REPORT ON STATEWIDE FINANCIAL MANAGEMENT AND COMPLIANCE

FOR THE QUARTER ENDED SEPTEMBER 30, 2005

OFFICE OF THE COMPTROLLER

DEPARTMENT OF ACCOUNTS

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Quarter Ended September 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 September 30, 2005 and comparative FY 2005 data. Some information in the report is for the quarter ended June 30, 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 Work Plan (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. Work Plans 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 work plan.

Audit Reports – Quarter Ended September 30, 2005

The APA issued nine separate reports covering 15 agencies, offices, boards, commissions, colleges and universities for the Executive Branch agencies listed on the following table. Five reports covering six agencies were for FY2005; and four reports covering nine agencies were for FY2004. 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				
Governor's Cabinet Secretaries *	0	0	0	N/A
Division of Selected Agency Support Services *	0	0	0	N/A
Agriculture and Forestry				
Department of Agriculture and Consumer Services	0	0	0	N/A
Commerce and Trade				
Department of Mines, Minerals, and Energy	0	0	0	N/A
Education				
The Science Museum of Virginia (1)	2	0	2	Yes
Virginia Museum of Fine Arts (1)	1	0	1	Yes

	New Findings	Repeat Findings	Total Findings	CAW Received
Frontier Culture Museum of Virginia (1)	0	0	0	N/A
Gunston Hall (1)	0	0	0	N/A
Jamestown-Yorktown Foundation (Including Jamestown 2007) (1)	0	1	1	Yes
Longwood University (2)	6	0	6	Yes
Elected Officials				
Office of the Governor *	0	0	0	N/A
Office of the Lieutenant Governor *	0	0	0	N/A
Office of the Attorney General and the Department of Law, including the Division of Debt Collection * (3)	7	0	7	Not Due Yet
Finance				
None				
Health and Human Resources				
None				
Natural Resources				
Virginia Museum of Natural History (1)	0	0	0	N/A
Public Safety				
None				
Technology				
None				
Transportation				
None				

(1) These agencies were covered in one audit report titled "Virginia's Museums."

(2) This is an interim report on the financial statement audit for the year ended June 30, 2004.

(3) The APA issued one report on the Office of the Attorney General and the Department of Law, which included the Division of Debt Collection. The Division of Debt Collection is a separate agency within the Office.

* These five audit reports are for the fiscal year ended June 30, 2005.

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

Agency Findings – Quarter Ended September 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.

Education

Science Museum of Virginia

1. Improve Cash Management. The Museum has an ongoing issue with cash flow. At year end the Museum had unpaid vendor bills and operating loans from its Foundation totaling approximately ten percent of its annual revenues.

2. Improve Controls Over Fixed Assets. The Science Museum is not tracking its assets in and updating the Commonwealth's Fixed Asset Accounting and Control System (FAACS). The Museum has not conducted a physical inventory of its assets for at least four years.

Virginia Museum of Fine Arts

1. Strengthen Controls Over Commonwealth Accounting and Reporting (CARS) Access. Due to a lack of monitoring between the Accounting and Fiscal Services Office and the Information Technology Department, responsibilities over CARS security were not fulfilled. The security officers were not familiar with CARS security requirements.

Jamestown-Yorktown Foundation

1 Strengthen Controls Over Paciolan System. **As noted in the previous audit report**, controls over Paciolan access and security are still not sufficient according to industry best practices. The Paciolan ticketing system is, in several respects, inherently flawed.

Longwood University

1. Improve Operations. LU needs to insure that all current transactions are processed. Further, the University's processes must ensure the proper authorization of a transaction before processing in the accounting system.

2. Define and Document Reconciliations Policies and Procedures. LU should ensure the procedures require timely completions and correcting reconciling items by making and posting adjustments timely to the accounting system, other internal University systems, all bank accounts, and the state accounting system. In addition, reconciliations should provide a reasonable explanation and have appropriate support.

3. Document Policies and Procedures. The University should document fully the policies and procedures needed by the new system and those needed to maintain current operations.

4. Provide Management Oversight. LU should determine what necessitates their oversight, at what level, and the intensity.

5. Improve Controls Over Payroll. The University has not maintained adequate policies and procedures, inconsistent support for changes, and a lack of documentation supporting overtime pay.

6. Improve Fixed Assets Systems. The University does not maintain an accurate fixed asset listing in its internal system. It performs annual inventories but does not resolve differences between its physical inventory and its asset listing in a timely manner.

Elected Officials

Office of the Attorney General and the Department of Law

1. Strengthen Controls Over Voucher Preparation. The Office needs to strengthen its oversight of vendor payment processing. This includes maintaining adequate documentation and improving coding of vendor payments.

2. Review Buildup of Excessive Balance in Operating Fund. The Division has retained fees in excess of their operating expenses aggregating $2.6 million.

3. Document Alternative Allocations. The Division should document fully the Secretary's approval of exemptions made to the standard allocation of collections.

4. Transfer Collections to Agencies Timely. The Division did not transfer the agency share of collections back to agencies in a timely manner. In addition, as of September 2005, shares of June 2005 collections have not been transferred to agencies.

5. Provide Account Information for Agencies. The Division does not provide periodic account summaries to creditor agencies to reconcile against their own records.

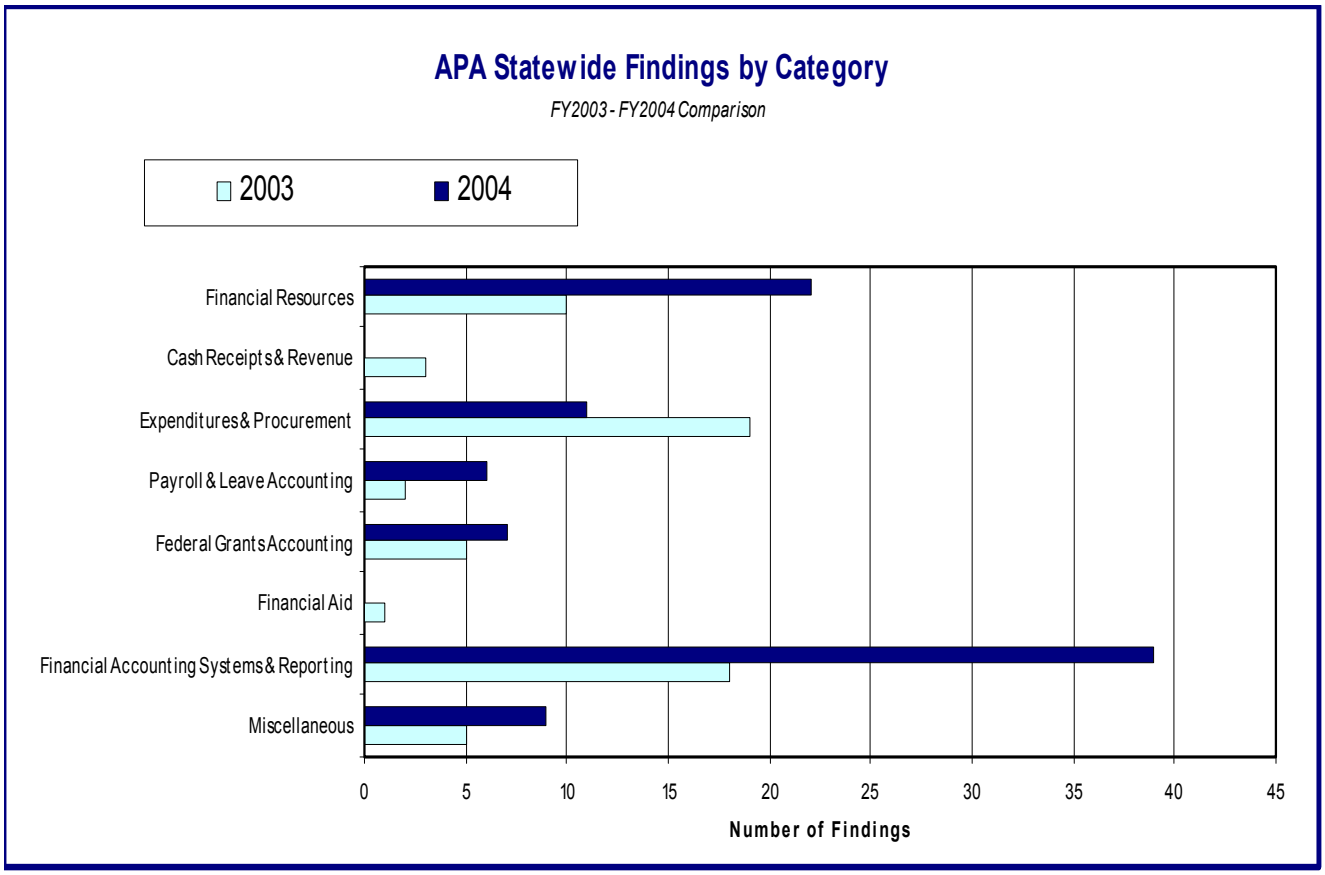
6. Monitor Information on Overall Workload. The Division does not maintain the number, dollar values, and ages of outstanding accounts. Division management does use this type of information to manage operations.

7. Improve CollectMax Implementation and Security Issues. The Division's System Administrator does not have a clear definition of job duties. Further, the Office Chief Information Officer has provided only limited assistance to the Division in implementing CollectMax and its ongoing operations.

Annual Summary of APA Audit Findings

As of September 30, 2005, the Auditor of Public Accounts had issued 70 audit reports for 127 Executive Branch agencies for FY2004. Forty-six of these reports reflected no internal control weaknesses or compliance findings. The remaining 24 audit reports, covering 43 agencies contained 94 audit findings that cited internal control weaknesses and instances of noncompliance. For FY2003, 22 of 54 reports contained findings and 63 total findings were reported. About 41 percent of the FY2004 audit findings were reported in the Financial Accounting Systems and Reporting area compared to 27 percent for the previous year.

Category	New Findings	Repeat Findings	Total Findings
Financial Accounting Systems & Reporting	35	4	39
Financial Resources	12	10	22
Expenditures & Procurement	9	2	11
Miscellaneous	7	2	9
Federal Grants Accounting	7	-	7
Cash Receipts & Revenue	-	-	-
Payroll & Leave Accounting	6	-	6
Financial Aid	-	-	-
Total	**76**	**18**	**94**



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 July and August were due 8/31/05 and 9/30/05, 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 September 30, 2005

	Jul	Aug
None		

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

Trial Balance Review

As 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 September 30, 2005

	Jul	Aug
Science Museum of Virginia	X	X
Virginia Retirement System	X	X
Old Dominion University		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.

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

Credit Cash, Excess Appropriation, and Expenditure Credits Outstanding and Unresolved
As of September 30, 2005

	Jul	Aug
Office of the Attorney General – Dept. of Law	X	X
Science Museum of Virginia	X	X
Department of General Services	X	

Disbursement Processing

During the quarter ended September 30, 2005, DOA deleted, at the submitting agency's request, 46 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.

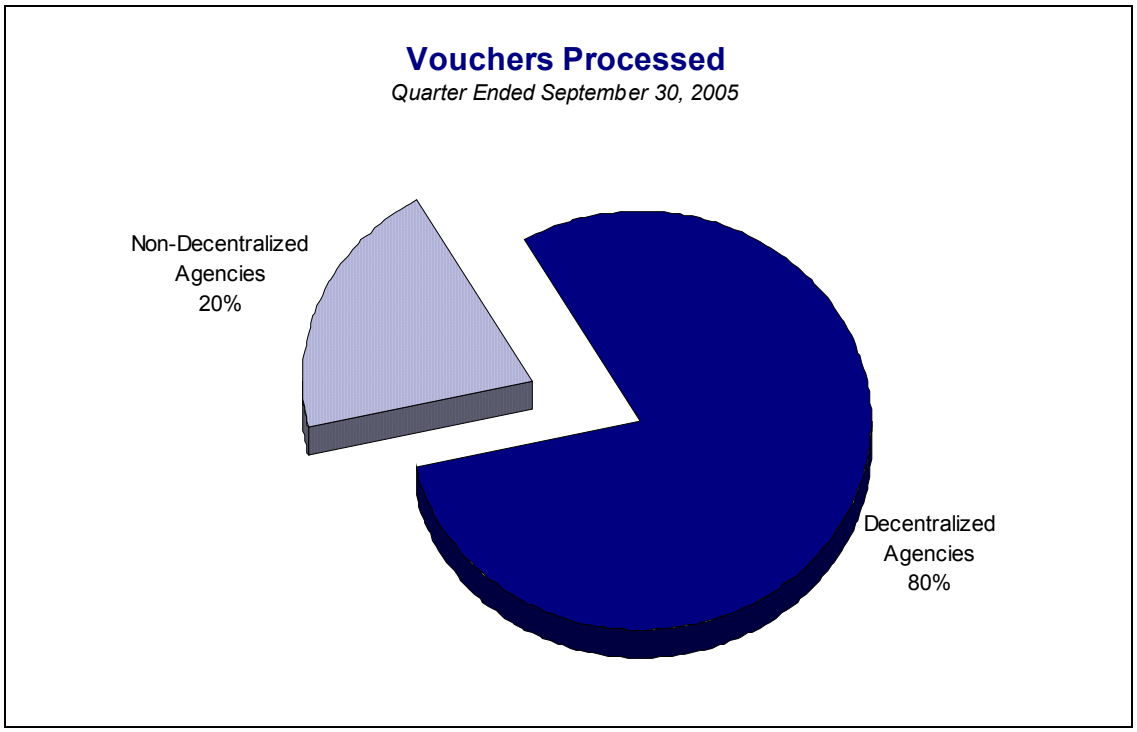
Twenty-eight agencies requested deletes during the quarter. Agencies that requested more than four vendor payment deletes during the quarter are as follows:

- Department of Transportation

Paperwork Decentralization

The Commonwealth has decentralized the pre-auditing of most disbursements to individual agencies under a grant of delegated authority from the State Comptroller. Prior to the implementation of the program, over two million document sets (batches) were sent to the central repository each year. This program reduces the flow of documents from these agencies to the central repository in Richmond.

