

**REPORT ON
STATEWIDE FINANCIAL MANAGEMENT AND
COMPLIANCE**

FOR THE QUARTER ENDED SEPTEMBER 30, 2008



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, 2008, and comparative FY 2008 data. Some information in the report is for the quarter ended June 30, 2008, 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 workplans.

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 in order 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, 2008

The APA issued 15 separate reports covering 51 agencies, offices, boards, commissions, colleges and universities for the Executive Branch listed on the following table. Eleven reports covering 41 agencies, offices, boards, commissions, colleges and universities were for FY 2007. Four reports covering ten agencies, offices, boards, commissions, colleges and universities were for FY 2008. 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				
Selected Agency Support Services* (1)	0	0	0	N/A
Agriculture and Forestry				
Department of Agriculture and Consumer Services (2)	1	0	1	Yes
Virginia Agricultural Council (2)	0	0	0	N/A

	New Findings	Repeat Findings	Total Findings	CAW Received
Commerce and Trade				
Department of Professional and Occupational Regulation	2	0	2	Yes
Virginia – Israel Advisory Board* (1)	0	0	0	N/A
Virginia National Defense Industrial Authority	0	0	0	N/A
Education				
Virginia Community College System (3)				
System Office	2	0	2	Yes
Blue Ridge Community College	0	0	0	N/A
Central Virginia Community College	1	0	1	Yes
Dabney S. Lancaster Community College	0	0	0	N/A
Danville Community College	1	0	1	Yes
Eastern Shore Community College	0	0	0	N/A
Germanna Community College	0	0	0	N/A
J. Sargeant Reynolds Community College	2	0	2	Yes
John Tyler 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
New River Community College	0	0	0	N/A
Northern Virginia Community College	1	0	1	Yes
Patrick Henry Community College	1	0	1	Yes
Paul D. Camp Community College	0	0	0	N/A
Piedmont Virginia Community College	1	0	1	Yes
Rappahannock Community College	0	0	0	N/A
Southside Virginia Community College	0	0	0	N/A
Southwest Virginia Community College	0	0	0	N/A
Thomas Nelson Community College	5	0	5	Yes
Tidewater Community College	2	0	2	Yes
Virginia Highlands Community College	0	0	0	N/A
Virginia Western Community College	0	0	0	N/A
Wytheville Community College	0	0	0	N/A
Virginia’s Museums (4) (5)				
Frontier Culture Museum of Virginia (4)	0	0	0	N/A
Gunston Hall (4)	2	0	2	Yes
Jamestown-Yorktown Foundation (4)	4	0	4	Yes
The Science Museum of Virginia (4)	3	0	3	Yes
Virginia Museum of Fine Arts (4)	2	0	2	Yes

	New Findings	Repeat Findings	Total Findings	CAW Received
Executive Offices				
Citizen's Advisory Council on Furnishing and Interpreting the Executive Mansion* (1)	0	0	0	N/A
Interstate Organization Contributions* (1)	0	0	0	N/A
Lieutenant Governor*	0	0	0	N/A
Office for Substance Abuse Prevention* (1)	0	0	0	N/A
Office of the Governor*	0	0	0	N/A
Office of Commonwealth Preparedness* (1)	0	0	0	N/A
Secretary of the Commonwealth* (1)	0	0	0	N/A
Finance				
None				
Health and Human Resources				
None				
Natural Resources				
Department of Game and Inland Fisheries	1	2	3	Yes
Virginia Museum of Natural History (4)	4	0	4	Yes
Public Safety				
Department of Corrections (6)	3	2	5	Yes
Department of Forensic Science*	1	0	1	Yes
Department of Military Affairs	2	0	2	Yes
Virginia Correctional Enterprises	5	0	5	Yes
Virginia Parole Board (6)	0	0	0	N/A
Technology				
Virginia Information Technologies Agency	2	1	3	Yes
Wireless E-911 Services Board	1	0	1	Yes
Transportation				
None				

- (1) The audits of these seven entities were released in one audit report titled "Division of Selected Agency Support Services."
- (2) The audits of these two agencies were released in one report.
- (3) The audits of these 23 community colleges and System Office were released in one report.
- (4) The audits of these six entities were released in one audit report titled "Virginia's Museums."
- (5) The audit report titled "Virginia's Museums" has an issue alert which is further described in the *Efficiency Issues* section of this report.
- (6) The audits of these two entities were released in one report.

* These ten audits contained in four separate reports are for periods ending June 30, 2008.



Findings – Quarter Ended September 30, 2008

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.

Agriculture and Forestry

Department of Agriculture and Consumer Services (VDACS)

1. Properly Complete Employment Eligibility Verification Forms. VDACS is not properly completing Employment Eligibility Verification Forms (I-9) in accordance with guidance issued by the U. S. Citizenship and Immigration Services of the U. S. Department of Homeland Security in its Handbook for Employers. The guidance requires the employee to complete, sign, and date the form on the first day of employment. The employer must complete, sign, and date the form within three business days of employment. The sample of 30 forms found eight employees did not properly complete Section 1; 13 forms did not have Section 2 completed timely and three forms did not fulfill the identity and/or eligibility documentations of Section 2.

Commerce and Trade

Department of Professional and Occupational Regulation (DPOR)

1. Improve Information Systems Security Policies. DPOR does not have adequate documentation of information systems security policies in the areas of access authentication, password controls, and application and database monitoring. Specifically, inadequate detail in the policies addressing authentication of system access, password controls, and application and database monitoring were noted in the review. DPOR documents compliance with security practices outlined in the VITA Northrop Grumman Infrastructure Partnership Security Practices, however, DPOR lacks its own policies that consider risk and business impact relevant to its own mission.
2. Properly Complete Employee Eligibility Verification Forms. DPOR did not properly complete Employment Eligibility Verification forms (I-9) in accordance with guidance issued by the U. S. Citizenship and Immigration Services of the U. S. Department of Homeland Security in its Handbook for Employers. A review of 16 employees found DPOR did not properly complete forms for three of the employees. Subsequent to the audit period, DPOR employees have attended training and modified their process for completing the forms. DPOR should periodically review and update its policies and procedures to implement changes in the federal guidelines and obtain periodic training for its employees to ensure they are aware of the most recent changes.

Education

Virginia Community College System – System Office (VCCS)

1. Improve Physical Security Over Sensitive and Mission-Critical Data. VCCS does not maintain proper physical security over its Featherstone Data Center, which greatly increases the risk of compromise to the confidentiality, availability, and integrity of its mission-critical systems. The data center stores sensitive data for all 23 Virginia community colleges. VCCS did not change the combination to the Featherstone server room door until twelve months after an employee with knowledge of the combination terminated. VCCS should include its security requirements for the Featherstone and Greenfield Data Centers in its physical security standard.
2. Improve and Implement System Configuration Guidelines. VCCS does not properly secure its sensitive Information Technology systems from security vulnerabilities, which increases the risk that sensitive and mission-critical data can be inappropriately accessed or manipulated and violates the principle of least privilege. At the Featherstone Data Center, staff had not taken appropriate actions to secure the UNIX operating systems or restrict its use to only authorized personnel. In addition, the systems allow remote administration using the system's super user "root" instead of requiring logon at the console. No documentation could be found showing the installation date for current system patches, approval of system patches prior to updating the production servers, and evidence of the annual configurations review. Two community colleges had settings that allowed the storage of passwords on the operating system in clear text, which could severely impact the confidentiality of its data.

Central Virginia Community College (CVCC)

1. Return Title IV Funds Timely. CVCC did not return Title IV student financial aid funds timely to the Department of Education. CVCC returned funds late for two out of 10 students reviewed and had not returned one student's amount at all. According to 34 CFR 668.22 and the Higher Education Reconciliation Act of 2005, Title IV funds must be returned as soon as possible, but no later than 45 days after the date of the institution's determination that the student withdrew.

Danville Community College (DCC)

1. Return Title IV Funds Timely. DCC did not return Title IV student financial aid funds timely to the Department of Education. DCC returned funds from the fall 2006 and spring 2007 semesters from 11 days to six months late. According to 34 CFR 668.22 and the Higher Education Reconciliation Act of 2005, Title IV funds must be returned as soon as possible, but no later than 45 days after the date of the institution's determination that the student withdrew.

J. Sargeant Reynolds Community College (JSRCC)

1. Properly Complete Employee Eligibility Verification Forms. JSRCC did not properly complete Employment Eligibility Verification forms (I-9) in accordance with guidance issued by the U. S. Citizenship and Immigration Services of the U. S. Department of Homeland Security in its Handbook for Employers. JSRCC should review the I-9 process, train the appropriate staff, and develop a process for continuously reviewing the I-9 process to ensure compliance with federal regulations. A sample of eleven I-9 forms completed in 2007 found three forms that failed to list the issuing authority for the document and ten forms that did not include the date the employee began employment under the certification section.

2. Improve Internal Controls over CIPPS Access. JSRCC did not delete access to the Commonwealth Integrated Payroll and Personnel System (CIPPS) for three out of four terminated employees timely. JSRCC does not have agency specific CIPPS access policies and procedures in place to ensure timely removal of terminated employees.

Northern Virginia Community College (NVCC)

1. Properly Complete Employee Eligibility Verification Forms. NVCC did not properly complete Employment Eligibility Verification forms (I-9) in accordance with guidance issued by the U. S. Citizenship and Immigration Services of the U. S. Department of Homeland Security in its Handbook for Employers. NVCC should review the I-9 process, train the appropriate staff, and develop a process for continuously reviewing the I-9 process to ensure compliance with federal regulations. A sample of 25 I-9 forms completed in 2007, found five forms that were properly completed. In the remaining 20 forms, two failed to sign and date Section 2 within three business days of when the employee began employment; three failed to provide an expiration date or issuing authority on at least one identification source; eleven failed to provide a date under the certification section; three failed to provide a date on at least one identification source; two failed to date Section 1; two failed to provide issuing authority for at least one identification source; two failed to provide document title or expiration date; and two failed to complete Section 2 and did not date the signature area to state when the employee began employment.

Patrick Henry Community College (PHCC)

1. Return Title IV Funds Timely. PHCC did not return Title IV student financial aid funds timely to the Department of Education. PHCC returned funds for 26 students three days to twelve months late. According to 34 CFR 668.22 and the Higher Education Reconciliation Act of 2005, Title IV funds must be returned as soon as possible, but no later than 45 days after the date of the institution's determination that the student withdrew.

Piedmont Virginia Community College (PVCC)

1. Review and Implement System Configuration Guidelines. PVCC does not properly secure its sensitive Information Technology systems, which increases the risk of compromising the confidentiality, availability, and integrity of its mission-critical data. Passwords were allowed to be stored in nearly clear text. This places PVCC's systems and the information they contain at risk.

Thomas Nelson Community College (TNCC)

1. Review and Implement System Configuration Guidelines. TNCC does not properly secure its sensitive Information Technology systems, which increases the risk of compromising the confidentiality, availability, and integrity of its mission-critical data. Passwords were allowed to be stored in nearly clear text. This places TNCC's systems and the information they contain at risk.

2. Properly Complete Employee Eligibility Verification Forms. TNCC did not properly complete Employment Eligibility Verification forms (I-9) in accordance with guidance issued by the U. S. Citizenship and Immigration Services of the U. S. Department of Homeland Security in its Handbook for Employers. TNCC should review the I-9 process, train the appropriate staff, and develop a process for continuously reviewing the I-9 process to ensure compliance with federal regulations. A sample of fourteen I-9 forms completed during fiscal year 2007, found seven did not list the issuing authority for the document used to verify employee's identity and employment eligibility; two did not document the date for the Employee Information and Verification; one did not document the employee's signature and date for the Employee Information and Verification; one did not document the employee's social security number; and one did not properly reflect employee's date of birth.
3. Improve Controls Over CARS Access. TNCC does not have adequate controls over granting access to individuals to the Commonwealth's Accounting and Reporting System (CARS). TNCC has granted unreasonable access to individuals, allowing one individual to enter and release numerous batches without review, granted access to an individual not on the Authorized Signatories Form, and failed to remove four employees access timely upon termination.
4. Improve Internal Controls over SIS Access. TNCC does not have adequate controls over granting access to the College's Student Information System (SIS). Four of 17 employees tested had no form of SIS authorization documented and seven employees had access that exceeded that individual's job responsibilities. In addition, 15 of the 17 employees had obtained access through email requests, which TNCC policies allow, however, TNCC did not retain copies of the email request.
5. Properly Reconcile Bank Accounts Monthly. TNCC has not followed up on outstanding checks, some of which are over four years old. In addition, TNCC has over \$4,000 in deposits made during fiscal year 2007 which are still in transit as of March 2008. Personnel performing the reconciliations at the time of the audit do not know how to resolve and correct errors or problems related to outstanding checks and deposits in transit.

Tidewater Community College (TCC)

1. Properly Complete Employee Eligibility Verification Forms. TCC did not properly complete Employment Eligibility Verification forms (I-9) in accordance with guidance issued by the U. S. Citizenship and Immigration Services of the U. S. Department of Homeland Security in its Handbook for Employers. TCC should review the I-9 process, train the appropriate staff, and develop a process for continuously reviewing the I-9 process to ensure compliance with federal regulations. A sample of fifteen I-9 forms reviewed for fiscal year 2007, found nine I-9 forms correctly completed. In the remaining six, one form failed to list the first day of employment in Section 2; one form failed to provide sufficient information from the verification documents, such as document number, expiration date, or issuing authority; and one employee signed and dated one form after the employment start date listed in Section 2 on the I-9.
2. Properly Record Assets in the System. TCC did not maintain adequate inventory records. One asset in the inventory could not be located. Two of the five assets tested did not have a tag to identify the asset number. The lack of accurate inventory records reduces TCC's ability to properly manage and account for their capital assets.

Gunston Hall (GH)

1. Strengthen Controls over Information Systems Security. GH does not comply with the requirements in the Commonwealth's Security Standard ITRM SEC 501-01 to develop and implement an information security program that provides assurance over data confidentiality, integrity, and availability. GH is still missing the key components of an adequate IT Security Program relevant to IT Security Awareness Training, Risk Management, Contingency and Disaster Recovery Planning, Account Management, Data Protection, and Facilities Security. Additionally, GH needs to assign an Information Security Officer (ISO) to manage and maintain their IT Security Program. As a small agency, GH may be able to collaborate with the Department of Accounts to obtain some assistance in this area.
2. Properly Complete Employment Eligibility Verification Forms. GH is not properly completing Employment Eligibility Verification forms (I-9) in accordance with guidance issued by the U. S. Citizenship and Immigration Services of the U. S. Department of Homeland Security. The guidance requires the employee to complete, sign, and date Section 1 of the I-9 form on or before the first day of employment. Additionally, the employer or designated representative must complete, sign, and date Section 2 of the I-9 form within three business days of employment. A sample of six employees found one instance where the employee did not complete, sign and date the I-9 form on or before the first day of employment (Section 1), and three instances where the employer did not either properly complete, sign, or date the I-9 form within three business days of the employee's first day of employment (Section 2).

Jamestown-Yorktown Foundation (JYF)

1. Strengthen Controls over Information Systems Security. JYF does not have a documented Disaster Recovery Plan. Without a documented recovery plan the agency cannot assess and rebuild critical and essential business functions within a timely manner. JYF should perform and document a Disaster Recovery Plan to identify major and sensitive IT systems, as well as steps needed to rebuild those areas for full functionality. The plan should include the following items:
 - Outline steps necessary to restore essential business functions supporting mission requirements.
 - Conduct an annual test-run of the Disaster Recovery plan.
 - Maintain a listing of recovery team members, and have all team members trained as to their part of the IT security training program.
 - Have a secure off-site location for storing backup media.
 - Review of backup logs to determine that backup jobs are successfully completed.
 - Document how the JYF staff will store backup media off-site.
2. Properly Complete Employment Eligibility Verification Forms. JYF is not properly completing Employment Eligibility Verification forms (I-9) in accordance with guidance issued by the U. S. Citizenship and Immigration Services of the U. S. Department of Homeland Security. A sample of 25 I-9 forms completed during fiscal year 2007 found 14 of 25 (56 percent) of the forms did not have Section 1 completed, signed, and dated by the employee on or before the first day of employment, and 7 of 25 (28 percent) of the forms did not have Section 2 completed, signed, and dated by the employer within three days of the employee's employment.

3. Properly Code Revenue Deposits. JYF is not properly coding revenue nor properly processing revenue refunds in the Commonwealth's Accounting and Reporting System (CARS). A sample of 12 deposits found three coding errors.
4. Comply with the Code of Virginia. JYF failed to comply with *Code of Virginia* §30-138 when notified of possible fraudulent activities related to the sale of admission tickets. *Code of Virginia* §30-138 states that state agencies shall promptly report the discovery of circumstances suggesting the possibility that a fraudulent transaction has occurred involving funds or property under the control of any state department to the Auditor of Public Accounts and State Police. The willful failure to make the report as required constitutes a Class 3 misdemeanor.

The Science Museum of Virginia (SMV)

1. Properly Complete Employment Eligibility Verification Forms. SMV is not properly completing Employment Eligibility Verification forms (I-9) in accordance with guidance issued by the U. S. Citizenship and Immigration Services of the U. S. Department of Homeland Security. The guidance requires the employee to complete, sign, and date Section 1 of the I-9 form on or before the first day of employment. Additionally, the employer or designated representative must complete, sign, and date Section 2 of the I-9 form within three business days of employment. A sample of nine employees found five I-9 forms did not have Section 1 properly completed, signed, or dated by the employee on or before the first day of employment, and five forms did not have Section 2 properly completed, signed, or dated by the employer within three days of the employee's first day of employment.
2. Strengthen Controls over Information Systems Security. SMV is not in compliance with the Commonwealth's Security Standard ITRM SEC 501-01. This places SMV and its critical information technology systems and data at risk for loss of availability, integrity, and confidentiality. SMV should:
 - Establish and document a security awareness training program.
 - Update the business impact analysis.
 - Update the information technology security policies and procedures to ensure a physical security policy exists to protect against unauthorized access of critical and sensitive assets, document the approval process, and continue to monitor policy for all of SMV's systems.
3. Improve Controls over Capital Assets and Construction in Progress. SMV does not have adequate controls over accounting for capital projects, estimating and re-evaluating capital assets useful lives, and performing a physical inventory of capital assets. The audit found the following issues:
 - SMV does not have agency specific policies and procedures for assigning and re-evaluating useful lives of depreciable capital assets. Governmental accounting standards require presentation of accumulated depreciation and depreciation expense in the Commonwealth's financial statements.
 - SMV does not have a specific process to differentiate between capitalized and expensed items during the duration of a capital construction project. SMV uses information from the accounting system to record all project expenses incurred throughout the year into

the fixed asset system; upon project completion, the accountant capitalizes the total amount without consideration of the portion previously capitalized.

- SMV completed an inventory of capital assets in 2006. However, they could not provide evidence to support the accuracy or completeness of the inventory process. Commonwealth policies require agencies to complete an inventory every two years.

SMV should develop, document, and implement policies and procedures for the accounting and management of capital assets; performing physical inventories of capital assets; and re-evaluating capital asset useful lives. SMV should train and ensure its employees have a full knowledge of the year-end reporting requirements to DOA and should also perform and maintain documentation of capital asset physical inventories.

