

**REPORT ON
STATEWIDE FINANCIAL MANAGEMENT
AND COMPLIANCE**

FOR THE QUARTER ENDED SEPTEMBER 30, 2003



OFFICE OF THE COMPTROLLER

DEPARTMENT OF ACCOUNTS

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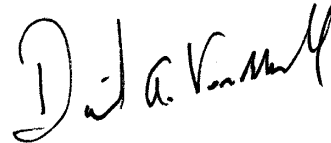
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STATEMENT OF PURPOSE

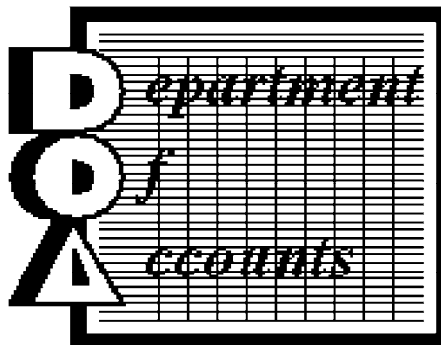
The *Code of Virginia* requires that the Department of Accounts (DOA) monitor and account for all transactions involving public funds. In order to carry out this mandate, the Department uses a variety of measures, including automated controls, statistical analyses, pre-audits and post-audits, staff studies 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 practices.

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

This *Quarterly Report* includes information for the quarter ended September 30, 2003 and comparative FY 2003 data. Some information in the report is for the quarter ended June 30, 2003, which is the most current data available.



David A. Von Moll, CPA, CGFM
Comptroller



Prompt Payment Performance by Secretarial Area
Quarter Ended September 30, 2003

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.5%	99.5%
Commerce and Trade	99.0%	99.1%
Education*	98.9%	98.4%
Elected Officials	95.7%	96.1%
Finance	99.8%	99.8%
Health and Human Resources	98.5%	97.9%
Independent Agencies	99.2%	99.7%
Judicial	99.6%	99.9%
Legislative	99.5%	99.8%
Natural Resources	99.3%	99.4%
Public Safety	98.9%	98.8%
Technology	98.1%	96.9%
Transportation*	99.2%	97.9%
Statewide	98.8%	98.4%

* 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, and the College of William and Mary in Virginia and may include local payments. These agencies and institutions are decentralized for vendor payment processing.



For the quarter ended September 30, 2003, the following agencies and institutions that processed more than 50 vendor payments during the quarter were below the 95 percent prompt payment performance standard.

Prompt Payment Compliance Rate
Agencies Below 95%
Quarter Ended September 30, 2003

Agency	Late Payments	Total Payments	Payments in Compliance
Education			
Gunston Hall Plantation	6	105	94.3%
The Science Museum of Virginia	54	877	93.8%
Elected Officials			
Attorney General and Department of Law	37	460	92.0%
Health and Human Resources			
Southeastern Virginia Training Center	427	1,040	58.9%
Public Safety			
Central Region Correctional Field Units	98	838	88.3%

Prompt Payment Explanations

Explanations for low prompt payment compliance rates for the first quarter of FY 2004 were provided by the following agencies. Not all agencies elected to provide written explanations.

Gunston Hall Plantation has one employee to handle administration, accounting, human resources and purchasing functions. They continue to strive to meet prompt payment standards.



E-Commerce

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

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

Statewide E-Commerce Performance Statistics

	<i>Quarter Ended September 30, 2003</i>			<i>Comparative Quarter Ended September 30, 2002</i>
	E-Commerce	Total	Percent	Percent
Number of Payments	562,281	1,002,975	56.1%	54.4%
Payment Amounts	\$4,509,455,826	\$5,381,872,945	83.8%	81.3%

Financial Electronic Data Interchange (EDI)

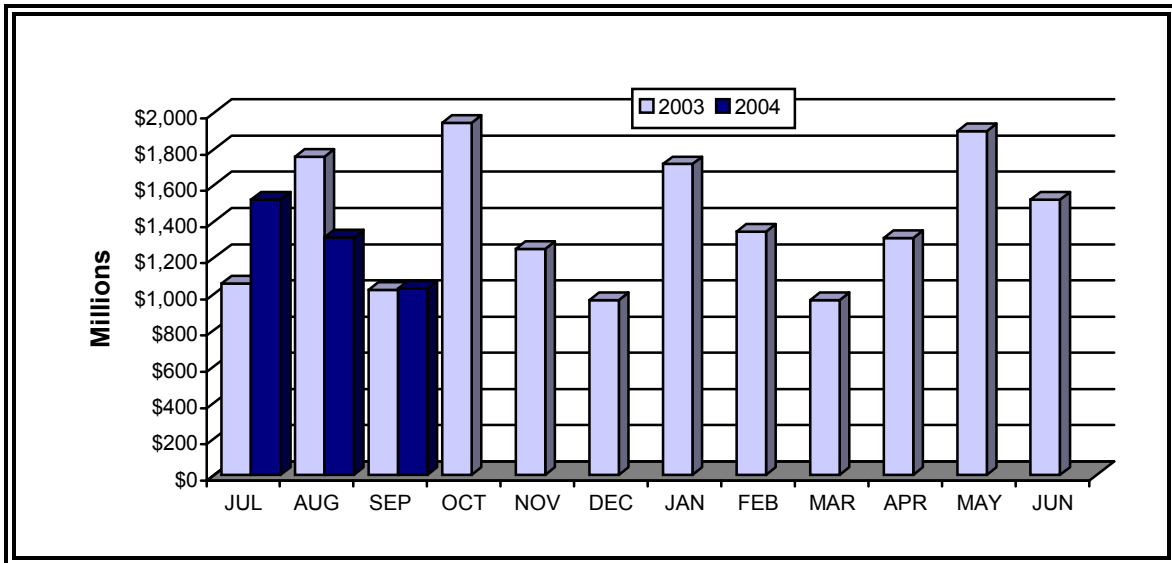
The dollar volume of Financial EDI payments for the first quarter of FY 2004 increased by \$24.1 million from the same quarter last year. The number of trading partner accounts increased by

162 percent from September 2002. The largest portion of this increase is due to efforts to convert state employee travel reimbursements from checks to electronic payments.

Financial EDI Activity

<i>Financial EDI Activity</i>	<i>Quarter Ended September 30, 2003</i>	<i>Comparative Quarter Ended September 30, 2002</i>
Number of Payments	28,916	19,901
Amount of Payments	\$3,859,490,391	\$3,835,424,792
Number of Invoices Paid	146,729	122,326
Estimated Number of Checks Avoided	55,872	43,326
Number of Trading Partner Accounts as of 9-30-03	13,220	5,039

EDI Payment Comparison
FY 2003 – FY 2004



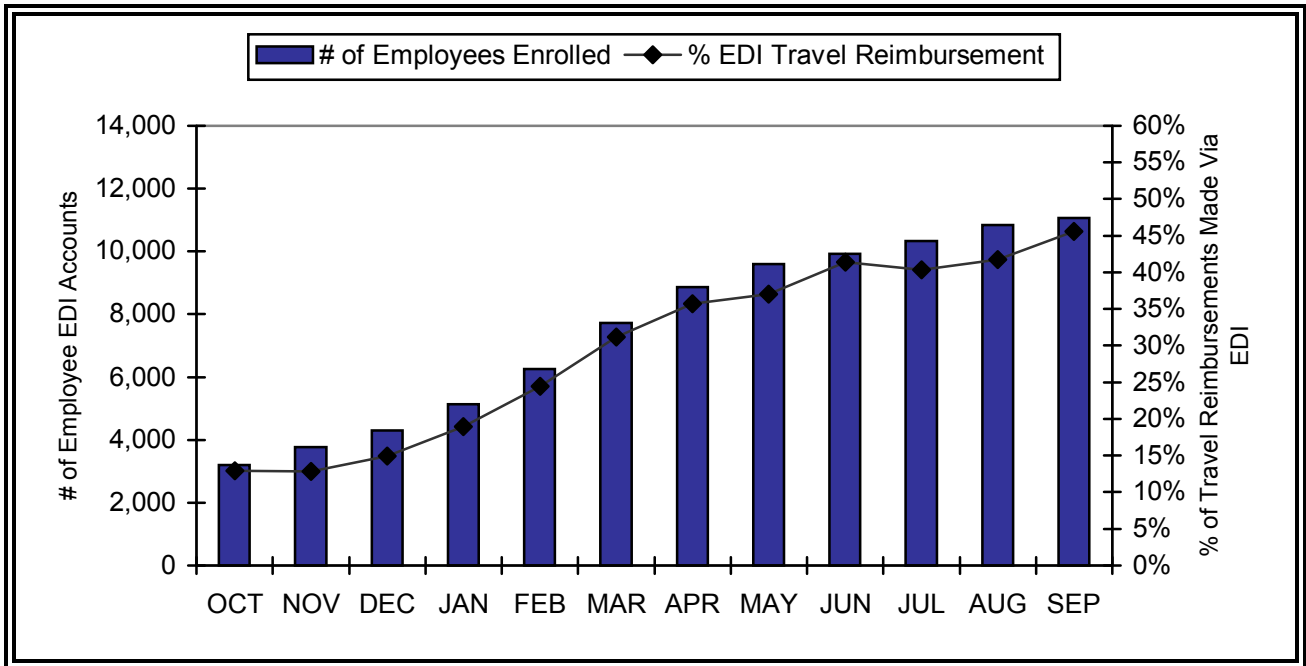
Employee EDI

Expansion of the Employee 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.

