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REPORT ON STATEWIDE FINANCIAL MANAGEMENT AND COMPLIANCE

Quarter Ended March 31, 2005

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STATEMENT OF PURPOSE

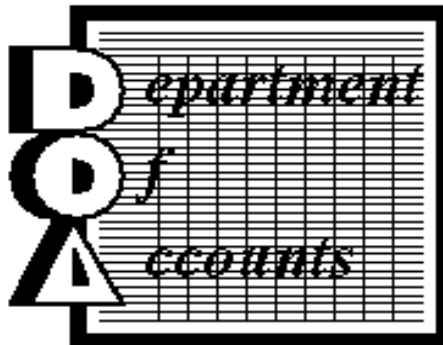
The *Code of Virginia* requires that the Department of Accounts (DOA) monitor and account for all transactions involving public funds. In order to carry out this mandate, the Department uses a variety of measures, including automated controls, statistical analyses, pre-audits and post-audits, staff studies 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 March 31, 2005 and comparative FY 2004 data. Some information in the report is for the quarter ended December 31, 2004, which is the most current data available.



David A. Von Moll, CPA, CGFM
Comptroller



SPECIAL REPORT

2004 Information Returns Reporting

The federal government requires State and local governments and their subdivisions to report certain payments to the Internal Revenue Service (IRS) at calendar year-end. Generally, payments made for \$600 or more during a calendar year to individuals, sole proprietors, medical and legal corporations, partnerships, trusts, and estates are considered reportable.

Studies show that information returns increase tax collections by increasing the likelihood that taxable income will be properly reported.

States have some special information returns reporting requirements unique to their governmental functions. These include

reporting payments for state unemployment compensation, taxable grants, reforestation payments, state tax refunds, and lottery winnings.

In February 2005, a Statewide Information Returns compliance survey was conducted for the 2004 tax year. Based on the survey, 125 tax reporting entities (representing 234 agencies and institutions) filed 3.4 million information returns totaling \$5.8 billion. Five reporting entities did not file information returns for 2004. The Commonwealth filed 99.9 percent of the information returns with the IRS using electronic or magnetic media.

<p>Information Returns <i>Filed for Calendar Year 2004</i></p>

<u>Number of Information Returns Filed</u>	<u>Number of Tax Reporting Entities</u>
No Returns	5
1 to 50 Returns	62
51 to 250 Returns	25
Over 250 Returns	<u>33</u>
Total Reporting Entities	<u>125</u>

The agencies and institutions of the Commonwealth filed the following types of information returns for the tax year ended December 31, 2004. When the number of information returns filed for 2004 is compared with 2003, percent changes by category range from plus 35% to minus 9%.

The number of 1099-Q's issued by Virginia College Savings Plan (VCSP) increased by 35% in proportion to the increased number of college students who drew down on their savings accounts.

2004 Information Returns Reporting Results

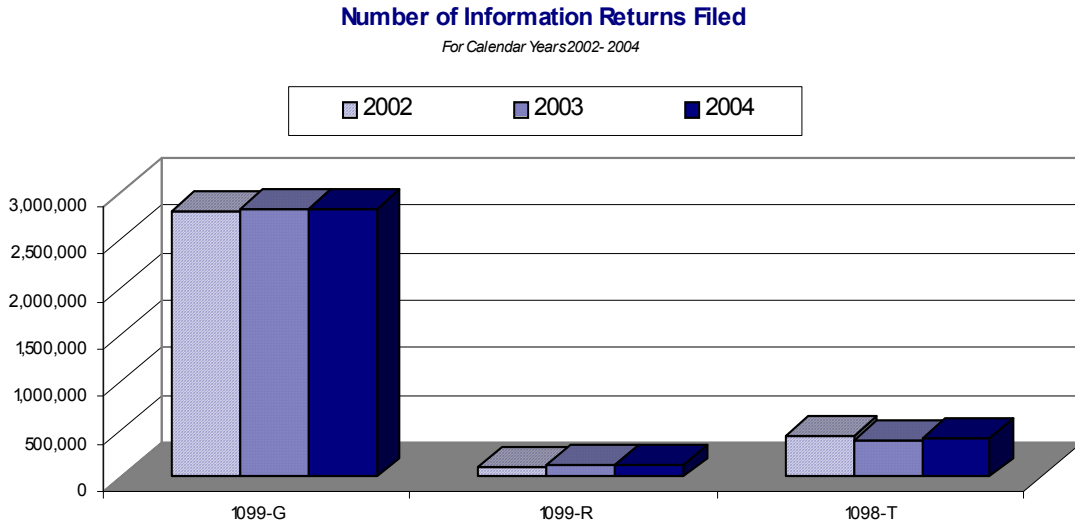
By Major Filing Category

Form Type 1/	Dollars Reported	Number of Payees	Paper Media	Magnetic Media	Electronic Media	% Change in Number of Filings from 2003
1042-S, Foreign Persons	\$ 15,516,381	2,174	296	168	1,710	5%
1098-T, Tuition Payments	1,398,807,751	404,230	0	9,726	394,504	2%
1099-DIV, Dividends	889,349	89	0	0	89	1%
1099-G, Govt. Payments	1,833,036,028	2,819,525	164	2,817,991	1,370	0%
1099-INT, Interest	17,884,939	25,059	112	24,020	927	-8%
1099-MISC, Misc. Income 2/	475,785,355	22,780	3,356	4,739	14,685	4%
1099-Q, Qualified Tuition Program	47,399,328	9,807	0	0	9,807	35%
1099-R, Retirement	1,871,224,986	138,321	123	0	138,198	5%
1099-S, Real Estate Trans.	70,807,625	1,695	0	0	1,695	-9%
W2-G, Lottery Winnings	64,748,223	16,779	0	16,779	0	7%
Total	\$ 5,796,099,965	3,440,459	4,051	2,873,423	562,985	1%

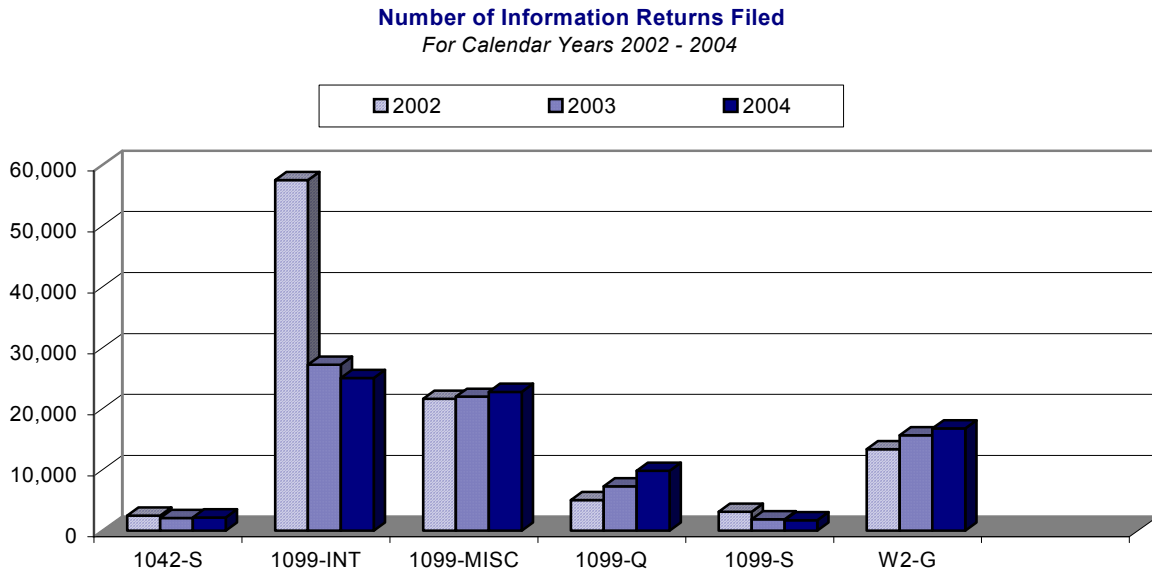
1/ Does not include payments reported on the Form 1098-E, Student Loan Interest, because the processing of these returns is contracted out by most higher education institutions.

2/ Does not include Medicaid payments to third party providers by the DMAS fiscal agent.

Following is a comparison of the number of returns filed in the past three years in various categories. Two graphs have been created due to the difference in scale.



Note: This chart does not include comparison information for forms 1042-S, 1099-Q, 1099-INT, 1099-MISC, 1099-S, W2-G, and 1098-E. Most of those are shown on the chart below.



Note: This chart does not include comparison information for forms 1099-G, 1099-R and 1098-T.

Discrepancy Notices

During 2004, five reporting entities received IRS CP-2100 notices, or other correspondence, related to information returns filed for the previous tax years. The majority of these notices stated that the agencies had filed information returns using an incorrect taxpayer identification number or a taxpayer identification number that did not match a taxpayer record in either the IRS or Social Security Administration's databases. To avoid penalties for erroneous filings, agencies were required to research these discrepancies and respond to the IRS within 30 days from the date that the CP-2100 notice was received. All agencies that received CP-2100 notices complied and responded accordingly.

Information Returns training was requested by fifteen agencies, primarily on compliance issues, the use of the DOA Adjustment and Reporting System (ARS), and downloading 1099 data from Financial Information Downloading System (FINDS).

In 2004, 11 state agencies and institutions received approval from the IRS to participate in the Combined Federal/State Filing Program. Through this program the IRS forwards information returns filed magnetically or electronically to participating states, saving time and postage.

The chart below lists the reporting entities that filed more than 500 information returns for calendar year 2004.

**Reporting Entities Filing More Than
500 Information Returns for 2004**

Reporting Entity	Number of Agencies	Number of Returns	Dollars Reported	Automated System (s)
Department of Taxation	1	2,649,866	\$ 1,393,686,790	STARS
Virginia Employment Commission	1	191,518	441,957,137	AMS
Virginia Community College System	23	174,343	149,653,958	FRS/FOCUS, VCCS SIS
Virginia Retirement System	1	138,163	1,874,066,056	Adams Helper 2004
George Mason University	1	36,892	181,859,975	SCT Banner and Windstar
University of Virginia	3	36,469	332,175,730	In House System
Virginia Commonwealth University	1	34,767	188,387,350	FRS and Integral
Virginia Polytechnic Institute and State University	2	30,328	225,995,989	SCT Banner Finance
Old Dominion University	1	24,918	90,005,435	SCT Banner
State Lottery Department	1	17,872	83,218,452	J D Edwards
James Madison University	1	17,849	107,069,397	Winfiler
Radford University	1	12,679	50,443,490	IFAS/AMS
The College of William and Mary in Virginia	2	9,994	3,923,278	SCT IA/FRS
Virginia College Savings Plan	1	9,812	47,432,733	AMS
Norfolk State University	1	8,950	40,469,981	IFAS
Virginia State University	2	6,964	34,084,444	FRS/SCT SIS
University of Mary Washington	1	6,666	30,685,394	IFAS/SCT BANNER
Christopher Newport University	1	6,351	25,294,732	Evisions
Longwood University	1	5,586	27,728,240	FRS
Department of Transportation	1	3,260	193,934,153	VDOT FMS
Supreme Court	9	2,654	72,407,464	Internal (oracle) system
Virginia Military Institute	1	1,917	19,265,250	Datatel Colleague
Richard Bland College	1	1,663	1,680,505	AMS
Department of Rehabilitative Services	6	1,454	16,066,569	Powerhouse
Department of Forestry	1	1,425	1,513,306	AMS
Department of the Treasury, Division of Unclaimed Property	1	1,091	28,078,153	VComSys
Department of Health	2	929	16,691,544	Agency-based
Department of Education	1	847	3,032,658	AMS
Total	69	3,435,227	\$ 5,680,808,163	

SPECIAL REPORT

2004 Year-End Payroll Processing

At the end of calendar year 2004 DOA, working with 213 state agencies and institutions, verified and printed 121,046 W-2s. This was a slight increase from the number of W-2s printed in 2003.

	CY 2003	CY2004
W-2s Printed	120,121	121,046
W-2Cs Printed	47*	29*
Reissued W-2s	122	173
Agencies Making Adjustments	72	69
Employee Records Requiring Year-End Adjustments	218	222

* # of W-2C's printed as of the date of this report.

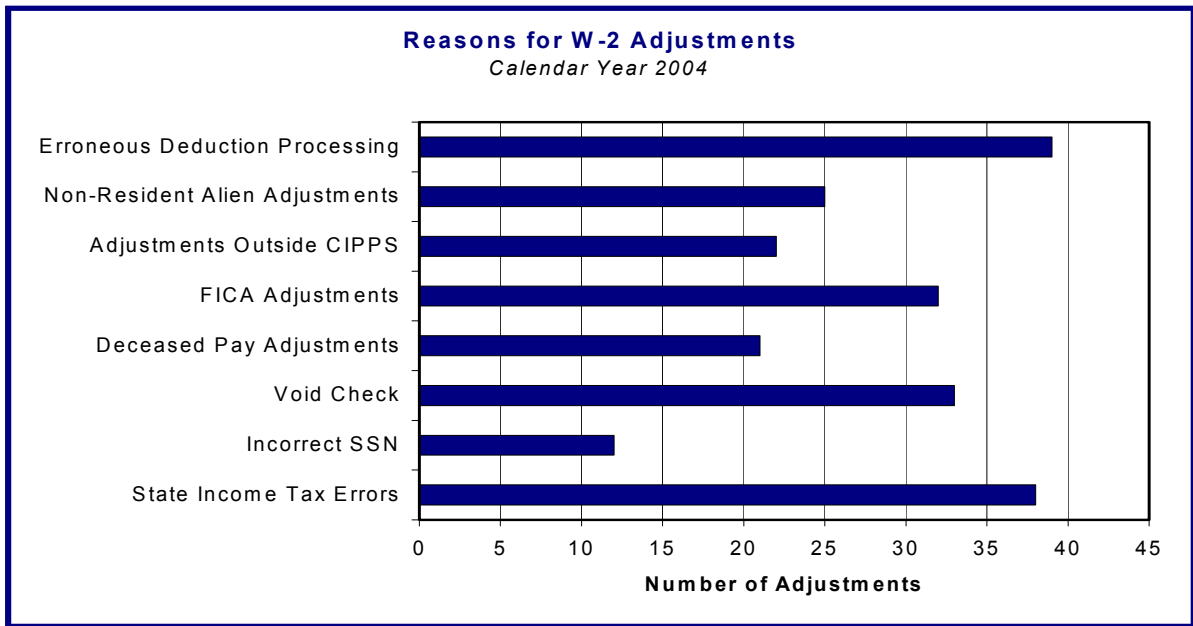
Eliminating reconciliation and certification requirements at the end of the fourth quarter freed staff time for earlier attention to W-2 processing. Agencies ensured that their remote report printers were operational over the New Year's holiday. In addition, many agencies improved the timeliness of payroll updates during the year.