Virginia Museum of Fine Arts (VMFA)

1. Properly Complete Employment Eligibility Verification Forms. VMFA is not properly completing Employment Eligibility Verification forms (I-9) in accordance with guidance issued by the U. S. Citizenship and Immigration Services of the U. S. Department of Homeland Security. The guidance requires the employee to complete, sign, and date Section 1 of the I-9 form on or before the first day of employment. Additionally, the employer or designated representative must complete, sign, and date Section 2 of the I-9 form within three business days of employment. A sample of seven employees found three I-9 forms did not have Section 1 properly completed, signed, or dated by the employee on or before the first day of employment, and six forms did not have Section 2 properly completed, signed, or dated by the employer within three days of the employee's first day of employment.
2. Strengthen Controls over Access to the Commonwealth Accounting and Reporting System (CARS). VMFA is responsible for establishing internal controls that include segregation of duties. VMFA has three individuals with level 8 access to CARS. Level 8 access provides a user with update and approval capabilities. As a result of maintaining multiple level 8 accesses, VMFA management is creating operational risk by allowing the opportunity for individuals to circumvent segregation of duties. It also increases the risk of inaccurate and/or unreliable financial data and the possibility of fraud.

Natural Resources

Department of Game and Inland Fisheries (DGIF)

1. Retain Documentation of Monthly Purchasing Reviews. **This is a repeat finding and progress has been made.** DGIF has established procedures to review purchase activity monthly. In addition to supervisory reviews of procurement logs monthly, the Accounting Manager, along with the Administrative Services and Purchasing Directors, reviews all purchases over \$1,500 and an additional sample of ten percent of employees' purchase logs. The Accounting Manager matches the selected purchases to supporting documentation, reviews them for proper approvals, and evaluates them for reasonableness. As noted in the prior audits, for some of the monthly reviews tested, the Accounting Manager could not provide documentation to support the discussion and resolution of issues he discovered. The APA again recommends that the Accounting Manager retain documentation as evidence he is performing the reviews and to support his conclusion that staff explanations are reasonable for exceptions he finds.

2. Provide Sufficient Password Controls. **This is a repeat finding and progress has been made.** DGIF has drafted, but not approved or implemented, new password management controls and therefore, DGIF does not have sufficient password controls. For example, passwords do not expire after a period of time, allowing users to keep their passwords indefinitely. This process increases the risk that others will learn passwords of co-workers and use them to gain unauthorized access. Password aging, history, and complexity are part of strong password controls. DGIF needs to integrate these password controls into their existing system to decrease the risk of unauthorized access. DGIF should finalize and implement their draft policies and procedures over password controls. In addition, password controls are required as part of the Virginia Information Technologies Agency security standard and are industry best practices.
3. Improve Information System Security. DGIF has not documented a risk assessment of its information technology (IT) infrastructure, business impact analysis, or systems monitoring processes and related policies and procedures. Without documenting and implementing systems security controls, DGIF is susceptible to potential risks and threats that target critical and essential business functions and the related IT systems and data. Additionally, systems monitoring is a key performance indicator of the strength of an information systems security program. DGIF should develop, implement and maintain sufficient policies and procedures to protect its information systems, and to continue the essential business functions needed to meet its mission in the event of a disaster or service disruption. DGIF should also develop and implement policies and procedures for system monitoring to increase controls against potential information system risks and threats.

Virginia Museum of Natural History (VMNH)

1. Strengthen Controls over Information Systems Security. VMNH has made progress in the development and implementation of an Information Security Program that is compliant with the requirements in the Commonwealth's Security Standard ITRM SEC 501-01; however, VMNH is missing a security awareness program, which is a key component of an information security program. The Commonwealth's information security standards require periodic awareness training for both new and existing employees and contractors. VMNH has limited staff and resources available to develop an IT Security Awareness Training Program. The Department of Accounts (DOA) has established two staff positions to assist small agencies with the development of their information technology security programs. VMNH's management should consider collaborating with DOA to determine the availability of these new resources to provide assistance with bringing their IT Security Program into compliance with the Commonwealth's Security Standard.
2. Properly Track and Record Fixed Assets. VMNH does not adequately track and record their fixed assets in the Fixed Asset Accounting and Control System (FAACS) as required by the Commonwealth's Accounting Policies and Procedures (CAPP) Manual. VMNH has not updated the information in FAACS for fixed assets since February 2005. The new museum building was substantially complete in March 2007; however, no one had recorded either the land, building, or equipment in FAACS. VMNH should enter all assets purchased since March 2007 over \$5,000 into FAACS as soon as possible but no later than June 30, 2008.
3. Properly Complete Employment Eligibility Verification Forms. VMNH is not properly completing Employment Eligibility Verification forms (I-9) in accordance with guidance issued by the U. S. Citizenship and Immigration Services of the U. S. Department of Homeland

Security. The guidance requires the employee to complete, sign, and date Section 1 of the I-9 form on or before the first day of employment. Additionally, the employer or designated representative must complete, sign, and date Section 2 of the I-9 form within three business days of employment. Employers must retain completed I-9 forms for three years after the date of hire or one year after the date of employment ends, whichever is later. A sample of ten I-9 forms completed during fiscal years 2006 and 2007 found two of ten forms were destroyed after employee separation, prior to the allowed time period; one form did not have Section 1 completed, signed, and dated by the employee on or before the first day of employment; and finally, one form did not have Section 2 completed, signed, and dated by the employer within three days of the employee's employment.

4. Maintain Evidence of Review of Pre- and Post- Payroll Certification Activities. VMNH does not have evidence of pre- and post- payroll certification reviews. In addition, VMNH does not have desk procedures or a checklist showing the review process for pre- and post- payroll certification activities. Documents for two pay periods were reviewed and no evidence of pre- and post- payroll certification reviews was noted. The audit found one employee overpaid for calendar year 2006. The employee's salary doubled for six pay periods and went undetected until a quarterly reconciliation. Staff should have detected overpayment during the monthly pre- and post- payroll certification activities.

Public Safety

Department of Corrections (DOC)

1. Develop Internal Controls for Leave Liability and Time Tracking System. DOC recently adopted a new time and leave system (DOCXL) and ceased using the Commonwealth's leave accounting system. DOCXL does not have adequate internal controls resulting in unreliable data. DOCXL is an Excel spreadsheet application that uses a spreadsheet template for each employee. Excel does not provide adequate security, leave an audit trail of transactions, or control changes to calculations. Material leave liability errors were found at both Lunenburg and Sussex I. The errors, when projected to the population, indicate that DOC leave liability may be materially overstated. Neither these facilities nor DOC Headquarters discovered the errors. DOCXL showed one employee having more than \$1 million of leave liability. Until DOCXL is replaced, the accuracy of time and leave data is questionable and identifying a perpetrator in the event that time or leave fraud is suspected may be impossible.
2. Enforce Inventory Procedures. DOC needs to enforce its existing procedures for taking physical inventory and pricing items in the inventory system. Price discrepancies were found ranging from \$3.19 to \$40.79 for selected items and errors in the inventory counts were also discovered. In addition, adequate segregation of duties needs to be enforced.
3. Properly Complete Employment Eligibility Verification Forms. DOC is not properly completing Employment Eligibility Verification Forms (I-9) in accordance with guidance issued by the U. S. Citizenship and Immigration Services of the U. S. Department of Homeland Security in its Handbook for Employers. The guidance requires the employee to complete, sign, and date the form on the first day of employment. The employer must complete, sign, and date the form within three business days of employment. A review of 25 employees found one employee did not date the form; two employees dated the form one day after employment began

and six employers did not certify the date of hire or did not include an Issuing Authority. Furthermore, one employer did not include the expiration date of a driver's license and one employer listed an identity document in the wrong column.

4. Strengthen Supervisory Reviews Over Capital Assets and Construction in Progress. **This is a repeat finding and progress has been made.** DOC continues to have misstatements related to capital assets. More supervisory review is needed to ensure that the staff follows existing policies and procedures. Not all capital assets were recorded in FAACS. Construction in progress of \$3.15 million was not recorded, and multiple year-end adjustments were required.
5. Strengthen Procedures Over Agency Transaction Vouchers (ATVs). **This is a repeat finding and progress has been made.** DOC uses ATVs to make adjustments or correct errors for financial information recorded in CARS. In April 2007, DOC reminded facilities by email to have both preparers and approvers sign and date each ATV. However, DOC did not modify the ATV form to include a section for signatures and dates to reinforce on the form that both signatures are necessary.

Department of Forensic Science (DFS)

1. Properly Complete Employment Eligibility Verification Forms. DFS was not properly completing Employment Eligibility Verification forms (I-9) in accordance with guidance issued by the U. S. Citizenship and Immigration Services of the U. S. Department of Homeland Security in its Handbook for Employers (M-274). A review of twenty I-9 forms for employees hired during fiscal years 2007 and 2008 found that eleven of the forms were either incomplete or improperly completed. Exceptions included:
 - The employee did not complete or sign Section 1 on or before the first day of employment in two instances.
 - In five instances, the employer did not date Section 2 within three days of the employee's first day of employment.
 - In three instances, the employer did not record either the issuing authority or expiration date of the documents reviewed for employee identity and employment eligibility.
 - In one instance, the employer did not properly establish the employee's identity and employment eligibility per the list of acceptable documents in the Handbook for Employers (M-274).

In addition, DFS does not have a documented policy or formalized training regarding I-9 compliance separate from the guidance provided in the Handbook for Employers (M-274). Lack of a documented policy and formalized training increases the risk of non-compliance and the likelihood that errors will occur.

Department of Military Affairs (DMA)

1. Improve Information Security Program. DMA does not have a complete or current information security program and therefore does not meet Virginia's information technology security standard. A security program should include policies and procedures to provide reasonable assurance that appropriate levels of confidentiality, integrity, and availability exist over data in DMA's possession. DMA has a unique situation in that some of their computers are on the Commonwealth's networks while some are part of federal networks.

2. Properly Complete Employment Eligibility Verification Forms. DMA is not properly completing Employment Eligibility Verification Forms (I-9) in accordance with guidance issued by the U. S. Citizenship and Immigration Services of the U. S. Department of Homeland Security in its Handbook for Employers. The guidance requires the employee to complete, sign, and date the form on the first day of employment. The employer must complete, sign, and date the form within three business days of employment. The audit reviewed fifteen completed forms and found two forms incorrectly completed.

Virginia Correctional Enterprises (VCE)

1. Evaluate Approach to Delivery Operations. Annually, VCE spends between \$500,000 and \$600,000 for overtime costs, of which more than \$175,000 or 30 percent represents overtime paid to delivery drivers. This pattern of overtime for delivery drivers has been in place for several years and the drivers consistently earn 50 to 85 percent of their regular salary in overtime. VCE needs to evaluate alternative ways, such as contracting out a portion of this function, to determine the most cost effective way to provide delivery services.
2. Improve Controls for Calculating and Recording Overtime. VCE needs to strengthen controls for calculating overtime. The audit discovered errors in calculating overtime amounts for delivery drivers. The sample disclosed that two out of 18 payments were incorrectly calculated, certain timesheets were completed and approved by the same supervisor, and driver logs indicate Federal Motor Carrier Safety Administration guidelines were not always followed.
3. Follow Job Validation Policies. VCE failed to fully follow their policies and procedures for conducting job validations. Job validations facilitate corrective actions when supervisors and staff find discrepancies in the manufacturing process or material and time usage. VCE uses a standard costing method to price the assembly and construction of all merchandise for sale. The audit found that three out of 16 job validations lacked the Industry Group Manager's approval. In addition, the Tag industry is required to have at least one job validation every six months, and one was not performed within the October 2006 to March 2007 period.
4. Follow Access Deletion Procedures. VCE has adequate policies and procedures for deleting access to their internal general ledger system; however, the audit could not determine whether or not they were following their procedures due to a lack of documentation. Only four out of 17 terminated employees had documentation of system access deletion.
5. Properly Complete Employment Eligibility Verification Forms. VCE personnel are not properly completing Eligibility Verification Forms (I-9) in accordance with guidance issued by the U. S. Citizenship and Immigration Services of the U. S. Department of Homeland Security. The audit found one or more errors on 12 of 18 forms reviewed.

Technology

Virginia Information Technologies Agency (VITA)

1. Improve the Independent Verification and Validation Process (IV&V). The Commonwealth's Project Management Standard establishes the required agency processes for all IT projects. One section in the Standard addresses IV&V which is a quality assurance process performed by an independent third party. The VITA Project Management Division (Division) complexity

analysis showed a need for 37 IV&Vs covering 21 projects in fiscal year 2007. Thirty-two IV&Vs were completed. To date, the Division does not have a knowledge base repository required by the Standard. Further, the Division performs several tasks that are duplicated on the IV&V Statement of Work. Finally, a comparison with industry best practices indicates a need to strengthen the validation component.

2. Develop Standards for Project Documentation. **This is a repeat finding and progress has been made.** The Division implemented a new portfolio management called ProSight. The Division dedicated an internal network drive to house project documents and correspondence files. A review of the internal network drive found no structure or common folder architecture for housing documents.
3. Properly Complete Employment Eligibility Verification Forms. VITA is not properly completing Employment Eligibility Verification Forms (I-9) in accordance with guidance issued by the U. S. Citizenship and Immigration Services of the U. S. Department of Homeland Security in its Handbook for Employers. The guidance requires the employee to complete, sign, and date the form on the first day of employment. The employer must complete, sign, and date the form within three business days of employment. The audit reviewed twenty-one employees and found five errors on Section 1 of the I-9 form and numerous errors on Section 2.

Wireless E-911 Services Board (Board)

1. Improve Accounting and Financial Reporting Processes. The audit identified several areas of risk impacting the Board's financial reporting process which is provided to the Board by VITA. These issues increase the potential for material misstatement of the financial statements and arise from the following conditions.
 - The Program Director has the primary understanding of the Board's operations and he directly initiates and approves many of its accounting transactions. Concentration of this level of knowledge and operational control limits the effectiveness of controls provided by VITA's accounting department to ensure the proper recording and reporting of financial transactions.
 - The Program Director calculated payments to localities for their Public Safety Answering Point (PSAP) but did not retain supporting documentation. As a result, the audit could not verify that individual payment amounts were based on the formula prescribed in the *Code of Virginia*.
 - The *Code of Virginia* and Appropriations Act does not provide sufficient direction as to how the Board may use its appropriations. For example, the *Code of Virginia* only allows the Board to pay for support staff salaries, but the Appropriation Act budget contains both staff salaries and other administrative costs.
 - VITA's accounting department did not properly separate and record the Board's and the Virginia Geographic Information Network (VGIN) transactions for financial recording and reporting.

Management has recognized some of these risks and is currently working to hire additional staff to support the Board's operations and accounting. Management should also consider seeking revisions to the *Code of Virginia* or the Appropriation Act to clarify the use of the Board's appropriation to cover program related administrative costs.

In addition, management should work with the Departments of Planning and Budget and Accounts to ensure that appropriations intended to support the Board and VGIN are sufficiently segregated within the Appropriations Act, CARS and the agency's internal accounting system. Finally, the Program Director should retain his documentation supporting the calculation of payments to localities. These changes will help to ensure the proper accounting and reporting of the Board's financial transactions.

The audit reported the above finding is both a significant deficiency in internal control over financial reporting and a material weakness. As a result, the audit concluded there is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Board's internal control over financial reporting.



Risk Alerts - Quarter Ended September 30, 2008

The APA encounters issues, which are reported as risk alerts, that are beyond the corrective action of management and require the action of either another agency, outside party, or a change in the method by which the Commonwealth conducts its operations.

No risk alerts were reported for the quarter ended September 30, 2008.

Efficiency Issues – Quarter Ended September 30, 2008

During the course of its audits, the APA observes agency practices, processes, or procedures that management should consider for review to improve efficiency, reduce risk, increase accuracy, or otherwise enhance their operations. These matters, which are reported as efficiency issues, do not require management's immediate action and may require the investment of resources to provide long-term benefit. The following agencies were identified as having efficiency issues:

Virginia's Museums:

- Gunston Hall
- Frontier Culture Museum of Virginia
- Jamestown-Yorktown Foundation
- The Science Museum of Virginia
- Virginia Museum of Fine Arts
- Virginia Museum of Natural History

The audit used fiscal year 2007 data to analyze three areas; the museums' commitment to obtain 30 percent of their funding from admissions and other sources, the potential effect that not meeting the 30 percent could have, and administrative staffing levels.

In fiscal 2007, Gunston Hall and the Virginia Museum of Natural History did not achieve the goal of generating 30 percent of their overall funding from admissions and other sources. Historically, only the Virginia Museum of Fine Arts and the Jamestown-Yorktown Foundation have met or exceeded this goal in each of the past six years. General Fund Appropriations normally only cover payroll expenses; the additional funding generated from admissions and other sources pays for the other operating expenses and costs of the museums. These are critical to the long-term operations of the museums.

Payroll expenses are a significant cost factor in operating the museums and generally constitute about 60 percent of all operating costs. Any cuts in General Fund support would either lead to layoffs or place additional pressures on raising even more funding from admissions and other sources.

As the museums face General Fund reductions in fiscal years 2008 and 2009, they will need to maintain a proper balance of staff to maintain internal controls and accountability. Loss of key personnel in some of the museums will affect the administrative functions' ability to operate. All of the operations have some or all individuals performing multiple functions, duties, and roles. This environment makes maintaining the minimum levels of internal control difficult.

With the exception of Gunston Hall, all of the museums on paper have sufficient administrative staff to have the minimum level of effective internal control. Only the Virginia Museum of Fine Arts and Jamestown-Yorktown Foundation have sufficient staff to go beyond the minimum levels. However, we would caution the reader that neither of these operations have any depth of Information Technology support and data security support to fully meet the Commonwealth's current mandates and expectations.

APA audits have contained a number of recommendations over the years that have included outsourcing, sharing resources, and other alternatives to address the potential risk of this level of staffing and the risk it causes associated with weakening internal control and potential accountability. Since all of the museums participate in the DOA ARMICS program, APA recommends that the governing bodies of the museums use their finance or budget committees to review the ARMICS documents and determine if they concur with the risks that management may be assuming. As supervisory boards, the museums' Boards of Directors should understand the impact that budget reductions and not meeting admission and other funding sources can have on operations and the administration of the museums.

