REPORT ON STATEWIDE FINANCIAL MANAGEMENT AND COMPLIANCE

FOR THE QUARTER ENDED SEPTEMBER 30, 2014

OFFICE OF THE COMPTROLLER

DEPARTMENT OF ACCOUNTS

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Quarter Ended September 30, 2014

STATEMENT OF PURPOSE

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

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

This *Quarterly Report* includes information for the quarter ended September 30, 2014, and comparative FY 2014 data. Some information in the report is for the quarter ended June 30, 2014, which is the most current data available.

David A. Von Moll, CPA, CGFM
Comptroller

DOA
Virginia Department of Accounts
Financial Accountability. Reporting Excellence.

COMPLIANCE

Auditor of Public Accounts Reports - Executive Branch Agencies

Agency audit reports issued by the Auditor of Public Accounts (APA) may contain findings because of noncompliance with state laws and regulations. Agencies may also have internal control findings considered to be control deficiencies. Control deficiencies occur when the design or operation of internal control does not allow management or employees to prevent or detect errors that, in the Auditor's judgment, could adversely affect the agency's ability to record, process, summarize, and report financial data consistent with the assertions of management.

Each agency must provide a written response that includes a Corrective Action Workplan (CAW) to the Department of Planning and Budget, the Department of Accounts, and the agency's Cabinet Secretary when its audit report contains one or more audit findings. Workplans must be submitted within 30 days of receiving the audit report. Commonwealth Accounting Policies and Procedures (CAPP) manual, Topic No. 10205, *Agency Response to APA Audit*, contains instructions and guidance on preparing the workplan.

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

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

Audit Reports – Quarter Ended September 30, 2014

The APA issued 6 reports covering 30 State Agencies for the Executive Branch. The last column indicates whether the CAW has been received as of the date of this publication for each agency with audit findings. Note that in some cases, the CAW may not have been received because it is not yet due.

	New Findings	Repeat Findings	Total Findings	CAW Received
Administration				
Department of Minority Business Enterprise	2	0	2	YES
Agriculture and Forestry				
Department of Agriculture and Consumer Services(1)	2	0	2	YES
Agricultural Council	0	0	0	N/A

	New Findings	Repeat Findings	Total Findings	CAW Received
Commerce and Trade				
Department of Business Assistance	4	0	4	NO
Education				
Norfolk State University(2)	6	6	12	YES
University of Mary Washington	0	0	0	N/A
Virginia Community College System(3)	2	0	2	YES
Blue Ridge Community College	0	0	0	N/A
Central Virginia Community College	14	0	14	YES
Dabney S. Lancaster Community College	0	0	0	N/A
Danville Community College	5	0	5	YES
Eastern Shore Community College	6	0	6	YES
Germanna Community College	0	0	0	N/A
J. Sargeant Reynolds Community College	0	0	0	N/A
John Tyler Community College	0	0	0	N/A
Lord Fairfax Community College	2	0	2	YES
Mountain Empire Community College	0	0	0	N/A
New River Community College	0	0	0	N/A
Northern Virginia Community College	5	1	6	YES
Patrick Henry Community College	2	0	2	YES
Paul D. Camp Community College	7	0	7	YES
Piedmont Virginia Community College	4	0	4	YES
Rappahannock Community College	2	0	2	YES
Southside Virginia Community College	7	0	7	YES
Southwest Virginia Community College	0	0	0	N/A
Thomas Nelson Community College	0	0	0	N/A
Tidewater Community College	2	1	3	YES
Virginia Highlands Community College	0	0	0	N/A
Virginia Western Community College	0	0	0	N/A
Wytheville Community College	0	0	0	N/A
Executive Offices				
None				
Finance				
None				
Health and Human Resources				
None				
Natural Resources				
None				
Public Safety and Homeland Security				
None				
Technology				
None				
Transportation				
None				
Veterans and Defense Affairs				
None				

(1) The APA issued one report covering the Department of Agriculture and Consumer Services and Agricultural Council.

(2) For the period ending June 30, 2012, the APA identified deficiencies in internal control over financial reporting that are considered "Material Weaknesses." As listed below:

- *Continue to Develop and Implement Policies and Procedures*
- *Improve Year-end Financial Reporting Process*
- *Properly Maintain Documentation for Audit*
- *Properly Perform Reconciliations of Bank Accounts and Accounting System*
- *Correct Deficiencies in Fixed Asset Management Program*
- *Strengthen Internal Controls over Grants Management*
- *Establish Formal Policies and Procedures for Preparing the SEFA*

(3) The APA issued one report covering 23 Community Colleges and the Virginia Community College System (VCCS) Central Office.

Audit Findings - Quarter Ended September 30, 2014

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

Administration

Department of Minority Business Enterprise (DMBE)

1. Improve Internal Controls Over Voucher Processing. The Department of Minority Business Enterprise (DMBE) needs to improve its controls over voucher processing. DMBE did not submit travel reimbursement vouchers to their fiscal service delivery agency, Department of General Services (DGS), timely and coded some vouchers such that they were recorded in the incorrect fiscal year. The APA recommends DMBE evaluate the way vouchers are currently processed and train employees to ensure they are following proper procedures.

2. Improve Internal Controls Over Small Purchase Charge Cards. DMBE does not have adequate internal controls over its Small Purchase Charge Card (SPCC) program. Failure to properly monitor and manage the SPCC program increases the risk of inappropriate activity. During the audit, the APA noted that cardholders did not maintain adequate supporting documentation for purchases and did not consistently obtain approval before making purchases. In addition, some purchases were improperly coded.

   DMBE should evaluate its SPCC program and assess whether the administrative processes and policies currently in place are adequate given the size of the agency and the nature of its SPCC program. Based on this understanding, DMBE should ensure policies and procedures sufficiently describe the cardholder and supervisor responsibilities as well as the documentation required to be retained and reviewed. In addition, employees should be fully trained to ensure purchases are appropriate and properly coded.

Agriculture and Forestry

Virginia Department of Agriculture and Consumer Services (VDACS)

1. Perform Timely Updates to IT Risk Management and Contingency Plans. VDACS information technology (IT) risk management and contingency plans used to restore IT supported essential business functions in case of a disaster or emergency were inconsistent during the period audited.

   The Commonwealth's information security standard, SEC501, requires agencies to perform timely updates to IT risk management (business impact analysis and risk assessments) and contingency plans (continuity of operations plan and disaster recovery plan) as needed when their IT environment changes or during specific time intervals, whichever comes first.

   Ensuring updated and consistent IT risk management and contingency plans benefit new and tenured agency resources alike as they address current risks and minimize confusion during a disaster. While tenured resources may easily know what needs to be done to recover from a disaster, the very nature of a disaster may prohibit some of these tenured resources from reporting to work. Without their knowledge and without updated and consistent documentation, restoration efforts become significantly more difficult and require more time.

   The APA identified and communicated specific instances of inconsistencies and non-compliance with SEC501 to management in a separate document marked Freedom of Information Act Exempt (FOIAE) under Section 2.2-3705.2 of the *Code of Virginia* due to it identifying certain security mechanisms.

   VDACS is in the process of updating the IT risk management and contingency plans and anticipates these to be finished by December 2014. VDACS is also updating the process to review these documents to ensure timely compliance in the future.

   The APA recommends that VDACS continue and finish updating the IT risk management and continuity plans. The APA also recommends that VDACS finalize the documented processes to ensure timely reviews, updates, testing and compliance with SEC501.

2. Improve Oracle Database Security. VDACS did not use a critical control to protect Oracle databases in their IT environment. These databases contain sensitive information and are essential to the operation of many of the VDACS' business functions.

   The APA identified and communicated the weak control to management in a separate document marked Freedom of Information Act Exempt (FOIAE) under Section 2.2-3705.2 of the *Code of Virginia* due to it containing descriptions of security mechanisms.

   The Commonwealth's information security standard, SEC501, requires agencies to use specific controls to reduce unnecessary risk to data confidentiality, integrity, and availability in systems processing or storing sensitive information.

   The APA recommends that VDACS implement the critical control discussed in the communication marked FOIAE. The APA also recommends that VDACS develop and implement processes to ensure the timely application of critical controls as defined in the Commonwealth's information security standard.

Commerce and Trade

Department of Business Assistance (DBA)

1. Improve Controls over Purchasing and Voucher Processing. DBA needs to enforce its policies and procedures in the area of purchasing and expenses. Purchase orders are not consistently approved by the proper authority, vouchers are often not accompanied by sufficient supporting documentation, and some expenses were incorrectly coded. The APA also noted some instances in which DBA made late payments, in violation of the Prompt Payment Provisions of the Virginia Public Procurement Act.

   In regards to the Small Purchase Charge Card program, the APA noted cardholders did not consistently prepare the required monthly reconciliations. In addition, when cardholders did prepare the reconciliations, the reconciliations were often not done timely and the cardholder's supervisor did not adequately review and approve the reconciliations. Also, the APA noted one employee was issued a small purchase charge card but typically requested purchases be made by another employee with the other employee's charge card. This indicates there is no annual analysis being done of cardholder usage so that management can revoke unneeded cards.

   Management must enforce the policies and procedures related to voucher processing and small purchase charge cards to ensure purchases are valid agency expenses and are recorded correctly in the accounting system.

2. Improve Oversight of Travel. DBA does not enforce the requirement for a supervisor to approve travel prior to it occurring. In addition, DBA reimbursed employees for amounts not supported by proper documentation or that exceeded allowable rates. Employees also did not submit travel reimbursement requests timely.

   The APA recommends that DBA evaluate its processes related to travel expenses and reimbursements. Enforcement of internal controls, especially related to supervisory oversight and review, are critical to ensuring that all expenses are appropriate as well as in compliance with the Commonwealth's policies related to travel.

3. Develop Policies and Procedures for Terminated Employees. DBA is not terminating employee access to the Commonwealth Accounting and Reporting System (CARS) or ProTrax, its project tracking system, timely. Two employees still had access to CARS one to eight months after their termination. In addition, several former employees were listed as having cell phone charges on bills received and paid by DBA subsequent to their termination.

   Timely removal of access for terminated employees ensures financial information remains secure and decreases the risk of fraudulent activity. Ensuring the retrieval and re-assignment of all assets owned by the agency upon an employee's termination is vital. DBA must make every effort to retrieve any assets that may not have been returned by former employees and seek reimbursement from the former employees for any charges incurred by DBA after the employee's termination. In addition, DBA should develop and enforce appropriate policies and procedures to ensure appropriate out-processing of terminated employees.

4. Comply with Commonwealth Procurement Guidelines. DBA did not properly follow the Commonwealth's public procurement policies related to sealed bids. For the procurement of a contract related to information technology services, DBA opened sealed bids it received prior to the required public opening. Section 2.2-4302.1 of the Virginia Public Procurement Act (VPPA)

requires a public opening and announcement of all bids received. Failure to comply with this requirement poses a risk of impropriety in the procurement process. DBA should institute procedures to ensure its procurement procedures are in compliance with VPPA requirements.

Education

Norfolk State University (NSU)

1. Continue to Develop and Implement Policies and Procedures. **This is a Material Weakness and a Repeat Finding**. NSU lacked policies and procedures related to key financial reporting and accounting functions, which resulted in inconsistent preparation and compilation of financial statement schedules and financial data during fiscal year 2012.

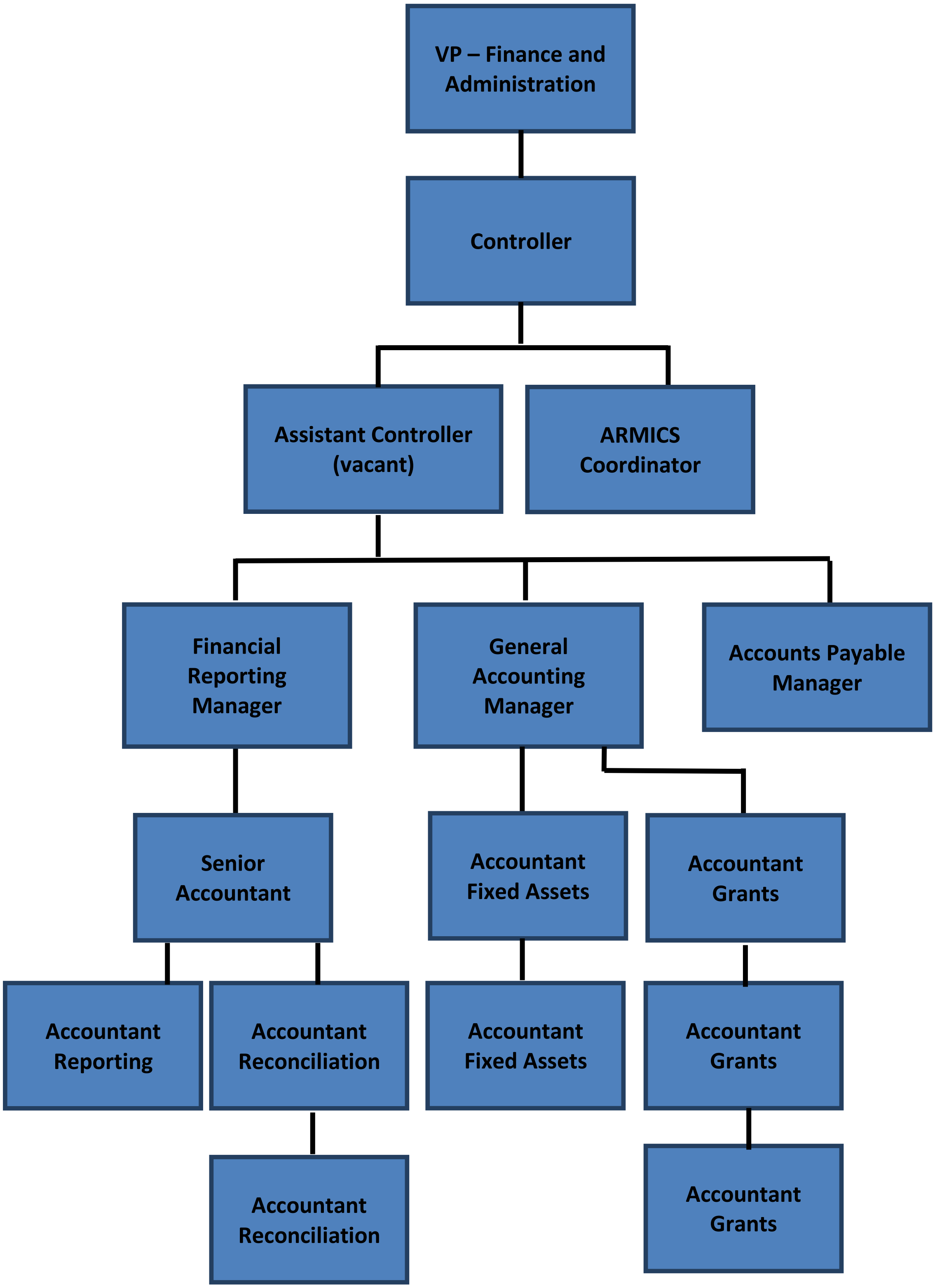
   Consistency, with regard to preparation and presentation of financial data, is an essential principle of accounting. Without consistency in preparation of financial schedules, it is nearly impossible to compare financial information between periods. In addition, the lack of policies and procedures in this area greatly increases the risk of error and misstatement of financial information. Lack of policies and procedures also increases the risk, in the event of the departure of a key employee, that NSU will be unable to perform required functions in an efficient, effective, and timely manner.

   In response to the APA fiscal year 2011 internal control report, NSU detailed the appointment of individuals to key positions, including Controller, ARMICS Coordinator, Fixed Asset Accountants, and Reconciliation Accountants. Figure 1 below depicts NSU's new organizational structure. While vacancies in key positions no longer appear to be a threat to NSU's daily operations, it is always difficult to predict with absolute certainty the length of time in which an employee will remain in a given position. Therefore, it is important to have all policies and procedures documented to ensure continued functionality of the department and NSU.

   Due to the completion of the fiscal year 2011 audit in September 2013, NSU was unable to implement meaningful corrective action to resolve the APA finding during fiscal year 2012. The lack of clearly documented policies and procedures during the period under audit constitutes a material weakness in internal control and resolving this weakness will enable NSU to avoid potentially catastrophic lapses in operational functionality. Based on management's self-reported corrective action plan, NSU's personnel have received detailed training on the financial system and have updated and posted all finance and administrative policies. Updated desk procedures for financial reporting processes have been included on a shared drive accessible by all Financial Reporting staff. Policies and procedures regarding financial statement preparation will be updated while preparing the fiscal year 2014 financial statements.

   Additionally, NSU's management notified NSU'S personnel of the Policy Library, which can now be accessed through the NSU website. The Policy Library includes Board of Visitors policies, presidential policies, administrative policies, and any interim policies governing NSU's operations. NSU management should continue to refine and update policies and procedures within the departmental shared drives and the Policy Library as they make changes in operations to prevent future significant lapses in internal control.

Figure 1
New NSU Organizational Structure



2. Improve Year-end Financial Reporting Process. **This is a Material Weakness and a Repeat Finding**. The review process used to prepare the fiscal year 2012 financial statements was ineffective, resulting in over forty material adjustments to financial information presented in NSU's financial statements. To prepare the fiscal year 2012 financial statements, NSU sought outside assistance and contracted with a public accounting firm. The firm developed a grouping spreadsheet, which summarized activity by financial statement line item, starting with balances from the financial accounting system and then adding any necessary adjusting entries. While this process was an improvement over the process used in 2011, there appeared to be insufficient review of the preparation process by NSU's management. The APA noted instances of improper mapping of accounts within the grouping spreadsheet, which then required material adjustments to the financial statements. In addition to the errors related to the financial statements, the APA noted inconsistencies and inaccuracies in financial statement footnote disclosures. Many of the footnotes lacked required elements as prescribed by the Government Accounting Standards Board (GASB), and as such, required revision.

   The errors in the initial preparation of the 2012 financial statements during Fall 2012 resulted in incorrect preparation of the year-end submissions provided to the Department of Accounts (DOA) for consolidation in the Commonwealth's Comprehensive Annual Financial Report (CAFR). Additionally, due to timing and staffing constraints, NSU did not complete submissions to the DOA for 2013. As DOA relies on the information submitted by the colleges and universities, it is essential that NSU properly completes and submits all required information to ensure fair presentation of the Commonwealth's financial report.

   As recommended during the fiscal year 2011 audit, NSU should leverage report-writing software to develop an efficient and effective process for compiling financial statement information from the accounting system. During this process, NSU should attempt to minimize the number of steps requiring manual adjustment of financial data, as these situations represent a higher risk of material misstatement to the financial statements. Due to timing, NSU was unable to implement corrective action related to this finding during preparation of fiscal year 2012 and 2013 financial information; however, according to management's self-reported corrective action plan, NSU personnel received training using report writing software and utilized this software to prepare the fiscal year 2014 financial statements. During the completion of the 2014 financial statements, NSU intends to clearly document the procedures used to generate the financial statements, footnotes, and year-end submissions, as these procedures will help ensure compliance with accounting standards and aid in consistency of presentation from year to year. Lastly, all documentation related to the compilation of the financial statements, adjusting entries, and footnotes, should be maintained in a centralized location, organized in an efficient manner, and available to auditors promptly upon request.

3. Properly Maintain Documentation for Audit. **This is a Material Weakness and a Repeat Finding**. Throughout the audit of NSU's 2012 financial statements, the APA noted missing or incomplete audit documentation. In some cases, there was insufficient documentation to support the specific item selected for testing. While the APA was ultimately able to obtain sufficient appropriate audit evidence to support the individually published financial statements, the lack of an audit trail represents an issue that could have significant impacts on the audit process. If auditors are unable to obtain sufficient appropriate audit evidence due to lack of documentation, it could result in the inability of the auditor to provide an opinion on the financial statements.

   The inability to locate needed supporting documentation for audit requests resulted in significant delays during the audit. Although some documentation was located, the delays resulted in inefficiency on the part of both the auditors and NSU's staff in attempting to support the financial statements. Additionally, in multiple instances, NSU's staff provided "final" documents to the auditors, which were later discovered to be incomplete versions of the documentation requested. As a result, the auditors had to re-perform audit procedures on multiple occasions, resulting in lost time for both the auditors and NSU's personnel.

NSU responded to this finding from the fiscal year 2011 audit by implementing a central location and shared drive for storing audit information; however, due to timing of the implementation, this procedure was not in place until after fiscal year 2012. Continuing to utilize this process to ensure information is available and promptly provided for audit requests will significantly decrease the burden on the auditors and NSU personnel and will decrease the amount of time required to complete the audit.

4. Properly Perform Reconciliations of Bank Accounts and Accounting System. **This is a Material Weakness and a Repeat Finding**. As noted in the APA previous audit report, NSU lacked resources to promptly reconcile its primary bank account, as well as complete the reconciliation of NSU's accounting system to the Commonwealth Accounting and Reporting System (CARS) during the fiscal year under audit. While NSU has now completed past due reconciliations, the reconciliation control was not effective during the audit period.

   During the APA review of the reconciliations and supporting documentation, the APA noted many reconciling items. Despite properly identifying reconciling items, NSU employees did not use them to reflect properly the appropriate activity in the accounting system. In addition, supporting documentation for reconciling items was unavailable or improperly maintained, and as such, was not available to the auditors. Often, NSU staff was unable to explain sufficiently the existence of the reconciling items and, as a result, these items continued to accumulate on each subsequent reconciliation. Many of these reconciling items may be attributed to the change in accounting systems between fiscal year 2011 and 2012, and the untimely preparation of the reconciliations, which occurred subsequent to the completion of the fiscal year.

   While the completion of the reconciliations is an important part of the process, it should be noted that an equally important part of the process is ensuring that reconciling items have resulted in adjustments to the system. Researching reconciling items and adjusting the system, when necessary, ensures financial information is up to date and accurately reflects the current financial position of NSU. Additionally, appropriately accounting for reconciling items reduces the risk of inappropriate activity, which may go unnoticed if reconciling items are allowed to accumulate on reconciliations.

   NSU responded to this finding from the fiscal year 2011 audit report by implementing new reconciliation procedures; however, due the completion of the fiscal year 2011 audit in September 2013 these new reconciliation procedures were not implemented until fiscal year 2014. NSU should continue to improve their reconciliation process by using their newly developed desk procedures. Following these procedures will ensure that NSU performs timely and effective reconciliations between the accounting system and all bank accounts, as well as the Commonwealth Accounting and Reporting System (CARS). NSU should ensure that the new reconciliation procedures include investigating all reconciling items and adjusting the system where appropriate. Reconciling items should not continue to accumulate from month to month, and NSU should also ensure that the new procedures include a review process to ensure proper completion of reconciliations and posting of adjustments.

5. Correct Deficiencies in Fixed Asset Management Program. **This is a Material Weakness and a Repeat Finding**. As noted in the APA internal control reports for the last two fiscal years, NSU had several deficiencies in internal control related to proper stewardship of fixed assets. These deficiencies included improper disposal of fixed assets, untimely completion of fixed asset physical inventories, and improper recording, tagging, or otherwise controlling fixed assets, including

equipment. As expected, due to timing, the APA noted similar deficiencies during the fiscal year 2012 audit.

During the APA procedures, the APA noted the following:

- Several missing assets, including one with significant remaining book value;
- Many instances where expenses were not properly identified as fixed assets; and therefore, were not appropriately tagged and were not accurately reflected in the fixed asset system with respect to cost or useful life, resulting in improper depreciation of assets and requiring adjustments to the financial statements;
- Several instances where assets were ordered, but never placed into service. These assets remain unopened in NSU's warehouse until fiscal year 2014, and represented an inefficient use of NSU resources;
- Physical inventory of assets has not been performed during the last two years resulting in noncompliance with the *Commonwealth Accounting Policies and Procedures* (CAPP) manual; and,
- Use of inaccurate reports or schedules to generate financial statement information, resulting in multiple adjustments during the audit process. Manually prepared schedules contained formula errors and did not capture all information necessary for reporting purposes.

The lack of physical inventory, insufficient tagging of equipment, number of idle or unused assets, and errors in financial reporting present a significant risk of misappropriation of assets from NSU. As noted previously, NSU is currently updating policies and procedures for all financial and administrative functions. In addition NSU contracted with an outside consultant to perform a full physical inventory of assets during fiscal year 2014, and should utilize the report provided to adjust NSU's fixed asset inventory. NSU's management should maintain all supporting documentation for these adjustments for the 2014 audit. In addition, assets determined to be obsolete, or fully depreciated and no longer needed by NSU, should be surplused or disposed using an approved methodology. NSU should continue to utilize assets purchased and should not allow them to sit idle or unused in the warehouse. Finally, NSU should ensure the information used to prepare the financial statements is reasonable and properly prepared.

6. <u>Perform Internal Control Risk Assessment Procedures</u>. **This is a Repeat Finding.** As outlined in the CAPP Manual Topic 10305, each agency head is responsible for having agency management document the agency's assessment of internal controls to include:

- Strengths, weaknesses, and risks over the recording of financial transactions in the General Ledger;
- Compliance with the agency's financial reporting requirements;
- Compliance with laws and regulations; and,
- Stewardship over the Commonwealth's assets.

The initial implementation of Agency Risk Management and Internal Control Standards (ARMICS) included the documenting, evaluating, and testing of agency-level controls. DOA provides that once NSU successfully implements the process, the institution should refresh and refine the evaluation each year. Ultimately, the agency head is required to certify that they have established, maintained, and evaluated the agency's internal control framework.

The APA audit found incomplete documentation related to the completion of ARMICS reviews and the improper certification of the completion of those reviews to DOA. Additionally, the ARMICS documentation for fiscal year 2012 should have resulted in a significant amount of documentation regarding changes in internal control following the implementation of the Colleague system. The APA audit indicated that documentation of internal control, with respect to the implementation of the Colleague system, has not yet occurred.

Since the completion of the fiscal year 2011 audit, NSU hired an ARMICS coordinator in May 2014 to perform and document the required ARMICS reviews. While this process is now in place, the APA has not yet performed audit procedures to determine if the process is working as intended. Following the initial complete review of internal control, the ARMICS coordinator should annually refine the evaluation to reflect any changes in internal control or areas of concern.

7. Strengthen Internal Controls over Grants Management. **This is a Material Weakness**. NSU does not have proper internal controls for tracking, recording, and reporting federal grant activity.

   During the APA review, the APA found inaccurately recorded grants on NSU's Grant Roll Forward Schedule, which calculates year-end receivable amounts for individual grants. Beginning balances, revenues, and expenses recorded on the schedule did not agree to NSU's financial system and NSU was unable to provide additional supporting documentation to substantiate the amounts used. In addition, based on the review of revenue and expense data, it appears NSU often performed drawdowns of funds prior to incurring the corresponding expense. In multiple instances, NSU could not match reimbursement requests to corresponding expenses. Additionally, the APA noted instances where employees incorrectly posted expenses to the wrong grant and subsequently corrected the posting issue; however, these errors complicated the NSU's ability to manage the grant drawdown process effectively.

   According to two CFR § 215.21(b), NSU's financial management system should be sufficient to:

   - ensure accurate, current and complete disclosure of financial results of each federally-sponsored project or program;
   - provide effective control over and accountability for all funds; and,
   - provide accounting records, including cost accounts records, which are supported by source documentation.

   Additionally, 2 CFR § 215.53(b) prescribes that supporting documentation must be retained for a period of at least three years after the submission of final financial reports for the grant.

   Proper reporting of grant activity is essential to NSU's internal and external decision makers. Insufficient controls governing grants management can lead to improper drawdowns of funds, the misuse of funds, or misstatement of the amounts reported in the financial statements. Continuous and significant deficiencies in grants management can result in sanctions or loss of funds at the discretion of the federal awarding agency. Based on the internal control deficiencies noted, the APA performed detailed audit work over individual grants resulting in increases of $631,405 in deferred revenue and $667,201 in grants receivable in the NSU's final audited financial statements.

The deficiencies in grants management were likely a direct result of vacancies in key supervisory positions during fiscal year 2012. During this time, NSU did not have adequate policies and procedures to ensure consistent processing of grant transactions and supporting documentation was not properly prepared and/or maintained. In addition, the processes that were in place at the time were not in accordance with 2 CFR § 215.

NSU should strengthen internal controls over grants management and fill vacant supervisory positions. NSU should develop and implement policies and procedures to ensure proper management of federal grants in compliance with applicable standards. As part of developing the policies and procedures, NSU's management should examine the current setup and capabilities of the financial management system to ensure it can achieve effective and efficient management and reporting of federal grant awards. Improving grant management practices will improve recording and reporting of grant funds and prevent potentially negative impacts on funding.

8. Improve Overtime Internal Controls and Processes. NSU does not have policies and procedures surrounding the reporting of overtime. During the review, the APA found that the process for submitting overtime is inadequate. Employees and supervisors continuously submit overtime for payment late and forms are improperly completed.

   During the audit, the APA noted several employees with multiple overtime forms submitted during the fiscal year, which were processed up to seven weeks late. Some of the same employees submitted overtime forms weeks after completing the required overtime. In addition, the overtime forms lacked some of the necessary approval signatures, and in some instances, approval signatures took up to three weeks to obtain.

   Effective overtime controls are essential to minimize the opportunity for abuse and increase the efficient use of NSU's resources.

   NSU's management should develop and implement policies and procedures surrounding reporting of overtime. These policies should include timeframes for reporting overtime to supervisors, supervisor approvals, and finally submission to Payroll for processing. NSU should ensure all employees are aware of the policies and procedures and hold employees accountable when policies are not followed.

9. Maintain Adequate Supporting Documentation and Improve Controls over Payroll Rate Changes. NSU's Human Resource Department (Human Resources) does not adequately maintain supporting documentation for pay rate changes within their files. In addition, Human Resources did not provide the supporting documents to the Payroll Department (Payroll) in a timely manner.

   During the APA review of employees with salary rate changes during the fiscal year, the APA found that Human Resources did not maintain original approved P-3 documentation for 18% of the employees reviewed. In order to substantiate the rate changes, Human Resources had to locate copies of Personnel Management Information System (PMIS) screen prints and P-3s from the Virginia Department of Human Resource Management (DHRM). While these documents provide some assurance over the validity of the pay rates used, the lack of properly maintained supporting documentation increases the risk of improper payments to employees.

