

**REPORT ON  
STATEWIDE FINANCIAL MANAGEMENT  
AND COMPLIANCE**

**FOR THE QUARTER ENDED DECEMBER 31, 2012**



**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, 2012, and comparative FY 2012 data. Some information in the report is for the quarter ended September 30, 2012, which is the most current data available.

David A. Von Moll, CPA, CGFM  
Comptroller



Virginia Department of Accounts  

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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](http://www.apa.virginia.gov).

### *Audit Reports – Quarter Ended December 31, 2012*

The APA issued 17 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
<b>Administration</b>				
None				
<b>Agriculture and Forestry</b>				
None				

	New Findings	Repeat Findings	Total Findings	CAW Received
<b>Commerce and Trade</b>				
Department of Professional and Occupational Regulation	0	0	0	N/A
Virginia Economic Development Partnership	0	0	0	N/A
Virginia Employment Commission	0	2	2	YES
<b>Education</b>				
James Madison University	0	0	0	N/A
University of Mary Washington	0	0	0	N/A
University of Virginia	1	0	1	YES
University of Virginia Medical Center	0	0	0	N/A
Virginia Commonwealth University	0	0	0	N/A
Virginia Polytechnic Institute and State University	0	0	0	N/A
<b>Executive Offices</b>				
Office of the Governor	0	0	0	N/A
Office of the Lieutenant Governor	0	0	0	N/A
Division of Selected Agency Support Services <sup>(1)</sup>				
Citizen's Advisory Council	0	0	0	N/A
Interstate Organization Contributions	0	0	0	N/A
Office for 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 <sup>(2)</sup>				
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
<b>Finance</b>				
None				
<b>Health and Human Resources</b>				
None				
<b>Natural Resources</b>				
Department of Historic Resources	0	0	0	N/A
<b>Public Safety</b>				
Department of Alcoholic Beverage Control	2	0	2	YES
<b>Technology</b>				
Innovation and Entrepreneurship Investment Authority <sup>(3)</sup>	0	0	0	N/A

	New Findings	Repeat Findings	Total Findings	CAW Received
<b>Transportation</b>				
Virginia Port Authority <sup>(4)</sup>	2	1	3	YES

**Veterans Affairs and Homeland Security**

None

(1) One report covering five entities.

(2) One report covering eleven entities.

(3) This report includes the Center of Innovative Technology, a Blended Component Unit.

This audit was performed by CliftonLarsonAllen, LLP, and provided to the APA.



## *Audit Findings - Quarter Ended December 31, 2012*

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 **This is a Repeat Finding.** As the APA reported in their last audit, the Tax Reconciliation Unit and the Tax and Wage Information Processing (TWIP) Unit are not consistently reviewing and resolving wage discrepancies in a timely manner. Employers report wages paid to employees to the VEC, which verifies the amounts reported against other sources of information such as tax returns. Differences between the amounts reported to the VEC appear on various wage discrepancy reports, and the TWIP Unit reviews and resolves discrepancies that meet certain thresholds.

During their review, the APA found the Tax Reconciliation Unit did not adequately resolve 2 out of 16 (12.5 percent) wage discrepancies tested in a timely manner. These discrepancies date from the third and fourth quarters of calendar year 2011 and remain unresolved as of October 2012. During this timeframe, the Tax Reconciliation Unit experienced significant turnover including the reassignment of several key staff to the VEC's system implementation projects. As a result, the policies and procedures established by the Tax Reconciliation Unit were not being followed to resolve these discrepancies. In addition, the Tax Reconciliation Unit has not established policies for what constitutes timely resolution of identified discrepancies.

The APA recommends that Management continue to review staffing levels of the Reconciliations Unit so that the Unit has adequate and appropriately trained resources. The Unit is currently implementing a new system, and this is an opportunity for them to review their business processes as well as their policies and procedures. They should ensure their policies and procedures address what constitutes timely resolution of identified discrepancies as well as information necessary to track and monitor the status of discrepancies under review. Unresolved wage discrepancies could impact the amounts employers pay in Unemployment Insurance taxes as well as the amount of benefits employees can receive.

2. Follow Timekeeping and Payroll Procedures **This is a Repeat Finding.** As the APA reported in their previous audit, VEC supervisors are not consistently following internal policies, which require advance approval for overtime. During their review, the APA found that supervisors for 6 out of 16 employees (37.5 percent) tested did not obtain advance approval for overtime worked. In addition, four of these employees worked more overtime hours than had been approved.

To address an increased workload over the last several years, the VEC has hired additional personnel and required overtime for many staff. The VEC's policies require the employee's supervisor obtain advance approval from the Division head for overtime including the specific dates and hours of overtime. Although management has emphasized this policy within the agency, the APA continues to find instances where supervisors are not following the policy.

The APA recommends that Management continue to emphasize the policy to ensure all supervisors are aware of the requirement and hold supervisors accountable who are not

following the requirement. Given the additional workload, the agency has experienced over the last several years, effective overtime controls are essential to minimize the opportunity for abuse and increase the efficient use of federal operating funds.

## Education

### *University of Virginia – Academic Division (UVA/AD)*

1. Improve Oracle Database Security. The UVA/AD has not implemented certain information security controls in its Oracle database that stores sensitive information for the Student Information System. Some of this information is also classified sensitive under the Family Educational Rights and Privacy Act (FERPA). The Center for Internet Security (CIS) Oracle 11g Database best practices recommends implementing specific controls to reduce unnecessary risk to data confidentiality, integrity, and availability.

The APA identified and communicated three weak controls to management in a separate document marked Freedom of Information Act Exempt under §2.2-3705.2 of the *Code of Virginia* due to it containing descriptions of security mechanisms. Management agreed with the APA recommendations and provided a corrective action plan to the APA under the same public disclosure exemption.

## Public Safety

### *Department of Alcoholic Beverage Control (ABC)*

1. Improve Controls over the MIPS to Performance Interface. The ABC staff is not regularly reviewing Management of Inventory and Product Sales (MIPS) data, which can lead to adjustments that affect prior periods and can result in misstatements and losses. While ABC's MIPS system does not properly interface with the Performance Financial System, staff prepare monthly adjustments to bring the financial system in balance with MIPS from real time reports and to reconcile MIPS to Performance at year end. Therefore, any MIPS adjustments prepared after the report run date are not in the Performance system.

Staff periodically review and correct MIPS data; however, there is no regular schedule or routine for processing the correction or conducting the review. For example, the Total Dollar Value of Inventory Report as of June 30, 2012 prepared on July 16, 2012 did not equal the same report prepared on September 7, 2012. A discrepancy between these reports arose from corrections entered into MIPS with no corresponding entry in Performance at year end.

ABC should require monthly reviews and the correction of any discrepancies after properly investigating the differences in the MIPS System. MIPS data should be accurate when the financial team brings Performance in balance in order to have properly represented financial statements.

2. Update IT Risk Management and Contingency Plans. ABC has not updated its Information Technology (IT) risk assessments or its disaster recovery contingency plans for its software applications that contain confidential and mission critical data since 2007. By not updating the risk assessments or disaster recovery contingency plan, ABC incurs a significant risk because

the agency's systems have substantially changed since ABC originally created the plans. Without updated risk assessments and disaster recovery plans for its applications, ABC cannot accurately determine the appropriate information security safeguards to protect data or develop adequate plans to recover from a disaster or major system failure. This would result in unnecessary and potentially material financial losses from system unavailability and data confidentiality problems. In addition, the Commonwealth's Information Security Standard, SEC 501-06, requires agencies to maintain updated IT risk management and contingency plans for all sensitive applications and systems.

Updated plans are especially important during times of transition and change. As ABC and the IT Partnership with Northrop Grumman begin the process to plan moving the servers from ABC's headquarters to the Commonwealth's enterprise data center, the ability to reference updated recovery plans is very important. ABC will need to update these plans again once it has completed the move. ABC should consider establishing written restoration processes for its applications for use until the server move is complete.

The APA recommends that ABC develop current disaster recovery procedures for its applications that ABC can use until IT Partnership fully transitions the servers to the enterprise data center. Once fully transitioned, the APA recommends that ABC update its risk assessments and contingency plans to reflect the final environment.

## Transportation

### *Virginia Port Authority (VPA)*

1. *Davis Bacon Compliance.* According to federal requirements under the Davis Bacon Act, the VPA has a requirement to obtain and verify weekly certified payroll from contractors and subcontractors. The VPA is also required to verify that the contractors are in compliance with the prevailing wage rates before payments to those contractors.

During the auditor's review of the procedures performed to ensure compliance with the Davis Bacon Act, they noted that the VPA is currently reviewing and approving the certified payrolls as required, however, there is no documentation of review prior to the payment to those contractors. The auditors recommend that upon review and approval of the payroll registers the reviewing individual sign and date the register prior to authorizing the payment.

2. *Procurement Suspension and Debarment Compliance.* According to federal requirements, recipients of federal grants are prohibited from contracting with parties suspended or debarred from doing business with the federal government. Federal regulations require grant recipients to ensure vendors that receive more than \$25,000 in federal funds are not suspended or debarred from doing business with the federal government. A vendor may certify in writing to the grantee that it has not been suspended or debarred, and the grantee may rely on that certification. The grantee also may check for suspended or debarred parties by reviewing the Federal Excluded Parties List issued by the U.S. General Services Administration or by including a clause in its contract with the vendor.

The auditors noted during their test of procurement, suspension and debarment compliance that management is currently performing the search for suspended and debarred vendors, but there is

no documentation supporting the review. The auditors recommend that the VPA strengthen its documentation relating to the option used for each contract awarded under federal grants.

3. Security Program. **This is a repeat finding.** The auditors noted that the VPA had one recommendation from the prior year relating to the security program that was still in the process of being addressed. They recommend that the VPA continue to implement the best practices identified to strengthen internal controls.



***Additional Recommendations – Quarter Ended December 31, 2012***

No APA reports were received that contained additional recommendations.

***Special Reports – Quarter Ended December 31, 2012***

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

Report to the Joint Legislative Audit and Review Commission for the quarter July 1, 2012 through September 30, 2012

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, 2012 <sup>(1)</sup>

Revenue Stabilization Fund Calculations for the year ended June 30, 2012

Review of Compliance with the Federal Payments in Lieu of Taxes (PILT) Act for the period October 1, 2011 through September 30, 2012

Study on Feasibility of Using CPA Firms –December 2012

***Other Audit Reports Received – Quarter Ended December 31, 2012***

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

Fort Monroe Authority for the year ended June 30, 2012 <sup>(2)</sup>

One recommendation related to the timeliness of Federal Grant reporting.

Virginia College Savings Plan for the year ended June 30, 2012

One recommendation related to enhancing systems access controls.

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

Internal Control Report on Audit for Local Government Investment Pool, Virginia Public School Authority, Virginia College Building Authority, and Virginia Public Building Authority for the year ended June 30, 2012

Internal Control Report on Audit for Local Government Investment Pool, Virginia Public School Authority, Virginia College Building Authority, and Virginia Public Building Authority for the year ended June 30, 2012

Virginia Retirement System for the year ended June 30, 2012

Virginia Tobacco Indemnification and Community Revitalization Commission for the year ended June 30, 2012

Virginia Biotechnology Research Partnership Authority for the year ended June 30, 2012

Virginia Commercial Space Flight Authority for the year ended June 30, 2012

- (1) *This audit was performed by Robinson, Farmer, Cox Associates and provided to the APA.*
- (2) *This audit report, of a component unit of the Commonwealth of Virginia, was performed by Cherry, Bekaert & Holland, LLP, and provided to the APA.*



## Auditor of Public Accounts Reports - Executive Branch Agencies

### *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
<b>Administration</b>				
State Board of Elections	0	1	0	0
Department of Human Resource Management	1	0	0	0
<b>Agriculture and Forestry</b>				
Department of Agriculture and Consumer Services	0	0	1	0
<b>Commerce and Trade</b>				
Virginia Employment Commission	0	2	0	1
Virginia Racing Commission	1	1	0	0
<b>Education</b>				
Christopher Newport University	1	0	1	0
The College of William and Mary in Virginia	2	0	0	0
Richard Bland College	1	0	0	0
University of Mary Washington	0	0	1	0
Virginia Community College System	0	1	0	0
Dabney S. Lancaster Community College	0	0	3	1
Mountain Empire Community College	0	1	1	0
New River Community College	2	1	2	1
Northern Virginia Community College	0	1	3	0
Southwest Virginia Community College	0	2	2	0
Tidewater Community College	0	1	1	0
Virginia Highlands Community College	0	1	0	0
Virginia Western Community College	0	0	1	2
Wytheville Community College	1	1	2	1
Virginia School for the Deaf and Blind	0	1	0	0
Virginia State University	0	0	4	0
<b>Executive Offices</b>				
None				
<b>Finance</b>				
None				

	IN PROGRESS		COMPLETED	
	On Schedule	Delayed	On Schedule	Delayed
<b>Health and Human Resources</b>				
Department of Health	0	1	0	0
Department of Medical Assistance Services	0	1	0	0
Department of Rehabilitative Services <sup>1.</sup>	0	1	0	0
Department of Social Services	0	3	0	0
<b>Natural Resources</b>				
Department of Game and Inland Fisheries	0	2	1	0
<b>Public Safety</b>				
Department of Alcoholic Beverage Control	0	1	0	1
Department of Corrections	0	1	1	0
Department of Military Affairs	0	1	0	0
Department of State Police	2	0	0	0
<b>Technology</b>				
Virginia Information Technologies Agency	1	0	0	0
Wireless E-911 Services Board	0	1	0	0
<b>Transportation</b>				
Department of Motor Vehicles	2	1	0	0
Department of Transportation	0	0	1	0
Virginia Port Authority	0	1	0	0
<b>TOTALS</b>	14	28	25	7

1. Effective July 1, 2012, the Department of Rehabilitative Services became known as the Department for Aging and Rehabilitative Services.



### *Status of Prior Audit Findings*

The policy governing the Agency Response to APA Audits requires follow-up reports on agency workplans every 90 days until control findings are certified by the agency head as corrected. The status of corrective action information reported by agencies under this policy is included in this report.

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

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.

