

**REPORT ON
STATEWIDE FINANCIAL MANAGEMENT AND
COMPLIANCE**

FOR THE QUARTER ENDED DECEMBER 31, 2011



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 December 31, 2011, and comparative FY 2011 data. Some information in the report is for the quarter ended September 30, 2011, 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 No. 10205, *Agency Response to APA Audit*, contains instructions and guidance on preparing the workplan.

The APA also reports additional recommendations that can include risk alerts, efficiency issues, or any other improvements that can be made within agency operations. Risk alerts address issues that are beyond the capacity of agency management to implement effective corrective actions. Efficiency issue report items provide management with recommendations to enhance agency practices, processes or procedures. Additional recommendations are provided following the Audit Findings section.

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

Audit Reports – Quarter Ended December 31, 2011

The APA issued 16 reports covering 31 State Agencies for the Executive Branch. The last column indicates whether the CAW has been received as of the date of this publication for each agency with audit findings. Note that in some cases, the CAW may not have been received because it is not yet due.

	New Findings	Repeat Findings	Total Findings	CAW Received
Administration				
None				
Agriculture and Forestry				
None				
Commerce and Trade				
Department of Mines, Minerals, and Energy	0	0	0	N/A
Virginia Economic Development Partnership	0	0	0	N/A
Virginia Employment Commission	2	1	3	YES
Virginia Racing Commission	1	0	1	YES
Education				
Old Dominion University	0	1	1	YES

	New Findings	Repeat Findings	Total Findings	CAW Received
University of Virginia	0	0	0	N/A
Virginia Polytechnic Institute and State University	0	0	0	N/A
Executive Offices				
Office of the Governor	0	0	0	N/A
Office of the Lieutenant Governor	0	0	0	N/A
Attorney General and Department of Law ⁽¹⁾	1	0	1	YES
Division of Selected Agency Support Services ⁽²⁾				
Citizens' Advisory Council	0	0	0	N/A
Interstate Organization Contributions	0	0	0	N/A
Office of Substance Abuse Prevention	0	0	0	N/A
Secretary of the Commonwealth	0	0	0	N/A
Virginia-Israel Advisory Board	0	0	0	N/A
The Governor's Cabinet Secretaries ⁽³⁾				
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
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
Secretary of Veterans Affairs and Homeland Security	0	0	0	N/A
Finance				
None				
Health and Human Resources				
Virginia Foundation for Healthy Youth	0	0	0	N/A
Natural Resources				
None				
Public Safety				
Department of Alcoholic Beverage Control	2	1	3	YES
Technology				
Innovation and Entrepreneurship Investment Authority ⁽⁴⁾	0	0	0	N/A
Transportation				
Virginia Port Authority	1	1	2	YES
Veterans Affairs and Homeland Security				
None				

(1) This report includes the Division of Debt Collection.

(2) One report covering five entities.

(3) One report covering 11 agencies.

(4) This report includes the Center for Innovative Technology, a Blended Component Unit.



Audit Findings - Quarter Ended December 31, 2011

The following agencies had one or more findings contained in their audit report.

Commerce and Trade

Virginia Employment Commission (VEC)

1. Resolve Employer Wage Discrepancies Timely. The Tax Reconciliation Unit is not consistently reviewing and resolving wage discrepancies in a timely manner. Employers report wages paid to employees to the Employment Commission, which verifies the amounts reported against other sources of information such as tax returns. Differences between the amounts reported to the Employment Commission appear on various wage discrepancy reports and the Tax Reconciliation Unit reviews and resolves discrepancies that meet certain thresholds.

During their review, the APA found the Tax Reconciliation Unit did not adequately resolve three out of sixteen (19 percent) wage discrepancies tested in a timely manner. These wage discrepancies date from January 2008, March 2010, and January 2011. While the Tax Reconciliation Unit staff did identify these discrepancies and contact the employer, they did not perform additional follow up and these discrepancies remain unresolved. In addition, the Tax Reconciliation Unit does not have consistent policies for what constitutes timely resolution of identified discrepancies.

During the APA's review, they also requested a complete listing of wage discrepancies that the Tax Reconciliation Unit was currently working on and the Unit told the APA multiple times they could not provide them with a complete listing. Tax Reconciliation staff subsequently provided the APA with several listings, but the listings were incomplete and did not include information on the discrepancy amount or age of the discrepancy. As a result, the APA was unable to determine the total number of discrepancies or total dollar amount of discrepancies the Unit is currently researching.

The APA recommends that the Tax Reconciliation Unit improve their review and resolution process for wage discrepancies to ensure timely resolution of discrepancies over the established thresholds. The Unit should also ensure they have consistent policies on timely resolution of the discrepancies as well as information necessary to track and monitor the status of discrepancies under review.

2. Follow Timekeeping and Payroll Procedures. Employment Commission staff need to consistently follow policies and procedures over timekeeping and payroll. To address an increased workload over the last several years, the Employment Commission has hired additional personnel and required overtime for many staff. As a result, it is critical that the Employment Commission staff follow policies and procedures over timekeeping and payroll; the APA found the following instances where staff did not follow these policies and procedures.
 - Supervisors are not consistently obtaining advance approval for overtime. The Employment Commission's policies require an employee's supervisor obtain advance

approval from the Division head for overtime including the specific dates and hours of overtime.

The APA reviewed overtime records for a sample of fourteen employees and found that 11 of the employees had instances during the year where their Supervisor did not get approval in advance for the overtime. Although overtime worked was subsequently approved, seven of the employees worked more overtime hours than approved.

- Supervisors did not obtain approval for two out of 18 (11 percent) part-time employees tested who worked over 1,500 hours. Employment Commission and Commonwealth policies require supervisors request advance approval for part time workers who work more than 1,500 hours in a year. In one case, the supervisor subsequently obtained approval for the employee.

In the other case, the supervisor did not get approval for the additional hours worked, but the employee continued to work unpaid. The employee worked 546 hours from July to October 2010, but the Employment Commission did not pay her for these hours and she did not record these hours on her timesheet. When the supervisor retired, the employee brought this to the attention of the new supervisor and the Employment Commission paid the employee for all hours worked.

The Employment Commission also needs to improve access controls to TimeKeepers, their internal payroll and timesheet processing system. The APA found three employees with timesheet approval access for TimeKeepers, but there was no documentation authorizing these individuals to have approval access. These individuals noted did not approve any timesheets during the audit period and the Employment Commission deleted access for two of these individuals after the APA brought this to their attention. Additionally, there is no periodic management review of TimeKeepers access even though this is a critical system to the Employment Commission's payroll process.

The APA recommends that the Employment Commission strengthen policies and procedures over TimeKeepers system access to help ensure only authorized individuals can access the system. When employees have access they do not need to complete their job duties, this increases the risk that fraudulent activities could occur. Employment Commission management should also ensure policies and procedures over approval for overtime and part time employees are followed. More effective overtime controls will minimize the opportunity for abuse and increase the efficient use of federal operating funds.

3. Perform VATS and VABS System Access Review. **This is a repeat finding.** The Employment Commission did not review user access for the Virginia Automated Benefit System (VABS) and the Virginia Automated Tax System (VATS) as required by their policies and procedures. The Information Security Officer and management are required to annually review user access for critical information systems, but this review has not been performed since May 2010.

The Information Security Officer at the Employment Commission should ensure that management performs annual reviews of VATS and VABS access as required by their

policies and procedures. Employees having access that they do not need to complete their job duties increases the risk that fraudulent activities could occur.

Virginia Racing Commission (VRC)

1. Use Supported Database Software. The Commission is using an unsupported version of the Oracle database system software for its central licensing, veterinary records management, and financial management applications. Industry best practices require that the information system software that supports agencies' essential business functions should be a version that the vendor currently supports and maintains. The impact of not having currently supported systems software places the Commission's information systems at risk for data breach and exposure, loss of availability, and loss of data integrity.

The APA found that, although the current database software is unsupported, the Commission has designed manual processes in the event their application becomes unavailable. The database does hold sensitive information, however there are other controls mitigating the risk of loss of this sensitive information. These controls include physical security at the Commonwealth Enterprise Solutions center where the Commission's servers are housed; logical access control within the Commonwealth of Virginia network; and network and server activity monitoring performed by the Commonwealth Information Technology Infrastructure Partnership.

The Commission does not comply with the industry best practice and Commonwealth's security standard minimum configuration requirements on their licensing system database. The APA has communicated the details of these weaknesses to management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia, due to their sensitivity and description of the security system.

The APA recognizes that the Commission attempted to upgrade this database to a current version of Oracle two years ago and settled the resulting lawsuit with Oracle last year after their unsuccessful upgrade. It is further acknowledged that the replacement of the existing applications and database requires funding which is limited. Therefore, the APA recommends the Commission dedicate the necessary resources to ensure that its core information systems are upgraded to a supported database to ensure the continued integrity and availability of its data.

Education

Old Dominion University (ODU)

1. Improve Risk Management and Contingency Planning. **This is a repeat finding and significant progress has been made.** Old Dominion University had not completed a comprehensive review and update of its information security program since 2007, and did not meet its internal objective of a regular update and review every three years in 2010. The University was updating the plan for new systems, but it did not consider their impact on other systems or fully assess their impact on business operations and contingency planning. An incremental approach to updating the information security program is reasonable, as long

as the University completes a comprehensive review every three years, in accordance with University policy, and whenever it implements major systems.

The APA had recommended that the University conduct the review it had planned for 2010, and reinstate its three year systematic review of their risk management and contingency planning documents for accuracy, consistency, and current system information. The University should review and update risk management documents, such as the business impact analysis and risk assessment, at least every three years and when there are major changes in their information systems environment. Contingency planning documents, such as the continuity of operations plan and disaster recovery plan should be tested and reviewed annually.

Executive Offices

Office of the Attorney General and the Department of Law (OAG)

1. Strengthen Internal Controls Over Cash. Over a period of multiple years, the Office of the Attorney General and Department of Law (Office) collected and held non-state funds, totaling approximately 500 dollars, for a non-state organization. During the fiscal year 2011 audit, management informed the APA that the Office could not locate these funds. The APA reviewed the process used to collect and store these funds and found a lack of internal controls over cash, which greatly increases the risk of loss or misappropriation.

Prior Finance staff stored these funds in a safe located in the Deputy Director of Finance's office. There was no authorization or awareness by management that agency personnel were collecting or storing the funds. When the non-state organization contacted the Office in 2011 to retrieve the funds, the Office was unable to locate the cash.

The APA performed a review of the process used to collect these funds and determined that there were no procedures for the collection, receipting, and deposit of cash collections for outside non-state funds. Although the APA found evidence that Finance staff receipted these funds, those involved with the funds did not maintain receipts or other documentation to substantiate the funds collected.

The Finance staff left the safe containing these funds unlocked and unattended during business hours, so the APA could not determine all individuals who may have accessed these funds. Furthermore, the Office also collected cash contributions from employees for donation to charitable organizations, and Finance staff stored these funds in the same safe. Consequently, the APA could not eliminate the possibility that Finance staff unintentionally commingled the missing funds with other funds in the safe.

Based on the circumstances described above, establishing who lost or took the funds is unlikely. The Office has developed policies and procedures surrounding cash collections of Commonwealth of Virginia funds and prohibiting Finance staff from handling non-state funds. The APA recommends that the Office communicate these policies and procedures to all staff periodically to ensure compliance.

Department of Alcoholic Beverage Control (ABC)

1. Improve User Account Controls. The Department of Alcoholic Beverage Control (ABC) neither deletes disabled user accounts nor reviews disabled user account activity. While certain access restrictions would prevent non-system users from improperly using these accounts, a knowledgeable insider could use the lack of account monitoring and not deleting the accounts to take advantage of this lack of control to improperly circumvent the system without detection. Most breaches of information security and loss of data and assets comes from insiders taking advantage of the system.

ABC's data retention policy requires the removal of disabled user accounts from Information Technology (IT) systems after three years. However, ABC is not enforcing its data retention policy nor is ABC monitoring disabled user account access to ensure that no one has improperly used the accounts. Both the monitoring and the eventual removal are essential internal controls to protect information and assets. Therefore, the APA recommends that ABC dedicate the necessary resources to delete disabled user accounts and monitor disabled user accounts for unusual activity. ABC also needs to re-evaluate its current three year user account retention policy and develop a policy where the timeframe is commensurate with the risk identified in its IT risk assessment and business impact analysis.

2. Improve Remote Store Server Security. ABC does not comply with the industry best practice and Commonwealth's security standard minimum configuration requirements on their Point of Sale servers. The APA has communicated the details of these weaknesses to management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia, due to their sensitivity and description of the security system.

The APA recommends that ABC utilizes a compliance validation tool to determine an appropriate baseline for the POS server configuration security settings. Additionally, the APA recommends that ABC configure all of their remote store servers in accordance with Center for Internet Security best practices and the Commonwealth's Information Security Standard, SEC501-06.

3. Improve Compliance with Information Security Program. **This is repeat finding.** ABC has not performed system access reviews for SEIS, CORE, MyABC, or MOVE, which are four of the department's 13 major systems, during the fiscal year. Without adequate reviews and approval of users and their access role configurations by System Administrators or by individuals with technical knowledge and authority within the agency, such as the Information Security Officer (ISO), ABC risks allowing inappropriate access to sensitive data. Inappropriate access puts ABC at risk for undetected, unauthorized changes to systems and data due, and can lead to fraud and abuse.

In the prior audit, the APA noted that ABC was not performing system access security reviews in compliance with its information security program and acknowledge that ABC has made limited progress on this issue. The ISO should develop and implement a method to systemically review user's access across all major systems annually and all other systems at least every two years. Further the ISO should dedicate the necessary resources to achieve

this compliance. Since bringing this matter to the attention of the Security Officer, he has begun addressing these systems.

Transportation

Virginia Port Authority (VPA)

1. Improve IT Security Program. **This is a repeat finding.** The Virginia Port Authority (Authority) is continuing to improve its IT Security program since its last review. While the Authority's security program is still missing some components that will improve controls to safeguard mission critical and confidential data, the Authority and its IT service provider, Virginia International Terminals (VIT), contracted with an IT security firm to perform a comprehensive information security program review.

The review found that the Authority and VIT need to improve nine specific areas of concern. Due to the sensitivity and the descriptions of a security system, the APA does not disclose the specific weaknesses in this recommendation and in accordance with Section 2.2-3705.2 of the Code of Virginia this information is exempt under the Freedom of Information Act. However, the APA reviewed and the IT security firm communicated the weaknesses to management. The Authority and VIT intend to mitigate these weaknesses and are developing a detailed timeline for implementation.

The APA recommends that the Authority, together with VIT, implement the recommendations identified by the IT security firm. The APA also recommends that the Authority update its IT security program to include the data safeguard requirements of its IT service provider, VIT. The Authority should also communicate these requirements to VIT and request periodic audits of the VIT systems environment to ensure compliance.

2. Improve Microsoft SQL Server Security. The Authority does not manage its Microsoft SQL databases to minimize the risk of malicious or unapproved modification of data. The Authority should document and implement a baseline set of internal controls to prevent and detect malicious actions against mission critical data. Industry best practices recommend some of these controls and the others are necessary to compensate for other weaknesses in an IT environment.

Specifically, the Authority needs to improve areas of operating system and application logical access, operating system configuration, authentication, password management, and security updates. The APA has communicated the details of these weaknesses to management in a separate document that is exempt under the Freedom of Information Act in accordance with Section 2.2-3705.2 of the Code of Virginia, due to their sensitivity and description of a security system.

