

**REPORT ON  
STATEWIDE FINANCIAL MANAGEMENT AND  
COMPLIANCE**

**FOR THE QUARTER ENDED MARCH 31, 2009**



**OFFICE OF THE COMPTROLLER**

**DEPARTMENT OF ACCOUNTS**

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## STATEMENT OF PURPOSE

The *Code of Virginia* requires that the Department of Accounts (DOA) monitor and account for all transactions involving public funds. In order to carry out this mandate, the Department uses a variety of measures, including automated controls, statistical analyses, pre-audits and post-audits, staff studies and reviews of reports issued by the Auditor of Public Accounts. When taken as a whole, these measures provide an important source of information on the degree of agency compliance with Commonwealth accounting and financial management policies, internal controls, procedures, regulations, and 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, 2009, and comparative FY 2008 data. Some information in the report is for the quarter ended December 31, 2008, which is the most current data available.

David A. Von Moll, CPA, CGFM  
Comptroller



Virginia Department of Accounts

Financial Accountability. Reporting Excellence.

## SPECIAL REPORT

### 2008 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 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 2009, a Statewide Information Returns compliance survey was conducted for the 2008 tax year. Based on the survey, 128 tax reporting entities (representing 256 agencies and institutions) filed 3.6 million information returns totaling \$8.6 billion. Two reporting entities did not file information returns for 2008. The Commonwealth filed 99.9 percent of the information returns with the IRS using electronic media.

#### Information Returns *Filed for Calendar Year 2008*

Number of Information Returns Filed	Number of Tax Reporting Entities
No Returns	2
1 to 50 Returns	65
51 to 250 Returns	29
Over 250 Returns	32
Total Reporting Entities	128

The agencies and institutions of the Commonwealth filed the following types of information returns for the tax year ended December 31, 2008. When the number of information returns filed for 2008 is compared with 2007, percent changes by category range from negative 6 percent for 1099-S, Real Estate Transactions, to positive 46 percent for W-2G, Lottery Winnings.

15%, as a result of the increased number of distributions made to (i) institutions pursuant to Virginia Prepaid Education Program contracts, and (ii) participants, beneficiaries and institutions pursuant to Virginia Education Savings Trust and CollegeWealth savings accounts. The variation in the reported number of lottery winners is due in large part to the type of games played and the luck of the draw.

The number of 1099-Q forms reported by the Virginia College Savings Plan increased by

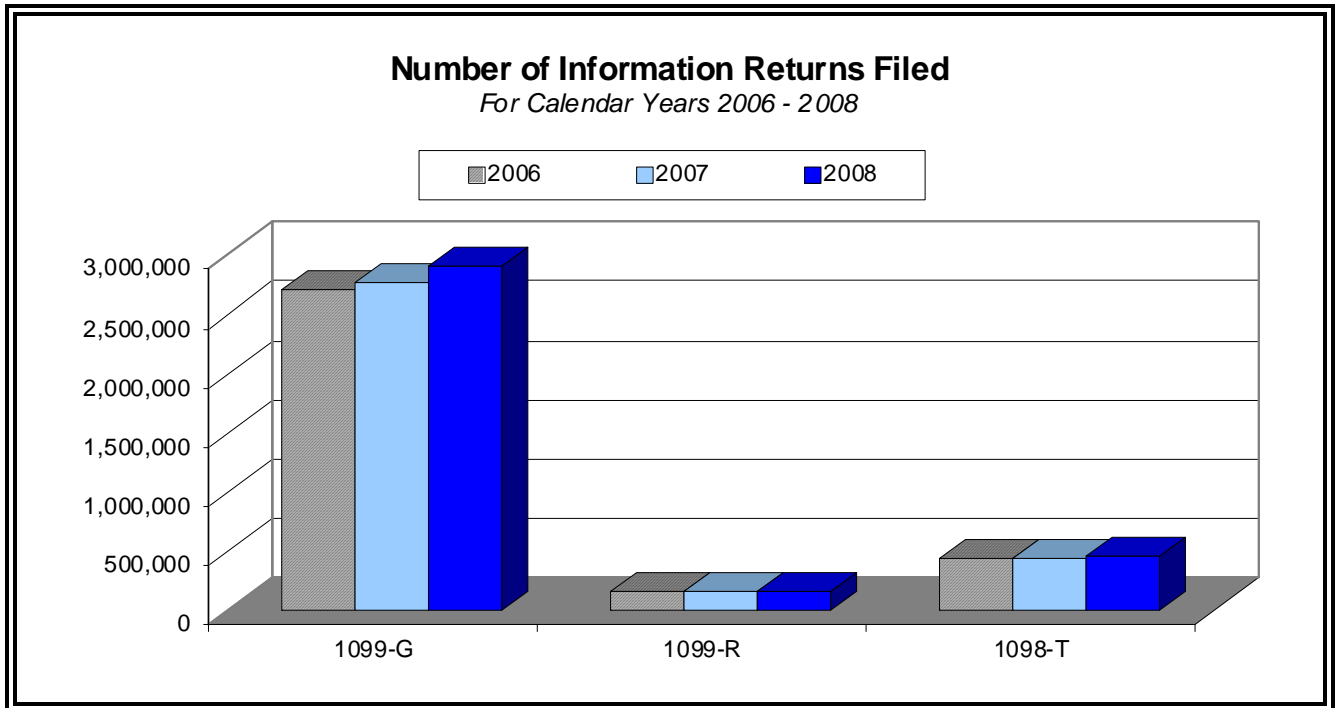
### 2008 Information Returns Reporting Results

*By Major Filing Category*

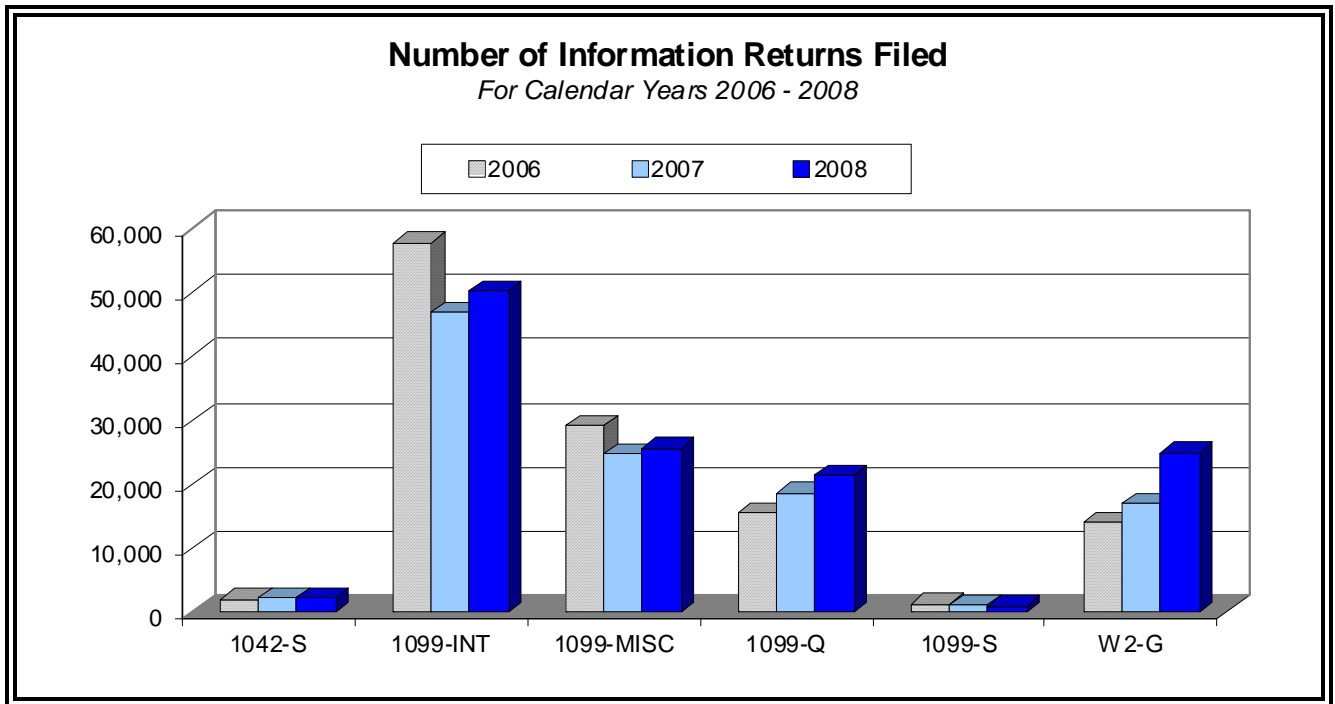
<b>Form Type (1)</b>	<b>Dollars Reported in 2008</b>	<b>Number of Payees in 2008</b>	<b>Electronic Media</b>	<b>Paper Media</b>	<b>% Change in Number of Filings from 2007</b>
1042-S, Foreign Persons	\$ 16,267,569	2,248	2,003	245	0%
1098-T, Tuition Statement	2,189,035,065	448,821	448,821	-	3%
1099-DIV, Dividends	402,418	1,516	1,516	-	4%
1099-G, Government Payments	2,499,613,438	2,902,598	2,902,441	157	5%
1099-INT, Interest	9,824,623	50,257	50,076	181	7%
1099-MISC, Miscellaneous Income (2)	716,243,638	25,664	23,354	2,310	4%
1099-Q, Qualified Education Programs	142,061,571	21,468	21,468	-	15%
1099-R, Retirement	2,727,463,769	163,168	163,044	124	5%
1099-S, Real Estate Transactions	142,660,420	943	940	3	-6%
W-2G, Lottery Winnings	172,425,567	24,947	24,947	-	46%
<b>Total</b>	<b>\$ 8,615,998,078</b>	<b>3,641,630</b>	<b>3,638,610</b>	<b>3,020</b>	<b>5%</b>

- (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 made by the DMAS fiscal agent.

Following is a comparison of the number of returns filed in the past three years in various categories.



Note: This chart does not include comparison information for forms 1042-S, 1099-Q, 1099-INT, 1099-MISC, 1099-S, or the W2-G. 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 2008, one agency reported receiving penalty notices from the IRS for missing or incorrect Taxpayer Identification Numbers on certain prior year information returns. Subsequently, the IRS waived these penalties due to a finding of reasonable cause. One agency reported receiving and paying a \$43 IRS penalty for not withholding the required tax on a 2007 payment to a foreign national.

Eighty-six agencies and institutions requested information returns training. The training requests covered a variety of topics and IRS compliance issues including the DOA 1099 Adjustment and Reporting System (ARS),

Financial Information Downloading System (FINDS), electronic filing, Purchase Card payment reporting, Taxpayer Identification Number mismatches, and the reporting requirements for the 1099-G and the 1042-S.

In 2008, 20 state agencies and institutions reported participating in the IRS' Combined Federal/State Filing Program. This program, described in IRS Publication 1220, saves electronic filers time and postage because the IRS forwards the state tax copies, that otherwise would have to be mailed by the filer, to participating states.

The chart below lists the reporting entities that filed more than 500 information returns for calendar year 2008.

**Reporting Entities Filing More Than  
500 Information Returns for 2008**

Reporting Entity	Number of Agencies	Number of Returns	Dollars Reported	Automated System (s)
Department of Taxation	1	2,750,714	\$ 1,894,833,362	In-House System
Virginia Employment Commission	2	198,444	613,105,445	AMS
Virginia Community College System (VCCS) (1)	24	192,140	221,893,737	PeopleSoft Admin. System
Virginia Retirement System	1	163,081	2,761,965,145	AdamsTax Form Helper
Virginia Commonwealth University	1	49,445	301,182,136	Banner and Evisions
George Mason University	1	37,773	274,336,904	Banner
University of Virginia	3	34,389	482,246,513	In-House System
Virginia Polytechnic Institute and State University	2	33,493	325,928,100	Banner
Old Dominion University	1	31,733	143,252,291	Banner and Secure 32
State Lottery Department	1	26,014	215,838,406	JD Edwards Enterprise One
Virginia College Savings Plan	1	21,478	142,633,216	AMS
James Madison University	1	21,292	180,948,812	Winfiler
The College of William and Mary in Virginia	3	13,557	134,661,795	Banner and AMS
Radford University	1	12,999	67,482,343	AMS
Norfolk State University	1	8,521	52,671,381	IFAS
University of Mary Washington	1	6,785	41,801,304	Banner
Christopher Newport University	1	6,745	47,848,209	Evisions
Virginia State University	2	6,582	56,733,794	1099 Express Enterprise
Longwood University	1	5,696	39,907,290	Banner
Department of the Treasury, Division of Unclaimed Property	1	3,121	2,687,550	In-House System
Supreme Court	9	2,627	99,099,094	IDSS Oracle
Department of Transportation	1	2,050	181,887,182	PeopleSoft FMS
Department of Forestry	1	1,781	2,923,387	AMS
Virginia Military Institute	1	1,726	25,577,048	Datatel Colleague
Department of Rehabilitative Services	6	1,300	14,558,180	Powerhouse
Department of Health	2	974	10,831,292	FAS (Oracle)
<b>Total</b>	<b>70</b>	<b>3,634,460</b>	<b>\$ 8,338,833,918</b>	

(1) The number of returns filed by VCCS includes 192,118 1098-T's filed on behalf of the 23 community colleges.

## SPECIAL REPORT

### 2008 Year-End Payroll Processing

At the end of calendar year 2008, DOA working with 220 state agencies and institutions, verified and printed 121,275 W-2s. This was a slight decrease from the number of W-2s printed in 2007.

	CY 2007	CY 2008
W-2s Printed	123,787	121,275
W-2Cs Printed	35*	33*
Agencies Making Adjustments	67	70
Employee Records Requiring Year-End Adjustments	236	254

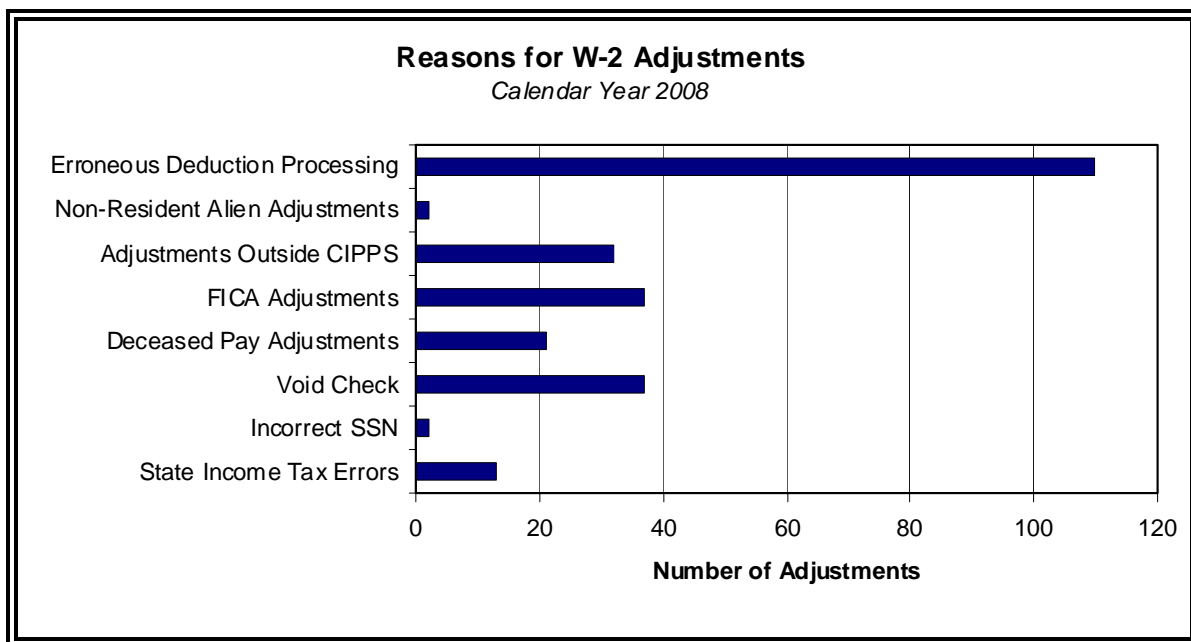
\*# of W-2C's printed as of the date of this report.

The elimination of 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 without difficulty. Submissions of certified year-end reports continue to follow the same trend as last year.

Agencies adjusted 254 employee records. FICA adjustments related to the calculation of imputed life for ORP retirees was the most common reason for W-2 adjustments. Adjustments made outside of the payroll system processed at year-end also constituted a large portion, as did adjustments for erroneous deduction processing.

W-2s are printed at the Commonwealth Enterprise Solutions Center 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 control deficiencies. Control deficiencies occur when the design or operation of internal control does not allow management or employees to prevent or detect errors that, in the Auditor’s judgment, could adversely affect the agency’s ability to record, process, summarize, and report financial data consistent with the assertions of management.

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

### *Audit Reports – Quarter Ended March 31, 2009*

The APA issued 15 separate reports covering 37 agencies for the Executive Branch. 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
<b>Administration</b>				
Compensation Board	1	0	1	Yes
Department of Employment Dispute Resolution	0	0	0	N/A
Department of Minority Business Enterprise	2	1	3	Not due
Human Rights Council	0	0	0	N/A
<b>Agriculture and Forestry</b>				
None				
<b>Commerce and Trade</b>				
Board of Accountancy (1)	0	0	0	N/A
Virginia Employment Commission	1	1	2	Yes
<b>Education</b>				
The College of William and Mary in Virginia	0	1	1	Yes
The Library of Virginia	0	0	0	N/A
Virginia Commonwealth University	2	1	3	Yes
<b>Executive Offices</b>				
None				
<b>Finance</b>				
Agencies of the Secretary of Finance (1)(2):				
Department of Accounts (2)	1	0	1	Yes

	New Findings	Repeat Findings	Total Findings	CAW Received
Department of Planning and Budget (2)	0	0	0	N/A
Department of Taxation (2)	4	0	4	Yes
Department of the Treasury (2)	4	6	10	Yes
Treasury Board (2)	0	0	0	N/A
<b>Health and Human Resources</b>				
Agencies of the Secretary of Health and Human Resources (3)(4):				
Comprehensive Services for At-Risk Youth and Families (3)	0	0	0	N/A
Department for the Aging (3)	1	0	1	Yes
Department for the Blind and Vision Impaired (3)	0	0	0	N/A
Department for the Deaf and Hard-Of-Hearing (3)	0	0	0	N/A
Department of Health (3)	5	2	7	Yes
Department of Health Professions (3)	0	0	0	N/A
Department of Medical Assistance Services (3)	1	0	1	Yes
Department of Mental Health, Mental Retardation, and Substance Abuse Services (1)(3)	5	4	9	Yes
Department of Rehabilitative Services (3)(4)	1	0	1	Yes
Department of Social Services (3)	2	0	2	Yes
Virginia Board for People with Disabilities (3)	0	0	0	N/A
Virginia Rehabilitation Center for the Blind and Vision Impaired (3)	0	0	0	N/A
Woodrow Wilson Rehabilitation Center (3)	0	0	0	N/A
<b>Natural Resources</b>				
None				
<b>Public Safety</b>				
Commonwealth's Attorneys' Services Council	0	0	0	N/A
Department of Criminal Justice Services	1	1	2	Yes
Department of Emergency Management	2	2	4	Yes
<b>Technology</b>				
None				
<b>Transportation</b>				
Agencies of the Secretary of Transportation (5):				
Department of Aviation (5)	0	0	0	N/A
Department of Motor Vehicles (5)	4	1	5	Yes
Department of Rail and Public Transportation (5)	1	0	1	Yes
Department of Transportation (5)	1	0	1	Yes

**Transportation – (Continued)**

Agencies of the Secretary of Transportation (5):

Motor Vehicle Dealer Board (5)	0	0	0	N/A
Towing and Recovery Operators (5)	0	0	0	N/A
Virginia Port Authority (5)(6)	0	0	0	N/A

- (1) This audit report contains a risk alert.
- (2) The audits of these five entities were released in one report.
- (3) The audits of these thirteen agencies were released in one report.
- (4) This audit report contains an efficiency issue.
- (5) The audits of these seven entities were released in one report.
- (6) VPA issues a separate financial report on which the APA provides a separate, independent auditors report on internal controls, and compliance and other matters.



## *Findings – Quarter Ended March 31, 2009*

The following agencies had one or more findings contained in the 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

#### *Compensation Board (CB)*

1. Improve Data Integrity of COIN System. The Compensation Board should strengthen internal controls to ensure data integrity within the Constitutional Officers Information Network (COIN). The COIN system gathers clerk fee revenue data from Circuit Courts to calculate excess fees. Excess fees are used to divert an additional portion of state revenue collected by courts to local governments whose courts' collect more fees. The Compensation Board does not reconcile the fee revenue data gathered in COIN from the Circuit Court Clerks to the originating Financial Management System (FMS) of the Courts. Because this is a decentralized manual process, failure to reconcile these differences increases the risk of errors or fraud by Circuit Court Clerks that could go undetected.

During the audit period, the Circuit Court Clerk's office in the City of Hampton erroneously keyed clerk court fee revenue incorrectly into COIN, overstating the January 2007 excess fee calculation in the COIN system. This error resulted in a \$7.4 million overpayment to Hampton City. Once the City identified the overpayment, they contacted the Compensation Board and it was transferred back to the Commonwealth the following day, within two weeks of initial payment. In response, the Compensation Board staff added an edit to the COIN system that will warn users if total fees entered vary by more than 10 percent from the prior month. Although the Compensation Board staff has provided a quick remedy to mitigate the magnitude of these types of transactions, the Board still has no assurance that Circuit Court Clerks are properly keying data to the COIN system. The audit recommends that the Compensation Board either gain access to FMS reports in order to perform regular reconciliations of FMS to COIN, or receive data file transfers from FMS to automatically populate the necessary data fields in COIN. Either option will greatly enhance the completeness and accuracy of COIN data and ensure proper excess fee payments in the future.

#### *Department of Minority Business Enterprise (DMBE)*

1. Information System Security Program. **This is a Repeat Finding and progress has been made.** The Accounting and Internal Control Compliance Oversight (AICCO) unit at the Department of Accounts (DOA) is assisting DMBE in developing an information system security program. The estimated completion date is April 2009. Once the program is complete, DMBE should continue to work with the AICCO unit to implement the program and train employees in the information systems security policies and procedures.
2. Follow Small Purchase Charge Card Procedures. DMBE's sole cardholder did not maintain a daily record of individual purchases to compare to the monthly credit card statement. Therefore, DMBE does not know if it is paying for only its purchases, or if there are erroneous charges on the monthly statement. DOA guidelines recommend that cardholders maintain a

daily log of purchases to ensure agencies only pay for items they purchased and can detect errors and erroneous charges timely.

3. Process Vendor Statements Promptly. DMBE did not send several bills to the Department of General Services (DGS) in a timely manner, resulting in non-compliance with the Commonwealth's Prompt Payment Statutes. The Statutes require agencies to pay vendor bills either by the due date or within thirty days of receiving goods or services, whichever is later. To comply with Prompt Payment Statutes, DMBE must send bills to DGS in sufficient time to pay the bill in accordance with the Statutes.

## Commerce and Trade

### *Virginia Employment Commission (VEC)*

1. Review Wage Discrepancies. The Tax and Wage Information Processing (TWIP) Unit is not reviewing and correcting wage discrepancies identified on various wage discrepancy reports in a timely manner. Employers report wages paid to employees to VEC, which verifies the amounts reported against other sources of information. Differences between amounts reported to VEC and other sources should be reviewed by TWIP and resolved. Unresolved wage discrepancies could affect the amounts employers pay in Unemployment Insurance taxes and amounts of benefits employees can receive. A sample of 17 wage discrepancies disclosed five discrepancies that the TWIP Unit had not reviewed. The Unit subsequently corrected three discrepancies within one day of the disclosure; the other two required further follow-up with the employer or the employer's payroll services firm.
2. Properly complete Employment Eligibility Verification Forms. **This is a repeat finding.** VEC has not made significant progress in relation to the prior year finding of not properly completing Employment Eligibility Verification (I-9) forms in accordance with guidance issued by U. S. Citizenship and Immigration Services of the U. S. Department of Homeland Security. A review of I-9 forms for all employees hired after VEC implemented new procedures during FY 2008 found one form was not dated by the employee, two forms were not dated and initialed by the employer after a correction was made, and one form indicated the employee's effective date of hire rather than the actual first day of work. Based upon the number of errors found during the audit test work, the APA considers this to be a significant internal control weakness and non-compliant with federal regulations. While training provided to staff in November 2007, based on our prior year audit recommendation, had a positive impact in regards to reducing I-9 errors, we continue to recommend that the Human Resources Division regularly communicate with staff on the importance of properly completing I-9 forms.