Special Reports – Quarter Ended September 30, 2008

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

Report to the Joint Legislative Audit and Review Commission for the quarter
April 1, 2008 through June 30, 2008*

Virginia Port Authority, Special Review, August 2008

* Contains management control findings

Other Audit Reports Received – Quarter Ended September 30, 2008

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

Collection of Communications Sales and Use Tax, Report on Audit
For the year ended June 30, 2008

Office of the Executive Secretary of the Supreme Court of Virginia, Clerk of the Supreme Court, Clerk of the Court of Appeals, and the Judicial Inquiry and Review Commission, Report on Audit for the Year Ended June 30, 2007*

Potomac River Fisheries Commission, Report on Audit for the Year Ended June 30, 2007*

State Lottery Department, “Mega Millions,” Report on Applying Agreed-Upon Procedures. For the period April 1, 2007 through March 31, 2008

State Lottery Department, “Win for Life,” Report on Applying Agreed Upon Procedures. For the period April 1, 2007 through March 31, 2008

Statewide Review of Capital Outlay, June 2008*

* Contains management control findings



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 Prior APA Audit Findings

As of September 30, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<i>Department of General Services (DGS)</i>				
2007	07-01	Strengthen internal controls over capital asset useful life methodologies.	DGS reviewed internal controls in connection with ARMICS work. Policy is being drafted for adoption by January 12, 2009.	In progress
	07-02	Strengthen controls over capital project record keeping, closing, and capitalization processes.	CIP desk procedures are due to be completed in October 2008. Periodic status meetings have been scheduled. All other Engineering and Buildings and Fiscal Services actions are complete.	In progress
	07-03	Update and comply with Virginia's state plan of operation for federal surplus property.	State Plan of Operation was sent to GSA for review September 19, 2008.	In progress
2006	06-01	Improve documentation and internal controls over fiscal operations.	DGS gave a risk assessment of the Fiscal Services Section to DOA in conjunction with ARMICS in June 2008.	In progress
	06-03	Develop and implement policies and procedures for the surplus warehouses.	Further procedures were developed by Warehouse management in February 2008.	In progress
	06-04	Include mandated procedures in the surplus property manual.	Chapter 12 of the manual is being updated and reviewed. Completion is expected in the spring of 2009.	In progress

Status Report on Resolution of Prior APA Audit Findings

As of September 30, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	06-05	Increase awareness and use of the surplus property and disposal process.	A Marketing Manager was hired in September 2008 to increase customer awareness of the Surplus programs. A new sales point was opened October 2008 in Wise, VA.	In progress
	06-06	Finalize and distribute real estate policies and procedures.	Revised leasing guidelines were issued in July 2008. A revised antenna policy will be issued by the end of November 2008. Revisions to disposal policies are currently underway.	In progress
	06-07	Improve internal controls over appointment of Contract Administrator.	The Central Procurement Unit (CPU) reviewed all contracts that are held by CPU to ensure that Contract Administrators were assigned where appropriate.	In progress

Virginia War Memorial Foundation

2007	07-01	Consolidate accounting processes and internal controls.	The Department of Veterans Services took over administrative support services as of July 1, 2008.	Completed
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Norfolk State University (NSU)

2007	07-01	Improve financial statement preparation process.	A new procedure has been developed to complete the more detailed fluctuation analysis, together with a review of prior year adjustments. The procedure was performed on the FY 08 financial statements to ensure accuracy. The targeted completion date is October 31, 2008.	In progress
	07-02	Strengthen controls over capital project management. This is a repeat finding.	Procedures for documenting and monitoring capital outlay projects are written. The University Controller is reviewing the procedures. Procedures will go into place following approval by the Vice President for Finance and Business. The targeted completion date is December 31, 2008.	In progress

Status Report on Resolution of Prior APA Audit Findings

As of September 30, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	06-02	Strengthen controls over capital project management.	See 07-02.	
	07-03	Promptly tag all equipment.	The current inventory for FY 2008 is in process and the Fixed Asset Accountant is tagging any items found that do not have tags. The targeted completion date is October 31, 2008.	In progress
	07-04	Properly complete Employment Eligibility Verification Forms.	Human Resources is developing processes to ensure forms are complete and correct and developing a training program for human resources staff on the requirements of completing I-9 forms. The targeted completion date is June 30, 2009.	In progress
<u>Department of Business Assistance (DBA)</u>				
2007	07-01	Shift to an administrative service arrangement.	DBA fully concurs with this finding. It requires no action on DBA's part.	Completed
	07-02	Deposit funds in the State Treasury and have an appropriation.	Funds are being deposited in a special fund account. DPB approved fund raising for five programs on July 22, 2008.	Completed
	07-03	Maintain official records of the Department.	DBA anticipates meeting its 12/31/08 deadline.	In progress
	07-04	Improve controls over wireless devices.	A new policy was put in place on July 1, 2008 and given to all staff. Eleven devices have had plans changed to reflect actual usage and one device was cancelled.	Completed
	07-05	Properly complete Employment Eligibility Verification Forms.	DBA outsourced its human resource function to the DHRM service bureau on November 15, 2007.	Completed
	07-06	Document Information Security Program.	DBA has not started any action on this finding.	Not started

Status Report on Resolution of Prior APA Audit Findings

As of September 30, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Labor and Industry (DOLI)</u>				
2007	07-01	Properly complete Employment Eligibility Verification Forms.	DOLI revised agency guidelines following guidance from DHRM and provided training to the Human Resource team. All I-9 forms were reviewed to ensure compliance with all applicable laws and regulations.	Completed
<u>Department of Mental Health, Mental Retardation, and Substance Abuse Services (DMHMRSAS)</u>				
2007	07-01	Improve monitoring program over Community Service Boards.	The Offices of Community Services Administration, Internal Auditing, and Budget and Financial Reporting are completing a system-wide risk assessment instrument to evaluate the frequency of field site reviews. Finance and Administration has staff reductions of 16 percent and the monitoring is impacted.	In progress
	07-02	Properly complete Employment Eligibility Verification Forms.	The Department issued comprehensive guidance and the Handbooks explaining the I-9 forms to all facility Human Resource Officers. A small percentage of errors has continued to occur.	In progress
	07-04	Improve contingency and disaster recovery planning. This is a repeat finding.	The Department has a current letter of assurance from VITA. Not all facilities kept paper copies of acknowledgement of security awareness training in employee files. Obtaining the forms will be a facility by facility concern.	In progress
	06-02	Expand security awareness training programs.	See 07-04.	

Status Report on Resolution of Prior APA Audit Findings

As of September 30, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Juvenile Justice (DJJ)</u>				
2006	06-03	Strengthen controls over capital project procurement and capitalization. This is a repeat finding.	The Department is producing updated policies and procedures to ensure files have required information. The Project Manager provides copies of the A/E Certificates to the Business Manager.	Completed
	06-04	Improve controls over Anthem contract. This is a repeat finding.	A contract Project Monitor has been assigned to the Anthem contract. Copies of project files are sent to the Business Manager. DJJ met again with Anthem on September 25, 2008, with copies of the two contracts and all billings and payments. Anthem still views the two separate contracts as one continuous contract.	In progress
	05-01	Improve controls over procurement records and contract administration.	See 06-03 and 06-04.	
<u>Department of Accounts (DOA)</u>				
2007	07-01	Enhance validation of lease reporting.	New lease reports have been developed. Training sessions have been made available. DOA and DGS personnel have worked with lease issues. An AICCO review team has studied the DGS lease process.	In progress
	07-02	Properly complete Employment Eligibility Verification Forms.	The Department has reviewed the federal regulations and implemented procedures to ensure compliance.	Completed
<u>Department of Taxation (TAX)</u>				
2007	07-01	Improve controls over leases.	All leases have been reviewed and are updated in the LAS system. TAX is updating all written procedures over leases.	In progress

Status Report on Resolution of Prior APA Audit Findings

As of September 30, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	07-02	Properly document application and operating system options.	TAX has documented the risk assessment of vendor supplied software patches, upgrades, and operating systems for the four servers in question. TAX has again elected not to apply a series of patches and has documented the justification. APA is evaluating the documentation currently.	In progress
<u>Department of the Treasury (TD)</u>				
2007	07-01	Properly complete employment eligibility verification forms.	Human Resource staff completed I-9 training by May 21, 2008. Procedures and checklists were developed and are being used.	Completed
	07-02	Establish sufficient controls over the wire transfer process.	Two MOUs with the Department of Housing and Community Development have been written. Remaining MOUs for wire transfers are being drafted and reviewed. Internal control guidance is being incorporated into the MOUs. The estimated completion date is December 31, 2008.	In progress
	07-03	Establish, maintain, and review centralized cash, investment, and application access account listings.	Treasury is developing a manual system with automated features. A letter will be sent to agency fiscal officers directing them to authorize an individual's access using forms Cash Management and Investments have developed.	In progress

Status Report on Resolution of Prior APA Audit Findings

As of September 30, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	07-04	Strengthen controls over information systems: <ul style="list-style-type: none"> • Establish sufficient controls over online banking systems. • Segregate systems access. • Enable audit trails and transaction history on information systems. 	TD Cash Management and Investments sent forms and requirements to all agency fiscal officers for online banking access May 29, 2008. Agencies will confirm and update their access every year. All systems have access segregated except one. An exception form has been submitted to VITA for the SPDA web system. Servers and server logs will be monitored after the procurement of a log monitoring software tool. TD is also hiring an Information Security Officer.	In progress
	07-05	Strengthen internal controls over disbursements processing.	Treasury has initiated the process. DOA generated a test file for the Sun Trust payroll disbursement account formatted in the correct file layout for payee positive match pay to send to the Bank and Treasury for testing. Treasury is also working with DSS.	In progress
	07-06	Update risk assessment and test business continuity plan.	A new Business Impact Analysis has been performed, documented and approved by management. A risk assessment is being performed on each system in Treasury. Testing has begun on the Continuity of Operations Plan and larger scale testing will be completed by December 31, 2008.	In progress
<u>Department of Planning and Budget (DPB)</u>				
2006	06-01	Complete an information security program.	The finding was not repeated in the FY 2007 audit.	Completed
	06-02	Improve documentation for appropriation adjustments. This is a repeat finding.	The finding was not repeated in the FY 2007 audit.	Completed
	05-02	Improve documentation for appropriation adjustments.	See 06-02.	

Status Report on Resolution of Prior APA Audit Findings

As of September 30, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of State Police (VSP)</u>				
2007	07-01	Information Technology Planning. This is a repeat finding.	IT staff is reviewing the Strategic Plan. The target date for completion is December 1, 2008.	In progress
	07-02	Payroll. This is a repeat finding.	The Finance Division will perform the review of the payroll certification process after ARMICS deadlines are completed. The target completion date is December 31, 2008.	In progress
	07-03	Travel. This is a repeat finding.	The Finance Division is training staff on Travel Regulations. The Accounts Payable Manager is performing the compliance review. The targeted completion date is December 31, 2008.	In progress
	07-04	Petty Cash and Charge Cards. This is a repeat finding.	Current VSP policy is being updated to make it clear when P&L approval is required. Finance is now date stamping all SP299 forms. The target date is December 31, 2008.	In progress
2006	06-01	Information Technology Planning.	See 07-01.	
	06-02	Payroll.	See 07-02.	
	06-03	Travel.	See 07-03.	
	06-04	Petty Cash and Charge Cards.	See 07-04.	
<u>Virginia Commonwealth University (VCU)</u>				
2007	07-01	Clear cash reconciling items timely.	The General Accounting Department continues work on improving the reconciliation process in Banner.	In progress

Status Report on Resolution of Prior APA Audit Findings

As of September 30, 2008

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.	See 07-01.	
	07-02	Improve employment eligibility verification process.	Annual training on legal aspects of hiring has been implemented. A formal Personnel Administrator program was created.	In progress
<u>University of Virginia – Academic Division (UVA)</u>				
2007	07-01	Close out capital projects promptly.	A new internal control process was installed.	Completed
	07-02	Properly complete employment eligibility verification forms.	UVA created an Office of Compliance and Immigration Services, instituted mandatory training, and began monthly internal audits.	Completed
<u>Christopher Newport University (CNU)</u>				
2007	07-01	Properly complete employment eligibility verification forms.	CNU thoroughly reviewed the I-9 form process. Human Resource staff were trained on the requirements and additional oversight responsibilities were implemented for reviewing each form. The CNU Internal Auditor has performed an initial test of compliance on the I-9 process and found no exceptions. Additional on-going testing will be performed to insure on-going compliance.	Completed
<u>University of Mary Washington (UMW)</u>				
2007	07-01	Properly complete employment eligibility verification forms.	On-site training was initially offered on October 10, 2006. Semi-annual training has been provided since. Additional policies and procedures and training for any departments wishing to employ student workers have been developed.	Completed

Status Report on Resolution of Prior APA Audit Findings

As of September 30, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Old Dominion University (ODU)</u>				
2007	07-01	Properly complete employment eligibility verification forms.	ODU has implemented training for personnel who handle employment situations and has also initiated a review of employee files to check for compliance.	Completed
<u>James Madison University (JMU)</u>				
2007	07-01	Improve employment eligibility verification process.	JMU Human Resources completed a self study in December 2007. All I-9 forms are individually inspected. Training is delivered campus-wide. JMU policy 1326, "Immigration Reform & Control Act" was revised and implemented effective March 2008.	Completed
<u>Longwood University (LU)</u>				
2007	07-01	Improve system access controls.	LU policies and procedures are modified to indicate that access must be removed on or before the termination date. The manual paper process is being modified to have LU Human Resources directly notify systems administrators via email.	In progress
	07-02	Improve database security.	A configuration document for the Oracle database in the Banner computing system is being reviewed and approved by IT system administrators.	In progress

Status Report on Resolution of Prior APA Audit Findings

As of September 30, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	07-03	Properly complete employment eligibility verification forms.	LU Human Resources conducted training for HR employees on February 7, 2008. Annual training will be conducted. Training for other departments who have contact with new hires is offered semi-annually. The HR website has employment eligibility information available on-line. Procedures are being developed to continuously review I-9 forms.	In progress
<u>George Mason University (GMU)</u>				
2007	07-01	Improve timeliness of financial reporting controls.	Written procedures have been updated. Every entry is prepared, signed, reviewed and approved. An additional position has been added to provide a more detailed review of extensive supporting entries and resulting entries.	Completed
	07-02	Properly complete employment eligibility verification forms.	GMU changed its procedures for in-processing new staff. Comprehensive training is now offered three times a year. All existing employee files are being reviewed for proper I-9 forms. Incomplete or incorrect forms will be corrected. The targeted completion date is December 2008.	In progress
<u>Radford University (RU)</u>				
2007	07-01	Strengthen controls for reporting capital assets.	Revised policies and procedures have been fully implemented.	Completed
	07-02	Perform a stringent review of existing operations in the Athletic Department.	The NCAA schedule is complete. Scholarships have been reconciled. Foundation records are being agreed to NCAA schedule amounts.	In progress
	07-03	Properly complete employment eligibility verification forms.	Policies and procedures were updated and fully implemented. Departmental employees received training.	Completed

Status Report on Resolution of Prior APA Audit Findings

As of September 30, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Virginia Military Institute (VMI)</u>				
2007	07-01	Improve logical access policies and procedures.	VMI has developed and implemented a policy that corrects the finding.	Completed
	07-02	Properly complete employment eligibility verification forms.	VMI has developed and implemented a policy that corrects the finding.	Completed
<u>Virginia State University (VSU)</u>				
	07-01	Promptly and accurately complete reconciliations.	All state and local reconciliations are current. A critical vacancy in General Accounting was filled. The CIPPS to Banner interface was enhanced and updated. The finding was reported as corrected effective May 31, 2008.	Completed
	07-02	Properly complete employment eligibility verification forms.	VSU Human Resource employees were trained in April 2008. A process for continuously reviewing I-9 forms was completed April 30, 2008. Employees may not begin working without notification from the Office of Human Resources.	Completed
<u>Virginia Employment Commission (VEC)</u>				
2007	07-01	Properly complete employment eligibility verification forms.	Human Resources reviews all I-9 forms. Additional training is being scheduled, and an on-line training program is being developed. The latest version of the I-9 form has been furnished to all office managers.	In progress

Status Report on Resolution of Prior APA Audit Findings

As of September 30, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	07-02	Improve tax performance.	Tax and Benefits Units continue to emphasize quality. Tax has provided additional training to employees handling wage discrepancies. Tax Managers reviewed manuals for current documentation and set up schedules for future maintenance reviews. Remedies for identified program deficiencies are explored and incorporated into procedures.	In progress
	07-03	Develop information security program. This is a repeat finding.	VEC and VITA met in May 2008 and incorporated findings in the completed COOP and DR Plan. The Plan was tested on May 5, 2008, and will be tested annually to ensure compliance.	Completed
	06-01	Develop information security program.	See 07-03.	
	07-04	Continue efforts to improve entered participant data. This is a repeat finding.	VEC Field Operations completed all monitoring visits. Reports are being finalized. Preparations have been made to transfer the monitors and their functions to the Virginia Community College System in accordance with the Governor's Executive Order.	In progress
	06-03	Continue efforts to improve entered participant data.	See 07-04.	
<u>Department of Health Professions (DHP)</u>				
2007	07-01	Properly complete employment eligibility verification forms.	Human Resources staff has documented internal policies on I-9 forms and no longer allow field offices up to five business days to submit completed forms and other paperwork into the central office.	Completed

Status Report on Resolution of Prior APA Audit Findings

As of September 30, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Health (VDH)</u>				
2007	07-01	Update and expand security awareness training.	The web-based security awareness training program has not yet been completed by all employees.	In progress
	07-02	Improve contingency and disaster recovery planning.	VDH Internal Audit identified additional areas needing improvement. The ISO has not completed implementing corrective actions for all applications.	In progress
<u>Department of Social Services (DSS)</u>				
2007	07-04	Align plan for monitoring local social services offices with best practices.	The Coordinator's position has not been filled. Division directors are researching comprehensive risk assessment tools. Local department options regarding compliance with program requirements are being reviewed and recommendations prepared. A Decision Brief is being prepared on options to require local offices to pay back federal and state funds. Internal meetings with program and finance staff are occurring to resolve differences in federal guidance for some programs and program preferences for other.	In progress
<u>Department of Conservation and Recreation (DCR)</u>				
2007	07-01	Properly complete employment eligibility verification forms.	Human Resources staff established new policies and procedures, prepared training tools, and established a review process of employment files. All classified files have been reviewed. Reviews of wage files are getting underway and DCR estimates that will take another 90 days.	In progress

Status Report on Resolution of Prior APA Audit Findings

As of September 30, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Historic Resources (DHR)</u>				
2007	07-01	Complete information security program.	DHR is working on completing its security program using in-house resources. DHR is also obtaining assurances over security areas from VITA, which maintains the Department's hardware.	In progress
	07-02	Improve employment eligibility verification process.	Human Resources staff has established a review process to insure forms are filled out properly and timely.	Completed
<u>Department of Rehabilitative Services (DRS)</u>				
2007	07-01	Update and expand security awareness training.	DRS is updating its security awareness training program. DRS is using the DHRM Knowledge Center to track employees' initial training and periodic refresher training.	In progress
	07-02	Improve data protection.	DRS must use the Claims Processing System as required by the U. S. Social Security Administration. DRS hopes to resolve the issue by using secure File Transfer Protocol (FTP).	In progress
	07-03	Limit CIPPS access for Woodrow Wilson Rehabilitation Services employees.	With the addition of a fourth payroll position at the DRS site, fiscal staff at the WWRC will have "view only" access to CIPPS.	In progress
	07-04	Remove an employee's ability to create and approve payroll payments.	With the addition of a fourth payroll position at the DRS site, dual access is no longer required. The employee's dual access has been removed.	In progress

Status Report on Resolution of Prior APA Audit Findings

As of September 30, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Motor Vehicles (DMV)</u>				
2007	07-01	Properly complete employment eligibility verification forms.	Human Resource staff were trained in the correct procedures and are reviewing all files of employees hired since January 1, 2004. DMV will continue to review the ongoing process.	In progress
<u>Department of Transportation (VDOT)</u>				
2007	07-01	Properly complete employment eligibility verification forms.	VDOT Human Resources staff are establishing new internal controls, preparing training tools, and establishing a transactional review process.	In progress
<u>The College of William and Mary in Virginia (CWM)</u>				
2007	07-01	Improve financial reporting. This is a repeat finding.	The College has added staff in financial reporting and is documenting in detail steps in preparing the current statements.	In progress
	06-01	Improve financial statement preparation process. This is a repeat finding.	See 07-01.	
	05-01	Test financial statement preparation process.	See 06-01.	
	07-02	Improve information systems security program.	The College has appointed a new Director of the Information Security Program. A re-assessment of the current security programs is underway.	In progress
	07-03	Improve capital asset management.	The College is finishing the fixed asset module of the Banner System. To finalize the module, the College has contracted with an outside specialty firm to conduct a comprehensive inventory of assets.	In progress

Status Report on Resolution of Prior APA Audit Findings

As of September 30, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	07-04	Implement separation procedures for terminated employees. This is a repeat finding.	The Provost's Office is making every effort to ensure academic departments recognize and adhere to the faculty clearance procedures.	In progress
	06-02	Implement separation procedures for terminated employees.	See 07-04.	
	07-05	Properly complete employment eligibility verification forms.	Upon receipt of the finding, management initiated corrective actions by seeking professional guidance, revising internal procedures and establishing a 100% review of all I-9 forms.	In progress
<u>Richard Bland College (RBC)</u>				
2007	07-01	Improve contingency plans.	RBC is developing its own Continuity of Operations Plan which will include specific information required by COV Standards.	In progress
<u>Virginia Racing Commission (VRC)</u>				
2007	07-01	Comply with the Commonwealth's Security Standard, ITRM Standard SEC 501 (formerly SEC 2001). This is a repeat finding.	The finding was not repeated in the FY 2008 audit.	Completed
	06-01	Update and document information security program.	See 07-01.	
<u>The Science Museum of Virginia (SMV)</u>				
2006	06-01	Clarify the status of the Gift Shop operations.	The findings were not repeated in the most recent audit report.	Completed
	06-02	Enforce Small Purchase Charge Card procedures.	See 06-01.	

