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REPORT ON STATEWIDE FINANCIAL MANAGEMENT
AND COMPLIANCE
Quarter Ended June 30, 2005

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STATEMENT OF PURPOSE

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

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

This *Quarterly Report* includes information for the quarter ended June 30, 2005 and comparative FY 2004 data. Some information in the report is for the quarter ended March 31, 2005, 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 judgment, could adversely affect the agency's ability to record, process, summarize, and report financial data consistent with the assertions of management.

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

Audit Reports – Quarter Ended June 30, 2005

The APA issued 27 separate reports covering 72 agencies, offices, boards, commissions, colleges 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				
Human Rights Council	0	0	0	N/A
Department of Employee Dispute Resolution	0	0	0	N/A
Department of General Services	0	0	0	N/A
Department of Veterans Services	5	0	5	Not Due Yet
Agriculture and Forestry				
Department of Forestry	0	0	0	N/A
Commerce and Trade				
Department of Business Assistance	0	0	0	N/A
Department of Labor and Industry	0	0	0	N/A
Department of Professional and Occupational Regulation	0	0	0	N/A

	New Findings	Repeat Findings	Total Findings	CAW Received
Education				
The Library of Virginia	0	0	0	N/A
The College of William and Mary in Virginia	0	0	0	N/A
Richard Bland College	0	0	0	N/A
Virginia Institute of Marine Science	0	0	0	N/A
University of Mary Washington	0	0	0	N/A
Virginia Military Institute	0	0	0	N/A
Radford University	0	0	0	N/A
James Madison University	0	0	0	N/A
George Mason University	0	1	1	YES
Norfolk State University	2	2	4	Not Due Yet
Virginia State University	4	1	5	YES
Virginia Community College System:				
Central Office	1	0	1	Not Due Yet
New River Community College	0	0	0	N/A
Southside Virginia Community College	1	0	1	Not Due Yet
Paul D. Camp Community College	0	0	0	N/A
Rappahannock Community College	1	0	1	Not Due Yet
Danville Community College	3	0	3	Not Due Yet
Northern Virginia Community College	0	0	0	N/A
Piedmont Virginia Community College	2	0	2	Not Due Yet
J. Sargeant Reynolds Community College	2	1	3	Not Due Yet
Eastern Shore Community College	0	0	0	N/A
Patrick Henry Community College	0	1	1	Not Due Yet
Virginia Western Community College	0	1	1	Not Due Yet
Dabney S. Lancaster Community College	0	0	0	N/A
Wytheville Community College	0	1	1	Not Due Yet
John Tyler Community College	0	0	0	N/A
Blue Ridge Community College	0	0	0	N/A
Central Virginia Community College	0	1	1	Not Due Yet
Thomas Nelson Community College	2	0	2	Not Due Yet
Southwest Virginia Community College	1	0	1	Not Due Yet
Tidewater Community College	1	0	1	Not Due Yet
Virginia Highlands Community College	0	0	0	N/A
Germanna Community College	1	0	1	Not Due Yet
Lord Fairfax Community College	1	0	1	Not Due Yet
Mountain Empire Community College	0	0	0	N/A
Elected Officials				
None Issued				
Finance				
None Issued				

Health and Human Resources				
Department of Health Professions	2	0	2	YES
Virginia Tobacco Settlement Foundation	0	0	0	N/A
Department of Mental Health, Mental Retardation, and Substance Abuse Services	0	0	0	N/A
Office of Comprehensive Services for At Risk Youth and Families	0	0	0	N/A
Agencies Serving Virginians With Disabilities:				
Department of Rehabilitative Services	2	0	2	Not Due Yet
Woodrow Wilson Rehabilitation Center	0	0	0	N/A
Department for the Blind and Vision Impaired	1	0	1	Not Due Yet
Virginia Rehabilitation Center for the Blind and Vision Impaired	0	0	0	N/A
Department for the Deaf and Hard-of-Hearing	0	0	0	N/A
Virginia Board for Peoples With Disabilities	0	0	0	N/A
Natural Resources				
Department of Conservation and Recreation	0	0	0	N/A
Chippokes Plantation Farm Foundation	0	0	0	N/A
Marine Resources Commission	0	0	0	N/A
Department of Game and Inland Fisheries	7	0	7	Not Due Yet
Chesapeake Bay Local Assistance Department	0	0	0	N/A
Department of Historical Resources	0	0	0	N/A
Department of Environmental Quality	0	0	0	N/A
Virginia Museum of Natural History	0	0	0	N/A
Public Safety				
Department of Corrections which included the	2	2	4	YES
Virginia Parole Board	0	0	0	N/A
Virginia Correctional Enterprises	1	0	1	YES
Department of Military Affairs	0	0	0	N/A
Department of Juvenile Justice	0	0	0	N/A
Department of Fire Programs	0	0	0	N/A
Department of Emergency Management	0	0	0	N/A
Department of Criminal Justice Services	0	0	0	N/A
Department of Correctional Education	0	0	0	N/A
Commonwealth's Attorneys Services Council	0	0	0	N/A
Technology				
Virginia Information Technologies Agency	1	0	1	Not Yet Due
Transportation				
None Issued				

No audit reports were received during the quarter for Elected Officials or for agencies and institutions that report to the Secretaries of Finance and Transportation.

Agency Findings – Quarter Ended June 30, 2005

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.

Administration

Department of Veterans' Services

1. Develop and Enforce Internal Controls over Financial Transactions. Department management does not conduct adequate supervisory reviews and timely and accurate reconciliations.

2. Improve Payment Documentation and Ensure Compliance with Policies. The Department has not consistently maintained adequate documentation for vendor and expense payments. In addition, purchases of goods and services did not follow the Commonwealth's procurement and contract guidelines for soliciting and analyzing competitive bids.

3. Improve Small Purchase Charge Card Documentation and Ensure Compliance with Policies. Department staff did not consistently follow the Commonwealth's policies and procedures or the documentation requirements for the use of the small purchase charge card.

4. Improve Internal Controls over the Fund Receipting and Posting Process. Veterans Services does not maintain an adequate segregation of duties over its revenue receipting and posting process.

5. Establish Policies for Allowance for Doubtful Accounts and Write-offs. The Department does not have adequate policies concerning allowances for doubtful accounts and write-offs.

Education

George Mason University

1. Complete Executive Business Impact Analysis, Business Continuity Plan, and Information Systems Security Plan. **As noted in the prior report**, the University has not completed its executive level business impact analysis or a cost benefit analysis, nor created a disaster continuity or recovery plan.

Norfolk State University

1. Collect and Correct Accounts Receivable. **As noted in the prior report**, the University must continually enforce its policies and procedures and continue to have timely collections of new student accounts and resolution of credit balances.

2. Continue Enforcing Policies and Procedures for Small Purchase Charge Cards. **As noted in the previous audit report**, specific weaknesses were found that related to the program. Four cardholders split purchases to avoid purchase transaction limits. One employee did not maintain documentation of the purpose of several charges, including clothing and excessive restaurant charges, that were not obviously related to their job duties.

3. Document Network Security Policies and Procedures. NSU has not completed formal information technology policies, standards, and procedures concerning network security for network components, environments, and services.

4. Properly Limit Hours of Wage Employees. The University did not monitor the number of hours worked by wage employees. At least two wage employees worked over 1,500 hours in fiscal year 2004, exceeding state and University guidelines.

Virginia State University

1. Improve Contract Administration. **As noted in the prior audit report**, VSU needs to improve its contract administration policies and procedures over its goods and services contracts. The current audit continued to note problems in this area.

2. Document Policies and Procedures. VSU has not documented all of the day-to-day operating procedures which are an important component of its internal control structure.

3. Improve Documentation of System Changes. The University's documentation related to the change management process does not provide an adequate audit trail to provide assurances that critical controls are in place.

4. Improve Reconciliation Process. VSU should improve the process used to reconcile bank statements to its internal accounting system. As of February 2005, October 2004 was the most recently completed reconciliation for the University's local bank account.

5. Improve User Account Management and Password Controls to Critical Systems. The University has not maintained documentation as required by its policies and procedures of approval of user access requests for the security application on its mainframe.

Virginia Community College System (Central Office)

1. Finalize and Improve Information Systems Security Plans. The System Office has not completed its update of their Information Systems Security Plans. The current draft contains some variations with the current operating environment. In addition, the System Office does not have documented standard configurations for its RCAF security.

Southside Virginia Community College

1. Improve Cash Management Controls. The College does not have proper internal controls over the receipting, depositing, and reconciling of cash receipts. The Cashier performs all of the functions. To compensate, either the Business Manager or Vice President of Finance review and approve the Daily Cash Settlement Reports. However, the review was not being performed adequately or timely.

Rappahannock Community College

1. Properly Administer Return of Title IV Funds. The College does not have adequate procedures to identify students who withdraw or cease attendance without notifying college staff.

Danville Community College

1. Properly Administer Return of Title IV Funds. The College failed to return funds in a timely manner to the federal government and failed to notify the U. S. Department of Education of students who have not repaid any overpayments within the required time period.

2. Properly Report and Track Accounts Receivable. Danville does not have an adequate system for tracking and aging accounts receivable and also lacks information to make informed decisions for write-offs and allowances for doubtful accounts.

3. Follow Procedures for Computer System Access. Danville did not periodically review employee's access to PeopleSoft to ensure it remained appropriate.

Piedmont Virginia Community College

1. Finalize and Improve Information Systems Security Plans. The College's Plan does not adequately address or identify potential threats and vulnerabilities to sensitive assets. The Plan also does not have procedures to store back-up data at an off-site location.

2. Follow Procedures for Computer System Access. Piedmont did not revoke access to computer systems promptly after employees terminated.

J. Sargeant Reynolds Community College

1. Strengthen Petty Cash Procedures. The College did not follow the Commonwealth's policies regarding Petty Cash.

2. Properly Report and Track Accounts Receivable. Reynolds did not properly report accounts receivable at June 30, 2004. Fifteen accounts totaling $109,337 were reported as receivables when they had been collected before June 30.

3. Continue Improving Capital Asset Management and Reporting. **As noted in last year's report**, Reynolds did not properly remove disposed assets promptly and did not maintain the proper documentation for the disposal of assets.

Patrick Henry Community College

1. Continue Improving Capital Asset Management and Reporting. **As noted in last year's report**, Patrick Henry improperly capitalized software licenses and maintenance agreements.

Virginia Western Community College

1. Continue Improving Capital Asset Management and Reporting. **As noted in last year's report**, Virginia Western did not properly remove disposed assets promptly and did not maintain the proper documentation for the disposal of assets. In addition, the College did not record two out of five assets purchased.

Wytheville Community College

1. Continue Improving Capital Asset Management and Reporting. **As noted in last year's report**, Wytheville did not properly remove disposed assets promptly and did not maintain the proper documentation for the disposal of assets.

Central Virginia Community College

1. Follow Procedures for Computer System Access. **As noted in the prior report**, Central Virginia has not revoked access to computer systems promptly after employees terminated.

Thomas Nelson Community College

1. Strengthen Internal Controls over the Small Purchase Charge Card Program. The College has not followed established procedures. For example, sales tax was paid on items that should have been tax-exempt.

2. Strengthen Internal Controls Over Payments. The College did not properly maintain expenditure vouchers and supporting documentation. Seventeen percent of requested vouchers could not be located.

Southwest Virginia Community College

1. Finalize and Improve Information Systems Security Plans. The College's Plan does not adequately address or identify potential threats and vulnerabilities to sensitive assets. The Plan also does not address logical security access, or physical security of assets.

Tidewater Community College

1. Properly Administer Return of Title IV Funds. The College failed to properly calculate Title IV refund amounts. In addition, Tidewater lacks procedures to identify students that withdraw or cease attendance without telling college staff.

Germanna Community College

1. Follow Procedures for Computer System Access. Germanna granted inappropriate systems access to employees based on their job description. The access was not necessary to their job functions.

Lord Fairfax Community College

1. Properly Administer Return of Title IV Funds. The College failed to return funds in a timely manner to the federal government and notify students promptly of grant overpayments.

Health and Human Resources

Department of Health Professions

1. Report All Available Resources. The Department does not report all of the cash it has available to cover expenses to the health regulatory boards.

2. Develop Formal Policies. The Department had $1.3 million of unallocated cash balances at June 30, 2004 that it did not have formal policies and procedures for dispensing.

Department of Rehabilitative Services

1. Enforce Separation of Duties within Accounting Systems. DRS had four employees that have "enter, update and release" transaction capabilities in both the Commonwealth's accounting system and the agency's internal accounting system. This could allow them to make disbursements or execute other transactions that would be very difficult to detect.

2. Improve System Access Controls. The Department had nine terminated employees who still had access to two of the Commonwealth's systems and four also had access to the agency's internal accounting system.

Department for the Blind and Vision Impaired

1. Improve Asset Controls. The Department did not establish per unit costs for calculating the $12.2 million library inventory balance reported in the 2004 Comprehensive Annual Financial Report, and did not properly capitalize $4 million in plant renovations on the Commonwealth's Fixed Asset and Accounting System.

Natural Resources

Department of Game and Inland Fisheries

1. Clarify Duties and Responsibilities of the Board, Game Director, and Secretary for Following State Guidelines. Game's organizational structure may result in confusion since both the Board and the Secretary have similar duties and responsibilities relative to Game. The Board's governing policies were generally vague and lacked clear definitions of specific roles and responsibilities.

2. Define the Role of the Chairman. Under the Board's statutory authority, the Chairman has the same duties and responsibilities as any other board member, except for presiding over meetings. All Board members should approve formal directions to the Game Director unless the Board agrees to a level of delegation to the Chairman.

3. Establish Official Duty Guidance. The Board currently provides no performance expectations to the Director but does evaluate the Director's performance annually in five broad categories.

