

**REPORT ON
STATEWIDE FINANCIAL MANAGEMENT AND
COMPLIANCE**

FOR THE QUARTER ENDED SEPTEMBER 30, 2009



OFFICE OF THE COMPTROLLER

DEPARTMENT OF ACCOUNTS

Prepared and Published by
Department of Accounts
Commonwealth of Virginia
P. O. Box 1971
Richmond, VA 23218-1971

*Text and graphics were produced using
Microsoft Word for Windows in Arial
and Times New Roman fonts.*

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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, 2009, and comparative FY 2009 data. Some information in the report is for the quarter ended June 30, 2009, which is the most current data available.

David A. Von Moll, CPA, CGFM
Comptroller



Virginia Department of Accounts

Financial Accountability. Reporting Excellence.

COMPLIANCE

Auditor of Public Accounts Reports - Executive Branch Agencies

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

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

The APA also reports risk alerts and efficiency issues. Risk alerts address issues for which the corrective action is beyond the capacity of the agency management to address. Efficiency issues identify agency practices, processes or procedures which the auditors believe agency management should consider in order to improve efficiency. Risk alerts and efficiency issues are summarized following the Audit 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, 2009

The APA issued seven separate reports covering 45 agencies, colleges and universities for the Executive Branch. Five of the reports were for the fiscal year ended June 30, 2009. The last column indicates whether the CAW has been received as of the date of this publication for each agency with audit findings. Note that in some cases, the CAW may not have been received because it is not yet due.

	New Findings	Repeat Findings	Total Findings	CAW Received
Administration				
Division of Selected Agency Support Services (1)	0	0	0	N/A
Agriculture and Forestry				
None				
Commerce and Trade				
Virginia – Israel Advisory Board (1)	0	0	0	N/A

	New Findings	Repeat Findings	Total Findings	CAW Received
Education				
Virginia Commission for the Arts	0	0	0	N/A
Virginia Community College System (2) (4)				
Central Office	2	0	2	Yes
Blue Ridge Community College	0	0	0	N/A
Central Virginia Community College	0	0	0	N/A
Dabney S. Lancaster Community College	2	0	2	Yes
Danville Community College	0	0	0	N/A
Eastern Shore Community College	0	0	0	N/A
Germanna Community College	1	0	1	Yes
J. Sargeant Reynolds Community College	0	1	1	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	2	0	2	Yes
Northern Virginia Community College	5	0	5	Yes
Patrick Henry Community College	0	0	0	N/A
Paul D. Camp Community College	0	0	0	N/A
Piedmont Virginia Community College	0	0	0	N/A
Rappahannock Community College	0	0	0	N/A
Southside Virginia Community College	4	0	4	Yes
Southwest Virginia Community College	1	0	1	Yes
Thomas Nelson Community College	6	0	6	Yes
Tidewater Community College	1	0	1	Yes
Virginia Highlands Community College	0	0	0	N/A
Virginia Western Community College	1	0	1	Yes
Wytheville Community College	0	0	0	N/A
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 Commonwealth Preparedness (1)	0	0	0	N/A
Office of the Governor	0	0	0	N/A
Secretary of the Commonwealth (1)	0	0	0	N/A
The Governor's Cabinet Secretaries (3):				
Secretary of Administration	0	0	0	N/A
Secretary of Agriculture and Forestry	0	0	0	N/A
Secretary of Commerce and Trade	0	0	0	N/A
Secretary of Education	0	0	0	N/A
Secretary of Finance	0	0	0	N/A
Secretary of Health and Human Resources	0	0	0	N/A
Secretary of Natural Resources	0	0	0	N/A
Secretary of Public Safety	0	0	0	N/A
Secretary of Technology	0	0	0	N/A
Secretary of Transportation	0	0	0	N/A

	New Findings	Repeat Findings	Total Findings	CAW Received
Finance				
None				
Health and Human Resources				
None				
Independent Agencies				
None				
Natural Resources				
None				
Public Safety				
None				
Technology				
Virginia Information Technologies Agency (4)	13	1	14	Not due
Transportation				
None				

- (1) One Report covering seven entities.
- (2) One Report covering 23 colleges and one central office.
- (3) One Report covering ten agencies.
- (4) These two reports contain fiscal year 2008 data.



Audit Findings - Quarter Ended September 30, 2009

The following agencies had one or more findings contained in the audit report. Short titles assigned by the Auditor of Public Accounts (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.

Education

Virginia Community College System – System Office (VCCS)

1. Reduce Manual Processes and Controls. The System Office did not implement an automated workflow process for electronic routing and approving of transactions during the implementation of the Administrative Information System (AIS), as noted in “Improve AIS Access Roles.” Because of this and the lack of separation of duties in the AIS access roles, VCCS continues to rely on manual approval of transactions outside of the system. Manual approvals are a weakness in the current environment. This form of approval increases the risk of inaccurate and inappropriate transactions and the risk that employees will circumvent controls.
2. Improve AIS Access Roles. The System Office did not follow the best practice of “least privileges” when establishing user access to its new Administrative Information System (AIS), which replaced the Financial Records System. The implementation team created access through positional based roles. However, the roles were created cumulatively so that each subsequent role has all of the permissions of the preceding role. This prevents the separation of access to enter and approve transactions within the process and increases the risk of inappropriate transactions. Segregation of duties must occur at the individual colleges through a manual process. In addition, an electronic routing and approval process for transactions was not implemented so the AIS cannot monitor whether individuals are entering and approving the same transactions. The System Office needs to review its user roles and restructure them to not allow users to enter and approve their own transactions.

Dabney S. Lancaster Community College (DSLCC)

1. Properly Manage Title IV Refunds. DSLCC did not properly manage the return process for Title IV student financial aid funds. DSLCC did not identify two out of 20 students tested as having withdrawn from class, and therefore did not perform refund calculations and return funds to the U. S. Department of Education. This resulted in questioned costs of \$4,035. The Financial Aid Coordinator improperly calculated Title IV refunds for four out of 20 students tested because she performed the calculations manually rather than using the automated calculation feature of the PeopleSoft student financial system. The Financial Aid Coordinator has since recalculated and returned any differences to the U. S. Department of Education. DSLCC should begin using the automated software within PeopleSoft.
2. Report Enrollment Changes to NSLDS Timely. DSLCC did not update the enrollment status for two students who had unofficially withdrawn. Section 34 CFR 682.610 requires colleges to report changes in enrollments to less than half time, graduated, or withdrawn within 30 days. Management should review existing policies and procedures for performing updates to ensure

they agree with the federal requirements. Management should consider transmitting an additional file that includes updates made for unofficial withdrawals.

Germanna Community College (GCC)

1. Update Policies and Procedures. GCC has not finished updating their documented financial operating policies and procedures in areas such as payment processing, revenue reconciliations and deposits, and fixed asset management and accounting since the implementation of the new financial Administrative Information System (AIS). Having documented policies and procedures that support AIS help ensure consistent use of the system and minimizes the risk of non-compliance or errors.

J. Sargeant Reynolds Community College (JSRCC)

1. Properly Complete Employee Eligibility Verification Forms. **This is a repeat finding and no progress has been made.** 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. This guidance requires the employee to complete, sign, and date Section 1 of the I-9 form on or before the first day of employment. The employer must also document the issuing authority and document number for any document examined to establish work eligibility or identity. Additionally, employers must review only approved documentation. A review of nine forms completed during fiscal year 2008, found:

- Four of nine employees did not complete Section 1 on or before the first day of employment.
- Three forms did not list the issuing authority for one identification source.
- Three forms recorded information in the wrong place.
- Three forms listed inaccurate employment dates.
- One form listed an unacceptable ID source.
- One form was not signed within three days of employment.

JSRCC should review the I-9 process, train the appropriate staff, and develop procedures for continuously reviewing the I-9 process to ensure compliance with federal regulations.

New River Community College (NRCC)

1. Report Enrollment Changes to NSLDS Timely. NRCC did not update the enrollment status for eleven out of twenty students tested. Section 34 CFR 682.610 requires colleges to report changes in enrollments to less than half time, graduated, or withdrawn within 30 days. Management should review existing policies and procedures for performing updates to ensure they agree with the federal requirements. Management should consider transmitting an additional file that includes updates made for unofficial withdrawals.
2. Improve Controls Over Student Information System Access. NRCC granted improper access to the Student Information System and did not protect the confidentiality of passwords. All staff members in the Financial Aid Office had access to every financial aid screen, giving them access that is not necessary for the performance of their duties. In addition, the Financial Aid Office allows staff members to share their passwords with work-study students working in the Office. Inadequate logical and physical access controls places the confidentiality, integrity, and availability of the student financial aid information at risk. NRCC should implement the VCCS Personnel Security standard. NRCC should grant access to enterprise systems for faculty, staff,

administrators, and other users only for those privileges necessary to perform their normal work duties. In addition, NRCC should reinforce secure password management in its security awareness training program.

Northern Virginia Community College (NVCC)

1. Update Policies and Procedures. NVCC has not finished updating their documented financial operating policies and procedures in areas such as payment processing, revenue reconciliations and deposits, and fixed asset management and accounting since the implementation of the new financial Administrative Information System (AIS). Having documented policies and procedures that support AIS help ensure consistent use of the system and minimizes the risk of non-compliance or errors.
2. Follow eVA Security Standards. The College Security Officer did not conduct quarterly reviews of user accounts during fiscal year 2008. The Officer also did not deactivate users timely. Performing the quarterly reviews may have prevented the untimely deactivation of users by catching them earlier. The eVA Security Standards require that the eVA Security Officer perform quarterly reviews and maintain documentation of the reviews. The purpose of the reviews is to ensure all accounts are appropriate and that approval chains are still active and appropriate.
3. Deactivate eVA Accounts Timely. NVCC failed to deactivate eVA access for employees within one day of termination as required by eVA security standards. NVCC did not deactivate five eVA accounts and users had access for sixteen months after their termination dates. NVCC has no formal process in place and should create eVA procedures that include processes for adding and deleting eVA accounts to ensure proper and timely deactivation.
4. Strengthen Controls over Accounts Receivable Reporting and Management. NVCC does not have documented policies and procedures describing roles, responsibilities, controls, and steps involved in reporting accounts receivable, calculating allowances, and performing write-offs. There is ineffective supervisory oversight and review at each level and NVCC does not maintain adequate documentation to support the reported accounts receivable. The lack of controls resulted in numerous errors at the end of fiscal 2008. Recent staff turnover creates additional weaknesses, due to the lack of documented policies and procedures and proper support. Issues included:
 - Exclusion of interest on past due Perkins loans
 - Misclassification of some past-due receivables
 - Failure to send some past-due Perkins loans to a collection agency and debt setoff timely
 - Failure to send parking and tuition and fees past-due accounts to a collection agency
 - Writing off parking and tuition and fees before attempting all possible collection efforts, and
 - No evidence of a supervisory review of parking receivables write-offs

NVCC should develop, document, and implement policies and procedures over recording and managing all types of accounts receivable. The policies should include direction on the proper process and timeline to follow when attempting to collect past-due accounts. The policies should also include stronger controls over the reporting process, including accuracy verification, supervisory review with documented evidence of approval, adequate supporting documentation

and documentation of policy and procedures to facilitate staff and management training and reference.

5. Improve Internal Controls over CIPPS Access. NVCC did not delete access to the Commonwealth Integrated Payroll and Personnel System (CIPPS) for three out of four terminated employees timely. Although NVCC submitted a CIPPS Security Authorization form in August 2008 to delete access, the college did not follow up to ensure the Department of Accounts performed the deletion. Commonwealth payroll policies require that the CIPPS Security Officer should manage CIPPS access of agency personnel through timely completion of the CIPPS Security Authorization Request form reflecting any new actions such as additions, changes, and deletions. NVCC does not have agency specific CIPPS access policies and procedures in place to ensure timely removal of terminated employees.

Southside Virginia Community College (SVCC)

1. Update Policies and Procedures. SVCC has not finished updating their documented financial operating policies and procedures in areas such as payment processing, revenue reconciliations and deposits, and fixed asset management and accounting since the implementation of the new financial Administrative Information System (AIS). Having documented policies and procedures that support AIS help ensure consistent use of the system and minimizes the risk of non-compliance or errors.
2. Update Estimate for Allowance for Doubtful Accounts. SVCC has not updated its methodology for estimating its allowance for doubtful accounts recently to consider current factors and conditions. The original methodology was based on historical data but has not been re-evaluated in several years. As a result, the estimate is not representative of current conditions and is inadequate for financial reporting purposes. SVCC should re-evaluate its methodology to estimate allowance for doubtful accounts and ensure that it is representative of current factors.
3. Properly Complete Employee Eligibility Verification Forms. SVCC 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 sample of ten I-9 forms completed in fiscal year 2008, found:
 - Two employees did not complete Section 1 on or before the first day of employment
 - The employer failed to sign three forms' Section 2 within three business days of when the employee began employment
 - Two forms failed to provide a date under the certification section; and
 - One form did not document the issuing authority or the document number.

SVCC should review the I-9 process, train the appropriate staff, and develop procedures for continuously reviewing the I-9 process to ensure compliance with federal regulations.

4. Approve Wage Employee Timesheets. SVCC processed wage employee timesheets without proper approval. The supervisor had not signed or dated two out of five timesheets tested. SVCC should strengthen controls over the approval process for wage timesheets.

Southwest Virginia Community College (SWVCC)

1. Update Policies and Procedures. SWVCC has not finished updating their documented financial operating policies and procedures in areas such as payment processing, revenue reconciliations and deposits, and fixed asset management and accounting since the implementation of the new financial Administrative Information System (AIS). Having documented policies and procedures that support AIS help ensure consistent use of the system and minimizes the risk of non-compliance or errors.

Thomas Nelson Community College (TNCC)

1. Update Policies and Procedures. TNCC has not finished updating their documented financial operating policies and procedures in areas such as payment processing, revenue reconciliations and deposits, and fixed asset management and accounting since the implementation of the new financial Administrative Information System (AIS). Having documented policies and procedures that support AIS help ensure consistent use of the system and minimizes the risk of non-compliance or errors.
2. Follow eVA Security Standards. The College Security Officer did not conduct quarterly reviews of user accounts during fiscal year 2008. The Officer also did not deactivate users timely. Performing the quarterly reviews may have prevented the untimely deactivation of users by catching them earlier. The eVA Security Standards require that the eVA Security Officer perform quarterly reviews and maintain documentation of the reviews. The purpose of the reviews is to ensure all accounts are appropriate and that approval chains are still active and appropriate.
3. Deactivate eVA Accounts Timely. TNCC failed to deactivate eVA access for employees within one day of termination as required by eVA security standards. TNCC did not deactivate three eVA accounts and one of the three terminated employees still had access as of the test work date. TNCC has no formal process in place and should create eVA procedures that include processes for adding and deleting eVA accounts to ensure proper and timely deactivation.
4. Improve New eVA User Processes and Documentation. TNCC did not have new eVA users sign the eVA Acceptable Use Policy and did not properly approve new users for eVA access. TNCC added three new users during fiscal year 2008 and only two signed the policy. None of the three had documentation showing approval for access. TNCC should develop procedures requiring supervisor approval of access and require all new users to sign the Acceptable Use Policy.
5. Properly Manage Title IV Refunds. TNCC did not properly manage the return process for Title IV student financial aid funds timely to the Department of Education. TNCC performed the Title IV calculation accurately. However, TNCC returned funds for three out of thirty students up to 79 days 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 the institution determination that the student withdrew.
6. Report Enrollment Changes to NSLDS Timely. TNCC did not report four students that graduated in the fall 2007 semester until 55 days after their graduation date. TNCC also did not report one student that withdrew in the spring 2008 semester until 64 days after their withdrawal date. Section 34 CFR 682.610 requires colleges to report changes in enrollments to less than

half time, graduated, or withdrawn within 30 days. Management should review existing policies and procedures for performing updates to ensure they agree with the federal requirements. Management should consider transmitting an additional file that includes updates made for unofficial withdrawals.

Tidewater Community College (TCC)

1. Improve Internal Controls for Fixed Asset Valuation. TCC capitalized several assets at improper values. One capital asset recorded at \$267,817 should have been \$2,678.17, which resulted from a manual error, resulting in an overstatement of \$265,138.83. Two assets included warranties in the capitalization amounts, which are not capitalizable expenses. TCC purchased ten identical assets and recorded them in the same manner, causing a total overstatement of assets of \$12,790. TCC should develop a more stringent level of review to prevent data entry errors and provide adequate training to staff.

Virginia Western Community College (VWCC)

1. Properly Manage Title IV Refunds. VWCC did not properly manage the return process for Title IV student financial aid funds timely to the Department of Education. VWCC did not properly calculate and return Title IV funds. Financial Aid staff did not use the correct number of days in the spring semester to calculate the unearned portion of Title IV funds for four students that were post withdrawals. In addition, the Business Office did not return unearned Title IV funds to the U. S. Department of Education within the 45 day requirement. 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 the institution determination that the student withdrew.

Technology

Virginia Information Technologies Agency (VITA)

1. Strengthen Inventory and Billing Controls. Northrop Grumman (NG) is responsible for maintaining an accurate inventory by individual agency. VITA uses these inventories to generate individual agency bills. Over the past year, NG has worked to conduct physical asset inventory reconciliations at the individual agencies as part of the transformation process. However, NG missed contractual deadlines for completing inventory reconciliations, further delaying individual agency bills. Furthermore, VITA and NG have not reached an agreement on the measures to use and set virtual inventory quantities.

The auditors continued to find numerous discrepancies surrounding the physical inventory records, which caused inaccuracies in the subsequent individual agency bills derived from those inventory records. Two agencies were reviewed where NG had completed physical asset inventory reconciliations to determine whether these reconciliations improved the counts and ultimately resulted in VITA appropriately billing individual agencies.

At the Department of Motor Vehicles (Motor Vehicles) the auditors identified the following:

- Duplicate asset tags were noted in a single month's bill resulting in \$130,000 in double billing over a seven-month period.
- NG could only locate 21 of the 25 selected assets.

- NG reclassified 14 different assets to new asset equipment types after inventory reconciliation, which caused VITA to apply a different rate to the same asset.
- VITA also billed Motor Vehicles for one "out-of-scope" asset for over seven months, totaling overcharges of \$804.

