

**REPORT ON
STATEWIDE FINANCIAL MANAGEMENT
AND COMPLIANCE**

FOR THE QUARTER ENDED SEPTEMBER 30, 2005



OFFICE OF THE COMPTROLLER

DEPARTMENT OF ACCOUNTS

Prepared and Published by
Department of Accounts
Commonwealth of Virginia
P. O. Box 1971
Richmond, VA 23218-1971

For additional copies, contact:
Administrative Services Division
Department of Accounts
(804) 225-3051
Michael.Rider@doa.virginia.gov

This report is available online at:
www.doa.virginia.gov

Text and graphics were produced using Microsoft Word for Windows in Arial and Times New Roman fonts. Printed November 2005 at the Department of Accounts on a Xerox 4890 highlight color printer and spiral bound at a cost of 10 cents per copy.

TABLE OF CONTENTS

REPORT ON STATEWIDE FINANCIAL MANAGEMENT AND COMPLIANCE

Quarter Ended September 30, 2005

| | Page |
|--|------|
| STATEMENT OF PURPOSE | 1 |
| COMPLIANCE..... | 2 |
| <u>Auditor of Public Accounts Reports - Executive Branch Agencies</u> | 2 |
| <i>Audit Reports – Quarter Ended September 30, 2005</i> | 2 |
| <i>Agency Findings – Quarter Ended September 30, 2005</i> | 4 |
| <i>Annual Summary of APA Audit Findings</i> | 6 |
| <u>Compliance Monitoring</u> | 7 |
| Exception Registers | 7 |
| Trial Balance Review..... | 8 |
| Analysis of Appropriation, Allotments & Expenditures and Cash Balances | 8 |
| Disbursement Processing..... | 9 |
| Paperwork Decentralization | 10 |
| <i>Decentralized Agencies</i> | 11 |
| <i>Non-Decentralized Agencies</i> | 13 |
| Prompt Payment Compliance | 15 |
| E-Commerce | 19 |
| <i>Financial Electronic Data Interchange (EDI)</i> | 20 |
| <i>Travel EDI</i> | 21 |
| <i>Direct Deposit</i> | 26 |
| <i>Payroll Earnings Notices</i> | 29 |
| <i>Small Purchase Charge Card (SPCC) and Increased Limit (GOLD) Card</i> | 33 |
| <i>Travel Charge Card</i> | 38 |
| Payroll Controls | 40 |
| <i>PMIS/CIPPS Payroll Audit</i> | 40 |
| <i>PMIS/CIPPS Exceptions</i> | 41 |
| <i>Payroll Certification</i> | 44 |
| <i>Healthcare Reconciliations</i> | 46 |
| FINANCIAL MANAGEMENT ACTIVITY | 47 |
| Commonwealth Accounting and Reporting System (CARS)..... | 47 |
| <i>CARS Edits</i> | 48 |
| Payroll | 49 |
| <i>Benefit Participation by CIPPS Agencies</i> | 50 |
| Accounts Receivable..... | 51 |
| <i>Comptroller’s Debt Setoff (CDS) Program</i> | 56 |
| Indirect Costs | 63 |
| Loans and Advances | 65 |

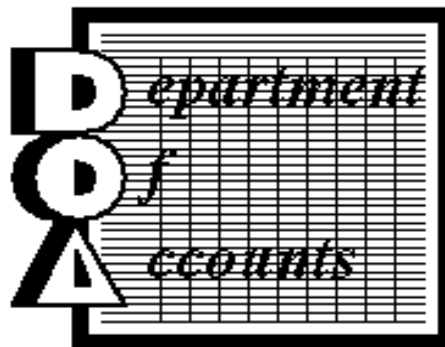
STATEMENT OF PURPOSE

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

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

This *Quarterly Report* includes information for the quarter ended September 30, 2005 and comparative FY 2005 data. Some information in the report is for the quarter ended June 30, 2005, which is the most current data available.

David A. Von Moll, CPA, CGFM
Comptroller



COMPLIANCE

Auditor of Public Accounts Reports - Executive Branch Agencies

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

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

Audit Reports – Quarter Ended September 30, 2005

The APA issued nine separate reports covering 15 agencies, offices, boards, commissions, colleges and universities for the Executive Branch agencies listed on the following table. Five reports covering six agencies were for FY2005; and four reports covering nine agencies were for FY2004. The last column indicates whether the CAW has been received as of the date of this publication for each agency with audit findings. Note that in some cases, the CAW may not have been received because it is not yet due.

| | New Findings | Repeat Findings | Total Findings | CAW Received |
|---|-----------------|--------------------|-------------------|-------------------------------|
| Administration | | | | |
| Governor's Cabinet Secretaries * | 0 | 0 | 0 | N/A |
| Division of Selected Agency Support Services * | 0 | 0 | 0 | N/A |
| Agriculture and Forestry | | | | |
| Department of Agriculture and Consumer Services | 0 | 0 | 0 | N/A |
| Commerce and Trade | | | | |
| Department of Mines, Minerals, and Energy | 0 | 0 | 0 | N/A |
| Education | | | | |
| The Science Museum of Virginia (1) | 2 | 0 | 2 | Yes |
| Virginia Museum of Fine Arts (1) | 1 | 0 | 1 | Yes |
| 9/30/05 Quarterly Report | 2 | | | Department of Accounts |

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

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

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

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

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

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

Agency Findings – Quarter Ended September 30, 2005

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

Education

Science Museum of Virginia

1. Improve Cash Management. The Museum has an ongoing issue with cash flow. At year end the Museum had unpaid vendor bills and operating loans from its Foundation totaling approximately ten percent of its annual revenues.
2. Improve Controls Over Fixed Assets. The Science Museum is not tracking its assets in and updating the Commonwealth's Fixed Asset Accounting and Control System (FAACS). The Museum has not conducted a physical inventory of its assets for at least four years.

Virginia Museum of Fine Arts

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

Jamestown-Yorktown Foundation

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

Longwood University

1. Improve Operations. LU needs to insure that all current transactions are processed. Further, the University's processes must ensure the proper authorization of a transaction before processing in the accounting system.
2. Define and Document Reconciliations Policies and Procedures. LU should ensure the procedures require timely completions and correcting reconciling items by making and posting adjustments timely to the accounting system, other internal University systems, all bank accounts, and the state accounting system. In addition, reconciliations should provide a reasonable explanation and have appropriate support.

3. Document Policies and Procedures. The University should document fully the policies and procedures needed by the new system and those needed to maintain current operations.
4. Provide Management Oversight. LU should determine what necessitates their oversight, at what level, and the intensity.
5. Improve Controls Over Payroll. The University has not maintained adequate policies and procedures, inconsistent support for changes, and a lack of documentation supporting overtime pay.
6. Improve Fixed Assets Systems. The University does not maintain an accurate fixed asset listing in its internal system. It performs annual inventories but does not resolve differences between its physical inventory and its asset listing in a timely manner.

Elected Officials

Office of the Attorney General and the Department of Law

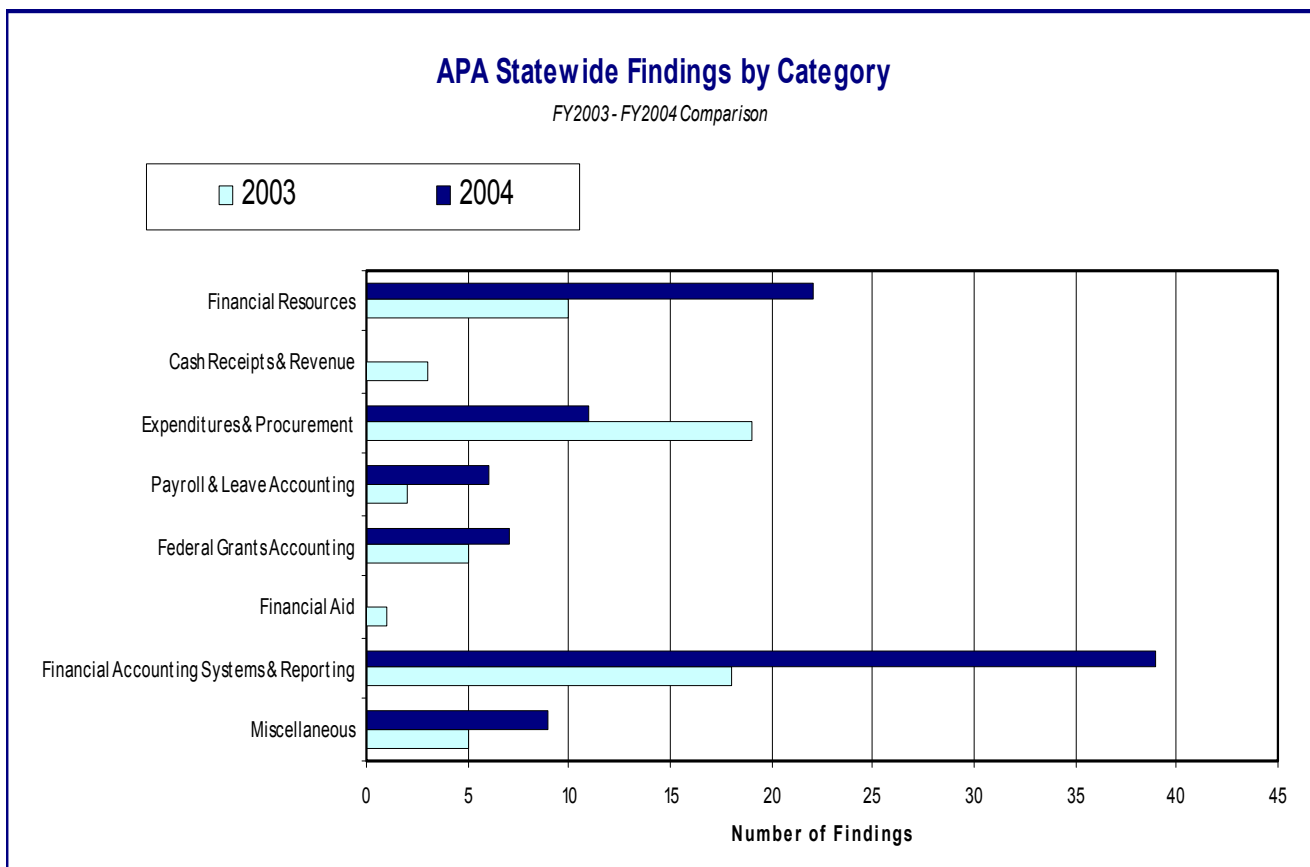
1. Strengthen Controls Over Voucher Preparation. The Office needs to strengthen its oversight of vendor payment processing. This includes maintaining adequate documentation and improving coding of vendor payments.
2. Review Buildup of Excessive Balance in Operating Fund. The Division has retained fees in excess of their operating expenses aggregating \$2.6 million.
3. Document Alternative Allocations. The Division should document fully the Secretary's approval of exemptions made to the standard allocation of collections.
4. Transfer Collections to Agencies Timely. The Division did not transfer the agency share of collections back to agencies in a timely manner. In addition, as of September 2005, shares of June 2005 collections have not been transferred to agencies.
5. Provide Account Information for Agencies. The Division does not provide periodic account summaries to creditor agencies to reconcile against their own records.
6. Monitor Information on Overall Workload. The Division does not maintain the number, dollar values, and ages of outstanding accounts. Division management does use this type of information to manage operations.
7. Improve CollectMax Implementation and Security Issues. The Division's System Administrator does not have a clear definition of job duties. Further, the Office Chief Information Officer has provided only limited assistance to the Division in implementing CollectMax and its ongoing operations.