The overall quality of the State pre-audit program is monitored through the use of quality control reviews conducted by DOA staff. Results of these reviews are provided to the agency with corrective action recommendations. The great majority of problems encountered involve documentation inconsistencies, which should be easily corrected. Travel vouchers continue to be the primary source of all problems found.



Note: Totals include vouchers processed by decentralized higher education institutions.

Decentralized Agencies

Compliance reviews were conducted for 6 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
Administration				
Department of Veterans Services	432	11	2.5%	Good
Education				
Frontier Culture Museum of Virginia	130	6	4.6%	Satisfactory
Virginia State University Cooperative Extension and Agricultural Research Services	364	14	3.8%	Good
Health and Human Resources				
Department of Health	301	3	0.9%	Exceptional
Independent				
Virginia Workers' Compensation Commissi	315	12	3.8%	Good

Note: No reviews were performed during the quarter for agencies that report to the Secretaries of Agriculture and Forestry, Commerce and Trade, Finance, Natural Resources, Public Safety, Technology, and Transportation.

Agencies With Performance Ratings Lower Than "Good"

Frontier Culture Museum of Virginia – Satisfactory Performance – Of the 6 findings, 3 were related to Travel vouchers, 2 were related to Vendor Payment vouchers, and 1 was related to Small Purchase Charge Card vouchers. The following items represent all of these findings:

Travel Vouchers

- Itemized hotel bill absent / Receipts absents / Agency Name and Traveler's title absent from Travel Expense Reimbursement Voucher (1)
- Overtime meals not properly documented / Traveler and Supervisor did not date the Travel Expense Reimbursement Voucher (1)
- M&IE over the guidelines (1)

Vendor Payment Vouchers

- Incorrect due date (1)
- Prepaid lodging for more than one night (1)

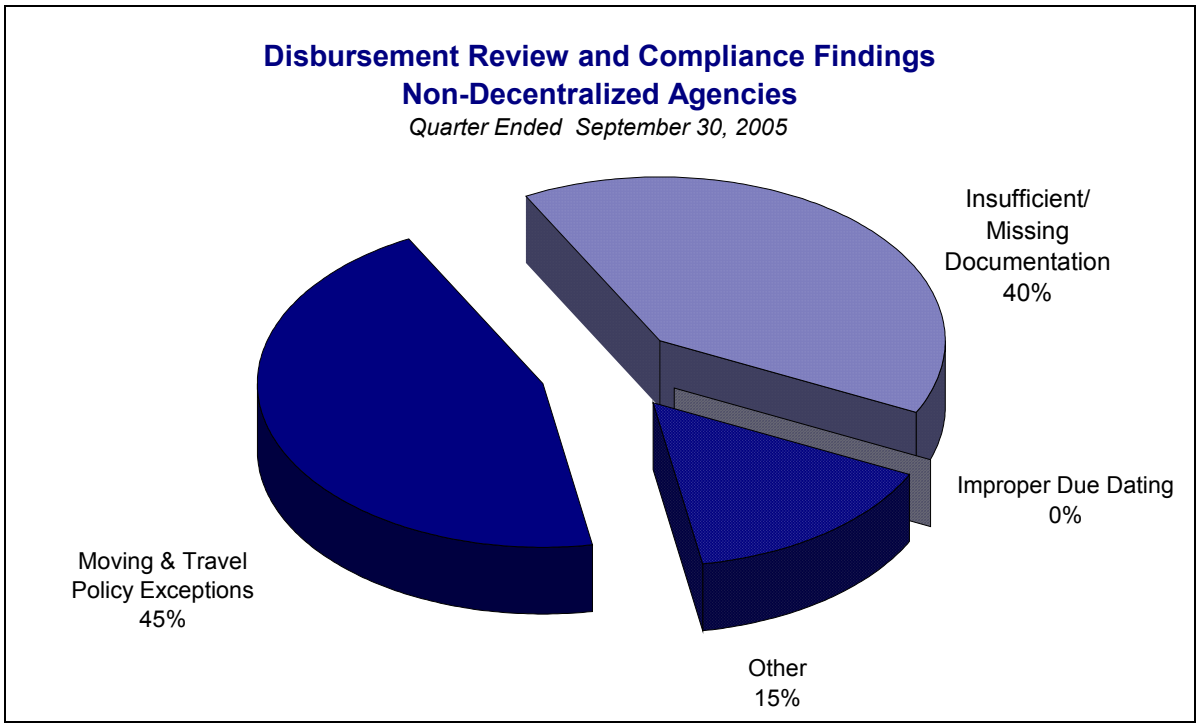
Small Purchase Charge Card Vouchers

- Purchasing Log not approved by supervisor (1)

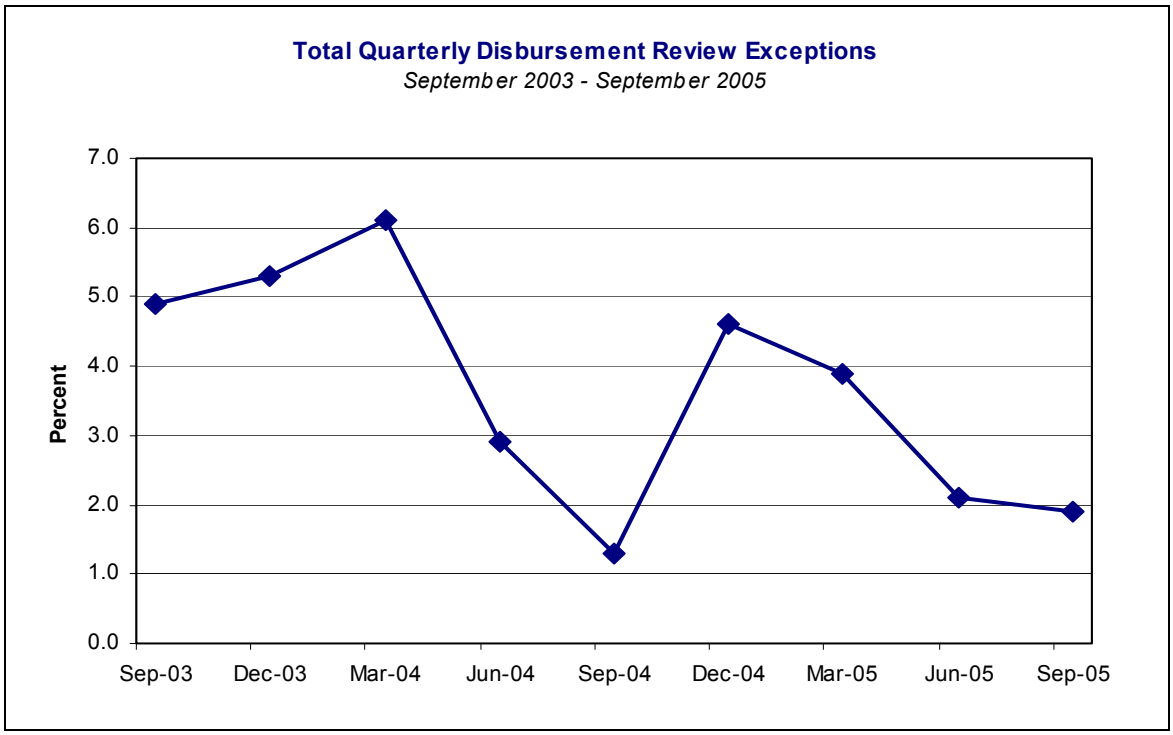
Non-Decentralized Agencies

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 122 non-decentralized agencies on a rotating schedule. A total of 816 non-travel disbursement batches and 248 travel disbursement batches were reviewed, disclosing 20 exceptions that were resolved prior to releasing the transactions for payment.



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

Statewide Prompt Payment Performance Statistics

	Quarter Ending September 30, 2005		*Fiscal Year 2006 To Date*		*Comparative Quarter Ended September 30, 2004*	
	Late	Total	Late	Total	Late	Total
Number of Payments	6,751	631,097	6,751	631,097	**9,717**	**688,070**
Dollars (in thousands)	$ 29,544	$ 1,393,388	$ 29,544	$ 1,393,388	**$ 41,010**	**$ 1,400,005**
Interest Paid on Late Payments				$ 6,323		
Current Quarter Percentage of Payments in Compliance				98.9%		
Fiscal Year-to-Date Percentage of Payments in Compliance				98.9%		
Comparative Fiscal Year 2005 Percentage of Payments in Compliance				**98.8%**		

Prompt Payment Performance by Secretarial Area

Quarter Ended September 30, 2005

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.3%	97.0%
Agriculture and Forestry	99.5%	98.7%
Commerce and Trade	98.9%	99.7%
Education*	98.8%	97.0%
Elected Officials	99.1%	90.6%
Finance	99.1%	98.7%
Health and Human Resources	98.9%	97.7%
Independent Agencies	99.7%	99.8%
Judicial	99.6%	99.8%
Legislative	99.9%	100.0%
Natural Resources	99.4%	98.3%
Public Safety	99.4%	99.5%
Technology	98.0%	98.3%
Transportation*	99.2%	98.5%
Statewide	**98.9%**	**97.9%**

* Statistics include those provided independently by Virginia Port Authority, Virginia Polytechnic Institute and State University, University of Virginia, Radford University, James Madison University, Old Dominion University, Virginia Commonwealth University, George Mason University, the College of William and Mary in Virginia, The Virginia Institute of Marine Science, and the University of Mary Washington and may include local payments. These agencies and institutions are decentralized for vendor payment processing.

For the quarter ended September 30, 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 September 30, 2005

Agency	Late Payments	Total Payments	Payments in Compliance
Education			
The Science Museum of Virginia	131	884	85.2%
VA School for the Deaf, Blind and Multi-Disabled, Hampton	31	438	92.9%
Southern Virginia Higher Education Center	7	81	91.4%
Health and Human Resources			
Southwestern Virginia Mental Health Institute	181	1,497	87.9%
Southeastern Virginia Training Center	56	910	93.9%
Commerce and Trade			
Department of Minority Business Enterprise	3	52	94.2%

Prompt Payment Explanations

Explanations for low prompt payment compliance rates for the first quarter of FY 2006 and year to date were provided by the following agencies. Not all agencies elected to provide written explanations.

The Science Museum of Virginia reports they did not meet prompt pay due to a cash shortfall at the end of fiscal year 2005. Expenditures were deferred from fiscal year 2005 to fiscal year 2006 causing the Museum to process those expenditures past their due date.

The Southeastern Virginia Training Center reports that on June 30, 2005 the DMHMRSAS Central Office posted a payment from Southeastern Virginia Training Center's 0200 cash for a loan repayment. A compounding factor was a deposit error on 7/28/05. The deposit file was not transferred from the server in order to post to CARS. The file was transferred to CARS on August 11, 2005 placing it in the error file due to an invalid period. In addition, several large vendors are not sending their invoices to our accounts payable desk. The vendors are directly invoicing the recipient of the delivered goods. The invoices are then redirected by staff to our accounts payable desk. Vendors will be contacted and directed to remit their invoices to our accounts payable desk.

The Southern Virginia Higher Education Center reports that its acting fiscal agent changed from Longwood University to Southside Virginia Community College. There was a problem getting some of the accounts changed over. Almost all accounts have been switched over. There was a delay in processing by the fiscal agent due to confusion over the invoices.

E-Commerce

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

EDI, Direct Deposit, SPCC and Payline Opt Out are best practices that demonstrate effective financial management, particularly during difficult economic times. They increase efficiency in processing and eliminate wasteful use of time, paper, printing, and postage for both large and small vendor payments, payroll, and employee travel reimbursement. Agencies and institutions are expected to embrace these practices to the fullest extent possible. On the following pages, agencies and institutions are identified if e-commerce statistics indicate that they are not fully utilizing these tools.