At the Department of Health (Health) the auditors identified the following:

- Several assets that did not have an asset tag number or a serial number.
- Duplicate asset tags within a single month's bill that caused \$875 in double billing for that month.
- Health found a net difference of over \$36,000 in their January 2009 bill, when compared to the signed-off inventory records from the end of December, 2008.
- Double billing of \$243,357 for miscellaneous one-time equipment purchases. Health has now recovered the full amount of the double billings.

Even though NG has worked over the past year to modify their inventory system and internally strengthen their monthly inventory, inventory and billing problems still exist. NG and VITA have established a plan to improve asset inventories and billings.

2. Establish and Document Procedures for Classifying Assets in Service Option 5. VITA classifies assets in "service options" in the inventory and billing system based on the level of service provided and bills customers for assets based on the asset's classification. In addition to the billable service options, VITA established "service option five" for out-of-scope assets that are not in the "refresh" cycle and should not receive service. Therefore, VITA does not bill for service option 5 assets. If the Partnership provides service related to an asset, but receives no revenue, the federal government requires VITA calculate an imputed revenue amount.

The prior audit determined that VITA did not have a policy describing when and why VITA employees move assets to service option five, as well as a formal request and management approval process for moving assets. VITA also did not have a formal process for monitoring the assets in service option five and evaluating whether each asset should continue to remain in service option five. Finally, VITA did not have a policy defining whether VITA should provide services for these assets, and if so the method for computing imputed revenues.

To resolve these concerns, VITA established additional service option categories and transferred assets to better identify out-of-scope assets. VITA management decided that service option five assets should not receive service from the Partnership. VITA has not yet developed formal policies and procedures for service option five assets, including documentation requirements for moving assets to service option five or a formal policy for monitoring these assets on an on-going basis.

3. Improve Policies and Procedures over Asset Inventory. The prior audit determined VITA did not have adequate policies directing NG on how to classify an asset's billable status. VITA also did not have consistent definitions for each asset equipment type, causing Partnership employees to question the coding of the asset's equipment type. VITA has since developed policies and procedures defining billable status of an asset, such as "active" and "excess." VITA has also developed definitions for many asset equipment types, such as router and switch, but still needs to define some additional equipment types for billable assets. VITA

should also ensure there is a process for evaluating whether this document is current. Without a fully updated document, Partnership employees might not properly and consistently classify a physical asset, causing billing inequities.

4. Improve Reporting to Allow Comparison of Revenue versus Allowable Costs. The Federal Office of Management and Budget's Circular A-87 requires that VITA submit a comparison of revenues and allowable costs as part of its Cost Allocation Plan. The federal government uses this information to determine whether VITA is over-recovering, for products and services and to determine whether rates for equipment and services are reasonable. The prior audit determined that VITA did not include adequate detail in the report to conclude whether the revenue for individual products and services was appropriate to cover associated, allowable expenses for individual items.

To address this, VITA revised the fiscal year 2007 and 2008 reports to classify revenues and expenses in more detail, expanding the shared rate services to include specific product lines, such as desktops, laptops, and servers. However, VITA still has not developed formal policies and procedures for preparing the Plan and does not provide adequate detail to explain the imputed revenues, which results in a difference between the accounting records and the Plan.

5. Establish and Document Procedures for the Creation of Rate Structures. The rate development process involves multiple calculations, historical data, and projections to determine an equitable rate based on the cost of providing, services. The prior audit found inadequate documentation and explanation of the rate development spreadsheets and insufficient management review of this process. VITA has not developed new rates since the APA review and anticipates developing a new rate method once NG completes its inventory reconciliations. As a result, VITA has not had the opportunity to improve its documentation and review of the rate development process.

VITA reviewed the last Cost Allocation Plan prior to submission to the federal government. However, VITA has not made significant progress in developing policies and procedures for Cost Allocation Plan documentation and review and has not met its internally set July 2009 deadline.

6. Improve Process for Establishing Rate Tiers. VITA classifies servers and local area network (LAN) devices into rate tiers using the asset's original purchase price. These rate tiers determine the billing rate for each asset. The prior audit found many assets which appeared to have the same description, model, and purchase date with different listed purchase prices, including zero dollars. By not using consistent, accurate cost information, VITA cannot ensure that rates are equitable and appropriately recover costs. For assets with a listed purchase price of zero, VITA placed and billed these assets in the lowest rate tier.

In August and September of 2008, VITA performed an analysis of servers with a zero purchase price, and made corrections to these asset classifications. A data entry error recorded a server purchase price in one agency in the highest rate tier, resulting in over-billing of approximately \$12,383 from October 2008 through April 2009. VITA subsequently refunded this amount to the agency. VITA did not perform an analysis of LAN devices to ensure that the purchase prices for those assets are equitable because they did not believe the analysis had a benefit worth the time commitment.

7. Notify Oversight Entities of Rate Changes. VITA proposed a different monthly rate structure for premium desktops, laptops, peripheral bundles, and wireless phone service to cover the additional initial purchase cost of these types of assets. The Joint Legislative Audit and Review Commission (JLARC) approved these rates and VITA management submitted these rates to the Federal Department of Health and Human Services' Division of Cost Allocation (DCA) in the annual Cost Allocation Plan submission. VITA management later decided to bill agencies requesting premium assets an upfront additional cost, instead of the approved monthly surcharge. VITA management did not notify JLARC until six months after the effective rate dates and did not notify DCA of this decision at all. Therefore, neither entity received the proper notification of the change to the new upfront cost or the decision not to use the premium rate structure.
8. Equitably Distribute Virtual Inventory Costs to Agencies. In addition to the physical asset inventory billings, VITA and NG need to develop and subsequently bill agencies for a number of virtual inventories and services, such as servers, LAN, storage and other items. NG should establish the virtual quantities for each agency; and then reach agreement with VITA on how to count and include these items in the inventory for billing. Once there is an agreement, VITA will need to determine how to include these items in the Cost Allocation Plan. VITA will also need to submit a revised cost methodology to both Joint Legislative Audit and Review Commission and the Federal Department of Health and Human Services' Division of Cost Allocation.
9. Properly Monitor System Access. VITA cannot readily determine the actual level of access each role and responsibility provides a user within PeopleSoft. Instead, when granting an employee access to PeopleSoft, the system administrator provides that individual the same access as others within the same working area. In addition, when periodically reviewing system access, VITA performs a limited review because the level of actual access is not readily available for a detailed review.

By not documenting the actual level of access associated with each role and responsibility, VITA risks granting inappropriate access to users. In addition, VITA cannot determine inappropriate access during periodic reviews of PeopleSoft access. VITA should determine and document the level of access associated with each role and responsibility. Then, VITA management should identify the critical access capabilities and ensure that they are appropriately restricted. Finally, VITA should use this information when initially granting access and when performing a periodic review of system access.

10. Disable Unnecessary System Administrator Access Roles. VITA management has not disabled the potentially risky system access user roles that individuals have when they initially set-up PeopleSoft. These user roles have full access to the system and VITA should disable them since they are currently not in use. In addition, one employee has two PeopleSoft User IDs with the same administrator permission levels. With unnecessary user roles, VITA increases the likelihood of inappropriate access to Commonwealth data and assets. VITA should disable or remove these user roles and ensure that employees do not have multiple User IDs.

11. Adequately Segregate System Access Responsibilities. Currently, VITA has a number of individuals with system administrator rights to PeopleSoft. One of these individuals, as a daily user of the system, physically adds, modifies, and deletes PeopleSoft access. Two other users with system administrator rights are system programmers and have access to add, modify, and delete accounts, as well as post transactions. By not separating the responsibilities of day-to-day users and system developers from the role of system administrator, VITA has not properly segregated duties. Individuals with capabilities to add, modify, and delete system access should not use the system on a day-to-day basis or serve as the system programmer. In addition, system programmers should not have capabilities to post transactions. VITA should evaluate its processes over system access to ensure adequate segregation of duties exist.
12. Maintain Access Documentation. During our review, VITA was unable to provide documentation to support the set-up of several PeopleSoft user accounts. Without adequate documentation, we could not determine whether the supervisor properly approved the user's access. VITA should ensure it maintains system modification requests in accordance with document retention requirements.
13. Properly Complete Employment Eligibility Verification Forms. **This is a repeat finding.** VITA continues to 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.

In a sample of fourteen I-9 forms, four forms were not completed properly, including failure to sign certain sections of the form as required; failure to complete all of Section 1 on or before the first date of employment as documented on the form; and incomplete documentation of employee identification in Section 2.

U.S. Department of Homeland Security regulates the process for completing the I-9 forms and failure to complete the forms properly can result in significant penalties to both the employee and employer. Because of the potential sanctions, APA recommends that the Human Resources Division train human resource employees on the requirements of completing I-9s and then develop a process for continuously reviewing the VITA I-9 process. Further, VITA should be cautious in the amount of documents it requests from each employee because employers requesting more than the minimum amount of documentation from employees could be subject to fines and penalties, as the Department of Homeland Security considers it a form of harassment.

Additionally, the Departments of Accounts and Human Resource Management, which help regulate and coordinate the Commonwealth's efforts in obtaining I-9 form information, provide training, and VITA should take advantage of this training.

14. Adequate Oversight over Technology Procurements. VITA, through its Supply Chain Management Division (Supply Chain), has responsibility for the procurement of information technology and telecommunications goods and services for its use and other state agencies and institutions. Supply Chain has sole authority to procure all non-infrastructure IT and telecommunications goods and services for executive branch agencies and non-exempt institutions up to \$50,000.

VITA prohibits any purchasing, without prior approval, by executive branch agencies for items that are in scope (infrastructure) to the VITA/NG Partnership. Agencies must manually code all eVA requisitions for all non-infrastructure IT and telecommunications goods and services with a “V” so that VITA can review the purchase. The eVA requisition process allows VITA to review all infrastructure items to make the determination whether the item is in or out of scope to the NG contract. Supply Chain also reviews items not provided by NG under the contract to determine if agencies are using the most advantageous procurement method. VITA must rely on the appropriate coding (“V” code) of a purchase requisition by an agency to ensure that they receive a copy of the purchase request for review.

Currently, the eVA system does not require the “V” coding for purchases with a certain commodity code, or the mandatory routing of IT commodities to VITA to ensure that all purchases undergo review before purchase. However, eVA does currently have the capability to produce ad hoc reports that would allow VITA to review IT orders not coded with a “V.” VITA should implement a process to ensure compliance with the policy they have established.



Risk Alerts – Quarter Ended September 30, 2009

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. The following agencies were identified as having risk alerts:

No APA reports containing risk alerts were received.

Efficiency Issues – Quarter Ended September 30, 2009

During the course of its audits, the APA observes agency practices, processes, or procedures, that management should consider for review to either 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:

No APA reports containing efficiency issues were received.



Special Reports - Quarter Ended September 30, 2009

The APA released the following Special Reports:

Auditor of Public Accounts Report to the Virginia General Assembly - Fiscal Year ending June 30, 2009. This report contains management control findings.

Auditor of Public Accounts Report to the Joint Legislative Audit and Review Commission for the quarter April 1, 2009 through June 30, 2009. This report contains management control findings.

Budget Transparency Review, June 2009. This report contains management control findings.

Commonwealth of Virginia Court Operations Report on Audit for the year ended June 30, 2008. This report contains management control findings.

Department of Medical Assistance Services—Vulnerability Assessment and Network Penetration Test as of June 2009. This report contains management control findings.

Review of Data Collection Process over Institutional Performance Standards—August 2009. This report contains management control findings.

Other Audit Reports Received – Quarter Ended September 30, 2009

The APA also issued the following Other Reports:

State Lottery Department “Mega Millions” Report on Applying Agreed-Upon Procedures for the Period April 1, 2008 through March 31, 2009

State Lottery Department “Win for Life” Report on Applying Agreed-Upon Procedures for the Period April 1, 2008 through March 31, 2009

Wireless E-911 Services Board Report on Audit for the year ended June 30, 2008



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.

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Compensation Board (CB)</u>				
2008	08-01	Improve data integrity of the Constitutional Officers Information Network (COIN) System.	The clerks begin certifying FMS data into COIN on August 1, 2009.	Completed
<u>Department of General Services (DGS)</u>				
2008	08-01	Improve information system application controls.	eVA access is checked every quarter. CIPPS was reviewed in September and CIPPS access was outsourced to the service bureau. PeopleSoft is reviewed annually. Prior users access was locked and restricted.	Completed
	08-02	Improve contract management - security services.	BFM log books were created to document name, signature, and hours worked. Verified by the Day Supervisor. Monthly, data is approved by two management signatures. July and August 2009 have been approved as of 9/28/09.	Completed
	08-03	Enforce controls over purchase card use.	Card files have been audited for three years. Audit results were reviewed by DGS senior management. Increased card review measures are incorporated in policies and procedures. Monthly logs force a transaction-by-transaction review.	Completed

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	08-04	Improve controls over payroll process.	DGS completed the outsourcing of payroll effective July 1 to the service bureau.	Completed
	06-04	Include mandated procedures in the surplus property manual.	Chapter 12 of the manual is still being reviewed and updated as reported by the Division Director.	In progress
	06-06	Finalize and distribute real estate policies and procedures.	Leasing guidelines, the Antenna policy, IREMS User Guide, and Appraisal policies have been issued. Paper and electronic file maintenance policy was issued to staff. Chapters 2 and 5 are being reviewed.	In progress
<u>Department of Human Resource Management (DHRM)</u>				
2008	08-01	Improve information system security program.	The IT Security Plan policies and procedures have been developed. The Department states that all of the recommendations have been made and DHRM is in full compliance.	Completed
<u>Department of Minority Business Enterprise (DMBE)</u>				
2008	08-01	Information system security program. This is a repeat finding and progress has been made.	The IT Security Plan policies and procedures have been developed. The developed policies and procedures have not approved by VITA. DOA is continuing to provide assistance to the Department.	In progress
<u>State Board of Elections (SBE)</u>				
2008	08-01	Improve and expand administrative service arrangements.	In July 2009 SBE established an information services security audit. The SBE Information Policies and Procedures Manual was updated and approved 9/01/09.	In progress
	08-02	Complete information security program.	SBE has developed a continuity of operations plan, IT security policies, VERIS access policies, and other critical policies. SBE is getting help from DOA to develop risk assessment tools and policies.	In progress

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	08-03	Improve federal financial reporting.	SBE completed written grant reporting procedures, including processes and documents used to reconcile federal reports.	Completed
	08-04	Properly approve payments.	SBE established written policies and procedures. Locality financial assistance payments are documented on the document face. HAVA payments preparers sign off on documentation.	Completed
<u>Virginia War Memorial Foundation (VWMF)</u>				
2008	08-01	Consolidate accounting processes and internal controls. This is a repeat finding.	The Foundation is working together with the Department of Veterans Services to consolidate accounting processes and controls.	In progress
	08-02	Adopt a formal budget development and execution process.	The Foundation is working together with the Department of Veterans Services to consolidate accounting processes and controls.	In progress
	08-03	The Board should have an understanding with the Foundation's service providers.	The Memorandum of Understanding has been signed.	Completed
	08-04	Develop a policy to address unused funds from long-term projects.	The Foundation and the Department are addressing funds from long-term projects together with the general budget development.	In progress
<u>Department of Forestry (DOF)</u>				
2008	08-01	Update and reconcile construction-in-progress quarterly.	The Department certifies that it has resolved this finding.	Completed
	08-02	Improve information systems security program.	DOF is documenting the understanding they have with VITA for disaster recovery. DOF and VITA roles are being documented in the Continuity of Operations Plan.	In progress

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
Department of Agriculture and Consumer Services (VDACS)				
2008	08-01	Ensure commodity board annual reports contain certain required elements.	The specific format required for annual reports is now contained in the annual request to VDACS program managers. When reports are received, they will be checked against VDACS financial printouts.	In progress
	08-02	Improve contingency plans.	All VDACS Information Technology (IT) equipment and support personnel are supplied by VITA/NG. VDACS has identified its critical services and systems, and has requested that the VITA Disaster Recovery (DR) team work with VDACS to determine what resources are needed. A meeting is scheduled for November 2009, after which VDACS and VITA/NG will complete a Request for Services (RFS) to obtain DR services.	In progress
Department of Business Assistance (DBA)				
2008	08-01	Shift to an administrative service arrangement. This is a repeat finding.	DBA has outsourced its payroll and human resources workloads. DBA asked DHCD to take on its administrative functions, however DHCD passed because of new Stimulus funds workloads.	In progress
	08-02	Document procedures over the solicitation and expenditure of non-state resources. This is a repeat finding.	DBA has drafted its internal policies consistent with the 2008 Acts of Assembly.	Completed
	08-03	Complete the agency's information security program. This is a repeat finding.	The Disaster Recovery Plan is in draft form. VITA has initiated server transformation which it intends to complete by March 30, 2010.	In progress
	07-06	Document information security program.	See 08-03.	
	08-04	Maintain official records of the department. This is a repeat finding.	DBA is working with the State Library to develop the policies, schedule agency-wide training, and execute the necessary procedures.	In progress

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Mines Minerals and Energy (DMME)</u>				
2008	08-01	Strengthen controls over access to the Commonwealth Accounting and Reporting System (CARS).	Access to CARS has been made more secure and the finding is deemed to be complete.	Completed
	08-02	Reconcile the department's internal accounting system to the Commonwealth's accounting system.	The Department reconciles its' system to CARS monthly.	Completed
<u>Virginia Employment Commission (VEC)</u>				
2008	08-01	Review wage discrepancies.	Procedures, checklists and spreadsheets have been developed and put in place to improve quality assurance. A contract worker to support additional quality measures was added at the end of August. No additional action is required.	Completed
	08-02	Properly complete Employment Eligibility Verification (I-9) Forms. This is a repeat finding.	Human Resources continues reviewing all I-9 forms. Examples continue to be provided. The LMS course is also available. Weekly reminders are sent to hiring managers. Several Human Resources Management Services (HRMS) staff members participated in a webinar on the proper completion of I-9s. HRMS staff have also attended DHRM's I-9 course.	In progress
	07-01	Properly complete Employment Eligibility Verification (I-9) Forms.	See 08-02.	
<u>Virginia Community College System – System Office (VCCS)</u>				
2007	07-01	Improve physical security over sensitive and mission-critical data.	DGS approved VCCS to select the contractor to do the job. A vendor was selected and has begun work. Currently there are problems getting correct materials.	In progress

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Christopher Newport University (CNU)</u>				
2008	08-01	Include the bookstore system in information security program.	IT services completed an extensive study of the system with Bookstore staff and Missouri Book Services staff. The system was found to meet Payment Application Best Practices.	Completed
	08-02	Delete access to the Commonwealth's procurement system (eVA).	CNU will implement controls to ensure eVA access is deactivated within the required timeframe. There are controls in place that mitigate any terminated employees who still have eVA access from creating false orders or changing existing orders they placed prior to their termination, because all eVA orders require approval authority before orders are placed. Termination of employees from eVA will be added to CNU's ARMICS testing to ensure controls are working and employees are terminated from the eVA system within 24 hours of employment termination.	In progress
<u>The College of William and Mary in Virginia (CWM)</u>				
2008	08-01	Continue to improve financial reporting. This is a repeat finding and progress has been made.	The College established a quality assurance program for financial reporting. Procedures for financial statement development are due by November 2009 and cross-training of financial employees is due by June 2010. However, reporting staff has experienced 50% turnover and the project is behind schedule.	In progress
	07-01	Improve financial reporting.	See 08-01.	
	06-01	Improve financial statement preparation process.	See 07-01.	
	05-01	Test financial statement preparation process.	See 06-01.	

