

**REPORT ON
STATEWIDE FINANCIAL MANAGEMENT
AND COMPLIANCE**

FOR THE QUARTER ENDED MARCH 31, 2012



OFFICE OF THE COMPTROLLER

DEPARTMENT OF ACCOUNTS

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TABLE OF CONTENTS

REPORT ON STATEWIDE FINANCIAL MANAGEMENT AND COMPLIANCE *Quarter Ended March 31, 2012*

	Page
STATEMENT OF PURPOSE	2
SPECIAL REPORTS	3
2011 Information Returns Processing.....	3
2011 Year-End Payroll Processing.....	8
COMPLIANCE	9
<u>Auditor of Public Accounts Reports - Executive Branch Agencies</u>	9
Audit Reports – Quarter Ended March 31, 2012.....	9
Audit Findings – Quarter Ended March 31, 2012	12
Additional Recommendations – Quarter Ended March 31, 2012	26
Special Reports – Quarter Ended March 31, 2012.....	26
Other Audit Reports Received – Quarter Ended March 31, 2012.....	27
Summary of Prior Audit Findings.....	28
Status of Prior Audit Findings.....	30
<u>Compliance Monitoring</u>	40
Certification of Agency Reconciliation to CARS Reports.....	40
Response to Inquiries	41
Trial Balance Review	41
Analysis of Appropriation, Allotments and Expenditures and Cash Balances	42
Disbursement Processing	42
Paperwork Decentralization	43
Prompt Payment Compliance.....	46
E-Commerce	49
<i>Financial Electronic Data Interchange (EDI)</i>	50
<i>Travel EDI</i>	51
<i>Direct Deposit</i>	56
<i>Payroll Earnings Notices</i>	59
<i>Small Purchase Charge Card (SPCC) and Increased Limit (Gold) Card</i>	62
<i>Travel Charge Card</i>	67
Payroll Controls	69
<i>CIPPS/PMIS Payroll Audit</i>	69
<i>CIPPS/PMIS Exceptions</i>	72
<i>Payroll Certification</i>	73
<i>Health Care Reconciliations</i>	75
FINANCIAL MANAGEMENT ACTIVITY	76
Commonwealth Accounting and Reporting System (CARS).....	76
Payroll.....	78
Accounts Receivable.....	80
Indirect Costs.....	92
Loans and Advances	94

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, 2012, and comparative FY 2011 data. Some information in the report is for the quarter ended December 31, 2011, which is the most current data available.

David A. Von Moll, CPA, CGFM
Comptroller



Virginia Department of Accounts

Financial Accountability. Reporting Excellence.

SPECIAL REPORT

2011 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 2012, a Statewide Information Returns compliance survey was conducted for the 2011 tax year. Based on the survey, 127 tax reporting entities (representing 259 agencies and institutions) filed 3.8 million information returns totaling \$17.2 billion. Three reporting entities did not file information returns for 2011. The Commonwealth filed 99.96 percent of the information returns with the IRS using electronic media.

Information Returns

Filed for Calendar Year 2011

Number of Information Returns Filed	Number of Tax Reporting Entities
No Returns	3
1 to 50 Returns	73
51 to 250 Returns	21
Over 250 Returns	30
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, 2011. When the number of information returns filed for 2011 is compared with 2010, percent changes by category range from a negative 24.1 percent for Forms 1099-INT, *Interest Income*, to a positive 100.0 percent for Forms 1099-K, *Merchant Card and Third Party Network Payments*. The Department of Taxation attributed the 24.1 percent reduction in Forms 1099-INT to an increase in the number of income tax returns electronically processed thereby reducing the necessity for interest payments. The Department of the Treasury's

Division of Unclaimed Property reported a 12.0 percent decrease in Forms 1099-DIV, *Dividends and Distributions*, and a 17.4 percent decrease in Forms 1099-B, *Proceeds from Broker and Barter Exchange Transactions*, due to the annual variation in the number and types of claims processed each year. The 21.7% increase in number of Forms W-2G, *Certain Gambling Winnings*, for lottery winners is due in large part to the type of games played and the luck of the draw. The Department of Transportation attributed the increase in the number of Forms 1099-S, *Proceeds from Real Estate Transactions*, to variations in the size of construction program activities.

