

**REPORT ON
STATEWIDE FINANCIAL MANAGEMENT
AND COMPLIANCE**

FOR THE QUARTER ENDED DECEMBER 31, 2005



OFFICE OF THE COMPTROLLER

DEPARTMENT OF ACCOUNTS

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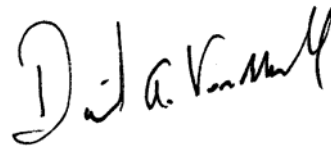
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STATEMENT OF PURPOSE

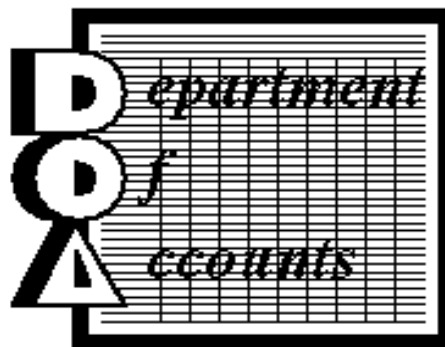
The *Code of Virginia* requires that the Department of Accounts (DOA) monitor and account for all transactions involving public funds. In order to carry out this mandate, the Department uses a variety of measures, including automated controls, statistical analyses, pre-audits and post-audits, staff studies and reviews of reports issued by the Auditor of Public Accounts. When taken as a whole, these measures provide an important source of information on the degree of agency compliance with Commonwealth accounting and financial management policies, internal controls, procedures, regulations, and 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 December 31, 2005 and comparative FY 2005 data. Some information in the report is for the quarter ended September 30, 2005, which is the most current data available.



David A. Von Moll, CPA, CGFM
Comptroller



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 judgment, could adversely affect the agency's ability to record, process, summarize, and report financial data consistent with the assertions of management.

Each agency must provide a written response that includes a Corrective Action Work Plan (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. Work Plans 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 work plan.

Audit Reports – Quarter Ended December 31, 2005

The APA issued eight separate reports covering 11 agencies, offices, boards, and commissions for the Executive Branch agencies listed on the following table. The reports were for FY2005. The last column indicates whether the CAW has been received as of the date of this publication for each agency with audit findings. Note that in some cases, the CAW may not have been received because it is not yet due.

	New Findings	Repeat Findings	Total Findings	CAW Received
Administration				
None				
Agriculture and Forestry				
None				
Commerce and Trade				
Virginia Racing Commission	2	0	2	Yes
Virginia Economic Development Partnership	0	0	0	N/A
Tobacco Indemnification and Revitalization Commission	1	0	1	Yes
Education				
None				
Elected Officials				
None				

	New Findings	Repeat Findings	Total Findings	CAW Received
Finance				
None				
Health and Human Resources				
Department of Medical Assistance Services	2	1	3	Not Due Yet
Natural Resources				
None				
Public Safety				
None				
Technology				
Innovative Technology Authority (1)	0	0	0	N/A
Transportation				
Department of Rail and Public Transportation	0	0	0	N/A
Virginia Port Authority	0	0	0	N/A
Commonwealth Transportation Funds – Agencies of the Secretary of Transportation (2):				
Department of Aviation	0	0	0	N/A
Department of Motor Vehicles	3	0	3	Yes
Department of Rail and Public Transportation	0	0	0	N/A
Department of Transportation	2	0	2	Not Due Yet
Motor Vehicle Dealer Board	0	0	0	N/A
Virginia Port Authority	0	0	0	N/A

(1) This agency had two reports issued on its' financial statements for the year ended June 30, 2005. The second report included its blended component unit, Center for Innovative Technology.

(2) These 6 agencies were covered in one audit report titled "Commonwealth Transportation Fund – Agencies of the Secretary of Transportation." In addition, two of the agencies also had separate reports issued.

Agency Findings – Quarter Ended December 31, 2005

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 Racing Commission

1. Update Operating Policies and Procedures. The Commission should update its operating policies and procedures to reflect current operations and include both manual and automated processes.
2. Improve Documentation of Facility Inspections. The Commission should improve the documentation of its process for conducting inspections of off-track betting facilities. Documentation should include frequency of inspections, areas covered, results and any follow-up procedures.

Tobacco Indemnification and Revitalization Commission

1. Contract Management. The Commission should work with its legal firm to ensure that an independent organization conducts a Service Organization Review (SAS 70) of the legal firm which is the service provider that gathers information for the indemnification payments.

Health and Human Services

Department of Medical Assistance Services

1. Implement System-wide Strategy for Utilization Units. The Department has six Utilization Units. The Units did not have sufficient resources to complete work plans and some of the review plans and work paper documentation did not contain sufficient information to determine what work had been done.
2. Failure to Refund Federal Share of Medicaid Overpayments to Providers. The Department did not always coordinate communications between Utilization Units and the Fiscal Division. Four of six cases tested could have caused delays in refunding the federal government.
3. Strengthen Case File Documentation. **As reported in the last audit,** DMAS needs to retain supporting evidence of in-home visits. Three of seven cases did not have supporting evidence.

Transportation

Department of Motor Vehicles

1. Timely Delete Employee Time Records. The Department did not delete employee time records timely upon termination. The payroll office was not always notified to delete a former employee.
2. Obtain Written Exemption from 1500 – Hour Rule. The Department did not obtain a written rather than verbal Cabinet Secretary’s exemption from the Department of Human Resources Management Policies and Procedures Manual.
3. Improve IT Security Standards and Guidelines. Motor Vehicles does not have an adequate IT Security Standards and Guidelines manual.

Department of Transportation

1. Timely Delete Terminated Employee Access. The Department did not delete employee accounts timely upon employees terminating employment.
2. Obtain Assurance over Security and Information Technology Infrastructure. The Department must have VITA provide assurance that their infrastructure provides the necessary safeguards to protect Transportation information and databases.



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 September, October and November were due 10/31/05, 11/30/05 and 12/30/05, respectively. No exception registers were late or outstanding.

A web site was developed to facilitate the monitoring of exception register status and to make the relevant information available to agency fiscal officers. The web site was introduced in February 2005.

Exception Registers Late or Outstanding

As of January 26, 2006

	Sept	Oct	Nov
None			

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

Response to Inquiries

DOA regularly communicates with agencies regarding petty cash and invoice analyses, financial reporting information, and the FAACS/LAS systems. In many instances, agencies respond in a timely manner. However, in other instances, agencies do not respond timely or simply fail to respond. Effective with the March 31, 2006 *Quarterly Report*, agencies that fail to respond to DOA inquiries timely will be reported.

Trial Balance Review

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

exception register. DOA monitors selected key general ledger balances and contacts agencies in writing about certain unusual balances. The following agencies failed to respond timely with corrective action and/or additional information.

Trial Balance Review Outstanding and Unresolved

As of January 18, 2006

	<u>Sept</u>	<u>Oct</u>	<u>Nov</u> ¹
Science Museum of Virginia	X	X	-

¹No Trial Balance Review letters were sent in November.

Analysis of Appropriations, Allotments & Expenditures and Cash Balances

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

DOA contacts agencies in writing about credit cash balances and appropriations vs. expenditure anomalies. The following agencies failed to respond timely with corrective action and/or additional information.

Credit Cash, Excess Expenditures, and Expenditure Credits Outstanding and Unresolved

As of January 18, 2006

	<u>Sept</u>	<u>Oct</u>	<u>Nov</u>
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There are no outstanding and unresolved items for the quarter.

Disbursement Processing

During the quarter ended December 31, 2005, DOA deleted, at the submitting agency's request, 97 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.

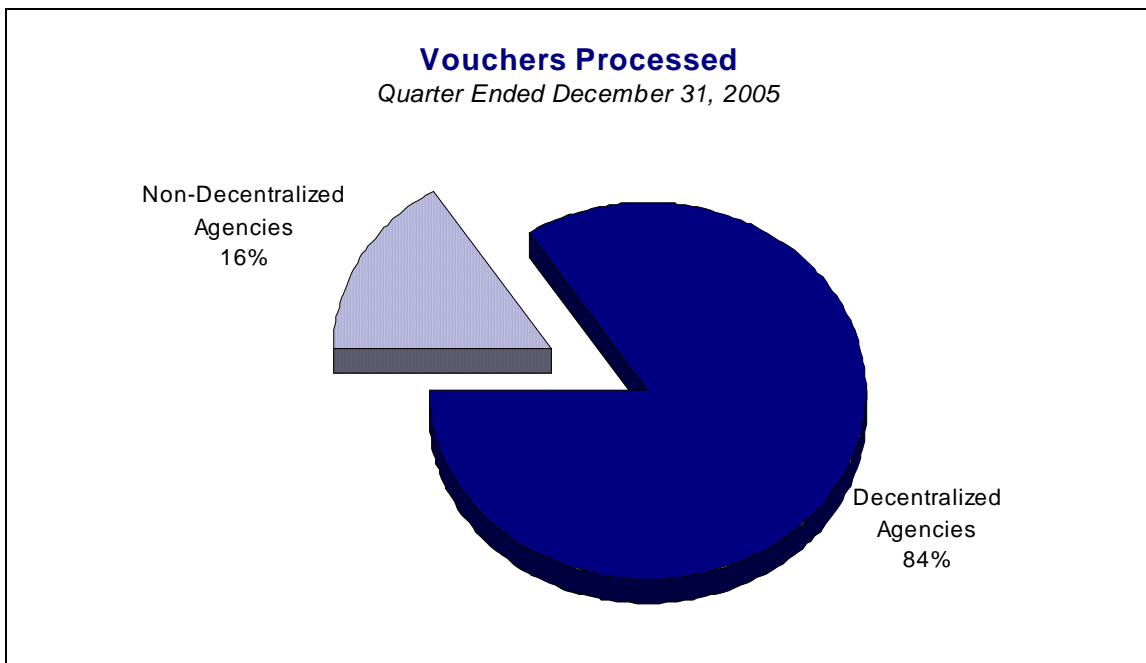
Twenty-seven agencies requested deletes during the quarter. Agencies that requested more than four vendor payment deletes during the quarter are as follows:

- Tidewater Community College
- 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 nine 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 vouchers with compliance findings by the number of vouchers reviewed. The primary reasons for an Exception Rate exceeding 3.9 percent are provided on the next page.

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

<u>Decentralized Agency</u>	<u>Vouchers Reviewed</u>	<u>Vouchers with Compliance Findings</u>	<u>Exception Rate</u>	<u>Performance Measurement</u>
<i>Administration</i>				
Department of Human Resource Management	210	6	2.9%	Good
<i>Education</i>				
Virginia School for the Deaf, Blind, and Multi-Disabled at Hampton	173	4	2.3%	Good
Virginia Commonwealth University	394	14	3.6%	Good
Old Dominion University	612	30	4.9%	Satisfactory
Thomas Nelson Community College (1)	265	50	18.9%	Unacceptable
<i>Health and Human Resources</i>				
Department of Medical Assistance Services	251	7	2.8%	Good
<i>Public Safety</i>				
Virginia Correctional Enterprises	342	4	1.2%	Good
Department of Military Affairs	305	16	5.2%	Satisfactory
<i>Judicial</i>				
Virginia State Bar	297	8	2.7%	Good

Note: No reviews were performed during the quarter for agencies that report to the Secretaries of Agriculture and Forestry, Commerce and Trade, Finance, Natural Resources, Technology, and Transportation.

Note 1: Thomas Nelson Community College (College) reports that the deficiencies noted directly result from significant staff turnover. The College has stated that procedural modifications are being implemented to correct these deficiencies. DOA will perform a follow-up review of all travel, petty cash, vendor payments and SPCC charges for the period February 1, 2006 through April 30, 2006. A determination regarding the College's continued decentralized status will be made at the conclusion of the follow-up decentralization compliance review.

