

**REPORT ON
STATEWIDE FINANCIAL MANAGEMENT AND
COMPLIANCE**

FOR THE QUARTER ENDED SEPTEMBER 30, 2011



OFFICE OF THE COMPTROLLER

DEPARTMENT OF ACCOUNTS

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TABLE OF CONTENTS

REPORT ON STATEWIDE FINANCIAL MANAGEMENT AND COMPLIANCE

Quarter Ended September 30, 2011

	Page
STATEMENT OF PURPOSE	2
COMPLIANCE.....	3
<u>Auditor of Public Accounts Reports - Executive Branch Agencies</u>	3
Audit Reports – Quarter Ended September 30, 2011	3
Audit Findings – Quarter Ended September 30, 2011	5
Additional Recommendations – Quarter Ended September 30, 2011	18
Special Reports – Quarter Ended September 30, 2011	18
Other Audit Reports Received – Quarter Ended September 30, 2011	19
Status of Prior Audit Findings	20
Annual Summary of APA Findings.....	38
<u>Compliance Monitoring</u>	39
ARMICS Compliance.....	39
Confirmation of Agency Reconciliation to CARS Reports.....	40
Response to Inquiries.....	41
Trial Balance Review	41
Analysis of Appropriation, Allotments and Expenditures and Cash Balances.....	42
Disbursement Processing.....	42
Paperwork Decentralization.....	43
Prompt Payment Compliance	46
E-Commerce.....	49
<i>Financial Electronic Data Interchange (EDI)</i>	50
<i>Travel EDI</i>	51
<i>Direct Deposit</i>	56
<i>Payroll Earnings Notices</i>	59
<i>Small Purchase Charge Card (SPCC) and Increased Limit (Gold) Card</i>	62
<i>Travel Charge Card</i>	67
Payroll Controls.....	69
<i>PMIS/CIPPS Payroll Audit</i>	69
<i>PMIS/CIPPS Exceptions</i>	72
<i>Payroll Certification</i>	73
<i>Health Care Reconciliations</i>	75
FINANCIAL MANAGEMENT ACTIVITY	76
Commonwealth Accounting and Reporting System (CARS).....	76
Payroll	78
Accounts Receivable.....	80
Indirect Costs	92
Loans and Advances	94

STATEMENT OF PURPOSE

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

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

This *Quarterly Report* includes information for the quarter ended September 30, 2011, and comparative FY 2011 data. Some information in the report is for the quarter ended June 30, 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 can include risk alerts, efficiency issues, or any other improvements that can be made within agency operations. Risk alerts address issues that are beyond the capacity of agency management to implement effective corrective actions. Efficiency issue report items provide management with recommendations to enhance agency practices, processes or procedures. 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 September 30, 2011

The APA issued 5 reports covering 28 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				
None				
Agriculture and Forestry				
None				
Commerce and Trade				
None				
Education				
University of Mary Washington	0	0	0	N/A

	New Findings	Repeat Findings	Total Findings	CAW Received
Virginia Community College System ⁽¹⁾⁽²⁾	0	0	0	N/A
Blue Ridge Community College	2	0	2	YES
Central Virginia Community College	1	0	1	YES
Dabney S. Lancaster Community College	0	0	0	N/A
Danville Community College	4	0	4	YES
Eastern Shore Community College	0	0	0	N/A
Germanna Community College	0	0	0	N/A
J. Sargeant Reynolds Community College	0	0	0	N/A
John Tyler Community College	0	0	0	N/A
Lord Fairfax Community College	2	0	2	YES
Mountain Empire Community College	0	0	0	N/A
New River Community College	0	0	0	N/A
Northern Virginia Community College	2	1	3	YES
Patrick Henry Community College	4	0	4	YES
Paul D. Camp Community College	0	0	0	N/A
Piedmont Virginia Community College	0	0	0	N/A
Rappahannock Community College	0	0	0	N/A
Southside Virginia Community College	0	0	0	N/A
Southwest Virginia Community College	0	0	0	N/A
Thomas Nelson Community College	0	0	0	N/A
Tidewater Community College	1	0	1	YES
Virginia Highlands Community College	0	0	0	N/A
Virginia Western Community College	0	0	0	N/A
Wytheville Community College	1	0	1	YES
Virginia School for the Deaf and Blind ⁽³⁾	3	0	3	YES
Virginia State University	3	2	5	YES

Executive Offices

None

Finance

None

Health and Human Resources

None

Natural Resources

Department of Game and Inland Fisheries 3 1 4 YES

Public Safety

None

Technology

None

Transportation

None

- (1) One report covering 23 Community Colleges and the Virginia Community College System (VCCS) central office.
- (2) The APA issued two internal control findings applicable to multiple Colleges that included additional recommendations for the VCCS Central Office. As a result, the VCCS Central Office recommendations are incorporated into the Additional Recommendations section of this report.
- (3) The Virginia School for the Deaf and Blind Foundation was included in this report.



Audit Findings - Quarter Ended September 30, 2011

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

Education

Blue Ridge Community College (BRCC)

1. Strengthen Internal Controls over Small Purchase Charge Card Program. Northern Virginia Community College paid charge card bills without or with incomplete purchase logs, reconciliations, bank statements, and supporting receipts. Blue Ridge Community College split purchases to avoid purchaser's amount restrictions, left charge cards in unsecured locations and did not properly record expenses.

The Colleges should enforce their established policies and procedures for use of small purchase charge cards. Management should review purchases for split purchases to avoid purchaser's amount restrictions and proper recording and not pay charge card statements without or with incomplete purchase logs, reconciliations, bank statements, and supporting receipts. Management should identify cardholders who are not following the college's policies and procedures and take appropriate action.

2. Continue to Improve Revenue Contract Management. In the fiscal year 2009 audit report, the APA noted that several Colleges did not have adequate procedures over the collection, accounting, and management of contract revenues. While these Colleges have corrected this issue during this year's audit, the APA noted three additional colleges that had this same issue. The Colleges have revenue contracts with vendors to provide goods and services to the students and others where the College receives either a percentage of sales, rental income, or a commission. The APA found the following issues.
 - Blue Ridge and Central Virginia Community Colleges did not have documented guidelines for recording and collecting contract revenue.

The Systems Office should continue to work with the individual Colleges to ensure that each College reviews its revenue contract management process. The Colleges should document and implement policies and procedures regarding the collection and accounting of contract revenues. These policies and procedures should address all aspects of contract management to include but not limited to procedures to ensure contracts are current; prompt receipt of revenues; commissions received are accurate; review of contract performance before contracts are renewed; contract revenue commissions are competitive with market rates; and timely review of contract commission rates.

Central Virginia Community College (CVCC)

1. Continue to Improve Revenue Contract Management. In the fiscal year 2009 audit report, the APA noted that several Colleges did not have adequate procedures over the collection, accounting, and management of contract revenues. While these Colleges have corrected this issue during this year's audit, the APA noted three additional colleges that

had this same issue. The Colleges have revenue contracts with vendors to provide goods and services to the students and others where the College receives either a percentage of sales, rental income, or a commission. The APA found the following issues.

- Blue Ridge and Central Virginia Community Colleges did not have documented guidelines for recording and collecting contract revenue.

The Systems Office should continue to work with the individual Colleges to ensure that each College reviews its revenue contract management process. The Colleges should document and implement policies and procedures regarding the collection and accounting of contract revenues. These policies and procedures should address all aspects of contract management to include but not limited to procedures to ensure contracts are current; prompt receipt of revenues; commissions received are accurate; review of contract performance before contracts are renewed; contract revenue commissions are competitive with market rates; and timely review of contract commission rates.

Danville Community College (DCC)

1. Promptly Remit Unclaimed Financial Student Aid Funds. Danville Community College Business Office Staff has not remitted 21 unclaimed checks written prior to July 2007 totaling \$3,710 to the federal program. Code of Federal Regulations Section 34 CFR 668.164(h) requires the College to return unclaimed financial student aid funds to the Federal program or lender within 240 days of issuing a refund check to a student. The College should immediately return this amount to the federal programs and implement a formal procedure to ensure the return of unclaimed aid to the federal programs or lender on a timely basis.
2. Improve Cash Management of Student Loan Funds. Danville Community College receives loan proceeds through an electronic deposit into a dedicated bank account and should then promptly process the funds into its College and Commonwealth bank accounts. The College distributes these funds to the Commonwealth by crediting student accounts for tuition and fees and then distributes any remainder to the students for other educational expenses.

The College received loan funds and then delayed weeks after receipt of the funds to credit the students' accounts and distribute excess balances. This created an unnecessary delay in the time these funds became available to the College to pay its expenses and to the students to pay their educational expenses.

3. Properly Process Return of Title IV Calculation for Unofficial Withdrawals. Danville Community College did not identify unofficial withdrawals or perform the necessary Title IV refund calculations for the fall 2009 and spring 2010 semesters. In addition, the Student Financial Aid Office does not currently have a formal procedure to identify students who discontinue attendance and unofficially withdraw.

The Code of Federal Regulations, Title 34 CFR 668.22, to ensure that Title IV funds are returned within a reasonable period of time, requires that the College determine the withdrawal date (for a student that withdrew without providing notification) within 30

days from the earlier of (1) the end of the payment period or period of enrollment, as applicable, (2) the end of the academic year, or (3) the end of the student's educational program. Failure to identify students who unofficially withdraw and then properly calculate and disburse a return of Title IV funds creates a liability for the College for the proper refunds and may jeopardize continued participation in Title IV programs.

4. Document Reconciliation of Federal Reports to College Records. Accounting and Financial Aid staff at these colleges do not document that they have reconciled the Federal G5 Activity Reports to the College's accounting records. Each College obtains the Activity Report from a federal database that shows cumulative and detailed information for each Federal Student Aid award. Additionally, Patrick Henry Community College did not maintain documentation of its reconciliation to the Common Origination and Disbursement system for the fall 2009 semester and had not completed its reconciliation for the spring 2010 semester as of July 2010.

Code of Federal Regulations Title 34 CFR 676.19, requires that the College reconcile its fiscal records monthly. Accounting and Financial Aid staff at each College should reconcile the Federal Activity Reports to the College's accounting records monthly and reconcile its federal funds drawdowns to the Common Origination and Disbursement system promptly each semester. Additionally, the staff should properly document the reconciliation and resolve all differences promptly. This reconciliation would ensure that the College is properly recording all Federal Student Aid in its accounting records and properly reporting information in the Federal databases. Prompt and complete reconciliations would also identify amounts that the College may have incorrectly drawn down from the federal programs.

Lord Fairfax Community College (LFCC)

1. Continue to Improve Revenue Contract Management. In the fiscal year 2009 audit report, the APA noted that several Colleges did not have adequate procedures over the collection, accounting, and management of contract revenues. While these Colleges have corrected this issue during this year's audit, the APA noted three additional colleges that had this same issue. The Colleges have revenue contracts with vendors to provide goods and services to the students and others where the College receives either a percentage of sales, rental income, or a commission. The APA found the following issues.
 - Lord Fairfax Community College did not monitor the commission payments from its food service and vending contractor until after it renewed the contracts, and then found underpayments. The College should complete monitoring of all contracts before negotiating their renewal.

The Systems Office should continue to work with the individual Colleges to ensure that each College reviews its revenue contract management process. The Colleges should document and implement policies and procedures regarding the collection and accounting of contract revenues. These policies and procedures should address all aspects of contract management to include but not limited to procedures to ensure contracts are current; prompt receipt of revenues; commissions received are accurate; review of

contract performance before contracts are renewed; contract revenue commissions are competitive with market rates; and timely review of contract commission rates.

2. Improve and Update Fixed Asset Inventory Procedures. Lord Fairfax Community College has its own equipment inventory system with unique procedures for recording, inventorying and processing other fixed asset transactions. The College has not documented any of these procedures or the policies it will follow when recording these activities.

Further, the Systems Office has fully implemented the PeopleSoft accounting system fixed asset module for equipment, which supports the preparation of financial statements, eases the recording of fixed asset transactions, and facilitates reconciliations. However, the College's independent fixed asset system is not compatible with the PeopleSoft accounting system fixed asset module, and the System does not wish to incur the cost of maintaining this separate system's interface.

In light of the Systems Office's direction with the PeopleSoft accounting system fixed asset module, the College's management should review their inventory process and determine if the long term cost of maintaining an independent system is appropriate. At a minimum, Management needs to develop policies and procedures for the College's fixed assets including inventory, recording, and future reporting.

Northern Virginia Community College (NVCC)

1. Continue to Strengthen Internal Controls at Northern Virginia Community College. **This is a repeat finding.** During previous audits, Northern Virginia Community College has had significant findings related to internal control as a result of significant turnover in key financial personnel and outdated policies and procedures, which hindered staff from learning their responsibilities. A follow-up of issues at the College during this audit found that the College has made significant progress in addressing the recommendations from the prior year audit.

Turnover has stabilized and staff has identified areas where there are inadequate and outdated policies and procedures. The College needs to complete an update of documented financial operating policies and procedures which if left undocumented could lead to the internal control issues reoccurring if there is another period of high staff turnover.

The College should continue the process of updating and documenting financial operating policies and procedures so employees have sufficient information and direction to allow them to complete their duties properly and ensure the College can transfer responsibilities when turnover occurs and the processes can continue.

2. Strengthen Internal Controls over Small Purchase Charge Card Program. Northern Virginia Community College paid charge card bills without or with incomplete purchase logs, reconciliations, bank statements, and supporting receipts. Blue Ridge Community College split purchases to avoid purchaser's amount restrictions, left charge cards in unsecured locations and did not properly record expenses.

The Colleges should enforce their established policies and procedures for use of small purchase charge cards. Management should review purchases for split purchases to avoid purchaser's amount restrictions and proper recording and not pay charge card statements without or with incomplete purchase logs, reconciliations, bank statements, and supporting receipts. Management should identify cardholders who are not following the college's policies and procedures and take appropriate action.

3. Properly Calculate Accrued Payroll. The Colleges treated nine-month faculty, who receive their salary over 12 months, the same as other employees and only accrued the portion of payroll where pay periods had days in the current fiscal year. Therefore, this calculation resulted in an understated accrued payroll liability for fiscal year 2010 of \$3.7 million and a beginning balance adjustment of \$3.5 million.

These adjustments result from nine-month faculty members receiving their salary over a 12 month period and the accrual should have included the salary for July and August. Also, the System Office did not detect this error.

The Colleges should follow the financial statement preparation instructions provided by the System Office. The System Office should continue to work with the colleges to ensure consistency and accuracy of the consolidated financial statements. As changes in the guidance or key personnel at the community colleges occur, the Systems Office should consider performing additional procedures to ensure accuracy of College submitted information.

Patrick Henry Community College (PHCC)

1. Consistently Verify Financial Information. Financial Aid Office staff at Patrick Henry Community College does not consistently verify income or maintain adequate tax records for students receiving financial aid. Specifically, for four of 37 student files tested, the Financial Aid Office did not maintain adequate tax records or other income related documentation confirming that the Financial Aid Office verified the student's income before disbursing financial aid to the students.

The Code of Federal Regulations Title 34 CFR 668.56, requires that the College verify certain demographic and income information for students selected by the U.S. Department of Education during the aid application process. Failure to verify required income documentation may allow ineligible students to receive Federal Student Aid or make students ineligible for Federal Student Aid, if the College does not verify the information. The College must consistently verify all information required by the U.S. Department of Education.

2. Resolve Excess Cash Balances. Since September 2008, Patrick Henry Community College has held excess cash totaling \$36,420 in its federal fund bank account. The Business Office uses a separate bank account to deposit and disburse Federal Student Aid funds to student accounts.

The Code of Federal Regulations Title 34 CFR 668.166, requires Colleges to not maintain excess cash balances from Federal Student Aid funds. The APA recommends that the College immediately review this account, identify the source of the funds, and promptly return any excess Federal Student Aid funds to the federal programs.

3. Promptly Return Title IV Refunds. Patrick Henry Community College did not promptly return Title IV student financial aid refunds related to student withdrawals to the U.S. Department of Education. Based on the APA review of 40 student accounts in the fall 2009 semester, the College held \$7,385 until April 2010 and \$5,690 until February 2010. In the spring 2010 semester, the College held \$6,928 until July 2010 and \$4,573 until June 2010.

The Code of Federal Regulations Section 34 CFR 668.172(c) requires the College to return unearned funds related to student withdrawals no later than 45 days after the date that it determines that the student has withdrawn. Failure to promptly return unearned Title IV funds may jeopardize continued participation in Title IV programs.

4. Document Reconciliation of Federal Reports to College Records. Accounting and Financial Aid staff at these colleges do not document that they have reconciled the Federal G5 Activity Reports to the College's accounting records. Each College obtains the Activity Report from a federal database that shows cumulative and detailed information for each Federal Student Aid award. Additionally, Patrick Henry Community College did not maintain documentation of its reconciliation to the Common Origination and Disbursement system for the fall 2009 semester and had not completed its reconciliation for the spring 2010 semester as of July 2010.