Statewide E-Commerce Performance Statistics

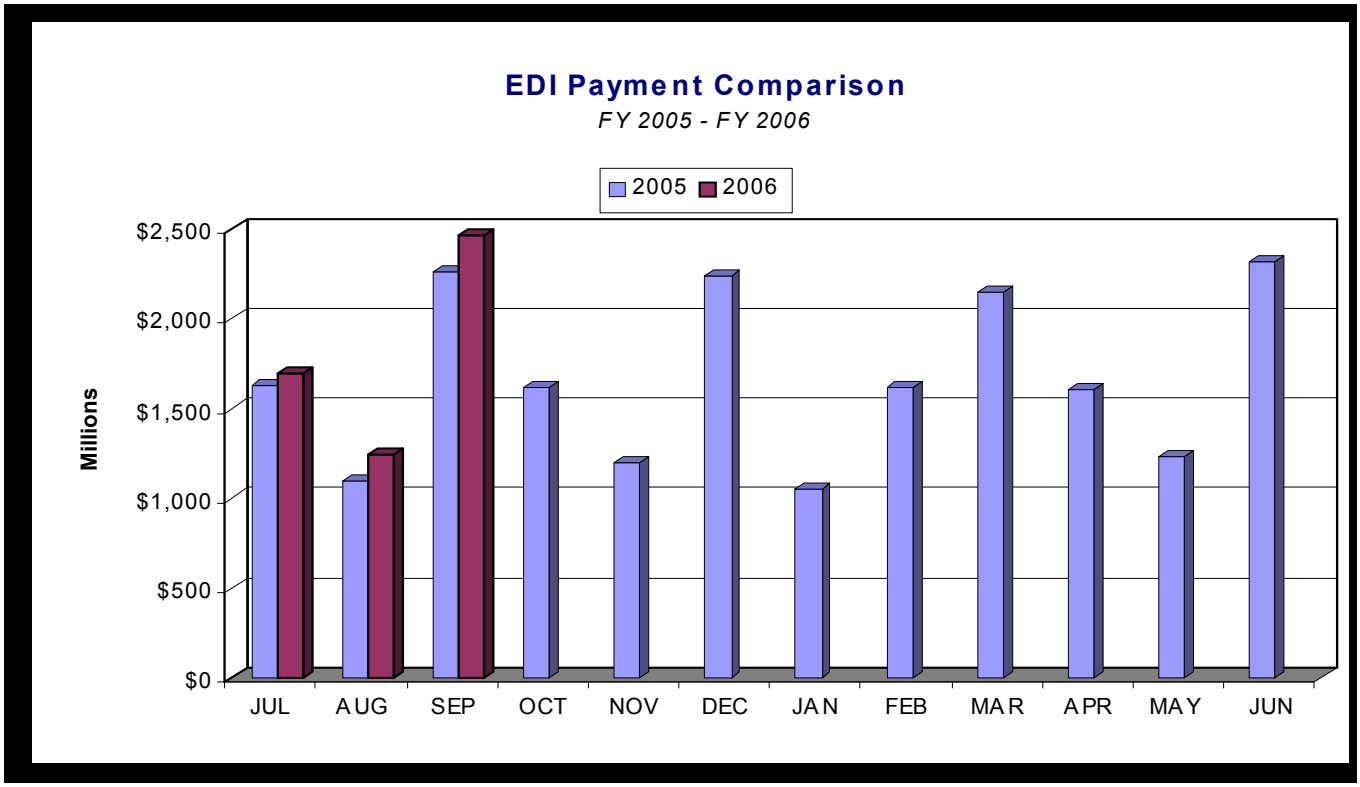
	Quarter Ended September 30, 2005			Comparative Quarter Ended September 30, 2004
	E-Commerce	**Total**	**Percent**	**Percent**
Number of Payments	621,239	1,015,601	61.2%	56.1%
Payment Amounts	$ 6,103,278,280	$ 7,043,173,332	86.7%	83.8%

Financial Electronic Data Interchange (EDI)

The dollar volume of Financial EDI payments for the first quarter of FY 2006 was $421.6 million (8.4 percent) more than the same quarter last year. The number of trading partner accounts increased by 26 percent from September 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

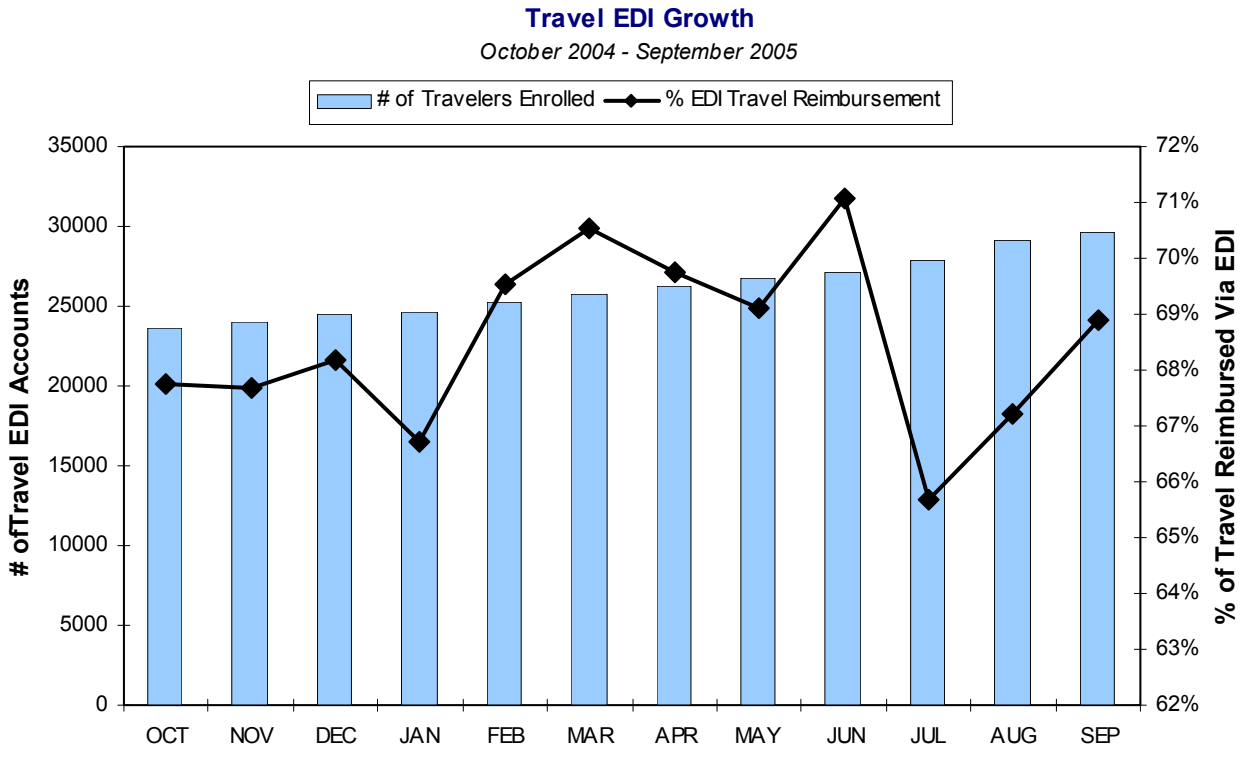
Financial EDI Activity	*Quarter Ended September 30, 2005*	*Comparative Quarter Ended September 30, 2004*
Number of Payments	44,745	40,957
Amount of Payments	$ 5,413,668,854	$ 4,992,031,448
Number of Invoices Paid	188,894	178,493
Estimated Number of Checks Avoided	74,864	71,064
Number of Trading Partner Accounts as of 9/30/05	32,118	25,457



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

Although participation among certain agencies has increased, many agencies have failed to enroll employees in EDI as required by law. In accordance with § 4-5.04.g 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 necessarily show non-compliance with the Appropriation Act requirements.

Travel Reimbursement
Travel EDI Performance
By Secretarial Area

Quarter Ended September 30, 2005

Secretarial Area	Employee Percent	Non-Employee Percent	Reimbursement Checks Issued
Administration	67.8%	0.0%	128
Agriculture and Forestry	94.5%	5.1%	107
Commerce and Trade	90.9%	54.6%	315
Education *	78.3%	4.5%	2,187
Elected Officials	92.0%	0.0%	34
Finance	95.7%	37.5%	38
Health and Human Resources	86.2%	42.1%	1,496
Independent Agencies	92.2%	0.0%	124
Judicial	12.4%	3.3%	3,466
Legislative	85.4%	22.8%	179
Natural Resources	90.8%	0.8%	304
Public Safety	81.3%	5.1%	1,435
Technology	61.9%	0.0%	93
Transportation**	48.1%	24.0%	1,410
Statewide for Quarter	**74.6%**	**16.8%**	**11,316**
Fiscal Year 2006 to Date			
Statewide	**74.6%**	**16.8%**	**11,316**
Comparative Fiscal Year 2005 to Date			
Statewide	**76.0%**	**13.3%**	**10,178**

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

**The Department of Transportation began processing Travel Reimbursements through CARS in FY2006. Previously, the reimbursements were processed through Petty Cash.

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

Agency Employee EDI Performance
Utilization Below 75 Percent

Agency	Percent	Reimbursement Checks Issued
Administration		
Department of General Services	68.3%	38
Department of Veterans Services	62.6%	43
Education		
Danville Community College	67.9%	27
Norfolk State University	56.2%	107
Southside Virginia Community College	53.6%	45
Thomas Nelson Community College	40.4%	99
Health and Human Resources		
Department of Medical Assistance Services	71.5%	55
Department of Social Services	66.2%	323
Judicial		
Supreme Court	3.1%	631
Magistrate System	2.3%	261
Combined Courts	2.2%	310
Circuit Courts	2.1%	557
Juvenile and Domestic Relations Courts	0.9%	336
General District Courts	0.0%	393
Court of Appeals of Virginia	0.0%	41
Virginia Criminal Sentencing Commission	0.0%	41
Public Safety		
Virginia Correctional Enterprises	73.3%	35
Department of Military Affairs	57.8%	49
Department of Fire Programs	52.1%	114
Fluvanna Women's Correctional Center	0.0%	37
Technology		
Virginia Information Technologies Agency	62.0%	84
Transportation		
Department of Transportation*	35.1%	1,202

* The Department of Transportation began processing travel reimbursements through CARS on July 1, 2005. Previous to FY 2006, VDOT processed travel reimbursements through petty cash.

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
Agriculture and Forestry		
Department of Agriculture	5.8%	49
Commerce and Trade		
Virginia Employment Commission	0.0%	28
Education		
Department of Education	0.0%	943
Longwood University	0.0%	52
The Library of Virginia	0.0%	38
Virginia Military Institute	0.0%	37
Norfolk State University	0.0%	33
Virginia State University	0.0%	32
Christopher Newport University	0.0%	27
Health and Human Resources		
Department of Rehabilitative Services	9.7%	56
Virginia Board for People with Disabilities	9.3%	39
Judicial		
Supreme Court	7.2%	77
Circuit Courts	5.1%	357
General District Courts	2.1%	46
Virginia State Bar	0.0%	261
Juvenile and Domestic Relations Courts	0.0%	47
Legislative		
House of Delegates	0.0%	27
Natural Resources		
Department of Environmental Quality	2.5%	39
Department of Marine Resources	0.0%	33
Public Safety		
Department of Criminal Justice Services	1.2%	82
Department of Forensic Science	0.0%	169
Department of Fire Programs	0.0%	50
Department of Emergency Management	0.0%	37

The following table lists agencies that have accumulated more than $25 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. These statistics indicate noncompliance with § 4-5.04.f.5 of the Appropriation Act, which requires that all employees likely to travel more than twice per year be reimbursed for travel costs using electronic data interchange.

Agency Noncompliance Travel Check Charges
Utilization Below 80 Percent

Agency	Percent	Year to Date Charges
Health and Human Resources		
Department of Social Services	66.2%	$ 65
Judicial		
Circuit Courts	2.1%	327
General District Courts	0.0%	107
Juvenile and Domestic Relations Courts	0.9%	87
Combined Courts	2.2%	83
Magistrate System	2.3%	48
Supreme Courts	3.1%	29

During the first quarter of FY 2006, 351,371 checks were avoided using direct deposit. Agencies are expected to take proactive steps to improve participation rates, particularly for wage employees.

Direct Deposit Performance by Secretarial Area

Quarter Ended September 30, 2005

Secretarial Area	Direct Deposit % of Salary Employees	Direct Deposit % of Wage Employees
Administration	90.6%	71.9%
Agriculture and Forestry	92.6%	48.0%
Commerce and Trade	96.9%	92.4%
Education	95.8%	48.8%
Elected Officials	97.4%	46.7%
Finance	95.1%	75.4%
Health and Human Resources	87.1%	74.1%
Independent Agencies	95.7%	76.9%
Judicial	95.0%	45.4%
Legislative	95.1%	76.9%
Natural Resources	96.4%	44.7%
Public Safety	86.9%	74.8%
Technology	95.8%	89.8%
Transportation	88.4%	69.8%
Statewide	**90.2%**	**56.9%**

Comparative

Quarter Ended September 30, 2004

Statewide	**88.3%**	**48.3%**

Statewide Salaried Direct Deposit Performance

Quarter Ended September 30, 2005

Salaried Direct Deposit Participation	90.2%

Salaried Direct Deposit Below 80 Percent

Agency	Percent	Number of Employees
Health and Human Resources		
Southside Virginia Training Center	79.5%	1,401
Piedmont Geriatric Hospital	68.4%	314
Central Virginia Training Center	64.7%	1,489
Public Safety		
Greensville Correctional Center	79.0%	831
Mecklenburg Correctional Center	78.0%	397
Powhatan Correctional Center	77.8%	356
Bland Correctional Center	76.0%	301
Brunswick Correctional Center	73.8%	386
Buckingham Correctional Center	72.0%	351
Nottoway Correctional Center	70.2%	471
Dillwyn Correctional Center	69.8%	269
Transportation		
Department of Transportation - Culpeper District	79.0%	587

