TABLE OF CONTENTS

REPORT ON STATEWIDE FINANCIAL MANAGEMENT
AND COMPLIANCE
Quarter Ended September 30, 2004

Page

STATEMENT OF PURPOSE 1

COMPLIANCE 2
- Auditor of Public Accounts Reports - Executive Branch Agencies 2
  - *Audit Reports – Quarter Ended September 30, 2004* 2
  - *Agency Findings – Quarter Ended September 30, 2004* 4
  - *Annual Summary of APA Audit Findings* 6
- Compliance Monitoring 7
  - Exception Registers 7
  - Disbursement Processing 7
  - Paperwork Decentralization 8
    - *Decentralized Agencies* 9
    - *Non-Decentralized Agencies* 11
  - Prompt Payment Compliance 13
  - E-Commerce 17
    - *Financial Electronic Data Interchange (EDI)* 18
    - *Employee EDI* 19
    - *Direct Deposit* 22
    - *Payroll Earnings Notices* 25
    - *Small Purchase Charge Card (SPCC) and Increased Limit (GOLD) Card* 29
    - *Travel Charge Card* 35
  - Payroll Controls 37
    - *PMIS/CIPPS Payroll Audit* 37
    - *PMIS/CIPPS Exceptions* 40
    - *Payroll Certification* 41
    - *Healthcare Reconciliations* 43

FINANCIAL MANAGEMENT ACTIVITY 44
- Commonwealth Accounting and Reporting System (CARS) 44
  - *CARS Edits* 45
- Payroll 46
  - *Benefit Participation by CIPPS Agencies* 47
- Accounts Receivable 48
  - *Comptroller's Debt Setoff (CDS) Program* 51
- Indirect Costs 54
- Loans and Advances 56
- Fixed Asset Accounting and Control System (FAACS) 58

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, 2004 and comparative FY 2004 data. Some information in the report is for the quarter ended June 30, 2004, which is the most current data available.

David A. Von Moll, CPA, CGFM
Comptroller

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 reportable conditions. Reportable conditions involve matters relating to significant deficiencies in the design or operation of internal control that, in the Auditor's judgement, could adversely affect the agency's ability to record, process, summarize, and report financial data consistent with the assertions of management.

Each agency must provide a written response that includes a Corrective Action Workplan (CAW) to the Department of Planning and Budget, the Department of Accounts, and the agency's Cabinet Secretary when its audit report contains one or more audit findings. Workplans must be submitted within 30 days of receiving the audit report. Commonwealth Accounting Policies and Procedures (CAPP) manual, Topic 10205, *Agency Response to APA Audit,* contains instructions and guidance on preparing the workplan.

Audit Reports – Quarter Ended September 30, 2004

The APA issued 9 separate reports covering 10 agencies, offices, boards, commissions and universities for the Executive Branch agencies listed on the following table. The last column indicates whether the CAW has been received as of the date of this publication for each agency with audit findings. Note that in some cases, the CAW may not have been received because it is not yet due.

	New Findings	Repeat Findings	Total Findings	CAW Received
Administration				
None Issued				
Commerce and Trade				
Board of Accountancy	0	0	0	N/A
Tobacco Indemnification and Community Revitalization Commission	0	0	0	N/A
Education				
Jamestown – Yorktown Foundation	2	0	2	Yes
Christopher Newport University	0	1	1	Yes
George Mason University	4	0	4	Yes
Norfolk State University	1	1	2	Yes

	New Findings	Repeat Findings	Total Findings	CAW Received
Elected Officials				
Office of the Governor	0	0	0	N/A
Office of the Lieutenant Governor	0	0	0	N/A
Office of the Attorney General and the Department of Law (1)	2	0	2	Yes
Finance				
None Issued				
Health and Human Resources				
None Issued				
Natural Resources				
None Issued				
Public Safety				
None Issued				
Technology				
None Issued				
Transportation				
None Issued				

No audit reports were received during the quarter for agencies and institutions that report to the Secretaries of Administration, Finance, Health and Human Resources, Natural Resources, Public Safety, Technology, and Transportation.

(1) The APA issued one report on the Office of the Attorney General and the Department of Law, which included the Division of Debt Collection.

Agency Findings – Quarter Ended September 30, 2004

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

Education

Jamestown – Yorktown Foundation

1. Review and Update Internal Controls. Foundation management should review and update the Foundation's internal control system to not only reflect current operations, but provide safeguards for the anticipated growth of the next several years.

2. Improve Access Controls over Paciolan. The Foundation does not have adequate access controls to Paciolan, the ticketing reservation system. As a result, several users had unrestricted access to the system and several former employees still had access to the system.

Christopher Newport University

1. Develop and Implement an Information Security Program. **As noted in the prior audit**, the University has not developed a formal information security program for its information technology department.

George Mason University

1. Improve Financial Statement Preparation Process. The University did not adequately document the support for its financial statements.

2. Complete Documentation of Access Policies and Procedures. GMU has not completed formal information technology policies and procedures to provide access security controls for its network environment in accordance with the Commonwealth's ITRM Standard SEC 2001-01.1.

3. Complete Business Impact Analysis, Risk Assessment, and Disaster Recovery Plan. The University has not updated certain components of its information technology security program or its contingency plan.

4. Establish Controls for Auditing and Monitoring the Oracle Database. GMU does not use the auditing feature of the Oracle database to log access to critical functions within the database. Failure to audit and monitor access to critical information could lead to undetected unauthorized database changes.

Norfolk State University

1. Collect and Correct Accounts Receivables. The University is failing to collect significant financial resources and has known of the problem since the problem was first reported in the fiscal year 2000 audit report. Over a year ago, NSU provided the auditors with a plan that contained the resources to correct past problems and maintain current operations. A year later, the University has not implemented the plan or committed the resources to correct the problem.

2. Enhance Small Purchase Charge Card Controls. **As noted in previous audits**, the University needs to follow its policies and procedures for the SPCC program and improve management's oversight. Charges for purchases were split to avoid the purchase transaction limit. Cardholders erroneously paid sales tax in some instances. Four of five cardholders tested exceeded their monthly transaction limits, and two of five cardholders did not prepare a purchase log.

Elected Officials

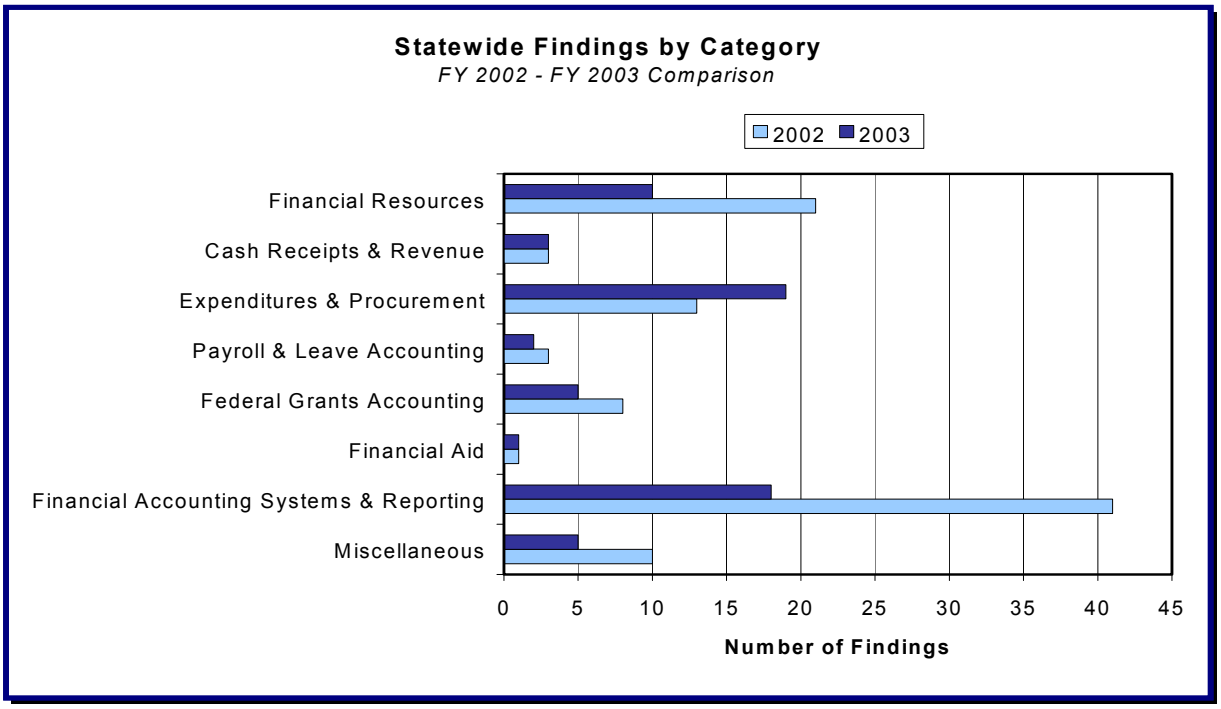
Office of the Attorney General and the Department of Law

1. Strengthen Agency Policies and Procedures. The Purchasing Policies and Procedures, as written, did not address when employees should get prior approval to order goods or services, and did not direct employees to first consider statewide contracts for goods or services. Two of sixteen vouchers examined were not paid within 30 days, three had incorrect accounting codes, and one paid an incomplete purchase order. Further, two Small Purchase Charge Card vouchers had no evidence of supervisory review or monthly reconciliation of the monthly statements.

2. Strengthen Controls Over Contracts. The Office paid federal grant money under the "Class Action Program" to two vendors with inadequate supporting procurement documentation including written contracts and requests for proposals.

As of September 30, 2004, the Auditor of Public Accounts had issued 54 audit reports for 80 executive branch agencies for FY 2003. Thirty-two of these reports reflected no internal control weaknesses or compliance findings. The remaining 22 audit reports covering 27 agencies contained 63 audit findings citing internal control weaknesses and noncompliance. For FY 2002, 40 reports contained findings and 63 total findings were reported. About 29 percent of the FY 2003 audit findings were reported in the Financial Accounting Systems and Reporting area compared to 41 percent for the previous year.

Category	New Findings	Repeat Findings	Total Findings
Financial Accounting Systems & Reporting	16	2	18
Financial Resources	10	-	10
Expenditures & Procurement	8	11	19
Miscellaneous	3	2	5
Federal Grants Accounting	4	1	5
Cash Receipts & Revenue	2	1	3
Payroll & Leave Accounting	2	-	2
Financial Aid	-	1	1
Total	**45**	**18**	**63**



Compliance Monitoring

Exception Registers

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 an exception register.

DOA closely monitors exception register status, evaluates exceptions, and posts correcting entries in CARS. Exception registers for June, July and August were due 07/16/04, 08/26/04, and 09/27/04, respectively. No exception registers were submitted late and none are outstanding

Disbursement Processing

During the quarter ended September 30, 2004, DOA deleted, at the submitting agency's request, 52 payments that were awaiting disbursement from the vendor payment file. These included duplicate payments, payments with incorrect vendors or addresses, and payments with incorrect amounts. This type of transaction may point to areas where improved agency internal accounting controls should be evaluated.

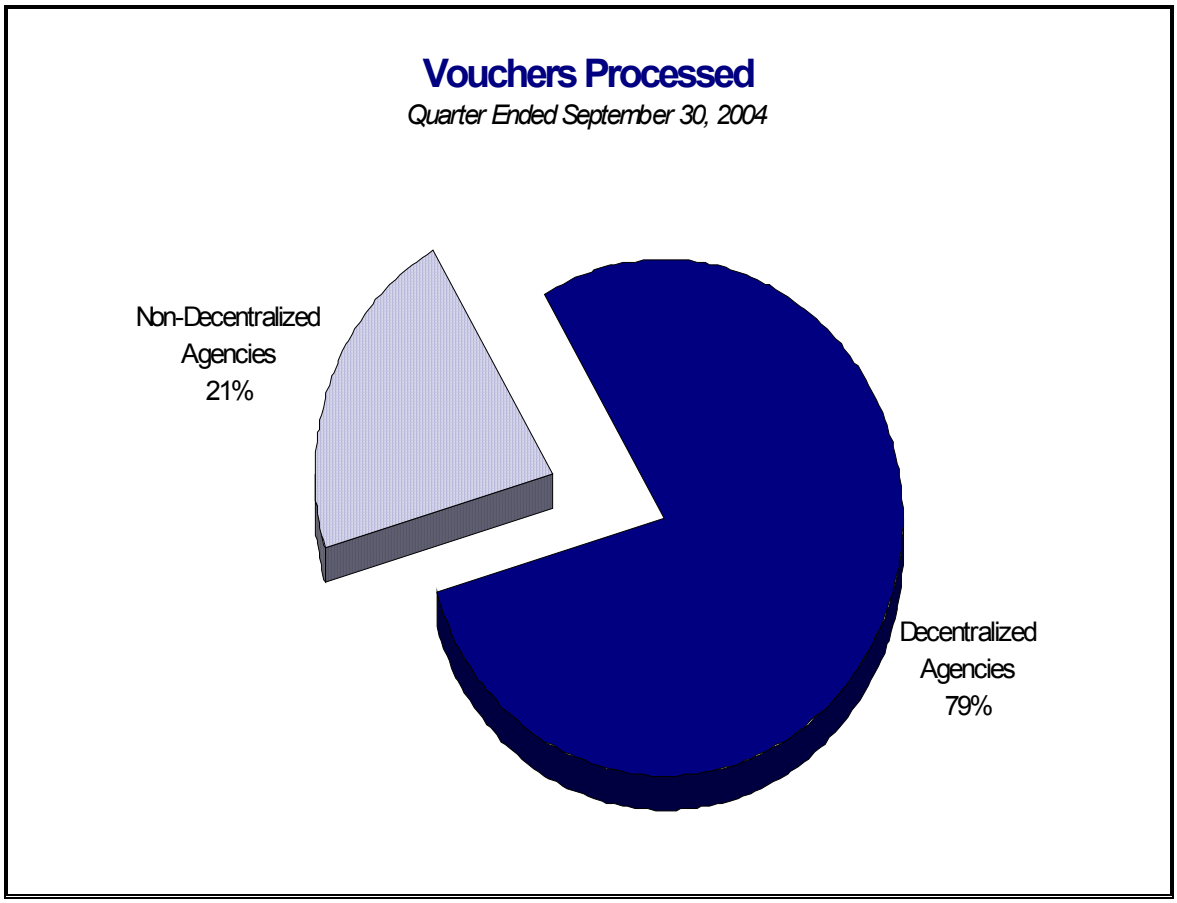
Thirty agencies requested deletes during the quarter. Agencies that requested more than four vendor payment deletes during the quarter are as follows:

- Department of Transportation

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

Compliance reviews were conducted for six decentralized agencies as well as one follow up audit during the quarter. The agencies were evaluated for compliance with State expenditure policies and procedures. Vouchers are selected for review based on a random sample designed to ensure 95 percent confidence in the conclusions.

