

**REPORT ON
STATEWIDE FINANCIAL MANAGEMENT AND
COMPLIANCE**

FOR THE QUARTER ENDED SEPTEMBER 30, 2010



OFFICE OF THE COMPTROLLER

DEPARTMENT OF ACCOUNTS

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STATEMENT OF PURPOSE

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

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

This *Quarterly Report* includes information for the quarter ended September 30, 2010, and comparative FY 2010 data. Some information in the report is for the quarter ended June 30, 2010, 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.

The APA also reports risk alerts and efficiency issues. Risk alerts address issues for which the corrective action is beyond the capacity of the agency management to address. Efficiency issues identify agency practices, processes or procedures which the auditors believe agency management should consider in order to improve efficiency. Risk alerts and efficiency issues are summarized following the Audit Findings section.

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

Audit Reports – Quarter Ended September 30, 2010

The APA issued eight separate reports covering 46 agencies, colleges and universities for the Executive Branch. Four of the reports were for fiscal year ended June 30, 2010. The last column indicates whether the CAW has been received as of the date of this publication for each agency with audit findings. Note that in some cases, the CAW may not have been received because it is not yet due.

	New Findings	Repeat Findings	Total Findings	CAW Received
Administration				
None				
Agriculture and Forestry				
None				

	New Findings	Repeat Findings	Total Findings	CAW Received
Commerce and Trade				
None				
Education				
New College Institute	0	0	0	N/A
Norfolk State University	4	0	4	YES
Virginia Community College System (1)	0	0	0	N/A
Blue Ridge Community College	0	0	0	N/A
Central Virginia Community College	1	0	1	YES
Dabney S. Lancaster Community College	2	0	2	YES
Danville Community College	0	0	0	N/A
Eastern Shore Community College	1	0	1	YES
Germanna Community College	0	0	0	N/A
J. Sargeant Reynolds Community College	2	0	2	YES
John Tyler Community College	2	0	2	YES
Lord Fairfax Community College	0	0	0	N/A
Mountain Empire Community College	1	0	1	YES
New River Community College	0	0	0	N/A
Northern Virginia Community College	1	1	2	YES
Patrick Henry Community College	0	0	0	N/A
Paul D. Camp Community College	0	0	0	N/A
Piedmont Virginia Community College	0	0	0	N/A
Rappahannock Community College	2	0	2	YES
Southside Virginia Community College	0	0	0	N/A
Southwest Virginia Community College	0	0	0	N/A
Thomas Nelson Community College	0	0	0	N/A
Tidewater Community College	0	0	0	N/A
Virginia Highlands Community College	0	0	0	N/A
Virginia Western Community College	0	0	0	N/A
Wytheville Community College	0	0	0	N/A
Executive Offices				
Office of the Governor (5)	0	0	0	N/A
Lieutenant Governor (5)	0	0	0	N/A
Division of Selected Agency Support Services (2) (5)	0	0	0	N/A
Citizens' Advisory Council	0	0	0	N/A
Interstate Organization Contributions	0	0	0	N/A
Office of Commonwealth Preparedness	0	0	0	N/A
Office of Substance Abuse Prevention	0	0	0	N/A
Secretary of the Commonwealth	1	0	1	YES
Virginia-Israel Advisory Board	0	0	0	N/A
The Governor's Cabinet Secretaries (3) (5)				
Secretary of Administration	0	0	0	N/A
Secretary of Agriculture and Forestry	0	0	0	N/A
Secretary of Commerce and Trade	0	0	0	N/A
Secretary of Education	0	0	0	N/A
Secretary of Finance	0	0	0	N/A

	New Findings	Repeat Findings	Total Findings	CAW Received
Secretary of Health and Human Resources	0	0	0	N/A
Secretary of Natural Resources	0	0	0	N/A
Secretary of Public Safety	0	0	0	N/A
Secretary of Technology	0	0	0	N/A
Secretary of Transportation	0	0	0	N/A
Finance				
None				
Health and Human Resources				
None				
Natural Resources				
Department of Conservation and Recreation (4)	0	2	2	YES
Public Safety				
None				
Technology				
None				
Transportation				
None				

- (1) One Report covering 23 colleges and one central office.
- (2) One Report covering six entities.
- (3) One Report covering ten agencies.
- (4) This report includes the Virginia Land Conservation Foundation and the Chippokes Plantation Farm Foundation.
- (5) These four reports contain fiscal year 2010 data.



Audit Findings - Quarter Ended September 30, 2010

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

Education

Norfolk State University (NSU)

1. Improve Information Security Program. NSU does not address the Commonwealth's minimum security standards in its information security program, which decreases NSU's effectiveness in protecting confidential data and ability to train staff to consistently manage IT systems with mission-critical data. Specifically, NSU's program does not address the requirements related to Risk Assessment, Administrator Accounts, Users Accounts or Logging for some sensitive systems. The APA recommends that NSU's Information Security Officer address the issues above and work with the internal audit department to coordinate future reviews that evaluate the program's effectiveness.
2. Strengthen Clearing Procedures Over Separated Employees. NSU should continue to improve procedures to properly process separated employees. When an employee separates employment, NSU must perform several actions including the removal of access to critical systems and determining if any amounts are due to the employee. NSU has developed the policies and procedures to properly separate employees; however, there is neither the oversight nor the enforcement mechanisms in place to make sure employees follow the process. Failure to comply with the process allows separated employees access to critical systems and could result in them receiving improper payments from NSU. Four out of 20 separated employees tested were not removed timely from NSU systems. In addition, three out of six employees tested who separated with leave balances were not paid timely. NSU should review and implement a process for managers to provide the appropriate oversight and enforcement of NSU's process.
3. Promptly Calculate and Return Title IV Funds for Unofficial Withdrawals. NSU's Financial Aid Office did not promptly calculate and return Title IV funds for 47 students. The Registrar's office identified these students at the end of the semester as unofficially withdrawn from classes for the fall 2008 and spring 2009 terms. Student Financial Aid Office staff failed to properly evaluate the status of the students identified on the Registrar's end of semester report, and did not perform the Title IV fund calculations.

Section 34 CFR 668.22 "Treatment of title IV funds when a student withdraws" requires institutions to identify students who have withdrawn, to calculate earned and unearned funds, and to return the unearned funds to the Department of Education as soon as possible, but no later than 45 days after the college first determined the student withdrew. In December 2009, after the issue was identified and the Financial Aid Office notified, the Office calculated and

returned the total unearned financial aid of \$46,758 for these students to the Department of Education. As a result, there are no questioned costs.

The APA recommends that Financial Aid management strengthen its review procedures to ensure that staff performs all Title IV refund calculations accurately and in a timely manner. Better controls will help NSU comply with federal regulations, avoid possible fines, and ensure federal financial aid continues to be available for students.

4. Comply with Federal Regulations for Exit Counseling. NSU did not perform timely exit interview procedures for Perkins loan student borrowers who stopped attending prior to graduation without notifying NSU. Seven students listed on the Default Report for the Cohort Year 2008/2009 were tested. Student Accounts did not perform the required exit interview procedures for six of the seven students.

Section 34 CFR 674.42(b) “exit interview” specifies that if the student borrower withdraws from school without the school’s prior knowledge or fails to complete an exit counseling session, the school must provide exit counseling through either interactive electronic means or by mailing counseling material to the borrower at the borrower’s last known address within 30 days after learning that the borrower has withdrawn from school or failed to complete exit counseling. Student Accounts should perform adequate exit counseling procedures for all Perkins borrowers according to federal regulations. Exit counseling provides borrowers with information such as monthly payment amounts and advises the borrowers of the importance of their repayment obligation and the consequences of not meeting this obligation.

Central Virginia Community College (CVCC)

1. Properly Manage Title IV Refunds. During fiscal year 2009, CVCC did not compute Title IV refunds for students who unofficially withdrew during the Fall 2008 semester until April 2009. The federal programs require the institution to do these calculations promptly after the end of the semester and return the funds to the federal programs within 45 days thereafter. Section 34 CFR 668.22, “Treatment of Title IV Funds When a Student Withdraws,” requires identification of students who have withdrawn, the calculation of earned and unearned funds, and the return of unearned funds to the Department of Education. The section also requires that colleges return unearned Title IV funds as soon as possible to the federal Department of Education, but no later than 45 days after the college determines the student withdrew.

Dabney S. Lancaster Community College (DSLCC)

1. Improve Implementation of New AIS User Roles. DSLCC is not adequately using Administrative Information System user roles developed by the System Office in February 2010. The System Office developed these user roles to ensure adequate separation of duties within the financial system. DSLCC is granting access to individuals based on the previous roles assigned to individuals, and some individuals have access to both enter and approve transactions. While it appears that the same individual is entering and approving the transactions within the system, a second individual is manually approving transactions outside of the system before the originator approves the transaction in the system.

The manual approval of transaction is both ineffective and inefficient since the individual with electronic entry and approval access can change the transaction after the manual approval without any effective oversight. Managing separation of duties electronically within the financial system through user access rather than through manual processes is more efficient and effective, provides a documented audit trail, and reduces the risk of inappropriate transactions. The System Office should continue to work with DSLCC to ensure that they review their processes, and DSLCC should ensure they have adequately evaluated user access and made changes to better reflect proper separation of duties within the financial system.

2. Improve Revenue Contract Management. DSLCC does not have written policies and procedures for collecting and accounting for contract revenues. DSLCC has revenue contracts with vendors to provide goods and services to the students and others where DSLCC receives either a percentage of sales, rental income, or a commission. The System Office should work with DSLCC to ensure that it reviews its revenue contract management process.

Eastern Shore Community College (ESCC)

1. Improve Revenue Contract Management. ESCC does not have written policies and procedures for collecting and accounting for contract revenues. ESCC has revenue contracts with vendors to provide goods and services to the students and others where ESCC receives either a percentage of sales, rental income, or a commission. ESCC does not have a written contract with its vending machine vendor. The System Office should work with ESCC to ensure that it reviews its revenue contract management process.

J. Sargeant Community College (JSRCC)

1. Improve Safeguards over Gift Card Awards. JSRCC purchases gift cards and other items as employee and student recognition awards, but does not adequately safeguard these gift cards nor keep adequate records of the individuals receiving the gift cards and award items for distribution. The APA noted approximately \$7,300 in gift card and award purchases distributed to the JSRCC's campuses without any records of who received cards and why. In addition, before awarding the cards, some personnel were keeping the gift cards in an unlocked desk drawer with access available to anyone in the office. JSRCC should improve safeguards over the gift cards before distribution as employee and student recognition awards. JSRCC should track the cards from purchase to distribution and make sure that personnel holding and awarding the cards follow appropriate procedures to physically safeguard the cards and use them only for the intended purpose.
2. Improve Revenue Contract Management. JSRCC does not have written policies and procedures for collecting and accounting for contract revenues. JSRCC has revenue contracts with vendors to provide goods and services to the students and others where JSRCC receives either a percentage of sales, rental income, or a commission. JSRCC's vending machine contract expired in fiscal year 2008 and the downtown campus did not update its April 1981 food services and vending contract until July 2009. The System Office should work with JSRCC to ensure that it reviews its revenue contract management process.

John Tyler Community College (JTCC)

1. Improve Implementation of New AIS User Roles. JTCC is not adequately using Administrative Information System user roles developed by the System Office in February 2010. The System Office developed these user roles to ensure adequate separation of duties within the financial system. JTCC is granting access to individuals based on the previous roles assigned to individuals, and some individuals have access to both enter and approve transactions. While it appears that the same individual is entering and approving the transactions within the system, a second individual is manually approving transactions outside of the system before the originator approves the transaction in the system.

The manual approval of transaction is both ineffective and inefficient since the individual with electronic entry and approval access can change the transaction after the manual approval without any effective oversight. Managing separation of duties electronically within the financial system through user access rather than through manual processes is more efficient and effective, provides a documented audit trail, and reduces the risk of inappropriate transactions. The System Office should continue to work with JTCC to ensure that they review their processes, and JTCC should ensure that they have adequately evaluated user access and made changes to better reflect proper separation of duties within the financial system.

2. Improve Revenue Contract Management. JTCC does not have written policies and procedures for collecting and accounting for contract revenues. JTCC has revenue contracts with vendors to provide goods and services to the students and others where JTCC receives either a percentage of sales, rental income, or a commission. JTCC received revenue commissions late, based on the contractually agreed-upon date, for nine of the months in calendar year 2009. The System Office should work with JTCC to ensure that it reviews its revenue contract management process.

Mountain Empire Community College (MECC)

1. Properly Manage Title IV Refunds. MECC Financial Aid Staff were not properly calculating Title IV refunds for students who unofficially withdrew during the Fall 2008 semester. The Student Financial Aid Staff used the semester midpoint when calculating the percentage earned rather than using the last date of attendance. Based on a sample of students who received no passing grades, four of seven students tested did not have an accurate Title IV refund calculation. MECC recomputed the refunds of amounts to return to the federal programs for all students who unofficially withdrew during the semester and determined that no additional amounts were due to the federal programs.

Northern Virginia Community College (NVCC)

1. Resolve Internal Control Issues at Northern Virginia Community College. **This is a repeat finding.** After two annual audits by the Auditor of Public Accounts and reviews by the Virginia Community College System internal auditors, NVCC has not completed corrective action on several significant findings. In addition to the summary of the APA audit findings below, the internal auditors identified 22 areas where NVCC should improve their internal controls. The follow up of issues at NVCC during this APA audit found that many of these problems remain unresolved. The following issues were noted during the audit:

- NVCC has not updated their financial operating policies and procedures in areas such as payment processing, revenue deposits and reconciliations, and capital asset management and accounting since the July 2007 implementation of the new financial system, Administrative Information System (AIS).
- NVCC does not have a reconciliation process for its two major administrative systems: AIS and Student Information System (SIS). Without such reconciliation, differences between the two systems may remain unresolved and errors may remain undetected.
- NVCC does not have policies and procedures for AIS and SIS system access and does not assign access based employee job duties. All employees in the Business Office have identical access, as opposed to unique access based on job responsibilities. Without policies related to access to its automated systems, NVCC risks having unauthorized persons gaining access to its systems or employees having access beyond what is necessary for their job duties.
- NVCC does not have a payroll system security officer to perform important security functions such as ensuring that controls exist to prevent unauthorized access to the system; approving and documenting changes to system access; and performing and documenting payroll system security activity. The security officer would also evaluate the appropriate payroll system security levels for staff and monitor those security levels to ensure they are appropriate based on the employee's job duties. The absence of a payroll system security officer and controls over payroll system access exposes NVCC to the risk of unauthorized viewing of and changes to sensitive employee and payroll data.
- NVCC does not have documented policies and procedures describing roles, responsibilities, controls, and procedures for reporting and writing off accounts receivables. NVCC does not have a procedure in place for reporting accounts receivable from each of the nine campuses or efficiently consolidating the accounts receivable reporting process. Without proper policies related to accounts receivable, NVCC may have difficulties in monitoring and collecting amounts due.

The System Office should continue to work with NVCC to improve its internal controls including implementing policies and procedures over financial operations such as those over accounts receivable and information systems. NVCC should ensure that the AIS and SIS systems are promptly reconciled and that any differences are resolved promptly. NVCC should assign system access to users based on each employee's job responsibilities. NVCC also should consider consolidating its accounts receivable accounting in one system. In addition, NVCC should assign a payroll system security officer and strengthen the information security of its payroll system.

2. Improve Revenue Contract Management. NVCC does not have written policies and procedures for collecting and accounting for contract revenues. NVCC has revenue contracts with vendors to provide goods and services to the students and others where NVCC receives either a percentage of sales, rental income, or a commission. The System Office should work with NVCC to ensure that it reviews its revenue contract management process.

Rappahannock Community College (RCC)

1. Improve Implementation of New AIS User Roles. RCC is not adequately using Administrative Information System user roles developed by the System Office in February 2010. The System Office developed these user roles to ensure adequate separation of duties within the financial system. RCC is granting access to individuals based on the previous

roles assigned to individuals, and some individuals have access to both enter and approve transactions. While it appears that the same individual is entering and approving the transactions within the system, a second individual is manually approving transactions outside of the system before the originator approves the transaction in the system.