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Gunston Hall (GH)</u>				
2007	07-01	Strengthen controls over information systems security.	Gunston Hall has completed its security policies and procedures and they have been approved.	Completed
<u>James Madison University (JMU)</u>				
2008	08-01	Correct depreciation calculation.	AssetMaxx previously did not correctly calculate depreciation according to GAAP when useful life or asset class was changed. JMU received a new upgrade of AssetMaxx in July 2009 and is testing it for accuracy. FY 2009 depreciation has also been done manually and a sample of assets has been completed manually as well.	In progress
<u>Longwood University (LU)</u>				
2008	08-01	Revisions to internal controls - reconciliations and interfaces; improve system access; eVA; and provide an audit trail.	LU is evaluating reports to reconcile Banner and third-party systems. LU is also reviewing Banner classes and deleting unneeded forms. This is due to be completed by December 31, 2009. Internal procedures in the eVA security plan have been updated to indicate access will be removed on or before the user's termination date. Managers are responsible for following LU policies regarding termination and transfer. To improve the process for lifting holds on student accounts, access to SOAHOLD will be reviewed. The number of employees with access to modify holds will be limited to those with specific needs. LU will determine if a Banner audit feature exists to create a log to serve as an audit trail.	In progress

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	08-02	Use eVA workflow to enforce University policy.	LU will review all eVA users profiles to assess the reasonableness of expenditure limits. LU will further review all approvers in the workflow and adjust the approval limit where necessary. LU will also develop documented procedures for creating eVA user accounts and will provide training for individuals requesting accounts.	In progress
	08-03	Require detailed coding for purchase card transactions.	LU will begin coding small purchase charge cards to the specific sub-object codes to facilitate detailed reporting. Training is being developed for small purchase charge card holders by March 1, 2010.	In progress
	08-04	Improve contingency plan testing.	LU is working with the Department of Emergency Management to complete the updates to the COOP. LU is also updating its Technology Disaster Recovery plan. LU expects to finalize testing no later than March 1, 2010.	In progress
	08-05	Properly complete Employment Eligibility Verification (I-9) Forms. This is a repeat finding.	LU Office of Human Resources has conducted 5 training sessions. Employment eligibility educational resources were made available online beginning 2/12/2008. Over 80% of sampled I-9 forms of LU employees have been reviewed on a post-audit basis. The forms in non-compliance continue to be I-9s completed in the field. A semi-annual report to vice presidents identifies employer representatives who are not complying with regulations.	In progress
	07-03	Properly complete Employment Eligibility Verification (I-9) Forms.	See 08-05.	

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	08-06	Revise calculation of allowance for doubtful accounts.	LU has created an allowance methodology based on review of the aging of past due accounts and information from collections activity. LU is using the entire amount placed at collection agencies as the allowance for doubtful accounts for those receivables.	In progress
<u>Norfolk State University (NSU)</u>				
2008	08-01	Improve SPCC program administration.	Accounts Payable sends discrepancy reports to the Program Administrator. BOA locks out cardholders from exceeding limits.	Completed
	08-02	Enhance information system security process.	The Office of Information Technology (OIT) has requested a feature change and an exception from the vendors. A revised workflow was revised and Human Resources sends monthly account termination/retire reports to OIT.	In progress
<u>Old Dominion University (ODU)</u>				
2008	08-01	Improve contract management and ensure compliance with policies and procedures.	ODU is updating policies and procedures on revenue contracts to ensure proper documentation exists. Contract language is being revised to instruct future vendors to send rebate checks to the Cashier's Office. Current vendors are being notified to remit payments to the Cashier's Office. The Internal Audit Director is finalizing his 2010 work plan, which will include a review of Material Management.	In progress
<u>Radford University (RU)</u>				
2008	08-01	Strengthen controls over capital projects and capital assets. This is a repeat finding.	RU fully reviewed its policies and procedures. Revisions ensure accurate and complete reporting of capital assets and construction-in-progress. New procedures ensure close-out dates are followed or documented in detail and approved by senior management.	Completed

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>State Council of Higher Education for Virginia (SCHEV)</u>				
2008	08-01	Develop an information security program.	SCHEV has completed the business risk analysis and is developing mitigating work plans as needed. SCHEV is working with DOA IT personnel on this.	In progress
<u>The Science Museum of Virginia (SMV)</u>				
2007	07-02	Strengthen controls over information systems security.	SMV developed the Risk Assessment Report together with DOA's Quality Assurance Unit. SMV reviewed the Report and began the awareness training in September 2009.	In progress
<u>University of Mary Washington (UMW)</u>				
2008	08-01	Improve information systems security program.	The University is working to improve its incident response system plan, protect sensitive data and document existing firewalls.	In progress
<u>University of Virginia – Academic Division (UVA)</u>				
2008	08-01	Properly complete Employment Eligibility Verification (I-9) Forms. This is a repeat finding and significant progress has been made.	The UVA Office of Compliance and Immigration Services (CIS) conducts monthly audits and reviews each I-9 Form.	Completed
	07-02	Properly complete Employment Eligibility Verification (I-9) Forms.	See 08-01.	
<u>Virginia Military Institute (VMI)</u>				
2008	08-01	Improve information systems security program documentation.	VMI revised its employee clearance procedures to require notification of Human Resources within 72 hours, and then HRO has 72 hours to key changes. Unexpected changes must be completed by the close of business on the next business day, in succession. Payment Card Industry Data Security Standards were implemented.	Completed

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
Virginia State University (VSU)				
2008	08-01	Improve information security program.	VSU created a security manual to document procedures that addressed the components listed in the finding.	Completed
	08-02	Strengthen controls over capital asset reporting.	Finance staff and the Capital Outlay Department reviewed CIP schedules. An additional review will be made for FY 2009. VSU is working with Banner to address implementation issues with fixed assets.	In progress
	08-03	Improve controls over financial statement database application.	VSU established and documented backup and recovery control procedures. VSU will develop control documentation to grant and control access to the Database. VSU will also establish change controls and version control procedures.	In progress
	08-04	Improve employment eligibility and verification process. This is a repeat finding and progress has been made.	A review of FY 2008 and 2009 I-9 forms is being made. VSU will develop procedures to continuously review I-9 forms using a sample of the forms.	In progress
Department of Accounts (DOA)				
2008	08-01	Improve information systems security program.	DOA's two Information Security experts supervised an agency-wide Risk Assessment, requested VITA provide results of monitoring activities, and documented DOA procedures. Policies and Procedures are being updated.	In progress
Department of Taxation (TAX)				
2008	08-04	Properly complete Employment Eligibility Verification (I-9) Forms.	TAX has completed the process of correcting existing I-9s needing revision except for several employees that are on extended leave.	In progress

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
Department of the Treasury (TD)				
2008	08-01	Establish sufficient controls over the wire transfer process. This is a repeat finding and progress has been made.	All wire transfer MOUs are finalized.	Completed
	07-02	Establish sufficient controls over the wire transfer process.	See 08-01.	
	08-03	Strengthen internal controls over disbursement processing. This is a repeat finding.	The Wachovia Social Services Account is currently being converted to payee match positive pay processing.	In progress
	07-05	Strengthen internal controls over disbursement processing.	See 08-03.	
	08-04	Establish, maintain, and review centralized cash, investment, and application access account listings. This is a repeat finding and progress has been made.	The Centralized Access Database has been developed by Treasury Information Systems and Treasury is using CAD to manage and track access. Treasury is developing formal policies with respect to CAD.	Completed
	07-03	Establish, maintain, and review centralized cash, investment, and application access account listings.	See 08-04.	
	08-08	Establish adequate reviews over financial records.	Treasury Internal Audit completed their review of the procedures and found no significant weaknesses. Treasury is embracing the recommendations for improvement contained in the Internal Auditor's report.	In progress
	08-09	Perform adequate oversight over trustee.	The trustee is providing satisfactory performance currently. Treasury will continue to monitor trustee performance.	Completed

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
Department of Behavioral Health and Developmental Services (DBHDS)				
2008	08-01	Improve management and controls for facilities.	The Department continues to be impacted by the effects of staff reductions.	In progress
	08-02	Improve monitoring program over Community Service Boards. This is a repeat finding.	The Office of Budget and Financial Reporting conducted three site reviews. Program offices have reviewed the risk assessment and are developing oversight methodology of their own.	In progress
	07-01	Improve monitoring program over Community Service Boards.	See 08-02.	
	08-03	Ensure compliance with information systems security program.	Information Technology Services is developing the Risk Assessment and Business Impact Analysis. The facilities are estimated to be 80% complete and expect to be at 100% at the end of October.	In progress
	08-04	Improve security awareness training documentation. This is a repeat finding.	Information Technology Services is exploring using the Commonwealth Knowledge Center to help maintain documentation. ITS provided the training to HR for implementation. Between the Learning Center and employees' files, the Department is close to being 100% compliant.	In progress
	06-02	Expand security awareness training programs.	See 08-04.	
	08-05	Improve IT continuity of operations and disaster recovery plans. This is a repeat finding.	Central Office IT staff is working with facility IT staff to address weaknesses in conjunction with the transformation. The ISO believes they are at 80% and should be at 100% at the end of October.	In progress

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	07-04	Improve contingency and disaster recovery planning.	See 08-05.	
	08-06	Improve controls over capital assets.	The Office of Budget and Financial Reporting worked together to book appropriate adjustments in the accounting system. A capital assets committee was created and finalized several FAACS policies. Additional policies are still needed.	In progress
	08-07	Properly record construction-in-progress.	Controls and reporting processes were radically changed in FY 2009 and led to the proper and timely recording of the CIP balance at June 30, 2009.	In progress
	08-08	Grant proper access to timekeeping system.	Facility Directors were made responsible for granting proper access to the timekeeping system. A review has not yet been conducted to determine if the access is appropriate.	In progress
	08-09	Properly complete Employment Eligibility Verification Forms. This is a repeat finding.	The Department issued comprehensive guidance in handbook format explaining the I-9 forms to all facility Human Resource Officers. A small percentage of errors has continued to occur.	In progress
	07-02	Properly complete Employment Eligibility Verification (I-9) Forms.	See 08-09.	
<u>Department for Rehabilitative Services (DRS)</u>				
2008	08-01	Properly record leases in the lease accounting system.	DRS updates current LAS files until they expire. New building leases are administered by the Department of General Services, Division of Real Estate Services.	In progress

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department for the Aging (VDA)</u>				
2008	08-01	Strengthen information security program.	The agency is currently working with DOA on the Business Impact Analysis and the Risk Assessment programs to meet the Commonwealth's Security Standard.	In progress
<u>Department of Social Services (DSS)</u>				
2007	07-04	Align plan for monitoring local social services offices with best practices.	Each division submitted a monitoring plan. The SMR director posted the Department-wide instrument for local departments to review. SMR and the Chief Financial Officer are the lead for communicating with local departments of social services. DSS' continued approach is to work with local departments to correct errors and resolve issues.	In progress
	06-18	Maintain a tracking system for local employees. This is a repeat finding.	Human Resource Management is working with Information Systems and Finance to improve the data in LETS. Richmond's interface is active.	In progress
	05-04	Maintain a tracking system for local employees.	See 06-18.	
	07-05	Establish procedures for controlling the cash in the Child Support Enforcement Fund.	DSS successfully closed out fiscal year 2009. There are only two programs that continue to require complete reconciliation of federal funds. DSS has met with the APA on this issue as part of the 2009 audit.	In progress
<u>State Corporation Commission (SCC)</u>				
2007	07-01	Comply with Commonwealth security standards.	SCC contracted with Beck Disaster Recovery, Inc. to develop a business impact analysis, risk assessment, continuity of operations plan, and an IT disaster recovery plan. Beck has completed the Project Plan, Business Impact Analysis, and Risk Analysis. This is a high priority project for the Commission and it is on target to be completed by 12/31/2009.	In progress

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Game and Inland Fisheries (DGIF)</u>				
2007	07-03	Improve information system security.	DGIF must complete its Business Impact Analysis before it can complete its information systems security. The VITA/NG transformation was completed. Password updates are being reviewed by DGIF.	In progress
<u>Department of Historic Resources (DHR)</u>				
2007	07-01	Complete information security program.	DHR is completing its security program using in-house resources. Policies for Technology Use and IT Asset Management have been reviewed. Policies for Account Management and Folder/Group Security Changes are being reviewed.	In progress
<u>Department of Alcoholic Beverage Control (ABC)</u>				
2008	08-01	Improve database security.	ABC completed the access review of system users and installed new password requirements. New software was installed. NG took 11 months to install a new server. The new Move application allows users to change their own passwords. The level of access information logged has been increased to assist monitoring.	In progress
<u>Department of Correctional Education (DCE)</u>				
2008	08-01	Improve controls over systems access.	DCE has removed all CIPPS access for individuals who are not required to have it. Removal of all systems access upon employment termination has also been included on the Employee Departure Form.	Completed
<u>Department of Corrections (DOC)</u>				
2008	08-01	Improve controls and processes surrounding capital assets and construction-in-progress. This is a repeat finding and there has been no substantial improvement.	The Department has been working closely with DOA to alleviate the issues originally raised. Feedback has been positive.	In progress

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	07-04	Strengthen supervisory reviews over capital assets and construction-in-progress.	See 08-01.	
	06-01	Strengthen controls over capital project closing and capitalization processes.	See 07-04.	
	08-02	Enforce inventory procedures. This is a repeat finding.	The Department has made every effort in regards to training staff and is committed to alleviating issues originally cited	In progress
	07-02	Enforce inventory procedures.	See 08-02.	
	08-03	Develop internal controls for leave liability and time tracking system. This is a repeat finding.	The Department has made numerous enhancements to the 2009 DOCXL Template. DOC is aware that improvements are necessary and will continue to pursue changes to the DOCXL system where possible. Given the current budget situation, many of the products and services needed present an insurmountable financial burden and the Department cannot with any degree of certainty deliver a date for resolution.	In progress
	07-01	Develop internal controls for leave liability and time tracking system.	See 08-03.	
	08-04	Properly complete Employment Eligibility Verification (I-9) Forms. This is a repeat finding.	The Department is committed to ensuring compliance with the federal law. No reoccurring problems have been found.	Completed
	07-03	Properly complete Employment Eligibility Verification (I-9) Forms.	See 08-04.	

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Criminal Justice Services (DCJS)</u>				
2008	08-01	Strengthen information systems security program. This is a repeat finding and progress has been made.	The Continuity of Operations Plan, inclusive of the Disaster Recovery aspects, and the Business Impact Analysis documents were revised as per the Agency's corrective action statement sent to the APA effective March 10, 2009.	Completed
	06-02	Comply with the Commonwealth's Security Standard, SEC 2001.	See 08-01.	
	08-02	Improve internal controls over grant payments.	The DCJS grant monitors will review and approve quarterly progress reports, when required, before grant funds can be disbursed. DCJS will work on automating this task through the Grants Management Information System (GMIS) so that unless the reports are approved, the subgrantees will not be allowed to submit a request for funds.	Completed
<u>Department of Emergency Management (DEM)</u>				
2008	08-01	Establish procedures for preparing the Schedule of Expenditures of Federal Awards.	The Department has certified that the finding has been resolved.	Completed
	08-02	Develop sub-recipient monitoring plans.	The Department has certified that the finding has been resolved.	Completed
	08-03	Properly report expenditures on quarterly federal reports. This is a repeat finding and progress has been made.	The Department has certified that the finding has been resolved.	Completed
	07-02	Establish policies and procedures over federal reporting.	See 08-03.	

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	08-04	Establish systems security program. This is a repeat finding and progress has been made.	The Department has certified that the finding has been resolved.	Completed
	07-03	Improve continuity and disaster recovery plans.	See 08-04.	
<u>Department of Fire Programs (DFP)</u>				
2008	08-01	Strengthen information systems security program. This is a repeat finding and progress has been made.	The Department has received assistance from DOA and is developing policies and procedures.	In progress
	08-02	Prepare log for small purchase charge card purchases.	Procedures were changed to require that the electronic logs and detailed records of purchases are submitted monthly to supervisors for review and approval.	Completed
<u>Department of Juvenile Justice (DJJ)</u>				
2008	08-01	Strengthen controls over capital project procurement and capitalization. This is a repeat finding.	The Deputy Director has certified that this finding has been resolved.	Completed
	08-02	Improve leave processing.	Failure of staff to submit leave were addressed through Standards of Conduct. Late keying of leave in HR has been corrected. Updated directives on Leave Administration and Payroll Procedures were completed 7/31/2009. Issuance has been delayed due to a VSDP directive from DHRM.	In progress
<u>Department of State Police (VSP)</u>				
2007	07-02	Payroll. This is a repeat finding.	The Finance Division payroll certification process procedures were signed after the July 2009 payroll certifications were completed using the new procedures. VSP still believes they are compliant if they process a form when the person is "sworn" as a trooper.	Completed
	06-02	Payroll.	See 07-02.	