2011 Information Returns Reporting Results

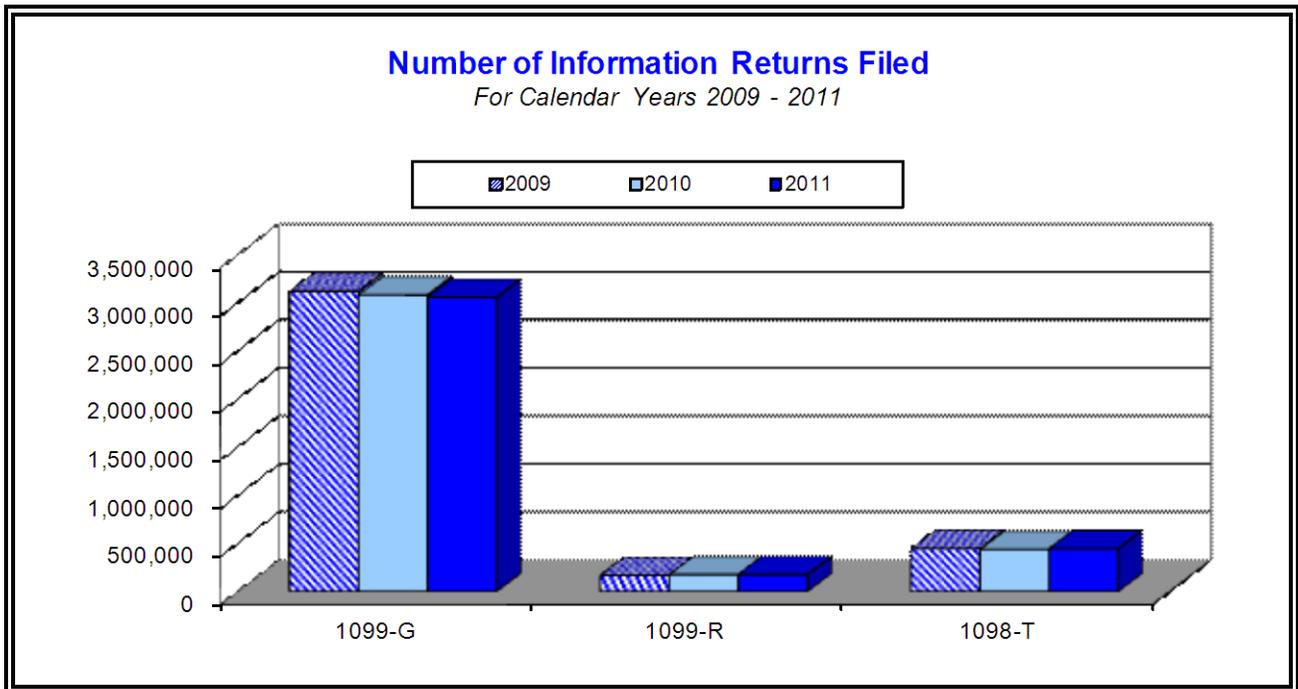
By Major Filing Category

Form Type	Dollars Reported in 2011	Number of Payees in 2011	Electronic Media	Paper Media	% Change in Number of Filings from 2010
1099-G, Certain Government Payments	\$ 3,276,294,987	3,057,808	3,057,801	7	-0.8%
1099-R, Retirement	3,322,507,746	176,540	176,466	74	1.0%
1098-T, Tuition Statement	3,548,534,063	443,818	443,818		1.5%
1099-MISC, Miscellaneous Income (1)	825,867,027	24,127	22,860	1,267	-3.5%
W-2G, Certain Gambling Winnings	252,367,204	33,961	33,961		21.7%
1099-Q, Qualified Education Programs	225,242,601	28,055	28,055		6.7%
1099-S, Proceeds from Real Estate Transactions	28,884,562	754	750	4	24.0%
1042-S, Foreign Persons	13,147,138	2,861	2,582	279	18.0%
1099-INT, Interest Income	5,588,780	35,073	35,053	20	-24.1%
1099-K, Merchant Card and Third Party Network Payments (2)	4,655,268	84	46	38	100.0%
1099-B, Proceeds from Broker and Barter Exchange Transactions by Unclaimed Property Div. of the Treasury Department	1,560,058	673	673		-17.4%
1099-DIV, Dividends and Distributions	321,450	1,263	1,263		-12.0%
Total	\$ 11,504,970,884	3,805,017	3,803,328	1,689	-0.5%

