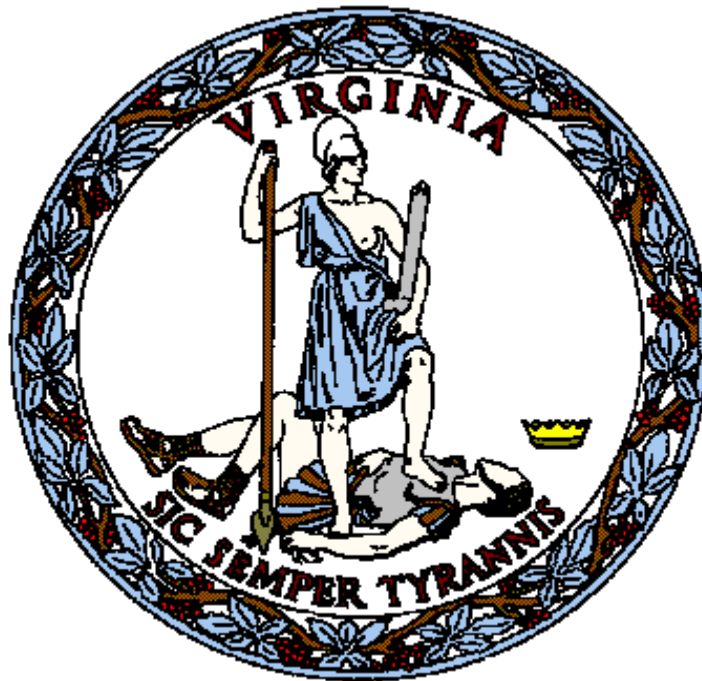


**REPORT ON  
STATEWIDE FINANCIAL MANAGEMENT  
AND COMPLIANCE**

**FOR THE QUARTER ENDED JUNE 30, 2013**



**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, 2013, and comparative FY 2012 data. Some information in the report is for the quarter ended March 31, 2013, which is the most current data available.

David A. Von Moll, CPA, CGFM  
Comptroller



Virginia Department of Accounts  

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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](http://www.apa.virginia.gov).

### *Audit Reports – Quarter Ended June 30, 2013*

The APA issued 14 reports covering 14 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
<b>Administration</b>				
None				
<b>Agriculture and Forestry</b>				
None				
<b>Commerce and Trade</b>				
None				

<b>Education</b>				
Christopher Newport University	1	0	1	NO
The College of William and Mary in Virginia	1	0	1	YES
George Mason University	0	0	0	N/A
The Library of Virginia	0	0	0	N/A
Longwood University	2	0	2	YES
Old Dominion University	0	0	0	N/A
Radford University	0	0	0	N/A
Southern Virginia Higher Education Center	0	0	0	N/A
Southwest Virginia Higher Education Center	0	0	0	N/A
Virginia Military Institute	2	0	2	YES
Virginia State University	1	0	1	YES
<b>Executive Offices</b>				
None				
<b>Finance</b>				
None				
<b>Health and Human Resources</b>				
None				
<b>Natural Resources</b>				
None				
<b>Public Safety</b>				
Department of Juvenile Justice	0	0	0	N/A
Department of Military Affairs	0	0	0	N/A
Virginia Department of Emergency Management	5	1	6	YES
<b>Technology</b>				
None				
<b>Transportation</b>				
None				
<b>Veterans Affairs and Homeland Security</b>				
None				



## *Audit Findings - Quarter Ended June 30, 2013*

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

### Education

#### *Christopher Newport University (CNU)*

1. *Improve eVA Internal Controls and Compliance.* CNU did not comply with several requirements contained in the eVA Electronic Procurement System Security Standards (Security Standards) issued by the Department of General Services (DGS) related to internal controls surrounding eVA. CNU did not complete the annual audit of eVA user accounts in fiscal year 2012 or the requirement of an annual submission of a Security Officer Designation form. In addition, CNU did not perform quarterly monitoring of eVA user account permissions or promptly delete eVA access for terminated employees.

#### *Monitoring Access*

The Security Standards requires that eVA Security Officers review all of their organization's eVA accounts on a quarterly basis at a minimum. The purpose of this review is to:

- Determine whether accounts assigned to any eVA users that have a change of responsibilities are appropriately modified.
- Determine whether accounts assigned to eVA users that have left the entity have been terminated (locked out) timely.
- Determine that every active user has a signed acceptable use policy on file.
- Determine if all roles in the eVA approval chain are still active and appropriate.
- Identify and report to the global eVA Security Officer any self-identified violations of the policy and the actions CNU plans to implement to prevent further violations.

In addition, by November 1 of each year, CNU must submit to the Global eVA Security Officer at DGS a letter certifying that a review of all active accounts has been completed and that all eVA accounts are accurate. Due to the lack of monitoring, the APA noted that CNU had not detected several user accounts with no established expenditure limits, which allowed these users to self-approve items up to \$5,000 increasing the chance of improper purchases.

#### *Deactivation of Access*

CNU also needs to improve its procedures for prompt deletion of eVA access for terminated employees. The Security Standards require all system privileges to be deactivated within 24 hours after an employee's termination. The APA review of terminated employees that previously had eVA access found 23 percent of these employees were not deactivated within one working day of separation.

Compliance with these standards is necessary to prevent misuse and possible fraud. eVA is a web based application that is accessible by computer from anywhere; therefore, eVA user IDs must be deactivated promptly in order to keep former employees from accessing the system after their termination. Terminated employees with active eVA accounts could potentially access the system and make unauthorized approvals or purchases.

### Recommendation

The APA recommends that CNU comply with all of the requirements in the Security Standards regarding certifications, quarterly monitoring, and the annual audit. The APA also recommends that CNU document and implement internal policies and procedures regarding the monitoring and deactivation of eVA access. If necessary, eVA users should seek DGS training to further ensure the proper use and monitoring of eVA.

To ensure deactivation occurs in accordance with DGS guidelines, the supervisors of terminated employees should notify the Office of Procurement via the Employee Resource System (ERS) in a timeframe that is sufficient to ensure deletion of access within 24 hours of termination. To ensure timely notification, the APA recommends that the supervisors and resource providers in ERS have sufficient training on the system. Supervisor monitoring of ERS should also ensure that the resource provider has promptly removed all of the terminated employee's resources, including access. In addition, once they receive notification, the Office of Procurement should promptly take the steps necessary to delete access of the terminated employee.

### ***The College of William and Mary in Virginia (CWM)***

1. Improve the Financial Reporting Process. Richard Bland College (RBC) uses a manual process of developing year-end financial reports and does not have adequate policies and procedures surrounding the process. Each year, RBC uses printouts of account balances which they manually enter into a financial statement template to be provided to The College of William and Mary (CWM) for inclusion in the group financial statements.

RBC uses Banner Finance as their originating general ledger system, and it has the capability to produce the financial statements directly from the system. Using a manual process for creating the financial statements increases the risk of material misstatement due to human error. Without an established procedure to create these year-end reports, inconsistency of reporting from year to year is possible. In addition, efficiency can be gained by eliminating the manual entry of the data.

RBC should seek guidance from the CWM as these entities are governed by the same Board of Visitors and are jointly responsible for the presentation of the combined financial statements. RBC and CWM should establish a more collaborative process to ensure activity related to RBC is properly reported in the combined financial statements. As CWM must rely on reports provided by RBC in order to produce the combined financial statements, CWM should gain an understanding of the process by which these reports are produced to ensure the information being provided can be relied upon.



The APA recommends that RBC improve their financial reporting procedure by eliminating manual data entry and develop an established set of procedures to guide this process. CWM's financial reporting procedures adequately document the mechanics of their own process and RBC should work to develop a similar process. In addition, the APA recommends the schools have periodic communications surrounding RBC's financial activity to discuss the manner in which the activity is to be reported in the financial statements.

### ***Longwood University (LU)***

1. *Improve Review and Preparation of Financial Statements.* **This finding is a material weakness.** LU's final unaudited financial statements included material misstatements and errors in the cash flow statement and footnotes that resulted from improper preparation and use of amounts not updated from the prior year. Management's review process did not detect these misstatements.

The APA recommends that management implement new, and strengthen existing controls over the financial reporting process so their design and operation is sufficient to prevent or detect and correct material mistakes and assure proper presentation of statements and footnotes. Improved financial reporting controls will ensure LU's unaudited financial statements are materially correct and accurately represent its operations. Further, it will reduce the time and effort required to make corrections detected after issuing the unaudited statements.

2. *Improve Oracle Database Security.* LU does not implement certain controls in its Oracle database that stores sensitive information for the Student Information System. Some of this information is also classified sensitive under the Family Educational Rights and Privacy Act.

LU's security policy requires, and the Center for Internet Security Oracle 11g Database best practices recommends, implementing specific controls to reduce unnecessary risk to data confidentiality, integrity, and availability.

The APA identified and communicated four weak controls to management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the *Code of Virginia* due to it containing descriptions of security mechanisms. Management agreed with the APA's recommendations and provided a corrective action plan to the APA under the same public disclosure exemption.

### ***Virginia Military Institute (VMI)***

1. *Ensure Termination Procedures are Followed.* VMI does not ensure supervisors submit the required Human Resources forms included in the Personnel Clearance Procedures, General Order 35, when an employee terminates. Completion and submission of these forms help ensure that keys, purchasing cards, travel cards, and any other sensitive items or institutional assets are recovered at termination; systems access is removed; and the employee's payroll status is made inactive in a timely manner. For all employees tested, these forms were not present.

Symptomatic of the issues this causes, the APA review of eVA found that two of the four employees with eVA access, who terminated during the fiscal year, did not have their access

removed timely. Further, VMI's "mass cleanse" report, created by the Information Technology department to identify employees who have not been paid for a length of time, routinely identifies terminated employees who still have access to the system and whose payroll status is still active. This creates the risk that terminated employees could continue to receive pay checks when they are no longer working.

While the "mass cleanse" report does provide a limited compensating control for certain system access and payroll risks, it is run sporadically, not formally documented, and does not facilitate the return of sensitive items, VMI property, or removal of access to other systems.

VMI should evaluate its termination procedures for all classes of employees to ensure the return of sensitive items, prompt removal of system access, and proper handling of final payroll activities. VMI should ensure supervisors complete and submit the appropriate documentation promptly for all terminated employees. Finally, if VMI continues to use the "mass cleanse" report to support termination activities, it should document the process in its policies and procedures, including the frequency for the report to be run and reviewed.

2. *Improve Administration of eVA Security.* VMI's administration of eVA, the Commonwealth's electronic procurement system, is inconsistent with Commonwealth policy and increases the risk of improper procurement requests and approvals. As a result, the following weaknesses and instances of non-compliance were noted:

- The procurement office authorizes the creation and deactivations of user access and maintains related forms for the processes. Authorization should be performed by VMI's designated eVA security officer, who is independent of the procurement function.
- VMI did not formally designate a back-up eVA Security Officer as required by Commonwealth policy. As with the primary eVA Security Officer, an appropriate back-up officer should not have final approval authority within eVA for procurements, expenditures, or receiving.
- Two out of four employees with eVA access who terminated during fiscal year 2012 did not have their access removed timely. As a web-based application, users can access the system from anywhere. Failure to deactivate user access timely could result in the entry and/or approval of unauthorized purchase orders.
- Two of the five new eVA users in fiscal year 2012 did not have signed acceptable use policy forms on file. Lack of awareness of the acceptable use of eVA increases the risk that they could process improper requests and approvals.

VMI is approaching the user limit to be eligible for delegated security authority. Should VMI choose to have this authority delegated, internal policies and procedures to manage the addition, modification, and deletion of user accounts are required.

Non-compliance with Commonwealth policies results in weak internal controls surrounding the system and increases the risk of inappropriate purchases being entered and authorized. VMI

should comply with the Commonwealth policies and evaluate the need to document internal eVA security policies and procedures specific to its operations to improve eVA security.

### ***Virginia State University (VSU)***

1. *Ensure Compliance with Title III Endowment Investments Restrictions.* VSU's Title III endowment investments are not managed in compliance with the endowment's terms, which specifically prohibit investments in real estate. VSU invests its endowments with an external investment manager and does not contractually require the investment manager to invest in accordance with the endowment's terms. Rather VSU has adopted the investment manager's investment policy as its own and that policy does not comply with the Title III endowment's restrictions regarding real estate.

Specifically, the investment manager's policy allows for investment in real estate, with a current asset allocation range between zero and ten percent. As of June 30, 2012, VSU's Title III endowment funds totaled \$10,125,800, which represents almost half of all endowment funds held. Four percent of the Title III endowment funds, or \$406,000, were allocated to real estate investments. As an instance of potential federal non-compliance, VSU risks the revocation of existing and future Title III endowments funds.

To protect their existing funds and continued receipt of future Title III endowments, VSU should request an exemption to the real estate investment restriction from the administrators of the Title III program. If an exemption cannot be obtained, VSU should evaluate the relationship with their existing external manager to determine whether the external manager can modify either their investment strategy or their management of University funds to meet the Title III investment requirements. If this is not feasible, VSU should move their Title III investments to a manager who can.

## Public Safety

### ***Virginia Department of Emergency Management (DEM)***

1. *Evaluate Petty Cash Needs and Strengthen Controls.* DEM needs to review current petty cash funds on hand and evaluate whether these funds are necessary. DEM maintains two \$5,000 cash funds as well as a petty cash checking account of over \$20,000. Given that many agency staff have access to small purchase charge cards, the petty cash funds are not used frequently and had minimal activity during the audit period.

Additionally, DEM needs to strengthen the controls over any petty cash funds that they do decide to maintain. The APA found several internal control weaknesses in the current procedures including a lack of timely reimbursements, a lack of periodic counts of the cash funds, and inaccurate monthly petty cash reconciliations.

Overall, DEM needs to evaluate the need for petty cash funds and determine an appropriate amount based on their planned uses for the funds. DEM then needs to strengthen the procedures over any petty cash funds that they decide to retain. Procedures need to be in place to ensure the petty cash funds are reimbursed timely. In addition, petty cash funds should be reconciled on a

monthly basis and any reconciling items should be promptly resolved. DEM should also ensure the critical petty cash functions are performed by different individuals where possible to ensure an adequate segregation of duties. Inadequate procedures over petty cash funds, as well as having excessive petty cash funds on hand, increases the risk of misuse.

2. Improve Controls over Small Purchase Charge Card. **This is a Repeat Finding.** As reported in the APA's prior audit, DEM needs to continue to improve internal controls over small purchase charge cards (SPCC). DEM has issued charge cards to approximately 42 employees and the APA found the following issues related to small purchase charge card purchases:

- Multiple instances where receipts or other documentation were not maintained to support the transactions. The majority of these instances were attributable to one cardholder.
- An instance where the SPCC reconciliation was not reviewed and approved by the supervisor prior to payment.
- An instance where a SPCC reconciliation was not timely, but was submitted three months after the Bank of America statement date.
- Multiple instances where an employee exceeded their transaction limit or monthly limit and there was no documentation provided to show that these instances were approved or reviewed by the SPCC program administrator.

Overall, DEM needs to strengthen procedures over SPCC activity to ensure compliance with the Commonwealth Accounting Policies and Procedures (CAPP) Manual. Although the APA did find some improvements in procedures since their prior audit, further improvement is needed.

All cardholders must retain documentation to support their purchases, and any reconciliations needs to be properly performed as well as reviewed and approved in a timely manner. In addition, any situations which require a cardholder to exceed their preset limits need to be approved by the SPCC program administrator and this approval should be documented. DEM should ensure all cardholders are trained in the SPCC policies and procedures and take appropriate corrective action, as needed, if procedures are not followed.

3. Improve Information System Access Controls. DEM needs to improve information system access controls for critical systems. The APA reviewed access controls over FMS and found there are no written policies and procedures over granting and deleting system access or performing periodic access reviews. The APA also tested FMS access for a sample of employees and found their access was reasonable, but there was no documentation maintained to show who requested or approved the access. An access review was performed in September 2011, but this was done because the system had crashed and all access had to be reestablished.