   In addition, the APA found a number of employees received paychecks in excess of the standard number of pay periods, which was a direct result of Human Resources not providing Payroll with the information needed to process changes in the payments to those employees and prevent overpayments. The APA audit work revealed the following unnecessary overpayments, resulting in repayment to NSU by its employees:

- One employee was overpaid $9,677, which started in the second half of fiscal year 2011
- One employee was overpaid $3,750
- One employee was overpaid $953

Human Resources should review its process for maintaining personnel files and to ensure proper design and effective operation of internal controls. Supporting documentation related to changes in employee compensation should be included in employee files including original approved P-3 forms. In addition, Human Resources should improve communications with Payroll staff regarding salary rate changes and any other personnel related change that would affect payroll in order to prevent improper payments to employees.

10. Improve Internal Controls and Compliance Surrounding Timeliness of Deposits. NSU Cashier's Office (Cashiering) did not comply with the Commonwealth's or NSU's policy to deposit funds timely during fiscal year 2012 or 2013. CAPP Manual Topic 20205, *Deposits*, requires the deposit of state funds by the next banking day after receipt of the deposit. While the Commonwealth's policies provide for an exception to this policy, NSU has not requested an exception from the Department of the Treasury (TD). TD generally justifies exceptions based on the small amount collected and the availability of adequate safekeeping facilities. NSU's policy states that NSU will deposit funds the day after collection.

    In order to determine the proper deposit amount for each bank account, Cashiering runs an allocation process. Not completing the allocation process by the end of the business day can delay proper depositing of funds. Additionally, timely deposit of revenues is important to ensure adequate cash flow, maximize interest revenue, and reduce the risk of holding cash on-site. Holding deposits on-site for extended periods may result in an increase in errors or misappropriation of funds.

    During the 2012 and 2013 audits, the APA found multiple instances where deposits reviewed were made two banking days after receipt because the allocation process was not performed in a timely manner. However, the APA reviewed an additional sample of deposits to support the fiscal year 2014 audit and determined the NSU deposited these items timely. NSU's compliance with Commonwealth and NSU policy during fiscal year 2014 is indicative of the NSU's progress in implementing an effective corrective action plan to address previous audit deficiencies.

    Cashiering and NSU's management responded to this finding for the 2012 audit by evaluating and updating their existing policies and procedures for deposits. NSU implemented the new policies and procedures during fiscal year 2014. Cashiering and NSU's management should continue to ensure that all deposits are timely and processed according to documented policies and procedures.

11. Establish Formal Policies and Procedures for Preparing the SEFA. **This is a Material Weakness**. During fiscal year 2013, NSU overstated expenditures reported in its Schedule of Expenditures of Federal Awards (SEFA) by $14,448,746, and failed to report properly four out of 42 (10 percent) CFDA numbers as research and development expenditures.

    In accordance with OMB Circular A-133, Subpart C, §_. 300 (b) and (d); the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant, and prepare the appropriate Schedule of Expenditures of Federal Awards in accordance with §___. 310. In compliance with the Department of Accounts' Comptroller's Directive No. 2-13, preparers and reviewers of the Federal Schedules, certify that they understand the instructions for preparing all tabs of the Federal Schedules, and that each tab is both complete and accurate. During the APA review of NSU's federal grant programs, the APA noted the following overstatements in the Schedule of Expenditures of Federal Awards:

- Student Aid Cluster: Federal Supplemental Educational Opportunity Grants (CFDA 84.007) overstated by $9,038,541, Federal Pell Grant Program (CFDA 84.063) overstated by $4,708,160, and Federal Direct Student Loans (CFDA 84.268) overstated by $265,648;
- Federal TRIO Programs: Student Support Services (CFDA 84.042) overstated by $225,517;
- Title III Program: Higher Education – Institutional Aid (CFDA 84.031) overstated by $102,695; and,
- Five non-major programs overstated by $108,185.

Staff preparing the SEFA included debit balances related to revenue accounts and failed to deduct certain credit balances related to expense accounts, which resulted in the inclusion of these amounts in the reported expenditure balances. Further, staff failed to use established back-up data to classify properly the type of expenditures reported.

The APA recommends NSU establish formal policies and procedures to accurately gather and report data in its SEFA. The APA further recommends that NSU staff expand its knowledge and awareness of properly reporting and distinguishing the type of grant awards reported.

12. Develop and Implement Policies and Procedures for Adherence to the Davis-Bacon Act. NSU is not adhering to, and does not have in place, policies and procedures to ensure contractors and subcontractors performing construction and renovation projects under its Title III (CFDA 84.031) grant award comply with the provisions of the Davis-Bacon Act. For fiscal year 2013, NSU paid two construction contractors $541,493 using Title III funding. Payments to each contractor exceeded the $2,000 federal threshold.

    In accordance with the *Code of Federal Regulations*, Title 29, Part 5, Section 5.5, for federally funded construction projects that exceed $2,000, the Davis-Bacon Act (the Act) requires contractors and subcontractors to pay federally prescribed prevailing wages to laborers and mechanics. In addition, these contracts must contain language notifying the contractor and subcontractor that compliance with prevailing wages is required. The Act also requires recipients of federal funds to obtain weekly, certified payrolls from all contractors and subcontractors to ensure proper payment of prevailing wages.

    Neither the Title III Coordinator nor the Construction Manager was aware of the Davis-Bacon Act requirements related to the Title III construction/renovation projects. Additionally, the APA was unable to determine whether actual amounts paid to laborers met federal requirements, as NSU did not properly obtain certified weekly payrolls as required. If NSU does not comply with federal grant requirements, it is at risk for repayment or loss of federal grant funding.

    The APA recommends NSU establish, implement, and follow policies and procedures to ensure contractors and subcontractors comply with the requirements of the Davis-Bacon Act. The APA also recommends NSU obtain certified weekly payrolls for federally-funded construction/renovation projects that exceed $2,000, and determine if federal prevailing wages have been, and continue to be, properly paid.

Virginia Community College System Central Office (VCCS/CO)

1. Ensure Capital Outlay Projects are Closed Out within Allowable Time Period. VCCS/CO is not closing out its capital outlay projects promptly as required by state regulations. VCCS/CO has over 38 capital outlay projects that have not been closed out within twelve months of a Certificate of Use and Occupancy (Form CO-13.3) issuance. As an example, one project received its Certificate of Use and Occupancy in 2002 and two other projects received their Certificate of Use and Occupancy in 2003, but VCCS/CO has yet to issue a Project Completion Report (Form CO-14) for those projects.

   The VCCS CPSM requires VCCS to complete a Project Completion Report using Form CO-14 to officially close out a project within twelve months after a college has occupied the building or the project is substantially complete. Significant delays in closing out capital outlay projects could allow funds to be used for unnecessary projects and, therefore, promote inefficient use of Commonwealth funds.

   VCCS/CO should follow its policy and complete the CO-14 form promptly upon completion of each capital project. While the APA recognizes that occasionally there may be a reason to delay project close out, the APA recommends that VCCO/CO follow best practices and close out projects within twelve months after substantial completion. Further delays should require Project Managers to justify the delay formally and receive senior management approval.

2. Improve Internal Controls to Ensure Data is Properly Transferred between Human Resources Systems. VCCS/CO can improve the process in place to ensure human resources transactions are properly transferred between systems. VCCS/CO continued its implementation rollout of HRMS during fiscal year 2013, which is utilized in concert with the statewide Personnel Management Information System (PMIS) for facilitating human resources recordkeeping. Currently, a portion of the data transactions automatically interface from HRMS to PMIS. As a result of incompatibility between the two systems for certain data transactions, entries frequently do not transfer correctly. To assist the community colleges in identifying and correcting those entries, VCCS/CO established various levels of support including a query to identify and explain instances where transactions did not properly transfer.

   The APA review at the individual community colleges found that many colleges are not reviewing the query consistently and are not documenting their review and correction of identified errors. The frequency of community college reviews ranged between daily, weekly, quarterly, at least monthly, and not at all. In response to the APA inquiry, colleges attributed the inconsistency in the application of this control to a lack of explicit guidance from VCCS/CO as it pertains to frequency and documentation of reviews. Additionally, the transactions that do not automatically interface between systems result in additional manual data entries, which impede operational efficiency and increase the risk of manual error.

   DHRM Policy 6.10, *Personnel Records Management*, requires human resources officers ensure agency actions or changes affecting employees' employment or payroll status, or data relating to positions or employees, are entered into PMIS. Therefore, it is important that HRMS transactions properly transfer to PMIS, particularly since many data fields automatically interface from PMIS to CIPPS. If information is inaccurate in PMIS, it could result in improper payments in some instances.

   VCCS/CO has provided extensive guidance and training and established an effective tool for the colleges as a part of this initiative by developing a query, which identifies and explains errors in the automatic data interface. However, the APA recommends VCCS/CO further improve the effectiveness of internal control by developing a policy, procedure, or other formal written standard governing minimum requirements over the frequency and documentation of college query reviews. VCCS/CO has already begun drafting written HRMS Standards as a result of internal audit findings, which may address the problem areas, so the APA encourages them to continue in this endeavor. Colleges should review interface errors and make necessary resulting corrections in the system in a timely manner. VCCS/CO should also evaluate the costs and benefits of expanding the data interface between HRMS and PMIS to all transactions to maximize efficiency and reduce the risk of manual error.

Central Virginia Community College (CVCC)

1. Improve Segregation of Duties within Financial Systems. CVCC is not properly segregating duties within financial systems. The APA review found instances where CVCC did not adequately segregate duties between human resources and payroll. Individuals at CVCC were identified with access to update personnel information in human resources systems and to process payroll entries in the payroll system.

   In accordance with ISO/IEC 27002:2005€ § 11.2, colleges are charged with developing procedures to address the need to control the allocation of privileged access rights. Granting access to both human resources and payroll systems allows employees to create new employees and process pay changes in the payroll system, unnecessarily increasing the risk of 'ghost employees' or other frauds. Inadequately segregating access within AIS or SIS can also result in various fraud, waste, or abuse.

   Small colleges, which may have few employees available to process transactions, must often compromise proper segregation of duties to ensure business operations function normally. However, CVCC should review and consider updating system user access to exercise appropriate segregation of duties and eliminate access to conflicting roles to the greatest extent possible. In the absence of eliminating all conflicting access, CVCC should strive to minimize the risk of having users with significant access conflicts by implementing a review and approval process to ensure high-risk transactions are appropriately evaluated.

2. Perform AIS Security Reviews Annually. CVCC did not complete an annual review of system access for all employees in fiscal year 2013. An annual review of system access is required by VCCS IT Security Standard 11.2.4 and ensures financial information remains secure and decreases the risk of inappropriate or fraudulent activity.

   CVCC has implemented this requirement by requiring the applicable supervisor to annually review and approve each employee's Employee Work Profile. However, system owners occasionally experience difficulties obtaining necessary approvals from supervisors.

   A periodic review is a key control that helps ensure only authorized users have the appropriate level of access to the various automated systems given their individual job responsibilities. The APA recommends CVCC follow their established policies and require supervisors to perform periodic reviews of all users' access rights annually to maximize the security and integrity of the data on its automated systems.

3. Deactivate User Access Promptly Upon Employee Separation. CVCC is not deactivating user access to the state's procurement system (eVA) promptly upon employee termination. In addition, CVCC did not remove access to other college and statewide applications in a timely manner or do not have a process in place to ensure timely removal. For the purposes of the APA testing, the APA

considered five business days to constitute timely deactivation. The APA noted the following exceptions while performing testing:

- Untimely deletion of access to college and statewide applications for eight out of 20 employees tested (40 percent)
- No formal process in place for removing access upon employee separation

Per eVA Electronic Procurement System Security Standards, Section 2.8 Deactivation of eVA Access, eVA access should be deactivated when the requirement for access no longer exists. As eVA is a web-based application, allowing access to eVA for terminated employees increases the risk of improper activity by former employees which could result in a liability for the System. Access to other statewide systems subsequent to employment also presents unnecessary risks to the System.

CVCC should develop processes whereby access is removed without delay upon employee separation. The *Commonwealth Accounting Policies and Procedures* (CAPP) manual Topic No. 50320, *Unpaid Leave of Absences and Overpayments*, recommends that agencies develop a termination check-off list. CVCC should further ensure that individuals involved in the process understand employee separation requirements and communication protocols.

4. Reconcile Federal Activity Reports to Accounting Records. CVCC has not reconciled its Federal G5 Activity Reports to its accounting records since October 2013. CVCC obtains the G5 Activity Report from an external access system on the internet that shows cumulative and detailed information for each financial aid award that the college provides.

   The *Code of Federal Regulations* Title 34 CFR 676.19 requires an institution to establish and maintain program and fiscal records that are reconciled at least monthly. Without consistent, proper reconciliation of the systems involved with the Student Financial Aid function, there is an increased risk of undiscovered and unresolved errors, fraudulent behavior, and misuse of federal funds. Additionally, in order to rely on such reconciliations, proper segregation of duties, including evidence of review, should be maintained at all times.

   The Business Office should properly complete and document the reconciliation of the G5 Activity Reports to the accounting records to help ensure that they draw down all federal financial aid from the correct federal program and credit it to the proper student in the correct amount each month.

5. Develop Desk Procedures Related to Severance Pay and Retirement. CVCC improperly offered severance pay, as well as years of service credit, to an employee who elected to retire following the elimination of his position. Additionally, CVCC did not correctly calculate the amount of severance pay to be paid.

   The Department of Human Resource Management's policy 1.57 indicates that employees may use severance benefits, including health insurance, life insurance, and severance payments, to purchase retirement credit. The *Code of Virginia* (§ 2.2-3204 A) also provides that years of service or age credit may be purchased by the Commonwealth on the employee's behalf only in lieu of severance benefits.

   Based on the auditor's estimation, the overall effect of CVCC offering severance pay in addition to years of service credit, resulted in the employee receiving severance pay, valued at approximately $53,100 (not including twelve months of health and life insurance coverage), in addition to years of service credit, estimated to be worth approximately $87,300. Furthermore, the severance pay miscalculation resulted in an overpayment of severance pay by approximately $17,700. Based upon the APA calculation, and coupled with the employee's election of benefits, CVCC overpaid the employee between $70,800 and $105,000.

CVCC should develop extensive desk procedures that govern employee severance pay, retirement, and separation from CVCC. These procedures should include a supervisor's review and approval of all calculations. Enhanced procedures will allow CVCC to compensate employees fairly for their public service, avoid lawsuits, and increase efficiency of operations by offering the correct benefits and calculating the benefits accurately.

6. <u>Improve Process for Calculating and Deducting Leave Without Pay from Employee Paychecks</u>. CVCC does not have adequate written policies and procedures which govern the technical calculation of Leave Without Pay (LWOP) and the related deductions from employee paychecks. Employees who are out on LWOP do not receive deductions on their current paychecks, but have LWOP deducted on future paychecks.

   The CAPP Manual Topic 50510, *Unpaid Leave of Absences and Overpayments*, requires the following actions to be taken with regard to employee LWOP:

   - CVCC should monitor employees with recurring periods of LWOP and institute appropriate policies to discourage and prevent such situations.

   - CVCC should establish written policies and procedures governing the collection of overpayments.

   - CVCC should reduce the paycheck of an employee on LWOP when the LWOP is taken.

   - CVCC should recover overpayment resulting from LWOP in a time period that does not exceed the period of time in which the overpayment occurred.

   Per Example S of the Department of Accounts (DOA) Payroll Bulletin 2012-16, the paycheck for an employee who is on LWOP for more than 14 consecutive calendar days should be calculated by dividing the employee's paycheck by the number of hours in the pay period to determine the hourly rate and then subtract the number of hours of LWOP multiplied by the previously calculated hourly rate. Due to CVCC's current practices, the APA found the following errors:

   - Two employees were underpaid by a total of approximately $63 during fiscal year 2013 over four paychecks.

   - Two employees were overpaid by a total of approximately $2,138 during fiscal year 2013 over thirteen paychecks.

   These errors occurred due to inadequate policies and procedures governing LWOP, extenuating circumstances involving complex calculations, and ineffective calculations of LWOP.

   CVCC should develop comprehensive payroll policies and procedures to oversee LWOP administration, compensation, and calculations which conform to DOA and Department of Human Resource Management (DHRM) requirements. By establishing and administering these policies, CVCC will be able to compensate employees appropriately and accurately track LWOP.

7. Improve Controls over Leave Tracking and Reporting. CVCC improperly calculated leave liability due to errors within the Human Resources Management System (HRMS) system. In a sample of employees earning leave, the APA found three employees whose ending annual leave balances were not accurate as reported in the system generated leave liability schedule. Additionally, CVCC adjusted the leave liability report submitted to VCCO/CS from HRMS without clear documentation related to the changes made, procedures performed, and cause of the changes.

   According to CAPP Manual Topic 40105, *System Overview*, CVCC's leave accounting system should accurately:

   - Record leave balances properly through period accruals and/or period allocations;
   - Delete or manage leave balances in excess of maximum carryover limits;
   - Provide leave balances through online inquiry and system reports;
   - Calculate the fiscal year-end leave liability; and,
   - Compute leave payments upon separation of an employee.

   The effective maintenance, reporting, and calculation of leave are essential in fairly compensating employees and supporting the annual VCCS Financial Statements. The improper accrual of leave within HRMS resulted in improper recognition of an additional 50 total hours of annual leave for three out of fifteen employees tested.

   Based upon discussions with CVCC and VCCS/CO, it is not clear whether errors in the system resulted from inherent deficiencies in the system or ineffective use of the system by CVCC. CVCC has attempted to minimize errors by tracking leave using an internally-developed spreadsheet. However, despite tracking leave using this alternative resource, CVCC utilized the HRMS leave liability report to calculate its leave liability without effectively reconciling its internal leave tracking system with HRMS and correcting known leave balance errors.

   CVCC should collaborate with VCCS/CO to identify the cause of the errors in HRMS. Until the cause is determined, the APA recommends CVCC dedicate the necessary resources to improve its processes of calculating leave amounts and reconciling internal leave tracking system to HRMS. Once CVCC is satisfied with the reliability of HRMS, it should consider discontinuing its use of an internal leave tracking system to prevent unnecessary duplication of effort. Additionally, CVCC should develop procedures governing the compilation of the leave liability schedule submitted to VCCS/CO using the HRMS report.

8. Improve Internal Controls over Pay Changes and Record Keeping. CVCC does not always properly prepare and retain supporting payroll documents. In one instance, CVCC did not prepare addendums to existing contracts for two adjunct employees when circumstances dictated a change in pay. Additionally, CVCC could not provide signed adjunct faculty contracts to confirm proper authorization of employee compensation. Furthermore, CVCC did not update budgetary coding in the Commonwealth Integrated Payroll/Personnel System (CIPPS) for an employee transferring between departments and paid four adjunct employees without amended contracts on file.

   Due to the relocation of personnel files and the inadequate filing system in place, these exceptions appear prevalent for adjunct faculty. Failure to establish and retain payroll records increases the risk of fraud and error and could diminish CVCC's legal basis in the event of a contract dispute. The APA review identified four employees whose compensation was reduced by a total of approximately $5,937 from the original contracts; however, CVCC did not establish contract addendums to validate those changes.

If changes are necessary during a contract period, CVCC should prepare and retain an addendum signed by both CVCC management and the employee. CVCC should develop and implement a written policy that specifies all contracts must be approved by CVCC management and the employee prior to the employee performing contracted work for CVCC. The Human Resource office should maintain documentation to assist the tracking and recording of personnel changes to ensure the correct funding sources are reported in CIPPS both during and after employee transitions between jobs.

9. Improve Procedures over the Certification of Payroll. CVCC does not have clearly documented payroll certification procedures. These procedures are used to review and correct errors prior to the certification of payroll.

   According to the CAPP Manual Topic 50805, *Certification Overview*, payroll certification should provide a high level of assurance over the accuracy of employee paychecks in order to maintain employee morale, improve agency performance, and ensure material incorrect or improper payments do not occur.

   During the course of the fiscal year 2013 audit of CVCC, the APA found the following issues:

   - CVCC overpaid three adjunct employees by $2,235 due to an error during the pre-certification process.

   - A lack of clearly documented sign-off and dating on certification reports prevented the auditor from determining on what date the preparation and review of pre-certification reports occurred.

   In order to ensure timely and accurate certification of payroll, CVCC should develop detailed policies and procedures over payroll certification. These procedures should include (at a minimum):

   - Location of sign off;

   - Detailed position responsibilities related to the payroll certification process;

   - Location of each document used in the payroll certification process; and,

   - Appropriate documentation and action to take when identifying and correcting differences.

10. Improve Processes Related to Employee Separation. CVCC does not have a formalized, documented process for properly collecting CVCC property upon separation of CVCC employees.

    The CAPP Manual Topic 50320, *Terminations*, recommends that agencies develop a termination check-off list. It is crucial that employees are terminated properly in order to prevent unauthorized use of state resources, access to restricted areas at the college, and misappropriation of assets. Since there is no formal, documented process in place to ensure all necessary actions are taken when an employee separates, it is not possible to verify that these actions have been taken and increases the possibility of human error or oversight.

CVCC should develop policies and procedures, as well as written documentation, to ensure all necessary actions have been taken to repossess CVCC property and/or timely remove access to restricted areas at the college upon employee separation.

11. Perform Reconciliations between VNAV and CIPPS. CVCC did not perform reconciliations between MyVRSNavigator (VNAV) and CIPPS during fiscal year 2013. CVCC became aware of this issue as a result of the APA audit and is currently working to receive training on how to perform the reconciliations.

    DOA issued payroll bulletin 2013-02 on January 3, 2013, detailing the required tasks and roles of agencies in the reconciliation process. The process now requires the agencies to take on a more significant role in identifying and correcting errors and certifying payroll information in VNAV on a monthly basis. Failure to properly certify payroll information in VNAV in a timely manner increases the risk that CVCC's retirement contributions will be inaccurate. Inaccurate contributions affect both financial reporting and the sustainability of the retirement system.

    The individuals responsible for certifying payroll information in VNAV were previously unaware of the requirement, but are seeking additional guidance over the process. Once the responsible individuals have a better understanding of what is required and begin to work through prior periods, CVCC should allocate the resources necessary to complete all reconciliations through the current period. CVCC should further develop a procedure to ensure the monthly performance of the reconciliation is consistent and timely.

12. Retain Fixed Asset Physical Inventory. CVCC could not provide the APA with written documentation of a complete physical inventory of capital assets occurring in 2012. Per CVCC'S *Financial Services Manual*, in even years, a complete physical inventory will be performed by the department and will be coordinated by the Procurement Manager. A periodic inventory is a key control that helps to ensure the accuracy and integrity of capital asset records and mitigates the risk of stolen or lost college property.

    Verbal communication that CVCC has performed the required inventory activities provides insufficient evidence to auditors attempting to assess the design and effectiveness of CVCC's system of internal control. The APA recommends CVCC follow their established policies and retain documentation of the periodic inventories of all controllable assets to address this risk.

13. Improve Accounts Receivable Policies and Procedures. CVCC does not have written policies and procedures for writing off uncollectible accounts and determining estimates of doubtful accounts less than one year old. CVCC last performed a write off of uncollectible accounts in 2005. Additionally, CVCC assumes all account receivables less than one year old will be fully collected, but was unable to provide any analysis or justification to support the reasonableness of its methodology. Failure to write off known uncollectible accounts on a timely basis and to develop a realistic estimate of doubtful accounts can lead to an overstatement of accounts receivable.

    The CAPP Manual Topic 20505, *Accounts Receivable*, provides procedures for ensuring that accounts receivable are fairly presented in accordance with generally accepted accounting principles. Accordingly, CAPP Topic 20505 requires colleges provide adequate documentation of the methodology used for write-offs and providing realistic estimates of doubtful accounts.

CVCC should consult with the Systems Office to improve their account receivable policies and procedures including developing a methodology for the timely write-off of uncollectible accounts and realistic estimates of doubtful accounts. CVCC should adhere to these policies and procedures once they have been developed.

14. Improve Collection Procedures for Off-Site Centers. CVCC does not have adequate internal controls relating to collections at its four off-site centers. Specifically, the centers do not endorse checks upon receipt, but instead rely on the central accounting office to endorse the checks when they arrive. CVCC also does not use an armored car service or other secured means of transporting the collections to the main office, but instead transports collections in an unlocked bag. The APA found CVCC does not have written policies and procedures for collecting and remitting revenue by these off-site centers, which likely contributed to the cause of these deficiencies. The CAPP Manual Topic 20205, *Deposits,* requires State institutions to develop policies and procedures to include endorsement of checks and proper safeguarding, recording, and timeliness of deposits.

    Since a check is a payment demand instrument, failure to endorse a check increases the risk that others may fraudulently endorse the check if misplaced or stolen. Additionally, using a non-secured means of transporting collections from off-site centers to the main campus creates an unnecessary liability to both CVCC and their employees due to the potential of robbery or theft. The off-site centers collected in excess of $222,000 during fiscal year 2013.

    CVCC management is required to maintain adequate internal controls over its assets. Internal controls provide management with reasonable assurance that assets are safeguarded from unauthorized use or disposition. The APA recommends CVCC document policies and procedures for revenue collections at off-site centers and communicate those policies and procedures to staff. The policies and procedures should address all aspects of collection management to include, but not be limited to, procedures to ensure all checks are immediately endorsed upon receipt and collections are transmitted in a secure manner to the main accounting office.

Danville Community College (DCC)

1. Properly Calculate and Return Title IV Funds. Student Financial Aid offices at DCC did not properly identify, calculate, and/or return Title IV funds for students who officially or unofficially withdrew from courses and no-longer qualified for Federal Financial Aid.

    DCC did not return Title IV funds within 45 days of student withdrawal for nine of 25 students tested (36 percent).

    Code of Federal Regulations, 34 CFR 668.22 states when a recipient of Title IV grant or loan assistance withdraws from an institution during a period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date and return the money within a reasonable timeframe. The total number of calendar days in a payment period or period of enrollment includes all days within the period that the student was scheduled to complete, except that scheduled breaks of at least five consecutive days are excluded from the total number of calendar days. All calculations of return of Title IV funds are required to be completed within 30 days of semester end and funds are required to be returned within 45 days after the date that the institution determines the student has withdrawn.

    Failure to promptly identify, calculate, and return unearned Title IV funds may jeopardize continued participation in Title IV programs. DCC should review policies, procedures, and processes to ensure students requiring calculations have been properly identified, calculations have been properly performed, and any funds to be returned are returned within the prescribed timeframes.

2. Improve Documentation of Monthly Reconciliations of Direct Loans. DCC was unable to provide documentation showing reconciliation of their internal records to the Direct Loan System upon receipt of the School Account Statements (SAS) from the Common Origination and Disbursement (COD) system.

   In accordance with 34 CFR 685.301(e) and 34 CFR 685.102(b), colleges must report all loan disbursements and submit required records to the Direct Loan Servicing System via COD within 30 days of disbursement. Each month, COD provides DCC with a SAS data file which consists of a Cash Summary, Cash Detail, and Loan Detail Records. DCC is required to reconcile these files to the institution's financial records.

   The APA recommends DCC retain its monthly reconciliations and resolve reconciling items between their financial systems and SAS records in a timely manner to ensure compliance with federal regulations. In addition, DCC should implement a review process to ensure reconciling items are resolved appropriately.

3. Develop and Improve Policies and Procedures. The APA found management in the Financial Aid Offices at DCC did not have adequate policies and procedures for processing student financial aid.

   The A-102 Common Rule and OMB Circular A-110 require non-federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

   The APA recommends DCC develop and improve policies and procedures. Maintaining updated written policies and procedures is a common control that identifies roles, responsibilities, and guidance to mitigate risk of errors when awarding and reporting student financial aid.

4. Improve Notification of Direct Loan Awards to Students. DCC is not properly notifying students of Federal Direct Loan Awards. DCC is required to provide written notification to students, which include important details on the rights, options, and requirements of the student loan.

   Code of Federal Regulations, Title 34 CFR 668.165(a) (2), requires institutions to properly notify students receiving direct loans, in writing, of the date and amount of the disbursement, the student's right to cancel all or a portion of a loan or loan disbursement, and the procedure and time by which the student must notify the institution that he or she wishes to cancel the loan.

   Failure to properly notify students in accordance with Federal Regulations may result in fines, withholding of Title IV funds, or suspension or termination of participation in Title IV programs. DCC should develop a process for sending written notifications to all students who receive Federal Direct Loan Awards as required by the Code of Federal Regulations.

5. Reconcile Federal Funds Accounts. DCC did not adequately document reconciliations of the federal G5 system to their respective accounting records.

   The *Code of Federal Regulations*, Title 34 CFR 676.19, requires an institution to establish and maintain program and fiscal records that are reconciled at least monthly. Without consistent, proper reconciliation of the systems involved with the Student Financial Aid function, there is an increased risk of undiscovered and unresolved errors, fraudulent behavior, and misuse of federal funds. Additionally, in order to rely on such reconciliations, proper segregation of duties, including evidence of review, should be maintained at all times.

DCC should dedicate the necessary resources to properly complete and document the reconciliation of G5 Activity Reports to the accounting records.

Eastern Shore Community College (ESCC)

1. Improve Segregation of Duties within Financial Systems. ESCC is not properly segregating duties within financial systems. The APA review found instances where ESCC did not adequately segregate duties within the Administrative Information System (AIS) or the Student Information System (SIS). As a compensating control to mitigate the risk of improperly segregated access in AIS, VCCS/CO developed reports to identify riskier transactions such as groups of transactions entered and approved by the same employee. However, ESCC was unable to provide evidence they reviewed the results of those reports.

   In accordance with ISO/IEC 27002:2005€ § 11.2, colleges are charged with developing procedures which will address the need to control the allocation of privileged access rights. Granting access to both human resources and payroll systems allows employees to create new employees and process pay changes in the payroll system, unnecessarily increasing the risk of 'ghost employees' or other frauds. Inadequately segregating access within AIS or SIS can also result in various fraud, waste, or abuse.

   Small colleges, which may have few employees available to process transactions, must often compromise proper segregation of duties to ensure business operations function normally. However, ESCC should review and consider updating system user access to exercise appropriate segregation of duties and eliminate access to conflicting roles to the greatest extent possible. In the absence of eliminating all conflicting access, ESCC should strive to minimize the risk of having users with significant access conflicts by implementing a review and approval process to ensure high-risk transactions are appropriately evaluated.

