

**REPORT ON
STATEWIDE FINANCIAL MANAGEMENT AND
COMPLIANCE**

FOR THE QUARTER ENDED JUNE 30, 2010



OFFICE OF THE COMPTROLLER

DEPARTMENT OF ACCOUNTS

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TABLE OF CONTENTS

REPORT ON STATEWIDE FINANCIAL MANAGEMENT AND COMPLIANCE

Quarter Ended June 30, 2010

	Page
STATEMENT OF PURPOSE.....	2
COMPLIANCE	3
<u>Auditor of Public Accounts Reports - Executive Branch Agencies</u>	3
Audit Reports – Quarter Ended June 30, 2010.....	3
Audit Findings – Quarter Ended June 30, 2010	5
Risk Alerts – Quarter Ended June 30, 2010	19
Efficiency Issues – Quarter Ended June 30, 2010.....	19
Special Reports – Quarter Ended June 30, 2010	20
Other Audit Reports Received – Quarter Ended June 30, 2010.....	21
Status of Prior Audit Findings.....	22
<u>Compliance Monitoring</u>	36
ARMICS Compliance	36
Confirmation of Agency Reconciliation to CARS Reports	37
Response to Inquiries	38
Trial Balance Review	38
Analysis of Appropriation, Allotments and Expenditures and Cash Balances	39
Disbursement Processing	39
Paperwork Decentralization	40
Prompt Payment Compliance.....	44
E-Commerce	48
<i>Financial Electronic Data Interchange (EDI)</i>	49
<i>Travel EDI</i>	50
<i>Direct Deposit</i>	55
<i>Payroll Earnings Notices</i>	58
<i>Small Purchase Charge Card (SPCC) and Increased Limit (Gold) Card</i>	61
<i>Travel Charge Card</i>	66
Payroll Controls	68
<i>PMIS/CIPPS Payroll Audit</i>	68
<i>PMIS/CIPPS Exceptions</i>	71
<i>Payroll Certification</i>	72
<i>Health Care Reconciliations</i>	74
FINANCIAL MANAGEMENT ACTIVITY	75
Commonwealth Accounting and Reporting System (CARS).....	75
Payroll.....	77
Accounts Receivable.....	79
Indirect Costs	91
Loans and Advances	93

STATEMENT OF PURPOSE

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

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

This *Quarterly Report* includes information for the quarter ended June 30, 2010, and comparative FY 2009 data. Some information in the report is for the quarter ended March 31, 2010, 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 June 30, 2010

The APA issued 22 separate reports covering 24 agencies, colleges and universities for the Executive Branch. The last column indicates whether the CAW has been received as of the date of this publication for each agency with audit findings. Note that in some cases, the CAW may not have been received because it is not yet due.

	New Findings	Repeat Findings	Total Findings	CAW Received
Administration				
None				
Agriculture and Forestry				
Department of Agriculture and Consumer Services (1)	0	0	0	N/A
Commerce and Trade				
Virginia Tourism Authority	0	0	0	N/A
Education				
Christopher Newport University (2)	4	1	5	YES

	New Findings	Repeat Findings	Total Findings	CAW Received
Frontier Culture Museum of Virginia	1	0	1	YES
George Mason University	0	0	0	N/A
Gunston Hall	0	0	0	N/A
James Madison University	0	0	0	N/A
Jamestown-Yorktown Foundation	2	0	2	YES
Longwood University	0	3	3	YES
Radford University	2	0	2	YES
Southwest Virginia Higher Education Center	0	0	0	N/A
The College of William and Mary in Virginia	1	1	2	YES
The Science Museum of Virginia	0	0	0	N/A
University of Mary Washington	2	1	3	YES
Virginia Military Institute	0	0	0	N/A
Virginia State University (2)	4	1	5	YES
Executive Offices				
None				
Finance				
None				
Health and Human Resources				
None				
Natural Resources				
Department of Environmental Quality	0	0	0	N/A
Public Safety				
Department of Corrections (3)	4	2	6	YES
Department of Criminal Justice Services	2	0	2	YES
Department of Forensic Science	1	0	1	YES
Department of State Police (4)	1	2	3	YES
Department of Veterans Services (5)	2	1	3	Not Due
Virginia Correctional Enterprises (3)	1	0	1	YES
Virginia Parole Board (3)	0	0	0	YES
Technology				
None				
Transportation				
None				

1. *The Virginia Agriculture Council was included in this report.*
2. *Contains an Efficiency Issue.*
3. *These three entities were included in a single report.*
4. *Contains a Risk Alert.*
5. *The Veteran Services Foundation was included in this report.*



Audit Findings - Quarter Ended June 30, 2010

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

Christopher Newport University (CNU)

1. Ensure Bookstore Payments have Proper Approval. Staff operating CNU's bookstore failed to follow the critical preventive control of ensuring that two employees sign checks over \$25,000. Of the twelve invoices reviewed, the staff issued one check for \$25,090.85 that only had one signature. Bookstore staff should adhere to CNU's policy requiring dual signatures. Additionally, the Business Office Accountant who reviews cashed checks should bring any checks without proper approval to management's attention. CNU management should then determine if the checks are valid and why bookstore personnel did not use this control.
2. Compare Changes in Blackboard Back to Banner. CNU does not compare changes in its system for managing room and meal assignments, Blackboard, to its billing system, Banner. CNU makes housing and meal assignments in Banner and bills students with the Banner information once the assignments are complete. Additionally, CNU transfers the assignment information to Blackboard for managing student meal plans and student access to dormitories throughout the semester. By not comparing information in Blackboard back to Banner, the potential exists for an employee with access to Blackboard to alter a student's meal plan or housing assignment without the student bill reflecting the change. The APA recommends that CNU compare Blackboard to Banner periodically to ensure the appropriateness of student billings.
3. Deactivate eVA Accounts in a Timely Manner. **This is a repeat finding.** CNU did not deactivate three out of ten eVA accounts within one working day of the employees' termination as required by eVA Electronic Procurement System Security Standards section 3.1.5. One eVA user retained access for up to 21 days after their termination date, while CNU removed the other two's access after one week.

Since eVA is a web-based application, it is accessible from anywhere. Terminated employees with active IDs in eVA could potentially access the system and make unauthorized approvals or purchases. While the Security Officer at CNU can deactivate eVA accounts, CNU still relies on the Department of General Services (DGS) to deactivate accounts for terminated employees. DGS typically manages eVA access for smaller agencies with limited number of users. Given the number of eVA users at CNU and the difficulties it is having with deactivating accounts, management should start requiring their Security Officer to deactivate eVA accounts for terminated employees and stop relying on DGS.

4. Improve Information Security Management. CNU has only one employee responsible for managing security for its Oracle database and UNIX system. Oracle and UNIX are the database and operating systems, respectively, which work together to support Banner. Industry best practices recommend and the Commonwealth's security standards require that security employees follow certain procedures. The APA found the security employee for Oracle and UNIX was not completing the following procedures.

- Not logging upgrades and critical patches, if applied
- Not monitoring audit logs and user access
- Not changing administrator passwords
- Not reviewing default Oracle and UNIX security settings before putting them into the production environment

By not securing the Oracle and UNIX environments, CNU is placing Banner at risk for data breach and exposure, loss of availability, and loss of data integrity. The APA recommends that CNU's management provide the necessary resources, which may include training to review, monitor, and maintain Oracle and UNIX in a secure environment.

5. Improve Administrative Password Management. CNU does not change the administrative passwords for the UNIX system in accordance with CNU's security policy. CNU's Password Management Policy states that passwords must change at least every 90 days. Additionally, the Commonwealth of Virginia Security Standards also requires the changing of passwords when events occur that may compromise the password.

The APA found administrative accounts for UNIX that had not had their passwords reset since September 2009 and, in most cases, an even longer period. During this timeframe, several employees left or CNU terminated the employee's employment. Some of these employees had access to the UNIX administrative accounts and knew passwords to UNIX. Not changing passwords on a timely basis or when key employees leave, places CNU information systems at risk for data breach and exposure, loss of availability, and loss of data integrity.

Frontier Culture Museum of Virginia (FCMV)

1. Perform Fixed Asset Reconciliations. FCMV does not reconcile its purchases of fixed assets to the Commonwealth's statewide fixed asset system. The State Comptroller requires that agencies perform these reconciliations and certify their completion. FCMV has certified that they have performed the reconciliations to the State Comptroller. FCMV should perform the reconciliations or not certify their completion if they have not done the work.

Jamestown-Yorktown Foundation (JYF)

1. Improve Logical Access Management. JYF's logical access management policies and procedures meet the Commonwealth's security standard; however, JYF is not following those policies and procedures by not enforcing the following items.

- JYF does not maintain access authorization documentation.
- Both a user's supervisor and data/system owner do not properly approve the access authorization forms.
- JYF does not have documentation of the required periodic review of users' accounts.

By not following their policies and procedures for access administration, JYF is increasing the risk of unauthorized access to its systems and confidential information residing therein. JYF's management should ensure that all personnel understand and follow the organization's policies and procedures.

2. Properly Complete Payroll Reconciliations. The State Comptroller requires agencies to reconcile Virginia Retirement System transfers for retirement, group insurance, retiree health insurance credit, and long-term disability, to ensure the agency properly transfers and records these amounts. However, JYF did not perform these reconciliations and the APA recommends doing them immediately and every month thereafter.

Longwood University (LU)

1. Implement Banner Efficiencies. **This is a repeat finding.** As part of the audit process, the APA examined LU's progress in addressing prior recommendations to improve efficiencies, eliminate or reduce manual efforts, and potentially speed-up operations. The APA found management has successfully initiated plans to address many of the opportunities identified, but has not completed the implementation. LU upgraded Banner during fiscal year 2010 and decided to delay addressing the following opportunities to enhance operations until the completion of this upgrade.

- Use Banner-eVA interface to improve Banner functionality, staff efficiency and internal controls.
- Use Banner budgetary controls to perform budget checking for all purchases to prevent overspending on the departmental level.
- Reduce paperwork and manual processes by using Banner Workflow functionality.
- Develop and document plans for future upgrades, installations and improvements based on need and funding.

The APA recommends that LU's management proceed with its plan to enhance operations and efficiencies now that the recent Banner upgrade is complete.

2. Reconciliations and Interfaces Between Banner and Third-Party Systems. **This is a repeat finding.** LU uses a non-Banner product, RMS, to allow students to make housing and meal plan selections via the Internet. Periodically, LU interfaces RMS to the Banner Student module to charge the student's account for the housing and meal selections. Additionally, LU uses another non-Banner product, CBORD, to manage student meal plans. Students use their ID card (CBORD) like a debit card when purchasing their meals on campus. An interface with Banner transfers the meal plan data into CBORD. However, APA found that LU does not reconcile either RMS or CBORD to Banner. Failure to reconcile the systems prevents the identification of errors or irregularities that could occur from the interfaces. At the conclusion of the 2009 audit, it was determined that LU has developed a reasonable reconciliation process and implemented it beginning in the Spring of 2010.
3. Improve Contingency Plan Testing. **This is a repeat finding.** LU has not tested the continuity of operations or disaster recovery plans for the Banner systems. LU standards specify that all directors or department heads have responsibility for periodically reviewing, testing, and updating the plans. While there is some testing of backup tapes to ensure that LU can recover and begin operations, there has not been a complete test of the contingency plan or the disaster

Radford University (RU)

1. Improve Financial Statement Preparation Process. During the audit, the APA identified financial statement and disclosure misstatements, misclassifications, and errors, which required significant changes to RU's original financial statements submitted to the State Comptroller. Management should have detected many of these errors had a strong internal quality review process been in place during the preparation of the financial statements. Financial reporting staff does not have a review process in place to determine that the financial statements are accurate and reasonable.

The APA recommends that RU improve its financial statement preparation process by documenting a complete set of procedures to prepare and review the financial statements. Financial reporting staff should analyze how each account in the accounting system flows into financial statement line items and correct all instances of incorrect mapping.

The financial reporting staff should determine how and when it will obtain information from other departments, and how it will determine the accuracy of the information before inclusion in the financial statements and should complete an analytical review comparing expectations against actual results to ensure the reasonableness of the financial statements. Additionally, financial reporting management should perform a review of all manual adjustments to reduce the risk of error. RU should also continue to work with the financial system vendor and other state universities using Banner to improve the financial statement preparation process.

2. Improve Pell Disbursement Reporting and Reconciliation Process. RU is not entering information on a timely basis to Department of Education's Common Origination and Disbursement (COD). COD is a method for processing, storing, and reconciling financial aid data; however, it does not make the actual disbursements to the recipients.

Per 34 CFR 690.66, Federal Pell Grant Program Disbursements, "An institution must submit Federal Pell Grant, ACG, National SMART Grant, and Direct Loan disbursement records no later than 30 days after making a disbursement or becoming aware of the need to adjust a student's disbursement." By not entering information timely to COD, RU is not complying with federal reporting requirements. Management should perform a stringent review of their current Banner Policies and Procedures for reporting Pell disbursements to COD and implement corrective measures to report all disbursements within 30 days as required by federal regulations and should also ensure that Financial Aid personnel are performing monthly COD reconciliations; and, researching and resolving any discrepancies.

The College of William and Mary in Virginia (CWM)

1. Continue to Improve Financial Reporting. **This is a repeat finding.** CWM continues to have significant problems in preparing its annual financial statements. The Department of Accounts (DOA) reviews CWM's financial statements as it prepares the Commonwealth's Comprehensive Annual Financial Report. In the process of reviewing and finalizing CWM's fiscal year 2009 financial statements, DOA and CWM identified issues that required the CWM to make changes to its initially submitted financial statements. The APA analyzed the nature of these corrections and identified three concerns.

- Turnover is a continuing challenge within the financial reporting area. Stemming turnover should provide management the time necessary to analyze and review the draft statements and identify errors and misclassifications that require correction before submitting the final financial statements to DOA.
- CWM financial reporting staff must complete their project to document the various tasks and functions that go into financial statement preparation. This documentation must include checklists for review and the procedures must include high level analytical review to ensure the proper inclusion of all adjustments and proper classification of all accounts.
- CWM senior management must work closely with CWM's related foundations to ensure that the foundations provide accurate, timely information for inclusion in CWM's financial statements. Financial information from the foundations is an integral part of CWM's complete financial statements and without accurate, timely information, CWM's submitted financial statements will continue to require unnecessary last-minute adjustments.

The APA again recommends that CWM senior management continue to review the financial reporting function and ensure that sufficient resources are devoted to this function so that the CWM can prepare prompt and accurate financial statements. Senior management must also directly work with the CWM's foundations to ensure that the foundations provide timely, accurate information for inclusion in the CWM's financial statements.

2. Complete Formal Capital Asset Policies and Procedures. On July 1, 2008, CWM replaced its legacy fixed asset system, FAACS, with the Banner Fixed Assets Module. The Office of Property Control (Property Control) has not completed its project to develop formal written policies and procedures outlining its business processes and internal controls. Currently, Property Control continues to refer to the Commonwealth Accounting Policies and Procedures (CAPP) Manual for guidance on controls and procedures relating to capital assets. While this Manual outlines sound internal control procedures, Property Control should have policies and procedures tailored to the Banner Fixed Assets Module and the individual circumstances at CWM. The APA recommends that Property Control complete policies and procedures to reflect CWM's specific business processes and internal control structure within its operations of the Banner Fixed Assets Module.

University of Mary Washington (UMW)

1. Improve Information Systems Security Program. **This is a repeat finding and some progress has been made.** UMW continues to lack essential components of its Information Systems Security Program, which is necessary to provide for the protection and mitigation of risks to University data. While UMW has made progress since the last audit, most of the documents comprising its Security Program remain in draft form pending management approval. The Commonwealth's Information Security Standard (Standard) requires UMW to develop and implement policies and procedures for information security and risk management that meet or exceed the requirements of the Standard. UMW's Information Security Officer (ISO) has the responsibility of developing, maintaining, and implementing these policies and procedures. Without documented information security policies and procedures, UMW cannot communicate and enforce expectations of system users for security of sensitive and mission-critical data. UMW also risks inconsistent application of security needs throughout the systems environment resulting in unauthorized access to data, system outages, and the inability to recover from system outages promptly, among other risks.

2. Properly Procure Information Technology Software. The former Vice President of Information Technology and Institutional Research purchased two information technology software products for UMW without conducting sufficient competitive procurement. In one instance, the former Vice President only invited one vendor to conduct a demonstration of their software before finalizing the purchase by making a sole source procurement determination. In the other instance, only one vendor responded to UMW's Request for Proposals. A review by UMW's Internal Auditor determined that this gave the appearance of preferential selection of these vendors and that the sole source determination was inappropriate in this circumstance. The APA recommends that UMW clearly define that the final responsibility for Information Technology procurement belongs to its Director of Purchasing who reports to the Associate Vice President of Business Services. Additionally, the APA recommends that UMW follow up on the recent procurement training provided by the Virginia Information Technologies Agency with annual update procurement training for Information Technology and procurement staff.
3. Review User Access to Financial Accounting System. Tests of user access to UMW's Banner Financial Accounting System identified 18 individuals with access that represents inadequate separation of duties. To manage Banner access UMW establishes user classes. These user classes generally relate to specific job duties and identify Banner screens that a user can view or modify. Allowing individuals to have access to certain combinations of screens can compromise internal controls by eliminating a proper separation of duties. The APA recommends that UMW perform a detailed comprehensive review of their user classes and the screens in those classes to ensure they meet UMW's business needs and eliminate access that creates inadequate separation of duties. To perform this review, management may need to create access reports that include the screen name to assist the supervisor responsible for reviewing individuals' access for a particular business area. Reviewing the screens in the classes will make it easier for business managers to perform periodic user access reviews without having to determine if the Banner screens are inconsequential to an individual's duties.

