

**REPORT ON
STATEWIDE FINANCIAL MANAGEMENT
AND COMPLIANCE**

FOR THE QUARTER ENDED JUNE 30, 2012



OFFICE OF THE COMPTROLLER

DEPARTMENT OF ACCOUNTS

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STATEMENT OF PURPOSE

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

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

This *Quarterly Report* includes information for the quarter ended June 30, 2012, and comparative FY 2011 data. Some information in the report is for the quarter ended March 31, 2012, 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 No. 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 June 30, 2012

The APA issued 11 reports covering 13 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				
Human Rights Council	0	0	0	N/A
Agriculture and Forestry				
Department of Forestry	0	0	0	N/A
Commerce and Trade				
None				

Education				
Christopher Newport University	2	0	2	YES
James Madison University	0	0	0	N/A
Longwood University	0	0	0	N/A
New College Institute (1)	1	0	1	YES
Virginia State University	3	1	4	YES
Virginia Military Institute	0	0	0	N/A
Executive Offices				
None				
Finance				
None				
Health and Human Resources				
None				
Natural Resources				
None				
Public Safety				
Department of Corrections (2)	1	1	2	YES
Department of Fire Programs	1	0	1	YES
Department of State Police	2	1	3	YES
Virginia Correctional Enterprises (2)	0	0	0	N/A
Virginia Parole Board (2)	0	0	0	N/A
Technology				
None				
Transportation				
None				
Veterans Affairs and Homeland Security				
None				

(1) *The New College Institute audit covered Fiscal Years Ended June 30, 2010 and 2011. A finding was identified in Fiscal Year 2010; however, the issue was corrected by management in Fiscal Year 2011.*

(2) *These three reports were included in one report.*



Audit Findings - Quarter Ended June 30, 2012

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

Education

Christopher Newport University (CNU)

1. Strengthen Controls over Capital Outlay. To make a building's roof match the others on campus, management authorized an \$87,500 change order to remove and replace 5,500 square feet of newly installed roofing, which management issued after other attempts to correct the roofing. This along with other change orders totaling \$180,068 caused the project to exceed its construction contingency. For a different project, management had to authorize a \$300,356 change order to add an access road to the Freeman Center to comply with fire safety standards.

Proper planning reduces budget overages by reducing the number of change orders necessary to obtain the desired results. Along with proper planning, to ensure appropriate oversight management should obtain approval from the Department of General Services (DGS) and the Department of Planning and Budgeting (DPB) before authorizing change orders during construction which cause the University to exceed its original contingency funding.

Management should dedicate the required resources to ensure that the capital project manager adequately plans projects. This control will remain important as long as the University continues its efforts to improve its campus through capital enhancements.

2. Limit Employee Functions within Banner Finance. The University Comptroller is not limiting employees' access within the Banner system's Finance module to only those privileges the employees need to perform their job functions. During the Auditor of Public Accounts (APA) review, they identified employees with access to functions critical to Finance's operations, which they did not need.
 - Six employees with no responsibility for establishing business rules have the ability to modify these rules within Banner. This access allows these employees to change how the University will process financial transactions.
 - Eight employees with no responsibility for entering invoices have access to the invoice entry. Improper access to this form gives the employee the ability to create a questionable transaction.

The University Comptroller has already requested the removal of the unnecessary access privileges listed above. The University Comptroller should determine and document the minimum access each employee will need to perform their job function. This process should also include a review to determine whether improper privileges allow employees to circumvent automated separation of duties controls.

Additionally, the APA identified the following access weaknesses within Banner:

- Twenty-eight employees have the ability to enter and approve transactions within Banner's journal entry screen. Several of the employees are responsible for performing or reviewing reconciliations or collecting monies from students or internal collection points. Two of the employees have signatory authority for the University's bank accounts.
- Five employees have the ability to create a vendor, process an invoice, and then interface the payment to either the Commonwealth Accounting and Reporting System (CARS) or the University's local check writing system. These employees also have the ability to enter and approve journal entries.

While the University Comptroller has established manual processes to mitigate the risk from the above two weaknesses, keeping these weaknesses increases the risk of irregularities occurring. Management should implement automated system controls to prevent such a situation. Specifically, management should require the implementation of workflows and restricting access within Banner to enforce separation of duties with all transactions.

After the University Comptroller properly limits employees' access, the APA recommends that someone from outside of the University Comptroller's office evaluate and monitor employees' access. In most organizations, management and Boards rely on the Internal Auditor or the Information Security Officer to evaluate and monitor internal controls. The Board should consider instructing the Internal Auditor or the Information Security Officer to review future access changes to ensure they do not create a risk for the University. However, at a minimum, as part of management's annual review of access privileges, the review should evaluate compliance with Agency Risk Management and Internal Control Standards (ARMICS) established by the Comptroller of Virginia.

New College Institute (NCI)

1. The Institute receives a significant amount of support from grantors, particularly the Tobacco Indemnification and Community Revitalization Commission and the Harvest Foundation. During the year ended June 30, 2010, the Institute did not appropriately segregate grant funds by source in its accounting records. This inappropriate accounting for grants led prior management to inadvertently submit the same expenses for reimbursement to two separate grantors.

New management, put in place during the year ended June 30, 2011, discovered and resolved this issue with both grantors. Grantors agreed to allow the Institute to retain the excess funds and expend them as an advance on a future year's grant. Further, management put in place accounting processes and controls to ensure future compliance with grant terms during fiscal year 2011 in order to mitigate the risk of this type of error reoccurring.

Virginia State University (VSU)

1. Approve and Implement Information Security Program **This is a Repeat Finding.**
VSU continues to improve and develop its information security program. While the University has made significant progress, the following two critical areas remain only partially complete and remain not implemented.

- **Contingency Planning.** VSU has partially completed a draft of its Business Impact Analysis (BIA), Continuity of Operations Plan (COOP), and Disaster Recovery Plan (DRP). These essential documents contain procedures and guidance for use during disasters and other unexpected events or system failures.
- **Routine Backup and Restoration Procedures.** VSU does not have controls to ensure the backup of sensitive data, periodically test the recovery of this information, and comply with its records retention policy. This lack of control increases the risk that VSU will not back up its data and may not have the information available in case it needs to restore data after a system failure. VSU needs to document a routine backup and restoration procedure and retention policy, communicate the expectations, and train the appropriate staff.

VSU should dedicate the necessary resources to complete and implement its updated information security program. Specifically, they need to concentrate on the two remaining critical areas mentioned above to ensure their business continuity.

2. Improve Review of Financial Statements

VSU's fiscal year 2011 final unaudited financial statements contained material misstatements and footnote presentation errors. The financial reporting department's current review process did not prevent or detect these errors or omissions.

Specifically, a \$1.1 million misclassification between restricted and unrestricted cash resulted from improper coding or mapping of accounts in a database that generates the University's statements. Further, errors within a manual calculation process to support an adjusting entry resulted in a \$1.1 million understatement of capital assets, net of debt. Finally, the financial reporting department neglected to disclose a \$1.2 million treasury loan and the advanced refunding of \$1.6 million in Series 2002A bonds in the footnotes.

The APA recommends that management implement new controls and strengthen existing controls over their financial reporting process. The design and operation of these controls should be sufficient to prevent or detect and correct mistakes such as those identified above. When there are new activities or material events occur, management's financial reporting process should include research and inquiry regarding proper presentation. Improved financial reporting controls will ensure the University's unaudited financial statements are materially correct and accurately represent its operations in order to meet the University and Commonwealth's financial reporting needs.

3. Improve Timely Deletion of Terminated Employees from CIPPS

The payroll department allowed 3 of 46 terminated employees to remain on the payroll system for 3 to 19 pay periods after receiving their final paycheck through CIPPS. In two of three instances, delays in receiving notice of termination from the respective supervisor and human resources negatively impacted the payroll department's ability to remove these employees promptly. However, this did not completely explain the delays observed.

Best practice when terminating employees would have an entity remove employees from the payroll system upon receipt of their final paycheck. Failure to remove these employees could allow them to receive paychecks in error.

VSU should evaluate its termination policies and procedures to ensure they support the timely deletion of terminated employees from CIPPS. Further, management should consider revising their employee separation procedures to provide for more timely completion and delivery of termination documentation to the appropriate departments.

4. Improve Process for Setting Small Purchase Charge Card Monthly Limits

During the APA's review, they observed 126 of the 130 small purchases charge card holders have monthly purchasing limits which significantly exceeded their actual monthly purchasing activity. On average these cardholders used only two percent of the monthly credit limit available to them. Conversely, one cardholder exceeded their monthly purchasing limit for one month during the year and on average used 95 percent of the limit available to them.

The small purchases charge card administrator should review the purchasing activity of all cardholders and determine if the cardholder has the appropriate monthly purchasing limits, and if not make adjustment to these limits. Regular review of purchasing activity and consideration of such limits will help to minimize the University's exposure to the risk of improper card usage.

Public Safety

Department of Corrections (DOC)

1. Improve Internal Controls over Procurement of Contractual Services and Contract Administration

DOC has a decentralized procurement function. The Procurement and Risk Management Director at the Central Office is only responsible for procurement of contracts within the Headquarters Procurement Unit. Five other units/regions have delegated authority and buyers that can enter into contracts. The APA reviewed procurement across all of these areas.

- Academy for Staff Development
- Agribusiness
- Corrections Construction Unit
- Corrections Major Institutions (Eastern, Western, Central Regions)
- Headquarters Procurement Unit
- Virginia Correctional Enterprises

The APA found the following issues across the units reviewed.

- DOC is not consistently designating contract administrators. Five out of ten contracts tested did not have an assigned contract administrator. In some cases when there was no assigned contract administrator, there was no one monitoring

the contract performance. In other cases, someone was monitoring the contract even though no one had formally assigned them the responsibility.

Chapter 10 in the Agency Procurement and Surplus Property Manual (APSPM) states that all continuous or term contracts shall have an assigned administrator. Proper designation helps to ensure the proper administration of contracts and that Contract Administrators understand their duties and responsibilities. Without a contract administrator, the risk of improper payments, overpayments, and deficient vendor performance increases.

- DOC is not maintaining adequate documentation surrounding contracts and contract administration. DOC could not provide support for two of ten contracts tested. DOC should maintain documentation of the procurement and administration of each contract.
- DOC is not consistently performing a final evaluation of vendor performance. The contract administration should complete the evaluation to aid in future procurement decisions.

Due to the small nature of the operations within the Academy for Staff Development and Agribusiness, the APA found the following issues involving a lack of separation of duties and oversight.

- The Agribusiness unit solicited a contract (over \$100,000) without obtaining the proper written approval of the agency head or designee to use competitive negotiation as stated in Chapter 7 of the APSPM.
- Agribusiness approved and paid an invoice for over \$23,000 that was not within the scope of the contract.
- The Academy for Staff Development has not properly segregated procurement and purchasing responsibilities. The accountant is performing duties relating to procurement, purchasing, small purchase charge card administration, and storeroom and copy center supervision, increasing the risk of fraud and errors.

A lack of central oversight and consistency between the various units has contributed to the breakdown in internal controls and noncompliance. DOC should implement and enforce standard Contractual Services and Contract Administration policies and procedures across all units to improve internal control and ensure compliance with the APSPM. DOC should designate an individual to provide central oversight and enforcement of contract management and procurement that covers all units and regions within DOC. Strong internal controls aid in deterring fraud and reducing errors. Following these internal controls should also ensure DOC's compliance with procurement regulations.

2. Improve Controls and Processes Surrounding Fixed Asset Accounting and Control System **This is a Repeat Finding.** DOC had multiple instances where they did not record new assets properly or remove old assets when disposed.

- DOC did not record 19 of 24 capital assets purchased in FAACS. Seventeen of these assets were part of a large equipment order for cafeteria equipment, one asset was the purchase and installation of a mobile file system, and the remaining asset was the purchase and installation of fencing at Deerfield Correctional Center. DOC failed to record the installation along with the actual acquisition cost of the mobile file system in FAACS. DOC should include all appropriate installation costs when capitalizing assets within FAACS.
- DOC did not record 2 of 24 capital asset purchases in FAACS until eight months after their original acquisition dates and recorded the acquisition date improperly. Central office procured these two assets prior to assignment to facilities. However, the facilities recorded these assets in FAACS with the receipt date rather than the purchase date as the original acquisition date.
- DOC did not have support for one of eight disposed capital assets. This asset was a printer that was part of a bulk surplus collection; however, no supporting documentation was available to determine the final disposition of the asset.

Several years ago as part of budget reductions, DOC dissolved the Controller's office, which had oversight responsibility for capital assets. The Financial Management and Reporting Unit, headed by the Chief Financial Officer, assumed the controller's functions. This realignment moved the responsibility for FAACS oversight to the Budget Office. However, the Budget Office has not been able to devote the level of resources required to fully meet this responsibility, resulting in the errors noted above. Management realized that the current staffing levels of the Budget Office are insufficient to perform the budgeting and capital asset responsibilities. At the time of this audit, Management created and advertised a position to oversee capital asset accounting and provide coordination of capital assets between the central office and the facilities.

In creating this position, DOC should ensure that the individual has the authority, not just the responsibility, to provide direction and oversight over all capital assets at the central office and the facilities. DOC should use this position to strengthen controls surrounding the entry and removal of items in FAACS. Finally, DOC should update its Fixed Asset Policy to consider the capitalization of computer software.

Department of Fire Programs (DFP)

1. Improve Internal Controls Over Bookstore Inventory. When DFP staff compared the physical year-end inventory counts to the inventory information in QuickBooks, there were significant variances between the two amounts for many of the 144 individual items in the bookstore. DFP staff did not determine and resolve these differences, but adjusted the inventory quantities in QuickBooks to agree to the physical count. Staff adjusted inventory quantities for over half of the items in stock.

A purchasing test of 34 purchases totaling \$111,000 for fiscal year 2011, which is almost a third of all items for resale, found recording errors in 15 of 34 (44 percent) purchases with some

items having multiple errors. These recording errors included wrong fiscal year of purchase, incorrect quantities, incorrect item descriptions, and not recording some purchases at all.

As a result of these errors, the inventory information in QuickBooks is inaccurate and unreliable. Without accurate inventory information, DFP cannot properly monitor inventory levels or plan purchases. They risk either having too many items in inventory or not having necessary supplies and materials available when needed.

In addition, DFP bookstore operating procedures do not address how to remove obsolete materials and those items they cannot sell because they are now available online. DFP management needs to develop procedures for handling these types of situations.

All of the issues above are fundamental controls necessary to maintain and manage an inventory for resale. DFP management needs to follow the basic best practices for keeping an inventory for resale, especially the review of recording purchases and sales. The high volume of errors and physical inventory count differences indicates that the problems with inventory are not limited to recording errors.

Department of State Police (DSP)

1. Upgrade Unreliable and Unsupported Infrastructure Devices. On January 4th and 19th of 2012, the DSP experienced two network outages due to failing network devices, lasting 12 and 5 hours, respectively. During the outage, State Troopers could not access the Virginia Criminal Information Network (VCIN) to conduct background checks while performing their law enforcement duties. DSP is using unreliable and unsupported infrastructure devices to run its network that allows State Troopers and external law enforcement entities to connect to critical systems, such as VCIN.