Although participation among certain agencies has increased, many agencies

have failed to enroll employees in EDI as required by law. In accordance with Section 4-5.06g of the Appropriation Act, the Comptroller will charge agencies \$1 for each travel reimbursement check issued in lieu of Employee EDI beginning with the second quarter of FY 2004. Agencies are expected to take action to enroll applicable employees in the EDI program and thus avoid the fees altogether.

Employee EDI Growth
October 2002 – September 2003



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 include all travel reimbursements, whether for state or non-state employees.*

**Travel Reimbursement
Employee EDI Performance
by Secretarial Area**

Quarter Ended September 30, 2003

Secretarial Area	Percent	Reimbursement Checks Issued
Administration	38.2%	162
Commerce and Trade	72.5%	805
Education*	28.8%	2,786
Elected Officials	18.8%	181
Finance	87.0%	85
Health and Human Resources	60.9%	2,905
Independent Agencies	70.5%	390
Judicial	6.3%	3,002
Legislative	45.7%	406
Natural Resources	43.0%	965
Public Safety	20.3%	4,430
Technology	5.7%	66
Transportation*	54.5%	213
Statewide	42.4%	16,396
<i>Comparative Quarter Ended September 30, 2002</i>		
Statewide	12.1%	27,624

* Statistics do not include agencies and institutions decentralized for vendor payment processing and the Department of Transportation, which currently processes travel reimbursements through petty cash.



The following table lists agencies with Employee EDI participation rates below 50 percent that issued more than 50 travel reimbursement checks during the quarter.

**Agency Employee* EDI Performance
Utilization Below 50 Percent**

Agency	Percent	Reimbursement Checks Issued
Administration		
Department of Veterans Services	0.0	57
Commerce and Trade		
Department of Professional and Occupational Regulation	16.9	177
Tobacco Indemnification and Revitalization Commission	0.0	70
Education		
Longwood University	48.7	138
Northern Virginia Community College	48.0	52
Virginia Community College System	42.6	113
Virginia State University	24.0	152
Norfolk State University	22.1	187
Department of Education	19.9	766
Danville Community College	5.1	56
Virginia Military Institute	1.5	68
Tidewater Community College	1.2	165
J. Sargeant Reynolds Community College	0.0	102
Thomas Nelson Community College	0.0	94
Southwest Virginia Community College	0.0	76
Southside Virginia Community College	0.0	61
Elected Officials		
Attorney General and Department of Law	0.0	158
Health and Human Resources		
Department of Social Services	46.4	495
Department of Medical Assistance Services	43.4	82
Independent		
State Lottery Department	49.3	136
Virginia Workers' Compensation Commission	16.4	107
Virginia Office for Protection and Advocacy	0.0	70

Agency	Percent	Reimbursement Checks Issued
Judicial		
Virginia State Bar	19.9	177
Circuit Courts	0.0	824
Supreme Court	0.0	727
General District Courts	0.0	314
Juvenile and Domestic Relations District Courts	0.0	302
Combined District Courts	0.0	286
Magistrate System	0.0	258
Legislative		
Senate	42.9	52
House of Delegates	12.7	124
Natural Resources		
Department of Game and Inland Fisheries	0.0	801
Public Safety		
Department of Criminal Justice Services	34.2	331
Department of Corrections – Central Administration	28.3	99
Department of Corrections - Division of Community Corrections	15.9	506
Virginia Correctional Enterprises	13.0	121
Department of Corrections – Division of Institutions	7.9	105
Department of Fire Programs	0.8	120
Department of State Police	0.0	1,411
Department of Juvenile Justice	0.0	851
Department of Military Affairs	0.0	92
Technology		
Virginia Information Technologies Agency	0.0	56
Transportation		
Department of Motor Vehicles	47.8	179

* Current statistics include all travel reimbursements, whether for state or non-state employees. Several of the agencies listed process reimbursements to non-state employees.



Direct Deposit

During the first quarter of FY 2004, 361,371 checks were avoided using direct deposit. Agencies are expected to

take proactive steps to improve participation rates, particularly for wage employees.

Direct Deposit Performance by Secretarial Area

Quarter Ended September 30, 2003

<u>Secretarial Area</u>	<u>Direct Deposit % of Salary Employees</u>	<u>Direct Deposit % of Wage Employees</u>
Administration	87.4%	78.3%
Commerce and Trade	93.3%	82.2%
Education	90.3%	34.3%
Elected Officials	90.3%	46.0%
Finance	94.1%	62.4%
Health and Human Resources	82.0%	65.3%
Independent Agencies	95.0%	77.2%
Judicial	94.9%	32.0%
Legislative	93.8%	66.7%
Natural Resources	95.6%	43.6%
Public Safety	85.8%	70.0%
Technology	92.7%	88.2%
Transportation	81.0%	61.0%
Statewide	86.2%	46.2%

Comparative

Quarter Ended September 30, 2002

Statewide	84.9%	45.5%
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Statewide Salaried Direct Deposit Performance
Quarter Ended September 30, 2003

Salaried Direct Deposit Participation	86.2%
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Salaried Direct Deposit Below 80 Percent

Agency	Percent	Number of Employees
Education		
Tidewater Community College	68.8%	1,460
Health and Human Resources		
Southwestern Virginia Training Center	79.5%	450
Southwestern Virginia Mental Health Institute	78.1%	521
Southern Virginia Mental Health Institute	74.8%	163
Hiram W. Davis Medical Center	73.3%	180
Central State Hospital	71.6%	737
Piedmont Geriatric Hospital	66.1%	322
Southside Virginia Training Center	64.1%	1,365
Central Virginia Training Center	59.5%	1,507
Public Safety		
Central Region Correctional Field Units	79.3%	160
Eastern Region Correctional Field Units	78.1%	211
Augusta Correctional Center	77.2%	417
Greensville Correctional Center	76.4%	835
Fluvanna Women's Correctional Center	75.7%	347
Southampton Reception and Classification Center	75.0%	248
Bland Correctional Center	74.3%	285
Brunswick Correctional Center	73.3%	386
Mecklenburg Correctional Center	73.2%	310
Dillwyn Correctional Center	68.9%	261
Buckingham Correctional Center	65.3%	343
Nottoway Correctional Center	62.0%	422
Virginia Center for Behavioral Rehabilitation	60.0%	45
Transportation		
Department of Transportation – Fredericksburg District	79.2%	655
Department of Transportation – Richmond District	77.5%	1,208
Department of Transportation – Staunton District	76.7%	835
Department of Transportation – Lynchburg District	70.7%	773
Department of Transportation – Salem District	70.2%	959
Department of Transportation – Culpeper District	68.9%	660
Department of Transportation – Bristol District	67.6%	1,054

Statewide Wage Direct Deposit Performance

Quarter Ended September 30, 2003

Wage Direct Deposit Participation

46.2%

Wage Direct Deposit Below 40 Percent

<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
<i>Education</i>		
Lord Fairfax Community College	37.1%	97
Virginia Museum of Fine Arts	36.5%	52
Richard Bland College	35.0%	20
Piedmont Virginia Community College	33.6%	116
Dabney S Lancaster Community College	30.2%	76
Paul D Camp Community College	29.8%	87
Norfolk State University	28.9%	546
Southwest Virginia Community College	27.1%	247
John Tyler Community College	26.6%	221
Central Virginia Community College	26.2%	141
New River Community College	21.3%	281
Radford University	18.8%	858
Eastern Shore Community College	17.7%	62
Blue Ridge Community College	17.1%	157
Thomas Nelson Community College	16.6%	499
Northern Virginia Community College	13.5%	805
Wytheville Community College	11.1%	134
Rappahannock Community College	10.2%	166
Mountain Empire Community College	9.8%	244
Danville Community College	9.7%	216
Virginia Western Community College	9.1%	317
Longwood University	7.7%	528
Southside Virginia Community College	6.0%	132
Virginia Highlands Community College	4.3%	186
<i>Health and Human Resources</i>		
Southside Virginia Training Center	32.6%	95
Central Virginia Training Center	0.0%	72
<i>Independent Agencies</i>		
State Corporation Commission	30.0%	10