## Education

### *The College of William and Mary in Virginia (CWM)*

1. Continue to Improve Financial Reporting. **This is a Repeat Finding, and progress has been made.** Since the College implemented the new Banner Accounting System in July 2004, management and staff have faced significant challenges in using the new accounting system to

prepare its annual financial statements. In the current financial statement preparation cycle, the College hired a new Assistant Director of Financial Reporting and there were substantial improvements in financial statement preparation, including improved documentation, more timely financial statements, fewer errors, and better preparation of year-end adjustments. College staff and the auditors also identified several significant errors from previous years that required restatements of beginning fund balances, reclassification of revenues and correction of footnote disclosures. After four cycles of preparing annual financial statements from the new accounting system, College staff has not documented detailed procedures for preparing the financial statements and ensuring their accuracy.

### *Virginia Commonwealth University (VCU)*

1. Compute Title IV Refund Calculations Accurately. The Office of Financial Aid did not accurately calculate Title IV refund calculations throughout the 2007 – 2008 academic year. Financial aid staff used a spreadsheet application to compute the refunds; however, incorrect formulas led to incorrect calculations. In July 2008, The Office of Financial Aid recalculated all Title IV refund calculations for students where a refund to the program would be required. These errors affected 166 student accounts and required VCU to refund an additional \$170,494 in aid to the Title IV programs. Financial aid staff sent letters to students affected by the recalculation advising how this changed the balance of their student account.
2. Identify Unofficial Withdrawals Promptly. The Office of Financial Aid did not promptly identify Title IV students who discontinued attending classes without notifying the Registrar (unofficial withdrawals). To identify unofficial withdrawals, VCU is required to promptly investigate those students who receive no passing grades each semester. In July 2008 the Office identified 33 students who were unofficial withdrawals for the Fall 2007 and the Spring 2008 semesters and subject to a Title IV refund. VCU was required to return \$42,106 to the Title IV programs these refunds were not calculated and made in a timely manner. The Office has since developed a policy to implement this requirement.
3. Improve Employment Eligibility and Verification Process. **This is a repeat finding.** In the prior year audit VCU was reported as not properly completing Employment Eligibility Verification (I-9) forms in accordance with guidance issued by U. S. Citizenship and Immigration Services of the U. S. Department of Homeland Security. In a sample of twenty forms, the audit found one or more errors on twelve forms. Employees did not complete some forms before the first day of work, or staff did not verify the information within the first three business days of employment. In another cases, VCU supervisors failed to document the “Issuing Authority” or “Expiration Date” of the reviewed documents. In addition, White Out was used to correct some forms as opposed to crossing through the error and initialing and dating the correction.

## Finance

### *Department of Accounts (DOA)*

1. Improve Information Systems Security Program. DOA needs to enhance certain areas of its information systems security program. While DOA generally practices good information security controls, the audit identified three issues relating to its information security program

that needs further development to protect its sensitive data and comply with the Commonwealth's information security standard:

- First, update its information technology risk assessment. The Commonwealth's information security standard requires agencies to evaluate and update their information technology risk assessments at least every three years or earlier if warranted.
- Second, DOA has not documented certain procedures or provided inadequate detail in others. The information technology security program does not include procedures to monitor and log system activity, disable unnecessary system services, or discuss the requirements of how to respond to security incidents for its applications and databases.
- Third, DOA contracts with outside entities, with which it shares sensitive data; do not sufficiently identify DOA requirements regarding secure transmission, storage, access, system breach, and adherence to regulatory requirements. Complete documentation of information technology policies, procedures, and requirements will ensure consistent application of DOA information security practices and will minimize the risk as it relates to the confidentiality, integrity, and availability of data and information.
- To further protect its sensitive data and ensure compliance with Commonwealth standards, DOA should update its Risk Assessment, improve its technology security policies, and include its security requirements in its interoperability contracts.

#### ***Department of Taxation (Taxation)***

1. Evaluate and Strengthen the Attachment Preparation and Review Process. Taxation's Fiscal Division is required to submit several attachments, including supplemental information, to the State Comptroller for inclusion in the CAFR. The audit found several oversights and data entry errors in the receivables, payables, and individual deferred credit supplemental information. In addition, DOA also found errors in the receivables and payables submission. As a result Taxation staff had to make several resubmissions that resulted in more than \$49 million in adjustments to the receivables reported in the CAFR. Because of the complexity of the process and the potential impact on the CAFR, the Fiscal Division should consider the high risk of errors and omissions on the preparation and supervisory review of the submissions.
2. Improve System Access Management. Taxation periodically reviews user access to various systems; however, this process does not include all significant systems, have a set frequency, have a documented process, and have someone independent of all the access requestors review existing access. A review conducted in August 2008 found the need to modify the access for a number of users.
3. Improve Process for Documenting the Information Systems Security Program. Taxation has implemented an adequate Information Systems Security Program and generally practices good internal information technology controls. However, the Information Systems Security Program would benefit from a more formal documentation process to ensure uniformity of information across the various parts of the Program. The Program is a work in progress that undergoes constant updating and changes for new systems, changing environment, and other factors. In addition, numerous individuals throughout the organization are working on the Program. The audit disclosed a lack of consistency between various components of the Program. The Program would benefit from the development of a process to ensure all sensitive applications and operations receive uniform consideration across the agency.

4. Properly Complete Employment Eligibility Verification (I-9) Forms. Taxation is not properly completing Employment Eligibility Verification (I-9) forms in accordance with guidance issued by U.S. Citizenship and Immigration Services of the U.S. Department of Homeland Security in its Handbook for Employers (M-274). Employees are required to complete, sign, and date Section I of the I-9 on or before the first day of employment. The employer or designated representative must complete, sign, and date Section 2 of the I-9 within three days of employment. In addition, in the Certification section, the employer or designated representative must specify the date of which the employee began employment. Further, Section 2 contains spaces for the employer to list the documents they examined from Lists A or B and C and to record the title, number, and expiration date, if applicable. A review of 23 I-9 forms found Taxation completed four I-9 forms correctly. In the remaining forms the audit found that employees completed the forms after the first day of employment, forms were incomplete because the employer did not record the date employment began, and the forms included the employee's social security number rather than the number of the document reviewed. Taxation also inconsistently maintains photocopies of the documents used to verify an employee's identity and employment eligibility. In addition, photocopies of documents did not support the documents reviewed in the I-9 preparation process.

***Department of the Treasury (Treasury)***

1. Establish Sufficient Controls over the Wire Transfer Process. **This is a repeat finding and progress has been made.** The prior report noted that Treasury had limited or no involvement in agency-initiated wire transfers, and only grants, deletes and changes access to the online banking systems as the agencies request this access. To resolve these concerns, Treasury is in the process of establishing memorandums of understanding with agencies who directly initiate wires to explain each party's responsibilities and necessary controls. The agreements also include a section directing the other state agency's internal audit to conduct an annual review of the wire transfer process.
2. Establish Sufficient Controls over Online Banking Systems. **This is a repeat finding and progress has been made.** Select Treasury employees have access to the four concentration banks' online banking systems. Treasury also controls access to these systems for other state agency employees. The prior audit noted a lack of controls surrounding access to some of these systems. During fiscal 2008, Treasury contacted all other state agencies to confirm account access and verify that all access is reasonable. Management added a new method for adding, modifying, deleting, and reviewing online banking system access. Treasury is currently in the process of developing and documenting policies and procedures surrounding this access.
3. Strengthen Internal Controls over Disbursement Processing. **This is a repeat finding.** Treasury reconciles check payment totals to the Commonwealth's Accounting and Reporting System (CARS) or another originating system to ensure accuracy of processing. Treasury uses "payee match positive pay" processing with certain large accounts. Treasury personnel continue to have access internally to make certain check alterations before disbursement. Treasury needs to evaluate viable options to mitigate this risk. Although Treasury missed its internal deadline for implementing "payee match positive pay", management is continuing discussions to implement the process with one financial institution and is evaluating the feasibility of extending "payee match positive pay" to the remaining accounts.

4. Establish, Maintain, and Review Centralized Cash, Investment, and Application Access Account Listings. **This is a repeat finding and progress has been made.** The prior audit recommended that Treasury establish a centralized automated record of employees' access. During the summer of 2008, Treasury gathered information on employee's access from division managers and placed the information in a database. Treasury has begun creating a centralized listing but has not listed access to all individual applications, including the Unclaimed Property System and some external vendor systems. During the next year, Treasury intends to review the listing and develop policies and procedures for reviewing and updating the list.
5. Update Risk Assessment and Test Business Continuity Plan. **This is a repeat finding and progress has been made.** Treasury is in the process of updating their risk assessments. The assessments should be completed in a timely manner and the entire business continuity plan should be tested, at least annually. The plan should be reviewed and revised to reflect any concerns noted during the testing.
6. Enable Audit Trails and Transaction History on Information Systems. **This is a repeat finding and progress has been made.** During the prior year, Treasury did not enable audit trails or transaction history features on all of the information technology systems. Management is in the process of addressing this finding and has procured a log monitoring software tool.
7. Establish Adequate Controls over Collection of Unclaimed Property Checks. During fiscal 2008, Treasury had inadequate controls over the collection of unclaimed property checks. One individual opened all unclaimed property mail that frequently contains checks with a report listing the appropriate distribution of the check. This is a lack of controls over check processing as one individual has complete control over the checks and the accompanying reports explaining the owner of the funds. As a result, Treasury did not have adequate controls to preclude missing and altered checks.
8. Establish Adequate Reviews over Financial Records. Treasury misstated interest on investment income and higher education disbursements by \$1.5 million on the Virginia College Building Authority (VCBA) financial statements. This error is a result of inadequate reviews of individual transactions that Treasury staff post to VCBA records. In addition, Treasury overstated bond interest payable by \$1.3 million on the Virginia Public Building Authority (VPBA) financial statements. This error was caused by not using the recalculated bond interest for a refunded bond. In these situations, the lack of an adequate review prevented Treasury from detecting the error initially.
9. Perform Adequate Oversight over Trustee. Treasury contracts with the Bank of New York Mellon to provide trustee services for the VCBA and VPBA. Under this relationship, Treasury is responsible for providing contract management to ensure that Bank of New York Mellon provides adequate services. Treasury is dependent on the trustee and uses their information when compiling the authorities' annual financial statements. Several issues were noted with the trustee's performance, including: posting transactions to incorrect accounts, untimely postings, missing statements, untimely resolution of errors, and account balances that do not reflect an accurate transaction history. In addition, the trustee could not originally confirm two significant account balances for VCBA. Treasury also questions the integrity of the electronic data that it receives and, therefore, does not rely on this information and continues to enter all transactions manually. Treasury management met with the trustee's management in December 2008 to

discuss a list of their concerns. Treasury management expects Bank of New York Mellon to make significant progress by March 2009. When Treasury manages this relationship properly and demands accurate and timely information, it could reduce time spent on correcting inaccuracies and also could upload trustee information into its spreadsheets electronically and analyze the information.

10. Conduct Security Awareness Training Timely. Treasury has not performed security awareness training in accordance with its policies and Commonwealth Standards. Treasury is making progress toward implementing a complete security awareness training program by using a web-based system to track completion. This system allows Treasury to ensure that new employees complete training timely and allows them to complete refresher training at least annually. New and existing employees should complete and acknowledge receipt of information technology security training and records of completed training should be retained for at least a three-year period. Treasury's Information Security Officer should ensure departments are complying with awareness training requirements by review training content and attendance periodically.

## Health and Human Resources

### *Department for the Aging (VDA)*

1. Strengthen Information Security Program – First Year Finding. Aging does not have critical components of an information security program such as a Business Impact Plan, and a Risk Assessment to evaluate key IT infrastructures. The absence of these documents questions the validity of Aging's Contingency and Disaster Recovery Plan, which uses the results of the Business Impact Plan and Risk Assessment to develop the plan. An inadequate information security program places the agency and its information systems and data at risk.

### *Department of Health (VDH)*

1. Update and Expand Security Awareness Training – Repeat Finding. VDH has not set up an agency-wide formal information security awareness training program, missing its self-imposed due date of March 31, 2008, by seven months. Providing users with regular Security Awareness Training minimizes the risks of not maintaining the confidentiality, integrity, and availability of VDH information. VDH management was expecting to provide staff with refresher training before the end of the calendar year. Current refresher training, together with regular updates, is needed to ensure that users are aware of new policies, procedures, or risks to the VDH IT systems and information.
2. Improve and Test Contingency and Disaster Recovery Planning – Repeat Finding. For the second consecutive year, VDH does not have adequate contingency and disaster recovery plans for all of its sensitive and mission critical applications. The audit found varying levels of compliance with the Commonwealth's security standards; however, none of the contingency plans reviewed met the critical elements of the standards for continuity of operations and disaster recovery. The Commonwealth's security standards require the development of contingency plans. Agencies are required to test the plans annually.

3. Establish and Document Responsibilities for Securing Partnership's Equipment – First Year Finding. VDH needs to formally document the processes for requesting, approving, granting, reviewing, and removing physical access to the Partnership's equipment. At VDH expense, the Partnership maintains equipment owned and maintained by Northrop Grumman in Health's basement. While Health generally practices good physical security controls over the space occupied by Northrop Grumman, VDH needs to document the controls to ensure responsibilities are clearly articulated and meet the Commonwealth's standards.
4. Initiate Corrective Action Plan for Federal Reporting – First Year Finding. The Division of Women, Infants, and Children (WIC) and Community Nutrition Services (Division) lacks proper procedures and practices for reconciling Special Supplemental Nutrition Program for WIC reports to its accounting records, which represents an internal control weakness. While no material instances of non-compliance, we found poor internal controls increase the risk of future non-compliance, which could result in financial penalties to the Commonwealth.
5. Improve Information of Virginia Performs – First Year Finding. Virginia Performs information is accessible to the public, and it is important that information reported be accurate and easy to understand. Five of the ten measures' names did not clearly state the purpose of measure and what VDH was measuring; in addition, the methodology did not adequately explain how VDH calculated the measure.
6. Ensure Secure Delivery of Controlled Substances – First Year Finding. The Chesterfield Health Department pharmacy serves as a hub distributor to other local Health Departments in the region. When shipping controlled substances the pharmacy does not include a list of medication in the packages. Including a list of medication in the package helps provide assurance that the local health departments received all of the medications. Under current procedures a local health department cannot determine the completeness of a shipment.
7. Standardize Pharmaceutical Ordering – First Year Finding. The Central Pharmacy does not have an efficient procedure for documenting pharmacist purchase requests. Unclear purchase requests can lead to purchasing the incorrect medication or purchasing incorrect quantity and dosage of medication. The pharmacy should standardize their procurement process to minimize future errors.

***Department for Rehabilitative Services (DRS)***

1. Properly Record Leases in the Lease Accounting System – First Year Finding. DRS inconsistently recorded its lease information in the Commonwealth's Lease Accounting System (LAS) since becoming responsible for entering its lease information into LAS in 2006. As a result, in some instances the Procurement Division at DRS has recorded its leases inaccurately in LAS causing misstated lease commitments. The Lease and Contracts Administrator and the Procurement Director have both attended LAS training. However, the Procurement Division's LAS users have not followed Department of Accounts instructions. The Procurement Division has the following issues with their methods of recording lease information in LAS:

- The Lease and Contracts Administrator did not enter all payment streams for the Roanoke office and the Charlottesville One Stop leases in LAS.

- The Lease and Contracts Administrator did not have adequate support for the lives, costs and values of the four leases reviewed.
- The Lease and Contracts Administrator entered the lease renewal for the Norfolk office lease into LAS three times without realizing the error.
- The Lease and Contracts Administrator did not enter one of two Manassas leases into LAS.

The Procurement Division should revise, document, and implement updated agency-specific policies and procedures to cover all aspects of entering and modifying leases into LAS.

***Department of Social Services (DSS)***

1. Reconcile Financial Reports – First Year Finding. DSS underreported Food Stamp expenses by \$44 million for inclusion in the Commonwealth Annual Financial Report. The Fiscal Division provided DOA with the inaccurate information as part of its year-end submissions. The error is the result of the Fiscal Division failing to reconcile the submission to its accounting records.
2. Improve Information on Virginia Performs – First Year Finding. DSS needs to improve their performance measures information reported on the Virginia Performs website. A review of the four key performances disclosed that in three cases the name did not clearly state the purpose of the measure. Two of four measures were incorrectly classified as output measures. Finally, three of four measure methodologies did not adequately explain how DSS calculated the measure.

***Department of Mental Health Mental Retardation and Substance Abuse Services (DMHMRSAS)***

1. Improve Management and Controls for Facilities – First Year Finding. The Central Office is not providing adequate guidance and oversight to its facilities in the following areas:
  - Recording of Construction in Progress
  - Controlling Capital Assets
  - Granting Access to Timekeeping System
  - Completing Employment Eligibility Verification Forms
  - Complying with Information Systems Security Program
  - Documenting Security Awareness Training
  - Developing and Testing Continuity of Operations and Disaster Recovery Plans

Since the Central Office already provides the facilities with centralized billings and construction management, it holds an ideal position in taking a leadership role in developing a comprehensive back office operation for the facilities, which would assume total operations for administrative functions. Facilities that lose personnel may compromise the internal control structure and knowledge base needed to handle key transactions and duties.

2. Improve Monitoring Program over Community Services Boards – Repeat Finding. Community Service Boards (Boards) are DMHMRSAS’s primary mechanism for delivering community services. A significant portion of the funding from DMHMRSAS to the Boards comes from the federal government. DMHMRSAS has a fundamental responsibility to ensure

the proper administration of federal awards and compliance with the contractual terms of the contract with the Boards. DMHMRSAS's documented procedures for monitoring the Boards' performance were compared to recommended practices, and the audit noted three areas where DMHMRSAS could further refine its monitoring program. Programmatic risk considerations need to be added to the financial risk model. Local Boards need to be held accountable for deficiencies and corrective actions should be included in their annual contracts. Finally, management needs to complete the analysis of on-site financial reviews to determine what risks are being accepted by relying on exceptions noted by independent auditors.

3. Ensure Compliance with Information Systems Security Program – First Year Finding. DMHMRSAS does not provide adequate oversight of the information systems security programs at its facilities. This lack of oversight prevents the Information Security Officer (ISO) from knowing if DMHMRSAS is meeting the minimum requirements contained in the Commonwealth's Information Technology Security Standard. To ensure adequate protection of all DMHMRSAS systems, the Central Office should not only require its facilities to follow the information security policies and procedures developed by the DMHMRSAS ISO, but also develop a process for ensuring that the facilities are following these requirements
4. Improve Security Awareness Training Documentation – Repeat Finding. For the third straight year, DHMRSAS does not have evidence that all of its employees completed security awareness training. This is not only a HIPAA security violation, but prevents the DHMRSAS ISO from knowing if employees are receiving or completing training as required by the Commonwealth's Information Technology Security Standard.
5. Improve IT Continuity of Operations and Disaster Recovery Plans – Repeat Finding. Agencies that provide critical services to citizens, such as DMHMRSAS, need to have plans for continuing operations on an interim basis should their IT systems fail. Inadequate planning increases the risk that DMHMRSAS will fail to successfully provide services if mission critical IT systems fail.
6. Improve Controls Over Capital Assets – First Year Finding. Four out of five facilities are not performing physical inventories every two years as required by the Commonwealth's policies and procedures. Capital assets are not properly updated in the Commonwealth's Fixed Asset Accounting and Control System (FAACS). Lack of physical inventories increases the risk of fraud, theft, or loss of the assets. The Central Office should ensure that all facilities complete full physical inventories every two years as required, in addition, FAACS access should be terminated for individuals that do not perform FAACS entry or act as a backup.
7. Properly Record Construction in Progress – First Year Finding. The Central Office does not provide oversight and direction to the facilities on how to record construction in progress, and do not have centralized policies and procedures for all facilities. Facilities are improperly recording the constructed assets in the wrong asset categories. Facilities are recording all capital project expenses in buildings and not considering the amounts that should be broken out into equipment or infrastructure. This results in inaccurate useful lives and incorrect depreciation for these assets, which affects DMHMRSAS's billings to Medicaid.
8. Grant Proper Access to Timekeeping System – First Year Finding. The DMHMRSAS facilities which operate the timekeeping system Kronos do not have adequate controls for granting

access. Based upon the number of errors, this finding is a significant internal control deficiency in DMHMRSAS's payroll process. Improper access to the timekeeping system increases the risk of individuals receiving payments for time not worked.

9. Properly Complete Employment Eligibility Verification Forms – Repeat Finding. DMHMRSAS personnel are not properly completing Eligibility Verification Forms (I-9) in accordance with guidance issued by the US Citizenship and Immigration Services of the US Department of Homeland Security. Management at the Central Office should develop steps to continuously review the I-9 process, train human resources staff on requirements of completing I-9 forms, and develop procedures to continuously review all or a sample of I-9 forms for compliance with federal regulations.

### *Medical Assistance Services*

1. Improve Contract Monitoring – First Year Finding. Medical Assistance Services paid for services using a higher rate than the one that was in effect when the contractor provided the services. Medical Assistance Services should determine which billing method is appropriate and evaluate the guidance it provides to contract managers for approving payments, which could involve recalculating the invoice, determining if the invoice conforms to the contract, or other procedures as needed.

## Public Safety

### *Department of Criminal Justice Services (DCJS)*

1. Strengthen Information Systems Security Program. **This is a Repeat Finding, and progress has been made.** DCJS has improved its information security program since the last audit, but there are some key components that still require strengthening to be fully compliant with the Commonwealth's information security standards. DCJS has documented a business impact analysis, a risk assessment, and a continuity of operations plan; however, the essential business functions are not consistent throughout these documents. DCJS needs to ensure the various components of the plan are consistent and complete.
2. Improve Internal Controls Over Grant Payments. A sample of grant payments included payments under the Comprehensive Community Corrections grant and the Offender Re-entry and Transition Services grant. The audit found no documentation of a grant monitor's review and approval of progress reports before DCJS made payment to the grantee. DCJS should make sure grant monitors document, review and approve progress reports before making grant payments. The documentation of the review and approval process shows that the grant monitor is ensuring that the grantee is performing the tasks of the grant.

### *Department of Emergency Management (DEM)*

1. Establish Procedures for Preparing the Schedule of Expenditures of Federal Awards. Emergency Management Finance staff was not able to accurately prepare the agency's Schedule of Expenditures of Federal Awards (SEFA) for the fiscal 2008. Emergency Management submitted their first SEFA on the due date to the Department of Accounts (Accounts); however,

staff knew that the amounts were incorrect. Emergency Management staff required three additional months and assistance from Accounts to finally submit an accurate SEFA. Emergency Management Finance staff lacked the experience, training and had no written procedures to assist them in the preparation of the SEFA. This is a required federal and state annual report, which is due at the same time each year.