The APA also reviewed Commonwealth Accounting Reporting System (CARS) and Commonwealth Integrated Payroll Personnel System (CIPPS) access and found instances where system access was not terminated timely. In one instance, CARS and CIPPS access was not terminated until six months after an employee's termination date and in another instance the

APA could not determine if an employee's CARS access was terminated timely due to a lack of documentation.

Overall, DEM needs to improve system access controls over critical information systems like FMS, CARS and CIPPS. DEM should develop written procedures for FMS access that include the process for granting and deleting access and maintaining documentation surrounding the access changes. In addition, the procedures need to include a periodic review of FMS user capabilities to ensure the access is reasonable based on current job responsibilities and that users have not been granted access to multiple capabilities within the system that may allow the user to circumvent internal controls. The APA also recommends the agency gain knowledge on how to export user access listings from FMS into reviewable databases. Based on the APA's audits of other agencies, the APA believes FMS has this capability and this information would help to facilitate periodic access reviews. In addition, DEM should ensure that access to critical systems is deleted timely when an employee is terminated. Access controls are important for ensuring that only authorized employees have access to process information in DEM's critical information systems.

4. Improve Controls Over Fuel Card Management. DEM uses the Office of Fleet Management Services (OFMS) Policies and Procedures Manual for their fuel card program, but they are not following the procedures in the manual.

DEM has issued approximately 116 fuel charge cards. The APA found that cardholders do not submit gas receipts to the Fuel Card Account Custodian (Custodian) for review as required by OFMS. As a result, the Custodian did not review the gas purchases to ensure the purchases were appropriate and in conjunction with State business; and did not reconcile charges prior to processing payments to the card vendor.

Overall, DEM needs to follow procedures outlined in the OFMS Manual. Fuel card holders need to submit gas receipts to the Custodian to ensure the purchases are appropriate and to reconcile charges to the monthly vendor statement. Inadequate procedures over the fuel card management increase the risk of inappropriate use of the fuel cards.

5. Follow FMS to CARS Reconciliation Procedures. DEM needs to review their FMS to CARS reconciliation process to ensure it is effective and efficient. DEM revised their FMS to CARS reconciliation procedures in September 2012 based on a review performed by the Department of Accounts (DOA). Although this occurred after the audit period, the APA reviewed these procedures and the November 2012 reconciliation to ensure these procedures were being followed.

The APA found that the monthly reconciliation was not reviewed or approved in a timely manner. In addition, the APA found fiscal staff only partially followed the procedures resulting in an ineffective reconciliation process. Fiscal staff performs a detailed weekly reconciliation of individual transactions. In addition, fiscal staff performs a detailed analysis at the general ledger account level to further identify and explain variances in monthly balances between the two systems. Together this information should be used as the basis for certifying a monthly reconciliation process required by DOA; however, it does not appear that the monthly analysis at the account level is being reviewed or used in the process. As a result, the reconciliation process is not as effective as it needs to be.

Overall, DEM needs to ensure Finance staff is following the reconciliation procedures. Procedures should be in place that will meet requirements stated in the CAPP Manual and improve efficiency in the reconciliation process. In addition, the FMS to CARS reconciliation should be reviewed and approved by management by signing and dating the monthly reconciliation documents to verify that it has been reviewed and approved timely.

6. Strengthen Procedures Over the Virginia Disaster Relief Fund. DEM needs to strengthen procedures over grant awards made from the Virginia Disaster Relief Fund. This fund was established in 2011 to make grant awards to non-profit organizations to assist citizens with disaster related repairs not already covered by state or federal disaster assistance.

Under current procedures, DEM sends a letter and guidelines to the non-profit organization once a grant is approved, but there is not a formal agreement between the parties. The lack of a formal agreement signed by both parties detailing the terms of the award increases the risk that funds could be misused or parties will not fully understand their responsibilities.

The APA recommends DEM strengthen the award process by developing a formal grant agreement which clearly details the specific terms of the award and the responsibilities of the non-profit organization. The grant agreement should be authorized by all parties before any grant funds are disbursed. Given the nature of non-profit organizations, DEM should also ensure the grant agreement is authorized by the appropriate individuals within the non-profit organization. Formalizing this process will strengthen the controls over these funds and reduce the likelihood of misuse of these funds.



### ***Additional Recommendations – Quarter Ended June 30, 2013***

No APA reports were received that contained additional recommendations.

### ***Special Reports – Quarter Ended June 30, 2013***

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

Commonwealth Court Collections review – April 2013<sup>(1)</sup>

Report to the Joint Legislative Audit and Review Commission for the quarter January 1, 2013 through March 31, 2013

<sup>(1)</sup> *This APA report contained 11 management recommendations regarding collections processing by the courts. The last recommendation stated that the Commonwealth should determine the cost effectiveness of a centralized collections unit responsible for the collection of all court fines and costs.*

### ***Other Audit Reports Received – Quarter Ended June 30, 2013***

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

State Corporation Commission (SCC) for the year ended June 30, 2012

- Follow Procurement Rules and Best Practices
  - SCC eFile Contract
  - Offsite Data Storage
  - Property Management Services
  - Cafeteria Contract
  - Small Item Consolidation
  - Marketing DVD Videos
- Approve Human Resource Actions Properly
- Improve Internal Controls over Procurement Approval Workflow
- Implement Consistent Procedures over Clerks Office Revenue Deposited for Other Divisions
- Transfer Unclaimed Refunds to Unclaimed Property Division
- Improve Database Security
- Adhere to Policies and Procedures for Assigned Vehicles

Virginia Health Workforce Development Authority for the year ended June 30, 2012

- Improve Board Resources to Ensure Proper Governance
- Improve Controls over Bank Account Disbursements
- Implement Fund Accounting

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

Assistive Technology Loan Fund Authority for the year ended June 30, 2012

Clerk of the Supreme Court of Virginia for the period July 1, 2011 through June 30, 2012

Clerk of the Virginia Court of Appeals for the period July 1, 2011 through June 30, 2012

Commonwealth Health Research Board for the two-year period July 1, 2010 through June 30, 2012

Potomac River Fisheries Commission for the year ended June 30, 2012





## 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
<b>Administration</b>				
Department of Human Resource Management	0	0	1	0
Department of General Services	1	0	1	0
State Board of Elections	0	1	0	0
<b>Agriculture and Forestry</b>				
None				
<b>Commerce and Trade</b>				
Department of Housing and Community Development	1	0	0	0
Virginia Employment Commission	0	2	0	0
Virginia Racing Commission	0	0	0	1
<b>Education</b>				
Christopher Newport University	0	0	1	0
The College of William and Mary in Virginia	0	0	2	0
Richard Bland College	0	0	1	0
Department of Education, Central Office Operations	2	0	0	0
University of Virginia	1	0	0	0
Virginia Commission for the Arts	0	0	1	0
Virginia Community College System	0	1	0	0
Mountain Empire Community College	0	1	0	0
New River Community College	0	1	2	0
Northern Virginia Community College	0	1	0	0
Southwest Virginia Community College	0	1	0	1
Tidewater Community College	0	1	0	0
Virginia Highlands Community College	0	1	0	0
Wytheville Community College	0	1	1	0
Virginia School for the Deaf and Blind	0	1	0	0
<b>Executive Offices</b>				
Attorney General and Department of Law	0	0	1	0

	IN PROGRESS		COMPLETED	
	On Schedule	Delayed	On Schedule	Delayed
<b>Finance</b>				
Department of Accounts	1	0	1	0
Department of Taxation	0	0	1	0
Department of the Treasury	1	0	0	0
<b>Health and Human Resources</b>				
Department of Behavioral Health and Developmental Services	0	0	1	0
Department of Health	1	1	3	0
Department of Medical Assistance Services	0	2	0	0
Department of Rehabilitative Services <sup>(1)</sup>	0	1	1	0
Department of Social Services	8	1	5	1
<b>Natural Resources</b>				
Department of Game and Inland Fisheries	0	1	0	0
<b>Public Safety</b>				
Department of Alcoholic Beverage Control	0	2	1	0
Department of Corrections	0	1	0	0
Department of Military Affairs	0	0	0	1
Department of State Police	2	0	0	0
<b>Technology</b>				
Virginia Information Technologies Agency	1	0	0	0
Wireless E-911 Services Board	0	1	0	0
<b>Transportation</b>				
Department of Motor Vehicles	4	0	0	1
Department of Rail and Public Transportation	1	0	0	0
Department of Transportation	2	0	1	0
Virginia Port Authority <sup>(2)</sup>	0	0	0	1
<b>TOTALS</b>	<b>26</b>	<b>22</b>	<b>25</b>	<b>6</b>

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

2. This audit was performed by CliftonLarsonAllen, LLP and provided to the APA.



### *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
<b><u>Department of Human Resource Management (DHRM)</u></b>				
2011	11-01	Improve Documentation, Cost Tracking, and Accounting for Overhead Allocations and Service Billings.	The Time and Leave system (TAL) is completed for DHRM to improve cost allocation as of May 2013.	Completed (On Schedule)
<b><u>Department of General Services (DGS)</u></b>				
2012	12-01	Improve Application Controls. <b>This is a Repeat Finding.</b>	Issues will be addressed during PeopleSoft version upgrade which is in progress.	In Progress (On Schedule)
	12-02	Create Written Policies and Procedures for IREMS Access.	DRES issued written policies and procedure for IREMS.	Completed (On Schedule)
<b><u>State Board of Elections (SBE)</u></b>				
2012	12-01 10-02 08-02	Improve Information Systems Security Program. <b>This is a Repeat Finding.</b>	SBE requested that VITA, DGS and Secretary of Administration assist with Information security role. Also, SBE approached outside vendors for assistance. Discussions are ongoing.	In Progress (Delayed)
<b><u>Department of Housing and Community Development</u></b>				
2012	12-01	Enhance Monitoring of Sub-Recipient Program.	New hire will concentrate on monitoring reports to ensure regulatory matters and questioned costs are identified and addressed. Plan to close out the program in September 2013.	In Progress (On Schedule)

**Virginia Employment Commission (VEC)**

2012	12-01 11-01	Resolve Employer Wage Discrepancies Timely. <b>This is a Repeat Finding.</b>	Policies and procedures have been developed and implemented. A management monitoring program is in place and working effectively. Implemented actions are being reviewed to ensure compliance.	In Progress (Delayed)
	12-02 11-02	Follow Timekeeping and Payroll Procedures. <b>This is a Repeat Finding.</b>	VEC IAD completed follow up test of OT approvals. Policy implementation is under review.	In Progress (Delayed)

**Virginia Racing Commission (VRC)**

2012	12-01 11-01	Use Supported Database Software. <b>This is a Repeat Finding</b>	VRC began using supported licensing system.	Completed (Delayed)
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**Christopher Newport University (CNU)**

2011	11-02	Limit Employee Functions within Banner Finance.	Per Audit report dated 6/6/2013 adequate corrective action has been taken.	Completed (On Schedule)
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**The College of William and Mary in Virginia (CWM)**

2012	12-01	Improve Controls in the Property Control Office.	Per the APA Audit report dated 4/9/2013 adequate corrective action has been taken.	Completed (On Schedule)
	12-02	Improve Banner User Access Review.	Per the APA Audit report dated 4/9/2013 adequate corrective action has been taken.	Completed (On Schedule)

**Richard Bland College (RBC)**

2012	12-01	Improve Banner User Access Review.	Per the APA Audit report dated 4/9/2013 adequate corrective action has been taken.	Completed (On Schedule)
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**Department of Education, Central Office Operations (DOE/COO)**

2012	12-01	Improve Information Security Awareness and Training	Administration manual has been changed, request for web-based application to deliver agency-specific training has been submitted	In Progress (On Schedule)
	12-02	Improve Oracle Database Security.	Database configuration changes are complete, and an online system to track terminated employees and contractors is under development.	In Progress (On Schedule)

**University of Virginia (UVA)**

2012	12-01	Improve Oracle Database Security.	New security procedures are in process of being developed.	In Progress (On Schedule)
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**Virginia Commission for the Arts (VCA)**

2012	12-01	Follow Procurement Guidelines for Contract Services.	The Commission has registered its financial and procurement officers.	Completed (On Schedule)
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**Virginia Community College System (VCCS) Central Office**

2011	11-01	Improve Monitoring Controls Over High Risk Transactions.	Central Office continues working with colleges to identify segregation of duties risks, and will send out appropriate communication to the colleges by July 31, 2013. Response from colleges expected by September 30, 2013.	In Progress (Delayed)
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**Mountain Empire Community College (MECC)**

2011	11-01	Improve Monitoring Controls Over High Risk Transactions.	See the VCCS Central Office Response.	In Progress (Delayed)
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**New River Community College (NRCC)**

2011	11-01	Improve Monitoring Controls Over High Risk Transactions.	See the VCCS Central Office Response.	In Progress (Delayed)
	11-02	Perform Fixed Asset Physical Inventories.	A physical inventory has been completed for FY 2012 & 2013.	Completed (On Schedule)
	11-03	Improve Payroll and Leave Controls.	A new filing process has been put into operation. A new comprehensive policy and procedures manual has been completed.	Completed (On Schedule)

**Northern Virginia Community College (NVCC)**

2011	11-01	Improve Monitoring Controls Over High Risk Transactions.	See the VCCS Central Office Response.	In Progress (Delayed)
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**Southwest Virginia Community College (SWVCC)**

2011	11-01	Improve Monitoring Controls Over High Risk Transactions.	See the VCCS Central Office Response.	In Progress (Delayed)
	11-04	Improve Student Financial Aid Control Environment.	Process manual has been updated, and the college has hired a full-time staff person in Financial Aid.	Completed (Delayed)

**Tidewater Community College (TCC)**

2011	11-01	Improve Monitoring Controls Over High Risk Transactions.	See the VCCS Central Office Response.	In Progress (Delayed)
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**Virginia Highlands Community College (VHCC)**

2011	11-01	Improve Monitoring Controls Over High Risk Transactions.	See the VCCS Central Office Response.	In Progress (Delayed)
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**Wytheville Community College (WCC)**

2011	11-01	Improve Monitoring Controls Over High Risk Transactions.	See the VCCS Central Office Response.	In Progress (Delayed)
	11-04	Perform Fixed Asset Physical Inventories.	All five phases have been completed.	Completed (On Schedule)

**Virginia School for the Deaf and Blind (VSDB)**

2010	10-03	Strengthen Internal Controls Over Capital Asset Useful Life Methodologies.	Needs to re-evaluate assets to determine if the useful life needs to be extended. Target date has been extended.	In Progress (Delayed)
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**Attorney General and the Department of Law (OAG)**

2012	12-01	Improve IT Risk Management and Contingency Plan Process.	The Director of Information Technology has completed the disaster Recovery Plan and Annual Risk Assessment and has completed the testing.	Completed (On Schedule)
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**Department of Accounts (DOA)**

2012	12-01	Improve Communication Surrounding Financial Reporting Process.	Meetings between TAX and DOA have occurred. DOA has assumed responsibility for continuing regular meetings.	Completed (On Schedule)
	12-02	Enhance Controls Over System Access for Critical Systems.	Put a semi-annual review of CARS security into place, and plans to extend this process to CIPPS security.	In Progress (On Schedule)

**Department of Taxation (TAX)**

2012	12-01	Improve Communication Surrounding Financial Reporting Process.	Meetings between TAX and DOA have occurred. DOA has assumed responsibility for continuing regular meetings.	Completed (On Schedule)
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**Department of the Treasury (TD)**

2012	12-01	Create Information Security Review Plan.	Developing a three-year plan that coordinates reviews of Information Systems containing sensitive information.	In Progress (On Schedule)
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**Department of Behavioral Health and Developmental Services (DBHDS)**

2012	12-01	Notify Oversight Agencies of Operational Changes that Affect Budget Assumptions.	Plans communication with DPB and DOA on all matters critical to the financial operations.	Completed (On Schedule)
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**Department of Health (DOH)**

