

**REPORT ON
STATEWIDE FINANCIAL MANAGEMENT AND
COMPLIANCE**

FOR THE QUARTER ENDED JUNE 30, 2011



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, 2011, and comparative FY 2010 data. Some information in the report is for the quarter ended March 31, 2011, 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 control deficiencies. Control deficiencies occur when the design or operation of internal control does not allow management or employees to prevent or detect errors that, in the Auditor’s judgment, could adversely affect the agency’s ability to record, process, summarize, and report financial data consistent with the assertions of management.

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

The APA also reports additional recommendations that are not considered internal control findings. These recommendations can include risk alerts, efficiency issues, or any other improvements that can be made within agency operations. Additional recommendations are provided following the Audit Findings section.

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

Audit Reports – Quarter Ended June 30, 2011

The APA issued 13 reports covering 17 State Agencies for the Executive Branch. The last column indicates whether the CAW has been received as of the date of this publication for each agency with audit findings. Note that in some cases, the CAW may not have been received because it is not yet due.

	New Findings	Repeat Findings	Total Findings	CAW Received
Administration				
Department of General Services	0	1	1	YES
Agriculture and Forestry				
None				
Commerce and Trade				
None				
Education				
Christopher Newport University	0	1	1	YES

	New Findings	Repeat Findings	Total Findings	CAW Received
James Madison University	0	0	0	N/A
Longwood University	2	1	3	YES
Norfolk State University	3	0	3	YES
Radford University	0	0	0	N/A
The College of William and Mary in Virginia ⁽¹⁾	2	0	2	YES
Virginia Military Institute	0	0	0	N/A
Virginia Museum of Fine Arts	1	0	1	YES
Executive Offices				
None				
Finance				
None				
Health and Human Resources				
None				
Natural Resources				
None				
Public Safety				
Department of Corrections ⁽²⁾	3	1 ⁽⁶⁾	4	YES
Department of Veterans Services ^{(3) (4)}	7	0	7	YES
Virginia War Memorial Foundation ⁽⁴⁾	3	0	3	YES
Technology				
Virginia Information Technologies Agency ⁽⁵⁾	0	4	4	YES
Transportation				
None				

(1) Richard Bland College and Virginia Institute of Marine Science were included in this report.

(2) This report also includes the Virginia Parole Board and Virginia Correctional Enterprises. However, all audit findings and recommendations were issued to the Department of Corrections.

(3) The Veterans Services Foundation was included in this report.

(4) The Department of Veterans Services and the War Memorial Foundation were transferred into the Secretary of Veterans Affairs and Homeland Security effective July 1, 2011.

(5) This report represents audited financial records and operations for the period January 1, 2009 through June 30, 2010 (18 months). The report included testwork audit periods of various lengths comprising portions of fiscal years 2009, 2010, and 2011. The report was dated June 1, 2011.

(6) Two repeat findings from the FY 2009 APA Audit, "Improve Procedures for Monitoring Vehicle and Fuel Card Use" and "Improve Procedures for Tracking Vehicle Inventory", were condensed into one FY 2010 APA Audit follow-up finding, "Develop and Implement Policies and Procedures for Fuel Cards and Vehicle Inventory".



Audit Findings - Quarter Ended June 30, 2011

The following agencies had one or more findings contained in their audit report.

Administration

Department of General Services (DGS)

1. Application Controls. **This is a repeat finding.** The Department of General Services (General Services) does not adequately monitor application access for its critical applications to evaluate user access and prevent or detect unauthorized access to those systems timely. The APA reviewed access controls for the PeopleSoft, CARS, and eVA applications to ensure management terminates user access in a timely manner and user privileges are reasonable based on responsibilities. The APA review found the following deficiencies.
 - General Services grants several employees improper access based on their responsibilities. For example, the Controller, Assistant Controller, and Accounts Receivable Manager have “Allpages” access. This allows them total control for all functions within the PeopleSoft system. Further, several employees have access to update receivable balances and enter and approve entries to the general ledger. The lack of appropriate segregation of duties creates significant risk in the financial system.
 - A test of 25 terminated employees with access to PeopleSoft found nine employees still had access to the system after leaving employment. Further, seven of the nine employees had at least a two month lapse in time before management removed these employees’ access from the system.
 - A test of three terminated employees with access to the Commonwealth Accounting and Reporting System (CARS) found that all three employees retained that access after their separation date. Further, General Service’s former Assistant Controller still had access nearly forty days after leaving the agency.
 - A test of 33 terminated employees with access to eVA (the Commonwealth’s procurement system) found 17 employees with access to the purchasing system beyond the 24-hour period allowed by the “eVA Electronic Procurement System Security Standard” after their separation date. General Services did not deactivate ten of those employee’s accounts within a month of termination and took more than a year to deactivate two accounts.
 - The APA found that the PeopleSoft administrators do not perform periodic reviews of user access. In addition, the eVA Security Officer performs only an annual certification of eVA user accounts while the standard set by General Services requires at least quarterly review. General Services leaves itself vulnerable to improper access to its sensitive systems by not performing these reviews.

The APA recommends General Services follow their practices for system access monitoring and control. Specifically, General Services' management should perform periodic reviews to ensure the timely removal of terminated employees' access and ensure users have access that is commensurate with their job responsibilities. Frequent reviews of user accounts allow system administrators to better monitor users' responsibilities, ensuring the appropriate assignment of roles and prompt removal of terminated employees' access. Continuous monitoring of access to information systems which are critical to the agencies' financial operations also helps mitigate the risk of errors and fraud.

Education

Christopher Newport University (CNU)

1. Continue Improving Information Security Management. **This is a repeat finding.** In the prior year audit the APA notified management of weaknesses in its administration of the University Oracle database and UNIX operating system that work together to support Banner.

While the staff now logs upgrades and critical patches, and reviews default Oracle and UNIX security settings before putting them into the production environment, the University is not doing the following actions required by the Commonwealth's Information Security Standard, SEC 501, and University policies to safeguard its Oracle database.

- Monitor audit logs and user access.
- Change administrator passwords every 90 days.

By not following its policies for the Oracle environment, the University is placing its information systems at risk for data breach and exposure, loss of availability, and loss of data integrity. The APA recommends that management provide the necessary resources to monitor and maintain its Oracle database according to the Commonwealth's Information Security Standards.

Longwood University (LU)

1. Implement Third Party Monitoring and Review Processes. The University does not monitor and review that TouchNet, a third-party credit card processing vendor, only accesses or changes student data in the University's Banner system necessary for processing payments. The University allows TouchNet to access sensitive data in the student accounting system and post payment information directly to a student's account.

This process reduces University time and labor in posting payment information; however, the University needs to verify that TouchNet only accesses or changes student data necessary to process payments.

Best practices indicate that the University should maintain sufficient overall control and visibility into all security aspects for sensitive or critical information or information processing facilities accessed, processed, or managed by a third party. In addition, this best practice requires the University's review of third-party audit trails and records of security

events, operational events, and failures and tracing of faults and disruptions related to services delivered.

So that the University is aware of all the intentional and unintentional uses of its sensitive student information, the APA recommends that the University implement a monitoring and review process for TouchNet and all other third party processors in accordance with their approved security standard. The University should turn on the system feature that allows monitoring and review of data transmission periodically to validate the data elements sent between its Banner system and TouchNet.

2. Improve Risk Management and Contingency Planning. **This is a repeat finding.** As noted also in last year's audit, the University last completed a comprehensive update and review of their Risk Assessment in 2006 and since that time, there have been changes to their IT environment, including an upgrade to Banner 8. While the University did update their Continuity of Operations (COOP) and Disaster Recovery Plan (DRP), these updates are incomplete and based on an outdated Risk Assessment. Therefore, any tests of the COOP or DRP do not capture the current risks to the University's information systems and security. University standards specify a review of the Risk Assessment when significant changes occur in the IT environment, in addition to a periodic review.

Without performing a complete sequential update of the Risk Assessment, COOP and DRP, the University cannot competently test and guarantee the availability of these systems to continue operations in the event of an emergency. The APA recommends that the University allocate the necessary resources to update the Risk Assessment, COOP and DRP and test both the COOP and the DRP to help ensure the availability of mission critical systems.

3. Strengthen Firewall Configuration. The University does not use vendor recommended settings to secure its firewall that protects its administrative network. The APA recommends that the University develop and implement a policy that requires the periodic network device scanning against security control best practices and broaden regular vulnerability scans beyond reviewing only access control lists to include scanning for weak security control settings.

Norfolk State University (NSU)

1. Improve Controls Over Fixed Assets. The University does not research lost or missing assets, but instead immediately identifies items as a "disposal" and removes the item from the Fixed Asset System. This procedure does not try to determine whether the item is lost, stolen, or missing.

University Policies and Procedures require departments to send the Fixed Asset Accountant disposal or transfer of fixed assets information. During the APA review, the Fixed Asset Accountant was unable to provide a disposal form or other documentation for eight out of 10 disposals.

Additionally, this procedure does not try to determine if a particular department has an unusually high rate of lost assets and the reason these losses are occurring. Further, if the

loss is the result of theft, the University does not have the information to protect its assets or deter future losses.

The Fixed Asset Accountant has responsibility to take biennial physical inventories of equipment and other fixed assets. The APA also found that 50 percent of the inventory logs selected for review did not contain the custodian's signature acknowledging their concurrence with the results of the inventory taken.

The APA recommends that the University exercise and enforce existing University procedures for physical inventories and the disposal of capital assets. The University should also improve existing procedures to protect University-owned assets to ensure assets have adequate safeguards. It is also recommended that the University create and implement procedures for capital assets identified as missing, lost, or stolen.

2. Improve Information Security Program. **This finding was updated to include additional information security issues.** The University has made significant progress towards improving the management of its information security program since its last audit in 2010. Specifically, the University has updated their policies and procedures, including Logical Access, Data Storage Media Protection, Remote Access, Firewall, Business Impact Analysis, Risk Assessment, Continuity of Operations Plan, and Disaster Recovery Plan. These plans now address the Commonwealth's security standard, SEC 501, and industry best practices.

The APA recommends that the University continue to implement their corrective action plan by providing training regarding the new information security program to all employees impacted by the requirements before the University scheduled June 30, 2011 compliance date.

3. Strengthen Clearing Procedures Over Separated Employees. **This finding is a status update of agency progress.** Over the past year, the University has developed a new electronic clearance form to help ensure prompt communication regarding separated employees; however, the University still must incorporate the new process into their policies and procedures as well as complete the implementation of this new process. Failure to comply with the process allows separated employees access to critical systems. In addition, failure to comply with the process could result in separated employees receiving improper payments from the University.

The APA recommends that Office of Information Technology and Human Resources continue to work to have the process in place by the June 30, 2011 corrective action due date. Further, the Human Resources Department should continue to work with individual supervisors, the Office of Information Technology, and the Payroll Department to implement effective clearance policies and procedures to ensure prompt communication regarding separated employees.

The College of William and Mary in Virginia (CWM)

1. Improve Oracle Database Security. The College of William and Mary does not adequately protect its Oracle databases that store sensitive information, which can create vulnerabilities that expose sensitive data to possible compromises. The APA compared the College's

Oracle database settings to the Center for Internet Security (CIS) Oracle best practices and the ISO/IEC 27002 international information security standard. They identified vulnerabilities in the areas of password complexity controls, monitoring and logging activities, baseline security configuration updates, user account management, and records retention.

The APA communicated the details of these issues in a separate correspondence to management marked *Freedom of Information Act Exempt* under Section 2.2-3705.2 of the Code of Virginia, due to the sensitivity of the identified security system.

The College is upgrading its Oracle database using the “CIS Benchmarks, Oracle Baseline Configuration.” In converting to the new Oracle system, the APA recommends the College develop and implement policies and procedures for its Oracle databases, which incorporate the College’s risk assessments mitigation strategies for securing sensitive data, and align with the CIS Benchmarks and the ISO/IEC 27002 standard. Finally, they recommend that the College dedicate the necessary resources to train its employees in their responsibilities in adhering to the security requirements outlined in the policies and procedures.

2. Improve Grant Monitoring and Oversight. The College’s Office of Grants and Research Administration does not meet all requirements to monitor and oversee their federal research grants. The Grants Office does not follow federal guidelines for monitoring subrecipients and does not submit all required financial reports in a timely manner.

The APA reviewed seven grants and found four grants where the Grants Office did not have the subrecipient’s required annual A-133 audit report. The Grants Office relies on an incorrect computer report to contact subrecipients to obtain their required annual A-133 audit report. Without appropriate monitoring, the Grants Office cannot confirm that subrecipients have adequate controls and procedures in place to comply with federal requirements. Additionally, the APA reviewed 10 grants at the College and noted that the Grants Office had not submitted the required financial report to their federal granting agency for one grant.

The APA recommends that the Grants Office work with the Department of Information Technology to improve the accuracy of their subrecipient report listing so that it accurately reports subrecipients for follow-up. The Grants Office should also review their current grants to ensure that they obtain audit reports to ensure that subrecipients are following all federal requirements. Additionally, the APA recommends that the Grants Office develop a procedure to review grant agreements, and monitor to ensure that grant investigators submit all required financial reports in a timely manner.

Virginia Museum of Fine Arts

1. Improve Internal Controls over Small Purchase Charge Cards. Museum management needs to improve procedures for granting access to and monitoring small purchase charge cards. There are 68 Museum employees with small purchase charge cards, and fiscal year 2010 expenses for these cards were almost \$1.5 million. Given the size of the Museum staff, this is a significant number of employees who have access to charge cards. Of these employees, 48 individuals averaged less than four transactions a month using their charge card in fiscal year 2010.

Museum management should review who currently have charge cards to ensure only individuals who need them for their job responsibilities have cards. Based on this review, management should revoke the charge cards for any individuals who do not need charge card access to perform their job duties. In addition, management should review their procedures for granting access to charge cards to ensure these procedures adequately evaluate the need for a charge card in the future.

Public Safety

Department of Corrections (DOC/CA)

1. Strengthen Controls Over Commuting Payroll Deductions. The Department of Corrections (Corrections) uses inappropriate mileage reimbursement rates to calculate employees' payroll deductions for commuting in state vehicles and under recovered approximately \$65,000 from 62 employees during fiscal year 2010. Some state employees have a permanently assigned state-owned vehicle for use in their job. When the employee uses this vehicle to commute between home and work, they must reimburse the Commonwealth for the use of the vehicle for commuting. If the employee does not reimburse the Commonwealth, the personal use of the vehicle is a taxable benefit.

Corrections' General Services Unit manages all agency vehicles, including overseeing the calculations and deductions of employee commuting fees. Within the General Services Unit, the Commuting Coordinator calculates the appropriate fees to deduct from each commuter's pay and is responsible for staying up-to-date on the rules and regulations governing the Commonwealth's commuting process, including changes in mileage reimbursement rates.

During fiscal year 2010, the Commuting Coordinator used a rate of \$0.26 per mile to calculate commuting deductions; however, the Department of Accounts (DOA) approved rates for these deductions during fiscal year 2010 were \$0.55 and \$0.50, unless the agency has an exception from the State Comptroller to use another rate. Corrections does not have authorization to use an alternate rate to calculate commuting fee deductions, so the agency should use the current IRS rate to calculate these deductions.

Corrections deducted approximately \$63,700 in commuting fees from 62 employees' pay using a rate of \$0.26 per mile. The IRS rate for July 1, 2009 through December 31, 2009 was \$0.55; on January 1, 2010 the rate changed to \$0.50. Based on the IRS rates, Corrections should have deducted an estimated additional \$65,000 in fees. The IRS rate changed again effective January 1, 2011 to \$0.51; however, Corrections still has not altered its commuting fee calculations to adjust for this change. Furthermore, Corrections has used the rate of \$0.26 per mile to calculate commuting deductions for an undetermined period of time, so the financial impact on the agency for previous fiscal years is uncertain.

The General Services Unit should immediately correct its calculations for commuting fee deductions to reflect the current IRS rate, and the Unit should immediately begin deducting the appropriate commuting fees from employees' pay based on these adjusted calculations. Additionally, since the General Services Unit used an inaccurate rate to calculate deductions

in fiscal years 2010, 2011, and previous fiscal years, Corrections' management should evaluate the need to recover the difference in commuting fees from employees for these fiscal years.

Furthermore, management should ensure that all General Services Unit employees responsible for managing employee commuting and associated payroll deductions are aware of the statutes and regulations governing this process. Responsible employees should regularly review these statutes and regulations to remain aware of any changes, and they should alter agency policies and procedures to reflect these changes.

2. Develop and Implement Policies and Procedures for Fuel Cards and Vehicle Inventory. **This is a repeat finding.** Corrections owns 2,274 vehicles and leases an additional 579 from the OFMS. In fiscal year 2010, Corrections paid approximately \$1.2 million to the fuel card vendor. Corrections did not address weaknesses in vehicle inventory and fuel card management that was identified during the prior year's audit.

In the prior year, the APA found that Corrections does not properly reconcile fuel card charges before processing payment to the card vendor as required by the Office of Fleet Management Services (OFMS) regulations. Additionally, it was determined that Corrections does not track its vehicles regularly to account for all agency-owned and leased vehicles.

Fuel Cards

Corrections' prior year corrective action plan stated it would develop a policy and procedure to reconcile monthly fuel card charges before processing card payments; however, Corrections decided not to follow through with this plan. Taking into account recent staffing reductions within the Department, management determined that the work required to perform a monthly review of receipts from fuel card purchases for all vehicles would be an overburden on field staff in business offices. Instead, management decided to rely on the verification performed by the General Services Unit, which involves only a visual review of the fuel card invoice to identify charges that conflict with purchasing patterns and does not include reconciliation to actual receipts.

The General Services Unit does not document its monthly review of the fuel card statements or track any of the exceptions it finds to determine if there are patterns of errors or other problems. As a result, the APA was unable to determine the effectiveness of this review.

In addition, work performed in the prior year's audit found that this review was not sufficient to identify erroneous charges and prevent improper payments to the vendor. Corrections' decision to not implement some form of reconciliation or document the results of the review over fuel cards during the current economy greatly increases the risk of fraud and abuse of the fuel cards.

Finding

Corrections should conduct a cost benefit analysis to determine if the agency's cost to perform monthly reconciliations of fuel card charges is greater than potential dollars lost

through fuel card misuse or erroneous charges. By quantifying the costs and benefits, management can determine which option provides the greatest financial benefit to the agency and can properly justify its decision to accept the risk of potential fuel card fraud, abuse, or error.

Vehicle Inventory

To address the prior year's issues, Corrections planned to develop policies and procedures to perform an annual reconciliation of agency-owned and leased vehicles against the Fixed Asset Accounting and Control System (FAACS), perform an annual reconciliation of leased vehicles against OFMS listings, and to perform monthly reconciliations of fuel card charges against the vendor's invoices. Corrections did not follow through with its corrective action plans from the prior year, and therefore, the APA reissues this management recommendation.

In March 2011, Corrections performed a reconciliation of leased vehicles by comparing agency records to OFMS listings; however, this was the first reconciliation performed since the prior year recommendation, and the agency does not have documented procedures to govern this process. Corrections has not performed a reconciliation of agency-owned vehicles to FAACS, and there is not a documented procedure to govern this process.

