

**REPORT ON
STATEWIDE FINANCIAL MANAGEMENT AND
COMPLIANCE**

FOR THE QUARTER ENDED MARCH 31, 2008



OFFICE OF THE COMPTROLLER

DEPARTMENT OF ACCOUNTS

Prepared and Published by
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Text and graphics were produced using Microsoft Word for Windows in Arial and Times New Roman fonts. Printed May 2008 at the Department of Accounts on a Xerox 4890 highlight color printer and spiral bound at a cost of 10 cents per copy.

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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, 2008, and comparative FY 2007 data. Some information in the report is for the quarter ended December 31, 2007, which is the most current data available.

David A. Von Moll, CPA, CGFM
Comptroller



Virginia Department of Accounts

Financial Accountability. Reporting Excellence.

SPECIAL REPORT

2007 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 2008, a Statewide Information Returns compliance survey was conducted for the 2007 tax year. Based on the survey, 128 tax reporting entities (representing 251 agencies and institutions) filed 3.5 million information returns totaling \$7.6 billion. Four reporting entities did not file information returns for 2007. The Commonwealth filed 99.9 percent of the information returns with the IRS using electronic or magnetic media.

Information Returns

Filed for Calendar Year 2007

Number of Information Returns Filed	Number of Tax Reporting Entities
No Returns	4
1 to 50 Returns	65
51 to 250 Returns	28
Over 250 Returns	31
Total Reporting Entities	128

The agencies and institutions of the Commonwealth filed the following types of information returns for the tax year ended December 31, 2007. When the number of information returns filed for 2007 is compared with 2006, percent changes by category range from negative 24 percent for 1099-S, Real Estate Transactions, to positive 21 percent for W-2G, Lottery Winnings.

The decrease in the number of 1099-INT forms issued by the Department of Taxation was expected as operations returned to normal after the conversion to a new taxpayer information system last year. The conversion had created a delay in taxpayer refunds which

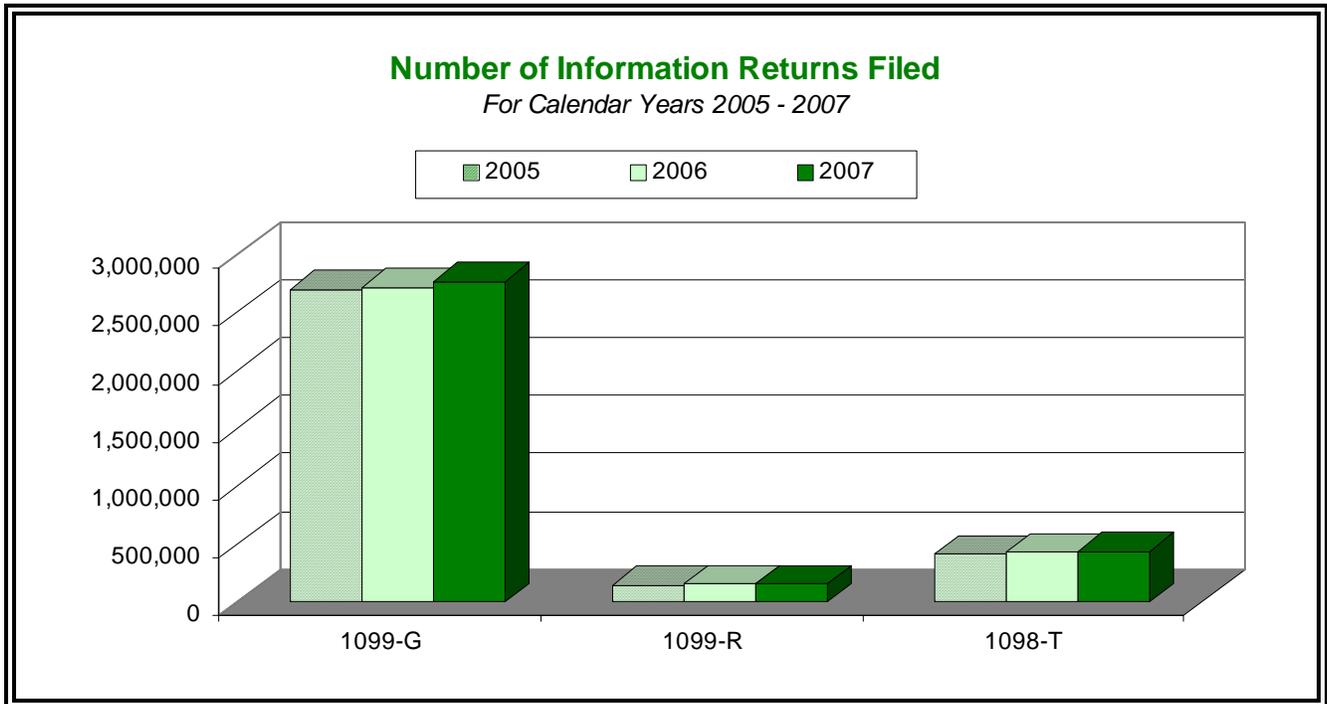
had caused more refund interest payments. The number of 1099-Q forms issued by the Virginia College Savings Plan increased in proportion to the increased number of college students who drew on their savings accounts. The decrease in the number of 1099-MISC forms is related to a decrease in the number of reportable vendors with annual payments 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-S forms issued by the Department of Transportation is caused by a reduction in the number of right of way closings during 2007.

2007 Information Returns Reporting Results
By Major Filing Category

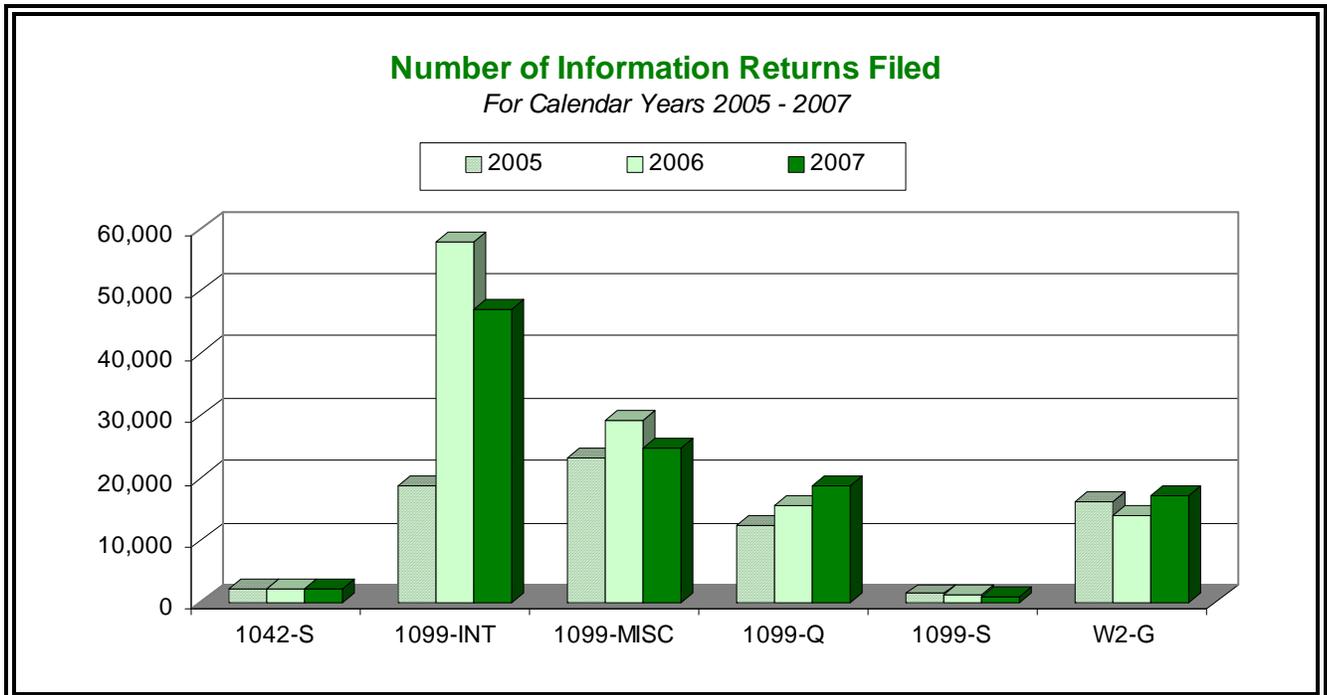
Form Type (1)	Dollars Reported in 2007	Number of Payees in 2007	Paper Media	Magnetic Media	Electronic Media	% Change in Number of Filings from 2006
1042-S, Foreign Persons	\$ 14,064,290	2,248	135	-	2,113	9%
1098-T, Tuition Statement	1,998,628,557	436,422	-	-	436,422	2%
1099-DIV, Dividends	321,752	1,454	-	-	1,454	6%
1099-G, Government Payments	2,175,200,949	2,773,014	140	-	2,772,874	2%
1099-INT, Interest	5,669,138	46,980	308	-	46,672	-19%
1099-MISC, Miscellaneous Income (2)	645,195,110	24,683	1,992	109	22,582	-16%
1099-Q, Qualified Education Programs	113,601,294	18,647	-	-	18,647	19%
1099-R, Retirement	2,407,436,913	156,095	131	-	155,964	5%
1099-S, Real Estate Transactions	70,631,399	1,003	1	-	1,002	-24%
W-2G, Lottery Winnings	192,641,506	17,069	-	-	17,069	21%
Total	\$ 7,623,390,908	3,477,615	2,707	109	3,474,799	2%

- (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. Also, does not include the Form 1099-C, Cancellation of Debt, because only one was reported.
- (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

During 2007, two reporting agencies received IRS CP-2100 notices, or other correspondence, related to information returns filed for the previous tax years. 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, the 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 reporting agencies receiving notice complied and responded accordingly, and the penalties were waived.

Eighty-one 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 mismatches, and software selection.

In 2007, 22 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 2007.

**Reporting Entities Filing More Than
500 Information Returns for 2007**

<u>Reporting Entity</u>	<u>Number of Agencies</u>	<u>Number of Returns</u>	<u>Dollars Reported</u>	<u>Automated System (s)</u>
Department of Taxation	1	2,658,089	\$ 1,770,933,672	Agency owned software
Virginia Community College System (VCCS) (1)	24	192,745	207,390,533	In-House Accounting System
Virginia Employment Commission	1	158,076	407,979,146	AMS
Virginia Retirement System	1	156,022	2,434,502,165	Tax Form Helper
Virginia Commonwealth University	1	46,405	263,333,442	Banner
George Mason University	1	36,357	243,215,081	Banner
University of Virginia	3	34,292	420,741,225	In-House System
Virginia Polytechnic Institute and State University	2	32,079	291,129,795	Banner (Sunguard)
Old Dominion University	1	25,427	114,889,023	Sunguard/Banner
James Madison University	1	21,016	165,595,146	Winfiler
Virginia College Savings Plan	1	18,659	113,992,853	AMS
State Lottery Department	1	18,119	223,212,543	PeopleSoft Enterprise One
The College of William and Mary in Virginia	3	13,169	121,315,469	Sunguard SCT Banner
Radford University	1	12,356	78,233,062	AMS
Norfolk State University	1	8,229	47,952,869	IFAS
University of Mary Washington	1	7,057	61,810,135	Banner
Christopher Newport University	1	6,785	43,607,544	Evisions
Virginia State University	2	6,663	69,299,032	1099 Express & Banner
Longwood University	1	5,863	36,459,523	Banner
Department of the Treasury, Division of Unclaimed Property	1	2,751	2,295,282	In-House System
Supreme Court	9	2,591	90,886,788	IDSS Oracle
Department of Transportation	1	2,110	105,034,128	PeopleSoft FMS
Virginia Military Institute	1	1,770	23,225,415	Datatel Colleague
Department of Forestry	1	1,705	4,974,905	AMS
Department of Rehabilitative Services	6	1,347	15,055,549	Powerhouse
Department of Health	2	1,049	14,162,137	VDH FAS (Oracle)
Central Virginia Training Center	1	512	464,127	FMS
Total	70	3,471,243	\$ 7,371,690,589	

(1) The number of returns filed by VCCS includes 192,707 1098-T's filed on behalf of the 23 community colleges.

SPECIAL REPORT

2007 Year-End Payroll Processing

At the end of calendar year 2007, DOA working with 220 state agencies and institutions, verified and printed 123,787 W-2s. This was a slight increase from the number of W-2s printed in 2006.

	CY 2006	CY 2007
W-2s Printed	122,641	123,787
W-2Cs Printed	40*	30*
Agencies Making Adjustments	75	67
Employee Records Requiring Year-End Adjustments	247	236

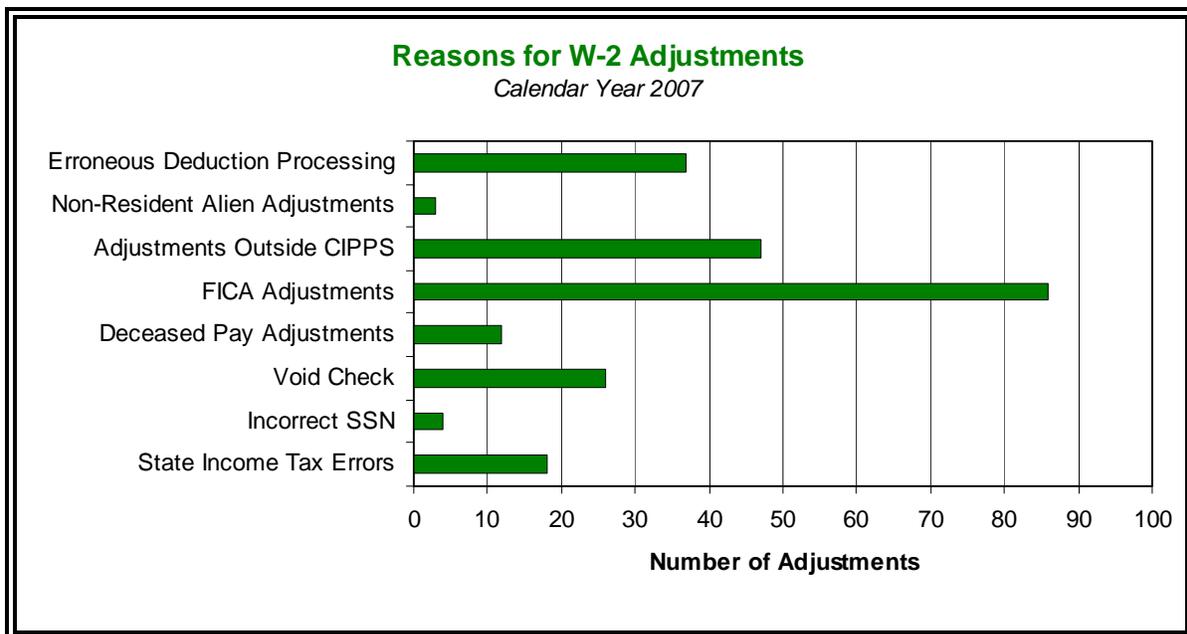
*# of W-2C's printed as of the date of this report.

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 236 employee records. FICA adjustments related to the calculation of imputed life for ORP retirees was the most common reason for W-2 adjustments. Adjustments made outside of the payroll system 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 28 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 control deficiencies. Control deficiencies occur when the design or operation of internal control does not allow management or employees to prevent or detect errors 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 workplans.

The APA also reports 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 Findings section.

The APA also issued several Special Reports during the quarter. These reports are listed following the Efficiency Issues section. The full text of these reports is available at www.apa.virginia.gov.

Audit Reports – Quarter Ended March 31, 2008

The APA issued ten separate reports covering 27 agencies, offices, boards, commissions, colleges and universities for the Executive Branch listed on the following table. All of the reports were for FY 2007. The last column indicates whether the CAW had been received as of the date of this publication for each agency with audit findings. Note that in some cases, the CAW has not been received because it is not yet due.

	New Findings	Repeat Findings	Total Findings	CAW Received
Administration				
Department of General Services (1)	3	0	3	Not Due
Virginia War Memorial Foundation	1	0	1	Not Due

Agriculture and Forestry

None

	New Findings	Repeat Findings	Total Findings	CAW Received
Commerce and Trade				
Department of Housing and Community Development	0	0	0	N/A
Virginia Employment Commission	2	2	4	YES
Education				
Norfolk State University	3	1	4	Not Due
Virginia College Building Authority	0	0	0	N/A
Executive Offices				
None				
Finance				
None				
Health and Human Resources				
Agencies of the Secretary of Health and Human Resources: (2)				
Department for the Aging	0	0	0	N/A
Department for the Blind and Vision Impaired	0	0	0	N/A
Department for the Deaf and Hard of Hearing	0	0	0	N/A
Department of Health	3	0	3	Not Due
Department of Health Professions	0	0	0	N/A
Department of Medical Assistance Services	1	0	1	YES
Department of Mental Health, Mental Retardation, & Substance Services (3)	2	2	4	Not Due
Department of Rehabilitative Services	4	0	4	YES
Department of Social Services	3	3	6	YES
Office of Comprehensive Services for At-Risk Youth and Families	0	0	0	N/A
Virginia Board for Peoples with Disabilities	0	0	0	N/A
Woodrow Wilson Rehabilitation Center	0	0	0	N/A
Natural Resources				
Department of Environmental Quality (4)	1	0	1	Not Due
Public Safety				
Department of Veterans Services and the Veterans Services Foundation	7	11	18	YES
Technology				
None				

	New Findings	Repeat Findings	Total Findings	CAW Received
Transportation				
Agencies of the Secretary of Transportation: (5)				
Board of Towing and Recovery Operators	0	0	0	N/A
Department of Aviation	0	0	0	N/A
Department of Motor Vehicles (4)	1	0	1	YES
Department of Rail and Public Transportation	0	0	0	N/A
Department of Transportation (4)	1	0	1	Not Due
Motor Vehicle Dealer Board	0	0	0	N/A
Virginia Port Authority	0	0	0	N/A

- (1) The Statewide Single Audit Report for the Year Ended June 30, 2007 (Single Audit), included three findings applicable to the Department of General Services that have not been reported in a separate agency audit report. As these findings require corrective action, they are included in the table above and summarized in the following section. Since all other findings included in the Single Audit have been reported separately in agency reports, they are not summarized again.
- (2) The audits of these 12 entities were released in one report.
- (3) This agency has an efficiency issue which is further described in the *Efficiency Issues* section of this report.
- (4) This agency has a risk alert which is further described in the *Risk Alerts* section of this report.
- (5) The audits of these seven agencies were released in one report.