Statewide Wage Direct Deposit Performance

Quarter Ended September 30, 2005

Wage Direct Deposit Participation	56.9%

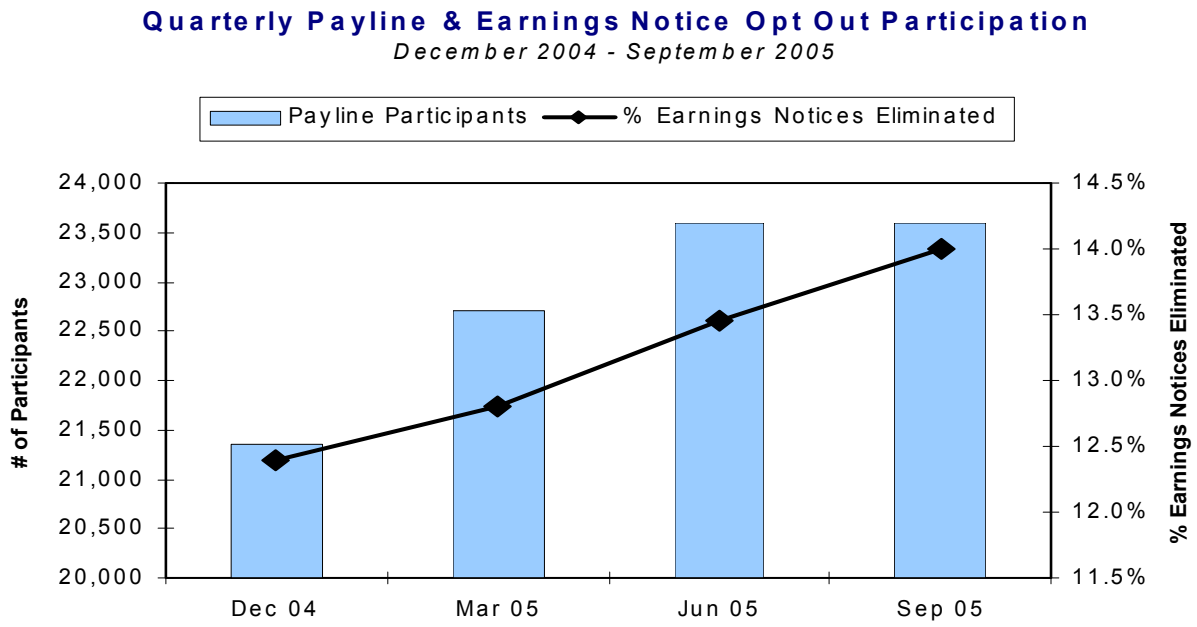
Wage Direct Deposit Below 40 Percent

Agency	Percent	Number of Employees
Education		
Lord Fairfax Community College	38.9%	149
Eastern Shore Community College	37.5%	40
New River Community College	35.6%	244
Richard Bland College	33.3%	21
Gunston Hall Plantation	33.3%	21
Wytheville Community College	31.4%	140
Central Virginia Community College	31.1%	106
Piedmont Virginia Community College	31.1%	93
Danville Community College	31.0%	238
Dabney S. Lancaster Community College	30.6%	75
Southside Virginia Community College	30.0%	120
Paul D. Camp Community College	26.5%	166
Mountain Empire Community College	19.7%	203
Rappahannock Community College	12.0%	91
Virginia Highlands Community college	9.8%	204
Radford University	9.6%	1,750
Longwood University	9.6%	464
Health and Human Resources		
Central Virginia Training Center	26.7%	101
Judicial		
Combined District Courts	38.7%	31
Indigent Defense Commission	25.0%	12
Magistrate System	18.1%	11
Natural Resources		
Department of Conservation and Recreation	38.4%	822
Public Safety		
Department of Military Affairs	36.7%	223
Various		
Selected Agency Support	15.3%	13

Payroll Earnings Notices

Elimination of earnings notices associated with direct deposit is an additional method for increasing the benefits of electronic payments. Employees are currently able to obtain enhanced information online using the web-based Payline system.

In addition to increasing direct deposit participation, agencies and institutions are expected to encourage employees to enroll in Payline and discontinue receipt of centrally printed earnings notices. Since inception in November 2002, the Commonwealth has eliminated the printing of approximately 523,389 earnings notices. However, statewide participation rates remain low.



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

Payline and Earnings Notice Opt-Out Participation By Secretarial Area

Quarter Ended September 30, 2005

Secretarial Area	Percent Payline Participation	Percent Earnings Notices Eliminated*
Administration	51.3%	30.4%
Agriculture and Forestry	16.6%	9.7%
Commerce and Trade	71.4%	51.8%
Education	24.3%	11.1%
Elected Officials	62.5%	56.3%
Finance	74.5%	52.1%
Health and Human Resources	26.7%	12.5%
Independent Agencies	41.5%	29.6%
Judicial	5.4%	1.9%
Legislative	46.9%	40.1%
Natural Resources	40.9%	31.1%
Public Safety	19.4%	8.1%
Technology	75.8%	48.0%
Transportation	28.6%	11.3%
Statewide	**27.4%**	**14.0%**
Comparative Quarter Ended September 30, 2004		
Statewide	**23.7%**	**11.6%**

* 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 09/30/05 Payday
Education		
Piedmont Virginia Community College	3.8%	158
Southside Virginia Community College	3.5%	195
Central Virginia Community College	3.0%	161
Rappahannock Community College	2.9%	104
Virginia Highlands Community College	2.5%	125
Virginia School for the Deaf, Blind and Multi-Disabled at Hampton	2.5%	126
Danville Community College	2.4%	200
Radford University	1.8%	1,222
Longwood University	1.6%	545
Northern Virginia Community College	1.6%	1,641
Christopher Newport University	1.5%	1,349
Health and Human Resources		
Hiram W. Davis Medical Center	3.0 %	169
Northern Virginia Training Center	2.6%	490
Piedmont Geriatric Hospital	2.4%	242
Central Virginia Training Center	1.8%	945
Judicial		
Indigent Defense Commission	2.2%	432
Virginia State Bar	2.2%	83
Combined District Courts	1.8%	199
Court of Appeals of Virginia	1.3%	71
Juvenile and Domestic Relations District Courts	1.1%	593
Magistrate System	0.7%	392
General District Courts	0.7%	945
Circuit Courts	0.0%	183
Legislative		
Division of Capital Police	1.1%	86

Agency	Percent Earnings Notices Eliminated	Earnings Notices Printed for 06/30/05 Payday
Public Safety		
Red Onion State Prison	3.7%	355
Deep Meadow Correctional Center	3.6%	255
Department of Juvenile Justice	3.5%	1,937
Fluvanna Women's Correctional Center	3.2%	273
Lunenburg Correctional Center	2.7%	207
Dillwyn Correctional Center	2.6%	185
Haynesville Correctional Center	2.4%	313
Division of Community Corrections	2.4%	1,250
Keen Mountain Correctional Center	2.4%	267
Bland Correctional Center	2.3%	227
Southampton Reception and Classification Center	2.1%	270
Virginia Correctional Enterprises	1.8%	142
Wallens Ridge State Prison	1.7%	359
Brunswick Correctional Center	1.3%	278
Western Region Correctional Field Units	1.2%	430
Greensville Correctional Center	1.1%	643
Virginia Correctional Center for Women	0.9%	183
Powhatan Reception and Classification Center	0.8%	109
Nottoway Correctional Center	0.6%	327
Powhatan Correctional Center	0.6%	277
Deerfield Correctional Center	0.0%	170
Transportation		
Department of Transportation – Hourly	2.1%	247

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

Two purchasing charge card programs offer State agencies and institutions alternative payment methods that improve administrative efficiency by consolidating invoice and payment processing for purchases of less than $50,000. Use of the purchasing charge cards decreases the number of checks issued and the associated administrative costs of processing invoices. Suppliers benefit from expedited receipt of payments and reduced billing costs.

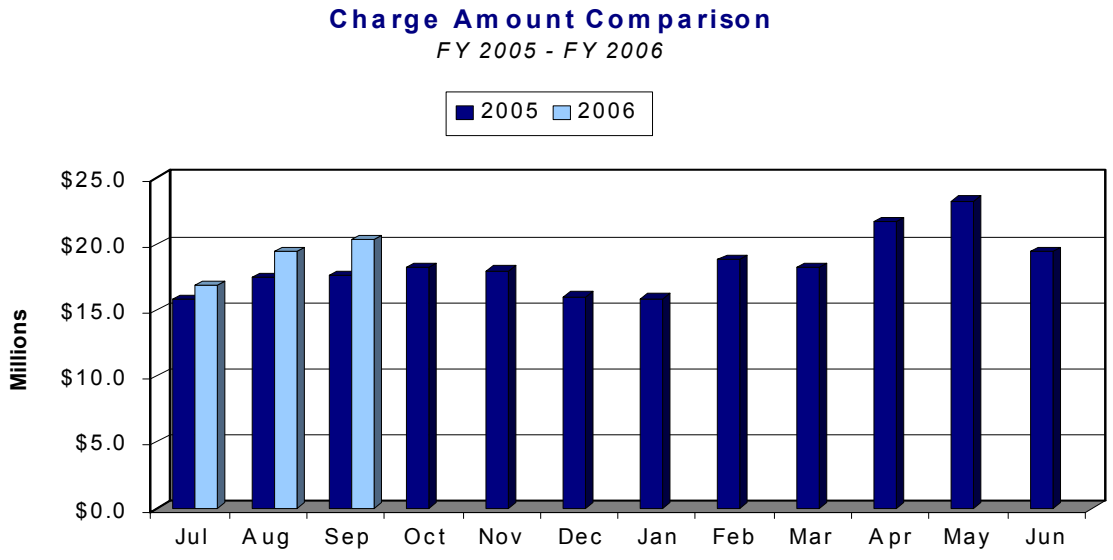
The Small Purchase Charge Card continues to be used for purchases under $5,000. Agencies are strongly encouraged to obtain a Gold Card for use by a procurement professional for purchases in the $5,000 to $50,000 range.

The total amount charged on SPCC and Gold cards during the first quarter of FY 2006 increased by $5.7 million or 11.2 percent from the same quarter last year.

Small Purchase Charge Card Program

Charge Card Activity	Quarter Ended September 30, 2005	Fiscal Year 2006 To Date	Comparative Fiscal Year 2005 To Date
Amount of Charges	$ 56,801,765	$ 56,801,765	$ 51,086,895
Estimated Number of Checks Avoided	126,421	126,421	126,184
Total Number of Participating Agencies		199	194
Total Number of Cards Outstanding		10,134	9,299

The following chart compares charge activity for FY 2006 to activity for FY 2005.



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 that 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*.

For purposes of computing the $1 underutilization charge imposed in accordance with § 4-5.04.g 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 cca@doa.virginia.gov.

Underutilization charges will not be imposed during the 2nd quarter of FY 2006 due to the transition from American Express to GE MasterCard. Agencies should use this time to identify vendors who accept MasterCard as these charges will resume in the 3rd quarter.

Statewide SPCC Performance

Quarter Ended September 30, 2005

Percentage Utilization for Eligible Transactions	**80%**

SPCC Utilization by Secretarial Area

Quarter Ended September 30, 2005

Secretarial Area	Payments in Compliance[1]	Non-Compliant Transactions[2]
Administration	81%	806
Agriculture and Forestry	78%	669
Commerce and Trade	75%	870
Education*	87%	4,506
Elected Officials	97%	27
Finance	95%	53
Health and Human Resources**	82%	4,843
Independent Agencies	75%	844
Judicial	43%	2,388
Legislative	97%	36
Natural Resources	94%	712
Public Safety	81%	5,757
Technology	28%	1,512
Transportation*	72%	7,426
Statewide	**80%**	**30,449**

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

** Department of Rehabilitative Services division of DDS payments not included in the above statistics.

(1) **"Payments in Compliance"** represents the percentage of purchases made from participating SPCC vendors using the purchasing card.

(2) **"Non-Compliant Transactions"** represents the number of small purchases from participating SPCC vendors where the purchasing card was not used for payment.

Agency SPCC Performance
Utilization Below 70 Percent

Agency	Payments in Compliance	Non-Compliant Transactions
Administration		
State Board of Elections	64%	35
Commerce and Trade		
Virginia Employment Commission	47%	643
Department of Labor and Industry	5%	165
Education		
Tidewater Community College	68%	465
Norfolk State University	65%	657
Thomas Nelson Community College	64%	238
Virginia State University – Cooperative Extension and Agricultural Research Services	50%	626
Southern Virginia Higher Education Center	0%	37
Health and Human Resources		
Hiram W Davis Medical Center	68%	62
Department for the Blind & Vision Impaired	65%	578
Department of Rehabilitative Services	62%	730
Independent Agencies		
State Lottery Department	63%	203
Virginia Office for Protection and Advocacy	59%	56
State Corporation Commission	1%	472
Judicial		
Virginia Indigent Defense Commission	66%	202
Board of Bar Examiners	0%	21
Circuit Courts	0%	347
Combined District Courts	0%	267
Court of Appeals	0%	13
General District Courts	0%	581
Judicial Inquiry and Review Commission	0%	6
Juvenile and Domestic Relations District Court	0%	682
Magistrate System	0%	79
Virginia Criminal Sentencing Commission	0%	11
Legislative		
Commission on Virginia Alcohol Safety Action Program	0%	18
Public Safety		
Department of Fire Programs	59%	169
Virginia Correctional Enterprises	17%	1,893
Virginia Parole Board	0%	6
Technology		
Virginia Information Technologies Agency	28%	1,512

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	July	Aug	Sept
Education			
Gunston Hall			X
Science Museum of Virginia	X		
Public Safety			
St Brides Correctional Center	X		
Transportation			
VDOT Central Office		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 September 30, 2005, and the total amounts past due.

