

**REPORT ON
STATEWIDE FINANCIAL MANAGEMENT AND
COMPLIANCE**

FOR THE QUARTER ENDED JUNE 30, 2007



OFFICE OF THE COMPTROLLER

DEPARTMENT OF ACCOUNTS

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STATEMENT OF PURPOSE

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

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

This *Quarterly Report* includes information for the quarter ended June 30, 2007, and comparative FY 2006 data. Some information in the report is for the quarter ended March 31, 2007, which is the most current data available.

David A. Von Moll, CPA, CGFM
Comptroller



Virginia Department of Accounts

Financial Accountability. Reporting Excellence.

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

The APA also reports risk alerts and efficiency issues. Risk alerts address issues for which the corrective action is beyond the capacity of the agency management to address. Efficiency issues identify agency practices, processes or procedures which the auditors believe agency management should consider to improve efficiency. Risk alerts and efficiency issues are summarized following the Findings section.

The APA also issued several Special Reports during the quarter. These reports are listed following the Efficiency Issues section. The full text of these reports is available at www.apa.virginia.gov.

Audit Reports – Quarter Ended June 30, 2007

The APA issued 31 separate reports covering 38 agencies, offices, boards, commissions, colleges and universities for the Executive Branch agencies listed on the following table. All of the reports were for FY 2006. The last column indicates whether the CAW has been received as of the date of this publication for each agency with audit findings. Note that in some cases, the CAW may not have been received because it is not yet due.

	New Findings	Repeat Findings	Total Findings	CAW Received
Administration				
Department of Human Resource Management	0	0	0	N/A
Department of Charitable Gaming	0	0	0	N/A
Compensation Board (1)	0	0	0	N/A
Department of Minority Business Enterprise (1)	1	1	2	YES
Department of Employment Dispute Resolution	1	0	1	YES
Human Rights Council	0	0	0	N/A

	New Findings	Repeat Findings	Total Findings	CAW Received
Agriculture and Forestry				
Department of Forestry	1	0	1	YES
Department of Agriculture and Consumer Services (2)	1	0	1	YES
Virginia Agricultural Council (2)	0	0	0	N/A
Commerce and Trade				
Department of Mines, Minerals and Energy	0	0	0	N/A
Board of Accountancy	2	0	2	YES
Small Business Financing Authority	0	0	0	N/A
Education				
University of Mary Washington	2	1	3	YES
Radford University	2	1	3	YES
Virginia State University	2	0	2	YES
Southwest Virginia Higher Education Center	0	0	0	N/A
George Mason University	1	0	1	YES
James Madison University	0	0	0	N/A
State Council of Higher Education for Virginia	0	0	0	N/A
Virginia Military Institute	0	0	0	N/A
Jamestown-Yorktown Foundation	1	0	1	YES
The Library of Virginia	1	0	1	YES
Executive Offices				
None				
Finance				
Department of Taxation (1) (3)	1	0	1	YES
Department of Planning and Budget (3)	1	0	1	YES
Department of Planning and Budget Appropriation Processing Control System (4)	1	1	2	YES
Secretary of Finance (3)	0	0	0	N/A
Department of Accounts (1) (3)	0	0	0	N/A
Department of the Treasury (1) (3)	0	0	0	N/A
Treasury Board (3)	0	0	0	N/A
Health and Human Resources				
Department of Social Services (1)	16	3	19	YES
Independent Agencies				
Virginia Office for Protection and Advocacy	0	0	0	N/A
Natural Resources				
Department of Game and Inland Fisheries	5	0	5	YES

	New Findings	Repeat Findings	Total Findings	CAW Received
Public Safety				
Department of Corrections (5)	2	1	3	YES
Virginia Parole Board (5)	0	0	0	N/A
Department of Fire Programs	1	0	1	YES
Department of Correctional Education	2	0	2	YES
Department of Criminal Justice Services	3	0	3	YES

Technology				
Wireless E-911 Services Board	0	0	0	N/A

Transportation
None

1. These agencies have risk alerts which are further described in the *Risk Alerts* section of this report.
2. The audit of the Department of Agriculture and Consumer Services included the Virginia Agricultural Council.
3. The audit of the Secretary of Finance included the Department of Taxation, Department of Planning and Budget, Department of Accounts, Department of the Treasury and the Treasury Board and was released in one report.
4. A separate report on the Budget and Appropriation Processing Control System administered by the Department of Planning and Budget for the year ended June 30, 2006, was also issued.
5. The audit of the Department of Corrections included the Virginia Parole Board.



Findings – Quarter Ended June 30, 2007

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

Administration

Department of Minority Business Enterprise

1. Document Information Security Program. The Department does not have a documented information security program that meets Virginia's Information Technology security standard. Without a documented information security program, the Department cannot identify or adequately maintain critical information technology components, including data and application, which the Department relies upon to carry out its business objectives.
2. Update On Prior Year Recommendations. **As noted in the prior audit,** the Department continues to have internal control issues, including those relating to cell phone monitoring, review and excessive use. The Department has made progress in improving its operations and management has taken a number of actions to address the internal control issues previously reported; however, the current structure within which management operates and limited resources restricts their ability to fully resolve the matters raised. As noted in the Risk Alert section, the APA believes that this agency and others having limited funding and other administrative resources cannot achieve resolution of internal control findings without resolution of the previously discussed issue.

Department of Employment Dispute Resolution

1. Comply with Internal Procedures for the Small Purchase Charge Card Program. The Department has adopted its own policies and procedures for the Small Purchase Charge Card Program, which require the supervisor to review and approve monthly card reconciliation. This process allows the supervisor to provide an appropriate level of review to the process. The supervisor should follow these processes both to provide appropriate review and control, and to exercise the necessary internal control that the policies and procedures envision. The Department should follow and comply with its internal procedures.

Agriculture and Forestry

Department of Forestry

1. Strengthen Internal Controls Over Capital Asset Useful Life Methodologies. The Department does not have proper controls in place for assigning and re-evaluating useful lives of depreciable capital assets.

Department of Agriculture and Consumer Services

1. Comply with the Commonwealth's Security Standard. The Department is not in compliance with the Commonwealth's security standard. This places the Department's systems and the information they contain at risk.

Commerce and Trade

Board of Accountancy

1. Evaluate Trust Account. The Board needs to adopt formal policies concerning the funding, balance size, and effect that the trust fund will have on setting future regulatory fees.
2. Comply with the Commonwealth's Security Standard. The Board, like many smaller agencies in the Commonwealth, has an inadequate information security program. The Board is taking corrective action to bring the information security program into compliance; however, the APA believes the Board needs to consider the long-term commitment that maintaining this program will place on the staff and future resources.

Education

University of Mary Washington

1. Develop Policies and Procedures. **As noted in the prior audit,** the University has documented some, but not all, of its operating policies and procedures. Having documented procedures, educating employees about them, and enforcing their compliance are important components of the University's internal control structure.
2. Strengthen Physical and Environmental Controls for Critical Information Technology Equipment. The facilities that house critical information technology equipment at the University's Fredericksburg and Stafford campuses lack several physical and environmental controls to ensure reliability and availability of critical information assets.
3. Complete and Update the Continuity of Operations Plan. The University does not currently have a complete comprehensive Continuity of Operations Plan. The University risks not being prepared to continue critical business functions in the event that a disaster prevents normal operations.

Radford University

1. Complete Information Security Program. **As noted in the prior audit,** Radford is not in compliance with certain key elements of the Commonwealth's security standards for information technologies.
2. Update the Business Continuity Plan. Management has not updated Radford's business continuity plan to include contingencies for critical and new information technology components.
3. Adhere to Policies and Procedures for Cash Collections. The University is not complying with the Commonwealth's policies and procedures in the cash collection process pertaining to timely cash deposits and reporting Library accounts receivable.

Virginia State University

1. Improve Financial Statement Preparation Process. The University needs to improve the current financial statement process in order to meet the Commonwealth's performance standards for universities.
2. Improve Information Security Program. University management responded appropriately by beginning to take corrective action; however, a recent incident involving the University's

security program indicates that management will need to perform additional review and development of the program.

George Mason University

1. Improve System Access Policies. The University does not have adequate controls to oversee access to its administrative systems that contain sensitive student and financial information.

Jamestown-Yorktown Foundation

1. Improve Small Purchase Charge Card Procedures. The Foundation does not follow the established policies and procedures regarding small purchase charge cards. Purchase logs are prepared from the charge card statements rather than when making purchases. Further, the auditor could not determine that cardholders did not allow other individuals use of the charge cards assigned to them for purchases.

The Library of Virginia

1. Improve Controls Over CARS Access. The Library does not have adequate separation of duties for CARS transaction processing. The Library should ensure that CARS access for terminated employees is deleted timely.

Finance

Department of Taxation

1. Establish Procedures for Review of Router Policies and Procedures. The Virginia Information Technologies Agency (VITA) does not regularly review configurations of routers that provide protection of mission critical information systems at Taxation. Inadequate security controls on such equipment weakens the overall infrastructure and may result in the compromising of sensitive data.

Department of Planning and Budget

1. Provide Assurance of Infrastructure Security (included in the Secretary of Finance Report). The Department has transferred its infrastructure supporting its databases and information to the Virginia Information Technologies Agency (VITA). The current memorandum of understanding does not address the security levels required by the Department.
2. Complete an Information Security Program (included in the Budget and Appropriation Processing Control System Report). The Department does not have a complete or current information security program that meets Virginia's information technology security standard. A well-developed security program should include documented policies and procedures.
3. Improve Documentation of Appropriation Adjustments (included in the Budget and Appropriation Processing Control System Report). **As noted in the prior audit,** Department staff should follow the procedures in the Form 27 Automated Transaction (FATS) Manual when preparing and approving transaction briefs.

Health and Human Resources

Department of Social Services

1. Properly Manage and Maintain Access to Information Systems. **As noted in the prior audit,** the Department provides central statewide oversight for policies and procedures to 120 locally operated social service agencies. In support of the locally operated social services agencies, the Department has a number of central systems and applications for determining and providing benefits. The Department has some significant security issues over access to the systems, applications, and their data.
2. Maintain Local Employee Tracking System. **As noted in the prior audit,** the Department uses the Local Employee Tracking System (LETS) as its local employee listing; however, neither the Department nor local social services agencies consistently update this listing so the Department does not have an accurate listing of local employees. Since last year, the Department has taken incremental steps in creating an interface for localities to upload personnel information to avoid duplication of efforts.
3. Establish Control Mechanisms for Foster Care and Adoption Payments. **As noted in the prior audit,** the Department does not currently have a control mechanism to verify that only individuals determined eligible are receiving foster care and adoption payments. Since last year, the Department has taken incremental steps in making the On-Line Automated Services Information System (OASIS) compliant. Social Services should take steps to ensure that local offices enter, update and reconcile OASIS so that only eligible individuals receive payments.
4. Improve Case File Documentation for Temporary Assistance to Needy Families. Federal regulations require the Department to reduce or eliminate a recipient's benefits if the recipient fails to cooperate with the Division of Child Support Enforcement (DCSE). Some of the case files did not contain adequate documentation to show that the case worker followed Department policies and properly reduced benefits, or there was an untimely delay between DCSE's referral of the case and appropriate action taken by the case worker.
5. Improve Usage of Income Eligibility and Verification System and Case File Documentation. Federal regulations require the Department to participate in the Income Eligibility and Verification System (IEVS) by coordinating data exchanges with other income and benefit information systems. The Department should investigate all IEVS matches in a timely manner, or work with the local agencies to ensure timely completion of reviews. The Central Office should also develop a mechanism to monitor the IEVS report matches to determine that the localities are taking appropriate action on their cases, which have matches.
6. Strengthen Controls over the Budgeting Process. The Department does not perform an analysis of individual local social services agencies' budgets as a whole.
7. Expand Budgeting to Include Total Locality Operations, Not Just by Program or Budget Line. The Department does not have a systematic process to monitor local agencies' total budgets, and therefore, cannot readily identify those localities that experienced dramatic variances between original budgets and final budgets.
8. Define Budget Oversight Responsibilities. Both program managers and budget staff share responsibilities for local office budget development and oversight. While the budget development process has a series of reviews and coordinating activities, the oversight of budget is less clear and coordinated. The Department should create a policy that clearly defines the responsibility each party has for its respective budget lines.

9. Budget Adjustments and Budget Execution Oversight. Budget personnel believed that the system's automatic approval function had a yearly cumulative control feature; however, system tests occur only on individual transactions and do not accumulate their yearly effect. Therefore, local agencies could theoretically submit a series of transactions and as long as the transaction did not exceed ten percent, the system would automatically process the request. No audit trail exists to document changes to the automatic system parameters. These issues compromise the usefulness of the budget to actual analysis.
10. Properly Report Federal Expenses on Financial Reports. The Department does not have adequate grant reporting procedures to ensure that grant reports are consistently prepared and sufficiently supported. By not reporting amounts on federal reports accurately, the Department is not complying with federal requirements and may face federal financial penalties.
11. Improve Documentation of Medicaid Cases. Federal regulations require specific requirements to ensure that individuals meet the financial and categorical requirements. The Department lacks adequate documentation of compliance or timely actions by the local social service offices. By not complying with federal regulations or providing adequate documentation of compliance, the federal government may impose financial penalties, which would result in additional costs to the Commonwealth's General Fund.
12. Establish Control Mechanisms for Adult Services Payments. The Department oversees an adult services program that provides in home care for the elderly and disabled and uses the Adult Services/Adult Protective Services (ASAPS) system as its case management system. Caretakers submit time sheets to receive payments for care provided; however, an automated mechanism does not exist to verify the amount billed with the amount allowed in the ASAPS system or if the caretaker is still eligible. The Department should establish control mechanisms over the local adult services payments and reconcile or verify that the individuals and their caretakers are in the ASAPS system.
13. Strengthen and Ensure Compliance with Policies and Procedures for Local Adult Service Programs. The Department does not provide sufficient guidance with adequate policies and procedures to the local offices for the adult services program or monitor to ensure compliance. Once established, the Central Office should communicate these policies and procedures and then monitor localities to ensure compliance.
14. Establish Adequate Controls and Separation of Duties in Collection of Child Support Payments. One district office does not have adequate controls and separation of duties over the collection of child support payments. The Department should establish adequate payment processing controls and segregation of duties at the district offices and then conduct reviews to ensure compliance with such policies. Without adequate controls and segregation of duties, the Department risks losing child support payments.
15. Establish Adequate Controls over the Payroll and Human Resources Functions. The Department does not have sufficient policies, procedures, and controls established over a number of payroll and human resources processes. Some issues identified include lack of controls over time sheet submission, lack of supervisory review, and inconsistency in applying criteria for overtime and compensatory leave.
16. Follow Established Policies over the Small Purchase Charge Card Program. The Department has inadequate supporting documentation for small purchase charge card expenses and did not follow established policies. Some issues identified include missing receipts, reconciliations not

prepared in a timely manner and a lack of supervisory review and oversight of the small purchase charge card process.

17. Periodically Review and Reconcile Firewall Rules. The Department does not currently have a process to review firewall rules periodically to ensure that they are still necessary.
18. Reconcile ADAPT System Data to the Data Warehouse. The Department should reconcile the information in the data warehouse to the ADAPT system to ensure that they are using accurate and complete data for making important business decisions.
19. Perform Adequate Information Technology Data Backups. The Department does not properly store system backup tapes at an offsite location. Failure to properly store backup tapes offsite increases the risk of losing valuable information and the ability to restore critical systems in a timely manner.

Natural Resources

Department of Game and Inland Fisheries

1. Follow Media Policy to Provide Timely Reports of Activity. The Department implemented a policy which requires the Media Services Office to submit quarterly project status reports to the Department Director. The report for the last quarter was not provided as of the end of this audit.
2. Follow Travel Approval Policies. Four travel vouchers did not have required approval. The Department has a policy requiring the Secretary of Natural Resources approval for employees taking international trips.
3. Retain Documentation of Monthly Purchasing Reviews. For most of the monthly activity tested, the Department could not provide documentation to support discussion and resolution of issues detected during reviews.
4. Provide Sufficient Password Controls. The Department does not have sufficient password controls. For example, passwords do not expire periodically, allowing users to keep their passwords indefinitely. This process increases the risk that others will learn passwords of co-workers and use them to gain unauthorized access.
5. Provide Data Encryption. The Department does not have proper encryption for sensitive data transmission. The Department transmits passwords and other sensitive data within its network in plain text, providing the opportunity for an unauthorized user to see and use information inappropriately. Specifically, an unauthorized user could gain account access or falsify network communications using the plain text information.

Public Safety

Department of Corrections

1. Strengthen Controls Over Capital Project Closing and Capitalization Processes. The Department policies and procedures over the capitalization and closing process for capital projects are inadequate and undocumented. In addition, there is a lack of communication and understanding of these policies and procedures between Architectural and Engineering Services, Financial Services, and the individual facilities.

2. Strengthen Controls Over Capital Asset Useful Life Methodologies. The Department does not have proper controls in place for assigning and re-evaluating useful lives of depreciable capital assets. The Department has not implemented an agency specific useful life methodology.
3. Strengthen Procedures over Agency Transaction Vouchers. **As noted in the prior report,** the Department needs to improve procedures over agency transaction vouchers (ATVs). The Department should implement a policy to prepare and process ATV's that all facilities could use.

Department of Fire Programs

1. Comply with the Commonwealth's Security Standard, SEC 2001. The Department is not in compliance with the Commonwealth's Security Standard, SEC 2001. This places the Department's systems and the information they contain at risk.

Department of Correctional Education

1. Improve Separation of Duties over CARS. The Department does not have proper segregation of duties over processing transactions in the Commonwealth Accounting and Reporting System. Segregation of duties should exist to prevent the same individual from approving and releasing CARS batches.
2. Improve Controls over Systems Access. The Department does not have adequate procedures to ensure removal of employee access to computer systems upon termination of employment.