Annual Summary of APA Audit Findings

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

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



Compliance Monitoring

Exception Registers

The Commonwealth Accounting and Reporting System (CARS) contains the Commonwealth's official accounting records. Therefore, State accounting policy requires that each agency reconcile its internal accounting records to CARS at least monthly and submit the results of the reconciliation via an exception register.

DOA closely monitors exception register status, evaluates exceptions, and posts correcting entries in CARS. Exception registers for July and August were due

8/31/05 and 9/30/05, respectively. No exception registers were submitted late and none are outstanding.

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

Exception Registers Late or Outstanding

As of September 30, 2005

| | Jul | Aug |
|------|------------|------------|
| None | | |

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

Trial Balance Review

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

exception register. DOA monitors selected key general ledger balances and contacts agencies in writing about certain unusual balances. The following agencies failed to respond timely with corrective action and/or additional information.

Trial Balance Review Outstanding and Unresolved

As of September 30, 2005

| | <u>Jul</u> | <u>Aug</u> |
|----------------------------|-------------------|-------------------|
| Science Museum of Virginia | X | X |
| Virginia Retirement System | X | X |
| Old Dominion University | | X |

Analysis of Appropriations, Allotments and Expenditures and Cash Balances

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

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

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

As of September 30, 2005

| | <u>Jul</u> | <u>Aug</u> |
|---|-------------------|-------------------|
| Office of the Attorney General – Dept. of Law | X | X |
| Science Museum of Virginia | X | X |
| Department of General Services | X | |

Disbursement Processing

During the quarter ended September 30, 2005, DOA deleted, at the submitting agency's request, 46 payments that were awaiting disbursement from the vendor payment file. These included duplicate payments, payments with incorrect vendors or addresses, and payments with incorrect amounts. This type of transaction may point to areas where improved agency internal accounting controls should be evaluated.

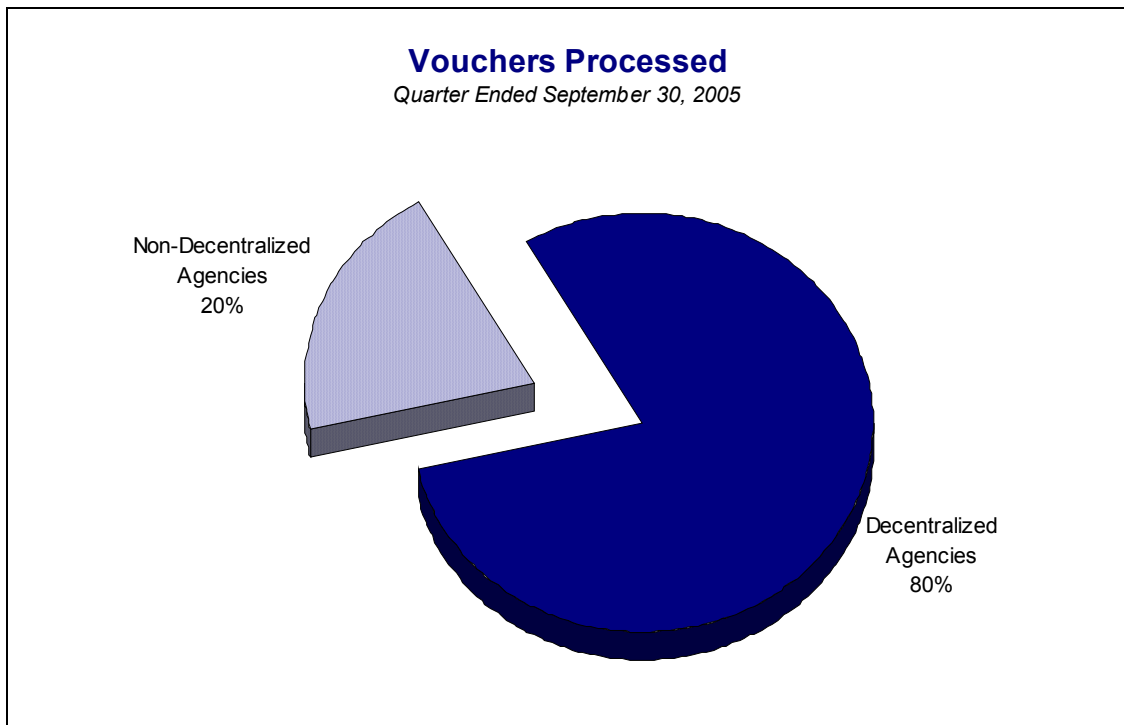
Twenty-eight agencies requested deletes during the quarter. Agencies that requested more than four vendor payment deletes during the quarter are as follows:

- Department of Transportation

Paperwork Decentralization

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

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



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

Decentralized Agencies

Compliance reviews were conducted for 6 decentralized agencies during the quarter. The agencies were evaluated for compliance with State expenditure policies and procedures. Vouchers are selected for review based on a random sample designed to ensure 95 percent confidence in the conclusions.

The Exception Rate is determined by dividing the number of compliance findings by the number of vouchers reviewed. The primary reasons for an Exception Rate exceeding 3.9 percent are provided below.

| Compliance Rating Legend | |
|---------------------------------|--------------------------|
| > 9.9% | Unacceptable Performance |
| 7.0% to 9.9% | Minimal Performance |
| 4.0% to 6.9% | Satisfactory Performance |
| 1.0% to 3.9% | Good Performance |
| < 1.0% | Exceptional Performance |

| Decentralized Agency | Vouchers Reviewed | Compliance Findings | Exception Rate | Performance Measurement |
|--|--------------------------|----------------------------|-----------------------|--------------------------------|
| <i>Administration</i> | | | | |
| Department of Veterans Services | 432 | 11 | 2.5% | Good |
| <i>Education</i> | | | | |
| Frontier Culture Museum of Virginia | 130 | 6 | 4.6% | Satisfactory |
| Virginia State University | 364 | 14 | 3.8% | Good |
| Cooperative Extension and Agricultural Research Services | | | | |
| <i>Health and Human Resources</i> | | | | |
| Department of Health | 301 | 3 | 0.9% | Exceptional |
| <i>Independent</i> | | | | |
| Virginia Workers' Compensation Commissi | 315 | 12 | 3.8% | Good |

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

Agencies With Performance Ratings Lower Than “Good”

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

Travel Vouchers

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

Vendor Payment Vouchers

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

Small Purchase Charge Card Vouchers

- ◆ Purchasing Log not approved by supervisor (1)