4. Perform a Top-down Review of Existing Policies and Procedures. The Department lacks adequate policies and procedures governing its daily operations and decision-making, causing Game to address problems reactively. A top-down review of existing policies and procedures would determine where they do not exist and those that are outdated or invalid.

5. Establish Criteria for Official Duties. Many of Game's staff are actively involved in activities that Game oversees. Differentiation is needed between providing services to groups as official representatives of Game and participating in activities as participants.

6. Follow State Guidelines. Game needs to incorporate state guidelines in purchasing, procurement, travel, personnel and other key reporting areas when reviewing and developing their policies and procedures.

7. Develop Standards and Norms for Purchases and Supported Programs. Game has not developed standards for the types of purchases they consider acceptable. They also have not defined a process for field testing equipment. Standards and procedures need to be developed for purchasing.

Public Safety

Department of Corrections

1. Ensure Proper Recording and Tracking of Leases. **As noted in the prior audit**, the Department has not improved internal controls over recording and tracking leases in accordance with Commonwealth Accounting Policies and Procedures. Five out of ten leases were not properly coded and two out of ten were not recorded.

2. Follow Established Inventory Procedures. **As noted in the prior audit**, Department staff did not follow established procedures when performing their materials and supplies inventory and commissary inventory.

3. Develop Financial Plan for Commissary Funds. The Department has not developed a budget or system-wide financial plan for management of commissary operations.

4. Strengthen Payroll Processing Procedures. The Department has a lack of documented payroll processing policies and procedures; a lack of effective pre-certification procedures; and facilities and field offices are not submitting payroll changes timely.

Virginia Correctional Enterprises

1. Strengthen Internal Controls Over Syteline Access. VCE does not have adequate procedures for controlling access to their internal accounting system, Syteline. Three employees had access to all functions. This level of access is excessive and provides employees with the ability to circumvent other internal controls.

Technology

Virginia Information Technologies Agency

1. Develop Policies and Procedures for Granting, Evaluating and Terminating Employees in PeopleSoft. The Agency has not developed written policies and procedures for granting user access, evaluating user roles, and terminating access in PeopleSoft.

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 March, April, May, and June* were due 4/29/05, 5/31/05, 6/30/05 and 7/15/05, respectively. No exception registers were submitted late and none are outstanding.

A web site was developed to facilitate the monitoring of exception register status and to make the relevant information available to agency fiscal officers. The web site was introduced in February 2005. The paper version is no longer accepted. Agencies that do not report using the Confirmation web site will be listed in the quarterly report as outstanding.

Exception Registers Late or Outstanding
As of July 25, 2005

	Mar	Apr	May	Jun*

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

* The FY 2005 Year-End Closing Memorandum to the heads of all State agencies and institutions and all fiscal officers required that the final June Exception Register be received in the Comptroller's Office by 5:00 P.M. on July 15, 2005.

Failure to Adhere to Fiscal Year-End Closing Procedures

In order to properly record transactions in the appropriate fiscal year, the Department of Accounts establishes a year-end closing calendar annually. This calendar is published in mid-May on the Department's website in the "Fiscal Year-end Closing Procedures." Agency Heads are notified of closing procedures availability via the *Communiqué*, and Fiscal Officers are notified of the availability via e-mail. During the FY 2005 closing process, in the following instances deposit certificates were submitted for FY 2005 processing significantly past the July 1, 2005, deadline.

- The Department of Game and Inland Fisheries submitted a deposit certificate for release on July 7, 2005.
- The University of Mary Washington submitted a deposit certificate for release on July 8, 2005.

Trial Balance Review

An integral part of the monthly reconciliation process, each agency should review their monthly trial balance for any unusual balances and investigate and correct unusual balances immediately. If the unusual balances cannot be corrected at the agency level, the problem should be noted on the exception register. DOA monitors selected key general ledger balances and contacts agencies in writing about certain unusual balances. The following agencies failed to respond timely with corrective action and/or additional information.

Trial Balance Review Outstanding and Unresolved

As of July 25, 2005

	Mar	Apr	May	Jun[1]
Science Museum of Virginia	X	X	X	
Norfolk State University			X	
Eastern Shore Community College		X		
Southeastern Virginia Training Center		X		

Analysis of Appropriations, 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.

The following agencies were contacted in writing about credit cash balances and appropriations vs. expenditure anomalies and failed to respond timely with corrective action and/or additional information.

Credit Cash, Excess Appropriation, and Expenditure Credits Outstanding and Unresolved

As of July 25, 2005

	Mar	Apr	May	Jun[1]
Virginia Office for Protection and Advocacy		X		
University of Mary Washington	X			
J. Sargeant Reynolds Community College	X			
Department of Game and Inland Fisheries	X	X		
Commission on VASAP	X			
Southside Virginia Training Center	X			

[1] No memorandums were sent in June, agency fiscal officers were contacted via phone to correct errors prior to final close.

Disbursement Processing

During the quarter ended June 30, 2005, DOA deleted, at the submitting agency's request, 72 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.

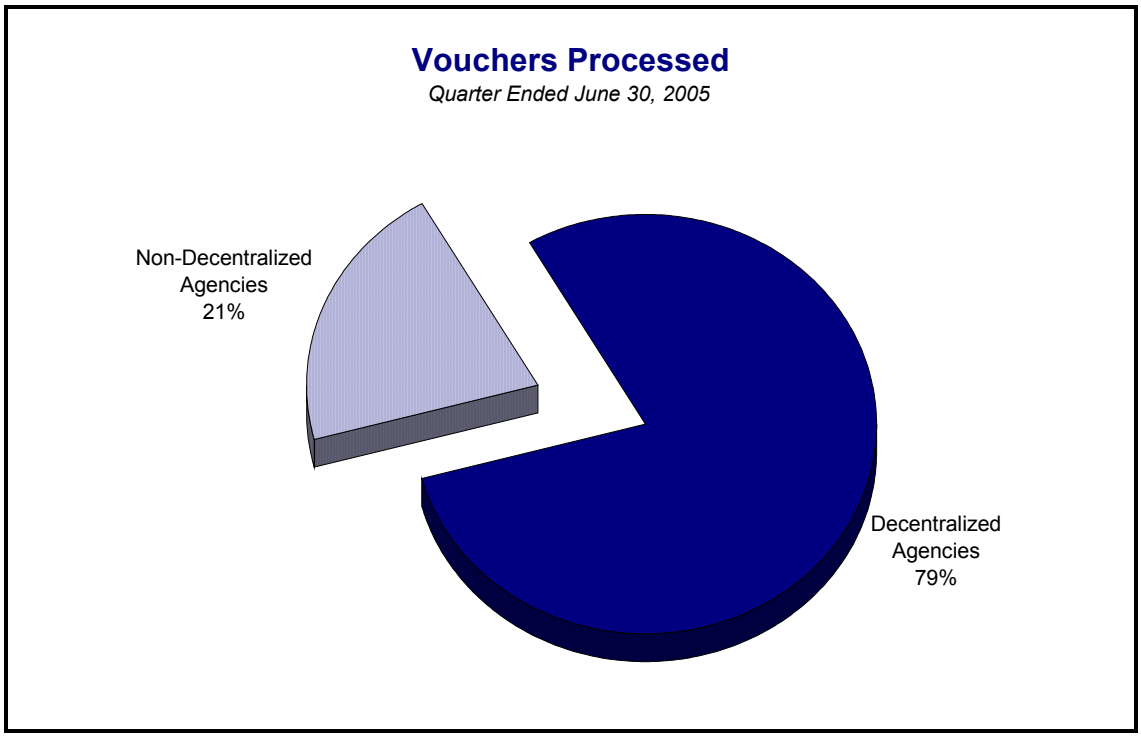
Twenty-four agencies requested deletes during the quarter. Agencies that requested more than four vendor payment deletes during the quarter are as follows:

- 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.

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Decentralized Agencies

Compliance reviews were conducted for 15 decentralized agencies 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 Labor and Industry	153	0	0.0%	Exceptional
Education				
The Science Museum of Virginia	342	15	4.4%	Satisfactory
Jamestown-Yorktown Foundation Jamestown 2007	585	21	3.6%	Good
University of Mary Washington	232	7	3.0%	Good
Health and Human Resources				
Department for the Aging	286	11	3.8%	Good
Woodrow Wilson Rehabilitation Center	336	3	0.9%	Exceptional
Natural Resources				
Department of Historic Resources	340	2	0.6%	Exceptional
Public Safety				
St. Brides Correctional Center	296	6	2.0%	Good
Indian Creek Correctional Center	202	4	2.0%	Good
Sussex II State Prison	208	4	1.9%	Good
Sussex I State Prison	184	2	1.1%	Good
Department of Alcoholic Beverage Control	308	3	1.0%	Good
Department of State Police	574	4	0.7%	Exceptional
Transportation				
Virginia Port Authority	453	2	0.4%	Exceptional

Note: No reviews were performed during the quarter for agencies that report to the Secretaries of Administration, Agriculture and Forestry, Finance, and Technology.

Agencies With Performance Ratings Lower Than "Good"

Science Museum of Virginia – Satisfactory Performance – Of the 15 findings, 8 were related to Travel vouchers, 3 were related to Petty Cash vouchers, 2 were related to Vendor Payment vouchers , and 2 were related to Small Purchase Charge Card vouchers. The following items represent the majority of these findings:

Travel Vouchers

- Batch Header not signed (1)
- Receipt absent (1)
- Tips for taxi reimbursed along with taxi fare (1)
- Lodging taxes were not prorated (1)
- Out of Country rate sheet absent from Travel Expense Reimbursement Voucher (1)
- Travel Expense Reimbursement Voucher not signed or dated by supervisor (1)
- Date by traveler's signature absent (1)
- Copy of hotel receipt (1)

Petty Cash Vouchers

- Payment made to another state agency – should be paid via IAT (1)
- Copy of receipt (1)
- Receipt absent (1)

Vendor Payment Vouchers

- Incorrect due date - contract (1)
- Moving due date up to "keep good vendor relations" occurring too often (1)

Small Purchase Charge Card Vouchers

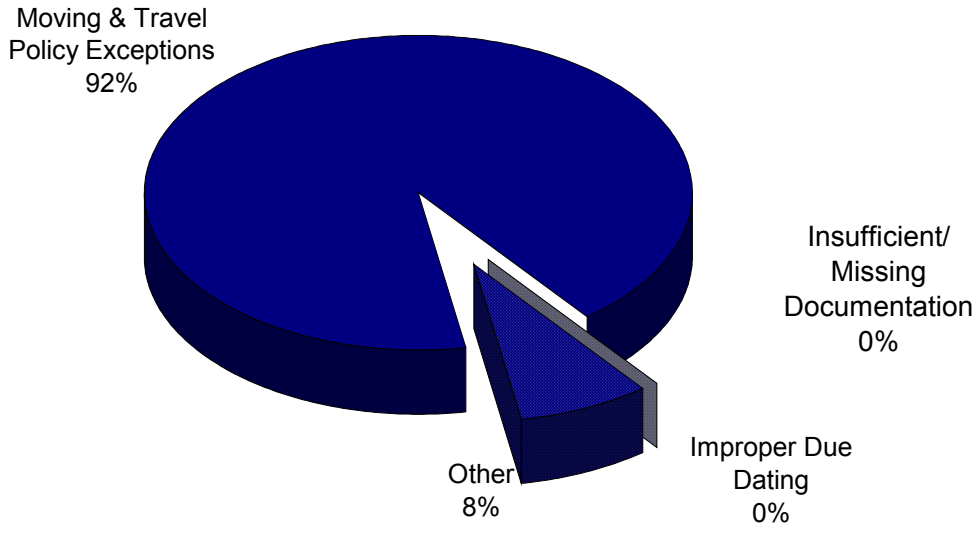
- Invoice absent (1)
- Purchasing Logs not signed by cardholder or supervisor (1)

Non-Decentralized Agencies

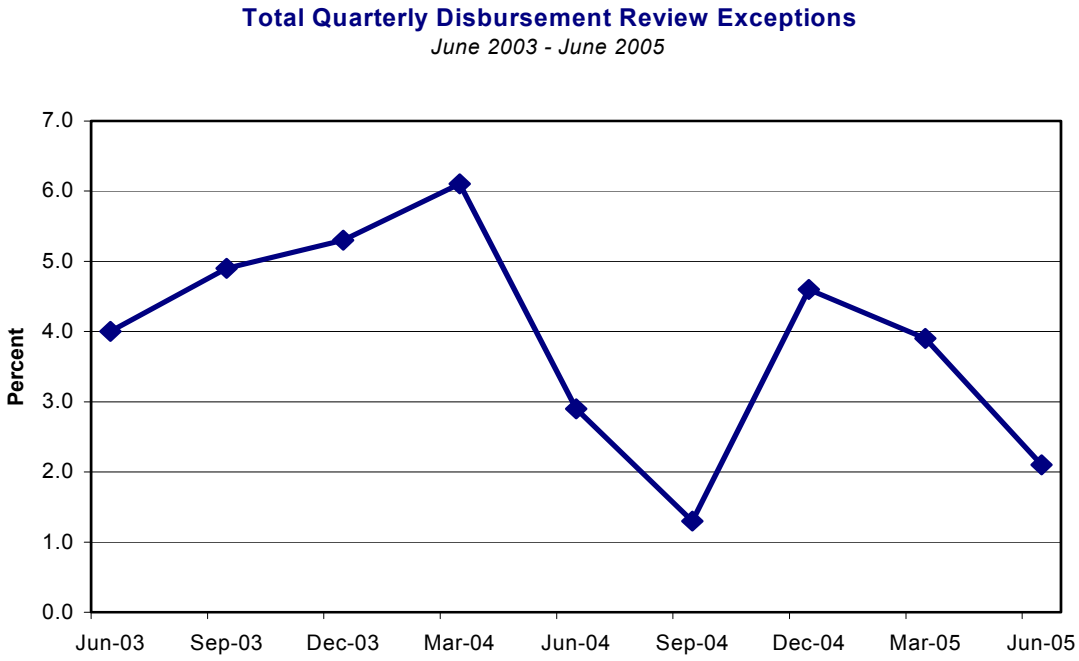
Pre-audit of disbursements is conducted at the Department of Accounts for certain agencies that have not demonstrated the capability to manage a delegated program (i.e., have not met statewide decentralization management standards), agencies for which the cost of delegation is greater than the efficiency 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 127 non-decentralized agencies on a rotating schedule. A total of 949 non-travel disbursement batches and 271 travel disbursement batches were reviewed, disclosing 26 exceptions that were resolved prior to releasing the transactions for payment.