Findings – Quarter Ended March 31, 2008

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

Department of General Services (DGS)

1. Strengthen internal controls over capital asset useful life methodologies. DGS does not have proper controls in place for assigning and reevaluating the useful lives of depreciable capital assets.
2. Strengthen controls over capital project record keeping, closing, and capitalization processes. DGS does not have proper controls in place to appropriately report capital projects as they are move from an active status to an inactive status.
3. Update and comply with Virginia’s State Plan of Operation for Federal Surplus Property. DGS has not updated its Virginia State Plan of Operation for federal surplus property since 1984.

Virginia War Memorial Foundation

1. Consolidate Accounting Processes and Internal Controls. The Foundation’s Board needs to re-examine its structure in order to maintain its financial position and the effect that maintaining this financial position will have on ensuring sound internal controls and accounting records. The lack of staff makes having strong internal controls not practicable. Effective July 1, 2008, administrative support for the Foundation is transferred to the Department of Veterans Services from the Department of General Services. All of the financial transactions, processing and reporting, should be transferred to Veterans Services.

Commerce and Trade

Virginia Employment Commission (VEC)

1. Properly Complete Employment Eligibility Verification Forms. VEC did not properly complete Employment Eligibility Verification forms (I-9) in accordance with guidance issued by the U. S. Citizenship and Immigration Services of the U. S. Department of Homeland Security. Employees are required to complete, date and sign Section 1 on or before the first day of employment; employers must complete, sign and date Section 2 of the I-9 form within three business days of employment.
2. Improve Tax Performance. The U. S. Department of Labor requires VEC to conduct internal reviews of operations and develop recommendations for improvements. One review, the Tax Performance System (TPS) Annual Report for 2006, identified VEC as failing 5 out of 13 tax measures. Three of the five failing measures have been failed for three successive years.

3. Develop Information Security Program. **This is a repeat finding, and VEC has made significant progress towards resolution.** Untimely deletions of access to CARS and CIPPS continue to be an area of concern. However, VEC has established more enhanced communication policies in this area as well as recently implemented recognition of the removal of such access in the VEC Employee Separation Checklist.
4. Continue Efforts to Improve Entered Participant Data. **This is a repeat finding, and VEC has made limited progress towards resolution.** VEC performs annual reviews of the Local Areas' compliance with the Workforce Investment Act, Workforce Council policies, and Local Areas' Investment Board policies. Since 2004, issues regarding Local Areas' not fully complying with VEC internal guidance to enter participant data into the Virginia Workforce Network Information System have been occurring. During FY 2007, two out of four Local Area's reviewed contained repeat findings. The VEC anticipates continued noncompliance with internal requirements until all Local Areas utilize the System fully and accurately.

Education

Norfolk State University (NSU)

1. Improve Financial Statement Preparation Process. The University staff performs an analytical review of the statements; however, the review is not sufficiently detailed. As a result, a fringe benefit expense accrual was not recorded and understated expenses by \$981,919.
2. Strengthen Controls Over Capital Outlay Management. **This is a repeat finding, and NSU has made progress to correct the deficiency.** While the University has improved its operations, the audit noted several technical violations of state regulations. NSU does regularly manage multiple major capital outlay projects and has fully trained staff to ensure compliance with all procurement and contract management regulations. Therefore it is essential the staff fully follow the Department of General Services Bureau of Capital Outlay Management's Construction and Professional Services Manual.
3. Promptly Tag All Equipment. The Fixed Asset Accountant did not ensure the prompt tagging and inventory of all equipment delivered directly to other University departments. The audit disclosed 7 out of 13 items selected for review had no tags. Six of the assets were at an off-campus site.
4. Properly Complete Employment Eligibility Verification Forms. The NSU Human Resources Department is not having employees properly complete Employment Eligibility Verification Forms (I-9) in accordance with guidance issued by the U. S. Citizenship and Immigration Services of the U. S. Department of Homeland Security in its Handbook for Employers. The audit reviewed ten completed forms and found one or more errors on ten of the forms.

Health and Human Resources

Department of Health (VDH)

1. Update and Expand Security Awareness Training. Health should update its Security Awareness Training and provide users with regular updates. Current training materials are outdated and users are not required to receive refresher training.
2. Improve Contingency and Disaster Recovery Planning. Seven of 18 mission critical applications identified by VDH as very sensitive and mission critical were reviewed. Three systems had untested or no plans.
3. Properly Complete Employment Eligibility Verification Forms. The Department is not completing Employment Eligibility Verification forms (I-9) in accordance with guidance issued by the U. S. Citizenship and Immigration Services of the U. S. Department of Homeland Security. Out of 20 forms tested, 4 were correctly completed and 16 had deviations from the guidance issued by the federal government.

Department of Medical Assistance Services (DMAS):

1. Improve Controls Over Leases. DMAS Lease Accounting System (LAS) users have not followed training and reference materials provided by DOA. Improper data for executory costs for 18 copier leases was recorded. In another instance, a lease was not terminated in LAS for the Roanoke office that ended in August 2007, and a new lease was not entered for the new Roanoke office.

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

1. Improve Monitoring Program Over Community Service Boards. Management's policies and procedures for Boards monitoring do not reflect the need to conduct a system-wide risk-based assessment identifying risk factors, in order to identify which Boards to review. Boards are not held accountable for correcting audit findings. The Department ceased routine financial reviews of the Boards, and switched to on-site reviews prompted by material exceptions noted in independent auditors' audits without determining the amount of risk the Commonwealth was accepting as a result of this change. For example, Region 10's independent auditor issued a disclaimer which may result in the Commonwealth being liable for \$1.7 million in questioned costs.
2. Properly Complete Employment Eligibility Verification Forms. The Department is not completing Employment Eligibility Verification forms (I-9) in accordance with guidance issued by the U. S. Citizenship and Immigration Services of the U. S. Department of Homeland Security. Out of 42 forms tested, 31 were correct and 11 contained an error.
3. Improve Security Awareness Training Documentation. **This is a repeated finding, and progress has been made towards resolution.** Employees typically acknowledge responsibilities for maintaining IT systems security by signing a form after they complete their annual training. The auditor requested 182 forms, and management could only provide signed forms for 69 individuals.

4. Improve Contingency and Disaster Recovery Planning. **This is a repeated finding, and progress has been made towards resolution.** Three of four Department facilities did not provide contingency and disaster recovery plans for pharmacy services, and four out of four facilities had no plans for financial operation.

Department of Social Services (DSS)

1. Improve System Access Controls. **This is a repeated finding, and progress has been made towards resolution.** DSS should improve their Systems Access Controls in order to minimize the risks associated with not maintaining the confidentiality, integrity and availability of their information. DSS and local agencies hired 1,253 individuals during FY 2007. A review of 133 access request forms for these individuals found 19.5 percent did not have supervisory approval or have the employee's signature. In response to prior years' findings related to termination of system access, DSS has implemented the Security Access Management System (SAMS) in April 2007. Of the 238 employees that ended their employment with DSS after SAMS' implementation, the auditor selected 37 system terminations for testing and found eight (21.6 percent) were not removed within seven days.
2. Improve Notification and Timely Reduction of Benefits When Clients are Not Cooperating with Division of Child Support Enforcement (DCSE). **This is a repeated finding, and progress has been made towards resolution.** Federal regulations require DSS to reduce or eliminate a recipient's benefits in a timely manner if the recipient fails to cooperate with DCSE. In two out of five TANF cases tested, the case files lacked a referral from DSCE for non-cooperation.
3. Define Responsibilities for Monitoring Locality Operations. **This is a repeated finding, and progress has been made towards resolution.** The roles and responsibilities still need to be incorporated into the budgeting documents created in response to last year's finding. In addition, DSS needs to determine and document who has responsibility for monitoring and evaluating the overall total budget of each locality. Further, no one is responsible for monitoring some of the expenses localities bill to the federal government through DSS.
4. Align Plan for Monitoring Local Social Services Offices with Best Practices. DSS has strengthened their sub-recipient monitoring. The audit noted areas where DSS could further refine their monitoring program. The sub-recipient monitoring coordinator's duties and responsibilities should be clearly articulated and disseminated within the organization. Communications with localities should be improved. As well as using a risk-based approach to monitor localities, DSS should use the risk-based approach to allocate resources during the implementation phase. Finally, DSS should establish a framework to hold localities accountable for deficiencies identified during monitoring.
5. Establish Procedures for Controlling the Cash in the Child Support Enforcement Fund (CSE). DSS improperly transferred a total of approximately \$28 million out of the CSE, and as of June 30, 2007, still needed to recover \$18 million. Over the course of four years, Fiscal Division staff incorrectly allocated the amount of funds transferred from CSE to the federal fund. There are clearly no internal controls in the Fiscal Division over these transfers, as staff with their managers lacked an understanding of the problem to bring it to the attention of management. Controls, such as reconciliations and manager oversight, in this area failed to operate.

6. Systems Development Policies and Procedures Need Improvement and Updating. DSS maintains over 60 systems. DSS implemented the Information Technology Investment Management methodology in 2001. Policies and procedures should reflect the classification of a project as major or non-major. DSS should measure when the ongoing operation costs outweigh the benefit of the system. The policies should ensure that all documents necessary for project success are included and in-line with Commonwealth Management Standards.

Department of Rehabilitative Services (DRS)

1. Update and Expand Security Awareness Training. DRS should update its Security Awareness Training and provide users with regular updates. Current training materials are outdated and users are not required to receive refresher training.
2. Improve Data Protection. DRS exchanges data between two systems. The two systems do not adequately protect the data. Commonwealth information security standards require agencies encrypt data before transmission.
3. Limit CIPPS Access for Woodrow Wilson Rehabilitation Services Employees. Four employees who do not have responsibility for processing payroll have the ability to process payroll in the Commonwealth Integrated Payroll Personnel System (CIPPS). DRS processes the Woodrow Wilson Rehabilitation Center payroll so there is no need for these employees to have this access.
4. Remove an Employee's Ability to Create and Approve Payroll Payments. An employee at DRS has the ability to both create and approve payroll payments. The functions which the employee can perform circumvent the controls designed into CIPPS.

Natural Resources

Department of Environmental Quality (DEQ)

1. Properly Complete Employment Eligibility Verification Forms. The Department is not completing Employment Eligibility Verification forms (I-9) in accordance with guidance issued by the U. S. Citizenship and Immigration Services of the U. S. Department of Homeland Security.

Public Safety

Department of Veterans Services and the Veterans Services Foundation (DVS)

1. Reconcile Patient Revenue System to the Commonwealth's Accounting System. DVS does not have an established process to reconcile the Care Center's internal billing system to the Commonwealth's system. By not reconciling the two systems, DVS cannot ensure all revenue is properly posted to the Commonwealth's system. DVS employees and current management have not adequately assessed patient revenue so they were unaware that this reconciliation was needed.
2. Properly Perform Reconciliations in a Timely Manner. **This is a repeat finding, and DVS has made limited progress to correct the deficiency.** Petty cash and trust fund account reconciliations are not consistently performed and reviewed in a timely manner.

3. Improve Debt Collection Efforts and Account Write-offs. **This is a repeat finding, and DVS has made limited progress to correct the deficiency.** DVS does not have supporting documentation to show compliance with collection procedures for delinquent accounts. Further, DVS has not adequately assessed past-due accounts to determine which should be written-off.
4. Establish Adequate Controls Over Cemetery Funds. DVS does not have sufficient procedures and controls established over federal cemetery internment funds. Two instances were noted where DVS did not receive the \$300 federal plot allowance after internments.
5. Establish a Complete Information Security Plan to Comply with COV Security Policy. **This is a repeat finding, and DVS has made limited progress to correct the deficiency.** DVS does not have a sufficiently detailed security program to meet the Commonwealth's standards. While some of DVS' operations met security standard and best practices, instances of noncompliance were noted within the agency. DVS needs to establish or provide more detail for the Risk Assessment, Business Impact Analysis, Business Continuity Plan, Disaster Recovery, and Incident Response Procedure.
6. Establish Sufficient Access Policies and Ensure Appropriate System Access. **This is a repeat finding, and DVS has made limited progress to correct the deficiency.** Current policies do not include processes for adding, modifying, or timely deleting accounts or a periodic management review of access. Several instances were noted where inappropriate access was noted for both DVS' internal system and the Commonwealth's systems.
7. Comply with the Health Insurance Portability and Accountability Act (HIPAA). DVS does not have sufficient policies in place to ensure compliance with several sections of the HIPAA.
8. Appropriately Segregate Information System Service Duties. Service duties are not properly segregated. DVS relies on VITA and Northrop Grumman staff to create policies that are the responsibility of the agency.
9. Establish Adequate Controls Over the Payroll and Human Resources Functions. Management does not have sufficient policies, procedures and controls established over a number of payroll and human services processes.
10. Periodically Review Employee Classifications under the Fair Labor Standards Act. **This is a repeat finding, and DVS has made limited progress to correct the deficiency.** DVS does not have a sufficient review process of appropriate job classifications. This could result in noncompliance with federal law and Commonwealth policies.
11. Develop a Plan for Utilizing Federal Veterans Subsidy Funds. **This is a repeat finding, and DVS has made progress to correct the deficiency.** DVS has not established a plan or guidelines for using the grant funds to ensure compliance with federal regulations. By not developing a plan for using these funds, DVS cannot ensure that funds are spent in accordance with federal regulations.

12. Comply with the Davis-Bacon Act. **This is a repeat finding, and DVS has made limited progress to correct the deficiency.** DVS lacks a documented process detailing who has responsibility to verify compliance, how the verification is completed, and who performs the work. As such, DVS does not verify that the rates paid to the contractor or subcontractor comply with the prevailing wage rates required by the Davis-Bacon Act.
13. Establish Adequate Budgets for Individual Cost Centers. DVS lacks an adequate budgeting process that provides budgets for individual cost centers and categories.
14. Appropriately Allocate Administrative Costs. **This is a repeat finding, and DVS has made limited progress to correct the deficiency.** DVS is still not appropriately allocating administrative costs to the Care Center, and also lacks detailed policies and procedures to allocate these administrative costs. Specifically, DVS charges the entire payroll costs for the accountant to the Care Center even though he performs duties for other areas of the agency. Further, DVS does not have an adequate process to ensure current statistics are used to allocate the payroll officer's salary. Failure to use an appropriate allocation method could cause DVS to receive inappropriate reimbursement for indirect costs from Medicaid or other federal grants.
15. Implement Appropriate Controls over Inventory. The Care Center staff only takes inventories for ordering purposes and to meet federal law requirements. Limited counts do not serve as a management tool to assess section performance. In addition, DVS cannot readily identify how much food or pharmaceutical inventory the Care Center has or uses. As such, DVS cannot determine whether inventory usage is consistent or reasonable.
16. Establish Adequate Internal Controls over Fixed Assets. **This is a repeat finding, and DVS has made limited progress to correct the deficiency.** DVS does not have adequate controls over fixed assets and does not consistently comply with State regulations. Without these controls, DVS cannot maintain or safeguard these items.
17. Properly Report Construction in Progress. **This is a repeat finding, and DVS has made progress to correct the deficiency.** DVS misstated the amount reported as construction-in-progress. Balances for each capital project should be reviewed and corrected where necessary to reflect proper information.
18. Establish Other Administrative Policies. **This is a repeat finding, and DVS has made progress to correct the deficiency.** In the previous audit, there were compliance concerns with procurement, voucher payment, and small purchase charge card policies. In addition, there was inconsistent and improper processing of transactions for the Veterans Services Foundation. A better review process has limited the number of individual errors in each of the areas; however, DVS still has not established detailed written policies and procedures over the areas.

Transportation

Department of Motor Vehicles (DMV)

1. Properly Complete Employment Eligibility Verification Forms. DMV is not completing the I-9 Employment Eligibility Verification Form in accordance with guidance issued by the U. S. Citizenship and Immigration Services of the U. S. Department of Homeland Security. A review of 40 I-9 forms found 39 forms incorrectly completed.

Department of Transportation (VDOT)

1. Properly Complete Employment Eligibility Verification Forms. VDOT is not completing the I-9 Employment Eligibility Verification Form in accordance with guidance issued by the U. S. Citizenship and Immigration Services of the U. S. Department of Homeland Security. A review of 193 I-9 forms found 52 forms incorrectly completed.



Risk Alerts - Quarter Ended March 31, 2008

The APA encounters issues, which are reported as risk alerts, that are beyond the corrective action of management and require the action of either another agency, outside party, or a change in the method by which the Commonwealth conducts its operations. The following agencies were identified as having risk alerts:

Department of Motor Vehicles
Department of Transportation
Department of Environmental Quality

Security Risk Assurance for Infrastructure

The Departments are responsible for the security and safeguarding of all their information technology systems and information. Over the past four years the Commonwealth has moved the information technology infrastructure supporting the databases to VITA, which has an Information Technology (IT) Partnership with Northrop Grumman. The Departments have provided VITA with all the required documentation to assess the adequacy of security and VITA should provide assurance that the IT Partnership will practice proper policies and procedures as outlined by the Departments. The annual review and audit of the IT Partnership has concluded, and VITA will communicate any findings and corrective action to the Departments. The Departments should request regular status reports from VITA on the progress the IT Partnership is making to correct the issues for which they are responsible.

