REPORT ON STATEWIDE FINANCIAL MANAGEMENT AND COMPLIANCE

FOR THE QUARTER ENDED MARCH 31, 2004

OFFICE OF THE COMPTROLLER

DEPARTMENT OF ACCOUNTS

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AND COMPLIANCE
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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 March 31, 2004. Some information in the report is for the quarter ended December 31, 2003, which is the most current data available. Annual reviews of payroll and information returns reporting, for the calendar year ended December 31, 2003, are also included.

David A. Von Moll, CPA, CGFM
Comptroller

SPECIAL REPORT
2003 Information Returns Reporting

The federal government requires State and local governments and their subdivisions to report certain payments to the Internal Revenue Service (IRS) at calendar year-end. Generally, payments made for $600 or more during a calendar year to individuals, sole proprietors, medical and legal corporations, partnerships, trusts, and estates are considered reportable.

Studies show that information returns increase tax collections by increasing the likelihood that taxable income will be properly reported.

States have some special information returns reporting requirements unique to their governmental functions. These include reporting payments for state unemployment compensation, taxable grants, reforestation payments, state tax refunds, and lottery winnings.

In February 2004, a Statewide Information Returns compliance survey was conducted for the 2003 tax year. Based on the survey, 127 tax reporting entities (representing 245 agencies and institutions) filed 3.4 million information returns totaling $5.9 billion. Five reporting entities did not file information returns for 2003. The Commonwealth filed 99.9 percent of the information returns with the IRS using electronic or magnetic media.

Information Returns
Filed for Calendar Year 2003

Number of Information Returns Filed	Number of Tax Reporting Entities
No Returns	5
1 to 50 Returns	62
51 to 250 Returns	26
Over 250 Returns	34
Total Reporting Entities	**127**

The agencies and institutions of the Commonwealth filed the following types of information returns for the tax year ended December 31, 2003. When the number of information returns filed in 2003 is compared with 2002, percent changes by category range from plus 45% to minus 53%. The number of 1099-Q's issued by Virginia College Savings Plan (VCSP) increased by 45% in proportion to the increased number of college students who drew down on their savings accounts. The number of 1099-DIV's decreased by 20% in proportion to the lesser number of persons claiming stock shares from the Unclaimed Property Division of the Department of the Treasury. The number of 1099-S's decreased by 40% in proportion to the reduced number of highway construction projects requiring right of way purchases. The number of 1099-INT's decreased by 53% due to new and improved tax refund processing systems initiated by the Department of Taxation, resulting in less interest owed to the tax payers for delayed tax refunds.

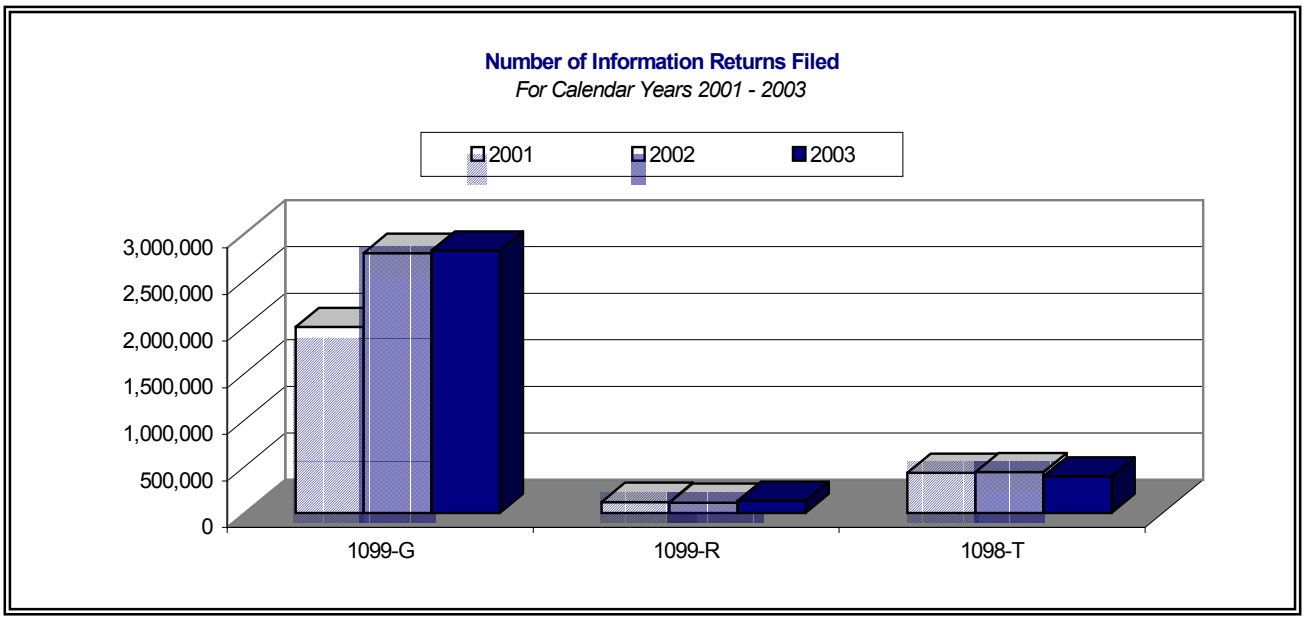
2003 Information Returns Reporting Results

By Major Filing Category

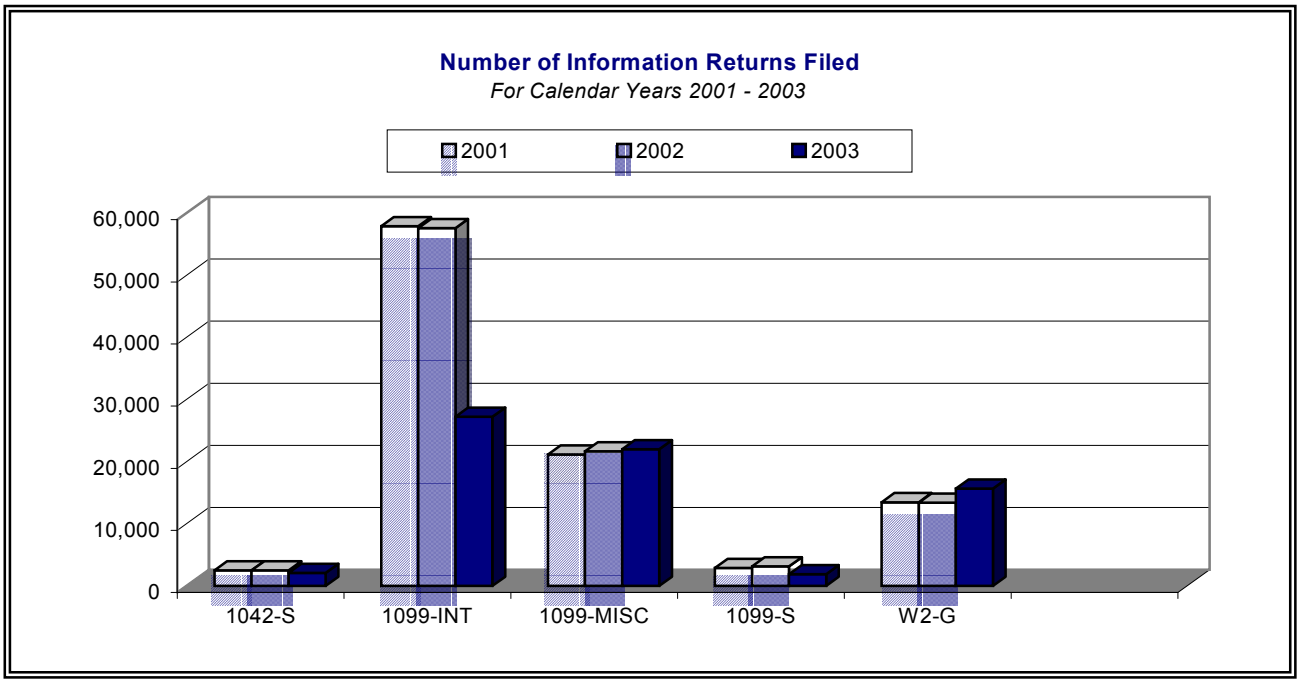
Form Type	Dollars Reported	Number of Payees	Paper Media	Magnetic Media	Electronic Media	% Change in Number of Filings from 2002
1042-S, Foreign Persons	$ 16,831,498	2,073	249	350	1,474	-17.0%
1099-G, Gov't. Payments	2,148,596,622	2,819,127	139	2,818,386	602	1.0%
1099-Q, Qualified Tuition Program	32,401,359	7,276	0	0	7,276	45.0%
1099-INT, Interest	3,975,679	27,209	88	26,029	1,092	-53.0%
1099-DIV, Dividends	10,906	88	0	0	88	-20.0%
1099-MISC, Misc. Income[1]	406,061,098	21,973	3,198	4,503	14,272	2.0%
1099-R, Retirement	1,747,901,690	131,530	141	0	131,389	18.0%
1099-S, Real Estate Trans.	74,877,065	1,862	0	0	1,862	-40.0%
W2-G, Lottery Winnings	29,541,306	15,640	0	15,640	0	17.0%
1098-E, Student Loan Interest	37,386	316	3	0	313	17.0%
1098-T, Tuition Payments	1,488,683,064	394,916	0	34,201	360,715	-10.0%
	$ 5,948,917,673	3,422,010	3,818	2,899,109	519,083	-1.0%

[1] Does not include Medicaid payments to third party providers made by the DMAS fiscal agent.

Following is a comparison of the number of returns filed in the past three years in various categories. Two graphs have been created due to the difference in scale.



Note: This chart does not include comparison information for forms 1042-S, 1099-Q, 1099-INT, 1099-MISC, 1099-S, W2-G, and 1098-E. Most of those are shown on the chart below.



Note: This chart does not include comparison information for forms 1099-G, 1099-R and 1098-T.

Discrepancy Notices

During 2003, five reporting entities received IRS CP-2100 notices, or other correspondence, related to information returns filed for the previous tax years. This is a 38% reduction over 2002. This reduction is largely due to diligent efforts by management and staff to improve procedures and avoid notices, improved technical support for specialized information returns software, and verification of information returns data against vendor edit tables. The majority of these notices stated that the agencies had filed information returns using an incorrect taxpayer identification number or a taxpayer identification number that did not match a taxpayer record in either the IRS or Social Security Administration's databases. To avoid penalties for erroneous filings, agencies were required to research these discrepancies and respond to the IRS within 30 days from the date that the CP-2100 notice was received. All agencies that received CP-2100 notices complied and responded accordingly.

Information Returns training was requested by eighteen agencies, primarily on compliance issues, the use of the DOA Adjustment and Reporting System (ARS), downloading 1099 data from Financial Information Downloading System (FINDS), and the preparation of returns using electronic software.

In 2003, 14 state agencies and institutions received approval from the IRS to participate in the Combined Federal/State Filing Program. Through this program the IRS forwards information returns filed magnetically or electronically to participating states.

The chart below lists the reporting entities that filed more than 500 information returns for calendar year 2003.

Reporting Entities Filing More Than 500 Information Returns for 2003

Reporting Entity	Number of Agencies	Number of Returns*	Dollars Reported*	Automated System
Department of Taxation	1	2,607,218	$ 1,344,484,602	Access & STARS
Virginia Employment Commission	1	235,279	807,451,653	AMS
Virginia Community College System	23	168,318	125,342,046	FRS
Virginia Retirement System	1	131,358	1,756,348,773	Agency-based
University of Virginia	3	34,202	297,630,827	Agency-based
Virginia Commonwealth University	1	34,027	215,249,956	FRS & Integral
Virginia Polytechnic Institute & State University	2	32,297	261,708,266	SCT Banner
George Mason University	1	30,899	145,907,256	SCT Banner
Old Dominion University	1	28,515	120,760,809	SCT Banner
James Madison University	1	17,273	102,730,191	PeopleSoft/Winfiler
Department of the Lottery	1	16,592	48,896,420	J. D. Edwards
Radford University	1	12,385	59,092,090	IFAS
The College of William and Mary in Virginia	2	9,935	89,746,277	SCTIA/FRS
Norfolk State University	1	8,915	37,682,331	IFAS
Virginia College Savings Plan	1	7,278	32,432,364	AMS
Virginia State University	2	7,077	30,596,229	SCT SIS/FRS
Christopher Newport University	1	6,501	30,452,056	Adams Helper 2004
Mary Washington College	2	6,500	28,331,215	IFAS
Longwood University	1	5,478	25,504,565	FRS
Department of Transportation	1	3,630	150,140,399	Agency-based
Supreme Court	9	2,595	67,728,770	Oracle/IDSS
Virginia Military Institute	1	1,993	17,661,639	Datatel Colleague
Department of Rehabilitative Services	6	1,631	14,762,469	Powerhouse
Richard Bland College	1	1,586	1,456,594	AMS
Marine Resources Commission	1	1,435	1,540,555	1099 Express
Department of the Treasury Division of Unclaimed Property	1	1,231	369,586	Agency-based
Department of Health	2	811	14,715,961	Agency-based
Department of Education	1	711	2,572,091	AMS
Department of Forestry	1	652	825,409	AMS
Total	71	3,416,322	$ 5,832,121,398	

* The Number of Returns column includes the number of Forms 1098-T filed with the IRS, but the Dollars Reported column does not include associated dollar amounts because dollar reporting was not required for 2003.

SPECIAL REPORT
2003 Year-End Payroll Processing

At the end of calendar year 2003 DOA, working with 221 state agencies and institutions, verified and printed 120,121 W-2s. This was a slight increase from the number of W-2s printed in 2002.

	CY 2002	CY 2003
W-2s Printed	119,634	120,121
W-2Cs Printed	44*	47*
Reissued W-2s	127	122
Agencies Making Adjustments	65	72
Employee Records Requiring Year-End Adjustments	199	218

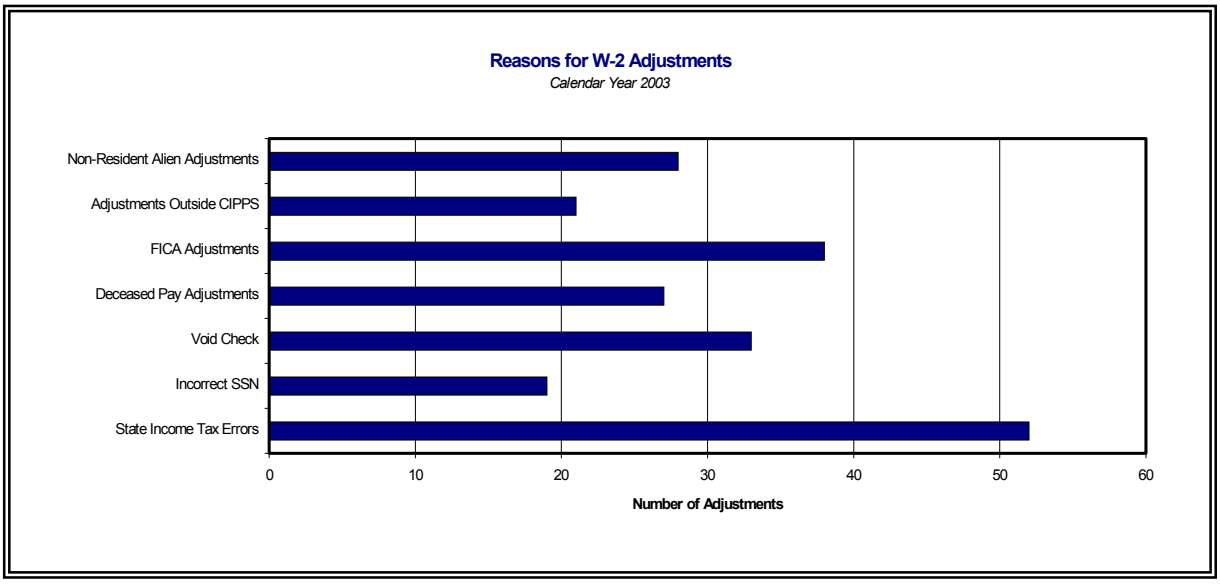
* # of W-2C's printed as of the date of this report.

