

**REPORT ON
STATEWIDE FINANCIAL MANAGEMENT AND
COMPLIANCE**

FOR THE QUARTER ENDED MARCH 31, 2010



OFFICE OF THE COMPTROLLER

DEPARTMENT OF ACCOUNTS

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STATEMENT OF PURPOSE

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

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

This *Quarterly Report* includes information for the quarter ended March 31, 2010, and comparative FY 2009 data. Some information in the report is for the quarter ended December 31, 2009, which is the most current data available.

David A. Von Moll, CPA, CGFM
Comptroller



Virginia Department of Accounts

Financial Accountability. Reporting Excellence.

SPECIAL REPORT

2009 Information Returns Reporting

The federal government requires State and local governments and their subdivisions to report certain payments to the Internal Revenue Service (IRS) at calendar year-end. Generally, payments made for \$600 or more during a calendar year to individuals, sole proprietors, medical and legal corporations, partnerships, trusts, and estates are considered reportable.

Studies show that information returns increase tax collections by increasing the likelihood that taxable income will be properly reported.

States have special information returns reporting requirements unique to their

governmental functions. These include reporting payments for state unemployment compensation, taxable grants, reforestation payments, state tax refunds, and lottery winnings.

In February 2010, a Statewide Information Returns compliance survey was conducted for the 2009 tax year. Based on the survey, 127 tax reporting entities (representing 257 agencies and institutions) filed 3.9 million information returns totaling \$10.5 billion. Four reporting entities did not file information returns for 2009. The Commonwealth filed 99.95 percent of the information returns with the IRS using electronic media.

Information Returns

Filed for Calendar Year 2009

Number of Information Returns Filed	Number of Tax Reporting Entities
No Returns	4
1 to 50 Returns	68
51 to 250 Returns	21
Over 250 Returns	34
Total Reporting Entities	127

The agencies and institutions of the Commonwealth filed the following types of information returns for the tax year ended December 31, 2009. When the number of information returns filed for 2009 is compared with 2008, percent changes by category range from a negative 3.1 percent for 1099-S, Real Estate Transactions, to a positive 29.2 percent for 1099-DIV, Dividends. The 29.2 percent increase in dividends reported by the Division of Unclaimed Property was due to the successful

location of the dividend owners. Demutualized insurance companies issued shareholders special dividends when they reorganized. The number of 1099-Q forms reported by the Virginia College Savings Plan increased by 9.6%, as a result of the increased number of distributions made to (i) institutions pursuant to Virginia Prepaid Education Program contracts, and (ii) participants, beneficiaries and institutions pursuant to Virginia Education Savings Trust and CollegeWealth savings accounts.

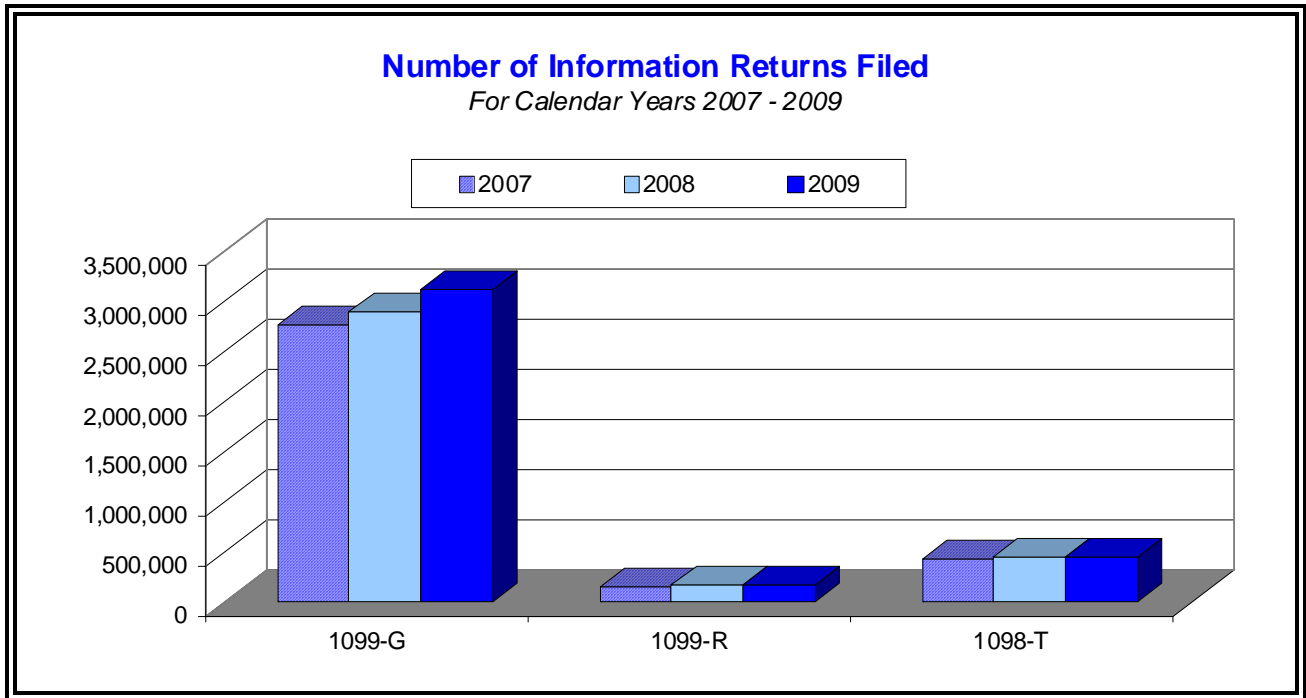
2009 Information Returns Reporting Results

By Major Filing Category

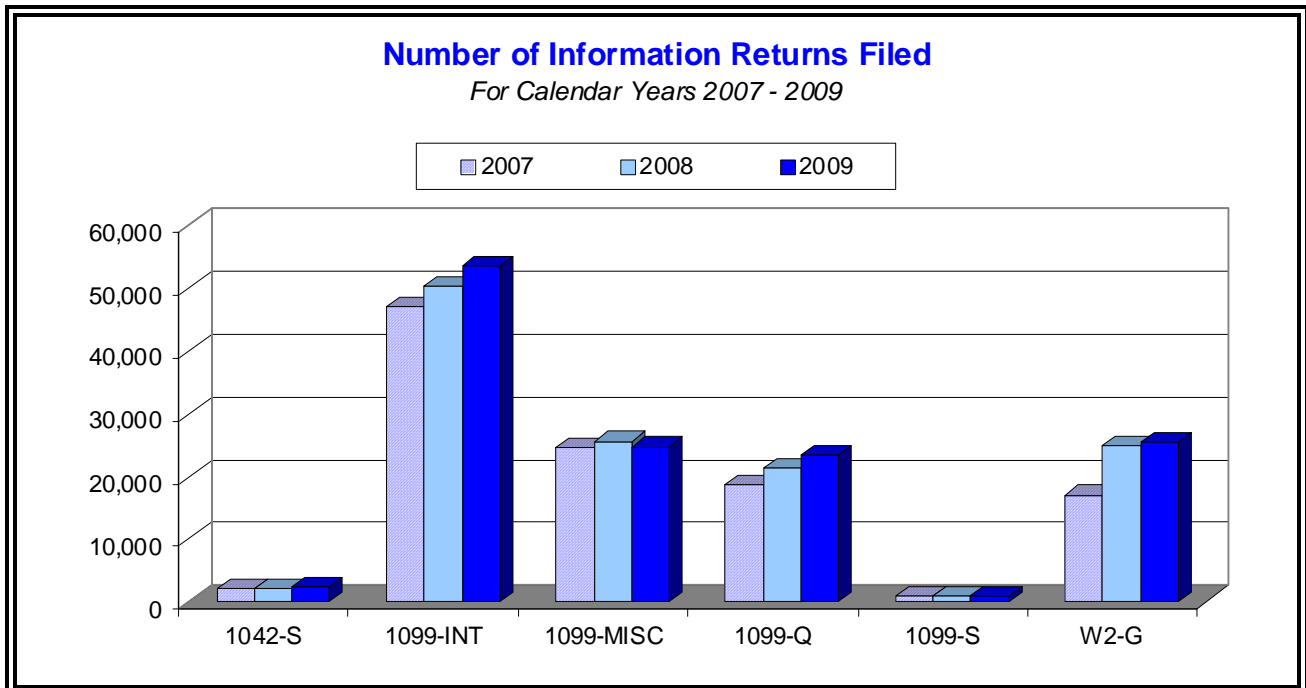
Form Type (1)	Dollars Reported in 2009	Number of Payees in 2009	Electronic Media	Paper Media	% Change in Number of Filings from 2008
1099-G, Government Payments	\$ 3,951,391,088	3,122,266	3,122,256	10	7.6%
1099-R, Retirement	2,952,705,806	168,255	168,127	128	3.1%
1098-T, Tuition Payments	2,403,320,667	447,924	447,924	-	-0.2%
1099-MISC, Miscellaneous Income (2) (3)	741,857,984	24,794	23,124	1,670	0.6%
W-2G, Lottery Winnings	190,907,317	25,474	25,474	-	2.1%
1099-Q, Qualified Education Programs	161,768,952	23,532	23,532	-	9.6%
1099-S, Real Estate Transactions	74,326,007	914	896	18	-3.1%
1042-S, Foreign Persons	17,262,130	2,439	2,288	151	8.5%
1099-INT, Interest	8,511,259	53,602	53,525	77	6.7%
1099-B, Stock Sale Proceeds by Unclaimed Property Div. of the Treasury Department (3)	2,082,485	1,028	1,028	-	0.8%
1099-DIV, Dividends	475,592	1,959	1,959	-	29.2%
Total	\$ 10,504,609,287	3,872,187	3,870,133	2,054	6.3%

- (1) Does not include payments reported on the Form 1098-E, Student Loan Interest, because the processing of these returns is contracted out by most higher education institutions.
- (2) Does not include Medicaid payments to third party providers made by the DMAS fiscal agent.
- (3) 1099-B, Stock Sale Proceeds were reported to DOA by Treasury's Division of Unclaimed Property as 1099-MISC in prior year. Percentages shown in the table above reflect adjusted amounts for 1099-MISC and 1099-B payees for 2008.

Following is a comparison of the number of returns filed in the past three years in various categories.



Note: This chart does not include comparison information for forms 1042-S, 1099-INT, 1099-MISC, 1099-Q, 1099-S, or the W2-G which are shown on the chart below.



Note: This chart does not include comparison information for forms 1099-G, 1099-R and 1098-T which are shown in the chart at the top of this page.

Discrepancy Notices

During 2009, four agencies received IRS CP2100 Notices or other correspondence related to information returns filed for the previous tax years. These notices stated that the agencies had filed information returns using (1) an incorrect taxpayer identification number or (2) a taxpayer identification number that did not match a taxpayer record in either the IRS or Social Security Administration's databases. To avoid

penalties for erroneous filings, the agencies were required to research these discrepancies and respond to the IRS. All reporting agencies receiving notices complied. The IRS waived the penalties on four of the notices, and deferred action on the other notice. One agency reported receiving and paying a \$159 penalty on a CP220 Notice for not withholding the required tax on a 2008 payment to a foreign national.

Agency Training

Seventy-one persons from 39 agencies/higher education institutions reported having attended DOA's on-line Information Returns training class. Fifteen agencies/higher education institutions requested additional training in a number of areas. The most frequently mentioned areas of interest were: (1) Tax year changes and IRS updates, (2) Purchase Card Merchant Category Codes, and (3) the reporting requirements for Limited

Liability Companies (LLC's). In 2009, 57 state agencies/higher education institutions participated in the Combined Federal/State Filing Program. This program saves electronic filers time and postage because the IRS forwards state tax copies to participating states.

The chart below lists the reporting entities that filed more than 500 information returns for calendar year 2009.

**Reporting Entities Filing More Than
500 Information Returns for 2009**

Reporting Entity	Number of Agencies	Number of Returns	Dollars Reported	Automated System (s)
Department of Taxation	1	2,855,621	\$ 2,208,410,996	In-House System
Virginia Employment Commission	1	317,416	1,740,825,299	AMS
Virginia Community College System (VCCS) (1)	24	194,600	259,352,400	PeopleSoft Admin. System
Virginia Retirement System	1	168,163	2,982,935,293	AdamsTax Form Helper
Virginia Commonwealth University	1	50,478	419,780,425	Banner and Evisions
George Mason University	1	38,810	308,573,454	Sunguard Banner
Virginia Polytechnic Institute and State University	2	33,467	343,164,315	Banner
Old Dominion University	1	30,207	154,051,749	Banner and Secure 32
University of Virginia	4	29,236	488,382,201	In-House System
State Lottery Department	1	27,056	237,975,595	JD Edwards Enterprise One
Virginia College Savings Plan	1	23,545	162,263,723	AMS
James Madison University	1	22,046	191,990,712	Winfiler
The College of William and Mary in Virginia	3	13,004	148,271,333	Banner and AMS
Radford University	1	12,760	65,602,290	AMS
Norfolk State University	1	9,023	59,578,153	IFAS
Christopher Newport University	1	8,100	53,108,212	Evisions
University of Mary Washington	1	7,091	53,503,384	SCT Banner
Longwood University	1	5,965	42,094,276	Banner
Virginia State University	2	5,549	41,541,771	1099 Express Enterprise
Department of the Treasury, Division of Unclaimed Property	1	3,738	2,821,160	In-House System
Supreme Court	9	2,555	97,581,403	IDSS Oracle
Department of Transportation	1	2,023	107,763,106	PeopleSoft FMS
Virginia Military Institute	1	1,785	28,388,466	Datatel Colleague
Department of Forestry	1	1,459	2,609,747	AMS
Department of Rehabilitative Services	6	1,141	12,285,970	Powerhouse
Department of Health	2	841	15,826,309	FAS (Oracle)
Department of State Police	1	555	9,183,939	Convey
Total	71	3,866,234	\$ 10,237,865,681	

(1) The number of returns filed by VCCS includes 194,559 1098-T's filed on behalf of the 23 community colleges.



SPECIAL REPORT

2009 Year-End Payroll Processing

At the end of calendar year 2009, DOA working with 217 state agencies and institutions, verified and printed 116,986 W-2s. This was a slight decrease from the number of W-2s printed in 2008.

	CY 2008	CY 2009
W-2s Printed	121,275	116,986
W-2Cs Printed	33*	42*
Agencies Making Adjustments	70	37
Employee Records Requiring Year-End Adjustments	254	101

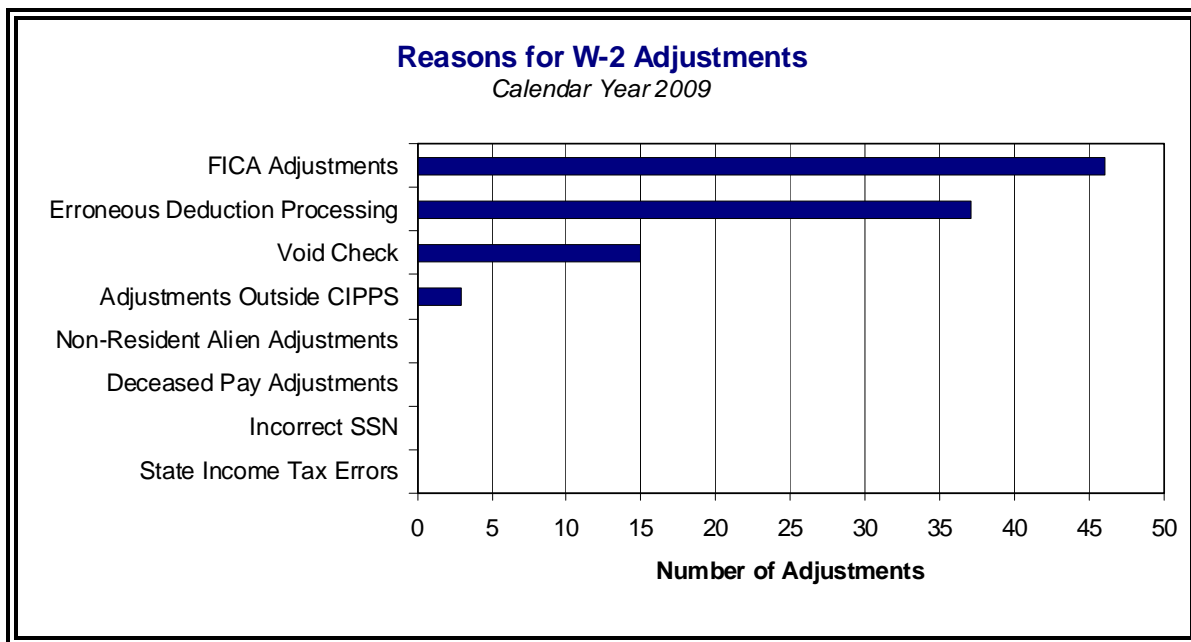
*# of W-2C's printed as of the date of this report.

The elimination of reconciliation and certification requirements at the end of the fourth quarter freed staff time for earlier attention to W-2 processing. Agencies ensured that their remote report printers were operational over the New Year's holiday. In addition, many agencies improved the timeliness of payroll updates during the year.

As a result, required processing deadlines continue to be met without difficulty. Submissions of certified year-end reports continue to follow the same trend as last year.

Agencies adjusted 101 employee records. FICA adjustments related to the calculation of imputed life for ORP retirees was the most common reason for W-2 adjustments. Adjustments made outside of the payroll system processed at year-end also constituted a large portion, as did adjustments for erroneous deduction processing.

W-2s are printed at the Commonwealth Enterprise Solutions Center and subsequently distributed to a third party vendor for folding and envelope stuffing. Upon return from the vendor, agencies are notified that the W-2s are ready for pickup. All CIPPS W-2s were available in Payline by January 21 and all paper copies were picked up by January 25th for subsequent delivery to employees.