Agency	Percent	Number of Employees
Judicial		
Combined District Courts	29.0%	31
General District Courts	24.4%	245
Natural Resources		
Department of Conservation and Recreation	38.6%	764
Public Safety		
Department of Fire Programs	31.5%	38
Virginia Correctional Enterprises	13.3%	15



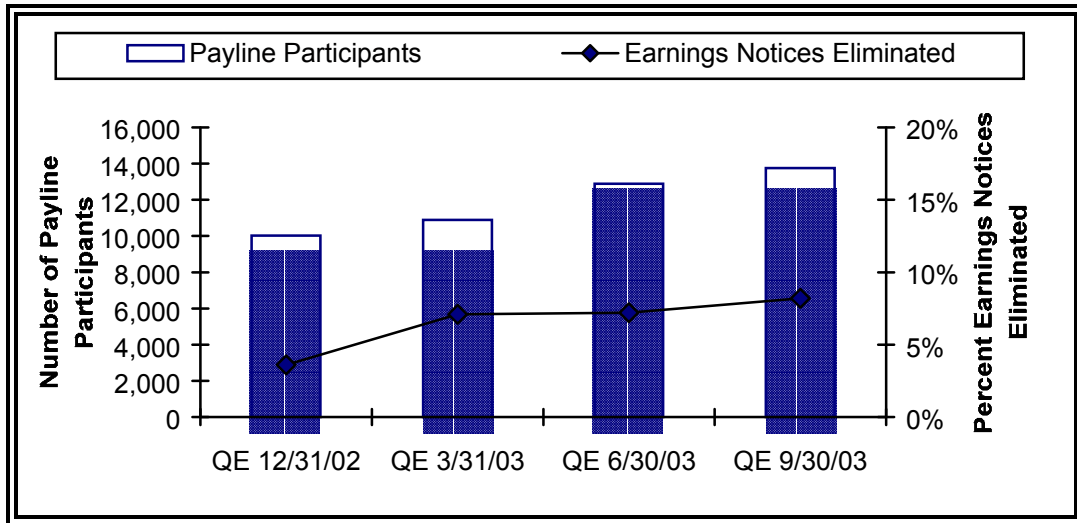
Payroll Earnings Notices

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 87,000 earnings notices. However, statewide participation rates remain low.

Quarterly Payline and Earnings Notice Opt Out Participation

December 2002 – September 2003



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

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

Quarter Ended September 30, 2003

Secretarial Area	Percent Payline Participation	Percent Earnings Notices Eliminated*
Administration	41.3%	26.2%
Commerce and Trade	38.0%	20.6%
Education	10.8%	6.3%
Elected Officials	25.1%	18.8%
Finance	62.3%	34.4%
Health and Human Resources	19.0%	8.2%
Independent Agencies	36.0%	18.5%
Judicial	3.5%	1.0%
Legislative	29.0%	25.3%
Natural Resources	35.5%	24.5%
Public Safety	11.8%	4.5%
Technology	36.6%	27.3%
Transportation	13.6%	4.3%
Statewide	16.9%	8.2%

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

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

Listed below are agencies where less than two percent of earnings notices have been eliminated by employees participating in the Opt-Out program. Only agencies and institutions with 25 or more employees are included in this report.

Agency	Percent Earnings Notices Eliminated	Earnings Notices Printed for 9/30/03 Payday
Education		
Longwood University	1.7%	469
Danville Community College	1.7%	129
Norfolk State University	1.5%	879
Christopher Newport University	1.4%	995
Virginia School for the Deaf and the Blind at Staunton	1.3%	152
Wytheville Community College	1.2%	119
Central Virginia Community College	1.2%	154
Radford University	1.1%	1,120
Virginia School for the Deaf, Blind and Multi-Disabled at Hampton	1.1%	125
Eastern Shore Community College	1.0%	58
Tidewater Community College	1.0%	1,356
New River Community College	0.8%	175
Rappahannock Community College	0.8%	102
Northern Virginia Community College	0.8%	1,247
Piedmont Virginia Community College	0.8%	165
John Tyler Community College	0.8%	243
Southside Virginia Community College	0.4%	159
Frontier Culture Museum of Virginia	0.0%	50
Paul D. Camp Community College	0.0%	97
Thomas Nelson Community College	0.0%	344
Virginia Highlands Community College	0.0%	116
Elected Officials		
Attorney General and Department of Law	1.7%	221
Health and Human Resources		
Southside Virginia Training Center	1.8%	869
Virginia Center for Behavioral Rehabilitation	0.0%	25

Agency	Percent Earnings Notices Eliminated	Earnings Notices Printed for 9/30/03 Payday
Judicial		
Public Defender Commission	1.9%	343
Juvenile and Domestic Relations District Courts	0.6%	559
Combined District Courts	0.5%	180
General District Courts	0.1%	892
Magistrate System	0.0%	400
Circuit Courts	0.0%	161
Virginia State Bar	0.0%	82
Court of Appeals of Virginia	0.0%	66
Legislative		
Division of Capitol Police	1.1%	82
Public Safety		
Augusta Correctional Center	1.9%	314
Haynesville Correctional Center	1.9%	266
Virginia Correctional Enterprises	1.8%	141
Deerfield Correctional Center	1.6%	158
Fluvanna Women's Correctional Center	1.2%	258
Deep Meadow Correctional Center	1.2%	279
Department of Corrections/Adult Community Services	1.2%	1,119
Wallens Ridge Correctional Center	1.0%	352
Buckingham Correctional Center	0.9%	220
Eastern Region Correctional Field Units	0.9%	163
Southampton Correctional Center	0.8%	185
Western Region Correctional Field Units	0.8%	390
Greensville Correctional Center	0.8%	618
Dillwyn Correctional Center	0.8%	175
Bland Correctional Center	0.7%	208
Central Region Correctional Field Units	0.6%	127
Brunswick Correctional Center	0.5%	278
Red Onion Correctional Center	0.5%	374
James River Correctional Center	0.4%	215
Mecklenburg Correctional Center	0.3%	226
Nottoway Correctional Center	0.2%	255
Powhatan Correctional Center	0.0%	274
Virginia Correctional Center for Women	0.0%	163
Powhatan Reception and Classification Center	0.0%	99
Southampton Reception and Classification Center	0.0%	62
Lunenburg Correctional Center	0.0%	222

Agency	Percent Earnings Notices Eliminated	Earnings Notices Printed for 9/30/03 Payday
<i>Transportation</i>		
Department of Transportation – Richmond District	1.8%	910
Department of Transportation – Bristol District	1.6%	694
Department of Transportation – Northern Virginia District	1.5%	912
Department of Transportation – Culpeper District	0.9%	445
Department of Transportation – Hourly	0.7%	186



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.