Eliminating reconciliation and certification requirements at the end of the fourth quarter freed staff time for earlier attention to W-2 processing. Agencies ensured that their remote report printers were operational over the New Year's holiday. In addition, many agencies improved the timeliness of payroll updates during the year.

As a result, required processing deadlines continue to be met without difficulty. Submissions of certified year-end reports continue to follow the same trend as last year.

Agencies adjusted 218 employee records. Accounting for state tax adjustments was most common reason for W-2 adjustments. Adjusting non-resident alien W-2s for specific terms in treaties with their countries of origin also constituted a large portion, as did adjustments for pre-tax deductions withheld from non-taxable deceased pay disbursements.

W-2s are printed at DOA and subsequently distributed to a third party vendor for folding and envelope stuffing. Upon return from the vendor, agencies are notified that the W-2s are ready for pickup. All CIPPS W-2s were picked up by January 28 for subsequent delivery to employees.



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 reportable conditions. Reportable conditions involve matters relating to significant deficiencies in the design or operation of internal control that, in the Auditor's judgement, could adversely affect the agency's ability to record, process, summarize, and report financial data consistent with the assertions of management.

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

Audit Reports – Quarter Ended March 31, 2004

The APA issued 20 separate reports covering 22 agencies, offices, boards, and commissions for the Executive Branch agencies listed on the following table. The last column indicates whether the CAW has been received as of the date of this publication for each agency with audit findings. Note that in some cases, the CAW may not have been received because it is not yet due.

	New Findings	Repeat Findings	Total Findings	CAW Received
Administration				
None Issued				
Commerce and Trade				
Virginia Employment Commission	4	0	4	Yes
Education				
University of Virginia	0	0	0	N/A
University of Virginia Medical Center	0	0	0	N/A
Virginia Commonwealth University	1	1	2	Yes
Blue Ridge Community College	0	0	0	N/A
Central Virginia Community College	0	0	0	N/A
Dabney S. Lancaster Community College	0	0	0	N/A

New Repeat Total CAW

	Findings	Findings	Findings	Received
Education (cont.)				
Department of Education (1)	0	0	0	N/A
Elected Officials				
None Issued				
Finance				
Department of Accounts	2	0	2	Yes
Department of Taxation	1	1	2	Yes
Department of Treasury	4	0	4	Yes
Health and Human Resources				
Department of Health	4	0	4	Yes
Department of Medical Assistance Services	1	0	1	Yes
Department of Social Services	1	0	1	Yes
Department of Mental Health, Mental Retardation, and Substance Abuse Services	0	0	0	N/A
Virginia Tobacco Settlement Foundation	0	0	0	N/A
Natural Resources				
Department of Environmental Quality	2	0	2	Yes
Public Safety				
Wireless E-911 Services Board	0	0	0	N/A
Technology				
Innovative Technology Authority	0	0	0	N/A
Transportation				
Department of Transportation	7	4	11	Yes

No Audit reports were received during the quarter for agencies and institutions that report to the Secretary of Administration or the Executive Offices.

(1) This report also included Direct Aid to Public Education, The Virginia Schools for the Deaf and Blind, and the Virginia Schools for the Deaf and Blind Foundation.

Agency Findings – Quarter Ended March 31, 2004

The following agencies had one or more findings contained in their audit report. Short titles assigned by APA are used to describe the finding, along with a brief summarization of the comments. The audit reports contain the full description of each finding.

Commerce and Trade

Virginia Employment Commission

1. Improve Document Retention. VEC is not adequately maintaining the report detailing daily changes to the wage file. Changes were made directly to the master wage file, and lacked support.

2. Implement Adequate Environmental Controls in Central Office Computer Rooms. VEC does not have adequate environmental controls over their central computer room. They do not have an automatic fire suppression system, either sprinkler or chemical.

3. Enable Firewall Security Logging. The Commission has not activated the firewall security logging software issued by the Virginia Information Technology Agency (VITA).

4. Improve Timeliness of Benefit Reports Reviews. VEC Internal Audit is responsible for reviewing specific benefit reports that show suspicious activity. The reports help identify incorrect payments and fraudulent activities. Internal Audit did not review any cases of recipients receiving excessive checks for calendar year 2003 and 75% of test cases showing multiple checks going to the same address for four months were not reviewed.

Education

Virginia Commonwealth University:

1. Ensure Proper Stewardship and Control Over Fixed Assets. ***As noted in last year's report***, VCU did not adequately maintain and safeguard fixed assets in accordance with University policies and procedures and CAPP. Exceptions noted included missing assets, untagged assets, misidentified assets and assets that were not listed on the fixed asset system.

2. Improve Controls Over Employee Separation. VCU did not consistently follow its Guidelines for Separating Faculty and Staff. Nine separated employees still had active identification cards and eight additional former employees still had systems access.

Finance

Department of Accounts

1. Improve Controls Over Financial Reporting Process. DOA can tighten the annual report preparation process by discussing material journal entries with the Auditor before recording the entries, updating procedures before preparing statements instead of during preparation and educating each agency's financial staff how its information fits into the annual financial reporting process.

2. Comply With the Virginia Truth in Revenue Source Reporting Act. The Act took effect July 1, 2003. The Auditor recommends enhancing web reporting by posting all transfers of funds directed by Part Three of the Appropriation Act and identifying which revenue stream the transfers come from in order to comply with the Act.

Department of Taxation

1. Strengthen Controls Over Program Change Controls. ***As noted in last year's audit***, Taxation has seven policies and procedures documents covering the change management process, two of which are not formally approved. Adequate separation of duties is not ensured within the change management process. The responsible managing Coordinator duties should be expanded beyond reviewing the change request database and developing policies to include overseeing the entire program train staff and verify compliance. Finally, user and system documentation needs to be centrally located and managed.

2. Improve Application Access Management. Certain controls were impaired over Taxation's process for granting and administering access to certain applications. A formal request process does not exist for the Remittance Data Capture System application. In addition, adequate segregation of duties does not exist in the Electronic Filing (ELF) application.

Department of Treasury

1. Create Policies and Procedures. Treasury does not have adequate written policies and procedures over financial statement preparation, statewide disclosures of non-arbitrage programs, cash and investments, debt disclosures and general accounting.

2. Provide Adequate Accounting Systems. Treasury Trust does not operate an accounting system for the Virginia College Building Authority. In addition, Trust operates redundant accounting systems for the Local Government Investment Pool and the General Account Investments. Finally, the automated database of debt schedules has been started but never finished.

3. Management Structure. The current management structure in Trust coupled with a lack of written policies and procedures creates a considerable risk to the operations of the Department. Loss of one or more key personnel could significantly disrupt daily operations and affect the ability to produce an annual financial report.

4. Performance Management. Treasury Trust does not have a mechanism to monitor and report on performance effectiveness and efficiency of staff and transactions processed.

Health and Human Resources

Department of Health

1. Improve WIC Policies and Procedures. Health does not require local health districts to validate participants' Medicaid eligibility by using Medicall, the Department of Medical Assistance Services automated real-time Medicaid recipient eligibility verification system. Health districts use the individual's Medicaid card, which does not show the period of eligibility. An expired or invalid card could be used to obtain WIC benefits.

2. Comply With Eligibility Requirements. The Ryan White CARE Act Title II Grant provides drugs and other services to low income individuals and families with HIV disease. The audit found that 5 out of 15 participants tested received benefits but did not have their Medicaid eligibility verified. In addition, one ineligible person was declared eligible by Health and given benefits. The audit identified $42,232 of questioned costs for the 6 individuals.

3. Improve Controls Over the ADAP Program. Health did not monitor or conduct site visits for the AIDS Drug Assistance Program (ADAP) during the 2003 fiscal year.

4. Request Payment for Unallowed Health Planning Agency Expenses. The audit disclosed improper payroll transactions totaling approximately $53,843 were made at Eastern Virginia Health Planning Agency (EVHPA). The cash payments for fringe benefits, retirement benefits, and advance payment of leave balances do not comply with state laws or regulations.

Department of Medical Assistance Services

1. Develop Formal Medicaid Eligibility Quality Control (MEQC) Review Policies and Procedures. The Department does not have adequate policies and procedures to monitor and control the submission, resolution, and completion of the 8 pilot projects. The pilots focused on eligibility determinations for groups such as long-term care and medically indigent recipients.

Department of Social Services

1. Timely Submit Final Results and Corrective Action Plans of Medicaid Eligibility Quality Control Reviews. DSS did not complete and submit final results and corrective action plans on time to DMAS for two MEOC pilots. The items were submitted 19 months late.

Natural Resources

Department of Environmental Quality

1. Access to Statewide Systems. DEQ is a summary user of CARS. Multiple agency personnel not required to have access to CARS currently have CARS access. Uncontrolled access increases the risk of misuse of the system or unauthorized changes.

2. Implement Information Technology Security Policies and Procedures. DEQ does not have a business impact analysis or a business continuity plan. In addition the Department has not conducted an agency-wide risk assessment.

Transportation

Department of Transportation

1. Improve Capital Asset Management and Reporting. The Auditor believes that the controls surrounding capital assets are so inadequate and pervasive that they represent a **material weakness** in VDOT's internal controls. For fiscal year 2003, capital assets totaled $11.1 billion, net of accumulated depreciation. VDOT does not have proper recording, managing, reporting, and inventorying of all of its capital assets. Multiple systems are used, making tracking capital assets extremely difficult. Multiple individuals, divisions, and districts have varying responsibilities and there is limited communication between the responsible parties.

2. Improve Internal Controls Over Capital Assets. ***As reported in the previous audit***, VDOT did not record improvements other than buildings before FY 2002. In addition, VDOT lacks consistent and updated methodologies to assign salvage values and useful lives to all of its assets. Finally, VDOT did not capitalize approximately 80 Fuel Control Terminals costing between $7,700 and $8,700 apiece in any system at all.

3. Evaluate and Improve the Equipment Management System. The Equipment Management System (EMS) did not calculate depreciation for one category of equipment. EMS needs to be modified so that it can calculate depreciation in the future.

4. Improve Controls Over Computer Equipment. VDOT has not taken a complete inventory of its computer equipment and updated their FAACS records since fiscal year 2002. Further, VDOT does not have written policies and procedures to follow related to the recording, inventorying and reporting of these assets.

5. Improve Controls Over Major Equipment Inventory. VDOT did not properly perform inventories over major equipment and did not record changes in assets throughout the fiscal year. Commonwealth policies require a complete inventory every 2 years.

6. Improve Internal Controls Over Regular and Stores Stock Inventory. Transportation used its Inventory Management System (IMS) to track $32.7 million of its inventory which is material to the Commonwealth's CAFR. This inventory includes regular and stores stock such as gravel, sand, tires and equipment. Counts were not properly conducted and adjusted and compliance reviews were inconsistently documented.

7. Properly Track and Record Leases. ***As reported in the previous audit,*** Transportation does not have a consistent documented methodology to calculate future lease payments for the Seat Management lease. The monthly rates fluctuate based on the total equipment rented. This inconsistency caused a $12.4 million audit adjustment to FY2003 financial statements.

8. Properly Record and Update Leases in the Financial Management System (FMS). ***As reported in the previous audit,*** VDOT continues to not properly record or track its commitments for current or ongoing highway contracts. Internal control weaknesses caused material adjustments to VDOT's fiscal year-end disclosure in the CAFR.

9. Properly Manage and Maintain User Access to Information Systems. VDOT does not maintain and monitor user access to information systems. The audit found 60 terminated employees with active access to the system.

10. Comply with COV ITRM Standard SEC2001-01.1. VDOT failed to maintain adequate control over and procedures for access to the Computer Center. During FY 2003, over 200 VDOT employees had access to the computer center.

11. Perform Subrecipient Monitoring of Localities. ***As reported in the previous audit,*** VDOT continues to not properly monitor federal funds passed through to localities.

Compliance Monitoring

Exception Registers

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 an exception register.

DOA closely monitors exception register status, evaluates exceptions, and posts correcting entries in CARS. Exception registers for December, January, and February were due 01/30/04, 02/24/04, and 03/26/04, respectively. No exception registers were submitted late and none are outstanding.

Disbursement Processing

During the quarter ended March 31, 2004, DOA deleted, at the submitting agency's request, 48 payments that were awaiting disbursement from the vendor payment file. These included duplicate payments, payments with incorrect vendors or addresses, and payments with incorrect amounts. This type of transaction may point to areas where improved agency internal accounting controls should be evaluated.