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
Department of Veterans Services (DVS)				
2008	08-01	Develop an information security program and comply with HIPAA regulations. This is a repeat finding.	Program development remains a work-in-process. DVS is working on placing an IT associate in each center. An agency-wide policy has not been finalized due to the significantly different types of records encountered in the system.	In progress
	07-07	Comply with the health insurance portability and accountability act.	See 08-01.	
	07-05	Establish a complete information security plan to comply with Commonwealth security standards.	See 08-01.	
	06-08	Information systems security assurance.	See 07-05.	
	08-02	Continue to improve internal controls over fixed assets. This is a repeat finding and progress has been made.	The two care centers took inventories before June 30, 2008. The cemeteries were inventoried five months after June 30, 2008 due in part to a turn-over in site managers.	In progress
	07-16	Establish adequate internal controls over fixed assets.	See 08-02.	
	06-15	Properly manage fixed assets.	See 07-16.	
	08-03	Establish an agreement with the Virginia War Memorial Foundation.	The Board has signed the Memorandum of Understanding.	Completed
Virginia Correctional Enterprises (DOC/CE)				
2008	08-01	Strengthen job validation policies and procedures.	Strengthened policies and procedures were approved and issued.	Completed

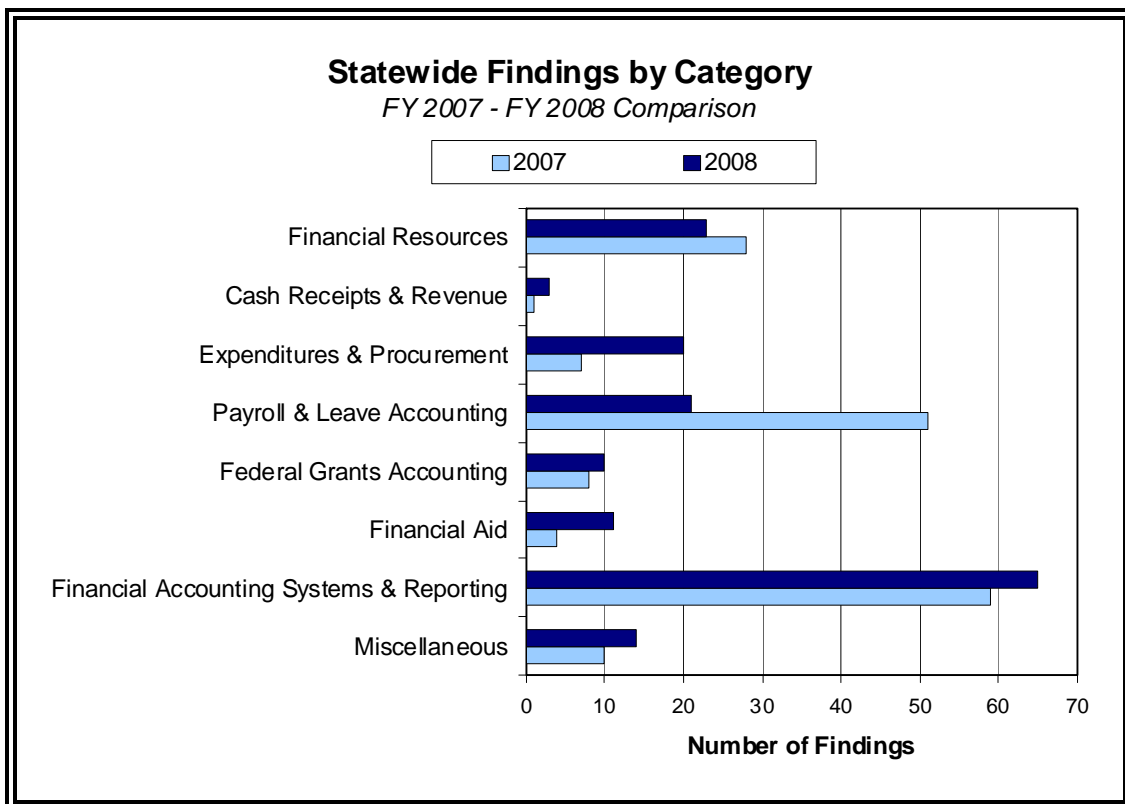
Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	08-02	Improve controls for processing transactions in both CARS and Syteline.	Password restrictions have been put in place to segregate access.	Completed
<u>Virginia Information Technologies Agency (VITA)</u>				
2007	07-02	Develop standards for project documentation. This is a repeat finding.	15 of 23 chapters have been approved. Management changes have reset completion to November 2009. Training and implementation will follow.	In progress
	06-04	Develop standards for project documentation.	See 07-02.	
<u>Department of Motor Vehicles (DMV)</u>				
2008	08-04	Improve information security program.	DMV is doing a procurement to perform the risk assessment and business impact analysis. The completion date has been extended to February 28, 2010.	In progress
<u>Department of Rail and Public Transportation (DRPT)</u>				
2008	08-01	Improve controls over Non-formula Public Transportation Grant management.	The Department has adopted detailed individual desk procedures to ensure appropriate controls are in place. The documentation is 95% finalized, and is expected to be completed by 10/30/2009.	In progress
<u>Department of Transportation (VDOT)</u>				
2008	08-01	Improve application monitoring processes.	The VDOT Information Technology Division is using manual procedures, reviews and software to monitor access and activity on the EMS system. The new system will not store sensitive data.	In progress



Annual Summary of APA Audit Findings

As of September 30, 2009, the Auditor of Public Accounts had issued 61 audit reports for 130 Executive Branch agencies for FY 2008. Of these reports, 19 reflected no internal control weaknesses or compliance findings. The remaining 42 audit reports, covering 62 agencies contained 167 audit findings that cited internal control weaknesses and instances of noncompliance. For FY 2007, 41 of 61 reports contained findings and 168 total findings were reported. About 39 percent of the FY 2008 audit findings were reported in the Financial Accounting Systems and Reporting area compared to 35 percent for the previous year.

Category	New Findings	Repeat Findings	Total Findings
Financial Accounting Systems & Reporting	50	15	65
Financial Resources	17	6	23
Expenditures & Procurement	18	2	20
Miscellaneous	11	3	14
Federal Grants Accounting	8	2	10
Cash Receipts & Revenue	3	-	3
Payroll & Leave Accounting	10	11	21
Financial Aid	11	-	11
Total	128	39	167



Compliance Monitoring

Agency Risk Management and Internal Control Standards (ARMICS) Compliance

ARMICS is a comprehensive, risk based, approach to Internal Control. It is based on the Treadway Commission’s Committee of Sponsoring Organizations,1992 publication “Internal Control Framework” and their 2004 work entitled, “Enterprise Risk Management”.

ARMICS provides guidance for establishing and assessing agency internal controls in order to more effectively manage risk and maintain accountability. The ARMICS process concludes with an annual certification (June 30) by the agency head and fiscal officer that they have established, maintained, and evaluated their agencies’ internal control framework.

Non-compliance with ARMICS can take two forms:

1. Incomplete or late submission of the annual certification statement (without an extension authorized by DOA).
2. Substantial non-compliance with the processes required for the successful implementation of ARMICS based on a Quality Assurance Review (QAR) performed by the DOA General Accounting ARMICS Team.

Non-Compliance results in the Agency being included in the Comptroller’s Quarterly Report. Remediation of the deficiency will result in the agency being removed from the non-compliant list published in the subsequent Comptroller’s Quarterly Report.

The following agencies are not currently in compliance with ARMICS:

<u>Agency Name</u>	<u>Reason for Non-Compliance</u>
None	

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 8/31/09 and 9/30/09 respectively.

Confirmations Late or Outstanding

As of October 15, 2009

<u>Agency</u>	<u>July</u>	<u>Aug</u>
None		

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, 2009, 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, 2009, no agencies failed to respond timely, make corrective action and/or provide additional information.

Trial Balance Review As of October 15, 2009

<u>Agency</u>	<u>July</u>	<u>August</u>
None		

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, 2009, no agencies failed to respond timely, make corrective action and/or provide additional information.

Credit Cash, Excess Expenditures, and Expenditure Credits

As of October 15, 2009

<u>Agency</u>	<u>July</u>	<u>August</u>
None		

Disbursement Processing

During the quarter ended September 30, 2009, DOA deleted, at the submitting agency's request, 129 payments that were awaiting disbursement from the vendor payment file. These included duplicate payments, payments with incorrect vendor indicators and payments with incorrect vendor name, address or amount. These type of transactions may point to areas where improved agency internal accounting controls should be evaluated.

Eighteen agencies requested deletes during the quarter. For the quarter ended September 30, 2009, agencies that requested more than four vendor payment deletes during the quarter were:

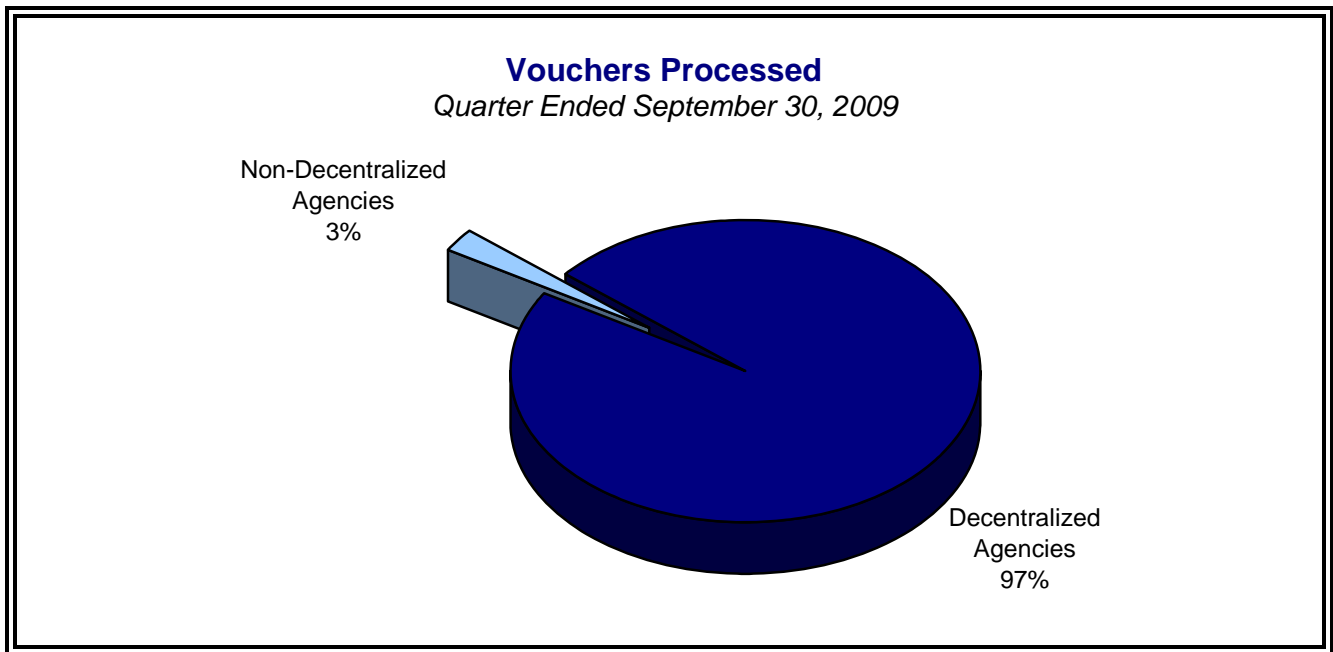
- Department of Transportation



Paperwork Decentralization

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

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



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

Decentralized Agencies

DOA performs decentralized record reviews to fulfill its statutory responsibilities under the *Code of Virginia* regarding expenditures by state agencies and institutions. The decentralized record reviews emphasize the impact and effect of the findings on overall compliance with the applicable sections of the Commonwealth Accounting Policies and Procedures Manual.

A formal corrective action plan is required for agencies considered deficient in their compliance responsibilities. DOA will perform a follow-up review to verify the actions taken by the agency adequately addressed the deficiencies noted in the original report.

Although an agency's report may state that it "generally complies with the CAPP Manual" and not require a formal corrective action plan, most reports do contain some findings and recommendations. Agencies are strongly encouraged to address these findings. Repeat occurrences of the same findings in future

reviews may result in the agency having to prepare a formal corrective action plan.

Reviews were conducted for eleven 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*

Agencies are generally selected each quarter using a systematic risk evaluation of all decentralized agencies.

Compliant Agencies

Department of Corrections – Central Administration
Department of Corrections – Central Activities
Virginia Commission for the Arts
Board of Towing and Recovery Operators
Department of Minority Business Enterprise
Sitter-Barfoot Veterans Care Center
Department of Forensic Science
Coffeewood Correctional Center
Virginia Community College System – System Office
Southwest Virginia Community College
Christopher Newport University

Note: There were no agencies required to prepare a formal corrective action plan for the current quarter.



Non-Decentralized Agencies

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

officers, for whom this additional safeguard is warranted.

During the quarter, DOA reviewed all non-decentralized agencies. A total of 962 non-travel disbursement batches and 402 travel disbursement batches were reviewed, disclosing 27 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, 2009		Fiscal Year 2010 To-Date		Comparative Quarter Ended September 30, 2008	
	Late	Total	Late	Total	Late	Total
Number of Payments	5,515	568,028	5,515	568,028	4,988	596,026
Dollars (in thousands)	\$ 25,510	\$ 1,560,419	\$ 25,510	\$ 1,560,419	\$ 31,226	\$ 1,691,850
Interest Paid on Late Payments				\$1,915 (a)		
Current Quarter Percentage of Payments in Compliance				99.0%		
Fiscal Year-to-Date Percentage of Payments in Compliance				99.0%		
Comparative Fiscal Year 2008 Percentage of Payments in Compliance				99.2%		

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



Prompt Payment Performance by Secretarial Area
Quarter Ended September 30, 2009

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.8%	99.2%
Agriculture and Forestry	99.7%	99.0%
Commerce and Trade	98.7%	99.6%
Education*	98.8%	97.8%
Executive Offices	99.4%	96.0%
Finance	100.0%	100.0%
Health and Human Resources	99.0%	98.7%
Independent Agencies	99.1%	98.7%
Judicial	100.0%	100.0%
Legislative	99.7%	96.9%
Natural Resources	98.6%	95.7%
Public Safety	99.7%	99.3%
Technology	100.0%	100.0%
Transportation*	99.4%	98.8%
Statewide	99.0%	98.4%

Prompt Payment Performance by Secretarial Area
Fiscal Year 2010

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.8%	99.2%
Agriculture and Forestry	99.7%	99.0%
Commerce and Trade	98.7%	99.6%
Education *	98.8%	97.8%
Executive Offices	99.4%	96.0%
Finance	100.0%	100.0%
Health and Human Resources	99.0%	98.7%
Independent Agencies	99.1%	98.7%
Judicial	100.0%	100.0%
Legislative	99.7%	96.9%
Natural Resources	98.6%	95.7%
Public Safety	99.7%	99.3%
Technology	100.0%	100.0%
Transportation*	99.4%	98.8%
Statewide	99.0%	98.4%

* 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, 2009, the following agencies 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, 2009**

Agency	Late Payments	Total Payments	Payments in Compliance
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All agencies met the 95 percent performance standard.

For FY 2010, the following agencies 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 2010**

Agency	Late Payments	Total Payments	Payments in Compliance
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All agencies met the 95 percent performance standard.

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 includes additional payments made by these agencies. 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, 2009			Comparative Quarter Ended September 30, 2008
	E-Commerce	Total	Percent	Percent
Number of Payments	2,867,606	3,277,270	87.5%	82.6%
Payment Amounts	\$ 8,702,469,207	\$ 9,587,783,050	90.8%	84.6%

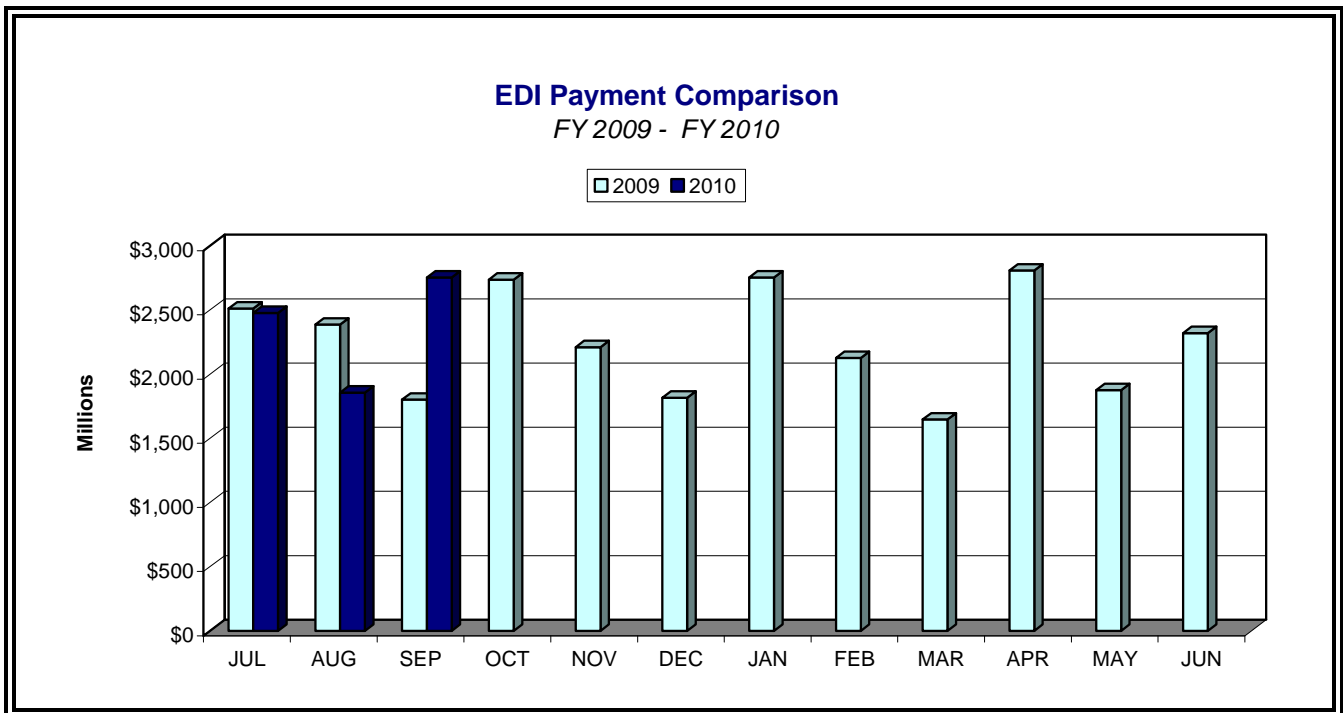
Financial Electronic Data Interchange (EDI)

The dollar volume of Financial EDI payments for the first quarter of FY 2010 were \$388 million (5.8 percent) more than the same quarter last year. The number of trading partner accounts increased by 7.3 percent

from September 2008. The largest portion of this increase is due to efforts to convert state employee travel reimbursements from checks to electronic payments.

