

**REPORT ON  
STATEWIDE FINANCIAL MANAGEMENT  
AND COMPLIANCE**

**FOR THE QUARTER ENDED JUNE 30, 2006**



**OFFICE OF THE COMPTROLLER**

**DEPARTMENT OF ACCOUNTS**

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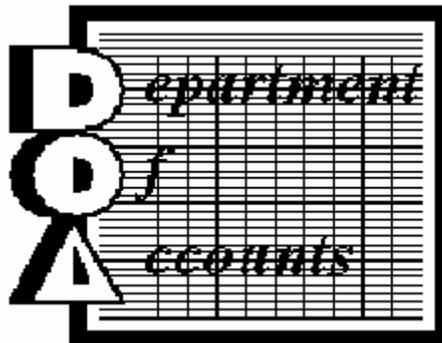
## STATEMENT OF PURPOSE

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

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

This *Quarterly Report* includes information for the quarter ended June 30, 2006, and comparative FY 2005 data. Some information in the report is for the quarter ended March 31, 2006, 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 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 June 30, 2006*

The APA issued 25 separate reports covering 51 agencies, offices, boards, commissions, colleges and universities for the Executive Branch agencies listed on the following table. The reports were for FY 2005. The last column indicates whether the CAW has been received as of the date of this publication for each agency with audit findings. Note that in some cases, the CAW may not have been received because it is not yet due.

	New Findings	Repeat Findings	Total Findings	CAW Received
<b>Administration</b>				
Department of Minority Business Enterprise	0	3	3	Yes
<b>Agriculture and Forestry</b>				
Department of Agriculture and Consumer Services	0	0	0	N/A
<b>Commerce and Trade</b>				
Department of Housing and Community Development	1	0	1	Yes
Department of Labor and Industry	0	0	0	N/A
Department of Professional and Occupational Regulation	0	0	0	N/A
<b>Education</b>				
The College of William and Mary in Virginia	2	0	2	Yes
Richard Bland College	0	0	0	N/A
Virginia Institute of Marine Science	0	0	0	N/A
Old Dominion University	0	0	0	N/A

	New Findings	Repeat Findings	Total Findings	CAW Received
Christopher Newport University	1	0	1	Yes
University of Mary Washington	1	0	1	Yes
Virginia Military Institute	1	0	1	Yes
Southwest Virginia Higher Education Center	0	0	0	N/A
Virginia Commission for the Arts	0	0	0	N/A
James Madison University	0	0	0	N/A
George Mason University	0	0	0	N/A
Norfolk State University	1	1	2	Yes
Virginia State University	3	1	4	Yes
Virginia Community College System:				
System Office	2	1	3	Yes
New River Community College	2	0	2	Yes
Southside Virginia Community College	1	0	1	Yes
Paul D. Camp Community College	0	0	0	N/A
Rappahannock Community College	0	0	0	N/A
Danville Community College	0	2	2	Yes
Northern Virginia Community College	2	0	2	Yes
Piedmont Virginia Community College	0	0	0	N/A
J. Sargeant Reynolds Community College	2	0	2	Yes
Eastern Shore Community College	1	0	1	Yes
Patrick Henry Community College	0	0	0	N/A
Virginia Western Community College	1	1	2	Yes
Dabney S. Lancaster Community College	1	0	1	Yes
Wytheville Community College	0	0	0	N/A
John Tyler Community College	0	0	0	N/A
Blue Ridge Community College	2	0	2	Yes
Central Virginia Community College	2	0	2	Yes
Thomas Nelson Community College	1	1	2	Yes
Southwest Virginia Community College	1	1	2	Yes
Tidewater Community College	1	0	1	Yes
Virginia Highlands Community College	0	0	0	N/A
Germanna Community College	1	0	1	Yes
Lord Fairfax Community College	1	0	1	Yes
Mountain Empire Community College	0	0	0	N/A

### Executive Offices

None Issued

### Finance

None Issued

### Health and Human Resources

Virginia Tobacco Settlement Foundation	0	0	0	N/A
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### Independent Agencies

Virginia Workers' Compensation Commission	0	0	0	N/A
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	New Findings	Repeat Findings	Total Findings	CAW Received
<b>Natural Resources</b>				
Department of Game and Inland Fisheries**	0	0	0	N/A
Department of Historic Resources	0	0	0	N/A
Department of Environmental Quality	0	0	0	N/A
<b>Public Safety</b>				
Department of Corrections and the Virginia Parole Board	2	1	3	Yes
Virginia Correctional Enterprises	0	0	0	N/A
Department of State Police	1	0	1	Yes
6	2	8	Yes	
<b>Technology</b>				
None Issued				
<b>Transportation</b>				
None Issued				

\*\* The Auditor of Public Accounts issued a Report on Audit of the Department of Game and Inland Fisheries for the period November 1, 2005, through March 31, 2006 (five months). This is a follow-up report and focuses on the Department of Game and Inland Fisheries' progress in developing and implementing policies and procedures to correct previously noted problems. Although the statistics on page 4 indicate no findings for the Department of Game and Inland Fisheries, the report includes four issues that still require further attention. The original findings were identified in the Secretary of Natural Resources Agencies Report on Audit for the period July 1, 2003, through June 30, 2004. At that time, the Auditor of Public Accounts cited seven matters involving internal control in a subsection entitled "Internal Control Findings and Recommendations." The seven findings were reported in the June 30, 2005, *Quarterly Report*.



## *Agency Findings – Quarter Ended June 30, 2006*

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.

### **Administration**

#### *Department of Minority Business Enterprise*

1. Enhance the Housing agreement. **As noted in the prior audit**, internal control weaknesses continued through FY 2005. As of July 1, 2005, the Department of Housing and Community Development performs the Department's fiscal functions. Housing should update the Memorandum of Agreement and ensure all transactions comply with Department policies and procedures. In addition, Housing should control access to CARS, provide oversight to Enterprise's procurement process, and update the accounting policies and procedures to reflect current operations.
2. Update Memorandum of Understanding and Funding Plan. **As noted in the prior audit**, the Department receives funding from VDOT to help certify and assist minority contractors in doing business with VDOT. The agreement was updated but did not adequately address the funding arrangement or appropriate uses of the funds.
3. Improve Controls over Cell Phones. **As noted in the prior audit**, the Department is still not consistently applying controls from month to month or user to user. Service charges are not reviewed timely, nor excess charges documented or justified.

### **Commerce and Trade**

#### *Department of Housing and Community Development*

1. Comply with the Commonwealth of Virginia Technology Security Standard. The Department does not have documented policies and procedures for security over its critical information systems that comply with Commonwealth of Virginia Information Technology Security Standard (COV ITRM SEC 2001-01.1), or any subsequent revisions.

### **Education**

#### *The College of William and Mary in Virginia*

1. Test Financial Statement Preparation Process. The College needs to test the reliability of the new Banner financial system reports that will be used to create the College's year-end financial statements.

2. Consolidate Lease Information into a Single System. The College does not have a central system to monitor its buildings and leases and ensure that it properly accumulates and maintains all lease data for financial management. Lease information is stored in six different spreadsheets maintained by different individuals throughout the College.

### *Christopher Newport University*

1. Improve Financial Statement Preparation Process. University management has not documented the preparation of financial statements and related journal vouchers. In addition, adequate separation of duties will also have to be addressed to prevent a potential material weakness in internal controls which could arise as a result of new auditing standards adopted by the AICPA effective for the audit for the year ended June 30, 2007.

### *University of Mary Washington*

1. Prepare Written Policies and Procedures. The University has documented some, but not all, of its operating policies and procedures. Areas that require review include human resources and payroll, cash collections, reconciliations, program change controls and certain federal report preparations.

### *Virginia Military Institute*

1. Improve Policies and Procedures Covering System Access. VMI does not have sufficient policies and procedures to ensure the removal of system access for terminated employees in a timely manner. In addition, VMI lacked procedures for adding, reviewing, maintaining, and deleting users in the eVA procurement system.

### *Norfolk State University*

1. Collect and Correct Accounts Receivable. **As noted in the prior two reports**, the University must continually enforce its policies and procedures and continue to have timely collections of new student accounts and resolution of credit balances. Because University policies are not consistently applied, some students attend classes without paying tuition, more accounts become uncollectible and collections are delayed.
2. Improve the Continuity of Operations Disaster Recovery Plan. The University's Continuity of Operations Disaster Recovery Plan does not contain adequate information to provide for continuing critical operations in the event of natural or man-made disasters.

### *Virginia State University*

1. Test and Update Disaster Recovery Plan. VSU needs to test and update its systems disaster recovery plan. Industry best practices call for testing and updating the plan annually.

2. Document Human Resources Policies and Procedures. **As noted in the prior audit report,** VSU has not documented all of the policies and procedures for the Human Resources Department. This documentation, although started, needs to be completed.
3. Improve Compliance with Small Purchase Charge Card Policies. Two University employees divided up four purchases made using the Card to circumvent transaction limits. Supervisors noted the violations but took no action to correct the situation.
4. Improve Capital Asset Reconciliation Procedures. VSU staff have not corrected errors in the statewide Fixed Asset Accounting and Control System (FAACS) in a timely manner. Most of the errors relate to previous years extending back to 1997.

### *Virginia Community College System (System Office)*

1. Improve Systems Security Documentation and Policies. **As noted in the prior audit,** the System Office completed its update of the Information Systems Security Plan. The current draft contains some variations with the current operating environment. These variations still have not been addressed. In addition, the System Office still does not have documented standard configurations for its RACF security.
2. Establish Procedures to Monitor Energy Performance Contracts. VCCS, including all of the individual colleges, has not properly planned the monitoring of the energy savings performance contract. The contract with TAC Americas bases compensation on energy savings. VCCS has not established who will verify the payments or developed procedures to verify calculations.
3. Include Operating System and Infrastructure Changes in the Change Management Process. The System Office has not included all operating system and infrastructure device changes in their current change management process

### *New River Community College*

1. Disburse Federal Drawdowns Timely. New River did not disburse two out of seven federal drawdowns timely. In addition, the college does not have procedures to ensure the disbursement of drawdowns in accordance with Student Financial Aid Regulations (34 CFR 668.162.b.3).
2. Properly Administer Return of Title IV Funds. The College lacks procedures to identify students that withdraw or cease attendance without notifying college staff.

### *Southside Virginia Community College*

1. Properly Administer Return of Title IV Funds. The College does not have adequate procedures to identify students who withdraw or cease attendance without notifying college staff.

### *Danville Community College*

1. Develop and Update Accounts Receivable Policies and Procedures. **As noted in the prior audit**, Danville has not updated policies and procedures pertaining to collecting past-due receivables since July 1998.
2. Follow System Access Policies and Procedures. **As noted in the previous audit**, Danville does not have updated policies and procedures for properly approving systems access.

### *Northern Virginia Community College*

1. Properly Administer Return of Title IV Funds. The College does not have adequate procedures to identify students who withdraw or cease attendance without notifying college staff.
2. Develop and Update Accounts Receivable Policies and Procedures. PeopleSoft reported incorrect data relating to the calculation of an allowance for doubtful accounts. Consequently, the college did not report an allowance at fiscal year end, which resulted in an overstatement of their receivables.

### *J. Sargeant Reynolds Community College*

1. Properly Administer Return of Title IV Funds. The College failed to return funds in a timely manner to the federal government and failed to notify the U. S. Department of Education of students who have not repaid any overpayments within the required time period.
2. Improve Bank Reconciliation Process. Reynolds did not properly perform monthly bank reconciliations of their Local Funds Bank Account. In addition, the school did not post interest, bank fees and charges to the Financial Reporting System (FRS) for up to four months after reconciliation.

### *Eastern Shore Community College*

1. Maintain and Renew Contracts. The College did not maintain three revenue generating contracts and procurement files for vending and phone services.

### *Virginia Western Community College*

1. Continue Improving Capital Asset Management and Reporting. **As noted in last year's report**, Virginia Western did not properly maintain asset records or adequately record changes in assets throughout the year.
2. Properly Administer Return of Title IV Funds. The College lacks procedures to identify students that withdraw or cease attendance without notifying college staff.

### *Dabney S. Lancaster Community College*

1. Properly Administer Return of Title IV Funds. The College did not return refund amounts timely as required by Student Financial Aid Regulations (34 CFR Part 668).

### *Blue Ridge Community College*

1. Develop and Update Accounts Receivable Policies and Procedures. Blue Ridge does not have accounts receivable policies and procedures as required by CAPP. Further, duties were not appropriately segregated.
2. Properly Administer Return of Title IV Funds. The College did not return refund amounts timely as required by Student Financial Aid Regulations (34 CFR Part 668).

### *Central Virginia Community College*

1. Follow System Access Policies and Procedures. Central Virginia has not revoked access to computer systems promptly after employees are terminated, with a time lag of up to seven months.
2. Continue Improving Capital Asset Management and Reporting. Central Virginia did not properly maintain asset records or adequately record changes throughout the year.

### *Thomas Nelson Community College*

1. Strengthen Internal Controls over the Small Purchase Charge Card Program. **As noted in the prior audit,** the College has not followed established procedures. For example, sales tax was paid on items that should have been tax-exempt.
2. Properly Administer Return of Title IV Funds. The College lacks procedures to identify students that withdraw or cease attendance without notifying college staff.

### *Southwest Virginia Community College*

1. Improve Systems Security Documentation and Policies. **As noted in the prior audit,** the College does not have adequate IT security policies. The policies in place do not address monitoring and controlling systems access.
2. Properly Administer Return of Title IV Funds. The College does not have adequate procedures to identify students who withdraw or cease attendance without notifying college staff.

### *Tidewater Community College*

1. Continue to Improve Capital Asset Management and Reporting. Tidewater did not maintain asset records or adequately record changes in assets throughout the year.

### *Germanna Community College*

1. Follow System Access Policies and Procedures. Germanna did not properly approve systems access to employees.

### *Lord Fairfax Community College*

1. Follow Virginia Sickness and Disability Program Policies and Procedures. The College improperly approved and overpaid an employee under the Disability Program.

## **Public Safety**

### *Department of Corrections*

1. Ensure Proper Recording and Tracking of Leases. **As noted in prior audits,** the Department has not improved internal controls over recording and tracking leases in accordance with Commonwealth Accounting Policies and Procedures. All ten lease payments did not reference a lease number.
2. Address Effect of Vacancy Savings on Budget. Department budgets do not provide a sound link between the program budget and administrative expenses.
3. Strengthen Procedures Over Agency Transaction Vouchers (ATVs). The Department has not developed adequate procedures to document who prepared a transaction.

### *Virginia Correctional Enterprises*

1. Strengthen Syteline User Access Procedures. VCE does not have adequate procedures for deleting access to their internal accounting system, Syteline. In addition, VCE has not documented procedures for deleting Syteline access.

### *Department of State Police*

1. Improve Internal Controls Over Payroll. The audit disclosed instances of non-reimbursable time, lack of documentation for time worked and contradictions between timesheets and the computer system.

2. Comply with Commonwealth Travel Expense Policies. VSP has not complied in all instances with Commonwealth policies and procedures concerning travel expense reimbursements.
3. Establish Contracts. VSP does not currently have standing contracts with all vendors they deal with regularly for which the amount of purchases exceed \$50,000 annually, as required by state purchasing regulations. Further, VSP is not consistently monitoring the contracts they do have in place to ensure goods and services are received and billings comply with the contract.
4. Implement Full Use of State Charge Card Programs and Reduce Use of Petty Cash. VSP has only partially implemented the state's small purchase and travel charge card programs. The Department can reduce the amount of cash tied up in petty cash funds and travel advances by more fully implementing the state cards.
5. Update Fleet Management Policies, Procedures and Systems. **As noted in the prior audit,** VSP needs to update and document fleet management policies and procedures and update or replace systems used to provide management with fleet information.
6. Reassess the Strategic Plan. **As noted in the prior audit,** VSP should reassess the agency and Information Technology department strategic plans, ensuring there is a connection between the two.
7. Obtain Assurance over Security of Information Technology Infrastructure from VITA. VSP cannot solely ensure the protection of its data and hardware since the infrastructure was transferred to the Virginia Information Technologies Agency (VITA). VSP must secure written assurances from VITA as to the safety and security of the infrastructure to protect VSP systems and databases.
8. Improve Policies and Procedures Covering System Access. VSP does not have sufficient policies and procedures to ensure the removal of system access for terminated employees in a timely manner. In addition, VSP lacked procedures for adding, reviewing, maintaining, and deleting users in the eVA procurement system.



### *Status of Prior Audit Findings*

The policy governing the Agency Response to APA Audits was recently revised to require follow-up reports on agency workplans every 90 days until control findings are certified by the agency head as corrected. Effective with the quarter ending June 30, 2006, the status of corrective action information reported by agencies under this policy is included in this report. Corrective actions reported as “Complete” will not be included in subsequent reports.

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

### **COMMONWEALTH OF VIRGINIA**

Status Report on Resolution of APA Audit Findings  
As of June 30, 2006

<b>Latest Audit Year</b>	<b>Finding Number</b>	<b>Title of APA Audit Finding</b>	<b>Current Status as Reported by Agency</b>	<b>Status Summary</b>
<b><i>Department of Planning and Budget</i></b>				
2005	05-01	Strengthen access procedures over the online budget system (FATS).	Corrective action implemented.	Complete.
	05-02	Improve documentation for appropriation adjustments.	Corrective action underway. DPB modified the FATS access screen to include a revenue source field. System limitations prevent the entering of multiple revenue source codes for FATS "G" type transactions. DPB is presently working toward a solution.	In progress.
<b><i>Virginia Polytechnic Institute and State University</i></b>				
2005	05-01	Revise quality assurance procedures over student financial aid.	Corrective action implemented.	Complete.
	05-02	Document minimum security configurations.	Corrective action implemented.	Complete.
<b><i>Radford University</i></b>				
2005	05-01	Revise policies and procedures covering cash collection points.	Corrective action underway. Cash collections policies and procedures were updated and distributed on 4/7/06. Financial Services and Internal Audit staff have met with campus departments to develop internal office procedures.	In progress.

