

**REPORT ON
STATEWIDE FINANCIAL MANAGEMENT AND
COMPLIANCE**

FOR THE QUARTER ENDED MARCH 31, 2007



OFFICE OF THE COMPTROLLER

DEPARTMENT OF ACCOUNTS

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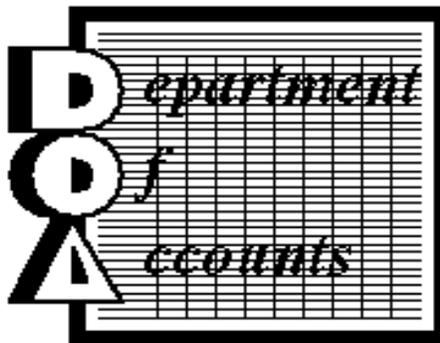
STATEMENT OF PURPOSE

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 March 31, 2007, and comparative FY 2006 data. Some information in the report is for the quarter ended December 31, 2006, which is the most current data available.

David A. Von Moll, CPA, CGFM
Comptroller



SPECIAL REPORT

2006 Information Returns Reporting

The federal government requires State and local governments and their subdivisions to report certain payments to the Internal Revenue Service (IRS) at calendar year-end. Generally, payments made for \$600 or more during a calendar year to individuals, sole proprietors, medical and legal corporations, partnerships, trusts, and estates are considered reportable.

Studies show that information returns increase tax collections by increasing the likelihood that taxable income will be properly reported.

States have special information returns reporting requirements unique to their

governmental functions. These include reporting payments for state unemployment compensation, taxable grants, reforestation payments, state tax refunds, and lottery winnings.

In February 2007, a Statewide Information Returns compliance survey was conducted for the 2006 tax year. Based on the survey, 130 tax reporting entities (representing 244 agencies and institutions) filed 3.4 million information returns totaling \$6.8 billion. Two reporting entities did not file information returns for 2006. The Commonwealth filed 99.9 percent of the information returns with the IRS using electronic or magnetic media.

Information Returns

Filed for Calendar Year 2006

Number of Information Returns Filed	Number of Tax Reporting Entities
No Returns	2
1 to 50 Returns	67
51 to 250 Returns	30
Over 250 Returns	31
Total Reporting Entities	130

The agencies and institutions of the Commonwealth filed the following types of information returns for the tax year ended December 31, 2006. When the number of information returns filed for 2006 is compared with 2005, percent changes by category range from plus 207 percent to minus 21 percent.

The increase in the number of Forms 1099-INT issued by the Department of Taxation was caused by the conversion to a new taxpayer information system. The conversion created a delay in taxpayer refunds which resulted in more refund interest payments and

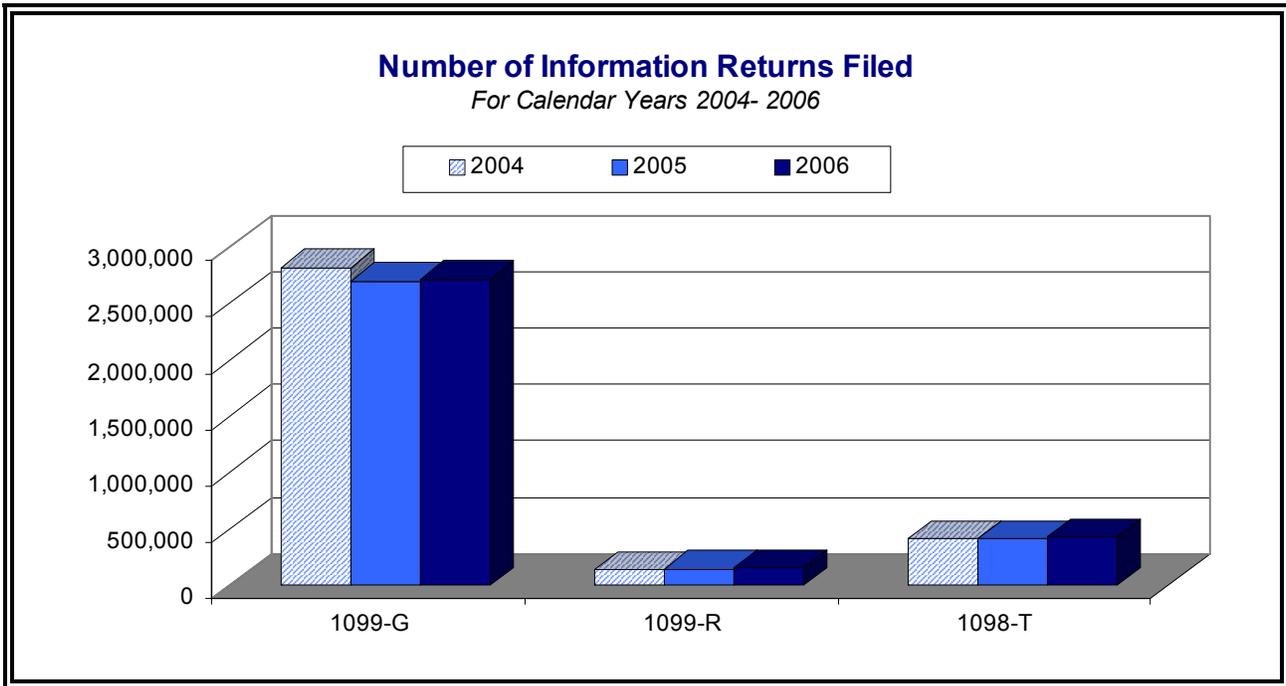
related information returns. The number of 1099-Q's issued by the Virginia College Savings Plan (VCSP) increased in proportion to the increased number of college students who drew on their savings accounts. The increase in the number of Forms 1099-MISC is related to an increase in the number of reportable vendors over the \$600 reporting threshold. The variation in the reported number of lottery winners is due in large part to the type of games played and the luck of the draw. The decrease in the number of 1099-DIV issued by the Division of Unclaimed Property is due to less dividend claims being reported.

2006 Information Returns Reporting Results
By Major Filing Category

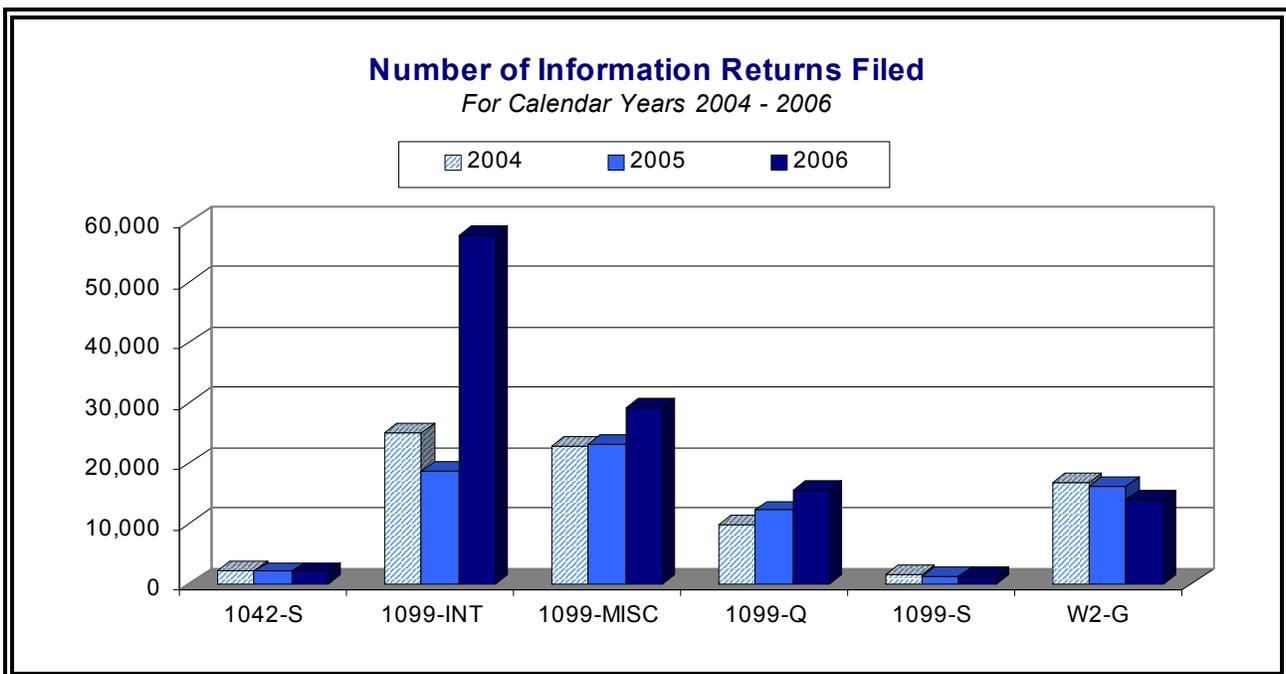
Form Type (1)	Dollars Reported in 2006	Number of Payees in 2006	Paper Media	Magnetic Media	Electronic Media	% Change in Number of Filings from 2005
1042-S, Foreign Persons	\$ 14,620,249	2,057	173	89	1,795	-2%
1098-T, Tuition Payments	1,823,860,484	429,114	0	18,019	411,095	6%
1099-DIV, Dividends	98,184	1,369	0	0	1,369	-21%
1099-G, Gov't. Payments	2,008,006,286	2,716,950	181	0	2,716,769	<1%
1099-INT, Interest	6,739,744	57,834	285	0	57,549	207%
1099-MISC, Misc. Income (2)	552,273,791	29,286	3,204	6,217	19,865	27%
1099-Q, Qualified Education Programs	85,553,021	15,624	0	0	15,624	28%
1099-R, Retirement	2,195,455,470	148,996	115	0	148,881	4%
1099-S, Real Estate Trans.	46,452,765	1,312	0	0	1,312	-6%
W-2G, Lottery Winnings	146,947,541	14,067	0	14,067	0	-14%
Total	\$ 6,880,007,535	3,416,609	3,958	38,392	3,374,259	3%

- (1) Does not include payments reported on the Form 1098-E, Student Loan Interest, because the processing of these returns is contracted out by most higher education institutions.
- (2) Does not include Medicaid payments to third party providers made by the DMAS fiscal agent.

Following is a comparison of the number of returns filed in the past three years in various categories.



Note: This chart does not include comparison information for forms 1042-S, 1099-Q, 1099-INT, 1099-MISC, 1099-S, W2-G, and 1098-E. Most of those are shown on the chart below.



Note: This chart does not include comparison information for forms 1099-G, 1099-R and 1098-T.

Discrepancy Notices and Other Communications

During 2006, four reporting entities received IRS CP-2100 notices, or other correspondence, related to information returns filed for the previous tax years. The majority of these notices stated that the agencies had filed information returns using an incorrect taxpayer identification number or a taxpayer identification number that did not match a taxpayer record in either the IRS or Social Security Administration's databases. To avoid penalties for erroneous filings, agencies were required to research these discrepancies and respond to the IRS within 30 days from the date that the CP-2100 or other notice was received. All agencies that received CP-2100 notices or other correspondence complied and responded accordingly.

Seventy-nine agencies and institutions requested information returns training. The training requests covered a variety of topics and IRS compliance issues including the DOA 1099 Adjustment and Reporting System (ARS), Financial Information Downloading System (FINDS), electronic filing, Purchase Card payment reporting, Taxpayer Identification Number (TIN) mismatches, and software selection.

In 2006, 14 state agencies and institutions participated in the Combined Federal/State Filing Program. This program saves magnetic and electronic filers time and postage because the IRS forwards state tax copies to participating states.

The chart below lists the reporting entities that filed more than 500 information returns for calendar year 2006.

**Reporting Entities Filing More Than
500 Information Returns for 2006**

Reporting Entity	Number of Agencies	Number of Returns	Dollars Reported	Automated System (s)
Department of Taxation	1	2,623,031	\$ 1,637,467,086	Agency owned software
Virginia Community College System (VCCS) (1)	24	178,165	175,151,416	In-House Accounting System
Virginia Retirement System	1	148,936	2,223,655,419	Tax Form Helper
Virginia Employment Commission	1	148,189	375,776,434	AMS
George Mason University	1	49,615	232,026,315	Banner
University of Virginia	3	36,464	385,638,215	In House System
Virginia Commonwealth University	1	35,874	221,647,181	Banner Finance and Evisions
Virginia Polytechnic Institute and State University	2	30,771	268,681,785	Banner (Sunguard)
Old Dominion University	1	24,764	97,711,204	SCT/Banner
James Madison University	1	20,463	148,854,693	Winfiler
The College of William and Mary in Virginia	3	17,022	111,241,825	Sunguard SCT Banner
Virginia College Savings Plan	1	15,635	85,799,595	AMS
State Lottery Department	1	15,120	166,974,298	PeopleSoft Enterprise One
Christopher Newport University	1	12,768	77,047,489	Evisions
Radford University	1	12,651	56,990,339	AMS
Norfolk State University	1	8,312	52,452,508	IFAS
Virginia State University	2	6,529	39,867,114	1099 Express
Longwood University	1	5,629	33,125,449	Banner
University of Mary Washington	1	5,611	39,666,698	Banner
Department of Transportation	1	2,628	128,162,018	PeopleSoft 6.0
Supreme Court	9	2,590	79,575,047	IDSS Oracle
Department of the Treasury, Division of Unclaimed Property	1	2,544	1,382,518	In-House System
Virginia Military Institute	1	1,959	35,423,024	Datatel Colleague
Department of Forestry	1	1,508	2,039,546	AMS
Department of Rehabilitative Services	6	1,287	16,286,036	Powerhouse
Department of Education	2	1,096	4,573,236	AMS
Department of Health	2	1,022	13,933,705	VDH FAS (Oracle)
Central Virginia Training Center	1	535	493,182	FMS
Total	72	3,410,718	\$ 6,711,643,375	

(1) The number of returns filed by VCCS includes 178,113 1098-T's filed on behalf of the 23 community colleges.

SPECIAL REPORT

2006 Year-End Payroll Processing

At the end of calendar year 2006 DOA, working with 218 state agencies and institutions, verified and printed 122,641 W-2s. This was a slight increase from the number of W-2s printed in 2005.

	CY 2005	CY 2006
W-2s Printed	121,192	122,641
W-2Cs Printed	27*	40*
Reissued W-2s	NA**	NA**
Agencies Making Adjustments	48	75
Employee Records Requiring Year-End Adjustments	115	247

* # of W-2C's printed as of the date of this report.

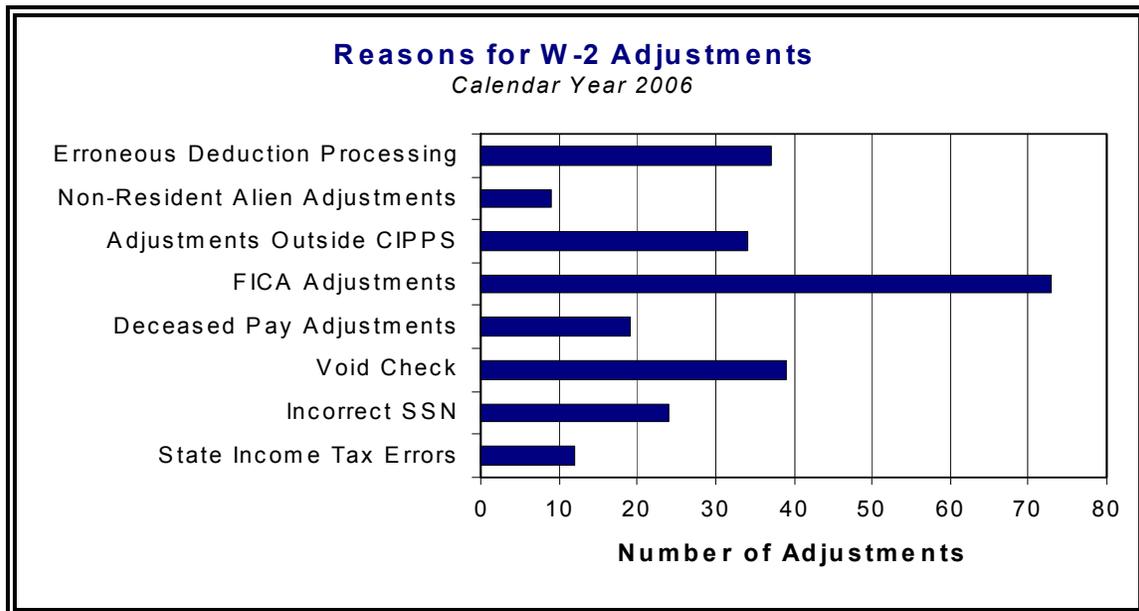
** Effective for Calendar Year 2005, W2s are available to employees on Payline, thus eliminating need for reissues.