Code of Federal Regulations Title 34 CFR 676.19, requires that the College reconcile its fiscal records monthly. Accounting and Financial Aid staff at each College should reconcile the Federal Activity Reports to the College's accounting records monthly and reconcile its federal funds drawdowns to the Common Origination and Disbursement system promptly each semester. Additionally, the staff should properly document the reconciliation and resolve all differences promptly. This reconciliation would ensure that the College is properly recording all Federal Student Aid in its accounting records and properly reporting information in the Federal databases. Prompt and complete reconciliations would also identify amounts that the College may have incorrectly drawn down from the federal programs.

Tidewater Community College (TCC)

1. Properly Calculate Accrued Payroll. The Colleges treated nine-month faculty, who receive their salary over 12 months, the same as other employees and only accrued the portion of payroll where pay periods had days in the current fiscal year. Therefore, this calculation resulted in an understated accrued payroll liability for fiscal year 2010 of \$3.7 million and a beginning balance adjustment of \$3.5 million.

These adjustments result from nine-month faculty members receiving their salary over a 12 month period and the accrual should have included the salary for July and August. Also, the System Office did not detect this error.

The Colleges should follow the financial statement preparation instructions provided by the System Office. The System Office should continue to work with the colleges to ensure consistency and accuracy of the consolidated financial statements. As changes in the guidance or key personnel at the community colleges occur, the Systems Office should consider performing additional procedures to ensure accuracy of College submitted information.

Wytheville Community College (WCC)

1. Document Reconciliation of Federal Reports to College Records. Accounting and Financial Aid staff at these colleges do not document that they have reconciled the Federal G5 Activity Reports to the College's accounting records. Each College obtains the Activity Report from a federal database that shows cumulative and detailed information for each Federal Student Aid award. Additionally, Patrick Henry Community College did not maintain documentation of its reconciliation to the Common Origination and Disbursement system for the fall 2009 semester and had not completed its reconciliation for the spring 2010 semester as of July 2010.

Code of Federal Regulations Title 34 CFR 676.19, requires that the College reconcile its fiscal records monthly. Accounting and Financial Aid staff at each College should reconcile the Federal Activity Reports to the College's accounting records monthly and reconcile its federal funds drawdowns to the Common Origination and Disbursement system promptly each semester. Additionally, the staff should properly document the reconciliation and resolve all differences promptly. This reconciliation would ensure that the College is properly recording all Federal Student Aid in its accounting records and properly reporting information in the Federal databases. Prompt and complete reconciliations would also identify amounts that the College may have incorrectly drawn down from the federal programs.

Virginia School for the Deaf and Blind (VSDB)

1. Improve Contract Management and Accounting. The School received approximately \$71 million in appropriations for a major construction project to consolidate the Hampton school with the Staunton school. The Department of General Services has performed the procurement and project management of this major construction project. However, the accounting for Construction in Progress related to the project is the responsibility of the School. During their review, the APA found the following issues.
 - The School did not obtain sufficient information for charges from the architect and engineer to evaluate what services they rendered. The School paid seven invoices that included travel expenses without support. In addition, they paid one invoice that included overcharges for shipping fees.
 - The Superintendent did not approve two of the construction invoices reviewed. In addition, she approved one of the architect and engineer invoices after it was paid.

- The School does not have an adequate process to track construction expenses that enables them to support the amounts ultimately recorded as assets in Fixed Asset Accounting and Control System (FAACS). The APA was unable to reconcile the amounts recorded in FAACS with the expenses recorded in the Commonwealth Accounting and Reporting System (CARS). The Commonwealth's Accounting Policies and Procedure (CAPP) Manual provides guidance on how to track construction in progress that will ensure that agencies capture all possible project expenses and related detail and can smoothly transition assets to FAACS when the project is complete.

The School should use the CAPP Manual guidance to develop their Construction in Progress Schedule. They should maintain sufficient internal documentation to support changes made to Construction in Progress balances and for assets moved from construction in progress to assets in FAACS. They should work with the General Services Project Manager to ensure they have adequate support for all invoices, and the Superintendent should approve all invoices prior to payment.

2. Improve CARS Reconciliation Process. The School's reconciliations do not have any indication that any supervisor reviewed and approved them, nor is there any indication that someone corrected any errors or other items found during the reconciliation. In addition, the School does not perform a monthly FAACS to CARS reconciliation as required by the Commonwealth's policies and procedures. However, the School submits a certification of the monthly fixed assets reconciliation to the Department of Accounts stating that the reconciliation is complete when in fact it is not.

The Commonwealth's policies and procedures require that agencies have detailed written procedures for meeting all CARS reconciliation requirements. These "desk procedures" must document the reconciliation process in an agency-standardized format, and the agency must have them available for inspection (with all supporting documentation) by outside parties, such as the auditors and Department of Accounts. The lack of detailed written policies and procedures increases the risk of error in CARS and the modification of procedures to circumvent existing internal controls. Further, having procedures makes it easier to transition responsibilities when there is turnover and to hold employees accountable when they do not perform their functions.

The School should have supervisors document that they have reviewed and approved all reconciliations and that someone has completed resolving any items requiring adjustment or other disposition. The School should also develop, document, and implement policies and procedures for all their reconciliation processes. These policies and procedures should include the method for documenting the preparation and the review processes. The School should submit monthly certifications to Accounts only after all required reconciliations are complete.

Further, while the School does not have many fixed assets entered into FAACS, given the current renovation and construction projects in progress on campus, the number of assets entered into FAACS will increase. Not performing the FAACS to CARS Reconciliation could potentially impact the accuracy of CARS.

3. Strengthen Internal Controls Over Capital Asset Useful Life Methodologies. The School does not have proper controls in place for assigning and re-evaluating useful lives of depreciable capital assets (buildings, equipment, and infrastructure). They have not developed and implemented an agency-specific useful life methodology. As a result, the School has a significant amount of fully depreciated assets. As of fiscal year 2010, they had approximately \$18.6 million in fully depreciated assets. In addition, as of fiscal year 2010 there is approximately \$2.5 million in assets that are 90% depreciated and \$3.8 million in assets that are 75% depreciated. The majority of these assets are buildings and infrastructure.

GASB Statement No. 34, implemented in 2002, requires accumulated depreciation and depreciation expense for the Comprehensive Annual Financial Report (CAFR). The second implementation guide for GASB Statement No. 34 states, "If the assets are significant, the estimated useful lives assigned to capital assets should be reconsidered. Assets still in use should not be reported as fully depreciated." Accordingly, all agencies must assign reasonable useful lives to depreciable capital assets based upon the agencies' own experience and plans for the assets. In addition, agencies should perform a periodic review of estimated useful lives to properly reflect the asset's remaining life.

The School should develop, document, and implement a methodology for assigning useful lives of depreciable capital assets as well as the re-evaluation of currently assigned useful lives.

Virginia State University (VSU)

1. Improve Oracle Database Security. **This is a repeat finding.** The University continues to incur the risk of a database failure or loss of data, because it has not implemented best practice controls to safeguard its mission critical and confidential data in its production databases. The University's inadequate controls create vulnerabilities that expose sensitive data and can possibly compromise data integrity.

Specifically, the University needs to improve password management, user profile setup, system auditing, and testing of backup and restoration procedures. The APA has communicated the details of these weaknesses to management in a separate document that is marked Freedom of Information Exempt under Section 2.2-3705.2 of the Code of Virginia, due to their sensitivity and description of a security system.

The APA recommends that the University complete its planned database upgrade and at the same time ensure compliance with industry best practices, University policies, and the Commonwealth's security standards. Further, the University should ensure that its technical staff is trained and aware of their newly established security requirements.

2. Approve and Implement Information Security Program. **This is a repeat finding.** While the University has made progress towards implementing its information security program, this is the third report in a row that the APA has reported the need to completely and fully implement the Information Security Program. Typical universities of the size

and complexity of Virginia State University review, update, and approve at least one-third of their entire information security program each year.

The University has not identified regulatory requirements, such as FERPA and PCI, for data types within their IT Data and System Classification document. Without identifying these regulatory requirements, the University cannot accurately identify which IT assets contain sensitive data. The University should complete and implement risk assessments as well as perform an annual self-assessment to determine the continued validity and need of each risk assessment.

Additionally, the University does not have manual procedures documented for essential business functions or sufficient disaster recovery procedures to guide the University's operations in case of a disaster that affects their information systems. Commonwealth recommended DRP appendixes are not included in the University's contingency planning documents.

The APA recommends that the University implement a self-assessment policy and process that reviews risk assessments for validity in accordance with the Commonwealth's information security standard. Further, the APA recommends that the University amend the IT System and Data Sensitivity form to include a field to identify regulatory requirements specific to each data type.

Finally, the University should finalize, approve, and implement its information security program policies. The APA encourages the University to continue working diligently to complete the remaining incomplete sections of the information security program.

3. Strengthen Access Controls over eVA. During the review, the APA found that the University's Security Officer did not request deletion of eVA access within one working day of employment termination for 5 of the 14 (36 percent) terminated employees tested, as required by the Security Manual. The delays in deleting access ranged from 24 days to over 19 months after the termination date.

Terminated employees with improper access to eVA could potentially enter and process false or fraudulent transactions. The University should perform a comprehensive review of all terminated staff to ensure that the University's Security Officer has removed their access. Going forward, the University should follow the current policy in place and remove access within one business day of the effective termination date.

4. Strengthen Controls over Reporting Federal Expenditures. The APA found that the University erroneously omitted \$1.2 million in expenditures from the data they submitted for the Schedule of Expenditures of Federal Awards included in the Commonwealth's Single Audit Report due to an error in the query they used to extract the data from Banner. In addition, the University's Financial Reporting and Grants and Contracts units did not detect this error through their review and reconciliation processes. The APA recommends that the University develop and implement procedures to strengthen the controls surrounding the review and reconciliation of federal expenditure data.

5. Ensure Title IV Refund Calculations are Accurate. The Student Financial Aid Office used incorrect dates to calculate refunds of Title IV funds for fall 2009 and spring 2010 student withdrawals. When calculating the length of the semester, financial aid office staff used the last day of classes rather than the last day of exams as the official end of each semester. This error caused refund miscalculations for 11 of the 16 students selected for test work who officially withdrew during fall 2009 and spring 2010. For the return of Title IV funds calculation purposes, a week of instructional time is where at least one day of instruction or exams occurs or, after the last day of classes, at least one day of study for final exams occurs.

Subsequent to receiving the APA's finding, the University reviewed all fall 2009 and spring 2010 calculations and returned \$6,006 to the federal programs. Management should also review Title IV procedures and implement a secondary review of the calculation and entry into their financial aid accounting system of critical data to ensure accuracy in the Title IV refund calculations and to prevent future errors.

Natural Resources

Department of Game and Inland Fisheries (DGIF)

1. Improve Internal Controls and Compliance of the IT Systems Security Program. **This is a repeat finding.** Game has made progress on its information security program since the APA's prior year review. However, there are key components that Game must complete to ensure compliance with the Commonwealth's information security standards.
 - *Business Impact Analysis:* While Game has developed a Business Impact Analysis (BIA) since the prior year audit, it does not include the Recovery Point Objective or maximum tolerable down times for each function, as required by ITRM Standards. The identification of these is necessary to properly assess risk.
 - *Information Security Officer:* Game has not documented in the Employee's Work Plan the ISO's roles and responsibilities and related authority, as identified in ITRM Policy SEC519 and ITRM Standard SEC501.
 - *Security Awareness Training Program:* Game does not actively ensure that all staff receive annual security awareness training and that training records are maintained acknowledging receipt of training. Further, Game does not have role-based (with the exception of the Law Enforcement Division) or technical IT security training programs for employees and contractors who design, manage, administer, and operate IT systems and applications. The Commonwealth's security standard requires that all employees undergo annual IT Security Awareness Training to provide them with guidance on how to best protect sensitive data.

Game should complete the remaining items missing in the BIA and ensure that these elements flow through to the other areas of the IT Security Plan. Game's management

should add the ISO's roles and responsibilities to the ISO's Employee Work Plan to ensure that the ISO is aware of his role in developing, implementing, and enforcing Game's information security plan.

Game's management should dedicate the necessary resources to ensure that new and existing employees complete and acknowledge receipt of IT security awareness training and that records of completed training be retained for at least three years. Additionally, the APA recommends that Game's Information Security Officer ensure that departments are complying with security awareness training requirements by periodically reviewing training content and attendance. Finally, Game should develop and implement a role-based Security Awareness and Training program that gives specialized training to agency resources responsible for key areas of the information security program.

2. Maintain CARS Reconciliation Records. Game could not locate monthly and year-end reconciliations of their Accounting Information Management System (AIMS) to Commonwealth Accounting and Reporting System (CARS) and the Commonwealth Integrated Payroll/Personnel System (CIPPS) to CARS. Because Game could not locate the reconciliation documentation, the APA could not determine whether Game is performing the monthly and year-end AIMS to CARS and CIPPS to CARS reconciliations. Game did certify to Department of Accounts that the reconciliations were complete.

The CAPP Manual requires that agencies document CARS reconciliations and make them available for inspection by the Auditor of Public Accounts. It further recommends that supporting documentation be retained for three years. Failure to perform reconciliations and identify and correct discrepancies or errors in AIMS, CIPPS, or CARS could result in inaccurate information in any of the systems.

Game should perform all reconciliations and retain all necessary support to substantiate that they are performing their monthly reconciliations. Game should incorporate this process into their policies and procedures.

3. Improve Internal Controls over System Access. Game does not have adequate policies and procedures to ensure access to critical systems is deleted when employees leave the agency or change positions or that access provides adequate segregation of duties.
 - *CARS:* In CARS, management did not delete access for two of eight employees with CARS access, one for several months and the other for many years, after the employees terminated.
 - *eVA:* In eVA, the APA found three employees had access for several months to several years after their termination, one employee no longer needed access due to a change in position, and three employees had the ability to enter and approve requisitions and purchase orders. However, controls exist in Game's originating purchasing system (AIMS – Purchasing module) that reduce the risk of inappropriate purchases through eVA. Allowing terminated employees or employees with changes in responsibilities to retain their access increases the risk that employees will

jeopardize the confidentiality, integrity, and availability of Game's critical information.

Game should review its processes for deleting employee access to ensure the deletion of access promptly after an employee's termination. The APA further recommends that Game, at least every two years, review all employee access to any system to ensure that access is appropriate, reflects proper segregation of duty, and meets the employee's need to fulfill their job function.

4. Obtain Prior Authorization for Part-Time Employee Exceeding 1500 Hours. Game did not obtain prior authorization from the Executive Director or his designee for one of two part-time employees to exceed the 1500-hour maximum in a 365-day period. Once management discovered that the individual exceeded 1500 hours, the Executive Director approved the excess. However, based upon the Department of Human Resource Management's policy, exceptions to the 1500-hour maximum must have approval of the agency head prior to the employee exceeding the hours. Wage employment should cover peak workloads and seasonal or short-term needs.

Game should obtain prior authorization from the Executive Director for any part-time employee that potentially could exceed the 1500-hour maximum in a 365-day period. Game should develop and implement policies and procedures that adhere to the intent of wage employment and comply with the exception process by having part-time employees approaching 1500 hours reviewed for authorization before they exceed the 1500 hour maximum.



Additional Recommendations – Quarter Ended September 30, 2011

The APA issued additional recommendations during the quarter ended September 30, 2011. Recommendations in this section may include risk alerts, efficiency issues, or general comments to management.