The APA recommends that the Authority dedicate the necessary resources to continue improving Microsoft SQL Server database management. At a minimum, the Authority should consider establishing controls for the weaknesses noted above or specify compensating controls for those items not mitigated. The APA also encourages the Authority to run freely available scanning tools to ensure compliance with best practices and timely application of the latest security updates.



Additional Recommendations – Quarter Ended December 31, 2011

The APA did not issue additional recommendations during the quarter ended December 31, 2011.

Special Reports – Quarter Ended December 31, 2011

The APA issued the following Special Reports that contained management recommendations:

Report to the Joint Legislative Audit and Review Commission for the quarter July 1, 2011 through September 30, 2011

Review of Retail Sales and Use Tax Collection and Distribution Processes - November 2011

Review of the State Employees Health Insurance Fund—October 2011

The APA issued the following Special Reports that did not contain management recommendations:

General Assembly, Legislative Agencies, and Commissions of the Commonwealth of Virginia Financial Report for the year ended June 30, 2011, with the Independent Accountant’s Report on Applying Agreed-Upon Procedures

Revenue Stabilization Fund Calculations for the year ended June 30, 2011

Review of Compliance with the Federal Payments in Lieu of Taxes (PILT) Act for the period October 1, 2010 through September 30, 2011

Other Audit Reports Received – Quarter Ended December 31, 2011

The APA issued the following “Other Reports” that contained management recommendations:

Virginia Biotechnology Research Partnership Authority for the year ended June 30, 2011

Virginia College Savings Plan for the year ended June 30, 2011 (Two Efficiency Observations)

The APA issued the following “Other Reports” that did not contain management recommendations:

Internal Control Report on Audit of Local Government Investment Pool, Virginia College Building Authority, Virginia Public Building Authority, and Virginia Public School Authority for the year ended June 30, 2011

Old Dominion University Intercollegiate Athletics Programs for the year ended June 30, 2011

Virginia Commercial Space Flight Authority for the year ended June 30, 2011

Virginia Retirement System for the year ended June 30, 2011

Virginia State Lottery Department for the year ended June 30, 2011

Virginia Tobacco Indemnification and Community Revitalization Commission for the year ended June 30, 2011



Summary 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 summarized in this report.

It is important to note that the finding status reported is self-reported by the agencies and will be subject to subsequent review and audit. Corrective action is considered to be delayed when it has not been completed by the original targeted date. Additional detail for the status of each finding is provided in the subsequent table.

	IN PROGRESS		COMPLETED	
	On Schedule	Delayed	On Schedule	Delayed
Administration				
State Board of Elections	0	1	0	0
Agriculture and Forestry				
None				
Commerce and Trade				
Department of Business Assistance	0	1	0	0
Education				
Christopher Newport University	0	1	0	0
Frontier Culture Museum of Virginia	0	1	0	0
George Mason University	0	0	1	0
Longwood University	0	1	0	0
Norfolk State University	0	1	0	1
Old Dominion University	0	0	1	0
Virginia Community College System				
Blue Ridge Community College	0	0	2	0
Central Virginia Community College	0	0	1	0
Danville Community College	0	0	4	0
Eastern Shore Community College	0	1	0	0
Lord Fairfax Community College	0	0	2	0
Northern Virginia Community College	0	2	1	0
Patrick Henry Community College	0	0	4	0
Tidewater Community College	0	0	1	0
Wytheville Community College	0	0	1	0
Virginia Museum of Fine Arts	0	1	0	0
Virginia Polytechnic Institute and State University	0	0	1	0
Virginia School for the Deaf and Blind	1	0	2	0
Virginia State University	0	0	3	2
Executive Offices				
None				

	IN PROGRESS		COMPLETED	
	On Schedule	Delayed	On Schedule	Delayed
Finance				
Department of Taxation	0	0	0	1
Health and Human Resources				
Department for the Aging	0	0	0	1
Department of Behavioral Health and Developmental Services	0	1	2	2
Department of Health	1	0	0	0
Department of Medical Assistance Services	0	1	0	0
Department of Rehabilitative Services	0	1	0	0
Department of Social Services	1	2	0	2
Natural Resources				
Department of Game and Inland Fisheries	1	2	1	0
Virginia Museum of Natural History	0	1	0	0
Public Safety				
Department of Corrections	0	2	1	0
Department of Emergency Management	0	0	1	0
Department of Forensic Science	0	0	0	1
Department of Military Affairs	0	1	0	0
Department of State Police	1	1	0	0
Department of Veterans Services	0	0	4	0
Virginia War Memorial Foundation	0	0	2	0
Technology				
Virginia Information Technologies Agency	0	2	0	0
Wireless E-911 Services Board	1	1	0	0
Transportation				
Department of Motor Vehicles	0	1	0	0
Virginia Port Authority	0	1	0	0
TOTALS	6	27	35	10



Status of Prior Audit Findings

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

The first two digits of the finding number are the fiscal year audited in which the finding occurred. The next two digits represent the number of the finding that occurred in the year audited. Multiple finding numbers for one finding represent repeat findings.

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
State Board of Elections (SBE)				
2010	10-02 08-02	Improve information systems security program. This is a repeat finding.	The agency's IT Manager has completed the IS officer training provided by VITA. Work continues with DOA to complete a Risk Assessment. However, progress on this finding has stalled. The agency currently does not have sufficient resources to maintain the integrity of elections and to address this finding. Additional IT positions have been submitted for approval to address the issue.	In Progress (Delayed)
Department of Business Assistance (DBA)				
2010	10-02 08-03 07-06	Complete the Agency's Information Security Program. This is a repeat finding.	DBA has completed the RFP process and signed a contract for development of the replacement system. The development cycle is estimated to be completed in 6-8 months. The new database will represent a significant milestone to achieving compliance with COV requirements for IT Systems Security and Disaster Recovery Plans.	In Progress (Delayed)
Christopher Newport University (CNU)				
2010	10-01 09-04	Improve information security management. This is a repeat finding.	Passwords were changed on November 1, 2011, from the calendar event initiated in the prior quarter. Testing of the password change confirmations has been added to the ARMICS review to ensure compliance. CNU has also procured a network	In Progress (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
			appliance that can be connected to the enterprise environment and configured to automatically alert technical staff of security compromises. Management is continuing to recruit and hire a DBA Manager and Sr. DBA which will provide the necessary resources to assist in monitoring the audit logs and user access.	
<u>Frontier Culture Museum of Virginia (FCMV)</u>				
2009	09-01	Perform fixed asset reconciliations.	The agency is currently testing its FAACS procedure as there are several assets being entered to the system.	In Progress (Delayed)
<u>George Mason University (GMU)</u>				
2010	10-01	Improve information security program.	A policy has been written addressing management of critical database logs. Administrators have been trained on this new policy. A policy has also been written to address appropriate privileges to access mission critical databases. Password controls to mission critical data have been strengthened.	Completed (On Schedule)
<u>Longwood University (LU)</u>				
2010	10-02 09-03	Improve Risk Management and Contingency Planning. This is a repeat finding.	The IT department is performing a Risk Management review on 32 of the 39 systems. After completion, the remaining 7 systems will be tested by functional departments. Testing is on schedule to be completed by June 30, 2012.	In Progress (Delayed)
<u>Norfolk State University (NSU)</u>				
2010	10-01	Improve Controls Over Fixed Assets	The University recently completed a campus-wide inventory. Daily reviews are performed to flag items to be capitalized or controlled so that when they are received they can be tagged by the warehouse personnel at the time of delivery. A weekly review is being performed to ensure all flagged items received have tag numbers assigned.	In Progress (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	10-02 09-01	Improve information security program. This is a repeat finding.	The University has resolved this management point by providing mandatory training to all its employees.	Completed (Delayed)
<u>Old Dominion University (ODU)</u>				
2010	10-01	Improve risk management and contingency planning.	The University has hired a full-time experienced Emergency Planning and Continuity of Operations Manager. The new manager completed the Business Impact Analysis, which was approved by the Vice President for Administration and Finance and the University President.	Completed (On Schedule)
<u>Blue Ridge Community College (BRCC)</u>				
2010	10-01	Strengthen Internal Controls over Small Purchase Charge Card Program.	A part time position has been created to assist card holders in the card reconciliation process to more thoroughly review coding of expenditures and individual purchase transactions. A review of individual purchase transactions will also help to ensure that split purchases are not occurring. Annual training as well as individual training has been conducted and will be provided on an ongoing basis. The training scheduled for fall 2011 specifically targeted these issues as well as the need for a secure location when the card is not in use.	Completed (On Schedule)
	10-02 FY09	Continue to Improve Revenue Contract Management.	Documentation of current procedures for recording and collecting contract revenues is complete.	Completed (On Schedule)
<u>Central Virginia Community College (CVCC)</u>				
2010	10-01 FY09	Continue to Improve Revenue Contract Management.	The college has developed and implemented policies and procedures specific to the collection, accounting, and monitoring of contract revenues to ensure payments are received to comply with agreed upon contractual terms.	Completed (On Schedule)
<u>Danville Community College (DCC)</u>				
2010	10-01	Promptly Remit Unclaimed Financial	The unclaimed checks referenced in the finding have been returned	Completed (On