Disbursement Review and Compliance Findings
Non-Decentralized Agencies
Quarter Ended June 30, 2005



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 June 30, 2005		*Fiscal Year 2005 To Date*		*Comparative Quarter Ended June 30, 2004*	
	Late	Total	Late	Total	Late	Total
Number of Payments	7,054	655,531	30,806	2,611,448	6,757	665,166
Dollars (in thousands)	$ 25,644	$ 1,326,249	$ 131,531	$ 5,225,630	$ 20,977	$ 1,214,074
Interest Paid on Late Payments				$ 17,576		
Current Quarter Percentage of Payments in Compliance				98.9%		
Fiscal Year-to-Date Percentage of Payments in Compliance				98.9%		
Comparative Fiscal Year 2004 Percentage of Payments in Compliance				98.8%		

Prompt Payment Performance by Secretarial Area

Quarter Ended June 30, 2005

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.3%	98.8%
Commerce and Trade	98.9%	98.9%
Education*	98.8%	98.1%
Elected Officials	99.6%	93.7%
Finance	99.8%	97.5%
Health and Human Resources	98.7%	96.0%
Independent Agencies	99.6%	99.7%
Judicial	99.7%	99.7%
Legislative	99.7%	98.7%
Natural Resources	99.6%	98.9%
Public Safety	99.3%	98.2%
Agriculture and Forestry	99.7%	99.6%
Technology	98.8%	98.2%
Transportation*	99.4%	98.4%
Statewide	**99.00%**	**98.0%**

Prompt Payment Performance by Secretarial Area

Fiscal Year 2005

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	98.7%	98.3%
Commerce and Trade	98.7%	98.7%
Education*	98.8%	97.8%
Elected Officials	99.0%	90.3%
Finance	99.4%	99.4%
Health and Human Resources	98.8%	95.8%
Independent Agencies	99.2%	99.0%
Judicial	99.4%	99.5%
Legislative	99.7%	99.7%
Natural Resources	99.5%	99.3%
Public Safety	99.2%	98.6%
Agriculture and Forestry	99.2%	95.0%
Technology	97.0%	96.4%
Transportation*	99.1%	95.6%
Statewide	**98.8%**	**97.4%**

* 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 June 30, 2005, 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 June 30, 2005

Agency	Late Payments	Total Payments	Payments in Compliance
Education			
The Science Museum of Virginia	360	686	47.5%
Gunston Hall	6	91	93.4%
Health and Human Resources			
Southwestern Virginia Mental Health Institute	212	1,319	83.9%
Hiram W. Davis Medical Center	156	712	78.1%
Southern Virginia Mental Health Institute	55	793	93.1%
Commerce and Trade			
Department of Minority Business Enterprise	4	59	93.2%

For FY 2005, the following agencies and institutions that processed more than 200 vendor payments during the year were below the 95 percent prompt payment performance standard.

Prompt Payment Compliance Rate
Agencies Below 95%
Fiscal Year 2005 to Date

Agency	Late Payments	Total Payments	Payments in Compliance
Education			
The Science Museum of Virginia	625	2,972	79.0%
Gunston Hall Plantation	63	453	86.1%
Health and Human Resources			
Central Virginia Training Center	576	7,834	92.6%
Hiram W. Davis Medical Center	245	3,500	93.0%
Southwestern Virginia Mental Health Institute	350	5,870	94.0%
Judicial			
State Board of Bar Examiners	33	283	88.3%

Prompt Payment Explanations

Explanations for low prompt payment compliance rates for the fourth quarter of FY 2005 and year to date were provided by the following agencies. Not all agencies elected to provide written explanations.

The Science Museum of Virginia reports that payments were late due to a non-general fund revenue shortfall. Revenues were down throughout the year, budget reductions were implemented in January, and a hiring freeze was implemented. The agency has developed a spending plan for fiscal year 2006 that is based upon conservative revenue estimates, and that restricts spending to coincide with revenue collection. The hiring freeze has been continued, and all cost centers have been issued sixty day spending plans which will be evaluated and re-issued throughout the year.

The **Virginia Board of Bar Examiners** reports cash shortfalls in the first quarter caused year to date compliance to fall below the requirements. These shortfalls were caused by complications associated with the change in the funding source from General to Special funds. A temporary treasury loan was obtained and all outstanding transactions posted to CARS. The cash shortfall caused them to miss prompt payment for the fiscal year.

Gunston Hall reports they are still struggling with a small staff and a large workload but are striving to improve.

The **Southern Virginia Mental Health Institute** reports that no vendor payments were processed for a three week period of time in the fourth quarter. They were awaiting approval and transfer of additional funds to complete the fiscal year. Normal processing resumed after funds were received.

Southwestern Virginia Mental Health Institute reports there was a shortage of General and special fund allocations. These funds were planned to be allocated during the beginning of the fourth quarter to cover expenditures but were allocated at the end of the quarter.

The Department of Minority Business Enterprise reports there was an error made in coding and the approved amount for a voucher in the fourth quarter. The items were corrected but the correction did not process in time to meet the payment due date.

Central Virginia Training Center reports that they experienced special fund cash flow problems for three quarters in fiscal year 2005. Their control agency obtained a working capital special fund cash advance for fiscal year 2006 in the recent budget. They report their prompt payment problems should be resolved.

Hiram W. Davis Medical Center reports they had a $5.5 million shortfall in appropriations from the first part of April until the last part of May causing the agency to miss prompt payment.

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

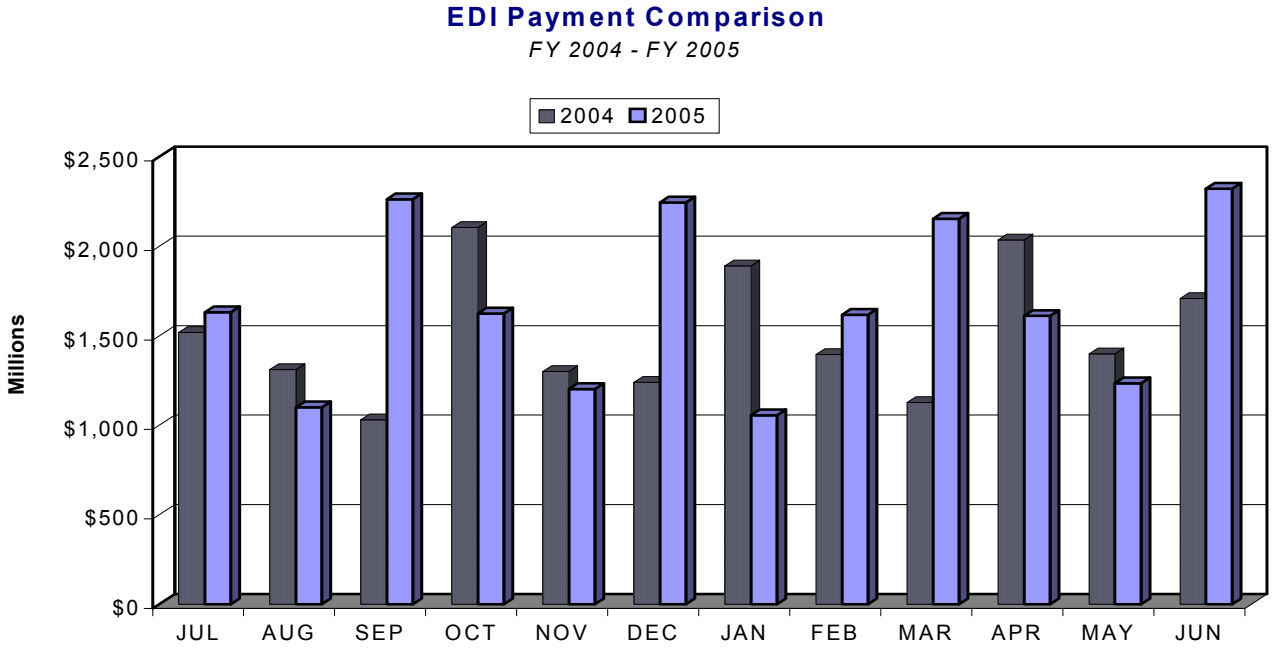
	Quarter Ended June 30, 2005			Comparative Quarter Ended June 30, 2004
	E-Commerce	**Total**	**Percent**	**Percent**
Number of Payments	641,671	1,062,692	60.4%	58.6%
Payment Amounts	$ 5,919,421,692	$ 6,814,642,322	86.9%	86.4%

	Fiscal Year 2005 to Date			Comparative Fiscal Year 2004
	E-Commerce	**Total**	**Percent**	**Percent**
Number of Payments	2,445,707	4,103,839	59.6%	57.1%
Payment Amounts	$ 22,932,745,665	$ 26,313,572,884	87.2%	85.5%

The dollar volume of Financial EDI payments for the fourth quarter of FY 2005 was $23.5 million (.5 percent) more than the same quarter last year. The number of trading partner accounts increased by 25 percent from June 2004. The largest portion of this increase is due to efforts to convert state employee travel reimbursements from checks to electronic payments.

Financial EDI Activity

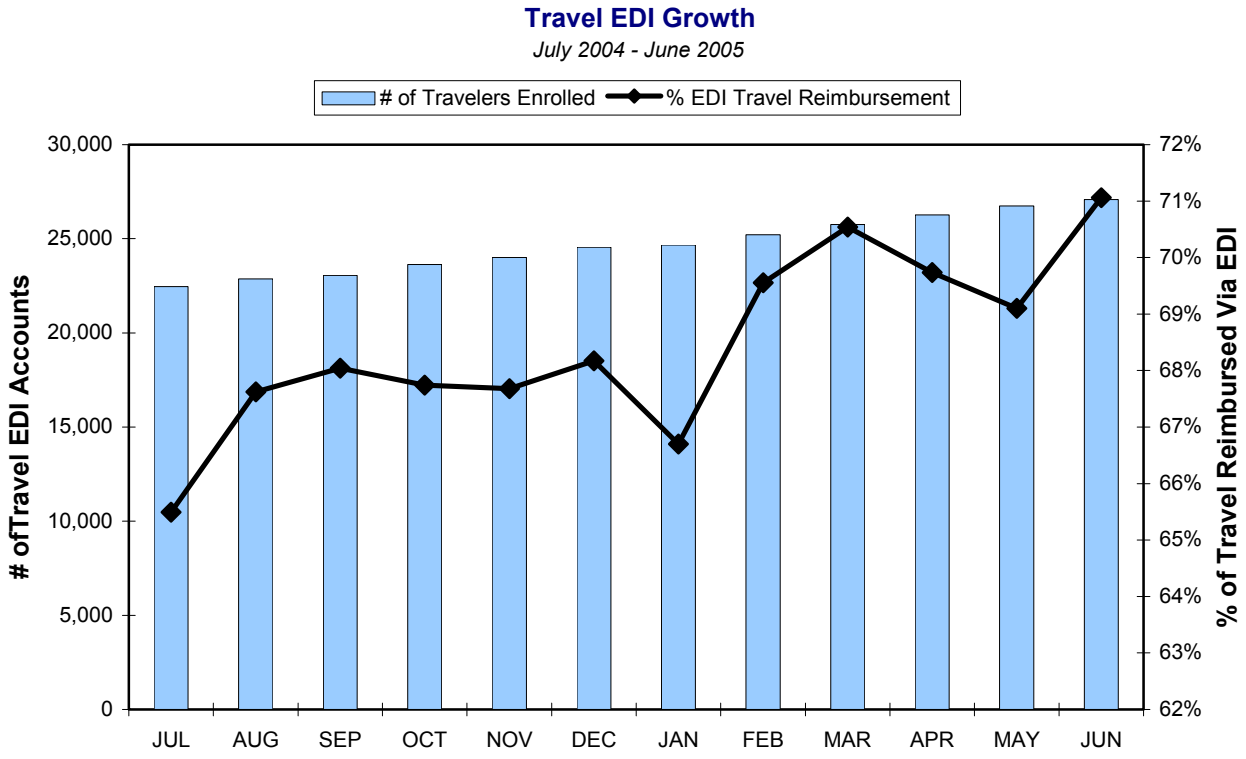
Financial EDI Activity	*Quarter Ended June 30, 2005*	*Fiscal Year 2005 to Date*	*Comparative FY 2004 to Date*
Number of Payments	49,884	175,617	143,104
Amount of Payments	$ 5,164,087,325	$ 20,049,024,832	$ 18,054,266,862
Number of Invoices Paid	192,201	721,999	655,081
Estimated Number of Checks Avoided	79,627	292,296	256,145
Number of Trading Partner Accounts As of 6/30/05		29,494	23,651



Expansion of the Travel EDI program is an integral part of the statewide effort to reduce the administrative costs associated with paying for goods and services for the Commonwealth. The Appropriation Act requires employees who travel more than twice a year to be reimbursed using EDI. DOA notified agencies of the requirement through a CARS broadcast screen and calls to the agencies that produce the largest number of travel reimbursement checks. Quarterly utilization statistics are provided to the EDI coordinators of each agency in an effort to increase the number of employees enrolled.