Agencies with Performance Ratings Lower than “Good”

Old Dominion University – Satisfactory Performance – Of the 30 vouchers with findings, 15 were related to Travel Vouchers, 5 were related to Vendor Payment vouchers, 4 were related to Petty Cash vouchers, 4 were related to Small Purchase Charge Card vouchers, and 2 were related to Moving and Relocation vouchers. Vouchers frequently have more than one finding and the following items are representative of the compliance findings:

Travel Vouchers

- Lodging and/or M&IE over the guidelines (7)
- Itemized or original receipts not provided (6)
- Incomplete documentation (7)
- Excessive lodging approved after the trip instead of before the trip (1)
- No approval for business meal (1)

Vendor Payment Vouchers

- Incorrect due date (3)
- Incomplete documentation (1)

Petty Cash Vouchers

- Reason absent (3)
- Reimbursed an amount in excess of the receipt amount (1)
- No approval for a business meal (1)

Small Purchase Charge Card Vouchers

- Charge on AMEX bill not equal to invoice (2)
- Invoice absent (1)
- Supporting documentation not provided (1)

Moving and Relocation (M&R) Vouchers

- Expense Summary Sheet absent (1)
- Original invoice not provided (1)
- Non-Moving and Relocation expense paid on M&R voucher (1)

Thomas Nelson Community College – Unacceptable Performance – Of the 50 vouchers with findings, 16 were related to Travel vouchers, 13 were related to Vendor Payment vouchers, 11 were related to Small Purchase Charge Card vouchers, 9 were related to Petty Cash vouchers, and 1 was related to Moving and Relocation vouchers. Vouchers frequently have more than one finding and the following items are representative of the compliance findings:

Travel Vouchers

- Voucher missing (2)
- Lodging and/or M&IE over the guidelines (9)
- Improper charge or reason for disbursement absent (4)
- Incomplete documentation (4)
- Travel voucher not submitted timely (3)

Vendor Payment Vouchers

- Voucher missing (4)
- Voucher missing – subsequently found (3)
- Incorrect due date (4)
- Improper charge (1)
- Inter-agency payment paid by check (1)

Small Purchase Charge Card Vouchers

- Split transaction to avoid purchase limits (1)
- Invoice missing – subsequently found (7)
- Invoice not available when bill processed for payment (1)
- Invoice absent (1)

Petty Cash Vouchers

- Voucher missing (1)
- Voucher missing – subsequently found (1)
- Supporting documentation absent (eight different check numbers) (7)
- Travel over \$100 reimbursed from Petty Cash (1)
- Improper charge (1)
- Reimbursed an amount in excess of the receipt amount (1)
- Original receipt or travel voucher not provided (2)

Moving and Relocation Vouchers

- Expense Summary Sheet absent (1)
- Incorrect due date (1)

Department of Military Affairs – Satisfactory Performance – Of the 16 vouchers with findings, 11 were related to Travel Vouchers, 2 were related to Vendor Payment vouchers, 2 were related to Small Purchase Charge Card vouchers, and 1 was related to Petty Cash vouchers. Vouchers frequently have more than one finding and the following items are representative of the compliance findings:

Travel Vouchers

- M&IE over the guidelines (5)
- Reimbursement exceeded documented expenses (1)
- Improper charges (3)
- Incomplete documentation (5)
- Original receipt or travel voucher not provided (2)

Vendor Payment Vouchers

- Incorrect due date (2)

Small Purchase Charge Card Vouchers

- Employee Agreement absent / Purchasing Card Request Form absent (2)

Petty Cash Vouchers

- Vendor payment unnecessarily paid through Petty Cash (1)

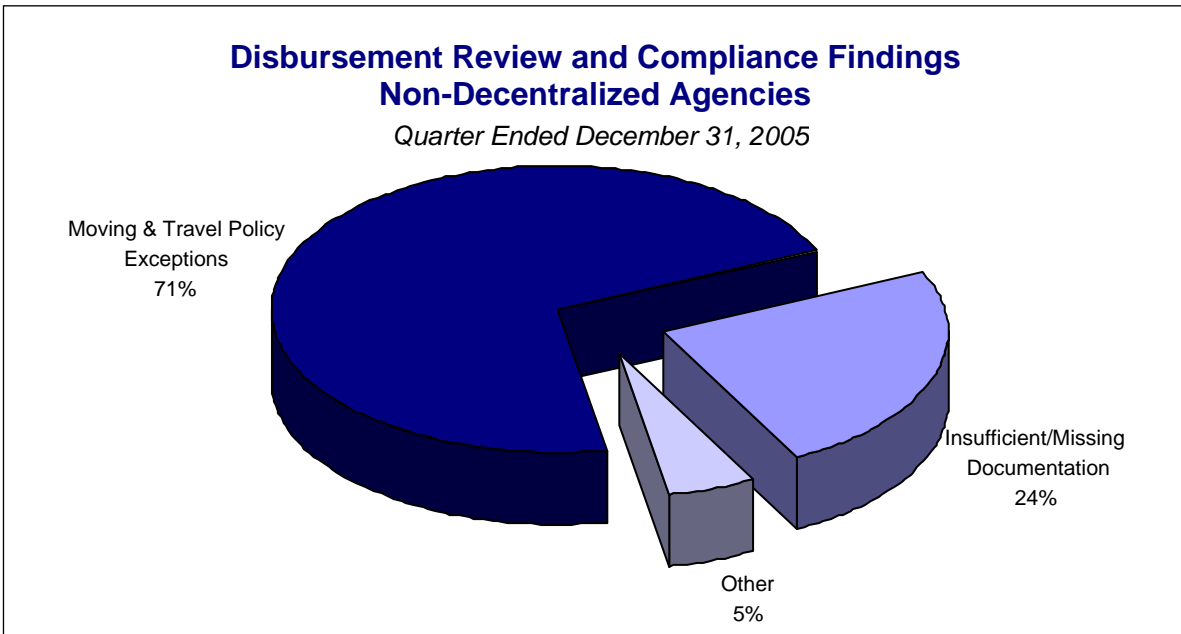


Non-Decentralized Agencies

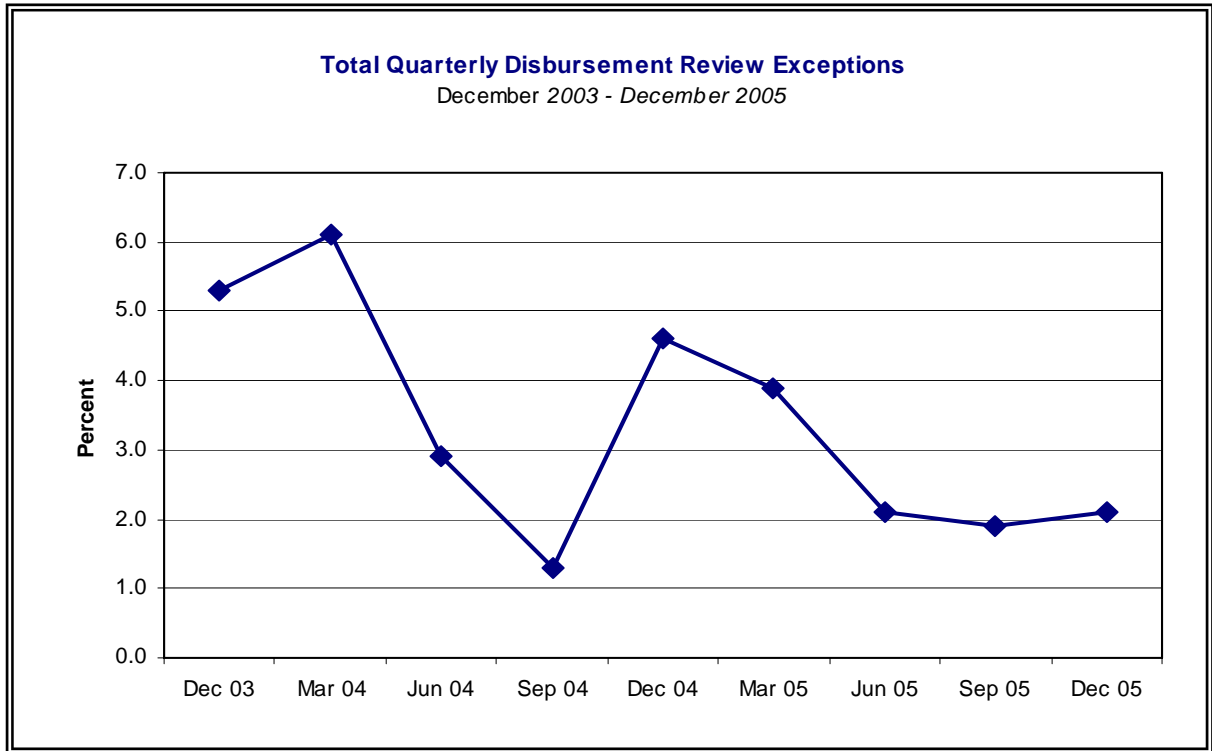
Pre-audit of disbursements is conducted at the Department of Accounts for certain agencies that have not demonstrated the capability to manage a delegated program (i.e., have not met statewide decentralization management standards), agencies for which the cost of delegation is greater than the efficiency 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 117 non-decentralized agencies on a rotating schedule. A total of 774 non-travel disbursement batches and 250 travel disbursement batches were reviewed, disclosing 21 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

	<i>Quarter Ending December 31, 2005</i>		<i>Fiscal Year 2006 To Date</i>		<i>Comparative Quarter Ended December 31, 2004</i>	
	Late	Total	Late	Total	Late	Total
Number of Payments	7,210	584,680	13,961	1,215,777	7,273	641,147
Dollars (in thousands)	\$ 27,850	\$ 1,215,357	\$ 57,394	\$ 2,608,745	\$ 31,249	\$ 1,199,273
Interest Paid on Late Payments				\$ 12,031		
Current Quarter Percentage of Payments in Compliance				98.8%		
Fiscal Year-to-Date Percentage of Payments in Compliance				98.9%		
Comparative Fiscal Year 2005 Percentage of Payments in Compliance				98.9%		



For the quarter ended December 31, 2005, 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 December 31, 2005

Agency	Late Payments	Total Payments	Payments in Compliance
Education			
Gunston Hall	6	108	94.4%
Public Safety			
Dept of Corrections – Central Administration	30	454	93.4%
Health and Human Resources			
Southwestern Virginia Mental Health Institute	168	1,115	84.9%
Legislative			
Commission on VA Alcohol Safety Action Program	10	76	86.8%

For FY 2006, 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 2006 to Date

Agency	Late Payments	Total Payments	Payments in Compliance
Education			
Science Museum of Virginia	175	1,787	90.2%
Health and Human Resources			
Southwestern VA Mental Health Institute	349	2,612	86.6%

Prompt Payment Explanations

Explanations for low prompt payment compliance rates for the second quarter of FY 2006 and year to date were provided by the following agencies.

The Science Museum of Virginia reports they did not meet prompt payment for the fiscal year to date due to a cash shortfall at the end of fiscal year 2005. Expenditures were deferred from fiscal year 2005 to fiscal year 2006 causing the Museum to process those expenditures past their due dates.

Gunston Hall reports that they are attempting to make prompt payments, not only to achieve compliance, but to pay their bills on time. They will continue to try to meet prompt payment.

The Southwestern VA Mental Health Institute reports that they did not meet prompt payment due to funding issues and turnover in accounts payable personnel. With both of these combined,

and now corrected, they will strive to be above the prompt payment standard.

The Commission on VA Alcohol Safety Action Program reports that due dates on four of the ten payments reported late were inadvertently keyed into CARS as being due January 2005. The checks for payment were written before the error was caught; therefore it could not be corrected. The Commission's staff will pay closer attention to the year of due date to avoid this problem in the future.

The Department of Corrections – Central Administration reports that one unit in their central office has had turnover and key personnel have retired or left the agency leaving some critical payments unattended and discovered too late to correct.



E-Commerce

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

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

Statewide E-Commerce Performance Statistics

	<i>Quarter Ended December 31, 2005</i>			Comparative Quarter Ended December 31, 2004
	E-Commerce	Total	Percent	Percent
Number of Payments	668,530	1,032,653	64.7%	59.9%
Payment Amounts	\$ 6,323,593,060	\$ 7,152,196,692	88.4%	87.3%
	<i>Fiscal Year 2006 to Date</i>			Comparative Fiscal Year 2005
	E-Commerce	Total	Percent	Percent
Number of Payments	1,289,769	2,048,254	63.0%	57.9%
Payment Amounts	\$ 12,426,871,340	\$ 14,195,370,024	87.5%	86.7%

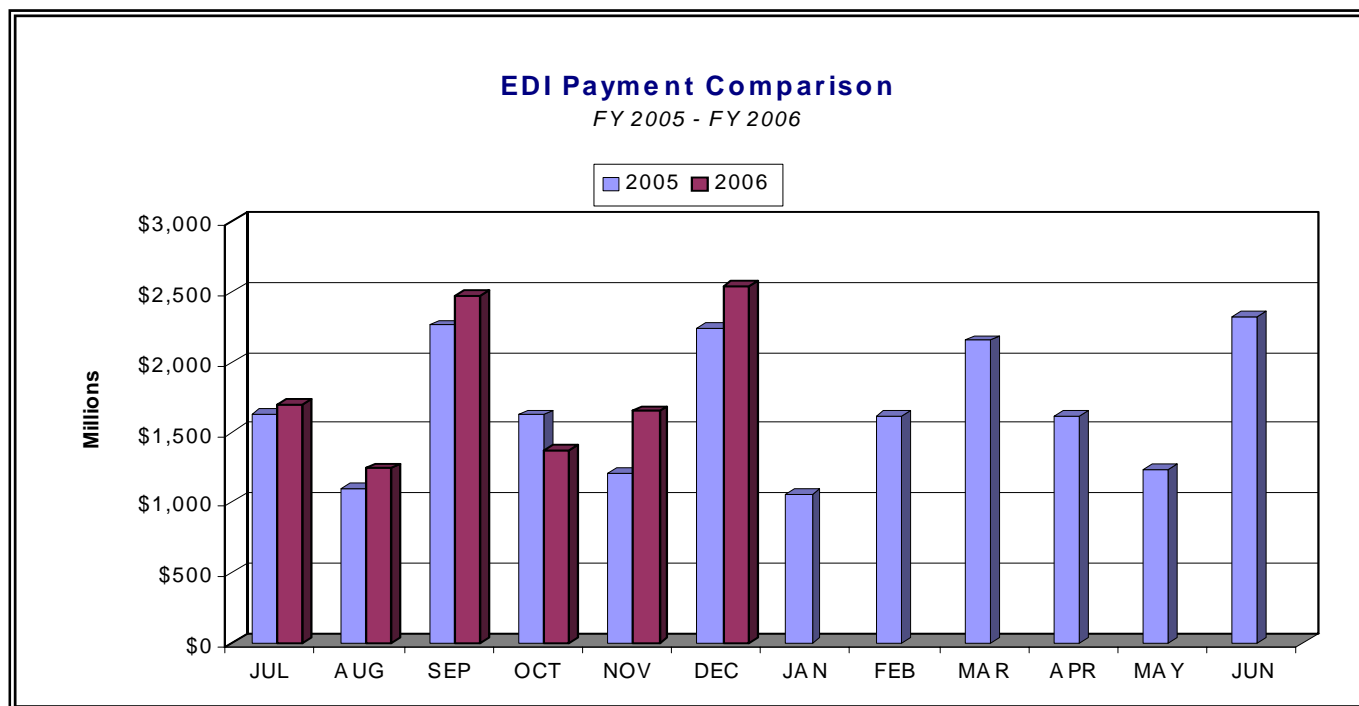
Financial Electronic Data Interchange (EDI)

The dollar volume of Financial EDI payments for the second quarter of FY 2006 was \$490.7 million (9.7 percent) more than the same quarter last year. The number of trading partner accounts

increased by 24 percent from December 2004. The largest portion of this increase is due to efforts to convert state employee travel reimbursements from checks to electronic payments.

