REPORT ON STATEWIDE FINANCIAL MANAGEMENT AND COMPLIANCE

FOR THE QUARTER ENDED JUNE 30, 2003

OFFICE OF THE COMPTROLLER

DEPARTMENT OF ACCOUNTS

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STATEMENT OF PURPOSE

The ***Code of Virginia*** requires that the Department of Accounts (DOA) monitor and account for all transactions involving public funds. In order to carry out this mandate, the Department uses a variety of measures, including automated controls, statistical analyses, pre-audits and post-audits, staff studies and reviews of reports issued by the Auditor of Public Accounts. When taken as a whole, these measures provide an important source of information on the degree of agency compliance with Commonwealth accounting and financial management policies, internal controls, procedures, regulations, and 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, 2003. Some information in the report is for the quarter ended March 31, 2003, which is the most current data available. Fiscal Year 2003 summary data is provided for several measures.

David A. Von Moll, CPA, CGFM
Comptroller

COMPLIANCE

Auditor of Public Accounts Reports - Executive Branch Agencies

Agency audit reports issued by the Auditor of Public Accounts (APA) may contain findings because of noncompliance with state laws and regulations. Agencies may also have internal control findings considered to be reportable conditions. Reportable conditions involve matters relating to significant deficiencies in the design or operation of internal control that, in the Auditor's judgement, could adversely affect the agency's ability to record, process, summarize, and report financial data consistent with the assertions of management.

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

Audit Reports – Quarter Ended June 30, 2003

The APA issued 13 separate reports covering 13 agencies, offices, boards, and commissions 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
Commerce and Trade				
Department of Forestry	0	0	0	N/A
Education				
Christopher Newport University	8	0	8	Yes
George Mason University	0	0	0	N/A
Longwood University	0	0	0	N/A
Mary Washington College	2	0	2	Yes
Old Dominion University	3	0	3	Yes
Radford University	2	0	2	Yes

	New Findings	Repeat Findings	Total Findings	CAW Received
Education - continued				
Virginia College Building Authority	0	0	0	N/A
Virginia Military Institute	1	0	1	Yes
Virginia State University	2	1	3	Yes
Natural Resources				
Department of Conservation and Recreation	3	0	3	Not Due Yet
Public Safety				
Department of Juvenile Justice	1	2	3	Yes
Department of State Police	1	2	3	Yes

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

Agency Findings – Quarter Ended June 30, 2003

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

Christopher Newport University

1. Monitor the Schedule of New System Implementation. The University has experienced high turnover within the project team installing the purchased SCT Banner software and Surefire Implementation consulting package. This has resulted in project delays, which should be carefully monitored.

2. Monitor the Resources and Contractor of the New System. As of January 2002, CNU had four systems related positions become vacant. Since January 2002, three more key personnel resigned and another one was out on maternity leave for five months. Through January 2003, the University had not filled any of the vacant positions.

Christopher Newport University – continued

3. Complete the Risk Assessment, Business Impact Analysis, and Business Continuity Plan. The University has not completed the Continuity Plan because of their new systems development efforts. High dependence on fully automated systems make it important that the University comply with the Commonwealth of Virginia Information Technology Resource Management (COV ITRM) Standards for the Continuity Plan.

4. Complete Change Control Policies and Procedures. The University does not have written change control policies and procedures. These policies and procedures provide guidance on how technology staff develop, implement, and monitor requests for system changes and upgrades.

5. Develop Policies and Procedures for Maintaining Security Controls on the Checkpoint Firewall. Written policies and procedures provide needed direction on what controls management deems necessary and what restrictions are imposed on the system. Lack of proper controls could place the integrity and completeness of the data stored on the system at risk and allow for unauthorized access.

6. Strengthen Financial Reporting. The current financial statement preparation process is not documented. Neither of the two computer systems, old or new, was used to prepare the basic cash or budgetary-based statements. The necessary information was gathered and compiled manually. The financial reporting is accomplished by one person. The loss of one or two key individuals would hinder or prevent the preparation of any financial reports, including the annual financial statements.

7. Establish Accounting Policies. The University needs to document its accounting policies for recording certain classes of transactions. These transactions should include the recording of buildings, land, depreciation, and prepaid items.

8. Strengthen Contract Management. The University purchased library acquisitions from vendors whose contracts had expired. Without a current contract, vendors are not obligated to perform or deliver according to the terms of the prior agreement.

Mary Washington College

1. Enforce Small Purchase Charge Card Procedures. College employees who were issued cards did not always follow established State and College guidelines. Six out of 30 Master Purchasing Logs did not have proper supporting documentation to support purchases. Three out of ten individual cardholders did not properly track their purchases in a Master Purchasing Log.

Mary Washington College – continued

2. Improve Controls Over Cash Collections. The EagleOne Center at the College had one employee who collected and recorded the cash transactions, reconciled the transactions for the Envision program, prepared the cash transmittal reports and then delivered the cash to the cashier's office.

Old Dominion University

1. Strengthen Contract Administration. Contract administrators changed the original contract without the required approval of University officials in three out of six contracts reviewed. In four out of the six contracts reviewed, individuals other than the assigned contract administrator were overseeing the contracts. Five out of the six contracts reviewed were not monitored to ensure that deliverables were received.

2. Develop Policy and Procedures Regarding Cell Phones Issuance and Use. Subsequent to the audit, the University developed a written policy. The Policy designates a Contract Administrator and requires a centralized process for ordering cell phone service. The University needs to track essential cell phone information such as physical location of cell phones, approved users, supervisory review, and monitoring of cell phone usage including long distance calls.

3. Update the University Information Technology Security Plan. The University's Security Plan was last updated in July 2000. The volume and nature of security issues has changed dramatically since then. Roles and responsibilities of information technology staff have not been identified, including those of management. A majority of the policies do not contain a specific scope or identify a responsible individual to enforce the policy.

Radford University

1. Strengthen Controls Over the Small Purchase Charge Card Program. Purchasing logs did not include all of the required fields. Required fields include the agency name and unit, cardholder name, vendor name, and date, description and amount of the purchase. A review of transactions showed evidence of order splitting in 16 out of 37 sampled transactions. In addition, ten out of ten cardholders had monthly transactions set too high in relation to actual monthly purchases. Further, individual transaction limits were set too high in relation to actual purchases made in three out of ten cardholders tested.

2. Strengthen Controls Over Departmental Equipment Inventory. The University departments do not complete physical equipment inventories in a timely manner. Twenty-three out of 115 departments did not complete an annual inventory of equipment items. In addition, 18 departments completed their inventories after the University-established deadline.

Virginia Military Institute

1. Actively Pursue Compliance with the Commonwealth of Virginia Information Technology Resource Management Standard SEC2001-01.1. The Institute's Information Security Program does not meet the standard, nor does VMI have the internal policies and procedures, control or security as a substitute for this standard.

Virginia State University

1. Improve Contract Administration. In the past fiscal year, the University's internal auditor and APA staff have found over $800,000 in questionable contracting practices and procedures and have questions about the quality of work performed over a three-year period. The University has investigated the work of at least three contractors and found violations of the procurement act, disregard of internal procurement procedures and a lack of inspections and reviews to ensure the quality of work performed.

2. Test the University's Disaster Recovery Plan. The University has not tested its disaster recovery plan. The University's own policy requires testing the disaster plan twice each year.

3. Document and Improve the FRS to CARS Reconciliation Process. ***As noted in the past four audits***, the University needs to improve the efficiency and man-hours devoted to reconciling the two financial systems. Managers have difficulty reviewing the reconciliation because the staff do not document the source and resolution of all differences. In addition, financial accounting has not documented the reconciliation process adequately to prevent staff inefficiencies, errors, or incorrect adjustments.

Natural Resources

Department of Conservation and Recreation

1. Improve Security Controls for the Cisco External Internet Router. The Department's router for its Wide Area Network has insufficient controls in place to ensure its security and reliability. The controls in place could not prevent unauthorized access to the router nor prevent attacks that could limit or stop the router's functionality.

2. Enforce Small Purchase Charge Card Procedures. Agency employees did not always follow established State and agency policies and procedures. Personnel sometimes split the purchase of items between two or more transactions to avoid transaction limits. Five of sixteen items tested lacked adequate supporting documentation for purchases made with charge cards. In addition, six of the sixteen items tested showed that state sales tax was paid even though the Department is exempt from paying this tax.

Department of Conservation and Recreation - continued

3. Update FAACS Timely. The Chippokes Plantation Farm Foundation, needs to account for all of its capital assets in a timely and complete manner. Two instances were noted where assets were not properly recorded on the Fixed Asset Accounting and Control System (FAACS).

Public Safety

Department of Juvenile Justice

1. Reconcile Leave Liability Information. ***As noted in the prior audit***, the Department does not have procedures to reconcile internal leave records to the Commonwealth Integrated Personnel and Payroll System (CIPPS), the system of record. Six out of seven year-end internal leave balance records did not reconcile to CIPPS leave records.

2. Improve Capital Outlay Planning. ***As noted in the past two audits***, DJJ needs to improve its capital outlay project planning. The ongoing six-year capital plan should be updated annually and reflect actual capital requests.

3. Document Construction In Progress. DJJ needs to properly compile and record Construction in Progress. In FY 2002, the Department only reported $99,250 out of over $1.9 million actually spent on capital projects that were in progress.

Department of State Police

1. Improve Systems Development Process. ***As noted in the prior audit***, the Department needs to develop both a short-range and long-term strategy to address its information technology needs. The age, level of technology, and internal needs for information and equipment have reached a critical point.

2. Develop a Disaster Recovery Plan. ***As noted in the previous audit***, State Police does not have a contingency plan to restore critical computer operations in the event of a disaster. In addition, the computer systems lack the protection of fire suppression equipment.

3. Modify Router Configurations. Several computer systems routers at the State Police Headquarters contained security weaknesses. Such security risks could result in the denial of service to the network or inappropriate access to the network.

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 4/25/03, 5/27/03, 6/25/03, and 7/18/03, respectively. The FY 2003 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 18, 2003. No exception registers were submitted late and none are outstanding.

Disbursement Processing

During the quarter ended June 30, 2003, DOA deleted, at the submitting agency's request, 65 payments that were awaiting disbursement from the vendor payment file. These included duplicate payments, payments with incorrect vendors or addresses, and payments with incorrect amounts. This type of transaction may point to areas where improved agency internal accounting controls should be evaluated.

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

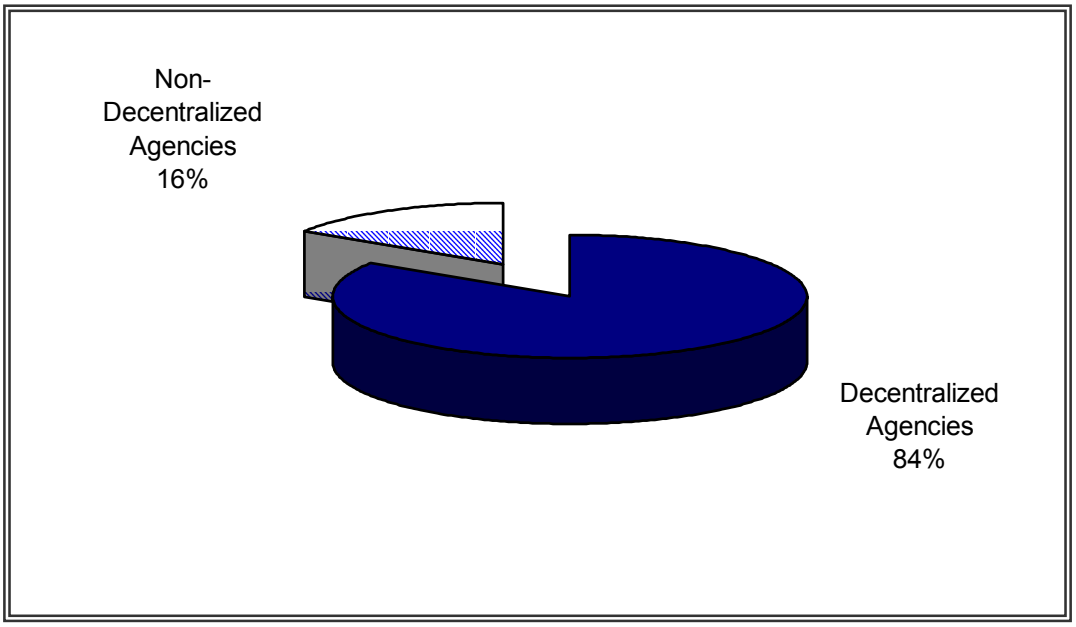
- Department of Conservation and Recreation
- Department of Transportation

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.