Travel Charge Card Program

As of September 30, 2005

Agency	Total Delinquent Active Accounts	Amounts 60 Days Past Due	Amounts 90-120 Days Past Due	Amounts >150 Days Past Due
Education				
George Mason University	4	1,476	912	1,968
James Madison University	3	156	-	19
Longwood University	4	390	254	1,560
Norfolk State University	5	317	732	1,880
Old Dominion University	2	1,223	190	0
University of Virginia	16	5,843	1,247	0
University of Virginia Medical Center	4	6	1,490	562
University of Virginia - Wise	1	22	-	-
Virginia Commonwealth University	6	1208	527	-
Virginia Military Institute	3	251	300	-
Virginia Polytechnic Institute and State University	13	11,072	1,378	852
Virginia State University	11	4,692	166	-
College of William & Mary	2	1,038	-	-

Agency	Total Delinquent Active Accounts	Amounts 60 Days Past Due	Amounts 90-120 Days Past Due	Amounts >150 Days Past Due
Elected Officials				
Attorney General	1	100	-	-
Office of the Governor	1	8	-	-
Health and Human Resources				
Department of Social Services	5	264	18	53
Independent				
State Corporation Commission	2	324	33	-
Virginia Retirement System	2	135	-	-
Virginia Office for Protection & Advocacy	1	76	-	-
Technology				
Virginia Information Technologies Agency	2	834	-	-
Transportation				
Virginia Department of Transportation	3	312	-	-
Department of Motor Vehicles	1	130	-	-

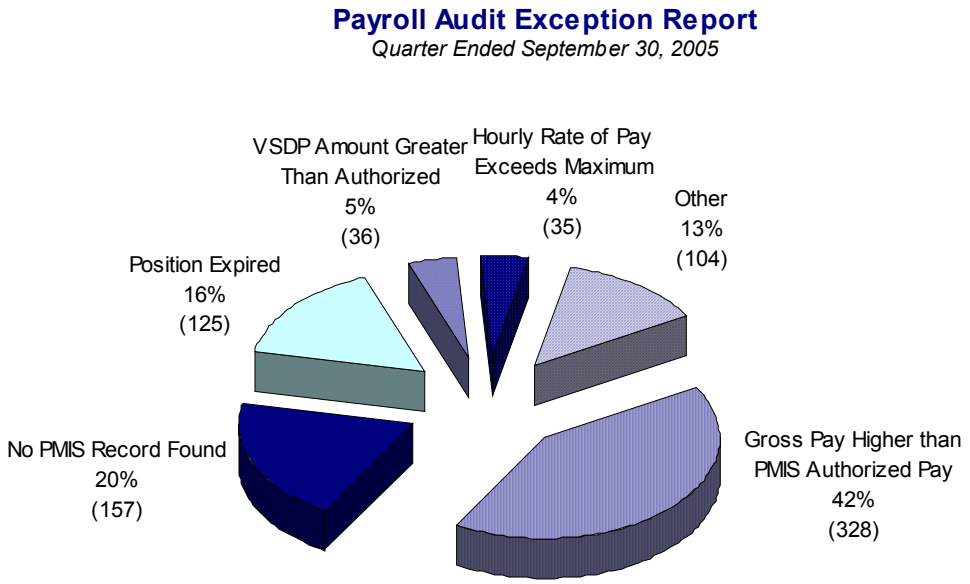
Payroll Controls

PMIS/CIPPS Payroll Audit

During the quarter, DOA's automated comparison of payroll and personnel (PMIS) records examined 425,314 salaried pay transactions and 231,250 wage pay transactions. The comparison is performed following each payday and is designed to identify discrepancies between authorized salary/wage amounts in PMIS and amounts paid in CIPPS. There were 2,644 new exceptions noted statewide during the quarter, with an overall exception rate of 0.43 percent.

The statewide salaried payroll exception rate was 0.63 percent and the wage payroll exception rate was 0.07 percent. During this quarter, 48 employee paychecks were reduced to recover $15,207.85 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.



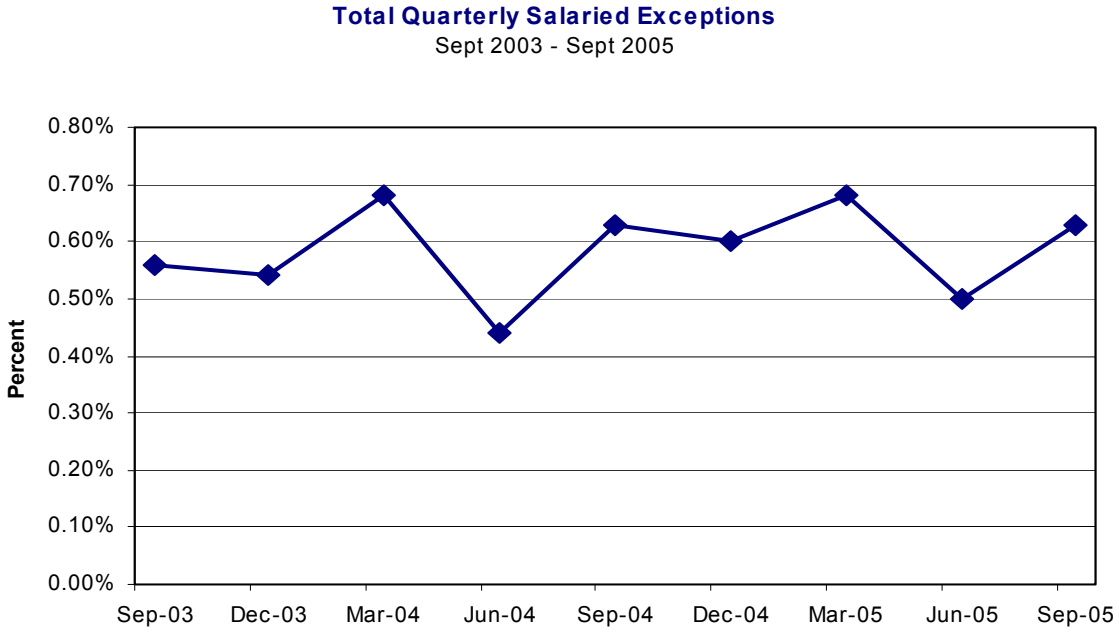
Exception percentages are calculated by dividing the number of exceptions by the number of salaried or wage employees. Agencies are reported below if the percentage of payroll exceptions to salaried or wage payments exceeds three times the statewide average for the quarter.

Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Salaried Payments

Quarter Ended September 30, 2005

Agency	Exceptions as a % of Salaried Payments
Total Salaried Payroll Exceptions for the Quarter	**0.63%**

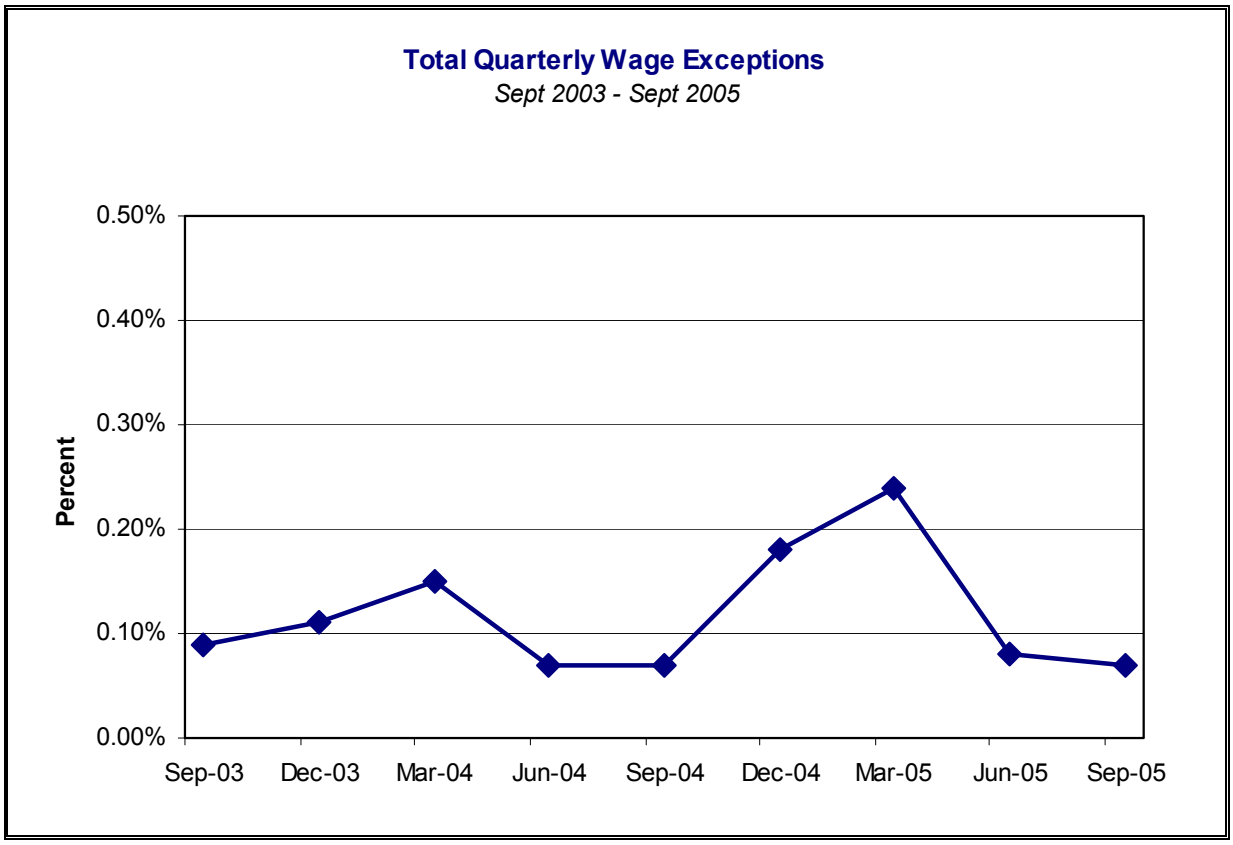
The following chart compares payroll exceptions as a percentage of salaried payments by quarter for the past two years.



Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Wage Payments
Quarter Ended September 30, 2005

Agency	Exceptions as a % of Wage Payments
Wage Payroll Exceptions for the Quarter	**0.07%**

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



Note: increase in second & third quarters FY2005 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
Christopher Newport University	17
Public Safety	
Department of Military Affairs	1
Dept of Corrections, Central Activities	1
Coffeewood Correctional Center	4
Virginia Correctional Center for Women	1
Natural Resources	
Department of Game and Inland Fisheries	3

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

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

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

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

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

Payroll Certification Compliance

Agency	Variance Amount (a)	Performed by DOA (b)	Submitted Late (c)	Corrected by DOA (d)
Education				
Lord Fairfax Community College	$114,624			
Norfolk State University			2	
Natural Resources				
Virginia Museum of Natural History	56,607			
Independent				
State Lottery Department	26,116			
Virginia College Savings Plan			2	
Public Safety				
Department of Military Affairs	470,083		4	
Transportation				
Department of Motor Vehicles	28,678			

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 June, July and August were due 07/29/05, 08/31/05 and 09/30/05, respectively.

Schedule of Health Care Reconciliations Received Late or With Problems

	June	July	Aug
New River Community College	X		
Rappahannock Community College	X		
Department of Agriculture and Consumer Services	P	P	
Nottoway Correctional Center		X	
Keen Mountain Correctional Center		X	

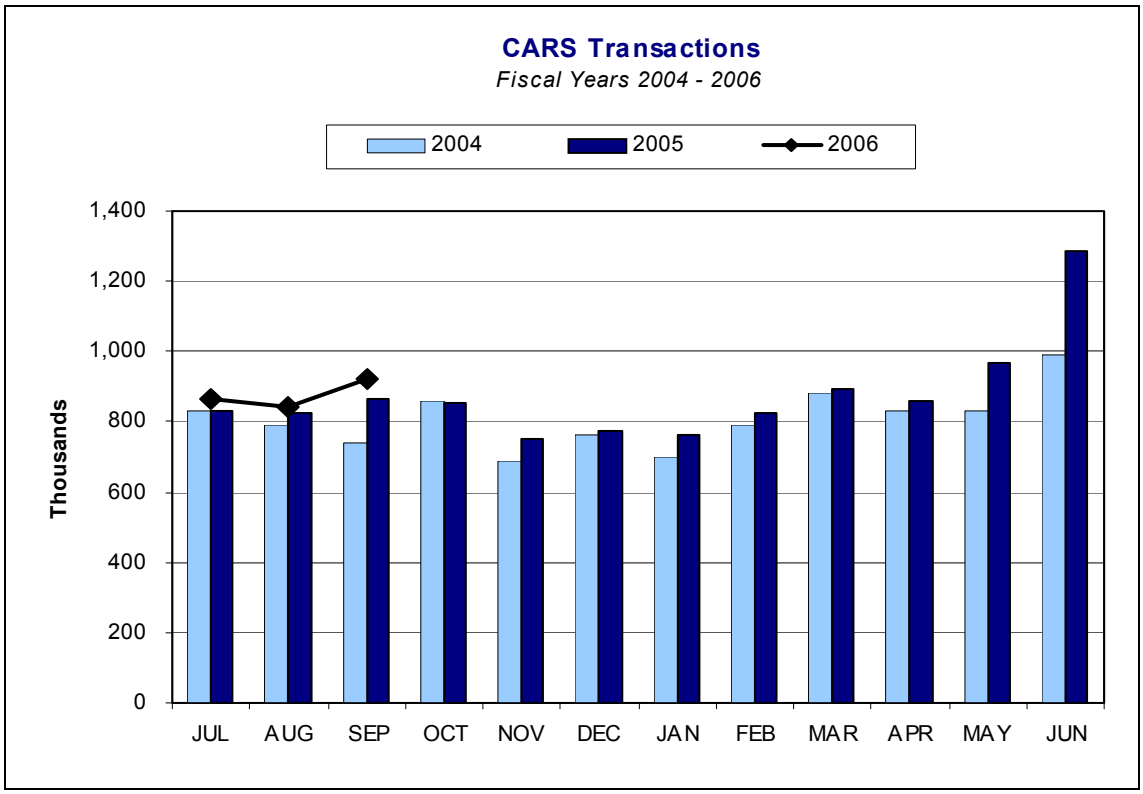
X= Late
P = Problem with documentation

FINANCIAL MANAGEMENT ACTIVITY

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

Commonwealth Accounting and Reporting System (CARS)