2. Deactivate User Access Promptly Upon Employee Separation. ESCC is not deactivating user access to the state's procurement system (eVA) promptly upon employee termination. In addition, ESCC did not remove access to other college and statewide applications in a timely manner or do not have a process in place to ensure timely removal. For the purposes of the testing, the APA considered five business days to constitute timely deactivation. The APA noted the following exceptions while performing testing:

   - Untimely deletion of access to eVA for the only employee with access terminated during fiscal year 2013

   - Two additional employees identified with access during fiscal year 2013 were terminated during a prior fiscal year

   Per eVA Electronic Procurement System Security Standards, Section 2.8 Deactivation of eVA Access, eVA access should be deactivated when the requirement for access no longer exists. As eVA is a web-based application, allowing access to eVA for terminated employees increases the risk of improper activity by former employees which could result in a liability for the System. Access to other statewide systems subsequent to employment also presents unnecessary risks to the System.

ESCC should develop processes whereby access is removed without delay upon employee separation. The *Commonwealth Accounting Policies and Procedures* (CAPP) Manual Topic 50320, *Terminations*, recommends that agencies develop a termination check-off list. ESCC should further ensure that individuals involved in the process understand employee separation requirements and communication protocols.

3. Fully Implement HRMS for Leave Tracking and Reporting. ESCC currently uses a manual leave tracking system with no computerized system of record. According to CAPP Manual Topic 40105, *System Overview*, a leave accounting system should accurately:

    - Record leave balances properly through period accruals and/or period allocations;
    - Delete or manage leave balances in excess of maximum carryover limits;
    - Provide leave balances through online inquiry and system reports;
    - Calculate the fiscal year-end leave liability; and,
    - Compute leave payments upon separation of employee.

    Due to the manual leave tracking and reporting system, the APA noted the following exceptions when performing test work over ESCC's calculated leave balance for employees:

    - Several incorrect leave balance calculations;
    - Overpayment to an employee by $2,186 due to an inaccurate leave balance; and,
    - Incorrect and inefficient computations resulting in misstatements on schedules submitted to the VCCS/CO.

    ESCC management indicated implementation of HRMS Leave tracking and reporting is already in progress. The APA recommends and encourages ESCC to continue to fully implement HRMS as soon as practicable. The Human Resources staff at ESCC is highly competent and will benefit from an automated leave tracking system to increase efficiency, decrease opportunities for human error, and increase the accuracy of leave tracking and reporting.

4. Improve Written Policies and Procedures for Payroll Processes. ESCC does not have detailed procedures for payroll processes, which would enable an employee to perform his or her job effectively without extensive training and guidance from management. In addition, ESCC also does not consistently maintain descriptive documentation to identify the key processes performed in its specific business structure related to payroll. For example, the APA review of payroll reconciliations found that documentation was insufficient to allow us to verify what procedures were performed, who performed them, and when the reconciliation occurred. Additionally, the APA was not able to review documentation related to the performance of the MyVRSNavigator (VNAV) reconciliation and ESCC has certified its snapshot timely in only two out of thirteen months (January 2013 – January 2014).

    CAPP Manual Topic 20905, *CARS Reconciliation Requirements*, requires ESCC to have its own written internal policies and procedures to reflect the agency's staffing, organization, and operating procedures. In order to have an effective system of internal control, the design of the internal controls should be well documented. Additionally, ESCC should develop and retain documentation of its processes as they occur in order to demonstrate that internal controls are operating as intended. Inadequately developed policies and procedures hinder the college's efforts for continuity of operations, consistent application of policies, and establishment of objective criteria for employees to follow.

The APA recommends ESCC update and reviews its policies and procedures to ensure all necessary functions and processes are well-documented including, but not limited to: Employee Time and Attendance, Payroll Certification and Post-Certification, Monthly Reconciliation, Quarterly Reconciliation and Certification, Calendar Year-End Reconciliation and Certification, Employee Separation, Accrued Payroll Reporting, and VNAV Reconciliation and Certification. While it appears ESCC is properly completing its payroll reconciliations, ESCC should also improve its documentation to clearly describe the procedures performed.

5. Improve Processes Related to Employee Separation. ESCC does not have a formalized, documented process for properly collecting ESCC property upon separation of ESCC employees. In one instance, following an employee separation, ESCC did not deactivate the employee's Small Purchase Charge Card (SPCC) in a timely manner and allowed existing employees to continue to use the card for more than one year.

   CAPP Manual Topic 50320, *Terminations*, recommends that agencies develop a termination check-off list. It is crucial that employees are terminated properly in order to prevent unauthorized use of state resources, access to restricted areas at the college, and misappropriation of assets. Since there is no formal, documented process in place to ensure all necessary actions are taken when an employee separates, it is not possible to verify that these actions have been taken and increases the possibility of human error or oversight.

   ESCC should develop policies and procedures as well as written documentation to ensure that all necessary actions have been taken to repossess ESCC property and/or timely remove access to restricted areas at ESCC upon employee separation. Specifically, procedures should ensure ESCC is deactivating charge cards timely upon employee separation and is using cards as authorized by DOA.

6. Properly Approve Vendor Purchases. Management is not consistently providing required authorization in advance of processing purchase transactions. Out of a sample of 21 vouchers reviewed, the APA found four instances (19 percent) in which management did not properly approve purchases.

   Eastern Shore Community College Purchasing and Accounts Payable Procedures, Section 1.4, dictates that purchases must be approved by a department supervisor and by the Financial Services Specialist or the Vice President of Finance and Administration. Failure to properly approve purchases in advance by an appropriate level of management increases the risk that employees may create unnecessary or burdensome obligations for the college and, as a result, increases the risks of fraud, waste, and abuse.

   ESCC has developed a procedure which appropriately requires advance approval of purchases by authorized levels of management. The APA recommends ESCC train employees on the procedure in place and hold them accountable to the required approval process.

Lord Fairfax Community College (LFCC)

1. Improve Documentation of Monthly Reconciliations of Direct Loans. Lord Fairfax Community College (LFCC) was unable to provide documentation showing reconciliation of their internal records to the Direct Loan System upon receipt of the School Account Statements (SAS) from the Common Origination and Disbursement (COD) system.

   In accordance with 34 CFR 685.301(e) and 34 CFR 685.102(b), colleges must report all loan disbursements and submit required records to the Direct Loan Servicing System via COD within 30 days of disbursement. Each month, COD provides colleges with a SAS data file which consists of a Cash Summary, Cash Detail, and Loan Detail Records. The college is required to reconcile these files to the institution's financial records.

   The APA recommends LFCC retain their monthly reconciliations and resolve reconciling items between their financial systems and SAS records in a timely manner to ensure compliance with federal regulations. In addition, LFCC should implement a review process to ensure reconciling items are resolved appropriately.

2. Develop and Improve Policies and Procedures. The APA found management in the Financial Aid Offices at LFCC did not have adequate policies and procedures for processing student financial aid.

   The A-102 Common Rule and OMB Circular A-110 require that non-federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

   The APA recommends LFCC develop and improve policies and procedures. Maintaining updated written policies and procedures is a common control that identifies roles, responsibilities, and guidance to mitigate risk of errors when awarding and reporting student financial aid.

Northern Virginia Community College (NVCC)

1. Assign System Access Based on Least Privilege. NVCC is not consistently granting access to the PeopleSoft accounting system based on the principle of least privilege. During the APA review, the APA noted instances in which NVCC granted roles and privileges to employees within the system that were not necessary for them to perform their job duties. In one instance, NVCC granted IT support personnel full access to all PeopleSoft modules and did not have a system in place to monitor changes made in the system by those employees.

   The Virginia Community College System (VCCS) IT Security Standard, 11.2 – User Access Control, dictates the principle of least privilege must be used by each college and VCCS/CO in the assignment of security roles and responsibilities. Granting access based on the principle of least privilege is a best practice for maintaining security over critical systems. Allowing excessive access to critical systems unnecessarily compromises data integrity and increases exposure to sensitive data.

   VCCS/CO has established access groups for similar positions, identified as 'copy IDs', for designating predefined roles and privileges to more efficiently facilitate granting access. It has also provided colleges additional mechanisms to further limit access such as creation of additional copy IDs. While this process assists the colleges in applying consistent criteria when granting access requests, its success is heavily dependent on the precision of the copy IDs as they specifically relate to the positions. In the instances when the APA noted unnecessary access, the colleges did not effectively structure copy IDs to ensure that all roles and privileges were appropriate for assigned positions.

The APA recommends NVCC proceed with its annual evaluation of system roles and place special emphasis on the principal of least access to supervisors and the system experts who review and approve all requests. Where necessary, NVCC should provide additional training on system access, roles, and least access to those who assign system roles and privileges, to help identify where creation of new copy IDs would provide less access while still allowing the employee access to the required screens and functions.

2. Deactivate User Access Promptly Upon Employee Separation. **This is a Repeat Finding**. NVCC is not deactivating user access to the state's procurement system (eVA) promptly upon employee termination. In addition, NVCC did not remove access to other college and statewide applications in a timely manner or do not have a process in place to ensure timely removal. For the purposes of the APA testing, the APA considered five business days to constitute timely deactivation. NVCC was cited for similar findings in the prior year. The APA noted some improvement at NVCC. The APA noted the following exception while performing testing:

   - Untimely deletion of access to eVA for two out of nine employees tested (22 percent)

   Per eVA Electronic Procurement System Security Standards, Section 2.8 Deactivation of eVA Access, eVA access should be deactivated when the requirement for access no longer exists. As eVA is a web-based application, allowing access to eVA for terminated employees increases the risk of improper activity by former employees which could result in a liability for the System. Access to other statewide systems subsequent to employment also presents unnecessary risks to the System.

   NVCC should develop processes whereby access is removed without delay upon employee separation. The Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 50320, *Terminations*, recommends that agencies develop a termination check-off list. Colleges should further ensure that individuals involved in the process understand employee separation requirements and communication protocols.

3. Improve Facilities Contract Management. NVCC did not properly administer a facilities contract during the audit period, which may have resulted in potential waste to the Commonwealth. NVCC entered into an Architectural and Engineering (A/E) term contract (the Contract) with a consulting firm (the Firm) in February 2010. From contract inception through August 2013, NVCC issued at least seven project orders to the Firm, totaling nearly $1.3 million, to provide construction management program assistance services for facilities. The Firm's duties included managing multiple non-capital facilities projects by maintaining the program plan, attending planning meetings, and providing management assistance.

   The VCCS Construction and Professional Services Manual (CPSM), section 412.1 Applicability, defines the applicability of services to be performed within A/E term contracts as investigations, cost estimates, designs, and related services for multiple small projects over a one-year time period. Consequently, the construction management services outlined above are not considered applicable services under the VCCS CPSM, and should not have been requested as part of the A/E term Contract. Instead, these services should have been competitively procured separately in accordance with the *Agency Procurement and Surplus Property Manual* (APSPM).

Additionally, APSPM section 10.2 Contract Administrator sets forth that every contract should be assigned a contract administrator to perform specific delegated tasks, such as acceptance of goods or services, approval of invoices, scheduling and monitoring of project progress, and favorable or critical feedback to the contractor and buyer. NVCC did not assign a contract administrator to the Contract and invoices were routed to accounts payable for payment without any review or approval that the Firm had satisfactorily met the terms and conditions of the Contract. As a part of the Contract deliverables, the Firm was required to submit weekly reports summarizing their activities during the period, such as work performed, observations, site specific issues, and hours delivered. NVCC did not receive the required weekly reports for a period spanning at least two years.

NVCC's inclusion of non-professional services within an A/E professional services contract may have resulted in significant waste. The hourly rates charged by the Firm were significantly higher than benchmark firms performing similar work at NVCC, ranging at one point between $133 and $290 an hour for various job roles. Additionally, project orders were structured as lump sum payments of nearly $200,000, which included nearly $15,000 in travel costs and not sufficiently supported. The fact that project orders often spanned different periods of time, while the lump sum payments remained constant, also calls into question whether the work the Firm performed was commensurate with the compensation received from NVCC.

NVCC's failure to assign a contract administrator further increased the potential for significant waste of financial resources. NVCC employees acknowledged that the Firm did not spend significant time at NVCC and expressed doubts that the Firm was satisfactorily performing work as described in the project order's scope of service. The fact that NVCC did not receive contract deliverables for over two years gives additional weight to the concern that funds may have been wasted.

The APA recommends NVCC evaluate its facilities contracts to ensure it is structuring them correctly based on applicable statewide compliance requirements. NVCC should address its policies and procedures regarding contracts to ensure proper contract administration. If NVCC decides to continue utilizing consulting services to manage facilities projects, the APA recommends it properly procure the contracts and allocate the resources necessary to properly monitor the level of work being performed. NVCC should also consider adding additional authorizations at established dollar thresholds to ensure proper oversight over significant project orders.

4. Improve Leave Liability Reporting. NVCC reported inaccurate leave liability during the audit period. During the APA review of leave liability support, the APA found several errors stemming from incorrect pay rates, program coding, leave balances, and calculations.

According to the American Institute of Certified Public Accountants (AICPA), a deficiency in internal controls exists when the design or operation of control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. The identification of various misstatements during audit procedures indicates that internal controls over leave liability reporting were either not properly designed or were not operating effectively during the audit period. Misstatements in leave liability reported to VCCS/CO result in misstatements in the overall VCCS consolidated financial statements.

During NVCC's conversion to HRMS, it operated two time and attendance systems in parallel for much of the audit period. Rather than decommissioning the previous time and attendance system (Denosys) upon data conversion to HRMS, NVCC elected to have transactions entered into both systems. It is likely that this parallel entry was the cause for the majority of the errors found, as there was not a clear policy establishing the primary system of record and NVCC did not reconcile between the two systems. Incorrect calculations found in support were a result of faulty programmatic language in the Denosys system-generated leave liability report.

When implementing new systems, the APA recommends NVCC consider potential effects over financial reporting during the planning phase. Specifically, NVCC should design its implementation rollout and any associated policies and procedures to ensure data is reliable for reporting purposes. Additionally, NVCC should review system output for accuracy before providing data to VCCS/CO for inclusion in the VCCS consolidated financial statements.

5. Perform Reconciliations between VNAV and CIPPS. NVCC did not perform reconciliations between VNAV and CIPPS during fiscal year 2013 and did not perform its first reconciliation until March 2014. NVCC became aware of this issue as a result of the audit and is currently working to satisfy the backlog of reconciliations that were not performed.

   DOA issued payroll bulletin 2013-02 on January 3, 2013, detailing the required tasks and roles of agencies in the reconciliation process. The process now requires the agencies to take on a more significant role in identifying and correcting errors and certifying payroll information in VNAV on a monthly basis. Failure to properly certify payroll information in VNAV in a timely manner increases the risk that NVCC's retirement contributions will be inaccurate. Inaccurate contributions affect both financial reporting and the sustainability of the retirement system.

   The individuals responsible for certifying payroll information in VNAV were previously unaware of the requirement, but have since obtained additional guidance over the process. Now that the responsible individuals have a better understanding over what is required and have begun to work through prior periods, NVCC should allocate the resources necessary to complete all reconciliations through the current period. NVCC should further develop a procedure to ensure the monthly performance of the reconciliation is consistent and timely.

6. Ensure Payroll is Properly Authorized. NVCC is not properly maintaining authorization documents for payroll changes. Out of 79 employees tested across all employee categories, the APA noted five instances in which there was no pay authorization document available. Two of those exceptions involved classified employees and three involved adjunct faculty.

   CAPP Manual Topic 21005, Records Retention and Disposition, establishes the minimum retention periods for all records relating to payroll. Verifiability is one of the cornerstones of accountability, so retention of payroll records is essential for verifying the validity of payroll transactions. Unauthorized payroll transactions increase the risk of error and fraud. In the instances where pay authorization documents were unavailable, the APA could not determine if the associated payroll was unauthorized, or if the exceptions merely relate to proper retention of records.

   NVCC should follow its procedures to ensure the payroll department is only processing pay changes when it has received formal authorizing documents and should ensure that the human resources department is properly retaining all documented authorizations. Since NVCC does not operate in an environment that allows for automated approvals for pay changes, it should be able to support changes with a formal written authorization.

Patrick Henry Community College (PHCC)

1. Properly Calculate and Return Title IV Funds. Student Financial Aid offices at PHCC did not properly identify, calculate, and/or return Title IV funds for students who officially or unofficially withdrew from courses and no-longer qualified for Federal Financial Aid.

PHCC did not properly identify, calculate, and return $9,248 in Title IV funds for 19 students who officially or unofficially withdrew from courses and no longer qualified for federal financial aid. *Code of Federal Regulations*, 34 CFR 668.22 states when a recipient of Title IV grant or loan assistance withdraws from an institution during a period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date and return the money within a reasonable timeframe. The total number of calendar days in a payment period or period of enrollment includes all days within the period that the student was scheduled to complete, except that scheduled breaks of at least five consecutive days are excluded from the total number of calendar days. All calculations of return of Title IV funds are required to be completed within 30 days of semester end and funds are required to be returned within 45 days after the date that the institution determines the student has withdrawn.

Failure to promptly identify, calculate, and return unearned Title IV funds may jeopardize continued participation in Title IV programs. The colleges should review policies, procedures, and processes to ensure students requiring calculations have been properly identified, calculations have been properly performed, and any funds to be returned are returned within the prescribed timeframes.

2. <u>Develop and Improve Policies and Procedures</u>. The APA found that management in the Financial Aid Offices at PHCC did not have adequate policies and procedures for processing student financial aid.

   The A-102 Common Rule and OMB Circular A-110 require that non-federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

   The APA recommends PHCC develop and improve policies and procedures. Maintaining updated written policies and procedures is a common control that identifies roles, responsibilities, and guidance to mitigate risk of errors when awarding and reporting student financial aid.

Paul D. Camp Community College (PDCCC)

1. <u>Improve Segregation of Duties within Financial Systems</u>. PDCC is not properly segregating duties within financial systems. The APA review found instances where PDCCC did not adequately segregate duties between human resources and payroll. Individuals at PDCC were identified with access to update personnel information in human resources systems and to process payroll entries in the payroll system.

   In accordance with ISO/IEC 27002:2005€ § 11.2, colleges are charged with developing procedures which will address the need to control the allocation of privileged access rights. Granting access to both human resources and payroll systems allows employees to create new employees and process pay changes in the payroll system, unnecessarily increasing the risk of 'ghost employees' or other frauds. Inadequately segregating access within AIS or SIS can also result in various fraud, waste, or abuse.

   Small colleges, which may have few employees available to process transactions, must often compromise proper segregation of duties to ensure business operations function normally. However, PDCC should review and consider updating system user access to exercise appropriate segregation of duties and eliminate access to conflicting roles to the greatest extent possible. In the absence of eliminating all conflicting access, colleges should strive to minimize the risk of having users with significant access conflicts by implementing a review and approval process to ensure high-risk transactions are appropriately evaluated.

2. Deactivate User Access Promptly Upon Employee Separation. PDCC is not deactivating user access to the state's procurement system (eVA) promptly upon employee termination. In addition, PDCC did not remove access to other college and statewide applications in a timely manner or do not have a process in place to ensure timely removal. For the purposes of the testing, the APA considered five business days to constitute timely deactivation. The APA noted the following exception while performing testing:

    - No formal process in place for removing access upon employee separation

    Per eVA Electronic Procurement System Security Standards, Section 2.8 Deactivation of eVA Access, eVA access should be deactivated when the requirement for access no longer exists. As eVA is a web-based application, allowing access to eVA for terminated employees increases the risk of improper activity by former employees which could result in a liability for the System. Access to other statewide systems subsequent to employment also presents unnecessary risks to the System.

    PDCC should develop processes whereby access is removed without delay upon employee separation. CAPP Manual Topic 50320, *Terminations*, recommends that agencies develop a termination check-off list. Colleges should further ensure that individuals involved in the process understand employee separation requirements and communication protocols.

3. Continue to Improve and Monitor Internal Control Environment to Address Internal Control Weaknesses. VCCS Internal Audit completed a business office review of PDCCC in April 2013, which identified 18 recommendations related to internal control deficiencies and noncompliance. During the audit of PDCCC, the APA further substantiated weaknesses identified by VCCS and identified additional weaknesses occurring within the business office. The APA audit, in combination with the VCCS Business Office Review, identified deficiencies during fiscal year 2013 involving revenue processes, cash safeguarding, receivables reporting, expenditures, reconciliations, grants, and general controls such as year-end financial statement procedures and an inability to provide support for various transactions and financial statement supporting schedules.

    The APA identified the aforementioned internal control and compliance weaknesses based on system-wide policies, the CAPP Manual, and general best practice principles. Internal control weaknesses increase the risk of misstatements within the financial statements and can result in fraud, waste, abuse, and inefficient business processes.

    The volume and magnitude of weaknesses found during the APA review and the VCCS Business Office Review performed by VCCS Internal Audit indicate an ineffective control environment governing PDCCC's fiscal processes. Specifically, the APA attributes many of the deficiencies noted to inadequate policies and procedures and an overall absence of sufficient oversight within the organization. High agency turnover at the end of the fiscal year also contributed to the issue.

    VCCS has established a shared services arrangement between PDCCC and Thomas Nelson Community College (TNCC), in which PDCCC transferred most business office processes to TNCC. Consequently, many of the weaknesses noted may no longer apply. However, both colleges should work together to ensure that roles and responsibilities are adequately defined and to put in place processes to prevent similar weaknesses going forward. In addition, for those functions where responsibility remains with PDCCC, the college should re-evaluate its internal control environment and establish additional policies and procedures and organizational oversight where necessary.

4. Ensure Payroll is Properly Authorized. PDCCC is not properly obtaining authorization signatures on employment contracts and wage authorization forms. The APA audit of 57 employees across all payroll categories, revealed five instances in which the authorizing signature(s) were not present on the payroll authorizing document.

   CAPP Manual Topic 21005, *Records Retention and Disposition*, establishes the minimum retention periods for all records relating to payroll. In addition, CAPP Manual Topic 50310, *Rehires and Employee Data Changes*, explains that the documentation supporting employee maintenance must be completed and authorized prior to data entry. All applicable forms/applications used to establish an employee record or to change the current information must be maintained by the agency for audit purposes. Unauthorized changes to employee payroll information increase the risk of error and fraudulent behavior.

   The APA recommends PDCCC enhance its procedures to ensure that employees are only paid at a given rate after receiving all authorizing signatures, and to ensure that documentation of all authorizations is properly retained.

5. Improve Procedures over the Certification of Payroll. PDCCC is not properly completing all of the required pre-certification and post-certification activities during the payroll certification process. During the APA review of the payroll certification process, it was determined that PDCCC is not performing six required pre-certification activities and five required post-certification activities. Completing all of these activities is a critical step to ensuring that all payroll information is correct during the certification process.

   CAPP Manual Topic 50810, *Pre-Certification Activities*, and CAPP Manual Topic 50820, *Post-Certification Activities*, outline the reports the reviewer should be focusing on during the review process. Failure to review and verify the accuracy of what is being reported can increase the risk of error and fraud.

   The APA recommends PDCCC enhance its procedures and dedicate the necessary resources to ensure the payroll department is reviewing all of the appropriate reports, per the CAPP manual, during the completion of the payroll certification process. If management decides not to utilize all required certification reports, it should be able to provide reasonable justification for this decision.

6. Improve Controls over the Funding of Payroll. PDCCC is not properly charging payroll expense to the correct fund. Failure to review and verify the accuracy of payroll coding limits the effectiveness of the budgetary process and could affect expenditure classification for financial reporting purposes.

   CAPP Manual Topic 60106, *Fund Codes*, explains that expenditures must be coded to the fund(s) from which an appropriation was made to support a program or project. During the APA review of salaried employee pay, the APA found that PDCCC coded the payroll for two out of nine employees selected (22 percent) to the incorrect fund account, based on the coding reflected within the employees' payroll authorization document (P-3).

   The APA recommends PDCCC dedicate the necessary resources to ensure the payroll department is reviewing all of the appropriate employee documentation during the completion of the payroll process. Specifically, the payroll department should ensure that the fund and program charged agrees to the fund and program authorized within the employee's P-3 form.

7. Improve Processes Related to Employee Separation. PDCCC does not have a formalized, documented process for properly collecting PDCCC property upon separation of PDCCC employees. In addition, one out of seven employees tested (14 percent) worked during an additional pay period after termination and the corresponding timesheet for that period did not reflect an approval signature.

   The CAPP Manual Topic 50320, *Terminations*, recommends that agencies develop a termination check-off list. It is crucial that employees are terminated properly in order to prevent unauthorized use of state resources, access to restricted areas at the college, and misappropriation of assets. Since there is no formal, documented process in place to ensure all necessary actions are taken when an employee separates, it is not possible to verify that these actions have been taken and increases the possibility of human error or oversight.

   PDCCC should develop policies and procedures as well as written documentation to ensure that all necessary actions have been taken to repossess PDCCC property and/or timely remove access to restricted areas at the college upon employee separation. Additionally, the Payroll Department should not process pay for unauthorized time sheets.

Piedmont Virginia Community College (PVCC)

1. Properly Calculate and Return Title IV Funds. Student Financial Aid offices at PVCC did not properly identify, calculate, and/or return Title IV funds for students who officially or unofficially withdrew from courses and no-longer qualified for Federal Financial Aid.

   PVCC did not properly identify and perform return of Title IV calculations for all students who withdrew prior to the 60 percent point of the semester. In addition, for students with calculations performed, PVCC did not accurately exclude a break of at least five consecutive days for Fall 2012. During the Spring 2013 semester, PVCC excluded a scheduled break of seven consecutive days, when the appropriate number of days to exclude was eight. Based on a review of the students identified, $11,372 was not properly returned to the Department of Education. Additionally, as a result of the use of the wrong number of days in the Title IV calculations performed, PVCC separately returned $4,869 to the Department of Education, which they were not required to return.

   Code of Federal Regulations, 34 CFR 668.22 states when a recipient of Title IV grant or loan assistance withdraws from an institution during a period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date and return the money within a reasonable timeframe. The total number of calendar days in a payment period or period of enrollment includes all days within the period that the student was scheduled to complete, except that scheduled breaks of at least five consecutive days are excluded from the total number of calendar days. All calculations of return of Title IV funds are required to be completed within 30 days of semester end and funds are required to be returned within 45 days after the date that the institution determines the student has withdrawn.

   Failure to promptly identify, calculate, and return unearned Title IV funds may jeopardize continued participation in Title IV programs. PVCC should review policies, procedures, and processes to ensure students requiring calculations have been properly identified, calculations have been properly performed, and any funds to be returned are returned within the prescribed timeframes.

2. Improve Documentation of Monthly Reconciliations of Direct Loans. PVCC was unable to provide documentation showing reconciliation of their internal records to the Direct Loan System upon receipt of the School Account Statements (SAS) from the Common Origination and Disbursement (COD) system.
   In accordance with 34 CFR 685.301(e) and 34 CFR 685.102(b), colleges must report all loan disbursements and submit required records to the Direct Loan Servicing System via COD within 30 days of disbursement. Each month, COD provides colleges with a SAS data file which consists of a Cash Summary, Cash Detail, and Loan Detail Records. The college is required to reconcile these files to the institution's financial records.

   The APA recommends PVCC retain their monthly reconciliations and resolve reconciling items between their financial systems and SAS records in a timely manner to ensure compliance with federal regulations. In addition, PVCC should implement a review process to ensure reconciling items are resolved appropriately.

3. Develop and Improve Policies and Procedures. The APA found that management in the Financial Aid Offices at PVCC did not have adequate policies and procedures for processing student financial aid

   The A-102 Common Rule and OMB Circular A-110 require that non-federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

   The APA recommends PVCC develop and improve policies and procedures. Maintaining updated written policies and procedures is a common control that identifies roles, responsibilities, and guidance to mitigate risk of errors when awarding and reporting student financial aid.

4. Improve Notification of Direct Loan Awards to Students. PVCC is not properly notifying students of Federal Direct Loan Awards. The institutions are required to provide written notification to students, which includes important details on the rights, options, and requirements of the student loan.

   Code of Federal Regulations, Title 34 CFR 668.165(a) (2), requires institutions to properly notify students receiving direct loans, in writing, of the date and amount of the disbursement, the student's right to cancel all or a portion of a loan or loan disbursement, and the procedure and time by which the student must notify the institution that he or she wishes to cancel the loan.

   Failure to properly notify students in accordance with Federal Regulations may result in fines, withholding of Title IV funds, or suspension or termination of participation in Title IV programs. PVCC should develop a process for sending written notifications to all students who receive Federal Direct Loan Awards as required by the *Code of Federal Regulations*.

Rappahannock Community College (RCC)

1. Return All Excess Cash to Department of Education within Required Timeframe. RCC failed to return excess cash related to Pell grants to the Department of Education within the required timeframe of three business days. Instead of completing the required return of cash, RCC completed three separate transfers, totaling $65,020, from the Federal Pell fund to the Student Support Services fund within the TRIO Program.

2. The *Code of Federal Regulations*, Title 34 CFR 668.166 considers excess cash to be any amount of Title IV, HEA program funds, other than Federal Perkins Loan Program funds, that an institution

does not disburse to students or parents by the end of the third business day following the date the institution received those funds from the Secretary. Although federal regulations prescribe tolerance thresholds related to excess cash; RCC must return immediately to the Secretary any amount of excess cash over the one-percent tolerance threshold and any amount remaining in its account after the seven-day tolerance period.

Noncompliance with cash management requirements can increase the risk of reporting and reconciliation errors, and result in the mandatory use of the reimbursement or cash monitoring payment method as prescribed by the Secretary of Education. The APA recommends that RCC dedicate the necessary resources to ensure that it is in compliance with all applicable regulations within the Code of Federal Regulations, to include proper use of funds and return of excess cash, when applicable.

3. Reconcile Federal Funds Accounts. RCC did not adequately document reconciliations of the federal G5 system to their respective accounting records.

   The *Code of Federal Regulations*, Title 34 CFR 676.19, requires an institution to establish and maintain program and fiscal records that are reconciled at least monthly. Without consistent, proper reconciliation of the systems involved with the Student Financial Aid function, there is an increased risk of undiscovered and unresolved errors, fraudulent behavior, and misuse of federal funds. Additionally, in order to rely on such reconciliations, proper segregation of duties, including evidence of review, should be maintained at all times.

   RCC should dedicate the necessary resources to properly complete and document the reconciliation of G5 Activity Reports to the accounting records.

Southside Virginia Community College (SVCC)

1. Improve Segregation of Duties within Financial Systems. SVCC is not properly segregating duties within financial systems. The APA review found instances where SVCC did not adequately segregate duties within the Administrative Information System (AIS) or the Student Information System (SIS). As a compensating control to mitigate the risk of improperly segregated access in AIS, VCCS/CO developed reports to identify riskier transactions such as groups of transactions entered and approved by the same employee. However, SVCC was unable to provide evidence they reviewed the results of those reports.