**COMMONWEALTH OF VIRGINIA**

Status Report on Resolution of APA Audit Findings  
As of June 30, 2006

<b>Latest Audit Year</b>	<b>Finding Number</b>	<b>Title of APA Audit Finding</b>	<b>Current Status as Reported by Agency</b>	<b>Status Summary</b>
	05-02	Develop Information Technology policies and procedures.	Corrective action underway. The Information Security Officer has begun a review of the IT policies and procedures. Updated standards are 75% complete.	In progress.
	05-03	Create a business plan for the Machine Room.	Corrective action underway. The Executive Director of Information Technology has begun developing a Business Continuity Plan which should be in place by the end of the summer.	In progress.
	05-04	Implement environmental controls over the Machine Room.	Corrective action underway. Construction will begin this summer to install a pre-action dry charge sprinkler system, a water detection system, and sump pumps, and to elevate the units that are not already at a safe height from the floor.	In progress.
<b>Virginia Tourism Authority</b>				
2005	05-01	Clarify the responsibilities and duties of the Board and the Executive Director.	Corrective action underway. VTA has been assigned a new AG representative to replace one moved to another agency. VTA will be working with that individual to develop a request for a ruling on existing legislation and potential recommendations for legislation if needed.	In progress.
<b>Virginia Employment Commission</b>				
2005	05-01	Complete the Information Systems Risk Assessment and Impact Analysis.	Corrective action underway. In March 2006, the Information Technology Services Center (ITSC) conducted a risk assessment of Unemployment Insurance (UI). When the ITSC's assessment and Business Impact Analysis is finalized, the VEC will have completed the identification, ranking and documenting of the agency's business functions.	In progress.

**COMMONWEALTH OF VIRGINIA**

Status Report on Resolution of APA Audit Findings  
As of June 30, 2006

<b>Latest Audit Year</b>	<b>Finding Number</b>	<b>Title of APA Audit Finding</b>	<b>Current Status as Reported by Agency</b>	<b>Status Summary</b>
	05-02	Obtain assurance over the security of VITA's infrastructure from VITA.	Corrective action underway. VEC is negotiating a new MOU with VITA.	In progress.
	05-03	Hold localities liable for participant data entered in the Workforce Network.	Corrective action underway. DOL's required data validation is complete. VWNIS is being replaced by an updated system.	In progress.
<b><i>Virginia Commonwealth University</i></b>				
2005	05-01	This is a repeated point. Resolve cash reconciling items timely.	Corrective action underway. Staff turnover in two key positions has delayed completion.	In progress.
	05-02	Comply with Health Insurance Portability and Accountability Act security requirements.	Corrective action implemented.	Complete.
<b><i>Department of Health</i></b>				
2005	05-01	This is a repeated point. Remove systems access timely and improve documentation.	Corrective action underway. New operational policies have been implemented. Payroll is providing a monthly list of separated employees to test against applications accounts. VDH now requires all work units to certify monthly that all users with active accounts are authorized to have such access and are current employees.	In progress.
	05-02	Obtain assurance over the security of VITA's infrastructure from VITA.	Corrective action underway. VDH has requested certification from VITA and is waiting for VITA's response.	In progress.

## COMMONWEALTH OF VIRGINIA

### Status Report on Resolution of APA Audit Findings As of June 30, 2006

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<b><i>Department of Social Services</i></b>				
2005	05-01	This is a repeated point. Properly manage access to information systems.	Corrective action underway. DSS sent a broadcast to local departments of social services on Jan. 12, 2006, to remind them of the requirement for verification of SSN reminders for receipt of services.	In progress.
	05-02	This is a repeated point. Properly maintain and report TANF documentation.	Corrective action underway. TANF Transmittal #32 reiterates the need to verify and document all cases through SVES; effective April 1, 2006. Final training for the uniform monitoring procedures was conducted on April 13.	In progress.
	05-03	Maintain a tracking system for local employees.	Corrective action underway. The Divisions of Human Resource Management and Information Systems are continuing to implement corrective measures for this finding.	In progress.
	05-04	Establish controls for foster care and adoption payments.	Corrective action underway. DSS is exploring options including a combination of certification by local agencies of OASIS data and the certifications for related payments sent to the Division of Finance on a monthly basis.	In progress.
	05-05	Develop disaster recovery procedures for the in-house system.	Corrective action underway. DSS has developed a 10-phase migration plan to transfer DSS' servers and applications to VITA.	In progress.
	05-06	Update client information timely.	Corrective action underway. A system request was submitted for the "legal presence" legislation that will identify all cases where an individual age 19 or older in a case without a valid social security number (SSN) or birth certificate.	In progress.

**COMMONWEALTH OF VIRGINIA**

Status Report on Resolution of APA Audit Findings  
As of June 30, 2006

<b>Latest Audit Year</b>	<b>Finding Number</b>	<b>Title of APA Audit Finding</b>	<b>Current Status as Reported by Agency</b>	<b>Status Summary</b>
	05-07	Properly report TANF unspent balances. \$815,750 in costs are questioned.	Corrective action underway. Under TANF regulations, DSS has until September 30, 2006 to spend these funds on TANF basic assistance. Grant reporting procedures are currently being developed.	In progress.
<b><i>Department of Medical Assistance Services</i></b>				
2005	05-01	Refund the federal share of overpayments to Providers.	Corrective action implemented.	Complete.
	05-02	Implement system-wide strategy for Utilization Units.	Internal Audit is working with Program Integrity and Long Term Care in assessing their internal control processes. Program Integrity has developed a 2006 audit plan and reorganized staff and activities, including outsourcing some of the process to third parties. DMAS was selected for PERM project implementation which will aid in the identification and correction of claims payment errors.	In progress.
<b><i>Department of Motor Vehicles</i></b>				
2005	05-01	Timely delete employee time records upon termination.	Corrective action implemented.	Complete.
	05-02	Obtain written exemption from the 1500-hour Rule.	Corrective action implemented.	Complete.
	05-03	Improve information technology security standards and guidelines.	Corrective action underway. Phase One of an Information Technology Security Enhancement Program (ITSEP) was completed in December 2005. Actual implementation activities are planned to be completed in August 2007.	In progress.

**COMMONWEALTH OF VIRGINIA**

Status Report on Resolution of APA Audit Findings  
As of June 30, 2006

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<b><i>Department of Transportation</i></b>				
2005	05-01	Timely delete employee access upon termination.	Corrective action underway. The Security and Emergency Management Division of VDOT has developed a new policy statement that is currently in review by the VDOT Information Security Advisory Committee (ISAC).	In progress.
	05-02	Obtain assurance over the security of VITA's infrastructure from VITA.	Corrective action underway. The Security policy is being reviewed by the Security and Emergency Management Division of VDOT and updates are being proposed.	In progress.
<b><i>Virginia Racing Commission</i></b>				
2005	05-01	Update operating policies and procedures.	Corrective action underway. Internal policies and procedures for the Commission's operation are in place. Draft documentation of policies and procedures, has been submitted for review.	In progress.
	05-02	Improve documentation of facility inspections.	Corrective action underway. VITA is in the process of contracting out the work via competitive negotiation.	In progress.
<b><i>Tobacco Indemnification and Revitalization Commission</i></b>				
2005	05-01	Ensure that an independent organization conducts a Service Organization Review of the legal firm which acts as the Commission's service provider.	Corrective action implemented.	Complete.

**COMMONWEALTH OF VIRGINIA**  
 Status Report on Resolution of APA Audit Findings  
 As of June 30, 2006

<b>Latest Audit Year</b>	<b>Finding Number</b>	<b>Title of APA Audit Finding</b>	<b>Current Status as Reported by Agency</b>	<b>Status Summary</b>
<b><i>Science Museum of Virginia</i></b>				
2004	04-01	Improve cash management.	Corrective action underway. Funding concerns remain. The Museum invoices its Foundation once a quarter as specified by the budget, but can move the amount and date to meet cash flow requirements.	In progress.
	04-02	Improve controls over fixed assets.	Corrective action underway. With DOA assistance, policies and procedures have been proposed and data input in FAACS.	In progress.
<b><i>Virginia Museum of Fine Arts</i></b>				
2004	04-01	Strengthen controls over access to CARS.	Corrective action implemented.	Complete.
<b><i>Jamestown - Yorktown Foundation</i></b>				
2004	04-01	This is a repeated point. Strengthen controls over the Paciolan ticketing system.	Corrective action underway. Control procedures have been modified to require review of non-standard access requests. A database administrator was hired in November 2005. The Foundation is replacing the ticketing system. The new system has more robust security features that will provide greater controls for the system.	In progress.
<b><i>Longwood University</i></b>				
2004	04-01	Authorize and process all current accounting transactions.	Corrective action implemented.	Complete.
	04-02	Document reconciliation policies and procedures.	Corrective action implemented.	Complete.

**COMMONWEALTH OF VIRGINIA**

Status Report on Resolution of APA Audit Findings  
As of June 30, 2006

<b>Latest Audit Year</b>	<b>Finding Number</b>	<b>Title of APA Audit Finding</b>	<b>Current Status as Reported by Agency</b>	<b>Status Summary</b>
	04-03	Document information systems policies and procedures.	Corrective action implemented.	Complete.
	04-04	Provide management oversight over the new system.	Corrective action implemented.	Complete.
	04-05	Improve controls over payroll.	Corrective action underway. Payrolls run by the Payroll Manager are certified by the Director of Cashiering. Payrolls run by the Payroll Technician are certified by the Payroll Manager. Payroll does not key information into CIPPS without documentation from the HR department.	In progress.
	04-06	Improve the fixed assets systems.	Corrective action implemented.	Complete.
<b>Office of the Attorney General and the Department of Law</b>				
2005	05-01	Strengthen controls over voucher processing.	Corrective action underway. The agency has instituted a review system on all transaction activity. A new Procurement Procedures Desk Reference has been developed and is being reviewed by APA.	In progress.
	05-02	Review buildup of excessive balance in the operating fund.	Corrective action implemented.	Complete.
	05-03	Document Secretaries' approvals of exemptions made to allocations.	Corrective action underway. The agency has documented and filed for audit confirmation of federal funds sources and is working with DMAS to clarify procedures to identify federal funds percentages.	In progress.

**COMMONWEALTH OF VIRGINIA**

Status Report on Resolution of APA Audit Findings  
As of June 30, 2006

<b>Latest Audit Year</b>	<b>Finding Number</b>	<b>Title of APA Audit Finding</b>	<b>Current Status as Reported by Agency</b>	<b>Status Summary</b>
	05-04	Transfer collections to agencies timely.	Corrective action implemented.	Complete.
	05-05	Provide account information to agencies.	Corrective action implemented.	Complete.
	05-06	Monitor overall workload information.	Corrective action implemented.	Complete.
	05-07	Improve CollectMax implementation and security issues.	Corrective action underway. DDC has tasked vendor JST to install a user access matrix.	In progress.

**Virginia State University**

2005	05-01	Test and update Disaster Recovery Plan.	Corrective action underway. IT has established a Disaster Recovery Team to update and test the Plan.	In progress.
	05-02	This is a repeated point. Document Human Resource policies and procedures.	Corrective action underway. VSU has started the documentation but has not completed the task.	In progress.
	04-02		Not corrected. See 05-02.	Not corrected.
	05-03	Improve capital asset reconciliation procedures.	Corrective action implemented.	Complete.
	05-04	Improve compliance with Small Purchase Charge Card policies.	Corrective action underway. The SPCC administrator is reviewing purchases to ensure compliance.	In progress.

**COMMONWEALTH OF VIRGINIA**

Status Report on Resolution of APA Audit Findings  
As of June 30, 2006

<b>Latest Audit Year</b>	<b>Finding Number</b>	<b>Title of APA Audit Finding</b>	<b>Current Status as Reported by Agency</b>	<b>Status Summary</b>
<b><i>Department of Minority Business Enterprise</i></b>				
July 1,2004 through January 31, 2006	06-01	This is a repeated point. Enhance the Housing Agreement.	Corrective action underway. The Department of Housing and Community Development (DHCD) took over the fiscal, budgetary, and procurement functions effective July 1, 2005. The Payroll Service Bureau is used for payroll maintenance. The Memorandum should be updated to enhance internal controls over transactions.	In progress.
	04-01		Not corrected. See 06-01.	Not corrected.
	06-02	Update memorandum of understanding and funding plan with VDOT.	Corrective action underway. DHCD prepares the budget and monitors performance for DMBE, including Transportation funds.	In progress.
	04-03		Not corrected. See 06-02.	Not corrected.
	06-03	This is a repeated point. Improve controls over cell phone usage.	Corrective action underway. DHCD reviews cell phone usage before paying the bills. DMBE is not timely reviewing wireless charges.	In progress.
	04-04		Not corrected. See 06-03.	Not corrected.
<b><i>Norfolk State University</i></b>				
2005	05-01	This is a repeated point. Collect and correct accounts receivable.	Corrective action underway. NSU has not fully implemented previously adopted policies and procedures.	In progress.
	04-01		Not corrected. See 05-01.	Not corrected.
	03-01		Not corrected. See 05-01.	Not corrected.

**COMMONWEALTH OF VIRGINIA**

Status Report on Resolution of APA Audit Findings  
As of June 30, 2006

<b>Latest Audit Year</b>	<b>Finding Number</b>	<b>Title of APA Audit Finding</b>	<b>Current Status as Reported by Agency</b>	<b>Status Summary</b>
	05-02	Improve the continuity of operations disaster recovery plan.	Corrective action underway. The data center has been relocated. NSU is hiring a VITA recommended vendor to develop an improved recovery plan.	In progress.
	04-02	Document network security policies and procedures.	Corrective action implemented.	Complete.
	04-03	Continue enforcing policies and procedures for small purchase charge cards.	Corrective action implemented.	Complete.
	04-04	Properly limit hours of wage employees.	Corrective action implemented.	Complete.
<b><i>Department of Veterans Services</i></b>				
July 1, 2003 through December 31, 2004	05-01	Develop adequate administrative resources to operate the agency.	Corrective action underway. A revised Administrative Services Division has been formed and staffed. The division is responsible for the ongoing financial and budgetary management of the Department.	In progress.
	05-02	Improve payment documentation and ensure compliance with policies.	Corrective action underway. See 05-01.	In progress.
	05-03	Improve small purchase charge card documentation and ensure compliance with policies.	Corrective action underway. See 05-01.	In progress.
	05-04	Improve internal controls over the fund receipting and posting process.	Corrective action underway. See 05-01.	In progress.

**COMMONWEALTH OF VIRGINIA**  
 Status Report on Resolution of APA Audit Findings  
 As of June 30, 2006

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	05-05	Establish policies for allowance for doubtful accounts and write-offs.	Corrective action underway. See 05-01.	In progress.
<b><i>Department of Game and Inland Fisheries</i></b>				
2005	N/A	There were no internal control or compliance findings issued.	N/A	N/A
	04-01	Clarify duties and responsibilities of the Board, Game Director, and Secretary for following state guidelines.	Corrective action implemented.	Complete.
	04-02	Define the role of the Chairman.	Corrective action implemented.	Complete.
	04-03	Establish official duty guidelines.	Corrective action implemented.	Complete.
	04-04	Perform a top down review of existing policies and procedures.	Corrective action implemented.	Complete.
	04-05	Establish criteria for official duties.	Corrective action implemented.	Complete.
	04-06	Follow state guidelines.	Corrective action implemented.	Complete.
	04-07	Develop standards and norms for purchases and supported programs.	Corrective action implemented.	Complete.



## 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 March, April, May and June\* were due 4/28/06, 5/31/06, 6/30/06 and 7/19/06, respectively.

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

### Exception Registers Late or Outstanding

*As of August 1, 2006*

	Mar	Apr	May	Jun*
Science Museum of Virginia	-	O/S	O/S	O/S**
Woodrow Wilson Rehabilitation Center	-	-	-	7/26/06
Thomas Nelson Community College	6/2/06	-	8/1/06	-
Commission on the Virginia Alcohol Safety Action Program	-	7/6/06	-	-
Southwest Virginia Training Center	-	-	-	7/26/06
Lunenburg Correctional Center	-	8/1/06	-	7/20/06
Department of Alcoholic Beverage Control	-	-	-	7/24/06

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

\* The FY 2006 Year-End Closing Memorandum to the heads of all State agencies and institutions and all fiscal officers required that the final June Exception Register be received in the Comptroller's Office by 5:00 p.m. on July 19, 2006. Faxed copies were accepted on July 19, with the expectation the original would be received by July 25, 2006.

\*\* The Science Museum of Virginia notified the State Comptroller's Office that no final reconciliation could be completed and management was unable to certify the accuracy of financial account balances. A secretarial level oversight committee has been convened to monitor agency corrective action.

## Response to Inquiries

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

However, in other instances, agencies do not respond timely or simply fail to respond. For the quarter ended June 30, 2006, all responses have been received within an acceptable timeframe.