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
		Student Aid Funds.	to the Department of Education. All financial aid checks are now written and mailed by the Department of the Treasury. A process has been established whereby undeliverable financial aid checks, which have been returned to the college, will be deposited with the Treasurer, and a batch will be processed to issue a refund check to the Department of Education within 240 days of the issuance of the student's refund check.	Schedule)
	10-02	Improve Cash Management of Student Loan Funds.	The college performed a reconciliation of the student loan accounts identified in the audit. Funds were transferred to the Treasurer of Virginia to cover tuition fees, and bookstore charges. Remaining account balances were distributed to students. Loans are now originated directly by the U.S. Department of Education Common Origination & Disbursement. The college has established a process to transfer funds to the Treasurer of Virginia and to disburse remaining funds to the student within two weeks of the date that funds are posted to the student's account by the U.S. Department of Education.	Completed (On Schedule)
	10-03	Properly Process Return of Title IV Calculation for Unofficial Withdrawals.	DCC modified the processing procedures in the College's withdrawal policy. The revised procedures identify unofficial withdrawals and Title IV refund calculation procedures as required by federal regulations. The college will follow the revised processing procedures to ensure that unofficial withdrawal calculations are being performed accurately and in a timely manner.	Completed (On Schedule)
	10-04	Document Reconciliation of Federal Reports to College Records.	A reconciliation worksheet was created to reconcile all systems used in drawing down and depositing federal funds on a monthly basis and at the end of	Completed (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
			each semester. The worksheet is prepared on a monthly basis to ensure that the reconciliation process is both prompt and complete.	
<u>Eastern Shore Community College (ESCC)</u>				
2009	09-01	Improve revenue contract management.	ESCC has developed a Request for Proposal for a cold beverage vending contract and the vendor will be procured through the competitive bid process.	In Progress (Delayed)
<u>Lord Fairfax Community College (LFCC)</u>				
2010	10-01 FY09	Continue to Improve Revenue Contract Management.	A layer of monitoring has been added in that the Administrative and Program Specialist who enters the daily deposits will also verify the commissions on a monthly basis. The Procurement Officer will also continue to monitor contract revenues to ensure that the payments received comply with agreed upon contractual terms. The college will complete monitoring of all contracts before negotiating their renewal.	Completed (On Schedule)
	10-02	Improve and Update Fixed Asset Inventory Procedures.	Process assessment and development of policies and procedures are complete.	Completed (On Schedule)
<u>Northern Virginia Community College (NVCC)</u>				
2010	10-01 09-01 08-01	Continue to Strengthen Internal Controls at Northern Virginia Community College. This is a repeat finding.	Several financial operating policies and procedures are being updated, including payment processing, revenue recognition, deposits, accounts receivable, write-offs and collections, and capital asset management. All updates will be made by March 2012.	In Progress (Delayed)
	10-02	Strengthen Internal Controls over Small Purchase Charge Card Program.	Purchasing policies and procedures have been updated to more clearly convey cardholder requirements and consequences for noncompliance with those requirements. In addition, cardholder trainings are currently being scheduled. All cardholders and approvers will be required to participate and attendance with	In Progress (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
			be documented. Cardholders not in attendance will have their P-Card suspended until their attendance is certified.	
	10-03	Properly Calculate Accrued Payroll.	Financial reporting procedures over accrued payroll have been formally documented.	Completed (On Schedule)
<u>Patrick Henry Community College (PHCC)</u>				
2010	10-01	Consistently Verify Financial Information.	The Financial Aid Office is now obtaining and verifying all documentation required by the Department of Education on applications selected for verification. Each academic year's information is placed in separate files for increased accuracy during the verification process. In addition, PeopleSoft is being utilized to ensure all documents are received prior to awarding. The Financial Aid Coordinator reviews the files prior to any awards being made.	Completed (On Schedule)
	10-02	Resolve Excess Cash Balances.	The account activity noted in the finding was analyzed to determine the source of the funds and the college returned the excess Federal Student Aid funds to the federal program. The Business Office staff has implemented a policy to consistently review the cash balance in the federal fund bank account to ensure that the college does not maintain excess cash balances from Federal Student Aid funds.	Completed (On Schedule)
	10-03	Promptly Return Title IV Refunds.	The Financial Aid and Student Financials Offices have strengthened the Title IV refund process. All Return of Title IV funds will be processed every Wednesday. A monitoring spreadsheet, shared by both the Financial Aid and Student Financials Offices, will be updated weekly. Student Financials Office will process the Return of Title IVs within the required 45 day timeframe.	Completed (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	10-04	Document Reconciliation of Federal Reports to College Records.	The Financial Aid Office now reconciles the Common Origination Disbursements with PeopleSoft Student Information System with the documentation being retained in the Financial Aid Office.	Completed (On Schedule)
<u>Tidewater Community College (TCC)</u>				
2010	10-01	Properly Calculate Accrued Payroll.	The college will follow the updated VCCS Schedule of Accrued Payroll Instructions for FY11 to properly accrue payroll for all employee groups. The Director of Fiscal Services will ensure that the correct accrual amount is submitted to the VCCS after the payroll is complete in August of each year.	Completed (On Schedule)
<u>Wytheville Community College (WCC)</u>				
2010	10-01	Document Reconciliation of Federal Reports to College Records.	The Business Office staff will run monthly reports from the Federal G5 system detailing all financial aid drawdowns for the month. These reports will be reconciled monthly to internal accounting records to ensure accuracy. Documentation will be retained in the Business Office Accountant's files.	Completed (On Schedule)
<u>Virginia Museum of Fine Arts (VMFA)</u>				
2010	10-01	Improve Internal Controls over Small Purchase Charge Cards	The agency has tasked each Division Head with working with their cost center managers to proactively review all employees with purchase cards. Despite delays resulting from cost center consolidation, progress has been made in reviewing active cards, which have been reduced by approximately 16%. The Procurement Department is in the process of conducting an additional review to recommend further cuts to the Division Heads. All decisions will be made and affected cards revoked by the end of January 2012.	In Progress (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Virginia Polytechnic Institute and State University (VPISU)</u>				
2010	10-01	Review current operations for opportunities to enhance financial reporting and reduce paperwork.	All corrective action has been completed according to the FY 2011 APA audit.	Completed (On Schedule)
<u>Virginia School for the Deaf and Blind (VSDB)</u>				
2010	10-01	Improve Contract Management and Accounting.	As of October 2011, capital invoices are being reviewed and signed off on to ensure that all proper approvals are included before processing. In additions, the spreadsheet used for tracking construction in progress has been improved to allow for accurate reporting in FAACS.	Completed (On Schedule)
	10-02	Improve CARS Reconciliation Process.	The Accounts Payable Technician is initialing and signing the ACTR 0401 report after the reconciliation is complete and the Director of Operations is reviewing and approving the report. The Director of Operations is also performing monthly FAACS to CARS reconciliations, as required by the CAPP manual.	Completed (On Schedule)
	10-03	Strengthen Internal Controls Over Capital Asset Useful Life Methodologies.	VSDB uses the nomenclature tables set up in the FAACS system for determining useful life. The agency will re-evaluate assets on an annual basis to determine if the useful life of an asset needs to be extended. Fixed assets have not yet been re-evaluated to determine if the useful life needs to be extended.	In Progress (On Schedule)
<u>Virginia State University (VSU)</u>				
2010	10-01 09-01	Improve database management. This is a repeat finding.	The Technology Services team has completed the Oracle 11g migration and improved database security. In addition, functional team leads reviewed and signed-off on application security roles. VSU has taken additional steps to secure the SunGard Banner and Oracle environments.	Completed (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	10-02 09-03	Approve and Implement Updated Information Security Program. This is a repeat finding.	Technology Services management has hired contractors to perform an independent review of the University's IT Security Program, Network Vulnerability Assessment, and IT Business Continuity and IT Disaster Recovery Plan.	Completed (Delayed)
	10-03	Strengthen Access Controls over eVA.	The University has completed a campus wide review of its security plan and processes related to eVA security. The University continues to perform a monthly and annual review of eVA users to ensure all terminated users have been removed. Additional steps have been added that include a review of CIPPS reports and a review of Human Resource reports to verify terminated employees. Also, information is provided to DGS within 24 hours.	Completed (On Schedule)
	10-04	Strengthen Controls over Reporting Federal Expenditures.	For the FY2011 SEFA, the University has corrected the data query used to produce the report. An additional step has been added to the reconciliation process and an additional review has been added before the final report is submitted to the DOA. Also, the Grants & Contract Manager position has been filled and special training is being provided to ensure that this person understands the process.	Completed (On Schedule)
	10-05	Ensure Title IV Refund Calculations are Accurate	The Banner Student and Financial Aid Modules were changed to incorporate the final exam periods as part of the Return to Title IV calculation. The Office of Student Financial Aid performs a monthly review of withdrawals to ensure that both the prorated calculations, as well as the return to Title IV funds, are carried out in accordance to the prescribed federal regulation.	Completed (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of the Taxation (TAX)</u>				
2010	10-02 09-02	Improve system access management. This is a repeat finding.	All corrective action has been completed according to the FY 2011 APA audit.	Completed (Delayed)
<u>Department for the Aging (VDA)</u>				
2010	10-01	Improve sub-recipient monitoring program.	All corrective action has been completed according to the FY 2011 APA audit.	Completed (Delayed)
<u>Department of Behavioral Health and Developmental Services (DBHDS)</u>				
2010	10-01	Properly manage energy contracts and debt.	All interest savings associated with the prepayment has been recouped.	Completed (On Schedule)
	10-02	Accurately report energy contract debt to the Commonwealth's Controller.	The agency's fiscal year 2011 debt attachments were accurately reported to the Department of Accounts.	Completed (On Schedule)
	10-05	Use system functionalities to improve payroll processing.	All remaining facilities not on the KRONOS system are being converted to this system now. However, DBHDS has run into server issues in completing this task, which require action from VITA. The agency is now working with VITA to attempt to rectify those issues.	In Progress (Delayed)
	10-07 09-04 08-05 07-04	Continue improving IT continuity of operations and disaster recovery plans. This is a repeat finding.	All corrective action has been completed according to the FY 2011 APA audit.	Completed (Delayed)
	10-08	Manage infrastructure security risk.	All corrective action has been completed according to the FY 2011 APA audit.	Completed (Delayed)
<u>Department of Health (DOH)</u>				
2010	10-01	Use system capabilities to ensure proper service delivery.	Development of Crossroads and eWIC continue. Pilot testing (one local health district) is currently scheduled to take place in September, 2012. State Roll-out is scheduled to begin in November, 2012.	In Progress (On Schedule)
<u>Department of Medical Assistance Services (DMAS)</u>				
2010	10-01	Obtain valid social security numbers.	DMAS and VDSS developed a series of joint broadcasts to communicate process and procedures pertaining to social	In Progress (Delayed)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
			security number (SSN) verification requirements. MMIS reports related to SSN continue to be monitored and DSS eligibility staff is responsible for clearing up any mismatches. A performance audit is currently being conducted by outside consultants over the eligibility process and DMAS is awaiting the results of that review.	
<u>Department of Rehabilitative Services (DRS)</u>				
2010	10-03	Improve information system security program.	DRS has completed an internal audit of the Information Security Program and identified a corrective action plan for areas of non-compliance. The majority of corrective actions have been completed. However, additional staff was needed in order to complete the Risk Assessment and COOP portions of the security plan. An employee was hired in February 2012 to complete these tasks.	In Progress (Delayed)
<u>Department of Social Services (DSS)</u>				
2010	10-01 09-06	Establish enforcement mechanisms for foster care and adoption payments. This is a repeat finding and progress has been made.	The development of an enforcement mechanism continues, but may require input from others outside of the Division of Family Services. Once an enforcement mechanism is developed and approved by the Department's Senior Management, it will be presented to Secretary Hazel for his approval.	In Progress (Delayed)
	10-02	Use system functionalities to improve financial operations.	Work is proceeding according to the work plan for all enhancements suggested in the finding except for one. The Department performed an analysis over the implementation of automated system workflows and found that the time and effort required is greater than the benefit that would currently be received. With the implementation of Oracle Release 12, the Department will revisit this issue.	In Progress (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	10-03 09-04	Continue improving system access. This is a repeat finding and progress has been made.	The review of ADAPT System access has been completed.	Completed (Delayed)
	10-04 09-02	Improve and comply with information security program. This is a repeat finding and progress has been made.	A plan to monitor and audit account activities was developed and approved. The Department has started random audits of workers use of the SPIDeR Application.	Completed (Delayed)
	10-05	Finalize responsibilities for infrastructure security. This is a repeat finding that requires Partnership action.	DSS received communication regarding the MOU on October 14, 2011. The new MOU reflects the post -transformation service model that is provided by the IT partnership and includes four parts. The first three parts of the MOU will be identical for all agencies. Appendix C will have a common introduction paragraph, but the remainder of the document will be customized for each agency electing to modify the base agreement. It is expected that the MOU will be finalized in the near future.	In Progress (Delayed)
<u>Department of Game and Inland Fisheries (DGIF)</u>				
2010	10-01 09-01	Improve Internal Controls and Compliance of the IT Systems Security Program. This is a repeat finding.	DGIF has developed a Business Impact Analysis. In the next version, DGIF will establish Recovery Time Objectives that address excessive staff attrition and are working with appropriate officials to replace critical positions as fast as possible. The DGIF will develop a cross training program and transition work plan to minimize any future occurrences.	In Progress (Delayed)
	10-02	Maintain CARS Reconciliation Records.	By the end of February 2012, DGIF plans to train Finance team members on CAPP reporting requirements, to develop new employee procedures, and to develop monthly close process schedules to ensure timely compliance. The agency also plans to research and complete all FY 2010 reconciliations by April 30, 2012.	In Progress (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	10-03	Improve Internal Controls over System Access.	DGIF has contracted with an IT Security Consultant and reviewed their draft report. The agency plans to implement recommended procedures and to utilize payroll data to verify system deletions.	In Progress (Delayed)
	10-04	Obtain Prior Authorization for Part-Time Employee Exceeding 1500 Hours.	P-14 reports have been redesigned to capture hours utilized within the anniversary period and section managers are being provided with quarterly reports.	Completed (On Schedule)
<u>Virginia Museum of Natural History (VMNH)</u>				
2010	10-03	Improve information security program.	The Business Impact Analysis has been completed and the agency anticipates completing the Risk Analysis by year end.	In Progress (Delayed)
<u>Department of Corrections (DOC/CA)</u>				
2010	10-02 09-04&05	Develop and Implement Policies and Procedures for Fuel Cards and Vehicle Inventory This is a repeat finding.	Policies and procedures for a vehicle inventory have been developed and implemented. DOC is still in the process of conducting the cost/benefit analysis for a fuel card inventory. The inability to hire temporary staff as well as procure fuel-pump meters has delayed the implementation of corrective actions. The finding is expected to be fully addressed by the end of February 2012.	In Progress (Delayed)
	10-03	Improve Controls and Processes Surrounding Fixed Asset Accounting and Control System	DOC is in the process of requiring all units that originate a central procurement of fixed assets to provide documentation necessary to enter the assets into FAACS within 30 days of acceptance of the asset. In the case of the Central Agencies, the Budget Office is in the process of developing procedures for those units not having access to CARS reports, thereby improving the probability that assets are recorded in FAACS.	In Progress (Delayed)
	10-04	Perform CIPPS to CARS Reconciliation	All corrective actions have been implemented.	Completed (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Emergency Management (DEM)</u>				
2010	10-02	Properly cross-train essential IT responsibilities.	The IT cross-training program implementation was completed as of December 31, 2011. Cross-training between the IT Director and Senior Application Developer on all responsibilities, practices, and guideline documentation within the agency is complete.	Completed (On Schedule)
<u>Department of Forensic Science (DFS)</u>				
2009	09-01	Evaluate risks related to aging hardware and non-participation in the IT partnership.	DFS is participating in the IT Partnership and continues to be committed to 100% completion of the transformation process at the earliest date that the Partnership can deliver. The Partnership currently projects transformation activities to be completed by the end of February 2012. The transformation activities completed to date have eliminated the risks identified by the APA audit report; therefore, DFS considers this Corrective Action Step to be complete.	Completed (Delayed)
<u>Department of Military Affairs (DMA)</u>				
2010	10-06	Strengthen Recording and Tagging of Equipment.	Progress continues. All FY 2011 equipment is on target to be inventoried and booked in FAACS by January 31, 2012.	In Progress (Delayed)
<u>Department of State Police (VSP)</u>				
2009	09-02 07-07 05-05	Improve fleet management process. This is a repeat finding and progress has been made.	The requirements document to be used for a procurement solicitation to select a vendor to implement the corrective actions is complete. The procurement section continues to prepare the Request for Proposal (RFP); the RFP process has been delayed.	In Progress (Delayed)
	09-03	Upgrade database system software.	The VSP has replaced 4 MAPPER programs. Three projects are underway and will result in the replacement of 7 additional programs. A consultant was procured to begin gathering requirements for STARS asset tracking. Requirements are almost complete and additional funding will be needed.	In Progress (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Veterans Services (DVS)</u>				
2010	10-04	Provide an Employee with Evaluations that Accurately Reflect Performance	All supervisors have been directed to provide accurate information on Performance Evaluations in the upcoming cycle. In addition, A DVS HR Director has been hired and is currently updating reviewing policies for any potential changes.	Completed (On Schedule)
	10-05	Perform Reconciliations and Document Standard Operating Procedures	Care Center Controllers are being directed to complete reconciliations timely. All required reconciliations are now current. Each Care Center has also created a policy for reconciliations, which will be expanded upon with input from the DVS Finance Director. Additionally, all reconciliations are currently being reviewed by a DVS Accounting Analyst to ensure compliance at both Care Centers. Checklists have been developed to ensure all steps in the process are covered and the new DVS Finance Director is going to be directly involved in helping create "Desktop Procedures" for all critical Fiscal functions.	Completed (On Schedule)
	10-06	Promptly Remove Access to Critical Systems for Employees Terminated or with Inactive Accounts	All unnecessary accesses have been removed. The DVS accountant will now perform quarterly reviews to ensure that employees that no longer require access are promptly removed from the system.	Completed (On Schedule)
	10-07	Ensure Vendor Controls are Working	A policy has been written and approved to ensure its off-site information technology vendor controls are working and are properly audited.	Completed (On Schedule)
<u>Virginia War Memorial Foundation (VWMF)</u>				
2010	10-01	Develop Regulations and Procedures for the New Educational Wing	The Memorial's Board of Trustees approved its Strategic Plan at the September 16, 2011 meeting. Based on this Strategic Plan, the Board adopted a motion drafted by the Memorial's OAG representative, regarding	Completed (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
			handling of all funds coming to the Memorial. The Board has delegated to the Virginia War Memorial Educational Foundation the handling and disbursement of all cash funds that are received by the Foundation.	
	10-02	Improve Controls and Policies for Historical Artifacts	Segregation of duties issues have been corrected by filling a vacancy for a part-time position. System Back-up has been corrected with the maintenance of an off-site back-up of the artifact collection records on Past Perfect software. The artifact collection policy was changed to read that funds from sales be used only for acquisition of new items. Lastly, the Board of Trustees approved submitting a proposed change to the Appropriations Act by the Chairman, Delegate John O'Bannon, making the Secretary of Veterans Services the approving authority for the Memorial to accept artifacts.	Completed (On Schedule)
Virginia Information Technologies Agency (VITA)				
2010	10-02 08-01	Strengthen Inventory and Billing Controls. This is a repeat finding.	By 3/12, VITA Finance will document the process & procedures that ensure bills to agencies align with inventory. Finance staff are working with CSPMO to improve inventory accuracy & reporting. Internal Audit is reviewing to determine the appropriate owner for this finding.	In Progress (Delayed)
	10-03 08-03	Create a Time Frame for Resolving Inventory Disputes. This is a repeat finding.	By 3/12, VITA Finance will complete the documentation of more effective & efficient process & procedures for escalating & resolving inventory disputes.	In Progress (Delayed)
Department of Motor Vehicles (DMV)				
2010	10-01	Enhance information system security program.	DMV is making progress towards updating its IT Security Program by eliminating redundancies and conflicts in policies and procedures and consolidating them into one manual. All IT Security policies are also being reviewed to ensure compliance with Commonwealth security	In Progress (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
			policies and standards. All changes to policies will be reviewed by management within 30 days and an annual assessment of the DMV IT Security Policy will be conducted going forward. DMV has also made significant process in monitoring that all staff and contractors receive annual security awareness training and continues to use the newly completed BIA and RA to review, assess, and update its Disaster Recovery and Continuity of Operations Plan.	
<u>Virginia Port Authority (VPA)</u>				
2010	10-01	Improve IT Security Program.	The Authority and VIT have contracted with a 3rd party vendor to correct the areas of weakness noted during the comprehensive Risk Assessment conducted in 2011. The Authority also intends to include reporting and monitoring requirements to ensure compliance by VIT with the updated policies and procedures. Full implementation is expected to take one year.	In Progress (Delayed)
<u>Wireless E-911 Services Board</u>				
2010	10-01	Improve Cash Management Practices	The Finance Committee has finalized a new cash management policy for consideration by the Board; however, a legislative change is required to fully implement this policy. The change will be sought during the 2012 General Assembly Session.	In Progress (On Schedule)
	10-02 09-03	Determine Accuracy of PSAP Data. This is a repeat finding.	The validation process has been completed & the results are currently being reviewed. Additionally, FY2011 data has been collected from every PSAP along with supporting documentation that validates the data submitted.	In Progress (Delayed)



Compliance Monitoring

Confirmation of Agency Reconciliation to CARS Reports

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

the Confirmation of Agency Reconciliation to CARS Reports.

DOA closely monitors Confirmation status, evaluates exceptions, and posts correcting entries in CARS. Confirmations for September, October and November were due 10/31/2011, 12/5/2011 and 1/04/2012 respectively.

Confirmations Late or Outstanding

As of February 24, 2012

Agency	Sep	Oct	Nov
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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 December 31, 2011, 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 December 31, 2011, the following agencies failed to respond timely, make corrective action and/or provide additional information.