   In accordance with ISO/IEC 27002:2005€ § 11.2, colleges are charged with developing procedures which will address the need to control the allocation of privileged access rights. Granting access to both human resources and payroll systems allows employees to create new employees and process pay changes in the payroll system, unnecessarily increasing the risk of 'ghost employees' or other frauds. Inadequately segregating access within AIS or SIS can also result in various fraud, waste, or abuse.

   Small colleges, which may have few employees available to process transactions, must often compromise proper segregation of duties to ensure business operations function normally. However, SCVV should review and consider updating system user access to exercise appropriate segregation of duties and eliminate access to conflicting roles to the greatest extent possible. In the absence of eliminating all conflicting access, SVCC should strive to minimize the risk of having users with significant access conflicts by implementing a review and approval process to ensure high-risk transactions are appropriately evaluated.

2. Assign System Access Based on Least Privilege. SVCC is not consistently granting access to the PeopleSoft accounting system based on the principle of least privilege. During the review, the APA noted instances in which the colleges granted roles and privileges to employees within the system that were not necessary for them to perform their job duties.
The Virginia Community College System (VCCS) IT Security Standard, 11.2 – User Access Control, dictates the principle of least privilege must be used by each college and VCCS/CO in the assignment of security roles and responsibilities. Granting access based on the principle of least privilege is a best practice for maintaining security over critical systems. Allowing excessive access to critical systems unnecessarily compromises data integrity and increases exposure to sensitive data.

   VCCS/CO has established access groups for similar positions, identified as 'copy IDs', for designating predefined roles and privileges to more efficiently facilitate granting access. It has also provided colleges additional mechanisms to further limit access such as creation of additional copy IDs. While this process assists SVCC in applying consistent criteria when granting access requests, its success is heavily dependent on the precision of the copy IDs as they specifically relate to the positions. In the instances when the APA noted unnecessary access, SVCC did not effectively structure copy IDs to ensure that all roles and privileges were appropriate for assigned positions.

   The APA recommends SVCC proceed with their annual evaluation of system roles and place special emphasis on the principal of least access to supervisors and the system experts who review and approve all requests. Where necessary, SVCC should provide additional training on system access, roles, and least access to those who assign system roles and privileges, to help them identify where creation of new copy IDs would provide less access while still allowing the employee access to the required screens and functions.

3. Perform AIS Security Reviews Annually. SVCC did not complete an annual review of system access for all employees in fiscal year 2013. An annual review of system access is required by VCCS IT Security Standard 11.2.4 and ensures financial information remains secure and decreases the risk of inappropriate or fraudulent activity.

   SVCC has implemented this requirement by requiring the applicable supervisor to annually review and approve each employee's Employee Work Profile. However, system owners occasionally experience difficulties obtaining necessary approvals from supervisors.

   A periodic review is a key control that helps ensure only authorized users have the appropriate level of access to the various automated systems given their individual job responsibilities. The APA recommends SVCC follow their established policies and require supervisors to perform periodic reviews of all users' access rights annually to maximize the security and integrity of the data on its automated systems.

4. Deactivate User Access Promptly Upon Employee Separation. SVCC is not deactivating user access to the state's procurement system (eVA) promptly upon employee termination. In addition, SVCC did not remove access to other college and statewide applications in a timely manner or do not have a process in place to ensure timely removal. For the purposes of the testing, the APA considered five business days to constitute timely deactivation. The APA noted the following exception while performing testing:

   - Untimely deletion of access to eVA for all eight employees with access terminated during fiscal year 2013

Per eVA Electronic Procurement System Security Standards, Section 2.8 Deactivation of eVA Access, eVA access should be deactivated when the requirement for access no longer exists. As eVA is a web-based application, allowing access to eVA for terminated employees increases the risk of improper activity by former employees which could result in a liability for the System. Access to other statewide systems subsequent to employment also presents unnecessary risks to the System.

SVCC should develop processes whereby access is removed without delay upon employee separation. The Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 50320, *Terminations*, recommends that agencies develop a termination check-off list. Colleges should further ensure that individuals involved in the process understand employee separation requirements and communication protocols.

5. Record Capital Assets in Asset Management System. SVCC did not properly record the purchase of capital equipment totaling $52,458 in its asset management system. The *Virginia Community College System Capital Assets Policies and Procedures Manual* provides guidance on capital asset accounting procedures. Accordingly, Chapter 2 – General Requirements, states that assets having a value or costs of at least $5,000, tangible in nature, and having an expected useful life greater than one year should be capitalized in the asset management system.

   When capital assets are not recorded in the fixed asset system, they are improperly expensed in the year of purchase, rather than depreciated over the asset's useful life. Improper recording of capital assets has a direct effect on the financial statements of the Virginia Community College System by overstating expenses in the current period and understating expenses in future periods.

   The APA recommends SVCC record the value of the asset in the fixed asset system and dedicate the necessary resources to ensure future assets meeting the capitalization threshold are properly recorded as capital assets when purchased.

6. Improve Leave Liability Tracking and Reporting. SVCC is unable to substantiate ending leave balances as reported on the leave liability schedule, or verify that the balances at year-end were calculated correctly. In a sample of 18 employees earning leave, the APA found six employees (33 percent) with inaccurate leave balances reported in the leave liability schedule.

   According to CAPP Manual Topic 40105, *System Overview*, a college's leave accounting system should accurately:

   - Record leave balances properly through period accruals and/or period allocations;
   - Delete or manage leave balances in excess of maximum carryover limits;
   - Provide leave balances through online inquiry and system reports;
   - Calculate the fiscal year-end leave liability; and,
   - Compute leave payments upon separation of an employee.

   The effective maintenance, reporting, and calculation of leave are essential in fairly compensating employees and supporting the annual VCCS Financial Statements.

SVCC should collaborate with VCCS/CO to identify the cause of the errors in HRMS. Until that cause is determined, the APA recommends SVCC dedicate the necessary resources to improve its processes of calculating leave amounts and reconciling their internal leave tracking system to HRMS. Once SVCC is satisfied with the reliability of HRMS, it should consider discontinuing its use of an internal leave tracking system to prevent unnecessary duplication of effort.

7. Properly Complete Employment Eligibility Verification Forms. SVCC personnel are not consistently completing Employment Eligibility Verification Forms (Form I-9) in accordance with guidance issued by the US Citizenship and Immigration Services of the US Department of Homeland Security. During the audit, the APA found the following errors:

   - Three employees did not complete Section 1 on or before the first day of employment, and

   - Three forms were not signed by an employer within three days of the employee start date.

   Federal guidance states the employer is responsible for ensuring that employees complete Section 1 before their first day of actual employment. Additionally, the employer must document the issuing authority and document number for any document examined to establish work eligibility or identity. Furthermore, the employer must certify the form within three days of the employee's start date.

   Failure to adequately verify employment eligibility can result in fines and penalties against the institution. Accordingly, the APA recommends that SVCC review the I-9 verification process to ensure it is complying with federal regulations. Specifically, SVCC should consider developing training for human resources staff on federal requirements regarding the I-9 form. SVCC should also consider developing a periodic review process to prevent additional significant non-compliance.

Tidewater Community College (TCC)

1. Deactivate User Access Promptly Upon Employee Separation. **This is a Repeat Finding**. TCC is not deactivating user access to the state's procurement system (eVA) promptly upon employee termination. In addition, TCC did not remove access to other college and statewide applications in a timely manner or do not have a process in place to ensure timely removal. For the purposes of testing, the APA considered five business days to constitute timely deactivation. TCC was cited for similar findings in the prior year. The APA noted TCC may not have had sufficient time to fully implement corrective action based on the timing of the prior year finding. The APA noted the following exception while performing testing:

   - Untimely deletion of access to college and statewide applications for six out of 25 employees tested (24 percent)

   Per eVA Electronic Procurement System Security Standards, Section 2.8 Deactivation of eVA Access, eVA access should be deactivated when the requirement for access no longer exists. As eVA is a web-based application, allowing access to eVA for terminated employees increases the risk of improper activity by former employees which could result in a liability for the System. Access to other statewide systems subsequent to employment also presents unnecessary risks to the System.

TCC should develop processes whereby access is removed without delay upon employee separation. The Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 50320, *Terminations*, recommends that agencies develop a termination check-off list. Colleges should further ensure that individuals involved in the process understand employee separation requirements and communication protocols.

2. Properly Complete Termination Forms for Work Study Employees. TCC is not properly completing Form HR-21, which documents removal of access to email, network, and system accounts, as well as the collection of all college property, and the completion of required check out procedures upon termination of work-study status at TCC.

   For 13 of 14 work-student employees reviewed, no form exists to verify the request for removal of computer account access, or to ensure the supervisor performed the appropriate check-out procedures like the return of TCC owned equipment, keys, charge cards or other property prior to the employee's departure, and the completion of the employee's final timesheet.

   Policy 4201, *Tuition, Fees, and Other Receipts*, Appendix C, indicates that form HR-21 will be used to notify Human Resources and the Office of Central Financial Aid regarding the termination of work-study status for Federal Work Study participants. The APA's inability to obtain form HR-21 indicates either an internal control deficiency in the completion of the form, or a deficiency in the process for maintaining appropriate documentation for audit.

   TCC should ensure the required forms are completed when students discontinue employment with the college. Supervisors should be held accountable by TCC for completing the required checkout procedures. Additionally, TCC should ensure the appropriate documentation is available for review upon request by auditors or other outside individuals in accordance with state retention policies.

3. Improve Compliance over Enrollment Reporting. TCC did not report students who graduated during the 2012-2013 school year to the Department of Education using the National Student Loan Data System (NSLDS).

   In accordance with Section 34 CFR 685.309, the college must report students that receive direct loans and either stop enrolling at least half time, are not enrolled at least half time for the period the loan was intended, or have changed their permanent address. The college must notify the Department of Education within 30 days of discovering these enrollment changes, unless the college expects to submit its next student status confirmation report within the next 60 days.

   Failure to properly and accurately report a student's enrollment status may interfere with establishing a student's loan status, deferment privileges, and grace periods. In addition, the accuracy of the data the college reports plays a large part in keeping Direct Loan records and other federal loan records accurate and up to date.

   TCC reports its graduating students in a separate roster using the "Graduate Only" transmission. However, during the review, the APA found that TCC did not report any graduates for the 2012-2013 school year. The APA also found that students who were reported as graduating in TCC's Student Information System were reported as withdrawn in NSLDS.

The APA recommends that the Office of the Registrar immediately transmit the 2012-2013 graduate information to the Department of Education using NSLDS. Further, Student Financial Aid should review, along with the Interim Registrar, existing policies and procedures for performing enrollment updates to NSLDS to ensure that they agree with the federal requirements. Lastly, the Registrar should implement a reconciliation or independent check process to ensure the data in NSLDS accurately reflects TCC's academic records.

Additional Recommendations – Quarter Ended September 30, 2014

The APA issued one Efficiency Recommendation.

Norfolk State University: Improve Management of Small Purchase Charge Card Program **Repeat**

Special Reports – Quarter Ended September 30, 2014

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

Report to the Joint Legislative Audit and Review Commission for the quarter April 1, 2014 through June 30, 2014(1)

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

Virginia Lottery "Decades for Dollars" Report on Applying Agreed-Upon Procedures for the period April, 2013 through March, 2014

Virginia Lottery "Mega Millions" Report on Applying Agreed-Upon Procedures for the period April, 2013 through March, 2014

Virginia Lottery "Megaplier" Report on Applying Agreed-Upon Procedures for the period April, 2013 through March, 2014

Virginia Lottery "Power Play" Report on Applying Agreed-Upon Procedures for the period April, 2013 through March, 2014

Virginia Lottery "Powerball" Report on Applying Agreed-Upon Procedures for the period April, 2013 through March, 2014

Virginia Lottery "Win for Life" Report on Applying Agreed-Upon Procedures for the period April, 2013 through March, 2014

Other Audit Reports Received – Quarter Ended September 30, 2014

The APA issued the following "Other Report" that contained a management recommendation:

Virginia Lottery for the year ended June 30, 2014 (2)

(1) The General Assembly, Legislative Agencies, and Commissions of the Commonwealth of Virginia Financial Report is a summary to JLARC of findings / recommendations included in all APA reports issued only during this quarter.

(2) This audit report included one audit finding that addressed improving end user computer controls.

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
Administration				
Department of General Services	0	1	0	0
Commerce and Trade				
Virginia Employment Commission	1	4	0	0
Education				
Christopher Newport University	0	0	1	0
The College of William and Mary in Virginia	1	2	3	0
Gunston Hall	0	2	2	0
Jamestown-Yorktown Foundation	0	0	1	0
Norfolk State University	0	0	0	3
University of Virginia	0	0	1	0
Virginia Military Institute	1	0	0	0
Virginia School for the Deaf and Blind	0	1	0	0
Virginia State University	0	0	1	0
Finance				
Department of Accounts	1	0	0	0
Department of Taxation	2	0	0	0
Department of Treasury	0	0	1	0
Health and Human Resources				
Department for Aging and Rehabilitative Services	0	1	0	0
Department of Health	4	1	1	0
Department of Health Professions	2	0	0	0
Department of Medical Assistance Services	2	0	0	0
Department of Social Services	0	2	1	0
Natural Resources				
Department of Game and Inland Fisheries	0	5	0	0
Department of Conservation and Recreation	50	2	40	0

	IN PROGRESS		COMPLETED	
	On Schedule	Delayed	On Schedule	Delayed
Public Safety				
Department of Alcoholic Beverage Control	0	2	0	0
Department of Corrections	0	0	1	0
Department of Emergency Management	0	5	0	0
Department of State Police	2	0	0	0
Transportation				
Department of Motor Vehicles	0	2	0	0
Department of Rail and Public Transportation	1	0	0	0
Department of Transportation	0	4	0	0
TOTALS	68	34	53	3

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.

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
Department of General Services (DGS)				
2012	12-01 10-02	Improve Application Controls. ***This is a Repeat Finding.***	DGS IT staff is currently working on this issue. It has changed some of the access rights and are testing them before moving them into production.	In Progress (Delayed)
Virginia Employment Commission (VEC)				
2013	13-01	Improve Internal Controls Surrounding Employer Wage Discrepancies	The Tax Accounts Manager and the TWIP Manager are working to evaluate reports received from UI.	In Progress (Delayed)
	13-02	Improve Controls over Benefit Adjustment Payments	VEC continues to work on the development and deployment of the new automated tax and benefit system.	In Progress (On Schedule)
	13-03	Strengthen Financial Reporting Over Accounts Receivable	Planned actions have been completed; however, the finding will be left open until the APA FY 2014 audit.	In Progress (Delayed)
	13-04	Improve Internal Controls over Small Purchase Charge Card Program	Planned actions have been completed; however, the finding will be left open until the APA FY 2014 audit.	In Progress (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	13-05 12-01 11-01	Resolve Employer Wage Discrepancies Timely. ***This is a Repeat Finding.***	VEC's plan is to send out reminders to managers/supervisors emphasizing the issues from the audit.	In Progress (Delayed)
Christopher Newport University (CNU)				
2013	13-01	Improve Management of Return of Title IV Funds	CNU has corrected all previous calculations related to Return of Title IV funds and will ensure all subsequent calculations are correct and staff are trained appropriately.	Completed (On Schedule)
The College of William and Mary in Virginia (CWM)				
2013	13-01	Improve the Vendor Payment Process	CWM has revised the vendor payment form to facilitate the collection of required information. CWM has developed procurement and disbursement training materials.	Completed (On Schedule)
	13-02	Improve the Termination Process	CWM is considering a standardized termination procedure process.	In Progress (Delayed)
	13-03	Improve eVA Internal Controls and Compliance	CWM has submitted the plan to DGS and is awaiting approval. CWM is also working on revisions to the eVA manual to include a description of the "on behalf of" process.	In Progress (Delayed)
	13-04	Improve System Security Reviews	CWM has removed all system users' access of employees that do not require access.	Completed (On Schedule)
	13-05	Improve Information Security Program	CWM has implemented changes and has plans in place for this summer's annual review to address the finding.	Completed (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	13-06	Improve Web Application Security	The policy has been revised and currently under review in accordance with VITA Information Security Standard COV SEC501-08.	In Progress (On Schedule)
Gunston Hall (GH)				
2013	13-01	Improve Fixed Asset Management	GH will perform an inventory of fixed assets and update FAACS based on 2014 inventory.	In Progress (Delayed)
	13-02	Designate a Purchase Card Program Administrator and Backup Program Administrator	GH is in the process of having the current Back-up Administrator reassigned to the Administrator role and have the Executive Director assigned to the Back-up Administrator role.	In Progress (Delayed)
	13-03 11-03	Establish Memorandum of Agreement for Human Resource Program Assistance. **This is a Repeat Finding**.	GH and DHRM have reached an agreement effective October 1, 2014. DHRM is currently finalizing the MOA.	Completed (On Schedule)
	13-04 11-04	Strengthen Internal Controls over Revenue Collection and Deposit Processes. **This is a Repeat Finding**.	GH has instituted additional safeguards over revenue collection and deposit and continues to update cash handling policies and procedures.	Completed (On Schedule)
Jamestown-Yorktown Foundation (JYF)				
2013	13-01 11-02	Improve Documentation of Reconciliations and Reviews. **This is a Repeat Finding**.	Documentation of each month's CIPPS to CARS to MIP reconciliation are included as part of the review of the financial statements. Petty Cash is reconciled monthly, signed by the preparer and reviewed by the Accounting Manager.	Completed (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
Norfolk State University (NSU)				
2011	11-02	Develop and Implement Policies and Procedures. ***This is a Material Weakness.***	NSU has updated all Finance & Administrative policies.	Completed (Delayed)
	11-06 10-01	Correct Deficiencies in Fixed Asset Management Program. ***This is a Material Weakness and a Repeat Finding.***	The Fixed Asset Module has been updated.	Completed (Delayed)
	11-07	Perform Internal Control Risk Assessment Procedures. ***This is a Material Weakness.***	ARMICS Officer position has been filled. A work plan has been created to address internal control risk assessment. Policies and procedures are being reviewed and updated for training of staff.	Completed (Delayed)
University of Virginia (UVA)				
2013	13-03	Complete and Approve Reconciliations Timely	Testing of system generated emails is complete; functionality will be implemented November 3, 2014.	Completed (On Schedule)
Virginia Military Institute (VMI)				
2013	13-01	Improve Database Security	VMI is in the process of migrating from the UniData database to a SQL database.	In Progress (On Schedule)
Virginia School for the Deaf and Blind (VSDB)*				
2012	12-06	Properly Record School Revenues	VSDB has discussed with DPB and no decisions have been made at this time.	In Progress (Delayed)

DOA did not receive an updated Corrective Action Workplan status by the time period required.

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
Virginia State University (VSU)				
2013	13-01	Improve Controls Over Physical Inventory	VSU representatives visited the University of Maryland, Baltimore County (UMBC) in June 2014 and properly tagged all components of the atomic force microscopy system. Also, VSU entered into a loan agreement with UMBC that allows UMBC to use the equipment to conduct research and/or educational activities until 06/30/2017.	Completed (On Schedule)
Department of Accounts (DOA)				
2013	13-03	Improve Financial Reporting and Communication with Agencies	DOA has expanded and enhanced the information contained in the annual financial statement directives to provide additional guidance to agencies and institutions. DOA has offered specialized in-person directive training opportunities to all agencies and conducted all requested training in July and August. DOA has communicated with numerous agencies regarding FY 2014 directive submissions thus far and will continue to evaluate the need for additional communications with agencies throughout the FY 2014 and future CAFR cycles.	In Progress (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
Department of Taxation (TAX)				
2013	13-01	Improve Financial Reporting for Corporate Tax Refund Liability	This corrective action is on track for completion in August 2014 when the submissions are prepared for the FY 2014 financial statements.	In Progress (On Schedule)
	13-02	Improve Internal Controls over Advantage Revenue Access	TAX is in the process of improving its documentation of user access for the Advantage Revenue application and improved guidance for Advantage Revenue access approvers.	In Progress (On Schedule)
Department of Treasury (TD)				
2013	13-01	Improve Monitoring of Administrative and Compliance Activities	TD has made necessary revisions to the Procurement Policy and they have been approved.	Completed (On Schedule)
Department of Aging and Rehabilitative Services (DARS)				
2013	13-01	Implement Corrective Actions to Improve Financial Reporting Controls	DARS and DSA have implemented Code of Ethics, engaged a contractor to assist with ARMICS Stage 1 and 2 assessments and testing, and developed procedures over annual CAFR reporting to ensure ensured attachments were timely and reviewed. DARS is 70% complete in FAACS inventory for DARS and DSA's. DARS has also completed exhibit surveys and established ARMICS plan.	In Progress (Delayed)
Department of Health (VDH)				
2013	13-01	Implement User Access Controls for ROAP System – CACFP. ***This is a Material Weakness.***	Quarterly review of ROAP users is currently underway to ensure principle of least privilege is being followed and all non-approved sponsors are removed.	In Progress (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	13-02	Maintain Updated Information Systems Inventory – CACFP	VDH's ISO has developed a baseline VDH IT Systems Inventory. As a tool, the inventory and the ROADMAP will be updated and maintained going forward.	Completed (On Schedule)
	13-03	Improve Web Application Security – CACFP	The VITA/NG work request is in the implementation phase.	In Progress (On Schedule)
	13-07	Complete Federal Funding Accountability and Transparency Act Reporting – CACFP	The Senior Accountant over USDA programs resolved the prior issues. All required FFATA information for state fiscal year 2014 has been entered for all Special Nutrition programs and all previous errors from state fiscal year 2014 have been corrected. Also staff is working to draft FFATA reporting procedures specific to the Office of Family Health Services.	In Progress (On Schedule)
	13-08	Establish Corrective Actions for Federal Findings – WIC	DCN replied on July 10, 2014 and have not heard back from USDA. DCN responded to the Vendor ME on September29, 2014 and is awaiting USDA response.	In Progress (On Schedule)
	13-10	Review Subgrantee Single Audit Reports and Schedules of Expenditures of Federal Awards – WIC	The agency sub-recipient monitoring policy is being revised to require that the submission of the workbook be due on or near October 31 each year.	In Progress (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
Department of Health Professions (DHP)				
2013	13-01	Develop and Implement Internal Control Policies and Procedures	DHP implemented Director's Policy 76-5.11 SPCC. Training has been conducted and the performance plans are in progress.	In Progress (On Schedule)
	13-02	Improve Database Security	DHP has ordered Idera's SQL Compliance Manger Software and is in the process of working with VITA to obtain a virtual server.	In Progress (On Schedule)
Department of Medical Assistance Services (DMAS)				
2013	13-01	Improve Oracle Access Controls. ***This is a Material Weakness.***	The IM Office of Compliance and Security (OSC) will update the Government Financials Information System Sensitive Security Plan to reflect this separation in administrator duties.	In Progress (On Schedule)
	13-02	Improve Access Management to the Medicaid Management Information System	DMAS will update/modify the Interagency Agreement with the VDSS to reflect the MMIS annual user review. DMAS is also working on developing an automated process.	In Progress (On Schedule)
Department of Social Services (DSS)				
2013	13-04 12-02	Implement and Improve Change Management Process for Sensitive Applications. ***This is a Repeat Finding and a Material Weakness Component.***	The Division of Information Systems partnered with all of the VDSS divisions to establish a Change Management Process.	Completed (On Schedule)
	13-05	Review User Accounts and Privileges for Mission Critical Systems	All system reviews have been completed except for OASIS. The OASIS review has begun and the Division of Family Services should complete activities required to address this finding by November 30, 2014.	In Progress (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	13-08	Automate an Eligibility Control	Action on this use remains underway. No change in status to report this quarter.	In Progress (Delayed)
Department of Game and Inland Fisheries (DGIF)				
2012	12-01	Improve Timeliness and Accuracy of Revenue Redistribution	The Accounting Manager is working with the IMS department to finalize the detailed report used for the reconciliation. A revised procedure noted by the DOA Quality Assurance Team is being evaluated.	In Progress (Delayed)
	12-02 11-01	Improve Timeliness and Accuracy of Revenue Transfers to Other Agencies. ***This is a Material Weakness and a Repeat Finding.***	Reconciliation reports and supporting documents are being created and continuously reviewed for possible revisions. The goal is to ensure appropriate detail is included going forward.	In Progress (Delayed)
	12-03 11-03	Improve Performance of CARS to CFIRS Reconciliations. ***This is a Repeat Finding.***	The Accounting Manager has established policies and procedures, and worked with IMS to develop process for defining reconciliation reports and supporting documents. Training programs are happening simultaneously.	In Progress (Delayed)
	12-04	Improve Database Security	Phase III of a comprehensive overhaul of the Department's Information Security Program is currently underway. The agency currently has an approved security exception for SQL.	In Progress (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	12-05 11-04 10-03	Improve Internal Controls over System Access. ***This is a Repeat Finding.***	DGIF is working with Information Security Vendor, to complete the development of an Information Resource Acceptable Use Policy, a Security Awareness and Training Policy, a Logical Access Control Policy, an IT Personnel Security Policy and an Information Security Program Document that will govern agency actions regarding this issue.	In Progress (Delayed)
Department of Conservation and Recreation (DCR)				
2014 Special Review	14-01 Acct-01	Define Fiscal Governance Structure	The Director's Delegation of Authority document will be updated to ensure that the authority and responsibility for oversight and enforcement of fiscal and accounting policy is clearly granted to the Controller's Office. All Agency policies are being reviewed for consistency and policies will be updated based on that review.	In Progress (On Schedule)
	14-02 PYRL-01	Develop Policies and Procedures Defining Payroll Service Bureau (PSB) Agreement	DCR is working to develop a Payroll and CIPPS Policy that will conform to the DOA'S' Payroll Service Bureau's Business Process Overview Manual and CAPP pre- and post-certification processes.	In Progress (On Schedule)
	14-03 PYRL-02	Ensure Compliance with the PSB Scope of Services Agreement	DCR is working to develop a Payroll and CIPPS Policy that will conform to the DOA'S' Payroll Service Bureau's Business Process Overview Manual and CAPP pre- and post-certification processes.	In Progress (On Schedule)
	14-04 CIPPS-01	Promptly Delete Terminated Employee Commonwealth Integrated Payroll Personnel System (CIPPS) Access	DCR is following existing procedures and has developed a Separation Checklist to ensure timely removal of employees from CIPPS.	Completed (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	14-05 PYRL-CERT-01	Improve Payroll Pre-Certification Process	DCR is working to develop a Payroll and CIPPS Policy that will conform to the DOA'S' Payroll Service Bureau's Business Process Overview Manual and CAPP pre- and post-certification processes.	In Progress (On Schedule)
	14-06 PYRL-CERT-02	Develop Payroll Post-Certification Process	DCR is working to develop a Payroll and CIPPS Policy that will conform to the DOA'S' Payroll Service Bureau's Business Process Overview Manual and CAPP pre- and post-certification processes.	In Progress (On Schedule)
	14-07 PYRL-CERT-03	Assign a Backup Payroll Security Officer	The DCR has designated and trained Jennifer Silver, Acting Finance Processing Manager, as the backup payroll security officer.	Completed (On Schedule)
	14-08 Attch-01	Submit Financial Reporting Attachments Timely	DCR is working to develop a General Finance Policy that will include procedures to address Attachments and CAFR accurately and in a timely manner.	In Progress (On Schedule)
	14-09 Attch-02	Improve Controls over Financial Reporting Attachment Submission and Reduce Resubmissions	DCR is working to develop a General Finance Policy that will include procedures to address Attachments and CAFR accurately and in a timely manner.	In Progress (On Schedule)
	14-10 Attch-03	Ensure Financial Reporting Attachment Submissions are Correct	DCR is working to develop a General Finance Policy that will include procedures to address Attachments and CAFR accurately and in a timely manner.	In Progress (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	14-11 Attch-04	Develop Policies and Procedures over Financial Reporting Attachment Submission	DCR is working to develop a General Finance Policy that will include procedures to address Attachments and CAFR accurately and in a timely manner.	In Progress (On Schedule)
	14-12 Armics-01	Improve Controls over ARMICS Certifications to Comptroller	ARMICS Policy #148 has been finalized. DCR will begin a complete Stage 1 ARMICS implementation in late 2014.	In Progress (On Schedule)
	14-13 Armics-02	Ensure ARMICS Documentation is Accurate	ARMICS Policy #148 has been finalized. DCR will begin a complete Stage 1 ARMICS implementation in late 2014.	In Progress (On Schedule)
	14-14 Armics-03	Complete ARMICS Requirements	ARMICS Policy #148 has been finalized. DCR will begin a complete Stage 1 ARMICS implementation in late 2014.	In Progress (On Schedule)
	14-15 CARS-Recon-01	Update CARS Reconciliation Policies and Procedures	Key fiscal positions have been filled.	Completed (On Schedule)
	14-16 CARS-Recon-02	Reconcile CARS Accounts Timely	Key fiscal positions have been filled and a reconciliation process is being fine tuned.	Completed (On Schedule)
	14-17 CARS-Recon-03	Discontinue CARS Certifications to Comptroller if the Reconciliation is Incomplete	DCR completed a year end reconciliation of CARS and certified to DOA. Key fiscal positions have been filled and a reconciliation process is being fine tuned.	Completed (On Schedule)
	14-18 FA-01	Update Fixed Asset Policies and Procedures	DCR is working to develop a Fixed Asset Accounting and Control System Policy that will include up-to-date procedures compliant with the CAPP Manual regarding the proper updating of FAACS and timely transfer from CIP.	In Progress (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	14-19 FA-02	Transfer Construction in Progress Accounts to Fixed Asset Accounts	DCR is working to develop a Fixed Asset Accounting and Control System Policy that will include up-to-date procedures compliant with the CAPP Manual regarding the proper updating of FAACS and timely transfer from CIP.	In Progress (On Schedule)
	14-20 FA-03	Record Assets Properly in Fixed Asset Accounting Control System (FAACS)	DCR is working to develop a Fixed Asset Accounting and Control System Policy that will include up-to-date procedures compliant with the CAPP Manual regarding the proper updating of FAACS and timely transfer from CIP.	In Progress (On Schedule)
	14-21 TAX-01	Submit Sales Tax Returns and Tax Payments to the Virginia Department of Taxation	With assistance from the TAX, DCR is in the process of calculating and paying all taxes owed.	In Progress (On Schedule)
	14-22 TAX-02	Record Sales Tax Collections Properly in CARS	DCR is working to develop a General Finance Policy that will include procedures for the proper collection, recordation, and payment of sales taxes.	In Progress (On Schedule)
	14-23 AP-01	Update Accounts Payable Policies and Procedures	Finance Policies have been reviewed and efforts have begun to develop or update policies. Various Agency and Divisional Fiscal Procedural Manuals will also be reviewed, consolidated, and updated.	In Progress (On Schedule)
	14-24 AP-02	Ensure Payments are Made in Compliance with Prompt Payment Requirements	DCR is working to develop a General Finance Policy that will include procedures to address prompt pay.	In Progress (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	14-25 CBRF-01	Ensure All Payments from the Chesapeake Bay Restoration Fund are Allowable to the Fund	DCR has been in contact with the Division of Legislative Services and it has been agreed that DLS will advise the General Assembly fiscal committees to restructure the budget language to authorize DLS's fiscal office to fully manage these funds. It is hoped that this change can be included in the FY15-16 biennial budget.	In Progress (On Schedule)
	14-26 CBRF-02	Report All Chesapeake Bay Restoration Fund Activity to the Division of Legislative Services	DCR has been in contact with the Division of Legislative Services and it has been agreed that DLS will advise the General Assembly fiscal committees to restructure the budget language to authorize DLS's fiscal office to fully manage these funds. It is hoped that this change can be included in the FY15-16 biennial budget.	In Progress (On Schedule)
	14-27 DOA-01	Repay Treasury Loans to the Commonwealth's Comptroller Timely	DCR is working to develop a General Finance Policy that will include up-to-date procedures compliant with the CAPP regarding the proper management of treasury loans.	In Progress (On Schedule)
	14-28 DOA-02	Respond Promptly to Inquiries from the Commonwealth's Comptroller	DCR will ensure that all inquiries from the Commonwealth's Comptroller will be handled in a timely and professional manner.	Completed (On Schedule)
	14-29 Fed-01	Implement Corrective Actions to Satisfy the November 23, 2013, Federal Emergency Management Agency (FEMA) Review	DCR met with FEMA on 8/8/14 and reviewed the progress DCR has made in the management of the FEMA grants. No issues noted. In addition, DCR hired a grant manager who started work on 8/11/14.	Completed (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	14-30 LPTC-01	Properly Reconcile Land Preservation Tax Credit Payments	DCR is working to develop a General Finance Policy that will include up-to-date procedures compliant with the CAPP and reflect proper reconciliation processes to CARS utilizing the restructured chart of accounts.	In Progress (On Schedule)
	14-31 Coding-01	Retrain Staff on New Accounting Structure and Test Controls	DCR conducted training on the current chart of accounts coding structure and is reconciling the Financial Database to the CARS Trial Balance on a monthly basis. DCR is in the process of testing the controls.	Completed (On Schedule)
	14-32 ATV-01	Limit Agency Transactions to Justifiable Business Reasons	Finance has discussed the coding structure with division management to coordinate the reduction of ATV's.	In Progress (On Schedule)
	14-33 House-02	Develop and Implement Leasing Agreements for Employee Housing	DCR is drafting policies and procedures on residential housing to include a standard leasing document, and will consult with the OAG, DGS, and other appropriate agencies as recommended.	In Progress (On Schedule)
	14-34 House-02	Procure Leased Housing through Department of General Services	DCR is drafting policies and procedures on residential housing to include a standard leasing document, and will consult with the OAG, DGS, and other appropriate agencies as recommended.	In Progress (On Schedule)
	14-35 House-03	Maintain Documentation to Justify Reduced Employee Lodging Rates	DCR is drafting policies and procedures on residential housing to include a standard leasing document, and will consult with the OAG, DGS, and other appropriate agencies as recommended.	In Progress (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	14-36 House-04	Maintain Documentation for State Park Housing and Report Value to Internal Revenue Service	DCR is drafting policies and procedures on residential housing to include a standard leasing document, and will consult with the OAG, DGS, and other appropriate agencies as recommended.	In Progress (On Schedule)
	14-37 House-05	Maintain Documentation for Off-State Park Housing and Report Amounts to Internal Revenue Service as Required	DCR is drafting policies and procedures on residential housing to include a standard leasing document, and will consult with the OAG, DGS, and other appropriate agencies as recommended.	In Progress (On Schedule)
	14-38 House-06	Ensure Employee Lodging Rates Agree with DCR Policies	DCR is drafting policies and procedures on residential housing to include a standard leasing document, and will consult with the OAG, DGS, and other appropriate agencies as recommended.	In Progress (On Schedule)
	14-39 House-07	Maintain Residential Fee Deduction Authorization Forms for Required Employees	DCR is drafting policies and procedures on residential housing to include a standard leasing document, and will consult with the OAG, DGS, and other appropriate agencies as recommended.	In Progress (On Schedule)
	14-40 House-08	Inspect State Park Housing and Maintain Records	DCR is drafting policies and procedures on residential housing to include a standard leasing document, and will consult with the OAG, DGS, and other appropriate agencies as recommended.	In Progress (On Schedule)
	14-41 SPPF-01	Transfer the State Parks Special Project Fund to the Treasurer of Virginia	All account balances have been transferred to Fund 0266.	Completed On Schedule