An inaccurate inventory of agency-owned and leased vehicles reduces the ability to track vehicles used by agency employees and increases the potential for misuse of vehicles. Furthermore, an inaccurate inventory of agency-owned vehicles increases the potential for improper financial reporting, and an inaccurate inventory of leased vehicles increases the potential for improper lease payments to the OFMS. The agency's vehicle management and accounting functions must interact to ensure that the vehicles that employees use in the course of business are the same vehicles identified for financial reporting purposes.

Finding

Corrections should develop and implement controls to facilitate interaction between the agency's vehicle management function and accounting function to ensure that the vehicles the agency owns and uses are the same as the vehicles included in FAACS for financial reporting purposes. Furthermore, Corrections should develop and implement controls to ensure that the agency accurately accounts for vehicles leased from the OFMS and that Corrections' inventory of leased vehicles reconciles with the OFMS's records of vehicles leased to Corrections.

3. Improve Controls and Processes Surrounding Fixed Asset Accounting and Control System. Corrections does not consistently record capital assets in the Fixed Asset Accounting and Control System (FAACS) in accordance with the Commonwealth Accounting Policies and Procedures (CAPP) Manual and the agency's policies and procedures. Corrections has a decentralized fiscal operation and as a result, employees at multiple locations are responsible for recording capital assets in FAACS. The Fiscal Officer at each location must ensure there is a process to identify applicable assets and enter them into FAACS.

The APA found five out of 31 transactions resulted in purchased assets that the central office or facilities did not record in FAACS. For one of these transactions, the Central Office purchased telecommunications equipment for multiple facilities, but the central office did not notify the facilities of the purchases or provide them with the information they needed to record the asset in FAACS. Another transaction was for belt elevators installed at the Flash Freeze operation, which was previously under the authority of Southampton Correctional Center. When Southampton closed, Deerfield assumed responsibility of the Flash Freeze operation and FAACS input of related assets, and the agency never recorded these items in FAACS. For a third transaction, Deerfield purchased a vehicle in September 2009 for use by Corrections' Environmental Services Unit. This unit is under a central Corrections agency code and was responsible for recording the vehicle in FAACS; however, the Unit never recorded the item. For the fourth transaction, Greensville Correctional Center purchased fence security equipment, and the facility neglected to record the asset in FAACS. The final transaction was for work the Central Virginia Correctional Field Unit performed to prepare and put in place trailers for use. The Field Unit capitalized the trailer, but did not include the costs associated with putting the asset into operation as required by accounting policies. In total, there were 15 items worth \$167,000 not recorded in FAACS.

Three of the exceptions identified occurred under unusual circumstances where one facility or unit purchased the items but a different entity recorded the items in FAACS. For the remaining exception, the facility that purchased the item also neglected to record the item in FAACS. Based on the APA review, Corrections' does not have adequate procedures in place to designate responsibility for recording items in FAACS, specifically in circumstances where one entity purchases an asset, but the asset is assigned to a different location. Furthermore, the entities involved do not communicate to ensure that the responsible party records the items purchased in FAACS. Failure to properly record assets in FAACS could result in inaccurate financial reporting of agency assets for the Commonwealth's financial statements.

Corrections should strengthen its procedures to clarify responsibility for entering items in FAACS when multiple units or locations are involved. Additionally, the Budget Office, which is responsible for agency FAACS training, should evaluate the need to provide additional training to employees in other units or at other agency locations to ensure that all employees responsible for identifying capital assets and recording assets in FAACS have the knowledge necessary to fulfill these responsibilities.

4. Perform CIPPS to CARS Reconciliation. After processing payroll, Corrections' Central Office does not perform a CIPPS to CARS reconciliation for the Department's central agency or for those agencies over which the Central Office has responsibility. These agencies account for 20 percent of Corrections' annual payroll, which totals approximately \$700 million. State policies require all agencies to perform a post-certification audit of payroll to determine that staff recorded expenses to the correct programmatic codes. A CIPPS to CARS reconciliation can reveal discrepancies or errors in one or both systems. Discrepancies and errors can cause budget and accounting issues by charging expenses to improper fund, program, and account codes.

Corrections has not been performing this reconciliation due to the volume and complexity of the expenses. However, the importance of performing this reconciliation increases as the

payroll coding structure becomes more complex due to the increased risk of misclassification. Corrections' Central Office should perform a CIPPS to CARS reconciliation after processing payroll in order to monitor their payroll expenses and ensure the information in both systems is accurate.

Department of Veterans Services (DVS)

1. Prevent Employees from Approving Their Own Timesheets. Sitter & Barfoot Care Center did not establish proper segregation of duties within its time and effort system, Kronos, to prevent employees from approving their own timesheets. Approval of timesheets is a critical control that provides evidence that services were received and reasonable.

The APA found six employees, consisting of one staff and five managers, approving their own timesheets. Not having proper segregation of duties in approval of time and effort records can lead to the following issues:

- Approval of hours that were not worked
- Approval of excessive overtime, including shift differentials
- Unrecorded use of leave

The APA recommended and the Care Center has implemented system controls to ensure all employees, including managers, have their timesheets approved by the appropriate supervisor.

2. Retain Support for Increasing Transaction Limit on Small Purchase Charge Cards. The Small Purchase Charge Card Program Administrator (Administrator) at the Sitter & Barfoot Care Center did not retain support for overriding the transaction limit established by an employee supervisor. Single transaction limits are a critical control of the card charge program because they prevent employees from spending more than their authorized amount on any one purchase.

While the \$5,500 in total purchases appears reasonable, in the three cases where Sitter & Barfoot Care Center employees exceeded the \$500 transaction limit set for their card, the Administrator did not retain documentation supporting their decision to increase the authorized limit set by the employee's supervisor. The Commonwealth Accounting Policies and Procedures (CAPP) Manual, Topic 20355 requires that the Administrator maintain this documentation at the agency for audit purposes and provide such documentation if requested.

The Administrator at the Sitter & Barfoot Care Center should maintain proper supporting documentation for granting single limit transaction increases for cardholders.

3. Retain Evidence that Supervisors Approved Timesheets. The Payroll Manager at Virginia Veterans Care Center does not retain evidence of authorization from supervisors to pay employees. Unlike the Sitter & Barfoot Care Center, Virginia Veterans Care Center does not have enough licenses for their time and attendance system, Kronos, to allow supervisors to approve timesheets electronically within the system.

To overcome this lack of ability, the Payroll Manager prepares timesheet reports from Kronos each week and sends them to the supervisors of each department for review, with the exception of the Nursing Department that reviews attendance on-line. If a department's supervisor does not return any changes to the Payroll Manager, the Payroll Manager assumes the supervisor has approved the payroll and pays employees based on the information in Kronos.

Conversely, if a supervisor does make an adjustment the Payroll Manager does retain the documentation supporting the adjustment. However, Kronos does not create an audit log of the adjustments, which prevents management from determining what adjustments the Payroll Manager made that were approved.

To hold supervisors accountable for an employee's hours, management at Virginia Veterans Care Center should require the Payroll Manager to have evidence from each supervisor that the employees worked the hours as reported in Kronos prior to paying employees. Additionally, the Payroll Manager should retain the supervisor approved timesheets as support for paying employees as this will allow management to know if there were any unauthorized adjustments to employee hours.

4. Provide an Employee with Evaluations that Accurately Reflect Performance. The APA found one supervisor at Virginia Veterans Care Center that is not providing an employee with written evaluations that accurately reflect their job performance. Allegations came to the attention of the auditor during the course of the audit that an employee was not performing job duties while at work and was performing personal tasks during working hours.

As a result, the auditor questioned the employee's supervisor and reviewed appropriate information. The supervisor confirmed that the employee had performance issues. However, supervisor did not document the performance issues or inform the Human Resource Director of these matters. Additionally, the supervisor's written evaluations of the employee indicated that the employee was meeting expectations.

The APA recommends that the Human Resource Director at the Virginia Veterans Care Center ensure that the personnel files adequately reflect each employee's performance. Supervisors should work with the Human Resource Director to identify poor, substandard, or unacceptable performance and develop the applicable documentation that is accurate. After there is adequate support, management will need to determine and take appropriate action for those employees that are not meeting expectations.

5. Perform Reconciliations and Document Standard Operating Procedures. For seven months, the Virginia Veterans Care Center has not performed a reconciliation between its new patient revenue system and the Commonwealth Accounting and Reporting System (CARS). The Virginia Veterans Care Center implemented the new patient revenue system, Point Click Care (PCC), in July 2010 and as of February 2011, the Finance Director has not performed a reconciliation between the new patient revenue system and CARS. Additionally, the Finance Directors at both care centers have not adequately documented the procedures for the staff to follow when reconciling Veterans Services' Financial Management System (FMS) to CARS.

Senior management of Veteran Services should instruct the Finance Director at the Virginia Veterans Care Center in Roanoke to perform a reconciliation of patient revenues. Additionally, the Finance Directors at both care centers should develop “desk procedures” for their processes, which would comply with the State Comptroller's policies and procedures to ensure entities can transfer responsibilities when turnover occurs and the processes can continue. The lack of detailed written policies and procedures increases the risk of errors in CARS, which is the State’s official financial system.

6. Promptly Remove Access to Critical Systems for Employees Terminated or with Inactive Accounts. Veterans Services did not promptly remove access to CARS for a terminated employee tested at the Virginia Veterans Care Center. The APA found the employee had access to CARS for 100 days after termination from Veterans Services. In addition, Veterans Services did not promptly remove access to their FMS system for seven employees. The APA found seven employees with FMS access, who had not logged-in to the system in the last year or longer. One employee did not use their access in the last four years. None of these employees need FMS access for their jobs. Allowing employees to retain unneeded access opens the door for disgruntled employees to jeopardize the confidentiality, integrity, and availability of Veterans Services’ critical information.

The Commonwealth Security Standards SEC 501 Section 5.2.2.23/24 requires the prompt removal of access when employees leave the agency. The APA recommends that the facilities review their processes for deleting access to ensure that individuals responsible for deleting access do so promptly after an employee’s termination or when they no longer need access to the system.

7. Ensure Vendor Controls are Working. Veterans Services has never reviewed the Service Organization Control reports (formally known as SAS 70 reports) for the Point Click Care system it uses, which is a web-based system that includes patient billing information. Billings are critical to Veterans Services operations; however, it has no procedures for ensuring its off-site information technology vendor controls are working and properly audited. While the APA obtained and reviewed the most recent Service Organization Control report for Point Click Care and noted no significant weaknesses, it is still management’s responsibility at Veterans Services to review these reports to be aware of potential security risks surrounding their data and take appropriate action.

Veterans Services’ management should develop and implement procedures to ensure off-site information technology systems are secure and properly audited. This process should include requesting and reviewing any Service Organization Control reports conducted on vendors that control off-site information technology systems.

Virginia War Memorial Foundation (VWMF)

1. Develop Regulations and Procedures for the New Educational Wing. The Executive Director of War Memorial has not developed procedures covering the use and charges for the new educational wing of the War Memorial and the Board will need to approve these procedures. In fiscal year 2010, the memorial in Richmond increased in size and functionality with the addition of a \$9.1 million educational wing named “The Paul & Phyllis Galanti Education Center.” This expansion consisted of \$6.5 million in government funding, and \$2

million in private donations. The War Memorial has experienced an increase in the use of the facility because of this expansion. With higher demand for the War Memorial's space and well-equipped educational rooms, the War Memorial needs to have policies and procedures to govern use, and possible fees, of the facilities by civic groups, schools, political organizations, and other potential users.

Without policies and procedures that address the new wing, the Board is not fulfilling its responsibility to adopt regulations for the use of and visitation to the Memorial as required by the Code of Virginia § 2.2-2706. Additionally, without a fee schedule, the War Memorial will not be able to charge for its usage and recoup any additional expenses.

To comply with the Code of Virginia, the Board should develop and implement comprehensive regulations governing use of the War Memorial, and in return, the War Memorial's Executive Director should develop and implement procedures to execute these regulations in a consistent and fair manner.

2. Improve Controls and Policies for Historical Artifacts. The War Memorial does not have adequate controls or policies governing its collection of historical artifacts. During the audit, the APA found the following issues regarding controls and policies surrounding historical artifacts at the memorial in Richmond. The War Memorial will need to work with its fiscal agent, Department of Veterans Services, to address some of these issues.

- *Segregation of Duties*

The War Memorial's Curator is the sole person responsible for entering and deleting historical artifacts in the fixed asset system, Past Perfect. The Curator is also the sole person responsible for taking inventory and controlling historical artifacts for the War Memorial.

Segregation of duties must exist between persons physically responsible for assets and those recording the assets. Without segregating these duties, the War Memorial limits its ability to hold the Curator accountable for historical artifacts in his control. The War Memorial should work with its fiscal agent, Department of Veterans Services, to ensure the proper controls exist surrounding the recording of historical artifacts.

- *System Back-up*

The War Memorial maintains a back-up copy of their Past Perfect system and data on-site; however, there is no copy of the system or data kept off-site as a backup. Off-site back-up data is essential for disaster recovery and knowing the extent of losses if there is heavy damage to the memorial and its historical artifacts.

- *Change Policy or Capitalize Collection*

The War Memorial has not assigned a value to its collection of historical artifacts or adopted the necessary policies needed to exclude them from capitalization requirements.

The governmental accounting standards used by the Commonwealth allow agencies not to capitalize their collections if they meet all of the following requirements.

- The collection is for public exhibition, education, or research in furtherance of public service, rather than financial gain.
- The organization protects, keeps unencumbered, cares for, and preserves the collection.
- There is an organizational policy that requires the use of the proceeds from sales of collection items to acquire other items for collections.

While the War Memorial's collection meets the first two requirements, the War Memorial's current policy does not meet the third requirement because it allows the use of funds earned through the sale of historical artifacts for the care of the current collections and not exclusively for acquiring other items for the collection.

- *Collection of Artifacts*

The War Memorial has routinely accepted gifts of various military items from the general public, including such items as uniforms and antique firearms. However, as the APA reported last year, the War Memorial did not have the required approval of the Governor to accept gifts. On February 10, 2011 the War Memorial received the Governor's approval for recent donations to the War Memorial. However, the Governor did not approve a blanket authorization for all future, unspecified donations.

Instead, the approval instructed the War Memorial that it should submit requests for approval of any future specific donation prior to accepting it from the donor. As of the date of the report, the Board of the War Memorial has not adopted a formal resolution instructing the War Memorial's staff not to accept future donations from the public without the written approval of the Governor as required by Chapter 874, 2010 Acts of Assembly, §4-2.01. Without the Board communicating this expectation, the staff may find it difficult to stop the practice of accepting historical artifacts.

The Board for the War Memorial should evaluate policies related to the sale of historical artifacts to determine if they should institute a policy change in light of the Commonwealth's reporting requirements. Further, the Board should establish policies of accepting historical artifacts as a result of the Governor not granting a blanket authorization for accepting future donations. The Department of Veterans Services should evaluate the War Memorial's current system and process for reporting and controlling historical artifacts and determine if they can ensure that the War Memorial staff maintain a proper segregation of duties and that it can back-up its information off-site for disaster recovery.

3. Determine Which Agency is to Record Capital Assets. The Department of General Services (General Services) completed construction on the War Memorial expansion during 2010. As part of the construction, General Services purchased assets for War Memorial, which meet the Commonwealth's criteria for capitalization and financial reporting. Neither

General Services nor the War Memorial's fiscal agent, Department of Veterans Services, has capitalized these assets. The War Memorial should come to an agreement with General Services as to who has responsibility for recording these assets and their value and useful life for financial reporting.

Technology

Virginia Information Technologies Agency (VITA)

1. Maintain Adequate Oversight of Technology Procurements. **This is a repeat finding.** VITA's Supply Chain Management Division (Supply Chain) has responsibility for the procurement of information technology and telecommunications goods and services for its use and the use of other state agencies. During the last audit, the APA found that VITA did not have a process to determine that agencies were appropriately routing IT purchase requests to Supply Chain for review and approval.

During this audit, the APA found that, although VITA has developed a plan to determine if agencies are appropriately routing IT purchase requests to Supply Chain for approval, VITA had not placed the process into effect during the audit period. VITA took the following steps toward correcting this issue.

- Supply Chain worked with DGS to eliminate the default of R01 for the PO Category field in the state's electronic procurement system (eVA) so that an agency must select the category of purchase such as technology, supplies, etc. by July 29, 2011. DGS has also created a link from eVA to VITA's procurement website.
- Supply Chain is developing a non-compliance reporting mechanism that will distribute reports to Agency IT Resources (AITRs) for review. Agencies will self-report noncompliance and VITA will take appropriate action. Supply Chain plans to begin this monitoring by the end of May 2011.
- Supply Chain modified its website to make it easier for agencies to determine what purchases require either VITA, Northrop Grumman, or only the agency approval prior to procurement.

VITA should continue to work to implement these processes to improve compliance with their policies and the statute. This process should work to ensure that agencies do not circumvent the required evaluation of IT goods and service purchase requests and allow Supply Chain to ensure purchases are made from lower cost state contracts. Further, enforcement of this policy should allow VITA to identify agency-procured items which should have been included in the Partnership and mitigate the risk of these occurrences.

2. Strengthen Inventory and Billing Controls. **This is a repeat finding.** Northrop Grumman must maintain an accurate inventory by individual agency. VITA uses these inventory records to generate individual agency bills. Prior to Amendment 60, each agency certified as to how much physical inventory was in the agency's possession. This certification process determined the baseline usage that VITA and Northrop Grumman agreed to in Amendment 60; however, Northrop Grumman continues to perform validation and

verification over inventory to keep track of changes or discrepancies in the original inventory amounts.

In the last audit, it was noted that VITA inappropriately billed agencies because of inaccuracies in Northrop Grumman’s inventory records. With Amendment 60, the agency and Northrop Grumman should have eliminated the majority of inventory inaccuracies since each party agreed to the counts. The only changes to inventory levels at individual agencies should be changes the agency requests, errors found through the verification and validation process to identify equipment in use, or increased consumption of some virtual resources. During the current year, the APA selected six agencies to test the accuracy of the billed inventories to ensure that VITA charged only approved rates, and to ensure that only agency requested changes affected the billable inventories. From those agencies tested, the APA found the following for the month of January 2011.

Agency	Total Number of Inventory Items	Total Number of Items Tested	Net over/(under) billing
Department of Taxation	2,815	36	\$606.46
Department of Behavioral Health and Developmental Services	1,812	30	456.29
Hiram Davis Medical Center	118	30	1,828.70
Library of Virginia	193	30	271.98
State Police Headquarters	720	30	693.73
Center for Innovative Technology	51	30	-
Total			\$3,857.16

The APA also reviewed equipment additions for the month of January for the six agencies listed above to determine that the agency requested all additions. At the Department of Taxation, six items were found on the January bill which the agency had not requested, but were merely corrections of understated inventory records by Northrop Grumman. At the Department of Behavioral Health and Developmental Services, the APA found that 90 of the 99 additions to the bill the agency had not requested, but were corrections made by Northrop Grumman. At Hiram Davis Medical Center, the APA found 23 additions to the January bill, none made by the agency. Hiram Davis Medical Center submitted a billing dispute to VITA for these items. After further follow up on this matter, it was determined that the agency had an overbilling of \$23,294 for the month of January.