The Exception Rate is determined by dividing the number of compliance findings by the number of vouchers reviewed. The primary reasons for an Exception Rate exceeding 3.9 percent are provided below.

Compliance Rating Legend	
> 9.9%	Unacceptable Performance
7.0% to 9.9%	Minimal Performance
4.0% to 6.9%	Satisfactory Performance
1.0% to 3.9%	Good Performance
< 1.0%	Exceptional Performance

Decentralized Agency	Vouchers Reviewed	Compliance Findings	Exception Rate	Performance Measurement
Commerce and Trade				
Department of Mines, Minerals and Energy	419	3	0.7%	Exceptional
Education				
Virginia Museum of Fine Arts (1)	205	9	4.4%	Satisfactory
Health and Human Services				
Department of Mental Health, Mental Retardation and Substance Abuse Services combined with MHMR &SAS – Grants to Localities	553	16	2.9%	Good
Natural Resources				
Department of Game and Inland Fisheries	429	8	1.9%	Good
Technology				
Virginia Information Technologies Agency	397	23	5.8%	Satisfactory

(1) Follow up audit for the six month period of 1/01/04 through 6/30/04 to determine if the agency had improved from a "minimal" performance rating on the prior audit.

Note: No reviews were performed during the quarter for agencies that report to the Secretaries of Administration, Finance, Public Safety, and Transportation.

Agencies With Performance Ratings Lower Than "Good"

Virginia Museum of Fine Arts – Satisfactory Performance – Eight of the nine compliance findings were related to travel vouchers and one to small purchase charge card activity. The following items represent the majority of these findings:

Travel Vouchers

- Missing signatures on Batch Header or Travel Expense Reimbursement Voucher (3)
- Lodging taxes not prorated after reduction in allowed lodging rate (2)
- Meal and/or lodging expenses combined instead of being listed separately (2)

Small Purchase Charge Card

- Original receipt is missing (1)

Virginia Information Technologies Agency – Satisfactory Performance – All findings noted were in two areas: fourteen findings related to travel vouchers, and nine findings related to vendor payment vouchers. The majority of these findings are listed below. There were no findings noted for petty cash transactions or for small purchase charge card transactions.

Travel Vouchers

- Original receipts and invoices are either missing or are uncertified copies (5)
- No designee approval for lodging over the allowed guidelines (2)
- Insufficient information provided to fully explain expenditure (5)

Vendor Payment Vouchers

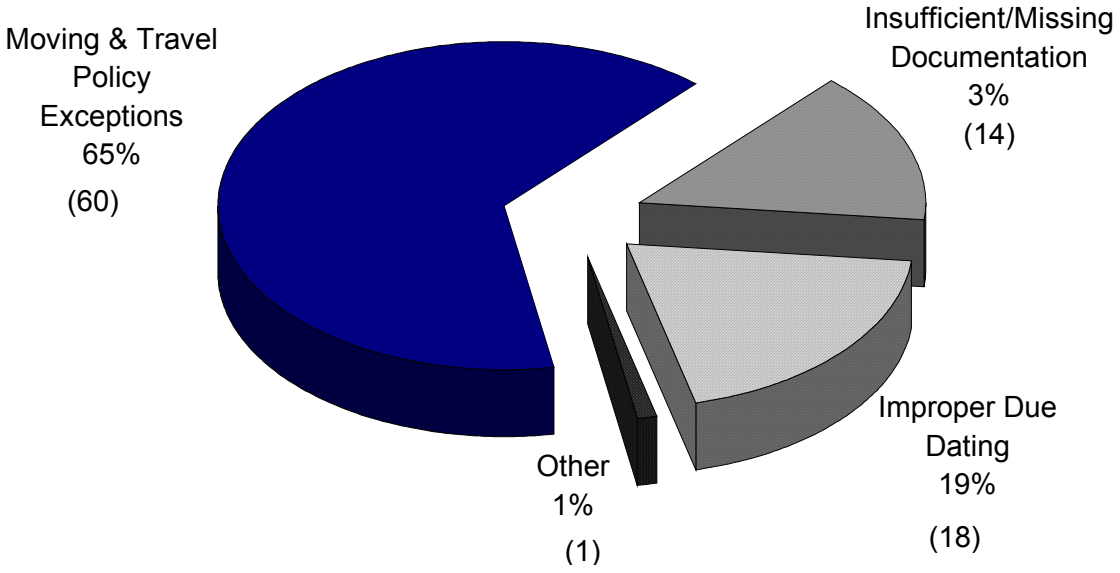
- Due date not assigned, or calculated incorrectly (4)
- Incomplete documentation to fully explain or support the expenditure (3)

Non-Decentralized Agencies

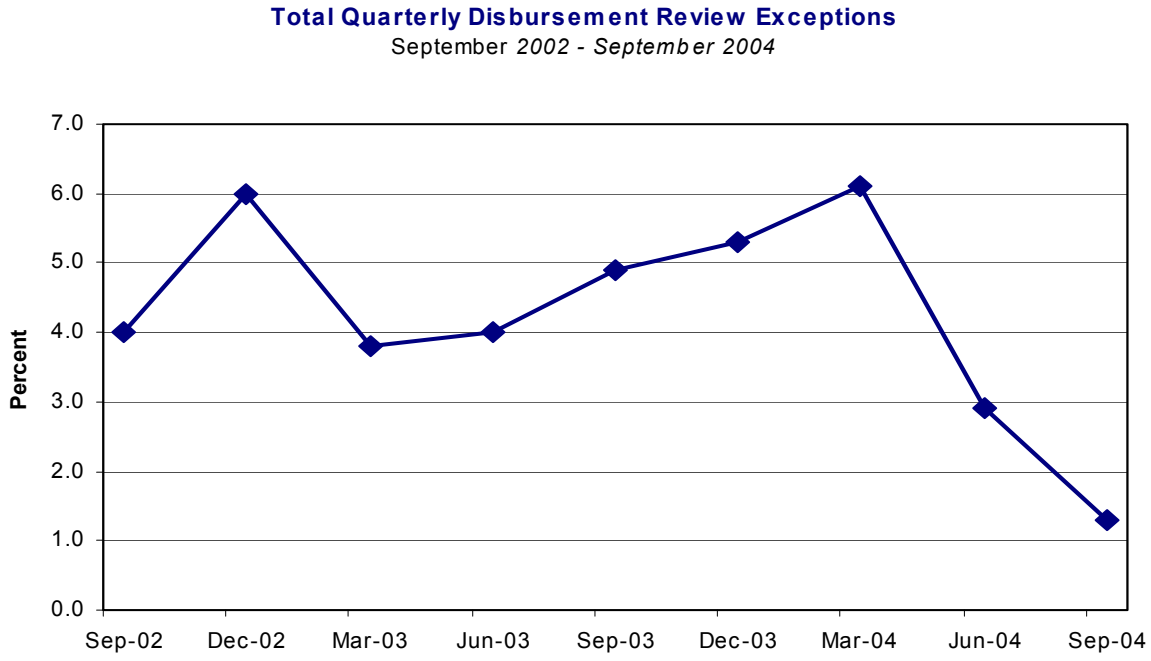
Pre-audit of disbursements is conducted at the Department of Accounts for certain agencies that have not demonstrated the capability to manage a delegated program (i.e., have not met statewide decentralization management standards), agencies for which the cost of delegation is greater than the efficiency 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 132 non-decentralized agencies on a rotating schedule. A total of 934 non-travel disbursement batches and 281 travel disbursement batches were reviewed, disclosing 93 exceptions that were resolved prior to releasing the transactions for payment.

Disbursement Review and Compliance Findings
Non-Decentralized Agencies
Quarter Ended September 30, 2004



The following chart compares compliance findings as a percentage of total batches reviewed among non-decentralized agencies, by quarter, for the past two years.



Prompt Payment Compliance

The Prompt Payment Act 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 Section 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

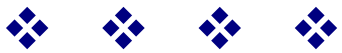
	Quarter Ending September 30, 2004		*Fiscal Year 2005 To Date*		*Comparative Quarter Ended September 30, 2003*	
	Late	Total	Late	Total	Late	Total
Number of Payments Payments	8,448	688,080	8,448	688,080	**7,228**	**621,194**
Dollars (in thousands)	$ 38,159	$ 1,400,024	$ 38,159	$ 1,400,024	**$ 20,458**	**$ 1,262,320**
Interest Paid on Late Payments				$ 4,866		
Current Quarter Percentage of Payments in Compliance				98.8%		
Fiscal Year-to-Date Percentage of Payments in Compliance				98.8%		
Comparative Fiscal Year 2004 Percentage of Payments in Compliance				**98.8%**		

Prompt Payment Performance by Secretarial Area

Quarter Ended September 30, 2004

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	97.4%	99.1%
Commerce and Trade	98.3%	98.7%
Education*	98.8%	97.7%
Elected Officials	98.0%	95.0%
Finance	97.7%	99.5%
Health and Human Resources	98.6%	92.7%
Independent Agencies	98.6%	97.9%
Judicial	98.9%	99.6%
Legislative	99.9%	99.8%
Natural Resources	99.2%	99.6%
Public Safety	99.1%	98.6%
Technology	96.8%	96.5%
Transportation*	98.8%	97.0%
Statewide	98.8%	97.3%

* 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, 2004, the following agencies and institutions that processed more than 50 vendor payments during the quarter were below the 95 percent prompt payment performance standard.

Prompt Payment Compliance Rate
Agencies Below 95%

Quarter Ended September 30, 2004

Agency	Late Payments	Total Payments	Payments in Compliance
Education			
Gunston Hall Plantation	20	122	83.6%
Health and Human Resources			
Eastern State Hospital	263	3,137	91.6%
Central Virginia Training Center	101	1,944	94.8%
Southside Virginia Training Center	372	2,631	85.9%
Judicial			
State Board of Bar Examiners	32	68	52.9%
Independent Agencies			
Virginia Office for Protection and Advocacy	18	241	92.5%
Administration			
Department of Veterans Services	145	1,712	91.5%

Prompt Payment Explanations
Explanations for low prompt payment compliance rates for the first quarter of FY 2005 were provided by the following agencies. Not all agencies elected to provide written explanations.

The Virginia Board of Bar Examiners reports cash shortfalls prevented timely payments. The cash shortfalls were caused by complications associated with the change in the funding source from General to Special funds. In September a temporary Treasury Loan was approved and all outstanding transactions posted to CARS.

Central Virginia Training Center reports a first quarter special fund cash deficit due to lack of beginning of year working capital and continuing billing problems.

Piedmont Geriatric Hospital reports insufficient cash flow during the first quarter of the fiscal year.

Gunston Hall reports staffing limitations caused below standard prompt pay results for the first quarter.

The Southside Virginia Training Center reports negative cash flow status for most of the first quarter of FY 2005.

The Virginia Office for Protection and Advocacy reports moving all accounting functions from the Department of General Services back to VOPA during August-September. During this time, VOPA was still using DGS's internal accounting system and necessary system links were not changed timely to enable VOPA access to send data to CARS.

The Department of Veterans Services reports organizational changes involving movement of the accounts payable section from one location to another resulted in computer access and electrical problems during the move. DVS also reports the adverse affects of limited staffing are being corrected by hiring and training additional personnel.