The elimination of reconciliation and certification requirements at the end of the fourth quarter freed staff time for earlier attention to W-2 processing. Agencies ensured that their remote report printers were operational over the New Year's holiday. In

addition, many agencies improved the timeliness of payroll updates during the year. As a result, required processing deadlines continue to be met without difficulty. Submissions of certified year-end reports continue to follow the same trend as last year.

Agencies adjusted 247 employee records. FICA adjustments related to the calculation of imputed life for ORP retirees was the most common reason for W-2 adjustments. Void checks processed at year-end also constituted a large portion, as did adjustments for erroneous deduction processing.

W-2s are printed at DOA and subsequently distributed to a third party vendor for folding and envelope stuffing. Upon return from the vendor, agencies are notified that the W-2s are ready for pickup. All CIPPS W-2s were picked up by January 26 for subsequent delivery to employees.



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.

Effective with the quarter ended March 31, 2007, the APA is now reporting risk alerts and efficiency issues. Risk alerts address issues for which the corrective action is beyond the capacity of the agency management to address. Efficiency issues identify agency practices, processes or procedures which the auditors believe agency management should consider to improve efficiency. Risk alerts and efficiency issues are summarized following the Agency Findings section.

Audit Reports – Quarter Ended March 31, 2007

The APA issued 20 separate reports covering 27 agencies, offices, boards, commissions, colleges and universities for the Executive Branch agencies listed on the following table. All of the reports 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				
State Board of Elections (1)	1	0	1	YES
Agriculture and Forestry				
None				
Commerce and Trade				
Virginia Employment Commission	3	1	4	YES
Education				
Virginia College Building Authority	0	0	0	N/A
The College of William and Mary in Virginia (2)	1	1	2	YES
Richard Bland College (2)	0	0	0	N/A
Virginia Institute of Marine Science (2)	0	0	0	N/A

	New Findings	Repeat Findings	Total Findings	CAW Received
Christopher Newport University	1	0	1	YES
Old Dominion University	0	0	0	N/A
Longwood University	0	1	1	YES
Virginia Polytechnic Institute and State University	0	0	0	N/A
Virginia Commonwealth University	3	0	3	YES
University of Virginia	1	0	1	YES
University of Virginia Medical Center	0	0	0	N/A
The Science Museum of Virginia (3)	5	0	5	Not Due

Executive Offices

None

Finance

None

Health and Human Resources

Department for the Aging	0	0	0	N/A
Department of Health (1)	1	0	1	YES
Department of Medical Assistance Services (1)	1	0	1	YES

Independent Agencies

Virginia College Savings Plan	0	0	0	N/A
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Natural Resources

Marine Resources Commission	0	0	0	N/A
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Public Safety

Commonwealth's Attorneys' Services Council	0	0	0	N/A
Department of Forensic Science	1	0	1	YES

Technology

None

Transportation

Department of Motor Vehicles (4)	2	0	2	YES
Department of Transportation (1) (4) (5)	0	0	0	N/A
Department of Rail and Public Transportation (4)	1	0	1	YES
Motor Vehicle Dealer Board (4)	0	0	0	N/A
Department of Aviation (4)	0	0	0	N/A
Virginia Port Authority (4)	0	0	0	N/A

- (1) These agencies have risk alerts which are further described in the *Risk Alerts* section of this report.
- (2) The audit of the College of William and Mary in Virginia included Richard Bland College and the Institute of Marine Science and was released in one report.
- (3) The Science Museum Report includes a section entitled "Limitation on Internal Control Systems." The APA reports that the Museum is heavily dependent upon policies and procedures identified by central agencies - in instances where the Museum has elected to deviate from these standardized policies and procedures, Museum management should document the reasons for the deviation and the Museum's policies and procedures.
- (4) The audits of the six Transportation agencies were released in one report.
- (5) The Department of Transportation has an efficiency issue which is further described in the *Efficiency Issue* section of this report.

Agency Findings – Quarter Ended March 31, 2007

The following agencies had one or more findings contained in the 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.

Administration

State Board of Elections

1. Improve Subrecipient Monitoring. Elections is not obtaining and reviewing the localities' Single Audit reports for any audit findings related to HAVA awards and appropriate corrective action plans.

Commerce and Trade

Virginia Employment Commission

1. Develop Information Security Program. The Commission does not have a complete or current information security program.
2. Assurance of Infrastructure Security. The Commission relies on the Virginia Information Technologies Agency (VITA) to maintain its information technology infrastructure. The Commissioner should continue developing an MOU with VITA to define the security levels required for the Commission's data and require that VITA provide, at least annually, written assurance so the Commissioner can fulfill her responsibilities related to security requirements.
3. Follow Established Procedures for Field Office Payment Logs. The payment logs are the primary record of miscellaneous collections by field office staff. The Employment Commission should review the status of compliance with the payment log procedures on a periodic basis and hold offices accountable when non-compliance occurs.
4. Continue Efforts to Improve Participant Data Entered into VWNIS. **As stated in the prior audit report**, local areas are not fully complying with the Employment Commission's requirement to enter participant data into the Virginia Workforce Network Information System (VWNIS). Reviews have found some improvements, however, recurring issues remain and data entry problems may continue until an information system to replace VWNIS, anticipated for late 2007, becomes fully functional.

Education

The College of William and Mary in Virginia

1. Improve Financial Statement Preparation Process. **As noted in the prior audit**, the College continues to encounter difficulties in obtaining information from the Banner system. These difficulties continued to cause delays and inefficiencies in preparing the financial statements.
2. Develop Checkout List for Terminated Employees. The College does not have standard written procedures to properly recover all College property from employees when they leave employment.

Christopher Newport University

1. Improve Password Management Policies. The University's current password policies are not adequate to provide sufficient security over access to university systems and data.

Longwood University

1. Improve Information Security Policies and Processes. The University does not have comprehensive information security policies and procedures. Current University policies do not adequately address threat detection, incident handling, security monitoring and logging, and configuration management and change control. Also, as noted in the previous report, the University does not have an adequate security awareness training program.

Virginia Commonwealth University

1. Improve the Procedures for Small Purchase Charge Cards. The audit found cardholders that were not in compliance with the University's and Commonwealth's policies and procedures. Some reconciliations were not accurate and complete.
2. Departments Should Resolve Cash Reconciliation Items Timely. During the two prior audits, the APA noted reconciling items up to a year old, no evidence of supervisory review, the monthly cash reconciliations not reconciled to the General Ledger. In response to this finding, the University implemented procedures, which included a revision to the bank reconciliation format, required the Manager and Assistant Controller of General Accounting to sign off the monthly reconciliations, and accelerated the clearing of reconciling items. However, there still remain fifty-four reconciling differences over a year old due to untimely resolution by the various departments.
3. Ensure Timely Utility Payments. The University made several late payments for electricity and water and sewer services. This resulted in the vendors assessing the University late payment fees.

University of Virginia

1. Improve Student System Access Procedures. The University does not promptly discontinue student access to the Integrated Student Information System (ISIS) after termination. In addition, a single access account and different passwords were used for a series of temporary employees.

The Science Museum of Virginia

1. Clarify the Status of the Gift Shop Operations. The Museum does not include any of the shop's operations on the Commonwealth's accounting systems. The relationship of the gift shop to the overall operations of the Museum needs to be clarified.
2. Enforce Small Purchase Charge Card Procedures. Cardholders incorrectly completed purchasing logs and did not submit information timely. There are no set consequences for not complying with requirements.
3. Document Departures from State Practice. The audit encountered several situations where it was unclear what official process, state or internally developed, should be followed. Departures from state processes should be documented.
4. Review and Establish Cash Depositing Procedures. The review disclosed several receipts where the amount of time elapsing between collection and deposit could not be determined.

5. Examine Data System Security and Other Computer Considerations. The Museum has not formally established system and data disaster recovery plans to include alternative procedures to follow pending restoration of the systems.

Health and Human Resources

Department of Health

1. Security Risk Assurance for Infrastructure. The Department of Health contracted with Virginia Commonwealth University (VCU) to house and manage a database containing sensitive data. The Department needs to provide VCU with a list of the minimum security and control requirements needed to protect their sensitive data.

Department of Medical Assistance Services

1. Address Findings in Internal Audit Report. The Internal Audit report on the Operating Environment and Information Security Business Processes issued in May 2006 recommended improving and strengthening information security documentation and certain processes. The findings should be addressed.

Public Safety

Department of Forensic Science

1. Establish and Implement a Information Security Program. The Department does not have a complete or current security program. The program would provide the essential framework to protect the data handled by the Department.

Transportation

Department of Motor Vehicles

1. Improve Controls over Terminated Employees. The Department (DMV) does not timely remove systems access for terminated employees.
2. Provide Assurance of Infrastructure Security. DMV has transferred its infrastructure supporting its databases and information to the Virginia Information Technologies Agency (VITA). The current memorandum of understanding does not address the security levels that DMV requires to protect its databases and information.

Department of Rail and Public Transportation

1. Comply with Federal Transit Administration (FTA) Reporting Requirements. The FTA requires financial status reports and milestone/progress reports be filed within 30 days after the end of each calendar quarter. DRPT did not meet the deadlines for filing reports during the 2006 fiscal year.

Risk Alerts– Quarter Ended March 31, 2007

The APA is now reporting issues for which the corrective action is beyond the capacity of management to address or which require the action of either another agency or outside party. In some instances, these issues may require the Commonwealth to evaluate the method by which it conducts its operations. The following risk alerts were identified.

1. These agencies have provided the Virginia Information Technologies Agency (VITA) with all the required documentation to assess the adequacy of security. However, VITA has not been able to provide the agencies with assurance that VITA can provide hardware and software configurations that satisfy security requirements.
 - a. State Board of Elections
 - b. Department of Health
 - c. Department of Transportation

2. The Department of Medical Assistance Services (DMAS) has a risk alert for the adequacy of the eligibility determination process. DMAS should ensure that only eligible recipients receive Medicaid benefits. This is a critical control and compliance issue facing the Department. The *Code of Virginia* requires DMAS to contract with the Virginia Department of Social Services to determine which individuals are eligible to participate in the Medicaid program. Social Services uses its network of Local Department of Social Services to determine an individual's Medicaid eligibility. The Commonwealth needs to allow the managers of the Medicaid program to take cross-organizational actions to ensure the highest level of accuracy in ensuring participant eligibility.

Efficiency Issue – Quarter Ended March 31, 2007

The APA is now reporting agency practices, processes or procedures which the auditors believe agency management should consider for review to either improve efficiency, reduce risk, or otherwise enhance agency operations. These matters do not require management's immediate action and may require the investment of resources to provide long-term benefit. The following efficiency issue was identified.

1. The Department of Transportation uses a number of information systems to manage daily operations and exchange data among systems. The completeness and accuracy of the information recorded in the various systems, including the Commonwealth Accounting and Reporting System, is heavily dependent upon the reconciliation process. The Department must continue to identify needed steps to ensure accurate and timely reconciliation as the Commonwealth pursues a state-wide enterprise resource planning system.

Status of Prior Audit Findings

The policy governing the Agency Response to APA Audits requires follow-up reports on agency workplans every 90 days until control findings are certified by the agency head as corrected. 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.

Status Report on Resolution of APA Audit Findings

As of March 31, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Alcoholic Beverage Control</u>				
2006	06-01	Increase preventative maintenance measures.	Corrective action underway. ABC now requires password changes every 60 days. Systems logon tracking was enabled October 16, 2006. Manpower and hardware requirements for backups were assessed. VITA needs to address ABC's threat detection needs.	In progress
<u>Department of Education</u>				
2006	06-01	Enhance documentation and internal controls over SOQ model.	Corrective action underway. DOE is assessing the risk over the Standards of Quality application.	In progress
	06-02	Strengthen internal controls over Oracle financial systems access.	Corrective action completed. Initial segregation of duties and a risk analysis of the area have been undertaken.	Completed
<u>Virginia School for the Deaf and the Blind at Staunton</u>				
2006	06-01	Strengthen internal controls over CARS access.	Corrective action completed. Staff duties for CARS transactions have been properly segregated.	Completed
<u>Virginia School for the Deaf, Blind and Multi-Disabled at Hampton</u>				
2006	06-01	Non-compliance payroll policies.	Corrective action completed. Action is being taken to monitor annual time limits and approval of hour extensions.	Completed

Status Report on Resolution of APA Audit Findings

As of March 31, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	06-02	Strengthen internal controls over CARS access.	Corrective action completed. Batch entry and batch approval duties have been segregated.	Completed
<u>Department of Planning and Budget</u>				
2005	05-02	Improve documentation for appropriation adjustments.	Corrective action underway. DPB is working to overcome system limitations that prevent the entering of multiple revenue source codes for FATS "G" type transactions.	In progress
<u>Virginia Port Authority</u>				
2006	06-01	Update Information Technology Policies and Procedures.	Corrective action underway. The Authority has transferred its IT operations to Virginia International Terminals and is providing guidance on what security controls are needed.	In progress
<u>Virginia Retirement System</u>				
2006	06-01	Update Business Impact Analysis and Risk Assessment.	The System is updating its Impact Analysis and Risk Assessment.	In progress
<u>Virginia Commonwealth University</u>				
2006	06-01	Improve the procedures for Small Purchase Charge Cards.	Cardholders and supervisors must complete the web-based training and test by April 30, 2007 to retain cardholder privileges.	In progress
	06-02	Departments should resolve cash reconciliation items timely.	The General Accounting Department will continue to strengthen and improve processes and communication with the University's departments.	In progress
	06-03	Ensure timely utility payments.	The implementation of Banner Finance implemented revised procedures for timely processing of utility payments.	In progress

Status Report on Resolution of APA Audit Findings

As of March 31, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	05-01	Resolve cash reconciling items timely.	Corrective action completed. The APA report states VCU "has taken adequate corrective action with respect to the audit findings reported in the prior year."	Completed
<u>Christopher Newport University</u>				
2006	06-01	Improve password management policies.	The University Technology Committee is evaluating the systems' risks and formulating password policies to meet the risks and data security standards.	In progress
<u>The College of William and Mary in Virginia</u>				
2006	06-01	This is a repeated point. Improve financial statement preparation process.	The College is continuing to work with the Banner financial system vendor together with other Virginia schools also using Banner to improve the reporting process.	In progress
	06-02	Develop checkout list for terminated employees.	The College has implemented two clearance procedures. The faculty policy was implemented December 1, 2006, and the non-faculty policy was implemented on January 16, 2007.	In progress
<u>State Board of Elections</u>				
2006	06-01	Improve subrecipient monitoring.	The Business Manager is developing procedures directing subrecipient audit monitoring.	In progress
<u>Virginia Employment Commission</u>				
2006	06-01	Develop information security program.	A team of IT, Security and business staff are assigned to update the Security Program and implement VITA IT Security Audit Standard.	In progress

Status Report on Resolution of APA Audit Findings

As of March 31, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	06-02	Assurance of infrastructure security.	VEC completed the VITA Security Template on January 31, 2007. The State CIO gave VEC a letter dated December 11, 2006 saying the security of the Infrastructure is at least as good as when they were transferred from VEC to VITA.	Completed
	05-02	Obtain assurance over the security of VITA infrastructure from VITA.	See 06-02. VEC negotiated a MOU with VITA.	Completed
	06-03	Follow established procedures for Field Office payment logs.	Updated log procedures were issued October 11, 2006. Regional Directors will audit the updated logs and evaluate each field office.	In progress
	06-04	This is a repeated point. Continue efforts to improve participant data entered into VWNIS.	The installation of the VWNIS replacement system is scheduled to be completed in November 2007.	In progress
2005	05-03	Hold localities liable for participant data entered in the Workforce Network.	Corrective action underway. VWNIS is being replaced by an updated system. See 06-04.	In progress
<u>Radford University</u>				
2005	05-01	Revise policies and procedures covering cash collection points.	Financial Services and Internal Audit staff wrote and implemented internal office procedures.	Completed
	05-02	Develop Information Technology policies and procedures.	The Information Security Officer has reviewed the IT policies and procedures and is preparing updated standards.	In progress