As a result, required processing deadlines

continue to be met. Submissions of certified year-end reports continue to follow the same trend as last year.

Agencies adjusted 222 employee records. Accounting for erroneous deduction processing was the most common reason for W-2 adjustments. Adjusting non-resident alien W-2s for specific terms in treaties with their countries of origin also constituted a large portion, as did adjustments for pre-tax deductions withheld from non-taxable deceased pay disbursements.

W-2s are printed at DOA and subsequently distributed to a third party vendor for folding and envelope stuffing. Upon return from the vendor, agencies are notified that the W-2s are ready for pickup. All CIPPS W-2s were picked up by January 26 for subsequent delivery to employees.



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 March 31, 2005

The APA issued 20 separate reports covering 22 agencies, offices, boards, commissions and universities for the Executive Branch agencies listed on the following table. The last column indicates whether the CAW has been received as of the date of this publication for each agency with audit findings. Note that in some cases, the CAW may not have been received because it is not yet due.

	New Findings	Repeat Findings	Total Findings	CAW Received
Administration				
Department of Human Resource Management	2	0	2	YES
Compensation Board	0	0	0	N/A
Commerce and Trade				
Board of Accountancy	0	0	0	N/A
Department of Housing and Community Development	0	0	0	N/A
Virginia Tourism Authority	0	0	0	N/A
Education				
State Council of Higher Education for Virginia	0	0	0	N/A
Southwest Virginia Higher Education Center	0	0	0	N/A
Department of Education (1)	0	0	0	N/A
School for the Deaf and Blind at Staunton (1)	0	0	0	N/A
School for the Deaf, Blind and Multi-Disabled At Hampton (1)	0	0	0	N/A

	New Findings	Repeat Findings	Total Findings	CAW Received
Christopher Newport University	2	0	2	YES
Old Dominion University	0	0	0	N/A
University of Virginia	0	0	0	N/A
University of Virginia Medical Center	0	0	0	N/A
Virginia Commonwealth University	1	1	2	YES
Virginia Polytechnic Institute and State University	0	0	0	N/A

Elected Officials

None Issued

Finance

Department of Planning and Budget	0	0	0	N/A
Department of Taxation	2	0	2	YES

Health and Human Resources

Department of Health	2	0	2	YES
Department of Social Services	4	0	4	YES

Natural Resources

None Issued

Public Safety

None Issued

Technology

Virginia Information Technology Agency	0	0	0	N/A
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Transportation

Department of Transportation (2)	0	1	1	YES
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No audit reports were received during the quarter for Elected Officials or for agencies and institutions that report to the Secretaries of Natural Resources and Public Safety.

- (1) The APA issued one report on the Department of Education which included the Virginia School for the Deaf and Blind at Staunton and the Virginia School for the Deaf, Blind and Multi-Disabled at Hampton.
- (2) The APA issued this second report which addresses VDOT progress on prior year audit findings.

Agency Findings – Quarter Ended March 31, 2005

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

Administration

Department of Human Resource Management

1. Improve Written Policies and Procedures for Internal Control Over Financial Reporting. The Department has inadequate written policies and procedures for their accounting and financial reporting functions. In addition, accounting personnel are not adequately cross trained.
2. Improve Reconciliation Process for Workers' Compensation Claims Disbursements. The Department does not have an effective and timely reconciliation process for claims disbursements. The Department contracts with Managed Care Innovations to administer claims and uses a subcontractor, Frank Gates Service Company, to make claims disbursements. The reconciliation of disbursements is a manual process.

Education

Christopher Newport University

1. Assess Risk of Lack of Environmental Controls in the University's Data Center. The University lacks any type of automated fire suppression system and a water detection system in its computer center.
2. Lack of Written Policies and Procedures Pertaining to the University's Information Technology Environment. The University has not documented their policies and procedures over the management and operation of the Logical security access or Oracle security policies and procedures.

Virginia Commonwealth University

1. Ensure Proper Stewardship and Control Over Fixed Assets. **As reported in the previous audit,** the University did not adequately maintain and safeguard fixed assets in accordance with either University or Commonwealth policies or procedures. Exceptions noted include fixed assets that could not be located, assets that were untagged, assets with incorrect data entered in the fixed asset system, and assets that did not appear on inventory lists.
2. Ensure Cash Reconciling Items are Resolved Timely. The University did not resolve old reconciling items when preparing monthly and year end cash reconciliations.

Finance

Department of Taxation

1. Modify and Adhere to Existing UNIX Policies. The Department has not applied security patches to any of their servers for quite some time because of the development of the Advantage Revenue System. The audit could not find any written exceptions related to the installation of security patches.
2. Comply With Established Authorization Levels for Offers In Compromise. The Department should enforce established approval limits for offers in compromise related to the settlement of tax assessments.

Health and Human Services

Department of Health

1. Update Termination of Employee Access Policy. The audit found twenty terminated employees that continued to have access to critical systems after the employees had departed. Health's policy requires departments to notify the security officer when an employee terminates.
2. Update Plan for Continuity of Operations. The Department does not have a complete and updated plan for the continuity of operations that complies with VITA's Security Standard, COV ITRM Standard SEC2001-01.1.

Department of Social Services

1. Properly Manage and Maintain Access to Information Systems. **The current situation is a material weakness in internal control.** DSS provides central statewide oversight for policies and procedures to the 120 locally operated social service agencies. DSS controls access to its systems on two levels. The DSS Information Security Unit creates, changes, and deletes access for some DSS systems and other individual divisions have their own security offices. Management of each local agency determines what systems what level of access individuals have to the Department's systems. In one instance an employee used such a weakness to create vendors and recipients and authorize payments and issue herself unauthorized checks. DSS does not maintain readily available and accurate central listings of who has access to their systems. Current procedures are inadequate for controlling user access at local agencies. Further, the Department does not get notice when terminations or changes in status occur.

2. Properly Plan Systems Development Projects. The Department is not linking either the business plan or the information technology strategy plan with the Integrated Social Services Delivery System (ISSDS) or the Public-Private Educational Facilities and Infrastructure Act (PPEA) proposal.
3. Improve Voucher Documentation and Follow Department Policies and Procedures. The Department's Division of Finance had inadequate supporting documentation or did not follow established policies for 6 out of 25 selected payment vouchers and five out of ten selected contracts. Further, copies of the contract administration letter for five out of ten selected contracts could not be found.
4. Improve Documentation of Certain Temporary Assistance to Needy Families (TANF). Federal regulations require DSS to reduce or eliminate a recipient's benefits if the recipient fails to cooperate with the Division of Child Support Enforcement (DCSE). Two out of 14 TANF cases tested had no documentation of benefits reductions because the custodial parent failed to cooperate with DCSE. In addition, one case tested did not contain documentation showing that DCSE referred a non-cooperating case to the local social services office.

Transportation

Department of Transportation

1. Improve Capital Asset Management and Reporting. Transportation has improved its capital asset and financial reporting processes. However, **as noted in previous audits**, there are several areas VDOT should continue to improve. The newly created Capital Asset and Inventory Control Division should have authoritative control over central oversight for each asset area, district and the Central Office. This oversight should include monitoring, coordinating, and managing VDOT inventories and compiling financial reporting information at year end. Further, VDOT should complete a full reconciliation of all differences within the Fixed Asset Accounting and Control System (FAACS) for fiscal years 2003 and 2004 to determine the most appropriate way to report the assets. VDOT did not capitalize 14 percent of asset purchases tested. The Equipment Management System (EMS) should continue to be evaluated and VDOT should consider implementing a new asset management system.



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 December, January and February were due 1/31/05, 2/28/05, and 3/31/05, respectively.

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. After April 29, 2005, the paper version will no longer be 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 April 25, 2005

	Dec	Jan	Feb
Attorney General and Department of Law	3/3/05	-	-
Attorney General – Division of Debt Collection	3/3/05	-	-
Longwood University	3/8/05	-	-
University of Mary Washington	4/18/05	4/18/05	-
Virginia Museum of Fine Arts	4/13/05	4/1/05	-
Frontier Culture Museum of Virginia	3/4/05	-	-
Central Virginia Community College	-	4/4/05	-
Department of Veterans Services	3/3/05	-	-

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

Trial Balance Review; and Analysis of Appropriations, Allotments and Expenditures and Cash Balances

As part of the monthly reconciliation process, each agency should review their monthly trial balance for any irregular balances. These balances should be investigated and corrected immediately. If the irregularities can not be corrected at the agency level, the problem should be noted on the exception register.

The Commonwealth's 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.

In all of the above occurrences, memorandums are sent to agency fiscal officers.

Beginning next quarter, agencies that fail to respond to these requests for correction and/or additional information in a timely manner will be reported in the quarterly report.

Disbursement Processing

During the quarter ended March 31, 2005, DOA deleted, at the submitting agency's request, 95 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-two agencies requested deletes during the quarter. Agencies that requested more than four vendor payment deletes during the quarter are as follows:

- Department of Transportation

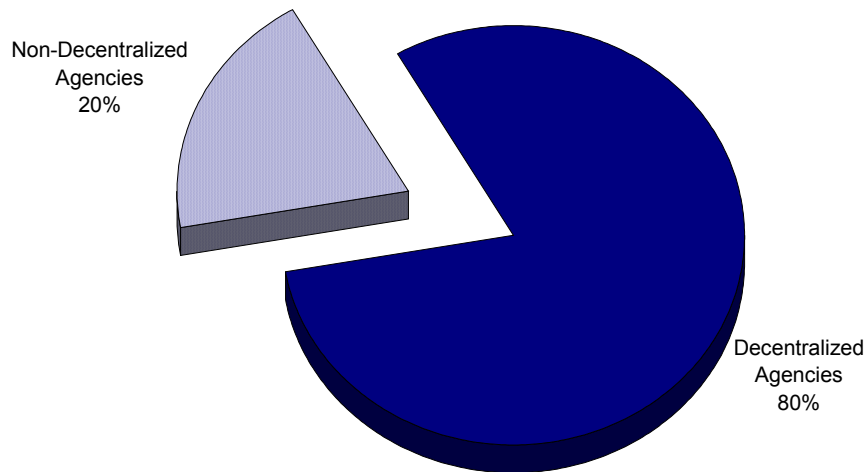
Paperwork Decentralization

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.

Vouchers Processed

Quarter Ended March 31, 2005



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

Decentralized Agencies

Compliance reviews were conducted for twenty 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

<u>Decentralized Agency</u>	<u>Vouchers Reviewed</u>	<u>Compliance Findings</u>	<u>Exception Rate</u>	<u>Performance Measurement</u>
Administration				
Department of General Services includes Virginia Competition Council, Council on Human Rights, Department of Charitable Gaming, Department of Employment Dispute Resolution, and the Independent agency Virginia Office for Protection and Advocacy	732	18	2.5%	Good
Commerce and Trade				
Virginia Employment Commission	331	5	1.5%	Good
Department of Professional and Occupational Regulation	278	2	0.7%	Exceptional
Education				
Paul D. Camp Community College	459	21	4.6%	Satisfactory
Wytheville Community College	265	10	3.8%	Good
Patrick Henry Community College	271	10	3.7%	Good
Virginia Military Institute	249	9	3.6%	Good
Virginia Community College System	432	14	3.2%	Good
Norfolk State University	309	10	3.2%	Good
J. Sargeant Reynolds Community College	388	6	1.5%	Good
Department of Education - Central Office Operations	313	2	0.6%	Exceptional
Health and Human Resources				
Central Virginia Training Center	275	5	1.8%	Good
Public Safety				
Department of Emergency Management includes Office of Commonwealth Preparedness	397	8	2.0%	Good
Wallens Ridge State Prison	251	2	0.8%	Exceptional

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

Agencies With Performance Ratings Lower Than “Good”

Paul D. Camp Community College – Satisfactory Performance – Of the 21 findings, 13 were related to Travel vouchers, 4 were related to Vendor Payment vouchers, 3 were related to Petty Cash vouchers, and 1 was related to Small Purchase Charge Card vouchers. The following items represent the majority of these findings:

Travel Vouchers

- ◆ Travel destination absent (2)
- ◆ Proper documentation absent (2)
- ◆ Hotel lodging over the guidelines – split rate (2)
- ◆ Batch Header absent (2)
- ◆ Voucher absent (1)
- ◆ Supervisor signature signed by someone other than supervisor (1)
- ◆ Receipt absent (1)
- ◆ M&IE over guidelines (1)
- ◆ Travel ended 10/2003 – Voucher submitted 6/2004 – approval absent (1)