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 No. 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 March 31, 2010

The APA issued 10 separate reports covering 25 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				
None				
Commerce and Trade				
Board of Accountancy	0	0	0	N/A
Education				
Old Dominion University	0	0	0	N/A
Virginia Commonwealth University	0	0	0	N/A

	New Findings	Repeat Findings	Total Findings	CAW Received
Executive Offices				
None				
Finance				
Agencies of the Secretary of Finance				
Secretary of Finance (1)	1	0	1	Yes
Department of Accounts (1) (4)	1	1	2	Yes
Department of Planning and Budget (1)	0	0	0	N/A
Department of Taxation (1)	5	0	5	Yes
Department of the Treasury (1)	0	0	0	N/A
Treasury Board (1)	0	0	0	N/A
Health and Human Resources				
Agencies of the Secretary of Health and Human Resources (5)				
Department of Behavioral Health and Developmental Services (2) (6)	6	3	9	Yes
Department of Health (2) (4)	2	0	2	Yes
Department of Health Professions (2)	0	0	0	N/A
Department of Medical Assistance Services (2)	0	0	0	N/A
Department of Social Services (2) (4)	6	0	6	Yes
Natural Resources				
Department of Historic Resources	0	0	0	N/A
Public Safety				
Department of Emergency Management	0	0	0	N/A
Department of Fire Programs	1	0	1	Yes
Virginia War Memorial Foundation	4	2	6	Not Due
Technology				
None				
Transportation				
Agencies of the Secretary of Transportation				
Department of Aviation (3)	0	0	0	N/A
Department of Motor Vehicles (3)	1	0	1	Yes
Department of Rail and Public Transportation (3)	0	0	0	N/A
Department of Transportation (3)	0	0	0	N/A
Motor Vehicle Dealer Board (3)	0	0	0	N/A
Towing and Recovery Operations (3)	0	0	0	N/A
Virginia Port Authority (3)	0	0	0	N/A

(1) One report covering six entities.

(2) One report covering five entities.

(3) One report covering seven entities.

(4) Contains a Risk Alert.

(5) The remaining agencies in the Secretariat will be audited and reported separately from this report.

(6) Contains a Risk Alert and an Efficiency Recommendation.



Audit Findings - Quarter Ended March 31, 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.

Finance

Secretary of Finance (SFIN)

1. Improve Financial Reporting Processes. In 2005, the Department of Taxation (TAX) replaced its legacy revenue accounting system, State Tax Accounting and Reporting System (STARS) with the Integrated Revenue Management System (IRMS). While TAX has implemented a modern revenue processing system, the financial reporting requirements outlined by the Department of Accounts (DOA) have remained consistent. In providing financial reporting information to DOA, there are instances where TAX has forced their modern revenue system to function like the Commonwealth Accounting and Reporting System (CARS), an antiquated batch processing financial system. This results in TAX having to post multiple manual entries to both CARS and IRMS each year. Furthermore, forcing IRMS to function like CARS has resulted in mistakes in the financial information it reports to DOA. To prevent these mistakes, TAX would need to reprogram its system in order for IRMS to take into account both the automated processes and manual adjustments in its financial reports. Not considering all transactions caused TAX to overstate receivables balances by \$70 million at fiscal year-end, which resulted in mistakes to the receivables reported for inclusion in the Comprehensive Annual Financial Report.

Department of Accounts (DOA)

1. Improve Information Systems Security Program. **This is a repeat finding.** DOA has not made all of the improvements to its information systems security program that were recommended in the prior year audit, which limits DOA's ability to protect critical systems from internal and external threats. While DOA is currently developing risk assessments for its sensitive systems and has devised a way to securely provide system passwords, DOA needs to complete the following issues to strengthen its security posture and to comply with the Commonwealth's information security standard.
 - Include security requirements in its data sharing agreements with other organizations.
 - Develop an Incident Response plan.
 - Document the baseline system configuration requirements in its security program, so that Accounts can consistently apply minimum security safeguards.
2. Improve Web Application Management and Security. DOA has not determined, in consultation with the VITA-Northrop Grumman Information Technology Partnership, responsibilities for managing the systems associated with its web applications. As a result, DOA does not adequately manage or secure its web applications that process and store sensitive information. Properly managed web applications lessen the risk that someone will compromise or inappropriately access confidential data. DOA also needs to provide secure coding training to its programmers and perform periodic vulnerability testing to identify and correct any vulnerability.

Department of Taxation (TAX)

1. Improve Database Administrator Access Oversight. TAX does not provide adequate oversight for its database administration user accounts to address the risk of unauthorized disclosure of taxpayer information. Database administrator accounts have the highest level of privileges in a database. Without adequate oversight over high-privileged administration accounts, TAX cannot determine accountability for the adding, deleting, or changing of data in the systems that TAX has classified as containing confidential or mission critical data.
2. Improve Efficiency of Access Management and Change Management Procedures. During the review of TAX's access management and change management procedures, processes were found that resulted in inefficient access management, inappropriate user privileges, and ineffective change management procedures. The access management procedure for employee user accounts requires supervisors to complete request forms that are cumbersome and difficult to complete. As a consequence, some access request forms were incomplete, resulting in TAX granting inappropriate access to its employees. Incomplete system access request forms may result in employees receiving unnecessary access to sensitive and high-risk applications. TAX's change management approval procedures are ineffective. Without properly approving change requests, TAX risks implementing unwarranted changes that can negatively impact the agency's operations.
3. Improve Information Security Officer's Authority and Independence. The Commissioner needs to empower the ISO by ensuring the ISO has the authority and independence within the organization to effect change. The ISO has the responsibility for developing, maintaining, and enforcing TAX's information security program. As such, the ISO should have the proper authority to allow him to develop, implement, and enforce security policies and procedures. While the ISO may not have a direct reporting relationship to the Commissioner, the Commissioner should ensure the ISO's appropriate placement within the organization to ensure independence.
4. Improve Process for Application Updates. TAX has no formal process for reviewing vendor-supplied software updates regularly. In addition, TAX has not adequately documented the review, evaluation, implementation, or justification for not implementing these updates. While TAX has provided verbal assurance over the business decisions made regarding software updates, management could not provide formal documentation of the assessment and decision process. Without updated application software, TAX risks leaving systems vulnerable to outages, unauthorized access, and data compromise, among others. Without documented justification for decisions made not to apply updates, the knowledge of these decisions could be lost and patches or upgrades erroneously applied causing risks similar to those mentioned.
5. Improve Data Sharing Security Requirements. TAX needs to improve its data sharing agreements with third parties to effectively communicate security expectations. Without adequate policies and procedures that define the required security controls over data transmitted or stored by non-Commonwealth entities, TAX is unable to ensure consistent application of security over sensitive data once in the possession of third parties. In addition, communicating TAX's information security expectations to third parties is critical to ensure the third party understands their responsibility for the confidentiality of taxpayer data.

Health and Human Resources

Department of Behavioral Health and Developmental Services (DBHDS)

1. Improve Management and Controls for Facilities. **This is a repeat finding.** Several of this year's recommendations for DBHDS are a result of the Central Office not providing adequate guidance and oversight to its facilities. DBHDS's Central Office has responsibility to provide leadership, vision, strategic, and policy direction for the entire services system. The Central Office establishes priorities and aligns funding and performance expectations to support services for individuals and families.

Central Office has corrected some of the prior year's issues; three still remain and two more recommendations are new.

Unresolved recommendations from prior year:

- Complying with Information Systems Security Program
- Documenting Security Awareness Training
- Developing and Testing Continuity of Operations and Disaster Recovery Plans

New recommendations:

- Improve System Access Controls
- Remove Terminated Employees from Payroll

2. Improve Information Systems Security Program Governance. DBHDS's Information Security Program governance model is inadequate. The Commonwealth's information security standard requires DBHDS's ISO to not only implement the appropriate balance of preventative, detective, and corrective controls for agency IT systems, but also provide assurance to the Commissioner that these information security controls are operating as intended. Under the current governance model, the ISO does not have the information to determine if facilities have implemented corrective controls, such as locking users out of the system until they have had the required training or identifying what individuals have not had security training. Additionally, the ISO has limited ability to require corrective action from Facility Security Officers who are not performing their responsibilities or completing assigned tasks as required.
3. Improve Security Awareness Training Documentation. **This is a repeat finding.** DBHDS's Information Security Officer (ISO) is not monitoring or tracking completion of information security training as required by COVA ITRM Information Security Standard SEC 501-01. Tracking security awareness training and retaining employees' acknowledgment of training, provides management some assurance that employees understand their responsibilities, and allows management to take appropriate action when employees fail to protect DBHDS's data and systems.
4. Continue Improving IT Continuity of Operations and Disaster Recovery Plans. **This is a repeat finding.** While DBHDS has made some improvements since last year, facilities still have varying levels of compliance with the Commonwealth's information security standards. Furthermore, certain facilities are not complying with management's action plans to last year's finding. Agencies that provide critical services to citizens need to have plans for continuing

operations on an interim basis should IT systems fail. Additionally, they need to have tested plans for restoring their IT systems.

5. Improve System Access Controls. DBHDS has inadequate controls for granting access to critical systems, specifically: AVATAR, its Practice Management System, and the Financial Management System (FMS), which includes the Patient Fund Accounting (PFA) module. DBHDS does not practice the principle of least privilege when granting system access. Allowing employees access beyond those required to perform their job responsibilities can unnecessarily give the employee the opportunity to circumvent a key component of internal control, separation of duties.
6. Remove Terminated Employees from Payroll. Two of five facilities, which represent over 20 percent of DBHDS's payroll, are not removing all terminated employees from the payroll system. Not removing terminating employees from the payroll system increases the risk of terminated employees receiving payments in error.
7. Strengthen Timekeeping Operations. Central Virginia Training Center's (CVTC) timekeepers report directly to the Director of Human Resources. Internal Audit conducted a review of CVTC's payroll system in December 2006 and recommended that the responsibility of supervising timekeepers transfer from the Human Resource Office to the Finance Office. Human Resources has the capability to alter employee payroll rates in the system as well as, because of their involvement with time tracking, control employees' timesheets. These are incompatible duties. Further, timekeeping is a fiscal function, much more compatible with the payroll operation than personnel operation. The APA concurs with Internal Audit and recommends that the Facility Director reassign the duty of the supervision of the timekeepers to the Office of Finance and Administration or provide a justification as to why this reporting structure does not represent a significant weakness in internal controls.
8. Require Independent Peer Reviews. In fiscal 2009, DBHDS's Office of Mental Health Services did not require any of the Community Services Boards (Boards) to have an independent peer review. Boards, which provide community mental health services, are required to be subject to independent peer reviews to ensure they are providing an appropriate level of care and to share best practices. To ensure that Boards have periodic reviews, federal law requires that at least five percent of all entities providing mental health services in the community undergo an annual review. The Office of Mental Health Services should require these independent reviews and manage them to ensure reviewers are not reviewing their own programs.
9. Reinforce Reporting Requirement. Only one of the Community Services Boards (Boards) had their audit completed and submitted within the time requirement of the *Code of Virginia*. Boards not part of a local government must have their annual audit completed within 90 calendar days after the end of the fiscal year. Timely Board audits allow for the allocation of cost to the localities they serve. Without this information, localities do not know if they are paying for only their share of the services.

Department of Health (VDH)

1. Improve Application and Database Management. VDH needs to improve the controls and safeguards surrounding its applications and databases that store sensitive data. The number of controls and safeguards should be commensurate with data sensitivity and determined based on VDH's risk assessment and business impact analysis. VDH should also consider the Commonwealth's security standards, federal regulations, and best practices to ensure implementing the recommended safeguards that properly meets the Commonwealth's needs and does not violate any federal regulations.
2. Improve Access Controls to Patient Information. Some users had improper access to VDH's patient billing and revenue system. To help district directors control user access within this system, VDH developed functions to allow the directors to review the level of access of each user. However, it was noted that district directors were not either using these functions or delegating the function effectively. Controlling employees' access is important because it determines what employees can view and do within the system. With improper access, employees could see information they should not or create errors in the system.

Department of Social Services (DSS)

1. Improve Information Security Officer's Authority and Independence. The Commissioner needs to empower the Information Security Officer (ISO) by ensuring the ISO has the authority and independence within the organization to effect change. The Commissioner delegated his responsibility for developing, maintaining, and enforcing DSS information security program to the ISO. As such, the ISO should have the proper authority to allow him to develop, implement, and enforce security policies and procedures without feeling undue pressures. While a direct reporting relationship to the Commissioner may not be appropriate, to ensure independence, industry best practices recommend that the ISO reports to someone in senior management outside of the Information Technology department.
2. Improve and Comply with Information Security Program. DSS does not comply with its Information Security Program and needs to improve database security management procedures. The ISO is responsible for the development and management of the overall information security program. It is also the ISO's duty to make certain that DSS's security plan always meets current Commonwealth IT standards. The ISO can accomplish this by performing internal reviews to evaluate the performance of DSS's information security program and making the necessary adjustments and providing training as the IT environment changes.
3. Develop Procedures for Accounting Adjustments. Based on accounting best practices, the Commonwealth's Comptroller requires that all agencies establish a routine schedule for accumulating and submitting adjustments. The Comptroller also requires that all adjustments have supporting documentation that notes the reason for the adjustment and provides any pertinent information needed to provide an adequate audit trail. Without adequate supporting documentation, managers cannot evaluate the validity of their accounting adjustments and question the accuracy of these transactions.

The APA found adjustments with little to no supporting documentation. For some of these transactions, management was able to research and provide proper support. There were other adjustments made because management stated funds needed to be moved, and while management also stated the transfers were allowable, adequate support was not provided for the specific amounts involved. In addition, the APA found cases with inadequate supporting documentation in which the individuals entering the adjustments could not explain the adjustments and indicated that their supervisor, who is also the person approving the adjustment, directed them to make the entry.

By not having adequate procedures in place for preparing and entering adjustments, DSS increases the risk that required adjustments will not take place as well as increasing the risk of inappropriate adjustments. In addition, by not having adequate supporting documentation, there is also the risk that expenses could become federal questioned costs.

4. Continue Improving System Access. DSS's management did not follow the best practice of "least privileges" when establishing user access to its accounting and budget request systems. In both systems, there are user groups that have the ability to enter and approve the same transactions. Auditors noted several instances where the same individual entered and approved transactions in the accounting system. Currently, DSS has no method of identifying and performing a post review for transactions entered and approved by the same individual. Management should recognize the risk that they are incurring by having this type of access and either develop a method to review the transactions entered and approved by the same individual or give serious consideration to eliminating this type of access. DSS has improved the controls surrounding access to its systems; but it needs to continue these improvements.
5. Ensure Hours are Entered Correctly. In two out of the ten cases tested, the hours recorded by the Local Social Services worker was greater than the hours supported by the supporting documentation in the case file. For one of these cases, the support for the hours worked was not obtained by DSS until after it was requested by the auditors, however, DSS stated that there was an extenuating circumstance in this case that caused the documentation to be lacking from the file. Federal regulations require DSS to verify the work status for clients in the Temporary Assistance for Needy Families program and maintain supporting documentation for each client.
6. Improve Coordination between Local Eligibility Workers and the Division of Child Support Enforcement. Federal regulations require DSS to consider reducing or eliminating a recipient's benefits in a timely manner if the recipient fails to cooperate with Support Enforcement. In six out of the 15 cases tested, there was no evaluation done to determine if Local Office staff should have reduced or eliminated benefits.

Public Safety

Department of Fire Programs (DFP)

1. Maintain Documentation for Adjunct Instructors. DFP does not have hiring documentation for any adjunct instructors hired before August 2008. There are approximately 300 adjunct instructors on their payroll at any given time who teach various training courses during the year. Fire Programs does not have documentation to support the hiring of a majority of these adjunct instructors such as a state application, federal I-9 forms, and agreed upon pay rates. DFP implemented new procedures to begin maintaining hiring documentation for adjunct instructors hired after August 2008. As part of the review, the APA selected a sample of instructors hired after August 2008 and found some documentation was still missing.

Virginia War Memorial Foundation (VWMF)

1. Develop and Monitor Budgets. **This is a repeat finding.** The Board does not currently receive periodic budget and actual expense information from the Executive Director. Such information is an important part of the Board's responsibility to manage and direct the operations of the VWMF. Additionally, the budget plan must include monitoring the progress in developing additional outside resources that will be an essential part of the VWMF's continued operations.
2. Review Donations of Historical Artifacts. The VWMF accepts gifts of various historical artifacts including uniforms, vehicles, and weapons. However, the VWMF does not have facilities to display or store these donated artifacts and other agencies, including General Services and Capital Police, store and safeguard these historic items. Since the VWMF does not have sufficient funding to either store these historical artifacts, create displays of these items, or preserve these items, it will increasingly rely on other agencies to store these items. Additionally, the VWMF has not adhered to the Appropriation Act and obtained the Governor's approval prior to accepting gifts. If the VWMF wants to continue to accept donations, the VWMF must obtain the Governor's approval and identify the resource to provide, preserve and maintain the collection.
3. Board Should Develop Policies and Exercise Adequate Oversight. According to the APA, many findings in this report stem from the lack of direction from the Board on how management should operate and comply with Commonwealth policies and procedures. As an example, the VWMF's full time employees receive all state benefits; however, these employees do not meet the definition of a state employee, under the definition as set forth by the *Code of Virginia* or the Department of Human Resources Management. The Board has not set a pay band for the Executive Director and other staff and the Board has not formally adopted the Commonwealth's personnel policies and procedures. The *Code of Virginia* sets forth that the Board has certain responsibilities, but does not exempt the Board or its employees from working within the Commonwealth's policies and procedures.
4. Develop Adequate Internal Controls. **This is a repeat finding.** The Board must re-examine the operating and financial structure of the VWMF in order to maintain its financial position, establish sound internal controls, and provide for reliable accounting records. Over the last three years, it was recommended that the Board formally transfer the responsibility for all financial activity to the VWMF's fiscal agent, the Department of Veterans Services. The internal control issues that were noted during this current review further support this recommendation. Despite offers of assistance from Veterans Services, the Executive Director

5. Manage Funds in Compliance with Commonwealth Standards. The Executive Director has state employees performing work for the Virginia War Memorial Educational Foundation, Inc. (Educational Foundation), bills the Educational Foundation, and does not return the recovered funds to the Commonwealth's General Fund. Additionally, the Executive Director requires the Educational Foundation to pay rent for space that the VWMF receives rent free from the Department of General Services. Further, arrangements were found that the Executive Director has with the Educational Foundation but no support or approval for these transactions from the Board were found. The Executive Director of the VWMF should immediately pay into the State Treasury \$23,700 of reimbursements from the Educational Foundation for the work and other costs funded by the General Fund of the Commonwealth.
6. Enhance Policy to Address Unused Funds from Long-Term Projects. The VWMF has developed a policy on how they will treat funds remaining from non-operating projects. In the past, the General Assembly has funded non-operating projects such as the production of films and the installation of security cameras and lighting as an addition to the VWMF's operating funds rather than establishing a separate capital outlay project. The Board needs to review their policy for appropriated funds in excess of the final costs of non-operating projects. The final policy should acknowledge that these excess funds come from the Commonwealth, constitute public funds, and consider how the VWMF will comply with any restrictions on these funds.