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	14-42 SPPF-02	Implement Controls to Report State Park Project Fund Vendor Payments	1099 issue resolved with inclusion of all funds on CARS.	Completed On Schedule
	14-43 SPPF-03	Implement Controls to Ensure State Park Project Fund Payments are Properly Supported	DCR will complete an ATV this month to move the $10,245.08 from the State Parks GF to the SPPF.	In Progress (Delayed)
	14-44 Risk M-01	Provide Documentation of Losses on State Property to State Treasury Division of Risk Management Timely	DCR will develop the necessary Risk Management Policy and associated procedures to ensure all required loss documentation is complete and submitted in a timely manner.	In Progress (On Schedule)
	14-45 Risk M-02	Use Agency Risk Management Function for All Loss Claims	DCR will develop the necessary Risk Management Policy and associated procedures to ensure all required loss documentation is complete and submitted in a timely manner.	In Progress (On Schedule)
	14-46 SPCC-01	Update SPCC Policies	Approved SPCC Policy #139 was signed by agency director on 07/11/2014	Completed (On Schedule)
	14-47 SPCC-02	Dedicate Necessary Resources to Monitoring the SPCC Program Discontinue Use of SPCC for Routine Travel	DCR has designated Sherry Walsh as SPCC Program Administrator and Robbie Gargiulo as her backup.	Completed (On Schedule)
	14-48 SPCC-03	Discontinue Use of SPCC for Routine Travel	The use of the SPCC for travel has been limited to only those allowed to do so under direct approval from the Director where justified and essential.	Completed (On Schedule)
	14-49 SPCC-04	Reevaluate the Number of SPCC's Issued	DCR has taken steps to eliminate almost 50% of their SPCC going from 269 to 145 cards.	Completed (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	14-50 SPCC-05	Ensure SPCC's are Not Used to Circumvent Procurement Procedures	Supervisor training class scheduled for September and October 2014.	Completed (On Schedule)
	14-51 SPCC-06	Reevaluate the Number of SPCC Groups	Group assignments are complete with a final reduction in groups from 105 to 70.	Completed (On Schedule)
	14-52 SPCC-07	Ensure SPCC Supervisors are Adequately Trained	Management has restructured the groups to ensure the designated approvers possess adequate knowledge.	Completed (On Schedule)
	14-53 SPCC-08	Ensure SPCC's are Restricted for Use at Vendors that Accept Credit Cards	Approved SPCC Policy #139 was signed by agency director on 07/11/2014. In addition, the Procurement Manager position has been posted and is anticipated to be filled by 10/10/2014.	Completed (On Schedule)
	14-54 SPCC-09	Maintain Itemized Receipts for SPCC Purchases	Approved SPCC Policy #139 was signed by agency director on 07/11/2014.	Completed (On Schedule)
	14-55 SPCC-10	Ensure IT Procurements are not Completed with SPCC's	Approved SPCC Policy #139 was signed by agency director on 07/11/2014.	Completed (On Schedule)
	14-56 SPCC-11	Maintain Supporting Documentation for All SPCC Purchases	Approved SPCC Policy #139 was signed by agency director on 07/11/2014. In addition, the Procurement Manager position has been posted and is anticipated to be filled by 10/10/2014.	Completed (On Schedule)
	14-57 SPCC-12	Ensure SPCC Payments Include Documentation of a Business Justification	Approved SPCC Policy #139 was signed by agency director on 07/11/2014. In addition, the Procurement Manager position has been posted and is anticipated to be filled by 10/10/2014.	Completed (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	14-58 SPCC-13	Implement Controls to Ensure SPCC are Not Used for Personal Purchases	Approved SPCC Policy #139 was signed by agency director on 07/11/2014. In addition, the Procurement Manager position has been posted and is anticipated to be filled by 10/10/2014. For those issues identified reimbursements have been made.	Completed (On Schedule)
	14-59 SPCC-14	Ensure Unallowable Hotel Cancellation Fees are not Paid on SPCC	Sherry Walsh, Procurement buyer, has been assigned to perform random checks of SPCC purchases for reasonableness.	Completed (On Schedule)
	14-60 SPCC-15	Ensure Employees are not Using Split Purchase to Circumvent Procurement Controls	Approved SPCC Policy #139 was signed by agency director on 07/11/2014	Completed (On Schedule)
	14-61 Travel-01	Update and Improve Travel Policies and Procedures	DCR Travel Policy is in final review.	Completed (On Schedule)
	14-62 Travel-02	Develop Travel Card Policies and Procedures	DCR Travel Policy is in final review and will include travel card procedures.	Completed (On Schedule)
	14-63 Travel-03	Update Agency Vehicle Management Policies	DCR will update its Vehicle Management and Operation Policy (#201) and ensure that they comply with the current Office of Fleet Management Services Policies and Procedures Manual (OFMS).	In Progress (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	14-64 Travel-04	Develop Policies and Procedures for the Commuter Choice Program	DCR uses the Commuter Choice Registration Form and GRTC Swipe Card Distribution Form to administer participation. In addition, the DCR HR Department includes an overview of the Commuter Choice Program in their orientation program for new employees. DCR follows the Virginia Department of Rail and Public Transportation (administer of the program) Commuter Choice Agency Package dated March 2008 in the administration of the program and feels this is sufficient.	Completed (On Schedule)
	14-65 Travel-05	Ensure Travel Reimbursement Vouchers are Accurate and Complete	DCR has assigned an individual in Finance to ensure travel reimbursement vouchers are appropriately completed and reviewed.	Completed (On Schedule)
	14-66 Travel-06	Ensure Commuter Choice Invoices are Reconciled	Christine Edwards is performing monthly reconciliations as verified by the internal auditor.	Completed (On Schedule)
	14-67 Travel-07	Ensure Commuter Choice Invoices are Promptly Paid	Christine Edwards is performing monthly reconciliations and submitting them to AP in a timely manner as verified by the internal auditor.	Completed (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	14-68 Proc-01	Ensure Change Orders are Properly Approved	DCR will update Policies 205 and 206 as well as the Department's 2007 Procurement Guidelines to ensure that such procedures are compliant with DGS's Agency Procurement and Surplus Property Manual (APSPM).	In Progress (On Schedule)
	14-69 Proc-02	Maintain All Required Procurement Documentation	DCR will update Policies 205 and 206 as well as the Department's 2007 Procurement Guidelines to ensure that such procedures are compliant with DGS's Agency Procurement and Surplus Property Manual (APSPM).	In Progress (On Schedule)
	14-70 Proc-03	Enforce Contract Provisions	The vendor in question has removed DCR in its advertising from its website.	Completed (On Schedule)
	14-71 Proc-04	Ensure Proposal Evaluation Committees Properly Document Procurement Decisions	DCR is in the process of updating their Procurement Guidelines to include the proposal justification selection process.	In Progress (On Schedule)
	14-72 Proc-05	Restrict the Use of Request for Proposal to Appropriate Situations	DCR is in the process of updating its Procurement Guidelines to ensure compliance with the APSPM.	In Progress (On Schedule)
	14-73 Proc-06	Maintain Required Documentation Justifying Use of Competitive Negotiation	DCR is in the process of updating their Procurement Guidelines to ensure compliance with the APSPM.	In Progress (On Schedule)
	14-74 DGS-01	Correct Procurement Issues Identified by the Department of General Services	Procurement Manager position has been posted.	In Progress (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	14-75 IT-01	Update IT Risk Assessments to Comply with Virginia Information Technologies Agency (VITA) Standards	In the short term, IT will focus existing resources on updating the IT Risk Assessment. In the longer term, the staffing shortages in IT need to be rectified to prevent similar findings in the future.	In Progress (On Schedule)
	14-76 IT-02	Develop Comprehensive Business Impact Analysis	In the short term, IT will focus existing resources on updating the Business Impact Analysis (BIA) documentation. In the longer term, the staffing shortages in IT need to be rectified to prevent similar findings in the future.	In Progress (On Schedule)
	14-77 IT-03	Complete Agency Continuity Plan	DCR has assigned Chip Kramer as COOP Coordinator that will work with DCR IT to ensure the agency Continuity Plan complies with current IRTM Standards.	Completed (On Schedule)
	14-78 IT-04	Document IT Backup and Recovery Policies	In the short term, IT will focus existing resources on a comprehensive Backup and Recovery Plan in accordance with ITRM SEC501-08. In the longer term, the staffing shortages in IT need to be rectified to prevent similar findings in the future.	In Progress (On Schedule)
	14-79 IT-05	Ensure Integrated Decision Support System (IDSS) User Access Forms are Used Consistently	DCR will require an access request form prior to granting any user access. All current user access has been documented.	Completed (On Schedule)
	14-80 IT-06	Implement Periodic Review of User Access to IDSS	Policy #401 has been completed.	In Progress (On Schedule)
	14-81 IT-07	Ensure Internal Auditor is Not Performing IT Management Functions	DCR is in the process of increasing IT staffing that will allow the transition of the Deputy ISO responsibilities to IT.	In Progress (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	14-82 IT-08	Perform IT Security Audit of the Agriculture Best Management Practices (AgBMP) System	The DCR Director has determined that the independence of the DCR Internal Auditor has not been compromised and the auditor will conduct the necessary security audits during the first quarter of FY2015.	In Progress (Delayed)
	14-83 IT-09	Update Information Technology Policies	The following IT Policies have been rescinded since December 2013:400, 403, 404, 405, 406, 407, 408, 409, 411, 412, 414, 416, and 417. DCR will review and update the following policies:401, 402, 410, 413, 418, 419, 420, 421, 422, 423, and 424.	In Progress (On Schedule)
	14-84 eVA-01	Require eVA Security Officer to Obtain Security Training	The eVA Security Officer completed Security Administrator Training with Janne Erbe, DGS eVA Global Security Officer, on 8/5/2014. Email recognition of completed training on file.	Completed (On Schedule)
	14-85 eVA-02	Promptly Deactivate Access for Separated Employees	Quarterly, during the required eVA user review, DCR eVA Security Officer will request from Human Resources, a list of employees who have separated from DCR and disable eVA users no longer employed by DCR.	Completed (On Schedule)
	14-86 eVA-03	Remove eVA Access for Inactive Employees	A report of the last login date for all DCR eVA users was run on 8/1/2014. All users that had not logged on to eVA since 5/1/2014 were deactivated.	Completed (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	14-87 eVA-04	Update eVA Security Plan	DCR *eVA Security Plan* was completed on 8/11/2014 and a copy provided to Janne Erbe, DGS eVA Global Security Officer.	Completed (On Schedule)
	14-88 eVA-05	Maintain Signed eVA Acceptable Use Agreement for All eVA Users	After deactivation of unused accounts, there were 51 users remaining. Those users were cross referenced with security agreements and four (4) users were identified without an agreement. Those users have been contacted and have submitted agreements.	Completed (On Schedule)
	14-89 HR-01	Update Human Resource Policies and Procedures	DCR is currently developing/ updating policies	In Progress (On Schedule)
	14-90 HR-02	Complete Employee Performance Evaluations Timely	The annual memo about evaluations and updated Employee Work Profiles will go out by mid-August. This communication to "All" will be preceded by communications with Division Directors specific to their divisions.	In Progress (On Schedule)
	14-91 HR-03	Complete Employee Work Profiles Timely	The annual memo about evaluations and updated Employee Work Profiles will go out by mid-August. This communication to "All" will be preceded by communications with Division Directors specific to their divisions.	In Progress (On Schedule)
	14-92 SOEI-01	Ensure Designated Employees File Statements of Economic Interest Timely	The employee identified as needing to file his SOEI has done so. DCR will ensure that all employees in a "position of trust" complete their SOEI by the 1/15/2015 deadline.	Completed (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	14-93 SOEI-02	Ensure Employees Complete Conflict of Interest Act Training Timely	Current employees will be identified and required to comply with Conflict of Interest training immediately.	In Progress (On Schedule)
Department of Alcoholic Beverage Control (ABC)				
2013	13-01 12-02	Continue to Improve IT Governance Model and IT Project Prioritization Processes. ***This is a Repeat Finding.***	ABC risk assessments are underway	In Progress (Delayed)
	13-02	Improve Database Security.	ABC has an extended plan to upgrade the financial system to modern technology that incorporates standard security controls.	In Progress (Delayed)
Department of Corrections (DOC/CA)				
2013	13-01	Improve Internal Controls and Processes Surrounding Fixed Assets	The initial Memorandum has been sent to each Business Manager and the certification forms have been completed and returned to the DOC Budget Office.	Completed (On Schedule)
Department of Emergency Management (DEM)				
2013	13-01	Improve Financial Management Practices	A corrective action workplan has not been received.	In Progress (Delayed)
	13-02	Evaluate Overtime and Staffing in the Public Assistance Program	A corrective action workplan has not been received.	In Progress (Delayed)
	13-03 12-01	Evaluate Petty Cash Needs and Strengthen Controls. **This is a Repeat Finding**	A corrective action workplan has not been received.	In Progress (Delayed)
	13-04 12-04	Improve Controls Over Fuel Card Management. **This is a Repeat Finding**.	A corrective action workplan has not been received.	In Progress (Delayed)
	13-05 12-05	Follow FMS to CARS Reconciliation Procedures. **This is a Repeat Finding**	A corrective action workplan has not been received.	In Progress (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
Department of State Police (VSP)				
2011	11-01	Upgrade Unreliable and Unsupported Infrastructure Devices	VITA continues to review the proposed contract amendment with its vendor.	In Progress (On Schedule)
	11-02 09-03	Upgrade Database System Software. ***This is a Repeat Finding.***	Funding has not been identified for VSP to move forward with the replacement of the remaining legacy applications.	In Progress (On Schedule)
Department of Motor Vehicles (DMV)				
2013	13-01 12-01 11-02	Improve Database Management System Security. ***This is a Repeat Finding.***	DMV is in the process of doing a DLCI Schema Data extraction/import scripting and documenting and scripting a data validation process.	In Progress (Delayed)
	13-02 12-03	Improve User Access Controls. ***This is a Repeat Finding.***	Accounts and level of access for users of the sensitive systems will be verified by the System Owners and compiled by the IT Security Office.	In Progress (Delayed)
Department of Rail and Public Transportation (DRPT)				
2013	13-01	Implement a Comprehensive Information Security Program	Phase I is completed. There are four milestones in Phase II with expected completion dates from April to August 2015.	In Progress (On Schedule)
Department of Transportation (VDOT)*				
2013	13-01 12-02	Improve Controls over Financial Reporting. ***This is a Material Weakness and Repeat Finding.***	The Fiscal Division has met with DOA twice to review submission requirements and discuss issues. Fiscal Division has also met with the Cardinal team. The report parameters for AP accruals still needs to be decided upon between Cardinal and DOA. The remaining items are in progress..	In Progress (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	13-05	Improve Controls over FFATA Reporting	VDOT has improved its processes for identifying projects that were sub-awarded and are now more automated and streamlined. The Fiscal Department will work with the other VDOT divisions involved with identifying sub-awards to develop documentation and identification of sub-awards.	In Progress (Delayed)
	13-06	Improve Controls over Sub-recipient Monitoring	VDOT is currently reviewing its processes for identifying subrecipients that qualify for audit and will make revisions to the procedures to ensure the correct subrecipient audits are received and reviewed. VDOT will also revise its audit review program to include review and comparison of it's disbursements to subrecipient SEFAs for the FY 2013 audit reports and forward.	In Progress (Delayed)
	13-08	Improve Retirement Reconciliation Process	VDOT has identified the discrepancies, made progress on interface problem resolutions and developed procedures for confirming the VNAV file monthly within the given short timeframe.	In Progress (Delayed)

DOA did not receive an updated Corrective Action Workplan status by the time period required.

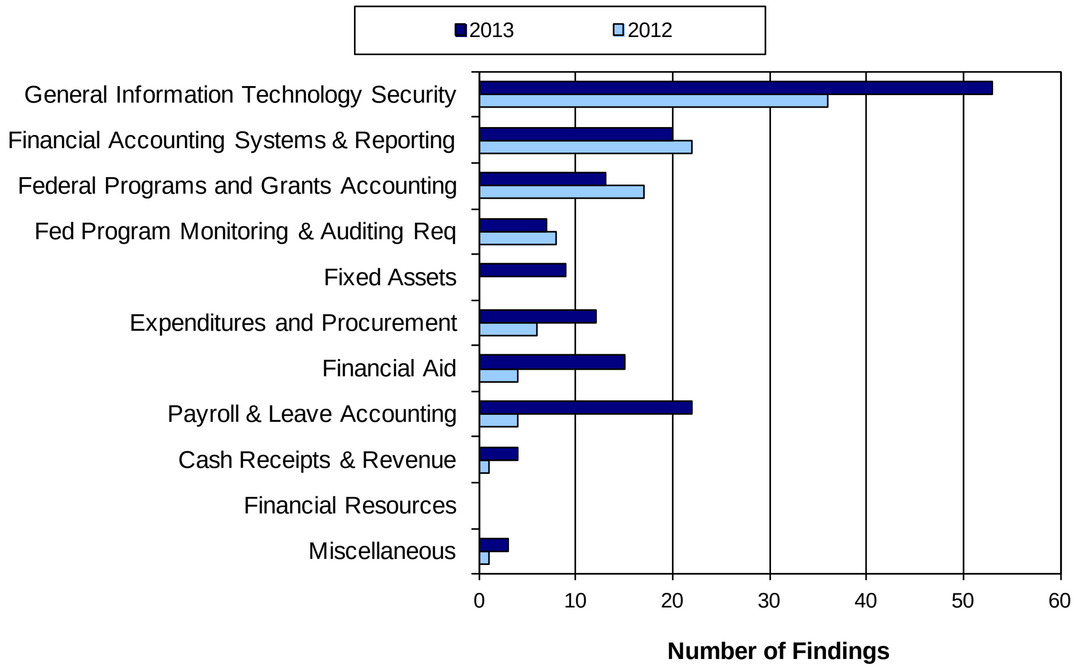
Annual Summary of APA Audit Findings

As of September 30, 2014, the Auditor of Public Accounts has issued 47 audit reports for the fiscal year ended June 30, 2013. These 47 audits covered 108 Executive Branch agencies. Of these reports, 26 reflected no internal control weaknesses or compliance findings. The remaining 21 audit reports covered 69 agencies. Of these 69 agencies, 42 agencies had at least one finding. The APA identified 158 audit findings that cited internal control weaknesses and instances of noncompliance in the 42 agencies. For the fiscal year ending 2012, 23 of 53 reports contained findings and 99 total findings were reported.

Category	New Findings	Repeat Findings	Total Findings
General Information Technology Security	47	6	53
Payroll & Leave Accounting	21	1	22
Financial Accounting Systems & Reporting	17	3	20
Financial Aid	15	-	15
Federal Programs and Grants Accounting	11	2	13
Federal Program Monitoring / Auditing Requirements	6	1	7
Expenditures and Procurement	11	1	12
Fixed Assets	9	-	9
Cash Receipts & Revenue	3	1	4
Financial Resources	-	-	-
Miscellaneous	2	1	3
	142	**16**	**158**

Statewide Findings by Category

FY 2012 - FY 2013 Comparison



Compliance Monitoring

Agency Risk Management and Internal Control Standards (ARMICS) Compliance

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

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

Non-compliance with ARMICS can take two forms:

1. Incomplete or late submission of the annual certification statement (without an extension authorized by DOA).

2. Substantial non-compliance with the processes required for the successful implementation of ARMICS based on a Quality Assurance Review (QAR) performed by the DOA.

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

As of September 30, 2014, the following agencies were not in compliance with ARMICS:

Agency Name	Reason for Non-Compliance
Department of Conservation and Recreation	Substantial non-compliance of the ARMICS process
Department of Professional and Occupational Regulations	Substantial non-compliance of the ARMICS process
State Board of Elections	Substantial non-compliance of the ARMICS process
Virginia Commission for the Arts	Late submission of annual certification indicating substantial non-compliance of the ARMICS process

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 Report.

DOA closely monitors Certification status, evaluates exceptions, and posts correcting entries in CARS. Certifications for July and August were due 08/29/2014 and 09/30/2014 respectively.

Certifications Late or Outstanding

As of October 24, 2014

Agency	Jul	Aug
None		

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

Response to Inquiries

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

However, in other instances, agencies do not respond timely or simply fail to respond. For the quarter ended September 30, 2014, all responses have been received within an acceptable timeframe.

Trial Balance Review

As an integral part of the monthly reconciliation process, each agency should review their monthly trial balance for any anomalies and investigate and correct immediately. If the anomaly cannot be corrected at the agency level, the problem should be noted on the exception register.

DOA monitors selected general ledger balances and contacts agencies in writing about certain irregular balances. For the quarter ended September 30, 2014, no agencies failed to respond timely, make corrective action and/or provide additional information.

Trial Balance Review

As of September 30, 2014

Agency	Jul	Aug	Sep
None			

Analysis of Appropriation, Allotments and Expenditures, and Cash Balances

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

DOA contacts agencies in writing about credit cash balances and appropriations versus expenditure anomalies. For the quarter ended September 30, 2014, the following agencies failed to respond timely, make corrective action and/or provide additional information.

Credit Cash, Excess Expenditures, and Expenditure Credits

As of September 30, 2014

Agency	Jul	Aug	Sep
Norfolk State University	X	X	-
New River Community College	X	X	-

Disbursement Processing

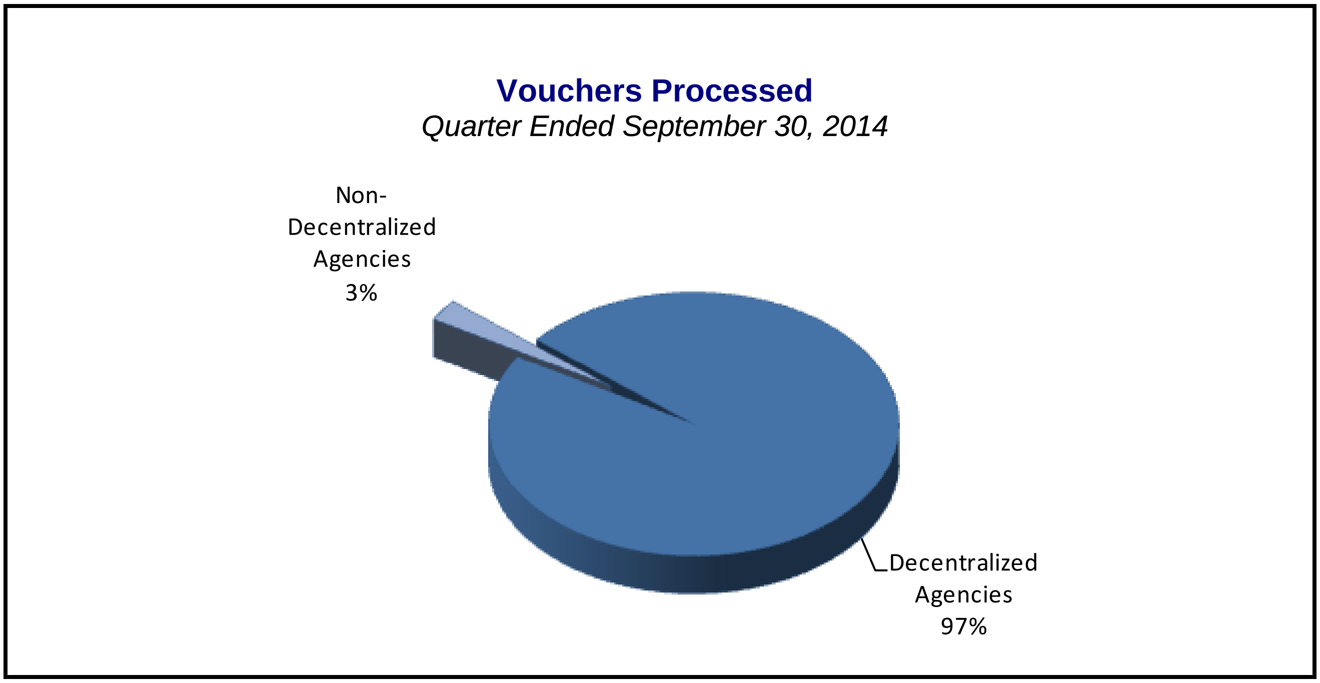
During the quarter ended September 30, 2014, DOA deleted, at the submitting agency's request, 31 payments that were awaiting disbursement from the vendor payment file. These included duplicate payments, payments for returned items, payments with incorrect vendor information and payments of incorrect amounts. These types of transactions may point to areas where improved agency internal accounting controls should be evaluated.

Eleven separate agencies requested deletes during the quarter. For the quarter, ended September 30, 2014, 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. Two reviews were completed for a decentralized agency during this quarter.

Compliant Agencies

Department of Environmental Quality

Agencies Requiring Corrective Action	Corrective Actions Needed
Wytheville Community College	Travel Reimbursement

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 938 non-travel disbursement batches and 419 travel disbursement batches were reviewed, disclosing seven exceptions that were resolved prior to releasing the transactions for payment.

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Prompt Payment Compliance

The *Code of Virginia* requires that State agencies and institutions pay for goods and services by the required payment due date. The reporting required by the *Code of Virginia* §2.2-4356 is being met by the information presented here. This section details the number and dollar amounts of late payments by secretarial area, institutions and agencies, and the total amount of interest paid. Agencies and institutions that process 50 or more vendor payments during a quarter are reported as not meeting Prompt Pay requirements if fewer than 95 percent of their payments are processed by the required due date.