Financial EDI Activity

Financial EDI Activity	Quarter Ended September 30, 2009	Comparative Quarter Ended September 30, 2008
Number of Payments	49,777	43,730
Amount of Payments	\$ 7,089,860,420	\$ 6,701,925,579
Number of Invoices Paid	181,682	178,158
Estimated Number of Checks Avoided	76,378	70,525
Number of Trading Partner Accounts as of 9/30/09	51,148	47,679



Travel EDI

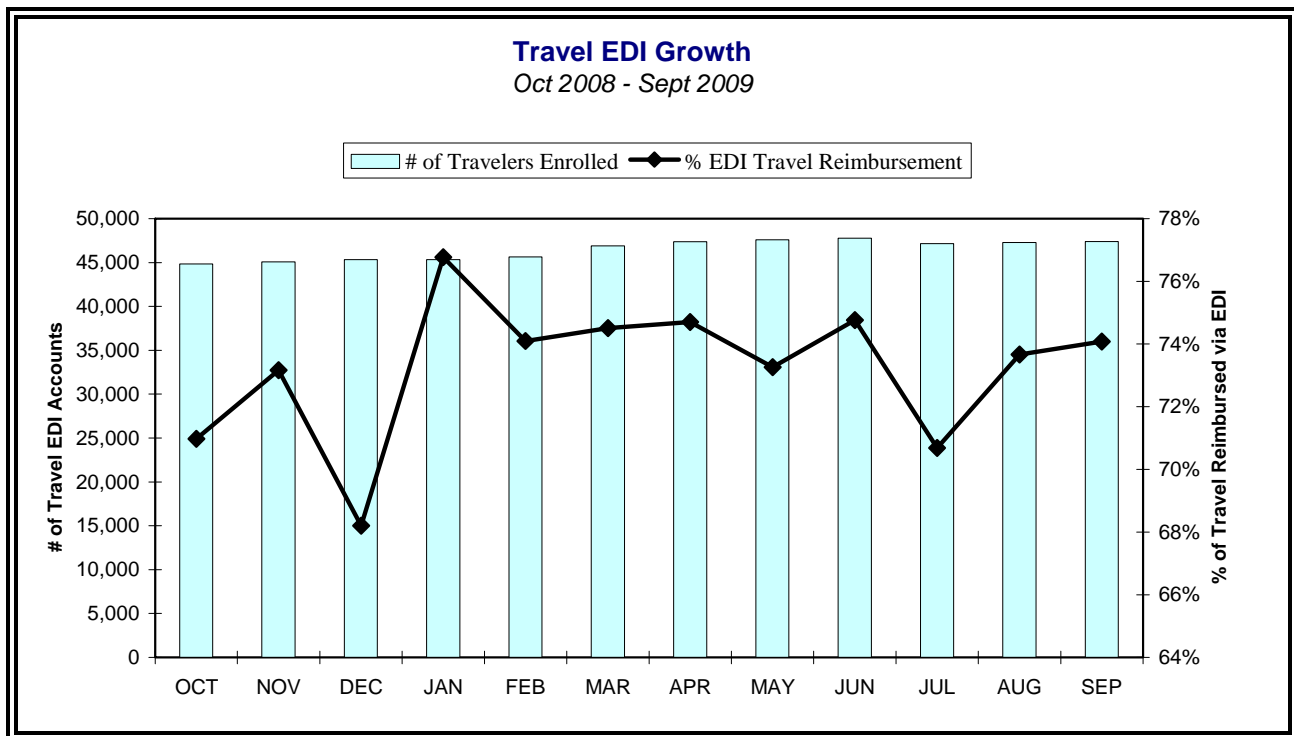
Expansion of the Travel EDI program is an integral part of the statewide effort to reduce the administrative costs associated with paying for goods and services for the Commonwealth. The Appropriation Act requires employees who travel more than twice a year to be reimbursed using EDI. DOA notified agencies 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 2010, 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, 2009

Secretarial Area	Employee Percent	Non-Employee Percent	Reimbursement Checks Issued
Administration	76.4%	0.0%	40
Agriculture and Forestry	93.3%	8.5%	102
Commerce and Trade	95.0%	66.5%	199
Education (1)	86.9%	24.7%	911
Executive Offices	92.4%	0.0%	33
Finance	98.4%	100.0%	9
Health and Human Resources	92.4%	30.8%	1,006
Independent Agencies	94.2%	0.0%	106
Judicial	20.0%	6.9%	3,622
Legislative	92.4%	24.1%	109
Natural Resources	94.7%	59.1%	98
Public Safety	89.7%	21.9%	524
Technology	94.7%	12.5%	22
Transportation (1)	83.2%	25.0%	241
Statewide for Quarter	79.8%	26.9%	7,022
<i>Fiscal Year 2010 To-Date</i>			
Statewide	79.8%	26.9%	7,022
<i>Comparative Fiscal Year 2009 To-Date</i>			
Statewide	79.7%	21.9%	8,310

(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**

<u>Agency</u>	<u>Percent</u>	<u>Reimbursement Checks Issued</u>
Education		
Norfolk State University	50.6%	78
Health and Human Resources		
Department of Rehabilitative Services	76.9%	85
Judicial		
Magistrate System	58.8%	132
Supreme Court	16.2%	830
General District Courts	6.4%	411
Juvenile and Domestic Relations District Courts	5.7%	450
Circuit Courts	4.1%	671
Combined District Courts	2.7%	285
Court of Appeals of Virginia	0.0%	46
Natural Resources		
Department of Conservation and Recreation	82.1%	37
Public Safety		
Department of Emergency Management	73.6%	37
Department of Military Affairs	58.8%	47
Transportation		
Department of Transportation	78.5%	140

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
Health and Human Resources		
Virginia Board for People with Disabilities	5.0%	38
Department of Health	1.4%	286
Judicial		
Circuit Courts	2.4%	404
Virginia State Bar	0.0%	220
Public Safety		
Department of Forensic Science	0.0%	54
Department of Criminal Justice Services	0.0%	42
Commonwealth's Attorneys' Services Council	0.0%	31

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 2010, 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**

<u>Agency</u>	<u>Percent</u>	<u>Year-to-date Charges</u>
Judicial		
Magistrate System	58.8%	\$ 125
Supreme Court	16.2%	195
General District Courts	6.4%	860
Juvenile and Domestic Relations District Courts	5.7%	940
Circuit Courts	4.1%	2,300
Combined District Courts	2.7%	505



Direct Deposit

During the first quarter of FY 2010, 566,965 checks were avoided using direct deposit. Effective August 1, 2008 direct deposit was

mandated for all new hires. Agencies may mandate direct deposit for all eligible employees at their discretion.

Direct Deposit Performance by Secretarial Area

Quarter Ended September 30, 2009

<u>Secretarial Area</u>	<u>Direct Deposit % of Salaried Employees</u>	<u>Direct Deposit % of Wage Employees</u>
Administration	98.9%	100.0%
Agriculture and Forestry	98.7%	87.1%
Commerce and Trade	99.7%	99.6%
Education	99.6%	94.2%
Executive Offices	99.2%	78.1%
Finance	99.2%	95.7%
Health and Human Resources	98.1%	96.0%
Independent Agencies	99.2%	99.2%
Judicial	98.9%	71.5%
Legislative	99.7%	98.8%
Natural Resources	99.2%	96.0%
Public Safety	99.3%	96.5%
Technology	99.5%	100.0%
Transportation	99.7%	97.9%
Statewide	99.1%	94.5%
<i>Comparative</i>		
<i>Quarter Ended September 30, 2008</i>		
Statewide	97.5%	84.6%

Statewide Salaried Direct Deposit Performance

Quarter Ended September 30, 2009

Salaried Direct Deposit Participation	99.1%
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Salaried Direct Deposit Below 98 Percent

<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Administration		
State Board of Elections	93.3%	30
Education		
Rappahannock Community College	97.0%	100
The Science Museum of Virginia	95.5%	67
Health and Human Resources		
Southside Virginia Training Center	97.3%	1,318
Eastern State Hospital	97.1%	959
Central State Hospital	97.0%	774
Northern Virginia Mental Health Institute	96.1%	307
Southeastern Virginia Training Center	95.1%	406
Central Virginia Training Center	90.3%	1,349

Statewide Wage Direct Deposit Performance

Quarter Ended September 30, 2009

Wage Direct Deposit Participation	94.5%
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Wage Direct Deposit Below 90 Percent

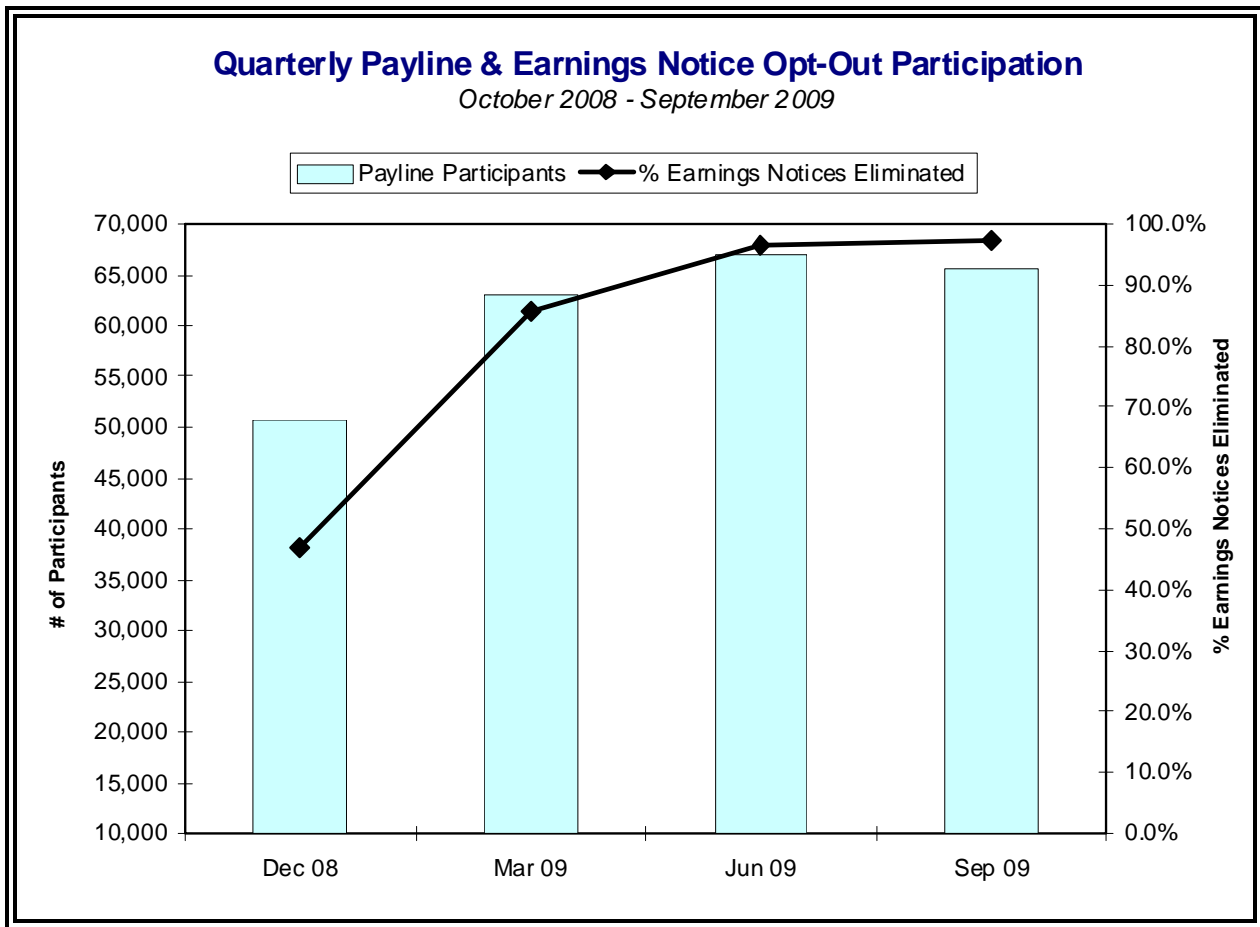
Agency	Percent	Number of Employees
Agriculture and Forestry		
Department of Agriculture and Consumer Services	84.2%	146
Commerce and Trade		
Virginia Racing Commission	85.2%	27
Education		
Longwood University	89.8%	609
Southside Virginia Community College	89.5%	172
Southwest Virginia Community College	84.1%	283
Eastern Shore Community College	81.2%	101
Mountain Empire Community College	80.7%	207
Rappahannock Community College	79.6%	201
Paul D. Camp Community College	72.5%	153
Virginia Highlands Community College	60.1%	188
Frontier Culture Museum of Virginia	46.7%	45
Health and Human Resources		
Central Virginia Training Center	68.9%	106
Judicial		
Juvenile and Domestic Relations District Courts	89.7%	58
General District Courts	62.4%	237
Combined District Courts	50.0%	22
Natural Resources		
Department of Game and Inland Fisheries	88.9%	63
Public Safety		
Virginia Veterans Care Center	89.1%	55



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 3,661,732 earnings notices.



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, 2009

<u>Secretarial Area</u>	<u>Percent Payline Participation</u>	<u>Percent Earnings Notices Eliminated*</u>
Administration	94.2%	100.0%
Agriculture and Forestry	95.0%	97.4%
Commerce and Trade	94.8%	99.4%
Education	65.2%	98.4%
Executive Offices	85.5%	100.0%
Finance	95.8%	100.0%
Health and Human Resources	81.2%	97.8%
Independent Agencies	86.7%	100.0%
Judicial	80.2%	93.8%
Legislative	66.4%	72.3%
Natural Resources	67.2%	70.2%
Public Safety	74.8%	99.0%
Technology	95.8%	100.0%
Transportation	89.0%	100.0%
Statewide	77.0%	97.4%
<i>Comparative</i>		
<i>Quarter Ended September 30, 2008</i>		
Statewide	48.3%	32.3%

* 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 elected a global opt-out in response to the January 1, 2009, mandate. Listed below are those agencies who have not elected an agency-wide opt-out and who have an opt-out percentage below 90% as of September 30, 2009.

**Earnings Notice Elimination
Under 90 Percent**

Agency	Percent Earnings Notices Eliminated QE 09/30/2009	Percent Earnings Notices Eliminated QE 06/30/2009
Education		
Southwest Virginia Community College*	83.3%	94.9%
Jamestown Yorktown Foundation*	83.2%	79.5%
Frontier Culture Museum of Virginia*	75.5%	80.4%
Virginia Highlands Community College*	73.7%	76.5%
Paul D. Camp Community College*	58.3%	72.4%
Eastern Shore Community College*	51.2%	59.6%
Health and Human Resources		
Southeastern Virginia Training Center	11.1%	10.8%
Judicial		
General District Courts*	89.7%	91.3%
Circuit Courts*	78.7%	77.0%
Natural Resources		
Marine Resources Commission	47.9%	49.0%
Department of Conservation and Recreation	37.0%	31.7%
Chippokes Plantation Farm Foundation	0.0%	0.0%
Public Safety		
Virginia Veterans Care Center	19.4%	20.4%

* These agencies have elected global opt-out for salaried employees only



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.

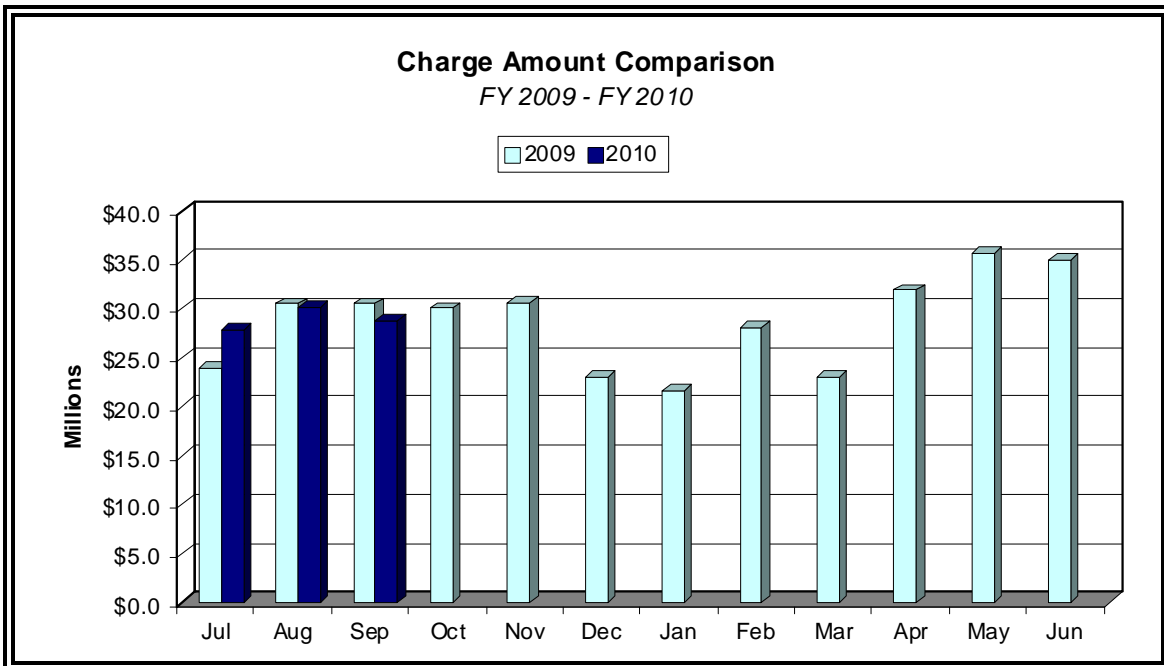
The Small Purchase Charge Card continues to be used for purchases under \$5,000. Agencies are strongly encouraged to obtain a Gold Card for use for purchases up to \$50,000.