Virginia State University (VSU)

1. Improve Database Management. VSU does not protect its databases storing sensitive data according to industry best practices and Commonwealth Security Standards. Specifically, VSU needs to improve password management, user profile setup, and system auditing. By not documenting, training, and implementing its security requirements for its databases, VSU cannot assert that it has properly protected its sensitive data and consistently managed its databases. Therefore, the APA recommends that VSU develop and implement policies, procedures, and standard configuration guidelines for its databases, and ensure that its technical staff is trained and aware of these requirements.
2. Improve Firewall Management. VSU does not properly manage the firewall that protects its internal administrative network and servers from unauthorized access according to industry best practices and Commonwealth Security Standards. The APA recommends that VSU document the security settings for the firewall, develop a change management approval process, and periodically review the rules and settings to ensure that its firewall is properly configured and provides a robust barrier against attack.
3. Approve and Implement Updated Information Security Program. VSU needs to implement its updated information security program in order to provide consistent protection of its sensitive data and comply with the Commonwealth's information security standard. Since the last

4. Strengthen Controls over Capital Asset Reporting. **This is a repeat finding and progress has been made.** VSU must continue to improve their processes over capital asset reporting. During the audit, reporting errors were found including duplicate capitalization of library books and misclassification of capital assets categories, although not to the extent of the errors noted in the prior audit. In addition, the APA continues to note areas for improvement in the reconciliation process for construction in progress. The APA recognizes that VSU is still in the process of making improvements in their controls surrounding capital asset reporting including reassigning responsibilities within its accounting divisions. VSU should continue to review the capital asset reporting process and ensure it has developed, documented, and implemented sufficient policies and procedures to prevent misstatements in the financial statements. The policies and procedures should address reconciliations, timely identification of non-capital expenses, and evaluation of project expenses occurring subsequent to capitalization.

5. Strengthen Access Controls over Banner. VSU should improve several areas related to Banner access and controls.

Remove Access Timely

The Office of Information Technology (OIT) did not timely delete Banner access for terminated employees. According to VSU policy, the OIT staff should remove access for terminated employees within one day of the date of termination. Delays were noted in removing access that ranged from 25 days to over 18 months. Terminated employees could potentially access Banner to enter and process false or fraudulent transactions. The OIT staff should perform a comprehensive review of all terminated employees to ensure they have removed their access from any critical VSU systems. Going forward, the OIT should follow the current policy in place and remove access within one business day of the effective termination date. VSU's Internal Audit Division noted this issue prior to the review. Therefore, VSU has already begun taking corrective actions in this area.

Ensure Access is Appropriate Based on Job Responsibilities

The OIT assigned users access to Banner that was not appropriate based on their job responsibilities. Banner allows VSU to create CLASSES, which represents a group of employees that can perform certain functions within the application. These CLASSES allow VSU to grant access to employees without having to create a customized access profile each time a personnel action occurs. Banner also comes with a number of commonly used CLASSES, which VSU can change. However, some of these predefined CLASSES are supervisors, which allow them to add, delete, change, and approve transactions without any oversight. Therefore, it is essential that VSU either creates or uses the appropriate CLASSES to establish internal control and performs at least an annual review of employees CLASSES to ensure the maintenance of good internal control. The APA found instances where assigned CLASSES were inappropriate for the user responsibilities or where the CLASS assignment was

correct but the CLASS included inappropriate access to functions. In addition, the APA found VSU had assigned users to nine classes that are not in use and had assigned to VSU created classes a user ID which the original Banner software uses for implementation purposes only and allows unrestricted access to numerous modules. The APA recommends that VSU perform periodic reviews of user access to ensure access is appropriate. Going forward, VSU should only assign an employee access if it is clear that the requested CLASS is necessary to perform job responsibilities. The Manager of Financial Requirements and Procedures should ensure the CLASSES coordinate to the responsibilities of each user.

Public Safety

Department of Corrections (DOC/CA)

1. Continue to Improve Controls and Processes Surrounding Construction-in-Progress. **This is a repeat finding.** DOC/CA has made significant improvement in its ability to properly record capital assets and capital outlay. DOC/CA modified its process to record Construction-in-Progress (CIP) and related capital assets in the fixed asset system. This was the first fiscal year in which these changes took effect, and it greatly streamlined the process and reduced errors. However, when communicating CIP amounts to the Department of Accounts (Accounts) at fiscal year-end there were errors related to energy performance contracts. The net effect of the errors would have been a \$3.4 million understatement of non-depreciable capital assets in the Commonwealth's financial statements. DOC/CA should develop and implement processes to ensure energy performance contracts are included in CIP reported to Accounts at fiscal year-end and to ensure CIP reasonably reflects the activity that is actually occurring for capitalized and expensed items. DOC/CA should also continue to seek advice from the Accounts on any related areas about which they are uncertain. Such processes will save the DOC/CA time in communicating the information at year-end and prevent misstatement of CIP amounts in the Commonwealth's financial statements.
2. Develop Internal Controls for Leave Liability and Time Tracking System. **This is a repeat finding.** As indicated in the prior year audit report, DOC/CA's time and leave system (DOCXL) used at their facilities continues to have inadequate internal controls, resulting in unreliable data. DOCXL is an Excel spreadsheet application that uses a spreadsheet template for each employee. Individual employees' DOCXL files are located on a network drive. The files are password protected and only certain individuals, most of them Human Resource employees, have passwords to the files. The following issues were noted:
 - Employees had write access who do not need it to perform job responsibilities.
 - Once a person has write access to the files with the employee spreadsheets, users can enter, change, and delete data and formulas in any or all of the spreadsheets with no trail to indicate what they did.
 - Human Resource enters hours worked and leave information each pay cycle and DOC/CA relies on supervisor and employee reviews and sign-offs to verify the accuracy of that cycle's information. However, the system does not prevent changes to a previous activity after the sign-off occurs and, as stated earlier, there is no audit trail. As a result, someone could change information previously approved as correct by the supervisor without the supervisor detecting the alteration.

- DOCXL system does not protect computational formulas, which could result in intentional or unintentional formula changes that result in errors in the amount of leave and/or time reported.
- When converting leave balances from DOCXL to the leave liability spreadsheets, numerous errors resulted from manual and/or programmatic input codes.

While DOC/CA would be an ideal candidate to implement the Commonwealth's enterprise time and effort system under consideration, the timeframe for implementing this enterprise solution is uncertain at this time. As an interim solution the APA recommends that DOC/CA consider purchasing or developing a more robust time and effort system that provides adequate internal controls. Using Excel to manage the time and effort for an organization with more than 11,500 employees and numerous facilities is not adequate. Excel does not provide adequate security, an audit trail of transactions, or control changes to ensure the accuracy of how the system performs the calculations. Until DOCXL is replaced, the accuracy of time and leave data at DOC/CA is questionable, and identifying that someone inaccurately reported or modified recorded time or leave is also questionable.

3. Enforce Policies and Procedures Governing Un-Allowed Charge Card Purchases. The fiscal year 2009 audit included a review of 15 transactions charged to a restricted Merchant Category Code (MCC), as specified in the Commonwealth of Virginia Purchasing Card Restriction Table. Charge Card Program Administrators could not provide documentation supporting the request to remove these MCCs for six of the transactions reviewed. For these transactions, it was not determined whether personnel made the appropriate request to remove the Industry Restriction. As stated in the CAPP Manual Topic 20355, Program Administrators can remove restrictions for valid reasons, but the cardholder's supervisor should put in writing the reason for removing the restriction and maintain a copy of the approval for audit. Additionally, Program Administrators are responsible for ensuring all cards have appropriate restrictions by auditing the Industry Restrictions placed on all cards at least monthly. Not properly documenting or monitoring lifted restrictions increases the risk of employees making improper purchases. The APA recommends that the DOC/CA Small Purchase Charge Card Program Administrators review charge cards to determine which cards have restrictions lifted, ensure that the removed restrictions are still reasonable, and document for future audits. Additionally, for Industry Restrictions removed in the future, DOC/CA should appropriately maintain all documentation of requests for removal.
4. Improve Procedures for Monitoring Vehicle and Fuel Card Use. DOC/CA does not consistently maintain supporting documentation of agency vehicle and fuel card usage, which prevents the agency from ensuring that employees appropriately use agency vehicles and fuel cards for State business. DOC/CA fiscal year 2009 payments to Mansfield Oil, the Voyager fuel card vendor, were approximately \$1.4 million. 45 Voyager fuel card transactions were reviewed, and DOC/CA either inaccurately processed or could not support 11 transactions. For two of these transactions, the vendor charged an amount greater than the actual transaction price, which resulted in the DOC/CA overpaying Mansfield Oil. DOC/CA does not review the monthly statement of charges for appropriateness of card use to include a reconciliation of all charges before processing payment to the card vendor. As a result, they did not identify these inaccurate charges and could not recover the funds. Agency employees could not sufficiently substantiate the remaining nine transactions due to lack of documentation. The units with vehicle assignments do not consistently maintain records of all vehicle and card usage, including

5. Improve Procedures for Tracking Vehicle Inventory. DOC/CA does not track its vehicles regularly to account for all agency-owned and leased vehicles. As a result, the agency's vehicle listings are inaccurate and incomplete. The fiscal year 2009 audit included a review of DOC/CA's 2,500 agency-owned vehicles and 600 vehicles leased from the Department of General Services' Office of Fleet Management Services (OFMS). DOC/CA's General Services Unit maintains lists of these vehicles. General Services Unit's list of agency-owned vehicles did not agree fully to a list of DOC/CA's vehicles from the Commonwealth's Fixed Asset Accounting and Control System (FAACS). DOC/CA should regularly reconcile its inventory of agency vehicles with the assets recorded in FAACS to ensure proper accounting for all agency-owned vehicles and that FAACS records are accurate. It is vital that the vehicle management and accounting functions interact and ensure that the vehicles that employees use in the course of business are the same vehicles recorded for financial reporting purposes.

An inaccurate inventory of agency-owned vehicles reduces the ability to track vehicles used by agency employees, increases the potential for misuse of vehicles, and increases the potential for inaccurate financial reporting. Additionally, DOC/CA's list of vehicles leased from the OFMS did not agree fully to an OFMS list of leased vehicles. DOC/CA should regularly reconcile its inventory of leased vehicles with the OFMS' records to ensure that they properly account for leased vehicles. The APA recommends that the DOC/CA develop and implement controls to ensure that the vehicle management function and the accounting function interact to ensure that the vehicles the agency owns and uses are the same as the vehicles included in FAACS for financial reporting purposes. Additionally, DOC/CA should develop and implement controls to ensure that they accurately account for vehicles leased from the OFMS and that DOC/CA's inventory of leased vehicles reconciles with the OFMS' records of leased vehicles.

6. Update IT Risk Management Plans. DOC/CA has not updated its Information Technology (IT) risk management and contingency plans to reflect changes in its IT environment since November 2007. The Commonwealth's Information Security Standard requires that DOC/CA update and test its IT risk management and contingency plan documents after a major change in its IT environment. DOC/CA's IT environment has gone through significant changes, including the elimination of legacy systems and the transfer of ownership of technology infrastructure to the Virginia Information Technologies Agency's IT Infrastructure Partnership with Northrop Grumman (Partnership). As a result, DOC/CA does not have effective and reliable plans to guide the restoration and recovery of information systems that support essential business functions. DOC/CA should implement a process to periodically review, update, and test the adequacy and accuracy of critical Information Security Program components, including the Risk Assessment, Business Impact Analysis, Continuity of Operations Plan, and Disaster Recovery Plan. Regular testing and updating of these documents helps DOC/CA determine if they have the necessary resources available to restore systems in the event of an outage or disaster.

Department of Criminal Justice Services (DCJS)

1. Determine an Organizational Structure for Criminal Justice Services. The new director of DCJS will have to address the organizational structure of the agency upon his arrival. Prior and current organizational structures will achieve DCJS' core functions. However, because of an apparent disagreement by management and staff over which organizational structure is the most effective and whether the planning of the reorganization adequately addressed all parties concerns, there exists an environment of dissatisfaction with the current situation. While those dissatisfied with the reorganization have openly expressed their opinion, the APA noted that an almost equal number of managers and staff also believe that the reorganization is a better approach to addressing the agency's core functions.

The new director should address this issue immediately to ensure that he has sufficient time to follow through and manage the process. The new director should consider conducting a new employee survey to determine the actual number of employees who support and oppose the reorganization and their views as to where the reorganization positively or negatively affects DCJS' core functions. The results of this survey should factor into any remedial actions.

2. Improve Communication Practices. Criminal Justice Services communicated to sub-grantees in June 2009 to draw down General Fund grant balances in advance of budgetary controls becoming effective at year-end. At year-end, the Department of Planning and Budget places holds on all unspent General Funds while it determines whether to revert or re-appropriate funds back to the agency. When the APA inquired as to the intent of this communication, DCJS stated that they were only referring to two specific grants that totaled about \$4.4 million in fiscal 2009, of which sub-grantees had drawn down over 80 percent prior to the communication.

DCJS acknowledged that they should have been more specific in their original communication; however, due to the vagueness of their original communication, some localities cited this communication as their justification for drawing down funds from other state agencies. DCJS was aware of the vagueness of their original communication, but only informed sub-grantees who questioned the guidance of their intent.

By not foreseeing the consequences of this communication, DCJS failed to comprehend their authority as a grants administrator. In the future, DCJS should establish and adhere to a policy for releasing official guidance on grant awards. A policy for the release of official guidance should include, but not be limited to, a process to review guidance before its release, a method to post the guidance publicly, and a process that guides subsequent revisions or retractions.

Department of Forensic Science (DFS)

1. Evaluate Risks Related to Aging Hardware and Non-Participation in the IT Partnership. DFS' information security program does not adequately address the risks associated with its aging hardware and the delays in transitioning to the Commonwealth's IT Infrastructure Partnership contract with Northrop Grumman. An aging hardware inventory presents several risks in Forensic Science's effectiveness and efficiency in carrying out its mission and providing proper data safeguards, as does the need to use resources to maintain security until becoming part of the Commonwealth's IT Infrastructure Partnership. The APA recommends that DFS allocate the

Department of State Police (VSP)

1. **Improve Employment Eligibility Verification Process.** **This is a repeat finding and progress has been made.** VSP is not properly completing Employment Eligibility Verification forms (I-9) in accordance with guidance issued by the U.S. Citizenship and Immigration Services of the U.S. Department of Homeland Security in its Handbook for Employers (M-274). Testing of twenty I-9 forms completed during fiscal years 2008 and 2009 found the following errors.

- Three employees did not sign and/or date Section 1.
- Verification of five employees' identifications did not occur within three business days of new employment.
- Four forms were incomplete with respect to document title name and /or issuing authority.
- Section 2 was uncompleted on one form.
- Section 3 was uncompleted, but certified for one employee.

The federal government has increased its enforcement efforts related to hiring illegal immigrants, which makes having a good I-9 process in place more important than ever before. Although VSP introduced new procedures for completing and monitoring this process, it is recommend that management increase the training to those responsible for completing these forms in order to reduce the number of errors in future years.

2. **Improve Fleet Management Process.** **This is a repeat finding and limited progress has been made.** In the past two reports, it was recommended that VSP invest in a new system to assist with fleet management. The current review continues to find that VSP should make changes to the fleet management process to provide for adequate and efficient monitoring whether or not the State Police implement a new system. It was found that the data captured in the fleet management system is incomplete and inconsistent, making it difficult for management to monitor the condition or maintenance history of the fleet. While there is value in management capturing vehicle maintenance data in order to monitor the condition of the overall fleet, if this data is incomplete or inaccurate, collection and data entry of it diverts already strained resources away from more critical tasks. VSP should examine their current process and determine the most efficient and effective method for ensuring continued maintenance of their fleet.

3. **Upgrade Database System Software.** VSP is relying on outdated legacy technologies to support more than half of its mission critical systems including criminal firearms, evidence, summonses, citations, and other information. In its current state, the legacy architecture is not fully supported by the vendor and cannot be kept up to date. It is increasingly risky to keep such antiquated software in use given the limitations on available support. The system also has user access limitations, which VSP must find other processes to overcome. Additionally, discontinued vendor product lines cannot depend on support from the vendor in the case of a system failure. Given the severe impact a system failure would have on VSP operations, not having a fully supported database housing these mission critical applications is a significant deficiency in controls. It is recommend that VSP allocate the necessary resources to accelerate the migration to the new database environment in advance of the five-year timeframe defined in their long range plan.

Department of Veterans Services (DVS)

1. Evaluate the Agency Structure. Management should evaluate DVS' current organizational structure and consider consolidating as many administrative functions as possible. The U.S. Department of Veterans Affairs received additional funding as a result of the Federal Stimulus Act. This greatly increases the likelihood of available funding for new care centers in the immediate future. The APA has recommended that DVS consolidate its administrative functions in the recent past. Management should determine the best structure for its administrative functions so that these functions do not limit DVS' ability to expand services to veterans. The use of a centralized office with sufficient staff and resources provides needed internal controls and management oversight of public resources. Management should consider a structure that can easily absorb both planned and unplanned expansions and fully consider opportunities for using technology to perform administrative functions rather than duplicating operations.

2. Improve the Information System Security Program. **This is a repeat finding.** Although DVS has made progress during the prior year, it does not yet have a complete Information Security Program in place to protect its sensitive systems and data. DVS has improved in the following areas:
 - Created a Business Impact Analysis; however, it has not classified its data or identified whether the data is subject to regulatory standards, such as HIPAA, as required by Commonwealth IT Standards.
 - Developed a Risk Assessment, although it does not include one of DVS' major systems.
 - Drafted its IT policies.

Although the security program is evolving, it is ineffective until management approves and implements the security policies. An information security program must use the information contained in a Business Impact Analysis and Risk Assessment. By not having sufficiently documented the data and whether it is subject to external regulatory oversight, and a risk management plan that includes all major systems, DVS cannot develop a security plan that adequately addresses risks and safeguards data.

There must be a collaborative effort between management, data owners, and the ISO to develop an agency's IT risk management plans, the ISO must ensure that the security program always meets current Commonwealth IT standards. Until management approves DVS' draft policies, there are no requirements for the ISO to enforce. It is recommended that DVS finalize its IT security policies and further develop its Business impact Analysis and Risk Assessment.

3. Improve and Implement HIPAA Policies. While DVS has developed some HIPAA policies and procedures, it needs to make improvements in several areas in order to comply with federal HIPAA regulations.
 - Complete its Risk Assessment.
 - Perform adequate system activity reviews.
 - Undergo vulnerability testing.
 - Test recovery from backup media.
 - Ensure that system recovery time objectives accurately reflect business needs.

DVS processes the majority of the HIPAA-related data at DVS' two care centers. The ISO has the responsibility to develop and manage the agency's overall IT security program, including the HIPAA components, and ensure that the agency complies in all areas. There must be a collaborative effort between management, data owners, and the ISO to develop it HIPAA policies and procedures, the ISO must ensure that they always meet federal HIPAA regulations. Failure to comply with HIPAA can result in civil and criminal penalties.