<b>Latest Audit Year</b>	<b>Finding Number</b>	<b>Title of the APA Audit Finding</b>	<b>Current Status as Reported by Agency</b>	<b>Status Summary</b>
<b><u>State Board of Elections (SBE)</u></b>				
2010	10-02 08-02	Improve information systems security program. <b>This is a Repeat Finding.</b>	SBE has completed its Business Impact Analysis and is nearly finished with its Risk Assessment. Implementation is delayed because positions were not approved and conflicted with election periods.	In Progress (Delayed)
<b><u>Department of Human Resource Management (DHRM)</u></b>				
2011	11-01	Improve Documentation, Cost Tracking, and Accounting for Overhead Allocations and Service Billings	The Time and Leave system is still in development for the entire Commonwealth.	In Progress (On Schedule)
<b><u>Department of Agriculture and Consumer Services (VDACS)</u></b>				
2012	12-01	Improve Oracle Database Security	Security changes in the test and production database environments have been implemented based on the "Least Privilege" principle.	Completed (On Schedule)
<b><u>Virginia Employment Commission (VEC)</u></b>				
2012	12-01 11-01	Resolve Employer Wage Discrepancies Timely. <b>This is a Repeat Finding.</b>	Policies and procedures have been developed and implemented. Staff will be trained on the policies. Affected Employee Work Profiles will be adjusted to reflect new responsibilities and accountabilities.	In Progress (Delayed)

<b>Latest Audit Year</b>	<b>Finding Number</b>	<b>Title of the APA Audit Finding</b>	<b>Current Status as Reported by Agency</b>	<b>Status Summary</b>
	12-02 11-02	Follow timekeeping and payroll procedures. <b>This is a Repeat Finding.</b>	Completed counseling of supervisors not in compliance. Quarterly reminders are sent to supervisors. Conducting random audits and reporting the results to management. The impact of the new procedures will be reviewed during the next three months.	In Progress (Delayed)
	11-03	Perform VATS and VABS System Access Review. <b>This is a Repeat Finding.</b>	IT follow-up is being conducted to ensure use by management.	Completed (Delayed)
<b><u>Virginia Racing Commission (VRC)</u></b>				
2012	12-01 11-01	Use supported database software. <b>This is a Repeat Finding</b>	System details have been defined and documented. The VRC is working with VITA to finalize the implementation of the new licensing system.	In Progress (Delayed)
	12-02	Verify and Test Application and Database Backups.	Responsibility has been assigned for verifying and testing backups.	In Progress (On Schedule)
<b><u>Christopher Newport University (CNU)</u></b>				
2011	11-01	Strengthen Internal Controls over Capital Outlay	The University has developed a process to ensure the timely completion of the HECO forms in accordance with University Policy.	Completed (On Schedule)
	11-02	Limit Employee Functions within Banner Finance	The Comptroller is restructuring all Banner classes to ensure all employee's access is in scope and relevant to each position.	In Progress (On Schedule)
<b><u>The College of William and Mary in Virginia (CWM)</u></b>				
2012	12-01	Improve Controls in the Property Control Office	The physical inventory is complete and in the reconciliation phase. After reconciliation, a perpetual inventory system will be implemented.	In Progress (On Schedule)
	12-02	Improve Banner User Access Review	The initial review has been completed. The first of subsequent annual reviews will be conducted later in the Summer / Fall.	In Progress (On Schedule)
<b><u>Richard Bland College (RBC)</u></b>				
2012	12-01	Improve Banner User Access Review	The initial review has been completed. The first of subsequent annual reviews will be conducted later in the Summer / Fall.	In Progress (On Schedule)

<b>Latest Audit Year</b>	<b>Finding Number</b>	<b>Title of the APA Audit Finding</b>	<b>Current Status as Reported by Agency</b>	<b>Status Summary</b>
<b><u>University of Mary Washington (UMW)</u></b>				
2011	11-01	Re-Examine Relationships with the Foundation	The Agency addressed this finding and the APA determined that adequate corrective action was taken in the UMW FY2012 audit report.	Completed (On Schedule)
<b><u>Virginia Community College System (VCCS) Central Office</u></b>				
2011	11-01	Improve Monitoring Controls Over High Risk Transactions	The colleges have been informed of their security roles. Control monitoring reports are not yet finalized. The VCCS Central Office is responding on behalf of the affected colleges.	In Progress (Delayed)
<b><u>Dabney S. Lancaster Community College (DSLCC)</u></b>				
2011	11-01	Improve Notification of Direct Loan Awards to Students	Students are notified about all loan information in writing. A student signed copy is kept as evidence of their receipt of this information.	Completed (On Schedule)
	11-02	Reconcile Financial Aid Activity to Federal Systems	The System reports will be reconciled with Loan System and Pell reports. Procedures have been revised to ensure this happens as needed.	Completed (Delayed)
	11-03	Appropriately Report Federal Pell Grant Disbursements	New procedures have been implemented to ensure appropriate disbursements in accordance with Federal Guidelines.	Completed (On Schedule)
	11-04	Properly Calculate and Return Title IV Funds	New procedures are implemented so that the Financial Aid office and the Business Office work together to ensure proper calculation over the return of Title IV Funds.	Completed (On Schedule)
<b><u>Mountain Empire Community College (MECC)</u></b>				
2011	11-01	Improve Monitoring Controls Over High Risk Transactions	See the VCCS Central Office Response	In Progress (Delayed)
	11-02	Perform Fixed Asset Physical Inventories	A physical inventory is complete. Procedures have been implemented to ensure prompt completion of future physical inventories.	Completed (On Schedule)

<b>Latest Audit Year</b>	<b>Finding Number</b>	<b>Title of the APA Audit Finding</b>	<b>Current Status as Reported by Agency</b>	<b>Status Summary</b>
<b><u>New River Community College (NRCC)</u></b>				
2011	11-01	Improve Monitoring Controls Over High Risk Transactions	See the VCCS Central Office Response	In Progress (Delayed)
	11-02	Perform Fixed Asset Physical Inventories	A plan to ensure a two year physical inventory cycle is in place. The initial inventory under the plan will be conducted by the end of FY 2013.	In Progress (On Schedule)
	11-03	Improve Payroll and Leave Controls	A new filing process has been put into operation. A new comprehensive policy and procedures manual is being developed including leave liability accrual and other issues.	In Progress (On Schedule)
	11-04	Improve Notification of Direct Loan Awards to Students	New procedures have been implemented for sending written communications to all students.	Completed (On Schedule)
	11-05	Reconcile Financial Aid Activity to Federal Systems	A new procedure has been implemented to receive and reconcile School Account Statements to financial records each month.	Completed (On Schedule)
	11-06	Properly Calculate and Return Title IV Funds	The college will reinforce existing policies and procedures to reduce the likelihood of calculation errors. Adjustments have been made as needed. A means to properly calculate the time between dates has been developed and implemented.	Completed (Delayed)
<b><u>Northern Virginia Community College (NVCC)</u></b>				
2011	11-01	Improve Monitoring Controls Over High Risk Transactions	See the VCCS Central Office Response	In Progress (Delayed)
	11-02	Deactivate Separated Employee's Finance Application Access Timely	A new termination process has been implemented and tested.	Completed (On Schedule)
	11-03	Deactivate Separated Employee's Procurement Application (eVA) Access Timely	Deactivation controls strengthened for all facilities to include all systems including eVA. Implemented and tested.	Completed (On Schedule)

<b>Latest Audit Year</b>	<b>Finding Number</b>	<b>Title of the APA Audit Finding</b>	<b>Current Status as Reported by Agency</b>	<b>Status Summary</b>
	11-04	Strengthen Controls over Purchase Card Program. <b>This is a Repeat Finding.</b>	Each campus has a buyer with a P-Card to reduce the number of cards college-wide. Each campus buyer is responsible for primary controls (review, approval, training etc.) at their facility.	Completed (On Schedule)

**Southwest Virginia Community College (SWVCC)**

2011	11-01	Improve Monitoring Controls Over High Risk Transactions	See the VCCS Central Office Response	In Progress (Delayed)
	11-02	Appropriately Report Federal Pell Grant Disbursements	A control has been put in place to ensure that no date errors occur.	Completed (On Schedule)
	11-03	Properly Calculate and Return Title IV Funds	A new procedure and cross training between the Financial Aid, Business, and Admissions Offices to ensure the proper calculation and return of Title IV Funds.	Completed (On Schedule)
	11-04	Improve Student Financial Aid Control Environment	Cross training is underway and on-going. The Financial Aid procedures manual has been updated to include recent material. One additional Financial Aid staff member remains to be hired.	In Progress (Delayed)

**Tidewater Community College (TCC)**

2011	11-01	Improve Monitoring Controls Over High Risk Transactions	See the VCCS Central Office Response	In Progress (Delayed)
	11-02	Deactivate Separated Employee's Procurement Application (eVA) Access Timely	Deactivations will be improved by enhancing communication between Human Resources, Financial Systems and Operations Office, and the Materiel Management staff.	Completed (On Schedule)

**Virginia Highlands Community College (VHCC)**

2011	11-01	Improve Monitoring Controls Over High Risk Transactions	See the VCCS Central Office Response	In Progress (Delayed)
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<b>Latest Audit Year</b>	<b>Finding Number</b>	<b>Title of the APA Audit Finding</b>	<b>Current Status as Reported by Agency</b>	<b>Status Summary</b>
<b><u>Virginia Western Community College (VWCC)</u></b>				
2011	11-01	Reconcile Financial Aid Activity to Federal Systems	The Financial Aid Director will review the reconciliation process and document the review in the supporting reconciliation working papers.	Completed (Delayed)
	11-02	Properly Calculate and Return Title IV Funds	The College has developed reconciliation procedures to ensure that Direct Loans are reviewed monthly and Pell Grants quarterly. Corrections have been to the accounts of previously affected students.	Completed (On Schedule)
	11-03	Improve Student Financial Aid Control Environment	All vacancies have been filled and the new hires received extensive training. Cross-training is on-going. Financial Aid staff will be provided adequate training on compliance requirements and appropriate levels of management oversight.	Completed (Delayed)
<b><u>Wytheville Community College (WCC)</u></b>				
2011	11-01	Improve Monitoring Controls Over High Risk Transactions	See the VCCS Central Office Response	In Progress (Delayed)
	11-02	Update the Authorized Signatory Card for Local Fund Accounts	New employee termination procedures have been implemented to promptly update signatory authority.	Completed (On Schedule)
	11-03	Deactivate Separated Employee's Procurement Application (eVA) Access Timely	Processes in place to remove all system accesses including eVA.	Completed (On Schedule)
	11-04	Perform Fixed Asset Physical Inventories	A five phase plan is set up for the physical inventories, reconciliations will be made, and adjustments completed as necessary. Currently in Phase five.	In Progress (On Schedule)
	10-01	Document Reconciliation of Federal Reports to College Records	Review of the reconciliation by the Business Manager will be noted in the supporting documentation.	Completed (Delayed)

<b>Latest Audit Year</b>	<b>Finding Number</b>	<b>Title of the APA Audit Finding</b>	<b>Current Status as Reported by Agency</b>	<b>Status Summary</b>
<b><u>Virginia School for the Deaf and Blind (VSDB)</u></b>				
2010	10-03	Strengthen Internal Controls Over Capital Asset Useful Life Methodologies	Fixed assets have not yet been re-evaluated to determine if the useful life needs to be extended. The target date has been extended.	In Progress (Delayed)
<b><u>Virginia State University (VSU)</u></b>				
2011	11-01	Approve and Implement Information Security Program	BIA: Reports Complete. COOP: Completed and Approved. Back-up and Restore: Tested and improvements made.	Completed (On Schedule)
	11-02	Improve Review of Financial Statements	Training at multiple levels; expanded and enhanced reviews; expanded Fluctuation analyses; and reduced Journal Entries.	Completed (On Schedule)
	11-03	Improve Timely Deletion of Terminated Employees from CIPPS	Updated procedures to enhance control to ensure prompt and proper processing of terminated employees. Employees were trained on new procedures.	Completed (On Schedule)
	11-04	Improve Process for Setting Small Purchase Charge Card Monthly Limits	Completed "Spend Analysis" and developed recommendations resulting in adjusting card limits and updating cardholder files. Procedures were updated.	Completed (On Schedule)
<b><u>Department of Health (DOH)</u></b>				
2011	10-01	Use system capabilities to ensure proper service delivery.	Crossroads project on schedule. Walkthrough test in February 2013. User Acceptance testing to begin after walkthrough followed by pilot in August 2013. The final completion date is set for June 2014.	In Progress (Delayed)
<b><u>Department of Medical Assistance Services (DMAS)</u></b>				
2011	11-05 10-01	Obtain valid social security numbers. <b>This is a Repeat Finding.</b>	DMAS (along with DSS and LDSS) have implemented a process to ensure the integrity and validity of SSNs used between the agencies. The upcoming new Eligibility and Enrollment system should create a permanent fix to this issue.	In Progress (Delayed)
<b><u>Department of Rehabilitative Services (DRS)</u></b>				
<b><u>Effective July 1, 2012 known as Department for Aging and Rehabilitative Services (DARS)</u></b>				
2011	11-02	Improve IT System Controls	Several improvements have been made to IT Security. Seven components remain incomplete.	In Progress (Delayed)

<b>Latest Audit Year</b>	<b>Finding Number</b>	<b>Title of the APA Audit Finding</b>	<b>Current Status as Reported by Agency</b>	<b>Status Summary</b>
<b><u>Department of Social Services (DSS)</u></b>				
2011	11-01 10-01 09-06	Establish enforcement mechanisms for foster care and adoption payments (Title IV-E). <b>This is a Repeat Finding and progress has been made.</b>	APA review of the systems was favorable. APA concerns with resources for performing and monitoring system results as well as local agencies addressing identified deficiencies were noted.	In Progress (Delayed)
2010	10-02	Use system functionalities to improve financial operations.	Final corrective action based on an upcoming ORACLE Release 12 due in October 2013.	In Progress (Delayed)
	10-05	Finalize responsibilities for infrastructure security. <b>This is a Repeat Finding that requires Partnership action.</b>	Appendix A&B both signed by DSS and VITA. Continued negotiation with VITA over Portable Device Encryption and the CPS/APS Hotline.	In Progress (Delayed)
<b><u>Department of Game and Inland Fisheries (DGIF)</u></b>				
2012	10-01 09-01	Improve Internal Controls and Compliance of the IT Systems Security Program. <b>This is a Repeat Finding.</b>	The BIA is complete. Annual Security Awareness training is required. A role-based Security Awareness plan is to be developed in the knowledge center. A plan is being developed for Disaster Recovery Plan testing.	In Progress (Delayed)
	10-03	Improve Internal Controls over System Access. <b>This is a Repeat Finding.</b>	Implementation of consultant recommended employee change procedures is underway.	In Progress (Delayed)
	12-01	Improve Timeliness and Accuracy of Revenue Recordation and Transfers to Taxation.	Additional staff hired and trained. Post audit review and reconciliation are ongoing.	Completed (On Schedule)
<b><u>Department of Alcoholic Beverage Control (ABC)</u></b>				
2011	11-01	Improve User Account Controls.	Central access control has been implemented.	Completed (Delayed)
	11-02	Improve remote store server security.	Server remediation project is underway. Dealing with issues one at a time.	In Progress (Delayed)

<b>Latest Audit Year</b>	<b>Finding Number</b>	<b>Title of the APA Audit Finding</b>	<b>Current Status as Reported by Agency</b>	<b>Status Summary</b>
<b><u>Department of Corrections (DOC/CA)</u></b>				
2011	11-01	Improve Internal Controls over Procurement of Contractual Services and Contract Administration	End users have reviewed contracts to ensure a Contract Administrator file is in place for each contract. Also, Quick Quotes and unsealed proposal solicitations will be added to the Agency's Contract Review / Approval Transmittal (Checklist) of documents to be submitted directly to Head Quarters. Once the form has been revised all business managers and buyers will be notified of their responsibility regarding the new requirements.	Completed (On Schedule)
2010	10-03	Improve Controls and Processes Surrounding Fixed Asset Accounting and Control System. <b>This is a Repeat Finding.</b>	Procedures are underway to ensure accurate FAACS data using the CARS 462 report.	In Progress (Delayed)
<b><u>Department of Military Affairs (DMA)</u></b>				
2010	10-06	Strengthen Recording and Tagging of Equipment.	A perpetual inventory process is being developed. FAACS adjustments identified from the inventories will be keyed into FAACS.	In Progress (Delayed)
<b><u>Department of State Police (VSP)</u></b>				
2011	11-01	Upgrade Unreliable and Unsupported Infrastructure Devices	VSP has notified VITA of its needs and issues. VITA only replaces hardware when it crashes. VSP has done all it can but improvements cannot be made without help from VITA and others.	In Progress (On Schedule)
	11-02 09-03	Upgrade database system software. <b>This is a Repeat Finding.</b>	LEAMS is being implemented in Field Operations. CATS is in production. An RFP will go out for the evidence module.	In Progress (On Schedule)
<b><u>Virginia Information Technologies Agency</u></b>				
2011	11-01	Review Statewide IT Contracts	An RFP to replace the existing staffing contract was issued in December 2012.	In Progress (On Schedule)

<b>Latest Audit Year</b>	<b>Finding Number</b>	<b>Title of the APA Audit Finding</b>	<b>Current Status as Reported by Agency</b>	<b>Status Summary</b>
<b><u>Wireless E-911 Services Board</u></b>				
2011	11-01 10-02 09-03	Determine Accuracy of PSAP Data. <b>This is a Repeat Finding.</b>	All overpaid PSAPs have been recovered except for the City of Portsmouth. Portsmouth will pay over time with full collection estimated by December 2014. Payments to underpaid PSAPs will begin by June 2013.	In Progress (Delayed)
<b><u>Department of Motor Vehicles (DMV)</u></b>				
2011	11-01 10-01	Enhance information system security program. <b>This is a Repeat Finding</b>	Security awareness training is ongoing and monitoring of who has not attended training is tracked.	In Progress (Delayed)
		<ul style="list-style-type: none"> <li>• Information Security Program</li> <li>• Security Awareness Training</li> <li>• Disaster Recovery and Contingency Planning</li> </ul>		
	11-02	Improve Database Security	The DMV is working with NG to address database security issues. VITA ticket is in to enhance password security. Other security enhancements are under discussion or being implemented.	In Progress (On Schedule)
	11-04	Improve Controls Over Small Purchase Charge Cards (SPCC)	A staff employee has been hired. Checklists are being developed and employees will be trained (Users and supervisors). Internal Audit will become more involved in reviews.	In Progress (On Schedule)
<b><u>Virginia Department of Transportation (VDOT)</u></b>				
2011	11-01	Improve Microsoft SQL Server Security	Microsoft SQL Security issues have been addressed.	Completed (On Schedule)
<b><u>Virginia Port Authority (VPA)</u></b>				
2011	11-01 10-01	Improve IT Security Program	An Information Security Policy is being implemented. Other policies are in progress and under review.	In Progress (Delayed)



**Compliance Monitoring**

**Certification 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 Certification of Agency Reconciliation to CARS Reports.