Department of Criminal Justice Services

1. Strengthen Monitoring of Grant Programs. The Department does not adequately document monitoring activities over federal grants to ensure that localities are adhering to grant agreements.
2. Comply with the Commonwealth's Security Standard, SEC 2001. The Department is not in compliance with the Commonwealth's Security Standard, SEC 2001. This places the Department's systems and the information they contain at risk.
3. Strengthen Internal Controls over CARS access. There are inadequate internal controls surrounding authorization and utilization over CARS access.



Risk Alerts – Quarter Ended June 30, 2007

The APA reports issues for which the corrective action is beyond the capacity of management to address or which require the action of either another agency or outside party. In some instances, these issues may require the Commonwealth to evaluate the method by which it conducts its operations. The following risk alerts were identified:

1. The following agencies have provided the Virginia Information Technologies Agency (VITA) with all the required documentation to assess the adequacy of security. However, VITA has not been able to provide the agencies with assurance that VITA can provide hardware and software configurations that satisfy security requirements.
 - a. Compensation Board
 - b. Department of Taxation
 - c. Department of Accounts
 - d. Department of Treasury
2. The Department of Minority Business Enterprise has a risk alert associated with the agreements between smaller agencies, which do not have sufficient resources or staff, and their use of larger agencies for accounting, budgeting, personnel, or information security resources. The Secretaries of Administration, Finance, and Technology should work with the Departments of Accounts, General Services, Planning and Budget, and Human Resource Management, and the Virginia Information Technologies Agency to develop and implement an administrative agreement for all back office operations.
3. The Departments of Accounts and Social Services have risk alerts related to the timely completion of single audits of federal funds. The State Comptroller is developing statewide procedures which will require agency responses within specified time frames.
4. The Department of Social Services (DSS) has a risk alert for the adequacy of the Medicaid eligibility determination process. The *Code of Virginia* requires the Department of Medical Assistance Services (DMAS) to contract with DSS to determine which individuals are eligible to participate in the Medicaid program. DSS uses its network of Local Departments of Social Services to determine an individual's Medicaid eligibility. Currently, there is no ongoing systematic process for evaluating how well local social services offices determine eligibility. This means that eligibility errors made by local social services offices could require DMAS to make reimbursement payments to the federal government for Medicaid payments made to ineligible individuals.

Efficiency Issues – Quarter Ended June 30, 2007

The APA reports agency practices, processes or procedures which the auditors believe agency management should consider for review to either improve efficiency, reduce risk, or otherwise enhance agency operations. These matters do not require management's immediate action and may require the investment of resources to provide long-term benefit.

No efficiency issues were reported for the quarter ended June 30, 2007.

Special Reports – Quarter Ended June 30, 2007

The APA issued the following Special Reports for the quarter. The full text of these reports is available at www.apa.virginia.gov.

1. Report to the Joint Legislative Audit and Review Commission for the Quarter January 1, 2007 through March 31, 2007
2. Report on Collections of Commonwealth Revenues by Local Constitutional Officers for the year ended June 30, 2006
3. Review of Nongeneral Fund Revenue Forecasting Process Interim Report
4. Progress Report on Selected Information Technology Projects in the Commonwealth – March 2007



Status of Prior Audit Findings

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

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

Status Report on Resolution of APA Audit Findings

As of June 30, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Alcoholic Beverage Control</u>				
2006	06-01	Increase preventative maintenance measures.	Corrective action underway. ABC requires password changes every 60 days. Systems logon tracking was enabled October 16, 2006. Manpower and hardware requirements for backups were assessed. VITA needs to address ABC's threat detection needs.	In progress
<u>Department of Forestry</u>				
2006	06-01	Strengthen internal controls over capital asset useful life methodologies.	Corrective action underway. Forestry will develop procedures for assigning useful lives based on agency practices and will examine currently assigned useful lives and make adjustments as necessary.	In progress
<u>Department of Education</u>				
2006	06-01	Enhance documentation and internal controls over SOQ model.	Corrective action underway. DOE is assessing the risk over the Standards of Quality application. The risk assessment of the SOQ funding process was completed June 4, 2007.	In progress

Status Report on Resolution of APA Audit Findings

As of June 30, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Taxation</u>				
2006	06-01	Establish procedures for review of router policies.	The Department continues to work with VITA to meet the information security requirements.	In progress
<u>Department of Planning and Budget</u>				
2006	06-01	Complete an Information Security Program.	DPB plans to purchase an online security package, make training mandatory for all employees and ensure that new employees are trained within 30 days of employment.	In progress
	06-02	This is a repeated point. Improve documentation for appropriation adjustments.	DPB will provide mandatory training for all budget analysts.	In progress
	05-02	Improve documentation for appropriation adjustments.	See 06-02.	In progress
	06-03	Provide Assurance of Infrastructure Security.	Planning and Budget is working with VITA to develop an agreement to provide a level of security that will meet the appropriate standards.	In progress
<u>Virginia Port Authority</u>				
2006	06-01	Update Information Technology Policies and Procedures.	Corrective action underway. The Authority has transferred its IT operations to Virginia International Terminals and is providing guidance on what security controls are needed.	In progress
<u>Virginia Retirement System</u>				
2006	06-01	Update Business Impact Analysis and Risk Assessment.	The System is updating its Impact Analysis and Risk Assessment.	In progress

Status Report on Resolution of APA Audit Findings

As of June 30, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Virginia Commonwealth University</u>				
2006	06-01	Improve the procedures for Small Purchase Charge Cards.	Cardholders and supervisors must complete the web-based training and test by April 30, 2007 to retain cardholder privileges.	In progress
	06-02	Departments should resolve cash reconciliation items timely.	The General Accounting Department will continue to strengthen and improve processes and communication with the University's departments.	In progress
	06-03	Ensure timely utility payments.	The implementation of Banner Finance implemented revised procedures for timely processing of utility payments.	In progress
<u>Christopher Newport University</u>				
2006	06-01	Improve password management policies.	The University Technology Committee is evaluating the systems' risks and formulating password policies to meet the risks and data security standards.	In progress
<u>University of Mary Washington</u>				
2006	06-01	This is a repeated point. Develop policies and procedures.	Corrective action underway. The University is developing several procedures and is expected to be completed within twelve months.	In progress
	05-01	Prepare written policies and procedures.	See 06-01.	In progress
	06-02	Strengthen physical and environmental controls for critical information technology equipment.	Improvements to ensure proper maintenance of room temperature and back up generators at the CGPS server room are on the current year's pending project list.	In progress

Status Report on Resolution of APA Audit Findings

As of June 30, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	06-03	Complete and update the Continuity of Operations Plan.	The University has entered into a contract with Beck Disaster Recovery, Inc. to develop the University's Continuity of Operations Plan with an expected completion date of June 2007.	In progress
<u>Virginia Employment Commission</u>				
2006	06-01	Develop information security program.	A team of IT, Security and business staff is updating the Security Program that will meet the VITA IT Security Audit Standard.	In progress
	06-02	Assurance of Infrastructure Security.	The VEC believes this finding has been completed.	Completed
	06-03	Follow established procedures for Field Office payment logs.	An Audit Documentation Report has been developed and sent to Regional Directors. The Chief of Benefits is meeting with the Regional Directors to schedule Field Office reviews.	In progress
	06-04	This is a repeated point. Continue efforts to improve participant data entered into VWNIS.	The installation of the VWNIS replacement system is within scope, budget, and timeframes. The implementation is 67% complete, with a go-live date of December 2007. VEC has completed one "train the trainee" session.	In progress
	05-03	Hold localities liable for participant data entered in the Workforce Network.	See 06-04.	In progress
<u>Radford University</u>				
2006	06-01	This is a repeated point. Complete information security program.	The information security program is expected to be completed by June 30, 2007.	In progress
	05-02	Develop Information Technology policies and procedures.	See 06-01.	In progress

Status Report on Resolution of APA Audit Findings

As of June 30, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	06-02	Update the business continuity plan.	An off campus site has been located and infrastructure components will be installed on the site by September 30, 2007.	In progress
	06-03	Adhere to policies and procedures for cash collections.	The staff has implemented corrective action for all of the issues related to timely cash deposits.	In progress
<u>Department of Health</u>				
2006	06-01	Security risk assurance for infrastructure.	VDH has revised the contract with VCU to include specific security and control requirements. VDH will supervise VCU to assure controls are in place and operating.	In progress
<u>Department of Social Services</u>				
2006	06-01	Improve case file documentation for temporary assistance to needy families.	In coordination with DCSE, ways to streamline and enhance the non-cooperation process and its timeliness are being explored.	In progress
	06-02	Improve usage of income eligibility and verification system and case file documentation.	Staff will undergo training to strengthen the IEVS process and procedures will be reviewed on a quarterly basis.	In progress
	06-03	Strengthen controls over the budgeting process.	Procedures will be developed and documented. The automated approval feature of the Budget Request System has been disabled and will be reprogrammed.	In progress

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Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	06-04	Expand budgeting to include total locality operations, not just by program or budget line.	Management does not agree that the failure to review locality budgets as a whole prevents the Department from identifying budget variances or from monitoring local agency budget as the system is a state-mandated, locally administered system the development and management of local budgets are local responsibilities.	In progress
	06-05	Define budget oversight responsibilities.	By April 1, 2007, the department will develop procedures which define the responsibilities of staff authorized to initiate and/or execute budget transactions.	In progress
	06-06	Budget adjustments and budget execution oversight.	The automatic approval feature of the Budget Request System has been disabled and plan to have this feature reprogrammed and back in operation by June 1, 2007.	In progress
	06-07	Properly report federal expenses on financial reports.	The Department is reviewing its procedures for preparing and submitting federal reports and implementing the appropriate enhancements by September 30, 2007.	In progress
	06-08	Improve documentation of Medicaid cases.	The department will enhance its existing monitoring and evaluation procedures.	In progress
	06-09	Establish control mechanisms for adult services payments.	Revised procedures for Adult Services were released in March 2007.	In progress
	06-10	Strengthen and ensure compliance with policies and procedures for local adult service programs.	The Department will meet with the applicable LDSS directors to discuss and reinforce the caretaker procedures.	In progress

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Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	06-11	Establish adequate controls and separation of duties in collection of child support payments.	Procedures will be updated to include additional security measures in regards to cash collection.	In progress
	06-12	Establish adequate controls over the payroll and human resources functions.	The Department has committed to updating and implementing the appropriate policies and procedures.	In progress
	06-13	Follow established policies over small purchase charge card program.	A program administrator has been hired and is in the process of implementing steps to strengthen control and procedures for small charge card purchases.	In progress
	06-14	Periodically review and reconcile firewall rules.	Management has requested VITA to supply them with the DSS rule-set for the three firewalls located at VITA.	In progress
	06-15	Reconcile ADAPT system data to the data warehouse.	The Department will implement procedures requiring a weekly comparison of the records transferred from ADAPT to the records received by the Data Warehouse.	In progress
	06-16	Perform adequate information technology data backups.	DSS backup tapes are now stored at Iron Mountain.	In progress
	06-17	This is a repeated point. Properly manage access to information systems.	Corrective action underway. DSS sent a broadcast to local departments of social services to remind them of the requirement for verification of SSN reminders for receipt of services.	In progress
	05-02	Properly manage access to information systems.	See 06-17.	In progress

Status Report on Resolution of APA Audit Findings

As of June 30, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	06-18	This is a repeated point. Maintain a tracking system for local employees.	Corrective action underway. The Divisions of Human Resource Management and Information Systems are continuing to implement corrective measures for this finding.	In progress
	05-04	Maintain a tracking system for local employees.	See 06-18.	In progress
	06-19	This is a repeated point. Establish controls for foster care and adoption payments.	Corrective action underway. DSS is exploring options including a combination of certification by local agencies of OASIS data and the certifications for related payments sent to the Division of Finance on a monthly basis.	In progress
	05-05	Establish controls for foster care and adoption payments.	See 06-19.	In progress
<u>Department of Medical Assistance Services</u>				
2006	06-01	Address findings in internal audit report.	The Director reports they are implementing their corrective action plan for all of the internal audit report findings. Completion is estimated to be October 2007.	In progress
	05-02	Implement system-wide strategy for Utilization Units.	The 2006 audit report says adequate corrective action has been taken.	Completed
<u>Department of Motor Vehicles</u>				
2006	06-01	Improve controls over terminated employees.	A termination listing is being updated semi-monthly. Existing HRO and ITS forms are cross-referenced. DMV managers are reviewing system access and user accounts.	In progress

Status Report on Resolution of APA Audit Findings

As of June 30, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	06-02	This is a repeated point. Provide assurance of infrastructure security.	The Memorandum of Understanding with VITA will provide DMV's security requirements.	In progress
	05-03	Improve information technology security standards and guidelines.	See 06-02.	In progress
<u>The College of William and Mary in Virginia</u>				
2006	06-01	This is a repeated point. Improve financial statement preparation process.	The College is continuing to work with the Banner financial system vendor together with other Virginia schools also using Banner to improve the reporting process.	In progress
	05-01	Test financial statement preparation process.	See 06-01.	In progress
	06-02	Develop checkout list for terminated employees.	The College has implemented two clearance procedures. The faculty policy was implemented December 1, 2006, and the non-faculty policy was implemented on January 16, 2007.	Completed
<u>State Board of Elections</u>				
2006	06-01	Improve subrecipient monitoring.	The Business Manager is developing procedures directing subrecipient audit monitoring.	In progress
<u>Virginia Racing Commission</u>				
2006	06-01	Update and document information security program.	The Commission has requested that VITA assure VRC that the standards used to operate the operating system meet current security standards.	In progress
	06-02	Improve documentation of revenue reconciliations.	VRC is reviewing the segregation of duties involved in handling revenues and will develop policies and procedures to formally document revenue reconciliations.	In progress

Status Report on Resolution of APA Audit Findings

As of June 30, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Gunston Hall</u>				
2005	05-01	Strengthen controls over petty cash.	Guidelines are being drawn up. The account is being reconciled monthly.	In progress
<u>The Science Museum of Virginia</u>				
2006	06-01	Clarify the status of the Gift Shop operations.	The initial letter from the outgoing Director states that the Board of Trustees and Museum management are working to enhance operational performance and strengthen management accountability.	In progress
	06-02	Enforce Small Purchase Charge Card procedures.	See 06-01.	In progress
	06-03	Document departures from State practice.	See 06-01.	In progress
	06-04	Review and establish cash depositing practices.	See 06-01.	In progress
	06-05	Examine data system security and other computer considerations.	See 06-01.	In progress
	05-01	For the 4 th year SMV experienced material financial difficulties.	See 06-01. Funding concerns, including structural deficits, remain. The Museum invoices its Foundation once a quarter as specified by the budget, but can move the amount and date to meet cash flow requirements.	In progress
	04-01	Improve cash management.	See 05-01.	In progress

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As of June 30, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Longwood University</u>				
2006	06-01	This is a repeated point. Improve information security policies and processes.	Corrective action underway. LU contracted for web based training recommended by VITA. The program is being rolled out on campus. The Cabinet, two Councils and Faculty have taken the course and it is now being given to staff.	In progress
	05-02	Establish a security awareness training policy and program.	See 06-01.	In progress
<u>Virginia State University</u>				
2006	06-01	Improve financial statement preparation process.	Corrective action underway. VSU has hired new employees for key positions in the financial reporting area, documenting desk procedures and cross training their staff.	In progress
	06-02	Improve information security program.	VSU will continue to monitor and assess the plan on an ongoing basis to determine if improvements can be made.	In progress
2005	05-01	Test and update Disaster Recovery Plan.	Corrective action completed.	Completed
	05-02	This is a repeated point. Document Human Resource policies and procedures.	Corrective action completed.	Completed
	04-02	Document Human Resource policies and procedures.	See 05-02.	Completed
	05-03	Improve compliance with Small Purchase Charge Card policies.	Corrective action completed.	Completed

Status Report on Resolution of APA Audit Findings

As of June 30, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Norfolk State University</u>				
2005	05-01	This is a repeated point. Collect and correct accounts receivable.	Corrective action underway. NSU has not fully implemented previously adopted policies and procedures.	In progress
	04-01	This is a repeated point. Collect and correct accounts receivable.	See 05-01.	In progress
	03-01	Collect and correct accounts receivable.	See 05-01.	In progress
	05-02	Improve the continuity of operations disaster recovery plan.	Corrective action underway. The data center was relocated. NSU hired a VITA recommended vendor who is developing an improved recovery plan.	In progress
<u>Attorney General and Department of Law</u>				
2006	06-01	Complete an Information Security Program.	The Office hired a Chief Information Officer on November 1, 2006. The Office has started a program to achieve compliance with ITRM SEC 501-01 and will appoint a Chief Security Officer.	In progress
	06-02	Strengthen controls over Small Purchase Charge Card Program.	The Director of Finance continues to stress the importance of proper documentation and continues to educate staff about procurement laws and policies.	In progress
<u>Department of Minority Business Enterprise</u>				
February 1, 2006 through January 31, 2007	06-01	This is a repeated point. Update on prior year recommendations.	Corrective action underway. The Department of General Services took over the fiscal, budgetary, and procurement functions effective October 2006. The Payroll Service Bureau is used for payroll maintenance. DMBE lacks the resources to resolve internal control risks.	In progress

Status Report on Resolution of APA Audit Findings

As of June 30, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	04-01	Enhance the Housing Agreement.	See 06-01.	In progress
	04-03	Update memorandum of understanding and funding plan with VDOT.	See 06-01.	In progress
	04-04	Improve controls over cell phone usage.	See 06-01.	In progress
	06-02	Document information security program.	The agency will continue to work with the Secretary of Administration to develop and implement administrative solutions to improve operational and internal controls.	In progress
<u>Virginia Office for Protection and Advocacy</u>				
2006	None	N/A	N/A	N/A
2005	05-01	Clarify duties and responsibilities of the Board and Executive Director.	Corrective action completed.	Completed
	05-02	Implement Board training and operations.	Corrective action completed.	Completed
	05-03	Develop operational policies and procedures.	Corrective action completed.	Completed
	05-04	Procurement of services.	Corrective action completed.	Completed
	05-05	Indirect Cost Recoveries.	Corrective action completed.	Completed

