22,638,021	15,195,853	2,604,594	4,837,574
Grand Total Past Due Receivables	**$ 1,871,847,138**	**$ 279,305,210**	**$ 144,793,385**	**$ 1,447,748,543**

Indirect Costs

The Department of Accounts prepares a Federal Statewide Indirect Cost Allocation Plan (SICAP) annually that identifies the central service agency General Fund support provided to all State agencies. Agencies receiving Federal grants or contracts prepare indirect cost rate proposals or cost allocation plans that include both the agency (agency specific overhead expenditures) and Statewide (overhead expenditures incurred by the State's central service agencies for support provided to other State agencies) indirect costs associated with the administration and management of federal, State, or private grant and contract activity.



* FY 2007 reflects indirect cost recoveries through September 30, 2006.

Indirect Cost Recoveries from Grants and Contracts

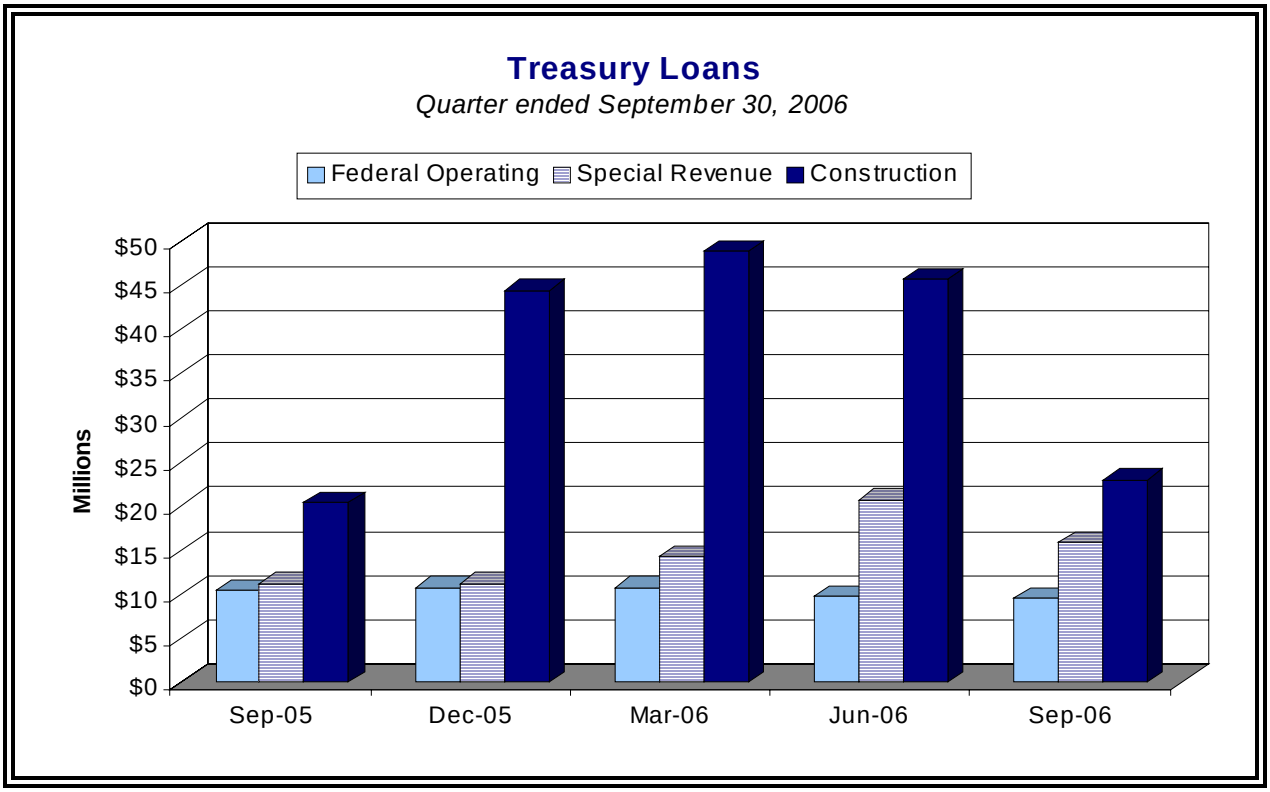
Fiscal Year 2007

Fund	Year-to-Date Higher Ed	Year-to-Date Non-Higher Ed	Year-to-Date Total
Nongeneral:			
Agency / Institution (1)	$ 38,890,746	17,806,896	$ 56,697,642
Statewide	762,554	149,090	911,644
Total Nongeneral	**39,653,300**	**17,955,986**	**57,609,286**
General:			
Agency (Cash Transfers)	-	24,243	24,243
Statewide	-	235,409	235,409
Statewide (Cash Transfers)	-	439	439
Total General	**-**	**260,091**	**260,091**
Total All Funds	**$ 39,653,300**	**$ 18,216,077**	**$ 57,869,377**

(1) The Department of Social Services records all federal monies received in CARS. However, they do not separately classify such receipts between direct and indirect. Included in the agency nongeneral fund category is $13,256,799 representing the Department of Social Services' estimate of indirect cost recoveries received.