The manual approval of transaction is both ineffective and inefficient since the individual with electronic entry and approval access can change the transaction after the manual approval without any effective oversight. Managing separation of duties electronically within the financial system through user access rather than through manual processes is more efficient and effective, provides a documented audit trail, and reduces the risk of inappropriate transactions. The System Office should continue to work with RCC to ensure that they review their processes, and RCC should ensure that they have adequately evaluated user access and made changes to better reflect proper separation of duties within the financial system.

2. Improve Revenue Contract Management. RCC does not have written policies and procedures for collecting and accounting for contract revenues. RCC has revenue contracts with vendors to provide goods and services to the students and others where RCC receives either a percentage of sales, rental income, or a commission. RCC's vending machine contract expired in fiscal year 2007. The System Office should work with RCC to ensure that it reviews its revenue contract management process.

Executive Offices

Secretary of the Commonwealth (SOC)

1. Improve Compliance with the Commonwealth's Deposits Policy. The Commonwealth requires agencies to deposit state funds no later than the next business day following collection. The SOC's office is not transferring its collections in time for the Division of Selected Agency Support Services (DSAS) to meet this requirement. In addition, both before and during the processing of the collections at the SOC's Office, the funds are not stored in a secure location. DSAS should ensure that the agencies they serve consistently follow the Commonwealth's policies and procedures in remitting revenues for deposit, as the timeliness of these deposits is an important internal control to prevent mishandling of funds and safeguard against loss. DSAS and the SOC should consider modifying their current processes, including discussing alternative deposit methods with the Department of Treasury, to ensure they deposit funds in accordance with state policies. Additionally, the SOC's office must provide a secure location to store any checks not deposited on the date of collection.

Natural Resources

Department of Conservation & Recreation (DCR)

1. Continue to Improve Information Technology Security Programs. **This is a repeat finding.** DCR does not have a complete Information Technology (IT) Security Program that meets the minimum requirements outlined in the Commonwealth's Information Technology Security Standard. While DCR maintains some level of security over IT systems and data, and has improved many aspects of their IT Security Program that were cited as deficient in the Review of Information Security in the Commonwealth performed in the fall of 2006, DCR has not developed all of the policies and procedures needed to complete their IT Security

Program. In the prior audit report, the APA included a risk alert related to Information Systems Security covering a wide area of issues. The APA noted progress that DCR has made towards compliance with the IT Security Standard, including the following steps to improve the IT environment:

- Hiring an Information Technology Manager who serves as the independent Information Systems Officer (ISO), performs application support responsibilities, and is responsible for information technology administrative duties.
- Developing and implementing a training plan.
- Updating the Crisis Management Team, documented in the Continuity of Operations Plan, to show current employees and their contact information.

However, DCR's IT program is still inadequate in several critical areas, including but not limited to their business impact analysis and risk analysis. DCR should continue to place emphasis on finalizing their IT security program by developing, updating, and implementing plans, processes, and procedures across the Department that ensure compliance with the established policy framework.

2. Properly Complete Employment Eligibility Verification Forms. **This is a repeat finding.** DCR staff is 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. This guidance states that the employer is responsible for ensuring that the employee timely and properly completes Section 1. In addition, the employer must document the issuing authority and document the number for any document examined to establish work eligibility or identity. Additionally, the employers must review only approved documentation.

In its sample of twenty I-9 forms completed in fiscal years 2008 and 2009, the APA observed the following types and rates of error on the forms tested:

- Five employees (25 percent) failed to sign the form on the first date of employment.
- Five employee forms (25 percent) did not have the supervisor's signature affixed within the employee's first three business days of employment or did not include the employee's hire date.

Based upon the number and nature of errors, the APA considers this finding to be a significant instance of non-compliance. Although DCR's I-9 completion is non-compliant with federal regulations, DCR has made improvements since the prior report finding. The APA noted the following improvements:

- A new policy has been initiated which limits I-9 completion to two employees at individual state parks,
- An I-9 Completion Training program has been developed and presented to applicable staff,
- All completed I-9 forms must be submitted to the Human Resources Division in the Richmond central office for review, and
- 100 percent of the documentation received for identification in section two was adequate.

The APA recommends that DCR's Human Resources Division continue to deliver training to employees assigned to complete the I-9 form, focusing on proper and timely completion of the forms. The federal government is increasing its enforcement efforts related to the proper completion of I-9 forms. This increased enforcement makes it critical for DCR to have a reliable process in place to complete I-9 forms.



Risk Alerts – Quarter Ended September 30, 2010

No APA reports containing a risk alert were received.

Efficiency Issues – Quarter Ended September 30, 2010

No APA reports containing an Efficiency Issue were received.

Special Reports – Quarter Ended September 30, 2010

The APA issued the following Special Reports:

Auditor of Public Accounts—2010 Report to the General Assembly.

Commonwealth Cell Phone Study, July 2010. This report contains management recommendations.

Report to the Joint Legislative Audit and Review Commission for the quarter April 1, 2010 through June 30, 2010. This report contains management recommendations.

Review of Transportation’s Asset Management System and Maintenance Funding Practices, July 2010. This report contains management recommendations.

Study of Commonwealth Investment Policies, August 2010. This report contains management recommendations.

Other Audit Reports Received – Quarter Ended September 30, 2010

The APA also issued the following Other Reports:

Virginia Small Business Financing Authority for the year ended June 30, 2009. This report contains management recommendations.

Virginia Lottery Department “Mega Millions” Report on Applying Agreed-Upon Procedures for the period April 1, 2009 through March 31, 2010.

Virginia Lottery Department “Win for Life” Report on Applying Agreed-Upon Procedures for the period April 1, 2009 through March 31, 2010.



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>Department of General Services (DGS)</u>				
2008	06-06	Finalize and distribute real estate policies and procedures.	Agency has not provided the current status. The targeted completion date is 12/31/2010.	In progress (On schedule)
<u>Department of Business Assistance (DBA)</u>				
2008	08-01	Shift to an administrative service arrangement. This is a repeat finding.	DBA has addressed the issue by using the services of other agencies and by adding depth to its Administrative Division through the leveraging of additional internal resources.	Completed (Delayed)
	08-04	Maintain official records of the department. This is a repeat finding.	DBA has drafted, and the agency Director has approved, a new policy for paper and electronic records retention and all agency staff has been notified.	Completed (Delayed)
<u>Virginia Employment Commission (VEC)</u>				
2009	09-01	Review, approve, and disseminate information technology disaster recovery plan.	A test of the Disaster Recovery Plan was completed and the plan was updated accordingly. A consultant will work with the COOP manager to ensure that there are no gaps between the COOP and the DRP.	In progress (On schedule)
	09-02	Strengthen controls over system access.	The business and IT teams have identified and completed the appropriate changes to the Access Form and process.	Completed (On schedule)
	09-03	Properly complete Employment Eligibility Verification (I-9) Forms. This is a repeat finding and progress has been made.	All planned actions have been completed to satisfy this finding.	Completed (On schedule)

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	08-02	Properly complete Employment Eligibility Verification (I-9) Forms.	See 09-03.	
	07-01	Properly complete Employment Eligibility Verification (I-9) Forms.	See 08-02.	
<u>Christopher Newport University (CNU)</u>				
2009	09-01	Ensure bookstore payments have proper approval.	All checks and the system generated check register will be reviewed before check signing to ensure all checks over \$25,000 have dual signatures. The Bookstore Accountant and the Sr. Associate VP will sign the printed copy of the check register to validate their review.	Completed (On schedule)
	09-02	Compare changes in blackboard back to Banner.	The VP of Auxiliary Services will conduct a reconciliation of the number of meal plans on the Blackboard system to the Banner housing system.	In progress (On schedule)
	09-03	Deactivate eVA accounts in a timely manner. This is a repeat finding.	The University purchasing department has deactivated all eVA accounts for terminated employees and discontinued relying on General Services.	Completed (On schedule)
	09-04	Improve information security management.	All administrator passwords have been changed, and a schedule for their subsequent replacement has been established. CNU does not have backup staff for the Banner DBA activities, but is in the process of hiring a full-time DBS person.	In progress (On schedule)
	09-05	Improve administrative password management.	No current or previous employees have administrator privileges to Banner. Information Services has changed all administrative passwords and are requiring that they be changed as policy dictates.	Completed (On schedule)
<u>Frontier Culture Museum of Virginia (FCMV)</u>				
2009	09-01	Perform fixed asset reconciliations.	FCMV will develop and document procedures for reconciling FAACS to CARS and will incorporate it into the current reconciliation process.	In progress (On schedule)

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Jamestown-Yorktown Foundation (JYF)</u>				
2009	09-01	Improve logical access management.	JYF will update internal policies and procedures and will document a periodic review of user accounts.	In progress (On schedule)
	09-02	Properly complete payroll reconciliations.	JYF has added reconciliation procedures to the agency procedures manual and monthly activity checklist of Payroll Coordinator.	Completed (On schedule)
<u>Longwood University (LU)</u>				
2009	09-01	Implement Banner efficiencies. This is a repeat finding.	LU has completed all steps within their control and it was determined that the implementation expense and resources required to maintain the Workflow product would be too great to justify its use for a University of Longwood's size.	Completed (On schedule)
	09-02	Reconciliations and interfaces between Banner and third-party systems. This is a repeat finding.	LU developed and implemented the reconciliation process between Banner and Third-Party Systems.	Completed (On schedule)
	09-03	Improve contingency plan testing. This is a repeat finding.	LU has completed all testing of the COOP and is functioning as designed.	Complete (On schedule)
	08-04	Improve contingency plan testing.	See 09-03.	
<u>Norfolk State University (NSU)</u>				
2008	08-02	Enhance information system security process.	NSU has satisfied the requirements of this finding.	Completed (On schedule)
<u>Radford University (RU)</u>				
2009	09-01	Improve financial statement preparation process.	Each account in the accounting system will be analyzed as to how it flows into the financial statement line items to ensure correct mapping within the Banner reporting module. A new position of Associate Controller was created and filled to assist in the implementation of this corrective action.	In progress (On schedule)

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	09-02	Improve Pell disbursement reporting and reconciliation process.	The University has revised its procedures to ensure that Pell grant disbursements are reported to the Department of Education Common Origination and Disbursements within the required timeframe of 30 days.	Completed (On schedule)
<u>The College of William and Mary in Virginia (CWM)</u>				
2009	09-01	Continue to improve financial reporting. This is a repeat finding.	Two financial reporting positions have been filled and have completed various introductory training programs. The college has increased communications with the foundations regarding the template requirements and is requiring greater detail in fluctuation reconciliations.	In progress (Delayed)
	08-01	Continue to improve financial reporting.	See 09-01.	
	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.	
	09-02	Complete formal capital asset policies and procedures.	Capital Asset policies and procedures are in final review and expected to be in place by the completion date.	In progress (Delayed)
<u>University of Mary Washington (UMW)</u>				
2009	09-01	Improve information systems security program. This is a repeat finding and progress has been made.	UMW is actively searching for the Information Security Officer position. Subsequent to filling the position policies and procedures will be formalized, approved and implemented.	In progress (On schedule)
	08-01	Improve information systems security program.	See 09-01.	

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	09-02	Properly procure information technology software.	An internal review has been completed and presented to the Board of Visitors. The appropriate personnel are meeting regularly on matters of IT procurement.	In progress (On schedule)
	09-03	Review user access to financial accounting system.	The Banner User Acceptance Report has been modified. The review of Finance User classes and screen permissions is complete.	Completed (On schedule)
<u>Northern Virginia Community College (NVCC)</u>				
2008	08-01	Update policies and procedures.	NVCC has updated their financial operating, fixed asset management and accounting policies and procedures.	Completed (Delayed)
	08-04	Strengthen controls over accounts receivable reporting and management.	NVCC has satisfied the requirements for this finding.	Completed (Delayed)
<u>Southwest Virginia Community College (SWVCC)</u>				
2008	08-01	Update policies and procedures.	SWVCC has updated their policies and procedures.	Completed (Delayed)
<u>Virginia State University (VSU)</u>				
2009	09-01	Improve database management.	Meetings are being scheduled to commence the review of password management and control over the databases storing sensitive data.	In progress (On schedule)
	09-02	Improve firewall management.	VSU is reviewing firewall controls to ensure that the internal administrative networks and services are properly protected in accordance with best practices and Commonwealth Security Standards.	In progress (On schedule)
	09-03	Approve and implement updated information security program.	A complete review of the 34 subcomponents of the SEC 501 Security Standard is being conducted with the parties responsible for those areas.	In progress (On schedule)

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	09-04	Strengthen controls over capital asset reporting. This is a repeat finding and progress has been made.	The primary fixed asset responsibilities have been transferred under accounting oversight and supervision from Administrative Services. The Work Team is performing an analysis of all asset categories to ensure Banner, FAACS and CARS are in balance.	In progress (On schedule)
	09-05	Strengthen access controls over Banner.	Meetings are being scheduled to discuss timely removal of user access to the Banner system.	In progress (On schedule)
<u>Secretary of Finance (SFIN)</u>				
2009	09-01	Improve financial reporting processes.	The Department of Accounts' Quality Assurance Review team met with the Department of Taxation to gain a more thorough understanding of the process. The Department of Taxation has modified their procedures related to manual entries, and these procedures should prohibit future errors.	Completed (On schedule)
<u>Department of Accounts (DOA)</u>				
2009	09-01	Improve information systems security program. This is a repeat finding.	The responsibility matrix is still being developed which will require additional input from VITA and DOA IT personnel.	In progress (Delayed)
	08-01	Improve information systems security program.	See 09-01.	
	09-02	Improve web application management and security.	Vulnerability scans have been conducted or will be conducted on all Accounts web applications as VITA scheduling permits. New security changes have been implemented for Payline, Stimulus and Reportline and implementation dates for the others are scheduled. Disaster Recovery tapes have been tested.	In progress (Delayed)
<u>Department of the Taxation (TAX)</u>				
2009	09-01	Improve database administrator access oversight.	TAX has implemented the logging of DBA Oracle activity. Tools used by TAX personnel for data access do not provide an effective user interface necessary	In progress (Delayed)

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
			for the implementation of these controls. Options are being evaluated.	
	09-02	Improve efficiency of access management and change management procedures.	Target date has been delayed in regards to "access management". TAX has completed revisions to the change management procedures.	In progress (Delayed)
	09-05	Improve data sharing security requirements.	TAX has completed all aspects of the finding with the exception of implementing contract changes with vendors.	In progress (Delayed)
<u>Department of the Treasury (TD)</u>				
2008	08-03	Strengthen internal controls over disbursement processing. This is a repeat finding.	Treasury has completed all steps to satisfy this finding.	Completed (Delayed)
	07-05	Strengthen internal controls over disbursement processing.	See 08-03.	
<u>Department of Behavioral Health and Developmental Services (DBHDS)</u>				
2009	09-01	Improve management and controls for facilities. This is a repeat finding.	DBHDS has consolidated several functions and is currently working with the Department of Accounts regarding the possibility consolidating the payroll function into its operation.	In progress (On schedule)
	08-01	Improve management and controls for facilities.	See 09-01.	
	09-03	Improve security awareness training documentation. This is a repeat finding.	DBHDS has implemented training requirements and are monitoring the compliance rate at most facilities and the Central Office.	In progress (Delayed)
	08-04	Improve security awareness training documentation.	See 09-03.	
	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
	09-04	Continue improving IT continuity of operations and disaster recovery plans. This is a repeat finding.	Disaster recovery plans have been implemented and are being monitored.	In progress (Delayed)
	08-05	Improve IT continuity of operations and disaster recovery plans.	See 09-04.	
	07-04	Improve contingency and disaster recovery planning.	See 08-05.	
	09-05	Improve system access controls.	The information technology security officer is currently working with this issue and has scheduled a number of site reviews to evaluate systems security.	In progress (Delayed)
	09-07	Strengthen timekeeping operations.	The procurement of the KRONOS timekeeping system is in progress. Once implemented, all facilities will be using this timekeeping system.	In progress (On schedule)
<u>Department of Social Services (DSS)</u>				
2009	09-01	Improve information security officer's authority and independence.	The ISO has been hired and reports to the Chief Financial Officer to ensure that appropriate authority and independence are provided to the information security function.	Completed (On schedule)
	09-02	Improve and comply with information security program.	Security training has been made available via the knowledge center and a broadcast regarding the time frame in which staff should complete the training was issued. It has been confirmed that most staff have completed the required training. Coordination with HR is under way to account for those who have not completed the training so follow-up can be done.	In progress (Delayed)
	09-04	Continue improving system access.	User responsibilities in FAAS and BRS were modified in accordance with the "least privileges" approach so that a responsibility allows either entry or approval	Completed (On schedule)

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
			capability but not both. A review verified that all users are active employees and that users' access matches what has been approved on the security form.	
	09-05	Ensure hours are entered correctly.	Monthly monitoring of cases continues. In the most recent monthly reviews, a broadcast will be issued advising local departments that there are still a significant number of cases where the hours are not correct and that additional attention is needed.	In progress (Delayed)
	09-06	Improve coordination between local eligibility workers and the division of child support enforcement.	The priority list for service requests was reviewed and even though this request was prioritized in the top five the scheduled completion date is October 2011. There will possibly be several months of testing before the solution will be released into production, depending on the testing results.	In progress (Delayed)
	07-04	Align plan for monitoring local social services offices with best practices.	DSS implemented a system-wide approach to sub-recipient monitoring, with clear responsibilities and oversight authority. The approach was communicated to localities, each Division's plan now addresses risk and the Division of Finance has posted clear guidelines about accountability for deficiencies.	Completed (Delayed)
	06-18	Maintain a tracking system for local employees. This is a repeat finding.	DSS will streamline LETS and result in the use of codes to identify the reimbursement status of each position. HR is working with Finance to revise the LETS monthly certification process and report.	In progress (Delayed)
	05-04	Maintain a tracking system for local employees.	See 06-18.	