2012	12-01	Complete Required Number of Sub-Recipient Reviews.	All remaining reviews have been assigned to liaisons for completion by Fall 2013.	In Progress (On Schedule)
	12-02	Perform Required System Access Reviews.	WebVision roles were reviewed and certified. Annual reviews will be ongoing.	Completed (On Schedule)
	12-03	Secure Database Logs.	A procedure has been implemented to store the audit files in a Read Only (RO) mode for the Web F&A and WebVision Systems.	Completed (On Schedule)
	12-04	Identify Non-Essential and Dependant Business Functions.	New template is agency standard, and has been implemented.	Completed (On Schedule)
2011	11-01 10-01	Use System Capabilities to Ensure Proper Service Delivery.	Crossroads project was successfully completed in 2 phases. Currently testing the User Acceptance function. Roll out schedule is scheduled for first quarter 2014.	In Progress (Delayed)

**Department of Medical Assistance Services (DMAS)**

2012	12-01	Address Findings in Internal Audit Report.	Four of the seven findings have been completed. The three remaining: Update Security Policies and Procedures, Update Security Plan Documents, and Strengthen the Security of Private Health Information Transmitted via Email, are all on schedule to be completed in Fall 2013.	In Progress (Delayed)
	12-02 11-05 10-01	Obtain Valid Social Security Numbers. <b>This is a Repeat Finding.</b>	DMAS continues to notify DSS and LDSS of SSN's to be corrected. The upcoming new Eligibility and Enrollment system should create a permanent fix to this issue.	In Progress (Delayed)

**Department of Rehabilitative Services (DRS)**

**Effective July 1, 2012 known as Department for Aging and Rehabilitative Services (DARS)**

2012	12-01	Obtain Federal Authorization before Deviating from Cash Management Requirements.	Agency has implemented process to communicate directly with the federal government and request authorization.	Completed (On Schedule)
	12-02 11-02	Improve IT System Controls.	Agency is in process of completing; risk assessments, and reviewing encryption and authentication requirements.	In Progress (Delayed)

**Department of Social Services (DSS)**

12-01	Prohibit System Users from Modifying Security Settings. <b>Material Weakness Component</b>	Security access controls for five users have been modified to limit their abilities to change security settings.	Completed (On Schedule)
12-02	Create and Implement a Change Management Process for Sensitive Applications. <b>Material Weakness Component</b>	The Eligibility Modernization Project will adopt a plan for review and approval processes that is currently in development.	In Progress (On Schedule)
12-03	Create and Implement an Audit Process for Sensitive Applications. <b>Material Weakness Component</b>	Enhanced user privileges are now granted for limited times periods.	Completed (On Schedule)
12-04	Perform Risk Assessment and Develop a Monitoring Plan Before Hiring more Staff.	A schedule of Title IV-E reviews through December 2013 has been established. Reviews for the remainder of FY 2014 will be scheduled during the next quarter.	In Progress (On Schedule)
12-05	Review Grantee Audited Schedule of Expenditure of Federal Awards.	A process is in place to resolve CVS SEFA/LASER differences.	Completed (On Schedule)
12-06	Further Evaluate Automating the OASIS Reconciliation Process.	A contract accountant has been hired to assist the Division's Senior Analyst for Financial Performance in the OASIS Certification and Reconciliation process.	In Progress (On Schedule)
12-07	Develop Policies for Adjusting Title IV-E Foster Care Errors.	Developing strategies to review revise and implement plans to address financial concerns.	In Progress (On Schedule)
12-08	Update Information Technology Disaster Recovery Plans.	DSS's IT disaster recovery plans have been updated to reflect current technical environments and application restoration procedures.	Completed (On Schedule)
12-09	Continue Using Performance Information to Evaluate Policy Changes.	There has been a noticeable reduction in backlogs of overdue Medicaid renewals. A 33% reduction was identified over a four month period.	In Progress (On Schedule)



	12-10	Improve Eligibility Edit Checks to Prevent Conflicting Information.	Change was implemented February 2013.	Completed (On Schedule)
	12-11	Work with Federal Government to Eliminate likely Questions Costs in the Future.	Staff continues to provide technical assistance to local agencies to ensure household composition rules are followed.	In Progress (On Schedule)
	12-12	Use Card Replacement Information to Evaluate Risk and Recommend Policy Decisions	Awaiting FNS final rules that allow states to establish card replacement thresholds.	In Progress (On Schedule)
2011	11-01 10-01 09-06	Establish Enforcement Mechanisms for Foster Care and Adoption Payments (Title IV-E). <b>This is a Repeat Finding and progress has been made.</b>	This recommendation was modified and cited as a new recommendation: see 12-06 "Further Evaluate Automating OASIS Reconciliation Process"	In Progress (On Schedule)
2010	10-02	Use System Functionalities to Improve Financial Operations.	DSS has conducted a cost benefit analysis and has implemented several system functionalities associated with FAAS.	In Progress (Delayed)
	10-05	Finalize Responsibilities for Infrastructure Security. <b>This is a Repeat Finding that requires Partnership action.</b>	The APA changed this from a recommendation to a Risk Alert and therefore this finding will not continue to be tracked for progress in this report.	Completed (Delayed)
<b><u>Department of Game and Inland Fisheries (DGIF)</u></b>				
2010	10-03	Improve Internal Controls over System Access. <b>This is a Repeat Finding.</b>	IMS implementing their own onboard / off board process, reviewing eVA user security report quarterly.	In Progress (Delayed)
<b><u>Department of Alcoholic Beverage Control (ABC)</u></b>				
2012	12-01	Improve Controls over the MIPS to Performance Interface.	A historical date report has been completed for use by ABC Finance and Audit.	Completed (On Schedule)
	12-02	Update IT Risk Management and Contingency Plans.	Risk assessments and governance reviews are underway.	In Progress (Delayed)
2011	11-02	Improve Remote Store Server Security.	Risk documentation has been completed, and is awaiting APA review.	In Progress (Delayed)

**Department of Corrections (DOC/CA)**

2010	10-03	Improve Controls and Processes Surrounding Fixed Asset Accounting and Control System. <b>This is a Repeat Finding.</b>	Review and implementation of processes are estimated to be completed summer 2013.	In Progress (Delayed)
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**Department of Military Affairs (DMA)**

2010	10-06	Strengthen Recording and Tagging of Equipment.	Per the APA Audit report dated 6/3/2013 adequate corrective action has been taken.	Completed (Delayed)
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**Department of State Police (VSP)**

2011	11-01	Upgrade Unreliable and Unsupported Infrastructure Devices.	VITA and VSP have outlined transformation issues, and are preparing an agreement regarding transformation.	In Progress (On Schedule)
	11-02 09-03	Upgrade Database System Software. <b>This is a Repeat Finding.</b>	LEAMS continues to be implemented across BFO and several development modules have been completed and implemented.	In Progress (On Schedule)

**Virginia Information Technologies Agency**

2011	11-01	Review Statewide IT Contracts.	Contract awarded on 6/18/13; detailed implementation plan is under development. Transition to new contract by 1/1/14.	In Progress (On Schedule)
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**Wireless E-911 Services Board**

2011	11-01 10-02 09-03	Determine Accuracy of PSAP Data. <b>This is a Repeat Finding.</b>	Funds continue to be withheld from the City of Portsmouth until all funds are repaid. The Town of Vinton has repaid half of the amount owed.	In Progress (Delayed)
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**Department of Motor Vehicles (DMV)**

2012	12-01 11-02	Improve Database Security. <b>This is a Repeat Finding.</b>	Bi-monthly meetings to discuss ongoing process have been scheduled and implemented.	In Progress (On Schedule)
	12-02	Improve Information Technology Contingency and Disaster Recovery Plan Update Process.	DMV is conducting a table-top exercise to identify strengths and weaknesses in the disaster recovery plan.	In Progress (On Schedule)
	12-03	Improve User Access Control Across Systems.	Working with partnership staff to complete a review of the VA-DMV Active Directory.	In Progress (On Schedule)
	12-04	Improve Web Application Security.	Implementing the oracle upgrade.	In Progress (On Schedule)

2011	11-01 10-01	Enhance Information Security Program.	Per the APA Audit report dated 12/14/2012 adequate corrective action has been taken.	Completed (Delayed)
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**Department of Rail and Public Transportation (DRPT)**

2012	12-01	Improve Grants Monitoring and Management Processes.	Working committees have been established to target specific areas for improvement. Implementation is proceeding.	In Progress (On Schedule)
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**Department of Transportation (DOT)**

2012	12-01	Improve Database Security.	Corrective action was completed December 2012.	Completed (On Schedule)
	12-02	Improve Financial Reporting Procedures.	Updating, refining, and validating reports and queries provided by the new financial system.	In Progress (On Schedule)
	12-03	Improve Controls Supporting Davis-Bacon Act Compliance.	In process of implementing a Civil Rights Labor Management System that will assist DOT to be more effective in monitoring payroll submissions.	In Progress (On Schedule)

**Virginia Port Authority (VPA)**

2012	12-01 11-01 10-01	Improve IT Security Program <b>This is a Repeat Finding.</b>	Information Security Policy has been designed to minimize the risk by incorporating best practices to secure information.	Completed (Delayed)
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## 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 04/30/2013, 05/31/2013, 06/28/2013 and 07/17/2013 respectively.

### **Certifications Late or Outstanding**

*As of August 7, 2013*

<b>Agency</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>June</b>
Department of Conservation and Recreation	-	-	-	O/S**
Department of Minority Business Enterprise	-	-	-	7/22/13
Norfolk State University	8/2/13	8/2/13	8/2/13	O/S
Virginia Museum of Fine Arts	8/6/13	-	-	-
Wytheville Community College	-	-	-	7/24/13

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

\* The FY 2013 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, 2013. E-mail and Fax copies, were accepted, on July 17th with the expectation that the original would be received, by July 19, 2013.

\*\*The Department of Conservation and Recreation reconciled all balances except for fixed assets to CARS as of June 30, 2013; therefore, the Department of Conservation and Recreation failed to comply with the reconciliation requirements of the Commonwealth Accounting Policies and Procedures (CAPP) Manual, Topic No. 20905.

## 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, 2013, all responses have been received within an acceptable timeframe, except as noted below.

Department of Conservation and Recreation – failure to repay Treasury Loan timely and failure to respond to repeated follow-up communications from Department of Accounts staff. The Treasury Loan had an effective due date of September 30, 2012 and was not paid until July 18, 2013.

## 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, 2013, no agencies failed to respond timely, make corrective action and/or provide additional information.

## Trial Balance Review

*As of July 31, 2013*

<b>Agency</b>	<b>March</b>	<b>April</b>	<b>May</b>	<b>June</b>
None				

## Analysis of Appropriation, Allotments and Expenditures, and Cash Balances

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

DOA contacts agencies in writing about credit cash balances and appropriations versus expenditure anomalies. For the quarter ended June 30, 2013, 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, 2013*

<b>Agency</b>	<b>April</b>	<b>May</b>	<b>June</b>
None			

### Disbursement Processing

During the quarter ended June 30, 2013, DOA deleted, at the submitting agency's request, 53 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.

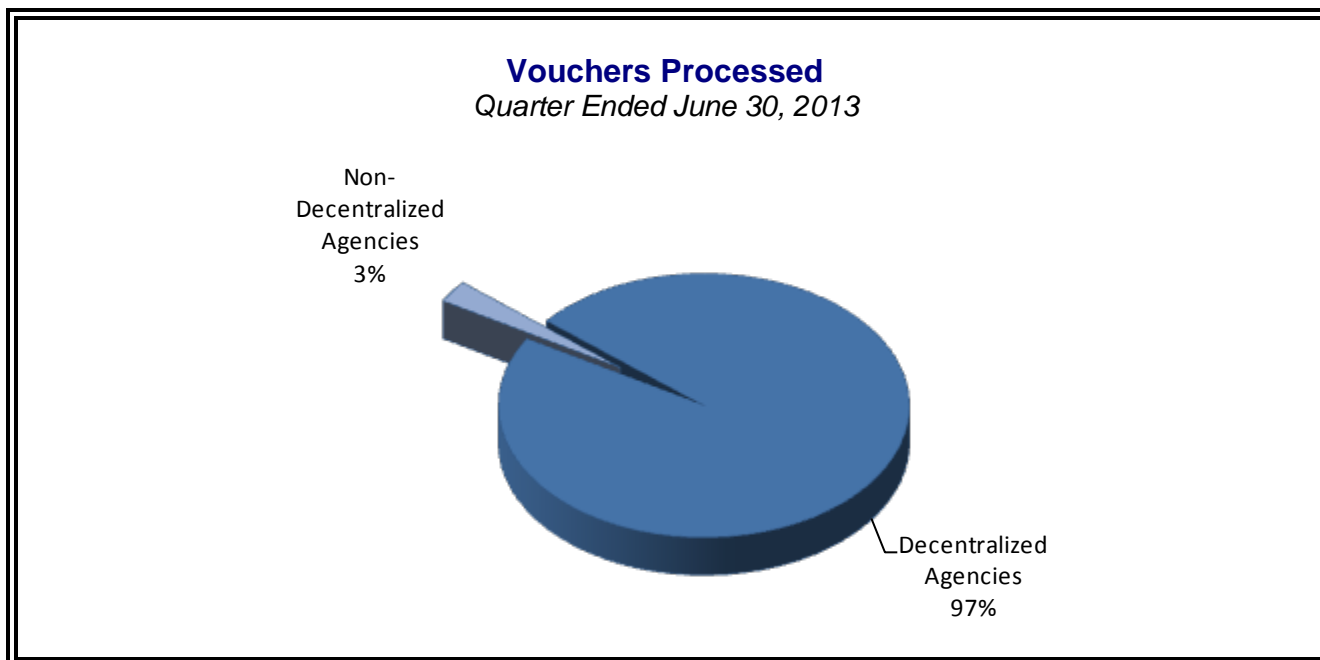
Seventeen separate agencies requested deletes during the quarter. For the quarter ended June 30, 2013, no agency requested more than four vendor payment deletions.



## 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 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 Commonwealth Accounting Policies and Procedures CAPP Manual:

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

Agencies are generally selected each quarter using a systematic risk evaluation of all decentralized agencies. One review was completed for a decentralized agency during this quarter.

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### **Compliant Agencies**

N/A

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### **Agencies Requiring Corrective Action**

The Science Museum of Virginia

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### **Corrective Actions Needed**

Expenditure Documentation and Travel Expenditures





### *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 957 non-travel disbursement batches and 425 travel disbursement batches were reviewed, disclosing nine exceptions that were resolved prior to releasing the transactions for payment.