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. 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

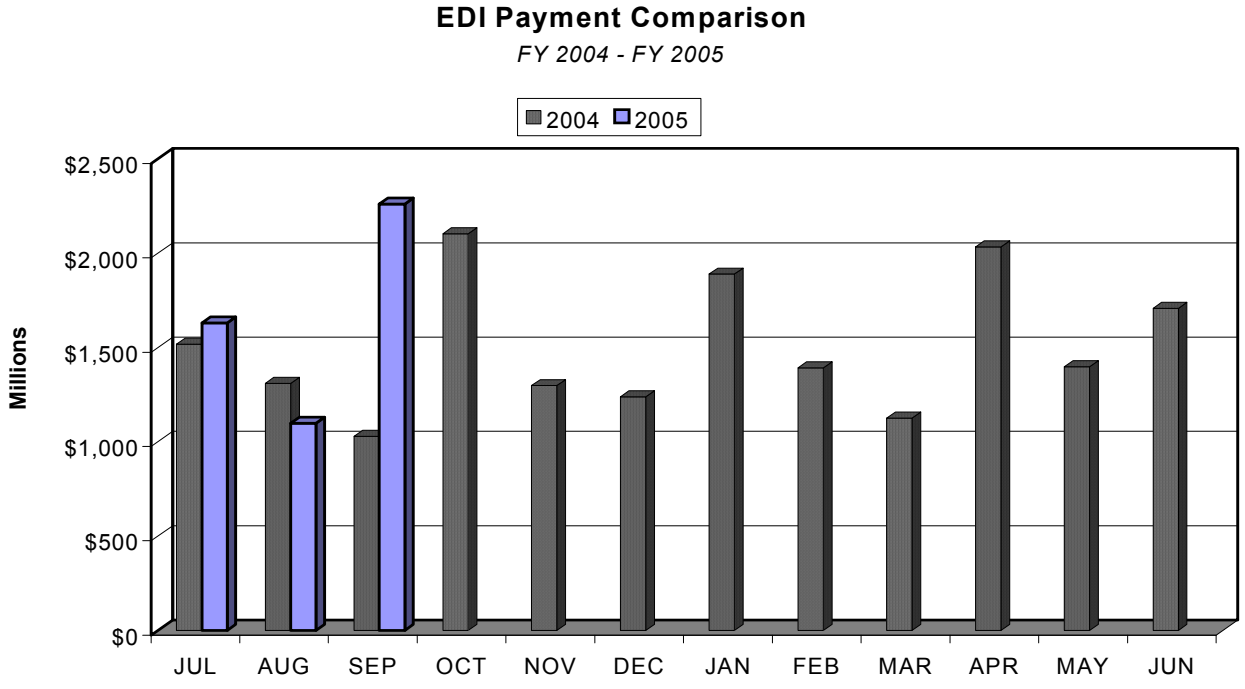
	Quarter Ended September 30, 2004			Comparative Quarter Ended September 30, 2003
	E-Commerce	**Total**	**Percent**	**Percent**
Number of Payments	527,317	942,503	57.9%	**56.1%**
Payment Amounts	$ 5,684,757,230	$ 6,601,941,720	86.1%	**83.8%**

Financial Electronic Data Interchange (EDI)

The dollar volume of Financial EDI payments for the first quarter of FY 2005 was $1.1 billion (29 percent) more than the same quarter last year. The number of trading partner accounts increased by 93 percent from September 2003. The largest portion of this increase is due to efforts to convert state employee travel reimbursements from checks to electronic payments.

Financial EDI Activity

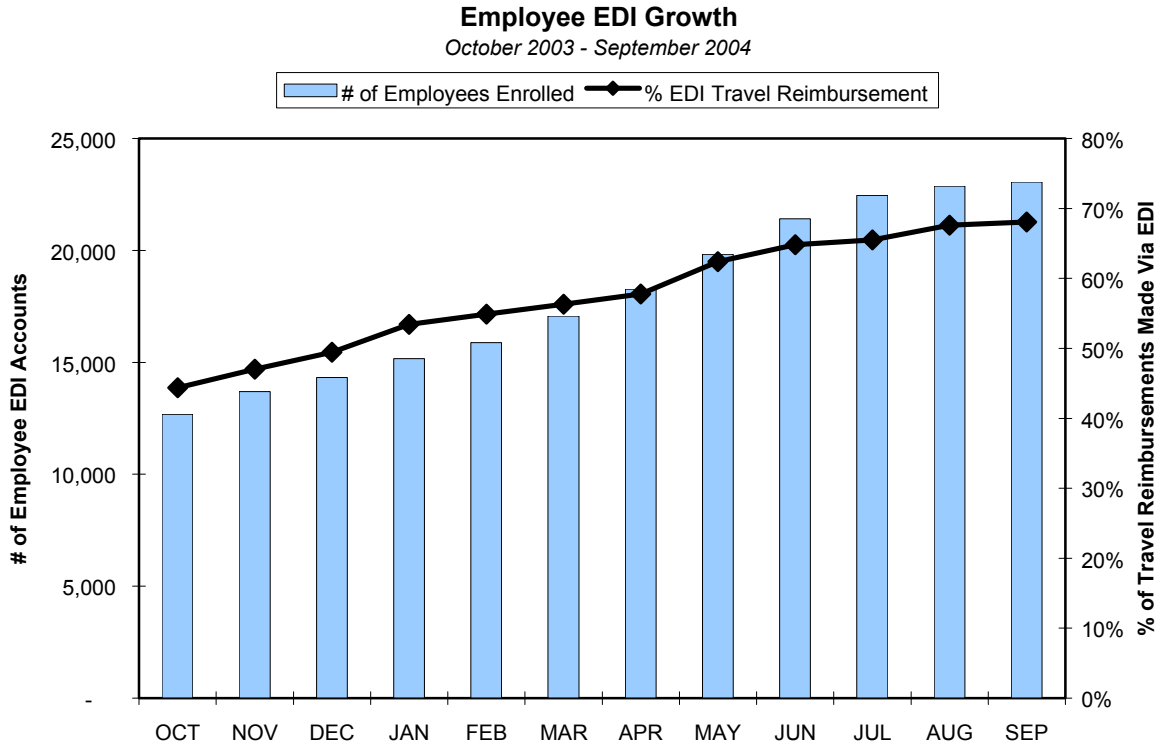
Financial EDI Activity	*Quarter Ended September 30, 2004*	*Comparative Quarter Ended September 30, 2003*
Number of Payments	40,957	**28,916**
Amount of Payments	$ 4,992,031,448	$ **3,859,490,391**
Number of Invoices Paid	178,493	**146,729**
Estimated Number of Checks Avoided	71,064	**55,872**
Number of Trading Partner Accounts As of 9/30/04	25,457	**13,220**



Employee EDI

Expansion of the Employee EDI program is an integral part of the statewide effort to reduce the administrative costs associated with paying for goods and services for the Commonwealth. The Appropriation Act requires employees who travel more than twice a year to be reimbursed using EDI. DOA notified agencies of the requirement through a CARS broadcast screen and calls to the agencies that produce the largest number of travel reimbursement checks. Utilization statistics from a prior quarter were provided to the fiscal officers of the agencies that participate in the program in an effort to increase the number of employees enrolled from those agencies.

Although participation among certain agencies has increased, many agencies have failed to enroll employees in EDI as required by law. In accordance with Section 4-5.04g of the Appropriation Act, the Comptroller began charging agencies $1 for each travel reimbursement check issued in lieu of Employee EDI beginning with the second quarter of FY 2004. Agencies are expected to take action to enroll applicable employees in the EDI program and thus avoid the fees altogether.



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 include all travel reimbursements, whether for state or non-state employees.*

Travel Reimbursement
Employee EDI Performance
By Secretarial Area

Quarter Ended September 30, 2004

Secretarial Area	Percent	Reimbursement Checks Issued
Administration	68.6%	97
Commerce and Trade	84.4%	463
Education *	48.1%	2,469
Elected Officials	86.5%	45
Finance	95.4%	32
Health and Human Resources	81.4%	1,463
Independent Agencies	90.0%	133
Judicial	9.7%	3,250
Legislative	83.2%	123
Natural Resources	87.9%	210
Public Safety	71.1%	1,713
Technology	46.6%	47
Transportation*	76.5%	133
Statewide for Quarter	**67.1%**	**10,178**
	Comparative Quarter Ended September 30, 2003	
Statewide	**42.4%**	**16,396**

* Statistics do not include agencies and institutions decentralized for vendor payment processing and the Department of Transportation, which currently processes travel reimbursements through petty cash.

The following table lists agencies with Employee EDI participation rates below 75 percent that issued more than 25 travel reimbursement checks during the quarter.

Agency Employee EDI Performance
Utilization Below 75 Percent

Agency	Percent	Reimbursement Checks Issued
Administration		
Department of General Services	71.1%	26
Education		
Northern Virginia Community College	72.2%	27
Southside Virginia Community College	64.0%	27
Danville Community College	62.7%	31
Lord Fairfax Community College	60.3%	29
Thomas Nelson Community College	47.8%	47
Tidewater Community College	45.8%	96
Norfolk State University	44.3%	142
J Sargeant Reynolds Community College	4.4%	65
Health and Human Resources		
Department of Social Services	65.0%	297
Judicial		
Supreme Court	3.6%	612
Combined Courts	1.7%	293
Juvenile and Domestic Relations District Courts	0.7%	307
Circuit Courts	0.5%	558
District Courts	0.0%	311
Magistrate System	0.0%	255
Natural Resources		
Department of Conservation and Recreation	72.9%	57
Public Safety		
Department of Corrections-Central Administration	72.0%	35
Department of Corrections- Division of Institutions	67.7%	50
Wallens Ridge State Prison	54.8%	28
Department of Military Affairs	46.3%	43
Bland Correctional Center	31.7%	28
Western Region Correctional Field Units	24.4%	31
Department of Fire Programs	20.2%	134
Augusta Correctional Center	9.1%	30
Technology		
Virginia Information Technologies Agency	42.0%	47
Transportation		
Department of Motor Vehicles	73.9%	109

Direct Deposit

During the first quarter of FY 2005, 356,533 checks were avoided using direct deposit. Agencies are expected to take proactive steps to improve participation rates, particularly for wage employees.

Direct Deposit Performance by Secretarial Area

Quarter Ended September 30, 2004

Secretarial Area	Direct Deposit % of Salary Employees	Direct Deposit % of Wage Employees
Administration	89.3%	80.0%
Commerce and Trade	95.0%	80.0%
Education	95.6%	38.5%
Elected Officials	97.5%	59.1%
Finance	93.2%	87.5%
Health and Human Resources	83.6%	69.0%
Independent Agencies	95.6%	76.1%
Judicial	94.8%	40.8%
Legislative	95.2%	80.5%
Natural Resources	95.6%	45.7%
Public Safety	87.1%	71.2%
Technology	94.1%	87.2%
Transportation	82.0%	69.7%
Statewide	**88.3%**	**48.3%**
Comparative		
Quarter Ended September 30, 2003		
Statewide	**86.2%**	**46.2%**

Statewide Salaried Direct Deposit Performance

Quarter Ended September 30, 2004

Salaried Direct Deposit Participation	88.3%

Salaried Direct Deposit Below 80 Percent

Agency	Percent	Number of Employees
Health and Human Resources		
Southern Virginia Mental Health	79.5%	161
Commonwealth Center for Children & Adolescents	79.2%	135
Hiram W Davis Medical Center	77.4%	786
Central State Hospital	73.0%	712
Southside Virginia Training Center	70.0%	1,393
Virginia Center for Behavioral Rehabilitation	68.5%	73
Piedmont Geriatric Hospital	66.4%	328
Central Virginia Training Center	63.0%	1,524
Public Safety		
Greensville Correctional Center	79.8%	822
Lunenburg Correctional Center	79.3%	261
Southampton Reception & Classification Center	78.6%	248
Eastern Regional Correctional Field Units	78.3%	134
Central Region Correctional Field Units	77.2%	110
Augusta Correctional Center	77.1%	394
Mecklenburg Correctional Center	76.8%	389
Bland Correctional Center	74.6%	304
Brunswick Correctional Center	71.3%	381
Dillwyn Correctional Center	70.5%	265
Buckingham Correctional Center	69.5%	341
Nottoway Correctional Center	66.8%	458
Transportation		
VDOT Richmond District	79.00%	1,121
VDOT Staunton District	78.60%	765
VDOT Lynchburg District	72.70%	733
VDOT Salem District	71.50%	925
VDOT Bristol	70.30%	989
VDOT Culpeper District	68.90%	598