Although participation among certain agencies has increased, many agencies have failed to enroll employees in EDI as required by law. In accordance with Section 4-5.04g of the Appropriation Act, the Comptroller began charging agencies $1 for each travel reimbursement check issued in lieu of Travel 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.

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 show non-compliance with the Appropriation Act requirements.

Travel Reimbursement
Travel EDI Performance
By Secretarial Area

Quarter Ended June 30, 2005

Secretarial Area	Employee Percent	Non-Employee Percent	Reimbursement Checks Issued
Administration	73.3%	13.0%	120
Agriculture and Forestry	93.2%	20.6%	100
Commerce and Trade	93.4%	51.5%	303
Education *	75.7%	5.3%	3,271
Elected Officials	93.9%	0.0%	50
Finance	97.5%	0.0%	41
Health and Human Resources	87.6%	42.5%	1,636
Independent Agencies	94.1%	0.0%	105
Judicial	15.9%	2.1%	3,978
Legislative	88.3%	34.0%	108
Natural Resources	92.8%	1.1%	247
Public Safety	79.8%	6.4%	1,945
Technology	69.0%	-	94
Transportation*	77.1%	45.8%	187
Statewide for Quarter	**77.6%**	**15.7%**	**12,185**
Fiscal Year 2005 to Date			
Statewide	**77.0%**	**14.5%**	**43,207**
Comparative Fiscal Year 2004 to Date			
Statewide	**52.1%****	**-****	**62,418**

* 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 distinction between Employee and Non-employee was not made until the second quarter of 2004.

The following table lists agencies with Employee EDI participation rates below 75 percent that issued more than 25 travel reimbursement checks during the quarter. These statistics are informational only and **do not** indicate noncompliance with the Appropriation Act.

Agency Employee EDI Performance
Utilization Below 75 Percent

Agency	Percent	Reimbursement Checks Issued
Administration		
Department of General Services	73.8%	33
Department of Veterans Services	69.6%	34
Education		
Dabney S Lancaster Community College	74.3%	29
Virginia Western Community College	68.9%	42
Danville Community College	68.6%	48
Lord Fairfax Community College	66.3%	64
Northern Virginia Community College	65.8%	126
New River Community College	61.4%	49
John Tyler Community College	58.1%	49
Southside Virginia Community College	54.8%	70
Norfolk State University	47.1%	203
Thomas Nelson Community College	46.8%	83
Health and Human Resources		
Department of Social Services	66.4%	347
Judicial		
Magistrate System	3.7%	338
Combined Courts	2.3%	293
Supreme Court	2.2%	932
Circuit Courts	1.9%	532
Juvenile and Domestic Relations Courts	1.6%	369
General District Courts	0.3%	385
Court of Appeals of Virginia	0.0%	55
Legislative		
Commission on Virginia Alcohol Action Safety Program	5.5%	52
Public Safety		
Virginia Correctional Enterprises	73.3%	35
Dept of Corrections – Division of Community Corrections	72.0%	163
Wallens Ridge State Prison	65.4%	28
Bland Correctional Center	48.0%	26
Western Region Correctional Field Units	43.9%	37
Keen Mountain Correctional Center	39.1%	42
Department of Fire Programs	35.4%	308
Greensville Correctional Center	13.3%	26
Augusta Correctional Center	0.0%	35
Fluvanna Women's Correctional Center	0.0%	31
Technology		
Virginia Information Technologies Agency	68.3%	93
Transportation		
Department of Motor Vehicles	72.5%	164

The following table lists agencies that issued more than 25 travel reimbursement checks during the quarter and had a Non-employee EDI participation rate below 10 percent. **These statistics are informational only.** The expansion of EDI for Non-employees is a cost savings opportunity for the Commonwealth

Agency Non-Employee EDI Performance
Utilization Below 10 Percent

Agency	Percent	Reimbursement Checks Issued
Commerce and Trade		
Virginia Employment Commission	0.0%	45
Education		
Tidewater Community College	5.6%	34
Virginia State University	2.0%	49
Department of Education	0.0%	1,084
Longwood University	0.0%	82
Christopher Newport University	0.0%	64
Virginia Commission for the Arts	0.0%	61
Virginia Military Institute	0.0%	60
Norfolk State University	0.0%	47
Health and Human Resources		
Department of Rehabilitative Services	6.0%	63
Virginia Board for People with Disabilities	5.7%	50
Judicial		
Circuit Courts	3.8%	432
Supreme Court	2.3%	168
Virginia State Bar	0.0%	255
Juvenile and Domestic Relations Courts	0.0%	49
General District Courts	0.0%	41
Public Safety		
Department of Emergency Management	9.8%	129
Department of Criminal Justice Services	0.0%	215
Department of Fire Programs	0.0%	64

The following table lists agencies that have accumulated more than $35 in Employee EDI check charges for the Fiscal Year and have a utilization rate below 80 percent for the quarter. Agencies are charged $1 for each travel reimbursement check issued to an employee after their second check of the Fiscal Year. Section 4-5.04.f.5 of the Appropriation Act requires that all employees likely to travel more than twice per year be reimbursed for travel costs using electronic data interchange.

Agency Noncompliance Travel Check Charges
Utilization Below 80 Percent

Agency	Percent	Year to Date Charges
Education		
Norfolk State University	47.1%	$ 223
Southside Virginia Community College	54.8%	67
Longwood University	79.3%	57
J. Sargeant Reynolds Community College	77.6%	46
Danville Community College	68.6%	44
Health and Human Resources		
Department of Social Services	66.4%	320
Judicial		
Circuit Courts	1.9%	1,821
General District Courts	0.3%	812
Juvenile and Domestic Relations Courts	1.6%	797
Magistrate System	3.7%	773
Combined Courts	2.3%	679
Supreme Courts	2.2%	581
Court of Appeals of Virginia	0.0%	138
Virginia Criminal Sentencing Commission	0.0%	41
Judicial Inquiry and Review Commission	0.0%	36
Public Safety		
Department of Fire Programs	35.4%	524
Department of Corrections – Division of Community Corrections	72.0%	87
Technology		
Virginia Information Technologies Agency	68.3%	45
Transportation		
Department of Motor Vehicles	72.5%	90

During the fourth quarter of FY 2005, 425,006 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 June 30, 2005

Secretarial Area	Direct Deposit % of Salary Employees	Direct Deposit % of Wage Employees
Administration	91.0%	81.5%
Agriculture and Forestry	93.0%	42.3%
Commerce and Trade	97.0%	92.5%
Education	96.2%	51.6%
Elected Officials	98.5%	38.7%
Finance	94.7%	68.5%
Health and Human Resources	87.5%	69.3%
Independent Agencies	95.3%	68.8%
Judicial	94.9%	46.3%
Legislative	95.4%	71.4%
Natural Resources	96.6%	45.0%
Public Safety	87.5%	73.7%
Technology	96.3%	85.0%
Transportation	83.4%	68.7%
Statewide	**89.6%**	**58.9%**
Comparative		
Quarter Ended June 30, 2004		
Statewide	**87.8%**	**50.4%**

Statewide Salaried Direct Deposit Performance

Quarter Ended June 30, 2005

Salaried Direct Deposit Participation	89.6%

Salaried Direct Deposit Below 80 Percent

Agency	Percent	Number of Employees
Education		
Mountain Empire Community College	79.0%	200
Health and Human Resources		
Southern Virginia Mental Health Institute	77.1%	166
Piedmont Geriatric Hospital	69.0%	319
Central Virginia Training Center	64.5%	1,499
Public Safety		
Mecklenburg Correctional Center	79.1%	397
Greensville Correctional Center	78.7%	834
Bland Correctional Center	74.6%	303
Brunswick Correctional Center	74.1%	378
Buckingham Correctional Center	72.0%	350
Nottoway Correctional Center	70.2%	473
Dillwyn Correctional Center	68.7%	268
Transportation		
Department of Transportation - Lynchburg District	75.5%	728
Department of Transportation - Bristol District	74.5%	959
Department of Transportation - Salem District	74.2%	910
Department of Transportation - Culpeper District	72.0%	590

Statewide Wage Direct Deposit Performance

Quarter Ended June 30, 2005

Wage Direct Deposit Participation	58.9%

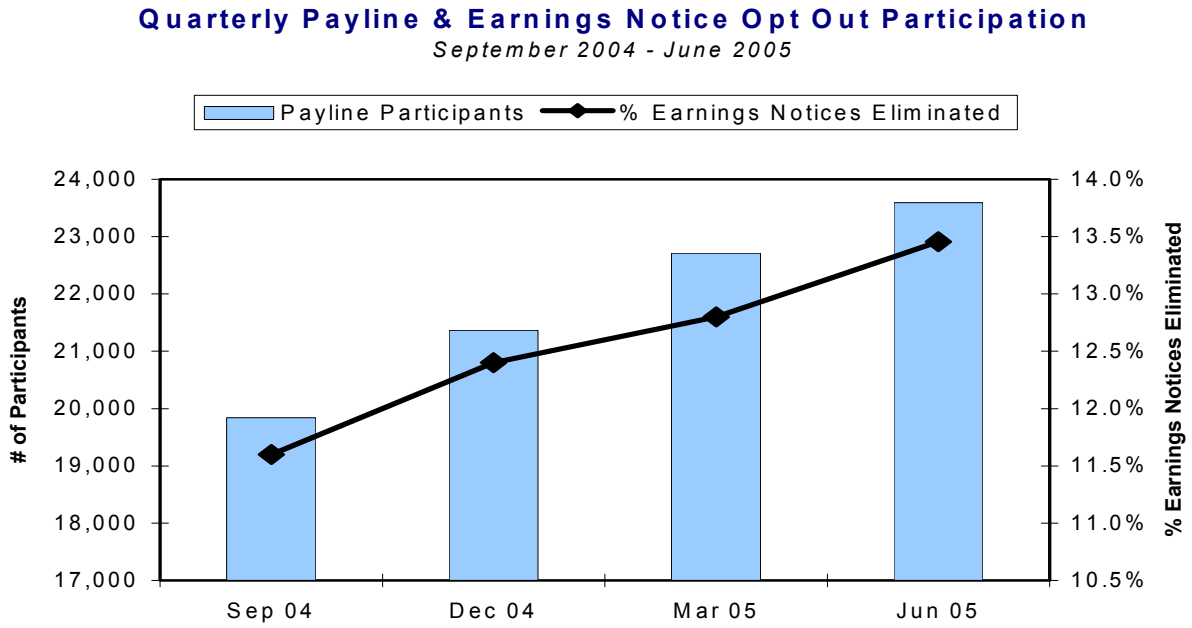
Wage Direct Deposit Below 40 Percent

Agency	Percent	Number of Employees
Agriculture and Forestry		
Department of Forestry	33.3%	96
Commerce and Trade		
Virginia Racing Commission	20.0%	10
Education		
Southwest Virginia Community College	39.6%	217
Dabney S. Lancaster Community College	39.3%	84
Lord Fairfax Community College	37.6%	186
Piedmont Virginia Community College	37.4%	147
Eastern Shore Community College	35.8%	53
New River Community College	35.8%	193
Germanna Community College	35.1%	205
Gunston Hall Plantation	34.8%	23
Paul D. Camp Community College	32.8%	125
Central Virginia Community College	27.9%	122
Danville Community College	27.3%	205
Wytheville Community College	26.0%	127
Thomas Nelson Community College	25.0%	316
Richard Bland College	21.2%	52
Mountain Empire Community College	18.5%	146
Southside Virginia Community College	18.4%	163
Virginia Western Community College	16.7%	252
Radford University	14.0%	500
Longwood University	13.4%	284
Rappahannock Community College	11.8%	102
Virginia Highlands Community College	10.1%	158
Health and Human Resources		
Central Virginia Training Center	16.2%	117
Southwestern Virginia Training Center	5.5%	73
Independent		
State Corporation Commission	18.8%	16
Judicial		
Combined District Courts	32.0%	25
Indigent Defense Commission	21.4%	14
Natural Resources		
Department of Conservation and Recreation	38.2%	842
Public Safety		
Department of Fire Programs	38.4%	138
Bland Correctional Center	36.3%	11
Buckingham Correctional Center	20.0%	10
Various		
Selected Agency Support	38.7%	31

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 454,870 earnings notices. Though participation is growing, statewide participation rates remain relatively 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 June 30, 2005

Secretarial Area	Percent Payline Participation	Percent Earnings Notices Eliminated*
Administration	29.8%	3.81%
Agriculture and Forestry	16.6%	9.1%
Commerce and Trade	70.5%	50.9%
Education	23.4%	10.9%
Elected Officials	67.9%	59.6%
Finance	72.5%	48.7%
Health and Human Resources	26.7%	12.1%
Independent Agencies	40.3%	28.7%
Judicial	4.7%	1.7%
Legislative	45.5%	38.9%
Natural Resources	38.4%	28.9%
Public Safety	19.3%	8.0%
Technology	77.4%	48.8%
Transportation	26.5%	9.4%
Statewide	**26.8%**	**13.5%**
Comparative Quarter Ended June 30, 2004		
Statewide	**21.3%**	**10.6%**

* 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 06/30/05 Payday
Administration		
Department of Veterans Services	3.8%	280
Education		
Southside Virginia Community College	3.1%	237
Thomas Nelson Community College	3.0%	465
Piedmont Virginia Community College	2.6%	207
Virginia Highlands Community College	2.5%	135
Rappahannock Community College	2.4%	104
Radford University	2.3%	1069
Christopher Newport University	2.2%	845
Virginia School for the Deaf, Blind and Multi-Disabled at Hampton	2.2%	129
Central Virginia Community College	1.8%	223
Danville Community College	1.8%	230
Longwood University	1.8%	524
Northern Virginia Community College	1.0%	2,312
Health and Human Resources		
Central State Hospital	3.8%	686
Southside Virginia Training Center	3.7%	1,083
Hiram W. Davis Medical Center	3.0%	175
Northern Virginia Training Center	2.6%	515
Piedmont Geriatric Hospital	2.3%	248
Central Virginia Training Center	1.8%	950
Judicial		
Public Defender Commission	2.4%	407
Combined District Courts	1.9%	190
Juvenile and Domestic Relations District Courts	1.1%	591
Virginia State Bar	1.1%	87
Magistrate System	0.7%	404
General District Courts	0.5%	949
Circuit Courts	0.0%	182
Court of Appeals of Virginia	0.0%	64
Legislative		
Division of Capital Police	1.1%	84

Agency	Percent Earnings Notices Eliminated	Earnings Notices Printed for 06/30/05 Payday
Public Safety		
Department of Juvenile Justice	3.6%	1,938
Red Onion State Prison	3.4%	354
Department of Fire Programs	3.2%	71
Fluvanna Women's Correctional Center	2.8%	281
Dillwyn Correctional Center	2.6%	178
Deep Meadow Correctional Center	2.5%	270
Haynesville Correctional Center	2.4%	323
Lunenburg Correctional Center	2.2%	215
Division of Community Corrections	2.2%	1,215
Southampton Correctional Center	2.1%	263
Keen Mountain Correctional Center	2.0%	273
Bland Correctional Center	1.9%	223
Virginia Correctional Enterprises	1.8%	142
Wallens Ridge State Prison	1.5%	364
Southampton Reception and Classification Center	1.3%	68
Bruswick Correctional Center	1.1%	274
Western Region Correctional Field Units	1.0%	424
Greensville Correctional Center	1.0%	648
Virginia Correctional Center for Women	0.9%	177
Powhatan Reception and Classification Center	0.9%	93
Nottoway correctional Center	0.6%	327
Powhatan Correctional Center	0.3%	251
Deerfield Correctional Center	0.0%	169
Transportation		
Department of Transportation – Hourly	1.6%	273

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.