Transportation

Department of Motor Vehicles (DMV)

1. Improve Information System Security Program. DMV does not store certain sensitive data on encrypted computers and does not encrypt sensitive data that it shares with some organizations outside Virginia state government. It was also found that DMV does not require password complexity on some systems that contain sensitive data. To avoid possible data breaches, DMV should encrypt sensitive data stored on desktop and laptop computers or portable media.



Risk Alerts – Quarter Ended March 31, 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.

Two APA reports contained Risk Alerts.

Applicable to the Commonwealth of Virginia as a Whole **Modernize Financial Systems and Processes.**

In April 2008, Transportation obtained approval from the Information Technology Investment Board to begin a project (the Cardinal Project) to develop a new financial management system while also providing a base enterprise application for the Commonwealth, which will eventually replace the Commonwealth Accounting and Reporting System. In August 2009, Transportation awarded Accenture a multi-year contract which includes the purchase of software licenses, as well as, implementation services to configure the software properly and provide project management support. The first implementation phase in July 2011 will provide Transportation's financial system.

Phase two of the implementation will provide the Commonwealth's base financial system for Accounts by July 2012 and will consist of general ledger and accounts payable modules. All other executive branch agencies will convert to the new system in future phases, for which the Commonwealth has not yet developed a funding strategy. These modules will provide the foundation for a modern financial system for the Commonwealth with the ability to add other modules and expand functionality in future phases.

Additionally, the Secretaries of Finance, Technology, Transportation, and Public Safety need to continue work to ensure the adoption of data standards. Further, the Department of Accounts (DOA) needs to continue working with agencies and make recommendations for improving internal controls and process efficiency to ensure accurate and timelier financial information. DOA should also work jointly with Transportation to develop new policies and procedures prior to implementation of the new system.

Department of Accounts

Security Risks Associated with Information Technology Infrastructure.

Commonwealth security standards require the DOA to provide for the security and safeguarding of all of its information technology systems and sensitive information. The Commonwealth has moved the information technology infrastructure supporting DOA's databases to the Virginia Information Technologies Agency (VITA), who has an Information Technology Infrastructure Partnership (Partnership) with Northrop Grumman. In this environment, the Partnership and DOA clearly share responsibility for the security of DOA's information technology assets, systems, and information; and must provide mutual assurance of this safeguarding.

During the review, the APA found certain vulnerabilities were communicated to DOA in a separate document to management marked Freedom of Information exempt under Section 2.2-3705.2 of the *Code of Virginia*. Although DOA is not responsible for correcting these issues, it should document

and implement compensating controls in those areas where the Partnership is unable to address the issue in a timely manner. DOA also needs to obtain a responsibility matrix that identifies the duties of each entity.

Improve Service Agency Arrangements.

Many Commonwealth agencies with limited resources use the fiscal and administrative support functions of larger agencies to supplement their operations. DOA's Payroll Service Bureau is an example of a service arrangement the Commonwealth is currently using to process payroll transactions for agencies with limited resources. The APA believes the Bureau could improve the service they provide to agencies by entering into a memorandum of understanding with all participating agencies and directing the flow of information between the participating agency and the Bureau and any other service providers the agency uses.

Department of Behavioral Health and Developmental Services

Improve Management and Controls for Facilities. This risk alert was also identified as a repeat audit finding and efficiency issue and will not be described again here.

Department of Health

Respond to Security Risks Associated with IT Infrastructure.

For over a year, the Department of Health (VDH) did not take fully effective actions to address known vulnerabilities to its information systems. The IT Infrastructure Partnership first reported the vulnerabilities in 2008; however, VDH failed to receive a corrective action plan from the IT Infrastructure Partnership or implement its own compensating controls. Both Commonwealth Security Standards and federal regulations require VDH to provide for the security and safeguarding of all of its information technology systems and sensitive information. Over the past four years, the Commonwealth has moved the information technology infrastructure supporting VDH's databases to the IT Infrastructure Partnership. In this environment, the IT Infrastructure Partnership and VDH clearly share responsibility for the security of VDH's information technology assets, systems, and information; and must provide mutual assurance of this safeguarding.

VDH, by not taking actions to mitigate the risks of these known vulnerabilities to its HIPAA sensitive data, is in violation of HIPAA regulations. As a result of the IT Infrastructure Partnership not establishing and maintaining certain controls, VDH's risks of potential misuse of assets increases. The overall effect of the reported weaknesses by the IT Infrastructure Partnership is an increased possibility of a data breach and violation of federal regulations.

Department of Social Services

Manage Infrastructure Security Risk.

The Commonwealth has moved the information technology infrastructure supporting the Department of Social Services' (DSS) databases to the IT Infrastructure Partnership. In this environment, the IT Infrastructure Partnership and DSS clearly share responsibility for the security of DSS's information technology assets, systems, and information and must provide mutual assurance of this safeguarding. The IT Infrastructure Partnership has not provided DSS with a finalized memorandum of understanding and chart outlining the responsibilities of each entity.

Without this information, DSS's management is unsure of the duties it must perform and what services are provided by the IT Infrastructure Partnership.

The Partnership's annual review and audit identified issues surrounding the documentation and management of certain parts of the IT infrastructure. While the IT Infrastructure Partnership has corrected the majority of the issues, those that remain could potentially affect the confidentiality of DSS's sensitive information. Although DSS has no responsibility for correcting these findings, they should receive regular status reports from the IT Infrastructure Partnership on the progress made to correct the issues. As part of the progress reporting, the IT Infrastructure Partnership should provide DSS with any interim steps they should take if the IT Infrastructure Partnership must delay addressing these issues. DSS should also identify and implement compensating controls to mitigate the risk to its sensitive data.

Efficiency Issues – Quarter Ended March 31, 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.

One APA report contained an efficiency issue.

Department of Behavioral Health and Developmental Services

Improve Management and Controls for Facilities. This efficiency issue was also identified as a repeat audit finding and a risk alert and will not be described again here.

Special Reports – Quarter Ended March 31, 2010

The APA issued the following Special Reports:

Report to the Joint Legislative Audit and Review Commission for the quarter October 1, 2009 through December 31, 2009. This report contains risk alerts.

Commonwealth of Virginia Single Audit Report for the year ended June 30, 2009. This report contains management control findings.

Follow Up on Deferred Maintenance in the Commonwealth, December 2009. This report contains recommendations.

Urban Public-Private Partnership Redevelopment Fund and the Virginia Removal or Rehabilitation of Derelict Structures Fund for the year ended June 30, 2009.

Other Audit Reports Received – Quarter Ended March 31, 2010

The APA also issued the following Other Reports:

The College of William and Mary in Virginia Intercollegiate Athletics Programs for the year ended June 30, 2009.

George Mason University Intercollegiate Athletics Programs for the year ended June 30, 2009.

Virginia Commonwealth University Intercollegiate Athletics Programs for the year ended June 30, 2009.

Virginia Military Institute Intercollegiate Athletics Programs for the year ended June 30, 2009.

Virginia College Savings Plan for the year ended June 30, 2009.

The Assistive Technology Loan Authority for the year ended June 30, 2009. This report contains management control findings.

Rappahannock River Basin Commission for the year ended June 30, 2009.

Wireless E-911 Services Board for the year ended June 30, 2009. This report contains management control findings.



Status of Prior Audit Findings

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

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

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Compensation Board (CB)</u>				
2009	09-01	Improve subrecipient monitoring.	The Board assigned its external auditors to perform reviews of locality CAFR's and the independent auditor's federal compliance reports to OMB Circular A-133 for localities and regional jails receiving stimulus JAG funds. Board staff will continue to communicate with localities to gain additional assurances of their knowledge and ability to properly handle federal funds.	Completed
<u>Department of General Services (DGS)</u>				
2008	06-04	Include mandated procedures in the surplus property manual.	Chapter 12 update is at DPS for review. Updates are expected to be released in July 2010.	In progress
	06-06	Finalize and distribute real estate policies and procedures.	Chapter 2 is set to be released in July 2010. Chapter 3 is set to be released in September 2010. Directive No. 6 is anticipated by December 2010. The new internal service fund methodology has been approved by JLARC. New time management system methodology for billings is underway.	In progress
<u>Department of Minority Business Enterprise (DMBE)</u>				
2008	08-01	Information system security program. This is a repeat finding and progress has been made.	DMBE has completed the steps necessary to resolve this finding.	Completed

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>State Board of Elections (SBE)</u>				
2008	08-01	Improve and expand administrative service arrangements.	SBE reported this finding as resolved in April 2010.	Completed
	08-02	Complete information security program.	SBE has moved away from independent servers and transformed over to the state virtual server. These processes were ratified by executive session on April 28, 2009.	Completed
<u>Department of Agriculture and Consumer Services (VDACS)</u>				
2008	08-02	Improve contingency plans.	VDACS met with VITA and completed the VITA disaster recovery questionnaire and its IT contingency plans.	Completed
<u>Department of Forestry (DOF)</u>				
2008	08-02	Improve information systems security program.	DOF has not made any headway on reaching an agreement with VITA as to the roles of each agency in the event of a disaster. DOF continues to wait for VITA to document VITA's role in the information systems security program.	In progress
<u>Department of Business Assistance (DBA)</u>				
2008	08-01	Shift to an administrative service arrangement. This is a repeat finding.	DBA has moved toward an administrative service arrangement for human resources and payroll, however; there are no plans to move anything else at this time.	In progress
	08-03	Complete the agency's information security program. This is a repeat finding.	The Disaster Recovery Plan has been drafted and tested and found to be adequate.	Completed
	07-06	Document information security program.	See 08-03.	
	08-04	Maintain official records of the department. This is a repeat finding.	DBA has made some progress with the retention of paper records, but has yet to adopt policies for electronic records.	In progress

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Housing and Community Development (DHCD)</u>				
2009	09-01	Continue improving fiscal monitoring of subrecipients.	DHCD has allocated a portion of its stimulus funding to fund a position responsible for conducting fiscal reviews. DHCD has implemented the use of a checklist for its on-site monitoring of sub-grantees.	Completed
<u>Department of Professional and Occupational Regulation (DPOR)</u>				
2009	09-01	Complete a detailed risk assessment for all agency systems.	The department has completed updating the risk assessment documents.	Completed
<u>Virginia Employment Commission (VEC)</u>				
2009	09-01	Review, approve, and disseminate information technology disaster recovery plan.	The commission will consult with a disaster recovery expert to review the draft disaster recovery plan to ensure that it is NIST compliant.	In progress
	09-02	Strengthen controls over system access.	VEC will form a focus group to determine the appropriate levels of access. Written procedures will be developed and the appropriate approvals will be obtained.	In progress
	09-03	Properly complete Employment Eligibility Verification (I-9) Forms. This is a repeat finding and progress has been made.	Managers have been instructed to have new hires complete the I-9 form after an official offer is made, but prior to designated start date. Completion of I-9 training is required for responsible personnel.	In progress
	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.	
<u>Department of Education, Central Office Operations (DOE/COO)</u>				
2009	09-01	Ensure proper coding of central office expenses.	The department has implemented a corrective action plan to ensure that the correct detail object code is used for invoices.	Completed

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Christopher Newport University (CNU)</u>				
2008	08-02	Delete access to the Commonwealth's procurement system (eVA).	CNU Human Resources is immediately notifying Purchasing when an employee separates from the University and Purchasing deactivates the account.	Completed
<u>Longwood University (LU)</u>				
2008	08-01	Revisions to internal controls - reconciliations and interfaces; improve system access; eVA; and provide an audit trail.	LU has made progress, however; they are continuing to evaluate reports to reconcile Banner and third-party systems.	In progress
	08-02	Use eVA workflow to enforce University policy.	LU is conducting a cost-benefit analysis of implementing this function in BANNER. Each workflow implementation is a separate program requiring assistance from IT.	In progress
	08-04	Improve contingency plan testing.	The testing of the Continuity of Operations Plan is scheduled to be completed by August 2010.	In progress
	08-05	Properly complete Employment Eligibility Verification (I-9) Forms. This is a repeat finding.	LU has completed all steps to correct this finding.	Completed
	07-03	Properly complete Employment Eligibility Verification (I-9) Forms.	See 08-05.	
<u>Norfolk State University (NSU)</u>				
2008	08-02	Enhance information system security process.	The Office of Information Technology (OIT) and Human Resources worked together to strengthen current account management practices by developing new account management workflows. OIT is in the process of addressing the password issue.	In progress

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Old Dominion University (ODU)</u>				
2008	08-01	Improve contract management and ensure compliance with policies and procedures.	The University has completed all corrective action related to the finding.	Completed
<u>State Council of Higher Education for Virginia (SCHEV)</u>				
2008	08-01	Develop an information security program.	The workplan for the information security program is complete.	Completed
<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 continues to establish new procedures for developing the financial statements.	In progress
	07-01	Improve financial reporting.	See 08-01.	
	06-01	Improve financial statement preparation process.	See 07-01.	
	05-01	Test financial statement preparation process.	See 06-01.	
<u>The Science Museum of Virginia (SMV)</u>				
2007	07-02	Strengthen controls over information systems security.	SMV has certified that this finding has been resolved.	Completed
<u>University of Mary Washington (UMW)</u>				
2008	08-01	Improve information systems security program.	A comprehensive incident response plan has been created and documented. The plan is in the final approval process. Security firewalls are estimated to be completed by end of FY 2010.	In progress
<u>University of Virginia (UVA/AD)</u>				
2009	09-01	Improve financial statement preparation process.	Management has implemented changes in both grant and student accounts receivable reconciliation procedures. Financial statement preparation procedures have been updated and training was provided.	Completed

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	09-02	Properly process return of Title IV funds.	Policies have been amended and the refund calculation process has been moved to the office of financial aid.	Completed
<u>Virginia State University (VSU)</u>				
2008	08-02	Strengthen controls over capital asset reporting.	VSU has addressed programming issues with capital assets and construction-in-progress.	Completed
	08-03	Improve controls over financial statement database application.	VSU has developed control documentation to grant access to database. VSU has also established backup and recovery procedures.	Completed
	08-04	Improve employment eligibility and verification process. This is a repeat finding and progress has been made.	VSU has provided training, reviewed all current I-9's, and updated the procedures.	Completed
<u>Virginia Community College System (VCCS)</u>				
2008	08-01	Reduce manual processes and controls.	New security roles have been established in the AIS to address this finding. Community Colleges have been instructed to review and reassign roles as necessary.	Completed
	08-02	Improve AIS access roles.	The Systems Office has added an accounts payable role to group and approve vouchers for payment and separate non-accounts payable and deposits panels. VCCS has also asked the Community Colleges to review their security assignments and remove unnecessary access.	Completed
<u>Germanna Community College (GCC)</u>				
2008	08-01	Update policies and procedures.	GCC is in the process of updating policies and procedures for the newly implemented PeopleSoft accounting system.	In progress

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>J. Sargeant Reynolds Community College (JSRCC)</u>				
2008	08-01	Properly complete employee eligibility verification forms. This is a repeat finding.	A tracking document was developed to indicate personnel with incorrect I-9's on file and employees were asked to bring in the proper documentation and fill out a new I-9 form. New hire I-9 documentation is reviewed immediately upon receipt to ensure completeness.	Completed
<u>Northern Virginia Community College (NVCC)</u>				
2008	08-01	Update policies and procedures.	NVCC is in the process of updating policies and procedures as part of an on-going ARMICS review process with a targeted date of completion of June 2010.	In progress
	08-04	Strengthen controls over accounts receivable reporting and management.	NVCC is performing an in-depth review of the existing accounts receivable policies and procedures as part of the ARMICS review. Revised policies will be established and incorporated with a targeted date of completion of June 2010.	In progress
<u>Southside Virginia Community College (SVCC)</u>				
2008	08-01	Update policies and procedures.	Business office policies and procedures have been reviewed and updated and are being maintained on the business office's shared drive for staff availability.	Completed
<u>Southwest Virginia Community College (SWVCC)</u>				
2008	08-01	Update policies and procedures.	SWCC is in the process of reviewing and updating all current policies and procedures manuals and documenting the AIS business processes. The process is expected to be completed in June 2010.	In progress

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Accounts (DOA)</u>				
2008	08-01	Improve information systems security program.	DOA is currently working with VITA to install new infrastructure hardware and software in the transformed environment. The new environment is the COV domain and will comply with all Commonwealth standards. Concurrently, DOA plans to work with VITA to complete a responsibility matrix that identifies and clarifies the respective information technology security roles.	In progress
<u>Department of the Treasury (TD)</u>				
2008	08-03	Strengthen internal controls over disbursement processing. This is a repeat finding.	The Wachovia Social Services disbursement account is in the process of being converted to payee match positive pay processing. Programming modifications will need to be made to accommodate this new security feature and the modifications are currently being addressed.	In progress
	07-05	Strengthen internal controls over disbursement processing.	See 08-03.	
<u>Department for the Aging (VDA)</u>				
2008	08-01	Strengthen information security program.	VDA has developed the Business Impact Analysis and the Risk Assessment to meet the Commonwealth's Security Standard.	Completed
<u>Department of Behavioral Health and Developmental Services (DBHDS)</u>				
2008	08-01	Improve management and controls for facilities.	DBHDS will develop a plan to consolidate functions among facilities with the goal of implementation by the outset of fiscal year 2012.	In progress
	08-02	Improve monitoring program over Community Service Boards. This is a repeat finding.	DBHDS has implemented a review program that includes the program staff to be part of the field site review team.	Completed

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	07-01	Improve monitoring program over Community Service Boards.	See 08-02.	
	08-03	Ensure compliance with information systems security program.	DBHDS is undertaking an IT consolidation effort across all 16 facilities. This structure will permit the ISO to ensure compliance with this finding.	In progress
	08-04	Improve security awareness training documentation. This is a repeat finding.	Training was developed and implemented per the agency corrective action plan. Additional improvements include monthly reports to the ISO of new employees hired to monitor compliance.	In progress
	06-02	Expand security awareness training programs.	See 08-04.	
	08-05	Improve IT continuity of operations and disaster recovery plans. This is a repeat finding.	DBHDS is in the process of developing a checklist that facilities have to implement on IT security and disaster recovery plans.	In progress
	07-04	Improve contingency and disaster recovery planning.	See 08-05.	
	08-08	Grant proper access to timekeeping system.	Facility directors are periodically reviewing the access to the timekeeping systems.	Completed
<u>Department for Rehabilitative Services (DRS)</u>				
2008	08-01	Properly record leases in the lease accounting system.	DRS Staff has received additional training on the LAS system and controls have been implemented to ensure the accuracy and timeliness of all data input into the system.	Completed