DOA closely monitors Certification status, evaluates exceptions, and posts correcting entries in CARS. Certifications for September<sup>(1)</sup> and October were due 11/02/2012 and 11/30/2012, respectively.

**Certifications Late or Outstanding**

*As of February 7, 2013*

<b>Agency</b>	<b>Sep</b>	<b>Oct</b>
Norfolk State University	O/S	O/S
Department of Game and Inland Fisheries	2/7/2013	-

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

<sup>(1)</sup> The September due date was extended due to offices closing for inclement weather.

## Compliance with Comptroller's Directives

Annually, all agencies and higher education institutions are required to submit information pursuant to the Comptroller's financial statement directives. This financial data is

integral to the successful completion of the Commonwealth's Comprehensive Annual Financial Report. For the FY 2012 reporting period, the following issues were noted.

### **Comptroller's Directive 1-12, *Directive Compliance Guidelines for State Agencies***

Department of Conversation and Recreation – failure to submit three attachments promptly and failure to respond to repeated follow-up communications from the Department of Accounts staff.

### **Comptroller's Directive 2-12, *Directive Compliance Guidelines for Higher Education Institutions***

Norfolk State University – failure to submit the financial statement template promptly and failure to respond to repeated follow-up communications from the Department of Accounts staff.

## 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, 2012, all responses have been received within an acceptable timeframe, except as noted above.

### 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, 2012, no agencies failed to respond timely, make corrective action, and/or provide additional information.

### Trial Balance Review *As of January 15, 2013*

Agency	Sep	Oct	Nov
None			

### Analysis of Appropriation, Allotments and Expenditures, and Cash Balances

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

DOA contacts agencies in writing about credit cash balances and appropriations versus expenditure anomalies. For the quarter ended December 31, 2012, the following agencies failed to respond timely, make corrective action, and/or provide additional information.

### Credit Cash, Excess Expenditures, and Expenditure Credits *As of December 31, 2012*

Agency	October	November	December
Department of Conservation and Recreation	X	-	-
Department of Game and Inland Fisheries	-	X	X

## Disbursement Processing

During the quarter ended December 31, 2012, DOA deleted, at the submitting agency's request, 25 payments that were awaiting disbursement from the vendor payment file. These included duplicate payments, payments for returned items, payments with incorrect vendor information and payments of incorrect amounts. These types of transactions may point to areas where improved agency internal accounting controls should be evaluated.

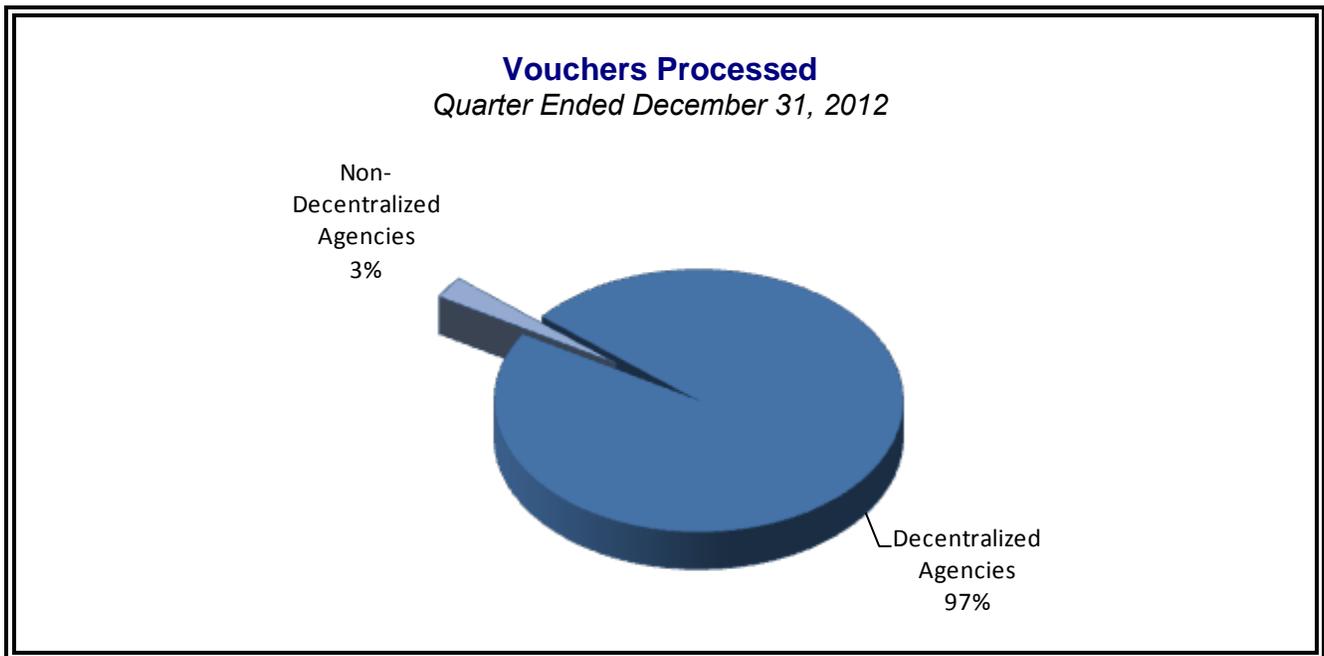
Twelve separate agencies requested deletes during the quarter. For the quarter ended December 31, 2012, no agency requested more than four vendor payment deletions.



## 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.

Agencies are 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. One review was completed for a decentralized agency during this quarter.

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### **Compliant Agencies**

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Department of Housing and Community Development

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#### **Agencies Requiring Corrective Action**

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#### **Corrective Actions Needed**

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N/A



### *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 846 non-travel disbursement batches and 408 travel disbursement batches were reviewed, disclosing eight exceptions that were resolved prior to releasing the transactions for payment.



## Prompt Payment Compliance

The *Code of Virginia* requires that State agencies and institutions pay for goods and services by the required payment due date. The reporting required by the *Code of Virginia* §2.2-4356 is being met by the information presented here. This section details the number and dollar amounts of late payments by secretarial area, institutions and

agencies, and the total amount of interest paid. Agencies and institutions that process 50 or more vendor payments during a quarter are reported as not meeting Prompt Pay requirements if fewer than 95 percent of their payments are processed by the required due date.

### Statewide Prompt Payment Performance Statistics

	Quarter Ended December 31, 2012		Fiscal Year 2013 To-Date		Comparative Quarter Ended December 31, 2011	
	Late	Total	Late	Total	Late	Total
<b>Number of Payments</b>	5,398	569,505	10,076	1,122,584	<b>4,600</b>	<b>582,247</b>
<b>Dollars (in thousands) \$</b>	47,985	\$1,559,254	\$75,852	\$3,251,554	<b>\$ 32,346</b>	<b>1,494,819</b>
<b>Interest Paid on Late Payments</b>				\$2,739		
<b>Current Quarter Percentage of Payments in Compliance</b>				99.1%		
<b>Fiscal Year-to-Date Percentage of Payments in Compliance</b>				99.1%		
<b>Comparative Fiscal Year 2012 Percentage of Payments in Compliance</b>					<b>99.2%</b>	



## Prompt Payment Performance by Secretarial Area

*Quarter Ended December 31, 2012*

<b>Secretarial Area</b>	<b>Payments in Compliance</b>	<b>Dollars in Compliance</b>
Administration	99.9%	99.6%
Agriculture and Forestry	99.7%	99.7%
Commerce and Trade	99.3%	98.8%
Education*	99.1%	97.0%
Executive Offices	98.7%	97.5%
Finance	99.8%	99.4%
Health and Human Resources	98.8%	98.7%
Independent Agencies	99.5%	99.5%
Judicial	99.9%	99.9%
Legislative	99.9%	99.9%
Natural Resources	99.7%	98.7%
Public Safety	99.4%	97.0%
Technology	99.3%	99.7%
Transportation*	98.7%	92.6%
Veterans Affairs and Homeland Security	99.3%	94.5%
<b>Statewide</b>	<b>99.1%</b>	<b>96.9%</b>

## Prompt Payment Performance by Secretarial Area

*Fiscal Year 2013*

<b>Secretarial Area</b>	<b>Payments in Compliance</b>	<b>Dollars in Compliance</b>
Administration	99.7%	99.5%
Agriculture and Forestry	99.7%	98.3%
Commerce and Trade	99.3%	99.2%
Education *	99.1%	97.8%
Executive Offices	99.3%	98.9%
Finance	99.7%	97.6%
Health and Human Resources	99.0%	99.1%
Independent Agencies	99.4%	99.6%
Judicial	99.9%	99.9%
Legislative	99.7%	99.9%
Natural Resources	99.6%	98.2%
Public Safety	99.4%	97.9%
Technology	99.3%	99.5%
Transportation*	98.7%	94.3%
Veterans Affairs and Homeland Security	99.4%	96.8%
<b>Statewide</b>	<b>99.1%</b>	<b>97.7%</b>

\* 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, and may include local payments. These agencies and institutions are decentralized for vendor payment processing.

For the quarter ended December 31, 2012, the following agencies that processed 50 or more 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, 2012**

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
<b>Education</b>			
Frontier Culture Museum of Virginia	16	282	94.3%
Gunston Hall	17	50	66.0%
<b>Health and Human Resources</b>			
Central Virginia Training Center	98	1,846	94.7%

For FY 2013, the following agencies that processed 200 or more vendor payments

during the year were below the 95 percent prompt payment performance standard.

**Prompt Payment Compliance Rate  
Agencies Below 95 Percent  
Fiscal Year 2013**

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
<b>Administration</b>			
State Board of Elections	17	330	94.8%
<b>Health and Human Resources</b>			
Commonwealth Center for Children and Adolescents	15	274	94.5%

## E-Commerce

The primary goal of the Department of Accounts' electronic commerce initiative is to reduce the number of state issued checks by using more efficient electronic payment processes. Tools such as Financial Electronic Data Interchange (EDI), Payroll Direct Deposit, and the Small Purchase Charge Card (SPCC) are more reliable and cost effective than traditional paper checks. Electronic payments are also more secure because of the use of encryption devices and other security measures. In addition to these tools, the use of electronic earnings notices through the Payline Opt-Out program further reduces paper processing and related costs.

EDI, Direct Deposit, SPCC and Payline Opt-Out are best practices that demonstrate effective financial management, particularly during difficult economic times. They

increase efficiency in processing and eliminate wasteful use of time, paper, printing, and postage for both large and small vendor payments, payroll, and employee travel reimbursement.

Agencies and institutions are expected to embrace these practices to the fullest extent possible. Other agencies of the Commonwealth that are responsible for payment processes outside of those processed centrally have also embraced e-commerce initiatives (e.g., VEC, DSS). As a result, the methodology for accumulating the Statewide E-Commerce Performance Statistics 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, 2012			Comparative Quarter Ended December 31, 2011
	E-Commerce	Total	Percent	Percent
Number of Payments	2,176,897	2,561,223	85.5%	86.4%
Payment Amounts	\$ 8,696,987,422	\$ 9,824,154,527	88.5%	85.9%
	Fiscal Year 2013 To-Date			Comparative Fiscal Year 2012
	E-Commerce	Total	Percent	Percent
Number of Payments	4,491,440	5,253,869	85.5%	86.0%
Payment Amounts	\$ 18,031,506,404	\$ 20,291,455,557	88.9%	86.9%

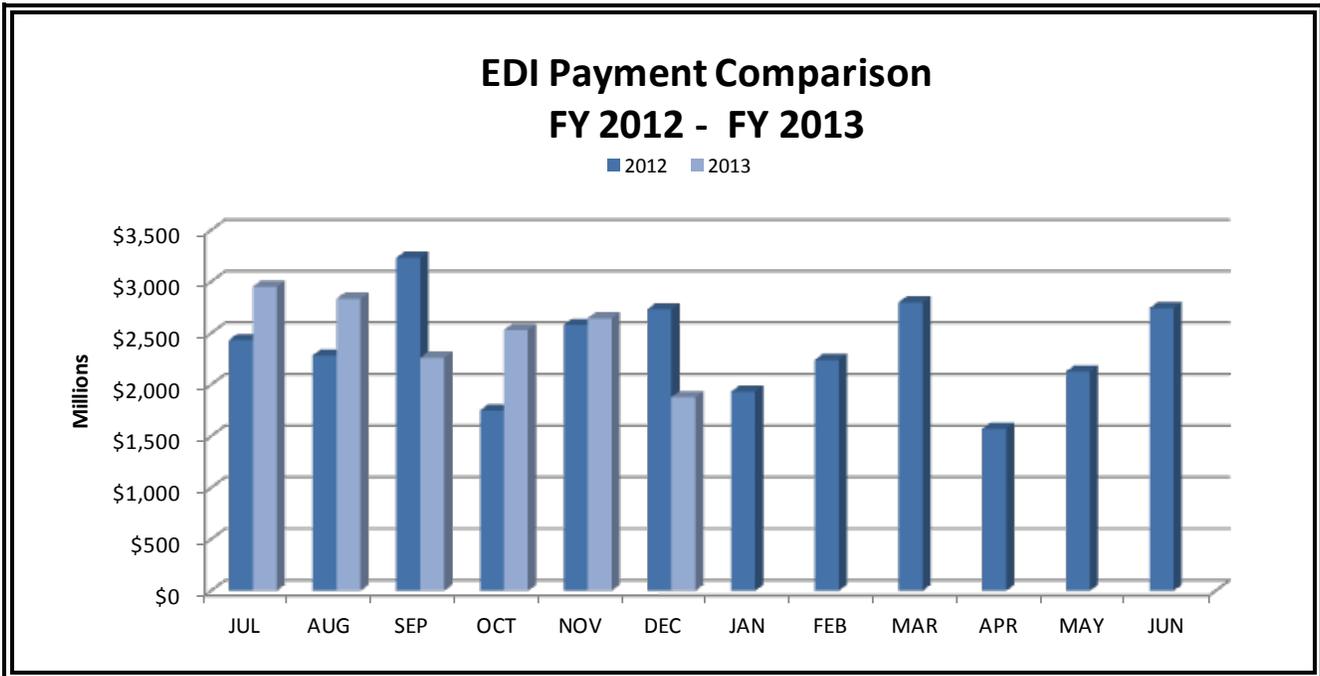
**Financial Electronic Data Interchange (EDI)**