2. Develop Sub-Recipient Monitoring Plans. The grant managers for the State Homeland Security Grant Program and Hazard Mitigation Program are not adequately monitoring the sub-recipients receiving these funds. The Hazard Mitigation and State Homeland Security Grant programs have not implement a plan that staff will follow and use to monitor sub-recipients to ensure that they are properly spending funds for their intended use. This could result in the Commonwealth having to repay funds if the sub-recipient does not spend the money properly. Emergency Management does not have any written sub-recipient monitoring plans for these programs. Further, we determined that the Finance Department, Internal Auditor, and Federal Program managers are not sharing information on how well or poorly the sub-recipients are using their funds.
3. Properly Report Expenditures on Quarterly Federal Reports. **This is a repeat finding and progress has been made.** During the 2007 audit, the Auditor of Public Accounts found that Emergency Management’s accounting records did not support the amounts reported as state match on the quarterly financial status reports submitted to the U. S. Department of Homeland Security for the Public Assistance Grant. During the fiscal year 2008 follow-up review; Emergency Management staff had corrected these reports and were properly reporting the current state match for the Public Assistance Grant. However, Emergency Management did not have written policies and procedures for preparing the quarterly financial status report and did not report correct amounts for the State Homeland Security Grant Program.
4. Establish Systems Security Program. **This is a repeat finding and progress has been made.** Emergency Management has made significant progress in documenting their information systems security program. To establish a strong information systems security program, Emergency Management must continue to enhance its documentation, and ensure full implementation of all aspects of the program. Auditor of Public Accounts identified the following areas where management needs to improve documentation and complete implementation needs to occur:
  - Enhance Information Technology System and Data Sensitivity Classification
  - Enhance Information Technology System Inventory, Boundary Definition, and Ownership Identification
  - Implement Security Awareness Training

## Transportation

### *Department of Motor Vehicles (DMV)*

1. Improve Vehicle Rental Tax Collection Controls – First Year Finding. DMV lacks adequate segregation of duties in the Vehicle Rental Tax Return Division. Each month, the Senior Tax

Examiner receives the original tax returns from rental companies with attached checks for taxes due. The Examiner does not deposit the checks, however, the Examiner does create the delinquency notices for non-filing or non-paying to the rental companies. This lack of segregation of duties provides the opportunity to misappropriate a check, destroy the original return, and conceal the tax liability by showing a zero balance in the rental tax system while withholding the issuance of a delinquent tax notice to the rental company. Best practices stress that management segregate certain functions as part of the internal control system established to prevent, detect, or correct accounting mistakes and misappropriation of assets. The segregation of cash handling and billing functions is a basic internal control.

2. Ensure Completeness of Vehicle Sales and Use Tax – First Year Finding. DMV does not have adequate controls to ensure the completeness of motor vehicle dealer reported sales and use tax. DMV processed \$367 million in vehicle sales and use taxes from dealers during FY 2008. The online dealer system allows dealers to enter sales information in real-time; dealers send appropriate sales tax payments to DMV based on the system balances. DMV requires documentation for sales including vehicle titles signed by the buyer and corresponding title and registration applications. The On-line Services Division does not have a procedure to identify missing documentation. Without proper supporting documentation DMV cannot validate the sales prices keyed by dealers in the online system. DMV processes about 2,000 vehicle transactions each day. Currently, DMV matches documentation to the on-line system on a sample basis, but the sample comes from the existing documents. By sampling from existing records, DMV cannot identify if there are any missing documents to support electronic submissions. DMV should develop a procedure to verify that dealers submit the required documentation on a sample basis and document the results. DMV should sample the population of sales prices reported in the on-line system, rather than the population of existing documents.
  
3. Improve Controls over the International Registration Plan Process – First Year Finding. Once a month, DMV settles its accounts with other states participating in the International Registration Plan through an independent clearinghouse company, International Registration Plan, Inc. The clearinghouse calculates the net amount owed by or to Virginia by each state and processes automated clearinghouse payments. Most states, including Virginia, use the clearinghouse to process those payments. DMV reconciles the information in their VISTA system to the data sent to the clearinghouse during pre-settlement and before the final settlement of payments. A review of six monthly reconciliations found the following deficiencies:
  - No supervisory review for any of the six reconciliations tested.
  - No sufficient support for three months to facilitate supervisory review.
  - No resolution of reconciling items from the May 2008 clearing process as of August 2008.
  - Amounts DMV paid by check to non-participating states in three months did not agree to the amount owed per the clearinghouse report.
  - Differences totaled about \$42,000.
  - Unresolved discrepancies for the month of January 2008 (\$200,653.60) and May 2008 (\$800.32) between what the clearinghouse and the
  - VISTA reported Virginia owed other participating jurisdictions.

Monthly reconciliations help ensure Virginia receives the correct amount due and remit the correct amount owed to other jurisdictions. A reconciliation process that lacks timeliness,

management review, and contains unresolved discrepancies can result in lost revenue to the state or insufficient payment to other participating states.

4. Improve Information Security Program – First Year Finding. DMV can further enhance the already adequate security program.

#### Security Awareness Training

DMV does not require or provide annual security awareness training for its branch employees who handle sensitive information. In order to enhance the safeguarding and handling of confidential data, staff should receive annual training in areas such as e-mail safety, malicious code and viruses, social engineering, sensitive data protection, password management, and policies and procedures.

#### Risk Management Plans

DMV has not updated its Business Impact Analysis (BIA) or Risk Assessment (RA) since August and October 2005, respectively. Outdated risk management plans impede the ability to mitigate risk and maintain effective continuity of operations and disaster recovery plans. The Commonwealth's IT security standard requires agencies to evaluate and update both the BIA and RA at least every three years, or earlier if warranted. DMV plans to update its risk management plans in summer 2009.

#### Acceptable Use Agreements

DMV's Information Systems Security Program does not include a requirement that employees must sign an acceptable use agreement. By not requiring staff to sign agreements, DMV risks the confidentiality of its sensitive data and misuse of its critical systems. Commonwealth standards mandate that agencies require documentation of IT systems users' acceptance of the agency's acceptable use policy before, or as soon as practicable after, gaining access to agency IT systems.

5. Properly Complete Employment Eligibility Verification Forms – Repeat Finding. DMV personnel continue to improperly complete Employment Eligibility Verification (I-9) forms in accordance with guidance issued by U. S. Citizenship and Immigration Services of the U. S. Department of Homeland Security. A review of eighteen I-9 forms completed during FY 2008 found three forms were not signed and dated by the employees on or before the certification start date, two forms lacked the Section 2 Expiration date, six forms lacked the proper Section 2 Issuing authority identification, and two forms did not have the correct Section 2 Certification by the employer on the first day of employment.

### ***Department of Rail and Public Transportation (DRPT)***

1. Improve Controls over Non-Formula Public Transportation Grant Management – First Year Finding. The review of non-formula public transportation grant awards and payments disclosed that three of six grants tested did not have documented justification of the decision to award based on consistent, objective criteria and 16 of 38 grant payments lacked sufficient documentation supporting the grantee invoices. These payments to the Greater Richmond

Transit Company for capital grants totaled \$474,269. The total budget for non-formula public transportation financial assistance in FY 2008 was \$36.8 million. DRPT also did not have procedures to develop consistent evaluation criteria for non-formula public transportation grants or describing the documentation grantees must submit for payments of those grants. Lack of a consistently applied process for awarding grants and making payments increases the risk that DRPT may make awards to inappropriate applicants or improper payments to grantees. DRPT is acting to correct this deficiency.

***Department of Transportation (VDOT)***

1. Improve Application Monitoring Processes – First Year Finding. VDOT does not adequately monitor logs of database or system administrators’ access and activity for applications on the Equipment Management System which contains sensitive data. The Commonwealth’s IT security standard requires agencies to identify the steps necessary to monitor and record IT activity commensurate with data sensitivity and risk. While the IT Partnership is responsible for monitoring and logging at the infrastructure level, VDOT is responsible for maintaining security of its’ applications, including databases and other software used to access sensitive data residing on the infrastructure. Since the system and database administrators are the data custodians and have the highest level of access to sensitive data, it is important to document and implement a monitoring and logging procedure capable of detecting involuntary or forced alteration to VDOT’s sensitive data for these high-level accounts.



## ***Risk Alerts – Quarter Ended March 31, 2009***

The APA encounters issues that are beyond the corrective action of management and require the action of either another agency, outside party, or a change in the method by which the Commonwealth conducts its operations.

Three APA reports contained Risk Alerts:

### ***Agencies of the Secretary of Finance***

#### **Modernize Financial Systems and Processes (Repeat Risk Alert)**

Government transparency is a concept which requires governments to provide a substantial amount of information online using the internet. The federal government has already enacted legislation to provide information online and is considering new legislation. Additionally, in the past several General Assembly sessions, members have introduced a number of bills modeled on the existing and proposed federal legislation that makes state data available on the internet.

Much of the requested information one would typically find in modern enterprise accounting and information systems. However, the Commonwealth's systems do not contain the information, or cannot easily exchange the information, due to their age and lack of integration. Further, the Commonwealth's key systems are antiquated and are fundamentally at risk of a failure where either the vendor or expertise of keeping the system operating could become unsustainable. This limits the Commonwealth's financial reporting capabilities which have become more of a concern given the recent push for timelier financial reporting in the government sector.

It will take a substantial amount of time, effort and coordination among agencies to upgrade and replace the Commonwealth's systems. The Commonwealth needs to continue to move forward with the modernization of its systems and with the plan to develop standardized data requirements, which would ease the exchange of data between central systems and systems maintained by other agencies and institutions in the Commonwealth.

#### **Consolidate Functions Within Secretary of Finance Agencies.**

The Secretary of Finance should review the current organization and operations of the Departments of Accounts and Treasury and consider consolidating certain functions to improve the effectiveness and efficiency. The APA recommends that the Secretary should transfer many of Treasury's Trust Accounting functions in the Operations Division to Account's General Accounting or Financial Reporting Divisions. The transfer would eliminate redundancy, strengthen internal controls, and clarify and improve staff responsibilities for accounting and financial reporting of the Commonwealth's cash and investments and long-term debt activity.

### ***Board of Accountancy***

Subsequent to June 30, 2008, the Board has undergone some significant changes in its general and accounting operations. These changes raised concerns by APA regarding the adequacy of internal controls over financial reporting in future years. The Executive Director position has been vacant since November 7, 2008, also, the Board terminated its accounting services agreement with another state agency and the individual who had previously prepared the financial statements would not continue to perform this function. The Board brought the accounting function in-house. Board staff assumed the accounting services duties that were formally outsourced. The staff does not have the

training and expertise to perform these duties. In addition, the Board has no documented policies and procedures to assist the staff.

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

This Risk Alert is also identified as containing an Efficiency Issue. The Department is not providing adequate guidance and oversight to its facilities. Facilities were noted having inadequate control, significant non-compliance and accounting errors related to system and access security; capital assets, including construction-in-progress; timekeeping; and Employment Verification Forms (I-9). The Secretary and senior management should consider evaluating whether changes are needed in the Department's management structure and philosophy. One approach to consider is having the Central Office perform as much of the administrative functions as possible for the facilities. This would allow the facilities to concentrate on program services. The Central Office already provides the facilities with centralized billings and construction management, which positions it ideally to develop a comprehensive back office operation and assume total operations for administrative functions. The APA believes this approach will improve the Department's internal controls, gain risk management benefits, and improve the operational efficiency of the facilities.

***Efficiency Issues – Quarter Ended March 31, 2009***

During the course of its audits, the APA observes agency practices, processes, or procedures that management should consider for review to improve efficiency, reduce risk, or otherwise enhance their operations. These matters, which are reported as efficiency issues, do not require management's immediate action and may require investment of resources to provide long-term benefit.

One APA report containing an Efficiency Issue was received:

***Department of Rehabilitative Services***

Counselors at Rehabilitative Services (DRS) are including unnecessary documentation in clients' case files. In addition to printing, signing, dating, and retaining a piece of paper to indicate that they have determined that the client is eligible, the counselors are also certifying eligibility electronically within the new case management system. DRS should ensure its counselors are taking advantage of functionalities within the new case management system. DRS can evaluate its processes to determine how the processes can be changed to eliminate manual and physical document processes that are no longer necessary.

### ***Special Reports Received – Quarter Ended March 31, 2009***

The APA issued the following Special Reports:

- Commonwealth of Virginia Single Audit Report for the year ended June 30, 2008\*
- Progress Report on Selected Information Technology Projects in the Commonwealth, January 2009\*
- Report on Collections of Commonwealth Revenues by Local Constitutional Officers for the Year Ended June 30, 2008\*
- Report to the Joint Legislative Audit and Review Commission for the Quarter October 1, 2008 to December 31, 2008\*
- Service Management Organization of the Virginia Information Technologies Agency Interim Review of the Information Technology Partnership, February 2009\*

\*Indicates management control findings.

### ***Other Audit Reports Received – Quarter Ended March 31, 2009***

The APA also issued the following Other Reports:

- The Assistive Technology Loan Fund Authority Report on Audit for the year ended June 30, 2008\*
- The College of William and Mary in Virginia Intercollegiate Athletics Programs for the year ended June 30, 2008
- George Mason University Intercollegiate Athletics Programs for the year ended June 30, 2008
- J. Sargeant Reynolds Community College Report on Review for the year ended June 30, 2008
- James Madison University Intercollegiate Athletics Programs for the year ended June 30, 2008
- Local Government Investment Pool Report on Audit for the year ended June 30, 2008
- Longwood University Intercollegiate Athletics Programs for the year ended June 30, 2008
- Mountain Empire Community College Report on Review for the year ended June 30, 2008
- Norfolk State University Intercollegiate Athletics Programs for the year ended June 30, 2008
- Piedmont Virginia Community College Report on Review for the year ended June 30, 2008
- Radford University Intercollegiate Athletic Programs for the year ended June 30, 2008
- University of Virginia Intercollegiate Athletic Programs for the year ended June 30, 2008
- Virginia College Building Authority Report on Audit for the year ended June 30, 2008\*
- Virginia College Savings Plan Report on Audit for the year ended June 30, 2008

- Virginia Commonwealth University Intercollegiate Athletics Programs for the year ended June 30, 2008
- Virginia Military Institute Intercollegiate Athletic Programs for the year ended June 30, 2008
- Virginia Public Building Authority Report on Audit for the year ended June 30, 2008\*
- Virginia Public School Authority Report on Audit for the year ended June 30, 2008
- Virginia State Bar Report on Audit for the year ended June 30, 2008

\* Indicates management control findings.



### *Status of Prior Audit Findings*

The policy governing the Agency Response to APA Audits requires follow-up reports on agency workplans every 90 days until control findings are certified by the agency head as corrected. The status of corrective action information reported by agencies under this policy is included in this report.

It is important to note that the status reported is self-reported by the agencies and will be subject to subsequent review and audit.

<b>Latest Audit Year</b>	<b>Finding Number</b>	<b>Title of APA Audit Finding</b>	<b>Current Status as Reported by Agency</b>	<b>Status Summary</b>
<b><u>Department of General Services (DGS)</u></b>				
2007	07-03	Update and comply with Virginia's state plan of operation for federal surplus property.	State Plan of Operation was resubmitted to GSA on January 15, 2009. DGS is awaiting final approval.	In progress
	06-04	Include mandated procedures in the surplus property manual.	Chapter 12 of the manual is being reviewed. Completion is expected in late Spring 2009.	In progress
	06-06	Finalize and distribute real estate policies and procedures.	Disposal and employee housing policies are being developed with the goal of completing the policies by May 1, 2009.	In progress
<b><u>Department of Agriculture and Consumer Services (VDACS)</u></b>				
2007	07-01	Properly complete Employment Eligibility Verification (I-9) Forms.	Supervisors and Human Resources staff are reviewing and verifying all documents. APA is not reissuing the point in the FY 2008 audit.	Completed
<b><u>Department of Business Assistance (DBA)</u></b>				
2007	07-03	Maintain official records of the Department.	Department heads are continuing to review and update the Records Retention and Disposition Schedules and are incorporating electronic records whenever possible.	In progress

<b>Latest Audit Year</b>	<b>Finding Number</b>	<b>Title of APA Audit Finding</b>	<b>Current Status as Reported by Agency</b>	<b>Status Summary</b>
	07-06	Document Information Security Program.	The analysis is underway with assistance from DOA's Accounting and Internal Control Compliance Oversight Division (AICCO). The Director approved the Security Plan on 2/26/2009. The Recovery Plan is drafted and waiting on VITA/NG input to finalize. DBA expects to meet the 6/30/2009 deadline.	In progress
<b><u>Virginia Employment Commission (VEC)</u></b>				
2007	07-01	Properly complete Employment Eligibility Verification (I-9) Forms.	Human Resources has sent examples of proper I-9 Forms to managers. Having all Forms faxed to central Human Resources is being considered. The latest version of the I-9 form has been furnished to all office managers.	In progress
<b><u>Virginia Community College System – System Office (VCCS)</u></b>				
2007	07-01	Improve physical security over sensitive and mission-critical data.	Changes to support physical security actions at Featherstone and Greenfield Centers have been completed. Renovation changes are funded and awaiting final approval from DGS.	In progress
	07-02	Improve and implement system configuration guidelines.	The UNIX operating system configuration and hardening guidelines have been developed and approved. Employees' access was reviewed and a forced password change utilizing the new password policy was done on 1/21/2009. The implementation of the new guidelines has been completed on the Enterprise servers.	Completed

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<b><u>Central Virginia Community College (CVCC)</u></b>				
2007	07-01	Return Title IV Funds timely.	The Financial Aid Office reviews input dates annually. The Student Withdrawn Query is run weekly, followed by the PeopleSoft Return of Title IV Funds Report. The Accounting Office completes the refund process.	Completed
<b><u>J. Sargeant Reynolds Community College (JSRCC)</u></b>				
2007	07-01	Properly complete Employment Eligibility Verification (I-9) Forms.	The issue has been corrected and training tools have been developed. Human Resources has completed the training.	Completed
<b><u>Northern Virginia Community College (NVCC)</u></b>				
2007	07-01	Properly complete Employment Eligibility Verification (I-9) Forms.	The College has strengthened its procedures for processing I-9 paperwork and has instituted audit checks to help ensure correctness.	Completed
<b><u>The College of William and Mary in Virginia (CWM)</u></b>				
2007	07-01	Improve financial reporting. <b>This is a repeat finding.</b>	The College hired a new Assistant Director of Financial Reporting and there were substantial improvements in financial statement preparation. Staff need to document detailed steps in preparing the financial statements and ensuring their accuracy.	In progress
	06-01	Improve financial statement preparation process. <b>This is a repeat finding.</b>	See 07-01.	
	05-01	Test financial statement preparation process.	See 06-01.	
	07-02	Improve information systems security program.	This finding was not repeated in the FY 2008 audit report.	Completed
	07-03	Improve capital asset management.	This finding was not repeated in the FY 2008 audit report.	Completed

<b>Latest Audit Year</b>	<b>Finding Number</b>	<b>Title of APA Audit Finding</b>	<b>Current Status as Reported by Agency</b>	<b>Status Summary</b>
	07-04	Implement separation procedures for terminated employees. <b>This is a repeat finding.</b>	This finding was not repeated in the FY 2008 audit report.	Completed
	06-02	Implement separation procedures for terminated employees.	See 07-04.	
	07-05	Properly complete Employment Eligibility Verification (I-9) Forms.	This finding was not repeated in the FY 2008 audit report.	Completed
<b><u>Department of Education, Central Office Operations (DOE)</u></b>				
2008	08-01	Update and revise access and password policies and procedures.	DOE updated the systems authentication and access policies and documented the Information. Security Officer periodically reviews access documentation.	Completed
<b><u>George Mason University (GMU)</u></b>				
2007	07-02	Properly complete Employment Eligibility Verification (I-9) Forms.	GMU changed its procedures for in-processing new staff. Comprehensive training is now offered three times a year. All existing employee files are being reviewed for proper I-9 forms. Incomplete or incorrect forms will be corrected.	Completed
<b><u>Gunston Hall (GH)</u></b>				
2007	07-01	Strengthen controls over information systems security.	The Security Officer is working with a VITA Security Team to prioritize the security policies and procedures. The policies and procedures are being reviewed by VITA.	In progress
	07-02	Properly complete Employment Eligibility Verification (I-9) Forms.	All I-9 forms have been reviewed and are correct. As any new federal changes become effective they will be incorporated in Gunston Hall policy.	Completed

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<b><u>Longwood University (LU)</u></b>				
2007	07-01	Improve system access controls.	LU policies and procedures were changed to indicate that access must be removed on or before the termination date. The manual paper process was modified to have LU Human Resources directly notify systems administrators via e-mail of termination dates.	Completed
	07-02	Improve database security.	A configuration document for the Oracle database in the Banner computing system was approved by IT system administrators.	Completed
	07-03	Properly complete Employment Eligibility Verification (I-9) Forms.	LU Human Resources conducted training for HR employees. Annual training is being conducted. Training for other departments who have contact with new hires is offered semi-annually. The HR website has employment eligibility information available on-line. Outlying departments still have some errors being encountered, particularly with wage, part time, and student grants.	In progress
<b><u>Norfolk State University (NSU)</u></b>				
2007	07-02	Strengthen controls over capital project management. <b>This is a repeat finding.</b>	Procedures for documenting and monitoring capital outlay projects are written and are in place.	Completed
	06-02	Strengthen controls over capital project management.	See 07-02.	
	07-04	Properly complete Employment Eligibility Verification (I-9) Forms.	Human Resources is ensuring forms are complete and correct in the central office, and developing a training program for departmental and other managerial staff on the requirements of completing I-9 forms. The targeted completion date is June 30, 2009.	In progress

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<b><u>Radford University (RU)</u></b>				
2007	07-02	Perform a stringent review of existing operations in the Athletic Department.	The NCAA schedule was completed. Scholarships were reconciled. Foundation records were agreed to NCAA schedule amounts.	Completed
<b><u>Richard Bland College (RBC)</u></b>				
2007	07-01	Improve contingency plans.	RBC developed its own Continuity of Operations Plan and submitted it to Virginia Department of Emergency Management. RBC has complied with Stages One and Two of the ARMICS mandates. The campus Police has put a warning system in place and has run tests.	Completed
<b><u>The Science Museum of Virginia (SMV)</u></b>				
2007	07-01	Properly complete Employment Eligibility Verification (I-9) Forms.	SMV has contracted with DHRM Shared Services Center to provide the HR needs and the majority of I-9 Forms are done by DHRM SCC.	Completed
	07-02	Strengthen controls over information systems security.	The Museum developed new policies and procedures. SMV IT staff are working with DOA's Accounting and Internal Control Oversight Division (AICCO) to meet Commonwealth standards.	In progress
	07-03	Improve controls over capital assets and construction in progress.	All assets were inventoried and the records updated. Accounting records for construction projects were reviewed and corrected.	Completed
<b><u>University of Virginia – Academic Division (UVA)</u></b>				
2008	08-01	Properly complete Employment Eligibility Verification (I-9) Forms. <b>This is a repeat finding and significant progress has been made.</b>	UVA created the Office of Compliance and Immigration Services (CIS). CIS conducts monthly audits and is reviewing each I-9 Form when received from departments.	In progress

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	07-02	See 08-01.		
<b><u>Virginia Commonwealth University (VCU)</u></b>				
2007	07-02	Improve Employment Eligibility Verification Forms (I-9) process.	A full-time Human Resources Compliance Technician has been hired to monitor I-9 Form completion. VCU is implementing electronic I-9 processing and eVerify through its vendor, HireRight.	In progress
<b><u>Virginia Polytechnic Institute and State University (VPISU)</u></b>				
2008	08-01	Ensure Title IV refund calculations are accurate.	The University Scholarships and Financial Aid Office is auditing the correct term beginning and ending dates set up in Banner to insure the correct dates are used to calculate refunds.	In progress
	08-02	Ensure changes in enrollment are reported to the National Student Loan Database System.	University procedures have added steps for the Scholarships and Financial Aid Office to report all unofficially withdrawn students to the Registrar to manually update the NSLDS. Retroactive withdrawals, depending on the date, are reported through the National Student Clearinghouse or the NSLDS.	Completed
<b><u>Division of Selected Agency Support Services (DSAS)</u></b>				
2008	08-01	Properly complete Employment Eligibility Verification (I-9) Forms.	DSAS reviewed all current personnel files. DSAS personnel have taken a training session dedicated to reviewing I-9 compliance requirements. All new hires are required to have the Division Director review and initial the I-9 Forms.	Completed
<b><u>Department of Taxation (TAX)</u></b>				
2007	07-02	Properly document application and operating system options.	TAX has taken adequate corrective action with respect to this finding reported in the 2007 audit report and not repeated in the 2008 audit.	Completed

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<b><u>Department of the Treasury (TD)</u></b>				
2007	07-02	Establish sufficient controls over the wire transfer process.	Three MOUs have been written. Remaining MOUs with remaining agencies for wire transfers are being revised. Internal control requirements have been incorporated. The estimated completion date on the remaining MOUs is April 30, 2009.	In progress
	07-05	Strengthen internal controls over disbursements processing.	Treasury initiated corrective action in May 2008. Treasury is working with DOA, Sun Trust, DSS, and Wachovia Bank to implement "payee match" and "positive pay" for the remaining disbursement accounts.	In progress
	07-06	Update risk assessment and test business continuity plan.	A Business Impact Analysis was performed, documented and approved by management. The risk assessments were performed and completed on each system in Treasury. The Continuity of Operations Plan larger scale testing was completed. Streamlining changes were incorporated in the plan. Treasury expects the General Management Division to finalize changes and conduct training on the revisions.	In progress
<b><u>Department of Health (VDH)</u></b>				
2007	07-01	Update and expand security awareness training.	Specialized Security Awareness Training has been given to System Owners and Administrators. The web-based security awareness training program has not yet been certified as having been completed by all employees.	In progress

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	07-02	Improve contingency and disaster recovery planning.	VDH Internal Audit identified additional areas needing improvement. Internal Audit notes that VDH has made substantial progress in improving the contingency and disaster documentation of critical systems. SEC 501-01 Standard requires periodic review, testing, and revision of the recovery plan. VDH does not think annual testing of all plans is reasonable.	In progress

**Department of Mental Health, Mental Retardation, and Substance Abuse Services (DMHMRSAS)**

2007	07-01	Improve monitoring program over Community Service Boards.	The Department is completing a risk assessment instrument. Budget & Financial Reporting and Internal Audit will increase the number of field site reviews. Single Audits of the CSBs will be used as a basis to follow up on areas of concern noted in the audits.	In progress
	07-02	Properly complete Employment Eligibility Verification (I-9) Forms.	The Department issued comprehensive guidance and the Handbooks explaining the I-9 forms to all facility Human Resource Officers. A small percentage of errors has continued to occur. The Office of Human Resources will monitor processes at the facility level and work with facility human resources staff to resolve problems.	In progress
	07-04	Improve contingency and disaster recovery planning. <b>This is a repeat finding.</b>	The VITA transformation is scheduled to be complete by June 30, 2009. Central Office IT staff will work with facility IT staff to address weaknesses, in conjunction with the transformation.	In progress
	06-02	Expand security awareness training programs.	See 07-04.	

