

**REPORT ON
STATEWIDE FINANCIAL MANAGEMENT AND
COMPLIANCE**

FOR THE QUARTER ENDED JUNE 30, 2009



OFFICE OF THE COMPTROLLER

DEPARTMENT OF ACCOUNTS

Prepared and Published by
Department of Accounts
Commonwealth of Virginia
P. O. Box 1971
Richmond, VA 23218-1971

*Text and graphics were produced using
Microsoft Word for Windows in Arial
and Times New Roman fonts.*

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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 June 30, 2009, and comparative FY 2008 data. Some information in the report is for the quarter ended March 31, 2009, which is the most current data available.

David A. Von Moll, CPA, CGFM
Comptroller



Virginia Department of Accounts

Financial Accountability. Reporting Excellence.

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 workplan.

Audit Reports – Quarter Ended June 30, 2009

The APA issued 28 separate reports covering 33 agencies for the Executive Branch. The last column indicates whether the CAW has been received as of the date of this publication for each agency with audit findings. Note that in some cases, the CAW may not have been received because it is not yet due.

	New Findings	Repeat Findings	Total Findings	CAW Received
Administration				
Department of General Services	4	0	4	Yes
Department of Human Resource Management	1	0	1	Yes
State Board of Elections	4	0	4	Yes
Virginia War Memorial Foundation	3	1	4	Yes
Agriculture and Forestry				
Department of Agriculture and Consumer Services (1) and the Agricultural Council (1)	2	0	2	Yes
	0	0	0	N/A
Department of Forestry	2	0	2	Yes
Commerce and Trade				
Department of Business Assistance	0	4	4	Yes
Department of Mines, Minerals and Energy	2	0	2	Yes
Virginia National Defense Industrial Authority	0	0	0	N/A
Virginia Tourism Authority	0	0	0	N/A
Education				
Christopher Newport University	2	0	2	Yes
George Mason University	0	0	0	N/A

	New Findings	Repeat Findings	Total Findings	CAW Received
James Madison University	1	0	1	Yes
Longwood University (2)	6	1	7	Yes
Norfolk State University	2	0	2	Yes
Old Dominion University	1	0	1	Yes
Radford University	0	1	1	Yes
Southern Virginia Higher Education Center	0	0	0	N/A
State Council of Higher Education for Virginia	1	0	1	Yes
University of Mary Washington	1	0	1	Yes
Virginia Military Institute	1	0	1	Yes
Virginia State University	3	1	4	Yes
Executive Offices				
None				
Finance				
None				
Health and Human Resources				
None				
Natural Resources				
Marine Resources Commission	0	0	0	N/A
Public Safety				
Department of Correctional Education	1	0	1	Yes
Department of Corrections (3)	0	4	4	Yes
Virginia Correctional Enterprises (3)	2	0	2	Yes
Virginia Parol Board (3)	0	0	0	N/A
Department of Fire Programs	1	1	2	Yes
Department of Juvenile Justice	1	1	2	Yes
Department of Veterans Services and the Veterans Services Foundation (4)	1	2	3	Yes
Sitter-Barfoot Veterans Care Center (4)	0	0	0	N/A
Virginia Veterans Care Center (4)	0	0	0	N/A
Technology				
None				
Transportation				
None				

- (1).The audits of these two entities were released in one report.
- (2) This audit also contains an Efficiency Recommendation.
- (3) The audits of these three entities were released in one report.
- (4) The audits of these three entities were released in one report.



Findings – Quarter Ended June 30, 2009

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. Improve Information System Application Controls. DGS does not adequately monitor application access for its critical applications to prevent or detect unauthorized access to those systems timely. A test of 15 employees with access to PeopleSoft found three who continued to have access after leaving employment. Furthermore, two users who had authorization within the system exceeded the operating authority given to them by management. A test of 17 employees with CIPPS access found two employees with access to payroll records for over one year after leaving employment. DGS did not delete these former employees' access until DGS prepared and returned its annual security report to DOA. A test of 17 employees with eVA access found four employees with access to the purchasing system beyond the 24-hour period allowed by the "eVA Electronic Procurement System Security Standard" after leaving employment. Deactivation of the four users ranged from three days to one week after leaving. Finally, the eVA Security Officer performs only an annual certification of eVA user accounts while the "Standard" requires at least quarterly reviews. More frequent reviews of user accounts allow system administrators to better monitor user's responsibilities, ensuring the appropriate assignment of roles and prompt removal of terminated employees' access. Continuous monitoring of access to information systems which are critical to financial operations helps to prevent errors and fraud.
2. Improve Contract Management – Security Services. The contract administrator does not review American Security Group's invoices for accuracy or to determine the performance and delivery of contracted security services for DGS-owned buildings. DGS requires guards to record their hours and sign the backs of building log-sheets; however, the contract administrator does not review this documentation. The contract administrator should use the logs to corroborate with contractor invoices before authorizing payment. Invoices may contain errors and if not reviewed for accuracy these errors can lead to inaccurate payments.
3. Enforce Controls Over Purchase Card Use. DGS does not adequately enforce compliance with its charge card usage and review policies. A test of 26 monthly cardholder statements found six cardholders' monthly reconciliations not reviewed or approved by the cardholders' supervisor. Purchasing charge card policies require supervisors to review and approve reconciled statements before forwarding them for payment. Four cardholders did not sign their purchase log certification indicating they reconciled their log and supporting documentation. Policies require cardholders to forward purchase logs with a written certification to supervisors in addition to monthly statements. The test also found charges on the monthly statement that included taxes; since the Commonwealth is tax exempt, the cardholder should have informed the vendor at the time of purchase not to include taxes. Management should periodically review for cardholder

compliance with policies and procedures and take adequate corrective action on cardholder and supervisors who do not follow the control measures that management has put in place. Performing reconciliations and supervisory review are the only methods of controlling charge card spending by management.

4. Improve Controls over Payroll Process. DGS does not reconcile CIPPS to CARS after processing payroll transactions. State policies require agencies to perform a post-certification audit of payroll following the process to ensure the correct programmatic recording of activity in the accounting system for all payroll expenses. The reconciliation can reveal discrepancies or errors in one or both systems, which can cause budget issues by charging expenses to improper fund, program, or account codes.

Department of Human Resource Management (DHRM)

1. Improve Information System Security Program. The Information Security Officer is not given the responsibility of managing the Department's overall information security program as required by the Commonwealth's information security program. DHRM has delegated the ISO responsibilities to several parties within the organization, and does not have a complete and consistent information security program. DHRM needs to improve and implement the following components of its information security program:

- Risk management plans. Data should be classified according to sensitivity with respect to confidentiality, integrity, and availability. DHRM has identified business functions, however, it has not determined which functions are essential systems, or tied them to the supporting IT systems.
- Approval and Termination procedures for network accounts. DHRM does not require proper approval for network account requests and does not maintain documentation. Departmental policy does not include requirements for least privilege, access removal, or periodic review of accounts. In addition, documentation for termination requests and deletion confirmation were not maintained.
- Password management standards for its sensitive web applications. DHRM sensitive web applications do not comply with the Commonwealth's information security standards. The applications do not require specific maximum password age and history. DHRM policy does not specify if or how passwords are securely delivered to users. Proper password controls are needed to ensure confidential data is protected from unauthorized access and manipulation.

A single ISO position can make sure that the security plan meets current Commonwealth IT standards and that the agency complies with Commonwealth standards.

State Board of Elections (SBE)

1. Improve and Expand Administrative Service Arrangements. SBE continues to struggle to have sufficient staff resources to process financial transactions, personnel, payroll, procurement, and other administrative processes, such as implementing an adequate information security program, and maintaining adequate segregation of duties for basic internal controls. Loss of one person can compromise the internal control structure and agency's knowledge base needed to handle

key transactions and duties. The use of larger agencies with sufficient staff and resources can provide needed internal controls and facilitate management oversight of public resources.

SBE recognized their limitations, implementing administrative arrangements with other agencies to provide payroll and fringe benefit accounting and human resource assistance. SBE also used such an arrangement to facilitate financial transaction accounting. However, this specific arrangement was unsuccessful because the two agencies did not document the expected level of performance and oversight in the memorandum of understanding.

APA advocates that smaller agencies use larger agencies for business functions such as accounting, budgeting, information security, and personnel resources. These arrangements allow the smaller agency to concentrate on providing program services and eliminate unnecessary personnel costs and resources dedicated to administrative functions. However, for these arrangements to provide the level of service and oversight needed, both entities must take ownership of the internal controls and agree to the level of oversight each will assume. Further, both entities need to define these responsibilities before beginning the administrative service arrangement.

SBE management should consider working with another agency to establish a central back office operation to provide accounting, budgeting, information security, human resources, and procurement services. The current arrangements with DOA and DHRM do not provide a cohesive enough process to address the true operational needs of SBE.

2. Complete Information Security Program. SBE has improved its information security program since the last audit; however, there are still key components that require strengthening to be fully compliant with the Commonwealth's information security standards:
 - SBE has developed a continuity of operations plan, business resumption plan, and drafted several information technology security policies; however, SBE has not approved the new policies.
 - SBE has not performed a business impact analysis or a risk assessment of the information technology environment. These documents support the evaluation of information security risks to an organization and validate the policies selected to comprise the information technology security program.

SBE should perform a business impact analysis and a risk assessment to ensure it has identified and properly mitigated its information security risks. Management should finalize the information technology security policies and formally approve them. Once the program is complete, SBE should fully implement the program and train its employees on the new policies and procedures.

3. Improve Federal Financial Reporting. SBE does not have adequate grant reporting procedures to ensure financial reports are consistently prepared and sufficiently supported. Federal Regulations under the Have America Vote Act of 2002 (HAVA) require SBE to prepare financial reports for its major grants on a calendar year basis to the federal Elections Assistance Commission. SBE must also ensure the information included on the reports reconciles to any internal or external financial systems used by SBE. SBE experienced turnover within the fiscal

officer position during fiscal years 2007 and 2008, with the position being vacant for a time. During this period, the business manager assumed all federal reporting responsibilities.

Due to the absence of adequate documented procedures and training, SBE did not sufficiently document the reconciliation of the internal financial records to two of three reports submitted for 2007. APA previously identified inaccurate financial reporting as an issue, which could impact HAVA funding. SBE should document its policies and procedures for preparing the financial status report for all grants. SBE should also ensure all personnel who prepare the reports understand the procedures, reconcile the report to internal financial reports, and maintain the supporting documentation of the reconciliation.

4. Properly Approve Payments. Annually, each locality must submit a reimbursement application for various operational expenses to SBE. SBE must review and approve the reimbursement application to determine if the reimbursement is for allowable expenses and within available funding. HAVA regulations require that SBE personnel review and approve payment of HAVA funds to determine if the costs are allowable under the federal program. Eight of thirty tested reimbursement applications and three of thirty tested HAVA funded payments did not have any documentation of the review and approval before payment. The audit found the amounts and items paid for to be appropriate; however, the lack of documented review and approval could result in the payment for items which are not appropriate. SBE should evaluate the approval process and update procedures as needed to ensure all payments undergo the appropriate review and approval before processing.

Virginia War Memorial Foundation (Foundation)

1. Consolidate Accounting Processes and Internal Controls. **This is a Repeat Finding.** 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 Veteran's Services.
2. Adopt a Formal Budget Development and Execution Process. The Foundation's budget development process does not follow a formal process and lacks sufficient detail to monitor the budget. The process needs to budget for the Foundation's operations in total and then provide detailed information on the components for Commonwealth-supported operations and capital outlay, and internally supported activities. The budget should project actual costs to date and the anticipated costs through the end of the budget period.
3. The Board Should Have an Understanding with the Foundation's Service Providers. Veterans Services replaced General Services as the provider of financial and administrative support for the Foundation. General Services provides maintenance support for the War Memorial property. Both Departments inform the Foundation's staff of any concerns or issues that warrants the Foundation's attention. Relevant information should be communicated directly to the Board. The Board should meet with the management of both agencies to understand what duties they are performing and what reporting responsibilities they are willing to assume.

4. Develop a Policy to Address Unused Funds from Long-Term Projects. General Services manages non-operating projects for the Foundation, such as the production of films, and the installation of security cameras and lighting. Currently the General Assembly appropriates specific amounts to fund these projects. The appropriated amounts are included in the Foundation's operating appropriation. General Services completed at least one of these projects at a cost significantly lower than the appropriated amount. The Board should determine and document its policies and procedures for how to use leftover funding from non-operating projects.

Agriculture and Forestry

Department of Forestry (DOF)

1. Update and Reconcile Construction in Progress Quarterly. DOF reconciled and certified all amounts in the Commonwealth's Fixed Asset Accounting Control System (FAACS) to DOA each month. However, Forestry did not record Construction in Progress (CIP) in FAACS quarterly, which is part of the reconciliation process. This reporting error resulted in understating CIP by \$211,494 for the first quarter, \$262,561 for the second quarter and \$295,197 for the third quarter of fiscal year 2008. Forestry did, however, record all of the fiscal year's expenses by year-end. DOA Commonwealth Accounting Policies and Procedures (CAPP) require agencies to record CIP quarterly until the project's completion.
2. Improve Information Systems Security Program. DOF has developed an information systems security program without having a clear understanding of its service agreement with VITA. Without a documented service agreement that clearly states the responsibilities of each party, DOF cannot develop and maintain an adequate information systems security program that protects its data against unauthorized disclosure, corruption, and inability to recover. Also, DOF does not differentiate the responsibilities between itself and VITA for logical and physical access or system and application monitoring in its information systems security program. The DOF disaster recovery plan states that VITA has responsibility for data recovery; however, the audit could not find any documentation or agreement between DOF and VITA outlining these responsibilities. Further, DOF has not identified potential vulnerabilities, threats, and the probability of those threats occurring to its applications as required by the Commonwealth's Security Standard.

Department of Agriculture and Consumer Services (VDACS)

1. Ensure Commodity Board Annual Reports Contain Certain Required Elements. Section 3.2-1101 of the Code of Virginia establishes an annual reporting requirement of all commodity boards. Further, the 2007 Virginia Acts of Assembly, Chapter 847, Appropriations Act, requires each commodity board to provide an annual notification to its excise tax paying producers which summarizes the purpose of the Board, the excise tax, current tax rate, amount of excise taxes collected in the previous tax year, the previous fiscal year expenditures and the past year activities of the Board. A review of annual reports for the fiscal year ended June 30, 2008, identified instances where commodity board annual reports did not include one or more of the required components identified in the Appropriation Act and one instance where there were mathematical errors.

<u>Commodity Board</u>	<u>Missing Component and Other Matters</u>
VA Bright Flue-Cured Tobacco Board	Current Tax Rate and Corresponding assessed units
VA Dark-Fired Tobacco Board	Current Tax Rate and Corresponding assessed units
VA Apple Board	Amount of Taxes Collected and Fiscal Year Expenditures for the wrong fiscal year
VA Peanut Board	Current Tax Rate and corresponding assessed units
VA Egg Board	Excise Taxes, Current Tax Rate, Amount of Taxes Collected and Fiscal Year Expenditures
Cotton Board	Mathematical errors reported

The Department administration and commodity board Chairmen should implement a formal review process over the commodity board annual reports. The annual reports are available to all board members, excise tax paying producers, and the public upon request. Inaccurate or incomplete information can affect the usefulness of the reports for its intended users. A formal review process will ensure the required components are included within each report and that the information included is accurate.

2. Improve Contingency Plans. VDACS cannot ensure the restoration of its essential IT systems after a disaster in the timeframe required in its contingency plans. The Department has not made the necessary arrangements to continue providing essential services to the Commonwealth should a disaster strike. The Department's essential functions are dependent on IT systems belonging to the VITA\NG Partnership. While VDACS has identified when it needs to restore IT systems after a disaster to meet its mission, it has not purchased disaster recovery services or made other provisions to ensure the Department can restore systems in the required timeframes. VDACS has not identified those functions that it can perform manually until it can re-establish IT services. VDACS has also not identified the potential damages it may face if it cannot perform essential functions for an extended period of time. VDACS should ensure that it can continue its essential functions after disruption as required in its contingency plans and should also provide manual procedures for appropriate essential functions.

Commerce and Trade

Department of Business Assistance (DBA)

- 1 Shift to an Administrative Service Arrangement. **This is a Repeat Finding.** DBA is using the services of the Accounting and Internal Control Compliance Oversight Unit at DOA to improve its information security program. However, management has taken no further actions to address this finding, since they are waiting on the resolution of a legislative study to consider the appropriate organization to handle the operational activities currently performed by DBA. The study, released in the fall of 2008, provided for multiple solutions. The General Assembly did consider legislation during the 2009 session to dissolve DBA and move the various functions into other existing agencies. The legislation failed. DBA continues to have limited internal resources, including staff providing administrative support. The current Director of

Administration is retiring at the end of the fiscal year. DBA should expand its use of administrative arrangements with another agency to establish a central back office operation to provide accounting, budgeting, information security, procurement and human resources services.

2. Document Procedures Over the Solicitation and Expenditure of Non-State Resources. **This is a Repeat Finding.** DBA now follows the correct processes regarding the solicitation of funds and expending such resources; however, management still has not documented their internal procedures supporting these processes. Change in agency leadership or fiscal staff could result in the loss of knowledge of state processes, standards, regulations, and laws. Management continues to be at risk for entering into agreements or contracts that are not in compliance with Commonwealth policies and procedures. DBA should formally document these procedures.
3. Complete the Agency's Information Security Program. **This is a Repeat Finding.** DBA is using the services of the Accounting and Internal Control Compliance Oversight unit at DOA to improve its information security program. DBA has performed a business impact analysis, and risk assessments of sensitive systems. However, the Department has not approved or implemented them. All components of the DBA security plan require formal approval and integration into their operations. The Accounting and Internal Control Compliance Oversight unit continues to assist DBA in developing their comprehensive information security program and anticipates completing these aspects of the security program in May 2009. DBA should continue to work with the Accounting and Internal Control Compliance Oversight unit to fully integrate the program within the agency and train the employees on the new information security policies and procedures.
4. Maintain Official Records of the Department. **This is a Repeat Finding.** DBA has not updated their records retention and disposition schedules and policies to include electronic records. An employee is taking training classes at the Library of Virginia for Disaster Planning, Basic Records and Files Management, and Intermediate and Electronic Records. Once the employee completes this training, management will finalize their policies and procedures. Once finalized, management should train staff on the new document retention policies and procedures and ensure that they maintain all records, physical or electronic, in accordance with this policy.

Department of Mines, Minerals and Energy (DMME)

1. Strengthen Controls over Access to the Commonwealth Accounting and Reporting System (CARS). The Department currently has two employees with access to create and approve batched transactions in CARS. During the two-year audit period, three employees had this level of access. The audit disclosed no indications of improper transactions. The ability to create and enter batches and then approve those batches is an internal control weakness and increases the risk of fraudulent entries.
2. Reconcile the Department's Internal Accounting System to the Commonwealth's Accounting System. The Department does not have a current process for reconciliation of their internal accounting system to CARS. By not reconciling the two systems, DMME cannot ensure that CARS has all of the Department's transactions. DMME needs to update and implement formal policies and procedures for reconciling the internal system to CARS.

Education

Christopher Newport University (CNU)

1. Include the Bookstore System in Information Security Program. CNU did not include the Bookstore's point of sale and accounting system as part of its overall information security program. The Bookstore maintains its own system and related hardware; however, the University did not include the Bookstore when performing the business impact analysis and risk assessment and other work to comply with the Commonwealth's security standard. CNU should examine its methodology to identify business functions and systems for consideration in its security program and determine if it has excluded any other operations.
2. Delete Access to the Commonwealth's Procurement System (eVA). CNU does not delete terminated employees' access from the Commonwealth's electronic procurement system (eVA) promptly. Of the 16 terminated eVA users reviewed, the audit found eight did not have their access deleted until four days to three months after their termination and two were still active as of the date reviewed. CNU should delete access to eVA within the recommended 24 hours of the user's termination.