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Game and Inland Fisheries (DGIF)</u>				
2009	09-01	Conduct and document business impact analysis. This is a repeat finding and progress has been made.	The BIA and the COOP are now separate documents and have been signed off on; DGIF is monitoring to ensure compliance.	In progress (Delayed)
	07-03	Improve information system security.	See 09-01.	
<u>Department of Alcoholic Beverage Control (ABC)</u>				
2009	09-01	Improve compliance with information security program.	The ISO now works with Internal Audit and has established an audit plan.	Completed (Delayed)
	09-03	Improve information security program.	The ISO is working in conjunction with VITA/NG to separate the PCI environment from administrative systems at all ABC stores. The change has taken place in a majority of the stores.	In progress (On schedule)
<u>Department of Corrections (DOC/CA)</u>				
2009	09-01	Continue to improve controls and processes surrounding construction-in-progress. This is a repeat finding.	DOC has completed Attachment 14 for FY 2010 and has been reviewed by the Department of Accounts for accuracy. DOC will continue to update the data to ensure that CIP is captured correctly and to ensure that assets are added as required.	In progress (On schedule)
	08-01	Improve controls and processes surrounding capital assets and construction-in-progress.	See 09-01.	
	07-04	Strengthen supervisory reviews over capital assets and construction-in-progress.	See 08-01.	
	06-01	Strengthen controls over capital project closing and capitalization processes.	See 07-04.	

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	09-02	Develop internal controls for leave liability and time tracking system. This is a repeat finding.	DOC has found an efficient and effective solution for exemptions, scheduling, overtime, volume and decentralization requirements through KRONOS. DOC future participation in the Cardinal Project will provide a more effective and efficient solution.	Completed (On schedule)
	09-03	Enforce policies and procedures governing un-allowed charge card purchases.	DOC has completed the update of its procedures, additionally; each Pcard Administrator has reviewed the lifting of restricted commodities and has submitted to the Department of Accounts a completed exception report as required.	Completed (On schedule)
	09-04	Improve procedures for monitoring vehicle and fuel card use.	DOC has initiated changes and is still in the process of changing how this section and other DOC facilities operate.	In progress (Delayed)
	09-05	Improve procedures for tracking vehicle inventory.	DOC is modifying how vehicles are tracked and accounted for on facility inventories.	In progress (Delayed)
	09-06	Update IT risk management plans.	The COOP document has been updated to reflect the current IT environment. The IT disaster recovery plan is currently being revised and the technology staff is working with partnership technical resources from VITA/NG to develop requirements and a solution for computer system recovery outside of the DOC headquarters location.	In progress (On schedule)

Department of Criminal Justice Services (DCJS)

2009	09-01	Determine an organizational structure for Criminal Justice Services.	DCJS has been gathering information, interviewing key parties and reviewing documents in preparation for making changes to the agency's organization. The report from DPB is currently being reviewed.	In progress (On schedule)
	09-02	Improve communications practices.	The department is reviewing a draft external grant communication policy to clarify communication between the agency and grantees.	In progress (On schedule)

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Fire Programs (DFP)</u>				
2009	09-01	Maintain documentation for adjunct instructors.	Procedures have been documented to ensure that all adjunct instructor files contain the required documentation to demonstrate that the DFP hires only qualified individuals and to properly support its payroll expenses.	Completed (On schedule)
	08-01	Strengthen information systems security program. This is a repeat finding and progress has been made.	DFP is waiting for VITA to execute the transformation.	In progress (Delayed)
<u>Department of Forensic Science (DFS)</u>				
2009	09-01	Evaluate risks related to aging hardware and non-participation in the IT partnership.	DFS has updated the risk assessment to specifically address this risk and the mitigating controls that are in place which currently reduce this risk to an acceptable level. DFS continues to work with both VITA and NG on completing its transformation toward participation in the Commonwealth's IT Infrastructure Partnership.	In progress (On schedule)
<u>Department of State Police (VSP)</u>				
2009	09-01	Improve employment eligibility verification process. This is a repeat finding and progress has been made.	The personnel division has established a procedure for the processing and maintenance of these forms. All representatives of the Employment Unit are up-to-date on training and other established policies and procedures.	Completed (On schedule)
	09-02	Improve fleet management process. This is a repeat finding and progress has been made.	The agency is exploring implementing an automated fleet management system. The information technology division is having a requirements study conducted to determine how the Statewide Agencies Radio System (STARS) assets and software configurations can be managed and tracked.	In progress (On schedule)

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	09-03	Upgrade database system software.	VSP is working to replace and integrate all of the agency's asset tracking systems into one system. This is a major undertaking and will take several years to accomplish.	In progress (On schedule)
<u>Department of Veterans Services (DVS)</u>				
2009	09-01	Evaluate the agency structure.	DVS' review of the organization is ongoing and will be making changes beginning in the new fiscal year.	In progress (On schedule)
	09-02	Improve the information system security program. This is a repeat finding.	DVS will finalize the remaining draft policies and continue to update the BIA, Risk Assessments and related documents to accurately reflect the new systems being implemented and/or removed from their environment.	In progress (On schedule)
	08-01	Develop an information security program and comply with HIPAA regulations.	See 09-02.	
	07-07	Comply with the Health Insurance Portability and Accountability Act.	See 08-01.	
	07-05	Establish a complete information security plan to comply with Commonwealth security standards.	See 07-07.	
	06-08	Information systems security assurance.	See 07-05.	
	09-03	Improve and implement HIPAA Policies.	The department will work with the two care center information security officers to ensure that all HIPAA requirements are met.	In progress (On schedule)
<u>Virginia Correctional Enterprises (DOC/CE)</u>				
2009	09-01	Strengthen controls over capital asset useful life methodologies.	VCE will implement policies and procedures for assigning and re-evaluating the useful life of depreciable capital assets.	In progress (On schedule)

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Virginia War Memorial Foundation (VWMF)</u>				
2009	09-01	Develop and monitor budgets. This is a repeat finding.	Year-end figures for FY 2010 and the breakout of the budget for FY 2011 were included in a packet mailed to the Board of Trustees. Contractual documents regarding facility rental were sent to the Office of the Attorney General for review and have been approved.	In progress (On schedule)
	08-02	Adopt a formal budget development and execution process.	See 09-01.	
	09-02	Review donations of historical artifacts.	A second letter of request asking for permission to accept historical artifacts has been submitted to the Governor.	In progress (On schedule)
	09-03	Board should develop policies and exercise adequate oversight.	The Board has adopted the Commonwealth Personnel Practices and employee pay bands.	Completed (On schedule)
	09-04	Develop adequate internal controls. This is a repeat finding.	Due to the delay of work by Virginia Correctional Education, some anticipated invoices have not yet been received and the Chairman of the Board of Trustees directed that the checking account not be closed until after all items have been received and paid.	In progress (Delayed)
	08-01	Consolidate accounting processes and internal controls.	See 09-04.	
	09-05	Manage funds in compliance with Commonwealth standards.	The Virginia War Memorial and the Virginia War Memorial Educational Foundation will conduct an organizational strategic planning meeting. These meetings will address the relationship between the entities and determine strategic goals for both.	In progress (On schedule)
<u>Virginia Information Technologies Agency (VITA)</u>				
2008	08-02	Establish and document procedures for classifying assets in service option 5.	The additional documentation regarding review of changes to asset classifications is still in progress.	In progress (Delayed)

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	08-04	Improve reporting to allow comparison of revenue versus allowable costs.	The CAP has been submitted. The additional workflow and process documentation, and report format changes are still in progress.	In progress (Delayed)
	08-05	Establish and document procedures for the creation of rate structures.	The Rate Profile information is in the process of being added to the master rates spreadsheet.	In progress (Delayed)
	08-06	Improve process for establishing rate tiers.	New rates, approved by JLARC in July 2010, have tiers that are not based upon purchase prices.	Completed (Delayed)
	08-07	Notify oversight entities of rate changes.	VITA has satisfied the requirements for this finding.	Completed (Delayed)
	08-08	Equitably distribute virtual inventory costs to agencies.	JLARC approved the rate in July 2010 and the CAP was submitted to DHHS/DCA in September 2010.	Completed (Delayed)
	08-09	Properly monitor system access.	The roles and permissions for the PeopleSoft Developer has been tested but will not be moved into production until a backup for the Systems Administrator is trained.	In progress (Delayed)
	08-11	Adequately segregate system access responsibilities.	All roles and permissions for the users, function lead & technical positions have been completed, tested and moved to production with the exception of the PS Developer which will be done when the backup for the System Administrator is trained.	In progress (Delayed)
	08-13	Properly complete employee eligibility verification forms. This is a repeat finding.	The internal policy and procedure has been finalized and reviewed. Additionally, an I-9 verification form has been developed to help ensure the proper and timely review of all I-9's.	Completed (Delayed)
	08-14	Adequate oversight over technology procurements.	VITA is continuing to work with DGS to develop best approach in eVA to support appropriate routing of IT purchase request.	In progress (Delayed)

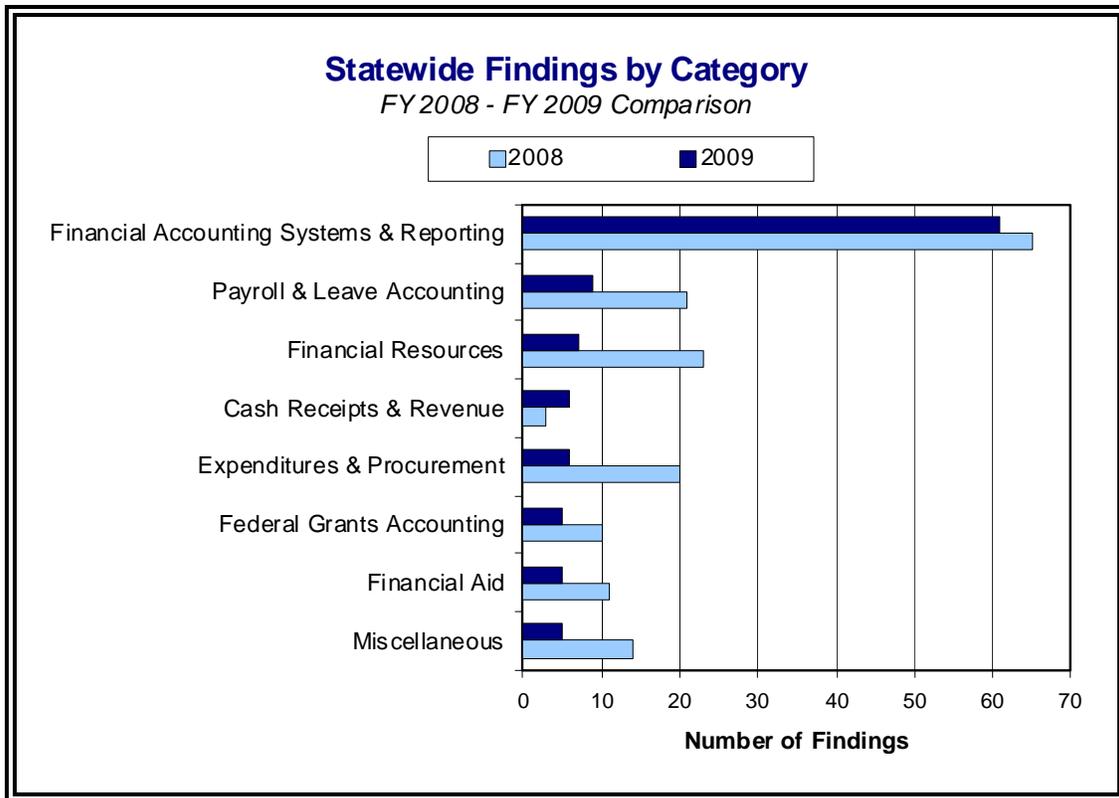
Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Motor Vehicles (DMV)</u>				
2009	09-01	Improve information system security program.	DMV is working to obtain, install, and configure a secure FTP portal server to facilitate Sensitive Data Exchange. DMV is working on language to include in DMV MOU's requiring use of the portal once it becomes operational.	In progress (On schedule)
<u>State Corporation Commission (SCC)</u>				
2009	09-02	Establish sufficient controls over the revenue process.	Internal audit completed audits on each of the revenue divisions to test compliance with the new procedure and are currently in the process of finalizing the audit report.	In progress (Delayed)
	09-03	Improve the information systems security program. This is a repeat finding.	Systems Access Review for all other SCC Systems is targeted for completion in December 2011.	In progress (On schedule)
	07-01	Comply with Commonwealth security standards.	See 09-03.	
	09-05	Improve accounts receivable reporting.	The Comptrollers Office finalized the policy and procedures and provided additional training to the revenue division.	Completed (Delayed)
	09-08	Document cost allocation plan.	The Comptrollers Office finalized the documentation of the cost allocation plan.	Completed (Delayed)
<u>Wireless E-911 Services Board</u>				
2009	09-01	Ensure completeness of revenue.	The governor's Reform Commission has recommended shifting collection of the Wireless E-911 Surcharge to the department of Taxation.	In progress (On schedule)
	09-02	Ensure compliance with grant guidelines.	Revisions to the Programmatic Report template and PSAP Grant Guidelines to describe and capture required evidence of the successful completion of grant projects are underway.	In progress (Delayed)



Annual Summary of APA Audit Findings

As of September 30, 2010, the Auditor of Public Accounts had issued 58 audit reports for 118 Executive Branch agencies for FY 2009. Of these reports, 29 reflected no internal control weaknesses or compliance findings. The remaining 29 audit reports, covering 73 agencies contained 104 audit findings that cited internal control weaknesses and instances of noncompliance. New findings decreased by 48 findings and repeat findings decreased by 15 findings for FY 2009 when compared to FY 2008. Significant new findings reductions of 75% or more occurred in “Expenditures & Procurement” and “Financial Resources” with “Payroll & Leave Accounting” and “Miscellaneous” also having new findings decreases of 50% or more. “Payroll & Leave Accounting” showed a 64% decrease in number of repeat findings. Total FY 2009 audit findings decreased by 63 findings when compared to FY 2008.