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Social Services (DSS)</u>				
2008	07-04	Align plan for monitoring local social services offices with best practices.	DSS has updated its sub-recipient monitoring plan and the organizational structure has been changed to give the division director the authority to hold divisions accountable for development, implementation, and coordination of monitoring efforts. The sub-recipient monitoring workgroup continues to work on ensuring consistent compliance with federal and state laws, regulation, and policy.	In progress
	06-18	Maintain a tracking system for local employees. This is a repeat finding.	Human Resource Management is working with Information Systems and Finance to improve the data in LETS. Richmond City and Norfolk have been put into production with some success. Staff are working to improve the system and to engage Fairfax and Virginia Beach.	In progress
	05-04	Maintain a tracking system for local employees.	See 06-18.	
<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 towards compliance with the IT Security Standard.	DGIF has completed the BIA and will be reviewing it in May in connection with the IT Security Audit which is in progress.	In progress
	07-03	Improve information system security.	See 09-01.	
<u>Department of Historic Resources (DHR)</u>				
2009	07-01	Complete information security program.	DOA has been working with DHR to evaluate and implement the information security program, which is almost complete. DHR will be conducting a risk assessment of the Data Sharing System with a target completion date of mid-may.	In progress

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Department of Alcoholic Beverage Control (ABC)</u>				
2009	09-01	Improve compliance with information security program.	The information security officer will develop a review program in conjunction with internal audit to determine the effectiveness of the information security program.	In progress
	09-02	Improve database security. This is a repeat finding.	ABC has expanded its use of the Open Source Host-Based Intrusion Detection System to all sensitive systems.	Completed
	08-01	Improve database security.	See 09-02.	
	09-03	Improve information security program.	ABC is in the process of segregating credit card systems from other systems through the deployment of administrative PC's in its retail outlets, and through the use of Windows firewalls in its central operations.	In progress
<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.	The progress in CIP has largely been a result of the coordination between the Budget Office and Architectural and Engineering staff as well as the significant level of guidance provided by DOA. DOC estimates that this finding will be fully addressed by the second quarter of FY2011.	In progress
	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.	
	08-03	Develop internal controls for leave liability and time tracking system. This is a repeat finding.	Significant improvements have been made and DOC continues to pursue remedies and solutions that will ensure that expectations are met.	Completed

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	07-01	Develop internal controls for leave liability and time tracking system.	See 08-03.	
<u>Department of Fire Programs (DFP)</u>				
2008	08-01	Strengthen information systems security program. This is a repeat finding and progress has been made.	DOF has completed all corrective actions within its control to resolve the issue, once VITA completes the transformation process, training will begin.	In progress
<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.	A consultant was hired and formal HIPPA policies have been reviewed and approved.	In progress
	07-07	Comply with the health insurance portability and accountability act.	See 08-01.	
	07-05	Establish a complete information security plan to comply with Commonwealth security standards. This is a repeat finding.	See 08-01.	
	06-08	Information systems security assurance.	See 07-05.	
<u>Virginia War Memorial Foundation (VWMF)</u>				
2008	08-01	Consolidate accounting processes and internal controls. This is a repeat finding.	All accounting is now done by the staff at the Department of Veterans Services, which includes appropriate segregation of duties and other appropriate internal controls. <i>While the War Memorial has reported this comment as completed, the most recent audit report repeats the internal control concerns.</i>	In progress
	08-02	Adopt a formal budget development and execution process.	The Department of Veterans Services has inserted an allocation of the foundation's budget into their internal accounting (FMS) system.	In progress

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	08-04	Develop a policy to address unused funds from long-term projects.	Work continues on the development of appropriate polices and procedures and coordination between VWMF and DVS to resolve this finding.	In progress
Virginia Information Technologies Agency (VITA)				
2008	08-02	Establish and document procedures for classifying assets in service option 5.	Procedures have been documented for classifying and monitoring assets in the Service Option 5, a project manager has been assigned to oversee these action items.	In progress
	08-03	Improve policies and procedures over asset inventory.	Policies and procedures have been developed defining the billing status of an asset and for adding new equipment. Procedures still need to be incorporated into the larger agency policies and procedures document.	In progress
	08-04	Improve reporting to allow comparison of revenue versus allowable costs.	Procedures have been established and documented for preparing reports, including a detailed explanation of how imputed revenues are determined; however it has not been incorporated into the larger agency policies and procedures document.	In progress
	08-05	Establish and document procedures for the creation of rate structures.	VITA is currently preparing a comprehensive cost allocation/rate setting document that will encompass all aspects of the process.	In progress
	08-06	Improve process for establishing rate tiers.	Anticipated modifications to the CIA will resolve this issue. The modifications are not yet finalized.	In progress
	08-07	Notify oversight entities of rate changes.	The service rates approval process has been documented including roles and responsibilities and all staff involved in the process have been advised to follow this, however it has not been incorporated into the larger agency policies and procedures document.	In progress
	08-08	Equitably distribute virtual inventory costs to agencies.	NG has proposed a tiered rate structure for virtual users; however, modifications to the CIA have not yet been finalized.	In progress

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	08-09	Properly monitor system access.	The PeopleSoft access policy and procedure has been updated and a new PeopleSoft security audit policy and procedure has been written.	In progress
	08-11	Adequately segregate system access responsibilities.	Roles/permissions for the security officer are now being determined and set up. Training of the new security officer will take place prior to moving into production.	In progress
	08-13	Properly complete employee eligibility verification forms. This is a repeat finding.	The policies and procedures have been developed. Processes are in place for multiple reviews of the form.	In progress
	08-14	Adequate oversight over technology procurements.	VITA is in the process of developing a communication to reiterate processes for ordering in-scope IT goods and services. DGS has been contacted for ways to direct in-scope requisitions to VITA and investigate publicly posted reports of "R" coded requisitions that carry in-scope NIGP codes.	In progress
	07-02	Develop standards for project documentation. This is a repeat finding.	VITA has completed all steps necessary to comply with this finding.	Completed
	06-04	Develop standards for project documentation.	See 07-02.	

Department of Motor Vehicles (DMV)

2008	08-04	Improve information security program.	DMV has initiated a change control with the IT partnership to set password parameters. DMV has identified 3 computers that are handling sensitive data and will work with the IT partnership to have their Whole Disk Encryption Product installed.	In progress
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State Corporation Commission (SCC)

2009	09-01	Evaluate finance and revenue process.	Significant progress has been made during the last 18 months.	In progress
	09-02	Establish sufficient controls over the revenue process.	The Comptroller's Office is currently developing and implementing procedures for the revenue process.	In progress

Latest Audit Year	Finding Number	Title of APA Audit Finding	Current Status as Reported by Agency	Status Summary
	09-03	Improve the information systems security program. This is a repeat finding.	The SCC has been working with a contractor to complete a business impact analysis, risk assessment and prepare a continuity of operations and disaster recovery plans.	In progress
	07-01	Comply with Commonwealth security standards.	See 09-03.	
	09-04	Improve firewall controls.	The firewall policy was revised to include the application network matrix.	Completed
	09-05	Improve accounts receivable reporting.	The Comptroller's Office is in the process of improving and documenting the procedures related to accounts receivable reporting.	In progress
	09-06	Improve controls over the payroll process.	The Comptroller implemented a new and detailed pre-certification process so that the Payroll Manager and the Comptroller review and approve all reports.	Completed
	09-07	Improve processes over wage employees.	Human Resources has changed its current policy to ensure that controls are in place for submitting time sheets.	Completed
	09-08	Document cost allocation plan.	The Comptroller's Office is in the process of documenting the allocation methods used to distribute indirect costs to the regulatory divisions.	In progress
	09-09	Properly complete employment eligibility verification forms.	Human Resources (HR) changed processes to ensure that new employees complete Section 1 of Form I-9 on the first day of work. HR will monitor and continue to improve its procedures to ensure compliance with Federal regulations.	Completed



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 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 March 31, 2010, the following agencies were not 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 December, January, and February were due 01/29/10, 02/26/10 and 03/31/10 respectively.

Confirmations Late or Outstanding

As of April 13, 2010

<u>Agency</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>
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None

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

Compliance with Comptroller's Directive

Annually, all agencies and higher education institutions are required to submit information pursuant to the Comptroller's financial statement directives. This financial data is integral to the successful completion of the Commonwealth's Comprehensive Annual Financial Report. For the FY 2009 reporting period, the following issues were noted for Comptroller's Directive 2-09, *Directive Compliance Guidelines for Higher Education Institutions*.

Noncompliant

The College of William and Mary in Virginia

Provisional Compliance with Improvements Required for FY 2010

University of Virginia

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 March 31, 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 March 31, 2010, no agencies failed to respond timely, make corrective action and/or provide additional information.

Trial Balance Review

As of April 13, 2010

<u>Agency</u>	<u>December</u>	<u>January</u>	<u>February</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 March 31, 2010, no agencies failed to respond timely, make corrective action and/or provide additional information.

Credit Cash, Excess Expenditures, and Expenditure Credits

As of April 13, 2010

Agency	December	January	February
None			

Disbursement Processing

During the quarter ended March 31, 2010, DOA deleted, at the submitting agency's request, 66 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.

Fifteen agencies requested deletes during the quarter. For the quarter ended March 31, 2010, the agencies that requested more than four vendor payment deletions were:

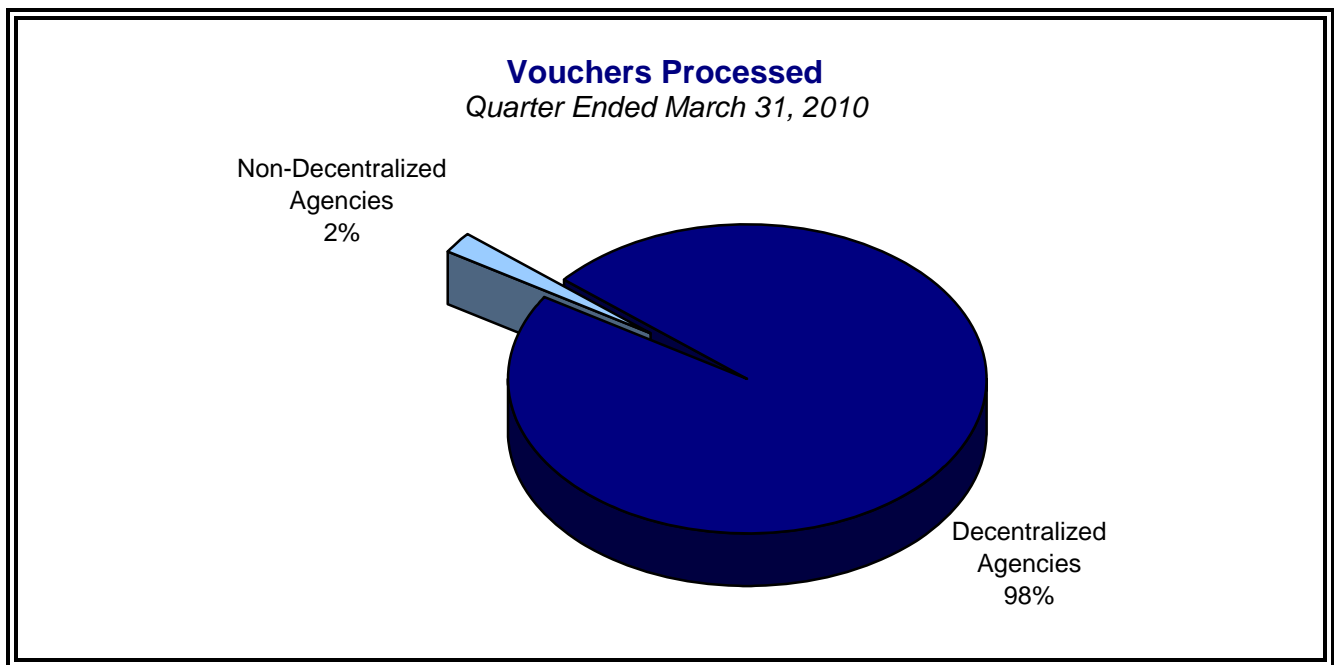
- Department of Transportation



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

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

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

Compliant Agencies

Department of Juvenile Justice
Bon Air Juvenile Cost Center
Beaumont Juvenile Cost Center
Hanover Juvenile Cost Center
Juvenile Reception and Classification Center
Culpepper Juvenile Center
Oakridge Juvenile Cost Center
Virginia Correctional Center for Women
James River Correctional Center
Corrections – Division of Institutions
Virginia Parole Board
Division of Community Corrections

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



Non-Decentralized Agencies

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

During the quarter, DOA reviewed all non-decentralized agencies. A total of 965 non-travel disbursement batches and 245 travel disbursement batches were reviewed, disclosing 20 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 March 31, 2010		Fiscal Year 2010 To-Date		Comparative Quarter Ended March 31, 2009	
	Late	Total	Late	Total	Late	Total
Number of Payments	5,999	535,800	17,397	1,672,318	5,152	512,728
Dollars (in thousands) \$	48,539	\$ 1,520,252	\$ 106,331	\$ 4,558,193	\$ 31,582	\$ 1,456,958
Interest Paid on Late Payments				\$5,647 (a)		
Current Quarter Percentage of Payments in Compliance				98.9%		
Fiscal Year-to-Date Percentage of Payments in Compliance				99.0%		
Comparative Fiscal Year 2009 Percentage of Payments in Compliance						99.1%

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

Prompt Payment Performance by Secretarial Area
Quarter Ended March 31, 2010

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.8%	99.8%
Agriculture and Forestry	99.7%	99.2%
Commerce and Trade	98.2%	99.4%
Education*	98.6%	96.5%
Executive Offices	98.9%	94.1%
Finance	99.2%	65.8%
Health and Human Resources	99.5%	98.1%
Independent Agencies	99.0%	98.4%
Judicial	100.0%	100.0%
Legislative	100.0%	100.0%
Natural Resources	99.6%	98.0%
Public Safety	99.6%	99.4%
Technology	99.8%	99.9%
Transportation*	98.1%	95.1%
Statewide	98.9%	96.8%

Prompt Payment Performance by Secretarial Area
Fiscal Year 2010

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.5%	99.2%
Agriculture and Forestry	99.7%	98.9%
Commerce and Trade	98.2%	95.9%
Education *	98.7%	97.5%
Executive Offices	99.0%	93.1%
Finance	99.7%	84.1%
Health and Human Resources	99.2%	98.0%
Independent Agencies	98.7%	98.4%
Judicial	99.9%	99.9%
Legislative	99.9%	99.0%
Natural Resources	99.1%	97.5%
Public Safety	99.6%	99.2%
Technology	99.8%	99.9%
Transportation*	98.7%	95.9%
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 March 31, 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 March 31, 2010

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
Education			
Eastern Shore Community College*	60	169	64.5%
The College of William and Mary in Virginia	620	11,848	94.8%
Health and Human Resources			
Department for the Aging	5	92	94.6%
Independent Agencies			
Virginia Office for Protection and Advocacy*	21	98	78.6%

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	457	86.9%
Independent Agencies			
Virginia Office for Protection and Advocacy*	21	306	93.1%
Administration			
State Board of Elections**	32	381	91.6%

* 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 March 31, 2010			Comparative Quarter Ended March 31, 2009
	E-Commerce	Total	Percent	Percent
Number of Payments	2,756,839	3,185,460	86.5%	85.4%
Payment Amounts	\$ 8,063,650,784	\$ 9,476,301,752	85.1%	86.4%
	Fiscal Year 2010 To-Date			Comparative Fiscal Year 2009
	E-Commerce	Total	Percent	Percent
Number of Payments	8,408,137	9,646,067	87.2%	84.7%
Payment Amounts	\$ 24,678,638,239	\$ 28,572,337,089	86.4%	85.7%

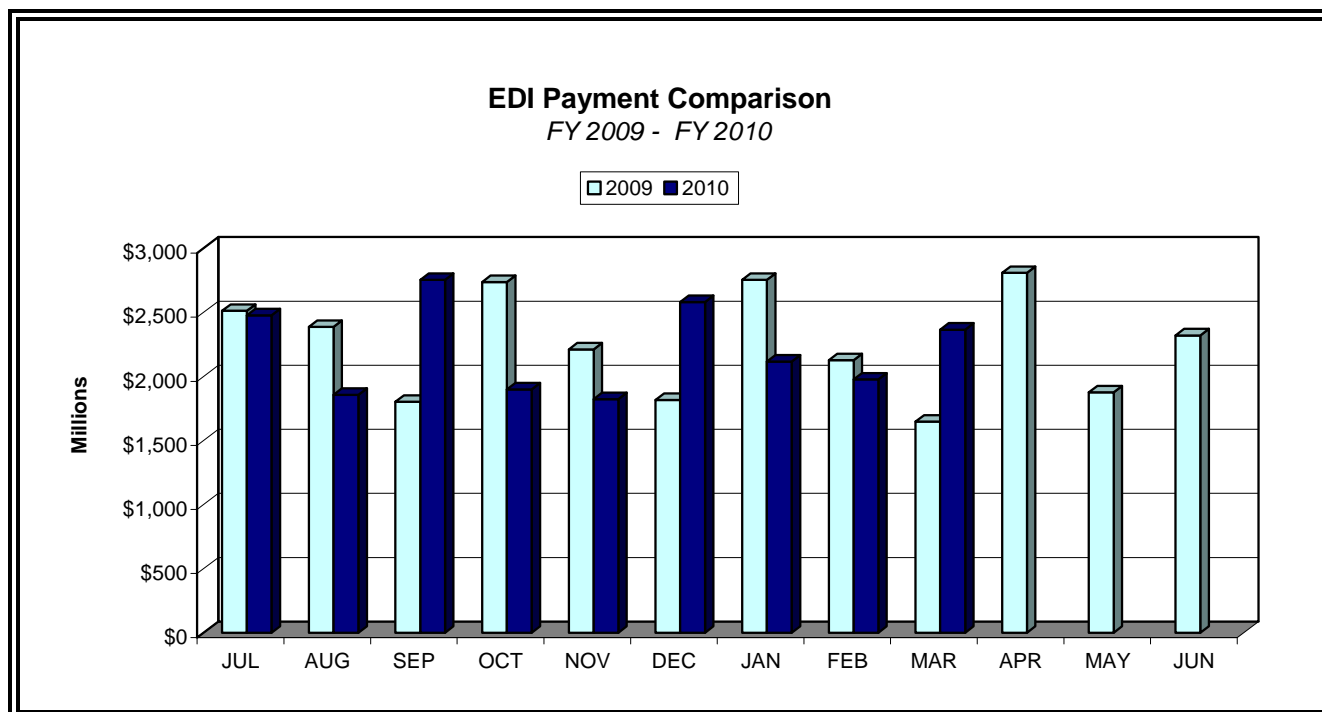
Financial Electronic Data Interchange (EDI)

The dollar volume of Financial EDI payments for the third quarter of FY 2010 were \$70 million (1.1 percent) less than the same quarter last year. The number of trading partner accounts increased by 4.5 percent from March 2009. The largest portion of this increase is due to efforts to convert state

employee travel reimbursements from checks to electronic payments. Additionally, enrollment by corporations, sole proprietors and grantees has increased exponentially over their usual rates due to solicitation by Department of Accounts staff.