James Madison University (JMU)

1. Correct Depreciation Calculation. The JMU Fixed Asset Department did not perform an adequate review of asset depreciation when converting from FAACS to their new fixed asset system, Assetmaxx. As a result, an audit adjustment of \$1.8 million to increase depreciation expense and accumulated depreciation resulted in an overall decrease to net assets. The new system reset the useful lives of all assets, including fully depreciated assets, resulting in assets with negative depreciation. JMU should correct Assetmaxx to ensure accurate calculation of depreciation according to generally accepted accounting principles, and ensure the system makes no changes to the useful lives of fully depreciated assets.

Longwood University (LU)

Banner Implementation

1. Revisions to Internal Controls.
 - Reconciliations and Interfaces between Banner and Third-Party Systems. LU uses a non-Banner product, RMS, to allow students to make housing and meal plan selections via the internet. Periodically, LU interfaces RMS to Banner to charge the student's account for their housing and meal selections. LU does not reconcile RMS data to Banner and therefore may miss interface problems. Further, another non-Banner product, CBOARD is used by LU to manage student meal plans. LU does not reconcile CBORD, RMS, and Banner and therefore, does not identify errors or irregularities.
 - Improve System Access. A limited review of Banner user access identified 19 individuals with access that was inconsistent with their job duties or not required to do their job. LU establishes user classes to manage Banner access. The user classes generally relate to a specific job function and identify the screens that the user can view or modify. Managers assign staff to the user class that best meets their job needs. Currently, LU has 102 classes

and some classes give access to almost 1200 Banner screens. Managers can assign staff to more than one user class, creating an opportunity for inappropriate segregation of duties by virtue of the Banner screens and what those screens allow them to do. LU needs to perform a comprehensive review of their user classes to ensure they meet the University's business needs and eliminate access to unused modules. Given the quantity of user classes and associated screens, coupled with users' assignment to more than one class, future user access reports should provide the detailed class and screen information to enhance the review of user access.

- eVA: LU failed to deactivate the access of ten eVA accounts within one working day of the employees' termination as required by eVA security standards. These users had access for up to eight months after their termination date, leaving LU at risk that these individuals could continue to purchase from eVA since users can access the system through the internet. For two accounts, Human Resources notified the eVA Security Officer late of the terminations and access termination occurred within one day of notification. For eight accounts, the eVA Security Officer missed deleting them even though Human Resources provided timely notification. eVA security standards require security officers to review access quarterly. There was no documentation that there was a review for the third and fourth quarters of the fiscal year. LU has documented procedures for terminating user access and performing quarterly user access reviews; the eVA Security Officer and Human Resources should be more diligent in following their procedures.
- Provide an audit trail for manual student account holds releases. Banner is effective in placing automatic holds on student accounts when a student owes LU money. In addition, Banner will automatically remove a hold when a student pays the balance. Occasionally, cashiers must manually release holds. The situation occurs most commonly during student registration, when students pay their balances and need the hold released immediately. The audit found 87 individuals campus-wide with the capability to manually release holds. A review of manual hold releases was not able to determine why a release occurred, who did it, or if it was reasonable. Banner allows storage of manual hold releases in the database; however LU processes manual hold releases differently. This decision results in the deletion from the database of the original hold and subsequent manual hold release records. LU should use the Banner recommended process which will retain records in the database. This will provide an audit trail of student account activity. Currently, LU is at risk of manually releasing holds and allowing students to register and attend classes without paying for previous semester charges with no way to determine who released the hold.

Other Internal Control and Compliance Matters

2. Use eVA Workflow to Enforce University Policy. LU policy requires the approval of all purchases made in eVA, regardless of dollar amount. A review of eVA user profiles determined that 159 of 218 (73%) eVA users have an expenditure limit of \$2,000 per purchase without any approver requirement. LU is at risk because these users can make unlimited purchases, each up to \$2,000, with no approval. Any unusual or fraudulent purchases would likely go unnoticed until the Accounts Payable Department receives the vendor invoice or credit card statement, up to 30 days later. In addition, one user with a \$2,000 limit and no approver requirement is also an accounts payable staff member who has the ability to enter and approve invoices in Banner.

The eVA workflow feature provides LU with the ability to change the expenditure limits as well as add approvers to a user's access profile. LU should assess the reasonableness of the current \$2,000 limit and consider different thresholds for different users based on job responsibilities

and need. In addition, LU should consider adding approvers in the workflow to reduce risk. LU should also develop documented procedures for creating eVA user accounts. The procedures should include instructions to the individual requesting a user account regarding dollar threshold and approval workflow. Finally, LU should review and modify existing eVA user profiles where purchasing limits without an approval may be deemed too high.

3. Require Detailed Coding for Purchase Card Transactions. During FY 2008 LU spent \$4 million using purchase charge cards, representing at least 15 percent of the University's discretionary spending. LU limits the detail they obtain for these purchase card transactions in their accounting system and instead more generically combine them together. By not obtaining additional information about the type of goods or services purchased with credit cards, management cannot effectively analyze its discretionary expenditures. Without more detailed coding, the departments such as Budget, cannot determine basic information, such as how much LU spends on hotel rooms versus meals, since the purchase card activity does not distinguish this level of detail. LU should explore options to code purchase card transactions to the same degree of detail as they do traditional vendor invoices. These options should include training cardholders on how to code their purchase card activity.
4. Improve Contingency Plan Testing. LU has not tested its continuity of operations or disaster recovery plans for Banner. LU standards specify that all directors and department heads have responsibility for periodically reviewing, testing, and updating their plans. While there is some testing of backup tapes to insure that LU can recover and begin operations, there has not been a complete test of the contingency plan or the disaster recovery plan. Without the completion of these tests LU cannot guarantee the availability of these systems to continue operations in the event of an emergency.
5. Properly Complete I-9 Forms. **This is a Repeat Finding.** LU has implemented significant improvements in the procedures they follow to ensure that LU employees and supervisors 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. Even so, the decentralized nature of the I-9 process followed by the University has allowed several exceptions to the guidance to occur. The guidance requires the employee to complete, sign, and date the form on the first day of employment. The employer must complete, sign, and date the form within three business days of employment. The audit reviewed 15 forms completed after June 30, 2008 and found one or more errors on four of the forms. The Human Resources Department should continue to improve their processes by ensuring detailed training of all departmental staff that complete these forms and develop broader procedures to ensure a review of all forms for compliance with federal regulations. The federal government has increased its enforcement efforts requiring employers to ensure that all new employees are legally entitled to work in the United States.
6. Revise Calculation of Allowance for Doubtful Accounts. The LU calculation of its allowance for doubtful accounts does not include past-due student receivables sent to collection agencies. The purpose of the allowance is to estimate the amount of accounts receivable that LU does not expect to collect, and excluding accounts placed in collections significantly distorts the collectability of receivables. The method of calculating the allowance showed estimated uncollectible accounts of \$2,285, instead of the re-calculated amount of \$333,158. LU should adopt a methodology for calculating an allowance for doubtful accounts that includes past-due

student accounts sent to collection agencies. A more accurate calculation shows the amounts LU anticipates collecting and allows management to more accurately monitor its collection efforts.

Norfolk State University (NSU)

1. Improve SPCC Program Administration. The review of charge card transactions revealed the following:

- Each month at least 12 cardholders failed to turn in monthly charge card logs before the processing date, and nine cardholders were habitual offenders in failing to turn in logs for four or more months during the year.
- Supervisors failed to submit logs to Accounts Payable, but Accounts Payable paid the charge card billing without proper verification of charges or the receipt of goods and services.
- One cardholder did not receive proper prior authorization from the Charge Card Administrator to exceed transaction limits, and were able to improperly incur charges in excess of their limits.

Proper oversight by the NSU Charge Card Administrator and Accounts Payable will help ensure that cardholders and supervisors do not circumvent controls set forth by management. Failure to have proper procedures could lead to fraud and abuse of this program.

2. Enhance Information System Security Process. A sample of 25 employees who had left the University found five had not had their user accounts deleted timely. Three of the accounts remained open from 115 to 180 days after the employee left, and the employee's department, and personnel had not completed the University's clearance process for four of the individuals, which is why the IT department had not removed their access. The NSU information security officer should review the clearance process for the departments noted in the sample and determine why the process failed to notify the IT department of the terminations.

NSU also delivers user identification and passwords for its systems using unencrypted e-mail. Communicating passwords in plain text increases the risks of interception by unauthorized persons and inappropriate access to sensitive data. Further, since May 2005, NSU has not tested its IT continuity of operations plan (COOP). By not testing the COOP, NSU cannot ensure that the procedures within the plan are sufficient to effectively continue its essential functions during and after a disruption. NSU should test its plan as soon as possible.

Old Dominion University (ODU)

1. Improve Contract Management and Ensure Compliance with Policies and Procedures. The Material Management Department did not properly notify other University officials or receive budget authorization for collected commissions and rebates totaling over \$300,000. The audit also disclosed other procedural contracting issues within Material Management. Material Management is the University's primary procurement office including establishing standing contracts for both services and goods, and assisting and overseeing other departments' acquisition of goods and services. Following industry practices, Material Management regularly negotiates contracts which include commissions and rebates depending on the volume of purchases over time. Typically, these commissions and rebates become part of the University's

overall revenue collections or are offsets against federal grant and contract costs, when appropriate.

By not properly notifying other University officials or receiving budget authorization for these commissions and rebates, Material Management did not follow University policies and procedures, especially the inclusion of these funds in the budget process. Since Material Management is the University's primary procurement office, this practice could lead to the appearance of a conflict of interest on the negotiation of contracts. The University has transferred the commissions and rebates to other accounts. However, as the University's primary procurement office, the procedural errors disclosed by the audit do not reflect favorably on the department's oversight responsibilities.

University management and the Internal Audit Department should conduct an operational review of Material Management. The objectives of the review should not only determine whether the Department is complying with existing University policies and procedures but does the University need to change its policies and procedures so that Material Management can continue to provide guidance to other University departments needing procurement assistance. Also, University management and the Internal Audit Department should undertake a review to identify other sources of funding which other departments are not including in the University's normal budget process. The University receives funds at multiple sites and this process will help ensure that the University has a comprehensive knowledge of these sites.

Radford University (RU)

1. **Strengthen Controls over Capital Projects and Capital Assets. This is a Repeat Finding.** The prior report recommended the RU Financial Reporting staff should review all construction projects to ensure that the financial statements properly included all completed projects as Buildings and not as Construction in Process. At June 30, 2008, the financial statements showed the Student Union Building and Russell Hall as assets valued at \$14.2 million as Construction in Progress. Financial Reporting staff also did not record depreciation of \$177,567 in the financial statements. The staff also did not completely revise their procedures but still relied upon Facilities Planning and Construction to close out capital projects before recording completed projects as Buildings in the financial statements.

Facilities Planning and Construction staff did not promptly close out these two capital projects. The Student Union Building opened in August 2005. Close out did not occur until September 2008 which resulted in three years of inaccurate financial statements. The Russell Hall Renovation was substantially complete in July 2007 and as of March 2009 remained as an open project.

The Department of General Services Construction and Professional Services Manual requires the University to complete the Project Completion Report which officially closes out a project as promptly as practical after substantial project completion. RU should follow best practices and close out projects within twelve months after substantial completion. RU senior management must directly ensure the full implementation of the audit recommendation from the prior audit to improve policies and procedures in capital asset reporting. Without proper controls over compliance, financial reporting, and capital projects close out, the University cannot demonstrate proper management over finance, administration, and capital outlay which

is required for enhanced responsibility under the Restructured Higher Education Financial and Administrative Operations Act.

State Council of Higher Education for Virginia (SCHEV)

1. Develop an Information Security Program. SCHEV does not have an information security program that effectively addresses Information Technology risks and protects the sensitive data it maintains for its programs. An IT security program should include several components; risk management plans, security awareness training, and information security policies and procedures that SCHEV employees must follow. SCHEV should work with DOA to develop a documented information systems security program and then implement the program and train its employees.

University of Mary Washington (UMW)

1. Improve Information Systems Security Program. The University does not have practices in place to protect both the information infrastructure and data under the control of the University which would meet the basic requirements of the Commonwealth information security standard. Much of the lack of compliance with the basic requirements will become apparent by properly completing the documentation of the University's needs, training requirements, and oversight responsibility for safeguarding these resources. The following items and processes require immediate attention by management and will address some significant programs:

1. Improve the incident response plan.
2. Require vendors and their employees handling sensitive data to take data protection training and annually sign non-disclosure agreements for sensitive data in their possession. Also, amend all such contracts to have this requirement.
3. Strengthen the security of its firewalls.

An incident response plan is the actions UMW would take to respond to cyber attacks and sets a process to prioritize security incidents to ensure staff promptly identify and resolve urgent incidents. UMW should supplement its current plan with Information Technology (IT) staff response procedures and preserve electronic evidence for potential investigation. Proper incident handling procedures help to minimize the loss or compromise of sensitive data and disruption of services.

UMW shares its sensitive data with outside entities but does not include contract requirements that the vendor and their employees secure transmission, storage, access, system breach, and adherence to regulatory requirements. Contract provisions should include provisions for compliance with University IT policies procedures and requirements for information security practices.

The University does not properly install and analyze firewalls that control access to its IT infrastructure and systems that contain sensitive and mission critical data. The APA described the details of their specific findings to the University in a separate document.

Overall, UMW has not fully assessed its needs, risks, and other vulnerabilities which its Information Systems Security Program should address. Without conducting the assessments

and properly documenting the outcomes and processes UMW will follow, it cannot expect its program to protect the University from risks to its systems and data.

The UMW Information Security Officer (ISO) has responsibility for the development and management of the overall information security program. The ISO must also make sure that the UMW security plan always meets current Commonwealth IT standards or other best practices in this area. The ISO can accomplish this by performing internal reviews to evaluate the University's performance of the information security program and making necessary adjustments, and providing training as the IT environment changes.

Virginia Military Institute (VMI)

1. Improve Information Systems Security Program Documentation. VMI needs to enhance its Information Systems Security Program documentation. VMI should fix a time period in its policies for the removal of employee's user accounts to sensitive systems when an employee leaves, and document its policies and procedures for security over credit card transactions. Removing user accounts with access to sensitive data promptly after employees terminate will improve how the Institute safeguards its data. Lack of a clear policy resulted in inconsistent and subjective interpretation of when to remove user accounts with access to sensitive information after an employee's termination.

Virginia State University (VSU)

1. Improve Information Security Program. The VSU information security program is missing critical components that will aid in safeguarding mission critical and sensitive data. VSU is working towards resuming management and operations of its outsourced IT infrastructure. Without complete documentation of all important information security procedures, the University risks even current security practices not being continued as staff change. It is critical that VSU complete its information security program and ensure it has staff that are well trained in the security program's requirements. The audit found five specific components which were incomplete:

- Baseline Systems Configuration
- Systems Interoperability
- Malicious Code and Virus Protection
- Threat Management
- IT Asset Control

Addressing these areas of important controls will help ensure the integrity, availability and reliability of the IT system and data, and will help ensure a smoother transition to an in-house managed and operated IT environment.

2. Strengthen Controls over Capital Asset Reporting. VSU Financial Reporting must improve the processes over capital asset reporting. The Capital Outlay Department incorrectly computed the construction-in-progress asset and overstated the balance by \$1.6 million. The Fixed Asset Department incorrectly capitalized library books twice, overstating net depreciable assets by \$881,000. Prompt resolution of differences in the capital asset reconciliation would have allowed Financial Reporting staff to correct the duplicate asset capitalization before completing

the financial statements. Management should review the capital asset reporting process to identify potential weaknesses and strengthen controls. The review should address improving the process to resolve differences and show any necessary corrections in the final financial statements. Failure to strengthen processes and controls could result in material misstatements in future financial statements.

3. Improve Controls over Financial Statement Database Application. VSU has an internally developed database application to assist staff in the creation of financial reports, including the annual financial statements. The database uses data extracted from the VSU financial system to create reports because the system currently does not have the capability to produce the financial statements in accordance with Governmental Accounting Standards Board requirements. While there are some informal controls relating to testing changes to the application and reconciling the output from the application to the system, there are no formal controls relating to backups, access, approval of changes, version control, and procedures to address other important risks associated with a critical application. Without these controls, VSU cannot guarantee the integrity and availability of the data that this application produces that is then used to produce financial reports. VSU should develop control documentation and plans for this critical application. The plan should include granting and controlling access, backup, change approval, version control, and other matters important for the integrity and availability of the data.
4. Improve Employment Eligibility Verification Process. **This is a Repeat Finding and progress has been made.** VSU has implemented improvements in the procedures it follows to ensure that VSU employees and supervisors properly complete Employment Eligibility Verification (I-9) Forms in accordance with guidance issued by the U. S. Citizenship and Immigration Services of the U. S. Department of Homeland Security. Even so, VSU procedures allowed several exceptions to the procedures to occur. The audit sampled 32 I-9 Forms completed between February 16, 2008 and June 30, 2008, and found errors on 17 forms:
 - Seven forms failed to have information completed and signed as required on the employee's first day of work.
 - Fourteen forms failed to enter necessary information, or entered information incorrectly.
 - One form failed to display an acceptable document for verifying employment eligibility.

The VSU Human Resources Division should continue to review the process to complete the forms, train human resources staff on the requirements of completing these forms, and develop procedures to continuing the review of all or most forms for compliance with federal regulations.

Public Safety

Department of Correctional Education (DCE)

1. Improve Controls Over Systems Access. DCE does not have adequate procedures to ensure the removal of employee access to the Commonwealth Integrated Payroll/Personnel System (CIPPS) upon termination of employment. The audit found three individuals with access to CIPPS up to six months after termination. A lack of proper internal controls exposes DCE to the risk of unauthorized viewing and changing of sensitive employee leave and payroll data.

While DCE has implemented an Employee Departure Form to ensure the removal of access to other Commonwealth systems, CIPPS access should also be included.

Department of Corrections (DOC/CA)

1. Improve Controls and Processes Surrounding Capital Assets and Construction in Progress. **This is a repeat finding, and there has been no substantial improvement in Correction's ability to properly record capital assets.** APA and DOA continue to find significant errors. For 31 projects, DOA found a total of \$8.6 million in understatements and \$9.1 million in overstatements of individual projects. This is the third audit with the same general findings. The Department has developed new policies and procedures. Further, Corrections is making significant changes due to upcoming budget reductions in the accounting and finance area. Until Corrections assigns someone with the talents and resources to address the problems will not be corrected.

The key problems with Corrections' process for tracking and reporting construction in progress is the number of functional units involved in the process, the lack of effective communication between those units, and human error. Architectural and Engineering Services (A/E Services) receives all invoices for capital projects, maintains a list of these invoices by project, and provides Financial Services with a total by project quarterly. Financial Services records construction-in-progress in FAACS. When a project is complete, A/E Services prepares a project recap sheet detailing the amounts that need to move from construction in progress to specific asset classifications and provides this to Financial Services. Financial Services does not record these reclassifications, but instead sends the information to the individual facilities to record. In addition, the individual facilities purchase project related equipment, request reimbursement from A/E Services, and record the asset in FAACS. A/E Services records the project expense in its project listing, resulting in double counting of the item as an asset and construction in progress in FAACS. The communication process between A/E Services, Financial Services, and the individual facilities is not effective, resulting in untimely and inaccurate recording of construction in progress and assets.

2. Enforce Inventory Procedures. **This is a repeat finding.** The Department should continue to enforce its existing procedures for taking physical inventory and pricing items in the inventory system. For one of the two facilities audited, ten of 47 (21.5%) inventory items sampled had count discrepancies between the auditor's physical count and the warehouse employee's physical count. Correction's Procedure 6-26 provides detailed instructions that will ensure accurate physical inventory counts. Corrections should regularly train warehouse employees in the proper way to conduct an inventory and hold the training as close as practicable to the taking of the inventory. Corrections should also review the current inventory practices and system to determine if the processes are adequate.
3. Develop Internal Controls for Leave Liability and Time Tracking System. **This is a repeat finding.** Corrections time and leave system (DOCXL) continues to have inadequate internal controls resulting in unreliable data. Corrections should consider purchasing or developing a more robust time and effort system that provides adequate internal controls. DOCXL is an Excel spreadsheet application that uses a spreadsheet template for each employee. Excel does not provide adequate security, leave an audit trail of transactions, or control changes to calculations to ensure accuracy. Until DOCXL is replaced, the accuracy of time and leave data

is questionable and identifying that someone inaccurately reported or modified recorded time or leave is also questionable.