Vendor Payment Vouchers

- ◆ Incorrect due date (2)
- ◆ Due date absent (1)
- ◆ Supporting documentation absent / Reason for purchase absent (1)

Petty Cash

- ◆ Reason for business meal absent / “Designee” not noted by designee signature (1)
- ◆ Receipt absent (1)
- ◆ 2001 invoice paid in 2004 – invoice was never researched (1)

Small Purchase Charge Card Vouchers

- ◆ Invoice absent (1)



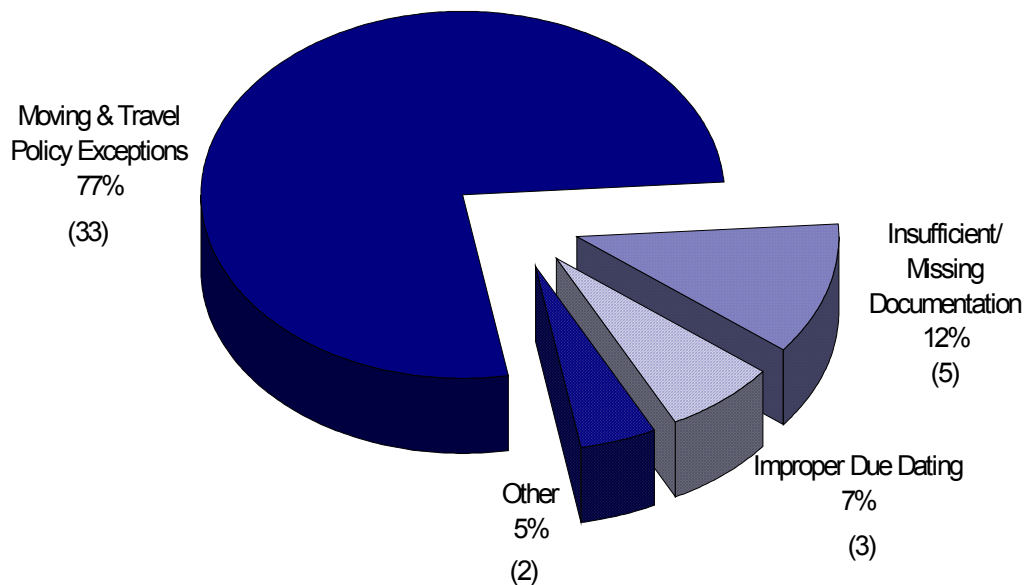
Non-Decentralized Agencies

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 128 non-decentralized agencies on a rotating schedule. A total of 902 non-travel disbursement batches and 198 travel disbursement batches were reviewed, disclosing 43 exceptions that were resolved prior to release of the transactions for payment.

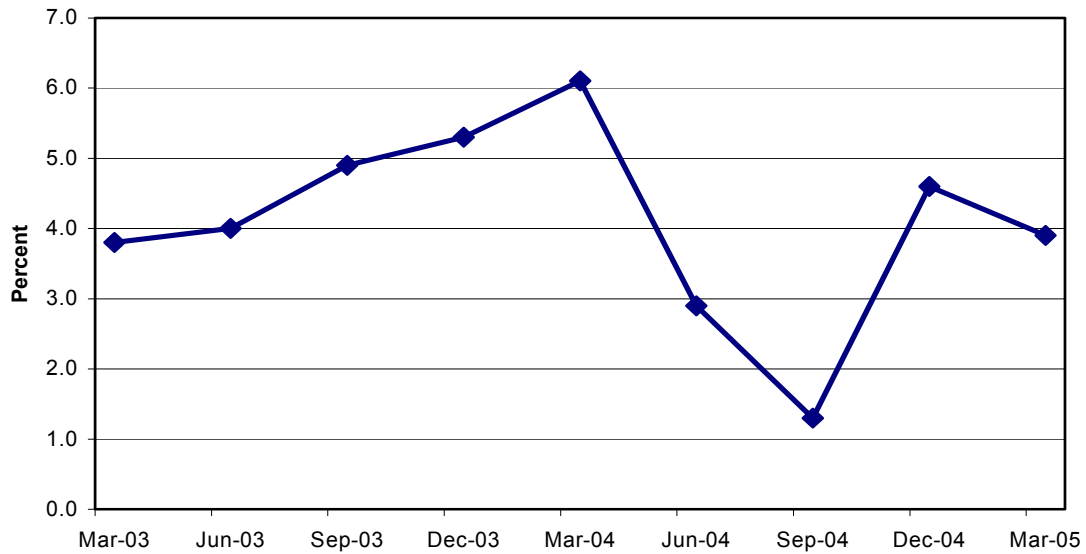
Disbursement Review and Compliance Findings
Non-Decentralized Agencies
Quarter Ended March 31, 2005



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

Total Quarterly Disbursement Review Exceptions

March 2003 - March 2005



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

	<i>Quarter Ending March 31, 2005</i>		<i>Fiscal Year 2005 To Date</i>		<i>Comparative Quarter Ended March 31, 2004</i>	
	<u>Late</u>	<u>Total</u>	<u>Late</u>	<u>Total</u>	<u>Late</u>	<u>Total</u>
Number of Payments	8,557	627,565	24,278	1,956,792	7,537	618,721
Dollars (in thousands)	\$ 37,466	\$ 1,298,985	\$ 106,874	\$ 3,898,282	\$ 33,920	\$ 1,208,870
Interest Paid on Late Payments				\$ 10,325		
Current Quarter Percentage of Payments in Compliance				98.6%		
Fiscal Year-to-Date Percentage of Payments in Compliance				98.8%		
Comparative Fiscal Year 2004 Percentage of Payments in Compliance						98.8%



Prompt Payment Performance by Secretarial Area
Quarter Ended March 31, 2005

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	98.9%	99.2%
Commerce and Trade	99.1%	99.5%
Education*	98.4%	97.7%
Elected Officials	99.2%	81.7%
Finance	99.8%	99.8%
Health and Human Resources	98.8%	98.2%
Independent Agencies	99.3%	99.1%
Judicial	99.3%	99.6%
Legislative	99.3%	99.9%
Natural Resources	99.6%	99.7%
Public Safety	99.1%	98.8%
Technology	97.3%	97.5%
Transportation*	98.7%	91.6%
Statewide	98.6%	97.1%

Prompt Payment Performance by Secretarial Area
Fiscal Year 2005

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	98.6%	98.3%
Commerce and Trade	98.8%	98.1%
Education*	98.7%	97.6%
Elected Officials	98.8%	89.5%
Finance	99.3%	99.8%
Health and Human Resources	98.9%	96.1%
Independent Agencies	99.1%	98.8%
Judicial	99.2%	99.4%
Legislative	99.7%	99.8%
Natural Resources	99.5%	99.4%
Public Safety	99.2%	98.7%
Technology	96.4%	96.0%
Transportation*	99.0%	94.9%
Statewide	98.8%	97.3%

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

For the quarter ended March 31, 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 March 31, 2005

Agency	Late Payments	Total Payments	Payments in Compliance
Education			
The Science Museum of Virginia	212	645	67.1%
The College of William and Mary in Virginia	1,344	14,841	90.9%
Virginia Institute of Marine Science	246	3,137	92.2%
Health and Human Resources			
Southwestern Virginia Mental Health Institute	81	1,277	93.7%
Central Virginia Training Center	230	2,095	89.0%
Commonwealth Center – Behavioral Rehabilitation	4	66	93.9%
Legislative			
Commission on Virginia Alcohol Safety Action	7	57	87.7%
Public Safety			
Department of Corrections, Central Activities	16	269	94.1%

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

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

Agency	Late Payments	Total Payments	Payments in Compliance
Education			
The Science Museum of Virginia	265	2,286	88.4%
The College of William and Mary in Virginia	2,669	48,549	94.5%
Virginia Institute of Marine Science	521	9,583	94.6%
Gunston Hall Plantation	57	362	84.3%
Health and Human Resources			
Central Virginia Training Center	497	5,836	91.5%
Southside Virginia Training Center	440	7,054	93.8%
Judicial			
State Board of Bar Examiners	32	205	84.4%

Prompt Payment Explanations

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

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

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

The **Southwestern Virginia Mental Health Institute** reports a Special fund cash shortage and a shortage of General fund allocations for the third quarter.

The problems have been corrected and should enable the facility to meet or exceed compliance requirements in the fourth quarter.

Central Virginia Training Center reports that late payments carried over from December paid in January lowered their prompt pay average for the third quarter. Their insufficient special fund cash flow during the first and second quarters of the fiscal year caused year to date percentages to fall below compliance standards. A treasury loan was obtained in January by the central office control agency to alleviate this problem.

The **Department of Corrections, Central Office** reports there were several late payments in January due to a batch not being released. They are currently monitoring the system daily to prevent this from reoccurring.



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

	<i>Quarter Ended March 31, 2005</i>			Comparative Quarter Ended March 31, 2004
	E-Commerce	Total	Percent	Percent
Number of Payments	608,572	1,023,766	59.9%	57.4%
Payment Amounts	\$ 5,774,824,339	\$ 6,615,054,339	87.3%	86.5%
	<i>Fiscal Year 2005 to Date</i>			Comparative Fiscal Year 2004
	E-Commerce	Total	Percent	Percent
Number of Payments	1,804,036	3,041,147	59.4%	56.8%
Payment Amounts	\$ 17,013,323,973	\$ 19,532,765,208	87.9%	85.1%

Financial Electronic Data Interchange (EDI)

The dollar volume of Financial EDI payments for the third quarter of FY 2005 was \$413 million (9.4 percent) more than the same quarter last year. The number of trading partner accounts

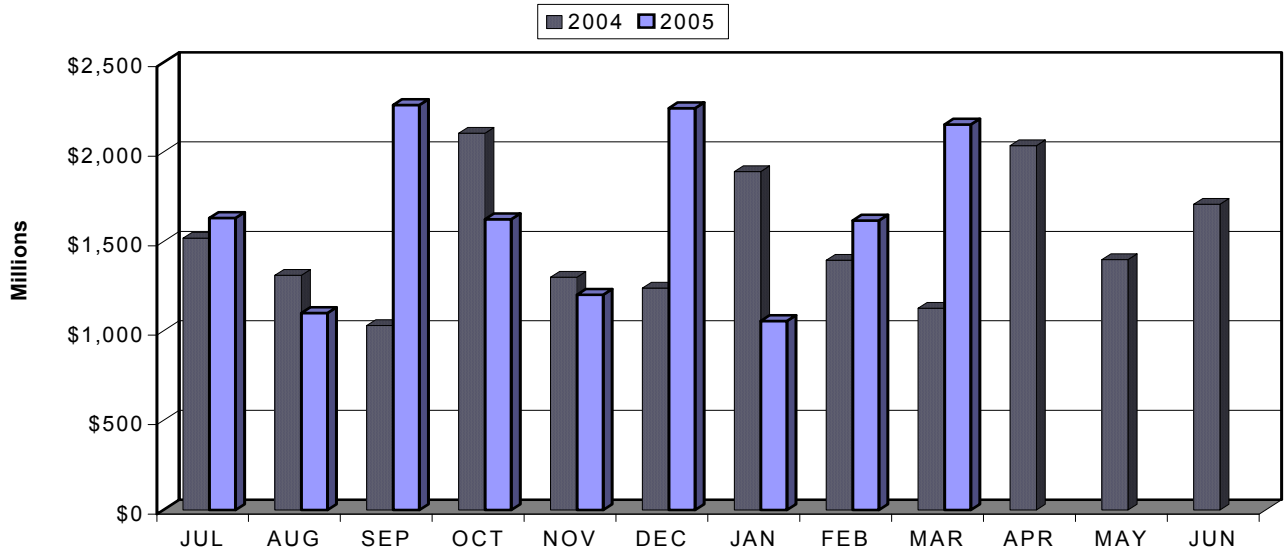
increased by 46 percent from March 2004. The largest portion of this increase is due to efforts to convert state employee travel reimbursements from checks to electronic payments.