The dollar volume of Financial EDI payments for the second quarter of FY 2013 was \$10 million (0.14 percent) less than the same quarter last year. The number of trading partner accounts increased by 7.4 percent from December 2011. 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**

<b>Financial EDI Activity</b>	<b>Quarter Ended December 31, 2012</b>	<b>Fiscal Year 2013 To-Date</b>	<b>Comparative Fiscal Year 2012 To-Date</b>
Number of Payments	61,894	120,705	117,595
Amount of Payments	\$ 7,053,570,513	\$ 15,101,171,802	\$ 15,013,707,677
Number of Invoices Paid	204,872	411,428	418,090
Estimated Number of Checks Avoided	103,477	204,858	175,331
Number of Trading Partner Accounts as of 12/31/12		63,992	59,581



## *Travel EDI*

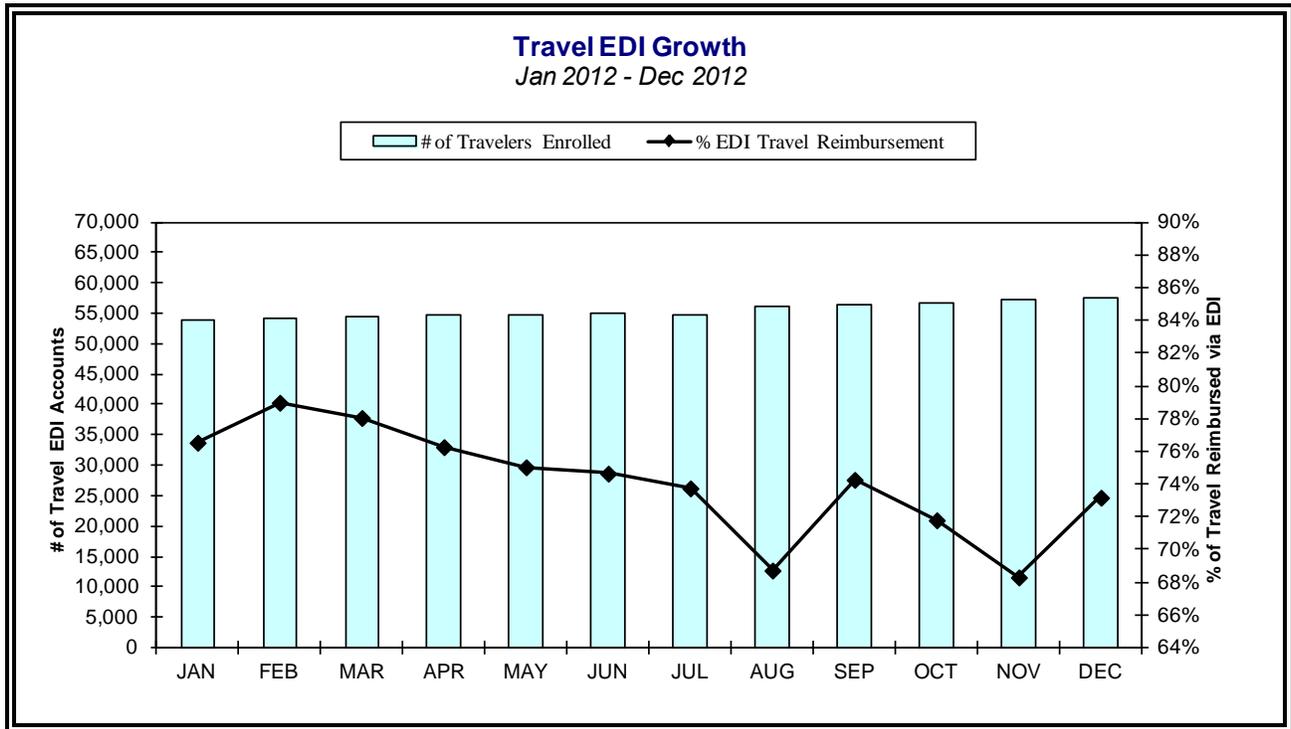
Expansion of the Travel EDI program is an integral part of the statewide effort to reduce the administrative costs associated with paying for goods and services for the Commonwealth. The Appropriation Act requires employees who travel more than twice a year to be reimbursed using EDI. DOA notified agencies 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 2013, 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, 2012*

<b>Secretarial Area</b>	<b>Employee Percent</b>	<b>Non-Employee Percent</b>	<b>Reimbursement Checks Issued</b>
Administration	85.1%	68.4%	35
Agriculture and Forestry	97.0%	8.6%	50
Commerce and Trade	94.1%	83.9%	122
Education (1)	85.6%	31.4%	1,627
Executive Offices	94.1%	0.0%	22
Finance	95.4%	0.0%	20
Health and Human Resources	91.9%	27.7%	1,115
Independent Agencies	95.3%	41.5%	88
Judicial	37.5%	6.3%	2,964
Legislative	86.9%	53.9%	126
Natural Resources	90.2%	49.3%	158
Public Safety	77.1%	9.3%	1,579
Technology	94.8%	33.3%	12
Transportation (1)	47.2%	43.5%	2,104
Veterans Affairs & Homeland Security	74.7%	22.2%	82
<b>Statewide for Quarter</b>	<b>76.3%</b>	<b>27.7%</b>	<b>10,104</b>
<i>Fiscal Year 2013 To-Date</i>			
<b>Statewide</b>	<b>77.0%</b>	<b>26.4%</b>	<b>18,278</b>
<i>Comparative Fiscal Year 2012 To-Date</i>			
<b>Statewide</b>	<b>80.7%</b>	<b>27.1%</b>	<b>15,606</b>

(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**

<b>Agency</b>	<b>Percent</b>	<b>Reimbursement Checks Issued</b>
<b>Education</b>		
Virginia State University	81.7%	69
John Tyler Community College	78.8%	42
Southside Virginia Community College	71.0%	53
Virginia Museum of Fine Arts	55.6%	28
Lord Fairfax Community College	51.1%	45
Norfolk State University	40.8%	122
<b>Health and Human Resources</b>		
Department for Aging and Rehabilitative Services	78.4%	105
Southwestern Virginia Mental Health Institute	37.0%	29
<b>Judicial</b>		
Court of Appeals	54.8%	28
Supreme Court	38.2%	496
General District Courts	20.8%	399
Juvenile and Domestic Relations District Courts	18.8%	371
Combined District Courts	18.4%	195
Circuit Courts	6.0%	693
<b>Natural Resources</b>		
Department of Conservation and Recreation	71.8%	87
<b>Public Safety</b>		
Division of Community Corrections	80.8%	44
Department of Emergency Management	62.6%	129
Green Rock Correctional Center	62.5%	33
Division of Military Affairs	11.6%	609
<b>Transportation</b>		
Department of Transportation	33.9%	2,012
<b>Legislative</b>		
House of Delegates	82.8%	34
<b>Veterans Affairs and Homeland Security</b>		
Department of Veterans Services	78.0%	31

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**

<b>Agency</b>	<b>Percent</b>	<b>Reimbursement Checks Issued</b>
<b>Agriculture and Forestry</b>		
Department of Agriculture and Consumer Services	8.6%	32
<b>Education</b>		
Longwood University	0.6%	163
Virginia Military Institue	0.0%	29
New River Community College	0.0%	37
<b>Health and Human Resources</b>		
Dept. of Behavioral Health and Developmental Services	8.2%	145
Department of Health	6.1%	261
<b>Judicial</b>		
Circuit Courts	8.9%	265
Virginia State Bar	0.3%	321
<b>Public Safety</b>		
Department of Criminal Justice Services	2.3%	85
Commonwealth's Attorneys' Services Council	1.9%	52
Department of Forensic Science	0.0%	187

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 2013, 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**

<u>Agency</u>	<u>Percent</u>	<u>Year-to-date Charges</u>
<b>Education</b>		
Norfolk State University	40.8%	\$255.00
Southside Virginia Community College	71.0%	\$180.00
<b>Health and Human Resources</b>		
Department for Aging and Rehabilitative Services	78.4%	\$185.00
<b>Transportation</b>		
Department of Transportation	33.9%	\$910.00
<b>Judicial</b>		
Supreme Court	38.2%	\$350.00
General District Courts	20.8%	\$2,430.00
Juvenile and Domestic Relations District Courts	18.8%	\$2,305.00
Combined District Courts	18.4%	\$1,130.00
Circuit Courts	6.0%	\$5,495.00
<b>Public Safety</b>		
Department of Emergency Management	62.6%	\$465.00



### *Direct Deposit*

During the second quarter of FY 2013, 536,390 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, 2012*

<u>Secretarial Area</u>	<u>Direct Deposit % of Salaried Employees</u>	<u>Direct Deposit % of Wage Employees</u>
Administration	99.5%	97.1%
Agriculture and Forestry	98.6%	96.8%
Commerce and Trade	99.6%	100.0%
Education	99.2%	95.6%
Executive Offices	99.4%	69.6%
Finance	99.7%	100.0%
Health and Human Resources	99.2%	99.2%
Independent Agencies	99.4%	100.0%
Judicial	99.6%	82.6%
Legislative	99.5%	98.9%
Natural Resources	99.4%	97.8%
Public Safety	99.3%	98.3%
Technology	100.0%	100.0%
Transportation	99.8%	100.0%
Veterans Affairs and Homeland Security	98.8%	99.4%
<b>Statewide</b>	<b>99.4%</b>	<b>96.3%</b>
<i>Comparative</i>		
<i>Quarter Ended December 31, 2011</i>		
<b>Statewide</b>	<b>99.4%</b>	<b>96.0%</b>

## Statewide Salaried Direct Deposit Performance

Quarter Ended December 31, 2012

<b>Salaried Direct Deposit Participation</b>	<b>99.4%</b>
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### Salaried Direct Deposit Below 98 Percent

<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
<b>Commerce and Trade</b>		
Virginia Racing Commission	85.7%	7
<b>Education</b>		
Frontier Culture Museum of Virginia	96.6%	29
Gunston Hall	75.0%	4
Mountain Empire Community College	97.4%	151
State Council of Higher Education for Virginia	92.5%	40
<b>Health and Human Services</b>		
Commonwealth Center for Children and Adolescents	92.4%	144
<b>Natural Resources</b>		
Virginia Museum of Natural History	97.3%	37
<b>Transportation</b>		
Department of Aviation	97.1%	34

## Statewide Wage Direct Deposit Performance

Quarter Ended December 31, 2012

<b>Wage Direct Deposit Participation</b>	<b>96.3%</b>
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### Wage Direct Deposit Below 90 Percent

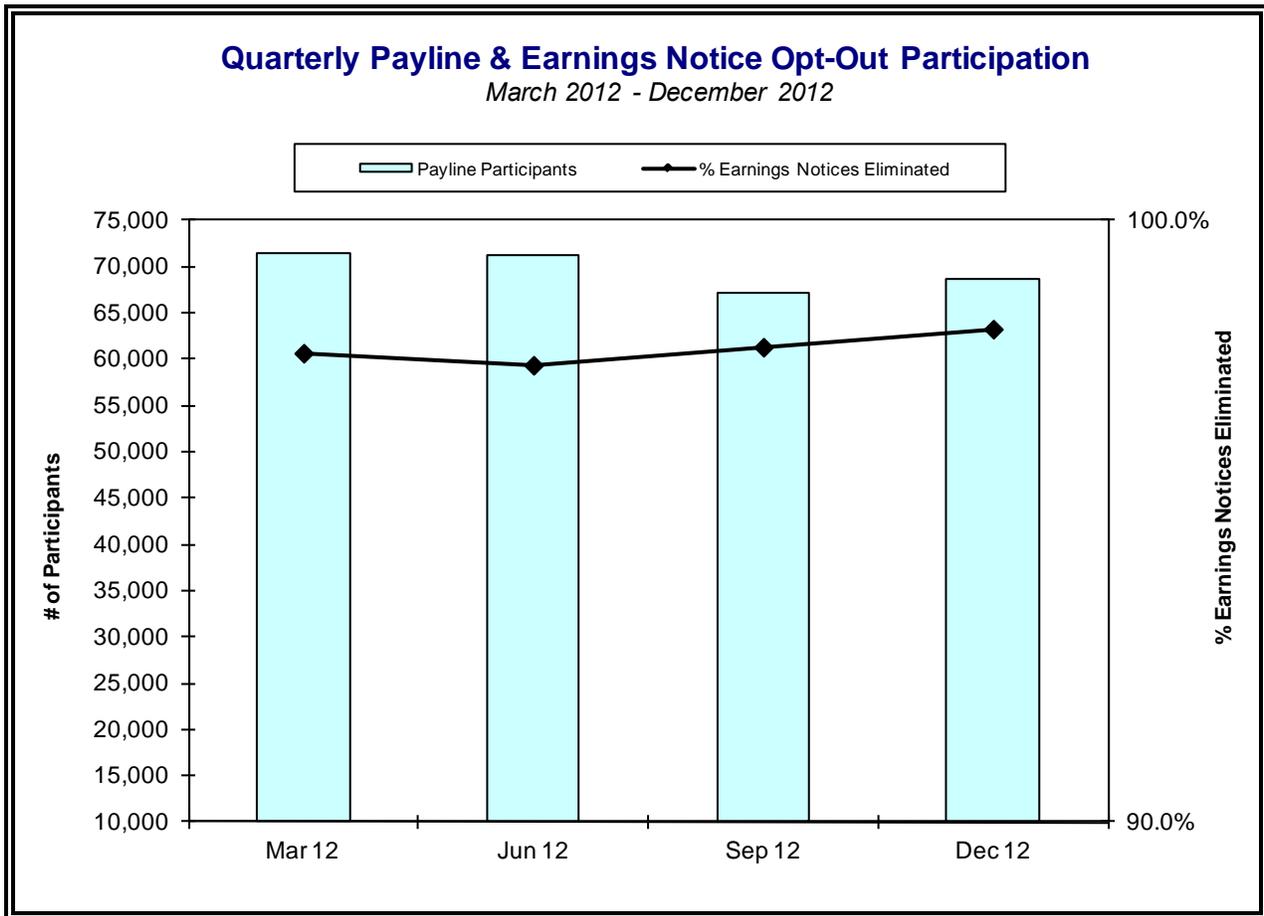
<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
<b>Education</b>		
New River Community College	87.0%	284
Radford University	85.3%	1,341
Virginia State University	82.7%	793
Norfolk state University	82.6%	966
Virginia Highlands Community College	76.4%	212
<b>Judicial</b>		
General District Courts	74.6%	197
Combined District Courts	69.2%	13



### 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 10,120,039 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, 2012*

<u>Secretarial Area</u>	<u>Percent Payline Participation</u>	<u>Percent Earnings Notices Eliminated*</u>
Administration	95.3%	100.0%
Agriculture and Forestry	82.6%	85.7%
Commerce and Trade	94.0%	100.0%
Education	65.4%	99.1%
Executive Offices	81.8%	100.0%
Finance	94.5%	100.0%
Health and Human Resources	85.4%	98.2%
Independent Agencies	89.3%	100.0%
Judicial	80.8%	94.5%
Legislative	60.0%	72.9%
Natural Resources	82.9%	87.8%
Public Safety	84.0%	100.0%
Technology	95.9%	100.0%
Transportation	91.2%	100.0%
Veterans Affairs and Homeland Security	66.2%	70.4%
<b>Statewide</b>	<b>80.1%</b>	<b>98.2%</b>
<i>Comparative</i>		
<i>Quarter Ended December 31, 2011</i>		
<b>Statewide</b>	<b>85.0%</b>	<b>97.8%</b>

\* 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, employees in specific units or all employees.