The total amount charged on SPCC and Gold cards during the first quarter of FY 2010 increased by \$1,721,152 or 2.0 percent from the same quarter last year.

Small Purchase Charge Card Program

Charge Card Activity	Quarter Ended September 30, 2009	Fiscal Year 2010 To-Date	Comparative Fiscal Year 2009 To-Date
Amount of Charges	\$ 86,780,976	\$ 86,780,976	\$ 85,059,824
Estimated Number of Checks Avoided	159,470	159,470	164,782
Total Number of Participating Agencies		227	227
Total Number of Cards Outstanding		17,398	14,947

The following chart compares charge activity for FY 2010 to activity for FY 2009:



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 VISA's vendor base in excess of 26 million merchants based on the vendor name.

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 e-mailed to cca@doa.virginia.gov.

Statewide SPCC Performance

Quarter Ended September 30, 2009

Percentage Utilization for Eligible Transactions

81%

SPCC Utilization by Secretarial Area

Quarter Ended September 30, 2009

<u>Secretarial Area</u>	<u>Payments in Compliance ⁽¹⁾</u>	<u>Non-Compliant Transactions ⁽²⁾</u>
Administration	76%	1,062
Agriculture and Forestry	83%	587
Commerce and Trade	77%	849
Education*	86%	4,929
Executive Offices	94%	51
Finance	88%	156
Health and Human Resources**	78%	8,072
Independent Agencies	63%	1,160
Judicial	30%	3,066
Legislative	94%	61
Natural Resources	90%	1,180
Public Safety	90%	3,735
Technology	81%	101
Transportation*	69%	7,040
Statewide	81%	32,049

* 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
Administration		
Compensation Board	64%	17
State Board of Elections	64%	33
Commerce and Trade		
Virginia Employment Commission	45%	736
Education		
Southwest Virginia Community College	69%	138
Norfolk State University	62%	627
Health and Human Resources		
Department of Behavioral Health and Developmental Services	68%	105
Piedmont Geriatric Hospital	64%	179
Central Virginia Training Center	55%	561
Department for the Blind and Vision Impaired	55%	1,796
Department for the Deaf and Hard of Hearing	53%	48
Independent Agencies		
Virginia Workers' Compensation Commission	68%	203
Virginia Retirement System	67%	153
State Corporation Commission	4%	634
Judicial		
Supreme Court	61%	264
Board of Bar Examiners	0%	21
Circuit Courts	0%	199
Combined District Courts	0%	317
General District Courts	0%	1,254
Juvenile and Domestic Relations District Courts	0%	616
Magistrate System	0%	162
Virginia Criminal Sentencing Commission	0%	45
Legislative		
Commission on the Virginia Alcohol Safety Action Program	0%	40
Public Safety		
Sitter-Barfoot Veterans Care Center	45%	430
Transportation		
Department of Transportation	68%	6,267
Board of Towing and Recovery Operators	0%	9



SPCC and ATC Payment Compliance

Agencies and institutions participating in the Charge Card program are required to submit Bank of America VISA payments via EDI no later than the 7th 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, 2009, with the payment due no later than August 7th.

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	Sep
<u>Purchase Card Program:</u>			
Education			
Frontier Culture Museum		X	
Health and Human Resources			
Northern Virginia Mental Health Institute			X
<u>Airline Travel Card Program:</u>			
Education			
Northern Virginia Community College		X	
Patrick Henry Community College	X		
Piedmont Virginia Community College			X



Travel Charge Card

The Commonwealth of Virginia has contracted with Bank of America 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 Bank of America by agency during the quarter ended September 30, 2009, and the total amounts past due.

Travel Charge Card Program

As of September 30, 2009

<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	2	\$ 1,255	\$ 0	\$ 0
University of Virginia	1	510	0	0
Virginia Commonwealth University	1	1,361	0	0
Virginia State University	1	29	0	0
Executive Offices				
Attorney General and Department of Law	1	85	0	0
Health and Human Resources				
Department of Social Services	1	160	0	0
Independent				
Virginia College Savings Plan	1	197	0	0



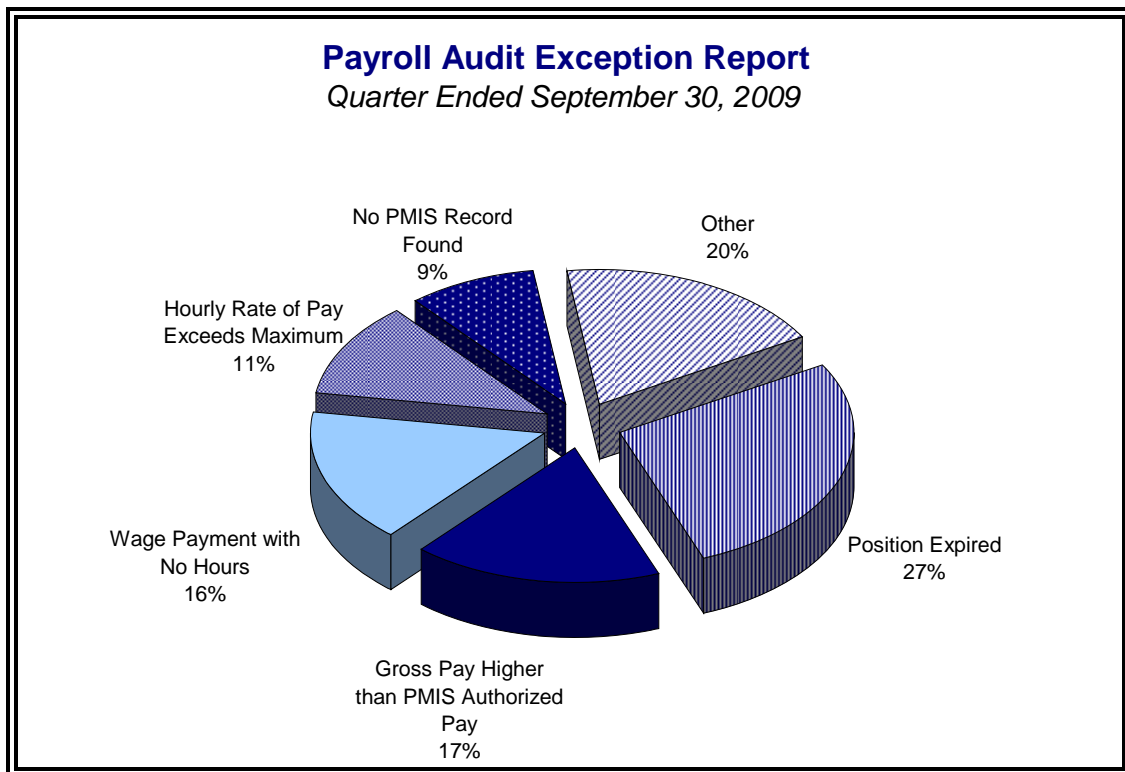
Payroll Controls

PMIS/CIPPS Payroll Audit

During the quarter, DOA's automated comparison of payroll and personnel (PMIS) records examined 426,532 salaried pay transactions and 179,700 wage pay transactions. The comparison is performed following each payday and is designed to identify discrepancies between authorized salary/wage amounts in PMIS and amounts paid in CIPPS. There were 1,584 new exceptions noted statewide during the quarter, with an overall exception rate of 0.27 percent.

The statewide salaried payroll exception rate was 0.36 percent and the wage payroll exception rate was 0.08 percent. During this quarter, 24 employee paychecks were reduced to recover \$10,896.61 in overpayments.

While the largest cause of exceptions is payments made to employees in a position which has an authorized period that 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 amounts 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

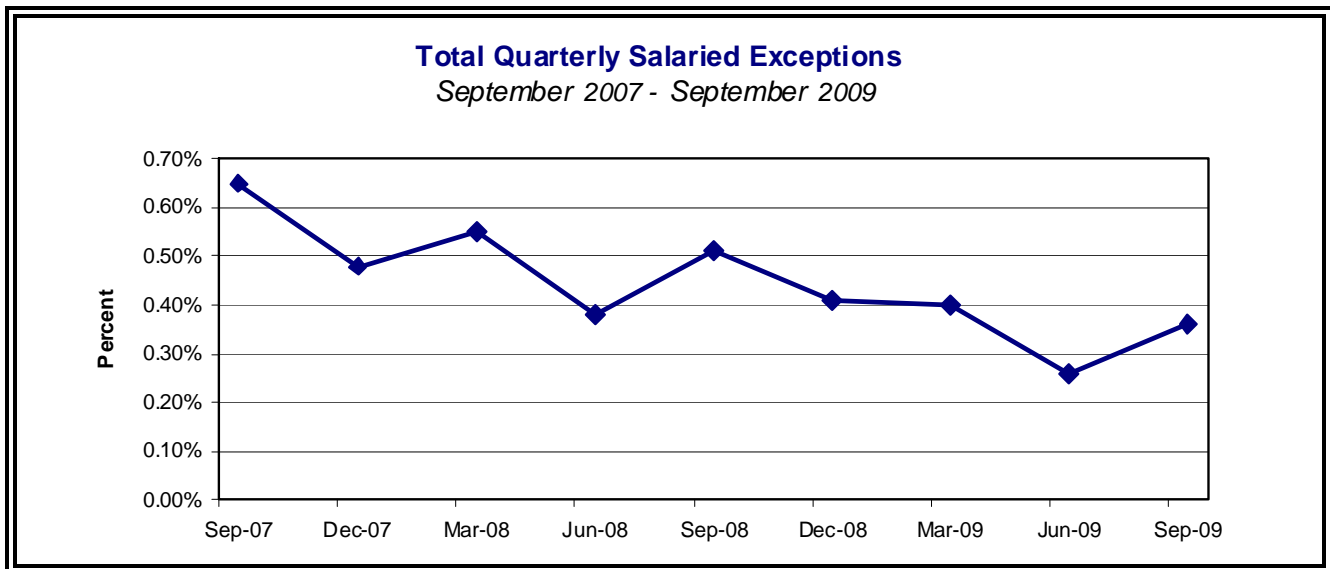
of payroll exceptions to salaried or wage payments exceeds three times the statewide average for the quarter.

Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Salaried Payments
Quarter Ended September 30, 2009

<u>Agency</u>	<u># of Salaried Exceptions</u>	<u>Exceptions as a % of Salaried Payments</u>
Eastern Shore Community College	6	1.68%

Total Salaried Payroll Exceptions for the Quarter	0.36%
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The following chart compares payroll exceptions as a percentage of salaried payments by quarter for the past two years.

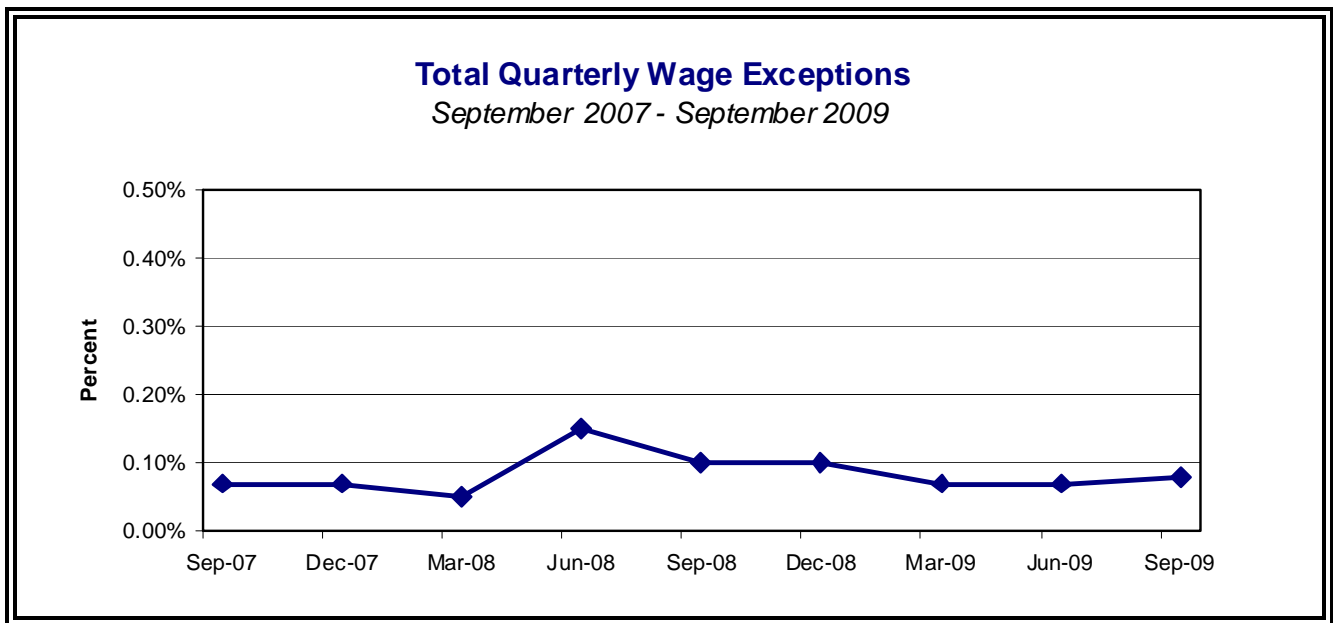


Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Wage Payments
Quarter Ended September 30, 2009

Agency	# of Wage Exceptions	Exceptions as a % of Wage Payments
Dept. of Conservation & Recreation	26	0.35%
University of Mary Washington	15	0.69%

Wage Payroll Exceptions for the Quarter	0.08%
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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>
No Delinquent Exceptions	



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				
Radford University	\$ 22,774			
Health and Human Resources				
Southwestern Virginia Training Center	31,128			
Western State Hospital	233,778			
Natural Resources				
Department of Conservation and Recreation		1		
Marine Resources Commission		1		

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 07/31/09, 08/31/09 and 09/30/09, respectively.

Schedule of Health Care Reconciliations Received Late

Agency	June	July	August
Virginia Workers' Compensation Commission			X
Piedmont Virginia Community College			X
Northern Virginia Mental Health Institute			X



FINANCIAL MANAGEMENT ACTIVITY

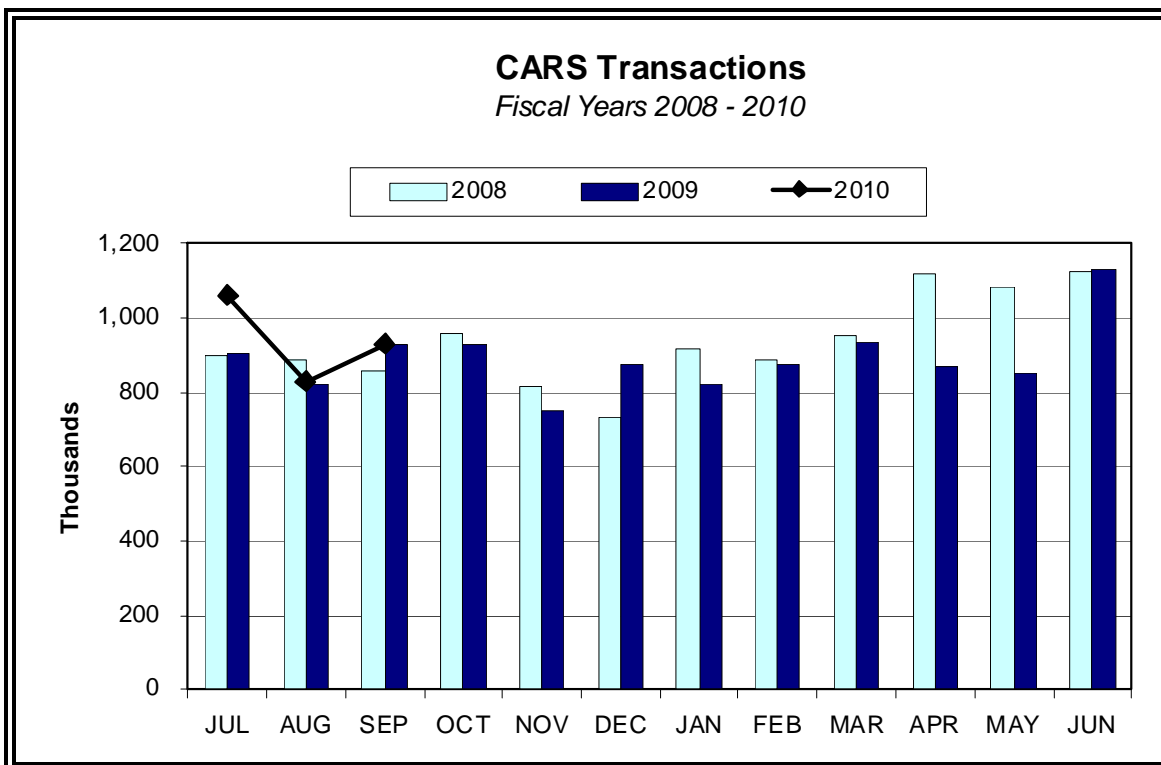
DOA monitors several types of financial activity. Various measures are used to track activities for CARS, payroll, accounts

receivable, indirect cost recoveries, treasury loans, and 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.