Vouchers Processed
Quarter Ended June 30, 2003



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

Decentralized Agencies

Compliance reviews were conducted for five 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 4 percent are provided below.

Compliance Rating Legend	
> 10.0%	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
Natural Resources				
Chesapeake Bay Local Assistance Department	144	6	4.2%	Satisfactory
Public Safety				
Department of State Police	391	21	5.4%	Satisfactory
Transportation				
Department of Motor Vehicles/ Motor Vehicle dealer Board/ Board of Accountancy (1)	513	17	3.3%	Good

(1) Department of Motor Vehicles provides fiscal services for the Motor Vehicle Dealer Board and the Board of Accountancy (Commerce and Trade). Therefore, the reviews were combined into one engagement and only one compliance rating is issued.

Note: No reviews were performed during the quarter for agencies that report to the Secretaries of Administration, Education, Finance, Health and Human Resources, and Technology.

Agencies With Performance Ratings Lower Than "Good"

Chesapeake Bay Local Assistance Department – Satisfactory Performance – The performance level is attributable to compliance findings for vendor payment related policies and procedures. There were no findings for travel, petty cash, or Small Purchase Charge Card transactions. The vendor payment findings include the following:

- Incorrect Due Date (6)

Department of State Police – Satisfactory Performance – The performance level is attributable to compliance findings for travel, petty cash, and vendor payment related policies and procedures. There were no findings for moving and relocation or Small Purchase Charge Card transactions. The findings include the following:

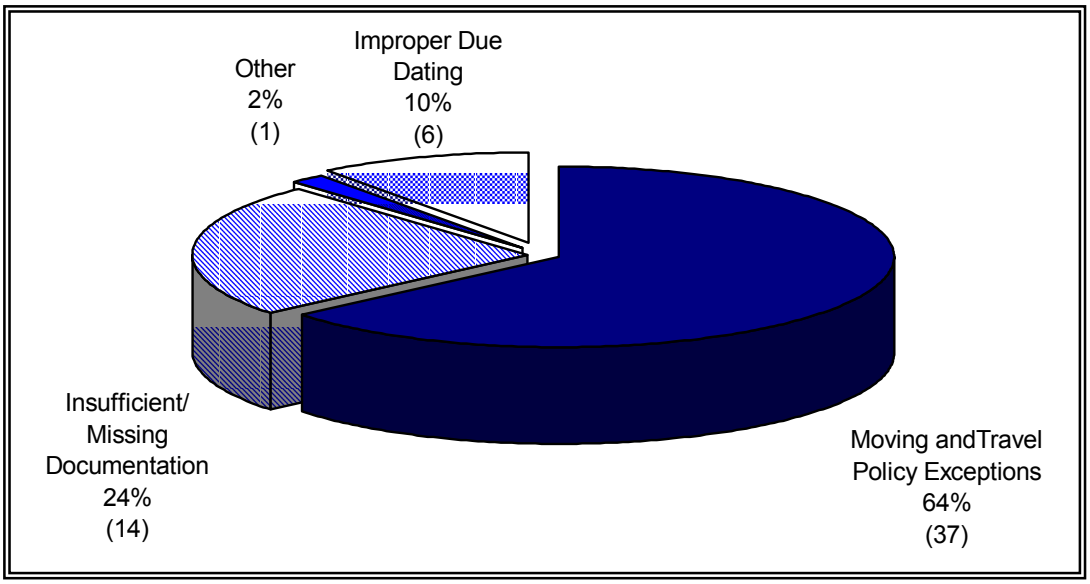
- Incorrect Due Date (9)
- Insufficient documentation (7)
- Invalid receipt (3)
- Noncompliance with travel regulations (2)

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 130 non-decentralized agencies. A total of 1,159 non-travel disbursement batches and 282 travel disbursement batches were reviewed, disclosing 58 exceptions that were resolved prior to releasing the transactions for payment.

Disbursement Review and Compliance Findings
Non-Decentralized Agencies
Quarter Ended June 30, 2003



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 Ended June 30, 2003		*Fiscal Year 2003*	
	Late	**Total**	**Late**	**Total**
Number of Payments	6,193	671,349	31,546	2,476,985
Dollars (in thousands)	$26,949	$1,237,184	$176,729	$4,506,661
Interest Paid on Late Payments				$9,222

Current Quarter Percentage of Payments in Compliance	**99.1%**
Fiscal Year to Date Percentage of Payments in Compliance	**98.7%**

Prompt Payment Performance by Secretarial Area

Quarter Ended June 30, 2003

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.9%	99.9%
Commerce and Trade	99.2%	98.7%
Education*	99.1%	98.3%
Elected Officials	96.7%	93.1%
Finance	99.9%	98.2%
Health and Human Resources	99.0%	97.5%
Independent Agencies	99.4%	99.7%
Judicial	99.6%	99.9%
Legislative	98.8%	96.4%
Natural Resources	99.6%	99.4%
Public Safety	99.3%	98.4%
Technology	98.5%	99.2%
Transportation*	99.0%	95.3%
Statewide	99.1%	97.8%

Prompt Payment Performance by Secretarial Area

Fiscal Year 2003

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.7%	99.8%
Commerce and Trade	98.9%	98.5%
Education*	98.5%	96.2%
Elected Officials	96.4%	94.5%
Finance	99.9%	99.6%
Health and Human Resources	98.7%	92.4%
Independent Agencies	99.2%	99.0%
Judicial	99.4%	99.8%
Legislative	99.0%	97.9%
Natural Resources	99.4%	99.1%
Public Safety	99.1%	98.4%
Technology	99.1%	99.2%
Transportation*	99.0%	94.6%
Statewide	98.7%	96.1%

* 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, and the College of William and Mary in Virginia and may include local payments. These agencies and institutions are decentralized for vendor payment processing.

For the quarter ended June 30, 2003, 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, 2003

Agency	Late Payments	Total Payments	Payments in Compliance
Commerce and Trade			
Department of Minority Business Enterprise	7	62	88.7%
Education			
The Science Museum of Virginia	317	669	52.6%
Gunston Hall Plantation	15	101	85.2%
Elected Officials			
Attorney General and Department of Law	26	410	93.7%
Health and Human Resources			
Southeastern Virginia Training Center	139	837	83.4%
Legislative			
Commission on the Virginia Alcohol Safety Action Program	13	83	84.3%

For FY 2003, 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 2003

Agency	Late Payments	Total Payments	Payments in Compliance
Commerce and Trade			
Department of Minority Business Enterprise	14	245	94.3%
Education			
The Science Museum of Virginia	465	3,253	85.7%
Virginia School for the Deaf and the Blind at Staunton	157	2,200	92.9%
Gunston Hall Plantation*	53	474	88.8%
Elected Officials			
Attorney General and Department of Law	101	1,661	93.9%
Health and Human Resources			
Southeastern Virginia Training Center	256	3,668	93.0%
Legislative			
Commission on the Virginia Alcohol Safety Action Program	22	305	92.8%

*Failed to meet prompt payment standards in all four quarters of FY 2003.

Prompt Payment Explanations

Explanations for low prompt payment compliance rates for the fourth quarter and FY 2003 were provided by the following agencies. Not all agencies elected to provide written explanations.

Virginia School for the Deaf and the Blind at Staunton had a low compliance rate for the month of October 2002, which pulled the YTD average down. Issues resulting in this were rectified as evidenced by a compliance rate above 95 percent since November.

Gunston Hall Plantation did not meet prompt payment for the fourth quarter 2003 and FY 2003 reportedly due to staffing shortages.

The prompt pay statistics for the ***Commission on the Virginia Alcohol Safety Action Program*** were affected for the month of June due to keying errors. The fiscal technician responsible for entering this data into CARS was new to the position in June 2003 and had limited CARS data entry experience. One batch containing 16 payments was keyed with due dates when none were required. The due dates keyed were erroneously entered as the batch date, resulting in 10 vouchers being placed on the payments written after due date monitoring report. The remaining vouchers on the report were also late due to keying errors by the fiscal technician.

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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, 2003

	E-Commerce	Total	%
Number of Payments	575,071	1,039,621	55.3%
Payment Amounts	$5,386,671,836	$6,265,431,138	86.0%

Fiscal Year 2003

	E-Commerce	Total	%
Number of Payments	2,192,076	3,969,982	55.2%
Payment Amounts	$19,283,512,996	$22,869,965,676	84.3%

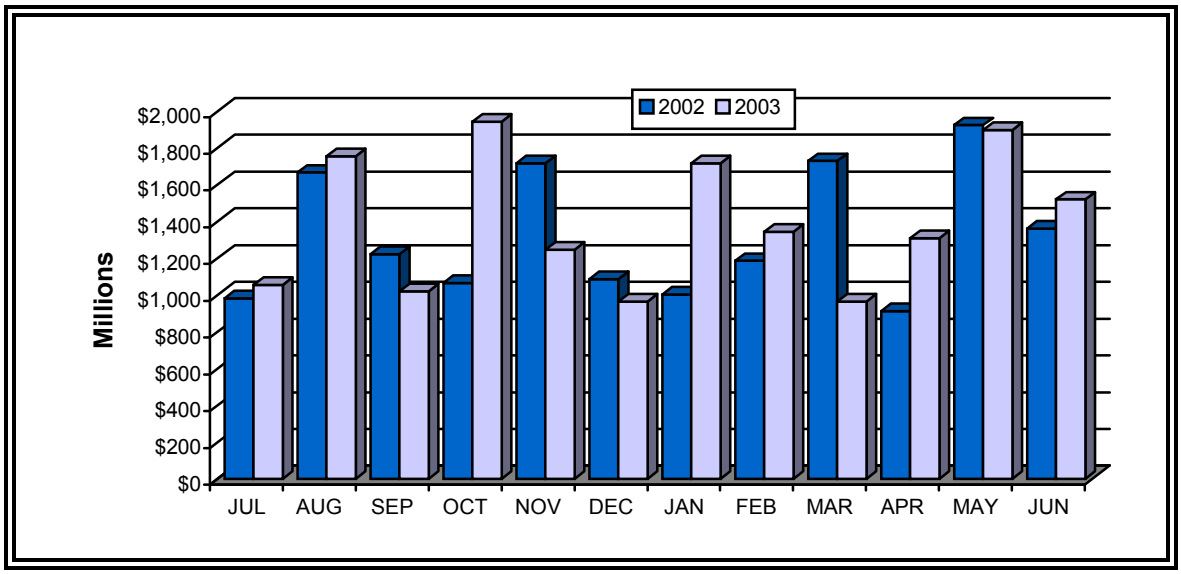
The dollar volume of Financial EDI payments for FY 2003 increased by $883.7 million from FY 2002, representing an increase of 5.6 percent. Payment volume increased by nearly 17,000 payments, or 21 percent. The number of trading partner accounts increased from 4,661 at the end of June 2002 to 12,016 at the end of this fiscal year, representing an increase of 158 percent. 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, 2003*	*Fiscal Year 2003*	*Comparative Fiscal Year 2002*
Number of Payments	32,695	95,558	78,715
Amount of Payments	$4,728,806,712	$16,744,865,729	$15,861,176,671
Number of Invoices Paid	163,744	543,401	476,577
Estimated Number of Checks Avoided	61,863	197,331	168,423
Number of Trading Partner Accounts as of 6-30-03		12,016	4,661