<u>Category</u>	<u>New Findings</u>	<u>Repeat Findings</u>	<u>Total Findings</u>
Financial Accounting Systems & Reporting	46	15	61
Payroll & Leave Accounting	5	4	9
Financial Resources	4	3	7
Expenditures & Procurement	4	2	6
Cash Receipts & Revenue	6	-	6
Miscellaneous	5	-	5
Federal Grants Accounting	5	-	5
Financial Aid	5	-	5
Total	80	24	104



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 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.

As of September 30, 2010, the following agencies were not in compliance with ARMICS:

<u>Agency Name</u>	<u>Reason for Non-Compliance</u>
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None	
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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 July and August were due 8/31/10 and 9/30/10 respectively.

Confirmations Late or Outstanding

As of October 25, 2010

Agency	July	Aug
Virginia College Savings Plan	10/25/10	-

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

Response to Inquiries

DOA regularly communicates with agencies regarding petty cash and invoice analyses, financial reporting information, and the FAACS/LAS systems. In many instances, agencies respond in a timely manner.

However, in other instances, agencies do not respond timely or simply fail to respond. For the quarter ended September 30, 2010, 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 September 30, 2010, no agencies failed to respond timely, make corrective action and/or provide additional information.

Trial Balance Review As of October 15, 2010

<u>Agency</u>	<u>July</u>	<u>August</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 September 30, 2010, no agencies failed to respond timely, make corrective action and/or provide additional information.

Credit Cash, Excess Expenditures, and Expenditure Credits

As of October 18, 2010

Agency	July	August
None		

Disbursement Processing

During the quarter ended September 30, 2010, DOA deleted, at the submitting agency's request, 30 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

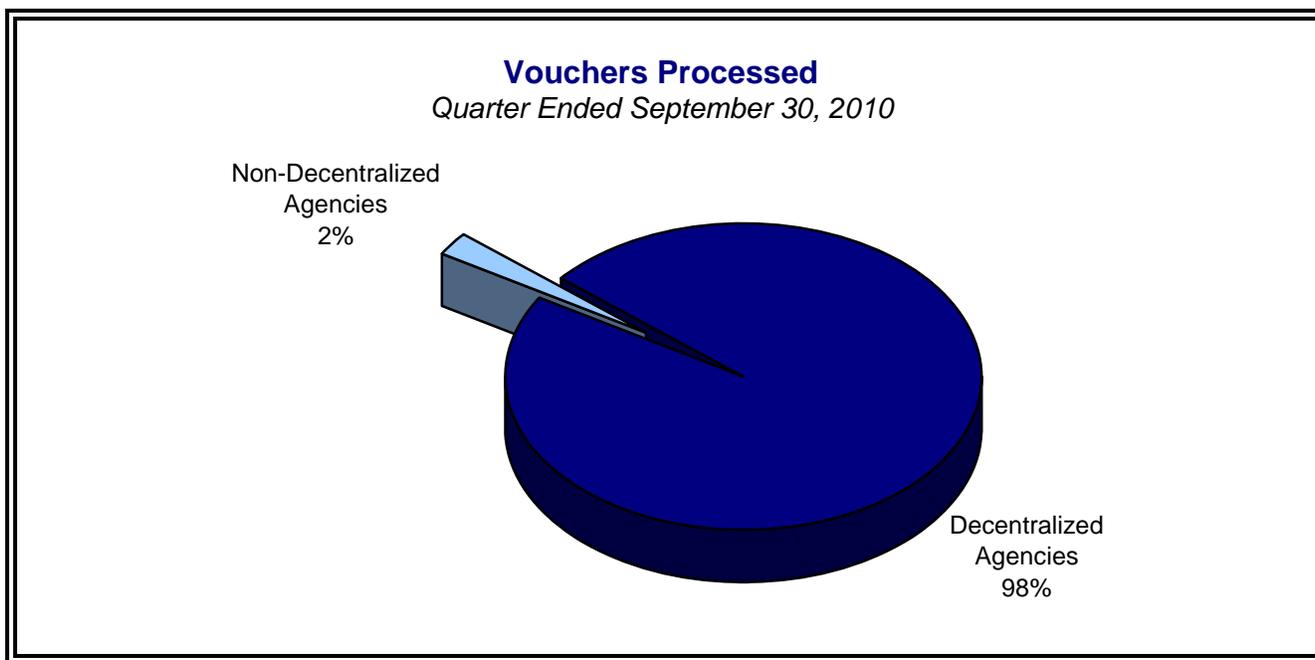
point to areas where improved agency internal accounting controls should be evaluated. Fifteen agencies requested deletes during the quarter. For the quarter ended September 30, 2010, there were no agencies that requested more than four vendor payment deletions.



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 eighteen 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 for the Aging
Department of Historic Resources
Department of Labor and Industry
Patrick Henry Community College
Paul D. Camp Community College
Jamestown-Yorktown Foundation
Wallens Ridge State Prison
Virginia Office for Protection and Advocacy



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 929 non-travel disbursement batches and 359 travel disbursement batches were reviewed, disclosing 21 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 September 30, 2010		Fiscal Year 2011 To-Date		Comparative Quarter Ended September 30, 2009	
	Late	Total	Late	Total	Late	Total
Number of Payments	5,153	622,720	5,153	622,720	5,515	568,028
Dollars (in thousands)	\$ 30,603	\$ 1,628,032	\$ 30,603	\$ 1,628,032	\$ 25,510	\$ 1,560,419
Interest Paid on Late Payments				\$21,531		
Current Quarter Percentage of Payments in Compliance				99.2%		
Fiscal Year-to-Date Percentage of Payments in Compliance				99.2%		
Comparative Fiscal Year 2010 Percentage of Payments in Compliance				99.0%		



Prompt Payment Performance by Secretarial Area
Quarter Ended September 30, 2010

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.7%	98.1%
Agriculture and Forestry	99.7%	99.8%
Commerce and Trade	98.4%	99.3%
Education*	99.1%	98.6%
Executive Offices	98.2%	96.1%
Finance	99.9%	99.9%
Health and Human Resources	99.2%	98.7%
Independent Agencies	98.6%	98.7%
Judicial	100.0%	100.0%
Legislative	100.0%	100.0%
Natural Resources	99.1%	96.5%
Public Safety	99.5%	98.9%
Technology	99.8%	99.9%
Transportation*	98.9%	93.3%
Statewide	99.2%	98.1%

Prompt Payment Performance by Secretarial Area
Fiscal Year 2011

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.7%	98.1%
Agriculture and Forestry	99.7%	99.8%
Commerce and Trade	98.4%	99.3%
Education *	99.1%	98.6%
Executive Offices	98.2%	96.1%
Finance	99.9%	99.9%
Health and Human Resources	99.2%	98.7%
Independent Agencies	98.6%	98.7%
Judicial	100.0%	100.0%
Legislative	100.0%	100.0%
Natural Resources	99.1%	96.5%
Public Safety	99.5%	98.9%
Technology	99.8%	99.9%
Transportation*	98.9%	93.3%
Statewide	99.2%	98.1%

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

For the quarter ended September 30, 2010, the following agencies that processed more than 50 vendor payments during the quarter were

below the 95 percent prompt payment performance standard.

**Prompt Payment Compliance Rate
Agencies Below 95 Percent
Quarter Ended September 30, 2010**

Agency	Late Payments	Total Payments	Payments in Compliance
---------------	--------------------------	---------------------------	---------------------------------------

All agencies met the 95 percent performance standard.

For FY 2011, 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 2011**

Agency	Late Payments	Total Payments	Payments in Compliance
---------------	--------------------------	---------------------------	---------------------------------------

All agencies met the 95 percent performance standard.

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 September 30, 2010			Comparative Quarter Ended September 30, 2009
	E-Commerce	Total	Percent	Percent
Number of Payments	2,826,289	3,249,124	87.0%	87.5%
Payment Amounts	\$ 9,023,394,674	\$ 10,280,973,139	87.8%	86.5%

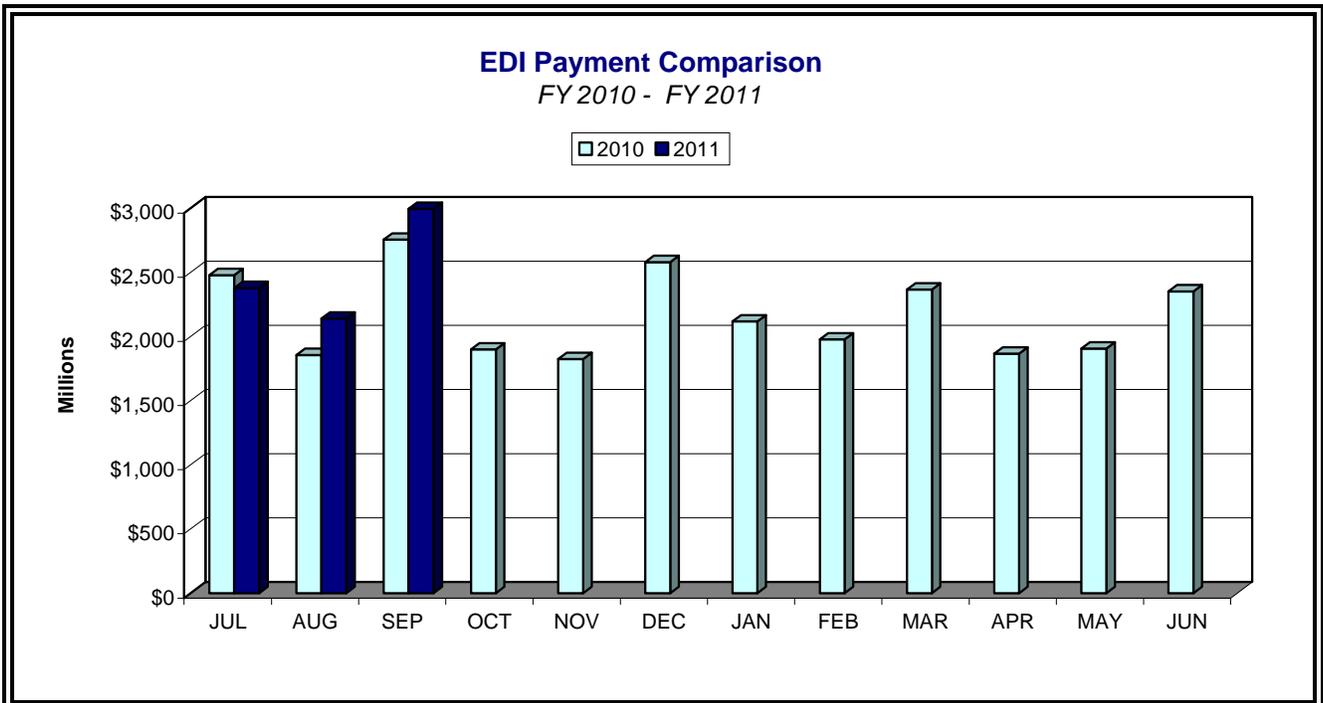
Financial Electronic Data Interchange (EDI)

The dollar volume of Financial EDI payments for the first quarter of FY 2011 was \$425 million (6.0 percent) more than the same quarter last year. The number of trading partner accounts increased by 6.7 percent from September 2009. The largest portion of this increase is due to efforts to convert state

employee travel reimbursements from checks to electronic payments. In addition, enrollment by corporations, sole proprietors and grantees has increased significantly due to solicitation by Department of Accounts staff.

Financial EDI Activity

Financial EDI Activity	Quarter Ended September 30, 2010	Fiscal Year 2011 To-Date	Comparative Quarter Ended September 30, 2009
Number of Payments	62,211	62,211	49,777
Amount of Payments	\$ 7,514,902,651	\$ 7,514,902,651	\$ 7,089,860,420
Number of Invoices Paid	203,278	203,278	181,682
Estimated Number of Checks Avoided	83,109	83,109	76,378
Number of Trading Partner Accounts as of 9/30/10		54,594	51,148



Travel EDI

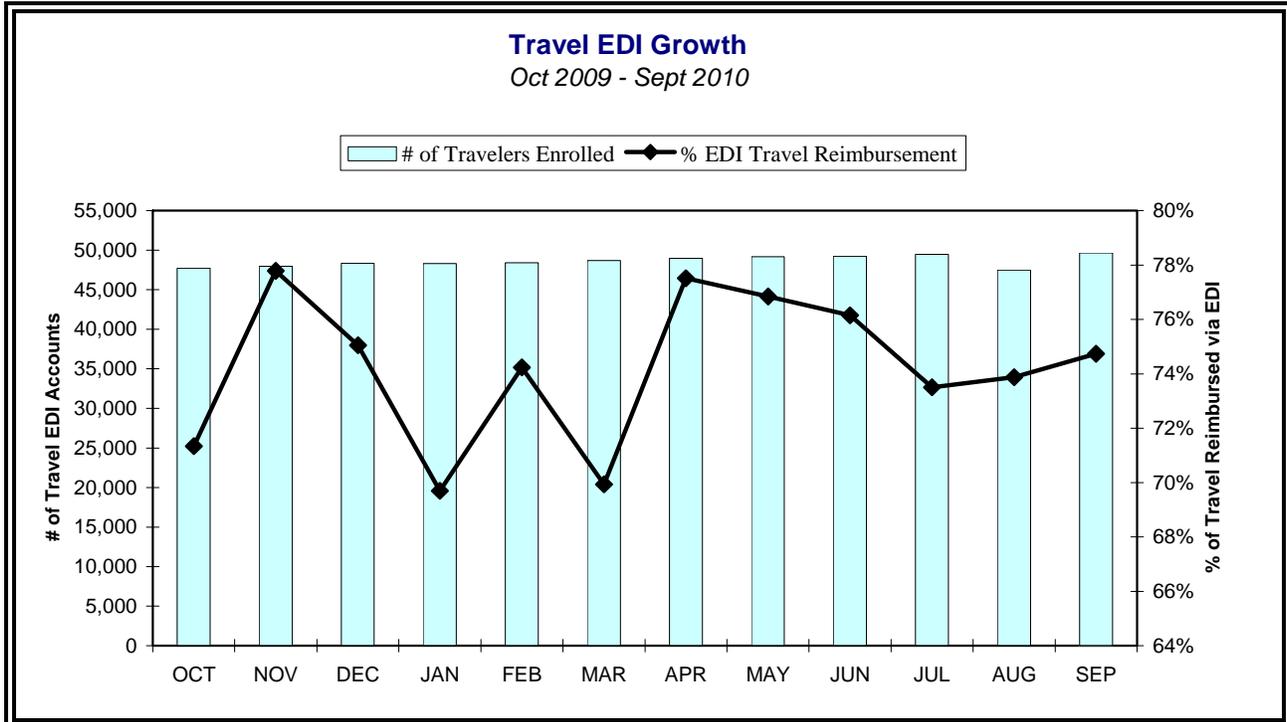
Expansion of the Travel EDI program is an integral part of the statewide effort to reduce the administrative costs associated with paying for goods and services for the Commonwealth. The Appropriation Act requires employees who travel more than twice a year to be reimbursed using EDI. DOA notified agencies 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 2011, 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 September 30, 2010

Secretarial Area	Employee Percent	Non-Employee Percent	Reimbursement Checks Issued
Administration	91.8%	0.0%	14
Agriculture and Forestry	96.9%	5.8%	70
Commerce and Trade	93.5%	65.2%	195
Education (1)	87.0%	20.9%	912
Executive Offices	95.9%	0.0%	13
Finance	97.3%	0.0%	14
Health and Human Resources	93.5%	31.4%	738
Independent Agencies	94.5%	0.0%	83
Judicial	26.2%	6.4%	3,175
Legislative	95.9%	21.2%	90
Natural Resources	93.7%	61.4%	90
Public Safety	88.2%	12.1%	623
Technology	96.2%	0.0%	14
Transportation (1)	85.2%	21.8%	252
Statewide for Quarter	81.3%	23.2%	6,283
<i>Fiscal Year 2010 To-Date</i>			
Statewide	81.3%	23.2%	6,283
<i>Comparative Fiscal Year 2009 To-Date</i>			
Statewide	79.8%	26.9%	7,022

(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**

Agency	Percent	Reimbursement Checks Issued
Education		
Northern Virginia Community College	72.6%	29
Southside Virginia Community College	62.4%	35
Norfolk State University	56.1%	69
Health and Human Resources		
Department of Rehabilitative Services	82.7%	78
Independent		
State Lottery Department	81.5%	36
Judicial		
Magistrate System	70.2%	114
Supreme Court	19.8%	499
Juvenile and Domestic Relations District Courts	9.8%	433
General District Courts	9.7%	389
Combined District Courts	6.8%	247
Circuit Courts	5.9%	704
Natural Resources		
Department of Conservation and Recreation	78.0%	40
Public Safety		
Department of Emergency Management	81.8%	33
Department of Military Affairs	34.1%	182
Transportation		
Department of Transportation	79.3%	148

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%	36
Education		
Southside Virginia Community College	6.8%	41
Longwood University	0.0%	48
Virginia Commission for the Arts	0.0%	31
Health and Human Resources		
Department of Health	2.1%	183
Judicial		
Circuit Courts	6.3%	325
Virginia State Bar	0.0%	292
Public Safety		
Department of Criminal Justice Services	2.2%	45
Department of Forensic Science	0.0%	130
Commonwealth Attorneys' Services Council	0.0%	47

The following table lists agencies that have accumulated more than \$100 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 2011, the charge is \$5 per check. These statistics indicate noncompliance with §4-5.04f.5 of the Appropriation Act which requires that all employees likely to travel more than twice per year be reimbursed for travel costs using electronic data interchange.