Trial Balance Review

As of February 24, 2012

Agency	September	October	November
Department of Conservation and Recreation	-	-	X

Analysis of Appropriation, Allotments and Expenditures, and Cash Balances

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

DOA contacts agencies in writing about credit cash balances and appropriations versus expenditure anomalies. For the quarter ended December 31, 2011, no agencies failed to respond timely, make corrective action and/or provide additional information.

Credit Cash, Excess Expenditures, and Expenditure Credits

As of December 31, 2011

<u>Agency</u>	<u>October</u>	<u>November</u>	<u>December</u>
None			

Disbursement Processing

During the quarter ended December 31, 2011, DOA deleted, at the submitting agency's request, 15 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.

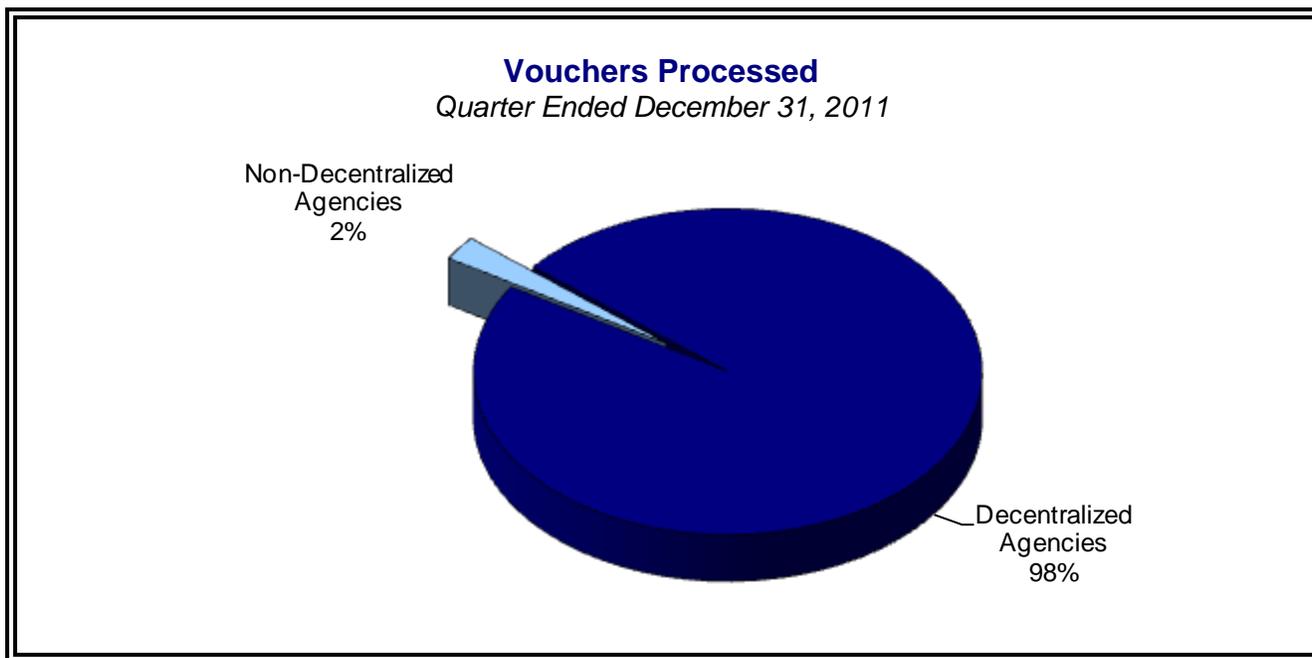
Thirteen agencies requested deletes during the quarter. For the quarter ended December 31, 2011, no agency requested more than four vendor payment deletions.



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

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

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

Compliant Agencies

Department of Forestry
Department of Health Professions
Department of Rail and Public Transportation

Agencies Requiring Corrective Action

Northern Virginia Training Center

Corrective Actions Needed

Travel and Petty Cash: Internal control processes over travel payments using petty cash; Using the correct Meal and Incidental Expense (M&IE) rates; and documentation for petty cash and travel vouchers.



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 852 non-travel disbursement batches and 357 travel disbursement batches were reviewed, disclosing no exceptions.



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 December 31, 2011		Fiscal Year 2012 To-Date		Comparative Quarter Ended December 31, 2010	
	Late	Total	Late	Total	Late	Total
Number of Payments	4,600	582,247	9,393	1,177,280	5,568	590,735
Dollars (in thousands)	\$ 32,346	\$1,494,819	\$70,015	\$3,213,178	\$ 36,531	1,486,521
Interest Paid on Late Payments				\$1,189		
Current Quarter Percentage of Payments in Compliance				99.2%		
Fiscal Year-to-Date Percentage of Payments in Compliance				99.2%		
Comparative Fiscal Year 2011 Percentage of Payments in Compliance				99.1%		



Prompt Payment Performance by Secretarial Area

Quarter Ended December 31, 2011

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.9%	99.9%
Agriculture and Forestry	99.6%	97.3%
Commerce and Trade	99.2%	99.1%
Education*	99.1%	98.1%
Executive Offices	98.5%	97.6%
Finance	99.8%	99.9%
Health and Human Resources	99.4%	98.8%
Independent Agencies	99.6%	99.3%
Judicial	99.8%	97.9%
Legislative	99.7%	99.5%
Natural Resources	99.6%	94.5%
Public Safety	99.5%	97.9%
Technology	99.4%	99.2%
Transportation*	98.6%	94.8%
Veterans Affairs and Homeland Security	99.0%	96.8%
Statewide	99.2%	97.8%

Prompt Payment Performance by Secretarial Area

Fiscal Year 2012

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.9%	99.8%
Agriculture and Forestry	99.7%	98.6%
Commerce and Trade	99.3%	99.4%
Education *	99.0%	97.4%
Executive Offices	98.6%	90.3%
Finance	99.8%	99.9%
Health and Human Resources	99.5%	99.1%
Independent Agencies	99.5%	99.4%
Judicial	99.9%	99.2%
Legislative	99.9%	99.8%
Natural Resources	99.2%	93.0%
Public Safety	99.4%	98.7%
Technology	99.4%	99.5%
Transportation*	98.9%	96.1%
Veterans Affairs and Homeland Security	98.9%	96.9%
Statewide	99.2%	97.8%

* 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 December 31, 2011, 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 December 31, 2011**

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
Education			
Gunston Hall	5	69	92.8%
Health and Human Resources			
Virginia Foundation for Healthy Youth	14	216	93.5%

For FY 2012, 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 2012**

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
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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 December 31, 2011			Comparative Quarter Ended December 31, 2010
	E-Commerce	Total	Percent	Percent
Number of Payments	2,480,481	2,870,298	86.4%	85.2%
Payment Amounts	\$ 8,403,368,432	\$ 9,788,125,937	85.9%	89.3%
	Fiscal Year 2012 To-Date			Comparative Fiscal Year 2011
	E-Commerce	Total	Percent	Percent
Number of Payments	4,903,360	5,700,777	86.0%	86.2%
Payment Amounts	\$ 17,686,882,641	\$ 20,347,114,670	86.9%	88.5%

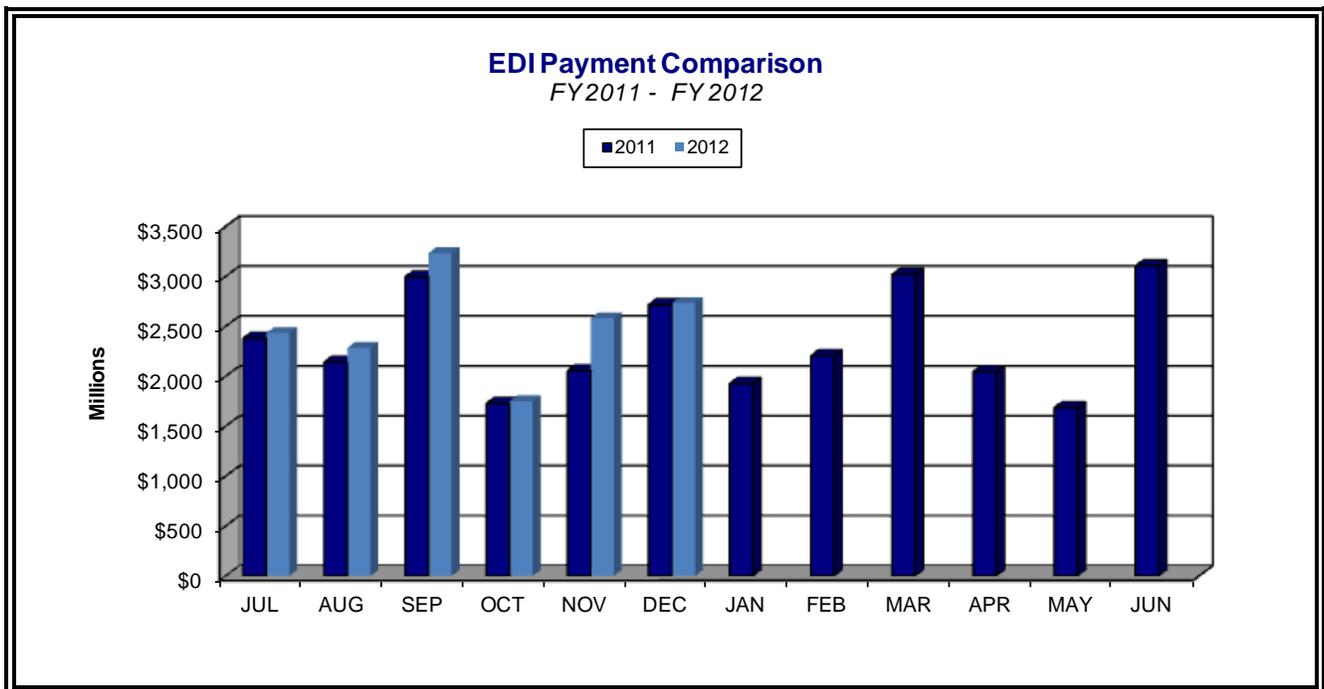
Financial Electronic Data Interchange (EDI)

The dollar volume of Financial EDI payments for the second quarter of FY 2012 was \$567 million (8.7 percent) more than the same quarter last year. The number of trading partner accounts increased by 7.3 percent from December 2010. The 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 December 31, 2011	Fiscal Year 2012 To-Date	Comparative Fiscal Year 2011 To-Date
Number of Payments	59,281	117,595	117,597
Amount of Payments	\$ 7,063,506,534	\$ 15,013,707,677	\$ 14,011,862,309
Number of Invoices Paid	203,424	418,090	399,768
Estimated Number of Checks Avoided	86,938	175,331	165,868
Number of Trading Partner Accounts as of 12/31/11		59,581	55,528



Travel EDI

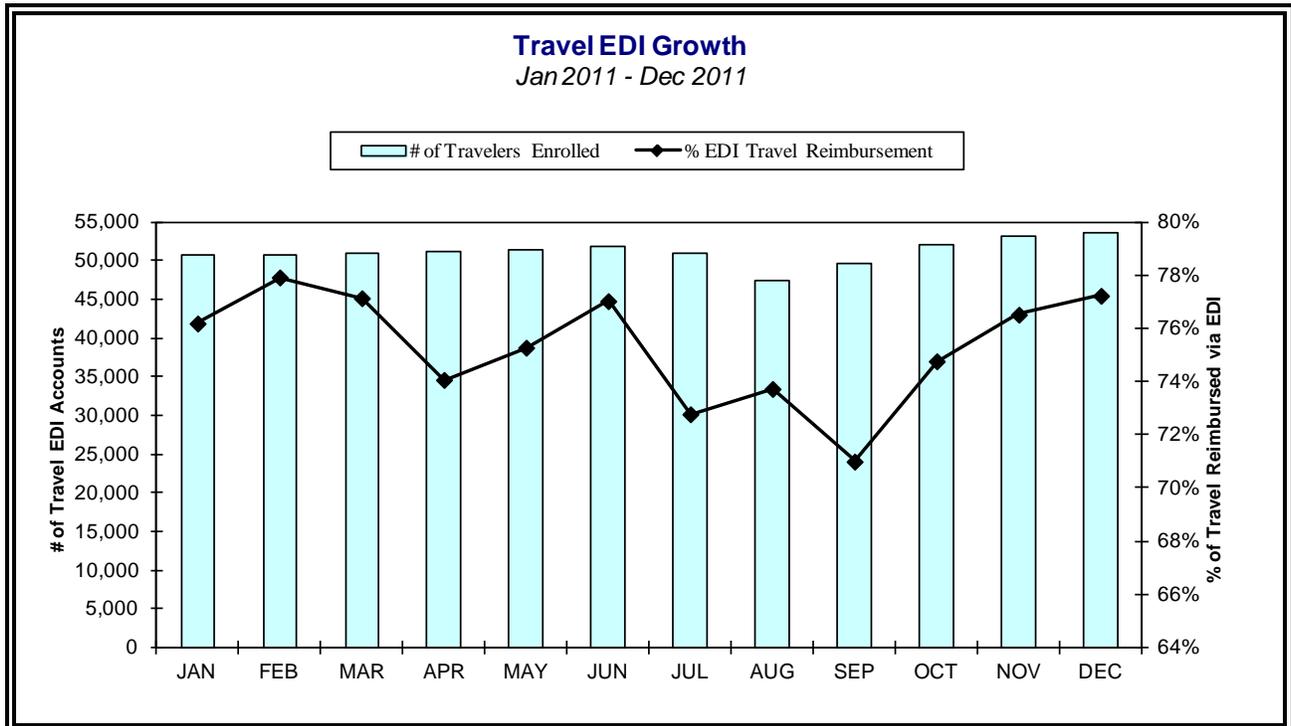
Expansion of the Travel EDI program is an integral part of the statewide effort to reduce the administrative costs associated with paying for goods and services for the Commonwealth. The Appropriation Act requires employees who travel more than twice a year to be reimbursed using EDI. DOA notified agencies 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 §4-5.04f 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 2012, 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 December 31, 2011

Secretarial Area	Employee Percent	Non-Employee Percent	Reimbursement Checks Issued
Administration	88.3%	8.0%	50
Agriculture and Forestry	98.4%	20.9%	45
Commerce and Trade	95.3%	79.1%	143
Education (1)	86.5%	33.6%	1,467
Executive Offices	97.0%	8.3%	18
Finance	97.2%	0.0%	18
Health and Human Resources	92.8%	29.0%	1,073
Independent Agencies	96.1%	29.2%	70
Judicial	30.4%	7.2%	3,273
Legislative	87.4%	47.9%	112
Natural Resources	92.4%	64.8%	122
Public Safety	87.9%	15.8%	838
Technology	96.5%	0.0%	19
Transportation (1)	79.5%	21.2%	372
Veterans Affairs & Homeland Security	84.5%	55.1%	60
Statewide for Quarter	82.4%	30.0%	7,680
<i>Fiscal Year 2012 To-Date</i>			
Statewide	80.7%	27.1%	15,606
<i>Comparative Fiscal Year 2011 To-Date</i>			
Statewide	82.5%	25.0%	13,339

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

The following table lists agencies with Employee EDI participation rates below 85 percent that issued more than 25 travel reimbursement checks during the quarter.

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

**Agency Employee EDI Performance
Utilization Below 85 Percent**

<u>Agency</u>	<u>Percent</u>	<u>Reimbursement Checks Issued</u>
Education		
Virginia State University	83.4%	66
Patrick Henry Community College	83.1%	28
John Tyler Community College	80.4%	37
Northern Virginia Community College	79.9%	52
Southside Virginia Community College	73.7%	54
Norfolk State University	42.3%	127
Health and Human Resources		
Department of Behavioral Health and Developmental Services	84.5%	39
Independent Agencies		
State Lottery Department	84.6%	32
Judicial		
Court of Appeals of Virginia	47.5%	31
Supreme Court	24.2%	477
General District Courts	16.1%	444
Juvenile and Domestic Relations District Courts	13.5%	557
Combined District Courts	8.0%	276
Circuit Courts	5.8%	713
Natural Resources		
Department of Conservation and Recreation	78.4%	63
Public Safety		
Division of Community Corrections	78.8%	31
Department of Emergency Management	56.6%	184
Transportation		
Department of Transportation	67.2%	266

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.

