

**REPORT ON
STATEWIDE FINANCIAL MANAGEMENT AND
COMPLIANCE**

FOR THE QUARTER ENDED SEPTEMBER 30, 2007



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 September 30, 2007, and comparative FY 2006 data. Some information in the report is for the quarter ended June 30, 2007, which is the most current data available.

David A. Von Moll, CPA, CGFM
Comptroller



Virginia Department of Accounts

Financial Accountability. Reporting Excellence.

COMPLIANCE

Auditor of Public Accounts Reports - Executive Branch Agencies

Agency audit reports issued by the Auditor of Public Accounts (APA) may contain findings because of noncompliance with state laws and regulations. Agencies may also have internal control findings considered to be control deficiencies. Control deficiencies occur when the design or operation of internal control does not allow management or employees to prevent or detect errors that, in the Auditor's judgment, could adversely affect the agency's ability to record, process, summarize, and report financial data consistent with the assertions of management.

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

The APA also reports risk alerts and efficiency issues. Risk alerts address issues for which the corrective action is beyond the capacity of the agency management to address. Efficiency issues identify agency practices, processes or procedures which the auditors believe agency management should consider to improve efficiency. Risk alerts and efficiency issues are summarized following the Findings section.

The APA also issued several Special Reports during the quarter. These reports are listed following the Efficiency Issues section. The full text of these reports is available at www.apa.virginia.gov.

Audit Reports – Quarter Ended September 30, 2007

The APA issued 8 separate reports covering 31 agencies, offices, boards, commissions, colleges and universities for the Executive Branch agencies listed on the following table. Seven of the reports were for FY 2006. One report was for FY 2007. The last column indicates whether the CAW had been received as of the date of this publication for each agency with audit findings. Note that in some cases, the CAW has not been received because it is not yet due.

	New Findings	Repeat Findings	Total Findings	CAW Received
Administration				
Department of General Services	8	1	9	YES
Virginia War Memorial Foundation	0	0	0	N/A
Agriculture and Forestry				
None				

	New Findings	Repeat Findings	Total Findings	CAW Received
Commerce and Trade				
None				
Education				
Norfolk State University	4	0	4	YES
Virginia Community College System				
– Central Office	2	0	2	YES
New River Community College	0	0	0	N/A
Southside Virginia Community College	0	0	0	N/A
Paul D. Camp Community College	0	0	0	N/A
Rappahannock Community College	1	0	1	YES
Danville Community College	1	0	1	YES
Northern Virginia Community College	0	0	0	N/A
Piedmont Virginia Community College	0	0	0	N/A
J. Sargeant Reynolds Community College	0	0	0	N/A
Eastern Shore Community College	1	0	1	YES
Patrick Henry Community College	0	0	0	N/A
Virginia Western Community College	0	0	0	N/A
Dabney S. Lancaster Community College	0	0	0	N/A
Wytheville Community College	1	0	1	YES
John Tyler Community College	0	0	0	N/A
Blue Ridge Community College	0	0	0	N/A
Central Virginia Community College	4	1	5	YES
Thomas Nelson Community College	1	1	2	YES
Southwest Virginia Community College	0	0	0	N/A
Tidewater Community College	0	0	0	N/A
Virginia Highlands Community College	1	0	1	YES
Germanna Community College	0	0	0	N/A
Lord Fairfax Community College	0	0	0	N/A
Mountain Empire Community College	0	0	0	N/A
Executive Offices				
None				
Finance				
None				
Health and Human Resources				
Commonwealth Health Research Board	0	0	0	N/A
Department of Mental Health, Mental				
Retardation and Substance Abuse Services (1)	4	0	4	YES
Virginia Tobacco Settlement Foundation (2)	0	0	0	N/A

	New Findings	Repeat Findings	Total Findings	CAW Received
Natural Resources				
None				
Public Safety				
Department of Juvenile Justice	3	1	4	YES
Technology				
None				
Transportation				
None				

- (1) This agency has a risk alert which is further described in the *Risk Alerts* section of this report.
- (2) These agency audits are for the 2007 fiscal year.



Findings – Quarter Ended September 30, 2007

The following agencies had one or more findings contained in the 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 General Services

1. Improve Documentation and Internal Controls over Fiscal Operations. The Fiscal Services Section does not have policies or procedures for the fiscal administration of the agency or the four agencies that it supports. The Department must document its internal policies and procedures, which expand on the statewide practices in the Commonwealth Accounting Policies and Procedures (CAPP) Manual and consider risks associated with potential errors that can result from the inconsistent use of its internal accounting system. Additionally, there is a risk that the loss of staff at a critical juncture would leave the Department insufficient time and resources to train new staff properly on the operations of the system.
2. Review and Issue Updated eVA Manual. **This is a repeated finding.** The Department has revised, but not issued an update to, the eVA security manual dated July 5, 2006. Prior to that, the Department last updated the Manual on February 1, 2004.
3. Develop and Implement Policies and Procedures for the Surplus Warehouses. The Surplus Property Management Office does not have documented and implemented policies and procedures for internal operations of the Surplus Warehouses. The policies and procedures should include processes for receipt, storage, sale, and disposal of items received at the warehouses.
4. Include Mandated Procedures in the Surplus Property Manual. The Surplus Property Management Office has not included several state mandated procedures relating to surplus property in the Commonwealth's procurement and surplus property manual. Omitted procedures relate to the sale of surplus vehicles to local social service departments, exemptions for institutions of higher education, and surplus property proceeds that agencies can receive.
5. Increase Awareness and Use of the Surplus Property and Disposal Process. One of the Department's functions, through the Surplus Property Management Office, is to re-use and sell surplus and used equipment, helping the Commonwealth recover some of its original investment in these assets. The Office should develop processes that will help minimize the time between agencies declaring items as surplus and the items being available for sale either on Surplus Virginia or at one of the warehouses. The Office could also consider providing shipping or transportation of surplus items to the warehouses. The Office should make the Surplus Virginia website more user-friendly and informative. Finally, the Office could consider creating a periodic bulletin to email to potential users to provide updates on services, such as the Surplus Virginia website.
6. Finalize and Distribute Real Estate Policies and Procedures. Formed in January 2005, the Division of Real Estate Services is still developing new external policies and procedures for agencies to follow and internal policies and procedures for Real Estate Services. Real Estate Services should complete and distribute current policies and procedures that cover all aspects of

both the agencies' role and the Division's role for every step of the lease acquisition process and all other functions provided by the Division.

7. Improve Internal Controls Over Appointment of Contract Administrator. The Department did not appoint contract administrators for two of eight reviewed contracts. Section 10.2 of General Services' Agency Procurement and Surplus Property Manual states "Contract administration shall be delegated in writing by the buyer designating a specific individual or position..." The Department should review all contract files to ensure there is an administrator.
8. Internal Controls Over Administration of Statewide Contracts. The audit found that Purchases and Supply is inconsistent with their documentation on vendor performance. Of ten contract files tested, six did not have any documentation of a vendor evaluation. Each of the tested contracts has the possibility of renewal. To properly assess if a renewal is in the best interest of the Commonwealth, the contract administrator must make a determination that the vendor has adequately performed its contractual duties. Without documentation of this determination, it is difficult to assess the effectiveness of the contract.
9. Improve Internal Controls over Special Payouts to Terminated Employees. The Department improperly paid a terminated employee \$5,000. The employee had converted disability credits into one year of retirement service. Once an employee opts to convert disability credits into years of retirement service, that employee is no longer eligible to receive monetary compensation for those credits. In this instance, the employee was paid one year of retirement service in addition to \$5,000, the maximum payout for converting disability credits into currency. Further, the Department could not provide documentation that they attempted to recoup the funds.

Education

Norfolk State University

1. Follow the University's Systems Change Management Procedures. University employees are making changes to critical computer hardware and information systems programs without documentation of approval and authorization. The University's change management policies and procedures follow industry best practices and require management to approve and authorize changes. The University's employees are not using the established policies and procedures.
2. Strengthen Controls over Capital Project Management. University management does not formally assign Contract Administrators nor do they provide Contract Administrators with formal written responsibilities. Procurement staff did not always verify that architects and engineers had licenses to do business in the Commonwealth. Facilities Management did not maintain documentation to support invoices and change orders, nor obtain management approval when authorizing change orders exceeding 25 percent of the original contract.
3. Complete Biennial Equipment Inventories. The Financial Services Department did not perform a complete inventory of the University's capital assets within a two year period as required by University and state policies, for 17 of the University's 35 buildings.
4. Develop Formal Capital Asset Accounting Policies and Procedures. The Financial Services Department does not have written accounting and reporting policies and procedures for impaired assets and capital outlay projects, including construction in progress. In addition, written policies and procedures are lacking for assigning useful lives or salvage value to purchased capital assets.

Virginia Community College System – System Office

1. Improve Risk Management and Contingency Plans. The System Office’s standard lacks certain details that it needs to incorporate into its new standards. During this process, the System Office needs to properly identify its critical business functions in its Business Impact Analysis, as they are the foundation on which to build a security program.
2. Develop, Approve, and Implement Written Standards and Procedures for the Firewall. The System Office makes unauthorized changes to its firewall and allows unfiltered traffic through its firewall after users connect remotely to the Virginia Community College System network due to inadequate access rules in the firewall configuration file. These rules violate the principle of least privilege and threaten the security of the system and the data it holds.

Rappahannock Community College

1. Comply with the Commonwealth’s Security Standard, SEC2001, and VCCS Standards. The College did not comply with the Commonwealth’s security standard for information technologies. This places the colleges’ systems and the information they contain at risk.

Danville Community College

1. Comply with the Commonwealth’s Security Standard, SEC2001, and VCCS Standards. The College did not comply with the Commonwealth’s security standard for information technologies. This places the colleges’ systems and the information they contain at risk.

Eastern Shore Community College

1. Comply with the Commonwealth’s Security Standard, SEC2001, and VCCS Standards. The College did not comply with the Commonwealth’s security standard for information technologies. This places the colleges’ systems and the information they contain at risk.

Wytheville Community College

1. Comply with the Commonwealth’s Security Standard, SEC2001, and VCCS Standards. The College did not comply with the Commonwealth’s security standard for information technologies. This places the colleges’ systems and the information they contain at risk.

Central Virginia Community College

1. Report Payment Data to NSLDS Timely. The College did not report payment information to the National Student Loan Data System timely. Not updating student status changes within the required guidelines could impact a student’s Title IV eligibility.
2. Report Payment Data to COD Timely. The College did not report funds for all 30 students tested to Common Origination and Disbursement (COD) files within a 30-day period. In addition, the auditor determined that COD disbursement dates and fund amounts did not match to PeopleSoft for any of the 30 students tested.
3. Properly Calculate Title IV Refunds and Return Funds Timely. The College’s internal controls in the Student Financial Aid Office did not ensure accuracy in Title IV reporting and timely return of funds to the Department of Education.
4. Formalize Policies and Procedures and Improve Internal Controls over Student Financial Aid. There are no formal policies and procedures for the processing and administration of student financial aid resulting in inadequate internal controls and non-compliance with student financial aid regulations.

5. Ensure Capital Asset Inventory Records are Accurate. **This is a repeated finding.** The College did not remove four information technology assets from its capital asset inventory in the Fixed Asset Information System after transferring the assets to the Central Virginia Training Center in fiscal year 2004.

Thomas Nelson Community College

1. Retain Required Documentation for Small Purchase Charge Cards. **This is a repeated finding.** The College did not retain charge card purchase documentation for two of the four individuals tested having Small Purchase Charge Cards. Without purchase documentation, it is not possible to determine if the College is following state guidelines on the use of these charge cards.
2. Improve Accounts Receivables Reporting. The College does not have procedures in place to properly report accounts receivables. The College has used the same allowance for doubtful accounts for the past two years without verifying the reasonableness of the allowance compared to historical write off data. The College has also failed to write off accounts, which are aged and determined uncollectible.

Virginia Highlands Community College

1. Report Payment Data to NSLDS Timely. The College did not report payment information to the National Student Loan Data System Timely. Not updating student status changes within the required guidelines could impact a student's Title IV eligibility.

Health and Human Resources

Department of Mental Health, Mental Retardation, and Substance Abuse Services

1. Strengthen Monitoring of the Community Services Boards. The Department changed their process for monitoring the Community Service Boards (Boards) by redistributing different monitoring responsibilities to various divisions. The Department has not documented policies and procedures describing what the different divisions will do and how they will work together to resolve problems or issues with the Boards.
2. Expand Security Awareness Training Program. The Department does not have a comprehensive Security Awareness Training Program that meets the requirements of the Commonwealth's Information Security Standard.
3. Institute Inventory Controls for Community Resource Pharmacy. After two years of operation, the Community Resource Pharmacy does not have an automated inventory system. Pharmacy management states that they lack the time and human resources necessary to institute an automated inventory system for pharmaceuticals.
4. Strengthen Controls over Capital Asset Useful Life. The Department does not have proper controls in place for assigning and reevaluating useful lives of depreciable capital assets (buildings, equipment, and infrastructure). The Department has not developed and implemented an agency-specific useful life methodology. This has allowed the Department to have a steadily increasing amount of fully depreciated capital assets. As a result, the Department is not complying with Governmental Accounting Standards Board or the CAPP Manual requirements.

Public Safety

Department of Juvenile Justice

1. Improve Separation of Duties over CARS. The Department does not have proper separation of duties over processing transactions. The audit found 209 instances where the same individual entered and approved transactions in CARS.
2. Update Leave Activity in CIPPS Timely. The Department has not updated all employees' leave used in CIPPS at the Culpeper facility since at least October 2006, with some employees' leave as far back as April 2006. Culpeper has not been able to stay current with recording leave used in CIPPS from the paper leave cards.
3. Strengthen Controls over Capital Project Procurement and Capitalization. The Capital Outlay Office could not provide documentation to support various aspects of the procurement and contract management process for an architect and engineer contract and a construction contract. In addition, construction in progress was overstated by more than \$1.2 million at June 30, 2006 by improperly including ongoing maintenance reserve project expenses.
4. Improve Controls Over Anthem Contract. **This is a repeated finding.** The Department did not properly close out the prior year's contract with Anthem. Although Juvenile Justice improved the management of the Anthem health services contract from the previous year, the Department did not meet with Anthem to determine how to close the previous contract balance. This results in a carry-over deficit balance on the current contract.



Risk Alerts – Quarter Ended September 30, 2007

The APA encounters issues that are beyond the corrective action of management and require the action of either another agency or outside party or a change in the method by which the Commonwealth conducts its operations. The following risk alert was identified:

1. The following agency has provided the Virginia Information Technologies Agency (VITA) with all the required documentation to assess the adequacy of security. However, VITA has not been able to provide the agency with assurance that VITA can provide hardware and software configurations that satisfy security requirements.
 - a. Department of Mental Health, Mental Retardation, and Substance Abuse Services

Efficiency Issues – Quarter Ended September 30, 2007

The APA reports agency practices, processes or procedures which the auditors believe agency management should consider for review to either improve efficiency, reduce risk, or otherwise enhance agency operations. These matters do not require management's immediate action and may require the investment of resources to provide long-term benefit.

1. Addressing eVA Standards. The Department of General Services' eVA application was assessed by Forrester Consulting as part of the Commonwealth's Enterprise Application Project. Forrester identified a number of actions that the Commonwealth needs to undertake to position itself for use of an enterprise application. Their recommendations were:
 - Create a statewide standardized procurement environment, including creating standardized workflow, approvals, and reports available for all eVA agencies to use.
 - Create a single statewide vendor table, which includes all information about all registered vendors in one location.
 - Develop ways to integrate eVA into the agencies' accounting system, including integrating the chart of accounts into eVA, combining eVA data, invoice data, budget checking, and receiving.

The APA recommends that the Secretaries of Administration, Finance, and Technology work with the Department of General Services and the Commonwealth's Enterprise Application Project Director to develop the framework for achieving the three recommendations.

Special Reports – Quarter Ended September 30, 2007

The APA issued the following Special Reports for the quarter. The full text of these reports is available at www.apa.virginia.gov.

1. Quarterly Report Summary to the Joint Legislative Audit and Review Commission – April 1, 2007 through June 30, 2007
2. Auditor of Public Accounts 2007 Report to the General Assembly
3. Review of Performance Measures for the Year Ended June 30, 2006
4. Auxiliary Enterprises Accounting and Reporting Issues at Virginia’s State-Supported Universities; September 14, 2007. The Report contained five recommendations as follows:
 1. The State Council of Higher Education for Virginia (SCHEV), in consultation with financial management of Virginia’s state-supported universities, should develop a principle-based definition of those activities funded from mandatory fees.
 2. SCHEV, in consultation with financial management of Virginia’s state-supported universities, should update and refine its auxiliary enterprise accounting guidance. The revised guidance should include principles for identifying activities as auxiliary enterprises, accounting procedures, and the process for allocating debt service and indirect costs to individual auxiliary enterprises.
 3. The universities should monitor auxiliary enterprises to determine whether they are self supporting and document and approve transfers between auxiliary enterprises.
 4. If SCHEV continues to require Virginia’s state-supported universities to prepare the Schedule of Auxiliary Enterprises, then SCHEV, in consultation with financial management of Virginia’s state-supported universities and the APA should develop specific, consistent procedures for preparing the schedule.
 5. If SCHEV determines that the Schedule of Auxiliary Enterprises is necessary, then SCHEV, in consultation with financial management of Virginia’s state-supported universities and the APA should develop specific, consistent procedures for preparing a Schedule that shows the sources and uses of Auxiliary Enterprises reserves.