Department of Game and Inland Fisheries (DGIF)

1. Funding for Future Operations.
2. Anticipate Need for Succession Planning and Staff Replacement.

Virginia Community College System (VCCS)

1. Continue to Improve Revenue Contract Management.
2. Properly Calculate Accrued Payroll.

Virginia School for the Deaf and Blind (VSDB)

1. Develop and Implement an Information Security Program.
2. Maintaining Internal Controls, Current Policies and Procedures, and Compliance Issues

Special Reports – Quarter Ended September 30, 2011

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

Auditor of Public Accounts – 2011 Report to the General Assembly

Commonwealth of Virginia Court Operations for the year ended June 30, 2010

Local Ordinances and the Funding of Courts – September 2011

Report to the Joint Legislative Audit and Review Commission for the quarter April 1, 2011 through June 30, 2011

The APA issued the following Special Reports that did not contain management recommendations:

County of Goochland Report on Investigation of Treasurer's Office – August 25, 2011

Other Audit Reports Received – Quarter Ended September 30, 2011

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

Assistive Technology Loan Fund Authority for fiscal years ended June 30, 2010 and June 30, 2011

Virginia’s Judicial System Report on Audit for the Year Ended June 30, 2010

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

State Lottery Department “Power Ball”—Report on Applying Agreed-Upon Procedures for the period January 31, 2010 through March 31, 2011

State Lottery Department “Power Play”—Report on Applying Agreed-Upon Procedures for the period January 31, 2010 through March 31, 2011

State Lottery Department “Mega Millions”—Report on Applying Agreed-Upon Procedures for the period April 01, 2010 through March 31, 2011

State Lottery Department “Win for Life”—Report on Applying Agreed-Upon Procedures for the period April 01, 2010 through March 31, 2011



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				
Department of General Services	0	0	0	1
State Board of Elections	0	1	1	0
Agriculture and Forestry				
None				
Commerce and Trade				
Department of Business Assistance	0	1	0	0
Virginia Employment Commission	0	1	0	0
Education				
Eastern Shore Community College	0	1	0	0
Christopher Newport University	0	1	0	0
George Mason University	1	0	0	0
Longwood University	0	1	2	0
Norfolk State University	1	1	1	0
Old Dominion University	1	0	0	0
The College of William and Mary in Virginia	0	0	2	0
The Museum of Fine Arts	0	1	0	0
Virginia Polytechnic Institute and State University	1	0	0	0
Virginia State University	0	1	0	0
Frontier Culture Museum of Virginia	0	1	0	0
Executive Offices				
None				
Finance				
Department of Taxation	0	1	0	0
Health and Human Resources				
Department for the Aging	0	1	0	0
Department of Behavioral Health and Developmental Services	3	2	0	0
Department of Health	1	0	0	0
Department of Medical Assistance Services	0	1	0	0
Department of Rehabilitative Services	0	1	0	0
Department of Social Services	1	4	0	0

	IN PROGRESS		COMPLETED	
	On Schedule	Delayed	On Schedule	Delayed
Natural Resources				
Virginia Museum of Natural History	0	1	0	0
Public Safety				
Department of Corrections	2	1	1	0
Department of Emergency Management	1	0	0	0
Department of Forensic Science	0	1	0	0
Department of Juvenile Justice	0	0	0	2
Department of Military Affairs	0	1	0	0
Department of State Police	1	1	0	0
Department of Veterans Services	4	0	3	0
Virginia War Memorial Foundation	2	0	1	0
Technology				
Virginia Information Technologies Agency	0	2	0	2
Wireless E-911 Services Board	1	1	0	0
Transportation				
Department of Motor Vehicles	1	0	0	0
Department of Transportation	0	0	0	1
Virginia Port Authority	0	1	0	0
TOTALS	21	29	11	6



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>Department of General Services (DGS)</u>				
2010	10-01 08-01	Improve Application Controls. This is a repeat finding.	The IS Section has modified the internal security application to automate the access removal process by triggering the request to remove access based on the termination transaction initiated by the HR Section. Automatic notification and daily reminders will be sent to personnel responsible for deleting terminated employee access and to the ISO, who will be responsible for monitoring timely completion and documenting any exceptions.	Completed (Delayed)
<u>State Board of Elections (SBE)</u>				
2010	10-01	Improve federal financial status reporting process.	Grant procedures have been finalized and a grants expert has been hired to continue reviewing grant procedures to help further strengthen its federal financial status reporting process.	Completed (On Schedule)
	10-02 08-02	Improve information systems security program. This is a repeat finding.	The agency's IT Manager has completed the IS officer training provided by VITA. Work continues with DOA to complete a Risk Assessment, which is in the final review stages and expected to be completed around year end. Once completed, required changes will be implemented.	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 Business Assistance (DBA)</u>				
2010	10-02 08-03 07-06	Complete the Agency's Information Security Program. This is a repeat finding.	DBA has completed the RFP process and signed a contract for development of the replacement system. The development cycle is estimated to be completed in 6-8 months. The new database will represent a significant milestone to achieving compliance with VITA/DOA/COV requirements for IT Systems Security and Disaster Recovery plans.	In Progress (Delayed)
<u>Virginia Employment Commission (VEC)</u>				
2010	10-01 09-02	Strengthen controls over system access. This is a repeat finding	VEC is working to complete its new client/server system for monitoring access needs. This deadline has been delayed as a result of resource constraints and additional system requirements, which will require more analysis and programming time. As a stop-gap measure, the ISO will be reviewing system access with the system owners.	In Progress (Delayed)
<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. This is a repeat finding.	Passwords were changed on August 3, 2011 and a calendar event has been initiated and will be sent every 90 days to prompt the changing of passwords. Testing of the password change confirmations has been added to the ARMICS review to ensure compliance. Management is continuing to recruit and hire a backup for the DBA which will provide the necessary resources to assist in monitoring the audit logs and user access. Also, CNU is procuring a network appliance that can be connected to the enterprise environment and configured to automatically alert technical staff of identified and known security compromises.	In Progress (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
<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. The University is on schedule to meet all targeted deadlines.	In Progress (On Schedule)
<u>Longwood University (LU)</u>				
2010	10-01	Implement Third Party Monitoring and Review Processes	A preliminary audit of TouchNet's access to restricted data elements in the Banner system was conducted on May 31, 2011 and resulted in no attempts. An additional audit was performed at the end of June 2011 and will be performed periodically going forward to ensure compliance.	Completed (On Schedule)
	10-02 09-03	Improve Risk Management and Contingency Planning. This is a repeat finding.	Risk management tests are being performed on 39 different systems prior to being implemented in production.	In Progress (Delayed)
	10-03	Strengthen Firewall Configuration	All corrective action has been completed. The new risk analysis process includes the appropriate steps to document and ensure periodic vulnerability scanning of all systems and devices, including network devices such as the firewall.	Completed (On Schedule)
<u>Norfolk State University (NSU)</u>				
2010	10-01	Improve Controls Over Fixed Assets	The University is in the process of improving existing procedures for inventory and disposal of fixed assets. In addition, management oversight is being enhanced to ensure adherence to those procedures.	In Progress (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	10-02 09-01	Improve information security program. This is a repeat finding.	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 (Delayed)
	10-03 09-02	Strengthen clearing procedures over separated employees. This is a repeat finding.	HR has implemented the electronic clearance form for separated employees. Tutorial training for supervisors along with the form are provided electronically on-line. HR has the capability of electronically monitoring and viewing the approval levels for each form.	Completed (On Schedule)
<u>Old Dominion University (ODU)</u>				
2010	10-01	Improve risk management and contingency planning.	The University continues to make progress and is on schedule to meet the targeted date of completion of December 31, 2011.	In Progress (On Schedule)
<u>The College of William and Mary in Virginia (CWM)</u>				
2010	10-01	Improve Oracle Database Security	The College used CIS Benchmarks for Oracle 11g Baseline Configuration as a standard for setting password complexity controls, monitoring and logging activities, baseline security configurations, user account management, and records retention. In addition, the College implemented procedures for the regular review of audit logs and user access to detect any suspicious database activity.	Completed (On Schedule)
	10-02	Improve Grant Monitoring and Oversight	New administrators reviewed all awards, established new files, and analyzed financial reporting records and reconciliations. Attributes have been added to the Banner system to allow each administrator to extract reports with all appropriate information for award management. A new database incorporating proposals as well as final award data has been developed and will be used to provide a more robust	Completed (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
			monitoring system to better track subrecipients. Office staff received training over A-133 requirements. One staff member is serving as the central contact for tracking and filing A-133 reports. The College is also complying with FFATA by posting subrecipient agreements to federal website (FSRS) to provide a third point of verification.	
<u>Virginia Museum of Fine Arts (VMFA)</u>				
2010	10-01	Improve Internal Controls over Small Purchase Charge Cards	The Finance Office completed an initial review of all active small purchase charge cards by division in May and communicated review findings to each division head. Policies were also implemented to require additional justification for issuance of charge cards. However, the agency's cost centers have since been restructured. As a result, VFMA continues to work toward identifying the appropriate individuals within the reorganized units who should retain card access and plans to provide additional training to these targeted individuals.	In Progress (Delayed)
<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)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Virginia State University (VSU)</u>				
2009	09-01	Improve database management.	The University is taking the steps necessary to secure and harden the Oracle database in accordance with VITA IT Security requirements (SEC-501) and implement best practices to ensure that sensitive data is properly protected. User acceptance testing is being conducted in the testing environment with planned migration of a secure Oracle database to the production environment.	In Progress (Delayed)
<u>Frontier Culture Museum of Virginia (FCMV)</u>				
2009	09-01	Perform fixed asset reconciliations.	The agency is currently testing its FAACS policy as there are several assets being entered to the system.	In Progress (Delayed)
<u>Department of the Taxation (TAX)</u>				
2010	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>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>				
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)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	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)
	10-07 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)
<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 currently scheduled to take place in September, 2012. State Roll-out is scheduled to begin in November, 2012.	In Progress (On Schedule)
<u>Department of Medical Assistance Services (DMAS)</u>				
2010	10-01	Obtain valid social security numbers.	DMAS and VDSS developed a series of joint broadcasts to communicate process and procedures pertaining to social security number (SSN) verification requirements. MMIS reports related to SSN continue to be monitored and DSS eligibility staff is responsible for clearing up any mismatches. A performance audit is currently being conducted by outside consultants over the eligibility process and DMAS is awaiting the results of that review.	In Progress (Delayed)
<u>Department of Rehabilitative Services (DRS)</u>				
2010	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)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
Department of Social Services (DSS)				
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 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)
	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. DSS confirmed the continued use of individual accounts and that auditing is activated. 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)

<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>
	10-05	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 the two associated appendix items that were received on May 26, 2011. Approximately two pages of comments were provided to VITA for their review and feedback. DSS does not expect the completion of Appendix B until late September to early October. Without Appendix B (the document that will describe roles and responsibilities), there is no reason to sign the remaining documents.	In Progress (Delayed)
<u>Virginia Museum of Natural History (VMNH)</u>				
2010	10-03	Improve information security program.	All VMNH staff has completed Security Awareness Training. The agency is working on IT security policies and procedures and is developing a Business Impact Analysis (BIA) and Risk Assessment (RA). This BIA & RA will work in concert with the COOP Plan.	In Progress (Delayed)
<u>Department of Corrections (DOC/CA)</u>				
2010	10-01	Strengthen Controls Over Commuting Payroll Deductions	As of 5/25/11, DOC changed the commuting rate to the current \$.51 as established by DGS State Fleet. DOC reissued commuting forms to all staff that wished to continue to commute. The forms were processed through to the DOC Payroll section. DOC staff will check annually for the correct commuting rate as published by State Fleet and will make modifications to the rate being charged as necessary.	Completed (On Schedule)
	10-02 09-04 09-05	Develop and Implement Policies and Procedures for Fuel Cards and Vehicle Inventory This is a repeat finding.	Fuel Cards: DOC is performing a cost benefit analysis on the Fuel Cards finding and will implement policy and procedures contingent on the results of the analysis. Vehicle Inventory: DOC has modified the existing spreadsheet to reflect FAACS ID numbers on each vehicle. Additionally, multiple review and verification	In Progress (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
			procedures are being implemented. DOC policy and procedures will be revised to reflect these mandatory verifications.	
	10-03	Improve Controls and Processes Surrounding Fixed Asset Accounting and Control System	DOC is in the process of requiring all units that originate a central procurement of fixed assets to provide a copy of all documentation necessary to enter the assets into FAACS to the applicable Business Office or designated responsible party within 30 days of acceptance of the asset. In the case of the Central Agencies, the Budget Office is in the process of developing internal operating procedures for those units who do not have access to CARS 0426 or CARS 0463 reports, thereby improving the probability that assets are recorded in FAACS.	In Progress (On Schedule)
	10-04	Perform CIPPS to CARS Reconciliation	For variances on the reconciliation of CIPPS to CARS: Discrepancies are being identified and referred to Payroll Department for research and resolution. In routine cases where appropriation is not available, error file transactions will be monitored until cleared by affected unit. For variance on the reconciliation of CIPPS to PMIS: The proper facility is contacted to determine which coding is correct. If it is determined PMIS is incorrect, the Human Resources Department at Headquarters is contacted for correction in PMIS. If the discrepancy is in CIPPS, the coding is given to the DOC Payroll Tech to correct.	In Progress (On Schedule)
<u>Department of Emergency Management (DEM)</u>				
2010	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)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Forensic Science (DFS)</u>				
2009	09-01	Evaluate risks related to aging hardware and non-participation in the IT partnership.	DFS remains committed and is highly motivated to complete the transformation process at the earliest date that the IT Partnership can deliver. The IT Partnership continues their efforts to complete transformation. The risk related to aging hardware has been eliminated by completion of the workstation and server transformation steps.	In Progress (Delayed)
<u>Department of Juvenile Justice (DJJ)</u>				
2010	10-01	Improve internal controls over contract administration.	A new process for verifying reimbursements requested by Anthem has been implemented. The Department has appointed an Acting Health Services Administrator and is in the process of hiring a permanent Administrator who will assume the duties of the contract administrator upon hiring. Hiring should take place by December 31, 2011.	Completed (Delayed)
	10-02	Improve Oracle database security.	DJJ has opened a ticket to have the VITA/NG Partnership begin making secondary tape backups of the production DJJ database. In addition, rough drafts of the restoration procedures have been completed.	Completed (Delayed)
<u>Department of Military Affairs (DMA)</u>				
2010	10-06	Strengthen Recording and Tagging of Equipment.	Progress continues. All FY 2011 equipment is on target to be inventoried and booked in FAACS by January 1, 2012.	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 October 31, 2011.	In Progress (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	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>Department of Veterans Services (DVS)</u>				
2010	10-01	Prevent Employees from Approving Their Own Timesheets	While the auditors were still onsite, DVS implemented system controls to ensure that all employees, including managers, have their time sheets approved by the appropriate supervisor.	Completed (On Schedule)
	10-02	Retain Support for Increasing Transaction Limit on Small Purchase Charge Cards	The instances noted in this recommendation were when SBVCC was in an emergency mode due to employee vacancies. While the purchases were both authorized and appropriate, the approvals were not documented. It has now been made clear that management expects the documentation outlined in the CAPP manual to be maintained.	Completed (On Schedule)
	10-03	Retain Evidence that Supervisors Approved Timesheets	All department heads have now been directed to certify the time being paid each payday, regardless of whether or not there are changes to be made. However, once reviewed and verified, payroll records are maintained in the payroll office, and so any adjustments to hours worked may be verified or reviewed by management in the payroll office (rather than through a post-review of KRONOS).	Completed (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	10-04	Provide an Employee with Evaluations that Accurately Reflect Performance	DBHDS cancelled their MOU with DVS to provide HR services, so the agency's desire to establish and enforce one set of agency-wide policies must be deferred until it has HR staff. It has now been authorized to recruit this staff, and this process has begun. In the interim, DVS has requested that the HR Director at VVCC be more pro-active in ensuring accurate and timely documentation of all performance issues.	In Progress (On Schedule)
	10-05	Perform Reconciliations and Document Standard Operating Procedures	To ensure that the DVS central office properly tracks reconciliations, the senior DVS accountant in Roanoke will start receiving, reviewing, and filing a copy of all reconciliations performed. This accountant will also follow-up with any Controller who does not timely submit these reconciliations. All reconciliations are now current. Additionally, desk procedures will be developed over the reconciliation process.	In Progress (On Schedule)
	10-06	Promptly Remove Access to Critical Systems for Employees Terminated or with Inactive Accounts	All unnecessary accesses have been removed. The DVS accountant will now perform quarterly reviews to ensure that employees that no longer require access are promptly removed from the system.	In Progress (On Schedule)
	10-07	Ensure Vendor Controls are Working	DVS has directed their two purchasing persons to always include the requirement to submit audit reports in the contracts they generate for DVS systems. Management has also directed its IT AITR to be sensitive to this need. A policy statement is currently being written.	In Progress (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Virginia War Memorial Foundation (VWMF)</u>				
2010	10-01	Develop Regulations and Procedures for the New Educational Wing	The Memorial's Board of Trustees will review, and is expected to approve, its Strategic Plan at the next meeting. Based on this Strategic Plan, it is expected that the Board will adopt a motion on how all funds coming to the Memorial are handled in the future.	In Progress (On Schedule)
	10-02	Improve Controls and Policies for Historical Artifacts	Proposals to improve segregation of duties with such few personnel are being passed along to the Board. The Curator now maintains an off-site back-up of the artifact collection records on Past Perfect software. Changes are being made to the current artifact collection policy. Lastly, the Board will receive a report from the Office of the Attorney General with recommendations regarding the acceptance of artifacts.	In Progress (On Schedule)
	10-03	Determine Which Agency is to Record Capital Assets	DVS is now responsible for recording capital assets.	Completed (On Schedule)
<u>Virginia Information Technologies Agency (VITA)</u>				
2010	10-01 08-14	Adequate Oversight over Technology Procurements. This is a repeat finding.	Supply Chain Management (SCM) staff presented two workshops at the DGS Procurement Forum to reiterate VITA policies & processes for using the V-code for ordering in-scope IT goods & services. The SCM website was updated to communicate how to order IT & the eVA home page updated to include a link on to how to order IT. DGS will modify eVA to remove the eVA default of R01, leading customers to consciously select the PO category. A report of "R" code requisitions that should have been sent to VITA was developed & the process communicated to the necessary people.	Completed (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>
	10-02 08-01	Strengthen Inventory and Billing Controls. This is a repeat finding.	Northrop Grumman must maintain an accurate inventory by individual agency, which VITA uses to generate individual agency bills. VITA Finance will document the process & procedures that ensure bills to agencies align with inventory by 12/31/2011. However, responsibility for inventory accuracy lies with VITA's Customer Services Project Management Organization unit. Internal Audit is reviewing to determine the appropriate owner for this finding.	In Progress (Delayed)
	10-03 08-03	Create a Time Frame for Resolving Inventory Disputes. This is a repeat finding.	VITA Finance will complete implementation of process improvements & document the process & procedures for escalating inventory disputes by 12/31/2011.	In Progress (Delayed)
	10-04 08-05	Ensure Cost Allocation Plan Recovers all Costs. This is a repeat finding.	The Cost Allocation Plan has been updated to calculate total expenses associated with base charges, ARC's & RRC's based on current resource unit consumption.	Completed (Delayed)
<u>Department of Motor Vehicles (DMV)</u>				
2010	10-01	Enhance information system security program.	DMV is making progress towards updating its IT Security Program by eliminating redundancies and conflicts in policies and procedures and consolidating them into one manual. All IT Security policies are also being reviewed to ensure compliance with Commonwealth security policies and standards. All changes to policies will be reviewed by management within 30 days and an annual assessment of the DMV IT Security Policy will be conducted going forward. DMV has also made significant process in monitoring that all staff and contractors receive annual security awareness training and continues to use the newly completed BIA and RA to review,	In Progress (On Schedule)