## Trial Balance Review

As an integral part of the monthly reconciliation process, each agency should review their monthly trial balance for any 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 July 31, 2006*

Science Museum of Virginia

Mar  
X

Apr  
X

May  
-

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

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

DOA contacts agencies in writing about credit cash balances and appropriations vs. expenditure anomalies. For the quarter, no agencies had credit cash balances or deficits in appropriation or allotment balances that were not corrected in a timely manner.

## Disbursement Processing

During the quarter ended June 30, 2006, DOA deleted, at the submitting agency's request, 63 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.

Thirty-seven agencies requested deletes during the quarter. Agencies that requested more than four vendor payment deletes during the quarter were:

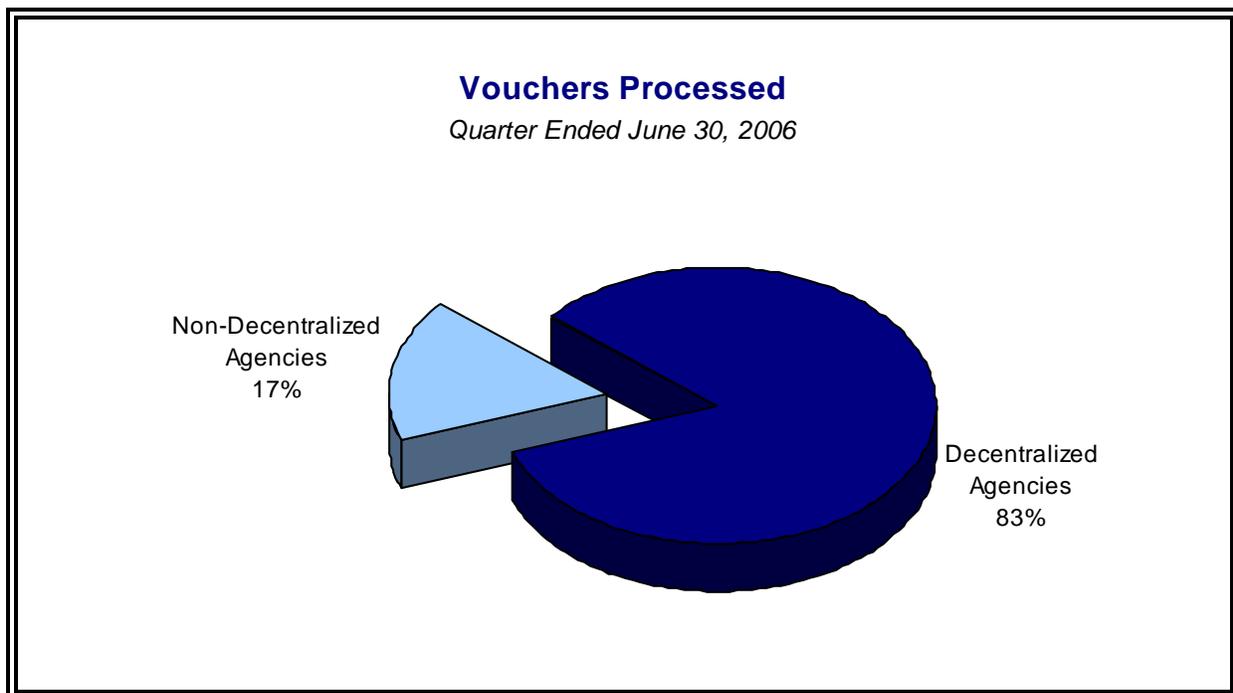
- Department of Transportation



## 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 two 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.

<b>Compliance Rating Legend</b>	
>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>
<b>Education</b>				
Thomas Nelson Community College	See Note 2 below.			
<b>Transportation</b>				
Department of Rail and Public Transportation	227	3	1.3%	Good

Note 1: No reviews were performed during the quarter for agencies that report to the Secretaries of Administration, Agriculture and Forestry, Commerce and Trade, Education, Finance, Health and Human Resources, Natural Resources, Public Safety, and Technology.

Note 2: As reflected in the *Quarterly Report* as of December 31, 2005, DOA performed a decentralization compliance review on Thomas Nelson Community College (College). That review revealed significant deficiencies in the College's performance, and a follow-up review was scheduled for the period February 1, 2006 through April 30, 2006. The results of the follow-up decentralization compliance review revealed that significant deficiencies were still present. The College reports that it has made significant additional organizational changes to address these deficiencies. In order to allow sufficient time for the organizational changes to be successfully implemented, DOA will perform a second follow-up decentralization review during FY 2007.

## Agencies with Performance Ratings Lower than “Good”

With the exception of Thomas Nelson Community College (see note 2, page 28), no agencies received a performance rating lower than “Good” for reviews performed during this quarter.



### *Non-Decentralized Agencies*

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

officers, for whom this additional safeguard is warranted.

During the quarter, DOA reviewed all non-decentralized agencies. A total of 1,458 non-travel disbursement batches and 401 travel disbursement batches were reviewed, disclosing 33 exceptions that were resolved prior to releasing the transactions for payment.



## Prompt Payment Compliance

The *Code of Virginia* requires that State agencies and institutions pay for goods and services by the required payment due date. The reporting required by the *Code of Virginia* §2.2-4356 is being met by the information presented here. This section details the number and dollar amounts of late payments by secretarial area, institutions and agencies, and the total amount of interest paid. Agencies and institutions that process 50 or more vendor payments during a quarter are reported as not meeting Prompt Pay requirements if fewer than 95 percent of their

payments are processed by the required due date.

**Effective for the Quarter beginning July 1, 2006: If an agency/institution pays its small purchase card bill late, that agency/institution's prompt payment statistics for payments made will be adjusted to reflect each charge card transaction paid in the consolidated monthly bill as a late payment.**

### Statewide Prompt Payment Performance Statistics

	Quarter Ending June 30, 2006		Fiscal Year 2006 To-Date		Comparative Quarter Ended June 30, 2005	
	Late	Total	Late	Total	Late	Total
Number of Payments	5,433	605,220	25,787	2,362,313	7,054	655,531
Dollars (in thousands)	\$ 30,853	\$ 1,345,917	\$ 110,002	\$ 5,176,604	\$ 25,644	\$ 1,326,249
Interest Paid on Late Payments				\$ 34,501		
Current Quarter Percentage of Payments in Compliance				99.1%		
Fiscal Year-to-Date Percentage of Payments in Compliance				98.9%		
<b>Comparative Fiscal Year 2005 Percentage of Payments in Compliance</b>				<b>98.9%</b>		



## Prompt Payment Performance by Secretarial Area

*Quarter Ended June 30, 2006*

<u>Secretarial Area</u>	<u>Payments in Compliance</u>	<u>Dollars in Compliance</u>
Administration	99.7%	99.6%
Agriculture and Forestry	99.3%	96.9%
Commerce and Trade	99.1%	97.6%
Education*	98.9%	97.3%
Executive Offices	96.7%	79.8%
Finance	99.8%	100.0%
Health and Human Resources	99.3%	99.1%
Independent Agencies	98.9%	99.5%
Judicial	99.4%	98.7%
Legislative	99.6%	98.1%
Natural Resources	99.0%	98.7%
Public Safety	99.3%	97.5%
Technology	97.8%	98.8%
Transportation*	99.4%	97.3%
<b>Statewide</b>	<b>99.1%</b>	<b>97.7%</b>

## Prompt Payment Performance by Secretarial Area

*Fiscal Year 2006*

<u>Secretarial Area</u>	<u>Payments in Compliance</u>	<u>Dollars in Compliance</u>
Administration	99.5%	98.9%
Agriculture and Forestry	99.3%	98.4%
Commerce and Trade	99.0%	99.0%
Education *	98.7%	97.3%
Executive Offices	98.2%	88.6%
Finance	98.9%	98.6%
Health and Human Resources	99.0%	98.0%
Independent Agencies	99.2%	99.3%
Judicial	99.4%	99.6%
Legislative	99.5%	96.0%
Natural Resources	99.3%	98.7%
Public Safety	99.3%	98.9%
Technology	97.7%	98.1%
Transportation*	99.2%	97.7%
<b>Statewide</b>	<b>98.9%</b>	<b>97.9%</b>

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

For the quarter ended June 30, 2006, 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 June 30, 2006*

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
<b>Education</b>			
The Science Museum of Virginia	150	832	82.0%
Virginia School for the Deaf, Blind and Multi-Disabled at Hampton	46	339	86.4%
Thomas Nelson Community College	116	1,307	91.1%
Jamestown 2007	4	75	94.7%
<b>Executive Offices</b>			
Attorney General & Department of Law	36	636	94.3%
<b>Judicial</b>			
Board of Bar Examiners	17	80	78.8%

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*

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
<b>Education</b>			
The Science Museum of Virginia	353	3,377	89.5%
<b>Health and Human Resources</b>			
Southwestern Virginia Mental Health Institute	409	5,923	93.1%
<b>Judicial</b>			
Board of Bar Examiners	24	270	91.1%
<b>Legislative</b>			
Commission on the Virginia Alcohol Safety Action Program	15	246	93.9%

## Prompt Payment Explanations

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

*The Science Museum of Virginia* reports it did not meet prompt payment compliance standards during FY 2006, when it failed to receive a Treasury loan to cover expenditures made by the Museum in anticipation of reimbursements from two major Federal grants.

*Jamestown 2007* reports that they did not meet prompt payment due to a significant number of transactions being processed in June. Additional care will be taken in the future to prevent non-compliance.

*The Attorney General and Department of Law* reports that it did not meet prompt payment due to the delayed timing of federal funds being appropriated via a FATS transfer to cover planned expenses.

*The Board of Bar Examiners* reports that they did not meet prompt payment due to some CARS processing delays and CARS data entry errors by a new employee.

*Commission on the Virginia Alcohol Safety Action Program* reports that they did not meet prompt payment due to CARS processing delays caused by data entry errors by an inexperienced employee.



## 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 June 30, 2006			Comparative Quarter Ended June 30, 2005
	E-Commerce	Total	Percent	Percent
Number of Payments	723,793	1,105,985	65.4%	60.4%
Payment Amounts	\$ 6,303,761,901	\$ 7,185,527,521	87.7%	86.9%
	Fiscal Year 2006 To-Date			Comparative Fiscal Year 2005
	E-Commerce	Total	Percent	Percent
Number of Payments	2,684,123	4,206,988	63.8%	59.6%
Payment Amounts	\$ 24,756,034,254	\$ 28,216,256,108	87.7%	87.2%

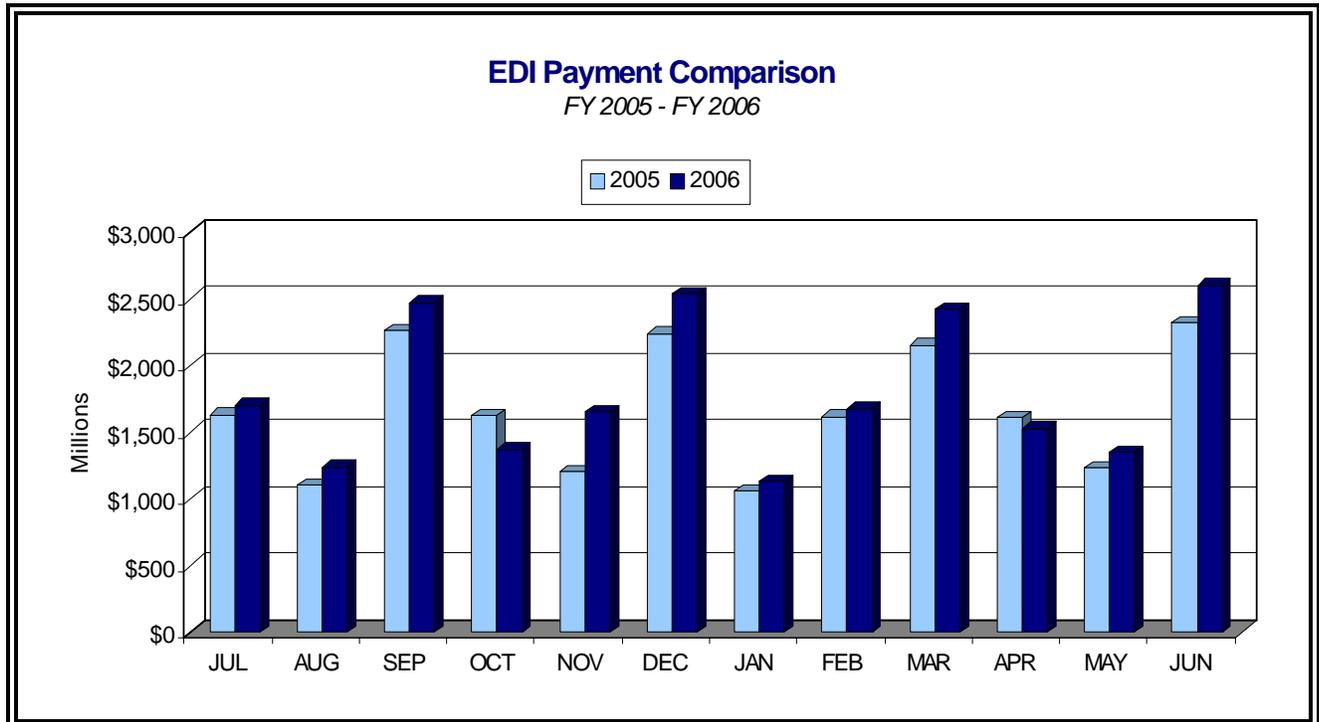
### *Financial Electronic Data Interchange (EDI)*

The dollar volume of Financial EDI payments for the fourth quarter of FY 2006 was \$311.5 million (6.0 percent) more than the same quarter last year. The number of trading partner accounts increased by 23

percent from June 2005. 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 June 30, 2006	Fiscal Year 2006 To-Date	Comparative FY 2005 To-Date
Number of Payments	54,307	192,072	175,617
Amount of Payments	\$ 5,475,627,350	\$ 21,677,569,102	\$ 20,049,024,832
Number of Invoices Paid	204,412	768,353	721,999
Estimated Number of Checks Avoided	84,951	310,975	292,296
Number of Trading Partner Accounts as of 6/30/06		36,233	29,494



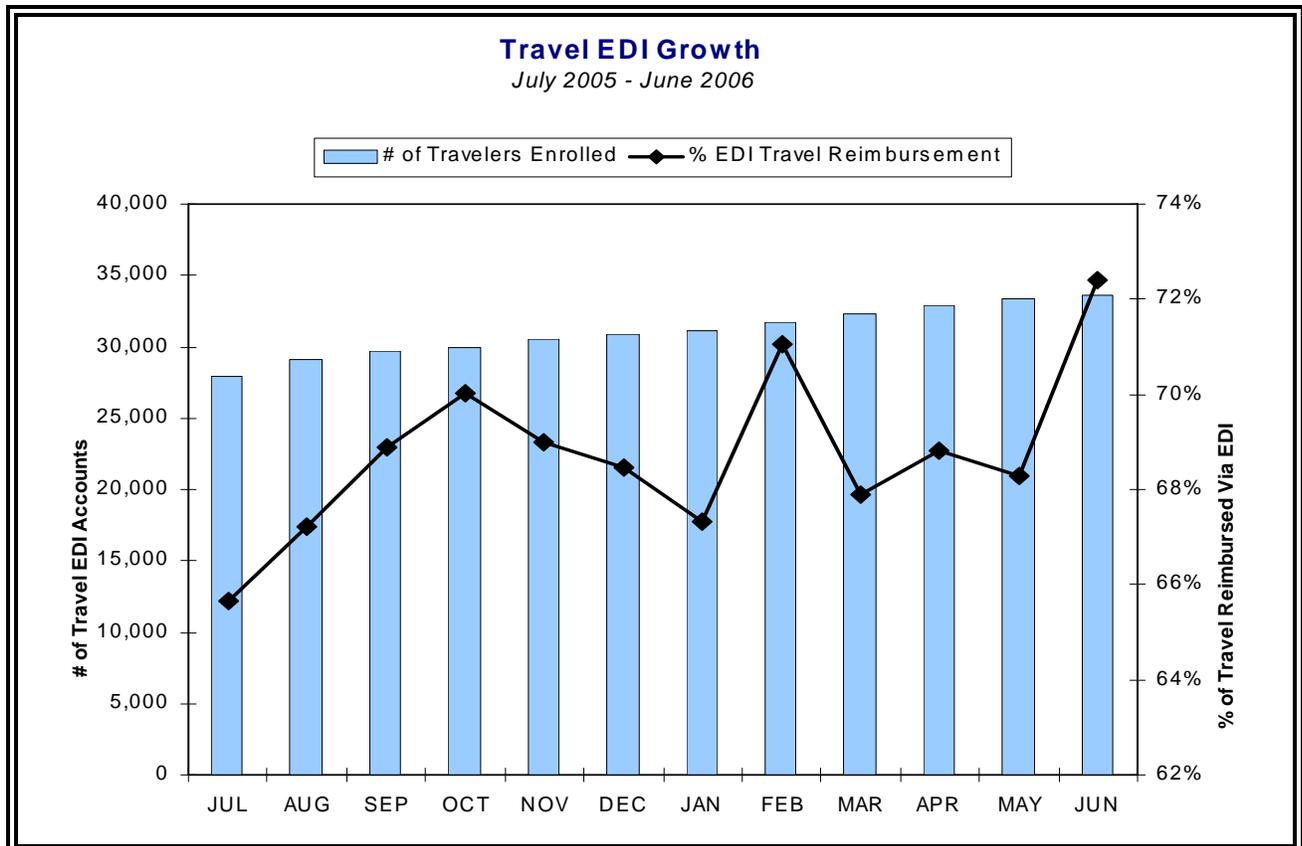
### *Travel EDI*

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. Beginning in FY 2007, this fee is authorized at \$5 per travel reimbursement check. DOA will implement the increase \$1 per quarter so that by the 4<sup>th</sup> quarter of FY 2007 the fee will be \$5.