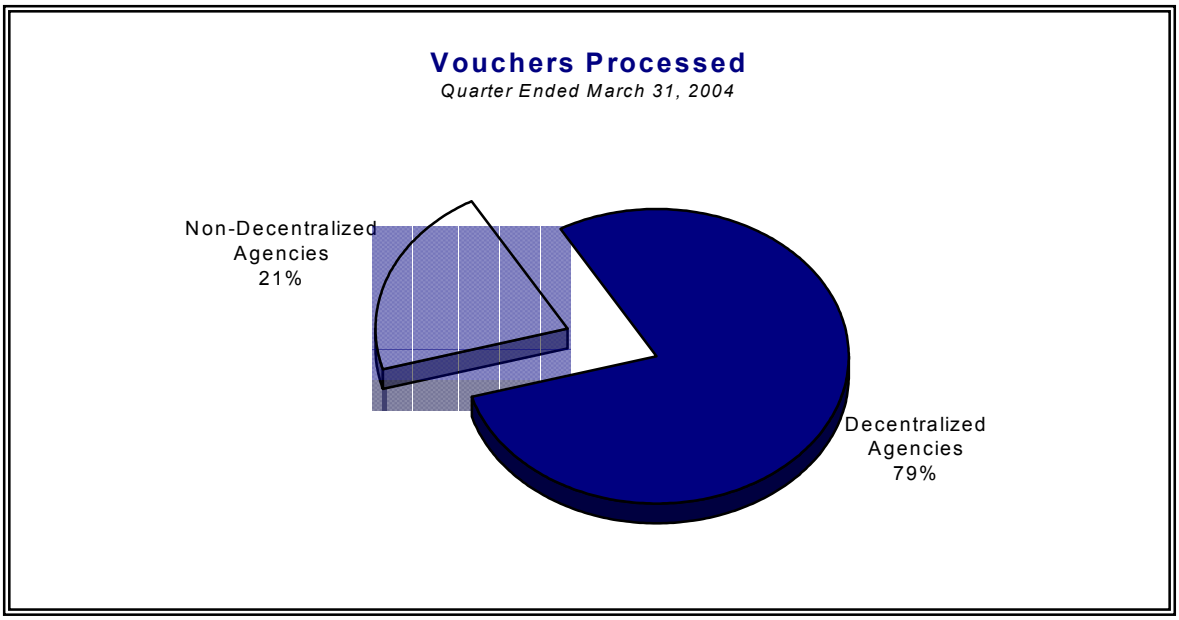
Twenty-five agencies requested deletes during the quarter. Agencies that requested more than four vendor payment deletes during the quarter are as follows:

- Department of Rehabilitative Services
- Department of Transportation

Paperwork Decentralization

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

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



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

Decentralized Agencies

Compliance reviews were conducted for four decentralized agencies during the quarter. The agencies were evaluated for compliance with State expenditure policies and procedures. Vouchers are selected for review based on a random sample designed to ensure 95 percent confidence in the conclusions.

The Exception Rate is determined by dividing the number of compliance findings by the number of vouchers reviewed. The primary reasons for an Exception Rate exceeding 4 percent are provided below.

Compliance Rating Legend	
> 9.9%	Unacceptable Performance
7.0% to 9.9%	Minimal Performance
4.0% to 6.9%	Satisfactory Performance
1.0% to 3.9%	Good Performance
< 1.0%	Exceptional Performance

Decentralized Agency	Vouchers Reviewed	Compliance Findings	Exception Rate	Performance Measurement
Commerce and Trade				
Department of Housing and Community Development	323	17	5.3%	Satisfactory
Education				
Virginia Community College System	225	22	9.8%	Minimal
Transportation				
Department of Rail and Public Transportation	164	8	4.9%	Satisfactory
Public Safety				
Coffeewood Correctional Center	209	6	2.9%	Good

Note: No reviews were performed during the quarter for agencies that report to the Secretaries of Administration, Commerce and Trade, Education, Finance, and Technology.

Agencies With Performance Ratings Lower Than "Good"

Department of Housing and Community Development – Satisfactory Performance – Thirteen of the seventeen compliance findings are related to travel vouchers. The following items represent the majority of these findings:

Travel Vouchers

- Insufficient information or documentation (6)
- Lodging over guidelines (2)
- Required approval signatures absent (2)

Moving and Relocation Vouchers

- Original receipts absent (2)

Virginia Community College System – Minimal Performance – Twelve of the twenty-two findings are related to travel vouchers. Six findings are related to use of the Small Purchase Charge Card. The following represent the majority of these findings:

Travel Vouchers

- Lodging and/or M&IE are over established guidelines (7)
- Receipts are either absent or not an original document (4)

Small Purchase Charge Card Program

- Exception needed to use SPCC card for meals (4)

Department of Rail and Public Transportation – Satisfactory Performance – Five of the eight compliance findings are related to vendor payment vouchers. The following items represent the majority of these findings:

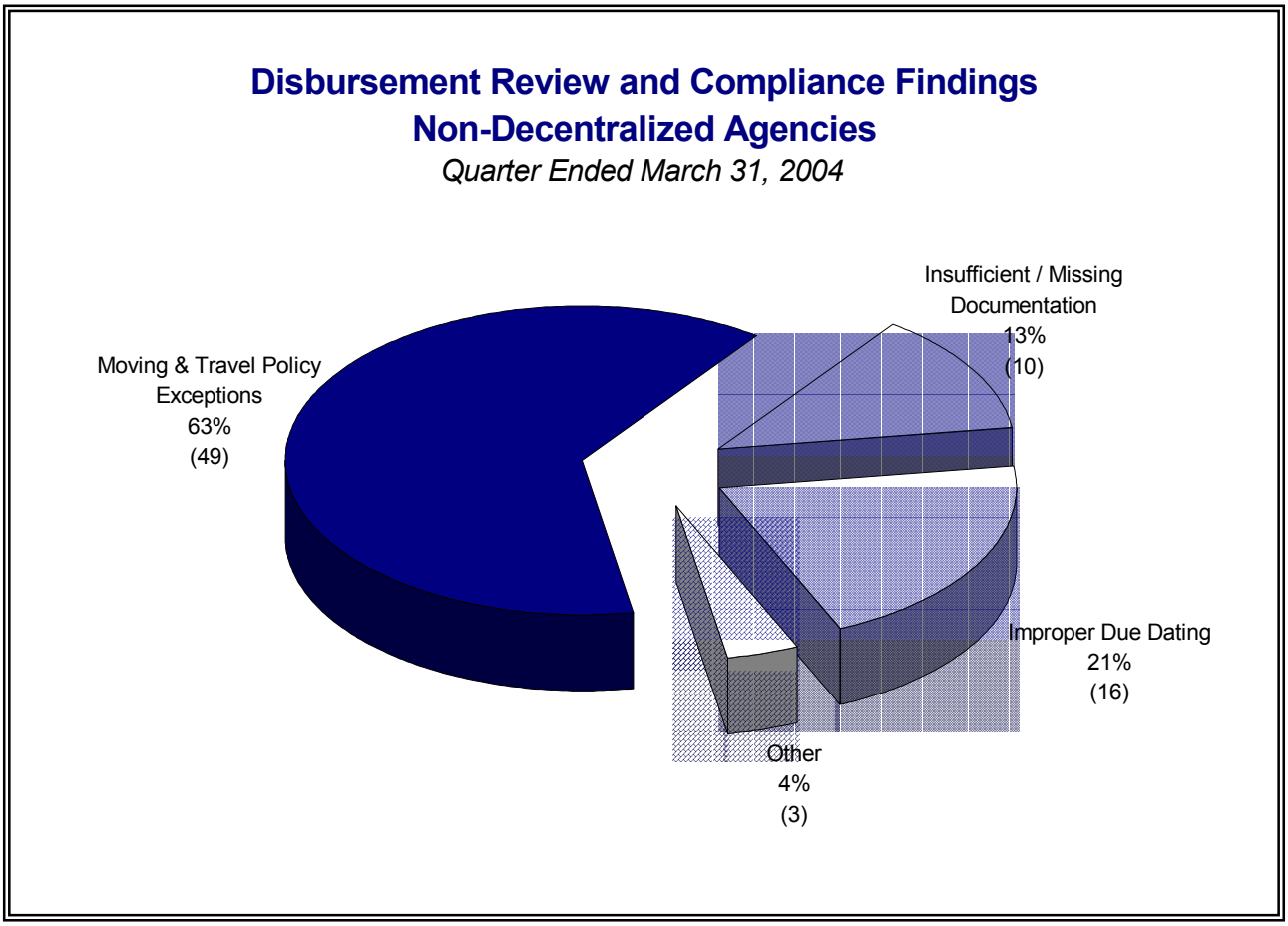
Vendor Payment Vouchers

- Original receipts absent and/or insufficient documentation (4)
- Payment requires establishment of a due date (1)

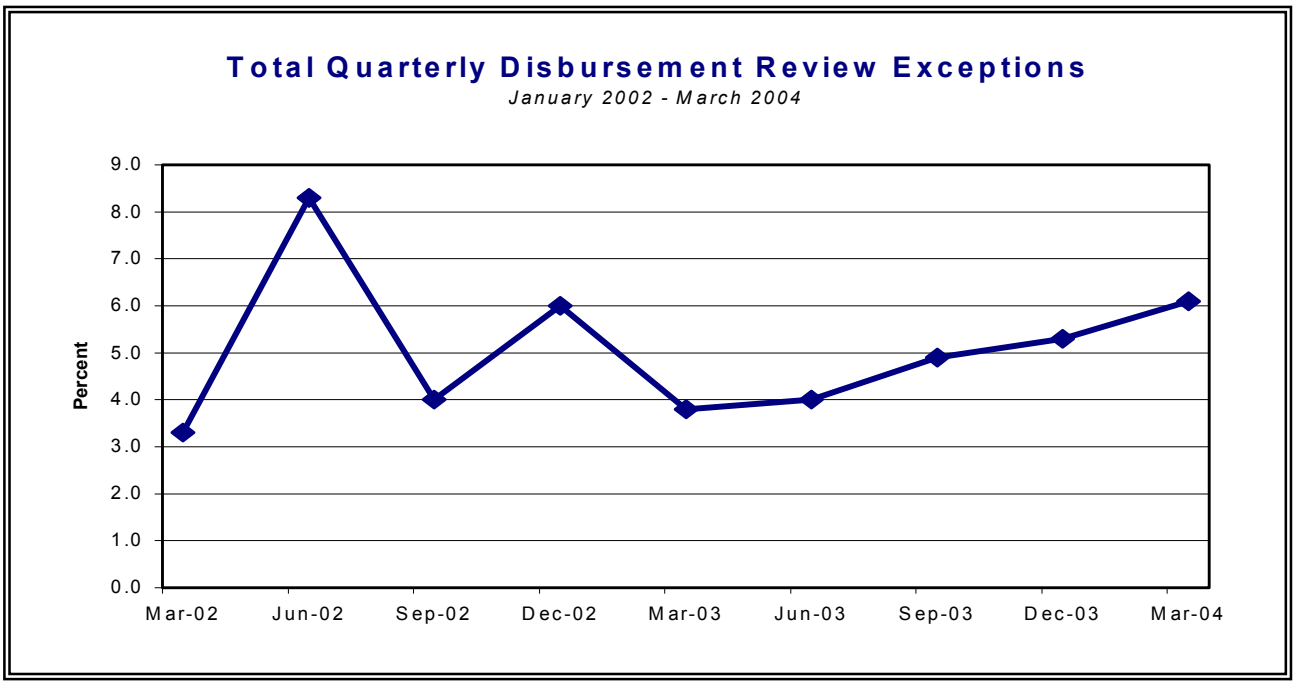
Non-Decentralized Agencies

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 132 non-decentralized agencies on a rotating schedule. A total of 1,062 non-travel disbursement batches and 212 travel disbursement batches were reviewed, disclosing 78 exceptions that were resolved prior to releasing the transactions for payment.



The following chart compares compliance findings as a percentage of total batches reviewed among non-decentralized agencies, by quarter, for the past two years.



Prompt Payment Compliance

The Prompt Payment Act 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 Section 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 Ending March 31, 2004		*Fiscal Year 2004 To Date*		*Comparative FY 2003 to Date*	
	Late	**Total**	**Late**	**Total**	**Late**	**Total**
Number of Payments	7,537	618,721	22,996	1,885,163	25,353	1,805,636
Dollars (in thousands)	$ 33,920	$ 1,208,870	$ 84,432	$ 3,652,935	$ 149,780	$ 3,269,477
Interest Paid on Late Payments				$ 10,232		
Current Quarter Percentage of Payments in Compliance				98.8%		
Fiscal Year-to-Date Percentage of Payments in Compliance				98.8%		
Comparative Fiscal Year 2003 Percentage of Payments in Compliance				98.6%		

Prompt Payment Performance by Secretarial Area

Quarter Ended March 31, 2004

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.2%	97.3%
Commerce and Trade	98.8%	99.2%
Education*	98.8%	97.5%
Elected Officials	99.1%	97.7%
Finance	99.0%	92.6%
Health and Human Resources	98.7%	96.2%
Independent Agencies	98.6%	99.0%
Judicial	99.4%	99.6%
Legislative	99.4%	96.8%
Natural Resources	99.1%	99.1%
Public Safety	99.0%	98.2%
Technology	97.1%	94.4%
Transportation*	98.6%	96.2%
Statewide	98.8%	97.2%

Prompt Payment Performance by Secretarial Area

Fiscal Year 2004

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.1%	97.9%
Commerce and Trade	98.9%	99.0%
Education*	98.8%	97.8%
Elected Officials	97.8%	95.6%
Finance	99.4%	97.3%
Health and Human Resources	98.6%	97.1%
Independent Agencies	98.8%	99.0%
Judicial	99.5%	99.8%
Legislative	99.5%	98.8%
Natural Resources	99.2%	99.0%
Public Safety	98.9%	98.6%
Technology	97.6%	96.7%
Transportation*	98.6%	96.5%
Statewide	98.8%	97.7%

* 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 March 31, 2004, 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 March 31, 2004

Agency	Late Payments	Total Payments	Payments in Compliance
Education			
The Science Museum of Virginia	67	739	90.9%
Gunston Hall Plantation	9	132	93.2%
Health and Human Resources			
Central Virginia Training Center	99	1,823	94.6%
Southside Virginia Training Center	126	2,425	94.8%
Public Safety			
Department of Corrections, Central Activities*	11	186	94.1%

* Compliance percentage was affected by a change to funding source and a misunderstanding of proper payment due dates.

For FY 2004, the following agencies and institutions that processed more than 200 vendor payments during the year were below the 95 percent prompt payment performance standard.

Prompt Payment Compliance Rate
Agencies Below 95%
Fiscal Year 2004 to Date

Agency	Late Payments	Total Payments	Payments in Compliance
Education			
The Science Museum of Virginia	152	2,424	93.7%
Gunston Hall Plantation	53	404	86.9%
Health and Human Resources			
Southeastern Virginia Training Center	462	2,759	83.3%

Prompt Payment Explanations

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

The ***Central Virginia Training Center*** experienced special fund cash flow problems in late January due to billing difficulties at DMAS causing them to miss prompt payment for the quarter.

The Science Museum of Virginia continues to experience slow cash flows during this period which affects their ability to make timely payments to vendors. They have applied for an Anticipation Loan to assist with timely vendor payments.

Southeastern Virginia Training Center experienced cash flow problems during fiscal year 2004 due to problems with changes to billing systems. Revenue collections have not flowed consistently each month this fiscal year. Collections have improved but not enough to increase year to date percentages.

Southside Virginia Training Center had special fund cash flow problems during the third quarter causing them to miss prompt payment standards. Processed invoices were on the error file awaiting cash transfers.

Gunston Hall Plantation is still struggling to meet prompt pay with no clerical assistance. They are making efforts to improve.