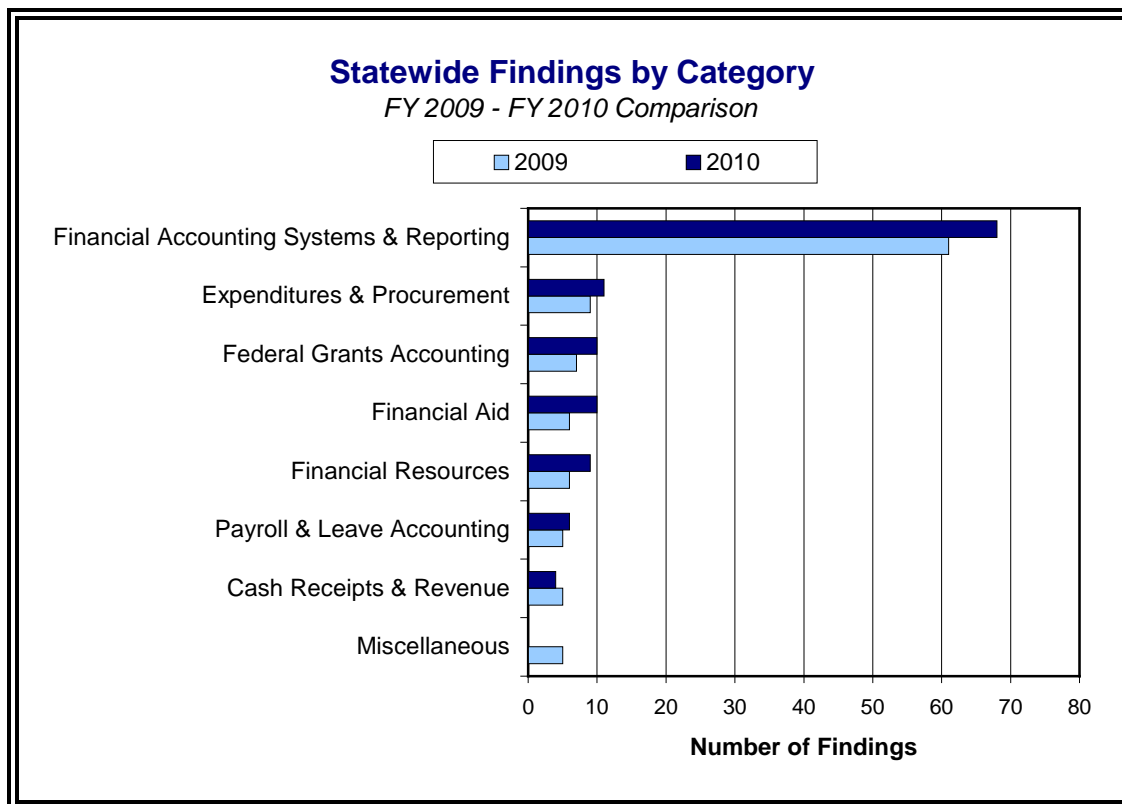
Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
			assess, and update its Disaster Recovery and Continuity of Operations Plan.	
<u>Department of Transportation (VDOT)</u>				
2010	10-01	Improve contingency and disaster recovery plan compliance.	VDOT has finished drafting the Business Impact Analysis and Risk Assessment by the intended date. Those documents have been reviewed, approved, and implemented into COOP procedures.	Completed (Delayed)
<u>Virginia Port Authority (VPA)</u>				
2010	10-01	Improve IT Security Program.	VPA has contracted with ZELTEC to fully develop and implement an Information Security Program for its IT infrastructure provider, addressing the security risks identified in the Risk Assessment. Implementation of the full plan is projected at twelve to eighteen months from the project start date.	In Progress (Delayed)
<u>Wireless E-911 Services Board</u>				
2010	10-01	Improve Cash Management Practices	The Board has implemented a Finance Committee. The Finance Committee continues to meet monthly to address this finding. They are reviewing current cash management practices & plan to adopt new policies & procedures.	In Progress (On Schedule)
	10-02 09-03	Determine Accuracy of PSAP Data. This is a repeat finding.	The Board is revisiting the FY10 & FY11 PSAP data to investigate & validate any instances of large variances from one year to the next. Further action will be taken when the results of that validation are known. The Board also modified the funding process for FY13, thereby vastly simplifying the process & reducing the amount of data required for validation.	In Progress (Delayed)



Annual Summary of APA Audit Findings

As of September 30, 2011, the Auditor of Public Accounts had issued 56 audit reports for 114 Executive Branch agencies for FY 2010. Of these reports, 21 reflected no internal control weaknesses or compliance findings. The remaining 35 audit reports, covering 81 agencies contained 118 audit findings that cited internal control weaknesses and instances of noncompliance. For FY 2009, 29 of 58 reports contained findings and 104 total findings were reported.

Category	New Findings	Repeat Findings	Total Findings
Financial Accounting Systems & Reporting	42	26	68
Expenditures & Procurement	10	1	11
Federal Grants Accounting	9	1	10
Financial Aid	10	-	10
Financial Resources	7	2	9
Payroll & Leave Accounting	5	1	6
Cash Receipts & Revenue	4	-	4
Miscellaneous	-	-	-
Total	<u>87</u>	<u>31</u>	<u>118</u>



Compliance Monitoring

Agency Risk Management and Internal Control Standards (ARMICS) Compliance

ARMICS is a comprehensive, risk based, approach to Internal Control. It is based on the Treadway Commission's Committee of Sponsoring Organizations, 1992 publication "Internal Control Framework" and their 2004 work entitled, "Enterprise Risk Management."

ARMICS provides guidance for establishing and assessing agency internal controls in order to more effectively manage risk and maintain accountability. The ARMICS process concludes with an annual certification by the agency head and fiscal officer that they have established, maintained, and evaluated their agencies' internal control framework.

Non-compliance with ARMICS can take two forms:

1. Incomplete or late submission of the annual certification statement (without an extension authorized by DOA).
2. Substantial non-compliance with the processes required for the successful implementation of ARMICS based on a Quality Assurance Review (QAR) performed by the DOA.

Non-Compliance results in the Agency being included in the Comptroller's Quarterly Report. Remediation of the deficiency will result in the agency being removed from the non-compliant list published in the subsequent Comptroller's Quarterly Report.

As of September 30, 2011, the following agencies were not in compliance with ARMICS:

<u>Agency Name</u>	<u>Reason for Non-Compliance</u>
Department of Game and Inland Fisheries	Certification received late on October 20, 2011.
State Board of Elections	Certification received late on October 14, 2011.

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 July and August were due 8/31/2011 and 9/30/2011 respectively.

Confirmations Late or Outstanding

As of October 21, 2011

Agency
None

Jul

Aug

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

Response to Inquiries

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

However, in other instances, agencies do not respond timely or simply fail to respond. For the quarter ended September 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 September 30, 2011, the following agencies failed to respond timely, make appropriate corrective action and/or provide additional information.

Trial Balance Review

As of October 21, 2011

Agency	July	August
Chippokes Plantation Farm Foundation	-	X
Norfolk State University	-	X

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 September 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 October 6, 2011

<u>Agency</u>	<u>July</u>	<u>August</u>
None		

Disbursement Processing

During the quarter ended September 30, 2011, DOA deleted, at the submitting agency's request, 24 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.

Sixteen agencies requested deletes during the quarter. For the quarter ended September 30, 2011, one agency requested more than four vendor payment deletions.

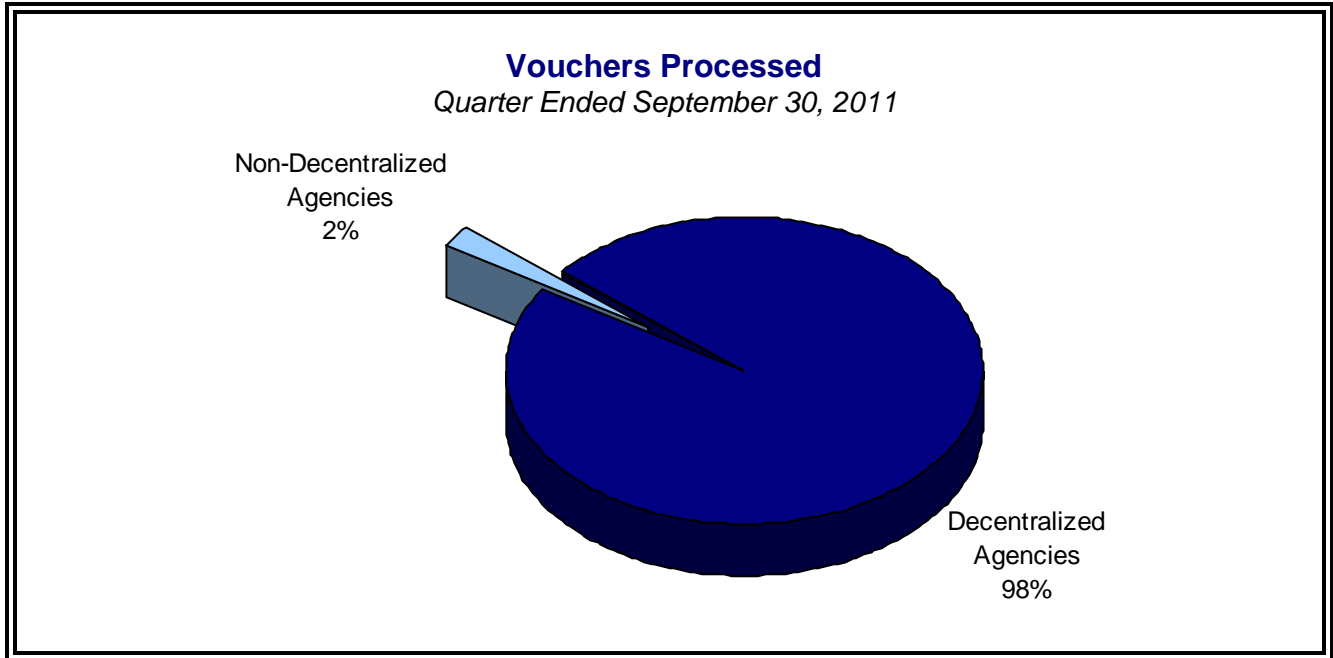
- Department of Transportation



Paperwork Decentralization

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

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



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

Decentralized Agencies

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 three 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 Medical Assistance Services
Radford University

Agencies Requiring Corrective Action

Norfolk State University

Corrective Actions Needed

Small Purchase Charge Cards: Appropriate justification and documentation.

Travel: Sufficient justification documented to support exceeding the travel limitations; using the correct Meal and Incidental Expense (M&IE) rates; and proper approvals for exceeding lodging limitations.



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 843 non-travel disbursement batches and 344 travel disbursement batches were reviewed, disclosing 14 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 September 30, 2011		Fiscal Year 2012 To-Date		Comparative Quarter Ended September 30, 2010	
	Late	Total	Late	Total	Late	Total
Number of Payments	4,793	595,033	4,793	595,033	5,153	622,720
Dollars (in thousands) \$	37,669	\$1,718,359	\$37,669	\$1,718,359	\$ 30,603	1,628,032
Interest Paid on Late Payments				\$742		
Current Quarter Percentage of Payments in Compliance				99.2%		
Fiscal Year-to-Date Percentage of Payments in Compliance				99.2%		
Comparative Fiscal Year 2011 Percentage of Payments in Compliance				99.2%		



Prompt Payment Performance by Secretarial Area

Quarter Ended September 30, 2011

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.8%	99.8%
Agriculture and Forestry	99.7%	99.8%
Commerce and Trade	99.4%	99.8%
Education*	98.9%	96.9%
Executive Offices	98.7%	82.6%
Finance	99.8%	99.8%
Health and Human Resources	99.6%	99.4%
Independent Agencies	99.5%	99.5%
Judicial	99.9%	99.9%
Legislative	100.0%	100.0%
Natural Resources	98.8%	91.6%
Public Safety	99.4%	99.5%
Technology	99.3%	99.7%
Transportation*	99.2%	97.1%
Veterans Affairs and Homeland Security	98.8%	97.0%
Statewide	99.2%	97.8%

Prompt Payment Performance by Secretarial Area

Fiscal Year 2012

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.8%	99.8%
Agriculture and Forestry	99.7%	99.8%
Commerce and Trade	99.4%	99.8%
Education *	98.9%	96.9%
Executive Offices	98.7%	82.6%
Finance	99.8%	99.8%
Health and Human Resources	99.6%	99.4%
Independent Agencies	99.5%	99.5%
Judicial	99.9%	99.9%
Legislative	100.0%	100.0%
Natural Resources	98.8%	91.6%
Public Safety	99.4%	99.5%
Technology	99.3%	99.7%
Transportation*	99.2%	97.1%
Veterans Affairs and Homeland Security	98.8%	97.0%
Statewide	99.2%	97.8%

* 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 September 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 September 30, 2011**

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
Education			
Frontier Culture Museum of Virginia	18	277	93.5%
New College Institute	5	54	90.7%
Public Safety			
Department of Military Affairs	155	2,444	93.7%

For FY 2012, 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 2012**

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
Education			
Frontier Culture Museum of Virginia	18	277	93.5%
Public Safety			
Department of Military Affairs	155	2,444	93.7%

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 September 30, 2011			Comparative Quarter Ended September 30, 2010
	E-Commerce	Total	Percent	Percent
Number of Payments	2,422,879	2,830,479	85.6%	87.0%
Payment Amounts	\$ 9,283,514,209	\$ 10,558,988,733	87.9%	87.8%
	Fiscal Year 2012 To-Date			Comparative Fiscal Year 2011
	E-Commerce	Total	Percent	Percent
Number of Payments	2,422,879	2,830,479	85.6%	87.0%
Payment Amounts	\$ 9,283,514,209	\$ 10,558,988,733	87.9%	87.8%

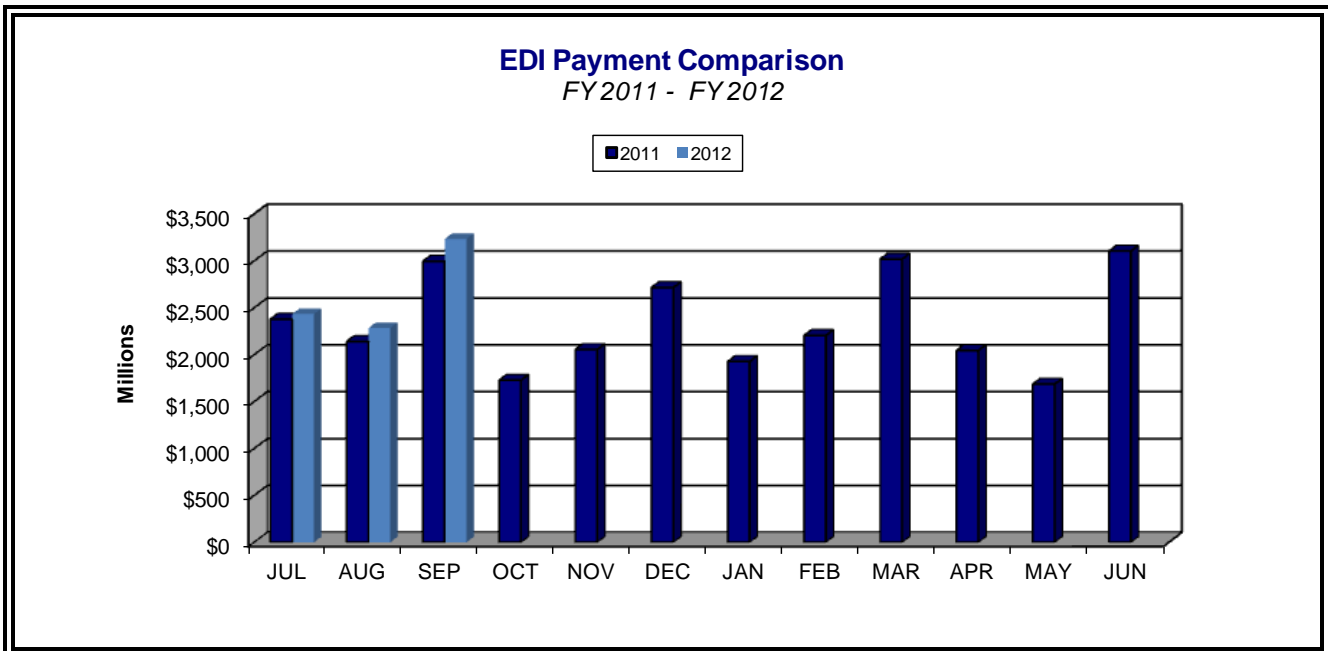
Financial Electronic Data Interchange (EDI)