Other Audit Reports Received – Quarter Ended September 30, 2007

The APA also issued the following reports for the quarter. The full text of these reports is available at www.apa.virginia.gov.

1. Indigent Defense Commission for the period July 1, 2005 through June 30, 2006
2. Review of the Supreme Court's Systems Planning and Operations as of August 30, 2007
3. Virginia Board of Bar Examiners for the period July 1, 2004 through June 30, 2006
4. The Virginia State Bar for the Years Ended June 30, 2005 and 2006
5. Mega-Millions – State Lottery Department Report on Applying Agreed-Upon Procedures for the period April 1, 2006 through March 31, 2007
6. The State Lottery Department: Report on applying agreed-upon procedures for the period March 1, 2006 through March 31, 2007
7. State Lottery Department Report on Audit for the year ended June 30, 2007



Status of Prior Audit Findings

The policy governing the Agency Response to APA Audits requires follow-up reports on agency workplans every 90 days until control findings are certified by the agency head as corrected. The status of corrective action information reported by agencies under this policy is included in this report.

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

Status Report on Resolution of APA Audit Findings

As of September 30, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of General Services</u>				
2006	06-01	Improve documentation and internal controls over fiscal operations.	DGS is preparing a risk assessment of the Fiscal Services Section and will produce a report.	In progress
	06-02	Review and issue updated eVA manual.	DGS updated the manual and posted the update on June 27, 2007.	Completed
	06-03	Develop and implement policies and procedures for the surplus warehouses.	Standard operating procedures are being written.	In progress
	06-04	Include mandated procedures in the surplus property manual.	Mandated procedures will be incorporated in the written procedures.	In progress
	06-05	Increase awareness and use of the surplus property and disposal process.	New web pages and internet sales program are be developed. Surplus recommends all agencies schedule deliveries.	In progress
	06-06	Finalize and distribute real estate policies and procedures.	Real Estate Services has scheduled the revision of policies and procedures to be accomplished within nine months.	In progress
	06-07	Improve internal controls over appointment of contract administrator.	DGS has subsequently issued two contract letters.	In progress
	06-08	Document internal controls over administration of statewide contracts.	Vendor evaluation documentation has been placed in the files and a copy was forwarded to the APA.	Completed

Status Report on Resolution of APA Audit Findings

As of September 30, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	06-09	Improve internal controls over special payouts to terminated employees.	DGS is re-evaluating its internal controls and will modify them as necessary to ensure control over payments. The re-evaluation is scheduled to be completed no later than the end of December 2007.	In progress
<u>Norfolk State University</u>				
2006	06-01	Follow the University's systems change management procedures.	Management will ensure records and approvals are documented as required by best practices.	In progress
	06-02	Strengthen controls over capital project management.	Corrective action underway. NSU has hired a Procurement Officer. A central file is being kept. Formal policies and procedures are being developed.	In progress
	06-03	Complete biennial equipment inventories.	Corrective action underway. NSU will revise inventory policies and procedures to eliminate inadequacies.	In progress
	06-04	Develop formal capital asset accounting policies and procedures.	Written policies and procedures will be developed assigning useful lives or salvage value to fixed assets.	In progress
2005	05-01	Collect and correct accounts receivable.	Corrective action complete. The point was not repeated.	Completed
	05-02	Improve the continuity of operations disaster recovery plan.	Corrective action complete. The point was not repeated.	Completed
<u>The Virginia Community College System Central Office</u>				
2006	06-01	Improve risk management and contingency plans.	An updated Information Security Program has been prepared and is undergoing additional development.	In progress
	06-02	Develop, approve, and implement written standards and procedures for the firewall.	The Office has developed and implemented a formal firewall standard and supporting change management procedure. All points in the audit finding were addressed during June 2007 and communicated to all responsible ITS staff.	Completed

Status Report on Resolution of APA Audit Findings

As of September 30, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Rappahannock Community College</u>				
2006	06-01	Comply with the Commonwealth's Security Standard SEC501, SEC 2001, and VCCS Standards.	The College has purchased an on-line training program. The President has approved the Risk Assessment, Impact Analysis, Continuity and Disaster Recovery Plans.	In progress
<u>Danville Community College</u>				
2006	06-01	Comply with the Commonwealth's Security Standard, SEC 2001, and VCCS Standards.	The College is using the MOAT security awareness training system. Policies and procedures will be addressed in the second SEC 501 compliance filing.	In progress
<u>Eastern Shore Community College</u>				
2006	06-01	Comply with the Commonwealth's Security Standard, SEC 2001, and VCCS Standards.	The College is evaluating products and methods to improve the current system.	In progress
<u>Wytheville Community College</u>				
2006	06-01	Comply with the Commonwealth's Security Standard, SEC 2001, and VCCS Standards.	The College is using the MOAT security awareness training system. Policies and procedures will be addressed in the second SEC 501 compliance filing.	In progress
<u>Central Virginia Community College</u>				
2006	06-01	Report payment data to NSLDS Timely.	The Financial Aid Manager assures that all students in overpayment are placed on a monitoring system to track the 45-day limit. All students in overpayment were on the system as of September 10, 2006.	Completed
	06-02	Report payment data to COD Timely.	The Financial Aid Officer began submitting Originations and Disbursements seven days prior to the funds being needed beginning August 23, 2006.	Completed
	06-03	Properly calculate Title IV refunds and return funds timely.	The Financial Aid Officer will use functionality provided by U. S. DOE software and PeopleSoft to check calculations and refunds.	In progress

Status Report on Resolution of APA Audit Findings

As of September 30, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	06-04	Formalize policies and procedures and improve internal controls over student financial aid.	Written policies and procedures covering Student Information System/PeopleSoft have been developed and are being reviewed.	In progress
	06-05	Ensure capital asset inventory records are accurate.	FAIS was corrected and the records documented effective May 31, 2007.	Completed
<u>Thomas Nelson Community College</u>				
2006	06-01	Retain required documentation for Small Purchase Charge Cards.	The College is providing annual training on the use of the cards. Staff has made several site visits to survey different document filing systems. New filing procedures have been implemented.	In progress
	06-02	Improve accounts receivable reporting.	All receivables are now included in quarterly reports. Accounts are being aged to assist in valuing an allowance for doubtful accounts.	In progress
<u>Virginia Highlands Community College</u>				
2006	06-01	Report payment data to NSLDS timely.	Cross training to ensure reports are made timely has been implemented. Several additional reviews have been added to the process.	In progress
<u>Department of Mental Health, Mental Retardation, and Substance Abuse Services</u>				
2006	06-01	Strengthen monitoring of the community service boards.	Each office responsible for monitoring is submitting its procedures to the Office of Budget and Financial Reporting for consolidation and final written procedures produced.	In progress
	06-02	Expand security awareness training programs.	Training has been developed and is being put in place.	In progress
	06-03	Institute inventory controls for community resource pharmacy.	A pharmacy module is being produced as a part of electronic health records beginning in FY 2008.	In progress
	06-04	Strengthen controls over capital asset useful life.	The Department is developing procedures to comply with GASB 34 reporting standards.	In progress

Status Report on Resolution of APA Audit Findings

As of September 30, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Juvenile Justice</u>				
2006	06-01	Improve separation of duties over CARS.	The Accounting Manager is issuing new segregation of duties procedures for all fiscal staff.	In progress
	06-02	Update leave activity in CIPPS timely.	Leave balances were loaded prior to July 1. Ongoing monthly verification is underway.	In progress
	06-03	Strengthen controls over capital project procurement and capitalization.	The Department is producing updated policies and procedures to insure files contain required information.	In progress
	06-04	Improve controls over Anthem contract.	A contract Project Monitor has been assigned to the Anthem contract.	In progress
2005	05-01	Improve controls over procurement records and contract administration.	See 06-03 and 06-04.	In progress
<u>The Library of Virginia</u>				
July 1, 2004 - June 30, 2006	6-01	Improve controls over CARS access.	Corrective action complete. All CARS and CIPPS access have been reviewed and corrected.	Completed
<u>Department of Alcoholic Beverage Control</u>				
2006	06-01	Increase preventative maintenance measures.	Corrective action complete.	Completed
<u>Department of Forestry</u>				
2006	06-01	Strengthen internal controls over capital asset useful life methodologies.	Corrective action underway. Forestry is assigning useful lives based on agency practices and is examining currently assigned useful lives and making adjustments as necessary.	In progress
<u>Department of Education</u>				
2006	06-01	Enhance documentation and internal controls over SOQ model.	Corrective action underway. DOE is assessing the risk over the Standards of Quality application.	In progress

Status Report on Resolution of APA Audit Findings

As of September 30, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Taxation</u>				
2006	06-01	Establish procedures for review of router policies.	The Department continues to work with VITA to meet the information security requirements.	In progress
<u>Department of Planning and Budget</u>				
2006	06-01	Complete an information security program.	DPB plans to purchase an online security package, make training mandatory for all employees and ensure that new employees are trained within 30 days of employment.	In progress
	06-02	This is a repeated point. Improve documentation for appropriation adjustments.	DPB will provide mandatory training for all budget analysts.	In progress
	05-02	Improve documentation for appropriation adjustments.	See 06-02.	In progress
	06-03	Provide assurance of infrastructure security.	Planning and Budget is working with VITA to develop an agreement to provide a level of security that will meet the appropriate standards.	In progress
<u>Virginia Port Authority</u>				
2006	06-01	Update Information Technology policies and procedures.	Corrective action underway. The Authority has transferred its IT operations to Virginia International Terminals and is providing guidance on what security controls are needed.	In progress
<u>Virginia Retirement System</u>				
2006	06-01	Update business impact analysis and risk assessment.	The System is updating its Impact Analysis and Risk Assessment.	In progress
<u>Virginia Commonwealth University</u>				
2006	06-01	Improve the procedures for Small Purchase Charge Cards.	Cardholders and supervisors must complete the web-based training and test by April 30, 2007 to retain cardholder privileges.	In progress

Status Report on Resolution of APA Audit Findings

As of September 30, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	06-02	Departments should resolve cash reconciliation items timely.	The General Accounting Department will continue to strengthen and improve processes and communication with the University's departments.	In progress
	06-03	Ensure timely utility payments.	The implementation of Banner Finance implemented revised procedures for timely processing of utility payments.	In progress
<u>Christopher Newport University</u>				
2006	06-01	Improve password management policies.	The University Technology Committee is evaluating the systems' risks and formulating password policies to meet the risks and data security standards.	In progress
<u>University of Mary Washington</u>				
2006	06-01	This is a repeated point. Develop policies and procedures.	The University is developing several procedures and is expected to be completed within 12 months.	In progress
	05-01	Prepare written policies and procedures.	See 06-01.	In progress
	06-02	Strengthen physical and environmental controls for critical information technology equipment.	Improvements to ensure proper maintenance of room temperature and back up generators at the CGPS server room are on the current year's pending project list.	In progress
	06-03	Complete and update the Continuity of Operations Plan.	The University has entered into a contract with Beck Disaster Recovery, Inc. to develop the University's Continuity of Operations Plan with an expected completion date of June 2007.	In progress
<u>Virginia Employment Commission</u>				
2006	06-01	Develop information security program.	A team of IT, Security and business staff is updating the Security Program that will meet the VITA IT Security Audit Standard.	In progress

Status Report on Resolution of APA Audit Findings

As of September 30, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	06-03	Follow established procedures for Field Office payment logs.	An Audit Documentation Report has been developed and sent to Regional Directors. The Chief of Benefits is meeting with the Regional Directors to schedule Field Office reviews.	In progress
	06-04	This is a repeated point. Continue efforts to improve participant data entered into VWNIS.	The installation of the VWNIS replacement system is within scope, budget, and timeframes. The implementation is 67% complete, with a go-live date of December 2007. VEC has completed one "train the trainee" session.	In progress
	05-03	Hold localities liable for participant data entered in the Workforce Network.	See 06-04.	In progress
<u>Radford University</u>				
2006	06-01	This is a repeated point. Complete information security program.	The information security program is expected to be completed by June 30, 2007.	In progress
	05-02	Develop Information Technology policies and procedures.	See 06-01.	In progress
	06-02	Update the business continuity plan.	An off campus site has been located and infrastructure components will be installed on the site by September 30, 2007.	In progress
	06-03	Adhere to policies and procedures for cash collections.	The staff has implemented corrective action for all of the issues related to timely cash deposits.	In progress
<u>Department of Health</u>				
2006	06-01	Security risk assurance for infrastructure.	VDH has revised the contract with VCU to include specific security and control requirements. VDH will supervise VCU to assure controls are in place and operating.	In progress

Status Report on Resolution of APA Audit Findings

As of September 30, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Social Services</u>				
2006	06-01	Improve case file documentation for temporary assistance to needy families.	In coordination with DCSE, ways to streamline and enhance the non-cooperation process and its timeliness are being explored.	In progress
	06-02	Improve usage of income eligibility and verification system and case file documentation.	Staff will undergo training to strengthen the IEVS process and procedures will be reviewed on a quarterly basis.	In progress
	06-03	Strengthen controls over the budgeting process.	Procedures will be developed and documented. The automated approval feature of the Budget Request System has been disabled and will be reprogrammed.	In progress
	06-04	Expand budgeting to include total locality operations, not just by program or budget line.	Management does not agree that the failure to review locality budgets as a whole prevents the Department from identifying budget variances or from monitoring local agency budget as the system is a state-mandated, locally administered system the development and management of local budgets are local responsibilities.	In progress
	06-05	Define budget oversight responsibilities.	By April 1, 2007, the department will develop procedures which define the responsibilities of staff authorized to initiate and/or execute budget transactions.	In progress
	06-06	Budget adjustments and budget execution oversight.	The automatic approval feature of the Budget Request System has been disabled and plan to have this feature reprogrammed and back in operation by June 1, 2007.	In progress
	06-07	Properly report federal expenses on financial reports.	The Department is reviewing its procedures for preparing and submitting federal reports and implementing the appropriate enhancements by September 30, 2007.	In progress

Status Report on Resolution of APA Audit Findings

As of September 30, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	06-08	Improve documentation of Medicaid cases.	The department will enhance its existing monitoring and evaluation procedures.	In progress
	06-09	Establish control mechanisms for adult services payments.	Revised procedures for Adult Services were released in March 2007.	In progress
	06-10	Strengthen and ensure compliance with policies and procedures for local adult service programs.	The Department will meet with the applicable LDSS directors to discuss and reinforce the caretaker procedures.	In progress
	06-11	Establish adequate controls and separation of duties in collection of child support payments.	Procedures will be updated to include additional security measures in regards to cash collection.	In progress
	06-12	Establish adequate controls over the payroll and human resources functions.	The Department has committed to updating and implementing the appropriate policies and procedures.	In progress
	06-13	Follow established policies over small purchase charge card program.	A program administrator has been hired and is in the process of implementing steps to strengthen control and procedures for small charge card purchases.	In progress
	06-14	Periodically review and reconcile firewall rules.	Management has requested VITA to supply them with the DSS rule-set for the three firewalls located at VITA.	In progress
	06-15	Reconcile ADAPT system data to the data warehouse.	The Department will implement procedures requiring a weekly comparison of the records transferred from ADAPT to the records received by the Data Warehouse.	In progress
	06-16	Perform adequate information technology data backups.	DSS backup tapes are now stored at Iron Mountain.	In progress

Status Report on Resolution of APA Audit Findings

As of September 30, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	06-17	This is a repeated point. Properly manage access to information systems.	Corrective action underway. DSS sent a broadcast to local departments of social services to remind them of the requirement for verification of SSN reminders for receipt of services.	In progress
	05-02	Properly manage access to information systems.	See 06-17.	In progress
	06-18	This is a repeated point. 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	Maintain a tracking system for local employees.	See 06-18.	In progress
	06-19	This is a repeated point. 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	Establish controls for foster care and adoption payments.	See 06-19.	In progress
<u>Department of Medical Assistance Services</u>				
2006	06-01	Address findings in internal audit report.	The Director reports they are implementing their corrective action plan for all of the internal audit report findings. Completion is estimated to be October 2007.	In progress
<u>Department of Motor Vehicles</u>				
2006	06-01	Improve controls over terminated employees.	A termination listing is being updated semi-monthly. Existing HRO and ITS forms are cross-referenced. DMV managers are reviewing system access and user accounts.	In progress

Status Report on Resolution of APA Audit Findings

As of September 30, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	06-02	This is a repeated point. Provide assurance of infrastructure security.	The Memorandum of Understanding with VITA will provide DMV's security requirements.	In progress
	05-03	Improve information technology security standards and guidelines.	See 06-02.	In progress
<u>The College of William and Mary in Virginia</u>				
2006	06-01	This is a repeated point. Improve financial statement preparation process.	The College is continuing to work with the Banner financial system vendor together with other Virginia schools also using Banner to improve the reporting process.	In progress
	05-01	Test financial statement preparation process.	See 06-01.	In progress
<u>State Board of Elections</u>				
2006	06-01	Improve subrecipient monitoring.	The Business Manager is developing procedures directing subrecipient audit monitoring.	In progress
<u>Virginia Racing Commission</u>				
2006	06-01	Update and document information security program.	The Commission has requested that VITA assure VRC that the standards used to operate the operating system meet current security standards.	In progress
	06-02	Improve documentation of revenue reconciliations.	VRC is reviewing the segregation of duties involved in handling revenues and will develop policies and procedures to formally document revenue reconciliations.	In progress
<u>Gunston Hall</u>				
2005	05-01	Strengthen controls over petty cash.	Guidelines are being drawn up. The account is being reconciled monthly.	In progress
<u>The Science Museum of Virginia</u>				
2006	06-01	Clarify the status of the Gift Shop operations.	The initial letter from the outgoing Director states that the Board of Trustees and Museum management are working to enhance operational performance and strengthen management accountability.	In progress