Efficiency Issues – Quarter Ended March 31, 2008

During the course of its audits, the APA observes agency practices, processes, or procedures that management should consider for review to improve efficiency, reduce risk, increase accuracy, or otherwise enhance their operations. These matters, which are reported as efficiency issues, 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 Mental Health, Mental Retardation and Substance Abuse Services installed an electronic timekeeping system in seven facilities that had funding between fiscal years 1999 and 2000. In the eight years following the implementation, the agency has not secured the funds necessary to obtain an electronic timekeeping system for nine remaining facilities. A new system would eliminate extensive clerical work. The staff hours saved from operating an efficient system could provide services to clients or offset the cost of implementation.

Special Reports – Quarter Ended March 31, 2008

The APA issued the following Special Reports for the quarter. The full text of these reports is available at www.apa.virginia.gov.

Comparative Report of Local Government Revenue and Expenditures for the Fiscal Year Ended June 30, 2007

Department of Medical Assistance Services Vulnerability Assessment and Network Penetration Test, February 2008*

Interim Review of STARS Project, January 2008 *

Progress Report on Selected Information Technology Projects in the Commonwealth, January 2008*

Report to the Joint Legislative Audit and Review Commission for the Quarter October 1, 2007 to December 31, 2007*

Statewide Report on the Virginia District Court System for the Year Ended June 30, 2007

* Contains management control findings

Other Audit Reports Received – Quarter Ended March 31, 2008

The APA also issued the following other reports for the quarter. The full text of these reports is available at www.apa.virginia.gov.

- College of William and Mary in Virginia Intercollegiate Athletics Programs for the Year Ended June 30, 2007
- Eastern Shore Community College Reaccreditation Review for the Year Ended June 30, 2007
- George Mason University Intercollegiate Athletics Programs for the Year Ended June 30, 2007
- James Madison University Intercollegiate Athletics Programs for the Year Ended June 30, 2007
- Longwood University Intercollegiate Athletics Programs for the Year Ended June 30, 2007
- Norfolk State University Intercollegiate Athletics Programs for the Year Ended June 30, 2007
- Old Dominion University Intercollegiate Athletics Programs for the Year Ended June 30, 2007*
- Paul D. Camp Community College Reaccreditation Review for the Year Ended June 30, 2007
- Radford University Intercollegiate Athletics Programs for the Year Ended June 30, 2007*
- Rappahannock Community College Report on Review for the Year Ended June 30, 2007
- Richard Bland College of the College of William and Mary Reaccreditation Review for the Year Ended June 30, 2007
- University of Virginia Intercollegiate Athletics Programs for the Year Ended June 30, 2007
- Virginia Commonwealth University Intercollegiate Athletics Programs for the Year Ended June 30, 2007
- Virginia Military Institute Intercollegiate Athletics Programs for the Year Ended June 30, 2007
- Virginia Polytechnic Institute and State University Intercollegiate Athletics Programs for the Year Ended June 30, 2007
- Virginia State University Intercollegiate Athletics Programs for the Year Ended June 30, 2007*
- Internal Control Report on Audit for Local Government Investment Pool, Virginia Public School Authority, Virginia College Building Authority, and Virginia Public Building Authority for the Year Ended June 30, 2007
- Statewide Single Audit for the Year Ended June 30, 2007*

* Contains management control findings



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 Prior APA Audit Findings

As of March 31, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of General Services (DGS)</u>				
2006	06-01	Improve documentation and internal controls over fiscal operations.	DGS is preparing a risk assessment of the Fiscal Services Section in conjunction with ARMICS.	In progress
	06-03	Develop and implement policies and procedures for the surplus warehouses.	Further procedures are being developed by Warehouse management.	In progress
	06-04	Include mandated procedures in the surplus property manual.	Mandated procedures, including ARMICS requirements, will be incorporated in the written procedures.	In progress
	06-05	Increase awareness and use of the surplus property and disposal process.	Surplus is continuing research into transportation pick up service.	In progress
	06-06	Finalize and distribute real estate policies and procedures.	Real Estate Services is revising their policies and procedures in conjunction with ARMICS work.	In progress
	06-07	Improve internal controls over appointment of contract administrator.	DGS is reviewing internal controls in connection with ARMICS work.	In progress
	06-09	Improve internal controls over special payouts to terminated employees.	DGS recovered the overpayment and changed internal procedures.	Completed
<u>Norfolk State University (NSU)</u>				
2006	06-01	Follow the University's systems change management procedures.	The University has taken adequate corrective action with respect to this audit finding.	Completed

Status Report on Resolution of Prior APA Audit Findings

As of March 31, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	06-02	Strengthen controls over capital project management.	Corrective action underway. NSU needs to continue to review and revise capitol outlay policies and procedures.	In progress
	06-03	Complete biennial equipment inventories.	The University has taken adequate corrective action with respect to this audit finding.	Completed
	06-04	Develop formal capital asset accounting policies and procedures.	The University has taken adequate corrective action with respect to this audit finding.	Completed
<u>The Virginia Community College System Central Office (VCCS)</u>				
2006	06-01	Improve risk management and contingency plans.	Corrective action was implemented.	Completed
<u>Rappahannock Community College (RCC)</u>				
2006	06-01	Comply with the Commonwealth's Security Standard SEC501, SEC 2001, and VCCS Standards.	The College fully implemented the MOAT system. The College developed and adopted Access Determination and Control and Logical Access Controls – account management policies and procedures.	Completed
<u>Danville Community College (DCC)</u>				
2006	06-01	Comply with the Commonwealth's Security Standard, SEC 2001, and VCCS Standards.	The College fully implemented the MOAT system. The second SEC 501 compliance filing was completed.	Completed
<u>Eastern Shore Community College (ESCC)</u>				
2006	06-01	Comply with the Commonwealth's Security Standard, SEC 2001, and VCCS Standards.	The College has not formalized the security awareness training program.	In progress

Status Report on Resolution of Prior APA Audit Findings

As of March 31, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Wytheville Community College (WCC)</u>				
2006	06-01	Comply with the Commonwealth's Security Standard, SEC 2001, and VCCS Standards.	The College acquired the MOAT security awareness training system. Actual training will be completed this spring. Policies and procedures were addressed in the second SEC 501 compliance filing.	In progress
<u>Central Virginia Community College (CVCC)</u>				
2006	06-03	Properly calculate Title IV refunds and return funds timely.	The College has taken adequate corrective action with respect to this audit finding.	Completed
	06-04	Formalize policies and procedures and improve internal controls over student financial aid.	The College has taken adequate corrective action with respect to this audit finding.	Completed
<u>Thomas Nelson Community College (TNCC)</u>				
2006	06-01	Retain required documentation for Small Purchase Charge Cards.	Cardholder's supervisors are required to review and approve all card purchases. New filing procedures were implemented.	Completed
	06-02	Improve accounts receivable reporting.	All receivables are now included in quarterly reports. Accounts are being aged, and used in valuing an allowance for doubtful accounts. Due diligence collection efforts were initiated.	Completed
<u>Virginia Highlands Community College (VHCC)</u>				
2006	06-01	Report payment data to NSLDS timely.	Cross training to ensure reports are made timely has been implemented. Several additional reviews have been added to the process.	In progress
<u>Department of Mental Health, Mental Retardation, and Substance Abuse Services (DMHMRSAS)</u>				
2006	06-01	Strengthen monitoring of the community service boards.	The Department has taken adequate corrective action with respect to this audit finding.	Completed

Status Report on Resolution of Prior APA Audit Findings

As of March 31, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	06-02	Expand security awareness training programs.	The Department has taken adequate corrective action with respect to this audit finding.	In progress
	06-03	Institute inventory controls for community resource pharmacy.	The Department has taken adequate corrective action with respect to this audit finding.	Completed
	06-04	Strengthen controls over capital asset useful life.	The Department has taken adequate corrective action with respect to this audit finding.	Completed
<u>Department of Juvenile Justice (DJJ)</u>				
2006	06-01	Improve separation of duties over CARS.	The Accounting Manager issued new segregation of duties procedures for all fiscal staff on February 1, 2008.	Completed
	06-02	Update leave activity in CIPPS timely.	Leave balances were loaded prior to July 1, 2007. Monthly verification is ongoing.	Completed
	06-03	Strengthen controls over capital project procurement and capitalization.	The Department is producing updated policies and procedures to ensure files contain required information.	In progress
	06-04	Improve controls over Anthem contract.	A contract Project Monitor has been assigned to the Anthem contract. The balance forward is still unresolved.	In progress
2005	05-01	Improve controls over procurement records and contract administration.	See 06-03 and 06-04.	
<u>Department of Forestry (DOF)</u>				
2006	06-01	Strengthen internal controls over capital asset useful life methodologies.	Corrective action underway. Forestry is assigning useful lives and making adjustments as necessary. They intend to complete this by June 30, 2008.	In progress

Status Report on Resolution of Prior APA Audit Findings

As of March 31, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Education (DOE)</u>				
2007	07-01	Update and revise Risk Assessment Plan.	DOE is updating its 5-year old Plan.	In progress
	07-02	Revise and document year end closing procedures.	P vouchers in Oracle Financials will be reconciled to CARS reports 1495, 1496, and 1497.	In progress
2006	06-01	Enhance documentation and internal controls over SOQ model.	DOE has taken adequate corrective action.	Completed
<u>Virginia School for the Deaf and Blind at Staunton (VSDBS)</u>				
2007	07-01	Strengthen internal controls over CARS access.	Batch entry and approval duties have been segregated. Security access has been changed to provide proper segregation. Security access was confirmed by DOE.	Completed
<u>Virginia School for the Deaf, Blind, and Multi-Disabled at Hampton (VSDBMH)</u>				
2007	07-01	Strengthen internal controls over CARS access.	Batch entry and approval duties have been segregated. Security access has been changed to provide adequate segregation. Security access was confirmed by DOE.	Completed
<u>Department of Taxation (TAX)</u>				
2006	06-01	Establish procedures for review of router policies.	The Department has taken adequate corrective action.	Completed
<u>Department of Planning and Budget (DPB)</u>				
2006	06-01	Complete an information security program.	DPB is purchasing an online security package, and training all employees.	In progress
	06-02	This is a repeated point. Improve documentation for appropriation adjustments.	DPB is reviewing and updating the Form 27 Manual, and will provide mandatory training for all budget analysts.	In progress

Status Report on Resolution of Prior APA Audit Findings

As of March 31, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	05-02	Improve documentation for appropriation adjustments.	See 06-02.	
	06-03	Provide assurance of infrastructure security.	DPB took adequate corrective action.	Completed
<u>Department of State Police (VSP)</u>				
2006	06-01	Information Technology Planning.	Limited progress made. VSP focuses on a short-term list of projects versus long-range planning.	In progress
	06-02	Payroll.	Progress made. VSP transferred processing to the Payroll Service Bureau. They still need to ensure adequate reviews.	In progress
	06-03	Travel.	Progress made. One of 16 reimbursements did not comply with new regulations.	In progress
	06-04	Petty Cash and Charge Cards.	Progress made. Petty cash was eliminated May 1, 2007; however, charge cards did not always follow new procedures.	In progress
	06-05	Fleet Management.	Limited progress made. VSP still lacks a method to track vehicle care and maintenance.	In progress
	06-06	System Access.	Progress made. However, employees were still found to have unauthorized access.	In progress
<u>Virginia Commonwealth University (VCU)</u>				
2007	07-01	Clear cash reconciling items timely.	The General Accounting Department is working to improve the reconciliation process in Banner.	In progress
	06-02	Departments should resolve cash reconciliation items timely.	See 07-01.	
	07-02	Improve employment eligibility verification process.	An annual training on legal aspects of hiring has been implemented. A formal Personnel Administrator program is being created.	In progress

Status Report on Resolution of Prior APA Audit Findings

As of March 31, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>University of Virginia – Academic Division (UVA)</u>				
2007	07-01	Close out capital projects promptly.	A new internal control process has been installed. Only two projects cited by the APA remain unclosed.	In progress
	07-02	Properly complete employment eligibility verification forms.	UVA created an Office of Compliance and Immigration Services, instituted mandatory training, and began monthly internal audits.	In progress
	07-03	Return Title IV funds timely.	Corrective action has been implemented. The program and process was adjusted to insure refunds are made timely.	Completed
<u>Christopher Newport University (CNU)</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>University of Mary Washington (UMW)</u>				
2006	06-01	This is a repeated point. Develop policies and procedures.	The University is developing several procedures and implementing ARMICS stages 1 and 2.	In progress
	05-01	Prepare written policies and procedures.	See 06-01.	
	06-02	Strengthen physical and environmental controls for critical information technology equipment.	UMW received \$728,000 to fund the project and is in the design and specification stage.	In progress
	06-03	Complete and update the Continuity of Operations Plan.	The University received the final copy of the University's Continuity of Operations Plan from Beck Disaster Recovery, Inc. The plan has been tested and approved by management and the Board.	Completed

Status Report on Resolution of Prior APA Audit Findings

As of March 31, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Virginia Employment Commission (VEC)</u>				
2006	06-01	Develop information security program.	VEC has made significant progress. Untimely deletions continue to be an area of concern.	In progress
	06-03	Continue efforts to improve entered participant data.	Despite the replacement of Virginia Workforce Network Information System with the Virginia Workforce Connection System, VEC anticipates continued problems until all local areas are on the system.	In progress
<u>Radford University (RU)</u>				
2006	06-02	Update the business continuity plan.	Installation of an off campus disaster recovery site is on schedule. Copies of six of eight critical functions interim processes have been completed.	In progress
	06-03	Adhere to policies and procedures for cash collections.	The staff has implemented corrective action for all of the issues.	Completed
<u>Department of Health (VDH)</u>				
2006	06-01	Security risk assurance for infrastructure.	VDH has taken adequate corrective action.	Completed
<u>Department of Social Services (DSS)</u>				
2006	06-01	Improve case file documentation for temporary assistance to needy families.	In coordination with the Division of Child Support Enforcement, ways to streamline and enhance the non-cooperation process and its timeliness are being explored.	In progress
	06-02	Improve usage of income eligibility and verification system and case file documentation.	Staff will undergo training to strengthen the IEVS process and procedures will be reviewed on a quarterly basis.	In progress
	06-03	Strengthen controls over the budgeting process.	Procedures were developed and documented. The automated approval feature of the Budget Request System has been disabled.	Completed

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Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	06-04	Expand budgeting to include total locality operations, not just by program or budget line.	Management does not agree that the failure to review locality budgets as a whole prevents the Department from identifying budget variances or from monitoring local agency budget as the system is a state-mandated, locally administered system the development and management of local budgets are local responsibilities.	In progress
	06-05	Define budget oversight responsibilities.	The Department is developing procedures which define the responsibilities of staff authorized to initiate and/or execute budget transactions.	In progress
	06-06	Budget adjustments and budget execution oversight.	The automatic approval feature of the Budget Request System has been disabled.	In progress
	06-08	Improve documentation of Medicaid cases.	The department will enhance its existing monitoring and evaluation procedures.	In progress
	06-09	Establish control mechanisms for adult services payments.	Additional action is necessary.	In progress
	06-11	Establish adequate controls and separation of duties in collection of child support payments.	Procedures will be updated to include additional security measures in regards to cash collection.	In progress
	06-12	Establish adequate controls over the payroll and human resources functions.	The Department is updating and implementing the appropriate policies and procedures.	In progress
	06-13	Follow established policies over small purchase charge card program.	A program administrator has been hired and is in the process of implementing steps to strengthen control and procedures for small charge card purchases.	In progress

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As of March 31, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	06-17	This is a repeated point. Properly manage access to information systems.	Corrective action underway. DSS sent a broadcast to local departments of social services to remind them of the requirement for verification of SSN reminders for receipt of services.	In progress
	05-02	Properly manage access to information systems.	See 06-17.	
	06-18	This is a repeated point. 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	Maintain a tracking system for local employees.	See 06-18.	
	06-19	This is a repeated point. 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	Establish controls for foster care and adoption payments.	See 06-19.	