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<b><u>Department of Rehabilitative Services (DRS)</u></b>				
2007	07-03	Limit CIPPS access for Woodrow Wilson Rehabilitation Services employees.	Fiscal staff at the WWRC has "view only" access to CIPPS.	Completed
<b><u>Department of Social Services (DSS)</u></b>				
2007	07-04	Align plan for monitoring local social services offices with best practices.	Strategic Management & Research (SMR) met with major division directors. Each division is submitting a monitoring plan that the SMR director will combine in a Department-wide instrument. SMR and the Chief Financial Officer are the lead for communicating with local departments of social services. Divisions are looking at the adequacy of a 3-year audit. One factor is local department size/caseload size. The DSS approach is to work with local departments to correct errors and resolve issues.	In progress
	06-18	Maintain a tracking system for local employees. <b>This is a repeat finding.</b>	The APA says that DSS is improving its certification process. A supervisor and two staff verify monthly the employee information in the Local Employee Tracking System (LETS) for each local agency. DSS is interfacing LETS at four local departments. DSS also has revised the monthly certification notice to make it more user-friendly.	In progress
	05-04	Maintain a tracking system for local employees.	See 06-18.	

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	07-05	Establish procedures for controlling the cash in the Child Support Enforcement Fund.	DSS identified longstanding issues with federal cash balances. \$67.3 million has been resolved. The remaining \$21.6 needs further review. DSS is continuing the review process.	In progress
<b><u>State Corporation Commission (SCC)</u></b>				
2007	07-01	Comply with Commonwealth Security Standards	SCC is working with a vendor to develop a business impact analysis, a risk assessment, a continuity of operations plan, and an IT disaster recovery plan. The anticipated completion date is 12/31/2009. Effective 12/16/2008, the Commission approved security policies and procedures as required by COV ITRM Standard SEC501-01.	in progress
	07-02	Timely remove employee access to Commonwealth statewide systems.	The recommended changes and the new process were operational effective 6/30/2008.	Completed
	07-03	Properly complete Employment Eligibility Verification (I-9) Forms.	The 15 I-9 Forms were corrected. Staff reviewed all I-9 Forms of new hires over the past two years. Procedures have been modified to add a quality review step in the process. Staff attended the I-9 Form training given by DOA.	Completed
	07-04	Improve firewall controls.	Firewall policies were implemented to restrict traffic through the firewall based on the least privileged principle. Stronger protocols were instituted for Commonwealth remote users who connect to the network. Procedures were adopted to periodically review the firewall configuration file.	Completed
	05-01	Implement a complete and current information security system.	See 07-01	

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<b><u>Department of Conservation and Recreation (DCR)</u></b>				
2007	07-01	Properly complete Employment Eligibility Verification (I-9) Forms.	All I-9 Forms were reviewed and placed in a separate file outside the personnel file as of May 31, 2008.	Completed
<b><u>Department of Game and Inland Fisheries (DGIF)</u></b>				
2007	07-01	Retain documentation of monthly purchasing reviews. <b>This is a repeat finding.</b>	Documentation of procurement and purchases is maintained by the fiscal officer.	Completed
	07-02	Provide sufficient password controls. <b>This is a repeat finding.</b>	Password controls have been upgraded during the risk assessment process. DGIF is a VITA/NG transformation agency and changes caused by the transformation may necessitate further password control updates. Final policies will be reviewed and tested by the DGIF Internal Auditor.	In progress
	N/A	There were no internal control or compliance findings issued to DGIF, however the APA issued seven recommendations to the DGIF's Board of Directors to strengthen corrective actions.	See 07-01 and 07-02.	
	07-03	Improve information system security.	DGIF completed the initial risk assessment of its information technology infrastructure, and is reviewing the documentation and related policies and procedures. As the VITA/NG transformation continues the security will be upgraded and documented. The transformation is scheduled to be finished by July 1, 2009. Changes will be evaluated by the DGIF Internal Auditor.	In progress

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<b><u>Department of Historic Resources (DHR)</u></b>				
2007	07-01	Complete information security program.	DHR is slowly completing its security program using in-house resources. They have just received permission to hire an IT ISO. DHR also has requested assistance from DOA to complete the program.	In progress
<b><u>Virginia Museum of Natural History (VMNH)</u></b>				
2007	07-02	Properly track and record fixed assets.	A new position was added and the move to a new site was completed. FAACS is currently up to date. The new building has not been closed out of CIP because of required corrections by the contractor. CIP will be closed out as soon as the remaining payments are made.	Completed
	07-03	Properly complete Employment Eligibility Verification (I-9) Forms.	The HR manager is more diligent about completing the I-9 forms. The Manager has reviewed the new regulations and is very careful to follow Homeland Security procedures closely.	Completed
	07-04	Maintain evidence of review of pre- and post-payroll certification activities.	A checklist is being completed by the payroll technician to document the review of each payroll. In addition, individual salaries are reviewed each pay period.	Completed
<b><u>Department of Alcoholic Beverage Control (ABC)</u></b>				
2008	08-01	Improve database security.	ABC is upgrading the inventory management system and is reviewing the access of all users. Stronger password requirements and system monitoring will be monitored and tested by the internal auditor.	In progress

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<b><u>Department of Corrections (DOC)</u></b>				
2007	07-01	Develop internal controls for leave liability and time tracking system.	DOC is refining the current DOCXL system. DOC has limited levels of access and created new linking features. DOC will keep DOCXL until a new system is available.	In progress
	07-02	Enforce inventory procedures.	DOC has issued revised policies and procedures and installed a new action plan to govern inventory counts.	In progress
	07-03	Properly complete Employment Eligibility Verification (I-9) Forms.	Corrections has initiated remedial training with Human Resource staff and have made I-9 inaccuracies a job performance issue. Headquarters HR managers will review I-9s during site visits.	In progress
	07-04	Strengthen supervisory reviews over capital assets and construction in progress. <b>This is a repeat finding.</b>	The control process is inadequate. DOC continues to have misstatements related to capital assets. Corrections has reorganized financial reporting and placed FAACS under the Budget Office.	In progress
	06-01	Strengthen controls over capital project closing and capitalization processes.	See 07-04.	
	07-05	Strengthen procedures over agency transaction vouchers (ATVs). <b>This is a repeat finding.</b>	DOC modified the ATV form to require both preparing and approving signatures and dates.	Completed
	06-03	Strengthen procedures over agency transaction vouchers. <b>This is a repeat finding.</b>	See 07-05.	
	05-03	Strengthen procedures over agency transaction vouchers.	See 06-03 and 07-05.	

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<b><u>Department of Criminal Justice Services (DCJS)</u></b>				
2006	06-02	Comply with the Commonwealth's Security Standard, SEC 2001.	The Department is implementing VITA Data Security Policies and Procedures. DCJS is synchronizing the individual plans to ensure consistency. In addition, DCJS has requested assistance from VITA/NG.	In progress
<b><u>Department of Emergency Management (DEM)</u></b>				
2007	07-03	Improve continuity and disaster recovery plans.	Data Processing and Information Systems revised the continuity of operations and the disaster recovery plans. Management approved the plans. The next step will be testing the plans to ensure critical systems function as they should. DEM is still awaiting action by VITA/NG to obtain needed hardware to operate the alternate site.	In progress
<b><u>Department of Forensic Science (DFS)</u></b>				
2008	08-01	Properly complete Employment Eligibility Verification (I-9) Forms.	DFS reviewed the personnel files and existing I-9 forms. Human Resources staff received training in July 2008. Staff verify the documents on new employees.	Completed
<b><u>Department of Military Affairs (DMA)</u></b>				
2007	07-01	Improve information security program.	The only DMA computers on the state's network are in the Challenge program at Virginia Beach. All other computers are on the federal National Guard Bureau network and subject to Department of Defense requirements. DMA continues to work with VITA/NG to comply with the COV ITRM SEC 501-00 standards and document system security on the Virginia Beach computers.	In progress
	07-02	Properly complete Employment Eligibility Verification (I-9) Forms.	Changes have been fully implemented to ensure the proper completion of I-9 Forms.	Completed

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<b><u>Department of State Police (VSP)</u></b>				
2007	07-01	Information Technology Planning. <b>This is a repeat finding.</b>	IT staff is reviewing the Strategic Plan, including modernization needs. The target date for completion is revised to June 1, 2009.	In progress
	06-01	Information Technology Planning.	See 07-01.	
	07-02	Payroll. <b>This is a repeat finding.</b>	The Finance Division has prepared draft payroll certification process procedures. The Payroll Service Bureau is providing additional documentation including example reports that can be used in the certification process. The target completion date is May 1, 2009. A problem exists about I-9 Forms. VSP believes they are compliant if they process a Form when the person is "sworn" as a trooper. However page 5 of M-274 Federal Government Handbook for Employers states "if you hire a person for less than three business days, Sections I and II of Form I-9 must be fully completed at the time of the hire, when the employee begins work. If a hire is paid, even though they are not sworn, the Form I-9 should be filled out at the time the hire qualifies for compensation.	In progress
	06-02	Payroll.	See 07-02.	
	07-03	Travel. <b>This is a repeat finding.</b>	The Finance Division prepared desk procedures for Accounts Payable addressing performing the compliance reviews. The procedures were approved.	Completed
	06-03	Travel.	See 07-03.	

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	07-04	Petty Cash and Charge Cards. <b>This is a repeat finding.</b>	Current VSP policy was updated to make it clear when P&L approval is required. Finance is now date stamping all SP299 forms. The Financial Procedures Manual was reviewed and approved.	Completed
	06-04	Petty Cash and Charge Cards.	See 07-04.	
<b><u>Department of Veterans Services (DVS)</u></b>				
April 1, 2006 Through June 30, 2007	07-01	Reconcile patient revenue system to the Commonwealth's Accounting System.	The VVCC accounting position has been filled and the policies and procedures were approved. Reconciliation to CARS from Achieve is ongoing. The succeeding audit does not repeat the finding.	Completed
	07-02	Properly prepare reconciliations in a timely manner. <b>This is a repeat finding.</b>	Reconciliations of both funds are timely. The succeeding audit does not repeat the finding.	Completed
	06-03	Improve petty cash controls.	See 07-02.	
	07-03	Improve debt collection efforts and account write-offs. <b>This is a repeat finding.</b>	Corrective action completed. The succeeding audit does not repeat the finding.	Completed
	06-13	Improve debt collection efforts and account write-offs. <b>This is a repeat finding.</b>	See 07-03.	
	05-05	Improve debt collection efforts and account write-offs.	See 06-13.	
	07-05	Establish a complete information security plan to comply with COV Security Policy. <b>This is a repeat finding.</b>	The DVS IT staff are continuing to develop the complete plan as individual policies and procedures are finalized. The DVS IT Department is insufficient for an agency of its size. DVS will need to seek assistance from other agencies.	In progress

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	06-08	Information systems security assurance.	See 07-05.	
	07-06	Establish sufficient access policies and ensure appropriate system access. <b>This is a repeat finding.</b>	DVS has published policies and procedures regarding system access, use of personal laptops and controlling veterans' information. The succeeding audit does not repeat the finding.	Completed
	07-07	Comply with the health insurance portability and accountability act.	DVS has signed a memorandum of understanding with Rehabilitative Services to provide assistance in complying with HIPAA regulations. However, by not having a security program that complies with Commonwealth Security Standards, DVS is noncompliant with federal HIPAA regulations.	In progress
	07-08	Appropriately segregate information system service duties.	DVS approved policies over the segregation of information system service duties. The succeeding audit does not repeat the finding.	Completed
	07-16	Establish adequate internal controls over fixed assets. <b>This is a repeat finding.</b>	The finding has been reissued as "In progress" per the APA's most recent (2008) report. Documentation to support a department-wide inventory during the past two years appears inadequate. DVS could not provide a listing of assets for its cemeteries independent of the assets reported in the State's fixed asset inventory database.	In progress
	06-15	Properly manage fixed assets.	The Department of Accounts reported this finding as resolved in September 2008 based upon DVS' certification. The finding has been reissued as "In progress" per the APA's recent fieldwork.	In progress

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<b><u>Virginia Correctional Enterprises (VCE)</u></b>				
2007	07-01	Evaluate approach to delivery operations.	VCE banned overtime unless it is approved by the Chief Operating Officer. A review of delivery costs shows in-house delivery with no overtime is the most economical.	Completed
	07-03	Follow job validation policies.	Job Sampling Procedures were revised. Group Managers review and approve all job validation forms before sending them to Codes and Standards.	Completed
	07-04	Follow access deletion procedures.	The IT Manager reviewed and modified procedures to ensure system access and deletion is properly documented. The new procedures were issued in October 2008.	Completed
<b><u>Virginia Information Technologies Agency (VITA)</u></b>				
2007	07-01	Improve the Independent Verification and Validation Process (IV&V).	PMD procedures have been modified. Changes in the structure were completed and are being communicated to stakeholders as directory structure is designed. IV & V templates are being modified.	In progress
	07-02	Develop standards for project documentation. <b>This is a repeat finding.</b>	An appropriate directory structure is being designed. Selection of a solution that will best support the structure is in progress. Implementation, testing and communicating results to stakeholders have not been started yet. These steps are dependent on completing the design and selecting the solution.	In progress
	06-04	Develop standards for project documentation.	See 07-02.	

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<b><u>Wireless E-911 Services Board (Board)</u></b>				
2007	07-01	Improve accounting and financial reporting processes.	VITA and DPB modified the budget language to reflect actual spending practices. <i>Code of Virginia</i> changes were submitted to the 2009 session to clarify the use of funds for administration of the program. If the changes are signed into law they will go in effect on 7/1/2009.	Completed
<b><u>Department of Motor Vehicles (DMV)</u></b>				
2007	07-01	Properly complete Employment Eligibility Verification (I-9) Forms.	Human Resource staff meet all new Headquarter hires on the first workday to complete the I-9. Field new hires are met by the hiring manager on the first day and I-9 forms and documentation is faxed to Human Resources for verification. Completed and verified I-9 Forms are placed in the Active I-9 Forms file. Human Resource staff completed the DOA training "Completion of the Form I-9".	Completed
<b><u>Virginia Port Authority (VPA)</u></b>				
2008	08-01	Improve physical access security.	VPA reviewed access to the VIT server room and reduced the number of employees with authorized access from 156 to 17. Another 30 maintenance and IT staff have limited access through VPA Police dispatch. Police officers can access the room through dispatch only on an as-needed basis.	Completed
	08-02	Obtain assurance over security of information system infrastructure.	VPA hired an independent contractor to review security. The contractor has completed all field work except for a disaster recovery test scheduled for May 2009.	In progress

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	08-03	Improve logical access security.	VPA eliminated CARS access for two individuals, and changed one individual from "create and approve" access to "create" access only, and another individual to "approve" access only.	Completed



## **Compliance Monitoring**

### **Agency Risk Management and Internal Control Standards (ARMICS) Compliance**

ARMICS compliance will be reported in the Comptroller's Quarterly Report beginning June 30, 2009. ARMICS has become a vital component of the Commonwealth's Internal Control structure. Therefore, it has become important to identify those not in compliance with ARMICS and encourage those agencies to fully incorporate ARMICS into their Agency-wide and Transaction Level (Fiscal) operations.

A key requirement to maintaining compliance with ARMICS and Comptroller's Directive 1-08 is to complete the work necessary to be able to submit a complete and timely ARMICS Certification to the Department of Accounts (DOA) by June 30, 2009. Agency Certifications that are incomplete or late will be designated, "Non-compliant" and be listed in the Quarterly Report for the quarter ended June 30, 2009.

Non-compliant agencies will be reported in each subsequent Quarterly Report until a complete Certification is received. Compliant Agencies will continue to be compliant as long as they submit a complete and timely Certification each year by June 30th.

The other key factor affecting an Agency's status is the results of a Quality Assurance Review (QAR) performed by the DOA General Accounting, ARMICS Team. A QAR Report stating "not generally in compliance" with ARMICS results in the Agency being reported in the Quarterly Report. Non-compliant agencies will be reported in each subsequent Quarterly Report until appropriate corrective action is taken to address the deficiencies identified in the QAR as certified by the Agency Head. DOA reserves the right to evaluate and test the corrective actions to ensure they have been properly completed.

Agencies will retain their "Compliant" status as long as they submit complete and timely certifications each June 30<sup>th</sup> and obtain "Substantial Compliance" status on QAR reports.

All "Non-Compliant" status agencies will be reported in the Comptroller's Quarterly Report as follows until appropriate remedial action is taken.

<b><u>Initial Date</u></b>	<b><u>Agency Name</u></b>	<b><u>Reason for Non-Compliance</u></b>
6-30-2009	XXX	Incomplete or Late Certification
10-25-2012	YYY	Substantial non-compliance on QAR

## Confirmation of Agency Reconciliation to CARS Reports

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 the Confirmation of Agency Reconciliation to CARS Reports.

DOA closely monitors Confirmation status, evaluates exceptions, and posts correcting entries in CARS. Confirmations for December, January and February were due 1/30/09, 2/27/09 and 3/31/09, respectively.

A web site was developed to facilitate the monitoring of Confirmation status and to make the relevant information available to agency fiscal officers.

### Confirmations Late or Outstanding

*As of April 14, 2009*

<u>Agency</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>
Commission on the Virginia Alcohol Safety Program	X	-	-
Southside Virginia Community College	-	X	-
Radford University	X	X	X

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

## Response to Inquiries

DOA regularly communicates with agencies regarding petty cash and invoice analyses, financial reporting information, and the FAACS/LAS systems. In many instances, agencies respond in a timely manner.

However, in other instances, agencies do not respond timely or simply fail to respond. For the quarter ended March 31, 2009, all responses have been received within an acceptable timeframe.

## Trial Balance Review

As an integral part of the monthly reconciliation process, each agency should review their monthly trial balance for any anomalies and investigate and correct immediately. If the anomaly cannot be corrected at the agency level, the problem should be noted on the exception register.

DOA monitors selected general ledger balances and contacts agencies in writing about certain irregular balances. For the quarter ended March 31, 2009, no agencies failed to respond timely, make corrective action and/or provide additional information.

### Trial Balance Review *As of April 14, 2009*

<u>Agency</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>
None	-	-	-

**Analysis of Appropriation, Allotments and Expenditures, and Cash Balances**

The Appropriation Act prohibits agencies from incurring unauthorized deficits. Therefore, credit cash balances and instances in which expenditures exceed appropriation and allotment require prompt investigation and resolution.

DOA contacts agencies in writing about credit cash balances and appropriations versus expenditure anomalies. For the quarter ended March 31, 2009, no agencies failed to respond timely, make corrective action and/or provide additional information.

**Credit Cash, Excess Expenditures, and Expenditure Credits**

*As of April 14, 2009*

<b>Agency</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>
None	-	-	-

**Disbursement Processing**

During the quarter ended March 31, 2009, DOA deleted, at the submitting agency's request, 140 payments that were awaiting disbursement from the vendor payment file. These included duplicate payments, payments with incorrect vendor indicators and payments with incorrect vendor name, address or amount. These types of transactions may point to areas where improved agency internal accounting controls should be evaluated.

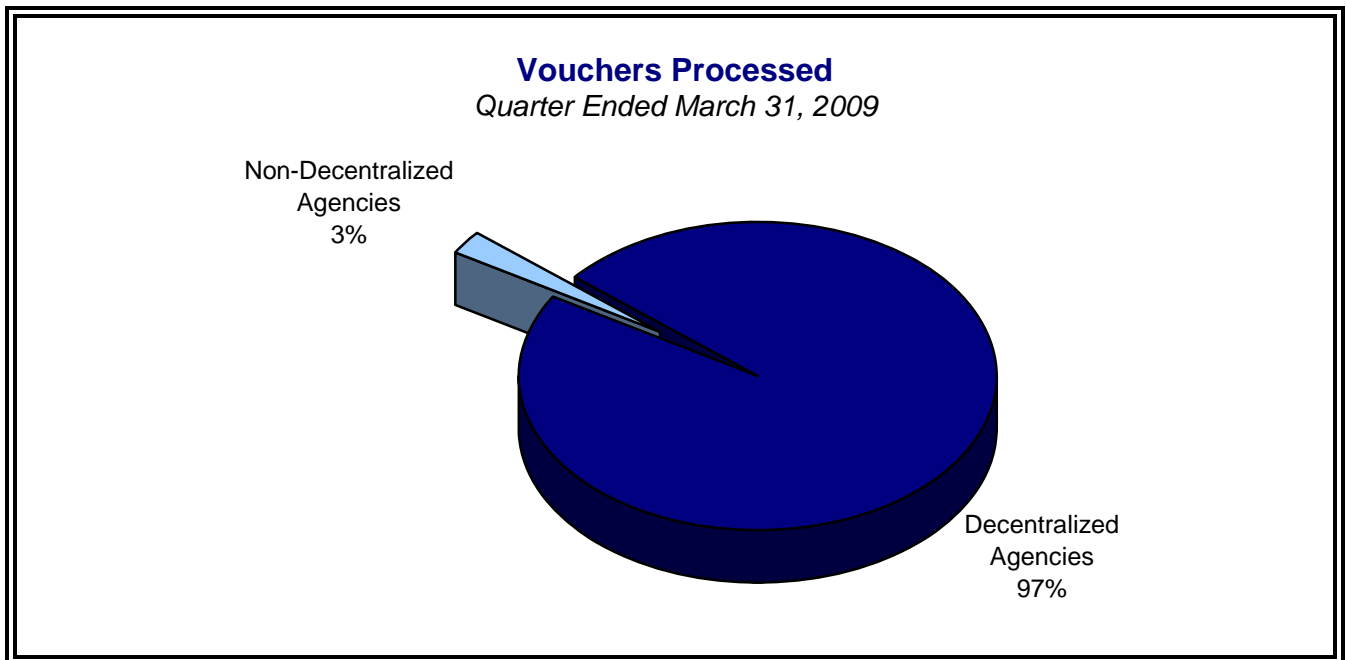
Twenty-six agencies requested deletes during the quarter. For the quarter ended March 31, 2009, no agency requested more than four vendor payment deletions.



## Paperwork Decentralization

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

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



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

## *Decentralized Agencies*

DOA performs decentralized record reviews to fulfill its statutory responsibilities under the *Code of Virginia* regarding expenditures by state agencies and institutions. The decentralized record reviews emphasize the impact and effect of the findings on overall compliance with the applicable sections of the Commonwealth Accounting Policies and Procedures Manual.

A formal corrective action plan is required for agencies considered deficient in their compliance responsibilities. DOA will perform a follow-up review to verify the actions taken by the agency adequately addressed the deficiencies noted in the original report.