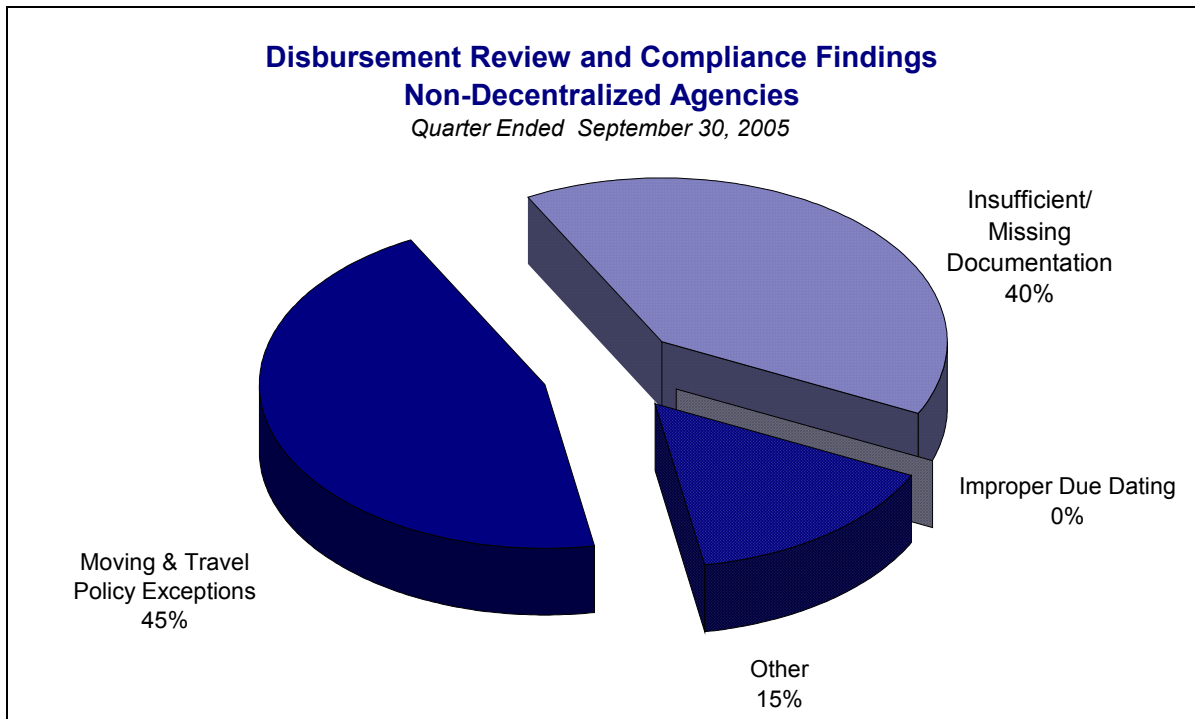


Non-Decentralized Agencies

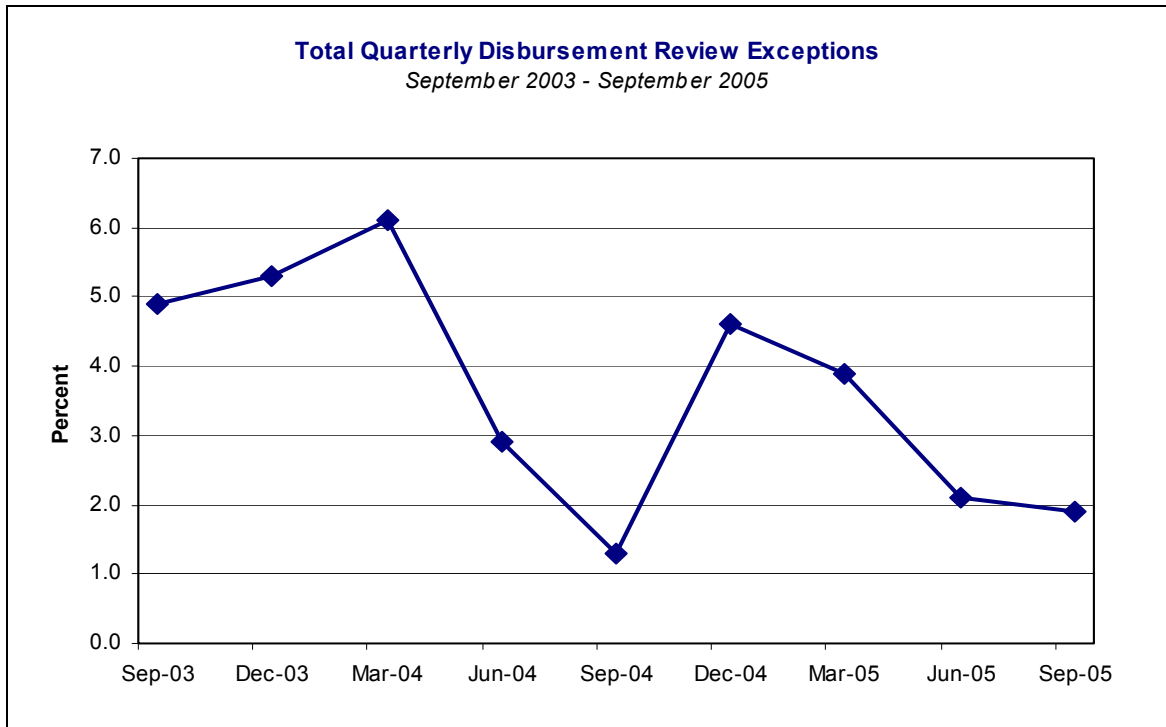
Pre-audit of disbursements is conducted at the Department of Accounts for certain agencies that have not demonstrated the capability to manage a delegated program (i.e., have not met statewide decentralization management standards), agencies for which the cost of delegation is greater than the efficiency benefits to be gained through decentralization, or those few agencies, primarily those comprised of elected

officials and cabinet officers, for whom this additional safeguard is warranted.

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



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



Prompt Payment Compliance

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

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

Statewide Prompt Payment Performance Statistics

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



Prompt Payment Performance by Secretarial Area

Quarter Ended September 30, 2005

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

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

For the quarter ended September 30, 2005, the following agencies and institutions that processed more than 50 vendor payments during the quarter were below the 95 percent prompt payment performance standard.

Prompt Payment Compliance Rate
Agencies Below 95%
Quarter Ended September 30, 2005

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

Prompt Payment Explanations

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

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

The Southeastern Virginia Training Center reports that on June 30, 2005 the DMHMRSAS Central Office posted a payment from Southeastern Virginia Training Center's 0200 cash for a loan repayment. A compounding factor was a deposit error on 7/28/05. The deposit file was not transferred from the server in order to post to CARS. The file was

transferred to CARS on August 11, 2005 placing it in the error file due to an invalid period. In addition, several large vendors are not sending their invoices to our accounts payable desk. The vendors are directly invoicing the recipient of the delivered goods. The invoices are then redirected by staff to our accounts payable desk. Vendors will be contacted and directed to remit their invoices to our accounts payable desk.

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



E-Commerce

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

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

Statewide E-Commerce Performance Statistics

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

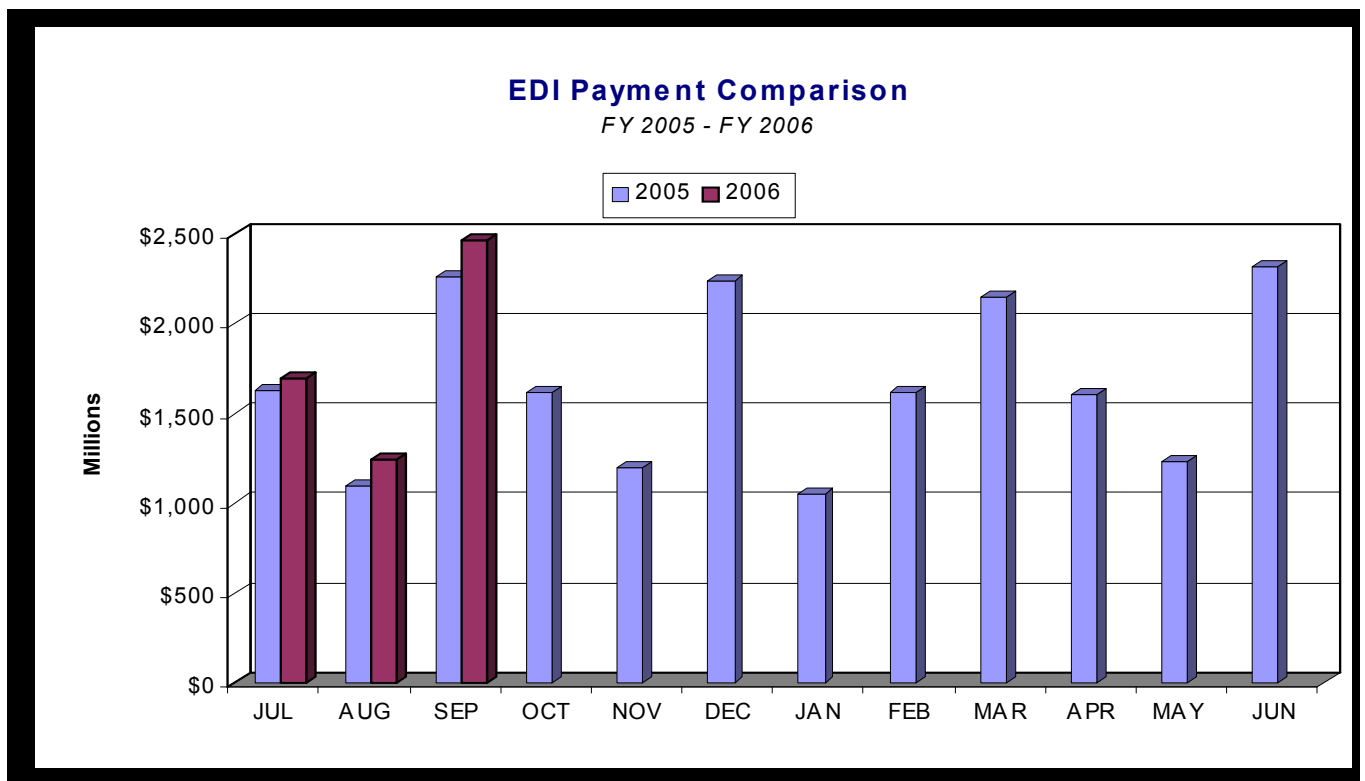
Financial Electronic Data Interchange (EDI)

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

increased by 26 percent from September 2004. The largest portion of this increase is due to efforts to convert state employee travel reimbursements from checks to electronic payments.