Department of Medical Assistance Services (DMAS)

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.	In progress
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Department of Motor Vehicles (DMV)

2006	06-01	Improve controls over terminated employees.	DMV has taken adequate corrective action.	Completed
	06-02	This is a repeated point. Provide assurance of infrastructure security.	DMV has taken adequate corrective action.	Completed

Status Report on Resolution of Prior APA Audit Findings

As of March 31, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	05-03	Improve information technology security standards and guidelines.	See 06-02.	
<u>The College of William and Mary in Virginia (CWM)</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 and other Virginia schools also using Banner to improve the reporting process.	In progress
	05-01	Test financial statement preparation process.	See 06-01.	
<u>State Board of Elections (SBE)</u>				
2006	06-01	Improve subrecipient monitoring.	Adequate corrective action was taken.	Completed
<u>Virginia Racing Commission (VRC)</u>				
2007	07-01	Comply with the Commonwealth's Security Standard, ITRM Standard SEC 501 (formerly SEC 2001).	The Commission requested that VITA assure VRC that the standards used to operate the operating system meet current security standards.	In progress
	06-01	Update and document information security program.	See 07-01.	
	06-02	Improve documentation of revenue reconciliations.	Adequate corrective action was taken.	Completed
<u>Gunston Hall (GH)</u>				
2005	05-01	Strengthen controls over petty cash.	Adequate corrective action was implemented.	Completed

Status Report on Resolution of Prior APA Audit Findings

As of March 31, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>The Science Museum of Virginia (SMV)</u>				
2006	06-01	Clarify the status of the Gift Shop operations.	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.	
	06-03	Document departures from State practice.	See 06-01.	
	06-04	Review and establish cash depositing practices.	See 06-01.	
	06-05	Examine data system security and other computer considerations.	See 06-01.	
	05-01	For the 4 th year, SMV experienced material financial difficulties.	See 06-01	
	04-01	Improve cash management.	See 05-01.	
<u>Longwood University (LU)</u>				
2006	06-01	This is a repeated point. Improve information security policies and processes.	Adequate corrective action has been taken. LU contracted for and received web-based training recommended by VITA.	Completed
	05-02	Establish a security awareness training policy and program.	See 06-01.	
<u>Virginia State University (VSU)</u>				
2006	06-01	Improve financial statement preparation process.	Appropriate corrective action has been taken.	Completed
	06-02	Improve information security program.	Appropriate corrective action has been taken.	Completed

Status Report on Resolution of Prior APA Audit Findings

As of March 31, 2008

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 (OAG)</u>				
2007	07-01	Finalize information security program.	Significant progress has been made towards resolving this repeated point.	In progress
	06-01	Complete an information security program.	See 07-01	
	06-02	Strengthen controls over Small Purchase Charge Card Program.	Corrective action complete.	Completed
<u>Department of Minority Business Enterprise (DMBE)</u>				
February 1, 2006 through January 31, 2007	06-01	This is a repeated point. Update on prior year recommendations.	Corrective action underway. The Department of General Services took over the fiscal, budgetary, and procurement functions. The Payroll Service Bureau is used for payroll maintenance. DMBE lacks the resources to resolve internal control risks.	In progress
	04-01	Enhance the housing agreement.	See 06-01.	
	04-03	Update memorandum of understanding and funding plan with VDOT.	See 06-01.	
	04-04	Improve controls over cell phone usage.	See 06-01.	
	06-02	Document information security program.	The agency is working with the Secretary of Administration to develop and implement administrative solutions to improve operational and internal controls DMBE lacks the resources to resolve internal control risks.	In progress
<u>State Corporation Commission (SCC)</u>				
2005	05-01	Implement a complete and current information security system.	Corrective action underway. The Commission has been implementing systems and controls recommended after hiring Accenture, a consulting firm.	In progress

Status Report on Resolution of Prior APA Audit Findings

As of March 31, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Conservation and Recreation (DCR)</u>				
2005	05-01	Follow Small Purchase Charge Card procedures.	DCR has taken adequate corrective action.	Completed
<u>Department of Forensic Science (DFS)</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 Veterans Services (DVS)</u>				
January 1, 2005 through March 31, 2006	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 policies and procedures. They have hired additional personnel to facilitate the review and develop new procedures where needed.	In progress
	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 Prior APA Audit Findings

As of March 31, 2008

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
	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.	See 06-12.	
	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.	Limited progress made
	05-05	Improve debt collection efforts and account write-offs.	See 06-13.	
	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.	Limited progress made
<u>Department of Corrections (DOC)</u>				
2006	06-01	Strengthen controls over capital projects closing and capitalization processes.	Responsibilities of various units in the procedures related to the capital project closeout and capitalization processes have been determined and reorganization of resources is being planned.	In progress
	06-02	Strengthen controls over capital asset useful life methodologies.	Various alternative approaches for reevaluating asset useful lives have been explored, but a final selection has not been made.	In progress

Status Report on Resolution of Prior APA Audit Findings

As of March 31, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	06-03	This is a repeated point. Strengthen procedures over agency transaction vouchers.	Management required DOC units to use the standardized ATV form and to have signatures of both the initiator and the approver on the form.	Completed
	05-03	Strengthen procedures over agency transaction vouchers.	See 06-03.	
<u>Department of Agriculture and Consumer Services (VDACS)</u>				
2006	06-01	Comply with the Commonwealth's security standard, SEC 2001.	Management developed a prioritized list for restoring services.	Completed
<u>Department of Criminal Justice Services (DCJS)</u>				
2006	06-02	Comply with the Commonwealth's Security Standard, SEC 2001.	The Department is implementing VITA Data Security Policies and Procedures. All users will be required to participate in an annual web-based security awareness training program.	In progress
<u>Department of Fire Programs (DFP)</u>				
2006	06-01	Comply with the Commonwealth's Security Standard, SEC 2001.	The Department is establishing data security policies and procedures, including logical access, physical access, logging and monitoring.	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 December, January and February were due 1/31/08, 2/29/08 and 3/31/08, respectively. No confirmations were late or outstanding.

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 7, 2008

	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>
None			

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, 2008, 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 anomalies and investigate and correct immediately. If the anomaly cannot be corrected at the agency level, the problem should be noted on the exception register.

DOA monitors selected general ledger balances and contacts agencies in writing about certain irregular balances. For the quarter ended March 31, 2008, no agencies failed to respond timely, make corrective action and/or provide additional information.

Trial Balance Review

As of April 7, 2008

Dec **Jan** **Feb**

None

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 7, 2008

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

Disbursement Processing

During the quarter ended March 31, 2008 DOA deleted, at the submitting agency's request, 87 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-four agencies requested deletes during the quarter. Agencies that requested more than four vendor payment deletes during the quarter were:

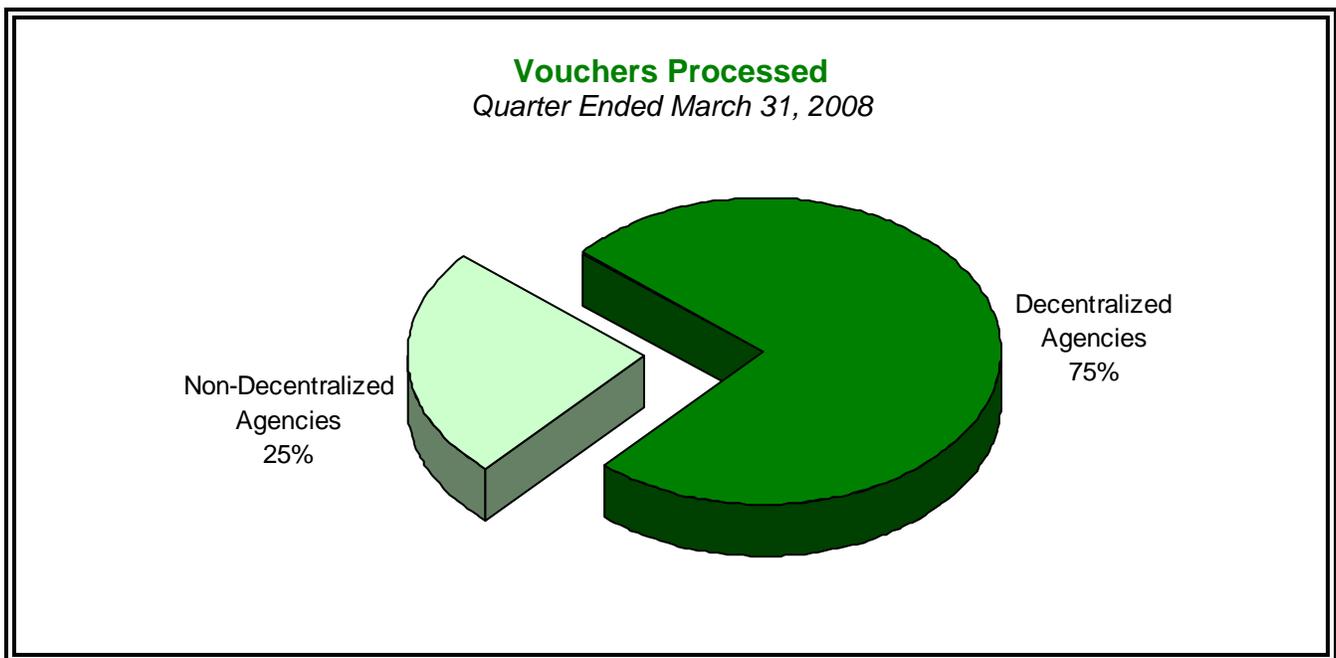
- Department of Game and Inland Fisheries
- Division of Community Corrections



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

Beginning with the quarter ended December 31, 2007, DOA changed the way deficiencies under the Decentralized Agency Review program are reported. In the past, the focus was on the quantity of findings. The new approach will emphasize the impact and effect of the findings on overall compliance with the applicable sections of the Commonwealth Accounting Policies and Procedures Manual.

Agencies considered deficient in their compliance responsibilities are required to develop a formal corrective action plan and are subject to a follow-up review 90 days after its implementation. Compliance improvement recommendations are made to most agencies, even those who are considered compliant overall. Recommendation implementation effectiveness is considered in future reviews in determining overall compliance levels and the corresponding

requirement for corrective action plan development.

Compliance reviews were conducted for ten decentralized agencies during the quarter. The agencies were evaluated for compliance with the following sections of the Commonwealth Accounting Policies and Procedures (CAPP) Manual:

- CAPP Topic 20310 – *Expenditures*
- CAPP Topic 20315 – *Prompt Payment*
- CAPP Topic 20330 – *Petty Cash*
- CAPP Topic 20335 – *State Travel Regulations*
- CAPP Topic 20336 – *Agency Travel Processing*
- CAPP Topic 20345 – *Moving and Relocation*
- CAPP Topic 20355 – *Purchasing Charge Card*

Compliant Agencies

Blue Ridge Community College
Dabney S. Lancaster Community College
Eastern Shore Community College
James Madison University
Keen Mountain Correctional Center
Marine Resources Commission
Marion Correctional Treatment Center
Nottoway Correctional Center
Virginia College Savings Plan
Virginia School for the Deaf and the Blind at Staunton

Note: There were no agencies requiring corrective action for the current 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 1,365 non-travel disbursement batches and 325 travel disbursement batches were reviewed, disclosing 50 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, 2008		Fiscal Year 2008 To-Date		Comparative Quarter Ended March 31, 2007	
	Late	Total	Late	Total	Late	Total
Number of Payments	5,294	571,493	20,807	1,771,084	7,125	578,699
Dollars (in thousands)	\$ 31,104	\$ 1,422,780	\$ 114,481	\$ 4,543,182	\$ 50,410	\$ 1,372,806
Interest Paid on Late Payments				\$40,055 (a)		
Current Quarter Percentage of Payments in Compliance				99.1%		
Fiscal Year-to-Date Percentage of Payments in Compliance				98.8%		
Comparative Fiscal Year 2007 Percentage of Payments in Compliance				98.7%		

(a) This does not include covered higher education institutions.



Prompt Payment Performance by Secretarial Area

Quarter Ended March 31, 2008

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.2%	97.5%
Agriculture and Forestry	99.5%	96.9%
Commerce and Trade	99.1%	99.4%
Education*	99.0%	97.6%
Executive Offices	98.2%	95.0%
Finance	99.9%	100.0%
Health and Human Resources	99.0%	96.8%
Independent Agencies	98.9%	99.4%
Judicial	99.5%	99.2%
Legislative	99.9%	100.0%
Natural Resources	99.4%	98.4%
Public Safety	99.4%	99.2%
Technology	99.0%	98.8%
Transportation*	99.4%	97.4%
Statewide	99.1%	97.8%

Prompt Payment Performance by Secretarial Area

Fiscal Year 2008

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.3%	97.8%
Agriculture and Forestry	99.4%	98.8%
Commerce and Trade	98.8%	99.1%
Education *	98.6%	97.8%
Executive Offices	97.9%	94.1%
Finance	99.9%	99.9%
Health and Human Resources	99.1%	97.6%
Independent Agencies	98.8%	99.4%
Judicial	99.6%	99.6%
Legislative	99.9%	99.2%
Natural Resources	99.5%	98.6%
Public Safety	99.3%	96.5%
Technology	99.0%	95.6%
Transportation*	98.8%	97.2%
Statewide	98.8%	97.5%

* 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, 2008, 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, 2008

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
Education			
New College Institute	14	62	77.4%

For FY 2008, 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 2008

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
Education			
New College Institute	45	360	87.5%

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. Other agencies of the Commonwealth that are responsible for payment processes outside of those processed centrally have also embraced e-commerce initiatives (e.g., VEC, DSS). As a result, the methodology for accumulating the Statewide E-Commerce Performance Statistics has been modified to include additional payments made by these agencies. The comparative quarter and year-to-date amounts have been restated to account for the new methodology. 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, 2008			Comparative Quarter Ended March 31, 2007 as restated
	E-Commerce	Total	Percent	Percent
Number of Payments	2,080,797	2,675,043	77.8%	54.9%
Payment Amounts	\$ 7,532,922,903	\$ 8,828,381,366	85.3%	83.8%
	Fiscal Year 2008 To-Date			Comparative Fiscal Year 2007, as restated
	E-Commerce	Total (a)	Percent	Percent
Number of Payments	5,950,814	7,716,310	77.1%	51.4%
Payment Amounts	\$ 23,060,497,493	\$ 27,194,621,197	84.8%	83.6%

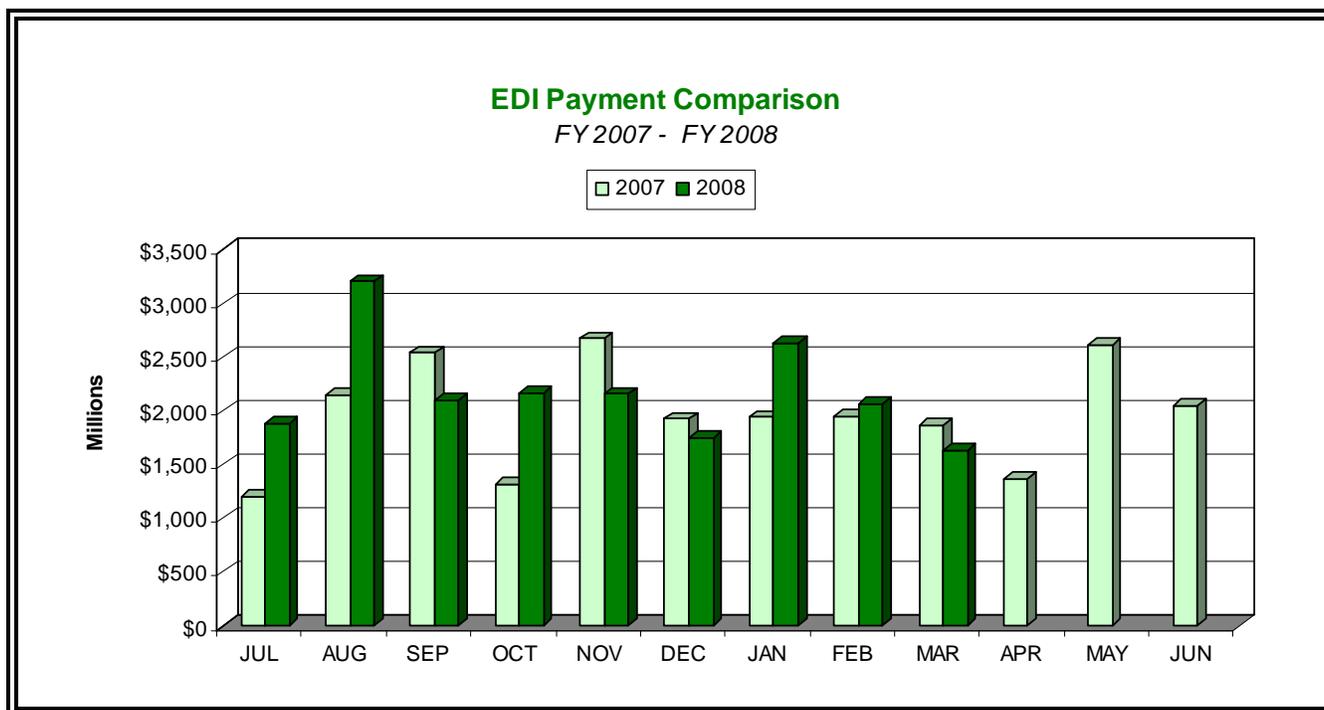
Financial Electronic Data Interchange (EDI)

The dollar volume of Financial EDI payments for the third quarter of FY 2008 were \$576 million (10.0 percent) more than the same quarter last year. The number of trading partner accounts increased by 10.3 percent

from March 2007. 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, 2008	Fiscal Year 2008 To-Date	Comparative FY 2007 To-Date
Number of Payments	43,332	141,564	141,539
Amount of Payments	\$ 6,331,764,413	\$ 19,603,333,021	\$ 17,558,020,029
Number of Invoices Paid	192,375	580,804	564,971
Estimated Number of Checks Avoided	72,645	228,118	225,278
Number of Trading Partner Accounts as of 03/31/2008		46,141	41,814



Travel EDI

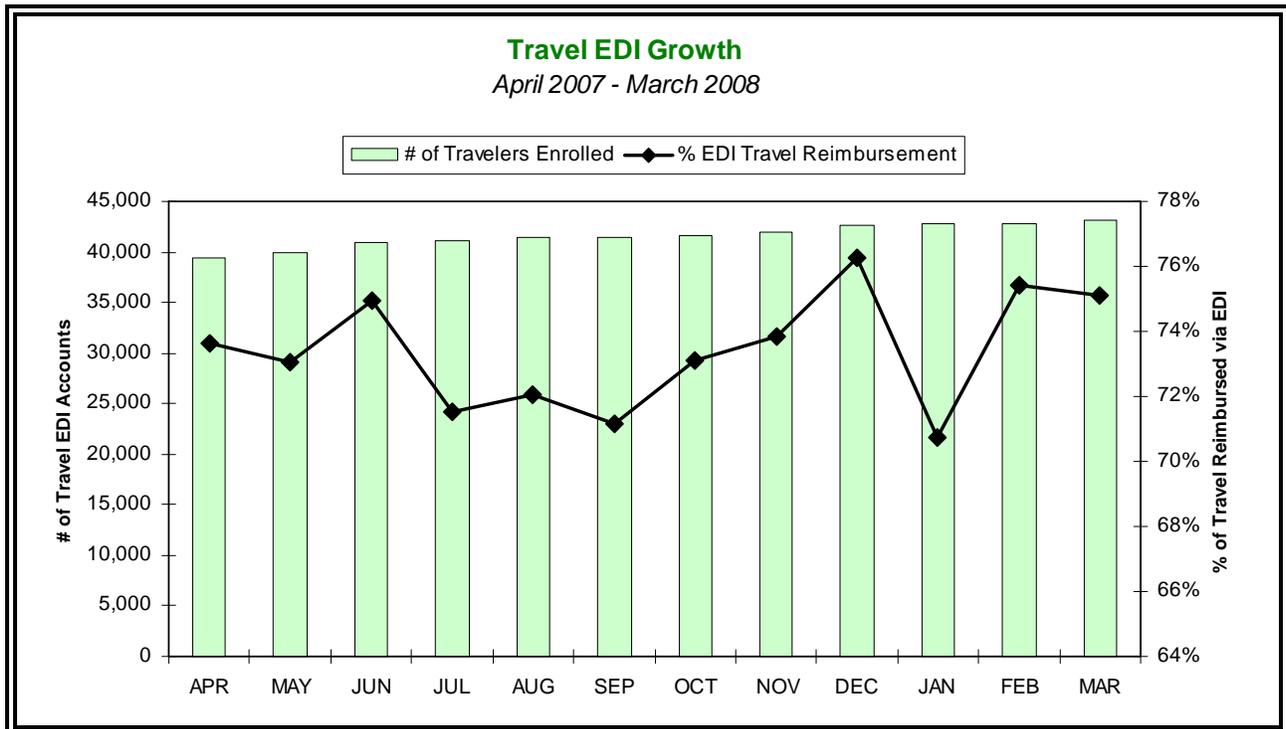
Expansion of the Travel EDI program is an integral part of the statewide effort to reduce the administrative costs associated with paying for goods and services for the Commonwealth. The Appropriation Act requires employees who travel more than twice a year to be reimbursed using EDI. DOA notified agencies 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 §4-5.04g of the Appropriation Act, the Comptroller charges agencies for each travel reimbursement check issued in lieu of Travel EDI. Agencies are expected to take action to enroll applicable employees in the EDI program and thus avoid the fees altogether. For FY 2008, the fee is \$5 per travel reimbursement check.