Both DSP and the IT Infrastructure Partnership with Northrop Grumman (Partnership) have recognized the problem with the unreliable and unsupported infrastructure devices, but specific security requirements established by the FBI's Criminal Justice Information Services Division has made the replacement of the network difficult and caused problems estimating the cost of the solution. Both parties have agreed that transformation should not start until DSP and the Partnership can agree on a final network design. The Partnership has proposed the final network design, but it does not include the equipment or software for the more than 600 non-State Police agencies that use the network.

The non-State Police agencies using the network consist of local law enforcement agencies, Commonwealth's Attorneys, local and state correctional facilities and other related agencies. These agencies have acquired the equipment and software to use the DSP network over time and therefore will have numerous issues adjusting to any changes that will occur with this network. Further, most of the equipment and software is not part of the Partnership agreement.

Unfortunately the current state of the network presents a greater risk of continuing network outages, which may make the option of waiting for a final and complete design unacceptable to the alternative of starting a phased transition implementation immediately. Compounding the problem is that there are several hundred routers that the vendor will no longer support after November 2012. There is simply not enough time to replace all of these devices even if transformation began today.

The APA recommends that DSP plans a phased approach that will allow transformation to start immediately and that is flexible enough to accommodate as many changing requirements as possible. While considering extra flexibility may result in higher implementation costs, delaying transformation of its aging network is exponentially increasing the risk of failure and the inability for its Troopers and other law enforcement entities to access time sensitive information when performing their public safety duties.

2. Upgrade Database System Software. **This is a repeat finding.** DSP is continuing to rely on outdated legacy database technologies to support its mission critical applications, including criminal firearms, evidence tracking and management, human resources, and other information. The vendor ceased to support the legacy architecture in 2008, and DSP applied the last patch six years ago, in February 2006.

When the APA first raised this issue with DSP during their audit in April 2010, DSP presented a five year plan to migrate its critical applications to a new database environment. However, DSP has only completed migration or decommission for 5 out of its 32 applications, and has extended its completion date to 2016.

It is increasingly risky to keep such antiquated software in use given the limitations on available support. As time passes, fewer and fewer experts are available to patch or repair the system when bugs appear. Further, it becomes increasingly expensive to maintain software with limited support by the original vendor.

With limited vendor support, any change to the applications or even hardware changes could result in a system failure from which DSP would have difficulty recovering. The system also has logical access limitations, including password length and complexity issues, which DSP must find other processes to overcome. Additionally, discontinued vendor product lines cannot depend on support from the vendor in the case of a system failure.

Given the severe impact a system failure would have on DSP operations, not having fully supported databases housing these mission critical applications is a significant deficiency in controls. The APA recommends that DSP dedicate the additional resources and allocate them appropriately to accelerate the migration to the new database environment in advance of the 2016 project goal.

3. Improve Financial System Access Management. During the review of access management at DSP, the APA noted three areas in need of improvement.

- *Adequately Segregate Financial Responsibilities*

The design of user roles and responsibilities in DSP's financial management system (Oracle) eliminates an internal control, separation of duties, within its payment system. The APA noted seven employees with access to the General Ledger Super User role. This role allows these employees full access to DSP's general ledger, including the ability to initiate and approve transactions. Two of these employees also have access to update the vendor table in the financial system, which would allow the employees to both modify vendor information and initiate and approve payments to vendors.

DSP should consider the principal of least privilege when assigning capabilities to its financial users. DSP could also use this opportunity to initiate work flows within Oracle by separating entry and approval capabilities for all finance employees. Finally, any employee with access to the vendor maintenance table should be restricted from access to either enter or approve payments.

- *Establish Compensating Controls*

DSP relies on manual controls over its payable process to ensure the proper authorization of payments. The current design of user roles and responsibilities in Oracle allows employees to circumvent these manual controls by initiating and approving transactions directly into Oracle. If DSP does not adequately segregate the entry and approval responsibilities, it must establish a compensating control to ensure that individuals are not initiating and approving payments directly into Oracle.

- *Enforce Principle of Least Privilege for all Information Technology Employees*

The APA noted several Information Technology employees with access to multiple financial responsibilities within Oracle as well as typical information security responsibilities. The combination of these roles allows users to both enter and approve transactions in the general ledger and delete logs of those transactions from the system. Both the system and data owners for Oracle should determine the necessary user roles for the DSP environment. Access to financial roles should be limited to finance staff only. Information Technology employees should only have access to financial roles in a test environment.



Additional Recommendations – Quarter Ended June 30, 2012

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

Department of State Police (DSP)

1. Realign the ISO within State Police hierarchy in accordance with Industry Best Practices
2. Status of Prior Year Recommendations for Process Improvement
3. Properly Implement ERP Applications and Efficiency through Automation

Norfolk of State University (NSU)

1. The APA issued a “Special Letter” to NSU containing Additional Recommendations

On April 2, 2012, the APA started the audit of NSU for the fiscal year ended June 30, 2011. During their initial audit procedures the APA encountered issues that made it difficult for them to complete the audit for the year ended June 30, 2011. Moreover, these issues are currently impacting the control environment and financial operations of the University and constitute material weaknesses in internal controls. Without significant interim actions, the APA believes that the potential for fraud exists, that normal operations may be impaired, and completion of financial statements for the year ending June 30, 2012, may not occur.

Many of the issues and problems cited in the APA letter are the result of significant turnover and extended vacancies of key financial positions within the University. While at least three individuals have assignments to be either acting or interim in these positions, these individuals continue to have full responsibility for completing their regular assignments as well. Additionally, many of these individuals did not participate in the preparation of the June 30, 2011, financial statements, and therefore, do not know how the University prepared the statements.

The following are the issues that the APA identified early in the audit that may impact future operations and reporting.

- Internal Control Issues
- System Implementation Issues
- Financial Reporting Issues for the year ended June 30, 2011

Once management has reestablished internal controls over general accounting functions, they should focus on the timely preparation of the 2012 financial statements as the fiscal year closes. As management prepares the 2012 financial statements, they should review and analyze the 2011 statements and journal entries comparatively to determine the appropriateness of the 2011 compilation.

The APA issued their document in accordance with Section 30-139 of the *Code of Virginia*. The APA believes the issues contained in their letter constitute a material weakness in internal control which increases the likelihood that unsafe handling of state funds could go undetected.

The APA would like to give management the opportunity to place the necessary personnel and processes in place to create a control environment that will properly safeguard the Universities assets and support its operations. The APA will return after the University has closed and reported 2012 results to conduct a two year audit.

Special Reports – Quarter Ended June 30, 2012

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

Report to the Joint Legislative Audit and Review Commission for the quarter January 1, 2012 through March 31, 2012

City of Richmond Capital Asset Review as of May 17, 2012

Progress Report on Commonwealth Data Standards—May 2012

Review of Agency Performance Measures for the year ended June 30, 2011

Other Audit Reports Received – Quarter Ended June 30, 2012

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

Virginia Office for Protection and Advocacy for the three-year period ended June 30, 2011

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

Virginia Board of Bar Examiners for the years ended June 30, 2010 and June 30, 2011

Virginia State Bar for the year ended June 30, 2011

Rappahannock River Basin Commission for the year ended June 30, 2011

Potomac River Fisheries Commission for the year ended June 30, 2011



Auditor of Public Accounts Reports - Executive Branch Agencies

Summary of Prior Audit Findings

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

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

	IN PROGRESS		COMPLETED	
	On Schedule	Delayed	On Schedule	Delayed
Administration				
State Board of Elections	0	1	0	0
Department of Human Resource Management	1	0	0	0
Agriculture and Forestry				
None				
Commerce and Trade				
Department of Business Assistance	0	0	0	1
Virginia Employment Commission	0	2	0	0
Virginia Racing Commission	0	1	0	0
Education				
Longwood University	0	0	1	0
Norfolk State University	0	0	0	1
Old Dominion University	0	0	0	1
Radford University	0	0	1	0
Virginia Commonwealth University	0	0	1	0
Virginia Museum of Fine Arts	0	0	0	1
Virginia School for the Deaf and Blind	0	1	0	0
Executive Offices				
None				
Finance				
Department of Treasury	0	0	2	0
Health and Human Resources				
Department of Behavioral Health and Developmental Services	0	0	4	1
Department of Health	0	1	0	0
Department of Medical Assistance Services	0	1	0	0
Department of Rehabilitative Services ¹ .	1	0	0	2
Department of Social Services	0	3	2	0

	IN PROGRESS		COMPLETED	
	On Schedule	Delayed	On Schedule	Delayed
Natural Resources				
Department of Game and Inland Fisheries	0	3	0	0
Public Safety				
Department of Alcoholic Beverage Control	0	2	0	1
Department of Corrections	0	1	0	1
Department of Military Affairs	0	1	0	0
Department of State Police	1	0	0	1
Technology				
Virginia Information Technologies Agency	0	0	0	2
Wireless E-911 Services Board	0	1	1	0
Transportation				
Department of Motor Vehicles	2	1	1	0
Department of Transportation	1	0	0	0
Virginia Port Authority	0	1	0	0
TOTALS	7	19	13	12

1. Effective July 1, 2012, the Department of Rehabilitative Services became known as the Department for Aging and Rehabilitative Services.



Status of Prior Audit Findings

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

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

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

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>State Board of Elections (SBE)</u>				
2010	10-02 08-02	Improve information systems security program. This is a repeat finding.	SBE has completed its Business Impact Analysis and is nearly finished with its Risk Assessment. Implementation is delayed because positions were not approved and conflicted with election periods.	In Progress (Delayed)
<u>Department of Human Resource Management (DHRM)</u>				
2011	11-01	Improve Documentation, Cost Tracking, and Accounting for Overhead Allocations and Service Billings	The Time and Leave system is still in development for the entire Commonwealth.	In Progress (On Schedule)
<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.	The DBA has implemented their new database system. The new database will represent a significant milestone to achieving compliance with COV requirements for IT Systems Security and Disaster Recovery Plans.	Completed (Delayed)
<u>Virginia Employment Commission (VEC)</u>				
2011	11-01	Resolve Employer Wage Discrepancies Timely.	The final policies and procedures are being adjusted before implementation.	In Progress (Delayed)
	11-03	Perform VATS and VABS System Access Review. This is a Repeat Finding.	The new system is not yet fully implemented.	In Progress (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Virginia Racing Commission (VRC)</u>				
2011	11-01	Use supported database software.	The agency will take part in a collaborative venture with other states for a universal licensing system. The system should be ready for the start of the 2013 racing season.	In Progress (Delayed)
<u>Longwood University (LU)</u>				
2010	10-02 09-03	Improve Risk Management and Contingency Planning. This is a repeat finding.	The University has taken corrective action with respect to prior audit findings reported in the June 30, 2011 APA audit.	Completed (On Schedule)
<u>Norfolk State University (NSU)</u>				
2010	10-01	Improve Controls Over Fixed Assets	Current policies and procedures have implemented changes to address issues of documentation, monitoring and follow-up, and safeguards to effectively protect University Assets.	Completed (Delayed)
<u>Old Dominion University (ODU)</u>				
2011	11-01 10-01	Improve risk management and contingency planning. This is a repeat finding and significant progress has been made.	The University has hired a full-time experienced Emergency Planning and Continuity of Operations Manager. The new manager completed the Business Impact Analysis, which was approved by the Vice President for Administration and Finance and the University President.	Completed (Delayed)
<u>Radford University (RU)</u>				
2011	11-01	Improve Banner System Access Controls	The security access privileges have been resolved. The system edit of journal entries will be reviewed by the Controller's Office quarterly. New system training was held and workflows prepared. Late reports are sent to the University Auditor and President.	Completed (On Schedule)
<u>Virginia Commonwealth University (VCU)</u>				
2011	11-01	Improve Database Security	VCU has used several tools to enhance Oracle Security including passwords, security programs, Cracker tests and logging.	Completed (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Virginia Museum of Fine Arts (VMFA)</u>				
2010	10-01	Improve Internal Controls over Small Purchase Charge Cards	The review of all charge cards has been completed and cards have been cancelled when there was no need for them.	Completed (Delayed)
<u>Virginia School for the Deaf and Blind (VSDB)</u>				
2010	10-03	Strengthen Internal Controls Over Capital Asset Useful Life Methodologies.	Examining and re-evaluating extending the useful life of assets needs more time.	In Progress (Delayed)
<u>Department of the Treasury (TD)</u>				
2011	11-01	Improve Contract Administration	Documentation of contract administration including service contract evaluations and the annual formal performance evaluation are included in the contract files.	Completed (On Schedule)
	11-02	Improve IT Risk Management and Contingency Planning Process.	Both the Business Impact Analysis and Risk Assessments have been completed.	Completed (On Schedule)
<u>Department of Behavioral Health and Developmental Services (DBHDS)</u>				
2010	10-05 09-07	Use system functionalities to improve payroll processing. This is a repeat finding	KRONOS has been implemented at all facilities and is operational.	Completed (Delayed)
2011	11-01	Refine estimates and report Annual Cost Settlements to the State Comptroller	Issue Resolved. Estimates coordinated with DMAS.	Completed (On Schedule)
	11-02	Improve System Access Management	Access deleted for former employees. Internal Audit works with IT to ensure access is appropriately limited.	Completed (On Schedule)
	11-03 10-09 09-03 08-04	Improve Information Security Awareness Training. This is a Repeat Finding.	User access is automatically revoked if security training is not completed by a set date (July 1, 2012).	Completed (On Schedule)
	11-04	Test IT Continuity of Operations and Disaster Recovery Plans.	The DRP and COOP plans have been completed and implemented. Testing was completed on November 22, 2011.	Completed (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Health (DOH)</u>				
2010	10-01	Use system capabilities to ensure proper service delivery.	Revised plans submitted to USDA (eWIC) included a schedule delay with a final completion date of February 2014.	In Progress (Delayed)
<u>Department of Medical Assistance Services (DMAS)</u>				
2011	11-05 10-01	Obtain valid social security numbers. This is a repeat finding.	DMAS (along with DSS and LDSS) have implemented a process to ensure the integrity and validity of SSNs used between the agencies. It includes internal controls and reporting mechanisms along with regular monitoring. DMAS plans to use a consultant to identify additional enhancements to the process.	In Progress (Delayed)
<u>Department of Rehabilitative Services (DRS)</u>				
<u>Effective July 1, 2012 known as Department for Aging and Rehabilitative Services (DARS)</u>				
2011	11-03 10-03	Improve information system security program. This is a repeat finding	DRS completed the corrective actions identified by an internal audit of Information Security.	Completed (Delayed)
	11-01 10-03	Improve Timeliness of Eligibility Determination This is a repeat finding	Counselors were trained on the new notification procedures. The timeliness of eligibility cases has improved.	Completed (Delayed)
	11-02	Improve IT System Controls	Several improvements have been made to IT Security. Enhanced awareness training is planned with controlled mandatory compliance.	In Progress (On Schedule)
<u>Department of Social Services (DSS)</u>				
2011	11-01 10-01 09-06	Establish enforcement mechanisms for foster care and adoption payments (Title IV-E). This is a repeat finding and progress has been made.	Progress continues to be made. OASIS transmissions and reconciliations are timely. DSS is also reviewing deficient localities regarding OASIS processing and contacting them for correction.	In Progress (Delayed)
	11-02	Reduce Benefit Payments for Individuals Refusing to Work.	Client hours are monitored and sanctions applied when out of compliance.	Completed (On Schedule)
	11-03	Modify Monitoring Plans for Changing Risk and Obtain Senior Management Approval.	A risk based monitoring process has been developed for monitoring and reporting.	Completed (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
2010	10-02	Use system functionalities to improve financial operations.	Final corrective action based on an upcoming ORACLE release due in October 2013.	In Progress (Delayed)
	10-05	Finalize responsibilities for infrastructure security. This is a repeat finding that requires Partnership action.	Continued negotiation with VITA over Portable Device Encryption and the CPS/APS Hotline.	In Progress (Delayed)