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Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>State Corporation Commission</u>				
2005	05-01	Implement a complete and current information security system.	Corrective action underway. The Commission hired Accenture, a consulting firm, to identify what the installation required. The original study was completed and additional analysis was requested by the Information Technology Director.	In progress
<u>Department of Conservation and Recreation</u>				
2005	05-01	Follow Small Purchase Charge Card procedures.	Corrective action underway. DCR trained employees in proper use of the card. The Internal Auditor is testing compliance in the state parks.	In progress
<u>Department of Forensic Science</u>				
2006	06-01	Establish and implement an information security program.	DFS contracted with North Highland to develop DFS' comprehensive security documentation.	In progress
<u>Department of Juvenile Justice</u>				
2005	05-01	Improve controls over procurement records and contract administration.	Corrective action underway. Contracts have been listed and assigned in writing to Procurement Officers. Meetings among staff are scheduled before new contracts are bid.	In progress
<u>Department of Veterans Services</u>				
January 1, 2005 through March 31, 2006	06-04	Properly report construction in progress.	Corrective action underway. Financial reports for FY 2006 included all construction in progress. FAACS files still need to be updated.	In progress
	06-05	Establish and implement adequate policies and procedures over the Veterans Services Foundation.	Corrective action underway. The Director states that DVS and VSF are reviewing revised policies and procedures and expects full corrective action to be taken by July 2007.	In progress

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Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	06-07	Appropriately allocate administrative costs.	Corrective action underway. Changes have been identified for allocating administrative costs for FY 2007.	In progress
	06-08	Information systems security assurance.	Corrective action underway. DVS has published policies regarding use of personal laptops and controlling veterans' information. DVS will obtain assistance from VITA to assess security around the newly installed Financial Management System (FMS); also the FY 2007 VITA contract is now modified to provide additional system security.	In progress
	06-09	Improve voucher documentation and compliance with procurement and payment policies.	Corrective action underway. The Director states that DVS has begun implementing new policies and procedures and expects full corrective action to be complete prior to the next APA audit.	In progress
	06-12	This is a repeated point. Implement and monitor procedures to ensure proper use of funds.	Corrective action underway. DVS corrected the accounting classification of the federal VA subsidy funds. The use of the funds at the Care Center is being reviewed. The review is intended to result in a utilization plan for the funds.	In progress
	05-04	Implement and monitor procedures to ensure proper use of funds.	See 06-12.	In progress
	06-13	This is a repeated point. Improve debt collection efforts and account write-offs.	Corrective action underway. New collection procedures are being formulated. Accounts receivable are reviewed at least quarterly.	In progress
	05-05	Improve debt collection efforts and account write-offs.	See 06-13.	In progress

Status Report on Resolution of APA Audit Findings

As of June 30, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	06-15	Properly manage fixed assets.	Corrective action underway. Financial reports for FY 2006 included all construction in progress. Further policies and procedures are being developed.	In progress
<u>George Mason University</u>				
2006	06-01	Improve system access policies.	The University will develop a process within its administration system that will generate a report listing the users who make security changes and the actions they take. Target date for completion is December 31, 2007.	In progress
<u>Board of Accountancy</u>				
2006	06-01	Evaluate trust account.	The Board will develop the policies and procedures to identify the financial objectives of the trust fund.	In progress
	06-02	Comply with the Commonwealth's security standard.	The Board is actively working to address the remaining concerns over its IT security.	In progress
<u>Department of Correctional Education</u>				
2006	06-01	Improve separation of duties over CARS.	CARS access has been limited to ensure segregation of duties.	In progress
	06-02	Improve controls over systems access.	Procedures to ensure removal of systems access upon employment termination have also been developed and implemented.	In progress
<u>Department of Corrections</u>				
2006	06-01	Strengthen controls over capital projects closing and capitalization processes.	Management will update the procedures related to the capital project closeout and capitalization processes.	In progress

Status Report on Resolution of APA Audit Findings

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Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	06-02	Strengthen controls over capital asset useful life methodologies.	Management will develop an asset useful life methodology and require implementation by all DOC units.	In progress
	06-03	This is a repeated point. Strengthen procedures over agency transaction vouchers.	Management has directed DOC units to use the standardized ATV form which is included on the Department's electronic Virtual Library. In addition, all DOC units have been alerted to the need for signatures of both the initiator and the approver of the form.	In progress
	05-03	Strengthen procedures over agency transaction vouchers.	See 06-03.	In progress
<u>Department of Agriculture and Consumer Services</u>				
2006	06-01	Comply with the Commonwealth's security standard.	Management will provide a prioritized list for restoring services after a disaster to VITA so a recovery plan can be devised.	In progress
<u>Department of Criminal Justice Services</u>				
2006	06-01	Strengthen monitoring of grant programs.	The Department has recently developed an enhancement to the Grants Management Information System to track the monitoring done by grant monitors.	In progress
	06-02	Comply with the Commonwealth's Security Standard, SEC 2001.	The Department is striving to comply with VITA's Data Security Policies and Procedures. All users will be required to participate in an annual web-based security awareness training program.	In progress
	06-03	Strengthen internal controls over CARS access.	The Department has re-evaluated data entry capabilities and has changed access capabilities accordingly.	In progress

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Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Jamestown-Yorktown Foundation</u>				
2006	6-01	Improve small purchase charge card procedures.	The foundation has held two mandated training sessions to enforce adherence to the established policies and procedures for small purchase charge cards.	In progress
<u>Department of Fire Programs</u>				
2006	6-01	Comply with the Commonwealth's Security Standard, SEC 2001.	The Department will be establishing data security policies and procedures to include logical access, physical access, logging and monitoring.	In progress
<u>The Library of Virginia</u>				
July 1, 2004 through June 30, 2006	6-01	Improve controls over CARS access.	All CARS and CIPPS access has been reviewed and corrected.	Completed



Compliance Monitoring

Confirmation of Agency Reconciliation to CARS Reports

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

DOA closely monitors confirmation status, evaluates exceptions, and posts correcting entries in CARS. Confirmations for March, April, May and June* were due 4/30/07, 5/31/07, 6/29/07 and 7/18/07, respectively.

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

Confirmations Late or Outstanding

As of July 27, 2007

	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun*</u>
State Board of Elections	-	-	-	7/20/07
Virginia Commonwealth University	7/2/07	7/2/07	-	-
Commission on the Virginia Alcohol Safety Action Program	7/2/07	7/2/07	-	-

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

* The FY 2007 Year-End Closing Memorandum to the heads of all state agencies and institutions and all fiscal officers required that the final June Confirmation be received in the Comptroller's Office by 5:00 p.m. on July 18, 2007. Faxed copies were accepted on July 18, with the expectation the original would be received by July 23, 2007.

Response to Inquiries

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

However, in other instances, agencies do not respond timely or simply fail to respond. For the quarter ended June 30, 2007, all responses have been received within an acceptable timeframe.

Trial Balance Review

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

DOA monitors selected general ledger balances and contacts agencies in writing about certain irregular balances. For the quarter ended June 30, 2007, no agencies had irregular general ledger balances that were not corrected in a timely manner.

Analysis of Appropriation, Allotments and Expenditures, and Cash Balances

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

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

Credit Cash, Excess Expenditures, and Expenditure Credits

As of July 27, 2007

	<u>Mar</u>	<u>Apr</u>	<u>May</u>
Thomas Nelson Community College	X	-	-

Disbursement Processing

During the quarter ended June 30, 2007, DOA deleted, at the submitting agency's request, 57 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 were:

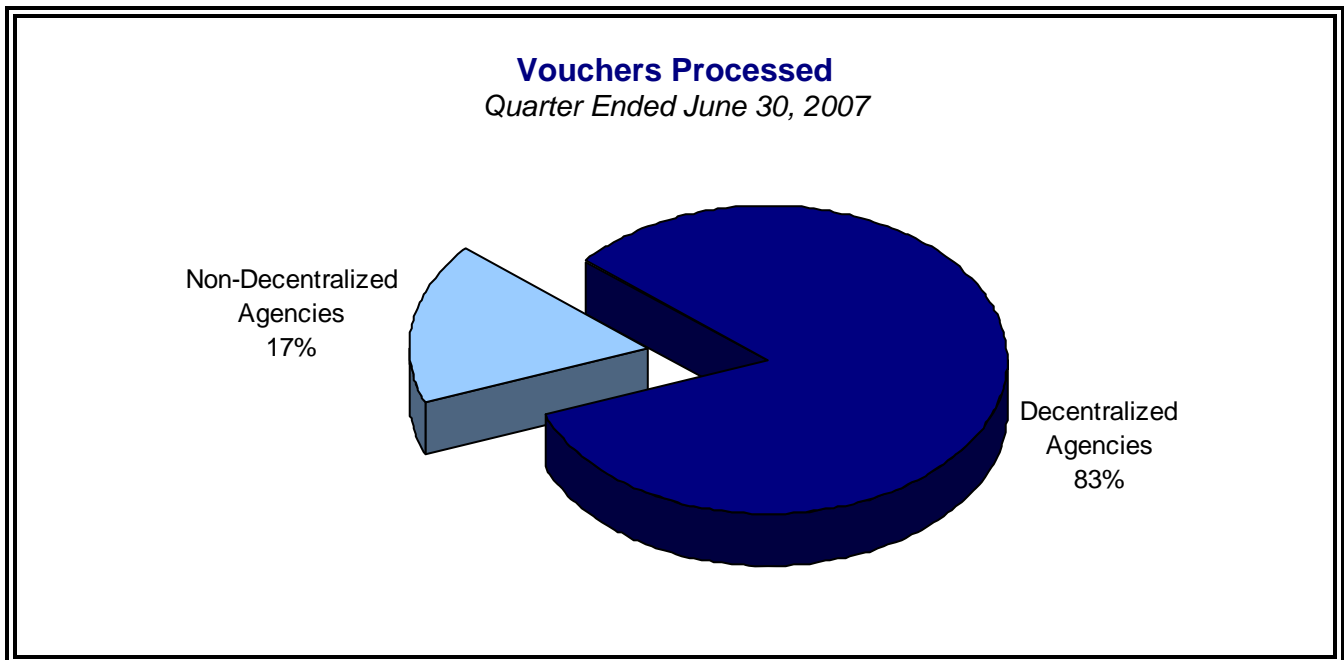
- Department of Transportation



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

The Exception Rate is determined by dividing the number of vouchers with compliance findings by the number of vouchers reviewed. For agencies receiving a performance rating lower than “Good”, the primary reasons for an Exception Rate exceeding 3.9 percent are provided on the next page.

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

<u>Decentralized Agency</u>	<u>Vouchers Reviewed</u>	<u>Vouchers with Compliance Findings</u>	<u>Exception Rate</u>	<u>Performance Measurement</u>
<i>Education</i>				
Norfolk State University	530	29	5.5%	Satisfactory
Radford University	282	14	5.0%	Satisfactory
Southside Virginia Community College	241	14	5.8%	Satisfactory
Thomas Nelson Community College	568	23	4.0%	Satisfactory
<i>Commerce and Trade</i>				
Department of Business Assistance	190	5	2.6%	Good

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

Agencies with Performance Ratings Lower than “Good”

Norfolk State University – Satisfactory Performance – Of the 29 vouchers with findings, 14 were related to Travel Vouchers, 8 were related to Vendor Payment Vouchers, and 7 were related to Small Purchase Charge Card Vouchers. Vouchers frequently have more than one finding and the following represents all compliance findings:

Travel Vouchers

- Inadequate Supporting Documentation (10)
- Improper Disbursement of State Funds (3)
- Cost Exceeds Allowable Guidelines (2)
- After-The-Fact Approvals (2)
- Approvals Missing or Improper (1)

Vendor Payment Vouchers

- Inadequate Supporting Documentation (3)
- Approvals Missing or Improper (2)
- Incorrect or Absence of Due Date (3)

Small Purchase Charge Card

- Inadequate Supporting Documentation (9)
- Approvals Missing or Improper (1)

Radford University – Satisfactory Performance – Of the 14 vouchers with findings, 10 were related to Travel Vouchers, and 4 were related to Vendor Payment Vouchers. Vouchers frequently have more than one finding and the following represents all compliance findings:

Travel Vouchers

- Inadequate Supporting Documentation (9)
- Cost Exceeds Allowable Guidelines (1)
- After-The-Fact Approvals (1)
- Approvals Missing or Improper (1)

Vendor Payment Vouchers

- Inadequate Supporting Documentation (3)
- Improper Disbursement of State Funds (1)
- Approvals Missing or Improper (1)
- Incorrect Due Date (3)

Southside Virginia Community College – Satisfactory Performance -- Of the 14 vouchers with findings, 6 were related to Travel Vouchers, 1 was related to a Petty Cash Voucher, and 7 were related to Vendor Payment Vouchers. Vouchers frequently have more than one finding and the following represents all compliance findings:

Travel Vouchers

- Inadequate Supporting Documentation (6)
- Cost Exceeds Allowable Guidelines (1)
- Approvals Missing or Improper (3)

Petty Cash Vouchers

- Inadequate Supporting Documentation (1)

Vendor Payment Vouchers

- Inadequate Supporting Documentation (3)
- Improper Disbursement of State Funds (1)
- Approval Missing or Improper (3)
- Incorrect Due Date (2)

Thomas Nelson Community College – Satisfactory Performance -- Of the 23 vouchers with findings, 11 were related to Travel Vouchers, 3 were related to Petty Cash Vouchers, 1 was related to a SPCC Voucher, and 8 were related to Vendor Payment Vouchers. Vouchers frequently have more than one finding and the following represents all compliance findings:

Travel Vouchers

- Inadequate Supporting Documentation (6)
- Improper Disbursement of State Funds (5)
- Cost Exceed Allowable Guidelines (2)
- After-The-Fact Approval (3)
- Approval Missing or Improper (1)

Petty Cash Vouchers

- Inadequate Supporting Documentation (1)
- Improper Disbursement of State funds (1)
- Approvals Missing or Improper (2)

Small Purchase Charge Card

- Inadequate Supporting Documentation (2)

Vendor Payments

- Inadequate Supporting Documentation (3)
- Improper Disbursement of State Funds (1)
- Incorrect Due Date (2)



Non-Decentralized Agencies

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

officers, for whom this additional safeguard is warranted.

During the quarter, DOA reviewed all non-decentralized agencies. A total of 1,684 non-travel disbursement batches and 511 travel disbursement batches were reviewed, disclosing 66 exceptions that were resolved prior to releasing the transactions for payment.



Prompt Payment Compliance

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

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

Statewide Prompt Payment Performance Statistics

	Quarter Ended June 30, 2007		Fiscal Year 2007 To-Date		Comparative Quarter Ended June 30, 2006	
	Late	Total	Late	Total	Late	Total
Number of Payments	4,904	643,648	27,902	2,420,585	5,433	605,220
Dollars (in thousands)	\$ 26,459	\$ 1,530,422	\$ 171,989	\$ 5,639,853	\$ 30,853	\$ 1,345,917
Interest Paid on Late Payments				\$ 67,493		
Current Quarter Percentage of Payments in Compliance				99.2%		
Fiscal Year-to-Date Percentage of Payments in Compliance				98.8%		
Comparative Fiscal Year 2006 Percentage of Payments in Compliance				98.9%		



Prompt Payment Performance by Secretarial Area

Quarter Ended June 30, 2007

<u>Secretarial Area</u>	<u>Payments in Compliance</u>	<u>Dollars in Compliance</u>
Administration	99.7%	99.9%
Agriculture and Forestry	99.5%	99.6%
Commerce and Trade	98.5%	99.4%
Education*	99.2%	98.8%
Executive Offices	97.6%	97.5%
Finance	100.0%	100.0%
Health and Human Resources	99.2%	97.6%
Independent Agencies	98.7%	99.3%
Judicial	99.8%	99.9%
Legislative	99.5%	99.9%
Natural Resources	99.4%	99.5%
Public Safety	99.3%	97.6%
Technology	98.7%	97.9%
Transportation*	99.4%	96.9%
Statewide	99.2%	98.3%

Prompt Payment Performance by Secretarial Area

Fiscal Year 2007

<u>Secretarial Area</u>	<u>Payments in Compliance</u>	<u>Dollars in Compliance</u>
Administration	99.5%	99.1%
Agriculture and Forestry	99.3%	99.3%
Commerce and Trade	98.7%	99.3%
Education *	98.7%	97.0%
Executive Offices	97.4%	95.7%
Finance	99.9%	100.0%
Health and Human Resources	98.9%	96.3%
Independent Agencies	98.4%	98.9%
Judicial	99.6%	99.4%
Legislative	99.7%	99.6%
Natural Resources	99.2%	98.1%
Public Safety	99.2%	96.7%
Technology	93.2%	97.0%
Transportation*	99.3%	96.0%
Statewide	98.8%	97.0%

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

For the quarter ended June 30, 2007, 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 Percent
Quarter Ended June 30, 2007**

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
Education			
Central Virginia Community College	45	828	94.6%
Gunston Hall	41	138	70.3%
New College Institute	54	124	56.5%
Public Safety			
Commonwealth Attorneys Services Council	11	73	84.9%
Green Rock Correctional Center	56	454	87.7%

For FY 2007, the following agencies and institutions that processed more than 200 vendor payments during the year were below

the 95 percent prompt payment performance standard.

**Prompt Payment Compliance Rate
Agencies Below 95 Percent
Fiscal Year 2007**

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
Education			
Eastern Shore Community College	83	1,219	93.2%
Gunston Hall	67	414	83.8%
New College Institute	92	364	74.7%
Public Safety			
Commonwealth Attorneys Services Council	19	239	92.1%
Green Rock Correctional Center	56	546	89.7%
Technology			
Virginia Information Technologies Agency	1,014	14,792	93.1%



Prompt Payment Explanations

Explanations for low prompt payment compliance rates for the fourth quarter of FY 2007 and year-to-date were provided by the following agencies.

The Central Virginia Community College reports that their failure to meet fourth quarter prompt payment standards was the result of a change in key personnel and the implementation of a new accounting system. Each factor taken alone would not have resulted in a failure to meet standards, but in combination did result in a temporary departure from their demand for excellence. Management states it will not happen in the future.