Although an agency's report may state that it "generally complies with the CAPP Manual" and not require a formal corrective action plan, most reports do contain some findings and recommendations. Agencies are strongly encouraged to address these findings. Repeat occurrences of the same findings in future

reviews may result in the agency having to prepare a formal corrective action plan.

Reviews were conducted for nine decentralized agencies during the quarter. The agencies were evaluated for compliance with the following sections of the Commonwealth Accounting Policies and Procedures (CAPP) Manual:

- CAPP Topic 20310 - *Expenditures*
- CAPP Topic 20315 - *Prompt Payment*
- CAPP Topic 20330 - *Petty Cash*
- CAPP Topic 20335 - *State Travel Regulations*
- CAPP Topic 20336 - *Agency Travel Processing*
- CAPP Topic 20345 - *Moving and Relocation*
- CAPP Topic 20355 - *Purchasing Charge Card*

Agencies are generally selected each quarter using a systematic risk evaluation of all decentralized agencies.

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## **Compliant Agencies**

Virginia Polytechnic Institute and State University  
Virginia Cooperative Extension and Agricultural Experiment Station  
Southwestern Virginia Training Center  
Thomas Nelson Community College  
Correctional Human Resources and Training  
Tidewater Community College  
Virginia Employment Commission  
Department of State Police  
Virginia Information Technologies Agency

Note: There were no agencies required to prepare a formal corrective action plan for the current quarter.



### *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 all non-decentralized agencies. A total of 1,025 non-travel disbursement batches and 281 travel disbursement batches were reviewed, disclosing 37 exceptions that were resolved prior to releasing the transactions for payment.



## Prompt Payment Compliance

The *Code of Virginia* requires that State agencies and institutions pay for goods and services by the required payment due date. The reporting required by the *Code of Virginia* §2.2-4356 is being met by the information presented here. This section details the number and dollar amounts of late payments by secretarial area, institutions and

agencies, and the total amount of interest paid. Agencies and institutions that process 50 or more vendor payments during a quarter are reported as not meeting Prompt Pay requirements if fewer than 95 percent of their payments are processed by the required due date.

### Statewide Prompt Payment Performance Statistics

	Quarter Ended March 31, 2009		Fiscal Year 2009 To-Date		Comparative Quarter Ended March 31, 2008	
	Late	Total	Late	Total	Late	Total
<b>Number of Payments</b>	5,152	512,728	15,263	1,683,608	5,294	571,493
<b>Dollars (in thousands)</b>	\$ 31,582	\$ 1,456,958	\$ 110,129	\$ 4,739,497	\$ 31,104	\$ 1,422,780
<b>Interest Paid on Late Payments</b>				\$22,190 (a)		
<b>Current Quarter Percentage of Payments in Compliance</b>				99.0%		
<b>Fiscal Year-to-Date Percentage of Payments in Compliance</b>				99.1%		
<b>Comparative Fiscal Year 2008 Percentage of Payments in Compliance</b>				<b>98.8%</b>		

(a) This does not include covered higher education institutions.



## Prompt Payment Performance by Secretarial Area

*Quarter Ended March 31, 2009*

<b>Secretarial Area</b>	<b>Payments in Compliance</b>	<b>Dollars in Compliance</b>
Administration	99.5%	99.0%
Agriculture and Forestry	99.6%	99.6%
Commerce and Trade	98.8%	98.9%
Education*	98.9%	97.3%
Executive Offices	99.5%	95.8%
Finance	99.7%	97.3%
Health and Human Resources	99.1%	98.7%
Independent Agencies	95.5%	99.6%
Judicial	99.7%	99.0%
Legislative	100.0%	100.0%
Natural Resources	99.2%	89.2%
Public Safety	99.2%	99.2%
Technology	99.2%	99.9%
Transportation*	99.1%	97.1%
<b>Statewide</b>	<b>99.0%</b>	<b>97.8%</b>

## Prompt Payment Performance by Secretarial Area

*Fiscal Year 2009*

<b>Secretarial Area</b>	<b>Payments in Compliance</b>	<b>Dollars in Compliance</b>
Administration	99.2%	99.2%
Agriculture and Forestry	99.7%	99.6%
Commerce and Trade	98.7%	99.2%
Education *	99.0%	97.4%
Executive Offices	98.9%	93.1%
Finance	99.7%	99.6%
Health and Human Resources	99.1%	98.5%
Independent Agencies	97.5%	98.2%
Judicial	99.8%	99.6%
Legislative	99.9%	99.7%
Natural Resources	99.5%	96.2%
Public Safety	99.3%	97.4%
Technology	99.2%	97.2%
Transportation*	99.5%	98.3%
<b>Statewide</b>	<b>99.1%</b>	<b>97.7%</b>

\* 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 may include local payments. These agencies and institutions are decentralized for vendor payment processing.

For the quarter ended March 31, 2009, the following institution that processed more than 50 vendor payments during the quarter was

below the 95 percent prompt payment performance standard.

**Prompt Payment Compliance Rate  
Agencies Below 95 Percent  
Quarter Ended March 31, 2009**

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
<b>Education</b>			
New College Institute	9	98	90.8%
<b>Health and Human Resources</b>			
Virginia Rehab Center for the Blind & Vision Impaired	4	53	92.5%
<b>Public Safety</b>			
Sitter - Barfoot Veterans Care Center	56	812	93.1%
<b>Independent Agencies</b>			
Virginia Workers' Compensation Commission	160	715	77.6%

For FY 2009, the following agencies 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 Percent  
Fiscal Year 2009**

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
<b>Education</b>			
New College Institute	35	295	88.1%
<b>Public Safety</b>			
Sitter-Barfoot Veterans Care Center	212	2,310	90.8%
<b>Independent Agencies</b>			
Virginia Workers' Compensation Commission	242	2,492	90.3%

## 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. Other agencies of the Commonwealth that are responsible for payment processes outside of those processed centrally have also embraced e-commerce initiatives (e.g., VEC, DSS). As a result, the methodology for accumulating the Statewide E-Commerce Performance Statistics includes additional payments made by these agencies. On the following pages, agencies and institutions are identified if e-commerce statistics indicate that they are not fully utilizing these tools.

### Statewide E-Commerce Performance Statistics

	Quarter Ended March 31, 2009			Comparative Quarter Ended March 31, 2008
	E-Commerce	Total	Percent	Percent
Number of Payments	2,439,962	2,858,283	85.4%	77.8%
Payment Amounts	\$ 7,975,300,497	\$ 9,232,794,885	86.4%	85.3%

	Fiscal Year 2009 To-Date			Comparative Fiscal Year 2008
	E-Commerce	Total	Percent	Percent
Number of Payments	7,259,211	8,566,011	84.7%	77.1%
Payment Amounts	\$ 24,039,520,417	\$ 28,051,223,421	85.7%	84.8%

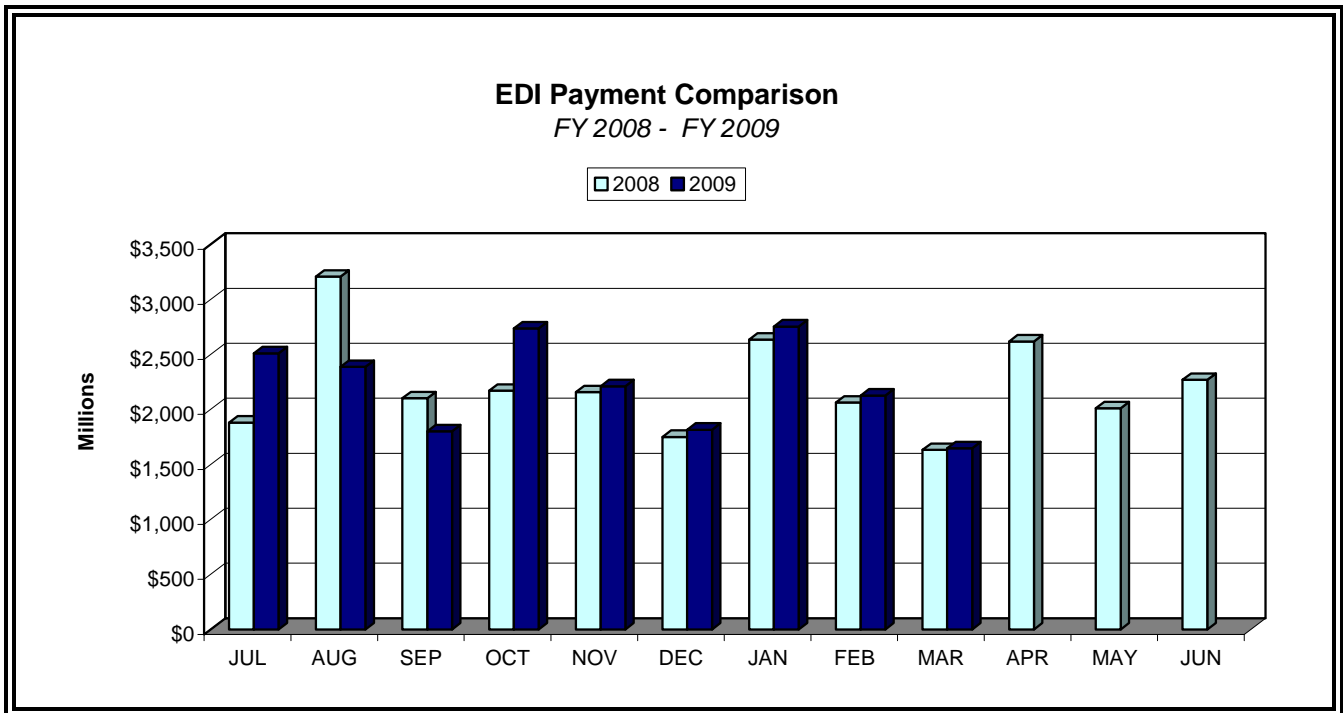
**Financial Electronic Data Interchange (EDI)**

The dollar volume of Financial EDI payments for the third quarter of FY 2009 were \$199 million (3.1 percent) more than the same quarter last year. The number of trading partner accounts increased by 9.1 percent

from March 2008. The largest portion of this increase is due to efforts to convert state employee travel reimbursements from checks to electronic payments.

**Financial EDI Activity**

<b>Financial EDI Activity</b>	<b>Quarter Ended March 31, 2009</b>	<b>Fiscal Year 2009 To-Date</b>	<b>Comparative FY 2008 To-Date</b>
Number of Payments	39,108	129,086	141,564
Amount of Payments	\$ 6,530,723,715	\$ 19,998,928,084	\$ 19,603,333,021
Number of Invoices Paid	164,707	520,906	580,804
Estimated Number of Checks Avoided	64,298	207,430	228,118
Number of Trading Partner Accounts as of 3/31/09		50,364	46,141



## *Travel EDI*

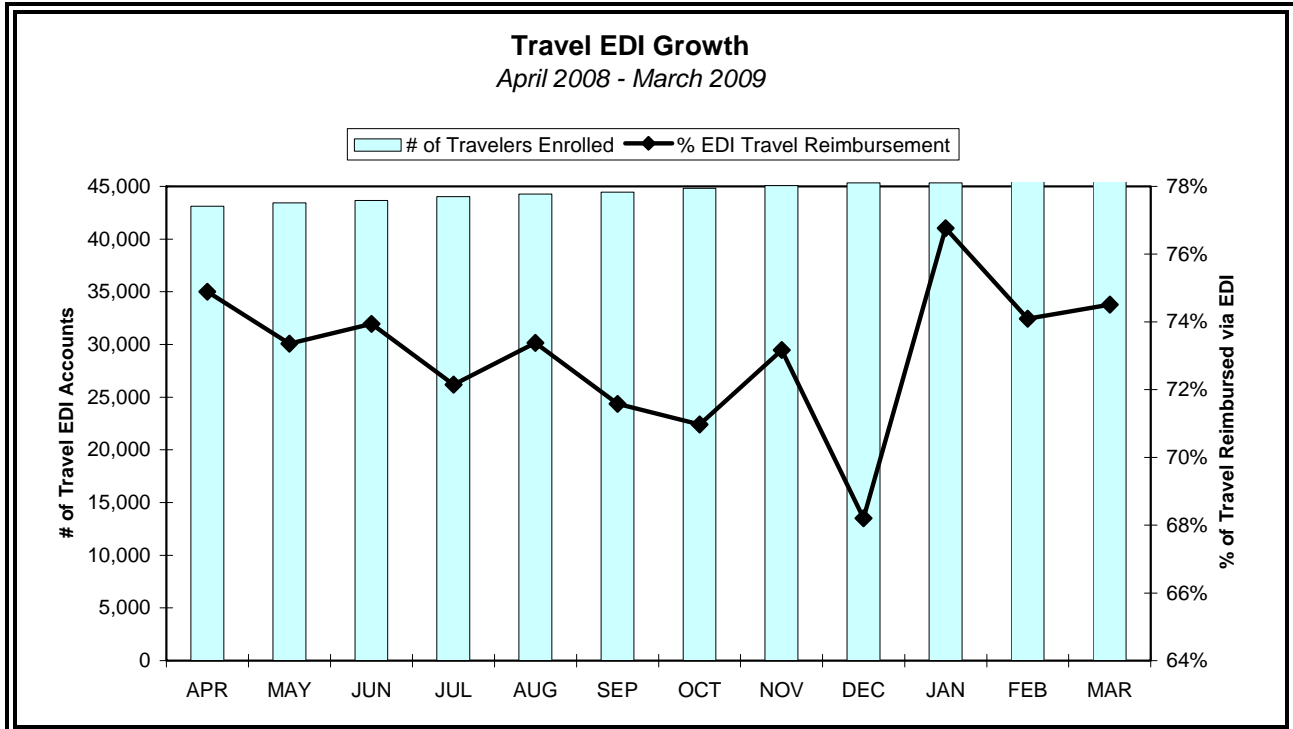
Expansion of the Travel EDI program is an integral part of the statewide effort to reduce the administrative costs associated with paying for goods and services for the Commonwealth. The Appropriation Act requires employees who travel more than twice a year to be reimbursed using EDI. DOA notified agencies 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 §4-5.04g of the Appropriation Act, the Comptroller charges agencies for each travel reimbursement check issued in lieu of Travel EDI. Agencies are expected to take action to enroll applicable employees in the EDI program and thus avoid the fees altogether. For FY 2009, the fee is \$5 per travel reimbursement check.

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



The following table lists by secretarial area the percentage of travel reimbursements that were made via EDI versus the number of checks that were written for travel reimbursements during the quarter. *The*

*statistics are shown for employees and non-employees. These statistics do not necessarily show non-compliance with the Appropriation Act requirements.*

**Travel Reimbursement  
Travel EDI Performance by Secretarial Area**  
*Quarter Ended March 31, 2009*

<b>Secretarial Area</b>	<b>Employee Percent</b>	<b>Non-Employee Percent</b>	<b>Reimbursement Checks Issued</b>
Administration	76.5%	0.0%	44
Agriculture and Forestry	96.7%	20.7%	83
Commerce and Trade	93.5%	62.8%	178
Education (1)	86.2%	15.5%	1,093
Executive Offices	95.2%	6.7%	23
Finance	95.8%	0.0%	27
Health and Human Resources	93.2%	39.1%	816
Independent Agencies	95.5%	0.0%	79
Judicial	22.2%	2.4%	2,660
Legislative	96.4%	12.5%	28
Natural Resources	92.3%	47.9%	125
Public Safety	90.0%	34.3%	411
Technology	92.7%	0.0%	24
Transportation (1)	84.5%	22.5%	261
<b>Statewide for Quarter</b>	<b>82.5%</b>	<b>24.8%</b>	<b>5,852</b>
<i>Fiscal Year 2009 To-Date</i>			
<b>Statewide</b>	<b>80.0%</b>	<b>23.7%</b>	<b>23,691</b>
<i>Comparative Fiscal Year 2008 To-Date</i>			
<b>Statewide</b>	<b>80.5%</b>	<b>21.6%</b>	<b>27,076</b>

(1) Statistics do not include agencies and institutions decentralized for vendor payment processing.

The following table lists agencies with Employee EDI participation rates below 85 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 85 Percent**

<u>Agency</u>	<u>Percent</u>	<u>Reimbursement Checks Issued</u>
<b>Education</b>		
Norfolk State University	46.9%	121
<b>Health and Human Resources</b>		
Department of Rehabilitative Services	82.1%	55
<b>Judicial</b>		
Magistrate System	43.5%	147
Supreme Court	24.5%	250
Circuit Courts	5.8%	569
Juvenile and Domestic Relations District Courts	4.7%	348
Combined District Courts	3.2%	240
Court of Appeals of Virginia	2.9%	33
General District Courts	2.8%	349
<b>Public Safety</b>		
Department of Emergency Management	73.6%	38
<b>Transportation</b>		
Department of Transportation	78.4%	148

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**

<b>Agency</b>	<b>Percent</b>	<b>Reimbursement Checks Issued</b>
<b>Education</b>		
Department of Education, Central Office Operations	5.5%	364
Christopher Newport University	0.0%	63
Norfolk State University	0.0%	30
<b>Health and Human Resources</b>		
Department of Mental Health, Mental Retardation and Substance Abuse Services	9.8%	55
Virginia Board for People with Disabilities	2.6%	38
<b>Judicial</b>		
Circuit Courts	1.9%	364
Virginia State Bar	0.0%	214
<b>Natural Resources</b>		
Department of Conservation and Recreation	0.0%	31
<b>Public Safety</b>		
Department of Criminal Justice Services	0.0%	34
Department of Forensic Science	0.0%	30

The following table lists agencies that have accumulated more than \$200 in employee EDI check charges for the fiscal year and have a utilization rate below 80 percent. Agencies are charged for each travel reimbursement check issued to an employee after their second check of the fiscal year.

For FY 2009, the charge is \$5 per check. These statistics indicate noncompliance with §4-5.04f.5 of the Appropriation Act which requires that all employees likely to travel more than twice per year be reimbursed for travel costs using electronic data interchange.

**Agency Non-Compliance Travel Check Charges  
Utilization Below 80 Percent**

<b>Agency</b>	<b>Percent</b>	<b>Year-to-date Charges</b>
<b>Education</b>		
Norfolk State University	46.9%	\$ 625
<b>Judicial</b>		
Magistrate System	43.5%	1,480
Supreme Court	24.5%	2,510
Circuit Courts	5.8%	7,035
Juvenile and Domestic Relations District Courts	4.7%	4,090
Combined District Courts	3.2%	3,085
Court of Appeals of Virginia	2.9%	420
General District Courts	2.8%	3,750
<b>Transportation</b>		
Department of Transportation	78.4%	885



### *Direct Deposit*

During the second quarter of FY 2009, 521,699 checks were avoided using direct deposit. Effective August 1, 2008 direct

deposit was mandated for all new hires. Agencies may mandate direct deposit for all eligible employees at their discretion.

### **Direct Deposit Performance by Secretarial Area**

*Quarter Ended March 31, 2009*

<u>Secretarial Area</u>	<u>Direct Deposit % of Salaried Employees</u>	<u>Direct Deposit % of Wage Employees</u>
Administration	99.1%	97.8%
Agriculture and Forestry	98.2%	80.9%
Commerce and Trade	99.4%	99.2%
Education	99.4%	91.3%
Executive Offices	99.5%	81.6%
Finance	99.2%	95.3%
Health and Human Resources	96.3%	93.2%
Independent Agencies	99.5%	97.9%
Judicial	98.3%	70.1%
Legislative	99.6%	99.6%
Natural Resources	99.2%	95.9%
Public Safety	99.3%	96.0%
Technology	100.0%	100.0%
Transportation	99.9%	95.4%
<b>Statewide</b>	<b>98.7%</b>	<b>92.1%</b>
<i>Comparative</i>		
<i>Quarter Ended March 31, 2008</i>		
<b>Statewide</b>	<b>93.8%</b>	<b>72.3%</b>

## Statewide Salaried Direct Deposit Performance

*Quarter Ended March 31, 2009*

<b>Salaried Direct Deposit Participation</b>	<b>98.7%</b>
----------------------------------------------	--------------

### Salaried Direct Deposit Below 98 Percent

<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
<b>Administration</b>		
State Board of Elections	90.0%	30
<b>Commerce and Trade</b>		
Department of Business Assistance	97.1%	34
<b>Education</b>		
Virginia Highlands Community College	95.0%	120
Virginia School for the Deaf, Blind and Multi-Disabled at Hampton	44.9%	49
<b>Health and Human Resources</b>		
Southwestern Virginia Mental Health Institute	97.3%	518
Central State Hospital	96.2%	771
Catawba Hospital	96.0%	272
Commonwealth Center for Children and Adolescents	95.5%	132
Southside Virginia Training Center	94.6%	1,326
Northern Virginia Mental Health Institute	94.2%	309
Western State Hospital	94.1%	709
Southeastern Virginia Training Center	92.7%	427
Eastern State Hospital	91.2%	923
Southern Virginia Mental Health Institute	89.3%	168
Central Virginia Training Center	83.1%	1,418
<b>Judicial</b>		
Court of Appeals of Virginia	97.6%	82
Circuit Courts	96.7%	153
Magistrate System	96.2%	398
<b>Natural Resources</b>		
Virginia Museum of Natural History	97.5%	40
<b>Public Safety</b>		
Department of Correctional Education	97.7%	655
Department of Alcoholic Beverage Control	97.6%	982
Department of Military Affairs	97.2%	289
<b>Transportation</b>		
Department of Rail and Public Transportation	97.1%	35

## Statewide Wage Direct Deposit Performance

*Quarter Ended March 31, 2009*

<b>Wage Direct Deposit Participation</b>	<b>92.1%</b>
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### Wage Direct Deposit Below 90 Percent

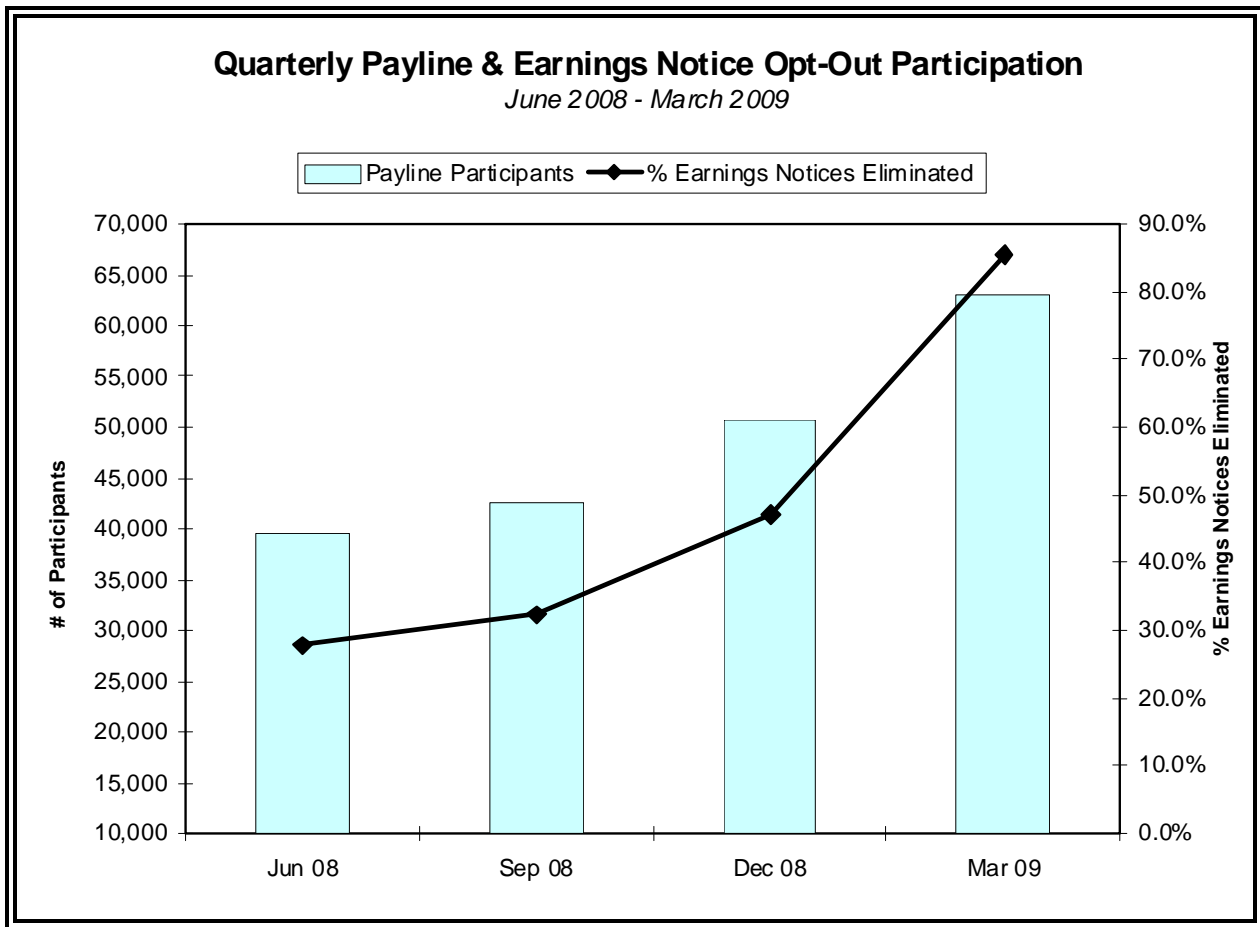
Agency	Percent	Number of Employees
<b>Agriculture and Forestry</b>		
Department of Forestry	84.5%	239
Department of Agriculture and Consumer Services	71.9%	96
<b>Education</b>		
Gunston Hall Plantation	88.9%	18
Dabney S. Lancaster Community College	87.5%	80
VSU/Cooperative Extension & Agriculture Research	82.4%	17
Mountain Empire Community College	79.7%	227
Southwest Virginia Community College	77.2%	246
Rappahannock Community College	73.7%	137
Norfolk State University	73.1%	964
Virginia State University	72.6%	511
Eastern Shore Community College	72.2%	108
Paul D. Camp Community College	63.5%	170
Virginia Highlands Community College	57.3%	227
<b>Health and Human Resources</b>		
Northern Virginia Mental Health Institute	89.3%	28
Western State Hospital	88.9%	72
Southeastern Virginia Training Center	88.9%	27
Virginia Rehabilitation Center for the Blind and Visually Impaired	88.2%	17
Eastern State Hospital	85.0%	80
Southern Virginia Mental Health Institute	65.6%	32
Central Virginia Training Center	60.5%	119
<b>Judicial</b>		
Juvenile and Domestic Relations Courts	88.7%	53
General District Courts	58.7%	208
Combined District Courts	52.2%	23
<b>Public Safety</b>		
Department of Correctional Education	89.1%	92
Department of Emergency Management	88.1%	42
Virginia Veterans Care Center	87.8%	49



### 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 2,635,017 earnings notices.



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, 2009*

<u>Secretarial Area</u>	<u>Percent Payline Participation</u>	<u>Percent Earnings Notices Eliminated*</u>
Administration	90.4%	89.5%
Agriculture and Forestry	80.0%	81.9%
Commerce and Trade	94.1%	100.0%
Education	60.9%	91.0%
Executive Offices	83.8%	100.0%
Finance	97.0%	100.0%
Health and Human Resources	72.7%	73.3%
Independent Agencies	86.2%	96.3%
Judicial	71.0%	56.1%
Legislative	65.3%	70.4%
Natural Resources	79.2%	81.4%
Public Safety	72.3%	84.7%
Technology	95.9%	100.0%
Transportation	87.1%	100.0%
<b>Statewide</b>	<b>73.0%</b>	<b>85.5%</b>
<i>Comparative</i>		
<i>Quarter Ended March 31, 2008</i>		
<b>Statewide</b>	<b>41.4%</b>	<b>25.0%</b>

\* 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.