Status Report on Resolution of APA Audit Findings

As of March 31, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	05-03	Create a business plan for the Machine Room.	The Executive Director of Information Technology developed and implemented a Business Continuity Plan.	Completed
	05-04	Implement environmental controls over the Machine Room.	The University constructed a pre-action dry charge sprinkler system, a water detection system, sump pumps, and elevated the computer units to a safe height from the floor.	Completed
<u>Department of Health</u>				
2006	06-01	Security risk assurance for infrastructure.	VDH has revised the contract with VCU to include specific security and control requirements. VDH will supervise VCU to assure controls are in place and operating.	In progress
2005	05-01	Remove systems access timely and improve documentation.	The audit finding was not repeated.	Completed
	05-02	Obtain assurance over the security of VITA's infrastructure from VITA.	The 2006 audit states that the finding is not repeated. VDH has provided VITA with all necessary documentation. However, the report says VITA still needs to provide assurance to VDH.	Completed
<u>Department of Social Services</u>				
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

Status Report on Resolution of APA Audit Findings

As of March 31, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	05-02	This is a repeated point. Properly maintain and report TANF documentation.	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.	Completed
	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 basis.	In progress
	05-05	Develop disaster recovery procedures for the in-house system.	DSS developed a 10-phase migration plan to transfer DSS' servers and applications to VITA.	Completed
	05-06	Update client information timely.	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 was passed.	Completed
	05-07	Properly report TANF unspent balances. \$815,750 in costs are questioned.	DSS spent these funds on TANF basic assistance before September 30, 2006. Grant reporting procedures were updated and reviewed.	Completed

Status Report on Resolution of APA Audit Findings

As of March 31, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Medical Assistance Services</u>				
2006	06-01	Address findings in internal audit report.	The Director reports they are implementing their corrective action plan for all of the internal audit report findings. Completion is estimated to be October 2007.	In progress
	05-02	Implement system-wide strategy for Utilization Units.	The 2006 audit report says adequate corrective action has been taken.	In progress
<u>Department of Motor Vehicles</u>				
2006	06-01	Improve controls over terminated employees.	A termination listing is being updated semi-monthly. Existing HRO and ITS forms are cross-referenced. DMV managers are reviewing system access and user accounts.	In progress
	06-02	Provide assurance of infrastructure security.	The Memorandum of Understanding with VITA will provide DMV's security requirements.	In progress
	05-03	Improve information technology security standards and guidelines.	See 06-02. Phase One was completed in December 2005. Actual implementation activities are planned to be completed in August 2007.	In progress
<u>Department of Rail and Public Transportation</u>				
2006	06-01	Comply with Federal Transit Administration reporting requirements.	Controls have been put in place to ensure all required reports are submitted on time or an extension is received from the FTA, according to the APA report.	Completed

Status Report on Resolution of APA Audit Findings

As of March 31, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Transportation</u>				
2006	05-01	Timely delete employee access upon termination.	The 2006 audit did not repeat the finding.	Completed
	05-02	Obtain assurance over the security of VITA's infrastructure from VITA.	The 2006 audit states that VDOT has provided all the documentation required. However, VITA has not given VDOT assurance that appropriate security is provided.	Completed
<u>Virginia Racing Commission</u>				
2006	06-01	Update and document information security program.	The Commission has requested that VITA assure VRC that the standards used to operate the operating system meet current security standards.	In progress
	06-02	Improve documentation of revenue reconciliations.	VRC is reviewing the segregation of duties involved in handling revenues and will develop policies and procedures to formally document revenue reconciliations.	In progress
<u>Gunston Hall</u>				
2005	05-01	Strengthen controls over petty cash.	Guidelines are being drawn up. The account is being reconciled monthly.	In progress
<u>The Science Museum of Virginia</u>				
2006	06-01	Clarify the status of the Gift Shop operations.	The initial letter from the outgoing Director states that the Board of Trustees and Museum management are working to enhance operational performance and strengthen management accountability.	In progress
	06-02	Enforce Small Purchase Charge Card procedures.	See 06-01	In progress

Status Report on Resolution of APA Audit Findings

As of March 31, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	06-03	Document departures from State practice.	See 06-01	In progress
	06-04	Review and establish cash depositing practices.	See 06-01	In progress
	06-05	Examine data system security and other computer considerations.	See 06-01	In progress
	05-01	For the 4 th year SMV experienced material financial difficulties.	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
	04-01	Improve cash management.	Not corrected. See 05-01.	Not corrected
	04-02	Improve controls over fixed assets.	The finding was not repeated. With DOA assistance, policies and procedures were proposed and data input in FAACS.	Completed
<u>University of Virginia</u>				
2006	06-01	Improve student system access procedures.	UVA states that corrective action has been implemented. UVA implemented an additional procedure in December 2006 to strengthen controls. Also, new access accounts are now established for each new temporary employee.	Completed
<u>Longwood University</u>				
2006	06-01	Improve information security policies and processes.	Corrective action underway. LU contracted for web based training recommended by VITA. The program is being rolled out on campus. The Cabinet, two Councils and Faculty have taken the course and it is now being given to staff.	In progress

Status Report on Resolution of APA Audit Findings

As of March 31, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	05-02	Establish a security awareness training policy and program.	See 06-01.	In progress
<u>Virginia State University</u>				
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	Document Human Resource policies and procedures.	Not corrected. See 05-02.	Not corrected
	05-03	Improve compliance with Small Purchase Charge Card policies.	Corrective action underway. The SPCC administrator is reviewing purchases to ensure compliance.	In progress
<u>Norfolk State University</u>				
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	This is a repeated point. Collect and correct accounts receivable.	Not corrected. See 05-01.	Not corrected
	03-01	Collect and correct accounts receivable.	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

Status Report on Resolution of APA Audit Findings

As of March 31, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Attorney General and Department of Law</u>				
2006	06-01	Complete an Information Security Program.	The Office hired a Chief Information Officer on November 1, 2006. The Office has started a program to achieve compliance with ITRM SEC 501-01 and will appoint a Chief Security Officer.	In progress
	06-02	Strengthen controls over Small Purchase Charge Card Program.	The Director of Finance continues to stress the importance of proper documentation and continues to educate staff about procurement laws and policies.	In progress
<u>Department of Minority Business Enterprise</u>				
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	Enhance the Housing Agreement.	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	Update memorandum of understanding and funding plan with VDOT.	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

Status Report on Resolution of APA Audit Findings

As of March 31, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	04-04	Improve controls over cell phone usage.	Not corrected. See 06-03.	Not corrected
<u>Virginia Office for Protection and Advocacy</u>				
2005	05-01	Clarify duties and responsibilities of the Board and Executive Director.	Corrective action underway. The Executive Director states 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 centralizing and formalizing the financial functions. Accounting staff have been hired.	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
<u>State Corporation Commission</u>				
2005	05-01	Implement a complete and current information security system.	Corrective action underway. The Commission hired Accenture, a consulting firm, to identify what the installation required. The original study was completed and additional analysis was requested by the Information Technology Director.	In progress
<u>Department of Conservation and Recreation</u>				
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

Status Report on Resolution of APA Audit Findings

As of March 31, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Forensic Science</u>				
2006	06-01	Establish and implement an information security program.	DFS contracted with North Highland to develop DFS' comprehensive security documentation.	In progress
<u>Department of Juvenile Justice</u>				
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. Meetings among staff are scheduled before new contracts are bid.	In progress
<u>Department of Game and Inland Fisheries</u>				
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 ongoing. 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
<u>Department of Veterans Services</u>				
January 1, 2005 through March 31, 2006	06-01	This is a repeated point. Ensure accurate time and leave reporting.	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. Staff has been consolidated.	Completed
	06-02	This is a repeated point. Strengthen controls over the Small Purchase Charge Card program.	New policies and procedures have been put into place. Monthly purchases activity is monitored by the finance office. Experienced staff having CPPB and VCO was added.	Completed

Status Report on Resolution of APA Audit Findings

As of March 31, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	05-03	Strengthen controls over the Small Purchase Charge Card program.	Not Corrected. See 06-02.	Not corrected
	06-03	Improve petty cash controls.	New procedures have been implemented. Reconciliations are done monthly by the VVCC Financial Manager and reviewed and approved by the Director of Finance and Administration.	Completed
	06-04	Properly report construction in progress.	Corrective action underway. Financial reports for FY 2006 included all construction in progress. FAACS files still need to be updated.	In progress
	06-05	Establish and implement adequate policies and procedures over the Veterans Services Foundation.	Corrective action underway. The Director states that DVS and VSF are reviewing revised policies and procedures and expects full corrective action to be taken by July 2007.	In progress
	06-06	Establish process for determining negotiated rates.	Procedures have been developed to determine negotiated room and board rates based on the ability to pay. All calculations are reviewed and approved by the Financial Manager and Administrator.	Completed
	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

Status Report on Resolution of APA Audit Findings

As of March 31, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	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	Ensure accurate time and leave reporting.	Not Corrected. See 06-01.	Not corrected
	06-10	Improve petty cash records and compliance with requirements.	New procedures have been developed. Reconciliations are done monthly by the Financial Manager and reviewed and approved by the Director of Finance and Administration.	Completed
	06-11	Comply with Commonwealth Human Resources overtime standards.	Changes in procedures and employee practices have been implemented. Fair Labor Standards Act training was conducted in August.	Completed
	06-12	This is a repeated point. Implement and monitor procedures to ensure proper use of funds.	Corrective action underway. DVS 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
	05-04	Implement and monitor procedures to ensure proper use of funds.	Not corrected. See 06-12.	Not corrected
	06-13	This is a repeated point. 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	Improve debt collection efforts and account write-offs.	Not corrected. See 06-13.	Not corrected

Status Report on Resolution of APA Audit Findings

As of March 31, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	06-14	Establish a memorandum of understanding with DGS.	A MOU for DGS support for capital construction and procurement was developed and implemented in October 2006.	Completed
	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



Compliance Monitoring

Confirmation of Agency Reconciliation to CARS Reports

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 the confirmation of agency reconciliation to CARS reports.

DOA closely monitors confirmation status, evaluates exceptions, and posts correcting entries in CARS. Confirmations for November, December, January and February were due 1/04/07, 1/31/07, 2/28/07 and 3/30/07, respectively.

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

Confirmations Late or Outstanding

As of April 16, 2007

	Nov	Dec	Jan	Feb
Virginia Commonwealth University	2/27/07	3/15/07	4/11/07	-

Key: O/S – Confirmation 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 March 31, 2007, 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, make corrective action and/or provide additional information.

Trial Balance Review

As of April 16, 2007

	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>
Southside Virginia Training Center	-	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, make corrective action and/or provide additional information.

Credit Cash, Excess Expenditures, and Expenditure Credits *As of April 16, 2007*

	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>
Eastern Shore Community College	-	X	-

Disbursement Processing

During the quarter ended March 31, 2007, DOA deleted, at the submitting agency's request, 33 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-two agencies requested deletes during the quarter. Agencies that requested more than four vendor payment deletes during the quarter were:

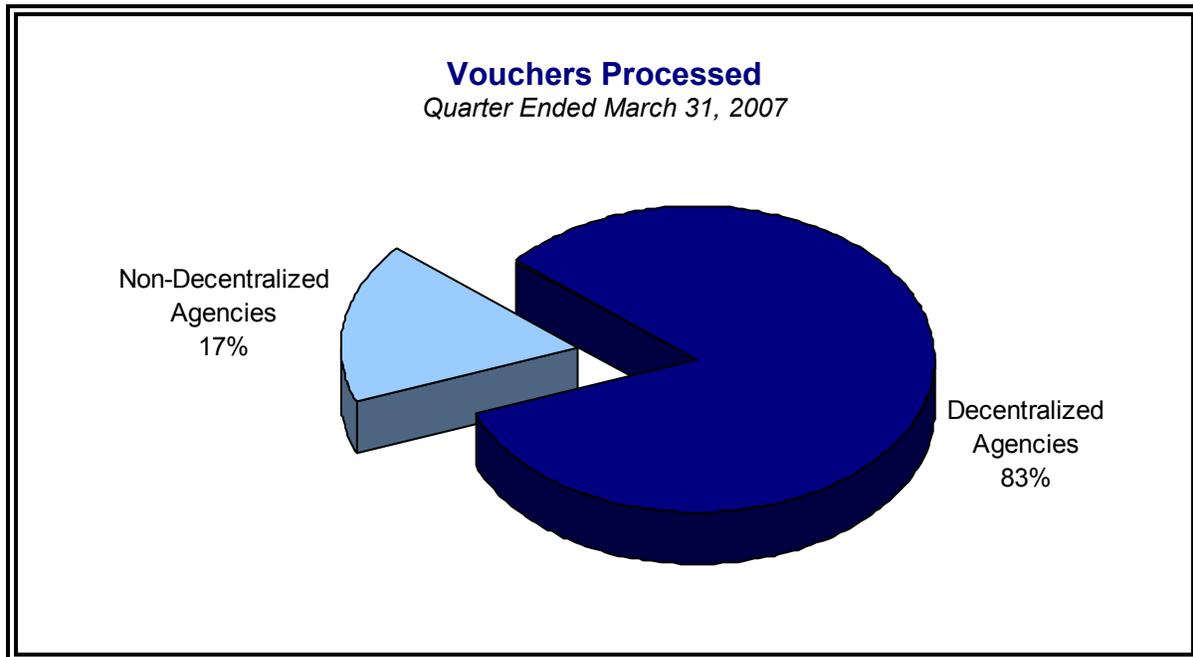
- Department of Transportation



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 12 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
<i>Education</i>				
New River Community College	226	3	1.3%	Good
Danville Community College	224	4	1.8%	Good
<i>Health and Human Resources</i>				
Northern Virginia Training Center	272	8	2.9%	Good
<i>Judicial</i>				
Supreme Court*	1,436	8	0.6%	Exceptional
Magistrate System				
Judicial Inquiry and Review Commission				
Circuit Courts				
General District Courts				
Combined District Courts				
Juvenile and Domestic Relations District Courts				
Court of Appeals of Virginia				
Virginia Criminal Sentencing Commission				

Note: No reviews were performed during the quarter for agencies that report to the Secretaries of Administration, Agriculture and Forestry, Commerce and Trade, Finance, Natural Resources, Public Safety, Technology, and Transportation.

*During the review period, the Supreme Court was the fiscal agent for the judicial agencies listed.

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 1,480 non-travel disbursement batches and 391 travel disbursement batches were reviewed, disclosing 61 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 Ended March 31, 2007		Fiscal Year 2007 To-Date		Comparative Quarter Ended March 31, 2006	
	Late	Total	Late	Total	Late	Total
Number of Payments	7,125	578,699	22,998	1,776,937	6,393	541,316
Dollars (in thousands)	\$ 50,410	\$ 1,372,806	\$ 145,530	\$ 4,109,431	\$ 21,755	\$ 1,221,942
Interest Paid on Late Payments				\$ 55,524		
Current Quarter Percentage of Payments in Compliance				98.8%		
Fiscal Year-to-Date Percentage of Payments in Compliance				98.7%		
Comparative Fiscal Year 2006 Percentage of Payments in Compliance				98.8%		



Prompt Payment Performance by Secretarial Area

Quarter Ended March 31, 2007

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.6%	99.8%
Agriculture and Forestry	99.2%	99.7%
Commerce and Trade	99.1%	99.5%
Education*	98.7%	97.6%
Executive Offices	98.1%	98.9%
Finance	100.0%	100.0%
Health and Human Resources	98.7%	95.1%
Independent Agencies	98.5%	98.9%
Judicial	99.7%	98.3%
Legislative	99.6%	98.2%
Natural Resources	99.4%	95.9%
Public Safety	99.4%	92.2%
Technology	82.5%	93.0%
Transportation*	99.4%	97.4%
Statewide	98.8%	96.3%

Prompt Payment Performance by Secretarial Area

Fiscal Year 2007

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.5%	98.8%
Agriculture and Forestry	99.2%	99.2%
Commerce and Trade	98.8%	99.3%
Education *	98.5%	96.4%
Executive Offices	97.3%	94.5%
Finance	99.9%	100.0%
Health and Human Resources	98.8%	95.8%
Independent Agencies	98.3%	98.8%
Judicial	99.6%	99.3%
Legislative	99.8%	99.4%
Natural Resources	99.1%	97.5%
Public Safety	99.2%	96.4%
Technology	91.6%	96.7%
Transportation*	99.3%	95.7%
Statewide	98.7%	96.5%

* 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 March 31, 2007, 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 Percent
Quarter Ended March 31, 2007

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
Education			
Gunston Hall	20	89	77.5%
New College Institute	16	116	86.2%
Health and Human Resources			
Department for the Blind and Vision Impaired	251	4,729	94.7%
VA Tobacco Settlement Foundation	13	247	94.7%
Technology			
Virginia Information Technologies Agency	672	3,836	82.5%

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 Percent
Fiscal Year 2007

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
Education			
Eastern Shore Community College	83	908	90.9%
Gunston Hall	26	276	90.6%
New College Institute	38	240	84.2%
Technology			
Virginia Information Technologies Agency	973	11,563	91.6%



Prompt Payment Explanations

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

The Department for the Blind and Vision Impaired reports staff turnover and vacancy at the Virginia Industries for the Blind affected prompt payment for the second quarter and also affected prompt payment in January. These staffing issues have been resolved and prompt payment statistics have improved. Full resolution and prompt payment compliance is expected for the fourth quarter.