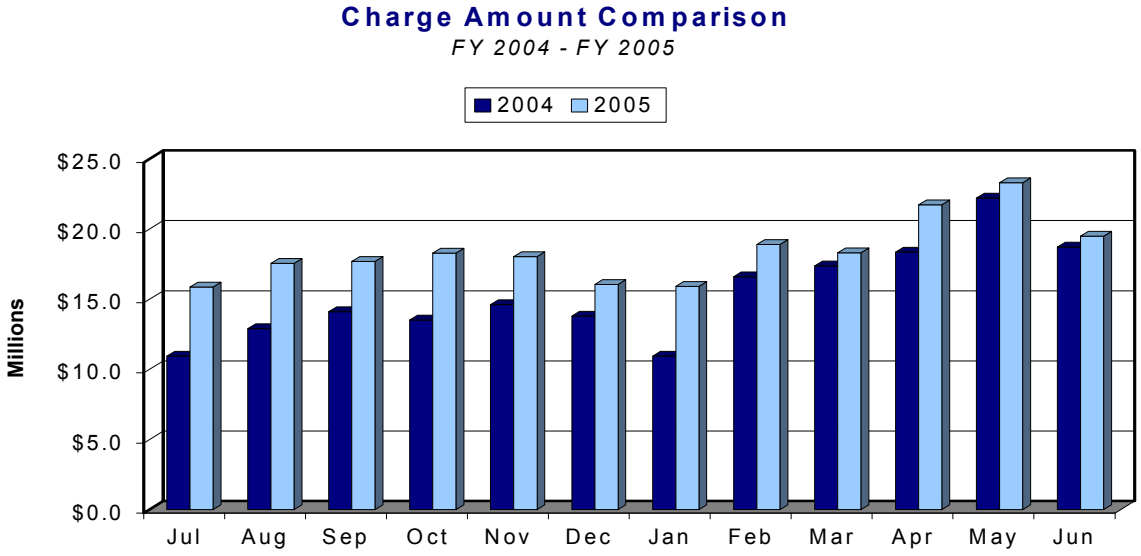
The Small Purchase Charge Card continues to be used for purchases under $5,000. Agencies are strongly encouraged to obtain a Gold Card for use by a procurement professional for purchases in the $5,000 to $50,000 range.

The total amount charged on SPCC and Gold cards during the fourth quarter of FY 2005 increased by $5.2 million or 8.2 percent from the same quarter last year. Total charge card purchases for FY2005 increased by $36.9 million or 16.7 percent from FY2004.

Small Purchase Charge Card Program

Charge Card Activity	*Quarter Ended June 30, 2005*	*Fiscal Year 2005 To Date*	*Comparative Fiscal Year 2004 To Date*
Amount of Charges	$ 64,556,247	$ 221,035,843	$ 184,037,843
Estimated Number of Checks Avoided	133,359	507,326	469,278
Total Number of Participating Agencies		198	182
Total Number of Cards Outstanding		10,192	9,597

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 first 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.

For purposes of computing the $1 underutilization charge imposed in accordance with § 5.04g. of the Appropriation Act, 70% utilization is the threshold. Each agency can request a report identifying payments to participating suppliers which should have been paid by the SPCC, by emailing spcc@doa.virginia.gov .

Statewide SPCC Performance

Quarter Ended June 30, 2005

Percentage Utilization for Eligible Transactions	**77%**

SPCC Utilization by Secretarial Area

Quarter Ended June 30, 2005

Secretarial Area	Payments in Compliance[1]	Non-Compliant Transactions[2]
Administration	81%	798
Agriculture and Forestry	78%	790
Commerce and Trade	72%	1,070
Education*	81%	7,360
Elected Officials	97%	24
Finance	84%	190
Health and Human Resources	73%	8,635
Independent Agencies	74%	859
Judicial	42%	2,362
Legislative	96%	52
Natural Resources	93%	803
Public Safety	80%	6,463
Technology	22%	1,871
Transportation*	72%	8,556
Statewide	**77%**	**39,833**

* 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 70 Percent

Agency	Payments in Compliance	Non-Compliant Transactions
Administration		
Department of Human Resource Management	63%	59
Commerce and Trade		
Virginia Employment Commission	42%	738
Department of Labor and Industry	4%	221
Education		
Virginia School for the Deaf and Blind at Staunton	69%	93
New River Community College	65%	230
Wytheville Community College	65%	252
Thomas Nelson Community College	57%	387
Tidewater Community College	53%	1,103
Norfolk State University	43%	1,291
Virginia State University – Cooperative Extension and Agricultural Research Services	26%	1,084
Health and Human Resources		
Department for the Blind and Vision Impaired	67%	539
Hiram W Davis Medical Center	62%	73
Department of Rehabilitative Services	59%	840
Commonwealth Center for Children and Adolescents	58%	56
Independent Agencies		
State Lottery Department	59%	196
Virginia Office for Protection and Advocacy	55%	53
State Corporation Commission	0%	485
Judicial		
Virginia Indigent Defense Commission	66%	193
Board of Bar Examiners	0%	29
Circuit Courts	0%	338
Combined District Courts	0%	229
Court of Appeals	0%	5
General District Courts	0%	606
Judicial Inquiry and Review Commission	0%	9
Juvenile and Domestic Relations District Court	0%	609
Magistrate System	0%	103
Virginia Criminal Sentencing Commission	0%	14
Legislative		
Commission on Virginia Alcohol Safety Action Program	0%	21

Agency	Payments in Compliance	Non-Compliant Transactions
Public Safety		
Department of Fire Programs	64%	153
Powhatan Reception and Classification Center	60%	36
Department of Corrections – Central Administration	59%	134
Southampton Reception & Classification Center	56%	52
Virginia Correctional Enterprises	17%	1,809
Marion Treatment Center	0%	101
Virginia Parole Board	0%	10
Technology		
Virginia Information Technologies Agency	22%	1,871

SPCC Payment Compliance

Agencies and institutions participating in the SPCC program are required to submit payments via EDI to the SPCC vendor no later than 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.

The criteria for Payment Compliance will change effective October 1, 2005. Effective October 1st, any agency who pays their bill late by more than two (2) days will be reported.

Agency Name	April	May	June
Administration			
Department of Charitable Gaming	X		
Commerce and Trade			
Department of Minority Business Enterprise		X	
Education			
Frontier Culture Museum	X		
Science Museum of Virginia	X		
Thomas Nelson Community College	X		
Health and Human Resources			
Southern Virginia Mental Health Institute			X
Technology			
Virginia Information Technologies Agency		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.

The following table identifies the number of delinquent active card accounts by agency during the quarter ended June 30, 2005, and the total amounts past due.

Travel Charge Card Program

As of June 30, 2005

Agency	Total Delinquent Active Accounts	Amounts 60 Days Past Due	Amounts 90-120 Days Past Due	Amounts >150 Days Past Due
Administration				
Department of Human Resource Management	1	$ 256	$ -	$ -
Commerce and Trade				
Department of Housing and Community Development	2	76	17	-
Education				
George Mason University	1	1,924	-	-
James Madison University	5	4,290	-	19
Longwood University	4	1,424	1,012	148
Norfolk State University	8	2,126	1,800	2,100
Old Dominion University	3	791	11	161
University of Virginia	17	8,981	5,893	746
University of Virginia Medical Center	3	275	169	388

Agency	Total Delinquent Active Accounts	Amounts 60 Days Past Due	Amounts 90-120 Days Past Due	Amounts >150 Days Past Due
University of Virginia – Wise	2	$ -	$ 352	$ -
Virginia Commonwealth University	10	3,666	27	1
Virginia Military Institute	3	162	-	7
Virginia Polytechnic Institute and State University	8	2,221	-	2,273
Virginia State University	6	1,460	-	830
Virginia Highlands Community College	1	71	619	-
Elected Officials				
Attorney General	5	1,708	100	696
Health and Human Resources				
Department of Rehabilitative Services	1	476	-	-
Department of Social Services	3	251	18	26
Independent				
State Corporation Commission	1	525	-	-
Virginia Retirement System	1	14	-	-
Natural Resources				
Department of Environmental Quality	1	-	-	2
Public Safety				
Department of Corrections	1	205	-	-
Department of Emergency Management	1	74	476	-
Department of Juvenile Justice	1	424	-	-
Transportation				
Virginia Department of Transportation	1	143	-	-

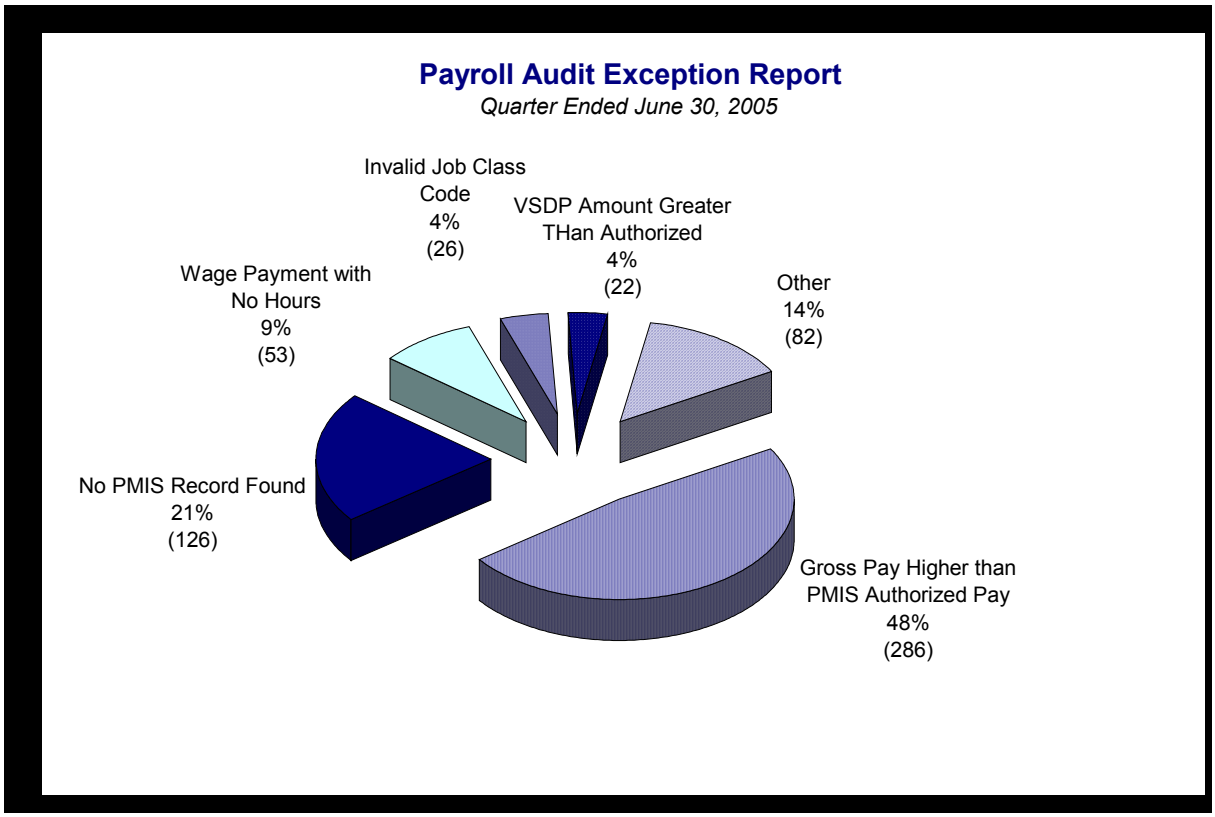
Payroll Controls

PMIS/CIPPS Payroll Audit

During the quarter, DOA's automated comparison of payroll and personnel (PMIS) records examined 422,158 salaried pay transactions and 245,976 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 1,997 new exceptions noted statewide during the quarter, with an overall exception rate of 0.34 percent.