EDI Payment Comparison

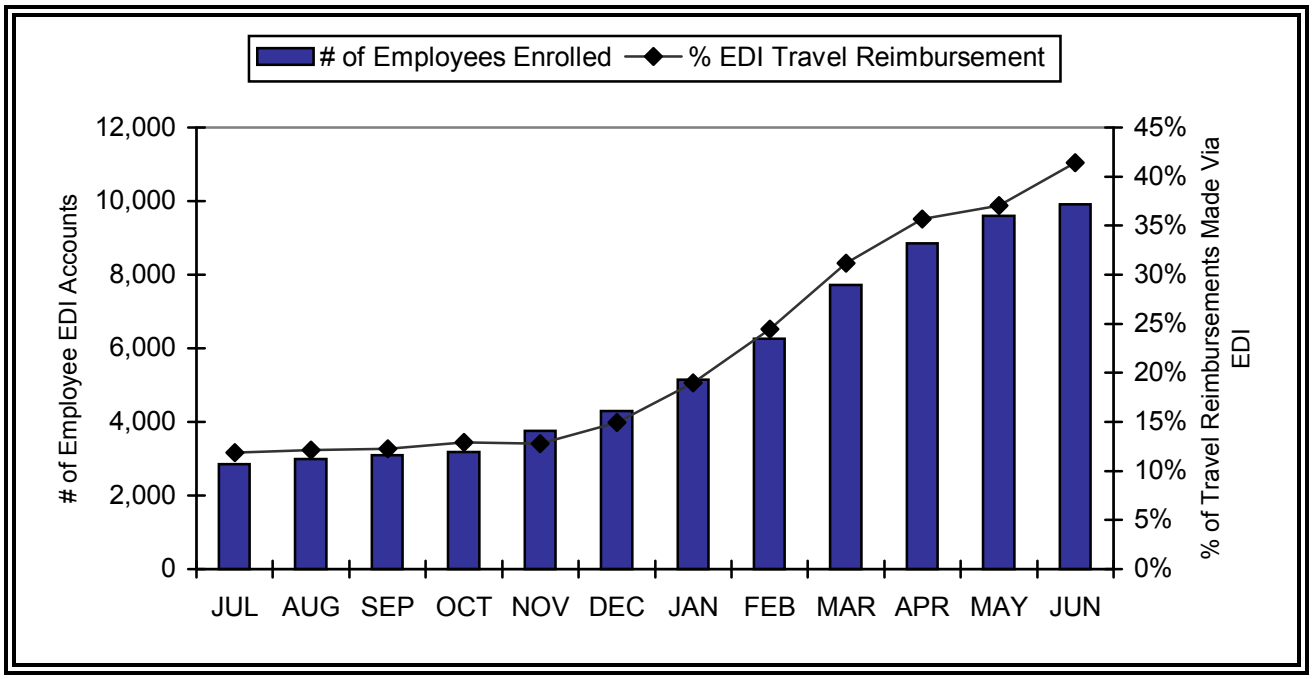
FY 2002 – FY 2003



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

Although participation among certain agencies has increased, many agencies have failed to enroll employees in EDI as required by law. In accordance with Section 4-5.06g of the Appropriation Act, the Comptroller will charge agencies $1 for each travel reimbursement check issued in lieu of Employee EDI beginning with the second quarter of FY 2004. Agencies are expected to take action to enroll applicable employees in the EDI program and thus avoid the fees altogether.

Employee EDI Growth
FY 2003



The following table lists by secretarial area the percentage of travel reimbursements that were made via EDI versus the number of checks that were written for travel reimbursements during the quarter. *The statistics include all travel reimbursements, whether for state or non-state employees.*

Travel Reimbursement
Employee EDI Performance
by Secretarial Area
Quarter Ended June 30, 2003

Secretarial Area	Percent	Reimbursement Checks Issued
Administration	21.6%	272
Commerce and Trade	73.3%	907
Education*	22.5%	5,046
Elected Officials	18.9%	185
Finance	89.4%	90
Health and Human Resources	52.6%	4,196
Independent Agencies	75.1%	340
Judicial	9.7%	3,262
Legislative	49.3%	320
Natural Resources	46.2%	1,102
Public Safety	17.0%	5,956
Technology	5.4%	87
Transportation*	53.7%	221
Statewide	**38.2%**	**21,984**

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

The following table lists agencies with Employee EDI participation rates below 20 percent that issued more than 50 travel reimbursement checks during the quarter.

Agency Employee* EDI Performance
Utilization Below 20 Percent

Agency	Percent	Reimbursement Checks Issued
Administration		
Department of Charitable Gaming (formerly Charitable Gaming Commission)	4.5	64
Department of Veterans Services (formerly Veterans' Affairs)	0.0	61
Commerce and Trade		
Department of Professional and Occupational Regulation	10.0	216
Tobacco Indemnification and Revitalization Commission	0.0	104
Education		
Jamestown-Yorktown Foundation	19.6	189
Norfolk State University	13.7	403
Virginia Western Community College	3.4	85
Tidewater Community College	2.7	257
Christopher Newport University	0.6	165
Virginia State University	0.3	335
Thomas Nelson Community College	0.0	179
J. Sargeant Reynolds Community College	0.0	168
Southwest Virginia Community College	0.0	147
Danville Community College	0.0	118
Southside Virginia Community College	0.0	114
Paul D. Camp Community College	0.0	112
Virginia Military Institute	0.0	107
Virginia Highlands Community College	0.0	99
Rappahannock Community College	0.0	93
Virginia State University/ Cooperative Extension and Agricultural Research Service	0.0	87
Piedmont Virginia Community College	0.0	73
John Tyler Community College	0.0	62
Eastern Shore Community College	0.0	53
Elected Officials		
Attorney General and Department of Law	0.0	155
Health and Human Resources		
Eastern State Hospital	5.4	53
Virginia Board for People with Disabilities	1.7	59

Agency	Percent	Reimbursement Checks Issued
Independent Agencies		
Virginia Workers' Compensation Commission	10.5	119
Judicial		
Virginia State Bar	15.2	245
Supreme Court	0.0	998
Circuit Courts	0.0	764
General District Courts	0.0	313
Juvenile and Domestic Relations District Courts	0.0	301
Combined District Courts	0.0	259
Magistrate System	0.0	229
Legislative		
House of Delegates	5.6	67
Commission on the Virginia Alcohol Safety Action Program	0.0	52
Natural Resources		
Department of Game and Inland Fisheries	0.0	828
Public Safety		
Department of Fire Programs	1.1	348
Department of State Police	0.0	1,762
Department of Juvenile Justice	0.0	996
Department of Corrections-Division of Community Corrections	0.0	658
Department of Corrections-Central Administration	0.0	154
Virginia Correctional Enterprises	0.0	122
Department of Corrections-Division of Institutions	0.0	122
Western Region Correctional Field Units	0.0	67
Commonwealth's Attorneys' Services Council	0.0	60
Department of Military Affairs	0.0	55
Technology		
Virginia Information Technologies Agency (formerly Department of Information Technology)	0.0	72

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

During the fourth of FY 2003, 369,160 checks were avoided using direct deposit. Agencies are expected to take proactive steps to improve participation rates, particularly for wage employees. The percentage of state employees participating in Direct Deposit has not increased over the past year.

Direct Deposit Performance by Secretarial Area

Quarter Ended June 30, 2003

Secretarial Area	Direct Deposit % of Salary Employees	Direct Deposit % of Wage Employees
Administration	71.7%*	56.6%
Commerce and Trade	93.4%	76.3%
Education	92.3%	35.2%
Elected Officials	96.6%	37.0%
Finance	93.7%	64.7%
Health and Human Resources	82.9%	64.6%
Independent Agencies	95.4%	71.9%
Judicial	95.1%	30.8%
Legislative	93.8%	66.7%
Natural Resources	95.4%	35.1%**
Public Safety	85.1%	63.1%
Technology	92.8%	88.2%
Transportation	80.3%	56.9%
Statewide	85.9%	46.2%

* The Department of Veterans' Affairs and the Virginia Veterans Care Center Board of Trustees were consolidated near the end of the quarter to form the Department of Veterans Services. This resulted in the addition of approximately 200 employees who were formerly contract workers at the Care Center. These employees were not enrolled in Direct Deposit, which caused a decrease in the percentage of employees enrolled in Direct Deposit in agencies under the Secretary of Administration. The Department should enroll all new employees in Direct Deposit as soon as possible.

** The Department of Conservation and Recreation added nearly 500 wage employees during the quarter who were not enrolled in Direct Deposit, which caused a decrease in the percentage of total employees enrolled in Direct Deposit for the Secretary of Natural Resources.

Statewide Salaried Direct Deposit Performance

Quarter Ended June 30, 2003

Salaried Direct Deposit Participation	85.9%

Salaried Direct Deposit Below 80 Percent

Agency	Percent	Number of Employees
Administration		
Department of Veterans Services	18.9%	238
Education		
Tidewater Community College	75.6%	1,107
Health and Human Resources		
Southwestern Virginia Mental Health Institute	78.9%	522
Southwestern Virginia Training Center	76.8%	454
Southern Virginia Mental Health Institute	74.6%	158
Hiram W. Davis Medical Center	72.2%	184
Central State Hospital	70.8%	750
Piedmont Geriatric Hospital	65.2%	322
Southside Virginia Training Center	64.2%	1,364
Central Virginia Training Center	58.1%	1,520
Public Safety		
Augusta Correctional Center	78.5%	425
Eastern Region Correctional Field Units	77.2%	211
Southampton Reception and Classification Center	76.6%	248
Greensville Correctional Center	76.0%	843
Fluvanna Women's Correctional Center	75.8%	348
Brunswick Correctional Center	74.0%	386
Staunton Correctional Center	73.3%	15
Bland Correctional Center	72.5%	281
Mecklenburg Correctional Center	72.3%	311
Dillwyn Correctional Center	67.9%	262
Buckingham Correctional Center	64.6%	348
Nottoway Correctional Center	63.6%	415
Transportation		
Department of Transportation – Fredericksburg District	78.2%	662
Department of Transportation – Richmond District	77.8%	1,196
Department of Transportation – Staunton District	76.4%	837
Department of Transportation – Salem District	69.7%	949
Department of Transportation – Lynchburg District	69.4%	778
Department of Transportation – Culpeper District	68.7%	666
Department of Transportation – Bristol District	67.4%	1,052

Statewide Wage Direct Deposit Performance

Quarter Ended June 30, 2003

Wage Direct Deposit Participation	46.2%

Wage Direct Deposit Below 40 Percent

Agency	Percent	Number of Employees
Administration		
Department of Veterans Services	21.0%	38
Education		
Virginia Community College System	36.3%	11
Piedmont Virginia Community College	35.9%	167
Virginia Museum of Fine Arts	35.2%	51
Eastern Shore Community College	31.4%	35
New River Community College	28.4%	172
Lord Fairfax Community College	27.7%	166
Germanna Community College	27.2%	165
Central Virginia Community College	26.0%	146
Thomas Nelson Community College	21.9%	333
Paul D Camp Community College	20.5%	102
Blue Ridge Community College	20.3%	113
Wytheville Community College	20.0%	155
Longwood University	18.6%	145
Dabney S Lancaster Community College	17.1%	76
Rappahannock Community College	16.6%	102
Radford University	15.3%	587
Virginia Western Community College	12.8%	179
Mountain Empire Community College	12.1%	107
John Tyler Community College	10.2%	263
Danville Community College	9.4%	232
Northern Virginia Community College	8.3%	1,206
Richard Bland College	7.6%	52
Southside Virginia Community College	5.7%	140
Virginia Highlands Community College	4.1%	192
Health and Human Resources		
Southside Virginia Training Center	34.8%	89
Central Virginia Training Center	0.0%	118
Independent Agencies		
State Corporation Commission	23.0%	13