Loans and Advances

Treasury loans may be used to advance funds to a State agency or institution for a designated purpose prior to some form of reimbursement. Working capital advances and lines of credit are other methods for ensuring that an agency or institution has sufficient operating cash, within its appropriation, prior to collection of revenues. The total of all types of treasury loans and advances as of September 30, 2006, was $48.5 million.



These advances are in the form of temporary loans funded on the basis of the following conditions:

- **Anticipation of Federal Operating Funds** supports the operations of federal grants and contract programs for which advance funding has been delayed or for those that require expenditure of funds prior to federal reimbursement.

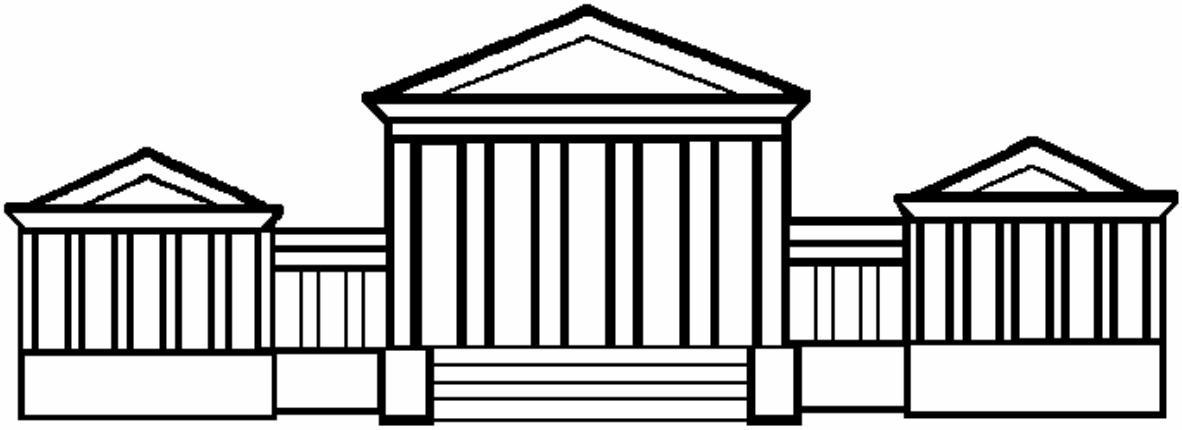
- **Anticipation of Special Revenue Funds** supports the operations of non-general funded activities when collections are spread unevenly throughout the year while expenses require steady funding.

- **Construction** supports capital projects in anticipation of the sale of authorized debt or other financing for such projects.

Other types of loans and advances that are not charted include:

- **Authorized Appropriation Deficit**, which provides funding, when authorized by the Governor, under emergency conditions as described in §4-3.01 and §4-3.02 of the Appropriation Act. There were no deficit loans outstanding at September 30, 2006.
- **Working Capital Advances,** which provide operating funds for nongeneral fund projects when revenues to be used for repayment will not be generated within the twelve months required for anticipation loans. There was one outstanding working capital advance at September 30, 2006, for $125,000.

Significant New Loans / Drawdowns	New Balance
Jamestown-Yorktown Foundation (JYF) Authorization and drawdown of new loan to provide operating funds in anticipation of private funding generated from corporate sponsorships as well as other activities and revenues.	$ 5,000,000
Department of Veterans Services (DVS) Additional drawdown and two repayments on an authorized $14,750,000 loan for completion of a new Veterans Care Center in Richmond. Prior loan balance was $724,750.	$ 2,264,389

Significant Loan Repayments	Prior Balance
Department of Emergency Management (DEM) Partial repayment of a loan that provided assistance to states impacted by Hurricane Katrina. New loan balance is $1.7 million.	$ 3,000,000
Statewide June 30 Payroll Obligations Repayment of eleven treasury loans authorized for agencies and institutions to support payroll obligations as a result of payday being moved from July 5 to June 30.	$ 8,998,963
Department of Game and Inland Fisheries (DGIF) First of four annual $1.5 million payments on a $6 million loan issued in September 2005 to provide capital funds for the acquisition of the Feather and Fin Farm, a 2,400 acre parcel of land adjacent to the Appomattox River. New loan balance is $4.5 million.	$ 6,000,000

Significant Loan Repayments (Continued)	Prior Balance
Virginia College Building Authority (VCBA)	
Six additional drawdowns and full repayment of an authorized $50 million loan that reimbursed institutions of higher education for equipment purchases and capital project expenditures until bond proceeds were received.	$ 31,300,643
Virginia Public Building Authority (VPBA)	
Three additional drawdowns and full repayment of an authorized $50 million loan that reimbursed state agencies as well as local governments and regional jail authorities for authorized state capital and financing costs until bond proceeds were received.	$ 25,550,778