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, 2008

Secretarial Area	Employee Percent	Non-Employee Percent	Reimbursement Checks Issued
Administration	80.5%	4.0%	48
Agriculture and Forestry	96.4%	4.1%	96
Commerce and Trade	95.8%	62.3%	180
Education (1)	86.4%	16.0%	1,341
Executive Offices	95.5%	36.8%	25
Finance	98.0%	0.0%	14
Health and Human Resources	93.8%	38.2%	877
Independent Agencies	95.1%	0.0%	68
Judicial	13.8%	2.9%	3,399
Legislative	85.4%	11.1%	97
Natural Resources	94.9%	41.4%	127
Public Safety	84.5%	7.5%	911
Technology	78.5%	0.0%	40
Transportation (1)	82.0%	29.5%	327
Statewide for Quarter	80.9%	22.3%	7,550
<i>Fiscal Year 2008 To-Date</i>			
Statewide	80.5%	21.6%	27,076
<i>Comparative Fiscal Year 2007 To-Date</i>			
Statewide	79.2%	16.7%	29,879

(1) Statistics do not include agencies and institutions decentralized for vendor payment processing.

The following table lists agencies with Employee EDI participation rates below 75 percent that issued more than 25 travel reimbursement checks during the quarter.

These statistics are informational only and **do not** necessarily indicate noncompliance with the Appropriation Act.

**Agency Employee EDI Performance
Utilization Below 75 Percent**

Agency	Percent	Reimbursement Checks Issued
Education		
Norfolk State University	42.8%	131
Judicial		
Supreme Court	7.9%	457
Magistrate System	3.5%	275
Circuit Courts	2.8%	718
General District Courts	2.2%	392
Combined District Courts	2.1%	287
Juvenile and Domestic Relations District Courts	1.0%	350
Court of Appeals of Virginia	0.0%	71
Legislative		
Virginia House of Delegates	64.3%	66
Public Safety		
Department of Veterans Services	72.7%	36
Keen Mountain Correctional Center	40.0%	30
Green Rock Correctional Center	33.3%	28

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	4.3%	67
Education		
Department of Education	2.3%	428
Norfolk State University	0.0%	42
Virginia Military Institute	0.0%	39
Health and Human Resources		
Department for the Aging	6.3%	30
Virginia Board for People with Disabilities	2.1%	47
Judicial		
Circuit Courts	5.1%	428
Virginia State Bar	0.0%	195
General District Courts	0.0%	68
Juvenile and Domestic Relations District Courts	0.0%	63
Public Safety		
Department of Forensic Science	0.0%	110
Department of Veterans Services	0.0%	65
Department of Criminal Justice Services	0.0%	64

The following table lists agencies that have accumulated more than \$200 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 FY 2008, the charge is \$5 per check. These statistics indicate noncompliance with §4-5.04f.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	42.8%	\$ 565
Health and Human Resources		
Department of Social Services	78.6%	470
Judicial		
Supreme Court	7.9%	2,660
Magistrate System	3.5%	1,925
Circuit Courts	2.8%	7,490
General District Courts	2.2%	3,190
Combined District Courts	2.1%	2,565
Juvenile and Domestic Relations District Courts	1.0%	3,380
Court of Appeals of Virginia	0.0%	585
Public Safety		
Department of Fire Programs	78.5%	350
Department of Veterans Services	72.7%	280
Western Region Correction Field Units	51.6%	225
Technology		
Virginia Information Technologies Agency	78.5%	255
Transportation		
Department of Transportation	75.6%	1,125



Direct Deposit

During the second quarter of FY 2008, 484,663 checks were avoided using direct

deposit. Agencies are expected to take proactive steps to improve participation rates.

Direct Deposit Performance by Secretarial Area

Quarter Ended March 31, 2008

<u>Secretarial Area</u>	<u>Direct Deposit % of Salaried Employees</u>	<u>Direct Deposit % of Wage Employees</u>
Administration	92.2%	88.1%
Agriculture and Forestry	94.9%	27.2%
Commerce and Trade	97.9%	94.7%
Education	97.9%	67.9%
Executive Offices	98.4%	68.0%
Finance	98.0%	89.9%
Health and Human Resources	91.3%	84.4%
Independent Agencies	97.8%	81.3%
Judicial	97.2%	64.6%
Legislative	97.8%	78.5%
Natural Resources	98.2%	70.5%
Public Safety	92.0%	84.1%
Technology	97.9%	100.0%
Transportation	92.3%	80.2%
Statewide	93.8%	72.3%
<i>Comparative</i>		
<i>Quarter Ended March 31, 2007</i>		
Statewide	93.0%	72.0%

Statewide Salaried Direct Deposit Performance

Quarter Ended March 31, 2008

Salaried Direct Deposit Participation	93.8%
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Salaried Direct Deposit Below 90 Percent

Agency	Percent	Number of Employees
Administration		
State Board of Elections	83.9%	31
Education		
Virginia Museum of Fine Arts	89.9%	149
Virginia School for the Deaf, Blind and Multi-Disabled at Hampton	87.6%	97
Health and Human Resources		
Southern Virginia Mental Health Institute	89.3%	168
Commonwealth Center for Children and Adolescents	88.7%	133
Eastern State Hospital	88.4%	960
Western State Hospital	87.1%	715
Southwestern Virginia Training Center	87.1%	480
Piedmont Geriatric Hospital	77.2%	325
Central Virginia Training Center	68.0%	1,443
Public Safety		
Deerfield Correctional Center	89.6%	336
Sussex II Correctional Center	88.8%	330
Virginia Correctional Center for Women	88.6%	220
Central Region Correctional Field Units	88.4%	112
Deep Meadow Correctional Center	87.9%	315
Fluvanna Women's Correctional Center	87.0%	324
Lunenburg Correctional Center	86.9%	260
Powhatan Correctional Center	86.8%	365
Eastern Regional Correctional Field Units	86.8%	136
Powhatan Reception and Classification Center	86.3%	124
Mecklenburg Correctional Center	85.3%	380
Greensville Correctional Center	84.8%	783
Bland Correctional Center	84.8%	289
Nottoway Correctional Center	84.4%	436
Augusta Correctional Center	84.4%	403
Brunswick Correctional Center	83.1%	379
Dillwyn Correctional Center	78.9%	266

(Continued on next page)

Salaried Direct Deposit Below 90 Percent

(continued)

<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Transportation		
Department of Transportation - Culpeper	88.8%	518
Department of Transportation - Bristol	88.3%	760
Department of Transportation - Lynchburg	86.6%	642

Statewide Wage Direct Deposit Performance

Quarter Ended March 31, 2008

Wage Direct Deposit Participation	72.3%
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Wage Direct Deposit Below 50 Percent

<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Agriculture and Forestry		
Department of Forestry	14.1%	249
Education		
Eastern Shore Community College	48.5%	103
Southside Virginia Community College	47.4%	306
Paul D. Camp Community College	44.6%	177
Wytheville Community College	43.1%	288
New River Community College	42.7%	262
Radford University	41.3%	1,544
Southwest Virginia Community College	40.2%	239
Thomas Nelson Community College	40.0%	525
Lord Fairfax Community College	36.3%	317
Dabney S. Lancaster Community College	35.2%	88
Virginia Highlands Community College	28.6%	231
Richard Bland College	17.0%	53
Health and Human Resources		
Central Virginia Training Center	46.5%	114
Public Safety		
Department of Military Affairs	44.4%	239

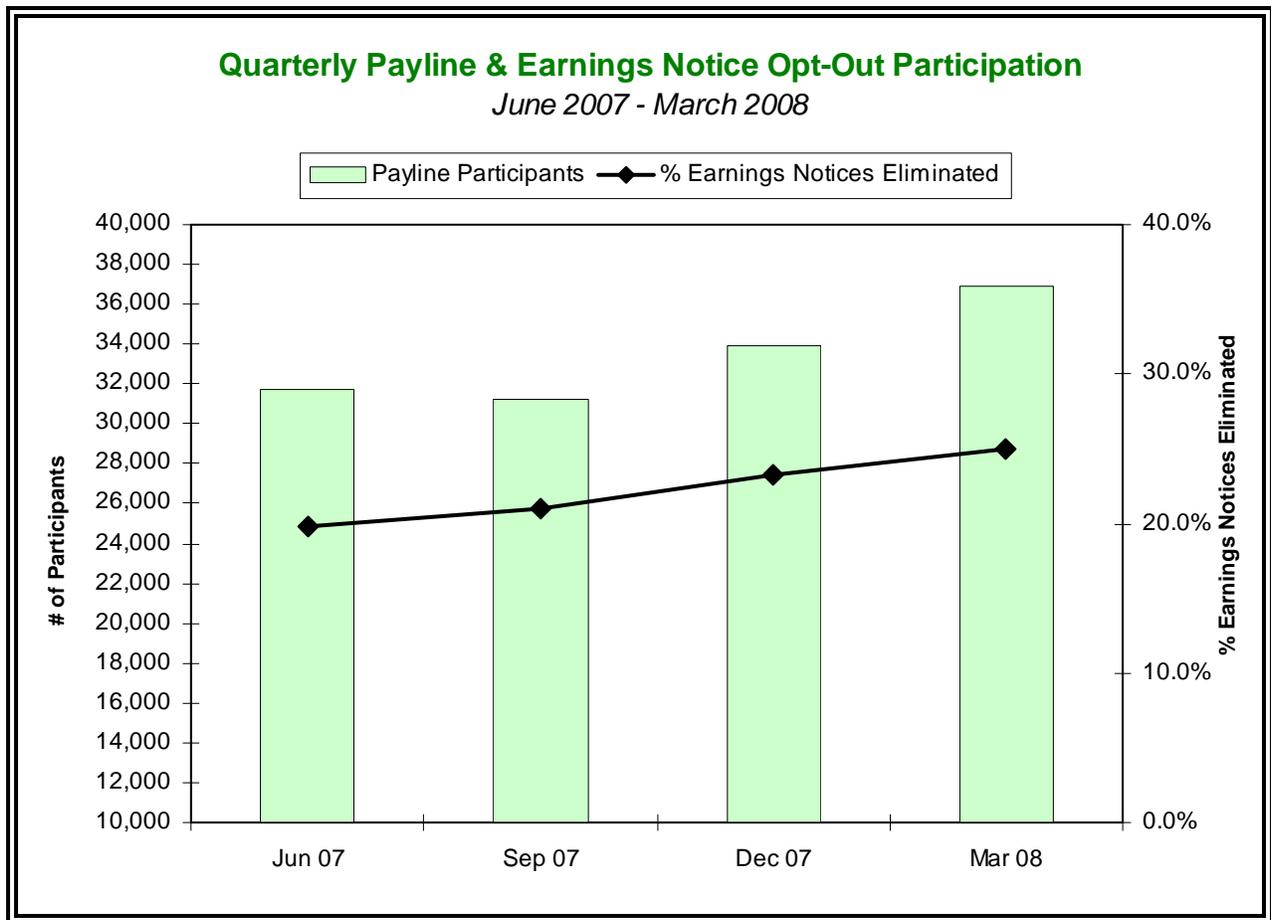


Payroll Earnings Notices

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 1,560,499 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, 2008

<u>Secretarial Area</u>	<u>Percent Payline Participation</u>	<u>Percent Earnings Notices Eliminated*</u>
Administration	65.6%	42.2%
Agriculture and Forestry	26.1%	14.9%
Commerce and Trade	82.0%	56.0%
Education	35.8%	26.4%
Executive Offices	69.7%	63.7%
Finance	93.9%	94.3%
Health and Human Resources	42.6%	20.1%
Independent Agencies	51.2%	34.8%
Judicial	23.3%	8.9%
Legislative	42.3%	37.7%
Natural Resources	57.5%	46.5%
Public Safety	37.2%	22.1%
Technology	93.3%	85.6%
Transportation	40.5%	15.7%
Statewide	41.1%	25.0%
<i>Comparative</i>		
<i>Quarter Ended March 31, 2007</i>		
Statewide	35.2%	20.7%

* 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, 2008

<u>Agency</u>	<u>Percent Earnings Notices Eliminated</u>	<u>Earnings Notices Printed for 03/31/08 Payday</u>
Agriculture and Forestry		
Department of Forestry	4.0%	278
Education		
Central Virginia Community College	5.0%	199
Rappahannock Community College	5.0%	142
Radford University	3.3%	1,574
Christopher Newport University	2.7%	1,438
Virginia School for the Deaf, Blind and Multi-Disabled at Hampton	2.4%	107
Northern Virginia Community College	1.9%	2,096
Health and Human Resources		
Virginia Rehabilitation Center for the Blind and Vision Impaired	5.6%	29
Piedmont Geriatric Hospital	2.5%	290
Central Virginia Training Center	2.0%	994
Judicial		
Juvenile and Domestic Relations District Courts	3.0%	607
Magistrate System	2.6%	392
General District Courts	2.5%	983
Combined District Courts	1.4%	196
Circuit Courts	0.0%	179
Court of Appeals of Virginia	0.0%	79

(Continued on next page)

**Payline Earnings Notice Elimination
Under 6 Percent**

(continued)

Quarter Ended March 31, 2008

Agency	Percent Earnings Notices Eliminated	Earnings Notices Printed for 03/31/08 Payday
Public Safety		
Bland Correctional Center	5.7%	228
Division of Community Corrections	5.6%	1,274
Lunenburg Correctional Center	4.6%	215
Dillwyn Correctional Center	4.5%	201
Nottoway Correctional Center	4.3%	348
Deerfield Correctional Center	4.3%	293
Keen Mountain Correctional Center	4.1%	288
Fluvanna Women's Correctional Center	4.0%	270
Virginia Veterans Care Center	3.3%	237
Greensville Correctional Center	3.2%	651
Brunswick Correctional Center	3.1%	304
Transportation		
Department of Transportation - Hourly	5.3%	297



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.

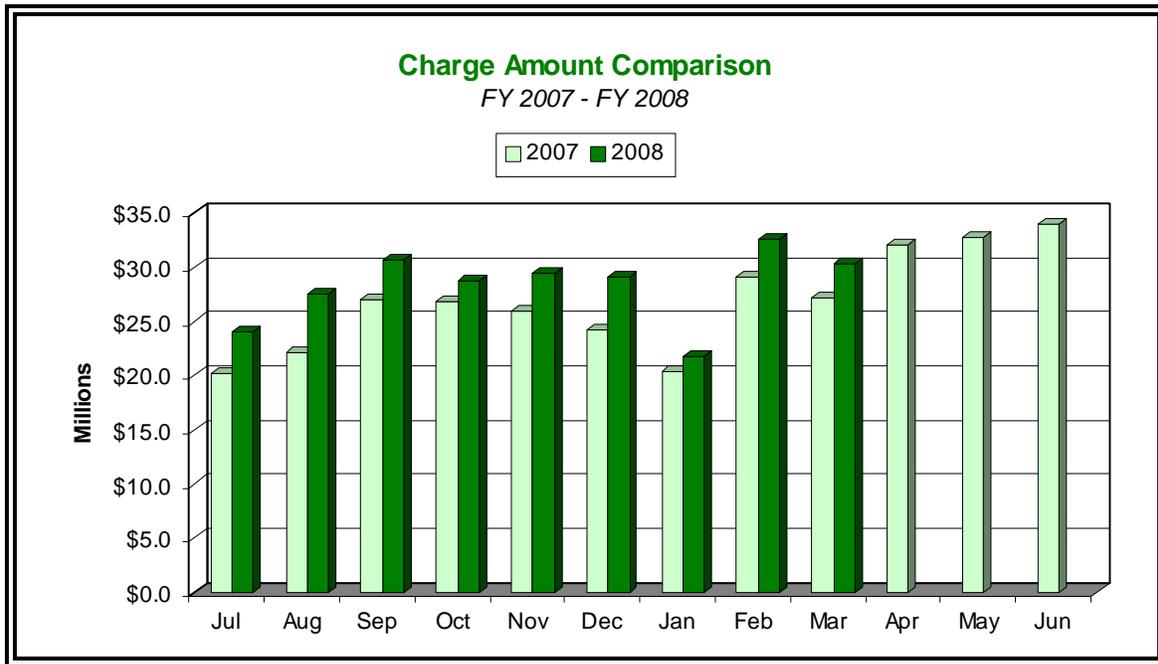
The Small Purchase Charge Card continues to be used for purchases under \$5,000. Agencies are strongly encouraged to obtain a Gold Card for use for purchases up to \$50,000.