## Prompt Payment Compliance

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

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

### Statewide Prompt Payment Performance Statistics

	Quarter Ended June 30, 2013		Fiscal Year 2013 To-Date		Comparative Quarter Ended June 30, 2012	
	Late	Total	Late	Total	Late	Total
<b>Number of Payments</b>	5,106	617,650	21,124	2,276,244	<b>4,698</b>	<b>607,926</b>
<b>Dollars (in thousands) \$</b>	35,002	\$1,731,399	\$156,197	\$6,502,450	<b>\$ 49,724</b>	<b>1,740,943</b>
<b>Interest Paid on Late Payments</b>				\$18,337		
<b>Current Quarter Percentage of Payments in Compliance</b>				99.2%		
<b>Fiscal Year-to-Date Percentage of Payments in Compliance</b>				99.1%		
<b>Comparative Fiscal Year 2012 Percentage of Payments in Compliance</b>				<b>99.2%</b>		



## Prompt Payment Performance by Secretarial Area

*Quarter Ended June 30, 2013*

<b>Secretarial Area</b>	<b>Payments in Compliance</b>	<b>Dollars in Compliance</b>
Administration	99.8%	99.8%
Agriculture and Forestry	99.6%	96.0%
Commerce and Trade	99.1%	99.8%
Education*	99.0%	98.4%
Executive Offices	99.1%	98.5%
Finance	99.9%	97.8%
Health and Human Resources	99.4%	95.1%
Independent Agencies	99.6%	99.9%
Judicial	99.9%	99.9%
Legislative	99.6%	99.9%
Natural Resources	99.1%	99.1%
Public Safety	99.4%	99.3%
Technology	99.6%	99.9%
Transportation*	99.2%	96.3%
Veterans Affairs and Homeland Security	98.8%	95.4%
<b>Statewide</b>	<b>99.2%</b>	<b>98.0%</b>

## Prompt Payment Performance by Secretarial Area

*Fiscal Year 2013*

<b>Secretarial Area</b>	<b>Payments in Compliance</b>	<b>Dollars in Compliance</b>
Administration	99.8%	99.5%
Agriculture and Forestry	99.7%	97.8%
Commerce and Trade	99.3%	99.4%
Education *	99.0%	97.9%
Executive Offices	99.2%	97.4%
Finance	99.8%	97.9%
Health and Human Resources	99.1%	97.9%
Independent Agencies	99.5%	99.7%
Judicial	99.9%	99.9%
Legislative	99.7%	99.9%
Natural Resources	99.3%	97.4%
Public Safety	99.4%	98.4%
Technology	99.5%	99.7%
Transportation*	98.8%	93.9%
Veterans Affairs and Homeland Security	99.2%	93.6%
<b>Statewide</b>	<b>99.1%</b>	<b>97.6%</b>

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

For the quarter ended June 30, 2013, 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, 2013**

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
<b>Education</b>			
Gunston Hall	5	80	93.8%
The College of William and Mary in VA	824	14,639	94.4%

For FY 2013, the following agencies that processed 200 or more vendor payments

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

**Prompt Payment Compliance Rate  
Agencies Below 95 Percent  
Fiscal Year 2013**

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
<b>Education</b>			
Gunston Hall	33	242	86.4%

## 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, 2013			Comparative Quarter Ended June 30, 2012
	E-Commerce	Total	Percent	Percent
	Number of Payments	2,496,678	2,849,855	87.6%
Payment Amounts	\$ 8,836,995,944	\$ 9,655,470,535	91.5%	90.5%
	Fiscal Year 2013 To-Date			Comparative Fiscal Year 2012
	E-Commerce	Total	Percent	Percent
	Number of Payments	9,552,890	11,083,438	86.2%
Payment Amounts	\$ 36,114,256,883	\$ 40,187,106,001	89.9%	88.2%

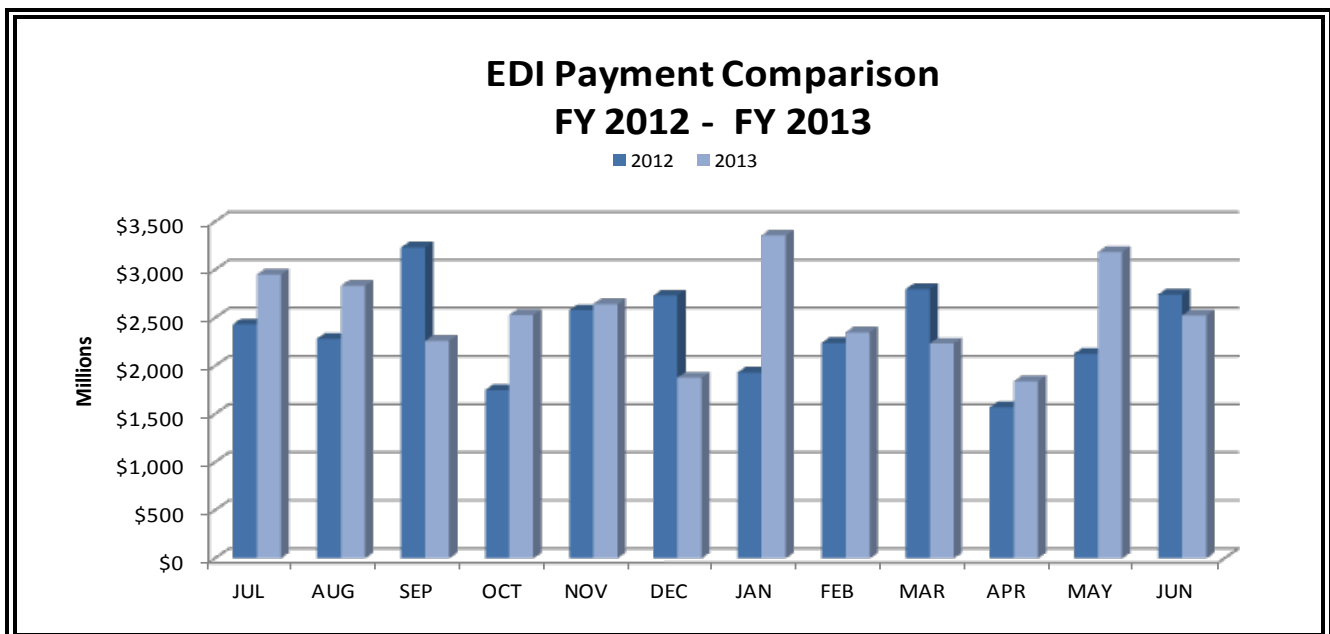
### *Financial Electronic Data Interchange (EDI)*

The dollar volume of Financial EDI payments for the fourth quarter of FY 2013 was over \$1.1 billion (17.2 percent) more than the same quarter last year. The number of trading partner accounts increased by 105.2 percent from June 2012. The increase is due to efforts to convert state employee travel reimbursements from checks to electronic payments. In February 2013, Department of

Accounts began a process efficiency that utilizes employee CIPPS banking for travel reimbursements. This increased the number of payments made via EDI and the number of trading partner accounts. 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, 2013	Fiscal Year 2013 To-Date	Comparative Fiscal Year 2012 To-Date
Number of Payments	73,126	251,159	230,362
Amount of Payments	\$ 7,551,525,504	\$ 30,594,050,987	\$ 28,431,369,562
Number of Invoices Paid	216,521	826,888	815,935
Estimated Number of Checks Avoided	115,274	418,495	341,990
Number of Trading Partner Accounts as of 6/30/13		125,226	61,037



## *Travel EDI*

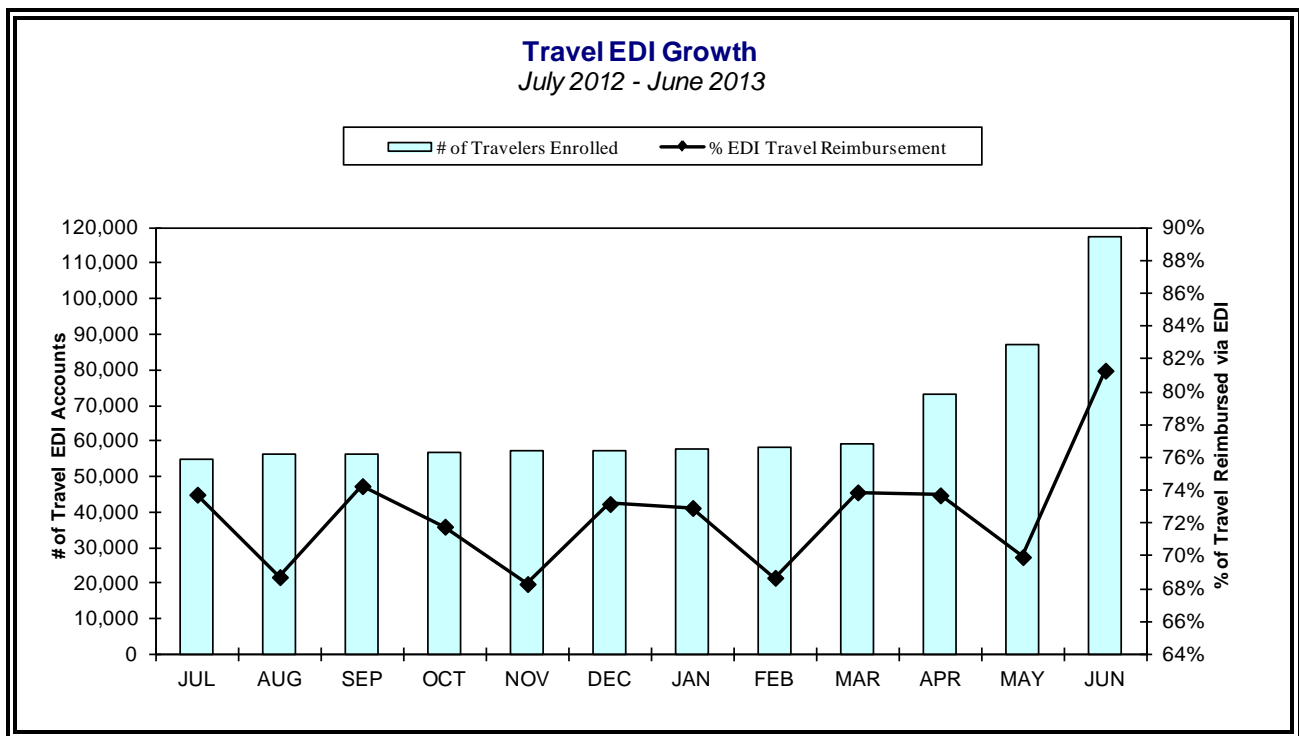
Expansion of the Travel EDI program is an integral part of the statewide effort to reduce the administrative costs associated with paying for goods and services for the Commonwealth. The Appropriation Act requires employees who travel more than twice a year to be reimbursed using EDI. Per Chapter 806, 2013, Virginia Acts of Assembly §4-5.04 e.5. *State employees traveling on official business of state government shall be reimbursed for their travel costs using the same bank account authorized by the employee in which their net pay is direct deposited.*

DOA completed implementation of this change in May 2013. The change does not apply to employees whose net pay goes to an EPPI Card. Those employees should provide a bank account for travel reimbursements.

Quarterly utilization statistics are provided to the EDI Coordinators of each agency in an effort to identify areas where EDI can be expanded.

In accordance with §4-5.04 f. 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 2013, 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, 2013*

<b>Secretarial Area</b>	<b>Employee Percent</b>	<b>Non-Employee Percent</b>	<b>Reimbursement Checks Issued</b>
Administration	94.9%	45.5%	21
Agriculture and Forestry	98.7%	9.2%	87
Commerce and Trade	97.7%	75.9%	110
Education (1)	89.2%	34.6%	1,685
Executive Offices	98.4%	0.0%	14
Finance (2)	98.1%	40.0%	23
Health and Human Resources	96.9%	36.3%	727
Independent Agencies	97.2%	30.8%	69
Judicial	66.3%	8.2%	2,259
Legislative	91.1%	66.7%	58
Natural Resources	96.7%	64.0%	71
Public Safety	96.6%	8.7%	567
Technology	100.0%	37.5%	5
Transportation (1)(2)	36.9%	57.1%	4,952
Veterans Affairs and Homeland Security	81.8%	41.7%	93
<b>Statewide for Quarter</b>	<b>79.9%</b>	<b>30.8%</b>	<b>10,741</b>
<i>Fiscal Year 2013 To-Date</i>			
<b>Statewide</b>	<b>77.5%</b>	<b>28.5%</b>	<b>36,840</b>
<i>Comparative Fiscal Year 2012 To-Date</i>			
<b>Statewide</b>	<b>81.7%</b>	<b>28.3%</b>	<b>29,311</b>

- (1) Statistics do not include agencies and institutions decentralized for vendor payment processing.  
(2) Statistics include both travel and non-travel payments.



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**

<b>Agency</b>	<b>Percent</b>	<b>Reimbursement Checks Issued</b>
<b>Education</b>		
Lord Fairfax Community College	83.1%	42
John Tyler Community Collge	82.1%	31
Southside Virginia Community College	67.5%	38
Norfolk State University	51.0%	146
<b>Judicial</b>		
Supreme Court	75.4%	212
Juvenile and Domestic Relations District Courts	55.2%	236
General District Courts	50.9%	344
Combined District Courts	48.1%	177
Circuit Courts	47.9%	424
<b>Public Safety</b>		
Department of Military Affairs	81.8%	50
Department of Emergency Management	76.3%	49
<b>Transportation</b>		
Department of Transportation	29.4%	4,924

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**

<b>Agency</b>	<b>Percent</b>	<b>Reimbursement Checks Issued</b>
<b>Agriculture and Forestry</b>		
Department of Agriculture and Consumer Services	8.3%	66
<b>Education</b>		
Virginia Commission for the Arts	2.6%	38
Christopher Newport University	2.4%	82
Longwood University	0.0%	132
Norfolk State University	0.0%	26
Virginia Military Institute	0.0%	27
<b>Health and Human Resources</b>		
Department of Health	8.3%	255
<b>Judicial</b>		
Circuit Courts	9.6%	291
Virginia State Bar	1.7%	344
<b>Public Safety</b>		
Department of Criminal Justice Services	2.7%	143
Commonwealth Attorneys' Services Council	1.2%	85
Department of Forensic Science	0.0%	98

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 2013, the charge is \$5 per check. These statistics indicate noncompliance with §4-5.04f of the Appropriation Act which requires that all employees likely to travel more than twice per year be reimbursed for travel costs using electronic data interchange.

**Agency Non-Compliance Travel Check Charges  
Utilization Below 80 Percent**

<u>Agency</u>	<u>Percent</u>	<u>Year-to-date Charges</u>
<b>Education</b>		
Norfolk State University	51.0%	\$1,005.00
<b>Transportation</b>		
Department of Transportation	29.4%	\$15,115.00
<b>Judicial</b>		
Supreme Court	75.4%	\$925.00
Juvenile and Domestic Relations District Courts	55.2%	\$4,470.00
General District Courts	50.9%	\$5,535.00
Combined District Courts	48.1%	\$2,665.00
Circuit Courts	47.9%	\$10,740.00



***Direct Deposit***

During the fourth quarter of FY 2013, 461,003 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, 2013*

<b>Secretarial Area</b>	<b>Direct Deposit % of Salaried Employees</b>	<b>Direct Deposit % of Wage Employees</b>
Administration	100.0%	100.0%
Agriculture and Forestry	99.2%	97.0%
Commerce and Trade	99.9%	100.0%
Education	99.5%	97.5%
Executive Offices	100.0%	77.8%
Finance	99.7%	99.4%
Health and Human Resources	99.8%	98.9%
Independent Agencies	99.4%	100.0%
Judicial	99.7%	85.5%
Legislative	99.6%	100.0%
Natural Resources	99.7%	96.4%
Public Safety	99.8%	98.6%
Technology	100.0%	100.0%
Transportation	99.9%	99.3%
Veterans Affairs and Homeland Security	99.8%	99.4%
<b>Statewide</b>	<b>99.7%</b>	<b>97.7%</b>
<i>Comparative</i>		
<i>Quarter Ended June 30, 2012</i>		
<b>Statewide</b>	<b>99.7%</b>	<b>97.1%</b>

## Statewide Salaried Direct Deposit Performance

Quarter Ended June 30, 2013

<b>Salaried Direct Deposit Participation</b>	<b>99.7%</b>
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### Salaried Direct Deposit Below 98 Percent

<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
<b>Education</b>		
State Council of Higher Education for Virginia	97.3%	37
J. Sargeant Reynolds Community College	91.9%	578

## Statewide Wage Direct Deposit Performance

Quarter Ended June 30, 2013

<b>Wage Direct Deposit Participation</b>	<b>97.7%</b>
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### Wage Direct Deposit Below 90 Percent