Effective January 1, 2009, all employees who have access to state-issued computers and internet access are required to use Payline and to opt out of earnings notice print. Agencies can implement this mandate by either requiring their employees to individually access Payline and make the appropriate elections in the user's security record to opt out or the agency can make a global election to opt out its employees. Agency elections to

eliminate earnings notice print can be applied systematically to salary-only employees, hourly-only employees, or all employees.

A large number of agencies elected a global opt-out in response to the January 1, 2009, mandate. Listed below are those agencies who have not elected an agency-wide opt-out and who have an opt-out percentage below 90% as of March 31, 2009.

**Earnings Notice Elimination  
Under 90 Percent**

<b>Agency</b>	<b>Percent Earnings Notices Eliminated QE 03/31/2009</b>	<b>Percent Earnings Notices Eliminated QE 12/31/2008</b>
<b>Administration</b>		
Department of General Services	86.3%	65.8%
<b>Agriculture and Forestry</b>		
Department of Forestry*	68.1%	61.4%
<b>Education</b>		
Frontier Culture Museum of Virginia*	86.4%	60.3%
Southwest Virginia Community College*	87.1%	80.6%
Jamestown Yorktown Foundation*	80.1%	76.7%
Virginia Highlands Community College*	75.8%	65.7%
Eastern Shore Community College*	60.4%	30.9%
Gunston Hall Plantation	50.0%	0.0%
Paul D. Camp Community College*	32.8%	14.8%
<b>Health and Human Resources</b>		
Eastern State Hospital	16.1%	12.7%
Southeastern Virginia Training Center	11.4%	10.1%

\* These agencies have elected global opt-out for salaried employees only

**Earnings Notice Elimination  
Under 90 Percent, cont.**

<b>Agency</b>	<b>Percent Earnings Notices Eliminated QE 03/31/2009</b>	<b>Percent Earnings Notices Eliminated QE 12/31/2008</b>
<b><i>Judicial</i></b>		
Magistrate System	66.0%	47.6%
Court of Appeals of Virginia	65.4%	14.1%
Combined District Courts	42.0%	16.0%
General District Courts	37.1%	14.3%
Juvenile & Domestic Relations District Courts	37.0%	11.4%
Circuit Courts	9.8%	2.1%
<b><i>Legislative</i></b>		
Virginia House of Delegates	19.9%	18.4%
<b><i>Natural Resources</i></b>		
Department of Conservation and Recreation	53.4%	34.0%
Marine Resources Commission	50.4%	33.6%
Chippokes Plantation Farm Foundation	0.0%	0.0%
<b><i>Public Safety</i></b>		
Virginia Veterans Care Center	20.1%	11.4%



***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.

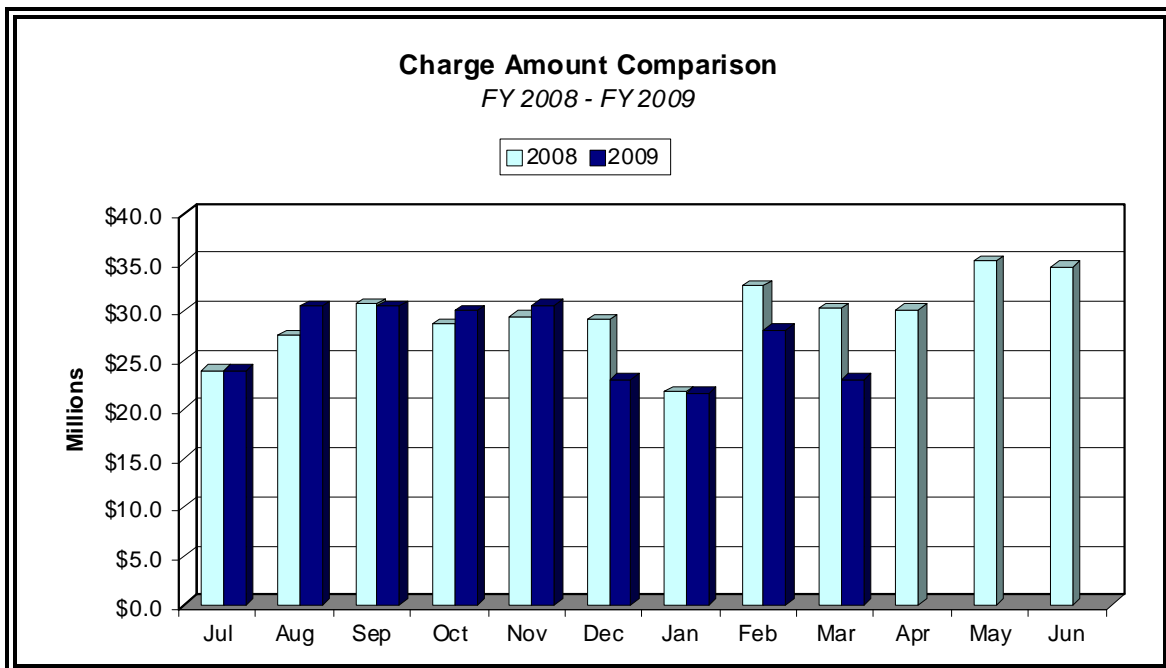
Agencies are strongly encouraged to obtain a Gold Card for use for purchases up to \$50,000.

The total amount charged on SPCC and Gold cards during the third quarter of FY 2009 decreased by \$11,864,731 or 16 percent from the same quarter last year. The decrease is attributed to the change in card vendors as well as statewide budget reduction initiatives during third quarter.

**Small Purchase Charge Card Program**

<b>Charge Card Activity</b>	<b>Quarter Ended March 31, 2009</b>	<b>Fiscal Year 2009 To-Date</b>	<b>Comparative Fiscal Year 2008 To-Date</b>
Amount of Charges	\$ 72,781,918	\$ 241,632,390	\$ 254,275,252
Estimated Number of Checks Avoided	138,947	465,557	479,253
Total Number of Participating Agencies		227	226
Total Number of Cards Outstanding		15,201	14,917

The following chart compares charge activity for FY 2009 to activity for FY 2008:



### *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.

For purposes of computing the \$5 underutilization charge imposed in accordance with §4-5.04g of the Appropriation Act, the threshold has been set at 70 percent. Beginning in the second quarter of FY 2007, all local governments have been exempted from the utilization process.

In accordance with §4-5.04g of the Appropriation Act, the underutilization charge imposed for agencies under the 70 percent threshold is \$5.

All payments under \$5,000 processed through CARS and not placed on the purchase card will be matched against GE MasterCard's vendor base in excess of 26 million merchants based on Tax Identification number.

Each agency will receive a report of payments to participating suppliers which should have been paid by the SPCC from DOA. Questions regarding the data can be e-mailed to [cca@doa.virginia.gov](mailto:cca@doa.virginia.gov).

Due to the transition from GE MasterCard to Bank of America VISA, charge card utilization by secretarial area and agency underutilization for the this quarter will not be reported. Beginning with FY09 4<sup>th</sup> quarter, all payments processed through CARS and not placed on the purchase card will be matched against VISA's vendor base of approximately 24 million merchants to determine an agency's utilization of the program.

**SPCC and ATC Payment Compliance**

Agencies and institutions participating in the Charge Card program are required to submit GE MasterCard payments via EDI no later than the 8<sup>th</sup> of each month and Bank of America payments via EDI no later than the 7<sup>th</sup> of each month. Failure to pay the correct amount when due jeopardizes the Commonwealth's contractual relationship with the charge card vendor and may result in suspension of an agency's charge card program. Any agency that pays their bill late by more than two (2) days is reported. For the month of January, this represents the bill date of January 15, 2009, with the payment due no later than February 7<sup>th</sup> for Bank of America and February 8<sup>th</sup> for GE MasterCard.

Agencies are credited under prompt payment reporting for timely payment of each purchasing charge card transaction. ***Effective July 1, 2007, any late payments on the Airline Travel Card (ATC) will be reflected in this section along with purchase card late payments. If an agency is late paying their ATC bill, agency prompt payment statistics may be adjusted downward to reflect each ATC bill submitted as a late payment.***

The following chart lists agencies more than two days late in submitting their payments by each program type. Unless otherwise noted, the payments refer to GE MasterCard.

<b>Agency</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>
<b><u>Purchase Card Program:</u></b>			
<b>Commerce and Trade</b>			
Virginia Economic Development Partnership - Bank of America			X
<b>Education</b>			
University of Virginia Medical Center	X	X	
University of Virginia Medical Center - Bank of America			X
<b>Independent</b>			
Virginia Retirement System	X		
Virginia Workers' Compensation Commission	X	X	

<b>Agency</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>
<b><u>Airline Travel Card Program:</u></b>			
<b>Commerce and Trade</b>			
Virginia Economic Development Partnership - Bank of America			X
<b>Education</b>			
Norfolk State University - Bank of America			X
Virginia Military Institute - Bank of America			X
Virginia Polytechnic Institute and State University - Bank of America			X
<b>Transportation</b>			
Virginia Port Authority	X		



## *Travel Charge Card*

The Commonwealth of Virginia has contracted with GE 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.

One of the major concerns under this program 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, letter sent to the cardholder.
- 31 - 60 days past due – charging privileges are temporarily suspended until balance is paid.
- 61 - 90 days past due – the account is permanently closed. Cardholder is no longer eligible to participate in the program.

The following table identifies the number of delinquent card accounts with GE MasterCard by agency during the quarter ended March 31, 2009, and the total amounts past due. There are no Bank of America Travel Cards past due as of March 31, 2009.

### **Travel Charge Card Program** *As of March 31, 2009*

<u>Agency</u>	<u>Total Delinquent Accounts</u>	<u>Amounts 60 Days Past Due</u>	<u>Amounts 90-120 Days Past Due</u>	<u>Amounts &gt;150 Days Past Due</u>
<b>Education</b>				
Old Dominion University	2	\$ 0	\$ 205	\$ 348
Radford University	1	75	925	0
University of Virginia	2	0	1,153	0
Virginia Military Institute	1	833	1,095	599
Virginia Polytechnic Institute and State University	3	0	463	1,828
Virginia State University	1	0	47	0

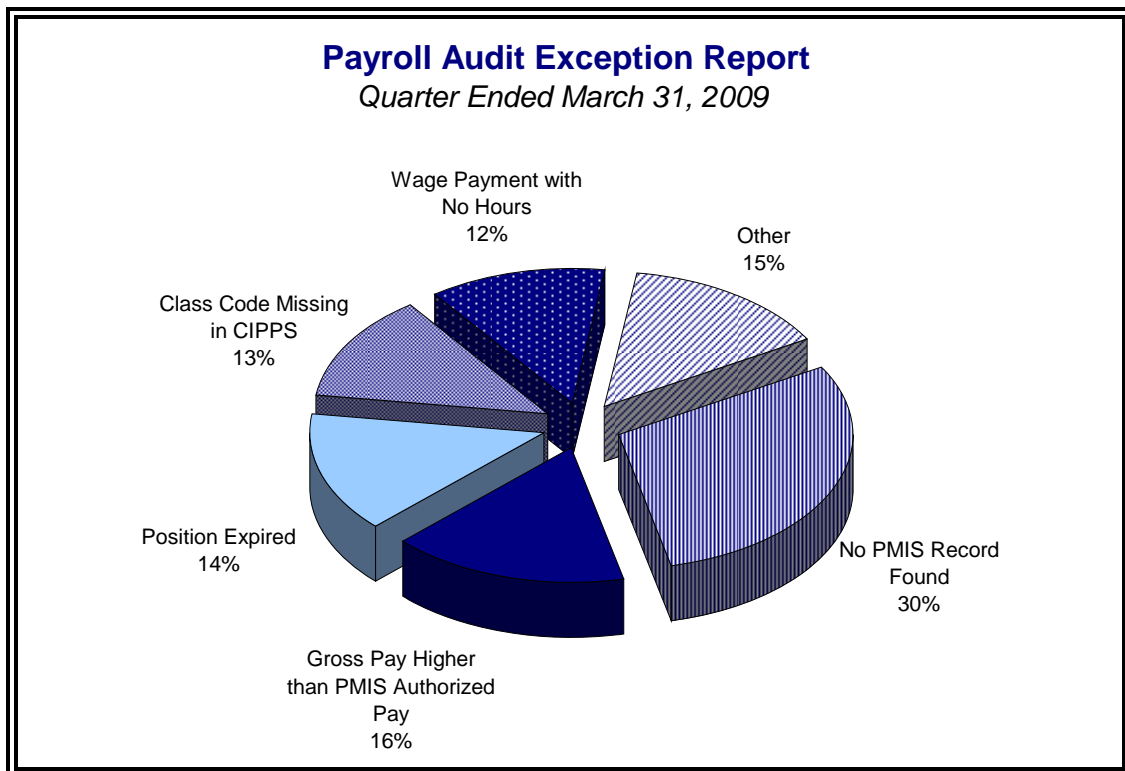
## Payroll Controls

### *PMIS/CIPPS Payroll Audit*

During the quarter, DOA's automated comparison of payroll and personnel (PMIS) records examined 430,040 salaried pay transactions and 203,338 wage pay transactions. The comparison is performed following each payday and is designed to identify discrepancies between authorized salary/wage amounts in PMIS and amounts paid in CIPPS. There were 1,601 new exceptions noted statewide during the quarter, with an overall exception rate of 0.29 percent.

The statewide salaried payroll exception rate was 0.40 percent and the wage payroll exception rate was 0.07 percent. During this quarter, 21 employee paychecks were reduced to recover \$10,106.06 in overpayments.

While the largest cause of exceptions is the processing of payments to salaried employees who do not have an active record set up in the PMIS system, the second 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 amounts 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.



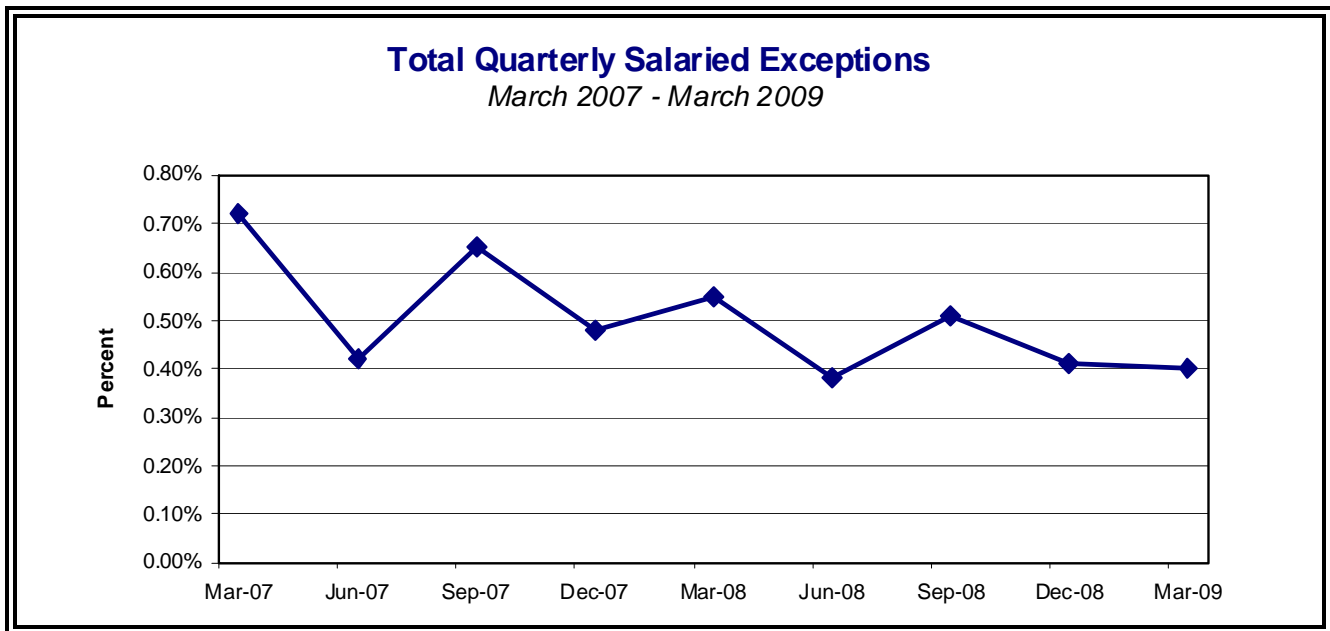
Exception percentages are calculated by dividing the number of exceptions by the number of salaried or wage employees. Agencies are reported below if the percentage

of payroll exceptions to salaried or wage payments exceeds three times the statewide average for the quarter.

**Payroll Exception Audit**  
**Agency Payroll Exceptions as a Percent of Salaried Payments**  
*Quarter Ended March 31, 2009*

<u>Agency</u>	<u># of Salaried Exceptions</u>	<u>Exceptions as a % of Salaried Payments</u>
<b>Total Salaried Payroll Exceptions for the Quarter</b>		<b>0.40%</b>

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

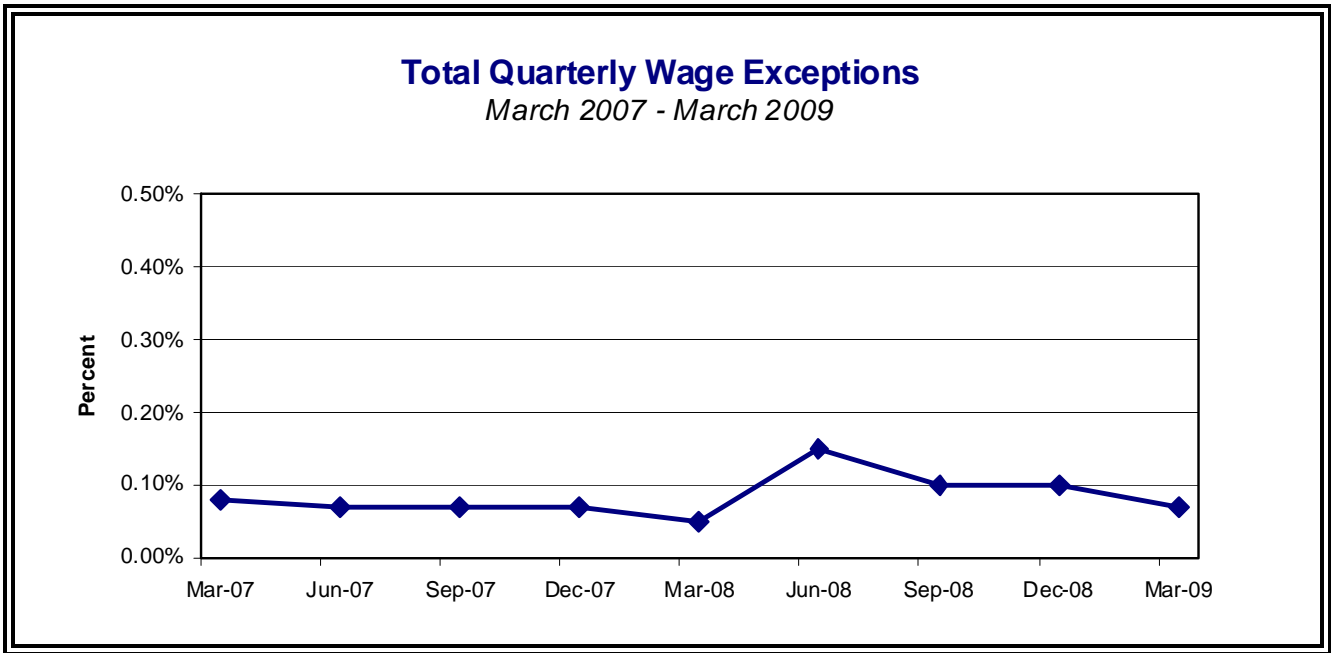


**Payroll Exception Audit**  
**Agency Payroll Exceptions as a Percent of Wage Payments**  
*Quarter Ended March 31, 2009*

<u>Agency</u>	<u># of Wage Exceptions</u>	<u>Exceptions as a % of Wage Payments</u>
Radford University	30	0.31%
Virginia Center for Behavioral Rehabilitation	28	25.93%

<b>Wage Payroll Exceptions for the Quarter</b>	<b>0.07%</b>
------------------------------------------------	--------------

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



***PMIS/CIPPS Exceptions***

Agencies are required to submit explanations and/or reconciliations for the differences identified on the CIPPS/PMIS Unresolved Exceptions Report, within six 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>
No Delinquent Exceptions	



## *Payroll Certification*

Agencies are required to calculate, verify, and authorize the amount 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 each 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)
<b>Education</b>				
J. Sargeant Reynolds Community College	\$ 102,426			
Southside Virginia Community College	27,000			
Virginia Western Community College	141,683			
<b>Legislative</b>				
Commission on the Virginia Alcohol Safety Action Program	1,537,570			
<b>Public Safety</b>				
Department of Fire Programs*	24,480			

\* Payrolls processed by DOA Payroll Service Bureau

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.

***Health Care Reconciliations***

Employee health care 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 health care eligibility records (BES) and health care 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, required IAT's not submitted or incorrect coding. Health care reconciliations for the months of December, January and February were due 01/30/09, 02/27/09 and 03/31/09, respectively.