Virginia Correctional Enterprises (DOC/CE)

1. Strengthen Controls Over Capital Asset Useful Life Methodologies. Virginia Correctional Enterprises (DOC/CE) does not have adequate policies in place for assigning and reevaluating useful lives of depreciable capital assets. Additionally, it has not documented an adequate agency-specific useful life methodology that takes into account the agency's actual historical use of assets. Further, DOC/CE is not properly reevaluating and updating useful lives based on actual estimates of agency use. As a result, DOC/CE has a significant amount of fully depreciated assets that are still in use by the agency.

GASB Statement No. 34, requires government funds to record depreciation expense and the depreciated asset values on the face of the financial statements. Agencies should reconsider the estimated useful lives assigned to capital assets and should not report items still in use as fully depreciated assets. Accordingly, all agencies must assign reasonable useful lives to depreciable capital assets based upon the agencies' own experience and plans for the assets. In addition, agencies should perform a periodic review of estimated useful lives to properly reflect the asset's remaining life. DOC/CE should develop, document, and implement a methodology for assigning useful lives of depreciable capital assets as well as the reevaluation of currently assigned useful lives. This policy should be specific to DOC/CE and its operations and take into account the agency's actual use of specific assets.



Risk Alerts – Quarter Ended June 30, 2010

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

One APA report contained a Risk Alert.

Department of State Police

Obtain Assurance Over Outsourced IT Services.

The Commonwealth's IT Infrastructure Partnership manages and maintains VSP's computer network infrastructure. Under this partnership contract, the Commonwealth relies on the Partnership's vendor to properly configure, update, and test critical network infrastructure components (Comprehensive Infrastructure Agreement, Section 3.10.v – Security Management Services). The goal of the Partnership is to transition decentralized data centers to a centralized data center that can provide better security and monitoring; the infrastructure equipment and servers supporting VSP currently remain in a decentralized data center. However, in this environment, the Partnership still has responsibility for properly configuring, updating, and testing its decentralized network components and servers to the same security standards implemented at its centralized data center. It was found that the Partnership does not actively review or update its network equipment that supports VSP. Several vulnerabilities were found in this equipment, and have communicated these vulnerabilities to Partnership management separately from this report, as they describe a security system, and are therefore exempt from the Freedom of Information Act. It is recommended that VSP request a corrective action plan that outlines when the Partnership will correct the vulnerabilities and how they will prevent future vulnerabilities.

Efficiency Issues – Quarter Ended June 30, 2010

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

Christopher Newport University

1. Implement System Functionalities to Increase Efficiencies and Controls. CNU management could gain efficiencies and controls if it utilized the eVA to Banner interface to automate the matching of purchasing invoices to receiving documentation, eliminate duplicate data entry, and reduce the data entry of the Fixed Asset Technician.
2. Automate Deferred Revenue Calculations. CNU could use Banner to automate the calculation of deferred revenues for summer school classes. Automating the calculation will allow CNU to forgo performing these calculations manually after collecting revenues.

3. Automate Holds on Student Accounts. CNU could utilize automated functions within Banner to place and remove holds on student accounts when balances are past due or collected, respectively. If CNU uses the automated functions to place and remove holds, it can reduce the amount of staff time that it dedicates to processing these transactions and decrease the risk of human error.
4. Set Variance Criteria for Purchases. With Banner, CNU can establish and enforce variance criteria for paying invoices. The Accounts Payable department can develop variance criteria for handling invoices that do not exactly match their purchase orders.
5. Improve Access. Fundamental to a sound system of internal controls are separation of duties and proper approval of transactions. Modern enterprise systems such as Banner rely on separating duties by restricting system access and requiring on-line approvals. Failing to restrict automated access increases the risk of fraud or error occurring and going undetected. The APA noted specific concerns related to access to account write-offs and tuition and fees.
6. Evaluate the Bookstore's Administrative Operations. CNU's management should evaluate if it can use Banner's functionalities to enhance the bookstore's administrative operations as the bookstore staff works to strengthen its internal controls in response to the finding entitled "Ensure Bookstore Payments have Proper Approval."

Virginia State University (VSU)

Utilize Banner Efficiencies. Banner offers more sophisticated functionality including recurring accounts payable and journal voucher processing and workflow that VSU is currently not using. These functions could improve the efficiency of VSU's operations and reduce paperwork. At this time VSU has decided not to use the recurring accounts payable and journal vouchers forms since it believes it will impact its Banner automatic interfaces with the Commonwealth Accounting and Reporting System. In addition, while VSU agrees it could gain efficiencies by utilizing some of the Banner workflow products, it has decided to postpone implementation of those products until after it has implemented an upgrade to Banner and has funding to implement the workflow products. The APA recommends that VSU continue to evaluate opportunities to improve their efficiency and reduce paperwork by utilizing Banner's workflow and recurring entries functions once they implement the Banner version upgrade.

Special Reports – Quarter Ended June 30, 2010

The APA issued the following Special Reports:

Department of Criminal Justice Services Special Report on Organization Structure and Report on Audit for the fiscal year ended June 30, 2009. This report contains management recommendations. The audit portion of this report is shown under the Audit Findings section of this report.

Enterprise Data Standards for Human Services, March 2010. This report contains management recommendations.

Progress Report on Selected Systems Development Projects in the Commonwealth, March 2010. This report contains management recommendations.

Report to the Joint Legislative Audit and Review Commission for the quarter January 1, 2010 through March 31, 2010. This report contains management recommendations.

Review of Agency Performance Measures for the year ended June 30, 2009. This report contains management recommendations.

Review of Commonwealth Internal Audit Functions, March 2010. This report contains management recommendations.

Other Audit Reports Received – Quarter Ended June 30, 2010

The APA also issued the following Other Reports:

Indigent Defense Commission for the year ended June 30, 2009. This report contains management recommendations.

Potomac River Fisheries Commission for the fiscal year ended June 30, 2009.

Virginia's Judicial System for the year ended June 30, 2009. This report contains management recommendations.



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>Department of General Services (DGS)</u>				
2008	06-04	Include mandated procedures in the surplus property manual.	DPS has updated Chapter 12 in the PIM.	Completed (Delayed)
	06-06	Finalize and distribute real estate policies and procedures.	Electronic file maintenance policy/paper is complete. Revisions to other policy documents have yet to be completed.	In progress (On schedule)
<u>Department of Forestry (DOF)</u>				
2008	08-02	Improve information systems security program.	DOF has completed all steps to satisfy this finding.	Completed (Delayed)
<u>Department of Business Assistance (DBA)</u>				
2008	08-01	Shift to an administrative service arrangement. This is a repeat finding.	The agency has reorganized internally, staff has completed ARMICS training and the agency is working on an updated ARMICS Resource book, final identification of the processes will be tested to determine if this is a long-term solution.	In progress (Delayed)
	08-04	Maintain official records of the department. This is a repeat finding.	DBA is currently working on the written policies and expect to have them complete by July 31, 2010.	In progress (Delayed)
<u>Virginia Employment Commission (VEC)</u>				
2009	09-01	Review, approve, and disseminate information technology disaster recovery plan.	Consultants have been brought in and have produced a draft of the new plan covering the new infrastructure environment. Testing will begin once the new infrastructure environment is "live."	In progress (On schedule)

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	09-02	Strengthen controls over system access.	The IT security Officer and the business team are working to review and determine appropriate changes to the current access form and process. Completely new procedures are being developed.	In progress (On schedule)
	09-03	Properly complete Employment Eligibility Verification (I-9) Forms. This is a repeat finding and progress has been made.	Procedures have been put in place and the process has improved, VEC will investigate the possibility of automating the I-9 form.	In progress (On schedule)
	08-02	Properly complete Employment Eligibility Verification (I-9) Forms.	See 09-03.	
	07-01	Properly complete Employment Eligibility Verification (I-9) Forms.	See 08-02.	

Longwood University (LU)

2009	08-01	Revisions to internal controls - reconciliations and interfaces; improve system access; eVA; and provide an audit trail.	LU has satisfied the requirements of this finding in addition to performing the reconciliations that have been put into place.	Completed (On schedule)
	08-02	Use eVA workflow to enforce University policy.	LU has completed all steps to satisfy this finding.	Completed (On schedule)
	08-04	Improve contingency plan testing.	LU has been working with the Department of Emergency Management to update the COOP and will be tested no later than October 2010.	In progress (Delayed)

Norfolk State University (NSU)

2008	08-02	Enhance information system security process.	OIT and HR worked together to strengthen current account management practices by developing new account management workflows aimed at disabling user accounts in a more timely fashion. OIT is still in the process of addressing the password issue.	In progress (On schedule)
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Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<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 is completing the recruitment process for the two financial reporting positions currently vacant and for the new positions of a documentation specialist and a reporting analyst. The college has met with the related foundations on the timing of the college's receipt of their audited financial statements to eliminate adjusting entries.	In progress (Delayed)
	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.	
<u>University of Mary Washington (UMW)</u>				
2008	08-01	Improve information systems security program.	A new Vice President for IT and CIO will join the University staff. All draft policies and procedures will be reviewed and approved once the vacancies are filled.	In progress (On schedule)
<u>Germanna Community College (GCC)</u>				
2008	08-01	Update policies and procedures.	Policies and procedures have been updated.	Completed (On schedule)
<u>Northern Virginia Community College (NVCC)</u>				
2008	08-01	Update policies and procedures.	NVCC is in the process of updating the policies and procedures and expect to be complete by August 2010.	In progress (Delayed)
	08-04	Strengthen controls over accounts receivable reporting and management.	NVCC continues to do a thorough review of their entire receivable processes and procedures and expects to be complete by August 2010.	In progress (Delayed)
<u>Southwest Virginia Community College (SWVCC)</u>				
2008	08-01	Update policies and procedures.	SWCC continues to work on their policies and procedures and expects to be completed by August 2010.	In progress (Delayed)

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Secretary of Finance (SFIN)</u>				
2009	09-01	Improve financial reporting processes.	DOA will continue to focus its efforts in the areas listed in the APA's report. Financial Reporting is also evaluating methods to enhance the preparation process to utilize the increased functionality that will be available in Cardinal.	In progress (On schedule)
<u>Department of Accounts (DOA)</u>				
2009	09-01	Improve information systems security program. This is a repeat finding.	An incident response plan has been drafted but is not yet finalized. Baseline security system configurations still have not been fully developed.	In progress (Delayed)
	08-01	Improve information systems security program.	See 09-01.	
	09-02	Improve web application management and security.	Since the network has now been transformed, it is now possible to conduct vulnerability scans on DOA's web applications.	In progress (Delayed)
<u>Department of the Taxation (TAX)</u>				
2009	09-01	Improve database administrator access oversight.	TAX has taken steps to improve management oversight of the activities of the database; however, there remain tasks that have not been completed.	In progress (Delayed)
	09-02	Improve efficiency of access management and change management procedures.	TAX has initiated a project to enhance the efficiency of the process used to request, access additions, changes and deletions via development of a SharePoint based application.	In progress (On schedule)
	09-03	Improve information security officer's authority and independence.	TAX has completed all steps required to fulfill this finding.	Completed (On schedule)
	09-04	Improve process for application updates.	The revised process has been defined and documented. Implementation will occur when events require.	Completed (On schedule)

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	09-05	Improve data sharing security requirements.	TAX has developed a listing of non-government contractors that take possession of sensitive information. In addition, TAX has developed standardized safeguarding language or requirements that should be considered in reviewing the respective contracts.	In progress (Delayed)
<u>Department of the Treasury (TD)</u>				
2008	08-03	Strengthen internal controls over disbursement processing. This is a repeat finding.	Programming modifications have been made and are in the process of being tested to ensure that they comply with the requirements.	In progress (Delayed)
	07-05	Strengthen internal controls over disbursement processing.	See 08-03.	
<u>Department of Behavioral Health and Developmental Services (DBHDS)</u>				
2009	09-01	Improve management and controls for facilities. This is a repeat finding.	Due to budget reductions and the loss of staff, DBHDS is not in a position to move administrative operations to the Central Office but will continue to search for opportunities to further consolidate at the facility level.	In progress (On schedule)
	08-01	Improve management and controls for facilities.	See 09-01.	
	09-02	Improve information systems security program governance.	DBHDS has established a security work group to handle critical security issues and to share resources and technical expertise among facilities and the Central Office.	Completed (On schedule)
	09-03	Improve security awareness training documentation. This is a repeat finding	DBHDS is monitoring security awareness training at all facilities and the central office. Facilities track compliance with this training requirement either by the Learning Management System or by paper records. The compliance rate at most facilities and the Central Office is in excess of 90% at this time.	In progress (Delayed)

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	08-04	Improve security awareness training documentation. This is a repeat finding.	See 09-03.	
	06-02	Expand security awareness training programs.	See 08-04.	
	09-04	Continue improving IT continuity of operations and disaster recovery plans. This is a repeat finding.	Disaster recovery plans are currently being analyzed for all facilities. Facilities have submitted application and data owner documentation, data retention data, IT risk assessments, business impact analysis and IT disaster recovery plans.	In progress (Delayed)
	08-05	Improve IT continuity of operations and disaster recovery plans. This is a repeat finding.	See 09-04.	
	07-04	Improve contingency and disaster recovery planning.	See 08-05.	
	09-05	Improve system access controls.	The information technology security officer will conduct a conference call with all information technology security staff to perform an assessment of IT security. On site visits have been scheduled.	In progress (Delayed)
	09-06	Remove terminated employees from payroll.	All issues related to this finding have been satisfied.	Completed (On schedule)
	09-07	Strengthen timekeeping operations.	DBHDS is in the process of purchasing the KRONOS timekeeping system for those facilities that do not currently have the system.	In progress (On schedule)

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	09-08	Require independent peer reviews.	The Office of Behavioral Health now includes one staff member as part of the field site sub-recipient monitoring team. Field site reviews are conducted based upon a general risk assessment of the community services boards' annual Single Audits. The Single Audits are performed by independent CPA firms.	Completed (On schedule)
	09-09	Reinforce reporting requirements.	The reporting requirement to have an audit submitted to DBHDS by October 1 each year has been added to the performance contract of each community services board.	Completed (On schedule)
	08-03	Ensure compliance with information systems security program.	The IT Security Officer has developed a workplan to visit facilities and provide technical assistance.	Completed (On schedule)
<u>Department of Health (VDH)</u>				
2009	09-01	Improve application and database management.	These corrective actions were completed by the agreed upon dates.	Completed (On schedule)
	09-02	Improve access controls to patient information.	Improper access roles have been removed. VDH has instituted monthly monitoring of its active directory to keep current its Patient Information system and to monitor conflicting user roles.	Completed (On schedule)
<u>Department of Social Services (DSS)</u>				
2009	09-01	Improve information security officer's authority and independence.	The decision has been made to have the ISO report to the CFO to provide the appropriate level of independence and authority. Actions are underway to hire a new ISO and are waiting for final approval.	In progress (On schedule)
	09-02	Improve and comply with information security program.	Security training has been made available via the knowledge center and a broadcast regarding the time frame in which staff should complete the training was issued in April. All local and state staff should complete the course by May, 2010.	In progress (On schedule)

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	09-03	Develop procedures for accounting adjustments.	Written procedures were completed in January outlining required actions and supporting documentation needed for accounting adjustments. Deviations from the processes must be reported to the CFA.	Completed (On schedule)
	09-04	Continue improving system access.	Controls have been put into place to ensure that neither the budget request system nor the accounting system allow the same persons to enter and approve transactions. DSS is continuing to work on steps to ensure that system accesses are removed timely.	In progress (On schedule)
	09-05	Ensure hours are entered correctly.	In March a broadcast was issued to notify local departments of the finding and to inform them that the sub recipient monitoring activities will increase in this area.	In progress (On schedule)
	09-06	Improve coordination between local eligibility workers and the division of child support enforcement.	In developing user requirements for the systems changes, it was determined that enhancing reports will not provide the means to ensure that this finding is resolved. Instead, changes are required to force workers to act on non-cooperation alerts.	In progress (On schedule)
	07-04	Align plan for monitoring local social services offices with best practices.	The Division Director now has the authority to hold divisions accountable for development, implementation, and coordination of monitoring efforts. Program managers have been asked to revise their monitoring plans by June 2010 to more clearly detail their individual processes.	In progress (Delayed)
	06-18	Maintain a tracking system for local employees. This is a repeat finding.	Four pilot agencies are currently testing their payroll interface file. HR is in the process of revising the LETS monthly certification for the non-pilot agencies.	In progress (Delayed)
	05-04	Maintain a tracking system for local employees.	See 06-18.	

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>				
2009	09-01	Conduct and document business impact analysis. This is a repeat finding and progress has been made.	The initial BIA has been completed, however a BIA with more detail is still in progress and is expected to be signed off on in August 2010.	In progress (Delayed)
	07-03	Improve information system security.	See 09-01.	
<u>Department of Historic Resources (DHR)</u>				
2007	07-01	Complete information security program.	The current production environment assessment has been completed.	Completed (On schedule)
<u>Department of Alcoholic Beverage Control (ABC)</u>				
2009	09-01	Improve compliance with information security program.	The new ISO and IT Auditor will work to complete the task of improving compliance with the Information Security Program.	In progress (Delayed)
	09-03	Improve information security program.	ABC is willing to segregate the PCI environment so that a more restrictive set of requirements can be applied to systems that hold sensitive information.	In progress (Delayed)
<u>Department of Corrections (DOC/CA)</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.	DOC has developed a spreadsheet that will track increases and decreases which will reduce the likelihood of errors in reporting CIP. The effectiveness of the process will be evaluated with the compilation of information for this year's Annual Financial Report.	In progress (On schedule)
	07-04	Strengthen supervisory reviews over capital assets and construction-in-progress. This is a repeat finding.	See 08-01.	
	06-01	Strengthen controls over capital project closing and capitalization processes.	See 07-04.	