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

	Quarter Ended March 31, 2004			Comparative Quarter Ended March 31, 2003
	E-Commerce	**Total**	**Percent**	**Percent**
Number of Payments	584,505	1,018,914	57.4%	55.2%
Payment Amounts	$ 5,135,495,255	$ 5,937,281,043	86.5%	85.8%

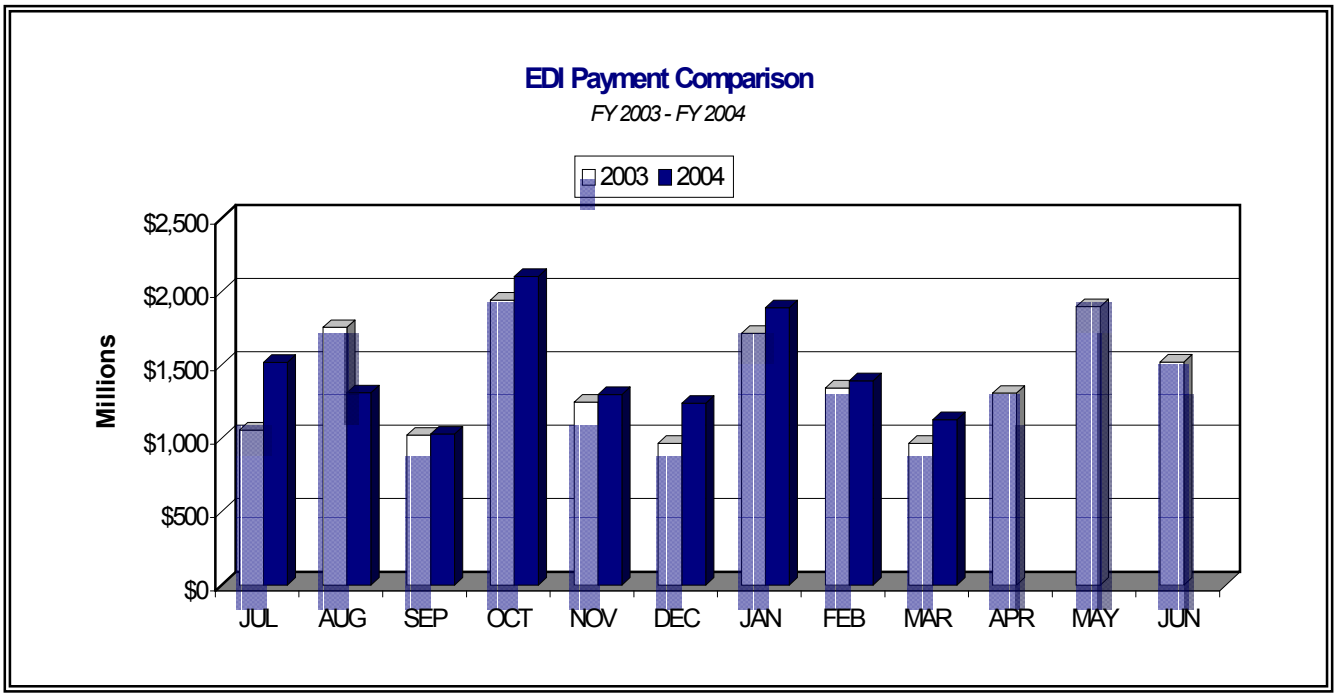
	Fiscal year 2004 to Date			Comparative Fiscal Year 2003
	E-Commerce	**Total**	**Percent**	**Percent**
Number of Payments	1,732,773	3,053,087	56.8%	54.9%
Payment Amounts	$ 14,959,421,101	$ 17,575,779,577	85.1%	83.7%

Financial Electronic Data Interchange (EDI)

The dollar volume of Financial EDI payments for the third quarter of FY 2004 was $385.9 million (9.6 percent) more than the same quarter last year. The number of trading partner accounts increased by 98 percent from March 2003. The largest portion of this increase is due to efforts to convert state employee travel reimbursements from checks to electronic payments.

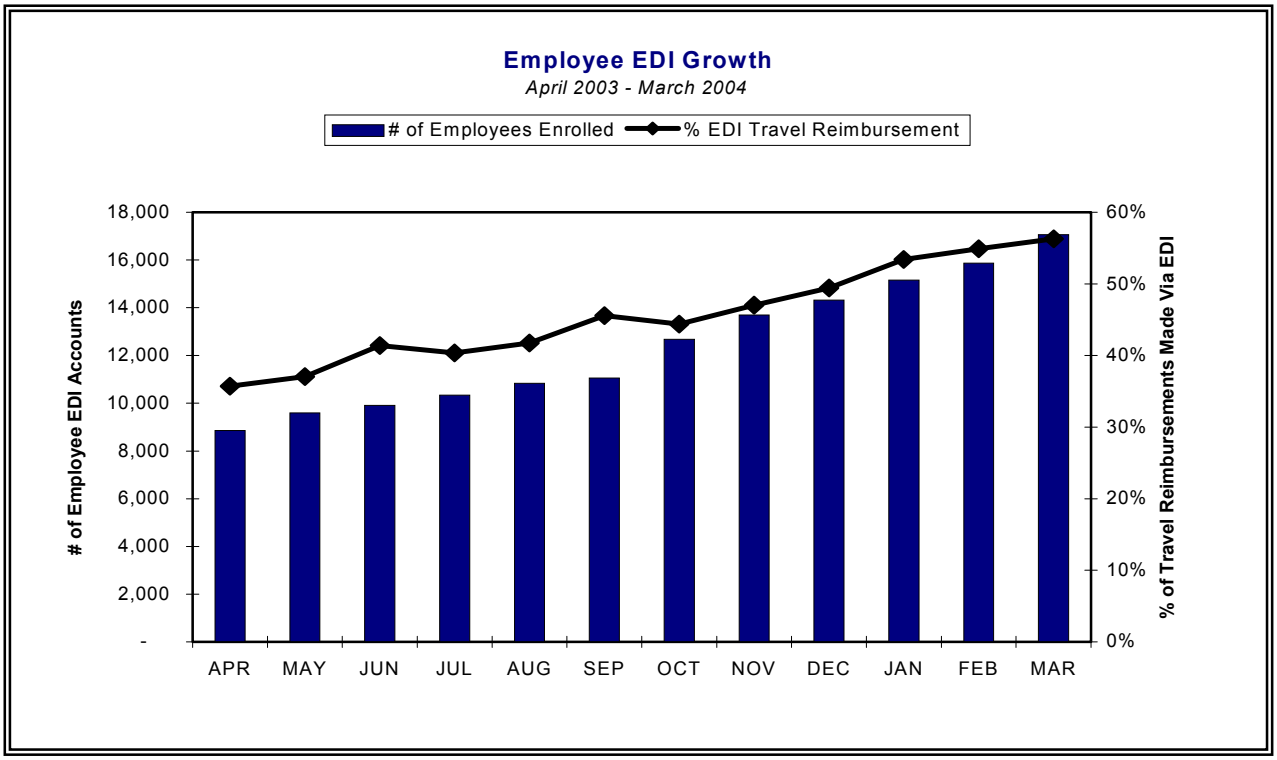
Financial EDI Activity

Financial EDI Activity	Quarter Ended March 31, 2004	Fiscal Year 2004 to Date	Comparative FY 2003 to Date
Number of Payments	32,860	96,620	62,863
Amount of Payments	$ 4,410,880,432	$ 12,913,724,854	$ 12,016,059,017
Number of Invoices Paid	156,335	462,592	379,657
Estimated Number of Checks Avoided	60,137	177,985	135,468
Number of Trading Partner Accounts As of 3/31/04		19,279	9,734



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. DOA notified agencies of the requirement through a CARS broadcast screen and calls to the agencies that produce the largest number of travel reimbursement checks. Utilization statistics from a prior quarter were provided to the fiscal officers of the agencies that participate in the program in an effort to increase the number of employees enrolled from those agencies.

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 began charging 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.



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 March 31, 2004

Secretarial Area	Percent	Reimbursement Checks Issued
Administration	45.8%	162
Commerce and Trade	80.6%	513
Education *	49.5%	2,459
Elected Officials	74.0%	57
Finance	95.3%	34
Health and Human Resources	70.3%	2,194
Independent Agencies	89.1%	119
Judicial	9.5%	2,342
Legislative	79.9%	110
Natural Resources	45.5%	846
Public Safety	37.6%	3,350
Technology	4.0%	72
Transportation*	50.9%	277
Statewide for Quarter	**55.1%**	**12,535**
Fiscal Year 2004 to Date		
Statewide	**48.2%**	**47,536**
Comparative Fiscal Year 2003 to Date		
Statewide	**16.5%**	**73,309**

* 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	14.2%	97
Education		
Southside Virginia Community College	39.1%	53
Tidewater Community College	37.7%	119
Norfolk State University	27.6%	212
Thomas Nelson Community College	24.3%	53
J. Sargeant Reynolds Community College	0.0%	66
Judicial		
Combined District Courts	3.2%	239
Supreme Court	1.6%	127
Circuit Court	0.0%	437
General District Court	0.0%	262
Magistrate System	0.0%	253
Juvenile and Domestic Relations District Courts	0.0%	228
Natural Resources		
Department of Game and Inland Fisheries	5.4%	667
Public Safety		
Department of Juvenile Justice	44.1%	415
Department of Fire Programs	13.7%	189
Department of State Police	0.0%	1,342
Technology		
Virginia Information Technologies Agency	0.0%	72
Transportation		
Department of Motor Vehicles	44.3%	244

*** Starting with the report for the quarter ending June 30, 2004, agencies with a compliance rate of less than 75% (and more than 25 travel checks printed) will be reported.

During the third quarter of FY 2004, 367,365 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 March 31, 2004

Secretarial Area	Direct Deposit % of Salary Employees	Direct Deposit % of Wage Employees
Administration	89.3%	78.6%
Commerce and Trade	94.5%	73.9%
Education	91.4%	33.4%
Elected Officials	96.8%	69.2%
Finance	93.8%	50.4%
Health and Human Resources	82.6%	66.7%
Independent Agencies	95.7%	73.4%
Judicial	95.2%	41.3%
Legislative	94.9%	67.4%
Natural Resources	96.1%	61.9%
Public Safety	87.0%	71.1%
Technology	92.4%	78.1%
Transportation	81.7%	64.8%
Statewide	**87.3%**	**44.9%**
Comparative Quarter Ended March 31, 2003		
Statewide	**85.9%**	**42.1%**

Statewide Salaried Direct Deposit Performance

Quarter Ended March 31, 2004

Salaried Direct Deposit Participation	87.3%

Salaried Direct Deposit Below 80 Percent

Agency	Percent	Number of Employees
Education		
Tidewater Community College	72.8%	1,500
Health and Human Resources		
Southern Virginia Mental Health Institute	77.7%	162
Hiram W. Davis Medical Center	75.1%	181
Central State Hospital	71.5%	716
Piedmont Geriatric Hospital	65.1%	321
Southside Virginia Training Center	63.8%	1,368
Central Virginia Training Center	61.0%	1,538
Public Safety		
Augusta Correctional Center	79.1%	394
Eastern Regional Correctional Field Units	79.1%	211
Central Regional Correctional Field Units	78.4%	158
Greensville Correctional Center	78.2%	820
Lunenburg Correctional Center	78.1%	266
Fluvanna Women's Correctional Center	77.8%	371
Mecklenburg Correctional Center	75.2%	303
Southampton Reception & Classification Center	75.1%	245
Bland Correctional Center	75.0%	284
Brunswick Correctional Center	72.4%	378
Dillwyn Correctional Center	71.8%	266
Buckingham Correctional Center	70.7%	345
Nottoway Correctional Center	65.5%	418
Virginia Center for Behavioral Rehabilitation	61.2%	62
Transportation		
Department of Transportation - Fredericksburg District	79.9%	653
Department of Transportation - Richmond District	79.2%	1,164
Department of Transportation - Staunton District	78.3%	799
Department of Transportation - Lynchburg District	72.2%	765
Department of Transportation - Salem District	71.4%	952
Department of Transportation - Culpeper District	69.8%	644
Department of Transportation - Bristol District	68.9%	1,022

Statewide Wage Direct Deposit Performance

Quarter Ended March 31, 2004

Wage Direct Deposit Participation	44.9%

Wage Direct Deposit Below 40 Percent

Agency	Percent	Number of Employees
Commerce and Trade		
Department of Forestry	17.3%	173
Education		
Germanna Community College	39.0%	151
Eastern Shore Community College	34.5%	55
Paul D. Camp Community College	31.9%	94
John Tyler Community College	30.5%	252
Central Virginia Community College	30.2%	129
Gunston Hall Plantation	30.0%	20
New River Community College	28.9%	304
Southwest Virginia Community College	27.8%	241
Dabney S. Lancaster Comm. College	26.6%	90
Lord Fairfax Community College	26.1%	306
Norfolk State University	24.8%	853
Piedmont Virginia Community College	23.4%	303
Wytheville Community College	20.1%	213
Thomas Nelson Community College	16.3%	558
Richard Bland College	15.9%	44
Rappahannock Community College	15.8%	120
Mountain Empire Community College	12.9%	278
Radford University	12.4%	1,633
Danville Community College	10.8%	268
Virginia Western Community College	10.8%	342
Southside Virginia Community College	8.5%	176
Longwood University	7.8%	611
Northern Virginia Community College	6.5%	1,932
Virginia Highlands Community College	5.0%	220
Health and Human Resources		
Southside Virginia Training Center	32.2%	96
Central Virginia Training Center	0.0%	89
Judicial		
Combined District Courts	39.2%	28
General District Courts	32.6%	202

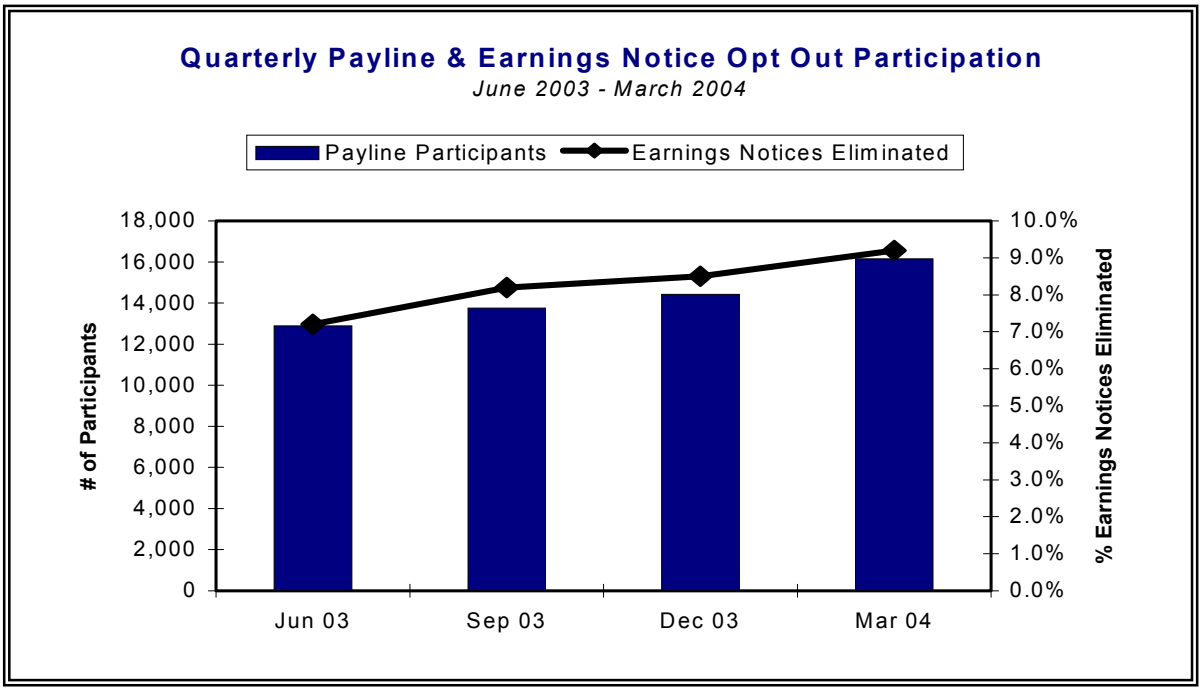
Number of

Agency	Percent	Employees
Natural Resources		
Department of Game and Inland Fisheries	38.2%	34
Public Safety		
Department of Fire Programs	23.5%	68
Buckingham Correctional Center	20.0%	10

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 174,000 earnings notices. However, statewide participation rates remain low.