Department of Game and Inland Fisheries (DGIF)

2010	10-01 09-01	Improve Internal Controls and Compliance of the IT Systems Security Program. This is a repeat finding.	All parts completed except that DGIF plans to develop a role based security awareness module using the knowledge center and use it to monitor compliance with agency policy.	In Progress (Delayed)
	10-02	Maintain CARS Reconciliation Records.	New procedures for transferring out employees will be developed with the LDP Capstone Project. Also, all reconciliations are now done in a timely manner.	In Progress (Delayed)
	10-03	Improve Internal Controls over System Access.	Processes to verify deletions of system access and employee transfers will be completed with the LDP Capstone Project near the end of 2012.	In Progress (Delayed)

Department of Alcoholic Beverage Control (ABC)

2011	11-01	Improve User Account Controls.	Additional systems have been migrated to Account Central. System count is now eight with more in development for rollout in the next quarter. Account Central is the authentication system of record within the agency, and all future applications are being built for full integration. Some legacy COTS packages are not scheduled for transition and will remain on legacy authentication mechanisms.	In Progress (Delayed)
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<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>
	11-02	Improve remote store server security.	The Department of Alcoholic Beverage Control has reviewed the server configuration and has a legitimate business need for most of the requirements that have not been met. Several outstanding known issues will be addressed as part of a CIS remediation project. Staffing issues have created unanticipated delays, but work has resumed. The project is underway, and all issues are expected to be completed by December 31, 2012. Risks identified and accepted by the business owner, mitigating controls documented, and SEC501 exceptions filed. Anticipated date for risk documentation and exception filing is December 31, 2012.	In Progress (Delayed)
	11-03	Improve compliance with information security program. This is a repeat finding.	As planned, System Owners have completed account access and provisioning process documentation for each major system, and quarterly reviews are underway. Training has been delivered, and risk management and system security plans are underway.	Completed (Delayed)
<u>Department of Corrections (DOC/CA)</u>				
2010	10-02 09-04 09-05	Develop and Implement Policies and Procedures for Fuel Cards and Vehicle Inventory. This is a repeat finding.	A new policy was written for fuel card use. Inventory forms were modified to accept FAACS numbers. An annual verification process for vehicles and FAACS numbers is in place.	Completed (Delayed)
	10-03	Improve Controls and Processes Surrounding Fixed Asset Accounting and Control System. This is a repeat finding.	A fixed asset inventory is under way. DOC has hired a Capital Asset Specialist to correct and maintain fixed asset accounting at DOC.	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 Military Affairs (DMA)</u>				
2010	10-06	Strengthen Recording and Tagging of Equipment.	All Fixed Assets and CIP have been entered into FAACS. An employee has been hired to work on a Statewide inventory. 25% of locations have been completed.	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 continues to prepare the Request for Proposal (RFP); the RFP process has been delayed. Currently the automation of fuel management is cost prohibitive and is not part of this RFP.	Completed (Delayed)
	09-03	Upgrade database system software.	Five MAPPER programs have been addressed and projects for three replacement systems are underway to address the seven additional MAPPER programs.	In Progress (On Schedule)
<u>Virginia Information Technologies Agency (VITA)</u>				
2010	10-02 08-01	Strengthen Inventory and Billing Controls. This is a repeat finding.	Procedure documentation was revised and completed. The APA FY 2011 report states that this finding has been resolved.	Completed (Delayed)
	10-03 08-03	Create a Time Frame for Resolving Inventory Disputes. This is a repeat finding.	Procedure documentation was revised and completed. The APA FY 2011 report states that this finding has been resolved.	Completed (Delayed)
<u>Wireless E-911 Services Board</u>				
2010	10-01	Improve Cash Management Practices	Legislative change signed into law July 2012. The Board will officially adopt a policy to retain a cash reserve equal to one month's expenditures in their July meeting. The APA FY 2011 report states that this finding's corrective action has been completed.	Completed (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	10-02 09-03	Determine Accuracy of PSAP Data. This is a repeat finding.	The Board approved the PSAP validation study and directed staff to adjust the previous funding accordingly. Adjustments should be complete by January 2013. The revised model will be effective for the next five years.	In Progress (Delayed)
<u>Department of Motor Vehicles (DMV)</u>				
2011	11-01 10-01	Enhance information system security program. This is a Repeat Finding	The DMV is reviewing and revising information security policies.	In Progress (Delayed)
		<ul style="list-style-type: none"> • Information Security Program • Security Awareness Training • Disaster Recovery and Contingency Planning 	<p>Security awareness training is complete for employees and is underway for Contractors. This will be an annual event and includes monitoring for compliance.</p> <p>The DMV is hiring a Contractor to complete the IT portion of the COOP and Disaster Recovery plans. A draft of the Non-IT COOP has been written.</p>	
	11-02	Improve Database Security	The DMV is working with NG to address database security issues.	In Progress (On Schedule)
	11-03	Improve Internal Controls over ORACLE Access	ORACLE tracking software provides a trail down to the user level. The DMV is implementing a more detailed access review process every six months. Supervisors are required to document approval for all users responsibility and that their needs are in accordance with their EWP.	Completed (On Schedule)
	11-04	Improve Controls Over Small Purchase Charge Cards (SPCC)	The DMV has addressed several training, policy, and procedural issues to address issues cited by the APA. Significant progress has been made; however, a few procedural corrections remain including hiring a dedicated SPCC manager, writing some procedures, and increased internal auditing of SPCC operations.	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 Department of Transportation (VDOT)</u>				
2011	11-01	Improve Microsoft SQL Server Security	Migration to SQL Server 2008 is not yet complete. SQL Server 2005 and 2008 instances have been reconfigured to provide appropriate alerts. SQL Server Security Configuration under review. Significant progress is being made on this review and it should be completed in September or October of 2012.	In Progress (On Schedule)
<u>Virginia Port Authority (VPA)</u>				
2011	11-01 10-01	Improve IT Security Program	Some security policies are still being developed and implemented.	In Progress (Delayed)



Compliance Monitoring

Certification 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 Certification of Agency Reconciliation to CARS Reports.

DOA closely monitors Certification status, evaluates exceptions, and posts correcting entries in CARS. Certifications for March, April, May and June* were due 4/30/2012, 5/31/2012, 6/30/2012 and 7/17/2012 respectively.

Certifications Late or Outstanding

As of July 31, 2012

Agency	Mar	Apr	May	June
Norfolk State University	O/S**	-	-	-
Chippokes Plantation Farm Foundation	-	-	-	7/23/12

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

*The FY 2012 Year-End Closing Memorandum to the heads of all state agencies and institutions and all fiscal officers requires that the final June Certification be received in the Comptroller’s Office by 5:00 p.m. on July 17, 2012. Fax copies, were accepted, on July 17 with the expectation that the original would be received, by July 20, 2012.

**Norfolk State University did not submit the March Certification to DOA but states that the reconciliation for March was completed. Please refer to page 14, Additional Recommendations under the Auditor of Public Accounts Reports – Executive Branch Agencies Section, for more information on the status of Norfolk State University.

Response to Inquiries

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

However, in other instances, agencies do not respond timely or simply fail to respond. For the quarter ended June 30, 2012, all responses have been received within an acceptable timeframe.

Trial Balance Review

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

DOA monitors selected general ledger balances and contacts agencies in writing about certain irregular balances. For the quarter ended June 30, 2012, the following agency failed to respond timely, make corrective action and/or provide additional information.

Trial Balance Review *As of July 31, 2012*

Agency	March	April	May	June
Deerfield Correctional Center	X	X	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 June 30, 2012, no agencies failed to respond timely, make corrective action and/or provide additional information.

Credit Cash, Excess Expenditures, and Expenditure Credits

As of June 30, 2012

Agency	April	May	June
None			

Disbursement Processing

During the quarter ended June 30, 2012, DOA deleted, at the submitting agency's request, 55 payments that were awaiting disbursement from the vendor payment file. These included duplicate payments, payments for returned items, payments with incorrect vendor information and payments of incorrect amounts. These types of transactions may point to areas where improved agency internal accounting controls should be evaluated.

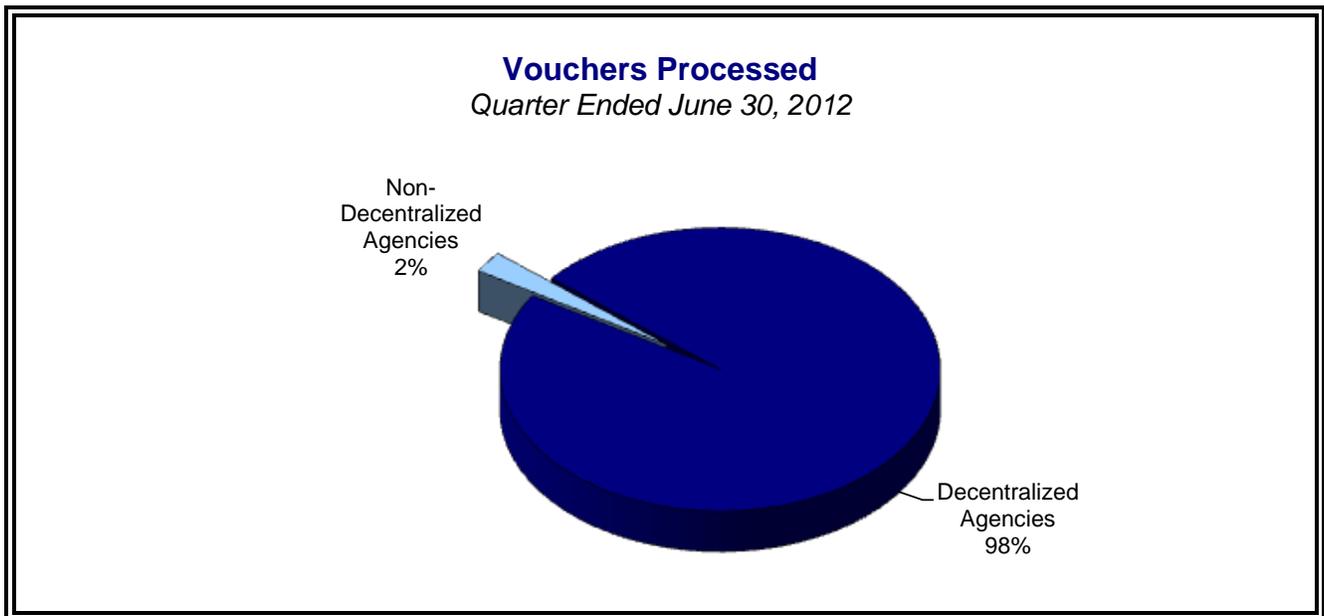
Twenty-five agencies requested deletes during the quarter. For the quarter ended June 30, 2012, no agency requested more than four vendor payment deletions.



Paperwork Decentralization

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

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



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

Decentralized Agencies

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

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

Although an agency's report may state that it "generally complies with the CAPP Manual" and not require a formal corrective action plan, most reports do contain some findings

and recommendations. Agencies are strongly encouraged to address these findings. Repeat occurrences of the same findings in future reviews may result in the agency having to prepare a formal corrective action plan.

Agencies are evaluated for compliance with the following sections of the 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. One review was completed for a decentralized agency during this quarter.

Compliant Agencies

Old Dominion University

Agencies Requiring Corrective Action

N/A

Corrective Actions Needed



Non-Decentralized Agencies

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

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

During the quarter, DOA reviewed all non-decentralized agencies. A total of 1,010 non-travel disbursement batches and 292 travel disbursement batches were reviewed, disclosing six exceptions.



Prompt Payment Compliance

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

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

Statewide Prompt Payment Performance Statistics

	Quarter Ended June 30, 2012		Fiscal Year 2012 To-Date		Comparative Quarter Ended June 30, 2011	
	Late	Total	Late	Total	Late	Total
Number of Payments	4,698	607,926	20,442	2,346,868	7,368	621,314
Dollars (in thousands) \$	49,724	\$1,740,943	\$200,469	\$6,535,660	\$ 31,850	1,720,250
Interest Paid on Late Payments				\$4,289		
Current Quarter Percentage of Payments in Compliance				99.3%		
Fiscal Year-to-Date Percentage of Payments in Compliance				99.1%		
Comparative Fiscal Year 2011 Percentage of Payments in Compliance						98.8%



Prompt Payment Performance by Secretarial Area

Quarter Ended June 30, 2012

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.9%	99.8%
Agriculture and Forestry	99.6%	98.0%
Commerce and Trade	99.4%	99.2%
Education*	99.2%	98.5%
Executive Offices	99.3%	78.9%
Finance	99.9%	99.9%
Health and Human Resources	99.6%	98.5%
Independent Agencies	99.7%	99.9%
Judicial	99.9%	99.9%
Legislative	99.9%	99.8%
Natural Resources	99.5%	97.1%
Public Safety	99.5%	95.9%
Technology	99.7%	99.9%
Transportation*	97.5%	91.2%
Veterans Affairs and Homeland Security	99.5%	99.7%
Statewide	99.3%	97.2%

Prompt Payment Performance by Secretarial Area

Fiscal Year 2012

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.9%	99.8%
Agriculture and Forestry	99.7%	98.5%
Commerce and Trade	99.3%	99.5%
Education *	99.0%	97.8%
Executive Offices	98.8%	87.2%
Finance	99.9%	99.9%
Health and Human Resources	99.5%	99.0%
Independent Agencies	99.6%	99.6%
Judicial	99.9%	99.6%
Legislative	99.8%	99.7%
Natural Resources	99.4%	95.2%
Public Safety	99.5%	98.1%
Technology	99.2%	99.5%
Transportation*	97.5%	89.5%
Veterans Affairs and Homeland Security	99.0%	97.2%
Statewide	99.1%	96.9%

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

For the quarter ended June 30, 2012, the following agencies that processed 50 or more vendor payments during the quarter were

below the 95 percent prompt payment performance standard.