At the Library of Virginia (Library), the APA found the Library did request three of the six additions to the January bill. While the Library did not request the other three items, the Library admits to having added the items previously, but VITA did not previously bill for the usage. At State Police, the APA found they had requested all additions. At the Center for Innovative Technology there were no additions to the bill and none requested by the agency.

While reviewing bills for two of the six agencies, Department of Behavioral Health and Developmental Services and Hiram Davis Medical Center, the APA found several instances of items charged to these agencies’ bills belonging to other agencies. At the Department of

Behavioral Health, 17 of the 30 items tested were email accounts belonging to employees of other Health and Human Resources agencies. At Hiram Davis Medical Center, two of the 30 items tested were equipment belonging to Southern VA Training Center. Upon further investigation, it was determined that of the 23 additions to Hiram Davis's January bill, seven equipment items should be additions for Southern VA Training Center.

The APA recommends that Northrop Grumman and VITA continue to work to ensure that inventory quantities are correct for billing purposes at each agency.

3. Create a Time Frame for Resolving Inventory Disputes (Prior Audit Title: *Improve Policies and Procedures over Asset Inventory*). **This is a repeat finding and progress has been made.** The APA also reviewed accounts receivable for fiscal year 2010 and found that, on average, one to three months was a normal time period in resolving many inventory disputes. For this reason, they reviewed receivables greater than 90 days reported as being collectible.

Of these receivables, the APA selected for testing the five agencies with the largest accounts receivables balances greater than 90 days at the end of fiscal year 2010. These five agencies made up 79 percent of total receivables greater than 90 days, or \$2.8 million. It was found that approximately \$2 million of those receivables, VITA subsequent to June 30, 2010, wrote off due to incorrect inventory counts. The APA also found that of the remaining \$785 thousand, VITA only collected \$391 thousand from agencies while \$394 thousand remains in dispute. Some of the outstanding receivables date back to the beginning of fiscal year 2008 with no resolution until the beginning of fiscal year 2011.

The APA recommends that VITA and Northrop Grumman set a time frame for resolving inventory disputes and establish deadlines for the resolution of future inventory disputes. This process will result in reducing the write off of accounts receivables after fiscal year end.

4. Ensure Cost Allocation Plan Recovers all Costs (Prior Year Title: *Establish and Document Procedures for the Creation of Rate Structures*). **This is a repeat finding and progress has been made.** The rate development process involves multiple calculations, historical data, and projections to determine an equitable rate based on the cost of providing services. Base rates, or Northrop Grumman charged rates, for each resource are in Amendment 60 to the contract, and this amendment includes the base quantities, or agreed upon baseline usage for each resource unit.

In order to determine agency bills, VITA must multiply the base rates by the base quantities. Added to this amount is the overhead applicable to each resource as allocated by VITA. For example, for desktop computers, VITA multiplies the base price by the base quantity and adds the percentage for Northrop Grumman fees such as the desktop computing tower fee and network security fees. VITA then applies a percentage of its own overhead, mainly facility fees, administrative expenses, and debt recovery to the desktop computers in order to get to the total price that is passed on to customer agencies. Since the last review, VITA documented how the staff developed the rate.

However, when VITA developed the most recently approved rates for fiscal year 2011; it was observed that staff did not utilize all contract baseline quantities and contract fees for

the current contract year. In some instances, rather than utilize the baseline quantities in Modification 60, VITA utilized the most current quantities reported on the invoice received monthly by VITA and provided by Northrop Grumman. This decision was made by VITA because of a desire to reflect the most current usage in the rate structure. By doing this, VITA did not account for baseline quantities reflected at the prices noted in the contract. This approach excludes usage levels that go above or below the contract baseline, which can directly impact the Commonwealth's recovery of the base contract costs due to added or lost resources.

Additionally, VITA used the Resource Unit rates outlined in the contract for the development of all approved rates. However, to smooth out rates for customers for fiscal year 2011 and 2012, in some instances VITA elected to utilize the fixed fees in the contract that are projected to be incurred in subsequent years.

When statewide usage rises above the baseline, this usage results in additional resource charges (ARCs) that decrease the per-unit price to the Commonwealth for resource units above the baseline.

When statewide usage falls below the baseline, reduced resource credits (RRCs) are applied. RRCs do not completely take away the cost per unit of assets not in use, but rather decrease the cost per unit for units no longer in use, but the Commonwealth is still responsible for a portion of the cost of the asset.

This allows Northrop Grumman to recover initial capital costs. For example, the baseline quantity for Unix Physical Enterprise servers is 26 servers at \$7,760.75 each. At December 2010, the quantity in use statewide decreased to 19 servers. This decrease resulted in usage being seven servers below the baseline; therefore, VITA received reduced resource credits but still must pay a portion of the fee for the decrease in units.

The baseline cost for usage of 26 servers is \$201,779.50. As a result of the decrease in usage, the agency is receiving a bill of \$174,412.67 per month. This decrease is the baseline cost less reduced resource fees in the amount of \$27,366.83. Although no longer used, VITA receives a bill for each of the seven servers below the baseline quantity of approximately \$3,909.55 per month, a little less than half the baseline price. VITA is not passing this cost on to agencies since agencies no longer have responsibility for payment of items not in use.

As stated above, VITA is responsible for RRCs when usage falls below the baseline, and based on the current rate structure, does not recover those costs as the agencies are not using the assets. If VITA does not pass this cost on to the customers, VITA will likely have future cash flow deficiencies unless they factor these amounts into the rate structure. Further, the effects of ARC's are not factored into the rate structure. Should overall resource unit quantities that are affected by ARCs rise significantly, VITA risks over-recovering from customer agencies if an adjustment is not made to compensate agencies for reduced per-unit prices if they occur. This is not an immediate threat to VITA, but is a risk that the current rate structure does not consider as inventories may continue to shrink or grow over time.



Additional Recommendations – Quarter Ended June 30, 2011

The APA issued additional recommendations during the quarter ended June 30, 2011 that were not considered internal control audit findings. Recommendations in this section may include risk alerts, efficiency issues, or general comments to management.

Christopher Newport University (CNU)

1. Implement System Functionalities to Increase Efficiencies and Controls.
2. Automate Deferred Revenue Calculations.
3. Automate Holds on Student Accounts.

Norfolk State University (NSU)

1. Systems Development Update.

Department of Veterans Services (DVS)

Virginia War Memorial Foundation (VWMF)

1. Evaluate Coordinating Efforts for Fundraising.

Special Reports – Quarter Ended June 30, 2011

The APA issued the following Special Reports that contained management recommendations:

Goochland County—Report on Treasurer’s Turnover, April 25, 2011

Report to the Joint Legislative Audit and Review Commission for the quarter January 1, 2011 through March 31, 2011

Review of Agency Performance Measures for the year ended June 30, 2010

Review of Armory Financial Management and Other Issues at the Department of Military Affairs - March 15, 2011

Review of the Budget and Appropriation Processing Control System for the year ended June 30, 2010

State of Information Security in the Commonwealth of Virginia, Spring 2011 – as of April 30, 2011

Other Audit Reports Received – Quarter Ended June 30, 2011

The APA issued the following “Other Reports” that contained management recommendations:

Wireless E-911 Services Board for the year ended June 30, 2010

The APA issued the following “Other Reports” that did not contain management recommendations:

Potomac River Fisheries Commission for the year ended June 30, 2010

Rappahannock River Basin Commission for the years ended June 30, 2009 and June 30, 2010

Urban Public-Private Partnership Redevelopment Fund and the Virginia Removal or Rehabilitation of Derelict Structures Fund for the fiscal year ended June 30, 2010

Virginia Small Business Finance Authority for the year ended June 30, 2010

Virginia State Bar for the year ended June 30, 2010



Summary 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 summarized in this report.

It is important to note that the finding status reported is self-reported by the agencies and will be subject to subsequent review and audit. Corrective action is considered to be delayed when it has not been completed by the original targeted date. Additional detail for the status of each finding is provided in the subsequent table.

	IN PROGRESS		COMPLETED	
	On Schedule	Delayed	On Schedule	Delayed
Administration				
State Board of Elections	1	1	0	0
Agriculture and Forestry				
None				
Commerce and Trade				
Department of Business Assistance	0	1	0	0
Department of Housing and Community Development	0	0	1	0
Education				
Eastern Shore Community College	0	1	0	0
Christopher Newport University	0	1	0	0
George Mason University	1	0	0	0
Norfolk State University	2	0	0	0
Old Dominion University	1	0	0	0
Virginia Polytechnic Institute and State University	1	0	1	0
Virginia State University	0	1	0	1
Frontier Culture Museum of Virginia	0	1	0	0
Executive Offices				
Office of the Attorney General	0	0	2	0
Finance				
Department of Taxation	0	1	0	1
Health and Human Resources				
Comprehensive Services for At-Risk Youth and Families	0	0	0	1
Department for the Aging	0	1	0	0
Department of Behavioral Health and Developmental Services	3	2	2	3
Department of Health	1	0	1	0
Department of Medical Assistance Services	1	0	0	1
Department of Rehabilitative Services	0	1	2	0
Department of Social Services	1	4	0	0

	IN PROGRESS		COMPLETED	
	On Schedule	Delayed	On Schedule	Delayed
Natural Resources				
Department of Conservation and Recreation	0	0	0	1
Virginia Museum of Natural History	0	1	2	0
Public Safety				
Department of Alcoholic Beverage Control	0	0	0	3
Department of Corrections	0	2	0	1
Department of Criminal Justice Services	0	0	0	1
Department of Emergency Management	1	0	1	0
Department of Forensic Science	0	1	0	0
Department of Juvenile Justice	0	2	0	0
Department of Military Affairs	0	1	3	0
Department of State Police	1	1	0	0
Technology				
Virginia Information Technologies Agency	0	2	0	4
Transportation				
Department of Motor Vehicles	1	0	0	0
Department of Transportation	0	1	0	0
Virginia Port Authority	1	0	0	0
TOTALS	16	26	15	17



Status of Prior Audit Findings

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

The first two digits of the finding number are the fiscal year audited in which the finding occurred. The next two digits represent the number of the finding that occurred in the year audited. Multiple finding numbers for one finding represent repeat findings.

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>State Board of Elections (SBE)</u>				
2010	10-01	Improve federal financial status reporting process.	The SBE fiscal officer submitted amended reports to EAC for the grant years 2009 and 2010. Additionally, draft procedures have been written in order to prevent similar occurrences in the future. SBE will finalize the Federal Financial Status Reporting and Reconciliation Procedures prior to September 30, 2011.	In Progress (On Schedule)
	10-02 08-02	Improve information systems security program. This is a repeat finding.	SBE completed a Business Impact Analysis (BIA) in April 2011 and is currently working with DOA to complete a Risk Assessment (RA). The RA is in the final review stages. Both the BIA and RA will evaluate information security risks and, once completed, required changes will be implemented to the information security plan.	In Progress (Delayed)
<u>Department of Business Assistance (DBA)</u>				
2010	10-02 08-03 07-06	Complete the Agency's Information Security Program. This is a repeat finding.	DBA is in the process of implementing a replacement project management database system. An RFP has been completed and a contract is being finalized, which should be completed in 4-6 months.	In Progress (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Housing and Community Development (DHCD)</u>				
2010	10-01	Improve timeliness of sub-recipient monitoring reports.	DHCD has issued all 22 of the sub-grantee monitoring reports and is working to resolve all outstanding issues.	Completed (On Schedule)
<u>Eastern Shore Community College (ESCC)</u>				
2009	09-01	Improve revenue contract management.	ESCC has developed a Request for Proposal for a cold beverage vending contract and the vendor will be procured through the competitive bid process.	In Progress (Delayed)
<u>Christopher Newport University (CNU)</u>				
2010	10-01 09-04	Improve information security management.	Management is hiring a backup for the DBA. In addition, a calendar notification will be sent every 90 days to the users of the systems, their supervisors and the Controller to prompt the changing of passwords. The supervisors are to ensure that passwords are changed. Testing of the password change confirmations will be added to the ARMICS review to ensure compliance.	In Progress (Delayed)
<u>George Mason University (GMU)</u>				
2010	10-01	Improve information security program.	A task force is preparing a critical database log management policy. The Security Office has conducted an initial training for the log management system. The first meeting with other Virginia universities to discuss appropriate policy over administrators' database access was held on June 6. In regard to password controls over faculty and staff, testing is currently in progress to implement LDAP authentication for back office applications.	In Progress (On Schedule)
<u>Norfolk State University (NSU)</u>				
2009	09-01	Improve information security program.	The University is on target to provide training to all employees impacted by improvements in its information security programs by the required June 30, 2011 compliance date.	In Progress (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	09-02	Strengthen clearing procedures over separated employees.	HR will continue to work with the Office of IT to implement its new electronic clearance form by June 30, 2011.	In Progress (On Schedule)
<u>Old Dominion University (ODU)</u>				
2010	10-01	Improve risk management and contingency planning.	The University has hired an Emergency Planning and Continuity of Operations Manager. The framework for the BIA update is in progress. Updates have been sent to committee members for review and comment. Training has taken place with selected individuals and departments and testing and exercises will follow in the coming months.	In Progress (On Schedule)
<u>Virginia Polytechnic Institute and State University (VPISU)</u>				
2010	10-01	Review current operations for opportunities to enhance financial reporting and reduce paperwork.	A benchmarking survey was sent and responses were received from 23 other institutions. In addition, the University interviewed financial reporting staff at three other universities within the Commonwealth of Virginia to gain insight into potential efficiencies in the financial reporting process. Now that the data has been gathered, the University is on track to complete the analysis and prepare the report to be provided to the VP of Finance and CFO by the targeted deadline.	In Progress (On Schedule)
	10-02	Improve database management.	Virginia Tech has implemented logging of critical administrator activity for database administration. The University has also reviewed and updated its formal, written documentation for Oracle database administration practices.	Completed (On Schedule)
<u>Virginia State University (VSU)</u>				
2009	09-01	Improve database management.	VSU is in the process of upgrading Oracle 10g to Oracle 11g. They have taken steps to ensure that database security is in full compliance with University policies and procedures and the Commonwealth IT Security Standards. The Chief Information	In Progress (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
			Security Officer has reviewed and approved Oracle 11g database baseline security configuration and password management using CIS Benchmark standards. Additionally, a Business Continuity Professional is working with the Technology Services Infrastructure team to develop recovery scripts for applications and systems.	
	09-04 08-02	Strengthen controls over capital asset reporting. This is a repeat finding and progress has been made.	Corrective actions are complete and procedures have been updated to reflect the current processes.	Completed (Delayed)
Frontier Culture Museum of Virginia (FCMV)				
2009	09-01	Perform fixed asset reconciliations.	The agency projects that there will be an opportunity to record a fixed asset in the next quarter in order to test the new FAACS policy.	In Progress (Delayed)
Office of the Attorney General and the Department of Law (OAG)				
2010	10-01	Improve Policies and Procedures over Accounting Transactions.	Finance policy document FIN-80 Cost Allocation Checklist has been drafted to address the periodic allocation of costs. Four accounting classification hierarchy documents have also been developed and distributed among Finance and to key members of the Executive Management team, Administrative Support Directors, and Lead (Backup) Secretaries to ensure costs are allocated to the appropriate cost code, program, project, and fund at the earliest point of transaction processing to eliminate and minimize the movement of funds such that only those designated on the checklist within the policy are performed.	Completed (On Schedule)
	10-02	Improve Supporting Documentation for Legal Service Billings.	Finance policy document FIN-10 Legal Billings has been drafted to document the consistent process that is applied to perform legal billings for the Office of the Attorney General such that traceability always exists between	Completed (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
			the amounts billed to clients, hours logged by attorneys, and effective rate applied for the fiscal year (or quarter) based on communication via the annual legal letters sent to each client agency or MOU that exists to govern the client relationship.	
<u>Department of the Taxation (TAX)</u>				
2010	10-01 09-01	Improve database administrator access oversight. This is a repeat finding.	TAX completed the necessary changes to improve the oversight of the Database Administrators.	Completed (Delayed)
	10-02 09-02	Improve system access management. This is a repeat finding.	The application to improve system access management has been implemented and data conversion will continue into December 2011.	In Progress (Delayed)
<u>Comprehensive Services for At-Risk Youth and Families (CSA)</u>				
2010	10-02	Improve Guidance and Background Provided to CPA Firms.	The agency has completed APA audit specs for FY11 local auditors, identified proposed statewide training sites, and identified stakeholder agency representatives. Training coordination and development is complete and ongoing.	Completed (Delayed)
<u>Department for the Aging (VDA)</u>				
2010	10-01	Improve sub-recipient monitoring program.	VDA has met with the APA and reviewed their risk based methodology. Aging has also had several meetings to establish the criteria for a risk based assessment. The agencies have been reviewed against the criteria and VDA will meet one final time to review the overall rankings.	In Progress (Delayed)
<u>Department of Behavioral Health and Developmental Services (DBHDS)</u>				
2009	09-07	Strengthen timekeeping operations.	This finding was not repeated within the FY 2010 APA audit for the Agencies of the Secretary of Health and Human Resources. As a result, all corrective action has been completed.	Completed (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
2010	10-01	Properly manage energy contracts and debt.	The department continues to attempt to recoup the interest savings associated with the prepayment.	In Progress (On Schedule)
	10-02	Accurately report energy contract debt to the Commonwealth's Controller.	Department will work to improve the process as part of the fiscal year 2011 year end close and financial reporting cycle.	In Progress (On Schedule)
	10-03 09-06	Remove terminated employees timely from payroll. This is a repeat finding.	Resolution of the issue is a part of the performance standards of the Facility Directors at each of the involved facilities.	Completed (Delayed)
	10-04 09-09	Coordinate independent peer reviews. This is a repeat finding.	Department obtained clarification from the applicable federal grant administering authority, which indicated that they are in compliance.	Completed (Delayed)
	10-05	Use system functionalities to improve payroll processing.	All remaining facilities not on the KRONOS system are being converted to this system now.	In Progress (On Schedule)
	10-06	Promptly remove terminated employees from critical systems.	Audit reports of AVATAR users are run approximately once per quarter to compare to the list of active users. This has solved the problem.	Completed (On Schedule)
	10-07 09-04 08-05 07-04	Continue improving IT continuity of operations and disaster recovery plans. This is a repeat finding.	The Department continues to make progress.	In Progress (Delayed)
	10-08	Manage infrastructure security risk.	DBHDS continues to work with VITA on this issue.	In Progress (Delayed)
	10-09 09-03 08-04	Improve information security awareness training. This is a repeat finding and significant progress has been made.	Procedures and controls to ensure that security awareness training is completed currently exist in the system. At Central Virginia Training Center, however, 182 of 1,171 employees either did not document or receive security awareness training. DBHDS has made this a performance standard of the Facility Director.	Completed (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Health (DOH)</u>				
2010	10-01	Use system capabilities to ensure proper service delivery.	Development of Crossroads and eWIC continue. Pilot testing (one local health district) is scheduled to take place in September, 2012. State Roll-out is scheduled to begin November, 2012.	In Progress (On Schedule)
	10-02	Improve information security program.	DOH has re-written the IT Security Manual to incorporate both the agency's and Commonwealth's security policies. DOH has also documented the IT Security Policy and the associated processes/procedures tied to that Policy. Additionally, DOH has created several standard templates for BIAs, RAs, and COOPs for various systems. A revised security plan has been provided to the APA.	Completed (On Schedule)
<u>Department of Medical Assistance Services (DMAS)</u>				
2010	10-01	Obtain valid social security numbers.	The DMAS Eligibility Policy staff recently completed a series of trainings with eligibility workers and supervisors in each region of the state. Policy clarification regarding the requirement to obtain valid Social Security numbers was provided during the training. Medicaid policy at M0240.001 has been updated to require local department of social services staff to verify an individual's SSN. Policy directs the worker to use either the State Verification Exchange System (SVES) or the State Online Query-Internet system (SOLQ-I) to verify an individual's SSN with the Social Security Administration. The only corrective action remaining is to verify that system changes for SSN are operating as intended.	In Progress (On Schedule)
	10-02	Improve payment transparency.	DMAS implemented a new process that will provide the details of administrative payments that are processed through the Medicaid Management Information System (MMIS) into CARS.	Completed (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Rehabilitative Services (DRS)</u>				
2010	10-01	Improve timeliness of eligibility determination.	DRS has re-trained VR counselors on the VR eligibility extension regulations. Additionally, Documentation will continue to be reviewed and additional procedures have been instituted.	Completed (On Schedule)
	10-02	Improve system application controls.	Policies have been established to address the issue.	Completed (On Schedule)
	10-03	Improve information system security program.	DRS has completed an internal audit of the Information Security Program and identified a corrective action plan for areas of non-compliance. The majority of corrective actions have been completed. However, additional staff was needed in order to complete the remaining items and this hiring process resulted in delays.	In Progress (Delayed)
<u>Department of Social Services (DSS)</u>				
2010	10-01 09-06	Establish enforcement mechanisms for foster care and adoption payments. This is a repeat finding and progress has been made.	The Outcome Based Reporting and Analysis Unit have implemented a progressively severe enforcement mechanism for ensuring compliance with the OASIS reconciliation process. Local departments that are not compliant are now being contacted by the Director of Family Services. The service request to build a local financial management interface to connect local payment systems to OASIS has been put on hold. Outside vendors are being pursued for a solution.	In Progress (Delayed)
	10-02	Use system functionalities to improve financial operations.	The Division of Finance developed a work plan to evaluate the recommendations made by the APA. Early indications are that some of the recommendations can be implemented. However, DSS has not been able to determine what can be implemented based possible system limitations.	In Progress (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	10-03 09-04	Continue improving system access. This is a repeat finding and progress has been made.	The review of ADAPT System access is in progress. It started the first week of May and should be completed ahead of original schedule.	In Progress (Delayed)
	10-04 09-02	Improve and comply with information security program. This is a repeat finding and progress has been made.	The Department implemented individual accounts/passwords for all database administrators and activated auditing to comply with Oracle Recommended Best Practices. A dedicated network monitoring analyst started work on July 10, 2011 and has started the planning of a program to monitor and audit account activities as necessary.	In Progress (Delayed)
	10-05	Finalize responsibilities for infrastructure security. This is a repeat finding that requires Partnership action.	On June 3, 2011, a meeting was held involving DSS, VITA, and NG to review the initial MOU and appendices. Appendix B, which assigns roles and responsibilities between each organization, is critical to the MOU and has not yet been completed and approved by the three parties.	In Progress (Delayed)