Statewide Prompt Payment Performance Statistics

	Quarter Ended September 30, 2014		Fiscal Year 2015 To-Date		Comparative Quarter Ended September 30, 2013	
	Late	Total	Late	Total	Late	Total
Number of Payments	4,775	616,726	4,775	616,726	**5,633**	**576,526**
Dollars (in thousands)	$ 28,216	$1,735,577	$28,216	$1,735,577	**$ 29,346**	**1,758,264**
Interest Paid on Late Payments				$24,321		
Current Quarter Percentage of Payments in Compliance				99.2%		
Fiscal Year-to-Date Percentage of Payments in Compliance				99.2%		
Comparative Fiscal Year 2014 Percentage of Payments in Compliance				**99.0%**		

Prompt Payment Performance by Secretarial Area

Quarter Ended September 30, 2014

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.8%	99.8%
Agriculture and Forestry	99.8%	99.4%
Commerce and Trade	99.3%	99.7%
Education*	99.2%	98.3%
Executive Offices	99.1%	98.7%
Finance	99.9%	99.8%
Health and Human Resources	99.1%	98.5%
Independent Agencies	99.8%	99.7%
Judicial	99.8%	99.8%
Legislative	99.9%	99.9%
Natural Resources	99.2%	97.7%
Public Safety and Homeland Security	99.3%	99.1%
Technology	99.0%	99.9%
Transportation*	99.6%	96.7%
Veterans and Defense Affairs	97.5%	57.2%
Statewide	**99.2%**	**98.4%**

Prompt Payment Performance by Secretarial Area

Fiscal Year 2015

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.8%	99.8%
Agriculture and Forestry	99.8%	99.4%
Commerce and Trade	99.3%	99.7%
Education*	99.2%	98.3%
Executive Offices	99.1%	98.7%
Finance	99.9%	99.8%
Health and Human Resources	99.1%	98.5%
Independent Agencies	99.8%	99.7%
Judicial	99.8%	99.8%
Legislative	99.9%	99.9%
Natural Resources	99.2%	97.7%
Public Safety and Homeland Security	99.3%	99.1%
Technology	99.0%	99.9%
Transportation*	99.6%	96.7%
Veterans and Defense Affairs	97.5%	57.2%
Statewide	**99.2%**	**98.4%**

* 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 September 30, 2014, 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 September 30, 2014

Agency	Late Payments	Total Payments	Payments in Compliance
Administration			
Department of Elections	10	154	93.5%
Education			
Frontier Culture Museum of Virginia	54	348	84.5%
Gunston Hall	4	69	94.2%
Health and Human Resources			
Hiram W. Davis Medical Center	61	491	87.6%
Veterans and Defense Affairs			
Sitter-Barfoot Veterans Care Center	65	1,068	93.9%

For FY 2015, 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 2015

Agency	Late Payments	Total Payments	Payments in Compliance
Education			
Frontier Culture Museum of Virginia	54	348	84.5%
Health and Human Resources			
Hiram W. Davis Medical Center	61	491	87.6%
Veterans and Defense Affairs			
Sitter-Barfoot Veterans Care Center	65	1,068	93.9%

E-Commerce

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

EDI, Direct Deposit, SPCC and Payline Opt-Out are best practices that demonstrate effective financial management, particularly during difficult economic times. They increase efficiency in processing and eliminate wasteful use of time, paper, printing, and postage for both large and small vendor payments, payroll, and employee travel reimbursement.

Agencies and institutions are expected to embrace these practices to the fullest extent possible. Other agencies of the Commonwealth that are responsible for payment processes outside of those processed centrally have also embraced e-commerce initiatives (e.g., VEC, DSS). As a result, the methodology for accumulating the Statewide E-Commerce Performance Statistics includes additional payments made by these agencies. On the following pages, agencies and institutions are identified if e-commerce statistics indicate that they are not fully utilizing these tools.

Statewide E-Commerce Performance Statistics

	Quarter Ended September 30, 2014			Comparative Quarter Ended September 30, 2013
	E-Commerce	Total	Percent	Percent
Number of Payments	2,287,166	2,644,657	86.5%	87.7%
Payment Amounts	$ 9,453,778,331	$ 10,374,099,412	91.1%	89.8%

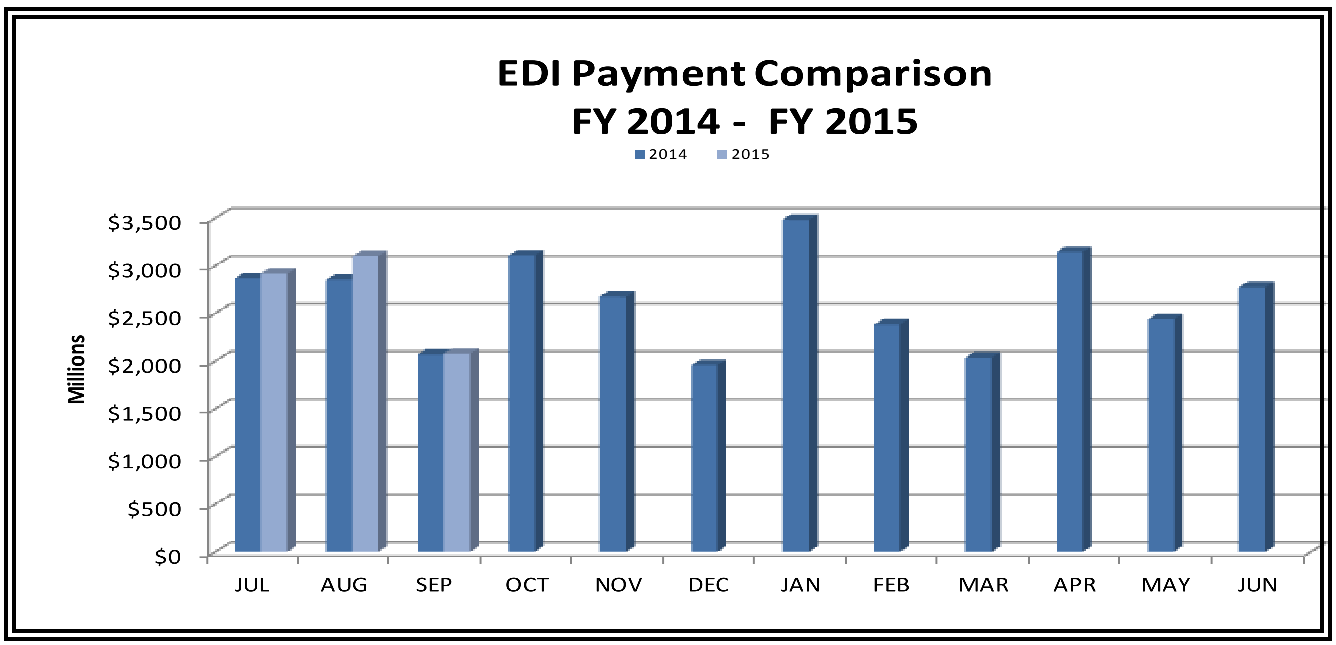
	Fiscal Year 2015 To-Date			Comparative Fiscal Year 2014
	E-Commerce	Total	Percent	Percent
Number of Payments	2,287,166	2,644,657	86.5%	87.7%
Payment Amounts	$ 9,453,778,331	$ 10,374,099,412	91.1%	89.8%

Financial Electronic Data Interchange (EDI)

The dollar volume of Financial EDI payments for the first quarter of FY 2015 was over $308 million (0.04 percent) more than the same quarter last year. The number of trading partner accounts increased by 10 percent from September 2013. The increase is due to efforts to convert state employee travel reimbursements from checks to electronic payments. In February 2013, Department of Accounts began a process efficiency that utilizes employee CIPPS banking for travel reimbursements. This increased the number of payments made via EDI and the number of trading partner accounts. In addition, enrollment by corporations, sole proprietors and grantees has increased significantly due to solicitation by Department of Accounts staff.

Financial EDI Activity

Financial EDI Activity	Quarter Ended September 30, 2014	Fiscal Year 2015 To-Date	Comparative Quarter Ended September 30, 2013
Number of Payments	64,052	64,052	63,446
Amount of Payments	$ 8,100,498,544	$ 8,100,498,544	$ 7,791,845,337
Number of Invoices Paid	191,330	191,330	189,034
Estimated Number of Checks Avoided	104,433	104,433	103,429
Number of Trading Partner Accounts as of 09/30/14		138,821	126,186



Travel EDI

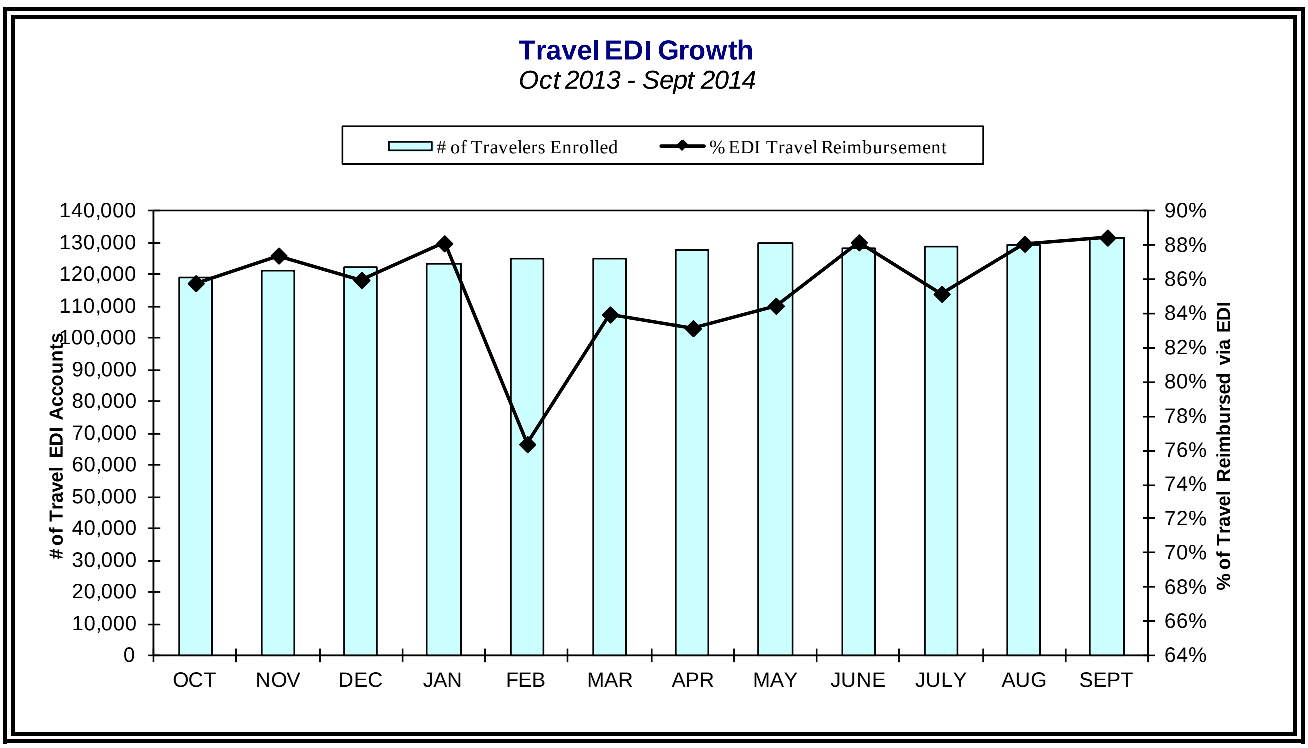
Expansion of the Travel EDI program is an integral part of the statewide effort to reduce the administrative costs associated with paying for goods and services for the Commonwealth. Per Chapter 806, 2013, Virginia Acts of Assembly §4-5.04 e5. *State employees traveling on official business of state government shall be reimbursed for their travel costs using the same bank account authorized by the employee in which their net pay is direct deposited.*

DOA completed implementation of this change in May 2013. The change does not apply to employees whose net pay goes to an EPPI Card. Those employees should provide a bank account for travel reimbursements.

Quarterly utilization statistics are provided to the EDI Coordinators of each agency in an effort to identify areas where EDI can be expanded.

In accordance with §4-5.04 f. 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 2015, the fee is $5 per travel reimbursement check.

Agencies are highly encouraged to sign up board and commission members and other non-employees that receive travel reimbursements on a recurring basis.



The following table lists by secretarial area the percentage of travel reimbursements that were made via EDI versus the number of checks that were written for travel reimbursements during the quarter. *The statistics are shown for employees and non-employees.* These statistics do not necessarily show non-compliance with the Appropriation Act requirements.

Travel Reimbursement
Travel EDI Performance by Secretarial Area

Quarter Ended September 30, 2014

Secretarial Area	Employee Percent	Non-Employee Percent	Reimbursement Checks Issued
Administration	98.7%	45.5%	14
Agriculture and Forestry	99.0%	11.4%	45
Commerce and Trade	99.3%	69.9%	76
Education (1)	96.4%	43.3%	585
Executive Offices	98.6%	36.6%	56
Finance (2)	98.2%	33.3%	17
Health and Human Resources	98.7%	40.7%	442
Independent Agencies	98.8%	20.0%	24
Judicial	92.6%	12.1%	1,283
Legislative	98.3%	31.3%	55
Natural Resources	97.9%	53.4%	58
Public Safety	98.5%	12.8%	301
Technology	100.0%	0.0%	6
Transportation (1)(2)	73.3%	66.7%	683
Veterans Affairs and Homeland Security	97.9%	59.6%	39
Statewide for Quarter	**94.9%**	**31.8%**	**3,684**
Fiscal Year 2015 To-Date			
Statewide	**94.9%**	**31.8%**	**3,684**
Comparative Fiscal Year 2014 To-Date			
Statewide	**91.3%**	**28.4%**	**4,701**

(1) Statistics do not include agencies and institutions decentralized for vendor payment processing.
(2) Statistics include both travel and non-travel payments.

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

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

Agency Employee EDI Performance
Utilization Below 85 Percent

Agency	Percent	Reimbursement Checks Issued
Education		
Norfolk State University	76.1%	28
Transportation		
Department of Transportation	62.3%	670

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

Agency	Percent	Reimbursement Checks Issued
Agriculture and Forestry		
Department of Agriculture & Consumer Services	6.5%	29
Commerce and Trade		
Department of Mines, Minerals, & Energy	3.5%	28
Education		
Longwood University	0.8%	121
Judicial		
Circuit Courts	9.4%	514
Virginia State Bar	7.5%	272
Public Safety		
Commonwealths Attorneys' Services Council	0.0%	35
Department of Criminal Justice Services	8.5%	65
Department of Forensic Science	0.9%	105

The following table lists agencies that have accumulated more than $100 in employee EDI check charges for the fiscal year and have a utilization rate below 80 percent. Agencies are charged for each travel reimbursement check issued to an employee after their second check of the fiscal year. For FY 2015, the charge is $5 per check. These statistics indicate noncompliance with §4-5.04f of the Appropriation Act which requires that all employees likely to travel more than twice per year be reimbursed for travel costs using electronic data interchange.

Agency Non-Compliance Travel Check Charges
Utilization Below 80 Percent

Agency	Percent	Year-to-date Charges
Transportation		
Department of Transportation	62.3%	$115.00

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Direct Deposit

During the first quarter of FY 2015, 520,010 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. All agencies have attained a salaried direct deposit performance rate of at least 98% and will be reported only if performance drops below that rate during the quarter.

Direct Deposit Performance by Secretarial Area

Quarter Ended September 30, 2014

Secretarial Area	Direct Deposit % of Salaried Employees	Direct Deposit % of Wage Employees
Administration	100.0%	100.0%
Agriculture and Forestry	99.4%	96.5%
Commerce and Trade	100.0%	99.5%
Education	99.8%	97.2%
Executive Offices	100.0%	100.0%
Finance	99.4%	100.0%
Health and Human Resources	99.5%	99.1%
Independent Agencies	99.5%	99.0%
Judicial	99.8%	87.9%
Legislative	99.9%	99.6%
Natural Resources	99.6%	97.7%
Public Safety and Homeland Security	99.7%	98.6%
Technology	100.0%	100.0%
Transportation	100.0%	99.6%
Veterans and Defense Affairs	99.7%	98.5%
Statewide	**99.7%**	**97.7%**

Comparative

Quarter Ended September 30, 2013

Statewide	**99.8%**	**97.5%**

Statewide Salaried Direct Deposit Performance

Quarter Ended September 30, 2014

Salaried Direct Deposit Participation	99.7%

Salaried Direct Deposit Below 98 Percent

Agency	Percent	Number of Employees
Public Safety and Homeland Security		
Sussex One State Prison	97.4%	383

Statewide Wage Direct Deposit Performance

Quarter Ended September 30, 2014

Wage Direct Deposit Participation	97.7%

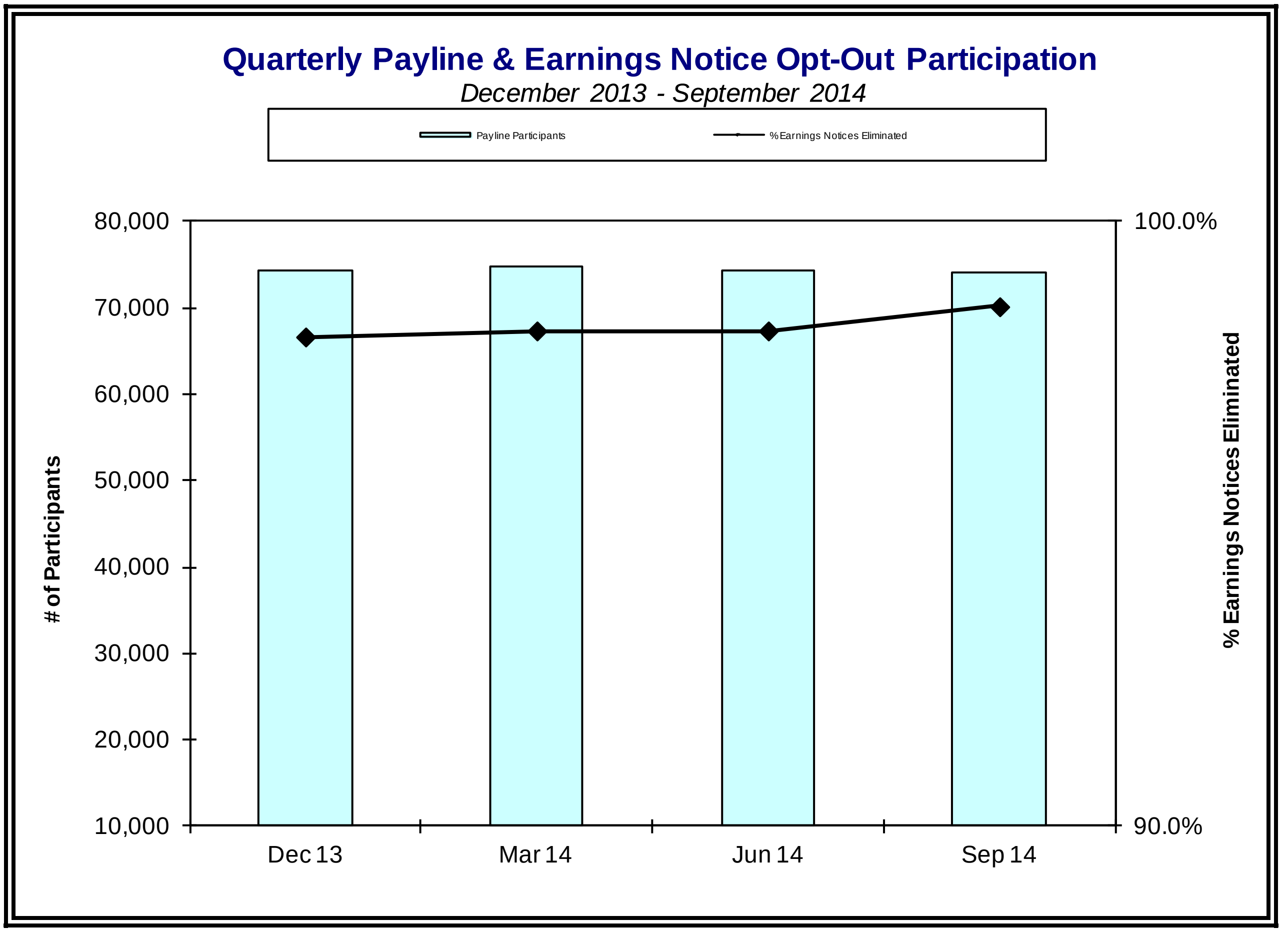
Wage Direct Deposit Below 90 Percent

Agency	Percent	Number of Employees
Education		
Norfolk State University	88.6%	528
Southwest Virginia Community College	76.1%	184
Judicial		
General District Courts	81.5%	189
Combined District Courts	80.0%	15

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 13,702,397 earnings notices.



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

Payline and Earnings Notice Opt-Out Participation by Secretarial Area

Quarter Ended September 30, 2014

Secretarial Area	Percent Payline Participation	Percent Earnings Notices Eliminated*
Administration	98.3%	100.0%
Agriculture and Forestry	84.0%	86.3%
Commerce and Trade	97.8%	99.2%
Education	73.6%	99.0%
Executive Offices	89.1%	100.0%
Finance	99.2%	100.0%
Health and Human Resources	93.4%	100.0%
Independent Agencies	95.0%	100.0%
Judicial	86.0%	92.6%
Legislative	59.1%	69.0%
Natural Resources	81.1%	97.2%
Public Safety and Homeland Security	91.6%	100.0%
Technology	98.5%	100.0%
Transportation	96.8%	100.0%
Veterans and Defense Affairs	71.1%	70.0%
Statewide	**86.9%**	**98.6%**

Comparative
Quarter Ended September 30, 2013

Statewide	**85.4%**	**97.7%**

* Employees must participate in Direct Deposit in order to opt out of receiving centrally printed earnings notices.

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

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

Most agencies elected a global opt-out in response to the January 1, 2009, mandate. As of September 30, 2014, the following agencies have not met the established goal of 90% for eliminating earnings notice print.

Earnings Notice Elimination

Agency	Percent Earnings Notices Eliminated QE 09/30/2014	Percent Earnings Notices Eliminated QE 06/30/2014
Agriculture and Forestry		
Department of Agriculture and Consumer Services	84.0%	78.7%
Commerce and Trade		
Department of Small Business and Supplier Diversity	66.7%	67.3%
Education		
Eastern Shore Community College	66.7%	68.9%
Frontier Culture Museum of Virginia	58.9%	49.2%
Jamestown-Yorktown Foundation	86.5%	89.2%
Virginia Highlands Community College	61.1%	77.0%
Judicial		
Circuit Courts	70.3%	71.9%
General District Courts	87.6%	89.1%
Natural Resources		
Marine Resources Commission	49.3%	49.0%
Veterans and Defense Affairs		
Virginia Veterans Care Center	25.6%	23.9%

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

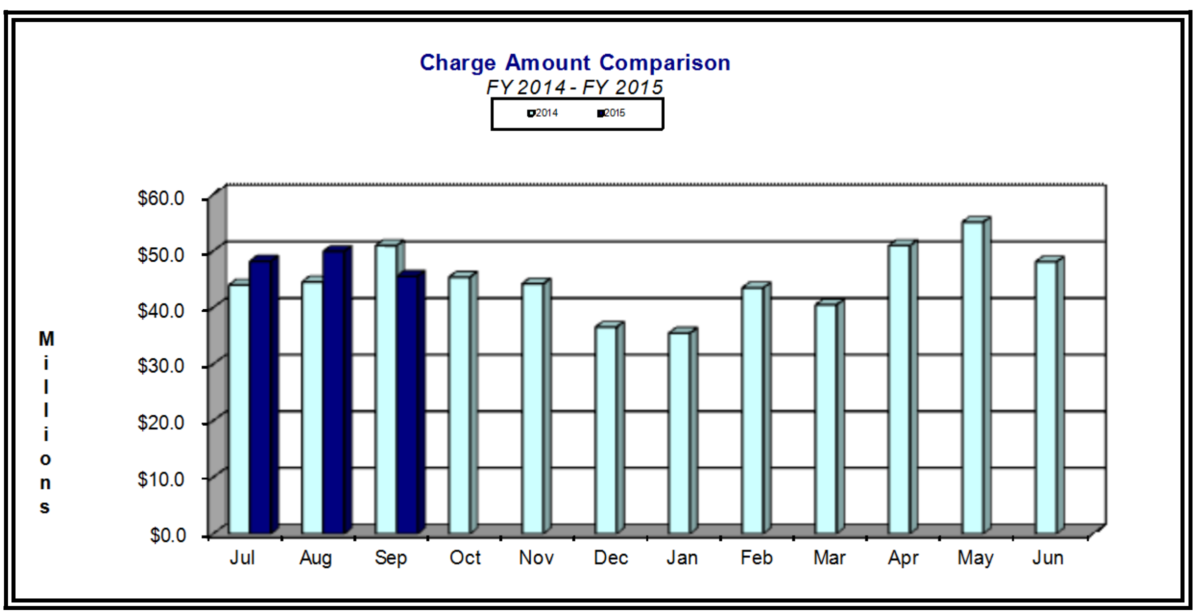
Two purchasing charge card programs offer State agencies and institutions alternative payment methods that improve administrative efficiency by consolidating invoice and payment processing for purchases of less than $50,000. Use of the purchasing charge cards decreases the number of checks issued and 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 first quarter of FY 2015 increased by $4.1 million or 3 percent from the same quarter last year.

Small Purchase Charge Card Program

Charge Card Activity	Quarter Ended September 30, 2014	Fiscal Year 2015 To-Date	Comparative Fiscal Year 2014 To-Date
Amount of Charges	$ 143,554,748	$ 143,554,748	$ 139,427,055
Estimated Number of Checks Avoided	194,848	194,848	187,205
Total Number of Participating Agencies		201	202
Total Number of Cards Outstanding		14,745	14,886



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.

Section 4-5.04 f. of the Appropriations Act authorizes the Comptroller to collect a $5 underutilization fee when in his judgment agencies have failed to comply with the Commonwealth's electronic commerce initiatives to reduce unnecessary administrative costs for the printing and mailing of state checks and earning notices. Now that these programs have matured and agencies have embraced these initiatives, DOA believes it is an appropriate time to change the compliance monitoring and enforcement process. Beginning with the quarter ended March 31, 2014, the $5 fee is no longer assessed. Compliance data for the quarter ended March 31 was reported utilizing the old threshold of 80%. Beginning with the quarter ended June 30, 2014, the compliance criteria for reporting purposes will utilize a threshold of 70%. The new reporting process will utilize the reduced compliance threshold of 70% and monitoring agencies' performance using trend analysis. DOA will continue to monitor utilization and agencies with reduced utilization trends will be contacted for explanation.

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. As part of the new monitoring process, enhancements will be made to the matching process.

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. The Department of Accounts appreciates agencies' efforts to make this initiative a statewide success.

Statewide SPCC Performance

Quarter Ended September 30, 2014

Percentage Utilization for Eligible Transactions	**89%**

SPCC Utilization by Secretarial Area

Quarter Ended September 30, 2014

Secretarial Area	Payments in Compliance [1]	Non-Compliant Transactions [2]
Administration	92%	312
Agriculture and Forestry	96%	152
Commerce and Trade	83%	554
Education*	91%	3,423
Executive Offices	96%	52
Finance	99%	52
Health and Human Resources**	89%	3,866
Independent Agencies	85%	426
Judicial	39%	1,888
Legislative	98%	20
Natural Resources	93%	856
Public Safety	96%	1,434
Technology	88%	30
Transportation*	76%	5,755
Veterans Affairs and Homeland Security	96%	92
Statewide	**89%**	**18,912**

* 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 70 Percent

Agency	Payments in Compliance	Non-Compliant Transactions
Commerce and Trade		
Virginia Employment Commission	42%	517
Education		
Norfolk State University	60%	660
Independent Agencies		
State Corporation Commission	27%	277
Judicial		
Board of Bar Examiners	0%	22
Circuit Courts	0%	171
Combined District Courts	0%	133
General District Courts	0%	737
Juvenile and Domestic Relations District Courts	0%	438
Magistrate System	0%	108
Virginia Criminal Sentencing Commission	0%	20

SPCC and ATC Payment Compliance

Agencies and institutions participating in the Charge Card program are required to submit Bank of America VISA payments via EDI no later than the 7th of each month. Failure to pay the correct amount when due jeopardizes the Commonwealth's contractual relationship with the charge card vendor and may result in suspension of an agency's charge card program. Any agency that pays their bill late by more than two (2) business days is reported. For the month of July, this represents the bill date of July 15, 2014, with the payment due no later than August 7th.

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

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

Agency	July	Aug	Sept
Purchase Card Program:			
Administration			
Department of Corrections			X
Department of Human Resource Management		X	
Department of Small Business and Supplier Diversity			X
Commerce and Trade			
Secretary of Commerce and Trade*			X
Education			
New College Institute		X	
Norfolk State University	X		
Southside Virginia Community College		X	
University of Virginia Medical Center	X	X	
Legislative			
Division of Capitol Police		X	
Public Safety			
Corrections-Employee Relations and Training Division		X	
Deep Meadow Correctional Center	X	X	
Department of Criminal Justice Services			X
Wallens Ridge State Prison		X	
Transportation			
Department of Rail and Public Transportation		X	X
Airline Travel Card Program:			
Education			
Norfolk State University	X		
Independent Agencies			
State Corporation Commission			X
Transportation			
Department of Rail and Public Transportation		X	

* Administrative services performed by the Division of Selected Agency Support Services.

Travel Charge Card

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

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

The contract provides for the following actions on delinquent accounts:

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

The following table identifies the number of delinquent card accounts with Bank of America by agency during the quarter ended September 30, 2014, and the total amounts past due.