**Prompt Payment Compliance Rate
Agencies Below 95 Percent
Quarter Ended June 30, 2012**

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
Health and Human Resources			
Commonwealth Center for Children and Adolescents	8	148	94.6%
Education			
Frontier Culture Museum of Virginia	16	165	90.3%
Thomas Nelson Community College	91	1,165	92.2%
Public Safety			
Department of Emergency Management	55	856	93.6%

For FY 2012, the following agency that processed 200 or more vendor payments

during the year was 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			
Gunston Hall	19	229	91.7%

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 June 30, 2012			Comparative Quarter Ended June 30, 2011
	E-Commerce	Total	Percent	Percent
Number of Payments	2,399,252	2,792,711	85.9%	86.3%
Payment Amounts	\$ 8,082,849,312	\$ 8,931,324,654	90.5%	88.0%
	Fiscal Year 2012 To-Date			Comparative Fiscal Year 2011
	E-Commerce	Total	Percent	Percent
Number of Payments	9,856,757	11,481,659	85.8%	85.7%
Payment Amounts	\$ 34,123,759,791	\$ 38,676,065,021	88.2%	88.3%

Financial Electronic Data Interchange (EDI)

The dollar volume of Financial EDI payments for the fourth quarter of FY 2012 was \$393 million (5.7 percent) less than the same quarter last year. The number of trading partner accounts increased by 6.8 percent from June 2011. The increase is due to

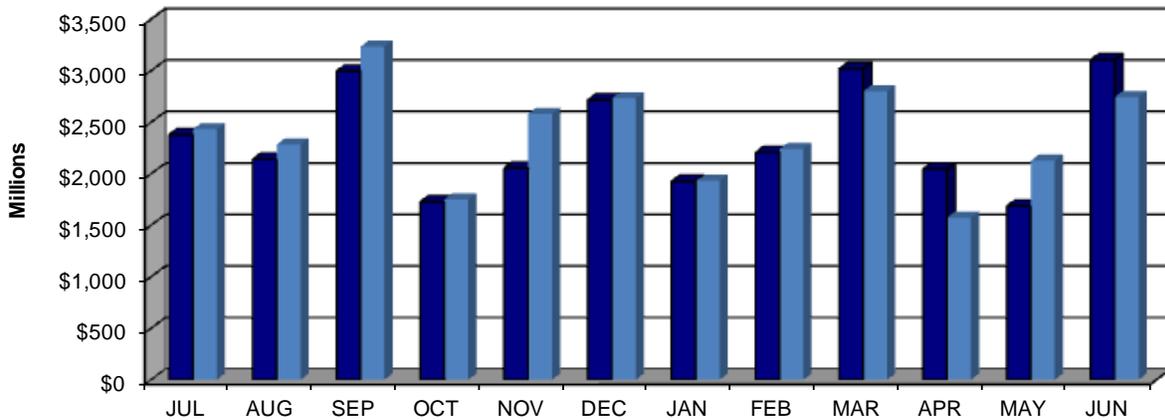
efforts to convert state employee travel reimbursements from checks to electronic payments. In addition, enrollment by corporations, sole proprietors and grantees has increased significantly due to solicitation by Department of Accounts staff.

Financial EDI Activity

Financial EDI Activity	Quarter Ended June 30, 2012	Fiscal Year 2012 To-Date	Comparative Fiscal Year 2011 To-Date
Number of Payments	60,791	230,362	235,885
Amount of Payments	\$ 6,443,829,164	\$ 28,431,369,562	\$ 28,000,207,399
Number of Invoices Paid	205,530	815,935	846,173
Estimated Number of Checks Avoided	88,012	341,990	346,134
Number of Trading Partner Accounts as of 6/30/12		61,037	57,137

EDI Payment Comparison

FY2011 - FY2012



Travel EDI

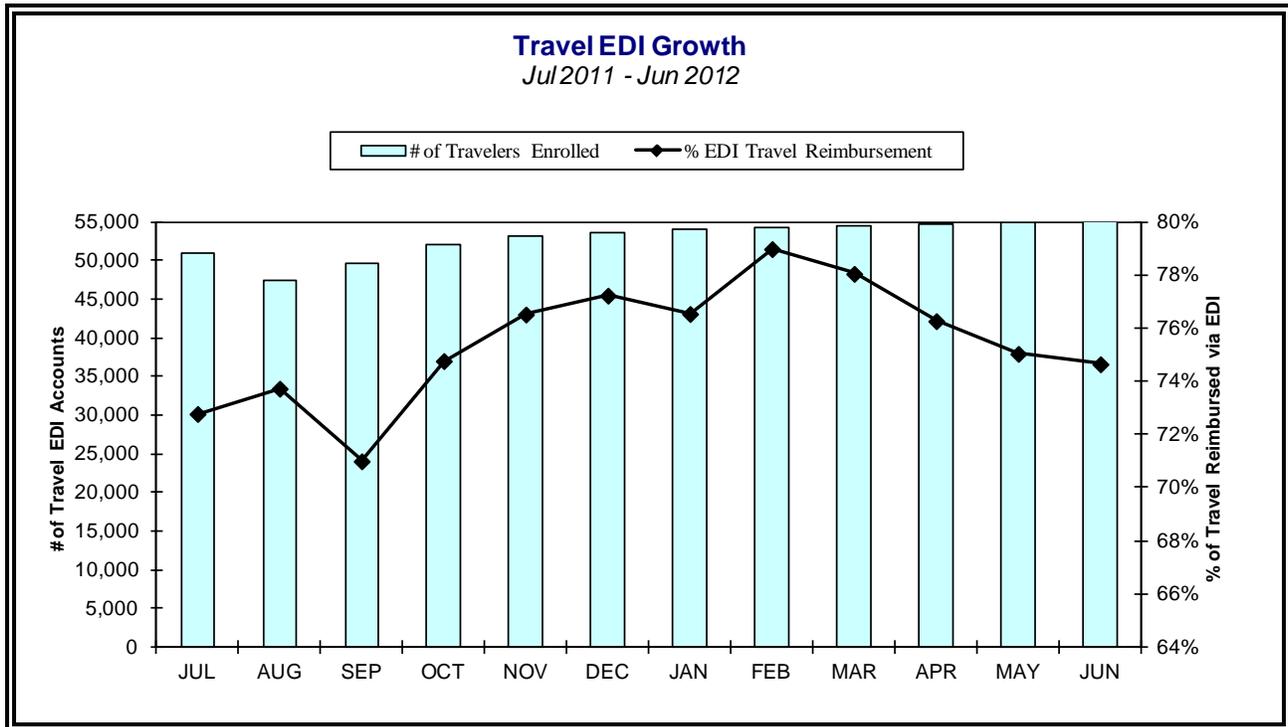
Expansion of the Travel EDI program is an integral part of the statewide effort to reduce the administrative costs associated with paying for goods and services for the Commonwealth. The Appropriation Act requires employees who travel more than twice a year to be reimbursed using EDI. DOA notified agencies 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 board and commission members and other non-employees that receive travel reimbursements on a recurring basis.



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

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

**Travel Reimbursement
Travel EDI Performance by Secretarial Area**
Quarter Ended June 30, 2012

Secretarial Area	Employee Percent	Non-Employee Percent	Reimbursement Checks Issued
Administration	89.5%	50.0%	28
Agriculture and Forestry	97.1%	14.3%	60
Commerce and Trade	95.5%	81.2%	134
Education (1)	84.8%	31.4%	1,749
Executive Offices	96.5%	0.0%	10
Finance	96.6%	19.1%	38
Health and Human Resources	93.0%	31.6%	1,056
Independent Agencies	94.8%	23.3%	94
Judicial	30.9%	3.9%	3,881
Legislative	90.9%	36.8%	56
Natural Resources	91.3%	53.7%	149
Public Safety	88.0%	10.9%	913
Technology	93.1%	27.3%	20
Transportation (1)	89.3%	39.1%	109
Veterans Affairs & Homeland Security	80.3%	63.6%	70
Statewide for Quarter	81.5%	28.2%	8,367
<i>Fiscal Year 2012 To-Date</i>			
Statewide	81.7%	28.3%	29,311
<i>Comparative Fiscal Year 2011 To-Date</i>			
Statewide	82.6%	26.6%	27,231

(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		
Christopher Newport University	84.8%	36
Germanna Community College	81.0%	27
Virginia State University	79.0%	94
John Tyler Community College	74.8%	56
Southside Virginia Community College	69.8%	54
Lord Fairfax Comminty College	63.3%	40
Norfolk State University	42.6%	171
Health and Human Resources		
Department of Rehabilitation Services	82.6%	79
Department of Behaviorial Health and Developmental Services	79.9%	57
Independent Agencies		
State Lottery Department	84.1%	30
Judicial		
Supreme Court	27.2%	828
General District Courts	16.9%	526
Juvenile and Domestic Relations District Courts	12.7%	514
Combined District Courts	8.1%	295
Circuit Courts	3.7%	761
Natural Resources		
Department of Conservation and Recreation	75.8%	73
Public Safety		
Division of Institutions	84.8%	41

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

Per action by the 2011 General Assembly, certain nonlegislative 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	6.1%	31
Education		
Longwood University	0.0%	67
Christopher Newport University	0.0%	37
Virginia Military Institution	0.0%	26
Health and Human Resources		
Department of Health	4.8%	240
Judicial		
Juvenile and Domestic Relations District Courts	6.8%	55
General District Courts	6.1%	46
Circuit Courts	5.9%	364
Virginia State Bar	0.6%	348
Public Safety		
Department of Criminal Justice Services	9.1%	50
Department of Forensic Science	0.6%	159
Commonwealth's Attorneys' Services Council	0.0%	75

The following table lists agencies that have accumulated more than \$250 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
Education		
Norfolk State University	42.6%	\$ 1,175
Judicial		
Supreme Court	27.2%	2,115
General District Courts	16.9%	6,315
Juvenile and Domestic Relations District Courts	12.7%	6,565
Combined District Courts	8.1%	3,970
Circuit Courts	3.7%	12,210
Public Safety		
Department of Emergency Management	66.5%	885



Direct Deposit

During the third quarter of FY 2012, 455,549 checks were avoided using direct deposit. Effective August 1, 2008, direct

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

Direct Deposit Performance by Secretarial Area

Quarter Ended June 30, 2012

<u>Secretarial Area</u>	<u>Direct Deposit % of Salaried Employees</u>	<u>Direct Deposit % of Wage Employees</u>
Administration	99.7%	97.4%
Agriculture and Forestry	99.0%	96.4%
Commerce and Trade	99.9%	100.0%
Education	99.7%	97.2%
Executive Offices	99.5%	75.0%
Finance	99.6%	100.0%
Health and Human Resources	99.7%	99.3%
Independent Agencies	99.5%	100.0%
Judicial	99.7%	81.8%
Legislative	99.7%	99.0%
Natural Resources	99.3%	93.4%
Veterans Affairs and Homeland Security	99.8%	97.6%
Public Safety	99.5%	98.4%
Technology	100.0%	100.0%
Transportation	99.9%	96.9%
Statewide	99.7%	97.1%

*Comparative
Quarter Ended June 30, 2011*

Statewide	99.6%	96.6%
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Statewide Salaried Direct Deposit Performance

Quarter Ended June 30, 2012

Salaried Direct Deposit Participation	99.7%
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Salaried Direct Deposit Below 98 Percent

Agency	Percent	Number of Employees
Health & Human Resources		
Northern Virginia Mental Health Institute	97.2%	290
Public Safety		
Mecklenburg Correctional Center	94.0%	200
Transportation		
Motor Vehicle Dealer Board	95.0%	20

Statewide Wage Direct Deposit Performance

Quarter Ended June 30, 2012

Wage Direct Deposit Participation	97.1%
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Wage Direct Deposit Below 90 Percent

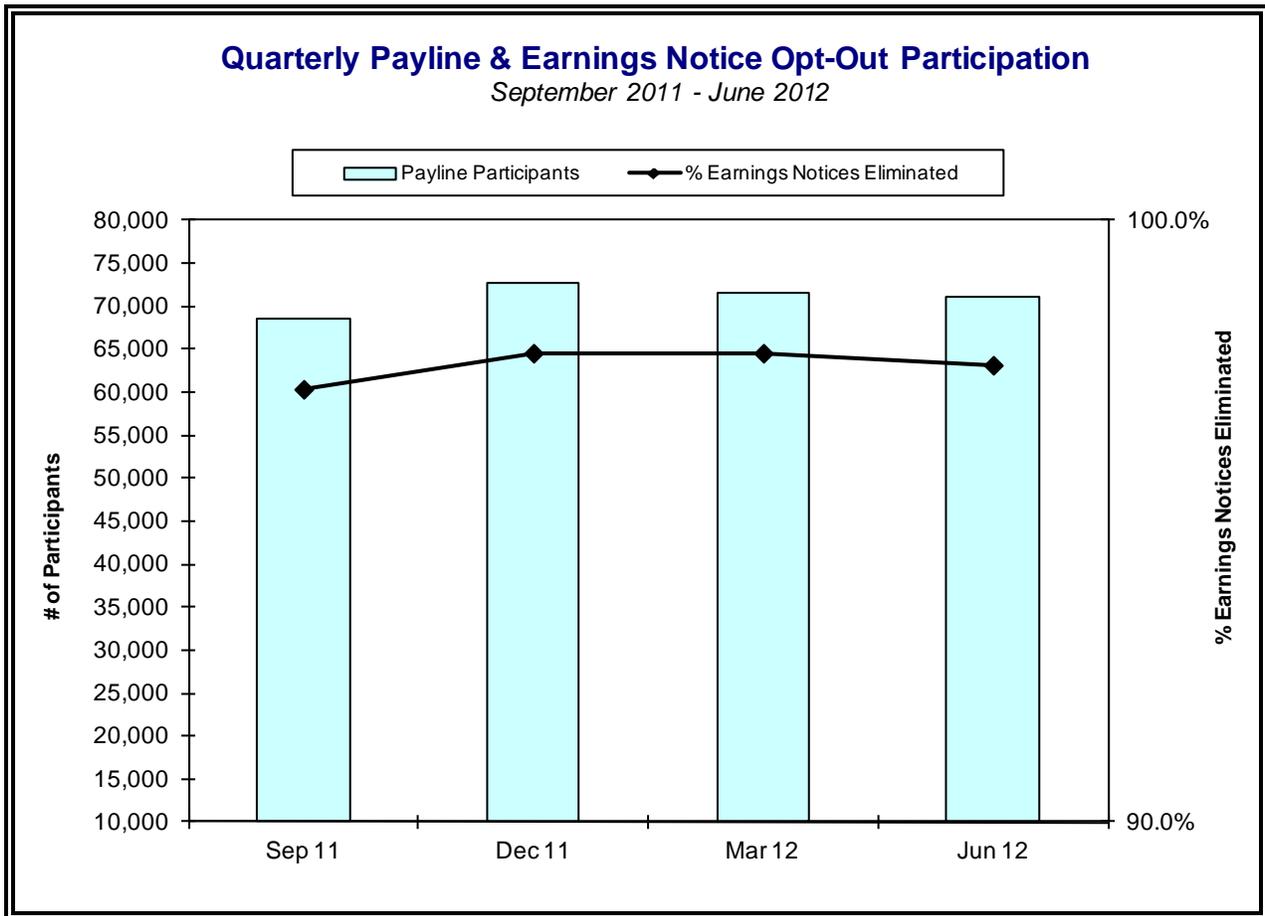
<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Education		
Radford University	86.1%	425
Virginia Highlands Community College	75.2%	137
Virginia State University	86.2%	378
Judicial		
Combined District Courts	68.4%	19
General District Courts	74.0%	254



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 9,033,954 earnings notices.