The statewide salaried payroll exception rate was 0.50 percent and the wage payroll exception rate was 0.08 percent. During this quarter, 56 employee paychecks were reduced to recover $18,081.80 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 amount in CIPPS, the second largest cause of exceptions is related to timing differences in payroll and PMIS processing due to transfers. The PMIS authorization is an important internal control over payroll processing. Such exceptions can largely be avoided through timely PMIS data entry by agency Human Resource staff. Although segregation of these Human Resource and Payroll functions is an effective internal control, coordination and communication between agency Human Resource and Payroll staffs is essential.

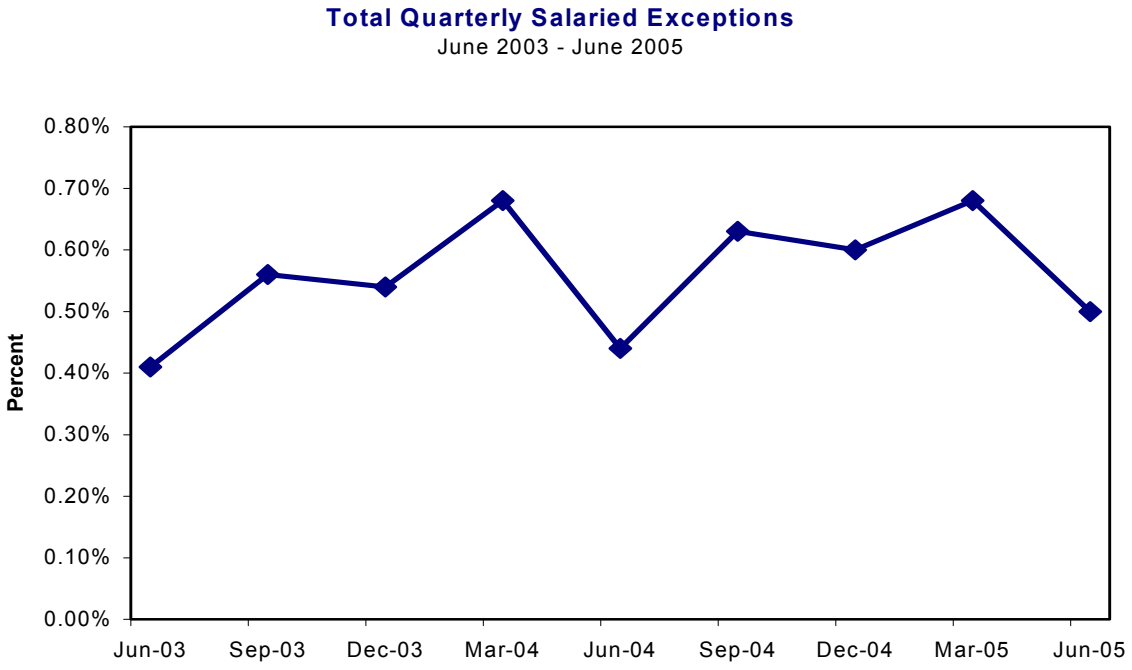


Exception percentages are calculated by dividing the number of exceptions by the number of salaried or wage employees. Agencies are reported below if the percentage of payroll exceptions to salaried or wage payments exceeds twice the statewide average for the quarter.

Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Salaried Payments
Quarter Ended June 30, 2005

Agency	Exceptions as a % of Salaried Payments
Total Salaried Payroll Exceptions for the Quarter	**0.50%**

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 June 30, 2005

Agency	Exceptions as a % of Wage Payments
Department of Social Services	2.54%
Wage Payroll Exceptions for the Quarter	**0.08%**

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

Note: increase in second & third quarters FY 2005 results from change in class codes in PMIS, but not in CIPPS

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	
Norfolk State University	6
Longwood University	2
Christopher Newport University	2
Piedmont Virginia Community College	5
John Tyler Community College	1
Public Safety	
Red Onion State Prison	5
Coffeewood Correctional Center	13
Transportation	
Department of Transportation – Bristol Office	5
Department of Transportation – Fredericksburg District	1
Health and Human Resources	
Woodrow Wilson Rehabilitation Center	2

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 I	Corrected by DOA (d)
Education				
Blue Ridge Community College			3	
Christopher Newport University		1		
J. Sargeant Reynolds Community College				2
New River Community College	$72,739.88			
Norfolk State University			3	
Northern Virginia Community College	461,667.28			
Patrick Henry Community College	72,459.80			
Southside Virginia Community College	41,578.45			
Health and Human Resources				
Northern Virginia Training Center	20,000.00			
Independent				
Virginia College Savings Plan			2	
Public Safety				
Sussex 1 State Prison	21,717.17			
Transportation				
Department of Motor Vehicles	24,386.93			

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.

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 IATs not submitted to DOA. Healthcare reconciliations for the months of March, April and May were due 04/30/05, 05/31/05 and 6/15/05, respectively.

Schedule of Health Care Reconciliations Received Late or With Problems

	Mar	Apr	May
State Lottery Department	X	P	P
Virginia Employment Commission	P		P
Department of Conservation and Recreation	X		
Woodrow Wilson Rehabilitation Center	X		
Danville Community College	X		
Piedmont Virginia Community College	X		
Eastern Shore Community College	P	X	X
John Tyler Community College			X
Central Virginia Community College	P		P
Virginia Board for People with Disabilities	X		
Commonwealth Center for Children and Adolescents			X
Northern Virginia Mental Health Institute	P	P	
Sussex I State Prison		X	
Red Onion State Prison		X	
Augusta Correctional Center		X	

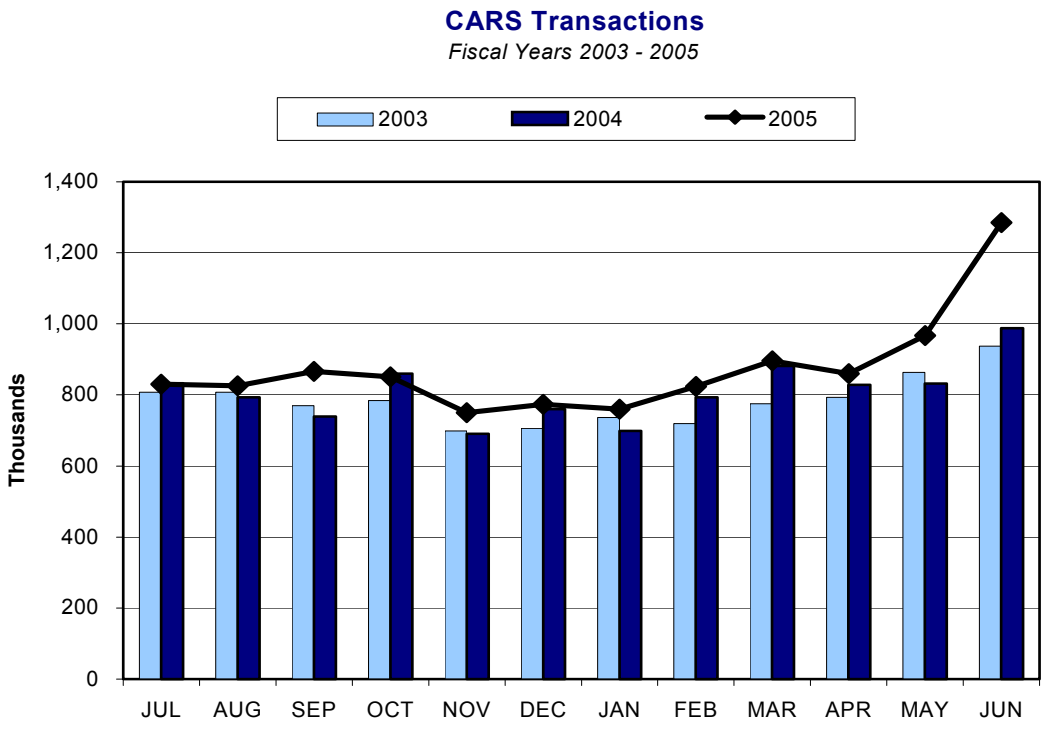
X= Late
P = Problem

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.

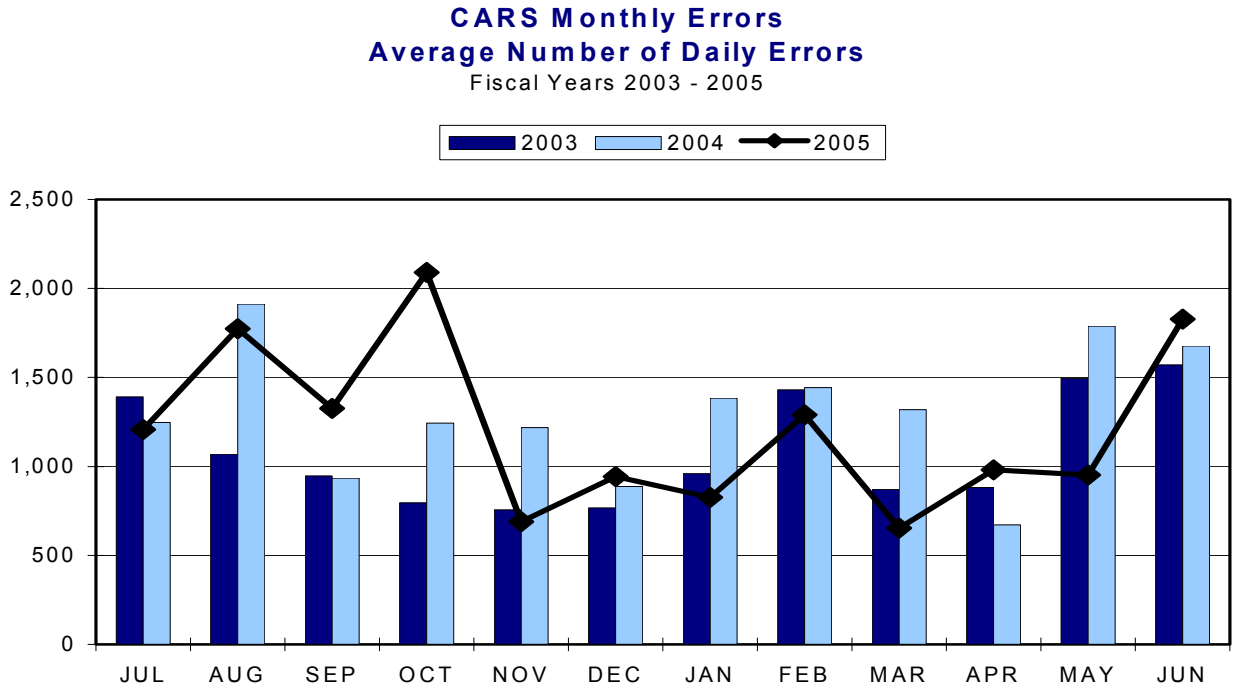


CARS Edits

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

- Available Cash Negative
- Expenditures Exceed Allotments
- Certified Amount Not Balanced

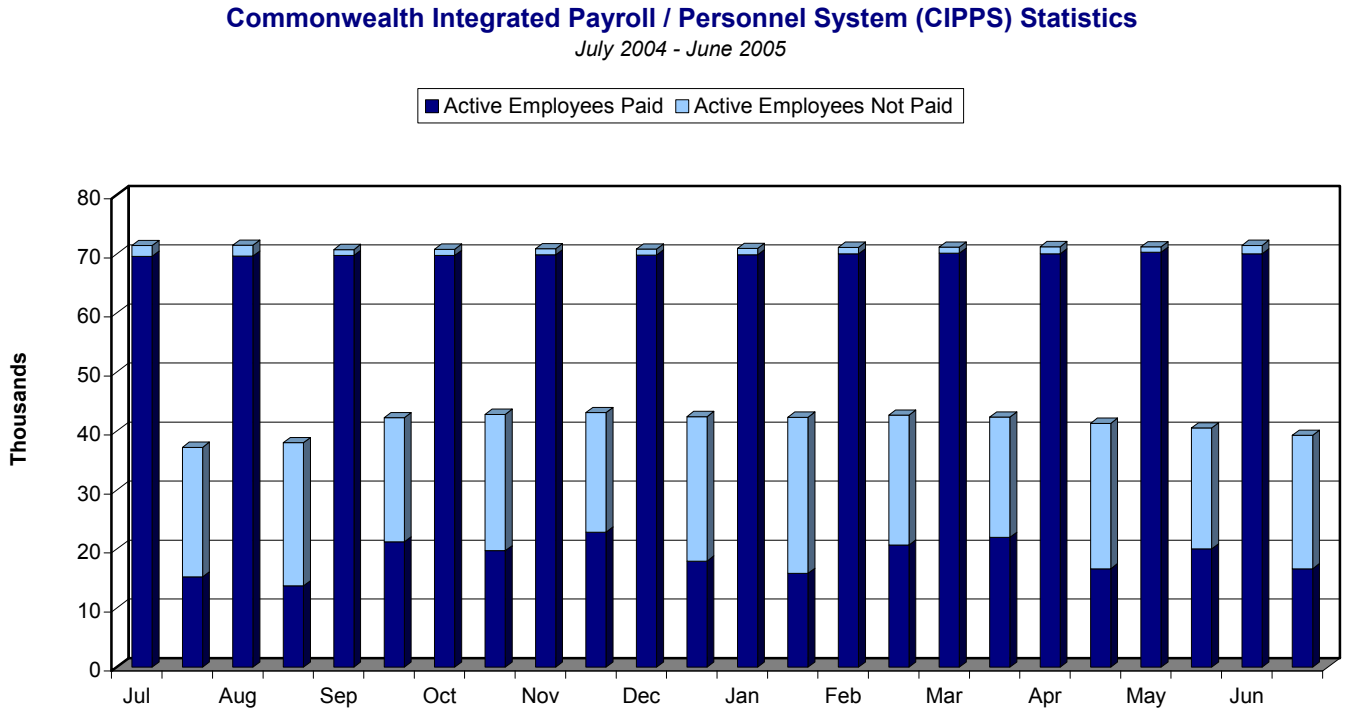
Agencies may avoid such errors by more closely monitoring cash and allotment balances. Sound agency cash management practices should be developed to ensure transactions are not submitted to CARS when funding is not available. Agencies should develop procedures to ensure certified amounts are calculated 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 110,748 employees. Payroll services are also provided through eight decentralized higher education institutions.