The dollar volume of Financial EDI payments for the first quarter of FY 2012 was \$435 million (5.8 percent) more than the same quarter last year. The number of trading partner accounts increased by 7.0 percent from September 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 September 30, 2011	Fiscal Year 2012 To-Date	Comparative Quarter Ended September 30, 2010
Number of Payments	58,314	58,314	62,211
Amount of Payments	\$ 7,950,201,143	\$ 7,950,201,143	\$ 7,514,902,651
Number of Invoices Paid	214,666	214,666	203,278
Estimated Number of Checks Avoided	88,393	88,393	83,109
Number of Trading Partner Accounts as of 09/30/11		58,430	54,594



Travel EDI

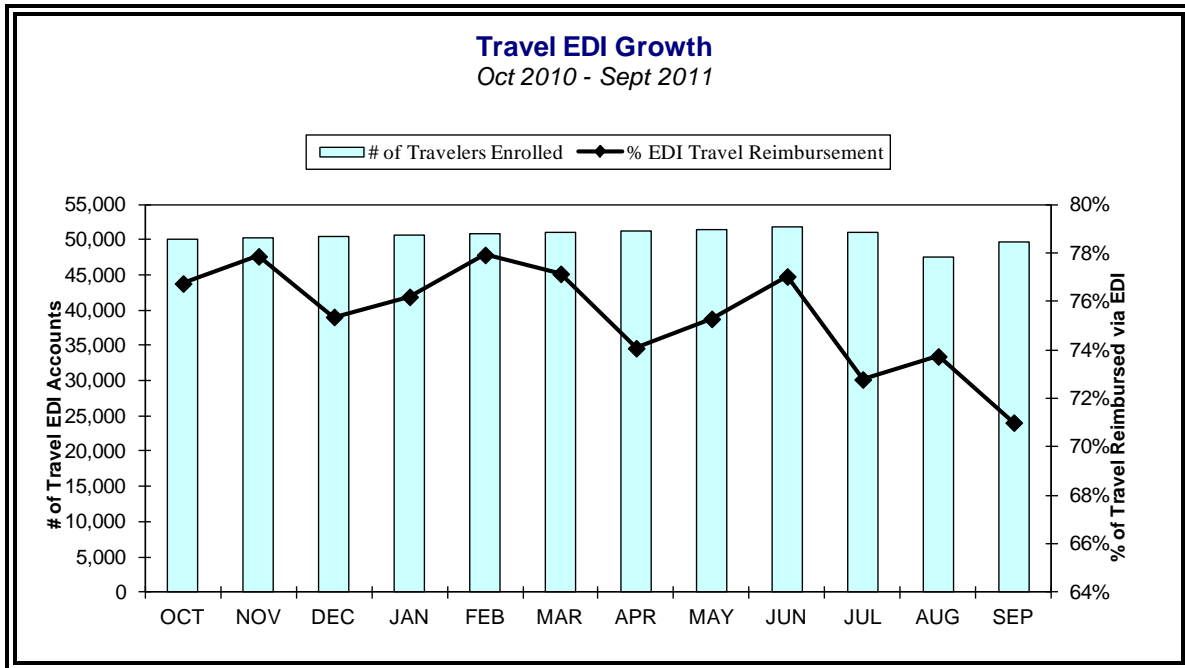
Expansion of the Travel EDI program is an integral part of the statewide effort to reduce the administrative costs associated with paying for goods and services for the Commonwealth. The Appropriation Act requires employees who travel more than twice a year to be reimbursed using EDI. DOA notified agencies 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 2012, the fee is \$5 per travel reimbursement check.

Agencies are highly encouraged to sign up all board and commission members (see page 54) and other non-employees that receive travel reimbursements on a recurring basis.



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

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

**Travel Reimbursement
Travel EDI Performance by Secretarial Area**
Quarter Ended September 30, 2011

Secretarial Area	Employee Percent	Non-Employee Percent	Reimbursement Checks Issued
Administration	84.0%	0.0%	48
Agriculture and Forestry	93.5%	5.7%	113
Commerce and Trade	95.2%	70.3%	151
Education (1)	85.7%	26.4%	1,121
Executive Offices	97.8%	0.0%	12
Finance	98.4%	0.0%	11
Health and Human Resources	94.0%	30.7%	765
Independent Agencies	95.4%	31.7%	84
Judicial	29.1%	7.2%	3,822
Legislative	92.6%	51.2%	56
Natural Resources	92.2%	59.7%	107
Public Safety	81.7%	6.8%	1,078
Technology	91.4%	0.0%	20
Transportation (1)	75.3%	12.8%	512
Veterans Affairs & Homeland Security	90.5%	71.8%	26
Statewide for Quarter	78.9%	24.1%	7,926
<i>Fiscal Year 2012 To-Date</i>			
Statewide	78.9%	24.1%	7,926
<i>Comparative Fiscal Year 2011 To-Date</i>			
Statewide	81.3%	23.2%	6,283

(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		
Northern Virginia Community College	76.4%	48
Southside Virginia Community College	68.4%	42
Norfolk State University	52.1%	58
Independent Agencies		
State Lottery Department	84.6%	32
Judicial		
Court of Appeals of Virginia	32.0%	34
Supreme Court	17.8%	840
General District Courts	13.6%	427
Juvenile and Domestic Relations District Courts	9.6%	525
Combined District Courts	5.7%	266
Circuit Courts	4.0%	761
Natural Resources		
Department of Conservation and Recreation	76.0%	44
Public Safety		
Department of Emergency Management	70.6%	50
Department of Military Affairs	22.0%	390
Transportation		
Department of Transportation	67.4%	373

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**

Agency	Percent	Reimbursement Checks Issued
Agriculture and Forestry		
Department of Agriculture and Consumer Services	6.7%	56
Commerce and Trade		
Department of Mines, Minerals and Energy	5.6%	34
Education		
Longwood University	0.0%	71
Health and Human Resources		
Department of Health	7.7%	157
Department of Social Services	7.6%	49
Judicial		
Circuit Courts	7.0%	347
Virginia State Bar	0.3%	347
Public Safety		
Commonwealth's Attorneys' Services Council	9.7%	28
Department of Criminal Justice Services	3.2%	60
Department of Forensic Science	0.0%	187
Transportation		
Board of Towing and Recovery Operations	2.7%	36

The following table lists agencies that have accumulated more than \$100 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 2012 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**

Agency	Percent	Year-to-date Charges
Judicial		
Supreme Court	17.8%	\$ 320
General District Courts	13.6%	915
Juvenile and Domestic Relations District Courts	9.6%	985
Combined District Courts	5.7%	480
Circuit Courts	4.0%	2,410



Direct Deposit

During the first quarter of FY 2012, 451,585 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 September 30, 2011

<u>Secretarial Area</u>	<u>Direct Deposit % of Salaried Employees</u>	<u>Direct Deposit % of Wage Employees</u>
Administration	99.4%	100.0%
Agriculture and Forestry	98.7%	95.5%
Commerce and Trade	99.9%	100.0%
Education	99.7%	96.6%
Executive Offices	99.7%	73.9%
Finance	99.0%	99.5%
Health and Human Resources	99.5%	98.7%
Independent Agencies	99.6%	100.0%
Judicial	99.5%	81.4%
Legislative	99.7%	98.9%
Natural Resources	99.5%	95.0%
Veterans Affairs and Homeland Security	100.0%	99.4%
Public Safety	99.4%	84.7%
Technology	100.0%	100.0%
Transportation	99.9%	97.7%
Statewide	99.6%	95.2%
<i>Comparative</i>		
<i>Quarter Ended September 30, 2010</i>		
Statewide	99.2%	95.0%

Statewide Salaried Direct Deposit Performance

Quarter Ended September 30, 2011

Salaried Direct Deposit Participation	99.6%
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Salaried Direct Deposit Below 98 Percent

<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Administration		
State Board of Elections	93.1%	29
Department of Employment Dispute Resolution	75.0%	8
Commerce and Trade		
Department of Business Assistance	96.6%	29
Education		
Frontier Culture Museum of Virginia	96.9%	32
Health & Human Resources		
Department of Medical Assistance Services	97.4%	344
Northern Virginia Mental Health Institute	96.9%	294
Judicial		
Circuit Courts	97.4%	151
Public Safety		
Virginia Parole Board	83.3%	6

Statewide Wage Direct Deposit Performance

Quarter Ended September 30, 2011

Wage Direct Deposit Participation	95.2%
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Wage Direct Deposit Below 90 Percent

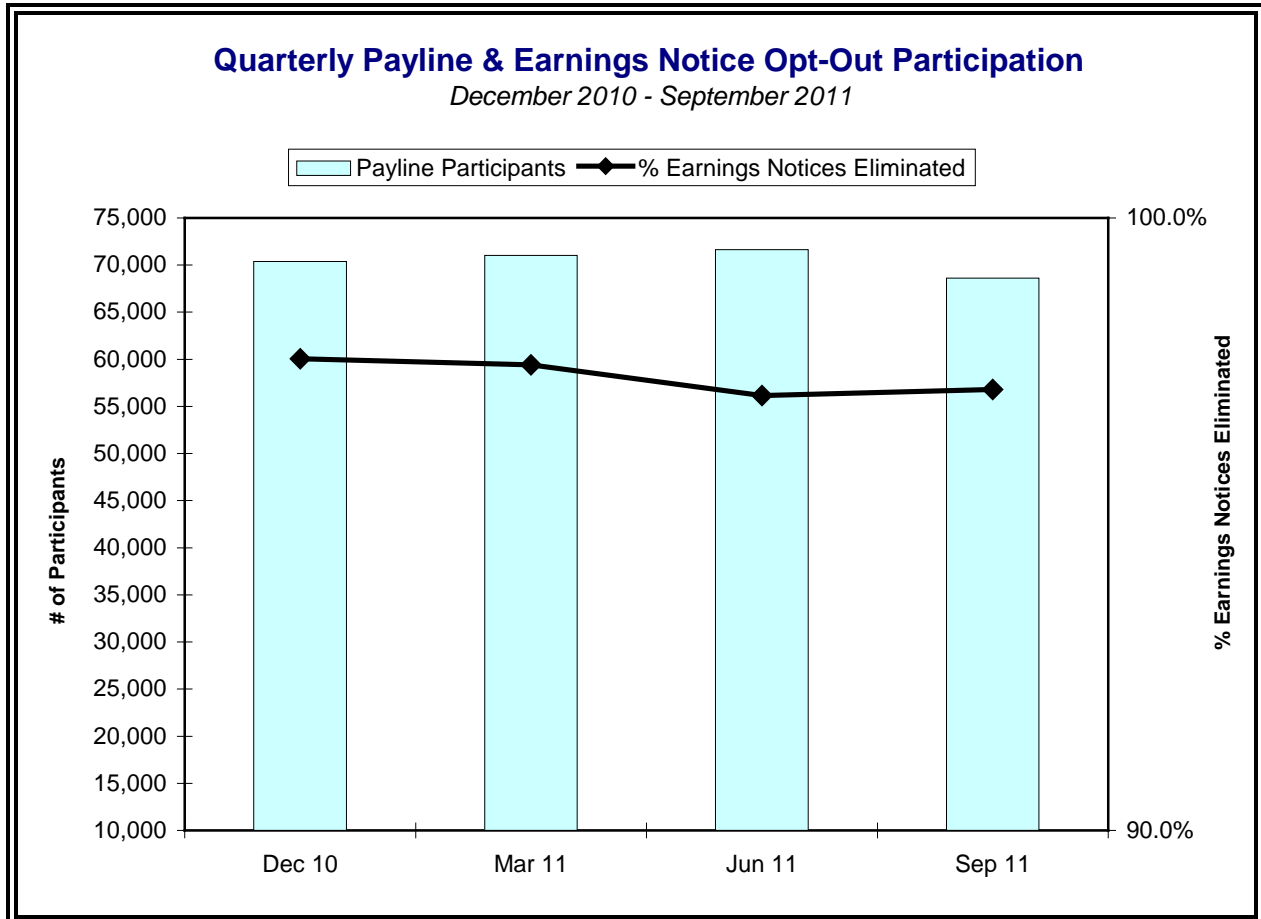
<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Education		
Southwest Virginia Community College	86.8%	273
Paul D. Camp Community College	86.0%	178
New River Community College	84.2%	297
Virginia Highlands Community College	73.6%	212
Judicial		
Combined District Courts	78.3%	23
General District Courts	72.2%	227



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 7,564,160 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 September 30, 2011

Secretarial Area	Percent Payline Participation	Percent Earnings Notices Eliminated*
Administration	98.1%	100.0%
Agriculture and Forestry	79.4%	80.9%
Commerce and Trade	95.8%	100.0%
Education	73.8%	99.2%
Executive Offices	86.9%	100.0%
Finance	98.5%	100.0%
Health and Human Resources	88.5%	97.7%
Independent Agencies	92.6%	100.0%
Judicial	84.9%	93.4%
Legislative	69.2%	74.9%
Natural Resources	63.7%	66.9%
Veterans Affairs and Homeland Security	64.6%	67.2%
Public Safety	87.8%	100.0%
Technology	95.5%	100.0%
Transportation	95.0%	100.0%
Statewide	84.8%	97.2%
<i>Comparative</i>		
<i>Quarter Ended September 30, 2010</i>		
Statewide	81.0%	97.2%

* 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 September 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 09/30/2011	Percent Earnings Notices Eliminated QE 06/30/2011
Agriculture and Forestry		
Department of Agriculture and Consumer Services	83.0%	91.5%
Department of Forestry	77.1%	83.8%
Education		
Jamestown-Yorktown Foundation	76.4%	77.7%
Frontier Culture Museum of Virginia	67.3%	66.0%
Health and Human Resources		
Virginia Department for the Deaf and Hard-of-Hearing	83.3%	83.3%
Natural Resources		
Marine Resources Commission	43.8%	44.3%
Department of Conservation and Recreation	32.8%	30.0%



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.

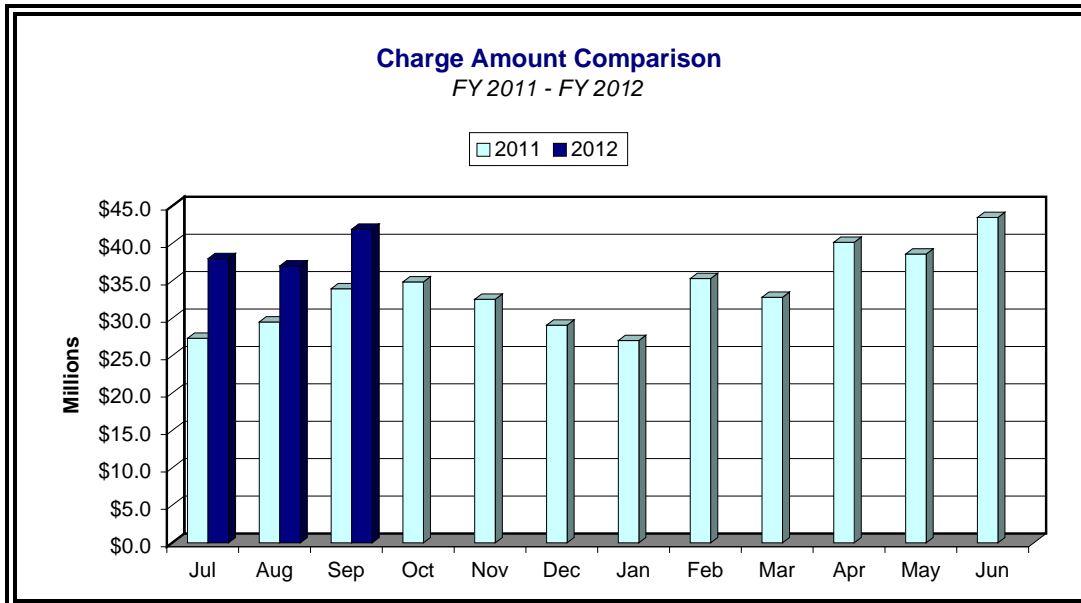
The Department of Accounts implemented a third charge card tool called ePayables in June, 2011. This program allows payments processed through CARS for vendors enrolled in the program to convert their payment to a card thus increasing the card program's spend.

The total amount charged on SPCC and Gold cards during the first quarter of FY 2012 increased by \$26 million or 28.7 percent from the same quarter last year.

Small Purchase Charge Card Program

Charge Card Activity	Quarter Ended September 30, 2011	Fiscal Year 2012 To-Date	Comparative Fiscal Year 2011 To-Date
Amount of Charges	\$ 116,904,024	\$ 116,904,024	\$ 90,806,619
Estimated Number of Checks Avoided	182,024	182,024	171,695
Total Number of Participating Agencies		211	217
Total Number of Cards Outstanding		17,978	17,256

The following chart compares charge activity for FY 2012 to activity for FY 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 §4-5.04f of the Appropriation Act, the threshold has been set at 80 percent.