Department of Conservation and Recreation (DCR)

2009	09-01 FY07	Continue to improve technology security program. This is a repeat finding.	All corrective action has been completed.	Completed (Delayed)
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Virginia Museum of Natural History (VMNH)

2010	10-01	Properly complete inventory.	Inventory was initially delayed as a result of VMNH moving from Douglas Avenue to Starling Avenue. An inventory has now been conducted at both locations and the agency has resolved to ensure that a complete inventory is conducted every two years.	Completed (On Schedule)
	10-02	Improve internal controls over expenditures.	VMNH has taken measures to correct these weaknesses by improving their expenditure processing procedures.	Completed (On Schedule)
	10-03	Improve information security program.	All VMNH staff has completed Security Awareness Training. The agency is working on IT security policies and procedures	In Progress (Delayed)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
			and is developing a Business Impact Analysis (BIA) and Risk Assessment (RA). This BIA & RA will work in concert with the COOP Plan.	
<u>Department of Alcoholic Beverage Control (ABC)</u>				
2010	10-01 09-01	Improve Systems Access Processes and Monitoring. This is a repeat finding and progress has been made.	The Security Program is complete as of June 2011. ABC Board members have signed and approved the Program. During their annual audit, APA has found it to be adequate.	Completed (Delayed)
	10-02	Use Automated Workflow Process.	ABC management has locked and secured interface files processed internally, prior to release to the CARS system. A number of additional compensating controls have also significantly reduced workflow/ interface file risk. This includes regularly scheduled reconciliations, limited user access, and separation of duties.	Completed (Delayed)
	10-04 09-02	Improve Database Security Monitoring. This is a repeat finding and progress has been made.	The Agency DBA developed database reports based on Oracle audit logs: (1) unsuccessful login attempts, (2) use of DBA privileges at unusual hours, and (3) unsuccessful attempts of any actions beyond logging into the database. A daily exception report is produced and automatically emailed to the DBA, ISO, Deputy ISO, and IT Auditor. The DBA has also documented database backup procedures.	Completed (Delayed)
<u>Department of Corrections (DOC/CA)</u>				
2009	09-04	Improve procedures for monitoring vehicle and fuel card use.	DOC is performing a cost benefit analysis on monitoring fuel cards and plans to implement policies and procedures based on the results of the analysis.	In Progress (Delayed)
	09-05	Improve procedures for tracking vehicle inventory.	DOC will modify an existing spreadsheet to reflect FAACS ID numbers for each vehicle. Additionally, DOC policy and procedures will be revised to reflect this mandatory verification.	In Progress (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	09-06	Update IT risk management plans.	Corrective action is completed per FY 2010 APA Report.	Completed (Delayed)
<u>Department of Criminal Justice Services (DCJS)</u>				
2009	09-02	Improve communications practices.	An external grant communication policy to clarify communication between the agency and grantees has been completed.	Completed (Delayed)
<u>Department of Emergency Management (DEM)</u>				
2010	10-01	Improve controls over small purchase charge cards.	There was a miscommunication with the APA that the Accounts Payable Manager is the Program Administrator. This is not the case, so there is sufficient separation of duties. Further, the review that went unsigned for nine months was reviewed timely. Written approvals will be applied in a timely fashion in the future.	Completed (On Schedule)
	10-02	Properly cross-train essential IT responsibilities.	This corrective action remains contingent on hiring an IT Director, which is still in progress.	In Progress (On Schedule)
<u>Department of Forensic Science (DFS)</u>				
2009	09-01	Evaluate risks related to aging hardware and non-participation in the IT partnership.	The Agency Transformation Plan is completely dependent upon Northrop Grumman (NG). NG currently estimates completion of transformation by October 28, 2011, but has not provided a revised comprehensive plan that supports the credibility of that targeted completion date.	In Progress (Delayed)
<u>Department of Juvenile Justice (DJJ)</u>				
2010	10-01	Improve internal controls over contract administration.	A new contract administrator has been appointed who has implemented a new process for verifying reimbursements requested by Anthem. The Department is in the process of hiring a Health Services Administrator who will assume the duties of the contract administrator upon hiring. Hiring should take place by September 30, 2011.	In Progress (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	10-02	Improve Oracle database security.	DJJ has established a report that details users who have not accessed their accounts within 30 days. A weekly review is being performed and contacts made as necessary. Audit trail entries for Database Administrators are being automatically sent to a server where the DBA does not have permission to edit or delete. Those logs are being reviewed monthly. The Database Administrator has applied necessary change and patch management, but when trying to transfer to additional server, failure occurs. Negotiations with VITA/NG are continuing regarding backup and restoration procedures.	In Progress (Delayed)

Department of Military Affairs (DMA)

2010	10-01	Improve Segregation of Duties over Challenge Accounts.	Two vacant positions in the Finance Office have been filled and reconciliation of the Petty Cash account has been handed over to the Reconciliations Senior Accountant. The Deputy Finance Director and the Budget Manager continue to have signatory authority on the petty cash account.	Completed (On Schedule)
	10-02	Improve Compliance with Eligibility Requirements in Challenge Program.	Proper eligibility requirements were applied to incoming cadets for the January 2011 class. The appropriate Challenge staff members have been trained regarding proper documentation requirements and file maintenance periods.	Completed (On Schedule)
	10-05	Improve Internal Controls over the I-9 Process.	Completion and review of I-9s is now performed solely by DMA's HR staff.	Completed (On Schedule)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	10-06	Strengthen Recording and Tagging of Equipment.	Equipment procured through June 30, 2010 will be inventoried and booked in FAACS by June 30, 2011. All FY 11 equipment will be inventoried and booked in FAACS by January 1, 2012. An agency-wide inventory will be performed by May 30, 2012 and fixed assets will be completely in compliance with all state guidelines at that point. In order to accomplish this, an additional Special Accountant will be hired within 45 days.	In Progress (Delayed)
<u>Department of State Police (VSP)</u>				
2009	09-02 07-07 05-05	Improve fleet management process. This is a repeat finding and progress has been made.	The requirements document to be used for a procurement solicitation to select a vendor to implement the corrective actions is complete. The procurement section is currently preparing the Request for Proposal (RFP); the RFP should be posted by July 31, 2011.	In Progress (Delayed)
	09-03	Upgrade database system software.	The VSP has replaced 4 MAPPER programs. Three projects are underway and will result in the replacement of 7 additional programs. A consultant was procured to begin gathering requirements for STARS asset tracking requirements are almost complete and additional funding will be needed.	In Progress (On Schedule)
<u>Virginia Information Technologies Agency (VITA)</u>				
2008	08-02	Establish and document procedures for classifying assets in service option 5.	Policies and procedures have been completed per FY 2010 APA Audit.	Completed (Delayed)
	08-04	Improve reporting to allow comparison of revenue versus allowable costs.	The necessary components of the Cost Allocation Plan meet OMB Circular A-87 requirements per FY 2010 APA Audit.	Completed (Delayed)
	08-05	Establish and document procedures for the creation of rate structures.	Policies & procedures for the Cost Allocation plan, including rate reviews, are planned for end of the third quarter.	In Progress (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	08-09	Properly monitor system access.	All corrective action has been taken per FY 2010 APA Audit.	Completed (Delayed)
	08-11	Adequately segregate system access responsibilities.	VITA has made system access changes to further segregate duties between users and have developed an annual monitoring process for PeopleSoft access per FY 2010 APA Audit.	Completed (Delayed)
	08-14	Adequate oversight over technology procurements.	VITA has developed a plan to determine if agencies are appropriately routing IT purchase requests to Supply Chain for approval and is working toward implementing those processes.	In Progress (Delayed)

Department of Motor Vehicles (DMV)

2010	10-01	Enhance information system security program.	DMV will review all IT security policies and procedures comprising the IT Security Program in order to remove or reconcile all redundancies and conflicts. Policy changes will be made to improve security awareness training and logical access compliance. DMV will consolidate and revise all IT security procedures that will then be referenced in the new IT Security Policy and maintained in a separate IT Security Procedures Manual. The new policy will include a requirement for all changes to the policy to be given to management for review and approval within 30 days of their development. The new policy will also include a requirement for an annual review and assessment of the DMV IT Security Policy in light of new requirements or changes in internal/external requirements. Lastly, DMV will use the newly completed BIA and RA to review, assess, and update their entire Disaster Recovery and Continuity of Operations Plan.	In Progress (On Schedule)
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Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Transportation (VDOT)</u>				
2010	10-01	Improve contingency and disaster recovery plan compliance.	VDOT has finished drafting the Business Impact Analysis and Risk Assessment by the intended date. However, the documents still must be reviewed, approved, and implemented into COOP procedures. All necessary documents will be finalized by August 31, 2011.	In Progress (Delayed)
<u>Virginia Port Authority (VPA)</u>				
2010	10-01	Improve IT Security Program.	VPA is negotiating services from a contractor to assist in the implementation of their Information Security Risk Mitigation process utilizing the recommended program structure (COBIT) using NIST Special Publication 800-53 controls. A contract for services should be complete within the next two to three weeks. Implementation of the full plan will take from twelve to eighteen months from the project start date.	In Progress (On Schedule)



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 4/29/2011, 5/31/2011, 6/30/2011 and 7/15/2011 respectively.

Confirmations Late or Outstanding

As of August 15, 2011

Agency	Mar	Apr	May	Jun
Chippokes Plantation Farm Foundation	5/31/2011	-	-	-
Department of Military Affairs	-	-	-	O/S
Department of Game and Inland Fisheries	-	O/S	O/S	O/S
Eastern State Hospital	-	-	08/10/2011	-

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

* The FY 2011 Year-End Closing Memorandum to the heads of all state agencies and institutions and all fiscal officers requires that the final June Confirmation be received in the Comptroller's Office by 5:00 p.m. on July 15, 2011. Fax copies were accepted on July 15 with the expectation that the original would be received by July 20, 2011.

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, 2011, 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, 2011, no agencies failed to respond timely, make corrective action and/or provide additional information.

Trial Balance Review

As of July 31, 2011

Agency	March	April	May	June
None				

Analysis of Appropriation, Allotments and Expenditures, and Cash Balances

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

DOA contacts agencies in writing about credit cash balances and appropriations versus expenditure anomalies. For the quarter ended June 30, 2011, no agencies failed to respond timely, make corrective action and/or provide additional information.

Credit Cash, Excess Expenditures, and Expenditure Credits

As of July 5, 2011

Agency	April	May	June
None			

Disbursement Processing

During the quarter ended June 30, 2011, DOA deleted, at the submitting agency’s request, 25 payments that were awaiting disbursement from the vendor payment file. These included duplicate payments, payments with incorrect vendor indicators and payments with incorrect vendor name, address or amount. These types of transactions may point to areas where improved agency internal accounting

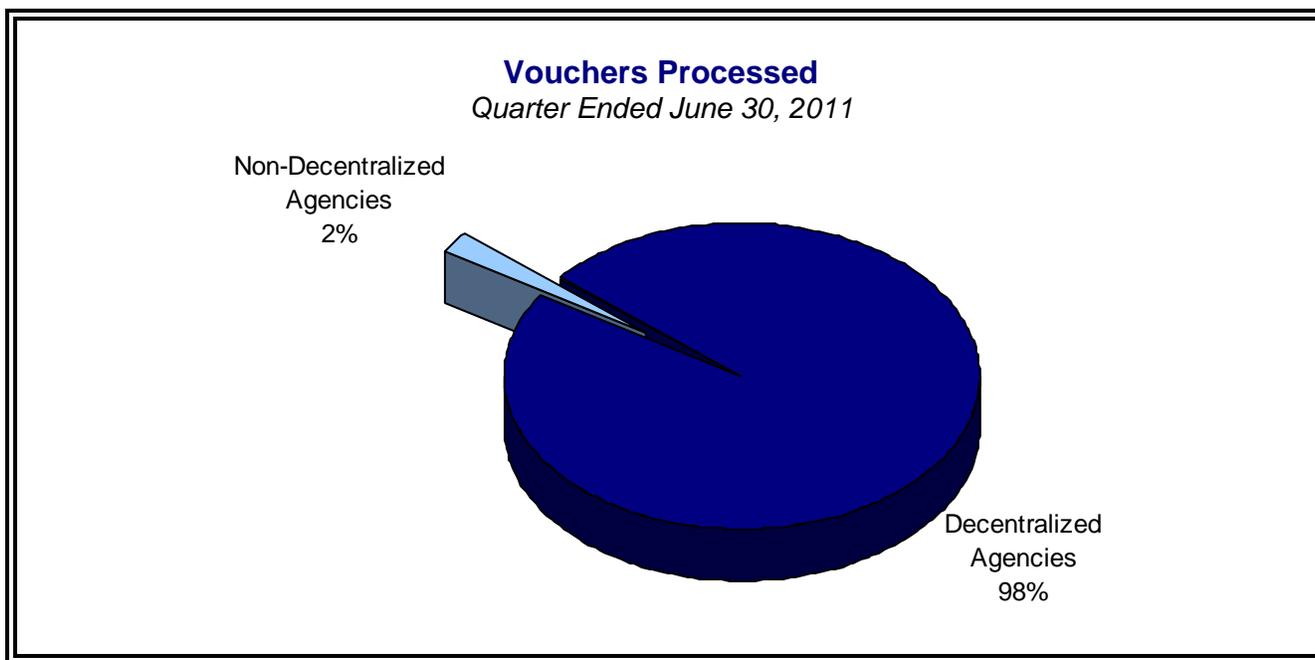
controls should be evaluated. Nineteen agencies requested deletes during the quarter. For the quarter ended June 30, 2011, no agencies requested more than four vendor payment deletions.



Paperwork Decentralization

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

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



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

Decentralized Agencies

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

A formal corrective action plan is required for agencies in which significant compliance findings were noted. DOA will perform a follow-up review, within 6 to 12 months, to verify the actions taken by the agency adequately addressed the findings noted in the original report.

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

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

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

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

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

Compliant Agencies

Department of Health	Supreme Court
State Corporation Commission	Circuit Courts
University of Mary Washington	Court of Appeals of Virginia
Department of Veterans Services	Combined District Courts
Sitter-Barfoot Veterans Care Center	General District Courts
Virginia Veterans Care Center	Judicial Inquiry and Review Commission
Southern Virginia Mental Health Institute (Follow-up Review)	Juvenile and Domestic Relations District Courts
	Magistrate System
	Virginia Criminal Sentencing Commission

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



Non-Decentralized Agencies

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

officers, for whom this additional safeguard is warranted.

During the quarter, DOA reviewed all non-decentralized agencies. A total of 1,067 non-travel disbursement batches and 383 travel disbursement batches were reviewed, disclosing 13 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, 2011		Fiscal Year 2011 To-Date		Comparative Quarter Ended June 30, 2010	
	Late	Total	Late	Total	Late	Total
Number of Payments	7,368	621,314	24,069	2,448,189	4,905	600,878
Dollars (in thousands) \$	31,850	1,720,250	133,072	6,443,121	\$ 34,817	1,559,790
Interest Paid on Late Payments				\$33,745		
Current Quarter Percentage of Payments in Compliance				98.8%		
Fiscal Year-to-Date Percentage of Payments in Compliance				99.0%		
Comparative Fiscal Year 2010 Percentage of Payments in Compliance						99.1%



Prompt Payment Performance by Secretarial Area
Quarter Ended June 30, 2011

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.8%	99.7%
Agriculture and Forestry	99.6%	99.9%
Commerce and Trade	99.5%	99.8%
Education*	98.6%	98.4%
Executive Offices	98.8%	94.7%
Finance	99.8%	99.9%
Health and Human Resources	99.3%	96.4%
Independent Agencies	99.5%	97.9%
Judicial	99.9%	99.9%
Legislative	100.0%	100.0%
Natural Resources	93.4%	97.7%
Public Safety	99.6%	99.0%
Technology	99.5%	99.2%
Transportation*	99.1%	96.4%
Statewide	98.8%	98.1%

Prompt Payment Performance by Secretarial Area
Fiscal Year 2011

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.7%	98.7%
Agriculture and Forestry	99.5%	99.5%
Commerce and Trade	98.9%	99.3%
Education *	99.0%	98.3%
Executive Offices	99.0%	96.0%
Finance	99.8%	94.1%
Health and Human Resources	99.1%	97.6%
Independent Agencies	98.9%	97.9%
Judicial	99.9%	99.9%
Legislative	99.9%	99.8%
Natural Resources	97.2%	95.9%
Public Safety	99.5%	98.9%
Technology	99.7%	99.6%
Transportation*	98.7%	95.0%
Statewide	99.0%	97.9%

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

For the quarter ended June 30, 2011, the following agencies 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, 2011**

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
Education			
The College of William and Mary in Virginia	1,886	14,029	86.6%
Health and Human Resources			
Southeastern Virginia Training Center	153	786	80.5%
Natural Resources			
Department of Game and Inland Fisheries	1,131	4,286	73.6%

For FY 2011, the following agencies that processed more than 200 vendor payments

during the year were below the 95 percent prompt payment performance standard.