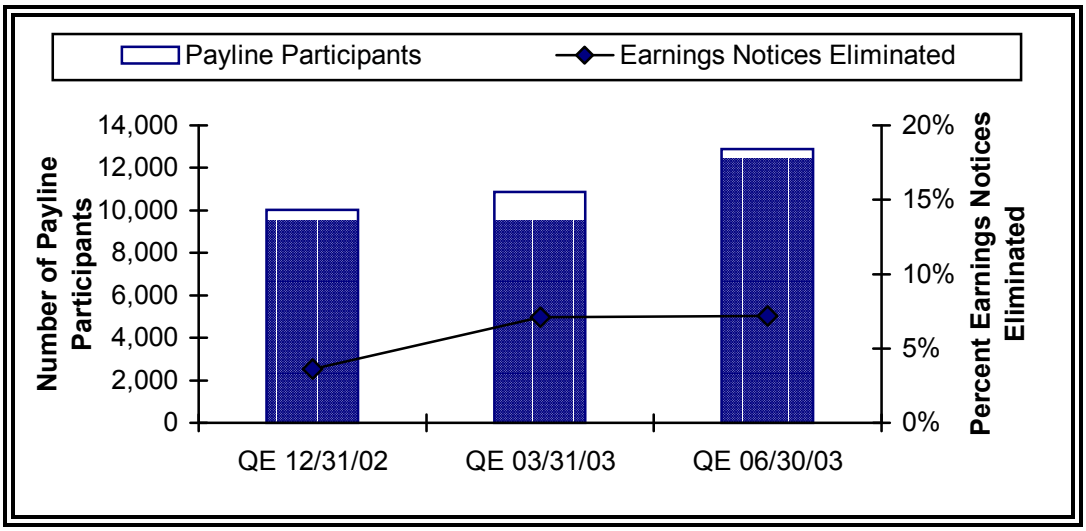
Agency	Percent	Number of Employees
Judicial		
Combined District Courts	36.3%	22
General District Courts	24.2%	223
Natural Resources		
Department of Game and Inland Fisheries	33.3%	36
Department of Conservation and Recreation	30.1%	772
Public Safety		
Department of Fire Programs	13.8%	101
Virginia Correctional Enterprises	6.8%	29

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 identical information online using the Payline system.

In addition to increasing direct deposit participation, agencies and institutions were expected to encourage employees to enroll in Payline and discontinue receipt of centrally printed earnings notices, effective November 1, 2002. Since this date, although the Commonwealth has eliminated the printing of approximately 49,500 earnings notices, statewide participation rates remain low.

Payline and Earnings Notice Opt Out Participation
FY 2003



The initiative to encourage enrollment in Payline and eliminate Earnings Notices was effective November 2002. Consequently, data is available for only the last three quarters of FY 2003.

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, 2003

Secretarial Area	Percent Payline Participation	Percent Earnings Notices Eliminated*
Administration	40.3%	25.5%
Commerce and Trade	36.3%	19.5%
Education	10.2%	5.4%
Elected Officials	24.3%	22.0%
Finance	58.7%	24.6%
Health and Human Resources	18.3%	7.7%
Independent Agencies	32.2%	16.3%
Judicial	3.1%	0.9%
Legislative	27.7%	23.5%
Natural Resources	29.6%	20.4%
Public Safety	11.3%	3.9%
Technology	34.9%	24.0%
Transportation	12.9%	3.8%
Statewide	15.8%	7.2%

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

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

Listed below are agencies where less than two 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 7/1/03 Payday
Education		
Wytheville Community College	1.7%	138
Southwest Virginia Community College	1.7%	215
Christopher Newport University	1.7%	762
Longwood University	1.6%	469
Central Virginia Community College	1.3%	176
Rappahannock Community College	1.2%	92
Radford University	1.2%	996
Norfolk State University	0.9%	927
Northern Virginia Community College	0.8%	1,285
Tidewater Community College	0.7%	1,234
Piedmont Virginia Community College	0.7%	178
Dabney S. Lancaster Community College	0.7%	91
Danville Community College	0.6%	155
John Tyler Community College	0.5%	205
New River Community College	0.4%	163
Virginia Highlands Community College	0.0%	116
Thomas Nelson Community College	0.0%	350
Southside Virginia Community College	0.0%	155
Paul D. Camp Community College	0.0%	102
Frontier Culture Museum of Virginia	0.0%	59
Eastern Shore Community College	0.0%	52
Virginia School for the Deaf, Blind and Multi-Disabled at Hampton	1.1%	142
Virginia School for the Deaf and the Blind at Staunton	0.5%	165
Elected Officials		
Attorney General	1.9%	202
Health and Human Resources		
Southside Virginia Training Center	1.6%	874

Agency	Percent Earnings Notices Eliminated	Earnings Notices Printed for 7/1/03 Payday
Judicial		
Public Defender Commission	1.7%	342
Juvenile and Domestic Relations District Courts	0.7%	557
Combined District Courts	0.5%	183
General District Courts	0.1%	883
Magistrate System	0.0%	402
Circuit Courts	0.0%	159
Virginia State Bar	0.0%	82
Court of Appeals of Virginia	0.0%	65
Legislative		
Division of Capitol Police	0.0%	85
Natural Resources		
Department of Game and Inland Fisheries	1.3%	412
Virginia Museum of Natural History	0.0%	30
Public Safety		
Augusta Correctional Center	1.9%	325
Department of Corrections/Division of Institutions	1.8%	282
Deep Meadow Correctional Center	1.3%	270
Haynesville Correctional Center	1.3%	272
Virginia Correctional Enterprises	1.2%	141
Deerfield Correctional Center	1.1%	156
Eastern Region Correctional Field Units	1.0%	161
Department of Corrections/Adult Community Services	0.8%	1,138
Western Region Correctional Field Units	0.8%	391
Wallens Ridge Correctional Center	0.8%	354
Brunswick Correctional Center	0.8%	281
Southampton Correctional Center	0.8%	190
Dillwyn Correctional Center	0.8%	175
Bland Correctional Center	0.7%	199
Fluvanna Women's Correctional Center	0.6%	257
Central Region Correctional Field Units	0.6%	127
Greensville Correctional Center	0.5%	626
James River Correctional Center	0.4%	208
Red Onion Correctional Center	0.3%	374
Buckingham Correctional Center	0.3%	221
Nottoway Correctional Center	0.2%	260
Powhatan Correctional Center	0.0%	265
Mecklenburg Correctional Center	0.0%	223

Agency	Percent Earnings Notices Eliminated	Earnings Notices Printed for 7/1/03 Payday
Public Safety - continued		
Lunenburg Correctional Center	0.0%	223
Virginia Correctional Center for Women	0.0%	167
Powhatan Reception and Classification Center	0.0%	94
Southampton Reception and Classification Center	0.0%	64
Transportation		
Department of Transportation – Bristol District	1.8%	690
Department of Transportation – Richmond District	1.6%	903
Department of Transportation – Culpeper District	0.8%	452
Department of Transportation – Hourly	0.6%	209
Department of Transportation – Northern Virginia District	1.5%	916

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.

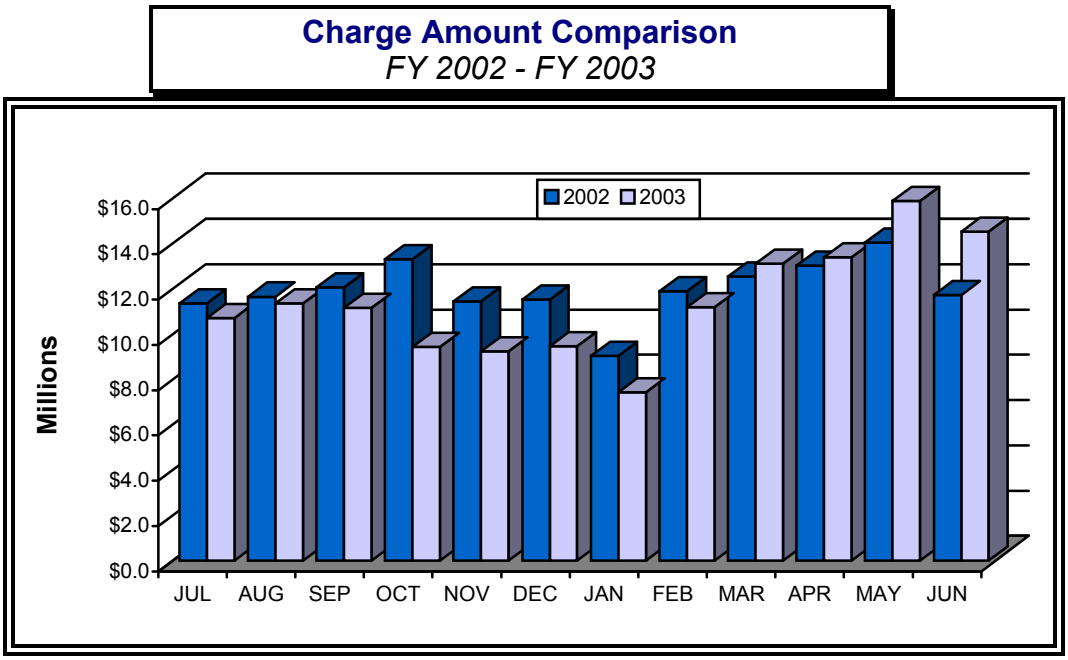
The Small Purchase Charge Card continues to be used for purchases under $5,000. Agencies are strongly encouraged to obtain a Gold Card for use by a procurement professional for purchases in the $5,000 to $50,000 range.

The total amount charged on SPCC and Gold cards during the fourth quarter of FY 2003 increased by $5.0 million or 12.9 percent from the same quarter last year. Total charge card purchases for FY 2003 decreased by $6.8 million or 4.7 percent from FY 2002. This decrease is attributable to budget and spending reductions.

Small Purchase Charge Card Program

Charge Card Activity	*Quarter Ended June 30, 2003*	*Fiscal Year 2003*	*Comparative Fiscal Year 2002*
Amount of Charges	$43,809,696	$136,957,832	$143,709,484
Estimated Number of Checks Avoided	112,386	396,325	421,261
Total Number of Participating Agencies		194	192
Total Number of Cards Outstanding		10,227	10,327

The following chart compares charge activity for FY 2003 to activity for FY 2002.



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 are not utilizing the Gold card to the fullest extent will also be identified in future issues of this *Quarterly Report*.

The statewide SPCC utilization rate has not increased over the past year. Several efforts are underway to increase utilization and to coordinate SPCC and eVA usage. In a joint effort by DOA, DGS, and American Express, vendors currently registered on eVA are being encouraged to accept the card as payment and vendors who currently accept the card are being encouraged to register with eVA. In addition, the Comptroller will begin assessing the $1 charge to agencies in accordance with Section 4-5.06g of the Appropriation Act based on underutilization during the second quarter of FY 2004. Agencies are expected to use purchasing cards for transactions with all ***participating*** vendors (i.e., vendors who accept the American Express card) and thus avoid the fee altogether.