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

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 September 30, 2011

Percentage Utilization for Eligible Transactions

83%

SPCC Utilization by Secretarial Area

Quarter Ended September 30, 2011

<u>Secretarial Area</u>	<u>Payments in Compliance ⁽¹⁾</u>	<u>Non-Compliant Transactions ⁽²⁾</u>
Administration	82%	683
Agriculture and Forestry	92%	292
Commerce and Trade	83%	630
Education*	89%	4,128
Executive Offices	91%	76
Finance	94%	125
Health and Human Resources**	88%	4,146
Independent Agencies	74%	824
Judicial	37%	2,348
Legislative	98%	29
Natural Resources	91%	1,216
Public Safety	94%	2,307
Technology	84%	88
Transportation*	74%	6,788
Veterans Affairs and Homeland Security	80%	474
Statewide	83%	24,154

* 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 80 Percent**

Agency	Payments in Compliance	Compliant Transactions
Administration		
State Board of Elections	77%	27
Commerce and Trade		
Virginia Employment Commission	49%	562
Virginia-Israeli Advisory Board	0%	1
Education		
New College Institute	75%	12
Eastern Shore Community College	55%	66
Health and Human Resources		
Department of Behavioral Health and Developmental Services	73%	106
Central Virginia Training Center	68%	397
Comprehensive Services for At-Risk Youth and Families	0%	1
Independent Agencies		
Virginia Retirement System	72%	118
State Corporation Commission	5%	556
Judicial		
Supreme Court	68%	220
Judicial Inquiry and Review Commission	53%	7
Board of Bar Examiners	0%	16
Circuit Courts	0%	169
Combined District Courts	0%	223
General District Courts	0%	936
Juvenile and Domestic Relations District Court	0%	495
Magistrate System	0%	123
Virginia Criminal Sentencing Commission	0%	39
Transportation		
Department of Motor Vehicles	79%	606
Department of Transportation	73%	6,147
Veterans Affairs and Homeland Security		
Sitter-Barfoot Veterans Care Center	59%	284



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 July, this represents the bill date of July 15, 2011, with the payment due no later than August 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	Jul	Aug	Sept
<u>Purchase Card Program:</u>			
Public Safety			
Department of Juvenile Justice	X		
<u>Airline Travel Card Program:</u>			
Education			
Norfolk State University			X
Health and Human Resources			
Department of Medical Assistance Services		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 September 30, 2011 and the total amounts past due.

Travel Charge Card Program
As of September 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>
Commerce and Trade				
Department of Housing and Community Development	1	0	700	0
Education				
George Mason University	1	41	39	0
Norfolk State University	3	0	775	88
Old Dominion University	2	417	44	0
Virginia State University	1	162	0	0
Health and Human Resources				
Department of Health	4	484	1,058	440
Department for the Blind and Vision Impaired	1	649	0	0
Independent				
State Lottery Department	1	30	131	0
Virginia College Savings Plan	1	0	108	0
Technology				
Virginia Information Technologies Agency	1	181	0	0



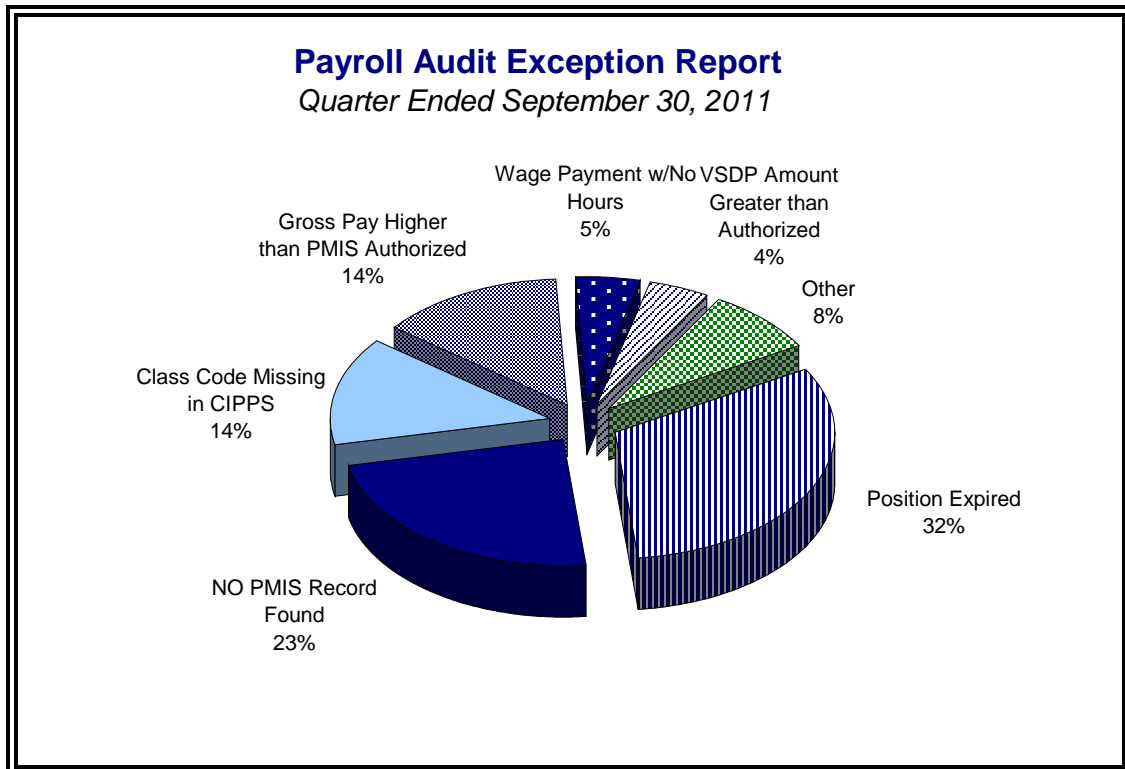
Payroll Controls

PMIS/CIPPS Payroll Audit

During the quarter, DOA's automated comparison of payroll and personnel (PMIS) records examined 407,787 salaried pay transactions and 85,485 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 4,754 new exceptions noted statewide during the quarter, with an overall exception rate of .92 percent.

The statewide salaried payroll exception rate was .85 percent and the wage payroll exception rate was 1.24 percent. During this quarter, 19 employee paychecks were reduced to recover \$5,323.16 in overpayments.

While the largest cause of exceptions is the processing of payments to employees whose position expiration date has not been updated in PMIS, the second largest cause of exceptions is the processing of payments to salaried employees who no longer have an active record set up in the PMIS system for their current agency. 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.



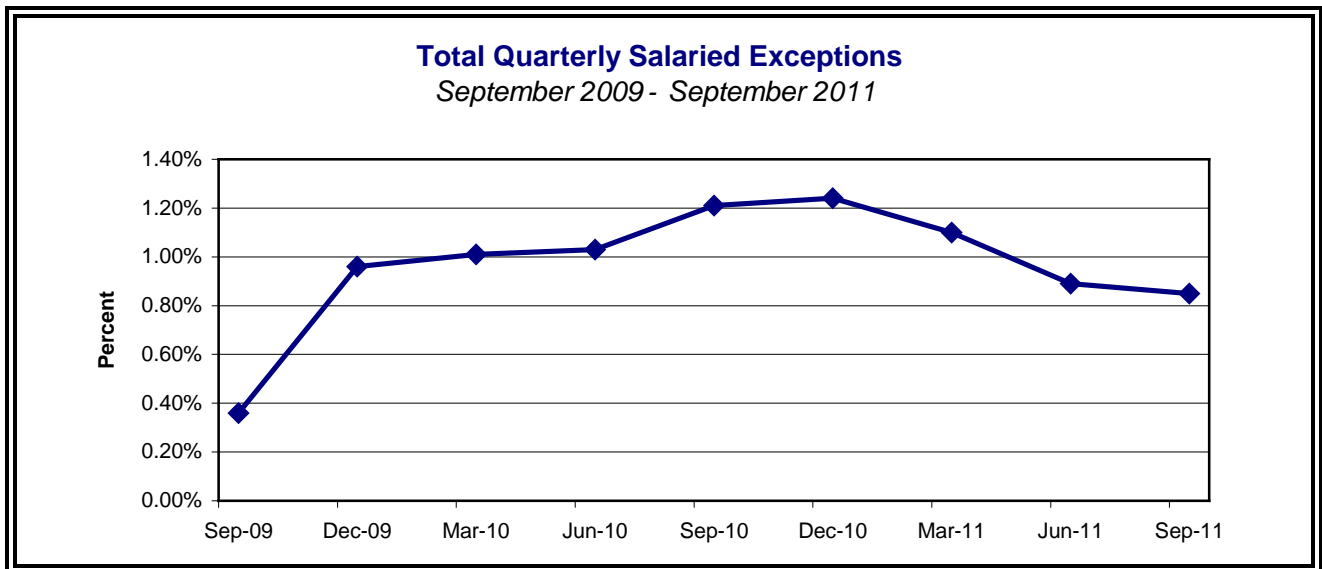
Exception percentages are calculated by dividing the number of exceptions by the number of salaried or wage employees. Agencies are reported below if the percentage

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 September 30, 2011

<u>Agency</u>	<u># of Salaried Exceptions</u>	<u>Exceptions as a % of Salaried Payments</u>
Department of Conservation and Recreation	86	2.87%
Total Salaried Payroll Exceptions for the Quarter		0.85%

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 September 30, 2011

Wage Payroll Exceptions for the Quarter	1.24%
--	--------------

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



PMIS/CIPPS Exceptions

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

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

Agency	Unresolved Exceptions
<i>Education</i>	
Piedmont Virginia Community College	1
Central Virginia Community College	1
Mountain Empire Community College	2
<i>Health & Human Resources</i>	
Eastern State Hospital	5
<i>Public Safety</i>	
Virginia Correctional Center for Women	1
<i>Transportation</i>	
VDOT - Central Office	4
VDOT - Fredericksburg District	1



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				
Dabney S. Lancaster Community College			2	
Norfolk State University	\$ 68,435			
Piedmont Virginia Community College	113 *			
Thomas Nelson Community College	45,059			
Tidewater Community College	47,266			
Virginia Community College System	21,514			
Health and Human Resources				
Central Virginia Training Center		1		
Southwestern Virginia Mental Health Institute	20,008			
Transportation				
Department of Transportation	144,753			

* Remains unresolved past deadline

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 June, July and August were due 7/29/2011, 8/31/2011 and 9/30/2011, respectively.

Schedule of Health Care Reconciliations Received Late

Agency	June	July	Aug
New River Community College		X	
Catawba Hospital	X		



FINANCIAL MANAGEMENT ACTIVITY

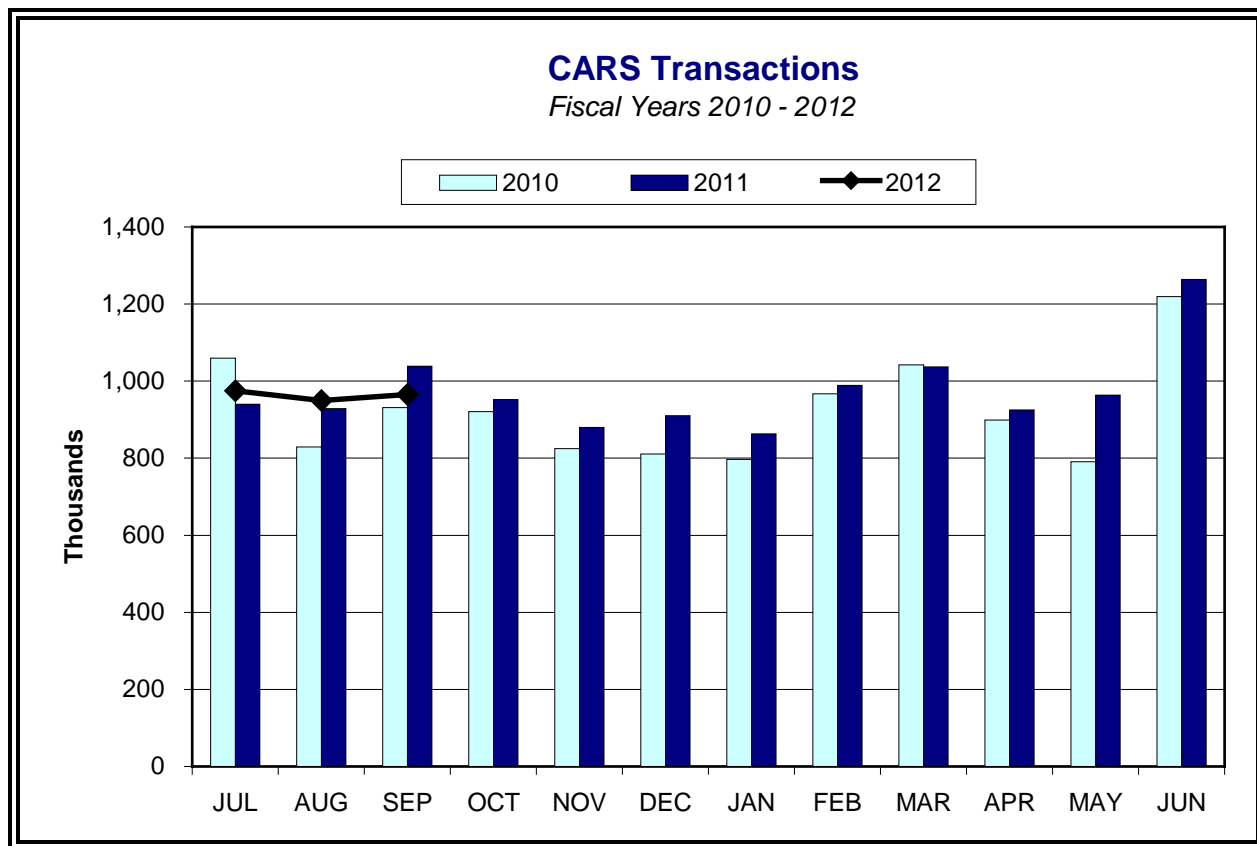
DOA monitors several types of financial activity. Various measures are used to track activities for CARS, payroll, accounts

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.

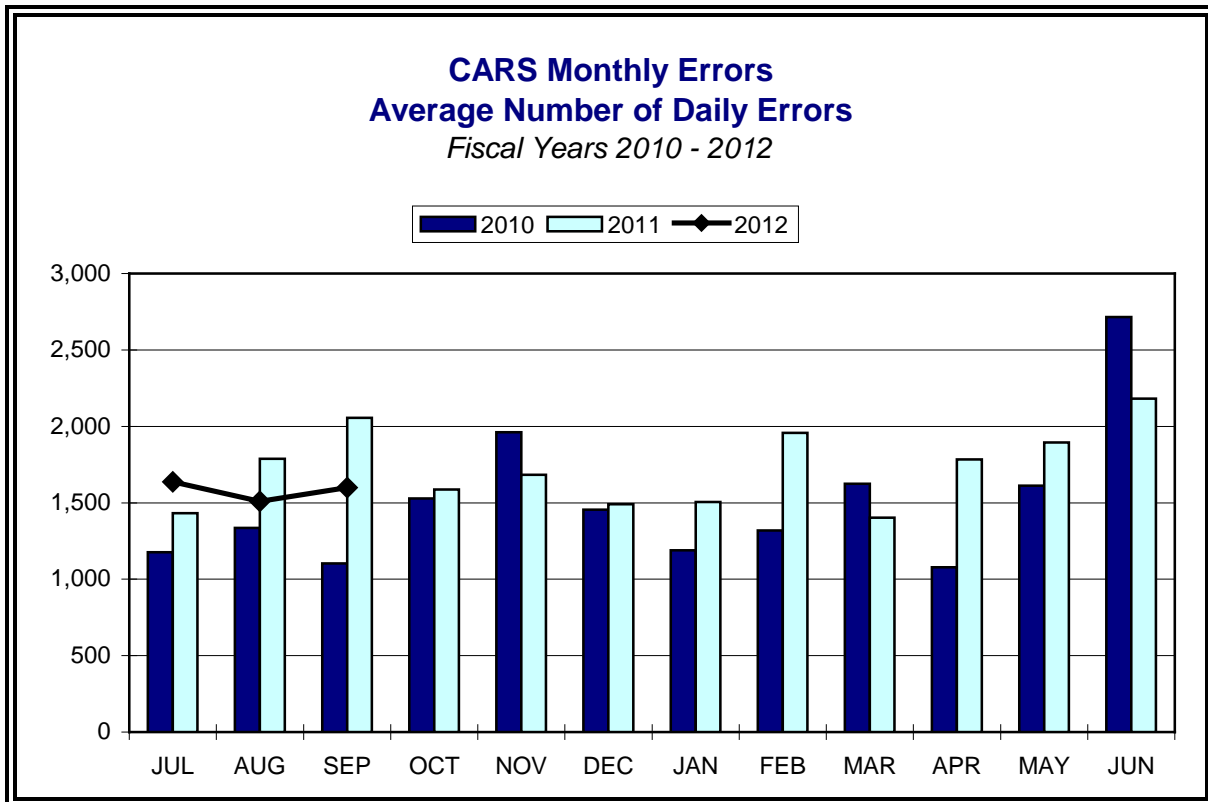


CARS Edits

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 first quarter of FY 2012, 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