Financial EDI Activity

Financial EDI Activity	Quarter Ended March 31, 2010	Fiscal Year 2010 To-Date	Comparative FY 2009 To-Date
Number of Payments	46,788	145,944	129,086
Amount of Payments	\$ 6,460,661,502	\$ 19,855,270,293	\$ 19,998,928,084
Number of Invoices Paid	180,801	535,865	520,906
Estimated Number of Checks Avoided	73,669	224,078	207,430
Number of Trading Partner Accounts as of 3/31/10		52,646	50,364



Travel EDI

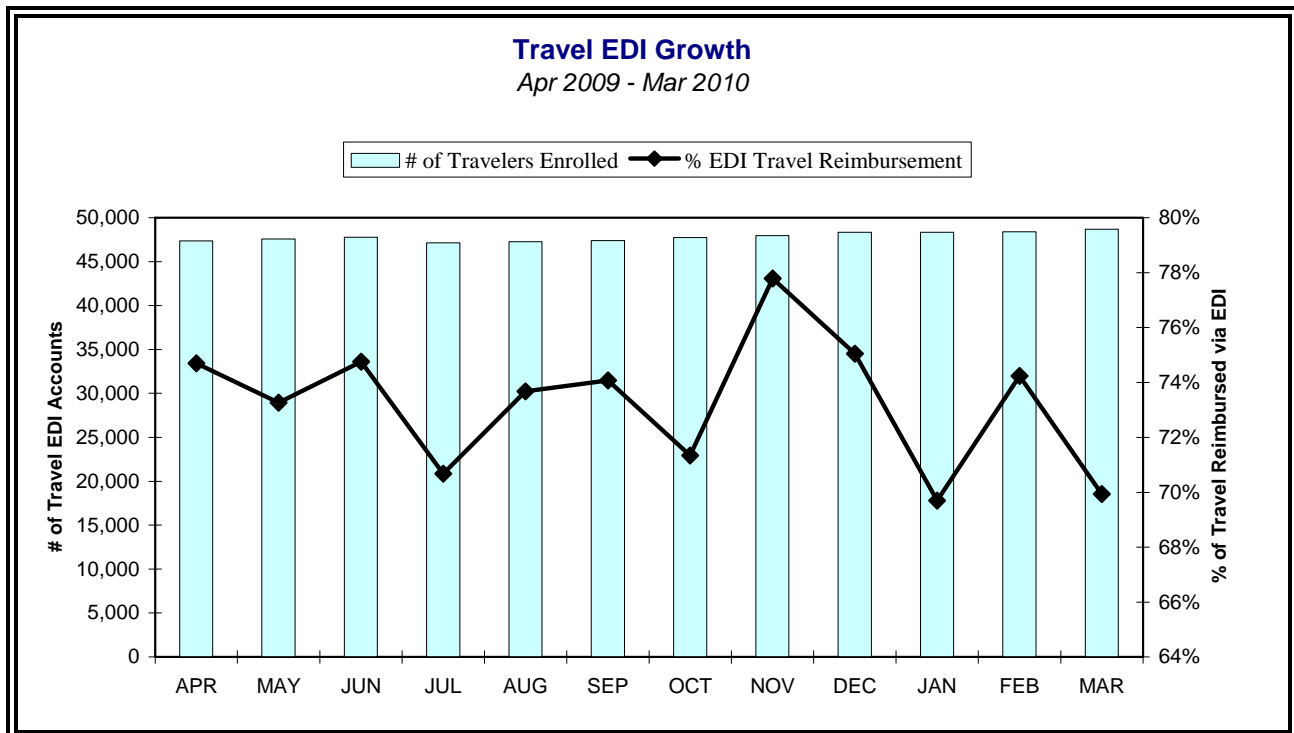
Expansion of the Travel EDI program is an integral part of the statewide effort to reduce the administrative costs associated with paying for goods and services for the Commonwealth. The Appropriation Act requires employees who travel more than twice a year to be reimbursed using EDI. DOA notified agencies 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 March 31, 2010

Secretarial Area	Employee Percent	Non-Employee Percent	Reimbursement Checks Issued
Administration	90.8%	0.0%	12
Agriculture and Forestry	98.1%	6.4%	68
Commerce and Trade	95.1%	69.8%	139
Education (1)	88.8%	27.2%	765
Executive Offices	94.3%	0.0%	17
Finance	98.2%	12.5%	17
Health and Human Resources	93.0%	34.9%	719
Independent Agencies	96.6%	0.0%	53
Judicial	30.3%	5.7%	2,398
Legislative	96.6%	0.0%	24
Natural Resources	95.1%	39.7%	84
Public Safety	57.8%	14.3%	2,056
Technology	95.5%	4.4%	28
Transportation (1)	66.6%	23.3%	500
Statewide for Quarter	76.9%	24.9%	6,880
<i>Fiscal Year 2010 To-Date</i>			
Statewide	79.5%	26.1%	20,956
<i>Comparative Fiscal Year 2009 To-Date</i>			
Statewide	80.0%	23.7%	23,691

(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		
Norfolk State University	55.8%	84
Health and Human Resources		
Department of Rehabilitative Services	80.1%	63
Judicial		
Magistrate System	70.9%	97
Supreme Court	29.2%	153
General District Courts	12.8%	314
Juvenile and Domestic Relations District Courts	12.2%	325
Combined District Courts	8.0%	185
Circuit Courts	5.8%	586
Natural Resources		
Department of Conservation and Recreation	81.7%	36
Public Safety		
Department of Emergency Management	58.0%	113
Department of Military Affairs	4.8%	1,543
Transportation		
Department of Transportation	58.3%	415

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

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

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

Agency	Percent	Reimbursement Checks Issued
Agriculture and Forestry		
Department of Agriculture and Consumer Services	3.3%	59
Health and Human Resources		
Department of Health	4.1%	142
Virginia Board for People with Disabilities	2.7%	36
Judicial		
Circuit Courts	4.1%	371
Public Safety		
Department of Forensic Science	0.7%	148

The following table lists agencies that have accumulated more than \$200 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	55.8%	\$ 255
Judicial		
Magistrate System	70.9%	560
Court of Appeals	63.6%	210
Supreme Court	29.2%	1,325
General District Courts	12.8%	3,425
Juvenile and Domestic Relations District Courts	12.2%	3,865
Combined District Courts	8.0%	2,120
Circuit Courts	5.8%	7,545
Public Safety		
Department of Emergency Management	58.0%	405
Department of Military Affairs	4.8%	225
Transportation		
Department of Transportation	58.3%	535



Direct Deposit

During the second quarter of FY 2010, 505,495 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 March 31, 2010

<u>Secretarial Area</u>	<u>Direct Deposit % of Salaried Employees</u>	<u>Direct Deposit % of Wage Employees</u>
Administration	98.5%	100.0%
Agriculture and Forestry	98.7%	89.3%
Commerce and Trade	99.9%	99.8%
Education	99.7%	94.7%
Executive Offices	98.0%	68.0%
Finance	99.3%	97.5%
Health and Human Resources	99.7%	98.6%
Independent Agencies	99.5%	99.1%
Judicial	99.4%	78.3%
Legislative	99.6%	99.3%
Natural Resources	99.2%	98.8%
Public Safety	99.3%	73.4%
Technology	98.8%	100.0%
Transportation	99.2%	95.8%
Statewide	99.4%	92.3%
<i>Comparative</i>		
<i>Quarter Ended March 31, 2009</i>		
Statewide	98.7%	92.1%

Statewide Salaried Direct Deposit Performance

Quarter Ended March 31, 2010

Salaried Direct Deposit Participation	99.4%
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Salaried Direct Deposit Below 98 Percent

<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Administration		
State Board of Elections	93.1%	29
Agriculture and Forestry		
Department of Agriculture and Consumer Services	97.8%	418
Commerce and Trade		
Department of Business Assistance	96.9%	32
Education		
Rappahannock Community College	96.9%	96
Judicial		
Circuit Courts	97.3%	150
Natural Resources		
Department of Historic Resources	97.7%	43
Public Safety		
Department of Fire Programs	96.8%	63
Western Region Correctional Field Units	95.5%	200
Transportation		
Department of Transportation Central Office	95.1%	1,422

Statewide Wage Direct Deposit Performance

Quarter Ended March 31, 2010

Wage Direct Deposit Participation	92.3%
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Wage Direct Deposit Below 90 Percent

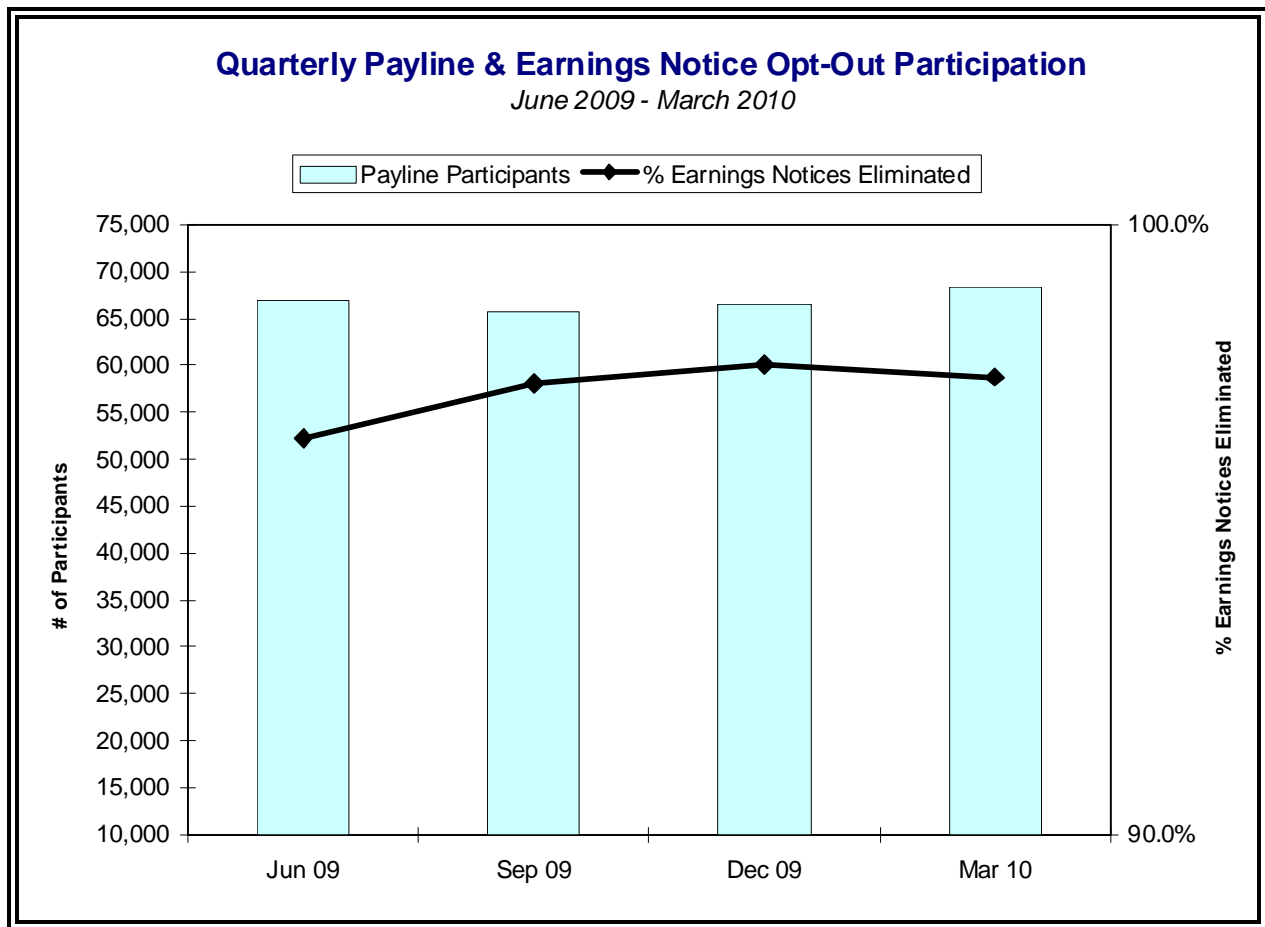
<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Agriculture and Forestry		
Department of Agriculture and Consumer Services	82.3%	96
Education		
Southwest Virginia Community College	82.9%	287
Eastern Shore Community College	87.0%	123
Norfolk State University	83.1%	859
Rappahannock Community College	83.8%	222
Mountain Empire Community College	80.7%	254
Virginia State University	72.1%	541
Virginia Highlands Community College	74.0%	235
Paul D. Camp Community College	74.9%	175
Judicial		
General District Courts	69.3%	205
Combined District Courts	65.2%	23
Public Safety		
Department of Military Affairs	12.9%	937



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 4,669,756 earnings notices.



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

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

Quarter Ended March 31, 2010

Secretarial Area	Percent Payline Participation	Percent Earnings Notices Eliminated*
Administration	96.8%	100.0%
Agriculture and Forestry	80.9%	84.3%
Commerce and Trade	95.3%	100.0%
Education	64.6%	98.4%
Executive Offices	84.9%	100.0%
Finance	97.1%	100.0%
Health and Human Resources	85.4%	97.9%
Independent Agencies	88.6%	100.0%
Judicial	82.6%	93.1%
Legislative	52.6%	64.5%
Natural Resources	79.9%	82.6%
Public Safety	81.3%	99.0%
Technology	96.3%	100.0%
Transportation	92.1%	100.0%
Statewide	79.7%	97.5%
<i>Comparative</i>		
<i>Quarter Ended March 31, 2009</i>		
Statewide	73.0%	85.5%

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

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

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

eliminate earnings notice print can be applied systematically to salary-only employees, hourly-only employees, or all employees.

A large number of agencies elected a global opt-out in response to the January 1, 2009, mandate. As of March 31, 2010, all agencies have met the established thresholds for eliminating earnings notice print.

**Earnings Notice Elimination
Under 90 Percent**

Agency	Percent Earnings Notices Eliminated QE 03/31/2010
None	

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.

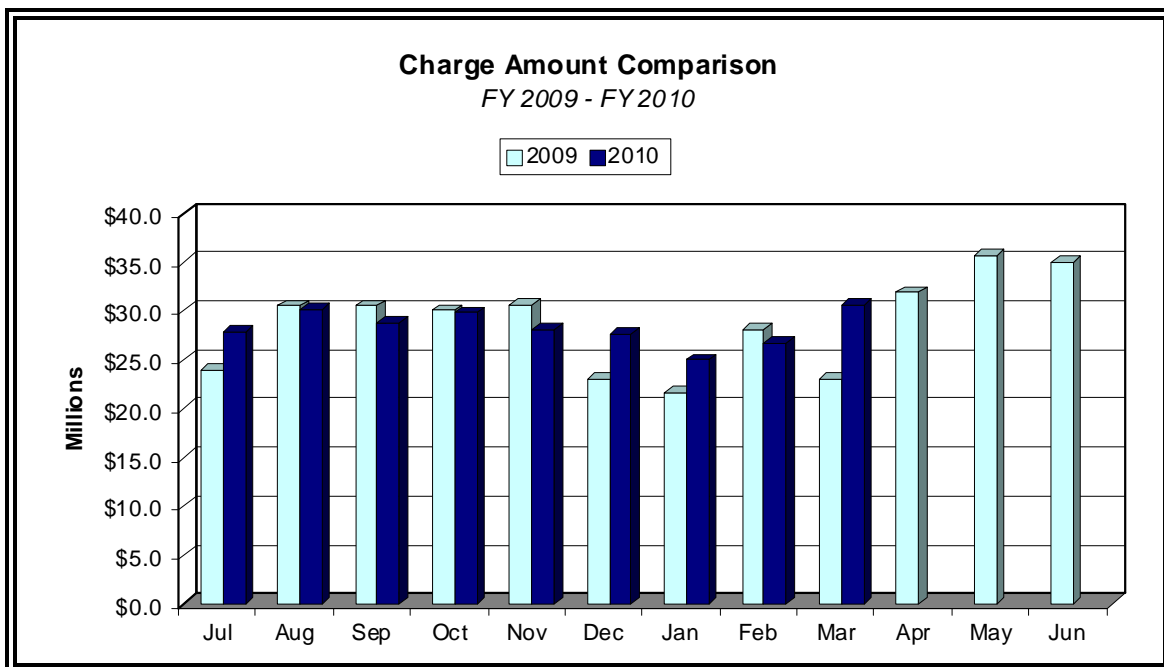
The Small Purchase Charge Card continues to be used for purchases under \$5,000. Agencies are strongly encouraged to obtain a Gold Card for use for purchases up to \$50,000.

The total amount charged on SPCC and Gold cards during the third quarter of FY 2010 increased by \$9,498,101 or 13.0 percent from the same quarter last year.

Small Purchase Charge Card Program

Charge Card Activity	Quarter Ended March 31, 2010	Fiscal Year 2010 To-Date	Comparative Fiscal Year 2009 To-Date
Amount of Charges	\$ 82,280,019	\$ 254,574,680	\$ 241,632,390
Estimated Number of Checks Avoided	152,519	470,752	465,557
Total Number of Participating Agencies		227	227
Total Number of Cards Outstanding		18,023	15,201

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



SPCC Utilization Compliance

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

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

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

All payments under \$5,000 processed through CARS and not placed on the purchase card will be matched against VISA's vendor base in excess of 26 million merchants based on the vendor name.