Financial EDI Activity

Financial EDI Activity	Quarter Ended March 31, 2005	Fiscal Year 2005 to Date	Comparative FY 2004 to Date
Number of Payments	40,011	125,733	96,620
Amount of Payments	\$ 4,824,242,937	\$ 14,884,937,506	\$ 12,913,724,854
Number of Invoices Paid	173,747	529,798	462,592
Estimated Number of Checks Avoided	68,115	212,669	177,985
Number of Trading Partner Accounts As of 3/31/05		28,128	19,279

EDI Payment Comparison

FY 2004 - FY 2005

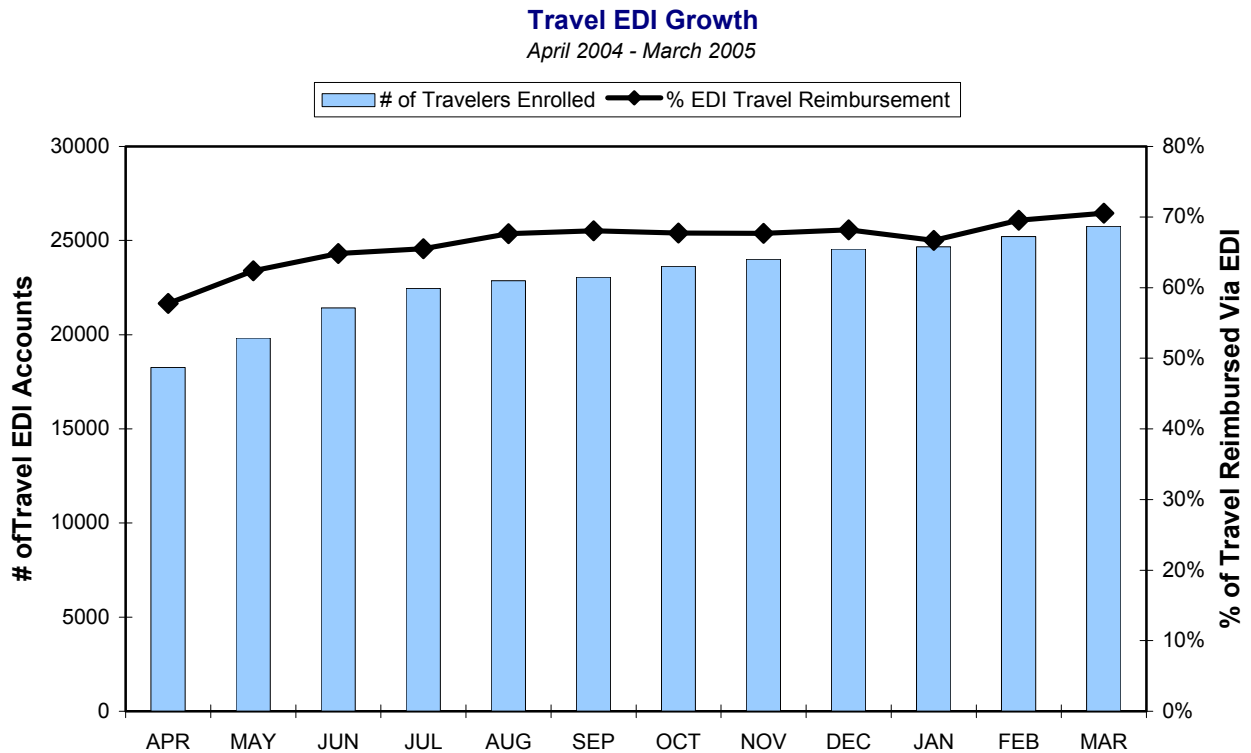


Travel EDI

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

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

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



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

**Travel Reimbursement
Travel EDI Performance
By Secretarial Area**

Quarter Ended March 31, 2005

Secretarial Area	Employee Percent	Non- Employee Percent	Reimbursement Checks Issued
Administration	75.7%	4.6%	74
Agriculture and Forestry***	75.0%	-	1
Commerce and Trade	93.3%	51.2%	320
Education *	77.8%	3.4%	2,383
Elected Officials	91.7%	0.0%	29
Finance	95.6%	0.0%	32
Health and Human Resources	87.5%	38.3%	1,294
Independent Agencies	95.0%	0.0%	73
Judicial	14.8%	2.7%	2,734
Legislative	91.4%	0.0%	83
Natural Resources	93.9%	1.3%	174
Public Safety	78.5%	5.5%	1,508
Technology	63.9%	-	61
Transportation*	79.4%	35.0%	141
Statewide for Quarter	78.5%	14.2%	8,907
<i>Fiscal Year 2005 to Date</i>			
Statewide	76.8%	14.1%	31,022
<i>Comparative Fiscal Year 2004 to Date</i>			
Statewide	48.2%**	-**	47,536

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

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

*** For the quarter, includes only the Secretary of Agriculture and Forestry.

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	68.6%	27
Education		
Danville Community College	70.8%	26
Northern Virginia Community College	68.5%	58
Southside Virginia Community College	59.4%	43
Norfolk State University	46.4%	135
Thomas Nelson Community College	46.4%	30
Health and Human Resources		
Department of Rehabilitative Services	74.2%	154
Department of Social Services	70.4%	217
Judicial		
Supreme Court	6.1%	170
Combined Courts	3.4%	254
Juvenile and Domestic Relations Courts	2.6%	268
Circuit Courts	2.3%	511
Magistrate System	0.0%	324
General District Courts	0.0%	292
Court of Appeals of Virginia	0.0%	55
Public Safety		
Department of Military Affairs	55.6%	32
Western Region Correctional Field Units	36.4%	35
Department of Fire Programs	15.6%	195
Augusta Correctional Center	0.0%	29
Technology		
Virginia Information Technologies Agency	62.6%	61

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
Education		
Department of Education	.1%	1,093
Longwood University	0.0%	65
Virginia Military Institute	0.0%	40
The Library of Virginia	0.0%	36
Christopher Newport University	0.0%	34
Health and Human Resources		
Department of Mental Health, Mental Retardation And Substance Abuse Services	6.2%	61
Virginia Board for People with Disabilities	3.9%	49
Legislative		
House of Delegates	0.0%	26
Judicial		
Circuit Courts	4.8%	357
Supreme Court	3.8%	51
Juvenile and Domestic Relations Courts	1.9%	51
General District Courts	1.9%	53
Virginia State Bar	0.0%	245
Natural Resources		
Marine Resources Commission	0.0%	26
Public Safety		
Department of Emergency Management	8.5%	118
Department of Criminal Justice Services	.4%	239
Department of Juvenile Justice	0.0%	32
Department of Fire Programs	0.0%	31

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. Section 4-5.04.f.5 of the Appropriation Act requires that all employees likely to travel more than twice per year be reimbursed for travel costs using electronic data interchange.

**Agency Noncompliance Travel Check Charges
Utilization Below 80 Percent**

Agency	Percent	Year-to-Date Charges
Education		
Norfolk State University	46.4%	\$ 130
Patrick Henry Community College	79.2%	44
Southside Virginia Community College	59.4%	31
Danville Community College	70.8%	26
Health and Human Resources		
Department of Social Services	70.4%	176
Department of Rehabilitative Services	74.2%	140
Judicial		
Circuit Courts	2.3%	1,329
General District Courts	0.0%	532
Juvenile and Domestic Relations Courts	2.6%	527
Magistrate System	0.0%	520
Combined Courts	3.4%	447
Supreme Courts	6.1%	248
Court of Appeals of Virginia	0.0%	94
Judicial Inquiry and Review Commission	0.0%	29
Virginia Criminal Sentencing Commission	0.0%	27
Public Safety		
Department of Fire Programs	15.6%	292
Department of Emergency Management	76.0%	90
Alcoholic Beverage Control	76.9%	62
Transportation		
Department of Motor Vehicles	75.5%	62

Direct Deposit

During the third quarter of FY 2005, 415,633 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 March 31, 2005

Secretarial Area	Direct Deposit % of Salary Employees	Direct Deposit % of Wage Employees
Administration	91.1%	79.8%
Agriculture and Forestry	92.2%	41.8%
Commerce and Trade	97.1%	94.2%
Education	96.3%	46.9%
Elected Officials	97.2%	47.8%
Finance	94.9%	54.9%
Health and Human Resources	85.7%	73.1%
Independent Agencies	96.2%	84.1%
Judicial	95.0%	47.2%
Legislative	95.5%	74.1%
Natural Resources	96.3%	64.4%
Public Safety	86.9%	74.9%
Technology	95.8%	87.9%
Transportation	83.1%	60.4%
Statewide	89.1%	55.1%

Comparative

Quarter Ended March 31, 2004

Statewide	87.3%	44.9%
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Statewide Salaried Direct Deposit Performance

Quarter Ended March 31, 2005

Salaried Direct Deposit Participation	89.1%
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Salaried Direct Deposit Below 80 Percent

<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
<i>Health and Human Resources</i>		
Southern Virginia Mental Health Institute	78.1%	169
Central State Hospital	73.7%	699
Southside Virginia Training Center	72.2%	1,354
Piedmont Geriatric Hospital	68.9%	315
Central Virginia Training Center	62.9%	1,507
<i>Public Safety</i>		
Fluvanna Women's Correctional Center	79.6%	364
Eastern Regional Correctional Field Units	79.4%	136
Southampton Reception and Classification Center	78.2%	253
Lunenburg Correctional Center	77.7%	260
Mecklenburg Correctional Center	76.8%	400
Bland Correctional Center	75.0%	304
Brunswick Correctional Center	72.5%	374
Buckingham Correctional Center	71.2%	344
Nottoway Correctional Center	67.9%	461
Dillwyn Correctional Center	67.3%	263
<i>Transportation</i>		
Department of Transportation - Staunton District	79.9%	760
Department of Transportation - Lynchburg District	75.2%	730
Department of Transportation - Bristol District	74.2%	970
Department of Transportation - Salem District	73.2%	912
Department of Transportation - Culpeper District	71.6%	585

Statewide Wage Direct Deposit Performance

Quarter Ended March 31, 2005

Wage Direct Deposit Participation

55.1%

Wage Direct Deposit Below 40 Percent

<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
<i>Agriculture and Forestry</i>		
Department of Forestry	37.5%	104
<i>Commerce and Trade</i>		
Virginia Racing Commission	7.4%	27
<i>Education</i>		
Eastern Shore Community College	36.5%	63
John Tyler Community College	36.0%	258
Paul D. Camp Community College	36.0%	114
New River Community College	35.0%	254
Gunston Hall Plantation	34.8%	23
Southwest Virginia Community College	34.8%	244
Piedmont Virginia Community College	33.7%	270
Central Virginia Community College	32.2%	115
Danville Community College	29.8%	258
Lord Fairfax Community College	29.8%	322
Wytheville Community College	25.5%	196
Mountain Empire Community College	20.4%	280
Richard Bland College	18.4%	38
Rappahannock Community College	14.2%	113
Thomas Nelson Community College	12.9%	534
Radford University	11.0%	1,719
Virginia Western Community College	10.8%	353
Longwood University	8.5%	587
Southside Virginia Community College	6.9%	289
Virginia Highlands Community College	5.3%	225
<i>Health and Human Resources</i>		
Central Virginia Training Center	0.0%	92
<i>Judicial</i>		
Supreme Court	38.9%	18
Combined District Courts	36.7%	30
Magistrate System	28.6%	14
<i>Public Safety</i>		
Department of Fire Programs	37.8%	90
Deerfield Correctional Center	25.0%	12

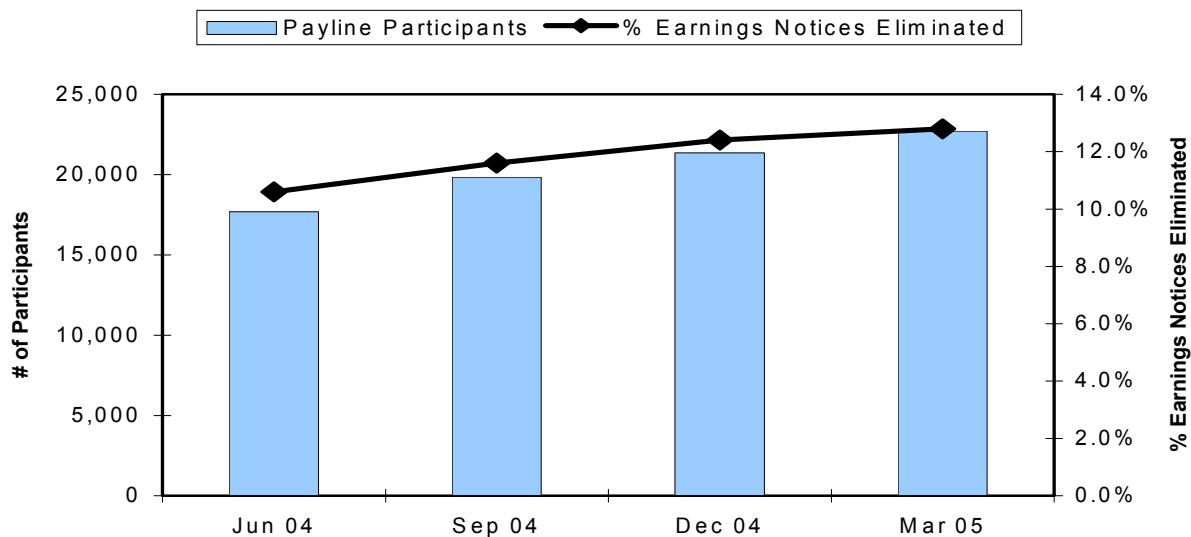
Payroll Earnings Notices

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 388,630 earnings notices. However, statewide participation rates remain low.