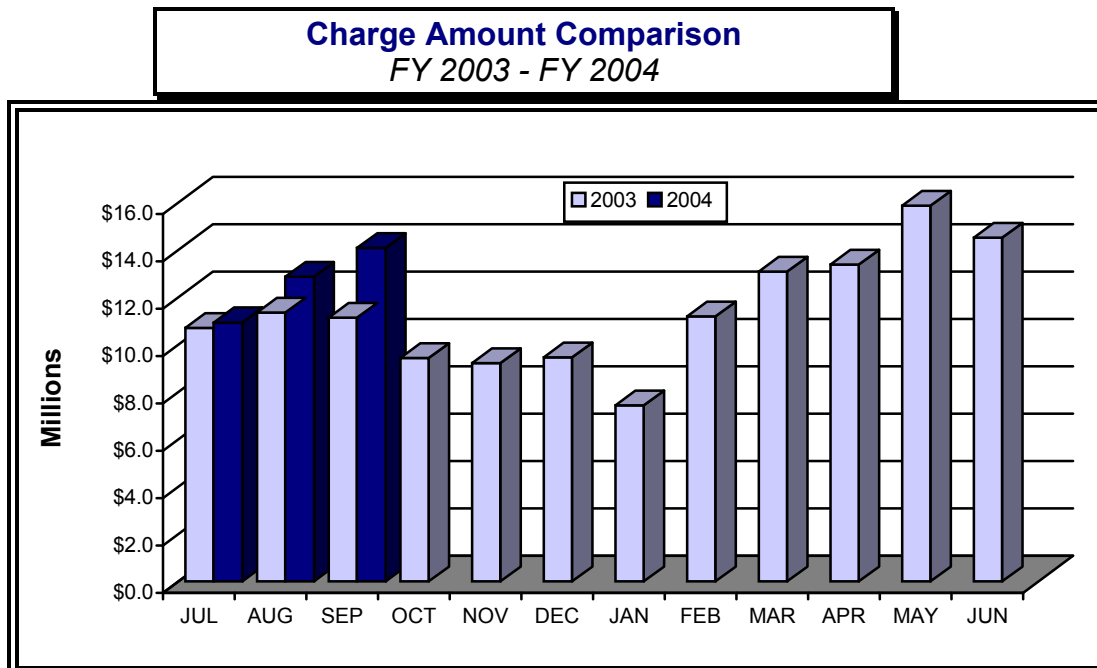
The Small Purchase Charge Card continues to be used for purchases under \$5,000. Agencies are strongly encouraged to obtain a Gold Card for use by a procurement professional for purchases in the \$5,000 to \$50,000 range.

The total amount charged on SPCC and Gold cards during the first quarter of FY 2004 increased by \$4.7 million or 14.1 percent from the same quarter last year.

Small Purchase Charge Card Program

Charge Card Activity	Quarter Ended September 30, 2003	Comparative Quarter Ended September 30, 2003
Amount of Charges	\$37,950,329	\$33,246,613
Estimated Number of Checks Avoided	107,518	99,983
Total Number of Participating Agencies	191	192
Total Number of Cards Outstanding	10,661	10,561

The following chart compares charge activity for FY 2004 to activity for FY 2003.



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. The tables on the following pages list SPCC participation by secretarial area and identify those agencies that are not maximizing charge card use and the associated cost savings. Agencies that are not utilizing the Gold card to the fullest extent will also be identified in future issues of this *Quarterly Report*.

The statewide SPCC utilization rate has increased only slightly over the past year. Several efforts are underway to increase utilization and to coordinate SPCC and eVA usage. In a joint effort by DOA, DGS, and American Express, vendors currently registered on eVA are being encouraged to accept the card as payment and vendors who currently accept the card are being encouraged to register with eVA. In addition, the Comptroller will begin assessing the \$1 charge to agencies in accordance with Section 4-5.06g of the Appropriation Act based on underutilization during the second quarter of FY 2004. Agencies are expected to use purchasing cards for transactions with all participating vendors (i.e., vendors who accept the American Express card) and thus avoid the fee altogether.

Statewide SPCC Performance

Quarter Ended September 30, 2003

Percentage Utilization for Eligible Transactions	75%
<i>Comparative</i> <i>Quarter Ended September 30, 2002</i>	
Percentage Utilization for Eligible Transactions	72%



SPCC Utilization by Secretarial Area

Quarter Ended September 30, 2003

Secretarial Area	Payments in Compliance ⁽¹⁾	Non-Compliant Transactions ⁽²⁾
Administration	72%	926
Commerce and Trade	75%	1,316
Education*	82%	5,390
Elected Officials	33%	248
Finance	65%	274
Health and Human Resources	60%	9,697
Independent Agencies	48%	754
Judicial	47%	1,656
Legislative	71%	182
Natural Resources	93%	629
Public Safety	71%	6,685
Technology	52%	199
Transportation*	82%	7,910
Statewide	75%	35,866

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

(1) **“Payments in Compliance”** represents the percentage of purchases made from participating SPCC vendors using the purchasing card.

(2) **“Non-Compliant Transactions”** represents the number of small purchases from participating SPCC vendors where the purchasing card was not used for payment.



**Agency SPCC Performance
Utilization Below 70 Percent**

Agency	Payments in Compliance	Non-Compliant Transactions
Administration		
Department of Veterans Services	68%	87
Commerce and Trade		
Virginia Employment Commission	48%	601
Education		
Thomas Nelson Community College	69%	149
Rappahannock Community College	62%	101
Norfolk State University	50%	498
Virginia School for the Deaf and the Blind at Staunton	50%	170
New River Community College	48%	165
Christopher Newport University	37%	757
Virginia State University/Cooperative Extension and Agricultural Research Services	7%	642
Elected Officials		
Attorney General and Department of Law	44%	128
Finance		
Department of Taxation	66%	161
Health and Human Resources		
Southwestern Virginia Training Center	66%	77
Central Virginia Training Center	64%	264
Department of Medical Assistance Services	60%	84
Department of Health	59%	3,022
Department of Social Services	57%	1,113
Southeastern Virginia Training Center	52%	244
Hiram W. Davis Medical Center	40%	129
Eastern State Hospital	34%	553
Northern Virginia Mental Health Institute	34%	189
Northern Virginia Training Center	19%	255
Independent Agencies		
State Lottery Department	44%	199
State Corporation Commission	0%	414
Judicial		
Public Defender Commission	61%	134
Legislative		
House of Delegates	51%	70

Agency	Payments in Compliance	Non-Compliant Transactions
Natural Resources		
Marine Resources Commission	58%	98
Public Safety		
Department of Alcoholic Beverage Control	69%	380
Department of Fire Programs	68%	67
Dillwyn Correctional Center	68%	77
Southampton Correctional Center	67%	120
Department of Corrections – Central Administration	65%	152
Coffeewood Correctional Center	65%	87
Department of State Police	64%	411
Virginia Correctional Enterprises	59%	696
Brunswick Correctional Center	58%	185
Wallens Ridge Correctional Center	57%	128
Powhatan Correctional Center	57%	134
Deep Meadow Correctional Center	54%	102
Nottoway Correctional Center	51%	80
Department of Military Affairs	48%	695
Sussex I Correctional Center	46%	75
Red Onion Correctional Center	41%	122
Virginia Correctional Center for Women	31%	131
Keen Mountain Correctional Center	19%	128
Department of Corrections – Division of Institutions	0%	292
Marion Correctional Treatment Center	0%	115
Technology		
Virginia Information Technologies Agency	53%	191
Transportation		
Department of Motor Vehicles	67%	871

SPCC Payment Compliance

Agencies and institutions participating in the SPCC program are required to submit payments via EDI to the SPCC vendor by the 14th of each month. Failure to pay the correct amount when due jeopardizes the Commonwealth's

contractual relationship with the purchasing card vendor and may result in suspension of an agency's charge card program. The following chart lists agencies more than three days late in submitting their payments.

Agency Name	Jul	Aug	Sep
Administration			
Department of Human Resource Management		X	X
Department of Veterans Services			X
Education			
Dabney S Lancaster Community College		X	X
J Sargeant Reynolds Community College	X		
Elected Officials			
Attorney General and Department of Law		X	X
Health and Human Resources			
Piedmont Geriatric Hospital		X	
Southeastern Virginia Training Center		X	
Public Safety			
Department of Corrections	X	X	X
Virginia Correctional Center for Women		X	
Technology			
Virginia Information Technologies Agency			X
Transportation			
Department of Rail and Public Transportation	X	X	