Most agencies elected a global opt-out in response to the January 1, 2009, mandate. Only 21 agencies have not chosen a global opt-out and participation is reviewed to monitor progress. As of December 31, 2012, the following agencies have not met their established thresholds for eliminating earnings notice print.

### Earnings Notice Elimination

Agency	Percent Earnings Notices Eliminated QE 12/31/2012	Percent Earnings Notices Eliminated QE 09/30/2012
<b>Education</b>		
Eastern Shore Community College	61.7%	100.0%
Paul D. Camp Community College	58.0%	100.0%

*Note: No wage payments were made by either college at the time 9/30/12 figures were captured. Earnings notices as of 12/31/12 were all for wage payments.*



### *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.

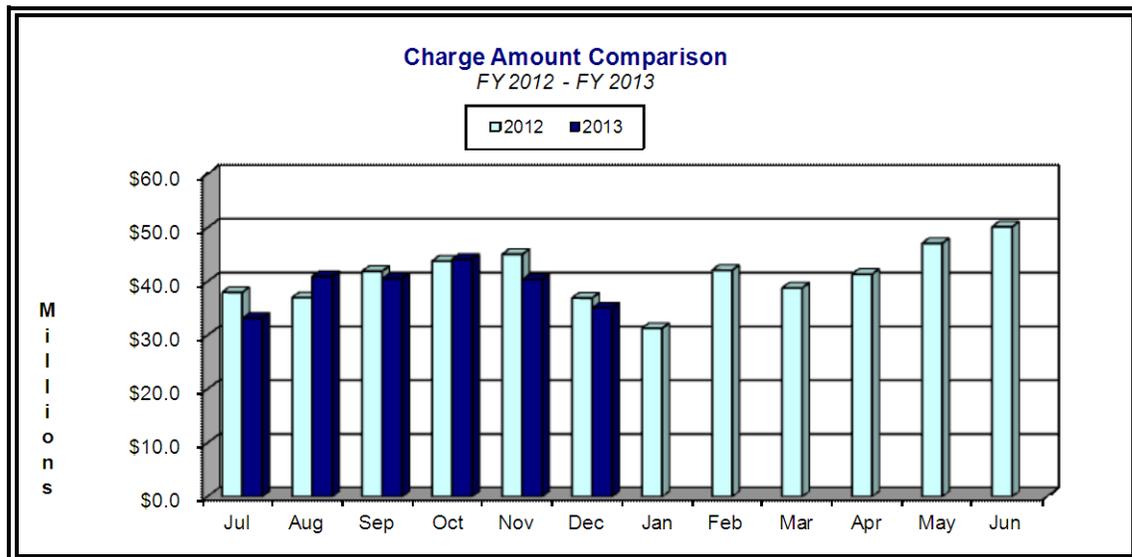
The Department of Accounts has a third charge card tool called ePayables. This program allows payments processed through CARS for vendors enrolled in the ePayables program to convert their payment to a card thus increasing the card program's spend.

The total amount charged on SPCC, Gold and ePayables cards during the second quarter of FY 2013 decreased by \$6.2 million or 5 percent from the same quarter last year.

### Small Purchase Charge Card Program

Charge Card Activity	Quarter Ended December 31, 2012	Fiscal Year 2013 To-Date	Comparative Fiscal Year 2012 To-Date
Amount of Charges	\$ 119,636,169	\$ 234,304,694	\$ 242,712,044
Estimated Number of Checks Avoided	189,631	369,741	373,468
Total Number of Participating Agencies		208	211
Total Number of Cards Outstanding		18,149	17,831

The following chart compares charge activity for FY 2013 to activity for FY 2012:



### *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](mailto:cca@doa.virginia.gov).

### **Statewide SPCC Performance**

*Quarter Ended December 31, 2012*

Percentage Utilization for Eligible Transactions

**83%**

## SPCC Utilization by Secretarial Area

*Quarter Ended December 31, 2012*

<u>Secretarial Area</u>	<u>Payments in Compliance <sup>(1)</sup></u>	<u>Non-Compliant Transactions <sup>(2)</sup></u>
Administration	83%	654
Agriculture and Forestry	94%	201
Commerce and Trade	81%	684
Education*	87%	5,703
Executive Offices	90%	89
Finance	93%	149
Health and Human Resources**	86%	4,821
Independent Agencies	76%	795
Judicial	36%	2,479
Legislative	96%	52
Natural Resources	91%	925
Public Safety	94%	2,330
Technology	43%	293
Transportation*	61%	11,323
Veterans Affairs and Homeland Security	81%	524
<b>Statewide</b>	<b>83%</b>	<b>31,022</b>

\* Statistics do not include agencies and institutions decentralized for vendor payment processing.

\*\* Department for Aging and 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**

<b>Agency</b>	<b>Payments in Compliance</b>	<b>Non-Compliant Transactions</b>
<b>Commerce and Trade</b>		
Virginia Employment Commission	48%	551
<b>Education</b>		
Thomas Nelson Community College	78%	205
Tidewater Community College	77%	601
Norfolk State University	67%	734
<b>Health and Human Resources</b>		
Western State Hospital	79%	207
Department of Behavioral Health and Developmental Services	73%	116
Central Virginia Training Center	69%	356
Northern Virginia Training Center	65%	221
<b>Independent Agencies</b>		
Virginia Office for Protection and Advocacy	80%	33
Virginia Retirement System	72%	143
State Corporation Commission	10%	499
<b>Judicial</b>		
Supreme Court	65%	224
Board of Bar Examiners	0%	29
Circuit Courts	0%	182
Combined District Courts	0%	220
General District Courts	0%	1,055
Juvenile and Domestic Relations District Court	0%	481
Magistrate System	0%	121
Virginia Criminal Sentencing Commission	0%	43
<b>Technology</b>		
Virginia Information Technologies Agency	43%	293
<b>Transportation</b>		
Department of Motor Vehicles	71%	860
Department of Transportation	60%	10,401
Board of Towing and Recovery Operations	26%	23
<b>Veterans Affairs and Homeland Security</b>		
Sitter-Barfoot Veterans Care Center	53%	359

**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 7<sup>th</sup> 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 15, 2012, 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.

<b>Agency</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>
<b><u>Purchase Card Program:</u></b>			
<b>Commerce and Trade</b>			
Department of Business Assistance			X
<b>Education</b>			
Gunston Hall			X
New College Institute			X
Virginia Institute of Marine Science			X
<b>Health and Human Resources</b>			
Department for the Blind and Vision Impaired			X
Eastern State Hospital	X		
<b>Independent</b>			
Virginia Office for Protection and Advocacy			X
<b>Legislative</b>			
Division of Legislative Services	X		
Virginia Freedom of Information Advisory Council	X		
<b><u>Airline Travel Card Program:</u></b>			
<b>Education</b>			
Central Virginia Community College			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, 2012, and the total amounts past due.

## Travel Charge Card Program

*As of December 31, 2012*

<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 &gt;150 Days Past Due</u>
<b>Administration</b>				
State Board of Elections	2	117	0	557
<b>Commerce and Trade</b>				
Virginia Economic Development Partnership	1	80	292	127
<b>Education</b>				
University of Virginia	5	1,397	1,376	0
Virginia Polytechnic Institute and State University	1	30	0	0
Virginia Commonwealth University	4	808	0	0
Virginia Military Institute	1	342	0	0
Virginia State University	9	1,971	0	0
Norfolk State University	3	781	0	0
Longwood University	1	578	0	0
James Madison University	3	178	0	0
Radford University	1	48	0	0
Old Dominion University	1	265	0	0
Virginia Museum of Fine Arts	2	2,301	0	0
George Mason University	2	1,271	0	0
Virginia Community College System - System Office	2	32	0	198
Virginia Western Community College	2	678	192	0
Tidewater Community College	1	695	0	0
<b>Health and Human Resources</b>				
Department of Health	1	127	0	0
Department of Social Services	1	103	216	0
<b>Natural Resources</b>				
Department of Conservation and Recreation	1	372	284	290
Department of Historic Resources	1	103	0	0
<b>Public Safety</b>				
Department of Emergency Management	1	89	0	0



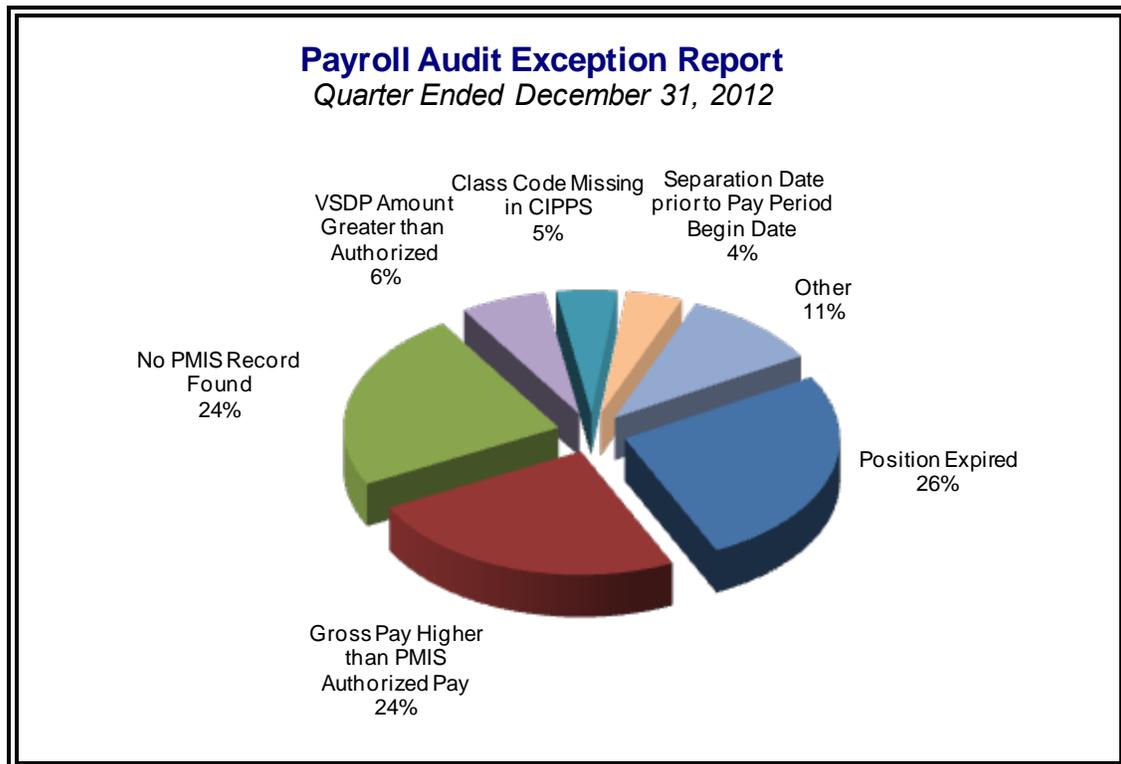
## Payroll Controls

### *CIPPS/PMIS Payroll Audit*

During the quarter, DOA's automated comparison of payroll (CIPPS) and personnel (PMIS) records examined 411,863 salaried pay transactions and 122,441 wage pay transactions. The comparison is performed following each payday and is designed to identify discrepancies between authorized salary/wage amounts in PMIS and amounts paid in CIPPS. There were 4,469 new exceptions noted statewide during the quarter, with an overall exception rate of 0.81%.

The statewide salaried payroll exception rate was 0.74% and the wage payroll exception rate was 1.04%. During this quarter, 17 employee paychecks were reduced to recover \$6,344.98 in overpayments.

While the largest cause of exceptions is the processing of payments to employees whose position authorization has expired and not been updated in PMIS, the second largest cause of exceptions is the result of agency failure to complete the salary increase authorization process by updating PMIS salary amounts *prior* to paying the increased salary amounts in CIPPS. The PMIS authorization is an important internal control over payroll processing. Such exceptions can largely be avoided through timely PMIS data entry by agency Human Resource staff. Although segregation of these Human Resource and Payroll functions is an effective internal control, coordination and communication between agency Human Resource and Payroll staffs is essential.



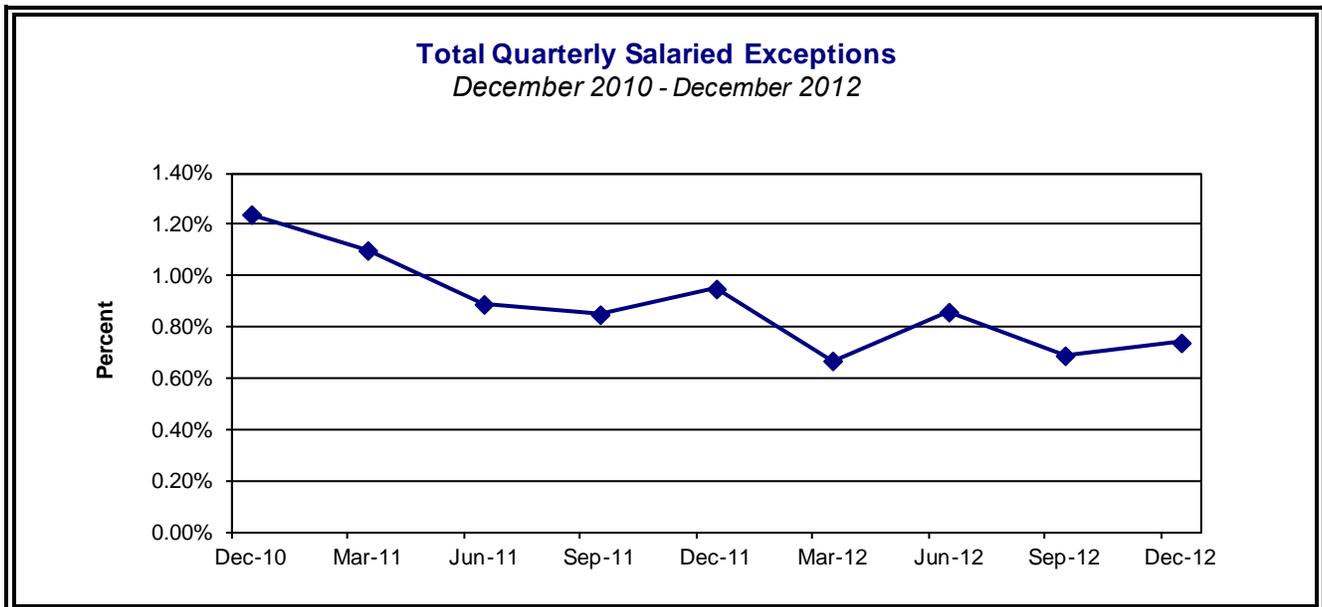
Exception percentages are calculated by dividing the number of exceptions by the number of salaried or wage employees. Agencies are reported below if the percentage

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

**Payroll Exception Audit**  
**Agency Payroll Exceptions as a Percent of Salaried Payments**  
*Quarter Ended December 31, 2012*

<u>Agency</u>	<u># of Salaried Exceptions</u>	<u>Exceptions as a % of Salaried Payments</u>
Mountain Empire Community College	35	4.00%
Piedmont Virginia Community College	42	3.99%
<b>Total Salaried Payroll Exceptions for the Quarter</b>		<b>0.74%</b>