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 March 31, 2004

Secretarial Area	Percent Payline Participation	Percent Earnings Notices Eliminated*
Administration	45.6%	28.0%
Commerce and Trade	46.7%	28.0%
Education	12.5%	7.0%
Elected Officials	25.0%	17.5%
Finance	58.5%	31.7%
Health and Human Resources	20.3%	8.8%
Independent Agencies	36.9%	22.6%
Judicial	3.3%	1.2%
Legislative	27.7%	23.3%
Natural Resources	42.7%	30.9%
Public Safety	13.3%	5.0%
Technology	63.9%	34.0%
Transportation	17.4%	5.7%
Statewide	**18.7%**	**9.2%**
Comparative Quarter Ended March 31, 2003		
Statewide	**13.6%**	**7.1%**

* 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 on direct deposit. Only agencies and institutions with more than 25 employees are included in this report.

Agency	Percent Earnings Notices Eliminated	Earnings Notices Printed for 3/31/04 Payday
Education		
Tidewater Community College	1.9%	1,524
Longwood University	1.7%	519
Wytheville Community College	1.7%	144
Christopher Newport University	1.5%	1,092
Norfolk State University	1.5%	164
Piedmont Virginia Community College	1.5%	969
Central Virginia Community College	1.2%	197
New River Community College	1.2%	165
Virginia School for the Deaf, Blind and Multi-Disabled at Hampton	1.1%	126
Rappahannock Community College	1.1%	103
Radford University	1.0%	163
Southside Virginia Community College	1.0%	1,175
John Tyler Community College	0.7%	264
Northern Virginia Community College	0.6%	1,278
Thomas Nelson Community College	0.4%	355
Frontier Culture Museum of Virginia	0.0%	43
Paul D. Camp Community College	0.0%	124
Virginia Highlands Community College	0.0%	98
Elected Officials		
Attorney General and Department of Law	1.6%	241
Health and Human Resources		
Central Virginia Training Center	1.9%	897
Virginia Center for Behavioral Rehabilitation	0.0%	37
Judicial		
Public Defender Commission	1.9%	351
Juvenile and Domestic Relations District Court	0.7%	83
Combined District Courts	0.5%	185
Magistrate System	0.2%	554
General District Courts	0.1%	398
Circuit Courts	0.0%	905
Virginia State Bar	0.0%	163
Court of Appeals of Virginia	0.0%	65

Agency	Percent Earnings Notices Eliminated	Earnings Notices Printed for 3/31/04 Payday
Legislative		
Division of Capitol Police	1.1%	90
Public Safety		
Virginia Correctional Enterprises	1.8%	138
Dearfield Correctional Center	1.6%	267
Haynesville Correctional Center	1.6%	160
Deep Meadow Correctional Center	1.5%	271
Eastern Region Correctional Field Units	1.4%	161
Fluvanna Women's Correctional Center	1.4%	281
Department of Corrections - Adult Community Services	1.3%	1,164
Wallens Ridge Correctional Center	1.2%	344
Buckingham Correctional Center	0.9%	222
Greensville Correctional Center	0.9%	187
Dillwyn Correctional Center	0.8%	380
James River Correctional Center	0.8%	241
Southampton Correctional Center	0.8%	622
Western Region Correctional Field Units	0.8%	181
Bland Correctional Center	0.7%	269
Red Onion Correctional Center	0.7%	268
Brunswick Correctional Center	0.5%	212
Nottoway Correctional Center	0.5%	409
Virginia Correctional Center for Women	0.5%	165
Lunenburg Correctional Center	0.0%	264
Powhatan Correctional Center	0.0%	108
Powhatan Reception and Classification Center	0.0%	208
Southampton Reception and Classification Center	0.0%	70
Transportation		
Department of Transportation - Culpeper District	1.7%	438
Department of Transportation - Hourly	1.1%	175

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.

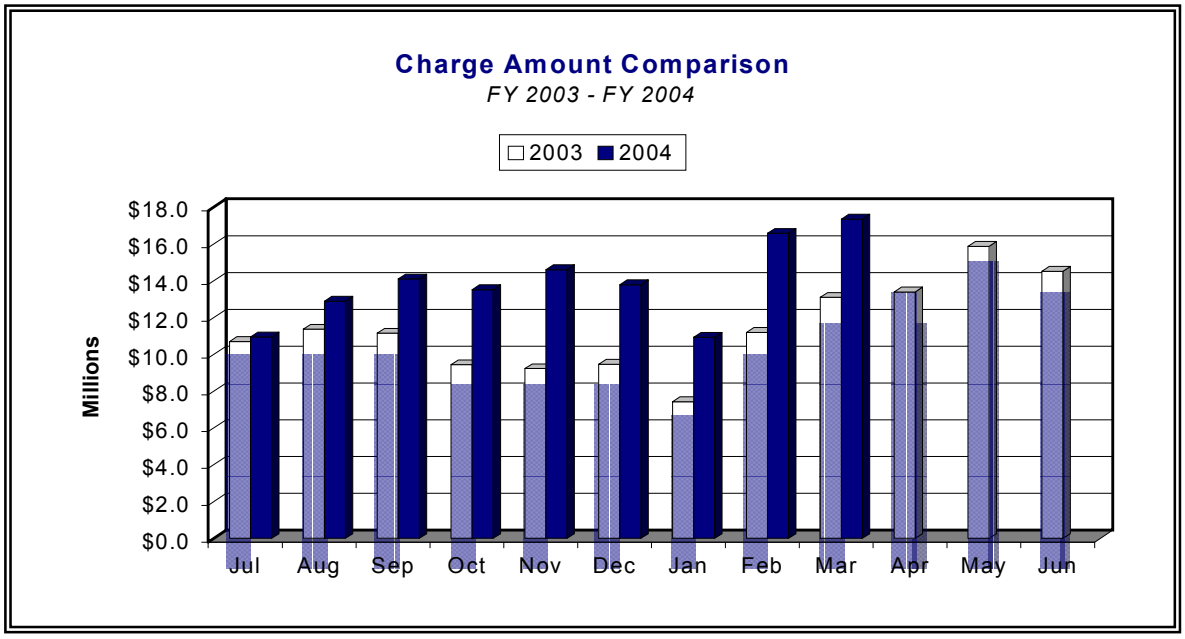
The Small Purchase Charge Card continues to be used for purchases under $5,000. Agencies are strongly encouraged to obtain a Gold Card for use by a procurement professional for purchases in the $5,000 to $50,000 range.

The total amount charged on SPCC and Gold cards during the third quarter of FY 2004 increased by $13.1 million or 41 percent from the same quarter last year.

Small Purchase Charge Card Program

Charge Card Activity	Quarter Ended March 31, 2004	Fiscal Year 2004 To Date	Comparative Fiscal Year 2003 To Date
Amount of Charges	$ 44,892,402	$ 124,768,887	$ 93,148,136
Estimated Number of Checks Avoided	115,604	336,746	283,939
Total Number of Participating Agencies		192	194
Total Number of Cards Outstanding		11,094	10,446

The following chart compares charge activity for FY 2003 to activity for FY 2002.



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. The Comptroller began 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 March 31, 2004

Percentage Utilization for Eligible Transactions	**80%**

Comparative *Quarter Ended March 31, 2003*	
Percentage Utilization for Eligible Transactions	**73%**

SPCC Utilization by Secretarial Area

Quarter Ended March 31, 2004

Secretarial Area	Payments in Compliance[1]	Non-Compliant Transactions[2]
Administration	78%	843
Commerce and Trade	76%	1,461
Education*	83%	5,499
Elected Officials	60%	180
Finance	71%	274
Health and Human Resources	66%	8,363
Independent Agencies	52%	710
Judicial	46%	1,855
Legislative	90%	95
Natural Resources	94%	497
Public Safety	79%	5,512
Technology	43%	247
Transportation*	86%	5,504
Statewide	80%	31,040

* 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		
Council on Human Rights	0%	2
Commerce and Trade		
Virginia Employment Commission	47%	621
Department of Minority Business Enterprise	25%	9
Department of Labor and Industry	7%	154
Tobacco Indemnification & Revitalization Commission	0%	22
Executive Offices		
Attorney General - Div of Debt Collection	0%	4
Education		
Christopher Newport University	53%	775
Norfolk State University	50%	815
New River Community College	45%	217
Virginia School for the Deaf and Blind at Staunton	32%	198
Virginia State University – Cooperative Extension and Agricultural Research Services	14%	870
Melchers-Monroe Memorials – Mary Washington College	0%	2
Virginia Commission for the Arts	0%	17
Finance		
Department Taxation	69%	171
Department of the Treasury	65%	95
Health and Human Resources		
Virginia Office for Protection and Advocacy	69%	21
Central Virginia Training Center	68%	289
Commonwealth Center for Children and Adolescents	63%	41
Southeastern Virginia Training Center	60%	148
Hiram W. Davis Medical Center	56%	81
Virginia Board for People with Disabilities	47%	23
Hiram W Davis Medical Center	46%	122
Northern Virginia Mental Health Institute	45%	183
Eastern State Hospital	39%	556
Northern Virginia Training Center	28%	239
Center for Behavioral Rehabilitation	0%	16
	Payments in	**Non-Compliant**

Agency	Compliance	Transactions
Independent Agencies		
Virginia Workers' Compensation Commission	69%	68
State Lottery Department	64%	151
State Corporation Commission	0%	423
Judicial		
Public Defender Commission	61%	182
Courts (combined under Supreme Court)	0%	1,540
State Board of Bar Examiners	0%	15
Virginia Criminal Sentencing Commission	0%	5
Legislative		
Virginia Commission on Intergovernmental Cooperation	57%	3
Commonwealth of Virginia Alcohol Safety Action Program	0%	16
Virginia Code Commission	0%	3
Natural Resources		
Virginia Museum of Natural History	46%	33
Chippokes Plantation Farm Foundation	0%	2
Public Safety		
Department of Corrections – Central Administration	68%	156
Central Region Correctional Field Units	65%	91
Virginia Correctional Enterprises	65%	611
Brunswick Correctional Center	64%	130
Commonwealth Attorney's Services Council	60%	12
Department of Military Affairs	59%	563
Powhatan Reception & Classification Center	45%	17
Nottoway Correctional Center	44%	129
Department of Corrections - Division of Institutions	39%	256
Virginia Correctional Center for Women	28%	143
Department of Corrections – Central Activities	0%	14
Marion Correction Treatment Center	0%	110
Virginia Parole Board	0%	3
Technology		
Virginia Information Technologies Agency	43%	241
Transportation		
Motor Vehicle Dealer Board	53%	9

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	Jan	Feb	Mar
Administration			
Department of Veterans Services	X	X	
Elected Officials			
Attorney General and Department of Law		X	

The Commonwealth of Virginia has contracted with American Express (AMEX) 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.

A Special Report released by the Auditor of Public Accounts in November 2003 presented several recommendations for improving the program, including closer monitoring of charge and payment activity.

One of the major concerns 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
- 60 days past due – on statement and separate notice plus 2.75% delinquency charge
- 90 days past due – additional 2.25% delinquency charge assessed
- > 90 days past due - privileges may be suspended and further action may be taken to cancel the account.

A joint memo from the State Comptroller and the Director of DGS Division of Purchases and Supply, dated March 7, 2003, advised agencies of the existence of delinquent accounts and stressed the importance of improved oversight. The following table identifies the number of delinquent active card accounts by agency during the quarter ended March 31, 2004, and the total amounts past due.

Travel Charge Card Program

As of March 31, 2004

Agency	Total Delinquent Active Accounts	Amounts 60 Days Past Due	Amounts 90-120 Days Past Due	Amounts >150 Days Past Due
Commerce and Trade				
Department of Housing and Community Development	1	$ 103	$ -	$ -
Education				
College of William and Mary	2	132	326	-
George Mason University	1	721	643	-
Longwood University	2	64	116	-
Norfolk State University	8	1,379	1,673	-
University of Virginia	8	675	2,925	257
University of Virginia Medical Center	2	612	1,625	-
Virginia Military Institute	1	51	839	-
Virginia Polytechnic Institute and State University	3	885	9	-
Virginia State University	4	1,277	-	50

Agency	Total Delinquent Accounts	Amounts 60 Days Past Due	Amounts 90-120 Days Past Due	Amounts >150 Days Past Due
Elected Officials				
Attorney General	1	$ 424	$ -	$ -
Health and Human Resources				
Department of Social Services	1	-	2	83
Natural Resources				
Department of Game and Inland Fisheries	1	360	-	-
Public Safety				
Department of Corrections	2	755	-	-
Department of Criminal Justice Services	1		26	53
Technology				
Virginia Information Technology Agency	1	234	-	-

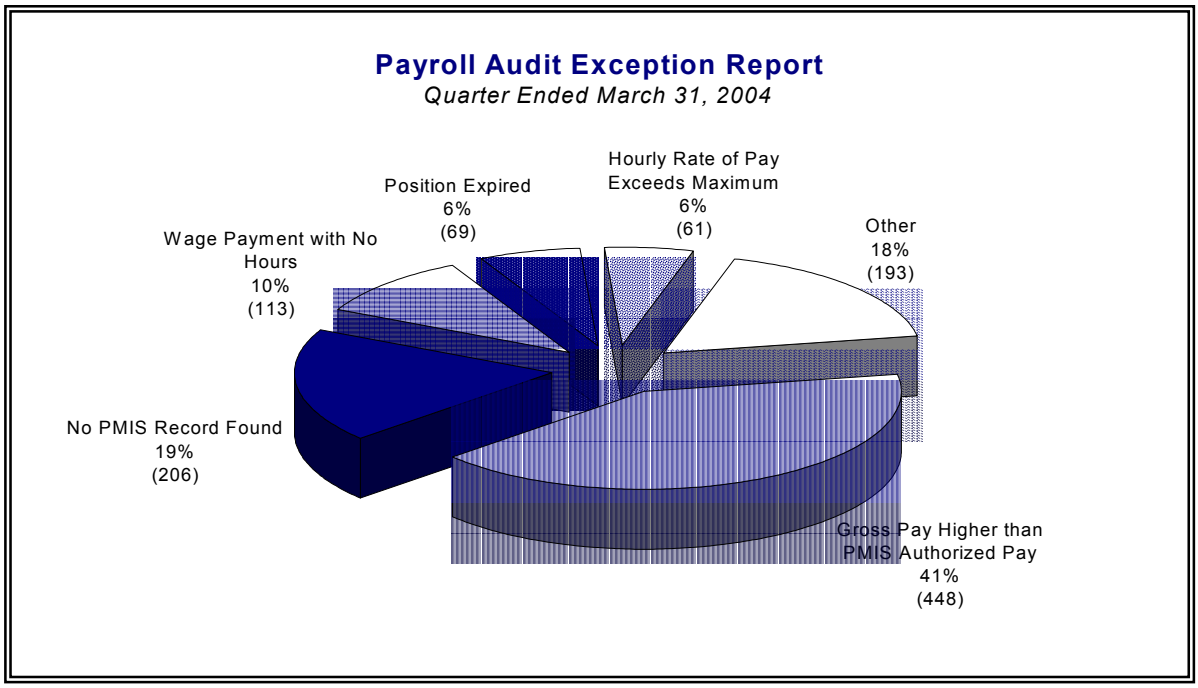
Payroll Controls

PMIS/CIPPS Payroll Audit

During the quarter, DOA's automated comparison of payroll and personnel (PMIS) records examined 425,076 salaried pay transactions and 245,982 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 2,961 new exceptions noted statewide during the quarter, with an overall exception rate of 0.48 percent.