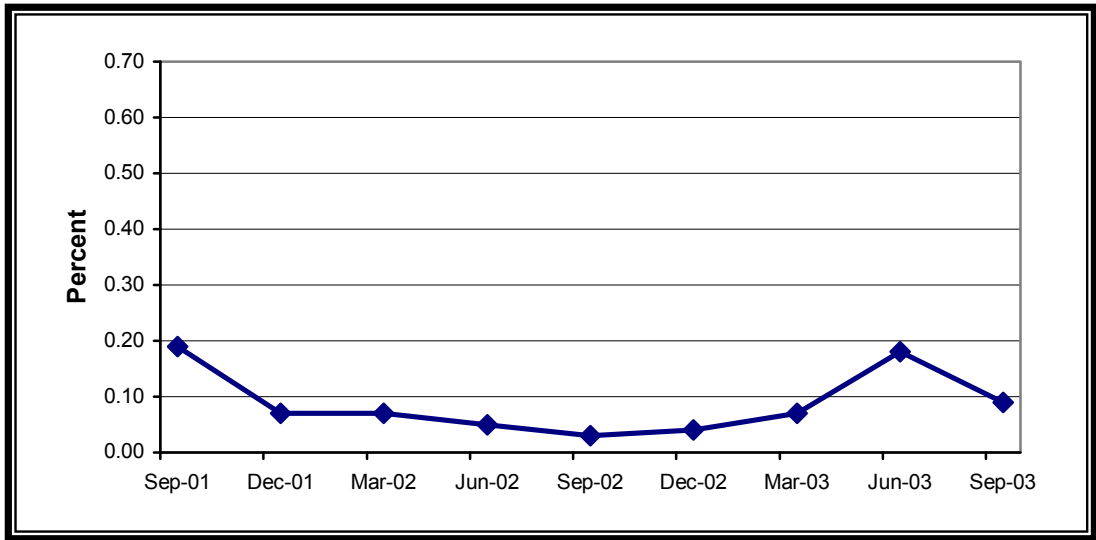


Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Wage Payments
Quarter Ended September 30, 2003

Agency	Exceptions as a % of Wage Payments
Richard Bland College	0.91%
Department of Veterans Services	16.25%
Wage Payroll Exceptions for the Quarter	
	0.09%

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

Total Quarterly Wage Exceptions
September 2001 – September 2003



PMIS/CIPPS Exceptions

Agencies are required to submit explanations and/or reconciliations for the differences identified on the CIPPS/PMIS Unresolved Exceptions Report, within 6 weeks of notification. The following table lists those agencies having exceptions that remain unresolved six weeks after receipt of the report.

<u>Agency</u>	<u>Unresolved Exceptions</u>
<i>Education</i>	
Christopher Newport University	32
Norfolk State University	2
<i>Finance</i>	
Department of Taxation	5
<i>Natural Resources</i>	
Virginia Museum of Natural History	1
<i>Transportation</i>	
Department of Transportation – Northern Virginia District	1



Healthcare Reconciliations

Employee healthcare 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 healthcare eligibility records (BES) and healthcare premium payments collected through payroll deduction. The following table

lists those agencies that were late in submitting their certification or had problems requiring additional adjustments. Such problems may include incomplete or incorrect documents or required IAT's not submitted to DOA. Healthcare reconciliations for the months of June, July and August were due 7/31/03, 8/29/03, and 9/30/03, respectively.

Schedule of Late Health Care Reconciliations

	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>
Education			
George Mason University*	X	X	X
Piedmont Virginia Community College		X	X
Southside Virginia Community College		X	
The Science Museum of Virginia	X		
Tidewater Community College		X	X
Virginia State University	X		
Elected Officials			
Attorney General and Department of Law	X	X	
Attorney General/Division of Debt Collection	X	X	
Public Safety			
Department of Corrections –			
Division of Institutions		X	
Department of Juvenile Justice		X	
Fluvanna Women’s Correctional Center		X	
Lunenburg Correctional Center		X	
Red Onion Correctional Center	X		
Transportation			
Department of Transportation	X	X	X

* George Mason University is decentralized but is required to submit healthcare reconciliations to the Department of Human Resource Management by the end of the month following each quarter.



FINANCIAL MANAGEMENT ACTIVITY

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

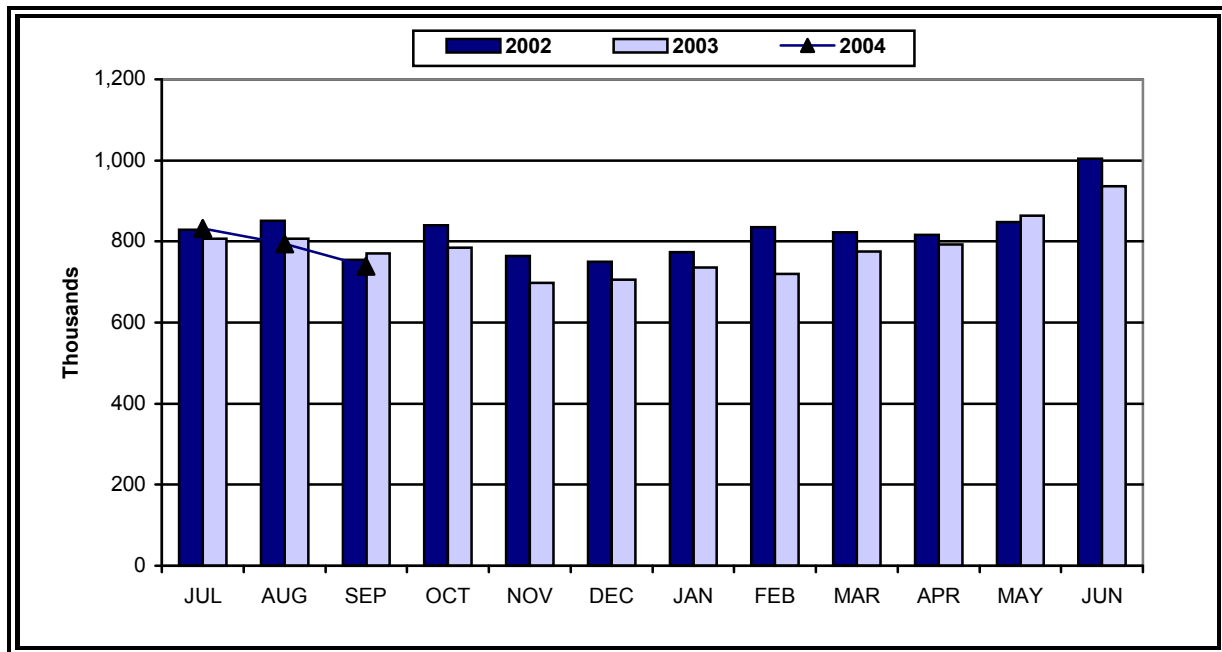
accounts receivable, indirect cost recoveries, treasury loans, and Fixed Asset Accounting and Control System (FAACS).

Commonwealth Accounting and Reporting System (CARS)

CARS activity trends provide important information about Statewide accounting. Currently, measures are used to track CARS transactions and error counts. A marked increase or decrease in the

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

CARS Transactions
Fiscal Years 2002 - 2004



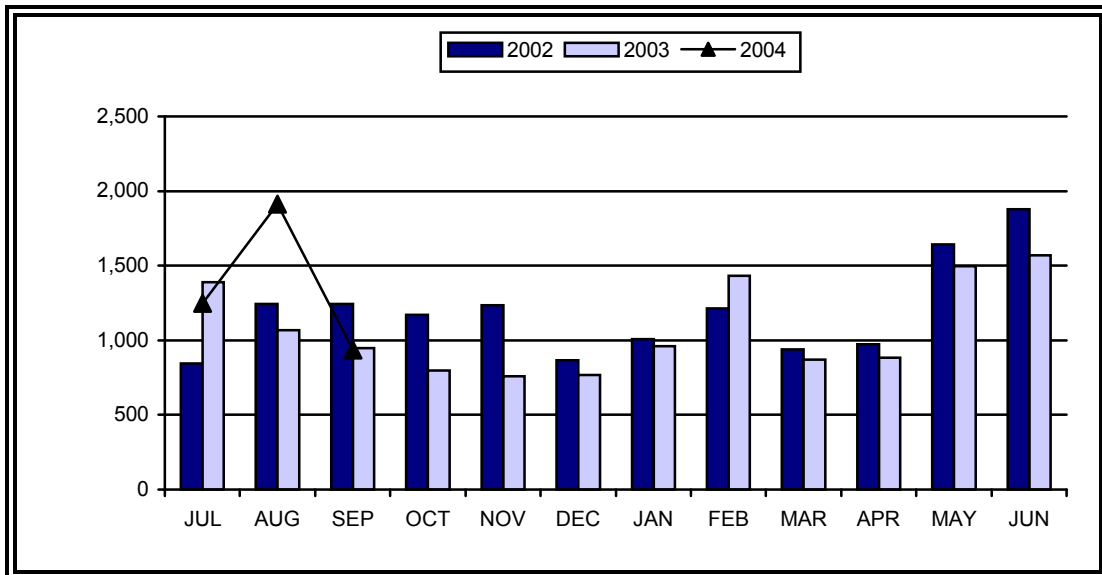
CARS Edits

One of the most important management tools used by DOA is the monitoring of CARS errors generated by standard system edits. Batches remain on the error file until problems are resolved, which, for disbursement transactions, can lead to noncompliance with prompt payment standards and poor vendor relations. During the first quarter of FY 2004, the most frequent reasons cited for batches being sent to the error file were:

- ◆ Available Cash Negative
- ◆ Expenditures Exceed Allotments
- ◆ Certified Amount Not Balanced

The marked increase during the month of August was attributable to cash flow problems in several agencies and institutions. Agencies may avoid such 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.