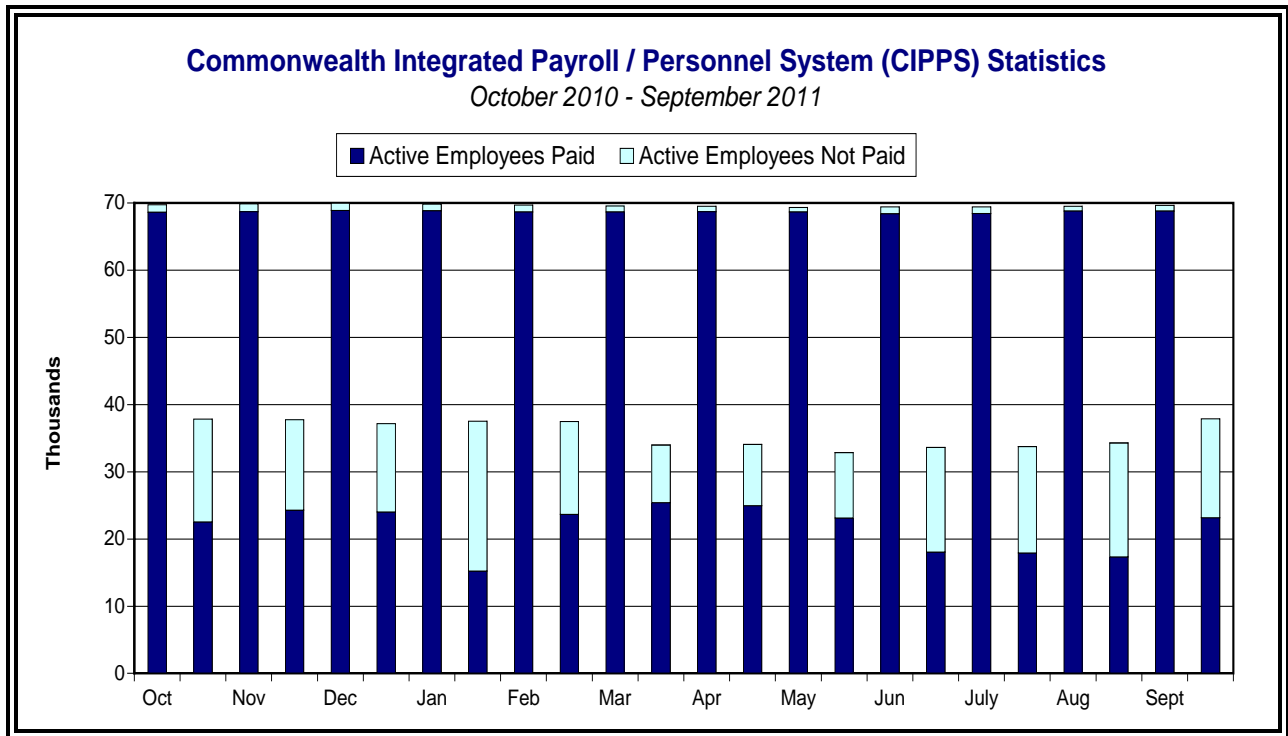


Payroll

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 104,792 employees. Payroll services are also

provided through eight decentralized higher education institutions.

On average, 88,113 employees were paid each month, of which 68,643 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 9/30/2011	Comparative	
		As of 9/30/2010	As of 9/30/2009
Health Care			
COVA Care	74,332	73,560	83,706
COVA Connect	7,553	7,564	N/A
Kaiser	2,139	2,120	2,074
Optional Retirement Plans*			
Fidelity Investments	581	567	562
TIAA/CREF	1,637	1,606	1,570
Political Appointee - ORP	94	88	88
Deferred Compensation*	41,376	39,531	39,787
Flexible Reimbursement*			
Dependent Care	790	765	759
Medical Care	7,528	7,344	7,359

* 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.

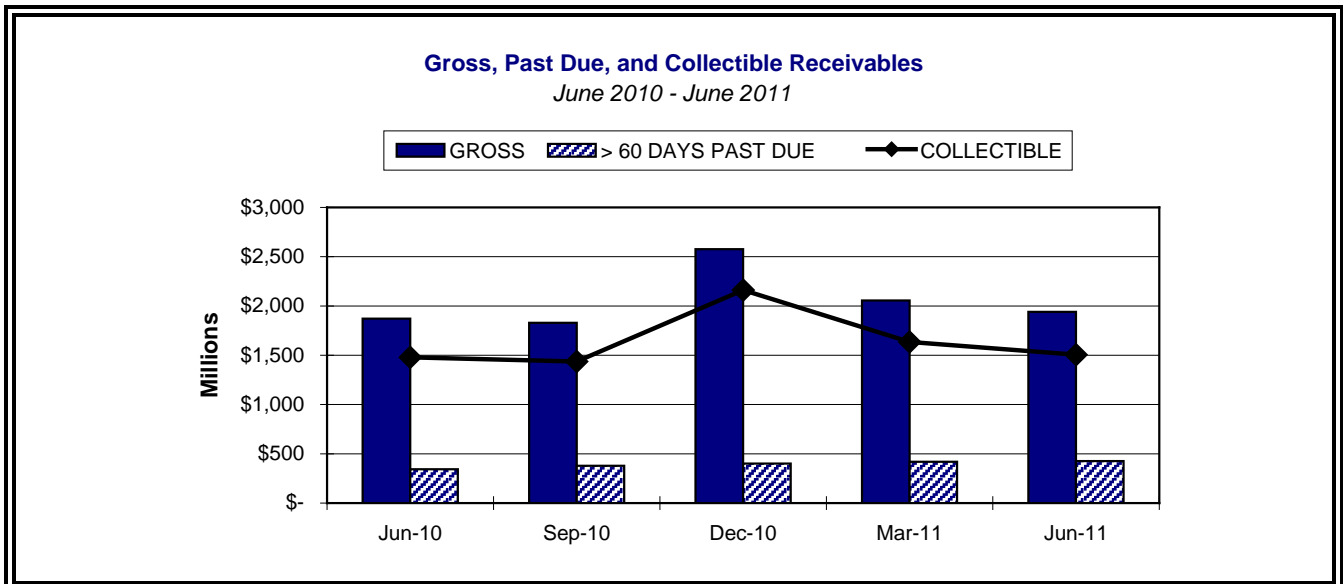
In an effort to present more meaningful information, DOA continues to exclude data from the tables (except for the final table on past due receivables) from the Department of Taxation, consisting largely of statutory assessments and non-filers assessments, and the circuit and district courts, which report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

Commonwealth agencies and institutions reported adjusted gross receivables of \$1.94

billion at June 30, 2011, with \$1.51 billion considered collectible. Receivables over 60 days past due as of June 30, 2011, totaled \$426.1 million. Of that amount, \$15.8 million was placed with private collection agencies, \$39.5 million was placed with the Division of Debt Collection and \$370.8 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 June 30, 2011, agencies expected to collect \$1.51 billion (78 percent) of the \$1.94 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

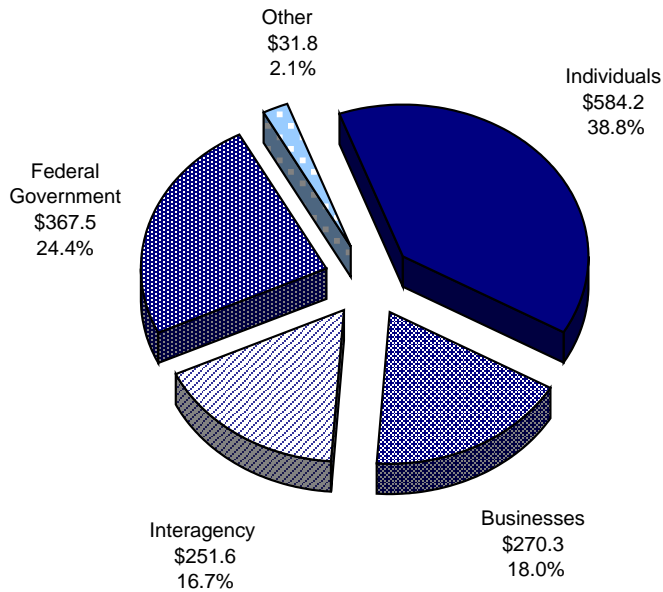
As of June 30, 2011

Fund	Source	Amount	Percent
General Fund 2%	Medicaid - Current Recoveries	\$ 14,522,703	60%
	Social Services	3,307,640	13%
	Labor and Industry Inspections	1,258,605	5%
	State Police Permits	1,194,848	5%
	Corrections	964,729	4%
	Other	1,921,852	8%
	Subtotal	23,170,377	95%
	Interagency Receivables	1,211,098	5%
Total General Fund Collectible		\$ 24,381,475	100%
Nongeneral Funds 98%	Medicaid - Dedicated Penalty Fees	\$ 63,687,418	4%
	Medicaid - Federal Reimbursements	10,225,546	1%
	Unemployment Taxes *	144,740,987	10%
	Transportation	35,960,030	2%
	Child Support Enforcement	156,645,579	11%
	Federal Government	321,482,950	22%
	DBHDS Patient Services	30,903,601	2%
	Hospital	186,191,229	13%
	Enterprise	59,450,630	4%
	Higher Education	184,650,743	12%
	Other	36,741,117	2%
	Subtotal	1,230,679,830	83%
	Interagency Receivables	250,365,653	17%
Total Nongeneral Fund Collectible		\$ 1,481,045,483	100%
All Funds	Grand Total	\$ 1,505,426,958	100%

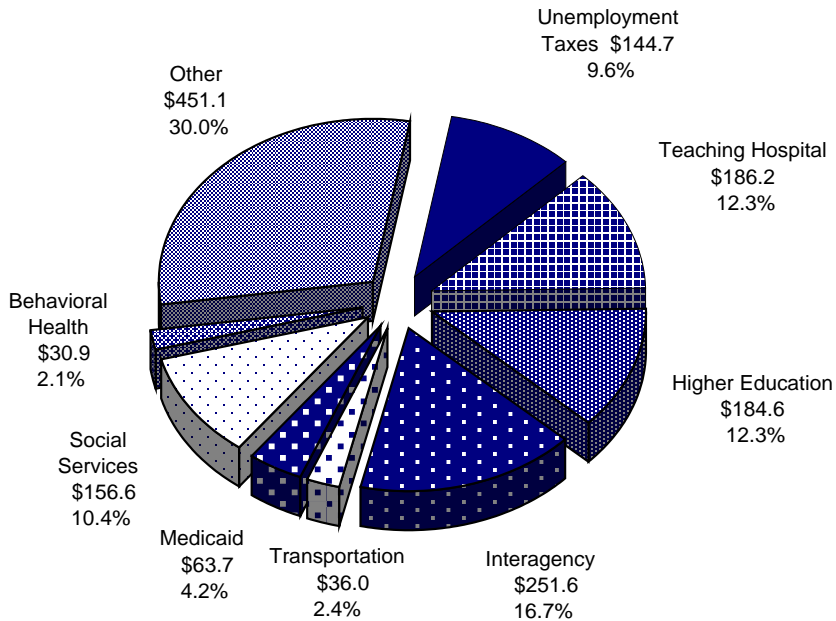
* Note: The Virginia Employment Commission provides Unemployment Taxes Information.

Summary of Receivables by Source

Sources of Collectible Receivables by Debtor
(dollars in millions)
As of June 30, 2011



Sources of Collectible Receivables by Type
(dollars in millions)
As of June 30, 2011



Not counting Taxation and the Courts, ten agencies account for 85 percent of the Commonwealth's adjusted gross and 82

percent of the adjusted collectible accounts receivable balances.

Accounts Receivable Summary
Not Including Circuit Courts, District Courts, or Department of Taxation
Quarter Ended June 30, 2011

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
University of Virginia Medical Center	\$ 330,160,175	\$ 12,480,073	\$ 317,680,102
Department of Education-Direct Aid to Localities	274,221,524	-	274,221,524
Department of Social Services	456,592,641	277,950,693	178,641,948
Virginia Employment Commission	211,639,149	63,119,500	148,519,649
Department of Medical Assistance Services	119,544,108	31,081,469	88,462,639
Virginia Polytechnic Institute & State University	59,291,204	2,948,809	56,342,395
University of Virginia - Academic Division	53,257,764	218,589	53,039,175
State Lottery Department	46,793,411	-	46,793,411
Virginia Information Technologies Agency	35,364,588	-	35,364,588
Department of Behavioral Health & Developmental Services	58,229,674	27,326,073	30,903,601
Total	\$ 1,645,094,238	\$ 415,125,206	\$ 1,229,969,032
All Other Agencies	295,730,671	20,272,745	275,457,926
Grand Total	\$ 1,940,824,909	\$ 435,397,951	\$ 1,505,426,958

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.

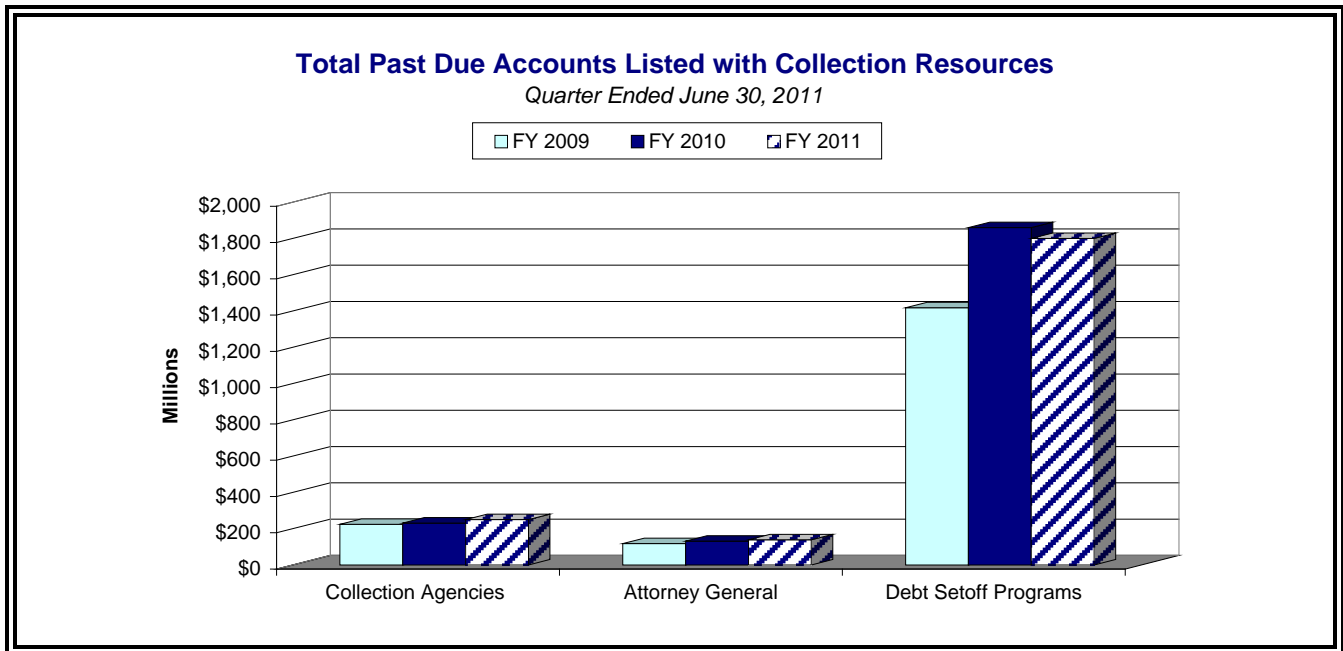
These additional collection tools recovered \$34.9 million during the quarter ended June 30, 2011. The Division of Debt Collection contributed \$1.6 million. Private collection agencies collected \$3.9 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected \$29.4 million.

Private collection agencies returned \$7.8 million of accounts to agencies, and the Division of Debt Collection discharged \$4.4 million of accounts and returned \$1.2 million of accounts to agencies.

Collectible Receivables Over 60 Days Past Due
Not Including Circuit Courts, District Courts or the Department of Taxation
 As of June 30, 2011

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	\$ 161,207,299	\$ 2,610	\$ 3,629	\$ 161,201,060
Virginia Employment Commission	72,165,340	6,367,377	16,672,755	49,125,208
Department of Medical Assistance Services	51,185,478	204,718	1,728,221	49,252,539
University of Virginia Medical Center	50,592,930	-	-	50,592,930
Department of Behavioral Health and Developmental Services	19,932,345	-	-	19,932,345
Department of Transportation	15,469,276	1,667,345	12,755,391	1,046,540
University of Virginia - Academic Division	6,733,407	596,692	44,247	6,092,468
Virginia Polytechnic & State University	5,424,184	1,008,216	808,105	3,607,863
Virginia Commonwealth University	4,823,732	328,961	89,816	4,404,955
Virginia Community College System	3,468,486	1,359,784	9,916	2,098,786
TOTAL	\$ 391,002,477	\$ 11,535,703	\$ 32,112,080	\$ 347,354,694
All Other Agencies	35,107,457	4,268,942	7,439,833	23,398,682
TOTAL OVER 60 DAYS	\$ 426,109,934	\$ 15,804,645	\$ 39,551,913	\$ 370,753,376
Uncollectible Amounts Placed for Collection, Including Accounts Written Off	1,762,550,121	233,992,225	99,112,673	1,429,445,223
TOTAL COLLECTION EFFORTS	\$ 2,188,660,055	\$ 249,796,870	\$ 138,664,586	\$ 1,800,198,599

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 \$2.5 million through the first quarter of FY 2012. 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 6/30/11	Comparative	
		Percent 3/31/11	Percent 12/31/10
Department of Transportation	52%	41%	44%
Department of Medical Assistance Services	43%	42%	37%
Department of Social Services	35%	36%	35%
Virginia Employment Commission	34%	12%	46%
Department of Behavioral Health and Developmental Services	34%	29%	25%
Virginia Commonwealth University	23%	17%	3%
Virginia Community College System	19%	15%	18%
University of Virginia Medical Center	15%	11%	13%
University of Virginia - Academic Division	13%	15%	4%
Virginia Polytechnic Institute and State University	9%	5%	2%
Statewide Average - All Agencies	22%	20%	16%

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

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

The statewide average of 87 percent indicates that for every \$1 billed during the quarter ended June 30, 2011, the state collected 87 cents. This rate is three percent higher than last year, and four percent higher than the June 30, 2009 quarter.