Statewide Wage Direct Deposit Performance

Quarter Ended September 30, 2004

Wage Direct Deposit Participation	48.3%

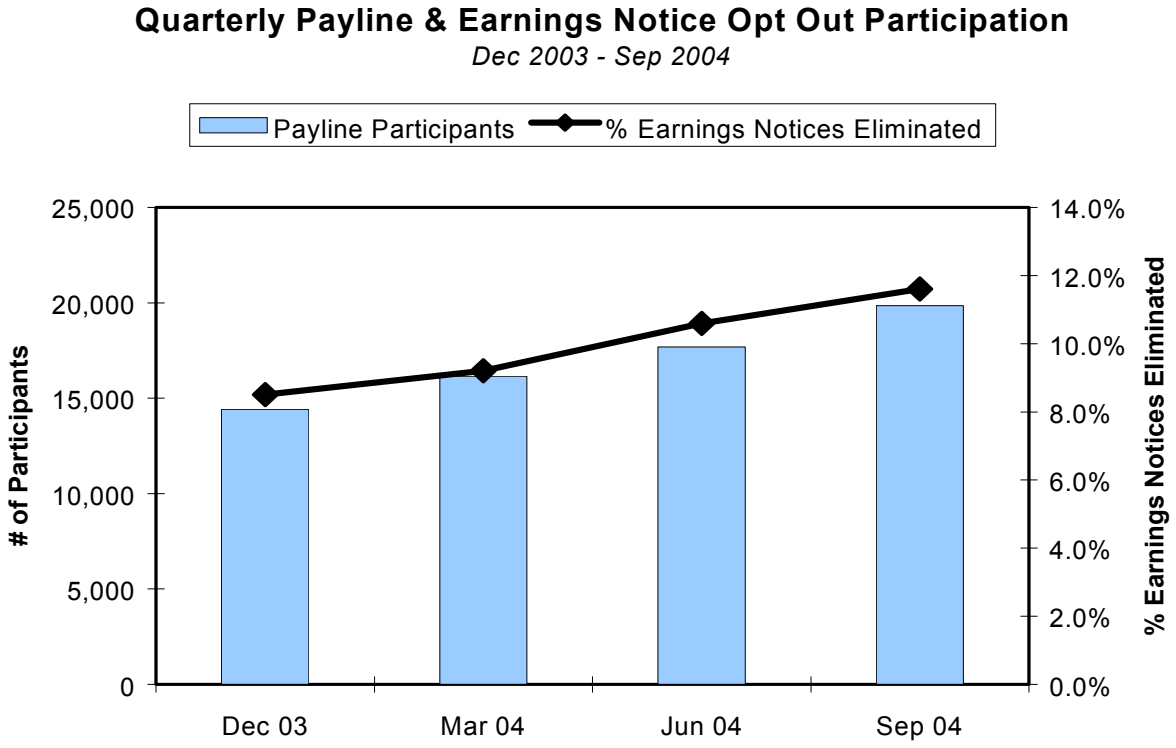
Wage Direct Deposit Below 40 Percent

Agency	Percent	Number of Employees
Commerce and Trade		
Department of Agriculture & Consumer Services	33.1%	151
Education		
Central Virginia Community College	38.4%	104
Virginia Museum of Fine Arts	33.9%	53
Gunston Hall Plantation	31.8%	22
Southwest Virginia Community College	30.1%	275
Paul D. Camp Community College	30.0%	113
New River Community College	27.7%	281
Eastern Shore Community College	27.3%	73
Piedmont Virginia Community College	26.7%	262
Richard Bland College	25.0%	28
Dabney S. Lancaster Comm. College	24.7%	101
Lord Fairfax Community College	22.4%	325
John Tyler Community College	20.5%	369
Wytheville Community College	20.2%	183
Germanna Community College	18.7%	314
Mountain Empire Community College	17.5%	240
Thomas Nelson Community College	14.7%	591
Danville Community College	12.5%	256
Virginia Western Community College	10.5%	331
Radford University	8.4%	1,685
Longwood University	10.3%	433
Rappahannock Community College	8.4%	189
Southside Virginia Community College	6.4%	263
Virginia Highlands Community College	6.2%	209
Health and Human Resources		
Central Virginia Training Center	0.0%	94
Independent		
State Corporation Commission	30.0%	10
Judicial		
General District Courts	33.5%	262
Public Safety		
Department of Military Affairs	37.3%	238
Deerfield Correctional Center	20.0%	10
Various		
Selected Agency Support	16.1%	5

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 270,500 earnings notices. However, statewide participation rates remain low.



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

Payline and Earnings Notice Opt-Out Participation by Secretarial Area

Quarter Ended September 30, 2004

Secretarial Area	Percent Payline Participation	Percent Earnings Notices Eliminated*
Administration	48.6%	30.3%
Commerce and Trade	52.8%	37.5%
Education	19.9%	9.8%
Elected Officials	26.6%	19.2%
Finance	61.2%	32.4%
Health and Human Resources	22.9%	10.3%
Independent Agencies	37.0%	25.5%
Judicial	3.7%	1.3%
Legislative	35.8%	30.9%
Natural Resources	39.2%	30.3%
Public Safety	17.4%	6.7%
Technology	78.8%	49.8%
Transportation	24.2%	7.3%
Statewide	**23.7%**	**11.6%**
Comparative Quarter Ended September 30, 2003		
Statewide	**16.9%**	**8.2%**

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

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

Listed below are agencies where less than four percent of earnings notices have been eliminated by employees on direct deposit. Only agencies and institutions with more than 25 employees are included in this report.

Agency	Percent Earnings Notices Eliminated	Earnings Notices Printed for 9/30/04 Payday
Education		
Patrick Henry Community College	3.3%	229
Wytheville Community College	3.3%	132
Central Virginia Community College	2.7%	163
Danville Community College	2.3%	147
John Tyler Community College	2.3%	255
Southside Virginia Community College	2.2%	171
Christopher Newport University	2.0%	614
Longwood University	1.9%	527
Piedmont Virginia Community College	1.9%	186
Radford University	1.6%	1,107
Northern Virginia Community College	1.3%	1,400
Virginia School for the Deaf, Blind and Multi-Disabled - Hampton	1.3%	117
Thomas Nelson Community College	1.1%	356
Virginia Highlands Community College	1.0%	122
Rappahannock Community College	0.8%	100
Elected Officials		
Attorney General and Department of Law	3.8%	246
Health and Human Resources		
Northern Virginia Training Center	2.9%	481
Piedmont Geriatric Hospital	2.9%	233
Central State Hospital	2.8%	560
Virginia Rehabilitation Center for the Blind and Visually Impaired	2.6%	33
Southside Virginia Training Center	2.3%	971
Central Virginia Training Center	2.0%	915
Hiram W. Davis Medical Center	2.0%	152
Judicial		
Virginia Indigent Defense Commission	2.1%	349
Virginia State Bar	1.1%	85
Combined District Courts	0.9%	193
Juvenile and Domestic Relations District Court	0.7%	565
Magistrate System	0.5%	395
General District Courts	0.2%	909
Circuit Courts	0.0%	168
Court of Appeals of Virginia	0.0%	64

Agency	Percent Earnings Notices Eliminated	Earnings Notices Printed for 9/30/04 Payday
Legislative		
Division of Legislative Services	2.2%	86
Division of Capitol Police	1.1%	85
Natural Resources		
Marine Resources Commission	3.7%	120
Virginia Museum of Natural History	3.0%	29
Public Safety		
Department of Juvenile Justice	3.9%	1,927
Employee Relations and Training Division	3.7%	91
Augusta Correctional Center	3.5%	292
Department of State Police	3.4%	2,383
Eastern Region Correctional Field Units	3.0%	101
Keen Mountain Correctional Center	2.4%	253
Dillwyn Correctional Center	2.3%	180
Deep Meadow Correctional Center	2.2%	269
Southampton Correctional Center	2.0%	187
Virginia Correctional Enterprises	1.8%	139
Fluvanna Women's Correctional Center	1.7%	277
Haynesville Correctional Center	1.6%	309
James River Correctional Center	1.5%	222
Wallens Ridge Correctional Center	1.5%	358
Buckingham Correctional Center	1.4%	230
Bland Correctional Center	1.3%	225
Department of Corrections - Adult Community Services	1.3%	1,201
Brunswick Correctional Center	1.1%	262
Greensville Correctional Center	1.0%	640
Powhatan Correctional Center	0.9%	269
Red Onion Correctional Center	0.7%	378
Western Region Correctional Field Units	0.6%	408
Deerfield Correctional Center	0.5%	163
Lunenburg Correctional Center	0.4%	203
Nottoway Correctional Center	0.4%	300
Powhatan Reception and Classification Center	0.0%	90
Southampton Reception and Classification Center	0.0%	72
Virginia Correctional Center for Women	0.0%	173
Transportation		
Department of Transportation - Culpeper	3.8%	388
Department of Transportation - Richmond	3.3%	846
Department of Transportation - Northern Virginia	2.8%	840
Department of Transportation - Hourly	1.3%	196

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.

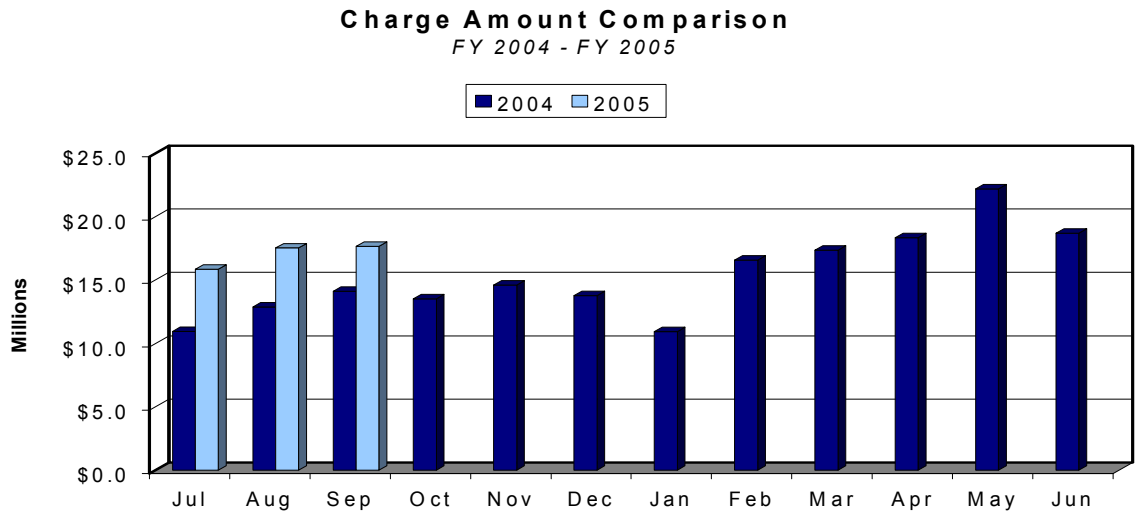
The Small Purchase Charge Card continues to be used for purchases under $5,000. Agencies are strongly encouraged to obtain a Gold Card for use by a procurement professional for purchases in the $5,000 to $50,000 range.

The total amount charged on SPCC and Gold cards during the first quarter of FY 2005 increased by $13.1 million or 34.6 percent from the same quarter last year.

Small Purchase Charge Card Program

Charge Card Activity	Quarter Ended September 30, 2004	Comparative Quarter Ended September 30, 2004
Amount of Charges	$ 51,086,895	$ 37,950,329
Estimated Number of Checks Avoided	126,184	107,518
Total Number of Participating Agencies	194	191
Total Number of Cards Outstanding	9,299	10,661

The following chart compares charge activity for FY 2005 to activity for FY 2004.



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. The tables on the following pages list SPCC participation by secretarial area and identify those agencies that are not maximizing charge card use and the associated cost savings. Agencies who have a Gold card and are not utilizing the Gold card to the fullest extent will also be identified in future issues of this *Quarterly Report*.

During this quarter, the Department of Accounts, the Department of General Services, and American Express initiated a detailed review of the supplier information available through CARS, eVA, and American Express. This review identified additional suppliers who accept the small purchase charge card but who were not previously identified in the SPCC utilization reporting process. Additionally, American Express renewed targeted efforts to enroll Commonwealth suppliers (particularly eVA suppliers), which has resulted in the enrollment of many new vendors in American Express. Their enrollment efforts will continue. DOA routinely updates the listing of American Express vendors on Department of Accounts SPCC web page and agencies should proactively monitor such updates.

As a result of this reporting change and enrollment effort, statewide and agency utilization rates are slightly lower, but more accurate, than previously reported. Accordingly, the reporting threshold has been lowered in this report from 70% to 65%. Additionally, the $1 underutilization charge imposed in accordance with § 5.04g. of the Appropriation Act, will also be based on a 65% utilization threshold. Each agency will receive a report identifying payments to participating suppliers with instructions to take additional proactive steps to ensure the small purchase charge card is used when conducting business with all participating vendors. This reporting and $1 charge threshold will return to the 70% level effective for the reporting quarter beginning January 1, 2005.