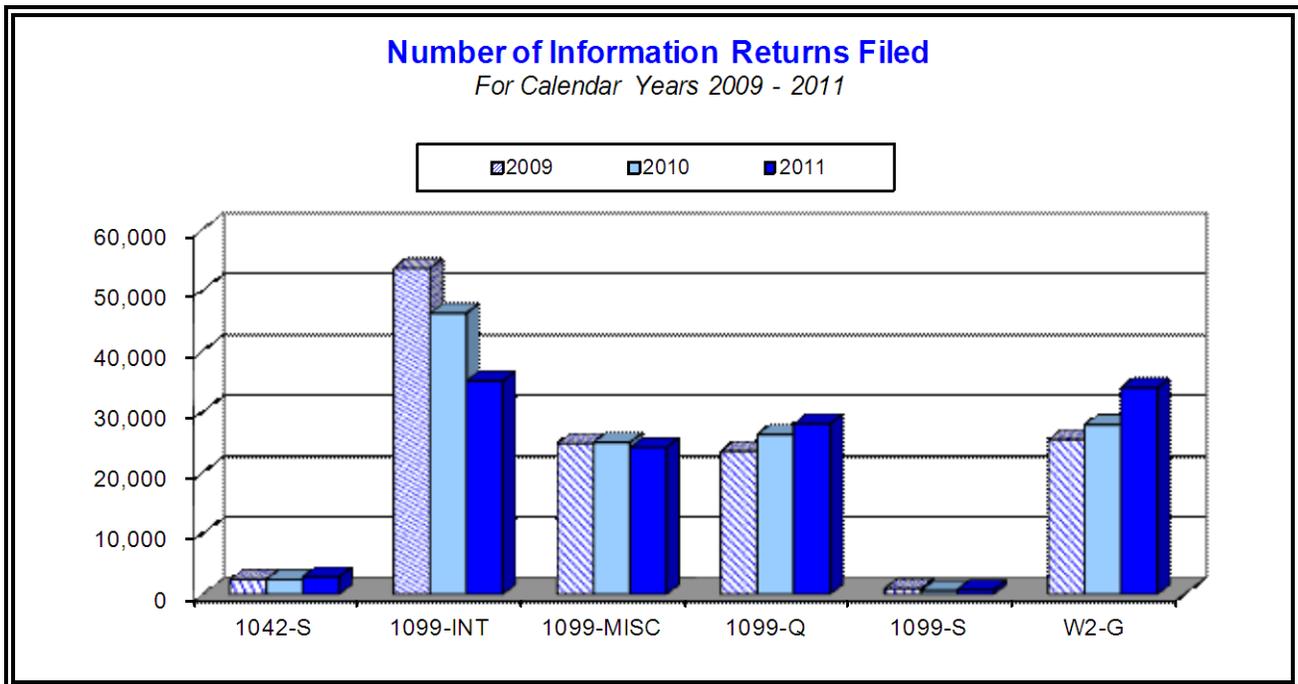
(1) Does not include Medicaid payments to third party providers made by the DMAS fiscal agent.

(2) Form 1099 K is new for 2011. Higher Education Institutions that issue payment cards to students reported processing this form for calendar year 2011.

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 2011, seven control agencies reported receiving 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, (2) a taxpayer identification number that did not match a taxpayer record in either the IRS or Social Security Administration's databases, or (3) not filing information returns by the required deadline. To avoid penalties for erroneous filings, the agencies were required to research

these discrepancies and respond to the IRS. All agencies receiving notices complied. The IRS has either waived the proposed penalties or deferred action on the proposed penalties for four of seven agencies notified. One agency reported receiving penalty notices of \$5,550 for failure to furnish correct taxpayer identification numbers on a total of 111 returns for tax years 2008 and 2009. Another agency reported paying a \$375 penalty for late filing, and one other agency reported paying a penalty for \$44 for not withholding on payments made to a foreign national.