4. Properly Complete Employment Eligibility Verification Forms. **This is a repeat finding.** The Department is still not properly 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 in its Handbook for Employers. The guidance requires the employee to complete, sign, and date the form on the first day of employment. The employer must complete, sign, and date the form within three business days of employment. The current audit reviewed 30 I-9 forms and continued to find errors in both sections 1 and 2 of the I-9 form. These errors included hire dates that did not match dates in the human resource system, incomplete certification dates, and late employer certifications. Corrections needs to create policies and procedures that describe the proper completion of the I-9 form. Further, the Human Resource Division should continue their training efforts and on-site field reviews of these forms.

Department of Fire Programs (DFP)

1. Strengthen Information Systems Security Program. **This is a Repeat Finding, and progress has been made.** DFP has improved its information security program since the last audit, but there are some key components that still require strengthening to be fully compliant with the Commonwealth's information security standards. DFP has documented a business impact analysis, and risk assessments, however, they have not developed a continuity of operations plan or disaster recovery plan. DFP is working with DOA in developing an information systems security program. DFP should ensure they address the items noted above.
2. Improve Internal Controls Over Grant Payments. A sample of grant payments included payments under the Comprehensive Community Corrections grant and the Offender Re-entry and Transition Services grant. The audit found no documentation of a grant monitor's review and approval of progress reports before DCJS made payment to the grantee. DCJS should make sure grant monitors document, review and approve progress reports before making grant payments. The documentation of the review and approval process shows that the grant monitor is ensuring that the grantee is performing the tasks of the grant.

Department of Juvenile Justice (DJJ)

1. Strengthen Controls over Capital Project Procurement and Capitalization. The Capital Outlay Department does not remove projects from construction in progress and capitalize the asset in a timely manner. Six projects were classified as construction in progress that showed no activity during fiscal years 2007 and 2008. Of these six projects, the department had the proper paperwork (CO-14 project closing document) to close out three projects and other documents which indicated they should have closed the remaining projects. Leaving finished projects as construction in progress could potentially lead to an overstatement of the construction in progress balance as well as an understatement of the capital asset balance and related depreciation expense for financial statement reporting.
2. Prepare Log for Small Purchase Charge Card. DFP cardholders are not consistently preparing a purchase log as required. Two of three cardholders selected in the audit test did not prepare a purchase log. CAPP and DFP policies both require maintenance of a purchase log. DFP should

retrain cardholders and support staff on small purchase charge card policies and procedures and enforce the procedures.

Department of Veterans Services (DVS)

1. Develop an Information Security Program and Comply with HIPAA Regulations – This is a Repeat Finding. DVS does not have an Information Systems Security Program in place to protect its sensitive systems and data. DVS has drafted some Information Technology (IT) policies, but has not developed key components of a security plan. This places DVS systems and data at risk for loss of confidentiality, integrity, and availability. In addition, by not having a security program, DVS is noncompliant with federal HIPAA regulations. The Commonwealth's Security Policy states that the DVS Information Security Officer (ISO) is responsible for developing and managing the agency's IT Security Program. The DVS IT department is insufficient for an agency of its size. DVS may need to seek assistance from other agencies from the Health and Human Resources and Education secretariats. Finally, until management approves the draft policies there are no standards or requirements for the ISO to enforce.
2. Continue to Improve Internal Controls over Fixed Assets. This is a Repeat Finding and progress has been made. DVS has improved its management of fixed assets by documenting policies and procedures and maintaining independent listings of fixed assets for both of the care centers. However, DVS does not have adequate documentation to support that it conducted an agency-wide inventory during the past two years. Additionally, DVS could not provide a listing of assets for its cemeteries independent of the assets reported in the State's fixed asset inventory database.
3. Establish an Agreement with the Virginia War Memorial Foundation. The Virginia War Memorial Foundation oversees the operation of the Virginia War Memorial in Richmond. DVS replaced the Department of General Services (DGS) as the Foundation's administrative services provider on July 1, 2008; however, DGS will continue to provide management and fiscal services for capital improvement to the Memorial. DVS need to formalize the relationship with the Foundation by developing a Memorandum of Understanding (MOU). General Services' projects should be addressed in the MOU as well, or a separate agreement should be made.

Virginia Correctional Enterprises (DOC/CE)

1. Strengthen Job Validation Policies and Procedures. Enterprises needs to strengthen the job validation procedures by addressing how to handle rejected jobs. The audit reviewed supporting documentation for a sample of eight job validations and found that the Industry Group Manager rejected four (50%) of the validations due to missing or incorrect information. Enterprises' current procedures do not address how to handle and correct rejected job validations and therefore Enterprises staff did not re-perform the validations. This means that Enterprises did not verify the accuracy of the costing information for these jobs. The policies and procedures should include a process for handling validation rejections.
2. Improve Controls for Processing Transactions in both CARS and Syteline. Enterprises has one person who can enter transactions into both CARS and Syteline, and release batches into CARS while also performing and certifying the monthly reconciliation between the two systems.

Further, there is no documentation that the Fiscal Director reviews or approves these reconciliations. Therefore, there is no separation of duties, and one individual completely controls the processing of transactions in CARS and Syteline, with limited or no supervision or review. Enterprises should institute separation of duties and responsibilities over entering, processing, and reconciling information between the two accounting systems. The Fiscal Director should perform a detailed monthly review of all reconciliations.



Risk Alerts – Quarter Ended June 30, 2009

The APA encounters issues that are beyond the corrective action of management and require the action of either another agency, outside party, or the method by which the Commonwealth conducts its operations.

No APA reports containing a Risk Alert were received:

Efficiency Issues – Quarter Ended June 30, 2009

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, or otherwise enhance their operations. These matters, which are reported as efficiency issues, do not require management's immediate action and may require investment of resources to provide long-term benefit.

One APA report containing an Efficiency Issue was received.

Longwood University (LU)

Banner Implementation

1. Opportunities to Enhance Operations.

- eVA Interface: LU uses eVA for purchasing goods and services. eVA allows for an interface to Banner, and many of the other universities use this interface. The audit recommends LU use the interface to improve Banner functionality, staff efficiency, and internal controls. The interface allows a transaction to originate in eVA, procurement occur in eVA, but transfer the completed procurement transaction information to Banner's procurement module. It allows online three-way matching of purchasing, receiving, and invoicing information; replaces manual processes for identifying and capitalizing fixed assets; and reduces the workload in Accounts Payable.
- Budgetary Controls: LU sets departmental individual budgets as part of the budgetary control process. Currently, a department that wishes to make a purchase greater than \$5,000

must have the Budget Department manually determine that the department has sufficient unencumbered funds to make the purchase. No such budget check exists for all purchases under \$5,000. Banner has the capability of performing automated checks of budget availability for all purchases. This functionality requires LU to use Banner's Procurement module.

- Paperwork Reduction: The Banner modules have sophisticated processes that eliminate the need for paper by routing transactions electronically for review and approval. This workflow can prepare and approve online journal entries, use recurring accounts payable and journal vouchers, and use the automated student withdrawal process to eliminate manual entries, reduce paperwork, allow automatic posting, and eliminate manual withdrawals.
- Future Plans: LU has not fully implemented several aspects of the existing Banner modules and entire additional modules exist that LU did not implement. Some of these implementations may create efficiencies. LU has no written plan that identifies management's needs or priorities for further Banner system installations and improvements. By developing a detailed, written plan that addresses future upgrades and installations, management can set priorities based on need and funding.

Special Reports Received – Quarter Ended June 30, 2009

The APA issued the following Special Reports:

- Accounts Receivable Review as of June 30, 2008*
- Information Technology Project Management for Tier III Higher Education Institutions and Independent Agencies as of April 2009*
- Interim Review of STARS Project, April 2009*
- Report to the Joint Legislative Audit and Review Commission for the Quarter January 1, 2009 to March 31, 2009*
- Review of Agency Performance Measures for the year ended June 30, 2008*
- Review of the Budget and Appropriation Processing Control System for the year ended June 30, 2008*
- Review of One Card Programs at Virginia's State-Supported Universities, June 2009*

*Indicates management control findings.

Other Audit Reports Received – Quarter Ended June 30, 2009

The APA also issued the following Other Reports:

- Commonwealth Health Research Board Report on Audit for the two year period ended June 30, 2008
- Indigent Defense Commission, Report on Audit for the year ended June 30, 2008*
- Office of the Executive Secretary of the Supreme Court of Virginia, Clerk of the Supreme Court, Clerk of the Court of Appeals, and the Judicial Inquiry and Review Commission Report on Audit for the year ended June 30, 2008*
- Potomac River Fisheries Commission Report on Audit for the year ended June 30, 2008

- Urban Private Partnership Redevelopment Fund and the Virginia Removal or Rehabilitation of Derelict Structures Fund Report on Audit for the year ended June 30, 2008
- Virginia BioTechnology Research Park Authority, Report on Audit for the year ended June 30, 2008*
- Virginia Office for Protection and Advocacy Report on Audit for the period July 1, 2006 through June 30, 2008*
- Virginia Small Business Financing Authority, Loan and Loan Guarantee Funds, for the year ended June 30, 2008

* Indicates 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.

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Compensation Board (CB)</u>				
2008	08-01	Improve Data Integrity of the Constitutional Officers Information Network (COIN) System.	The interface between COIN and FMS was tested in March 2009 and then run parallel for four months. Final programming is currently underway and clerks begin certifying FMS data into COIN on August 1, 2009.	In progress
<u>Department of General Services (DGS)</u>				
2007	07-03	Update and comply with Virginia's state plan of operation for federal surplus property.	State Plan of Operation was approved and sent to GSA on March 24, 2009.	Completed
	06-04	Include mandated procedures in the surplus property manual.	Chapter 12 of the manual is being reviewed and updated. Completion is expected in October 2009.	In progress
	06-06	Finalize and distribute real estate policies and procedures.	Disposal and employee housing policies are developed and awaiting management's approval before distribution.	In progress
<u>Department of Minority Business Enterprise (DMBE)</u>				
2008	08-01	Information System Security Program. This is a Repeat Finding and progress has been made.	The IT Security Plan policies and procedures have been developed. The final phase is employee training	In progress

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	08-02	Follow small purchase charge card procedures.	Purchases are being logged and verified.	Completed
	08-03	Process vendor statements promptly.	Vendor payments are being made within Prompt Pay guidelines.	Completed
<u>Virginia Employment Commission (VEC)</u>				
2008	08-01	Review wage discrepancies.	Procedures, checklists and spreadsheets have been developed to improve quality assurance for out of tolerance accounts. These tools and procedures are being put in place during the second quarter of 2010.	In progress
	08-02	Properly complete Employment Eligibility Verification (I-9) Forms. This is a repeat finding.	Human Resources has continued reviewing all I-9 forms. Examples continue to be provided. The LMS course is also available. Weekly reminders have been sent to hiring managers. Several HRMS staff members participated in a webinar on the proper completion of I-9s.	In progress
	07-01	Properly complete Employment Eligibility Verification (I-9) Forms.	See 08-02.	
<u>Department of Business Assistance (DBA)</u>				
2007	07-03	Maintain official records of the Department.	Department heads have updated the Records Retention and Disposition Schedules and are using electronic records whenever possible to conserve money.	Completed

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	07-06	Document Information Security Program.	The analysis is underway with assistance from DOA IT security experts. The Director approved the Security Plan on 2/26/2009. The agency is updating Employee Work Profiles, PCI requirements, and IT Security Incident handling. The Disaster Recovery Plan is drafted and waiting on NG/VITA input.	In progress
<i>Virginia Community College System – System Office (VCCS)</i>				
2007	07-01	Improve physical security over sensitive and mission-critical data.	The System Office proposed renovations have been limited to the removal of an entry/exit door connecting the server to the video room. All parties, including DGS, have approved this. The change has been funded and is waiting on DGS to schedule.	In progress
<i>The College of William and Mary in Virginia (CWM)</i>				
2008	08-01	Continue to improve financial reporting. This is a Repeat Finding and progress has been made.	The College has established a quality assurance program for financial reporting, initiated process documentation, and enhanced statement development process management. Procedures for financial statement development are due by November 2009 and cross-training of financial employees is due by June 2010.	In progress
	07-01	Improve financial reporting.	See 08-01.	
	06-01	Improve financial statement preparation process.	See 07-01.	
	05-01	Test financial statement preparation process.	See 06-01.	

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Gunston Hall (GH)</u>				
2007	07-01	Strengthen controls over information systems security.	The Security Officer is working with a VITA Security Team to prioritize the security policies and procedures. The policies and procedures are still being reviewed by VITA.	In progress
<u>Longwood University (LU)</u>				
2007	07-03	Properly complete Employment Eligibility Verification (I-9) Forms.	LU Human Resources has conducted training for HR employees and for other departments who have contact with new hires 5 times over the past 13 months. The HR website has employment eligibility information and training available on-line. Outlying departments still have some errors, usually with wage, part time, and student grants. HR is continuing education and reviews and is providing a semi-annual report to Vice Presidents identifying the individuals who are not in compliance.	In progress
<u>Norfolk State University (NSU)</u>				
2007	07-04	Properly complete Employment Eligibility Verification (I-9) Forms.	Additional processes have been developed and staff has been trained on the requirements of completing I-9 forms to ensure compliance with federal regulations.	Completed
<u>The Science Museum of Virginia (SMV)</u>				
2007	07-02	Strengthen controls over information systems security.	SMV developed the Risk Assessment Report together with DOA's Accounting and Internal Control Oversight Division (AICCO). SMV is in the process of final review of the Report and expect to begin the awareness training by September 30, 2009.	In progress

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>				
2008	08-01	Properly complete Employment Eligibility Verification (I-9) Forms. This is a repeat finding and significant progress has been made.	UVA created the Office of Compliance and Immigration Services (CIS). CIS conducts monthly audits and is reviewing each I-9 Form when received from departments.	In progress
	07-02	Properly complete Employment Eligibility Verification (I-9) Forms.	See 08-01.	
<u>Virginia Commonwealth University (VCU)</u>				
2008	08-01	Compute Title IV refund calculations accurately.	Financial Aid developed written procedures to assure accurate manual refund calculations. Effective February 11, 2009, Financial Aid started using the automated process in Banner.	Completed
	08-02	Identify unofficial withdrawals promptly.	At the end of each semester a report is run to identify students with Title IV funds who received 0.0 term GPAs. A refund calculation is prepared at the 50% completion rate to determine if any Title IV funds should be returned. Students are notified of the amount being returned to the federal aid programs unless they can provide proof from at least one professor that they were engaged in academic activity past the academic term midpoint. Title IV funds are returned to the appropriate aid programs no later than 45 days after the determination that the student unofficially withdrew from classes.	Completed

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	08-03	Improve Employment Eligibility and Verification process. This is a Repeat Finding.	HR reviews every incoming I-9 and conducts random departmental audits. Effective June 25, 2009, VCU migrated to an electronic I-9 form that includes additional edits and automated time reminders to help ensure more accurate completion of the form.	Completed
	07-02	Improve Employment Eligibility and Verification process.	See 08-03.	
Virginia Polytechnic Institute and State University (VPISU)				
2008	08-01	Ensure Title IV refund calculations are accurate.	The University Scholarships and Financial Aid Office audited the correct term beginning and ending dates set up in Banner.	Completed
Department of Accounts (DOA)				
2008	08-01	Improve information systems security program.	DOA hired two Information Security experts to assist in compliance with the Commonwealth's information security standards. They supervised an agency-wide Risk Assessment, requested VITA provide results of monitoring activities, and documented DOA procedures.	In progress
Department of Taxation (TAX)				
2008	08-01	Evaluate and strengthen the attachment preparation and review process.	TAX has evaluated the attachment preparation and review process and has taken steps to strengthen it.	Completed
	08-02	Improve system access management.	TAX developed a process to increase the scope and better document the management review of user access. TAX also added an independent review step of user access on a sample basis to its system access management process.	Completed

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	08-03	Improve process for documenting the information systems security program.	TAX has developed a process to review the components of the program for consistency.	Completed
	08-04	Properly complete Employment Eligibility Verification (I-9) Forms.	TAX has implemented processes to properly complete future I-9 forms. TAX will complete the process of correcting existing I-9s needing revision by September 1, 2009, except for several employees that are on extended leave.	In progress
Department of the Treasury (TD)				
2008	08-01	Establish sufficient controls over the wire transfer process. This is a Repeat Finding and progress has been made.	All wire transfer MOUs are finalized except for the WIC account with VDH, which is in negotiation.	In progress
	07-02	Establish sufficient controls over the wire transfer process.	See 08-01.	
	08-02	Establish sufficient controls over online banking systems. This is a Repeat Finding and progress has been made.	The Cash Management and Investments Divisions have approved the policies and procedures surrounding the online banking process.	Completed
	08-03	Strengthen internal controls over disbursement processing. This is a Repeat Finding.	SunTrust was converted to payee match positive pay on April 8, 2009. The Wachovia Social Services Account is in progress.	In progress
	07-05	Strengthen internal controls over disbursement processing.	See 08-03.	
	08-04	Establish, maintain, and review centralized cash, investment, and application access account listings. This is a Repeat Finding and progress has been made.	The Centralized Access Database has been developed by Treasury Information Systems and Treasury is now populating the database with current information.	In progress

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	07-03	Establish, maintain, and review centralized cash, investment, and application access account listings.	See 08-04.	
	08-05	Update risk assessment and test business continuity plan. This is a Repeat Finding and progress has been made.	The Information Systems Director completed the Risk Assessments. The COOP plan was revised and training was held on March 20, 2009. Divisional testing was performed in April, May, and June.	Completed
	07-06	Update risk assessment and test business continuity plan.	See 08-05.	
	08-06	Enable audit trails and transaction history on information systems. This is a Repeat Finding and progress has been made.	Thirteen new Information Systems Policies were approved on April 30, 2009.	Completed
	07-04	Strengthen Controls over Information Systems.	See 08-06.	
	08-07	Establish adequate controls over collection of Unclaimed Property checks.	Treasury reviewed its procedures and controls. Two employees open all mail and control receipts at all times.	Completed
	08-08	Establish adequate reviews over financial records.	Treasury has revised procedures to stop interest calculation misstatements. Treasury Internal Audit will review the procedures.	In progress
	08-09	Perform adequate oversight over trustee.	Treasury brought the performance issues to the Bank's attention numerous times and met with Bank officials on December 4, 2008. Once the trustee is providing satisfactory performance, Treasury will review the processes and determine possible enhancements by December 31, 2009.	In progress

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	08-10	Conduct security awareness training timely.	All employees had completed the course as of January 10, 2009. Thirteen new Information Systems Policies were approved on April 30, 2009.	Completed
<i>Department of Behavioral Health and Developmental Services (DBHDS)</i>				
2008	08-01	Improve management and controls for facilities - First year finding.	The Department has reduced staff by 15% or 43 positions and anticipate a further reduction of between 5% and 15%. Improving management and controls is on hold.	In progress
	08-02	Improve monitoring program over Community Service Boards - Repeat Finding.	The Office of Budget and Financial Reporting have prepared a risk assessment based on the FY 2008 single audits of the CSBs. They have conducted three site reviews and have two more scheduled. Program offices have reviewed the risk assessment and will develop oversight methodology of their own.	In progress
	07-01	Improve monitoring program over Community Service Boards.	See 08-02.	
	08-03	Ensure compliance with information systems security program - First year finding.	Information Technology Services is developing the Risk Assessment and Business Impact Analysis.	In progress
	08-04	Improve security awareness training documentation - Repeat Finding.	Information Technology Services is exploring using the Commonwealth Knowledge Center to help maintain documentation.	In progress
	06-02	Expand security awareness training programs.	See 08-04.	