Travel Charge Card Program

As of September 30, 2014

Agency	Total Delinquent Accounts	Amounts 60 Days Past Due	Amounts 90-120 Days Past Due	Amounts >150 Days Past Due
Commerce and Trade				
Virginia Tourism Authority	1	251	0	0
Education				
George Mason University	1	922	0	0
Longwood University	1	530	489	0
Norfolk State University	3	940	0	16
Virginia Commonwealth University	1	136	0	0
Virginia State University	1	51	0	0
Health and Human Resources				
Department of Health	1	0	341	0
Department of Social Services	1	382	0	0
Public Safety				
Department of Juvenile Justice	1	506	0	0
Technology				
Virginia Information Technologies Agency	1	92	0	0

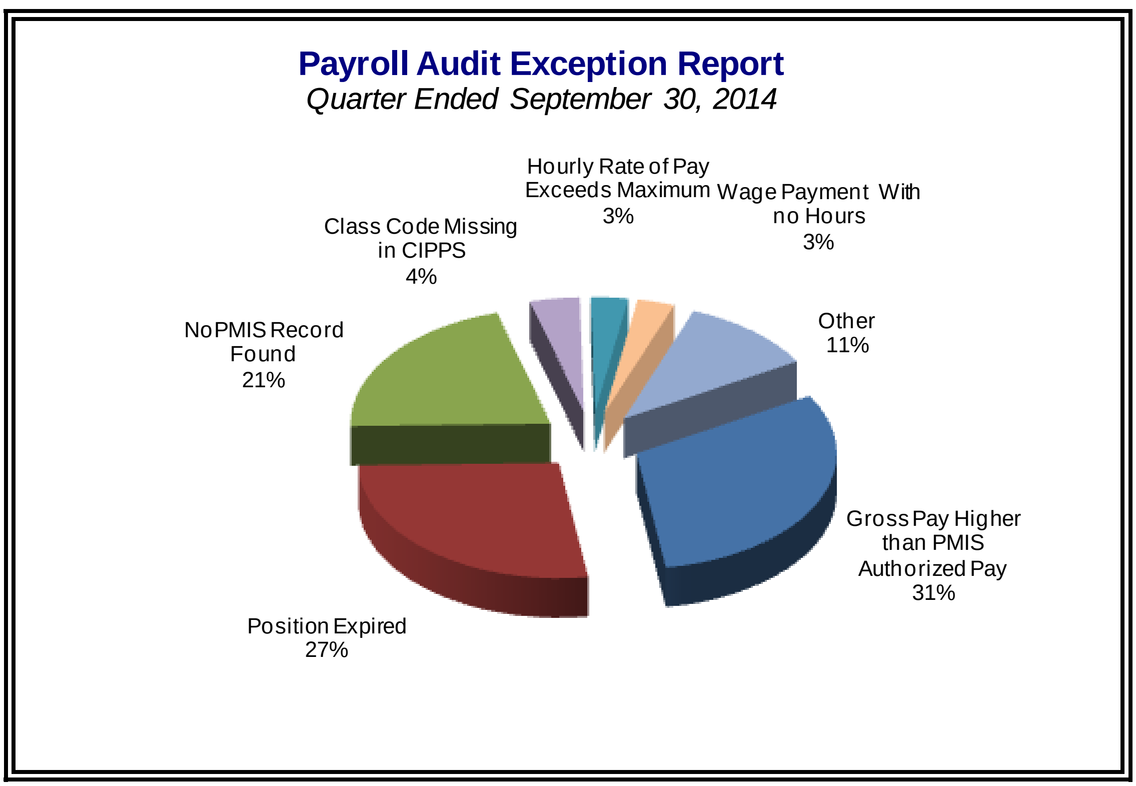
Payroll Controls

CIPPS/PMIS Payroll Audit

During the quarter, DOA's automated comparison of payroll (CIPPS) and personnel (PMIS) records examined 410,490 salaried pay transactions and 99,053 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 3,603 new exceptions noted statewide during the quarter, with an overall exception rate of 0.70%.

The statewide salaried payroll exception rate was 0.76% and the wage payroll exception rate was 0.45%. During this quarter, 22 employee paychecks were reduced to recover $19,365.19 in overpayments.

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



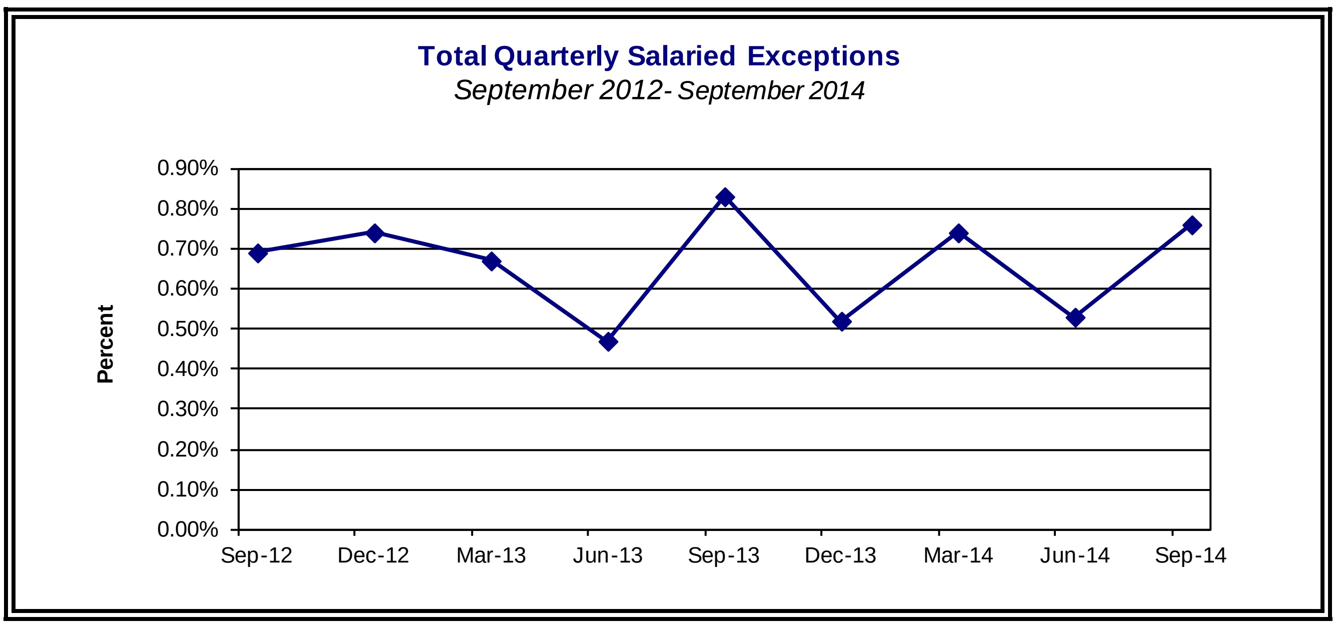
Exception percentages are calculated by dividing the number of exceptions by the number of salaried or wage employees. Agencies are reported below if the percentage of payroll exceptions to salaried or wage payments exceeds three times the statewide average for the quarter.

Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Salaried Payments
Quarter Ended September 30, 2014

Agency	# of Salaried Exceptions	Exceptions as a % of Salaried Payments
None		

Total Wage Payroll Exceptions for the Quarter	0.76%

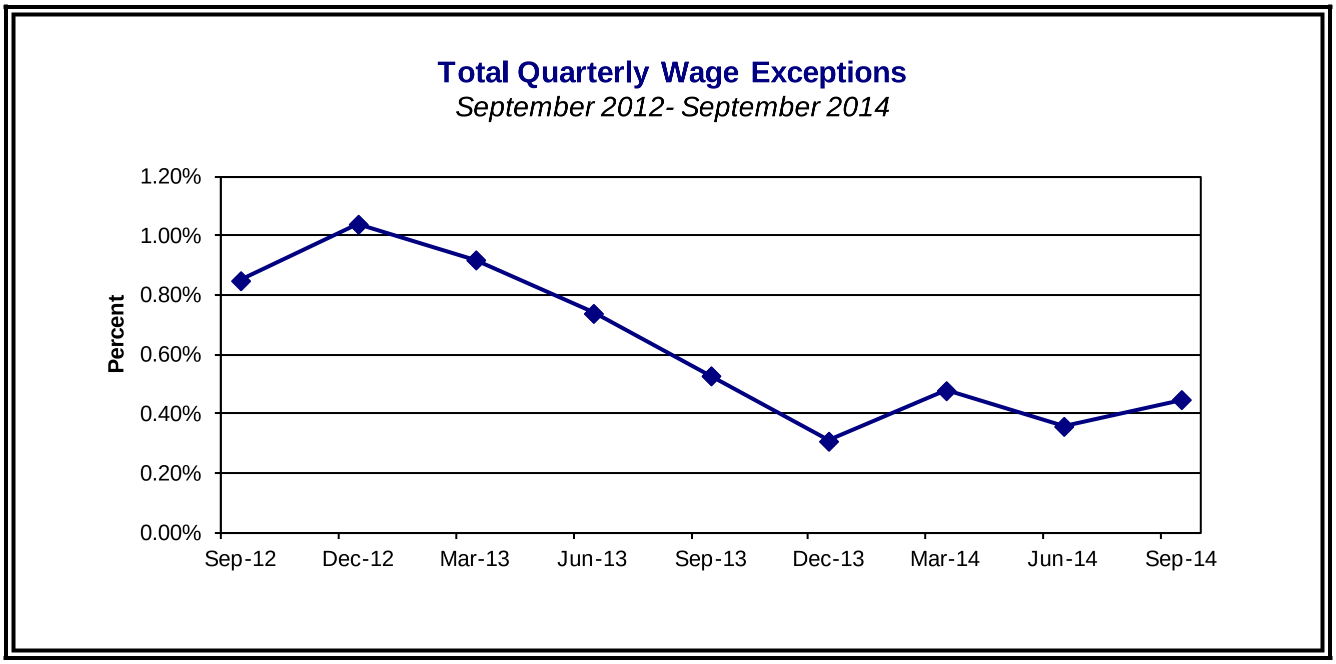
The following chart compares payroll exceptions as a percentage of salaried payments by quarter for the past two years.



Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Salaried Payments
Quarter Ended September 30, 2014

Agency	# of Salaried Exceptions	Exceptions as a % of Salaried Payments
None		
Total Wage Payroll Exceptions for the Quarter		**0.76%**

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.

Agency	Unresolved Exceptions
Public Safety and Homeland Security	
Department of Juvenile Justice	4

Payroll Certification

Agencies are required to calculate, verify, and authorize the amount disbursed for each payroll. This responsibility can be met through the timely preparation of agency payrolls, request and review of automated edit reports, and correction of errors prior to requesting actual payroll runs which result in payroll disbursements. This process is referred to as “payroll certification.” Payroll certification serves as a critical internal control to ensure payroll disbursements are accurate and authorized. Agency payroll certifications are monitored centrally to ensure that agencies conduct this important function.

Differences between the amount calculated by the payroll system based on agency input and the amount certified by the agency to be disbursed based on edit reports are identified in automated reports provided to agencies. Agencies are required to submit explanations and/or reconciliations of the differences identified on each report by the end of the day following receipt of the report. Differences result from agency payroll errors, miscalculations, online-certification data entry errors, and inappropriately high volumes of changes following certification. Although differences do not result in undetected incorrect payments, such errors are avoidable and are not consistent with sound internal control over payroll.

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

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

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

Payroll Certification Compliance

Agency	Variance Amount (a)	Performed by DOA (b)	Submitted Late (c)	Corrected by DOA (d)
Agriculture and Forestry				
Department of Agriculture and Consumer Services*	$66,250			
Education				
Central Virginia Community College		1		
Health and Human Resources				
Central Virginia Training Center	77,427			
Southeastern Virginia Training Center	26,302			
Public Safety and Homeland Security				
Division of Institutions	27,181			
River North Correctional Center	30,624			

* Payroll certification performed by DOA's Payroll Service Bureau

Columns show the following:

(a) Variance in dollars for agencies whose certified amounts varied from actual computed amounts if the variance is more than $20,000 for any payrolls processed during the quarter or the explanation for gross pay difference was submitted late.
(b) The number of times DOA had to perform the certification function for the agency due to inadequate agency backup.
(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* package 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 did not comply with reporting requirements.

Health Care Reconciliations
as of September 30, 2014

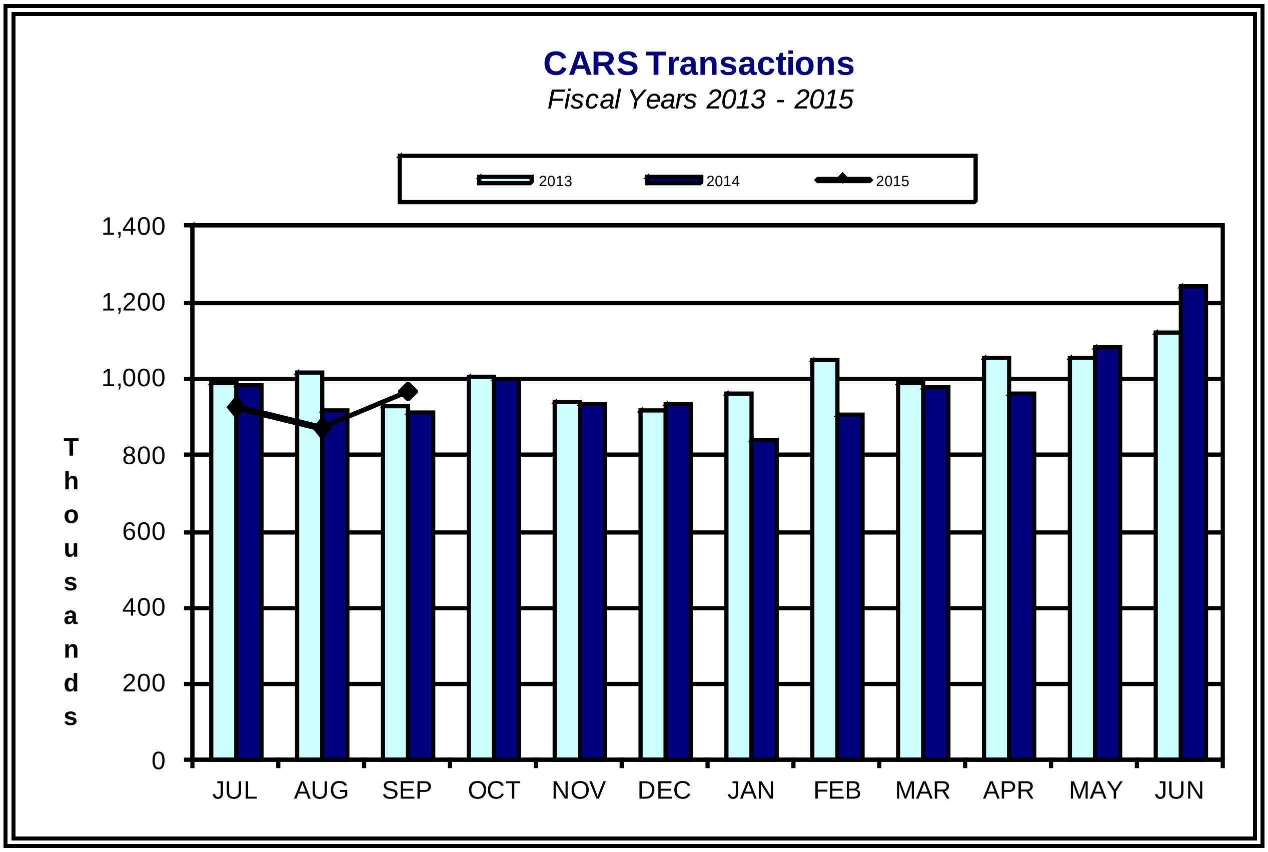
Agency	Incomplete*	Errors*	Late
New River Community College			1
Thomas Nelson Community College			1
Mountain Empire Community College			2
Marion Correctional Treatment Center			1
Virginia Foundation For Healthy Youth			1

*Agencies that do not comply within the grace period or with more than two occurrences over the most recent 5-month period are reported.

DOA monitors several types of financial activity. Various measures are used to track activities for CARS, payroll, accounts receivable, indirect cost recoveries, treasury loans, and the Fixed Asset Accounting and Control System (FAACS).

Commonwealth Accounting and Reporting System (CARS)

CARS activity trends provide important information about statewide accounting. Currently, measures are used to track CARS transactions and error counts. A marked increase or decrease in the number of CARS transactions may indicate that an agency has changed the way it accounts for an activity. Such change may require DOA review.

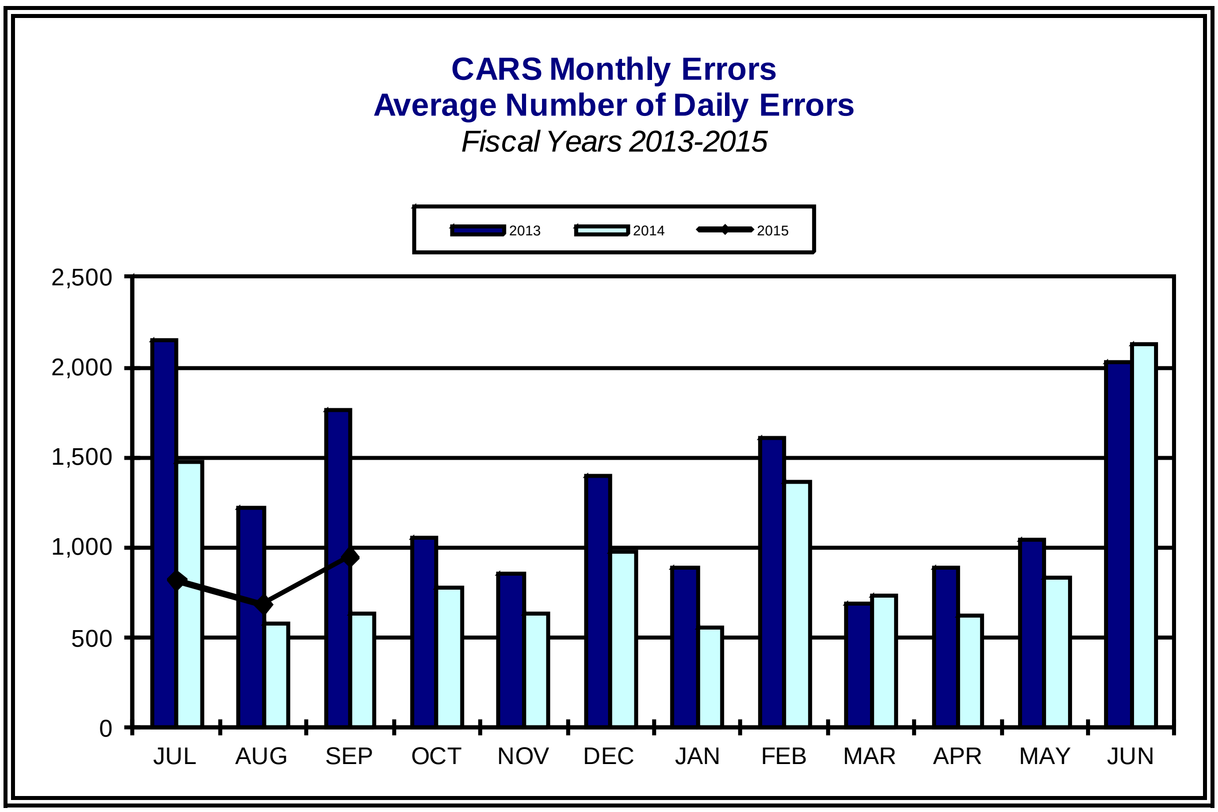


CARS Edits

One of the most important management tools used by DOA is the monitoring of CARS errors generated by standard system edits. Batches remain on the error file until problems are resolved, which, for disbursement transactions, can lead to noncompliance with prompt payment standards and poor vendor relations. During the first quarter of FY 2015, the most frequent reasons cited for transactions processing to the error file were:

- Available Negative Cash
- Certified Amount not in Balance
- Expenditures > Allotment

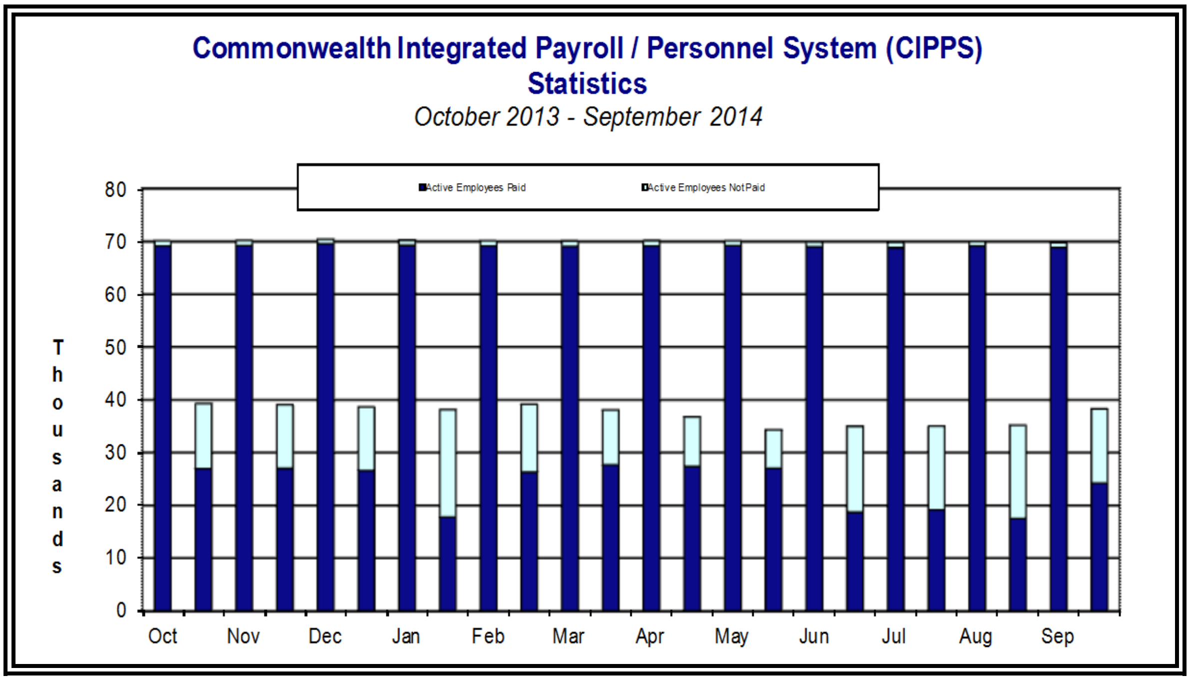
Agencies may avoid funding errors by more closely monitoring cash and allotment balances. Sound agency cash management practices should be developed to ensure transactions are not submitted to CARS when funding is not available. Agencies should develop procedures to ensure certified amounts are calculated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



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 106,045 employees. Payroll services are also provided through eight decentralized higher education institutions.

On average, 89,216 employees were paid each month, of which 68,930 were salaried employees.



Note: The first bar for each month represents salaried employees, and the next bar represents wage employees. Not all active employees are paid on a current basis. Examples would include employees on extended leave without pay and adjunct faculty not teaching during the current semester.

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

Benefit Participation by CIPPS Agencies

The Commonwealth offers a variety of benefits to state employees, including health care, optional retirement plans, deferred compensation, and flexible reimbursement programs.

Benefit Participation
Number of Participating Employees

Benefit	As of 9/30/2014	Comparative: As of 9/30/2013	Comparative: As of 9/30/2012
Health Care**			
COVA Care	79,017	79,624	75,954
COVA Health Aware	3,868	N/A	N/A
Kaiser	2,109	2,115	2,116
Tricare	67	63	41
Optional Retirement Plans**			
Fidelity Investments	666	635	633
TIAA/CREF	1,729	1,688	1,647
Political Appointee - ORP	104	44	103
Deferred Compensation**	43,031	43,663	42,907
Flexible Reimbursement**			
Dependent Care	912	976	813
Medical Care	9,627	10,144	8,487

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

Accounts Receivable

Executive Summary

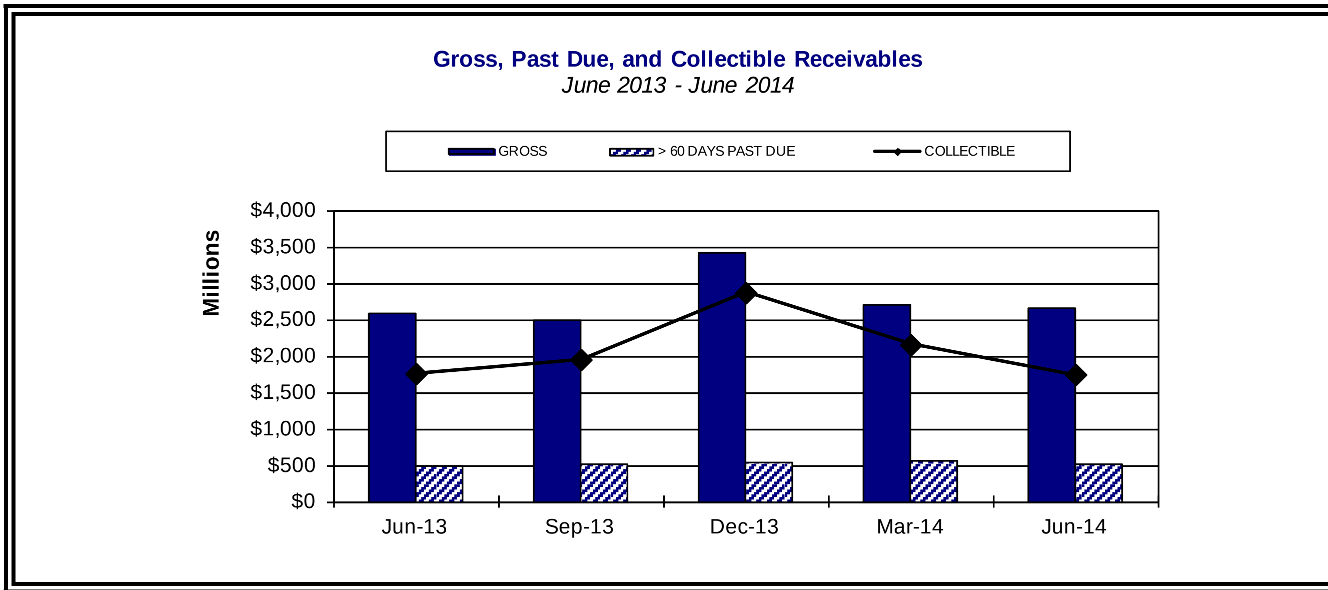
The *Code of Virginia* § 2.2-4800 et seq. requires the Department of Accounts, along with the Office of the Attorney General, to oversee, report on, and monitor the Commonwealth's accounts receivable program. In order to carry out this responsibility, DOA has issued policies and procedures on accounting, 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 $2.66 billion at June 30, 2014, with $1.75 billion considered collectible. Receivables over 60 days past due as of June 30, 2014, totaled $505.9 million. Of that amount, $9.9 million was placed with private collection agencies, $30.2 million was placed with the Division of Debt Collection and $465.8 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 June 30, 2014, agencies expected to collect $1.75 billion (66 percent) of the $2.66 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

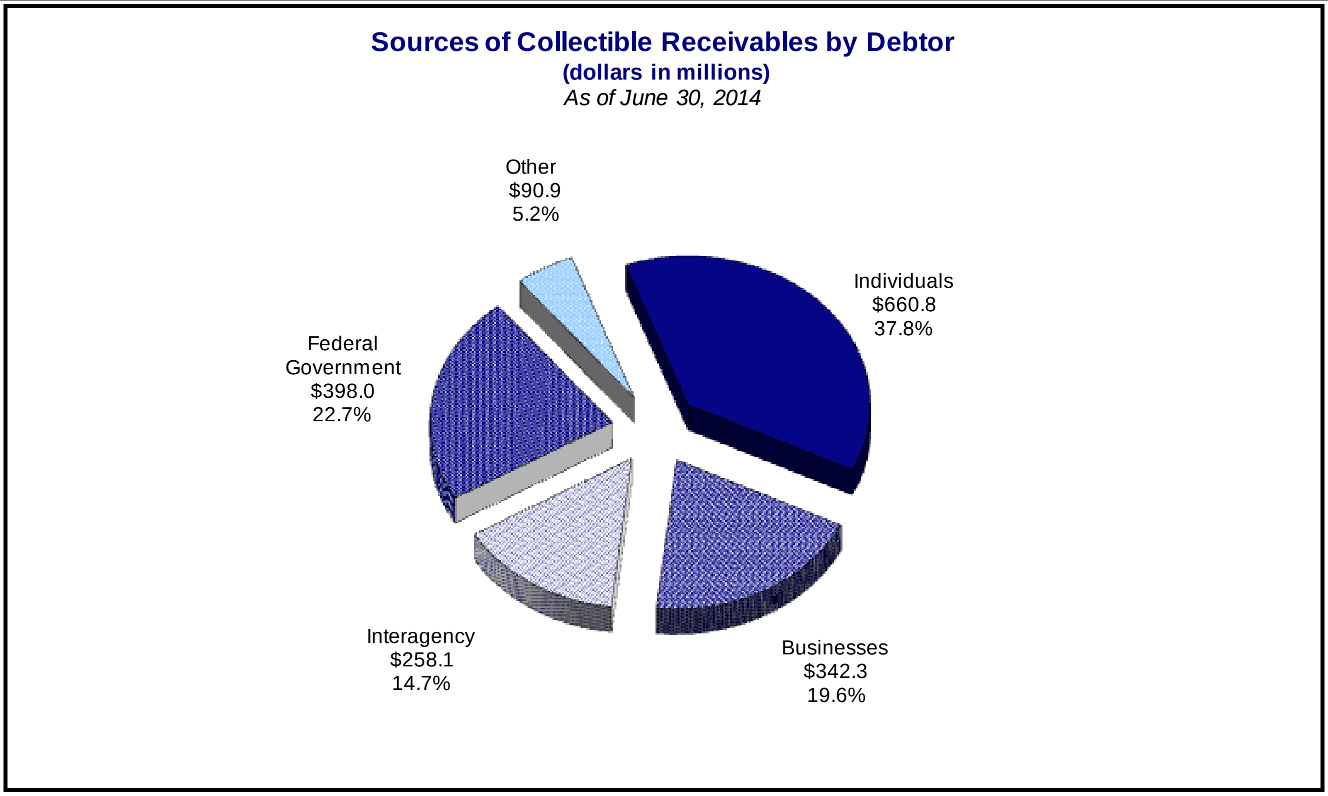
Not Including Circuit Courts, District Courts, or Department of Taxation