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



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

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

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

*Quarter Ended June 30, 2006*

<u>Secretarial Area</u>	<u>Employee Percent</u>	<u>Non-Employee Percent</u>	<u>Reimbursement Checks Issued</u>
Administration	73.1%	3.9%	125
Agriculture and Forestry	95.6%	14.6%	87
Commerce and Trade	94.8%	58.0%	242
Education <sup>1</sup>	81.0%	4.6%	2,812
Executive Offices	86.8%	13.3%	52
Finance	97.5%	36.8%	32
Health and Human Resources	89.0%	37.2%	1,644
Independent Agencies	92.0%	0.0%	120
Judicial	14.5%	3.6%	3,932
Legislative	92.0%	47.1%	55
Natural Resources	95.0%	2.1%	207
Public Safety	82.0%	4.0%	1,838
Technology	67.9%	8.3%	99
Transportation <sup>1, 2</sup>	55.1%	39.4%	1,878
<b>Statewide for Quarter</b>	<b>77.0%</b>	<b>15.3%</b>	<b>13,123</b>

*Fiscal Year 2006 To-Date*

<b>Statewide</b>	<b>76.1%</b>	<b>16.5%</b>	<b>47,106</b>
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*Comparative*

*Fiscal Year 2005 To-Date*

<b>Statewide</b>	<b>77.0%</b>	<b>14.5%</b>	<b>43,207</b>
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<sup>1</sup> Statistics do not include agencies and institutions decentralized for vendor payment processing.

<sup>2</sup> The Department of Transportation began processing Travel Reimbursements through CARS in FY 2006. 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**

<b>Agency</b>	<b>Percent</b>	<b>Reimbursement Checks Issued</b>
<b>Administration</b>		
Department of General Services	68.7%	46
<b>Education</b>		
The Library of Virginia	61.7%	36
Lord Fairfax Community College	58.0%	60
Norfolk State University	46.3%	196
Southside Virginia Community College	38.0%	111
<b>Health and Human Resources</b>		
Department of Medical Assistance Services	73.5%	60
Department of Social Services	66.0%	309
Central Virginia Training Center	6.9%	27
<b>Judicial</b>		
Magistrate System	3.0%	196
Combined District Courts	3.0%	296
Supreme Court	2.8%	1,028
Circuit Courts	1.7%	568
Juvenile & Domestic Relations District Courts	1.4%	344
General District Courts	1.3%	371
Court of Appeals of Virginia	0.0%	62
<b>Public Safety</b>		
Department of Fire Programs	54.6%	205
Western Region Correctional Field Units	49.2%	31
Greensville Correctional Center	25.7%	26
Augusta Correctional Center	7.9%	35
<b>Technology</b>		
Virginia Information Technologies Agency	68.3%	85
<b>Transportation</b>		
Department of Transportation*	45.0%	1,696

\* 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**

<u>Agency</u>	<u>Percent</u>	<u>Reimbursement Checks Issued</u>
<b>Agriculture and Forestry</b>		
Department of Agriculture and Consumer Services	8.8%	31
<b>Commerce and Trade</b>		
Department of Housing and Community Development	8.1%	68
<b>Education</b>		
Virginia Commission for the Arts	2.4%	40
Department of Education	0.0%	897
Longwood University	0.0%	128
The Library of Virginia	0.0%	96
Christopher Newport University	0.0%	44
Tidewater Community College	0.0%	39
Virginia Military Institute	0.0%	36
Northern Virginia Community College	0.0%	31
<b>Health and Human Resources</b>		
Department of Rehabilitative Services	8.6%	53
Virginia Board for People with Disabilities	6.3%	30
<b>Judicial</b>		
Circuit Courts	5.4%	423
Supreme Court	5.4%	194
Virginia State Bar	0.8%	265
General District Courts	0.0%	49
Juvenile and Domestic Relations District Courts	0.0%	47
<b>Natural Resources</b>		
Department of Environmental Quality	0.0%	27
Marine Resources Commission	0.0%	26
<b>Public Safety</b>		
Department of Emergency Management	6.0%	158
Department of Juvenile Justice	5.6%	34
Department of Criminal Justice Services	1.9%	51
Department of Forensic Science	0.0%	202
Department of Fire Programs	0.0%	85
Commonwealth's Attorneys' Services Council	0.0%	46

The following table lists agencies that have accumulated more than \$35 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 §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**

<u>Agency</u>	<u>Percent</u>	<u>Year-to-date Charges</u>
<b>Education</b>		
Norfolk State University	46.3%	\$ 212
Southside Virginia Community College	38.0%	131
<b>Health and Human Resources</b>		
Department of Social Services	66.0%	400
Department of Medical Assistance Services	73.5%	85
<b>Judicial</b>		
Circuit Courts	1.7%	1,830
General District Courts	1.3%	844
Juvenile & Domestic Relations District Courts	1.4%	768
Supreme Court	2.8%	728
Combined District Courts	3.0%	689
Magistrate System	3.0%	551
Court of Appeals of Virginia	0.0%	109
Virginia Criminal Sentencing Commission	0.0%	47
<b>Public Safety</b>		
Department of Fire Programs	54.6%	347
Division of Community Corrections	78.2%	76
Department of Military Affairs	65.3%	40
<b>Technology</b>		
Virginia Information Technologies Agency	68.3%	76
<b>Transportation</b>		
Department of Transportation	45.0%	1,932



*Direct Deposit*

During the fourth quarter of FY 2006, 367,412 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 June 30, 2006*

<u>Secretarial Area</u>	<u>Direct Deposit % of Salaried Employees</u>	<u>Direct Deposit % of Wage Employees</u>
Administration	91.4%	84.6%
Agriculture and Forestry	93.4%	38.5%
Commerce and Trade	96.9%	90.1%
Education	97.5%	67.4%
Executive Offices	97.3%	58.1%
Finance	95.1%	79.1%
Health and Human Resources	88.0%	78.3%
Independent Agencies	96.3%	77.1%
Judicial	95.6%	51.8%
Legislative	95.1%	80.8%
Natural Resources	96.5%	47.3%
Public Safety	88.5%	76.7%
Technology	96.1%	90.6%
Transportation	90.1%	70.2%
<b>Statewide</b>	<b>91.4%</b>	<b>69.4%</b>
<i>Comparative</i>		
<i>Quarter Ended June 30, 2005</i>		
<b>Statewide</b>	<b>89.6%</b>	<b>58.9%</b>

## Statewide Salaried Direct Deposit Performance

*Quarter Ended June 30, 2006*

<b>Salaried Direct Deposit Participation</b>	<b>91.4%</b>
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### Salaried Direct Deposit Below 85 Percent

<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
<b>Administration</b>		
Department of Minority Business Enterprise	81.0%	21
State Board of Elections	83.3%	30
<b>Health and Human Resources</b>		
Western State Hospital	84.2%	715
Southern Virginia Mental Health Institute	82.5%	166
Commonwealth Center for Children and Adolescents	82.2%	135
Southside Virginia Training Center	80.5%	1,356
Piedmont Geriatric Hospital	70.5%	329
Central Virginia Training Center	66.1%	1,474
<b>Public Safety</b>		
Fluvanna Women's Correctional Center	84.7%	327
Virginia Correctional Enterprises	84.2%	171
Eastern Region Correctional Field Units	84.1%	132
Mecklenburg Correctional Center	83.8%	390
Southampton Reception & Classification Center	83.4%	337
Bland Correctional Center	82.8%	303
Nottoway Correctional Center	82.5%	462
Augusta Correctional Center	82.1%	392
Powhatan Reception & Classification Center	81.5%	124
Brunswick Correctional Center	81.0%	385
Greensville Correctional Center	80.2%	832
Lunenburg Correctional Center	79.8%	252
Powhatan Correctional Center	79.6%	343
Dillwyn Correctional Center	68.2%	261
<b>Transportation</b>		
Department of Transportation - Culpeper	84.4%	589
Department of Transportation - Bristol	83.9%	917

Note: The threshold for salaried direct deposit reporting was raised to 85% effective January 2006.

## Statewide Wage Direct Deposit Performance

Quarter Ended June 30, 2006

<b>Wage Direct Deposit Participation</b>	<b>69.4%</b>
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### Wage Direct Deposit Below 40 Percent

<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
<b>Agriculture and Forestry</b>		
Department of Forestry	24.1%	145
<b>Education</b>		
Virginia Highlands Community College	39.2%	79
Lord Fairfax Community College	36.9%	176
Gunston Hall	33.3%	21
Richard Bland College	32.8%	58
Southside Virginia Community College	29.6%	142
Radford University	24.5%	587
Longwood University	18.7%	246
Rappahannock Community College	15.3%	98
<b>Health and Human Resources</b>		
Central Virginia Training Center	29.2%	106
<b>Judicial</b>		
Combined District Courts	38.7%	31
Indigent Defense Commission	36.4%	11

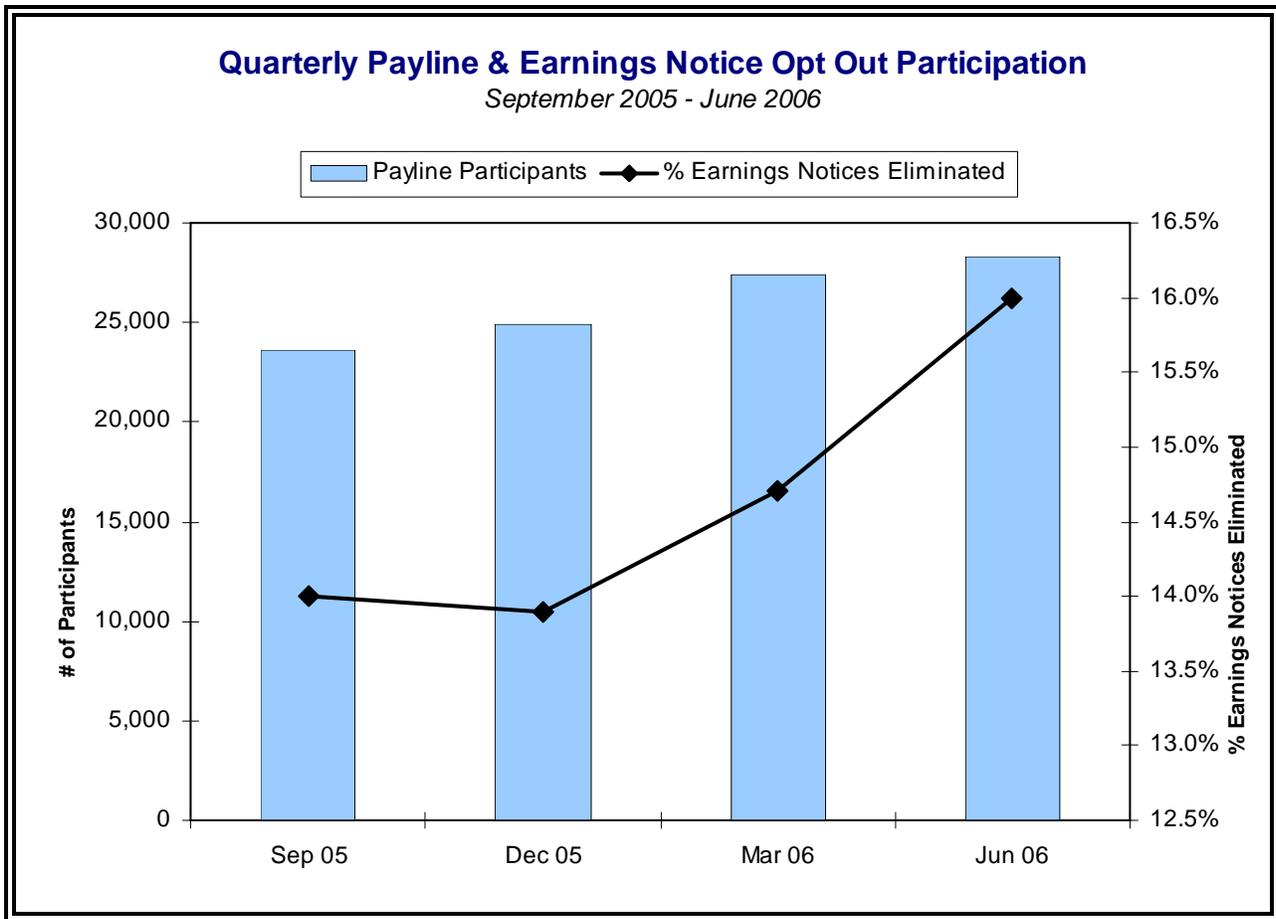


### *Payroll Earnings Notices*

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 777,119 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 June 30, 2006*

<b>Secretarial Area</b>	<b>Percent Payline Participation</b>	<b>Percent Earnings Notices Eliminated*</b>
Administration	52.6%	28.9%
Agriculture and Forestry	24.0%	11.9%
Commerce and Trade	73.3%	50.8%
Education	29.2%	14.3%
Executive Offices	63.6%	54.1%
Finance	73.7%	48.9%
Health and Human Resources	32.0%	14.8%
Independent Agencies	44.4%	30.7%
Judicial	8.3%	2.4%
Legislative	48.4%	41.0%
Natural Resources	39.5%	28.8%
Public Safety	24.9%	10.5%
Technology	82.8%	48.7%
Transportation	31.4%	12.4%
<b>Statewide</b>	<b>31.8%</b>	<b>16.0%</b>
<i>Comparative</i>		
<i>Quarter Ended June 30, 2005</i>		
<b>Statewide</b>	<b>26.8%</b>	<b>13.5%</b>

\* 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.

**Payline Earnings Notice Elimination  
Under 4 Percent**

*Quarter Ended June 30, 2006*

<b>Agency</b>	<b>Percent Earnings Notices Eliminated</b>	<b>Earnings Notices Printed for 06/30/06</b>
<b>Education</b>		
Central Virginia Community College	3.6%	206
Danville Community College	3.3%	236
Christopher Newport University	2.6%	914
Radford University	2.5%	1,193
Rappahannock Community College	2.3%	110
Virginia School for the Deaf, Blind and Multi-Disabled at Hampton	1.6%	137
Northern Virginia Community College	1.1%	2,792
<b>Health and Human Resources</b>		
Northern Virginia Training Center	3.4%	680
Piedmont Geriatric Hospital	2.9%	253
Central Virginia Training Center	2.0%	963
<b>Judicial</b>		
Indigent Defense Commission	2.4%	445
Virginia State Bar	2.1%	87
Combined District Courts	1.9%	188
Magistrate System	1.4%	391
General District Courts	1.1%	956
Juvenile and Domestic Relations District Courts	1.0%	584
Circuit Courts	0.0%	184
Court of Appeals of Virginia	0.0%	69
<b>Legislative</b>		
Division of Capital Police	1.2%	79

**Payline Earnings Notice Elimination  
Under 4 Percent**

*(continued)*

*Quarter Ended June 30, 2006*

<u>Agency</u>	<u>Percent Earnings Notices Eliminated</u>	<u>Earnings Notices Printed for 06/30/06 Payday</u>
<b>Public Safety</b>		
Western Region Correctional Field Units	3.8%	415
Southampton Reception & Classification Center	3.8%	266
Department of Military Affairs	3.5%	345
Division of Community Corrections	3.4%	1,241
Bland Correctional Center	3.3%	240
Haynesville Correctional Center	3.3%	302
Powhatan Reception and Classification Center	3.3%	97
Keen Mountain Correctional Center	2.7%	264
Nottoway Correctional Center	2.2%	368
Brunswick Correctional Center	1.8%	306
Greensville Correctional Center	1.7%	654
Deerfield Correctional Center	0.0%	169
<b>Transportation</b>		
Department of Transportation - Hourly	2.2%	286



***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.

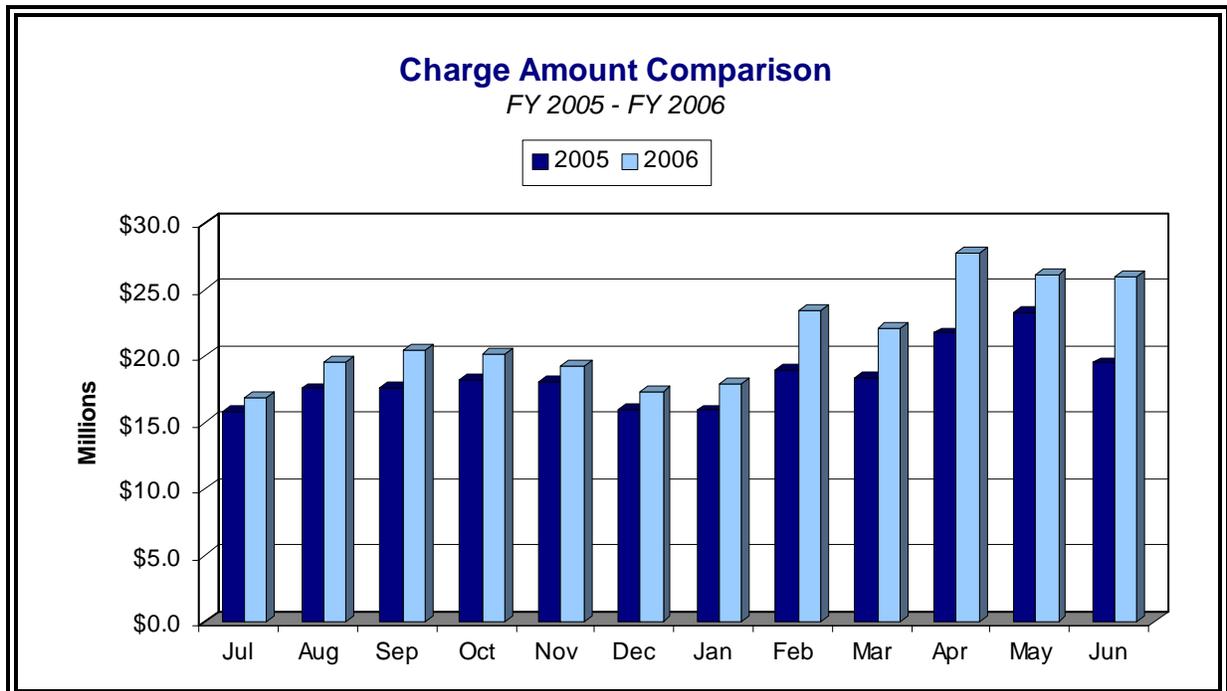
The Small Purchase Charge Card continues to be used for purchases under \$5,000. Agencies are strongly encouraged to obtain a Gold Card for use by a procurement professional for purchases in the \$5,000 to \$50,000 range.