The statewide salaried payroll exception rate was 0.68 percent and the wage payroll exception rate was 0.15 percent. During this quarter, 54 employee paychecks were reduced to recover $18,269.15 in overpayments.

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



Exception percentages are calculated by dividing the number of exceptions by the number of salaried or wage employees. For the quarter ending June 30, 2003, the number of reported salaried exceptions increased due to refinements in audit procedures, not significant changes in agency performance. The refinements are designed to improve accuracy in payroll and benefit calculations by increasing agency awareness of the importance of timely personnel system updates and proper payroll payment classification. Agencies are reported below if the percentage of payroll exceptions to salaried or wage payments exceeds twice the statewide average for the quarter.

Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Salaried Payments
Quarter Ended March 31, 2004

Agency	Exceptions as a % of Salaried Payments
Piedmont Geriatric Hospital	3.58%
Total Salaried Payroll Exceptions for the Quarter	**0.68%**

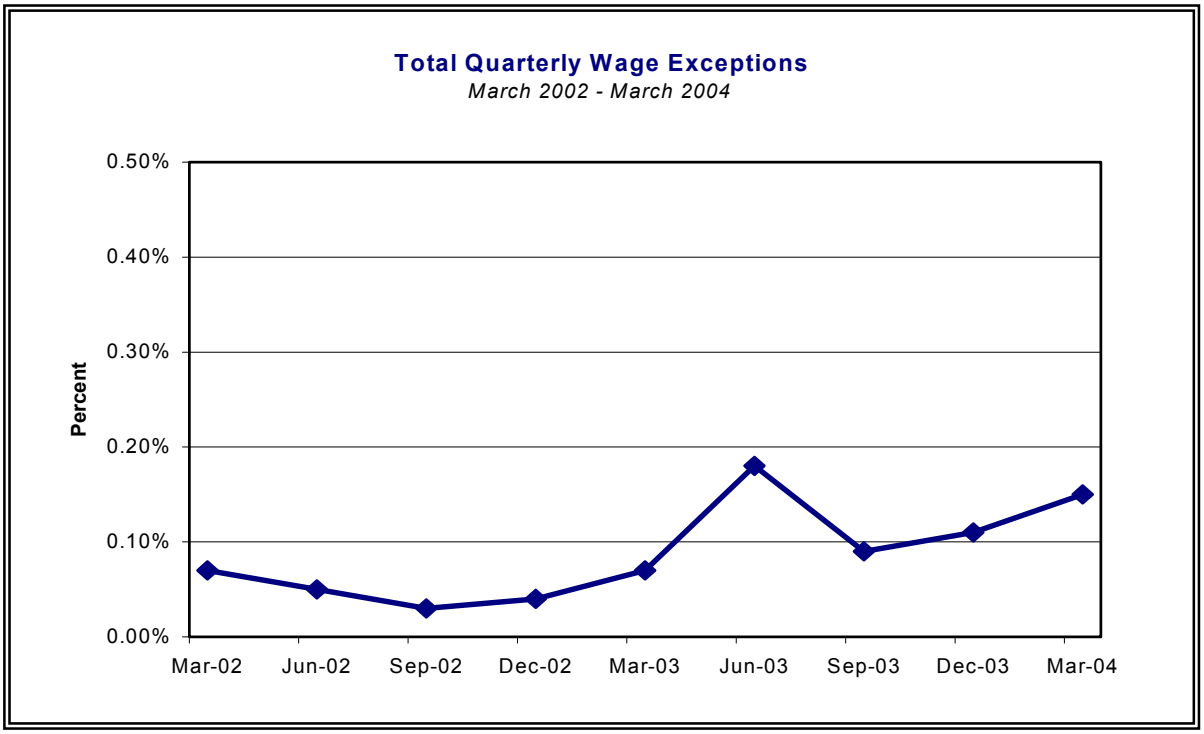
The following chart compares payroll exceptions as a percentage of salaried payments by quarter for the past two years.

Note: Third quarter FY 2004 increase caused by increase in retroactive adjustments due to IPP increases not appearing in PMIS at the time of the automatic regrade.

Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Wage Payments
Quarter Ended March 31, 2004

Agency	Exceptions as a % of Wage Payments
Virginia Department for the Blind and Vision Impaired	4.48%
Department of Social Services	13.76%
Department of Veterans Services	3.53%
Wage Payroll Exceptions for the Quarter	**0.15%**

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



PMIS/CIPPS Exceptions

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

Agency	Unresolved Exceptions
Education	
Christopher Newport University	23
Public Safety	
Department of Military Affairs	6

Agencies are required to calculate, verify, and authorize the amount to be 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 this report by the end of the day following receipt of the report. Differences result from agency payroll errors, miscalculations, online certification data entry errors, and inappropriately high volumes of changes following certification. Although differences do not result in undetected incorrect payments, such errors are avoidable and are not consistent with sound internal control over payroll.

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

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

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

Payroll Certification Compliance

Agency	Variance Amount (a)	Performed by DOA (b)	Submitted Late (c)	Corrected by DOA (d)
Education				
Mary Washington College	$ 64,517			
Northern Virginia Community College	700,957		4	
Blue Ridge Community College	189,000		2	
Health and Human Resources				
Department of Health	34,532			
Central State Hospital	20,806			
Western State Hospital			3	
Public Safety				
Southhampton Correctional Center	58,810			
Southhampton Reception and Classification Center	52,532			
Division of Institutions	301,937			
Greensville Correctional Center	730,837			
Department of Juvenile Justice	45,868			
Transportation				
Department of Motor Vehicles			3	

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.

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 December, January and February were due 01/30/04, 02/27/04 and 03/31/04, respectively.

Schedule of Late Health Care Reconciliations

	Dec	Jan	Feb
Education			
George Mason University*	X	X	X
Tidewater Community College		X	X
Elected Officials			
Attorney General and Department of Law	X	X	X
Transportation			
Department of Transportation		X	

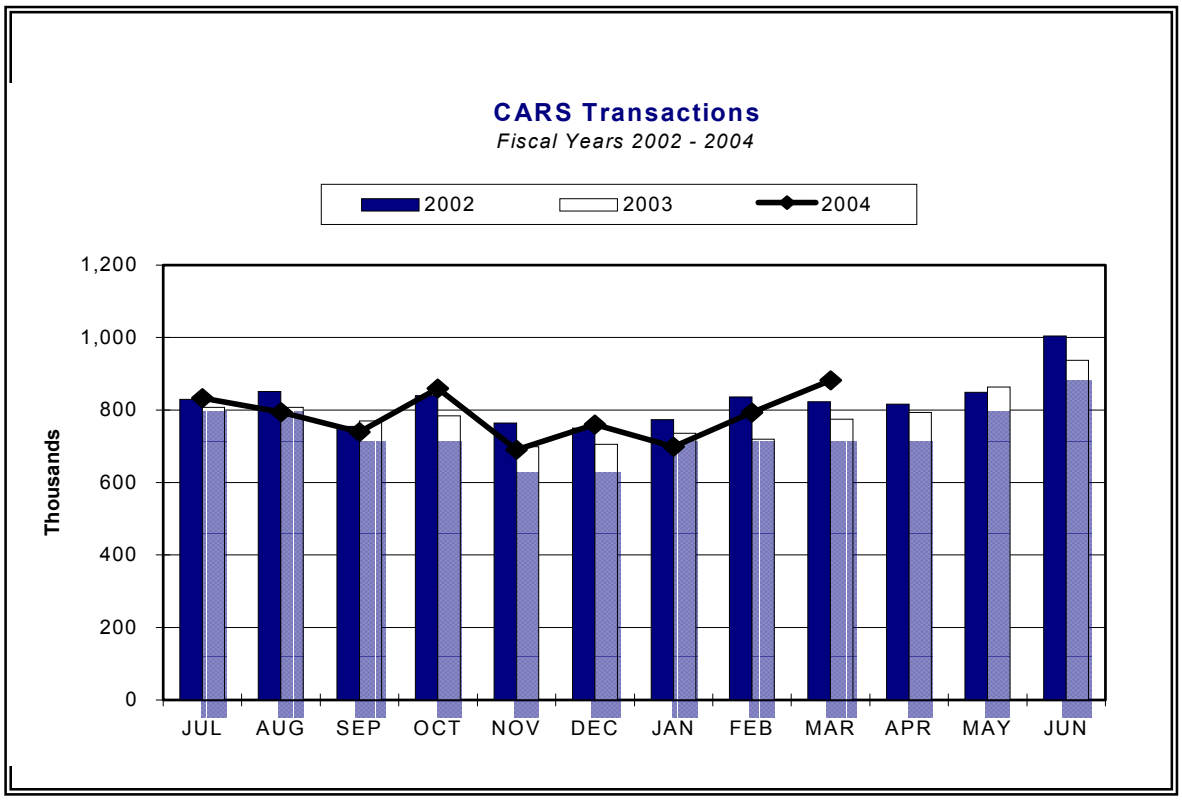
*George Mason University is decentralized but is required to submit healthcare reconciliations to the Department of Human Resource Management by the end of the month following each quarter.

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.

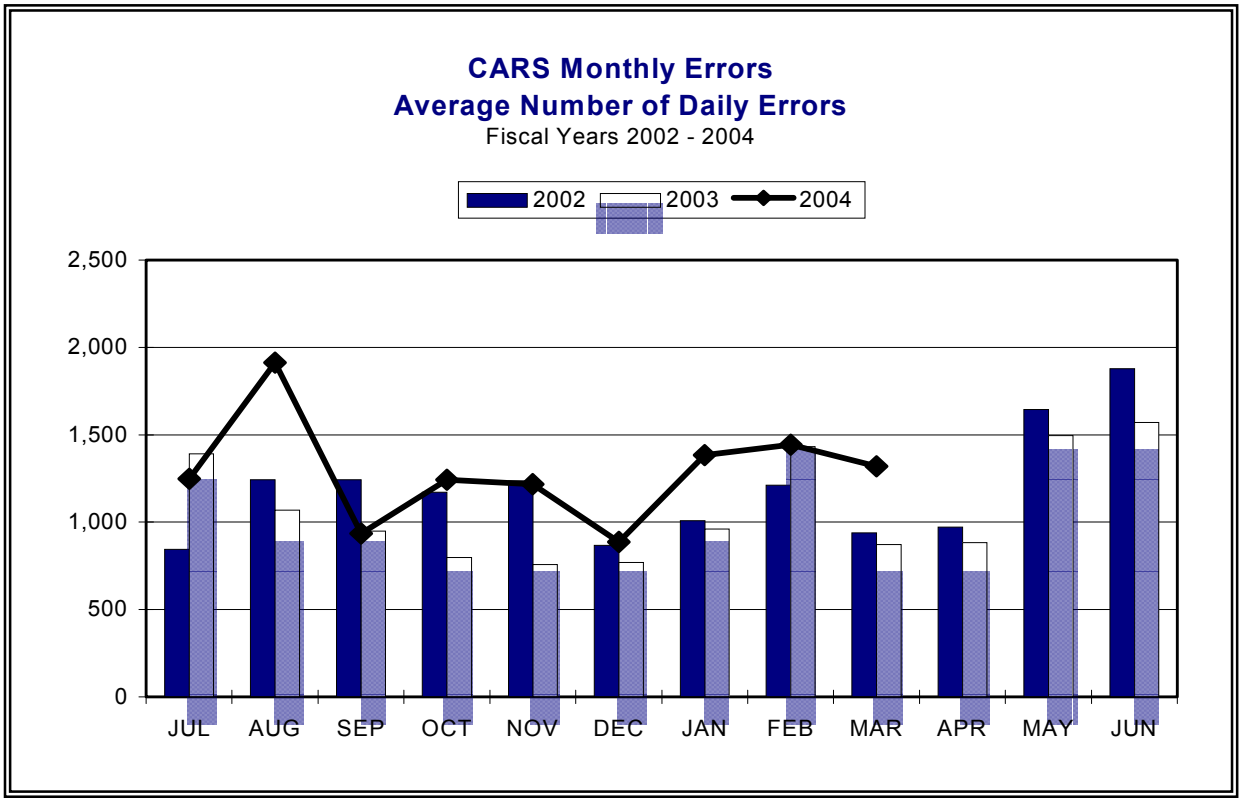


CARS Edits

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 third quarter of FY 2004, the most frequent reasons cited for batches being sent to the error file were:

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

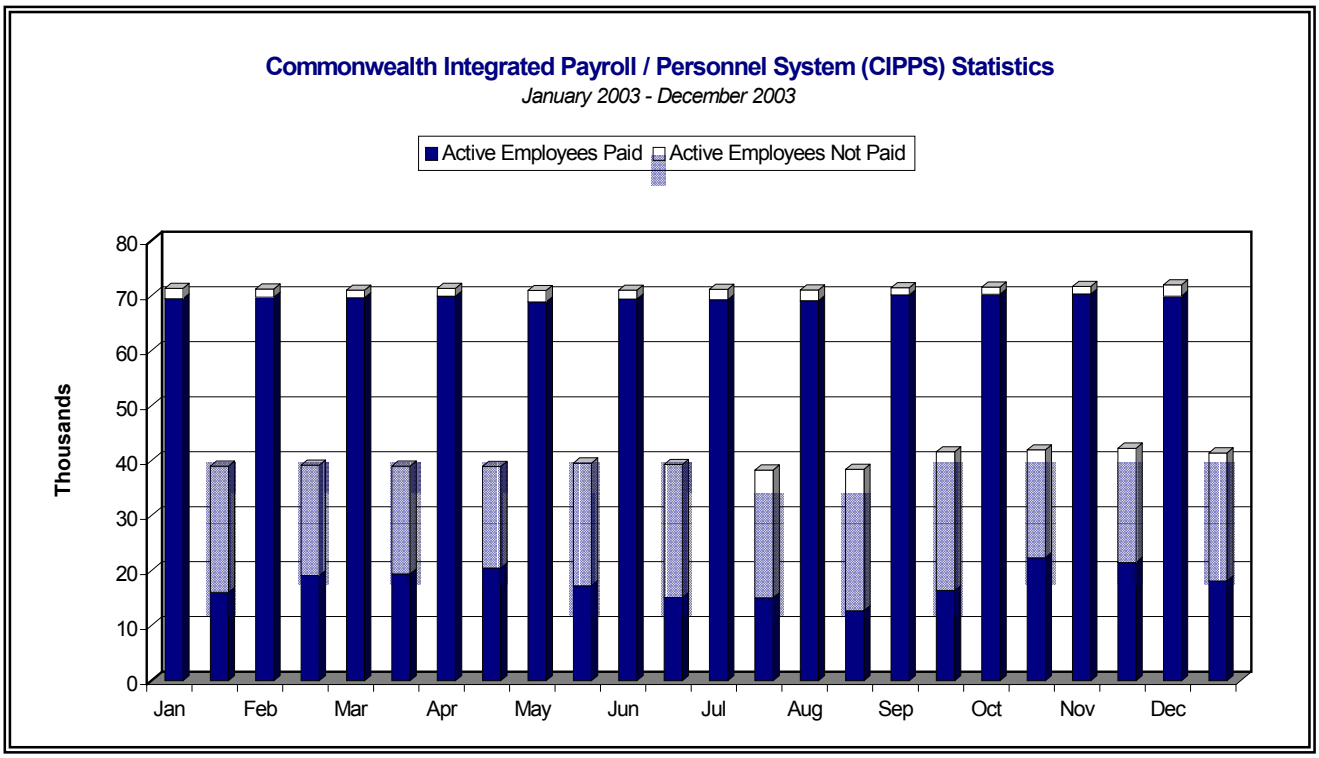
The marked increase during the months of January and March was attributable to cash flow problems in several agencies and institutions. Agencies may avoid such errors by more closely monitoring cash and allotment balances. Sound agency cash management practices should be developed to ensure transactions are not submitted to CARS when funding is not available.



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 113,721 employees. Payroll services are also provided through eight decentralized higher education institutions.

Total gross payrolls for the Commonwealth were approximately $399 million each month of the quarter. On average, 89,167 employees were paid each month, of which 70,019 were salary 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.

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 14,801 savings bonds with a face value of over $1.9 million.

Benefit Participation
Number of Participating Employees

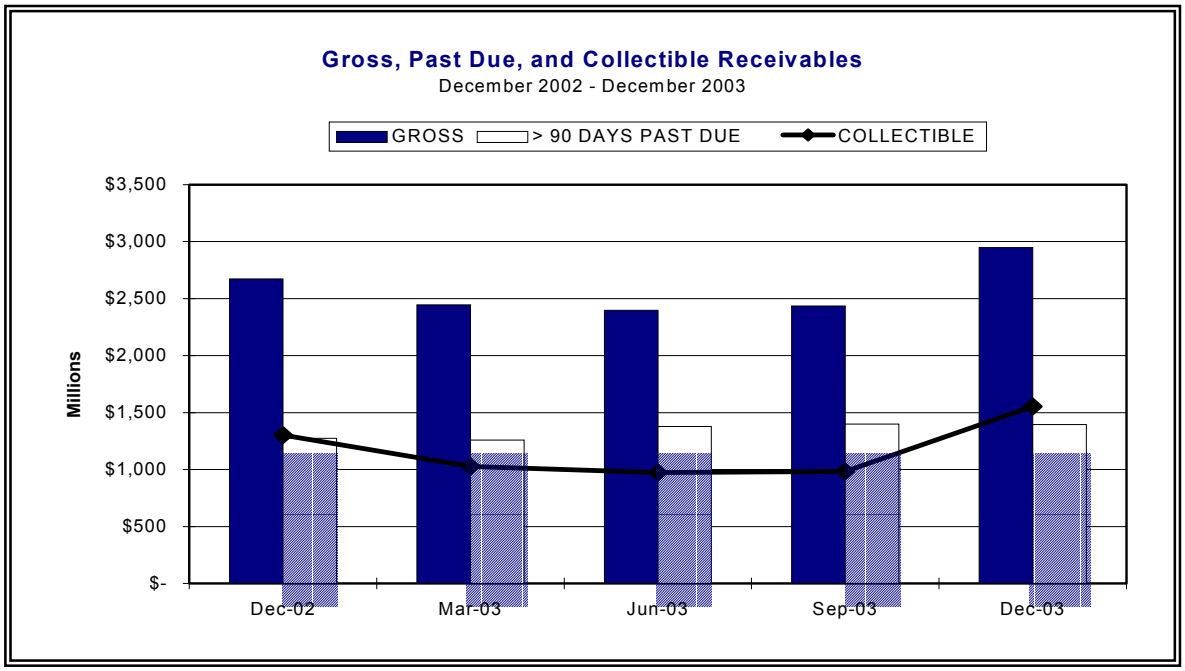
	As of 3/31/04	Comparative As of 3/31/03	Comparative As of 3/31/02
Health Care			
COVA Care	79,709	N/A	N/A
Key Advantage	N/A	61,813	66,669
Cost Alliance	N/A	16,778	12,785
Aetna - PS	N/A	198	52
Aetna - HMO	N/A	1,177	275
Optimum Choice - Std.	N/A	N/A	34
Optimum Choice - High	N/A	N/A	133
Kaiser	1,862	1,763	1,792
Cigna	N/A	N/A	2,694
Piedmont	N/A	136	109
Optional Retirement Plans *			
Fidelity Investments	271	278	300
Great West Life	15	15	18
TIAA/CREF	1,323	1,282	1,262
T. Rowe Price	65	62	68
VALIC	238	243	256
Political Appointee - ORP	84	73	67
Deferred Compensation *			
Great West Life	28,092	25,689	24,104
Flexible Reimbursement *			
Dependent Care	652	637	643
Medical Care	4,150	3,554	3,202

* 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 $2.9 billion at December 31, 2003, with $1.6 billion considered collectible. Receivables over 90 days past due as of December 31, 2003 totaled $1.4 billion. Of that amount, $511 million was placed with collection agencies or attorneys for additional collection efforts, another $511 million was with the Department of Taxation's field agents and in-house collectors, and $189 million was with the state court clerks and Commonwealth's Attorneys.

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.



As of December 31, 2003, agencies expected to collect $1.6 billion (53 percent) of all receivables. About 22 percent of these receivables are due to the General Fund, primarily for tax assessments. The balance ($1.2 billion) consists of amounts due to various nongeneral funds' activities.

Collectible Receivables by Fund

As of December 31, 2003

Fund	Source	Amount	Percent
General Fund (22%)	Medicaid	$ 78,999,007	24
	Individual Taxes	141,295,093	42
	Business Taxes	82,982,832	25
	Courts of Justice	23,291,810	7
	Other	8,079,613	2
	Subtotal	334,648,355	100
	Interagency Receivables	1,003,080	0
	Total General Fund Collectible	**$ 335,651,435**	**100**
Nongeneral Funds (78%)	Medicaid	3,913,846	0
	Unemployment Taxes	46,894,526	4
	Transportation	28,818,888	2
	Child Support Enforcement	30,856,065	3
	Federal Government	98,007,523	8
	MHMR Patient Services	33,438,317	3
	Hospital	145,293,970	12
	Enterprise	53,820,114	4
	Higher Education	645,124,348	53
	Courts of Justice	22,461,458	2
	Other	31,144,304	3
	Subtotal	1,139,773,359	94
	Interagency Receivables	79,013,933	6
	Total Nongeneral Fund Collectible	**$1,218,787,292**	**100**
All Funds	**Grand Total**	**$1,554,438,727**	**100**

Ten agencies account for 68 percent of the Commonwealth's gross accounts receivable and 70 percent of the collectible accounts receivable balances.

Accounts Receivable Summary

Quarter Ended December 31, 2003

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
Department of Taxation	$ 1,046,416,499	$ 811,932,959	$ 234,483,540
University of Virginia Medical Center	163,236,972	7,641,575	155,595,397
Virginia Polytechnic Institute and State University	144,719,013	1,267,801	143,451,212
Department of Social Services	198,264,072	69,175,856	129,088,216
Virginia Commonwealth University	92,509,166	2,201,406	90,307,760
Department of Medical Assistance Services	116,377,204	33,257,389	83,119,815
George Mason University	67,402,781	195,636	67,207,145
James Madison University	68,457,058	1,409,608	67,047,450
University of Virginia	65,455,576	1,245,000	64,210,576
The College of William and Mary in Virginia	56,968,241	22,167	56,946,074
Total	**$ 2,019,806,582**	**$ 928,349,397**	**$ 1,091,457,185**
All Other Agencies	$ 929,320,070	$ 466,338,528	$ 462,981,542
Grand Total	**$ 2,949,126,652**	**$ 1,394,687,925**	**$ 1,554,438,727**

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 $8.4 million during the quarter ended December 31, 2003. The largest contributor was the private collection agencies, with collections of $7.0 million. The Division of Debt Collection contributed $930,322, and the debt setoff programs (Tax, Comptroller's and Lottery) collected $466,900.

RECEIVABLES OVER 90 DAYS PAST DUE

As of December 31, 2003

AGENCY	Total Over 90 Days	With Collection Agency (1)	With Attorney General	Retained by State Agency
Department of Taxation	850,559,048	339,493,484	-	511,065,564
Courts of Justice (1)	345,246,832	156,518,903	-	188,727,929
Department of Medical Assistance Services	47,259,023	3,216,944	3,398	44,038,681
Department of Social Services	36,250,499	-	-	36,250,499
Virginia Employment Commission	32,450,335	5,675,110	2,748,893	24,026,332
University of Virginia Medical Center	28,104,904	-	-	28,104,904
Department of Mental Health, Mental Retardation, and Substance Abuse Services	9,584,400	-	-	9,584,400
Department of Transportation	4,868,270	-	2,694,375	2,173,895
Workers' Compensation Commission	4,059,036	155,275	3,406,942	496,819
Department of Human Resource Management	3,980,229	-	-	3,980,229
Total	**1,362,362,576**	**505,059,716**	**8,853,608**	**848,449,252**
All Other Agencies	32,671,825	5,964,682	2,725,866	23,981,277
GRAND TOTAL	**1,395,034,401**	**511,024,398**	**11,579,474**	**872,430,529**

(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.

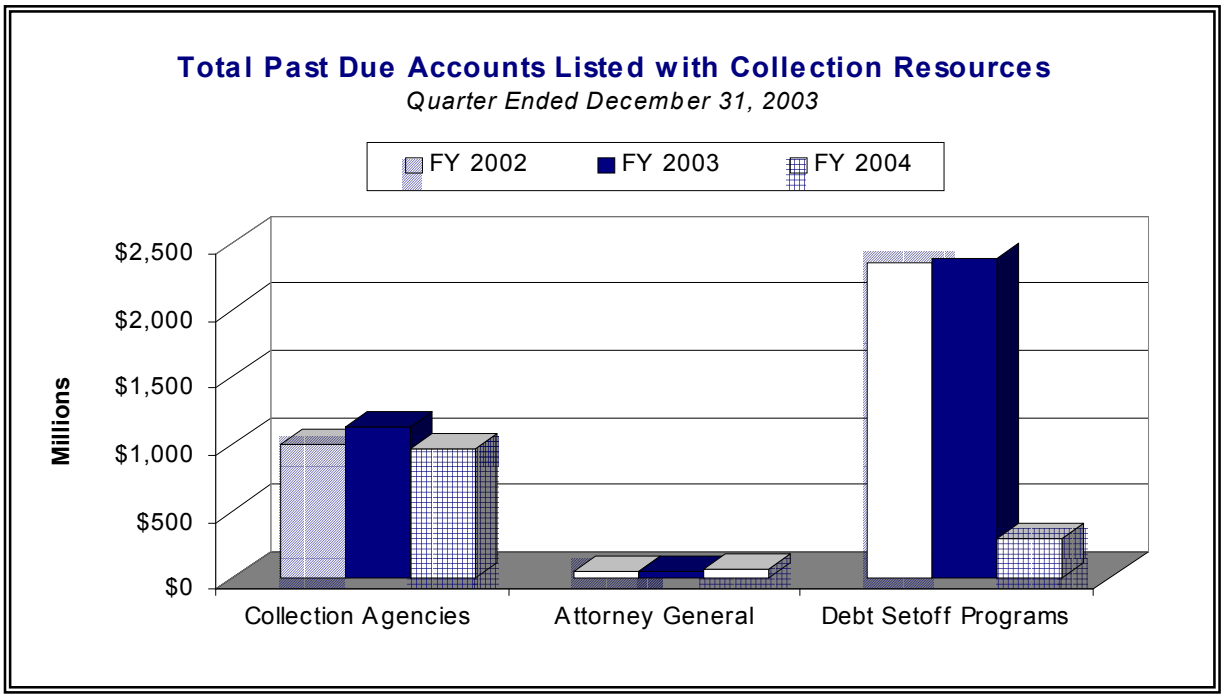
Comptroller's Debt Setoff (CDS) Program

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 $3.6 million through the third quarter of FY 2004.

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 90 days past due. The table looks at trend percentages of receivables over 90 days past due as a percentage of gross receivables for the agencies with the largest amounts over 90 days past due.

Percentage of Gross Receivables Over 90 Days Past Due

Agency	Percent at 12/31/03	Comparative Data Percent at 12/31/02	Comparative Data Percent at 12/31/01
Department of Taxation	81%	83%	82%
Workers' Compensation Commission	82%	83%	88%
Courts of Justice	79%	79%	79%
Department of Human Resource Management	99%	2%	86%
Department of Medical Assistance Services	41%	56%	46%
Virginia Employment Commission	42%	34%	40%
Department of Transportation	17%	10%	11%
University of Virginia Medical Center	17%	21%	23%
Department of Social Services	18%	8%	10%
Department of Mental Health, Mental Retardation and Substance Abuse Services	15%	11%	9%



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 account receivables balances. In total these ten agencies are responsible for 70 percent of the Commonwealth's collectible receivables balances. Percentages over 100% indicates the collection of prior balances as well as current billings.