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

Statewide SPCC Performance

Quarter Ended March 31, 2010

Percentage Utilization for Eligible Transactions

79%

SPCC Utilization by Secretarial Area

Quarter Ended March 31, 2010

<u>Secretarial Area</u>	<u>Payments in Compliance ⁽¹⁾</u>	<u>Non-Compliant Transactions ⁽²⁾</u>
Administration	77%	930
Agriculture and Forestry	86%	472
Commerce and Trade	73%	959
Education*	87%	4,745
Executive Offices	92%	74
Finance	94%	67
Health and Human Resources**	85%	4,167
Independent Agencies	63%	1,113
Judicial	34%	2,454
Legislative	90%	120
Natural Resources	90%	897
Public Safety	91%	3,291
Technology	81%	85
Transportation*	62%	9,915
Statewide	79%	29,289

* 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	40%	872
Education		
Norfolk State University	67%	631
Health and Human Resources		
Eastern State Hospital	67%	323
Department of Behavioral Health and Developmental Services	65%	118
Central Virginia Training Center	53%	500
Independent Agencies		
Virginia Retirement System	67%	144
State Corporation Commission	2%	638
Judicial		
Indigent Defense Commission	66%	121
Judicial Inquiry and Review Commission	60%	4
Board of Bar Examiners	0%	26
Circuit Courts	0%	147
Combined District Courts	0%	246
General District Courts	0%	974
Juvenile and Domestic Relations District Courts	0%	495
Magistrate System	0%	123
Virginia Criminal Sentencing Commission	0%	43
Legislative		
Commission on the Virginia Alcohol Safety Action Program	0%	40
Public Safety		
Sitter-Barfoot Veterans Care Center	49%	362
Transportation		
Department of Transportation	61%	9,229
Board of Towing and Recovery Operators	50%	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 January, this represents the bill date of January 15, 2010, with the payment due no later than February 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 table lists agencies more than two days late in submitting their payments by each program type.

Agency	Jan	Feb	Mar
<u>Purchase Card Program:</u>			
Commerce and Trade			
Department of Mines, Minerals and Energy		X	
Education			
Eastern Shore Community College	X		
Gunston Hall		X	
New College Institute		X	
University of Virginia Medical Center	X	X	X
Independent			
Virginia Office for Protection and Advocacy	X		
<u>Airline Travel Card Program:</u>			
Education			
Virginia Western Community College			X
Health and Human Resources			
Department of Medical Assistance Services			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 March 31, 2010, and the total amounts past due.

Travel Charge Card Program

As of March 31, 2010

Agency	Total Delinquent Accounts	Amounts 60 Days Past Due	Amounts 90-120 Days Past Due	Amounts >150 Days Past Due
Education				
George Mason University	3	\$ 409	\$ 1,235	\$ 1,695
Longwood University	2	99	517	1,616
Old Dominion University	1	96	0	0
Thomas Nelson Community College	1	0	54	161
Tidewater Community College	1	138	0	0
University of Virginia	1	90	0	0
University of Virginia Medical Center	1	15	160	175
Virginia Commonwealth University	3	0	1,816	2,046
Virginia Polytechnic Institute and State University	3	719	1,782	2,501
Health and Human Resources				
Department of Medical Assistance Services	1	22	50	72
Independent				
Virginia College Savings Plan	1	0	200	0
Public Safety				
Department of Corrections	1	0	76	838
Transportation				
Department of Motor Vehicles	1	36	0	0



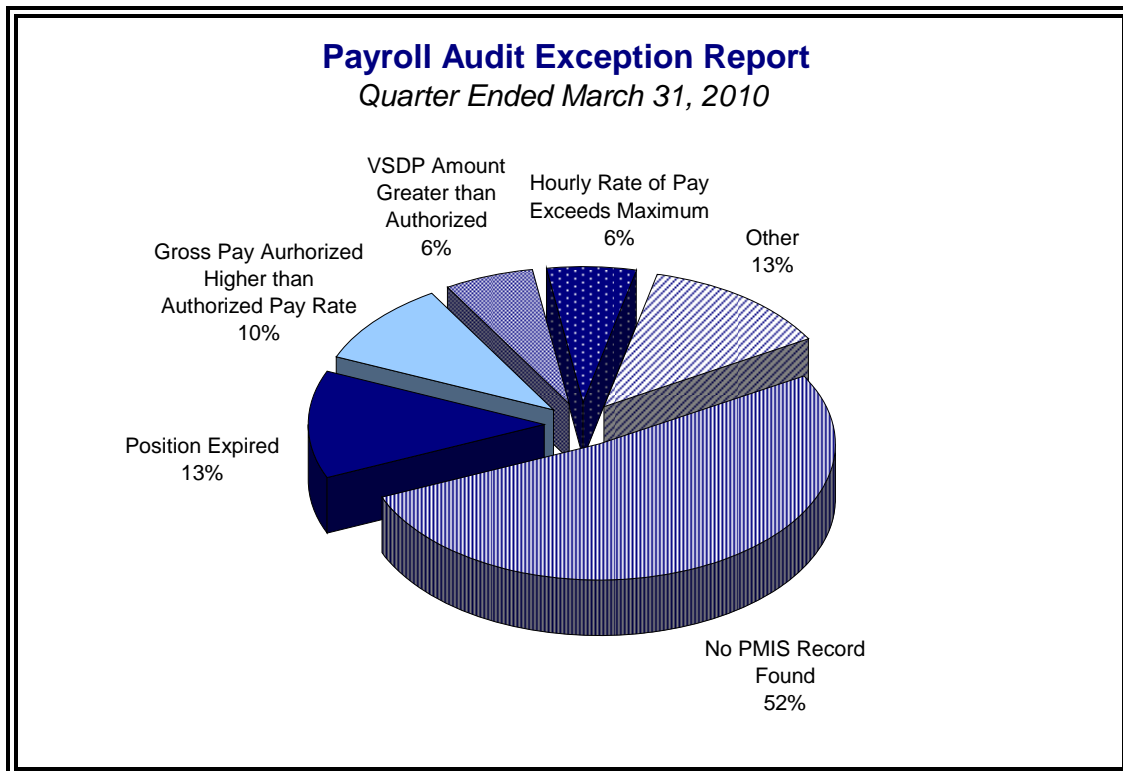
Payroll Controls

CIPPS/PMIS Payroll Audit

During the quarter, DOA's automated comparison of payroll (CIPPS) and personnel (PMIS) records examined 419,344 salaried pay transactions and 211,642 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 5,677 new exceptions noted statewide during the quarter, with an overall exception rate of 0.81 percent.

The statewide salaried payroll exception rate was 1.01 percent and the wage payroll exception rate was 0.43 percent. During this quarter, 23 employee paychecks were reduced to recover \$12,382.44 in overpayments.

While the largest cause of exceptions is payments made to employees in a position which has an authorized period that has expired, the second largest cause of exceptions is the processing of payments to salaried employees who no longer have an active record for their current agency set up in the PMIS system. 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.



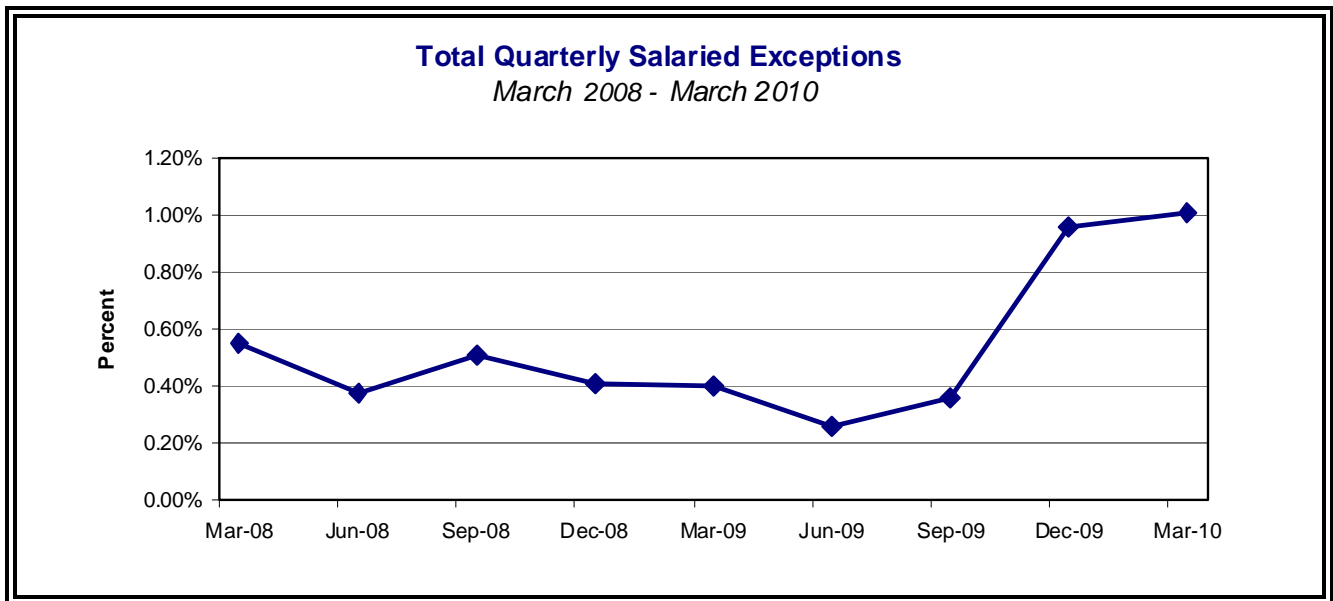
Exception percentages are calculated by dividing the number of exceptions by the number of salaried or wage employees. Agencies are reported below if the percentage

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 March 31, 2010

Total Salaried Payroll Exceptions for the Quarter	1.01%
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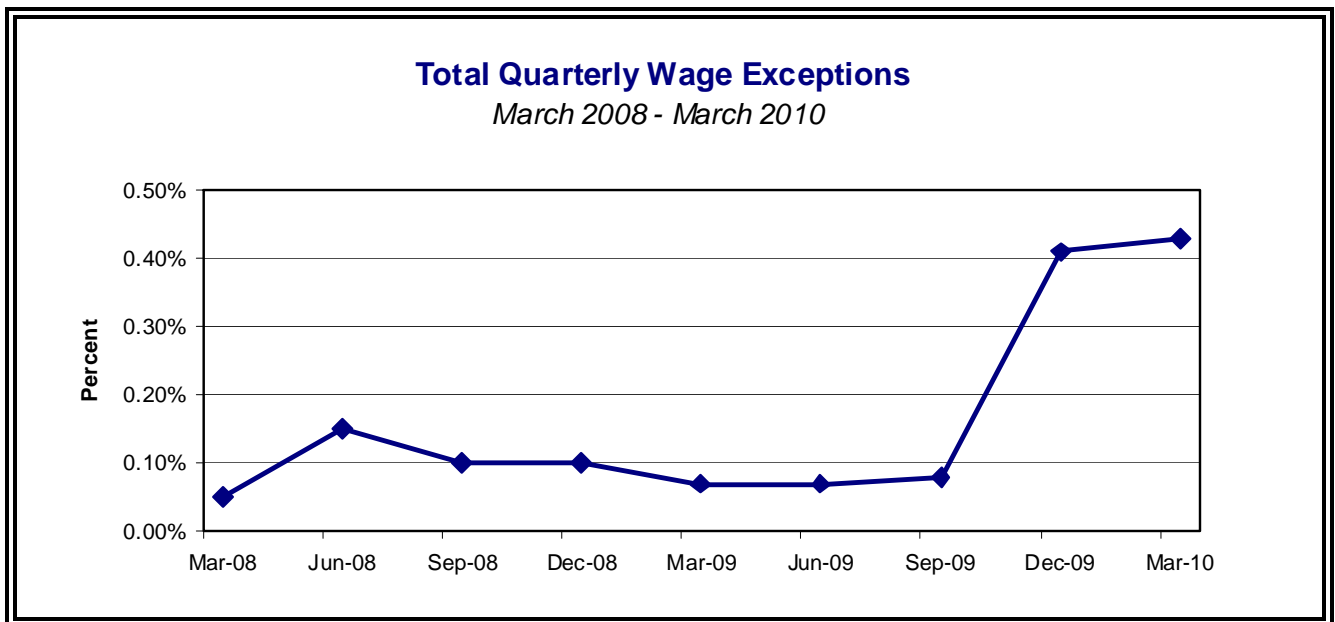
The following chart compares payroll exceptions as a percentage of salaried payments by quarter for the past two years.



Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Wage Payments
Quarter Ended March 31, 2010

Wage Payroll Exceptions for the Quarter	0.43%
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The following chart compares payroll exceptions as a percentage of wage payments by quarter for the past two years.



CIPPS/PMIS Exceptions

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

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

<u>Agency</u>	<u>Unresolved Exceptions</u>
No Exceptions	



Payroll Certification

Agencies are required to calculate, verify, and authorize the amount disbursed for each payroll. This responsibility can be met through the timely preparation of agency payrolls, request and review of automated edit reports, and correction of errors prior to requesting actual payroll runs which result in payroll disbursements. This process is referred to as “payroll certification.” Payroll certification serves as a critical internal control to ensure payroll disbursements are accurate and authorized. Agency payroll certifications are monitored centrally to ensure that agencies conduct this important function.

Differences between the amount calculated by the payroll system based on agency input and the amount certified by the agency to be disbursed based on edit reports are identified in automated reports provided to agencies. Agencies are required to submit explanations and/or reconciliations of the differences identified on each report by the end of the day following receipt of the report. Differences result from agency payroll errors, miscalculations, online-certification data entry errors, and inappropriately high volumes of changes following certification. Although differences do not result in

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

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

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

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

Payroll Certification Compliance

Agency	Variance Amount (a)	Performed by DOA (b)	Submitted Late (c)	Corrected by DOA (d)
Education				
Virginia State University Cooperative Extension and Agricultural Research Services	\$ 40,000			
Northern Virginia Community College	22,630			
Paul D. Camp Community College	33,444			
Health and Human Resources				
Central State Hospital	32,356			
Department of Behavioral Health and Developmental Services	555,504			2
Department of Health	36,116			
Piedmont Geriatric Hospital	194,899			
Legislative				
Senate of Virginia	64,346			
Virginia House of Delegates	93,555			

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 December, January and February were due 01/29/10, 02/26/10 and 03/31/10, respectively.

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

Agency	Dec	Jan	Feb
Piedmont Virginia Community College Department of Transportation	L	P	

L = Late
P = Problems



FINANCIAL MANAGEMENT ACTIVITY

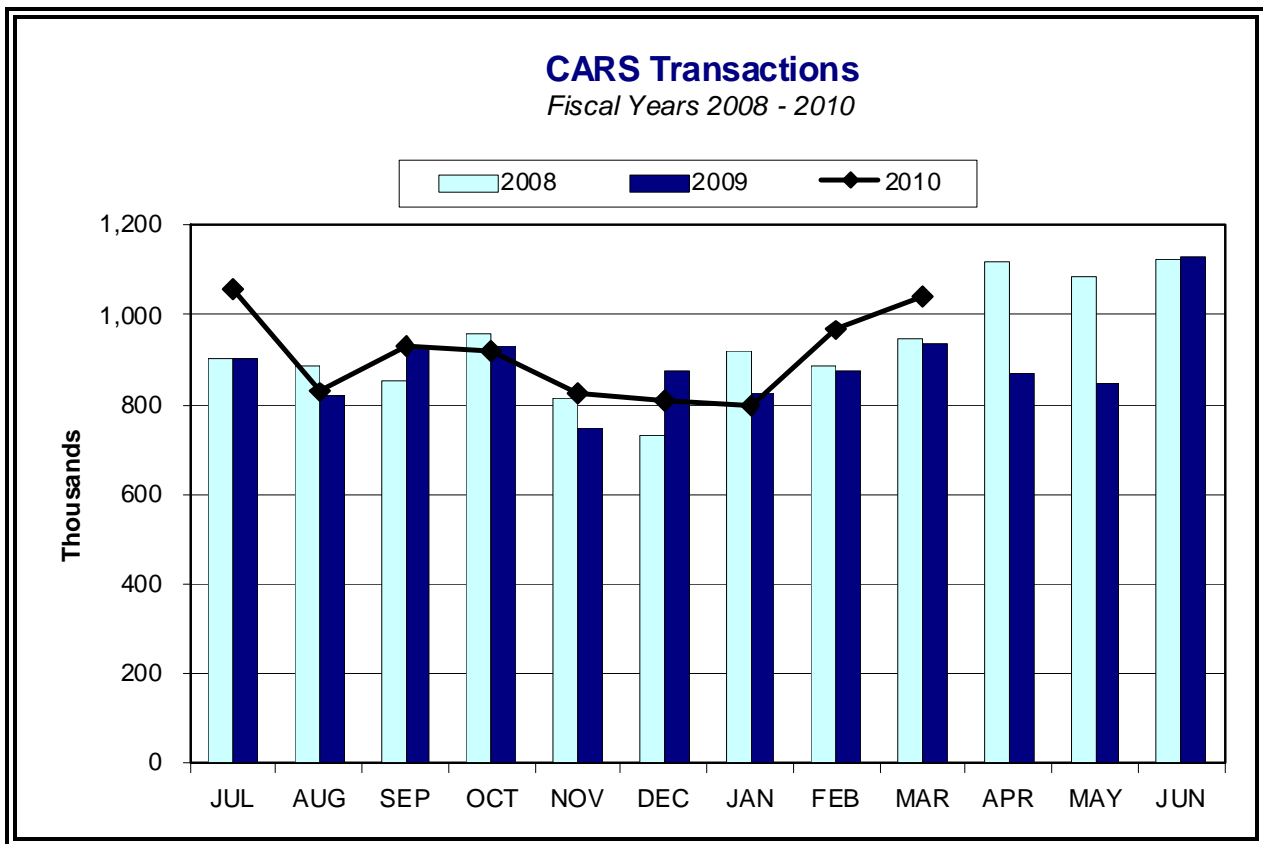
DOA monitors several types of financial activity. Various measures are used to track activities for CARS, payroll, accounts

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

Commonwealth Accounting and Reporting System (CARS)