Gunston Hall reports they were not in compliance for the quarter and year to date due to their small staff having multiple duties. They are working toward paying all invoices within the allotted timeframes.

The Commonwealth's Attorneys' Services Council reports that review of their noncompliance indicated 11 payments at the end of June were missed by one day. They have a new employee who is still learning the system and incorrectly keyed due dates for vouchers in order to get them paid out of fiscal year 2007 funds. The issue has been resolved, and they will be in compliance in the future.

The New College Institute reports they are a new agency and as such they have needed time to develop their systems and procedures during their initial year of operations. They have recently hired a full time Fiscal Technician to assist in processing payments, and they are confident that they will soon bring the agency into compliance with prompt payment standards.

The Green Rock Correctional Center reports their Correctional Center is a brand new facility that was recently put into operation. The facility became partially operational in May 2007, and all of the new positions at the facility were not filled until then. All positions and personnel were new and needed training in the business and accounting functions and training on the CARS system. In mid-June 2007, it came to their attention that prompt payment was not in compliance. Management reviewed procedures and determined that the new Accounts Payable Fiscal Technician was consistently miscalculating the due dates. The procedure was corrected and brought to the attention of the Corrections headquarters. Green Rock staff is working diligently to get the prompt payment issue resolved in the future.



E-Commerce

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

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

Statewide E-Commerce Performance Statistics

	Quarter Ended June 30, 2007			Comparative Quarter Ended June 30, 2006
	E-Commerce	Total	Percent	Percent
Number of Payments	749,646	1,112,300	67.4%	65.4%
Payment Amounts	\$ 6,937,038,816	\$ 7,843,367,080	88.4%	87.7%

	Fiscal Year 2007 To-Date			Comparative Fiscal Year 2006
	E-Commerce	Total (a)	Percent	Percent
Number of Payments	2,861,979	4,293,897	66.7%	63.8%
Payment Amounts	\$ 26,973,772,298	\$ 30,479,607,455	88.5%	87.7%

Note (a): The number of payments reflects a revised number for the September 2006 quarter.

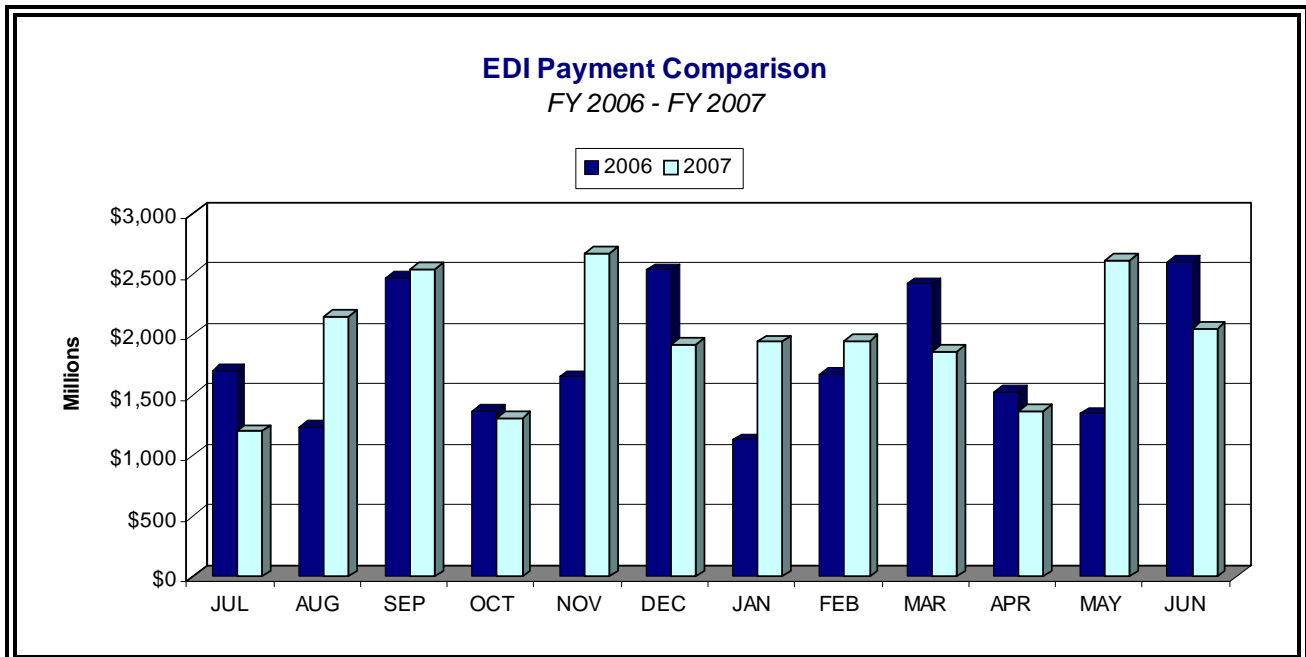
Financial Electronic Data Interchange (EDI)

The dollar volume of Financial EDI payments for the fourth quarter of FY 2007 were \$565.0 million (10.3 percent) more than the same quarter last year. The number of trading partner accounts increased by 19.4 percent

from June 2006. The largest portion of this increase is due to efforts to convert state employee travel reimbursements from checks to electronic payments.

Financial EDI Activity

Financial EDI Activity	Quarter Ended June 30, 2007	Fiscal Year 2007 To-Date	Comparative FY 2006 To-Date
Number of Payments	55,898	197,437	192,072
Amount of Payments	\$ 6,040,668,372	\$ 23,598,688,401	\$ 21,677,569,102
Number of Invoices Paid	219,307	784,278	768,353
Estimated Number of Checks Avoided	87,255	312,533	310,975
Number of Trading Partner Accounts as of 6/30/07		43,280	36,233



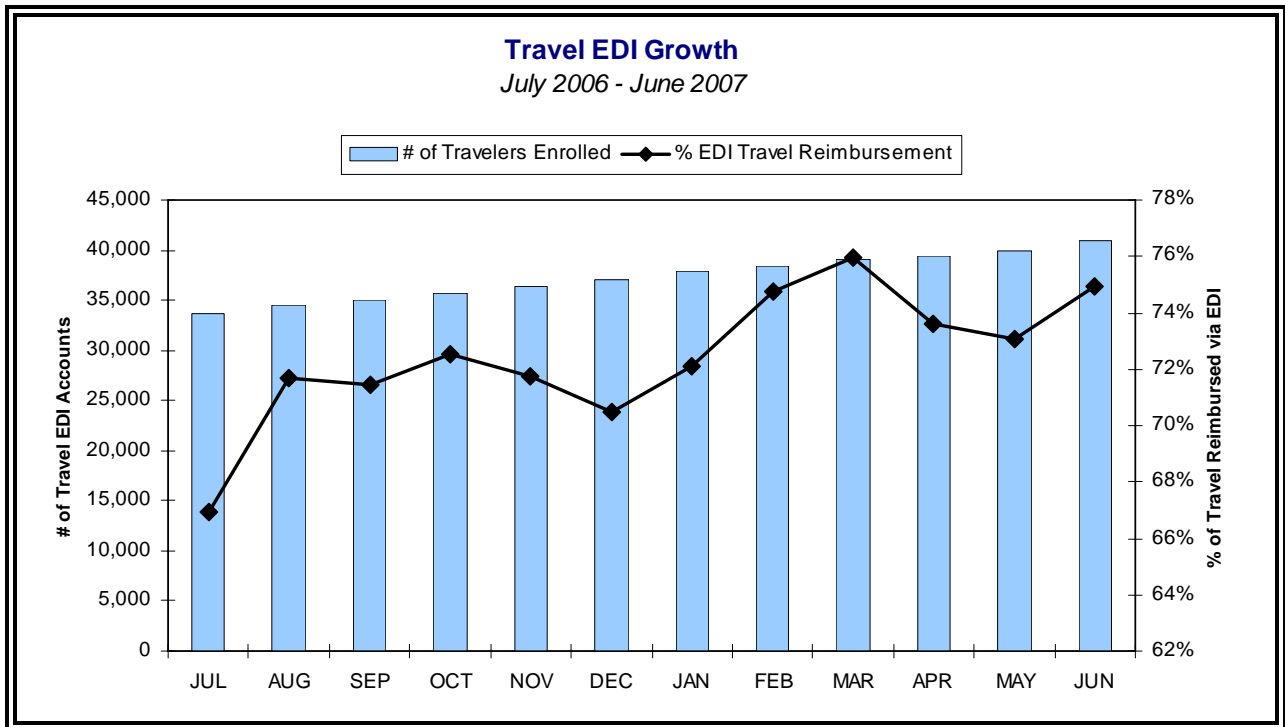
Travel EDI

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

Although participation among certain agencies has increased, many agencies have failed to enroll employees in EDI as required by law.

In accordance with §4-5.04g of the Appropriation Act, the Comptroller 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. During FY 2007, DOA increased the fee by \$1 per quarter so that by the 4th quarter of FY 2007, the fee is \$5 per travel reimbursement check.

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



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

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

Travel Reimbursement
Travel EDI Performance by Secretarial Area
Quarter Ended June 30, 2007

Secretarial Area	Employee Percent	Non-Employee Percent	Reimbursement Checks Issued
Administration	84.3%	2.8%	75
Agriculture and Forestry	94.0%	8.3%	121
Commerce and Trade	95.3%	67.6%	207
Education ¹	82.5%	8.7%	2,357
Executive Offices	90.4%	58.8%	44
Finance	96.5%	0.0%	41
Health and Human Resources	91.1%	40.2%	1,466
Independent Agencies	92.4%	4.2%	124
Judicial	17.9%	1.3%	4,082
Legislative	94.7%	20.5%	89
Natural Resources	93.9%	40.8%	201
Public Safety	83.8%	11.7%	1,753
Technology	73.4%	9.1%	51
Transportation ^{1, 2}	74.7%	25.0%	731
Statewide for Quarter	80.7%	20.0%	11,342
<i>Fiscal Year 2007 To-Date</i>			
Statewide	79.6%	17.6%	41,221
<i>Comparative Fiscal Year 2006 To-Date</i>			
Statewide	76.1%	16.5%	47,106

¹ Statistics do not include agencies and institutions decentralized for vendor payment processing.
² The Department of Transportation began processing Travel Reimbursements through CARS in FY 2006. 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
Education		
Danville Community College	74.8%	29
Lord Fairfax Community College	71.6%	50
Northern Virginia Community College	71.3%	106
Southside Virginia Community College	70.7%	61
John Tyler Community College	69.7%	40
The Library of Virginia	68.4%	30
Piedmont Virginia Community College	58.7%	38
Norfolk State University	47.8%	192
Health and Human Resources		
Department of Social Services	72.6%	222
Judicial		
Magistrate System	6.1%	202
Supreme Court	4.9%	1,005
General District Courts	3.2%	389
Juvenile & Domestic Relations District Courts	1.7%	395
Circuit Courts	1.6%	548
Combined District Courts	1.6%	307
Court of Appeals of Virginia	0.0%	69
Public Safety		
Department of Fire Programs	69.8%	162
Keen Mountain Correctional Center	47.5%	53
Commonwealth's Attorneys' Services Council	13.7%	63
Fluvanna Women's Correctional Center	6.1%	31
Green Rock Correctional Center	4.0%	48
Technology		
Virginia Information Technologies Agency	73.5%	40
Transportation		
Department of Transportation*	68.7%	599

* The Department of Transportation began processing Travel Reimbursements through CARS on July 1, 2005. Prior 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
Education		
Department of Education	1.7%	596
Christopher Newport University	0.0%	70
Virginia Commission for the Arts	0.0%	66
Northern Virginia Community College	0.0%	62
Longwood University	0.0%	49
Virginia Military Institute	0.0%	40
Health and Human Resources		
Department of Social Services	9.6%	75
Virginia Board for People with Disabilities	5.7%	50
Department of Medical Assistance Services	1.6%	60
Judicial		
Circuit Courts	3.3%	378
Supreme Court	0.4%	240
Virginia State Bar	0.0%	314
Juvenile and Domestic Relations District Courts	0.0%	54
General District Courts	0.0%	49
Public Safety		
Department of Forensic Science	0.0%	137
Department of Criminal Justice Services	0.0%	92
Department of Veterans Services	0.0%	30
Transportation		
Department of Rail and Public Transportation	0.0%	29

The following table lists agencies that have accumulated more than \$200 in employee EDI check charges for the fiscal year and have a utilization rate below 80 percent. Agencies are charged for each travel reimbursement check issued to an employee after their second check of the fiscal year. For the fourth quarter of FY 2007 the charge

is \$5 per check. This charge increased \$1 per quarter until it reached \$5 per check. 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 Non-Compliance Travel Check Charges
Utilization Below 80 Percent**

Agency	Percent	Year-to-date Charges
Education		
Southside Virginia Community College	70.7%	\$ 250
Norfolk State University	47.8%	1,095
Health and Human Resources		
Department of Social Services	72.6%	977
Judicial		
Magistrate System	6.1%	2,245
Supreme Court	4.9%	3,861
General District Courts	3.2%	3,303
Juvenile & Domestic Relations District Courts	1.7%	3,711
Circuit Courts	1.6%	6,732
Combined District Courts	1.6%	2,716
Court of Appeals	0.0%	592
Public Safety		
Department of Fire Programs	69.8%	937
Technology		
Virginia Information Technologies Agency	73.5%	249
Transportation		
Department of Transportation	68.7%	2,596



Direct Deposit

During the fourth quarter of FY 2007, 479,815 checks were avoided using direct

deposit. Agencies are expected to take proactive steps to improve participation rates.

Direct Deposit Performance by Secretarial Area

*Quarter Ended June 30, 2007**

<u>Secretarial Area</u>	<u>Direct Deposit % of Salaried Employees</u>	<u>Direct Deposit % of Wage Employees</u>
Administration	90.4%	85.9%
Agriculture and Forestry	95.1%	48.8%
Commerce and Trade	97.9%	89.9%
Education	97.8%	73.9%
Executive Offices	98.1%	50.0%
Finance	98.3%	91.5%
Health and Human Resources	90.6%	81.7%
Independent Agencies	96.8%	80.0%
Judicial	96.9%	53.3%
Legislative	97.5%	79.6%
Natural Resources	97.9%	**47.8%
Public Safety	90.8%	83.2%
Technology	97.3%	100.0%
Transportation	91.3%	80.2%
Statewide	93.1%	74.8%
<i>Comparative</i>		
<i>Quarter Ended June 30, 2006</i>		
Statewide	91.4%	69.4%

*Note: The reporting threshold for salaried direct deposit was increased from 85% to 90% effective for the quarter ending June 30, 2007.

**Note: The direct deposit percentage of wage employees decreased from 70.5% for quarter ending March 31, 2007, as a result of an increase in the number of seasonal new hires in June.

Statewide Salaried Direct Deposit Performance

Quarter Ended June 30, 2007

Salaried Direct Deposit Participation	93.1%
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Salaried Direct Deposit Below 90 Percent

<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Administration		
Department of General Services	88.5%	619
State Board of Elections	87.1%	31
Education		
Virginia Museum of Fine Arts	88.9%	144
Health and Human Resources		
Southeastern Virginia Training Center	89.8%	471
Eastern State Hospital	88.1%	967
Southwestern Virginia Mental Health Institute	87.9%	535
Catawba Hospital	87.0%	276
Southwestern Virginia Training Center	85.6%	464
Western State Hospital	85.2%	728
Commonwealth Center for Children & Adolescents	84.8%	138
Southern Virginia Mental Health Institute	84.6%	169
Piedmont Geriatric Hospital	73.5%	325
Central Virginia Training Center	67.5%	1,425
Public Safety		
Western Region Correctional Field Units	89.3%	460
Southampton Correctional Center	89.3%	326
Department of Juvenile Justice	89.1%	2,294
Haynesville Correctional Center	88.2%	365
Coffeewood Correctional Center	87.5%	248
Fluvanna Women's Correctional Center	87.1%	302
Deerfield Correctional Center	87.0%	330
Virginia Correctional Center for Women	86.9%	213
Lunenburg Correctional Center	86.3%	262
Eastern Regional Correctional Field Units	86.1%	137
Deep Meadow Correctional Center	86.0%	308
Greensville Correctional Center	85.6%	772
Mecklenburg Correctional Center	85.1%	388
Powhatan Reception & Classification Center	84.7%	131
Powhatan Correctional Center	84.4%	372
Augusta Correctional Center	83.9%	384
Bland Correctional Center	83.4%	301
Brunswick Correctional Center	82.8%	384
Nottoway Correctional Center	82.8%	447
Sussex II Correctional Center	82.7%	341
Dillwyn Correctional Center	75.4%	252

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Salaried Direct Deposit Below 90 Percent

(continued)

<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Transportation		
Department of Transportation - Staunton	89.3%	747
Department of Transportation - Bristol	86.5%	786
Department of Transportation - Culpeper	86.0%	523
Department of Transportation - Lynchburg	85.6%	652

Statewide Wage Direct Deposit Performance

Quarter Ended June 30, 2007

Wage Direct Deposit Participation	74.8%
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Wage Direct Deposit Below 50 Percent**

<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Agriculture and Forestry		
Department of Forestry	39.8%	108
Commerce and Trade		
Virginia Racing Commission	43.3%	30
Education		
Virginia Highlands Community College	46.5%	86
Lord Fairfax Community College	44.1%	179
Paul D. Camp Community College	43.1%	116
Rappahannock Community College	42.5%	87
Radford University	35.4%	591
Health and Human Resources		
Central Virginia Training Center	35.3%	133
Judicial		
General District Courts	49.0%	261
Indigent Defense Commission	37.2%	43
Natural Resources		
Department of Conservation and Recreation	40.9%	969