Financial EDI Activity

<i>Financial EDI Activity</i>	<i>Quarter Ended December 31, 2005</i>	<i>Fiscal Year 2006 to Date</i>	<i>Comparative FY 2005 to Date</i>
Number of Payments	48,836	93,581	85,722
Amount of Payments	\$ 5,559,393,033	\$ 10,973,061,887	\$ 10,060,694,569
Number of Invoices Paid	190,397	379,291	356,051
Estimated Number of Checks Avoided	78,375	153,239	144,554
Number of Trading Partner Accounts as of 12/31/05		33,380	26,882



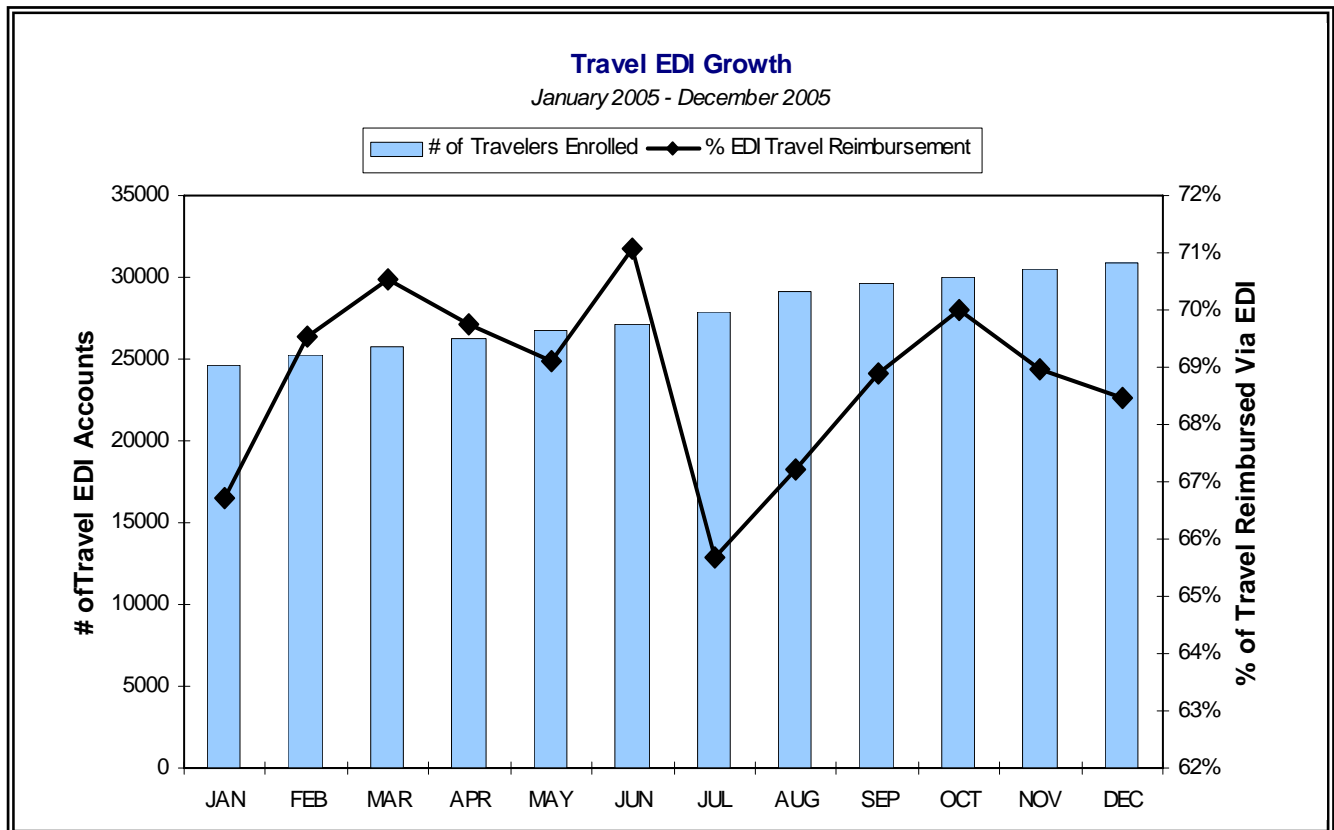
Travel EDI

Expansion of the Travel EDI program is an integral part of the statewide effort to reduce the administrative costs associated with paying for goods and services for the Commonwealth. The Appropriation Act requires employees who travel more than twice a year to be reimbursed using EDI. DOA notified agencies of the requirement through a CARS broadcast screen and calls to the agencies that produce the largest number of travel reimbursement checks. Quarterly utilization statistics are provided to the EDI coordinators of each agency in an effort to increase the number of employees enrolled.

Although participation among certain agencies has increased, many agencies

have failed to enroll employees in EDI as required by law. In accordance with Section 4-5.04g of the Appropriation Act, the Comptroller began charging agencies \$1 for each travel reimbursement check issued in lieu of Travel 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.

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



The following table lists by secretarial area the percentage of travel reimbursements that were made via EDI versus the number of checks that were written for travel reimbursements during the quarter. *The statistics are shown for employees and non-employees.* These statistics do not necessarily show non-compliance with the Appropriation Act requirements.

**Travel Reimbursement
Travel EDI Performance
By Secretarial Area**
Quarter Ended December 31, 2005

Secretarial Area	Employee Percent	Non- Employee Percent	Reimbursement Checks Issued
Administration	76.1%	1.5%	168
Agriculture and Forestry	95.2%	18.9%	72
Commerce and Trade	93.3%	55.4%	266
Education *	79.5%	4.5%	2,715
Elected Officials	87.8%	6.3%	52
Finance	92.3%	28.6%	59
Health and Human Resources	86.5%	41.2%	1,711
Independent Agencies	92.1%	0.0%	123
Judicial	13.1%	3.1%	3,510
Legislative	91.7%	19.2%	192
Natural Resources	94.4%	0.8%	238
Public Safety	79.2%	6.4%	1,820
Technology	69.1%	16.7%	78
Transportation**	59.7%	30.7%	1,282
Statewide for Quarter	76.6%	16.4%	12,286
<i>Fiscal Year 2006 to Date</i>			
Statewide	75.7%	16.6%	23,602
<i>Comparative Fiscal Year 2005 to Date</i>			
Statewide	76.1%	14.0%	22,115

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

** The Department of Transportation began processing Travel Reimbursements through CARS in FY2006. Previously, the reimbursements were processed through Petty Cash.

The following table lists agencies with Employee EDI participation rates below 75 percent that issued more than 25 travel reimbursement checks during the quarter. These statistics are informational only and **do not** necessarily indicate noncompliance with the Appropriation Act.

**Agency Employee EDI Performance
Utilization Below 75 Percent**

Agency	Percent	Reimbursement Checks Issued
Administration		
Department of General Services	67.1%	53
Education		
Virginia Western Community College	74.3%	37
Danville Community College	70.8%	43
Lord Fairfax Community College	69.0%	35
Northern Virginia Community College	68.5%	79
Piedmont Virginia Community College	67.7%	30
Thomas Nelson Community College	64.5%	61
Norfolk State University	54.7%	144
Southside Virginia Community College	46.5%	92
Health and Human Resources		
Department of Social Services	69.8%	282
Southside Virginia Training Center	37.5%	35
Central Virginia Training Center	10.9%	41
Judicial		
Magistrate System	4.4%	215
Supreme Court	2.3%	813
Combined Courts	1.9%	264
Circuit Courts	1.7%	515
Juvenile and Domestic Relations Courts	1.3%	307
General District Courts	0.0%	336
Court of Appeals of Virginia	0.0%	45
Public Safety		
Virginia Correctional Enterprises	73.1%	38
Department of Military Affairs	52.2%	33
Department of Fire Programs	44.4%	203
Buckingham Correctional Center	44.2%	29
Keen Mountain Correctional Center	43.1%	29
Augusta Correctional Center	13.2%	33
Technology		
Virginia Information Technologies Agency	68.5%	65
Transportation		
Department of Transportation*	51.0%	1,091

* The Department of Transportation began processing travel reimbursements through CARS on July 1, 2005. Prior to FY 2006, VDOT processed travel reimbursements through petty cash.

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

**Agency Non-Employee EDI Performance
Utilization Below 10 Percent**

Agency	Percent	Reimbursement Checks Issued
Education		
Department of Education	0.0%	1,059
Virginia Military Institute	0.0%	58
Longwood University	0.0%	51
Christopher Newport University	0.0%	50
Norfolk State University	0.0%	26
Health and Human Resources		
Virginia Board for People with Disabilities	6.9%	54
Public Safety		
Department of Emergency Management	3.4%	144
Department of Forensic Science	0.6%	174
Department of Criminal Justice Services	0.0%	67
Department of Fire Programs	0.0%	61
Legislative		
House of Delegates	0.0%	49
Virginia Crime Commission	0.0%	28
Judicial		
Supreme Court	5.3%	216
Circuit Courts	4.3%	359
Virginia State Bar	0.4%	230
General District Courts	0.0%	56
Juvenile and Domestic Relations Courts	0.0%	45
Natural Resources		
Marine Resources Commission	0.0%	44
Department of Environmental Quality	0.0%	27
Agriculture and Forestry		
Department of Agriculture & Consumer Services	3.2%	30

The following table lists agencies that have accumulated more than \$25 in Employee EDI check charges for the Fiscal Year and have a utilization rate below 80 percent. Agencies are charged \$1 for each travel reimbursement check issued to an employee after their second check of the Fiscal Year. These statistics indicate noncompliance with Section 4-5.04.f.5 of the Appropriation Act which requires that all employees likely to travel more than twice per year be reimbursed for travel costs using electronic data interchange.

**Agency Noncompliance Travel Check Charges
Utilization Below 80 Percent**

Agency	Percent	Year to Date Charges
Education		
Longwood University	76.0%	\$35
Norfolk State University	54.7%	32
Southside Virginia Community College	46.5%	28
Health and Human Resources		
Department of Social Services	69.8%	171
Department of Rehabilitative Services	78.0%	64
Department of Medical Assistance Services	75.9%	30
Judicial		
Circuit Courts	1.7%	803
General District Courts	0.0%	327
Juvenile and Domestic Relations Courts	1.3%	293
Combined Courts	1.9%	273
Magistrate System	4.4%	212
Supreme Courts	2.3%	173
Court of Appeals of Virginia	0.0%	29
Public Safety		
Department of Fire Programs	44.4%	99
Transportation		
Department of Transportation	51.0%	343

Direct Deposit

During the second quarter of FY 2006, 375,374 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 December 31, 2005

<u>Secretarial Area</u>	<u>Direct Deposit % of Salary Employees</u>	<u>Direct Deposit % of Wage Employees</u>
Administration	91.6%	76.5%
Agriculture and Forestry	93.2%	29.5%
Commerce and Trade	96.8%	92.1%
Education	96.4%	58.1%
Executive Offices	97.4%	40.0%
Finance	95.1%	75.9%
Health and Human Resources	87.6%	75.1%
Independent Agencies	96.1%	82.4%
Judicial	95.6%	51.6%
Legislative	95.7%	69.2%
Natural Resources	96.7%	59.6%
Public Safety	87.6%	76.3%
Technology	96.0%	87.0%
Transportation	89.9%	65.6%
Statewide	90.9%	63.0%
<i>Comparative</i>		
<i>Quarter Ended December 31, 2004</i>		
Statewide	88.7%	58.6%

Statewide Salaried Direct Deposit Performance

Quarter Ended December 31, 2005

Salaried Direct Deposit Participation	90.9%
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Salaried Direct Deposit Below 80 Percent

<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Health and Human Resources		
Piedmont Geriatric Hospital	70.2%	315
Central Virginia Training Center	64.8%	1,476
Public Safety		
Powhatan Correctional Center	79.9%	349
Greensville Correctional Center	79.5%	829
Lunenburg Correctional Center	79.4%	257
Mecklenburg Correctional Center	79.2%	394
Brunswick Correctional Center	76.2%	383
Buckingham Correctional Center	75.9%	361
Nottoway Correctional Center	71.6%	462
Dillwyn Correctional Center	70.1%	268

Note: Effective next quarter, the salaried direct deposit reporting threshold will be raised to 85%.