**Prompt Payment Compliance Rate
Agencies Below 95 Percent
Fiscal Year 2011**

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
Education			
Gunston Hall	36	235	84.7%
Health and Human Resources			
Southeastern Virginia Training Center	599	3,006	80.1%
Natural Resources			
Department of Game and Inland Fisheries	1,138	15,792	92.8%

E-Commerce

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

EDI, Direct Deposit, SPCC and Payline Opt-Out are best practices that demonstrate effective financial management, particularly during difficult economic times. They

increase efficiency in processing and eliminate wasteful use of time, paper, printing, and postage for both large and small vendor payments, payroll, and employee travel reimbursement.

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

Statewide E-Commerce Performance Statistics

	Quarter Ended June 30, 2011			Comparative Quarter Ended June 30, 2010
	E-Commerce	Total	Percent	Percent
Number of Payments	2,535,543	2,936,564	86.3%	87.3%
Payment Amounts	\$ 8,202,918,892	\$ 9,325,031,049	88.0%	86.8%
	Fiscal Year 2011 To-Date			Comparative Fiscal Year 2010
	E-Commerce	Total	Percent	Percent
Number of Payments	9,912,627	11,570,854	85.7%	87.2%
Payment Amounts	\$ 35,059,656,067	\$ 39,698,784,125	88.3%	86.5%

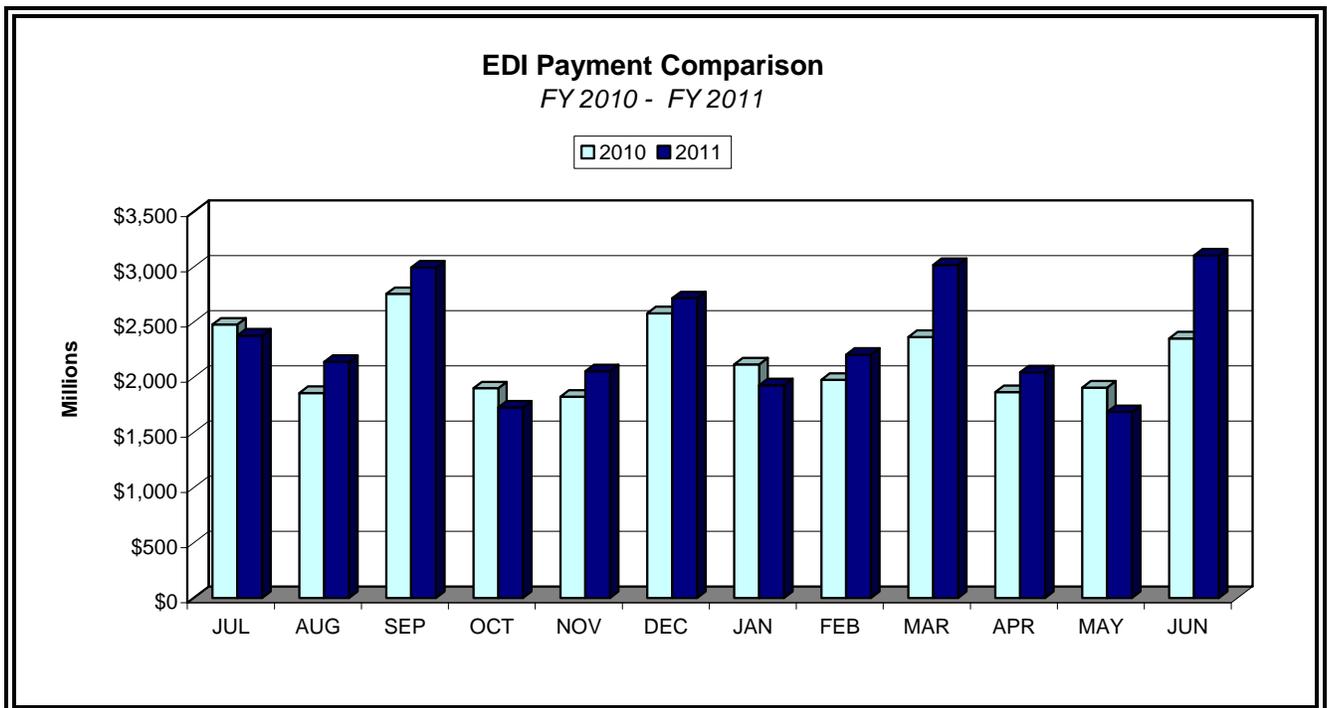
Financial Electronic Data Interchange (EDI)

The dollar volume of Financial EDI payments for the fourth quarter of FY 2011 was \$710 million (11.5 percent) more than the same quarter last year. The number of trading partner accounts increased by 6.6 percent from June 2010. The largest portion of this increase is due to efforts to convert state

employee travel reimbursements from checks to electronic payments. In addition, enrollment by corporations, sole proprietors and grantees has increased significantly due to solicitation by Department of Accounts staff.

Financial EDI Activity

Financial EDI Activity	Quarter Ended June 30, 2011	Fiscal Year 2011 To-Date	Comparative FY2010 To-Date
Number of Payments	62,612	235,885	201,078
Amount of Payments	\$ 6,836,389,339	\$ 28,000,207,399	\$ 25,982,091,067
Number of Invoices Paid	228,590	846,173	732,106
Estimated Number of Checks Avoided	93,956	346,134	306,805
Number of Trading Partner Accounts as of 06/30/11		57,137	53,608



Travel EDI

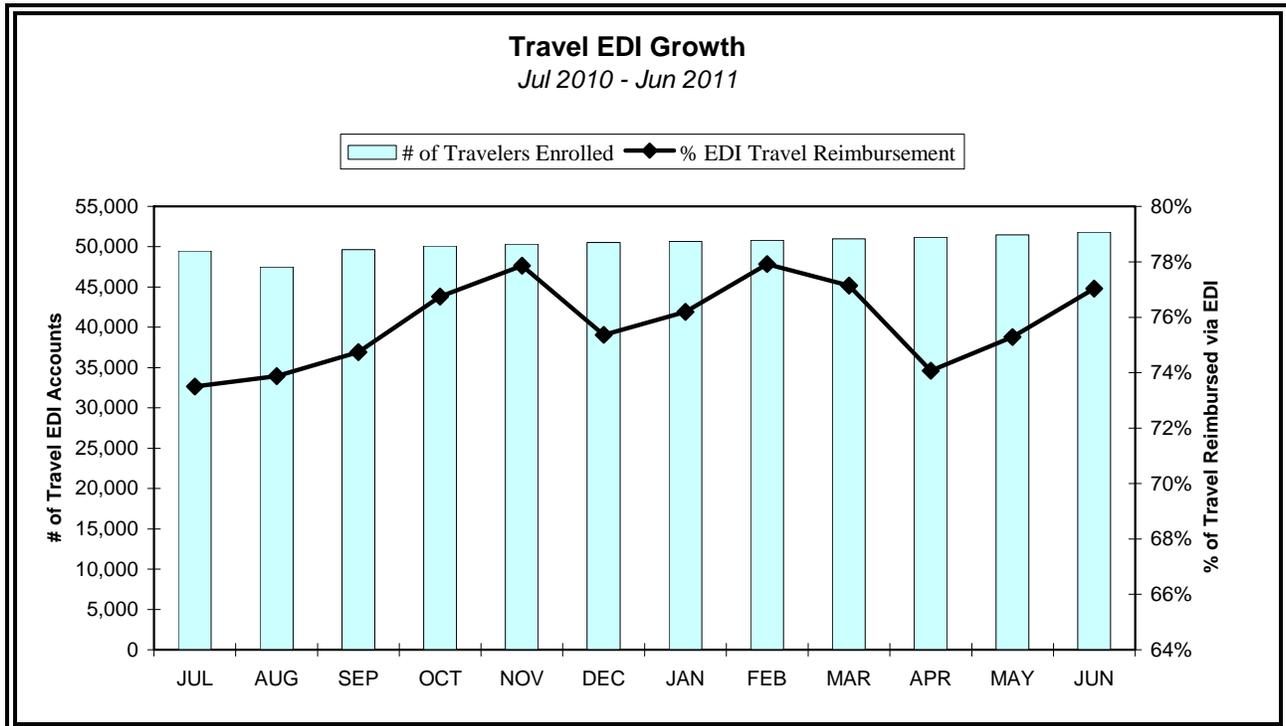
Expansion of the Travel EDI program is an integral part of the statewide effort to reduce the administrative costs associated with paying for goods and services for the Commonwealth. The Appropriation Act requires employees who travel more than twice a year to be reimbursed using EDI. DOA notified agencies 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 §4-5.04f of the Appropriation Act, the Comptroller charges agencies for each travel reimbursement check issued in lieu of Travel EDI. Agencies are expected to take action to enroll applicable employees in the EDI program and thus avoid the fees altogether. For FY 2011, 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, 2011

Secretarial Area	Employee Percent	Non-Employee Percent	Reimbursement Checks Issued
Administration	87.4%	9.1%	35
Agriculture and Forestry	98.3%	12.7%	79
Commerce and Trade	95.9%	69.7%	175
Education (1)	85.7%	24.1%	1,897
Executive Offices	97.5%	16.7%	12
Finance	98.9%	23.1%	17
Health and Human Resources	94.1%	31.5%	942
Independent Agencies	97.1%	40.0%	55
Judicial	28.2%	5.8%	3,608
Legislative	95.2%	25.9%	62
Natural Resources	91.4%	70.8%	151
Public Safety	90.1%	25.5%	717
Technology	93.6%	0.0%	16
Transportation (1)	79.3%	15.1%	511
Statewide for Quarter	82.2%	26.9%	8,277
<i>Fiscal Year 2011 To-Date</i>			
Statewide	82.6%	26.6%	27,231
<i>Comparative Fiscal Year 2010 To-Date</i>			
Statewide	80.5%	26.4%	27,910

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

The following table lists agencies with Employee EDI participation rates below 85 percent that issued more than 25 travel reimbursement checks during the quarter.

These statistics are informational only and **do not** necessarily indicate noncompliance with the Appropriation Act.

**Agency Employee EDI Performance
Utilization Below 85 Percent**

Agency	Percent	Reimbursement Checks Issued
Education		
Virginia State University	83.8%	65
Lord Fairfax Community College	77.2%	31
Northern Virginia Community College	77.0%	101
Southside Virginia Community College	68.6%	54
Norfolk State University	48.4%	192
Judicial		
Magistrate System	82.8%	77
Supreme Court	21.5%	794
General District Courts	17.3%	406
Juvenile and Domestic Relations District Courts	11.5%	537
Combined District Courts	6.4%	262
Circuit Courts	4.6%	756
Natural Resources		
Department of Conservation and Recreation	80.8%	70
Public Safety		
Department of Emergency Management	67.6%	85
Red Onion State Prison	59.4%	26
Augusta Correctional Center	36.4%	28
Transportation		
Department of Transportation	73.1%	362

The following EDI 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. **For this quarter, these statistics are informational only.** The expansion of EDI for non-employees is a cost savings

opportunity for the Commonwealth. Per action by the 2011 General Assembly, non-legislative members of state boards, commissions, etc, that meet three or more times a year must receive their payments via EDI. Failure to comply with this may result in fees per §4-5.04f of the Appropriation Act.

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

<u>Agency</u>	<u>Percent</u>	<u>Reimbursement Checks Issued</u>
Agriculture and Forestry		
Department of Agriculture and Consumer Services	7.9%	58
Education		
Tidewater Community College	3.2%	30
Longwood University	0.0%	104
Christopher Newport University	0.0%	86
Virginia Commission for the Arts	0.0%	44
Virginia Military Institute	0.0%	39
Norfolk State University	0.0%	28
Health and Human Resources		
Department of Health	4.8%	197
Department of Social Services	3.8%	126
Virginia Board for People with Disabilities	2.9%	66
Judicial		
Circuit Courts	5.4%	351
Virginia State Bar	0.0%	239
Public Safety		
Commonwealth's Attorneys' Services Council	6.5%	29
Department of Criminal Justice Services	3.7%	78
Department of Forensic Science	0.8%	121
Transportation		
Board of Towing and Recovery Operations	2.9%	33

The following table lists agencies that have accumulated more than \$450 in employee EDI check charges for the fiscal year and have a utilization rate below 80 percent. Agencies are charged for each travel reimbursement check issued to an employee after their second check of the fiscal year.

For FY 2011, the charge is \$5 per check. These statistics indicate noncompliance with §4-5.04f 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**

<u>Agency</u>	<u>Percent</u>	<u>Year-to-date Charges</u>
Education		
Southside Virginia Community College	68.6%	\$ 395
Norfolk State University	48.4%	925
Judicial		
Supreme Court	21.5%	1,895
General District Courts	17.3%	5,325
Juvenile and Domestic Relations District Courts	11.5%	6,415
Combined District Courts	6.4%	3,155
Circuit Courts	4.6%	11,270
Transportation		
Department of Transportation	73.1%	1,220



Direct Deposit

During the fourth quarter of FY 2011, 449,926 checks were avoided using direct deposit. Effective August 1, 2008, direct

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

Direct Deposit Performance by Secretarial Area

Quarter Ended June 30, 2011

<u>Secretarial Area</u>	<u>Direct Deposit % of Salaried Employees</u>	<u>Direct Deposit % of Wage Employees</u>
Administration	99.5%	100.0%
Agriculture and Forestry	98.8%	95.9%
Commerce and Trade	99.9%	99.7%
Education	99.8%	96.6%
Executive Offices	99.8%	85.7%
Finance	99.3%	99.6%
Health and Human Resources	99.4%	98.7%
Independent Agencies	99.5%	100.0%
Judicial	99.5%	80.0%
Legislative	99.7%	99.3%
Natural Resources	99.3%	92.6%
Public Safety	99.6%	97.9%
Technology	98.9%	100.0%
Transportation	99.9%	98.6%
Statewide	99.6%	96.6%
<i>Comparative</i>		
<i>Quarter Ended June 30, 2010</i>		
Statewide	99.3%	96.0%

Statewide Salaried Direct Deposit Performance

Quarter Ended June 30, 2011

Salaried Direct Deposit Participation	99.6%
--	--------------

Salaried Direct Deposit Below 98 Percent

<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Administration		
Department of Employment Dispute Resolution	77.8%	9
Health & Human Resources		
Department of Medical Assistance Services	97.4%	340
Northern Virginia Mental Health Institute	93.6%	295
Judicial		
Circuit Courts	97.2%	142

Statewide Wage Direct Deposit Performance

Quarter Ended June 30, 2011

Wage Direct Deposit Participation	96.6%
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Wage Direct Deposit Below 90 Percent

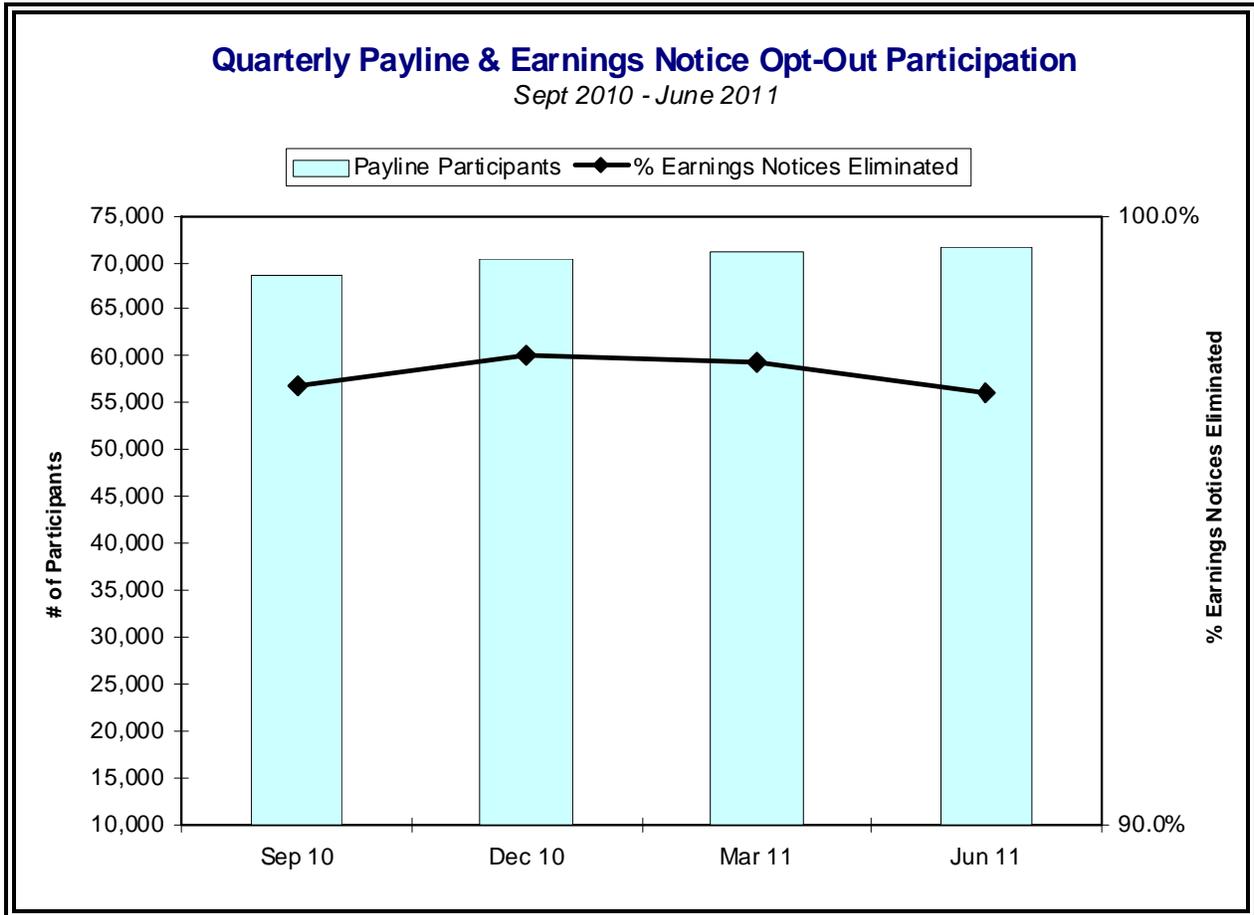
<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Education		
New River Community College	89.7%	194
Paul D. Camp Community College	86.6%	149
Virginia State University	86.1%	309
Radford University	84.5%	523
Virginia Highlands Community College	69.5%	141
Judicial		
Combined District Courts	71.4%	21
General District Courts	70.8%	240



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 7,081,933 earnings notices.