Statewide SPCC Performance

Quarter Ended September 30, 2004

Percentage Utilization for Eligible Transactions	**76%**

SPCC Utilization by Secretarial Area

Quarter Ended September 30, 2004

Secretarial Area	Payments in Compliance[1]	Non-Compliant Transactions[2]
Administration	76%	1,040
Commerce and Trade	70%	2,038
Education*	81%	6,815
Elected Officials	90%	67
Finance	71%	278
Health and Human Resources	60%	12,801
Independent Agencies	70%	981
Judicial	43%	2,116
Legislative	92%	92
Natural Resources	92%	938
Public Safety	77%	6,593
Technology	23%	739
Transportation*	84%	6,381
Statewide	76%	40,879

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

(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 65 Percent

Agency	Payments in Compliance	Non-Compliant Transactions
Administration		
Compensation Board	59%	11
Charitable Gaming Commission	0%	7
Commerce and Trade		
Virginia Employment Commission	37%	948
Department of Minority Business Enterprise	20%	8
Department of Labor and Industry	9%	139
Education		
Dabney S Lancaster Community College	64%	113
Piedmont Virginia Community College	60%	180
Virginia School for the Deaf & Blind at Staunton	53%	105
New River Community College	46%	289
Norfolk State University	46%	777
Virginia State University – Cooperative Extension and Agricultural Research Services	18%	863
Virginia Commission for the Arts	14%	12
Finance		
Department of Taxation	63%	217
Health and Human Resources		
Central State Hospital	64%	151
Department for the Aging	57%	38
Department for the Blind and Vision Impaired	57%	616
Commonwealth Center for Children and Adolescents	54%	46
Eastern State Hospital	49%	648
Northern Virginia Mental Health Institute	46%	196
Virginia Board for People with Disabilities	41%	41
Hiram W Davis Medical Center	37%	160
Department for the Deaf & Hard-of-Hearing	14%	121
Department of Rehabilitative Services	13%	5,834
Virginia Center for Behavioral Rehabilitation	0%	18
Independent Agencies		
Virginia Office for Protection and Advocacy	61%	60
State Lottery Department	51%	275
State Corporation Commission	0%	502

Agency	Payments in Compliance	Non-Compliant Transactions
Judicial		
Board of Bar Examiners	0%	26
Circuit Courts	0%	287
Combined District Courts	0%	227
General District Courts	0%	556
Judicial Inquiry and Review Commission	0%	6
Juvenile and Domestic Relations District Court	0%	637
Magistrate System	0%	42
Virginia Criminal Sentencing Commission	0%	11
Legislative		
Commission on Virginia Alcohol Safety Action Program	0%	32
Public Safety		
Governor's Office of Community Preparedness	64%	5
Virginia Correctional Center for Women	58%	119
Virginia Correctional Enterprises	57%	999
Nottoway Correctional Center	54%	122
Southampton Reception & Classification Center	46%	40
Department of Corrections – Central Activities	0%	48
Marion Treatment Center	0%	109
Technology		
Virginia Information Technologies Agency	23%	739
Transportation		
Motor Vehicle Dealer Board	27%	16

SPCC Payment Compliance

Agencies and institutions participating in the SPCC program are required to submit payments via EDI to the SPCC vendor by the **14th** of each month. Failure to pay the correct amount when due jeopardizes the Commonwealth's contractual relationship with the purchasing card vendor and may result in suspension of an agency's charge card program. The following chart lists agencies more than three days late in submitting their payments.

Agency Name	Jul	Aug	Sep
Education			
Thomas Nelson Community College		X	
University of Mary Washington		X	
Virginia Commonwealth University	X		
Virginia Institute of Marine Science		X	
Executive			
Office of the Attorney General		X	
Health and Human Resources			
Hiram W. Davis Medical Center		X	
Piedmont Geriatric Hospital		X	
Southside Virginia Training Center		X	
Independent			
Virginia Retirement System	X		
Public Safety			
Department of Military Affairs		X	

The Commonwealth of Virginia has contracted with American Express (AMEX) 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.

A Special Report released by the Auditor of Public Accounts in November 2003 presented several recommendations for improving the program, including closer monitoring of charge and payment activity.

One of the major concerns 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
- 60 days past due – on statement and separate notice plus 2.75% delinquency charge
- 90 days past due – additional 2.25% delinquency charge assessed
- > 90 days past due - privileges may be suspended and further action may be taken to cancel the account.

A joint memo from the State Comptroller and the Director of DGS Division of Purchases and Supply, dated June 25, 2004, advised agencies of the large amount of inactive cards for over 12 months. Agencies were required to review their lists and provide documentation to DGS by July 15, 2004 as to the status of the identified cards. The following table identifies the number of delinquent active card accounts by agency during the quarter ended September 30, 2004, and the total amounts past due.

Travel Charge Card Program

As of September 30, 2004

Agency	Total Delinquent Active Accounts	Amounts 60 Days Past Due	Amounts 90-120 Days Past Due	Amounts >150 Days Past Due
Commerce and Trade				
Department of Business Assistance	1	$ 184	$ -	$ -
Virginia Tourism Authority	1	1201	-	-
Education				
College of William and Mary	5	588	669	23
George Mason University	2	269	89	-
James Madison University	6	423	1	19
Longwood University	2	1	9	-
Norfolk State University	14	3,670	2,348	785
Old Dominion University	2	961	-	-
Patrick Henry Community College	1	29	50	-
University of Virginia	20	8,974	1,534	2,682
University of Virginia Medical Center	3	$ 93	$ 116	$ 1

Agency	Total Delinquent Accounts	Amounts 60 Days Past Due	Amounts 90-120 Days Past Due	Amounts >150 Days Past Due
University of Virginia's College at Wise	1	96	-	-
Virginia Commonwealth University	6	3,191	9	14
Virginia Community College System	1	1,692	-	-
Virginia Military Institute	3	25	126	733
Virginia Polytechnic Institute and State University	11	5,190	34	-
Virginia State University	15	5,079	1,087	299
Elected Officials				
Attorney General	2	2,112	2,199	-
Health and Human Resources				
Department of Health	2	310	-	-
Department of Social Services	5	882	252	-
Independent				
State Corporation Commission	4	1,850	1	-
Legislative				
Auditor of Public Accounts	1	74	-	-
Natural Resources				
Department of Environmental Quality	1	-	-	1
Department of Game and Inland Fisheries	2	603	889	-
Virginia Museum of Natural History	1	922	-	-
Public Safety				
Department of Corrections	1	228	-	-
Department of Emergency Management	1	588	-	-
Department of Fire Programs	1	101	-	-
Department of Juvenile Justice	1	278	101	-
Transportation				
Department of Motor Vehicles	1	44	-	-
Virginia Department of Transportation	4	1,413	-	-
Various				
Select Agency Support	1	25	-	-

Payroll Controls

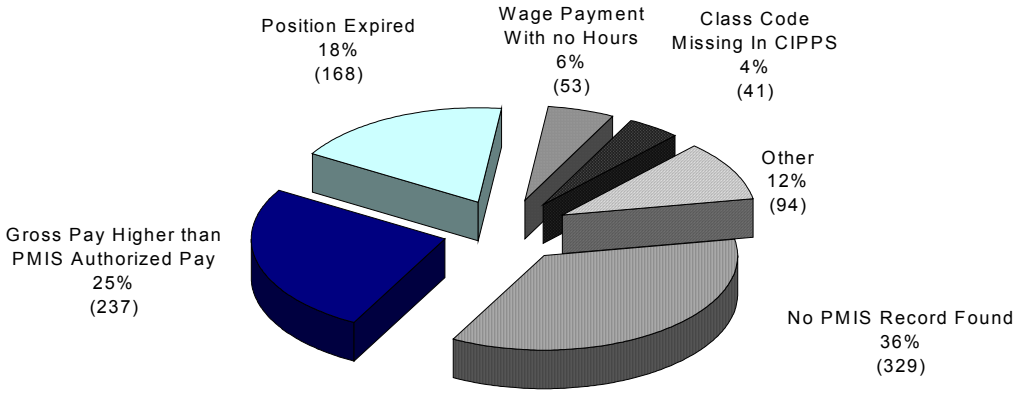
PMIS/CIPPS Payroll Audit

During the quarter, DOA's automated comparison of payroll and personnel (PMIS) records examined 419,640 salaried pay transactions and 250,782 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 2,736 new exceptions noted statewide during the quarter, with an overall exception rate of 0.42 percent.

The statewide salaried payroll exception rate was 0.63 percent and the wage payroll exception rate was 0.07 percent. During this quarter, 26 employee paychecks were reduced to recover $8,487.15 in overpayments.

While the largest cause of exceptions is related to timing differences of payroll and PMIS processing due to transfers, the second largest cause of exceptions remains agency failure to complete the salary increase authorization process by updating PMIS salary amounts *prior* to paying the increased salary amount in CIPPS. The PMIS authorization is an important internal control over payroll processing. Such exceptions can largely be avoided through timely PMIS data entry by agency Human Resource staff. Although segregation of these Human Resource and Payroll functions is an effective internal control, coordination and communication between agency Human Resource and Payroll staffs is essential.

Payroll Audit Exception Report
Quarter Ended September 30, 2004



Exception percentages are calculated by dividing the number of exceptions by the number of salaried or wage employees. For the quarter ending June 30, 2003, the number of reported salaried exceptions increased due to refinements in audit procedures, not significant changes in agency performance. The refinements are designed to improve accuracy in payroll and benefit calculations by increasing agency awareness of the importance of timely personnel system updates and proper payroll payment classification. Agencies are reported below if the percentage of payroll exceptions to salaried or wage payments exceeds twice the statewide average for the quarter.

Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Salaried Payments
Quarter Ended September 30, 2004

Agency	Exceptions as a % of Salaried Payments
No agency exceeded the reportable percentage.	
Total Salaried Payroll Exceptions for the Quarter	**0.63%**

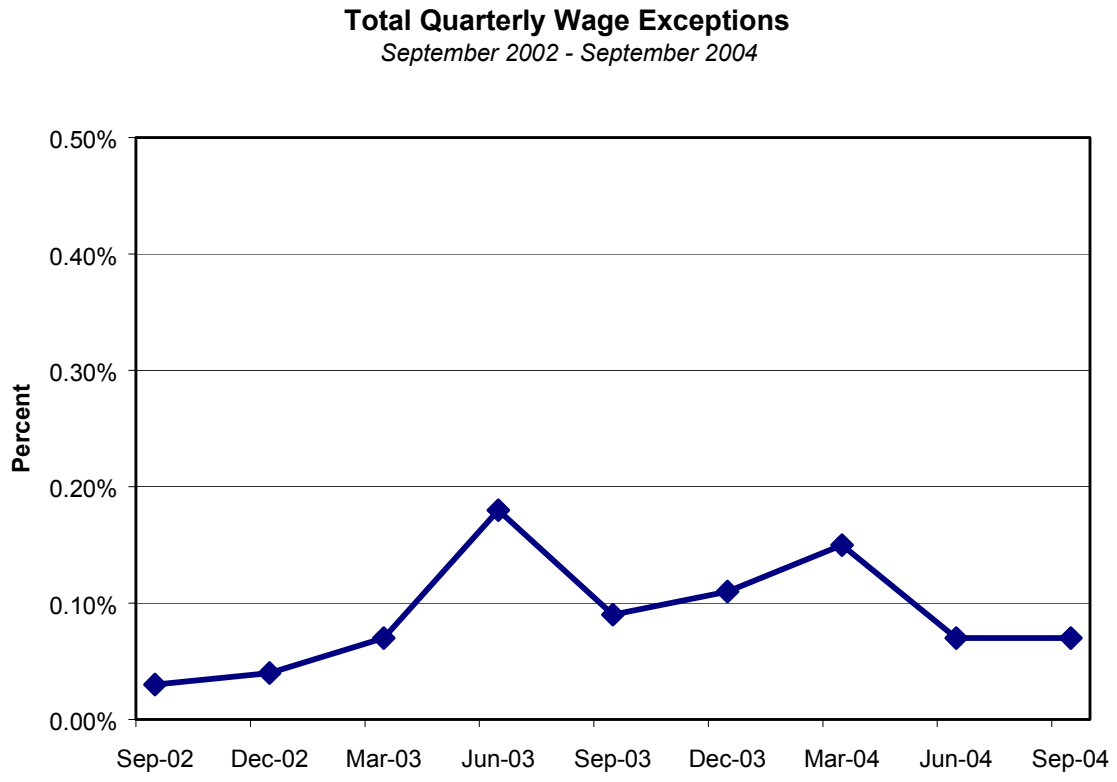
The following chart compares payroll exceptions as a percentage of salaried payments by quarter for the past two years.

Note: Third quarter FY 2004 increase caused by increase in retroactive adjustments due to IPP increases not appearing in PMIS at the time of the automatic regrade.

Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Wage Payments
Quarter Ended September 30, 2004

Agency	Exceptions as a % of Wage Payments
Department of Social Services	3.98%
Wage Payroll Exceptions for the Quarter	**0.07%**

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



PMIS/CIPPS Exceptions

Agencies are required to submit explanations and/or reconciliations for the differences identified on the CIPPS/PMIS Unresolved Exceptions Report, within 6 weeks of notification. The following table lists those agencies having exceptions that remain unresolved six weeks after receipt of the report.