Per action by the 2011 General Assembly, certain nonlegislative members of state boards, commissions, etc, that meet three or more times a year must receive their payments via EDI. Failure to comply with this may result in fees per §4-5.04f of the Appropriation Act.

**Agency Non-Employee EDI Performance
Utilization Below 10 Percent**

<u>Agency</u>	<u>Percent</u>	<u>Reimbursement Checks Issued</u>
Agriculture and Forestry		
Department of Agriculture and Consumer Services	8.6%	32
Education		
Tidewater Community College	2.1%	46
Longwood University	0.9%	116
Health and Human Resources		
Department of Social Services	9.3%	49
Department of Health	7.1%	314
Department for the Aging	2.4%	40
Judicial		
Circuit Courts	8.3%	308
Virginia State Bar	0.4%	279
Public Safety		
Department of Criminal Justice Services	6.1%	46
Department of Forensic Science	0.0%	187
Commonwealth's Attorneys' Services Council	0.0%	31

The following table lists agencies that have accumulated more than \$150 in employee EDI check charges for the fiscal year and have a utilization rate below 80 percent. Agencies are charged for each travel reimbursement check issued to an employee after their second check of the fiscal year.

For FY 2012, the charge is \$5 per check. These statistics indicate noncompliance with §4-5.04f of the Appropriation Act which requires that all employees likely to travel more than twice per year be reimbursed for travel costs using electronic data interchange.

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

Agency	Percent	Year-to-date Charges
Education		
Norfolk State University	42.3%	\$ 220
Judicial		
Supreme Court	24.2%	675
General District Courts	16.1%	2,545
Juvenile and Domestic Relations District Courts	13.5%	2,700
Combined District Courts	8.0%	1,495
Circuit Courts	5.8%	5,600
Public Safety		
Department of Emergency Management	56.6%	190
Transportation		
Department of Transportation	67.2%	300



Direct Deposit

During the second quarter of FY 2012, 535,579 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 December 31, 2011

<u>Secretarial Area</u>	<u>Direct Deposit % of Salaried Employees</u>	<u>Direct Deposit % of Wage Employees</u>
Administration	99.0%	100.0%
Agriculture and Forestry	98.8%	96.2%
Commerce and Trade	99.7%	100.0%
Education	99.1%	95.4%
Executive Offices	98.0%	66.7%
Finance	99.0%	100.0%
Health and Human Resources	99.3%	98.8%
Independent Agencies	99.5%	100.0%
Judicial	99.3%	81.8%
Legislative	99.5%	98.2%
Natural Resources	99.7%	98.2%
Veterans Affairs and Homeland Security	99.5%	96.4%
Public Safety	99.4%	98.0%
Technology	100.0%	100.0%
Transportation	99.8%	98.7%
Statewide	99.4%	96.0%

Comparative

Quarter Ended December 31, 2010

Statewide	99.4%	95.4%
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Statewide Salaried Direct Deposit Performance

Quarter Ended December 31, 2011

Salaried Direct Deposit Participation	99.4%
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Salaried Direct Deposit Below 98 Percent

<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Administration		
State Board of Elections	93.1%	29
Department of Employment Dispute Resolution	85.7%	7
Commerce and Trade		
Department of Business Assistance	92.6%	27
Education		
Frontier Culture Museum of Virginia	96.9%	32
Gunston Hall	83.3%	6
Health & Human Resources		
Department of Medical Assistance Services	97.5%	353
Eastern State Hospital	97.4%	899
Northern Virginia Mental Health Institute	97.0%	297
Judicial		
Circuit Courts	97.4%	151
Public Safety		
Virginia Parole Board	85.7%	7

Statewide Wage Direct Deposit Performance

Quarter Ended December 31, 2011

Wage Direct Deposit Participation	96.0%
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Wage Direct Deposit Below 90 Percent

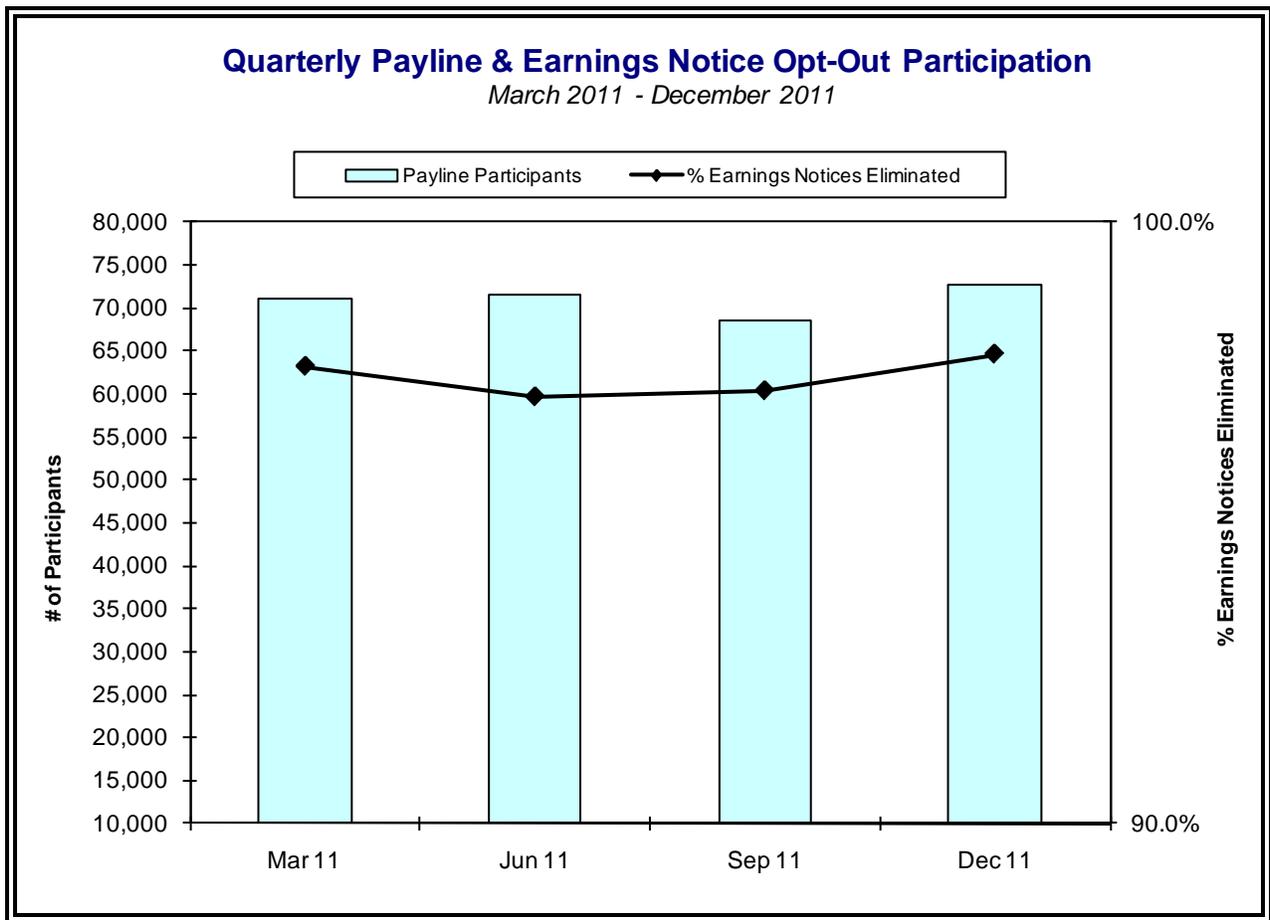
<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Education		
Southwest Virginia Community College	88.6%	342
Paul D. Camp Community College	87.3%	220
New River Community College	85.4%	316
Norfolk State University	83.1%	887
Virginia State University	76.3%	807
Virginia Highlands Community College	75.3%	239
Health and Human Resources		
Woodrow Wilson Rehabilitation Center	88.3%	77
Judicial		
Combined District Courts	76.0%	25
General District Courts	73.1%	223



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 8,086,580 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 December 31, 2011

<u>Secretarial Area</u>	<u>Percent Payline Participation</u>	<u>Percent Earnings Notices Eliminated*</u>
Administration	98.4%	100.0%
Agriculture and Forestry	88.3%	89.8%
Commerce and Trade	97.0%	100.0%
Education	71.2%	98.7%
Executive Offices	86.8%	100.0%
Finance	99.2%	100.0%
Health and Human Resources	89.8%	97.9%
Independent Agencies	93.1%	100.0%
Judicial	85.5%	93.5%
Legislative	69.6%	75.5%
Natural Resources	76.2%	77.6%
Veterans Affairs and Homeland Security	71.3%	70.4%
Public Safety	89.6%	100.0%
Technology	97.4%	100.0%
Transportation	96.1%	100.0%
Statewide	85.0%	97.8%
<i>Comparative</i>		
<i>Quarter Ended December 31, 2010</i>		
Statewide	80.5%	97.7%

* 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 December 31, 2011 the following agencies have not met their established thresholds for eliminating earnings notice print.

Earnings Notice Elimination

Agency	Percent Earnings Notices Eliminated QE 12/31/2011	Percent Earnings Notices Eliminated QE 09/30/2011
Education		
Frontier Culture Museum of Virginia	67.3%	67.3%
Natural Resources		
Department of Conservation and Recreation	48.3%	32.8%
Marine Resources Commission	43.2%	43.8%



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.

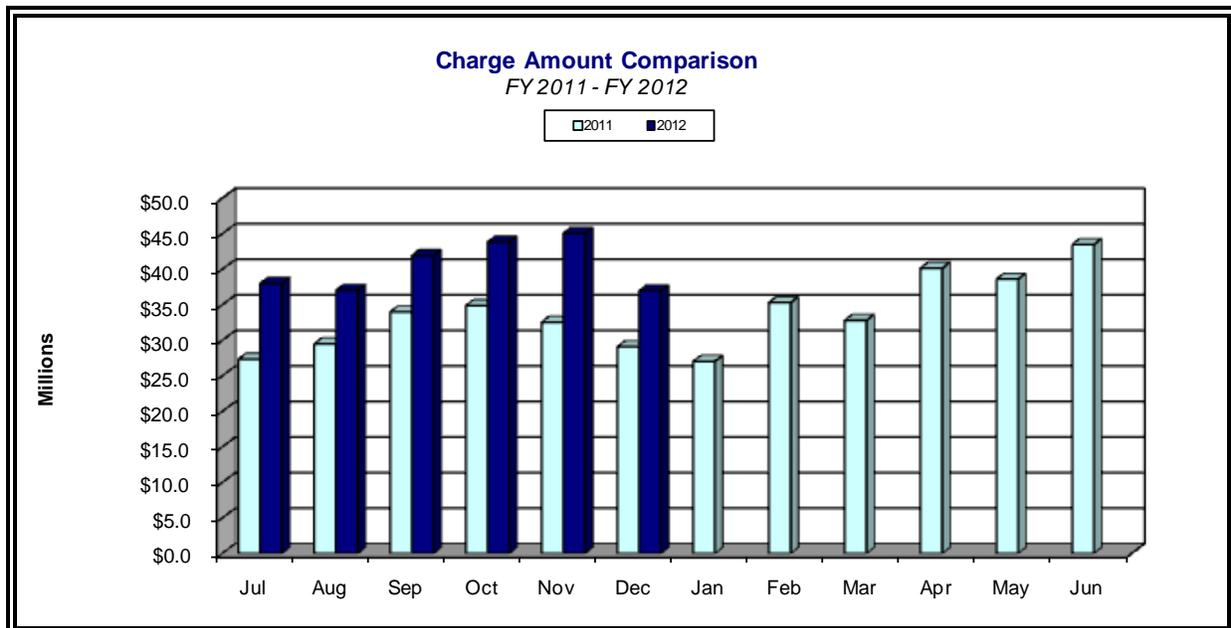
The Department of Accounts implemented a third charge card tool called ePayables in June 2011. This program allows payments processed through CARS for vendors enrolled in the program to convert their payment to a card thus increasing the card program's spend.

The total amount charged on SPCC, Gold and ePayables cards during the second quarter of FY 2012 increased by \$29.3 million or 30.4 percent from the same quarter last year.

Small Purchase Charge Card Program

<u>Charge Card Activity</u>	<u>Quarter Ended December 31, 2011</u>	<u>Fiscal Year 2012 To-Date</u>	<u>Comparative Fiscal Year 2011 To-Date</u>
Amount of Charges	\$ 125,808,020	\$ 242,712,044	\$ 187,299,619
Estimated Number of Checks Avoided	191,444	373,468	351,950
Total Number of Participating Agencies		211	217
Total Number of Cards Outstanding		17,831	17,462

The following chart compares charge activity for FY 2012 to activity for FY 2011:



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 §4-5.04f of the Appropriation Act, the threshold has been set at 80 percent.

For data compilation purposes, all local governments have been exempted from the utilization process.

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 December 31, 2011

Percentage Utilization for Eligible Transactions **83%**

SPCC Utilization by Secretarial Area

Quarter Ended December 31, 2011

<u>Secretarial Area</u>	<u>Payments in Compliance ⁽¹⁾</u>	<u>Non-Compliant Transactions ⁽²⁾</u>
Administration	82%	721
Agriculture and Forestry	94%	236
Commerce and Trade	84%	632
Education*	89%	5,221
Executive Offices	94%	55
Finance	94%	150
Health and Human Resources**	83%	6,227
Independent Agencies	75%	832
Judicial	38%	2,507
Legislative	95%	56
Natural Resources	90%	997
Public Safety	93%	2,590
Technology	75%	80
Transportation*	76%	6,093
Veterans Affairs and Homeland Security	76%	604
Statewide	83%	27,001

* 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 80 Percent**

Agency	Payments in Compliance	Non-Compliant Transactions
Commerce and Trade		
Virginia Employment Commission	52%	545
Education		
Eastern Shore Community College	76%	45
Norfolk State University	74%	551
Health and Human Resources		
Northern Virginia Training Center	79%	164
Western State Hospital	78%	218
Department of Behavioral Health and Developmental Services	72%	121
Central Virginia Training Center	65%	400
Independent Agencies		
Virginia Retirement System	73%	135
State Corporation Commission	7%	535
Judicial		
Judicial Inquiry and Review Commission	70%	6
Supreme Court	67%	237
Board of Bar Examiners	0%	27
Circuit Courts	0%	157
Combined District Courts	0%	268
General District Courts	0%	1,066
Juvenile and Domestic Relations District Court	0%	418
Magistrate System	0%	132
Virginia Criminal Sentencing Commission	0%	36
Public Safety		
Department of Alcoholic Beverage Control	78%	534
Technology		
Virginia Information Technologies Agency	75%	80
Transportation		
Department of Motor Vehicles	77%	649
Department of Transportation	75%	5,407
Veterans Affairs and Homeland Security		
Sitter-Barfoot Veterans Care Center	51%	440



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 October, this represents the bill date of October 14, 2011, with the payment due no later than November 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 table lists agencies more than two days late in submitting their payments by each program type.

Agency	Oct	Nov	Dec
<u>Purchase Card Program:</u>			
Education			
Paul D Camp Community College			X
New College Institute	X		X
Health and Human Resources			
Piedmont Geriatric Hospital			X
<u>Airline Travel Card Program:</u>			
Education			
Norfolk State University			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 December 31, 2011, and the total amounts past due.