Status Report on Resolution of APA Audit Findings

As of September 30, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	06-02	Enforce Small Purchase Charge Card procedures.	See 06-01.	In progress
	06-03	Document departures from State practice.	See 06-01.	In progress
	06-04	Review and establish cash depositing practices.	See 06-01.	In progress
	06-05	Examine data system security and other computer considerations.	See 06-01.	In progress
	05-01	For the 4 th year SMV experienced material financial difficulties.	See 06-01. Funding concerns, including structural deficits, 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
	04-01	Improve cash management.	See 05-01.	In progress
<u>Longwood University</u>				
2006	06-01	This is a repeated point. Improve information security policies and processes.	Corrective action underway. LU contracted for web-based training recommended by VITA. The program was rolled out on campus. The Cabinet, two Councils and Faculty have taken the course and it is being given to staff.	In progress
	05-02	Establish a security awareness training policy and program.	See 06-01.	In progress
<u>Virginia State University</u>				
2006	06-01	Improve financial statement preparation process.	Corrective action underway. VSU has hired new employees for key positions in the financial reporting area, documenting desk procedures and cross training their staff.	In progress
	06-02	Improve information security program.	VSU will continue to monitor and assess the plan on an ongoing basis to determine if improvements can be made.	In progress

Status Report on Resolution of APA Audit Findings

As of September 30, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Attorney General and Department of Law</u>				
2006	06-01	Complete an information security program.	The Office hired a Chief Information Officer on November 1, 2006. The Office has started a program to achieve compliance with ITRM SEC 501-01 and will appoint a Chief Security Officer.	In progress
	06-02	Strengthen controls over Small Purchase Charge Card Program.	The Director of Finance continues to stress the importance of proper documentation and continues to educate staff about procurement laws and policies.	In progress
<u>Department of Minority Business Enterprise</u>				
February 1, 2006 through January 31, 2007	06-01	This is a repeated point. Update on prior year recommendations.	Corrective action underway. The Department of General Services took over the fiscal, budgetary, and procurement functions effective October 2006. The Payroll Service Bureau is used for payroll maintenance. DMBE lacks the resources to resolve internal control risks.	In progress
	04-01	Enhance the housing agreement.	See 06-01.	In progress
	04-03	Update memorandum of understanding and funding plan with VDOT.	See 06-01.	In progress
	04-04	Improve controls over cell phone usage.	See 06-01.	In progress
	06-02	Document information security program.	The agency will continue to work with the Secretary of Administration to develop and implement administrative solutions to improve operational and internal controls.	In progress

Status Report on Resolution of APA Audit Findings

As of September 30, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>State Corporation Commission</u>				
2005	05-01	Implement a complete and current information security system.	Corrective action underway. The Commission hired Accenture, a consulting firm, to identify what the installation required. The original study was completed and additional analysis was requested by the Information Technology Director.	In progress
<u>Department of Conservation and Recreation</u>				
2005	05-01	Follow Small Purchase Charge Card procedures.	Corrective action underway. DCR trained employees in proper use of the card. The Internal Auditor is testing compliance in the state parks.	In progress
<u>Department of Forensic Science</u>				
2006	06-01	Establish and implement an information security program.	DFS contracted with North Highland to develop DFS' comprehensive security documentation.	In progress
<u>Department of Veterans Services</u>				
January 1, 2005 through March 31, 2006	06-04	Properly report construction in progress.	Corrective action underway. Financial reports for FY 2006 included all construction in progress. FAACS files still need to be updated.	In progress
	06-05	Establish and implement adequate policies and procedures over the Veterans Services Foundation.	Corrective action underway. The Director states that DVS and VSF are reviewing revised policies and procedures and expects full corrective action to be taken by July 2007.	In progress
	06-07	Appropriately allocate administrative costs.	Corrective action underway. Changes have been identified for allocating administrative costs for FY 2007.	In progress

Status Report on Resolution of APA Audit Findings

As of September 30, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	06-08	Information systems security assurance.	Corrective action underway. DVS has published policies regarding use of personal laptops and controlling veterans' information. DVS will obtain assistance from VITA to assess security around the newly installed Financial Management System (FMS); also the FY 2007 VITA contract is now modified to provide additional system security.	In progress
	06-09	Improve voucher documentation and compliance with procurement and payment policies.	Corrective action underway. The Director states that DVS has begun implementing new policies and procedures and expects full corrective action to be complete prior to the next APA audit.	In progress
	06-12	This is a repeated point. Implement and monitor procedures to ensure proper use of funds.	Corrective action underway. DVS corrected the accounting classification of the federal VA subsidy funds. The use of the funds at the Care Center is being reviewed. The review is intended to result in a utilization plan for the funds.	In progress
	05-04	Implement and monitor procedures to ensure proper use of funds.	See 06-12.	In progress
	06-13	This is a repeated point. Improve debt collection efforts and account write-offs.	Corrective action underway. New collection procedures are being formulated. Accounts receivable are reviewed at least quarterly.	In progress
	05-05	Improve debt collection efforts and account write-offs.	See 06-13.	In progress
	06-15	Properly manage fixed assets.	Corrective action underway. Financial reports for FY 2006 included all construction in progress. Further policies and procedures are being developed.	In progress

Status Report on Resolution of APA Audit Findings

As of September 30, 2007

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>George Mason University</u>				
2006	06-01	Improve system access policies.	Complete. The University developed a process that captures security changes in tables. Access is monitored and reviewed.	Completed
<u>Board of Accountancy</u>				
2006	06-01	Evaluate trust account.	The Board is developing policies and procedures to identify the financial objectives of the trust fund.	In progress
	06-02	Comply with the Commonwealth's security standard.	The Board is actively working to address the remaining concerns over its IT security.	In progress
<u>Department of Correctional Education</u>				
2006	06-01	Improve separation of duties over CARS.	CARS access has been limited to ensure segregation of duties.	In progress
	06-02	Improve controls over systems access.	Procedures to ensure removal of systems access upon employment termination have also been developed and implemented.	In progress
<u>Department of Corrections</u>				
2006	06-01	Strengthen controls over capital projects closing and capitalization processes.	Responsibilities of various units in the procedures related to the capital project closeout and capitalization processes have been determined. Reorganization of resources is being evaluated.	In progress
	06-02	Strengthen controls over capital asset useful life methodologies.	Various alternative approaches for reevaluating asset useful lives have been explored, but a final selection has not been made.	In progress
	06-03	This is a repeated point. Strengthen procedures over agency transaction vouchers.	Management has directed DOC units to use the standardized ATV form which is included on the Department's electronic Virtual Library. In addition, all DOC units have been alerted to the need for signatures of both the initiator and the approver of the form.	In progress

Status Report on Resolution of APA Audit Findings

As of September 30, 2007

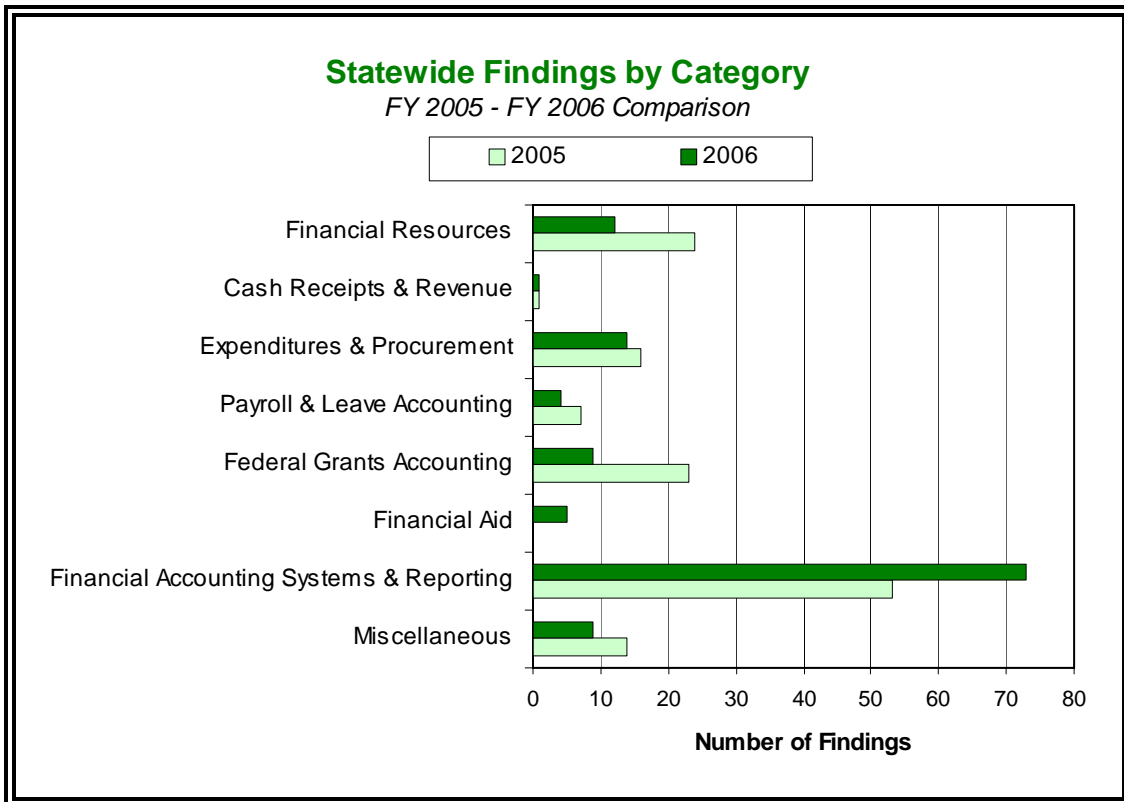
Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	05-03	Strengthen procedures over agency transaction vouchers.	See 06-03.	In progress
<u>Department of Agriculture and Consumer Services</u>				
2006	06-01	Comply with the Commonwealth's security standard.	Management will provide a prioritized list for restoring services after a disaster to VITA so a recovery plan can be devised.	In progress
<u>Department of Criminal Justice Services</u>				
2006	06-01	Strengthen monitoring of grant programs.	The Department has recently developed an enhancement to the Grants Management Information System to track the monitoring done by grant monitors.	In progress
	06-02	Comply with the Commonwealth's Security Standard, SEC 2001.	The Department is striving to comply with VITA's Data Security Policies and Procedures. All users will be required to participate in an annual web-based security awareness training program.	In progress
	06-03	Strengthen internal controls over CARS access.	The Department has re-evaluated data entry capabilities and has changed access capabilities accordingly.	In progress
<u>Jamestown-Yorktown Foundation</u>				
2006	06-01	Improve small purchase charge card procedures.	The Foundation has held two mandated training sessions to enforce adherence to the established policies and procedures for small purchase charge cards.	In progress
<u>Department of Fire Programs</u>				
2006	06-01	Comply with the Commonwealth's Security Standard, SEC 2001.	The Department is establishing data security policies and procedures, including logical access, physical access, logging and monitoring.	In progress



Annual Summary of APA Audit Findings

As of September 30, 2007, the Auditor of Public Accounts had issued 75 audit reports for 129 Executive Branch agencies for FY 2006. Of these reports, 41 reflected no internal control weaknesses or compliance findings. The remaining 34 audit reports, covering 52 agencies contained 127 audit findings that cited internal control weaknesses and instances of noncompliance. For FY 2005, 37 of 67 reports contained findings and 138 total findings were reported. About 57 percent of the FY 2006 audit findings were reported in the Financial Accounting Systems and Reporting area compared to 38 percent for the previous year.

Category	New Findings	Repeat Findings	Total Findings
Financial Accounting Systems & Reporting	63	10	73
Financial Resources	11	1	12
Expenditures & Procurement	12	2	14
Miscellaneous	8	1	9
Federal Grants Accounting	7	2	9
Cash Receipts & Revenut	1	-	1
Payroll & Leave Accounting	4	-	4
Financial Aid	5	-	5
Total	111	16	127



Compliance Monitoring

Confirmation of Agency Reconciliation to CARS Reports

The Commonwealth Accounting and Reporting System (CARS) contains the Commonwealth's official accounting records. Therefore, State accounting policy requires that each agency reconcile its internal accounting records to CARS at least monthly and submit the results of the reconciliation via the confirmation of agency reconciliation to CARS reports.

DOA closely monitors confirmation status, evaluates exceptions, and posts correcting entries in CARS. Confirmations for July and August were due 8/31/07 and 9/28/07, respectively.

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

Confirmations Late or Outstanding

As of November 15, 2007

	<u>Jul</u>	<u>Aug</u>
New College Institute	-	11/5/07

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

Response to Inquiries

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

However, in other instances, agencies do not respond timely or simply fail to respond. For the quarter ended September 30, 2007, 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 anomalies and investigate and correct immediately. If the anomaly cannot be corrected at the agency level, the problem should be noted on the exception register.

DOA monitors selected general ledger balances and contacts agencies in writing about certain irregular balances. For the quarter ended September 30, 2007, no agencies failed to respond timely, make corrective action and/or provide additional information.

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. The following agencies failed to respond timely, make corrective action and/or provide additional information.

Credit Cash, Excess Expenditures, and Expenditure Credits

As of October 15, 2007

	<u>Jul</u>	<u>Aug</u>
New College Institute	-	X

Disbursement Processing

During the quarter ended September 30, 2007, DOA deleted, at the submitting agency's request, 97 payments that were awaiting disbursement from the vendor payment file. These included duplicate payments, payments with incorrect vendors or addresses, and payments with incorrect amounts. This type of transaction may point to areas where improved agency internal accounting controls should be evaluated.

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

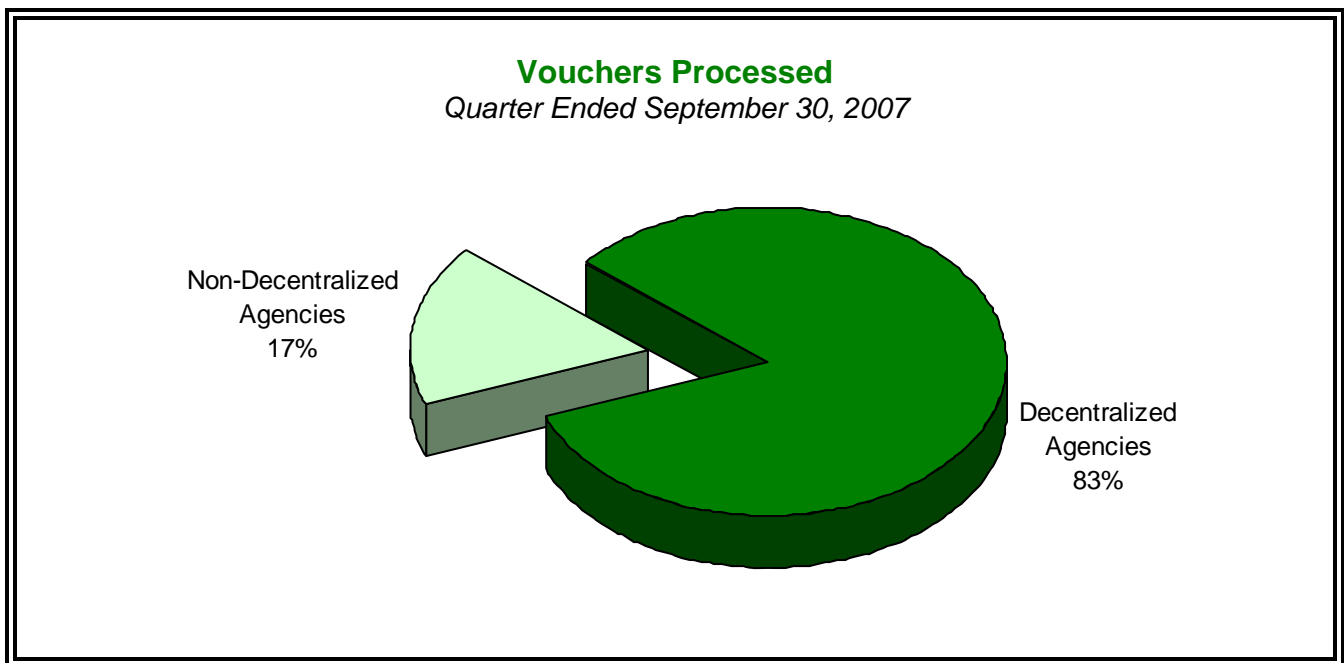
- Department of Transportation



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 five 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. For agencies receiving a performance rating lower than “Good”, the primary reasons for an Exception Rate exceeding 3.9 percent are provided on the next page.