Statewide SPCC Performance

Quarter Ended June 30, 2003

Percentage Utilization for Eligible Transactions	**72%**

SPCC Utilization by Secretarial Area

Quarter Ended June 30, 2003

Secretarial Area	Payments in Compliance[1]	Non-Compliant Transactions[2]
Administration	73%	873
Commerce and Trade	74%	1,625
Education*	75%	8,464
Elected Officials	29%	326
Finance	58%	398
Health and Human Resources	56%	11,598
Independent Agencies	41%	855
Judicial	43%	1,842
Legislative	75%	225
Natural Resources	90%	978
Public Safety	68%	9,676
Technology	47%	173
Transportation*	81%	7,736
Statewide	72%	44,769

* 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 Veterans Services (formerly Veterans' Affairs)	69%	33
Department of Human Resource Management	53%	55
Commerce and Trade		
Virginia Employment Commission	50%	500
Department of Labor and Industry	2%	139
Education		
Germanna Community College	67%	208
Patrick Henry Community College	66%	204
Piedmont Virginia Community College	65%	158
Eastern Shore Community College	57%	132
Virginia School for the Deaf, Blind and Multi-Disabled at Hampton	57%	54
Rappahannock Community College	52%	155
Thomas Nelson Community College	47%	487
Department of Education – Central Office Operations	46%	252
Christopher Newport University	37%	844
New River Community College	37%	303
Virginia School for the Deaf and the Blind at Staunton	29%	188
Norfolk State University	24%	1,293
Virginia State University/Cooperative Extension and Agricultural Research Services	4%	1,207
Elected Officials		
Attorney General and Department of Law	41%	169
Finance		
Department of the Treasury	65%	68
Department of Taxation	54%	302
Health and Human Resources		
Woodrow Wilson Rehabilitation Center	63%	255
Southeastern Virginia Training Center	62%	148
Central Virginia Training Center	60%	333
Department of Health	59%	3,306
Southwestern Virginia Training Center	53%	147
Department of Social Services	51%	1,463
Hiram W. Davis Medical Center	44%	129
Department of Medical Assistance Services	44%	195
Northern Virginia Mental Health Institute	38%	183
Northern Virginia Training Center	27%	256
Eastern State Hospital	9%	716

Agency	Payments in Compliance	Non-Compliant Transactions
Independent Agencies		
State Lottery Department	22%	303
State Corporation Commission	0%	409
Legislative		
House of Delegates	65%	49
Natural Resources		
Department of Environmental Quality	67%	288
Department of Historic Resources	51%	74
Marine Resources Commission	46%	151
Public Safety		
Buckingham Correctional Center	69%	124
Western Region Correctional Field Units	68%	336
Bland Correctional Center	66%	150
Department of Juvenile Justice	65%	1,190
Eastern Region Correctional Field Units	61%	121
Department of Fire Programs	61%	108
Department of State Police	59%	606
Wallens Ridge Correctional Center	55%	142
Virginia Correctional Enterprises	55%	995
Brunswick Correctional Center	54%	227
Coffeewood Correctional Center	52%	184
Southampton Correctional Center	50%	167
Nottoway Correctional Center	46%	155
Virginia Correctional Center for Women	45%	159
Department of Military Affairs	43%	676
Red Onion Correctional Center	33%	223
Powhatan Correctional Center	25%	370
Sussex I Correctional Center	24%	125
Deerfield Correctional Center	13%	162
Keen Mountain Correctional Center	12%	175
Deep Meadow Correctional Center	6%	235
Technology		
Virginia Information Technologies Agency (formerly Department of Information Technology)	49%	148

SPCC Payment Compliance

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

Agency Name	Apr	May	Jun
Commerce and Trade			
Department of Minority Business Enterprise		X	X
Education			
Dabney S. Lancaster Community College			X
Patrick Henry Community College	X		
University of Virginia Medical Center		X	
Independent Agencies			
Virginia Retirement System		X	
Health and Human Resources			
Hiram W. Davis Medical Center			X
Public Safety			
Deep Meadow Correctional Center			X
Department of Military Affairs			X

American Express recently introduced e-Bill, a product that allows agencies to download bills (Monthly Summary of Accounts statement) electronically through AMEX@Work. With e-Bill, information is available within 2 to 3 days after cycle close, instead of waiting for the traditional delivery method by courier in 5 to 7 days. To obtain additional information or sign up for e-Bill, contact Sheila McNair at (804) 225-2230 or send an e-mail to smcnair@doa.state.va.us.

Payroll Controls

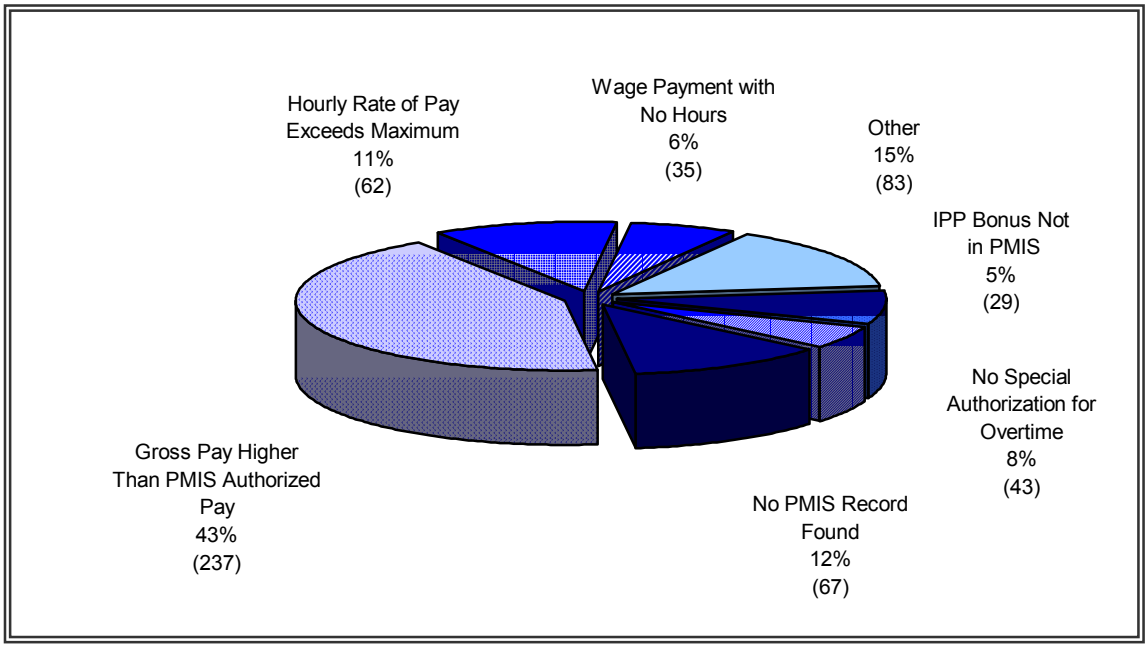
PMIS/CIPPS Payroll Audit

During the quarter, DOA's automated comparison of payroll and personnel (PMIS) records examined 421,888 salaried pay transactions and 231,554 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 1,781 new exceptions noted statewide during the quarter, with an overall exception rate of 0.29 percent.

The statewide salaried payroll exception rate was 0.41 percent and the wage payroll exception rate was 0.06 percent. During this quarter, 37 employee paychecks were reduced to recover $12,553.72 in overpayments.

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

Payroll Audit Exception Report
Quarter Ended June 30, 2003



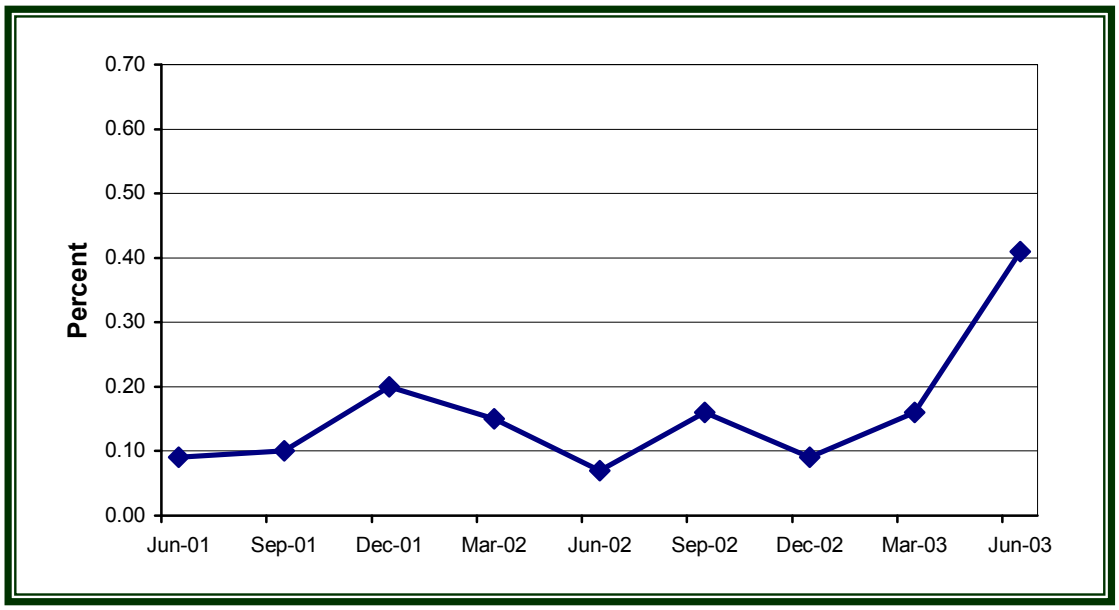
Exception percentages are calculated by dividing the number of exceptions by the number of salaried or wage employees. For the quarter ending June 30, 2003, the number of reported salaried exceptions increased due to refinements in audit procedures, not significant changes in agency performance. The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

Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Salaried Payments
Quarter Ended June 30, 2003

Agency	Exceptions as a % of Salaried Payments
No agency exceeded the reportable percentage.	
Total Salaried Payroll Exceptions for the Quarter	**0.41%**

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

Total Quarterly Salaried Exceptions
June 2001 – June 2003



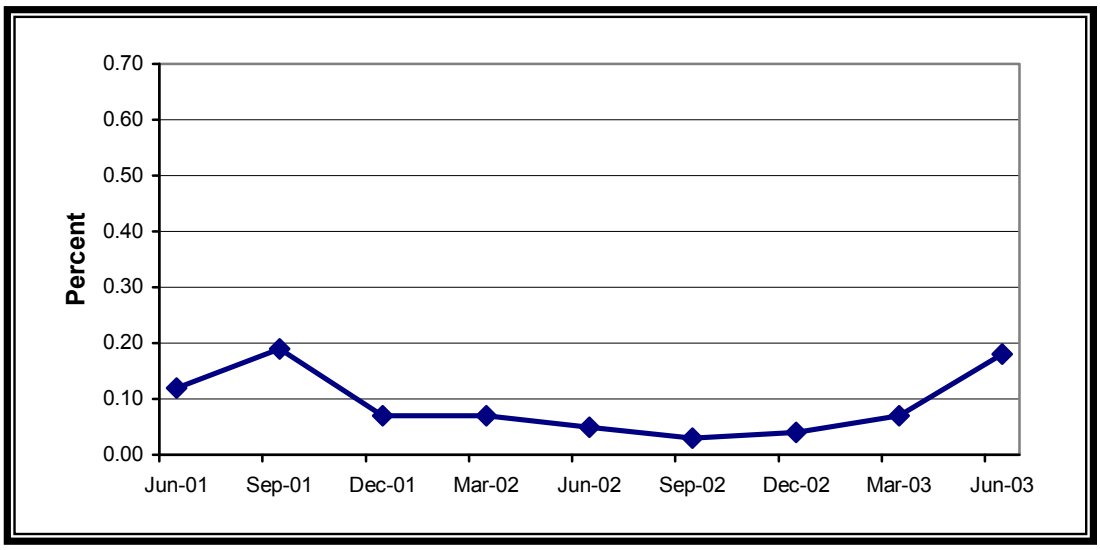
Note: Fourth quarter FY 2003 increase caused by refinements in audit procedures. See narrative explanation, above.

Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Wage Payments
Quarter Ended June 30, 2003

Agency	Exceptions as a % of Wage Payments
No agency exceeded the reportable percentage.	
Wage Payroll Exceptions for the Quarter	**0.18%**

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

Total Quarterly Wage Exceptions
June 2001 – June 2003



PMIS/CIPPS Exceptions

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

Agency	Unresolved Exceptions
Education	
Christopher Newport University	9
Norfolk State University	2
Health and Human Resources	
Eastern State Hospital	6
Department of Rehabilitative Services	2
Western State Hospital	2
Southside Virginia Training Center	2
Public Safety	
Bland Correctional Center	1

Payroll Certification

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

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

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

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

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

Payroll Certification Compliance

Agency	Variance Amount (a)	Performed by DOA (b)	Submitted Late (c)	Corrected by DOA (d)
Commerce and Trade				
Department of Forestry			3	
Education				
J. Sargeant Reynolds Community	$ 419,444			
College[1]	104,646			
Southwest Virginia Community College	51,089			
Tidewater Community College	44,665			
Mountain Empire Community	45,283			
College [1]	44,533			
Norfolk State University	20,413		2	
Northern Virginia Community College	28,009			
Virginia Museum of Fine Arts			2	
Blue Ridge Community College			2	
Judicial				
General District Courts	$1,555,922			
Juvenile and Domestic Relations District Courts	1,077,752			
Circuit Courts	796,927			
Magistrate System	550,709			
Supreme Court	411,253			
Health and Human Resources				
Eastern State Hospital	$1,602,073			
Southside Virginia Training Center	1,527,947			
Central State Hospital	1,140,860			
Hiram W. Davis Medical Center	267,460			
Department of Social Services			2	
Independent				
Virginia Retirement System	$ 475,936			
Natural Resources				
Virginia Museum of Natural History		1	1	
Public Safety				
Department of State Police	$3,139,391			
Coffeewood Correctional Center	98,325			
Red Onion Correctional Center	98,220			
Department of Juvenile Justice	60,254			
Powhatan Correctional Center	50,920			

(1) Certified payroll amounts varied from actual computed amounts by more than $20,000 twice during the quarter.

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 IAT's not submitted to DOA. Healthcare reconciliations for the months of March, April, and May were due 4/30/03, 5/30/03, and 6/16/03, respectively.

Schedule of Late Health Care Reconciliations

	Mar	Apr	May
Education			
Piedmont Virginia Community College		X	
Southside Virginia Community College		X	
Elected Officials			
Attorney General and Department of Law	X	X	
Attorney General/Division of Debt Collection	X	X	
Transportation			
Department of Transportation	X	X	

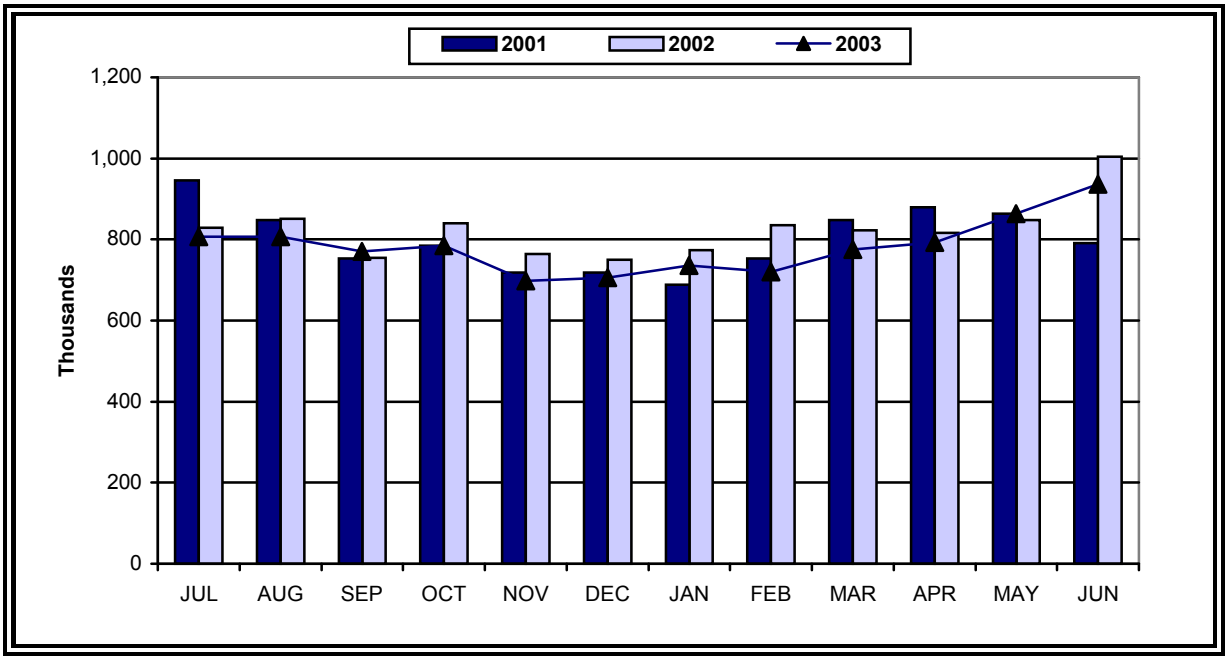
FINANCIAL MANAGEMENT ACTIVITY

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

Commonwealth Accounting and Reporting System (CARS)

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

CARS Transactions
Fiscal Years 2001 - 2003



CARS Edits

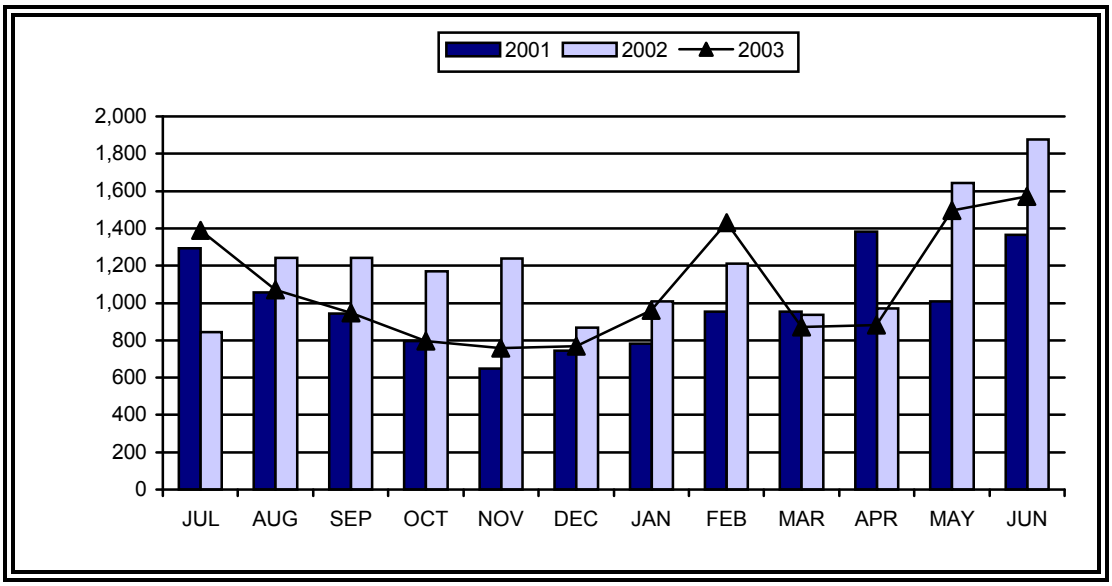
One of the most important management tools used by DOA is the monitoring of CARS errors generated by standard system edits. Batches remain on the error file until problems are resolved, which, for disbursement transactions, can lead to noncompliance with prompt payment standards and poor vendor relations. During the fourth quarter of FY 2003, the most frequent reasons cited for batches being sent to the error file were:

- Expenditures Exceed Allotments
- Available Cash Negative
- 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 internal month-end cut-off schedules to allow sufficient time for batches to post to CARS prior to the fiscal month being closed.

CARS Monthly Errors
Average Number of Daily Errors
Fiscal Years 2001 - 2003

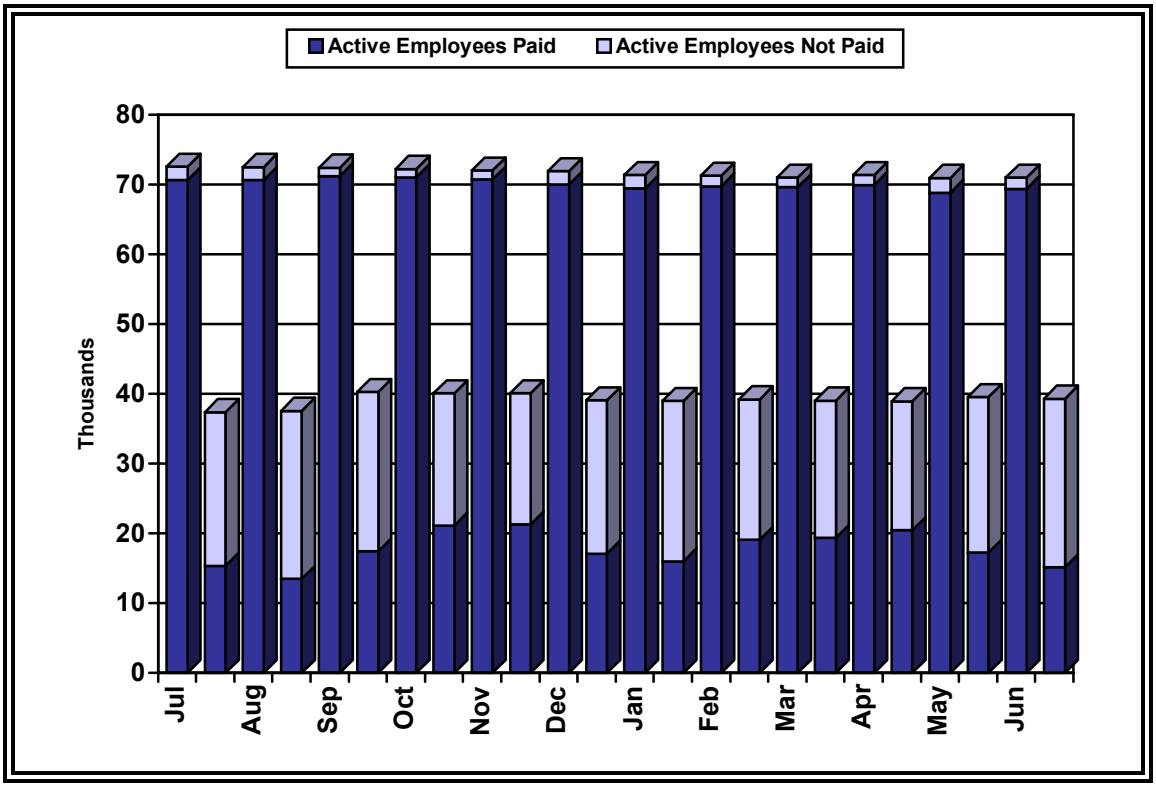


Payroll

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 110,225 employees. Payroll services are also provided through eight decentralized higher education institutions.

Total gross payrolls for the Commonwealth were approximately $397 million each month of the quarter. On average, 86,909 employees were paid each month, of which 69,275 were salary employees.

Commonwealth Integrated Payroll / Personnel System (CIPPS) Statistics
July 2002 – June 2003



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.

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 16,602 savings bonds with a face value of over $2.1 million.

Benefit Participation
Number of Participating Employees

		Comparative	
	As of 6/30/03	**As of 6/30/02**	**As of 6/30/01**
Health Care			
Key Advantage	61,102	65,952	67,721
Cost Alliance	17,060	12,796	10,781
Aetna – PS	198	69	23
Aetna – HMO	1,160	315	90
Optimum Choice – Std	N/A	34	36
Optimum Choice - High	N/A	126	143
Kaiser	1,755	1,784	1,770
Cigna	N/A	2,609	2,923
Piedmont	139	107	66
Optional Retirement Plans *			
Fidelity Investments	226	235	224
Great West Life	11	12	13
TIAA/CREF	1,105	1,077	1,022
T. Rowe Price	51	53	52
VALIC	204	207	200
Political Appointee - ORP	74	75	96
Deferred Compensation *			
Great West Life	26,026	25,022	23,015
Flexible Reimbursement *			
Dependent Care	631	633	604
Medical Care	3,444	3,089	2,654

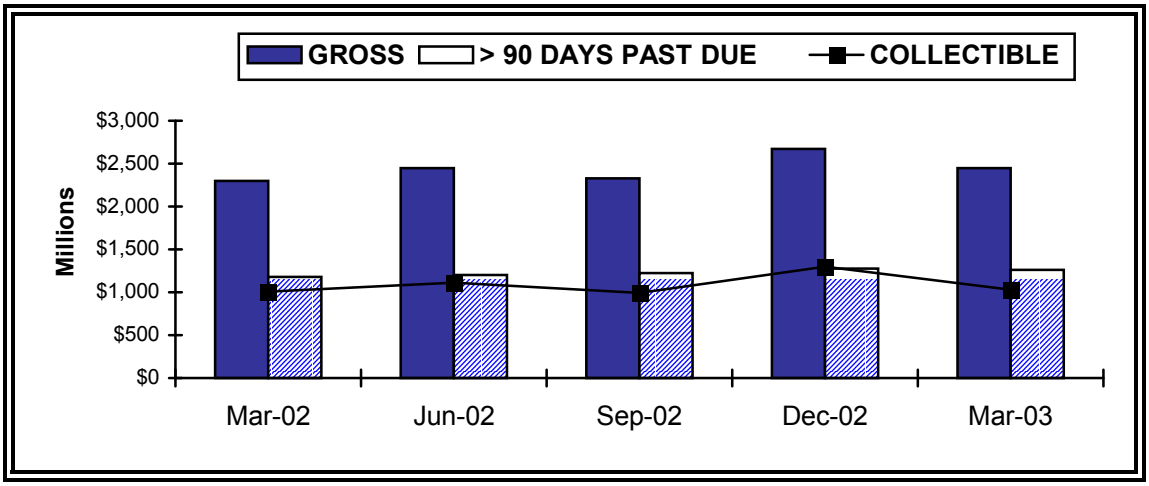
* Statistics do not include employees of eight institutions of higher education that are decentralized for payroll processing.