Gunston Hall reports they were not in compliance for the quarter and year-to-date due to their ongoing struggle to comply with state regulations with minimal staff. They have only one full time person to handle all accounting, budget, human resource and benefit functions. They have one part time employee who assists but has additional administrative duties including purchasing. They are striving to improve in order to meet compliance.

The New College Institute reports that they are a new agency and are still in the process of developing infrastructure and procedures. Administration currently consists of one person, who is also tasked with a variety of other duties. They are currently in the process of hiring a fiscal technician to aid in processing bills and handling other accounting transactions.

The Virginia Tobacco Settlement Foundation reports that invoices were not submitted to the Department of Health timely in order to be processed in compliance with prompt pay requirements. January late payments were the result of lost or misplaced grantee reimbursement requests. February and March late payments were due to the timing of invoices being presented for processing to the Department of Health.

The Virginia Information Technologies Agency reports that during the third quarter they continued to experience severe cash shortages due to federal and other funding issues at the agencies paying the comprehensive VITA service bills. They had to obtain a treasury loan due to the cash shortages and had previously obtained a line of credit to stabilize cash balances. The funding issues that have caused their shortages have prevented them from meeting prompt payment for the first three quarters of the fiscal year. They expect prompt payment percentages for the fourth quarter to return to normal.



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 March 31, 2007			Comparative Quarter Ended March 31, 2006
	E-Commerce	Total	Percent	Percent
Number of Payments	692,839	1,048,951	66.1%	63.7%
Payment Amounts	\$ 6,606,240,878	\$ 7,414,283,645	89.1%	88.2%

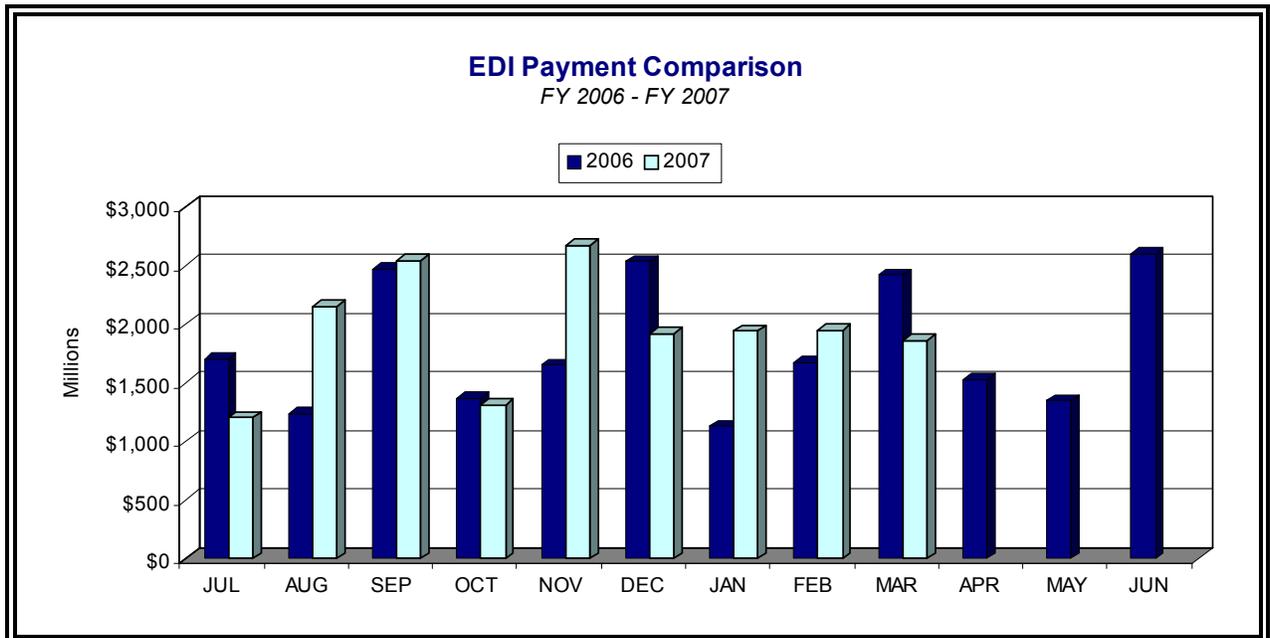
Financial Electronic Data Interchange (EDI)

The dollar volume of Financial EDI payments for the third quarter of FY 2007 was \$526.5 million (10 percent) more than the same quarter last year. The number of trading partner accounts increased by 19.7 percent

from March 2006. 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 March 31, 2007	Fiscal Year 2007 To-Date	Comparative FY 2006 To-Date
Number of Payments	44,861	141,539	137,765
Amount of Payments	\$ 5,755,373,932	\$ 17,558,020,029	\$ 16,201,941,752
Number of Invoices Paid	192,328	564,971	563,941
Estimated Number of Checks Avoided	73,233	225,278	226,024
Number of Trading Partner Accounts as of 3/31/07		41,814	34,930



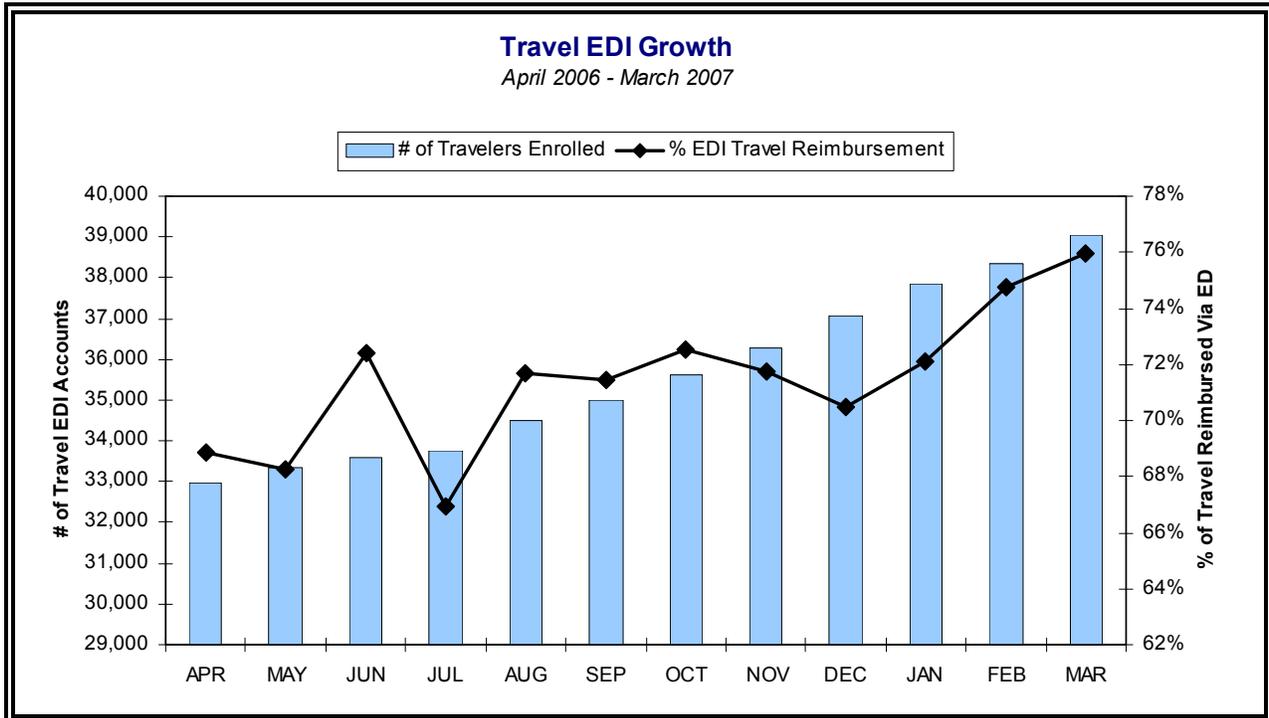
Travel EDI

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 March 31, 2007

Secretarial Area	Employee Percent	Non-Employee Percent	Reimbursement Checks Issued
Administration	74.5%	0.0%	58
Agriculture and Forestry	96.0%	19.7%	93
Commerce and Trade	95.7%	68.3%	148
Education ¹	83.2%	3.7%	1,640
Executive Offices	91.5%	4.2%	45
Finance	96.6%	0.0%	25
Health and Human Resources	92.4%	34.7%	1,044
Independent Agencies	93.7%	0.0%	78
Judicial	16.5%	2.5%	3,011
Legislative	85.2%	0.0%	102
Natural Resources	94.0%	31.5%	179
Public Safety	86.1%	5.1%	1,169
Technology	71.7%	0.0%	44
Transportation ^{1, 2}	76.6%	24.0%	461
Statewide for Quarter	81.9%	16.3%	8,097
<i>Fiscal Year 2007 To-Date</i>			
Statewide	79.2%	16.7%	29,879
<i>Comparative</i>			
<i>Fiscal Year 2006 To-Date</i>			
Statewide	75.7%	17.0%	33,983

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
Administration		
Department of General Services	68.3%	26
Education		
Norfolk State University	44.6%	164
Virginia Western Community College	73.7%	31
Judicial		
Circuit Courts	1.9%	531
Supreme Court	3.8%	457
Juvenile & Domestic Relations District Courts	1.7%	343
General District Courts	1.9%	306
Combined District Courts	2.3%	251
Magistrate System	3.8%	204
Court of Appeals of Virginia	0.0%	43
Legislative		
Virginia House of Delegates	69.9%	53
Public Safety		
Department of Fire Programs	70.6%	100
Keen Mountain Correctional Center	40.4%	31
Commonwealth's Attorneys' Services Council	0.0%	26
Technology		
Virginia Information Technologies Agency	71.9%	38
Transportation		
Department of Transportation*	71.2%	339

* 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	1.9%	52
Education		
Department of Education	1.1%	605
Norfolk State University	0.0%	36
Virginia Military Institute	0.0%	36
Christopher Newport University	0.0%	27
The Library of Virginia	0.0%	27
Health and Human Resources		
Department of Rehabilitative Services	7.8%	47
Department of Medical Assistance Services	3.1%	31
Virginia Board for People with Disabilities	3.3%	29
Department for the Aging	0.0%	26
Judicial		
Circuit Courts	5.2%	362
Virginia State Bar	0.0%	191
Supreme Court	0.8%	118
General District Courts	0.0%	58
Juvenile and Domestic Relations District Courts	0.0%	54
Natural Resources		
Department of Conservation and Recreation	0.0%	32
Public Safety		
Department of Emergency Management	4.7%	161
Department of Forensic Science	1.3%	158
Department of Fire Programs	2.3%	43
Department of Veterans Services	0.0%	58
Department of Criminal Justice Services	0.0%	57

The following table lists agencies that have accumulated more than \$150 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 third quarter of FY 2007 the charge is

\$4 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 Non-Compliance Travel Check Charges
Utilization Below 80 Percent**

Agency	Percent	Year-to-date Charges
Education		
Norfolk State University	44.6%	\$ 575
Health and Human Resources		
Department of Social Services	78.5%	627
Judicial		
Circuit Courts	1.9%	4,172
Juvenile & Domestic Relations District Courts	1.7%	2,086
General District Courts	1.9%	1,778
Supreme Court	3.8%	1,461
Combined District Courts	2.3%	1,396
Magistrate System	3.8%	1,345
Court of Appeals	0.0%	317
Public Safety		
Department of Fire Programs	70.6%	447
Department of Emergency Management	77.8%	267
Transportation		
Department of Transportation	71.2%	1,411



Direct Deposit

During the third quarter of FY 2007, 363,586 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 March 31, 2007

<u>Secretarial Area</u>	<u>Direct Deposit % of Salaried Employees</u>	<u>Direct Deposit % of Wage Employees</u>
Administration	90.3%	90.7%
Agriculture and Forestry	94.3%	33.8%
Commerce and Trade	97.9%	94.9%
Education	97.5%	67.9%
Executive Offices	98.1%	51.4%
Finance	98.3%	89.0%
Health and Human Resources	90.6%	83.3%
Independent Agencies	97.2%	82.6%
Judicial	97.0%	55.0%
Legislative	97.2%	77.5%
Natural Resources	97.8%	70.5%
Public Safety	90.6%	77.1%
Technology	96.6%	100.0%
Transportation	91.2%	83.4%
Statewide	93.0%	72.0%
<i>Comparative</i>		
<i>Quarter Ended March 31, 2006</i>		
Statewide	91.3%	60.7%

Statewide Salaried Direct Deposit Performance

Quarter Ended March 31, 2007

Salaried Direct Deposit Participation	93.0%
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Salaried Direct Deposit Below 85 Percent

<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Administration		
State Board of Elections	83.9%	31
Health and Human Resources		
Piedmont Geriatric Hospital	71.5%	326
Central Virginia Training Center	67.5%	1,432
Public Safety		
Bland Correctional Center	84.7%	294
Nottoway Correctional Center	84.6%	442
Greensville Correctional Center	83.8%	768
Augusta Correctional Center	83.3%	389
Brunswick Correctional Center	82.2%	383
Dillwyn Correctional Center	73.5%	257

** The reporting threshold for salaried direct deposit will be increased to 90% effective for the quarter ended June 30, 2007.

Statewide Wage Direct Deposit Performance

Quarter Ended March 31, 2007

Wage Direct Deposit Participation	72.0%
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Wage Direct Deposit Below 50 Percent**

Agency	Percent	Number of Employees
Agriculture and Forestry		
Department of Forestry	19.6%	194
Education		
Thomas Nelson Community College	47.8%	458
Southside Virginia Community College	47.4%	215
Rappahannock Community College	46.5%	86
Paul D. Camp Community College	43.8%	146
Virginia Highlands Community College	39.8%	123
Radford University	36.0%	1,706
Lord Fairfax Community College	34.1%	299
Health and Human Resources		
Central Virginia Training Center	38.2%	102
Judicial		
General District Courts	48.7%	199

** The reporting threshold for wage employees increased from 40 percent to 50 percent effective for the quarter ended March 31, 2007.