Travel Charge Card Program

As of December 31, 2011

<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>
Administration				
State Board of Elections	1	\$ 135	\$ 0	\$ 0
Agriculture and Forestry				
Department of Agriculture and Consumer Services	1	444	0	0
Commerce and Trade				
Department of Housing and Community Development	1	0	0	700
Virginia Economic Development Partnership	2	110	41	0
Virginia Tourism Authority	2	274	0	0
Education				
Virginia Military Institute	1	42	0	0
Norfolk State University	4	405	0	775
Longwood University	2	601	0	0
Old Dominion University	3	1,179	420	0
Virginia State University	4	1,806	0	0
Virginia Community College System - System Office	1	515	0	0
Health and Human Resources				
Department of Health	4	1,844	184	247
Department for the Blind and Vision Impaired	1	0	28	0
Independent				
Virginia College Savings Plan	1	398	0	108
Natural Resources				
Marine Resources Commission	1	157	0	0
Department of Game and Inland Fisheries	1	403	0	0



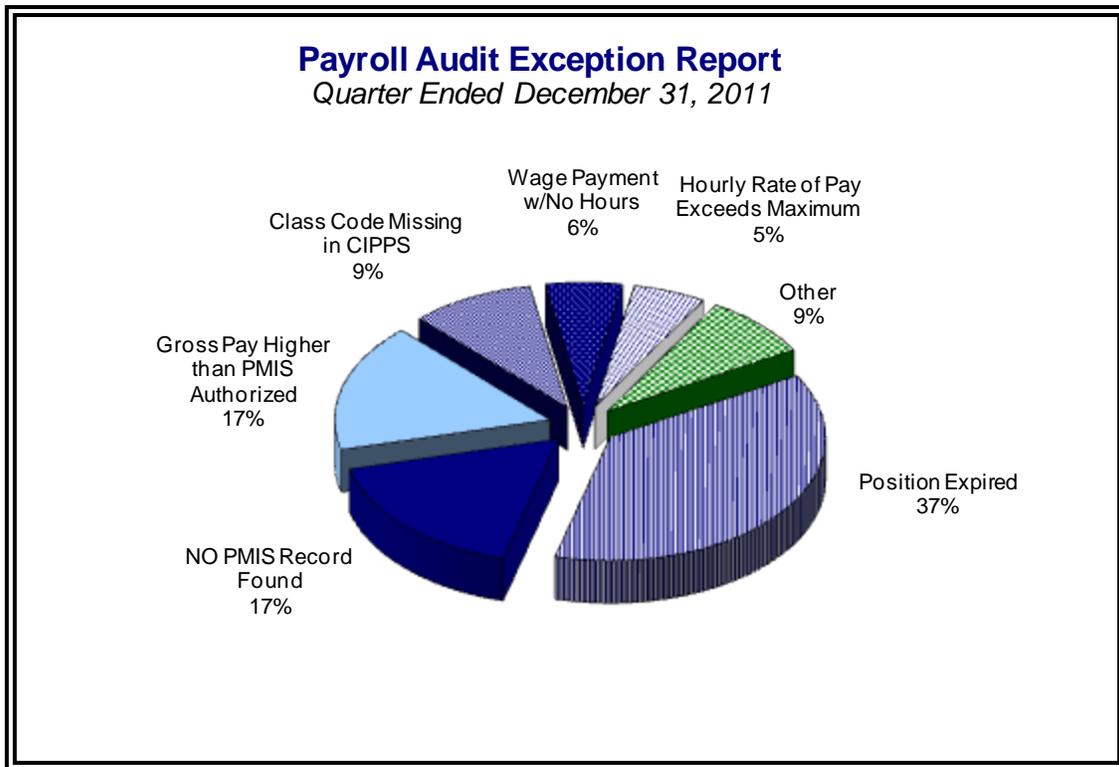
Payroll Controls

PMIS/CIPPS Payroll Audit

During the quarter, DOA's automated comparison of payroll (CIPPS) and personnel (PMIS) records examined 412,219 salaried pay transactions and 117,567 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 5,640 new exceptions noted statewide during the quarter, with an overall exception rate of 1.00 percent.

The statewide salaried payroll exception rate was .95 percent and the wage payroll exception rate was 1.18 percent. During this quarter, 15 employee paychecks were reduced to recover \$9,699.14 in overpayments.

While the largest cause of exceptions is the processing of payments to employees whose position expiration date has not been updated in PMIS, the second largest cause of exceptions is the processing of payments to salaried employees that exceed the authorized pay in PMIS. 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 December 31, 2011

<u>Agency</u>	<u># of Salaried Exceptions</u>	<u>Exceptions as a % of Salaried Payments</u>
Mountain Empire Community College	25	2.85%
Total Salaried Payroll Exceptions for the Quarter		0.95%

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 December 31, 2011

Wage Payroll Exceptions for the Quarter	1.18%
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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>
<i>Education</i>	
Christopher Newport University	1
<i>Office of Veterans Affairs</i>	
Sitter-Barfoot Veterans Care Center	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				
Blue Ridge Community College		1		
Radford University			2	
Piedmont Virginia Community College	\$ 5,757 *			
Health and Human Resources				
Central Virginia Training Center	141,065	1		
Department of Health	22,638			
Public Safety				
Augusta Correctional Center	20,000			
Transportation				
Department of Transportation - Hourly	125,267			

* Remains unresolved past deadline

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. Health care reconciliations for the months of September, October and November were due 10/31/2011, 11/30/2011 and 12/31/2011, respectively.

**Schedule of Health Care Reconciliations
Received Late**

Agency	Sept	Oct	Nov
New River Community College	X	X	X



FINANCIAL MANAGEMENT ACTIVITY

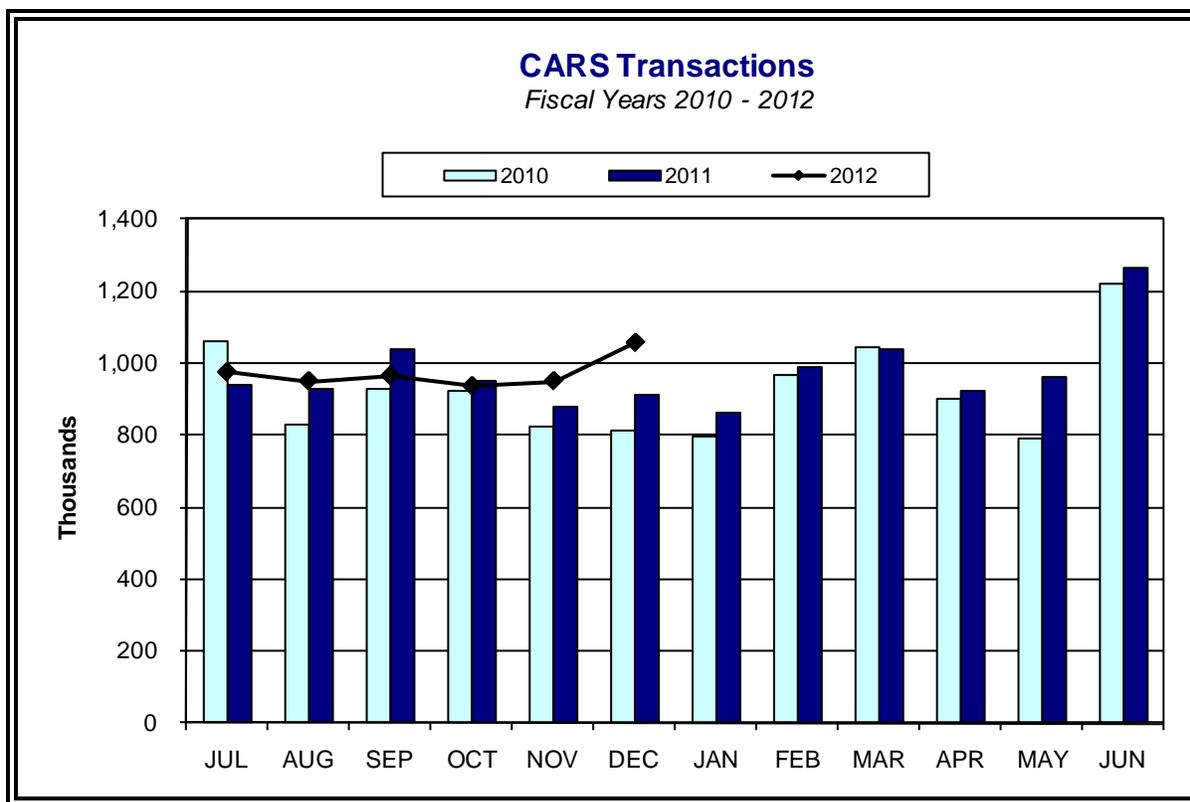
DOA monitors several types of financial activity. Various measures are used to track activities for CARS, payroll, accounts

receivable, indirect cost recoveries, treasury loans, and the Fixed Asset Accounting and Control System (FAACS).

Commonwealth Accounting and Reporting System (CARS)

CARS activity trends provide important information about statewide accounting. Currently, measures are used to track CARS transactions and error counts. A marked

increase or decrease in the number of CARS transactions may indicate that an agency has changed the way it accounts for an activity. Such change may require DOA review.

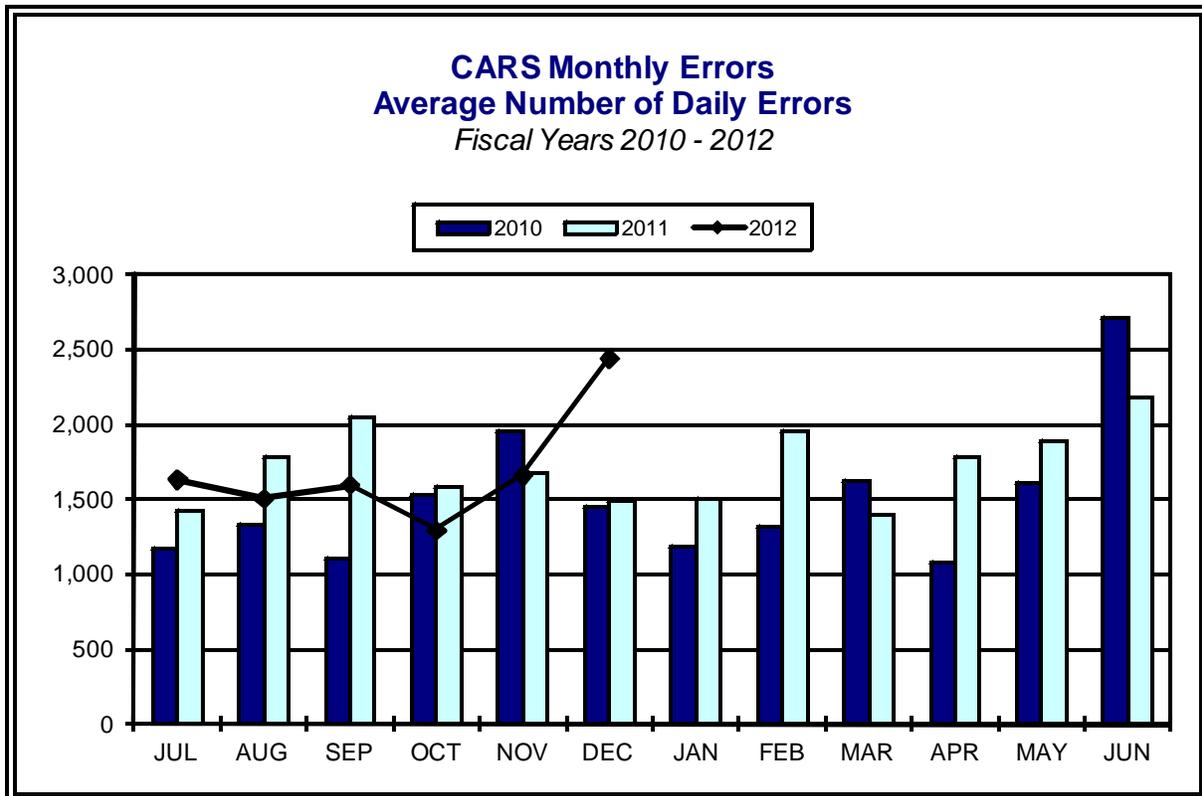


CARS Edits

One of the most important management tools used by DOA is the monitoring of CARS errors generated by standard system edits. Batches remain on the error file until problems are resolved, which, for disbursement transactions, can lead to noncompliance with prompt payment standards and poor vendor relations. During the second quarter of FY 2012, 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

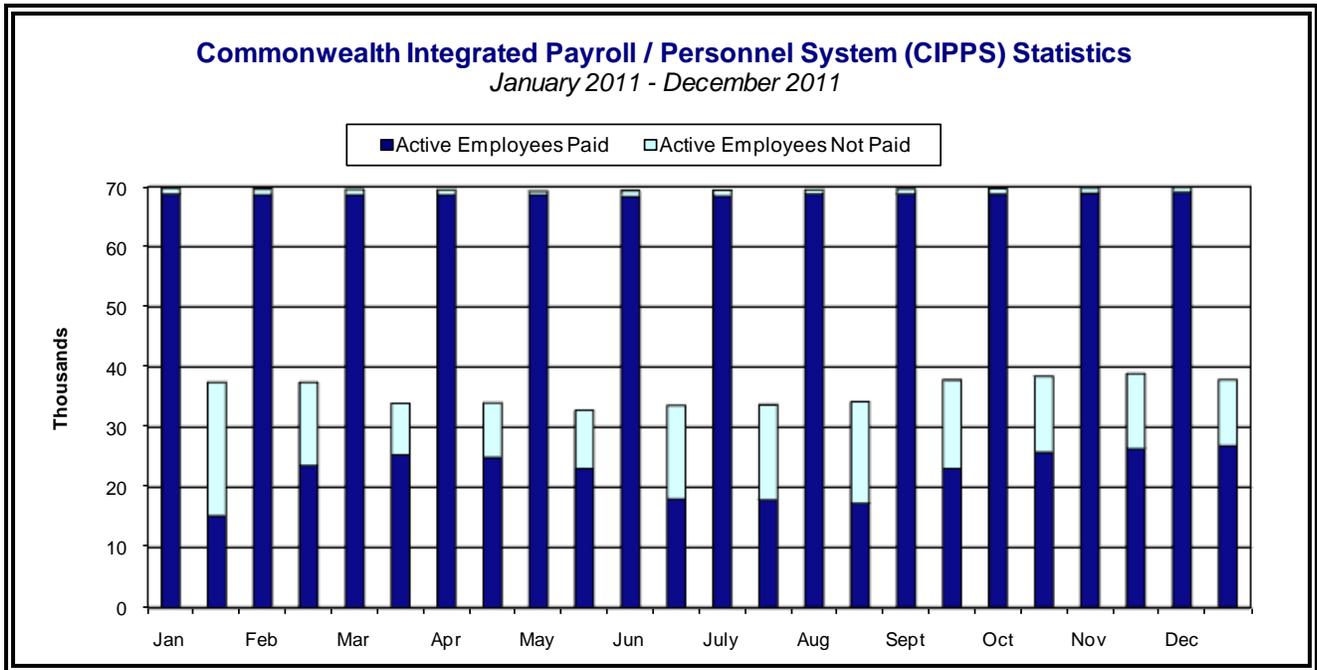


Payroll

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 108,291 employees. Payroll services are also

provided through eight decentralized higher education institutions.

On average, 95,266 employees were paid each month, of which 68,890 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.