Quarterly Payline & Earnings Notice Opt Out Participation

Jun 2004 - Mar 2005



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 March 31, 2005

Secretarial Area	Percent Payline Participation	Percent Earnings Notices Eliminated*
Administration	49.9%	30.0%
Agriculture and Forestry	16.5%	8.9%
Commerce and Trade	70.6%	50.2%
Education	21.5%	9.6%
Elected Officials	63.8%	51.7%
Finance	70.2%	44.8%
Health and Human Resources	26.5%	11.7%
Independent Agencies	40.8%	28.1%
Judicial	4.3%	1.6%
Legislative	36.8%	31.0%
Natural Resources	47.7%	35.6%
Public Safety	18.5%	7.6%
Technology	79.8%	49.3%
Transportation	26.5%	8.7%
Statewide	26.1%	12.8%
Comparative Quarter Ended March 31, 2004		
Statewide	18.7%	9.2%

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

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

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

<u>Agency</u>	<u>Percent Earnings Notices Eliminated</u>	<u>Earnings Notices Printed for 03/31/05 Payday</u>
Education		
John Tyler Community College	3.9%	282
Thomas Nelson Community College	2.5%	351
Southside Virginia Community College	2.3%	180
Piedmont Virginia Community College	2.1%	210
Central Virginia Community College	2.1%	170
Christopher Newport University	1.7%	1,199
Danville Community College	1.6%	202
Radford University	1.4%	1,120
Virginia Highlands Community College	1.4%	122
Northern Virginia Community College	1.2%	1,520
Longwood University	1.1%	548
Virginia School for Deaf, Blind and Multi-Disabled at Hampton	1.1%	133
Rappahannock Community College	1.1%	104
Health and Human Resources		
Central State Hospital	3.4%	556
Northern Virginia Training Center	3.0%	482
Southside Virginia Training Center	2.9%	965
Piedmont Geriatric Hospital	2.7%	238
Central Virginia Training Center	1.8%	918
Hiram W. Davis Medical Center	1.5%	161
Judicial		
Indigent Defense Commission	2.5%	391
Virginia State Bar	1.1%	85
Combined District Courts	0.9%	193
Magistrate System	0.9%	395
Juvenile and Domestic Relations District Courts	0.6%	586
General District Courts	0.5%	937
Circuit Courts	0.0%	174
Court of Appeals of Virginia	0.0%	62
Legislative		
Division of Capital Police	1.1%	85

Agency	Percent Earnings Notices Eliminated	Earnings Notices Printed for 03/31/05 Payday
Public Safety		
Department of Juvenile Justice	3.5%	1,934
Dillwyn Correctional Center	3.4%	171
Department of Fire Programs	3.2%	51
Red Onion State Prison	3.2%	359
Deep Meadow Correctional Center	2.9%	263
James River Correctional Center	2.7%	223
Fluvanna Women's Correctional Center	2.5%	278
Haynesville Correctional Center	2.4%	309
Division of Community Corrections	2.1%	1,209
Keen Mountain Correctional Center	2.0%	269
Southampton Reception and Classification Center	2.0%	195
Bland Correctional Center	1.9%	223
Virginia Correctional Enterprises	1.8%	140
Wallens Ridge State Prison	1.5%	356
Lunenburg Correctional Center	1.5%	203
Virginia Correctional Center for Women	1.4%	174
Southampton Correctional Center	1.3%	69
Brunswick Correctional Center	1.1%	266
Greensville Correctional Center	1.0%	652
Western Region Correctional Field Units	1.0%	420
Powhatan Correctional Center	.3%	261
Nottoway Correctional Center	.2%	311
Powhatan Reception and Classification Center	0.0%	99
Deerfield Correctional Center	0.0%	165
Transportation		
Department of Transportation – Hourly	1.0%	260



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 third quarter of FY 2005 increased by \$8.1 million or 15.4 percent from the same quarter last year.

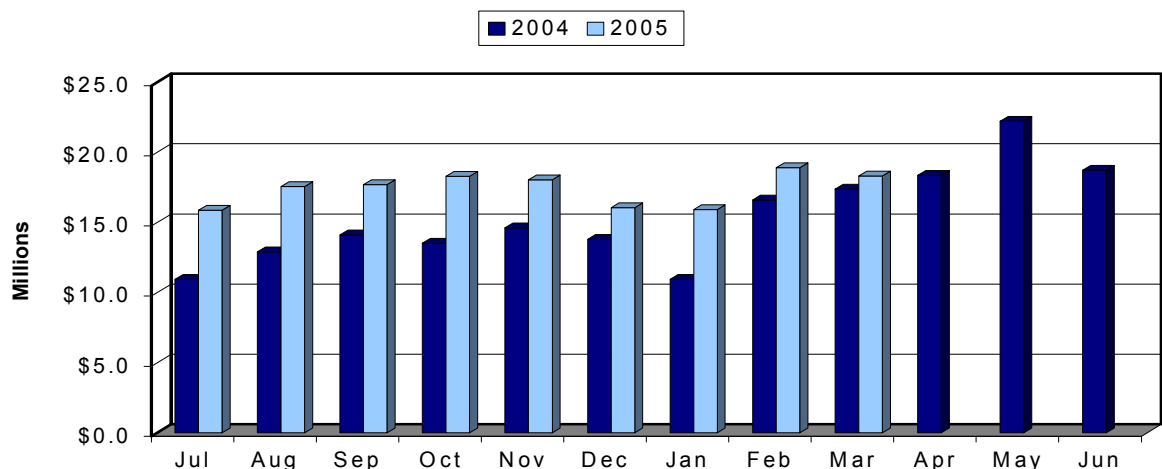
Small Purchase Charge Card Program

Charge Card Activity	Quarter Ended March 31, 2005	Fiscal Year 2005 To Date	Comparative Fiscal Year 2004 To Date
Amount of Charges	\$ 53,039,590	\$ 156,479,596	\$ 124,768,887
Estimated Number of Checks Avoided	121,262	373,967	336,746
Total Number of Participating Agencies		198	192
Total Number of Cards Outstanding		9,893	11,094

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

Charge Amount Comparison

FY 2004 - 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.

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

As a result of this reporting change and enrollment effort, the reporting threshold was lowered in first and second quarter from 70% to 65%. Effective January 1, 2005, the reporting threshold and \$1 underutilization charge was raised back to 70%. Each agency can request a report identifying payments to participating suppliers which should have been paid by the SPCC, by emailing spcc@doa.virginia.gov.

Statewide SPCC Performance

Quarter Ended March 31, 2005

Percentage Utilization for Eligible Transactions

77%



SPCC Utilization by Secretarial Area

Quarter Ended March 31, 2005

<u>Secretarial Area</u>	<u>Payments in Compliance⁽¹⁾</u>	<u>Non-Compliant Transactions⁽²⁾</u>
Administration	81%	887
Commerce and Trade	72%	1,888
Education*	82%	6,251
Elected Officials	97%	19
Finance	95%	57
Health and Human Resources	79%	5,411
Independent Agencies	71%	925
Judicial	37%	2,537
Legislative	95%	67
Natural Resources	91%	839
Public Safety	80%	5,946
Technology	18%	1,612
Transportation*	70%	9,928
Statewide	77%	36,367

* 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
Commerce and Trade		
Department of Agriculture & Consumer Services	69%	533
Virginia Employment Commission	40%	762
Department of Labor and Industry	5%	166
Education		
Thomas Nelson Community College	61%	305
Tidewater Community College	54%	971
Norfolk State University	53%	886
New River Community College	52%	289
Virginia State University – Cooperative Extension and Agricultural Research Services	17%	1,009
Health and Human Resources		
Commonwealth Center for Children and Adolescents	59%	57
Hiram W Davis Medical Center	56%	84
Northern Virginia Mental Health Institute	49%	194
Department for the Deaf & Hard-of-Hearing	9%	228
Virginia Center for Behavioral Rehabilitation	0%	10
Independent Agencies		
State Lottery Department	54%	243
Virginia Office for Protection and Advocacy	51%	61
State Corporation Commission	0%	501
Judicial		
Virginia Indigent Defense Commission	52%	252
Board of Bar Examiners	0%	27
Circuit Courts	0%	498
Combined District Courts	0%	248
General District Courts	0%	663
Judicial Inquiry and Review Commission	0%	9
Juvenile and Domestic Relations District Court	0%	582
Magistrate System	0%	80
Virginia Criminal Sentencing Commission	0%	16
Legislative		
Commission on Virginia Alcohol Safety Action Program	0%	25

<u>Agency</u>	<u>Payments in Compliance</u>	<u>Non-Compliant Transactions</u>
Public Safety		
Department of Fire Programs	69%	98
Southampton Reception & Classification Center	56%	41
Virginia Correctional Enterprises	22%	1,386
Department of Corrections – Central Activities	0%	55
Marion Treatment Center	0%	122
Technology		
Virginia Information Technologies Agency	18%	1,612
Transportation		
Department of Transportation	69%	9,155

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.

Agency Name	Jan	Feb	Mar
Education			
Frontier Culture Museum			X
Thomas Nelson Community College	X		X



Travel Charge Card

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

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

One of the major concerns is the timely payment of card statements. Delinquent accounts result in higher costs to the contractor and ultimately threaten the

viability of the Commonwealth's travel charge card program. The contract provides for the following actions on delinquent accounts:

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

A memo from the Director of State Payroll Operations and Charge Card Administration, dated April 4, 2005, advised agencies of the existence of inactive accounts and DOA taking over the administration of the Travel Card Program. The following table identifies the number of delinquent active card accounts by agency during the quarter ended March 31, 2005, and the total amounts past due.

Travel Charge Card Program

As of March 31, 2005

Agency	Total Delinquent Active Accounts	Amounts 60 Days Past Due	Amounts 90-120 Days Past Due	Amounts >150 Days Past Due
Commerce and Trade				
Department of Housing and Community Development	1	52	-	-
Education				
College of William and Mary	3	1,972	175	-
George Mason University	1	1,100	-	-
James Madison University	6	7,437	86	68
Longwood University	6	7,134	115	-
New River Community College	1	107	-	-
Norfolk State University	8	202	102	3,476
Old Dominion University	4	618	-	-
Tidewater Community College	1	447	-	-
University of Virginia	18	7,269	4,156	1,162
University of Virginia Medical Center	2	291	98	1

Agency	Total Delinquent Active Accounts	Amounts 60 Days Past Due	Amounts 90-120 Days Past Due	Amounts >150 Days Past Due
University of Virginia - Wise	1	23	-	-
Virginia Commonwealth University	6	1,380	-	1
Virginia Military Institute	2	56	-	7
Virginia Polytechnic Institute and State University	10	3,111	194	3,410
Virginia State University	2	295	41	789
Virginia Highlands Community College	1	1	-	-
Elected Officials				
Attorney General	3	350	646	680
Health and Human Resources				
Department of Mental Health, Mental Retardation and Substance Abuse Services	1	183	-	-
Department of Social Services	2	26	-	-
Woodrow Wilson Rehabilitation Center	1	6	-	-
Independent				
Virginia Retirement System	1	5	-	-
Legislative				
Auditor of Public Accounts	1	293	-	-
Senate of Virginia	1	473	-	-
Natural Resources				
Department of Environmental Quality	2	-	2	1
Department of Game and Inland Fisheries	1	-	1	-
Public Safety				
Department of Criminal Justice Services	1	367	114	-
Department of Emergency Management	1	202	-	-
Department of Fire Programs	1	46	-	-
Transportation				
Department of Motor Vehicles	2	924	94	-
Virginia Department of Transportation	1	7	-	-

Payroll Controls

PMIS/CIPPS Payroll Audit

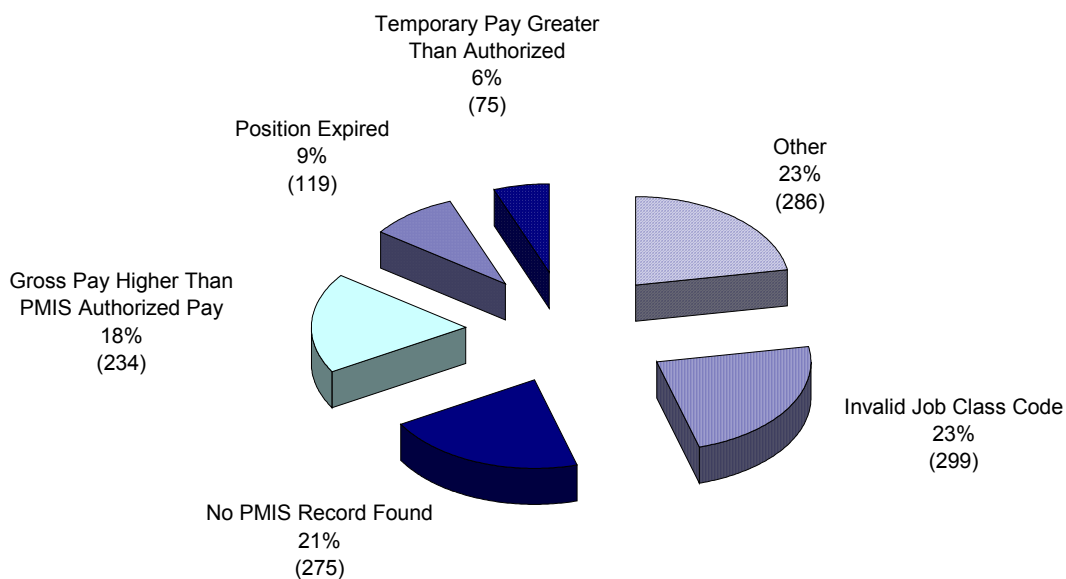
During the quarter, DOA's automated comparison of payroll and personnel (PMIS) records examined 419,946 salaried pay transactions and 251,970 wage pay transactions. The comparison is performed following each payday and is designed to identify discrepancies between authorized salary/wage amounts in PMIS and amounts paid in CIPPS. There were 2,856 new exceptions noted statewide during the quarter, with an overall exception rate of 0.51 percent.

The statewide salaried payroll exception rate was 0.68 percent and the wage payroll exception rate was 0.24 percent. During this quarter, 50 employee paychecks were reduced to recover \$13,651.60 in overpayments.