The total amount charged on SPCC and Gold cards during the fourth quarter of FY 2006 increased by \$15.2 million or 23.6 percent from the same quarter last year.

**Small Purchase Charge Card Program**

Charge Card Activity	Quarter Ended June 30, 2006	Fiscal Year 2006 To-Date	Comparative Fiscal Year 2005 To-Date
Amount of Charges	\$ 79,786,926	\$ 256,997,842	\$ 221,035,843
Estimated Number of Checks Avoided	190,998	607,970	507,326
Total Number of Participating Agencies		210	198
Total Number of Cards Outstanding		14,102	10,192

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*.

Charge card utilization by secretarial area and agency underutilization for this quarter is based solely on GE MasterCard transaction data. For purposes of computing the \$1 underutilization charge imposed in accordance with § 4-5.04g of the Appropriation Act, the reporting threshold has been lowered for this quarter to 65%.

Beginning with FY 2007, the threshold will be 70%, and the underutilization charge imposed for agencies under the 70% threshold will be as follows:

FY 2007 1<sup>st</sup> Quarter \$2.00  
FY 2007 2<sup>nd</sup> Quarter \$3.00  
FY 2007 3<sup>rd</sup> Quarter \$4.00  
FY 2007 4<sup>th</sup> Quarter \$5.00

All payments under \$5,000 processed through CARS and not placed on the purchase card will be matched against GE MasterCard's vendor base in excess of 25 million merchants based on Tax Identification number. Agencies are expected to use the purchase card for transactions with all *participating* vendors (i.e. those that accept the GE MasterCard) and thus avoid the fee altogether.

DOA will provide each agency a report of payments to participating suppliers which should have been paid by the SPCC. If you have any questions regarding the data, you can email [cca@doa.virginia.gov](mailto:cca@doa.virginia.gov) for more information.

### **Statewide SPCC Performance**

*Quarter Ended June 30, 2006*

**Percentage Utilization for Eligible Transactions**

**69%**

## SPCC Utilization by Secretarial Area

*Quarter Ended June 30, 2006*

Secretarial Area	Payments in Compliance <sup>(1)</sup>	Non-Compliant Transactions <sup>(2)</sup>
Administration	66%	1,197
Agriculture and Forestry	70%	1,376
Commerce and Trade	71%	1,336
Education*	76%	10,603
Executive Offices	96%	42
Finance	87%	191
Health and Human Resources**	67%	13,370
Independent Agencies	47%	1,304
Judicial	35%	2,486
Legislative	95%	60
Natural Resources	80%	2,202
Public Safety	80%	7,383
Technology	18%	3,071
Transportation*	55%	13,695
<b>Statewide</b>	<b>69%</b>	<b>58,316</b>

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

\*\* Department of Rehabilitative Services division of DDS payments not included in the above statistics.

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

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



**Agency SPCC Performance  
Utilization Below 65 Percent**

<b>Agency</b>	<b>Payments in Compliance</b>	<b>Non-Compliant Transactions</b>
<b>Administration</b>		
Department of General Services	64%	1,053
State Board of Elections	52%	40
<b>Commerce and Trade</b>		
Department of Labor and Industry	50%	100
Virginia Employment Commission	38%	969
<b>Education</b>		
Southwest Virginia Community College	63%	217
Virginia Commission for the Arts	62%	28
The Library of Virginia	60%	304
Thomas Nelson Community College	54%	500
Christopher Newport University	50%	1,383
Norfolk State University	45%	1,667
<b>Health and Human Resources</b>		
Southwestern Virginia Mental Health Institute	64%	378
Southeastern Virginia Training Center	60%	274
Department of Social Services	58%	984
Northern Virginia Mental Health Institute	56%	309
Central Virginia Training Center	55%	634
Department for the Blind and Vision Impaired	46%	1,500
Northern Virginia Training Center	45%	437
Commonwealth Center for Children and Adolescents	40%	36
Department of Rehabilitative Services	37%	2,868
<b>Independent Agencies</b>		
Virginia Retirement System	64%	139
State Lottery Department	52%	280
Virginia Office for Protection and Advocacy	49%	87
State Corporation Commission	1%	615

**Agency SPCC Performance  
Utilization Below 65 Percent  
(continued)**

<b>Agency</b>	<b>Payments in Compliance</b>	<b>Non-Compliant Transactions</b>
<b>Judicial</b>		
Indigent Defense Commission	52%	281
Virginia State Bar	52%	211
Judicial Inquiry and Review Commission	41%	10
Board of Bar Examiners	0%	49
Circuit Courts	0%	251
Combined District Courts	0%	240
General District Courts	0%	691
Juvenile and Domestic Relations District Courts	0%	415
Magistrate System	0%	97
Virginia Criminal Sentencing Commission	0%	26
<b>Legislative</b>		
Commission on the Virginia Alcohol Safety Action Program	0%	25
<b>Natural Resources</b>		
Department of Environmental Quality	60%	634
<b>Public Safety</b>		
Department of Corrections	64%	122
Department of Juvenile Justice	63%	1,548
Department of Alcoholic Beverage Control	55%	1,264
Virginia Parole Board	0%	8
<b>Technology</b>		
Virginia Information Technologies Agency	18%	3,071
<b>Transportation</b>		
Department of Transportation	53%	12,349



### *SPCC Payment Compliance*

Agencies and institutions participating in the SPCC program were required to submit American Express payments via EDI by the 14<sup>th</sup> of each month. The criteria for Payment compliance was changed effective October 1, 2005. Agencies are now required to submit GE MasterCard payments via EDI by the 8<sup>th</sup> 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. Any agency that pays their bill late by more than two (2) days is reported. For the month of April, this represents the bill date of April 17, 2006,

with the payment due no later than May 8, 2006.

Agencies are credited under prompt payment reporting for timely payment of each purchasing charge card transaction. **Effective July 1, 2006, if an agency is late paying its purchase card bill, agency prompt payment statistics will be adjusted downward to reflect each charge card transaction paid in the consolidated monthly bill as a late payment.**

The following chart lists agencies more than two days late in submitting their payments.

<u>Agency Name</u>	<u>April</u>	<u>May</u>	<u>June</u>
<b>Administration</b>			
Department of Veterans Services			X
State Board of Elections		X	
<b>Education</b>			
Blue Ridge Community College			X
The College of William and Mary in Virginia		X	
Eastern Shore Community College		X	
Frontier Culture Museum of Virginia		X	
Gunston Hall		X	
Jamestown-Yorktown Foundation			X
Norfolk State University		X	
Paul D. Camp Community College			X
Virginia Institute of Marine Science		X	
The Science Museum of Virginia		X	X
Southwest Virginia Community College	X		
Thomas Nelson Community College	X		
Tidewater Community College	X		
University of Virginia	X		
Virginia Community College System	X		
Virginia Military Institute	X		
Virginia State University		X	

(continued)

<b>Agency Name</b>	<b>April</b>	<b>May</b>	<b>June</b>
<b>Executive Offices</b>			
Attorney General and Department of Law		X	X
<b>Health and Human Resources</b>			
Central Virginia Training Center		X	
Department of Rehabilitative Services - FRS (AMEX)	X		
Southeastern Virginia Training Center		X	
Southwestern Virginia Training Center	X		
Virginia Board for People with Disabilities	X		
<b>Independent</b>			
Virginia Retirement System		X	X
<b>Natural Resources</b>			
Department of Historic Resources	X		
<b>Legislative</b>			
Virginia House of Delegates	X	X	X
<b>Public Safety</b>			
Commonwealth's Attorneys' Services Council			X
Department of Military Affairs (AMEX)	X	X	
Greensville Correctional Center		X	
<b>Technology</b>			
Virginia Information Technologies Agency			X



## *Travel Charge Card*

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

One of the major concerns under this program is the timely payment of card statements. Delinquent accounts result in higher costs to the contractor and ultimately threaten the viability of the Commonwealth's travel charge card program. The contract provides for the following actions on delinquent accounts:

- 30 days past due – noted on statement, letter sent to the cardholder.

- 31 - 60 days past due – charging privileges are temporarily suspended until balance is paid.
- 61 - 90 days past due – the account is permanently closed. Cardholder is no longer eligible to participate in the program.

The following table identifies the number of delinquent card accounts with GE MasterCard by agency during the quarter ended June 30, 2006, and the total amounts past due. Delinquencies are not being reported for the American Express cards since all cards are cancelled. Agencies with delinquent American Express cards have been notified and should communicate to the delinquent cardholder the expectation for immediate payment. Should the cardholder remain delinquent the following month and is a GE MasterCard cardholder, the GE card should be cancelled without alternate travel advance privileges.

### **Travel Charge Card Program**

*As of June 30, 2006*

<u>Agency</u>	<u>Total Delinquent Accounts</u>	<u>Amounts 60 Days Past Due</u>	<u>Amounts 90-120 Days Past Due</u>	<u>Amounts &gt;150 Days Past Due</u>
<b>Administration</b>				
Department of Veterans Services	1	\$ 0	\$ 883	\$ 0
<b>Commerce and Trade</b>				
Virginia Economic Development Partnership	1	16	0	0
<b>Education</b>				
The College of William and Mary in Virginia	1	649	0	0
Longwood University	1	1,001	0	0
Lord Fairfax Community College	1	0	0	2,610
Norfolk State University	7	3,922	3,165	0
Old Dominion University	1	899	0	0
University of Mary Washington	1	0	32	1,198
University of Virginia	2	2,663	0	0

## Travel Charge Card Program

As of June 30, 2006

(continued)

<u>Agency</u>	<u>Total Delinquent Accounts</u>	<u>Amounts 60 Days Past Due</u>	<u>Amounts 90-120 Days Past Due</u>	<u>Amounts &gt;150 Days Past Due</u>
<b>Education</b>				
Virginia Commonwealth University	3	964	0	0
Virginia Military Institute	1	241	0	0
Virginia Polytechnic Institute and State University	4	1,214	1,479	216
Virginia State University	3	996	0	0
<b>Public Safety</b>				
Department of Juvenile Justice	1	593	0	0
<b>Technology</b>				
Virginia Information Technologies Agency	1	186	0	0



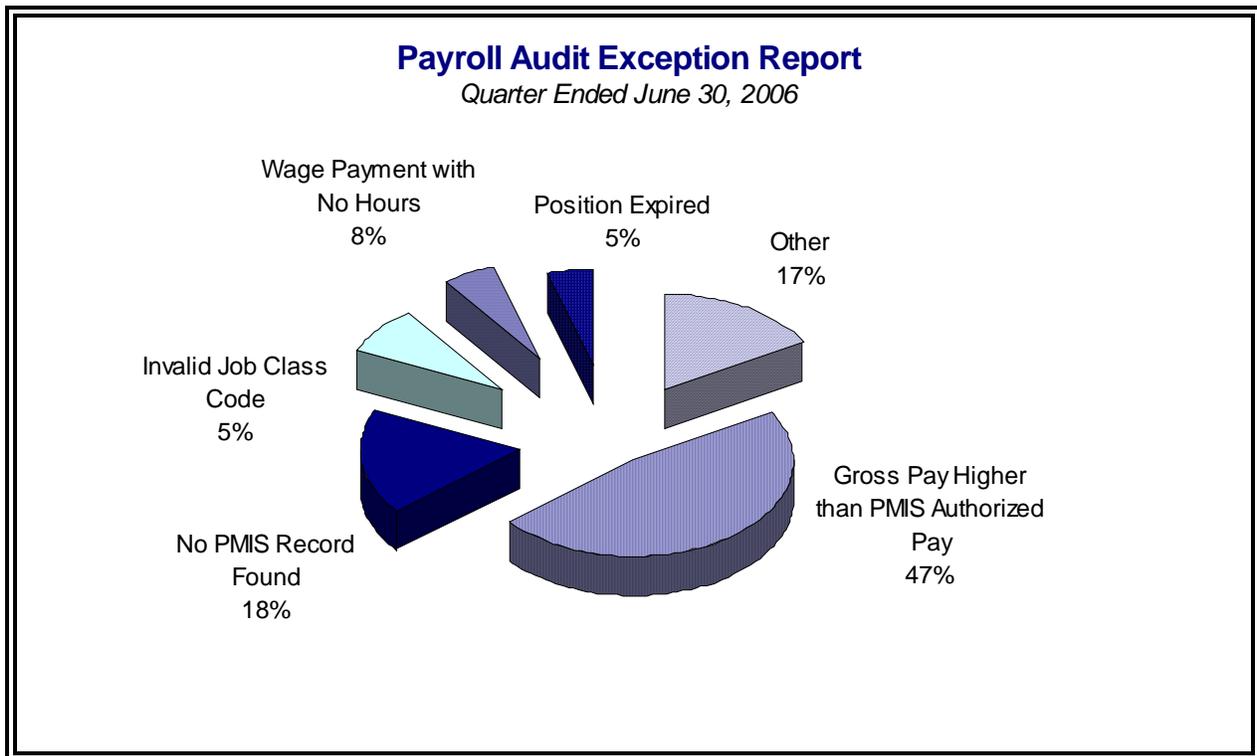
## Payroll Controls

### *PMIS/CIPPS Payroll Audit*

During the quarter, DOA's automated comparison of payroll and personnel (PMIS) records examined 427,600 salaried pay transactions and 207,326 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 1,701 new exceptions noted statewide during the quarter, with an overall exception rate of 0.35 percent.

The statewide salaried payroll exception rate was 0.44 percent and the wage payroll exception rate was 0.13 percent. During this quarter, 64 employee paychecks were reduced to recover \$50,508.58 in overpayments.

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



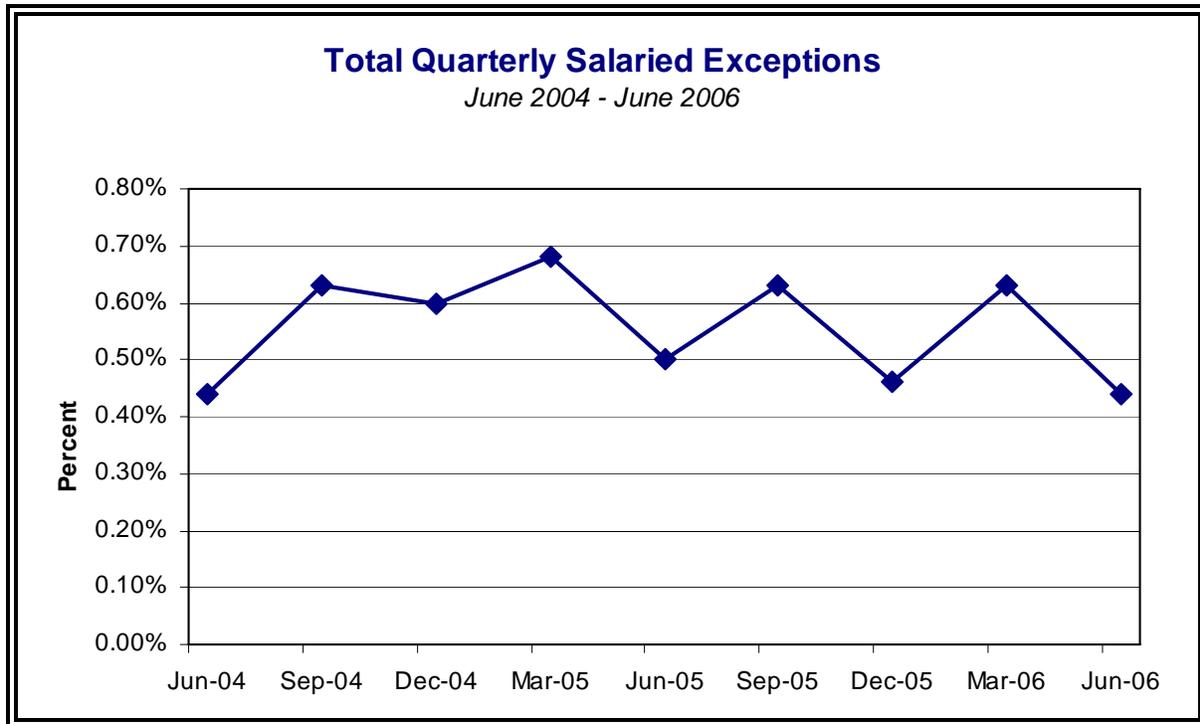
Exception percentages are calculated by dividing the number of exceptions by the number of salaried or wage employees. Agencies are reported below if the

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

**Payroll Exception Audit**  
**Agency Payroll Exceptions as a Percent of Salaried Payments**  
*Quarter Ended June 30, 2006*

<u>Agency</u>	<u>Exceptions as a % of Salaried Payments</u>
Commonwealth Center for Children & Adolescents	2.00%
Southern Virginia Higher Education Center	19.44%
<b>Total Salaried Payroll Exceptions for the Quarter</b>	<b>0.44%</b>

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



**Payroll Exception Audit**  
**Agency Payroll Exceptions as a Percent of Wage Payments**  
*Quarter Ended June 30, 2006*

<b>Agency</b>	<b>Exceptions as a % of Salaried Payments</b>
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There were no reportable agency wage exceptions for the quarter.