Total gross payrolls for the Commonwealth were approximately $409 million each month of the quarter. On average, 87,903 employees were paid each month, of which 70,110 are salary employees.



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

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

Benefit Participation by CIPPS Agencies

The Commonwealth offers a variety of benefits to State employees, including health care, optional retirement plans, deferred compensation, and flexible reimbursement programs. During the quarter, state employees purchased 12,859 savings bonds with a face value of over $1.6 million.

Benefit Participation
Number of Participating Employees

	As of 06/30/2005	Comparative As of 06/30/2004	Comparative As of 06/30/2003
Health Care			
COVA Care	80,651	79,545	N/A
Key Advantage	N/A	N/A	61,102
Cost Alliance	N/A	N/A	17,060
Aetna - PS	N/A	N/A	198
Aetna - HMO	N/A	N/A	1,160
Kaiser	1,868	1,843	1,755
Piedmont	N/A	N/A	139
Optional Retirement Plans *			
Fidelity Investments	428	437	226
Great West Life	0	0	11
TIAA/CREF	1,327	1,249	1,105
T. Rowe Price	0	0	51
VALIC	0	4	204
Political Appointee - ORP	75	86	74
Deferred Compensation *			
Great West Life	30,845	28,723	26,026
Flexible Reimbursement *			
Dependent Care	681	634	631
Medical Care	4,706	4,003	3,444

* 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

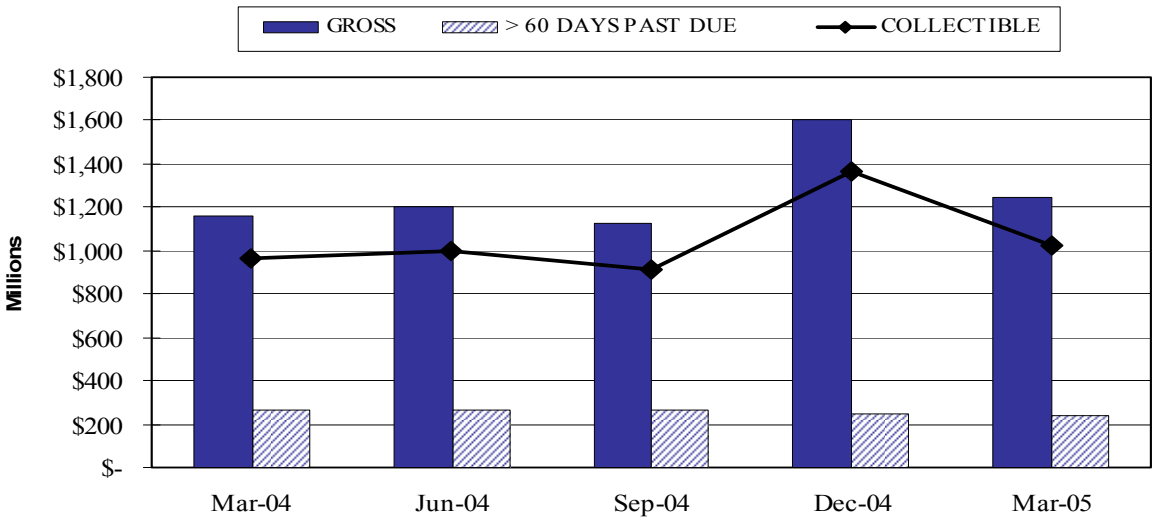
Chapter 48 of the ***Code of Virginia*** requires the Department of Accounts, along with the Office of the Attorney General, to oversee, report on, and monitor the Commonwealth's accounts receivable program. In order to carry out this responsibility, DOA has issued policies and procedures on accounting, 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.

In an effort to present more meaningful information, beginning with this quarter we are excluding data from the Department of Taxation, consisting largely of statutory assessments and non-filers assessments, and the circuit and district courts, which report judgments and fines with extremely low collection statistics.

Commonwealth agencies and institutions reported adjusted gross receivables of $1.2 billion at March 31, 2005, with $1.0 billion considered collectible. Receivables over 60 days past due as of March 31, 2005 totaled $240 million. Of that amount, $18 million was placed with private collection agencies, $16 million was placed with the Division of Debt Collection and $206 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 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.

Gross, Past Due, and Collectible Receivables
March 2004 - March 2005



As of March 31, 2005, agencies expected to collect $1.0 of the $1.2 billion (82%). About five percent are due to the General Fund, primarily for Medicaid penalties. The balance ($975 million) is in several non-general funds.

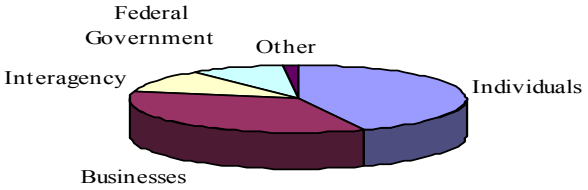
Collectible Receivables by Fund
Not Including Circuit and District Courts and Department of Taxation
As of March 31, 2005

Fund	Source		Amount	Percent
General Fund **5%**	Medicaid	$	40,266,975	84%
	Social Services		3,342,604	8%
	State Police Permits		1,254,113	3%
	Labor and Industry Inspections		1,054,670	2%
	Other		1,090,418	2%
	Subtotal		47,008,780	98%
	Interagency Receivables		1,103,820	2%
	Total General Fund Collectible	**$**	**48,112,600**	**100%**
Nongeneral Funds **95%**	Medicaid	$	4,730,336	0%
	Unemployment Taxes		334,360,717	34%
	Transportation		43,728,021	4%
	Child Support Enforcement		50,704,836	5%
	Federal Government		78,541,250	8%
	MHMR Patient Services		27,705,659	3%
	Hospital		109,137,836	11%
	Enterprise		59,448,211	6%
	Higher Education		137,395,887	14%
	Other		18,445,163	2%
	Subtotal		864,197,916	89%
	Interagency Receivables		111,236,615	11%
	Total Nongeneral Fund Collectible	**$**	**975,434,531**	**100%**
All Funds	**Grand Total**	**$**	**1,023,547,131**	**100%**

Summary of Receivables by Source

Sources of Collectible Receivables by Debtor

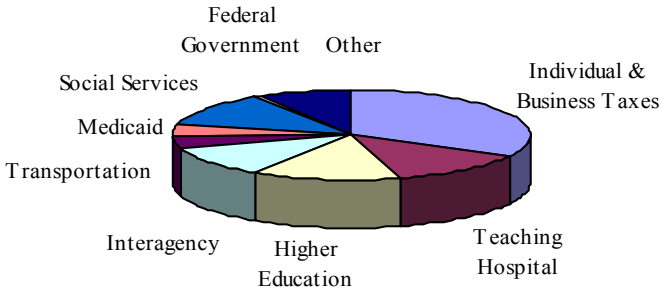
As of March 31, 2005



Source	Amount	Percent
Individuals	$ 446,512,200	43.6%
Businesses	357,668,309	34.9%
Interagency	112,340,435	11.0%
Federal Government	92,866,431	9.1%
Other	14,159,756	1.4%
Total	**$ 1,023,547,131**	**100.0%**

Sources of Collectible Receivables by Type

As of March 31, 2005



Source	Amount	Percent
Unemployment Taxes	$ 336,751,731	32.9%
Higher Education	137,395,887	13.4%
Teaching Hospital	128,718,167	12.6%
Social Services	126,435,753	12.4%
Interagency	112,340,435	11.0%
Medicaid	45,295,401	4.4%
Transportation	43,728,021	4.3%
Federal Government	34,508,689	0.8%
Other	85,085,747	8.3%
Total	**$ 1,023,547,131**	**100.0%**

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

Accounts Receivable Summary
Not Including Circuit and District Courts and Department of Taxation
Quarter Ended March 31, 2005

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
Virginia Employment Commission	$ 368,297,633	$ 31,545,902	$ 336,751,731
University of Virginia Medical Center	145,600,613	16,882,446	128,718,167
Department of Social Services	227,539,523	101,103,770	126,435,753
State Lottery Department	53,143,361	-	53,143,361
Department of Medical Assistance Services	82,936,474	37,641,073	45,295,401
Virginia Polytechnic Institute and State University	45,672,834	995,661	44,677,173
Department of Transportation	42,414,084	1,799,409	40,614,675
Virginia Information Technologies Agency	33,005,105	-	33,005,105
Department of Mental Health, Mental Retardation, & Substance Abuse Services	44,496,526	16,790,867	27,705,659
Virginia Commonwealth University	25,863,499	2,156,631	23,706,868
Total	**1,068,969,652**	**208,915,759**	**860,053,893**
All Other Agencies	176,941,818	13,448,580	163,493,238
Grand Total	**$ 1,245,911,470**	**$ 222,364,339**	**$ 1,023,547,131**

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

These additional collection tools recovered $5.1 million during the quarter ended March 31, 2005. The largest contributor was The Division of Debt Collection, which contributed $2.4 million. Private collection agencies, collected $1.9 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected $768,798.

RECEIVABLES OVER 60 DAYS PAST DUE
Does Not Include Circuit and District Courts and Department of Taxation
As of March 31, 2005

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	$ 56,160,584	$ -	$ -	$ 56,160,584
Virginia Employment Commission	38,884,258	8,166,086	8,800,108	21,918,064
Department of Medical Assistance Services	35,260,764	3,913,136	1,868,007	29,479,621
University of Virginia Medical Center	25,030,545	-	-	25,030,545
Department of Transportation	21,787,820	247,534	2,334,878	19,205,408
Department of Mental Health, Mental Retardation, and Substance Abuse Services	13,251,215	-	-	13,251,215
George Mason University	3,976,346	536,064	42,184	3,398,098
Virginia Commonwealth University	3,919,346	391,872	-	3,527,474
University of Virginia	3,845,457	649,840	-	3,195,617
Virginia Polytechnic Institute and State University	2,655,275	547,334	506,274	1,601,667
Total	**204,771,610**	**14,451,866**	**13,551,451**	**176,768,293**
All Other Agencies	35,345,614	3,448,527	2,339,658	29,557,429
GRAND TOTAL	**$ 240,117,224**	**$ 17,900,393**	**$ 15,891,109**	**$ 206,325,722**

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 $4.2 million through the fourth quarter of FY 2005.

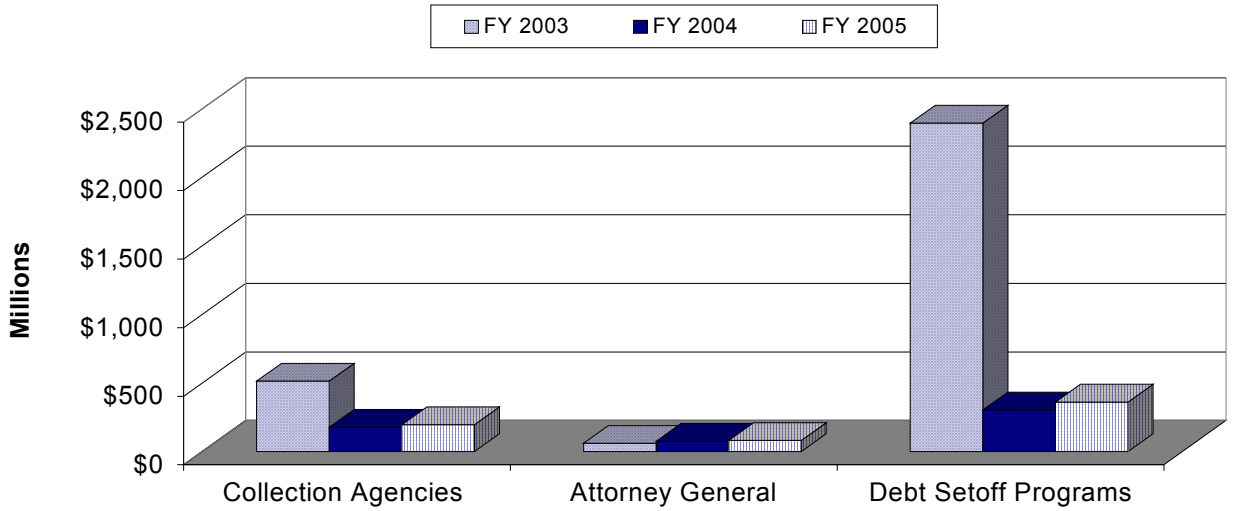
One way to measure an agency's effectiveness at collecting its accounts receivable is to look at how efficient collection procedures are on accounts that are more than 60 days past due. The table looks at trend percentages of receivables over 60 days past due as a percentage of gross receivables for the agencies with the largest amounts over 60 days past due.

Percentage of Gross Receivables Over 60 Days Past Due

Agency	Percent at 3/31/05	Comparative Percent at 12/31/04	Comparative Percent at 9/31/04
Department of Social Services	25%	21%	23%
Virginia Employment Commission	11%	42%	42%
Department of Medical Assistance Services	43%	57%	67%
University of Virginia Medical Center	17%	18%	15%
Department of Transportation	51%	9%	7%
Department of Mental Health, Mental Retardation, and Substance Abuse Services	30%	32%	28%
George Mason University	37%	5%	5%
Virginia Commonwealth University	15%	3%	9%
University of Virginia	3%	3%	3%
Virginia Polytechnic Institute and State University	6%	3%	4%
Statewide Average - All Agencies	**19%**	**16%**	**23%**

Total Past Due Accounts Listed with Collection Resources

Quarter Ended March 31, 2005



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 99 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% indicate 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, the VPI&SU percentage jumps 192 points in the third quarter over the second quarter because the University billed returning students in the second quarter but received most payments in the third quarter.