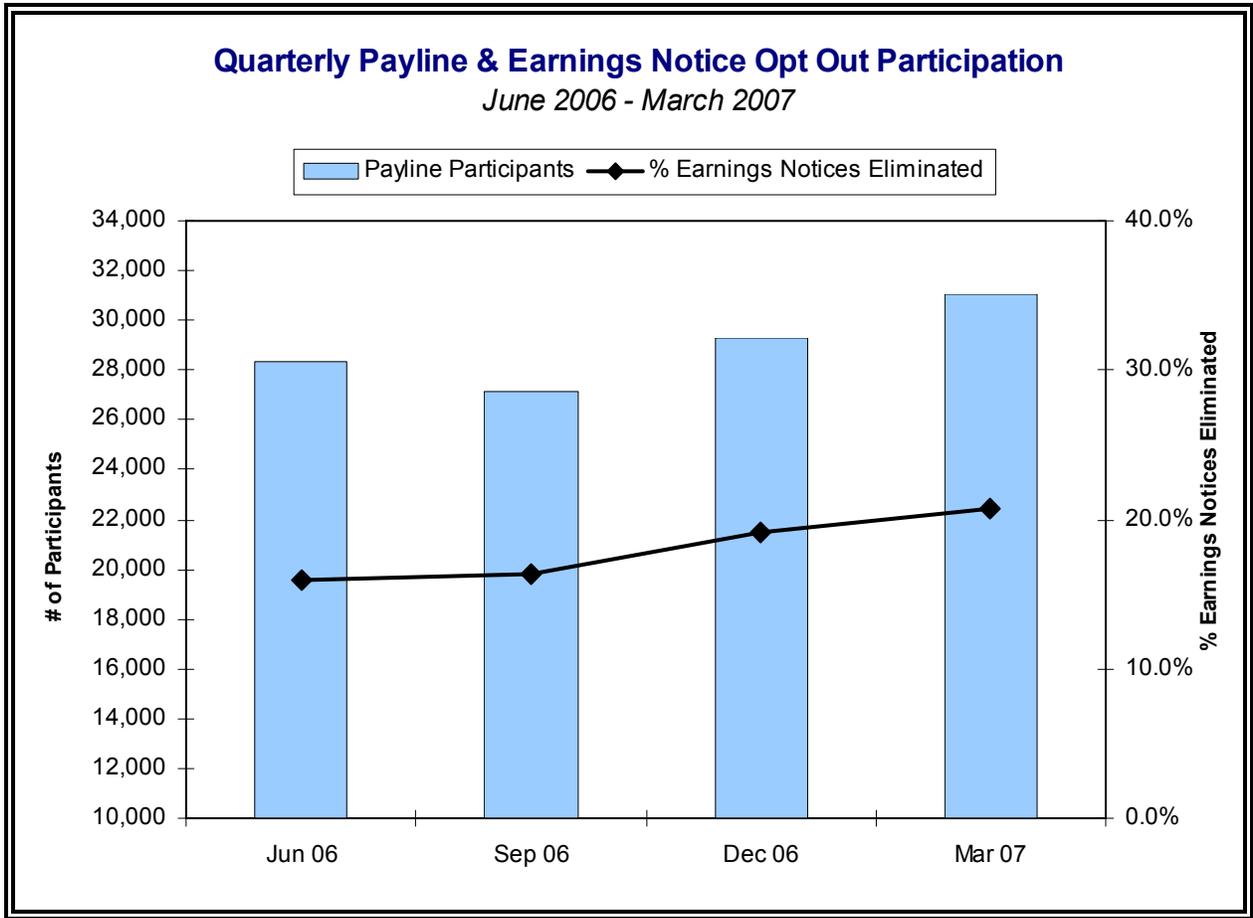


Payroll Earnings Notices

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 1,084,008 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 March 31, 2007

<u>Secretarial Area</u>	<u>Percent Payline Participation</u>	<u>Percent Earnings Notices Eliminated*</u>
Administration	60.8%	41.1%
Agriculture and Forestry	24.3%	13.9%
Commerce and Trade	79.2%	53.7%
Education	30.8%	24.5%
Executive Offices	62.5%	54.5%
Finance	91.0%	93.8%
Health and Human Resources	36.8%	16.6%
Independent Agencies	47.9%	33.6%
Judicial	9.6%	3.5%
Legislative	53.9%	47.8%
Natural Resources	50.4%	37.9%
Public Safety	29.9%	12.7%
Technology	83.8%	62.0%
Transportation	35.1%	14.7%
Statewide	35.2%	20.7%
<i>Comparative</i>		
<i>Quarter Ended March 31, 2006</i>		
Statewide	30.2%	14.7%

* 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 six 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 6 Percent****

Quarter Ended March 31, 2007

Agency	Percent Earnings Notices Eliminated	Earnings Notices Printed for 03/30/07 Payday
Agriculture and Forestry		
Department of Forestry	3.7%	288
Education		
Virginia Highlands Community College	5.6%	135
Central Virginia Community College	5.2%	185
Frontier Culture Museum of Virginia	4.9%	53
Rappahannock Community College	3.1%	132
Virginia School for the Deaf, Blind & Multi-Disabled at Hampton	2.8%	122
Radford University	2.4%	1,536
Christopher Newport University	2.0%	1,444
Northern Virginia Community College	1.7%	2,041
Health and Human Resources		
Central State Hospital	5.9%	728
Northern Virginia Training Center	5.6%	494
Southside Virginia Training Center	5.2%	1,201
Piedmont Geriatric Hospital	2.7%	249
Central Virginia Training Center	2.4%	961
Judicial		
Combined District Courts	2.2%	198
Indigent Defense Commission	1.9%	498
Magistrate System	1.6%	395
Court of Appeals of Virginia	1.3%	74
General District Courts	1.2%	984
Juvenile and Domestic Relations District Courts	0.9%	604
Circuit Courts	0.0%	183
Public Safety		
Department of Juvenile Justice	5.8%	1,984
Dillwyn Correctional Center	5.3%	182

**Payline Earnings Notice Elimination
Under 6 Percent****

(continued)

Quarter Ended March 31, 2007

Agency	Percent Earnings Notices Eliminated	Earnings Notices Printed for 03/30/07 Payday
Department of Military Affairs	5.0%	337
Western Region Correctional Field Units	4.9%	376
Fluvanna Women's Correctional Center	4.5%	258
Southampton Correctional Center	4.5%	276
Division of Community Corrections	4.3%	1,298
Keen Mountain Correctional Center	4.1%	271
Haynesville Correctional Center	3.7%	310
Nottoway Correctional Center	3.2%	356
Green Rock Correctional Center	3.2%	140
Deerfield Correctional Center	2.4%	281
Greensville Correctional Center	2.1%	649
Brunswick Correctional Center	1.8%	308
Transportation		
VDOT Hourly	5.8%	264

** The reporting threshold was increased from 4% to 6% effective for the quarter ended March 31, 2007.



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.

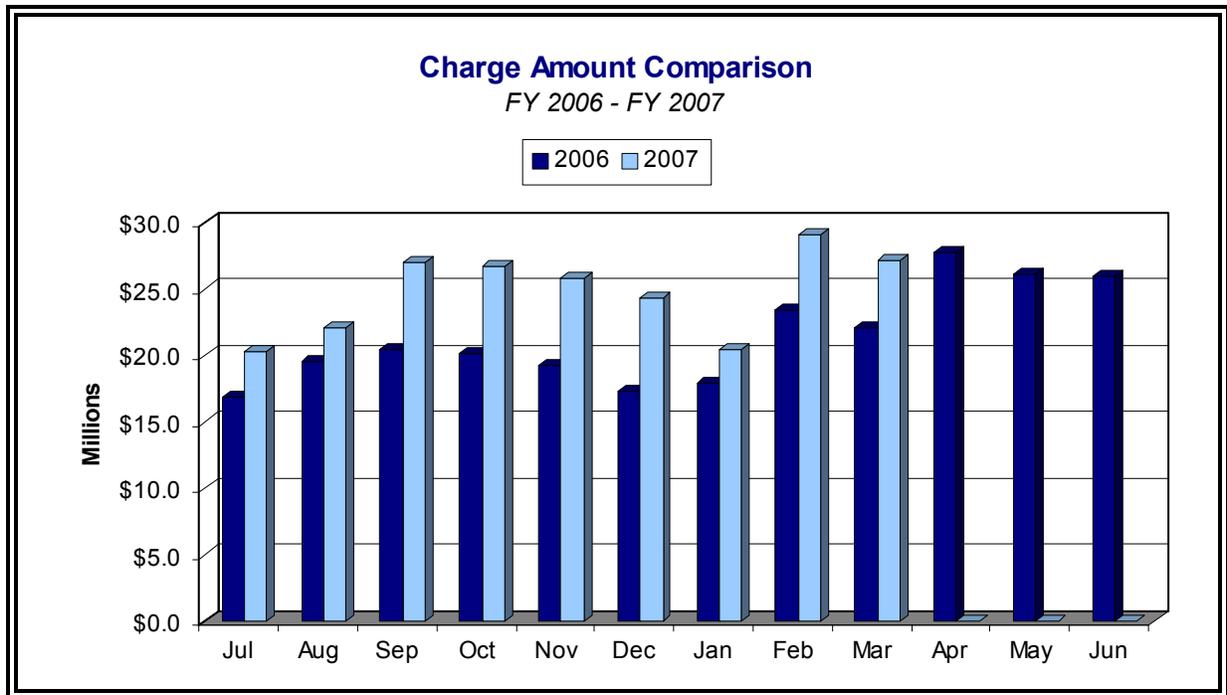
The Small Purchase Charge Card continues to be used for purchases under \$5,000. Agencies are strongly encouraged to obtain a Gold Card for use for purchases up to \$50,000.

The total amount charged on SPCC and Gold cards during the third quarter of FY 2007 increased by \$13.1 million or 17 percent from the same quarter last year.

Small Purchase Charge Card Program

Charge Card Activity	Quarter Ended March 31, 2007	Fiscal Year 2007 To-Date	Comparative Fiscal Year 2006 To-Date
Amount of Charges	\$ 76,642,046	\$ 222,904,312	\$ 177,210,916
Estimated Number of Checks Avoided	148,961	498,125	416,972
Total Number of Participating Agencies		220	203
Total Number of Cards Outstanding		15,026	13,931

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.

For purposes of computing the \$4 underutilization charge imposed in accordance with § 4-5.04g. of the Appropriation Act, the threshold has been set at 70 percent. Beginning in the second quarter of FY 2007, all local governments have been exempted from the utilization process.

Beginning with FY 2007, in accordance with § 4-5.04 of the Appropriation Act, the underutilization charge imposed for agencies

under the 70 percent threshold will be as follows:

FY2007 1 st Quarter	\$2.00
FY2007 2 nd Quarter	\$3.00
FY2007 3 rd Quarter	\$4.00
FY2007 4 th 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. Questions regarding the data can be emailed to cca@doa.virginia.gov.

Statewide SPCC Performance

Quarter Ended March 31, 2007

Percentage Utilization for Eligible Transactions

79%

SPCC Utilization by Secretarial Area

Quarter Ended March 31, 2007

Secretarial Area	Payments in Compliance ⁽¹⁾	Non-Compliant Transactions ⁽²⁾
Administration	78%	908
Agriculture and Forestry	77%	805
Commerce and Trade	71%	940
Education*	85%	6,089
Executive Offices	96%	40
Finance	95%	69
Health and Human Resources**	73%	9,302
Independent Agencies	60%	951
Judicial	39%	2,157
Legislative	95%	70
Natural Resources	89%	1,064
Public Safety	91%	3,089
Technology	85%	168
Transportation*	60%	9,229
Statewide	79%	34,881

* 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 Minority Business Enterprise	42%	28
Commerce and Trade		
Department of Labor and Industry	50%	91
Virginia Employment Commission	40%	785
Education		
Norfolk State University	42%	1,405
Health and Human Resources		
Eastern State Hospital	68%	483
Department of Social Services	60%	861
Northern Virginia Training Center	57%	318
Central Virginia Training Center	56%	557
Department for the Blind and Vision Impaired	44%	1,680
Independent Agencies		
State Corporation Commission	1%	615
Judicial		
Indigent Defense Commission	58%	201
Board of Bar Examiners	0%	40
Circuit Courts	0%	221
Combined District Courts	0%	240
General District Courts	0%	638
Judicial Inquiry and Review Commission	0%	12
Juvenile and Domestic Relations District Courts	0%	414
Magistrate System	0%	100
Virginia Criminal Sentencing Commission	0%	35

**Agency SPCC Performance
Utilization Below 70 Percent**
(continued)

Agency	Payments in Compliance	Non-Compliant Transactions
Legislative		
Commission on the Virginia Alcohol Safety Action Program	0%	15
Public Safety		
Virginia Parole Board	0%	6
Transportation		
Department of Rail and Public Transportation	63%	30
Department of Transportation	59%	8,177



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 January, this represents the bill date of January 15, 2007, with the payment due no later than February 8, 2007.

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 purchasing card bill, agency prompt payment statistics will 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	Jan	Feb	Mar
Education			
Gunston Hall			X
New College Institute			X
Natural Resources			
Department of Historic Resources		X	
Public Safety			
Department of Military Affairs	X		
Department of State Police		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 payments 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 March 31, 2007, and the total amounts past due.

Travel Charge Card Program

As of March 31, 2007

<u>Agency</u>	<u>Total Delinquent Accounts</u>	<u>Amounts 60 Days Past Due</u>	<u>Amounts 90-120 Days Past Due</u>	<u>Amounts >150 Days Past Due</u>
Commerce and Trade				
Virginia Economic Development Partnership	1	\$ 51	\$ 0	\$ 0
Education				
George Mason University	1	0	867	3,305
Norfolk State University	1	220	0	0
University of Virginia	2	906	2,899	0
University of Virginia's College at Wise	1	100	0	0
Virginia Commonwealth University	1	698	0	0
Virginia Polytechnic Institute and State University	3	0	3,491	1,637
Virginia State University	1	0	85	0

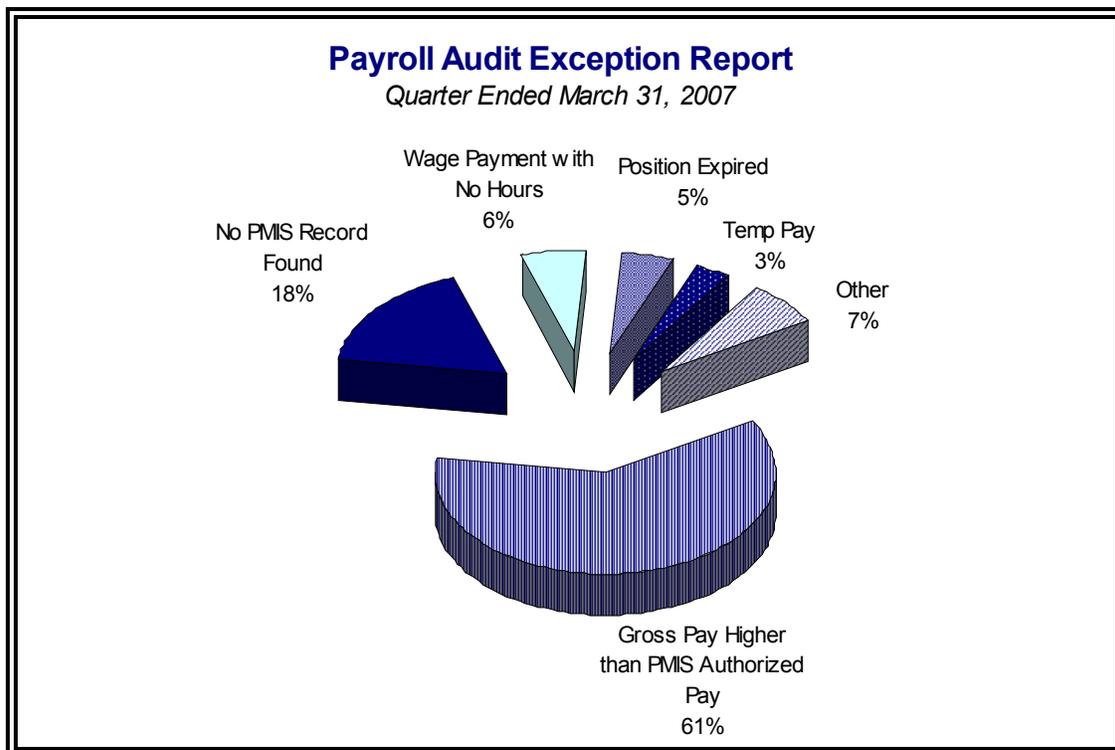
Payroll Controls

PMIS/CIPPS Payroll Audit

During the quarter, DOA's automated comparison of payroll and personnel (PMIS) records examined 427,578 salaried pay transactions and 208,734 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 2,662 new exceptions noted statewide during the quarter, with an overall exception rate of 0.51 percent.

The statewide salaried payroll exception rate was 0.72 percent and the wage payroll exception rate was 0.08 percent. During this quarter, 66 employee paychecks were reduced to recover \$28,167.93 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.