**Agency Non-Compliance Travel Check Charges
Utilization Below 80 Percent**

Agency	Percent	Year-to-date Charges
Judicial		
Magistrate System	70.2%	\$ 150
Juvenile and Domestic Relations District Courts	9.8%	965
General District Courts	9.7%	765
Combined District Courts	6.8%	375
Circuit Courts	5.9%	2,135



Direct Deposit

During the first quarter of FY 2011, 488,004 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 September 30, 2010

<u>Secretarial Area</u>	<u>Direct Deposit % of Salaried Employees</u>	<u>Direct Deposit % of Wage Employees</u>
Administration	98.9%	97.9%
Agriculture and Forestry	98.1%	88.2%
Commerce and Trade	99.4%	99.8%
Education	99.5%	95.9%
Executive Offices	92.0%	70.4%
Finance	99.5%	98.6%
Health and Human Resources	99.6%	98.8%
Independent Agencies	99.3%	100.0%
Judicial	99.4%	76.5%
Legislative	99.7%	98.7%
Natural Resources	98.7%	93.6%
Public Safety	99.1%	90.3%
Technology	95.8%	100.0%
Transportation	98.9%	91.7%
Statewide	99.2%	95.0%
<i>Comparative</i>		
<i>Quarter Ended September 30, 2009</i>		
Statewide	99.1%	94.5%

Statewide Salaried Direct Deposit Performance

Quarter Ended September 30, 2010

Salaried Direct Deposit Participation	99.2%
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Salaried Direct Deposit Below 98 Percent

<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Administration		
Department of Human Resource Management	96.5%	86
Human Rights Council	80.0%	5
Department of Employment Dispute Resolution	75.0%	8
Agriculture and Forestry		
Department of Agriculture and Consumer Services	97.4%	430
Commerce and Trade		
Department of Business Assistance	93.5%	31
Board of Accountancy	85.7%	7
Education		
Virginia State University	96.9%	744
The Science Museum of Virginia	95.1%	61
Judicial		
Circuit Courts	97.3%	149
Natural Resources		
Department of Historic Resources	95.3%	43
Public Safety		
Department of Alcoholic Beverage Control	97.7%	987
Sussex 1 State Prison	95.5%	382
Central Region Correctional Field Units	95.1%	61
Department of Military Affairs	94.9%	277
Western Region Correctional Field Units	94.8%	193
Technology		
Virginia Information Technologies Agency	96.7%	300
Transportation		
Department of Transportation Central Office	94.6%	1,469
Various		
Selected Agency Support	70.4%	163

Statewide Wage Direct Deposit Performance
Quarter Ended September 30, 2010

Wage Direct Deposit Participation	95.0%
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Wage Direct Deposit Below 90 Percent

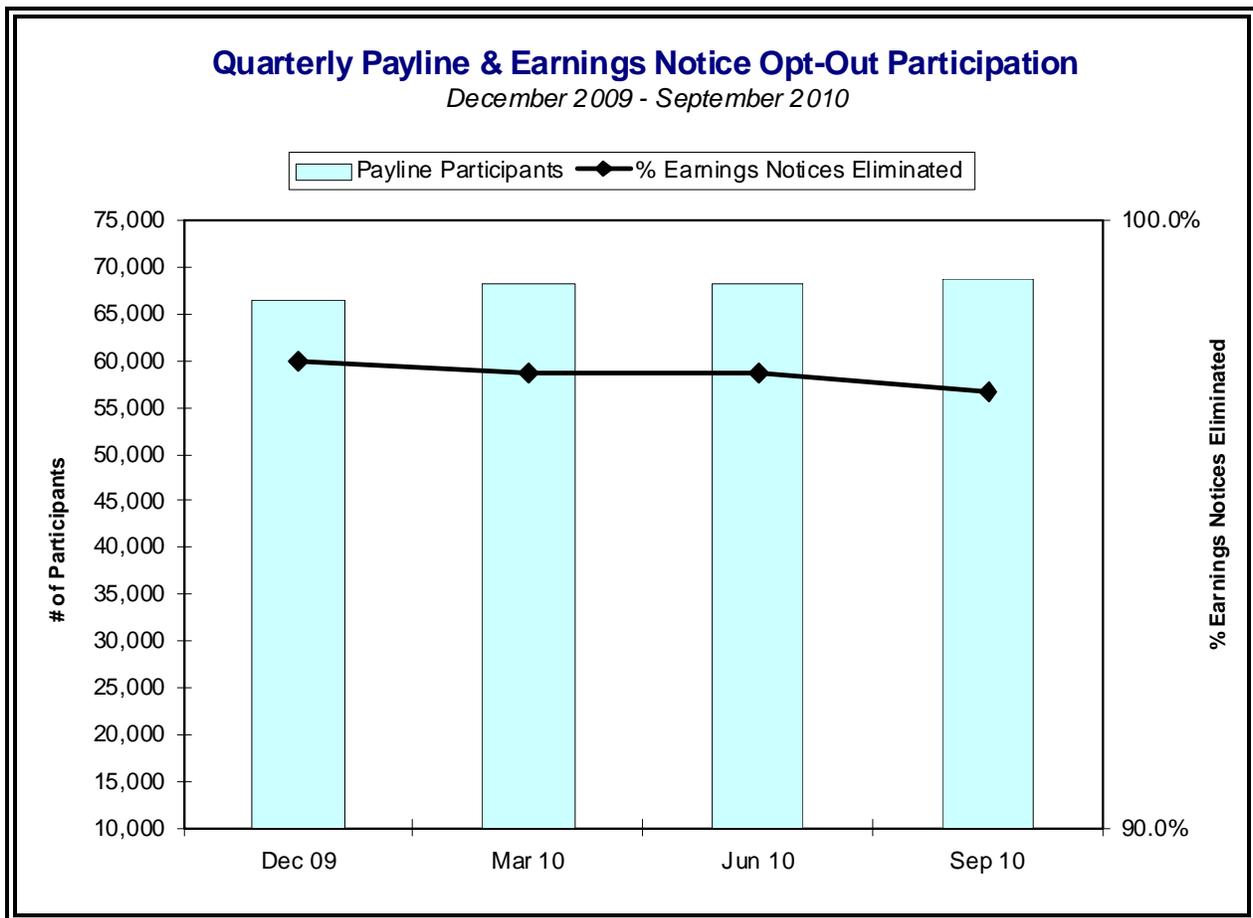
<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Agriculture and Forestry		
Department of Agriculture and Consumer Services	85.8%	169
Education		
Norfolk State University	89.3%	507
Rappahannock Community College	87.5%	224
New River Community College	84.4%	302
Mountain Empire Community College	83.1%	249
Southwest Virginia Community College	81.6%	310
Paul D. Camp Community College	76.7%	159
Virginia Highlands Community College	70.8%	226
Judicial		
Juvenile & Domestic Relations District Courts	89.4%	66
General District Courts	67.6%	241
Combined District Courts	66.7%	18
Public Safety		
Virginia Veterans Care Center	89.1%	64
Transportation		
Department of Motor Vehicles	88.8%	206



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 5,643,067 earnings notices.



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

**Payline and Earnings Notice Opt-Out Participation
by Secretarial Area**

Quarter Ended September 30, 2010

<u>Secretarial Area</u>	<u>Percent Payline Participation</u>	<u>Percent Earnings Notices Eliminated*</u>
Administration	96.1%	100.0%
Agriculture and Forestry	82.9%	85.3%
Commerce and Trade	95.5%	100.0%
Education	67.3%	98.3%
Executive Offices	82.8%	100.0%
Finance	98.1%	100.0%
Health and Human Resources	86.9%	97.6%
Independent Agencies	89.5%	100.0%
Judicial	83.6%	93.4%
Legislative	68.2%	74.0%
Natural Resources	65.6%	69.0%
Public Safety	82.7%	98.9%
Technology	96.0%	100.0%
Transportation	93.9%	100.0%
Statewide	81.0%	97.2%

<i>Comparative Quarter Ended September 30, 2009</i>		
Statewide	77.0%	97.4%

* Employees must participate in Direct Deposit 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.

Most agencies elected a global opt-out in response to the January 1, 2009, mandate. Only 22 agencies have not chosen a global opt-out and participation is reviewed to monitor progress. As of September 30, 2010, the following agencies have not met their established thresholds for eliminating earnings notice print.

Earnings Notice Elimination

Agency	Percent Earnings Notices Eliminated QE 09/30/2010	Percent Earnings Notices Eliminated QE 06/30/2010
Agriculture and Forestry		
Department of Agriculture & Consumer Services	82.4%	90.0%
Education		
Frontier Culture Museum	69.2%	74.5%
Natural Resources		
Department of Conservation and Recreation	36.0%	45.0%



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

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

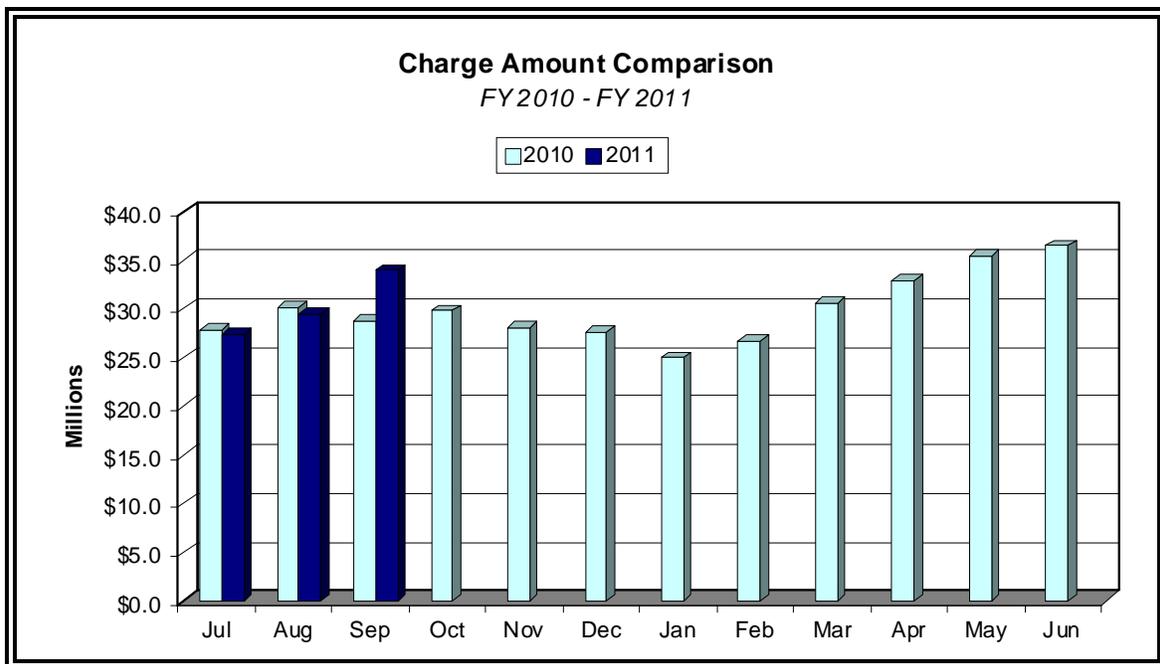
The Small Purchase Charge Card continues to be used for purchases under \$5,000. Agencies are strongly encouraged to obtain a Gold Card for use for purchases up to \$50,000.

The total amount charged on SPCC and Gold cards during the first quarter of FY 2011 increased by \$4,025,643 or 4.6 percent from the same quarter last year.

Small Purchase Charge Card Program

Charge Card Activity	Quarter Ended September 30, 2010	Fiscal Year 2011 To-Date	Comparative Fiscal Year 2010 To-Date
Amount of Charges	\$ 90,806,619	\$ 90,806,619	\$ 86,780,976
Estimated Number of Checks Avoided	171,695	171,695	159,470
Total Number of Participating Agencies		217	227
Total Number of Cards Outstanding		17,256	17,398

The following chart compares charge activity for FY 2011 to activity for FY 2010:



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 2011, the threshold will increase to 75% with another increase to 80% during calendar year 2011.

For data compilation purposes, 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 for FY 2011 1st Quarter.

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 September 30, 2010

Percentage Utilization for Eligible Transactions

84%

SPCC Utilization by Secretarial Area

Quarter Ended September 30, 2010

<u>Secretarial Area</u>	<u>Payments in Compliance ⁽¹⁾</u>	<u>Non-Compliant Transactions ⁽²⁾</u>
Administration	83%	690
Agriculture and Forestry	87%	453
Commerce and Trade	78%	751
Education*	87%	4,913
Executive Offices	92%	77
Finance	92%	93
Health and Human Resources**	82%	6,293
Independent Agencies	65%	1,117
Judicial	38%	2,196
Legislative	91%	93
Natural Resources	90%	1,247
Public Safety	92%	3,078
Technology	92%	35
Transportation*	73%	7,056
Statewide	84%	28,092

* 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%	634
Health and Human Resources		
Department of Behavioral Health and Developmental Services	68%	125
Central Virginia Training Center	59%	455
Independent Agencies		
State Corporation Commission	4%	617
Judicial		
Judicial Inquiry and Review Commission	43%	8
Board of Bar Examiners	0%	26
Circuit Courts	0%	142
Combined District Courts	0%	222
General District Courts	0%	937
Juvenile and Domestic Relations District Courts	0%	465
Magistrate System	0%	83
Virginia Criminal Sentencing Commission	0%	35
Legislative		
Commission on the Virginia Alcohol Safety Action Program	0%	55
Public Safety		
Sitter-Barfoot Veterans Care Center	51%	348



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 July, this represents the bill date of July 15, 2010, with the payment due no later than August 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.

<u>Agency</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>
<u>Purchase Card Program:</u>			
Administration			
Department of General Services		X	
Department for Human Resource Management			X
Education			
Virginia Community College System			X
Judicial			
Supreme Court of Virginia		X	
<u>Airline Travel Card Program:</u>			
Education			
Norfolk State University			X
Judicial			
Office of the Attorney General	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 September 30, 2010 and the total amounts past due.