Statewide Wage Direct Deposit Performance

Quarter Ended December 31, 2005

Wage Direct Deposit Participation	63.0%
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Wage Direct Deposit Below 40 Percent

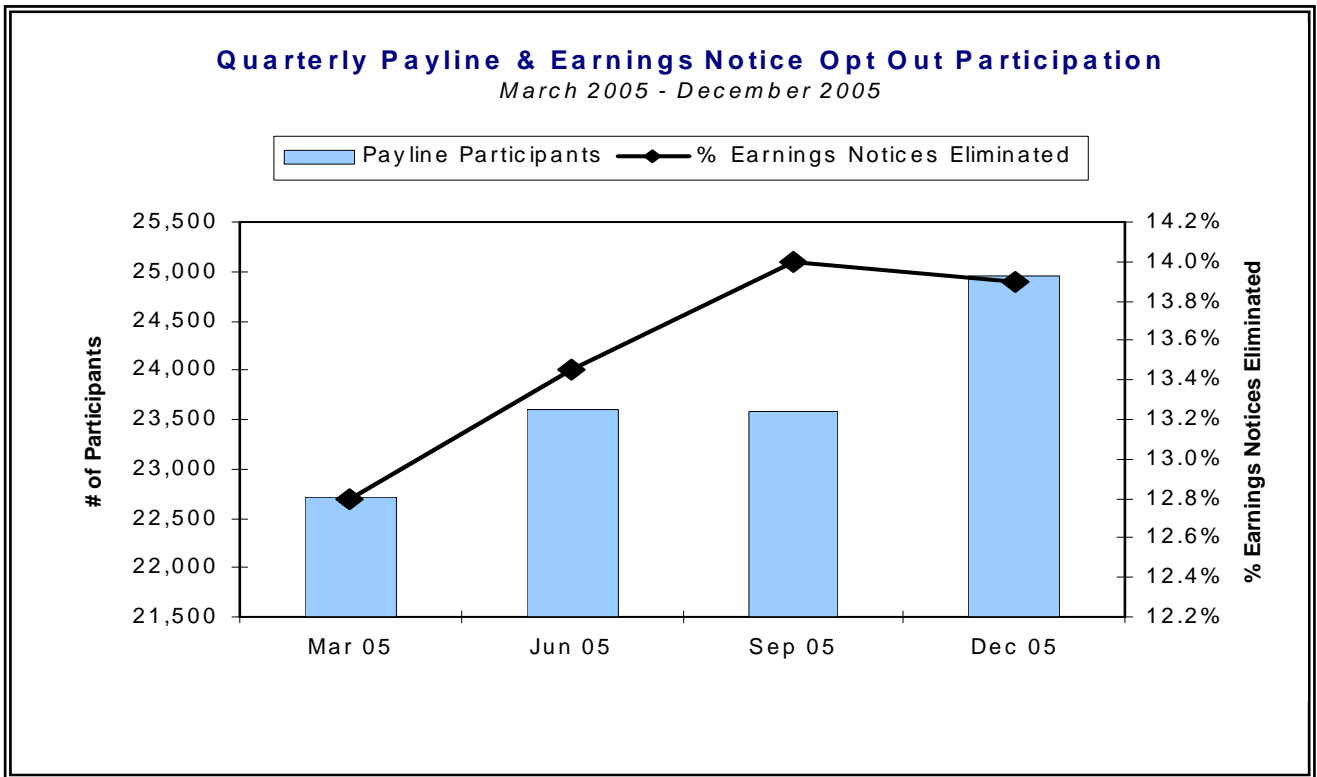
<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
<i>Agriculture and Forestry</i>		
Department of Forestry	15.9%	151
<i>Education</i>		
Southwest Virginia Community College	39.5%	324
Danville Community College	37.6%	274
Piedmont Virginia Community College	37.0%	108
Paul D. Camp Community College	35.4%	175
Thomas Nelson Community College	34.7%	239
Radford University	32.6%	834
Lord Fairfax Community College	31.8%	321
Virginia Western Community College	29.9%	204
Mountain Empire Community College	29.2%	243
Gunston Hall	26.1%	23
Southside Virginia Community College	25.0%	152
Rappahannock Community College	18.0%	100
Wytheville Community College	14.0%	186
Central Virginia Community College	12.5%	272
Virginia Highlands Community College	9.7%	175
Longwood University	6.4%	670
<i>Health and Human Resources</i>		
Central Virginia Training Center	24.1%	108
<i>Various</i>		
Selected Agency Support	11.1%	18



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 606,177 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 December 31, 2005

Secretarial Area	Percent Payline Participation	Percent Earnings Notices Eliminated*
Administration	52.0%	31.8%
Agriculture and Forestry	17.6%	9.6%
Commerce and Trade	72.6%	52.1%
Education	22.2%	10.1%
Executive Offices	59.3%	53.4%
Finance	75.7%	52.8%
Health and Human Resources	28.3%	13.0%
Independent Agencies	42.7%	30.5%
Judicial	5.4%	2.0%
Legislative	46.4%	39.5%
Natural Resources	46.8%	34.9%
Public Safety	20.5%	8.5%
Technology	78.5%	47.7%
Transportation	29.6%	11.8%
Statewide	27.5%	13.9%
<i>Comparative Quarter Ended December 31, 2004</i>		
Statewide	25.7%	14.4%

* 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 four 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.

<u>Agency</u>	<u>Percent Earnings Notices Eliminated</u>	<u>Earnings Notices Printed for 12/30/05 Payday</u>
Education		
Thomas Nelson Community College	3.7%	449
Norfolk State University	3.6%	1,408
Southside Virginia Community College	3.3%	233
Radford University	2.6%	1,161
Longwood University	2.5%	552
Virginia School for the Deaf, Blind and Multi-Disabled at Hampton	2.0%	145
Danville Community College	2.0%	260
Rappahannock Community College	1.9%	119
Virginia Highlands Community College	1.9%	139
Central Virginia Community College	1.8%	193
Christopher Newport University	1.7%	1,349
Northern Virginia Community College	0.9%	3,593
Health and Human Resources		
Piedmont Geriatric Hospital	2.9%	248
Northern Virginia Training Center	2.6%	492
Central Virginia Training Center	1.9%	945
Judicial		
Virginia State Bar	2.2%	86
Indigent Defense Commission	2.2%	455
Combined District Courts	1.8%	200
Court of Appeals of Virginia	1.3%	70
Juvenile and Domestic Relations District Courts	1.1%	592
General District Courts	0.7%	946
Magistrate System	0.7%	400
Circuit Courts	0.0%	180
Legislative		
Division of Capital Police	1.1%	81

<u>Agency</u>	<u>Percent Earnings Notices Eliminated</u>	<u>Earnings Notices Printed for 12/30/05 Payday</u>
Public Safety		
Fluvanna Women's Correctional Center	3.7%	276
Department of Juvenile Justice	3.5%	1,963
Dillwyn Correctional Center	2.9%	182
Wallens Ridge State Prison	2.7%	354
Lunenburg Correctional Center	2.7%	196
Haynesville Correctional Center	2.4%	319
Southampton Correctional Center	2.4%	272
Keen Mountain Correctional Center	2.4%	266
Division of Community Corrections	2.3%	1,224
Virginia Correctional Enterprises	2.3%	144
Bland Correctional Center	2.0%	236
Western Region Correctional Field Units	1.8%	428
Powhatan Correctional Center	1.7%	273
Brunswick Correctional Center	1.3%	286
Greensville Correctional Center	1.2%	647
Nottoway Correctional Center	0.9%	329
Powhatan Reception and Classification Center	0.8%	108
Deerfield Correctional Center	0.0%	174
Transportation		
Department of Transportation - Hourly	1.4%	299



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

Two purchasing charge card programs offer State agencies and institutions alternative payment methods that improve administrative efficiency by consolidating invoice and payment processing for purchases of less than \$50,000. Use of the purchasing charge cards decreases the number of checks issued and the associated administrative costs of processing invoices. Suppliers benefit from expedited receipt of payments and reduced billing costs.

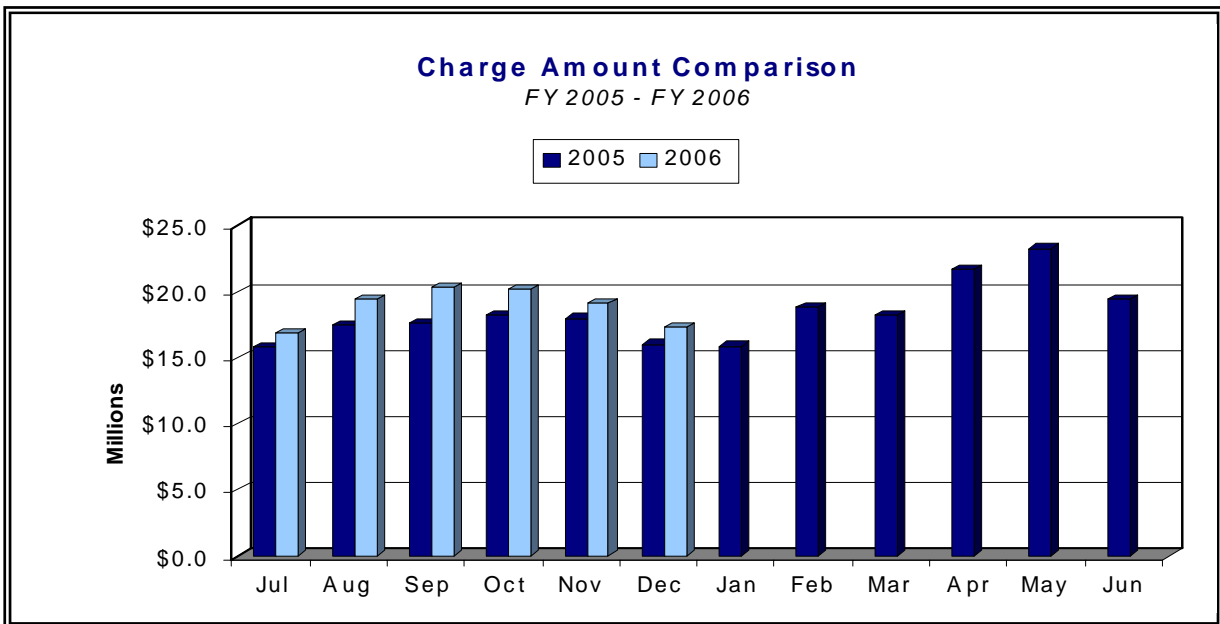
The Small Purchase Charge Card continues to be used for purchases under \$5,000. Agencies are strongly encouraged to obtain a Gold Card for use by a procurement professional for purchases in the \$5,000 to \$50,000 range.

The total amount charged on SPCC and Gold cards during the second quarter of FY 2006 increased by \$4.4 million or 8.3 percent from the same quarter last year.

Small Purchase Charge Card Program

Charge Card Activity	Quarter Ended Dec 31, 2005	Fiscal Year 2006 To Date	Comparative Fiscal Year 2005 To Date
Amount of Charges	\$ 56,858,697	\$ 113,660,462	\$ 103,440,006
Estimated Number of Checks Avoided	131,936	258,357	252,705
Total Number of Participating Agencies		197	195
Total Number of Cards Outstanding		9,854	9,946

The following chart compares charge activity for FY 2006 to activity for FY 2005.



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. Agencies that have a Gold card and are not utilizing the Gold card to the fullest extent will also be identified in future issues of this *Quarterly Report*.

Due to the transition from American Express to GE MasterCard, charge card utilization by secretarial area and agency underutilization for the this quarter will not be reported. Beginning with FY06 3rd quarter, all payments processed through CARS and not placed on the purchase card will be matched against GE MasterCard's vendor base of approximately 24 million merchants to determine an agency's utilization of the program.

Each agency can request a report identifying payments to participating suppliers which should have been paid by the SPCC, by emailing cca@doa.virginia.gov.



SPCC Payment Compliance

Agencies and institutions participating in the SPCC program are required to submit American Express payments via EDI 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 two days late in submitting their payments.

As previously reported, the criteria for Payment compliance was changed effective October 1, 2005. Effective October 1st, any agency who pays their bill late by more than two (2) days is reported.

<u>Agency Name</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
Education			
Frontier Culture Museum			X
George Mason University - Gold	X		
Gunston Hall	X		
Executive			
Office of the Attorney General	X	X	X
Health and Human Resources			
Department of Rehabilitative Services - FRS	X		
Southwest Virginia Mental Health Institute			X
Independent			
Rights of Virginians with Disabilities	X		
Judicial			
Supreme Court of Virginia		X	
Public Safety			
Deep Meadow Correctional Center	X		
Department of Military Affairs	X		X



Travel Charge Card

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.

The following table identifies the number of delinquent active card accounts with American Express by agency during the quarter ended December 31, 2005, and the total amounts past due.

Effective January 1, 2006, any GE MasterCard Travel cards along with any American Express Travel cards which have delinquent balances will be reported.

Travel Charge Card Program

As of December 31, 2005

Agency	Total Delinquent Active Accounts	Amounts 60 Days Past Due	Amounts 90-120 Days Past Due	Amounts >150 Days Past Due
Education				
Longwood University	1	0	0	1,579
Norfolk State University	6	963	3,354	2,982
Old Dominion University	2	767	0	0
University of Virginia	7	6,012	523	356
University of Virginia Medical Center	3	936	74	1,496
Virginia Commonwealth University	3	4	923	0
Virginia Polytechnic Institute and State University	5	63	3,059	935
Virginia State University	2	10	45	132
Health and Human Resources				
Department of Social Services	3	195	1,554	0

Payroll Controls

PMIS/CIPPS Payroll Audit

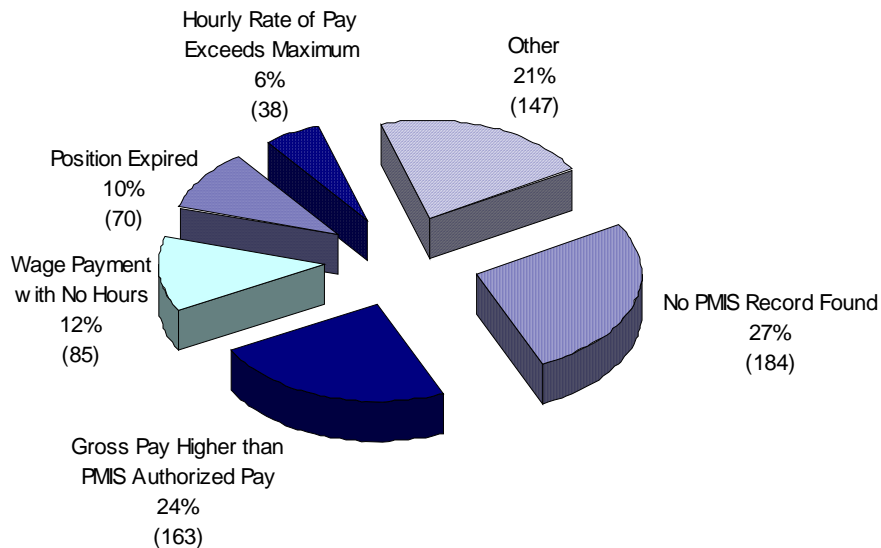
During the quarter, DOA's automated comparison of payroll and personnel (PMIS) records examined 427,584 salaried pay transactions and 219,860 wage pay transactions. The comparison is performed following each payday and is designed to identify discrepancies between authorized salary/wage amounts in PMIS and amounts paid in CIPPS. There were 1,987 new exceptions noted statewide during the quarter, with an overall exception rate of 0.34 percent.