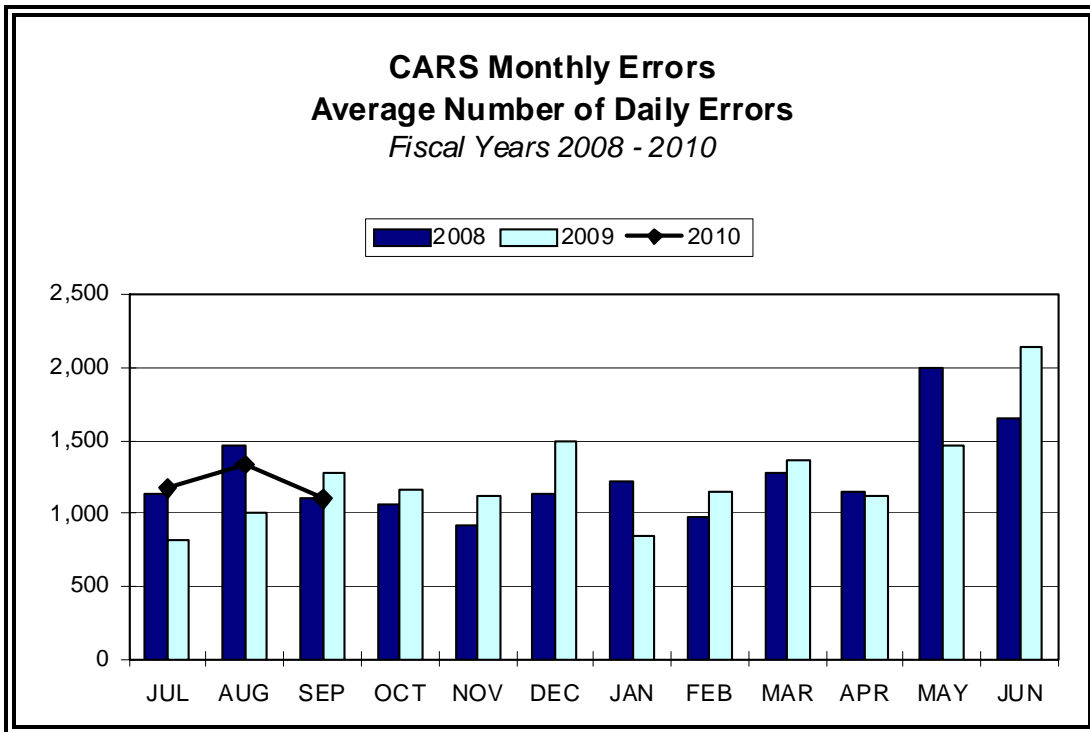


CARS Edits

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 2010, the most frequent reasons cited for transactions processing to the error file were:

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

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

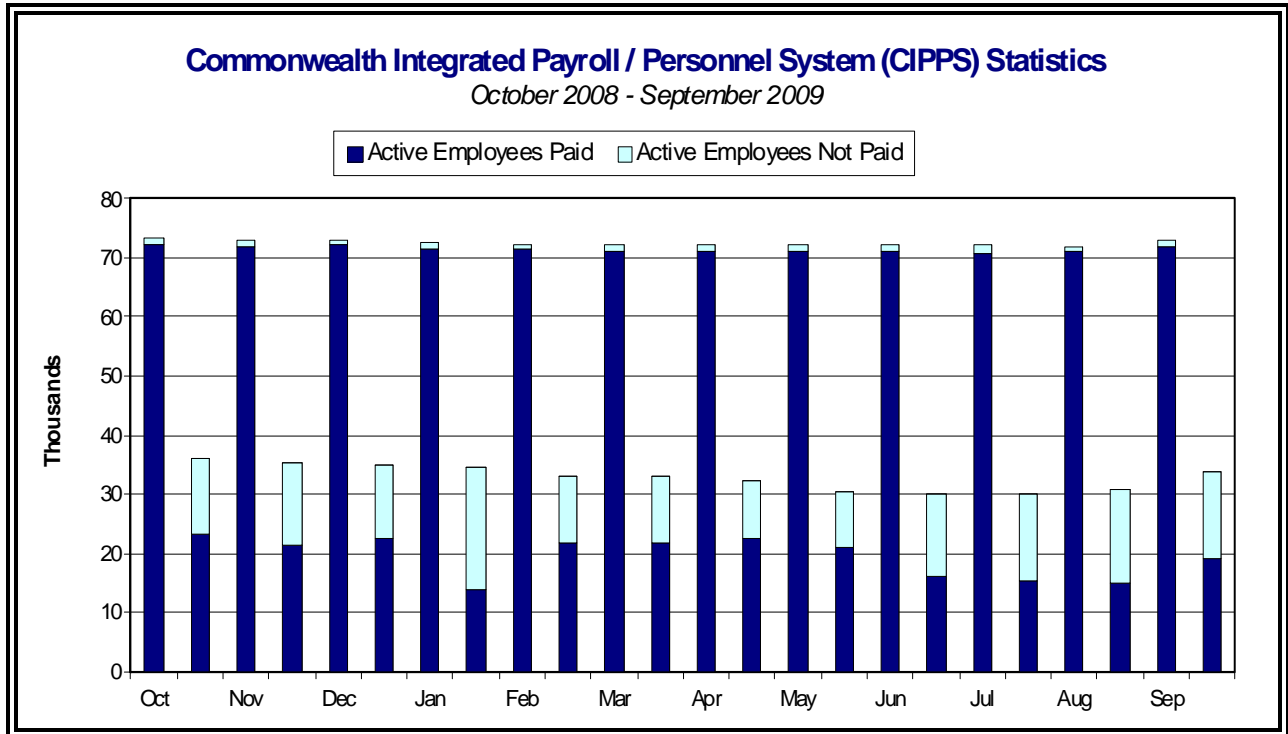


Payroll

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 103,666 employees. Payroll services are also

provided through eight decentralized higher education institutions.

On average, 87,509 employees were paid each month, of which 70,960 were 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 8,113 savings bonds with a face value of over \$1.03 million.

**Benefit Participation
Number of Participating Employees**

Benefit	As of 9/30/2009	Comparative	
		As of 9/30/2008	As of 9/30/2007
Health Care			
COVA Care	83,706	84,557	83,853
Kaiser	2,074	2,027	2,031
Optional Retirement Plans*			
Fidelity Investments	562	572	539
TIAA/CREF	1,570	1,605	1,584
Political Appointee - ORP	88	89	95
Deferred Compensation*	39,787	37,936	35,239
Flexible Reimbursement*			
Dependent Care	759	830	733
Medical Care	7,359	7,671	6,907

* 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.

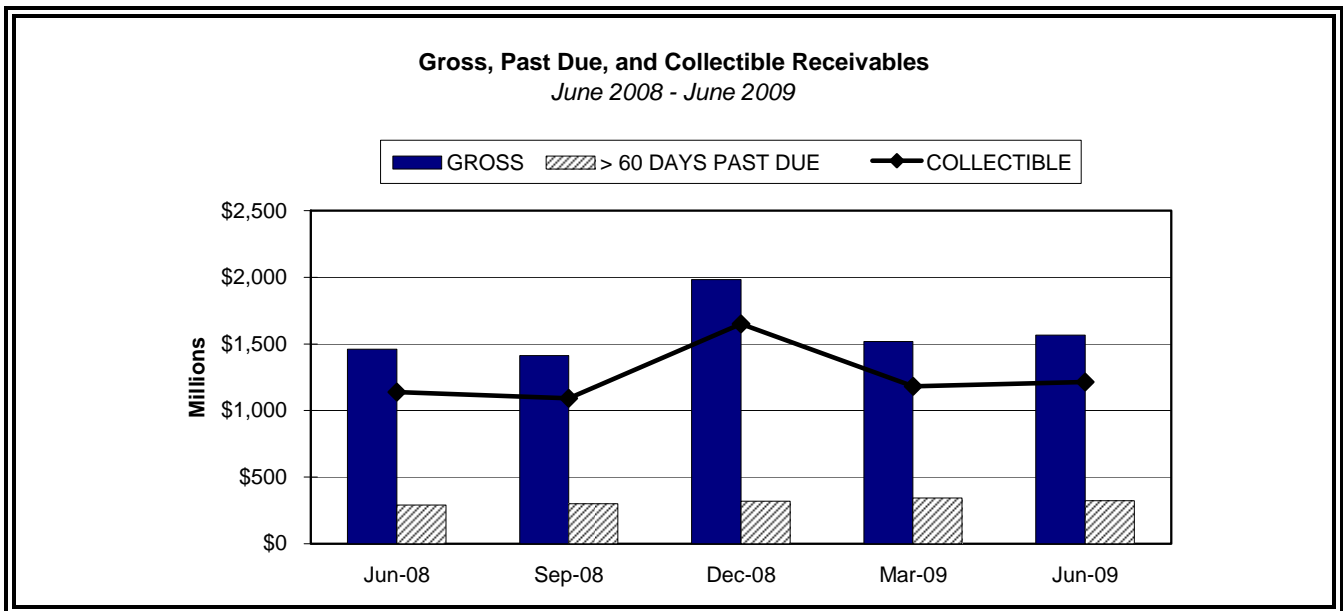
In an effort to present more meaningful information, DOA continues to exclude data from the tables (except for the final table on past due receivables) from the Department of Taxation, consisting largely of statutory assessments and non-filers assessments, and the circuit and district courts, which report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

Commonwealth agencies and institutions reported adjusted gross receivables of \$1.57

billion at June 30, 2009, with \$1.22 billion considered collectible. Receivables over 60 days past due as of June 30, 2009, totaled \$322.5 million. Of that amount, \$17.5 million was placed with private collection agencies, \$26.4 million was placed with the Division of Debt Collection and \$278.6 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.

Further, the majority of the significant outstanding receivable balances have statutory or other restrictions specifying the distribution of any collections. The collection of the outstanding receivable balances would not provide additional resources to fund the Commonwealth's operations.



As of June 30, 2009, agencies expected to collect \$1.22 billion (78 percent) of the \$1.57 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

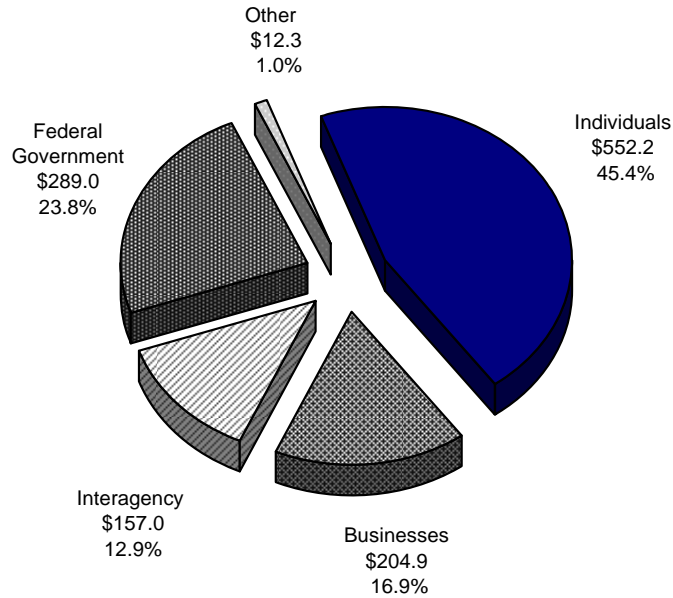
As of June 30, 2009

Fund	Source	Amount	Percent	
General Fund 1%	Medicaid - Current Recoveries	\$ 7,801,080	52%	
	Social Services	3,280,360	22%	
	Labor and Industry Inspections	600,603	4%	
	State Police Permits	816,315	5%	
	Corrections	836,682	6%	
	Other	958,888	7%	
	Subtotal	14,293,928	96%	
	Interagency Receivables	610,826	4%	
	Total General Fund Collectible		\$ 14,904,754	100%
	Nongeneral Funds 99%	Medicaid - Dedicated Penalty Fees	\$ 38,756,820	3%
Medicaid - Federal Reimbursements		12,879,915	1%	
Unemployment Taxes *		71,341,942	6%	
Transportation		135,496,262	11%	
Child Support Enforcement		127,310,384	11%	
Federal Government		168,222,736	14%	
DBHDS Patient Services		31,016,348	3%	
Hospital		213,322,250	18%	
Enterprise		64,852,342	5%	
Higher Education		148,566,099	12%	
Other		32,307,845	3%	
Subtotal		1,044,072,943	87%	
Interagency Receivables		156,408,465	13%	
Total Nongeneral Fund Collectible		\$ 1,200,481,408	100%	
All Funds	Grand Total	\$ 1,215,386,162	100%	

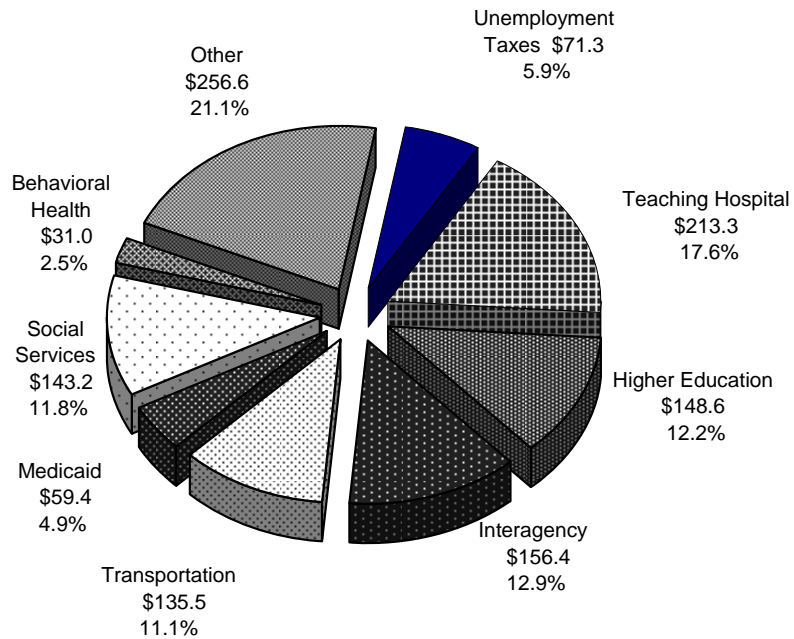
* Note: The Virginia Employment Commission provides Unemployment Taxes Information.

Summary of Receivables by Source

Sources of Collectible Receivables by Debtor
(dollars in millions)
As of June 30, 2009



Sources of Collectible Receivables by Type
(dollars in millions)
As of June 30, 2009



Not counting Taxation and the Courts, ten agencies account for 83 percent of the Commonwealth's adjusted gross and 81

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, 2009

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
University of Virginia Medical Center	\$ 271,247,823	\$ 16,887,258	\$ 254,360,565
Department of Social Services	375,856,084	228,083,029	147,773,055
Department of Education - Direct Aid	143,747,632	-	143,747,632
Department of Transportation	134,262,463	1,414,450	132,848,013
Virginia Employment Commission	106,411,461	31,079,430	75,332,031
Department of Medical Assistance Services	92,982,202	33,473,594	59,508,608
State Lottery Department	53,055,685	-	53,055,685
Virginia Polytechnic Institute and State University	45,389,560	2,522,074	42,867,486
Department of Human Resources Management	35,561,336	-	35,561,336
University of Virginia - Academic Division	35,705,623	1,510,573	34,195,050
Total	\$ 1,294,219,869	\$ 314,970,408	\$ 979,249,461
All Other Agencies	271,729,873	35,593,172	236,136,701
Grand Total	\$ 1,565,949,742	\$ 350,563,580	\$ 1,215,386,162

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.

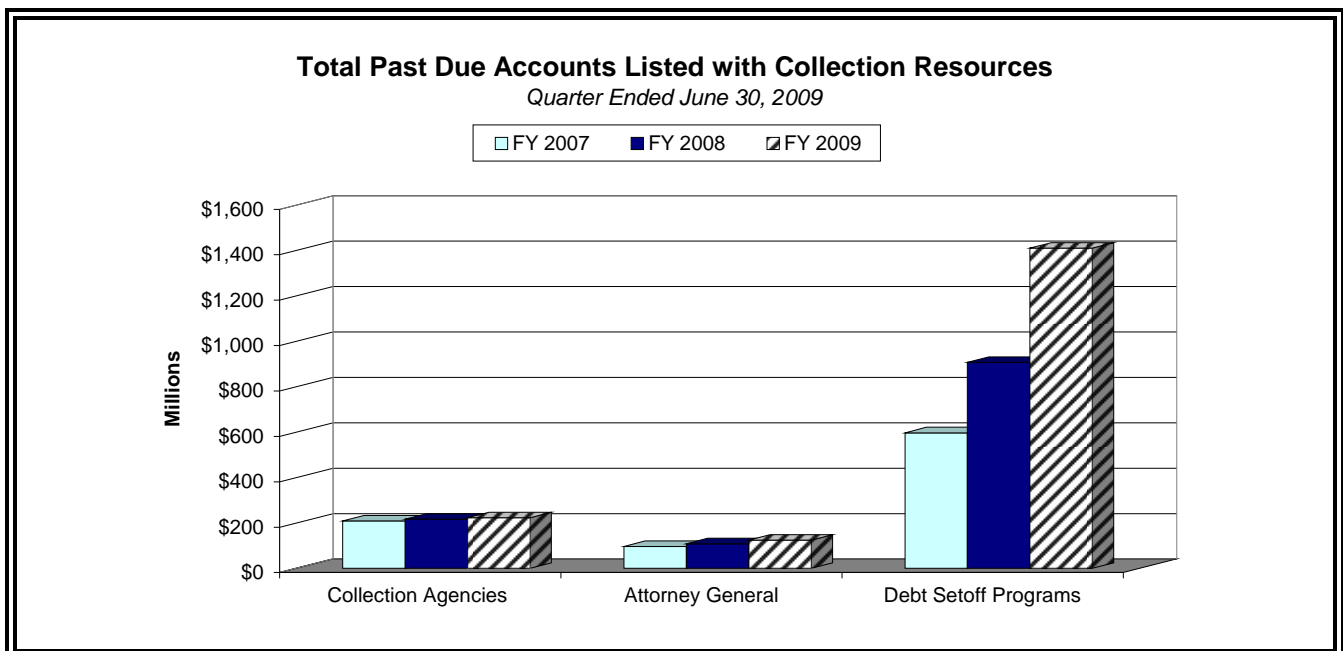
These additional collection tools recovered \$17.5 million during the quarter ended June 30, 2009. The Division of Debt Collection contributed \$1.2 million. Private collection agencies collected \$3.5 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected \$12.8 million.