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

<u>Decentralized Agency</u>	<u>Vouchers Reviewed</u>	<u>Vouchers with Compliance Findings</u>	<u>Exception Rate</u>	<u>Performance Measurement</u>
<i>Agriculture and Forestry</i>				
Department of Forestry	248	9	3.6%	Good
<i>Health and Human Services</i>				
Northern Virginia Mental Health Institute	291	27	9.3%	Minimal
<i>Natural Resources</i>				
Virginia Museum of Natural History	206	14	6.8%	Satisfactory
<i>Public Safety</i>				
Department of Veterans Services	347	13	3.7%	Good
Commonwealth's Attorneys' Services Council	113	4	3.5%	Good

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

Agencies with Performance Ratings Lower than “Good”

Northern Virginia Mental Health Institute – Minimal Performance – Of the 27 vouchers with findings, 14 were related to Travel Vouchers, 11 were related to Petty Cash Vouchers, and 2 were related to Vendor Payment Vouchers. Vouchers frequently have more than one finding and the following represents all compliance findings:

Travel Vouchers

- Inadequate Supporting Documentation (9)
- Cost Exceeds Allowable Guidelines (4)
- Approvals Provided After-the-Fact (1)
- Approvals Missing or Improper (4)

Vendor Payment Vouchers

- Inadequate Supporting Documentation (1)
- Cost Exceeds Allowable Guidelines (1)

Petty Cash Vouchers

- Inadequate Supporting Documentation (19)

Virginia Museum of Natural History – Satisfactory Performance – Of the 14 vouchers with findings, 9 were related to Travel Vouchers, 3 were related to Vendor Payment Vouchers, 1 was related to SPCC Vouchers, and 1 was for a Petty Cash Voucher. Vouchers frequently have more than one finding and the following represents all compliance findings:

Travel Vouchers

- Inadequate Supporting Documentation (9)
- Cost Exceeds Allowable Guidelines (3)
- Procedures Not Properly Followed (3)

Vendor Payment Vouchers

- Inadequate Supporting Documentation (2)
- Procedures Not Properly Followed (1)
- Incorrect Due Date (1)
- Approvals Provided After-the-Fact (1)

Petty Cash Vouchers

- Inadequate Supporting Documentation (1)
- Approvals Missing or Improper (1)

Small Purchase Charge Card Vouchers

- Approvals Missing or Improper (1)



Non-Decentralized Agencies

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

officers, for whom this additional safeguard is warranted.

During the quarter, DOA reviewed all non-decentralized agencies. A total of 1,429 non-travel disbursement batches and 497 travel disbursement batches were reviewed, disclosing 45 exceptions that were resolved prior to releasing the transactions for payment.



Prompt Payment Compliance

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

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

Statewide Prompt Payment Performance Statistics

	Quarter Ended September 30, 2007		Fiscal Year 2008 To-Date		Comparative Quarter Ended September 30, 2006	
	Late	Total	Late	Total	Late	Total
Number of Payments	8,398	598,950	8,398	598,950	8,449	599,923
Dollars (in thousands)	\$ 30,802	\$1,592,271	\$30,802	\$1,592,271	\$ 62,198	1,401,788
Interest Paid on Late Payments				\$2,697		
Current Quarter Percentage of Payments in Compliance				98.6%		
Fiscal Year-to-Date Percentage of Payments in Compliance				98.6%		
Comparative Fiscal Year 2007 Percentage of Payments in Compliance				98.6%		



Prompt Payment Performance by Secretarial Area

Quarter Ended September 30, 2007

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.4%	97.2%
Agriculture and Forestry	99.4%	99.1%
Commerce and Trade	98.9%	98.8%
Education*	98.0%	98.0%
Executive Offices	98.0%	94.3%
Finance	99.9%	100.0%
Health and Human Resources	99.1%	98.4%
Independent Agencies	98.4%	99.5%
Judicial	99.6%	99.8%
Legislative	99.8%	97.5%
Natural Resources	99.5%	99.2%
Public Safety	99.2%	98.8%
Technology	99.3%	93.5%
Transportation*	99.4%	98.5%
Statewide	98.6%	98.1%

Prompt Payment Performance by Secretarial Area

Fiscal Year 2008

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.4%	97.2%
Agriculture and Forestry	99.4%	99.1%
Commerce and Trade	98.9%	98.8%
Education *	98.0%	98.0%
Executive Offices	98.0%	94.3%
Finance	99.9%	100.0%
Health and Human Resources	99.1%	98.4%
Independent Agencies	98.4%	99.5%
Judicial	99.6%	99.8%
Legislative	99.8%	97.5%
Natural Resources	99.5%	99.2%
Public Safety	99.2%	98.8%
Technology	99.3%	93.5%
Transportation*	99.4%	98.5%
Statewide	98.6%	98.1%

* 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 September 30, 2007, 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 Percent**
Quarter Ended September 30, 2007

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
Education			
New College Institute	18	149	87.9%
Southwest Virginia Community College	42	571	92.6%
Virginia Polytechnic and State University	3,406	51,740	93.4%
Public Safety			
Virginia Veterans Care Center	34	505	93.3%

For FY 2008, 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 Percent**
Fiscal Year 2008

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
Education			
Southwest Virginia Community College	42	571	92.6%
Virginia Polytechnic and State University	3,406	51,740	93.4%
Public Safety			
Virginia Veterans Care Center	34	505	93.3%

Prompt Payment Explanations

Explanations for low prompt payment compliance rates for the first quarter of FY 2008 were provided by the following agencies.

The Virginia Veterans Care Center reports that it was not in compliance for the first quarter due to VITA related security and printing problems associated with implementing a new financial management system, unscheduled absence of key staff, and cash flow changes. Additionally, the workload was increased for existing staff due to the agency dividing into three separate agencies. There was also a short turnaround of payment required by the pharmaceutical vendor. Cash flow problems and issues with VITA security and printing have been resolved; improvements have been made with work flow; and steps are still being taken to improve the short turnaround requirement from the pharmaceutical vendor.

The Virginia Polytechnic and State University reports that it was not in compliance for the first quarter of fiscal year 2008 primarily due to changes in business processes, including central receipt and matching of vendor invoices. Some of the university's larger departments have had temporary delays associated with developing new business processes to gain efficiencies in using the new electronic purchasing system. A detailed analysis of the late payments for the first quarter indicated that the majority of the late payments were less than five business days late, which is consistent with temporary delays caused by such changes in business practices. The university believes it has implemented the corrective actions needed to restore compliance over Prompt Pay on a year-to-date basis by December 31, 2007.



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 September 30, 2007			Comparative Quarter Ended September 30, 2006
	E-Commerce	Total	Percent	Percent
Number of Payments	719,980	1,056,368	68.2%	72.0%
Payment Amounts	\$ 8,065,295,694	\$ 9,010,132,611	89.5%	87.9%

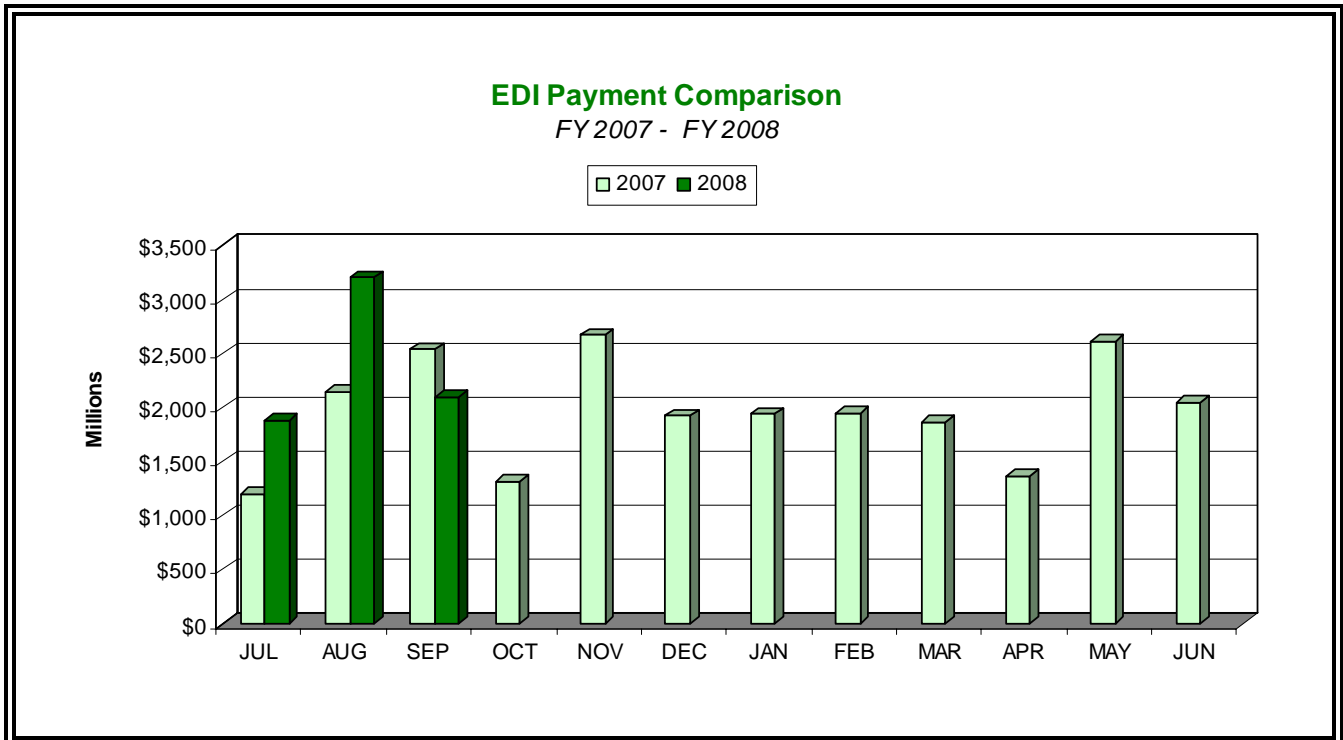
Financial Electronic Data Interchange (EDI)

The dollar volume of Financial EDI payments for the first quarter of FY 2008 were \$1.3 billion (22.1 percent) more than the same quarter last year. The number of trading partner accounts increased by 17.7 percent

from September 2006. 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 September 30, 2007	Comparative Quarter Ended September 30, 2006
Number of Payments	47,784	45,964
Amount of Payments	\$ 7,193,435,368	\$ 5,893,746,439
Number of Invoices Paid	192,913	185,701
Estimated Number of Checks Avoided	76,627	74,367
Number of Trading Partner Accounts as of 9/30/07	44,363	37,702



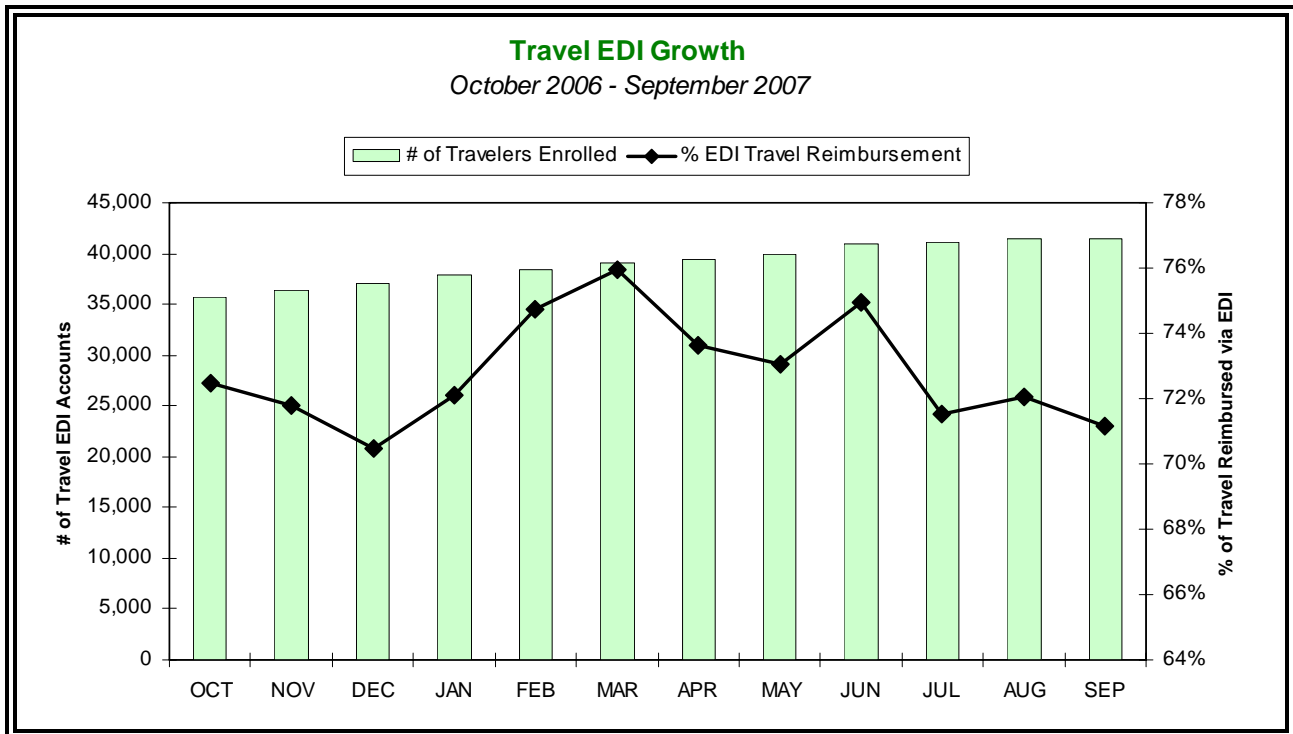
Travel EDI

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 §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. For FY 2008, the fee is \$5 per travel reimbursement check.

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



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

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

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

Quarter Ended September 30, 2007

Secretarial Area	Employee Percent	Non-Employee Percent	Reimbursement Checks Issued
Administration	83.6%	4.4%	50
Agriculture and Forestry	93.7%	7.7%	105
Commerce and Trade	93.6%	63.6%	201
Education ¹	83.8%	12.4%	1,712
Executive Offices	86.9%	29.7%	73
Finance	94.5%	87.5%	37
Health and Human Resources	91.7%	35.6%	1,183
Independent Agencies	92.0%	0.0%	145
Judicial	11.8%	1.9%	3,953
Legislative	88.9%	19.5%	167
Natural Resources	94.9%	47.2%	152
Public Safety	83.1%	5.5%	1,333
Technology	72.5%	0.0%	48
Transportation ¹	77.1%	19.4%	581
Statewide for Quarter	79.2%	18.7%	9,740
<i>Fiscal Year 2008 To-Date</i>			
Statewide	79.2%	18.7%	9,740
<i>Comparative Fiscal Year 2007 To-Date</i>			
Statewide	77.1%	16.8%	10,110

¹ Statistics do not include agencies and institutions decentralized for vendor payment processing.

The following table lists agencies with Employee EDI participation rates below 75 percent that issued more than 25 travel reimbursement checks during the quarter.

These statistics are informational only and **do not** necessarily indicate noncompliance with the Appropriation Act.

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

Agency	Percent	Reimbursement Checks Issued
Education		
The Library of Virginia	61.6%	28
Norfolk State University	43.5%	108
Judicial		
Magistrate System	5.7%	199
Supreme Court	5.3%	957
Juvenile and Domestic Relations District Courts	2.3%	381
Combined District Courts	2.1%	322
General District Courts	1.0%	400
Circuit Courts	0.9%	636
Court of Appeals of Virginia	0.0%	41
Public Safety		
Department of Veterans Services	71.0%	42
Western Regional Correctional Field Units	50.0%	32
Commonwealth's Attorneys' Services Council	28.3%	33
Green Rock Correctional Center	11.6%	61
Technology		
Virginia Information Technologies Agency	72.5%	46
Transportation		
Department of Transportation	71.2%	410

The following table lists agencies that issued more than 25 travel reimbursement checks during the quarter and had a non-employee EDI participation rate below 10 percent.

These statistics are informational only. The expansion of EDI for non-employees is a cost savings opportunity for the Commonwealth.

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

Agency	Percent	Reimbursement Checks Issued
Education		
Department of Education	3.8%	756
Norfolk State University	0.0%	28
Judicial		
Circuit Courts	3.7%	470
Supreme Court	0.6%	182
Virginia State Bar	0.0%	164
Juvenile and Domestic Relations District Courts	0.0%	55
General District Courts	0.0%	48
Public Safety		
Department of Emergency Management	3.4%	57
Department of Forensic Science	0.0%	172
Department of Criminal Justice Services	0.0%	117
Department of Veterans Services	0.0%	28
Agriculture and Forestry		
Department of Agriculture and Consumer Services	8.9%	41

The following table lists agencies that have accumulated more than \$100 in employee EDI check charges for the fiscal year and have a utilization rate below 80 percent. Agencies are charged for each travel reimbursement check issued to an employee after their second check of the fiscal year.

For FY 2008, the charge is \$5 per check. 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 Non-Compliance Travel Check Charges
Utilization Below 80 Percent**

Agency	Percent	Year-to-date Charges
Judicial		
Magistrate System	5.7%	\$ 205
Supreme Court	5.3%	330
Juvenile and Domestic Relations District Courts	2.3%	750
Combined District Courts	2.1%	510
General District Courts	1.0%	560
Circuit Courts	0.9%	2,035
Transportation		
Department of Transportation	71.2%	180



Direct Deposit

During the first quarter of FY 2008, 474,679 checks were avoided using direct deposit.

Agencies are expected to take proactive steps to improve participation rates.