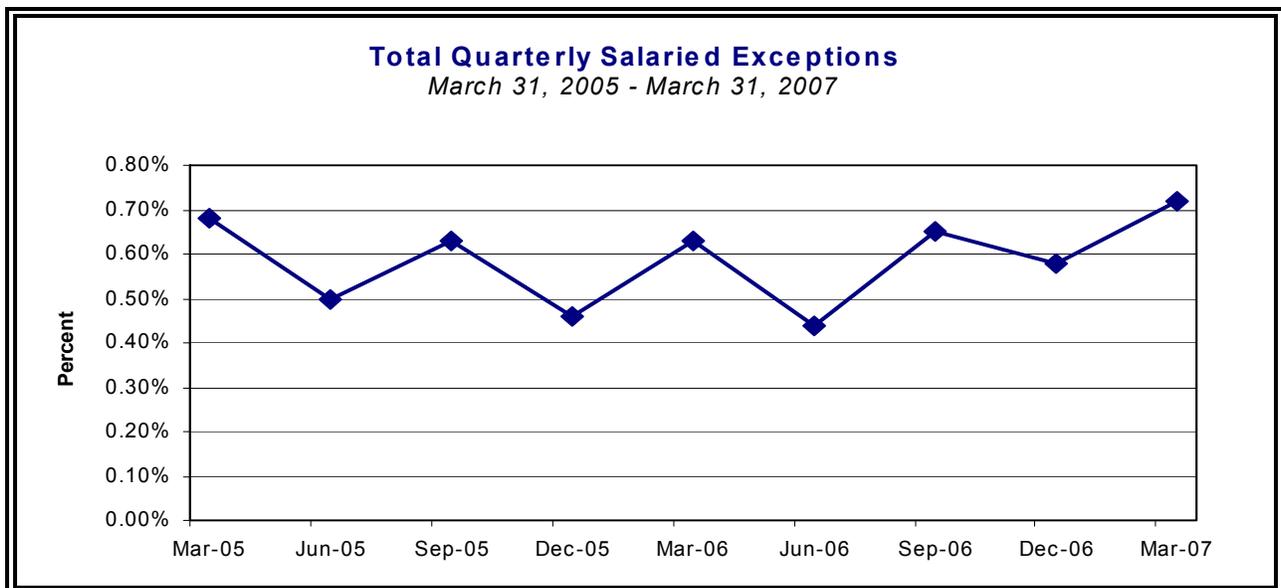
Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Salaried Payments
Quarter Ended March 31, 2007

<u>Agency</u>	<u>Exceptions as a % of Salaried Payments</u>
Central Virginia Community College	6.04%
Commission on VASAP	2.78%
Towing & Recovery Operations Board*	25.00%
Office of the Inspector General**	3.57%
Total Salaried Payroll Exceptions for the Quarter	0.72%

* The Department of Motor Vehicles serves as the control agency for the Towing & Recovery Operations Board.

** The Department of Mental Health, Mental Retardation and Substance Abuse Services serves as the control agency for the Office of the Inspector General.

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

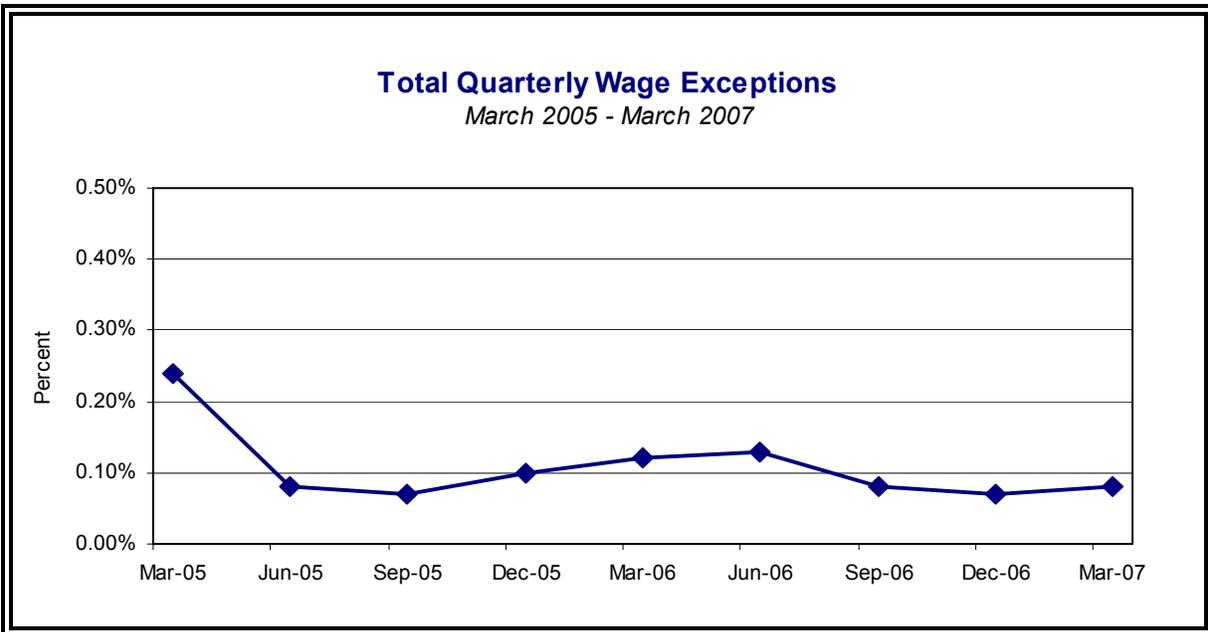


Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Wage Payments

Quarter Ended March 31, 2007

<u>Agency</u>	<u>Exceptions as a % of Wage Payments</u>
Department of Motor Vehicles	0.66%
Central Virginia Training Center	3.79%
Department of Juvenile Justice	1.05%
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 third quarter 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. The following table lists those agencies having exceptions that remain unresolved six weeks after receipt of the report.

<u>Agency</u>	<u>Unresolved Exceptions</u>
No unresolved exceptions	



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

<u>Agency</u>	<u>Variance Amount (a)</u>	<u>Performed by DOA (b)</u>	<u>Submitted Late (c)</u>	<u>Corrected by DOA (d)</u>
Education				
Rappahannock Community College	\$ 41,152			
John Tyler Community College			2	
Southwest Virginia Community College			2	
Judicial				
Supreme Court	564,480			
Judicial Inquiry and Review Commission	(564,480)			
Public Safety				
Marion Correctional Treatment Center	50,000			

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 December, January and February were due 01/31/07, 02/28/07 and 03/31/07 respectively.

**Schedule of Health Care Reconciliations
Received Late**

	Dec	Jan	Feb
Health and Human Resources			
Department of Rehabilitative Services	X		
Va Rehabilitation Center for the Blind & Vision Impaired	X		
Department for the Blind & Vision Impaired	X	X	

X = Late



FINANCIAL MANAGEMENT ACTIVITY

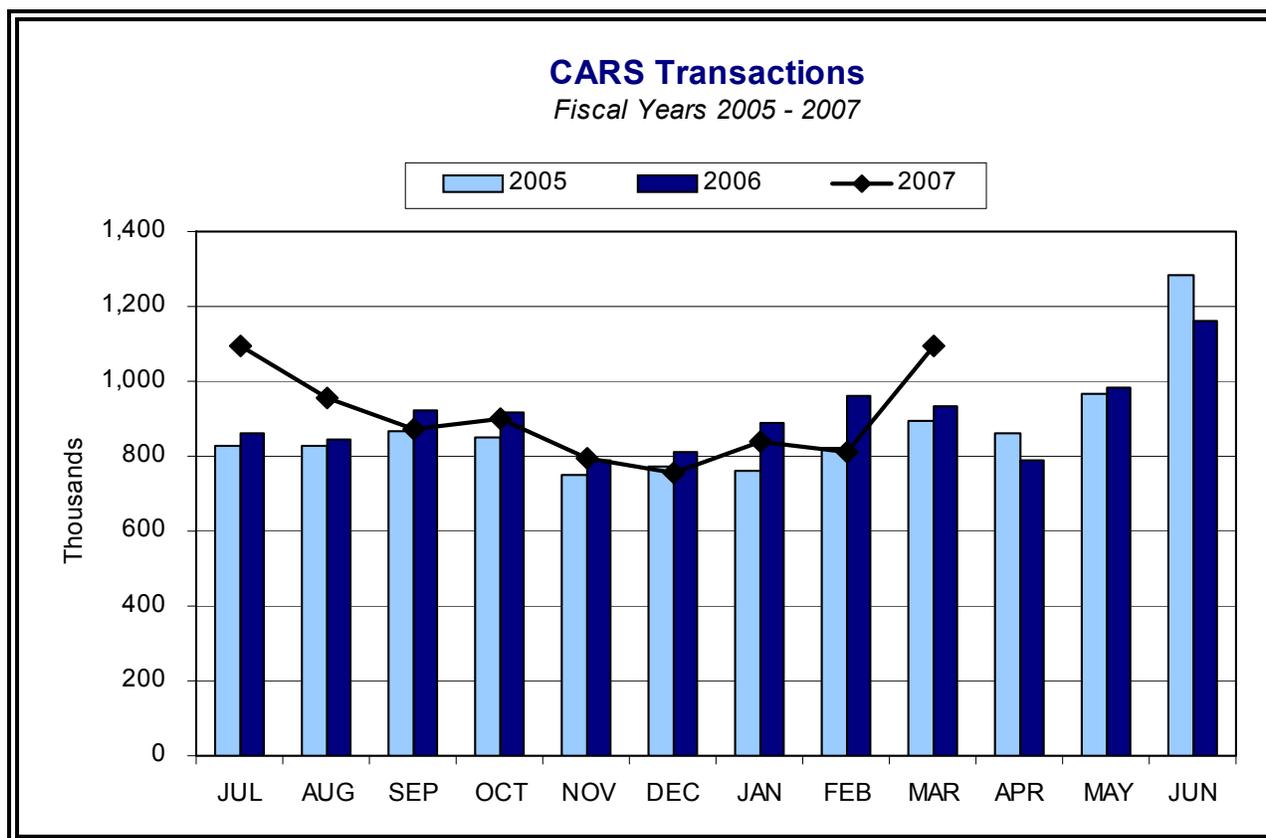
DOA monitors several types of financial activity. Various measures are used to track activities for CARS, payroll, accounts

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.

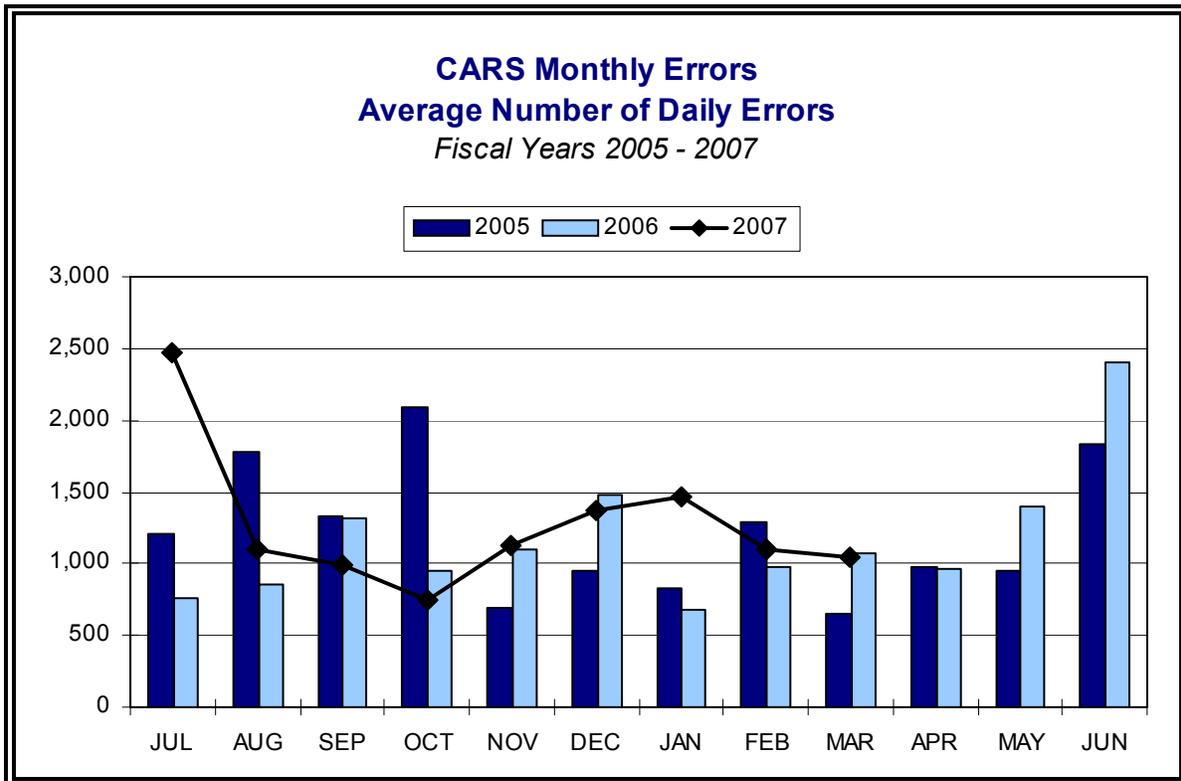


CARS Edits

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 third quarter of FY 2007, the most frequent reasons cited for transactions processing to the error file were:

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.

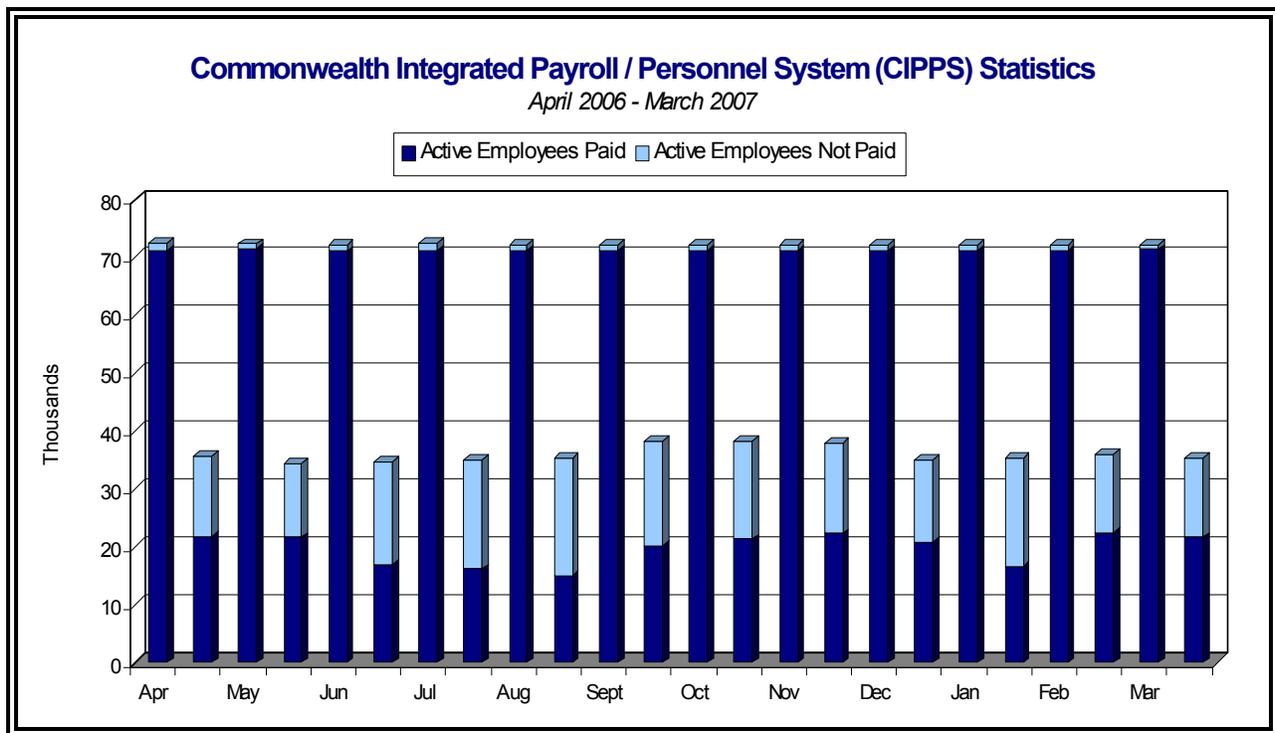
- Expenditure Exceed Allotment
- Available Cash Negative
- Certified Amounts Not Balanced



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 107,618 employees. Payroll services are also provided through eight decentralized higher education institutions.