CARS Monthly Errors
Average Number of Daily Errors
Fiscal Years 2002 - 2004



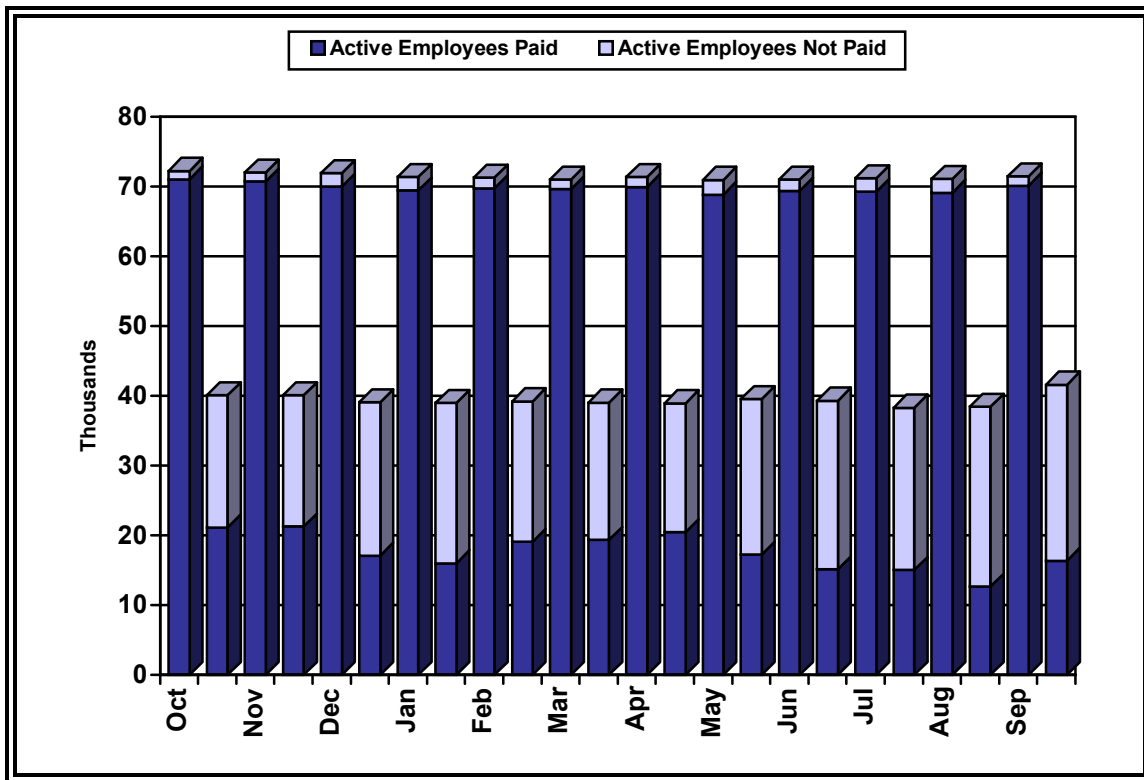
Payroll

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 110,672 employees. Payroll services are also provided through eight decentralized higher education institutions.

Total gross payrolls for the Commonwealth were approximately \$378 million each month of the quarter. On average, 84,277 employees were paid each month, of which 69,501 were salary employees.

Commonwealth Integrated Payroll / Personnel System (CIPPS) Statistics

October 2002 – September 2003



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

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

Benefit Participation by CIPPS Agencies

The Commonwealth offers a variety of benefits to State employees, including health care, optional retirement plans, deferred compensation, and flexible reimbursement programs. During the quarter, state employees purchased 15,935 savings bonds with a face value of over \$2.0 million.

**Benefit Participation
Number of Participating Employees**

	As of 9/30/03	Comparative	
		As of 9/30/02	As of 9/30/01
Health Care			
COVA Care	79,494	N/A	N/A
Key Advantage	N/A	63,430	66,778
Cost Alliance	N/A	16,696	12,226
Aetna – PS	N/A	173	40
Aetna – HMO	N/A	1,204	215
Optimum Choice – Std	N/A	N/A	33
Optimum Choice - High	N/A	N/A	129
Kaiser	1,845	1,794	1,771
Cigna	N/A	N/A	2,716
Piedmont	N/A	134	116
Optional Retirement Plans *			
Fidelity Investments	261	284	286
Great West Life	14	16	18
TIAA/CREF	1,293	1,285	1,227
T. Rowe Price	61	65	65
VALIC	242	234	251
Political Appointee - ORP	82	77	95
Deferred Compensation *			
Great West Life	26,605	25,538	23,371
Flexible Reimbursement *			
Dependent Care	637	634	601
Medical Care	3,487	3,130	2,710

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

Accounts Receivable

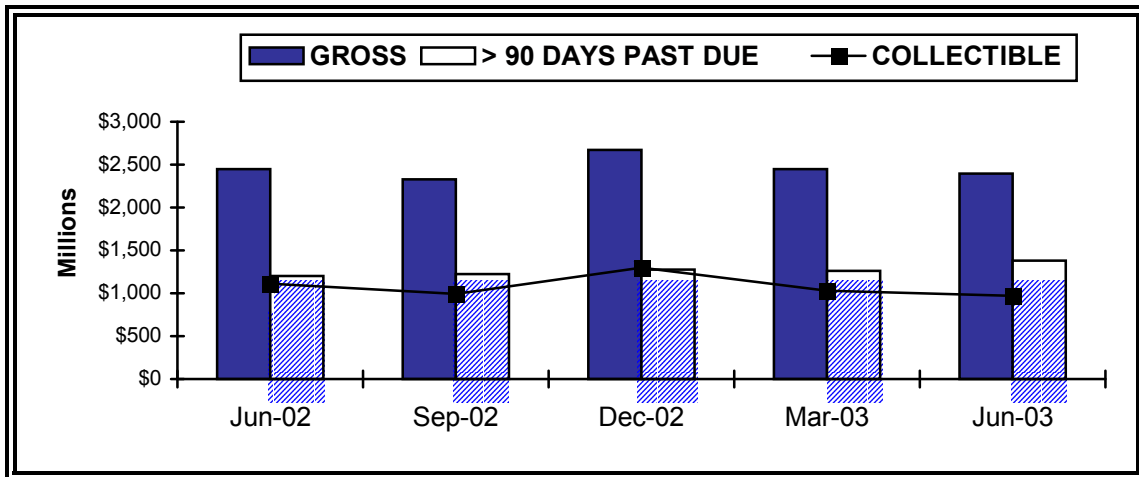
Chapter 48 of the *Code of Virginia* requires the Department of Accounts, along with the Office of the Attorney General, to oversee, report on, and monitor the Commonwealth's accounts receivable program. In order to carry out this responsibility, DOA has issued policies and procedures on accounting, collecting, reporting, and writing off accounts receivable. In addition, DOA provides technical assistance to agencies and institutions and uses statistical analyses and audit reports to monitor the ongoing effectiveness of agencies in managing their accounts receivable. Commonwealth agencies and institutions reported total gross receivables of \$2.4 billion at June 30, 2003, with \$974

million considered collectible. Receivables over 90 days past due as of June 30, 2003 totaled \$1.4 billion. Of that amount, \$686 million (49%) was placed with collection agencies or attorneys for additional collection efforts.

It is important to note that state receivables largely consist of taxes, fines, penalties, tuition and fees, and billings for several indigent care programs, which present numerous special problems 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 state receivables.

Gross, Past Due, and Collectible Receivables

June 2002 – June 2003



As of June 30, 2003, agencies expected to collect \$974 million (41%) of all receivables. About 24 percent of these receivables are due to the General Fund,

primarily for tax assessments. The balance (\$744 million) consists of amounts due to various nongeneral funds' activities.