** The reporting threshold for wage employees increased from 40% to 50% effective for the quarter ending March 31, 2007.

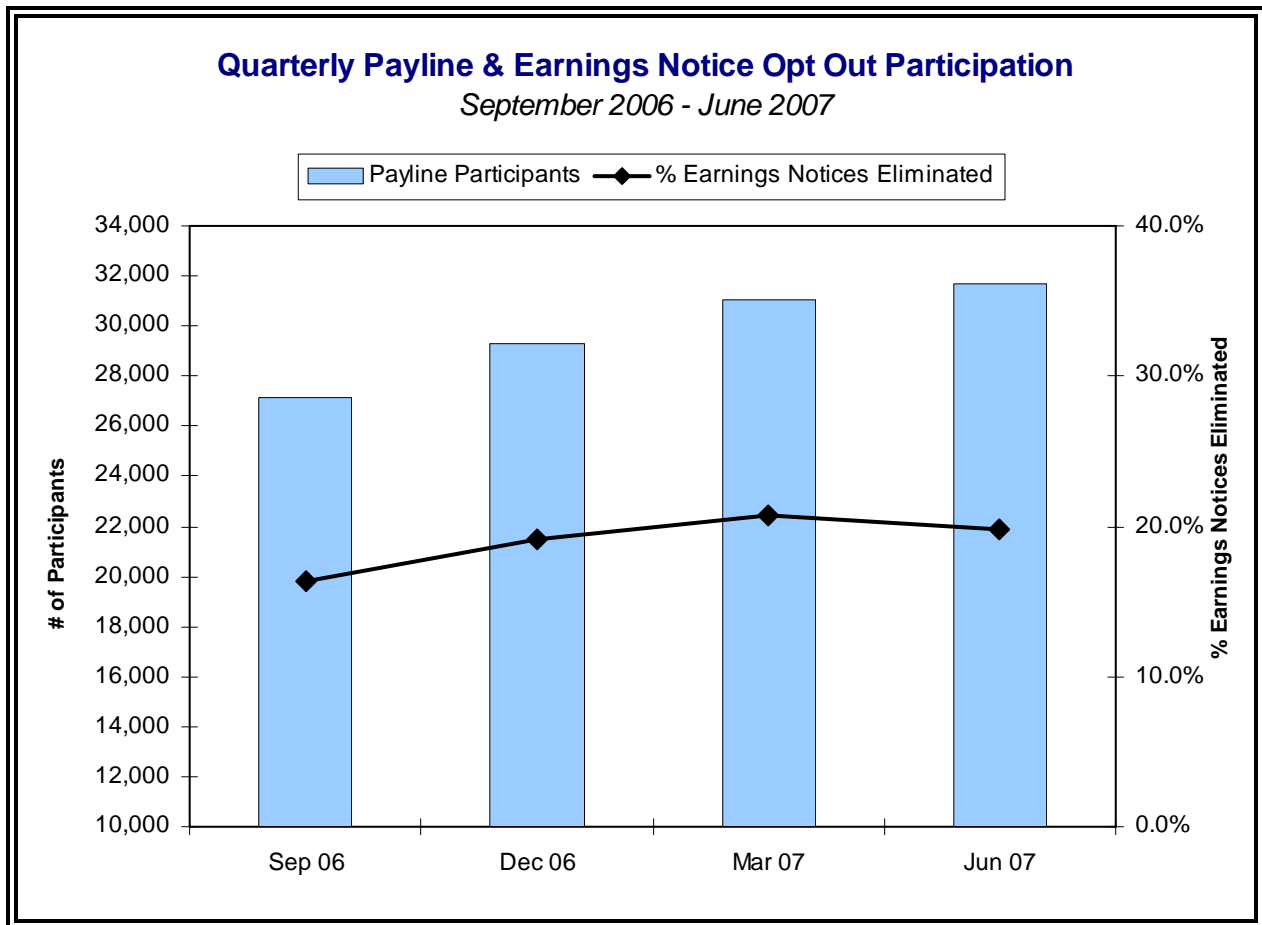


Payroll Earnings Notices

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 1,194,896 earnings notices. However, statewide participation rates remain low.



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

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

Quarter Ended June 30, 2007

<u>Secretarial Area</u>	<u>Percent Payline Participation</u>	<u>Percent Earnings Notices Eliminated*</u>
Administration	59.6%	39.5%
Agriculture and Forestry	26.3%	15.1%
Commerce and Trade	77.1%	51.8%
Education	31.6%	22.6%
Executive Offices	59.3%	39.4%
Finance	93.3%	88.6%
Health and Human Resources	36.2%	16.0%
Independent Agencies	43.8%	29.7%
Judicial	9.4%	3.2%
Legislative	47.0%	41.5%
Natural Resources	39.1%	28.5%
Public Safety	29.7%	13.0%
Technology	83.6%	64.8%
Transportation	34.9%	14.0%
Statewide	34.9%	19.8%
<i>Comparative Quarter Ended June 30, 2006</i>		
Statewide	31.8%	16.0%

* 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 six 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.

**Payline Earnings Notice Elimination
Under 6 Percent****

Quarter Ended June 30, 2007

Agency	Percent Earnings Notices Eliminated	Earnings Notices Printed for 07/02/07 Payday
Agriculture and Forestry		
Department of Forestry	3.7%	294
Education		
Thomas Nelson Community College	5.8%	520
New River Community College	5.2%	270
Danville Community College	4.9%	318
Virginia Highlands Community College	4.6%	173
Central Virginia Community College	3.7%	285
Radford University	3.6%	1,183
Christopher Newport University	3.6%	924
Rappahannock Community College	3.0%	180
Virginia School for the Deaf, Blind & Multi-Disabled at Hampton	2.7%	124
Northern Virginia Community College	1.4%	2,995
Health and Human Resources		
Central State Hospital	5.6%	745
Northern Virginia Training Center	5.2%	496
Southside Virginia Training Center	5.2%	1,200
Piedmont Geriatric Hospital	2.4%	262
Central Virginia Training Center	1.9%	972
Judicial		
Indigent Defense Commission	2.1%	506
Combined District Courts	1.8%	198
Court of Appeals of Virginia	1.3%	76
Magistrate System	1.2%	394
General District Courts	0.9%	976
Juvenile and Domestic Relations District Courts	0.8%	613
Circuit Courts	0.0%	185

**Payline Earnings Notice Elimination
Under 6 Percent****

(continued)

Quarter Ended June 30, 2007

<u>Agency</u>	<u>Percent Earnings Notices Eliminated</u>	<u>Earnings Notices Printed for 07/02/07 Payday</u>
Public Safety		
Department of Juvenile Justice	5.7%	1,996
Dillwyn Correctional Center	5.3%	182
Fluvanna Women's Correctional Center	5.0%	244
Department of Military Affairs	4.8%	363
Southampton Correctional Center	4.4%	272
Division of Community Corrections	4.1%	1,330
Pocahontas State Correctional Center	4.1%	106
Haynesville Correctional Center	4.0%	317
Keen Mountain Correctional Center	3.8%	287
Nottoway Correctional Center	3.1%	354
Deerfield Correctional Center	2.9%	284
Greensville Correctional Center	2.5%	627
Brunswick Correctional Center	1.8%	313
Transportation		
VDOT Hourly	4.8%	275

** The reporting threshold was increased from 4% to 6% effective for the quarter ending March 31, 2007



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

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

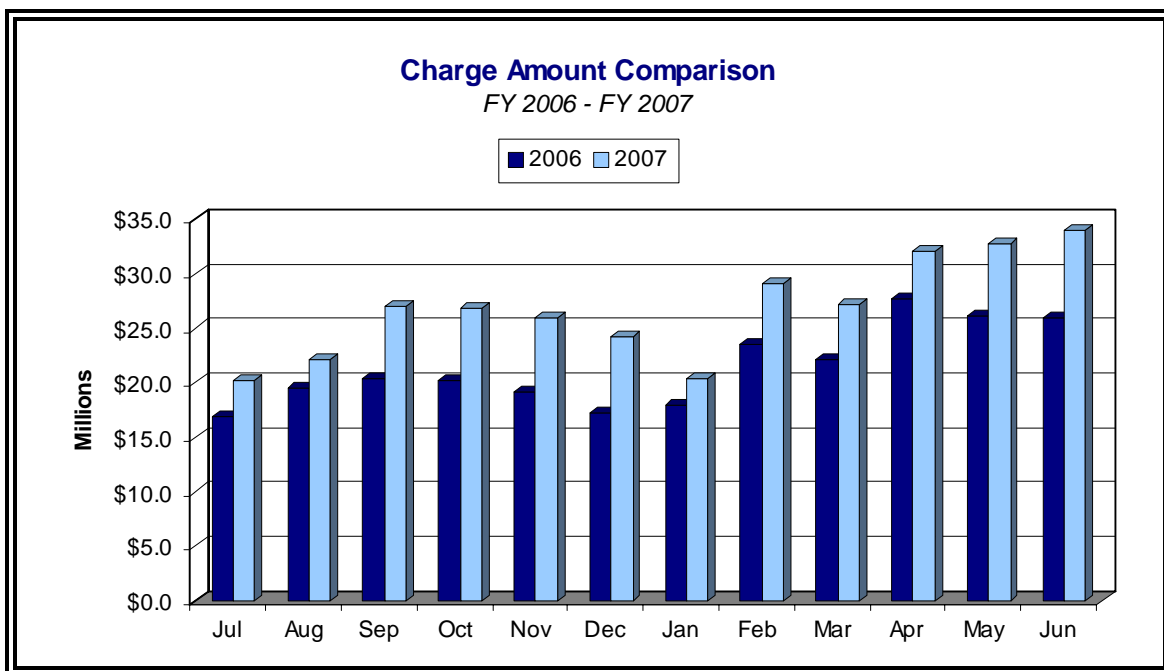
The Small Purchase Charge Card continues to be used for purchases under \$5,000. Agencies are strongly encouraged to obtain a Gold Card for use for purchases up to \$50,000.

The total amount charged on SPCC and Gold cards during the fourth quarter of FY 2007 increased by \$19.1 million or 23.9 percent from the same quarter last year.

Small Purchase Charge Card Program

Charge Card Activity	Quarter Ended June 30, 2007	Fiscal Year 2007 To-Date	Comparative Fiscal Year 2006 To-Date
Amount of Charges	\$ 98,886,644	\$ 321,790,956	\$ 256,997,842
Estimated Number of Checks Avoided	182,513	680,638	607,970
Total Number of Participating Agencies		222	210
Total Number of Cards Outstanding		14,956	14,102

The following chart compares charge activity for FY 2007 to activity for 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.

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

In accordance with §4-5.04 of the Appropriation Act, the underutilization charge

imposed for agencies under the 70 percent threshold is as follows:

FY2007 1 st Quarter	\$2.00
FY2007 2 nd Quarter	\$3.00
FY2007 3 rd Quarter	\$4.00
FY2007 4 th Quarter	\$5.00

All payments under \$5,000 processed through CARS and not placed on the purchase card will be matched against GE MasterCard's vendor base in excess of 25 million merchants based on Tax Identification number.

Each agency will receive a report of payments to participating suppliers which should have been paid by the SPCC from DOA. Questions regarding the data can be emailed to cca@doa.virginia.gov.

Statewide SPCC Performance

Quarter Ended June 30, 2007

Percentage Utilization for Eligible Transactions

79%

SPCC Utilization by Secretarial Area

Quarter Ended June 30, 2007

<u>Secretarial Area</u>	<u>Payments in Compliance ⁽¹⁾</u>	<u>Non-Compliant Transactions ⁽²⁾</u>
Administration	72%	926
Agriculture and Forestry	81%	819
Commerce and Trade	76%	871
Education*	84%	6,829
Executive Offices	97%	30
Finance	87%	215
Health and Human Resources**	75%	8,554
Independent Agencies	64%	948
Judicial	38%	2,402
Legislative	94%	75
Natural Resources	88%	1,167
Public Safety	91%	3,821
Technology	83%	190
Transportation*	57%	9,530
Statewide	79%	36,377

* 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**

<u>Agency</u>	<u>Payments in Compliance</u>	<u>Non-Compliant Transactions</u>
Administration		
Department of Minority Business Enterprise	61%	15
Department of Charitable Gaming	49%	19
Commerce and Trade		
Department of Labor and Industry	60%	103
Virginia Employment Commission	42%	669
Education		
Norfolk State University	44%	1,412
Health and Human Resources		
Department of Social Services	64%	843
Central Virginia Training Center	60%	563
Northern Virginia Training Center	57%	313
Department for the Blind and Vision Impaired	46%	1,551
Independent Agencies		
Virginia Retirement System	69%	159
State Corporation Commission	2%	609
Judicial		
Supreme Court	67%	215
Judicial Inquiry and Review Commission	33%	10
Board of Bar Examiners	0%	48
Circuit Courts	0%	220
Combined District Courts	0%	267
General District Courts	0%	729
Juvenile and Domestic Relations District Courts	0%	499
Magistrate System	0%	94
Virginia Criminal Sentencing Commission	0%	40
Legislative		
Commission on the Virginia Alcohol Safety Action Program	0%	23
Public Safety		
Virginia Parole Board	0%	6
Transportation		
Department of Rail and Public Transportation	61%	41
Department of Transportation	52%	8,821



SPCC Payment Compliance

Agencies and institutions participating in the Charge Card program are required to submit GE MasterCard payments via EDI no later than the 8th of each month. Failure to pay the correct amount when due jeopardizes the Commonwealth's contractual relationship with the charge card vendor and may result in suspension of an agency's charge card program. Any agency that pays their bill late by more than two (2) days is reported. For the month of April, this represents the bill date of April 16, 2007, with the payment due no later than May 8, 2007.

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

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

Agency Name	Apr	May	Jun
Education			
Gunston Hall	X		
New College Institute	X		X
Piedmont Virginia Community College		X	
Southern Virginia Higher Education Center		X	
University of Virginia		X	
University of Virginia Medical Center	X	X	
Independent			
State Corporation Commission			X



Travel Charge Card

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

One of the major concerns under this program is the timely payment of card statements. Delinquent accounts result in higher costs to the contractor and ultimately threaten the viability of the Commonwealth's travel charge card program.

The contract provides for the following actions on delinquent accounts:

- 30 days past due – noted on statement, letter sent to the cardholder.
- 31 - 60 days past due – charging privileges are temporarily suspended until balance is paid.
- 61 - 90 days past due – the account is permanently closed. Cardholder is no longer eligible to participate in the program.

The following table identifies the number of delinquent card accounts with GE MasterCard by agency during the quarter ended June 30, 2007, and the total amounts past due.

Travel Charge Card Program

As of June 30, 2007

<u>Agency</u>	<u>Total Delinquent Accounts</u>	<u>Amounts 60 Days Past Due</u>	<u>Amounts 90-120 Days Past Due</u>	<u>Amounts >150 Days Past Due</u>
Education				
Blue Ridge Community College	1	\$ 0	\$ 1,851	\$ 0
The College of William and Mary in Virginia	2	1,265	0	0
George Mason University	3	732	602	0
James Madison University	1	951	0	0
Norfolk State University	3	3,314	218	0
Old Dominion University	3	3,091	968	0
Radford University	1	69	0	0
University of Virginia	5	1,647	962	66
University of Virginia's College at Wise	1	293	0	0
Virginia Commonwealth University	5	2,868	0	0
Virginia Polytechnic Institute and State University	2	158	787	153



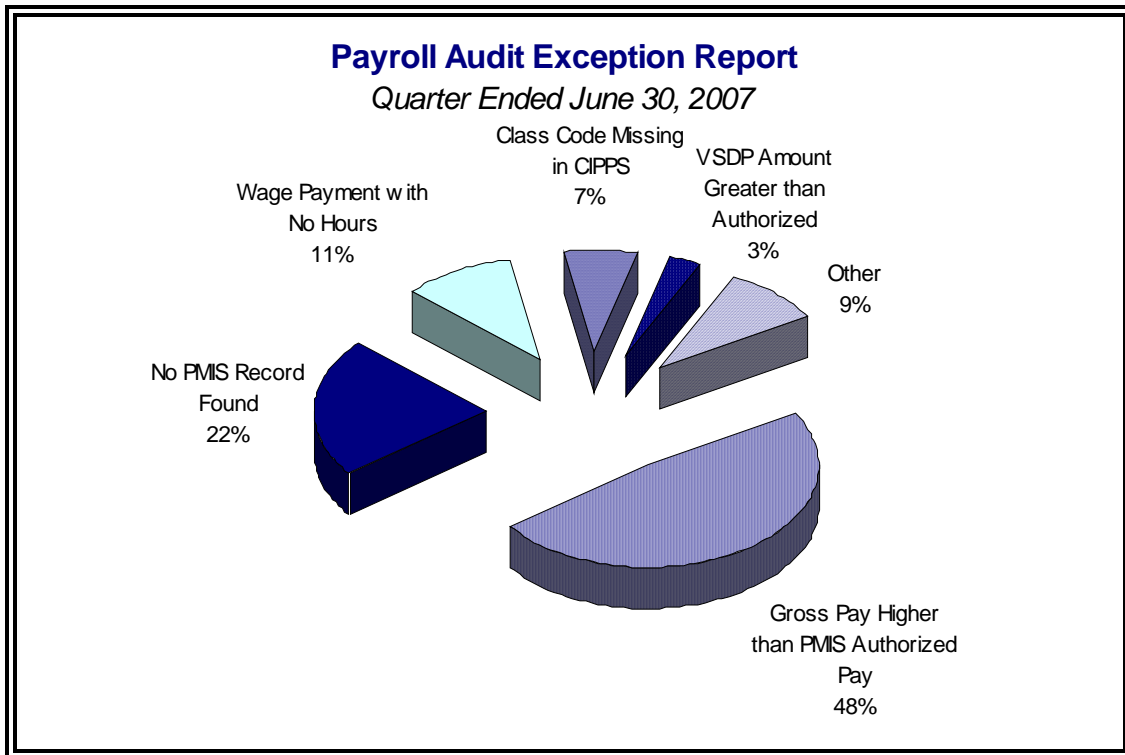
Payroll Controls

PMIS/CIPPS Payroll Audit

During the quarter, DOA's automated comparison of payroll and personnel (PMIS) records examined 428,164 salaried pay transactions and 204,478 wage pay transactions. The comparison is performed following each payday and is designed to identify discrepancies between authorized salary/wage amounts in PMIS and amounts paid in CIPPS. There were 1,806 new exceptions noted statewide during the quarter, with an overall exception rate of 0.31 percent.