While the largest cause of exceptions is related to the use of invalid job class codes, the second largest cause of exceptions is related to timing differences in payroll and PMIS processing due to transfers. The third 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 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 March 31, 2005



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

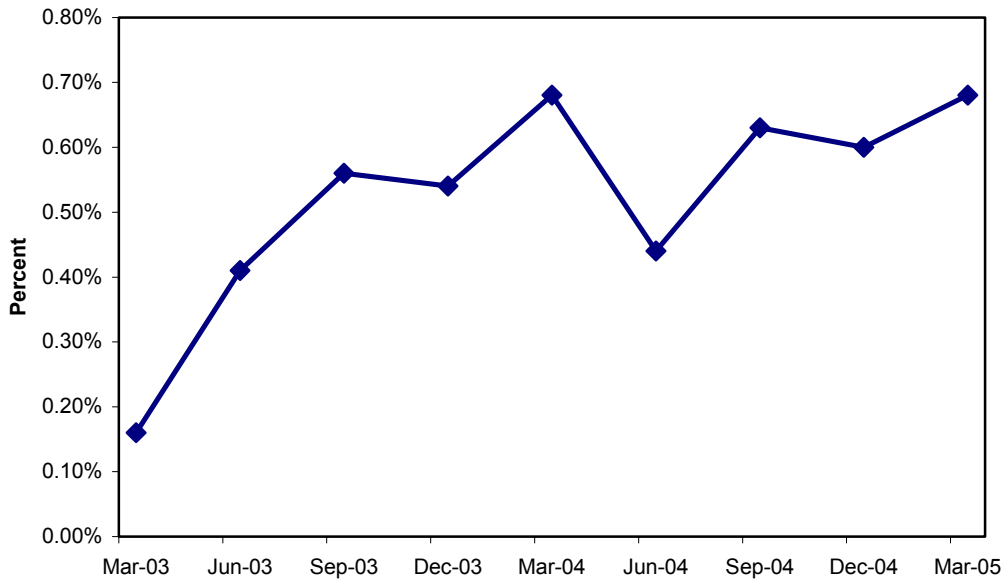
Quarter Ended March 31, 2005

Agency	Exceptions as a % of Salaried Payments
Total Salaried Payroll Exceptions for the Quarter	
	0.68%

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

Total Quarterly Salaried Exceptions

March 2003 - March 2005



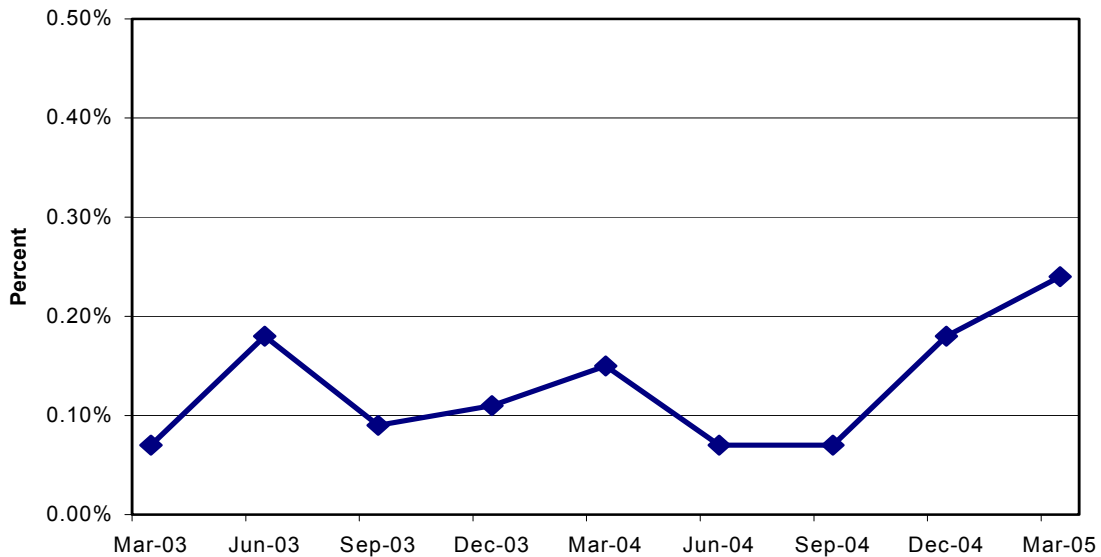
Note: Third quarter FY 2004 increase caused by increase in retroactive adjustments due to IPP increases not appearing in PMIS at the time of the automatic regrade.

Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Wage Payments
Quarter Ended March 31, 2005

Agency	Exceptions as a % of Wage Payments
Virginia Correctional Enterprises	5.10%
Department of Social Services	2.95%
Woodrow Wilson Rehabilitation Center	1.62%
Central Virginia Training Center	1.31%
Department of Juvenile Justice	.95%
J. Sargeant Reynolds Community College	.75%
Wage Payroll Exceptions for the Quarter	
	0.24%

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

Total Quarterly Wage Exceptions
March 2003 - March 2005



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



PMIS/CIPPS Exceptions

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

<u>Agency</u>	<u>Unresolved Exceptions</u>
<i>Education</i>	
Norfolk State University	20
Longwood University	2
University of Mary Washington	1
Virginia School for the Deaf and Blind at Staunton	1
Christopher Newport University	62
Rappahannock Community College	8
Northern Virginia Community College	1
Piedmont Virginia Community College	3
John Tyler Community College	1
<i>Public Safety</i>	
Department of Military Affairs	3
Wallen's Ridge State Prison	1
St Brides Correctional Center	1
Buckingham Correctional Center	3
Deep Meadow Correctional Center	5
Keen Mountain Correctional Center	1
Dillwyn Correctional Center	1
Haynesville Correctional Center	1
Coffeewood Correctional Center	21
Department of Juvenile Justice	32
<i>Transportation</i>	
Department of Transportation – Central Office	1
<i>Health and Human Resources</i>	
Woodrow Wilson Rehabilitation Center	2
Department of Social Services	2
<i>Independent</i>	
Virginia Workers' Compensation Commission	4
<i>Finance</i>	
Department of Taxation	2
<i>Natural Resources</i>	
Department of Game and Inland Fisheries	2



Payroll Certification

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

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

incorrect payments, such errors are avoidable and are not consistent with sound internal control over payroll.

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

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

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

Payroll Certification Compliance

Agency	Variance Amount (a)	Performed by DOA (b)	Submitted Late (c)	Corrected by DOA (d)
Education				
Eastern Shore Community College	\$ 128,223			
Germanna Community College	42,292			
J. Sargeant Reynolds Community College	73,788			
Jamestown-Yorktown Foundation			2	
The Science Museum of Virginia		1		
State Council of Higher Education for Virginia	41,241			
Legislative				
Virginia House of Delegates	2,721,332			
Public Safety				
Department of Corrections, Central Activities	1,772,975			
Department of Juvenile Justice	47,209			
Department of Military Affairs			2	
Powhatan Reception and Classification Center	133,740			
Transportation				
Department of Motor Vehicles			3	
Department of Transportation – Northern Virginia District	112,276			
Department of Transportation – Suffolk District	320,872			

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.

Healthcare Reconciliations

Employee healthcare fringe benefits costs are covered by a combination of agency paid and employee-paid premiums. Agencies are required to return a *Certification of Automated Health Care Reconciliations* form to DOA by the close of the month following the month of coverage. This reconciliation annotates differences between healthcare eligibility records (BES) and healthcare premium payments collected through

payroll deduction. The following table lists those agencies that were late in submitting their certification or had problems requiring additional adjustments. Such problems may include incomplete or incorrect documents or required IAT's not submitted to DOA. Healthcare reconciliations for the months of December, January, and February were due 01/31/05, 02/28/05 and 3/31/05, respectively.

Schedule of Late Health Care Reconciliations

	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>
Woodrow Wilson Rehabilitation Center	X		X
Rappahannock Community College		X	
Piedmont Virginia Community College		X	X
J Sargeant Reynolds Community College		X	X
Department of Business Assistance	X		
Southwestern Virginia Mental Health Institute		X	
Central Virginia Training Center			X
Southampton Correctional Center		X	
Bland Correctional Center	X	X	
James River Correctional Center	X	X	
Sussex I State Prison	X		
Southampton Reception & Classification Center		X	
Red Onion State Prison		X	
Marion Correctional Treatment Center	X		
Deep Meadow Correctional Center		X	
Augusta Correctional Center	X	X	
Central Region Correctional Field Units		X	
Division of Community Corrections		X	
Keen Mountain Correctional Center	X	X	
Greensville Correctional Center		X	
Dillwyn Correctional Center		X	
Indian Creek Correctional Center		X	
Coffeewood Correctional Center		X	
Lunenburg Correctional Center	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).

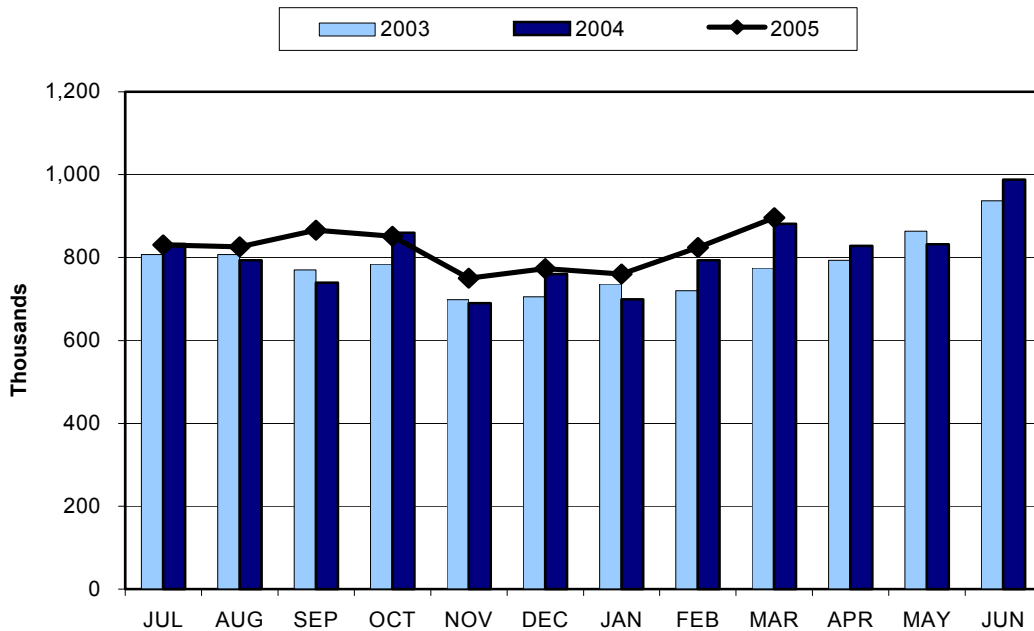
Commonwealth Accounting and Reporting System (CARS)

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 2003 - 2005



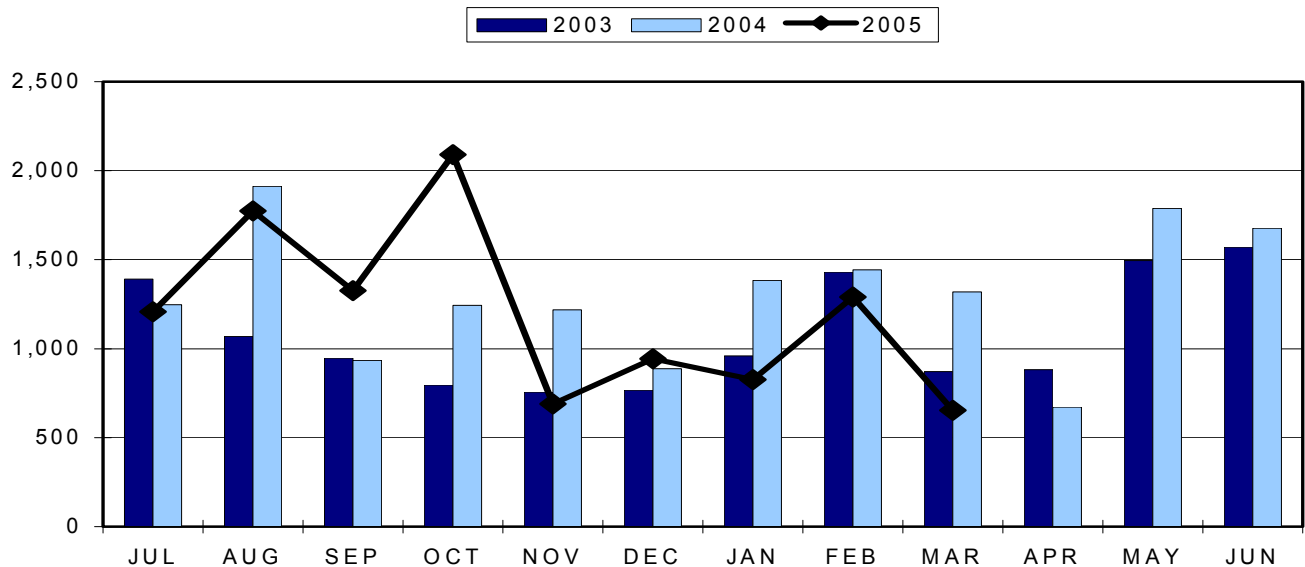
CARS Edits

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

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

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

CARS Monthly Errors
Average Number of Daily Errors
 Fiscal Years 2003 - 2005



Payroll

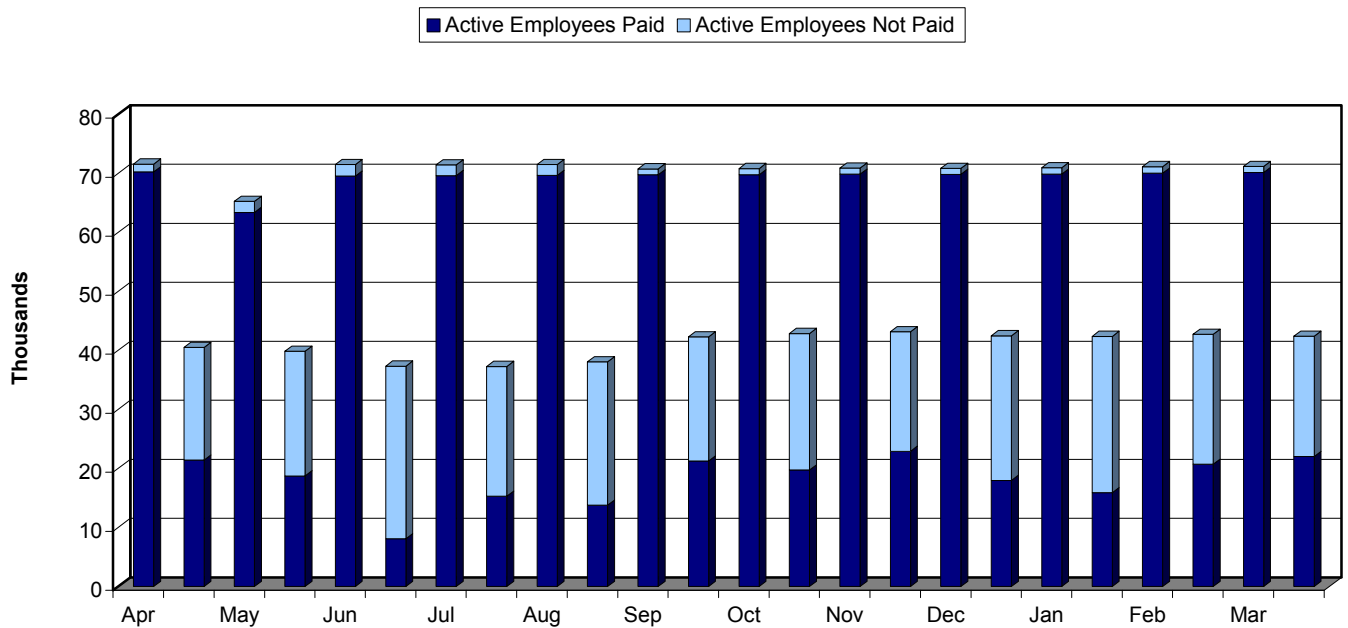
The central payroll system for State government is known as *CIPPS*, the Commonwealth Integrated Payroll Personnel System. CIPPS is one of the largest payroll operations in the Commonwealth, serving 113,570 employees. Payroll services are also

provided through eight decentralized higher education institutions.