Status Report on Resolution of Prior APA Audit Findings

As of September 30, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	06-03	Document departures from State practice.	See 06-01.	
	06-04	Review and establish cash depositing practices.	See 06-01.	
	06-05	Examine data system security and other computer considerations.	See 06-01.	
	05-01	For the 4 th year, SMV experienced material financial difficulties.	See 06-01.	
	04-01	Improve cash management.	See 05-01.	
<u>Attorney General and Department of Law (OAG)</u>				
2007	07-01	Finalize information security program. This is a repeat finding.	The finding was not repeated in the FY 2008 audit.	Completed
	06-01	Complete an information security program.	See 07-01.	
<u>Department of Minority Business Enterprise (DMBE)</u>				
2007	07-01	Update on prior year recommendations. This is a repeat finding.	The Agency Director has certified that the Department has addressed the findings.	Completed
	06-01	Update on prior year recommendations.	See 07-01.	
<u>State Corporation Commission (SCC)</u>				
2005	05-01	Implement a complete and current information security system.	The Commission is in the process of taking corrective action with respect to the audit finding.	In progress

Status Report on Resolution of Prior APA Audit Findings

As of September 30, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Environmental Quality (DEQ)</u>				
2007	07-01	Properly complete employment eligibility verification forms.	Office Managers and Human Resources staff review and copy original required documents. HR staff took the DOA I-9 training. HR team leaders conduct a quality assurance review of all I-9 forms.	Completed
<u>Department of Emergency Management (DEM)</u>				
2007	07-01	Improve internal controls over processes.	Additional staff has been hired to improve segregation of duties in key areas. Individuals are being cross-trained to provide adequate backup if required.	In progress
	07-02	Establish policies and procedures over financial reporting.	The new financial staff hired after the drastic turnover are in the process of documenting current procedures and drafting policies and procedures to ensure a continuity of workflow.	In progress
	07-03	Improve continuity and disaster recovery plans.	Data Processing and Information Systems are reviewing and drafting revisions to the continuity of operations and the disaster recovery plans.	In progress
<u>Department of Veterans Services (DVS)</u>				
April 1, 2006 Through June 30, 2007	07-01	Reconcile patient revenue system to the Commonwealth's Accounting System.	The VVCC accounting position has been filled and the policies and procedures have been approved. Reconciliation to CARS from Achieve is underway. Prior months are being reconciled first.	In progress
	07-02	Properly prepare reconciliations in a timely manner. This is a repeat finding.	Reconciliations of both funds are current through June 30, 2008.	In progress
	06-03	Improve petty cash controls.	See 07-02.	

Status Report on Resolution of Prior APA Audit Findings

As of September 30, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	07-03	Improve debt collection efforts and account write-offs. This is a repeat finding.	Corrective action underway. New collection procedures were written. The accounting position was filled. Bad debts were identified and written off.	In progress
	06-13	Improve debt collection efforts and account write-offs. This is a repeat finding.	See 07-03.	
	05-05	Improve debt collection efforts and account write-offs.	See 06-13.	
	07-04	Establish adequate controls over cemetery funds.	Policies and procedures were implemented to handle federally reimbursed interments and spousal and dependent interments at the cemeteries. Cash receipts are reconciled to interment records.	Completed
	07-05	Establish a complete information security plan to comply with COV Security Policy. This is a repeat finding.	The DVS IT staff are continuing to develop the complete plan as individual policies and procedures are completed. The estimated completion date is Dec. 31, 2008.	In progress
	07-06	Establish sufficient access policies and ensure appropriate system access. This is a repeat finding.	DVS has published policies regarding use of personal laptops and controlling veterans' information. The remaining policies and procedures are in final review and edit. They will be concurrent with the HIPAA regulations.	In progress
	06-08	Information systems security assurance.	See 07-05 and 07-06.	In progress
	07-07	Comply with the health insurance portability and accountability act.	DVS has signed a memorandum of understanding with Rehabilitative Services to provide assistance in complying with HIPAA regulations. The policy is being reviewed. The completion date is November 30, 2008.	In progress

Status Report on Resolution of Prior APA Audit Findings

As of September 30, 2008

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	07-08	Appropriately segregate information system service duties.	DVS is reviewing and editing the draft policies over the segregation of information system service duties. The target date is December 2008.	In progress
	07-09	Establish adequate controls over the Payroll and Human Resources functions.	Two policies and two statements of operating procedures were issued and are being followed. As of September 30, 2008, no employees get live checks.	Completed
	07-10	Periodically review employee classifications under the Fair Labor Standards Act. This is a repeat finding.	Two statements of operating procedures were implemented and are being followed.	Completed
	06-12	Periodically review employee classifications under the Fair Labor Standards Act.	See 07-10.	
	07-14	Appropriately allocate administrative costs. This is a repeat finding.	Administrative costs were properly reviewed for both Care Centers for the fiscal year and the Federal Subsidy Funds were properly identified and earmarked.	Completed
	06-07	Appropriately allocate administrative costs.	See 07-14.	
	07-15	Implement appropriate controls over inventory.	Physical inventories of all items at the Care Centers have been completed.	Completed
	07-16	Establish adequate internal controls over fixed assets. This is a repeat finding.	Policies and procedures were written. Staff reconstructed all relevant FAACS data.	Completed
	06-15	Properly manage fixed assets.	See 07-16.	

Status Report on Resolution of Prior APA Audit Findings

As of September 30, 2008

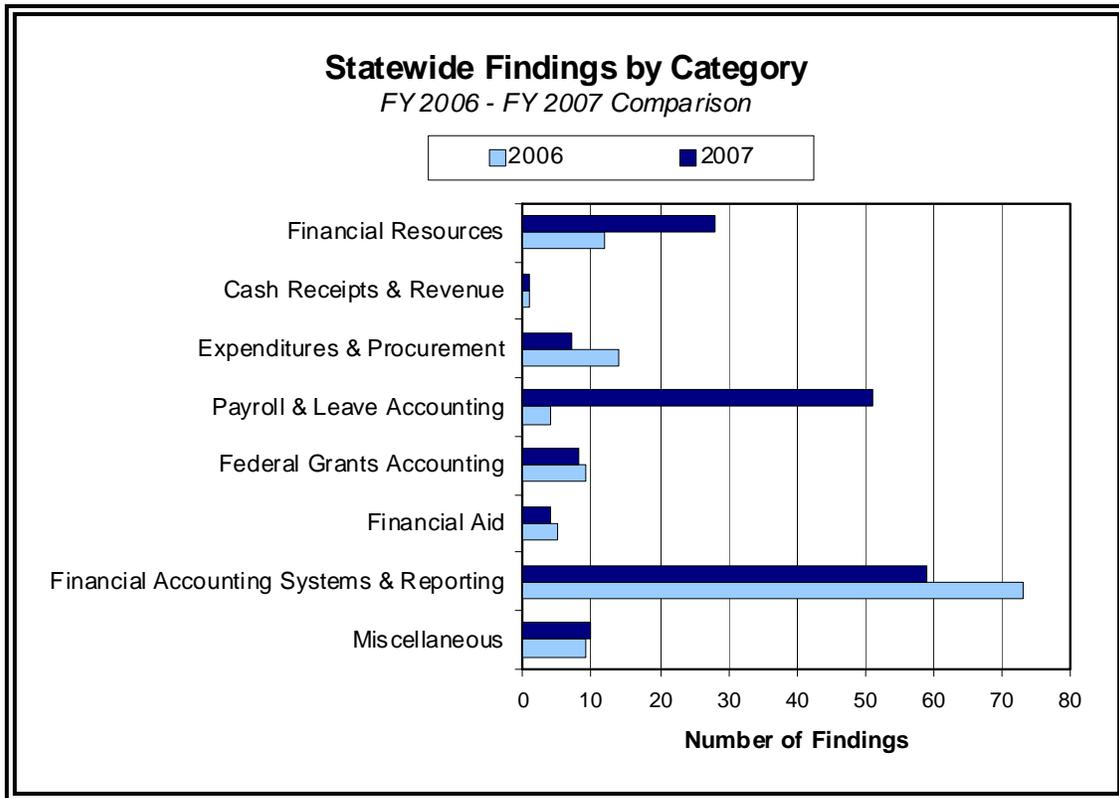
Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Corrections (DOC)</u>				
2006	06-01	Strengthen controls over capital project closing and capitalization processes.	The control process is inadequate. Allocation of resources is being affected by budgetary cutbacks.	In progress
	06-02	Strengthen controls over capital asset useful life methodologies.	This finding was not repeated in the following audit.	Completed
	06-03	Strengthen procedures over agency transaction vouchers. This is a repeat finding.	DOC did not modify the form to require both preparing and approving signatures and dates.	In progress
	05-03	Strengthen procedures over agency transaction vouchers.	See 06-03.	
<u>Department of Criminal Justice Services (DCJS)</u>				
2006	06-02	Comply with the Commonwealth's Security Standard, SEC 2001.	The Department is implementing VITA Data Security Policies and Procedures. Risk assessments have been updated and additional documentation is on file. Users are required to participate in an annual web-based security awareness training program. DCJS plans an internal audit of the Human Resource System and Law Enforcement Training Tracking System in the spring of 2009.	In progress
<u>Department of Fire Programs (DFP)</u>				
2006	06-01	Comply with the Commonwealth's Security Standard, SEC 2001.	The Department established and distributed data security policies and procedures, including logical access, physical access, logging and monitoring.	Completed



Annual Summary of APA Audit Findings

As of September 30, 2008, the Auditor of Public Accounts had issued 61 audit reports for 132 Executive Branch agencies for FY 2007. Of these reports, 20 reflected no internal control weaknesses or compliance findings. The remaining 41 audit reports, covering 64 agencies contained 168 audit findings that cited internal control weaknesses and instances of noncompliance. For FY 2006, 34 of 75 reports contained findings and 127 total findings were reported. About 35 percent of the FY 2007 audit findings were reported in the Financial Accounting Systems and Reporting area compared to 57 percent for the previous year.

Category	New Findings	Repeat Findings	Total Findings
Financial Accounting Systems & Reporting	43	16	59
Financial Resources	21	7	28
Expenditures & Procurement	3	4	7
Miscellaneous	8	2	10
Federal Grants Accounting	3	5	8
Cash Receipts & Revenue	1	-	1
Payroll & Leave Accounting	48	3	51
Financial Aid	4	-	4
Total	<u>131</u>	<u>37</u>	<u>168</u>



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 8/31/08 and 9/30/08, 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 October 10, 2008

<u>Agency</u>	<u>July</u>	<u>Aug</u>
Nottoway Correctional Center	10/01/08	-
Central Region Correctional Field Unit	10/07/08	-

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, 2008, 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, 2008, the following agencies failed to respond timely, make corrective action and/or provide additional information.

Trial Balance Review

As of October 10, 2008

<u>Agency</u>	<u>July</u>	<u>Aug</u>
Science Museum of Virginia	-	X
Germanna Community College	-	X

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 versus expenditure anomalies. For the quarter ended September 30, 2008, the following agencies failed to make corrective action and/or provide additional information.

Credit Cash, Excess Expenditures, and Expenditure Credits

As of October 10, 2008

Agency	July	Aug
Sitter-Barfoot Veterans Care Center	-	X
Department of Mental Health, Mental Retardation and Substance Abuse Services	-	X

Disbursement Processing

During the quarter ended September 30, 2008, DOA deleted, at the submitting agency's request, 180 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:

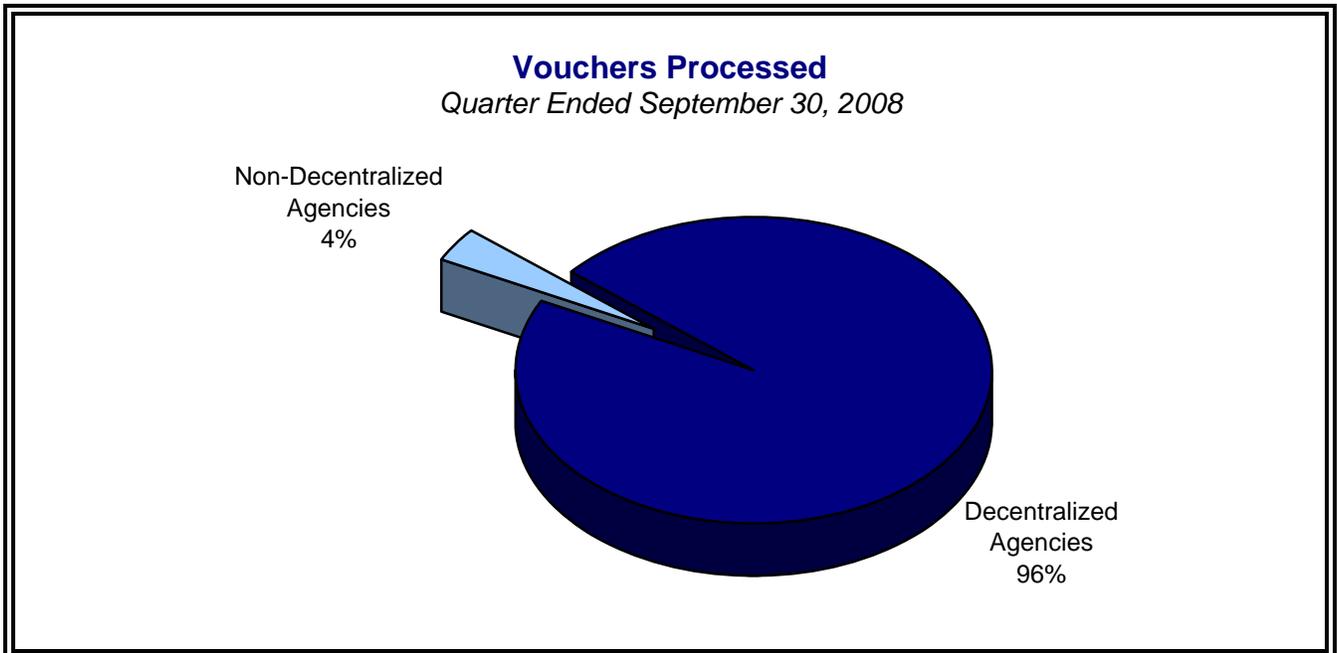
- Department of Transportation
- Christopher Newport University



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

Beginning with the quarter ended December 31, 2007, DOA has changed the way deficiencies under the Decentralized Agency Review program are reported. In the past, the focus was on the quantity of findings. The new approach will emphasize the impact and effect of the findings on overall compliance with the applicable sections of the Commonwealth Accounting Policies and Procedures Manual.

Agencies considered deficient in their compliance responsibilities are required to develop a formal corrective action plan and are subject to a follow-up review 90 days after its implementation. Compliance improvement recommendations are made to most agencies, even those who are considered compliant overall. Recommendation implementation effectiveness is considered in future reviews in determining overall compliance levels and the corresponding

requirement for corrective action plan development.

Compliance reviews were conducted for nine decentralized agencies during the quarter. The agencies were evaluated for compliance with the following sections of the Commonwealth Accounting Policies and Procedures (CAPP) Manual:

- CAPP Topic 20310 - *Expenditures*
- CAPP Topic 20315 - *Prompt Payment*
- CAPP Topic 20330 - *Petty Cash*
- CAPP Topic 20335 - *State Travel Regulations*
- CAPP Topic 20336 - *Agency Travel Processing*
- CAPP Topic 20345 - *Moving and Relocation*
- CAPP Topic 20355 - *Purchasing Charge Card*

Compliant Agencies

Baskerville Correctional Center
Department of Military Affairs
Germanna Community College
Lord Fairfax Community College
Mountain Empire Community College
Pocahontas State Correctional Center
Virginia Highlands Community College

Agencies Requiring Corrective Action

The College of William and Mary in Virginia (1)
Virginia Institute of Marine Science (1) (2)
(The issues at the right apply to both agencies)

Corrective Action Required

Travel: Incorrect Application of Mileage Reimbursement Policy and the Enterprise Car Rental Contract; Incorrect application of Lodging and M&IE Limitations and required documentation (limitations exceeded).

Business Meals: Lack of proper approvals.

Moving and Relocation: Tenure agreements were not signed promptly.

All areas reviewed: General lack of documentation and justification to support or explain expenditures.

(1) This was a follow-up review.

(2) Fiscal Services are provided by The College of William and Mary in Virginia.



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 1,463 non-travel disbursement batches and 535 travel disbursement batches were reviewed, disclosing 42 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, 2008		Fiscal Year 2009 To-Date		Comparative Quarter Ended September 30, 2007	
	Late	Total	Late	Total	Late	Total
Number of Payments	4,988	596,026	4,988	596,026	8,398	598,950
Dollars (in thousands)	\$ 31,226	\$ 1,691,850	\$ 31,226	\$ 1,691,850	\$ 30,802	\$ 1,592,271
Interest Paid on Late Payments				\$4,874 (a)		
Current Quarter Percentage of Payments in Compliance				99.2%		
Fiscal Year-to-Date Percentage of Payments in Compliance				99.2%		
Comparative Fiscal Year 2008 Percentage of Payments in Compliance				98.6%		

(a) This does not include covered higher education institutions.