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	08-05	Improve IT continuity of operations and disaster recovery plans - Repeat Finding.	The VITA transformation was scheduled to be complete by June 30, 2009. Central Office IT staff will work with facility IT staff to address weaknesses, in conjunction with the transformation.	In progress
	07-04	Improve contingency and disaster recovery planning.	See 08-05.	
	08-06	Improve controls over capital assets - First year finding.	The Office of Budget and Financial Reporting have worked together to book appropriate adjustments. The capital assets committee was created and has finalized several FAACS policies.	In progress
	08-07	Properly record Construction-in-Progress - First year finding.	Controls and reporting processes were radically changed in FY 2009 and led to the proper and timely recording of the CIP balance at June 30, 2009. All procedures discussed in the original plan have been implemented.	In progress
	08-08	Grant proper access to timekeeping system - First year finding.	Facility Directors have been made responsible for this and it has been included in their performance standards by the Deputy Commissioner.	In progress
	08-09	Properly complete Employment Eligibility Verification Forms - Repeat Finding.	The Office of Human Resources monitors processes at the facility level and works with facility human resources staff to resolve problems. Forms are sampled on a quarterly basis and audited by OHR to ensure accuracy.	In progress
	07-02	Properly complete Employment Eligibility Verification Forms.	See 08-09.	

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<i>Department of Health (VDH)</i>				
2008	08-01	Update and expand security awareness training - Repeat Finding.	Specialized Security Awareness Training has been given to System Owners and Administrators. The web-based security awareness training program was completed by all employees.	Completed
	07-01	Update and expand security awareness training.	See 08-01.	
	08-02	Improve and test contingency and disaster recovery planning - Repeat Finding.	VDH Internal Audit completed its testing of additional areas.	Completed
	07-02	Improve contingency and disaster recovery planning.	See 08-02.	
	08-03	Establish and document responsibilities for securing partnership's equipment - First year finding.	Agreement with VITA/NG finished.	Completed
	08-04	Initiate corrective action plan for federal reporting - First year finding.	Federal reports were corrected and reconciled.	Completed
	08-05	Improve information of Virginia Performs - First year finding.	VDH has revisited its Virginia Performs information.	Completed
	08-06	Ensure secure delivery of controlled substances - First year finding.	Controls were tightened over controlled substances.	Completed
	08-07	Standardize pharmaceutical ordering - First year finding.	Ordering has been standardized between pharmacies.	Completed

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Medical Assistance Services (DMAS)</u>				
2008	08-01	Improve contract monitoring - First year finding.	The Division of Health Care Services has implemented corrective action to ensure proper rates are paid in the future. DMAS also recovered the overpayments from LogistiCare.	Completed
<u>Department for Rehabilitative Services (DRS)</u>				
2008	08-01	Properly record leases in the lease accounting system - First year finding.	All new leases are being negotiated and reported by the DGS Division of Real Estate Services. DRS is updating current LAS files until they expire and are replaced by DRES.	In progress
<u>Department for the Aging (VDA)</u>				
2008	08-01	Strengthen information security program - first year finding.	The agency is currently working on the Business Impact Analysis and the Risk Assessment to meet the Commonwealth's Security Standard.	In progress
<u>Department of Social Services (DSS)</u>				
2008	08-01	Reconcile financial reports - First year finding.	Corrective action was implemented prior to the close of the audit.	Completed
	08-02	Improve information on Virginia Performs - First year finding.	DSS restated three of four measures on Virginia Performs. Classifications were changed to "Outcome" for two measures. Methodology was clarified to explain calculations.	Completed

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	07-04	Align plan for monitoring local social services offices with best practices.	Each division submitted a monitoring plan. The SMR director posted the Department-wide instrument for local departments to review. SMR and the Chief Financial Officer are the lead for communicating with local departments of social services. Divisions are looking at the adequacy of a 3-year audit cycle, and each program assesses risk. One factor is local department size/caseload size, another is analysis of findings. The DSS approach is to work with local departments to correct errors and resolve issues.	In progress
	06-18	Maintain a tracking system for local employees. This is a repeat finding.	Local DSS responses to the Employee Data Report have improved significantly. HR and Finance developed an improved report and began using it in May 2009. The new report, called the Position Reimbursement report, replaces the old report. The new PR addresses accuracy of LETS entries, reimbursements and Information Systems (PC refreshes).	In progress
	05-04	Maintain a tracking system for local employees.	See 06-18.	
	07-05	Establish procedures for controlling the cash in the Child Support Enforcement Fund.	DSS completes current reconciliations and have conducted a mock "close" based on third quarter data. DSS identified longstanding issues with federal cash balances. DSS is continuing the review process on a daily basis.	In progress

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>State Corporation Commission (SCC)</u>				
2007	07-01	Comply with Commonwealth Security Standards	SCC contracted with a vendor to develop a business impact analysis, a risk assessment, a continuity of operations plan, and an IT disaster recovery plan. Work began April 2009. The projected completion date is 12/31/2009.	in progress
<u>Department of Game and Inland Fisheries (DGIF)</u>				
2007	07-02	Provide sufficient password controls. This is a repeat finding.	Password controls were upgraded during the risk assessment process. DGIF is a VITA/NG transformation agency. VITA has taken responsibility for DGIF logon passwords. .	Completed
	N/A	There were no internal control of compliance findings issued to DGIF, however the APA issued seven recommendations to the DGIF's Board of Directors to strengthen corrective actions.	See 07-02.	
	07-03	Improve information system security.	DGIF completed the initial risk assessment of its information technology infrastructure, and reviewed the documentation and related policies and procedures. However, DGIF must complete its Business Impact Analysis before it can conclude enhancing information systems security. As the VITA/NG transformation continues the security will be upgraded and documented. The transformation was scheduled to be finished by July 1, 2009, but is not yet complete.	In progress

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Historic Resources (DHR)</u>				
2007	07-01	Complete information security program.	DHR is completing its security program using in-house resources. Policies for Technology Use and IT Asset Management have been written and are being reviewed. DHR is currently writing policies for Account Management and Folder/Group Security Changes.	In progress
<u>Department of Alcoholic Beverage Control (ABC)</u>				
2008	08-01	Improve database security.	ABC completed the access review of system users and installed new password requirements. New software is currently being installed and ABC and NG are working on resolving problems between the servers and the software.	In progress
<u>Department of Corrections (DOC)</u>				
2007	07-01	Develop internal controls for leave liability and time tracking system.	DOC limited levels of access and created new linking features in the current DOCXL. DOC will keep DOCXL until a new system is available.	In progress
	07-02	Enforce inventory procedures.	DOC issued revised policies and procedures and installed a new action plan to govern inventory counts. The action plan was used for the June 30, 2009 inventories.	In progress
	07-03	Properly complete Employment Eligibility Verification (I-9) Forms.	Corrections completed remedial training with Human Resource staff. I-9 inaccuracies have been made a job performance issue. Headquarters HR managers are reviewing I-9s when they make site visits.	In progress

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	07-04	Strengthen supervisory reviews over capital assets and construction in progress. This is a repeat finding.	DOC continued to have misstatements related to capital assets as of June 30, 2008. Corrections has reorganized financial reporting and placed FAACS under the Budget Office.	In progress
	06-01	Strengthen controls over capital project closing and capitalization processes.	See 07-04.	
<u>Department of Criminal Justice Services (DCJS)</u>				
2008	08-01	Strengthen information systems security program. This is a Repeat Finding and progress has been made.	DCJS is synchronizing individual plans to ensure consistency. Risk assessments were updated. Users annually take a web based security awareness training. DCJS has requested assistance from VITA/NG to comply with the Standard.	In progress
	06-02	Comply with the Commonwealth's Security Standard, SEC 2001.	See 08-01.	
	08-02	Improve internal controls over grant payments.	Duties and desk procedures have been modified and updated following a move by the agency.	In progress
<u>Department of Emergency Management (DEM)</u>				
2008	08-01	Establish procedures for preparing the Schedule of Expenditures of Federal Awards.	DEM has written desk procedures describing steps in preparing the Schedules. DEM has also created a set of tables to assist in classifying and recording federal award expenditures. Assistance was provided by Randy Johnson from DOA.	In progress
	08-02	Develop Sub-Recipient monitoring plans.	The final draft of the monitoring procedures is being reviewed. The final step is management sign off and dissemination to the sub recipients.	In progress

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	08-03	Properly report expenditures on quarterly federal reports. This is a Repeat Finding and progress has been made.	Quarterly Reports are being updated and reconciled to the CARS 402 reports.	In progress
	07-02	Establish policies and procedures over federal reporting.	See 08-03.	
	08-04	Establish systems security program. This is a Repeat Finding and progress has been made.	Data Processing and Information Systems drafted revisions to the continuity of operations and the disaster recovery plans. Management is reviewing the revised plans. The next step will be testing the plans to ensure critical systems function as they should.	In progress
	07-03	Improve continuity and disaster recovery plans.	See 08-04.	

Department of Military Affairs (DMA)

2007	07-01	Improve information security program.	All DMA computers are on the federal National Guard Bureau network and subject to Department of Defense requirements.	Completed
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Department of State Police (VSP)

2007	07-01	Information Technology Planning. This is a repeat finding.	The IT Division Strategic Plan has been completed and approved.	Completed
	06-01	Information Technology Planning.	See 07-01.	

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	07-02	Payroll. This is a repeat finding.	The Finance Division prepared draft payroll certification process procedures. The Payroll Service Bureau provided additional documentation including example reports to be used in the certification process. The procedures will be signed after the July 2009 payroll certifications are completed using the new procedures. The target completion date is July 30, 2009. VSP still believes they are compliant if they process a Form when the person is "sworn" as a trooper.	In progress
	06-02	Payroll.	See 07-02.	

Department of Veterans Services (DVS)

	07-05	Establish a complete information security plan to comply with COV Security Policy. This is a repeat finding.	DVS lost its IT manager and has just hired the replacement who has come on board. DVS held off on the IT policies until the new manager came on board. Work will recommence now that the new individual is on hand. A continuing concern is that the DVS IT Department is insufficient for an agency of its size. DVS will need to seek assistance from other agencies.	In progress
	06-08	Information systems security assurance.	See 07-05.	
	07-07	Comply with the health insurance portability and accountability act.	DVS has a memorandum of understanding with Rehabilitative Services to provide assistance in complying with HIPAA regulations. However, DVS is still noncompliant with federal HIPAA regulations by not having a security program that complies with Commonwealth Security Standards.	In progress

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	07-16	Establish adequate internal controls over fixed assets. This is a repeat finding.	The finding has been reissued as "In progress" per the APA's most recent (2008) report. Documentation to support a department-wide inventory during the past two years appeared inadequate. DVS could not provide a listing of assets for its cemeteries independent of the assets reported in the State's fixed asset inventory database.	In progress
	06-15	Properly manage fixed assets.	See 07-16.	

Virginia Information Technologies Agency (VITA)

2007	07-01	Improve the Independent Verification and Validation Process (IV&V).	PMD procedures have been modified. Changes in the structure were completed and communicated to stakeholders for the IV & V templates.	Completed
	07-02	Develop standards for project documentation. This is a repeat finding.	Procedures under development with target completion in September 2009. Training and implementation will follow.	In progress
	06-04	Develop standards for project documentation.	See 07-02.	

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Motor Vehicles (DMV)</u>				
2008	08-01	Improve vehicle rental tax collection controls - First year finding.	The Rental Tax Division and the Financial Management Services (FMS) Division altered the rental tax billing and check handling processes. The Motor Carrier and Tax Services (MCTS) Division Mail Clerk delivers all rental tax returns and checks to FMS. FMS staff establish the rental tax returns data on the COMP2 system. When the account is established, revenue is posted to the proper account and the daily deposit is prepared. The original rental tax returns are forwarded to MCTS. Segregated duties were achieved by having FMS staff only establish accounts and Rental Tax can only add to an established revenue account. FMS does not have access to the areas of COMP2 that allow entries that create zero, non-filer, or delinquent rental tax returns.	Completed
	08-02	Ensure completeness of vehicle sales and use tax - First year finding.	8.25% of dealers processing transactions are selected for audit each month, which verifies that all transactions and revenues have been received. The audits will continue until the new CSI phase I is started. This has customized reporting and ensures all required documents are received.	Completed
	08-03	Improve controls over the international registration plan process - First year finding.	Staff were instructed on appropriate documentation. A supervisor's review and sign off is required on all reconciliations. Discrepancies are identified, verified, and resolved. Existing discrepancies were the result of duplicate vehicle ID numbers	Completed

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	08-04	Improve information security program - First year finding.	The risk assessment and business impact analysis will be completed by December 31, 2009.	In progress
	08-05	Properly complete Employment Eligibility Verification Forms - Repeat Finding.	All supporting documents used to identify identity and eligibility were attached to each I-9 Form. Human Resource staff meet all new Headquarter hires on the first workday to complete the I-9. Field new hires are met by the hiring manager on the first day and I-9 forms and documentation is faxed to Human Resources for verification. Completed and verified I-9 Forms are placed in the Active I-9 Forms file. Human Resource staff completed the DOA training "Completion of the Form I-9".	Completed
2007	07-01	Properly complete Employment Eligibility Verification (I-9) Forms.	See 08-05.	

Department of Rail and Public Transportation (DRPT)

2008	08-01	Improve controls over Non-formula Public Transportation Grant management - First year finding.	The Department has adopted and issued high-level procedures and documentation requirements for project managers. Currently, consultants are describing and documenting detailed individual desk procedures to ensure appropriate controls are in place.	In progress
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Department of Transportation (VDOT)

2008	08-01	Improve application monitoring processes - First year finding.	The VDOT Information Technology Division has reviewed access logs for database and system administrators. Manual procedures and reviews and software are used to monitor access and activity on the EMS system. When the EMS system is replaced, the new system won't store sensitive data.	In progress
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Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Virginia Port Authority (VPA)</u>				
2008	08-02	Obtain assurance over security of information system infrastructure.	VPA hired an independent contractor to review security. The contractor has completed all field work including disaster recovery testing. The final report is being produced and copies will be sent to DOA and APA.	Completed



Compliance Monitoring

Agency Risk Management and Internal Control Standards (ARMICS) Compliance

ARMICS is a comprehensive, risk based, approach to Internal Control. It is based on the Treadway Commission's Committee of Sponsoring Organizations, 1992 publication "Internal Control Framework" and their 2004 work entitled, "Enterprise Risk Management".

ARMICS provides guidance for establishing and assessing agency internal controls in order to more effectively manage risk and maintain accountability. The ARMICS process concludes with an annual certification (June 30) by the agency head and fiscal officer that they have established, maintained, and evaluated their agencies' internal control framework.

Non-compliance with ARMICS can take two forms:

1. Incomplete or late submission of the annual certification statement (without an extension authorized by DOA).
2. Substantial non-compliance with the processes required for the successful implementation of ARMICS based on a Quality Assurance Review (QAR) performed by the DOA General Accounting ARMICS Team.

Non-Compliance results in the Agency being included in the Comptroller's Quarterly Report. Remediation of the deficiency will result in the agency being removed from the non-compliant list published in the subsequent Comptroller's Quarterly Report.

The following agencies are not currently in compliance with ARMICS:

<u>Agency Name</u>	<u>Reason for Non-Compliance</u>
None	

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 March, April, May and June* were due 4/30/09, 5/29/09, 6/30/09 and 7/17/09, respectively.

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

Confirmations Late or Outstanding

As of August 6, 2009

<u>Agency</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>June*</u>
Department of Juvenile Justice	7/14/2009	7/14/2009	-	-
Central Region Correctional Field Unit	-	-	-	8/6/2009
Virginia Museum of Natural History	-	-	-	7/23/2009

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

* The FY 2009 Year-End Closing Memorandum to the heads of all state agencies and institutions and all fiscal officers required that the final June Confirmation be received in the Comptroller's Office by 5:00 p.m. on July 17, 2009. Faxed copies were accepted on July 17, with the expectation the original would be received by July 22, 2009.

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 June 30, 2009, 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 June 30, 2009, no agencies failed to respond timely, make corrective action and/or provide additional information.

Trial Balance Review

As of July 31, 2009

<u>Agency</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>
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 versus expenditure anomalies. For the quarter ended June 30, 2009, no agencies failed to respond timely, make corrective action and/or provide additional information.

Credit Cash, Excess Expenditures, and Expenditure Credits

As of July 31, 2009

Agency	March	April	May	June
None				

Disbursement Processing

During the quarter ended June 30, 2009, DOA deleted, at the submitting agency's request, 149 payments that were awaiting disbursement from the vendor payment file. These included duplicate payments, payments with incorrect vendor indicators and payments with incorrect vendor name, address or amount. These types of transactions may point to areas where improved agency internal accounting controls should be evaluated.

Twenty-nine agencies requested deletes during the quarter. For the quarter ended June 30, 2009, Agencies that requested more than four vendor payment deletes during the quarter were:

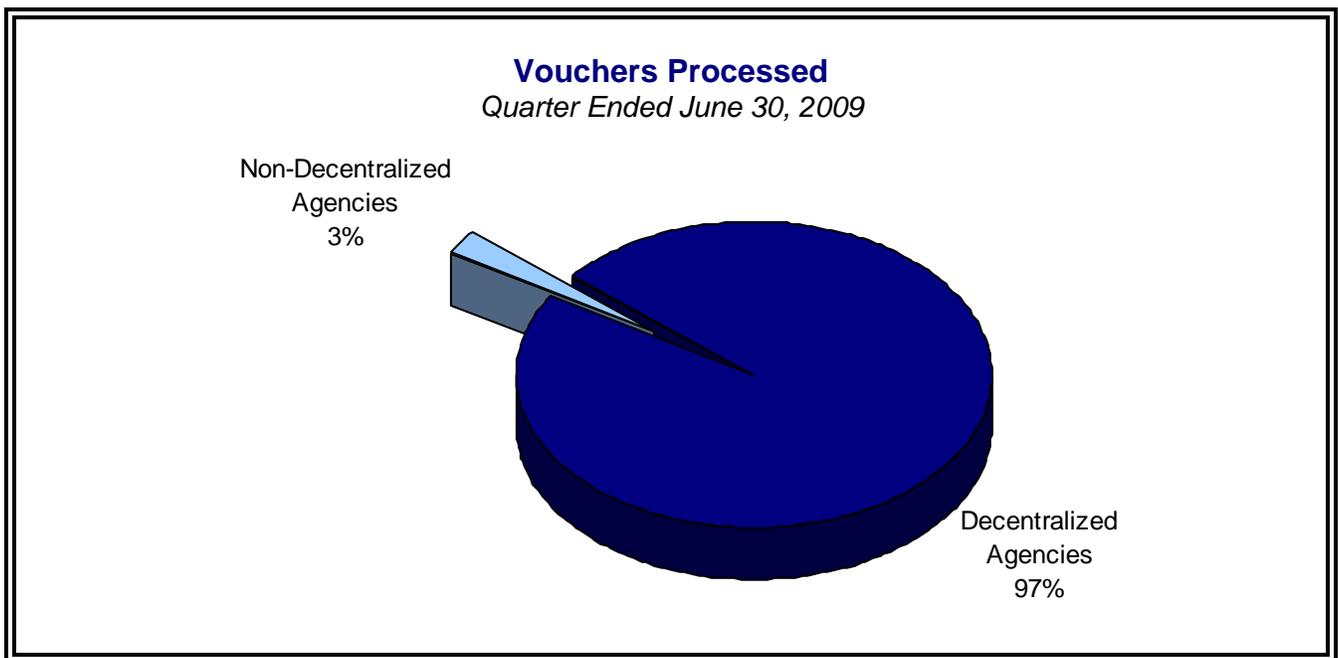
- Department of Transportation
- Department for the Blind and Vision Impaired
- Department of Rehabilitative Services



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

DOA performs decentralized record reviews to fulfill its statutory responsibilities under the *Code of Virginia* regarding expenditures by state agencies and institutions. The decentralized record reviews emphasize the impact and effect of the findings on overall compliance with the applicable sections of the Commonwealth Accounting Policies and Procedures Manual.

A formal corrective action plan is required for agencies considered deficient in their compliance responsibilities. DOA will perform a follow-up review to verify the actions taken by the agency adequately addressed the deficiencies noted in the original report.