The statewide salaried payroll exception rate was 0.42 percent and the wage payroll exception rate was 0.07 percent. During this quarter, 70 employee paychecks were reduced to recover \$22,946.71 in overpayments.

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



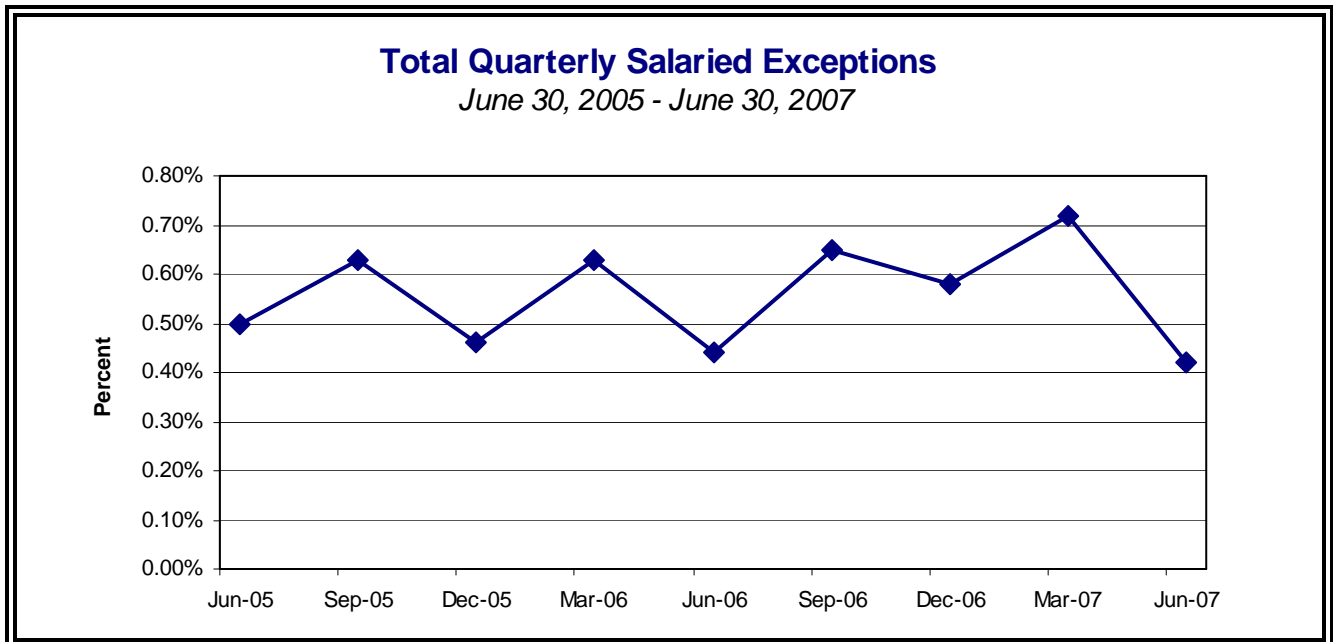
Exception percentages are calculated by dividing the number of exceptions by the number of salaried or wage employees. Agencies are reported below if the percentage

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

Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Salaried Payments
Quarter Ended June 30, 2007

<u>Agency</u>	<u># of Salaried Exceptions</u>	<u>Exceptions as a % of Salaried Payments</u>
Department of Accounts	44	7.31%
Rappahannock Community College	12	1.96%
Total Salaried Payroll Exceptions for the Quarter		0.42%

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

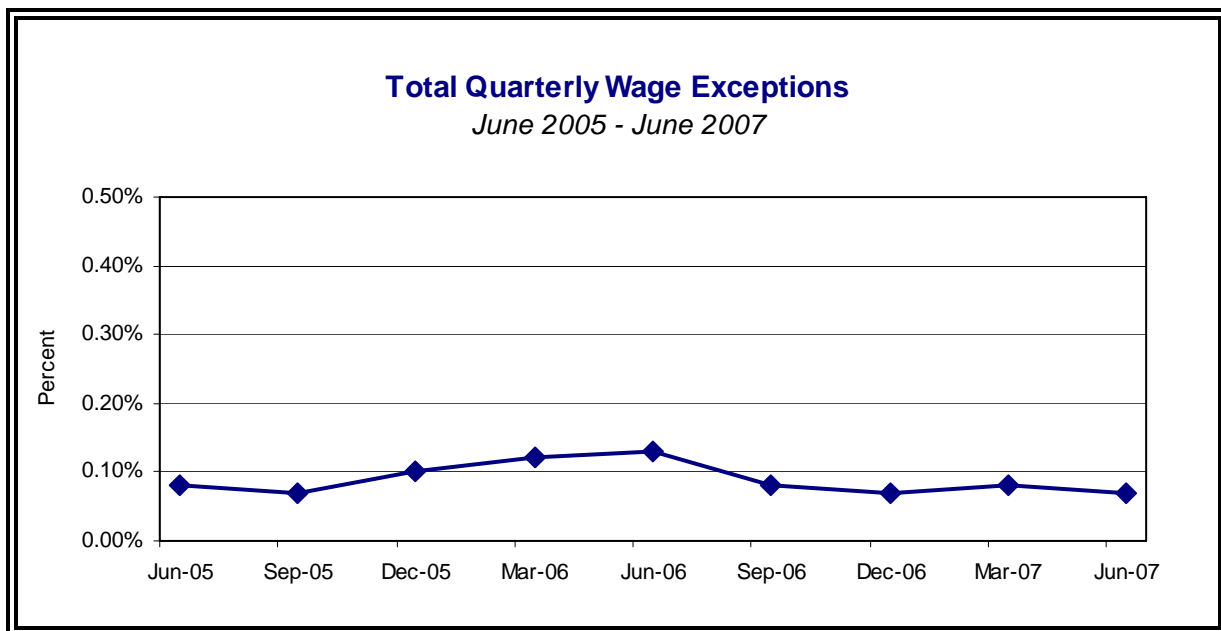


Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Wage Payments
Quarter Ended June 30, 2007

<u>Agency</u>	<u># of Wage Exceptions</u>	<u>Exceptions as a % of Wage Payments</u>
Department of Conservation & Recreation	18	0.34%
Radford University	22	0.26%
Southern Virginia Mental Health Institute	15	14.15%

Wage Payroll Exceptions for the Quarter	0.07%
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The following chart compares payroll exceptions as a percentage of wage payments by quarter for the past two years.



PMIS/CIPPS Exceptions

Agencies are required to submit explanations and/or reconciliations for the differences identified on the CIPPS/PMIS Unresolved Exceptions Report, within six weeks of

notification. The following table lists those agencies having exceptions that remain unresolved six weeks after receipt of the report.

<u>Agency</u>	<u>Unresolved Exceptions</u>
<i>Health and Human Services</i> Central State Hospital	1



Payroll Certification

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

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

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

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

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

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

Payroll Certification Compliance

<u>Agency</u>	<u>Variance Amount (a)</u>	<u>Performed by DOA (b)</u>	<u>Submitted Late (c)</u>	<u>Corrected by DOA (d)</u>
Commerce and Trade				
Virginia Employment Commission	\$ 500,000			
Education				
Blue Ridge Community College			2	
Central Virginia Communtiy College			2	
Jamestown 2007			2	
Jamestown-Yorktown Foundation			2	
Mountain Empire Community College	56,844			
Northern Virginia Community College		1		
Rappahannock Community College	59,603			
Virginia Highlands Community College	51,209			
Virginia School for the Deaf and Blind at Staunton			2	
Executive Offices				
Attorney General and Department of Law			2	
Health and Human Services				
Southside Virginia Training Center	29,037			
Public Safety				
Department of Motor Vehicles	24,943			

Columns show the following:

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

Health Care Reconciliations

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

The following table lists those agencies that were late in submitting their certification or had problems requiring additional adjustments. Such problems may include incomplete or incorrect documents or required IAT's not submitted to DOA. Health care reconciliations for the months of March, April and May were due 04/30/07, 05/31/07 and 06/15/07, respectively.

Schedule of Health Care Reconciliations Received Late

All received on time with no problems.



FINANCIAL MANAGEMENT ACTIVITY

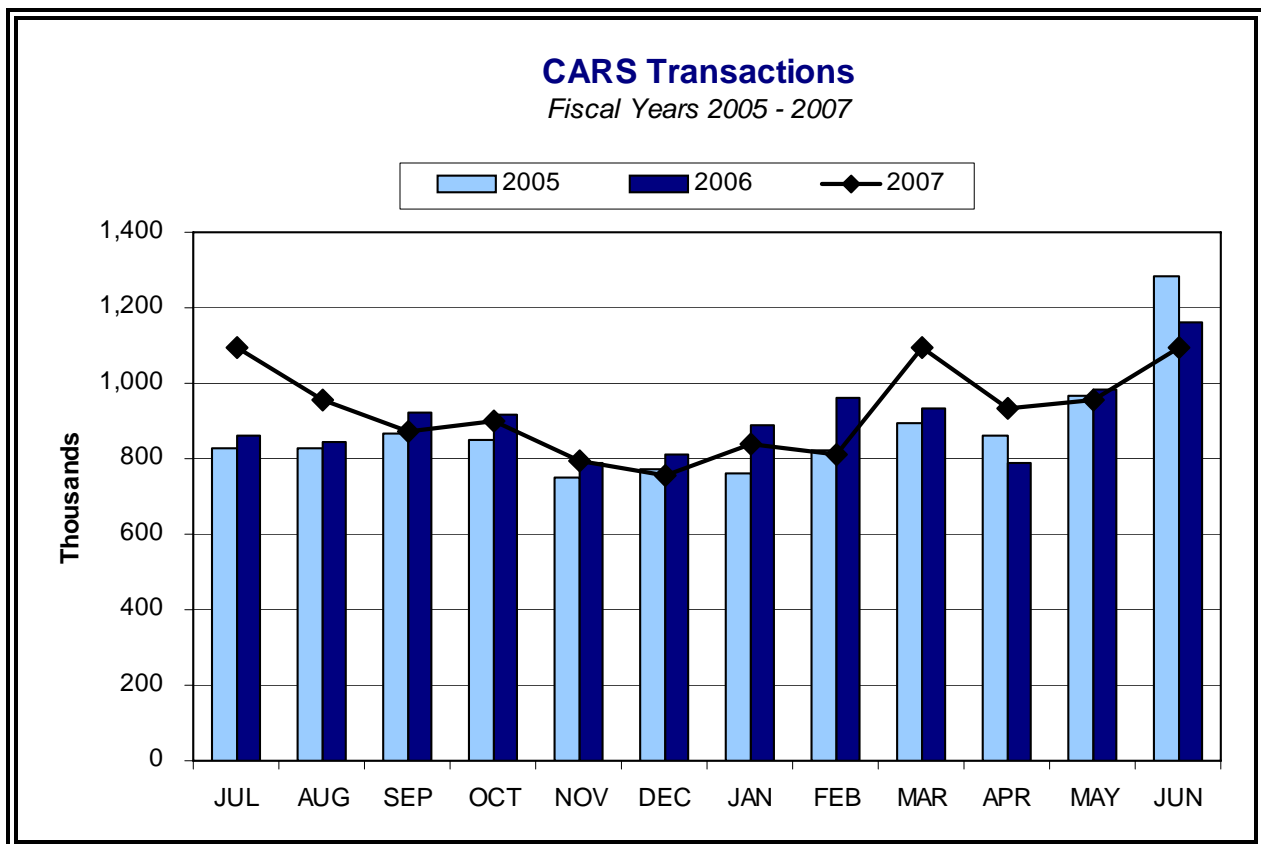
DOA monitors several types of financial activity. Various measures are used to track activities for CARS, payroll, accounts

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.

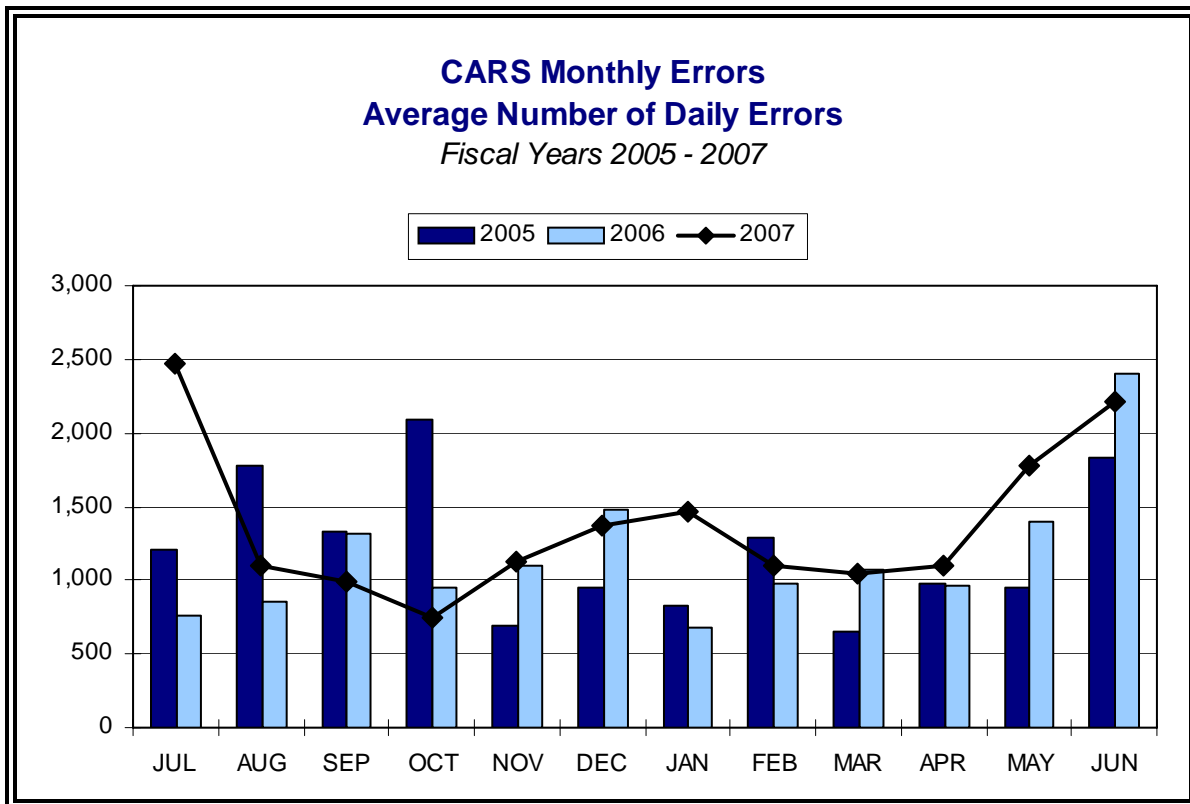


CARS Edits

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 fourth quarter of FY 2007, the most frequent reasons cited for transactions processing to the error file were:

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

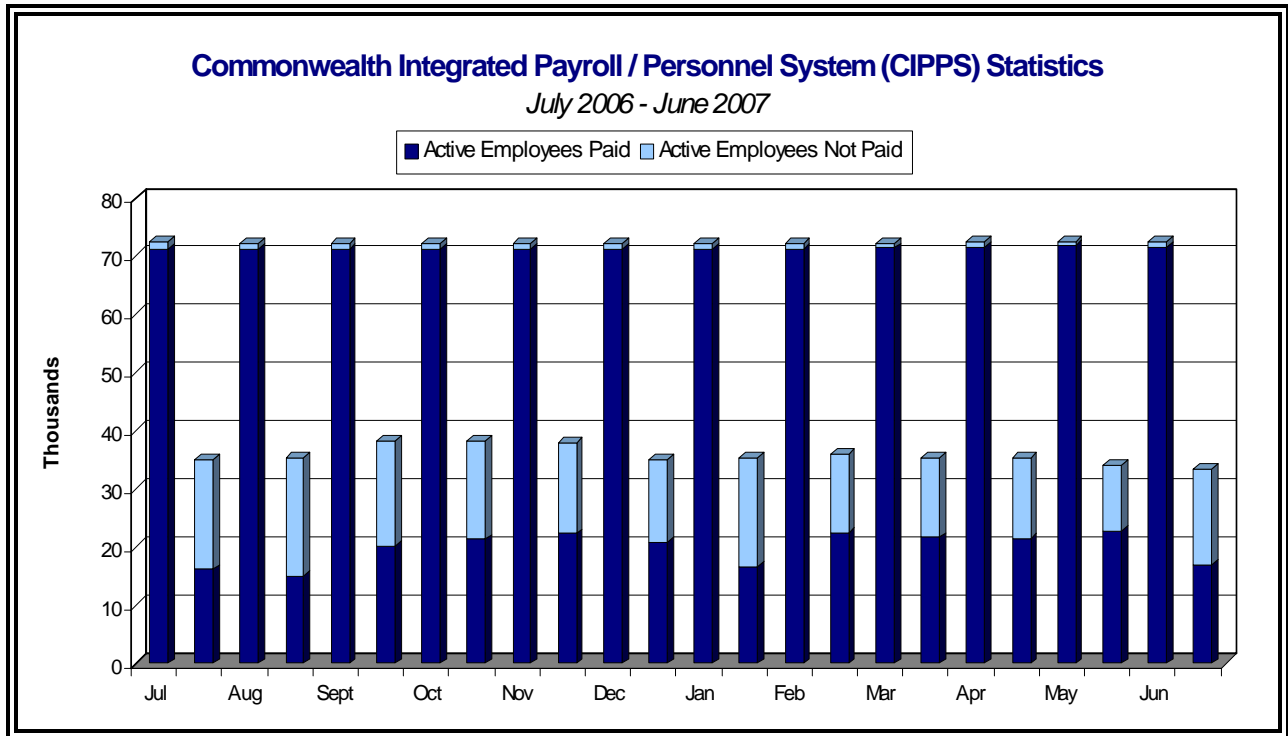
- Expenditure Exceeds Allotment
- Available Cash Negative
- Certified Amounts Not Balanced



Payroll

The central payroll system for State government is known as *CIPPS*, the Commonwealth Integrated Payroll Personnel System. CIPPS is one of the largest payroll operations in the Commonwealth, serving 106,748 employees. Payroll services are also provided through eight decentralized higher education institutions.