Prompt Payment Performance by Secretarial Area

Quarter Ended September 30, 2008

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.1%	99.5%
Agriculture and Forestry	99.6%	99.6%
Commerce and Trade	99.1%	99.5%
Education*	99.0%	97.6%
Executive Offices	98.8%	94.7%
Finance	99.9%	99.9%
Health and Human Resources	99.1%	98.9%
Independent Agencies	98.2%	98.9%
Judicial	99.9%	99.9%
Legislative	100.0%	100.0%
Natural Resources	99.5%	99.0%
Public Safety	99.3%	99.5%
Technology	99.2%	92.6%
Transportation*		
Statewide	99.2%	98.2%

Prompt Payment Performance by Secretarial Area

Fiscal Year 2009

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.1%	99.5%
Agriculture and Forestry	99.6%	99.6%
Commerce and Trade	99.1%	99.5%
Education *	99.0%	97.6%
Executive Offices	98.8%	94.7%
Finance	99.9%	99.9%
Health and Human Resources	99.1%	98.9%
Independent Agencies	98.2%	98.9%
Judicial	99.9%	99.9%
Legislative	100.0%	100.0%
Natural Resources	99.5%	99.0%
Public Safety	99.3%	99.5%
Technology	99.2%	92.6%
Transportation*	99.6%	99.0%
Statewide	99.2%	98.2%

* 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, 2008, 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, 2008**

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
Education			
New College Institute	11	122	91.0%
Public Safety			
Sitter-Barfoot Veterans Care Center	136	790	82.8%
Independent Agencies			
Virginia Workers' Compensation Commission	52	973	94.7%
Administration			
State Board of Elections	13	176	92.6%

For FY 2009, 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 2009**

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
Public Safety			
Sitter-Barfoot Veterans Care Center	136	790	82.8%
Independent Agencies			
Virginia Workers' Compensation Commission	52	973	94.7%

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. Other agencies of the Commonwealth that are responsible for payment processes outside of those processed centrally have also embraced e-commerce initiatives (e.g., VEC, DSS). As a result, the methodology for accumulating the Statewide E-Commerce Performance Statistics has been modified to include additional payments made by these agencies. The comparative quarter and year-to-date amounts have been restated to account for the new methodology. 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, 2008			Comparative Quarter Ended September 30, 2007 as restated
	E-Commerce	Total	Percent	Percent
Number of Payments	2,232,388	2,702,346	82.6%	75.9%
Payment Amounts	\$ 7,967,745,560	\$ 9,419,996,122	84.6%	85.3%

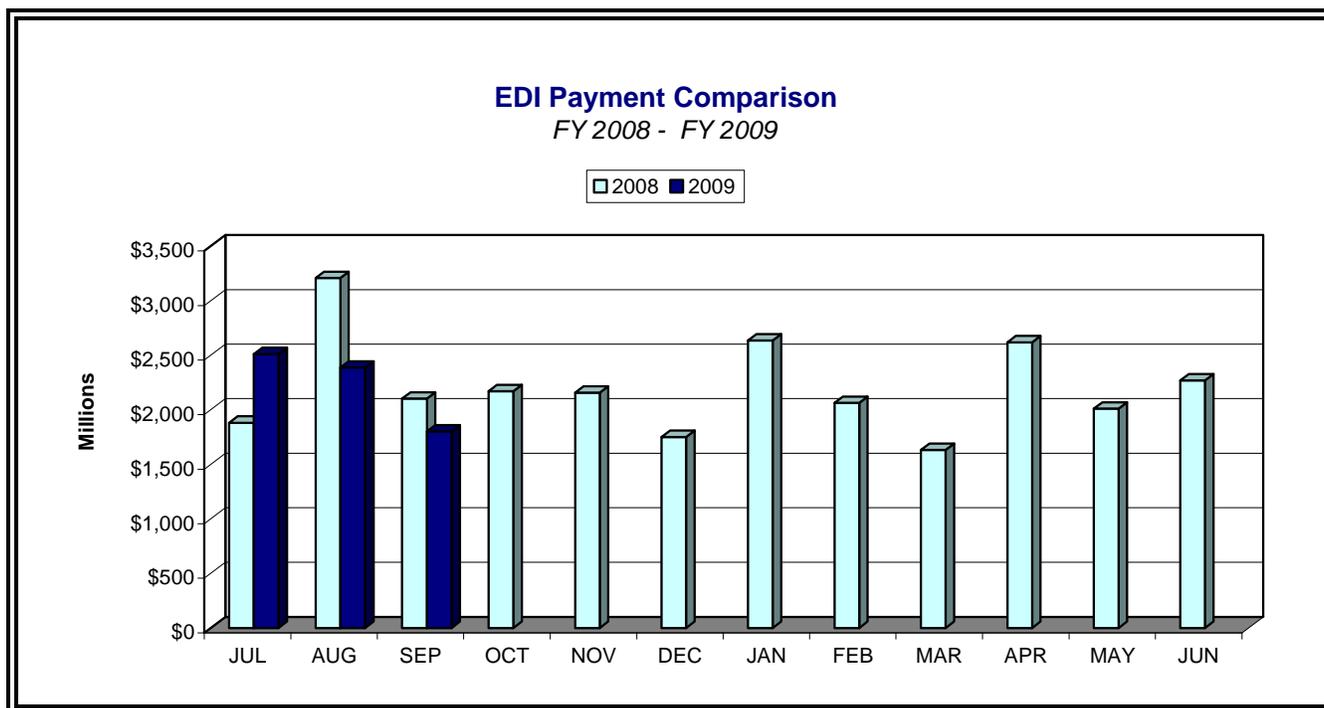
Financial Electronic Data Interchange (EDI)

The dollar volume of Financial EDI payments for the first quarter of FY 2009 were \$492 million (6.8 percent) less than the same quarter last year. The number of trading partner accounts increased by 7.5 percent

from September 2007. The largest portion of this increase is due to efforts to convert state employee travel reimbursements from checks to electronic payments.

Financial EDI Activity

<u>Financial EDI Activity</u>	<u>Quarter Ended September 30, 2008</u>	<u>Comparative Quarter Ended September 30, 2007</u>
Number of Payments	43,730	47,784
Amount of Payments	\$ 6,701,925,579	\$ 7,193,435,368
Number of Invoices Paid	178,158	192,913
Estimated Number of Checks Avoided	70,525	76,627
Number of Trading Partner Accounts as of 9/30/08	47,679	44,363



Travel EDI

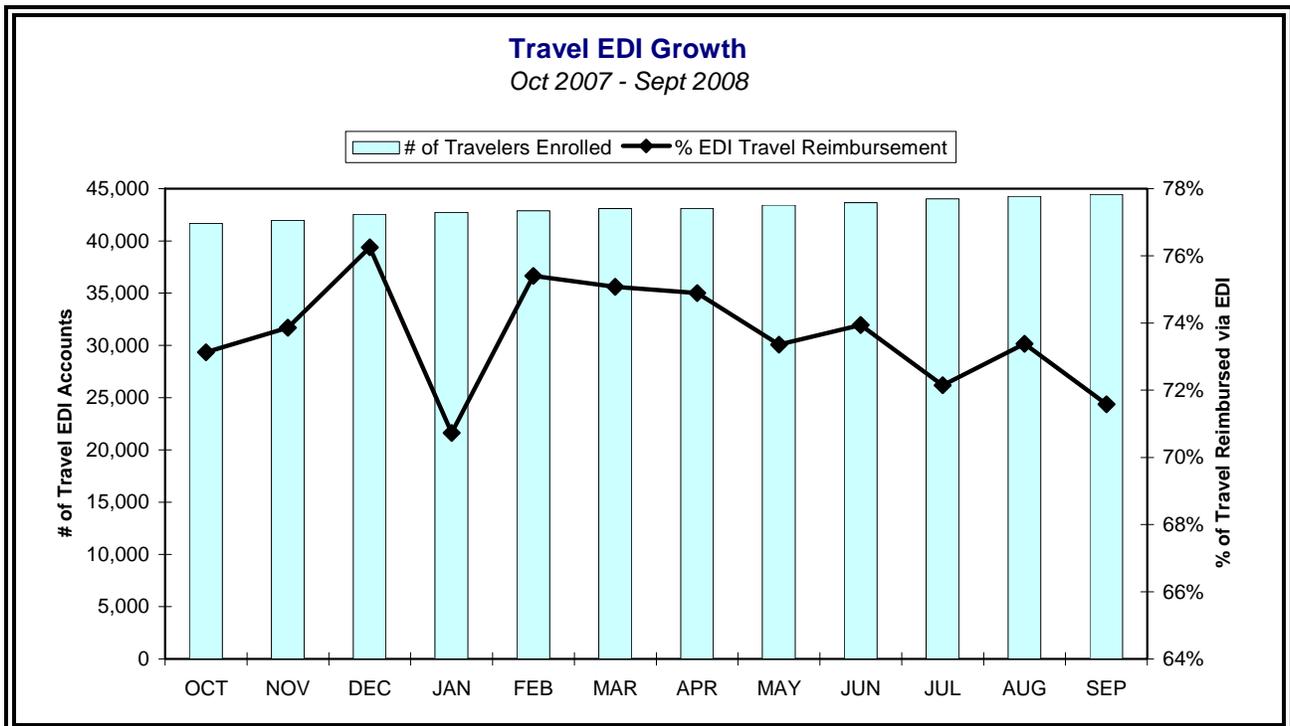
Expansion of the Travel EDI program is an integral part of the statewide effort to reduce the administrative costs associated with paying for goods and services for the Commonwealth. The Appropriation Act requires employees who travel more than twice a year to be reimbursed using EDI. DOA notified agencies 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 charges agencies for each travel reimbursement check issued in lieu of Travel EDI. Agencies are expected to take action to enroll applicable employees in the EDI program and thus avoid the fees altogether. For FY 2009, 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, 2008

Secretarial Area	Employee Percent	Non-Employee Percent	Reimbursement Checks Issued
Administration	76.8%	6.7%	50
Agriculture and Forestry	94.4%	19.5%	102
Commerce and Trade	94.4%	57.7%	227
Education (1)	85.7%	13.7%	1,360
Executive Offices	95.4%	0.0%	39
Finance	94.5%	0.0%	34
Health and Human Resources	92.6%	36.7%	1,024
Independent Agencies	93.6%	0.0%	110
Judicial	18.9%	3.8%	3,958
Legislative	94.3%	14.2%	157
Natural Resources	95.6%	59.0%	98
Public Safety	89.2%	12.0%	640
Technology	74.6%	0.0%	69
Transportation (1)	78.7%	19.2%	442
Statewide for Quarter	79.7%	21.9%	8,310
<i>Fiscal Year 2009 To-Date</i>			
Statewide	79.7%	21.9%	8,310
<i>Comparative Fiscal Year 2008 To-Date</i>			
Statewide	79.2%	18.7%	9,740

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

The following table lists agencies with Employee EDI participation rates below 85 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 85 Percent

Agency	Percent	Reimbursement Checks Issued
Education		
Northern Virginia Community College	83.0%	28
Southside Virginia Community College	67.7%	31
Norfolk State University	51.0%	99
Virginia School for the Deaf and the Blind at Staunton	5.9%	32
Health and Human Resources		
Department of Medical Assistance Services	84.8%	26
Department of Social Services	82.0%	113
Judicial		
Supreme Court	7.2%	962
Magistrate System	4.8%	218
Circuit Courts	3.8%	630
Combined District Courts	3.6%	348
General District Courts	2.6%	413
Juvenile and Domestic Relations District Courts	0.9%	431
Court of Appeals of Virginia	0.0%	49
Public Safety		
Division of Community Corrections	83.6%	36
Department of Military Affairs	66.4%	37
Technology		
Virginia Information Technologies Agency	74.4%	56
Transportation		
Department of Transportation	70.6%	326

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
Agriculture and Forestry		
Department of Agriculture and Consumer Services	5.7%	50
Commerce and Trade		
Department of Housing and Community Development	6.5%	86
Education		
Department of Education	2.5%	576
Health and Human Resources		
Department of Mental Health, Mental Retardation and Substance Abuse Services	8.1%	114
Virginia Board for People with Disabilities	5.9%	32
Judicial		
Circuit Courts	4.3%	359
Virginia State Bar	0.0%	290
Indigent Defense Commission	0.0%	41
Public Safety		
Department of Criminal Justice Services	0.0%	54
Department of Veterans Services	0.0%	39
Commonwealth's Attorneys' Services Council	0.0%	34
Transportation		
Towing and Recovery Operations	7.1%	39

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 2009, the charge is \$5 per check. These statistics indicate noncompliance with §4-5.04f.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		
Supreme Court	7.2%	\$ 510
Magistrate System	7.2%	225
Circuit Courts	3.8%	1,690
Combined District Courts	3.6%	600
General District Courts	2.6%	790
Juvenile and Domestic Relations District Courts	0.9%	910



Direct Deposit

During the first quarter of FY 2009, 511,873 checks were avoided using direct deposit.

Effective August 1, 2008 direct deposit was mandated for all new hires.

Direct Deposit Performance by Secretarial Area

Quarter Ended September 30, 2008

<u>Secretarial Area</u>	<u>Direct Deposit % of Salaried Employees</u>	<u>Direct Deposit % of Wage Employees</u>
Administration	98.7%	93.5%
Agriculture and Forestry	97.6%	50.2%
Commerce and Trade	99.8%	94.5%
Education	98.7%	84.8%
Executive Offices	98.5%	69.2%
Finance	98.9%	94.8%
Health and Human Resources	94.1%	88.2%
Independent Agencies	98.4%	89.4%
Judicial	98.1%	59.2%
Legislative	98.7%	96.0%
Natural Resources	98.9%	65.3%
Public Safety	98.6%	92.9%
Technology	99.5%	100.0%
Transportation	97.5%	91.2%
Statewide	97.5%	84.6%
<i>Comparative</i>		
<i>Quarter Ended September 30, 2007</i>		
Statewide	93.1%	74.0%

Statewide Salaried Direct Deposit Performance

Quarter Ended September 30, 2008

Salaried Direct Deposit Participation	97.5%
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Salaried Direct Deposit Below 90 Percent

<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Education		
Virginia School for the Deaf, Blind and Multi-Disabled at Hampton	56.7%	60
Health and Human Resources		
Southern Virginia Mental Health Institute	89.6%	173
Piedmont Geriatric Hospital	86.0%	328
Central Virginia Training Center	75.7%	1,438

Statewide Wage Direct Deposit Performance

Quarter Ended September 30, 2008

Wage Direct Deposit Participation	84.6%
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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	45.7%	70
Education		
Virginia Highlands Community College	49.3%	201
Judicial		
General District Courts	49.4%	257
Combined District Courts	35.0%	20

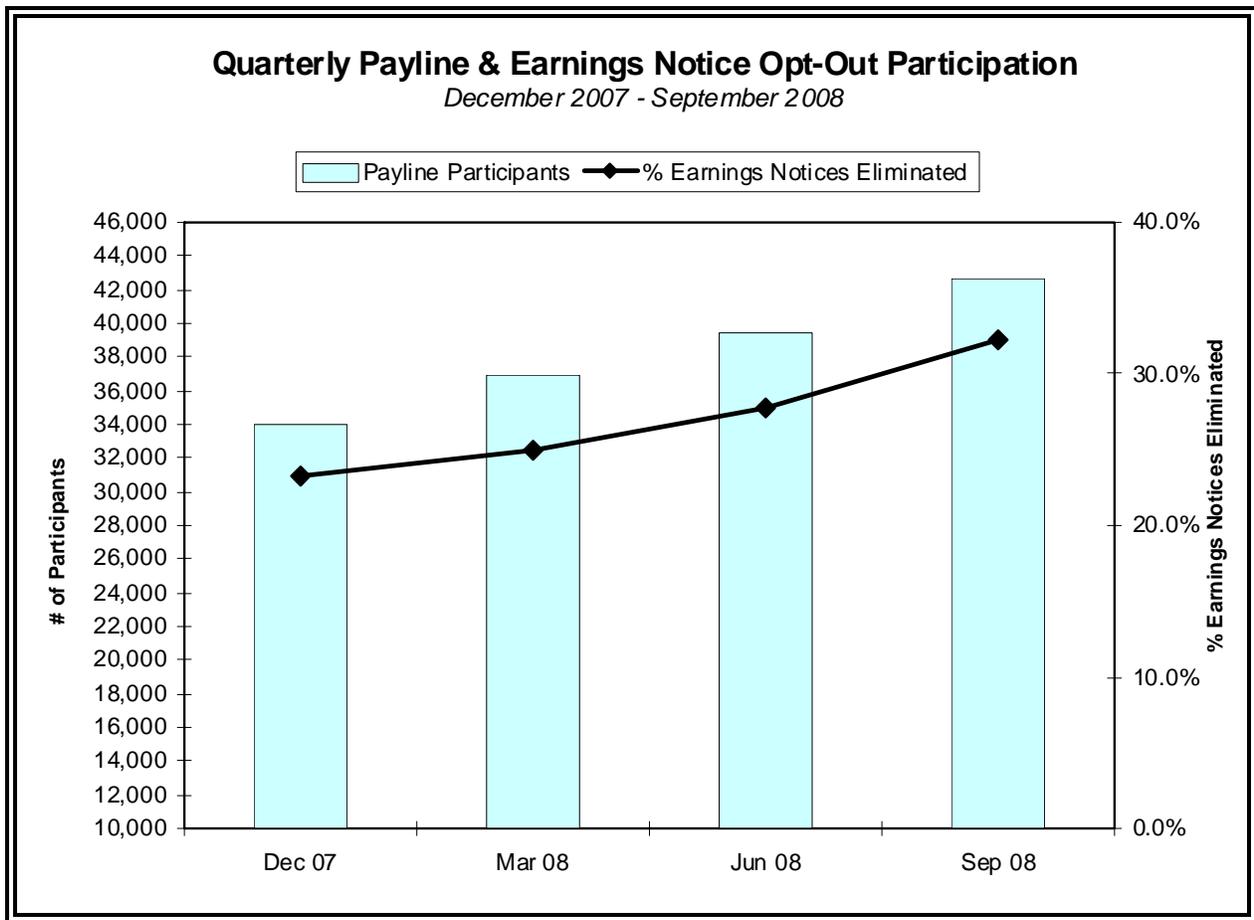


Payroll Earnings Notices

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 1,867,900 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, 2008

Secretarial Area	Percent Payline Participation	Percent Earnings Notices Eliminated*
Administration	69.8%	45.2%
Agriculture and Forestry	33.2%	19.3%
Commerce and Trade	87.0%	89.7%
Education	43.7%	34.0%
Executive Offices	66.4%	65.1%
Finance	97.3%	97.0%
Health and Human Resources	45.4%	27.3%
Independent Agencies	74.2%	72.0%
Judicial	35.1%	24.8%
Legislative	61.8%	64.2%
Natural Resources	51.8%	44.3%
Public Safety	47.4%	26.4%
Technology	95.7%	98.5%
Transportation	47.3%	18.9%
Statewide	48.3%	32.3%
<i>Comparative</i>		
<i>Quarter Ended September 30, 2007</i>		
Statewide	35.2%	21.0%

* 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.

Effective January 1, 2009, all employees who have access to state-issued computers and internet access are required to use Payline and to opt out of earnings notice print. Agencies can implement this mandate by either requiring their employees to individually access Payline and make the appropriate elections in the user's security record to opt out or the agency can make a global election to opt out its employees. Agency elections to eliminate earnings notice print can be applied systematically to salary-only employees, hourly-only employees, or all employees.

A large number of agencies have proactively elected a global opt-out in preparation for the January 1, 2009, mandate. Listed below are those agencies who either have not contacted the Department of Accounts regarding a global election or who have an opt-out percentage below 90% as of September 30, 2008. The agencies listed below should evaluate the benefits of electing a global opt-out option or proactively enforcing the January mandate for the affected population in advance.