<b>Wage Payroll Exceptions for the Quarter</b>	<b>0.13%</b>
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The following chart compares payroll exceptions as a percentage of wage payments by quarter for the past two years.



Note: Increase in second and third quarters of FY 2005 resulted 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. There were no agencies with unresolved exceptions for the quarter.



## *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)
<b>Administration</b>				
Department of Veterans Services		1		
<b>Agriculture and Forestry</b>				
Department of Forestry	\$ 56,952			
<b>Education</b>				
Lord Fairfax Community College	80,000			
J. Sargeant Reynolds Community College	1,251,779			
Piedmont Virginia Community College		1		
Thomas Nelson Community College	94,193			
<b>Health and Human Resources</b>				
Northern Virginia Mental Health Institute	24,897			
<b>Independent Agencies</b>				
Virginia College Savings Plan			3	
<b>Legislative</b>				
Virginia House of Delegates	106,600			
<b>Public Safety</b>				
Department of Military Affairs	417,865			
Southampton Reception & Classification Center	91,000			

Columns show the following:

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

***Health Care Reconciliations***

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

The following table lists those agencies that were late in submitting their certification or had problems requiring additional adjustments. Such problems may include incomplete or incorrect documents or required IAT's not submitted to DOA. Health care reconciliations for the months of March, April and May were due 04/30/06, 05/31/06 and 06/15/06 respectively.

**Schedule of Health Care Reconciliations  
Received Late**

	Mar	April	May
<b>Administration</b>			
Department of General Services			X
<b>Education</b>			
Eastern Shore Community College	X		
George Mason University	X	X	X
Tidewater Community College		X	
<b>Independent</b>			
State Lottery Department		X	
<b>Public Safety</b>			
Department of Military Affairs		X	
<b>Transportation</b>			
Department of Transportation		X	



## FINANCIAL MANAGEMENT ACTIVITY

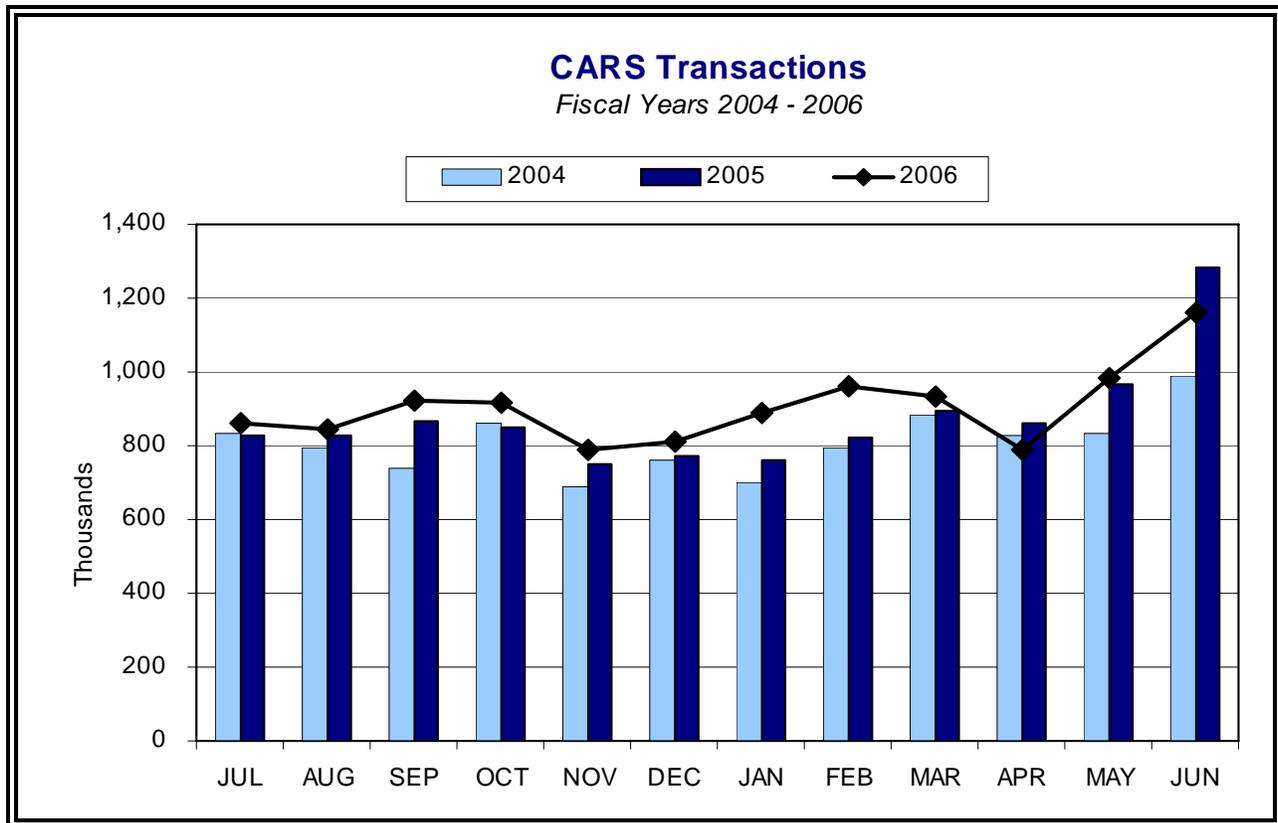
DOA monitors several types of financial activity. Various measures are used to track activities for CARS, payroll, accounts

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

### Commonwealth Accounting and Reporting System (CARS)

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

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

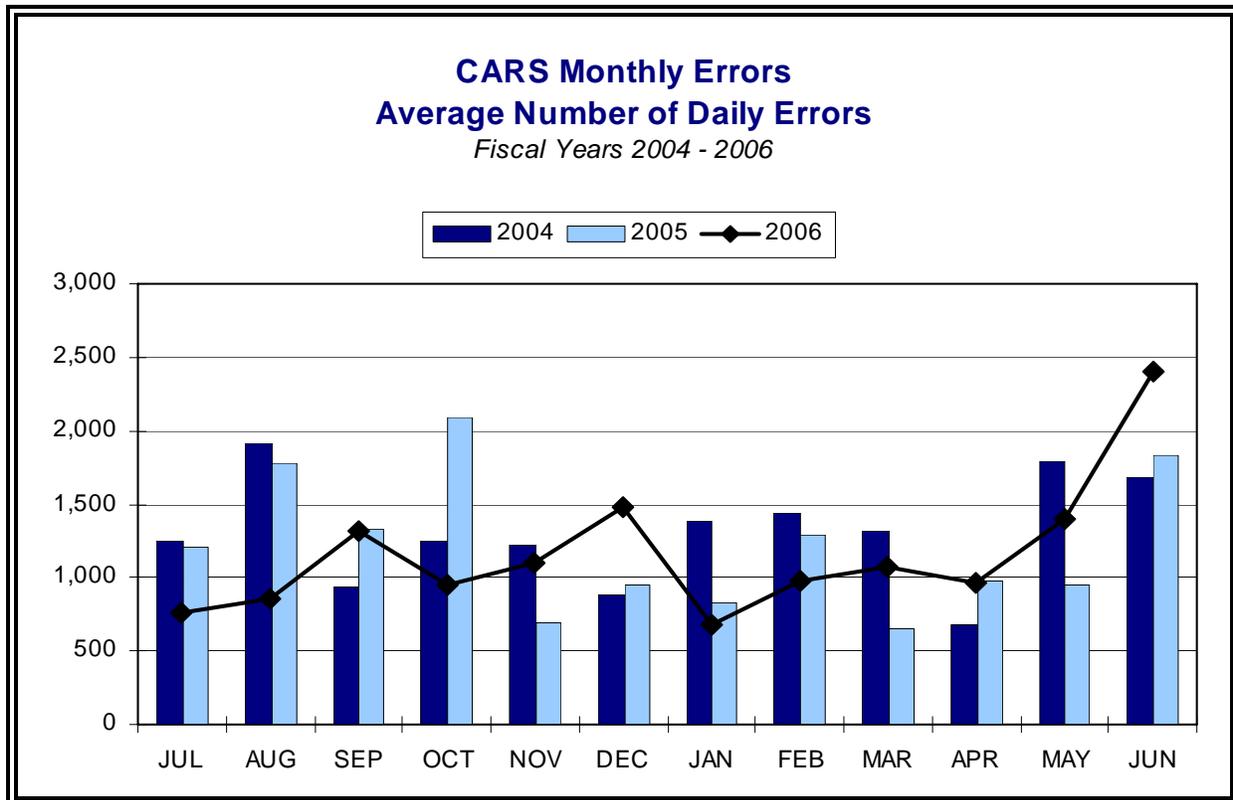


### *CARS Edits*

One of the most important management tools used by DOA is the monitoring of CARS errors generated by standard system edits. Batches remain on the error file until problems are resolved, which, for disbursement transactions, can lead to noncompliance with prompt payment standards and poor vendor relations. During the fourth quarter of FY 2006, the most frequent reasons cited for transactions processing 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.

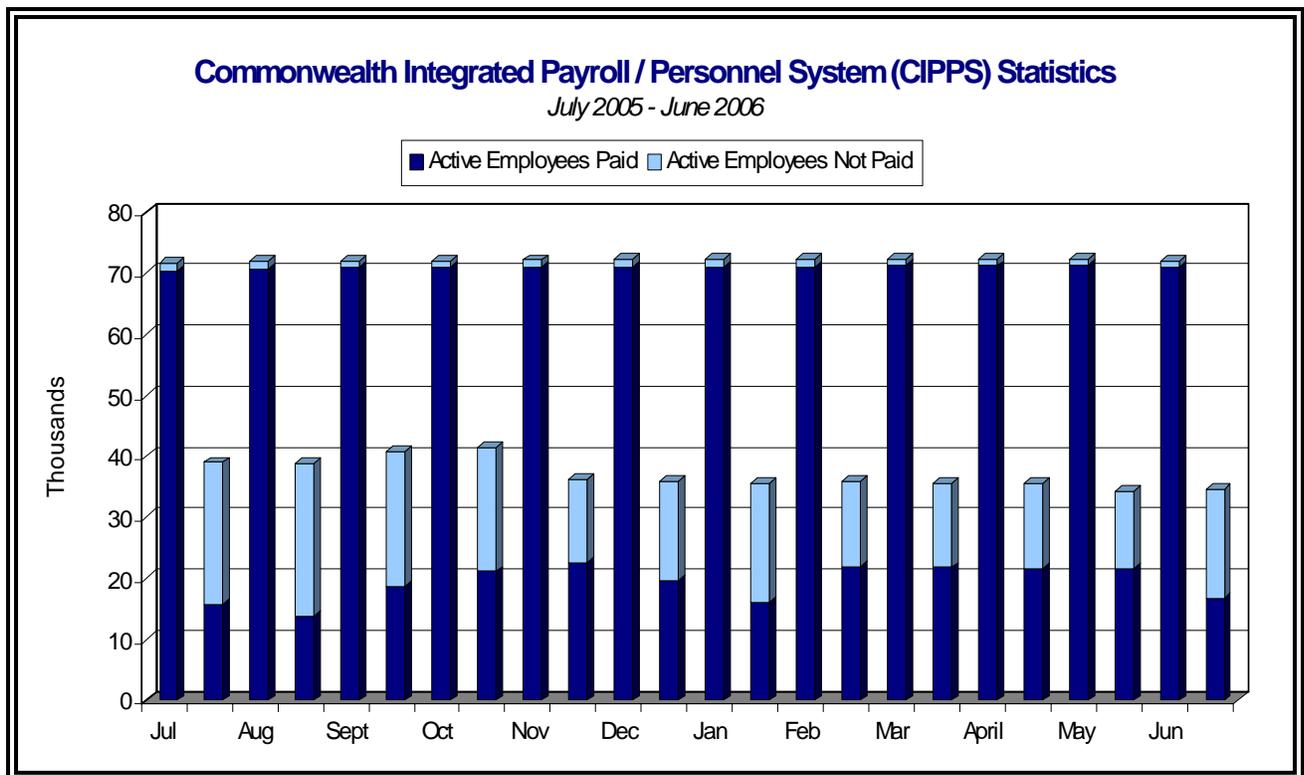
- Expenditure Exceed Allotment
- Available Cash Negative
- Certified Amounts Not Balanced



## Payroll

The central payroll system for State government is known as *CIPPS*, the Commonwealth Integrated Payroll Personnel System. CIPPS is one of the largest payroll operations in the Commonwealth, serving 107,141 employees. Payroll services are also provided through eight decentralized higher education institutions.

Total gross payrolls for the Commonwealth were approximately \$462 million each month of the quarter. On average, 91,235 employees were paid each month, of which 71,202 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 11,690 savings bonds with a face value of over \$1.5 million.

**Benefit Participation  
Number of Participating Employees**

<b>Benefit</b>	<b>As of 06/30/2006</b>	<b>Comparative</b>	
		<b>As of 06/30/2005</b>	<b>As of 06/30/2004</b>
<b>Health Care</b>			
COVA Care	81,948	80,651	79,545
Kaiser	1,961	1,868	1,843
<b>Optional Retirement Plans*</b>			
Fidelity Investments	451	428	437
TIAA/CREF	1,413	1,327	1,249
VALIC	N/A	N/A	4
Political Appointee - ORP	98	75	86
<b>Deferred Compensation*</b>			
Great West Life	32,821	30,845	28,723
<b>Flexible Reimbursement*</b>			
Dependent Care	640	681	634
Medical Care	4,847	4,706	4,003

\* 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 30, 2004.



## Accounts Receivable

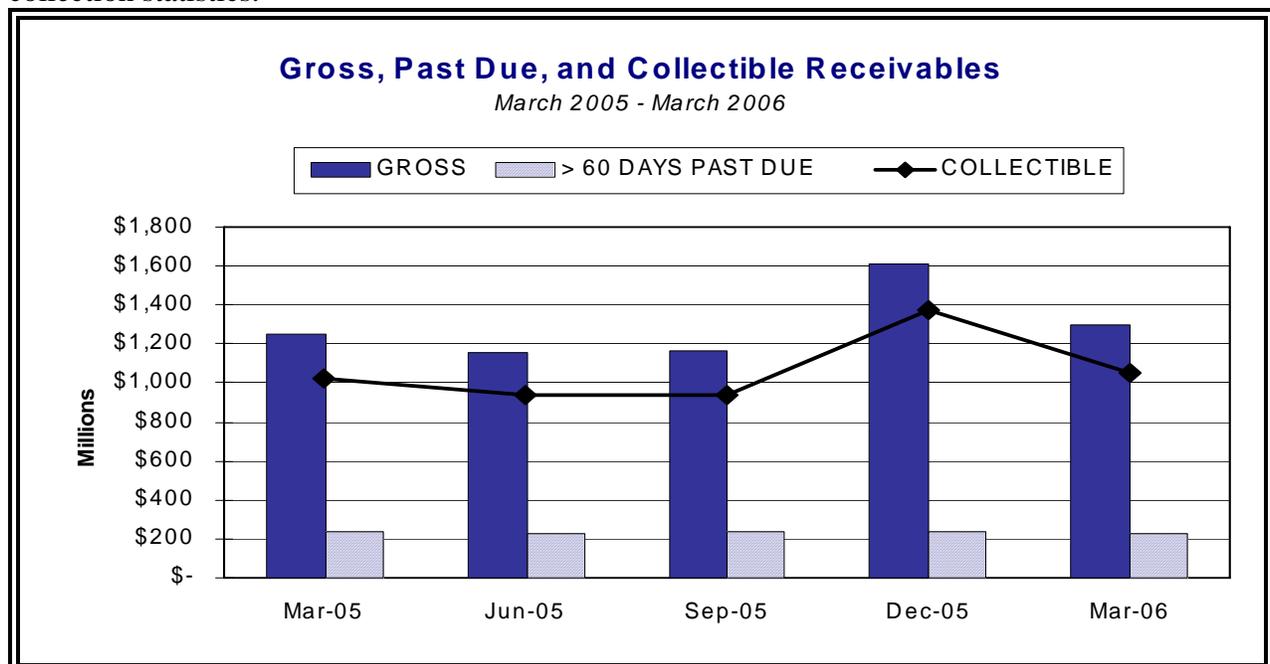
### Executive Summary

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

Commonwealth agencies and institutions reported adjusted gross receivables of \$1.29 billion at March 31, 2006, with \$1.05 billion considered collectible. Receivables over 60 days past due as of March 31, 2006, totaled \$227.0 million. Of that amount, \$17.3 million was placed with private collection agencies, \$16.6 million was placed with the Division of Debt Collection and \$193.1 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 the state's receivables.