Although an agency's report may state that it "generally complies with the CAPP Manual" and not require a formal corrective action plan, most reports do contain some findings and recommendations. Agencies are strongly encouraged to address these findings. Repeat occurrences of the same findings in future

reviews may result in the agency having to prepare a formal corrective action plan.

Reviews were conducted for twelve 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*

Agencies are generally selected each quarter using a systematic risk evaluation of all decentralized agencies.

Compliant Agencies

Department of Game and Inland Fisheries
Northern Virginia Community College
Department of Education
Virginia Military Institute
J. Sargeant Reynolds Community College
Department of Corrections – Western Regional Correctional Field Units
Virginia Retirement System
Virginia Correctional Enterprises
Southside Virginia Training Center
Central State Hospital
Hiram W. Davis Medical Center
Central Virginia Training Center

Note: There were no agencies required to prepare a formal corrective action plan 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 1,028 non-travel disbursement batches and 426 travel disbursement batches were reviewed, disclosing 23 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 June 30, 2009		Fiscal Year 2009 To-Date		Comparative Quarter Ended June 30, 2008	
	Late	Total	Late	Total	Late	Total
Number of Payments	5,546	600,703	20,809	2,284,311	5,237	614,110
Dollars (in thousands)	\$ 36,453	\$ 1,656,428	\$ 146,582	\$ 6,395,925	\$ 28,121	\$ 1,607,328
Interest Paid on Late Payments				\$22,111		
Current Quarter Percentage of Payments in Compliance				99.1%		
Fiscal Year-to-Date Percentage of Payments in Compliance				99.1%		
Comparative Fiscal Year 2008 Percentage of Payments in Compliance				98.9%		



Prompt Payment Performance by Secretarial Area
Quarter Ended June 30, 2009

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.7%	97.0%
Agriculture and Forestry	99.5%	97.6%
Commerce and Trade	98.5%	99.2%
Education*	98.8%	98.7%
Executive Offices	99.6%	98.9%
Finance	99.6%	95.0%
Health and Human Resources	99.4%	92.5%
Independent Agencies	99.3%	98.7%
Judicial	99.9%	99.8%
Legislative	99.8%	99.0%
Natural Resources	99.2%	98.6%
Public Safety	99.7%	98.0%
Technology	99.8%	99.8%
Transportation*	99.3%	96.7%
Statewide	99.1%	97.8%

Prompt Payment Performance by Secretarial Area
Fiscal Year 2009

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.3%	98.6%
Agriculture and Forestry	99.6%	99.1%
Commerce and Trade	98.7%	99.2%
Education *	98.9%	97.7%
Executive Offices	99.1%	94.9%
Finance	99.7%	98.8%
Health and Human Resources	99.2%	97.0%
Independent Agencies	98.0%	98.4%
Judicial	99.9%	99.7%
Legislative	99.9%	99.6%
Natural Resources	99.4%	96.9%
Public Safety	99.4%	97.5%
Technology	99.3%	97.9%
Transportation*	99.4%	97.9%
Statewide	99.1%	97.7%

* 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 June 30, 2009, the following institution that processed more than 50 vendor payments during the quarter was

below the 95 percent prompt payment performance standard.

**Prompt Payment Compliance Rate
Agencies Below 95 Percent
Quarter Ended June 30, 2009**

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
Health and Human Resources			
Central Virginia Training Center	155	1,678	90.8%

For FY 2009, the following agencies 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 2009**

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
Education			
New College Institute	36	359	90.0%
Public Safety			
Sitter-Barfoot Veterans Care Center	223	3,163	92.9%
Independent Agencies			
Virginia Workers' Compensation Commission	253	3,328	92.4%

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 includes additional payments made by these agencies. 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 June 30, 2009			Comparative Quarter Ended June 30, 2008
	E-Commerce	Total	Percent	Percent
Number of Payments	2,799,898	3,208,262	87.3%	71.8%
Payment Amounts	\$ 8,639,197,274	\$ 9,879,964,159	87.4%	85.5%

	Fiscal Year 2009 To-Date			Comparative Fiscal Year 2008
	E-Commerce	Total	Percent	Percent
Number of Payments	10,059,109	11,774,273	85.4%	75.6%
Payment Amounts	\$ 32,678,447,691	\$ 37,931,187,580	86.2%	85.0%

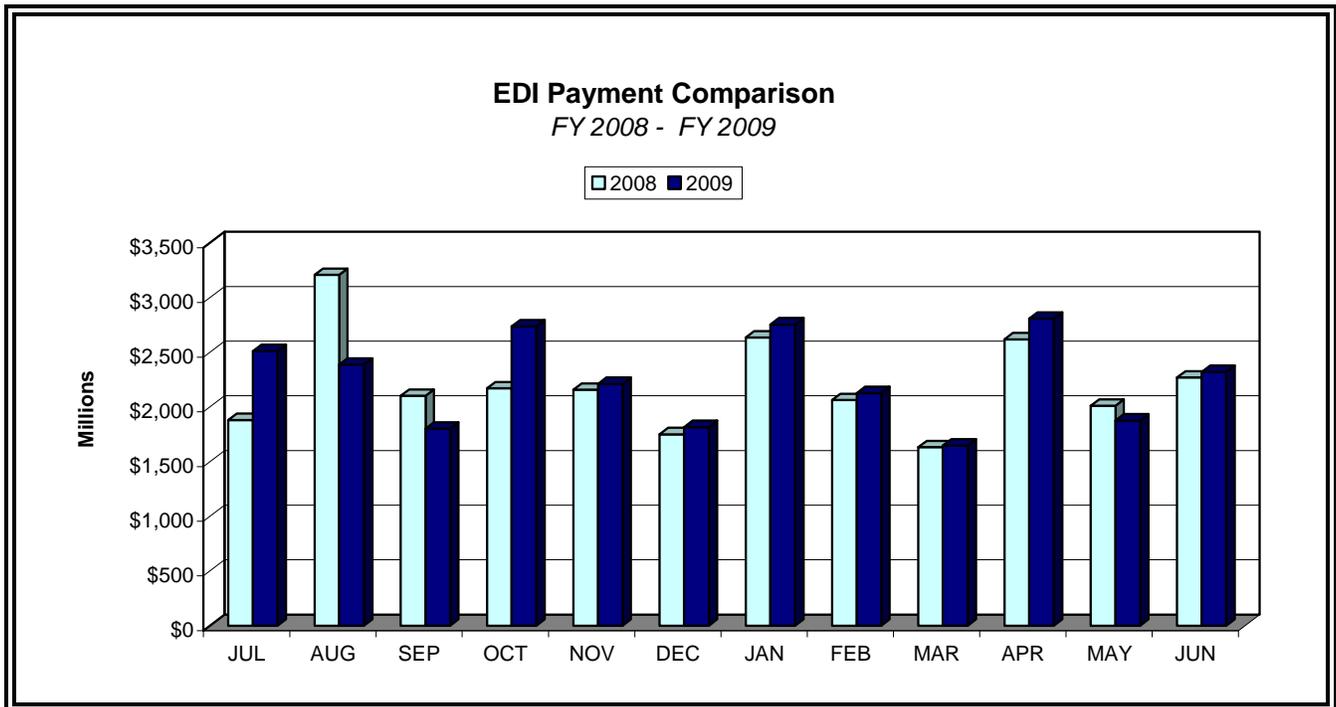
Financial Electronic Data Interchange (EDI)

The dollar volume of Financial EDI payments for the fourth quarter of FY 2009 were \$107 million (1.6 percent) more than the same quarter last year. The number of trading partner accounts increased by 9.9 percent

from June 2008. 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 June 30, 2009	Fiscal Year 2009 To-Date	Comparative FY 2008 To-Date
Number of Payments	54,551	183,637	201,740
Amount of Payments	\$ 7,007,064,327	\$ 27,005,992,411	\$ 26,503,303,513
Number of Invoices Paid	210,805	731,711	803,154
Estimated Number of Checks Avoided	85,533	292,963	315,445
Number of Trading Partner Accounts as of 6/30/09		51,474	46,824



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.

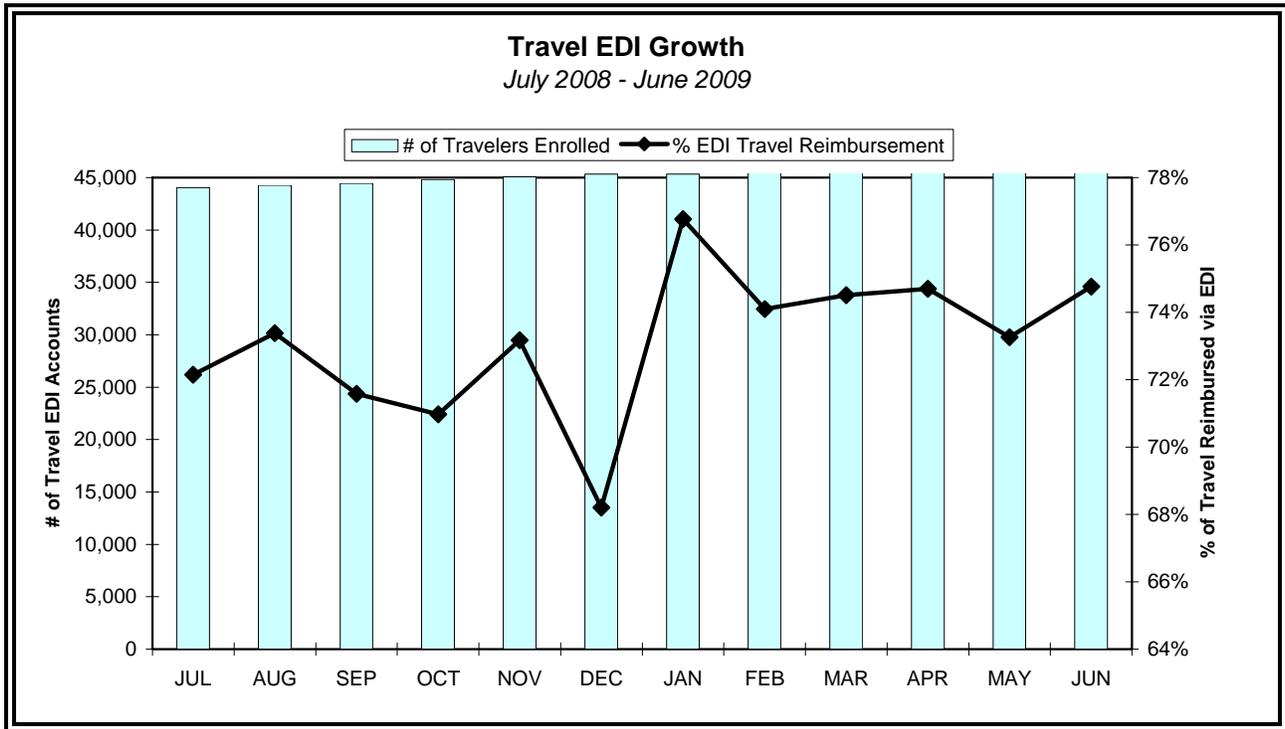
DOA notified agencies of the requirement through a CARS broadcast screen and calls to the agencies that produce the largest number of travel reimbursement checks. Quarterly utilization statistics are provided to the EDI coordinators of each agency in an effort to increase the number of employees enrolled.

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 2009, 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 June 30, 2009

Secretarial Area	Employee Percent	Non-Employee Percent	Reimbursement Checks Issued
Administration	85.4%	0.0%	37
Agriculture and Forestry	94.1%	6.4%	104
Commerce and Trade	91.9%	70.9%	231
Education (1)	87.1%	21.5%	1,651
Executive Offices	93.0%	5.3%	35
Finance	96.5%	25.0%	41
Health and Human Resources	92.2%	34.3%	1,093
Independent Agencies	95.5%	0.0%	83
Judicial	21.8%	4.0%	3,680
Legislative	96.6%	21.1%	93
Natural Resources	95.1%	57.1%	108
Public Safety	86.5%	25.8%	783
Technology	92.9%	12.5%	26
Transportation (1)	82.7%	20.6%	353
Statewide for Quarter	81.0%	26.1%	8,318
<i>Fiscal Year 2009 To-Date</i>			
Statewide	80.2%	24.3%	32,009
<i>Comparative Fiscal Year 2008 To-Date</i>			
Statewide	80.6%	22.5%	36,643

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

The following table lists agencies with Employee EDI participation rates below 85 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 85 Percent**

<u>Agency</u>	<u>Percent</u>	<u>Reimbursement Checks Issued</u>
Education		
Virginia State University	84.8%	42
Northern Virginia Community College	82.8%	49
Christopher Newport University	81.4%	50
Southside Virginia Community College	76.8%	29
Norfolk State University	58.3%	95
Virginia Military Institute	58.3%	35
Health and Human Resources		
Department of Rehabilitative Services	84.5%	81
Department of Medical Assistance Services	80.1%	36
Judicial		
Magistrate System	53.4%	144
Supreme Court	16.1%	895
Circuit Courts	7.3%	710
General District Courts	5.6%	442
Juvenile and Domestic Relations District Courts	5.5%	426
Combined District Courts	2.8%	274
Court of Appeals of Virginia	0.0%	62
Public Safety		
Division of Community Corrections	79.1%	62
Department of Emergency Management	60.6%	99
Transportation		
Department of Transportation	76.0%	241

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	7.7%	48
Education		
Norfolk State University	2.6%	37
Christopher Newport University	1.5%	67
Virginia Commission for the Arts	0.0%	56
Health and Human Resources		
Department of Social Services	9.5%	57
Department of Health	2.8%	247
Virginia Board for People with Disabilities	2.6%	38
Judicial		
Circuit Courts	2.7%	328
Virginia State Bar	0.4%	263
Public Safety		
Department of Forensic Science	0.0%	69
Department of Criminal Justice Services	0.0%	50
Transportation		
Board of Towing and Recovery Operators	7.1%	39

The following table lists agencies that have accumulated more than \$250 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 2009,

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**

<u>Agency</u>	<u>Percent</u>	<u>Year-to-date Charges</u>
Education		
Norfolk State University	58.3%	\$ 845
Judicial		
Magistrate System	53.4%	1,910
Supreme Court	16.1%	4,395
Circuit Courts	7.3%	10,060
General District Courts	5.6%	5,460
Juvenile and Domestic Relations District Courts	5.5%	5,835
Combined District Courts	2.8%	4,280
Court of Appeals of Virginia	0.0%	685
Transportation		
Department of Transportation	76.0%	1,420



Direct Deposit

During the fourth quarter of FY 2009, 522,301 checks were avoided using direct deposit. Effective August 1, 2008 direct

deposit was mandated for all new hires. Agencies may mandate direct deposit for all eligible employees at their discretion.

Direct Deposit Performance by Secretarial Area

Quarter Ended June 30, 2009

<u>Secretarial Area</u>	<u>Direct Deposit % of Salaried Employees</u>	<u>Direct Deposit % of Wage Employees</u>
Administration	99.0%	95.8%
Agriculture and Forestry	98.6%	85.0%
Commerce and Trade	99.7%	99.2%
Education	99.3%	94.5%
Executive Offices	99.5%	87.1%
Finance	99.1%	97.6%
Health and Human Resources	97.3%	94.7%
Independent Agencies	99.4%	99.2%
Judicial	98.8%	69.7%
Legislative	99.7%	98.9%
Natural Resources	98.9%	92.7%
Public Safety	99.3%	94.5%
Technology	99.7%	100.0%
Transportation	99.8%	97.0%
Statewide	98.9%	94.0%
<i>Comparative</i>		
<i>Quarter Ended June 30, 2008</i>		
Statewide	94.2%	77.2%

Statewide Salaried Direct Deposit Performance
Quarter Ended June 30, 2009



Salaried Direct Deposit Below 98 Percent

Agency	Percent	Number of Employees
Administration		
State Board of Elections	90.3%	31
Agriculture and Forestry		
Department of Agriculture and Consumer Services	97.8%	451
Education		
Virginia Highlands Community College	96.5%	113
The Science Museum of Virginia	95.5%	67
Virginia School for the Deaf, Blind and Multi-Disabled at Hampton	26.0%	50
Health and Human Resources		
Southwestern Virginia Mental Health Institute	97.9%	527
Central State Hospital	96.1%	770
Commonwealth Center for Children and Adolescents	95.4%	131
Southside Virginia Training Center	96.1%	1,325
Northern Virginia Mental Health Institute	97.1%	306
Western State Hospital	94.8%	692
Southeastern Virginia Training Center	93.3%	419
Eastern State Hospital	95.4%	938
Southern Virginia Mental Health Institute	90.4%	166
Central Virginia Training Center	87.7%	1,404
Judicial		
Circuit Courts	96.8%	156
Natural Resources		
Virginia Museum of Natural History	94.7%	38
Public Safety		
Virginia Veterans Care Center	97.9%	239
Department of Alcoholic Beverage Control	97.9%	987
Transportation		
Department of Rail and Public Transportation	97.2%	36

Statewide Wage Direct Deposit Performance

Quarter Ended June 30, 2009

Wage Direct Deposit Participation	94.0%
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Wage Direct Deposit Below 90 Percent

Agency	Percent	Number of Employees
Agriculture and Forestry		
Department of Agriculture and Consumer Services	80.4%	107
Commerce and Trade		
Virginia Racing Commission	85.2%	27
Education		
Radford University	86.8%	433
Mountain Empire Community College	84.8%	138
Virginia State University	84.1%	270
Eastern Shore Community College	83.3%	66
VSU/Cooperative Extension & Agriculture Research	81.3%	16
Rappahannock Community College	73.5%	136
Virginia Highlands Community College	72.2%	151
Paul D. Camp Community College	65.7%	102
Frontier Culture Museum of Virginia	50.0%	38
Health and Human Resources		
Southern Virginia Mental Health Institute	85.3%	34
Northern Virginia Mental Health Institute	81.5%	27
Western State Hospital	79.7%	74
Central Virginia Training Center	67.5%	117
Judicial		
Juvenile and Domestic Relations Courts	88.6%	70
General District Courts	57.0%	221
Combined District Courts	50.0%	22
Natural Resources		
Department of Game and Inland Fisheries	89.6%	77
Public Safety		
Sitter-Barfoot Veterans Care Center	89.6%	48
Department of Emergency Management	87.5%	48
Department of Military Affairs	79.9%	159

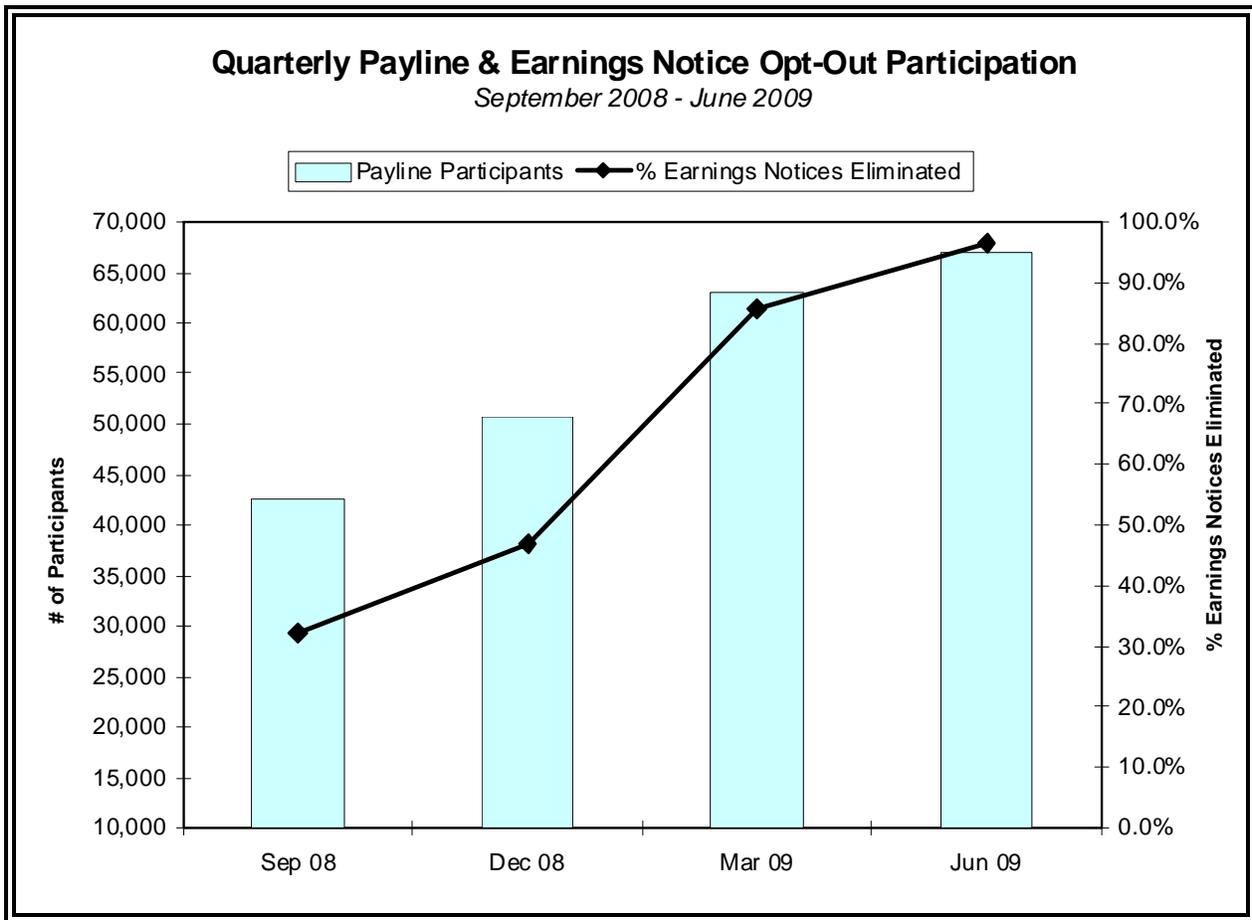


Payroll Earnings Notices

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 3,109,568 earnings notices.