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Fire Programs (DFP)</u>				
2009	09-01	Maintain documentation for adjunct instructors.	DFP will enhance documented procedures and practices and will have all adjunct instructors hired (or re-hired) prior to 8/1/2008 complete new hiring documents if needed.	In progress (On schedule)
	08-01	Strengthen information systems security program. This is a repeat finding and progress has been made.	DPF has completed all corrective actions within its control to resolve the issue. DFP will begin training once VITA completes the transformation process.	In progress (Delayed)
<u>Department of Veterans Services (DVS)</u>				
2008	08-01	Develop an information security program and comply with HIPAA regulations. This is a repeat finding.	DVS will finalize the remaining draft policies and continue to update the BIA, Risk Assessments and related documents to accurately reflect the new systems being implemented and/or removed from their environment.	In progress (On schedule)
	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. This is a repeat finding.	See 08-01.	
	06-08	Information systems security assurance.	See 07-05.	
<u>Virginia War Memorial Foundation (VWMF)</u>				
2009	09-01	Develop and monitor budgets. This is a repeat finding.	The proposed budget breakout for FY 11 and 12 was presented to the Board in April. These proposed budgets and the Memorial's budget status for the first ten months of FY 10 will be submitted to the Board upon receipt from the financial manager of the DVS, copy to be submitted to Executive Director.	In progress (On schedule)
	08-02	Adopt a formal budget development and execution process.	See 09-01.	

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	09-02	Review donations of historical artifacts.	A request from the Board was submitted to the Governor asking for permission to accept historical artifacts.	In progress (On schedule)
	09-03	Board should develop policies and exercise adequate oversight.	All required items will be completed and submitted to the Board for their action at their next scheduled meeting.	In progress (On schedule)
	09-04	Develop adequate internal controls. This is a repeat finding.	Monthly reports will be sent to the Board when received. All checking accounts and regular annual budget funds will be handled by the DVS; no funds will be handled by the War Memorial.	In progress (On schedule)
	08-01	Consolidate accounting processes and internal controls.	See 09-04.	
	09-05	Manage funds in compliance with Commonwealth standards.	Funds have been returned to the General Fund. The Memorial and the Education Foundation have discussed formulating a strategic plan that will address the relationship of the two entities.	In progress (On schedule)
	09-06	Enhance policy to address unused funds from long-term projects.	The Memorial has no control over any of these state funds; DGS handles all capital and long-term renovation/construction.	Completed (On schedule)
	08-04	Develop a policy to address unused funds from long-term projects.	The Department of Veterans Affairs staff has taken over the accounting functions for the Memorial.	Completed (On schedule)

Virginia Information Technologies Agency (VITA)

2008	08-02	Establish and document procedures for classifying assets in service option 5.	A Service Option 5 policy and another document entitled "Description of Billing Service Options Under the ITP" have been created which address some of the concerns noted. Additional clarification will be added to the policy.	In progress (Delayed)
	08-03	Improve policies and procedures over asset inventory.	A billable equipment type procedure and a VITA billable equipment types list have been created which address the noted concerns.	Completed (Delayed)

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	08-04	Improve reporting to allow comparison of revenue versus allowable costs.	A Budget, Rate Development, Revenue and Expense Tracking policy/procedure has been created which addresses revenues and allowable expense reporting. The annual Cost Allocation Plan to be completed after the fiscal year end will provide adequate detail to explain imputed revenues.	In progress (Delayed)
	08-05	Establish and document procedures for the creation of rate structures.	A Budget, Rate Development, Revenue and Expense Tracking policy/procedure has been created which addresses supporting documentation and rates, review and approval of the rates by the Controller and CIO and Cost Allocation Plan documentation and review. Rate Profile Information Sheets will be completed for rates including the logic, data sources, pricing formula and approval status.	In progress (Delayed)
	08-06	Improve process for establishing rate tiers.	Procedures are to be adopted by VITA to address inventory accuracy and ultimately billing accuracy with regards to the modified contract with Northrup Grumman. The procedures surrounding inventory and the modified contract should address the concerns noted.	In progress (Delayed)
	08-07	Notify oversight entities of rate changes.	A service rate approval and notification process is now documented. The CIO will provide documentation of the notification of the rates noted in the APA report and for new rates since the report.	In progress (Delayed)
	08-08	Equitably distribute virtual inventory costs to agencies.	The modified contract with Northrup Grumman addresses quantities and rates. New/reviced rates are being developed and will be included in the Cost Allocation Plan submitted to JLARC and the Department of Health and Human Services' Division of Cost Allocation.	In progress (Delayed)

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	08-09	Properly monitor system access.	Review is necessary to identify critical access capabilities to ensure proper restrictions are continuing. This information will be used when initially granting access and when performing an annual review of system access.	In progress (Delayed)
	08-11	Adequately segregate system access responsibilities.	Review and changes to system access to ensure proper segregation of duties is continuing.	In progress (Delayed)
	08-13	Properly complete employee eligibility verification forms. This is a repeat finding.	The internal policy and procedure is being redrafted for review by IAS.	In progress (Delayed)
	08-14	Adequate oversight over technology procurements.	VITA is revising the plan based on feedback from DGS. VITA is also reviewing procedure documents and planning communication.	In progress (On schedule)
<u>Department of Motor Vehicles (DMV)</u>				
2009	09-01	Improve information system security program.	DMV has identified a portal server and has requested meetings with VITA to start the RFS process.	In progress (On schedule)
	08-04	Improve information security program.	DMV has satisfied the requirements of this finding.	Completed (On schedule)
<u>State Corporation Commission (SCC)</u>				
2009	09-01	Evaluate finance and revenue process.	The Comptroller's Office developed general revenue policies and procedures to ensure a clear consistent process for collecting and recording revenues.	Completed (On schedule)
	09-02	Establish sufficient controls over the revenue process.	Internal audit will audit each of the revenue divisions to test compliance with new procedures.	In progress (Delayed)
	09-03	Improve the information systems security program. This is a repeat finding.	The BIA, risk assessments of facilities, division and IT systems, business continuity, and disaster recovery plans and programs have been completed and tested. The systems access review for all revenue generating systems was completed and review for all other systems will be performed.	In progress (On schedule)

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	07-01	Comply with Commonwealth security standards.	See 09-03.	
	09-05	Improve accounts receivable reporting.	The Office of the Comptroller (OCC) met with divisions to review reporting requirements and revenue collections. The OCC will finalize the policy and procedures and provide additional training.	In progress (Delayed)
	09-08	Document cost allocation plan.	The Comptroller's Office is in the process of finalizing the documentation of the cost allocation plan.	In progress (Delayed)
<u>Wireless E-911 Services Board</u>				
2009	09-01	Ensure completeness of revenue.	The Wireless E-911 Services Board is still developing proposed legislation change to address this issue.	In progress (On schedule)
	09-02	Ensure compliance with grant guidelines.	The programmatic report has been implemented for all grant projects still active as of June 2010. The report documents the current status, costs and current project plan for each grant award. The grant committee report is expected at the next meeting of the Board.	In progress (On schedule)
	09-03	Ensure accuracy of PSAP distribution rates.	The improvements have been implemented to strengthen review.	Completed (On schedule)



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.

As of June 30, 2010, 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 March, April, May and June* were due 4/30/10, 6/1/10, 6/30/10 and 7/16/10 respectively.

Confirmations Late or Outstanding

As of July 31, 2010

Agency	Mar	Apr	May	June*
Frontier Culture Museum of Virginia	7/06/2010	7/06/2010	-	-
Patrick Henry Community College				7/23/2010
Central Reg. Correctional Field Unit				7/23/2010
Virginia Museum of Natural History				7/20/2010

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

* The FY 2010 Year-End Closing Memorandum to the heads of all state agencies and institutions and all fiscal officers requires that the final June Confirmation be received in the Comptroller's Office by 5:00 p.m. on July 16, 2010. Fax copies, were accepted on July 16 with the expectation that the original would be received, by July 21, 2010.

Response to Inquiries

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

However, in other instances, agencies do not respond timely or simply fail to respond. For the quarter ended June 30, 2010, 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 June 30, 2010, no agencies failed to respond timely, make corrective action and/or provide additional information.

Trial Balance Review

As of July 30, 2010

<u>Agency</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</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 June 30, 2010, no agencies failed to respond timely, make corrective action and/or provide additional information.

Credit Cash, Excess Expenditures, and Expenditure Credits

As of July 30, 2010

<u>Agency</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>
None				

Disbursement Processing

During the quarter ended June 30, 2010, DOA deleted, at the submitting agency's request, 101 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 types of transactions may point to areas where improved agency internal

accounting controls should be evaluated. Twenty agencies requested deletes during the quarter. For the quarter ended June 30, 2010, the agencies that requested more than four vendor payment deletions were:

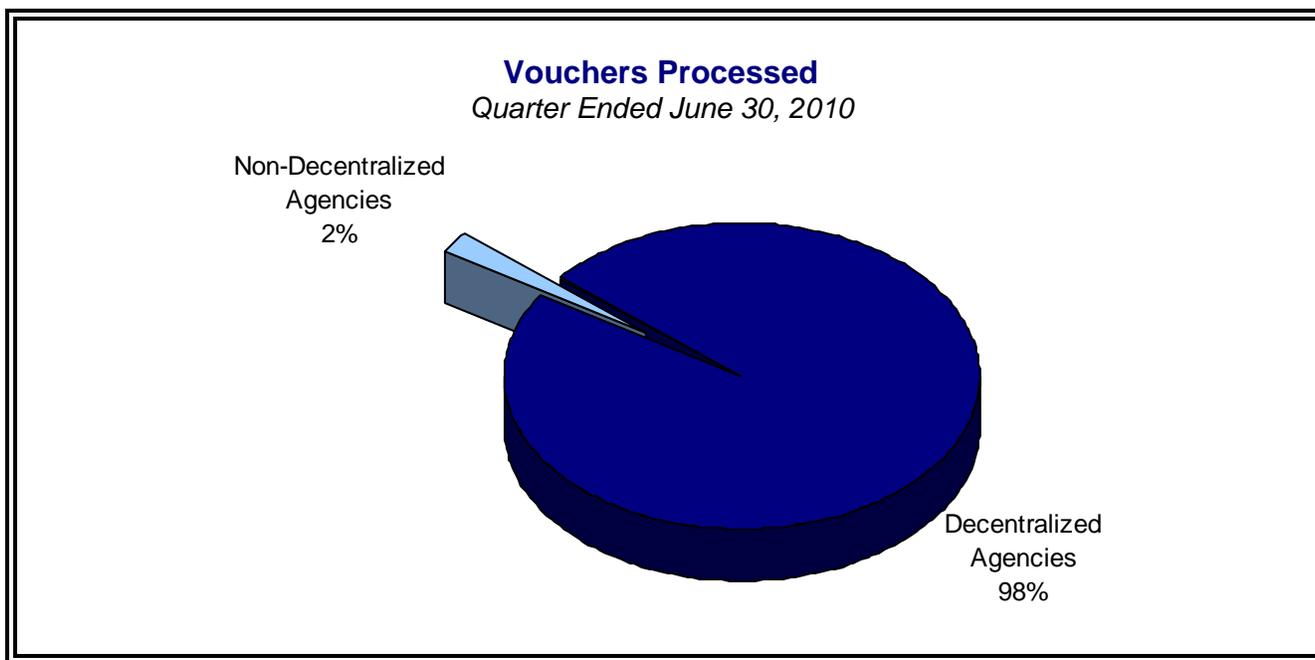
- Department of Transportation



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 eighteen 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

Piedmont Geriatric Hospital
Chippokes Plantation Farm Foundation
Department of Aviation
Deep Meadow Correctional Center
Department of Correctional Education
Department of Behavioral Health and Developmental Services (DBHDS)
DBHDS Grants to Localities
Augusta Correctional Center
Virginia Museum of Fine Arts
Department of Taxation
Haynesville Correctional Center
Department of Mines, Minerals, and Energy
Catawba Hospital
Department of Emergency Management
Department of Criminal Justice Services
Buckingham Correctional Center
Mecklenburg Correctional Center

Decentralized Agencies

Agency Requiring Corrective Action

Corrective Action Needed

Southern Virginia Mental Health Institute

Travel: Proper application of the mileage reimbursement policy including use of the Enterprise car rental contract; commuting mileage; and documentation. Correct calculation of Meals and Incidental Expenses reimbursements.

Expenditure Documentation: Complete documentation to support or justify expenditures as needed.



Non-Decentralized Agencies

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

officers, for whom this additional safeguard is warranted.

During the quarter, DOA reviewed all non-decentralized agencies. A total of 1,049 non-travel disbursement batches and 373 travel disbursement batches were reviewed, disclosing 12 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 June 30, 2010		Fiscal Year 2010 To-Date		Comparative Quarter Ended June 30, 2009	
	Late	Total	Late	Total	Late	Total
Number of Payments	4,905	600,878	22,302	2,273,196	5,546	600,703
Dollars (in thousands)	\$ 34,817	\$ 1,559,790	\$ 141,148	\$ 6,117,983	\$ 36,453	\$ 1,656,428
Interest Paid on Late Payments				\$8,358		
Current Quarter Percentage of Payments in Compliance				99.2%		
Fiscal Year-to-Date Percentage of Payments in Compliance				99.0%		
Comparative Fiscal Year 2009 Percentage of Payments in Compliance						99.1%



Prompt Payment Performance by Secretarial Area
Quarter Ended June 30, 2010

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.9%	99.5%
Agriculture and Forestry	99.5%	97.9%
Commerce and Trade	98.9%	99.5%
Education*	99.2%	98.4%
Executive Offices	98.7%	96.8%
Finance	99.8%	86.5%
Health and Human Resources	99.3%	98.0%
Independent Agencies	99.1%	98.8%
Judicial	99.9%	99.9%
Legislative	99.8%	99.0%
Natural Resources	99.5%	97.5%
Public Safety	99.4%	97.8%
Technology	99.9%	99.9%
Transportation*	98.1%	92.9%
Statewide	99.2%	97.8%

Prompt Payment Performance by Secretarial Area
Fiscal Year 2010

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.6%	99.3%
Agriculture and Forestry	99.7%	98.7%
Commerce and Trade	98.4%	96.7%
Education *	98.9%	97.7%
Executive Offices	98.9%	93.4%
Finance	99.7%	84.7%
Health and Human Resources	99.2%	98.0%
Independent Agencies	98.8%	98.5%
Judicial	99.9%	99.9%
Legislative	99.9%	99.0%
Natural Resources	99.2%	97.5%
Public Safety	99.6%	98.9%
Technology	99.8%	99.9%
Transportation*	98.6%	95.3%
Statewide	99.0%	97.7%

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

For the quarter ended June 30, 2010, 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 June 30, 2010**

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
Education			
Frontier Culture Museum of Virginia	18	234	92.3%
Gunston Hall	6	89	93.3%
Health and Human Resources			
Department of Behavioral Health and Developmental Services - Grants to Localities	11	196	94.4%
Public Safety			
Department of Military Affairs	153	2,548	94.0%

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**

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
Education			
Eastern Shore Community College *	60	717	91.6%
New College Institute	15	237	93.7%
Independent Agencies			
Virginia Office for Protection and Advocacy *	28	445	93.7%
Administration			
State Board of Elections **	34	487	93.0%

* Eastern Shore Community College and the Virginia Office for Protection and Advocacy had difficulties with SPCC payments being made on a timely basis. Both agencies indicate they will strive to improve this process in the future to bring their prompt payment standards to appropriate levels.

** State Board of Elections (SBE) often fails to process payment transactions and deliver associated supporting documentation on a timely basis. SBE reports that they will take corrective action to bring their prompt payment compliance level up to acceptable standards.

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 June 30, 2010			Comparative Quarter Ended June 30, 2009
	E-Commerce	Total	Percent	Percent
Number of Payments	2,732,930	3,130,763	87.3%	87.3%
Payment Amounts	\$ 7,883,666,429	\$ 9,077,725,183	86.8%	87.4%
	Fiscal Year 2010 To-Date			Comparative Fiscal Year 2009
	E-Commerce	Total	Percent	Percent
Number of Payments	11,141,067	12,776,830	87.2%	85.4%
Payment Amounts	\$ 32,562,304,668	\$ 37,650,062,272	86.5%	86.2%

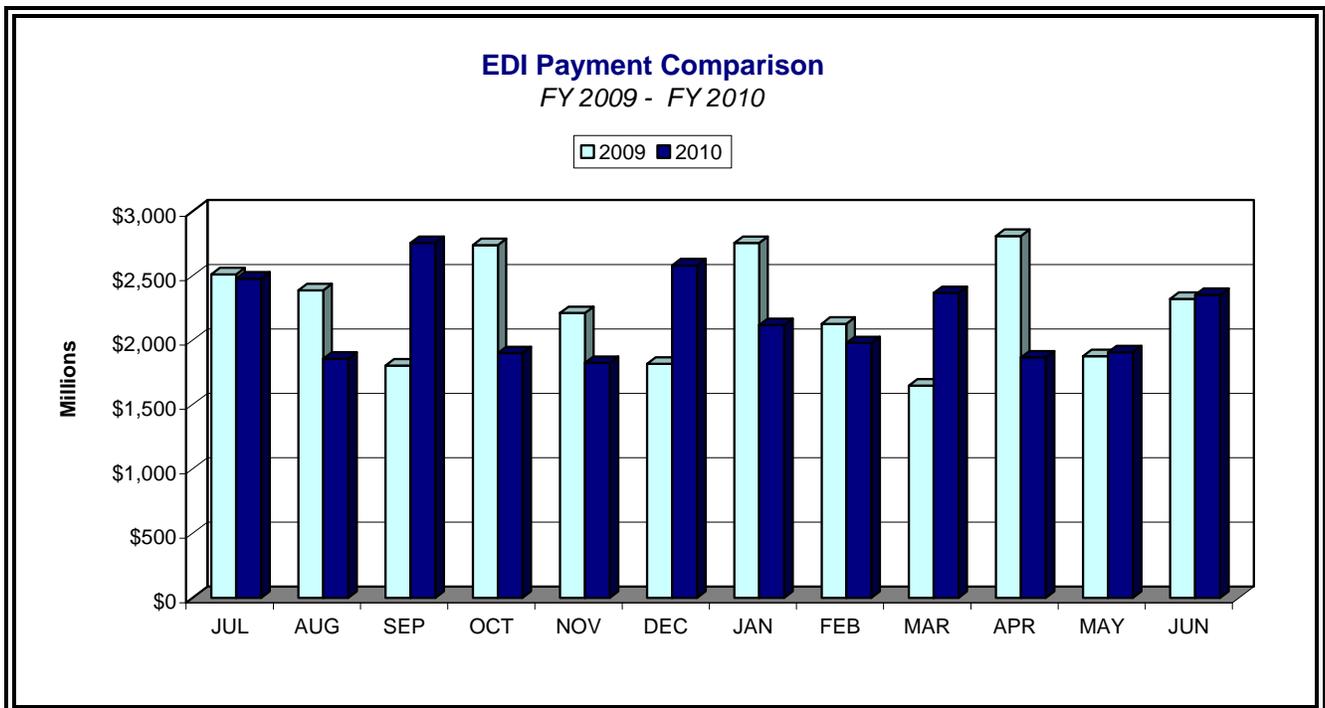
Financial Electronic Data Interchange (EDI)

The dollar volume of Financial EDI payments for the fourth quarter of FY 2010 was \$880 million (12.5 percent) less than the same quarter last year. This is due in part to the current quarter containing 12 weeks of data and the comparable prior fiscal year quarter containing 13 weeks. The number of trading partner accounts increased by 4.1 percent

from June 2009. The largest portion of this increase is due to efforts to convert state employee travel reimbursements from checks to electronic payments. In addition, enrollment by corporations, sole proprietors and grantees has increased significantly due to solicitation by Department of Accounts staff.