The statewide average of 99% indicates that for every $1 billed during the quarter ended March 31, 2005, the state collected 99 cents. This rate is a 29% increase from last quarter, and a 10% increase compared to the September quarter. The main contributors to the fluctuations are the colleges and universities, whose billings fall in one quarter and collections fall in the succeeding one, creating a roller coaster effect, and the Employment Commission, where the unemployment insurance taxes are levied on the first $8,000 of paid wages in the calendar year.

Collections as a Percentage of Billings

Agency	Percent at 3/31/05	Comparative Percent at 12/31/04	Comparative Percent at 9/30/04
Virginia Employment Commission	26%	**105%**	**129%**
University of Virginia Medical Center	32%	**46%**	**51%**
Department of Social Services	99%	**80%**	**91%**
State Lottery Department	99%	**97%**	**95%**
Department of Medical Assistance Services	114%	**114%**	**76%**
Virginia Polytechnic Institute and State University	238%	**46%**	**87%**
Department of Transportation	93%	**113%**	**91%**
Virginia Information Technologies Agency	98%	**82%**	**100%**
Department of Mental Health, Mental and Substance Abuse Services	53%	**48%**	**33%**
Virginia Commonwealth University	240%	**46%**	**87%**
Statewide Average - All Agencies	**99%**	**70%**	**89%**

Advantages realized from DOA's web-based Accounts Receivable System now allow DOA to report agencies' aged past due accounts each quarter, in addition to the annual report. Taxation and the Circuit and District Courts accounted for 81% ($1.44 billion) of the Commonwealth's total $1.79 billion past due accounts receivable at March 31, 2005. Another eighteen agencies accounted for 18% ($315.7 million), leaving 68 other agencies to comprise the last percent of receivables totaling $29.3 million.

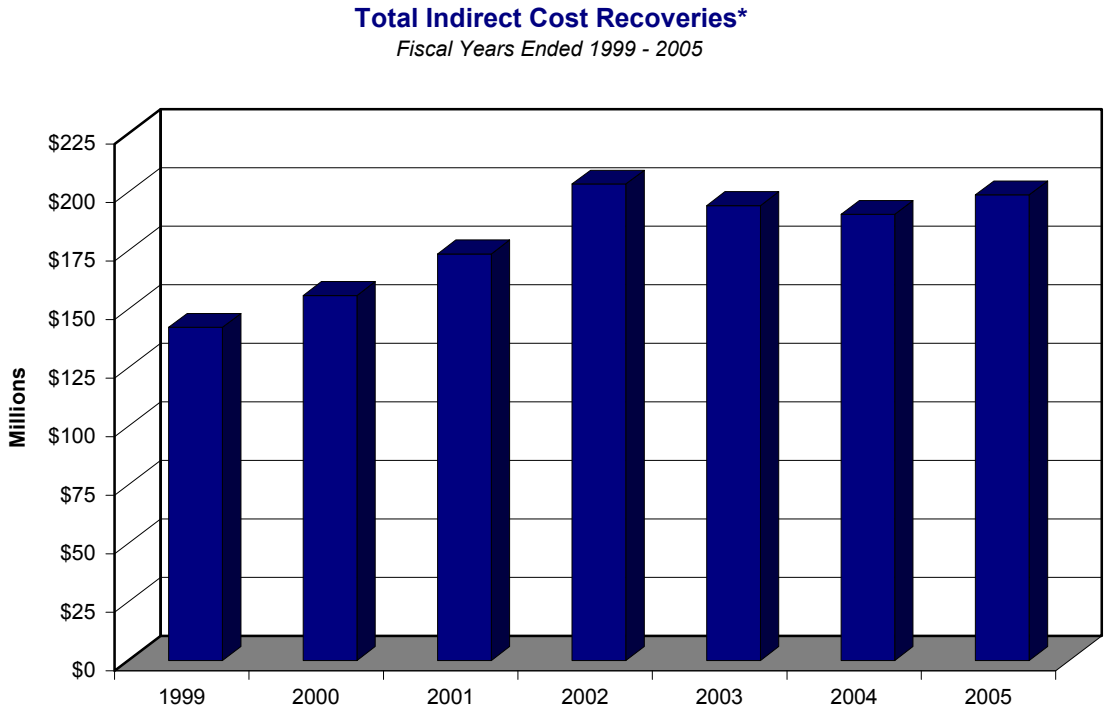
Agencies with the Largest Volume of Past Due Receivables

As of March 31, 2005

Agency	Total Past Due	1 to 180 Days Past Due	181 to 360 Days Past Due	Over One Year
Department of Taxation	$ 1,032,923,003	$ 433,146,755	$ 199,925,416	$ 399,850,832
Localities' Circuit and District Courts	409,578,223	29,727,556	55,401,694	324,448,973
Total - Taxation Assessments and Court Fines and Fees	**1,442,501,226**	**462,874,311**	**255,327,110**	**724,299,805**
All Other Large Dollar Agencies:				
University of Virginia Medical Center	76,155,968	68,169,810	9,589,395	(1,603,237)
Department of Social Services	57,300,872	3,426,593	3,208,849	50,665,430
Virginia Employment Commission	43,572,566	9,093,379	9,564,604	24,914,583
Department of Medical Assistance Services	38,001,405	6,089,507	5,799,125	26,112,773
Department of Mental Health, Mental & Substance Abuse Services	20,134,448	16,304,496	3,829,952	-
Department of Transportation	24,328,270	11,778,966	9,051,693	3,497,611
University of Virginia	9,362,018	8,037,944	603,188	720,886
George Mason University	6,616,738	5,499,745	620,177	496,816
Virginia Polytechnic Institute and State University	6,169,439	4,842,456	470,150	856,833
Department of Rail and Public Transportation	6,078,858	4,724,259	1,115,109	239,490
Virginia Commonwealth University	4,621,056	2,208,901	222,678	2,189,477
Virginia Community College System	4,276,249	3,624,450	416,246	235,553
Department of Conservation and Recreation	4,164,204	3,845,903	271,621	46,680
The College of William and Mary in Virginia	3,585,732	3,155,510	148,494	281,728
Virginia Information Technologies Agency	3,249,677	3,239,841	1,953	7,883
Department of Motor Vehicles	2,961,000	2,688,142	256,492	16,366
Department of Labor and Industry	2,617,825	395,110	381,150	1,841,565
State Corporation Commission	2,491,045	1,757,243	733,802	-
Total - Largest Dollar Volume Agencies	**315,687,370**	**158,882,255**	**46,284,678**	**110,520,437**
All Other Agencies	29,348,998	21,232,369	3,214,464	4,902,165
Grand Total Past Due Receivables	**1,787,537,594**	**642,988,935**	**304,826,252**	**839,722,407**

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 December, 2004.

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Indirect Cost Recoveries From Grants and Contracts

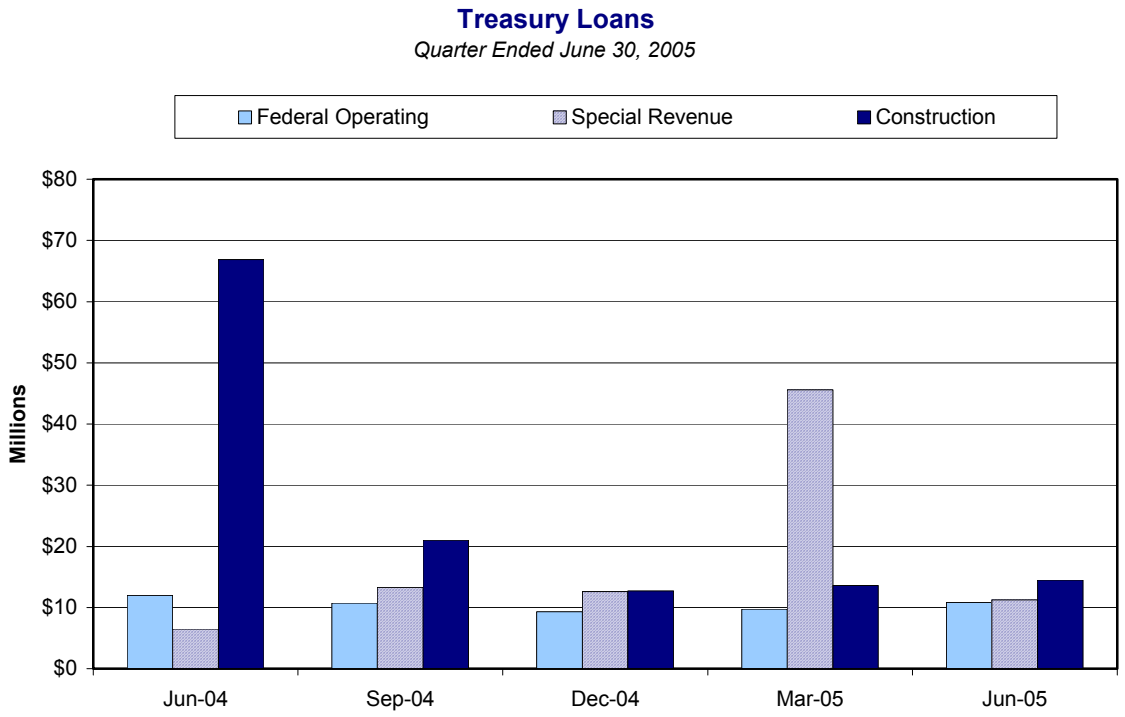
Fiscal Year 2005

Fund	Year-to-Date		
	Higher Ed	Non-Higher Ed	Total
Nongeneral:			
Agency / Institution (1)	$ 137,310,244	$ 56,587,406	$ 193,897,650
Statewide	2,620,831	481,789	3,102,620
Total Nongeneral	**139,931,075**	**57,069,195**	**197,000,270**
General:			
Agency (Cash Transfers)	-	282,563	282,563
Statewide	-	1,458,670	1,458,670
Statewide (Cash Transfers)	-	7,999	7,999
Total General	**-**	**1,749,232**	**1,749,232**
Total All Funds	**$ 139,931,075**	**$ 58,818,427**	**$ 198,749,502**

(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 $27,002,138, 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 June 30, 2005, was $36.6 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.

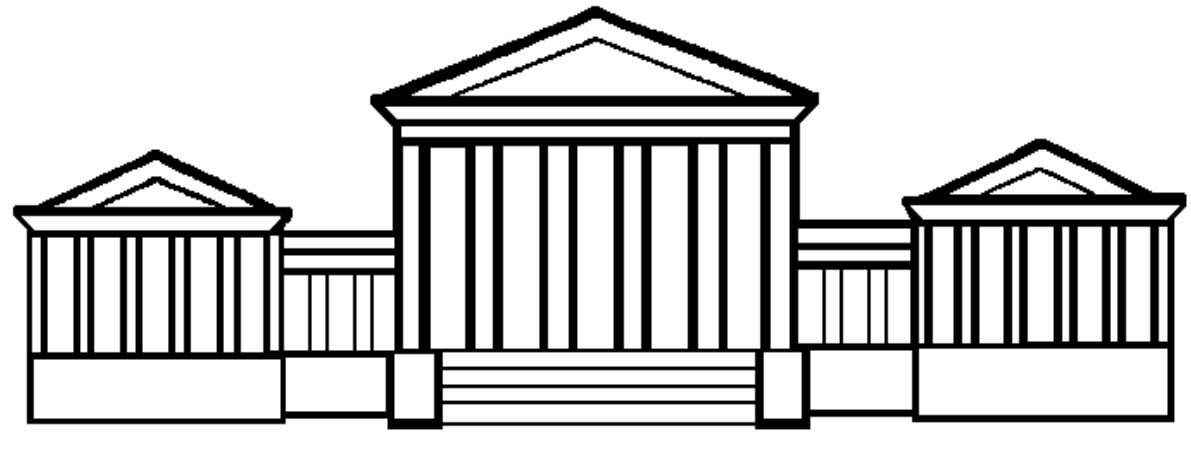
♦ **Anticipation of Special Revenue Funds** supports the operations of non-general funded activities when collections are spread unevenly throughout the year while expenses require steady funding.

♦ **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 June 30, 2005.

♦ **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. There were no outstanding working capital advances at June 30, 2005.

Significant New Loans/Drawdowns	New Balance
George Mason University	
Authorization and drawdown of new loan to provide operating funds while awaiting reimbursement from various federal grants and contracts.	$8,500,000
Department of General Services	
An additional drawdown of $1,460,000 associated with the implementation and operation of the electronic procurement system (eVA). Loan is now at its maximum authorized amount.	$8,000,000
Virginia Commonwealth University (VCU)	
Initial drawdown of $5,056,989 loan authorized for the construction of the Administrative Information Technology Building.	$1,153,915
Virginia State Police	
Authorization and drawdown of new loan to provide operating funds while awaiting reimbursement of grants from the Federal Motor Carrier Safety Administration.	$1,047,000

Significant Loan Repayments	Prior Balance
Department of Mental Health, Mental Retardation, and Substance Abuse Services (DMHMRSAS)	
Repayment of loan that provided funding for Medicare and Medicaid programs.	$30,000,000
George Mason University (GMU)	
Repayment of loan used to provide operating funds while awaiting reimbursement from various federal grants and contracts.	$8,500,000
Department of General Services (DGS)	
Partial payment of $1 million on $5 million loan that supported the department's expansion and overview of the statewide Virginia Partners in Procurement (VaPP) spend management program.	$4,250,000
Virginia Tobacco Settlement Foundation (VTSF)	
Repayment of loan that provided funding for daily operations until receipt of Master Settlement Agreement tobacco funds.	$3,000,000
Department of Environmental Quality (DEQ)	
Repayment of loan used to support continued payment of formula-based Litter Prevention and Recycling Grants to local governments.	$1,272,705