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 June 30, 2009

<u>Secretarial Area</u>	<u>Percent Payline Participation</u>	<u>Percent Earnings Notices Eliminated*</u>
Administration	90.7%	89.4%
Agriculture and Forestry	87.5%	89.6%
Commerce and Trade	93.4%	100.0%
Education	70.1%	98.7%
Executive Offices	85.8%	100.0%
Finance	97.5%	100.0%
Health and Human Resources	79.6%	95.1%
Independent Agencies	87.4%	100.0%
Judicial	78.0%	94.0%
Legislative	67.0%	72.2%
Natural Resources	63.1%	65.6%
Public Safety	75.5%	99.0%
Technology	95.9%	100.0%
Transportation	91.0%	100.0%
Statewide	78.1%	96.5%
<i>Comparative</i>		
<i>Quarter Ended June 30, 2008</i>		
Statewide	45.3%	27.8%

* 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.

Effective January 1, 2009, all employees who have access to state-issued computers and internet access are required to use Payline and to opt out of earnings notice print. Agencies can implement this mandate by either requiring their employees to individually access Payline and make the appropriate elections in the user's security record to opt out or the agency can make a global election to opt out its employees. Agency elections to

eliminate earnings notice print can be applied systematically to salary-only employees, hourly-only employees, or all employees.

A large number of agencies elected a global opt-out in response to the January 1, 2009, mandate. Listed below are those agencies who have not elected an agency-wide opt-out and who have an opt-out percentage below 90% as of June 30, 2009.

Earnings Notice Elimination Under 90 Percent

Agency	Percent Earnings Notices Eliminated QE 06/30/2009	Percent Earnings Notices Eliminated QE 03/31/2009
<i>Agriculture and Forestry</i>		
Department of Agriculture and Consumer Services*	89.1%	93.2%
<i>Education</i>		
Frontier Culture Museum of Virginia*	80.4%	86.4%
Jamestown Yorktown Foundation*	79.5%	80.1%
Virginia Highlands Community College*	76.5%	75.8%
Paul D. Camp Community College*	72.4%	32.8%
Eastern Shore Community College*	59.6%	60.4%
<i>Health and Human Resources</i>		
Southeastern Virginia Training Center	10.8%	11.4%
<i>Judicial</i>		
Court of Appeals of Virginia	79.5%	65.4%
Circuit Courts*	77.0%	9.8%
<i>Natural Resources</i>		
Marine Resources Commission	49.0%	50.4%
Department of Conservation and Recreation	31.7%	53.4%
Chippokes Plantation Farm Foundation	0.0%	0.0%
<i>Public Safety</i>		
Virginia Veterans Care Center	20.4%	20.1%

* These agencies have elected global opt-out for salaried employees only



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.

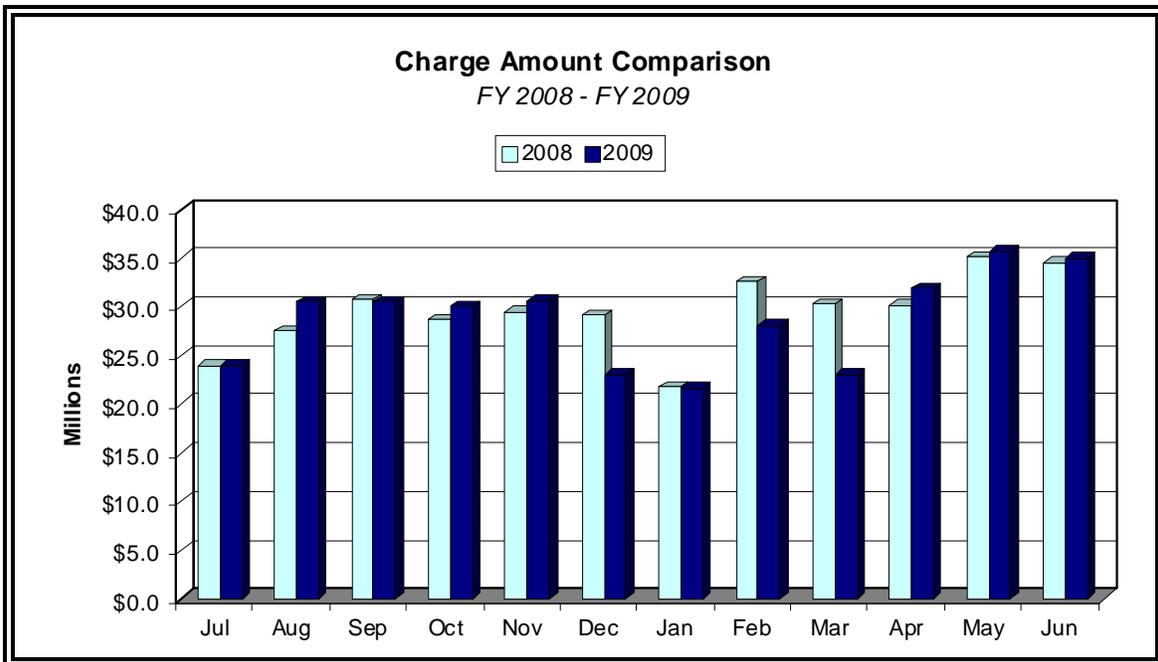
The Small Purchase Charge Card continues to be used for purchases under \$5,000. Agencies are strongly encouraged to obtain a Gold Card for use for purchases up to \$50,000.

The total amount charged on SPCC and Gold cards during the fourth quarter of FY 2009 increased by \$2,879,318 or 2.9 percent from the same quarter last year.

Small Purchase Charge Card Program

Charge Card Activity	Quarter Ended June 30, 2009	Fiscal Year 2009 To-Date	Comparative Fiscal Year 2008 To-Date
Amount of Charges	\$ 102,654,192	\$ 344,286,582	\$ 354,050,126
Estimated Number of Checks Avoided	182,353	647,910	656,650
Total Number of Participating Agencies		227	227
Total Number of Cards Outstanding		17,436	14,947

The following chart compares charge activity for FY 2009 to activity for FY 2008:



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 VISA's vendor base in excess of 26 million merchants based on the vendor name.

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 e-mailed to cca@doa.virginia.gov.

Statewide SPCC Performance

Quarter Ended June 30, 2009

Percentage Utilization for Eligible Transactions

83%

SPCC Utilization by Secretarial Area

Quarter Ended June 30, 2009

<u>Secretarial Area</u>	<u>Payments in Compliance ⁽¹⁾</u>	<u>Non-Compliant Transactions ⁽²⁾</u>
Administration	79%	896
Agriculture and Forestry	87%	562
Commerce and Trade	82%	805
Education*	87%	5,835
Executive Offices	91%	75
Finance	86%	193
Health and Human Resources**	80%	7,517
Independent Agencies	64%	1,184
Judicial	38%	2,682
Legislative	94%	66
Natural Resources	91%	1,070
Public Safety	91%	3,938
Technology	84%	107
Transportation*	71%	6,967
Statewide	83%	31,897

* 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	51%	672
Education		
Norfolk State University	56%	894
Health and Human Resources		
Department of Behavioral Health and Developmental Services	67%	133
Piedmont Geriatric Hospital	64%	289
Eastern State Hospital	62%	571
Department for the Blind and Vision Impaired	58%	1,594
Central Virginia Training Center	53%	623
Independent Agencies		
State Corporation Commission	3%	684
Judicial		
Indigent Defense Commission	59%	246
Board of Bar Examiners	0%	27
Circuit Courts	0%	155
Combined District Courts	0%	256
General District Courts	0%	922
Juvenile and Domestic Relations District Courts	0%	553
Magistrate System	0%	138
Virginia Criminal Sentencing Commission	0%	46
Legislative		
Commission on the Virginia Alcohol Safety Action Program	0%	34
Public Safety		
Department of Criminal Justice Services	68%	81
Sitter-Barfoot Veterans Care Center	51%	381
Transportation		
Board of Towing and Recovery Operators	0%	15



SPCC and ATC Payment Compliance

Agencies and institutions participating in the Charge Card program are required to submit Bank of America VISA payments via EDI no later than the 7th 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 April, this represents the bill date of April 15, 2009, with the payment due no later than May 7th.

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	Apr	May	Jun
<u>Purchase Card Program:</u>			
Commerce and Trade			
Virginia Business Assistance		X	
Virginia Economic Development Partnership	X		
Virginia Tourism Authority	X		
Education			
University of Virginia Medical Center	X		
Independent			
Virginia Office for Protection and Advocacy		X	
Public Safety			
Department of Emergency Management			X

Agency	Apr	May	Jun
<u>Airline Travel Card Program:</u>			
Commerce and Trade			
Virginia Economic Development Partnership	X		
Virginia Tourism Authority	X		
Education			
New River Community College	X		
Virginia Institute of Marine Science	X		



Travel Charge Card

The Commonwealth of Virginia has contracted with Bank of America 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 Bank of America by agency during the quarter ended June 30, 2009, and the total amounts past due.

Travel Charge Card Program

As of June 30, 2009

<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				
Old Dominion University	1	\$ 1,335	\$ 0	\$ 0
Virginia Commonwealth University	2	1,388	0	0
Natural Resources				
Department of Game and Inland Fisheries	1	68	0	0



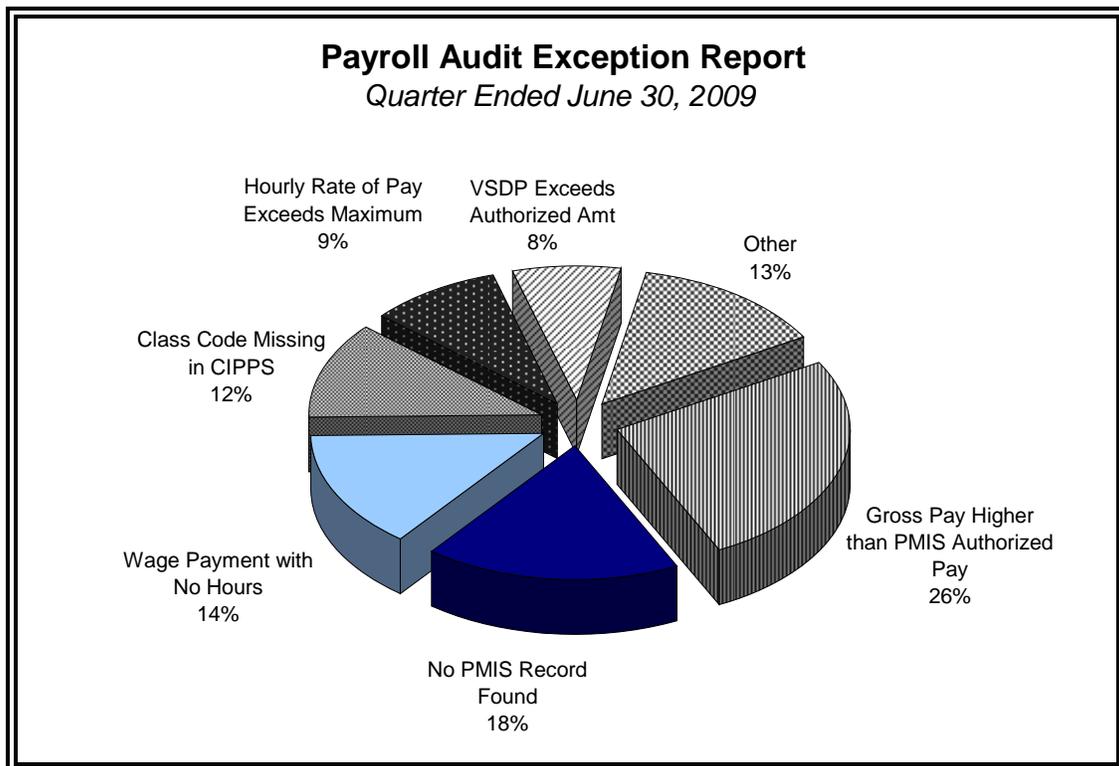
Payroll Controls

PMIS/CIPPS Payroll Audit

During the quarter, DOA's automated comparison of payroll and personnel (PMIS) records examined 427,360 salaried pay transactions and 189,562 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 1,196 new exceptions noted statewide during the quarter, with an overall exception rate of 0.20 percent.

The statewide salaried payroll exception rate was 0.26 percent and the wage payroll exception rate was 0.07 percent. During this quarter, 10 employee paychecks were reduced to recover \$1,172.89 in overpayments.

While the largest cause of exceptions is the processing of payments to salaried employees who do not have an active record set up in the PMIS system, the second 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 amounts in CIPPS. 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.



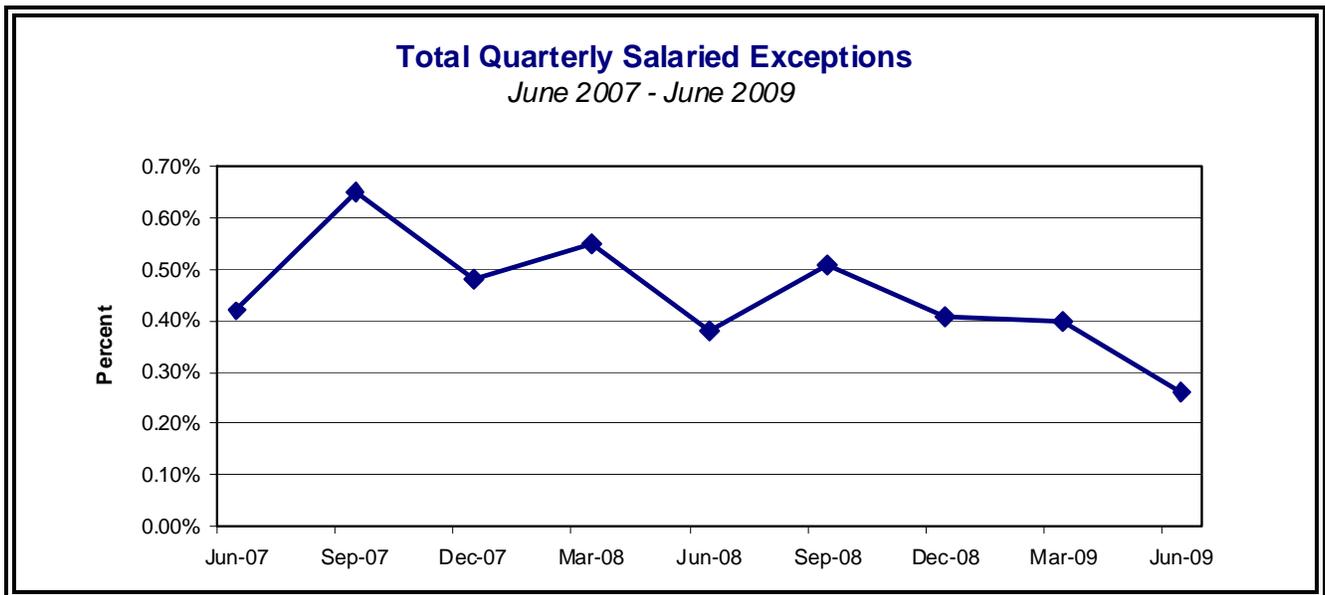
Exception percentages are calculated by dividing the number of exceptions by the number of salaried or wage employees. Agencies are reported below if the percentage

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 June 30, 2009

<u>Agency</u>	<u># of Salaried Exceptions</u>	<u>Exceptions as a % of Salaried Payments</u>
Total Salaried Payroll Exceptions for the Quarter		0.26%

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 June 30, 2009

Agency	# of Wage Exceptions	Exceptions as a % of Wage Payments
Dept of Conservation & Recreation	11	0.25%
Virginia Center for Behavioral Rehabilitation	17	13.71%

Wage Payroll Exceptions for the Quarter	0.07%
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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>
No Delinquent Exceptions	



Payroll Certification

Agencies are required to calculate, verify, and authorize the amount 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)
Education				
Virginia State University	\$ 844,237		2	
University of Mary Washington	114,161			

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, required IAT's not submitted or incorrect coding. Health care reconciliations for the months of March, April and May were due 04/30/09, 05/29/09 and 06/15/09, respectively.

**Schedule of Health Care Reconciliations
Received With Problems**

Agency	Mar	Apr	May
Department of Conservation & Recreation		X	X
Jamestown-Yorktown Foundation	X	X	



FINANCIAL MANAGEMENT ACTIVITY

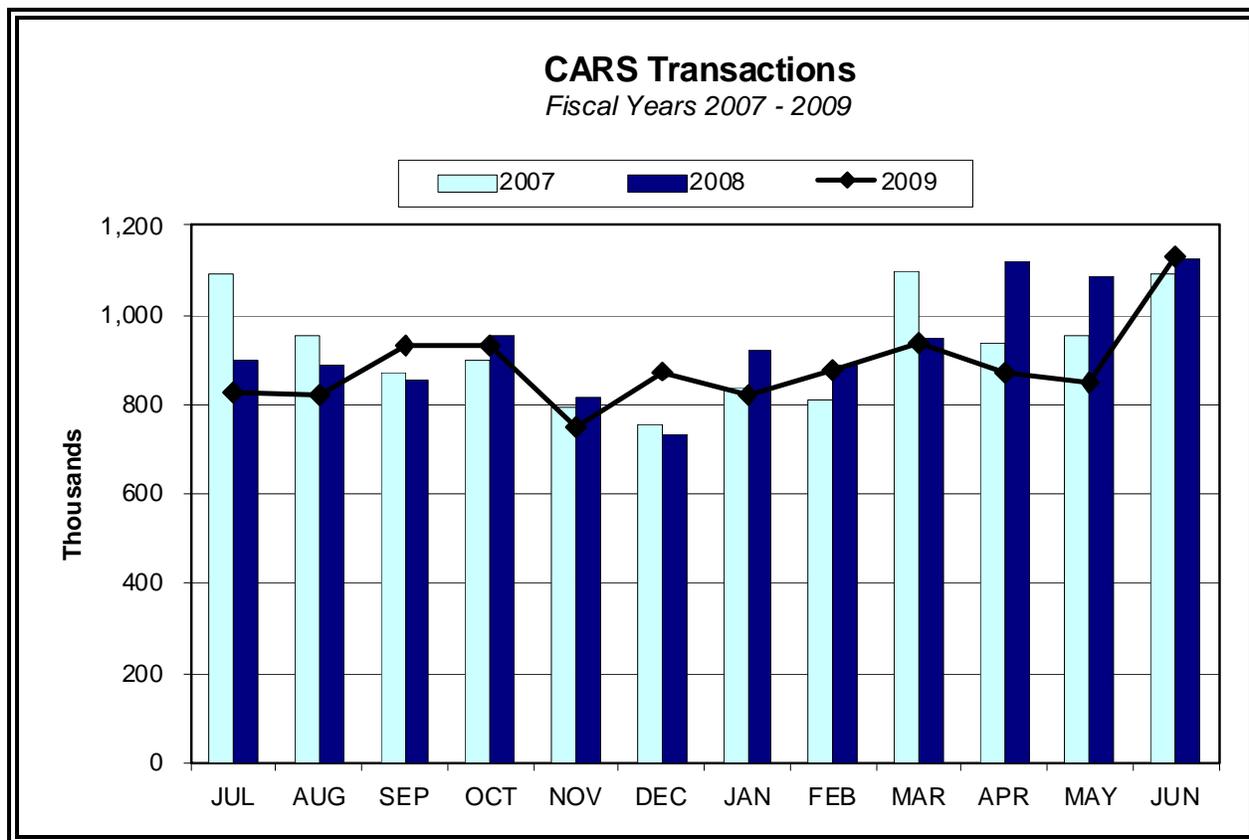
DOA monitors several types of financial activity. Various measures are used to track activities for CARS, payroll, accounts

receivable, indirect cost recoveries, treasury loans, and 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.