Agency	Unresolved Exceptions
Education	
Christopher Newport University	17
Northern Virginia Community College	8
Norfolk State University	5
Rappahannock Community College	2
Cooperative Extension and Agricultural Research Services	1
The Science Museum of Virginia	1
Public Safety	
Coffeewood Correctional Center	17
Department of Military Affairs	5
Health and Human Resources	
Southern Virginia Mental Health Institute	5
Western State Hospital	4
Southwestern Virginia Mental Health Institute	2
Central State Hospital	2

Payroll Certification

Agencies are required to calculate, verify, and authorize the amount to be 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 this 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)
Administration				
Department of Veterans Services		1		
Education				
Virginia State University	$ 20,243			
University of Mary Washington	931,657			
Southside Virginia Community College	100,000			
Thomas Nelson Community College	249,419			
Norfolk State University			4	
Virginia Museum of Fine Arts			2	
Christopher Newport University		1		
Danville Community College			2	
Piedmont Virginia Community College			2	
Patrick Henry Community College				1
Dabney S. Lancaster Community College		1		
Blue Ridge Community College			2	
Central Virginia Community College			2	
Jamestown-Yorktown Foundation			2	
Gunston Hall Plantation		1		
Health and Human Resources				
Southside Virginia Training Center	21,946			
Southwestern Virginia Mental Health Institute		1	1	
Department of Social Services			2	
Public Safety				
Indian Creek Correctional Center	30,277			
Nottoway Correctional Center			1	1
Transportation				
Department of Motor Vehicles	58,138			

Columns show the following:

(a) Variance in dollars for agencies whose certified amounts varied from actual computed amounts by more than $20,000 for any payrolls processed during the quarter.

(b) The number of times DOA had to perform the certification function for the agency due to inadequate agency back up.

(c) The number of certifications that were submitted or altered later than the daily deadline.

(d) The number of times DOA made corrections to agency certifications during the quarter.

Agencies are required to submit explanations for the differences between the certified payroll amounts and the actual gross payrolls calculated the day after certification. The following table lists those agencies having exceptions that remain unresolved as of mid-October.

Agency	Unresolved Exceptions
Education	
Piedmont Virginia Community College	10 *

* This includes outstanding items from the prior quarter.

Healthcare Reconciliations

Employee healthcare fringe benefits costs are covered by a combination of agency paid and employee-paid premiums. Agencies are required to return a *Certification of Automated Health Care Reconciliations* form to DOA by the close of the month following the month of coverage. This reconciliation annotates differences between healthcare eligibility records (BES) and healthcare premium payments collected through payroll deduction. The following table lists those agencies that were late in submitting their certification or had problems requiring additional adjustments. Such problems may include incomplete or incorrect documents or required IAT's not submitted to DOA. Healthcare reconciliations for the months of June, July, and August were due 07/30/04, 08/31/04 and 09/30/04, respectively.

Schedule of Late Health Care Reconciliations

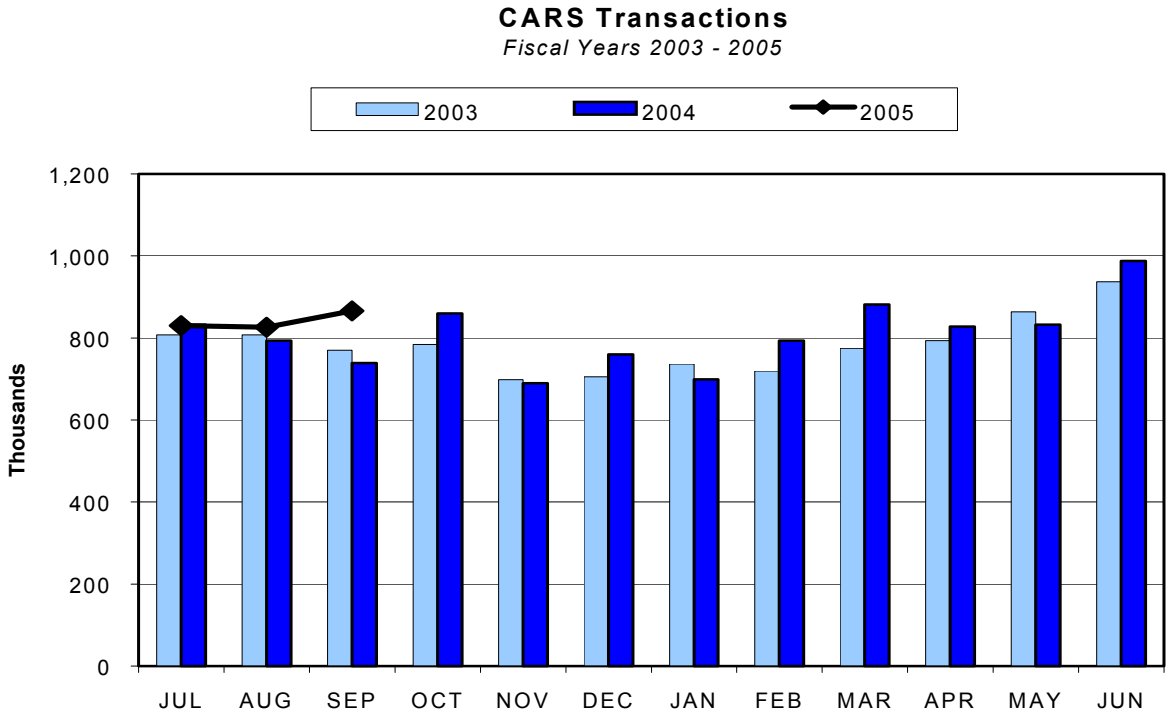
	June	July	August
House of Delegates	X		
Piedmont Virginia Community College	X	X	X
Augusta Correctional Center	X		
Department of Alcoholic Beverage Control	X		

FINANCIAL MANAGEMENT ACTIVITY

DOA monitors several types of financial activity. Various measures are used to track activities for CARS, payroll, accounts receivable, indirect cost recoveries, treasury loans, and 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.

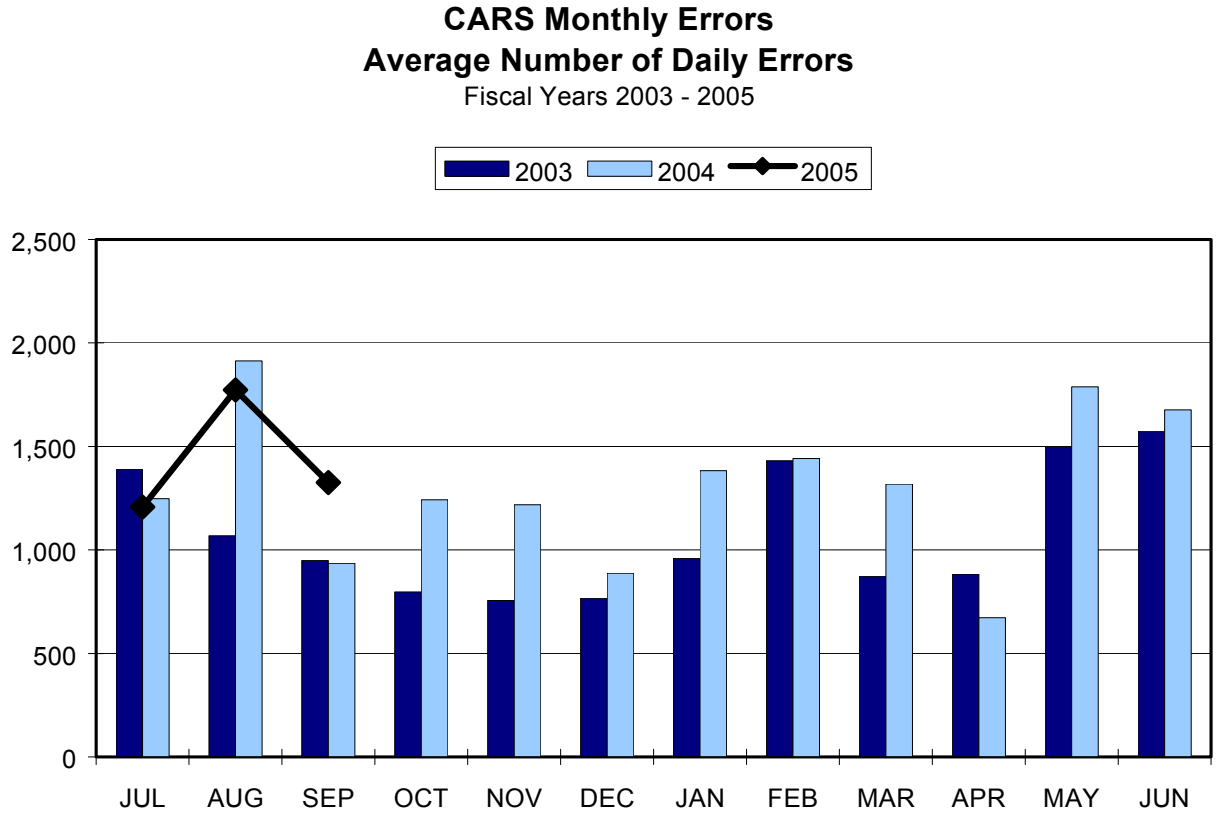


CARS Edits

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 2005, the most frequent reasons cited for batches being sent to the error file were:

- Available Cash Negative
- Prior Fiscal Month Not Open
- Certified Amount Not Balanced

Agencies may avoid such 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 also allow sufficient time for batches to process before the close of a fiscal month.



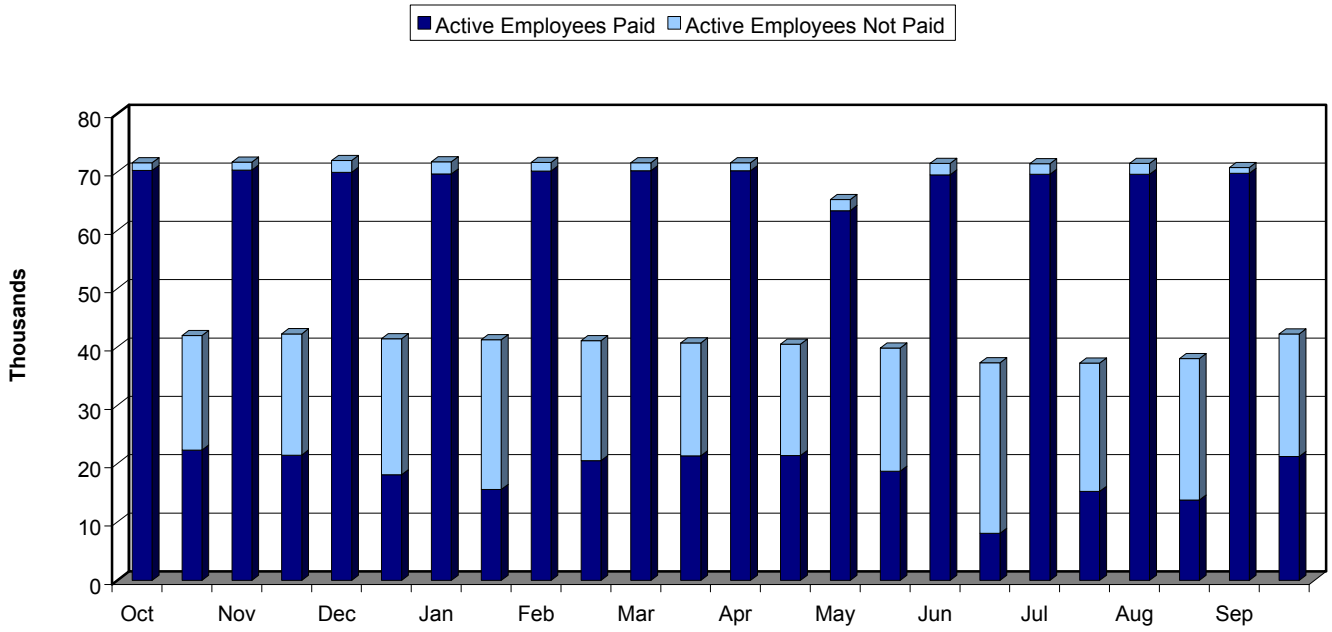
Payroll

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 110,404 employees. Payroll services are also provided through eight decentralized higher education institutions.

Total gross payrolls for the Commonwealth were approximately $394- million each month of the quarter. On average, 86,439 employees were paid each month, of which 69,667 are salary employees.

Commonwealth Integrated Payroll / Personnel System (CIPPS) Statistics

October 2003 - September 2004



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

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

Benefit Participation by CIPPS Agencies

The Commonwealth offers a variety of benefits to State employees, including health care, optional retirement plans, deferred compensation, and flexible reimbursement programs. During the quarter, state employees purchased 13,814 savings bonds with a face value of over $1.7 million.