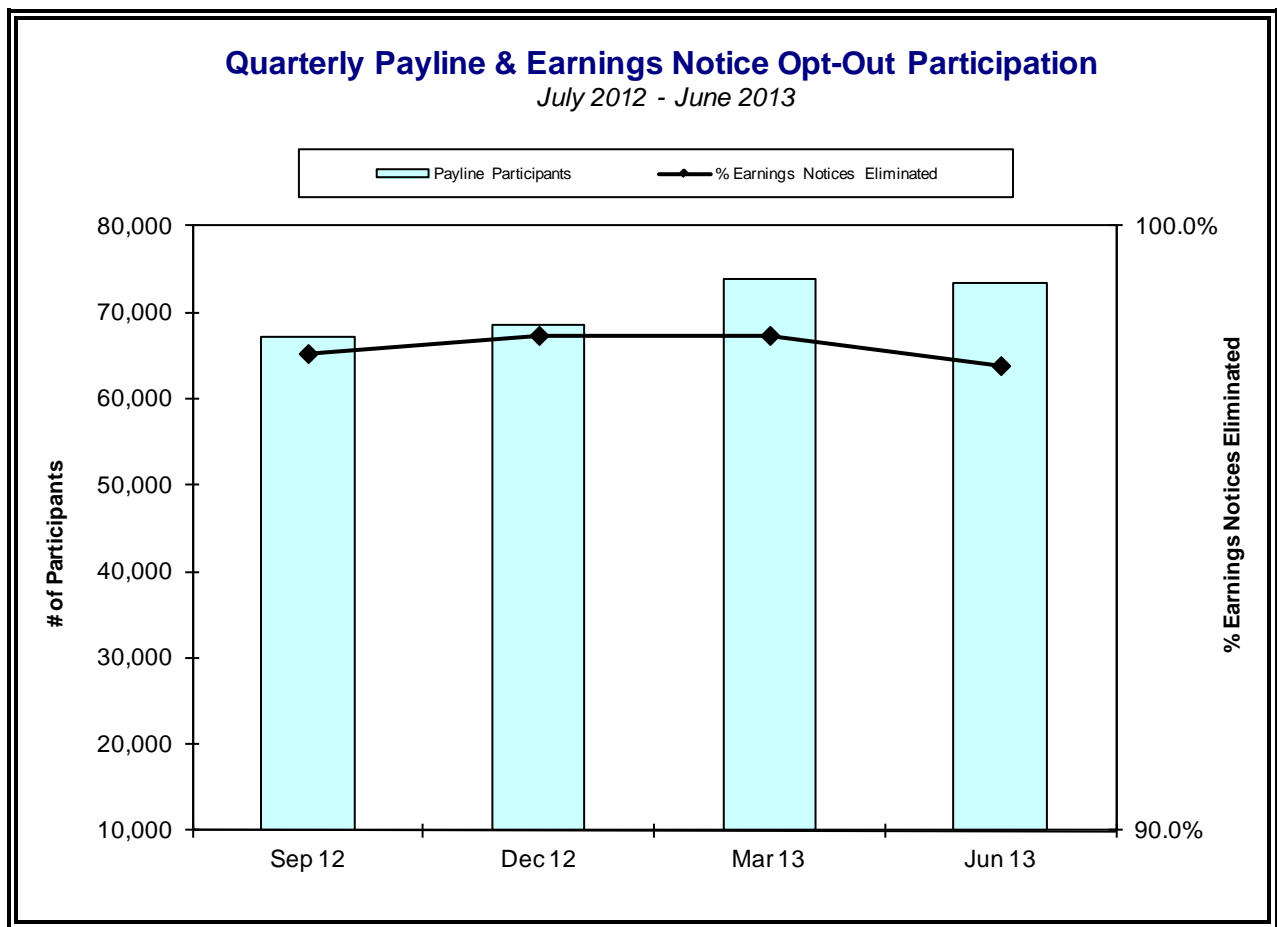
<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
<b>Education</b>		
Radford University	86.3%	430
Virginia Highlands Community College	74.0%	146
<b>Judicial</b>		
General District Courts	78.5%	191



## 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 11,075,277 earnings notices.



Note: The report used to count the number of Payline participants was modified to more accurately count the number of records in Payline for quarter ending March 2013.

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, 2013*

<u>Secretarial Area</u>	<u>Percent Payline Participation</u>	<u>Percent Earnings Notices Eliminated*</u>
Administration	98.5%	100.0%
Agriculture and Forestry	88.5%	90.4%
Commerce and Trade	97.6%	100.0%
Education	74.9%	98.9%
Executive Offices	91.9%	100.0%
Finance	98.5%	100.0%
Health and Human Resources	91.4%	98.3%
Independent Agencies	93.8%	100.0%
Judicial	86.2%	93.5%
Legislative	66.9%	76.0%
Natural Resources	69.8%	74.7%
Public Safety	89.1%	100.0%
Technology	95.7%	100.0%
Transportation	95.8%	100.0%
Veterans Affairs and Homeland Security	70.8%	70.1%
<b>Statewide</b>	<b>86.0%</b>	<b>97.7%</b>
<i>Comparative Quarter Ended June 30, 2012</i>		
<b>Statewide</b>	<b>83.5%</b>	<b>97.6%</b>

\* 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, employees in specific units or all employees.

Most agencies elected a global opt-out in response to the January 1, 2009, mandate. Only 20 agencies have not chosen a global opt-out and participation is reviewed to monitor progress. As of June 30, 2013, the following agency agencies have not met their established thresholds for eliminating earnings notice print.

### Earnings Notice Elimination

<b>Agency</b>	<b>Percent Earnings Notices Eliminated QE 06/30/2013</b>	<b>Percent Earnings Notices Eliminated QE 03/31/2013</b>
<b>Education</b>		
Eastern Shore Community College	63.6%	58.0%
Frontier Culture Museum of Virginia	44.6%	56.0%
Southwest Virginia Community College	87.3%	79.8%
Virginia Highlands Community College	71.6%	65.3%
<b>Judicial</b>		
General District Courts	87.8%	90.0%



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

Two purchasing charge card programs offer State agencies and institutions alternative payment methods that improve administrative efficiency by consolidating invoice and payment processing for purchases of less than \$50,000. Use of the purchasing charge cards decreases the number of checks issued and the associated administrative costs of processing invoices. Suppliers benefit from expedited receipt of payments and reduced billing costs. The Small Purchase Charge Card continues to be used for purchases under \$5,000. Agencies are strongly encouraged to obtain a Gold Card for use for purchases up to \$50,000.

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

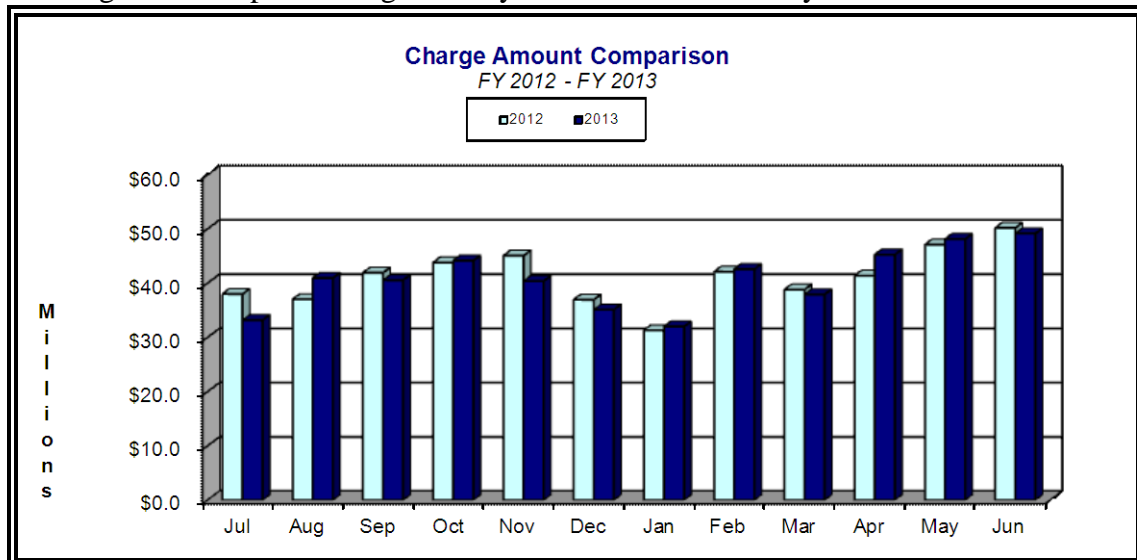
The total amount charged on SPCC, Gold and ePayables cards during the fourth quarter of FY 2013 increased by \$3.9 million or 2 percent from the same quarter last year.

#### Small Purchase Charge Card Program

Charge Card Activity	Quarter Ended June 30, 2013	Fiscal Year 2013 To-Date	Comparative Fiscal Year 2012 To-Date
Amount of Charges	\$ 142,530,241	\$ 489,339,996	\$ 493,595,712
Estimated Number of Checks Avoided	204,305	752,119	755,105
Total Number of Participating Agencies		202	209
Total Number of Cards Outstanding*		14,722	14,655

\* Individual Liability Travel Charge Cards have been removed from the total Cards Outstanding counts for Fiscal Year-To-Date 2012 and 2013.

The following chart compares charge activity for FY 2013 to activity for FY 2012:



### *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](mailto:cca@doa.virginia.gov).

### **Statewide SPCC Performance**

*Quarter Ended June 30, 2013*

Percentage Utilization for Eligible Transactions

**87%**

## SPCC Utilization by Secretarial Area

Quarter Ended June 30, 2013

Secretarial Area	Payments in Compliance <sup>(1)</sup>	Non-Compliant Transactions <sup>(2)</sup>
Administration	88%	431
Agriculture and Forestry	95%	197
Commerce and Trade	85%	591
Education*	88%	5,537
Executive Offices	90%	87
Finance	95%	139
Health and Human Resources**	90%	3,801
Independent Agencies	81%	668
Judicial	39%	2,127
Legislative	96%	47
Natural Resources	94%	823
Public Safety	95%	2,064
Technology	78%	78
Transportation*	72%	7,597
Veterans Affairs and Homeland Security	81%	508
<b>Statewide</b>	<b>87%</b>	<b>24,695</b>

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

\*\* Department for Aging and 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**

<b>Agency</b>	<b>Payments in Compliance</b>	<b>Non-Compliant Transactions</b>
<b>Commerce and Trade</b>		
Virginia Employment Commission	49%	437
<b>Education</b>		
Norfolk State University	73%	565
<b>Executive Offices</b>		
Office of the State Inspector General	9%	30
<b>Health and Human Resources</b>		
Department of Behavioral Health and Developmental Services	75%	116
Central Virginia Training Center	71%	348
Northern Virginia Training Center	71%	201
<b>Independent Agencies</b>		
State Corporation Commission	12%	496
<b>Judicial</b>		
Supreme Court	71%	158
Board of Bar Examiners	0%	40
Circuit Courts	0%	217
Combined District Courts	0%	180
General District Courts	0%	777
Juvenile and Domestic Relations District Court	0%	488
Magistrate System	0%	120
Virginia Criminal Sentencing Commission	0%	34
<b>Legislative</b>		
Commission on the Virginia Alcohol Safety Action Program	69%	31
<b>Technology</b>		
Virginia Information Technologies Agency	78%	78
<b>Transportation</b>		
Department of Transportation	70%	7,065
<b>Veterans Affairs and Homeland Security</b>		
Sitter-Barfoot Veterans Care Center	48%	445

**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 7<sup>th</sup> 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) business days is reported. For the month of April, this represents the bill date of April 15, 2013, 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.

<u>Agency</u>	<u>Apr</u>	<u>May</u>	<u>June</u>
<b><u>Purchase Card Program:</u></b>			
<b>Legislative</b>			
Division of Legislative Automated Systems	X		
Virginia Commission on Youth			X
<b>Independent Agencies</b>			
Virginia Office for Protection and Advocacy	X		
<b><u>Airline Card Program:</u></b>			
<b>Independent Agencies</b>			
State Corporation Commission			X



## *Travel Charge Card*

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

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

The contract provides for the following actions on delinquent accounts:

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

The following table identifies the number of delinquent card accounts with Bank of America by agency during the quarter ended June 30, 2013, and the total amounts past due.

### **Travel Charge Card Program**

*As of June 30, 2013*

<u>Agency</u>	<u>Total Delinquent Accounts</u>	<u>Amounts 60 Days Past Due</u>	<u>Amounts 90-120 Days Past Due</u>	<u>Amounts &gt;150 Days Past Due</u>
<b>Commerce and Trade</b>				
Department of Labor and Industry	1	135	0	0
<b>Education</b>				
Eastern Shore Community College	1	217	0	0
George Mason University	1	513	0	0
James Madison University	3	2,182	0	0
Longwood University	2	602	0	0
Norfolk State University	12	1,996	1,485	0
Old Dominion University	1	26	0	0
Thomas Nelson Community College	1	656	0	0
University of Virginia	4	2,302	831	0
Virginia Commonwealth University	3	1,676	0	0
Virginia Polytechnic Institute and State University	2	2,028	0	0
Virginia State University	1	0	728	0



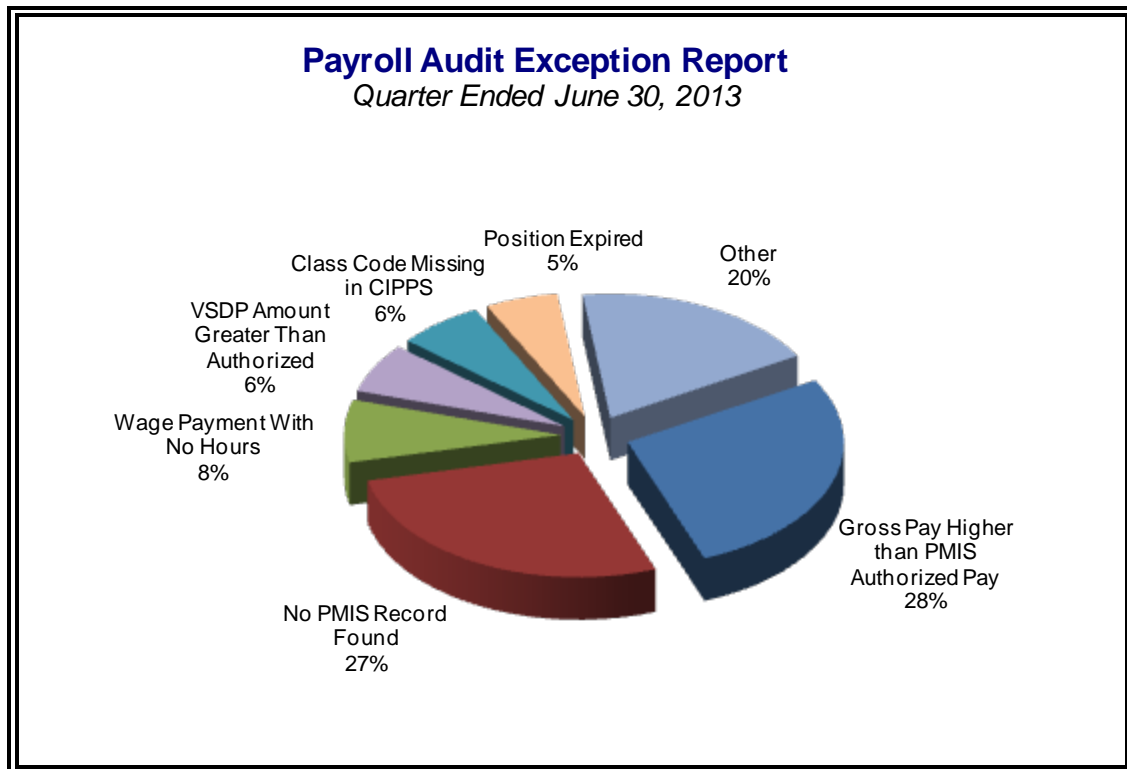
## Payroll Controls

### *CIPPS/PMIS Payroll Audit*

During the quarter, DOA's automated comparison of payroll (CIPPS) and personnel (PMIS) records examined 479,852 salaried pay transactions and 143,120 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 3,523 new exceptions noted statewide during the quarter, with an overall exception rate of 0.53%.

The statewide salaried payroll exception rate was 0.47% and the wage payroll exception rate was 0.74%. During this quarter, 23 employee paychecks were reduced to recover \$11,418.37 in overpayments.