Collectible Receivables by Fund

As of June 30, 2003

Fund	Source	Amount	Percent
General Fund (24%)	Medicaid	\$ 27,835,376	12
	Individual Taxes	106,669,765	47
	Business Taxes	65,378,243	28
	Courts of Justice	21,384,715	9
	Other	<u>7,009,749</u>	<u>3</u>
	Subtotal	228,277,848	99
	Interagency Receivables	712,716	1
Total General Fund Collectible		\$228,990,564	100
Nongeneral Funds (76%)	Medicaid	4,062,001	1
	Unemployment Taxes	62,623,794	8
	Transportation	136,605,698	18
	Child Support Enforcement	13,385,416	2
	Federal Government	54,658,714	7
	MHMR Patient Services	35,762,076	5
	Hospital	138,277,994	19
	Enterprise	51,075,934	7
	Higher Education	96,300,011	13
	Courts of Justice	23,428,183	3
	Other	<u>30,809,495</u>	<u>4</u>
	Subtotal	646,989,316	87
Interagency Receivables	97,504,567	13	
Total Nongeneral Fund Collectible		\$744,493,883	100
All Funds	Grand Total	\$ 973,484,447	100

Ten agencies account for 91 percent of the Commonwealth's gross accounts receivable and 79 percent of the collectible accounts receivable balances.

In addition, these ten agencies comprise 96 percent of the \$1.7 billion in past due receivables and 98 percent of the \$1.4 billion over 90 days past due.

Accounts Receivable Summary

Quarter Ended June 30, 2003

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
Department of Taxation	\$1,022,247,694	\$ 842,205,793	\$ 180,041,901
University of Virginia Medical Center	151,684,156	8,935,061	142,749,095
Department of Transportation	131,923,596	1,277,640	130,645,956
Virginia Employment Commission	89,582,107	24,402,758	65,179,349
Department of Social Services	155,662,870	93,937,332	61,725,538
State Lottery Department	45,614,361	0	45,614,361
Courts of Justice	429,514,803	384,701,905	44,812,898
Department of Mental Health, Mental Retardation and Substance Abuse Services	56,322,002	20,559,926	35,762,076
Department of Medical Assistance Services	65,963,275	33,966,955	31,996,320
Department of Human Resources Management	26,823,640	0	26,823,640
Total	\$2,175,338,504	\$1,409,987,370	\$ 765,351,134
All Others	222,946,047	14,812,734	208,133,313
Grand Total	\$2,398,284,551	\$1,424,800,104	\$ 973,484,447

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 90 days or more past

due that are not sent to the Attorney General's Division of Debt Collection. The Office of the Attorney General requires state agencies and institutions to send accounts of \$3,000 or more and 90 days or more past due to the Division of Debt Collection.

These additional collection tools recovered \$11.6 million during the quarter ended June 30, 2003. The largest contributor was the private collection agencies, with collections of \$7.4 million. The debt setoff programs (Tax, Comptroller's and Lottery) collected \$3.1 million and the Division of Debt Collection contributed \$1.1 million.

RECEIVABLES OVER 90 DAYS PAST DUE

As of June 30, 2003

AGENCY	Total Over 90 Days	With Collection Agency (1)	With Attorney General	Retained by State Agency
Department of Taxation	\$ 808,759,913	\$ 327,427,759	\$ 0	\$ 481,332,154
Courts of Justice	338,642,419	338,642,419	0	0
Department of Social Services	106,315,825	0	0	106,315,825
Department of Medical Assistance Services	37,529,028	733,328	3,398	36,792,302
Virginia Employment Commission	24,857,121	4,505,037	1,110,145	19,241,939
University of Virginia Medical Center	21,572,120	0	0	21,572,120
Department of Transportation	9,377,973	0	5,224,082	4,153,891
Department of Mental Health, Mental Retardation and Substance Abuse Services	3,744,044	0	0	3,744,044
Workers' Compensation Commission	3,641,349	155,275	1,277,943	2,208,131
Department of State Police	2,750,023	0	197,346	2,552,677
Total	\$1,357,189,815	\$671,463,818	\$ 7,812,914	\$ 677,913,083
<i>All Other Agencies</i>	20,991,137	4,801,499	1,864,144	14,325,494
GRAND TOTAL	\$1,378,180,952	\$676,265,317	\$9,677,058	\$ 692,238,577

(1) Amounts include accounts in the hands of Commonwealth's Attorneys functioning as private collectors, as well as the courts' debt and tax debt collection operation, which functions as a private collection agency.

Comptroller's Debt Setoff (CDS) Program

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

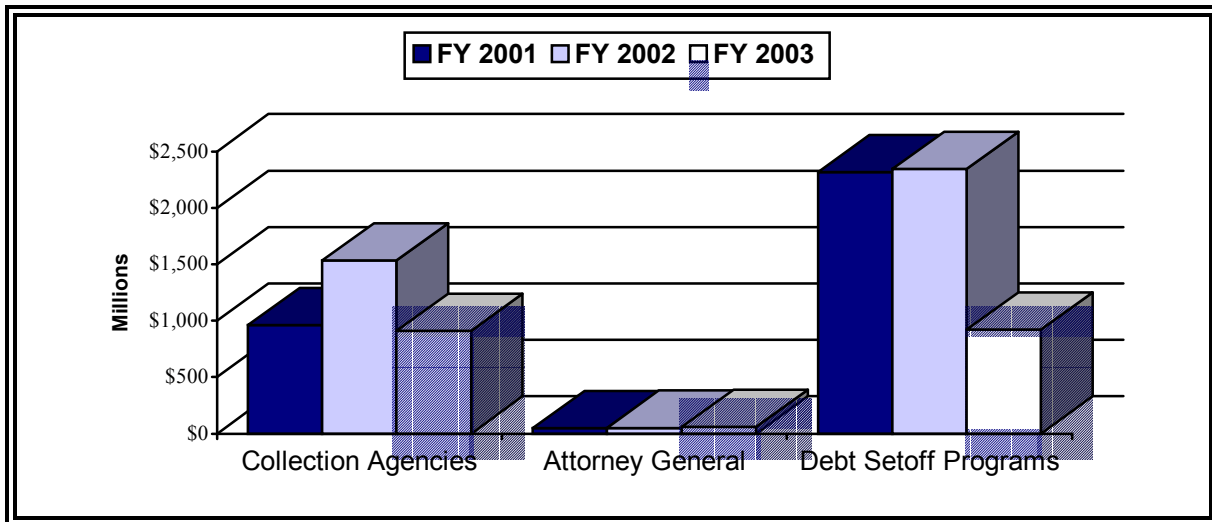
CDS, a payment made by the State to the debtor may be withheld, in full or in part, to satisfy the debt owed the State. CDS collected \$1.2 million during the first quarter of FY 2004.

One way to measure an agency's effectiveness at managing its accounts receivable is to look at how efficient and effective collection procedures are on accounts that become delinquent. The table below looks at trend percentages of receivables over 90 days past due as a percentage of gross receivables for the ten agencies with the largest amounts of receivables over 90 days past due.

Percentage of Gross Receivables Over 90 Days Past Due

Agency	Percent at 6/30/03	Percent at 6/30/02	Percent at 6/30/01
Workers' Compensation Commission	80%	79%	84%
Department of Taxation	79%	75%	78%
Courts of Justice	79%	79%	80%
Department of Social Services	68%	15%	24%
Department of Medical Assistance Services	57%	46%	50%
Department of State Police	47%	32%	17%
Virginia Employment Commission	28%	30%	26%
University of Virginia Medical Center	14%	19%	20%
Department of Transportation	7%	5%	21%
Department of Mental Health, Mental Retardation and Substance Abuse Services	7%	3%	6%

Total Past Due Accounts Listed With Collection Resources
Quarter Ended June 30, 2003