The statewide salaried payroll exception rate was 0.46 percent and the wage payroll exception rate was 0.10 percent. During this quarter, 28 employee paychecks were reduced to recover \$22,660.38 in overpayments.

While the largest cause of exceptions is related to timing differences in payroll and PMIS processing due to transfers, the second largest cause of exceptions is the result of agency failure to complete the salary increase authorization process by updating PMIS salary amounts *prior* to paying the increased salary 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 staff is essential.

Payroll Audit Exception Report

Quarter Ended December 31, 2005

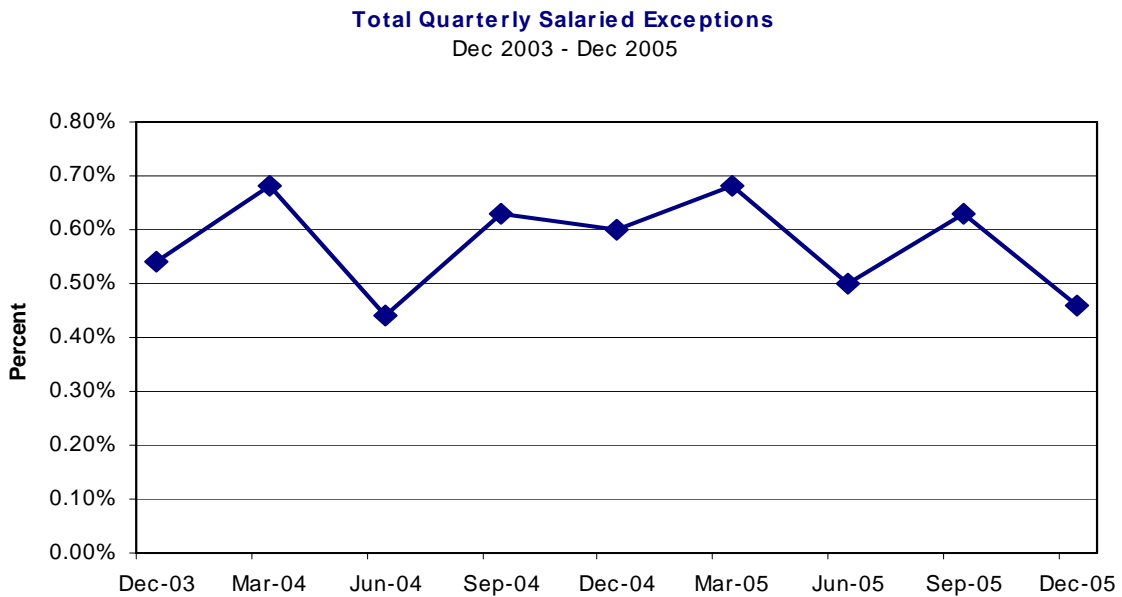


Exception percentages are calculated by dividing the number of exceptions by the number of salaried or wage employees. Agencies are reported below if the percentage of payroll exceptions to salaried or wage payments exceeds three times the statewide average for the quarter.

Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Salaried Payments
Quarter Ended December 31, 2005

Agency	Exceptions as a % of Salaried Payments
Total Salaried Payroll Exceptions for the Quarter	
	0.46%

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



Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Wage Payments
Quarter Ended December 31, 2005

Agency	Exceptions as a % of Wage Payments
Virginia Employment Commission	0.61%
Hiram W. Davis Medical Center	11.05%
Department of Social Services	6.11%
Wage Payroll Exceptions for the Quarter	0.10%

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



Note: Increase in second & third quarters FY 2005 results from change in class codes in PMIS, but not in CIPPS



PMIS/CIPPS Exceptions

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

<u>Agency</u>	<u>Unresolved Exceptions</u>
<i>Education</i>	
Norfolk State University	3
<i>Public Safety</i>	
Coffeewood Correctional Center	4
<i>Health and Human Resources</i>	
Southside Virginia Training Center	8



Payroll Certification

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				
Norfolk State University			2	
Virginia Museum of Fine Arts		2		
Virginia Western Community College		1	3	
Health and Human Resources				
Central State Hospital	\$36,067			
Eastern State Hospital			2	
Southeastern Virginia Training Center	24,135			
Southwestern Virginia Mental Health Institute		1		
Transportation				
VDOT – Central Office	44,500			

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.

Healthcare Reconciliations

Employee healthcare fringe benefits costs are covered by a combination of agency paid and employee-paid premiums. Agencies are required to return a *Certification of Automated Health Care Reconciliations* form to DOA by the close of the month following the month of coverage. This reconciliation annotates differences between healthcare eligibility records (BES) and healthcare premium payments collected through

payroll deduction. The following table lists those agencies that were late in submitting their certification or had problems requiring additional adjustments. Such problems may include incomplete or incorrect documents or required IAT's not submitted to DOA. Healthcare reconciliations for the months of September, October and November were due 10/31/05, 11/30/05 and 12/30/05 respectively.

**Schedule of Health Care Reconciliations
Received Late or With Problems**

	<u>Sept</u>	<u>Oct</u>	<u>Nov</u>
Rappahannock Community College		X	
Department of Agriculture and Consumer Services		X	
Sussex I State Prison		X	
Department of Corrections – Division of Community Corrections		X	
Keen Mountain Correctional Center		X	
Greensville Correctional Center		X	

X= Late
P = Problem with documentation



FINANCIAL MANAGEMENT ACTIVITY

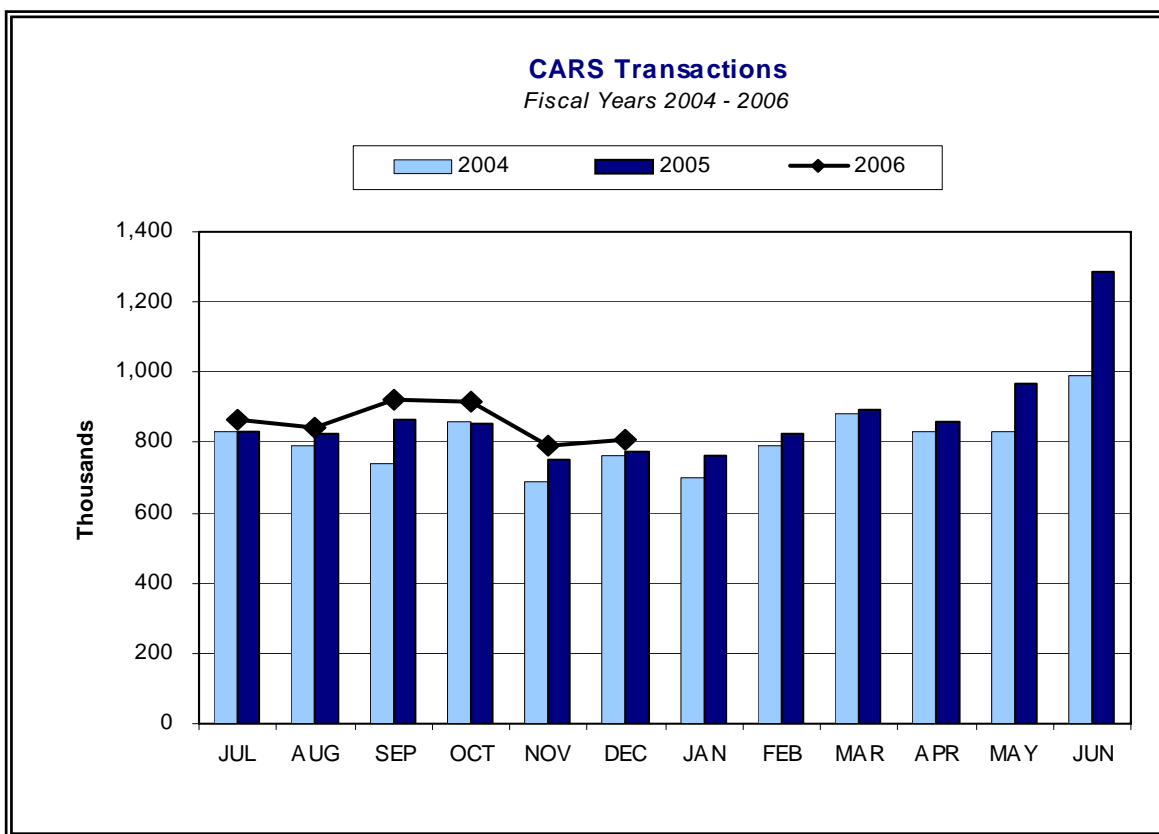
DOA monitors several types of financial activity. Various measures are used to track activities for CARS, payroll,

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.

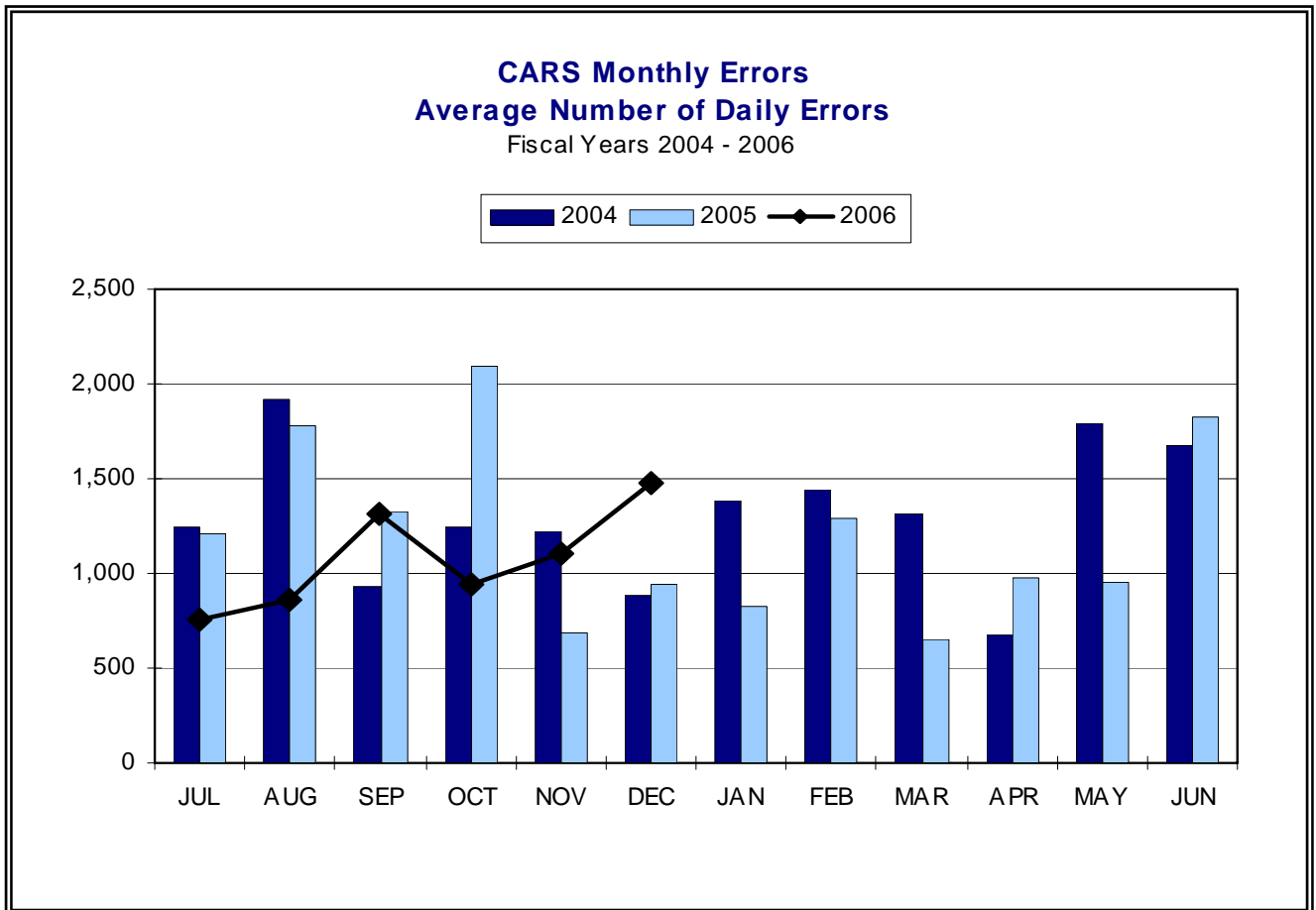


CARS Edits

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 second quarter of FY 2006, the most frequent reasons cited for batches being sent to the error file were:

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. Agencies should develop procedures to ensure certified amounts are calculated properly. Agencies should develop internal cut off dates to ensure batches are submitted to CARS timely.