The total amount charged on SPCC and Gold cards during the third quarter of FY 2008 increased by \$8.0 million or 10.4 percent from the same quarter last year.

Small Purchase Charge Card Program

Charge Card Activity	Quarter Ended March 31, 2008	Fiscal Year 2008 To-Date	Comparative Fiscal Year 2007 To-Date
Amount of Charges	\$ 84,646,649	\$ 254,275,252	\$ 222,904,312
Estimated Number of Checks Avoided	150,569	479,253	498,125
Total Number of Participating Agencies		226	220
Total Number of Cards Outstanding		14,917	15,026

The following chart compares charge activity for FY 2008 to activity for FY 2007:



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 \$5 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.

In accordance with §4-5.04g of the Appropriation Act, the underutilization charge imposed for agencies under the 70 percent threshold is \$5.

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 26 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 from DOA. Questions regarding the data can be emailed to cca@doa.virginia.gov.

Statewide SPCC Performance

Quarter Ended March 31, 2008

Percentage Utilization for Eligible Transactions

83%

SPCC Utilization by Secretarial Area

Quarter Ended March 31, 2008

<u>Secretarial Area</u>	<u>Payments in Compliance ⁽¹⁾</u>	<u>Non-Compliant Transactions ⁽²⁾</u>
Administration	82%	734
Agriculture and Forestry	81%	667
Commerce and Trade	80%	744
Education*	87%	5,480
Executive Offices	91%	91
Finance	94%	76
Health and Human Resources**	82%	6,481
Independent Agencies	61%	998
Judicial	37%	2,438
Legislative	96%	57
Natural Resources	91%	828
Public Safety	93%	2,558
Technology	77%	161
Transportation*	69%	7,736
Statewide	83%	29,049

* 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
Commerce and Trade		
Virginia Employment Commission	39%	648
Education		
Norfolk State University	58%	929
New College Institute	55%	18
Executive		
Office of Workforce Development and Workforce Council Support	25%	27
Health and Human Resources		
Eastern State Hospital	68%	388
Central Virginia Training Center	54%	602
Independent Agencies		
Virginia Retirement Systems	68%	148
State Corporation Commission	2%	613
Judicial		
Judicial Inquiry and Review Commission	67%	5
Virginia Indigent Defense Commission	59%	216
Board of Bar Examiners	0%	27
Circuit Courts	0%	226
Combined District Courts	0%	263
General District Courts	0%	828
Juvenile and Domestic Relations District Courts	0%	486
Magistrate System	0%	98
Virginia Criminal Sentencing Commission	0%	33
Legislative		
Commission on the Virginia Alcohol Safety Action Program	0%	27
Public Safety		
Sitter-Barfoot Veterans Care Center	55%	228
Transportation		
Virginia Department of Transportation	68%	6,961



SPCC and ATC Payment Compliance

Agencies and institutions participating in the Charge Card 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 charge 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, 2008, with the payment due no later than February 8, 2008.

Agencies are credited under prompt payment reporting for timely payment of each purchasing charge card transaction. ***Effective July 1, 2007, any late payments on the Airline Travel Card (ATC) will be reflected in this section along with purchase card late payments. If an agency is late paying their ATC bill, agency prompt payment statistics may be adjusted downward to reflect each ATC bill submitted as a late payment.***

The following chart lists agencies more than two days late in submitting their payments by each program type.

Agency Name	Jan	Feb	Mar
<u>Purchase Card Program:</u>			
Commerce and Trade			
Virginia Economic Development Authority		X	
Education			
New College Institute	X		
University of Virginia Medical Center	X		
Virginia School for the Deaf, Blind & Multi-Disabled at Hampton	X		
Independent			
Virginia Retirement System		X	
Technology			
Virginia Information Technologies Agency	X		
<u>Airline Travel Card Program:</u>			
Education			
Central Virginia Community College	X		



Travel Charge Card

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

One of the major concerns under this program is the timely payment of card statements. Delinquent accounts result in higher costs to the contractor and ultimately threaten the viability of the Commonwealth's travel charge card program.

The contract provides for the following actions on delinquent accounts:

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

The following table identifies the number of delinquent card accounts with GE MasterCard by agency during the quarter ended March 31, 2008, and the total amounts past due.

Travel Charge Card Program

As of March 31, 2008

<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>
Education				
George Mason University	1	\$ 0	\$ 302	\$ 1,058
Norfolk State University	2	447	1,364	0
Old Dominion University	5	626	2,919	1,485
University of Virginia	1	0	705	182
University of Virginia Medical Center	2	0	2,416	0
Health and Human Resources				
Department of Health	1	0	0	368



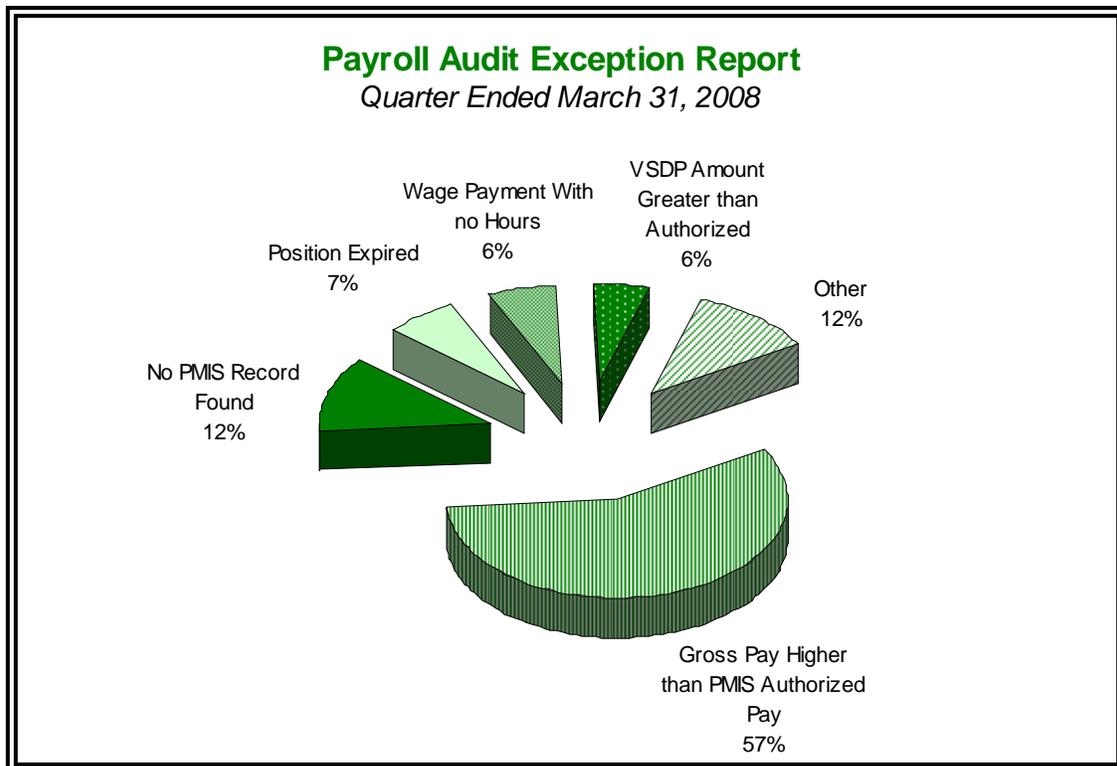
Payroll Controls

PMIS/CIPPS Payroll Audit

During the quarter, DOA's automated comparison of payroll and personnel (PMIS) records examined 434,540 salaried pay transactions and 218,864 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 2,288 new exceptions noted statewide during the quarter, with an overall exception rate of 0.38 percent.

The statewide salaried payroll exception rate was 0.55 percent and the wage payroll exception rate was 0.05 percent. During this quarter, 38 employee paychecks were reduced to recover \$28,841 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.



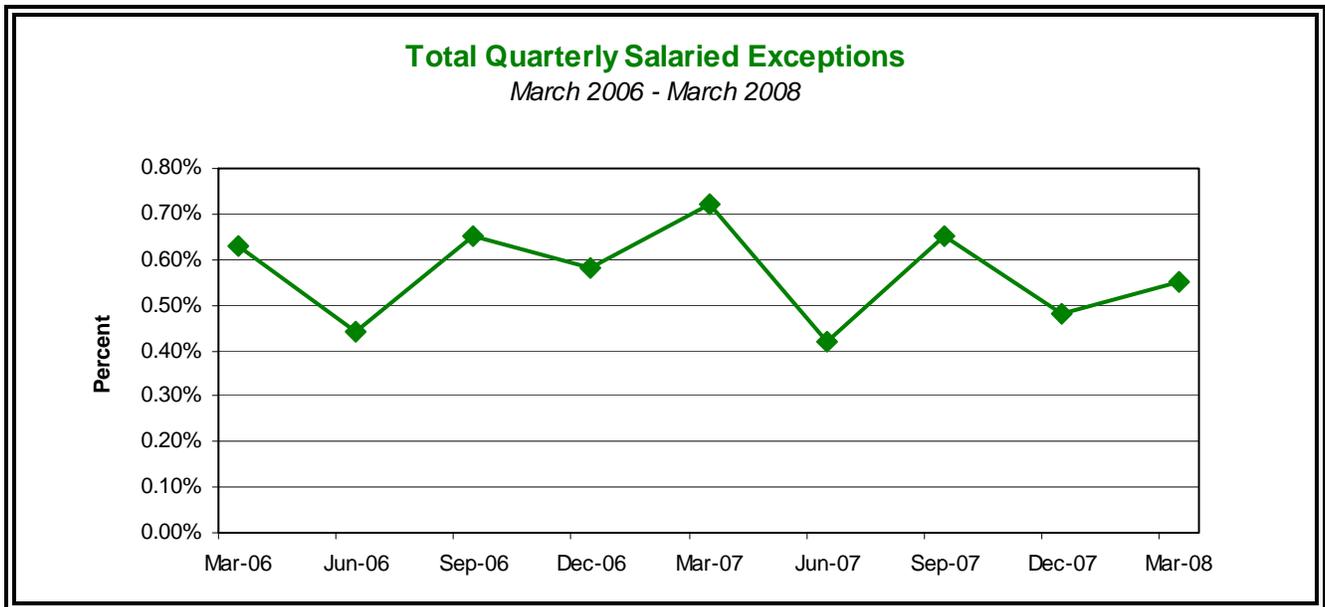
Exception percentages are calculated by dividing the number of exceptions by the number of salaried or wage employees. Agencies are reported below if the percentage

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, 2008

Agency	# of Salaried Exceptions	Exceptions as a % of Salaried Payments
Virginia Museum of Fine Arts	29	3.23%
Total Salaried Payroll Exceptions for the Quarter		0.55%

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, 2008

<u>Agency</u>	<u># of Wage Exceptions</u>	<u>Exceptions as a % of Wage Payments</u>
Virginia Veterans Care Center	25	9.69%
Wage Payroll Exceptions for the Quarter		0.05%

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



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>
None	



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 each report by the end of the day following receipt of the report. Differences result from agency payroll errors, miscalculations, online-certification data entry errors, and inappropriately high volumes of changes following certification. Although differences do not result in

undetected incorrect payments, such errors are avoidable and are not consistent with sound internal control over payroll.

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

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

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

Payroll Certification Compliance

Agency	Variance Amount (a)	Performed by DOA (b)	Submitted Late (c)	Corrected by DOA (d)
Commerce and Trade				
Virginia Israel Advisory Board	\$ 31,959			
Education				
Radford University	42,922			
Tidewater Community College	69,112			
Central Virginia Community College			2	
Legislative				
Senate of Virginia	37,375			
Public Safety				
Department of Military Affairs	31,655			

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 01/31/08, 02/29/08 and 03/31/08, respectively.

Schedule of Healthcare Reconciliation Received Late

	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>
None			



FINANCIAL MANAGEMENT ACTIVITY

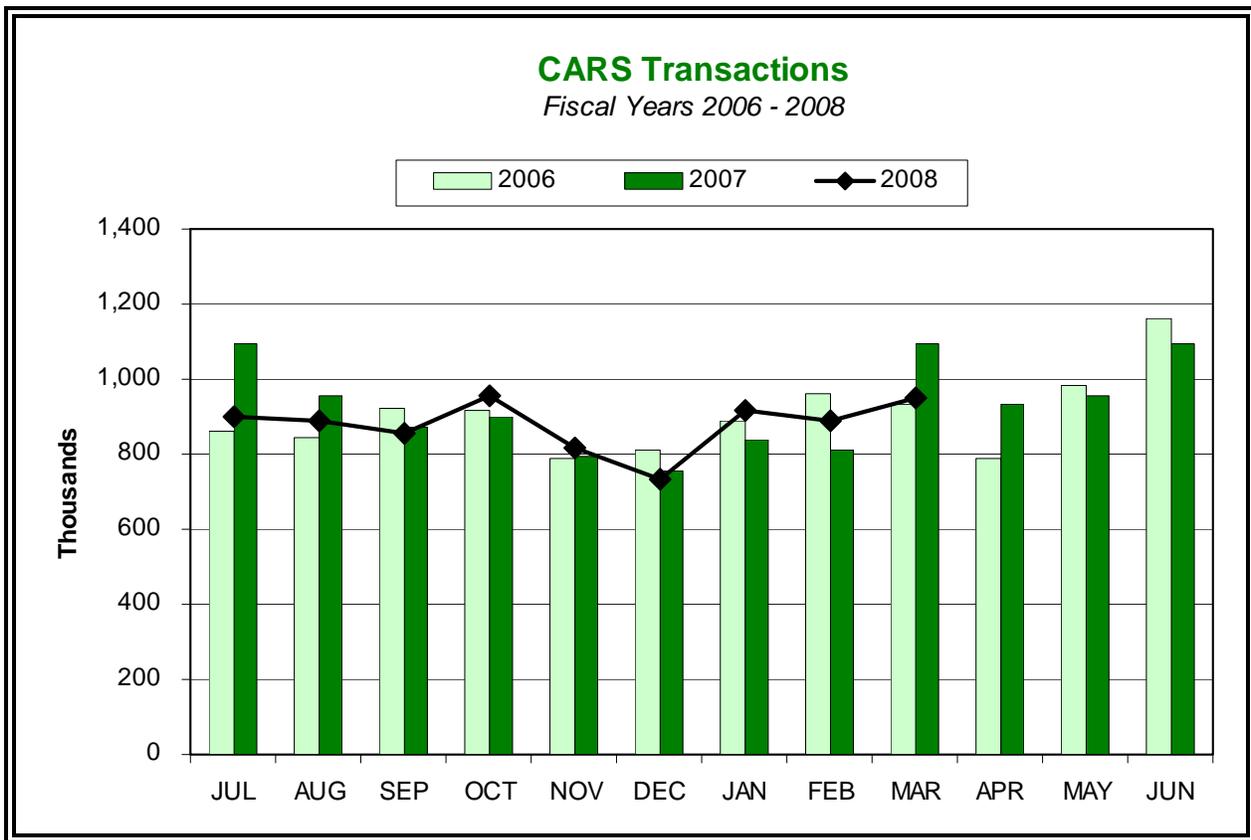
DOA monitors several types of financial activity. Various measures are used to track activities for CARS, payroll, accounts

receivable, indirect cost recoveries, treasury loans, and the 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.

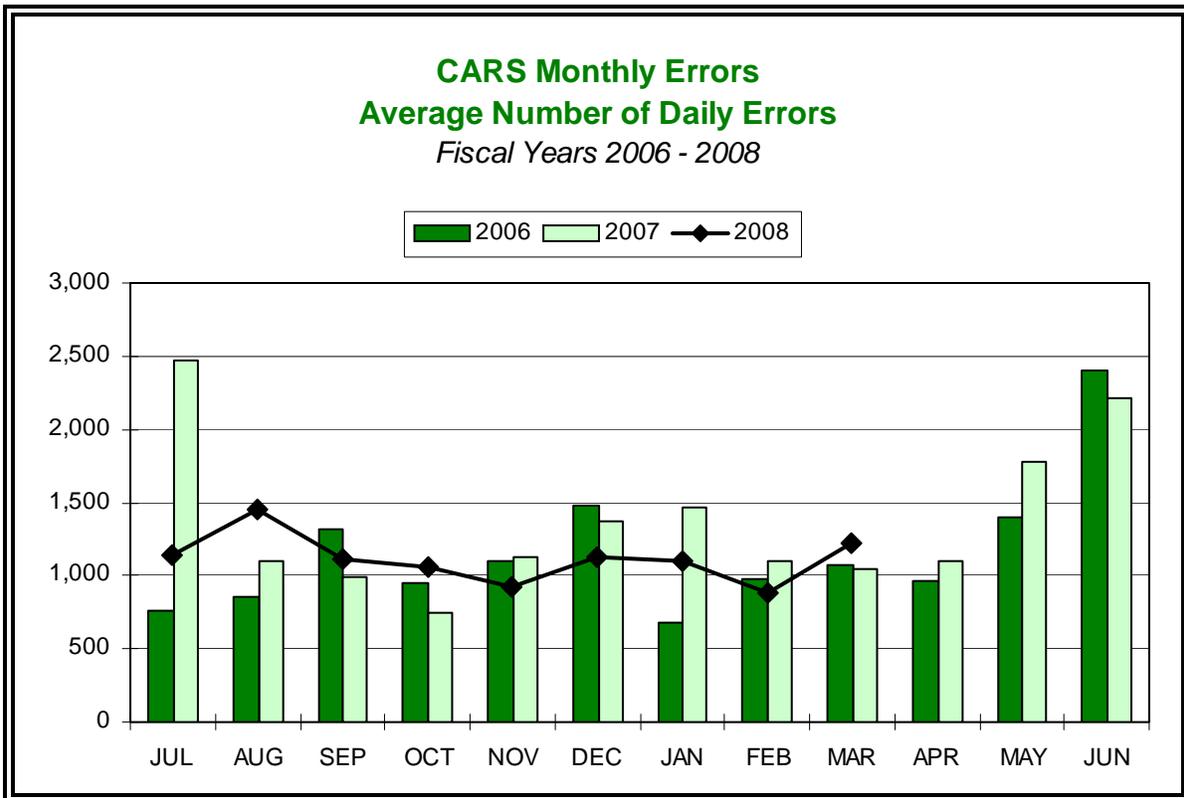


CARS Edits

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 2008, 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.