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

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

Quarter Ended June 30, 2011

<u>Secretarial Area</u>	<u>Percent Payline Participation</u>	<u>Percent Earnings Notices Eliminated*</u>
Administration	97.1%	100.0%
Agriculture and Forestry	86.9%	88.7%
Commerce and Trade	95.6%	100.0%
Education	76.5%	98.8%
Executive Offices	87.7%	100.0%
Finance	97.9%	100.0%
Health and Human Resources	88.5%	97.7%
Independent Agencies	91.3%	100.0%
Judicial	84.6%	93.4%
Legislative	68.3%	74.3%
Natural Resources	59.8%	63.7%
Public Safety	86.8%	98.9%
Technology	96.7%	100.0%
Transportation	94.4%	100.0%
Statewide	84.8%	97.1%

<i>Comparative Quarter Ended June 30, 2010</i>		
Statewide	81.9%	97.5%

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

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

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

systematically to salary-only employees, hourly-only employees, or all employees.

Most agencies elected a global opt-out in response to the January 1, 2009, mandate. Only 22 agencies have not chosen a global opt-out and participation is reviewed to monitor progress. As of June 30, 2011, the following agencies have not met their established thresholds for eliminating earnings notice print.

Earnings Notice Elimination

Agency	Percent Earnings Notices Eliminated QE 06/30/2011	Percent Earnings Notices Eliminated QE 03/31/2011
Education		
Frontier Culture Museum	66.0%	70.0%
Jamestown-Yorktown Foundation	77.7%	79.8%
Health and Human Resources		
Virginia Department for the Deaf and Hard-of-Hearing	83.3%	90.9%
Judicial		
General District Courts	88.2%	89.3%
Circuit Courts	73.2%	74.5%
Natural Resources		
Marine Resources Commission	44.3%	44.8%
Department of Conservation and Recreation	30.0%	52.7%



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 Department of Accounts implemented a third charge card tool called ePayables in June, 2011. This program allows payments processed through CARS for vendors enrolled in the program to convert their payment to a card thus increasing the card program's spend.

The total amount charged on SPCC and Gold cards during the fourth quarter of FY 2011 increased by \$17.2 million or 16.4 percent from the same quarter last year.

Small Purchase Charge Card Program

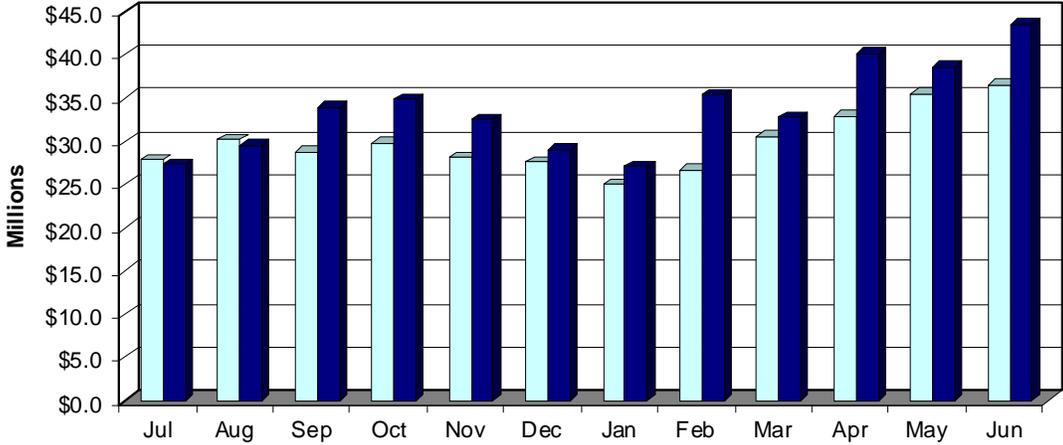
Charge Card Activity	Quarter Ended June 30, 2011	Fiscal Year 2011 To-Date	Comparative Fiscal Year 2010 To-Date
Amount of Charges	\$ 122,208,022	\$ 404,656,034	\$ 359,576,141
Estimated Number of Checks Avoided	197,163	717,435	653,917
Total Number of Participating Agencies		212	225
Total Number of Cards Outstanding		17,300	17,157

The following chart compares charge activity for FY 2011 to activity for FY 2010:

Charge Amount Comparison

FY2010 - FY2011

2010 2011



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 75 percent. Beginning in Fiscal Year 2012 the threshold will increase to 80%.

For data compilation purposes, all local governments have been exempted from the utilization process.

In accordance with §4-5.04g of the Appropriation Act, the underutilization charge imposed for agencies under the 75 percent threshold is \$5 for FY 2011 4th Quarter.

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

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

Statewide SPCC Performance

Quarter Ended June 30, 2011

Percentage Utilization for Eligible Transactions

85%

SPCC Utilization by Secretarial Area

Quarter Ended June 30, 2011

Secretarial Area	Payments in Compliance ⁽¹⁾	Non-Compliant Transactions ⁽²⁾
Administration	83%	674
Agriculture and Forestry	92%	294
Commerce and Trade	87%	489
Education*	86%	6,823
Executive Offices	90%	89
Finance	86%	170
Health and Human Resources**	86%	5,010
Independent Agencies	72%	963
Judicial	42%	1,998
Legislative	96%	48
Natural Resources	90%	1,367
Public Safety	93%	3,006
Technology	87%	76
Transportation*	73%	8,159
Statewide	85%	29,166

* 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 75 Percent**

Agency	Payments in Compliance	Non-Compliant Transactions
Commerce and Trade		
Virginia Employment Commission	59%	402
Education		
Norfolk State University	68%	755
Eastern Shore Community College	55%	143
Health and Human Resources		
Commonwealth Center for Children and Adolescents	74%	44
Department of Behavioral Health and Developmental Services	68%	141
Central Virginia Training Center	65%	482
Independent Agencies		
Virginia Retirement System	72%	139
State Corporation Commission	4%	599
Judicial		
Supreme Court	72%	170
Judicial Inquiry and Review Commission	69%	4
Board of Bar Examiners	0%	31
Circuit Courts	0%	121
Combined District Courts	0%	206
General District Courts	0%	821
Juvenile and Domestic Relations District Courts	0%	372
Magistrate System	0%	88
Virginia Criminal Sentencing Commission	0%	36
Public Safety		
Sitter-Barfoot Veterans Care Center	63%	285
Transportation		
Department of Transportation	71%	7,604



SPCC and ATC Payment Compliance

Agencies and institutions participating in the Charge Card program are required to submit Bank of America VISA payments via EDI no later than the 7th 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 15, 2011, with the payment due no later than May 7th.

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

The following chart lists agencies more than two days late in submitting their payments by each program type.

Agency	Apr	May	Jun
<u>Purchase Card Program:</u>			
Agriculture and Forestry			
Virginia Department of Agriculture and Consumer Services	X		
Commerce and Trade			
Virginia Employment Commission			X
Education			
College of William and Mary	X		
Gunston Hall	X		
University of Virginia Medical Center			X
Virginia Museum of Fine Arts			X
Health and Human Resources			
Southwestern Virginia Mental Health Institute		X	
Natural Resources			
Department of Game and Inland Fisheries		X	X
Public Safety			
Virginia Correctional Enterprises			X
<u>Airline Travel Card Program:</u>			
Public Safety			
Department of Correctional Education			X



Travel Charge Card

The Commonwealth of Virginia has contracted with Bank of America 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 Bank of America by agency during the quarter ended June 30, 2011 and the total amounts past due.

Travel Charge Card Program
As of June 30, 2011

<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>
Agriculture and Forestry				
Department of Agriculture and Consumer Services	1	\$ 334	\$ 0	\$ 0
Commerce and Trade				
Virginia Employment Commission	1	0	212	0
Virginia Tourism Authority	1	205	367	0
Education				
George Mason University	2	634	0	0
James Madison University	1	116	0	0
Longwood University	1	151	0	0
Norfolk State University	2	943	0	0
Old Dominion University	3	1,333	0	0
University of Virginia	3	951	0	0
Virginia Commonwealth University	5	2,982	0	0
Virginia Museum of Fine Arts	1	200	0	0
Virginia State University	7	2,039	291	0
Virginia Polytechnic Institute and State University	5	2,611	27	0
Health and Human Resources				
Department of Health	2	306	0	0
Department of Social Services	3	415	982	0
Independent				
State Lottery Department	1	611	0	0
Natural Resources				
Department of Game and Inland Fisheries	1	10	0	0
Department of Historic Resources	1	167	0	0
Public Safety				
Department of Criminal Justice Services	1	11	0	0
Department of Emergency Management	1	186	0	0
Transportation				
Department of Motor Vehicles	1	98	197	0
Department of Transportation	3	481	0	0



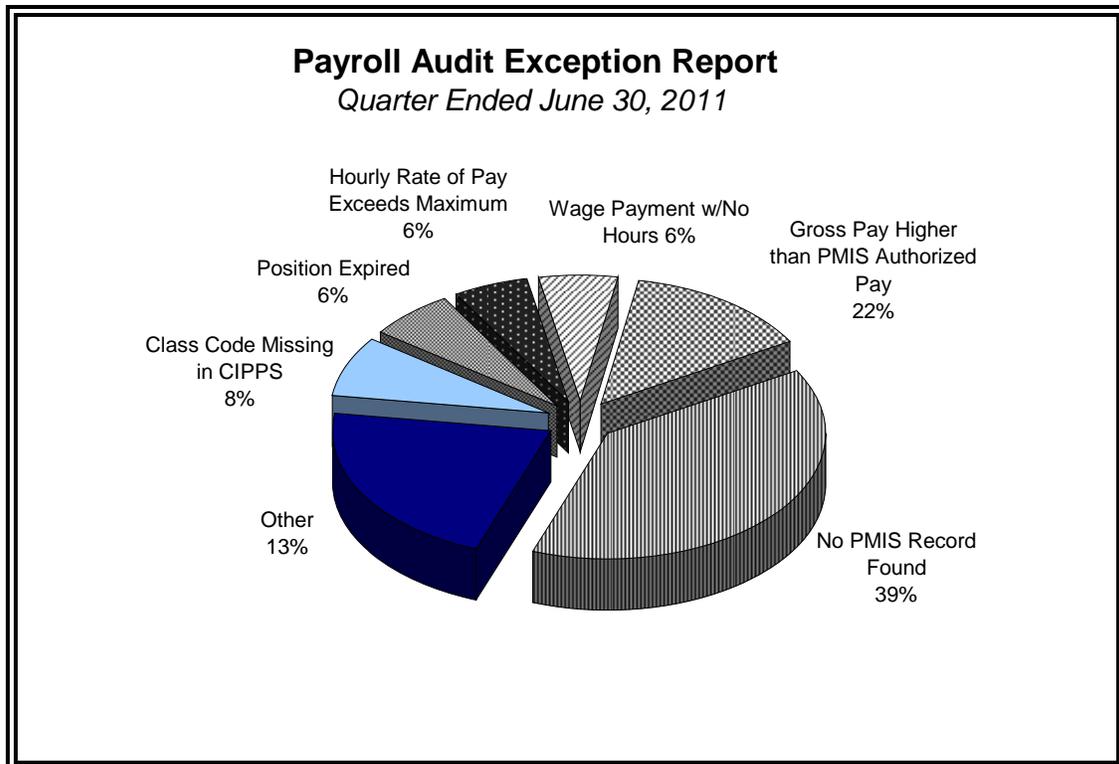
Payroll Controls

PMIS/CIPPS Payroll Audit

During the quarter, DOA's automated comparison of payroll and personnel (PMIS) records examined 411,202 salaried pay transactions and 122,100 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 5,579 new exceptions noted statewide during the quarter, with an overall exception rate of .95 percent.

The statewide salaried payroll exception rate was .97 percent and the wage payroll exception rate was .89 percent. During this quarter, 19 employee paychecks were reduced to recover \$8,927.65 in overpayments.

While the largest cause of exceptions is the processing of payments to salaried employees who no longer have an active record for their current agency set up in the PMIS system, the second largest cause of exceptions is the result of agency failure to complete the salary increase authorization process by updating the salary amounts in PMIS. 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, 2011

Total Salaried Payroll Exceptions for the Quarter	0.97%
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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, 2011

Wage Payroll Exceptions for the Quarter	0.89%
--	--------------

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



*The sharp increase in percentage of exceptions for Mar-11 is the result of a change in the methodology used to count payments implemented during the quarter ending March 31, 2011.



PMIS/CIPPS Exceptions

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

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

<u>Agency</u>	<u>Unresolved Exceptions</u>
---------------	------------------------------

No Delinquent Exceptions
For Second Quarter Calendar Year 2011



Payroll Certification

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

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

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

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

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

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

Payroll Certification Compliance

Agency	Variance Amount (a)	Performed by DOA (b)	Submitted Late (c)	Corrected by DOA (d)
Education				
Danville Community College	\$ 207,361			
Piedmont Virginia Community College	46,625	**	3	
Public Safety				
Sussex II State Prison	121,935			
Coffeewood Correctional Center	121,989			

** \$901 of this difference remains unresolved

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 certifications. Health care reconciliations for the months of March, April and May were due 4/29/2011, 5/31/2011 and 6/15/2011, respectively.

Schedule of Health Care Reconciliations Received Late

<u>Agency</u>	<u>March</u>	<u>April</u>	<u>May</u>
Southeastern Virginia Training Center		X	



FINANCIAL MANAGEMENT ACTIVITY

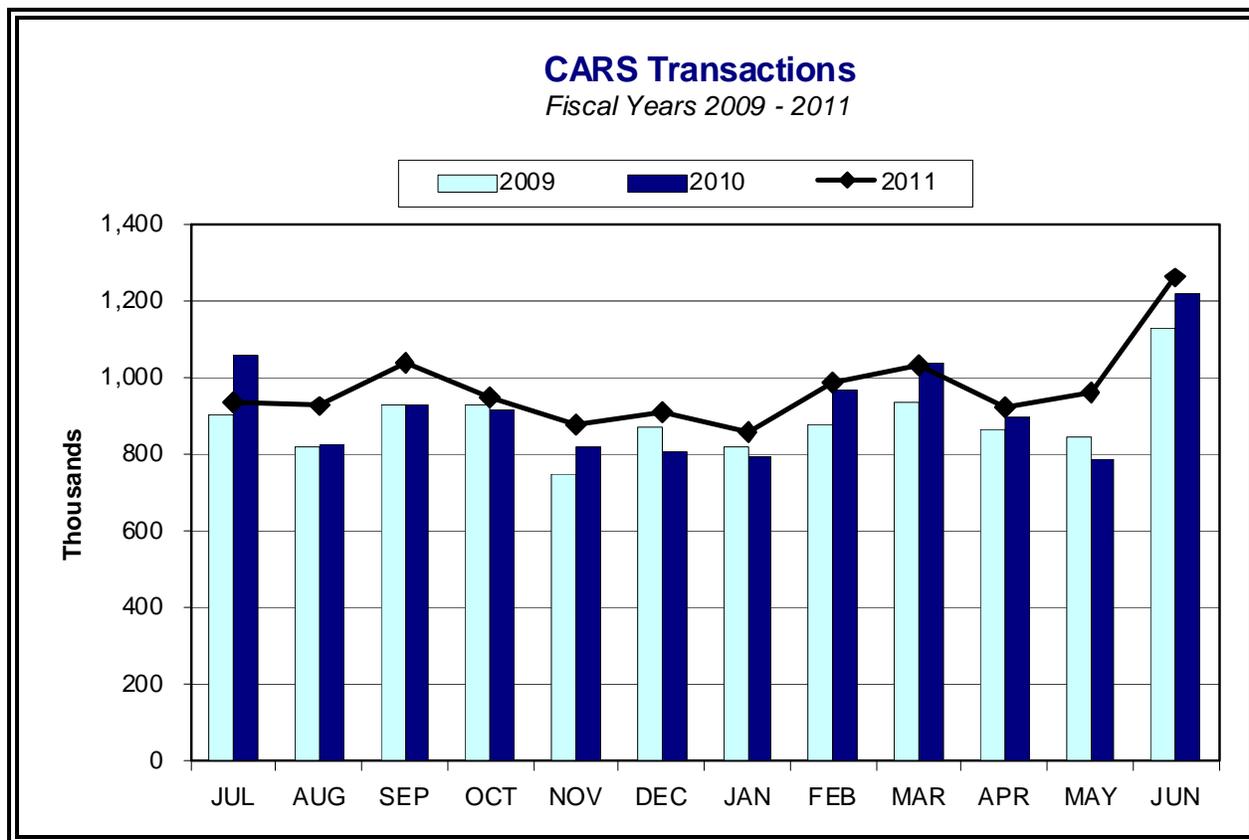
DOA monitors several types of financial activity. Various measures are used to track activities for CARS, payroll, accounts

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

Commonwealth Accounting and Reporting System (CARS)

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

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

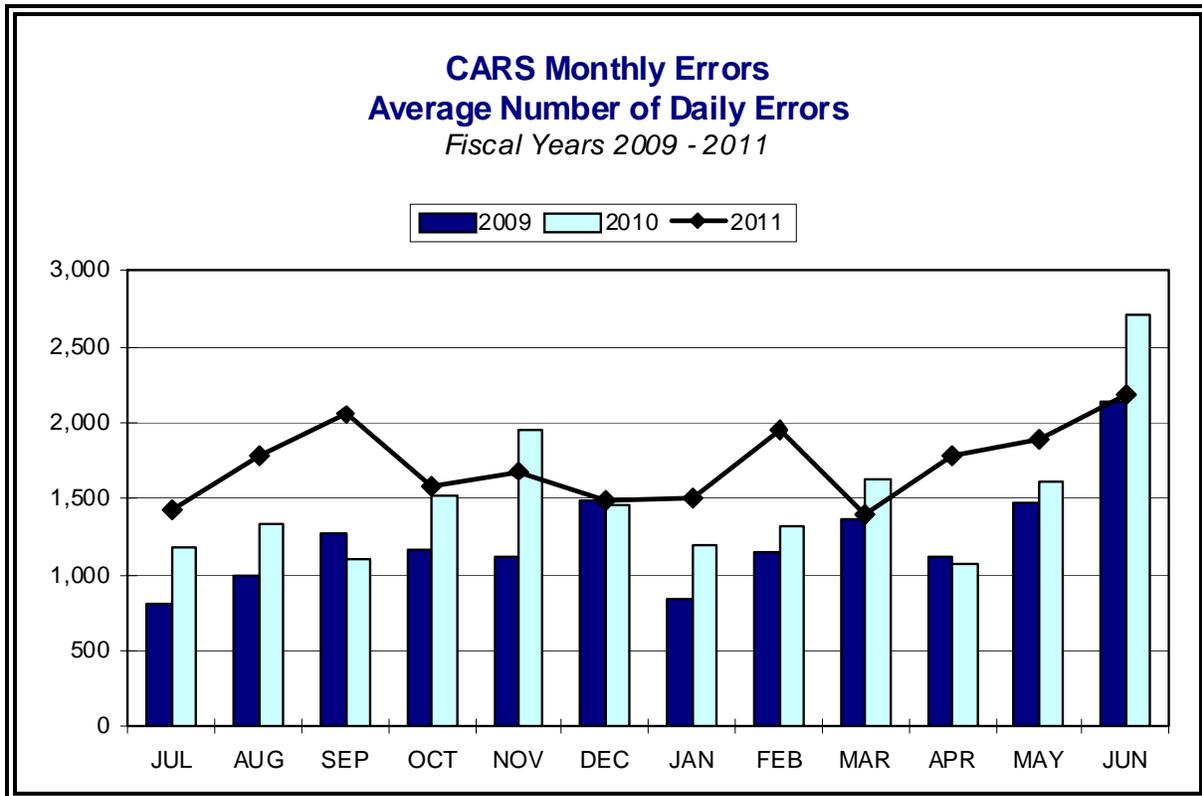


CARS Edits

One of the most important management tools used by DOA is the monitoring of CARS errors generated by standard system edits. Batches remain on the error file until problems are resolved, which, for disbursement transactions, can lead to noncompliance with prompt payment standards and poor vendor relations. During the fourth quarter of FY 2011, the most frequent reasons cited for transactions processing to the error file were:

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

- Available Cash Negative
- Expenditures > Allotment
- Certified Amounts Not Balanced

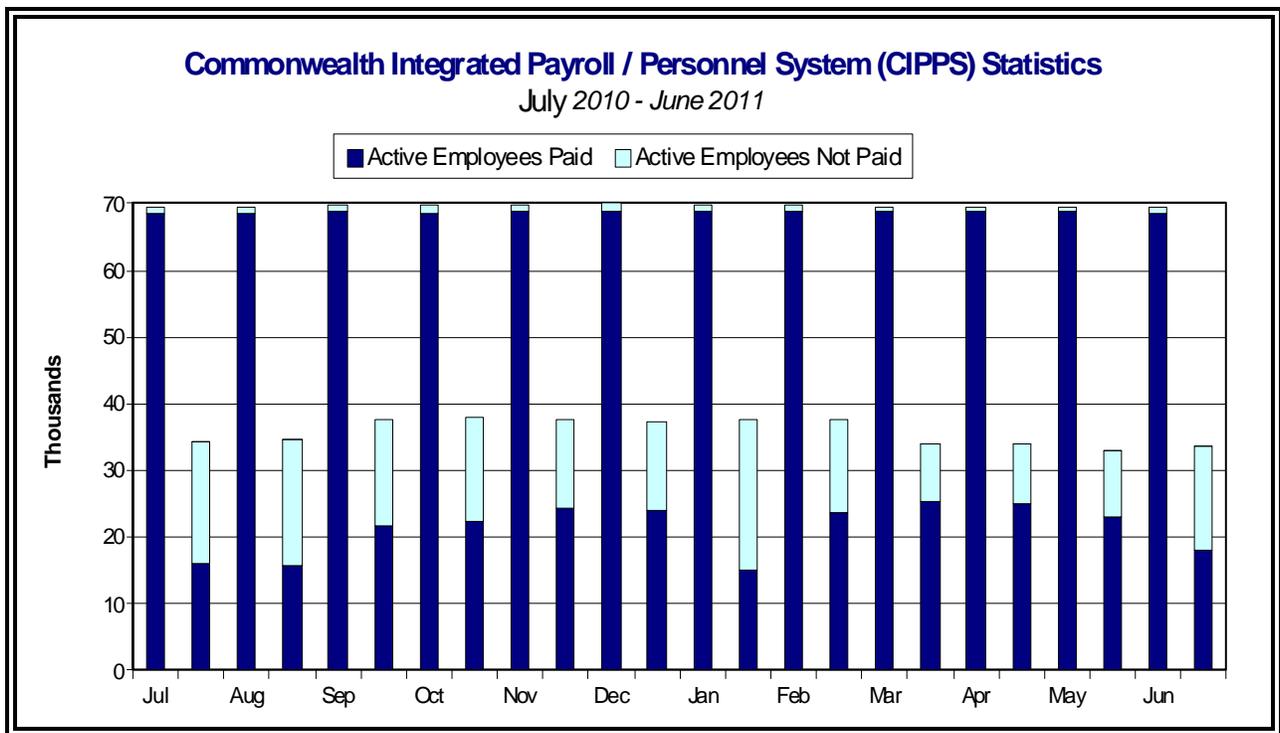


Payroll

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 102,908 employees. Payroll services are also

provided through eight decentralized higher education institutions.

On average, 90,586 employees were paid each month, of which 68,545 were salaried employees.



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

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

Benefit Participation by CIPPS Agencies

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

compensation, and flexible reimbursement programs.

**Benefit Participation
Number of Participating Employees**

Benefit	As of 6/30/2011	Comparative	
		As of 6/30/2010	As of 6/30/2009
Health Care			
COVA Care	73,690	73,947	83,775
COVA Connect	7,513	7,576	N/A
Kaiser	2,140	2,061	2,044
Optional Retirement Plans*			
Fidelity Investments	494	490	491
TIAA/CREF	1,442	1,428	1,445
Political Appointee - ORP	92	91	87
Deferred Compensation*	40,937	39,567	39,089
Flexible Reimbursement*			
Dependent Care	776	784	793
Medical Care	7,353	7,216	7,520

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



Accounts Receivable

Executive Summary

The *Code of Virginia* § 2.2-4800 et seq. 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 on-going effectiveness of agencies in managing their accounts receivable.

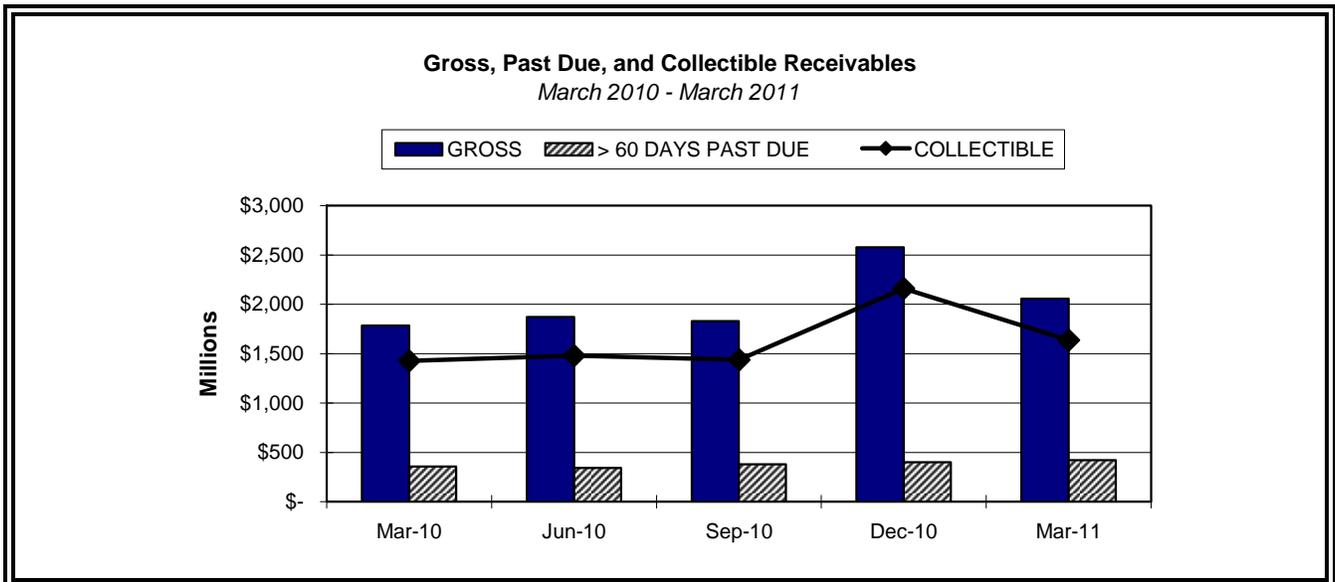
In an effort to present more meaningful information, DOA continues to exclude data from the tables (except for the final table on past due receivables) from the Department of Taxation, consisting largely of statutory assessments and non-filers assessments, and the circuit and district courts, which report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

Commonwealth agencies and institutions reported adjusted gross receivables of \$2.06

billion at March 31, 2011, with \$1.63 billion considered collectible. Receivables over 60 days past due as of March 31, 2011, totaled \$418.5 million. Of that amount, \$17.2 million was placed with private collection agencies, \$38.6 million was placed with the Division of Debt Collection and \$362.7 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.

Further, the majority of the significant outstanding receivable balances have statutory or other restrictions specifying the distribution of any collections. The collection of the outstanding receivable balances would not provide additional resources to fund the Commonwealth's operations.



As of March 31, 2011, agencies expected to collect \$1.63 billion (79 percent) of the \$2.06 billion adjusted gross receivables. About 2 percent is due to the General Fund, primarily for benefit recoveries and sales of permits.

The balance, which contains Medicaid penalties that are no longer revertible, is due to several nongeneral funds.

Collectible Receivables by Fund

Not Including Circuit Courts, District Courts, or Department of Taxation

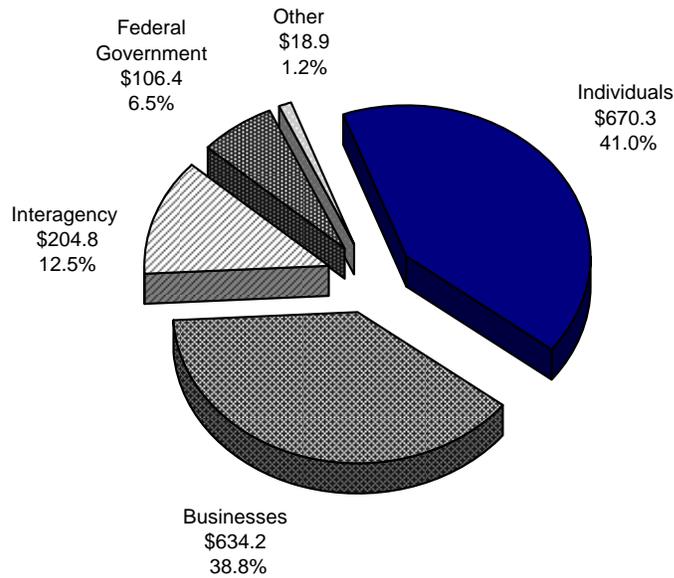
As of March 31, 2011

Fund	Source	Amount	Percent	
General Fund 2%	Medicaid - Current Recoveries	\$ 14,373,188	57%	
	Social Services	3,272,736	13%	
	Labor and Industry Inspections	1,054,214	4%	
	State Police Permits	1,284,187	5%	
	Corrections	1,362,924	5%	
	Other	1,632,888	7%	
	Subtotal	22,980,137	91%	
	Interagency Receivables	2,230,343	9%	
	Total General Fund Collectible		\$ 25,210,480	100%
	Nongeneral Funds 98%	Medicaid - Dedicated Penalty Fees	\$ 63,224,587	4%
Medicaid - Federal Reimbursements		13,013,884	1%	
Unemployment Taxes *		480,298,962	30%	
Transportation		48,741,729	3%	
Child Support Enforcement		152,487,084	9%	
Federal Government		19,670,131	1%	
DBHDS Patient Services		28,096,253	2%	
Hospital		230,245,521	14%	
Enterprise		60,349,760	4%	
Higher Education		255,781,249	16%	
Other		54,871,467	3%	
Subtotal		1,406,780,627	87%	
Interagency Receivables		202,523,859	13%	
Total Nongeneral Fund Collectible		\$ 1,609,304,486	100%	
All Funds	Grand Total		\$ 1,634,514,966 100%	

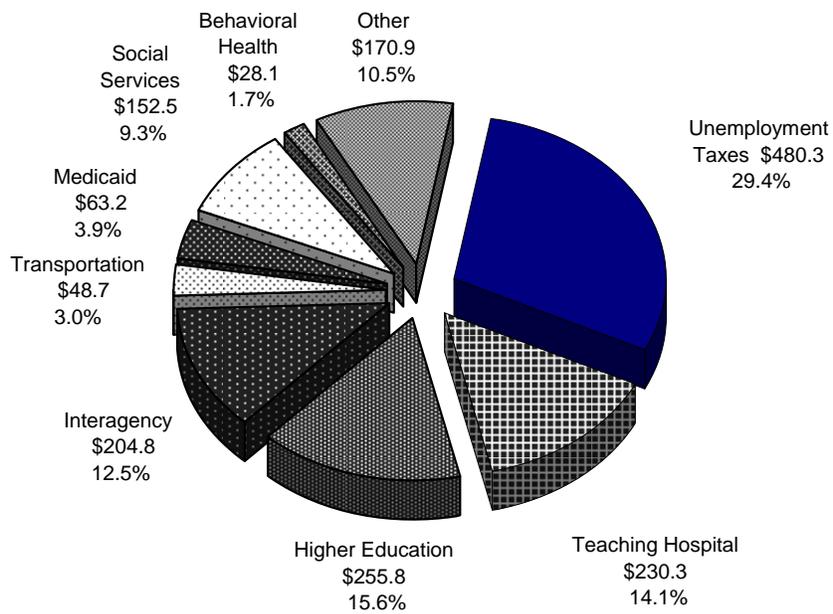
* Note: The Virginia Employment Commission provides Unemployment Taxes Information.

Summary of Receivables by Source

Sources of Collectible Receivables by Debtor
(dollars in millions)
As of March 31, 2011



Sources of Collectible Receivables by Type
(dollars in millions)
As of March 31, 2011



Not counting Taxation and the Courts, ten agencies account for 85 percent of the Commonwealth's adjusted gross and 84

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, 2011

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
Virginia Employment Commission	\$ 543,799,286	\$ 59,096,626	\$ 484,702,660
University of Virginia Medical Center	333,009,988	14,580,175	318,429,813
Department of Social Services	442,036,448	270,720,962	171,315,486
Department of Medical Assistance Services	120,852,193	30,213,048	90,639,145
Virginia Polytechnic Institute & State University	75,827,112	2,695,859	73,131,253
University of Virginia - Academic Division	57,859,128	233,839	57,625,289
State Lottery Department	49,536,013	-	49,536,013
Virginia Information Technologies Agency	49,200,386	-	49,200,386
Department of Transportation	43,479,980	461,111	43,018,869
Virginia Community College System	40,822,467	1,486,252	39,336,215
Total	\$ 1,756,423,001	\$ 379,487,872	\$ 1,376,935,129
All Other Agencies	299,789,596	42,209,759	257,579,837
Grand Total	\$ 2,056,212,597	\$ 421,697,631	\$ 1,634,514,966

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

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

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

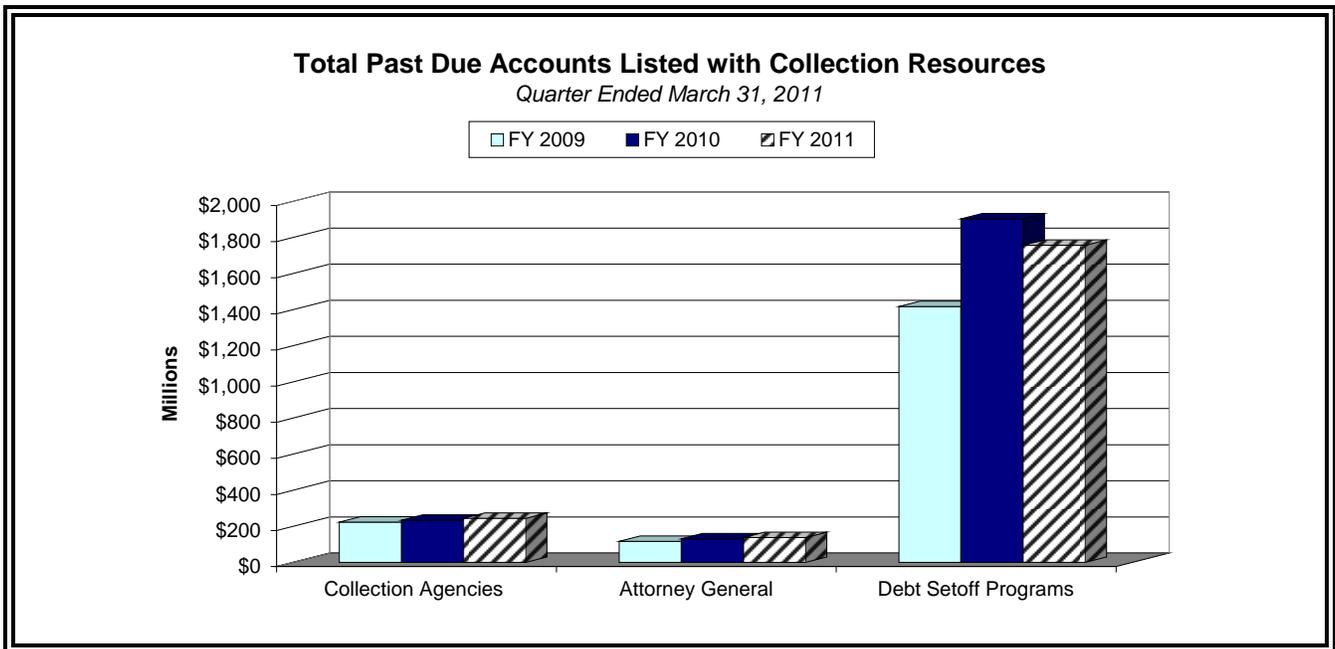
These additional collection tools recovered \$28.5 million during the quarter ended March 31, 2011. The Division of Debt Collection contributed \$1.3 million. Private collection agencies collected \$2.9 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected \$24.3 million.

Private collection agencies returned \$8.8 million of accounts to agencies, and the Division of Debt Collection discharged \$2.8 million of accounts and returned \$884,173 of accounts to agencies.

Collectible Receivables Over 60 Days Past Due
Not Including Circuit Courts, District Courts or the Department of Taxation
As of March 31, 2011

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	\$ 157,170,186	\$ 2,610	\$ 3,629	\$ 157,163,947
Virginia Employment Commission	65,863,226	7,776,246	15,599,451	42,487,529
Department of Medical Assistance Services	51,116,777	127,659	335,150	50,653,968
University of Virginia Medical Center	37,741,583	-	-	37,741,583
Department of Transportation	17,941,300	1,721,196	12,389,214	3,830,890
Department of Behavioral Health and Developmental Services	14,709,510	-	-	14,709,510
University of Virginia - Academic Division	8,518,812	449,292	44,247	8,025,273
Virginia Commonwealth University	7,584,234	422,638	70,479	7,091,117
Virginia Community College System	6,305,397	2,124,080	70,048	4,111,269
Virginia Information Technologies Agency	5,441,807	-	-	5,441,807
TOTAL	\$ 372,392,832	\$ 12,623,721	\$ 28,512,218	\$ 331,256,893
All Other Agencies	46,150,325	4,606,907	10,141,204	31,402,214
TOTAL OVER 60 DAYS	\$ 418,543,157	\$ 17,230,628	\$ 38,653,422	\$ 362,659,107
Uncollectible Amounts Placed for Collection, Including Accounts Written Off	1,722,554,672	228,268,086	100,611,027	1,393,675,559
TOTAL COLLECTION EFFORTS	\$ 2,141,097,829	\$ 245,498,714	\$ 139,264,449	\$ 1,756,334,666

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 \$14.0 million through the fourth quarter of FY 2011. 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 3/31/11	Comparative	
		Percent 12/31/10	Percent 9/30/10
Department of Social Services	36%	35%	36%
Virginia Employment Commission	12%	46%	43%
Department of Medical Assistance Services	42%	37%	39%
University of Virginia Medical Center	11%	13%	12%
Department of Transportation	41%	44%	19%
Department of Behavioral Health and Developmental Services	29%	25%	22%
University of Virginia - Academic Division	15%	4%	13%
Virginia Commonwealth University	17%	3%	7%
Virginia Community College System	15%	18%	14%
Virginia Information Technologies Agency	11%	11%	9%
Statewide Average - All Agencies	20%	16%	21%

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 84 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 99 percent indicates that for every \$1 billed during the quarter ended March 31, 2011, the state collected 99 cents. This rate is one percent higher than last year, and one percent less than the March 31, 2009 quarter.