Total gross payrolls for the Commonwealth were approximately \$449- million each month of the quarter. On average, 89,540 employees were paid each month, of which 70,010 are salary employees.

Commonwealth Integrated Payroll / Personnel System (CIPPS) Statistics

April 2004 - March 2005



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

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

Benefit Participation by CIPPS Agencies

The Commonwealth offers a variety of benefits to State employees, including health care, optional retirement plans, deferred compensation, and flexible reimbursement programs. During the quarter, state employees purchased 13,212 savings bonds with a face value of over \$1.7 million.

**Benefit Participation
Number of Participating Employees**

	<u>As of 3/31/2005</u>	<u>Comparative</u>	
		<u>As of 3/31/2004</u>	<u>As of 3/31/2003</u>
Health Care			
COVA Care	80,564	79,709	N/A
Key Advantage	N/A	N/A	61,813
Cost Alliance	N/A	N/A	16,778
Aetna - PS	N/A	N/A	198
Aetna - HMO	N/A	N/A	1,177
Optimum Choice - Std.	N/A	N/A	N/A
Optimum Choice - High	N/A	N/A	N/A
Kaiser	1,871	1,862	1,763
Cigna	N/A	N/A	N/A
Piedmont	N/A	N/A	136
Optional Retirement Plans *			
Fidelity Investments	518	271	278
Great West Life	0	15	15
TIAA/CREF	1,514	1,323	1,282
T. Rowe Price	0	65	62
VALIC	0	238	243
Political Appointee - ORP	88	84	73
Deferred Compensation *			
Great West Life	30,354	28,092	25,689
Flexible Reimbursement *			
Dependent Care	699	652	637
Medical Care	4,869	4,150	3,554

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

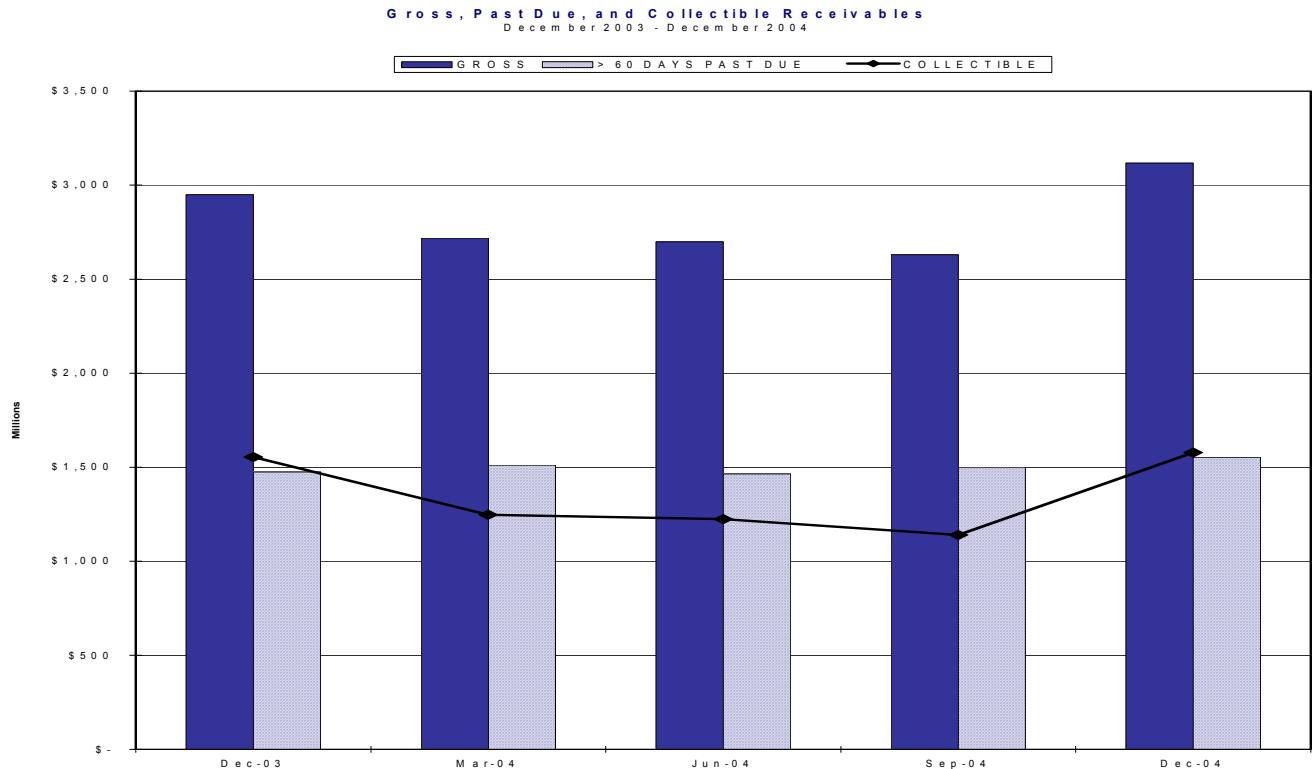
Note: TIAA-CREF and Fidelity are the only ORP's offered to higher education after June 16, 2004.

Accounts Receivable

Chapter 48 of the *Code of Virginia* requires the Department of Accounts, along with the Office of the Attorney General, to oversee, report on, and monitor the Commonwealth's accounts receivable program. In order to carry out this responsibility, DOA has issued policies and procedures on accounting, collecting, reporting, and writing off accounts receivable. In addition, DOA provides technical assistance to agencies and institutions and uses statistical analyses and audit reports to monitor the ongoing effectiveness of agencies in managing their accounts receivable. Commonwealth agencies and institutions reported total gross receivables of \$3.1 billion at December 31, 2004, with \$1.6 billion considered collectible. Receivables over 60 days past due as of December 31, 2004 totaled \$1.6 billion.

Of that amount, \$789 million was placed with collection agencies or Tax Court Debt Collection Office for additional collection efforts, another \$531 million was with the Department of Taxation's field agents and in-house collectors, \$218 million was retained in-house for additional collection efforts, and \$15 million was placed with the Division of Debt Collection.

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



As of December 31, 2004, agencies expected to collect \$1.6 billion (51 percent) of all receivables. About 14 percent of these receivables are due to the

General Fund, primarily for tax assessments. The balance (\$1.4 billion) consists of amounts due to various nongeneral funds' activities.

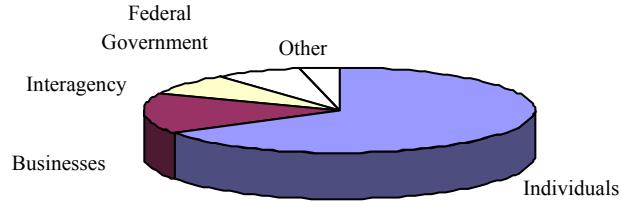
Collectible Receivables by Fund
As of December 31, 2004

<u>Fund</u>	<u>Source</u>	<u>Amount</u>	<u>Percent</u>
General Fund 14%	Medicaid	\$ 34,373,743	15%
	Individual Taxes	104,164,967	48%
	Business Taxes	52,004,399	23%
	Courts of Justice	25,547,701	11%
	Other	6,386,187	3%
	Subtotal	222,476,997	100%
	Interagency Receivables	521,226	0%
Total General Fund Collectible		\$ 222,998,223	100%
Nongeneral Funds 86%	Medicaid	\$ 8,588,353	1%
	Unemployment Taxes	60,897,061	4%
	Transportation	34,508,689	3%
	Child Support Enforcement	46,024,432	3%
	Federal Government	114,852,638	8%
	MHMR Patient Services	33,869,600	3%
	Hospital	119,005,304	9%
	Enterprise	62,124,459	5%
	Higher Education	704,589,682	52%
	Courts of Justice	24,098,746	1%
	Other	26,022,357	2%
	Subtotal	1,234,581,321	91%
	Interagency Receivables	120,033,482	9%
Total Nongeneral Fund Collectible		\$ 1,354,614,803	100%
All Funds	Grand Total	\$ 1,577,613,026	100%

Summary of Receivables by Source

Sources of Collectible Receivables by Debtor

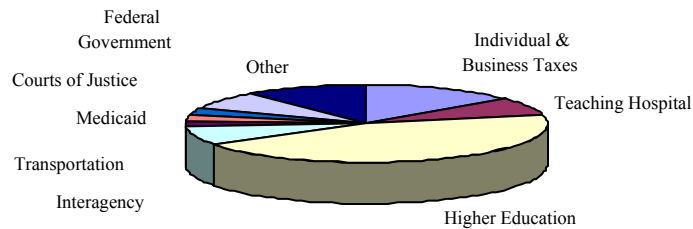
As of December 31, 2004



<u>Source</u>	<u>Amount</u>	<u>Percent</u>
Individuals	\$ 1,037,821,631	65.8%
Businesses	252,496,704	16.0%
Interagency	120,554,708	7.6%
Federal Government	114,852,638	7.3%
Other	51,887,345	3.3%
Total	\$ 1,577,613,026	100.0%

Sources of Collectible Receivables by Type

As of December 31, 2004



<u>Source</u>	<u>Amount</u>	<u>Percent</u>
Higher Education	\$ 704,589,682	44.7%
Individual & Business Taxes	217,066,427	13.8%
Interagency	120,554,708	7.6%
Teaching Hospital	119,005,304	7.5%
Federal Government	114,852,638	7.3%
Courts of Justice	49,646,447	3.1%
Medicaid	42,962,096	2.7%
Transportation	34,508,689	2.2%
Other	174,427,035	11.1%
Total	\$ 1,577,613,026	100.0%

Ten agencies account for 67 percent of the Commonwealth's gross and collectible accounts receivable balances.

Accounts Receivable Summary
Quarter Ended December 31, 2004

<u>Agency</u>	<u>Gross</u>	<u>Allowance for Uncollectible Accounts</u>	<u>Collectible</u>
Department of Taxation	\$ 1,042,435,492	\$ 877,440,258	\$ 164,995,234
Virginia Polytechnic Institute and State University	161,121,455	995,661	160,125,794
Department of Social Services	250,716,907	93,787,718	156,929,189
University of Virginia Medical Center	151,591,736	17,022,795	134,568,941
Virginia Commonwealth University	100,845,487	2,221,504	98,623,983
University of Virginia	84,286,818	928,500	83,358,318
George Mason University	74,112,734	852,954	73,259,780
James Madison University	72,026,391	1,243,965	70,782,426
Virginia Employment Commission	93,769,510	31,929,946	61,839,564
The College of William and Mary	56,564,868	6,020	56,558,848
Total	2,087,471,398	1,026,429,321	1,061,042,077
All Other Agencies	1,030,361,525	513,790,576	516,570,949
Grand Total	\$ 3,117,832,923	\$ 1,540,219,897	\$ 1,577,613,026

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.

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

These additional collection tools recovered \$10.5 million during the quarter ended December 31, 2004. The largest contributor was the private collection agencies, including the Tax Court Debt Collections Office, with collections of \$9.2 million. The debt setoff programs (Tax, Comptroller's and Lottery) collected \$808,321, and the Division of Debt Collection contributed \$530,322.

RECEIVABLES OVER 60 DAYS PAST DUE

As of December 31, 2004

Agency	Total Over 60 Days	With Collection Agency (1)	With Attorney General	Retained by State Agency
Department of Taxation	\$ 918,833,258	\$ 387,951,683	\$ -	\$ 530,881,575
Courts of Justice (1)	382,682,865	382,682,865	-	-
Department of Medical Assistance Services	54,802,477	3,835,984	1,666,377	49,300,116
Department of Social Services	51,521,658	-	-	51,521,658
Virginia Employment Commission	39,710,952	7,936,730	8,842,193	22,932,029
University of Virginia Medical Center	26,521,139	-	-	26,521,139
Department of Mental Health, Mental Retardation, and Substance Abuse Services	17,985,409	-	-	17,985,409
Department of Rail & Public Transportation	15,598,707	-	-	15,598,707
Virginia Polytechnic Institute and State University	4,373,544	644,199	926,866	2,802,479
George Mason University	3,930,785	1,823,962	42,184	2,064,639
Total	1,515,960,794	784,875,423	11,477,620	719,607,751
<i>All Other Agencies</i>	37,115,090	3,965,196	3,461,656	29,688,238
GRAND TOTAL	\$ 1,553,075,884	\$ 788,840,619	\$ 14,939,276	\$ 749,295,989

(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 \$3.1 million through the third quarter of FY 2005.