Agency Training

One hundred and seventeen people from 84 agencies/higher education institutions reported participating in DOA's on-line Information Returns training class. Some agencies/higher education institutions requested additional training. The most

frequently mentioned areas of interest were: (1) future tax year changes and IRS updates, and (2) basic information returns reporting requirements, including forms and regulations.

The chart below lists the reporting entities that filed more than 500 information returns for calendar year 2011.

**Reporting Entities Filing More Than
500 Information Returns for 2011**

Reporting Entity	Number of Agencies	Number of Returns	Dollars	Automated System (s)
Department of Taxation	1	2,813,186	\$ 1,977,451,931	In-House System
Virginia Employment Commission	1	277,931	1,259,412,440	AMS
Virginia Community College System (VCCS) (1)	24	192,506	318,223,070	PeopleSoft Oracle Database System
Virginia Retirement System	1	176,452	3,404,101,860	Adams 2011 Tax Form Helper, Version 10.0
George Mason University	1	48,922	378,443,095	Sunguard Banner, ACS, Windstar
Virginia Commonwealth University	1	46,050	403,294,722	Evisions
State Lottery Department	1	34,961	290,462,371	Oracle & JD Edwards
Virginia Polytechnic Institute and State University	2	33,520	425,109,480	Banner System
University of Virginia	4	28,991	482,755,772	In-House System
Virginia College Savings Plan	1	28,075	226,426,998	AMS
Old Dominion University	1	25,399	154,665,577	Banner and Secure 32 Software
James Madison University	1	22,964	221,687,712	Winfiler Software
Radford University	1	12,039	84,552,698	AMS
The College of William and Mary in Virginia	3	11,468	932,092,568	Banner
Norfolk State University	1	9,311	109,223,742	Colleague Datatel
Virginia State University	2	7,954	60,896,409	1099 Express
University of Mary Washington	1	6,750	65,870,366	Banner
Christopher Newport University	1	6,032	65,591,061	Evisions
Longwood University	1	5,623	47,983,553	Banner
Supreme Court	9	2,750	102,176,964	IDSS Oracle Database
Department of the Treasury, Division of Unclaimed Property	1	2,466	2,064,713	In-House System
Department of Transportation	1	2,002	90,524,609	PeopleSoft FMS
Virginia Military Institute	1	1,936	34,533,978	Colleague Datatel
Department of Rehabilitative Services	6	1,335	17,137,829	Powerhouse
Department of Forestry	1	1,081	1,831,803	AMS
Department of Health	2	505	10,677,517	FAS (Oracle)
Total	70	3,800,209	\$ 11,167,192,838	

(1) The number of returns filed by VCCS includes 192,482 Forms 1098-T filed on behalf of the 23 community colleges.

SPECIAL REPORT

2011 Year-End Payroll Processing

At the end of calendar year 2011, DOA working with 214 state agencies and institutions, verified and printed 119,574 W-2s. This was a slight increase from the number of W-2s printed in 2010.

	CY 2010	CY 2011
W-2s Printed	118,597	119,574
W-2Cs Printed	87*	61*
Agencies Making Adjustments	58	50
Employee Records Requiring Year-End Adjustments	143	158