Collections as a Percentage of Billings

Agency	Percent 6/30/2011	Comparative	
		Percent 6/30/2010	Percent 6/30/2009
Virginia Employment Commission	197%	159%	148%
Virginia Information Technologies Agency	119%	123%	123%
Virginia Polytechnic Institute and State University	115%	118%	125%
University of Virginia - Academic Division	104%	91%	100%
State Lottery Department	102%	103%	101%
Department of Social Services	88%	101%	93%
Department of Medical Assistance Services	82%	60%	74%
Department of Behavioral Health and Developmental Services	57%	62%	59%
Department of Education-Direct Aid to Localities	46%	51%	66%
University of Virginia Medical Center	31%	33%	33%
Statewide Average - All Agencies	87%	84%	83%

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 \$88.5 million at June 30, 2011, is an \$8.2 million increase over the \$80.3 million reported at June 30, 2010. Over the same period, total past due receivables of \$57.4 million have increased by \$12.2 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 \$317.7 million at June 30, 2011, were a \$40.4 million increase from the \$277.3 million reported the previous year. Past due receivables increased by \$42.5 million to \$144.5 million at June 30, 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 \$148.5 million at June 30, 2011, an increase of \$28.4 million from the previous year. Total past due receivables were \$78.5 million, a \$13.6 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 June 30, 2011, of \$35.4 million, which is an increase of \$6.1 million reported in the previous year. Most of these receivables are due from other state agencies. As of June 30, 2011, \$1.6 million was over 60 days past due, a decrease of \$2.6 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 June 30, 2011, the State Lottery reported net receivables of \$46.8 million, a \$9.7 million decrease from the previous year. Billings increased by \$12.7 million and collections increased by \$11.0 million during the June 30, 2011 quarter when compared to the June 30, 2010 quarter. At June 30, 2011, the State Lottery had \$198,266 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 June 30, 2011, DOE had \$274.2 million in accounts receivable due from the Federal government under Direct Aid to Public Education. This is an \$18.8 million increase over 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 June 30, 2011, the University reported net collectible receivables of \$56.3 million, an increase of \$12.6 million over the prior year. At the same time, total past due receivables of \$8.4 million increased by \$699,476 over the prior year.

The University uses a variety of collection methods to encourage payments. At June 30, 2011, VPISU had \$5.4 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 \$3.6 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 June 30, 2011, the Department reported collectible receivables of \$87.1 million, a \$62.5 million increase over the previous year. \$30.3 million was past due, with \$19.9 million being over 60 days past due. Total past due receivables increased by \$17.5 million over the year, and accounts over 60 days past due increased by \$12.5 million. At June 30, 2011, the Department had a total of \$5.8 million of accounts placed with the Attorney General and \$588,972 listed in Taxation's Debt Setoff Programs.

Department of Transportation (VDOT)

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

At June 30, 2011, VDOT reported \$29.6 million of collectible receivables, a decrease of \$159.7 million from the prior year. VDOT also reported \$18.3 million total past due and \$15.5 million being over 60 days past due. Past due receivables decreased by \$4.7 million over the year, while receivables over 60 days past due decreased by \$3.1 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 \$12.8 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 provides financial assistance to eligible individuals and families through 121 local departments of social services. The assistance programs include the Temporary Assistance for Needy Families (TANF), Medicaid, Food Stamps, and Community Services Block Grants. In addition to the assistance programs, DSS is the federally - mandated state agency to provide child support enforcement assistance. Child support paid for children receiving money from an assistance program is required to be paid to 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 June 30, 2011, DSS reported gross receivables of \$456.6 million, an allowance for doubtful accounts of \$278.0 million and collectible receivables of \$178.6 million. Past due receivables totaled \$163.7 million, of which \$161.2 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for \$411.2 million (90 percent) of the gross receivables, \$254.6 million (92 percent) of the allowance for doubtful accounts and \$156.6 million (88 percent) of the collectible receivables.

From June 30, 2010, to June 30, 2011, gross receivables increased \$57.6 million and collectible receivables increased by \$40.3 million. Total past due receivables increased by \$29.7 million and receivables over 60 days past due increased by \$29.2 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 June 30, 2011, DRPT had gross and net receivables of \$22.8 million. The majority of this money is due via an interagency transfer from VDOT. DRPT reported no past due receivables at June 30, 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 June 30, 2011, VCU had \$15.6 million of collectible receivables, a \$9.7 million decrease from June 30, 2010. Total past due accounts were \$8.8 million, a \$1.3 million increase from June 30, 2010. Accounts over 60 days past due (\$4.8 million) increased by \$202,816 from the prior year. Billings decreased by \$17.0 million to \$60.8 million and collections decreased by \$6.7 million to \$81.5 million for the June 30, 2011 quarter, when compared to the June 30, 2010 quarter.

The following table is prepared to present the June 30, 2011, aging information in conformity with the provisions of the *Code of Virginia* § 2.2-603.E.(ii).

Commonwealth's total \$2.83 billion past due accounts receivable at June 30, 2011. Another 18 agencies accounted for 20 percent (\$560.4 million), leaving 71 other agencies to comprise the last one percent at \$26.3 million.

Taxation and the Circuit and District Courts accounted for 79 percent (\$2.25 billion) of the

Agencies with the Largest Volume of Past Due Receivables

As of June 30, 2011

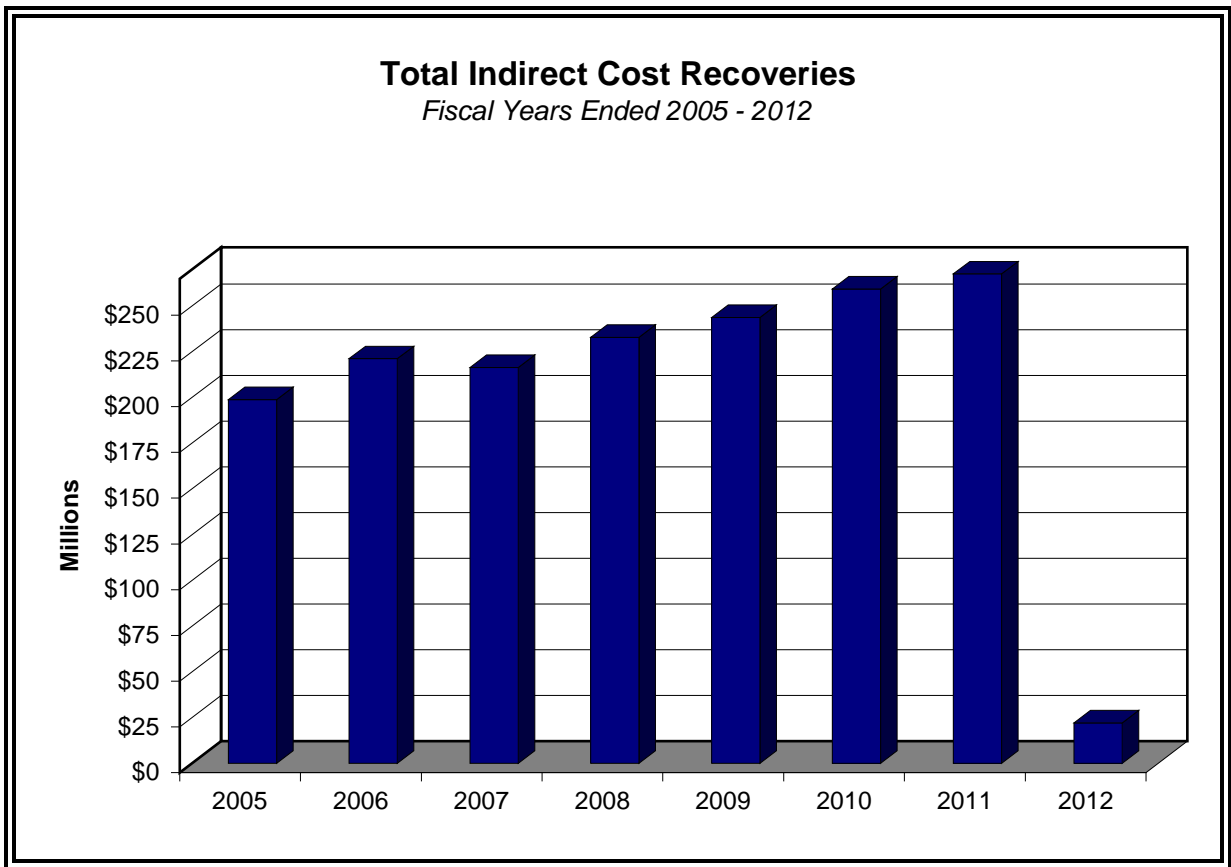
Agency	Total Past Due	1 to 180 Days Past Due	181 to 360 Days Past Due	Over One Year
Department of Taxation	\$ 1,787,621,935	\$ 253,216,691	\$ 175,762,412	\$ 1,358,642,832
Localities' Circuit and District Courts	459,821,901	38,609,791	68,184,890	353,027,220
Total - Taxation Assessments and Court Fines and Fees	\$ 2,247,443,836	\$ 291,826,482	\$ 243,947,302	\$ 1,711,670,052
All Other Large Dollar Agencies:				
Department of Social Services	163,727,799	7,808,031	7,789,040	148,130,728
University of Virginia Medical Center	144,525,317	125,021,854	12,654,789	6,848,674
Virginia Employment Commission	78,521,311	24,809,031	15,963,127	37,749,153
Department of Medical Assistance Services	57,354,918	16,305,551	15,128,203	25,921,164
Department of Behavioral Health and Developmental Services	30,259,251	27,226,754	14,169	3,018,328
Department of Transportation	18,312,495	4,024,319	1,529,101	12,759,075
University of Virginia - Academic Division	10,339,993	8,221,327	1,160,728	957,938
Virginia Commonwealth University	8,808,443	4,251,975	2,082,418	2,474,050
Virginia Polytechnic Institute and State University	8,395,402	6,163,384	586,131	1,645,887
George Mason University	8,347,670	6,739,797	1,134,234	473,639
Virginia Community College System	5,926,079	4,797,986	751,917	376,176
Virginia Information Technologies Agency	4,749,408	3,866,189	496,550	386,669
Department of Health	4,436,318	2,233,938	500,537	1,701,843
Virginia Workers' Compensation Commission	3,520,374	708,699	1,176,799	1,634,876
Virginia Veterans Care Center	3,458,821	2,797,550	661,271	-
Department of State Police	3,303,866	1,322,362	422,680	1,558,824
State Corporation Commission	3,202,701	571,304	2,370,575	260,822
Department of General Services	3,161,023	1,122,630	315,616	1,722,777
Total - Largest Dollar Volume Agencies	\$ 560,351,189	\$ 247,992,681	\$ 64,737,885	\$ 247,620,623
All Other Agencies	26,316,271	17,572,208	2,620,192	6,123,871
Grand Total Past Due Receivables	\$ 2,834,111,296	\$ 557,391,371	\$ 311,305,379	\$ 1,965,414,546



Indirect Costs

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

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



* FY 2012 reflects indirect cost recoveries through September 30, 2011.

Indirect Cost Recoveries from Grants and Contracts
Fiscal Year 2012

Fund	Year-to-Date		
	Higher Ed	Non-Higher Ed	Total
Nongeneral:			
Agency / Institution (1)	\$ 7,001,871	\$ 13,976,620	\$ 20,978,491
Statewide	24,129	205,890	230,019
Agency / Institution ARRA	547,879	112,740	660,619
Statewide ARRA	-	4,379	4,379
Total Nongeneral	\$ 7,573,879	\$ 14,299,629	\$ 21,873,508
General:			
Agency (Cash Transfers)	-	-	-
Statewide	-	156,337	156,337
Statewide (Cash Transfers)	-	-	-
Total General	\$ -	\$ 156,337	\$ 156,337
Total All Funds	\$ 7,573,879	\$ 14,455,966	\$ 22,029,845

- (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 \$9,723,351 representing the Department of Social Services' estimate of indirect cost recoveries received. This does not include covered higher education institutions.



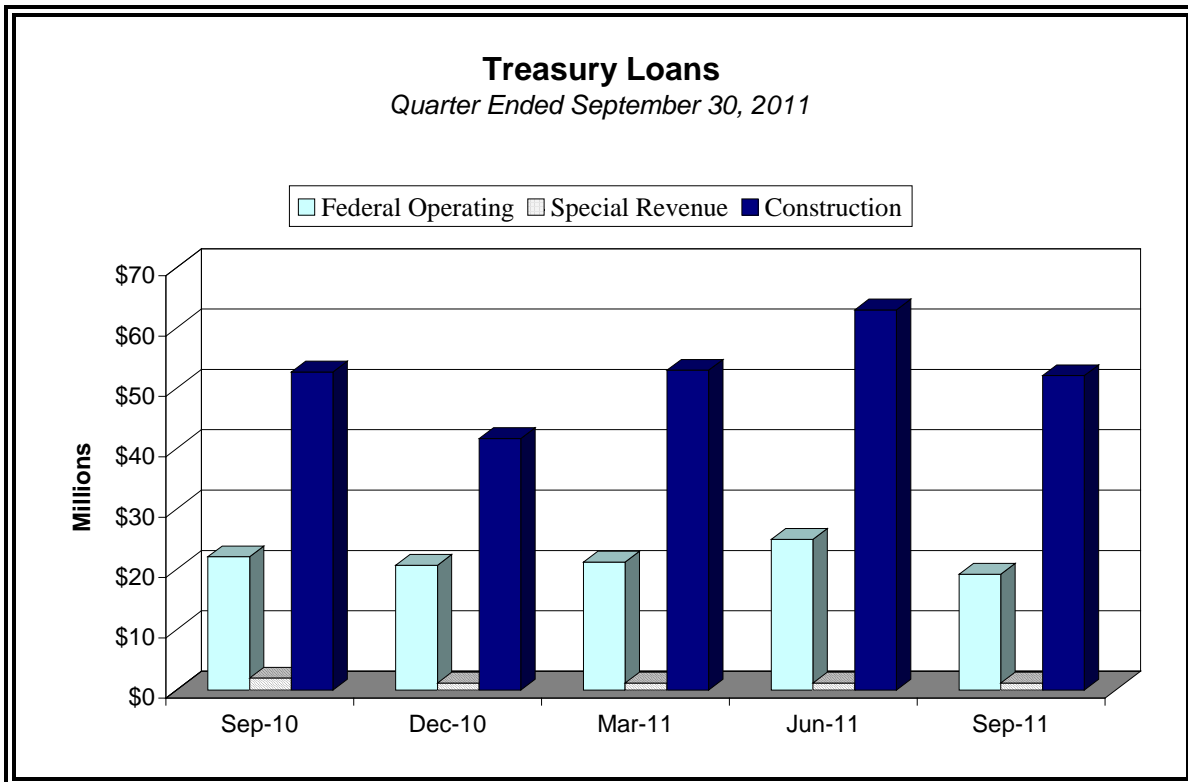
Loans and Advances

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 September 30, 2011, was \$72.4 million.



Significant New Loans / Drawdowns	New Balance
Virginia State University (VSU) Drawdown on an \$11.8 million loan used to construct Gateway Residence Hall, Phase II.	\$ 1,450,000.00
Virginia Commonwealth University (VCU) Drawdown on a \$40.4 million loan used for the construction of the New School of Medicine.	\$ 1,726,352.00
Department of Military Affairs (DMA) Drawdown on a \$23 million loan used to pay expenditures incurred in anticipation of reimbursement from the National Guard Bureau.	\$ 5,000,000.00
George Mason University (GMU) Drawdown on a \$12.5 million loan used to provide operating funds while awaiting federal reimbursements for approved grants and contracts.	\$ 12,500,000.00

Significant Loan Repayments	Prior Balance
Virginia Department of Transportation (VDOT) Final payment on a \$10 million loan used to fund the Highway Planning and Construction – ARRA Fund.	\$ 3,000,000.00
Virginia Port Authority (VPA) Repayment on a \$23.9 million loan used for the construction of the Craney Island Marine Terminal.	\$ 13,911,029.00
Department of Medical Assistance Services (DMAS) Repayment on a \$19.5 million temporary loan pending receipt of ARRA supplement grant award.	\$ 19,260,747.00

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 September 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 September 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 September 30, 2011, was \$92.7 million.