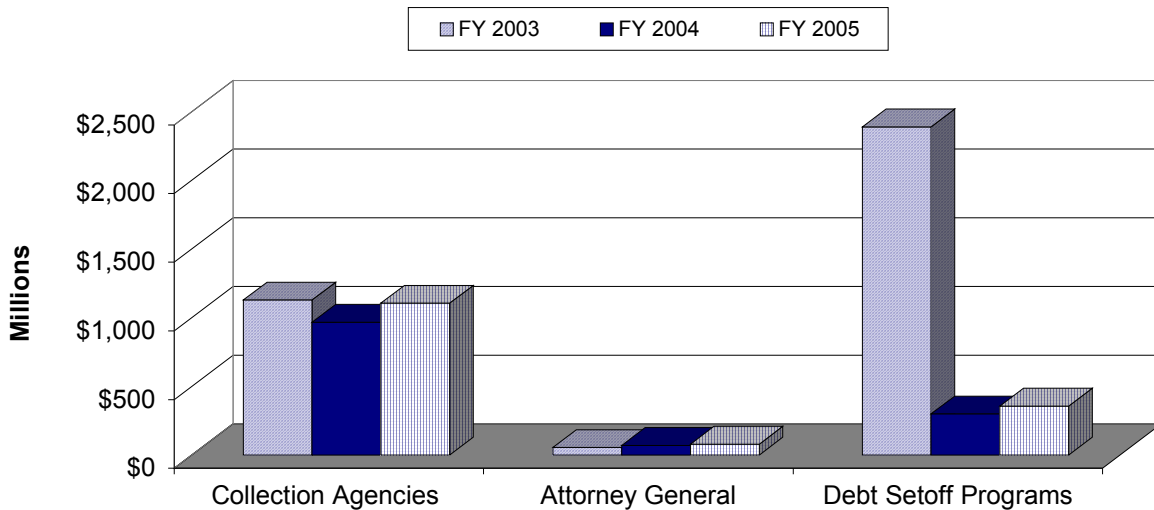
One way to measure an agency's effectiveness at collecting its accounts receivable is to look at how efficient collection procedures are on accounts that are more than 60 days past due. The table looks at trend percentages of receivables over 60 days past due as a percentage of gross receivables for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

Percentage of Gross Receivables Over 60 Days Past Due

Agency	Percent at 12/31/04	Comparative	
		Percent at 12/31/03	Percent at 12/31/02
Department of Taxation	88%	81%	83%
Courts of Justice	81%	79%	79%
Department of Medical Assistance Services	57%	41%	56%
Department of Social Services	21%	18%	8%
Virginia Employment Commission	42%	42%	34%
University of Virginia Medical Center	18%	17%	21%
Department of Mental Health, Mental Retardation, and Substance Abuse Services	32%	23%	11%
Department of Rail & Public Transportation	51%	16%	10%
Virginia Polytechnic Institute and State University	3%	3%	3%
George Mason University	5%	3%	3%
Statewide Average - All Agencies	50%	50%	50%

Total Past Due Accounts Listed with Collection Resources

Quarter Ended December 31, 2004



Another way to measure agency debt collection effectiveness is to compare amounts collected to amounts billed. The table below presents trend percentages for the ten agencies with the highest collectible account receivables balances. In total these ten agencies are responsible for 68 percent of the Commonwealth's collectible receivables balances. Percentages over 100% indicate the collection of prior balances as well as current billings.

In evaluating these percentages it is important to understand that the percentage may fluctuate based on how the different agencies conduct their business. For example, the VPI&SU percentage is 41 points lower in the second quarter than the previous first quarter because the University billed returning students in the second quarter but won't receive most payments until the third quarter.

The statewide average of 68% indicates that for every \$1 billed during the quarter ended December 31, 2004, the state collected 68 cents. This rate is a 17% decrease from last quarter, a 3% increase from last year, and an 11% increase compared to two years ago. The main contributor to the fluctuations is the Department of Taxation (TAX). TAX reported collections of \$80.1 million and billings of \$152.8 in the current reporting quarter, versus collections of \$102.7 million and billings of \$ 378.5 million for the December 31, 2003 quarter.

Collections as a Percentage of Billings

Agency	Percent at 12/31/04	Comparative	
		Percent at 12/31/03	Percent at 12/31/02
Department of Taxation	52%	27%	55%
Virginia Polytechnic Institute and State University	46%	50%	48%
Department of Social Services	80%	84%	115%
University of Virginia Medical Center	46%	38%	62%
Virginia Commonwealth University	46%	51%	46%
University of Virginia	78%	86%	86%
George Mason University	50%	51%	45%
James Madison University	28%	30%	29%
Virginia Employment Commission	105%	100%	97%
The College of William and Mary	29%	34%	58%
Statewide Average - All Agencies	68%	65%	77%

Advantages realized from DOA's web-based Accounts Receivable System now allow DOA to report agencies' aged past due accounts each quarter, in addition to notation in the annual report. Twenty state agencies held over 98% (\$1.73 billion) of the Commonwealth's \$1.76 billion past due accounts receivable at December 31, 2004.

Agencies with the Largest Volume of Past Due Receivables

As of December 31, 2004

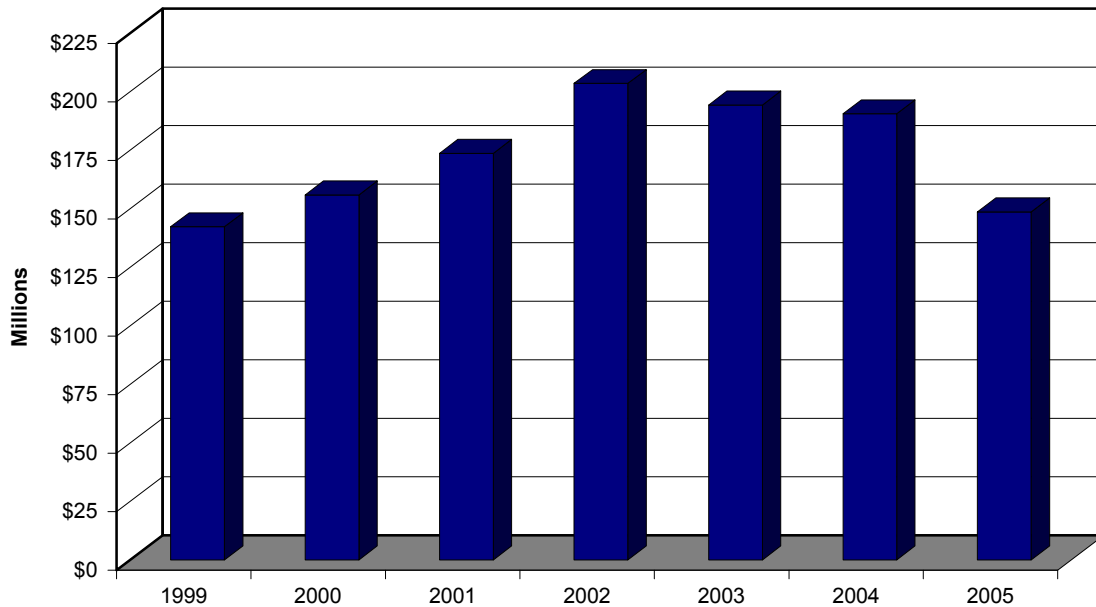
<u>Agency</u>	<u>Total Past Due</u>	<u>1 to 180 Days Past Due</u>	<u>181 to 360 Days Past Due</u>	<u>Over One Year</u>
Department of Taxation	\$ 973,970,278	\$ 381,213,092	\$ 197,585,729	\$ 395,171,457
Courts of Justice	391,873,937	31,436,480	51,460,709	308,976,748
University of Virginia Medical Center	81,403,655	74,863,064	7,811,198	(1,270,607)
Department of Medical Assistance Services	59,485,727	13,122,934	4,046,623	42,316,170
Department of Social Services	52,567,757	3,143,553	2,943,794	46,480,410
Virginia Employment Commission	43,761,531	9,781,033	9,716,349	24,264,149
Department of Mental Health, Mental & Substance Abuse Services	32,788,400	29,238,028	3,550,372	-
Department of Rail and Public Transportation	15,598,707	14,961,051	104,993	532,663
Virginia Commonwealth University	13,301,216	10,770,724	898,798	1,631,694
Virginia Polytechnic Institute and State University	10,386,308	8,502,883	581,519	1,301,906
Virginia Military Institute	9,234,497	9,123,189	6,326	104,982
University of Virginia	8,574,986	7,326,625	672,898	575,463
University of Mary Washington	8,313,118	8,212,313	29,258	71,547
George Mason University	7,660,470	7,064,585	241,545	354,340
Virginia Community College System	4,786,652	4,151,036	459,358	176,258
Old Dominion University	3,933,184	3,797,200	71,722	64,262
Norfolk State University	3,643,340	3,507,167	29,774	106,399
Department of Conservation and Recreation	3,395,463	3,204,509	149,616	41,338
Department of Transportation	3,223,268	76,184	227,217	2,919,867
University of Virginia's College at Wise	2,611,909	2,611,207	441	261
Total - Largest Dollar Volume Agencies	1,730,514,403	626,106,857	280,588,239	823,819,307
All Other Agencies	33,353,403	24,164,381	3,376,016	5,813,006
Grand Total Past Due Receivables	\$ 1,763,867,806	\$ 650,271,238	\$ 283,964,255	\$ 829,632,313

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*
Fiscal Years Ended 1999 - 2005



*FY 2005 reflects indirect cost recoveries through December, 2004.

Indirect Cost Recoveries From Grants and Contracts

Fiscal Year 2005

Fund	Year-to-Date		
	Higher Ed	Non-Higher Ed	Total
Nongeneral:			
Agency / Institution (1)	\$ 110,630,953	\$ 34,041,251	\$ 144,672,204
Statewide	2,001,230	968,623	2,969,853
Total Nongeneral	112,632,183	35,009,874	147,642,057
General:			
Agency (Cash Transfers)	-	183,478	183,478
Statewide	-	698,233	698,233
Statewide (Cash Transfers)	-	611	611
Total General	-	882,322	882,322
Total All Funds	\$ 112,632,183	\$ 35,892,196	\$ 148,524,379

- (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 \$20,921,087, representing the Department of Social Services' estimate of indirect cost recoveries received.



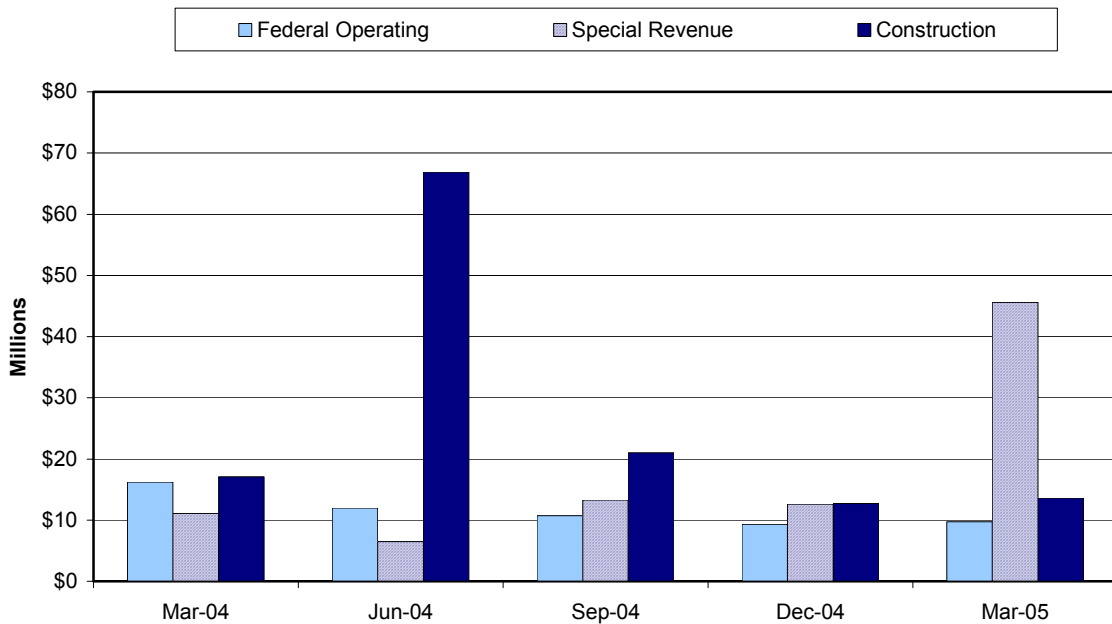
Loans and Advances

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 March 31, 2005, was \$68.8 million.

Treasury Loans

Quarter Ended March 31, 2005



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 March 31, 2005.

◆ **Working Capital Advances**, which provide operating funds for nongeneral fund projects when revenues to be used for repayment will not be generated within the twelve months required for anticipation loans. There were no outstanding working capital advances at March 31, 2005.

Significant New Loans/Drawdowns

Department of Mental Health, Mental Retardation, and Substance Abuse Services

New loan to provide operating funds while awaiting reimbursement from Medicare and Medicaid programs.	\$30,000,000
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Virginia Tobacco Settlement Foundation

New loan to provide operating funds while awaiting reimbursement from the Master Settlement Agreement.	\$3,000,000
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Department of Veterans Services

Two drawdowns to begin design/construction of the Veterans Care Center in Richmond.	\$1,523,175
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Institute for Advanced Learning and Research

New loan and drawdown to pay for obligations incurred prior to receipt of higher education trust fund allocations.	\$1,000,000
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Significant Loan Repayments

Department of Veterans Services

Partial repayment of loan that provided funding for the Hampton Roads Veterans Cemetery.	\$1,069,350
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