Travel Charge Card Program

As of September 30, 2010

<u>Agency</u>	<u>Total Delinquent Accounts</u>	<u>Amounts 60 Days Past Due</u>	<u>Amounts 90-120 Days Past Due</u>	<u>Amounts >150 Days Past Due</u>
Education				
George Mason University	1	\$ 20	\$ 152	\$ 0
James Madison University	1	0	792	0
Longwood University	1	16	0	0
Norfolk State University	1	626	0	0
Old Dominion University	1	196	0	0
State Council of Higher Education for Virginia	1	0	318	0
University of Virginia	1	1,137	0	0
University of Virginia Medical Center	1	0	32	0
Virginia Commonwealth University	1	39	0	0
Virginia Polytechnic Institute and State University	2	242	404	0
Virginia State University	2	232	391	0
Health and Human Resources				
Department of Health	1	49	0	0
Department of Social Services	3	240	311	0
Public Safety				
Department of Emergency Management	1	248	220	0



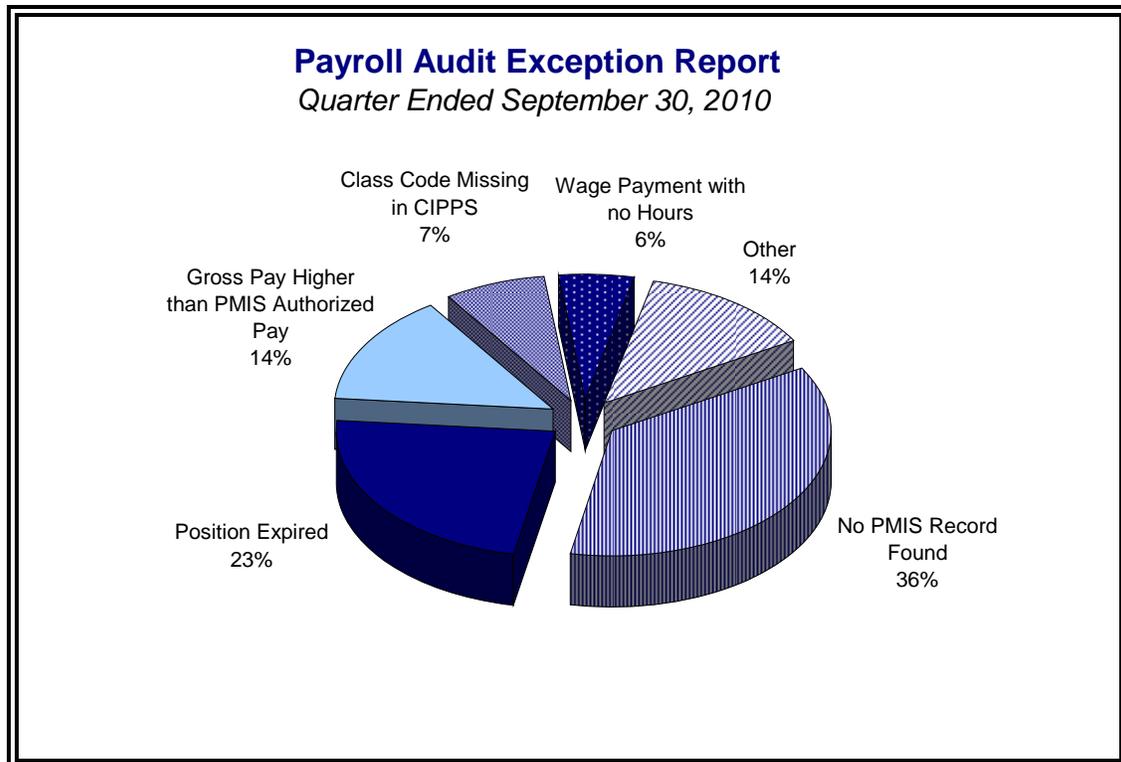
Payroll Controls

PMIS/CIPPS Payroll Audit

During the quarter, DOA's automated comparison of payroll and personnel (PMIS) records examined 411,214 salaried pay transactions and 210,120 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 4,902 new exceptions noted statewide during the quarter, with an overall exception rate of 1.01 percent.

The statewide salaried payroll exception rate was 1.21 percent and the wage payroll exception rate was 0.62 percent. During this quarter, 38 employee paychecks were reduced to recover \$16,700.78 in overpayments.

While the largest cause of exceptions is the processing of payments to salaried employees who no longer have an active record for their current agency set up in the PMIS system, the second largest cause of exceptions is payments made to employees in a position which has an authorized period that has expired. The PMIS authorization is an important internal control over payroll processing. Such exceptions can largely be avoided through timely PMIS data entry by agency Human Resource staff. Although segregation of these Human Resource and Payroll functions is an effective internal control, coordination and communication between agency Human Resource and Payroll staffs is essential.



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

of payroll exceptions to salaried or wage payments exceeds three times the statewide average for the quarter.

Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Salaried Payments
Quarter Ended September 30, 2010

Total Salaried Payroll Exceptions for the Quarter	1.21%
--	--------------

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



Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Wage Payments
Quarter Ended September 30, 2010

Wage Payroll Exceptions for the Quarter	0.62%
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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>
Education	
Virginia State University	4
Transportation	
VDOT - Richmond District	4
VDOT - Hampton Roads District	26
Health and Human Resources	
Eastern State Hospital	12
Southwestern Virginia Training Center	1
Commerce and Trade	
Virginia Employment Commission	5
Independent	
State Lottery Department	1



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				
Christopher Newport University	\$ 113,372		2	
Mountain Empire Community College	48,567			
Northern Virginia Community College			3	
Piedmont Community College	182 *			
Transportation				
Department of Transportation	20,856			

* Explanation not received

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 June, July and August were due 07/30/10, 08/31/10 and 09/30/10, respectively.

**Schedule of Health Care Reconciliations
Received Late**

Agency	June	July	August
Piedmont Virginia Community College			L

L = Late



FINANCIAL MANAGEMENT ACTIVITY

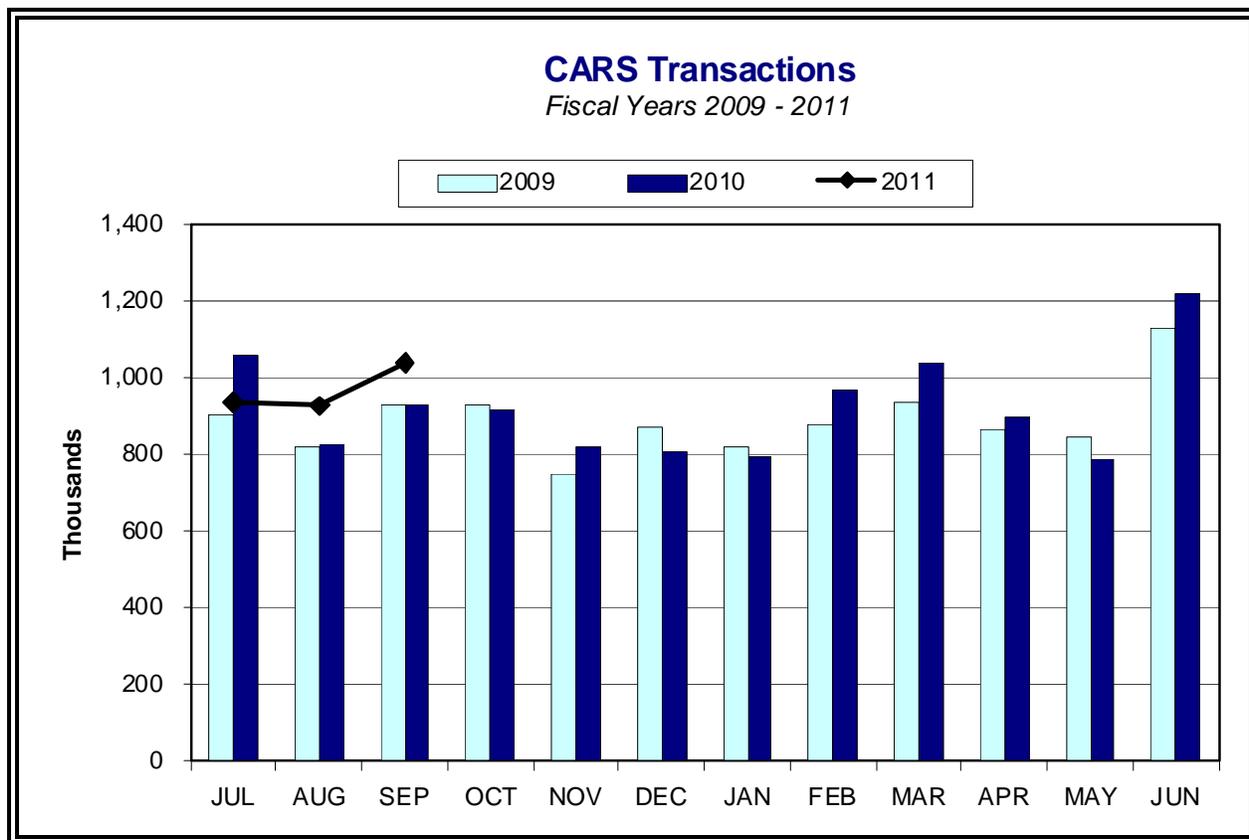
DOA monitors several types of financial activity. Various measures are used to track activities for CARS, payroll, accounts

receivable, indirect cost recoveries, treasury loans, and 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.

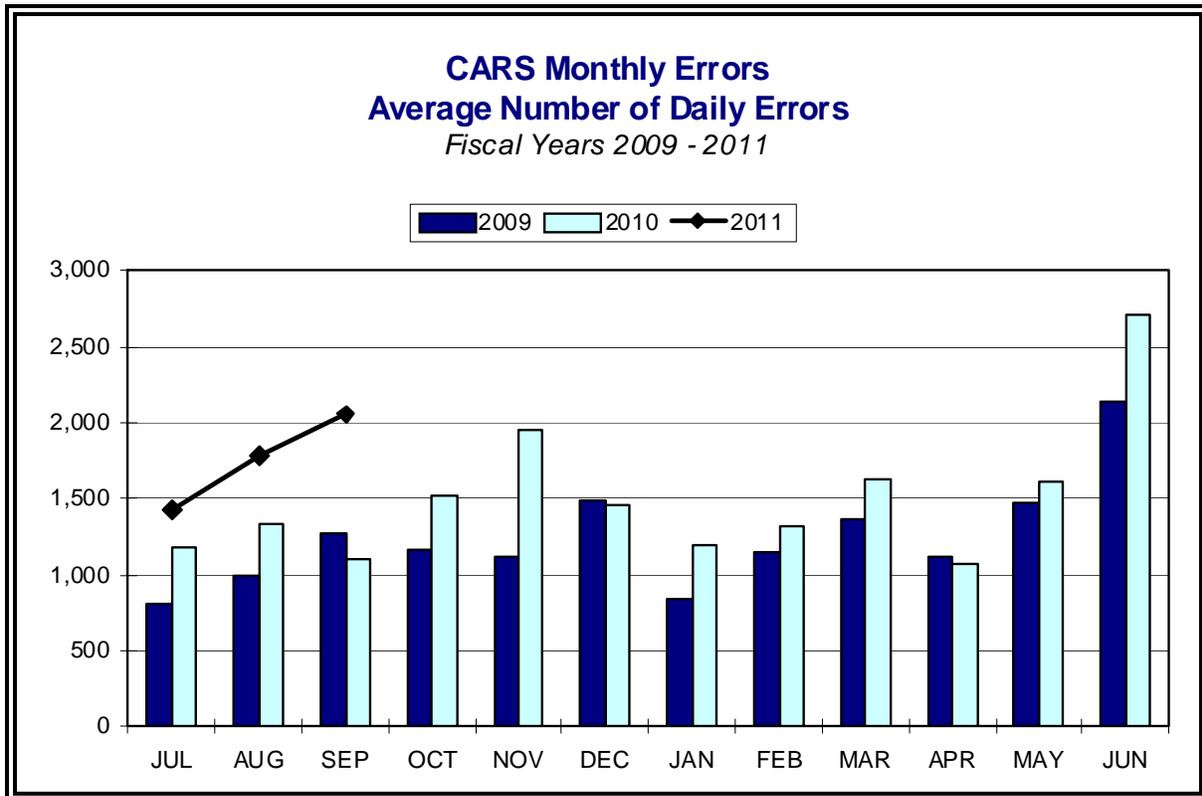


CARS Edits

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 first quarter of FY 2011, 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
- Expenditures > Allotment
- Certified Amounts Not Balanced

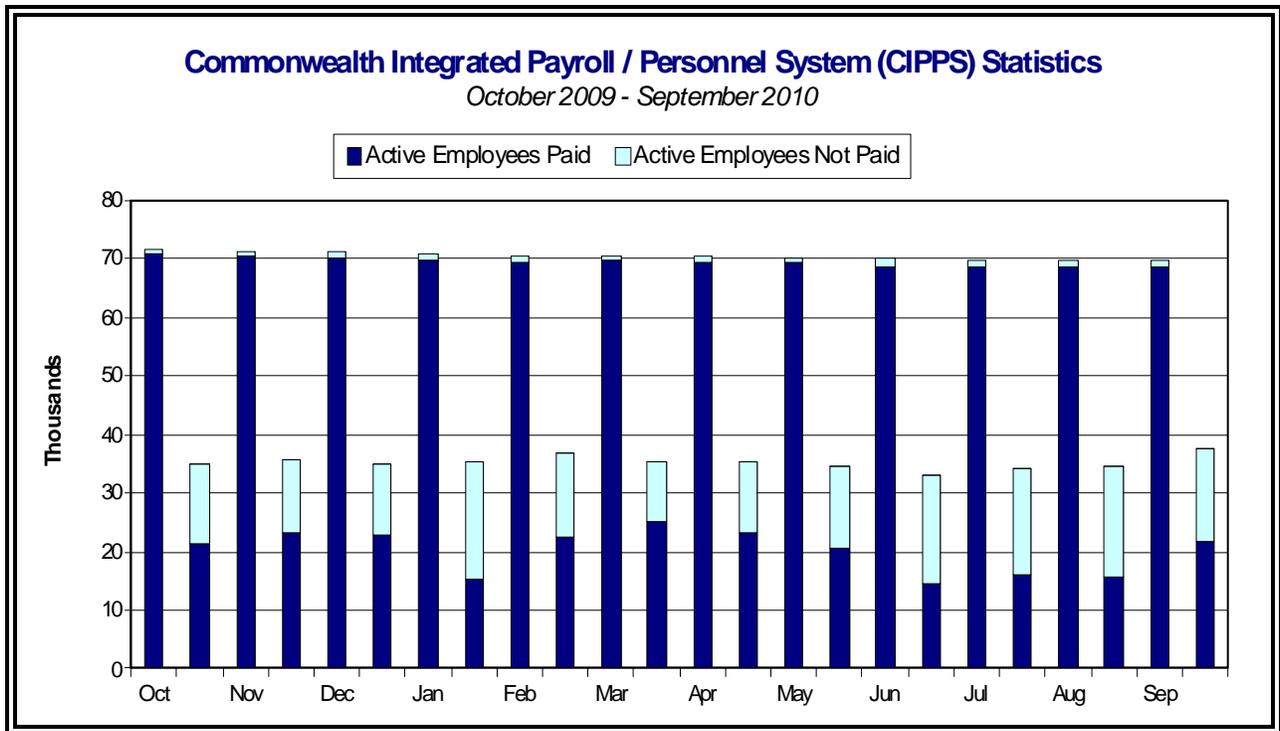


Payroll

The central payroll system for State government is known as *CIPPS*, the Commonwealth Integrated Payroll Personnel System. CIPPS is one of the largest payroll operations in the Commonwealth, serving 105,105 employees. Payroll services are also

provided through eight decentralized higher education institutions.

On average, 86,454 employees were paid each month, of which 68,540 were 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 4,461 savings bonds with a face value of over \$558 thousand.

As of September 1, 2010, U. S. Savings Bonds can only be purchased through payroll by enrolling with Treasury Direct and funding the TD account via a direct deposit to that account.