**Earnings Notice Elimination
Under 90 Percent
Quarter Ended September 30, 2008**

Agency	Percent Earnings Notices Eliminated
<i>Administration</i>	
Human Rights Council	85.7%
Department of Minority Business Enterprise	80.0%
Department of Human Resource Management	61.4%
State Board of Elections	58.6%
Department of General Services	37.8%
<i>Agriculture and Forestry</i>	
Department of Agriculture and Consumer Services	28.7%
Department of Forestry	6.2%
<i>Commerce and Trade</i>	
Department of Labor and Industry	76.3%
Board of Accountancy	45.5%
Virginia Racing Commission	22.7%
Department of Housing and Community Development	19.8%

**Earnings Notice Elimination
Under 90 Percent
(Continued)**

Quarter Ended September 30, 2008

Agency	Percent Earnings Notices Eliminated
Education	
State Council of Higher Education for Virginia	89.5%
Dabney S. Lancaster Community College	85.7%
Department of Education, Central Office Operations	77.0%
Southern Virginia Center for Higher Education	76.7%
The Science Museum of Virginia	72.3%
Jamestown-Yorktown Foundation	66.6%
Virginia Community College System	61.1%
Frontier Culture Museum of Virginia	57.4%
Southwest Virginia Community College	56.0%
Longwood University	51.3%
Patrick Henry Community College	38.8%
New College Institute	36.4%
Virginia Highlands Community College	32.1%
Piedmont Virginia Community College	26.5%
Virginia Museum of Fine Arts	26.1%
Lord Fairfax Community College	16.8%
Southside Virginia Community College	16.8%
Eastern Shore Community College	16.1%
Tidewater Community College	16.0%
Mountain Empire Community College	15.2%
John Tyler Community College	15.0%
Paul D. Camp Community College	11.5%
Danville Community College	11.0%
Thomas Nelson Community College	10.9%
New River Community College	8.9%
Rappahannock Community College	7.8%
Virginia School for the Deaf, Blind and Multi-Disabled at Hampton	6.3%
Central Virginia Community College	6.0%
Christopher Newport University	3.6%
Northern Virginia Community College	2.4%
Gunston Hall	0.0%
Virginia Commission for the Arts	0.0%

**Earnings Notice Elimination
Under 90 Percent
(Continued)
Quarter Ended September 30, 2008**

Agency	Percent Earnings Notices Eliminated
Executive Offices	
Enterprise Applications Public-Private Partnership Project Office	60.0%
Attorney General and Department of Law	57.2%
Finance	
Department of Planning and Budget	76.3%
Health and Human Resources	
Western State Hospital	34.2%
Department of Medical Assistance Services	28.2%
Department of Health	26.7%
Department of Rehabilitative Services	26.1%
Virginia Department for the Blind and Vision Impaired	23.2%
Woodrow Wilson Rehabilitation Center	21.3%
Southwestern Virginia Training Center	18.8%
Northern Virginia Mental Health Institute	16.9%
Department of Health Professions	15.3%
Eastern State Hospital	12.7%
Hiram W. Davis Medical Center	12.4%
Central State Hospital	12.4%
Southern Virginia Mental Health Institute	11.6%
Southeastern Virginia Training Center	9.9%
Southside Virginia Training Center	9.7%
Southwestern Virginia Mental Health Institute	9.5%
Virginia Board for People with Disabilities	9.1%
Virginia Rehabilitation Center for the Blind and Vision Impaired	7.4%
Piedmont Geriatric Hospital	4.6%
Central Virginia Training Center	3.4%
Independent Agencies	
Virginia Retirement System	76.7%
Virginia Workers' Compensation Commission	62.1%
State Lottery Department	51.1%
Virginia College Savings Plan	34.6%
Virginia Office for Protection and Advocacy	25.7%

**Earnings Notice Elimination
Under 90 Percent
(Continued)
Quarter Ended September 30, 2008**

Agency	Percent Earnings Notices Eliminated
Judicial	
Virginia Indigent Defense Commission	80.5%
Supreme Court	44.5%
Virginia Criminal Sentencing Commission	25.0%
Magistrate System	16.8%
Combined District Courts	12.3%
General District Courts	10.0%
Juvenile and Domestic Relations District Courts	8.4%
Court of Appeals of Virginia	2.6%
Circuit Courts	0.0%
Judicial Inquiry and Review Commission	0.0%
Virginia Board of Bar Examiners	0.0%
Legislative	
Virginia House of Delegates	16.5%
Commission on VASAP	12.5%
Natural Resources	
Virginia Museum of Natural History	58.2%
Department of Historic Resources	46.9%
Department of Game and Inland Fisheries	25.9%
Marine Resources Commission	25.7%
Department of Conservation and Recreation	19.7%
Chippokes Plantation Farm Foundation	0.0%
Public Safety	
Department of Fire Programs	75.4%
Department of Veterans Services	37.4%
Department of Military Affairs	16.7%
Department of Correctional Education	16.4%
Department of Juvenile Justice	10.4%
Virginia Veterans Care Center	6.4%
Commonwealth's Attorneys' Services Council	0.0%

**Earnings Notice Elimination
Under 90 Percent**

(Continued)

Quarter Ended September 30, 2008

Agency	Percent Earnings Notices Eliminated
<i>Transportation</i>	
Department of Aviation	36.8%
Motor Vehicle Dealer Board	36.0%
Department of Rail and Public Transportation	35.1%
Department of Motor Vehicles	17.0%
Towing & Recovery Operations Board	0.0%



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.

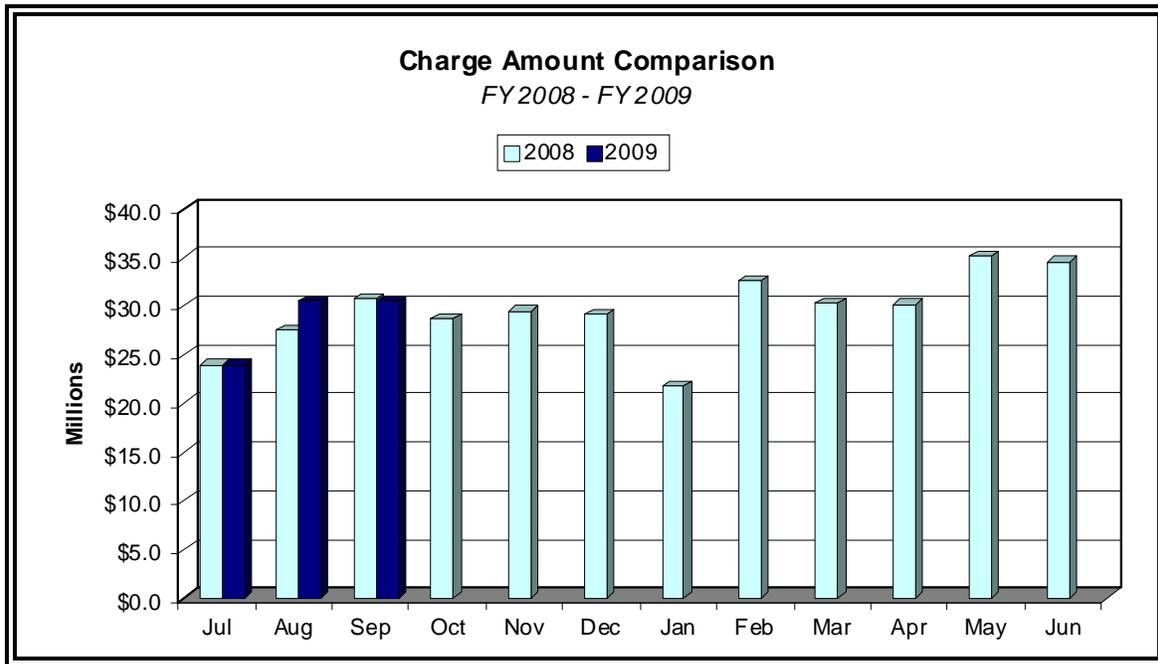
The Small Purchase Charge Card continues to be used for purchases under \$5,000. Agencies are strongly encouraged to obtain a Gold Card for use for purchases up to \$50,000.

The total amount charged on SPCC and Gold cards during the first quarter of FY 2009 increased by \$2.79 million or 3.3 percent from the same quarter last year.

Small Purchase Charge Card Program

Charge Card Activity	Quarter Ended September 30, 2008	Fiscal Year 2009 To-Date	Comparative Fiscal Year 2008 To-Date
Amount of Charges	\$ 85,059,824	\$ 85,059,824	\$ 82,272,953
Estimated Number of Checks Avoided	164,782	164,782	168,611
Total Number of Participating Agencies		227	226
Total Number of Cards Outstanding		14,947	15,072

The following chart compares charge activity for FY 2009 to activity for FY 2008:



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 §4-5.04g 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 26 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, 2008

Percentage Utilization for Eligible Transactions

85%

SPCC Utilization by Secretarial Area

Quarter Ended September 30, 2008

<u>Secretarial Area</u>	<u>Payments in Compliance ⁽¹⁾</u>	<u>Non-Compliant Transactions ⁽²⁾</u>
Administration	82%	656
Agriculture and Forestry	85%	547
Commerce and Trade	84%	561
Education*	89%	4,173
Executive Offices	97%	25
Finance	92%	91
Health and Human Resources**	83%	6,106
Independent Agencies	64%	937
Judicial	40%	2,259
Legislative	96%	51
Natural Resources	93%	865
Public Safety	94%	2,443
Technology	90%	63
Transportation*	73%	7,123
Statewide	85%	25,900

* 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	45%	492
Education		
Norfolk State University	65%	762
New College Institute	58%	18
Health and Human Resources		
Eastern State Hospital	66%	446
Central Virginia Training Center	59%	571
Independent Agencies		
Virginia Retirement System	68%	162
State Corporation Commission	2%	596
Judicial		
Judicial Inquiry and Review Commission	59%	7
Board of Bar Examiners	0%	23
Circuit Courts	0%	191
Combined District Courts	0%	219
General District Courts	0%	777
Juvenile and Domestic Relations District Courts	0%	487
Magistrate System	0%	109
Virginia Criminal Sentencing Commission	0%	31
Legislative		
Commission on the Virginia Alcohol Safety Action Program	0%	31
Public Safety		
Sitter-Barfoot Veterans Care Center	46%	322



SPCC and ATC 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 15, 2008, with the payment due no later than August 8, 2008.

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.

Agency	Jul	Aug	Sept
<u>Purchase Card Program:</u>			
Education			
Piedmont Virginia Community College		X	
Southern Virginia Higher Education Center	X		
University of Virginia Medical Center			X
Virginia Western Community College		X	
Independent			
Virginia College Savings Plan			X
Public Safety			
Central Region Correctional Field Units	X		
Department of Fire Programs	X		
Indian Creek Correctional Center	X		
Sitter-Barfoot Veterans Care Center		X	
<u>Airline Travel Card Program:</u>			
Education			
Virginia Western Community College	X		



Travel Charge Card

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

One of the major concerns under this program is the timely payment of card statements. Delinquent accounts result in higher costs to the contractor and ultimately threaten the viability of the Commonwealth's travel charge card program.

The contract provides for the following actions on delinquent accounts:

- 30 days past due – noted on statement, letter sent to the cardholder.
- 31 - 60 days past due – charging privileges are temporarily suspended until balance is paid.
- 61 - 90 days past due – the account is permanently closed. Cardholder is no longer eligible to participate in the program.

The following table identifies the number of delinquent card accounts with GE MasterCard by agency during the quarter ended September 30, 2008, and the total amounts past due.

Travel Charge Card Program

As of September 30, 2008

<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>
Education				
Norfolk State University	1	\$ 730	\$ 652	\$ 976
Virginia Military Institute	1	0	799	0
University of Virginia Medical Center	1	0	2,095	0
Health and Human Resources				
Department of Health	1	0	187	0
Public Safety				
Department of Criminal Justice Services	1	524	1,329	0
Department of Emergency Management	1	0	971	0
Department of Military Affairs	1	0	0	717



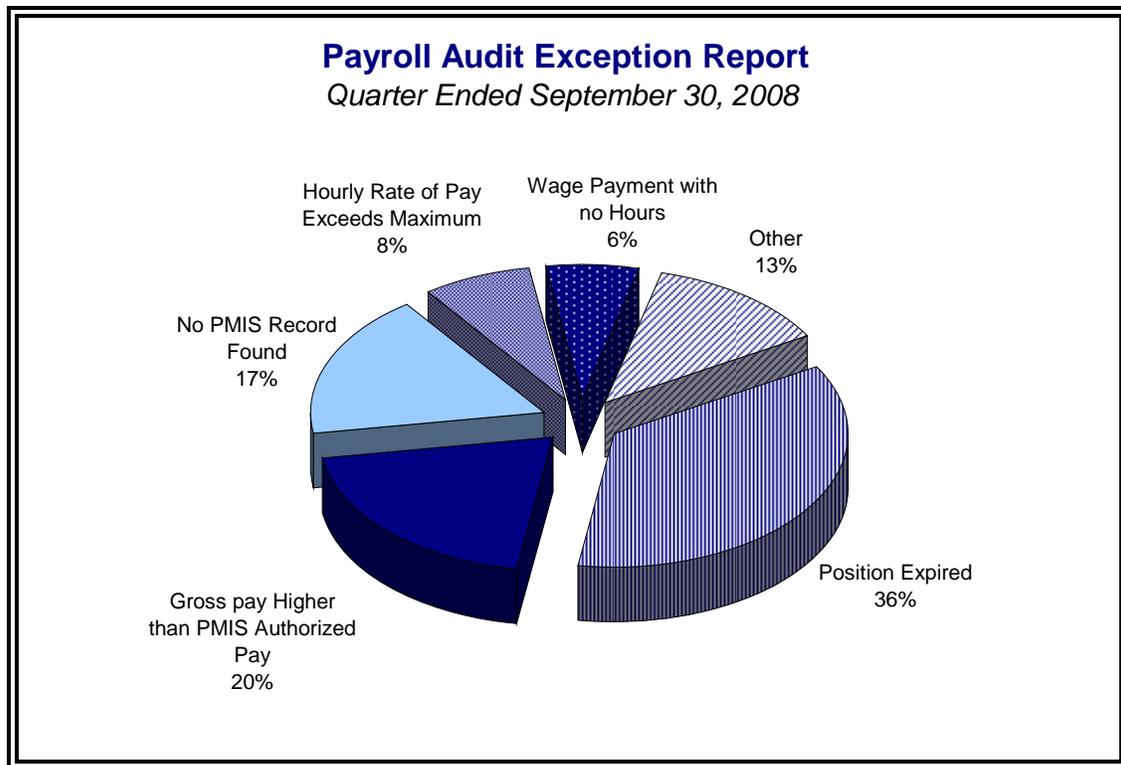
Payroll Controls

PMIS/CIPPS Payroll Audit

During the quarter, DOA's automated comparison of payroll and personnel (PMIS) records examined 434,268 salaried pay transactions and 209,406 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 2,297 new exceptions noted statewide during the quarter, with an overall exception rate of 0.38 percent.

The statewide salaried payroll exception rate was 0.51 percent and the wage payroll exception rate was 0.10 percent. During this quarter, 17 employee paychecks were reduced to recover \$4,761.64 in overpayments.

While the largest cause of exceptions is continuing to process pay for employees whose position has 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, 2008

Agency	# of Salaried Exceptions	Exceptions as a % of Salaried Payments
Department of Conservation and Recreation	66	2.24%
Piedmont Virginia Community College	49	5.30%
Eastern Shore Community College	9	2.46%
Total Salaried Payroll Exceptions for the Quarter		0.51%

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, 2008

<u>Agency</u>	<u># of Wage Exceptions</u>	<u>Exceptions as a % of Wage Payments</u>
Department of Conservation and Recreation	21	0.43%
University of Mary Washington	26	0.56%

Wage Payroll Exceptions for the Quarter	0.10%
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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>
None	



Payroll Certification

Agencies are required to calculate, verify, and authorize the amount 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				
New River Community College	\$ 36,811			
Paul D. Camp Community College	20,630			
Piedmont Virginia Community College	923,999,076			
Health and Human Resources				
Central Virginia Training Center		1		
Department of Health	87,829			
Legislative				
Virginia House of Delegates	20,155			

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, required IAT's not submitted or incorrect coding. Health care reconciliations for the months of June, July and August were due 07/31/08, 08/29/08 and 09/30/08, respectively.

Schedule of Healthcare Reconciliations Received Late or With Problems

Agency	June	July	Aug
Department of Military Affairs		P	P
Virginia Retirement System		L	L
Virginia State University		P	P
Norfolk State University	P	P	P
Virginia Information Technologies Agency	P	P	
Southside Virginia Community College		L	
Eastern Shore Community College	L		
Department of Mines, Minerals and Energy		P	P
Virginia Center for Behavioral Rehabilitation	L		
Department of Alcoholic Beverage Control		P	P

L = Late
P = Problems



FINANCIAL MANAGEMENT ACTIVITY

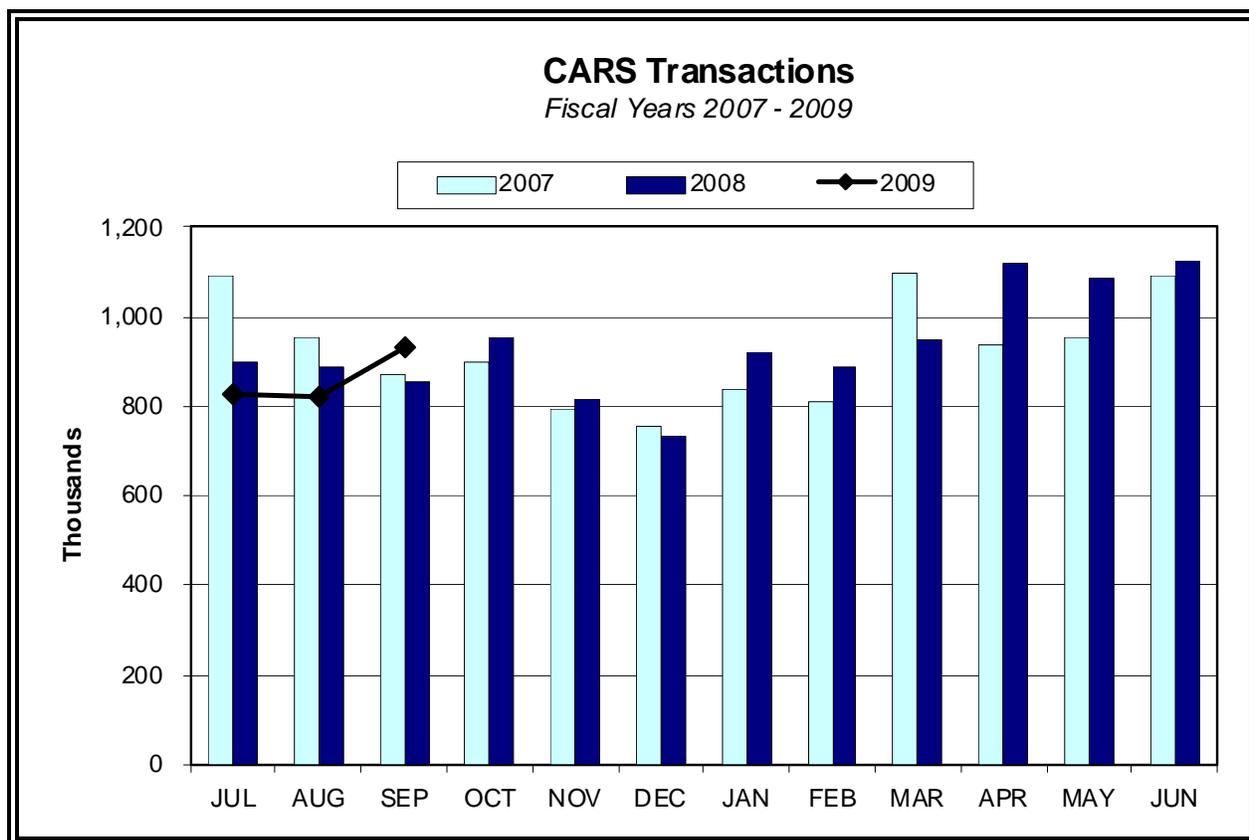
DOA monitors several types of financial activity. Various measures are used to track activities for CARS, payroll, accounts

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.