Financial EDI Activity

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

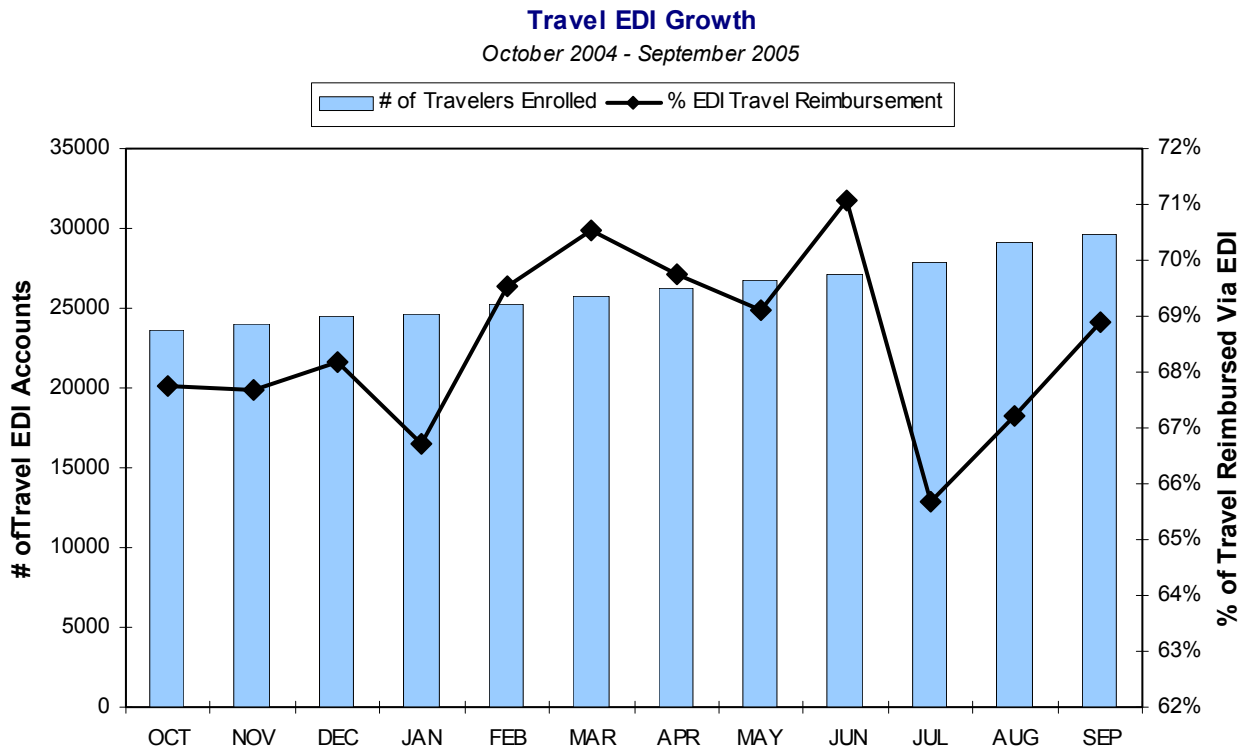


Travel EDI

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 § 4-5.04.g of the Appropriation Act, the Comptroller began charging agencies \$1 for each travel reimbursement check issued in lieu of Travel EDI beginning with the second quarter of FY 2004. Agencies are expected to take action to enroll applicable employees in the EDI program and thus avoid the fees altogether.

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



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

**Travel Reimbursement
Travel EDI Performance
By Secretarial Area**
Quarter Ended September 30, 2005

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

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

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

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

**Agency Employee EDI Performance
Utilization Below 75 Percent**

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

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

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

**Agency Non-Employee EDI Performance
Utilization Below 10 Percent**

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

The following table lists agencies that have accumulated more than \$25 in Employee EDI check charges for the Fiscal Year and have a utilization rate below 80 percent for the quarter. Agencies are charged \$1 for each travel reimbursement check issued to an employee after their second check of the Fiscal Year. These statistics indicate noncompliance with § 4-5.04.f.5 of the Appropriation Act, which requires that all employees likely to travel more than twice per year be reimbursed for travel costs using electronic data interchange.

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

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

Direct Deposit

During the first quarter of FY 2006, 351,371 checks were avoided using direct deposit. Agencies are expected

to take proactive steps to improve participation rates, particularly for wage employees.

Direct Deposit Performance by Secretarial Area

Quarter Ended September 30, 2005

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

Comparative

Quarter Ended September 30, 2004

| | | |
|------------------|--------------|--------------|
| Statewide | 88.3% | 48.3% |
|------------------|--------------|--------------|

Statewide Salaried Direct Deposit Performance

Quarter Ended September 30, 2005

Salaried Direct Deposit Participation

90.2%

Salaried Direct Deposit Below 80 Percent

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

Statewide Wage Direct Deposit Performance

Quarter Ended September 30, 2005

Wage Direct Deposit Participation

56.9%

Wage Direct Deposit Below 40 Percent

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



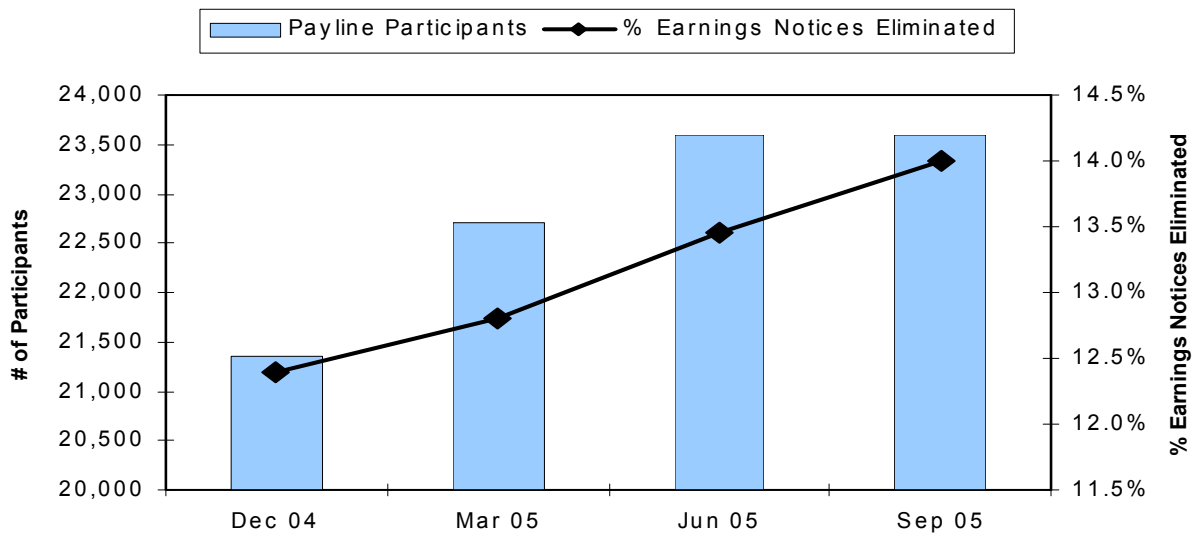
Payroll Earnings Notices

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

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

Quarterly Payline & Earnings Notice Opt Out Participation

December 2004 - September 2005



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

**Payline and Earnings Notice Opt-Out Participation
By Secretarial Area**

Quarter Ended September 30, 2005

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

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

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

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

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

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



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

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

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

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

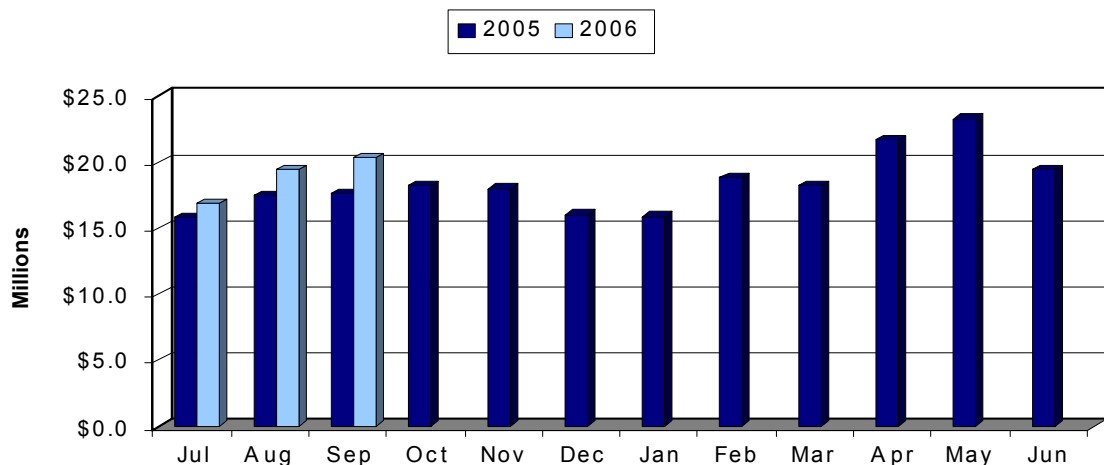
Small Purchase Charge Card Program

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

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

Charge Amount Comparison

FY 2005 - FY 2006



SPCC Utilization Compliance

Maximum use of the SPCC program, in conjunction with other E-commerce initiatives, is essential to the statewide effort to reduce the costs associated with paying for goods and services for the Commonwealth. The tables on the following pages list SPCC participation by secretarial area and identify those agencies that are not maximizing charge card use and the associated cost savings. Agencies that have a Gold card and are not utilizing the Gold card to the fullest extent will also be identified in future issues of this *Quarterly Report*.