Financial EDI Activity

Financial EDI Activity	Quarter Ended June 30, 2010	Fiscal Year 2010 To-Date	Comparative FY 2009 To-Date
Number of Payments	55,134	201,078	183,637
Amount of Payments	\$ 6,126,820,774	\$ 25,982,091,067	\$ 27,005,992,411
Number of Invoices Paid	196,241	732,106	731,711
Estimated Number of Checks Avoided	82,727	306,805	292,963
Number of Trading Partner Accounts as of 6/30/10		53,608	51,474



Travel EDI

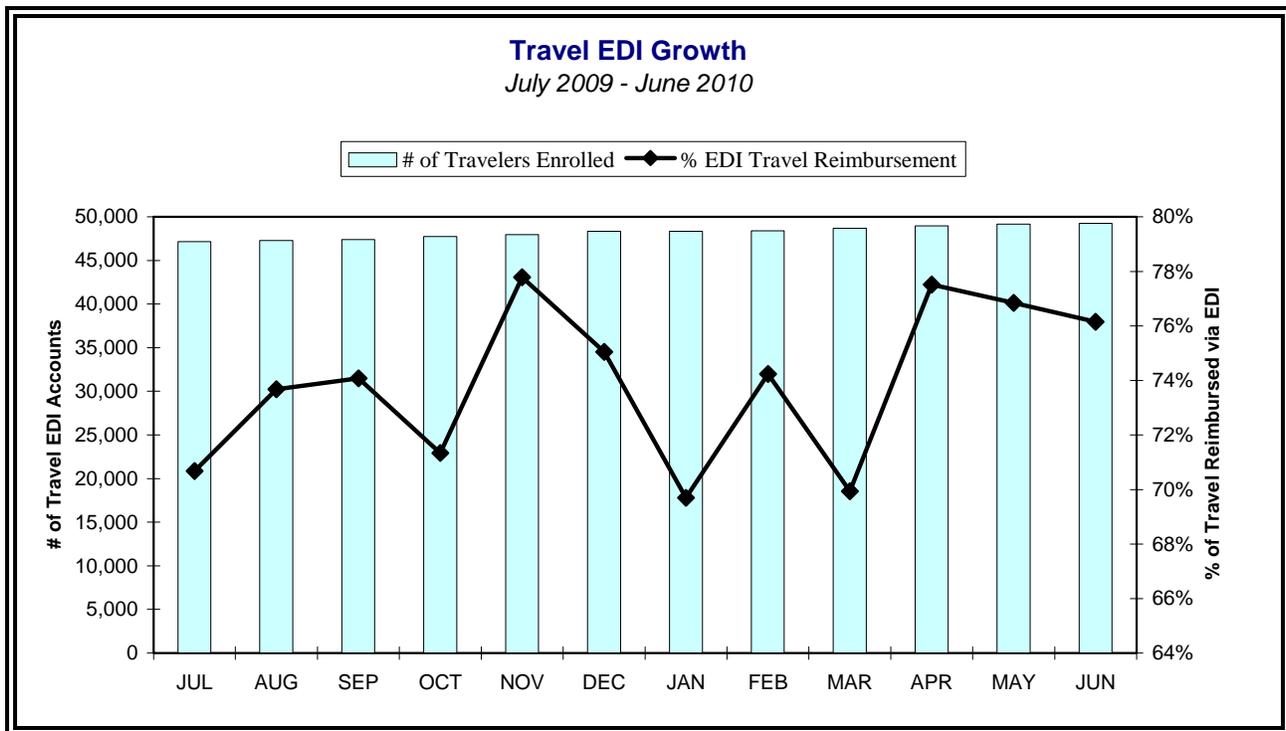
Expansion of the Travel EDI program is an integral part of the statewide effort to reduce the administrative costs associated with paying for goods and services for the Commonwealth. The Appropriation Act requires employees who travel more than twice a year to be reimbursed using EDI. DOA notified agencies 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 June 30, 2010

Secretarial Area	Employee Percent	Non-Employee Percent	Reimbursement Checks Issued
Administration	88.2%	0.0%	34
Agriculture and Forestry	95.9%	22.9%	66
Commerce and Trade	95.6%	71.9%	172
Education (1)	87.9%	27.3%	1,318
Executive Offices	96.5%	7.1%	21
Finance	97.6%	11.1%	24
Health and Human Resources	93.0%	29.2%	1,001
Independent Agencies	96.7%	0.0%	66
Judicial	29.3%	6.8%	3,206
Legislative	97.3%	24.3%	65
Natural Resources	95.6%	54.7%	85
Public Safety	91.8%	23.6%	528
Technology	91.6%	0.0%	21
Transportation (1)	80.6%	23.0%	347
Statewide for Quarter	83.5%	27.2%	6,954
<i>Fiscal Year 2010 To-Date</i>			
Statewide	80.5%	26.4%	27,910
<i>Comparative Fiscal Year 2009 To-Date</i>			
Statewide	80.2%	24.3%	32,009

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

The following table lists agencies with Employee EDI participation rates below 85 percent that issued more than 25 travel reimbursement checks during the quarter.

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

**Agency Employee EDI Performance
Utilization Below 85 Percent**

Agency	Percent	Reimbursement Checks Issued
Education		
Christopher Newport University	81.2%	50
Northern Virginia Community College	79.2%	63
Southside Virginia Community College	76.0%	29
Norfolk State University	61.1%	91
Health and Human Resources		
Department of Medical Assistance Services	80.0%	27
Department of Rehabilitative Services	74.8%	126
Judicial		
Magistrate System	68.8%	133
Supreme Court	22.2%	699
General District Courts	13.4%	357
Juvenile and Domestic Relations District Courts	12.7%	418
Combined District Courts	10.5%	196
Circuit Courts	7.9%	634
Public Safety		
Department of Emergency Management	69.4%	87
Transportation		
Department of Transportation	73.3%	246

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

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

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

Agency	Percent	Reimbursement Checks Issued
Education		
Longwood University	0.0%	76
Christopher Newport University	0.0%	62
Health and Human Resources		
Department of Social Services	8.3%	77
Virginia Foundation for Healthy Youth	8.2%	45
Department of Health	2.8%	207
Virginia Board for People with Disabilities	1.2%	80
Judicial		
Circuit Courts	6.2%	363
Virginia State Bar	0.0%	228
Public Safety		
Department of Forensic Science	0.0%	81
Department of Criminal Justice Services	0.0%	63

The following table lists agencies that have accumulated more than \$250 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**

Agency	Percent	Year-to-date Charges
Education		
Norfolk State University	61.1%	\$ 415
Health and Human Resources		
Department of Rehabilitative Services	74.8%	800
Judicial		
Court of Appeals	76.5%	255
Magistrate System	68.8%	905
Supreme Court	22.2%	2,660
General District Courts	13.4%	4,910
Juvenile and Domestic Relations District Courts	12.7%	5,710
Combined District Courts	10.5%	2,940
Circuit Courts	7.9%	10,340
Public Safety		
Department of Emergency Management	69.4%	525
Transportation		
Department of Transportation	73.3%	870



Direct Deposit

During the fourth quarter of FY 2010, 512,542 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 June 30, 2010

<u>Secretarial Area</u>	<u>Direct Deposit % of Salaried Employees</u>	<u>Direct Deposit % of Wage Employees</u>
Administration	98.4%	100.0%
Agriculture and Forestry	98.0%	91.3%
Commerce and Trade	99.5%	99.8%
Education	99.7%	96.1%
Executive Offices	92.7%	90.0%
Finance	99.5%	97.9%
Health and Human Resources	99.5%	99.0%
Independent Agencies	99.4%	100.0%
Judicial	99.4%	77.8%
Legislative	99.2%	97.5%
Natural Resources	98.8%	90.5%
Public Safety	99.2%	97.3%
Technology	98.8%	100.0%
Transportation	99.0%	99.6%
Statewide	99.3%	96.0%
<i>Comparative</i>		
<i>Quarter Ended June 30, 2009</i>		
Statewide	98.9%	94.0%

Statewide Salaried Direct Deposit Performance

Quarter Ended June 30, 2010

Salaried Direct Deposit Participation	99.3%
--	--------------

Salaried Direct Deposit Below 98 Percent

<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Administration		
State Board of Elections	92.9%	29
Human Rights Council	80.0%	5
Department of Employment Dispute Resolution	77.8%	9
Agriculture and Forestry		
Department of Agriculture and Consumer Services	97.2%	432
Commerce and Trade		
Department of Business Assistance	93.9%	33
Board of Accountancy	85.7%	7
Education		
Rappahannock Community College	96.8%	95
The Science Museum of Virginia	96.7%	60
VSU/Cooperative Extension and Agricultural Research Services	94.7%	75
Health and Human Resources		
Eastern State Hospital	97.8%	953
Judicial		
Circuit Courts	97.3%	150
Natural Resources		
Department of Historic Resources	95.3%	43
Public Safety		
Fluvanna Women's Correctional Center	97.9%	326
Sussex 1 Correctional Center	97.8%	358
Department of Military Affairs	97.5%	282
Western Region Correctional Field Units	94.9%	197
Transportation		
Department of Transportation Central Office	94.4%	1,505

Statewide Wage Direct Deposit Performance

Quarter Ended June 30, 2010

Wage Direct Deposit Participation	96.0%
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Wage Direct Deposit Below 90 Percent

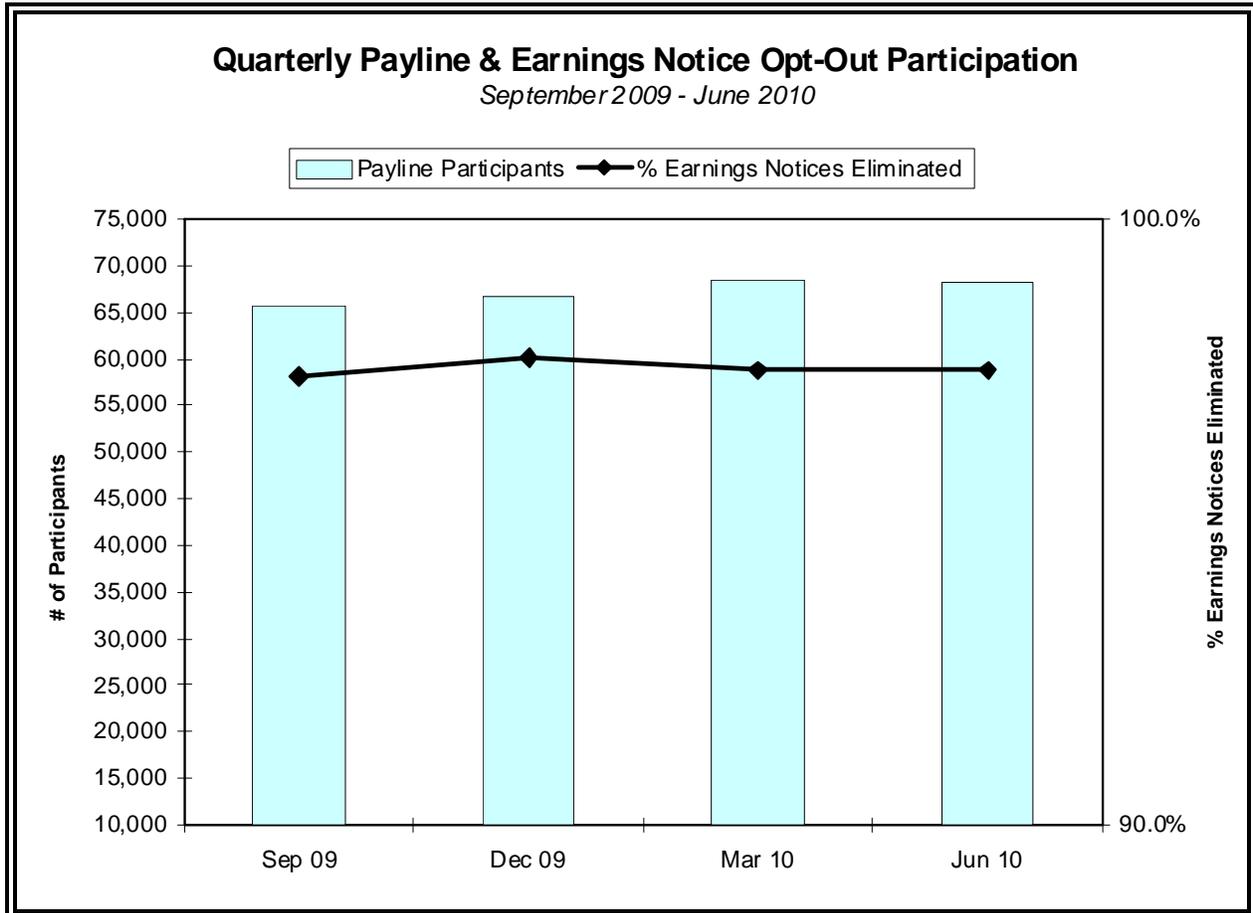
<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Agriculture and Forestry		
Department of Agriculture and Consumer Services	87.0%	108
Education		
Rappahannock Community College	86.7%	166
Virginia State University	86.7%	210
Longwood University	86.7%	165
Virginia Highlands Community College	86.5%	126
Radford University	86.1%	490
Frontier Culture Museum of Virginia	83.3%	36
Paul D. Camp Community College	73.9%	134
Judicial		
General District Courts	68.0%	228
Combined District Courts	62.5%	24
Public Safety		
Department of Conservation and Recreation	89.7%	938



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 5,169,521 earnings notices.



The following table lists participation among all statewide employees in both the Payline and the Opt-Out initiatives by secretarial area.

**Payline and Earnings Notice Opt-Out Participation
by Secretarial Area**

Quarter Ended June 30, 2010

Secretarial Area	Percent Payline Participation	Percent Earnings Notices Eliminated*
Administration	97.2%	100.0%
Agriculture and Forestry	81.9%	83.3%
Commerce and Trade	95.4%	100.0%
Education	68.3%	98.7%
Executive Offices	84.2%	100.0%
Finance	95.5%	100.0%
Health and Human Resources	86.9%	97.8%
Independent Agencies	89.7%	100.0%
Judicial	83.3%	93.3%
Legislative	68.3%	73.9%
Natural Resources	72.0%	75.8%
Public Safety	83.3%	98.9%
Technology	96.2%	100.0%
Transportation	93.5%	100.0%
Statewide	81.9%	97.5%

<i>Comparative Quarter Ended June 30, 2009</i>		
Statewide	78.1%	96.5%

* Employees must participate in Direct Deposit 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.

Most agencies elected a global opt-out in response to the January 1, 2009, mandate. Only 22 agencies have not chosen a global opt-out and participation is reviewed to monitor progress. As of June 30, 2010 the following agencies have not met their established thresholds for eliminating earnings notice print.

Earnings Notice Elimination

Agency	Percent Earnings Notices Eliminated QE 06/30/2010	Percent Earnings Notices Eliminated QE 03/31/2010
Agriculture and Forestry Department of Forestry	74.1%	84.7%
Education Virginia Highlands Community College	72.8%	71.1%
Natural Resources Department of Conservation and Recreation	45.0%	56.8%



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.

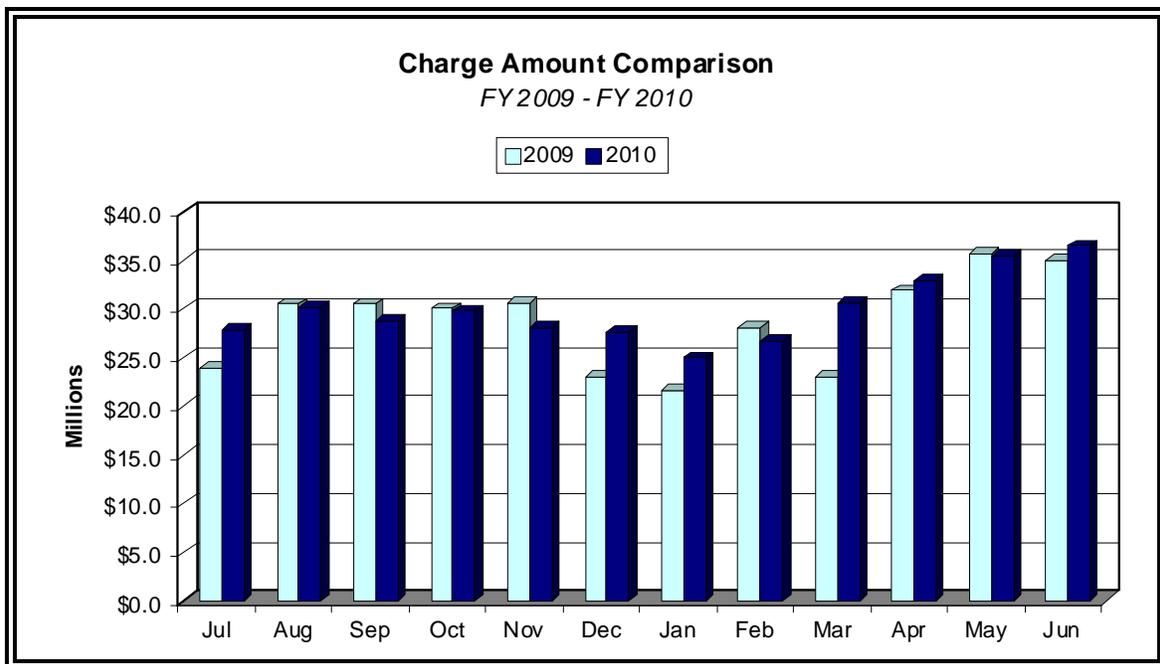
The Small Purchase Charge Card continues to be used for purchases under \$5,000. Agencies are strongly encouraged to obtain a Gold Card for use for purchases up to \$50,000.