**Benefit Participation
Number of Participating Employees**

Benefit	As of 9/30/2010	Comparative	
		As of 9/30/2009	As of 9/30/2008
Health Care			
COVA Care	73,560	83,706	84,557
COVA Connect	7,564	N/A	N/A
Kaiser	2,120	2,074	2,027
Optional Retirement Plans*			
Fidelity Investments	567	562	572
TIAA/CREF	1,606	1,570	1,605
Political Appointee - ORP	88	88	89
Deferred Compensation*	39,531	39,787	37,936
Flexible Reimbursement*			
Dependent Care	765	759	830
Medical Care	7,344	7,359	7,671

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



Accounts Receivable

Executive Summary

The *Code of Virginia* § 2.2-4800 et seq. 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.

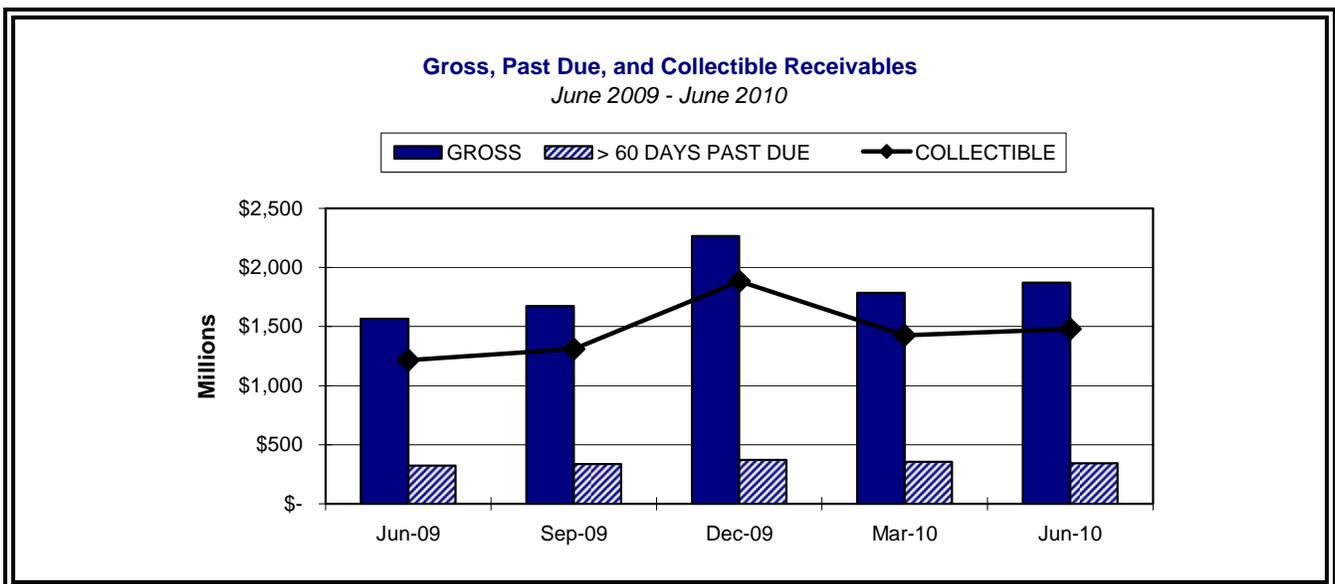
In an effort to present more meaningful information, DOA continues to exclude data from the tables (except for the final table on past due receivables) from the Department of Taxation, consisting largely of statutory assessments and non-filers assessments, and the circuit and district courts, which report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

Commonwealth agencies and institutions reported adjusted gross receivables of \$1.87

billion at June 30, 2010, with \$1.48 billion considered collectible. Receivables over 60 days past due as of June 30, 2010, totaled \$344.2 million. Of that amount, \$17.0 million was placed with private collection agencies, \$27.2 million was placed with the Division of Debt Collection and \$300.0 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 June 30, 2010, agencies expected to collect \$1.48 billion (79 percent) of the \$1.87 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 nongeneral funds.

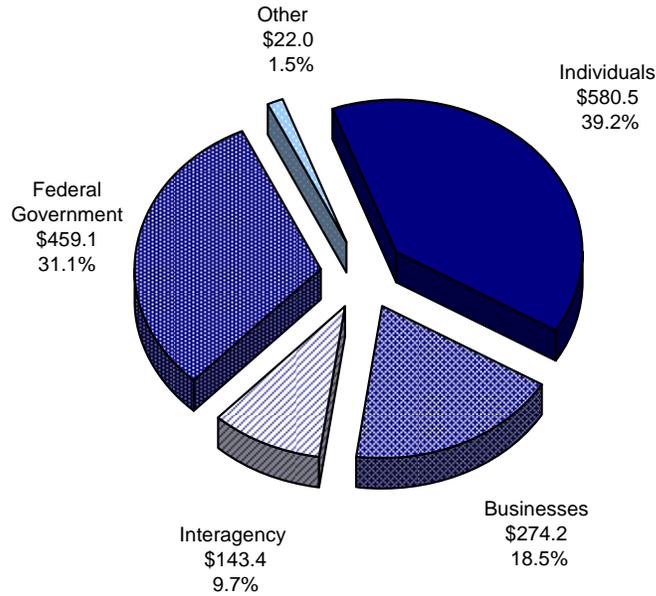
Collectible Receivables by Fund
Not Including Circuit Courts, District Courts, or Department of Taxation
As of June 30, 2010

Fund	Source	Amount	Percent	
General Fund 1%	Medicaid - Current Recoveries	\$ 10,618,481	49%	
	Social Services	3,705,606	17%	
	Labor and Industry Inspections	1,190,261	6%	
	State Police Permits	1,224,023	6%	
	Corrections	943,645	4%	
	Other	3,102,439	14%	
	Subtotal	20,784,455	96%	
	Interagency Receivables	795,811	4%	
	Total General Fund Collectible		\$ 21,580,266	100%
	Nongeneral Funds 99%	Medicaid - Dedicated Penalty Fees	\$ 49,568,944	3%
Medicaid - Federal Reimbursements		20,075,808	1%	
Unemployment Taxes *		115,748,097	8%	
Transportation		193,706,400	13%	
Child Support Enforcement		127,043,197	9%	
Federal Government		274,928,952	19%	
DBHDS Patient Services		24,571,377	2%	
Hospital		226,775,749	16%	
Enterprise		68,516,533	5%	
Higher Education		181,550,560	12%	
Other		32,538,203	2%	
Subtotal		1,315,023,820	90%	
Interagency Receivables		142,617,796	10%	
Total Nongeneral Fund Collectible		\$ 1,457,641,616	100%	
All Funds	Grand Total		\$ 1,479,221,882 100%	

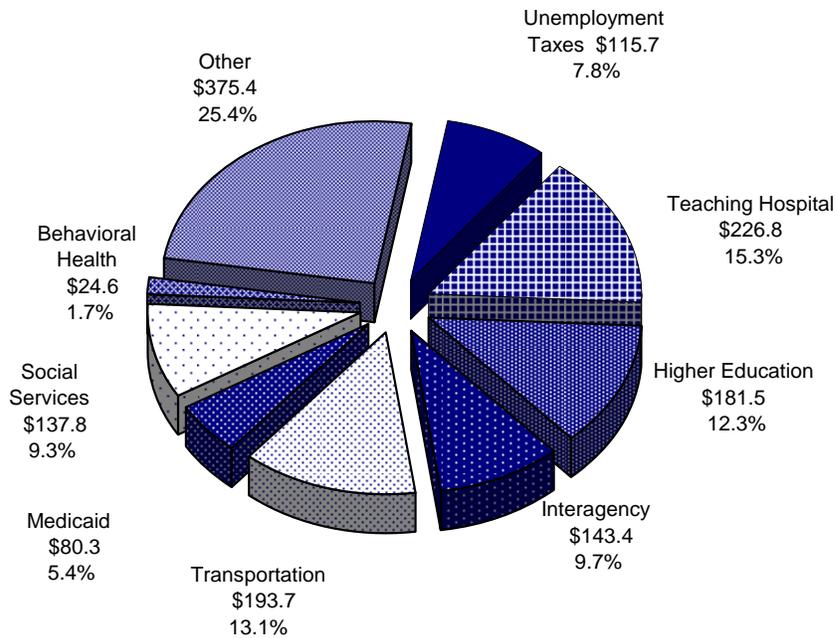
* Note: The Virginia Employment Commission provides Unemployment Taxes Information.

Summary of Receivables by Source

Sources of Collectible Receivables by Debtor
(dollars in millions)
As of June 30, 2010



Sources of Collectible Receivables by Type
(dollars in millions)
As of June 30, 2010



Not counting Taxation and the Courts, ten agencies account for 86 percent of the Commonwealth's adjusted gross and 84

percent of the adjusted collectible accounts receivable balances.

Accounts Receivable Summary
Not Including Circuit Courts, District Courts, or Department of Taxation
Quarter Ended June 30, 2010

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
University of Virginia Medical Center	\$ 293,519,767	\$ 16,261,792	\$ 277,257,975
Department of Education-Direct Aid to Public Education	255,402,435	-	255,402,435
Department of Transportation	190,877,222	1,557,870	189,319,352
Department of Social Services	399,047,556	260,720,725	138,326,831
Virginia Employment Commission	168,076,725	47,963,231	120,113,494
Department of Medical Assistance Services	107,054,860	26,763,712	80,291,148
University of Virginia - Academic Division	61,107,530	1,588,317	59,519,213
State Lottery Department	56,472,984	-	56,472,984
Virginia Polytechnic Institute & State University	46,344,550	2,695,859	43,648,691
Department of Behavioral Health & Developmental Services	37,994,388	13,423,011	24,571,377
Total	\$ 1,615,898,017	\$ 370,974,517	\$ 1,244,923,500
All Other Agencies	255,067,151	20,768,769	234,298,382
Grand Total	\$ 1,870,965,168	\$ 391,743,286	\$ 1,479,221,882

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.

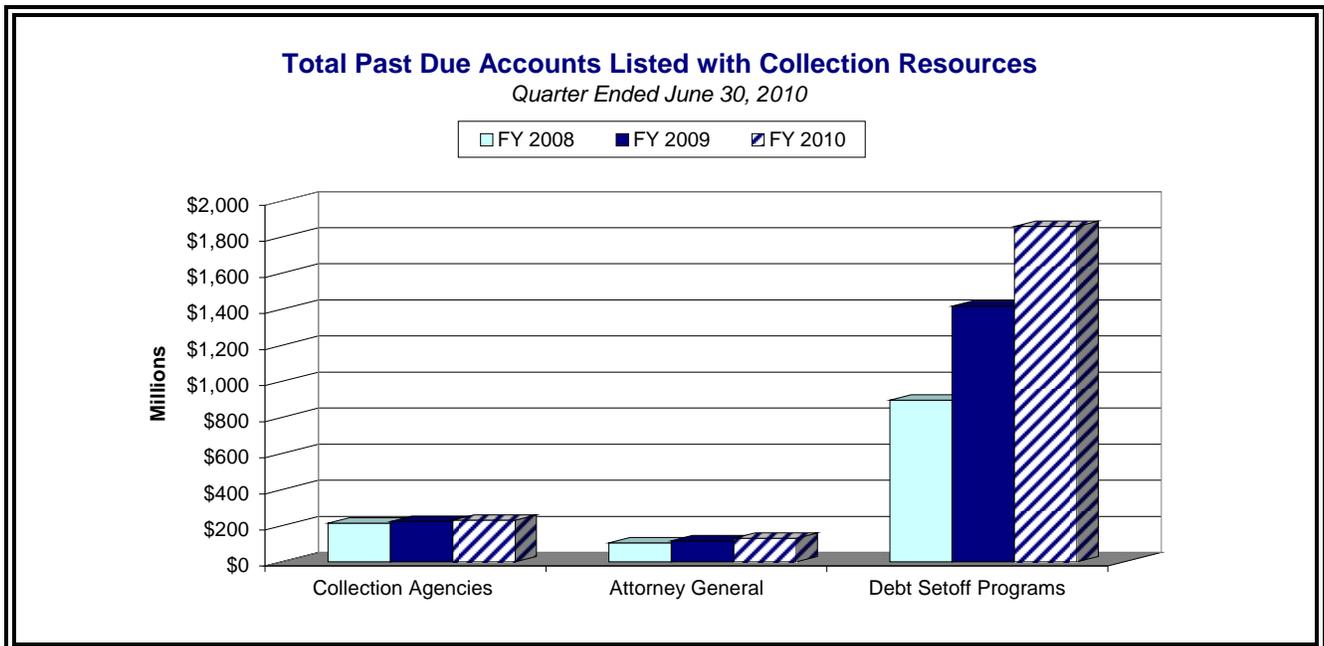
These additional collection tools recovered \$33.5 million during the quarter ended June 30, 2010. The Division of Debt Collection contributed \$1.5 million. Private collection agencies collected \$4.7 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected \$27.3 million.

Private collection agencies returned \$7.3 million of accounts to agencies, and the Division of Debt Collection discharged \$3.5 million of accounts and returned \$1.5 million of accounts to agencies.

Collectible Receivables Over 60 Days Past Due
Not Including Circuit Courts, District Courts or the Department of Taxation
 As of June 30, 2010

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	\$ 131,981,813	\$ 2,172	\$ -	\$ 131,979,641
Virginia Employment Commission	58,013,739	7,957,915	10,186,399	39,869,425
Department of Medical Assistance Services	37,411,935	41,867	129,309	37,240,759
University of Virginia Medical Center	35,489,990	-	-	35,489,990
Department of Transportation	18,554,020	961,282	8,711,535	8,881,203
University of Virginia - Academic Division	8,471,302	338,240	44,247	8,088,815
Department of Behavioral Health and Developmental Services	7,417,917	-	-	7,417,917
Virginia Commonwealth University	4,620,916	395,455	8,345	4,217,116
Virginia Information Technologies Agency	4,159,348	-	-	4,159,348
George Mason University	4,120,327	1,585,072	-	2,535,255
TOTAL	\$ 310,241,307	\$ 11,282,003	\$ 19,079,835	\$ 279,879,469
All Other Agencies	34,010,689	5,738,653	8,131,925	20,140,111
TOTAL OVER 60 DAYS	\$ 344,251,996	\$ 17,020,656	\$ 27,211,760	\$ 300,019,580
Uncollectible Amounts Placed for Collection, Including Accounts Written Off	3,816,563,001	2,112,217,799	103,317,157	1,601,028,045
TOTAL COLLECTION EFFORTS	\$ 4,160,814,997	\$ 2,129,238,455	\$ 130,528,917	\$ 1,901,047,625

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 \$3.5 million through the first quarter of FY 2011. Please note the amount reported is before any refunds.

Receivable Trend Data

One way to measure an agency's effectiveness at collecting its accounts receivable is to look at how efficient collection procedures are on accounts that are more than 60 days past due. The following

table looks at trend percentages of receivables over 60 days past due as a percentage of gross receivables for the agencies with the largest amounts over 60 days past due.

Percentage of Gross Receivables Over 60 Days Past Due

Agency	Percent at 6/30/10	Comparative	
		Percent at 3/31/10	Percent at 12/31/09
Department of Medical Assistance Services	35%	29%	33%
Virginia Employment Commission	35%	12%	48%
Department of Social Services	33%	34%	35%
George Mason University	31%	18%	35%
Department of Behavioral Health and Developmental Services	20%	27%	25%
Virginia Commonwealth University	15%	17%	3%
Virginia Information Technologies Agency	14%	26%	23%
University of Virginia - Academic Division	14%	20%	4%
University of Virginia Medical Center	12%	13%	15%
Department of Transportation	10%	27%	53%
Statewide Average - All Agencies	18%	20%	16%

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 84 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 84 percent indicates that for every \$1 billed during the quarter ended June 30, 2010, the state collected 84 cents. This rate is one percent more than last year, and two percent more than the June 30, 2008 quarter.