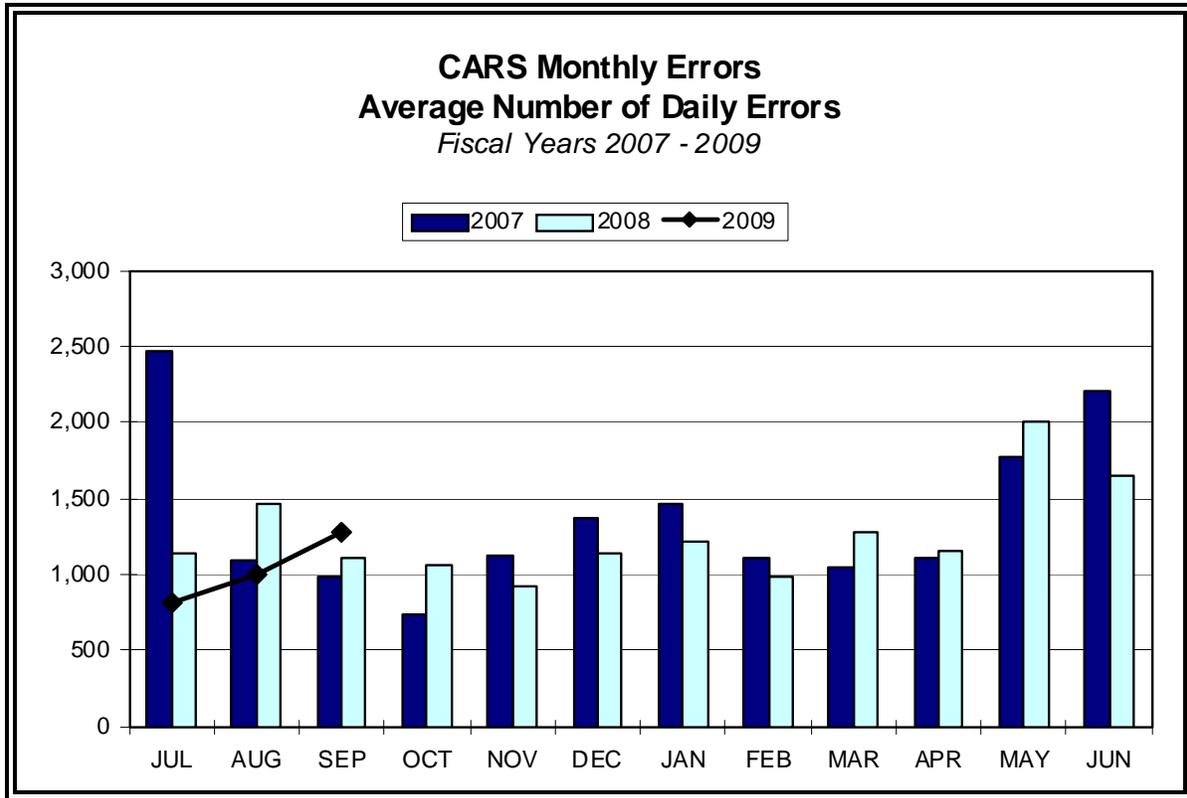


CARS Edits

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 2009, the most frequent reasons cited for transactions processing to the error file were:

- Available Cash Negative
- Certified Amounts Not Balanced

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.

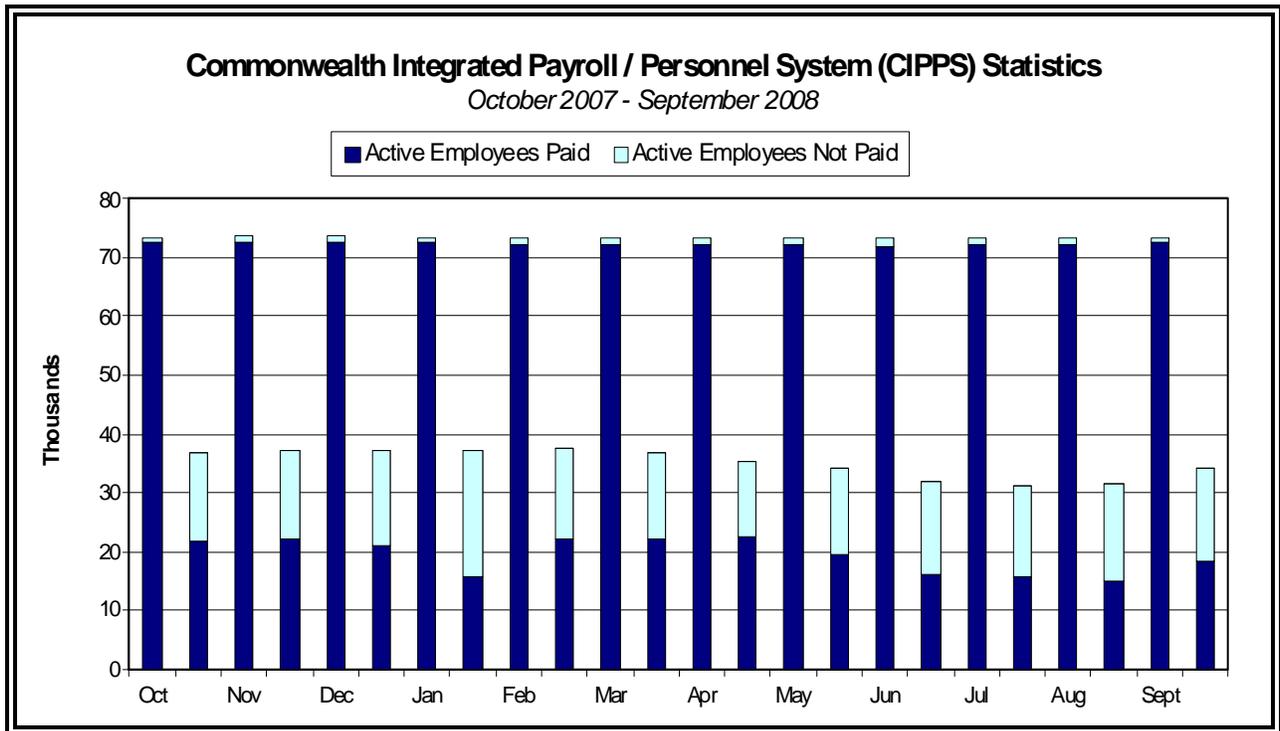


Payroll

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 105,817 employees. Payroll services are also

provided through eight decentralized higher education institutions.

On average, 88,661 employees were paid each month, of which 72,340 are salaried 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 8,997 savings bonds with a face value of over \$1.15 million.

Benefit Participation Number of Participating Employees

Benefit	As of 9/30/2008	Comparative	
		As of 9/30/2007	As of 9/30/2006
Health Care			
COVA Care	84,557	83,853	82,109
Kaiser	2,027	2,031	1,986
Optional Retirement Plans*			
Fidelity Investments	572	539	530
TIAA/CREF	1,605	1,584	1,575
Political Appointee - ORP	89	95	99
Deferred Compensation*			
Great West Life	37,936	35,239	33,019
Flexible Reimbursement*			
Dependent Care	830	733	694
Medical Care	7,671	6,907	5,845

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



Accounts Receivable

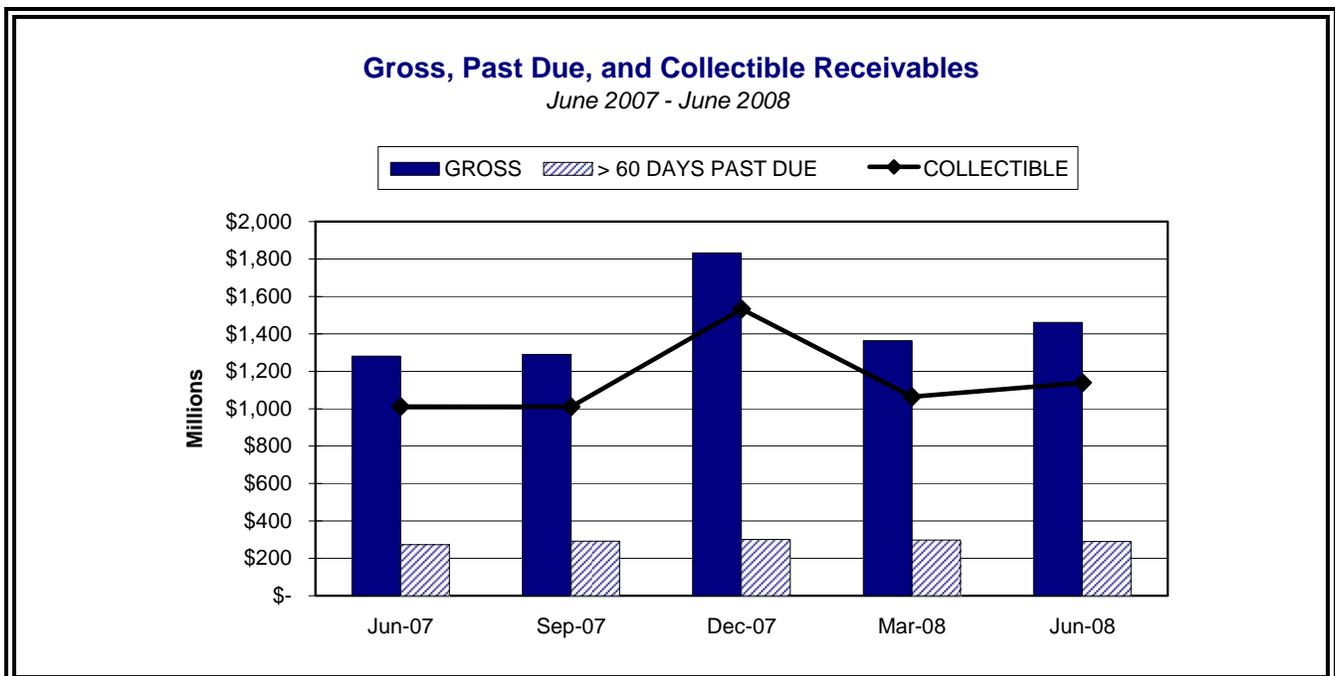
Executive Summary

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 \$1.46 billion at June 30, 2008, with \$1.14 billion considered collectible. Receivables over 60 days past due as of June 30, 2008, totaled \$290.5 million. Of that amount, \$16.3 million was placed with private collection agencies, \$23.2 million was placed with the Division of Debt Collection and \$251.0 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, 2008, agencies expected to collect \$1.14 billion (78 percent) of the \$1.46 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 that are no longer revertible, is due to several non-general funds.

Collectible Receivables by Fund

Not Including Circuit and District Courts, or the Department of Taxation

As of June 30, 2008

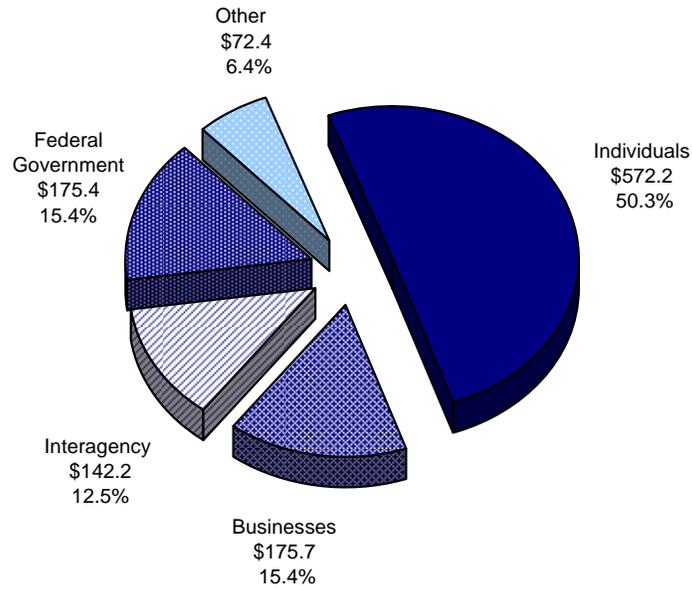
Fund	Source	Amount	Percent	
General Fund 1%	Medicaid - Current Recoveries	\$ 7,421,260	48%	
	Social Services	3,268,949	21%	
	Labor and Industry Inspections	803,579	5%	
	State Police Permits	746,426	5%	
	Corrections	933,519	6%	
	Other	1,948,982	12%	
	Subtotal	15,122,715	97%	
	Interagency Receivables	472,280	3%	
	Total General Fund Collectible		\$ 15,594,995	100%
	Nongeneral Funds 99%	Medicaid - Dedicated Penalty Fees	\$ 29,938,331	3%
Medicaid - Federal Reimbursements		14,087,357	1%	
Unemployment Taxes		68,432,903	6%	
Transportation		140,477,794	13%	
Child Support Enforcement		110,031,000	10%	
Federal Government		159,701,901	14%	
MHMR Patient Services		47,715,712	4%	
Hospital		169,199,704	15%	
Enterprise		61,008,453	5%	
Higher Education		139,062,898	12%	
Other		40,897,529	4%	
Subtotal		980,553,582	87%	
Interagency Receivables		141,743,097	13%	
Total Nongeneral Fund Collectible		\$ 1,122,296,679	100%	
All Funds	Grand Total	\$ 1,137,891,674	100%	

Summary of Receivables by Source

Sources of Collectible Receivables by Debtor

(dollars in millions)

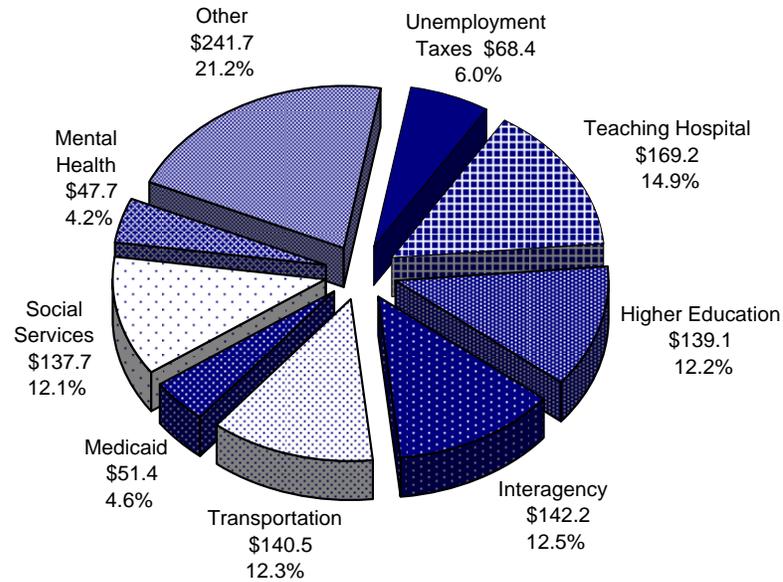
As of June 30, 2008



Sources of Collectible Receivables by Type

(dollars in millions)

As of June 30, 2008



Not counting Taxation and the Courts, ten agencies account for 83 percent of the Commonwealth's adjusted gross and 80

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, 2008

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
University of Virginia Medical Center	\$ 223,297,258	\$ 14,447,250	\$ 208,850,008
Department of Transportation	142,367,009	1,273,817	141,093,192
Department of Social Services	339,676,672	199,731,846	139,944,826
Department of Education - Direct Aid	124,890,364	-	124,890,364
Virginia Employment Commission	97,647,876	26,099,882	71,547,994
Department of Medical Assistance Services	84,689,494	33,105,189	51,584,305
State Lottery Department	48,341,989	-	48,341,989
Department of Mental Health, Mental Retardation and Substance Abuse Services	72,492,518	24,776,806	47,715,712
Virginia Polytechnic Institute and State University	48,529,271	1,537,828	46,991,443
University of Virginia - Academic Division	33,911,496	936,000	32,975,496
Total	\$ 1,215,843,947	\$ 301,908,618	\$ 913,935,329
All Other Agencies	244,313,627	20,357,282	223,956,345
Grand Total	\$ 1,460,157,574	\$ 322,265,900	\$ 1,137,891,674

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 which 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.

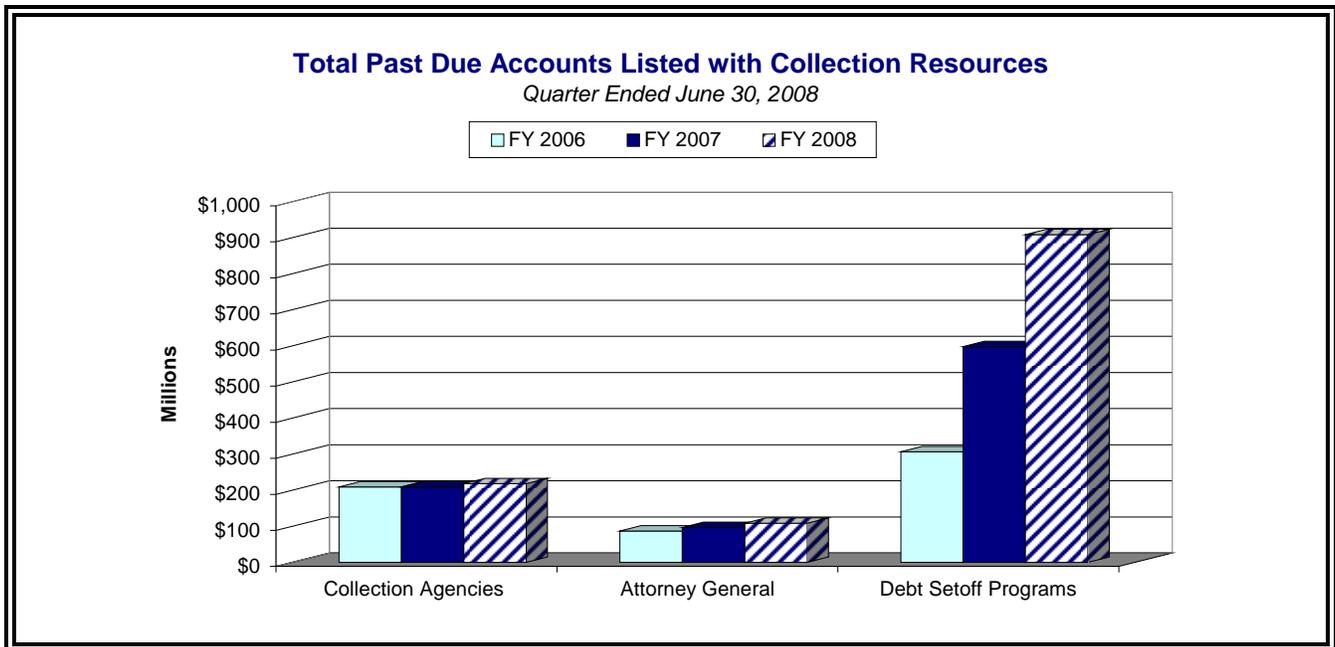
These additional collection tools recovered \$9.9 million during the quarter ended June 30, 2008. The Division of Debt Collection contributed \$1.4 million. Private collection agencies collected \$2.5 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected \$6.0 million.