- ◆ Available Cash Negative
- ◆ Certified Amount Not Balanced
- ◆ Prior Fiscal Month Not Open

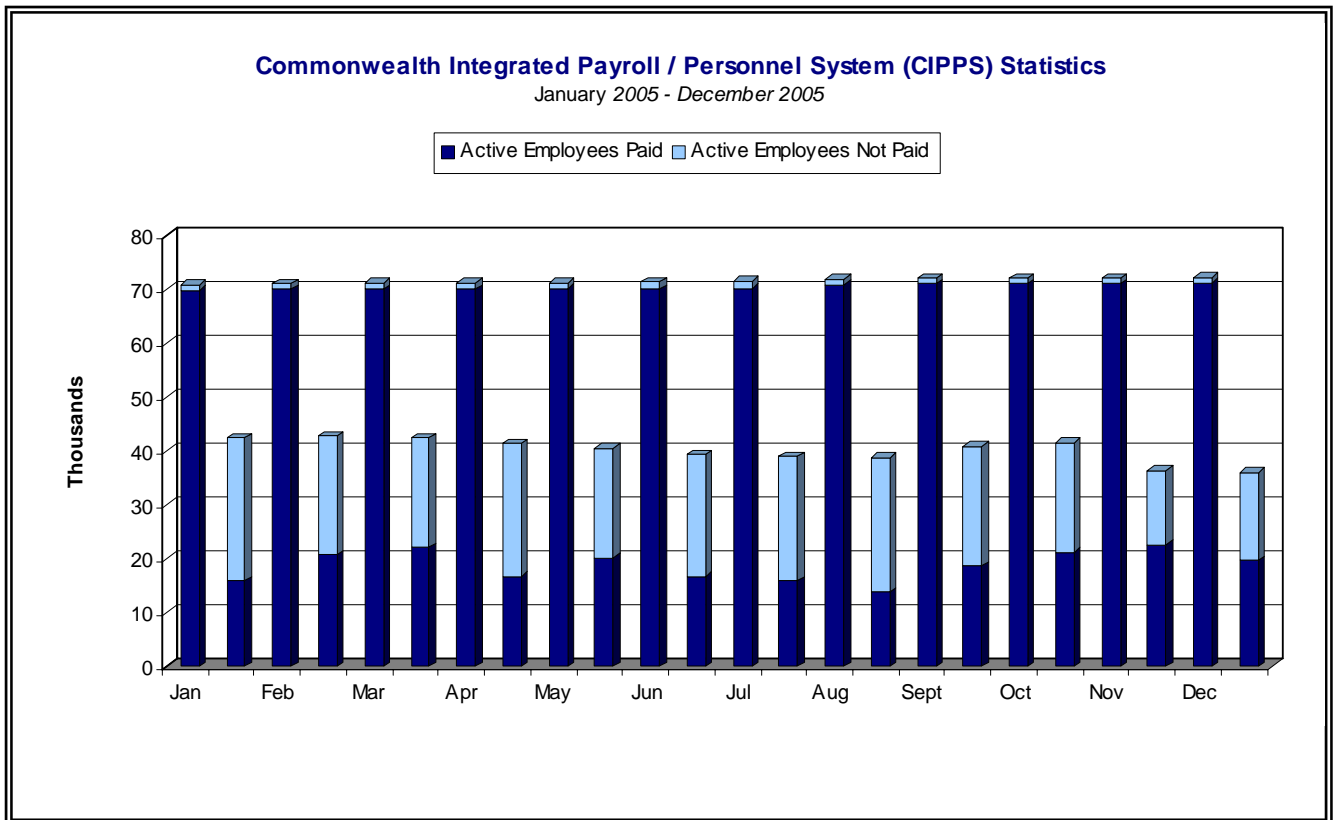


Payroll

The central payroll system for State government is known as *CIPPS*, the Commonwealth Integrated Payroll Personnel System. CIPPS is one of the largest payroll operations in the Commonwealth, serving 110,155 employees. Payroll services are also

provided through eight decentralized higher education institutions.

Total gross payrolls for the Commonwealth were approximately \$438 million each month of the quarter. On average, 92,136 employees were paid each month, of which 71,083 are 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.

Benefit Participation by CIPPS Agencies

The Commonwealth offers a variety of benefits to State employees, including health care, optional retirement plans, deferred compensation, and flexible reimbursement programs. During the quarter, state employees purchased 12,290 savings bonds with a face value of over \$1.6 million.

**Benefit Participation
Number of Participating Employees**

	<u>As of 12/31/2005</u>	<u>Comparative</u>	
		<u>As of 12/31/04</u>	<u>As of 12/31/03</u>
Health Care			
COVA Care	82,038	80,301	79,871
Kaiser	1,924	1,857	1,872
Optional Retirement Plans *			
Fidelity Investments	538	529	268
Great West Life	N/A	N/A	15
TIAA/CREF	1,584	1,511	1,314
T. Rowe Price	N/A	N/A	66
VALIC	N/A	N/A	241
Political Appointee - ORP	78	85	84
Deferred Compensation *			
Great West Life	32,249	29,617	27,264
Flexible Reimbursement *			
Dependent Care	661	695	634
Medical Care	5,073	4,896	3,448

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

Note: TIAA-CREF and Fidelity are the only ORP's offered to higher education after June 16, 2004.

**Accounts Receivable
Executive Summary**

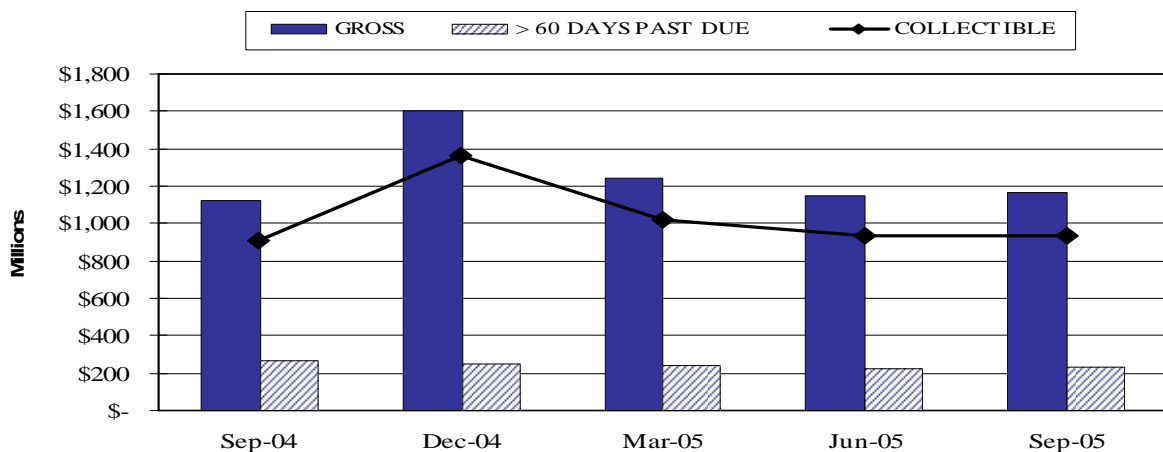
Chapter 48 of the *Code of Virginia* requires the Department of Accounts, along with the Office of the Attorney General, to oversee, report on, and monitor the Commonwealth's accounts receivable program. In order to carry out this responsibility, DOA has issued policies and procedures on accounting, 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.

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

Commonwealth agencies and institutions reported adjusted gross receivables of \$1.17 billion at September 30, 2005, with \$935.9 million considered collectible. Receivables over 60 days past due as of September 30, 2005 totaled \$234.7 million. Of that amount, \$20.3 million was placed with private collection agencies, \$17.1 million was placed with the Division of Debt Collection and \$197.3 million was retained in-house for additional collection efforts.

It is important to note that the adjusted state receivables largely consist of unemployment taxes, tuition and fees, and billings for several indigent care programs, which present numerous special problems in collection. "Trade receivables" typical of the private sector, which are generated by billings for the provision of goods and/or services, make up only a small portion of state receivables.

**Gross, Past Due, and Collectible Receivables
September 2004 - September 2005**



As of September 30, 2005, agencies expected to collect \$935.9 million (80%) of the \$1.17 billion adjusted gross receivables. About four percent are due to the General Fund, primarily for Medicaid penalties. The balance (\$897 million) is due to several non-general funds.

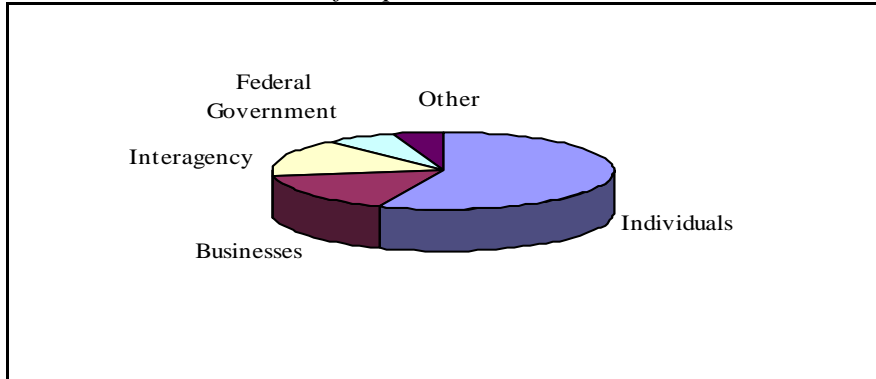
Collectible Receivables by Fund
Not Including Circuit and District Courts and Department of Taxation
 As of September 30, 2005

Fund	Source	Amount	Percent
General Fund 4%	Medicaid	\$ 31,652,920	80%
	Social Services	3,372,588	9%
	State Police Permits	975,128	3%
	Labor and Industry Inspections	1,147,516	3%
	Other	1,261,128	3%
	Subtotal	38,409,280	99%
	Interagency Receivables	505,777	1%
Total General Fund Collectible		\$ 38,915,057	100%
Nongeneral Funds 96%	Medicaid	\$ 11,760,568	1%
	Unemployment Taxes	79,002,310	9%
	Transportation	53,053,409	6%
	Child Support Enforcement	60,513,686	7%
	Federal Government	61,730,467	7%
	MHMR Patient Services	29,461,562	3%
	Hospital	125,031,004	14%
	Enterprise	55,447,160	6%
	Higher Education	254,011,916	28%
	Other	18,170,421	2%
	Subtotal	748,182,503	83%
Interagency Receivables	148,841,468	17%	
Total Nongeneral Fund Collectible		\$ 897,023,971	100%
All Funds	Grand Total	\$ 935,939,028	100%

Summary of Receivables by Source

Sources of Collectible Receivables by Debtor

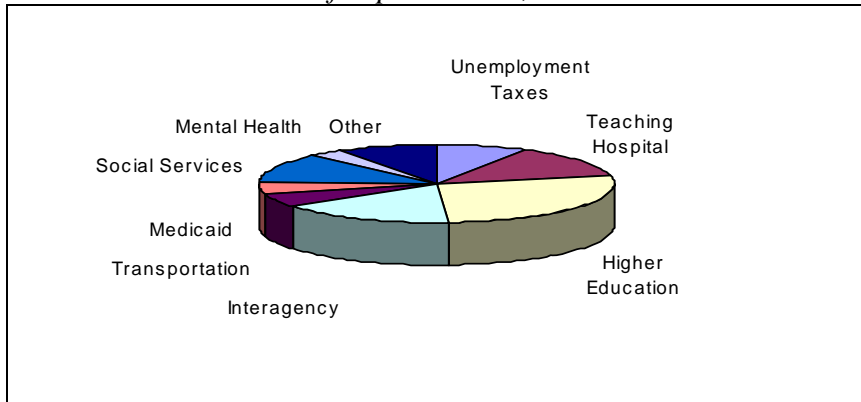
As of September 30, 2005



<u>Source</u>	<u>Amount</u>	<u>Percent</u>
Individuals	\$ 525,436,170	56.1%
Businesses	155,272,285	16.6%
Interagency	149,347,245	16.0%
Federal Government	61,730,467	6.6%
Other	44,152,861	4.7%
Total	\$ 935,939,028	100.0%

Sources of Collectible Receivables by Type

As of September 30, 2005



<u>Source</u>	<u>Amount</u>	<u>Percent</u>
Unemployment Taxes	\$ 79,002,310	8.4%
Higher Education	254,011,916	27.1%
Teaching Hospital	125,031,004	13.4%
Social Services	115,949,175	12.4%
Interagency	149,347,245	16.0%
Medicaid	43,413,488	4.6%
Transportation	53,053,409	5.7%
Mental Health	29,461,562	3.1%
Other	86,668,919	9.3%
Total	\$ 935,939,028	100.0%

Not counting Taxation and the Courts, ten agencies account for 75 percent of the Commonwealth's adjusted gross and 71

percent of the adjusted collectible accounts receivable balances.

Accounts Receivable Summary
Not Including Circuit and District Courts and Department of Taxation
Quarter Ended September 30, 2005

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
University of Virginia Medical Center	\$ 168,861,640	\$ 18,621,079	\$ 150,240,561
Department of Social Services	236,016,188	117,239,198	118,776,990
Virginia Employment Commission	114,681,359	33,015,794	81,665,565
Virginia Polytechnic Institute and State University	68,684,307	957,596	67,726,711
Department of Transportation	57,556,851	4,242,302	53,314,549
State Lottery Department	45,850,581	-	45,850,581
Department of Medical Assistance Services	72,221,850	28,716,558	43,505,292
Department of Rail and Public Transportation	36,441,314	-	36,441,314
Virginia Commonwealth University	36,979,429	2,477,097	34,502,332
Virginia Information Technologies Agency	30,856,604	-	30,856,604
Total	868,150,123	205,269,624	662,880,499
All Other Agencies	297,754,000	24,695,471	273,058,529
Grand Total	\$ 1,165,904,123	\$ 229,965,095	\$ 935,939,028

In addition to internal administrative collection efforts, agencies have three other collection tools available to them. These are computerized matching and debt setoff programs at the Departments of Taxation, Lottery and Accounts, private collection agencies, and the Attorney General's Division of Debt Collection.