Direct Deposit Performance by Secretarial Area

Quarter Ended September 30, 2007

<u>Secretarial Area</u>	<u>Direct Deposit % of Salaried Employees</u>	<u>Direct Deposit % of Wage Employees</u>
Administration	91.5%	88.1%
Agriculture and Forestry	94.6%	36.0%
Commerce and Trade	98.0%	92.1%
Education	97.6%	70.9%
Executive Offices	99.1%	61.8%
Finance	97.8%	93.9%
Health and Human Resources	90.7%	83.8%
Independent Agencies	96.7%	79.5%
Judicial	96.8%	57.2%
Legislative	97.3%	78.8%
Natural Resources	97.8%	52.4%
Public Safety	90.8%	85.2%
Technology	97.2%	100.0%
Transportation	91.8%	86.1%
Statewide	93.1%	74.0%
<i>Comparative</i>		
<i>Quarter Ended September 30, 2006</i>		
Statewide	91.4%	65.7%

Statewide Salaried Direct Deposit Performance

Quarter Ended September 30, 2007

Salaried Direct Deposit Participation	93.1%
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Salaried Direct Deposit Below 90 Percent

<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Administration		
State Board of Elections	87.1%	34
Education		
Virginia School for the Deaf, Blind and Multi-Disabled at Hampton	89.0%	100
Health and Human Resources		
Southwestern Virginia Mental Health Institute	88.2%	535
Catawba Hospital	87.7%	277
Eastern State Hospital	86.9%	997
Western State Hospital	86.8%	720
Southwestern Virginia Training Center	86.0%	478
Southern Virginia Mental Health Institute	85.6%	174
Commonwealth Center for Children & Adolescents	84.9%	139
Piedmont Geriatric Hospital	75.4%	334
Central Virginia Training Center	67.9%	1,437
Independent		
Virginia Office for Protection and Advocacy	88.6%	35
Public Safety		
Virginia Correctional Center for Women	89.6%	211
Buckingham Correctional Center	89.0%	400
Powhatan Reception & Classification Center	88.9%	126
Haynesville Correctional Center	88.6%	361
Sitter-Barfoot Veterans Care Center	88.5%	26
Western Region Correctional Field Units	88.4%	474
Department of Juvenile Justice	88.1%	2,319
Coffeewood Correctional Center	87.1%	233
Deep Meadow Correctional Center	86.8%	304
Eastern Region Correctional Field Units	86.8%	136
Deerfield Correctional Center	86.4%	337
Central Region Correctional Field Units	86.2%	123
Lunenburg Correctional Center	86.0%	264
Sussex II Correctional Center	85.1%	343
Nottoway Correctional Center	84.7%	432
Fluvanna Women's Correctional Center	84.6%	318
Mecklenburg Correctional Center	84.4%	390
Powhatan Correctional Center	84.3%	364
Augusta Correctional Center	84.3%	370
Brunswick Correctional Center	83.5%	395
Bland Correctional Center	83.3%	294
Greensville Correctional Center	82.8%	792
Dillwyn Correctional Center	74.2%	267

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Salaried Direct Deposit Below 90 Percent

(continued)

<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Transportation		
Department of Transportation - Staunton	89.8%	748
Department of Transportation - Culpeper	87.6%	515
Department of Transportation - Bristol	87.2%	775
Department of Transportation - Lynchburg	86.4%	639

Statewide Wage Direct Deposit Performance

Quarter Ended September 30, 2007

Wage Direct Deposit Participation	74.0%
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Wage Direct Deposit Below 50 Percent

<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Agriculture and Forestry		
Department of Forestry	21.3%	127
Education		
Virginia Highlands Community College	47.3%	91
Thomas Nelson Community College	46.8%	453
Paul D. Camp Community College	45.0%	140
Rappahannock Community College	41.5%	118
Radford University	38.5%	1,579
Richard Bland College	23.5%	34
Health and Human Resources		
Central Virginia Training Center	40.0%	110
Judicial		
General District Courts	47.7%	243
Combined District Courts	34.8%	23
Natural Resources		
Department of Conservation and Recreation	46.0%	949

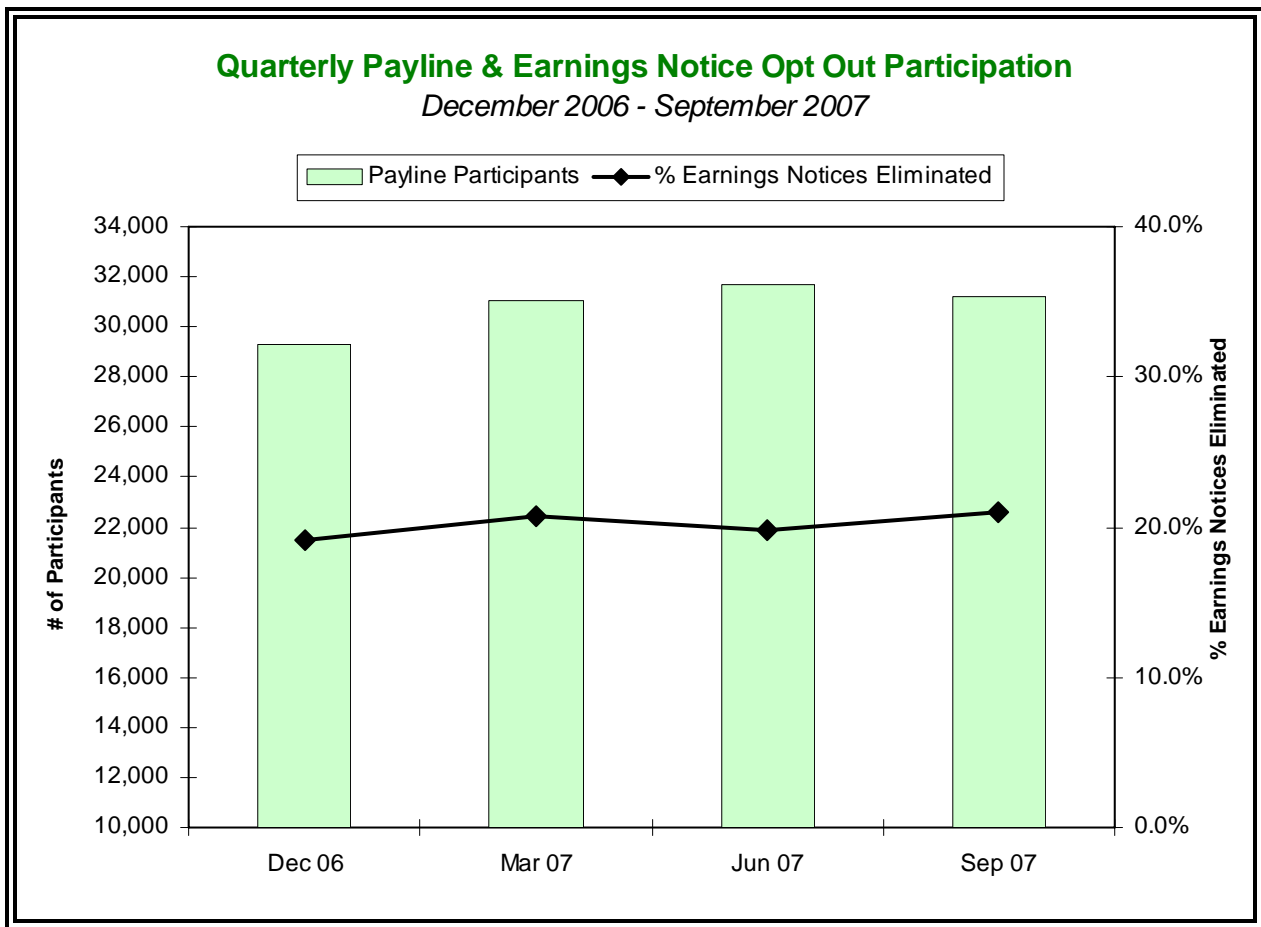


Payroll Earnings Notices

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 1,307,667 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 September 30, 2007

<u>Secretarial Area</u>	<u>Percent Payline Participation</u>	<u>Percent Earnings Notices Eliminated*</u>
Administration	61.4%	41.4%
Agriculture and Forestry	25.8%	14.5%
Commerce and Trade	78.5%	53.7%
Education	32.8%	25.7%
Executive Offices	60.6%	54.8%
Finance	93.6%	94.9%
Health and Human Resources	35.9%	16.4%
Independent Agencies	45.8%	32.4%
Judicial	9.9%	3.8%
Legislative	53.4%	46.7%
Natural Resources	42.5%	31.4%
Public Safety	29.0%	13.6%
Technology	86.2%	75.4%
Transportation	35.6%	14.7%
Statewide	35.2%	21.0%

<i>Comparative</i>		
<i>Quarter Ended September 30, 2006</i>		
Statewide	31.2%	16.4%

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

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

Listed below are agencies where less than six 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 6 Percent**

Quarter Ended September 30, 2007

<u>Agency</u>	<u>Percent Earnings Notices Eliminated</u>	<u>Earnings Notices Printed for 09/28/07 Payday</u>
Agriculture and Forestry		
Department of Forestry	3.4%	283
Education		
Central Virginia Community College	5.2%	189
Thomas Nelson Community College	4.7%	520
Rappahannock Community College	4.4%	131
Virginia School for the Deaf, Blind & Multi-Disabled at Hampton	3.7%	114
Radford University	3.1%	1,432
Christopher Newport University	2.3%	1,405
Northern Virginia Community College	1.8%	1,904
Health and Human Resources		
Central State Hospital	5.4%	861
Southside Virginia Training Center	5.1%	1,190
Piedmont Geriatric Hospital	2.6%	282
Central Virginia Training Center	1.7%	979
Judicial		
Indigent Defense Commission	2.6%	514
Combined District Courts	1.8%	200
Magistrate System	1.6%	392
General District Courts	1.0%	969
Juvenile and Domestic Relations District Courts	0.9%	611
Circuit Courts	0.0%	185
Court of Appeals of Virginia	0.0%	78

**Payline Earnings Notice Elimination
Under 6 Percent**

(continued)

Quarter Ended September 30, 2007

Agency	Percent Earnings Notices Eliminated	Earnings Notices Printed for 09/28/07 Payday
Public Safety		
Southampton Correctional Center	5.4%	280
Lunenburg Correctional Center	5.3%	213
Dillwyn Correctional Center	4.8%	187
Division of Community Corrections	4.5%	1,341
Deerfield Correctional Center	4.3%	284
Haynesville Correctional Center	4.3%	312
Fluvanna Women's Correctional Center	4.0%	251
Nottoway Correctional Center	3.9%	351
Bland Correctional Center	3.7%	235
Keen Mountain Correctional Center	3.7%	268
Virginia Veterans Care Center	2.7%	227
Greensville Correctional Center	2.6%	639
Brunswick Correctional Center	1.8%	324
Transportation		
Department of Transportation - Hourly	5.9%	265



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

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

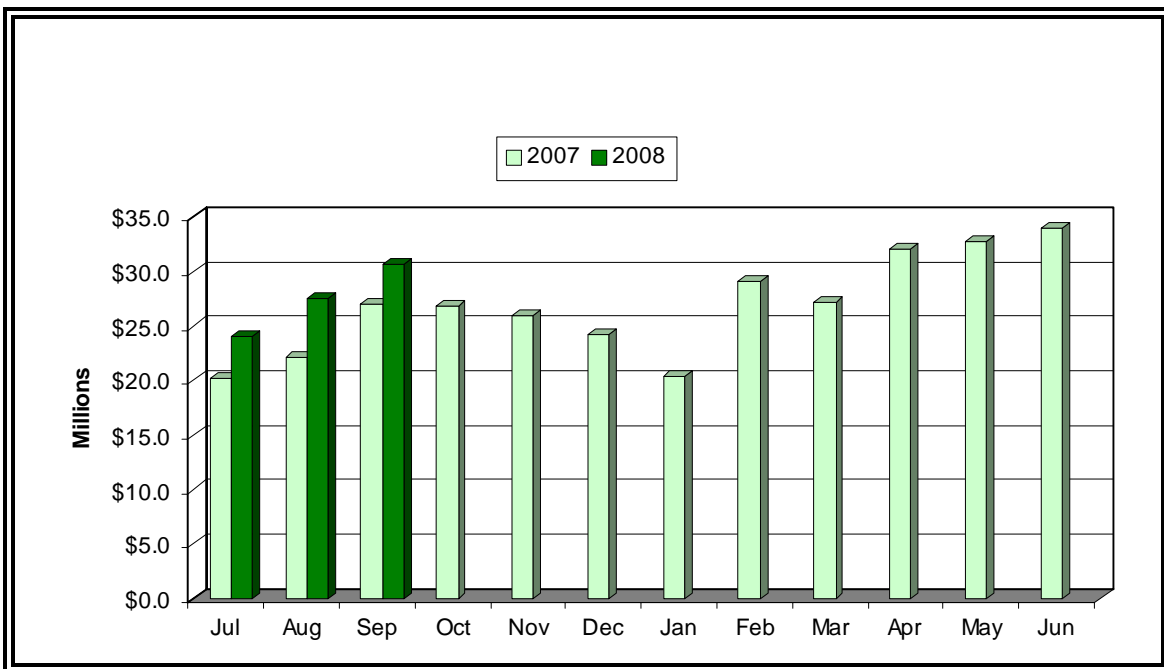
The Small Purchase Charge Card continues to be used for purchases under \$5,000. Agencies are strongly encouraged to obtain a Gold Card for use for purchases up to \$50,000.

The total amount charged on SPCC and Gold cards during the first quarter of FY 2008 increased by \$12.9 million or 18.7 percent from the same quarter last year.

Small Purchase Charge Card Program

Charge Card Activity	Quarter Ended September 30, 2007	Fiscal Year 2008 To-Date	Comparative Fiscal Year 2007 To-Date
Amount of Charges	\$ 82,272,953	\$ 82,272,953	\$ 69,310,873
Estimated Number of Checks Avoided	168,611	168,611	174,910
Total Number of Participating Agencies		226	212
Total Number of Cards Outstanding		15,072	12,509

The following chart compares charge activity for FY 2008 to activity for FY 2007:



SPCC Utilization Compliance

Maximum use of the SPCC program, in conjunction with other e-commerce initiatives, is essential to the statewide effort to reduce the costs associated with paying for goods and services for the Commonwealth.

For purposes of computing the \$5 underutilization charge imposed in accordance with §4-5.04g. of the Appropriation Act, the threshold has been set at 70 percent. Beginning in the second quarter of FY 2007, all local governments have been exempted from the utilization process.

In accordance with §4-5.04 of the Appropriation Act, the underutilization charge imposed for agencies under the 70 percent threshold is \$5.

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.

Each agency will receive a report of payments to participating suppliers which should have been paid by the SPCC from DOA. Questions regarding the data can be emailed to cca@doa.virginia.gov.

Statewide SPCC Performance

Quarter Ended September 30, 2007

Percentage Utilization for Eligible Transactions

88%

SPCC Utilization by Secretarial Area

Quarter Ended September 30, 2007

<u>Secretarial Area</u>	<u>Payments in Compliance ⁽¹⁾</u>	<u>Non-Compliant Transactions ⁽²⁾</u>
Administration	88%	428
Agriculture and Forestry	88%	367
Commerce and Trade	87%	478
Education*	92%	2,956
Executive Offices	98%	22
Finance	95%	71
Health and Human Resources**	86%	4,704
Independent Agencies	73%	617
Judicial	46%	1,738
Legislative	98%	33
Natural Resources	96%	574
Public Safety	95%	1,809
Technology	90%	75
Transportation*	75%	5,499
Statewide	88%	19,371

* 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 70 Percent**

Agency	Payments in Compliance	Non-Compliant Transactions
Commerce and Trade		
Virginia Employment Commission	54%	405
Education		
Norfolk State University	67%	570
Finance		
Department of Planning and Budget	69%	12
Independent Agencies		
State Corporation Commission	4%	415
Judicial		
Judicial Inquiry and Review Commission	69%	5
Virginia Indigent Defense Commission	68%	181
Board of Bar Examiners	0%	15
Circuit Courts	0%	161
Combined District Courts	0%	200
General District Courts	0%	525
Juvenile and Domestic Relations District Courts	0%	396
Magistrate System	0%	61
Virginia Criminal Sentencing Commission	0%	24
Legislative		
Commission on the Virginia Alcohol Safety Action Program	0%	16



SPCC Payment Compliance

Agencies and institutions participating in the Charge Card program are required to submit GE MasterCard payments via EDI no later than the 8th of each month. Failure to pay the correct amount when due jeopardizes the Commonwealth's contractual relationship with the charge card vendor and may result in suspension of an agency's charge card program. Any agency that pays their bill late by more than two (2) days is reported. For the month of July, this represents the bill date of July 16, 2007, with the payment due no later than August 8, 2007.

Agencies are credited under prompt payment reporting for timely payment of each purchasing charge card transaction. ***Effective July 1, 2007, any late payments on the Airline Travel Card (ATC) will be reflected in this section along with purchase card late payments. If an agency is late paying their ATC bill, agency prompt payment statistics may be adjusted downward to reflect each ATC bill submitted as a late payment.***

The following chart lists agencies more than two days late in submitting their payments by each program type.

<u>Agency Name</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>
<u>Purchase Card Program:</u>			
Administration			
Department of Minority Business Enterprise		X	
Education			
Eastern Shore Community College	X		
New College Institute	X	X	X
Southern Virginia Higher Education Center			X
Independent			
Virginia Office for Protection and Advocacy			X
Virginia Workers' Compensation Commission			X
Legislative			
Virginia House of Delegates			X
Public Safety			
Commonwealth's Attorneys' Services Council		X	

Airline Travel Card Program:

No late payments to report for the quarter.



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 September 30, 2007, and the total amounts past due.