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

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

Quarter Ended June 30, 2012

Secretarial Area	Percent Payline Participation	Percent Earnings Notices Eliminated*
Administration	95.8%	100.0%
Agriculture and Forestry	87.6%	90.3%
Commerce and Trade	95.0%	100.0%
Education	75.0%	98.8%
Executive Offices	85.5%	100.0%
Finance	97.3%	100.0%
Health and Human Resources	86.4%	98.0%
Independent Agencies	89.4%	100.0%
Judicial	82.4%	92.6%
Legislative	62.9%	74.0%
Natural Resources	70.0%	75.7%
Veterans Affairs and Homeland Security	69.0%	68.5%
Public Safety	86.1%	100.0%
Technology	96.3%	100.0%
Transportation	92.5%	100.0%
Statewide	83.5%	97.6%
<i>Comparative Quarter Ended June 30, 2011</i>		
Statewide	84.8%	97.1%

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

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

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

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

Most agencies elected a global opt-out in response to the January 1, 2009, mandate. Only 22 agencies have not chosen a global opt-out and participation is reviewed to monitor progress. As of June 30, 2012, the following agencies have not met their established thresholds for eliminating earnings notice print.

Earnings Notice Elimination

Agency	Percent Earnings Notices Eliminated QE 06/30/2012	Percent Earnings Notices Eliminated QE 03/31/2012
Education		
Paul D. Camp Community College	66.1%	61.3%
Frontier Culture Museum of Virginia	60.4%	69.8%
Judicial		
General District Courts	86.8%	87.8%
Natural Resources		
Marine Resources Commission	43.7%	54.8%



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.

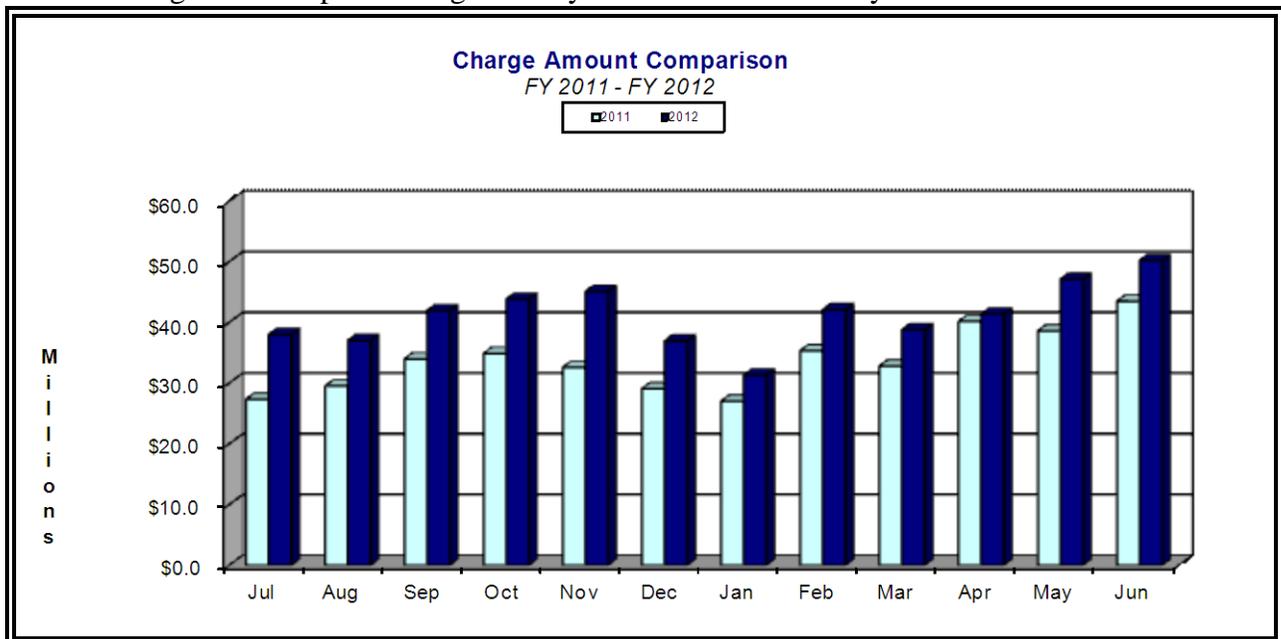
The Department of Accounts implemented a third charge card tool called ePayables in June 2011. This program allows payments processed through CARS for vendors enrolled in the program to convert their payment to a card thus increasing the card program's spend.

The total amount charged on SPCC, Gold and ePayables cards during the fourth quarter of FY 2012 increased by \$16.4 million or 13 percent from the same quarter last year.

Small Purchase Charge Card Program

Charge Card Activity	Quarter Ended June 30, 2012	Fiscal Year 2012 To-Date	Comparative Fiscal Year 2011 To-Date
Amount of Charges	\$ 138,642,436	\$ 493,595,712	\$ 404,656,034
Estimated Number of Checks Avoided	200,315	755,105	717,435
Total Number of Participating Agencies		209	212
Total Number of Cards Outstanding		17,877	17,300

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 June 30, 2012

Percentage Utilization for Eligible Transactions

79%

SPCC Utilization by Secretarial Area

Quarter Ended June 30, 2012

Secretarial Area	Payments in Compliance ⁽¹⁾	Non-Compliant Transactions ⁽²⁾
Administration	82%	746
Agriculture and Forestry	93%	300
Commerce and Trade	82%	776
Education*	83%	8,628
Executive Offices	88%	115
Finance	91%	203
Health and Human Resources**	86%	5,173
Independent Agencies	72%	1,081
Judicial	36%	2,561
Legislative	96%	43
Natural Resources	90%	1,266
Public Safety	92%	3,275
Technology	48%	292
Transportation*	62%	11,861
Veterans Affairs and Homeland Security	78%	613
Statewide	79%	36,933

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	Non-Compliant Transactions
Administration		
Department of Employee Dispute Resolution	68%	12
Commerce and Trade		
Virginia Employment Commission	50%	638
Education		
Whytheville Community College	78%	168
Thomas Nelson Community College	78%	218
J. Sargeant Reynolds Community College	78%	446
Northern Virginia Community College	78%	1,274
Dept of Education - Central Office Operations	77%	116
Eastern Shore Community College	70%	89
Tidewater Community College	61%	1,436
Norfolk State University	54%	1,099
Health and Human Resources		
Western State Hospital	78%	234
Central Virginia Training Center	71%	362
Department of Behavioral Health and Developmental Services	67%	163
Northern Virginia Training Center	62%	259
Independent Agencies		
Virginia Retirement System	67%	188
State Corporation Commission	5%	712
Judicial		
Indigent Defense Commission	75%	118
Supreme Court	65%	229
Judicial Inquiry and Review Commission	63%	6
Board of Bar Examiners	0%	45
Circuit Courts	0%	194
Combined District Courts	0%	218
General District Courts	0%	977
Juvenile and Domestic Relations District Court	0%	517
Magistrate System	0%	129
Virginia Criminal Sentencing Commission	0%	51
Technology		
Virginia Information Technologies Agency	48%	292
Transportation		
Motor Vehicle Dealer Board	76%	17
Department of Motor Vehicles	70%	940
Department of Transportation	60%	10,872
Veterans Affairs and Homeland Security		
Sitter-Barfoot Veterans Care Center	54%	413

SPCC and ATC Payment Compliance

Agencies and institutions participating in the Charge Card program are required to submit Bank of America VISA payments via EDI no later than the 7th of each month. Failure to pay the correct amount when due jeopardizes the Commonwealth's contractual relationship with the charge card vendor and may result in suspension of an agency's charge card program. Any agency that pays their bill late by more than two (2) days is reported. For the month of April, this represents the bill date of April 13, 2012, with the payment due no later than May 7th.

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

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

Agency	Apr	May	Jun
<u>Purchase Card Program:</u>			
Commerce and Trade			
Department of Business Assistance		X	
Education			
University of Virginia Medical Center		X	
Frontier Culture Museum of Virginia		X	
Independent			
Virginia Office for Protection and Advocacy		X	
Public Safety			
Commonwealth Attorneys' Services Council	X		
Mecklenburg Correctional Center			X
<u>Airline Travel Card Program:</u>			
None			

Travel Charge Card

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

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

The contract provides for the following actions on delinquent accounts:

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

The following table identifies the number of delinquent card accounts with Bank of America by agency during the quarter ended June 30, 2012, and the total amounts past due.

Travel Charge Card Program

As of June 30, 2012

Agency	Total Delinquent Accounts	Amounts 60 Days Past Due	Amounts 90-120 Days Past Due	Amounts >150 Days Past Due
Commerce and Trade				
Virginia Economic Development Partnership	1	0	29	0
Virginia Tourism Authority	1	242	0	0
Education				
University of Virginia	2	771	0	0
Virginia Polytechnic Institute and State University	6	779	1,751	0
University of Virginia Medical Center	2	142	693	0
Virginia Commonwealth University	4	2,534	0	0
Virginia State University	5	1,050	1,454	0
Norfolk State University	3	2,247	0	0
Longwood University	1	1,602	0	0
James Madison University	9	6,735	0	0
Radford University	1	611	0	0
Old Dominion University	1	69	714	0
George Mason University	2	76	565	0
Patrick Henry Community College	2	101	471	0
Thomas Nelson Community College	1	183	0	0
Tidewater Community College	1	218	0	0
Executive Offices				
Attorney General and Department of Law	1	274	147	0
Health and Human Resources				
Department of Social Services	1	101	0	0
Independent Agencies				
State Lottery Department	1	172	0	0
Virginia College Savings Plan	1	437	0	0
Judicial				
Virginia State Bar	1	139	0	0
Natural Resources				
Department of Game and Inland Fisheries	1	130	570	0
Public Safety				
Department of Corrections - Central Activities	1	31	0	0
Transportation				
Department of Motor Vehicles	1	94	484	0



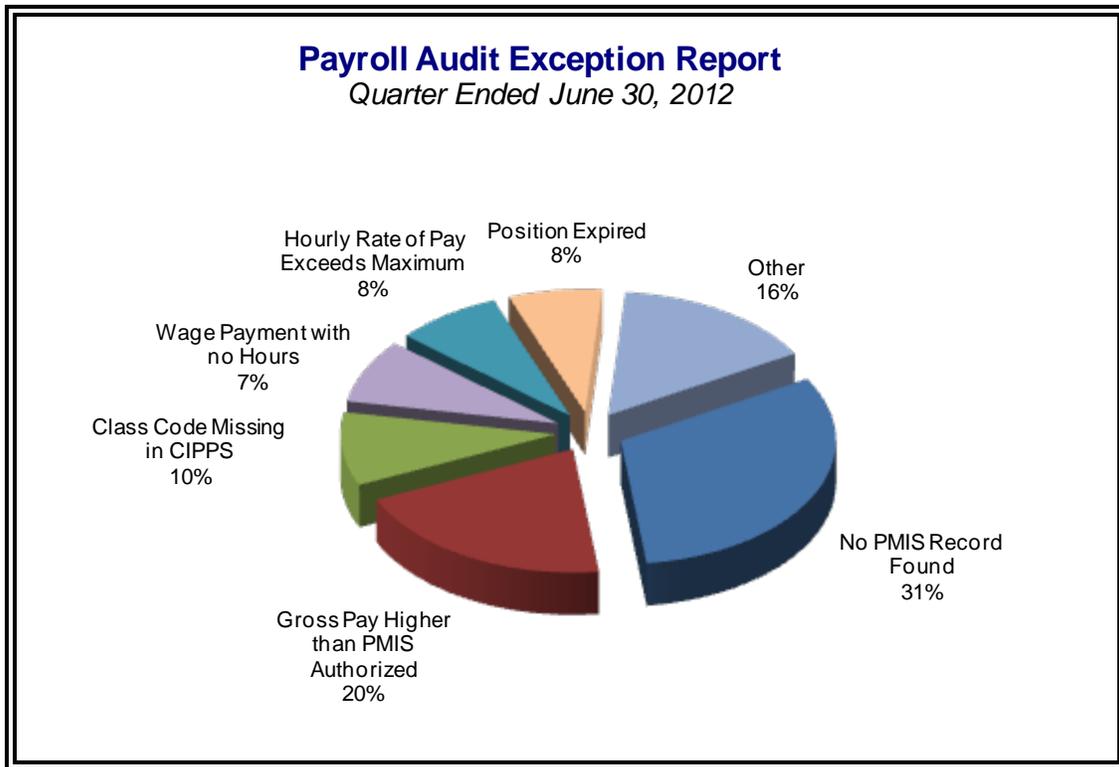
Payroll Controls

CIPPS/PMIS Payroll Audit

During the quarter, DOA's automated comparison of payroll (CIPPS) and personnel (PMIS) records examined 344,211 salaried pay transactions and 120,103 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 4,851 new exceptions noted statewide during the quarter, with an overall exception rate of 0.96%.

The statewide salaried payroll exception rate was 0.86% and the wage payroll exception rate was 1.25%. During this quarter, 11 employee paychecks were reduced to recover \$2,134.67 in overpayments.

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



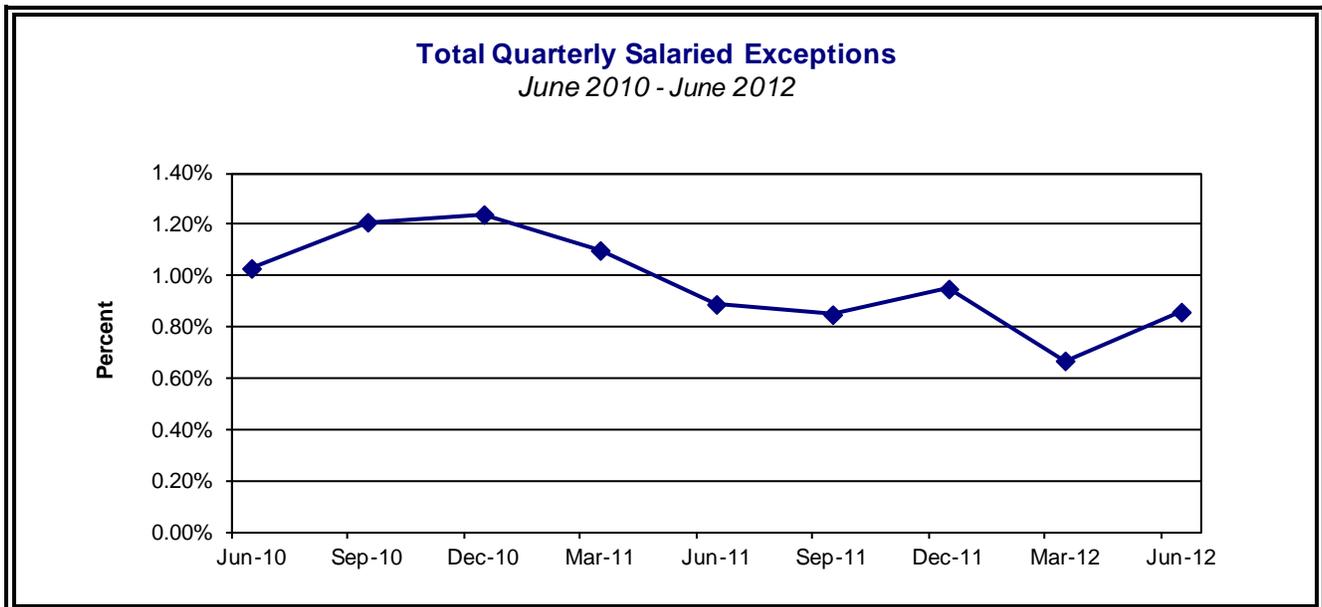
Exception percentages are calculated by dividing the number of exceptions by the number of salaried or wage employees. Agencies are reported below if the percentage

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

Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Salaried Payments
Quarter Ended June 30, 2012

<u>Agency</u>	<u># of Salaried Exceptions</u>	<u>Exceptions as a % of Salaried Payments</u>
NONE		
Total Salaried Payroll Exceptions for the Quarter		0.86%

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



Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Wage Payments
Quarter Ended June 30, 2012

Wage Payroll Exceptions for the Quarter	1.25%
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The following chart compares payroll exceptions as a percentage of wage payments by quarter for the past two years.