Private collection agencies returned \$9.6 million of accounts to agencies, and the Division of Debt Collection discharged \$763,781 of accounts and returned \$989,059 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, 2009

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	\$ 131,806,404	\$ 2,173	\$ -	\$ 131,804,231
Virginia Employment Commission	40,622,444	8,058,150	8,748,611	23,815,683
University of Virginia Medical Center	38,711,612	-	-	38,711,612
Department of Medical Assistance Services	35,257,827	601,541	3,359,672	31,296,614
Department of Transportation	14,716,876	964,617	7,708,564	6,043,695
Department of Behavioral Health and Developmental Services	10,437,611	-	-	10,437,611
Virginia Information Technologies Agency	6,227,323	-	-	6,227,323
University of Virginia - Academic Division	4,895,447	529,024	44,247	4,322,176
Virginia Commonwealth University	3,904,257	508,189	8,345	3,387,723
Virginia Polytechnic Institute and State University	3,530,389	978,071	44,277	2,508,041
TOTAL	\$ 290,110,190	\$ 11,641,765	\$ 19,913,716	\$ 258,554,709
All Other Agencies	32,404,737	5,888,477	6,459,285	20,056,975
TOTAL OVER 60 DAYS	\$ 322,514,927	\$ 17,530,242	\$ 26,373,001	\$ 278,611,684
Uncollectible Amounts Placed for Collection, Including Accounts Written Off	1,437,582,914	206,669,590	98,266,649	1,132,646,675
TOTAL COLLECTION EFFORTS	\$ 1,760,097,841	\$ 224,199,832	\$ 124,639,650	\$ 1,411,258,359

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 \$7.6 million through the first quarter of FY 2010. 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 6/30/09	Comparative, as restated	
		Percent at 3/31/09	Percent at 12/31/08
Department of Medical Assistance Services	38%	40%	28%
Virginia Employment Commission	38%	15%	48%
Department of Social Services	35%	34%	34%
Department of Behavioral Health and Developmental Services	23%	21%	24%
Virginia Information Technologies Agency	20%	18%	18%
Virginia Commonwealth University	17%	18%	2%
University of Virginia Medical Center	14%	15%	14%
University of Virginia - Academic Division	13%	15%	3%
Department of Transportation	11%	53%	68%
Virginia Polytechnic Institute and State University	8%	6%	2%
Statewide Average - All Agencies	21%	23%	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 81 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 83 percent indicates that for every \$1 billed during the quarter ended June 30, 2009, the state collected 83 cents. This rate is one percent more than last year, and four percent less than the June 30, 2007 quarter.

Collections as a Percentage of Billings

Agency	Percent at 6/30/09	Comparative	
		Percent at 6/30/08	Percent at 6/30/07
Virginia Employment Commission	148%	252%	267%
Virginia Polytechnic Institute and State University	125%	123%	120%
State Lottery Department	101%	91%	103%
University of Virginia - Academic Division	100%	96%	101%
Department of Social Services	93%	118%	108%
Department of Medical Assistance Services	74%	69%	67%
Department of Transportation	68%	73%	63%
Department of Education - Direct Aid	66%	67%	72%
Department of Human Resources Management	51%	49%	41%
University of Virginia Medical Center	33%	29%	40%
Statewide Average - All Agencies	83%	82%	87%

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 \$59.5 million at June 30, 2009, is a \$7.9 million increase over the \$51.6 million reported at June 30, 2008. Over the same period, total past due receivables of \$37.2 million have increased by \$6.4 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 \$254.4 million at June 30, 2009, were a \$45.5 million increase from the \$208.9 million reported the previous year. Past due receivables increased by \$8.0 million to \$110.2 million at June 30, 2009.

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 \$75.3 million at June 30, 2009, an increase of \$3.8 million from the previous year. Total past due receivables were \$44.0 million, a \$3.8 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, 2009, of \$31.1 million, which is a decrease of \$1.6 million reported in the previous year. Most of these receivables are due from other state agencies. As of June 30, 2009, \$6.2 million was over 60 days past due, an increase of \$3.0 million 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, 2009, the State Lottery reported net receivables of \$53.1 million, a \$4.8 million increase from the previous year's net of \$48.3 million. Billings decreased by \$8.2 million and collections increased by \$9.1 million during the June 30, 2009 quarter when compared to the June 30, 2008 quarter. At June 30, 2009, the State Lottery had \$235,661 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, 2009, DOE had \$143.7 in accounts receivable due from the Federal government under Direct Aid to Public Education. This is a \$18.8 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, 2009, the University reported net collectible receivables of \$42.9 million, a \$4.1 million decrease over the prior year. At the same time, total past due receivables of \$8.1 million increased by \$1.0 million over the prior year.

The University uses a variety of collection methods to encourage payments. At June 30, 2009, VPISU had \$3.5 million of accounts over 60 days past due. \$44,277 was placed with the Attorney General's Division of Debt Collection, another \$978,071 was placed with private collection agencies and \$2.5 million was subject to additional in-house efforts.

Department of Behavioral Health and Developmental Services (DBHDS)

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

At June 30, 2009, the Department reported collectible receivables of \$31.0 million, a \$16.7 million decrease over the previous year. \$15.7 million was past due, with \$10.4 million being over 60 days past due. Total past due receivables decreased by \$25.9 million over the year, and accounts over 60 days past due decreased by \$882,118. At June 30, 2009, the Department had a total of \$6.0 million of accounts placed with the Attorney General and \$770,724 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, 2009, VDOT reported \$132.8 million of collectible receivables, a decrease of \$8.3 million from the prior year. VDOT also reported \$22.5 million total past due and \$14.7 million being over 60 days past due. Past due receivables decreased by \$5.4 million over the year, while receivables over 60 days past due decreased by \$8.5 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 \$7.7 million of their accounts over 60 days past due with the Attorney General's Division of Debt Collection, and \$964,617 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, 2009, DSS reported gross receivables of \$375.9 million, an allowance for doubtful accounts of \$228.1 million and collectible receivables of \$147.8 million. Past due receivables totaled \$134.3 million, of which \$131.8 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for \$334.2 million (89 percent) of the gross receivables, \$206.9 million (91 percent) of the allowance for doubtful accounts and \$127.3 million (87 percent) of the collectible receivables.

From June 30, 2008, to June 30, 2009, gross receivables increased \$36.2 million and collectible receivables increased by \$7.8 million. Total past due receivables increased by \$17.1 million and receivables over 60 days past due increased by \$16.8 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, 2009, DRPT had gross and net receivables of \$20.5 million. The majority of this money is due via an interagency transfer from VDOT. \$3.1 million was past due at June 30, 2009. Of this amount, \$473,023 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, 2009, VCU had \$18.3 million of collectible receivables, a \$2.5 million increase from June 30, 2008. Total past due accounts were \$7.5 million, a \$1.1 million increase from June 30, 2008. Accounts over 60 days past due (\$3.9 million) increased by \$888,708 from the prior year. Billings increased by \$8.1 million to \$66.3 million and collections increased by \$8.4 million to \$75.6 million for the June 30, 2009 quarter, when compared to the June 30, 2008 quarter.

The following table is prepared to present the June 30, 2009, aging information in conformity with the provisions of Section 2.2-603.E.(ii) of the *Code of Virginia*.

Commonwealth's total \$2.79 billion past due accounts receivable at June 30, 2009. Another 18 agencies accounted for 16 percent (\$438.0 million), leaving 70 other agencies to comprise the last one percent at \$28.4 million.

Taxation and the Circuit and District Courts accounted for 83 percent (\$2.33 billion) of the

Agencies with the Largest Volume of Past Due Receivables

As of June 30, 2009

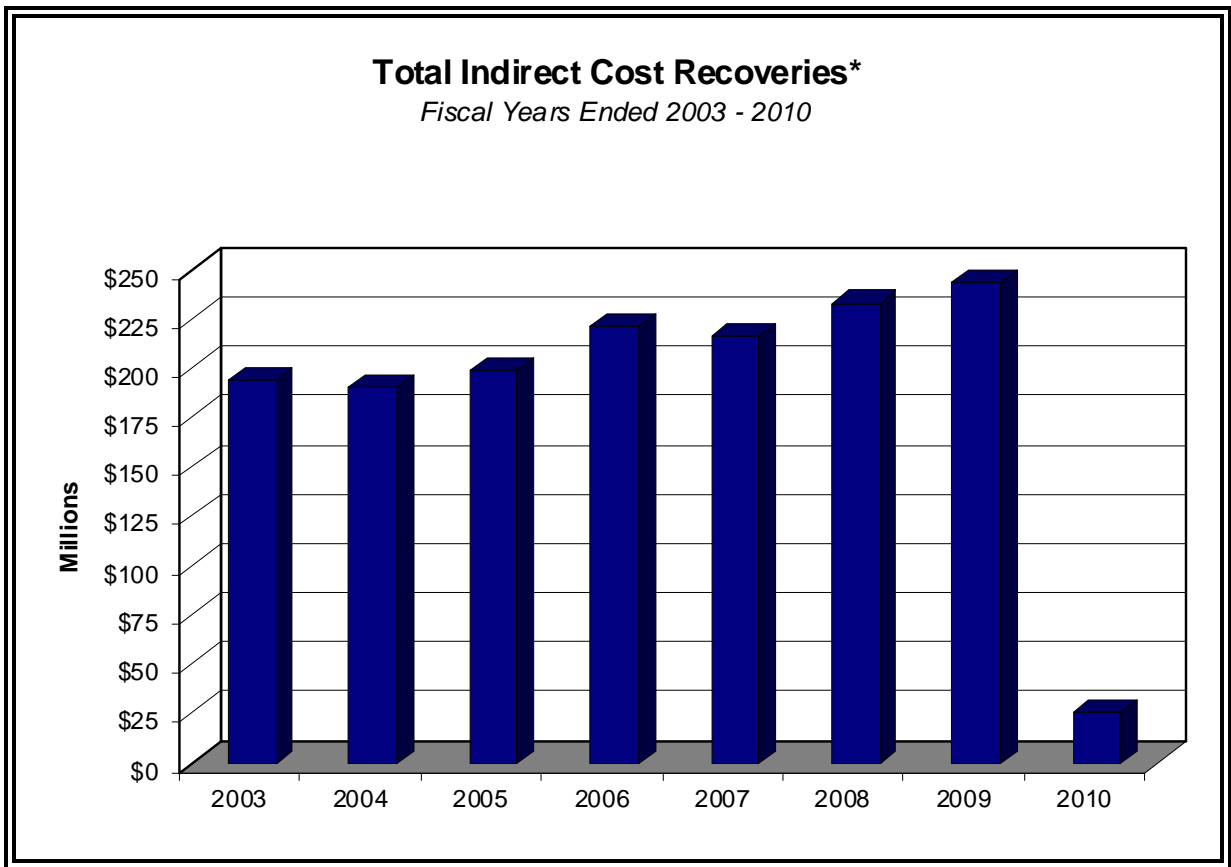
Agency	Total Past Due	1 to 180 Days Past Due	181 to 360 Days Past Due	Over One Year
Department of Taxation	\$ 1,774,657,413	\$ 283,999,426	\$ 269,404,945	\$ 1,221,253,042
Localities' Circuit and District Courts	553,383,500	37,546,330	65,631,277	450,205,893
Total - Taxation Assessments and Court Fines and Fees	\$ 2,328,040,913	\$ 321,545,756	\$ 335,036,222	\$ 1,671,458,935
All Other Large Dollar Agencies:				
Department of Social Services	134,250,364	7,250,426	7,289,591	119,710,347
University of Virginia Medical Center	110,164,195	94,840,810	11,935,102	3,388,283
Virginia Employment Commission	43,987,573	12,366,491	7,231,540	24,389,542
Department of Medical Assistance Services	37,165,963	9,319,221	14,768,696	13,078,046
Department of Transportation	22,525,620	9,693,694	3,704,384	9,127,542
Department of Behavioral Health and Developmental Services	15,652,453	12,957,627	6,620	2,688,206
University of Virginia - Academic Division	12,172,144	11,041,236	619,137	511,771
Virginia Information Technologies Agency	11,625,158	8,247,072	2,525,517	852,569
Virginia Polytechnic Institute & State University	8,139,709	6,262,769	1,012,086	864,854
Virginia Commonwealth University	7,450,843	3,636,044	2,329,077	1,485,722
George Mason University	6,102,765	5,199,487	765,056	138,222
Virginia Community College System	5,438,140	4,045,925	649,547	742,668
Department of General Services	4,983,214	3,607,500	(445,240)	1,820,954
Department of Motor Vehicles	3,841,983	3,409,127	394,021	38,835
Virginia Correctional Enterprises	3,816,530	3,811,072	302	5,156
Virginia Workers' Compensation Commission	3,763,570	1,124,526	1,075,963	1,563,081
State Corporation Commission	3,750,953	2,929,836	820,275	842
Department of Rail and Public Transportation	3,143,392	2,695,826	441,566	6,000
Total - Largest Dollar Volume Agencies	\$ 437,974,569	\$ 202,438,689	\$ 55,123,240	\$ 180,412,640
All Other Agencies	28,387,811	18,886,595	3,015,570	6,485,646
Grand Total Past Due Receivables	\$ 2,794,403,293	\$ 542,871,040	\$ 393,175,032	\$ 1,858,357,221



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 2010 reflects indirect cost recoveries through September 30, 2009.

Indirect Cost Recoveries from Grants and Contracts
Fiscal Year 2010

Fund	Year-to-Date		
	Higher Ed	Non-Higher Ed	Total
Nongeneral:			
Agency / Institution (1)	\$ 6,456,406	\$ 18,532,366	\$ 24,988,772
Statewide	31,777	115,097	146,874
Agency / Institution ARRA	28,592	17,127	45,719
Statewide ARRA	-	1,788	1,788
Total Nongeneral	\$ 6,516,775	\$ 18,666,378	\$ 25,183,153
General:			
Agency (Cash Transfers)	-	-	-
Statewide	-	137,252	137,252
Statewide (Cash Transfers)	-	-	-
Total General	\$ -	\$ 137,252	\$ 137,252
Total All Funds	\$ 6,516,775	\$ 18,803,630	\$ 25,320,405

- (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 \$13,965,781 representing the Department of Social Services' estimate of indirect cost recoveries received. This does not include covered higher education institutions.



Loans and Advances

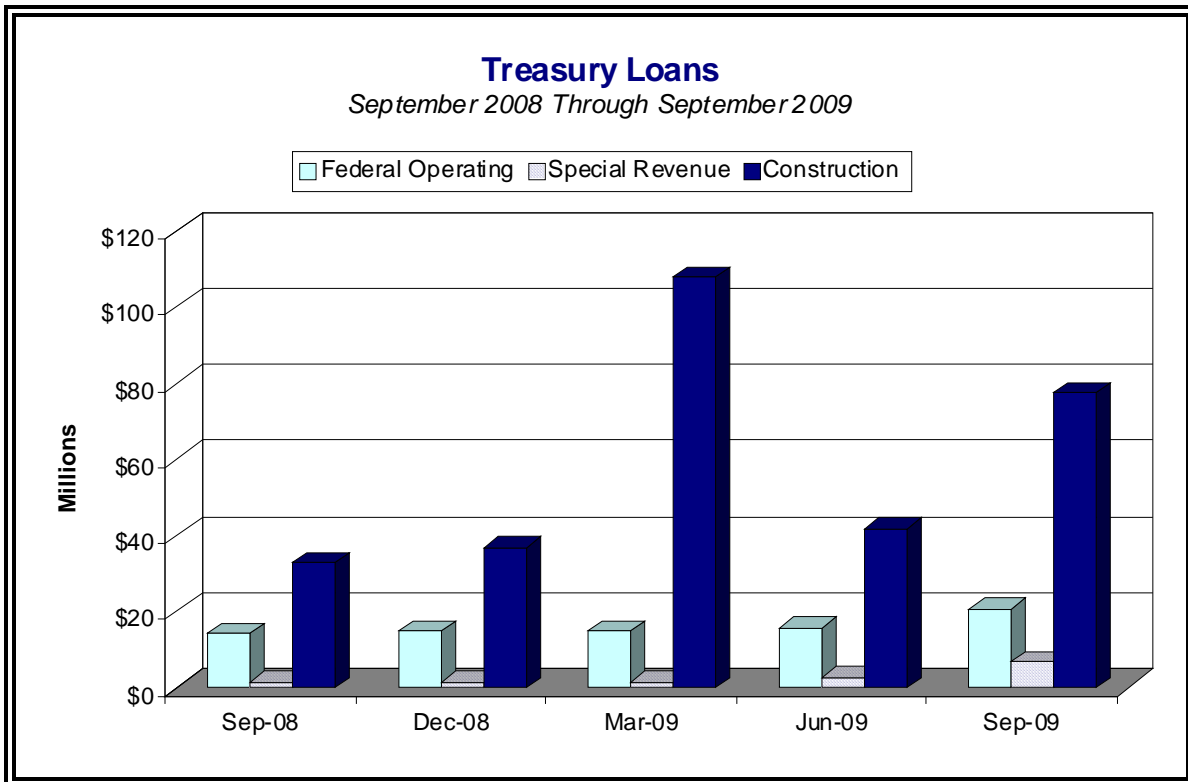
Treasury loans may be used to advance funds to a State agency or institution for a designated purpose prior to some form of reimbursement, typically federal or special revenues. They are loans of a temporary nature, approved on the basis of the following conditions:

- **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, 2009, was \$104.9 million.



Significant New Loans / Drawdowns	New Balance
<p>Virginia Department of Transportation (VDOT) Drawdown on a \$5 million loan used to fund the Highway Planning and Construction – ARRA Fund.</p>	\$ 5,000,000.00
<p>Virginia Department of Taxation (TAX) Drawdown on \$6.9 million loan used for planning and implementation of the Virginia Tax Amnesty Program.</p>	\$ 4,000,000.00
<p>Department of Conservation and Recreations (DCR) Drawdown on a \$3 million loan used to acquire land for the addition to the Crow's Nest Natural Area Preserve.</p>	\$ 3,000,000.00
<p>Virginia College Building Authority (VCBA) Drawdown on a \$55 million loan used to reimburse Higher Education Institutions for equipment purchases under the 21st Century Program.</p>	\$ 30,580,453.99
Significant Loan Repayments	Prior Balance
<p>Department of Game and Inland Fisheries Final payment on loan used to acquire the Feather and Fin Farm.</p>	\$ 1,500,000.00

Other methods not charted but used to ensure an agency or institution has sufficient operating cash include authorized appropriation deficits, working capital advances, and lines of credit.

- **Authorized Appropriation Deficits**, which provide funding, when authorized by the Governor, under emergency conditions as described in §4-3.01 and §4-3.02 of the Appropriation Act. The total of all outstanding deficit loans/appropriations as of September 30, 2009, was \$389,234.
- **Working Capital Advances**, which provide operating funds for nongeneral fund projects when revenues to be used

for repayment will not be generated within the twelve months required for anticipation loans. The total of all outstanding working capital advances as of September 30, 2009, was \$11.7 million.

- **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, 2009, was \$47.2 million.