**Schedule of Health Care Reconciliations  
Received Late**

<b>Agency</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>
Southampton Correctional Center		L	
Deep Meadow Correctional Center		L	

L = late



## FINANCIAL MANAGEMENT ACTIVITY

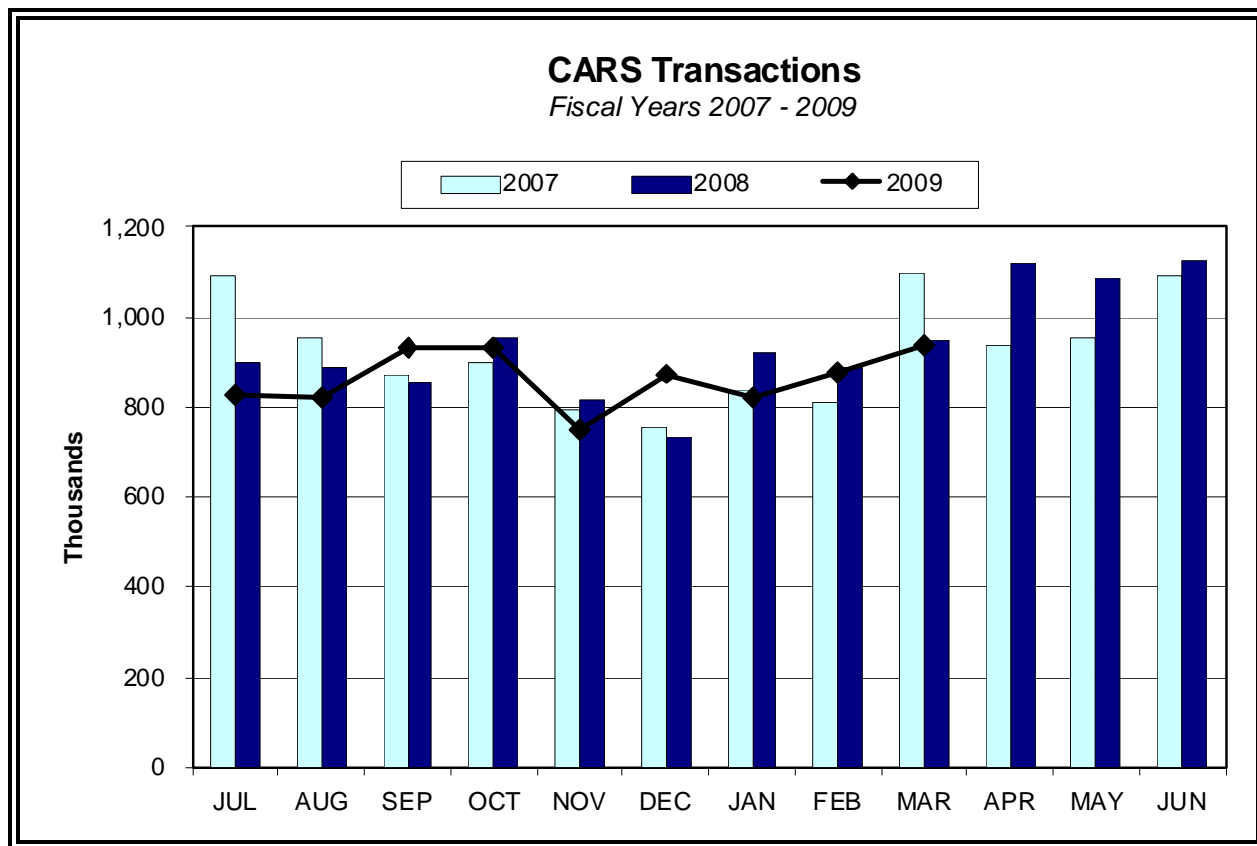
DOA monitors several types of financial activity. Various measures are used to track activities for CARS, payroll, accounts

receivable, indirect cost recoveries, treasury loans, and the Fixed Asset Accounting and Control System (FAACS).

### Commonwealth Accounting and Reporting System (CARS)

CARS activity trends provide important information about statewide accounting. Currently, measures are used to track CARS transactions and error counts. A marked

increase or decrease in the number of CARS transactions may indicate that an agency has changed the way it accounts for an activity. Such change may require DOA review.

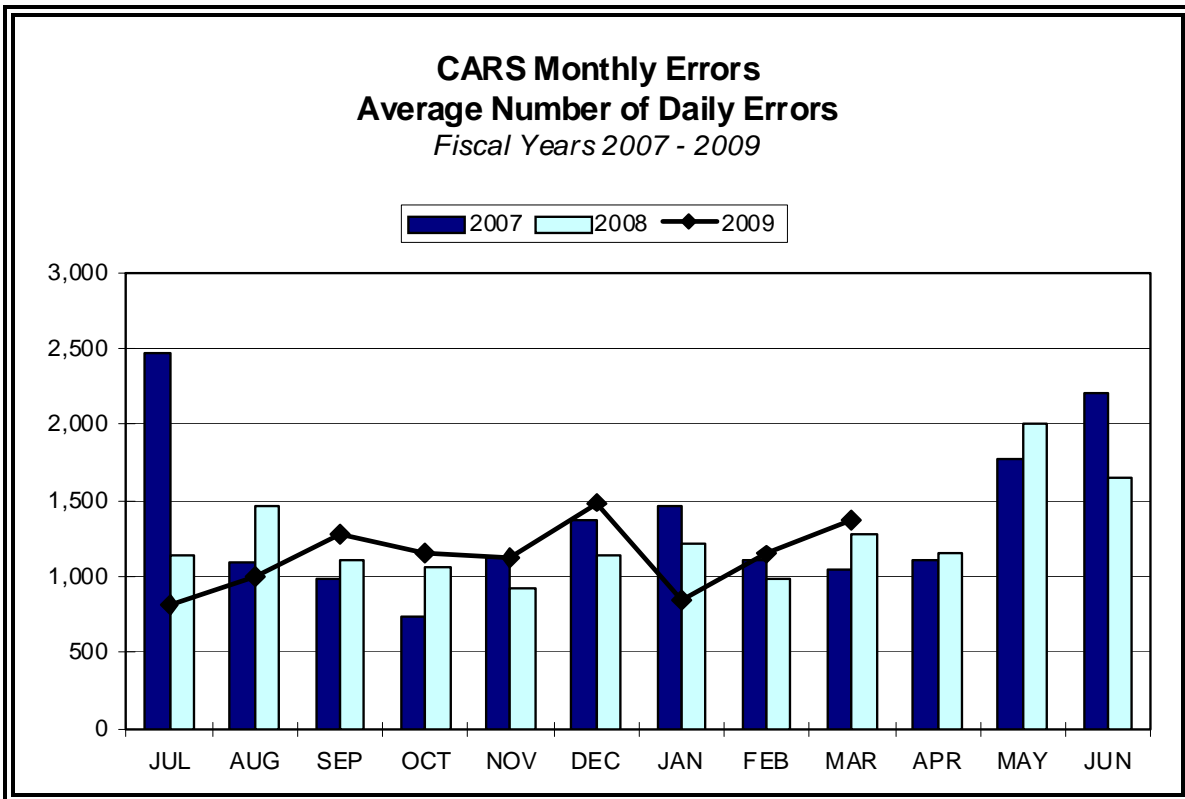


### *CARS Edits*

One of the most important management tools used by DOA is the monitoring of CARS errors generated by standard system edits. Batches remain on the error file until problems are resolved, which, for disbursement transactions, can lead to noncompliance with prompt payment standards and poor vendor relations. During the second quarter of FY 2009, the most frequent reasons cited for transactions processing to the error file were:

Agencies may avoid funding 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.

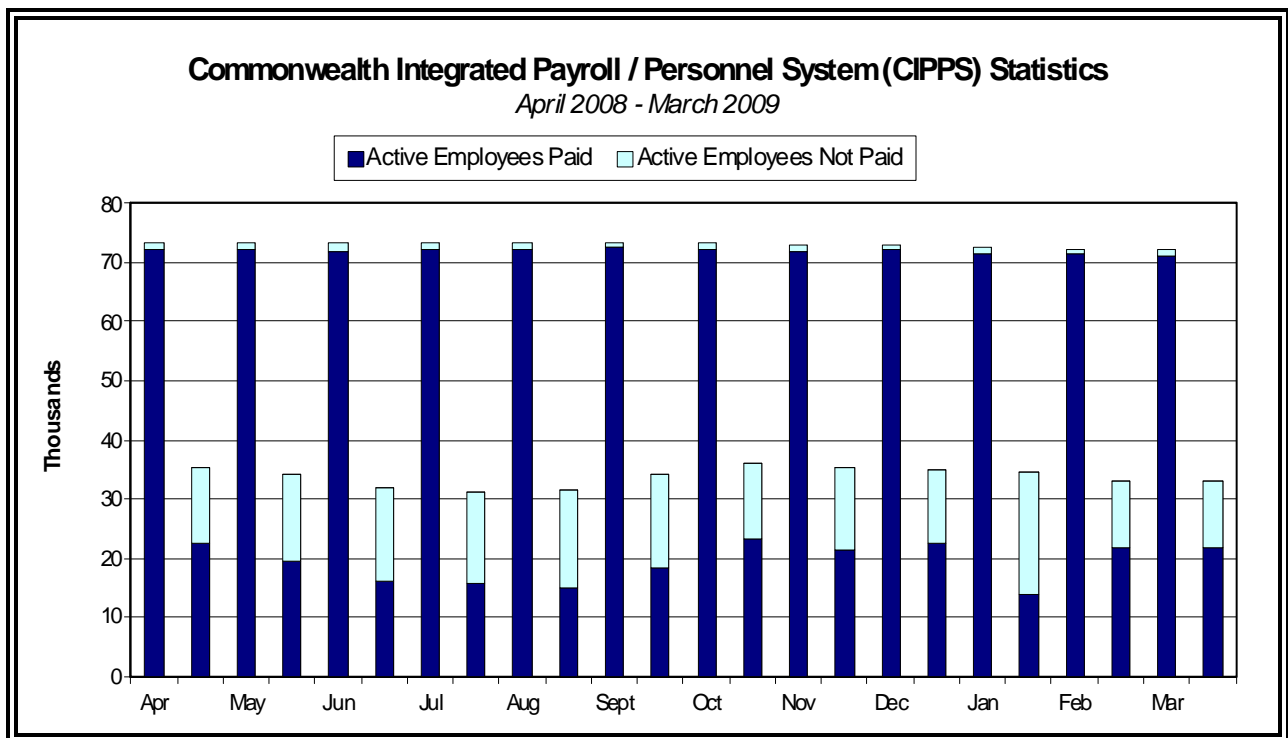
- Available Cash Negative
- Certified Amounts Not Balanced
- Expenditure Exceeds Allotment



**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 106,085 employees. Payroll services are also provided through eight decentralized higher education institutions.

On average, 90,548 employees were paid each month, of which 71,374 are salaried employees.



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

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

**Benefit Participation by CIPPS Agencies**

The Commonwealth offers a variety of benefits to state employees, including health care, optional retirement plans, deferred compensation, and flexible reimbursement

programs. During the quarter, state employees purchased 8,599 savings bonds with a face value of over \$1.10 million.

**Benefit Participation  
Number of Participating Employees**

<b>Benefit</b>	<b>As of 3/31/2009</b>	<b>Comparative</b>	
		<b>As of 3/31/2008</b>	<b>As of 3/31/2007</b>
<b>Health Care</b>			
COVA Care	83,957	84,253	82,681
Kaiser	2,029	2,025	2,019
<b>Optional Retirement Plans*</b>			
Fidelity Investments	571	582	550
TIAA/CREF	1,619	1,630	1,609
Political Appointee - ORP	87	101	102
<b>Deferred Compensation*</b>	38,680	36,278	33,973
<b>Flexible Reimbursement*</b>			
Dependent Care	817	772	720
Medical Care	7,745	7,099	5,974

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



## Accounts Receivable

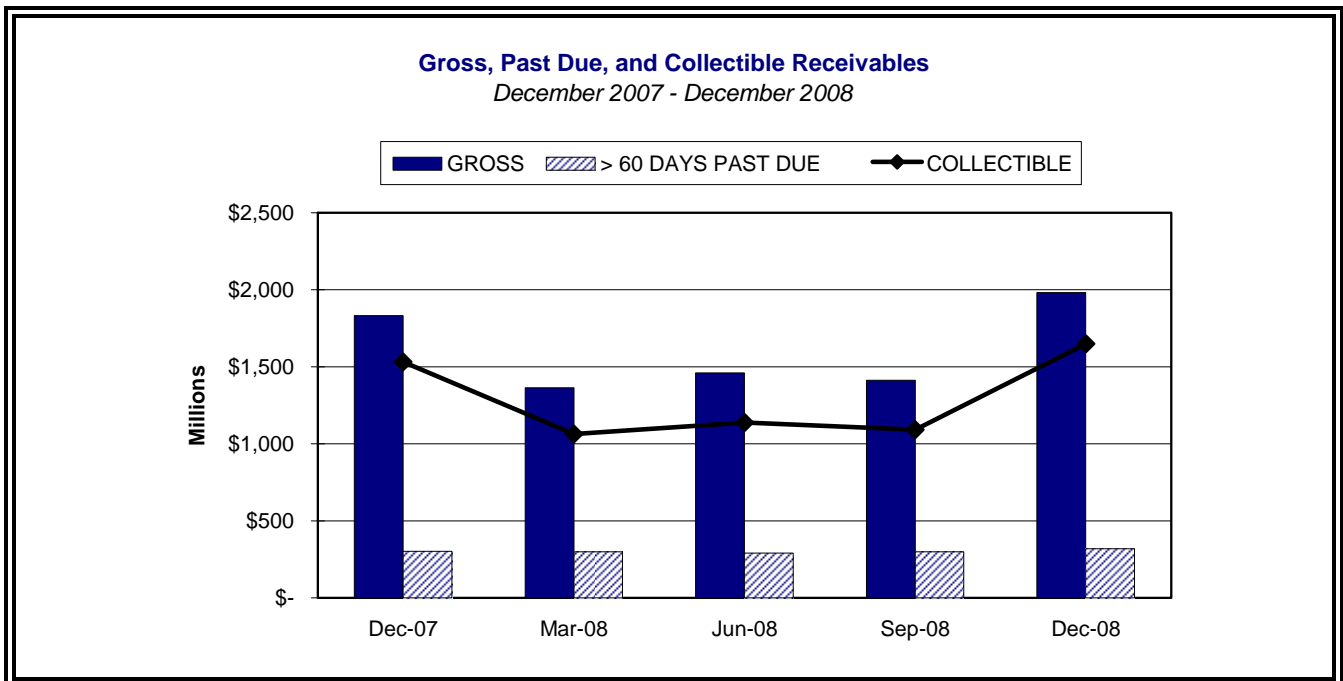
### Executive Summary

Chapter 48 of the *Code of Virginia* requires the Department of Accounts, along with the Office of the Attorney General, to oversee, report on, and monitor the Commonwealth's accounts receivable program. In order to carry out this responsibility, DOA has issued policies and procedures on accounting, collecting, reporting, and writing off accounts receivable. In addition, DOA provides technical assistance to agencies and institutions and uses statistical analyses and audit reports to monitor the ongoing effectiveness of agencies in managing their accounts receivable.

In an effort to present more meaningful information, DOA continues to exclude data from the tables (except for the final table on past due receivables) from the Department of Taxation, consisting largely of statutory assessments and non-filers assessments, and the circuit and district courts, which report judgments and fines with extremely low collection statistics.

Commonwealth agencies and institutions reported adjusted gross receivables of \$1.98 billion at December 31, 2008, with \$1.65 billion considered collectible. Receivables over 60 days past due as of December 31, 2008, totaled \$318.5 million. Of that amount, \$17.4 million was placed with private collection agencies, \$22.9 million was placed with the Division of Debt Collection and \$278.2 million was retained in-house for additional collection efforts.

It is important to note that the adjusted state receivables largely consist of unemployment taxes, tuition and fees, and billings for several indigent care programs, which present numerous special challenges 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 the state's receivables.



As of December 31, 2008, agencies expected to collect \$1.65 billion (83 percent) of the \$1.98 billion adjusted gross receivables. About 1 percent is due to the General Fund, primarily for benefit recoveries and sales of

permits. The balance, which contains Medicaid penalties that are no longer revertible, is due to several non-general funds.

### Collectible Receivables by Fund

*Not Including Circuit and District Courts, or the Department of Taxation*

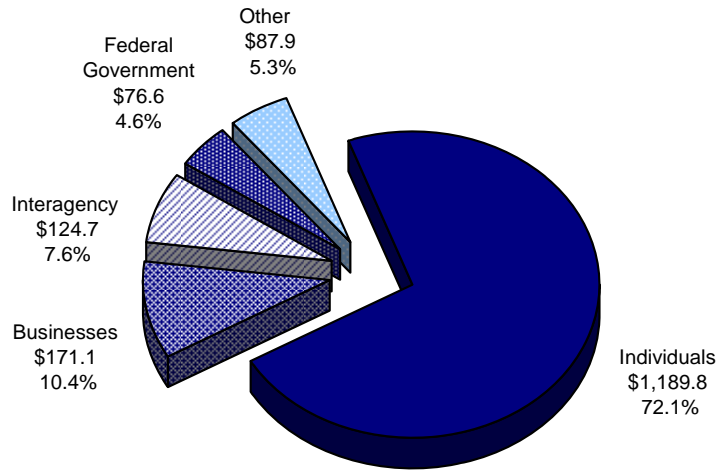
*As of December 31, 2008*

Fund	Source	Amount	Percent	
<b>General Fund</b> 1%	Medicaid - Current Recoveries	\$ 6,409,081	39%	
	Social Services	3,317,868	20%	
	Labor and Industry Inspections	800,948	5%	
	State Police Permits	2,812,778	17%	
	Corrections	896,615	5%	
	Other	1,309,521	8%	
	Subtotal	15,546,811	94%	
	Interagency Receivables	955,356	6%	
	<b>Total General Fund Collectible</b>		<b>\$ 16,502,167</b>	<b>100%</b>
	<b>Nongeneral Funds</b> 99%	Medicaid - Dedicated Penalty Fees	\$ 28,085,293	2%
Medicaid - Federal Reimbursements		24,980,489	2%	
Unemployment Taxes		46,175,702	3%	
Transportation		37,598,845	2%	
Child Support Enforcement		119,260,100	7%	
Federal Government		36,862,802	2%	
MHMR Patient Services		29,068,416	2%	
Hospital		175,134,653	11%	
Enterprise		64,272,843	4%	
Higher Education		912,232,239	56%	
Other		36,168,819	2%	
Subtotal		1,509,840,201	93%	
Interagency Receivables		123,762,789	7%	
<b>Total Nongeneral Fund Collectible</b>		<b>\$ 1,633,602,990</b>	<b>100%</b>	
<b>All Funds</b>	<b>Grand Total</b>	<b>\$ 1,650,105,157</b>	<b>100%</b>	

## Summary of Receivables by Source

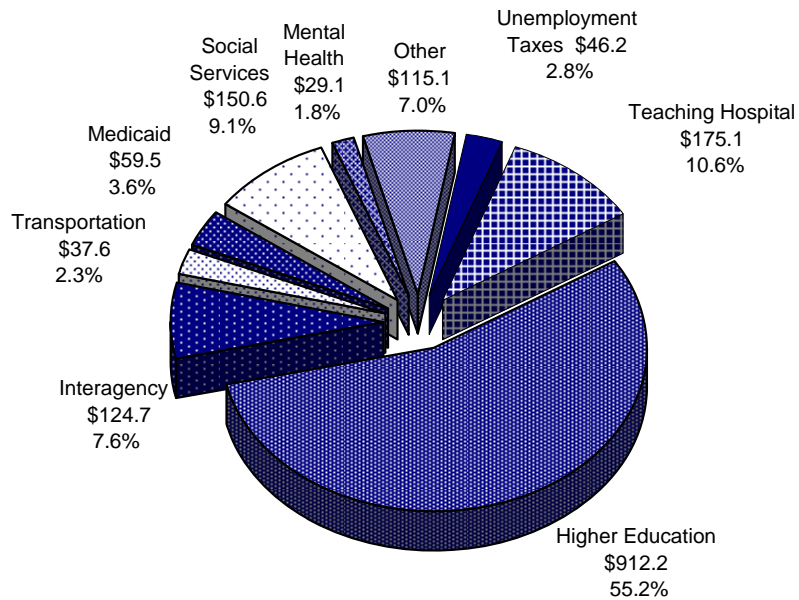
**Sources of Collectible Receivables by Debtor**  
(dollars in millions)

As of December 31, 2008



**Sources of Collectible Receivables by Type**  
(dollars in millions)

As of December 31, 2008



Not counting Taxation and the Courts, ten agencies account for 75 percent of the Commonwealth's adjusted gross and 72

percent of the adjusted collectible accounts receivable balances.

**Accounts Receivable Summary**  
*Not Including Circuit Courts, District Courts, or Department of Taxation*  
 Quarter Ended December 31, 2008

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
Virginia Polytechnic Institute and State University	\$ 216,548,850	\$ 1,537,828	\$ 215,011,022
University of Virginia Medical Center	218,052,115	13,488,357	204,563,758
Department of Social Services	366,048,707	215,445,731	150,602,976
Virginia Commonwealth University	148,259,647	3,219,867	145,039,780
University of Virginia - Academic Division	115,326,516	3,262,511	112,064,005
James Madison University	103,662,541	1,961,495	101,701,046
The College of William and Mary in Virginia	78,051,184	7,925	78,043,259
Old Dominion University	76,273,191	1,447,961	74,825,230
Department of Medical Assistance Services	88,782,626	29,018,012	59,764,614
Virginia Employment Commission	78,345,397	28,448,532	49,896,865
<b>Total</b>	<b>\$ 1,489,350,774</b>	<b>\$ 297,838,219</b>	<b>\$ 1,191,512,555</b>
All Other Agencies	492,265,082	33,672,480	458,592,602
<b>Grand Total</b>	<b>\$ 1,981,615,856</b>	<b>\$ 331,510,699</b>	<b>\$ 1,650,105,157</b>

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 which are not sent to the Attorney General's Division of Debt Collection.

The Office of the Attorney General requires state agencies and institutions to send accounts of \$3,000 or more and 60 days or more past due to the Division of Debt Collection.

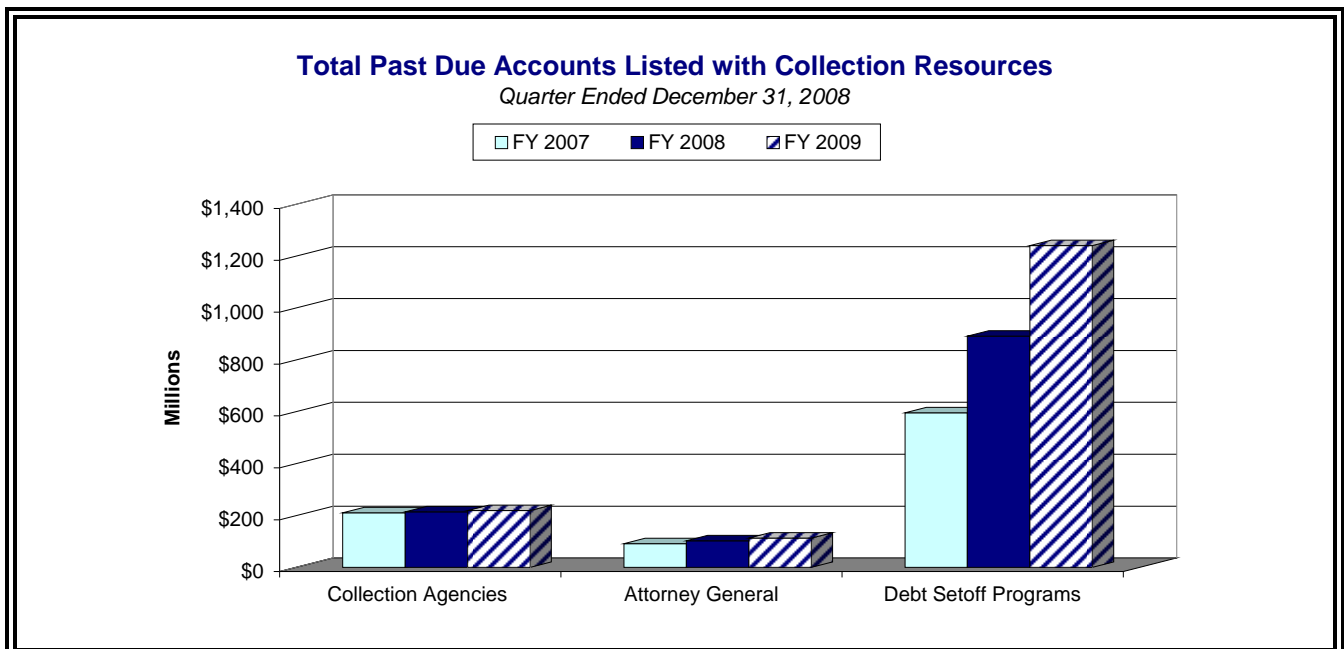
These additional collection tools recovered \$4.3 million during the quarter ended December 31, 2008. The Division of Debt Collection contributed \$1.1 million. Private collection agencies collected \$2.6 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected \$566,208.