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

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

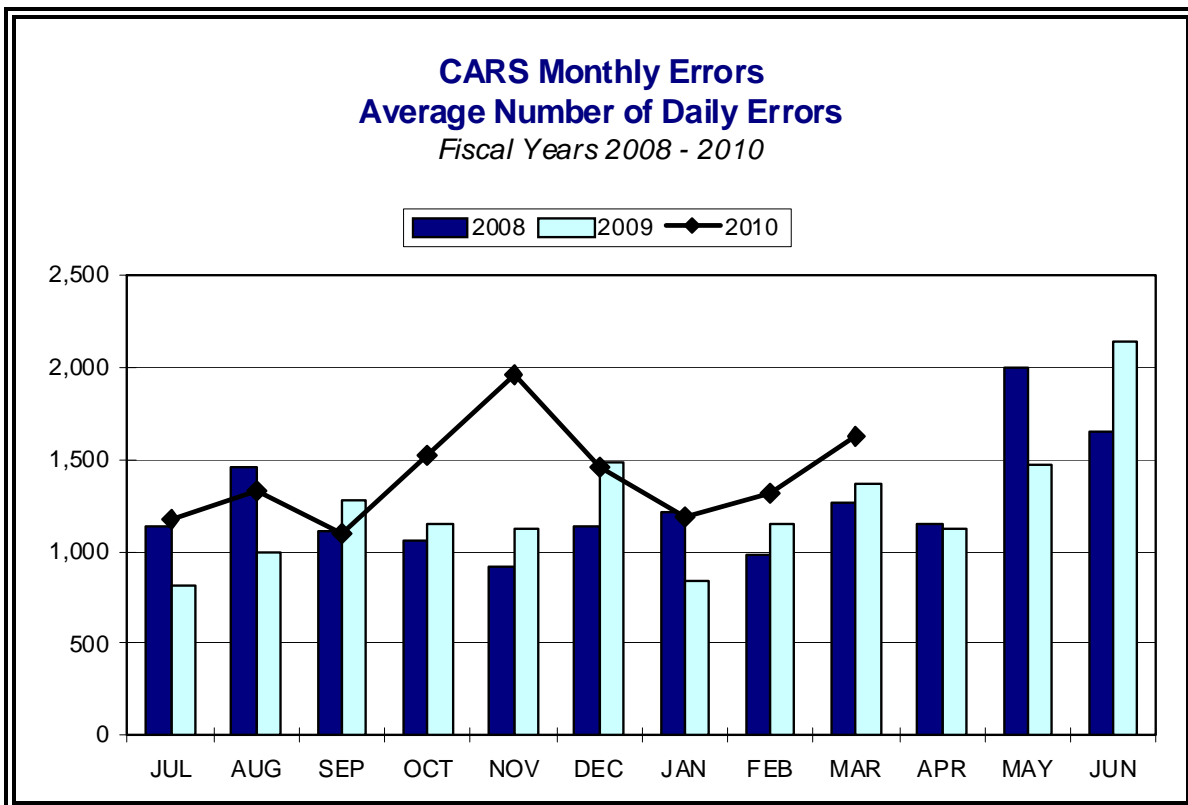


CARS Edits

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

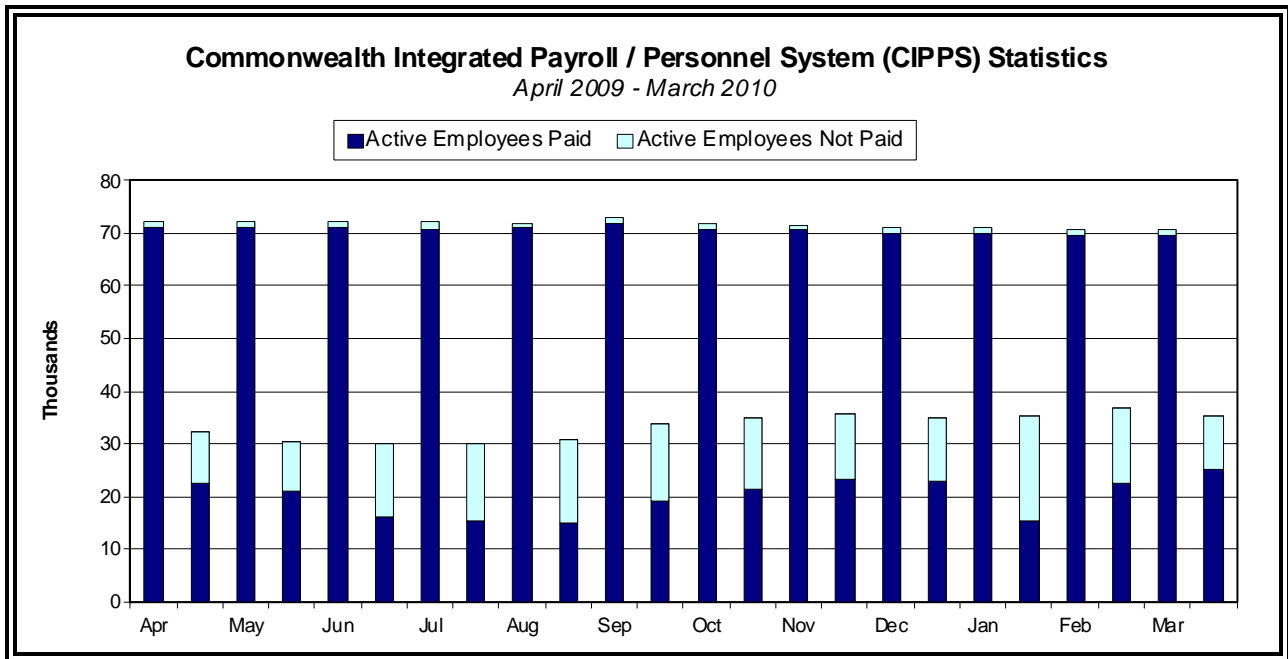


Payroll

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 106,587 employees. Payroll services are also

provided through eight decentralized higher education institutions.

On average, 90,604 employees were paid each month, of which 69,632 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 7,635 savings bonds with a face value of over \$964,000.

Benefit Participation Number of Participating Employees

Benefit	As of 3/31/2010	Comparative	
		As of 3/31/2009	As of 3/31/2008
Health Care			
COVA Care	74,865	83,957	84,253
COVA Connect	7,611	N/A	N/A
Kaiser	2,081	2,029	2,025
Optional Retirement Plans*			
Fidelity Investments	565	571	582
TIAA/CREF	1,599	1,619	1,630
Political Appointee - ORP	73	87	101
Deferred Compensation*	40,154	38,680	36,278
Flexible Reimbursement*			
Dependent Care	790	817	772
Medical Care	7,395	7,745	7,099

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



Accounts Receivable

Executive Summary

Chapter 48 of the *Code of Virginia* requires the Department of Accounts, along with the Office of the Attorney General, to oversee, report on, and monitor the Commonwealth's accounts receivable program. In order to carry out this responsibility, DOA has issued policies and procedures on accounting, collecting, reporting, and writing off accounts receivable. In addition, DOA provides technical assistance to agencies and institutions and uses statistical analyses and audit reports to monitor the ongoing effectiveness of agencies in managing their accounts receivable.

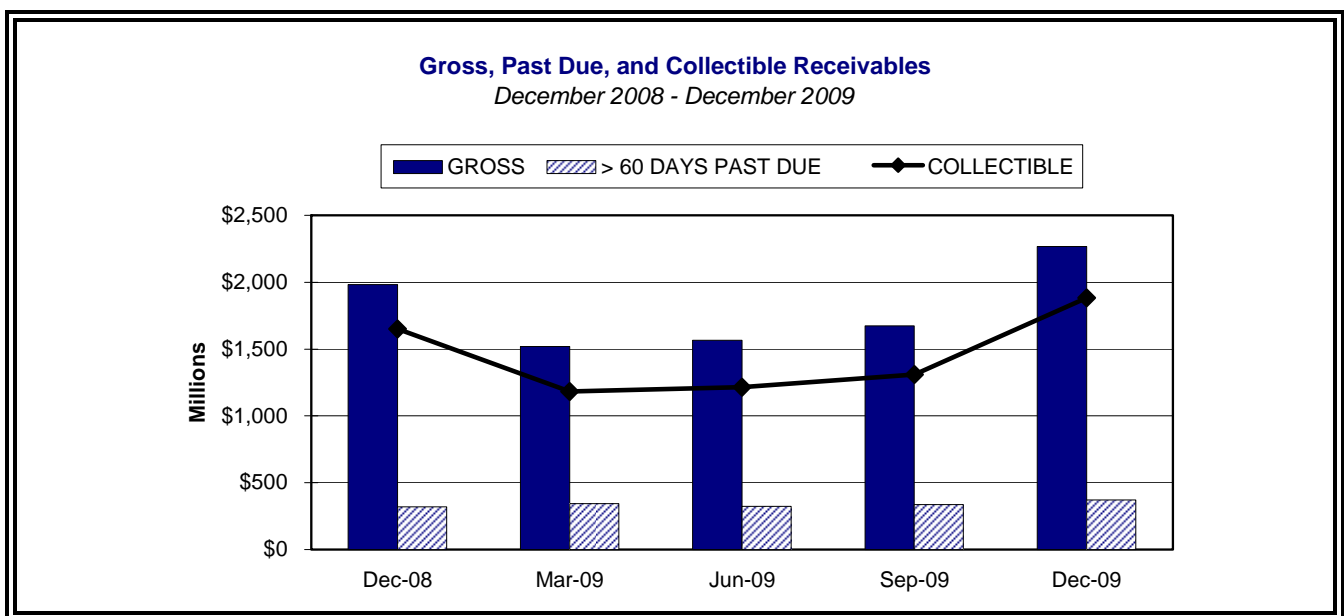
In an effort to present more meaningful information, DOA continues to exclude data from the tables (except for the final table on past due receivables) from the Department of Taxation, consisting largely of statutory assessments and non-filers assessments, and the circuit and district courts, which report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

Commonwealth agencies and institutions reported adjusted gross receivables of \$2.27

billion at December 31, 2009, with \$1.88 billion considered collectible. Receivables over 60 days past due as of December 31, 2009, totaled \$370.9 million. Of that amount, \$19.1 million was placed with private collection agencies, \$25.3 million was placed with the Division of Debt Collection and \$326.5 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 December 31, 2009, agencies expected to collect \$1.88 billion (83 percent) of the \$2.27 billion adjusted gross receivables. About 1 percent is due to the General Fund,

primarily for benefit recoveries and sales of permits. The balance, which contains Medicaid penalties that are no longer revertible, is due to several nongeneral funds.

Collectible Receivables by Fund

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

As of December 31, 2009

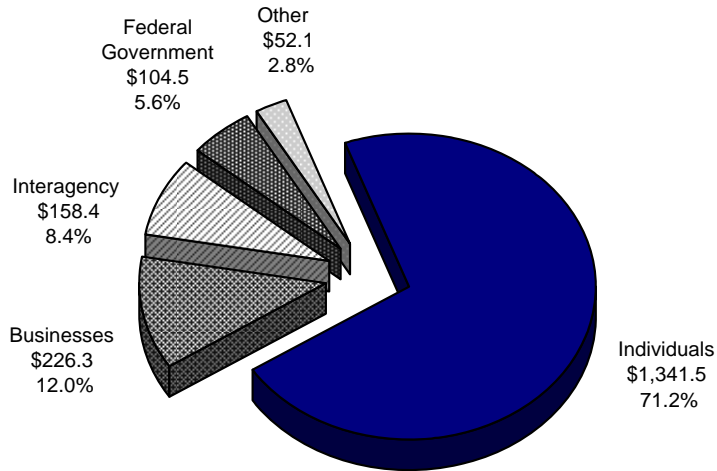
Fund	Source	Amount	Percent
General Fund 1%	Medicaid - Current Recoveries	\$ 10,140,421	53%
	Social Services	3,233,366	17%
	Labor and Industry Inspections	646,286	3%
	State Police Permits	1,140,694	6%
	Corrections	1,266,585	7%
	Other	1,710,474	9%
	Subtotal	18,137,826	95%
	Interagency Receivables	986,533	5%
Total General Fund Collectible		\$ 19,124,359	100%
Nongeneral Funds 99%	Medicaid - Dedicated Penalty Fees	\$ 47,204,145	3%
	Medicaid - Federal Reimbursements	4,081,683	1%
	Unemployment Taxes *	50,520,058	3%
	Transportation	49,681,347	3%
	Child Support Enforcement	137,706,705	7%
	Federal Government	18,316,771	1%
	DBHDS Patient Services	29,173,839	2%
	Hospital	228,650,494	12%
	Enterprise	66,992,358	4%
	Higher Education	1,032,730,274	54%
	Other	41,216,241	2%
	Subtotal	1,706,273,915	92%
	Interagency Receivables	157,442,792	8%
Total Nongeneral Fund Collectible		\$ 1,863,716,707	100%
All Funds	Grand Total	\$ 1,882,841,066	100%

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

Summary of Receivables by Source

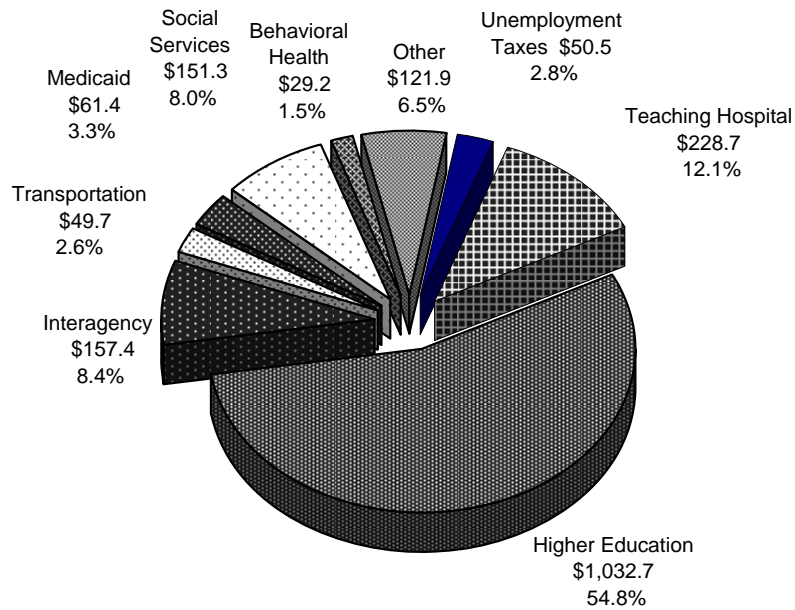
Sources of Collectible Receivables by Debtor

(dollars in millions)
As of December 31, 2009



Sources of Collectible Receivables by Type

(dollars in millions)
As of December 31, 2009



Not counting Taxation and the Courts, ten agencies account for 78 percent of the Commonwealth's adjusted gross and 75

percent of the adjusted collectible accounts receivable balances.

Accounts Receivable Summary
Not Including Circuit Courts, District Courts, or Department of Taxation
Quarter Ended December 31, 2009

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
University of Virginia Medical Center	\$ 292,785,781	\$ 20,511,022	\$ 272,274,759
Virginia Polytechnic Institute and State University	224,245,664	2,522,074	221,723,590
University of Virginia - Academic Division	206,873,954	2,578,517	204,295,437
Virginia Commonwealth University	167,928,462	4,154,918	163,773,544
Department of Social Services	403,635,508	245,911,744	157,723,764
James Madison University	109,028,010	1,650,072	107,377,938
The College of William and Mary in Virginia	88,540,888	3,528	88,537,360
Old Dominion University	88,593,981	1,287,860	87,306,121
Department of Medical Assistance Services	96,083,109	34,589,921	61,493,188
Virginia Employment Commission	91,595,096	36,256,850	55,338,246
Total	\$ 1,769,310,453	\$ 349,466,506	\$ 1,419,843,947
All Other Agencies	497,904,952	34,907,833	462,997,119
Grand Total	\$ 2,267,215,405	\$ 384,374,339	\$ 1,882,841,066

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.

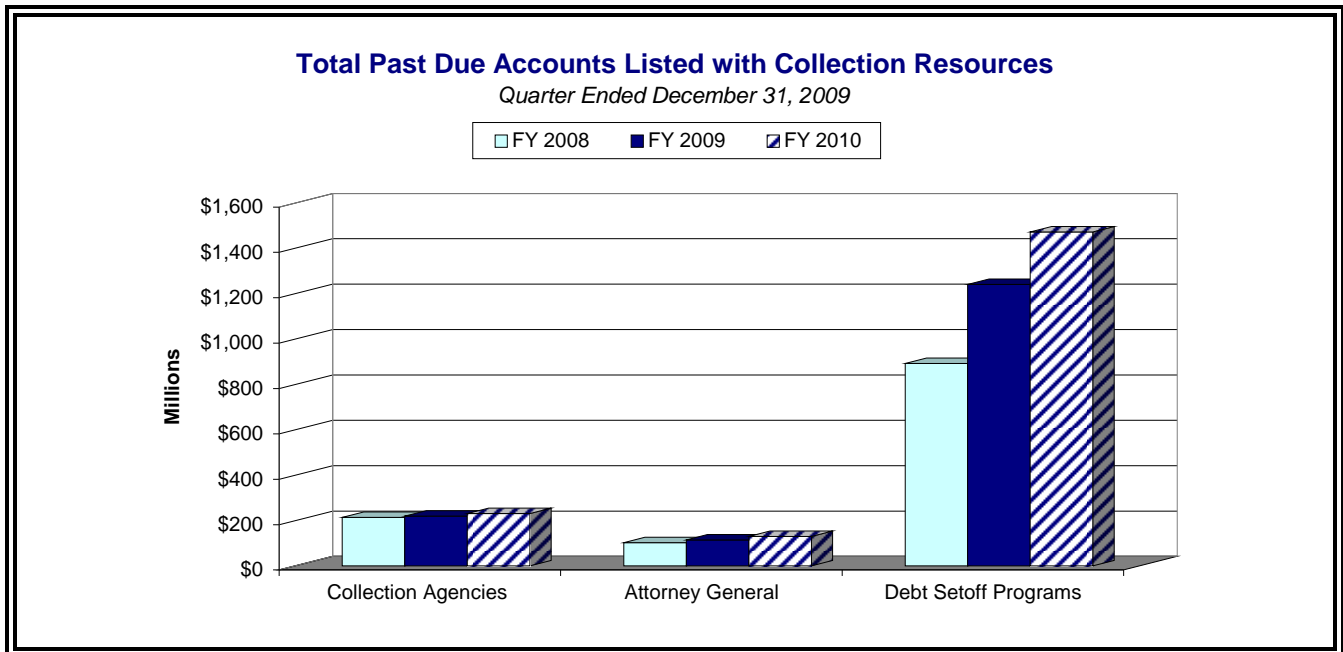
These additional collection tools recovered \$2.4 million during the quarter ended December 31, 2009. The Division of Debt Collection contributed \$1.6 million. Private collection agencies collected \$128,526, and the debt setoff programs (Tax, Comptroller's and Lottery) collected \$647,263.

Private collection agencies returned \$5.4 million of accounts to agencies, and the Division of Debt Collection discharged \$3.3 million of accounts and returned \$166,992 of accounts to agencies.