Total gross payrolls for the Commonwealth were approximately \$476 million each month of the quarter. On average, 91,411 employees were paid each month, of which 71,194 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

programs. During the quarter, state employees purchased 10,600 savings bonds with a face value of over \$1.37 million.

**Benefit Participation
Number of Participating Employees**

Benefit	As of 3/31/2007	Comparative	
		As of 3/31/2006	As of 3/31/2005
Health Care			
COVA Care	82,681	82,055	80,564
Kaiser	2,019	1,936	1,871
Optional Retirement Plans*			
Fidelity Investments	550	538	518
TIAA/CREF	1,609	1,587	1,514
Political Appointee - ORP	102	57	88
Deferred Compensation*			
Great West Life	33,973	32,955	30,354
Flexible Reimbursement*			
Dependent Care	720	665	699
Medical Care	5,974	5,046	4,869

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



Accounts Receivable

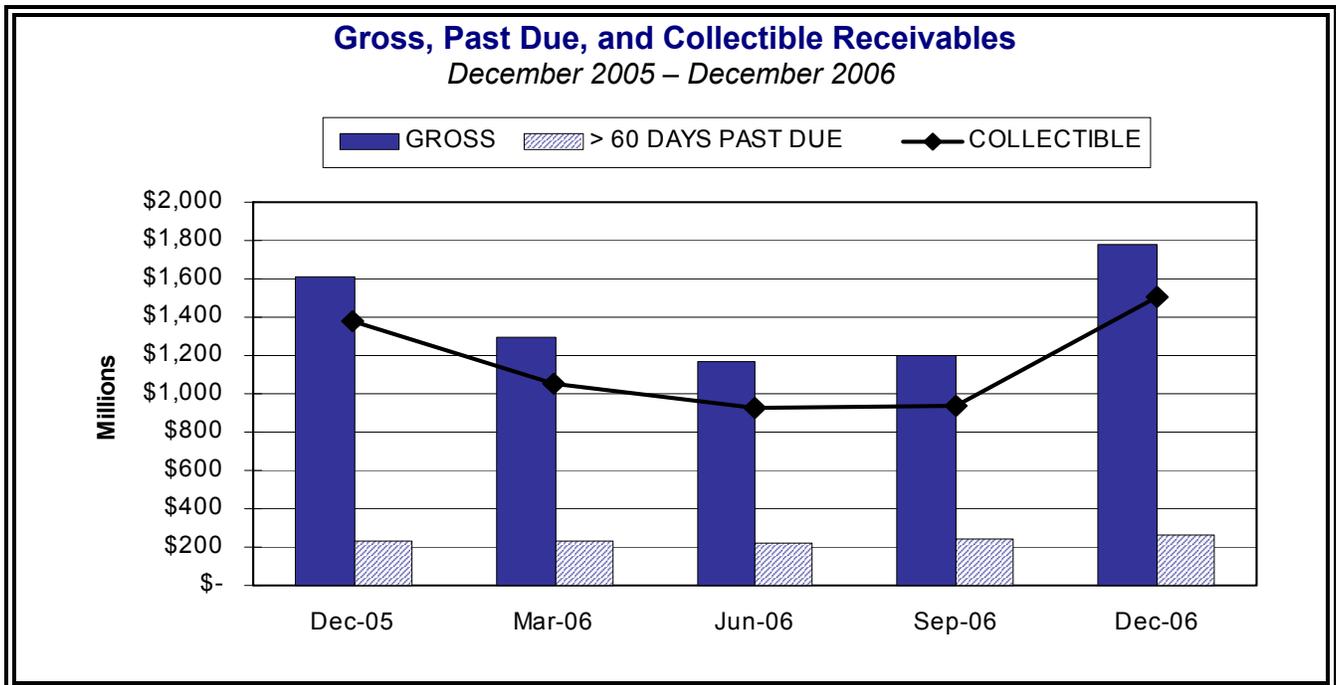
Executive Summary

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 \$1.8 billion at December 31, 2006, with \$1.5 billion considered collectible. Receivables over 60 days past due as of December 31, 2006, totaled \$267.2 million. Of that amount, \$16.7 million was placed with private collection agencies, \$17.8 million was placed with the Division of Debt Collection and \$232.7 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 December 31, 2006, agencies expected to collect \$1.5 billion (85 percent) of the \$1.8 billion adjusted gross receivables. About 3 percent are due to the

General Fund, primarily for Medicaid penalties. The balance (approximately \$1.46 billion) is due to several non-general funds.

Collectible Receivables by Fund

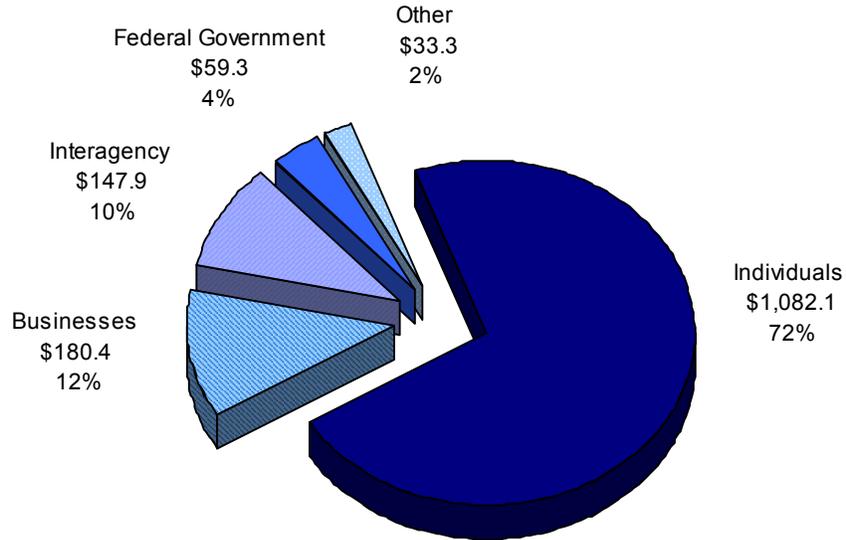
*Not Including Circuit Courts, District Courts, or the Department of Taxation
As of December 31, 2006*

Fund	Source	Amount	Percent
General Fund 3%	Medicaid	\$ 29,011,176	76%
	Social Services	3,381,868	9%
	State Police Permits	2,483,610	6%
	Labor and Industry Inspections	737,098	2%
	Other	2,037,720	5%
	Subtotal	37,651,472	98%
	Interagency Receivables	818,953	2%
	Total General Fund Collectible		\$ 38,470,425
Nongeneral Funds 97%	Medicaid	\$ 14,374,061	1%
	Unemployment Taxes	64,923,122	4%
	Transportation	55,400,311	4%
	Child Support Enforcement	84,413,164	6%
	Federal Government	42,598,350	3%
	MHMR Patient Services	28,211,743	2%
	Hospital	91,212,792	6%
	Enterprise	79,380,292	5%
	Higher Education	835,761,173	58%
	Other	21,115,135	1%
	Subtotal	1,317,390,143	90%
Interagency Receivables	147,116,565	10%	
Total Nongeneral Fund Collectible		\$ 1,464,506,708	100%
All Funds	Grand Total	\$ 1,502,977,133	100%

Summary of Receivables by Source

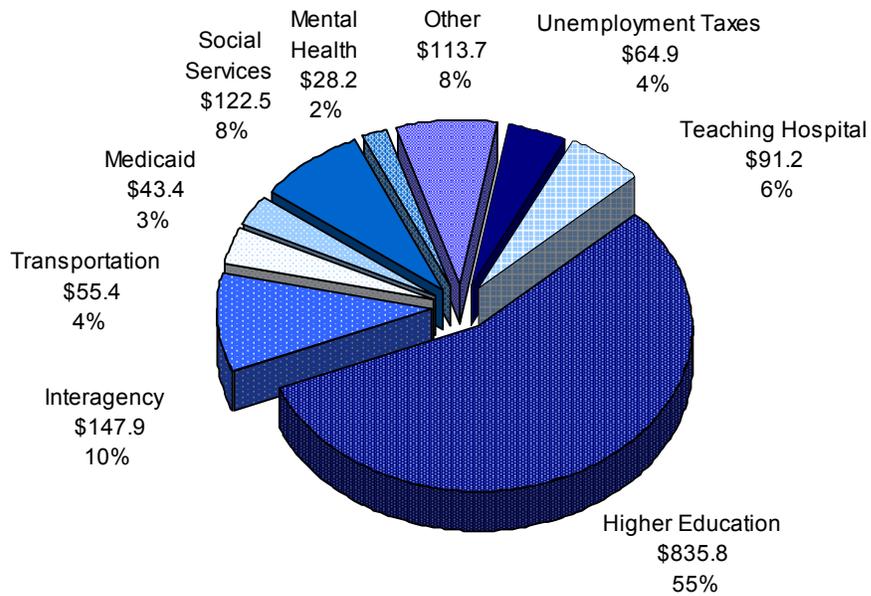
Sources of Collectible Receivables by Debtor

(dollars in millions)
As of December 31, 2006



Sources of Collectible Receivables by Type

(dollars in millions)
As of December 31, 2006



Not counting Taxation and the Courts, 10 agencies account for 70 percent of the Commonwealth's adjusted gross and 69

percent of the adjusted collectible accounts receivable balances.

Accounts Receivable Summary
Not Including Circuit Courts, District Courts, or Department of Taxation
Quarter Ended December 31, 2006

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
Virginia Polytechnic Institute and State University	\$ 176,432,760	\$ 1,207,901	\$ 175,224,859
University of Virginia Medical Center	160,687,920	15,530,581	145,157,339
Department of Social Services	281,136,317	156,856,590	124,279,727
Virginia Commonwealth University	125,015,998	1,517,506	123,498,492
George Mason University	97,418,360	856,676	96,561,684
James Madison University	88,241,477	1,509,525	86,731,952
University of Virginia Academic Division	83,192,113	1,721,000	81,471,113
Virginia Employment Commission	93,683,000	25,668,181	68,014,819
The College of William and Mary in Virginia	66,273,897	6,546	66,267,351
Old Dominion University	64,399,256	977,910	63,421,346
Total	1,236,481,098	205,852,416	1,030,628,682
All Other Agencies	539,049,683	66,701,232	472,348,451
Grand Total	\$ 1,775,530,781	\$ 272,553,648	\$ 1,502,977,133

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

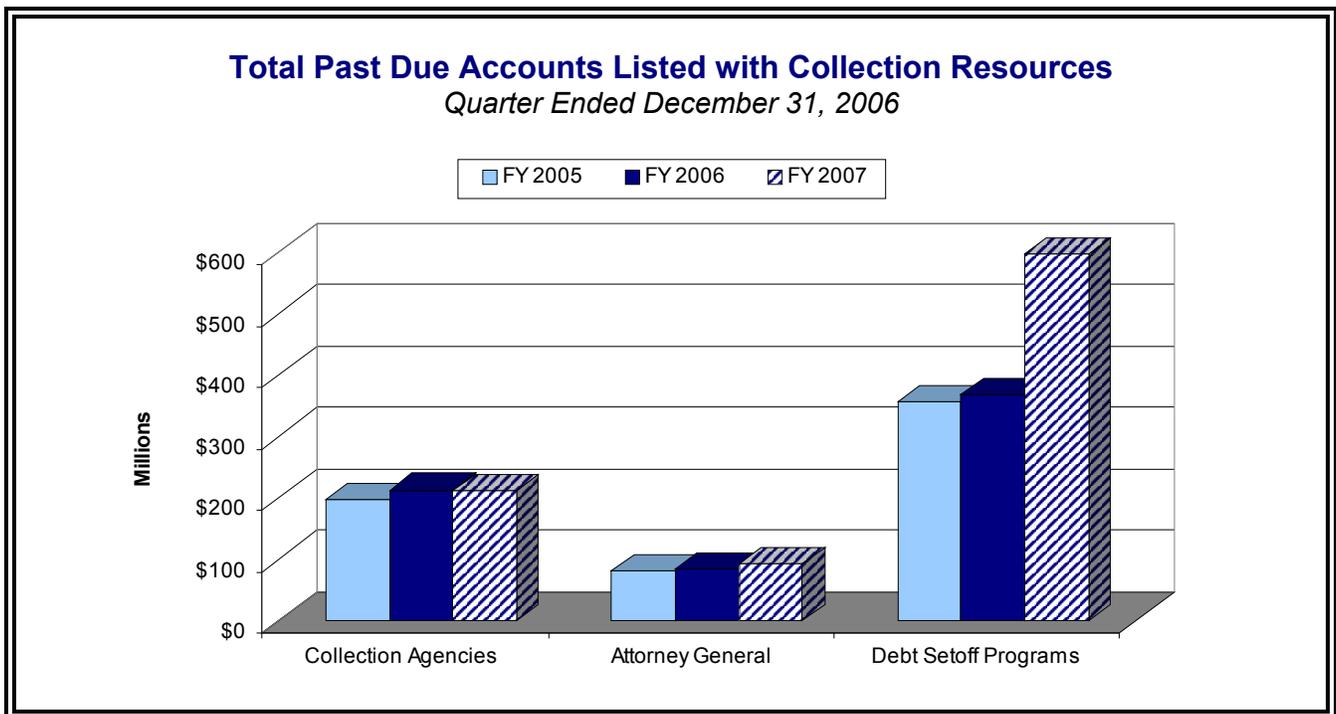
General's Division of Debt Collection. The Office of the Attorney General requires state agencies and institutions to send accounts of \$3,000 or more and 60 days or more past due to the Division of Debt Collection.

These additional collection tools recovered \$3.7 million during the quarter ended December 31, 2006. The Division of Debt Collection contributed \$627,973. Private collection agencies collected \$2.6 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected \$505,778.

Collectible Receivables Over 60 Days Past Due
Not Including Circuit Courts, District Courts, or the Department of Taxation
As of December 31, 2006

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	\$ 89,413,277	\$ -	\$ -	\$ 89,413,277
Virginia Employment Commission	35,485,424	7,284,012	6,487,767	21,713,645
Department of Medical Assistance Services	29,040,909	1,711,118	1,898,580	25,431,211
University of Virginia Medical Center	20,506,297	-	-	20,506,297
Department of Transportation	16,135,329	769,067	3,924,253	11,442,009
Department of Mental Health, Mental Retardation & Substance Abuse Services	11,805,925	-	-	11,805,925
Virginia Information Technologies Agency	9,941,442	-	-	9,941,442
Department of General Services	4,703,841	-	-	4,703,841
Virginia Polytechnic Institute & State University	3,945,960	676,565	341,914	2,927,481
Virginia Community College System	3,601,778	700,535	23,224	2,878,019
TOTAL	\$ 224,580,182	\$ 11,141,297	\$ 12,675,738	\$ 200,763,147
<i>All Other Agencies</i>	42,608,044	5,548,545	5,127,717	31,931,782
TOTAL OVER 60 DAYS	\$ 267,188,226	\$ 16,689,842	\$ 17,803,455	\$ 232,694,929
Uncollectable Amounts Placed for Collection, Including Accounts Written Off	632,468,303	194,400,373	74,241,123	363,826,807
TOTAL COLLECTION EFFORTS	\$ 899,656,529	\$ 211,090,215	\$ 92,044,578	\$ 596,521,736

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 to 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 to the State. CDS collected \$12.4 million through the third 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 12/31/06	Comparative	
		Percent at 9/30/06	Percent at 6/30/06
Department of Social Services	32%	33%	32%
Virginia Employment Commission	38%	35%	31%
Department of Medical Assistance Services	37%	37%	32%
University of Virginia Medical Center	13%	9%	13%
Department of Transportation	28%	52%	14%
Department of Mental Health, Mental Retardation & Substance Abuse Services	27%	25%	19%
Virginia Information Technologies Agency	27%	10%	1%
Department of General Services	32%	8%	82%
Virginia Polytechnic Institute and State University	2%	4%	7%
Virginia Community College System	11%	8%	15%
Statewide Average - All Agencies	15%	20%	19%

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 69 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 percent 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 69 percent indicates that for every \$1 billed during the quarter ended December 31, 2006, the state collected 69 cents. This rate is two percent less than last year, and one percent less than the December 31, 2004 quarter.