While the largest cause of exceptions is the result of agency failure to complete the salary increase authorization process by updating PMIS salary amounts *prior* to paying the increased salary amounts in CIPPS, the second largest cause of exceptions is the processing of payments to salaried employees who no longer have an active record set up in the PMIS system for their current agency. The PMIS authorization is an important internal control over payroll processing. Such exceptions can largely be avoided through timely PMIS data entry by agency Human Resource staff. Although segregation of these Human Resource and Payroll functions is an effective internal control, coordination and communication between agency Human Resource and Payroll staffs is essential.





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

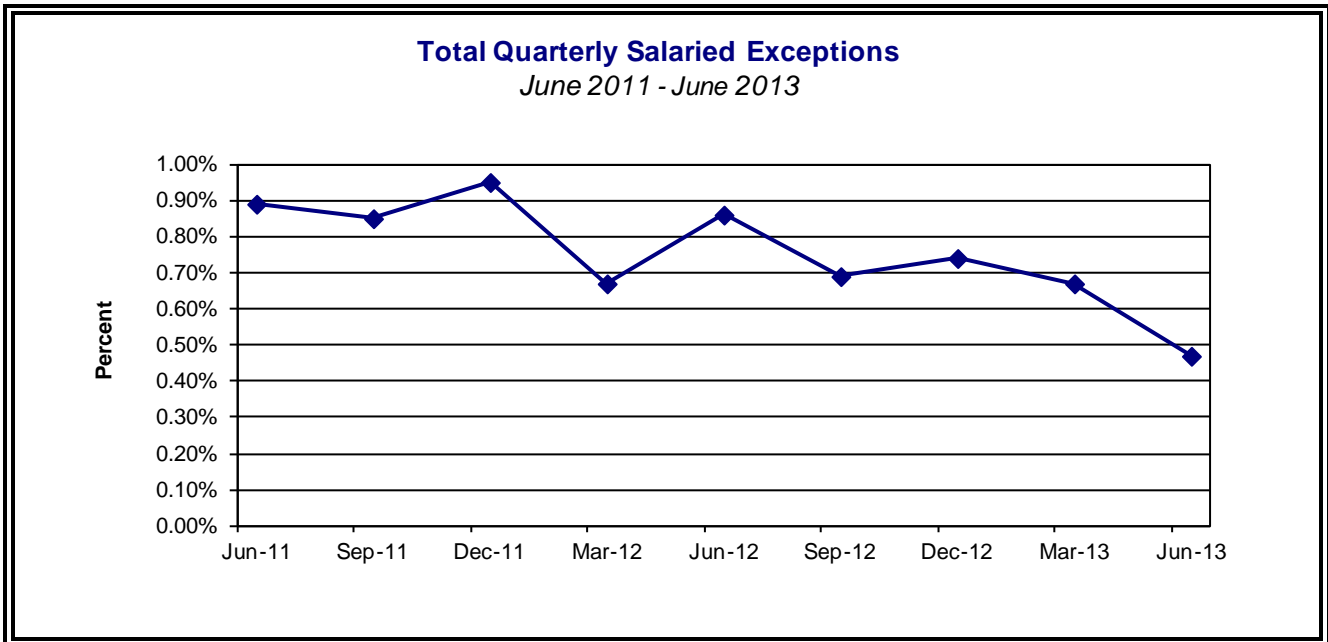
of payroll exceptions to salaried or wage payments exceeds three times the statewide average for the quarter.

**Payroll Exception Audit**  
**Agency Payroll Exceptions as a Percent of Salaried Payments**  
*Quarter Ended June 30, 2013*

<u>Agency</u>	<u># of Salaried Exceptions</u>	<u>Exceptions as a % of Salaried Payments</u>
None		

<b>Total Salaried Payroll Exceptions for the Quarter</b>	<b>0.47%</b>
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The following chart compares payroll exceptions as a percentage of salaried payments by quarter for the past two years.



**Payroll Exception Audit**  
**Agency Payroll Exceptions as a Percent of Wage Payments**  
*Quarter Ended June 30, 2013*

<b>Wage Payroll Exceptions for the Quarter</b>	<b>0.74%</b>
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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.

<u>Agency</u>	<u>Unresolved Exceptions</u>
<b><i>Education</i></b>	
Piedmont Virginia Community College	5
Lord Fairfax Community College	2
<b><i>Health and Human Resources</i></b>	
Southwestern Virginia Training Center	5
<b><i>Public Safety</i></b>	
Department of Juvenile Justice	11



## *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)
<b>Education</b>				
Department of Education	\$ 28,858			
Germanna Community College		1		
J. Sargeant Reynolds Community College	220,214			
John Tyler Community College	33,485			
New River Community College			5	
Piedmont Community College	* 36,607			
Virginia State University	25,450			
<b>Health and Human Resources</b>				
Central State Hospital		1		
Central Virginia Training Center		1		
Eastern State Hospital	1,490,071			
<b>Public Safety</b>				
Central Region Correctional Field Units		1		
Deerfield Correctional Center		1		
Greenville Correctional Center		1		
Marion Correctional Treatment Center		1		
Nottoway Correctinal Center		1		
St. Brides Correctional Center		1		
Sussex I State Prison		1		
<b>Transportation</b>				
Department of Transportation	8,067,000			

\* Explanation for gross pay difference submitted late

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 04/30/2013, 05/31/2013 and 06/14/2013, respectively.

**Schedule of Health Care Reconciliations  
Received Late**

Agency	Mar	Apr	May
Virginia Parole Board	x		



## FINANCIAL MANAGEMENT ACTIVITY

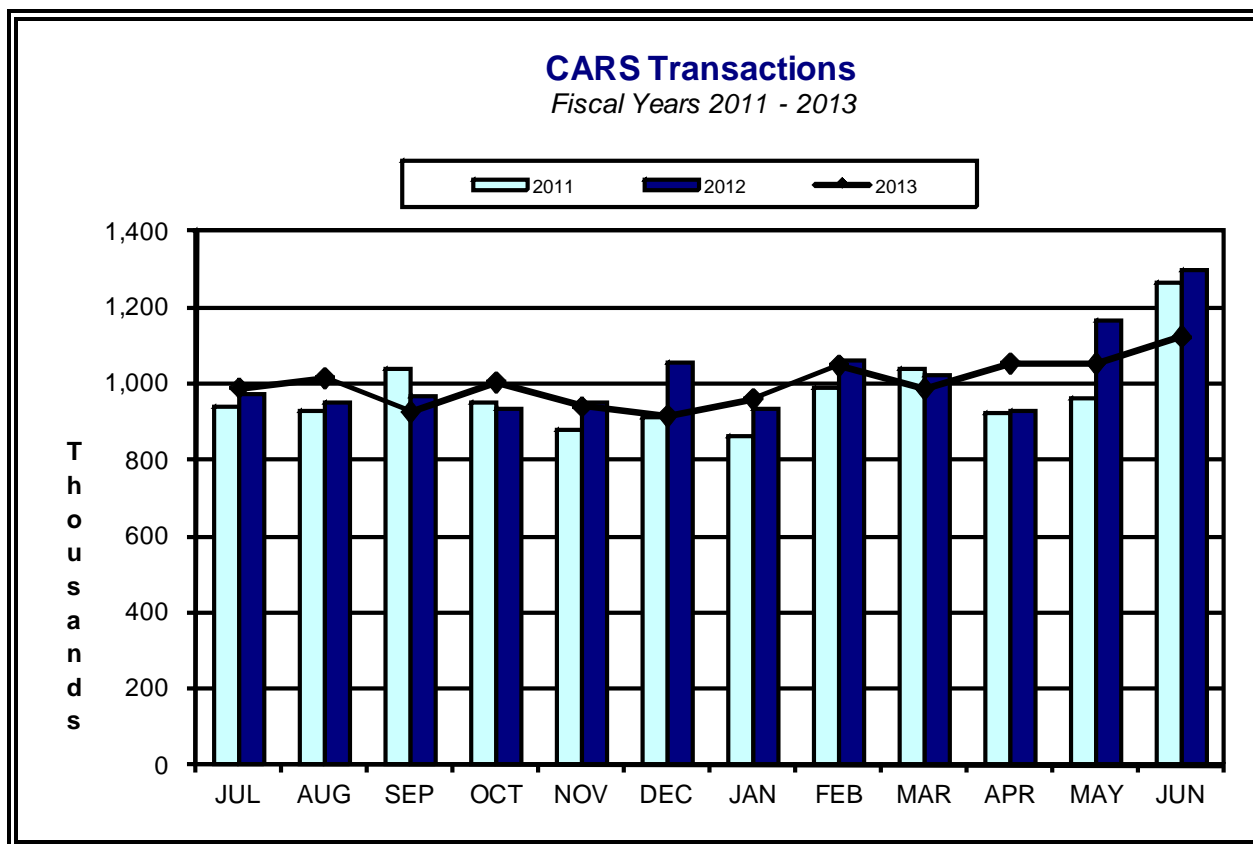
DOA monitors several types of financial activity. Various measures are used to track activities for CARS, payroll, accounts

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.

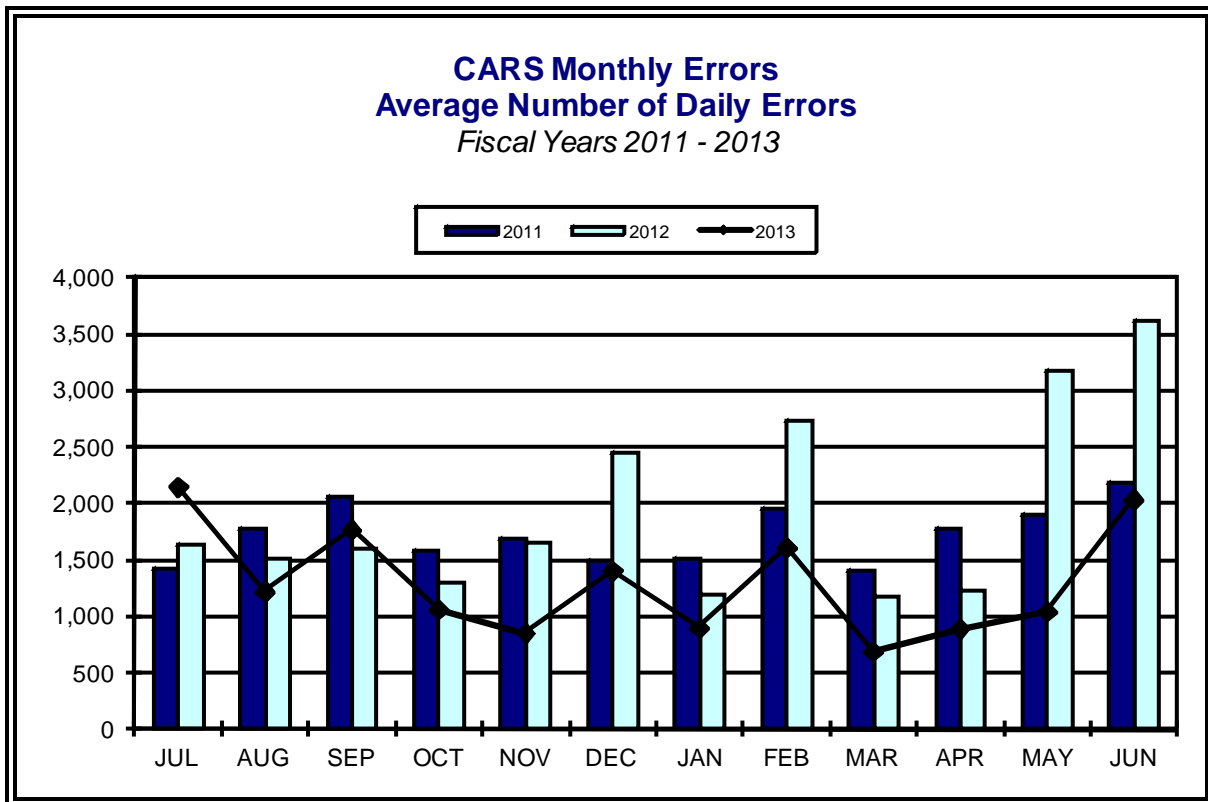


### *CARS Edits*

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 2013, 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.

- Expenditures > Allotment
- Available Negative Cash
- AP Match not Found

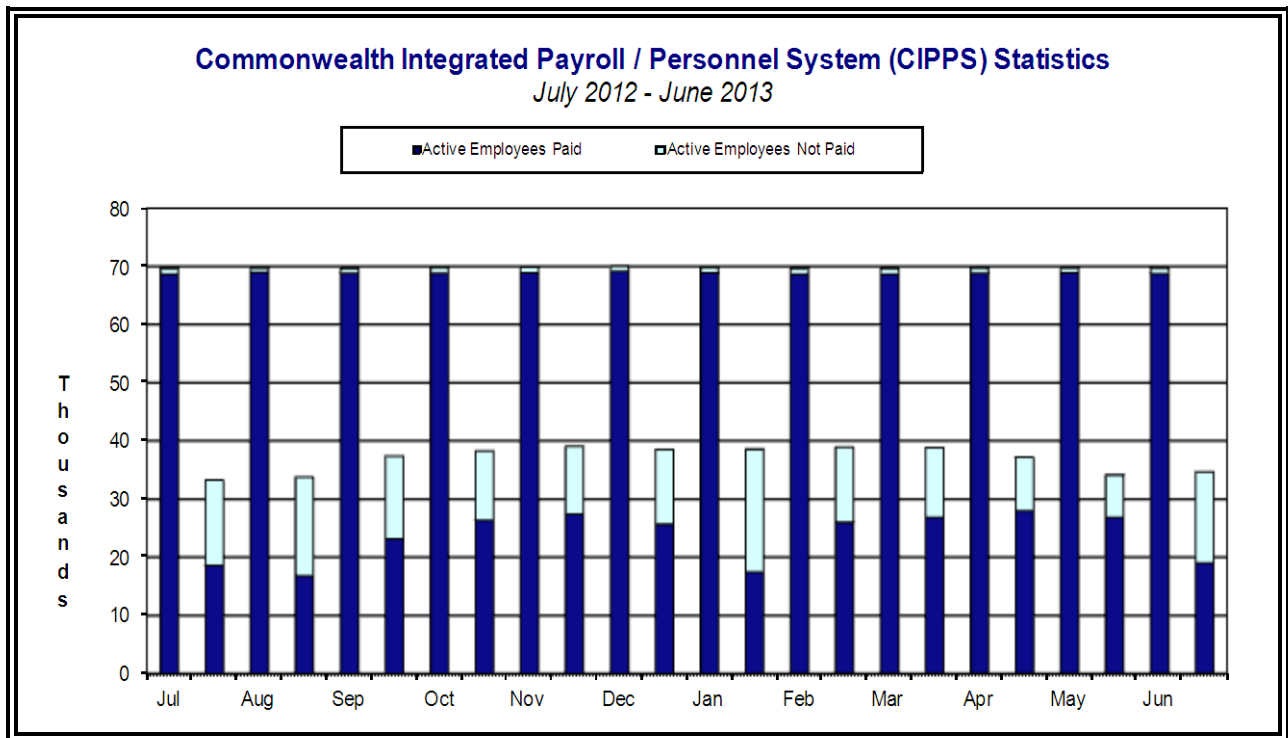




**Payroll**

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 105,047 employees. Payroll services are also provided through eight decentralized higher education institutions.

On average, 93,399 employees were paid each month, of which 68,800 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**

<b>Benefit</b>	<b>As of 6/30/2013</b>	<b>Comparative</b>	
		<b>As of 6/30/2012</b>	<b>As of 6/30/2011</b>
<b>Health Care</b>			
COVA Care	76,023	74,250	73,690
COVA Connect	6,285	7,582	7,513
Kaiser	2,061	2,141	2,140
Tricare	43	22	N/A
<b>Optional Retirement Plans*</b>			
Fidelity Investments	566	528	494
TIAA/CREF	1,515	1,489	1,442
Political Appointee - ORP	44	102	92
<b>Deferred Compensation*</b>	43,575	42,807	40,937
<b>Flexible Reimbursement*</b>			
Dependent Care	830	804	776
Medical Care	8,457	7,528	7,353

\* 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.