Accounts Receivable

Chapter 48 of the ***Code of Virginia*** requires the Department of Accounts, along with the Office of the Attorney General, to oversee, report on, and monitor the Commonwealth's accounts receivable program. In order to carry out this responsibility, DOA has issued policies and procedures on accounting, collecting, reporting, and writing off accounts receivable. In addition, DOA provides technical assistance to agencies and institutions and uses statistical analyses and audit reports to monitor the ongoing effectiveness of agencies in managing their accounts receivable. Commonwealth agencies and institutions reported total gross receivables of $2.4 billion at March 31, 2003, with $1.0 billion considered collectible. Receivables over 90 days past due as of March 31, 2003 totaled $1.3 billion. Of that amount, $654 million (52%) was placed with collection agencies or attorneys for additional collection efforts.

It is important to note that state receivables largely consist of taxes, fines, penalties, tuition and fees, and billings for several indigent care programs, which present numerous special problems in collection. "Trade receivables" typical of the private sector, which are generated by billings for the provision of goods and/or services, make up only a small portion of state receivables.

Gross, Past Due, and Collectible Receivables
March 2002 – March 2003



As of March 31, 2003, agencies expected to collect $1.0 billion (42%) of all receivables. About 18 percent of these receivables are due to the General Fund, primarily for tax assessments. The balance ($843 million) consists of amounts due to various nongeneral funds' activities.

Collectible Receivables by Fund

As of March 31, 2003

Fund	Source	Amount	Percent
General Fund (18%)	Medicaid	$ 28,254,962	15
	Individual Taxes	79,774,841	44
	Business Taxes	46,851,891	25
	Courts of Justice	20,425,654	11
	Other	7,715,515	4
	Subtotal	183,022,863	99
	Interagency Receivables	780,913	1
	Total General Fund Collectible	**$ 183,803,776**	**100**
Nongeneral Funds (82%)	Medicaid	6,793,900	1
	Unemployment Taxes	164,593,220	19
	Transportation	99,926,250	12
	Child Support Enforcement	12,495,575	1
	Federal Government	74,705,657	9
	MHMR Patient Services	24,054,405	3
	Hospital	146,636,516	17
	Enterprise	50,875,291	6
	Higher Education	176,492,959	21
	Courts of Justice	22,377,475	3
	Other	21,829,794	3
	Subtotal	800,781,042	95
	Interagency Receivables	41,809,691	5
	Total Nongeneral Fund Collectible	**$ 842,590,733**	**100**
All Funds	**Grand Total**	**$1,026,394,509**	**100**

Ten agencies account for 90 percent of the Commonwealth's gross accounts receivable and 79 percent of the collectible accounts receivable balances. In addition, these ten agencies comprise 96 percent of the $1.6 billion in past due receivables and 98 percent of the $1.3 billion over 90 days past due.

Accounts Receivable Summary

Quarter Ended March 31, 2003

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
Virginia Employment Commission	$ 187,080,661	$ 19,607,289	$ 167,473,372
University of Virginia Medical Center	156,354,689	9,718,173	146,636,516
Department of Taxation	1,000,627,644	867,484,835	133,142,809
Department of Transportation	96,014,204	168,525	95,845,679
Department of Social Services	178,434,280	91,621,069	86,813,211
State Lottery Department	44,817,317	0	44,817,317
Courts of Justice	408,931,636	366,128,507	42,803,129
Virginia Polytechnic Institute and State University	37,158,559	1,256,834	35,901,725
Department of Medical Assistance Services	72,289,534	37,093,180	35,196,354
University of Virginia	27,520,917	1,181,072	26,339,845
Total	**$2,209,229,441**	**$1,394,259,484**	**$ 814,969,957**
All Others	236,148,015	24,723,463	211,424,552
Grand Total	**$2,445,377,456**	**$1,418,982,947**	**$1,026,394,509**

In addition to internal administrative collection efforts, agencies have three other collection tools available to them. These are computerized matching and debt setoff programs at the Departments of Taxation, Lottery and Accounts, private collection agencies, and the Attorney General's Division of Debt Collection.

DOA requires state agencies and institutions to use the computerized matching and debt setoff programs for receivables that are 30 days or more past due. DOA also requires the use of private collection agencies on delinquent accounts that are 90 days or more past due that are not sent to the Attorney General's Division of Debt Collection. The Office of the Attorney General requires state agencies and institutions to send accounts of $3,000 or more and 90 days or more past due to the Division of Debt Collection.

These additional collection tools recovered $11.5 million during the quarter ended March 31, 2003. The largest contributor was the private collection agencies, with collections of $8.7 million. The Division of Debt Collection contributed $2.2 million and the debt setoff programs (Tax, Comptroller's and Lottery) collected $606,796.

RECEIVABLES OVER 90 DAYS PAST DUE

As of March 31, 2003

AGENCY	Total Over 90 Days	With Collection Agency (1)	With Attorney General	Retained by State Agency
Department of Taxation	788,900,048	311,504,379	0	477,395,669
Courts of Justice	321,878,797	321,878,797	0	0
Department of Medical Assistance Services	40,440,384	733,328	6,162	39,700,894
University of Virginia Medical Center	27,783,174	0	0	27,783,174
Virginia Employment Commission	22,208,967	3,970,709	1,084,361	17,153,897
Department of Social Services	12,179,824	0	0	12,179,824
Department of Transportation	9,581,384	0	4,561,512	5,019,872
Workers' Compensation Commission	3,567,527	155,275	1,352,986	2,059,266
George Mason University	3,437,812	921,300	34,887	2,481,625
Virginia Commonwealth University	3,220,380	409,317	0	2,811,063
Total	**1,233,198,297**	**639,573,105**	**7,039,908**	**586,585,284**
All Other Agencies	25,824,748	4,608,280	3,139,174	18,077,294
GRAND TOTAL	**1,259,023,045**	**644,181,385**	**10,039,908**	**604,662,578**

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

Comptroller's Debt Setoff (CDS) Program

CDS is one of the debt setoff programs used by agencies to collect past due accounts receivable owed the State, primarily by businesses and individuals acting in a business capacity. Under CDS, a payment made by the State to the debtor may be withheld, in full or in part, to satisfy the debt owed the State. CDS collected $4.3 million through the fourth quarter of FY 2003.

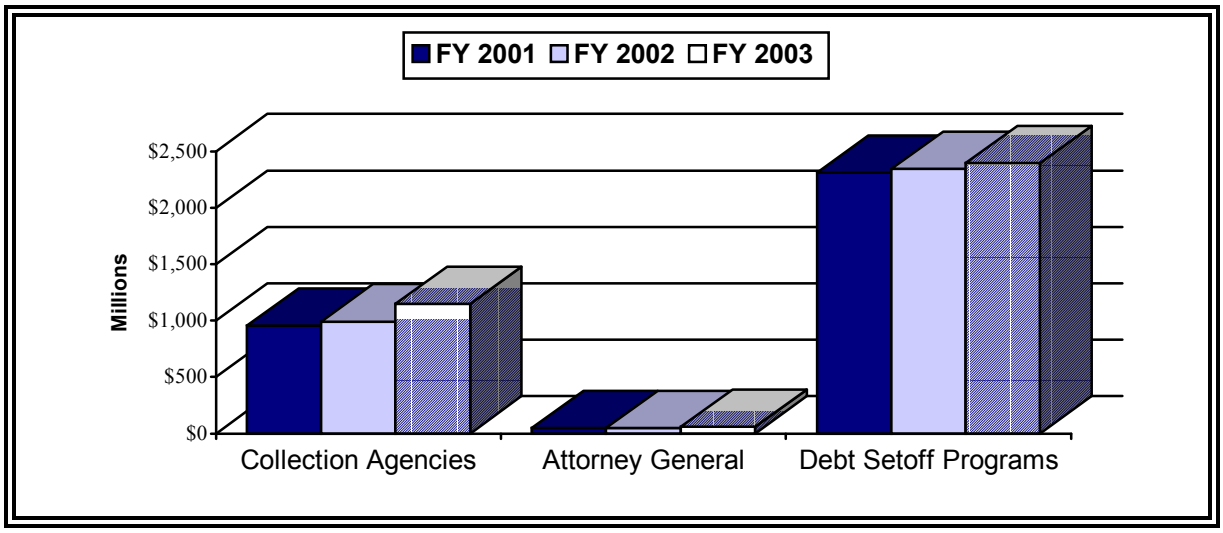
One way to measure an agency's effectiveness at managing its accounts receivable is to look at how efficient and effective collection procedures are on accounts that become delinquent. The table below looks at trend percentages of receivables over 90 days past due as a percentage of gross receivables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

Percentage of Gross Receivables Over 90 Days Past Due

Agency	Percent at 3/31/03	Percent at 3/31/02	Percent at 3/31/01
Department of Taxation	78.8%	75.3%	79.8%
Courts of Justice	78.7%	79.4%	79.5%
Department of Medical Assistance Services	55.9%	47.6%	50.1%
University of Virginia Medical Center	17.8%	18.7%	18.6%
Virginia Employment Commission	11.9%	15.8%	23.0%
Department of Social Services	6.8%	10.0%	20.2%
Department of Transportation	10.0%	10.5%	29.3%
Workers' Compensation Commission	80.1%	86.0%	80.9%
George Mason University	22.1%	10.3%	8.4%
Virginia Commonwealth University	12.6%	15.1%	22.5%

Total Past Due Accounts Listed With Collection Resources

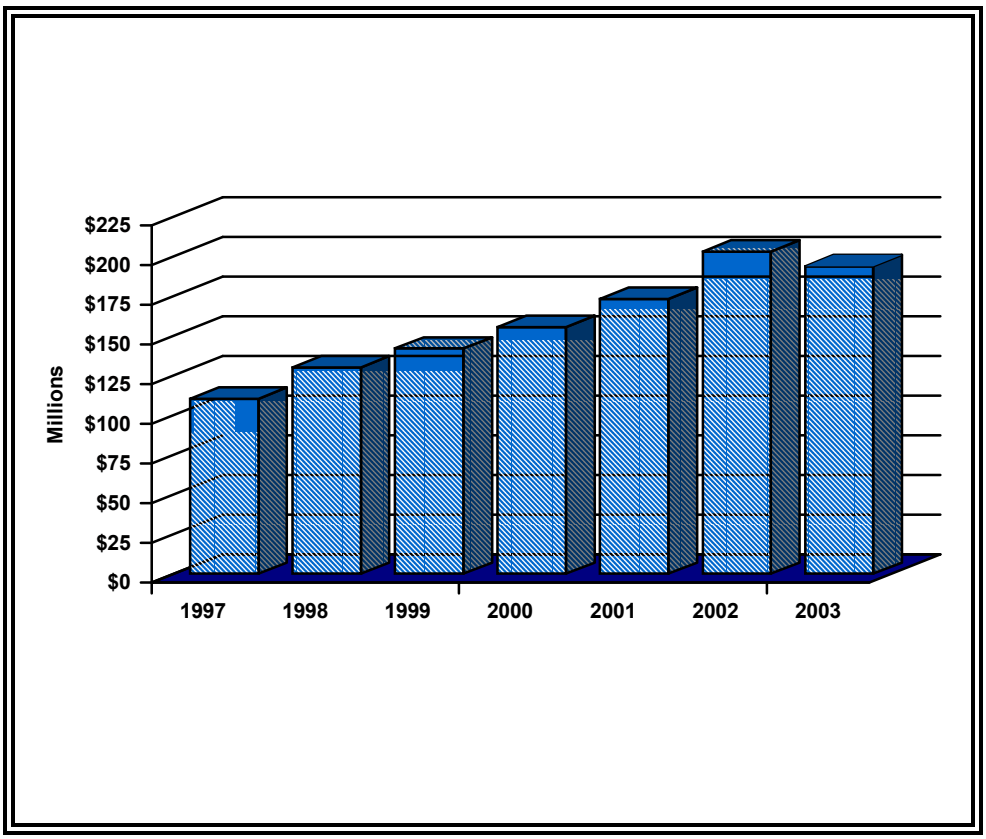
Quarter Ended March 31, 2003



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.