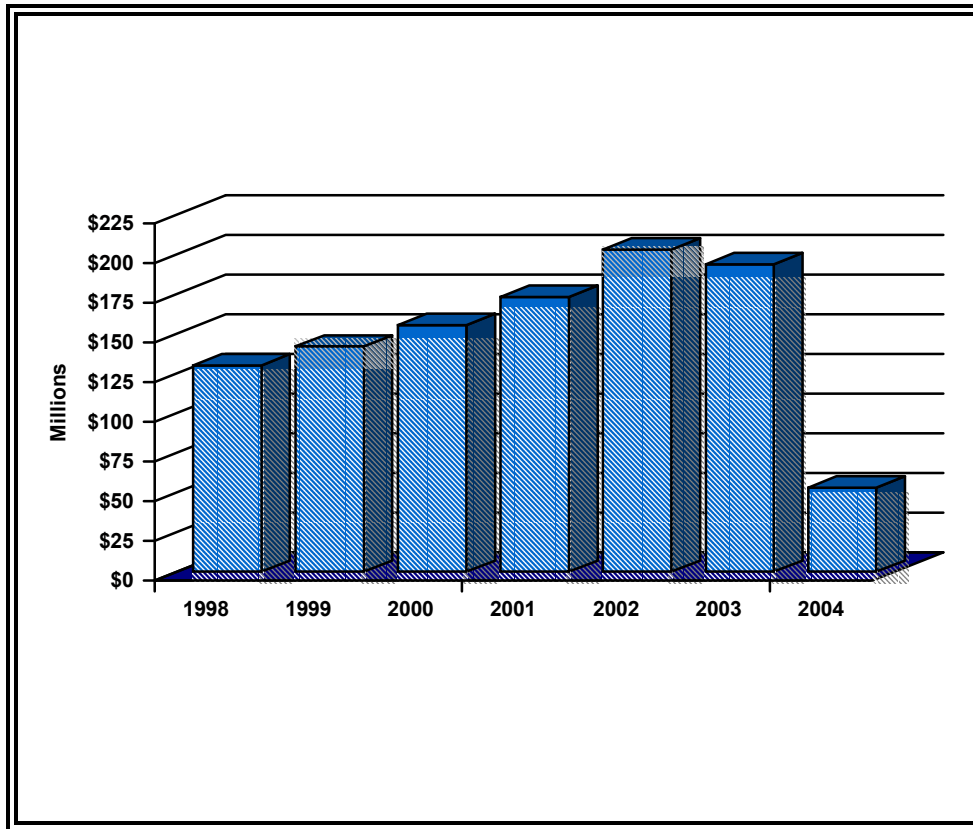
The Department of Social Services did not provide FY 2003 year-end data on accounts listed with collection resources. This accounts for nearly all of the decrease from FY 2002 in figures for both Collection Agencies and Debt Setoff Programs.

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.

Total Indirect Cost Recoveries*
For Fiscal Years Ended 1998-2004



*FY 2004 reflects indirect cost recoveries through September 2003.

Indirect Cost Recoveries From Grants and Contracts

Fiscal Year 2004

Funds	Year to Date		
	Higher Ed	Non-Higher Ed	Total
Nongeneral:			
Agency / Institution ⁽¹⁾	\$ 38,391,777	\$ 14,359,314	\$ 52,751,091
Statewide ⁽²⁾	194,786	82,643	277,429
Total Nongeneral	38,586,563	14,441,957	53,028,520
General:			
Agency (Cash Transfers)	0	0	0
Statewide ⁽³⁾	0	199,038	199,038
Statewide (Cash Transfers)	0	0	0
Total General	0	199,038	199,038
Total	\$ 38,586,563	\$ 14,640,995	\$ 53,227,558

- (1) The Department of Social Services records all federal monies received in CARS. However, it does not separately classify such receipts between direct and indirect. Included in the agency (non-higher ed) nongeneral fund category is \$10,581,985, representing the Department of Social Services' estimate of indirect cost recoveries received.
- (2) Statewide indirect cost recoveries that are appropriated back to an agency (non-higher ed) are recorded in the Nongeneral Fund category.
- (3) Statewide indirect cost recoveries that are not appropriated back to an agency (non-higher ed) are placed in the General Fund.

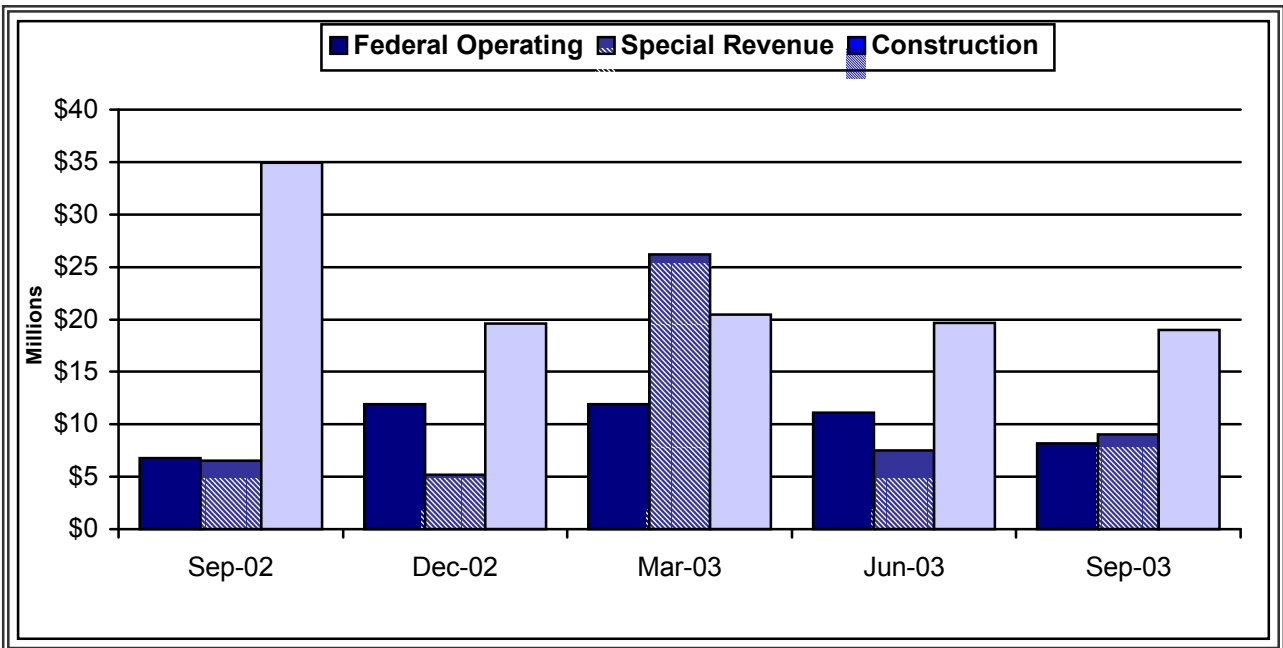


Loans and Advances

Treasury loans may be used to advance funds to a State agency or institution for a designated purpose prior to some form of reimbursement. Working capital advances and lines of credit are other methods for ensuring that an agency or

institution has sufficient operating cash, within its appropriation, prior to collection of revenues. The total of all types of treasury loans and advances as of September 30, 2003, was \$58.6 million.

Treasury Loans
Quarter Ended September 30, 2003



These advances are in the form of temporary loans funded 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.

Other types of loans and advances that are not charted include:

◆ **Authorized Appropriation Deficit**, which provides funding, when authorized by the Governor, under emergency conditions as described in §4-3.01 and §4-3.02 of the Appropriation Act. There were no deficit loans outstanding at September 30, 2003.

◆ **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.

Significant New Loans/Drawdowns

<i>Virginia Commonwealth University</i>	\$3,515,733
To provide cash prior to the sale of revenue bonds for payment of obligations relating to the Academic Campus Parking Deck IV project.	
<i>Virginia Commonwealth University</i>	\$2,756,701
To provide cash prior to the sale of revenue bonds for payment of obligations relating to the Academic Housing III project.	
<i>Department of General Services</i>	\$2,500,000
Drawdown to cover operating costs of the state's electronic procurement system (eVA).	

Significant Loan Repayments

<i>Tidewater Community College</i>	\$1,312,829
Repayment of outstanding balance due to receipt of federal reimbursements.	
<i>Virginia Institute of Marine Science</i>	\$1,000,000
Repayment of outstanding balance due to receipt of federal reimbursements.	
<i>Department of Motor Vehicles</i>	\$1,000,000
Two partial loan repayments due to receipt of revenues.	

Fixed Asset Accounting and Control System (FAACS)

FAACS is the Commonwealth's fixed asset accounting system. State agencies are required to enter capitalized assets (cost \$5,000 or greater) into FAACS. This system produces reports that help agencies track and generally manage their assets. It also provides financial information for the Comprehensive Annual Financial Report (CAFR) of the Commonwealth.

For the first quarter of FY 2004, the agencies and institutions of the Commonwealth that are central users of

FAACS processed 8,970 FAACS transactions. This volume of FAACS transactions represents a 49.1 percent decrease from the last quarter of FY 2003 (17,638 transactions). Fourth quarter volume is always heaviest, so the decrease from fourth quarter to first quarter is normal.

First quarter FY 2004 volume is 32.2 percent lower than that of the first quarter of FY 2003 (13,232 transactions). This decrease is likely due to continuing tight budget conditions.

Number of Fixed Asset Transactions
Fiscal Years 2002 - 2004