Benefit Participation
Number of Participating Employees

	As of 9/30/04	Comparative As of 9/30/03	Comparative As of 9/30/02
Health Care			
COVA Care	79,931	79,494	N/A
Key Advantage	N/A	N/A	63,430
Cost Alliance	N/A	N/A	16,696
Aetna - PS	N/A	N/A	173
Aetna - HMO	N/A	N/A	1,204
Kaiser	1,848	1,845	1,794
Piedmont	N/A	N/A	134
Optional Retirement Plans *			
Fidelity Investments	515	261	284
Great West Life	N/A	14	16
TIAA/CREF	1,490	1,293	1,285
T. Rowe Price	N/A	61	65
VALIC	N/A	242	234
Political Appointee - ORP	86	82	77
Deferred Compensation *			
Great West Life	29,165	26,605	25,538
Flexible Reimbursement *			
Dependent Care	700	637	634
Medical Care	4,938	3,487	3,130

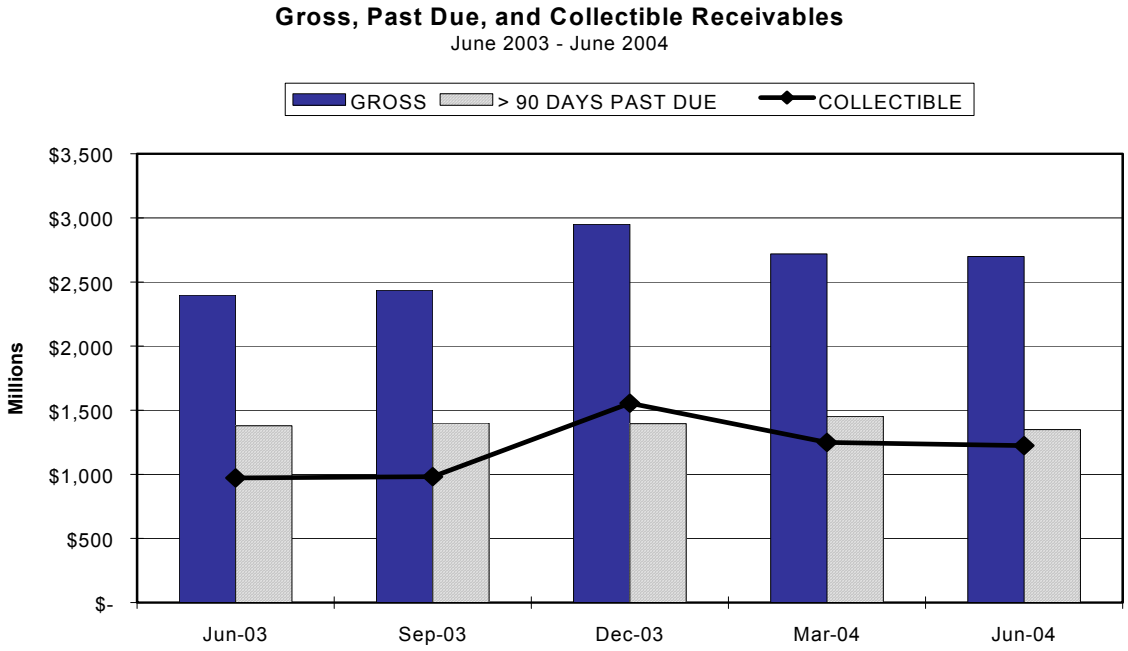
* Statistics do not include employees of eight institutions of higher education that are decentralized for payroll processing.

Note: TIAA-CREF and Fidelity are the only ORP's offered to higher education after June 16, 2004.

Accounts Receivable

Chapter 48 of the ***Code of Virginia*** requires the Department of Accounts, along with the Office of the Attorney General, to oversee, report on, and monitor the Commonwealth's accounts receivable program. In order to carry out this responsibility, DOA has issued policies and procedures on accounting, collecting, reporting, and writing off accounts receivable. In addition, DOA provides technical assistance to agencies and institutions and uses statistical analyses and audit reports to monitor the ongoing effectiveness of agencies in managing their accounts receivable. Commonwealth agencies and institutions reported total gross receivables of $2.7 billion at June 30, 2004, with $1.2 billion considered collectible. Receivables over 90 days past due as of June 30, 2004 totaled $1.3 billion. Of that amount, $528 million was placed with collection agencies or attorneys for additional collection efforts, another $409 million was with the Department of Taxation's field agents and in-house collectors, and $216 million was with the state court clerks and Commonwealth's Attorneys.

It is important to note that state receivables largely consist of taxes, fines, penalties, tuition and fees, and billings for several indigent care programs, which present numerous special problems 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 state receivables.



As of June 30, 2004, agencies expected to collect $1.2 billion (45 percent) of all receivables. About 24 percent of these receivables are due to the General Fund, primarily for tax assessments. The balance ($929 million) consists of amounts due to various nongeneral funds' activities.

Collectible Receivables by Fund
As of June 30, 2004

Fund	Source	Amount	Percent
General Fund **24%**	Medicaid	$ 93,049,878	32%
	Individual Taxes	112,088,309	38%
	Business Taxes	55,207,674	19%
	Courts of Justice	25,817,918	9%
	Other	7,412,220	2%
	Subtotal	293,575,999	100%
	Interagency Receivables	639,836	0%
	Total General Fund Collectible	**$ 294,215,835**	**100%**
Nongeneral Funds **76%**	Medicaid	$ 10,491,444	1%
	Unemployment Taxes	101,950,021	11%
	Transportation	109,113,968	12%
	Child Support Enforcement	39,532,682	4%
	Federal Government	163,816,707	18%
	MHMR Patient Services	33,145,554	4%
	Hospital	158,573,154	17%
	Enterprise	45,053,903	5%
	Higher Education	105,878,356	11%
	Courts of Justice	23,772,893	2%
	Other	37,497,533	4%
	Subtotal	828,826,215	89%
	Interagency Receivables	100,455,432	11%
	Total Nongeneral Fund Collectible	**$ 929,281,647**	**100%**
All Funds	**Grand Total**	**$ 1,223,497,482**	**100%**

Ten agencies account for 90 percent of the Commonwealth's gross accounts receivable and 80 percent of the collectible accounts receivable balances.

Accounts Receivable Summary

Quarter Ended June 30, 2004

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
Department of Taxation	$ 1,021,361,938	$ 846,343,383	$ 175,018,555
University of Virginia Medical Center	188,904,616	24,844,919	164,059,697
Department of Education	109,905,040	22,125	109,882,915
Department of Transportation	110,291,911	1,789,572	108,502,339
Virginia Employment Commission	137,900,026	33,558,280	104,341,746
Department of Medical Assistance Services	137,457,651	33,748,428	103,709,223
Department of Social Services	173,689,227	83,152,225	90,537,002
Courts of Justice	471,781,264	422,459,912	49,321,352
State Lottery Department	39,533,635	-	39,533,635
Virginia Polytechnic Institute and State University	35,170,841	995,661	34,175,180
Total	**2,425,996,149**	**1,446,914,505**	**979,081,644**
All Other Agencies	272,122,967	27,707,129	244,415,838
Grand Total	**$ 2,698,119,116**	**$ 1,474,621,634**	**$ 1,223,497,482**

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 90 days or more past due that 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 90 days or more past due to the Division of Debt Collection.

Effective July 1, 2004, the number of days agencies are permitted to hold past due accounts has been reduced from 90 days to 60 days, unless otherwise permitted by federal or state law.

These additional collection tools recovered $70.2 million during the quarter ended June 30, 2004. The largest contributor was the private collection agencies, with collections of $58.2 million. The debt setoff programs (Tax, Comptroller's and Lottery) collected $11.3 million, and the Division of Debt Collection contributed $652,052.

RECEIVABLES OVER 90 DAYS PAST DUE

As of June 30, 2004

Agency	Total Over 90 Days	With Collection Agency (1)	With Attorney General	Retained by State Agency
Department of Taxation	$ 750,315,467	$ 341,049,355	$ -	$ 409,266,112
Courts of Justice (1)	372,843,081	156,518,903	-	216,324,178
Department of Medical Assistance Services	91,539,049	4,764,443	8,416	86,766,190
Department of Social Services	38,782,900	-	-	38,782,900
Virginia Employment Commission	34,785,981	6,383,445	6,367,614	22,034,922
University of Virginia Medical Center	19,933,475	-	-	19,933,475
Department of Mental Health, Mental Retardation, and Substance Abuse Services	10,255,227	-	-	10,255,227
Department of Transportation	3,517,336	-	2,588,178	929,158
Virginia Polytechnic Institute and State University	3,261,664	765,596	757,122	1,738,946
University of Virginia	2,209,387	703,018	-	1,506,369
Total	**1,327,443,567**	**510,184,760**	**9,721,330**	**807,537,477**
All Other Agencies	22,061,665	4,616,178	3,137,238	14,308,249
GRAND TOTAL	**$ 1,349,505,232**	**$ 514,800,938**	**$ 12,858,568**	**$ 821,845,726**

(1) Amounts include accounts in the hands of Commonwealth's Attorneys functioning as private collectors, as well as the courts' debt and tax debt collection operation, which functions as a private collection agency.

Comptroller's Debt Setoff (CDS) Program

CDS is one of the debt setoff programs used by agencies to collect past due accounts receivable owed 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 the State. CDS collected $1.1 million through the first quarter of FY 2005.

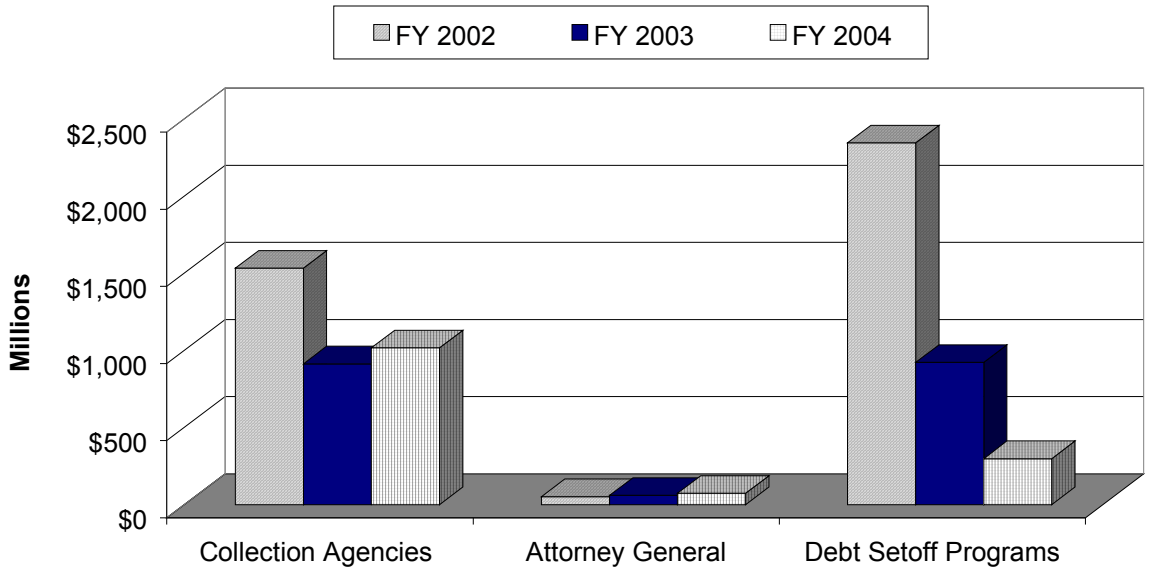
One way to measure an agency's effectiveness at collecting its accounts receivable is to look at how efficient collection procedures are on accounts that are more than 90 days past due. The table looks at trend percentages of receivables over 90 days past due as a percentage of gross receivables for the agencies with the largest amounts over 90 days past due.

Percentage of Gross Receivables Over 90 Days Past Due

Agency	Percent at 6/30/04	Comparative Percent at 6/30/03	Comparative Percent at 6/30/02
Department of Taxation	74%	**79%**	**75%**
Courts of Justice	79%	**79%**	**79%**
Department of Medical Assistance Services	67%	**57%**	**46%**
Department of Social Services	22%	**68%**	**15%**
Virginia Employment Commission	25%	**28%**	**30%**
University of Virginia Medical Center	11%	**14%**	**19%**
Department of Mental Health, Mental Retardation, and Substance Abuse Services	22%	**7%**	**3%**
Department of Transportation	3%	**7%**	**5%**
Virginia Polytechnic Institute & State University	9%	**9%**	**13%**
University of Virginia	10%	**10%**	**12%**
Statewide Average - All Agencies	**50%**	**65%**	**49%**

Total Past Due Accounts Listed with Collection Resources

Quarter Ended June 30, 2004



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 account receivables balances. In total these ten agencies are responsible for 80 percent of the Commonwealth's collectible receivables balances. Percentages over 100% indicates the collection of prior balances as well as current billings.

In evaluating these percentages it is important to understand that the percentage may fluctuate based on how the different agencies conduct their business. For example, most universities bill students for the summer semester in the forth quarter and collect those billings in the same forth quarter. Thus, relatively high forth quarter percentages are observed for colleges and universities. Another example is the VEC percentage, which is 178 points higher in the forth quarter than for the third quarter because employer taxes billed are highest in the first quarter of the calendar year. VEC billings declined by $153.5 million (51%) from the March quarter, while collections during the same period climbed by $219.7 million (267%).