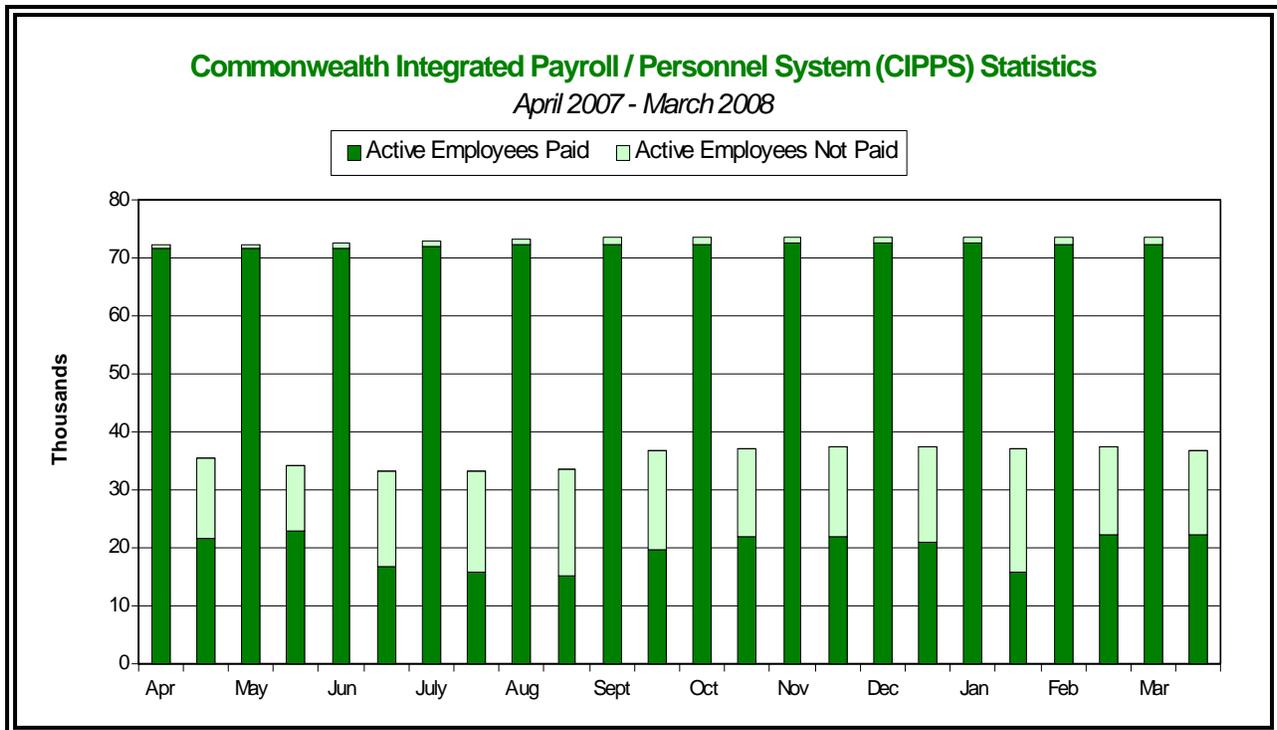
- Expenditure Exceeds Allotment
- Available Cash Negative
- Certified Amounts Not Balanced



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 110,506 employees. Payroll services are also provided through eight decentralized higher education institutions.

On average, 92,488 employees were paid each month, of which 72,371 are salaried 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 9,647 savings bonds with a face value of over \$1.2 million.

Benefit Participation Number of Participating Employees

Benefit	As of 3/31/2008	Comparative	
		As of 3/31/2007	As of 3/31/2006
Health Care			
COVA Care	84,253	82,681	82,055
Kaiser	2,025	2,019	1,936
Optional Retirement Plans*			
Fidelity Investments	582	550	538
TIAA/CREF	1,630	1,609	1,587
Political Appointee - ORP	101	102	57
Deferred Compensation*			
Great West Life	36,278	33,973	32,955
Flexible Reimbursement*			
Dependent Care	772	720	665
Medical Care	7,099	5,974	5,046

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



Accounts Receivable

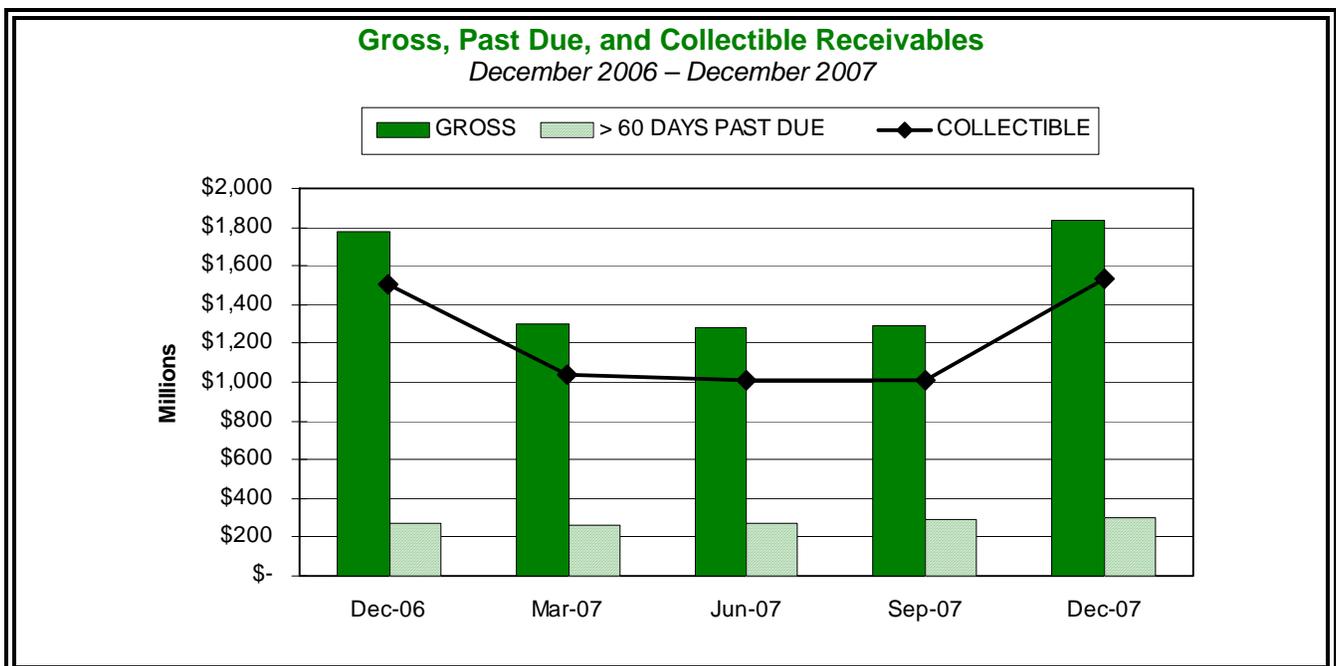
Executive Summary

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, 2007, with \$1.5 billion considered collectible. Receivables over 60 days past due as of December 31, 2007, totaled \$301.4 million. Of that amount, \$16.8 million was placed with private collection agencies, \$17.8 million was placed with the Division of Debt Collection and \$266.8 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, 2007, agencies expected to collect \$1.5 billion (84 percent) of the \$1.8 billion adjusted gross receivables. About 1 percent is due to the General Fund, primarily for benefit recoveries and sales of

permits. The balance, which contains Medicaid penalties that are no longer revertible, is due to several non-general funds.

Collectible Receivables by Fund

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

As of December 31, 2007

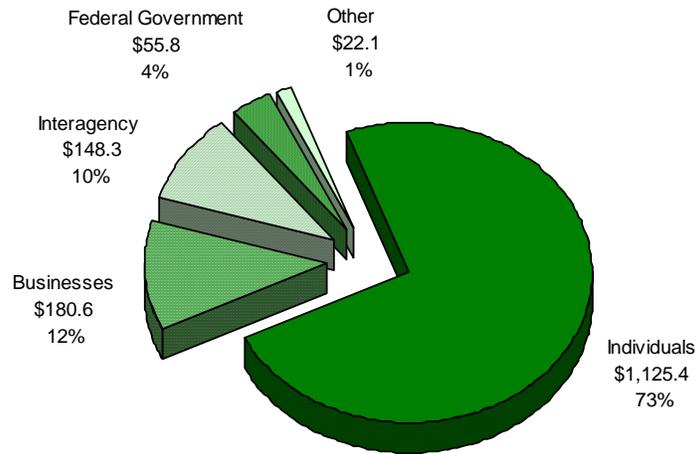
Fund	Source	Amount	Percent
General Fund 1%	Medicaid - Current Recoveries	\$ 6,759,290	42%
	Social Services	3,324,223	21%
	Labor and Industry Inspections	1,031,837	6%
	State Police Permits	763,926	5%
	Corrections	798,030	5%
	Other	2,199,046	14%
	Subtotal	14,876,352	93%
	Interagency Receivables	1,176,625	7%
Total General Fund Collectible		\$ 16,052,977	100%
Nongeneral Funds 99%	Medicaid - Dedicated Penalty Fees	\$ 27,126,530	2%
	Medicaid - Federal Reimbursements	14,916,333	1%
	Unemployment Taxes	55,201,292	4%
	Transportation	31,856,839	2%
	Child Support Enforcement	102,231,538	7%
	Federal Government	7,894,848	1%
	MHMR Patient Services	27,224,904	2%
	Hospital	113,393,673	7%
	Enterprise	70,201,292	5%
	Higher Education	801,542,582	52%
	Other	117,506,922	7%
	Subtotal	1,369,096,753	90%
	Interagency Receivables	147,093,599	10%
Total Nongeneral Fund Collectible		\$ 1,516,190,352	100%
All Funds	Grand Total	\$ 1,532,243,329	100%

Summary of Receivables by Source

Sources of Collectible Receivables by Debtor

(dollars in millions)

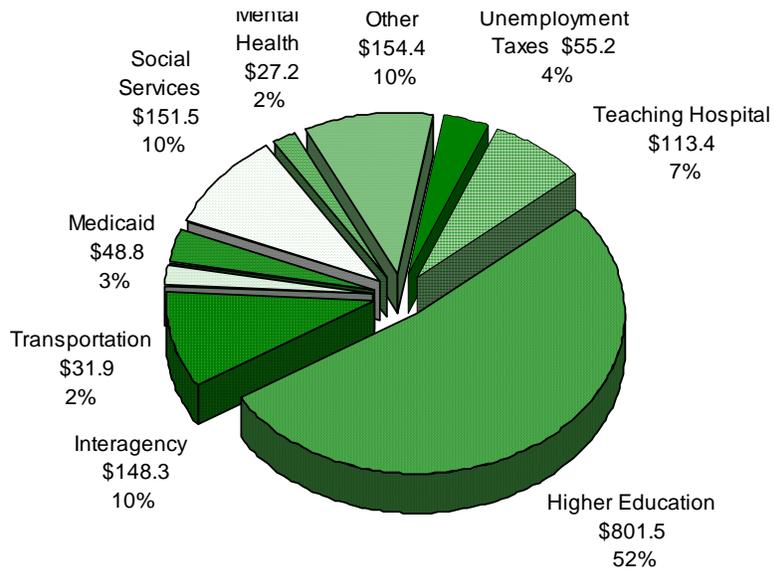
As of December 31, 2007



Sources of Collectible Receivables by Type

(dollars in millions)

As of December 31, 2007



Not counting Taxation and the Courts, ten agencies account for 71 percent of the Commonwealth's adjusted gross and 70

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, 2007

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
Virginia Polytechnic Institute & State University	\$ 190,278,865	\$ 1,619,188	\$ 188,659,677
University of Virginia Medical Center	174,150,822	9,777,464	164,373,358
Department of Social Services	340,530,628	187,063,669	153,466,959
Virginia Commonwealth University	128,535,561	2,699,069	125,836,492
James Madison University	96,889,723	1,745,822	95,143,901
University of Virginia - Academic Division	93,950,645	-	93,950,645
The College of William & Mary in Virginia	71,151,311	7,420	71,143,891
Old Dominion University	70,320,009	1,208,287	69,111,722
Virginia Employment Commission	82,857,993	24,902,872	57,955,121
State Lottery Department	52,641,849	-	52,641,849
Total	\$ 1,301,307,406	\$ 229,023,791	\$ 1,072,283,615
All Other Agencies	530,526,116	70,566,401	459,959,715
Grand Total	\$ 1,831,833,522	\$ 299,590,192	\$ 1,532,243,330

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.

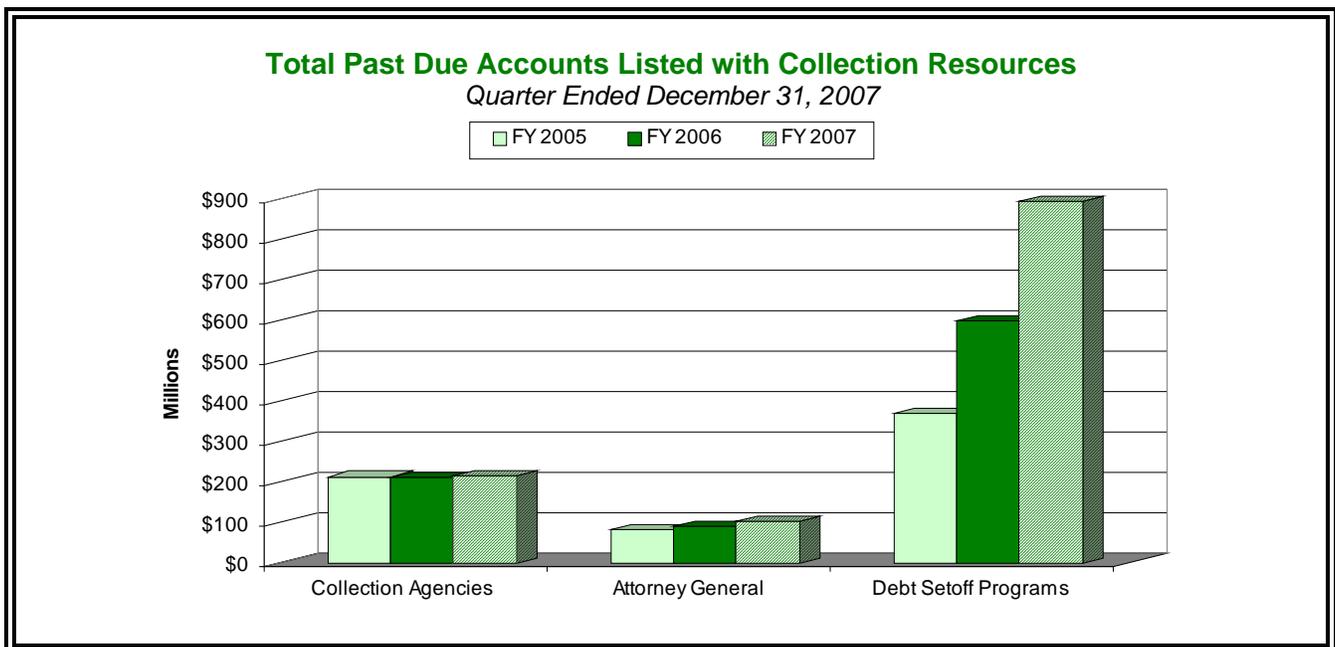
The Office of the Attorney General requires state agencies and institutions to send accounts of \$3,000 or more and 60 days or more past due to the Division of Debt Collection.

These additional collection tools recovered \$4.6 million during the quarter ended December 31, 2007. The Division of Debt Collection contributed \$1.6 million. Private collection agencies collected \$2.5 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected \$553,072.