Collectible Receivables Over 60 Days Past Due
Not Including Circuit Courts, District Courts or the Department of Taxation
As of December 31, 2009

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	\$ 142,350,796	\$ 2,610	\$ -	\$ 142,348,186
Virginia Employment Commission	44,276,510	9,157,841	8,964,471	26,154,198
University of Virginia Medical Center	42,580,522	-	-	42,580,522
Department of Medical Assistance Services	31,403,971	917,052	1,068,004	29,418,915
Department of Transportation	24,917,508	971,661	7,116,548	16,829,299
Department of Behavioral Health and Developmental Services	11,284,763	-	-	11,284,763
Virginia Information Technologies Agency	10,213,497	-	-	10,213,497
University of Virginia - Academic Division	8,611,192	272,528	44,247	8,294,417
Department of General Services	6,826,113	-	-	6,826,113
Virginia Polytechnic Institute and State University	5,248,014	941,710	829,188	3,477,116
TOTAL	\$ 327,712,886	\$ 12,263,402	\$ 18,022,458	\$ 297,427,026
All Other Agencies	43,145,039	6,801,688	7,275,337	29,068,014
TOTAL OVER 60 DAYS	\$ 370,857,925	\$ 19,065,090	\$ 25,297,795	\$ 326,495,040
Uncollectible Amounts Placed for Collection, Including Accounts Written Off	1,461,718,601	212,246,318	104,386,969	1,145,085,314
TOTAL COLLECTION EFFORTS	\$ 1,832,576,526	\$ 231,311,408	\$ 129,684,764	\$ 1,471,580,354

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 \$2.8 million through the third 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 12/31/09	Comparative	
		Percent at 9/30/09	Percent at 6/30/09
Department of General Services	55%	23%	19%
Department of Transportation	53%	26%	11%
Virginia Employment Commission	48%	44%	38%
Department of Social Services	35%	35%	35%
Department of Medical Assistance Services	33%	36%	38%
Department of Behavioral Health and Developmental Services	25%	24%	23%
Virginia Information Technologies Agency	23%	21%	20%
University of Virginia Medical Center	15%	10%	14%
University of Virginia - Academic Division	4%	6%	13%
Virginia Polytechnic Institute and State University	2%	4%	8%
Statewide Average - All Agencies	16%	20%	21%

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 75 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 69 percent indicates that for every \$1 billed during the quarter ended December 31, 2009, the state collected 69 cents. This rate is one percent less than last year, and two percent less than the December 31, 2007 quarter.

Collections as a Percentage of Billings

Agency	Percent 12/31/2009	Comparative	
		Percent 12/31/2008	Percent 12/31/2007
Virginia Employment Commission	101%	100%	101%
Department of Social Services	94%	107%	98%
University of Virginia - Academic Division	57%	78%	83%
Department of Medical Assistance Services	56%	58%	37%
Virginia Polytechnic Institute and State University	52%	51%	53%
Virginia Commonwealth University	42%	44%	52%
University of Virginia Medical Center	32%	34%	37%
Old Dominion University	31%	34%	34%
The College of William and Mary in Virginia	27%	30%	31%
James Madison University	23%	28%	26%
Statewide Average - All Agencies	69%	70%	71%

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 \$61.5 million at December 31, 2009, is a \$1.7 million increase over the \$59.8 million reported at December 31, 2008. Over the same period, total past due receivables of \$33.7 million have decreased by \$4.6 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 \$272.3 million at December 31, 2009, were a \$67.7 million increase from the \$204.6 million reported the previous year. Past due receivables increased by \$17.7 million to \$117.1 million at December 31, 2009.

Virginia Employment Commission (VEC)

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

VEC collectible receivables were \$55.3 million at December 31, 2009, an increase of \$5.4 million from the previous year. Total past due receivables were \$48.6 million, an \$8.3 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 December 31, 2009, of \$43.5 million, which is a decrease of \$3.2 million reported in the previous year. Most of these receivables are due from other state agencies. As of December 31, 2009, \$10.2 million was over 60 days past due, an increase of \$2.0 million from the previous year.

State Lottery Department (SLD)

The State Lottery Department is an independent agency responsible for operating the State's on-line lottery and scratch-off games and actively participates in 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 December 31, 2009, the State Lottery reported net receivables of \$47.9 million, a \$432,877 increase from the previous year. Billings increased by \$5.1 million and collections increased by \$7.9 million during the December 31, 2009 quarter when compared to the December 31, 2008 quarter. At December 31, 2009, the State Lottery had \$176,470 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 December 31, 2009, 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 December 31, 2009, the University reported net collectible receivables of \$221.7 million, a \$6.7 million increase over the prior year. At the same time, total past due receivables of \$8.7 million decreased by \$1.3 million over the prior year.

The University uses a variety of collection methods to encourage payments. At December 31, 2009, VPISU had \$5.2 million of accounts over 60 days past due. \$1.4 million was placed with the Attorney General's Division of Debt Collection, another \$987,585 was placed with private collection agencies and \$3.5 million was subject to additional in-house efforts.

Department of Behavioral Health and Developmental Services (DBHDS)

DBHDS operates 16 facilities around the State to treat patients. These facilities account for nearly all of the department's receivables, consisting primarily of fees due for patient care. DBHDS bills third party insurers and patient assistance programs such as Medicare and Medicaid whenever they are available. In other cases, the Department looks to responsible family members and tangible real and personal property for payment. When property is located, a lien is filed in the local courts so that when estates are liquidated, DBHDS can recover some of the costs involved in a patient's care.

At December 31, 2009, the Department reported collectible receivables of \$29.2 million, a \$105,423 increase over the previous year. \$17.6 million was past due, with \$11.3 million being over 60 days past due. Total past due receivables decreased by \$860,729 over the year, and accounts over 60 days past due increased by \$424,367. At December 31, 2009, the Department had a total of \$5.7 million of accounts placed with the Attorney General and \$768,224 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 December 31, 2009, VDOT reported \$45.5 million of collectible receivables, an increase of \$9.7 million from the prior year. VDOT also reported \$29.1 million total past due and \$24.9 million being over 60 days past due. Past due receivables decreased by \$4.9 million over the year, while receivables over 60 days past due decreased by \$281,646. VDOT reports that the large majority of the accounts over 60 days past due continue to be amounts owed by cities, counties and towns that are participating on long-term construction projects with the department and where the local fund shares are provided by local debt financing.

VDOT reported placing \$7.1 million of their accounts over 60 days past due with the Attorney General's Division of Debt Collection, and \$971,661 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 December 31, 2009, DSS reported gross receivables of \$403.6 million, an allowance for doubtful accounts of \$245.9 million and collectible receivables of \$157.7 million. Past due receivables totaled \$144.6 million, of which \$142.4 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for \$361.3 million (90 percent) of the gross receivables, \$223.6 million (91 percent) of the allowance for doubtful accounts and \$137.7 million (87 percent) of the collectible receivables.

From December 31, 2008, to December 31, 2009, gross receivables increased \$37.6 million and collectible receivables increased by \$7.1. Total past due receivables increased by \$18.2 million and receivables over 60 days past due increased by \$18.3 million.

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

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

At December 31, 2009, DRPT had gross and net receivables of \$22.7 million. The majority of this money is due via an interagency transfer from VDOT. \$580,701 was past due at December 31, 2009. Of this amount, \$540,099 was over 60 days past due.

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 December 31, 2009, VCU had \$163.8 million of collectible receivables, an \$18.8 million increase from December 31, 2008. Total past due accounts were \$11.9 million, a \$513,637 increase from December 31, 2008. Accounts over 60 days past due (\$5.2 million) increased by \$1.6 million from the prior year. Billings increased by \$15.8 million to \$193.3 million and collections increased by \$3.7 million to \$82.0 million for the December 31, 2009 quarter, when compared to the December 31, 2008 quarter.

The following table is prepared to present the December 31, 2009, aging information in conformity with the provisions of Section 2.2-603.E.(ii) of the *Code of Virginia*.

Taxation and the Circuit and District Courts accounted for 81 percent (\$2.34 billion) of the

Commonwealth's total \$2.88 billion past due accounts receivable at December 31, 2009. Another 18 agencies accounted for 18 percent (\$518.0 million), leaving 71 other agencies to comprise the last one percent at \$29.1 million.

Agencies with the Largest Volume of Past Due Receivables
As of December 31, 2009

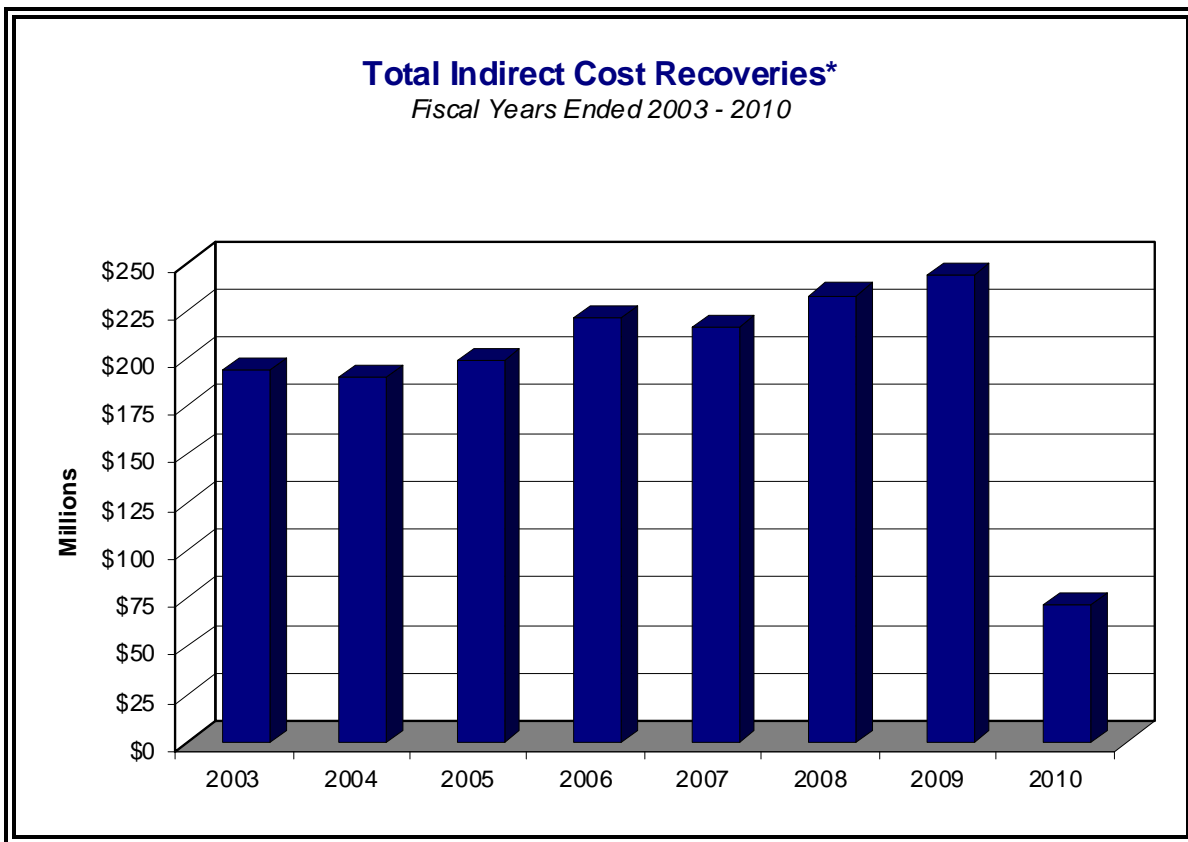
Agency	Total Past Due	1 to 180 Days Past Due	181 to 360 Days Past Due	Over One Year
Department of Taxation	\$ 1,781,210,400	\$ 268,009,282	\$ 184,253,243	\$ 1,328,947,875
Localities' Circuit and District Courts	556,189,276	37,570,563	67,253,733	451,364,980
Total - Taxation Assessments and Court Fines and Fees	\$ 2,337,399,676	\$ 305,579,845	\$ 251,506,976	\$ 1,780,312,855
All Other Large Dollar Agencies:				
Department of Social Services	144,577,790	6,897,193	6,881,753	130,798,844
University of Virginia Medical Center	117,113,480	103,776,533	8,760,802	4,576,145
Virginia Employment Commission	48,645,477	13,227,031	10,194,171	25,224,275
Department of Medical Assistance Services	33,734,818	7,717,045	4,903,806	21,113,967
Department of Transportation	29,137,100	6,409,045	10,694,325	12,033,730
Virginia Information Technologies Agency	21,519,376	15,244,609	3,240,112	3,034,655
University of Mary Washington	19,147,790	18,614,904	144,843	388,043
Department of Behavioral Health and Developmental Services	17,587,375	14,072,292	9,809	3,505,274
University of Virginia - Academic Division	16,017,123	14,438,117	1,145,163	433,843
Virginia Commonwealth University	11,902,071	7,377,904	1,486,606	3,037,561
Department of Health	11,841,480	10,339,876	292,171	1,209,433
Virginia Community College System	9,790,260	8,077,670	1,145,895	566,695
Virginia Polytechnic Institute & State University	8,651,466	6,071,153	1,247,179	1,333,134
Department of General Services	8,357,363	5,379,996	1,550,920	1,426,447
George Mason University	6,842,522	5,733,333	1,060,101	49,088
Old Dominion University	5,416,129	5,243,244	91,318	81,567
State Corporation Commission	4,019,760	3,012,956	-	1,006,804
Virginia Workers' Compensation Commission	3,652,173	859,113	1,124,655	1,668,405
Total - Largest Dollar Volume Agencies	\$ 517,953,553	\$ 252,492,014	\$ 53,973,629	\$ 211,487,910
All Other Agencies	29,074,376	20,097,094	3,533,624	5,443,658
Grand Total Past Due Receivables	\$ 2,884,427,605	\$ 578,168,953	\$ 309,014,229	\$ 1,997,244,423



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 March 31, 2010.

Indirect Cost Recoveries from Grants and Contracts

Fiscal Year 2010

Fund	Year-to-Date		Total
	Higher Ed	Non-Higher Ed	
Nongeneral:			
Agency / Institution (1)	\$ 15,780,215	\$ 53,994,952	\$ 69,775,167
Statewide	84,812	627,865	712,677
Agency / Institution ARRA	325,779	188,333	514,112
Statewide ARRA	290	6,510	6,800
Total Nongeneral	\$ 16,191,096	\$ 54,817,660	\$ 71,008,756
General:			
Agency (Cash Transfers)	-	-	-
Statewide	-	634,388	634,388
Statewide (Cash Transfers)	-	-	-
Total General	\$ -	\$ 634,388	\$ 634,388
Total All Funds	\$ 16,191,096	\$ 55,452,048	\$ 71,643,144

- (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 \$38,070,678 representing the Department of Social Services' estimate of indirect cost recoveries received. This does not include covered higher education institutions.



Loans and Advances

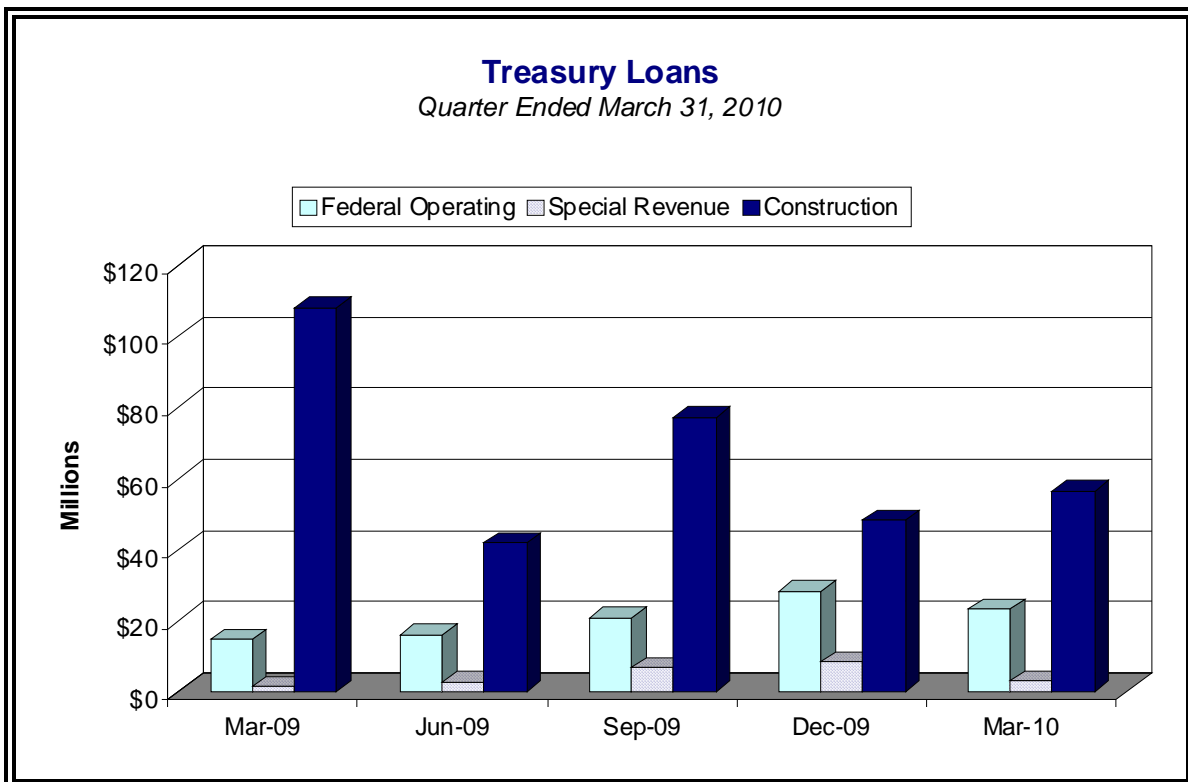
Treasury loans may be used to advance funds to a State agency or institution for a designated purpose prior to some form of reimbursement, typically federal or special revenues. They are loans of a temporary nature, approved on the basis of the following conditions:

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

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

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

The total of all types of treasury loans as of March 31, 2010, was \$82.7 million.



Significant New Loans / Drawdowns		New Balance
Department of Veterans Services (DVS)		
Drawdown on a \$10.2 million loan used for the construction of the Southwest Virginia Veterans Cemetery.	\$	6,218,366.00
Virginia Commonwealth University (VCU)		
Drawdown on a \$9.2 million loan used to construct the New School of Medicine.	\$	1,588,853.00
Department of Conservation and Recreations (DCR)		
Drawdown on a \$1 million loan used to acquire land for the South of Quay Natural Area Easement.	\$	1,000,000.00
Significant Loan Repayments		Prior Balance
Department Military Affairs (DMA)		
Payment on a \$2.6 million loan used to provide funding pending receipt of National Guard Bureau Cooperative Agreement advances.	\$	1,156,250.00
Virginia Department of Transportation (VDOT)		
Payment on a \$15 million loan used to fund the Highway Planning and Construction – ARRA Fund.	\$	4,000,000.00
Department of Taxation (TAX)		
Final payment on a \$6.9 million loan used for planning and implementation of the Virginia Tax Amnesty Program.	\$	5,200,000.00

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 March 31, 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 March 31, 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 March 31, 2010, was \$48.1 million.