Travel Charge Card Program

As of September 30, 2007

<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 >150 Days Past Due</u>
Administration				
Compensation Board	1	\$ 104	\$ 0	\$ 0
Education				
Norfolk State University	1	0	220	1,509
Old Dominion University	2	1,261	0	2,470
Thomas Nelson Community College	1	515	518	0
University of Virginia	4	0	2,260	511
Virginia Commonwealth University	3	291	0	0
Virginia Polytechnic Institute and State University	2	674	0	787
Virginia Military Institute	1	431	0	0

Travel Charge Card Program

As of September 30, 2007
(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 >150 Days Past Due</u>
Executive				
Attorney General and Department of Law	1	\$ 1,801	\$ 0	\$ 0
Transportation				
Department of Motor Vehicles	1	0	0	511



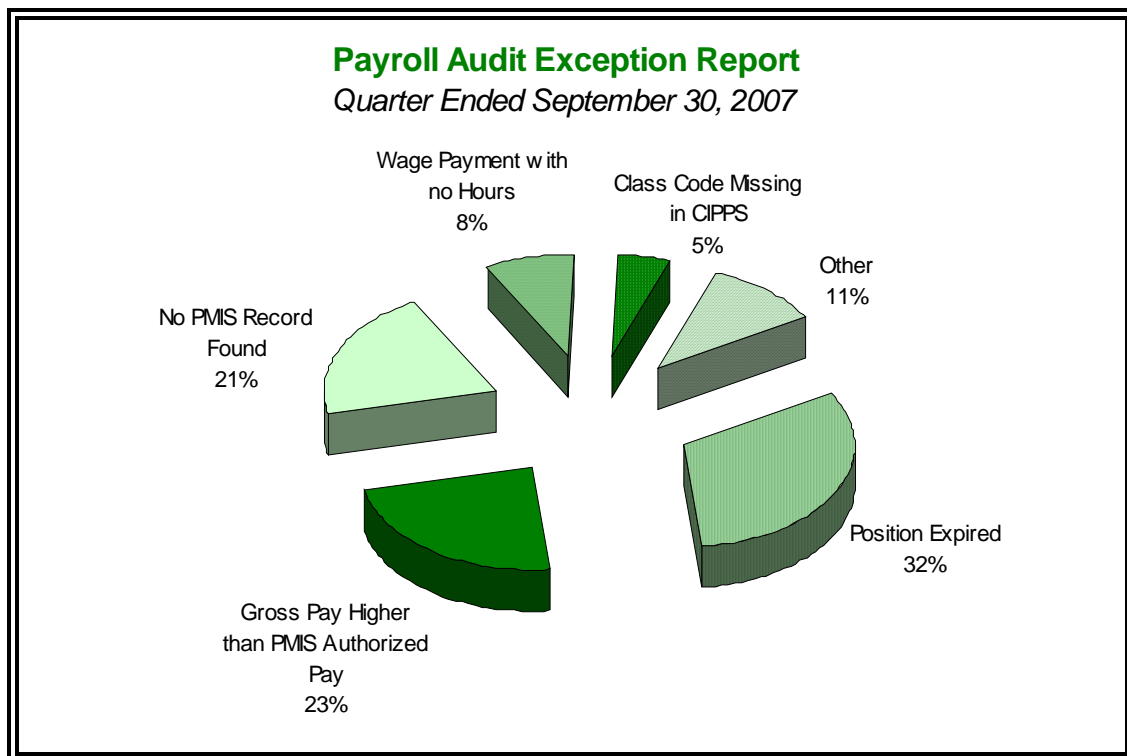
Payroll Controls

PMIS/CIPPS Payroll Audit

During the quarter, DOA's automated comparison of payroll and personnel (PMIS) records examined 434,658 salaried pay transactions and 217,044 wage pay transactions. The comparison is performed following each payday and is designed to identify discrepancies between authorized salary/wage amounts in PMIS and amounts paid in CIPPS. There were 2,857 new exceptions noted statewide during the quarter, with an overall exception rate of 0.45 percent.

The statewide salaried payroll exception rate was 0.65 percent and the wage payroll exception rate was 0.07 percent. During this quarter, 35 employee paychecks were reduced to recover \$31,739.22 in overpayments.

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



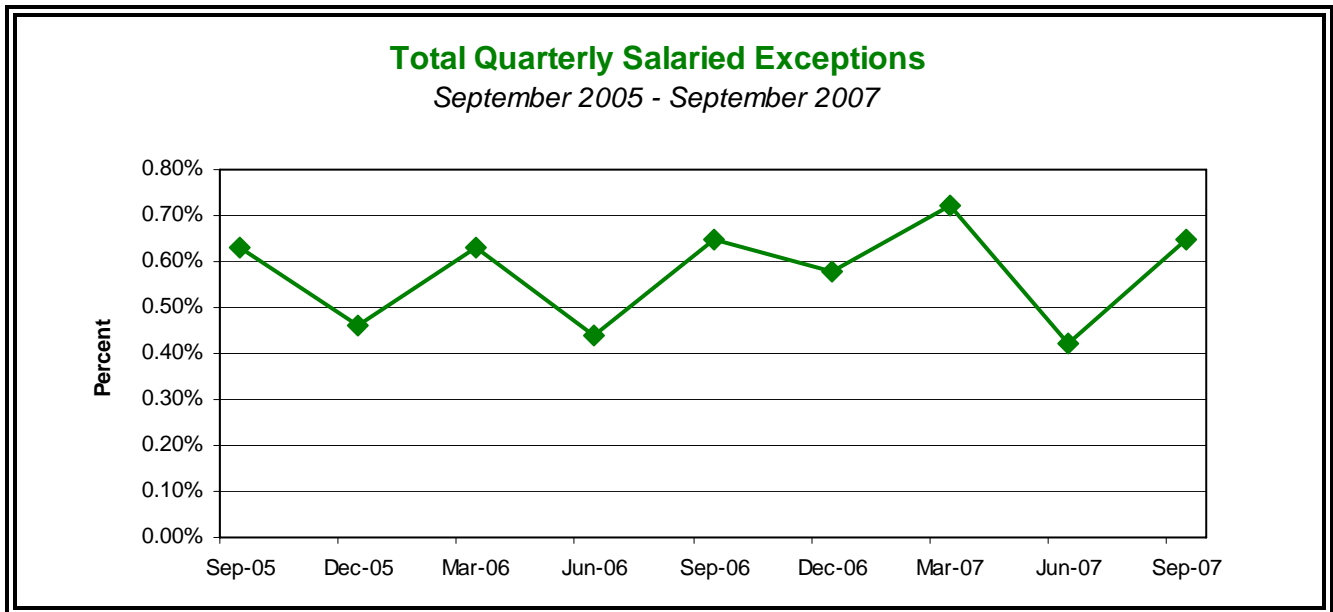
Exception percentages are calculated by dividing the number of exceptions by the number of salaried or wage employees. Agencies are reported below if the percentage

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 September 30, 2007

<u>Agency</u>	<u># of Salaried Exceptions</u>	<u>Exceptions as a % of Salaried Payments</u>
Selected Agency Support	1	2.38%
Southside Virginia Community College	24	2.01%
Eastern Shore Community College	9	2.68%
Sitter-Barfoot Veterans Care Center	6	4.00%
Total Salaried Payroll Exceptions for the Quarter		0.65%

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 September 30, 2007

<u>Agency</u>	<u># of Wage Exceptions</u>	<u>Exceptions as a % of Wage Payments</u>
Department of Conservation & Recreation	19	0.27%
Wage Payroll Exceptions for the Quarter		0.07%

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



PMIS/CIPPS Exceptions

Agencies are required to submit explanations and/or reconciliations for the differences identified on the CIPPS/PMIS Unresolved Exceptions Report, within six weeks of

notification. The following table lists those agencies having exceptions that remain unresolved six weeks after receipt of the report.

<u>Agency</u>	<u>Unresolved Exceptions</u>
<i>Public Safety</i> Dillwyn Correctional Center	1



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 each report by the end of the day following receipt of the report. Differences result from agency payroll errors, miscalculations, online certification data entry errors, and inappropriately high volumes of changes following certification. Although differences do not result in undetected

incorrect payments, such errors are avoidable and are not consistent with sound internal control over payroll.

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

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

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

Payroll Certification Compliance

Agency	Variance Amount (a)	Performed by DOA (b)	Submitted Late (c)	Corrected by DOA (d)
Education				
Danville Community College				1
Germanna Community College			2	
Jamestown 2007			2	
Jamestown-Yorktown Foundation			2	
Piedmont Community College				1
Health and Human Services				
Central State Hospital	\$ 32,218			
Public Safety				
Department of Corrections - Central Administration	100,000			
Department of Military Affairs	545,199			1
Transportation				
VDOT Central Office	69,515			

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 June, July and August were due 07/31/07, 08/31/07 and 09/30/07, respectively.

Schedule of Health Care Reconciliations Received Late

All received on time with no problems.



FINANCIAL MANAGEMENT ACTIVITY

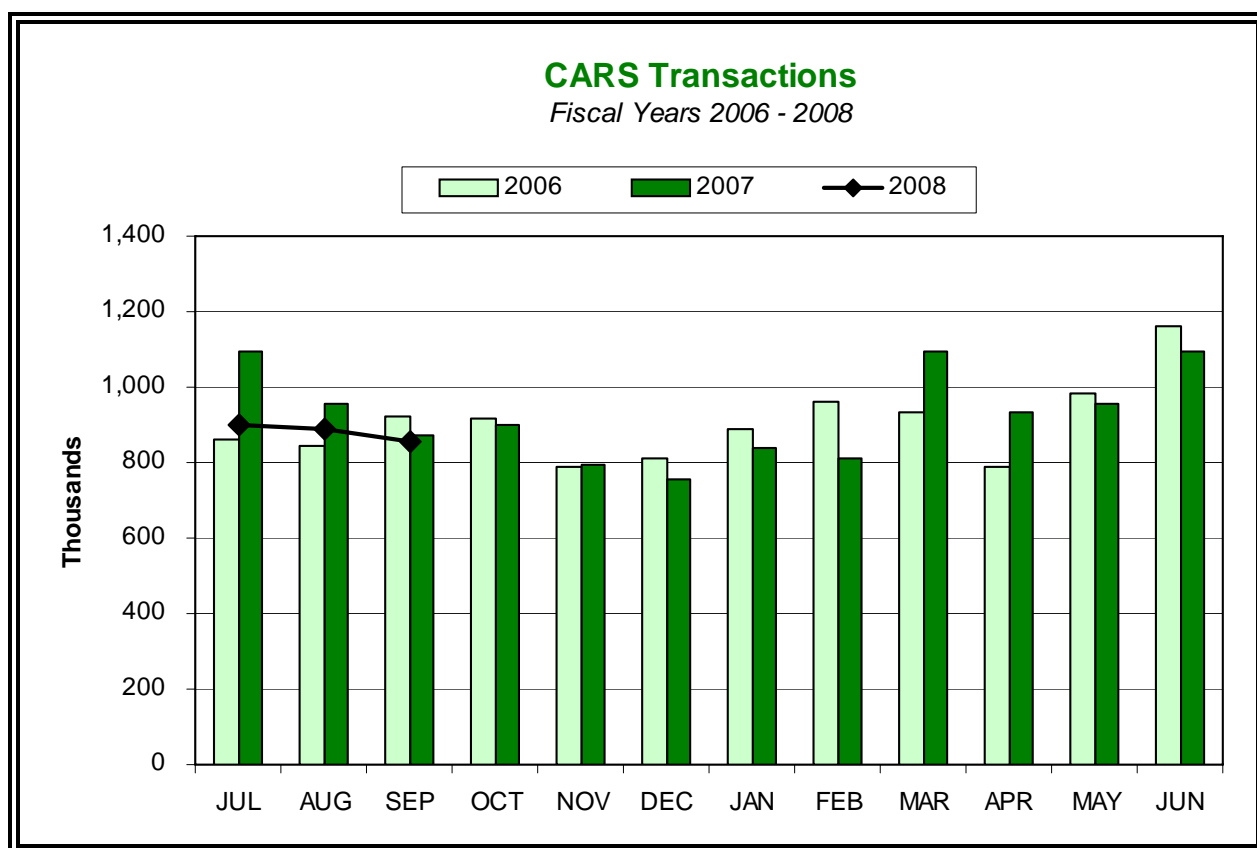
DOA monitors several types of financial activity. Various measures are used to track activities for CARS, payroll, accounts

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

Commonwealth Accounting and Reporting System (CARS)

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

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

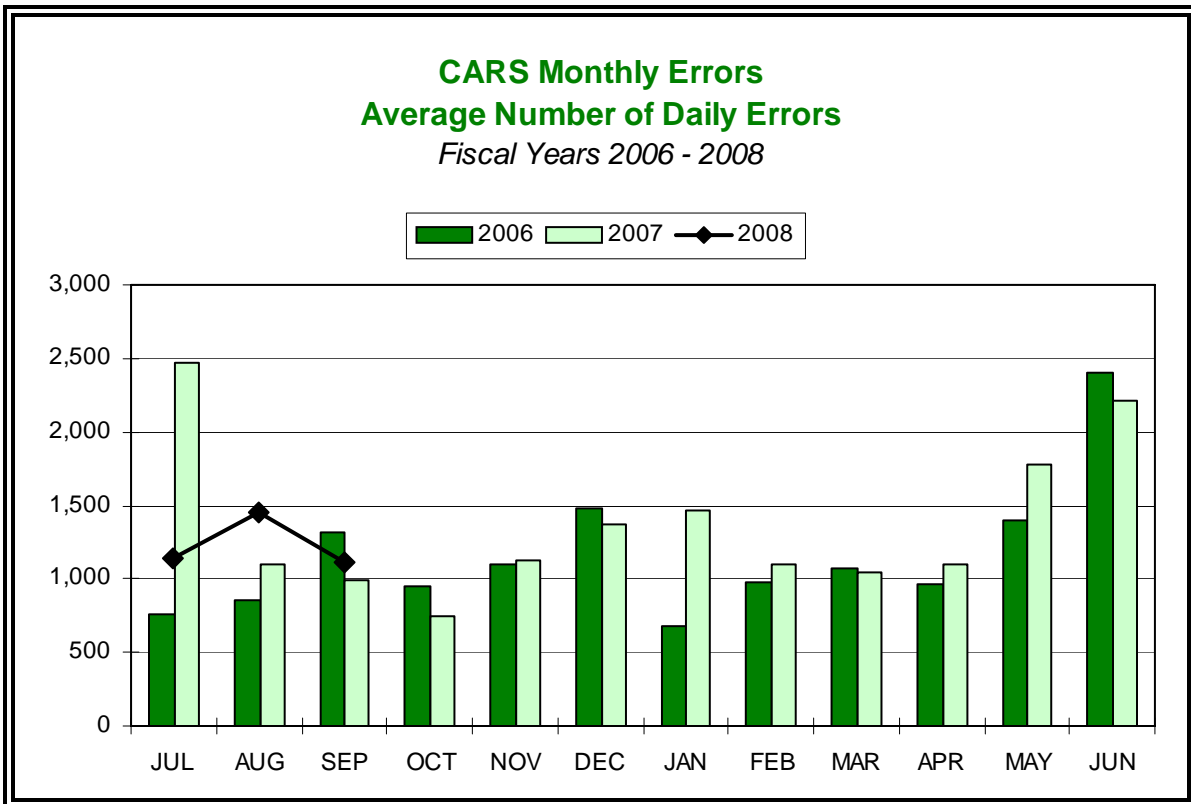


CARS Edits

One of the most important management tools used by DOA is the monitoring of CARS errors generated by standard system edits. Batches remain on the error file until problems are resolved, which, for disbursement transactions, can lead to noncompliance with prompt payment standards and poor vendor relations. During the first quarter of FY 2008, the most frequent reasons cited for transactions processing to the error file were:

Agencies may avoid funding errors by more closely monitoring cash and allotment balances. Sound agency cash management practices should be developed to ensure transactions are not submitted to CARS when funding is not available. Agencies should develop procedures to ensure certified amounts are calculated properly.

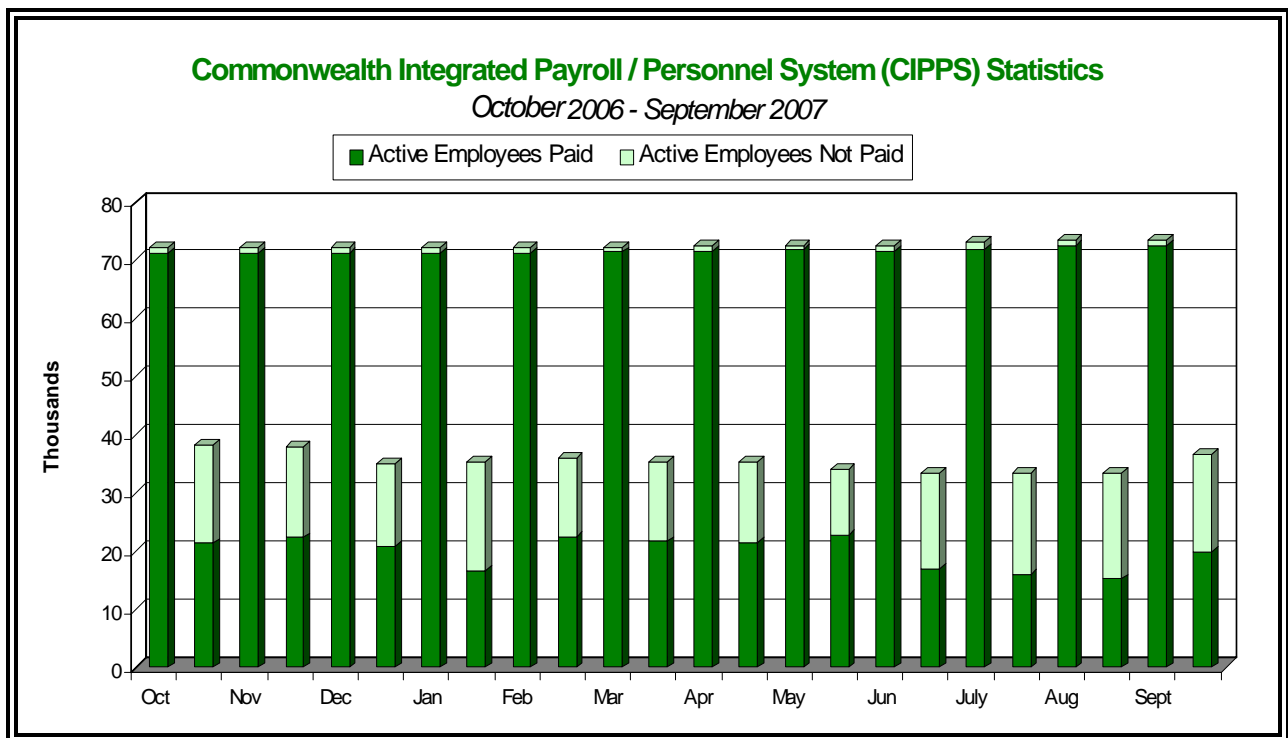
- Expenditure Exceeds Allotment
- Available Cash Negative
- Certified Amounts Not Balanced



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 107,680 employees. Payroll services are also provided through eight decentralized higher education institutions.