In evaluating these percentages it is important to understand that the percentage may fluctuate based on how the different agencies conduct their business. For example, some universities bill students for the second semester before December 31 and do not collect those billings until the students return to campus in mid-January. Thus, relatively low second quarter and high third quarter percentages are the norm for colleges and universities. Similarly, DMAS percentages are also lower for the second quarter because their second quarter provider cost settlement billings will not be collected until following calendar year-end. DMAS billings were also high this quarter due to Medicare crossover project billings.

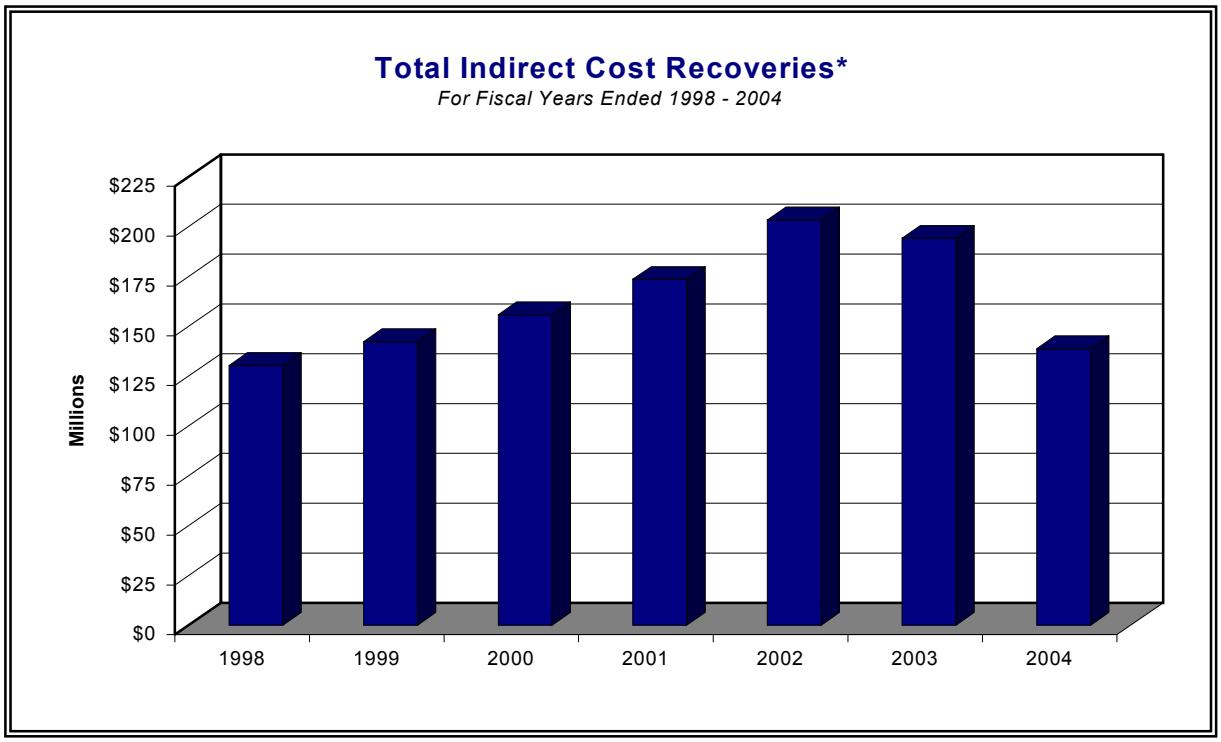
The statewide average of 65% indicates that for every $1 billed during the quarter ended December 31, 2003, the state collected 65 cents. This is a 12 percent decrease from the prior two years. This decrease resulted from the large increase in billings at the Department of Taxation resulting from the highly successful Tax Amnesty program conducted this past winter. Under the amnesty program, old previously written-off receivables were "re-billed," increasing the amount billed substantially. Taxation's billings for the quarter totaled $378.5 million. This is a $223.2 million increase over the quarter ended December 31, 2002, and a $248.0 million increase over the quarter ended December 31, 2001. A portion of these new billings will not be collected until future quarters. Tax receivable collections were $102.7 million for the current quarter. This is a $31.4 million increase over December 31, 2002, and a $39.2 million increase over December 31, 2001.

Collections as a Percentage of Billings

Agency	Percent at 12/31/03	Comparative Percent at 12/31/02	Comparative Percent at 12/31/01
Department of Taxation	27%	46%	49%
College of William and Mary	34%	58%	44%
University of Virginia	86%	86%	83%
Virginia Polytechnic Institute and State University	50%	48%	46%
University of Virginia Medical Center	38%	62%	53%
James Madison University	30%	29%	30%
Virginia Commonwealth University	51%	46%	62%
George Mason University	51%	45%	47%
Department of Medical Assistance Services	29%	63%	17%
Department of Social Services	84%	115%	103%
Statewide Average - All Agencies	**65%**	**77%**	**77%**

Indirect Costs

The Department of Accounts prepares a Federal Statewide Indirect Cost Allocation Plan (SICAP) annually that identifies the central service agency General Fund support provided to all State agencies. Agencies receiving Federal grants or contracts prepare indirect cost rate proposals or cost allocation plans that include both the agency (agency specific overhead expenditures) and Statewide (overhead expenditures incurred by the State's central service agencies for support provided to other State agencies) indirect costs associated with the administration and management of federal, State, or private grant and contract activity.



*FY 2004 reflects indirect cost recoveries through March 2004.

Indirect Cost Recoveries From Grants and Contracts

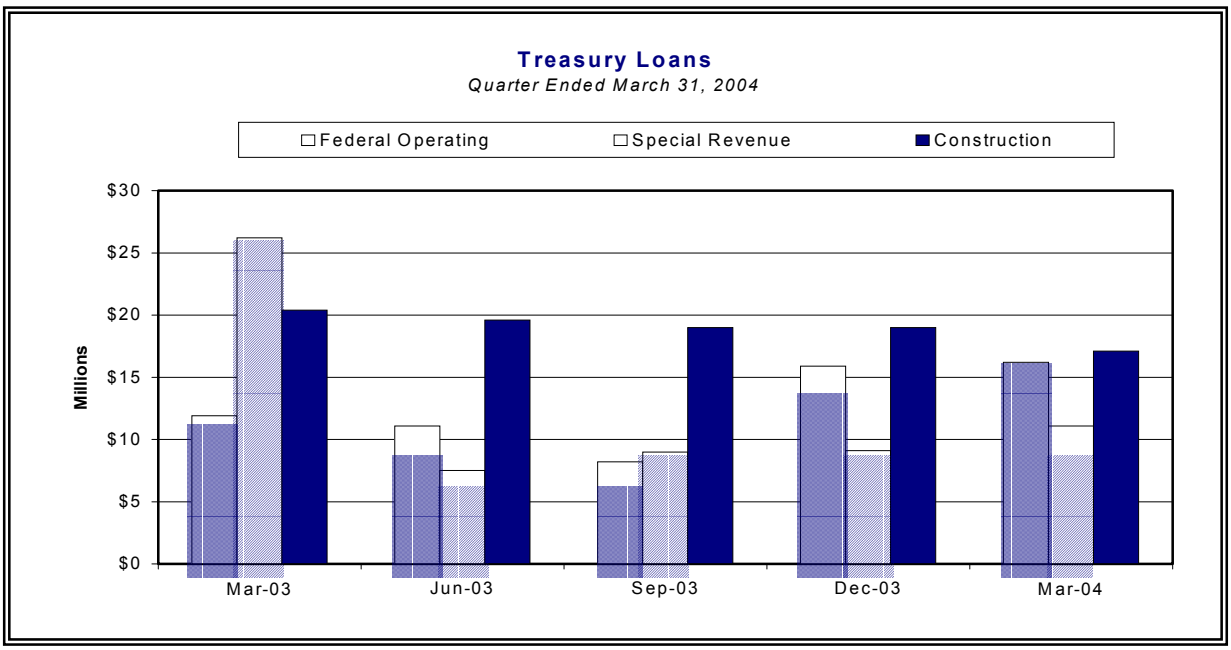
Fiscal Year 2004

Funds	Year to Date		
	Higher Ed	Non-Higher Ed	Total
Nongeneral:			
Agency / Institution[1]	$ 99,319,693	$ 37,508,013	$ 136,827,706
Statewide	562,628	410,925	927,553
Total Nongeneral	**99,882,321**	**37,918,938**	**137,801,259**
General:			
Agency (Cash Transfers)	-	228,119	228,119
Statewide	-	696,312	696,312
Statewide (Cash Transfers)	-	862	862
Total General	**-**	**925,293**	**925,293**
Total	**$ 99,882,321**	**$ 38,844,231**	**$ 138,726,552**

(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 $24,392,187, 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. 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 March 31, 2004, was $44.4 million.



Note: Decrease in Special Revenue from Mar 03 to Mar 04 is due to a $ 22 M loan for DMHMRSAS on the books in Mar 03. DMHMRSAS did not request a loan in FY 04.

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 March 31, 2004.

◆ **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. There were no working capital advances outstanding at March 31, 2004.

Significant New Loans/Drawdowns

Norfolk State University $12,182,708

New loan to provide cash for the payment of obligations relating to construction of the RISE I building prior to the sale of general obligation bonds.

Department of Rehabilitative Services $2,584,126

Drawdown to provide cash to support federal program expenditures prior to receipt of federal funds.

Department of General Services $2,440,000

Three drawdowns to cover operating costs of the state's electronic procurement system (eVA).

Significant Loan Repayments

Department of Rehabilitative Services $2,584,126

Loan repayment due to receipt of federal funds.

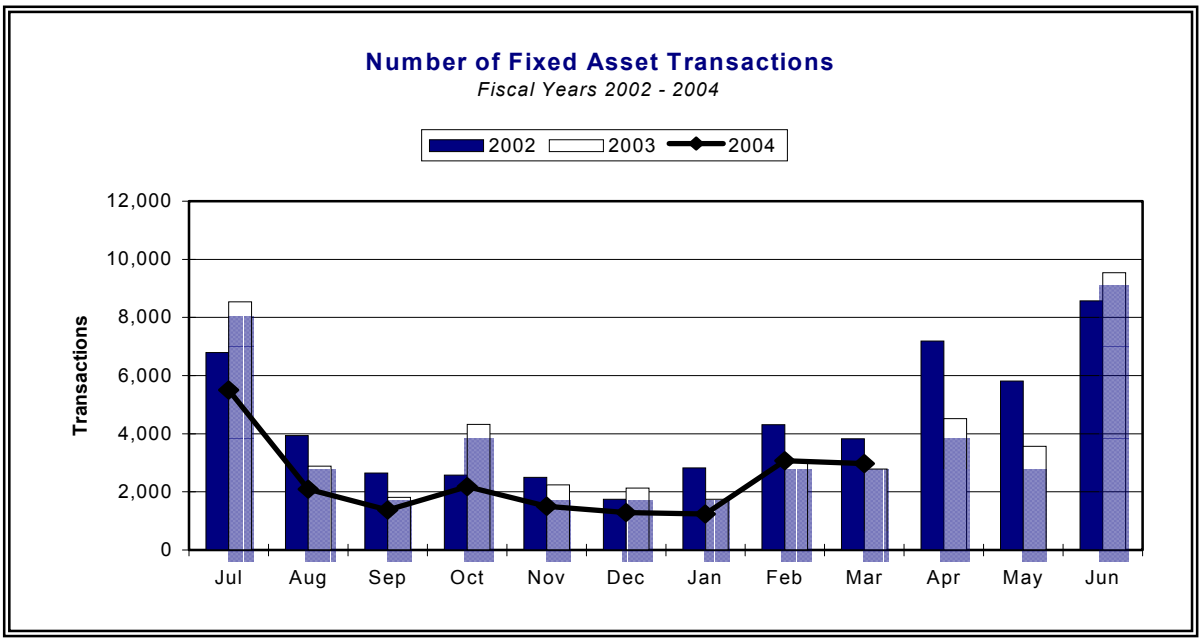
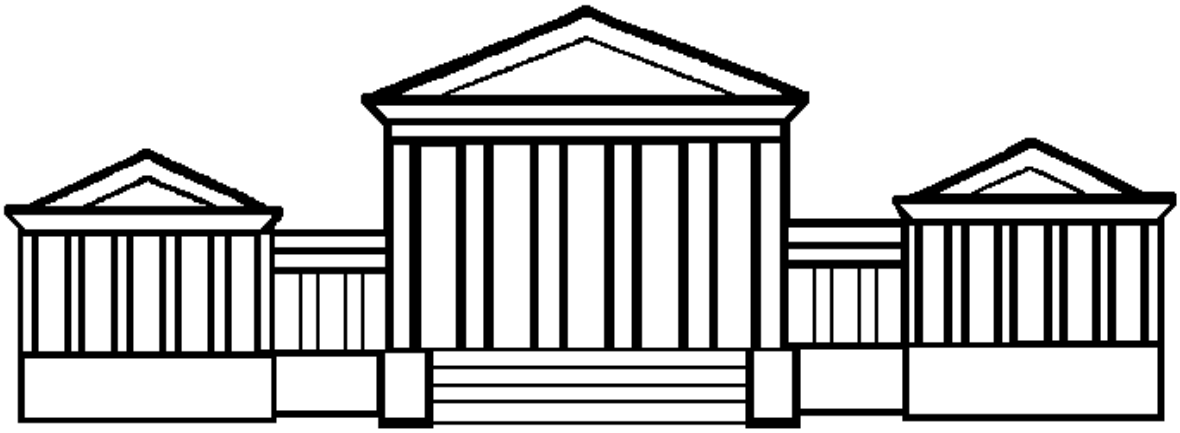
Department of Veterans Services $1,459,983

Four partial loan repayments due to receipt of federal reimbursements.

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 third quarter of FY 2004, the agencies and institutions of the Commonwealth that are central users of FAACS processed 7,291 FAACS transactions. This volume of FAACS transactions represents a 46.5 percent increase from the second quarter of FY 2004 (4,977 transactions). The second quarter of the fiscal year is typically slower than both the first and third quarters in terms of FAACS transactions posted to the system. This percentage increase is a little higher than normal but this is mainly due to the fact that second quarter volume was unusually low.

Third quarter FY 2004 volume is 4.3 percent lower than that of the third quarter of FY 2003 (7,618 transactions).

Volume to date for FY 2004 continues to lag behind that for FY 2003 and prior years. Volume to date as of the third quarter FY 2004 is 28.1 percent lower than the volume to date for the same period of FY 2003. The lower volume is attributed to the fact that three small colleges that have traditionally been central FAACS users have developed agency based fixed asset systems. These institutions are Virginia Military Institute, Longwood University, and Mary Washington College.