DOA requires state agencies and institutions to use the computerized matching and debt setoff programs for receivables that are 30 days or more past due. DOA also requires the use of private collection agencies on delinquent accounts that are 60 days or more past

due that are not sent to the Attorney General's Division of Debt Collection.

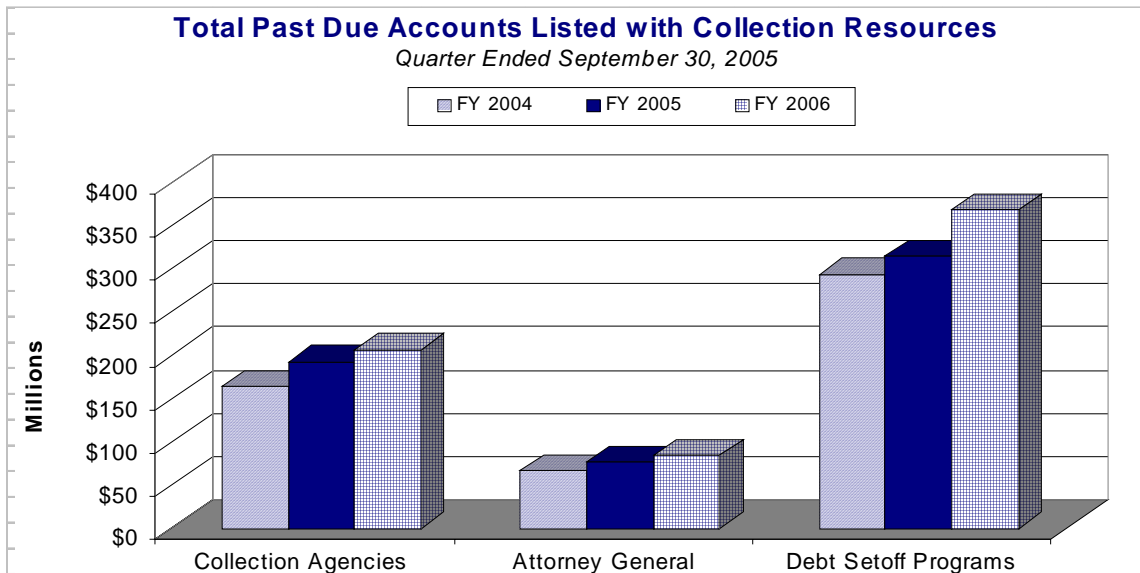
The Office of the Attorney General requires state agencies and institutions to send accounts of \$3,000 or more and 60 days or more past due to the Division of Debt Collection.

These additional collection tools recovered \$3.5 million during the quarter ended September 30, 2005. The largest contributors were the Private collection agencies, which collected \$1.8 million. The Division of Debt Collection contributed \$847,831. The debt setoff programs (Tax, Comptroller's and Lottery) collected \$837,044.

COLLECTIBLE RECEIVABLES OVER 60 DAYS PAST DUE
Does Not Include Circuit and District Courts and Department
of Taxation
As of September 30, 2005

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	\$ 65,836,858	\$ -	\$ -	\$ 65,836,858
Virginia Employment Commission	49,626,279	8,756,549	8,089,928	32,779,802
University of Virginia Medical Center	25,663,306	-	-	25,663,306
Department of Medical Assistance Services	22,789,784	5,135,207	1,740,579	15,913,998
Department of Transportation	12,427,003	284,656	3,072,033	9,070,314
Department of Mental Health, Mental Retardation & Substance Abuse Services	10,649,227	-	-	10,649,227
Department of Rail and Public Transportation	4,534,440	-	-	4,534,440
Norfolk State University	4,477,528	179,580	-	4,297,948
Virginia State University	3,685,251	-	-	3,685,251
University of Virginia	3,314,247	423,741	-	2,890,506
Total	203,003,923	14,779,733	12,902,540	175,321,650
<i>All Other Agencies</i>	31,691,062	5,549,151	4,149,688	21,992,223
TOTAL OVER 60 DAYS	\$ 234,694,985	\$ 20,328,884	\$ 17,052,228	\$ 197,313,873
Uncollectable Amounts Placed for Collection, Including Accounts Written Off	429,278,232	185,399,273	66,798,199	177,080,760
TOTAL COLLECTION EFFORTS	\$ 657,103,618	\$ 205,728,157	\$ 83,850,427	\$ 367,525,034

Note: The additional amounts retained by agencies are placed for collection with several debt setoff collection programs.



One way to measure an agency's effectiveness at collecting its accounts receivable is to look at how efficient collection procedures are on accounts that are more than 60 days past due. The table looks at trend percentages of receivables over 60 days past due as a percentage of gross receivables for the agencies with the largest amounts over 60 days past due.

Percentage of Gross Receivables Over 60 Days Past Due

<u>Agency</u>	<u>Percent at 9/30/05</u>	<u>Comparative</u>	
		<u>Percent at 6/30/05</u>	<u>Percent at 3/31/05</u>
Department of Social Services	28%	28%	25%
Virginia Employment Commission	43%	29%	11%
University of Virginia Medical Center	15%	17%	17%
Department of Medical Assistance Services	32%	47%	43%
Department of Transportation	22%	15%	51%
Department of Mental Health, Mental Retardation, and Substance Abuse Services	27%	22%	30%
Department of Rail and Public Transportation	12%	28%	12%
Norfolk State University	42%	55%	32%
Virginia State University	44%	14%	45%
University of Virginia	10%	14%	3%
Statewide Average - All Agencies	20%	19%	19%

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 \$3.1 million through the second quarter of FY 2006. Please note the CDS Collections are based on an estimate because of the implementation of the new Tax IRMS System.

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 71 percent of the Commonwealth's collectible receivables balances, as adjusted to exclude the Department of Taxation and the circuit and district courts. Percentages over 100% indicate 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, the UVAH percentage dropped 14 points over last year and 33 points over two years ago because health care insurers, including Medicare and Medicaid, have tightened reimbursement criteria and amounts and operating costs have continued to increase.

The statewide average of 87% indicates that for every \$1 billed during the quarter ended September 30, 2005, the state collected 87 cents. This rate is a 2% decrease from both last year, and the September 30, 2003 quarter. The main contributor to the fluctuation, because of the magnitude of the dollars involved, is the University of Virginia Medical Center. Quarterly collections dropped from \$178 million in 2003 to \$148 million in 2005 and reflect the two year rise in contractual adjustments (what insurance and UVAH agree will not be paid) of \$106 million in 2003 to \$215 million in 2005.

Collections as a Percentage of Billings

<u>Agency</u>	<u>Percent at 9/30/05</u>	<u>Comparative</u>	
		<u>Percent at 9/30/04</u>	<u>Percent at 9/30/03</u>
University of Virginia Medical Center	37%	51%	70%
Department of Social Services	87%	91%	97%
Virginia Employment Commission	118%	129%	110%
Virginia Polytechnic Institute and State University	85%	87%	84%
Department of Transportation	86%	91%	99%
State Lottery Department	101%	95%	112%
Department of Medical Assistance Services	31%	76%	50%
Department of Rail and Public Transportation	43%	78%	42%
Virginia Commonwealth University	88%	87%	85%
Virginia Information Technologies Agency	102%	100%	87%
Statewide Average - All Agencies	87%	89%	89%

Commonwealth Receivables Analysis:

Included for the second time this quarter are individual agency accounts receivables descriptive narratives. These narratives are designed to describe agency collection programs and related trend information.

Department of Medical Assistance Services (DMAS)

DMAS is responsible for overseeing service delivery to eligible recipients and reviewing and auditing the providers of a variety of federally and State funded health care programs. These programs include Medicaid, Family Access to Medical Insurance Security (FAMIS), and State and Local Hospitalization (SLH) programs.

DMAS' collectible accounts receivable of \$43.5 million at September 30, 2005 is \$41.8 million less than the \$85.3 million reported at September 30, 2004. Over FY 2005, total past due receivables decreased \$60.5 million, to \$26.9 million from \$98.2 million. The largest decrease occurred in the oldest past due receivables, with accounts six months or more past due decreasing by \$56.0 million.

University of Virginia Medical Center (UVAH)

UVAH provides primary and specialty health care for Central Virginia by operating a 500 bed hospital, a School of Medicine and over twenty research centers. The majority of their receivables consist of Medicaid and Medicare reimbursements and payments from third party insurers.

The Hospital's collectible receivables of \$124.7 at September 30, 2005 were a decrease of \$39.4 million over the \$164.1 million reported the previous year. Past due receivables mirrored this with a decrease of \$9.1 million to \$74.0 million at September 30, 2005. The decrease was split between accounts over 60 days past due (a decrease of \$4.8 million) and accounts less than 60 days past due (a decrease of \$4.3 million).

Virginia Employment Commission (VEC)

VEC is responsible for paying unemployment insurance benefits to workers who have become unemployed. VEC also provides employment assistance for job seekers and analyzes and reports on a variety of labor market information.

VEC collectible receivables were \$81.7 million at September 30, 2005, an increase of \$13.5 million. \$7.6 million of this increase occurred in the receivables over six months past due. This contributed to the overall increase of \$6.2 million in the total past due receivables of \$51.1 million, up from \$44.9 million the previous year. VEC collects employer tax receivables in-house. The Attorney General's Office is involved in contested cases. Unemployment benefit overpayments to individuals are referred to private collections agencies after in-house efforts have produced no results and when debtors have left the state.

Virginia Information Technologies Agency (VITA)

VITA is the state's central information technologies provider. VITA operates the information technology infrastructure for

much of State government, providing both hardware and services. VITA also procures hardware and software for agencies and institutions of higher education.

VITA reported collectible receivables at September 30, 2005, of \$30.9 million, a \$6.7 million increase over FY 2004's \$24.1 million. Most of these dollars are owed by other state agencies. As of September 30, 2005, \$556,483 was over 60 days past due, a \$368,466 increase over FY 2004.

State Lottery Department (SLD)

The State Lottery Department is an independent agency which is responsible for operating the State's scratch and on-line lottery games and actively participates in two multi-state games, Mega Millions and Lotto South. Retail merchants who sell the Virginia Lottery games are covered by surety bonds and deposit Lottery receipts into bank accounts approved by the State Treasurer.

At September 30, 2005, the Virginia Lottery reported net receivables of \$45.8 million, a \$2.1 million decrease from the previous years net of \$47.9 million. The decrease can be attributed to faster collections during the quarter, outstripping billings by \$2.4 million, combined with the timings of the remittances from retailers. At September 30, 2005, the Virginia Lottery had \$270,994 that was over 60 days past due. The total amount is covered by surety bond and involves 20 retailers.

State Department of Education (SDE)

Education acts as the pass-through agency for state and federal education funds and determines the allocation of funds to local

school divisions under the Direct Aid to Public Education Program. Localities file expenditure reimbursement requests with the Department who then reviews the claims for accuracy and correctness. Eligible expenditures under federal grants are paid by SDE, which then draws down the money from the U. S. Department of Education.

At September 30, 2005, SDE had no accounts receivable due from the Federal government under Direct Aid. This is the same as last year.

Virginia Polytechnic Institute and State University (VPISU)

VPISU is one of the Commonwealth's largest universities and one of two land grant institutions in the state. At September 30, 2005, the University reported net collectible receivables of \$67.7 million, a \$4.6 million increase over the prior year. \$12 million (17%) of VPISU total receivables were past due, an increase of \$1.1 million from last year.

Accounts over 60 days past due of \$2.8 million increased only \$24,430 over the prior year. The University uses a variety of collection methods to encourage payments. At September 30, 2005, VPISU had almost \$1 million of accounts with the Attorney General's Division of Debt Collection, \$564,240 placed with private collection agencies and \$3.2 million listed for Taxation's Debt Setoff Programs.

Mental Health, Mental Retardation, and Substance Abuse Services (MHMRSAS)

MHMRSAS operates 16 facilities around the State to treat patients. These facilities

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

At September 30, 2005, the Department reported net receivables of \$29.5 million, a 9.4 million decrease from FY 2004. \$16.2 million was past due, with \$10.6 million (45%) being over 60 days past due. Total past due receivables decreased by \$18.6 million over the year, and accounts over 60 days past due decreased by \$5.7 million. At September 30, 2005, the Department had \$6.4 million of accounts placed with the Attorney General and \$3.1 million listed in Taxation's Debt Setoff Programs.

Department of Transportation (VDOT)

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

At September 30, 2005, VDOT reported \$53.3 million of collectible receivables, almost unchanged from the prior year. VDOT also reported \$21.3 million total past due and \$12.4 million being over 60 days past due. Past due receivables increased by \$17.6 million over the year, however,

receivables over 60 days past due only constituted \$8.8 million of the increase. VDOT reports that the large majority of the accounts over 60 days past due are owed by cities, counties and towns that are participating on long-term construction projects with the department and where the local fund shares are provided by local debt financing.

VDOT reported \$10.0 million of the \$21.3 million past due as being over one year past due and another \$1.4 million as between six months and one year past due at September 30, 2005. VDOT had \$9.0 million of their unpaid accounts with the Attorney General's Division of Debt Collection, \$608,102 with private collection agencies and \$809,818 listed with Taxation's Debt Setoff Programs.

Department of Social Services (DSS)

Social Services provides financial assistance to eligible individuals and families through 121 local departments of social services. The assistance programs include the Temporary Assistance for Needy Families (TANF), Medicaid, Food Stamps, and Community Services Block Grants. In addition to the assistance programs, DSS is the federally-mandated state agency to provide child support enforcement assistance. Child support paid for children receiving money from an assistance program is required to be paid to the federal and state funds which provide the assistance. Overpayments of assistance benefits from ineligible participants must also be repaid to the originating funds. Receivables due from the Federal government usually are the Federal share of assistance payments and allowable cost recoveries made through the local offices during the preceding month.