CIPPS/PMIS 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>Health & Human Resources</i>	
Eastern State Hospital	9
<i>Transportation</i>	
VDOT - Central Office	4



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				
Lord Fairfax Community College			2	
Northern Virginia Community College	\$ 328,513			
Patrick Henry Community College	3,360,200			
Southside Virginia Community College	287,611			
Health and Human Resources				
Department of Rehabilitative Services	89,313			
Department of Health Professions*	509,840			
Natural Resources				
Department of Conservation and Recreation	227,645			

* Certification entered by Payroll Service Bureau

Columns show the following:

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

Health Care Reconciliations

Employee health care fringe benefits costs are covered by a combination of agency paid and employee-paid premiums. Agencies are required to return a *Certification of Automated Health Care Reconciliations* form to DOA by the close of the month following the month of coverage. This reconciliation annotates differences between health care

eligibility records (BES) and health care premium payments collected through payroll deduction. The following table lists those agencies that were late in submitting their certification. Health care reconciliations for the months of March, April and May were due 04/30/2012, 05/31/2012 and 06/15/2012, respectively.

**Schedule of Health Care Reconciliations
Received Late**

Agency	Mar	Apr	May
New River Community College			X
Southside Va Community College			X
Eastern Shore Community College			X
Virginia Parole Board		X	



FINANCIAL MANAGEMENT ACTIVITY

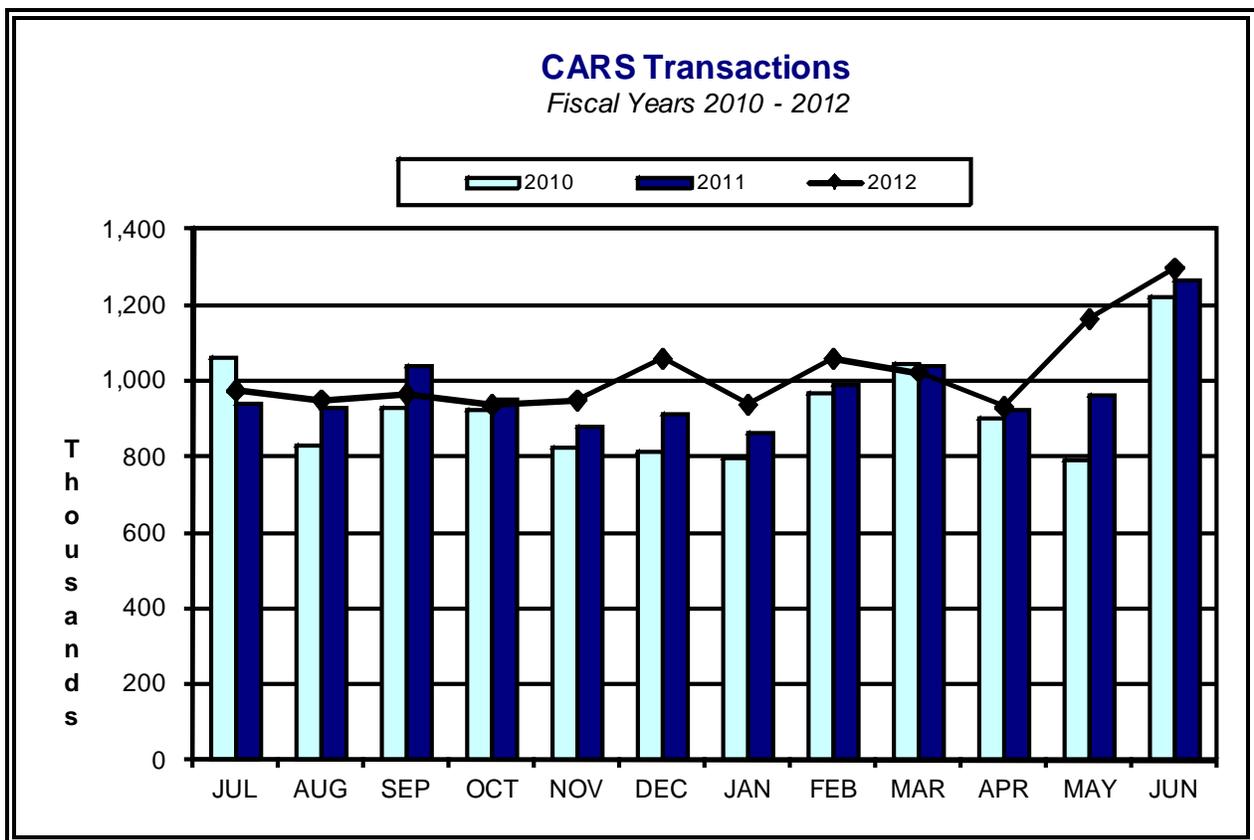
DOA monitors several types of financial activity. Various measures are used to track activities for CARS, payroll, accounts

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

Commonwealth Accounting and Reporting System (CARS)

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

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

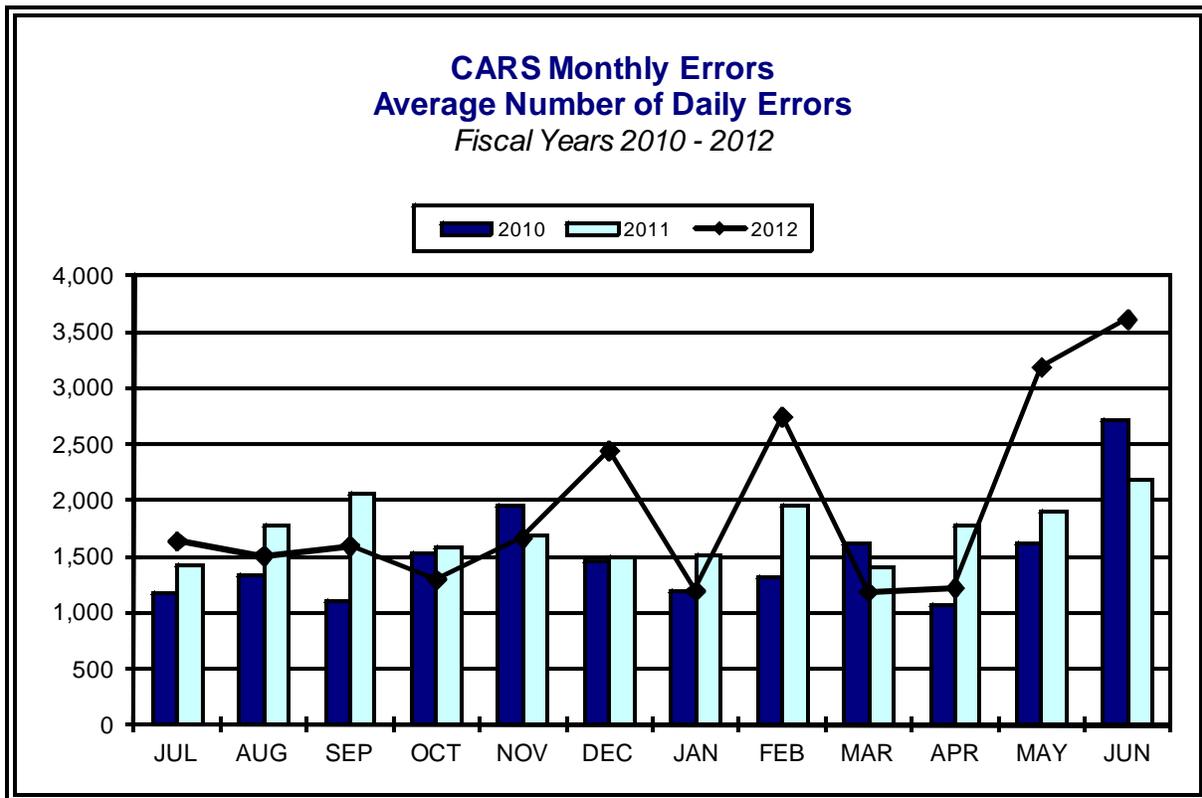


CARS Edits

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

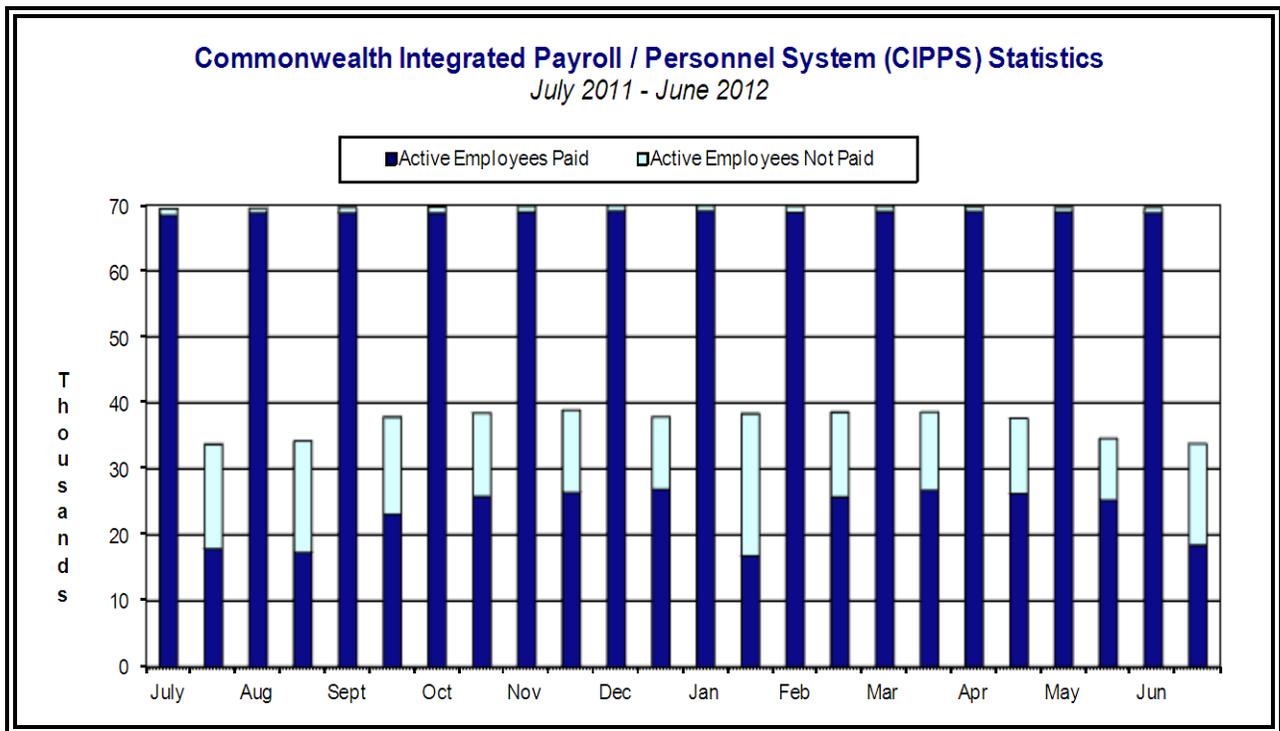
- Available Cash Negative
- Expenditures > Allotment
- Certified Amounts Not Balanced



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 105,096 employees. Payroll services are also provided through eight decentralized higher education institutions.

On average, 92,223 employees were paid each month, of which 68,894 were salaried employees.



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

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

Benefit Participation by CIPPS Agencies

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

compensation, and flexible reimbursement programs.

**Benefit Participation
Number of Participating Employees**

Benefit	As of 6/30/2012	Comparative	
		As of 6/30/2011	As of 6/30/2010
Health Care			
COVA Care	74,250	73,690	73,947
COVA Connect	7,582	7,513	7,576
Kaiser	2,141	2,140	2,061
Tricare	22	N/A	N/A
Optional Retirement Plans*			
Fidelity Investments	528	494	490
TIAA/CREF	1,489	1,442	1,428
Political Appointee - ORP	102	92	91
Deferred Compensation*	42,807	40,937	39,567
Flexible Reimbursement*			
Dependent Care	804	776	784
Medical Care	7,528	7,353	7,216

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



Accounts Receivable

Executive Summary

The *Code of Virginia* § 2.2-4800 et seq. requires the Department of Accounts, along with the Office of the Attorney General, to oversee, report on, and monitor the Commonwealth's accounts receivable program. In order to carry out this responsibility, DOA has issued policies and procedures on accounting, collecting, reporting, and writing off accounts receivable. In addition, DOA provides technical assistance to agencies and institutions and uses statistical analyses and audit reports to monitor the on-going effectiveness of agencies in managing their accounts receivable.

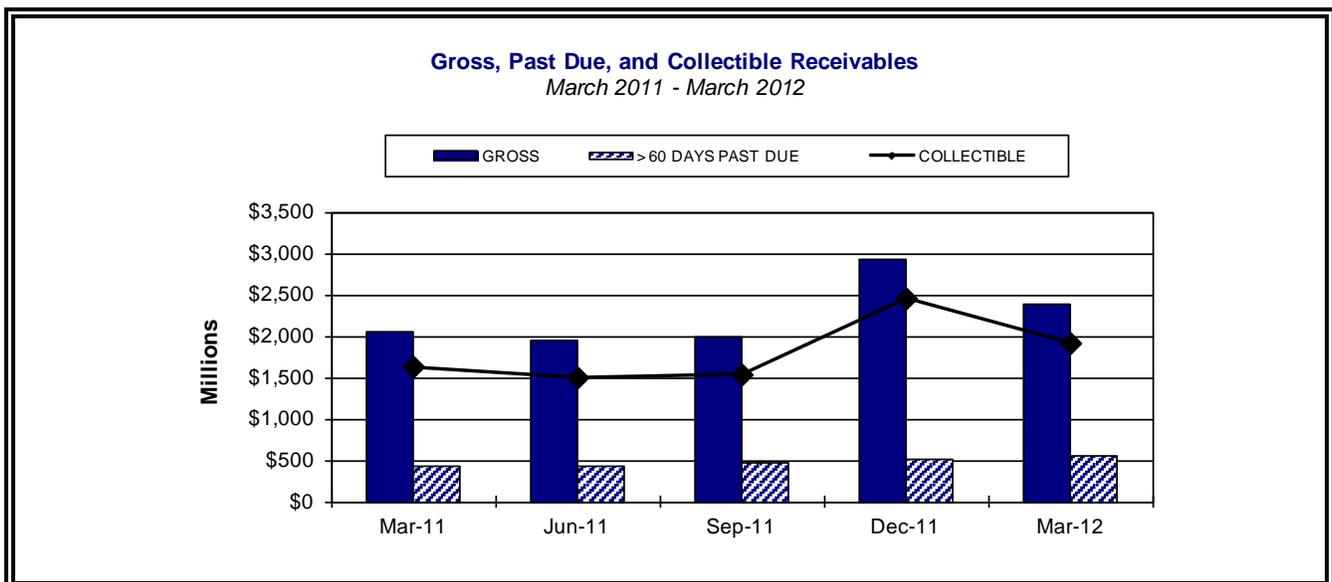
In an effort to present more meaningful information, DOA continues to exclude data from the tables (except for the final table on past due receivables) from the Department of Taxation, consisting largely of statutory assessments and non-filers assessments, and the circuit and district courts, which report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

Commonwealth agencies and institutions reported adjusted gross receivables of \$2.38

billion at March 31, 2012, with \$1.92 billion considered collectible. Receivables over 60 days past due as of March 31, 2012, totaled \$542.0 million. Of that amount, \$11.5 million was placed with private collection agencies, \$41.7 million was placed with the Division of Debt Collection and \$488.8 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 March 31, 2012, agencies expected to collect \$1.92 billion (81 percent) of the \$2.38 billion adjusted gross receivables. About 1 percent is due to the General Fund, primarily for benefit recoveries and sales of permits.