For purposes of computing the \$1 underutilization charge imposed in accordance with § 4-5.04.g of the Appropriation Act, 70% utilization is the threshold. Each agency can request a report identifying payments to participating suppliers which should have been paid by the SPCC, by emailing cca@doa.virginia.gov.

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

Statewide SPCC Performance

Quarter Ended September 30, 2005

Percentage Utilization for Eligible Transactions

80%



SPCC Utilization by Secretarial Area

Quarter Ended September 30, 2005

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

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

** processing

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

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

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



**Agency SPCC Performance
Utilization Below 70 Percent**

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

SPCC Payment Compliance

Agencies and institutions participating in the SPCC program are required to submit payments via EDI to the SPCC vendor no later than the 14th of each month. Failure to pay the correct amount when due jeopardizes the Commonwealth's contractual relationship with the purchasing card vendor and may result in suspension of an agency's charge card program.

The following chart lists agencies more than three days late in submitting their payments.

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

| Agency Name | July | Aug | Sept |
|-------------------------------|------|-----|------|
| Education | | | |
| Gunston Hall | | | X |
| Science Museum of Virginia | X | | |
| Public Safety | | | |
| St Brides Correctional Center | X | | |
| Transportation | | | |
| VDOT Central Office | | X | |



Travel Charge Card

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

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

One of the major concerns is the timely payment of card statements. Delinquent

accounts result in higher costs to the contractor and ultimately threaten the viability of the Commonwealth's travel charge card program. The contract provides for the following actions on delinquent accounts:

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

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

Travel Charge Card Program

As of September 30, 2005

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

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

Payroll Controls

PMIS/CIPPS Payroll Audit

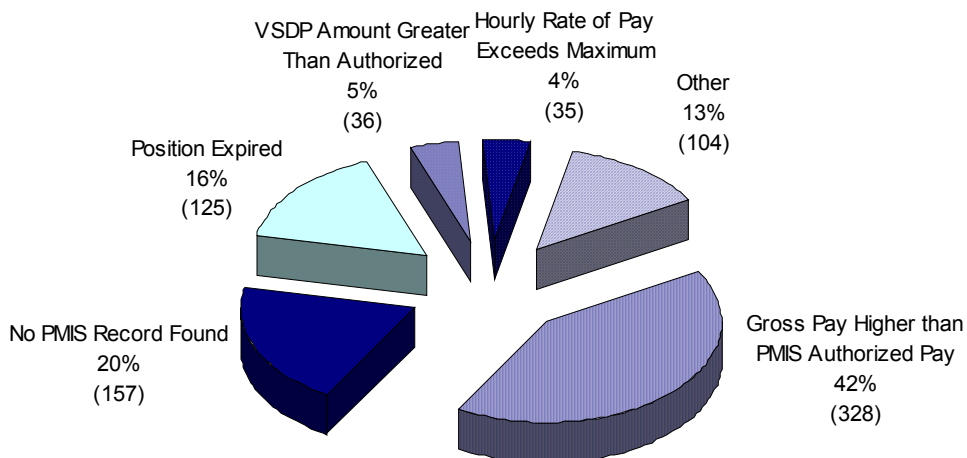
During the quarter, DOA's automated comparison of payroll and personnel (PMIS) records examined 425,314 salaried pay transactions and 231,250 wage pay transactions. The comparison is performed following each payday and is designed to identify discrepancies between authorized salary/wage amounts in PMIS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

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

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

Payroll Audit Exception Report

Quarter Ended September 30, 2005



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

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

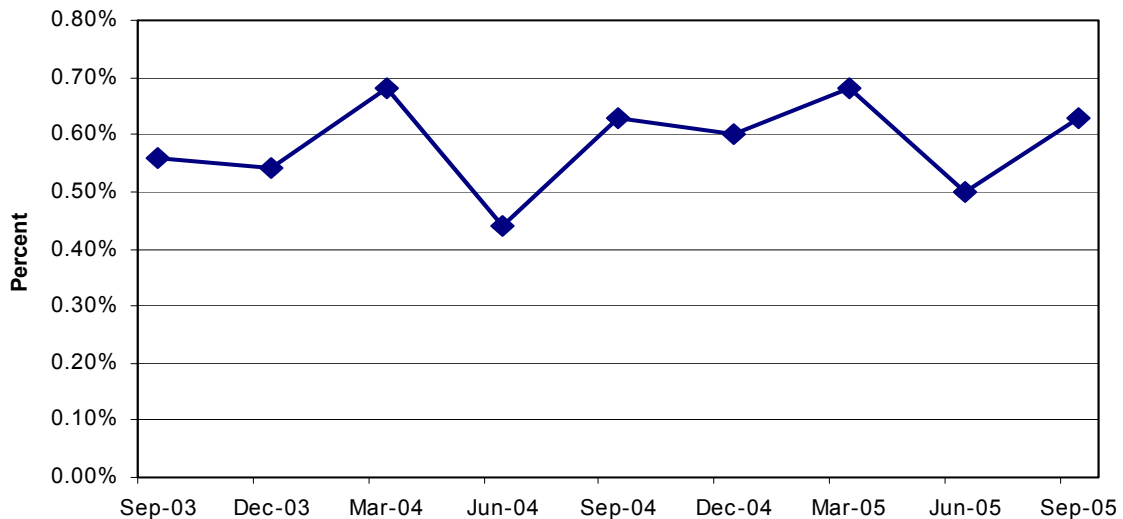
Agency

**Exceptions
as a % of
Salaried
Payments**

| | |
|--|--------------|
| Total Salaried Payroll Exceptions for the Quarter | 0.63% |
|--|--------------|

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

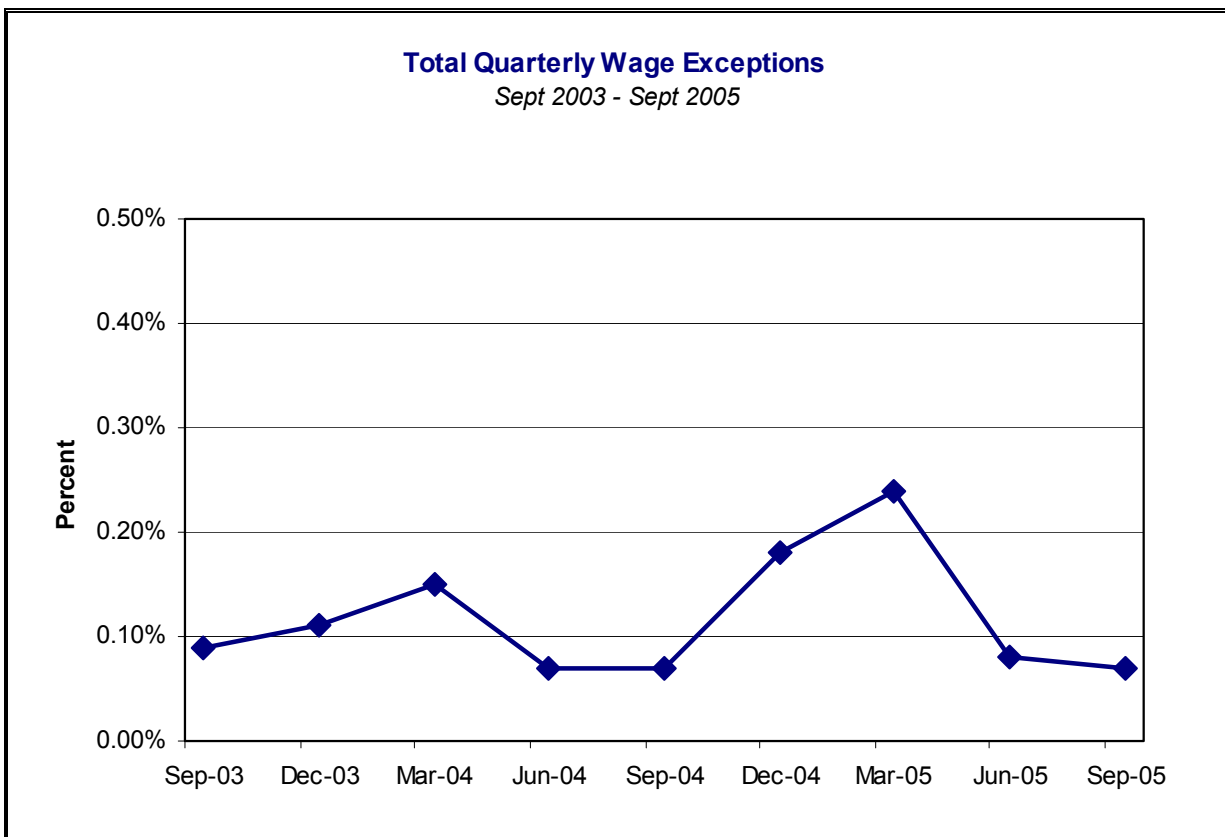
Total Quarterly Salaried Exceptions
 Sept 2003 - Sept 2005



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

| Agency | Exceptions as a % of Wage Payments |
|--|--|
| <hr/> | |
| Wage Payroll Exceptions for the Quarter | 0.07% |

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



Note: increase in second & third quarters FY2005 results from change in class codes in PMIS, but not in CIPPS.