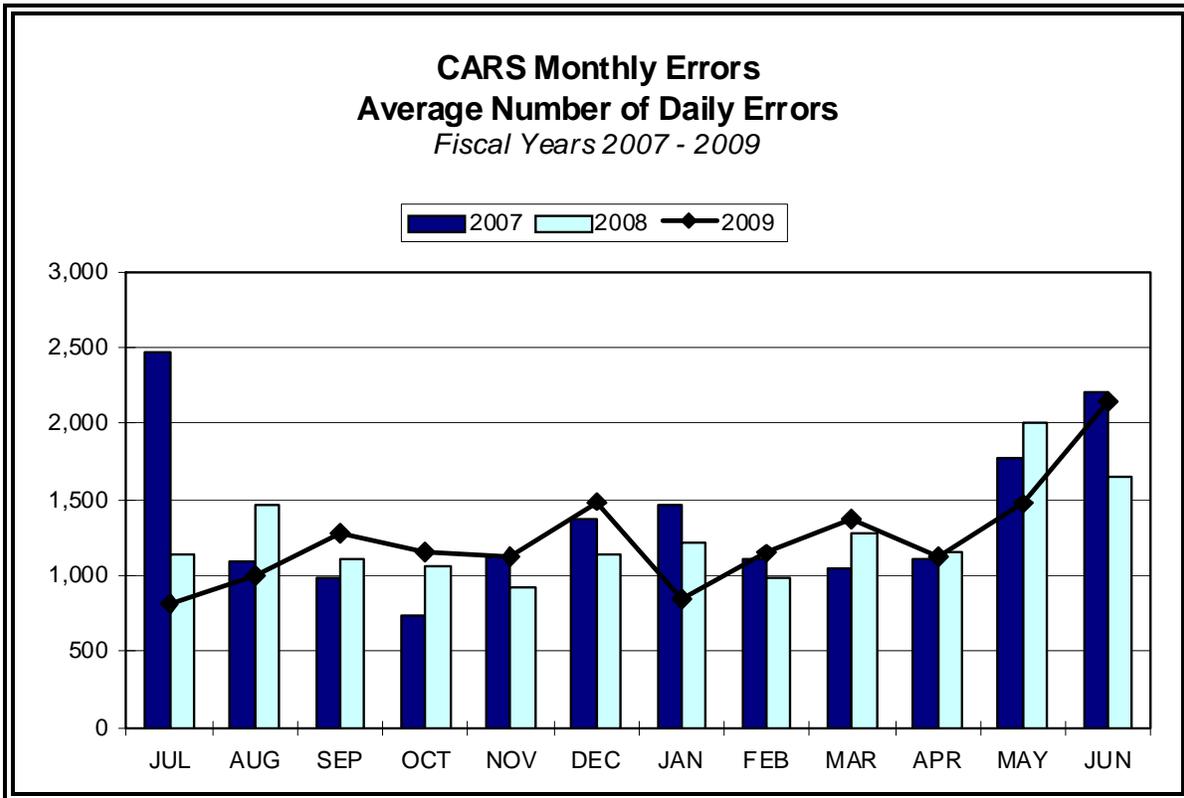


CARS Edits

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 fourth quarter of FY 2009, 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.

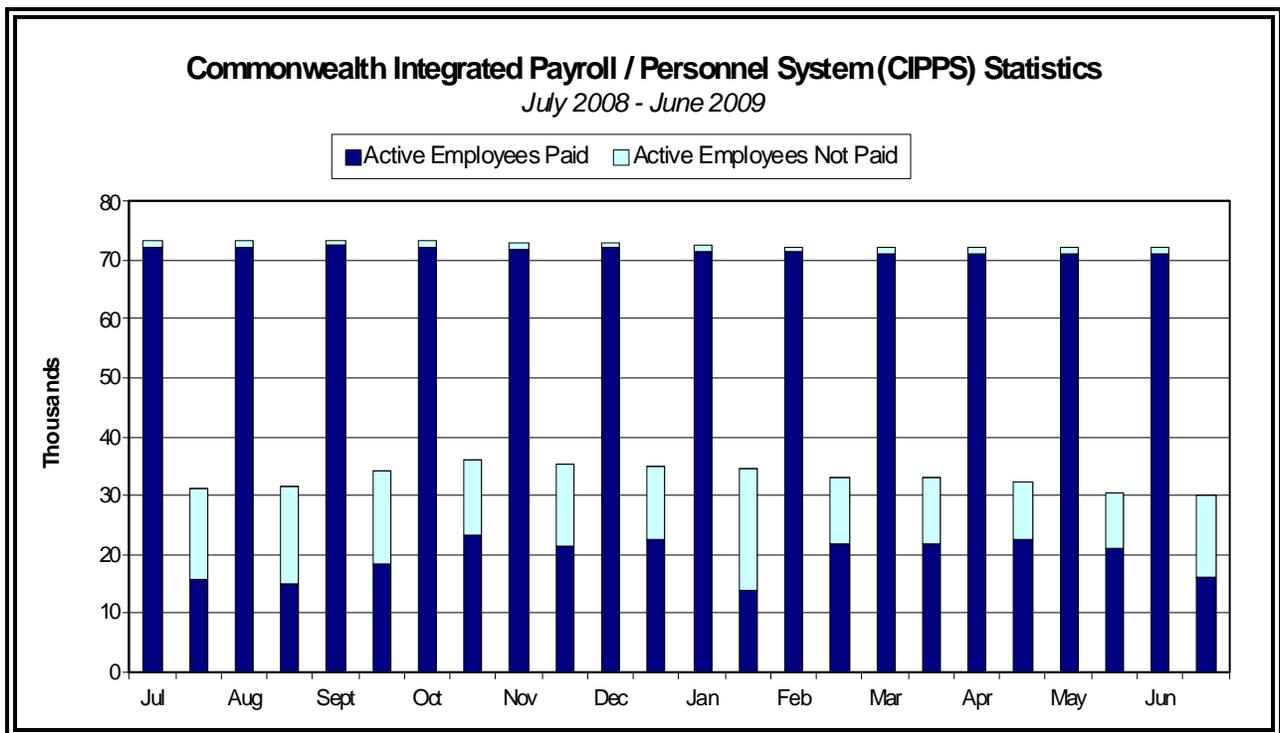
- Available Cash Negative
- Certified Amounts Not Balanced
- Expenditure Exceeds Allotment



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 103,293 employees. Payroll services are also provided through eight decentralized higher education institutions.

On average, 91,096 employees were paid each month, of which 71,147 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 8,354 savings bonds with a face value of over \$1.06 million.

**Benefit Participation
Number of Participating Employees**

Benefit	As of 6/30/2009	Comparative	
		As of 6/30/2008	As of 6/30/2007
Health Care			
COVA Care	83,775	84,100	82,890
Kaiser	2,044	2,010	2,017
Optional Retirement Plans*			
Fidelity Investments	491	490	468
TIAA/CREF	1,445	1,446	1,428
Political Appointee - ORP	87	97	98
Deferred Compensation*	39,089	37,318	34,356
Flexible Reimbursement*			
Dependent Care	793	767	707
Medical Care	7,520	6,966	5,842

* 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.

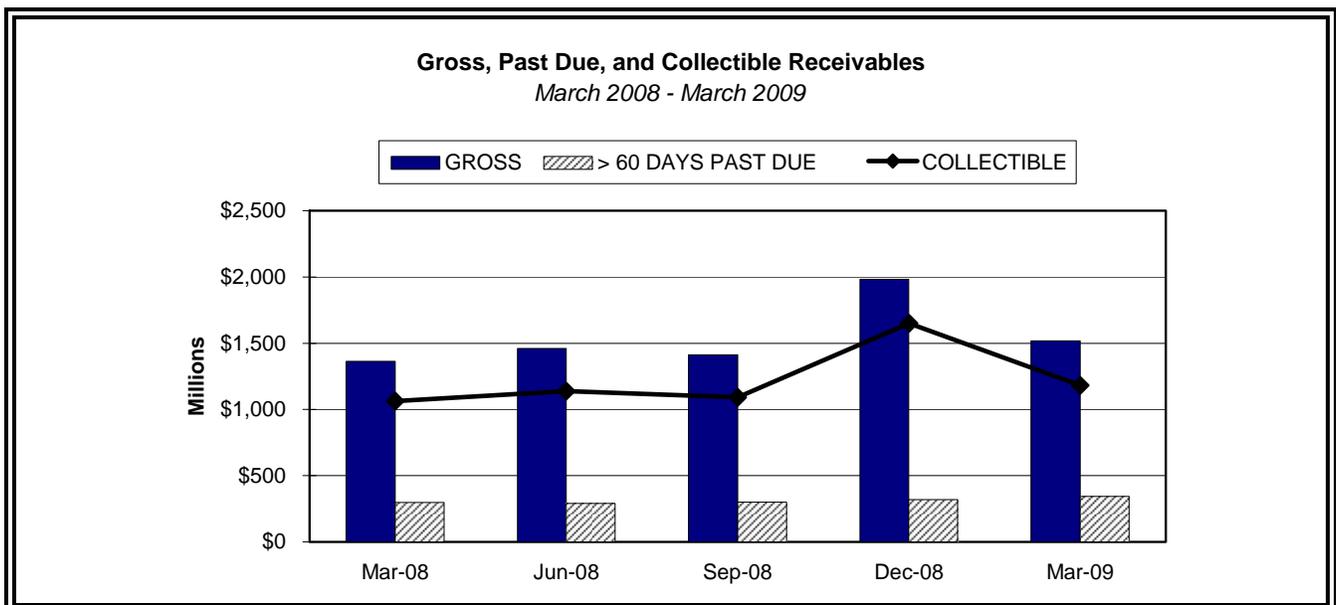
In an effort to present more meaningful information, DOA continues to exclude data from the tables (except for the final table on past due receivables) from the Department of Taxation, consisting largely of statutory assessments and non-filers assessments, and the circuit and district courts, which report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

Commonwealth agencies and institutions reported adjusted gross receivables of \$1.52 billion at March 31, 2009, with \$1.18 billion

considered collectible. Receivables over 60 days past due as of March 31, 2009, totaled \$344.2 million. Of that amount, \$17.7 million was placed with private collection agencies, \$23.7 million was placed with the Division of Debt Collection and \$302.8 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.

Further, the majority of the significant outstanding receivable balances have statutory or other restrictions specifying the distribution of any collections. The collection of the outstanding receivable balances would not provide additional resources to fund the Commonwealth's operations.



As of March 31, 2009, agencies expected to collect \$1.18 billion (78 percent) of the \$1.52 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

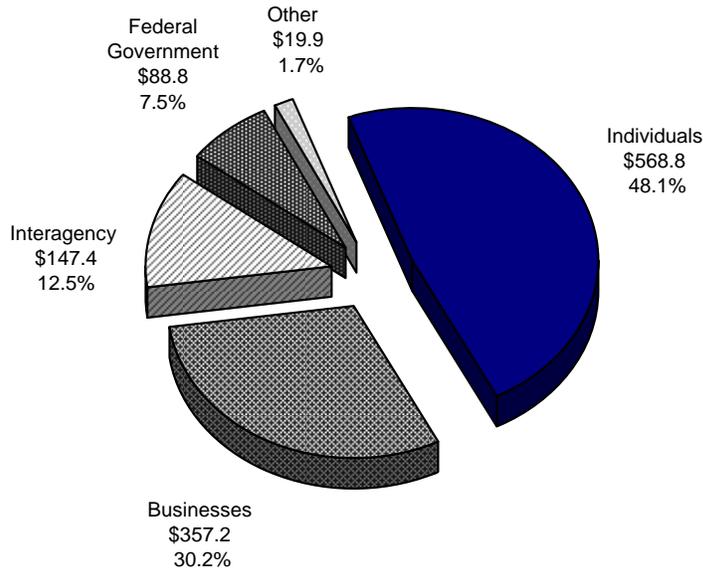
As of March 31, 2009

Fund	Source	Amount	Percent
General Fund 1%	Medicaid - Current Recoveries	\$ 7,328,018	47%
	Social Services	3,286,699	21%
	Labor and Industry Inspections	654,850	4%
	State Police Permits	975,672	6%
	Corrections	820,062	5%
	Other	1,394,946	9%
	Subtotal	14,460,247	92%
	Interagency Receivables	1,136,984	8%
Total General Fund Collectible		\$ 15,597,231	100%
Nongeneral Funds 99%	Medicaid - Dedicated Penalty Fees	\$ 42,112,741	4%
	Medicaid - Federal Reimbursements	12,832,976	1%
	Unemployment Taxes *	213,923,354	18%
	Transportation	53,335,608	5%
	Child Support Enforcement	123,005,793	11%
	Federal Government	31,660,842	3%
	MHMR Patient Services	29,048,601	2%
	Hospital	194,834,704	17%
	Enterprise	66,109,029	6%
	Higher Education	201,007,519	17%
	Other	52,350,754	4%
	Subtotal	1,020,221,921	88%
	Interagency Receivables	146,233,573	12%
Total Nongeneral Fund Collectible		\$ 1,166,455,494	100%
All Funds	Grand Total	\$ 1,182,052,725	100%

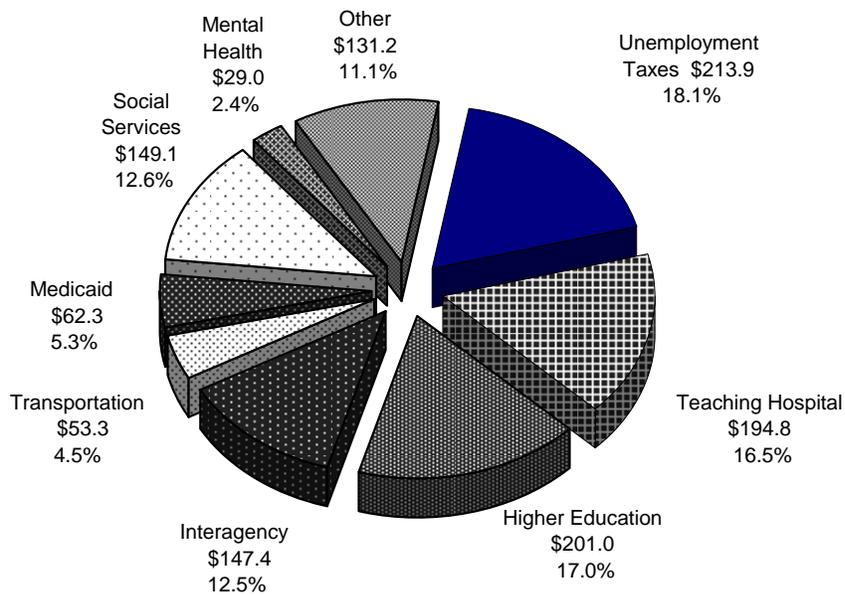
* Note: The Virginia Employment Commission provides Unemployment Taxes Information.

Summary of Receivables by Source

Sources of Collectible Receivables by Debtor
(dollars in millions)
As of March 31, 2009



Sources of Collectible Receivables by Type
(dollars in millions)
As of March 31, 2009



Not counting Taxation and the Courts, ten agencies account for 83 percent of the Commonwealth's adjusted gross and 81

percent of the adjusted collectible accounts receivable balances.

Accounts Receivable Summary
Not Including Circuit Courts, District Courts, or Department of Taxation
Quarter Ended March 31, 2009

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
University of Virginia Medical Center	\$ 254,560,399	\$ 15,524,201	\$ 239,036,198
Virginia Employment Commission	248,084,681	30,066,532	218,018,149
Department of Social Services	375,547,000	221,101,700	154,445,300
Virginia Polytechnic Institute and State University	65,814,051	1,537,828	64,276,223
Department of Medical Assistance Services	94,212,216	31,865,262	62,346,954
State Lottery Department	54,401,738	-	54,401,738
Department of Transportation	50,094,544	1,022,633	49,071,911
Virginia Information Technologies Agency	46,925,171	-	46,925,171
University of Virginia - Academic Division	37,917,024	1,025,471	36,891,553
Department of Health	31,375,392	533,256	30,842,136
Total	\$ 1,258,932,216	\$ 302,676,883	\$ 956,255,333
All Other Agencies	259,417,837	33,620,445	225,797,392
Grand Total	\$ 1,518,350,053	\$ 336,297,328	\$ 1,182,052,725

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 which 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.

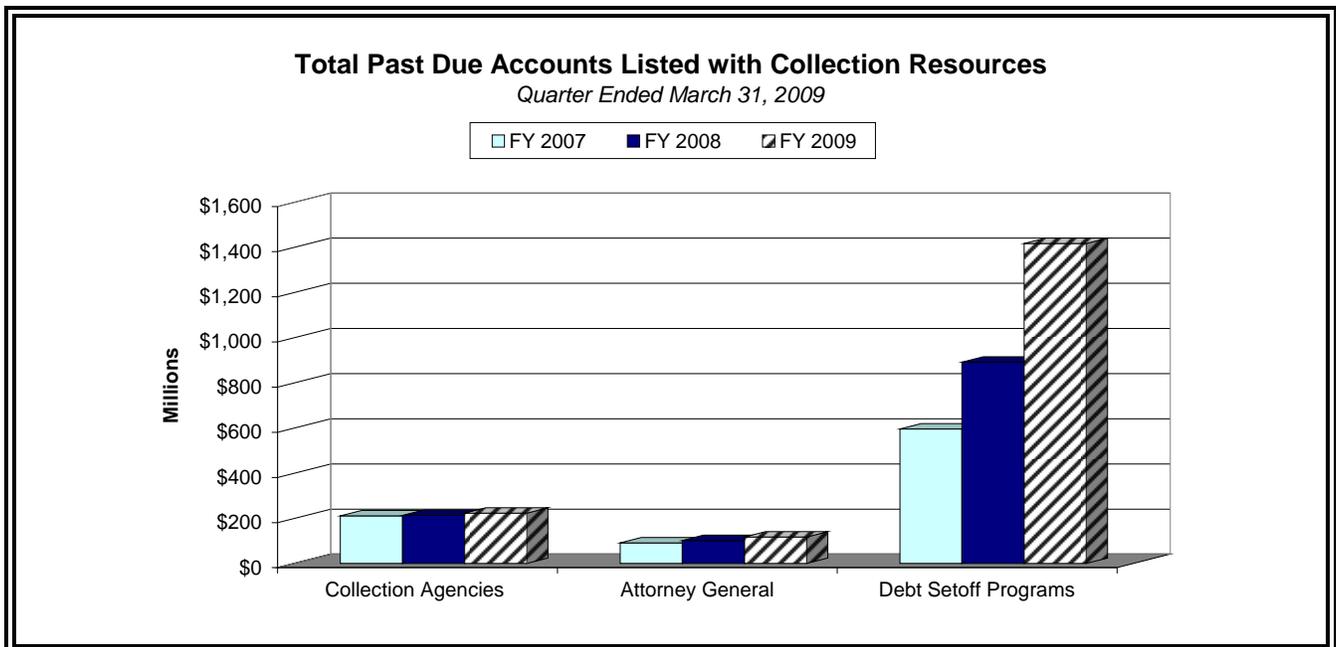
These additional collection tools recovered \$4.8 million during the quarter ended March 31, 2009. The Division of Debt Collection contributed \$1.3 million. Private collection agencies collected \$2.3 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected \$1.2 million.