On average, 89,116 employees were paid each month, of which 72,188 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 10,141 savings bonds with a face value of over \$1.3 million.

**Benefit Participation
Number of Participating Employees**

Benefit	As of 9/30/2007	Comparative	
		As of 9/30/2006	As of 9/30/2005
Health Care			
COVA Care	83,853	82,109	81,529
Kaiser	2,031	1,986	1,921
Optional Retirement Plans*			
Fidelity Investments	539	530	527
TIAA/CREF	1,584	1,575	1,549
Political Appointee - ORP	95	99	79
Deferred Compensation*			
Great West Life	35,239	33,019	31,855
Flexible Reimbursement*			
Dependent Care	733	694	665
Medical Care	6,907	5,845	5,115

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



Accounts Receivable

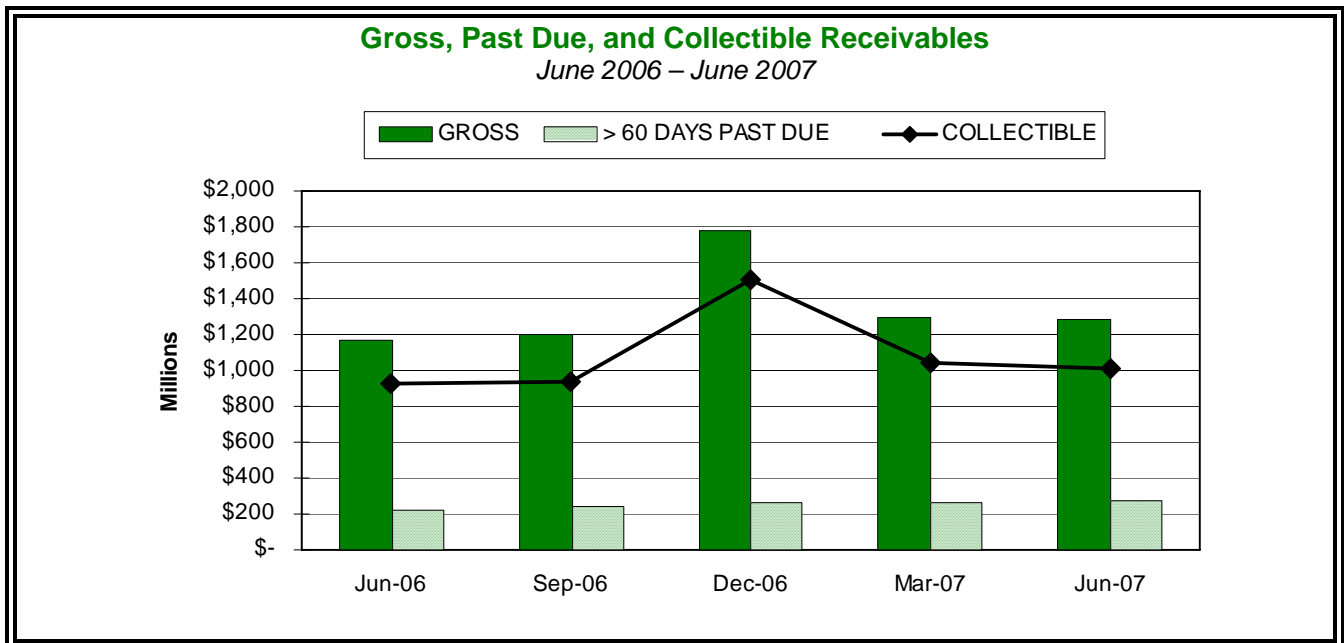
Executive Summary

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 \$1.3 billion at June 30, 2007, with \$1.0 billion considered collectible. Receivables over 60 days past due as of June 30, 2007, totaled \$273.4 million. Of that amount, \$15.6 million was placed with private collection agencies, \$17.9 million was placed with the Division of Debt Collection and \$239.9 million was retained in-house for additional collection efforts.

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



As of June 30, 2007, agencies expected to collect \$1.0 billion (79 percent) of the \$1.3 billion adjusted gross receivables. About 1 percent is due to the General Fund, primarily for benefit recoveries and sales of permits.

The balance, which contains Medicaid penalties as they are no longer revertible, is due to several non-general funds.

Collectible Receivables by Fund

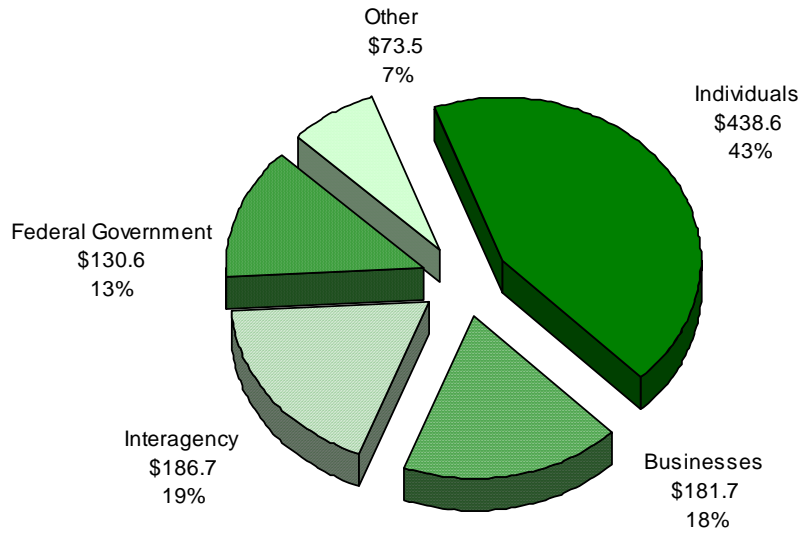
*Not Including Circuit Courts, District Courts, or the Department of Taxation
As of June 30, 2007*

Fund	Source	Amount	Percent
General Fund 1%	Social Services	\$ 3,331,204	37%
	State Police Permits	2,400,326	27%
	Labor and Industry Inspections	1,035,746	12%
	Corrections	753,108	8%
	Other	1,174,368	13%
	Subtotal	8,694,752	97%
	Interagency Receivables	278,796	3%
Total General Fund Collectible		\$ 8,973,548	100%
Nongeneral Funds 99%	Medicaid - Dedicated Penalty Fees	\$ 30,688,611	3%
	Medicaid - Federal Reimbursements	13,824,972	1%
	Unemployment Taxes	79,162,730	8%
	Transportation	120,907,785	12%
	Child Support Enforcement	92,995,901	9%
	Federal Government	130,560,788	13%
	MHMR Patient Services	32,186,266	3%
	Hospital	77,499,066	8%
	Enterprise	63,557,368	6%
	Higher Education	131,126,882	13%
	Other	43,112,549	4%
	Subtotal	815,622,918	81%
	Interagency Receivables	186,465,383	19%
Total Nongeneral Fund Collectible		\$ 1,002,088,301	100%
All Funds	Grand Total		\$ 1,011,061,849 100%

Summary of Receivables by Source

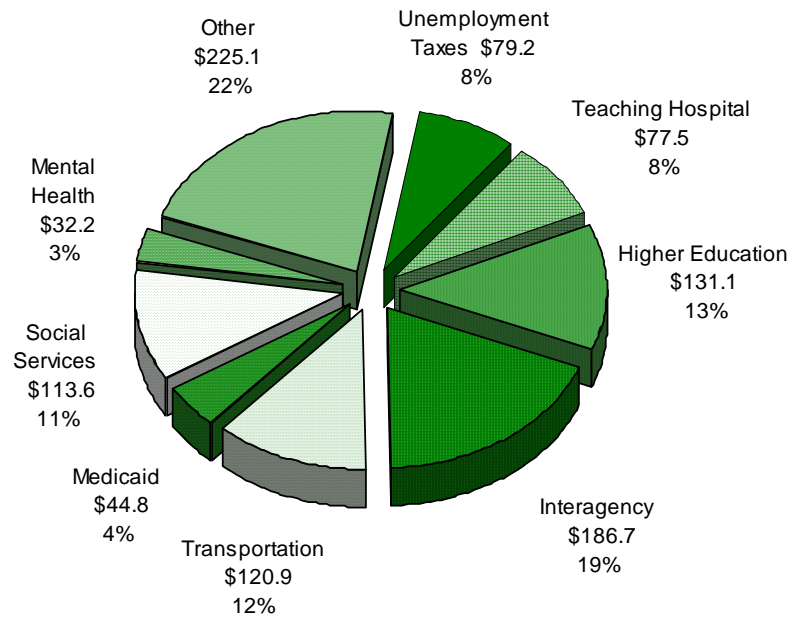
Sources of Collectible Receivables by Debtor

(dollars in millions)
As of June 30, 2007



Sources of Collectible Receivables by Type

(dollars in millions)
As of June 30, 2007



Not counting Taxation and the Courts, 10 agencies account for 81.6 percent of the Commonwealth's adjusted gross and 78.2

percent of the adjusted collectible accounts receivable balances.

Accounts Receivable Summary
Not Including Circuit Courts, District Courts, or Department of Taxation
Quarter Ended June 30, 2007

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
University of Virginia Medical Center	\$ 177,110,150	\$ 5,775,354	\$ 171,334,796
Department of Transportation	120,897,410	1,622,391	119,275,019
Department of Social Services	284,065,871	170,457,276	113,608,595
Department of Education - Direct Aid	102,794,597	-	102,794,597
Virginia Employment Commission	105,635,285	23,963,787	81,671,498
State Lottery Department	49,400,444	-	49,400,444
Department of Medical Assistance Services	76,630,516	31,872,204	44,758,312
Virginia Polytechnic Institute & State University	42,952,982	1,619,188	41,333,794
Virginia Information Technologies Agency	33,867,181	-	33,867,181
Department of Mental Health, Mental Retardation & Substance Abuse Services	50,917,228	18,730,962	32,186,266
Total	1,044,271,664	254,041,162	790,230,502
All Other Agencies	235,737,233	14,905,886	220,831,347
Grand Total	\$ 1,280,008,897	\$ 268,947,048	\$ 1,011,061,849

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.

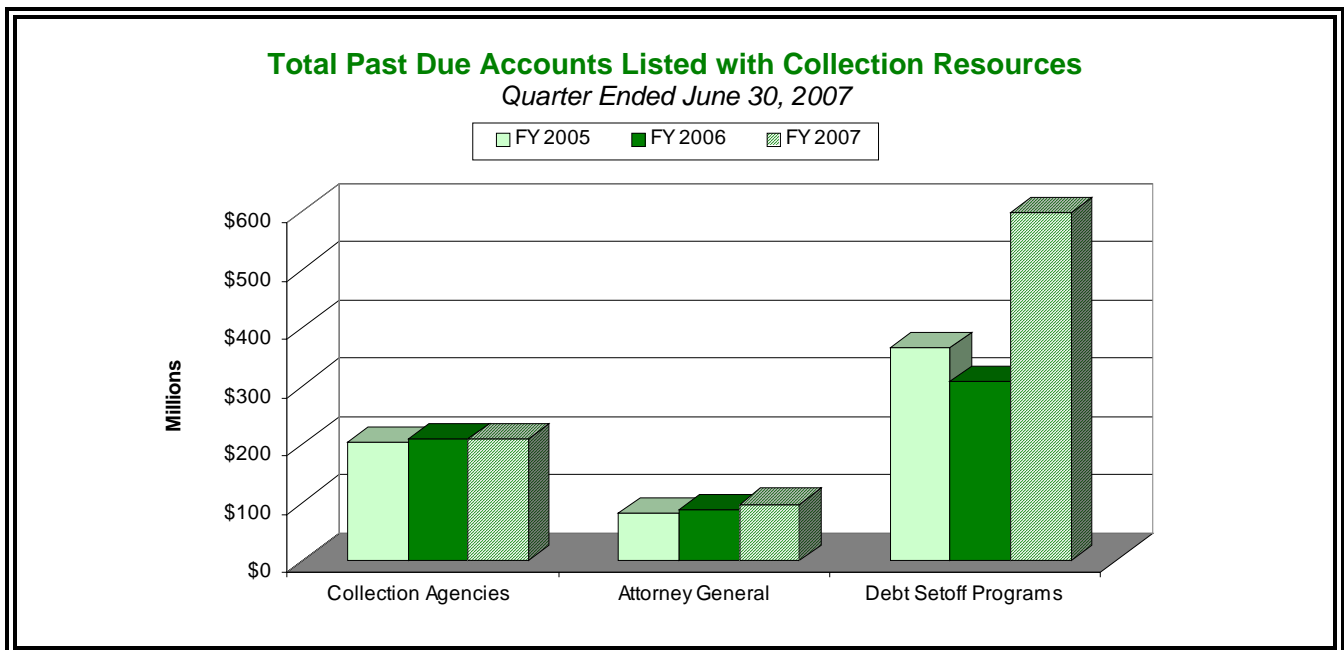
The Office of the Attorney General requires state agencies and institutions to send accounts of \$3,000 or more and 60 days or more past due to the Division of Debt Collection.

These additional collection tools recovered \$10.4 million during the quarter ended June 30, 2007. The Division of Debt Collection contributed \$1.8 million. Private collection agencies collected \$2.9 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected \$5.7 million.

Collectible Receivables Over 60 Days Past Due
Not Including Circuit Courts, District Courts, or the Department of Taxation
 As of June 30, 2007

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	\$ 97,726,734	\$ -	\$ -	\$ 97,726,734
University of Virginia Medical Center	52,110,337	-	-	52,110,337
Virginia Employment Commission	31,366,094	7,657,680	6,635,438	17,072,976
Department of Medical Assistance Services	24,434,984	601,273	632,429	23,201,282
Department of Transportation	15,327,066	1,025,238	4,183,010	10,118,818
Department of Mental Health, Mental Retardation & Substance Abuse Services	8,277,628	-	-	8,277,628
University of Virginia - Academic Division	3,915,064	595,412	-	3,319,652
George Mason University	3,155,704	1,184,239	42,184	1,929,281
Virginia Polytechnic Institute & State University	2,955,508	789,369	53,719	2,112,420
Department of Labor & Industry	2,945,709	743,193	568,318	1,634,198
TOTAL	\$ 242,214,828	\$ 12,596,404	\$ 12,115,098	\$ 217,503,326
<i>All Other Agencies</i>	31,149,594	3,009,619	5,821,865	22,318,110
TOTAL OVER 60 DAYS	\$ 273,364,422	\$ 15,606,023	\$ 17,936,963	\$ 239,821,436
Uncollectable Amounts Placed for Collection, Including Accounts Written Off	631,011,634	193,829,503	78,942,264	358,239,867
TOTAL COLLECTION EFFORTS	\$ 904,376,056	\$ 209,435,526	\$ 96,879,227	\$ 598,061,303

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



Comptroller's Debt Setoff (CDS) Program

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

withheld, in full or in part, to satisfy the debt owed to the State. CDS collected \$3.7 million through the first quarter of FY 2008. Please note the amount reported is before any refunds.

Receivable Trend Data

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

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

Percentage of Gross Receivables Over 60 Days Past Due

Agency	Percent at 6/30/07	Comparative	
		Percent at 3/31/07	Percent at 12/31/06
Department of Social Services	34%	32%	32%
University of Virginia Medical Center	29%	19%	13%
Virginia Employment Commission	30%	11%	38%
Department of Medical Assistance Services	32%	33%	37%
Department of Transportation	13%	60%	28%
Department of Mental Health, Mental Retardation & Substance Abuse Services	16%	20%	27%
University of Virginia - Academic Division	15%	16%	4%
George Mason University	29%	24%	4%
Virginia Polytechnic Institute and State University	7%	7%	2%
Department of Labor & Industry	85%	84%	88%
Statewide Average - All Agencies	21%	20%	15%

Another way to measure agency debt collection effectiveness is to compare amounts collected to amounts billed. The table below presents trend percentages for the ten agencies with the highest collectible accounts receivable balances. In total, these ten agencies are responsible for 78.2 percent of the Commonwealth's collectible receivables balances, as adjusted to exclude the Department of Taxation and the circuit and district courts. Percentages over 100 percent indicate the collection of prior balances as well as current billings.

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

The statewide average of 87 percent indicates that for every \$1 billed during the quarter ended June 30, 2007, the state collected 87 cents. This rate is five percent less than last year, and four percent less than the June 30, 2005 quarter.