Collections as a Percentage of Billings

<u>Agency</u>	<u>Percent at 12/31/06</u>	<u>Comparative</u>	
		<u>Percent at 12/31/05</u>	<u>Percent at 12/31/04</u>
Virginia Polytechnic Institute and State University	51%	49%	46%
University of Virginia Medical Center	49%	46%	46%
Department of Social Services	86%	86%	80%
Virginia Commonwealth University	43%	38%	46%
George Mason University	51%	48%	50%
James Madison University	26%	27%	28%
University of Virginia Academic Division	83%	81%	78%
Virginia Employment Commission	104%	103%	105%
The College of William and Mary in Virginia	30%	27%	29%
Old Dominion University	34%	33%	34%
Statewide Average - All Agencies	69%	71%	70%

Commonwealth Receivables Analysis

The following individual accounts receivable 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 federal 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 \$43.6 million at December 31, 2006, is a \$443,282 increase over the \$43.1 million reported at December 31, 2005. Over the same period, total past due receivables have increased by \$3.3 million to \$31.7 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.

UVAH's collectible receivables of \$145.2 million at December 31, 2006, were a \$19.6 million increase from the \$125.6 million reported the previous year. Past due receivables increased by \$4.0 million to \$80.6 million at December 31, 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 \$68 million at December 31, 2006, a decrease of \$6.1 million from the previous year. Total past due receivables were \$38.8 million, a \$2.9 million decrease from last 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 December 31, 2006, of \$37.5 million, an \$843,941 increase from the previous year's \$36.6 million. Most of these dollars are owed by other state agencies. As of December 31, 2006, \$9.9 million was over 60 days past due, a \$9.1 million 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 December 31, 2006, the Virginia Lottery reported net receivables of \$62.7 million, a \$7.5 million increase from the previous year's net of \$55.2 million. Billings during the December 31, 2006 quarter decreased \$22.7 million and collections decreased by \$24 million when compared to the December 31, 2005 quarter. At December 31, 2006, the Virginia Lottery had \$439,055 that was over 60 days past due. The total amount is covered by surety bonds 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 December 31, 2006, DOE had no accounts receivable due from the Federal government under Direct Aid. This is consistent with the prior year.

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 December 31, 2006, the University reported net collectible receivables of \$175.2 million, a \$4.6 million increase over the prior year. At the same time, past due receivables decreased by \$2.5 million from last year.

The University uses a variety of collection methods to encourage payments. At December 31, 2006, VPISU had \$3.9 million of accounts over 60 days past due, of that \$341,914 was placed with the Attorney General's Division of Debt Collection, another \$676,565 placed with private collection agencies and \$2.9 million listed with Taxation's Debt Setoff Programs and additional in-house efforts.

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 December 31, 2006, the Department reported net receivables of \$28.2 million, a \$2.1 million decrease from the previous year. \$18.2 million was past due, with \$11.8 million being over 60 days past due. Total past due receivables increased by \$850,266 over the year, and accounts over 60 days past due increased by \$529,539. At December 31, 2006, the Department had \$7.7 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 December 31, 2006, VDOT reported \$54.9 million of collectible receivables, an increase of \$28.6 million from the prior year. VDOT also reported \$17.3 million total past due and \$14.6 million being over 60 days past due. Past due receivables decreased by \$4 million over the year, while receivables over 60 days past due increased by \$2.2 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 \$8.5 million of their unpaid accounts with the Attorney General's Division of Debt Collection, \$1.1 million with private collection agencies and \$1.2 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 December 31, 2006, DSS reported gross receivables of \$281.1 million, an allowance for doubtful accounts of \$156.8 million and collectible receivables of \$124.3 million. Past due receivables totaled \$91.1 million, of which \$89.4 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for \$220.8 million (79 percent) of the gross receivables, \$136.4 million (87 percent) of the allowance for doubtful accounts and \$84.4 million (69 percent) of the collectible receivables.

From December 31, 2005, to December 31, 2006, gross receivables increased \$31.5 million and collectible receivables increased by \$1.1 million. Write offs for the quarter totaled \$769,049. Total past due receivables increased by \$18.4 million and receivables

over 60 days past due increased by \$18.1 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 December 31, 2006, DRPT had gross and net receivables of \$5.6 million. The majority of this money is due via an interagency transfer from VDOT. \$1.3 million was past due at December 31, 2006. Of this amount, \$965,878 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 December 31, 2006, VCU had \$123.5 million of collectible receivables, a \$9.9 million increase over December 31, 2005. Total past due accounts were \$14.6 million, a \$4.7 million increase over December 31, 2005. Accounts over 60 days past due (\$3.4 million) increased by \$454,172 over the prior year. Billings increased by \$22.3 million to \$150.1 million and collections increased by \$15.3 million to \$63.9 million for the December 31, 2006, quarter as compared to the December 31, 2005, quarter.

The following table is prepared to present the December 31, 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 80 percent (\$1.66 billion) of

the Commonwealth's total \$2.08 billion past due accounts receivable at December 31, 2006. Another eighteen agencies accounted for 19 percent (\$385.7 million), leaving 70 other agencies to comprise the last one percent at \$32.4 million.

Agencies with the Largest Volume of Past Due Receivables

As of December 31, 2006

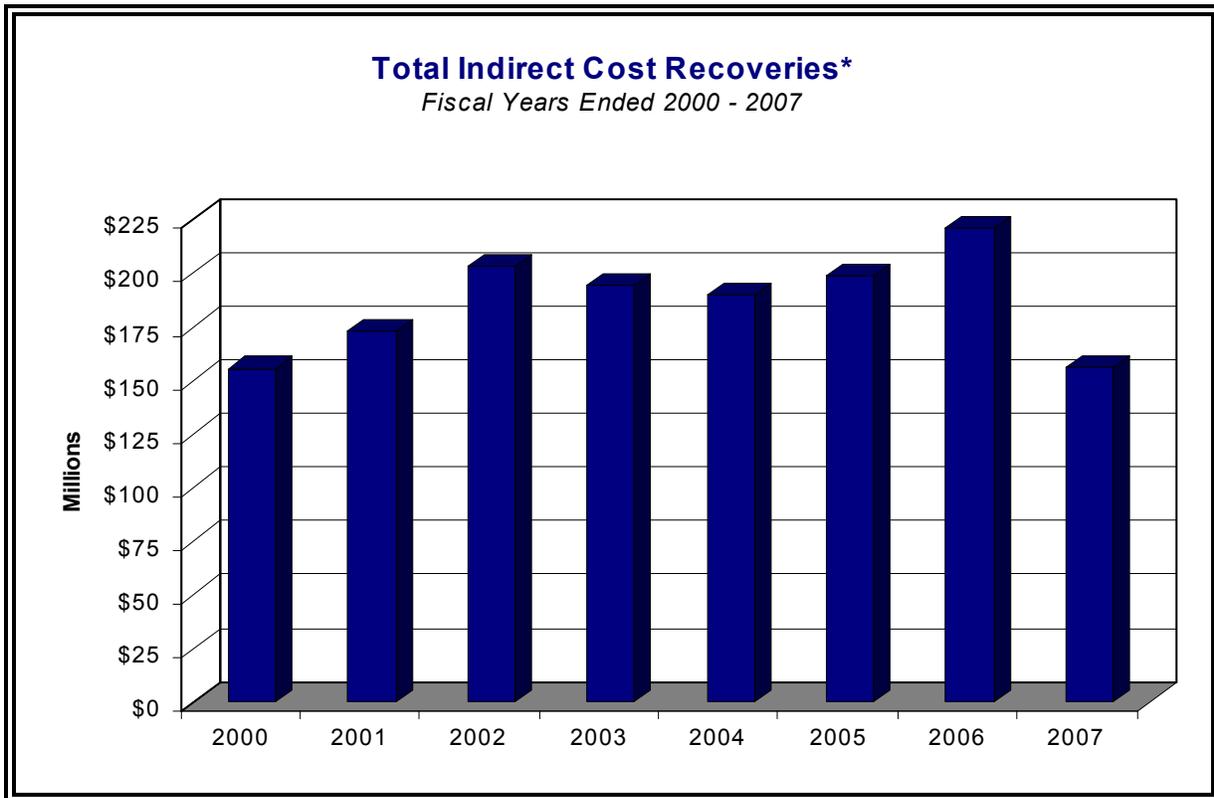
Agency	Total Past Due	1 to 180 Days Past Due	181 to 360 Days Past Due	Over One Year
Department of Taxation	\$ 1,210,087,728	\$ 178,286,592	\$ 60,864,741	\$ 970,936,395
Localities' Circuit and District Courts	449,745,777	35,353,011	58,339,399	356,053,367
Total - Taxation Assessments and Court Fines and Fees	1,659,833,505	213,639,603	119,204,140	1,326,989,762
All Other Large Dollar Agencies:				
Department of Social Services	91,070,765	4,917,822	4,945,142	81,207,801
University of Virginia Medical Center	80,576,011	73,501,936	6,667,054	407,021
Virginia Employment Commission	38,846,645	8,440,919	6,890,372	23,515,354
Department of Medical Assistance Services	31,740,944	7,880,839	7,400,334	16,459,771
Virginia Information Technologies Agency	27,070,262	26,556,445	445,788	68,029
Department of Transportation	20,756,404	8,258,278	2,265,677	10,232,449
Department of Mental Health, Mental Retardation & Substance Abuse Services	18,203,060	15,911,957	2,291,103	-
University of Mary Washington	14,994,680	14,740,855	80,806	173,019
Virginia Commonwealth University	14,571,882	11,837,610	879,190	1,855,082
Department of General Services	10,920,590	10,920,590	-	-
Virginia Polytechnic Institute & State University	7,527,276	5,954,410	679,622	893,244
Virginia Community College System	6,614,007	4,335,770	661,739	1,616,498
University of Virginia - Academic Division	5,953,353	4,762,433	772,971	417,949
George Mason University	5,784,795	4,677,764	531,945	575,086
Department of Labor and Industry	2,918,859	465,965	291,310	2,161,584
Department of State Police	2,874,188	470,341	1,478,957	924,890
Virginia's Workers' Compensation Commission	2,702,208	1,032,257	634,433	1,035,518
Old Dominion University	2,620,624	2,572,214	31,472	16,938
Total - Largest Dollar Volume Agencies	385,746,553	207,238,405	36,947,915	141,560,233
All Other Agencies	32,407,839	22,805,722	3,915,279	5,686,838
Grand Total Past Due Receivables	\$ 2,077,987,897	\$ 443,683,730	\$ 160,067,334	\$ 1,474,236,833



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 March 31, 2007.

Indirect Cost Recoveries from Grants and Contracts
Fiscal Year 2007

Fund	Year-to-Date		Total
	Higher Ed	Non-Higher Ed	
Nongeneral:			
Agency / Institution (1)	\$ 107,531,130	\$ 45,267,346	\$ 152,798,476
Statewide	2,272,891	394,820	2,667,711
Total Nongeneral	109,804,021	45,662,166	155,466,187
General:			
Agency (Cash Transfers)	-	68,144	68,144
Statewide	-	761,109	761,109
Statewide (Cash Transfers)	-	5,749	5,749
Total General	-	835,002	835,002
Total All Funds	\$ 109,804,021	\$ 46,497,168	\$ 156,301,189

- (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 \$32,527,060 representing the Department of Social Services' estimate of indirect cost recoveries received.



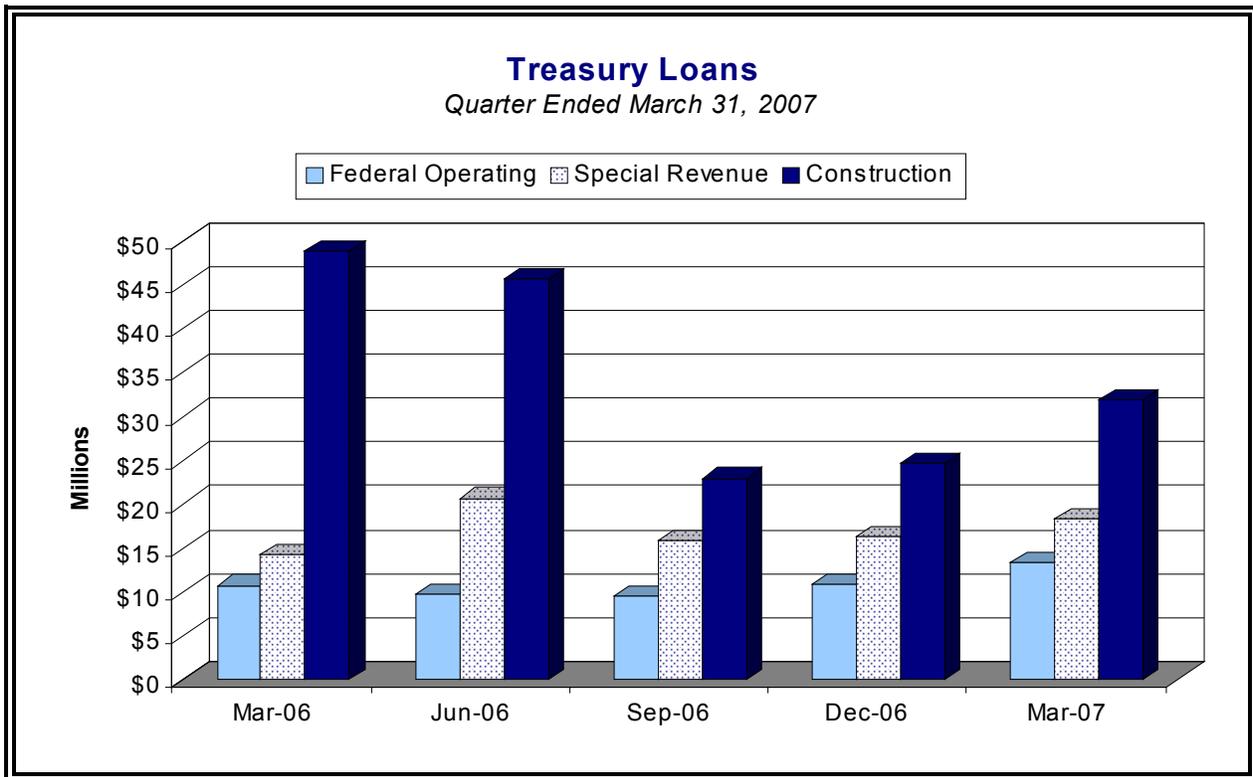
Loans and Advances

Treasury loans may be used to advance funds to a state agency or institution for a designated purpose prior to some form of reimbursement, typically federal or special revenues. They are loans of a temporary nature, approved 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.

The total of all types of treasury loans as of March 31, 2007, was \$63.7 million.



Significant New Loans / Drawdowns	New Balance
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Department of Emergency Management (DEM) Authorization and drawdown of a new \$2.5 million loan to provide operating funds in anticipation of reimbursement of approved grants from the U.S. Department of Homeland Security.	\$ 2,500,000
Virginia Information Technologies Agency (VITA) Authorization and drawdown of a new \$15 million loan to provide operating funds in anticipation of reimbursement from state agencies.	\$ 5,000,000
Department of General Services (DGS) Initial two drawdowns on a \$13.2 million loan authorized by Chapter 951 (2005 Appropriations Act) in anticipation of revenues to be received for the completion of the renovation and extension of the Capitol.	\$ 6,874,917

Significant Loan Repayments	Prior Balance
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Department of Emergency Management (DEM) Final payments on a \$3 million loan that provided assistance to states impacted by Hurricane Katrina.	\$ 1,362,143
Department of General Services (DGS) Final payment on a \$5 million loan awarded in 2004 to support the department's expansion and overview of the statewide Virginia Partners in Procurement (VaPP) program.	\$ 1,500,000
Department of Veterans Services (DVS) Additional payment on an authorized \$14.75 million loan for completion of a new Veterans Care Center in Richmond. Prior loan balance was \$4,690,524.	\$ 3,480,863

Other methods not charted but used to ensure an agency or institution has sufficient operating cash include authorized appropriation deficits, working capital advances, and lines of credit.

- **Authorized Appropriation Deficits**, which provide 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 March 31, 2007.
- **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 were no outstanding working capital advances at March 31, 2007.
- **Lines of Credit**, which provide funding for recurring shortfalls of operating cash and are authorized in §3-2.03 of the Appropriation Act. The total of all outstanding lines of credit as of March 31, 2007, was \$14.8 million.