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

Collectible Receivables by Fund

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

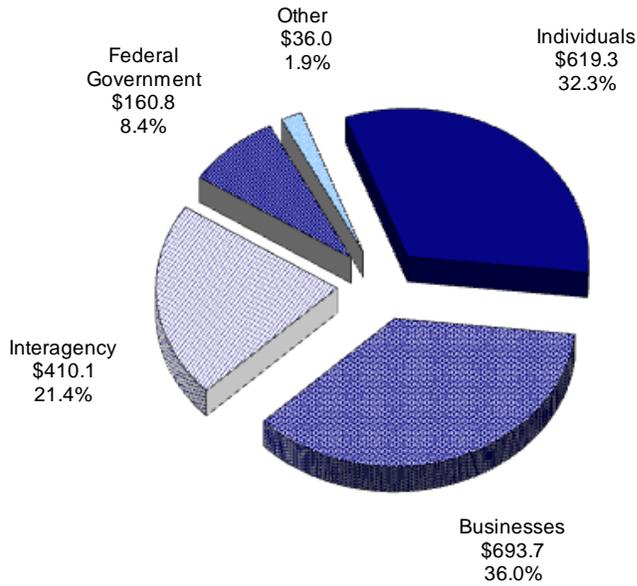
As of March 31, 2012

Fund	Source	Amount	Percent
General Fund 1%	Medicaid - Current Recoveries	\$ 16,784,550	59%
	Social Services	3,300,093	11%
	Labor and Industry Inspections	1,553,809	5%
	State Police Permits	1,143,867	4%
	Corrections	1,121,207	4%
	Other	1,467,441	5%
	Subtotal	25,370,967	88%
	Interagency Receivables	3,334,585	12%
Total General Fund Collectible		\$ 28,705,552	100%
Nongeneral Funds 99%	Medicaid - Dedicated Penalty Fees	\$ 72,412,140	4%
	Medicaid - Federal Reimbursements	3,094,592	1%
	Unemployment Taxes *	566,383,857	30%
	Transportation	48,491,116	3%
	Child Support Enforcement	175,508,144	9%
	Federal Government	28,147,678	2%
	DBHDS Patient Services	28,860,890	2%
	Hospital	138,410,915	7%
	Enterprise	94,818,270	5%
	Higher Education	272,529,296	13%
	Other	55,708,526	3%
	Subtotal	1,484,365,424	79%
Interagency Receivables	406,808,842	21%	
Total Nongeneral Fund Collectible		\$ 1,891,174,266	100%
All Funds	Grand Total	\$ 1,919,879,818	100%

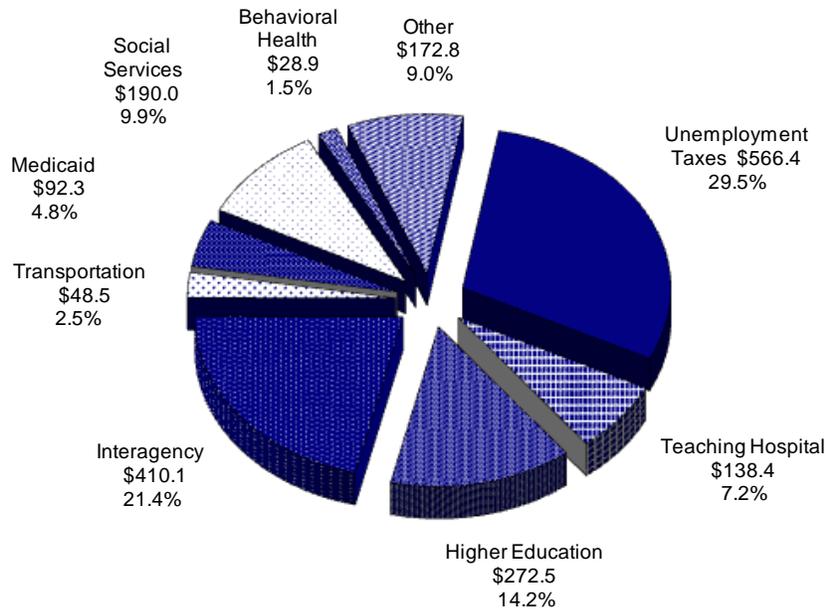
*Note: The Virginia Employment Commission provides Unemployment Taxes Information.

Summary of Receivables by Source

Sources of Collectible Receivables by Debtor
(dollars in millions)
As of March 31, 2012



Sources of Collectible Receivables by Type
(dollars in millions)
As of March 31, 2012



Not counting Taxation and the Courts, ten agencies account for 86 percent of the Commonwealth's adjusted gross and 85

percent of the adjusted collectible accounts receivable balances.

Accounts Receivable Summary
Not Including Circuit Courts, District Courts, or Department of Taxation
 As of March 31, 2012

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
Virginia Employment Commission	\$ 641,279,771	\$ 70,602,297	\$ 570,677,474
Department of Social Services	486,826,260	291,552,601	195,273,659
University of Virginia Medical Center	439,283,681	9,628,263	429,655,418
Department of Medical Assistance Services	124,806,172	32,449,605	92,356,567
State Lottery Department	80,140,275	-	80,140,275
Virginia Polytechnic Institute and State University	73,947,726	2,948,809	70,998,917
University of Virginia - Academic Division	61,599,493	218,168	61,381,325
Virginia Information Technologies Agency	46,673,680	-	46,673,680
Department of Transportation	41,702,057	136,942	41,565,115
Virginia Commonwealth University	41,335,667	5,184,252	36,151,415
Total	\$ 2,037,594,782	\$ 412,720,937	\$ 1,624,873,845
All Other Agencies	339,982,362	44,976,389	295,005,973
Grand Total	\$ 2,377,577,144	\$ 457,697,326	\$ 1,919,879,818

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 \$34.0 million during the quarter ended March 31, 2012. The Division of Debt Collection contributed \$1.8 million. Private collection agencies collected \$3.0 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected \$29.2 million.

Private collection agencies returned \$16.0 million of accounts to agencies, and the Division of Debt Collection discharged \$1.5 million of accounts and returned \$3.0 million of accounts to agencies.

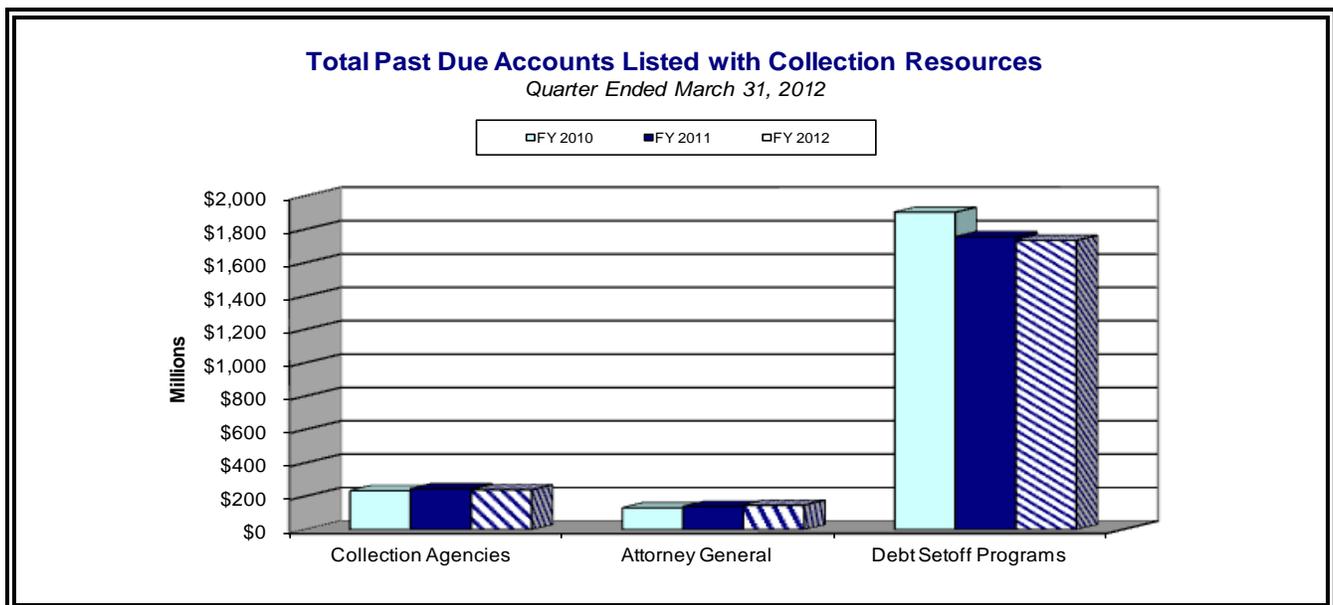
Collectible Receivables Over 60 Days Past Due

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

As of March 31, 2012

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	\$ 179,797,091	\$ 2,610	\$ 54,325	\$ 179,740,156
University of Virginia Medical Center	112,555,370	-	-	112,555,370
Virginia Employment Commission	74,305,255	3,189,514	22,176,587	48,939,154
Department of Medical Assistance Services	55,139,877	226,266	1,795,185	53,118,426
Department of Behavioral Health and Developmental Services	21,560,872	-	-	21,560,872
Department of Transportation	16,467,446	119,932	8,029,526	8,317,988
University of Virginia - Academic Division	11,045,591	672,499	44,247	10,328,845
Virginia Commonwealth University	8,612,445	367,560	187,963	8,056,922
Department of Health	6,458,269	155,581	1,610,774	4,691,914
George Mason University	5,981,245	1,200,461	-	4,780,784
TOTAL	\$ 491,923,461	\$ 5,934,423	\$ 33,898,607	\$ 452,090,431
All Other Agencies	50,089,215	5,567,665	7,815,365	36,706,185
TOTAL OVER 60 DAYS	\$ 542,012,676	\$ 11,502,088	\$ 41,713,972	\$ 488,796,616
Uncollectible Amounts Placed for Collection, Including Accounts Written Off	1,577,103,044	227,116,044	105,212,248	1,244,774,752
TOTAL COLLECTION EFFORTS	\$ 2,119,115,720	\$ 238,618,132	\$ 146,926,220	\$ 1,733,571,368

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 \$10.9 million through the fourth 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 3/31/12	Comparative	
		Percent 12/31/11	Percent 9/30/11
Department of Medical Assistance Services	44%	44%	43%
Department of Transportation	39%	47%	24%
Department of Social Services	37%	35%	35%
Department of Behavioral Health and Developmental Services	37%	44%	41%
University of Virginia Medical Center	26%	20%	19%
Department of Health	25%	26%	28%
Virginia Commonwealth University	21%	3%	9%
University of Virginia - Academic Division	18%	4%	13%
George Mason University	17%	35%	4%
Virginia Employment Commission	12%	33%	46%
Statewide Average - All Agencies	23%	17%	24%

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 85 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 98 percent indicates that for every \$1 billed during the quarter ended March 31, 2012, the state collected 98 cents. This rate is one percent lower than last year and the same as two years ago.

Collections as a Percentage of Billings

Agency	Percent 3/31/2012	Comparative	
		Percent 3/31/2011	Percent 3/31/2010
University of Virginia - Academic Division	322%	291%	226%
Virginia Commonwealth University	301%	295%	269%
Virginia Polytechnic Institute and State University	214%	218%	223%
Virginia Information Technologies Agency	108%	99%	101%
Department of Social Services	101%	107%	96%
Department of Transportation	94%	95%	84%
State Lottery Department	93%	104%	93%
Department of Medical Assistance Services	69%	61%	39%
Virginia Employment Commission	40%	41%	52%
University of Virginia Medical Center	28%	30%	31%
Statewide Average - All Agencies	98%	99%	98%

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 \$92.4 million at March 31, 2012, is a \$1.8 million increase over the \$90.6 million reported at March 31, 2011. Over the same period, total past due receivables of \$59.2 million have increased by \$3.3 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 \$429.7 million at March 31, 2012, were a \$114.9 million increase from the \$314.8 million reported the previous year. Past due receivables increased by \$112.0 million to \$246.2 million at March 31, 2012.

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 \$570.7 million at March 31, 2012, an increase of \$86.0 million from the previous year. Total past due receivables were \$120.3 million, a \$49.1 million increase over last year. VEC collects employer tax receivables in-house. The Attorney General's Office is involved in contested cases. Unemployment benefit overpayments to individuals are referred to private collections agencies after in-house efforts have produced no results and when debtors have left the state.

Virginia Information Technologies Agency (VITA)

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

VITA reported collectible receivables at March 31, 2012, of \$46.7 million, which is a decrease of \$2.5 million reported in the previous year. Most of these receivables are due from other state agencies. As of March 31, 2012, \$2.7 million was over 60 days past due, a decrease of \$2.7 million from the previous year.

State Lottery Department (SLD)

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

At March 31, 2012, the State Lottery reported net receivables of \$80.1 million, a \$30.6 million increase from the previous year. Billings increased by \$9.7 million and collections decreased by \$12.1 million during the March 31, 2012 quarter when compared to the March 31, 2011 quarter. At March 31, 2012, the State Lottery had \$357,699 that was over 60 days past due. The total amount owed is covered by surety bonds.

Department of Education (DOE)

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

At March 31, 2012, DOE had no accounts receivable due from the Federal government under Direct Aid to Public Education. This is consistent with the prior year.

Virginia Polytechnic Institute and State University (VPISU)

VPISU is one of the Commonwealth's largest universities and one of two land grant institutions in the state. At March 31, 2012, the University reported net collectible receivables of \$71.0 million, a decrease of \$2.1 million over the prior year. At the same time, total past due receivables of \$8.8 million decreased by \$487,065 over the prior year.

The University uses a variety of collection methods to encourage payments. At March 31, 2012, VPISU had \$3.6 million of accounts over 60 days past due. \$1.8 million was placed with the Attorney General's Division of Debt Collection, another \$1.1 million was placed with private collection agencies and \$1.4 million was subject to additional in-house efforts.

Department of Behavioral Health and Developmental Services (DBHDS)

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

At March 31, 2012, the Department reported collectible receivables of \$28.9 million, a \$764,637 increase over the previous year. \$29.5 million was past due, with \$21.6 million being over 60 days past due. Total past due receivables increased by \$5.8 million over the year, and accounts over 60 days past due increased by \$6.9 million. At March 31, 2012, the Department had a total of \$6.5 million of accounts placed with the Attorney General and \$709,919 listed in Taxation's Debt Setoff Programs.