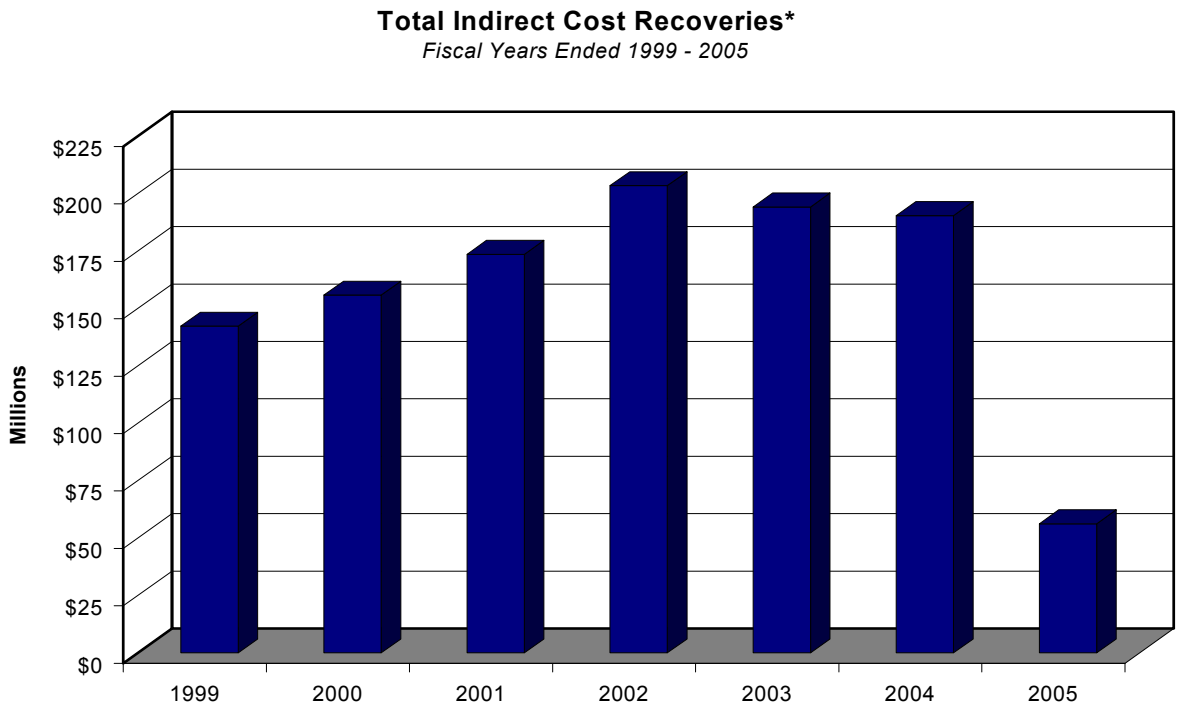
The statewide average of 80% indicates that for every $1 billed during the quarter ended June 30, 2004, the state collected 80 cents. This rate is a 22% decrease from last quarter, a 8% decrease from last year, and unchanged compared to two years ago. The two main contributors to this are the Departments of Taxation (TAX) and Medical Assistance Services (DMAS). TAX billings only dropped by $11 million (7%) from June 2003 to June 2004, but collections fell by $48.6 million (54%), thanks to heavier second and third quarter collections. DMAS billings rose by $35.4 million (185%) from June to June and collections dropped by $4.4 million (41%) as larger cost settlement activity was billed in the June 2004 quarter.

Collections as a Percentage of Billings

Agency	Percent at 6/30/04	Comparative Percent at 6/30/03	Comparative Percent at 6/30/02
Department of Taxation	28%	**57%**	**47%**
Courts of Justice	62%	**58%**	**68%**
Department of Medical Assistance Services	28%	**56%**	**49%**
Department of Social Services	96%	**93%**	**88%**
Virginia Employment Commission	205%	**165%**	**135%**
University of Virginia Medical Center	43%	**42%**	**58%**
University of Virginia	103%	**104%**	**102%**
Department of Transportation	91%	**82%**	**107%**
Virginia Polytechnic Institute and State University	110%	**122%**	**130%**
Department of Mental Health, Mental Retardation, and Substance Abuse Services	54%	**44%**	**25%**
Statewide Average - All Agencies	**80%**	**88%**	**80%**

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 2005 reflects indirect cost recoveries through September 2004.

Indirect Cost Recoveries From Grants and Contracts

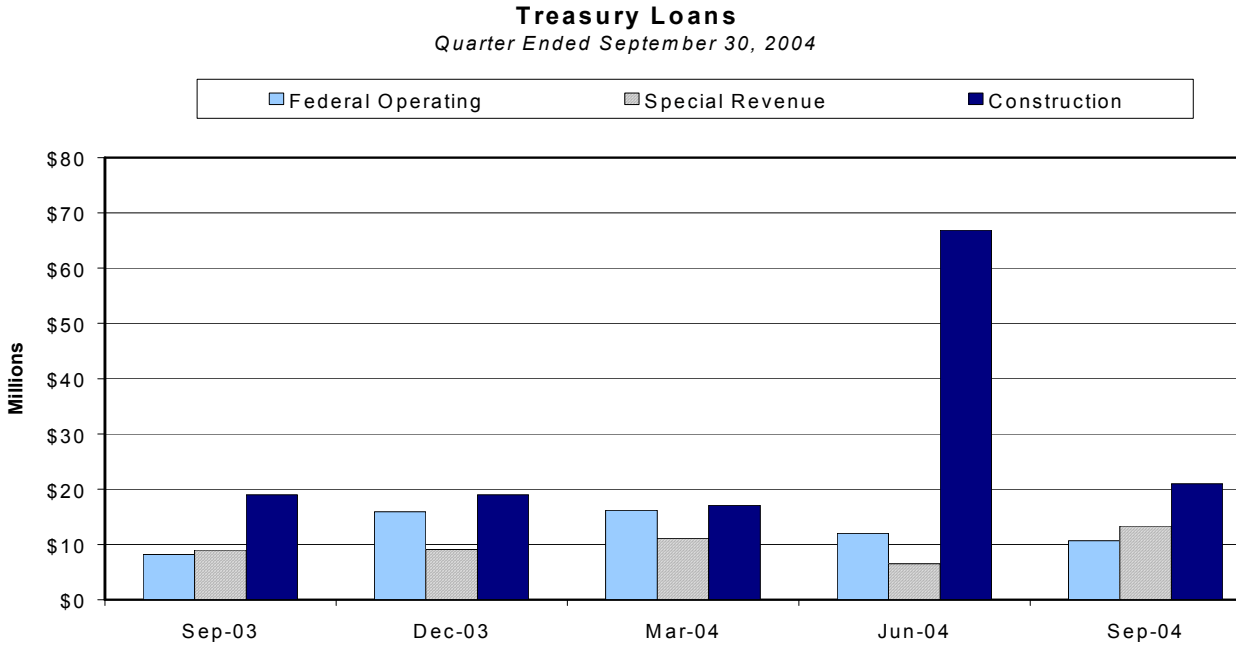
Fiscal Year 2005

Fund	Year-to-Date		
	Higher Ed	Non-Higher Ed	Total
Nongeneral:			
Agency / Institution (1)	$ 42,690,817	$ 12,380,412	$ 55,071,229
Statewide	695,315	130,519	825,834
Total Nongeneral	**43,386,132**	**12,510,931**	**55,897,063**
General:			
Agency (Cash Transfers)	-	137,002	137,002
Statewide	-	195,902	195,902
Statewide (Cash Transfers)	-	522	522
Total General	**-**	**333,426**	**333,426**
Total All Funds	**$ 43,386,132**	**$ 12,844,357**	**$ 56,230,489**

(1) The Department of Social Services records all federal monies received in CARS. However, they do not separately classify such receipts between direct and indirect. Included in the agency nongeneral fund category is $8,002,752, 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. Working capital advances and lines of credit are other methods for ensuring that an agency or institution has sufficient operating cash, within its appropriation, prior to collection of revenues. The total of all types of treasury loans and advances as of September 30, 2004, was $45.1 million.



These advances are in the form of temporary loans funded 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.

Other types of loans and advances that are not charted include:

◆ **Authorized Appropriation Deficit**, which provides funding, when authorized by the Governor, under emergency conditions as described in §4-3.01 and §4-3.02 of the Appropriation Act. There were no deficit loans outstanding at September 30, 2004.

◆ **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 Virginia Racing Commission has an outstanding working capital advance of $125,000 at September 30, 2004.

Significant New Loans/Drawdowns

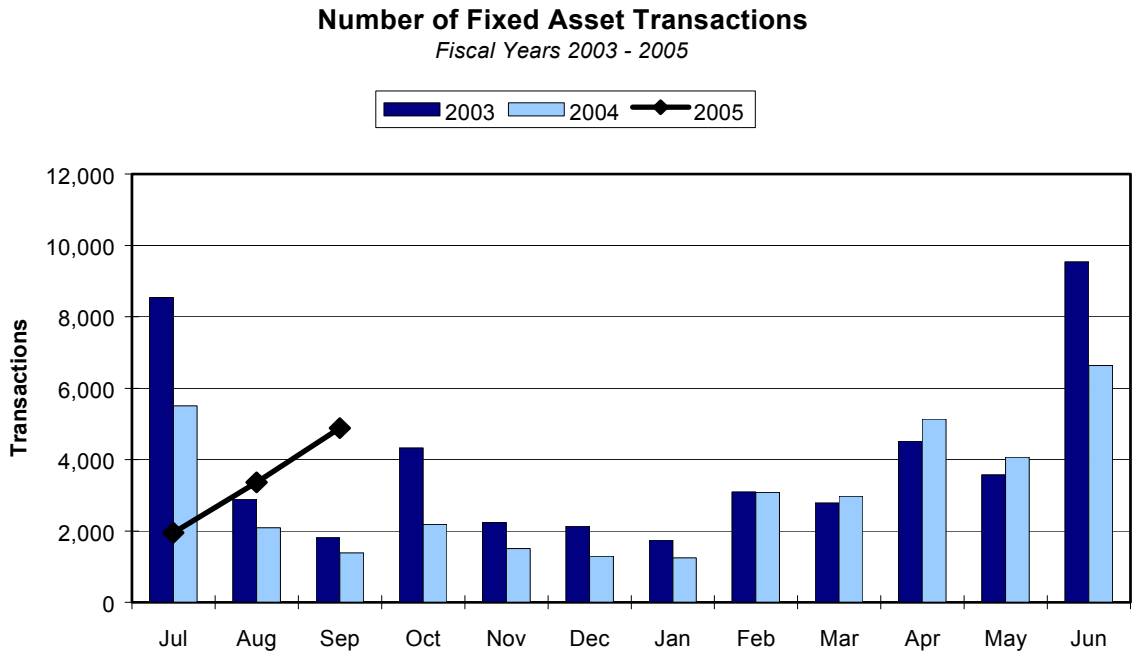
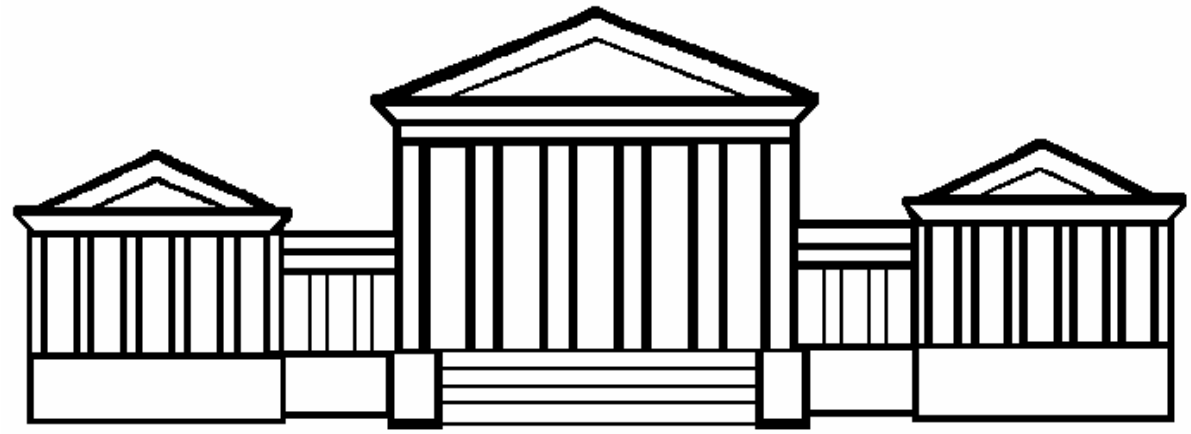
Department of General Services	
Drawdown on a new loan to Acquire Virginia Retirement System's parking deck.	$5,700,000
Drawdown on new loan to support expansion of the Virginia Partners in Procurement program.	$5,000,000
Department of Environmental Equality	$1,272,705
Drawdown on a new loan for the formula-based payments to local governments for the Litter Prevention and Recycling Grants.	
Department of State Police	$855,257
Drawdown on a new loan to provide advance funding for grants funded by the Federal Highway Administration.	

Significant Loan Repayments

Virginia College Building Authority	$52,040,079
Repayment of loan that provided advance funding for the payment of obligations relating to construction of various capital projects prior to the sale of bonds	
Virginia Institute of Marine Science	$1,000,000
Repayment of loan that provided advance funding for federally sponsored research.	

Fixed Asset Accounting and Control System (FAACS)

FAACS is the Commonwealth's fixed asset accounting system. State agencies are required to enter capitalized assets (cost $5,000 or greater) into FAACS. This system produces reports that help agencies track and generally manage their assets. It also provides financial information for the Comprehensive Annual Financial Report (CAFR) of the Commonwealth.

For the first quarter of FY 2005, the agencies and institutions of the Commonwealth that are central users of FAACS processed 10,194 FAACS transactions. This volume of FAACS transactions represents a 35.6 percent decrease from the fourth quarter of FY 2004 (5,644 transactions). Fourth quarter volume is always heaviest, so the decrease from the fourth quarter to the first quarter is normal.

First quarter FY 2005 volume is 13.6 percent higher than that of the first quarter of FY 2004 (1,224 transactions). This increase is likely due to an improving budget condition.