PMIS/CIPPS Exceptions

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

| <u>Agency</u> | <u>Unresolved Exceptions</u> |
|---|-------------------------------------|
| <i>Education</i> | |
| Norfolk State University | 6 |
| Christopher Newport University | 17 |
| <i>Public Safety</i> | |
| Department of Military Affairs | 1 |
| Dept of Corrections, Central Activities | 1 |
| Coffeewood Correctional Center | 4 |
| Virginia Correctional Center for Women | 1 |
| <i>Natural Resources</i> | |
| Department of Game and Inland Fisheries | 3 |



Payroll Certification

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

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

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

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

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

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

Payroll Certification Compliance

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

Columns show the following:

- (a) Variance in dollars for agencies whose certified amounts varied from actual computed amounts by more than \$20,000 for any payrolls processed during the quarter.
- (b) The number of times DOA had to perform the certification function for the agency due to inadequate agency back-up.
- (c) The number of certifications that were submitted or altered later than the daily deadline.
- (d) The number of times DOA made corrections to agency certifications during the quarter.

Healthcare Reconciliations

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

lists those agencies that were late in submitting their certification or had problems requiring additional adjustments. Such problems may include incomplete or incorrect documents or required IATs not submitted to DOA. Healthcare reconciliations for the months of June, July and August were due 07/29/05, 08/31/05 and 09/30/05, respectively.

Schedule of Health Care Reconciliations Received Late or With Problems

| | <u>June</u> | <u>July</u> | <u>Aug</u> |
|---|-------------|-------------|------------|
| New River Community College | X | | |
| Rappahannock Community College | X | | |
| Department of Agriculture and Consumer Services | P | P | |
| Nottoway Correctional Center | | X | |
| Keen Mountain Correctional Center | | X | |

X= Late

P = Problem with documentation



FINANCIAL MANAGEMENT ACTIVITY

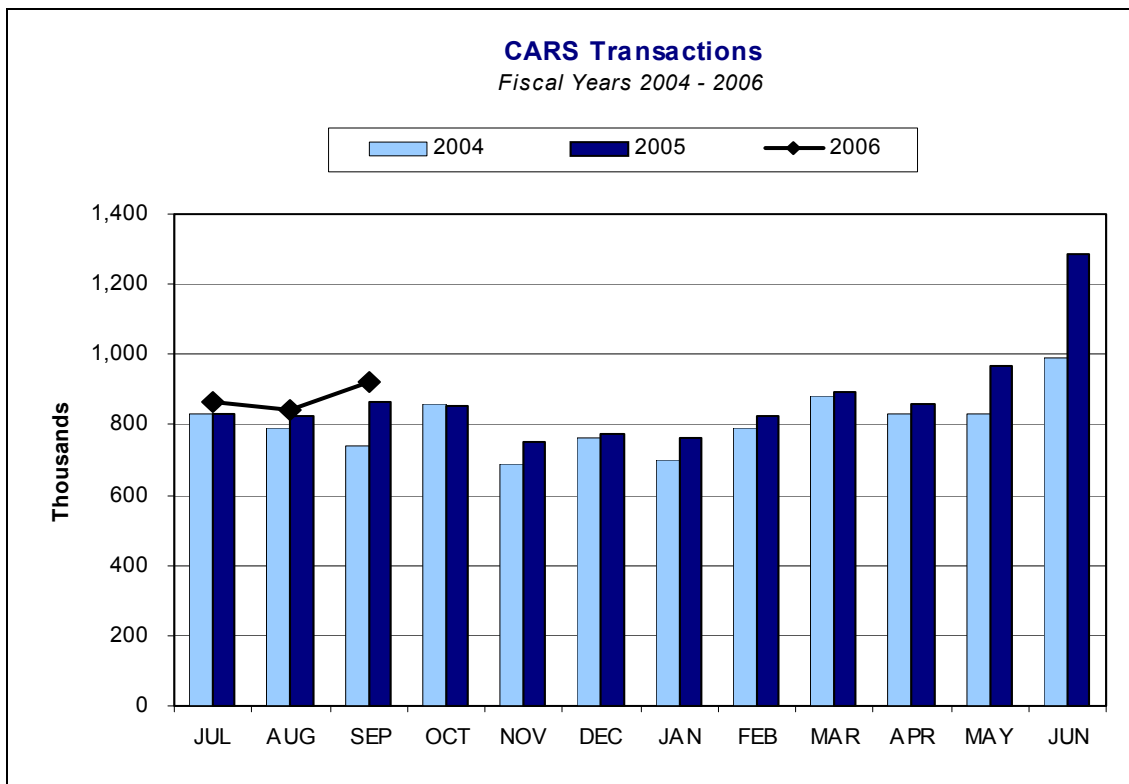
DOA monitors several types of financial activity. Various measures are used to track activities for CARS, payroll,

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

Commonwealth Accounting and Reporting System (CARS)

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

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



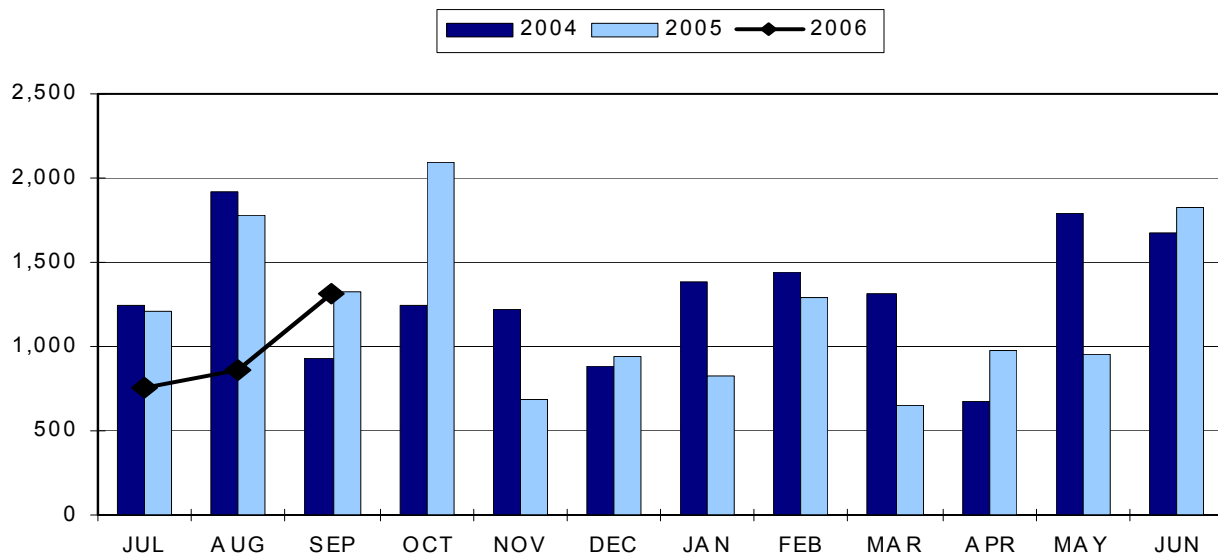
CARS Edits

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

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

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

CARS Monthly Errors
Average Number of Daily Errors
Fiscal Years 2004 - 2006



Payroll

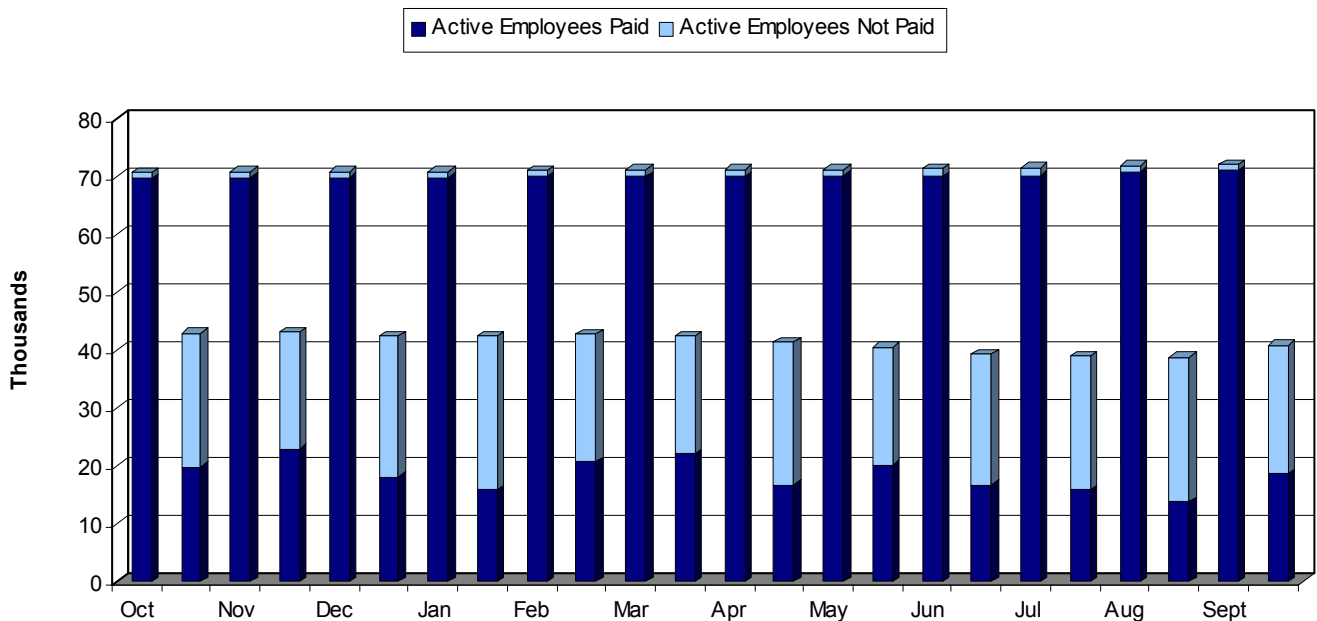
The central payroll system for State government is known as *CIPPS*, the Commonwealth Integrated Payroll Personnel System. CIPPS is one of the largest payroll operations in the Commonwealth, serving 111,488 employees. Payroll services are also

provided through eight decentralized higher education institutions.