Collectible Receivables Over 60 Days Past Due
Not Including Circuit Courts, District Courts or the Department of Taxation
 As of December 31, 2007

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	\$ 107,335,933	\$ -	\$ -	\$ 107,335,933
University of Virginia Medical Center	39,196,096	-	-	39,196,096
Virginia Employment Commission	34,028,790	7,550,048	7,413,520	19,065,222
Department of Medical Assistance Services	30,497,897	758,061	541,480	29,198,356
Department of Mental Health, Mental Retardation & Substance Abuse Services	11,975,982	-	-	11,975,982
Virginia Information Technologies Agency	9,858,314	-	-	9,858,314
Department of Transportation	8,436,846	1,181,740	4,064,432	3,190,674
Department of Health	6,466,587	384,886	12,500	6,069,201
Virginia Polytechnic Institute & State University	4,128,084	797,838	58,588	3,271,658
University of Virginia - Academic Division	3,532,158	608,663	44,247	2,879,248
TOTAL	\$ 255,456,687	\$ 11,281,236	\$ 12,134,767	\$ 232,040,684
All Other Agencies	45,925,797	5,520,589	5,673,233	34,731,975
TOTAL OVER 60 DAYS	\$ 301,382,484	\$ 16,801,825	\$ 17,808,000	\$ 266,772,659
Uncollectable Amounts Placed for Collection, Including Accounts Written Off	907,040,040	197,177,543	84,914,901	624,947,596
TOTAL COLLECTION EFFORTS	\$ 1,208,422,524	\$ 213,979,368	\$ 102,722,901	\$ 891,720,255

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 \$9.5 million through the third quarter of FY 2008. 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 12/31/07	Comparative	
		Percent at 9/30/07	Percent at 6/30/07
Department of Social Services	32%	32%	34%
University of Virginia Medical Center	23%	25%	29%
Virginia Employment Commission	41%	38%	30%
Department of Medical Assistance Services	36%	36%	32%
Department of Mental Health, Mental Retardation & Substance Abuse Services	27%	23%	16%
Virginia Information Technologies Agency	21%	9%	7%
Department of Transportation	28%	52%	13%
Department of Health	13%	14%	24%
Virginia Polytechnic Institute & State University	2%	3%	7%
University of Virginia - Academic Division	4%	9%	15%
Statewide Average - All Agencies	16%	23%	21%

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 70 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 71 percent indicates that for every \$1 billed during the quarter ended December 31, 2007, the state collected 71 cents. This rate is two percent more than last year, and the same as the December 31, 2005 quarter.

Collections as a Percentage of Billings

Agency	Percent at 12/31/07	Comparative	
		Percent at 12/31/06	Percent at 12/31/05
Virginia Polytechnic Institute & State University	53%	51%	49%
University of Virginia Medical Center	37%	49%	46%
Department of Social Services	98%	86%	86%
Virginia Commonwealth University	52%	43%	38%
James Madison University	26%	26%	27%
University of Virginia - Academic Division	83%	83%	81%
The College of William & Mary in Virginia	31%	30%	27%
Old Dominion University	34%	34%	33%
Virginia Employment Commission	101%	104%	103%
State Lottery Department	103%	94%	94%
Statewide Average - All Agencies	71%	69%	71%

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 federally and State funded health care programs. These programs include Medicaid, Family Access to Medical Insurance Security (FAMIS), and State and Local Hospitalization (SLH) programs.

DMAS' collectible accounts receivable of \$48.8 million at December 31, 2007, is a \$5.2 million increase over the \$43.6 million reported at December 31, 2006. Over the same period, total past due receivables of \$32.9 million have increased by \$1.1 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 collectible receivables of \$164.4 million at December 31, 2007, were a \$19.2 million increase from the \$145.2 million reported the previous year. Past due receivables increased by \$33.3 million to \$113.9 million at December 31, 2007.

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 \$58.0 million at December 31, 2007, a decrease of \$10.0 million from the previous year. Total past due receivables were \$36.5 million, a \$2.3 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, 2007, of \$46.7 million, a \$9.2 million increase from the previous year's \$37.5 million. Most of these receivables are due from other state agencies. As of December 31, 2007, \$9.9 million was over 60 days past due, unchanged from the previous year.

State Lottery Department (SLD)

The State Lottery Department is an independent agency 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 State Lottery games are covered by surety bonds and deposit Lottery receipts into bank accounts approved by the State Treasurer.

At December 31, 2007, the State Lottery reported net receivables of \$52.6 million, a \$10.1 million decrease from the previous year's net of \$62.7 million. Billings increased by \$9.3 million and collections increased by \$24.2 million during the December 31, 2007 quarter when compared to the December 30, 2006 quarter. At December 31, 2007, the State Lottery had \$393,963 that was over 60 days past due. The total amount owed is covered by surety bonds.

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, 2007, DOE had no accounts receivable due from the Federal government under Direct Aid to Public Education. This is the same as 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, 2007, the University reported net collectible receivables of \$188.7 million, a \$13.5 million increase over the prior year. At the same time, past due receivables increased by \$1.1 million from last year.

The University uses a variety of collection methods to encourage payments. At December 31, 2007, VPISU had \$4.1 million of accounts over 60 days past due. \$58,588 was placed with the Attorney General's Division of Debt Collection, another \$797,838 was placed with private collection agencies and \$3.3 million was 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, a lien is 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, 2007, the Department reported net receivables of \$27.2 million, a \$1.0 million decrease from the previous year. \$18.3 million was past due, with \$12.0 million being over 60 days past due. Total past due receivables increased by \$87,535 over the year, and accounts over 60 days past due increased by \$170,057. At December 31, 2007, the Department had a total of \$7.8 million of accounts placed with the Attorney General and \$1.2 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, 2007, VDOT reported \$29.1 million of collectible receivables, a decrease of \$25.8 million from the prior year. VDOT also reported \$11.6 million total past due and \$8.4 million being over 60 days past due. Past due receivables decreased by \$9.2 million over the year, while receivables over 60 days past due decreased by \$7.7 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 \$4.1 million of their accounts over 60 days past due with the Attorney General's Division of Debt Collection, and \$1.2 million with private collection agencies.

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 reimburse 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, 2007, DSS reported gross receivables of \$340.5 million, an allowance for doubtful accounts of \$187.1 million and collectible receivables of \$153.5 million. Past due receivables totaled \$109.3 million, of which \$107.3 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for \$268.4 million (79 percent) of the gross receivables, \$166.2 million (89 percent) of the allowance for doubtful accounts and \$102.2 million (67 percent) of the collectible receivables.

From December 31, 2006, to December 31, 2007, gross receivables increased \$59.4 million and collectible receivables increased by \$29.2 million. Total past due receivables increased by \$18.2 million and receivables over 60 days past due increased by \$17.9 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, 2007, DRPT had gross and net receivables of \$4.5 million. The majority of this money is due via an interagency transfer from VDOT. \$2.1 million was past due at December 31, 2007. Of this amount, \$1.6 million was over 60 days past due.

Virginia Commonwealth University (VCU)

VCU, based in Richmond, offers 140 degree programs to nearly 32,000 students in a variety of fields ranging from accounting to pharmacy at both undergraduate and graduate levels.

At December 31, 2007, VCU had \$125.8 million of collectible receivables, a \$2.3 million increase over December 31, 2006. Total past due accounts were \$10.8 million, a \$3.8 million decrease from December 31, 2006. Accounts over 60 days past due (\$3.4 million) increased by \$14,081 over the prior year. Billings increased by \$7.6 million to \$157.7 million and collections increased by \$18.2 million to \$82.1 million for the December 30, 2007, quarter as compared to the December 31, 2006, quarter.

The following table is prepared to present the December 31, 2007, aging information in conformity with the provisions of Section 2.2-603.E.(ii) of the *Code of Virginia*.

Commonwealth's total \$2.36 billion past due accounts receivable at December 31, 2007. Another 18 agencies accounted for 18 percent (\$435.6 million), leaving 70 other agencies to comprise the last two percent at \$34.7 million.

Taxation and the Circuit and District Courts accounted for 80 percent (\$1.89 billion) of the

Agencies with the Largest Volume of Past Due Receivables

As of December 31, 2007

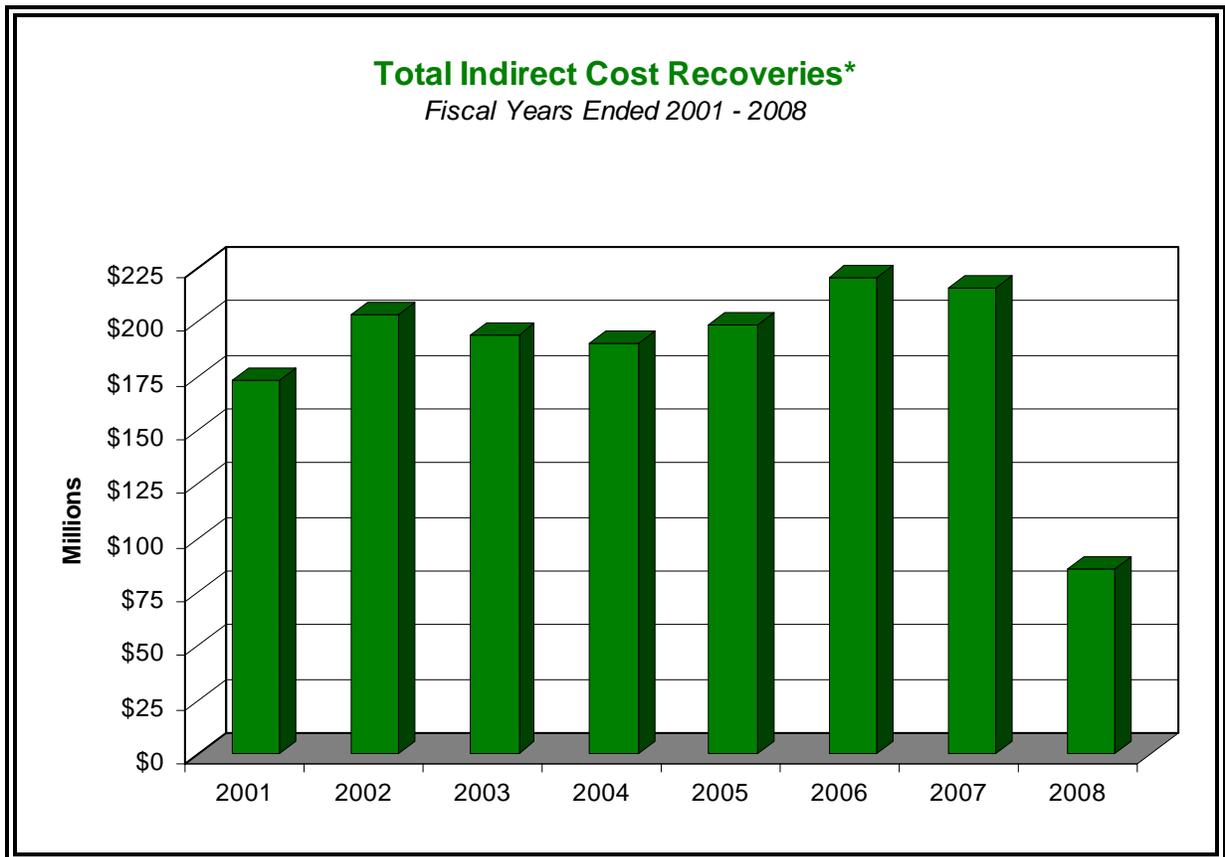
Agency	Total Past Due	1 to 180 Days Past Due	181 to 360 Days Past Due	Over One Year
Department of Taxation	\$ 1,392,063,302	\$ 266,440,403	\$ 124,454,588	\$ 1,001,168,311
Localities' Circuit and District Courts	499,357,984	47,778,767	62,109,889	389,469,328
Total - Taxation Assessments and Court Fines and Fees	\$ 1,891,421,286	\$ 314,219,170	\$ 186,564,477	\$ 1,390,637,639
All Other Large Dollar Agencies:				
University of Virginia Medical Center	113,926,749	101,545,759	10,362,595	2,018,395
Department of Social Services	109,325,661	5,903,587	5,936,383	97,485,691
Virginia Employment Commission	36,492,244	8,572,482	6,789,459	21,130,303
Department of Medical Assistance Services	32,874,962	9,232,191	10,301,255	13,341,516
Virginia Information Technologies Agency	25,179,655	23,398,236	1,520,392	261,027
Department of Mental Health, Mental Retardation & Substance Abuse Services	18,290,595	15,926,471	2,364,124	-
University of Mary Washington	15,832,638	15,506,079	72,421	254,138
Department of Health	14,885,846	14,093,264	249,273	543,309
Department of Transportation	11,606,226	(7,068,311)	7,338,036	11,336,501
Virginia Commonwealth University	10,837,651	8,156,544	836,509	1,844,598
Virginia Polytechnic Institute & State University	8,570,227	6,879,828	838,405	851,994
University of Virginia - Academic Division	7,912,137	6,544,728	747,706	619,703
Virginia Community College System	6,978,891	5,554,956	835,263	588,672
Department of General Services	6,248,934	6,248,934	-	-
George Mason University	5,597,559	4,880,711	568,075	148,773
Radford University	4,002,273	3,516,736	79,486	406,051
Old Dominion University	3,520,757	3,382,752	97,243	40,762
Department of State Police	3,493,412	846,606	202,759	2,444,047
Total - Largest Dollar Volume Agencies	\$ 435,576,417	\$ 233,121,553	\$ 49,139,384	\$ 153,315,480
All Other Agencies	34,741,655	20,157,224	3,995,268	10,589,163
Grand Total Past Due Receivables	\$ 2,361,739,358	\$ 567,497,947	\$ 239,699,129	\$ 1,554,542,282



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 2008 reflects indirect cost recoveries through March 31, 2008. This does not include covered higher education institutions.

Indirect Cost Recoveries from Grants and Contracts

Fiscal Year 2008

Fund	Year-to-Date		Total
	Higher Ed	Non-Higher Ed	
Nongeneral:			
Agency / Institution (1)	\$ 33,784,794	\$ 50,744,415	\$ 84,529,209
Statewide	93,496	529,149	622,645
Total Nongeneral	\$ 33,878,290	\$ 51,273,564	\$ 85,151,854
General:			
Agency (Cash Transfers)	-	85,786	85,786
Statewide	-	640,028	640,028
Statewide (Cash Transfers)	-	6,345	6,345
Total General	\$ -	\$ 732,159	\$ 732,159
Total All Funds	\$ 33,878,290	\$ 52,005,723	\$ 85,884,013

- (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 \$35,382,711 representing the Department of Social Services' estimate of indirect cost recoveries received. This does not include covered higher education institutions.



Loans and Advances

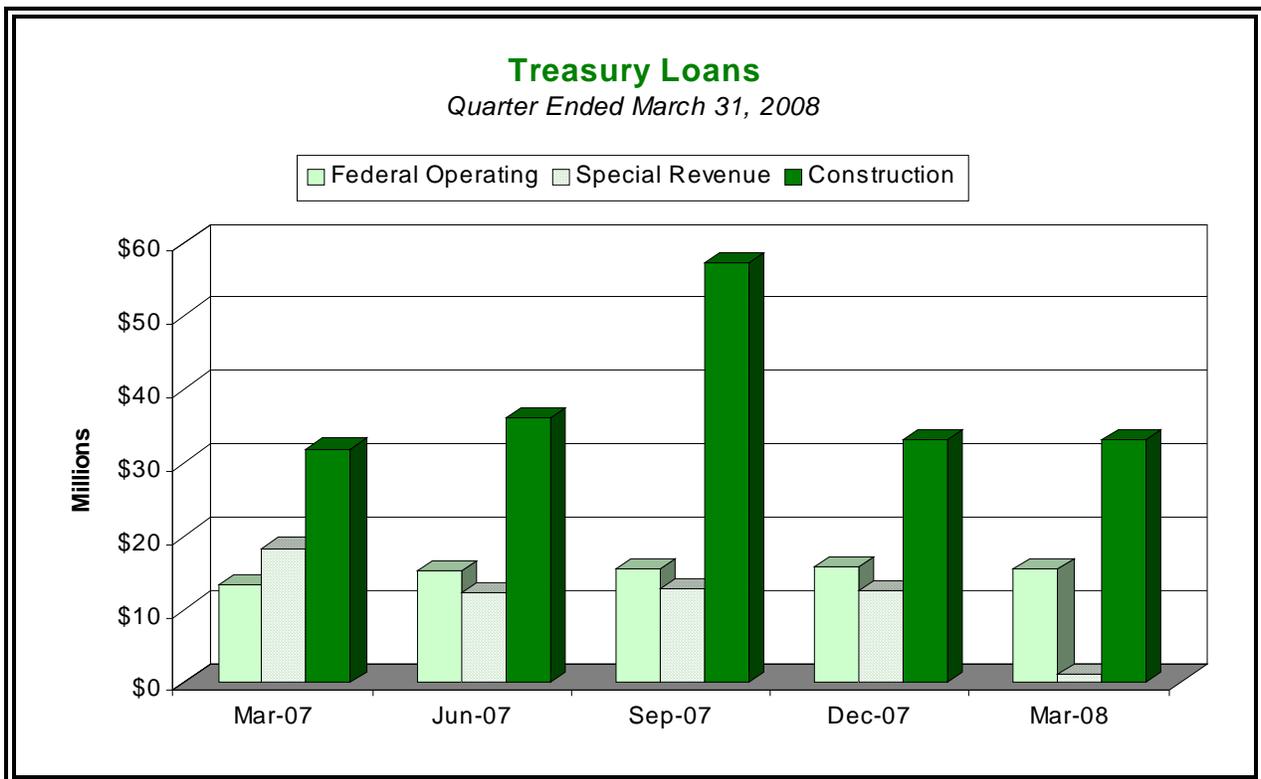
Treasury loans may be used to advance funds to a State agency or institution for a designated purpose prior to some form of reimbursement, typically federal or special revenues. They are loans of a temporary nature, approved on the basis of the following conditions:

- **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, 2008, was \$49.7 million.



Significant New Loans / Drawdowns**New Balance**

None this quarter.

Significant Loan Repayments**Prior Balance*****Department of General Services (DGS)***

Final payment of \$6.4 million on an \$8 million loan used to fund the costs associated with the 2002 initial implementation and subsequent operation of the eVA (electronic procurement) system.	\$ 6,400,000
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Jamestown-Yorktown Foundation (JYF)

Full repayment of loan used as an advance stream of funds in anticipation of private funding and other activities or revenue for commemoration of the 400th anniversary of the Jamestown Settlement.	\$ 5,000,000
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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, 2008.
- **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, 2008.
- **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, 2008, was \$18.8 million.