Total Indirect Cost Recoveries
For Fiscal Years Ended 1997-2003



Indirect Cost Recoveries From Grants and Contracts

Fiscal Year 2003

Funds	Year to Date		
	Higher Ed	Non-Higher Ed	Total
Nongeneral:			
Agency / Institution[1]	$ 115,020,825	$ 75,343,423	$ 190,364,248
Statewide[2]	627,459	741,194	1,368,653
Total Nongeneral	**115,648,284**	**76,084,617**	**191,732,901**
General:			
Agency (Cash Transfers)	0	441,987	441,987
Statewide[3]	0	1,972,060	1,972,060
Statewide (Cash Transfers)	0	9,868	9,868
Total General	**0**	**2,423,915**	**2,423,915**
Total	**$ 115,648,284**	**$ 78,508,532**	**$ 194,156,816**

(1) The Department of Social Services records all federal monies received in CARS. However, it does not separately classify such receipts between direct and indirect. Included in the agency (non-higher ed) nongeneral fund category is $49,767,261, representing the Department of Social Services' estimate of indirect cost recoveries received.

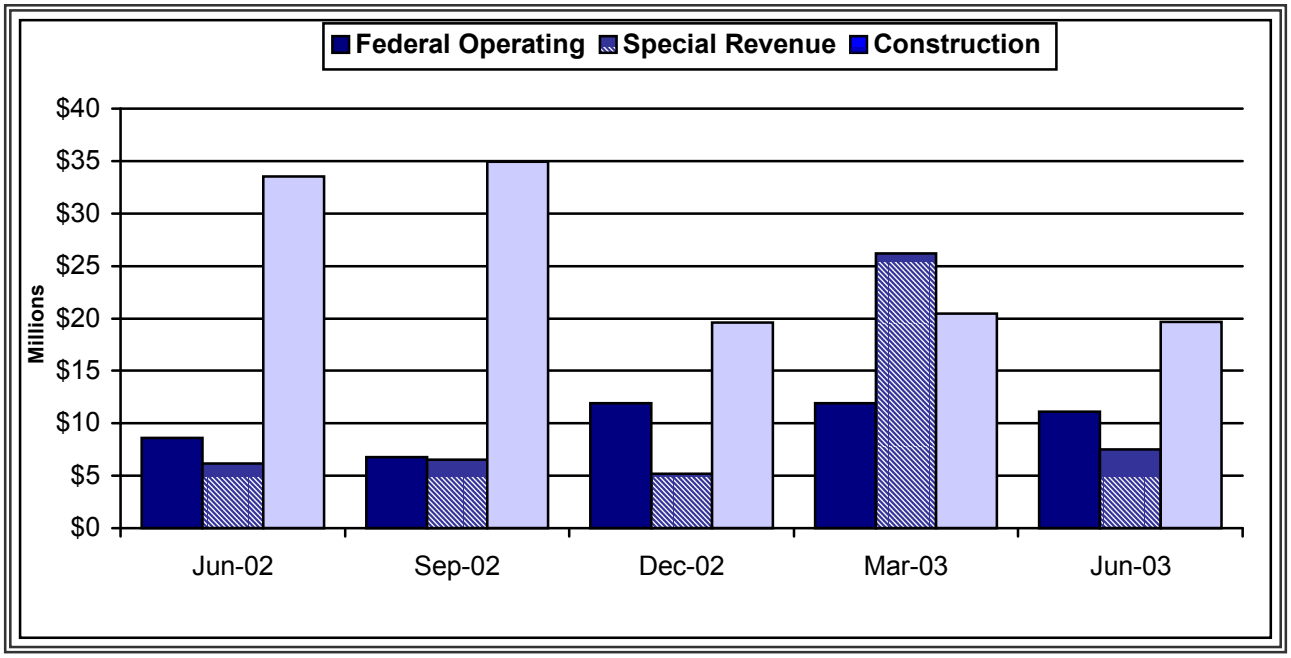
(2) Statewide indirect cost recoveries that are appropriated back to an agency (non-higher ed) are recorded in the Nongeneral Fund category.

(3) Statewide indirect cost recoveries that are not appropriated back to an agency (non-higher ed) are placed in the General Fund.

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, 2003, was $60.6 million.

Treasury Loans
Quarter Ended June 30, 2003



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, 2003.

◆ **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.

Significant New Loans/Drawdowns

George Mason University $7,500,000

Authorization and drawdown of new loan to provide operating funds while awaiting receipt of federal funds from reimbursement type programs.

Department of Motor Vehicles $6,000,000

Authorization and drawdown to meet current year obligations prior to receipt of special revenues.

Significant Loan Repayments

Department of Mental Health, Mental Retardation And Substance Abuse Services $22,000,000

Repayment of outstanding balance due to federal reimbursement from Medicaid and Medicare.

George Mason University $5,000,000

Repayment of the outstanding balance due to receipts from reimbursement programs.

Department of Environmental Quality $3,000,000

Repayment of outstanding loan balance due to completion of federal awards process.

Department of Accounts $1,520,000

Partial repayment of the outstanding loan balance for the integrated human resource information system.

Department of Game and Inland Fisheries $1,000,000

Partial repayment of the outstanding loan balance.

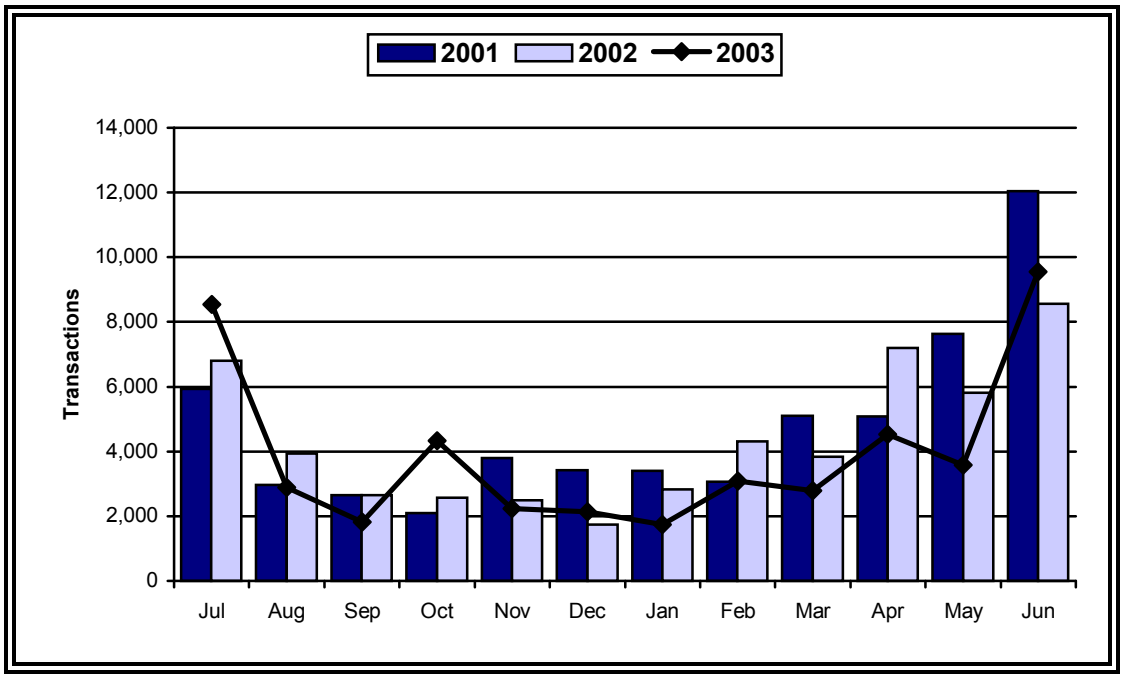
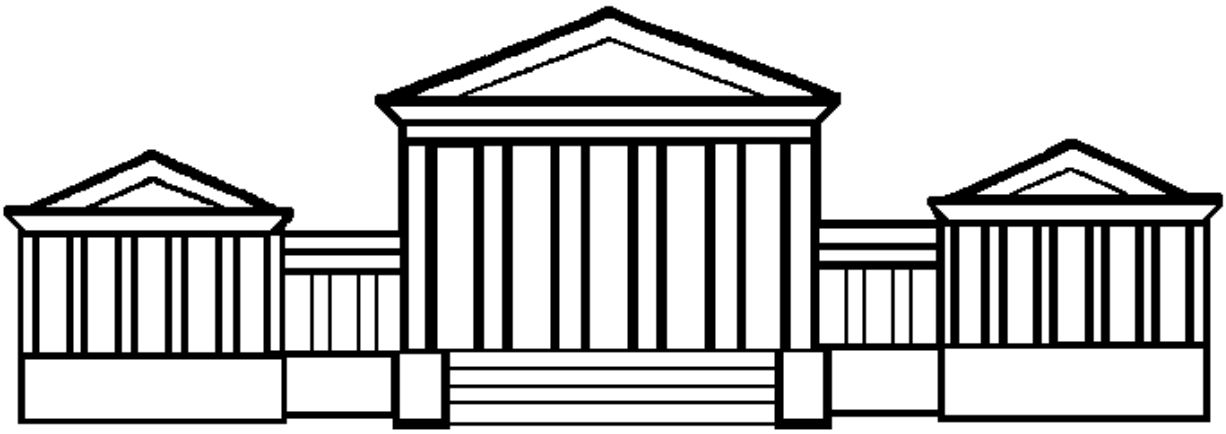
Department of Motor Vehicles $1,100,000

Final repayment of outstanding loan balance upon receipt of special revenues.

Fixed Asset Accounting and Control System (FAACS)

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

For the fourth quarter of FY 2003, the agencies and institutions of the Commonwealth that are central users of FAACS processed 17,638 FAACS transactions. This volume of FAACS transactions represents a 167.1 percent increase from the prior quarter. Fourth quarter is typically a high volume quarter so the increase over third quarter is normal. Fourth quarter FY 2003 volume is 3,938 transactions lower than that for the fourth quarter of FY 2002 (21,576), a decrease of 18.3 percent.

For the fiscal year ended June 30, 2003, FAACS transactions totaled 47,186. Compared to total FAACS transactions for fiscal year 2002 of 52,739, this represents a decrease of 10.5% (5553 transactions). A tight budgetary situation for the fiscal year just ended is no doubt a contributing factor to the decrease in FAACS transactions as the agencies deferred replacement of equipment where possible

Number of Fixed Asset Transactions
Fiscal Years 2001 - 2003