As of March 31, 2006, agencies expected to collect \$1.05 billion (81 percent) of the \$1.29 billion adjusted gross receivables. About 4 percent are due to the General Fund,

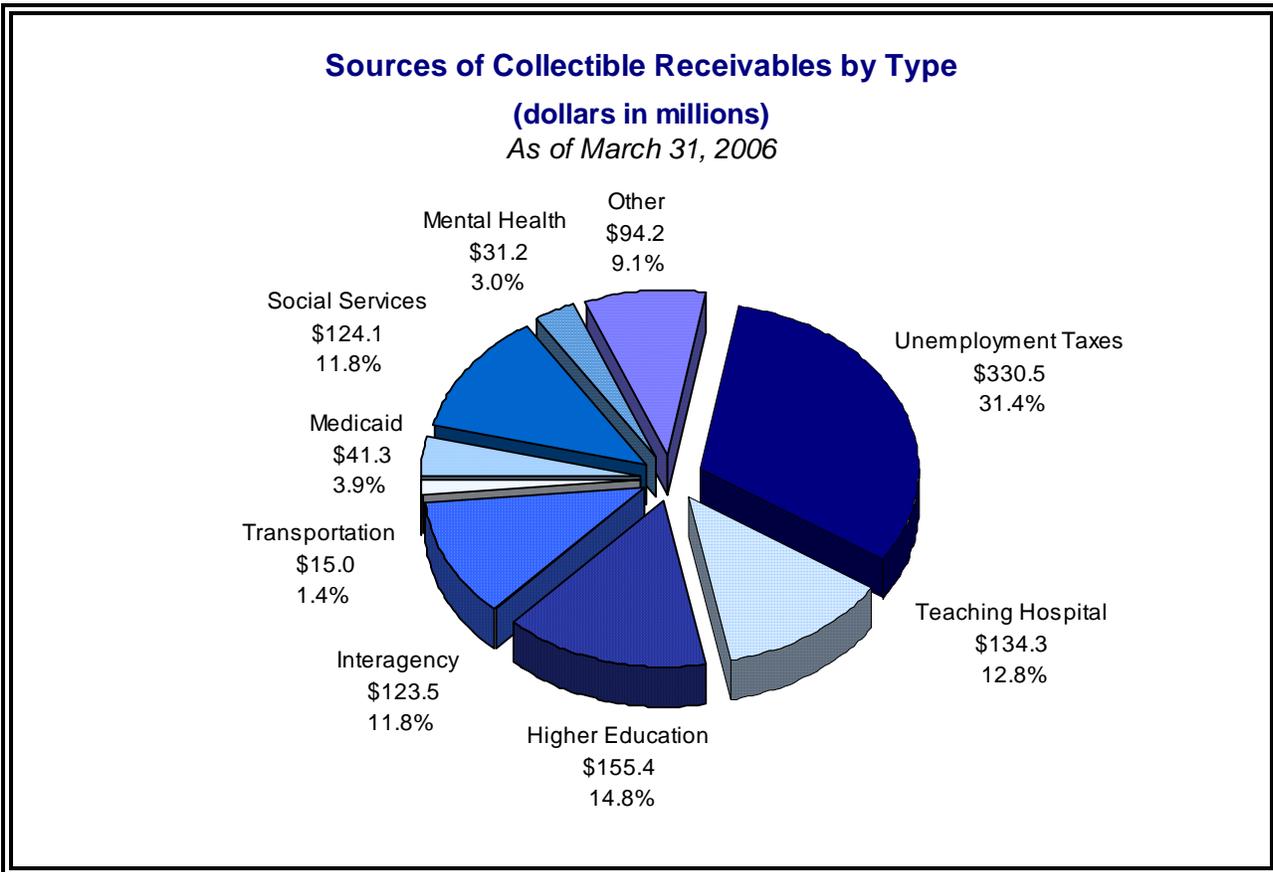
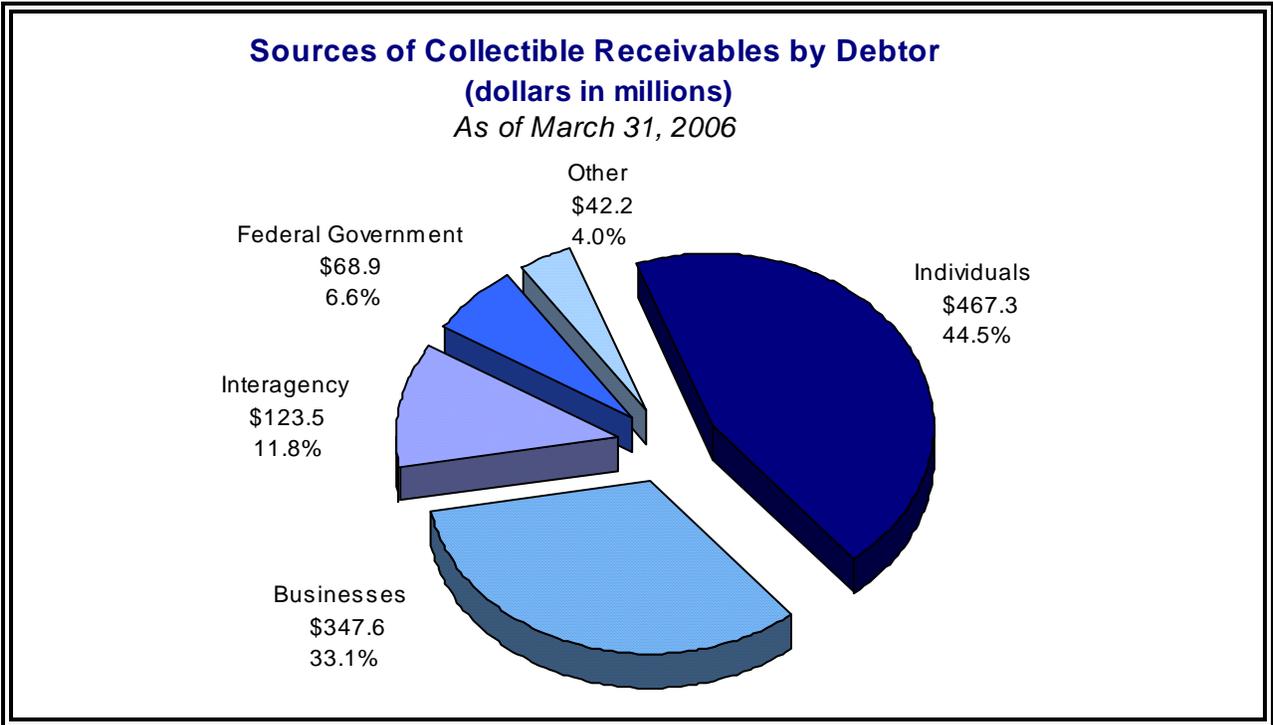
primarily for Medicaid penalties. The balance (approximately \$1.0 billion) is due to several non-general funds.

**Collectible Receivables by Fund**  
**Not Including Circuit and District Courts, or the Department of Taxation**

*As of March 31, 2006*

<b>Fund</b>	<b>Source</b>	<b>Amount</b>	<b>Percent</b>
<b>General Fund</b> 4%	Medicaid	\$ 31,362,760	75%
	Social Services	3,390,577	8%
	State Police Permits	2,763,130	7%
	Labor and Industry Inspections	1,207,425	3%
	Other	2,001,593	5%
	Subtotal	40,725,485	98%
	Interagency Receivables	733,474	2%
	<b>Total General Fund Collectible</b>		<b>\$ 41,458,959</b>
<b>Nongeneral Funds</b> 96%	Medicaid	\$ 9,872,723	1%
	Unemployment Taxes	330,534,357	33%
	Transportation	15,000,349	2%
	Child Support Enforcement	70,334,287	7%
	Federal Government	59,002,435	6%
	MHMR Patient Services	31,154,931	3%
	Hospital	134,281,236	13%
	Enterprise	57,949,062	6%
	Higher Education	155,430,976	15%
	Other	21,707,185	2%
	Subtotal	885,267,541	88%
Interagency Receivables	122,767,270	12%	
<b>Total Nongeneral Fund Collectible</b>		<b>\$ 1,008,034,811</b>	<b>100%</b>
<b>All Funds</b>	<b>Grand Total</b>	<b>\$ 1,049,493,770</b>	<b>100%</b>

## Summary of Receivables by Source



Not counting Taxation and the Courts, 10 agencies account for 86 percent of the Commonwealth's adjusted gross and 84

percent of the adjusted collectible accounts receivable balances.

**Accounts Receivable Summary**  
*Not Including Circuit Courts, District Courts, and Department of Taxation*  
*Quarter Ended March 31, 2006*

<u>Agency</u>	<u>Gross</u>	<u>Allowance for Uncollectible Accounts</u>	<u>Collectible</u>
Virginia Employment Commission	\$ 359,784,149	\$ 26,614,163	\$ 333,169,986
University of Virginia Medical Center	190,358,524	22,434,220	167,924,304
Department of Social Services	260,832,855	133,409,185	127,423,670
State Lottery Department	49,537,296	-	49,537,296
Virginia Polytechnic Institute and State University	49,822,286	957,596	48,864,690
Department of Medical Assistance Services	73,269,077	31,623,904	41,645,173
Virginia Information Technologies Agency	32,660,584	-	32,660,584
Mental Health, Mental Retardation & Substance Abuse Services	41,288,394	10,133,463	31,154,931
Virginia Commonwealth University	28,122,928	2,351,528	25,771,400
University of Virginia - Academic Division	23,811,868	1,563,000	22,248,868
<b>Total</b>	<b>1,109,487,961</b>	<b>229,087,059</b>	<b>880,400,902</b>
All Other Agencies	183,742,307	14,649,439	169,092,868
<b>Grand Total</b>	<b>\$ 1,293,230,268</b>	<b>\$ 243,736,498</b>	<b>\$ 1,049,493,770</b>

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

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

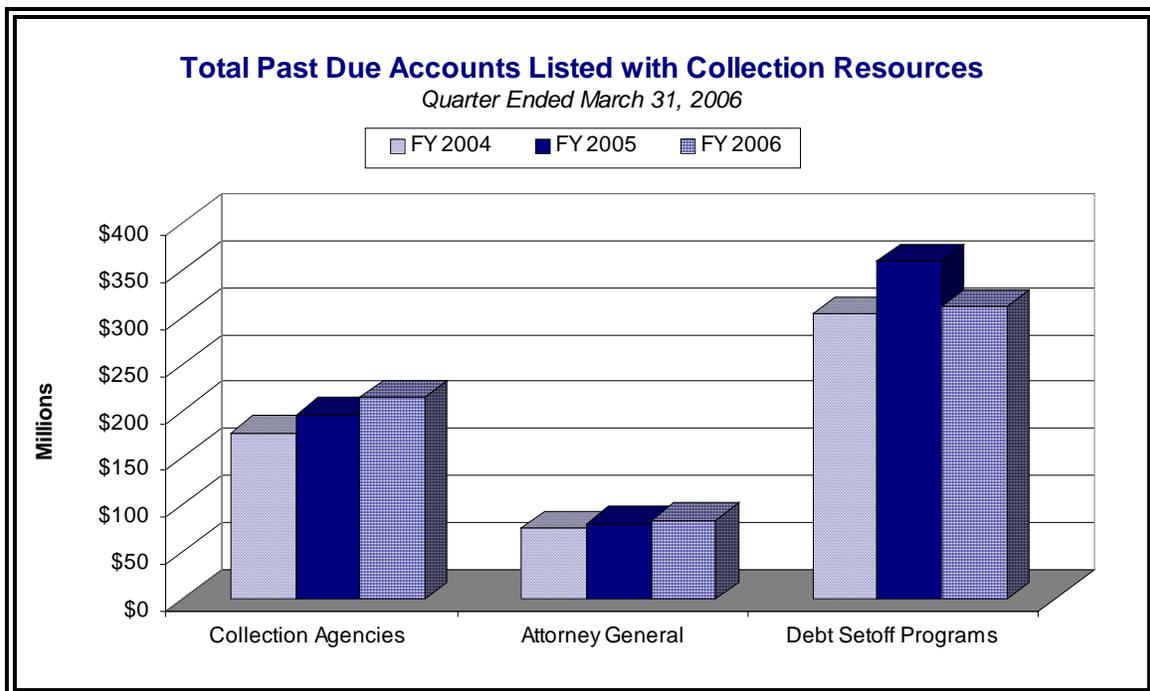
past due that are not sent to the Attorney General's Division of Debt Collection. The Office of the Attorney General requires state agencies and institutions to send accounts of \$3,000 or more and 60 days or more past due to the Division of Debt Collection.

These additional collection tools recovered \$6.1 million during the quarter ended March 31, 2006. The Division of Debt Collection contributed \$2.7 million. Private collection agencies collected \$2.5 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected \$924,025.

**Collectible Receivables Over 60 Days Past Due**  
*Not Including Circuit and District Courts and the Department of Taxation*  
*As of March 31, 2006*

<b>Agency</b>	<b>Total Over 60 Days</b>	<b>With Collection Agency</b>	<b>With Attorney General</b>	<b>Retained by State Agency</b>
Department of Social Services	\$ 75,774,878	\$ -	\$ -	\$ 75,774,878
Virginia Employment Commission	35,426,946	8,515,624	6,552,904	20,358,418
Department of Medical Assistance Services	23,772,610	2,077,458	1,741,726	19,953,426
University of Virginia Medical Center	21,848,246	-	-	21,848,246
Department of Transportation	11,848,251	406,104	3,432,100	8,010,047
Department of Mental Health, Mental Retardation & Substance Abuse Services	8,583,363	-	-	8,583,363
George Mason University	5,580,725	1,146,790	42,184	4,391,751
Virginia Commonwealth University	3,917,422	453,491	8,345	3,455,586
University of Virginia - Academic Division	3,576,438	1,097,941	-	2,478,497
Norfolk State University	3,035,062	125,662	-	2,909,400
<b>Total</b>	<b>193,363,941</b>	<b>13,823,070</b>	<b>11,777,259</b>	<b>167,763,612</b>
<i>All Other Agencies</i>	33,608,541	3,501,357	4,835,553	25,271,631
<b>TOTAL OVER 60 DAYS</b>	<b>\$ 226,972,482</b>	<b>\$ 17,324,427</b>	<b>\$ 16,612,812</b>	<b>\$ 193,035,243</b>
Uncollectable Amounts Placed for Collection, Including Accounts Written Off	382,678,369	197,797,274	67,034,793	117,846,302
<b>TOTAL COLLECTION EFFORTS</b>	<b>\$ 609,650,851</b>	<b>\$ 215,121,701</b>	<b>\$ 83,647,605</b>	<b>\$ 310,881,545</b>

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



### *Comptroller's Debt Setoff (CDS) Program*

CDS is one of the debt setoff programs used by agencies to collect past due accounts receivable owed 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 \$13.2 million through the fourth quarter of FY 2006. Please note the amount reported is before any refunds.

### *Receivable Trend Data*

One way to measure an agency's effectiveness at collecting its accounts receivable is to look at how efficient collection procedures are on accounts that are more than 60 days past due. The following

table looks at trend percentages of receivables over 60 days past due as a percentage of gross receivables for the agencies with the largest amounts over 60 days past due.

### **Percentage of Gross Receivables Over 60 Days Past Due**

<b>Agency</b>	<b>Percent at 3/31/06</b>	<b>Comparative</b>	
		<b>Percent at 12/31/05</b>	<b>Percent at 9/30/05</b>
Department of Social Services	29%	28%	28%
Virginia Employment Commission	10%	43%	43%
Department of Medical Assistance Services	32%	32%	32%
University of Virginia Medical Center	11%	15%	15%
Department of Transportation	81%	22%	22%
Department of Mental Health, Mental Retardation & Substance Abuse Services	21%	27%	27%
George Mason University	42%	4%	6%
Virginia Commonwealth University	14%	3%	8%
University of Virginia - Academic Division	15%	5%	10%
Norfolk State University	37%	5%	42%
<b>Statewide Average - All Agencies</b>	<b>18%</b>	<b>15%</b>	<b>20%</b>

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

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

The statewide average of 100% indicates that for every \$1 billed during the quarter ended March 31, 2006, the state collected \$1. This rate is 1 percent more than last year, and a 2% decrease from the March 31, 2004 quarter.

### Collections as a Percentage of Billings

<b>Agency</b>	<b>Percent at 3/31/06</b>	<b>Comparative</b>	
		<b>Percent at 3/31/05</b>	<b>Percent at 3/31/04</b>
Virginia Employment Commission	28%	26%	27%
University of Virginia Medical Center	32%	32%	51%
Department of Social Services	98%	99%	94%
State Lottery Department	103%	99%	101%
Virginia Polytechnic Institute and State University	234%	238%	248%
Department of Medical Assistance Services	65%	114%	49%
Virginia Information Technologies Agency	107%	98%	99%
Department of Mental Health, Mental Retardation & Substance Abuse Services	53%	53%	54%
Virginia Commonwealth University	251%	240%	214%
University of Virginia - Academic Division	172%	176%	134%
<b>Statewide Average - All Agencies</b>	<b>100%</b>	<b>99%</b>	<b>102%</b>

## Commonwealth Receivables Analysis

The following individual accounts receivable narratives describe agency collection programs and related trend information:

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

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

DMAS' collectible accounts receivable of \$41.6 million at March 31, 2006, is \$3.7 million less than the \$45.3 million reported at March 31, 2005. Total past due receivables have decreased by \$12 million, to \$26 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 \$167.9 million at March 31, 2006, were a \$39.2 million increase over the \$128.7 million reported the previous year. Past due receivables fell \$7.1 million to \$69.1 million at March 31, 2006.