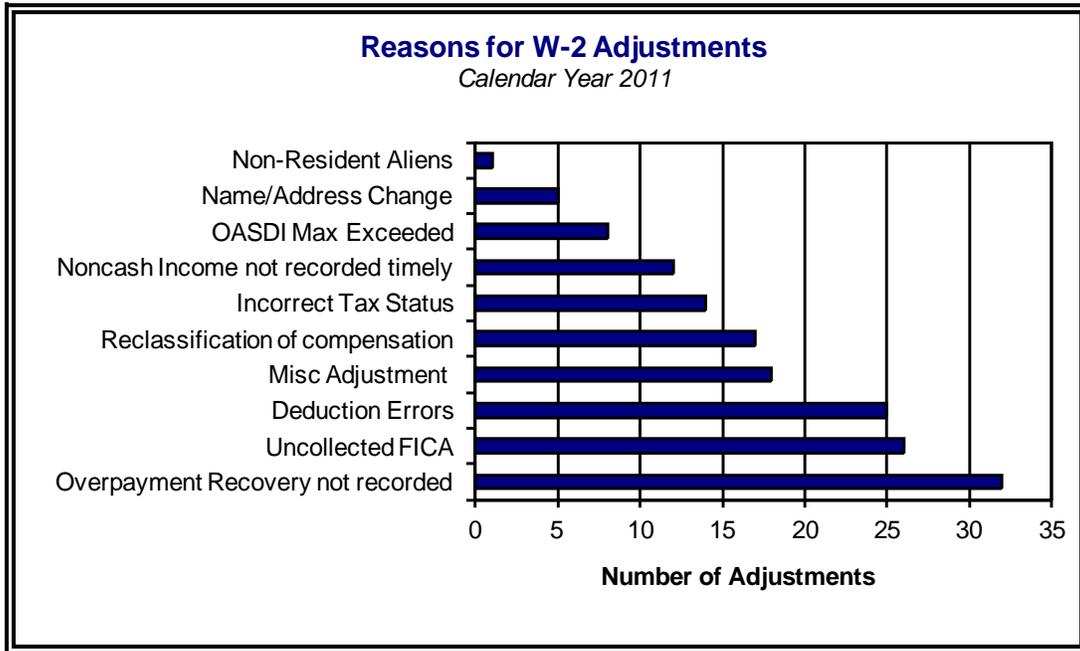
*# of W-2C's printed as of the date of this report.

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 158 employee records. Overpayment recoveries not recorded timely, uncollected FICA for taxable income recorded after employee termination and deduction coding errors contributed to fifty percent of all correcting entries.

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 20th 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 additional recommendations that can include risk alerts, efficiency issues, or any other improvements that can be made within agency operations. Risk alerts address issues that are beyond the capacity of agency management to implement effective corrective actions. Efficiency issue report items provide management with recommendations to enhance agency practices, processes or procedures. Additional recommendations are provided following the Audit Findings section.

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

Audit Reports – Quarter Ended March 31, 2012

The APA issued 17 reports covering 37 State Agencies 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				
Department of Employment Dispute Resolution	0	0	0	N/A
Department of Human Resource Management	1	0	1	YES
Department of Minority Business Enterprise	0	0	0	N/A
Agriculture and Forestry				
None				

	New Findings	Repeat Findings	Total Findings	CAW Received
Commerce and Trade				
Board of Accountancy	0	0	0	N/A
Virginia National Defense Industrial Authority	0	0	0	N/A
Virginia Tourism Authority	0	0	0	N/A
Education				
Department of Education ⁽¹⁾	0	0	0	N/A
George Mason University	0	0	0	N/A
John Tyler Community College	0	0	0	N/A
Radford University	1	0	1	YES
State Council of Higher Education for Virginia	0	0	0	N/A
Virginia Commonwealth University	1	0	1	YES
Executive Offices				
None				
Finance ⁽²⁾				
Department of Accounts	0	0	0	N/A
Department of Planning and Budget	0	0	0	N/A
Department of Taxation	0	0	0	N/A
Department of Treasury ⁽³⁾	2	0	2	YES
Health and Human Resources ⁽⁴⁾				
Department of Aging	0	0	0	N/A
Department of Behavioral Health and Developmental Services	3	1	4	YES
Department for the Blind and Vision Impaired	0	0	0	N/A
Department for the Deaf and Hard of Hearing	0	0	0	N/A
Department of Health	0	0	0	N/A
Department of Health Professions	0	0	0	N/A
Department of Medical Assistance Services ⁽⁵⁾	0	1	1	YES
Office of Comprehensive Services for At-Risk Youth and Families	0	0	0	N/A
Department of Rehabilitative Services	1	1	2	YES
Department of Social Services	2	1	3	YES
Virginia Board for People with Disabilities	0	0	0	N/A
Virginia Rehabilitation Center for the Blind and Vision Impaired	0	0	0	N/A
Woodrow Wilson Rehabilitation Center	0	0	0	N/A
Natural Resources				
Department of Environmental Quality	0	0	0	N/A
Public Safety				
Commonwealth's Attorneys' Services Council	0	0	0	N/A
Technology				
None				
Transportation ⁽⁶⁾				
Department of Aviation	0	0	0	N/A
Department of Motor Vehicles	3	1	4	YES
Department of Rail and Public Transportation	0	0	0	N/A
Department of Transportation	1	0	1	YES
Motor Vehicle Dealer Board	0	0	0	N/A
Virginia Port Authority	0	0	0	N/A
Veterans Affairs and Homeland Security				
None				