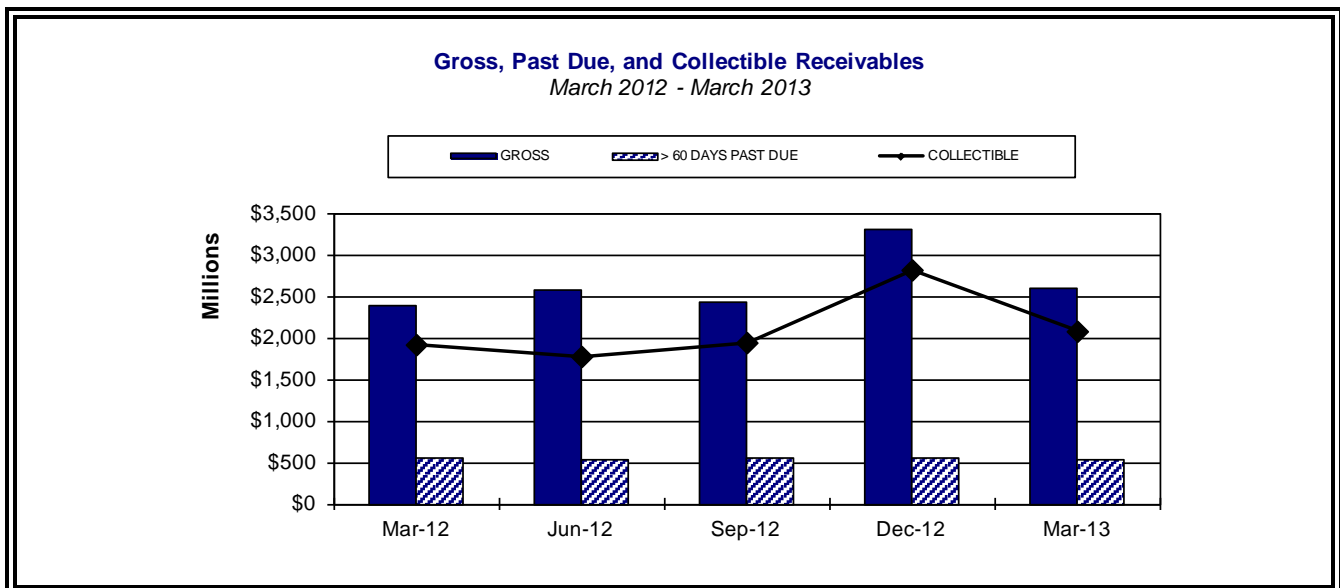
In an effort to present more meaningful information, DOA continues to exclude data from the tables (except for the final table on past due receivables) from the Department of Taxation, consisting largely of statutory assessments and non-filers assessments, and the circuit and district courts, which report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

Commonwealth agencies and institutions reported adjusted gross receivables of \$2.59

billion at March 31, 2013, with \$2.08 billion considered collectible. Receivables over 60 days past due as of March 31, 2013, totaled \$526.9 million. Of that amount, \$33.0 million was placed with private collection agencies, \$53.0 million was placed with the Division of Debt Collection and \$440.9 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, 2013, agencies expected to collect \$2.08 billion (80 percent) of the \$2.59 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*

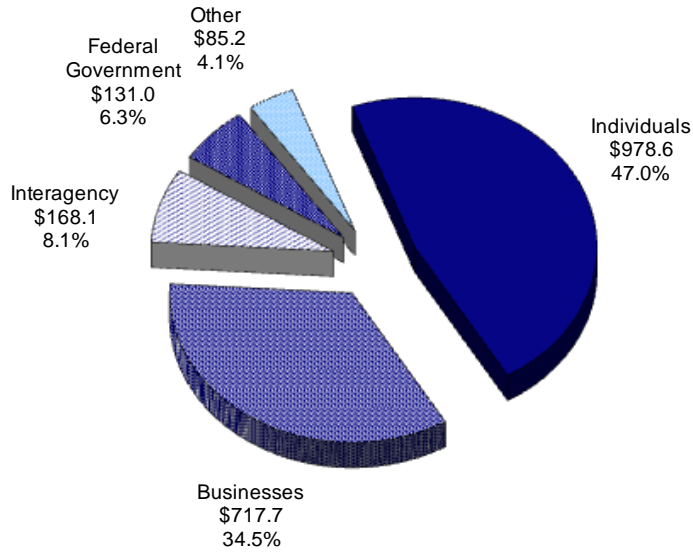
*As of March 31, 2013*

Fund	Source	Amount	Percent
<b>General Fund</b> 1%	Medicaid - Current Recoveries	\$ 17,137,733	55%
	Social Services	3,302,583	11%
	Labor and Industry Inspections	779,706	2%
	State Police Permits	1,540,042	5%
	Corrections	1,161,415	4%
	Other	2,931,014	10%
	Subtotal	26,852,493	87%
	Interagency Receivables	3,934,331	13%
<b>Total General Fund Collectible</b>		<b>\$ 30,786,824</b>	<b>100%</b>
<b>Nongeneral Funds</b> 99%	Medicaid - Dedicated Penalty Fees	\$ 73,592,464	4%
	Medicaid - Federal Reimbursements	13,673,335	1%
	Unemployment Taxes *	531,887,320	26%
	Transportation	49,580,785	2%
	Child Support Enforcement	184,995,162	9%
	Federal Government	65,772,298	3%
	DBHDS Patient Services	32,394,743	2%
	Hospital	472,115,291	23%
	Enterprise	83,020,267	4%
	Higher Education	332,495,422	16%
	Other	46,103,549	2%
	Subtotal	1,885,630,636	92%
	Interagency Receivables	164,202,921	8%
<b>Total Nongeneral Fund Collectible</b>		<b>\$ 2,049,833,557</b>	<b>100%</b>
<b>All Funds</b>	<b>Grand Total</b>	<b>\$ 2,080,620,381</b>	<b>100%</b>

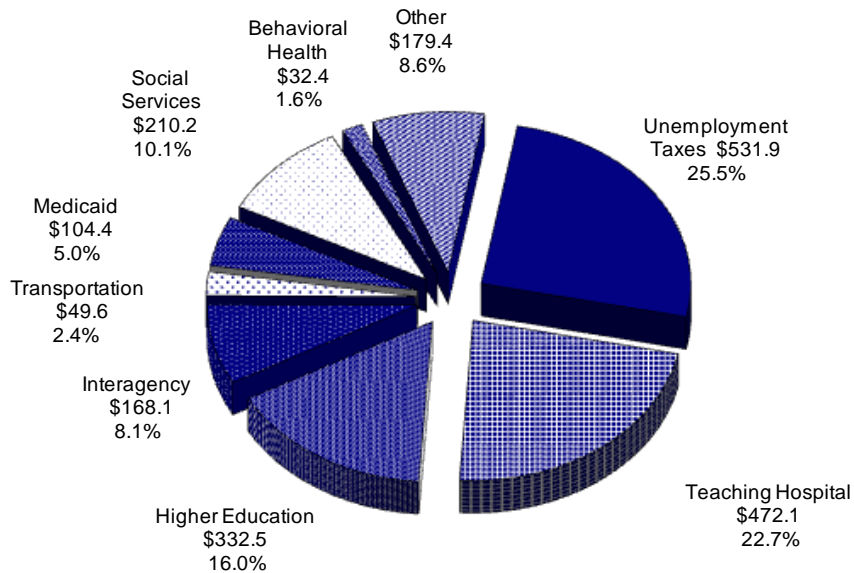
\* Note: The Virginia Employment Commission provides Unemployment Taxes Information.

## Summary of Receivables by Source

**Sources of Collectible Receivables by Debtor**  
(dollars in millions)  
As of March 31, 2013



**Sources of Collectible Receivables by Type**  
(dollars in millions)  
As of March 31, 2013



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

percent of the adjusted collectible accounts receivable balances.

**Accounts Receivable Summary**  
*Not Including Circuit Courts, District Courts, or Department of Taxation*  
*As of March 31, 2013*

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
Virginia Employment Commission	\$ 600,594,449	\$ 63,977,338	\$ 536,617,111
University of Virginia Medical Center	527,916,137	21,832,444	506,083,693
Department of Social Services	540,479,072	324,961,346	215,517,726
Virginia Polytechnic Institute and State University	107,338,004	2,668,431	104,669,573
Department of Medical Assistance Services	141,331,844	36,746,279	104,585,565
State Lottery Department	67,340,296	-	67,340,296
University of Virginia - Academic Division	63,113,459	213,325	62,900,134
George Mason University	54,076,071	1,446,829	52,629,242
Virginia Commonwealth University	53,887,629	5,467,382	48,420,247
Virginia Information Technologies Agency	43,984,645	-	43,984,645
<b>Total</b>	<b>\$ 2,200,061,606</b>	<b>\$ 457,313,374</b>	<b>\$ 1,742,748,232</b>
All Other Agencies	388,741,980	50,869,831	337,872,149
<b>Grand Total</b>	<b>\$ 2,588,803,586</b>	<b>\$ 508,183,205</b>	<b>\$ 2,080,620,381</b>

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 \$54.6 million during the quarter ended March 31, 2013. The Division of Debt Collection contributed \$1.9 million. Private collection agencies collected \$2.1 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected \$50.6 million.

Private collection agencies returned \$11.5 million of accounts to agencies, and the Division of Debt Collection discharged \$2.7 million of accounts and returned \$1.0 million of accounts to agencies.

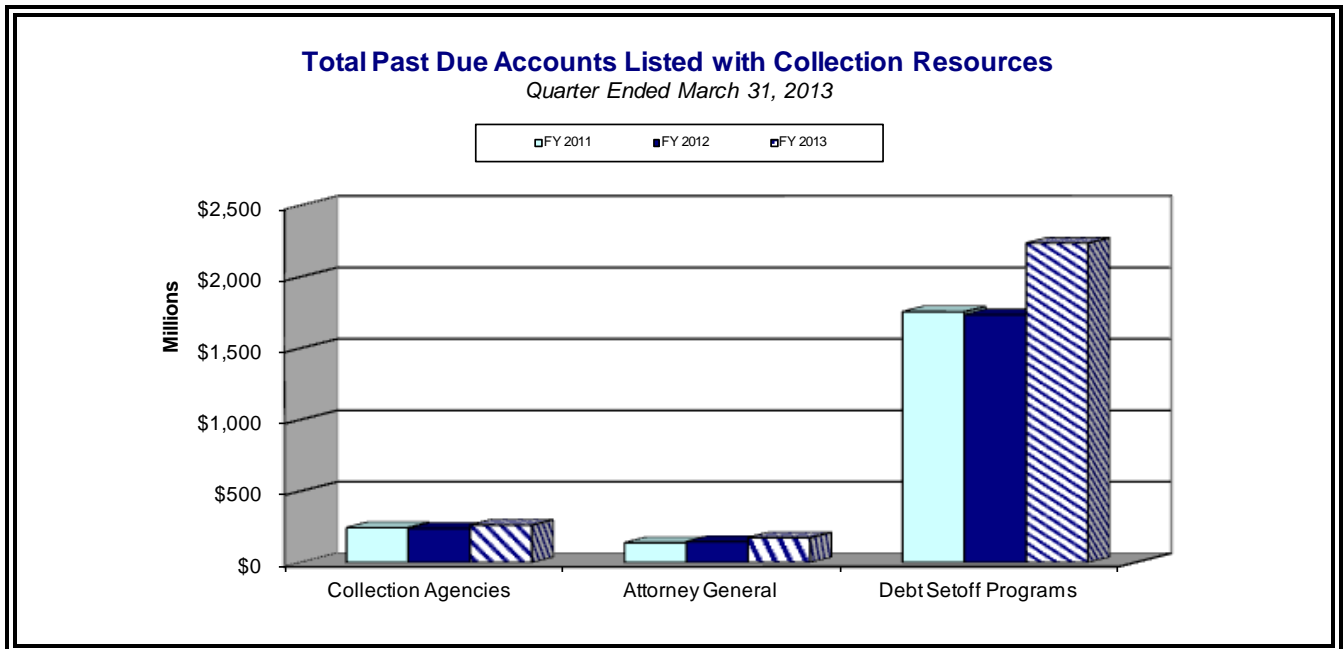
## Collectible Receivables Over 60 Days Past Due

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

As of March 31, 2013

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	\$ 189,215,560	\$ 2,910	\$ 54,215	\$ 189,158,435
Virginia Employment Commission	69,418,454	21,900,907	28,660,388	18,857,159
Department of Medical Assistance Services	66,144,886	296,202	4,854,425	60,994,259
University of Virginia Medical Center	59,511,692	-	-	59,511,692
Department of Behavioral Health and Developmental Services	26,565,723	-	-	26,565,723
Virginia Commonwealth University	22,996,560	254,519	171,021	22,571,020
Virginia Community College System	10,612,550	4,172,941	98,246	6,341,363
Department of Transportation	9,286,196	136,448	6,767,776	2,381,972
University of Virginia - Academic Division	7,780,042	721,338	44,247	7,014,457
Virginia Polytechnic Institute and State University	7,219,425	999,629	1,050,031	5,169,765
<b>TOTAL</b>	<b>\$ 468,751,088</b>	<b>\$ 28,484,894</b>	<b>\$ 41,700,349</b>	<b>\$ 398,565,845</b>
All Other Agencies	58,160,799	4,536,373	11,264,381	42,360,045
<b>TOTAL OVER 60 DAYS</b>	<b>\$ 526,911,887</b>	<b>\$ 33,021,267</b>	<b>\$ 52,964,730</b>	<b>\$ 440,925,890</b>
Uncollectible Amounts Placed for Collection, Including Accounts Written Off	2,147,214,387	230,063,548	121,598,263	1,795,552,576
<b>TOTAL COLLECTION EFFORTS</b>	<b>\$ 2,674,126,274</b>	<b>\$ 263,084,815</b>	<b>\$ 174,562,993</b>	<b>\$ 2,236,478,466</b>

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 \$8.6 million through the fourth quarter of FY 2013. 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 3/31/13	Comparative	
		Percent 12/31/12	Percent 9/30/12
Department of Medical Assistance Services	47%	44%	71%
Department of Behavioral Health and Developmental Services	43%	45%	44%
Virginia Commonwealth University	43%	3%	8%
Department of Social Services	35%	35%	35%
Virginia Community College System	28%	11%	8%
Department of Transportation	23%	14%	10%
University of Virginia - Academic Division	12%	4%	7%
Virginia Employment Commission	12%	42%	47%
University of Virginia Medical Center	11%	20%	16%
Virginia Polytechnic Institute and State University	7%	2%	5%
<b>Statewide Average - All Agencies</b>	<b>20%</b>	<b>17%</b>	<b>23%</b>



Another way to measure agency debt collection effectiveness is to compare amounts collected to amounts billed. The table below presents trend percentages for the ten agencies with the highest collectible accounts receivable balances. In total, these ten agencies are responsible for 84 percent of the Commonwealth's collectible receivables balances, as adjusted to exclude the Department of Taxation and the circuit and district courts. Percentages over 100 percent indicate the collection of prior balances as well as current billings.

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

The statewide average of 100 percent indicates that for every dollar billed during the quarter ended March 31, 2013, the state collected one dollar. This rate is two percent higher than last year and one percent higher than two years ago.

### Collections as a Percentage of Billings

Agency	Percent 3/31/13	Comparative	
		Percent 3/31/12	Percent 3/31/11
University of Virginia - Academic Division	336%	322%	291%
Virginia Commonwealth University	311%	301%	295%
Virginia Polytechnic Institute and State University	183%	214%	218%
Virginia Information Technologies Agency	115%	108%	99%
State Lottery Department	100%	93%	104%
Department of Social Services	97%	101%	107%
George Mason University	93%	91%	96%
Department of Medical Assistance Services	54%	69%	61%
University of Virginia Medical Center	29%	28%	30%
Virginia Employment Commission	28%	40%	41%
<b>Statewide Average - All Agencies</b>	<b>100%</b>	<b>98%</b>	<b>99%</b>

## 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 \$104.6 million at March 31, 2013, is a \$12.2 million increase over the \$92.4 million reported at March 31, 2012. Over the same period, total past due receivables of \$69.8 million have increased by \$10.6 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 \$506.1 million at March 31, 2013, were a \$76.4 million increase from the \$429.7 million reported the previous year. Past due receivables decreased by \$55.6 million to \$190.6 million at March 31, 2013.