Private collection agencies returned \$8.7 million of accounts to agencies, and the Division of Debt Collection discharged \$6.6 million of accounts and returned \$789,998 of accounts to agencies.

Collectible Receivables Over 60 Days Past Due
Not Including Circuit Courts, District Courts or the Department of Taxation
As of March 31, 2009

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	\$ 127,764,279	\$ 2,172	\$ -	\$ 127,762,107
University of Virginia Medical Center	38,893,061	-	-	38,893,061
Virginia Employment Commission	37,962,022	8,527,053	8,638,794	20,796,175
Department of Medical Assistance Services	37,839,627	615,567	2,639,763	34,584,297
Department of Transportation	26,478,680	1,378,081	6,986,069	18,114,530
Department of Behavioral Health and Developmental Services	9,276,049	-	-	9,276,049
Virginia Information Technologies Agency	8,614,440	-	-	8,614,440
Virginia Commonwealth University	5,830,165	508,189	8,345	5,313,631
University of Virginia - Academic Division	5,542,841	531,133	44,247	4,967,461
George Mason University	4,406,740	1,095,379	-	3,311,361
TOTAL	\$ 302,607,904	\$ 12,657,574	\$ 18,317,218	\$ 271,633,112
All Other Agencies	41,620,465	5,056,406	5,428,708	31,135,351
TOTAL OVER 60 DAYS	\$ 344,228,369	\$ 17,713,980	\$ 23,745,926	\$ 302,768,463
Uncollectible Amounts Placed for Collection, Including Accounts Written Off	1,415,232,680	205,904,047	94,015,281	1,115,313,352
TOTAL COLLECTION EFFORTS	\$ 1,759,461,049	\$ 223,618,027	\$ 117,761,207	\$ 1,418,081,815

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 \$9.3 million through the fourth quarter of FY 2009. 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 3/31/09	Comparative	
		Percent at 12/31/08	Percent at 9/30/08
Department of Health	75%	74%	30%
Department of Transportation	69%	92%	47%
Department of Medical Assistance Services	48%	43%	40%
Virginia Information Technologies Agency	41%	38%	42%
University of Virginia Medical Center	41%	46%	44%
Department of Social Services	35%	35%	33%
University of Virginia - Academic Division	29%	7%	60%
Virginia Employment Commission	16%	51%	48%
Virginia Polytechnic Institute and State University	14%	5%	21%
State Lottery Department	1%	1%	1%
Statewide Average - All Agencies	23%	16%	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 81 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 100 percent indicates that for every \$1 billed during the quarter ended March 31, 2009, the state collected \$1. This rate is three percent less than last year, and six percent less than the March 31, 2007 quarter.

Collections as a Percentage of Billings

Agency	Percent at 3/31/09	Comparative	
		Percent at 3/31/08	Percent at 3/31/07
Virginia Polytechnic Institute and State University	226%	210%	216%
University of Virginia - Academic Division	188%	177%	173%
Virginia Information Technologies Agency	100%	95%	78%
State Lottery Department	96%	113%	106%
Department of Transportation	95%	92%	118%
Department of Social Services	90%	95%	98%
Department of Health	72%	332%	97%
Department of Medical Assistance Services	43%	70%	55%
Virginia Employment Commission	41%	35%	32%
University of Virginia Medical Center	29%	35%	39%
Statewide Average - All Agencies	100%	103%	106%

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 \$62.3 million at March 31, 2009, is a \$14.2 million increase over the \$48.1 million reported at March 31, 2008. Over the same period, total past due receivables of \$44.9 million have increased by \$14.1 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 \$239.0 million at March 31, 2009, were a \$70.6 million increase from the \$168.4 million reported the previous year. Past due receivables decreased by \$5.0 million to \$103.4 million at March 31, 2009.

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 \$218.0 million at March 31, 2009, a decrease of \$2.3 million from the previous year. Total past due receivables were \$40.5 million, a \$3.4 million increase over 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 March 31, 2009, of \$46.9 million, which is a decrease of \$3.5 million reported in the previous year. Most of these receivables are due from other state agencies. As of March 31, 2009, \$8.6 million was over 60 days past due, an increase of \$1.2 million 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 March 31, 2009, the State Lottery reported net receivables of \$54.4 million, a \$22.0 million increase from the previous year's net of \$32.4 million. Billings increased by \$32.7 million and collections increased by \$5.6 million during the March 31, 2009 quarter when compared to the March 31, 2008 quarter. At March 31, 2009, the State Lottery had \$167,223 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 March 31, 2009, DOE had no accounts receivable due from the Federal government under Direct Aid to Public Education. This is consistent with the prior year.

Virginia Polytechnic Institute and State University (VPISU)

VPISU is one of the Commonwealth's largest universities and one of two land grant institutions in the state. At March 31, 2009, the University reported net collectible receivables of \$64.3 million, a \$36,777 decrease over the prior year. At the same time, total past due receivables of \$8.9 million decreased by \$553,132 over the prior year.

The University uses a variety of collection methods to encourage payments. At March 31, 2009, VPISU had \$3.7 million of accounts over 60 days past due. \$522,952 was placed with the Attorney General's Division of Debt Collection, another \$967,434 was placed with private collection agencies and \$2.8 million was subject to additional in-house efforts.

Department of Behavioral Health and Developmental Services (DBHDS)

DBHDS 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. DBHDS 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, DBHDS can recover some of the costs involved in a patient's care.

At March 31, 2009, the Department reported collectible receivables of \$29.0 million, a \$2.9 million decrease over the previous year. \$16.0 million was past due, with \$9.3 million being over 60 days past due. Total past due receivables decreased by \$2.4 million over the year, and accounts over 60 days past due decreased by \$2.4 million. At March 31, 2009, the Department had a total of \$6.0 million of accounts placed with the Attorney General and \$722,343 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 March 31, 2009, VDOT reported \$49.1 million of collectible receivables, an increase of \$6.6 million from the prior year. VDOT also reported \$34.3 million total past due and \$26.5 million being over 60 days past due. Past due receivables increased by \$22.1 million over the year, while receivables over 60 days past due increased by \$19.0 million. VDOT reports that the large majority of the accounts over 60 days past due continue to be amounts owed by cities, counties and towns that are participating on long-term construction projects with the department and where the local fund shares are provided by local debt financing.

VDOT reported placing \$9.9 million of their accounts over 60 days past due with the Attorney General's Division of Debt Collection, and \$1.7 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 March 31, 2009, DSS reported gross receivables of \$375.5 million, an allowance for doubtful accounts of \$221.1 million and collectible receivables of \$154.4 million. Past due receivables totaled \$130.1 million, of which \$127.8 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for \$322.9 million (86 percent) of the gross receivables, \$199.9 million (90 percent) of the allowance for doubtful accounts and \$123.0 million (80 percent) of the collectible receivables.

From March 31, 2008, to March 31, 2009, gross receivables increased \$16.1 million and collectible receivables decreased by \$11.9 million. Total past due receivables increased by \$17.2 million and receivables over 60 days past due increased by \$16.9 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 March 31, 2009, DRPT had gross and net receivables of \$8.9 million. The majority of this money is due via an interagency transfer from VDOT. \$1.4 million was past due at March 31, 2009. Of this amount, \$984,371 was over 60 days past due.

Virginia Commonwealth University (VCU)

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

At March 31, 2009, VCU had \$30.2 million of collectible receivables, a \$3.7 million increase from March 31, 2008. Total past due accounts were \$7.0 million, a \$934,717 increase from March 31, 2008. Accounts over 60 days past due (\$5.8 million) increased by \$931,914 from the prior year. Billings increased by \$9.6 million to \$73.4 million and collections increased by \$25.2 million to \$188.3 million for the March 31, 2009 quarter, when compared to the March 31, 2008 quarter.

The following table is prepared to present the March 31, 2009, aging information in conformity with the provisions of Section 2.2-603.E.(ii) of the *Code of Virginia*.

Commonwealth's total \$2.74 billion past due accounts receivable at March 31, 2009. Another 18 agencies accounted for 17 percent (\$474.1 million), leaving 70 other agencies to comprise the last one percent at \$32.7 million.

Taxation and the Circuit and District Courts accounted for 81 percent (\$2.23 billion) of the

Agencies with the Largest Volume of Past Due Receivables

As of March 31, 2009

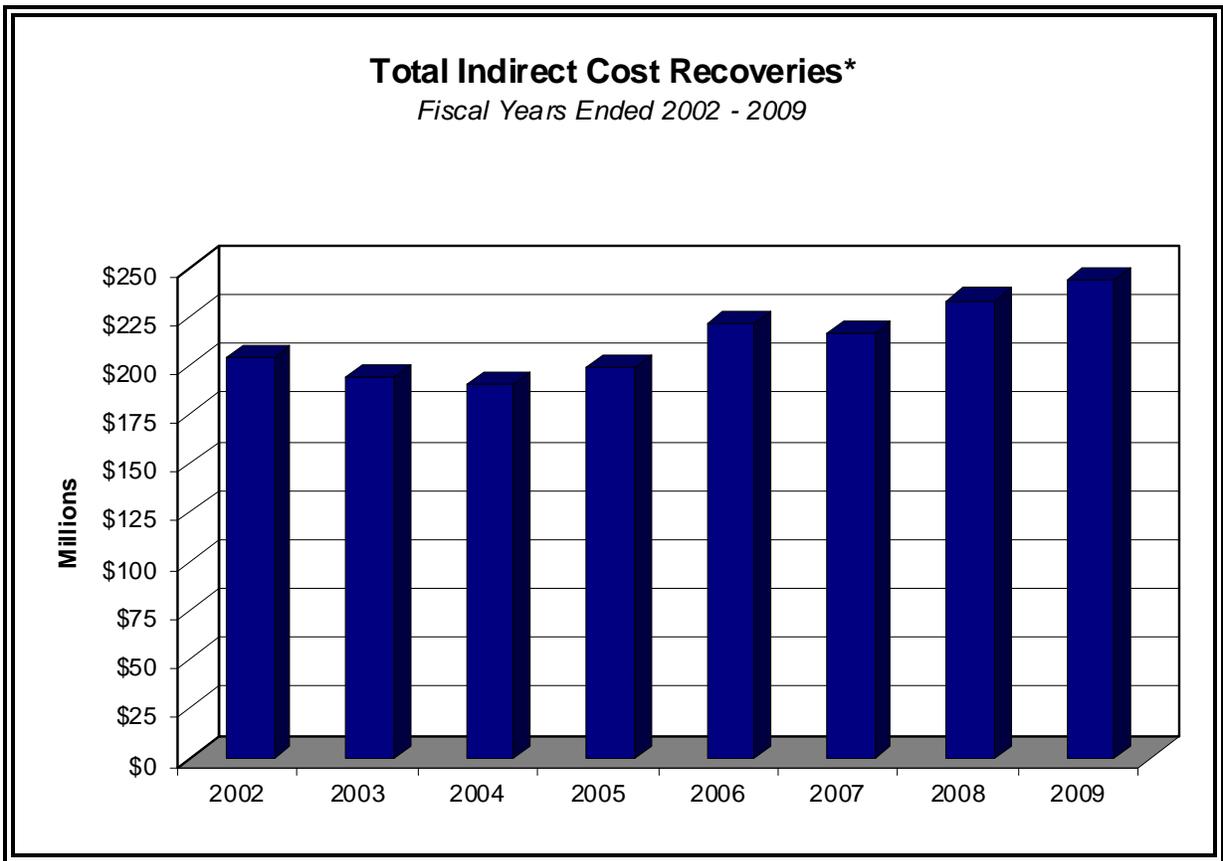
Agency	Total Past Due	1 to 180 Days Past Due	181 to 360 Days Past Due	Over One Year
Department of Taxation	\$ 1,689,737,090	\$ 312,790,170	\$ 197,181,323	\$ 1,179,765,597
Localities' Circuit and District Courts	539,302,257	35,832,545	67,790,750	435,678,962
Total - Taxation Assessments and Court Fines and Fees	\$ 2,229,039,347	\$ 348,622,715	\$ 264,972,073	\$ 1,615,444,559
All Other Large Dollar Agencies:				
Department of Social Services	130,130,071	7,028,540	7,088,503	116,013,028
University of Virginia Medical Center	103,353,699	88,166,096	11,919,508	3,268,095
Department of Medical Assistance Services	44,945,502	24,635,315	7,219,843	13,090,344
Virginia Employment Commission	40,531,387	8,004,901	8,567,169	23,959,317
Department of Transportation	34,347,540	12,769,527	6,797,088	14,780,925
Department of Health	23,595,920	22,424,987	488,332	682,601
Virginia Information Technologies Agency	19,018,835	17,060,641	1,453,605	504,589
Department of Behavioral Health and Developmental Services	16,031,120	13,660,031	7,061	2,364,028
University of Virginia - Academic Division	10,807,638	9,466,266	638,715	702,657
Virginia Polytechnic Institute & State University	8,942,425	7,348,459	773,796	820,170
Virginia Community College System	8,046,893	6,706,827	776,472	563,594
George Mason University	7,897,106	6,738,735	1,050,117	108,254
Virginia Commonwealth University	7,015,786	4,040,147	1,137,383	1,838,256
Department of General Services	5,143,761	5,143,761	-	-
Virginia Workers' Compensation Commission	3,821,113	1,072,800	1,065,903	1,682,410
State Corporation Commission	3,725,845	2,908,670	816,333	842
Old Dominion University	3,632,371	3,278,932	307,294	46,145
Virginia Correctional Enterprises	3,109,854	2,430,983	678,463	408
Total - Largest Dollar Volume Agencies	\$ 474,096,866	\$ 242,885,618	\$ 50,785,585	\$ 180,425,663
All Other Agencies	32,727,174	21,441,575	5,204,466	6,081,132
Grand Total Past Due Receivables	\$ 2,735,863,387	\$ 612,949,908	\$ 320,962,124	\$ 1,801,951,354



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 2009 reflects indirect cost recoveries through June 3, 2009.

Indirect Cost Recoveries from Grants and Contracts
Fiscal Year 2009

Fund	Year-to-Date		
	Higher Ed	Non-Higher Ed	Total
Nongeneral:			
Agency / Institution (1)	\$ 162,505,583	\$ 74,814,719	\$ 237,320,302
Statewide	2,823,685	623,786	3,447,471
Agency / Institution ARRA	681,713	58,835	740,548
Statewide ARRA	-	4,141	4,141
Total Nongeneral	\$ 166,010,981	\$ 75,501,481	\$ 241,512,462
General:			
Agency (Cash Transfers)	-	133,278	133,278
Statewide	-	1,987,762	1,987,762
Statewide (Cash Transfers)	-	14,298	14,298
Total General	\$ -	\$ 2,135,338	\$ 2,135,338
Total All Funds	\$ 166,010,981	\$ 77,636,819	\$ 243,647,800

- (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 \$45,563,472 representing the Department of Social Services' estimate of indirect cost recoveries received. This does not include covered higher education institutions.

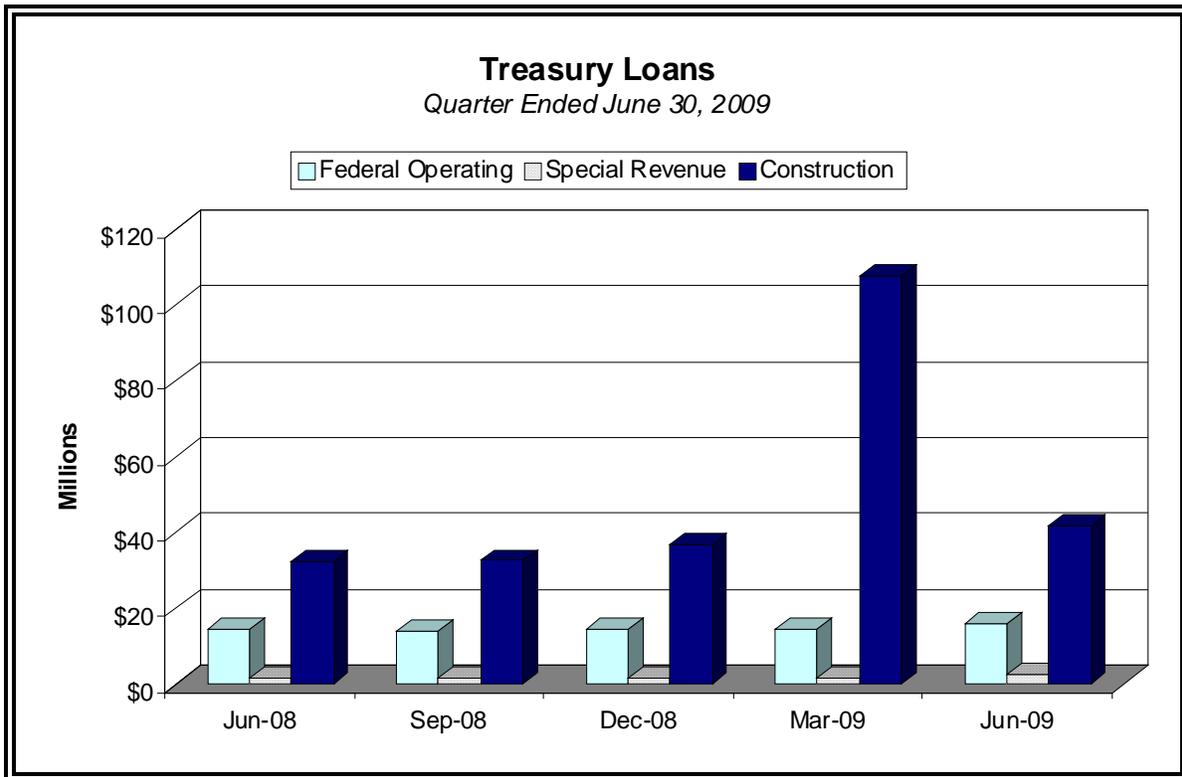


Loans and Advances

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 June 30, 2009, was \$60.5 million.



Significant New Loans / Drawdowns	New Balance
George Mason University (GMU) Drawdown on a \$12.5 million loan used to provide cash in advance of receipt of federal reimbursement for approved grants and contracts.	\$ 12,500,000.00
Virginia College Building Authority (VCBA) Drawdown on \$52 million loan used to reimburse Higher Education Institutions for capital projects under the 21 st Century Program.	\$ 7,193,555.94
Drawdown on a \$35 million loan used to reimburse Higher Education Institutions for equipment purchases under the 21 st Century Program.	\$ 7,907,398.98

Significant Loan Repayments	Prior Balance
George Mason University (GMU) Full repayment of loan used to provide operating funds while awaiting federal grant funds to be received from various agencies.	\$ 11,500,000.00
Old Dominion University (ODU) Full repayment of loan used to acquire the Virginia Modeling Analysis and Simulation Center.	\$ 13,592,500.00
Virginia Public Building Authority (VPBA) Full repayment of loan used to provide cash for VPBA bond funded capital projects.	\$ 24,452,538.37
Virginia College Building Authority (VCBA) Full repayment of loan used to reimburse Higher Education Institutions for capital projects under the 21 st Century Program.	\$ 44,017,238.34

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 June 30, 2009.
- **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. The total of all outstanding working capital advances as of June 30, 2009, was \$11.7 million.

- **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 June 30, 2009, was \$29.2 million.