The total amount charged on SPCC and Gold cards during the fourth quarter of FY 2010 increased by \$2,347,269 or 2.2 percent from the same quarter last year.

Small Purchase Charge Card Program

Charge Card Activity	Quarter Ended June 30, 2010	Fiscal Year 2010 To-Date	Comparative Fiscal Year 2009 To-Date
Amount of Charges	\$ 105,001,461	\$ 359,576,141	\$ 344,286,582
Estimated Number of Checks Avoided	183,165	653,917	647,910
Total Number of Participating Agencies		225	227
Total Number of Cards Outstanding		17,157	17,436

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 2011, the threshold will increase to 75% with another increase to 80% during calendar year 2011.

For data compilation purposes, 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 for FY 2010 4th Quarter.

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 June 30, 2010

Percentage Utilization for Eligible Transactions

82%

SPCC Utilization by Secretarial Area

Quarter Ended June 30, 2010

<u>Secretarial Area</u>	<u>Payments in Compliance ⁽¹⁾</u>	<u>Non-Compliant Transactions ⁽²⁾</u>
Administration	81%	781
Agriculture and Forestry	88%	469
Commerce and Trade	75%	1,034
Education*	85%	7,292
Executive Offices	92%	71
Finance	88%	158
Health and Human Resources**	82%	6,453
Independent Agencies	62%	1,243
Judicial	39%	2,351
Legislative	92%	85
Natural Resources	90%	1,280
Public Safety	92%	3,413
Technology	85%	74
Transportation*	67%	8,226
Statewide	82%	32,930

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

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

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

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



**Agency SPCC Performance
Utilization Below 70 Percent**

Agency	Payments in Compliance	Non-Compliant Transactions
Commerce and Trade		
Virginia Employment Commission	39%	874
Education		
J Sargeant Reynolds Community College	68%	553
Norfolk State University	62%	792
Health and Human Resources		
Department of Behavioral Health and Developmental Services	63%	162
Central Virginia Training Center	56%	536
Independent Agencies		
Virginia Retirement System	66%	161
Virginia Workers' Compensation Commission	65%	205
State Corporation Commission	3%	630
Judicial		
Indigent Defense Commission	65%	146
Judicial Inquiry and Review Commission	62%	10
Board of Bar Examiners	0%	38
Circuit Courts	0%	128
Combined District Courts	0%	229
General District Courts	0%	941
Juvenile and Domestic Relations District Courts	0%	430
Magistrate System	0%	88
Virginia Criminal Sentencing Commission	0%	41
Legislative		
Commission on the Virginia Alcohol Safety Action Program	0%	34
Public Safety		
Sitter-Barfoot Veterans Care Center	51%	342
Transportation		
Department of Transportation	65%	7,599
Board of Towing and Recovery Operators	58%	5



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 April, this represents the bill date of April 15, 2010, with the payment due no later than May 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	Apr	May	Jun
<u>Purchase Card Program:</u>			
Education			
Gunston Hall	X		
New College Institute			X
University of Virginia Medical Center	X		
Virginia Museum of Fine Arts			X
Health and Human Resources			
Department for the Deaf and Hard-Of-Hearing			X
Southwestern Virginia Mental Health Institute			X
Virginia Center for Behavioral Rehabilitation			X
Judicial			
Supreme Court of Virginia			X
Public Safety			
Divisions of Institutions			X
<u>Airline Travel Card Program:</u>			
Education			
Fronteir Culture Museum of Virginia		X	
Virginia Western 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 June 30, 2010 and the total amounts past due.

Travel Charge Card Program

As of June 30, 2010

<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>
Commerce and Trade				
Virginia Economic Development Partnership	1	\$ 0	\$ 698	0
Virginia Tourism Authority	1	295	0	0
Education				
The College of William and Mary in Virginia	1	\$ 948	\$ 469	0
George Mason University	2	1,090	0	0
James Madison University	1	0	1,081	0
Norfolk State University	2	135	583	0
Thomas Nelson Community College	1	0	108	0
Virginia Commonwealth University	1	585	0	0
Virginia Military Institute	2	1,358	1,008	0
Virginia Polytechnic Institute and State University	1	48	0	0
Executive				
Attorney General and Department of Law	1	479	0	0
Health and Human Resources				
Department of Health	1	408	0	0
Independent				
Virginia College Savings Plan	1	240	0	0
Public Safety				
Department of Emergency Management	1	475	0	0



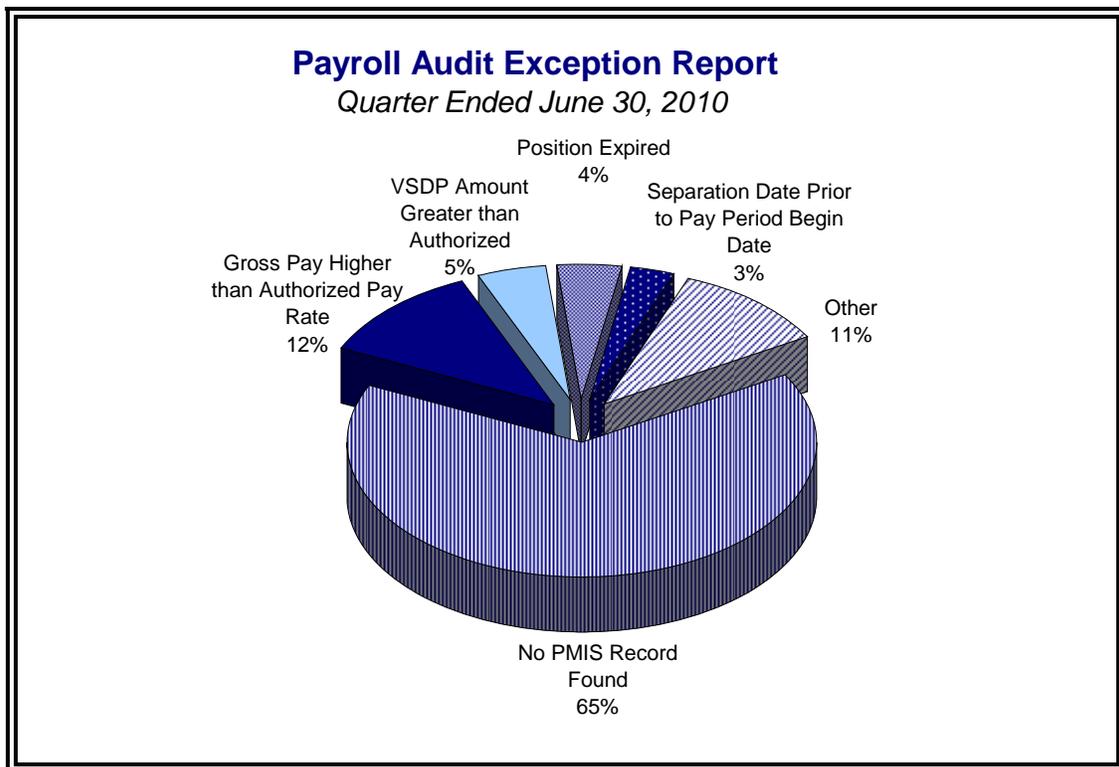
Payroll Controls

PMIS/CIPPS Payroll Audit

During the quarter, DOA's automated comparison of payroll and personnel (PMIS) records examined 416,340 salaried pay transactions and 208,500 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 6,015 new exceptions noted statewide during the quarter, with an overall exception rate of 0.86 percent.

The statewide salaried payroll exception rate was 1.03 percent and the wage payroll exception rate was 0.51 percent. During this quarter, 17 employee paychecks were reduced to recover \$5,017.07 in overpayments.

While the largest cause of exceptions is the processing of payments to salaried employees who no longer have an active record for their current agency set up in the PMIS system, 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.



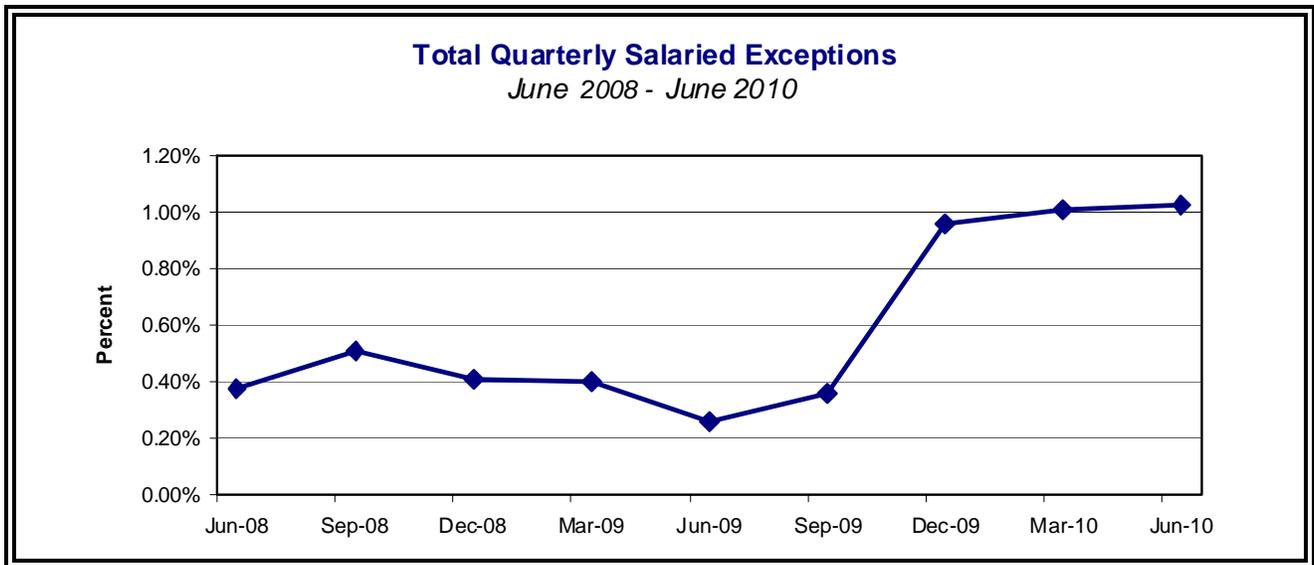
Exception percentages are calculated by dividing the number of exceptions by the number of salaried or wage employees. Agencies are reported below if the percentage

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 June 30, 2010

Total Salaried Payroll Exceptions for the Quarter	1.03%
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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 June 30, 2010

Wage Payroll Exceptions for the Quarter	0.51%
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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>
Education	
Virginia State University	2
Transportation	
VDOT - Central Office	3
VDOT - Suffolk District	5
VDOT - Staunton District	1
Health and Human Resources	
Eastern State Hospital	7



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)
Executive Offices				
Attorney General and Department of Law Division of Debt Collection	\$2,494,800			
Education				
Central Virginia Community College	106,864			
J. Sargeant Reynolds Community College	33,444			
Northern Virginia Community College	516,499			
Southwest Virginia Community College		1		
Virginia State University	55,244			
Health and Human Resources				
Central State Hospital		1		
Southside Virginia Training Center		1		
Judicial				
General District Courts			2	
Transportation				
Department of Transportation	787,000			

Columns show the following:

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

Health Care Reconciliations

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

The following table lists those agencies that were late in submitting their certification or had problems requiring additional adjustments. Such problems may include incomplete or incorrect documents, required IAT's not submitted or incorrect coding. Health care reconciliations for the months of March, April and May were due 4/30/10, 5/27/10 and 6/15/10, respectively.

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

Agency	March	April	May
Virginia Veterans Care Center			L
Southside Virginia Community College	L		

L = Late
P = Problems



FINANCIAL MANAGEMENT ACTIVITY

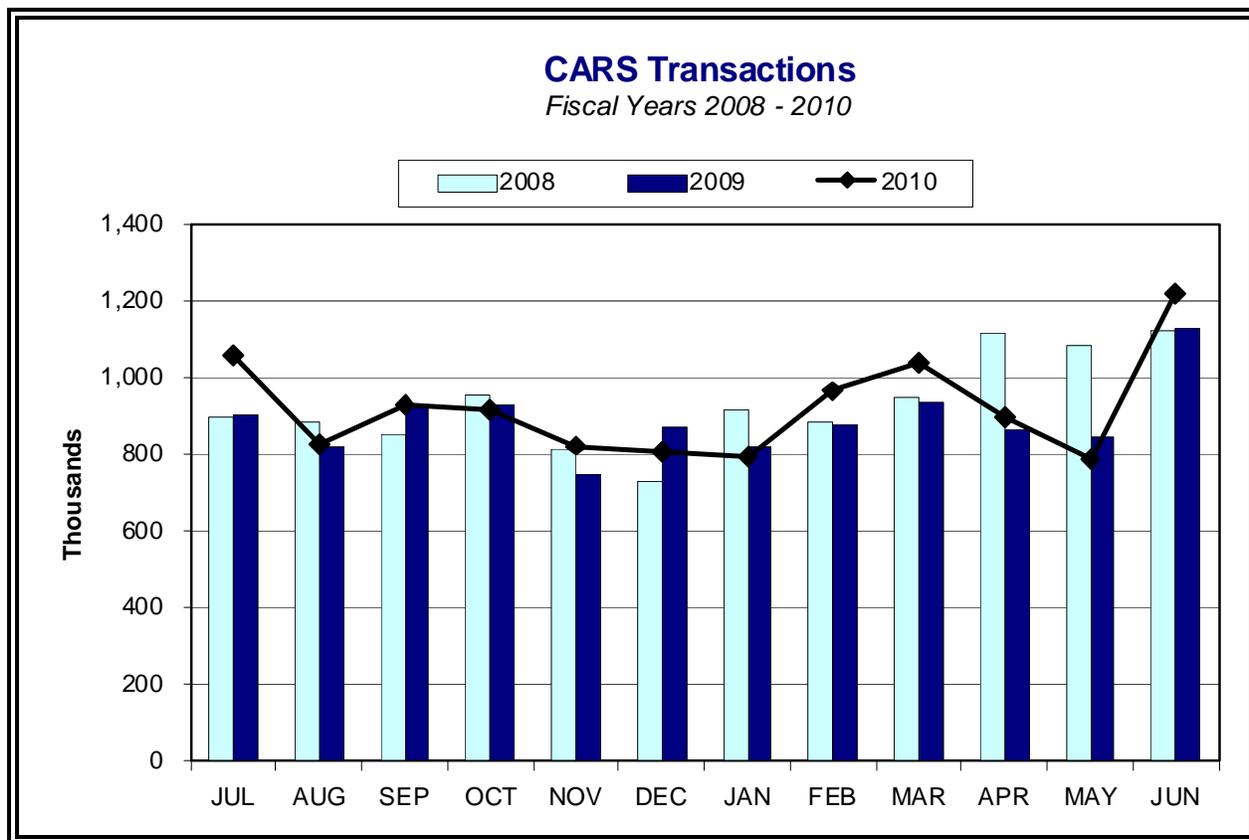
DOA monitors several types of financial activity. Various measures are used to track activities for CARS, payroll, accounts

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

Commonwealth Accounting and Reporting System (CARS)

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

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

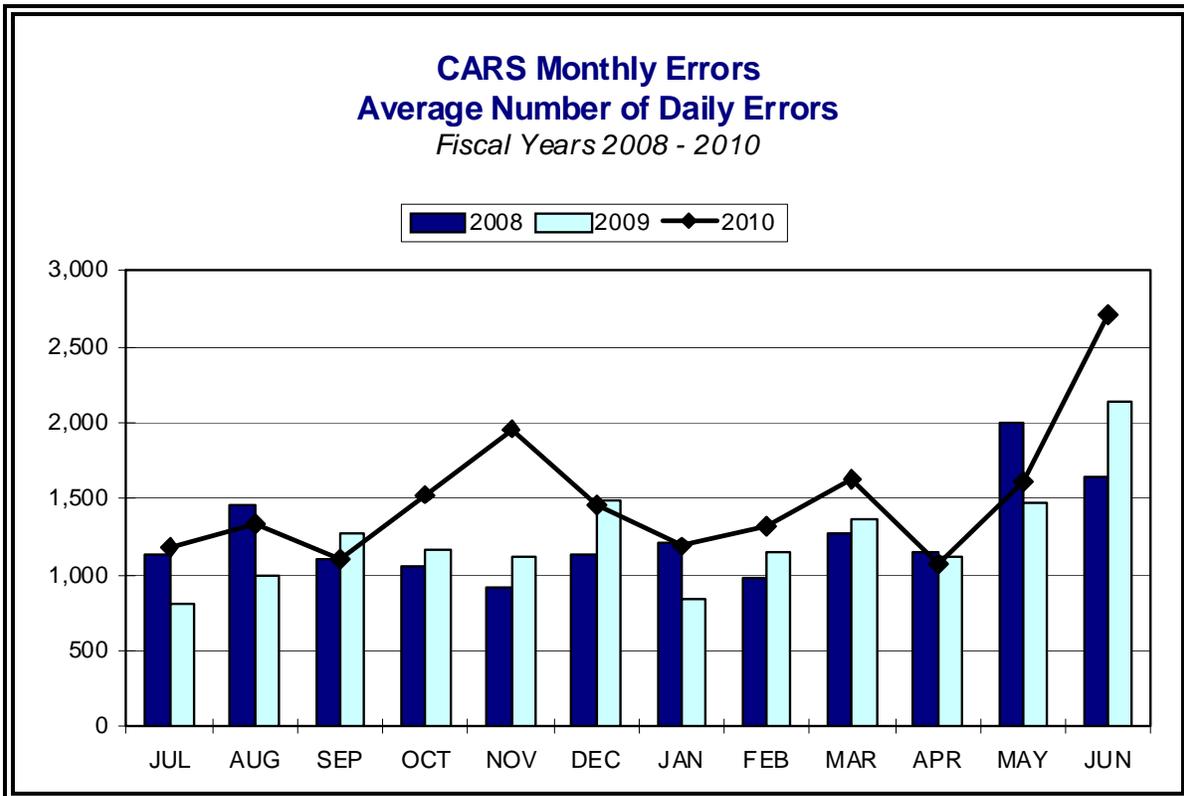


CARS Edits

One of the most important management tools used by DOA is the monitoring of CARS errors generated by standard system edits. Batches remain on the error file until problems are resolved, which, for disbursement transactions, can lead to noncompliance with prompt payment standards and poor vendor relations. During the fourth 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
- Expenditures > Allotment
- Certified Amounts Not Balanced