**Benefit Participation
Number of Participating Employees**

Benefit	As of 12/31/2011	Comparative	
		As of 12/31/2010	As of 12/31/2009
Health Care			
COVA Care	74,627	74,159	73,049
COVA Connect	7,598	7,617	N/A
Kaiser	2,144	2,131	2,062
Tricare	22	N/A	N/A
Optional Retirement Plans*			
Fidelity Investments	611	573	571
TIAA/CREF	1,663	1,624	1,592
Political Appointee - ORP	99	90	85
Deferred Compensation*	42,264	40,439	39,966
Flexible Reimbursement*			
Dependent Care	805	777	775
Medical Care	7,638	7,443	7,416

* 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 on-going effectiveness of agencies in managing their accounts receivable.

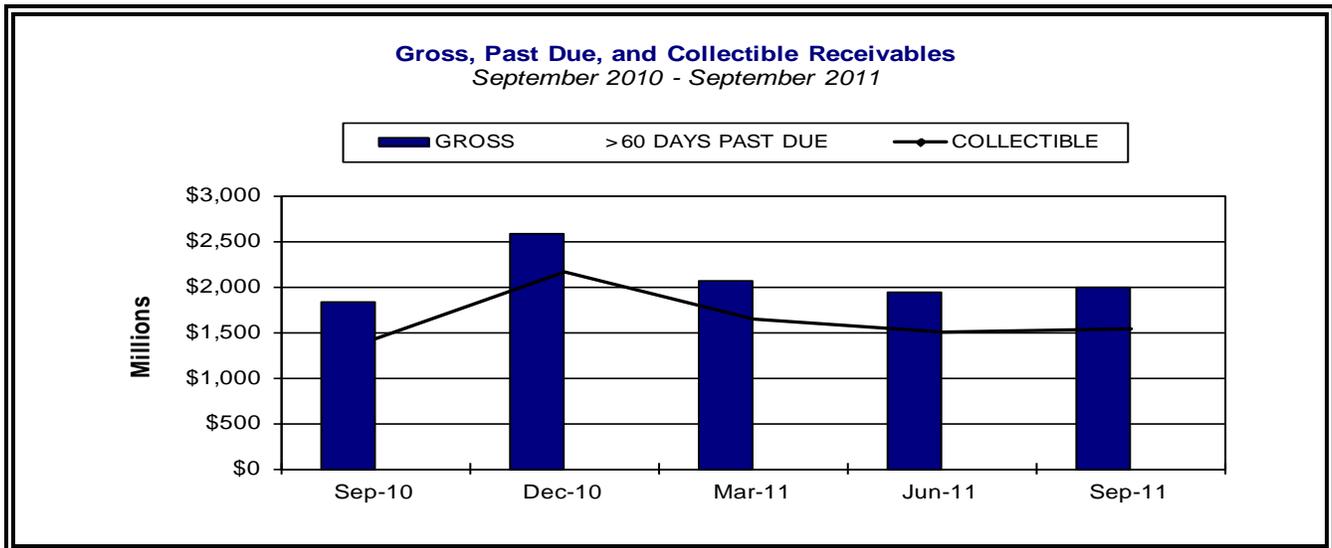
In an effort to present more meaningful information, DOA continues to exclude data from the tables (except for the final table on past due receivables) from the Department of Taxation, consisting largely of statutory assessments and non-filers assessments, and the circuit and district courts, which report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

Commonwealth agencies and institutions reported adjusted gross receivables of \$1.99

billion at September 30, 2011, with \$1.54 billion considered collectible. Receivables over 60 days past due as of September 30, 2011, totaled \$468.6 million. Of that amount, \$13.9 million was placed with private collection agencies, \$38.9 million was placed with the Division of Debt Collection and \$415.8 million was retained in-house for additional collection efforts.

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

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



As of September 30, 2011, agencies expected to collect \$1.54 billion (77 percent) of the \$1.99 billion adjusted gross receivables. About 3 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

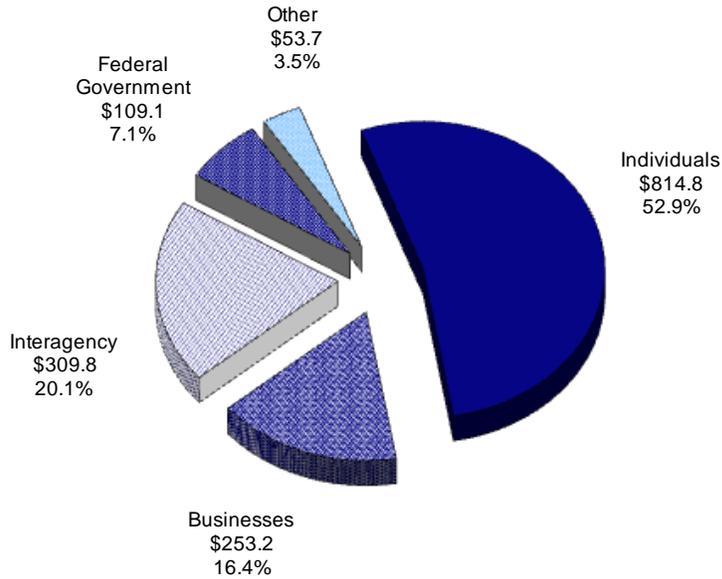
As of September 30, 2011

Fund	Source	Amount	Percent
General Fund 3%	Medicaid - Current Recoveries	\$ 15,464,014	40%
	Social Services	3,265,340	8%
	Labor and Industry Inspections	1,725,839	4%
	State Police Permits	1,660,871	4%
	Corrections	1,250,843	3%
	Other	7,402,639	19%
	Subtotal	30,769,546	78%
	Interagency Receivables	8,560,629	22%
Total General Fund Collectible		\$ 39,330,175	100%
Nongeneral Funds 97%	Medicaid - Dedicated Penalty Fees	\$ 67,474,921	4%
	Medicaid - Federal Reimbursements	10,523,000	1%
	Unemployment Taxes *	94,714,215	6%
	Transportation	69,251,590	5%
	Child Support Enforcement	160,854,846	11%
	Federal Government	28,914,224	2%
	DBHDS Patient Services	25,023,961	2%
	Hospital	180,976,086	12%
	Enterprise	65,376,299	4%
	Higher Education	452,133,032	30%
	Other	44,728,121	3%
	Subtotal	1,199,970,295	80%
	Interagency Receivables	301,251,192	20%
Total Nongeneral Fund Collectible		\$ 1,501,221,487	100%
All Funds	Grand Total	\$ 1,540,551,662	100%

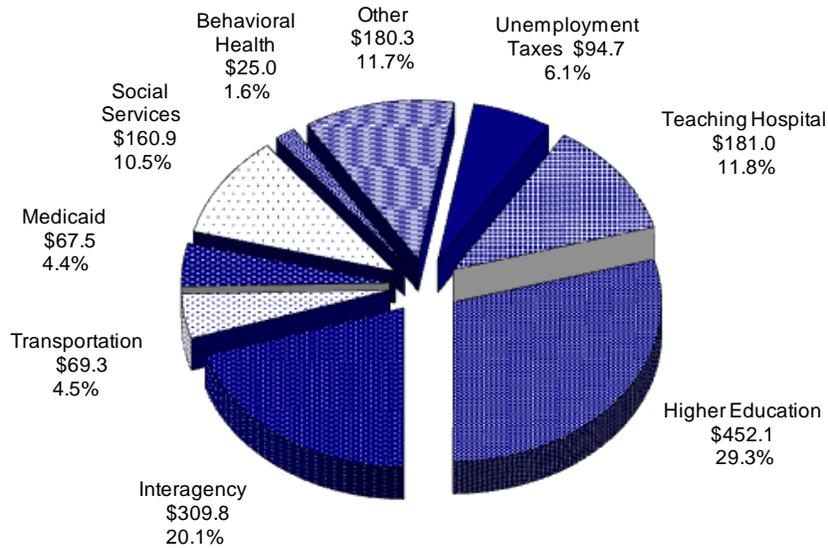
* Note: The Virginia Employment Commission provides Unemployment Taxes Information.

Summary of Receivables by Source

Sources of Collectible Receivables by Debtor
(dollars in millions)
As of September 30, 2011



Sources of Collectible Receivables by Type
(dollars in millions)
As of September 30, 2011



Not counting Taxation and the Courts, ten agencies account for 78 percent of the Commonwealth's adjusted gross and 74

percent of the adjusted collectible accounts receivable balances.

Accounts Receivable Summary
Not Including Circuit Courts, District Courts, or Department of Taxation
As of September 30, 2011

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
University of Virginia Medical Center	\$ 377,554,905	\$ 12,589,221	\$ 364,965,684
Department of Social Services	466,199,175	285,237,037	180,962,138
Virginia Employment Commission	164,044,725	65,133,509	98,911,216
Department of Medical Assistance Services	126,914,523	32,997,778	93,916,745
Virginia Polytechnic Institute and State University	91,561,969	2,948,809	88,613,160
George Mason University	70,521,164	640,838	69,880,326
University of Virginia - Academic Division	67,435,890	211,486	67,224,404
Department of Transportation	61,486,470	113,433	61,373,037
Virginia Community College System	61,316,277	1,953,169	59,363,108
Virginia Commonwealth University	62,954,204	5,538,804	57,415,400
Total	\$ 1,549,989,302	\$ 407,364,084	\$ 1,142,625,218
All Other Agencies	442,675,180	44,748,736	397,926,444
Grand Total	\$ 1,992,664,482	\$ 452,112,820	\$ 1,540,551,662

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 \$10.9 million during the quarter ended September 30, 2011. The Division of Debt Collection contributed \$1.6 million. Private collection agencies collected \$3.1 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected \$6.2 million.

Private collection agencies returned \$9.2 million of accounts to agencies, and the Division of Debt Collection discharged \$681,251 of accounts and returned \$1.3 million of accounts to agencies.

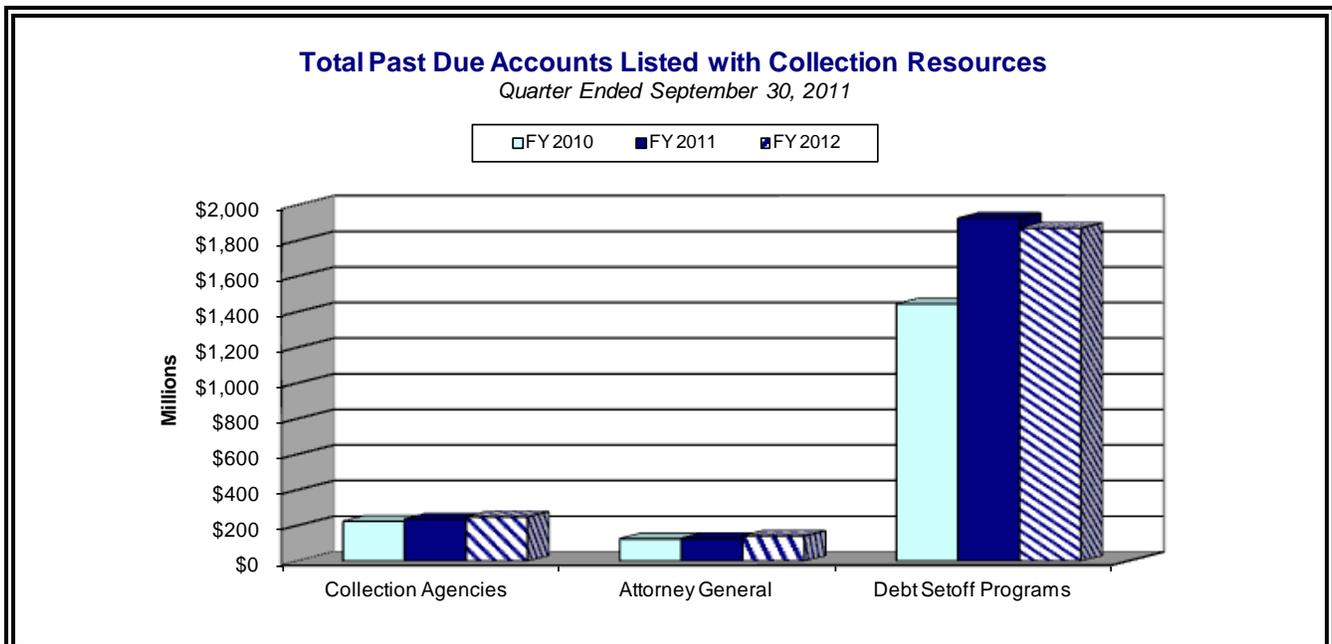
Collectible Receivables Over 60 Days Past Due

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

As of September 30, 2011

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	\$ 165,397,197	\$ 2,610	\$ 55,230	\$ 165,339,357
Virginia Employment Commission	75,165,748	6,392,733	19,990,995	48,782,020
University of Virginia Medical Center	71,206,527	-	-	71,206,527
Department of Medical Assistance Services	54,266,879	257,953	1,727,960	52,280,966
Department of Behavioral Health and Developmental Services	22,779,702	-	-	22,779,702
Department of Transportation	14,543,823	112,692	8,338,720	6,092,411
University of Virginia - Academic Division	8,579,568	590,280	44,247	7,945,041
Virginia Commonwealth University	5,939,409	328,261	123,136	5,488,012
Virginia Community College System	4,630,939	2,014,972	-	2,615,967
Virginia Polytechnic Institute and State University	4,215,624	992,514	933,682	2,289,428
TOTAL	\$ 426,725,416	\$ 10,692,015	\$ 31,213,970	\$ 384,819,431
All Other Agencies	41,889,629	3,202,210	7,682,443	31,004,976
TOTAL OVER 60 DAYS	\$ 468,615,045	\$ 13,894,225	\$ 38,896,413	\$ 415,824,407
Uncollectible Amounts Placed for Collection, Including Accounts Written Off	1,791,488,883	235,125,157	102,634,359	1,453,729,367
TOTAL COLLECTION EFFORTS	\$ 2,260,103,928	\$ 249,019,382	\$ 141,530,772	\$ 1,869,553,774

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 \$4.7 million through the second quarter of FY 2012. 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 9/30/11	Comparative	
		Percent 6/30/11	Percent 3/31/11
Virginia Employment Commission	46%	34%	12%
Department of Medical Assistance Services	43%	43%	42%
Department of Behavioral Health and Developmental Services	41%	34%	29%
Department of Social Services	35%	35%	36%
Department of Transportation	24%	52%	41%
University of Virginia Medical Center	19%	15%	11%
University of Virginia - Academic Division	13%	13%	15%
Virginia Commonwealth University	9%	23%	17%
Virginia Community College System	8%	19%	15%
Virginia Polytechnic Institute and State University	5%	9%	5%
Statewide Average - All Agencies	24%	22%	20%

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 74 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 87 percent indicates that for every \$1 billed during the quarter ended September 30, 2011, the state collected 87 cents. This rate is the two percent lower than last year, and two percent higher than the September 30, 2009 quarter.

Collections as a Percentage of Billings

Agency	Percent 9/30/2011	Comparative	
		Percent 9/30/2010	Percent 9/30/2009
Virginia Employment Commission	116%	107%	102%
University of Virginia - Academic Division	96%	97%	89%
Virginia Polytechnic Institute and State University	92%	89%	87%
Department of Social Services	91%	91%	93%
Department of Transportation	89%	151%	126%
Virginia Commonwealth University	83%	81%	84%
George Mason University	78%	79%	80%
Virginia Community College System	69%	72%	82%
Department of Medical Assistance Services	39%	42%	39%
University of Virginia Medical Center	29%	30%	29%
Statewide Average - All Agencies	87%	89%	85%

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 \$93.9 million at September 30, 2011, is a \$10.4 million increase over the \$83.5 million reported at September 30, 2010. Over the same period, total past due receivables of \$60.6 million have increased by \$11.9 million.