Total gross payrolls for the Commonwealth were approximately \$421 million each month of the quarter. On average, 86,750 employees were paid each month, of which 70,730 are salary employees.

Commonwealth Integrated Payroll / Personnel System (CIPPS) Statistics

October 2004 - September 2005



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

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

Benefit Participation by CIPPS Agencies

The Commonwealth offers a variety of benefits to State employees, including health care, optional retirement plans, deferred compensation, and flexible reimbursement programs. During the quarter, state employees purchased 12,437 savings bonds with a face value of over \$1.59 million.

Benefit Participation Number of Participating Employees

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

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

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

Accounts Receivable Executive Summary

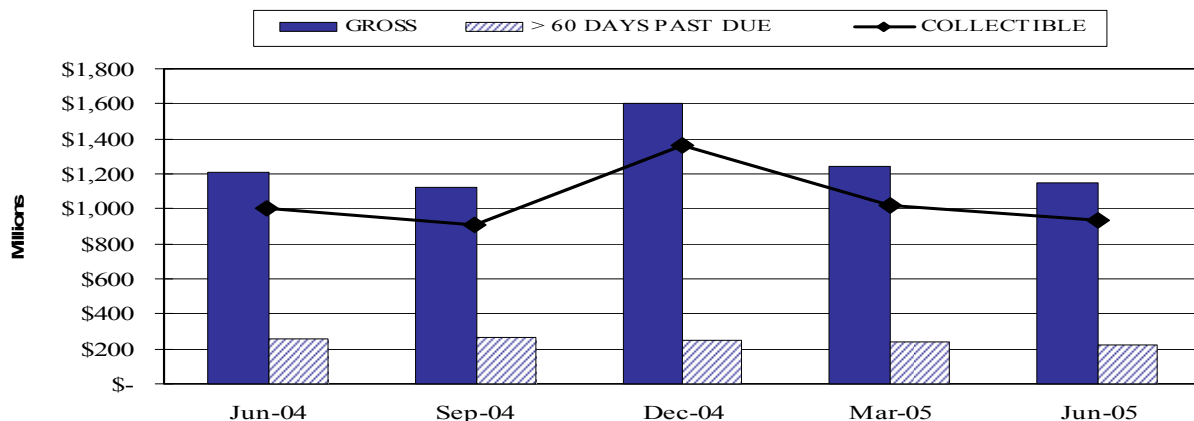
Chapter 48 of the *Code of Virginia* requires the Department of Accounts, along with the Office of the Attorney General, to oversee, report on, and monitor the Commonwealth's accounts receivable program. In order to carry out this responsibility, DOA has issued policies and procedures on accounting,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

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

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

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

**Gross, Past Due, and Collectible Receivables
June 2004 - June 2005**



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

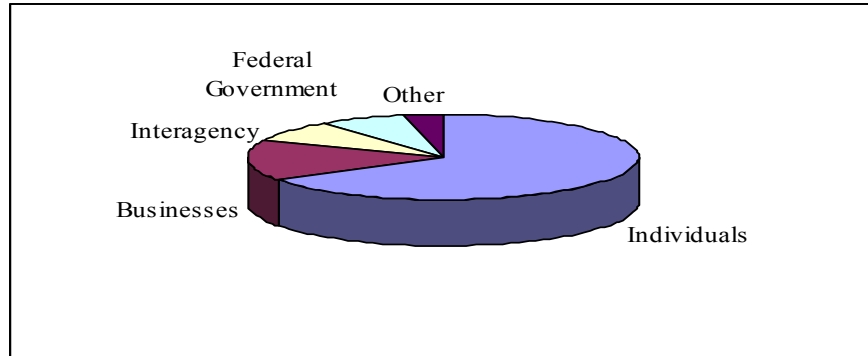
| |
|--|
| <p style="text-align: center;">Collectible Receivables by Fund <i>Not Including Circuit and District Courts and Department of Taxation</i> <i>As of June 30, 2005</i></p> |
|--|

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

Summary of Receivables by Source

Sources of Collectible Receivables by Debtor

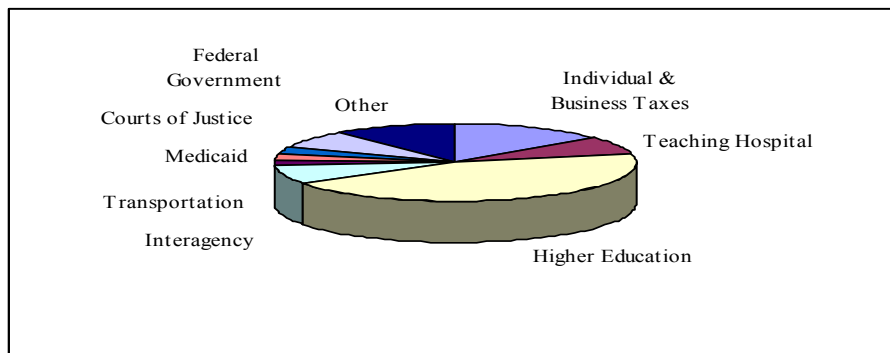
As of June 30, 2005



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

Sources of Collectible Receivables by Type

As of June 30, 2005



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

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

percent of the adjusted collectible accounts receivable balances.

Accounts Receivable Summary
Not Including Circuit and District Courts and Department of Taxation
Quarter Ended June 30, 2005

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

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

DOA requires state agencies and institutions to use the computerized matching and debt setoff programs for receivables that are 30 days or more past due. DOA also requires the use of private collection agencies on delinquent accounts that are 60 days or more past due that are not sent to the Attorney

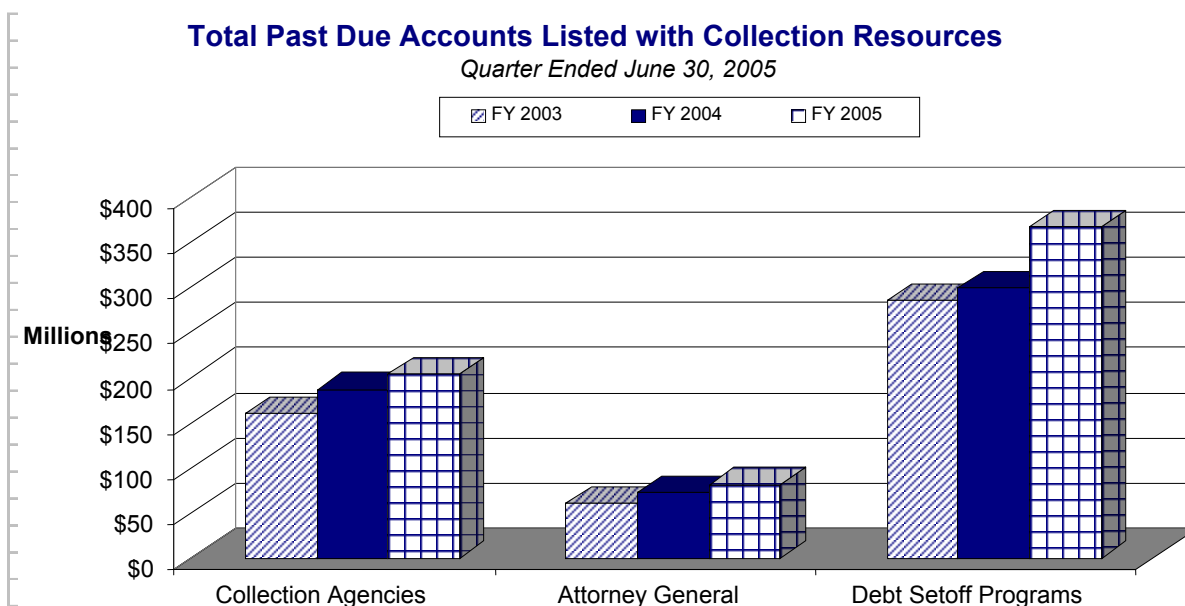
General's Division of Debt Collection. The Office of the Attorney General requires state agencies and institutions to send accounts of \$3,000 or more and 60 days or more past due to the Division of Debt Collection.