Total gross payrolls for the Commonwealth were approximately \$496 million each month of the quarter. On average, 91,969 employees were paid each month, of which 71,582 are salary employees.



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

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

Benefit Participation by CIPPS Agencies

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

programs. During the quarter, state employees purchased 10,431 savings bonds with a face value of over \$1.34 million.

**Benefit Participation
Number of Participating Employees**

Benefit	As of 6/30/2007	Comparative	
		As of 6/30/2006	As of 6/30/2005
Health Care			
COVA Care	82,890	81,948	80,651
Kaiser	2,017	1,961	1,868
Optional Retirement Plans*			
Fidelity Investments	468	451	428
TIAA/CREF	1,428	1,413	1,327
Political Appointee - ORP	98	98	75
Deferred Compensation*			
Great West Life	34,356	32,821	30,845
Flexible Reimbursement*			
Dependent Care	707	640	681
Medical Care	5,842	4,847	4,706

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



Accounts Receivable

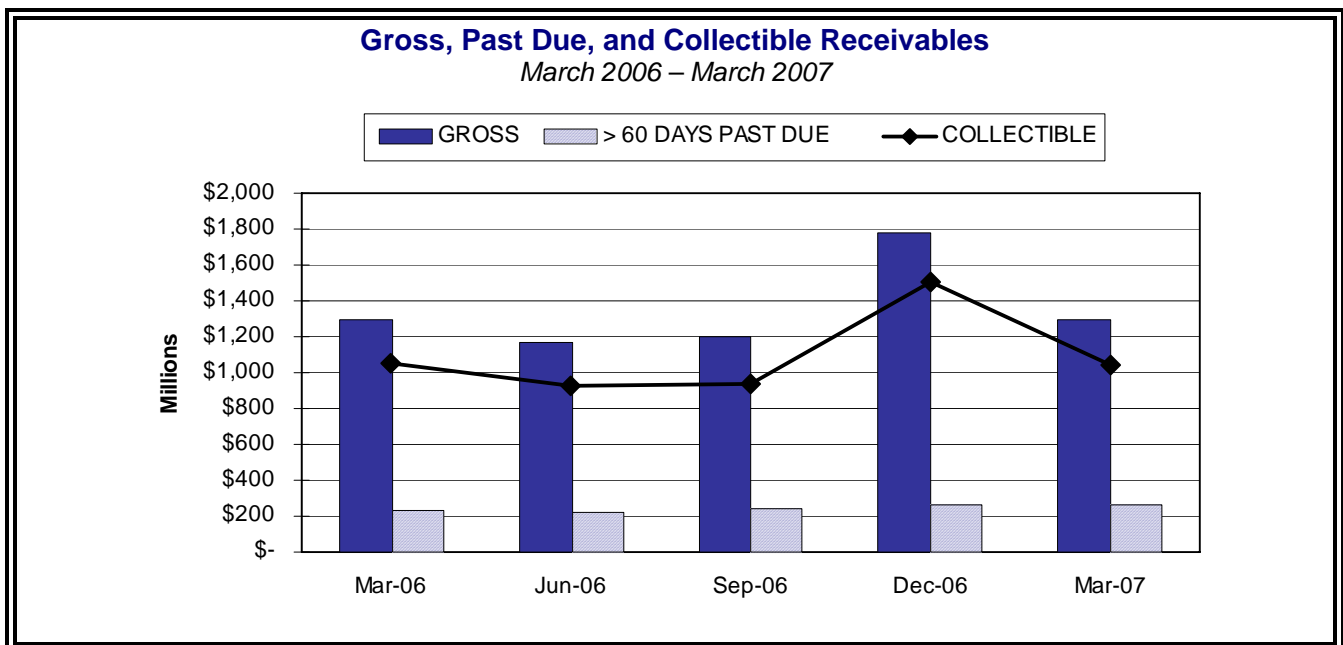
Executive Summary

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

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

Commonwealth agencies and institutions reported adjusted gross receivables of \$1.3 billion at March 31, 2007, with \$1.0 billion considered collectible. Receivables over 60 days past due as of March 31, 2007, totaled \$265.6 million. Of that amount, \$16.8 million was placed with private collection agencies, \$16.8 million was placed with the Division of Debt Collection and \$232.0 million was retained in-house for additional collection efforts.

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



As of March 31, 2007, agencies expected to collect \$1.0 billion (80 percent) of the \$1.3 billion adjusted gross receivables. About 4 percent is due to the General Fund, primarily

for Medicaid penalties. The balance (approximately \$997.1 million) is due to several non-general funds.

Collectible Receivables by Fund

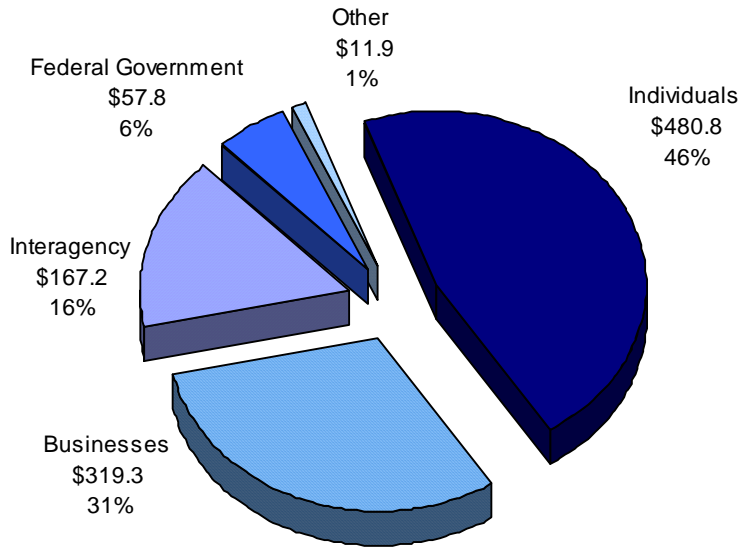
*Not Including Circuit Courts, District Courts, or the Department of Taxation
As of March 31, 2007*

Fund	Source	Amount	Percent
General Fund 4%	Medicaid	\$ 30,678,056	78%
	Social Services	3,356,587	8%
	State Police Permits	2,579,301	6%
	Labor and Industry Inspections	839,724	2%
	Other	1,792,670	4%
	Subtotal	39,246,338	98%
	Interagency Receivables	619,640	2%
	Total General Fund Collectible		\$ 39,865,978
Nongeneral Funds 96%	Medicaid	\$ 15,439,030	2%
	Unemployment Taxes	273,700,827	27%
	Transportation	28,442,145	3%
	Child Support Enforcement	84,398,629	8%
	Federal Government	42,396,238	4%
	MHMR Patient Services	26,354,172	3%
	Hospital	100,880,485	10%
	Enterprise	63,993,750	6%
	Higher Education	173,654,599	18%
	Other	21,307,642	2%
	Subtotal	830,567,517	83%
Interagency Receivables	166,558,083	17%	
Total Nongeneral Fund Collectible		\$ 997,125,600	100%
All Funds	Grand Total	\$ 1,036,991,578	100%

Summary of Receivables by Source

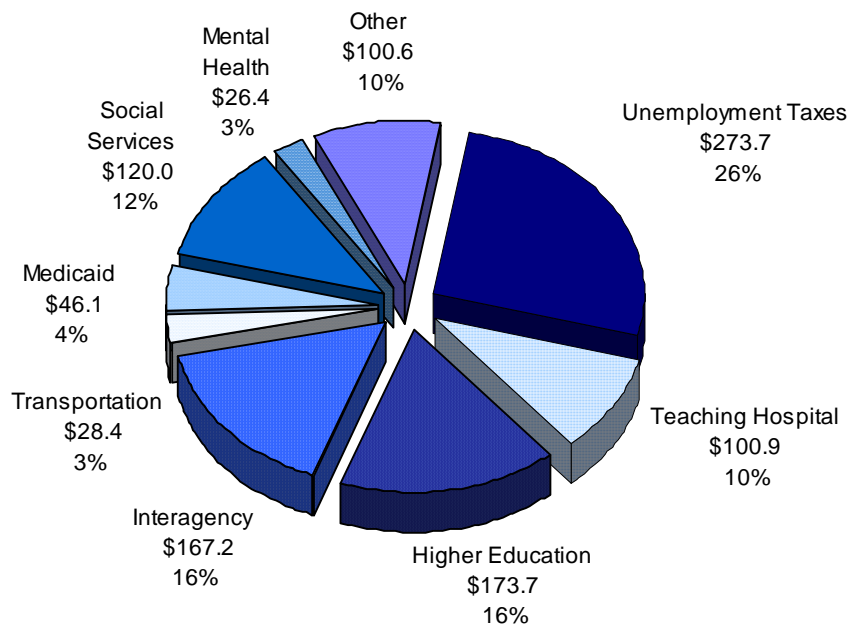
Sources of Collectible Receivables by Debtor

(dollars in millions)
As of March 31, 2007



Sources of Collectible Receivables by Type

(dollars in millions)
As of March 31, 2007



Not counting Taxation and the Courts, 10 agencies account for 84.5 percent of the Commonwealth's adjusted gross and 82.2

percent of the adjusted collectible accounts receivable balances.

Accounts Receivable Summary
Not Including Circuit Courts, District Courts, or Department of Taxation
Quarter Ended March 31, 2007

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
Virginia Employment Commission	\$ 300,667,061	\$ 24,182,453	\$ 276,484,608
University of Virginia Medical Center	172,597,631	6,500,505	166,097,126
Department of Social Services	278,555,522	156,446,843	122,108,679
Virginia Polytechnic Institute & State University	57,463,211	1,207,901	56,255,310
State Lottery Department	51,835,639	-	51,835,639
Virginia Information Technologies Agency	51,555,730	-	51,555,730
Department of Medical Assistance Services	82,988,803	36,709,621	46,279,182
Virginia Commonwealth University	30,712,442	2,406,748	28,305,694
Department of Transportation	29,180,027	2,481,318	26,698,709
Department of Mental Health, Mental Retardation & Substance Abuse Services	41,458,402	15,104,230	26,354,172
Total	1,097,014,468	245,039,619	851,974,849
All Other Agencies	201,787,605	16,770,876	185,016,729
Grand Total	\$ 1,298,802,073	\$ 261,810,495	\$ 1,036,991,578

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.

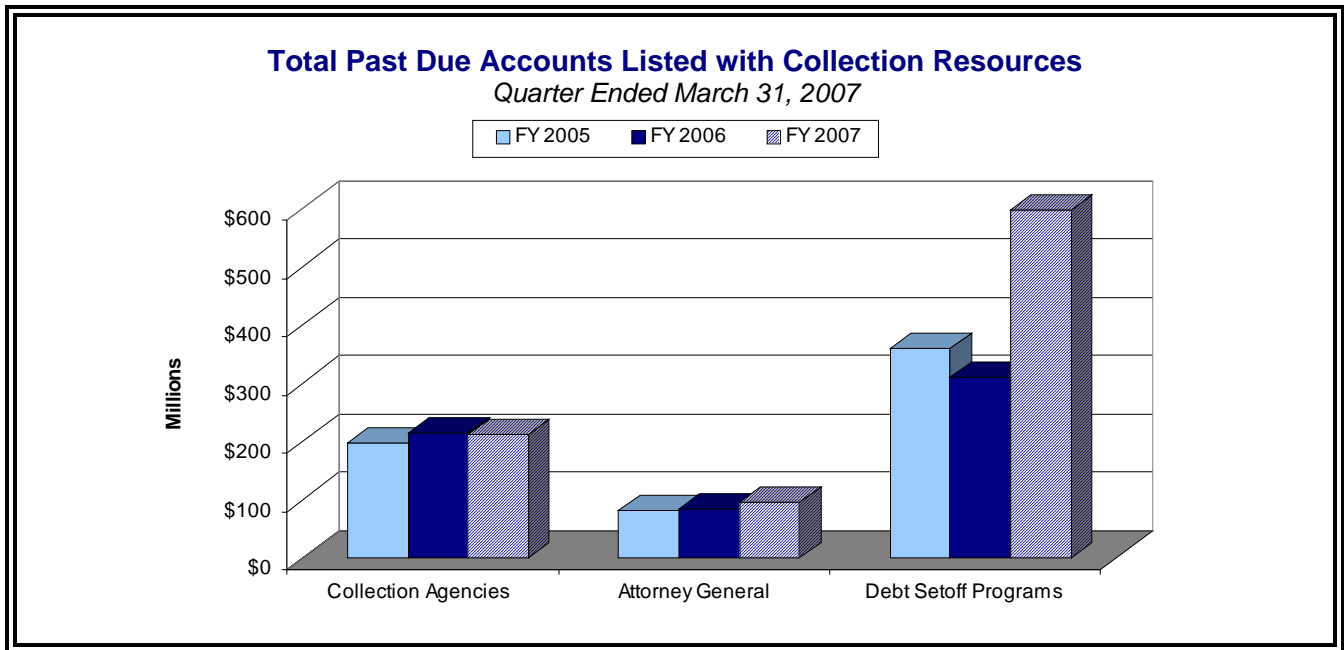
The Office of the Attorney General requires state agencies and institutions to send accounts of \$3,000 or more and 60 days or more past due to the Division of Debt Collection.

These additional collection tools recovered \$4.6 million during the quarter ended March 31, 2007. The Division of Debt Collection contributed \$1.4 million. Private collection agencies collected \$2.3 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected \$908,886.

Collectible Receivables Over 60 Days Past Due
Not Including Circuit Courts, District Courts, or the Department of Taxation
As of March 31, 2007

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	\$ 89,342,476	\$ -	\$ -	\$ 89,342,476
Virginia Employment Commission	33,865,135	7,525,503	6,693,175	19,646,457
University of Virginia Medical Center	32,646,802	-	-	32,646,802
Department of Medical Assistance Services	27,503,231	1,473,778	819,877	25,209,576
Department of Transportation	17,453,768	954,609	3,949,603	12,549,556
Department of Mental Health, Mental Retardation & Substance Abuse Services	8,255,682	-	-	8,255,682
Virginia Commonwealth University	4,994,638	464,600	8,345	4,521,693
University of Virginia - Academic Division	4,368,654	593,340	-	3,775,314
Virginia Polytechnic Institute & State University	4,026,775	782,365	16,688	3,227,722
Virginia Community College System	3,621,058	664,834	23,224	2,933,000
TOTAL	\$ 226,078,219	\$ 12,459,029	\$ 11,510,912	\$ 202,108,278
<i>All Other Agencies</i>	39,510,321	4,350,617	5,254,169	29,905,535
TOTAL OVER 60 DAYS	\$ 265,588,540	\$ 16,809,646	\$ 16,765,081	\$ 232,013,813
Uncollectable Amounts Placed for Collection, Including Accounts Written Off	639,370,921	194,651,795	78,679,189	366,039,937
TOTAL COLLECTION EFFORTS	\$ 904,959,461	\$ 211,461,441	\$ 95,444,270	\$ 598,053,750

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



Comptroller's Debt Setoff (CDS) Program

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

withheld, in full or in part, to satisfy the debt owed to the State. CDS collected \$7.3 million through the second quarter of FY 2007. Please note the amount reported is before any refunds.

Receivable Trend Data

One way to measure an agency's effectiveness at collecting its accounts receivable is to look at how efficient collection procedures are on accounts that are more than 60 days past due. The following

table looks at trend percentages of receivables over 60 days past due as a percentage of gross receivables for the agencies with the largest amounts over 60 days past due.

Percentage of Gross Receivables Over 60 Days Past Due

Agency	Percent at 3/31/07	Comparative	
		Percent at 12/31/06	Percent at 9/30/06
Department of Social Services	32%	32%	33%
Virginia Employment Commission	11%	38%	35%
University of Virginia Medical Center	19%	13%	9%
Department of Medical Assistance Services	33%	37%	37%
Department of Transportation	60%	28%	52%
Department of Mental Health, Mental Retardation & Substance Abuse Services	20%	27%	25%
Virginia Commonwealth University	16%	3%	9%
University of Virginia - Academic Division	16%	4%	11%
Virginia Polytechnic Institute and State University	7%	2%	4%
Virginia Community College System	15%	11%	8%
Statewide Average - All Agencies	20%	15%	20%

Another way to measure agency debt collection effectiveness is to compare amounts collected to amounts billed. The table below presents trend percentages for the ten agencies with the highest collectible accounts receivable balances. In total, these ten agencies are responsible for 82 percent of the Commonwealth's collectible receivables balances, as adjusted to exclude the Department of Taxation and the circuit and district courts. Percentages over 100 percent indicate the collection of prior balances as well as current billings.

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

The statewide average of 106 percent indicates that for every \$1 billed during the quarter ended March 31, 2007, the state collected \$1.06. This rate is six percent more than last year, and seven percent more than the March 31, 2005 quarter.

Collections as a Percentage of Billings

Agency	Percent at 3/31/07	Comparative	
		Percent at 3/31/06	Percent at 3/31/05
Virginia Employment Commission	32%	28%	26%
University of Virginia Medical Center	39%	32%	32%
Department of Social Services	98%	98%	99%
Virginia Polytechnic Institute and State University	216%	234%	238%
State Lottery Department	106%	103%	99%
Virginia Information Technologies Agency	78%	107%	98%
Department of Medical Assistance Services	55%	65%	114%
Virginia Commonwealth University	289%	251%	240%
Department of Transportation	118%	110%	93%
Department of Mental Health, Mental Retardation & Substance Abuse Services	65%	53%	53%
Statewide Average - All Agencies	106%	100%	99%

Commonwealth Receivables Analysis

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

Department of Medical Assistance Services (DMAS)

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

DMAS' collectible accounts receivable of \$46.3 million at March 31, 2007, is a \$4.7 million increase over the \$41.6 million reported at March 31, 2006. Over the same period, total past due receivables have increased by \$5.0 million, to \$31.0 million.