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

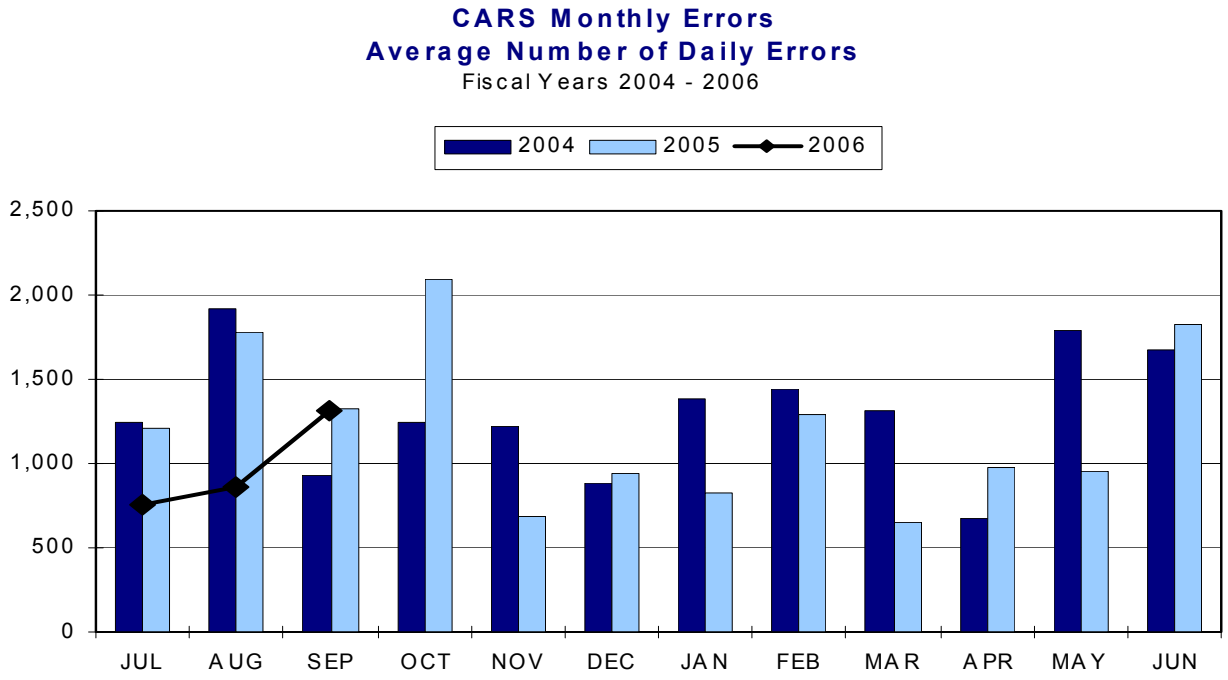


CARS Edits

One of the most important management tools used by DOA is the monitoring of CARS errors generated by standard system edits. Batches remain on the error file until problems are resolved, which, for disbursement transactions, can lead to noncompliance with prompt payment standards and poor vendor relations. During the first quarter of FY 2006, the most frequent reasons cited for batches being sent to the error file were:

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

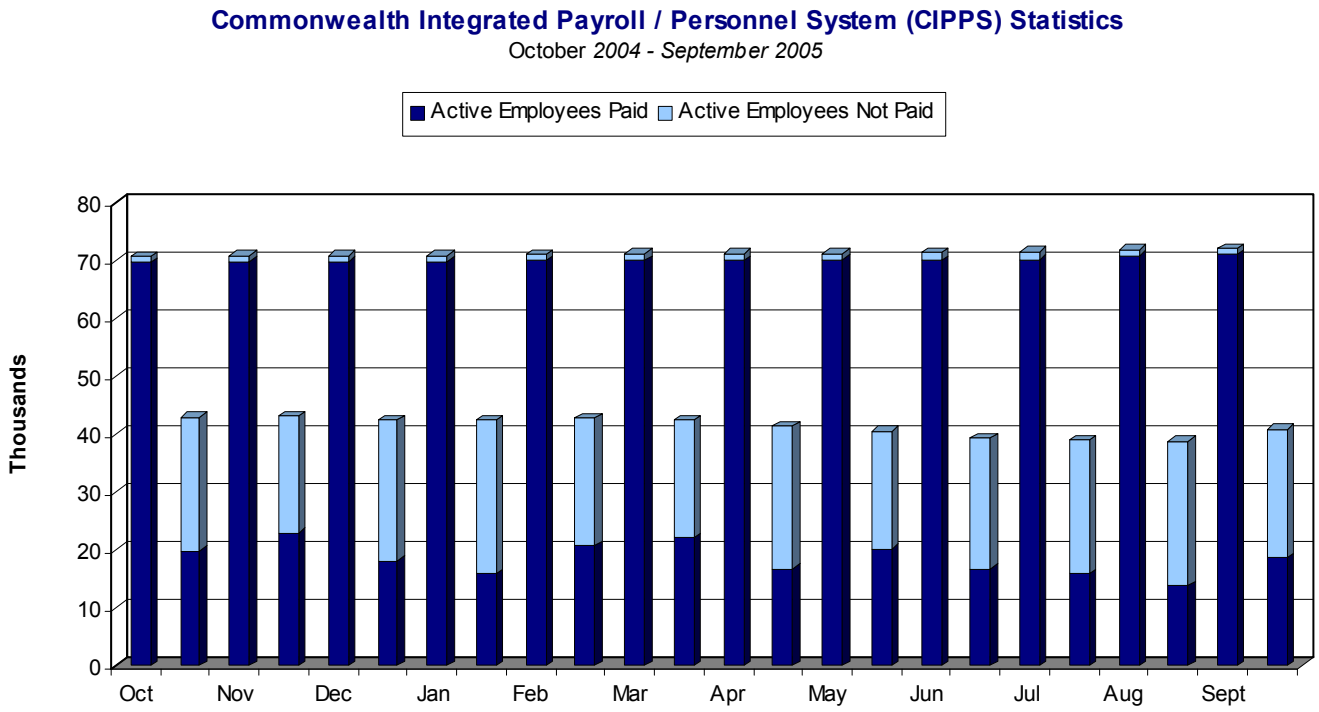
Agencies may avoid such errors by more closely monitoring cash and allotment balances. Sound agency cash management practices should be developed to ensure transactions are not submitted to CARS when funding is not available. Agencies should develop procedures to ensure certified amounts are calculated 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 111,488 employees. Payroll services are also provided through eight decentralized higher education institutions.

Total gross payrolls for the Commonwealth were approximately $421 million each month of the quarter. On average, 86,750 employees were paid each month, of which 70,730 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 12,437 savings bonds with a face value of over $1.59 million.

Benefit Participation
Number of Participating Employees

		Comparative	
	As of 09/30/2005	As of 09/30/2004	As of 09/30/2003
Health Care			
COVA Care	81,529	79,931	79,494
Kaiser	1,921	1,845	1,845
Optional Retirement Plans *			
Fidelity Investments	527	515	261
Great West Life	N/A	N/A	14
TIAA/CREF	1,549	1,490	1,293
T. Rowe Price	N/A	N/A	61
VALIC	N/A	N/A	242
Political Appointee - ORP	79	86	82
Deferred Compensation *			
Great West Life	31,855	29,165	26,605
Flexible Reimbursement *			
Dependent Care	665	700	637
Medical Care	5,115	4,938	3,487

* 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
Executive Summary

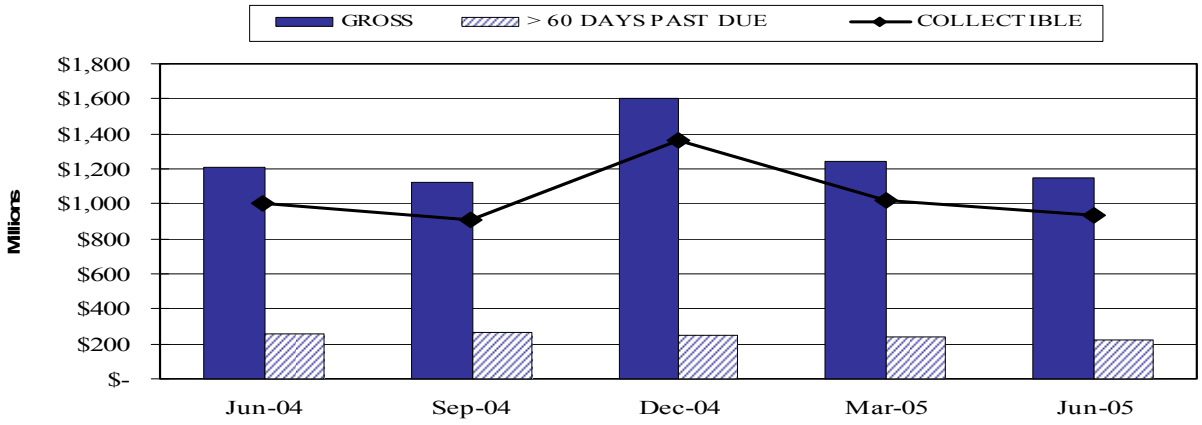
Chapter 48 of the ***Code of Virginia*** requires the Department of Accounts, along with the Office of the Attorney General, to oversee, report on, and monitor the Commonwealth's accounts receivable program. In order to carry out this responsibility, DOA has issued policies and procedures on accounting, 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, we continue to exclude data from the tables, except for the final one on past due receivables, from the Department of Taxation, consisting largely of statutory assessments and non-filers assessments, and the circuit and district courts, which report judgments and fines with extremely low collection statistics.

Commonwealth agencies and institutions reported adjusted gross receivables of $1.15 billion at June 30, 2005, with $934.7 million considered collectible. Receivables over 60 days past due as of June 30, 2005 totaled $223 million. Of that amount, $20 million was placed with private collection agencies, $15 million was placed with the Division of Debt Collection and $188 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
June 2004 - June 2005



As of June 30, 2005, agencies expected to collect $934.7 million of the $1.15 billion (81%). About four percent are due to the General Fund, primarily for Medicaid penalties. The balance ($897.9 million) is in several non-general funds.

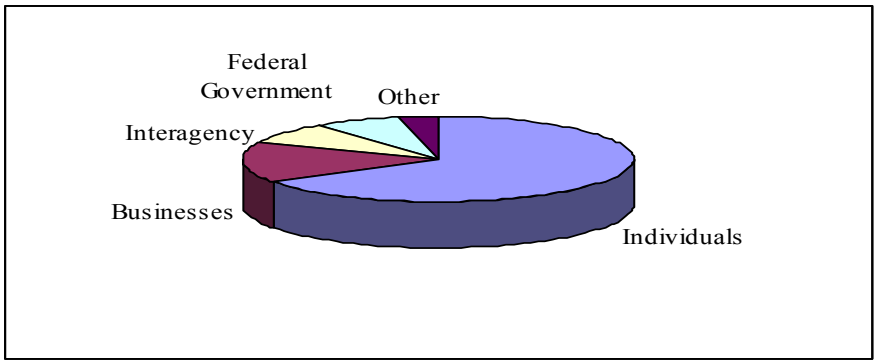
Collectible Receivables by Fund
Not Including Circuit and District Courts and Department of Taxation
As of June 30, 2005

Fund	Source		Amount	Percent
General Fund	Medicaid	$	30,017,095	81%
4%	Social Services		3,350,975	9%
	State Police Permits		993,093	3%
	Labor and Industry Inspections		982,600	3%
	Other		802,571	2%
	Subtotal		36,146,334	98%
	Interagency Receivables		663,380	2%
	Total General Fund Collectible	**$**	**36,809,714**	**100%**
Nongeneral Funds	Medicaid	$	9,570,600	1%
96%	Unemployment Taxes		108,209,208	12%
	Transportation		95,834,441	11%
	Child Support Enforcement		57,147,144	6%
	Federal Government		169,133,529	19%
	MHMR Patient Services		32,105,555	4%
	Hospital		103,788,850	12%
	Enterprise		54,633,714	6%
	Higher Education		93,582,363	10%
	Other		44,926,693	5%
	Subtotal		768,932,097	86%
	Interagency Receivables		128,979,168	14%
	Total Nongeneral Fund Collectible	**$**	**897,911,265**	**100%**
All Funds	**Grand Total**	**$**	**934,720,979**	**100%**

Summary of Receivables by Source

Sources of Collectible Receivables by Debtor

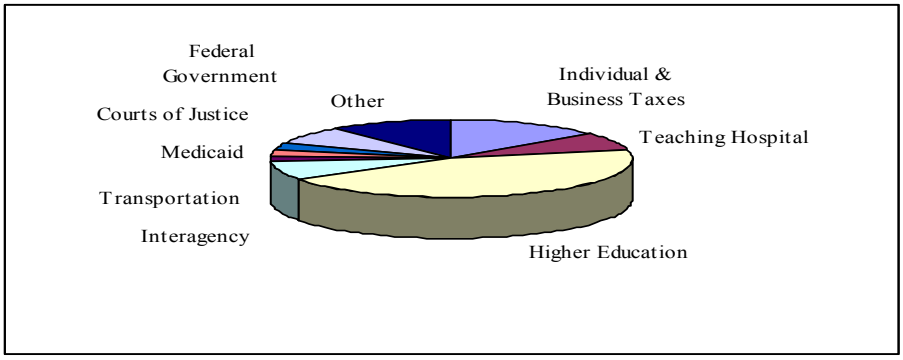
As of June 30, 2005



Source	Amount	Percent
Individuals	$ 353,831,970	37.9%
Businesses	184,607,393	19.7%
Interagency	129,642,548	13.9%
Federal Government	198,628,208	21.2%
Other	68,010,860	7.3%
Total	**$ 934,720,979**	**100.0%**

Sources of Collectible Receivables by Type

As of June 30, 2005



Source	Amount	Percent
Unemployment Taxes	$ 108,209,208	11.6%
Higher Education	93,582,363	10.0%
Teaching Hospital	103,788,850	11.1%
Social Services	126,435,753	12.4%
Interagency	129,642,548	13.9%
Medicaid	39,587,695	4.2%
Transportation	95,834,441	10.3%
Federal Government	169,133,529	18.1%
Other	134,444,226	14.4%
Total	**$ 934,720,979**	**100.0%**

Not counting Taxation and the Courts, ten agencies account for 81 percent of the Commonwealth's adjusted gross and 78 percent of the adjusted collectible accounts receivable balances.