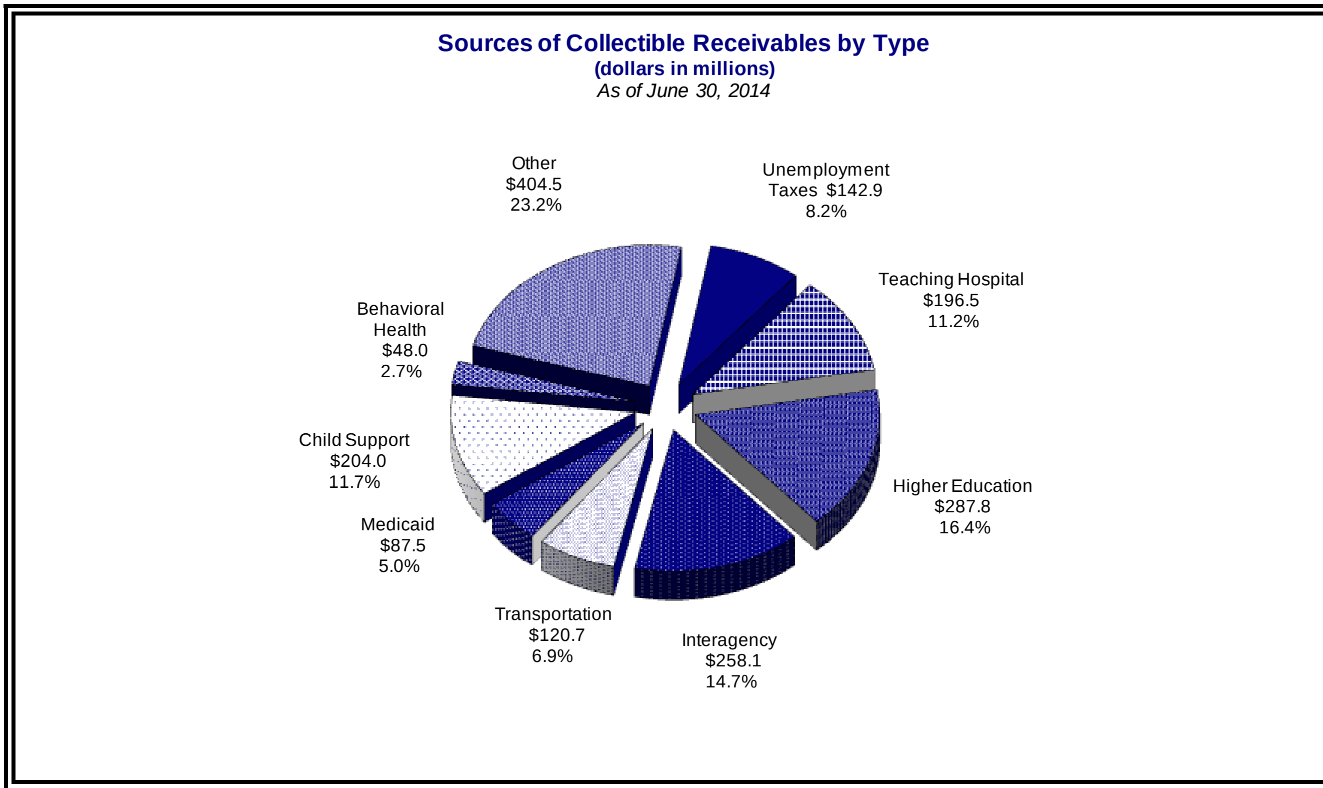
As of June 30, 2014

Fund	Source	Amount	Percent
General Fund 2%	Medicaid - Current Recoveries	$ 14,334,549	44%
	Social Services	3,402,982	10%
	Labor and Industry Inspections	627,945	2%
	State Police Permits	1,564,751	5%
	Corrections	1,273,253	4%
	Other	10,246,790	31%
	Subtotal	31,450,270	96%
	Interagency Receivables	1,187,714	4%
	Total General Fund Collectible	**$ 32,637,984**	**100%**
Nongeneral Funds 98%	Medicaid - Dedicated Penalty Fees	$ 61,446,995	4%
	Medicaid - Federal Reimbursements	11,682,875	1%
	Unemployment Taxes *	142,900,197	8%
	Transportation	120,665,417	7%
	Child Support Enforcement	204,046,076	11%
	Federal Government	235,562,008	14%
	DBHDS Patient Services	48,020,034	3%
	Hospital	196,496,973	11%
	Enterprise	113,746,822	7%
	Higher Education	287,829,757	17%
	Other	38,220,807	2%
	Subtotal	1,460,617,961	85%
	Interagency Receivables	256,891,183	15%
	Total Nongeneral Fund Collectible	**$ 1,717,509,144**	**100%**
All Funds	**Grand Total**	**$ 1,750,147,128**	**100%**

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

Summary of Receivables by Source





Not counting Taxation and the Courts, ten agencies account for 80 percent of the Commonwealth's adjusted gross and 72 percent of the adjusted collectible accounts receivable balances
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Accounts Receivable Summary

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

As of June 30, 2014

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
Department of Social Services	$ 613,455,348	$ 360,458,706	$ 252,996,642
University of Virginia Medical Center	607,282,825	400,973,067	206,309,758
Department of Education-Direct Aid to Localities	147,595,905	-	147,595,905
Virginia Employment Commission	201,485,362	54,066,350	147,419,012
Department of Transportation	111,493,820	3,341,326	108,152,494
Virginia Polytechnic Institute and State University	94,651,005	3,043,648	91,607,357
Department of Medical Assistance Services	126,760,027	39,295,608	87,464,419
Administration of Health Insurance	74,121,073	-	74,121,073
University of Virginia - Academic Division	74,694,497	1,019,060	73,675,437
Virginia Lottery	73,364,241	-	73,364,241
Total	**$ 2,124,904,103**	**$ 862,197,765**	**$ 1,262,706,338**
All Other Agencies	535,065,942	47,625,152	487,440,790
Grand Total	**$ 2,659,970,045**	**$ 909,822,917**	**$ 1,750,147,128**

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 $34.4 million during the quarter ended June 30, 2014. The Division of Debt Collection contributed $2.7 million. Private collection agencies collected $2.4 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected $29.3 million.

Private collection agencies returned $8.3 million of accounts to agencies, and the Division of Debt Collection discharged $2.1 million of accounts and returned $945,906 of accounts to agencies.

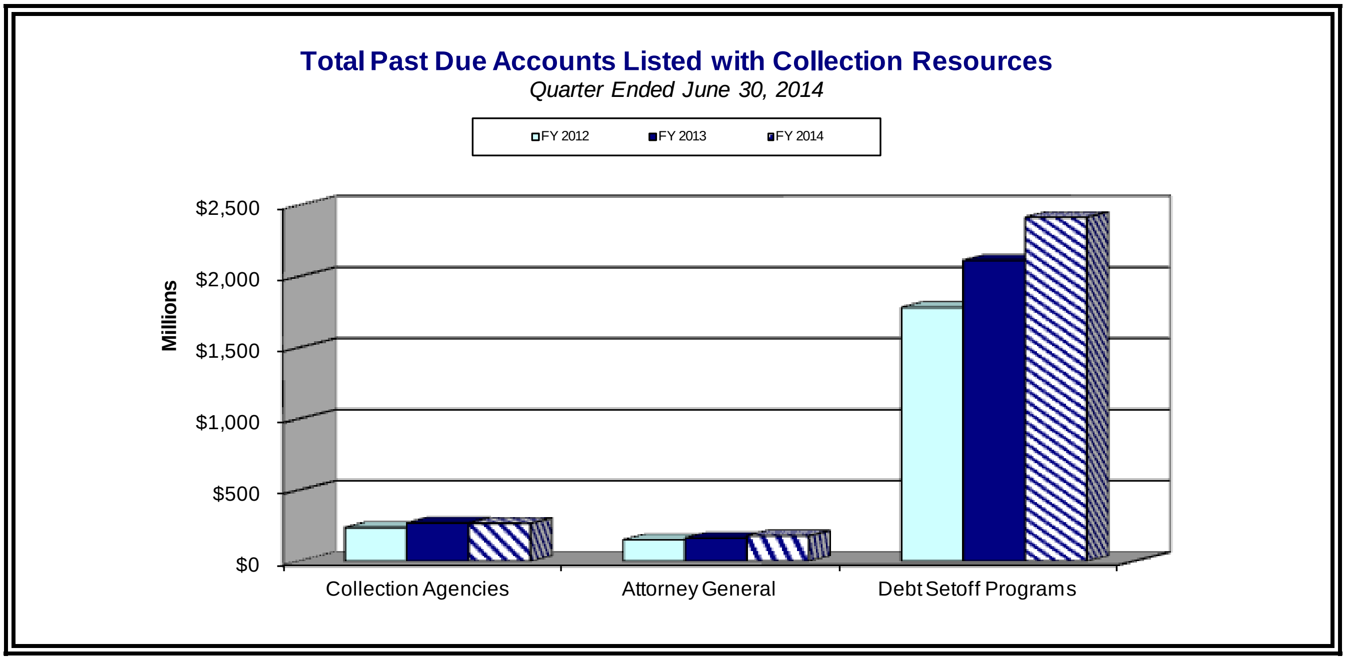
Collectible Receivables Over 60 Days Past Due

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

As of June 30, 2014

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	$ 208,313,376	$ 5,193	$ 67,723	$ 208,240,460
University of Virginia Medical Center	87,581,115	-	-	87,581,115
Virginia Employment Commission	70,208,860	-	10,246,145	59,962,715
Department of Medical Assistance Services	51,304,680	22,719	2,347,272	48,934,689
Department of Behavioral Health and Developmental Services	14,882,877	-	-	14,882,877
Department of Transportation	10,836,308	-	6,095,061	4,741,247
Virginia Commonwealth University	5,517,304	211,677	179,307	5,126,320
Virginia Community College System	5,005,822	1,804,591	9,897	3,191,334
Virginia Port Authority	4,610,701	-	-	4,610,701
Virginia Workers' Compensation Commission	4,434,210	1,075,394	3,353,159	5,657
TOTAL	**$ 462,695,253**	**$ 3,119,574**	**$ 22,298,564**	**$ 437,277,115**
All Other Agencies	43,179,354	6,743,232	7,933,754	28,502,368
TOTAL OVER 60 DAYS	**$ 505,874,607**	**$ 9,862,806**	**$ 30,232,318**	**$ 465,779,483**
Uncollectible Amounts Placed for Collection, Including Accounts Written Off	2,354,303,945	256,197,800	148,292,761	1,949,813,384
TOTAL COLLECTION EFFORTS	**$ 2,860,178,552**	**$ 266,060,606**	**$ 178,525,079**	**$ 2,415,592,867**

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


Total Past Due Accounts Listed with Collection Resources
Quarter Ended June 30, 2014
FY 2012
FY 2013
FY 2014
Millions
$2,500
$2,000
$1,500
$1,000
$500
$0
Collection Agencies
Attorney General
Debt Setoff 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 $2.5 million for the first quarter of FY 2015. 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 6/30/14	Comparative Percent 3/31/14	Comparative Percent 12/31/13
Virginia Workers' Compensation Commission	85%	85%	92%
Virginia Port Authority	49%	32%	19%
Department of Medical Assistance Services	40%	47%	47%
Virginia Employment Commission	35%	13%	49%
Department of Social Services	34%	36%	35%
Department of Behavioral Health and Developmental Services	20%	33%	29%
Virginia Community College System	15%	24%	7%
University of Virginia Medical Center	14%	12%	12%
Virginia Commonwealth University	11%	16%	3%
Department of Transportation	10%	16%	22%
Statewide Average - All Agencies	**19%**	**21%**	**16%**

Another way to measure agency debt collection effectiveness is to compare amounts collected to amounts billed. The table below presents trend percentages for the ten agencies with the highest collectible accounts receivable balances. In total, these ten agencies are responsible for 72 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 81 percent indicates that for every dollar billed during the quarter ended June 30, 2014, the state collected 81 cents. This rate is five percent lower than last year and one percent higher than two years ago.

Collections as a Percentage of Billings

		Comparative	
Agency	**Percent 6/30/14**	**Percent 6/30/13**	**Percent 6/30/12**
Virginia Employment Commission	322%	276%	236%
Virginia Polytechnic and State University	103%	102%	99%
Virginia Lottery	102%	104%	113%
University of Virginia - Academic Division	97%	96%	98%
Department of Transportation	87%	82%	87%
Department of Social Services	82%	98%	94%
Department of Medical Assistance Services	72%	73%	71%
Department of Education - Direct Aid to Localities	66%	58%	54%
University of Virginia Medical Center	27%	28%	25%
Administration of Health Insurance	0%	0%	0%
Statewide Average - All Agencies	**81%**	**86%**	**80%**

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 $87.5 million at June 30, 2014, is a $11.6 million decrease over the $99.1 million reported at June 30, 2013. Over the same period, total past due receivables of $53.4 million have decreased by $9.0 million.

University of Virginia Medical Center (UVAH)

UVAH provides primary and specialty health care for Central Virginia by operating a 500 bed hospital, a School of Medicine, and over 20 research centers. The majority of its receivables consist of Medicaid and Medicare reimbursements and payments from third party insurers.

UVAH collectible receivables of $206.3 million at June 30, 2014, were a $18.6 million increase from the $187.7 million reported the previous year. Past due receivables increased by $45.3 million to $229.7 million at June 30, 2014.

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 $147.4 million at June 30, 2014, a decrease of $4.9 million from the previous year. Total past due receivables were $73.3 million, a $3.4 million decrease over last year. VEC collects employer tax receivables in-house. The Attorney General's Office is involved in contested cases. Unemployment benefit overpayments to individuals are referred to private collections agencies after in-house efforts have produced no results and when debtors have left the state.

Virginia Information Technologies Agency (VITA)

VITA is the state's central information technologies provider. VITA operates the information technology infrastructure for much of State government, providing both hardware and services. VITA also procures hardware and software for agencies and institutions of higher education.

VITA reported collectible receivables at June 30, 2014, of $33.6 million, which is a decrease of $865,013 reported in the previous year. Most of these receivables are due from other state agencies. As of June 30, 2014, $543,387 was over 60 days past due, a decrease of $292,870 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 June 30, 2014, the State Lottery reported net receivables of $73.4 million, a $13.9 million increase from the previous year. Billings increased by $1.3 million and collections decreased by $2.1 million during the June 30, 2014 quarter when compared to the June 30, 2013 quarter. At June 30, 2014, the State Lottery had $271,468 that was over 60 days past due. The total amount owed is covered by surety bonds.

Department of Education (DOE)

Education acts as the pass-through agency for state and federal education funds and determines the allocation of funds to local school divisions under the Direct Aid to Public Education Program. Localities file expenditure reimbursement requests with the Department who then reviews the claims for accuracy and correctness. Eligible expenditures under federal grants are paid by DOE, which then draws down the money from the U. S. Department of Education.

At June 30, 2014, DOE had $147.3 million of receivables due from the Federal government under Direct Aid to Public Education. This is a $48.5 million decrease over the prior year.

Virginia Polytechnic Institute and State University (VPISU)

VPISU is one of the Commonwealth's largest universities and one of two land grant institutions in the state. At June 30, 2014, the University reported net collectible receivables of $91.6 million, a decrease of $4.7 million over the prior year. At the same time, total past due receivables of $6.8 million decreased by $5.7 million over the prior year.

The University uses a variety of collection methods to encourage payments. At June 30, 2014, VPISU had $3.4 million of accounts over 60 days past due. $1.2 million was placed with the Attorney General's Division of Debt Collection, another $1.0 million was placed with private collection agencies, and $1.2 million was subject to additional in-house efforts.

Department of Behavioral Health and Developmental Services (DBHDS)

DBHDS operates 16 facilities around the State to treat patients. These facilities account for nearly all of the department's receivables, consisting primarily of fees due for patient care. DBHDS bills third party insurers and patient assistance programs such as Medicare and Medicaid whenever they are available. In other cases, the Department looks to responsible family members and tangible real and personal property for payment. When property is located, a lien is filed in the local courts so that when estates are liquidated, DBHDS can recover some of the costs involved in a patient's care.

At June 30, 2014, the Department reported collectible receivables of $53.5 million, a $11.1 million decrease over the previous year. $23.3 million was past due, with $14.9 million being over 60 days past due. Total past due receivables decreased by $9.7 million over the year, and accounts over 60 days past due decreased by $10.6 million. At June 30, 2014, the Department had a total of $7.8 million of accounts placed with the Attorney General and $1.2 million listed in Taxation's Debt Setoff Programs.

Department of Transportation (VDOT)

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

At June 30, 2014, VDOT reported $108.2 million of collectible receivables, an increase of $7.8 million from the prior year. VDOT also reported $17.1 million total past due and $10.8 million being over 60 days past due. Past due receivables increased by $5.8 million over the year, while receivables over 60 days past due increased by $1.2 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 $6.1 million of their accounts over 60 days past due with the Attorney General's Division of Debt Collection.

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 June 30, 2014, DSS reported gross receivables of $613.5 million, an allowance for doubtful accounts of $360.5 million and collectible receivables of $253.0 million. Past due receivables totaled $211.6 million, of which $208.3 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for $535.7 million (87 percent) of the gross receivables, $331.6 million (92 percent) of the allowance for doubtful accounts and $204.0 million (81 percent) of the collectible receivables.

From June 30, 2013 to June 30, 2014, gross receivables increased by $48.8 million and collectible receivables increased by $19.3 million. Total past due receivables increased by $15.8 million and receivables over 60 days past due increased by $15.5 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 June 30, 2014, DRPT had gross and net receivables of $4.5 million. The majority of this money is due via an interagency transfer from VDOT. DRPT reported past due receivables of $1.6 million at June 30, 2014.

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 June 30, 2014, VCU had $43.9 million of collectible receivables, a $7.6 million increase from June 30, 2013. Total past due accounts were $9.2 million, a $173,783 increase from June 30, 2013. Accounts over 60 days past due ($5.5 million) decreased by $171,310 from the prior year. Billings increased by $22.7 million to $91.4 million and collections increased by $17.2 million to $95.2 million for the June 30, 2014 quarter, when compared to the June 30, 2013 quarter.

The following table is prepared to present the June 30, 2014, aging information in conformity with the provisions of the *Code of Virginia* § 2.2-603.E.(ii).

Taxation and the Circuit and District Courts accounted for 73 percent ($1.88 billion) of the Commonwealth's total $2.60 billion past due accounts receivable at June 30, 2014. Another 18 agencies accounted for 26 percent ($687.1 million), leaving 55 other agencies to comprise the last one percent at $30.1 million.

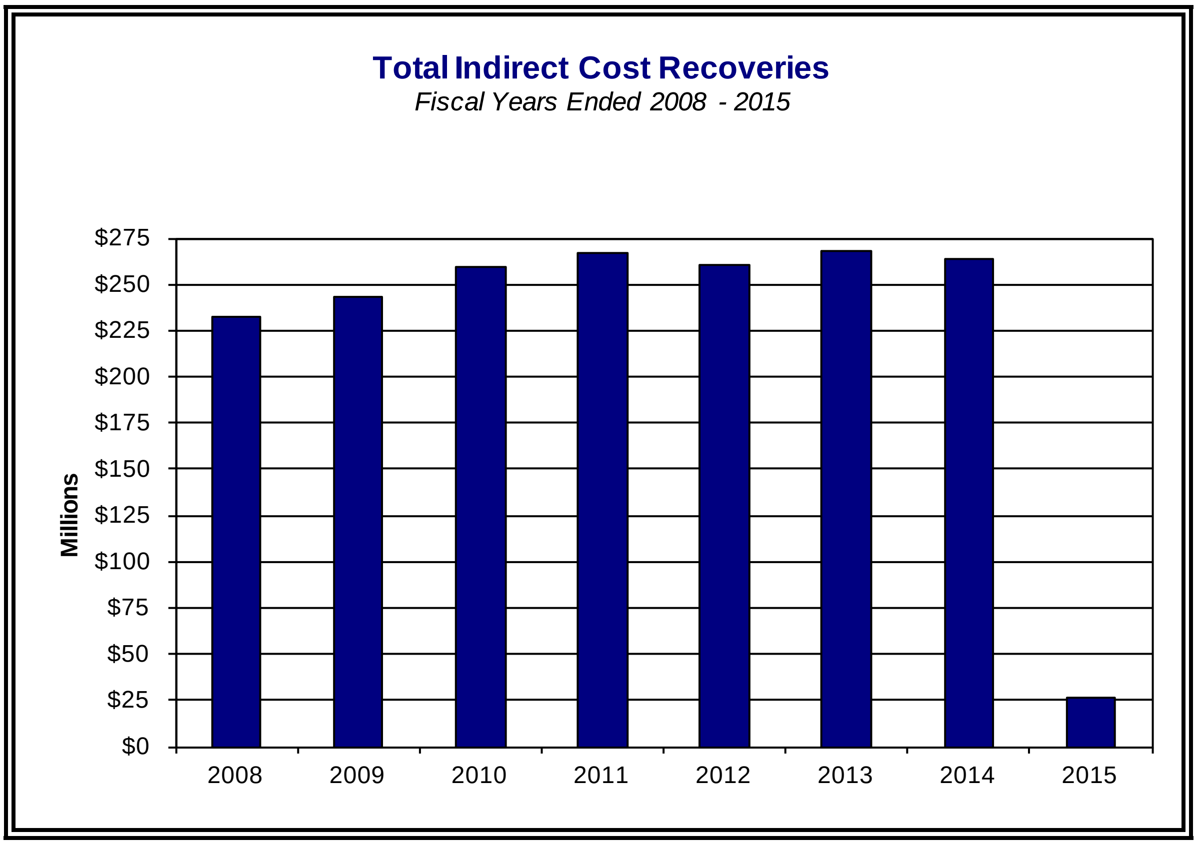
Agencies with the Largest Volume of Past Due Receivables

As of June 30, 2014

Agency	Total Past Due	1 to 180 Days Past Due	181 to 365 Days Past Due	Over One Year
Department of Taxation	$ 1,513,802,181	$ 204,194,516	$ 119,944,162	$ 1,189,663,503
Localities' Circuit and District Courts	368,356,854	36,718,083	60,614,939	271,023,832
Total - Taxation Assessments and Court Fines and Fees	**$ 1,882,159,035**	**$ 240,912,599**	**$ 180,559,101**	**$ 1,460,687,335**
All Other Large Dollar Agencies:				
University of Virginia Medical Center	229,730,096	204,460,617	18,195,841	7,073,638
Department of Social Services	211,584,158	10,104,112	10,080,873	191,399,173
Virginia Employment Commission	73,294,751	16,047,184	9,840,904	47,406,663
Department of Medical Assistance Services	53,366,717	8,545,330	8,931,587	35,889,800
Department of Behavioral Health and Developmental Services	23,344,688	18,604,038	13,292	4,727,358
Department of Transportation	17,094,543	9,275,810	3,132,871	4,685,862
University of Virginia - Academic Division	15,771,212	14,196,775	1,118,282	456,155
George Mason University	9,315,055	7,911,183	1,133,098	270,774
Virginia Commonwealth University	9,159,424	3,834,763	2,723,436	2,601,225
Virginia Community College System	7,539,791	5,101,267	1,579,622	858,902
Virginia Polytechnic Institute and State University	6,771,854	4,419,406	625,998	1,726,450
Department of General Services	6,037,756	3,045,656	361,027	2,631,073
Virginia Workers' Compensation Commission	4,916,044	1,472,835	1,175,710	2,267,499
Virginia Port Authority	4,611,245	2,305,915	2,305,330	-
Department of Health	4,118,210	1,818,565	347,666	1,951,979
Old Dominion University	3,820,530	3,498,578	247,683	74,269
Department of State Police	3,755,607	1,819,713	188,473	1,747,421
Department of Motor Vehicles	2,885,406	1,348,140	214,652	1,322,614
Total - Largest Dollar Volume Agencies	**$ 687,117,087**	**$ 317,809,887**	**$ 62,216,345**	**$ 307,090,855**
All Other Agencies	30,077,171	18,089,353	5,539,621	6,448,197
Grand Total Past Due Receivables	**$ 2,599,353,293**	**$ 576,811,839**	**$ 248,315,067**	**$ 1,774,226,387**

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 2015 reflects indirect cost recoveries through September 30, 2014.

Indirect Cost Recoveries from Grants and Contracts

Fiscal Year 2015

Fund	Year-to-Date Higher Ed		Year-to-Date Non-Higher Ed		Year-to-Date Total	
Nongeneral:						
Agency / Institution (1)	$	6,303,258	$	19,234,267	$	25,537,525
Statewide		21,793		195,196		216,989
Agency / Institution ARRA		240,712		238		240,950
Statewide ARRA		-		5		5
Total Nongeneral	**$**	**6,565,763**	**$**	**19,429,706**	**$**	**25,995,469**
General:						
Agency (Cash Transfers)		-		-		-
Statewide		-		125,576		125,576
Statewide (Cash Transfers)		-		-		-
Total General	**$**	**-**	**$**	**125,576**	**$**	**125,576**
Total All Funds	**$**	**6,565,763**	**$**	**19,555,282**	**$**	**26,121,045**

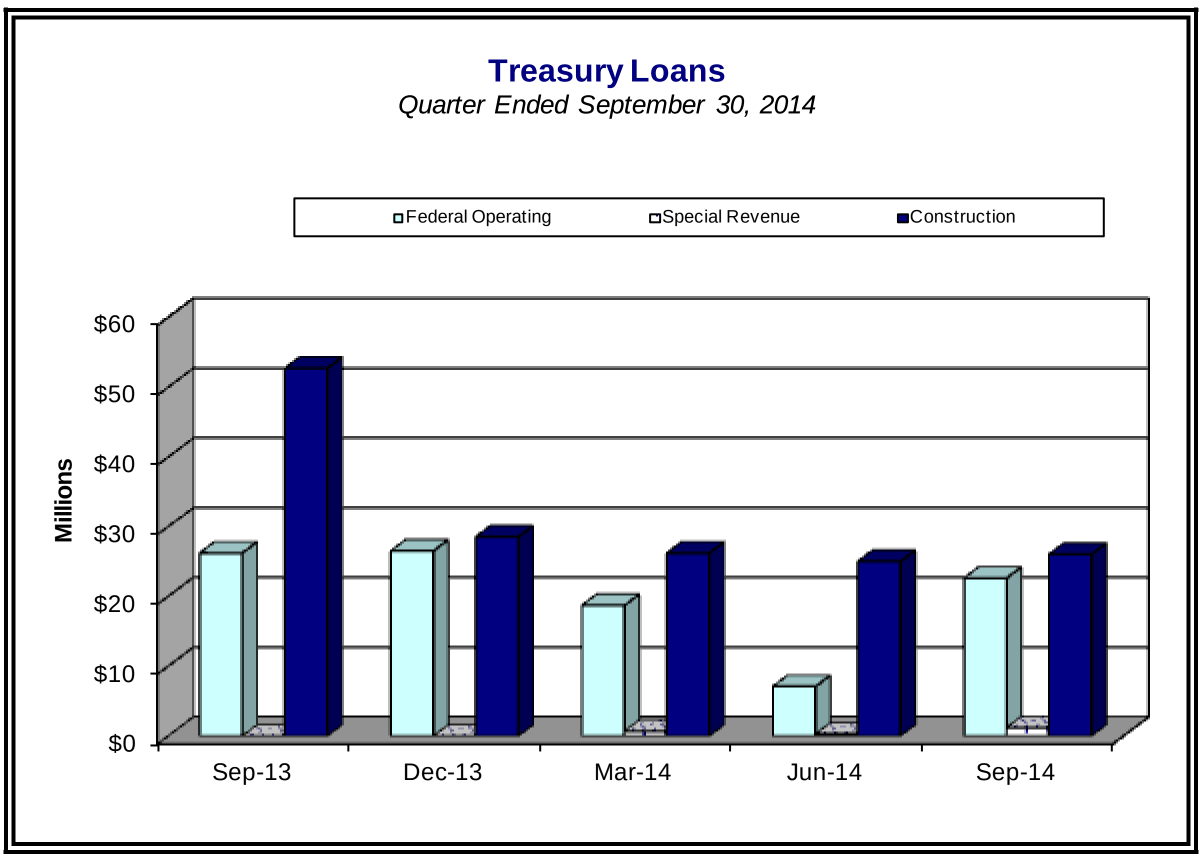
(1) The Department of Social Services records all federal monies received in CARS. However, it does not separately classify such receipts between direct and indirect. Included in the agency nongeneral fund category is $13,708,631 representing the Department of Social Services' estimate of indirect cost recoveries received.

Loans and Advances

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

- **Anticipation of Federal Operating Funds** supports the operations of federal grants and contract programs for which advance funding has been delayed or for those that require expenditure of funds prior to federal reimbursement.
- **Anticipation of Special Revenue Funds** supports the operations of non-general funded activities when collections are spread unevenly throughout the year while expenses require steady funding.
- **Construction** supports capital projects in anticipation of the sale of authorized debt or other financing for such projects.

The total of all types of treasury loans as of September 30, 2014 was $49.8 million.



Significant New Loans / Drawdowns		New Balance
Department of Military Affairs (DMA) Drawdown on a $15 million loan used to replace advances from cooperative agreements and maintenance reserve projects that may be delayed by the DOD accounting system (GFEBS) implementation.	$	8,000,000.00
Virginia State Police (VSP) Drawdown on a $1.4 million loan used to fund federal grant expenditures until reimbursements are obtained from the grantor agency.	$	1,424,442.00
George Mason University (GMU) Drawdown on a $12.5 million loan used to provide cash in advance of receipt of federal reimbursements for approved grants and contracts.	$	12,500,000.00
Department of Accounts (DOA) Drawdown on a $1.2 million loan used to cover expenditures related to the Cardinal maintenance.	$	1,182,958.99
Virginia Military Institute (VMI) Drawdown on a $1 million loan used to provide cash to support project work prior to receipt of bond proceeds from the next Virginia College Building Authority bond issue in fall 2014.	$	1,000,000.00

Significant Loan Repayments		Prior Balance
Department of Military Affairs (DMA) Repayment on a $15 million loan used to replace advances from cooperative agreements and maintenance reserve projects that may be delayed by the DOD accounting system (GFEBS) implementation.	$	5,000,000.00
Department of Conservation and Recreation (DCR) Repayment on a $2.4 million loan used to maintain sufficient cash levels in fund 1000 due to the agency’s grants in these funds being reimbursement-based grants.	$	1,400,000.00

Other methods not charted but used to ensure an agency or institution has sufficient operating cash include authorized appropriation deficits, working capital advances, and lines of credit.

- **Authorized Appropriation Deficits**, which provide funding, when authorized by the Governor, under emergency conditions as described in §4-3.01 and §4-3.02 of the Appropriation Act. There were no deficit loans/appropriations as of September 30, 2014.

- **Working Capital Advances,** which provide operating funds for nongeneral fund projects when revenues to be used for repayment will not be generated within the twelve months required for anticipation loans. The total of all outstanding working capital advances as of September 30, 2014 was $49.6 million.

- **Lines of Credit**, which provide funding for recurring shortfalls of operating cash and are authorized in §3-2.03 of the Appropriation Act. The total of all outstanding lines of credit as of September 30, 2014 was $60 million.