At September 30, 2005, DSS reported gross receivables of \$236.0 million, an allowance for doubtful accounts of \$117.2 million and collectibles of \$118.8 million.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for \$158.1 million (67%) of the gross receivables, \$97.6 million (83%) of the allowance for doubtful accounts and \$60.5 million (51%) of the net receivables. Past due receivables totaled \$67.1 million, of which \$65.8 million was over 60 days past due.

Between September 30, 2005 and 2004, gross receivables increased \$33.9 million (17%) and collectible receivables increased \$1.0 million (1%). Write offs for the quarter totaled \$962,967 million. Total past due receivables increased \$20.3 million (44%), and receivables over 60 days past due increased \$20.0 million (44%).

Department of Rail and Public Transportation (DRPT)

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

At September 30, 2005, DRPT had gross and net receivables of \$36.4 million. Over 99% of this money is due via interagency transfer from VDOT. \$13.3 million was past due at September 30, 2005, with \$4.5 million being over 60 days past due. \$3.7 million of the \$4.5 million is past due between 6 months to a year. Only \$336,564 is over a year past due.

Virginia Commonwealth University (VCU)

VCU, based in Richmond, offers 140 degree programs to over 28,500 students in a variety of fields ranging from accounting to pharmacy at both undergraduate and graduate levels.

At September 30, 2005, VCU had \$34.5 million of collectible receivables, a \$2.3 million increase over September 30, 2004. Total past due accounts were \$4.9 million, an increase of \$656,788 over September 30, 2004. Accounts over 60 days past due of \$3.0 million increased \$116,477 over the prior year. Billings increased by \$16.5 million to \$158.5 million and collections increased by \$15.4 million to \$139.3 million for the September 30, 2005 quarter when compared to the September 30, 2004 quarter.

The following table is prepared to present the September 30, 2005 aging information in conformity with the provisions of Section 2.2-603.E.(ii) of the Code of Virginia, so that it may be compared to the Annual Report table presented in the September *Quarterly Report*.

Taxation and the Circuit and District Courts accounted for 79% (\$1.58 billion) of the Commonwealth's total \$1.99 billion past due accounts receivable at September 30, 2005. Another eighteen agencies accounted for 19% (\$370 million), leaving 68 other agencies to comprise the last two percent at \$43 million.

Agencies with the Largest Volume of Past Due Receivables

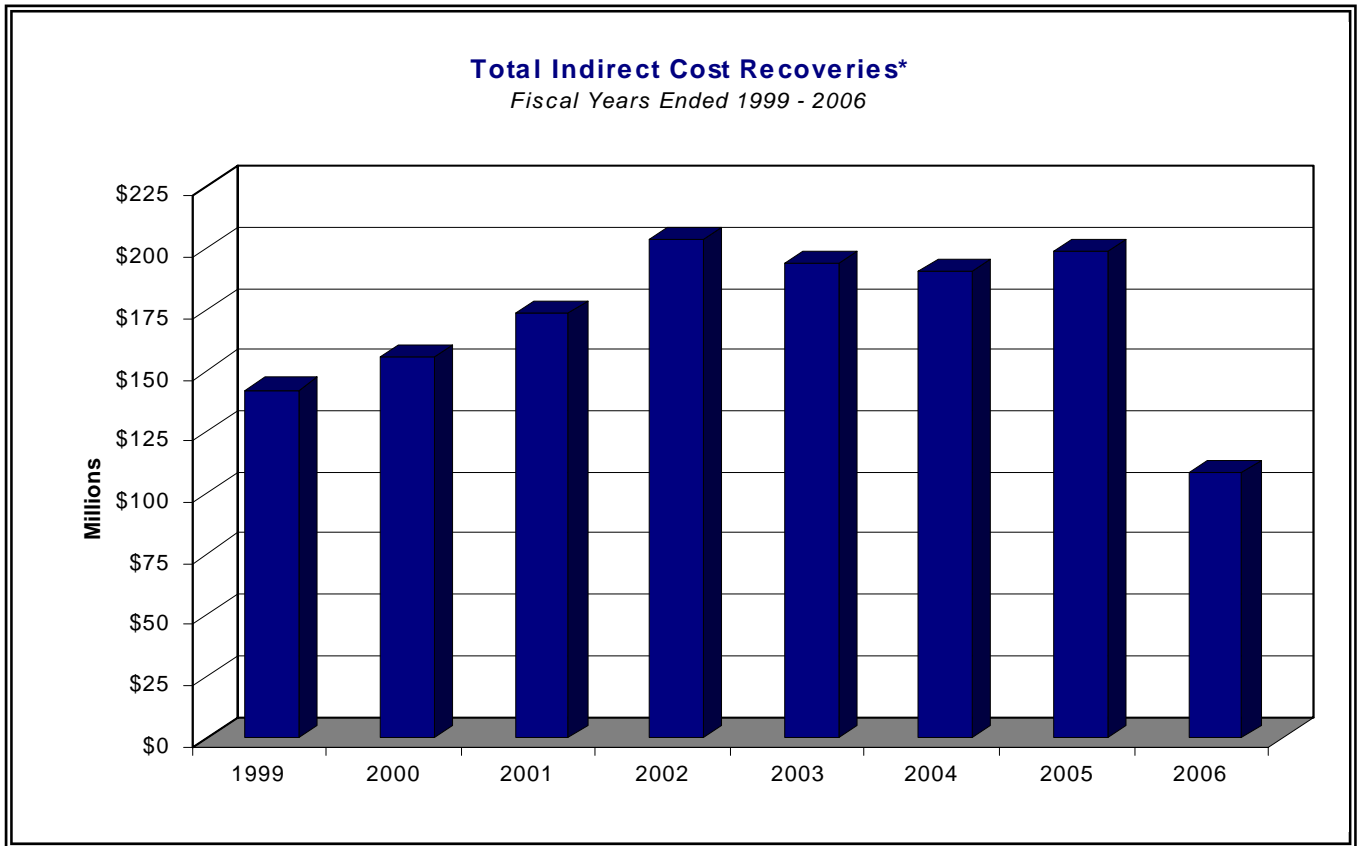
As of September 30, 2005

Agency	Total Past Due	1 to 180 Days Past Due	181 to 360 Days Past Due	Over One Year
Department of Taxation	\$ 1,173,660,424	\$ 305,513,449	\$ 289,382,325	\$ 578,764,650
Localities' Circuit and District Courts	404,027,660	33,190,183	53,162,177	317,675,300
Total - Taxation Assessments and Court Fines and Fees	1,577,688,084	338,703,632	342,544,502	896,439,950
All Other Large Dollar Agencies:				
University of Virginia Medical Center	76,741,026	71,353,450	5,665,392	(277,816)
Department of Social Services	67,057,300	3,621,094	3,641,211	59,794,995
Virginia Employment Commission	51,137,585	19,637,305	5,919,274	25,581,006
Department of Medical Assistance Services	26,918,506	9,810,040	4,036,286	13,072,180
George Mason University	22,480,873	21,290,130	652,257	538,486
Department of Transportation	21,304,689	9,840,513	1,449,990	10,014,186
Department of Mental Health, Mental Retardation & Substance Abuse Services	16,197,143	12,171,067	4,026,076	-
Department of Rail and Public Transportation	13,339,285	9,120,110	3,882,611	336,564
University of Virginia	12,882,279	11,599,685	668,009	614,585
Virginia Polytechnic Institute and State University	11,986,298	10,363,683	630,271	992,344
Norfolk State University	8,823,435	8,645,313	43,761	134,361
James Madison University	7,420,311	7,065,889	102,270	252,152
Virginia Information Technologies Agency	7,171,190	7,142,087	27,779	1,324
Virginia State University	5,908,462	5,836,844	63,040	8,578
Department of General Services	5,840,260	5,840,260	-	-
Old Dominion University	5,413,453	5,328,661	35,435	49,357
University of Mary Washington	5,117,029	5,002,546	72,337	42,146
Virginia Commonwealth University	4,883,591	2,937,000	889,959	1,056,632
Total - Largest Dollar Volume Agencies	370,622,715	226,605,677	31,805,958	112,211,080
All Other Agencies	42,651,670	29,355,292	5,958,935	7,337,443
Grand Total Past Due Receivables	\$ 1,990,962,469	\$ 594,664,601	\$ 380,309,395	\$ 1,015,988,473

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 2006 reflects indirect cost recoveries through December 31, 2005.

Indirect Cost Recoveries From Grants and Contracts
Fiscal Year 2006

Fund	Year-to-Date		
	Higher Ed	Non-Higher Ed	Total
Nongeneral:			
Agency / Institution (1)	\$ 77,142,932	\$ 29,057,939	\$ 106,200,871
Statew ide	1,832,289	279,832	2,112,121
Total Nongeneral	78,975,221	29,337,771	108,312,992
General:			
Agency (Cash Transfers)	-	38,638	38,638
Statew ide	-	341,279	341,279
Statew ide (Cash Transfers)	-	2,822	2,822
Total General	-	382,739	382,739
Total All Funds	\$ 78,975,221	\$ 29,720,510	\$ 108,695,731

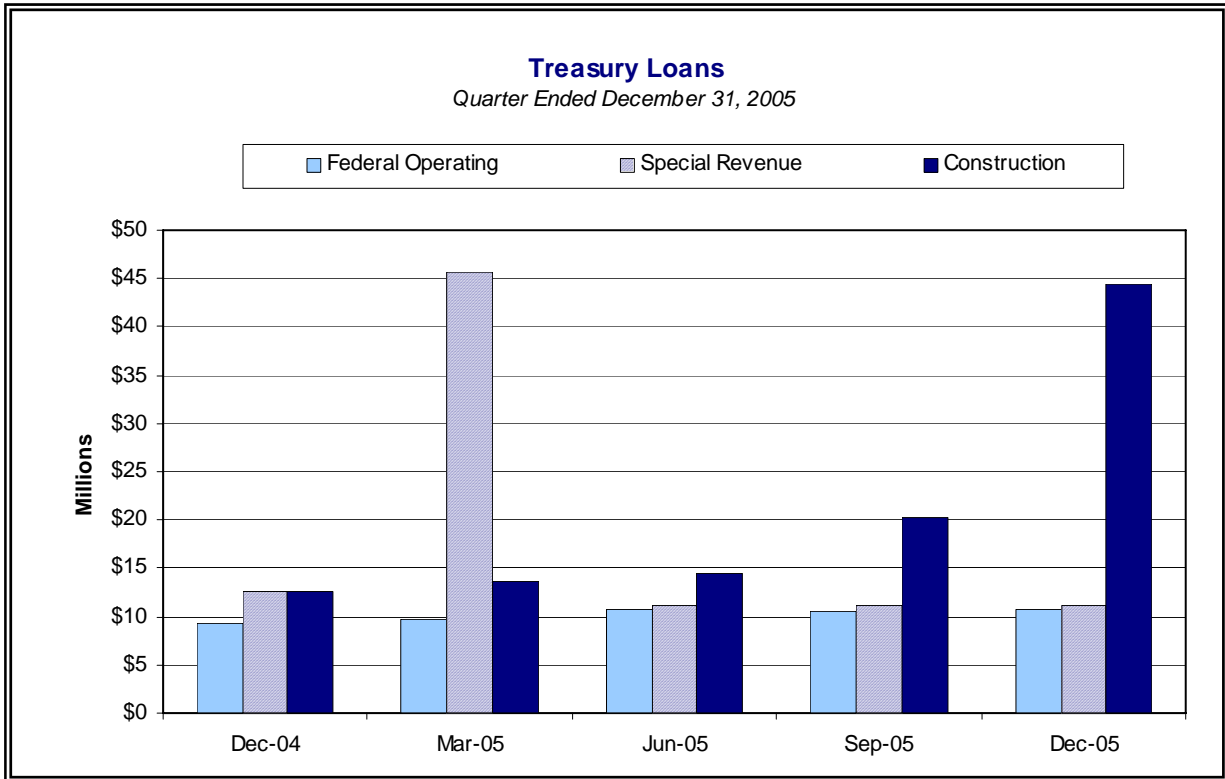
- (1) The Department of Social Services records all federal monies received in CARS. However, they do not separately classify such receipts between direct and indirect. Included in the agency nongeneral fund category is \$19,974,613 representing the Department of Social Services estimate of indirect 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 December 31, 2005, was \$66.5 million.



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 December 31, 2005.

◆ **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 outstanding working capital advances at December 31, 2005.

Significant New Loans/Drawdowns	New Balance
<i>Department of General Services (DGS)</i>	
Authorization and drawdown of a new loan to provide capital funds to purchase leasehold interest in the Old City Hall Building.	\$5,640,000
<i>College of William and Mary (CWM)</i>	
Additional drawdown of \$7,320,000 on an authorized \$10,013,000 loan for the renovation of the Commons Dining Hall.	\$8,089,500
<i>Virginia Commonwealth University (VCU)</i>	
Additional drawdowns totaling \$3,342,003 on an authorized \$7,037,147 loan to construct the new School of Business.	\$4,112,208
<i>Virginia Commonwealth University (VCU)</i>	
Additional drawdowns totaling \$3,583,519 on an authorized \$7,690,315 loan to construct the School of Engineering – Phase II.	\$3,946,657
<i>Department of Veterans Services (DVS)</i>	
Additional drawdown of \$4,499,950 on an authorized \$17,550,000 loan for completion of a new Veterans Care Center in Richmond.	\$7,266,447

Significant Loan Repayments	Prior Balance
<i>None</i>	