Accounts Receivable Summary

Not Including Circuit and District Courts and Department of Taxation

Quarter Ended June 30, 2005

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
University of Virginia Medical Center	$ 140,684,175	$ 16,020,281	$ 124,663,894
Virginia Employment Commission	140,516,137	30,046,235	110,469,902
Department of Education	109,704,255	-	109,704,255
Department of Social Services	218,598,918	108,994,693	109,604,225
Department of Transportation	96,668,790	3,323,156	93,345,634
State Lottery Department	47,605,041	-	47,605,041
Department of Medical Assistance Services	69,014,807	29,400,009	39,614,798
Virginia Polytechnic Institute and State University	33,909,396	957,596	32,951,800
Department of Mental Health, Mental Retardation, & Substance Abuse Services	46,999,683	14,894,128	32,105,555
Virginia Information Technologies Agency	31,691,953	-	31,691,953
Total	**935,393,155**	**203,636,098**	**731,757,057**
All Other Agencies	216,379,433	13,415,511	202,963,922
Grand Total	**$ 1,151,772,588**	**$ 217,051,609**	**$ 934,720,979**

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.

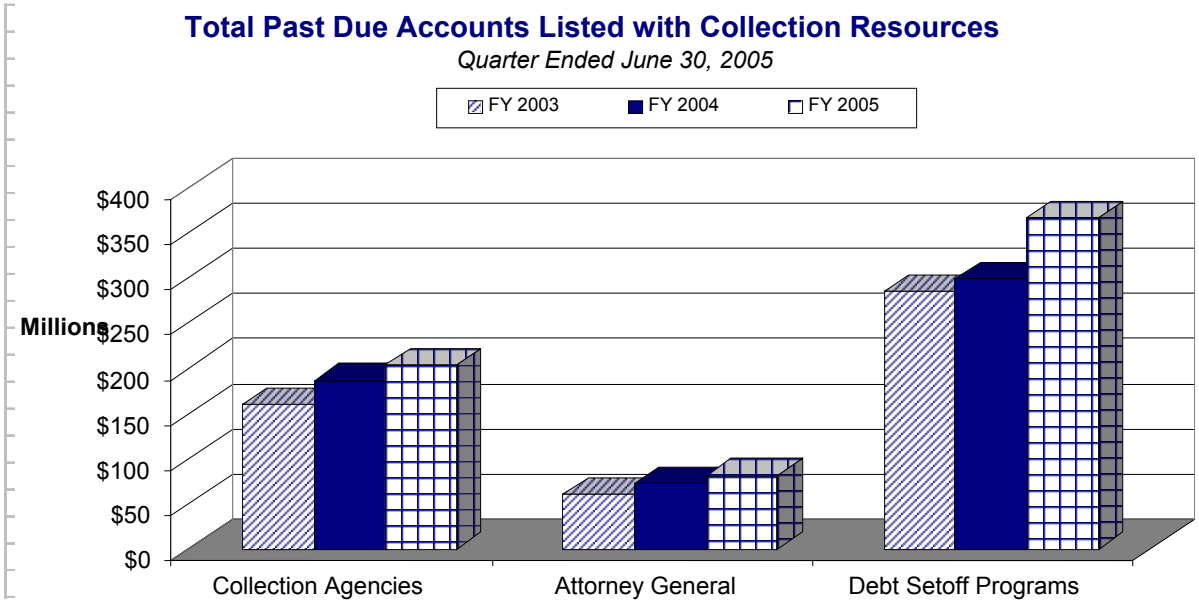
DOA requires state agencies and institutions to use the computerized matching and debt setoff programs for receivables that are 30 days or more past due. DOA also requires the use of private collection agencies on delinquent accounts that are 60 days or more past due that are not sent to the Attorney 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 $7.2 million during the quarter ended June 30, 2005. The largest contributor was the debt setoff programs (Tax, Comptroller's and Lottery) which collected $3.4 million. The Division of Debt Collection contributed $2.1 million. Private collection agencies, collected $1.7 million.

COLLECTIBLE RECEIVABLES OVER 60 DAYS PAST DUE
Does Not Include Circuit and District Courts and Department of Taxation
As of June 30, 2005

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	$ 60,880,153	$ -	$ -	$ 60,880,153
Virginia Employment Commission	41,162,055	8,549,930	8,794,381	23,817,744
Department of Medical Assistance Services	32,483,573	4,255,638	1,868,007	26,359,928
University of Virginia Medical Center	23,476,299	-	-	23,476,299
Department of Transportation	14,016,926	199,443	446,859	13,370,624
Department of Mental Health, Mental Retardation & Substance Abuse Services	10,402,870	-	-	10,402,870
Department of Rail and Public Transportation	4,505,723	-	-	4,505,723
University of Virginia	2,846,093	619,266	-	2,226,827
Virginia Polytechnic Institute and State University	2,608,935	468,794	589,486	1,550,655
Virginia Commonwealth University	2,417,276	376,179	8,345	2,032,752
Total	**194,799,903**	**14,469,250**	**11,707,078**	**168,623,575**
All Other Agencies	28,253,813	5,354,901	2,889,688	20,009,224
TOTAL OVER 60 DAYS	**$ 223,053,716**	**$ 19,824,151**	**$ 14,596,766**	**$ 188,632,799**
Uncollectable Amounts Placed for Collection, Including Accounts Written Off	426,608,023	182,680,943	66,846,320	177,080,760
TOTAL COLLECTION EFFORTS	**$ 649,661,739**	**$ 202,505,094**	**$ 81,443,086**	**$ 365,713,559**

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



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 6/30/05	Percent at 3/31/05	Percent at 12/31/04
Department of Social Services	28%	25%	21%
Virginia Employment Commission	29%	11%	42%
Department of Medical Assistance Services	47%	43%	57%
University of Virginia Medical Center	17%	17%	18%
Department of Transportation	15%	51%	9%
Department of Mental Health, Mental Retardation, and Substance Abuse Services	22%	30%	32%
Department of Rail and Public Transportation	28%	12%	51%
University of Virginia	14%	3%	3%
Virginia Polytechnic Institute and State University	8%	6%	3%
Virginia Commonwealth University	13%	15%	3%
Statewide Average - All Agencies	**19%**	**19%**	**16%**

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 $958,000 for the first quarter of FY 2006. Please note the CDS collections are based on an estimate because of the implementation of the new Tax IRMS system.

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 78 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 VEC percentage jumped 51 points over last year and 91 points over two years ago because employers pay unemployment taxes on the first $8,000 of wages paid to employees in the calendar year, and the number of workers employed has climbed over the last two fiscal years.

The statewide average of 91% indicates that for every $1 billed during the quarter ended June 30, 2005, the state collected 91 cents. This rate is a 7% increase from last year, and the same as the June 30, 2003 quarter. The main contributors to the fluctuations, because of the magnitude of the dollars involved, are the Departments of Education and Transportation. This heavily weights 4th quarter billings and 1st quarter collections respectively for fiscal year end accruals for federal funds that cover aid to localities for public education and the federal share of projects in which billings fall in the 4th quarter and collections fall in the succeeding 1st quarter.

Collections as a Percentage of Billings

Agency	Percent at 6/30/05	Comparative Percent at 6/30/04	Comparative Percent at 6/30/03
University of Virginia Medical Center	48%	**43%**	**42%**
Virginia Employment Commission	256%	**205%**	**165%**
Department of Education	69%	**68%**	**100%**
Department of Social Services	106%	**96%**	**93%**
Department of Transportation	72%	**91%**	**82%**
State Lottery Department	100%	**61%**	**100%**
Department of Medical Assistance Services	65%	**28%**	**56%**
Virginia Polytechnic Institute and State University	121%	**110%**	**122%**
Department of Mental Health, Mental Retardation and Substance Abuse Services	48%	**54%**	**44%**
Virginia Information Technologies Agency	102%	**87%**	**106%**
Statewide Average - All Agencies	**91%**	**84%**	**91%**

Commonwealth Receivables Analysis

Included for the first time this quarter are individual agency accounts receivables descriptive narratives. These narratives are designed to describe agency collection programs and related trend information.

Department of Medical Assistance Services (DMAS)

DMAS is responsible for overseeing service delivery to eligible recipients and reviewing and auditing the providers of a variety of federally and State funded health care programs. These programs include Medicaid, Family Access to Medical Insurance Security (FAMIS), and State and Local Hospitalization (SLH) programs.

DMAS' collectible accounts receivable of $39.6 million at June 30, 2005 is $64.1 million less than the $103.7 million reported at June 30, 2004. Over FY 2005, total past due receivables decreased $63.7 million, to $35.8 million from $99.5 million. The largest decrease occurred in the oldest past due receivables, with accounts six months or more past due decreasing by $59.5 million.

University of Virginia Medical Center (UVAH)

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

UVAH's collectible receivables of $124.7 at June 30, 2005 were a decrease of $39.4 million over the $164.1 million reported the previous year. Past due receivables mirrored this with a decrease of $9.1 million to $74.0 million at June 30, 2005. The decrease was split between accounts over 60 days past due (a decrease of $4.8 million) and accounts less than 60 days past due (a decrease of $4.3 million). There were no accounts owing money over a year past due or more at year end.

Virginia Employment Commission (VEC)

VEC is responsible for paying unemployment insurance benefits to workers who have become unemployed. VEC also provides employment assistance for job seekers and analyzes and reports on a variety of labor market information.

VEC collectible receivables were $110.5 million at June 30, 2005, an increase of $6.1 million. $2.3 million of this increase occurred in the receivables over six months past due. This partially offset the overall decrease of $3.9 million in the total past due receivables of $43 million, down from $46.9 million the previous year. VEC collects employer tax receivables in-house. The Attorney General's Office is involved in contested cases. Unemployment benefit overpayments to individuals are referred to private collections agencies after in-house efforts have produced no results and when debtors have left the state.

Virginia Information Technologies Agency (VITA)

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

VITA reported collectible receivables at June 30, 2005 of $31.7 million, a $7.6 million increase over FY 2004's $24.1million. Most of these dollars are owed by other state agencies. As of June 30, 2005 just $108,909 was over 60 days past due.

State Lottery Department (Virginia Lottery)

The State Lottery Department is an independent agency which is responsible for operating the State's scratch and on-line lottery games and actively participates in two multi-state games, Mega Millions and Lotto South. Retail merchants who sell the Virginia Lottery games are covered by surety bonds and deposit Lottery receipts into bank accounts approved by the State Treasurer.

At June 30, 2005, the Virginia Lottery reported net receivables of $47.6 million, an $8.1 million increase over the previous years net of $39.5 million. The growth in receivables can be attributed to the growth in ticket sales of $71.6 million over the last year, combined with the timings of the remittances from retailers. At June 30, 2005 the Virginia Lottery had $236,501 that was over 60 days past due. The total amount is covered by surety bond and involves 20 retailers.

State Department of Education (SDE)

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

At June 30, 2005, SDE had $109.7 million in accounts receivable due from the Federal government under Direct Aid. This is nearly equal to the prior year's amount of $109.9 million. None of the amount owed was past due.

Virginia Polytechnic Institute and State University (VPISU)

VPISU is one of the Commonwealth's largest universities and one of two land grant institutions in the state. At June 30, 2005, the University reported net collectible receivables of $33.0 million, a $2.1 million decrease from the prior year. $5.1million (15%) of VPISU' total receivables were past due, a decrease of $1.9 million from last year.

Accounts over 60 days past due also decreased, by $1.1 million. The University uses a variety of collection methods to encourage payments. At June 30, 2005, VPISU had almost $1 million of

accounts with the Attorney General's Division of Debt Collection, $503,128 placed with private collection agencies and $3.3 million listed for Taxation's Debt Setoff Programs.

Mental Health, Mental Retardation, and Substance Abuse Services (MHMRSAS)

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

At June 30, 2005, the Department reported net receivables of $32.1 million, a 1.0 million decrease from FY 2004. $23.0 million was past due, with $10.4 million (45%) being over 60 days past due. While total past due receivables increased by $2.1 million over the year, accounts over 60 days past due decreased by $2.2 million. At June 30, 2005, the Department had $6.1 million of accounts placed with the Attorney General and $3.1 million listed in Taxation's Debt Setoff Programs.

Department of Transportation (VDOT)

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

At June 30, 2005, VDOT reported $93.3 million of collectible receivables, $14.5 million total past due and $14.0 million total over 60 days past due. Total collectible receivables decreased by $15.2 million from June 30, 2004, however, past due receivables increased by $10.8 million and receivables over 60 days past due were responsible for $10.5 million of the increase. VDOT reports that the large majority of the accounts over 60 days past due are owed by cities, counties and towns that are participating on long-term construction projects with the department and where the local fund shares are provided by local debt financing.

VDOT reported $9.3 million of the $14.5 past due as being over one year past due and another $3.8 million as between six months and one year past due at June 30, 2005. VDOT had $8.0 million of their unpaid accounts with the Attorney General's Division of Debt Collection, $569,382 with private collection agencies and $776,665 listed with Taxation's Debt Setoff Programs.