Department of Transportation (VDOT)

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

At March 31, 2012, VDOT reported \$41.6 million of collectible receivables, a decrease of \$1.4 million from the prior year. VDOT reported \$16.5 million being over 60 days past due. Past due receivables decreased by \$9.3 million over the year, while receivables over 60 days past due decreased by \$1.4 million. VDOT reports that the large majority of the accounts over 60 days past due continue to be amounts owed by cities, counties and towns that are participating on long-term construction projects with the department and where the local fund shares are provided by local debt financing.

VDOT reported placing \$8.0 million of their accounts over 60 days past due with the Attorney General's Division of Debt Collection, and \$119,932 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 March 31, 2012, DSS reported gross receivables of \$486.8 million, an allowance for doubtful accounts of \$291.6 million and collectible receivables of \$195.3 million. Past due receivables totaled \$182.6 million, of which \$179.8 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for \$443.9 million (91 percent) of the gross receivables, \$268.4 million (92 percent) of the allowance for doubtful accounts and \$175.5 million (90 percent) of the collectible receivables.

From March 31, 2011, to March 31, 2012, gross receivables increased by \$44.8 million and collectible receivables increased by \$24.0 million. Total past due receivables increased by \$23.0 million and receivables over 60 days past due increased by \$22.6 million.

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

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

At March 31, 2012, DRPT had gross and net receivables of \$27.8 million. The majority of this money is due via an interagency transfer from VDOT. DRPT reported past due receivables of \$140,595 at March 31, 2012.

Virginia Commonwealth University (VCU)

VCU, based in Richmond, offers more than 200 degree programs to over 32,000 students in a variety of fields ranging from accounting to pharmacy at both undergraduate and graduate levels.

At March 31, 2012, VCU had \$36.2 million of collectible receivables, a \$2.8 million decrease from March 31, 2011. Total past due accounts were \$9.0 million, a \$599,098 increase from March 31, 2011. Accounts over 60 days past due (\$8.6 million) increased by \$1.0 million from the prior year. Billings increased by \$543,280 to \$75.4 million and collections increased by \$5.5 million to \$226.5 million for the March 31, 2012 quarter, when compared to the March 31, 2011 quarter.

The following table is prepared to present the March 31, 2012, aging information in conformity with the provisions of the *Code of Virginia* § 2.2-603.E.(ii).

Commonwealth's total \$3.06 billion past due accounts receivable at March 31, 2012. Another 18 agencies accounted for 25 percent (\$759.2 million), leaving 71 other agencies to comprise the last one percent at \$40.0 million.

Taxation and the Circuit and District Courts accounted for 74 percent (\$2.26 billion) of the

Agencies with the Largest Volume of Past Due Receivables

As of March 31, 2012

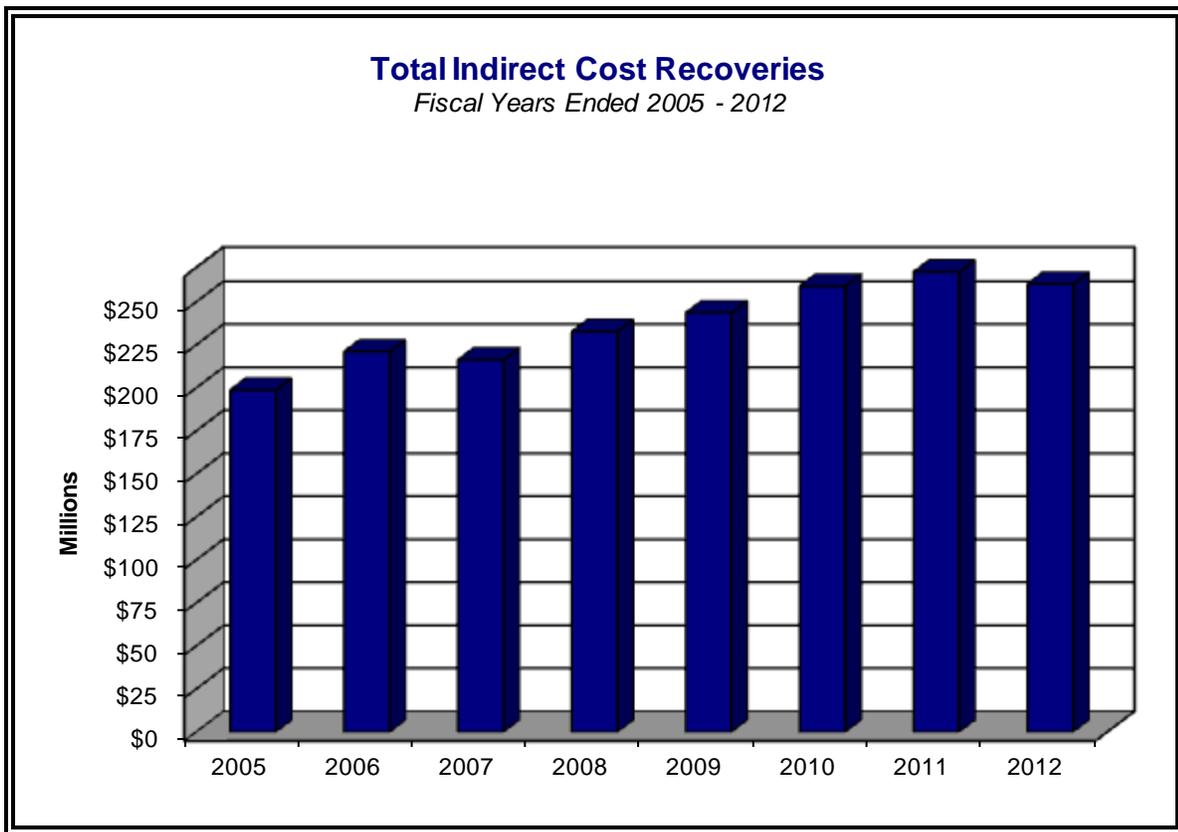
Agency	Total Past Due	1 to 180 Days Past Due	181 to 360 Days Past Due	Over One Year
Department of Taxation	\$ 1,860,401,279	\$ 181,386,203	\$ 180,150,808	\$ 1,498,864,268
Localities' Circuit and District Courts	397,032,579	37,614,840	69,856,226	289,561,513
Total - Taxation Assessments and Court Fines and Fees	\$ 2,257,433,858	\$ 219,001,043	\$ 250,007,034	\$ 1,788,425,781
All Other Large Dollar Agencies:				
University of Virginia Medical Center	246,212,637	217,002,438	11,148,323	18,061,876
Department of Social Services	182,606,144	8,704,234	8,690,905	165,211,005
Virginia Employment Commission	120,326,996	57,209,562	20,160,486	42,956,948
Department of Medical Assistance Services	59,247,363	11,332,997	10,817,285	37,097,081
Department of Behavioral Health and Developmental Services	29,532,665	15,543,417	13,510	13,975,738
University of Virginia - Academic Division	29,436,078	26,885,521	1,715,845	834,712
Department of Transportation	14,413,999	4,396,820	1,437,814	8,579,365
George Mason University	9,155,580	7,735,341	1,281,311	138,928
Virginia Commonwealth University	9,012,650	3,826,259	1,570,334	3,616,057
Virginia Polytechnic Institute and State University	8,789,021	6,569,614	737,240	1,482,167
Virginia Community College System	8,348,420	6,102,997	1,188,701	1,056,722
Virginia Information Technologies Agency	8,196,719	6,737,739	993,481	465,499
Department of Health	7,405,389	5,216,514	397,830	1,791,045
Department of State Police	6,879,804	2,339,214	2,684,411	1,856,179
Department of General Services	5,773,966	3,269,825	1,666,243	837,898
Virginia Correctional Enterprises	4,960,685	4,960,685	-	-
Virginia Port Authority	4,562,909	3,375,233	1,187,676	-
Old Dominion University	4,351,705	3,823,724	455,094	72,887
Total - Largest Dollar Volume Agencies	\$ 759,212,730	\$ 395,032,134	\$ 66,146,489	\$ 298,034,107
All Other Agencies	39,963,699	25,051,832	4,368,220	10,543,647
Grand Total Past Due Receivables	\$ 3,056,610,287	\$ 639,085,009	\$ 320,521,743	\$ 2,097,003,535



Indirect Costs

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

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



Indirect Cost Recoveries from Grants and Contracts

Fiscal Year 2012

Fund	Year-to-Date		Total
	Higher Ed	Non-Higher Ed	
Nongeneral:			
Agency / Institution (1)	\$ 157,787,953	\$ 71,801,916	\$ 229,589,869
Statewide	17,261,614	697,334	17,958,948
Agency / Institution ARRA	10,990,634	355,968	11,346,602
Statewide ARRA	18,996	18,149	37,145
Total Nongeneral	\$ 186,059,197	\$ 72,873,367	\$ 258,932,564
General:			
Agency (Cash Transfers)	-	-	-
Statewide	-	1,450,646	1,450,646
Statewide (Cash Transfers)	-	-	-
Total General	\$ -	\$ 1,450,646	\$ 1,450,646
Total All Funds	\$ 186,059,197	\$ 74,324,013	\$ 260,383,210

- (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 \$41,291,123 representing the Department of Social Services' estimate of indirect cost recoveries received.

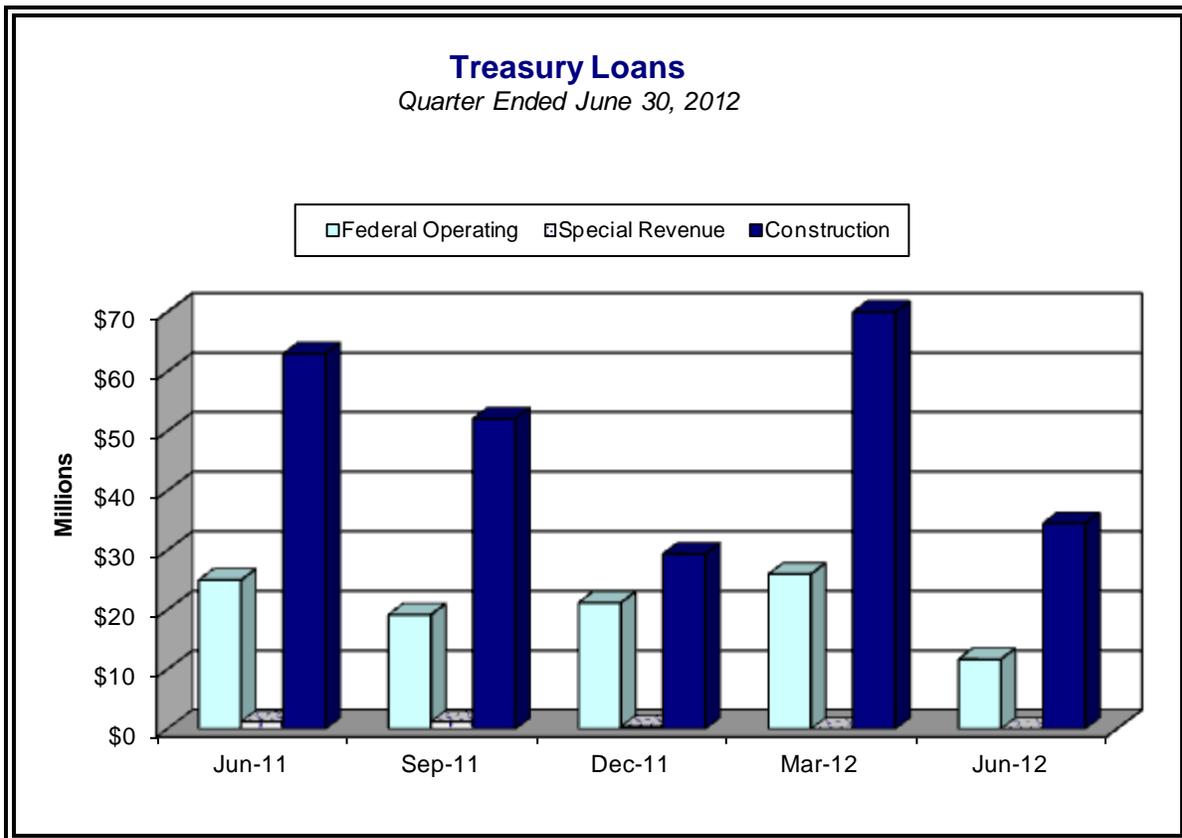


Loans and Advances

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

- **Anticipation of Federal Operating Funds** supports the operations of federal grants and contract programs for which advance funding has been delayed or for those that require expenditure of funds prior to federal reimbursement.
- **Anticipation of Special Revenue Funds** supports the operations of non-general funded activities when collections are spread unevenly throughout the year while expenses require steady funding.
- **Construction** supports capital projects in anticipation of the sale of authorized debt or other financing for such projects.

The total of all types of treasury loans as of June 30, 2012 was \$46.2 million.



Significant New Loans / Drawdowns	New Balance
<p>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.</p>	\$ 1,000,000.00
<p>Department of Veterans Services (DVS) Drawdown on a \$1.7 million loan used to install vault liners at the Virginia Veterans Cemetery (Amelia).</p>	\$ 1,670,000.00
<p>Department of Veterans Services (DVS) Drawdown on a \$4.2 million loan used to install vault liners at the Virginia Veterans Cemetery (Suffolk).</p>	\$ 4,175,000.00
<p>Department of Education (DOE) Drawdown on a \$5.6 million loan used to provide funding for the local school division School Nutrition Programs pending receipt of federal grant funds from the United States Department of Agriculture (USDA).</p>	\$ 5,493,061.26
<p>Virginia College Building Authority (VCBA) Drawdown on a \$60 million loan used to reimburse institutions of higher education for expenditures made on authorized capital projects under the 21st Century program.</p>	\$ 17,112,036.70

Significant Loan Repayments	Prior Balance
<p>Department of State Police (VSP) Repayment on a \$1.4 million loan used to conduct numerous grant funded programs that operate on a federal reimbursement basis.</p>	\$ 1,399,410.00
<p>Department of Military Affairs (DMA) Repayment on a \$23 million loan used to pay expenditures incurred in anticipation of reimbursement from the National Guard Bureau.</p>	\$ 8,000,000.00
<p>George Mason University (GMU) Repayment on a \$12.5 million loan used to provide operating funds while awaiting federal reimbursements for approved grants and contracts.</p>	\$ 12,500,000.00
<p>Virginia College Building Authority (VCBA) Repayment on a \$60 million loan used to reimburse institutions of higher education for expenditures made on authorized capital projects under the 21st Century program.</p>	\$ 57,616,670.38

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

- **Authorized Appropriation Deficits**, which provide funding, when authorized by the Governor, under emergency conditions as described in §4-3.01 and §4-3.02 of the Appropriation Act. There were no deficit loans/appropriations as of June 30, 2012.
- **Working Capital Advances**, which provide operating funds for nongeneral

fund projects when revenues to be used for repayment will not be generated within the twelve months required for anticipation loans. The total of all outstanding working capital advances as of June 30, 2012 was \$27.0 million.

- **Lines of Credit**, which provide funding for recurring shortfalls of operating cash and are authorized in §3-2.03 of the Appropriation Act. The total of all outstanding lines of credit as of June 30, 2012 was \$64.2 million.