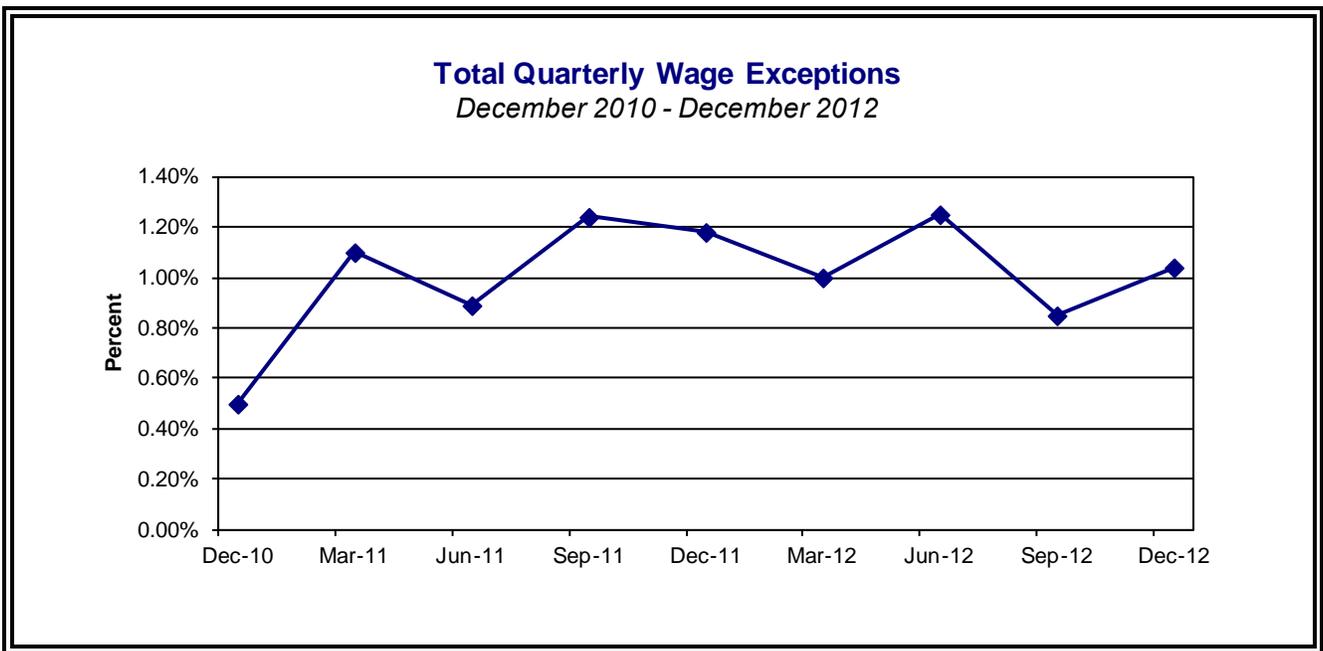
The following chart compares payroll exceptions as a percentage of salaried payments by quarter for the past two years.



**Payroll Exception Audit**  
**Agency Payroll Exceptions as a Percent of Wage Payments**  
*Quarter Ended December 31, 2012*

<b>Wage Payroll Exceptions for the Quarter</b>	<b>1.04%</b>
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The following chart compares payroll exceptions as a percentage of wage payments by quarter for the past two years.



### *CIPPS/PMIS 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>
<b><i>Education</i></b>	
Virginia State University	2
New River Community College	6
<b><i>Finance</i></b>	
Department of the Treasury	2
<b><i>Health and Human</i></b>	
Eastern State Hospital	4
Northern Virginia Training Center	6
Piedmont Geriatric Hospital	2
Virginia Center for Behavioral Rehabilitation	2



## *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

<b>Agency</b>	<b>Variance Amount (a)</b>	<b>Performed by DOA (b)</b>	<b>Submitted Late (c)</b>	<b>Corrected by DOA (d)</b>
<b>Education</b>				
Jamestown-Yorktown Foundation			2	
New River Community College			2	
<b>Health and Human Resources</b>				
Catawba Hospital		1		
<b>Transportation</b>				
Department of Transportation	\$ 46,398			
<b>Veterans Affairs and Homeland Security</b>				
Sitter-Barfoot Veterans Care Center	131,170			

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 10/31/2012, 11/30/2012 and 12/28/2012, respectively.

#### **Schedule of Health Care Reconciliations Received Late**

All reconciliations were received by the due dates.



## FINANCIAL MANAGEMENT ACTIVITY

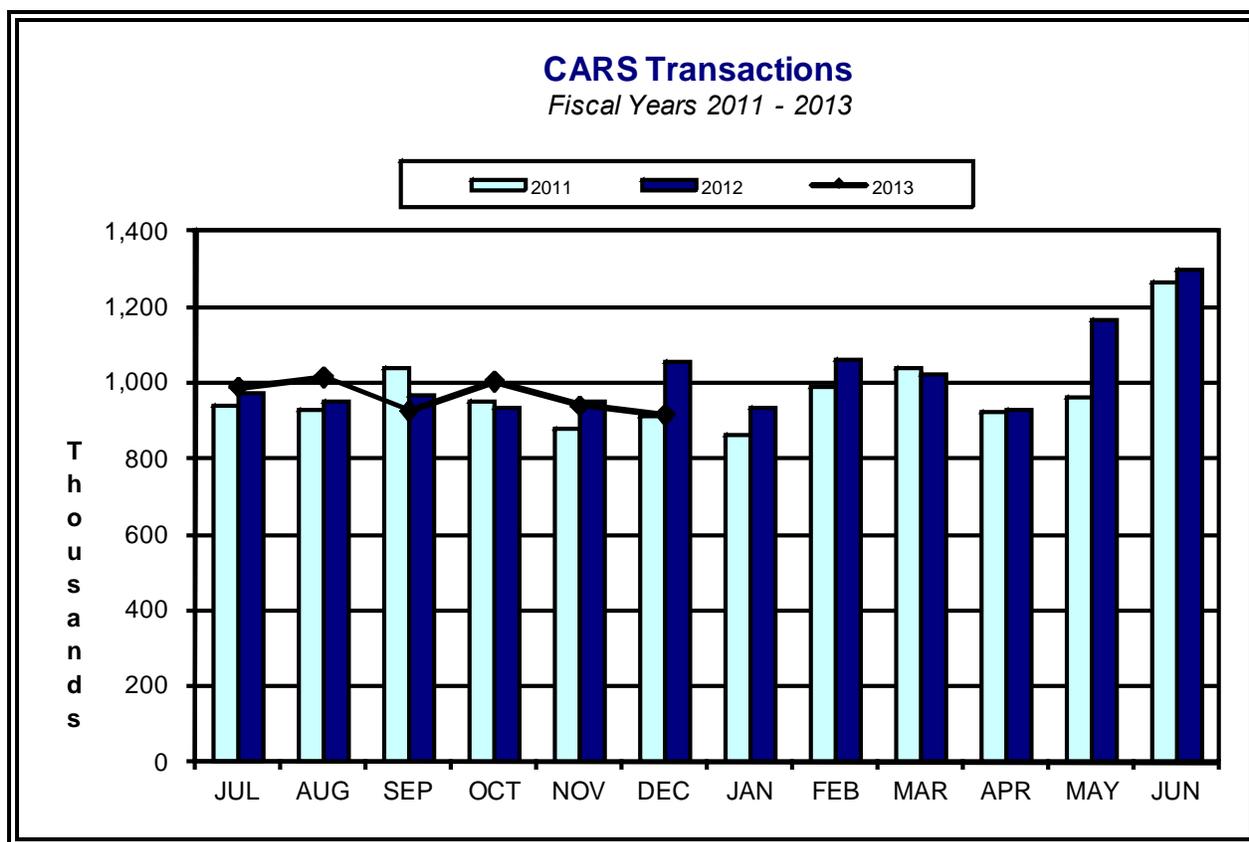
DOA monitors several types of financial activity. Various measures are used to track activities for CARS, payroll, accounts

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.

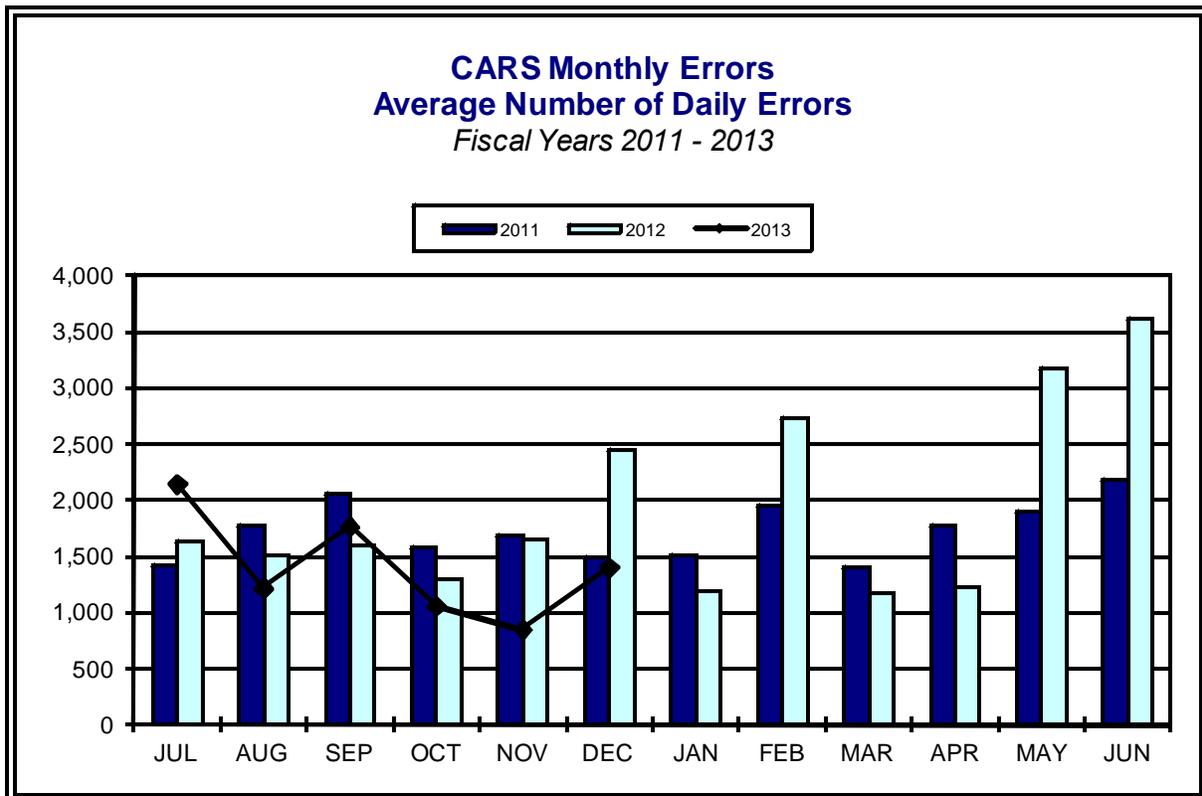


### CARS Edits

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 2013, the most frequent reasons cited for transactions processing to the error file were:

Agencies may avoid funding errors by more closely monitoring cash and allotment balances. Sound agency cash management practices should be developed to ensure transactions are not submitted to CARS when funding is not available. Agencies should develop procedures to ensure certified amounts are calculated properly.

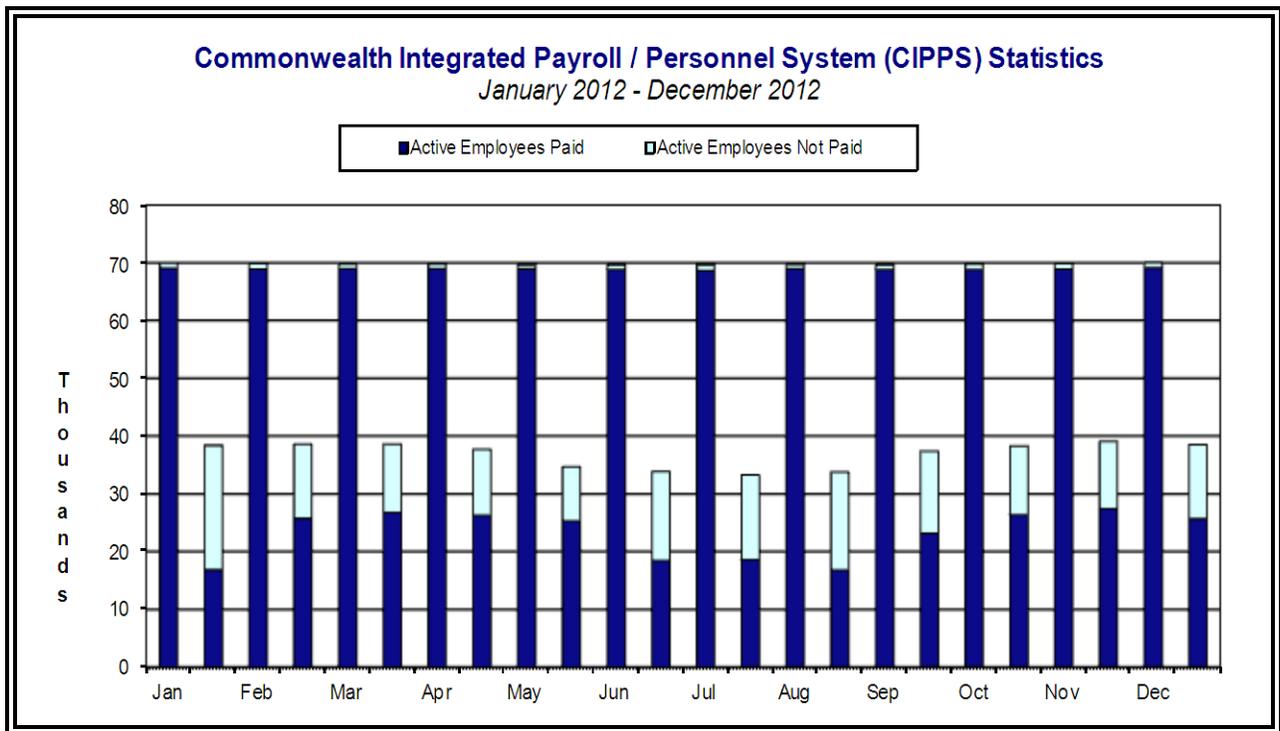
- Available Cash Negative
- Certified Amount Not In Balance
- Expenditures > Allotment



**Payroll**

The central payroll system for State government is known as *CIPPS*, the Commonwealth Integrated Payroll Personnel System. CIPPS is one of the largest payroll operations in the Commonwealth, serving 108,556 employees. Payroll services are also provided through eight decentralized higher education institutions.

On average, 95,428 employees were paid each month, of which 68,942 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**

<b>Benefit</b>	<b>As of 12/31/2012</b>	<b>Comparative</b>	
		<b>As of 12/31/2011</b>	<b>As of 12/31/2010</b>
<b>Health Care</b>			
COVA Care	76,278	74,627	74,159
COVA Connect	6,383	7,598	7,617
Kaiser	2,101	2,144	2,131
Tricare	41	22	N/A
<b>Optional Retirement Plans*</b>			
Fidelity Investments	635	611	573
TIAA/CREF	1,672	1,663	1,624
Political Appointee - ORP	104	99	90
<b>Deferred Compensation*</b>	43,264	42,264	40,439
<b>Flexible Reimbursement*</b>			
Dependent Care	837	805	777
Medical Care	8,618	7,638	7,443

\* 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.