Department of Social Services (DSS)

Social Services provides financial assistance to eligible individuals and families through 121 local departments of

social services. The assistance programs include the Temporary Assistance for Needy Families (TANF), Medicaid, Food Stamps, and Community Services Block Grants. In addition to the assistance programs, DSS is the federally-mandated state agency to provide child support enforcement assistance. Child support paid for children receiving money from an assistance program is required to be paid to the federal and state funds which provide the assistance. Overpayments of assistance benefits from ineligible participants must also be repaid to the originating funds. Receivables due from the Federal government usually are the Federal share of assistance payments and allowable cost recoveries made through the local offices during the preceding month.

At June 30, 2005, DSS reported gross receivables of $218.6 million, an allowance for doubtful accounts of $109.0 million and collectibles of $109.6 million. Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for $146.8 million (67%) of the gross receivables, $89.6 million (82%) of the allowance for doubtful accounts and $57.2 million (52%) of the net receivables. Past due receivables totaled $62.1 million. 98% ($60.9 million) was over 60 days past due.

Overall, between June 30 2005 and 2004, gross receivables increased $44.9 million (26%) and collectible receivables increased $19.1 million (21%). Write offs for the fiscal year totaled $2.1 million. Total past due receivables increased $22 million (55%), and receivables over 60 days past due increased $21.7 million (55%).

The following table is prepared in accordance with the provisions of Section 2.2-603.E.(ii) of the Code of Virginia. Taxation and the Circuit and District Courts accounted for 82% ($1.47 billion) of the Commonwealth's total $1.79 billion past due accounts receivable at June 30, 2005. Another eighteen agencies accounted for 17% ($296.7 million), leaving 68 other agencies to comprise the last one percent at $24.1 million.

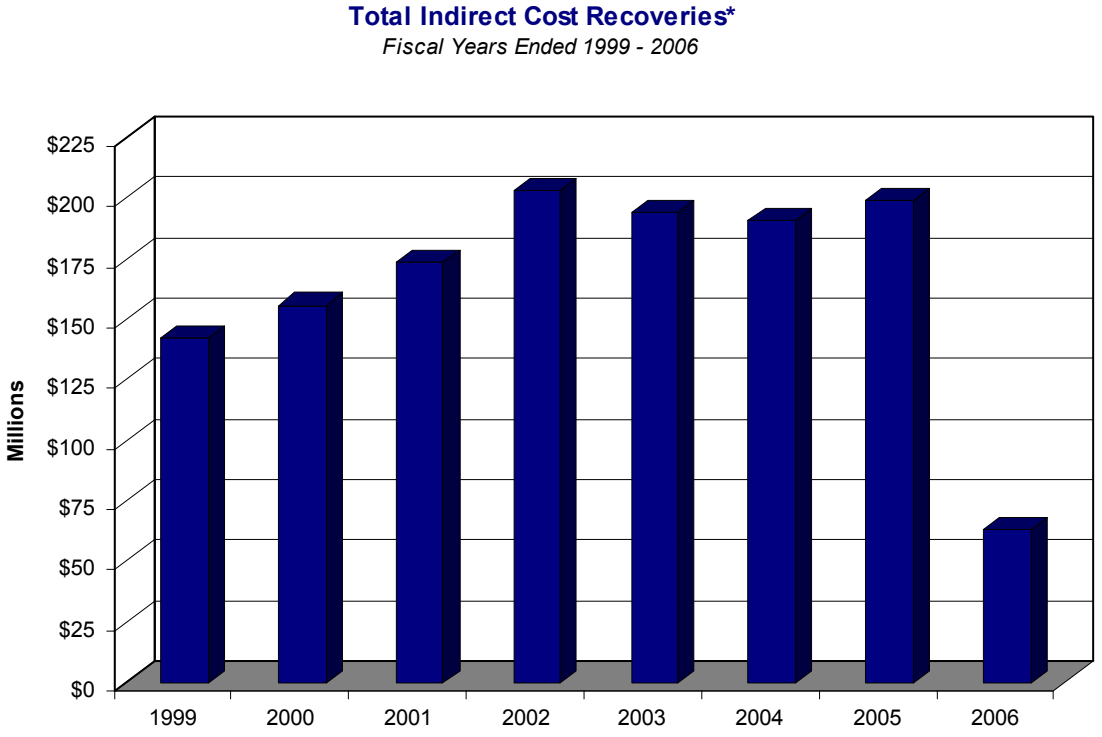
Agencies with the Largest Volume of Past Due Receivables

As of June 30, 2005

Agency	Total Past Due	1 to 180 Days Past Due	181 to 360 Days Past Due	Over One Year
Department of Taxation	$ 1,054,069,978	$ 414,396,368	$ 213,224,537	$ 426,449,073
Localities' Circuit and District Courts	419,877,249	30,647,980	53,891,790	335,337,479
Total - Taxation Assessments and Court Fines and Fees	**1,473,947,227**	**445,044,348**	**267,116,327**	**761,786,552**
All Other Large Dollar Agencies:				
University of Virginia Medical Center	74,037,343	66,330,281	8,306,808	(599,746)
Department of Social Services	62,116,267	3,714,553	3,478,511	54,923,203
Virginia Employment Commission	42,987,200	10,163,031	7,183,856	25,640,313
Department of Medical Assistance Services	35,824,295	5,900,374	9,309,598	20,614,323
Department of Mental Health, Mental & Substance Abuse Services	22,995,939	19,564,895	3,431,044	-
Department of Transportation	14,542,341	1,398,041	3,826,576	9,317,724
University of Virginia	6,191,514	5,260,983	418,047	512,484
Virginia Polytechnic Institute and State Universit	5,149,108	3,821,610	520,507	806,991
Virginia Commonwealth University	5,075,952	2,858,984	1,197,741	1,019,227
Department of Rail and Public Transportation	4,814,607	4,345,944	184,554	284,109
George Mason University	3,666,139	2,889,069	586,732	190,338
University of Virginia's College at Wise	3,469,248	3,468,649	150	449
Department of Conservation and Recreation	2,973,715	2,098,474	685,362	189,879
Department of Motor Vehicles	2,847,855	2,620,695	204,246	22,914
Department of Labor and Industry	2,636,435	482,877	310,326	1,843,232
State Corporation Commission	2,542,658	1,820,688	721,970	-
Norfolk State University	2,417,724	2,003,694	281,909	132,121
Virginia Community College System	2,393,106	1,823,485	291,359	278,262
Total - Largest Dollar Volume Agencies	**296,681,446**	**140,566,327**	**40,939,296**	**115,175,823**
All Other Agencies	24,132,072	15,808,269	2,826,460	5,497,343
Grand Total Past Due Receivables	**1,794,760,745**	**601,418,944**	**310,882,083**	**882,459,718**

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 2006 reflects indirect cost recoveries through September 30, 2005.

Indirect Cost Recoveries From Grants and Contracts

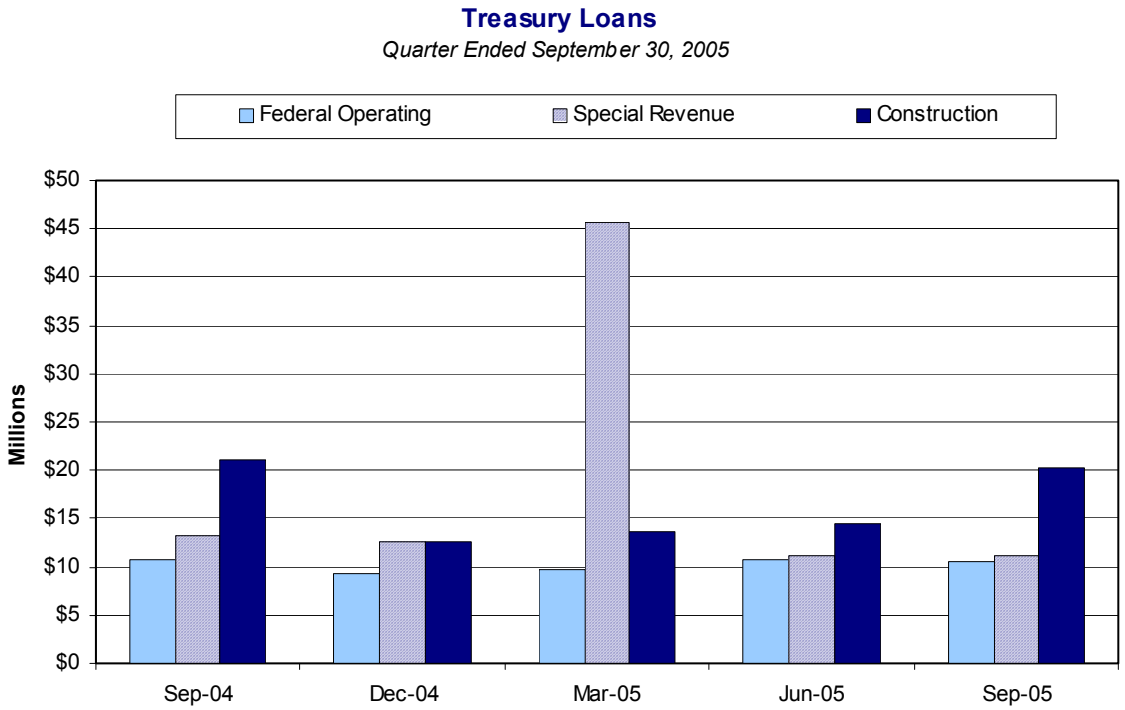
Fiscal Year 2006

Fund	Year-to-Date		
	Higher Ed	Non-Higher Ed	Total
Nongeneral:			
Agency / Institution (1)	$ 45,744,380	$ 16,703,019	$ 62,447,399
Statew ide	489,928	116,605	606,533
Total Nongeneral	**46,234,308**	**16,819,624**	**63,053,932**
General:			
Agency (Cash Transfers)	-	22,762	22,762
Statew ide	-	135,587	135,587
Statew ide (Cash Transfers)	-	2,753	2,753
Total General	**-**	**161,102**	**161,102**
Total All Funds	**$ 46,234,308**	**$ 16,980,726**	**$ 63,215,034**

(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 $12,506,568 representing the Department of Social Services' estimate of indirect cost recoveries received.

Loans and Advances

Treasury loans may be used to advance funds to a State agency or institution for a designated purpose prior to some form of reimbursement. Working capital advances and lines of credit are other methods for ensuring that an agency or institution has sufficient operating cash, within its appropriation, prior to collection of revenues. The total of all types of treasury loans and advances as of September 30, 2005, was $42.0 million.



These advances are in the form of temporary loans funded on the basis of the following conditions:

♦ **Anticipation of Federal Operating Funds** supports the operations of federal grants and contract programs for which advance funding has been delayed or for those that require expenditure of funds prior to federal reimbursement.

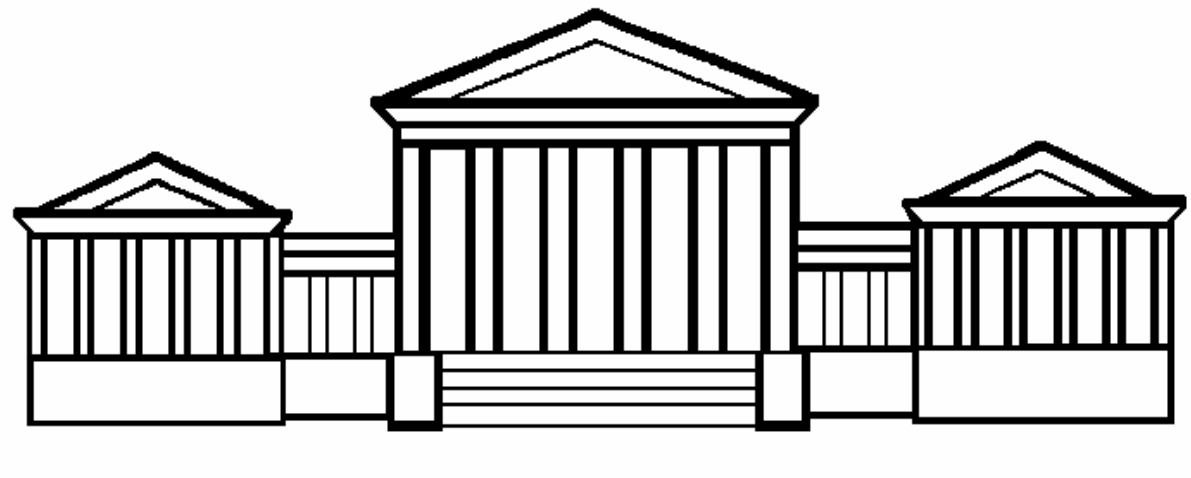
♦ **Anticipation of Special Revenue Funds** supports the operations of non-general funded activities when collections are spread unevenly throughout the year while expenses require steady funding.

♦ **Construction** supports capital projects in anticipation of the sale of authorized debt or other financing for such projects.

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

♦ **Authorized Appropriation Deficit**, which provides funding, when authorized by the Governor, under emergency conditions as described in § 4-3.01 and § 4-3.02 of the Appropriation Act. There were no deficit loans outstanding at September 30, 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 was one outstanding working capital advance at September 30, 2005, for $125,000.

Significant New Loans/Drawdowns	New Balance
Department of Game and Inland Fisheries (DGIF)	
Authorization and drawdown of a new loan to provide capital funds for the acquisition of the Feather and Fin Farm, a 2,400-acre parcel of land adjacent to the Appomattox River.	$5,804,102
Department of Veterans Services (DVS)	
An additional drawdown of $1,243,322 of a $14,750,000 loan for the construction of the Veterans Care Center in Richmond.	$2,766,497

Significant Loan Repayments	Prior Balance
Virginia Commonwealth University (VCU)	
Full repayment of a loan that was authorized to provide up to $5,056,989 to construct the VCU Administrative Information Technology Building.	$1,153,915