Collections as a Percentage of Billings

Agency	Percent at 6/30/07	Comparative	
		Percent at 6/30/06	Percent at 6/30/05
University of Virginia Medical Center	40%	56%	48%
Department of Transportation	63%	66%	72%
Department of Social Services	108%	104%	106%
Department of Education - Direct Aid	72%	73%	70%
Virginia Employment Commission	267%	267%	256%
State Lottery Department	103%	105%	100%
Department of Medical Assistance Services	67%	48%	65%
Virginia Polytechnic Institute and State University	120%	114%	121%
Virginia Information Technologies Agency	122%	96%	102%
Department of Mental Health, Mental Retardation & Substance Abuse Services	46%	47%	48%
Statewide Average - All Agencies	87%	92%	91%

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 \$44.8 million at June 30, 2007, is a \$2.4 million increase over the \$42.4 million reported at June 30, 2006. Over the same period, total past due receivables have increased by \$2.7 million, to \$29.5 million.

University of Virginia Medical Center (UVAH)

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

UVAH collectible receivables of \$171.3 million at June 30, 2007, were a \$56.0 million increase from the \$115.3 million reported the previous year. Past due receivables increased by \$57.9 million to \$117.8 million at June 30, 2007.

Virginia Employment Commission (VEC)

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

VEC collectible receivables were \$81.7 million at June 30, 2007, a decrease of \$18.2 million from the previous year. Total past due receivables were \$37.8 million, a \$2.8 million decrease from last year. VEC collects employer tax receivables in-house. The Attorney General's Office is involved in contested cases. Unemployment benefit overpayments to individuals are referred to private collections agencies after in-house efforts have produced no results and when debtors have left the state.

Virginia Information Technologies Agency (VITA)

VITA is the state's central information technologies provider. VITA operates the information technology infrastructure for much of State government, providing both hardware and services. VITA also procures hardware and software for agencies and institutions of higher education.

VITA reported collectible receivables at June 30, 2007, of \$33.9 million, an \$2.0 million decrease from the previous year's \$35.9 million. Most of these dollars are owed by other state agencies. As of June 30, 2007, \$2.4 million was over 60 days past due, a \$1.9 million 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 on-line lottery and scratch-off games and actively participates in two multi-state games, Mega Millions and Win for Life. 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 June 30, 2007, the Virginia Lottery reported net receivables of \$49.4 million, an \$8.2 million increase from the previous year's net of \$41.2 million. Billings increased by \$9.2 million and collections increased by \$5.4 million during the June 30, 2007 quarter when compared to the June 30, 2006 quarter. At June 30, 2007, the Virginia Lottery had \$362,082 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 June 30, 2007, DOE had \$102.8 million in accounts receivable due from the Federal government under Direct Aid To Public Education. This is a \$3 million decrease from 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 June 30, 2007, the University reported net collectible receivables of \$41.3 million, a \$2.9 million increase over the prior year. At the same time, past due receivables decreased by \$219,125 from last year.

The University uses a variety of collection methods to encourage payments. At June 30, 2007, VPISU had \$3.0 million of accounts over 60 days past due. \$53,719 of that was placed with the Attorney General's Division of Debt Collection, another \$789,369 placed with private collection agencies and \$2.1 million listed with Taxation's Debt Setoff Programs and additional in-house efforts.

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 June 30, 2007, the Department reported net receivables of \$32.2 million, a \$175,074 increase from the previous year. \$24.4 million was past due, with \$8.3 million being over 60 days past due. Total past due receivables increased by \$5.7 million over the year, and accounts over 60 days past due decreased by \$542,082. At June 30, 2007, the Department had a total of \$7.7 million of accounts placed with the Attorney General and \$1.2 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 June 30, 2007, VDOT reported \$119.3 million of collectible receivables, an increase of \$30.7 million from the prior year. VDOT also reported \$17.5 million total past due and \$15.3 million being over 60 days past due. Past due receivables increased by \$1.8 million over the year, while receivables over 60 days past due increased by \$2.8 million. VDOT reports that the large majority of the accounts over 60 days past due continue to be amounts owed by cities, counties and towns that are participating on long-term construction projects with the department and where the local fund shares are provided by local debt financing.

VDOT reported placing \$4.2 million of their accounts over 60 days past due with the Attorney General's Division of Debt Collection, and \$1.0 million with private collection agencies

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 June 30, 2007, DSS reported gross receivables of \$284.1 million, an allowance for doubtful accounts of \$170.5 million and collectible receivables of \$113.6 million. Past due receivables totaled \$99.5 million, of which \$97.7 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for \$243.3 million (86 percent) of the gross receivables, \$150.3 million (88 percent) of the allowance for doubtful accounts and \$93.0 million (82 percent) of the collectible receivables.

From June 30, 2006, to June 30, 2007, gross receivables increased \$34.5 million and collectible receivables increased by \$5.1 million. Total past due receivables increased by \$17.7 million and receivables over 60 days past due increased by \$17.4 million.

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

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

At June 30, 2007, DRPT had gross and net receivables of \$2.3 million. The majority of this money is due via an interagency transfer from VDOT. \$532,655 was past due at June 30, 2007. Of this amount, \$385,065 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 June 30, 2007, VCU had \$22.0 million of collectible receivables, a \$2.5 million increase over June 30, 2006. Total past due accounts were \$6.2 million, a \$498,808 increase over June 30, 2006. Accounts over 60 days past due (\$2.6 million) increased by \$13,815 over the prior year. Billings increased by \$7.2 million to \$64.3 million and collections increased by \$7.1 million to \$70.4 million for the June 30, 2007, quarter as compared to the June 30, 2006, quarter.

The following table is prepared to present the June 30, 2007, aging information in conformity with the provisions of Section 2.2-603.E.(ii) of the *Code of Virginia*.

Taxation and the Circuit and District Courts accounted for 81 percent (\$1.74 billion) of the

Commonwealth's total \$2.15 billion past due accounts receivable at June 30, 2007. Another eighteen agencies accounted for 18 percent (\$388.0 million), leaving 70 other agencies to comprise the last one percent at \$21.2 million.

Agencies with the Largest Volume of Past Due Receivables

As of June 30, 2007

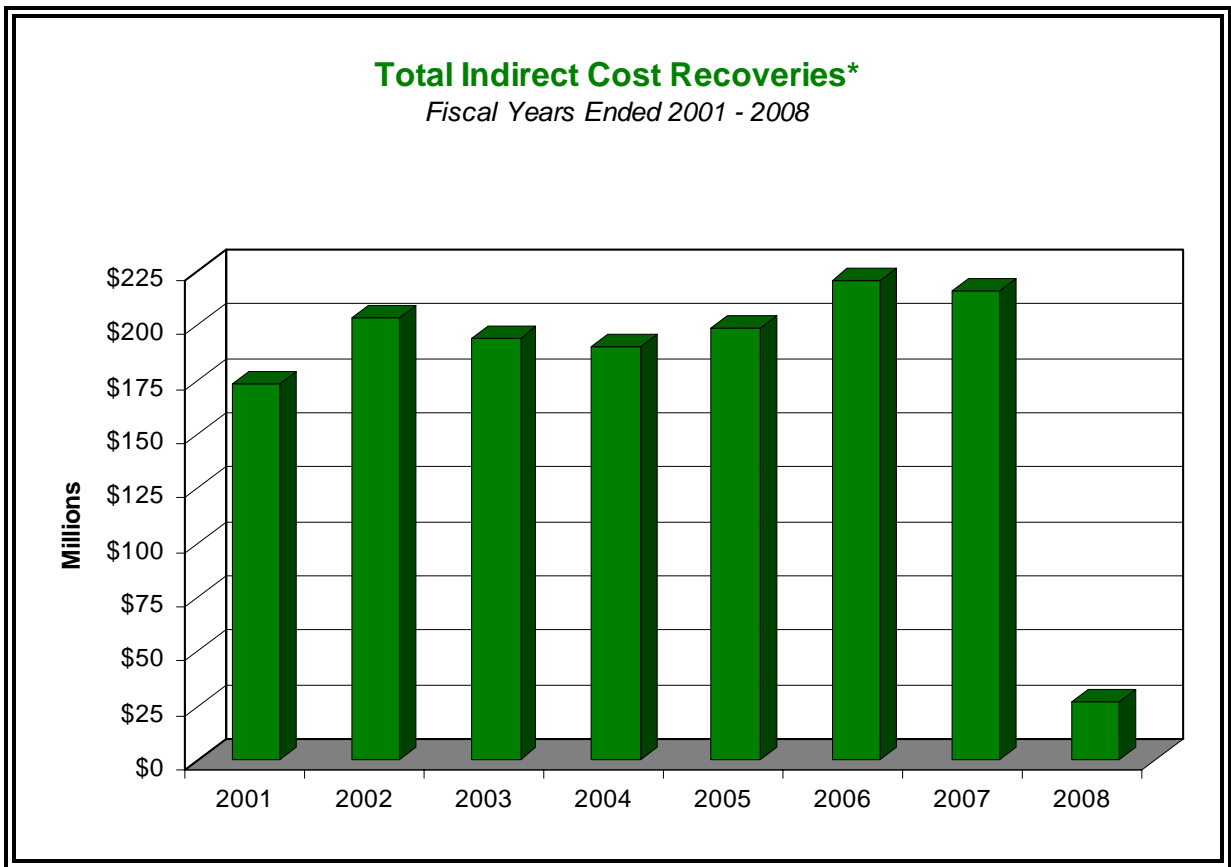
Agency	Total Past Due	1 to 180 Days Past Due	181 to 360 Days Past Due	Over One Year
Department of Taxation	\$ 1,247,530,069	\$ 186,570,802	\$ 101,905,874	\$ 959,053,393
Localities' Circuit and District Courts	489,708,130	36,198,987	61,898,718	391,610,425
Total - Taxation Assessments and Court Fines and Fees	1,737,238,199	222,769,789	163,804,592	1,350,663,818
All Other Large Dollar Agencies:				
University of Virginia Medical Center	117,798,856	96,986,381	13,118,710	7,693,765
Department of Social Services	99,538,332	5,375,070	5,404,931	88,758,331
Virginia Employment Commission	37,776,878	10,152,238	6,505,496	21,119,144
Department of Medical Assistance Services	29,538,929	12,825,064	5,357,952	11,355,913
Department of Transportation	17,521,068	4,400,761	2,972,141	10,148,166
Department of Mental Health, Mental Retardation & Substance Abuse Services	24,440,192	22,823,395	1,616,797	-
University of Virginia - Academic Division	8,087,190	7,179,633	402,532	505,025
George Mason University	6,989,831	6,232,739	477,640	279,452
Virginia Information Technologies Agency	6,977,985	6,494,834	286,962	196,189
Virginia Polytechnic Institute & State University	6,833,913	5,519,478	647,021	667,414
Virginia Commonwealth University	6,225,206	3,816,817	1,319,234	1,089,155
Department of Veterans' Services	6,010,025	4,624,996	690,419	694,610
Department of General Services	4,419,910	4,419,910	-	-
Virginia Community College System	4,065,779	3,284,430	335,096	446,253
Virginia's Workers' Compensation Commission	3,144,679	1,073,779	953,215	1,117,685
Department of Labor and Industry	3,095,419	349,201	361,686	2,384,532
Department of State Police	2,852,863	379,437	93,459	2,379,967
State Corporation Commission	2,717,164	1,980,051	737,113	-
Total - Largest Dollar Volume Agencies	388,034,219	197,918,214	41,280,404	148,835,601
All Other Agencies	21,204,865	12,538,154	3,683,313	4,983,398
Grand Total Past Due Receivables	\$ 2,146,477,283	\$ 433,226,157	\$ 208,768,309	\$ 1,504,482,817



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 2008 reflects indirect cost recoveries through June 30, 2008.

Indirect Cost Recoveries from Grants and Contracts

Fiscal Year 2008

Fund	Year-to-Date		Total
	Higher Ed	Non-Higher Ed	
Nongeneral:			
Agency / Institution (1)	\$ 10,851,689	\$ 16,170,884	\$ 27,022,573
Statewide	32,018	133,981	165,999
Total Nongeneral	10,883,707	16,304,865	27,188,572
General:			
Agency (Cash Transfers)	-	30,277	30,277
Statewide	-	58,551	58,551
Statewide (Cash Transfers)	-	49	49
Total General	-	88,877	88,877
Total All Funds	\$ 10,883,707	\$ 16,393,742	\$ 27,277,449

- (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 \$12,595,957 representing the Department of Social Services' estimate of indirect cost recoveries received.



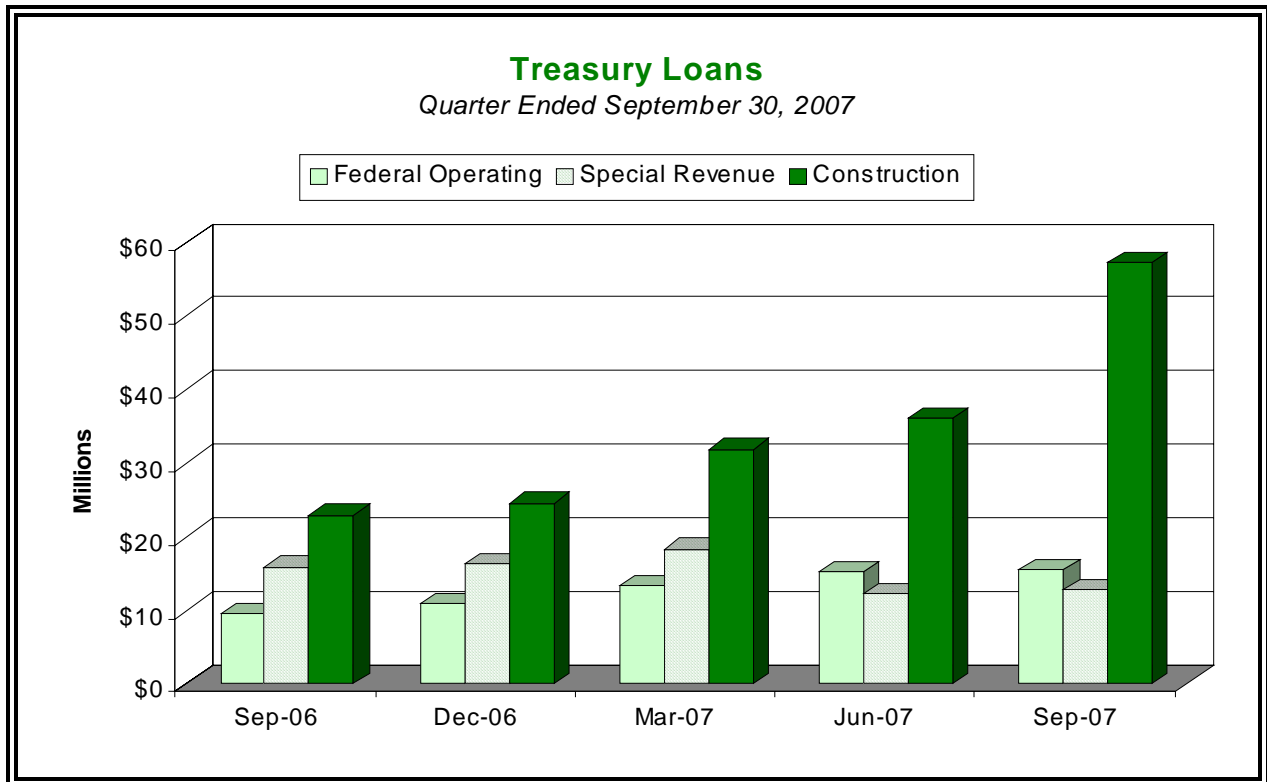
Loans and Advances

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

- **Anticipation of Federal Operating Funds** supports the operations of federal grants and contract programs for which advance funding has been delayed or for those that require expenditure of funds prior to federal reimbursement.

- **Anticipation of Special Revenue Funds** supports the operations of non-general funded activities when collections are spread unevenly throughout the year while expenses require steady funding.
- **Construction** supports capital projects in anticipation of the sale of authorized debt or other financing for such projects.

The total of all types of treasury loans as of September 30, 2007, was \$85.5 million.



Significant New Loans / Drawdowns	New Balance
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Virginia Public Building Authority (VPBA)

Two drawdowns on a newly authorized \$30 million loan to provide cash for bond funded capital projects as well as reimbursement to local governments and regional jail authorities pending issuance of bonds.	\$ 21,085,106
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Department of General Services (DGS)

One additional drawdown on a \$13.2 million loan authorized by Chapter 951 (2005 Appropriations Act) for completing the renovation and extension of the Capitol. Loan will be repaid with revenues; no timetable for repayment has been established. Prior loan balance was \$11,830,192.	\$ 12,252,123
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Significant Loan Repayments	Prior Balance
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Department of Game and Inland Fisheries (DGIF)

Second of four annual payments on an authorized \$6 million loan to acquire the Feather and Fin Farm. New Loan balance is \$3 million.	\$ 4,500,000
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Department of Veterans Services (DVS)

Additional payment on an authorized \$14.75 million loan for completion of a new Veterans Care Center in Richmond. New loan balance is \$1,640,506.	\$ 2,304,290
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Other methods not charted but used to ensure an agency or institution has sufficient operating cash include authorized appropriation deficits, working capital advances, and lines of credit.

- **Authorized Appropriation Deficits**, which provide funding, when authorized by the Governor, under emergency conditions as described in §4-3.01 and §4-3.02 of the Appropriation Act. There were no deficit loans outstanding at September 30, 2007.
- **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 September 30, 2007.
- **Lines of Credit**, which provide funding for recurring shortfalls of operating cash and are authorized in §3-2.03 of the appropriation act. The total of all outstanding lines of credit as of September 30, 2007, was \$31.3 million.