### ***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 \$333.2 million at March 31, 2006, a decrease of \$3.6 million from the previous year. Total past due receivables of \$38.9 million decreased by \$4.7 million from \$43.6 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 March 31, 2006, of \$32.7 million, a \$344,521 decrease from the previous year's \$33.0 million. Most of these dollars are owed by other state agencies. As of March 31, 2006, \$564,955 was over 60 days past due, an \$11,565 increase over the previous year.

### ***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 March 31, 2006, the Virginia Lottery reported net receivables of \$49.5 million, a \$3.6 million decrease from the previous year's net of \$53.1 million. Billings during the March 31, 2006 quarter grew \$18.3 million and collections increased by \$24.9 million when compared to the March 31, 2005 quarter. At March 31, 2006, the Virginia Lottery had \$383,037 that was over 60 days past due. The total amount is covered by surety bond and involves approximately 20 retailers.

### ***Department of Education (DOE)***

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

At March 31, 2006, DOE had no accounts receivable due from the Federal government under Direct Aid. This is consistent with the prior year.

### ***Virginia Polytechnic Institute and State University (VPISU)***

VPISU is one of the Commonwealth's largest universities and one of two land grant institutions in the state. At March 31, 2006, the University reported net collectible receivables of \$48.9 million, a \$4.1 million increase over the prior year. At the same time, past due receivables increased by only \$81,002 from last year.

The University uses a variety of collection methods to encourage payments. At March 31, 2006, VPISU had \$1.1 million of accounts with the Attorney General's Division of Debt Collection, \$574,332 placed with private collection agencies and \$1.9 million listed for Taxation's Debt Setoff Programs.

### ***Department of Mental Health, Mental Retardation, and Substance Abuse Services (DMHMRSAS)***

DMHMRSAS 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. DMHMRSAS 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, DMHMRSAS can recover some of the costs involved in a patient's care.

At March 31, 2006, the Department reported net receivables of \$31.2 million, a \$3.4 million increase from the previous year. \$14.5 million was past due, with \$8.6 million being over 60 days past due. Total past due

receivables decreased by \$15.4 million over the year, and accounts over 60 days past due decreased by \$6.7 million. At March 31, 2005, the Department had \$6.7 million of accounts placed with the Attorney General and \$1.5 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 March 31, 2006, VDOT reported \$12.1 million of collectible receivables, a decrease of \$28.5 million from the prior year. VDOT also reported \$13.6 million total past due and \$11.8 million being over 60 days past due. Past due receivables decreased by \$10.7 million over the year, with receivables over 60 days past due constituting \$9.9 million of the decrease. VDOT reports that the large majority of the accounts over 60 days past due continue to be amounts owed by cities, counties and towns that are participating on long-term construction projects with the department and where the local fund shares are provided by local debt financing.

VDOT reported placing \$8.7 million of their unpaid accounts with the Attorney General's Division of Debt Collection, \$764,889 with private collection agencies and \$1.8 million with Taxation's Debt Setoff Programs.

### ***Department of Social Services (DSS)***

Social Services provide 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 March 31, 2006, DSS reported gross receivables of \$260.8 million, an allowance for doubtful accounts of \$133.4 million and collectible receivables of \$127.4 million.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for \$183.9 million (71%) of the gross receivables, \$113.6 million (85%) of the allowance for doubtful accounts and \$70.3 million (56%) of the net receivables. Past due receivables totaled \$77.2 million, of which \$75.8 million was over 60 days past due.

Between March 31, 2006 and 2005, gross receivables increased \$33.3 million and collectible receivables increased by \$987,917. Write offs for the quarter totaled \$420,055. Total past due receivables increased \$19.9 million and receivables over 60 days past due increased \$19.5 million.

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

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

At March 31, 2006, DRPT had gross and net receivables of \$4.9 million. Over 98% of this money is due via an interagency transfer from VDOT. \$520,808 was past due at March 31, 2006. Of this amount, \$398,554 was over 60 days 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 March 31, 2006, VCU had \$25.7 million of collectible receivables, a \$2.0 million increase over March 31, 2005. Total past due accounts were \$4.6 million, unchanged from March 31, 2005. Accounts over 60 days past due of \$3.9 million also remained unchanged from the prior year. Billings increased by \$4.7 million to \$58.1 million and collections increased by \$17.7 million to \$146 million for the March 31, 2006 quarter as compared to the March 31, 2005 quarter.



The following table is prepared to present the March 31, 2006, aging information in conformity with the provisions of Section 2.2-603.E.(ii) of the Code of Virginia.

Commonwealth's total \$1.86 billion past due accounts receivable at March 31, 2006. Another eighteen agencies accounted for 16% (\$292 million), leaving 68 other agencies to comprise the last one percent at \$26 million.

Taxation and the Circuit and District Courts accounted for 83% (\$1.54 billion) of the

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

As of March 31, 2006

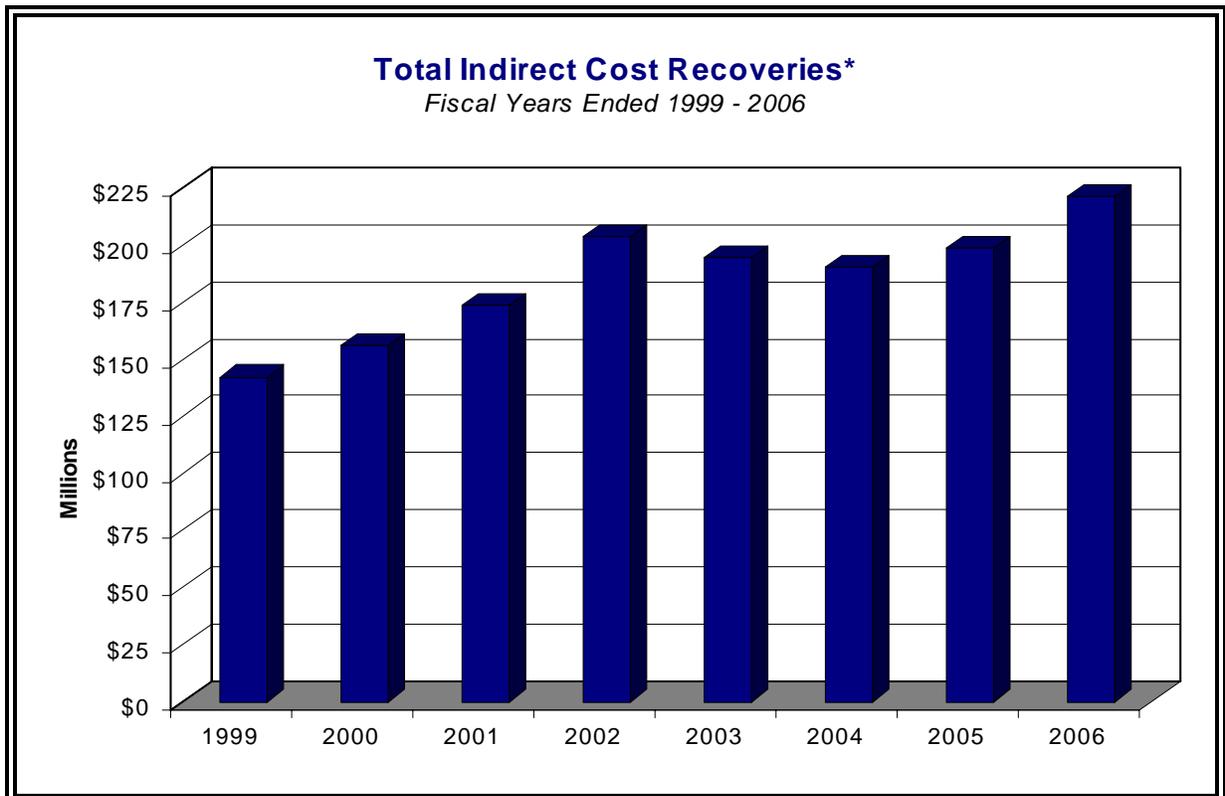
Agency	Total Past Due	1 to 180 Days Past Due	181 to 360 Days Past Due	Over One Year
Department of Taxation	\$ 1,103,377,656	\$ 60,447,473	\$ 129,947,107	\$ 912,983,076
Localities' Circuit and District Courts	435,121,773	31,001,362	55,947,403	348,173,008
<b>Total - Taxation Assessments and Court Fines and Fees</b>	<b>1,538,499,429</b>	<b>91,448,835</b>	<b>185,894,510</b>	<b>1,261,156,084</b>
<b>All Other Large Dollar Agencies:</b>				
Department of Social Services	77,179,546	4,167,696	4,190,849	68,821,001
University of Virginia Medical Center	69,077,246	58,175,934	10,122,528	778,784
Virginia Employment Commission	38,919,475	7,305,570	7,370,337	24,243,568
Department of Medical Assistance Services	25,986,894	6,621,203	5,183,363	14,182,328
Department of Mental Health, Mental Retardation and Substance Abuse Services	14,472,424	12,516,583	1,955,841	-
Department of Transportation	13,641,366	3,281,063	2,571,287	7,789,016
George Mason University	8,720,666	7,506,975	709,662	504,029
University of Virginia - Academic Division	6,962,764	5,694,434	476,910	791,420
Virginia Polytechnic Institute & State University	6,250,441	5,015,483	507,802	727,156
Virginia Community College System	6,122,831	5,152,431	664,535	305,865
Virginia Commonwealth University	4,665,521	2,356,125	167,754	2,141,642
Norfolk State University	3,616,659	3,554,673	41,969	20,017
Department of Labor and Industry	3,177,656	441,452	480,872	2,255,332
Virginia Information Technologies Agency	2,894,123	2,779,818	108,832	5,473
Department of State Police	2,708,146	2,107,718	63,851	536,577
State Corporation Commission	2,626,441	1,889,586	736,855	-
The College of William & Mary in Virginia	2,593,173	2,166,805	107,770	318,598
Old Dominion University	2,333,687	2,184,057	92,995	56,635
<b>Total - Largest Dollar Volume Agencies</b>	<b>291,949,059</b>	<b>132,917,606</b>	<b>35,554,012</b>	<b>123,477,441</b>
All Other Agencies	26,525,647	18,215,775	3,209,811	5,100,061
<b>Grand Total Past Due Receivables</b>	<b>\$ 1,856,974,135</b>	<b>\$ 242,582,216</b>	<b>\$ 224,658,333</b>	<b>\$ 1,389,733,586</b>



## Indirect Costs

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

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



\* FY 2006 reflects indirect cost recoveries through June 30, 2006.

**Indirect Cost Recoveries from Grants and Contracts**  
*Fiscal Year 2006*

Fund	Year-to-Date		Total
	Higher Ed	Non-Higher Ed	
Nongeneral:			
Agency / Institution (1)	\$ 147,294,083	69,146,672	\$ 216,440,755
Statewide	2,827,763	561,194	3,388,957
<b>Total Nongeneral</b>	<b>150,121,846</b>	<b>69,707,866</b>	<b>219,829,712</b>
General:			
Agency (Cash Transfers)	-	116,387	116,387
Statewide	-	1,135,972	1,135,972
Statewide (Cash Transfers)	-	9,705	9,705
<b>Total General</b>	<b>-</b>	<b>1,262,064</b>	<b>1,262,064</b>
<b>Total All Funds</b>	<b>\$ 150,121,846</b>	<b>\$ 70,969,930</b>	<b>\$ 221,091,776</b>

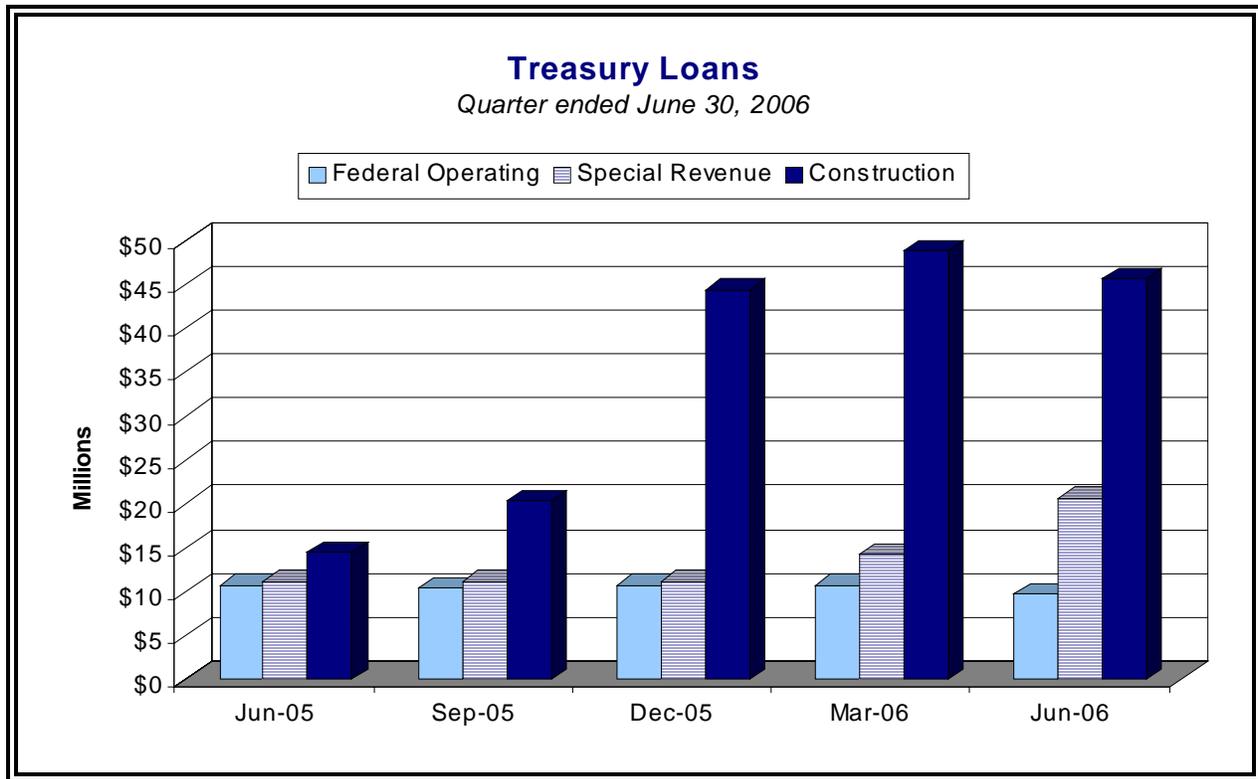
- (1) The Department of Social Services records all federal monies received in CARS. However, they do not separately classify such receipts between direct and indirect. Included in the agency nongeneral fund category is \$41,033,152 representing the Department of Social Services' estimate of indirect 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 June 30, 2006, was \$76.1 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 June 30, 2006.
- **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 June 30, 2006.

Significant New Loans / Drawdowns	New Balance
<p><b><i>George Mason University (GMU)</i></b>            Authorization and drawdown of new loan to provide operating funds while awaiting reimbursement from various federal grants and contracts.</p>	\$ 8,000,000
<p><b><i>Statewide June 30 Payroll Obligations</i></b>            Eleven treasury loans authorized for agencies and institutions to support payroll obligations as a result of payday being moved from July 5 to June 30.</p>	\$ 8,998,963
<p><b><i>Virginia College Building Authority (VCBA)</i></b>            Authorization of a \$50 million loan and partial draw to reimburse institutions of higher education for equipment purchases and capital project expenditures until bond proceeds are available.</p>	\$ 14,015,623
<p><b><i>Virginia Public Building Authority (VPBA)</i></b>            Authorization of a \$50 million loan and partial draw to reimburse state agencies as well as local governments and regional jail authorities for authorized state capital and financing costs until bond proceeds are available.</p>	\$ 9,993,349

Significant Loan Repayments	Prior Balance
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**Department of State Police (VSP)**

Full repayment of loan that provided operating funds while awaiting reimbursement of grants from the Federal Motor Carrier Safety Administration.	\$ 1,047,000
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**George Mason University (GMU)**

Full repayment of loan used to provide operating funds while awaiting reimbursement from various federal grants and contracts.	\$ 8,500,000
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**Department of General Services (DGS)**

Third installment payment of \$1.75 million on a \$5 million loan issued in September 2004 to support the statewide Virginia Partners in Procurement (VaPP) spend management program. New loan balance is \$1.5 million.	\$ 3,250,000
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**College of William and Mary in Virginia (CWM)**

Full repayment of loan that provided construction funds for renovation of the Commons Dining Hall until bond proceeds were received.	\$ 8,089,500
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**Longwood University (LU)**

Full repayment of a 1997 loan that provided construction funds to install sprinkler systems in university residence halls.	\$ 1,028,938
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**Virginia Commonwealth University (VCU)**

Full repayment of loan that provided funds for the construction of the School of Business until bond proceeds were received.	\$ 6,664,987
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**Virginia Commonwealth University (VCU)**

Full repayment of loan that provided funds for the construction of Phase II of the School of Engineering until bond proceeds were received.	\$ 5,409,773
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**Department of Veterans Services (DVS)**

Additional repayments totaling \$5.6 million on an original \$7.3 million loan that provided funds for the construction of the new Veterans Care Center in Richmond. New loan balance is \$724,750.	\$ 6,371,100
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