Private collection agencies returned \$7.9 million of accounts to agencies, and the Division of Debt Collection discharged \$667,967 of accounts and returned \$2.1 million of accounts to agencies.

Collectible Receivables Over 60 Days Past Due
Not Including Circuit Courts, District Courts or the Department of Taxation
As of June 30, 2008

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	\$ 115,019,220	\$ -	\$ -	\$ 115,019,220
Virginia Employment Commission	37,662,868	7,851,071	7,677,807	22,133,990
University of Virginia Medical Center	31,459,039	-	-	31,459,039
Department of Medical Assistance Services	25,009,673	626,313	4,221,753	20,161,607
Department of Transportation	23,174,973	1,334,871	5,500,982	16,339,120
Department of Mental Health, Mental Retardation and Substance Abuse Services	11,319,729	-	-	11,319,729
Department of General Services	4,923,649	-	-	4,923,649
University of Virginia - Academic Division	4,435,855	482,272	44,248	3,909,335
Virginia Information Technologies Agency	3,235,577	-	-	3,235,577
Virginia Workers' Compensation Commission	3,137,789	475,370	2,522,403	140,016
TOTAL	\$ 259,378,372	\$ 10,769,897	\$ 19,967,193	\$ 228,641,282
All Other Agencies	31,088,063	5,501,509	3,199,212	22,387,342
TOTAL OVER 60 DAYS	\$ 290,466,435	\$ 16,271,406	\$ 23,166,405	251,028,624
Uncollectable Amounts Placed for Collection, Including Accounts Written Off	944,326,252	201,475,524	85,735,201	657,115,527
TOTAL COLLECTION EFFORTS	\$ 1,234,792,687	\$ 217,746,930	\$ 108,901,606	908,144,151

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 \$2.9 million through the first quarter of FY 2009. 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 6/30/08	Comparative	
		Percent at 3/31/08	Percent at 12/31/07
Department of Social Services	34%	31%	32%
Virginia Employment Commission	39%	14%	41%
University of Virginia Medical Center	14%	22%	23%
Department of Medical Assistance Services	30%	34%	36%
Department of Transportation	16%	17%	28%
Department of Mental Health, Mental Retardation & Substance Abuse Services	16%	24%	27%
Department of General Services	29%	32%	6%
University of Virginia - Academic Division	13%	16%	4%
Virginia Information Technologies Agency	10%	15%	21%
Virginia Workers' Compensation Commission	81%	85%	84%
Statewide Average - All Agencies	20%	22%	16%

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 80 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 82 percent indicates that for every \$1 billed during the quarter ended June 30, 2008, the state collected 82 cents. This rate is five percent less than last year, and ten percent less than the June 30, 2006 quarter.

Collections as a Percentage of Billings

Agency	Percent at 6/30/08	Comparative	
		Percent at 6/30/07	Percent at 6/30/06
University of Virginia Medical Center	29%	40%	57%
Department of Transportation	73%	63%	66%
Department of Social Services	118%	108%	104%
Department of Education - Direct Aid	67%	72%	73%
Virginia Employment Commission	252%	267%	267%
Department of Medical Assistance Services	69%	67%	48%
State Lottery Department	91%	103%	105%
Department of Mental Health, Mental Retardation and Substance Abuse Services	39%	46%	47%
Virginia Polytechnic Institute and State University	123%	120%	114%
University of Virginia - Academic Division	96%	101%	102%
Statewide Average - All Agencies	82%	87%	92%

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 \$51.6 million at June 30, 2008, is a \$6.8 million increase over the \$44.8 million reported at June 30, 2007. Over the same period, total past due receivables of \$30.8 million have increased by \$1.3 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 \$208.9 million at June 30, 2008, were a \$37.6 million increase from the \$171.3 million reported the previous year. Past due receivables decreased by \$15.6 million to \$102.2 million at June 30, 2008.

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 \$71.5 million at June 30, 2008, a decrease of \$10.2 million from the previous year. Total past due receivables were \$40.2 million, a \$2.4 million increase over 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, 2008, of \$32.7 million, a \$1.2 million decrease from the previous year's \$33.9 million. Most of these receivables are due from other state agencies. As of June 30, 2008, \$3.2 million was over 60 days past due, an increase of \$867,745 from the previous year.

State Lottery Department (SLD)

The State Lottery Department is an independent agency 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 State Lottery games are covered by surety bonds and deposit Lottery receipts into bank accounts approved by the State Treasurer.

At June 30, 2008, the State Lottery reported net receivables of \$48.3 million, a \$1.1 million decrease from the previous year's net of \$49.4 million. Billings increased by \$13.7 million and collections decreased by \$6.9 million during the June 30, 2008 quarter when compared to the June 30, 2007 quarter. At June 30, 2008, the State Lottery had \$325,819 that was over 60 days past due. The total amount owed is covered by surety bonds.

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, 2008, DOE had \$124.9 million in accounts receivable due from the Federal government under Direct Aid to Public Education. This is a \$22.1 million increase over 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, 2008, the University reported net collectible receivables of \$47.0 million, an \$5.7 million increase over the prior year. At the same time, total past due receivables of \$7.1 million increased \$231,438 over the prior year.

The University uses a variety of collection methods to encourage payments. At June 30, 2008, VPISU had \$3.0 million of accounts over 60 days past due. \$573,753 was placed with the Attorney General's Division of Debt Collection, another \$686,536 was placed with private collection agencies and \$1.7 million was subject to 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, a lien is 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, 2008, the Department reported net receivables of \$47.7 million, a \$15.5 million increase over the previous year. \$41.6 million was past due, with \$11.3 million being over 60 days past due. Total past due receivables increased by \$17.2 million over the year, and accounts over 60 days past due increased by \$3.0 million. At June 30, 2008, the Department had a total of \$5.8 million of accounts placed with the Attorney General and \$765,044 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, 2008, VDOT reported \$141.1 million of collectible receivables, an increase of \$21.8 million from the prior year. VDOT also reported \$27.9 million total past due and \$23.2 million being over 60 days past due. Past due receivables increased by \$10.4 million over the year, while receivables over 60 days past due increased by \$7.9 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 \$5.5 million of their accounts over 60 days past due with the Attorney General's Division of Debt Collection, and \$1.3 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 reimburse 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, 2008, DSS reported gross receivables of \$339.7 million, an allowance for doubtful accounts of \$199.7 million and collectible receivables of \$140.0 million. Past due receivables totaled \$117.2 million, of which \$115.0 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for \$288.9 million (85 percent) of the gross receivables, \$178.8 million (90 percent) of the allowance for doubtful accounts and \$110.0 million (79 percent) of the collectible receivables.

From June 30, 2007, to June 30, 2008, gross receivables increased \$55.6 million and collectible receivables increased by \$26.4 million. Total past due receivables increased by \$17.7 million and receivables over 60 days past due increased by \$17.3 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, 2008, DRPT had gross and net receivables of \$8.9 million. The majority of this money is due via an interagency transfer from VDOT. At June 30, 2008, \$4.4 million was past due. Of this amount, \$1.6 million was over 60 days past due.

Virginia Commonwealth University (VCU)

VCU, based in Richmond, offers 140 degree programs to over 32,000 students in a variety of fields ranging from accounting to pharmacy at both undergraduate and graduate levels.

At June 30, 2008, VCU had \$15.8 million of collectible receivables, a \$6.2 million decrease from June 30, 2007. Total past due accounts were \$6.4 million, a \$176,712 increase from June 30, 2007. Accounts over 60 days past due (\$3.0 million) increased by \$396,179 from the prior year. Billings decreased by \$6.1 million to \$58.2 million and collections decreased by \$3.2 million to \$67.2 million for the June 30, 2008 quarter, when compared to the June 30, 2007 quarter.

The following table is prepared to present the June 30, 2008, aging information in conformity with the provisions of Section 2.2-603.E.(ii) of the *Code of Virginia*.

Commonwealth's total \$2.37 billion past due accounts receivable at June 30, 2008. Another 18 agencies accounted for 18 percent (\$423.8 million), leaving 70 other agencies to comprise the last one percent at \$21.2 million.

Taxation and the Circuit and District Courts accounted for 81 percent (\$1.93 billion) of the

Agencies with the Largest Volume of Past Due Receivables
As of June 30, 2008

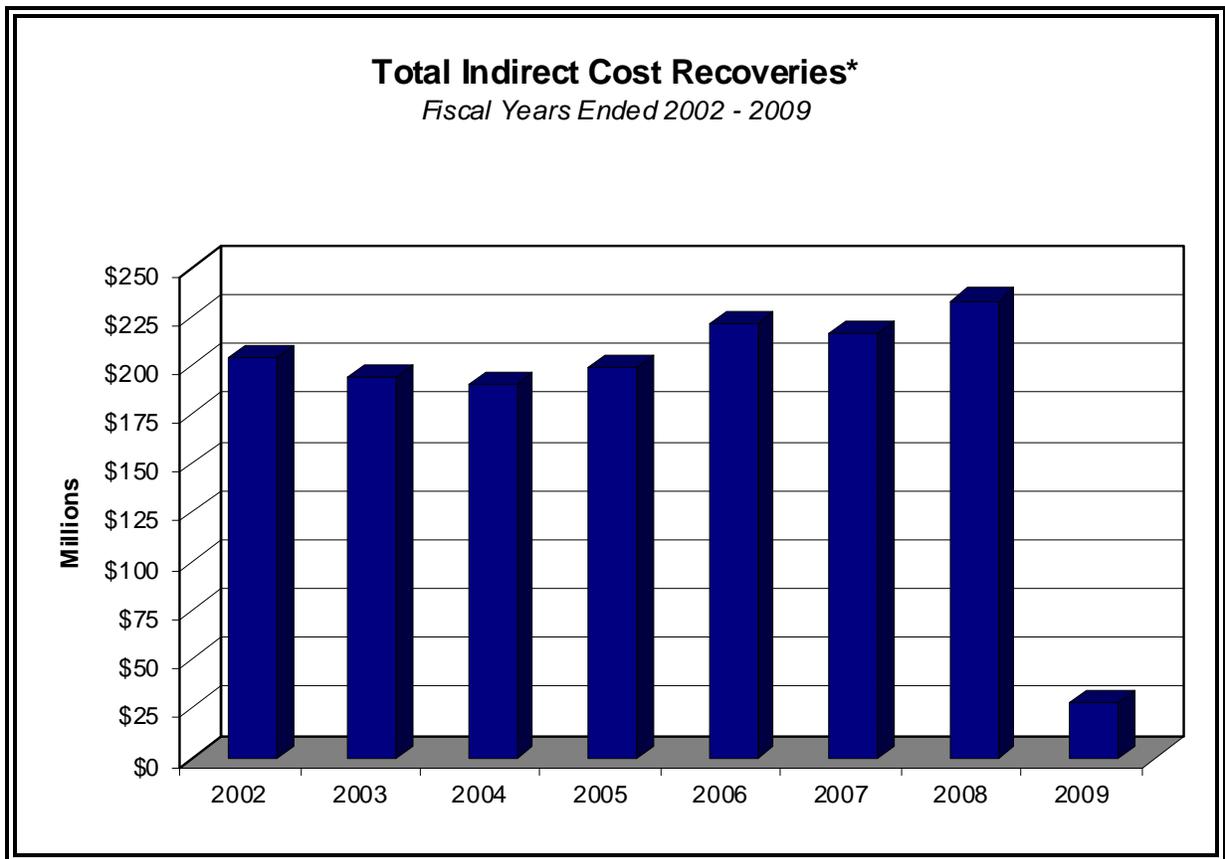
Agency	Total Past Due	1 to 180 Days Past Due	181 to 360 Days Past Due	Over One Year
Department of Taxation	\$ 1,406,847,672	\$ 178,113,918	\$ 156,835,541	\$ 1,071,898,213
Localities' Circuit and District Courts	520,259,218	36,072,116	63,031,590	421,155,512
Total - Taxation Assessments and Court Fines and Fees	\$ 1,927,106,890	\$ 214,186,034	\$ 219,867,131	\$ 1,493,053,725
All Other Large Dollar Agencies:				
Department of Social Services	117,161,493	6,434,828	6,365,361	104,361,304
University of Virginia Medical Center	102,179,661	90,573,041	9,996,080	1,610,540
Department of Mental Health, Mental Retardation & Substance Abuse Services	41,573,600	38,358,900	3,214,700	-
Virginia Employment Commission	40,199,469	11,608,096	6,731,199	21,860,174
Department of Medical Assistance Services	30,786,268	10,670,066	5,350,826	14,765,376
Department of Transportation	27,895,455	8,769,852	2,068,563	17,057,040
University of Virginia - Academic Division	8,592,900	7,357,509	436,250	799,141
Virginia Information Technologies Agency	7,874,285	5,919,984	1,005,143	949,158
Virginia Polytechnic Institute & State University	7,065,351	5,779,409	674,099	611,843
Department of General Services	6,612,219	6,612,219	-	-
Virginia Commonwealth University	6,401,918	3,547,896	1,712,678	1,141,344
George Mason University	5,784,440	5,053,113	593,818	137,509
Virginia Community College System	4,668,664	3,469,652	508,004	691,008
Department of Rail and Public Transportation	4,391,580	3,205,391	666,348	519,841
Virginia Workers' Compensation Commission	3,425,829	862,032	1,004,701	1,559,096
Department of State Police	3,384,546	727,369	54,907	2,602,270
Department of Labor and Industry	2,960,533	480,110	214,668	2,265,755
State Corporation Commission	2,802,394	2,068,553	733,841	-
Total - Largest Dollar Volume Agencies	\$ 423,760,605	\$ 211,498,020	\$ 41,331,186	\$ 170,931,399
All Other Agencies	21,155,492	14,746,110	2,068,657	4,340,725
Grand Total Past Due Receivables	\$ 2,372,022,987	\$ 440,430,164	\$ 263,266,974	\$ 1,668,325,849



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 2009 reflects indirect cost recoveries through September 30, 2008. This does not include covered higher education institutions.

Indirect Cost Recoveries from Grants and Contracts

Fiscal Year 2009

Fund	Year-to-Date		Total
	Higher Ed	Non-Higher Ed	
Nongeneral:			
Agency / Institution (1)	\$ 10,633,437	\$ 17,466,568	\$ 28,100,005
Statewide	52,412	168,568	220,980
Total Nongeneral	\$ 10,685,849	\$ 17,635,136	\$ 28,320,985
General:			
Agency (Cash Transfers)	-	26,777	26,777
Statewide	-	150,890	150,890
Statewide (Cash Transfers)	-	2,855	2,855
Total General	\$ -	\$ 180,522	\$ 180,522
Total All Funds	\$ 10,685,849	\$ 17,815,658	\$ 28,501,507

- (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 \$12,890,560 representing the Department of Social Services' estimate of indirect cost recoveries received. This does not include covered higher education institutions.



Loans and Advances

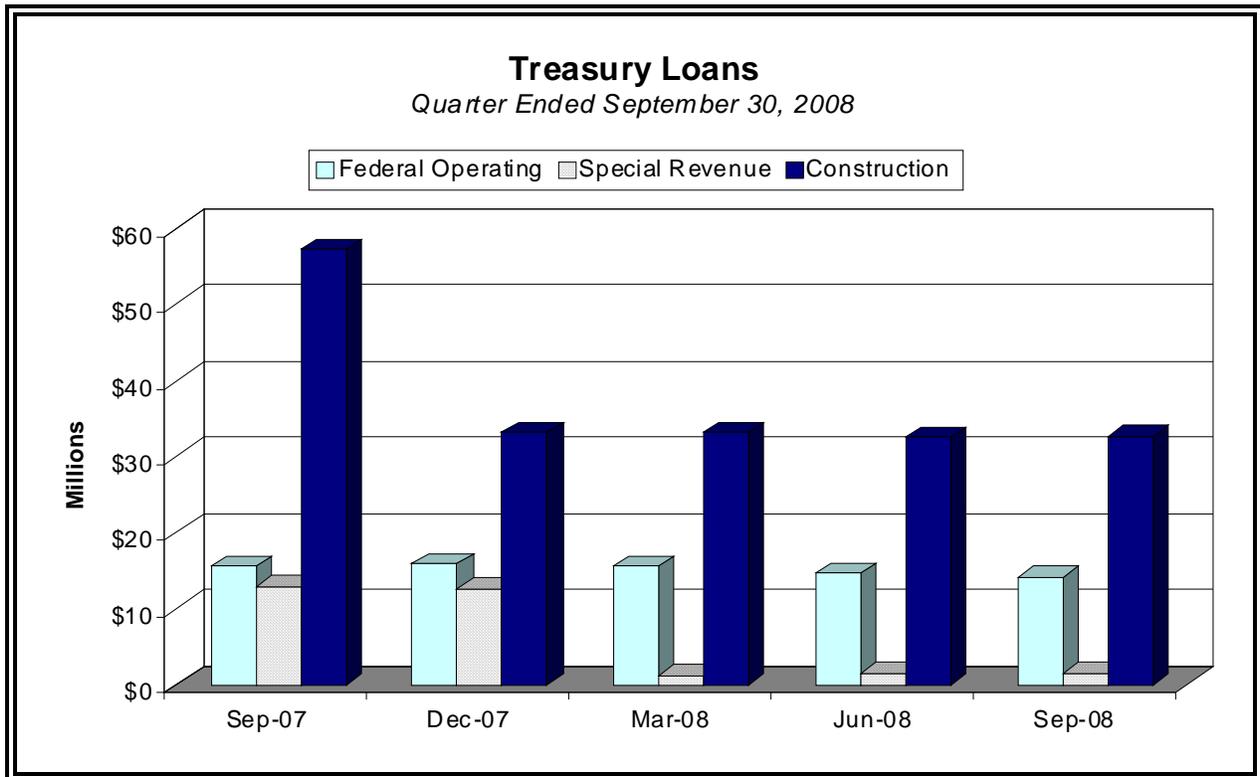
Treasury loans may be used to advance funds to a State agency or institution for a designated purpose prior to some form of reimbursement, typically federal or special revenues. They are loans of a temporary nature, approved on the basis of the following conditions:

- **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, 2008, was \$48.3 million.



Significant New Loans / Drawdowns	New Balance
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Christopher Newport University (CNU)

Drawdowns on a \$3 million construction loan used to expand university athletic facilities.	\$ 1,800,000
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Significant Loan Repayments	Prior Balance
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Department of Game and Inland Fisheries (DGIF)

Third of four annual payments on an authorized \$6 million loan to acquire the Feather and Fin Farm. New loan balance is \$1.5 million.	\$ 3,000,000
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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.

revenues to be used for repayment will not be generated within the twelve months required for anticipation loans. The total of all outstanding working capital advances as of September 30, 2008, was \$11.7 million.

- **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, 2008.
- **Working Capital Advances**, which provide operating funds for nongeneral fund projects when
- **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, 2008, was \$42.2 million.