University of Virginia Medical Center (UVAH)

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

UVAH collectible receivables of \$365.0 million at September 30, 2011, were a \$76.3 million increase from the \$288.7 million reported the previous year. Past due receivables increased by \$78.7 million to \$187.0 million at September 30, 2011.

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 \$98.9 million at September 30, 2011, an increase of \$9.1 million from the previous year. Total past due receivables were \$81.4 million, a \$14.6 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 September 30, 2011, of \$51.2 million, which is an increase of \$1.6 million reported in the previous year. Most of these receivables are due from other state agencies. As of September 30, 2011, \$2.9 million was over 60 days past due, a decrease of \$1.8 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 four multi-state games, Mega Millions, Powerball, Win for Life and Decades of Dollars. 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 September 30, 2011, the State Lottery reported net receivables of \$51.6 million, an \$8.4 million increase from the previous year. Billings increased by \$21.0 million and collections increased by \$3.0 million during the September 30, 2011 quarter when compared to the September 30, 2010 quarter. At September 30, 2011, the State Lottery had \$220,250 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 September 30, 2011, DOE had no accounts receivable due from the Federal government under Direct Aid to Public Education. This is consistent with the prior year.

Virginia Polytechnic Institute and State University (VPISU)

VPISU is one of the Commonwealth's largest universities and one of two land grant institutions in the state. At September 30, 2011, the University reported net collectible receivables of \$88.6 million, an increase of \$4.1 million over the prior year. At the same time, total past due receivables of \$14.1 million increased by \$1.7 million over the prior year.

The University uses a variety of collection methods to encourage payments. At September 30, 2011, VPISU had \$4.2 million of accounts over 60 days past due. \$1.6 million was placed with the Attorney General's Division of Debt Collection, another \$1.0 million was placed with private collection agencies and \$2.3 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 September 30, 2011, the Department reported collectible receivables of \$25.0 million, a \$769,367 increase over the previous year. \$30.0 million was past due, with \$22.8 million being over 60 days past due. Total past due receivables increased by \$17.1 million over the year, and accounts over 60 days past due increased by \$14.6 million. At September 30, 2011, the Department had a total of \$6.4 million of accounts placed with the Attorney General and \$620,481 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 September 30, 2011, VDOT reported \$61.4 million of collectible receivables, a decrease of \$33.6 million from the prior year. VDOT also reported \$17.9 million total past due and \$14.5 million being over 60 days past due. Past due receivables decreased by \$8.3 million over the year, while receivables over 60 days past due decreased by \$3.6 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 \$8.3 million of their accounts over 60 days past due with the Attorney General's Division of Debt Collection, and \$112,692 with private collection agencies.

Department of Social Services (DSS)

Social Services provides 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 September 30, 2011, DSS reported gross receivables of \$466.2 million, an allowance for doubtful accounts of \$285.2 million and collectible receivables of \$181.0 million. Past due receivables totaled \$168.0 million, of which \$165.4 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for \$422.3 million (91 percent) of the gross receivables, \$261.4 million (92 percent) of the allowance for doubtful accounts and \$160.9 million (89 percent) of the collectible receivables.

From September 30, 2010, to September 30, 2011, gross receivables increased \$49.2 million and collectible receivables increased by \$20.0 million. Total past due receivables increased by \$17.5 million and receivables over 60 days past due increased by \$17.3 million.

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

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

At September 30, 2011, DRPT had gross and net receivables of \$27.9 million. The majority of this money is due via an interagency transfer from VDOT. DRPT reported no past due receivables at September 30, 2011.

Virginia Commonwealth University (VCU)

VCU, based in Richmond, offers more than 200 degree programs to over 32,000 students in a variety of fields ranging from accounting to pharmacy at both undergraduate and graduate levels.

At September 30, 2011, VCU had \$57.4 million of collectible receivables, a \$21.3 million decrease from September 30, 2010. Total past due accounts were \$8.8 million, a \$1.5 million increase from September 30, 2010. Accounts over 60 days past due (\$5.9 million) increased by \$473,989 from the prior year. Billings decreased by \$3.7 million to \$252.6 million and collections increased by \$2.7 million to \$210.6 million for the September 30, 2011 quarter, when compared to the September 30, 2010 quarter.

The following table is prepared to present the September 30, 2011, aging information in conformity with the provisions of the *Code of Virginia* § 2.2-603.E.(ii).

Commonwealth's total \$3.03 billion past due accounts receivable at September 30, 2011. Another 18 agencies accounted for 23 percent (\$693.8 million), leaving 71 other agencies to comprise the last one percent at \$48.3 million.

Taxation and the Circuit and District Courts accounted for 76 percent (\$2.29 billion) of the

Agencies with the Largest Volume of Past Due Receivables

As of September 30, 2011

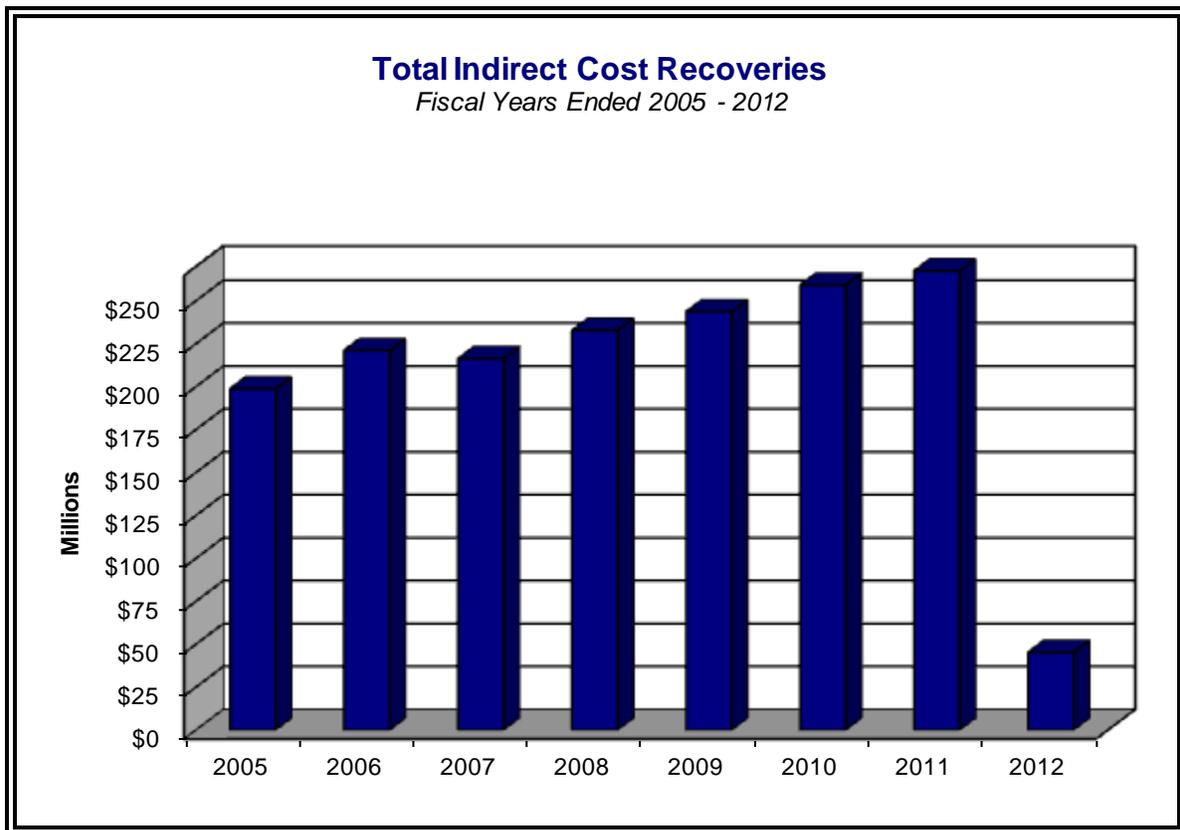
Agency	Total Past Due	1 to 180 Days Past Due	181 to 360 Days Past Due	Over One Year
Department of Taxation	\$ 1,868,558,549	\$ 256,926,201	\$ 175,032,552	\$ 1,436,599,796
Localities' Circuit and District Courts	423,994,195	39,924,729	68,456,453	315,613,013
Total - Taxation Assessments and Court Fines and Fees	\$ 2,292,552,744	\$ 296,850,930	\$ 243,489,005	\$ 1,752,212,809
All Other Large Dollar Agencies:				
University of Virginia Medical Center	186,969,072	160,235,618	15,947,617	10,785,837
Department of Social Services	167,981,038	8,005,056	7,992,187	151,983,795
Virginia Employment Commission	81,416,735	24,316,636	15,589,416	41,510,683
Department of Medical Assistance Services	60,600,495	16,617,373	15,652,544	28,330,578
University of Virginia - Academic Division	38,495,980	35,873,534	1,356,894	1,265,552
Department of Behavioral Health and Developmental Services	29,962,168	25,219,428	65,210	4,677,530
Virginia Community College System	18,564,168	16,887,923	852,746	823,499
Department of Transportation	17,936,440	5,218,062	1,544,673	11,173,705
Virginia Polytechnic Institute and State University	14,107,163	11,502,959	878,897	1,725,307
George Mason University	13,947,039	12,450,786	892,291	603,962
Department of State Police	10,504,248	8,377,953	415,309	1,710,986
Old Dominion University	8,872,128	8,721,490	100,649	49,989
Virginia Commonwealth University	8,825,436	4,689,791	1,786,717	2,348,928
James Madison University	8,547,904	7,817,619	199,327	530,958
Norfolk State University	8,264,490	7,709,597	287,448	267,445
Department of General Services	7,569,063	5,731,299	82,006	1,755,758
Virginia Information Technologies Agency	6,177,438	5,005,442	711,957	460,039
Virginia State University	5,090,969	4,040,503	468,888	581,578
Total - Largest Dollar Volume Agencies	\$ 693,831,974	\$ 368,421,069	\$ 64,824,776	\$ 260,586,129
All Other Agencies	48,341,889	31,777,493	3,955,311	12,609,085
Grand Total Past Due Receivables	\$ 3,034,726,607	\$ 697,049,492	\$ 312,269,092	\$ 2,025,408,023



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 2012 reflects indirect cost recoveries through December 31, 2011.

Indirect Cost Recoveries from Grants and Contracts

Fiscal Year 2012

Fund	Year-to-Date		Total
	Higher Ed	Non-Higher Ed	
Nongeneral:			
Agency / Institution (1)	\$ 11,876,767	\$ 31,242,483	\$ 43,119,250
Statewide	38,644	559,890	598,534
Agency / Institution ARRA	823,818	207,428	1,031,246
Statewide ARRA	249	10,375	10,624
Total Nongeneral	\$ 12,739,478	\$ 32,020,176	\$ 44,759,654
General:			
Agency (Cash Transfers)	-	-	-
Statewide	-	541,546	541,546
Statewide (Cash Transfers)	-	-	-
Total General	\$ -	\$ 541,546	\$ 541,546
Total All Funds	\$ 12,739,478	\$ 32,561,722	\$ 45,301,200

- (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 \$20,115,359 representing the Department of Social Services' estimate of indirect cost recoveries received. This does not include covered higher education institutions.

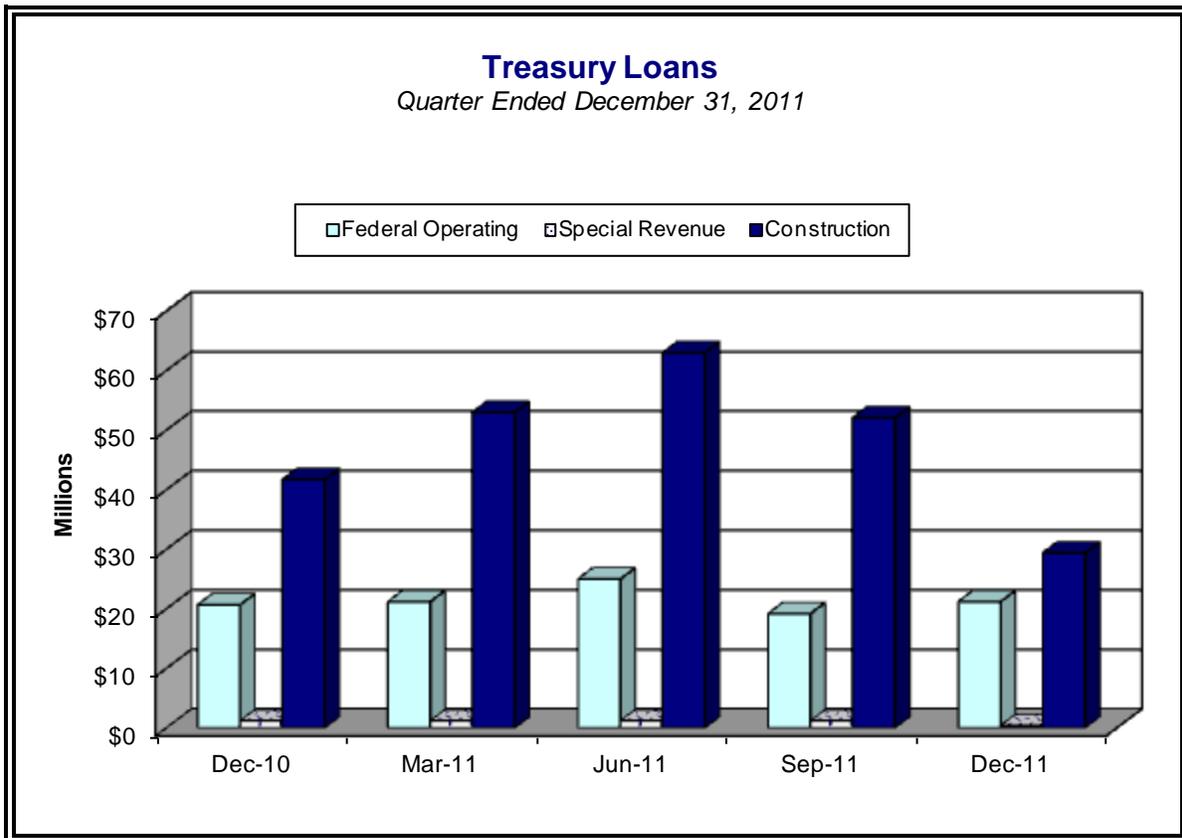


Loans and Advances

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 December 31, 2011 was \$51.1 million.



Significant New Loans / Drawdowns	New Balance
Virginia Employment Commission (VEC) Drawdown on a \$1 million loan used to cover TRA ATAA expenditures.	\$ 1,000,000.00
Virginia State University (VSU) Drawdown on a \$1.4 million loan used to construct Quad, Phase II.	\$ 1,400,000.00
Department of Military Affairs (DMA) Drawdown on a \$23 million loan used to pay expenditures incurred in anticipation of reimbursement from the National Guard Bureau.	\$ 2,000,000.00
Virginia State University (VSU) Drawdown on an \$11.8 million loan used to construct Gateway Residence Hall, Phase II.	\$ 9,140,000.00

Significant Loan Repayments	Prior Balance
Virginia Employment Commission (VEC) Repayment on a \$1 million loan used to cover TRA ATAA expenditures.	\$ 1,000,000.00
Virginia State University (VSU) Repayment on a \$1.4 million loan used to construct Quad, Phase II.	\$ 1,400,000.00
Virginia State University (VSU) Repayment on an \$11.8 million loan used to construct Gateway Residence Hall, Phase II.	\$ 11,790,000.00
Virginia Commonwealth University (VCU) Repayment on a \$40.4 million loan used for the construction of the new School of Medicine.	\$ 19,590,062.00

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 December 31, 2011.
- **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 December 31, 2011, 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 December 31, 2011, was \$76.8 million.