### ***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 \$536.6 million at March 31, 2013, a decrease of \$34.1 million from the previous year. Total past due receivables were \$72.9 million, a \$47.4 million decrease 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, 2013, of \$44.0 million, which is a decrease of \$2.7 million reported in the previous year. Most of these receivables are due from other state agencies. As of March 31, 2013, \$1.6 million was over 60 days past due, a decrease of \$1.1 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, 2013, the State Lottery reported net receivables of \$67.3 million, a \$12.8 million decrease from the previous year. Billings decreased by \$8.0 million and collections increased by \$6.9 million during the March 31, 2013 quarter when compared to the March 31, 2012 quarter. At March 31, 2013, the State Lottery had \$376,694 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, 2013, 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, 2013, the University reported net collectible receivables of \$104.7 million, an increase of \$33.7 million over the prior year. At the same time, total past due receivables of \$13.4 million increased by \$4.6 million over the prior year.

The University uses a variety of collection methods to encourage payments. At March 31, 2013, VPISU had \$7.2 million of accounts over 60 days past due. \$1.1 million was placed with the Attorney General's Division of Debt Collection, another \$999,629 was placed with private collection agencies, and \$5.2 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, 2013, the Department reported collectible receivables of \$32.4 million, a \$3.5 million increase over the previous year. \$34.5 million was past due, with \$26.6 million being over 60 days past due. Total past due receivables increased by \$5.0 million over the year, and accounts over 60 days past due increased by \$5.0 million. At March 31, 2013, the Department had a total of \$6.4 million of accounts placed with the Attorney General and \$781,121 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, 2013, VDOT reported \$39.9 million of collectible receivables, a decrease of \$1.7 million from the prior year. VDOT also reported \$10.7 million total past due and \$9.3 million being over 60 days past due. Past due receivables decreased by \$3.7 million over the year, while receivables over 60 days past due decreased by \$7.2 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 \$6.8 million of their accounts over 60 days past due with the Attorney General's Division of Debt Collection, and \$136,448 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, 2013, DSS reported gross receivables of \$540.5 million, an allowance for doubtful accounts of \$325.0 million and collectible receivables of \$215.5 million. Past due receivables totaled \$192.2 million, of which \$189.2 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for \$485.7 million (90 percent) of the gross receivables, \$300.7 million (93 percent) of the allowance for doubtful accounts and \$185.0 million (86 percent) of the collectible receivables.

From March 31, 2012, to March 31, 2013, gross receivables increased by \$53.7 million and collectible receivables increased by \$20.2 million. Total past due receivables increased by \$9.6 million and receivables over 60 days past due increased by \$9.4 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, 2013, DRPT had gross and net receivables of \$8.4 million. The majority of this money is due via an interagency transfer from VDOT. DRPT reported past due receivables of \$1.3 million at March 31, 2013.

***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, 2013, VCU had \$48.4 million of collectible receivables, a \$12.2 million increase from March 31, 2012. Total past due accounts were \$23.5 million, a \$14.5 million increase from March 31, 2012. Accounts over 60 days past due (\$23.0 million) increased by \$14.4 million from the prior year. Billings decreased by \$1.8 million to \$73.6 million and collections increased by \$2.6 million to \$229.1 million for the March 31, 2013 quarter, when compared to the March 31, 2012 quarter.

The following table is prepared to present the March 31, 2013, aging information in conformity with the provisions of the *Code of Virginia* § 2.2-603.E.(ii).

Commonwealth's total \$2.74 billion past due accounts receivable at March 31, 2013. Another 18 agencies accounted for 25 percent (\$694.5 million), leaving 70 other agencies to comprise the last two percent at \$40.6 million.

Taxation and the Circuit and District Courts accounted for 73 percent (\$2.01 billion) of the

### Agencies with the Largest Volume of Past Due Receivables

As of March 31, 2013

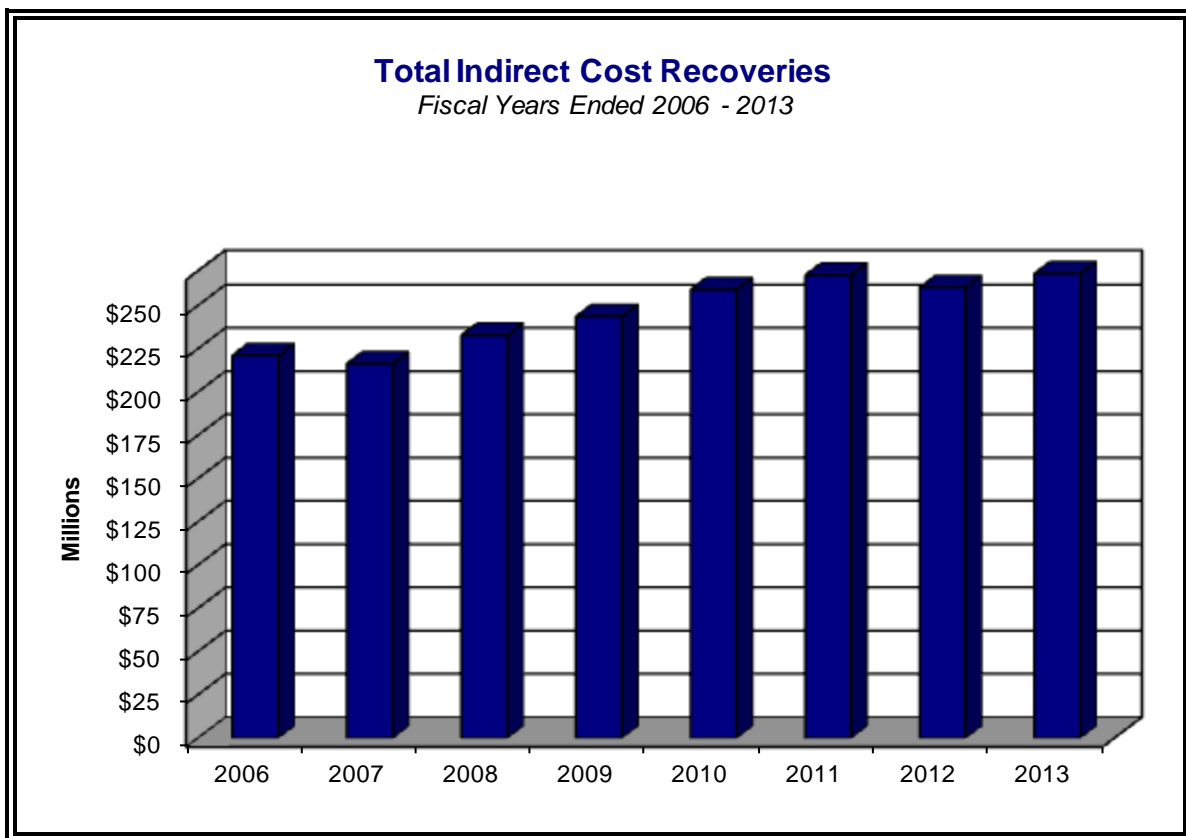
Agency	Total Past Due	1 to 180 Days Past Due	181 to 365 Days Past Due	Over One Year
Department of Taxation	\$ 1,638,047,099	\$ 233,665,806	\$ 164,799,910	\$ 1,239,581,383
Localities' Circuit and District Courts	371,122,608	35,196,255	63,902,539	272,023,814
<b>Total - Taxation Assessments and Court Fines and Fees</b>	<b>\$ 2,009,169,707</b>	<b>\$ 268,862,061</b>	<b>\$ 228,702,449</b>	<b>\$ 1,511,605,197</b>
<b>All Other Large Dollar Agencies:</b>				
Department of Social Services	192,172,671	9,157,791	9,140,296	173,874,584
University of Virginia Medical Center	190,566,226	170,551,323	14,014,597	6,000,306
Virginia Employment Commission	72,878,596	13,542,735	14,098,588	45,237,273
Department of Medical Assistance Services	69,825,970	14,626,181	9,607,720	45,592,069
Department of Behavioral Health and Developmental Services	34,508,094	18,986,071	12,808	15,509,215
Virginia Commonwealth University	23,466,598	3,550,760	15,982,902	3,932,936
University of Virginia - Academic Division	22,173,879	19,612,925	1,575,191	985,763
Virginia Community College System	16,886,791	12,748,829	2,863,924	1,274,038
Virginia Polytechnic Institute and State University	13,383,819	9,688,571	977,995	2,717,253
George Mason University	11,153,224	9,138,237	1,530,004	484,983
Department of Transportation	10,670,590	2,918,125	556,727	7,195,738
Virginia Information Technologies Agency	6,565,196	5,944,768	202,232	418,196
Department of State Police	6,545,684	2,446,363	2,185,308	1,914,013
Old Dominion University	5,579,874	4,972,133	556,054	51,687
Virginia Workers' Compensation Commission	5,117,256	1,405,946	2,118,129	1,593,181
James Madison University	4,487,157	2,836,654	1,032,913	617,590
Department of General Services	4,324,305	1,510,015	993,223	1,821,067
Department of Health	4,223,020	1,761,569	628,247	1,833,204
<b>Total - Largest Dollar Volume Agencies</b>	<b>\$ 694,528,950</b>	<b>\$ 305,398,996</b>	<b>\$ 78,076,858</b>	<b>\$ 311,053,096</b>
All Other Agencies	40,590,381	24,649,187	7,141,872	8,799,322
<b>Grand Total Past Due Receivables</b>	<b>\$ 2,744,289,038</b>	<b>\$ 598,910,244</b>	<b>\$ 313,921,179</b>	<b>\$ 1,831,457,615</b>



## 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 2013*

Fund	Year-to-Date		
	Higher Ed	Non-Higher Ed	Total
Nongeneral:			
Agency / Institution (1)	\$ 162,065,920	\$ 79,144,951	\$ 241,210,871
Statewide	17,091,538	717,611	17,809,149
Agency / Institution ARRA	6,732,820	687,496	7,420,316
Statewide ARRA	19,660	29,334	48,994
<b>Total Nongeneral</b>	<b>\$ 185,909,938</b>	<b>\$ 80,579,392</b>	<b>\$ 266,489,330</b>
General:			
Agency (Cash Transfers)	-	-	-
Statewide	-	1,887,732	1,887,732
Statewide (Cash Transfers)	-	-	-
<b>Total General</b>	<b>\$ -</b>	<b>\$ 1,887,732</b>	<b>\$ 1,887,732</b>
<b>Total All Funds</b>	<b>\$ 185,909,938</b>	<b>\$ 82,467,124</b>	<b>\$ 268,377,062</b>

(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 \$48,860,172 representing the Department of Social Services' estimate of indirect cost recoveries received.





**Loans and Advances**

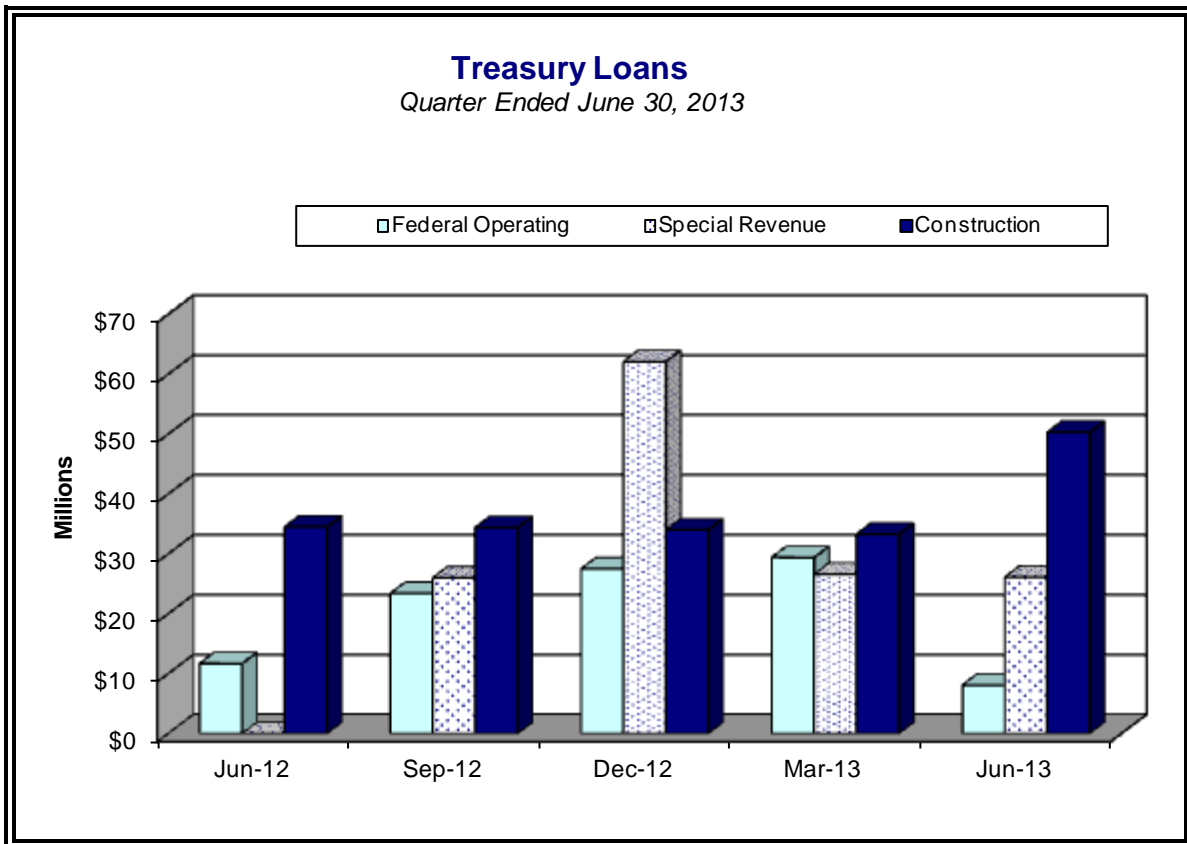
Treasury loans may be used to advance funds to a State agency or institution for a designated purpose prior to some form of reimbursement, typically federal or special revenues. They are loans of a temporary nature, approved on the basis of the following conditions:

- **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, 2013 was \$84.6 million.



Significant New Loans / Drawdowns	New Balance
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**College of William and Mary (CWM)**

Drawdown on a \$23 million loan used to provide cash for payment of obligations associated with property acquisition and required repairs for the Hospitality House Hotel.	\$ 20,500,000.00
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Significant Loan Repayments	Prior Balance
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**Department of State Police (VSP)**

Repayment on a \$1.2 million loan used to conduct numerous grant funded programs that operate on a federal reimbursement basis.	\$ 1,212,079.00
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**Department of Veterans Services (DVS)**

Payment on a \$4.2 million loan used to install vault liners at the Virginia Veterans Cemetery (Suffolk).	\$ 2,366,677.85
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**Department of Military Affairs (DMA)**

Payment on a \$15 million loan used to pay expenditures incurred in anticipation of reimbursement from the National Guard Bureau.	\$ 6,836,067.34
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**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.	\$ 12,500,000.00
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Other methods not charted but used to ensure an agency or institution has sufficient operating cash include authorized appropriation deficits, working capital advances, and lines of credit.

- **Authorized Appropriation Deficits**, which provide funding, when authorized by the Governor, under emergency conditions as described in §4-3.01 and §4-3.02 of the Appropriation Act. There were no deficit loans/appropriations as of June 30, 2013.
- **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, 2013 was \$32.9 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, 2013 was \$60.5 million.