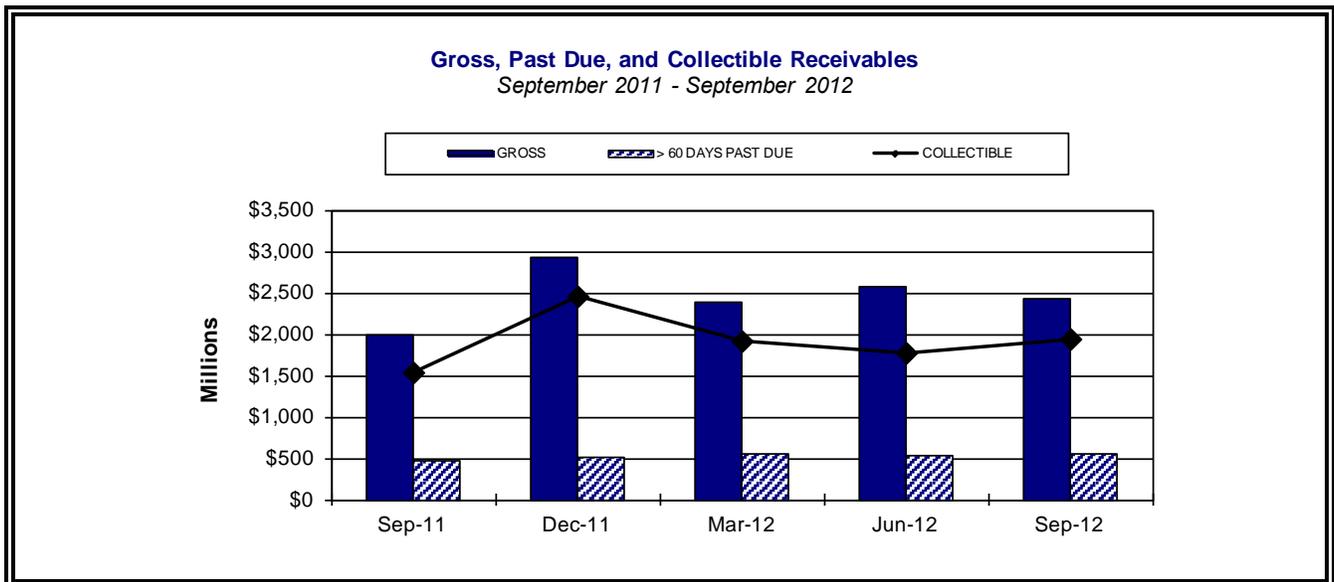
In an effort to present more meaningful information, DOA continues to exclude data from the tables (except for the final table on past due receivables) from the Department of Taxation, consisting largely of statutory assessments and non-filers assessments, and the circuit and district courts, which report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

Commonwealth agencies and institutions reported adjusted gross receivables of \$2.42

billion at September 30, 2012, with \$1.95 billion considered collectible. Receivables over 60 days past due as of September 30, 2012, totaled \$555.6 million. Of that amount, \$9.7 million was placed with private collection agencies, \$44.1 million was placed with the Division of Debt Collection and \$501.8 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, 2012, agencies expected to collect \$1.95 billion (81 percent) of the \$2.42 billion adjusted gross receivables. About 2 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*

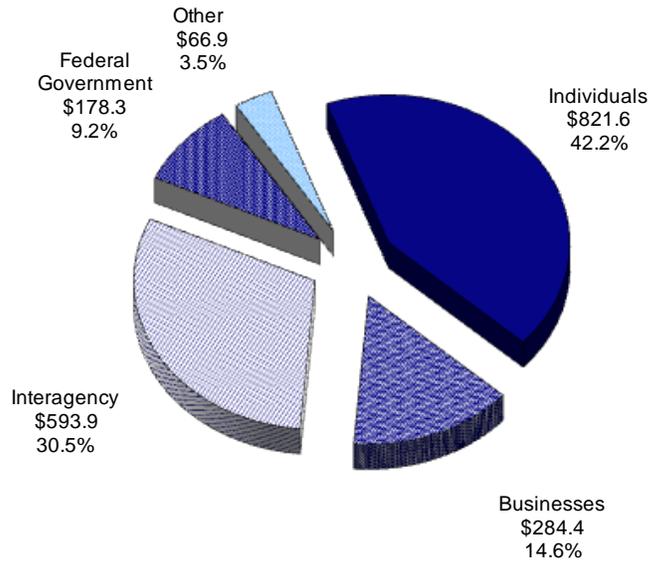
*As of September 30, 2012*

Fund	Source	Amount	Percent	
<b>General Fund</b> <b>2%</b>	Medicaid - Current Recoveries	\$ 16,055,119	54%	
	Social Services	3,306,771	11%	
	Labor and Industry Inspections	612,593	2%	
	State Police Permits	1,357,714	4%	
	Corrections	1,288,654	4%	
	Other	1,580,529	5%	
	Subtotal	24,201,380	80%	
	Interagency Receivables	6,027,271	20%	
	<b>Total General Fund Collectible</b>		<b>\$ 30,228,651</b>	<b>100%</b>
	<b>Nongeneral Funds</b> <b>98%</b>	Medicaid - Dedicated Penalty Fees	\$ 69,539,227	4%
Medicaid - Federal Reimbursements		12,318,106	1%	
Unemployment Taxes *		111,228,200	6%	
Transportation		108,572,008	6%	
Child Support Enforcement		176,931,984	8%	
Federal Government		56,528,999	3%	
DBHDS Patient Services		30,873,887	2%	
Hospital		107,672,078	6%	
Enterprise		72,796,286	4%	
Higher Education		538,305,862	27%	
Other		42,221,145	2%	
Subtotal		1,326,987,782	69%	
Interagency Receivables		587,889,111	31%	
<b>Total Nongeneral Fund Collectible</b>		<b>\$ 1,914,876,893</b>	<b>100%</b>	
<b>All Funds</b>	<b>Grand Total</b>	<b>\$ 1,945,105,544</b>	<b>100%</b>	

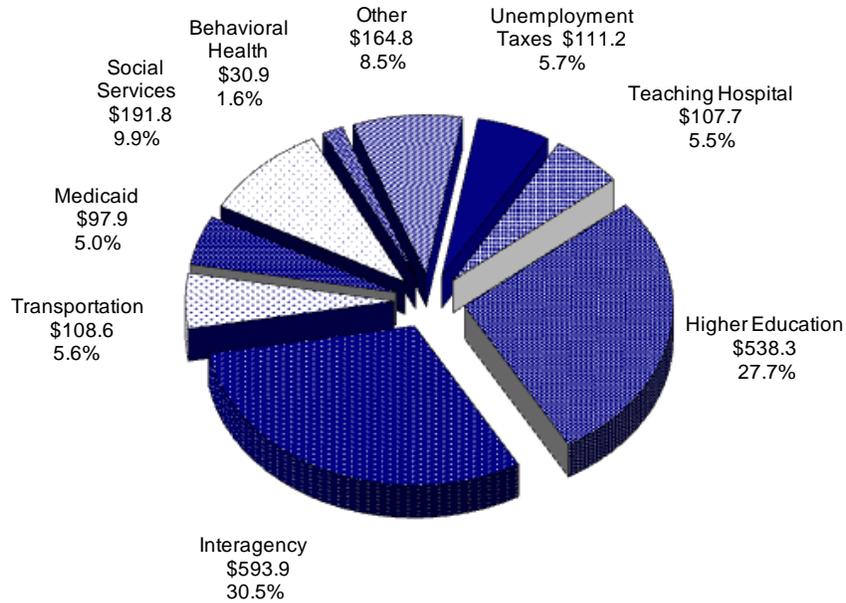
\* Note: The Virginia Employment Commission provides Unemployment Taxes Information.

## Summary of Receivables by Source

**Sources of Collectible Receivables by Debtor**  
(dollars in millions)  
As of September 30, 2012



**Sources of Collectible Receivables by Type**  
(dollars in millions)  
As of September 30, 2012



Not counting Taxation and the Courts, ten agencies account for 79 percent of the Commonwealth's adjusted gross and 76

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, 2012*

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
University of Virginia Medical Center	\$ 551,679,260	\$ 7,489,982	\$ 544,189,278
Department of Social Services	511,074,441	311,865,912	199,208,529
Virginia Polytechnic Institute and State University	120,127,955	2,668,431	117,459,524
Virginia Employment Commission	184,929,005	69,082,473	115,846,532
Department of Transportation	101,948,682	992,053	100,956,629
Department of Medical Assistance Services	132,508,495	34,452,208	98,056,287
George Mason University	93,389,321	874,051	92,515,270
University of Virginia - Academic Division	87,538,649	218,496	87,320,153
Virginia Commonwealth University	77,827,718	5,772,074	72,055,644
Virginia Community College System	60,399,722	1,129,669	59,270,053
<b>Total</b>	<b>\$ 1,921,423,248</b>	<b>\$ 434,545,349</b>	<b>\$ 1,486,877,899</b>
All Other Agencies	500,806,135	42,578,490	458,227,645
<b>Grand Total</b>	<b>\$ 2,422,229,383</b>	<b>\$ 477,123,839</b>	<b>\$ 1,945,105,544</b>

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 \$9.8 million during the quarter ended September 30, 2012. The Division of Debt Collection contributed \$1.9 million. Private collection agencies collected \$2.5 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected \$5.4 million.

Private collection agencies returned \$9.9 million of accounts to agencies, and the Division of Debt Collection discharged \$2.3 million of accounts and returned \$1.2 million of accounts to agencies.

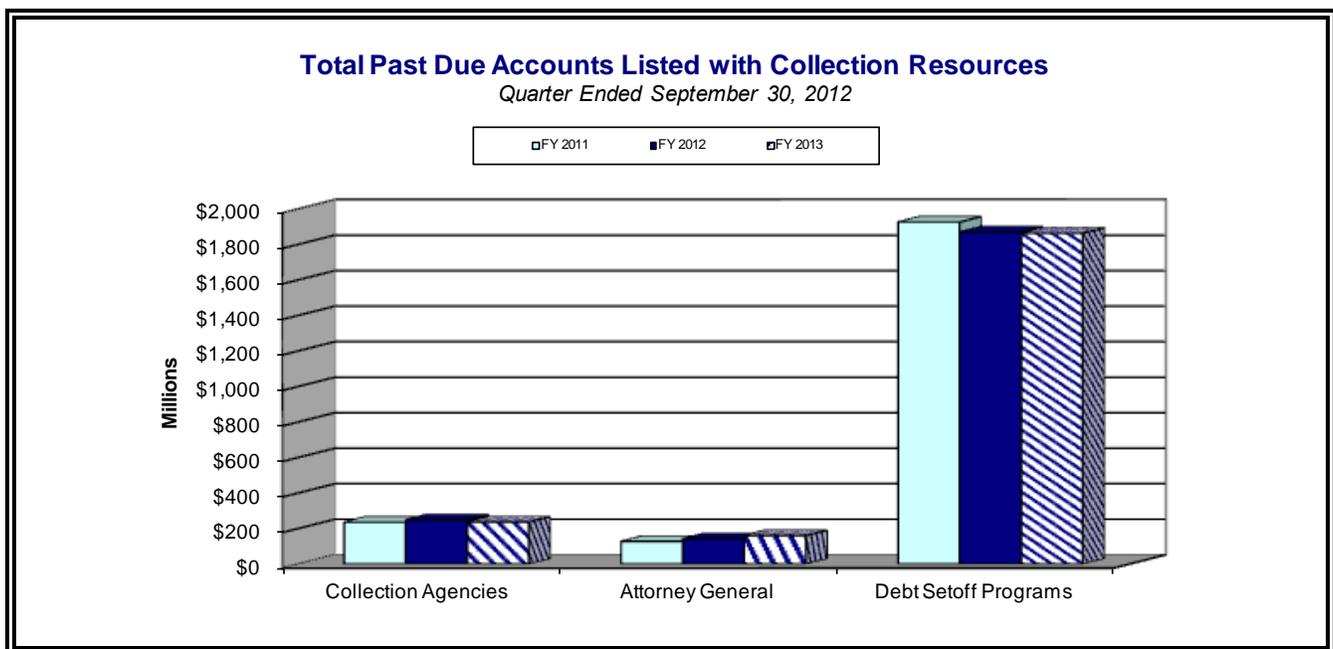
## Collectible Receivables Over 60 Days Past Due

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

*As of September 30, 2012*

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	\$ 181,271,520	\$ 2,910	\$ 54,103	\$ 181,214,507
Department of Medical Assistance Services	94,221,060	185,049	3,251,022	90,784,989
Virginia Employment Commission	87,789,556	1,640,906	24,289,671	61,858,979
University of Virginia Medical Center	87,752,539	-	-	87,752,539
Department of Behavioral Health and Developmental Services	25,655,180	-	-	25,655,180
Department of Transportation	9,990,739	97,201	6,697,964	3,195,574
Virginia Commonwealth University	6,553,725	281,890	189,897	6,081,938
University of Virginia - Academic Division	6,551,953	429,296	44,247	6,078,410
Virginia Polytechnic Institute and State University	5,497,426	855,955	783,543	3,857,928
Virginia Community College System	5,052,342	2,966,756	81,853	2,003,733
<b>TOTAL</b>	<b>\$ 510,336,040</b>	<b>\$ 6,459,963</b>	<b>\$ 35,392,300</b>	<b>\$ 468,483,777</b>
All Other Agencies	45,301,154	3,283,239	8,704,106	33,313,809
<b>TOTAL OVER 60 DAYS</b>	<b>\$ 555,637,194</b>	<b>\$ 9,743,202</b>	<b>\$ 44,096,406</b>	<b>\$ 501,797,586</b>
Uncollectible Amounts Placed for Collection, Including Accounts Written Off	1,705,234,655	227,520,393	117,011,782	1,360,702,480
<b>TOTAL COLLECTION EFFORTS</b>	<b>\$ 2,260,871,849</b>	<b>\$ 237,263,595</b>	<b>\$ 161,108,188</b>	<b>\$ 1,862,500,066</b>

Note: The additional amounts retained by agencies are placed for collection with several debt setoff collection programs.



**Comptroller's Debt Setoff (CDS) Program**

CDS is one of the debt setoff programs used by agencies to collect past due accounts receivable owed to the State, primarily by businesses and individuals acting in a business capacity. Under CDS, a payment made by the State to the debtor may be

withheld, in full or in part, to satisfy the debt owed to the State. CDS collected \$3.2 million through the second quarter of FY 2013. 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 9/30/12	Comparative	
		Percent 6/30/12	Percent 3/31/12
Department of Medical Assistance Services	71%	43%	44%
Virginia Employment Commission	47%	38%	12%
Department of Behavioral Health and Developmental Services	44%	33%	37%
Department of Social Services	35%	34%	37%
University of Virginia Medical Center	16%	23%	26%
Department of Transportation	10%	10%	39%
Virginia Commonwealth University	8%	11%	21%
Virginia Community College System	8%	6%	19%
University of Virginia - Academic Division	7%	5%	18%
Virginia Polytechnic Institute and State University	5%	5%	5%
<b>Statewide Average - All Agencies</b>	<b>23%</b>	<b>21%</b>	<b>23%</b>

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 76 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 88 percent indicates that for every \$1 billed during the quarter ended September 30, 2012, the state collected 88 cents. This rate is one percent higher than last year and one percent lower than two years ago.

### Collections as a Percentage of Billings

Agency	Percent 9/30/12	Comparative	
		Percent 9/30/11	Percent 9/30/10
Virginia Employment Commission	124%	116%	107%
Virginia Community College System	102%	69%	72%
Department of Transportation	97%	89%	151%
University of Virginia - Academic Division	94%	96%	97%
Department of Social Services	91%	91%	91%
Virginia Polytechnic Institute and State University	90%	92%	89%
Virginia Commonwealth University	83%	83%	81%
George Mason University	82%	78%	79%
Department of Medical Assistance Services	61%	39%	42%
University of Virginia Medical Center	27%	29%	30%
<b>Statewide Average - All Agencies</b>	<b>88%</b>	<b>87%</b>	<b>89%</b>

## 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 \$98.1 million at September 30, 2012, is a \$4.2 million increase over the \$93.9 million reported at September 30, 2011. Over the same period, total past due receivables of \$102.3 million have increased by \$41.7 million.