University of Virginia Medical Center (UVAH)

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

UVAH collectible receivables of \$166.1 million at March 31, 2007, were a \$1.8 million decrease from the \$167.9 million reported the previous year. Past due receivables increased by \$27.2 million to \$96.3 million at March 31, 2007.

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 \$276.5 million at March 31, 2007, a decrease of \$56.7 million from the previous year. Total past due receivables were \$36.5 million, a \$2.4 million decrease from last year. VEC collects employer tax receivables in-house. The Attorney General's Office is involved in contested cases. Unemployment benefit overpayments to individuals are referred to private collections agencies after in-house efforts have produced no results and when debtors have left the state.

Virginia Information Technologies Agency (VITA)

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

VITA reported collectible receivables at March 31, 2007, of \$51.6 million, an \$18.9 million increase from the previous year's \$32.7 million. Most of these dollars are owed by other state agencies. As of March 31, 2007, \$812,881 was over 60 days past due, a \$247,926 increase over the previous year.

State Lottery Department (SLD)

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

At March 31, 2007, the Virginia Lottery reported net receivables of \$51.8 million, a \$2.3 million increase from the previous year's net of \$49.5 million. Billings decreased by \$160,675 and collections increased by \$4.4 million during the March 31, 2007 quarter when compared to the March 31, 2006 quarter. At March 31, 2007, the Virginia Lottery had \$504,960 that was over 60 days past due. The total amount is covered by surety bond and involves approximately 20 retailers.

Department of Education (DOE)

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

At March 31, 2007, DOE had no accounts receivable due from the Federal government under Direct Aid. This is consistent with the prior year.

Virginia Polytechnic Institute and State University (VPISU)

VPISU is one of the Commonwealth's largest universities and one of two land grant institutions in the state. At March 31, 2007, the University reported net collectible receivables of \$56.3 million, a \$7.4 million increase over the prior year. At the same time, past due receivables increased by \$3.3 million from last year.

The University uses a variety of collection methods to encourage payments. At March 31, 2007, VPISU had \$4.0 million of accounts over 60 days past due. \$16,688 of that was placed with the Attorney General's Division of Debt Collection, another \$782,365 placed with private collection agencies and \$2.1 million listed with Taxation's Debt Setoff Programs and additional in-house efforts.

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

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

At March 31, 2007, the Department reported net receivables of \$26.4 million, a \$4.8 million decrease from the previous year. \$14.4 million was past due, with \$8.3 million being over 60 days past due. Total past due receivables decreased by \$119,276 over the year, and accounts over 60 days past due decreased by \$327,681. At March 31, 2007, the Department had \$7.7 million of accounts placed with the Attorney General and \$1.2 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 March 31, 2007, VDOT reported \$26.7 million of collectible receivables, a increase of \$14.6 million from the prior year. VDOT also reported \$21.4 million total past due and \$17.5 million being over 60 days past due. Past due receivables increased by \$7.8 million over the year, while receivables over 60 days past due increased by \$5.6 million. VDOT reports that the large majority of the accounts over 60 days past due continue to be amounts owed by cities, counties and towns that are participating on long-term construction projects with the department and where the local fund shares are provided by local debt financing.

VDOT reported placing \$8.4 million of their unpaid accounts with the Attorney General's Division of Debt Collection, \$1.3 million with private collection agencies and \$1.9 million with Taxation's Debt Setoff Programs.

Department of Social Services (DSS)

Social Services provide financial assistance to eligible individuals and families through 121 local departments of social services. The assistance programs include the Temporary Assistance for Needy Families (TANF), Medicaid, Food Stamps, and Community Services Block Grants. In addition to the assistance programs, DSS is the federally-mandated state agency to provide child support enforcement assistance. Child support paid for children receiving money from an assistance program is required to be paid to 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 March 31, 2007, DSS reported gross receivables of \$278.5 million, an allowance for doubtful accounts of \$156.4 million and collectible receivables of \$122.1 million. Past due receivables totaled \$91.0 million, of which \$89.3 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for \$220.8 million (79 percent) of the gross receivables, \$136.4 million (87 percent) of the allowance for doubtful accounts and \$84.4 million (69 percent) of the collectible receivables.

From March 31, 2006, to March 31, 2007, gross receivables increased \$17.7 million and collectible receivables decreased by \$5.3 million. Write offs for the quarter totaled \$4.1 million. Total past due receivables increased by \$13.8 million and receivables over 60 days past due increased by \$13.6 million.

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

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

At March 31, 2007, DRPT had gross and net receivables of \$4.3 million. The majority of this money is due via an interagency transfer from VDOT. \$1.5 million was past due at March 31, 2007. Of this amount, \$731,633 was over 60 days past due.

Virginia Commonwealth University (VCU)

VCU, based in Richmond, offers 140 degree programs to over 28,500 students in a variety of fields ranging from accounting to pharmacy at both undergraduate and graduate levels.

At March 31, 2007, VCU had \$28.3 million of collectible receivables, a \$2.6 million increase over March 31, 2006. Total past due accounts were \$6.9 million, a \$2.3 million increase over March 31, 2006. Accounts over 60 days past due (\$5.0 million) increased by \$1.1 million over the prior year. Billings decreased by \$8.3 million to \$49.8 million and collections decreased by \$1.9 million to \$144.0 million for the March 31, 2007, quarter as compared to the March 31, 2006, quarter.

The following table is prepared to present the March 31, 2007, aging information in conformity 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 percent (\$1.69 billion) of the

Commonwealth's total \$2.08 billion past due accounts receivable at March 31, 2007. Another eighteen agencies accounted for 17 percent (\$351.7 million), leaving 70 other agencies to comprise the last one percent at \$30.3 million.

Agencies with the Largest Volume of Past Due Receivables

As of March 31, 2007

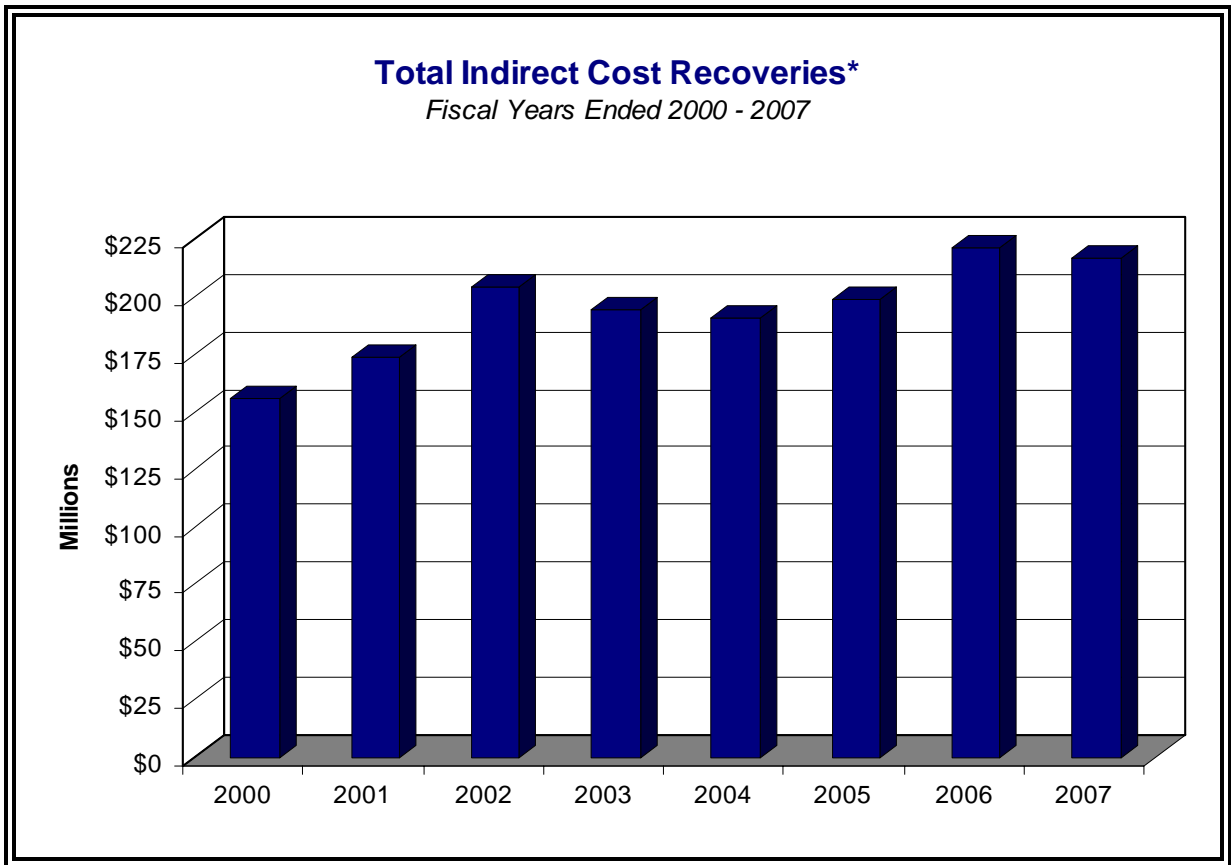
Agency	Total Past Due	1 to 180 Days Past Due	181 to 360 Days Past Due	Over One Year
Department of Taxation	\$ 1,220,067,799	\$ 161,261,735	\$ 92,979,019	\$ 965,827,045
Localities' Circuit and District Courts	469,298,455	33,101,396	61,943,452	374,253,607
Total - Taxation Assessments and Court Fines and Fees	1,689,366,254	194,363,131	154,922,471	1,340,080,652
All Other Large Dollar Agencies:				
University of Virginia Medical Center	96,252,097	83,831,553	8,603,241	3,817,303
Department of Social Services	90,998,652	4,913,928	4,941,227	81,143,497
Virginia Employment Commission	36,522,404	7,148,245	7,816,329	21,557,830
Department of Medical Assistance Services	30,998,238	8,213,452	8,657,403	14,127,383
Department of Transportation	21,447,033	7,839,047	3,253,756	10,354,230
Department of Mental Health, Mental Retardation & Substance Abuse Services	14,353,148	12,850,660	1,502,488	-
Virginia Polytechnic Institute & State University	9,555,606	8,472,167	500,408	583,031
University of Virginia - Academic Division	8,468,740	7,049,292	906,344	513,104
Virginia Community College System	8,133,256	6,077,730	746,514	1,309,012
Virginia Commonwealth University	6,922,559	4,156,171	350,546	2,415,842
George Mason University	6,463,831	5,392,194	631,189	440,448
Department of General Services	4,473,109	4,473,109	-	-
Department of Labor and Industry	3,133,734	466,301	327,663	2,339,770
Virginia Information Technologies Agency	2,909,525	2,369,251	450,289	89,985
Virginia's Workers' Compensation Commission	2,878,516	953,725	807,145	1,117,646
Department of State Police	2,811,778	399,338	950,919	1,461,521
Old Dominion University	2,772,512	2,661,624	92,817	18,071
State Corporation Commission	2,597,877	1,839,725	758,152	-
Total - Largest Dollar Volume Agencies	351,692,615	169,107,512	41,296,430	141,288,673
All Other Agencies	30,319,909	19,630,729	4,826,748	5,862,432
Grand Total Past Due Receivables	\$ 2,071,378,778	\$ 383,101,372	\$ 201,045,649	\$ 1,487,231,757



Indirect Costs

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

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



* FY 2007 reflects indirect cost recoveries through June 30, 2007.

Indirect Cost Recoveries from Grants and Contracts

Fiscal Year 2007

Fund	Year-to-Date		Total
	Higher Ed	Non-Higher Ed	
Nongeneral:			
Agency / Institution (1)	\$ 136,964,651	\$ 74,291,242	\$ 211,255,893
Statewide	2,872,120	555,766	3,427,886
Total Nongeneral	139,836,771	74,847,008	214,683,779
General:			
Agency (Cash Transfers)	-	127,765	127,765
Statewide	-	1,495,867	1,495,867
Statewide (Cash Transfers)	-	9,206	9,206
Total General	-	1,632,838	1,632,838
Total All Funds	\$ 139,836,771	\$ 76,479,846	\$ 216,316,617

- (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 \$45,123,017 representing the Department of Social Services' estimate of indirect cost recoveries received.



Loans and Advances

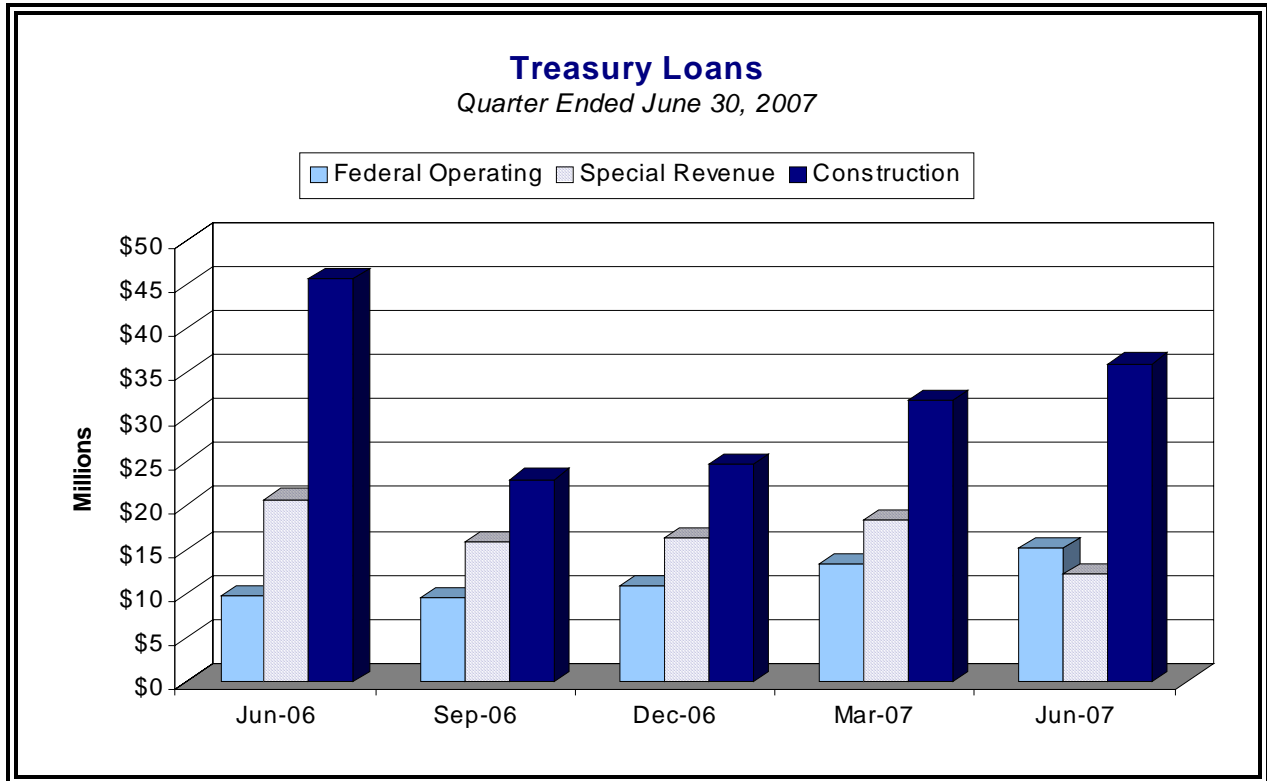
Treasury loans may be used to advance funds to a State agency or institution for a designated purpose prior to some form of reimbursement, typically federal or special revenues. They are loans of a temporary nature, approved on the basis of the following conditions:

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

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

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

The total of all types of treasury loans as of June 30, 2007, was \$63.7 million.



Significant New Loans / Drawdowns	New Balance
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Department of Emergency Management (DEM)

Drawdown of a new \$3 million loan to provide disaster relief funds for two severe tropical weather systems until reimbursed by the Federal Emergency Management Agency for these federally declared disasters.	\$ 3,000,000
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George Mason University (GMU)

Authorization and drawdown of a new \$10.5 million loan to provide operating funds while awaiting reimbursement from various federal grants and contracts.	\$ 10,500,000
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Department of General Services (DGS)

Seven additional drawdowns on a \$13.2 million loan authorized by Chapter 951 (2005 Appropriations Act) in anticipation of revenues to be received for the completion of the renovation and extension of the Capitol. Prior loan balance was \$6,874,917.	\$ 11,830,192
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Significant Loan Repayments	Prior Balance
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Department of Emergency Management (DEM)

Full repayment of loan used to provide operating funds in anticipation of reimbursement of approved grants from the U.S. Department of Homeland Security.	\$ 2,500,000
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George Mason University (GMU)

Full repayment of loan used to provide operating funds while awaiting reimbursement from various federal grants and contacts.	\$ 8,000,000
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Virginia Information Technologies Agency (VITA)

Full repayment of loan used to provide operating funds in anticipation of reimbursement from state agencies.	\$ 5,000,000
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Department of Veterans Services (DVS)

Additional payment on an authorized \$14.75 million loan for completion of a new Veterans Care Center in Richmond. New loan balance is \$2,304,290.	\$ 3,480,863
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Other methods not charted but used to ensure an agency or institution has sufficient operating cash include authorized appropriation deficits, working capital advances, and lines of credit.

- **Authorized Appropriation Deficits**, which provide funding, when authorized by the Governor, under emergency conditions as described in §4-3.01 and §4-3.02 of the Appropriation Act. There were no deficit loans outstanding at June 30, 2007.
- **Working Capital Advances**, which provide operating funds for nongeneral fund projects when revenues to be used for repayment will not be generated within the twelve months required for anticipation loans. There were no outstanding working capital advances at June 30, 2007.
- **Lines of Credit**, which provide funding for recurring shortfalls of operating cash and are authorized in §3-2.03 of the appropriation act. The total of all outstanding lines of credit as of June 30, 2007, was \$37.3 million.