Collections as a Percentage of Billings

Agency	Percent 3/31/2011	Comparative	
		Percent 3/31/2010	Percent 3/31/2009
University of Virginia - Academic Division	291%	226%	188%
Virginia Polytechnic Institute and State University	218%	223%	226%
Department of Social Services	107%	96%	90%
State Lottery Department	104%	93%	96%
Virginia Information Technologies Agency	99%	101%	100%
Department of Transportation	95%	84%	95%
Virginia Community College Systems	93%	102%	118%
Department of Medical Assistance Services	61%	39%	43%
Virginia Employment Commission	41%	52%	41%
University of Virginia Medical Center	30%	31%	29%
Statewide Average - All Agencies	99%	98%	100%

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 \$90.6 million at March 31, 2011, is a \$26.7 million increase over the \$63.9 million reported at March 31, 2010. Over the same period, total past due receivables of \$55.9 million have increased by \$19.8 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 \$314.8 million at March 31, 2011, were a \$37.0 million increase from the \$281.4 million reported the previous year. Past due receivables increased by \$22.4 million to \$134.2 million at March 31, 2011.

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 \$484.7 million at March 31, 2011, an increase of \$127.2 million from the previous year. Total past due receivables were \$71.2 million, a \$20.4 million increase over last year. VEC collects employer tax receivables in-house. The Attorney General's Office is involved in contested cases. Unemployment benefit overpayments to individuals are referred to private collections agencies after in-house efforts have produced no results and when debtors have left the state.

Virginia Information Technologies Agency (VITA)

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

VITA reported collectible receivables at March 31, 2011, of \$49.2 million, which is an increase of \$6.5 million reported in the previous year. Most of these receivables are due from other state agencies. As of March 31, 2011, \$5.4 million was over 60 days past due, a decrease of \$5.7 million from the previous year.

State Lottery Department (SLD)

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

At March 31, 2011, the State Lottery reported net receivables of \$49.5 million, an \$11.4 million decrease from the previous year. Billings increased by \$9.8 million and collections increased by \$29.8 million during the March 31, 2011 quarter when compared to the March 31, 2010 quarter. At March 31, 2011, the State Lottery had \$199,035 that was over 60 days past due. The total amount owed is covered by surety bonds.

Department of Education (DOE)

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

At March 31, 2011, DOE had no accounts receivable due from the Federal government under Direct Aid to Public Education. This is consistent with the prior year.

Virginia Polytechnic Institute and State University (VPISU)

VPISU is one of the Commonwealth's largest universities and one of two land grant institutions in the state. At March 31, 2011, the University reported net collectible receivables of \$73.1 million, a \$13.7 million increase over the prior year. At the same time, total past due receivables of \$9.3 million increased by \$1.6 million over the prior year.

The University uses a variety of collection methods to encourage payments. At March 31, 2011, VPISU had \$3.7 million of accounts over 60 days past due. \$1.4 million was placed with the Attorney General's Division of Debt Collection, another \$1.1 million was placed with private collection agencies and \$1.9 million was subject to additional in-house efforts.

Department of Behavioral Health and Developmental Services (DBHDS)

DBHDS 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. DBHDS bills third party insurers and patient assistance programs such as Medicare and Medicaid whenever they are available. In other cases, the Department looks to responsible family members and tangible real and personal property for payment. When property is located, a lien is filed in the local courts so that when estates are liquidated, DBHDS can recover some of the costs involved in a patient's care.

At March 31, 2011, the Department reported collectible receivables of \$28.1 million, a \$608,443 decrease over the previous year. \$23.7 million was past due, with \$14.7 million being over 60 days past due. Total past due receivables increased by \$5.2 million over the year, and accounts over 60 days past due increased by \$2.5 million. At March 31, 2011, the Department had a total of \$5.7 million of accounts placed with the Attorney General and \$640,176 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, 2011, VDOT reported \$43.0 million of collectible receivables, a decrease of \$37.3 million from the prior year. VDOT also reported \$23.7 million total past due and \$17.9 million being over 60 days past due. Past due receivables decreased by \$15.4 million over the year, while receivables over 60 days past due decreased by \$4.1 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 \$12.4 million of their accounts over 60 days past due with the Attorney General's Division of Debt Collection, and \$1.7 million with private collection agencies.

Department of Social Services (DSS)

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

At March 31, 2011, DSS reported gross receivables of \$442.0 million, an allowance for doubtful accounts of \$270.7 million and collectible receivables of \$171.3 million. Past due receivables totaled \$159.6 million, of which \$157.2 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for \$400.3 million (91 percent) of the gross receivables, \$247.8 million (92 percent) of the allowance for doubtful accounts and \$152.5 million (89 percent) of the collectible receivables.

From March 31, 2010, to March 31, 2011, gross receivables increased \$68.0 million and collectible receivables increased by \$20.8 million. Total past due receivables increased by \$28.7 million and receivables over 60 days past due increased by \$28.3 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, 2011, DRPT had gross and net receivables of \$19.0 million. The majority of this money is due via an interagency transfer from VDOT. DRPT reported no past due receivables at March 31, 2011.

Virginia Commonwealth University (VCU)

VCU, based in Richmond, offers 211 degree programs to over 32,000 students in a variety of fields ranging from accounting to pharmacy at both undergraduate and graduate levels.

At March 31, 2011, VCU had \$39.0 million of collectible receivables, an \$867,852 increase from March 31, 2010. Total past due accounts were \$8.4 million, a \$728,311 increase from March 31, 2010. Accounts over 60 days past due (\$7.6 million) increased by \$507,653 from the prior year. Billings increased by \$516,230 to \$74.8 million and collections increased by \$21.1 million to \$221.0 million for the March 31, 2011 quarter, when compared to the March 31, 2010 quarter.

The following table is prepared to present the March 31, 2011, aging information in conformity with the provisions of the *Code of Virginia* § 2.2-603.E.(ii).

Commonwealth's total \$2.82 billion past due accounts receivable at March 31, 2011. Another 18 agencies accounted for 20 percent (\$571.5 million), leaving 71 other agencies to comprise the last one percent at \$28.8 million.

Taxation and the Circuit and District Courts accounted for 79 percent (\$2.22 billion) of the

Agencies with the Largest Volume of Past Due Receivables

As of March 31, 2011

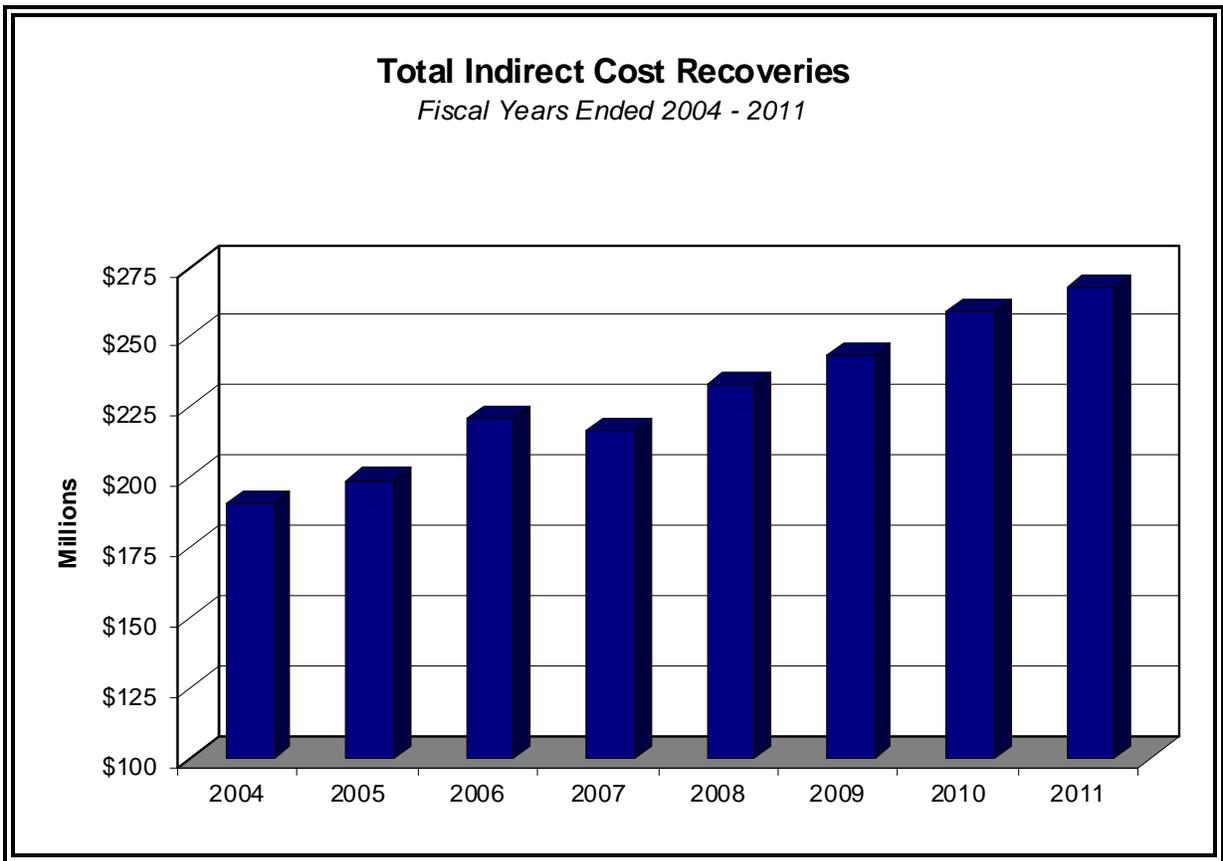
Agency	Total Past Due	1 to 180 Days Past Due	181 to 360 Days Past Due	Over One Year
Department of Taxation	\$ 1,751,343,734	\$ 228,836,532	\$ 166,711,942	\$ 1,355,795,260
Localities' Circuit and District Courts	464,240,258	35,992,502	66,488,783	361,758,973
Total - Taxation Assessments and Court Fines and Fees	\$ 2,215,583,992	\$ 264,829,034	\$ 233,200,725	\$ 1,717,554,233
All Other Large Dollar Agencies:				
Department of Social Services	159,626,508	7,611,995	7,591,229	144,423,284
University of Virginia Medical Center	134,238,660	120,629,142	9,323,675	4,285,843
Virginia Employment Commission	71,225,664	18,332,605	20,665,472	32,227,587
Department of Medical Assistance Services	55,900,601	19,763,040	12,016,592	24,120,969
Department of Transportation	23,687,624	8,345,502	2,297,295	13,044,827
Department of Behavioral Health and Developmental Services	23,655,829	21,205,668	10,438	2,439,723
University of Virginia - Academic Division	16,767,028	13,800,798	1,960,610	1,005,620
George Mason University	15,640,053	13,955,815	1,643,670	40,568
Department of Health	11,660,146	9,651,713	300,423	1,708,010
Virginia Community College System	11,169,619	8,246,002	1,754,045	1,169,572
Virginia Information Technologies Agency	10,857,851	8,670,462	1,617,268	570,121
Virginia Polytechnic Institute & State University	9,276,086	6,841,006	866,268	1,568,812
Virginia Commonwealth University	8,413,552	3,686,815	1,242,834	3,483,903
Department of State Police	4,330,662	2,267,910	458,634	1,604,118
Department of General Services	4,002,432	1,128,907	1,222,514	1,651,011
State Corporation Commission	3,802,644	2,172,738	1,112,855	517,051
James Madison University	3,681,515	2,495,871	568,233	617,411
Virginia Workers' Compensation Commission	3,520,374	708,699	1,176,799	1,634,876
Total - Largest Dollar Volume Agencies	\$ 571,456,848	\$ 269,514,688	\$ 65,828,854	\$ 236,113,306
All Other Agencies	28,792,441	18,600,399	3,497,887	6,694,155
Grand Total Past Due Receivables	\$ 2,815,833,281	\$ 552,944,121	\$ 302,527,466	\$ 1,960,361,694



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.



Indirect Cost Recoveries from Grants and Contracts
Fiscal Year 2011

Fund	Year-to-Date		Total
	Higher Ed	Non-Higher Ed	
Nongeneral:			
Agency / Institution (1)	\$ 151,600,154	\$ 75,467,369	\$ 227,067,523
Statewide	18,034,659	665,854	18,700,513
Agency / Institution ARRA	18,093,544	1,258,964	19,352,508
Statewide ARRA	23,055	67,058	90,113
Total Nongeneral	\$ 187,751,412	\$ 77,459,245	\$ 265,210,657
General:			
Agency (Cash Transfers)	-	124,086	124,086
Statewide	-	2,104,725	2,104,725
Statewide (Cash Transfers)	-	2,739	2,739
Total General	\$ -	\$ 2,231,550	\$ 2,231,550
Total All Funds	\$ 187,751,412	\$ 79,690,795	\$ 267,442,207

- (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 \$43,512,047 representing the Department of Social Services' estimate of indirect cost recoveries received. This does not include covered higher education institutions.



Loans and Advances

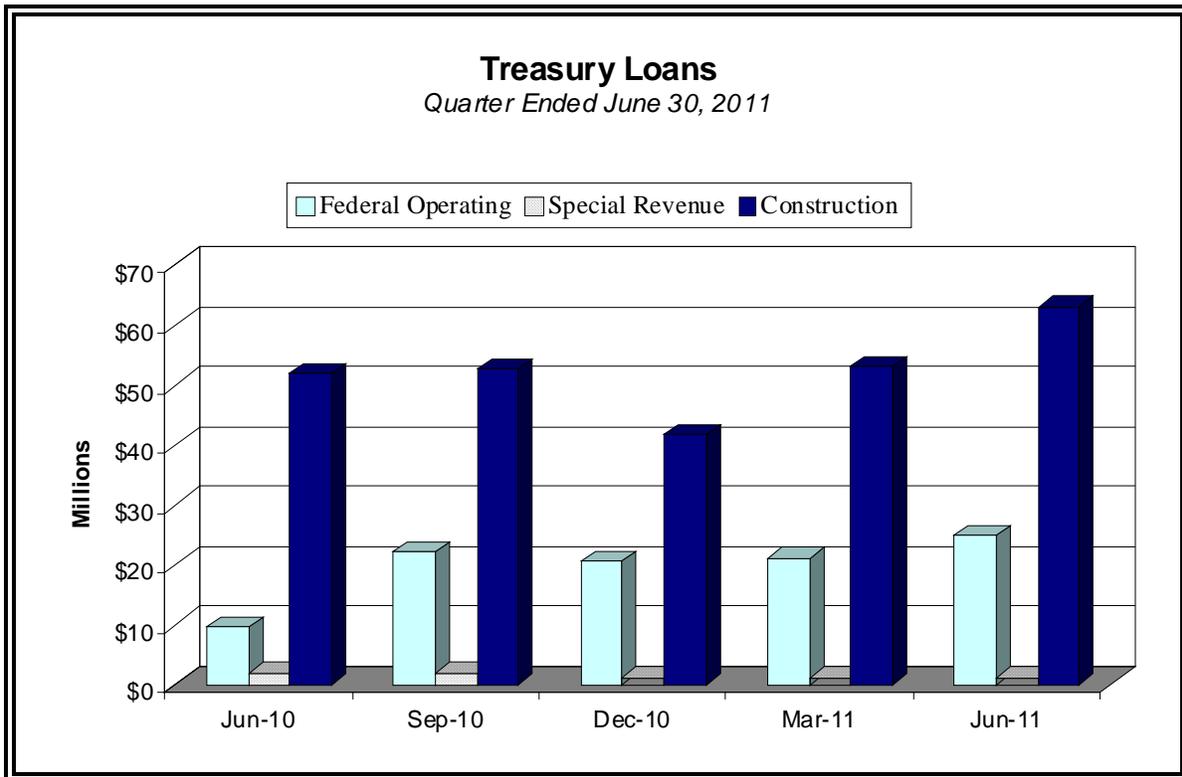
Treasury loans may be used to advance funds to a State agency or institution for a designated purpose prior to some form of reimbursement, typically federal or special revenues. They are loans of a temporary nature, approved on the basis of the following conditions:

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

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

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

The total of all types of treasury loans as of June 30, 2011, was \$89.3 million.



Significant New Loans / Drawdowns	New Balance
Department of Military Affairs (DMA) Drawdown on a \$5 million loan used to pay expenditures incurred in anticipation of reimbursement from the National Guard Bureau.	\$ 1,000,000.00
Virginia State University (VSU) Drawdown on an \$11.8 million loan used to construct Gateway Residence Hall, Phase II.	\$ 1,200,000.00
Department of State Police (VSP) Drawdown on a \$1.4 million loan used to conduct numerous grant funded programs that operate on a federal reimbursement basis.	\$ 1,399,410.00
Virginia Commonwealth University (VCU) Drawdown on a \$22.7 million loan used for the construction of the New School of Medicine.	\$ 3,012,401.49
Virginia Port Authority (VPA) Drawdown on a \$23.9 million loan used for the construction of the Craney Island Marine Terminal.	\$ 7,367,728.00
Department of Medical Assistance Services (DMAS) Drawdown on a \$19.5 million temporary loan pending receipt of ARRA supplement grant award.	\$ 19,488,000.00

Significant Loan Repayments	Prior Balance
Department of State Police (VSP) Payment on a \$1.3 million loan used to conduct numerous grant funded programs that operate on a federal reimbursement basis.	\$ 1,317,784.00
Department of Military Affairs (DMA) Payment on a \$5 million loan used to pay expenditures incurred in anticipation of reimbursement from the National Guard Bureau.	\$ 4,000,000.00
George Mason University (GMU) Repayment of a \$12.5 million loan used to provide operating funds while awaiting federal reimbursements for approved grants and contracts.	\$ 12,500,000.00

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/appropriations as of June 30, 2011.
- **Working Capital Advances**, which provide operating funds for nongeneral fund projects when revenues to be used

for repayment will not be generated within the twelve months required for anticipation loans. The total of all outstanding working capital advances as of June 30, 2011, was \$21.7 million.

- **Lines of Credit**, which provide funding for recurring shortfalls of operating cash and are authorized in §3-2.03 of the Appropriation Act. The total of all outstanding lines of credit as of June 30, 2011, was \$72.9 million.