### ***University of Virginia Medical Center (UVAH)***

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

UVAH collectible receivables of \$544.2 million at September 30, 2012, were a \$179.2 million increase from the \$365.0 million reported the previous year. Past due receivables increased by \$92.3 million to \$279.3 million at September 30, 2012.

### ***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 \$115.8 million at September 30, 2012, an increase of \$16.9 million from the previous year. Total past due receivables were \$92.0 million, a \$10.6 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, 2012, of \$45.4 million, which is a decrease of \$5.8 million reported in the previous year. Most of these receivables are due from other state agencies. As of September 30, 2012, \$2.1 million was over 60 days past due, a decrease of \$800,667 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, 2012, the State Lottery reported net receivables of \$55.8 million, a \$4.2 million increase from the previous year. Billings increased by \$12.0 million and collections increased by \$16.3 million during the September 30, 2012 quarter when compared to the September 30, 2011 quarter. At September 30, 2012, the State Lottery had \$315,055 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, 2012, 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, 2012, the University reported net collectible receivables of \$117.5 million, an increase of \$28.9 million over the prior year. At the same time, total past due receivables of \$24.0 million increased by \$9.9 million over the prior year.

The University uses a variety of collection methods to encourage payments. At September 30, 2012, VPISU had \$5.5 million of accounts over 60 days past due. \$783,543 was placed with the Attorney General's Division of Debt Collection, another \$855,955 was placed with private collection agencies, and \$3.9 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, 2012, the Department reported collectible receivables of \$30.9 million, a \$5.9 million increase over the previous year. \$32.0 million was past due, with \$25.7 million being over 60 days past due. Total past due receivables increased by \$2.0 million over the year, and accounts over 60 days past due increased by \$2.9 million. At September 30, 2012, the Department had a total of \$6.7 million of accounts placed with the Attorney General and \$734,293 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, 2012, VDOT reported \$101.0 million of collectible receivables, an increase of \$39.6 million from the prior year. VDOT also reported \$12.4 million total past due and \$10.0 million being over 60 days past due. Past due receivables decreased by \$5.5 million over the year, while receivables over 60 days past due decreased by \$4.5 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 \$6.7 million of their accounts over 60 days past due with the Attorney General's Division of Debt Collection, and \$97,201 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, 2012, DSS reported gross receivables of \$511.1 million, an allowance for doubtful accounts of \$311.9 million and collectible receivables of \$199.2 million. Past due receivables totaled \$184.1 million, of which \$181.3 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for \$464.5 million (91 percent) of the gross receivables, \$287.6 million (92 percent) of the allowance for doubtful accounts and \$176.9 million (89 percent) of the collectible receivables.

From September 30, 2011, to September 30, 2012, gross receivables increased by \$44.9 million and collectible receivables increased by \$18.2 million. Total past due receivables increased by \$16.1 million and receivables over 60 days past due increased by \$15.9 million.

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

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

At September 30, 2012, DRPT had gross and net receivables of \$27.6 million. The majority of this money is due via an interagency transfer from VDOT. DRPT reported past due receivables of \$5.1 million at September 30, 2012.

***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, 2012, VCU had \$72.1 million of collectible receivables, a \$14.7 million increase from September 30, 2011. Total past due accounts were \$8.6 million, a \$276,458 decrease from September 30, 2011. Accounts over 60 days past due (\$6.6 million) increased by \$614,316 from the prior year. Billings increased by \$12.7 million to \$265.3 million and collections increased by \$10.1 million to \$220.7 million for the September 30, 2012 quarter, when compared to the September 30, 2011 quarter.

The following table is prepared to present the September 30, 2012, aging information in conformity with the provisions of the *Code of Virginia* § 2.2-603.E.(ii).

Commonwealth's total \$2.84 billion past due accounts receivable at September 30, 2012. Another 18 agencies accounted for 31 percent (\$881.4 million), leaving 70 other agencies to comprise the last two percent at \$55.4 million.

Taxation and the Circuit and District Courts accounted for 67 percent (\$1.91 billion) of the

### Agencies with the Largest Volume of Past Due Receivables

As of September 30, 2012

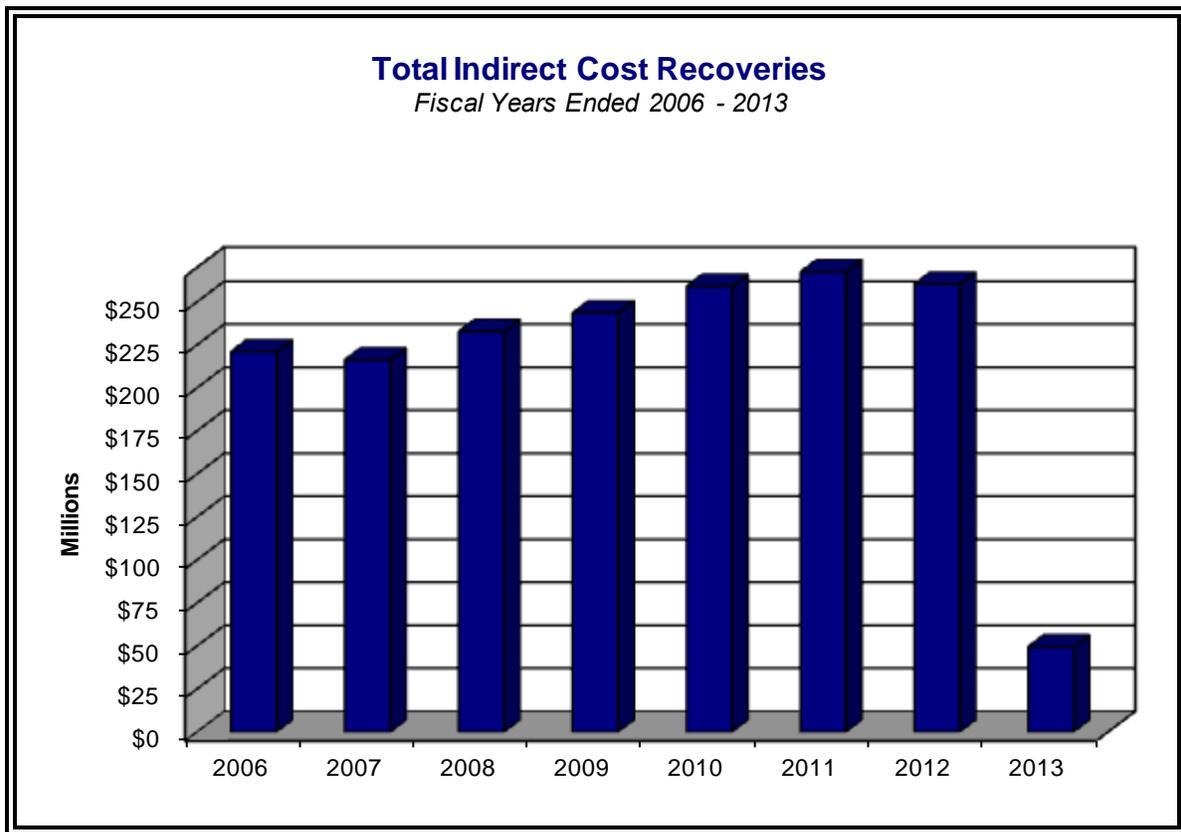
Agency	Total Past Due	1 to 180 Days Past Due	181 to 365 Days Past Due	Over One Year
Department of Taxation	\$ 1,543,061,014	\$ 250,755,119	\$ 129,808,814	\$ 1,162,497,081
Localities' Circuit and District Courts	365,151,086	37,060,178	61,985,393	266,105,515
<b>Total - Taxation Assessments and Court Fines and Fees</b>	<b>\$ 1,908,212,100</b>	<b>\$ 287,815,297</b>	<b>\$ 191,794,207</b>	<b>\$ 1,428,602,596</b>
<b>All Other Large Dollar Agencies:</b>				
University of Virginia Medical Center	279,347,915	237,097,726	29,314,556	12,935,633
Department of Social Services	184,104,479	8,775,289	8,755,709	166,573,481
Department of Medical Assistance Services	102,314,932	15,794,108	9,712,122	76,808,702
Virginia Employment Commission	91,957,601	30,012,019	12,621,255	49,324,327
University of Virginia - Academic Division	49,789,238	47,223,012	1,373,729	1,192,497
Department of Behavioral Health and Developmental Services	32,038,012	16,856,614	16,297	15,165,101
Virginia Polytechnic Institute and State University	23,999,902	21,134,718	1,151,368	1,713,816
Virginia Community College System	20,736,466	19,003,378	875,133	857,955
George Mason University	15,387,688	14,421,123	821,845	144,720
Department of Transportation	12,436,050	4,368,580	488,579	7,578,891
Old Dominion University	11,112,975	11,020,870	78,274	13,831
Department of General Services	11,011,625	8,956,391	302,530	1,752,704
James Madison University	10,659,196	9,873,127	232,842	553,227
Department of State Police	9,132,070	6,675,655	693,717	1,762,698
Virginia Commonwealth University	8,548,978	3,923,513	2,100,472	2,524,993
The College of William & Mary in Virginia	6,417,789	5,674,563	55,546	687,680
University of Mary Washington	6,409,771	5,667,109	131,051	611,611
Virginia State University	5,968,477	4,782,999	630,415	555,063
<b>Total - Largest Dollar Volume Agencies</b>	<b>\$ 881,373,164</b>	<b>\$ 471,260,794</b>	<b>\$ 69,355,440</b>	<b>\$ 340,756,930</b>
All Other Agencies	55,351,110	41,773,818	3,781,347	9,795,945
<b>Grand Total Past Due Receivables</b>	<b>\$ 2,844,936,374</b>	<b>\$ 800,849,909</b>	<b>\$ 264,930,994</b>	<b>\$ 1,779,155,471</b>



**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 2013 reflects indirect cost recoveries through December 31, 2012

## Indirect Cost Recoveries from Grants and Contracts

*Fiscal Year 2013*

Fund	Year-to-Date		
	Higher Ed	Non-Higher Ed	Total
Nongeneral:			
Agency / Institution (1)	\$ 12,352,924	\$ 35,516,884	\$ 47,869,808
Statewide	36,329	517,708	554,037
Agency / Institution ARRA	845,248	33,295	878,543
Statewide ARRA	21	2,613	2,634
<b>Total Nongeneral</b>	<b>\$ 13,234,522</b>	<b>\$ 36,070,500</b>	<b>\$ 49,305,022</b>
General:			
Agency (Cash Transfers)	-	-	-
Statewide	-	322,305	322,305
Statewide (Cash Transfers)	-	-	-
<b>Total General</b>	<b>\$ -</b>	<b>\$ 322,305</b>	<b>\$ 322,305</b>
<b>Total All Funds</b>	<b>\$ 13,234,522</b>	<b>\$ 36,392,805</b>	<b>\$ 49,627,327</b>

- (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 \$24,533,470 representing the Department of Social Services' estimate of indirect cost recoveries received. This does not include covered higher education institutions.



**Loans and Advances**

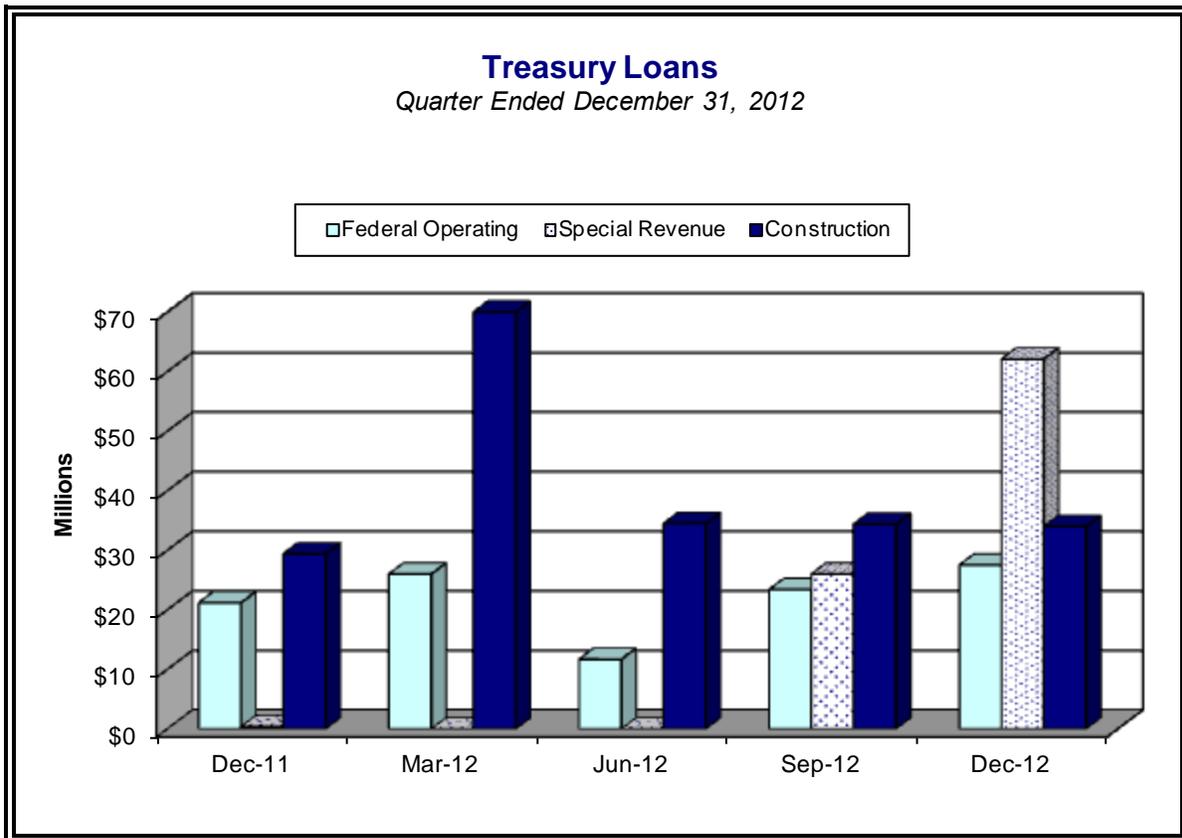
Treasury loans may be used to advance funds to a State agency or institution for a designated purpose prior to some form of reimbursement, typically federal or special revenues. They are loans of a temporary nature, approved on the basis of the following conditions:

- **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, 2012 was \$123.6 million.



Significant New Loans / Drawdowns	New Balance
<p><b>Department of State Police (VSP)</b>            Drawdown on a \$1.2 million loan used to conduct numerous grant funded programs that operate on a federal reimbursement basis.</p>	\$ 1,212,079.00
<p><b>Department of Military Affairs (DMA)</b>            Drawdown on a \$15 million loan used to pay expenditures incurred in anticipation of reimbursement from the National Guard Bureau.</p>	\$ 3,000,000.00
<p><b>Virginia Employment Commission(VEC)</b>            Drawdown on a \$63 million loan used to ensure payment of Unemployment Insurance benefits between late September 2012 and January 1, 2013.</p>	\$ 36,000,000.00
<p><b>Virginia College Building Authority (VCBA)</b>            Drawdown on a \$60 million loan used to provide cash to reimburse institutions of higher education for expenditures incurred on authorized capital projects under the 21<sup>st</sup> Century Program.</p>	\$ 59,555,916.60

Significant Loan Repayments	Prior Balance
<p><b>Virginia College Building Authority (VCBA)</b>            Repayment on a \$60 million loan used to provide cash to reimburse institutions of higher education for expenditures incurred on authorized capital projects under the 21<sup>st</sup> Century Program.</p>	\$ 59,555,916.60

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, 2012.
- **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, 2012 was \$28.1 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, 2012 was \$84.5 million.