These additional collection tools recovered \$7.2 million during the quarter ended June 30, 2005. The largest contributor was the debt setoff programs (Tax, Comptroller's and Lottery) which collected \$3.4 million. The Division of Debt Collection contributed \$2.1 million. Private collection agencies, collected \$1.7 million.

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

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

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



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

Percentage of Gross Receivables Over 60 Days Past Due

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

Comptroller's Debt Setoff (CDS) Program

CDS is one of the debt setoff programs used by agencies to collect past due accounts receivable owed the State, primarily by businesses and individuals acting in a business capacity. Under CDS, a payment made by the State to the debtor may be withheld, in full or in

part, to satisfy the debt owed the State. CDS collected \$958,000 for the first quarter of FY 2006. Please note the CDS collections are based on an estimate because of the implementation of the new Tax IRMS system.

Another way to measure agency debt collection effectiveness is to compare amounts collected to amounts billed. The table below presents trend percentages for the ten agencies with the highest collectible account receivables balances. In total these ten agencies are responsible for 78 percent of the Commonwealth's collectible receivables balances, as adjusted to exclude the Department of Taxation and the circuit and district courts. Percentages over 100% indicate the collection of prior balances as well as current billings.

In evaluating these percentages it is important to understand that the percentage may fluctuate based on how the different agencies conduct their business. For example, the VEC percentage jumped 51 points over last year and 91 points over two years ago because employers pay unemployment taxes on the first \$8,000 of wages paid to employees in the calendar year, and the number of workers employed has climbed over the last two fiscal years.

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

Collections as a Percentage of Billings

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

Commonwealth Receivables Analysis

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

Department of Medical Assistance Services (DMAS)

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

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

University of Virginia Medical Center (UVAH)

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

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

Virginia Employment Commission (VEC)

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

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

Virginia Information Technologies Agency (VITA)

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

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

State Lottery Department (Virginia Lottery)

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

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

amount is covered by surety bond and involves 20 retailers.

State Department of Education (SDE)

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

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

Virginia Polytechnic Institute and State University (VPISU)

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

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

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

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

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

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

Department of Transportation (VDOT)

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

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

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

Department of Social Services (DSS)

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

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

At June 30, 2005, DSS reported gross receivables of \$218.6 million, an

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

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

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

Agencies with the Largest Volume of Past Due Receivables

As of June 30, 2005

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

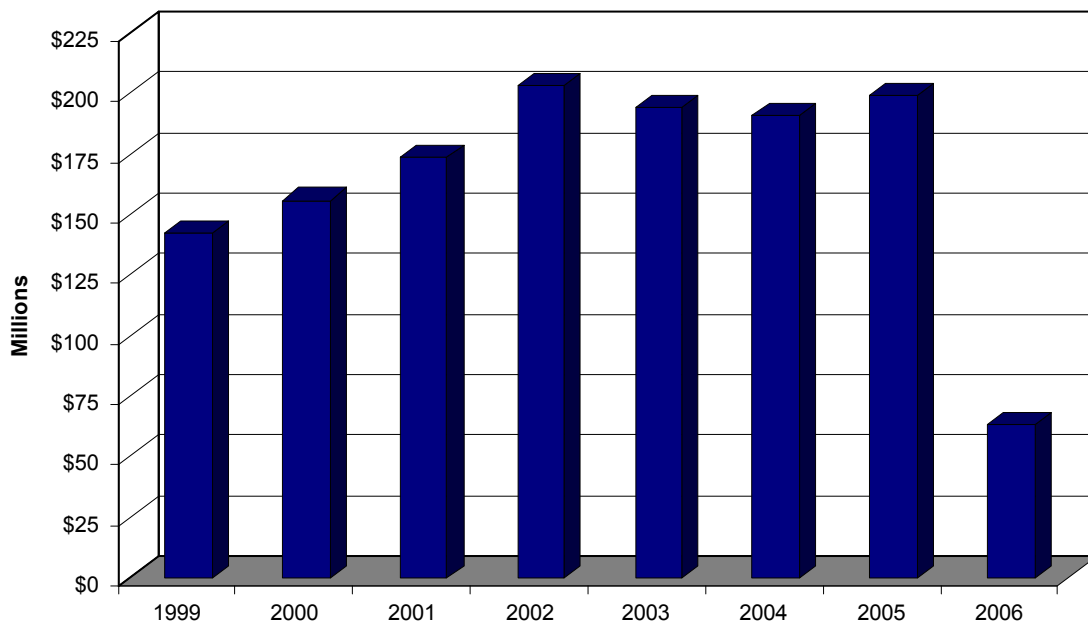
Indirect Costs

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

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

Total Indirect Cost Recoveries*

Fiscal Years Ended 1999 - 2006



*FY 2006 reflects indirect cost recoveries through September 30, 2005.

Indirect Cost Recoveries From Grants and Contracts

Fiscal Year 2006

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

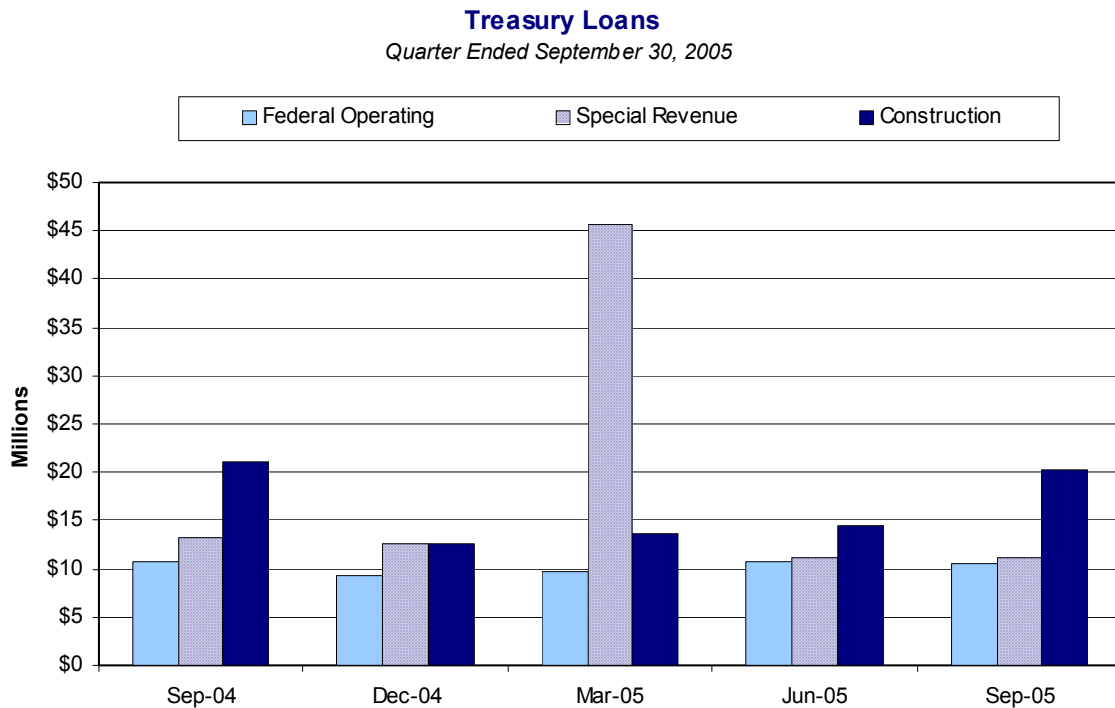
- (1) The Department of Social Services records all federal monies received in CARS. However, they do not separately classify such receipts between direct and indirect. Included in the agency nongeneral fund category is \$12,506,568 representing the Department of Social Services' estimate of indirect cost recoveries received.



Loans and Advances

Treasury loans may be used to advance funds to a State agency or institution for a designated purpose prior to some form of reimbursement. Working capital advances and lines of credit are other methods for ensuring that an agency or

institution has sufficient operating cash, within its appropriation, prior to collection of revenues. The total of all types of treasury loans and advances as of September 30, 2005, was \$42.0 million.



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

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

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

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

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

◆ **Authorized Appropriation Deficit**, which provides funding, when authorized by the Governor, under emergency conditions as described in § 4-3.01 and § 4-3.02 of the Appropriation Act. There were no deficit loans outstanding at September 30, 2005.

◆ **Working Capital Advances**, which provide operating funds for nongeneral fund projects when revenues to be used for repayment will not be generated within the twelve months required for anticipation loans. There was one outstanding working capital advance at September 30, 2005, for \$125,000.

| Significant New Loans/Drawdowns | New Balance |
|---------------------------------|-------------|
|---------------------------------|-------------|

Department of Game and Inland Fisheries (DGIF)

| | |
|--|-------------|
| Authorization and drawdown of a new loan to provide capital funds for the acquisition of the Feather and Fin Farm, a 2,400-acre parcel of land adjacent to the Appomattox River. | \$5,804,102 |
|--|-------------|

Department of Veterans Services (DVS)

| | |
|--|-------------|
| An additional drawdown of \$1,243,322 of a \$14,750,000 loan for the construction of the Veterans Care Center in Richmond. | \$2,766,497 |
|--|-------------|

| Significant Loan Repayments | Prior Balance |
|-----------------------------|---------------|
|-----------------------------|---------------|

Virginia Commonwealth University (VCU)

| | |
|--|-------------|
| Full repayment of a loan that was authorized to provide up to \$5,056,989 to construct the VCU Administrative Information Technology Building. | \$1,153,915 |
|--|-------------|