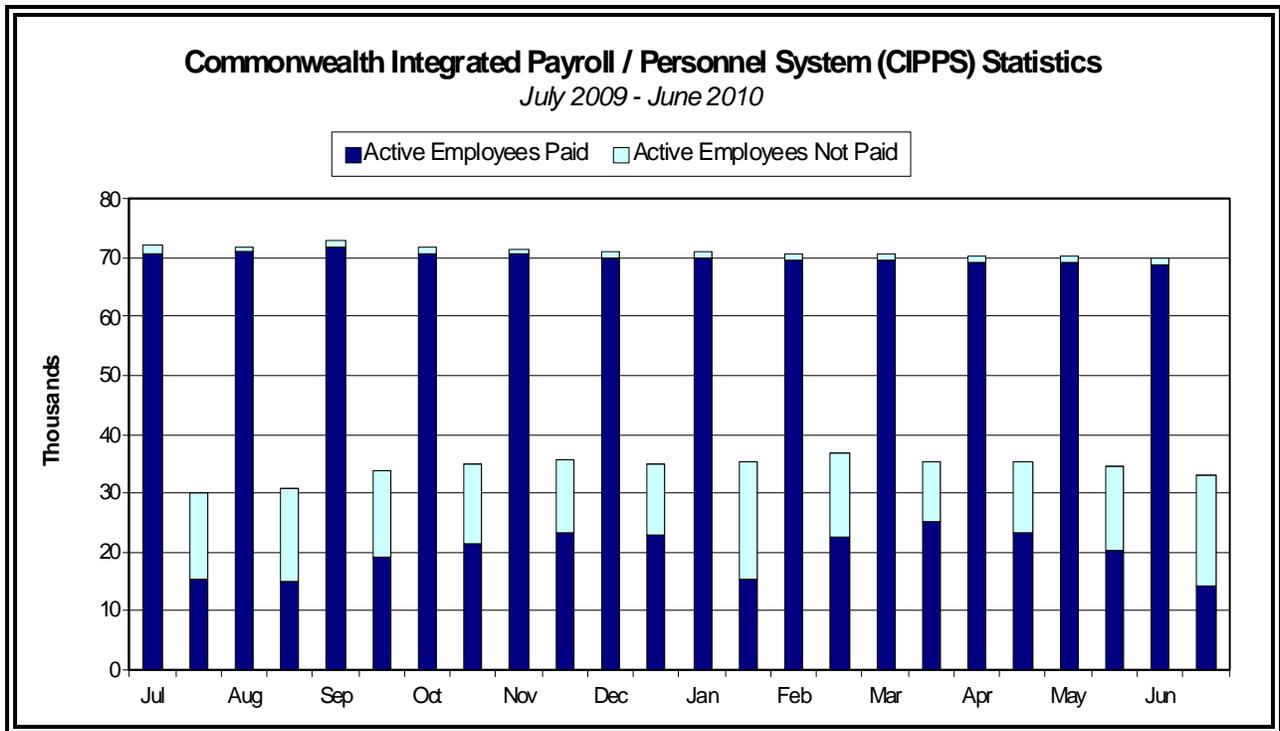


Payroll

The central payroll system for State government is known as *CIPPS*, the Commonwealth Integrated Payroll Personnel System. CIPPS is one of the largest payroll operations in the Commonwealth, serving 105,250 employees. Payroll services are also

provided through eight decentralized higher education institutions.

On average, 89,128 employees were paid each month, of which 69,123 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 7,313 savings bonds with a face value of over \$934 thousand.

**Benefit Participation
Number of Participating Employees**

Benefit	As of 6/30/2010	Comparative	
		As of 6/30/2009	As of 6/30/2008
Health Care			
COVA Care	73,947	83,775	84,100
COVA Connect	7,576	N/A	N/A
Kaiser	2,061	2,044	2,010
Optional Retirement Plans*			
Fidelity Investments	490	491	490
TIAA/CREF	1,428	1,445	1,446
Political Appointee - ORP	91	87	97
Deferred Compensation*	39,567	39,089	37,318
Flexible Reimbursement*			
Dependent Care	784	793	767
Medical Care	7,216	7,520	6,966

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



Accounts Receivable

Executive Summary

The *Code of Virginia* § 2.2-4800 et seq. 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.

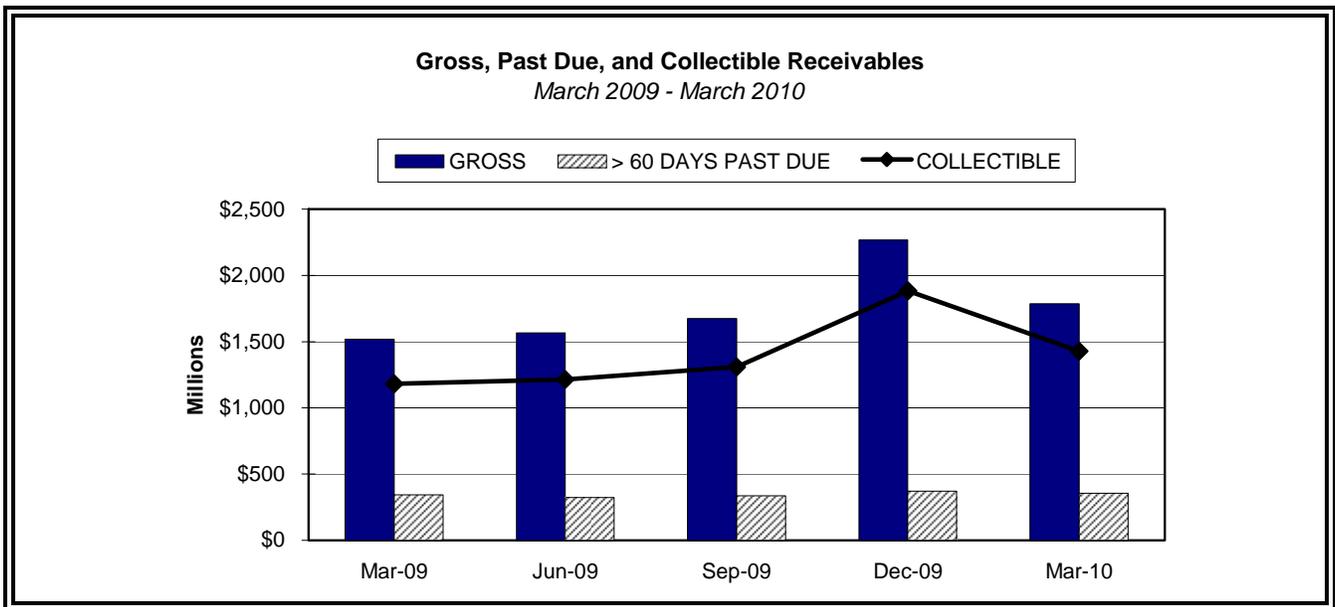
In an effort to present more meaningful information, DOA continues to exclude data from the tables (except for the final table on past due receivables) from the Department of Taxation, consisting largely of statutory assessments and non-filers assessments, and the circuit and district courts, which report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

Commonwealth agencies and institutions reported adjusted gross receivables of \$1.78

billion at March 31, 2010, with \$1.43 billion considered collectible. Receivables over 60 days past due as of March 31, 2010, totaled \$355.0 million. Of that amount, \$19.7 million was placed with private collection agencies, \$30.9 million was placed with the Division of Debt Collection and \$304.4 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 March 31, 2010, agencies expected to collect \$1.43 billion (80 percent) of the \$1.78 billion adjusted gross receivables. About 2 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 nongeneral funds.

Collectible Receivables by Fund

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

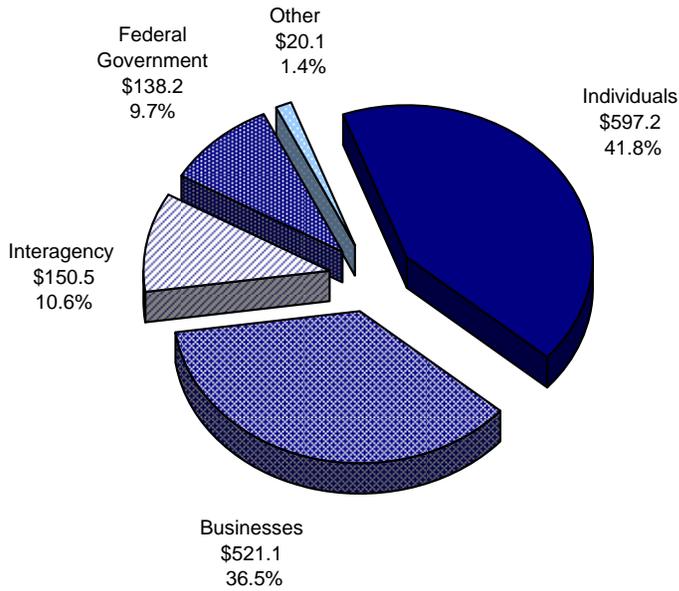
As of March 31, 2010

Fund	Source	Amount	Percent	
General Fund 2%	Medicaid - Current Recoveries	\$ 10,907,609	40%	
	Social Services	3,229,972	11%	
	Labor and Industry Inspections	712,660	3%	
	State Police Permits	1,586,235	6%	
	Corrections	1,138,946	4%	
	Other	8,918,431	32%	
	Subtotal	26,493,853	96%	
	Interagency Receivables	1,050,180	4%	
	Total General Fund Collectible		\$ 27,544,033	100%
	Nongeneral Funds 98%	Medicaid - Dedicated Penalty Fees	\$ 50,076,585	4%
Medicaid - Federal Reimbursements		2,870,463	1%	
Unemployment Taxes *		353,170,084	25%	
Transportation		85,250,980	6%	
Child Support Enforcement		123,885,489	9%	
Federal Government		26,187,561	2%	
DBHDS Patient Services		28,704,686	2%	
Hospital		228,748,345	16%	
Enterprise		73,994,590	5%	
Higher Education		227,608,754	16%	
Other		49,547,443	4%	
Subtotal		1,250,044,980	90%	
Interagency Receivables		149,461,507	10%	
Total Nongeneral Fund Collectible		\$ 1,399,506,487	100%	
All Funds	Grand Total	\$ 1,427,050,520	100%	

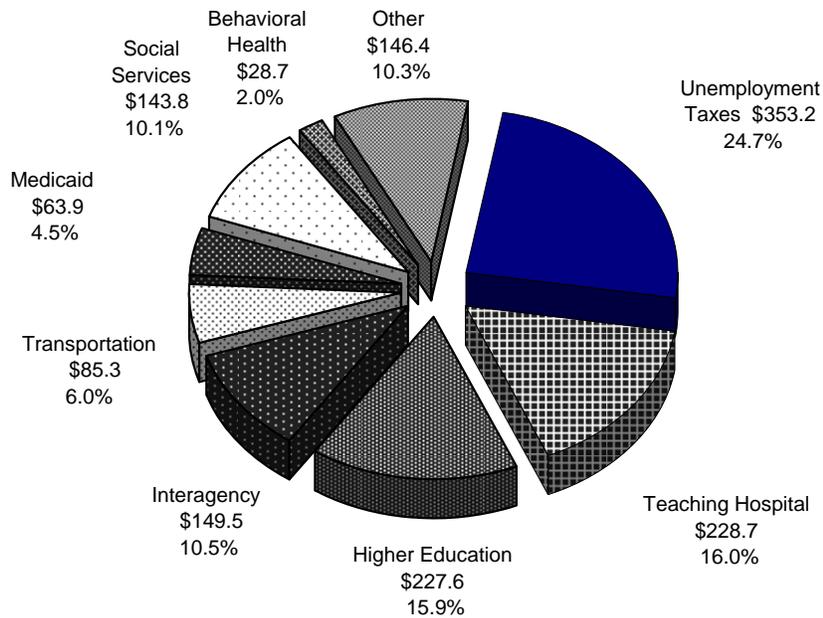
* Note: The Virginia Employment Commission provides Unemployment Taxes Information.

Summary of Receivables by Source

Sources of Collectible Receivables by Debtor
(dollars in millions)
As of March 31, 2010



Sources of Collectible Receivables by Type
(dollars in millions)
As of March 31, 2010



Not counting Taxation and the Courts, ten agencies account for 85 percent of the Commonwealth's adjusted gross and 83

percent of the adjusted collectible accounts receivable balances.

Accounts Receivable Summary
Not Including Circuit Courts, District Courts, or Department of Taxation
Quarter Ended March 31, 2010

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
Virginia Employment Commission	\$ 397,296,406	\$ 39,821,449	\$ 357,474,957
University of Virginia Medical Center	299,117,966	17,721,929	281,396,037
Department of Social Services	374,044,480	223,548,305	150,496,175
Department of Transportation	81,725,620	1,432,843	80,292,777
Department of Medical Assistance Services	99,808,254	35,930,970	63,877,284
State Lottery Department	60,852,918	-	60,852,918
Virginia Polytechnic Institute and State University	61,967,577	2,522,074	59,445,503
University of Virginia - Academic Division	50,652,862	1,779,409	48,873,453
Virginia Information Technologies Agency	42,679,349	-	42,679,349
Virginia Commonwealth University	42,251,876	4,074,567	38,177,309
Total	\$ 1,510,397,308	\$ 326,831,546	\$ 1,183,565,762
All Other Agencies	274,126,900	30,642,142	243,484,758
Grand Total	\$ 1,784,524,208	\$ 357,473,688	\$ 1,427,050,520

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.

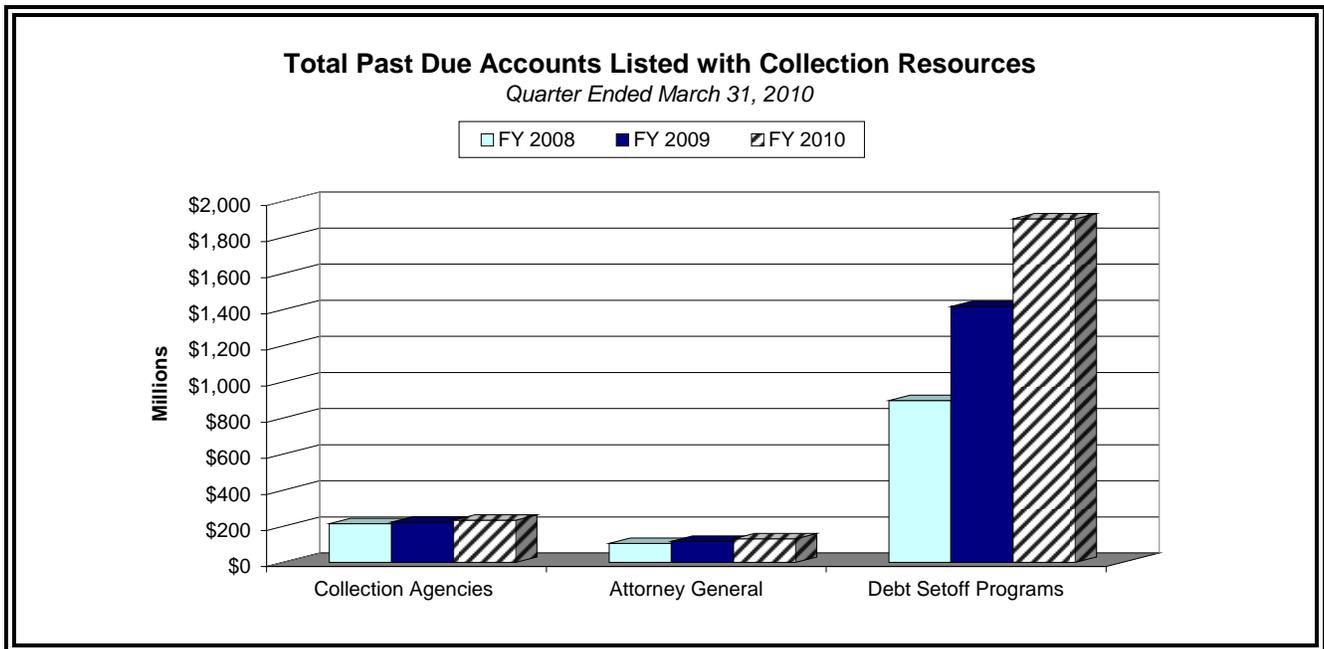
These additional collection tools recovered \$78.4 million during the quarter ended March 31, 2010. The Division of Debt Collection contributed \$1.5 million. Private collection agencies collected \$2.6 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected \$74.3 million.

Private collection agencies returned \$6.7 million of accounts to agencies, and the Division of Debt Collection discharged \$2.5 million of accounts and returned \$2.2 million of accounts to agencies.

Collectible Receivables Over 60 Days Past Due
Not Including Circuit Courts, District Courts or the Department of Taxation
As of March 31, 2010

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	\$ 128,863,260	\$ 2,610	\$ -	\$ 128,860,650
Virginia Employment Commission	46,400,696	8,701,753	9,662,340	28,036,603
University of Virginia Medical Center	38,531,198	-	-	38,531,198
Department of Medical Assistance Services	28,494,136	701,010	1,121,672	26,671,454
Department of Transportation	21,986,906	1,685,160	11,312,149	8,989,597
Department of Behavioral Health and Developmental Services	12,245,726	-	-	12,245,726
Virginia Information Technologies Agency	11,126,442	-	-	11,126,442
University of Virginia - Academic Division	10,258,332	307,734	44,247	9,906,351
Virginia Commonwealth University	7,076,581	8,345	403,649	6,664,587
Department of General Services	5,862,594	-	-	5,862,594
TOTAL	\$ 310,845,871	\$ 11,406,612	\$ 22,544,057	\$ 276,895,202
All Other Agencies	44,162,754	8,298,572	8,370,572	27,493,610
TOTAL OVER 60 DAYS	\$ 355,008,625	\$ 19,705,184	\$ 30,914,629	\$ 304,388,812
Uncollectible Amounts Placed for Collection, Including Accounts Written Off	2,492,203,783	214,243,655	99,713,480	2,178,246,648
TOTAL COLLECTION EFFORTS	\$ 2,847,212,408	\$ 233,948,839	\$ 130,628,109	\$ 2,482,635,460

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



Comptroller's Debt Setoff (CDS) Program

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

withheld, in full or in part, to satisfy the debt owed to the State. CDS collected \$2.6 million through the fourth 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 3/31/10	Comparative	
		Percent at 12/31/09	Percent at 9/30/09
Department of General Services	52%	55%	23%
Department of Social Services	34%	35%	35%
Department of Medical Assistance Services	29%	33%	36%
Department of Transportation	27%	53%	26%
Virginia Information Technologies Agency	26%	23%	21%
University of Virginia - Academic Division	20%	4%	6%
Virginia Commonwealth University	17%	3%	9%
University of Virginia Medical Center	13%	15%	10%
Virginia Employment Commission	12%	48%	44%
Department of Behavioral Health and Developmental Services	27%	25%	24%
Statewide Average - All Agencies	20%	16%	20%

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 83 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 98 percent indicates that for every \$1 billed during the quarter ended March 31, 2010, the state collected 98 cents. This rate is two percent less than last year, and five percent less than the March 31, 2008 quarter.