Collections as a Percentage of Billings

Agency	Percent 6/30/2010	Comparative	
		Percent 6/30/2009	Percent 6/30/2008
Virginia Employment Commission	159%	148%	252%
Virginia Polytechnic Institute and State University	118%	125%	123%
State Lottery Department	103%	101%	91%
Department of Social Services	101%	93%	118%
University of Virginia - Academic Division	91%	100%	96%
Department of Transportation	69%	68%	73%
Department of Behavioral Health & Developmental Services	62%	59%	39%
Department of Medical Assistance Services	60%	74%	69%
Department of Education-Direct Aid to Public Education	51%	66%	67%
University of Virginia Medical Center	33%	33%	29%
Statewide Average - All Agencies	84%	83%	82%

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 \$80.3 million at June 30, 2010, is a \$20.8 million increase over the \$59.5 million reported at June 30, 2009. Over the same period, total past due receivables of \$45.2 million have increased by \$8.0 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 \$277.3 million at June 30, 2010, were a \$22.9 million increase from the \$254.4 million reported the previous year. Past due receivables decreased by \$8.2 million to \$102.0 million at June 30, 2010.

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 \$120.1 million at June 30, 2010, an increase of \$44.8 million from the previous year. Total past due receivables were \$64.9 million, a \$20.9 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 June 30, 2010, of \$29.3 million, which is a decrease of \$1.8 million reported in the previous year. Most of these receivables are due from other state agencies. As of June 30, 2010, \$4.2 million was over 60 days past due, a decrease of \$2.0 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 three multi-state games, Mega Millions, PowerBall 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 June 30, 2010, the State Lottery reported net receivables of \$56.5 million, a \$3.4 million increase from the previous year. Billings decreased by \$7.9 million and collections decreased by \$4.9 million during the June 30, 2010 quarter when compared to the June 30, 2009 quarter. At June 30, 2010, the State Lottery had \$224,023 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 June 30, 2010, DOE had \$255.4 million in accounts receivable due from the Federal government under Direct Aid to Public Education. This is a \$111.7 million increase over 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 June 30, 2010, the University reported net collectible receivables of \$43.7 million, a \$781,205 increase over the prior year. At the same time, total past due receivables of \$7.7 million decreased by \$443,783 over the prior year.

The University uses a variety of collection methods to encourage payments. At June 30, 2010, VPISU had \$3.4 million of accounts over 60 days past due. \$1.4 million was placed with the Attorney General's Division of Debt Collection, another \$982,407 was placed with private collection agencies and \$1.6 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 June 30, 2010, the Department reported collectible receivables of \$24.6 million, a \$6.4 million decrease over the previous year. \$12.8 million was past due, with \$7.4 million being over 60 days past due. Total past due receivables decreased by \$2.9 million over the year, and accounts over 60 days past due decreased by \$3.0 million. At June 30, 2010, the Department had a total of \$5.7 million of accounts placed with the Attorney General and \$642,704 listed in Taxation's Debt Setoff Programs.

Department of Transportation (VDOT)

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

At June 30, 2010, VDOT reported \$189.3 million of collectible receivables, an increase of \$56.5 million from the prior year. VDOT also reported \$23.0 million total past due and \$18.6 million being over 60 days past due. Past due receivables increased by \$438,929 over the year, while receivables over 60 days past due increased by \$3.9 million. VDOT reports that the large majority of the accounts over 60 days past due continue to be amounts owed by cities, counties and towns that are participating on long-term construction projects with the department and where the local fund shares are provided by local debt financing.

VDOT reported placing \$8.7 million of their accounts over 60 days past due with the Attorney General's Division of Debt Collection, and \$961,282 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 June 30, 2010, DSS reported gross receivables of \$399.0 million, an allowance for doubtful accounts of \$260.7 million and collectible receivables of \$138.3 million. Past due receivables totaled \$134.0 million, of which \$132.0 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for \$365.1 million (91 percent) of the gross receivables, \$238.0 million (91 percent) of the allowance for doubtful accounts and \$127.0 million (92 percent) of the collectible receivables.

From June 30, 2009, to June 30, 2010, gross receivables increased \$23.1 million and collectible receivables decreased by \$9.5 million. Total past due receivables decreased by \$204,282 and receivables over 60 days past due increased by \$175,409.

***Department of Rail and Public
Transportation (DRPT)***

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

At June 30, 2010, DRPT had gross and net receivables of \$3.2 million. The majority of this money is due via an interagency transfer from VDOT. DRPT had no past due receivables at June 30, 2010.

Virginia Commonwealth University (VCU)

VCU, based in Richmond, offers 211 degree programs to over 32,000 students in a variety of fields ranging from accounting to pharmacy at both undergraduate and graduate levels.

At June 30, 2010, VCU had \$25.3 million of collectible receivables, a \$7.0 million increase from June 30, 2009. Total past due accounts were \$7.5 million, an \$11,724 increase from June 30, 2009. Accounts over 60 days past due (\$4.6 million) increased by \$716,659 from the prior year. Billings increased by \$11.5 million to \$77.8 million and collections increased by \$12.6 million to \$88.2 million for the June 30, 2010 quarter, when compared to the June 30, 2009 quarter.

The following table is prepared to present the June 30, 2010, aging information in conformity with the provisions of Section 2.2-603.E.(ii) of the *Code of Virginia*.

Commonwealth's total \$2.86 billion past due accounts receivable at June 30, 2010. Another 18 agencies accounted for 16 percent (\$457.3 million), leaving 71 other agencies to comprise the last one percent at \$22.8 million.

Taxation and the Circuit and District Courts accounted for 83 percent (\$2.38 billion) of the

Agencies with the Largest Volume of Past Due Receivables

As of June 30, 2010

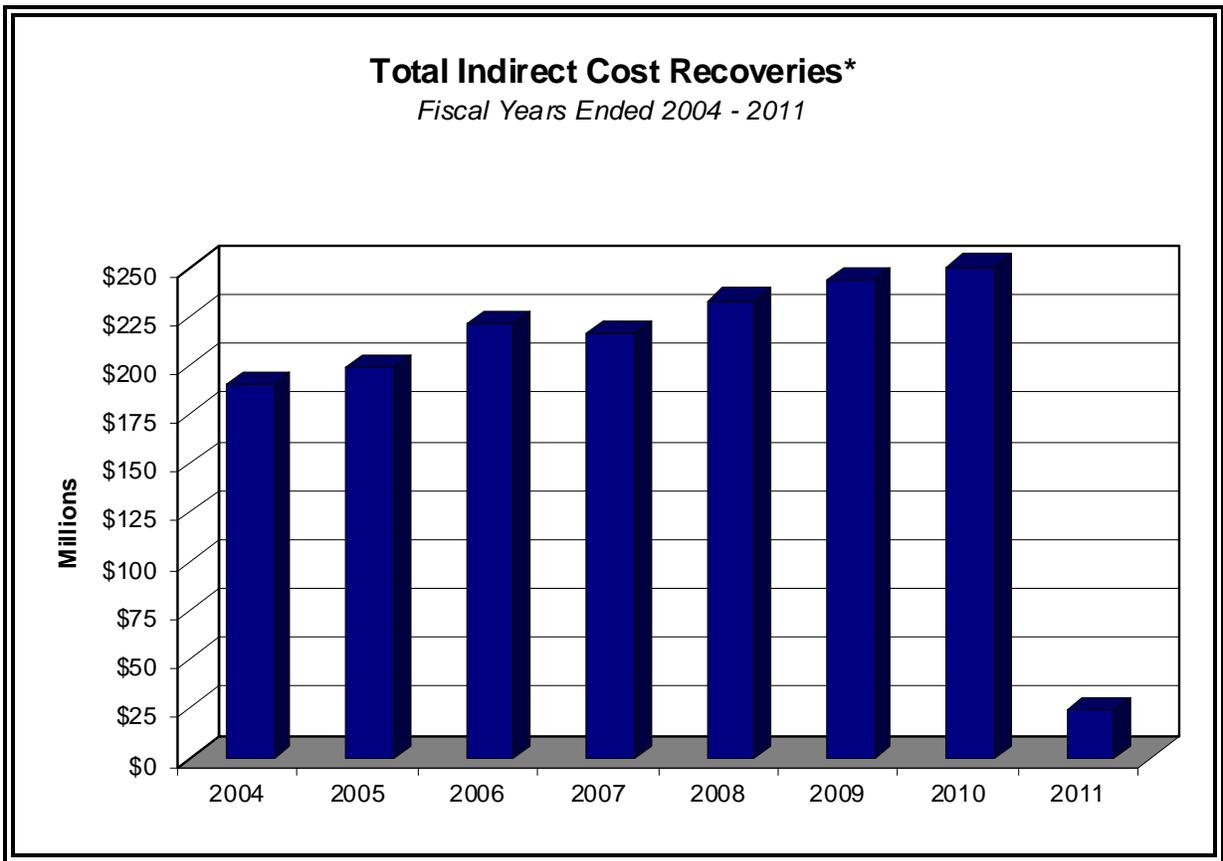
Agency	Total Past Due	1 to 180 Days Past Due	181 to 360 Days Past Due	Over One Year
Department of Taxation	\$ 1,800,879,579	\$ 182,997,628	\$ 168,085,204	\$ 1,449,796,747
Localities' Circuit and District Courts	581,865,842	35,424,136	65,474,617	480,967,089
Total - Taxation Assessments and Court Fines and Fees	\$ 2,382,745,421	\$ 218,421,764	\$ 233,559,821	\$ 1,930,763,836
All Other Large Dollar Agencies:				
Department of Social Services	134,046,082	6,393,873	6,380,907	121,271,302
University of Virginia Medical Center	102,023,033	88,244,492	8,631,381	5,147,160
Virginia Employment Commission	64,885,025	25,774,169	11,767,181	27,343,675
Department of Medical Assistance Services	45,210,390	21,046,313	5,564,254	18,599,823
Department of Transportation	22,964,549	5,923,816	6,675,058	10,365,675
University of Virginia - Academic Division	18,460,995	15,012,868	2,699,380	748,747
Department of Behavioral Health and Developmental Services	12,813,086	10,996,711	5,117	1,811,258
George Mason University	8,213,259	7,316,156	855,400	41,703
Virginia Polytechnic Institute & State University	7,695,926	5,438,676	736,291	1,520,959
Virginia Commonwealth University	7,462,567	2,990,115	2,313,722	2,158,730
Virginia Community College System	7,115,671	5,755,164	749,622	610,885
Virginia Information Technologies Agency	5,666,167	2,639,436	1,378,234	1,648,497
Department of General Services	4,748,524	1,768,273	1,138,659	1,841,592
Virginia Workers' Compensation Commission	3,520,374	708,699	1,176,799	1,634,876
Department of Health	3,514,001	1,893,338	373,377	1,247,286
State Corporation Commission	3,179,659	3,088,569	90,248	842
Department of Labor and Industry	3,004,091	728,024	655,967	1,620,100
Department of Motor Vehicles	2,750,807	1,870,642	184,942	695,223
Total - Largest Dollar Volume Agencies	\$ 457,274,206	\$ 207,589,334	\$ 51,376,539	\$ 198,308,333
All Other Agencies	22,834,503	15,617,311	2,906,509	4,310,683
Grand Total Past Due Receivables	\$ 2,862,854,130	\$ 441,628,409	\$ 287,842,869	\$ 2,133,382,852



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 2011 reflects indirect cost recoveries through September 30, 2010.

Indirect Cost Recoveries from Grants and Contracts

Fiscal Year 2011

Fund	Year-to-Date		
	Higher Ed	Non-Higher Ed	Total
Nongeneral:			
Agency / Institution (1)	\$ 6,381,877	\$ 16,781,132	\$ 23,163,009
Statewide	27,979	248,891	276,870
Agency / Institution ARRA	375,307	92,732	468,039
Statewide ARRA	294	55,471	55,765
Total Nongeneral	\$ 6,785,457	\$ 17,178,226	\$ 23,963,683
General:			
Agency (Cash Transfers)	-	-	-
Statewide	-	129,289	129,289
Statewide (Cash Transfers)	-	-	-
Total General	\$ -	\$ 129,289	\$ 129,289
Total All Funds	\$ 6,785,457	\$ 17,307,515	\$ 24,092,972

- (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 \$12,009,735 representing the Department of Social Services' estimate of indirect cost recoveries received. This does not include covered higher education institutions.



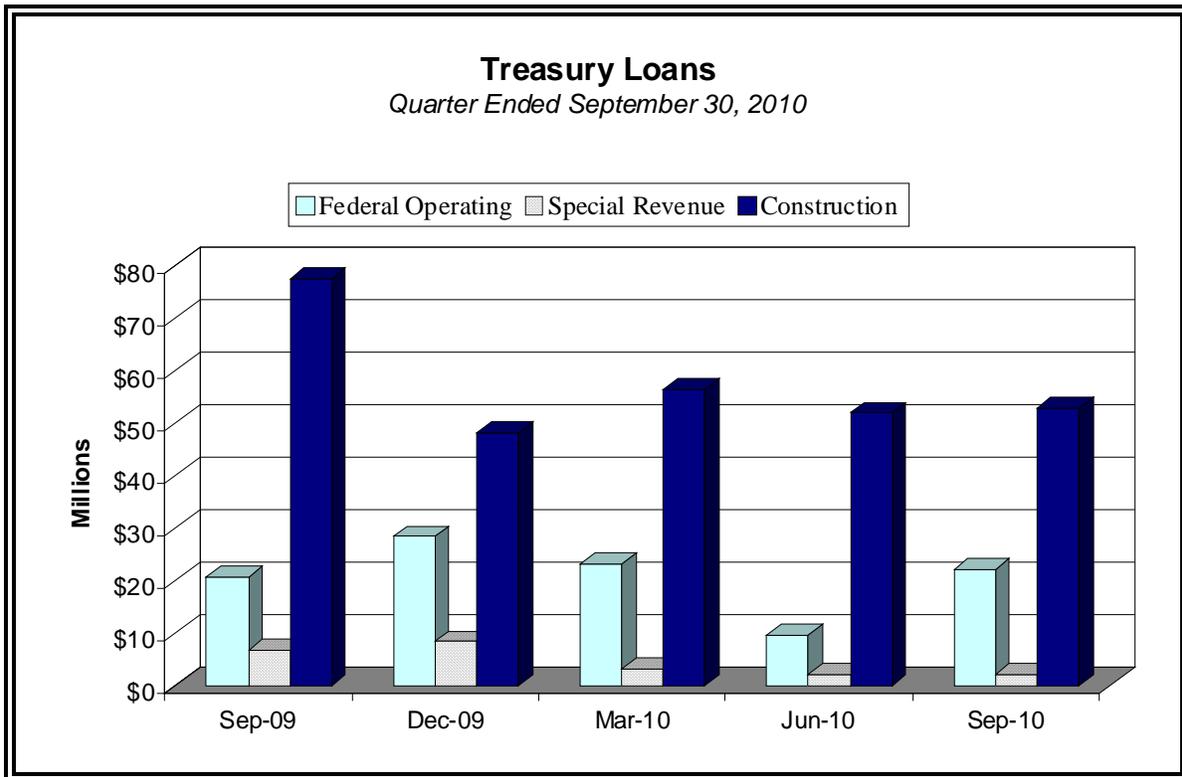
Loans and Advances

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 September 30, 2010, was \$76.8 million.



Significant New Loans / Drawdowns	New Balance
George Mason University (GMU) Drawdown on a \$12.5 million loan used to provide operating funds while awaiting federal reimbursements for approved grants and contracts.	\$ 12,500,000.00
Department of Transportation (VDOT) Drawdown on a \$10 million loan used to fund the Highway Planning and Construction – ARRA Fund.	\$ 3,000,000.00
Virginia Commonwealth University (VCU) Drawdown on a \$9.2 million loan used for the construction of the New School of Medicine.	\$ 1,930,178.26

Significant Loan Repayments	Prior Balance
Department of Transportation (VDOT) Final payment on a \$5 million loan used to fund the Highway Planning and Construction – ARRA Fund.	\$ 1,000,000.00
Department of Veterans Services (DVS) Payment on a \$10.2 million loan used for the construction of the Southwest Virginia Veterans Cemetery.	\$ 2,700,797.76

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/appropriations as of September 30, 2010.
- **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 September 30, 2010, was \$21.7 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 September 30, 2010, was \$92.9 million.