Private collection agencies returned \$7.0 million of accounts to agencies, and the Division of Debt Collection discharged \$2.3 million of accounts and returned \$187,216 of accounts to agencies.

**Collectible Receivables Over 60 Days Past Due**  
*Not Including Circuit Courts, District Courts or the Department of Taxation*  
*As of December 31, 2008*

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	\$ 124,135,278	\$ 2,173	\$ -	\$ 124,133,105
Virginia Employment Commission	37,574,137	8,135,615	8,376,488	21,062,034
University of Virginia Medical Center	29,961,410	-	-	29,961,410
Department of Transportation	25,199,154	1,350,304	5,910,197	17,938,653
Department of Medical Assistance Services	24,940,821	651,704	2,912,232	21,376,885
Department of Mental Health, Mental Retardation and Substance Abuse Services	10,860,396	-	-	10,860,396
Virginia Information Technologies Agency	8,217,094	-	-	8,217,094
Virginia Polytechnic Institute and State University	4,907,227	905,301	-	4,001,926
George Mason University	3,717,301	1,264,953	-	2,452,348
Department of General Services	3,602,658	-	-	3,602,658
<b>TOTAL</b>	<b>\$ 273,115,476</b>	<b>\$ 12,310,050</b>	<b>\$ 17,198,917</b>	<b>\$ 243,606,509</b>
All Other Agencies	45,413,020	5,090,707	5,737,889	34,584,424
<b>TOTAL OVER 60 DAYS</b>	<b>\$ 318,528,496</b>	<b>\$ 17,400,757</b>	<b>\$ 22,936,806</b>	<b>278,190,933</b>
Uncollectible Amounts Placed for Collection, Including Accounts Written Off	1,256,255,903	202,469,952	90,926,673	962,859,278
<b>TOTAL COLLECTION EFFORTS</b>	<b>\$ 1,574,784,399</b>	<b>\$ 219,870,709</b>	<b>\$ 113,863,479</b>	<b>1,241,050,211</b>

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



**Comptroller's Debt Setoff (CDS) Program**

CDS is one of the debt setoff programs used by agencies to collect past due accounts receivable owed to 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 to the State. CDS collected \$7.3 million through the third quarter of FY 2009. Please note the amount reported is before any refunds.

**Receivable Trend Data**

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 following

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**

<b>Agency</b>	<b>Percent at 12/31/08</b>	<b>Comparative</b>	
		<b>Percent at 9/30/08</b>	<b>Percent at 6/30/08</b>
Department of Social Services	34%	33%	34%
Virginia Employment Commission	48%	46%	39%
University of Virginia Medical Center	14%	11%	14%
Department of Transportation	68%	35%	16%
Department of Medical Assistance Services	28%	34%	30%
Department of Mental Health, Mental Retardation & Substance Abuse Services	24%	25%	16%
Virginia Information Technologies Agency	18%	15%	10%
Virginia Polytechnic Institute and State University	2%	3%	6%
University of Virginia - Academic Division	3%	13%	13%
George Mason University	33%	4%	20%
<b>Statewide Average - All Agencies</b>	<b>16%</b>	<b>21%</b>	<b>20%</b>

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 accounts receivable balances. In total, these ten agencies are responsible for 72 percent of the Commonwealth's collectible receivables balances, as adjusted to exclude the Department of Taxation and the circuit and district courts. Percentages over 100 percent indicate the collection of prior balances as well as current billings.

In evaluating these percentages it is important to understand that the percentages may fluctuate based on how the different agencies conduct their business and the cycles that those businesses typically follow.

The statewide average of 70 percent indicates that for every \$1 billed during the quarter ended December 31, 2008, the state collected 70 cents. This rate is one percent less than last year, and one percent more than the December 31, 2006 quarter.

### Collections as a Percentage of Billings

Agency	Percent at 12/31/08	Comparative	
		Percent at 12/31/07	Percent at 12/31/06
Virginia Polytechnic Institute and State University	51%	53%	51%
University of Virginia Medical Center	34%	37%	49%
Department of Social Services	107%	98%	86%
Virginia Commonwealth University	44%	52%	43%
University of Virginia - Academic Division	78%	83%	83%
James Madison University	28%	26%	26%
The College of William and Mary in Virginia	30%	31%	30%
Old Dominion University	34%	34%	34%
Department of Medical Assistance Services	58%	37%	48%
Virginia Employment Commission	100%	101%	104%
<b>Statewide Average - All Agencies</b>	<b>70%</b>	<b>71%</b>	<b>69%</b>

## Commonwealth Receivables Analysis

The following individual accounts receivable narratives describe agency collection programs and related trend information:

### ***Department of Medical Assistance Services (DMAS)***

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

DMAS' collectible accounts receivable of \$59.8 million at December 31, 2008, is an \$11.0 million increase over the \$48.8 million reported at December 31, 2007. Over the same period, total past due receivables of \$38.3 million have increased by \$5.4 million.

### ***University of Virginia Medical Center (UVAH)***

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

UVAH collectible receivables of \$204.6 million at December 31, 2008, were a \$40.2 million increase from the \$164.4 million reported the previous year. Past due receivables decreased by \$14.5 million to \$99.4 million at December 31, 2008.

### ***Virginia Employment Commission (VEC)***

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

VEC collectible receivables were \$49.9 million at December 31, 2008, a decrease of \$8.1 million from the previous year. Total past due receivables were \$40.3 million, a \$3.8 million increase over last year. VEC collects employer tax receivables in-house. The Attorney General's Office is involved in contested cases. Unemployment benefit overpayments to individuals are referred to private collections agencies after in-house efforts have produced no results and when debtors have left the state.

### ***Virginia Information Technologies Agency (VITA)***

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

VITA reported collectible receivables at December 31, 2008, of \$46.7 million, which is an increase of \$52,441 reported in the previous year. Most of these receivables are due from other state agencies. As of December 31, 2008, \$8.2 million was over 60 days past due, a decrease of \$1.7 million from the previous year.

### ***State Lottery Department (SLD)***

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

At December 31, 2008, the State Lottery reported net receivables of \$47.5 million, a \$5.1 million decrease from the previous year's net of \$52.6 million. Billings decreased by \$8.1 million and collections decreased by \$9.6 million during the December 31, 2008 quarter when compared to the December 31, 2007 quarter. At December 31, 2008, the State Lottery had \$265,079 that was over 60 days past due. The total amount owed is covered by surety bonds.

### ***Department of Education (DOE)***

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

At December 31, 2008, DOE had no accounts receivable due from the Federal government under Direct Aid to Public Education. This is consistent with the prior year.

### ***Virginia Polytechnic Institute and State University (VPISU)***

VPISU is one of the Commonwealth's largest universities and one of two land grant institutions in the state. At December 31, 2008, the University reported net collectible receivables of \$215.0 million, a \$26.3 million increase over the prior year. At the same time, total past due receivables of \$10.0 million increased by \$1.5 million over the prior year.

The University uses a variety of collection methods to encourage payments. At December 31, 2008, VPISU had \$4.9 million of accounts over 60 days past due. \$558,197 was placed with the Attorney General's Division of Debt Collection, another \$943,721 was placed with private collection agencies and \$4.0 million was subject to additional in-house efforts.

### ***Department of Mental Health, Mental Retardation, and Substance Abuse Services (DMHMRSAS)***

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

At December 31, 2008, the Department reported collectible receivables of \$29.1 million, a \$1.9 million increase over the previous year. \$18.4 million was past due, with \$10.9 million being over 60 days past due. Total past due receivables increased by \$157,509 over the year, and accounts over 60 days past due increased by \$1.1 million. At December 31, 2008, the Department had a total of \$6.0 million of accounts placed with the Attorney General and \$766,210 listed in Taxation's Debt Setoff Programs.

### ***Department of Transportation (VDOT)***

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

At December 31, 2008, VDOT reported \$35.8 million of collectible receivables, an increase of \$6.7 million from the prior year. VDOT also reported \$34.0 million total past due and \$25.2 million being over 60 days past due. Past due receivables increased by \$22.4 million over the year, while receivables over 60 days past due increased by \$16.8 million. VDOT reports that the large majority of the accounts over 60 days past due continue to be amounts owed by cities, counties and towns that are participating on long-term construction projects with the department and where the local fund shares are provided by local debt financing.

VDOT reported placing \$5.9 million of their accounts over 60 days past due with the Attorney General's Division of Debt Collection, and \$1.4 million with private collection agencies.

### ***Department of Social Services (DSS)***

Social Services provide financial assistance to eligible individuals and families through 121 local departments of social services. The assistance programs include the Temporary Assistance for Needy Families (TANF), Medicaid, Food Stamps, and Community Services Block Grants. In addition to the assistance programs, DSS is the federally - mandated state agency to provide child support enforcement assistance. Child support paid for children receiving money from an assistance program is required to be paid to reimburse the federal and state funds which provide the assistance. Overpayments of assistance benefits from ineligible participants must also be repaid to the originating funds. Receivables due from the Federal government usually are the Federal share of assistance payments and allowable cost recoveries made through the local offices during the preceding month.

At December 31, 2008, DSS reported gross receivables of \$366.0 million, an allowance for doubtful accounts of \$215.4 million and collectible receivables of \$150.6 million. Past due receivables totaled \$126.4 million, of which \$124.1 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for \$313.1 million (86 percent) of the gross receivables, \$193.8 million (90 percent) of the allowance for doubtful accounts and \$119.3 million (80 percent) of the collectible receivables.

From December 31, 2007, to December 31, 2008, gross receivables increased \$25.5 million and collectible receivables decreased by \$2.9 million. Total past due receivables increased by \$17.1 million and receivables over 60 days past due increased by \$16.8 million.

***Department of Rail and Public Transportation (DRPT)***

DRPT is responsible for overseeing Virginia's railroads, providing funding and project resources for public transportation, and researching feasible alternatives for commuters. DRPT works closely with VDOT, the railroads, local governments, the Washington Metropolitan Area Transit Authority, and the Federal Transit Authority.

At December 31, 2008, DRPT had gross and net receivables of \$9.0 million. The majority of this money is due via an interagency transfer from VDOT. \$3.7 million was past due at December 31, 2008. Of this amount, \$1.8 million was over 60 days past due.

***Virginia Commonwealth University (VCU)***

VCU, based in Richmond, offers 140 degree programs to over 32,000 students in a variety of fields ranging from accounting to pharmacy at both undergraduate and graduate levels.

At December 31, 2008, VCU had \$145.0 million of collectible receivables, a \$19.2 million increase from December 31, 2007. Total past due accounts were \$11.4 million, a \$550,783 increase from December 31, 2007. Accounts over 60 days past due (\$3.6 million) increased by \$235,195 from the prior year. Billings increased by \$19.8 million to \$177.5 million and collections decreased by \$3.8 million to \$78.3 million for the December 31, 2008 quarter, when compared to the December 31, 2007 quarter.

The following table is prepared to present the December 31, 2008, aging information in conformity with the provisions of Section 2.2-603.E.(ii) of the *Code of Virginia*.

Commonwealth's total \$2.67 billion past due accounts receivable at December 31, 2008. Another 18 agencies accounted for 18 percent (\$469.3 million), leaving 70 other agencies to comprise the last one percent at \$33.5 million.

Taxation and the Circuit and District Courts accounted for 81 percent (\$2.17 billion) of the

**Agencies with the Largest Volume of Past Due Receivables**  
*As of December 31, 2008*

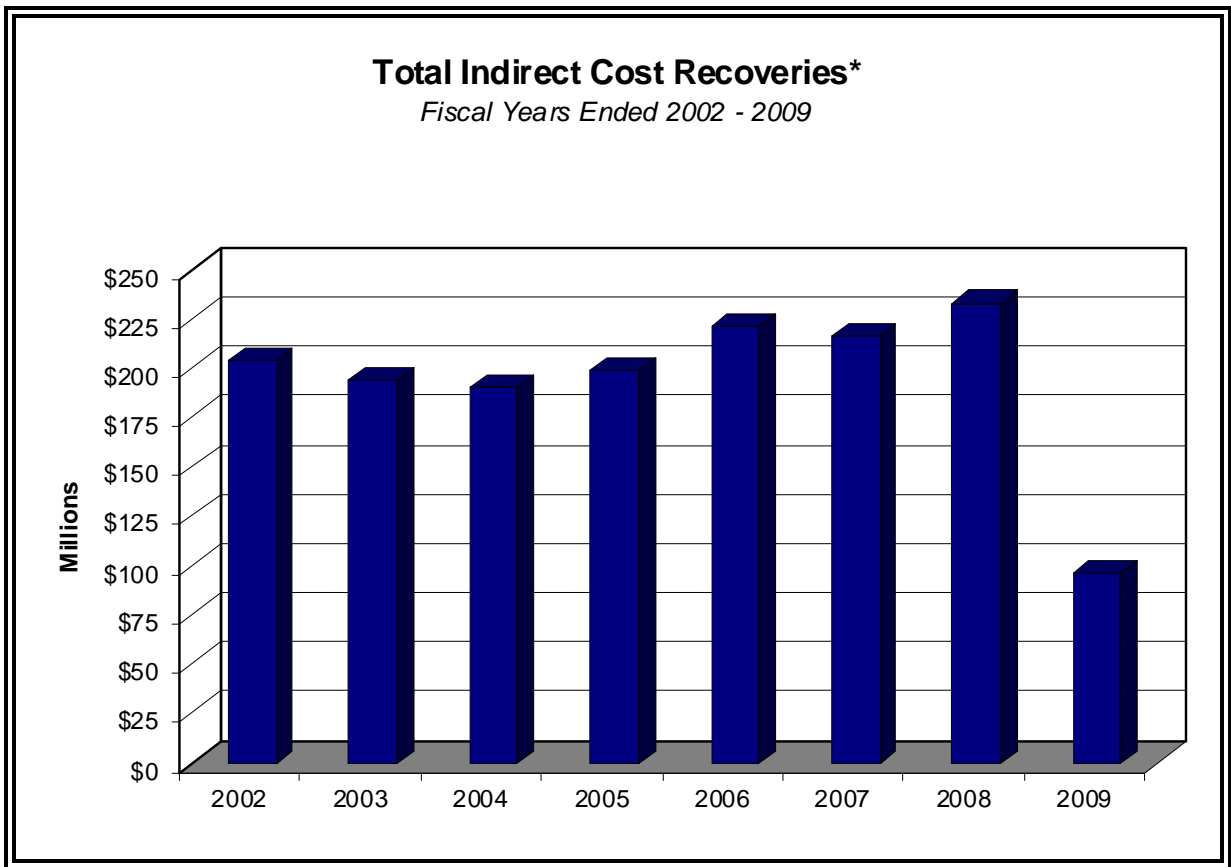
Agency	Total Past Due	1 to 180 Days Past Due	181 to 360 Days Past Due	Over One Year
Department of Taxation	\$ 1,650,027,427	\$ 337,372,937	\$ 132,012,579	\$ 1,180,641,911
Localities' Circuit and District Courts	515,299,887	38,059,433	63,965,385	413,275,069
<b>Total - Taxation Assessments and Court Fines and Fees</b>	<b>\$ 2,165,327,314</b>	<b>\$ 375,432,370</b>	<b>\$ 195,977,964</b>	<b>\$ 1,593,916,980</b>
<b>All Other Large Dollar Agencies:</b>				
Department of Social Services	126,443,153	6,847,166	6,966,459	112,629,528
University of Virginia Medical Center	99,357,130	92,399,827	4,604,374	2,352,929
Virginia Employment Commission	40,316,893	9,042,573	7,718,242	23,556,078
Department of Medical Assistance Services	38,327,400	20,132,573	4,247,471	13,947,356
Department of Transportation	34,034,300	15,131,047	5,965,075	12,938,178
Department of Mental Health, Mental Retardation & Substance Abuse Services	18,448,104	15,352,742	13,539	3,081,823
Virginia Information Technologies Agency	17,869,949	16,421,379	1,093,126	355,444
University of Mary Washington	17,519,560	17,289,286	133,694	96,580
Department of Health	13,568,976	12,300,250	642,740	625,986
Virginia Commonwealth University	11,388,434	8,191,670	1,065,189	2,131,575
Virginia Polytechnic Institute & State University	10,028,140	8,421,928	746,628	859,584
University of Virginia - Academic Division	8,183,359	7,061,213	410,518	711,628
Department of General Services	7,773,684	7,773,684	-	-
Virginia Community College System	7,228,713	4,895,064	1,717,662	615,987
George Mason University	6,676,712	5,877,390	739,898	59,424
Old Dominion University	4,458,557	4,227,887	188,699	41,971
Department of State Police	3,985,151	641,087	580,885	2,763,179
Department of Rail and Public Transportation	3,677,101	2,276,393	662,351	738,357
<b>Total - Largest Dollar Volume Agencies</b>	<b>\$ 469,285,316</b>	<b>\$ 254,283,159</b>	<b>\$ 37,496,550</b>	<b>\$ 177,505,607</b>
All Other Agencies	33,526,942	22,816,074	3,722,611	6,988,257
<b>Grand Total Past Due Receivables</b>	<b>\$ 2,668,139,572</b>	<b>\$ 652,531,603</b>	<b>\$ 237,197,125</b>	<b>\$ 1,778,410,844</b>



**Indirect Costs**

The Department of Accounts prepares a Federal Statewide Indirect Cost Allocation Plan (SICAP) annually that identifies the central service agency General Fund support provided to all State agencies. Agencies receiving Federal grants or contracts prepare indirect cost rate proposals or cost allocation plans that include both the agency (agency

specific overhead expenditures) and Statewide (overhead expenditures incurred by the State's central service agencies for support provided to other State agencies) indirect costs associated with the administration and management of federal, State, or private grant and contract activity.



\* FY 2009 reflects indirect cost recoveries through March 31, 2009. This does not include covered higher education institutions.

## Indirect Cost Recoveries from Grants and Contracts

*Fiscal Year 2009*

Fund	Year-to-Date		Total
	Higher Ed	Non-Higher Ed	
Nongeneral:			
Agency / Institution (1)	\$ 46,039,620	\$ 48,984,660	\$ 95,024,280
Statewide	115,490	510,201	625,691
<b>Total Nongeneral</b>	<b>\$ 46,155,110</b>	<b>\$ 49,494,861</b>	<b>\$ 95,649,971</b>
General:			
Agency (Cash Transfers)	-	96,337	96,337
Statewide	-	808,761	808,761
Statewide (Cash Transfers)	-	10,494	10,494
<b>Total General</b>	<b>\$ -</b>	<b>\$ 915,592</b>	<b>\$ 915,592</b>
<b>Total All Funds</b>	<b>\$ 46,155,110</b>	<b>\$ 50,410,453</b>	<b>\$ 96,565,563</b>

- (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 \$33,531,508 representing the Department of Social Services' estimate of indirect cost recoveries received. This does not include covered higher education institutions.



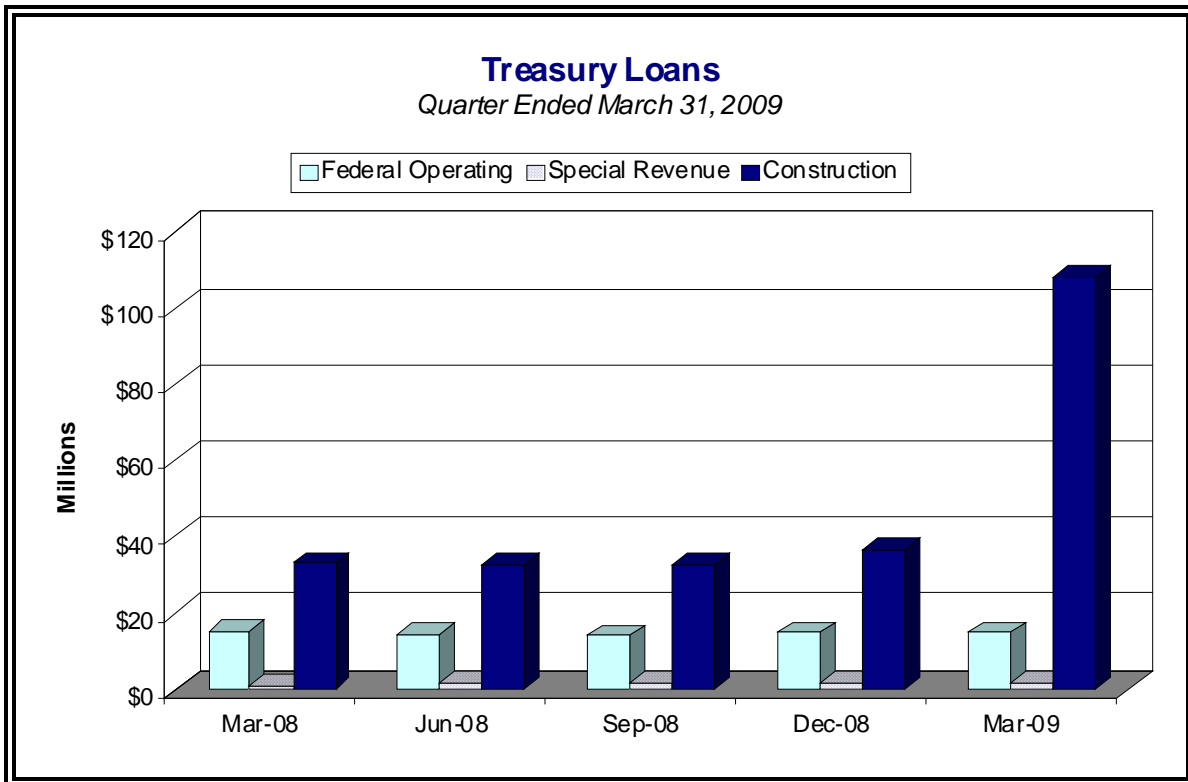
**Loans and Advances**

Treasury loans may be used to advance funds to a State agency or institution for a designated purpose prior to some form of reimbursement, typically federal or special revenues. They are loans of a temporary nature, approved 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.

The total of all types of treasury loans as of March 31, 2009, was \$124.1 million.



**Significant New Loans / Drawdowns****New Balance****Virginia College Building Authority**

Drawdowns on a \$40 million loan used to reimburse Higher Education Institutions for capital projects under the 21 <sup>st</sup> Century Program	\$ 36,823,682.40
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**Virginia Public Building Authority**

Drawdowns on a \$28 million loan used to provide cash for VPBA bond funded capital projects	\$ 24,452,538.37
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**Old Dominion University**

Drawdown on a \$13.5 million loan used to acquire the Virginia Modeling Analysis and Simulation Center	\$ 13,592,500.00
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**Significant Loan Repayments****Prior Balance**

None

Other methods not charted but used to ensure an agency or institution has sufficient operating cash include authorized appropriation deficits, working capital advances, and lines of credit.

- **Authorized Appropriation Deficits**, which provide 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, 2009.
- **Working Capital Advances**, which provide operating funds for nongeneral fund projects when revenues to be used

for repayment will not be generated within the twelve months required for anticipation loans. The total of all outstanding working capital advances as of March 31, 2009, was \$11.7 million.

- **Lines of Credit**, which provide funding for recurring shortfalls of operating cash and are authorized in §3-2.03 of the Appropriation Act. The total of all outstanding lines of credit as of March 31, 2009, was \$16.0 million.