Collections as a Percentage of Billings

Agency	Percent 3/31/2010	Comparative	
		Percent 3/31/2009	Percent 3/31/2008
Virginia Commonwealth University	269%	257%	256%
University of Virginia - Academic Division	226%	188%	177%
Virginia Polytechnic Institute and State University	223%	226%	210%
Virginia Information Technologies Agency	101%	100%	95%
Department of Social Services	96%	90%	95%
State Lottery Department	93%	96%	113%
Department of Transportation	84%	95%	92%
Virginia Employment Commission	52%	41%	35%
Department of Medical Assistance Services	39%	43%	70%
University of Virginia Medical Center	31%	29%	35%
Statewide Average - All Agencies	98%	100%	103%

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 \$63.9 million at March 31, 2010, is a \$1.6 million increase over the \$62.3 million reported at March 31, 2009. Over the same period, total past due receivables of \$36.1 million have decreased by \$8.8 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 \$281.4 million at March 31, 2010, were a \$42.4 million increase from the \$239.0 million reported the previous year. Past due receivables increased by \$8.4 million to \$111.8 million at March 31, 2010.

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 \$357.5 million at March 31, 2010, an increase of \$139.5 million from the previous year. Total past due receivables were \$50.8 million, a \$10.3 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 March 31, 2010, of \$42.7 million, which is a decrease of \$4.2 million reported in the previous year. Most of these receivables are due from other state agencies. As of March 31, 2010, \$11.1 million was over 60 days past due, an increase of \$2.5 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 three multi-state games, Mega Millions, PowerBall 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 March 31, 2010, the State Lottery reported net receivables of \$60.9 million, a \$6.5 million increase from the previous year. Billings decreased by \$681,530 and collections decreased by \$6.7 million during the March 31, 2010 quarter when compared to the March 31, 2009 quarter. At March 31, 2010, the State Lottery had \$126,401 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 March 31, 2010, DOE had no accounts receivable due from the Federal government under Direct Aid to Public Education. This is consistent with the prior year.

Virginia Polytechnic Institute and State University (VPISU)

VPISU is one of the Commonwealth's largest universities and one of two land grant institutions in the state. At March 31, 2010, the University reported net collectible receivables of \$59.4 million, a \$4.9 million decrease over the prior year. At the same time, total past due receivables of \$7.7 million decreased by \$1.2 million over the prior year.

The University uses a variety of collection methods to encourage payments. At March 31, 2010, VPISU had \$3.5 million of accounts over 60 days past due. \$1.5 million was placed with the Attorney General's Division of Debt Collection, another \$937,777 was placed with private collection agencies and \$1.7 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 March 31, 2010, the Department reported collectible receivables of \$28.7 million, a \$343,915 decrease over the previous year. \$18.5 million was past due, with \$12.2 million being over 60 days past due. Total past due receivables increased by \$2.5 million over the year, and accounts over 60 days past due increased by \$2.9 million. At March 31, 2010, the Department had a total of \$5.7 million of accounts placed with the Attorney General and \$622,350 listed in Taxation's Debt Setoff Programs.

Department of Transportation (VDOT)

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

At March 31, 2010, VDOT reported \$80.3 million of collectible receivables, an increase of \$31.2 million from the prior year. VDOT also reported \$39.1 million total past due and \$22.0 million being over 60 days past due. Past due receivables increased by \$4.8 million over the year, while receivables over 60 days past due decreased by \$4.5 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 \$11.3 million of their accounts over 60 days past due with the Attorney General's Division of Debt Collection, and \$1.7 million with private collection agencies.

Department of Social Services (DSS)

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

At March 31, 2010, DSS reported gross receivables of \$374.0 million, an allowance for doubtful accounts of \$223.5 million and collectible receivables of \$150.5 million. Past due receivables totaled \$130.9 million, of which \$128.9 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for \$325.2 million (87 percent) of the gross receivables, \$201.4 million (90 percent) of the allowance for doubtful accounts and \$123.9 million (82 percent) of the collectible receivables.

From March 31, 2009, to March 31, 2010, gross receivables decreased \$1.5 million and collectible receivables decreased by \$3.9. Total past due receivables increased by \$748,846 and receivables over 60 days past due increased by \$1.1 million.

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

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

At March 31, 2010, DRPT had gross and net receivables of \$3.8 million. The majority of this money is due via an interagency transfer from VDOT. DRPT had no past due receivables at March 31, 2010.

Virginia Commonwealth University (VCU)

VCU, based in Richmond, offers 211 degree programs to over 32,000 students in a variety of fields ranging from accounting to pharmacy at both undergraduate and graduate levels.

At March 31, 2010, VCU had \$38.2 million of collectible receivables, an \$8.0 million increase from March 31, 2009. Total past due accounts were \$7.7 million, a \$669,455 increase from March 31, 2009. Accounts over 60 days past due (\$7.1 million) increased by \$1.3 million from the prior year. Billings increased by \$959,651 to \$74.3 million and collections increased by \$11.6 million to \$199.9 million for the March 31, 2010 quarter, when compared to the March 31, 2009 quarter.

The following table is prepared to present the March 31, 2010, aging information in conformity with the provisions of Section 2.2-603.E.(ii) of the *Code of Virginia*.

Commonwealth's total \$3.0 billion past due accounts receivable at March 31, 2010. Another 18 agencies accounted for 17 percent (\$501.7 million), leaving 71 other agencies to comprise the last one percent at \$33.0 million.

Taxation and the Circuit and District Courts accounted for 82 percent (\$2.47 billion) of the

Agencies with the Largest Volume of Past Due Receivables

As of March 31, 2010

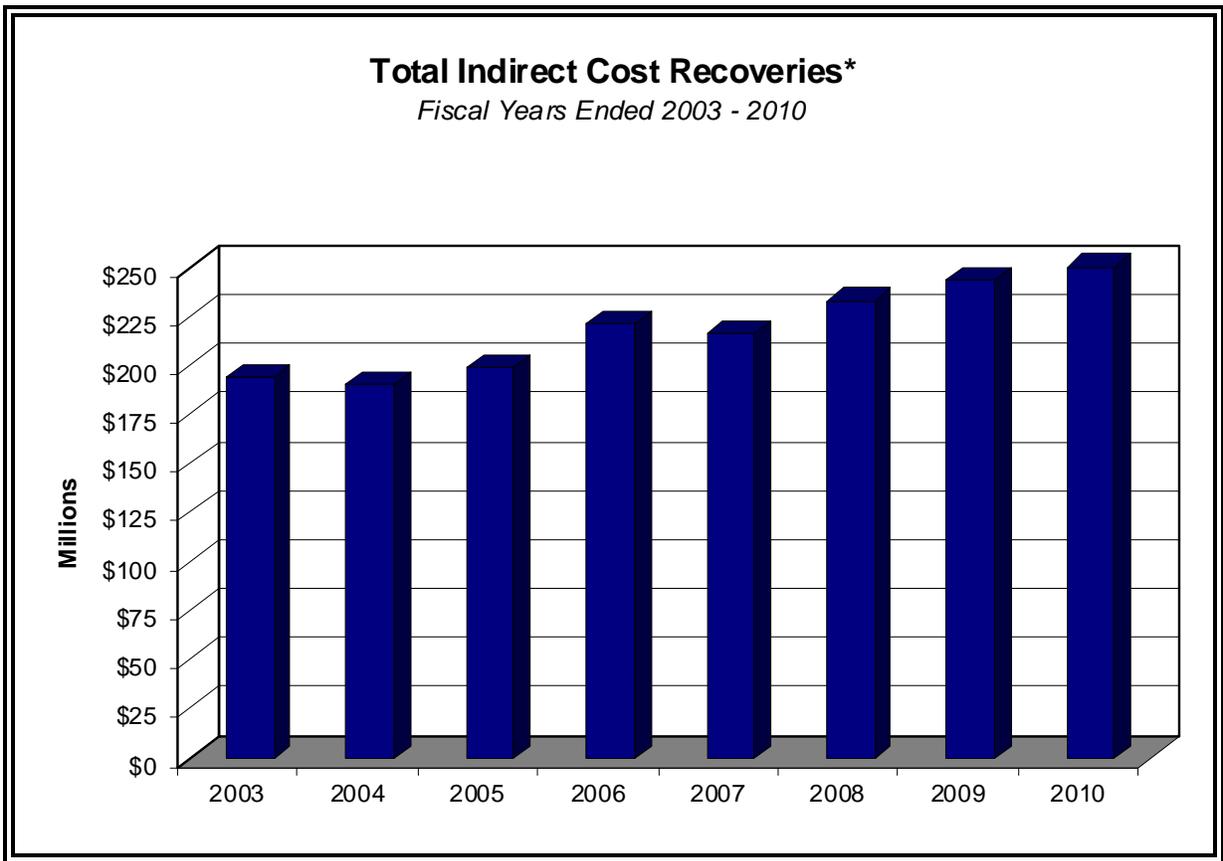
Agency	Total Past Due	1 to 180 Days Past Due	181 to 360 Days Past Due	Over One Year
Department of Taxation	\$ 1,889,758,625	\$ 214,655,001	\$ 258,079,959	\$ 1,417,023,665
Localities' Circuit and District Courts	575,944,684	33,616,621	70,183,027	472,145,036
Total - Taxation Assessments and Court Fines and Fees	\$ 2,465,703,309	\$ 248,271,622	\$ 328,262,986	\$ 1,889,168,701
All Other Large Dollar Agencies:				
Department of Social Services	130,878,917	6,243,394	6,229,704	118,405,819
University of Virginia Medical Center	111,778,573	97,229,110	8,099,422	6,450,041
Virginia Employment Commission	50,778,006	14,064,056	11,548,475	25,165,475
Department of Transportation	39,064,941	24,906,209	1,621,641	12,537,091
Department of Medical Assistance Services	36,123,548	11,765,316	4,200,874	20,157,358
Department of Health	23,631,085	22,178,416	265,162	1,187,507
Department of Behavioral Health and Developmental Services	18,451,614	15,033,010	9,803	3,408,801
Virginia Information Technologies Agency	15,121,991	6,998,309	3,602,134	4,521,548
University of Virginia - Academic Division	14,083,391	10,901,333	2,511,933	670,125
State Corporation Commission	11,408,054	10,552,750	764,215	91,089
Virginia Community College System	9,509,290	7,519,375	1,087,544	902,371
Virginia Polytechnic Institute & State University	7,741,171	5,468,276	1,125,138	1,147,757
Virginia Commonwealth University	7,685,241	3,307,391	1,556,257	2,821,593
Department of General Services	7,245,551	2,336,814	3,168,455	1,740,282
George Mason University	6,348,890	5,188,476	1,100,824	59,590
Department of Conservation & Recreation	4,895,535	4,881,025	4,260	10,250
Virginia Workers' Compensation Commission	3,520,374	708,699	1,176,799	1,634,876
Department of State Police	3,447,129	1,879,744	537,919	1,029,466
Total - Largest Dollar Volume Agencies	\$ 501,713,301	\$ 251,161,703	\$ 48,610,559	\$ 201,941,039
All Other Agencies	32,958,922	23,623,083	3,438,609	5,897,230
Grand Total Past Due Receivables	\$ 3,000,375,532	\$ 523,056,408	\$ 380,312,154	\$ 2,097,006,970



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 June 30, 2010.

Indirect Cost Recoveries from Grants and Contracts
Fiscal Year 2010

Fund	Year-to-Date		
	Higher Ed	Non-Higher Ed	Total
Nongeneral:			
Agency / Institution (1)	\$ 167,140,011	\$ 77,522,959	\$ 244,662,970
Statewide	710,267	675,713	1,385,980
Agency / Institution ARRA	18,217	833,370	851,587
Statewide ARRA	9,806,335	92,274	9,898,609
Total Nongeneral	\$ 177,674,830	\$ 79,124,316	\$ 256,799,146
General:			
Agency (Cash Transfers)	-	122,350	122,350
Statewide	-	2,220,127	2,220,127
Statewide (Cash Transfers)	-	2,701	2,701
Total General	\$ -	\$ 2,345,178	\$ 2,345,178
Total All Funds	\$ 177,674,830	\$ 81,469,494	\$ 259,144,324

- (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 \$49,899,457 representing the Department of Social Services' estimate of indirect cost recoveries received.



Loans and Advances

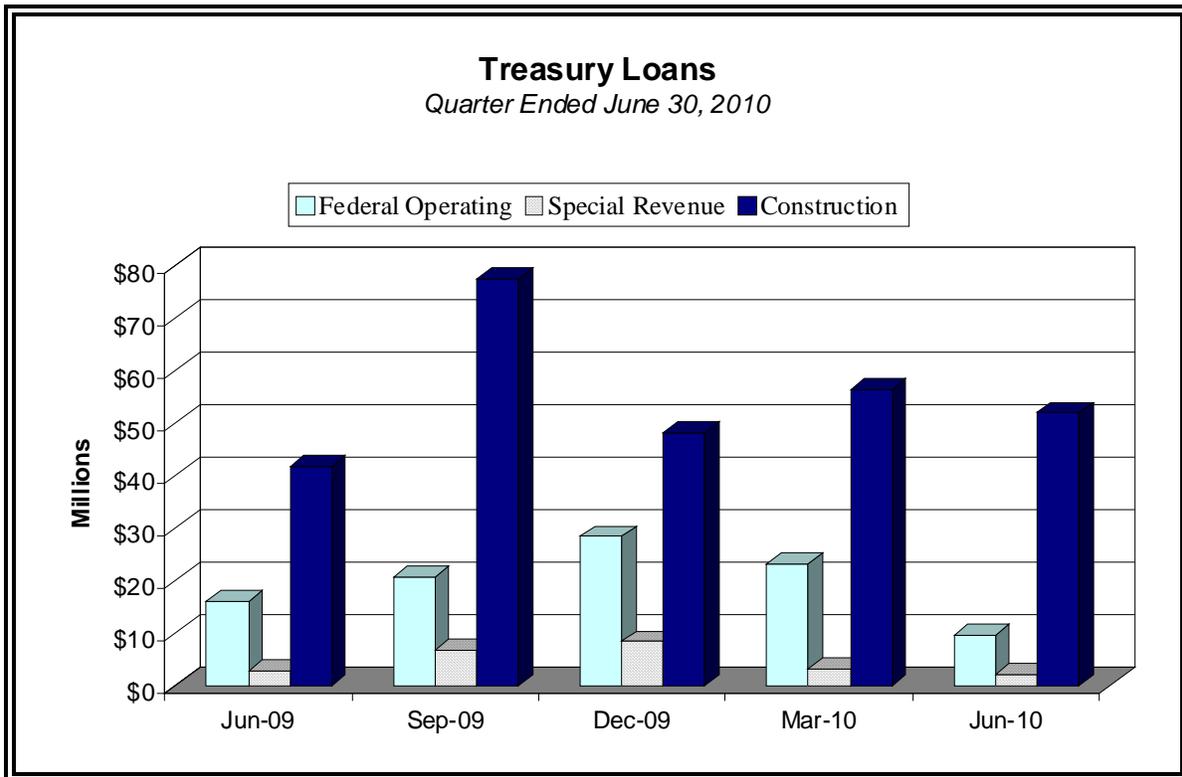
Treasury loans may be used to advance funds to a State agency or institution for a designated purpose prior to some form of reimbursement, typically federal or special revenues. They are loans of a temporary nature, approved on the basis of the following conditions:

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

- **Anticipation of Special Revenue Funds** supports the operations of non-general funded activities when collections are spread unevenly throughout the year while expenses require steady funding.

- **Construction** supports capital projects in anticipation of the sale of authorized debt or other financing for such projects.

The total of all types of treasury loans as of June 30, 2010, was \$63.5 million.



Significant New Loans / Drawdowns		New Balance
Virginia Commonwealth University (VCU)		
Drawdown on a \$9.2 million loan used to construct the New School of Medicine.	\$	1,907,986.00
Department of State Police (DSP)		
Drawdown on a \$1.3 million loan used to conduct grant-funded programs.	\$	1,317,784.00
Significant Loan Repayments		Prior Balance
Department of Accounts (DOA)		
Payment on a \$1.3 million loan used for the Flexible Spending Accounts contractual obligation and program changes for the plan year.	\$	1,000,000.00
Department of Conservation and Recreation (DCR)		
Final payment on a \$1million loan used to acquire the South Quay Natural Area Easement.	\$	1,000,000.00
Department of Veterans Services (DVS)		
Payment on a \$10.2 million loan used for the construction of the Southwest Virginia Veterans Cemetery.	\$	1,063,209.00
Department of Military Affairs (DMA)		
Final payment on a \$2.6 million loan used to pay expenditures incurred in anticipation of reimbursement from the National Guard Bureau (NGB).	\$	1,468,750.00
Department of State Police (DSP)		
Final payment on a \$1.8 million loan used to provide operating funds while awaiting federal reimbursements for approved grants and contracts.	\$	1,893,441.00
Department of Conservation and Recreation (DCR)		
Final payment on a \$4.8 million loan used to acquire land for the Biscuit Run/Forest Lodge Tract.	\$	4,799,166.00
George Mason University (GMU)		
Final payment on a \$12.5 million loan used to provide operating funds while awaiting federal reimbursements for approved grants and contracts.	\$	12,500,000.00

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 June 30, 2010, was \$60,117,635.

- **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 June 30, 2010, 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 June 30, 2010, was \$72.8 million.