- (1) *This report includes Direct Aid to Public Education.*
- (2) *All of the following agencies were included under one report titled, "Agencies of the Secretary of Finance, Report on Audit for the year ended June 30, 2011".*
- (3) *The Department of the Treasury Audit included Treasury Board operations.*
- (4) *All of the following agencies were included under one report titled, "Agencies of the Secretary of Health and Human Resources for the year ended June 30, 2011."*
- (5) *The Department of Medical Assistance Services is the primary agency for this finding related to valid social security numbers. The Secretary of Health and Human Resources and the Department of Social Services are also included within this finding.*
- (6) *All of the following agencies were included under one report titled, "Agencies of the Secretary of Transportation, Report on Audit for the year ended June 30, 2011".*



Audit Findings - Quarter Ended March 31, 2012

The following agencies had one or more findings contained in their audit report.

Administration

Department of Human Resource Management (DHRM)

1. Improve Documentation, Cost Tracking, and Accounting for Overhead Allocations and Service Billings. As a response to General Fund budget reductions, Human Resources has increased its recovery of overhead costs for managing the Commonwealth's Health Insurance programs, and bills agencies where Human Resources acts as the agency's human resource function. Both these processes include the allocation and recovery of a portion of staff salaries and fringe benefits, as well as other costs.

While Human Resources has not established an internal service fund to record either of these activities, the charges and recoveries do occur from agencies which have federal grants and contracts and pass these costs onto these federal programs. A fundamental costing concept for federal grants and contracts is that in order to have the federal government pay these costs, the agencies know that there is a uniform methodology to recover the costs and that recovery is uniform for all federal grants and contracts. Further, while there may be different methodologies for each type of service, the recovery should not exceed actual cost and the methodology for recovering costs compares planned recoveries to actual cost.

In reviewing the activities related to both the allocation of overhead and billing of services, the APA believes Human Resources needs to address three fundamental issues. The first is development and documentation of the methodologies used and followed for each of these processes. The second is tracking of actual costs both for salaries and fringe benefits and other expenses, and determining the difference between estimated and actual costs. The third is recording all billings and recoveries as revenue in the appropriate fund.

Document Allocation and Recovery Methodologies

Human Resources has no formal documentation of the process it follows in determining the overhead allocation or the cost recovered for providing human resource services. While staff have begun to develop and follow a method for determining the overhead allocation and billing amounts, there are insufficient processes to determine that the methodology is the same between periods.

Human Resources should document their process, make sure all departments and managers are following the same methodology to allocate the percentage of staff salaries, fringe benefits and costs, and ensure that no costs allocated exceed the actual amounts spent. Management should review the documentation and determine that the methodology is sufficient to meet federal cost allocation or billing requirements. In addition, management should ensure that they are properly accumulating long term costs for system development for future recoveries.

Since Human Resources anticipates the service center for providing human resource services to other state agencies will become an internal service fund, these procedures should also provide the information and documentation to set rates and request additional funding. Also, the effects of over or under recovering or allocating costs should be part of the methodology to set future rates and allocations.

Develop Methods to Track Costs

Since many allocations and recoveries indirectly involve federal grants and contracts, Human Resources needs to document and show that their allocations and recoveries represent actual costs incurred. While allocations and recoveries are initially estimates of costs, there must be a periodic analysis to show that these estimates reflect actual costs incurred. While adjustments to allocations and recoveries for over or under recoveries may occur, they cannot happen until after a comparison of actual to estimated cost occurs. Normally, the comparison occurs annually before an entity implements changes in the allocation or recoveries.

The most significant cost within both the allocations and recoveries is salary and fringe benefit costs. There are several methods of tracking salary costs. Those methods include time sheets, verification of the percentage of time worked, and sampling verification of duties performed. While any of these methods are acceptable, all have their inherent difficulties and require that all personnel properly follow the process set out by management. However, while the federal government allows several allocation and recovery methods, the federal government normally requires the adoption and compliance with only one time monitoring process.

The method adopted to monitor and track time for salaries is acceptable for tracking fringe benefit costs. The allocation of tracking other actual costs should allow for easy comparison with estimates for the allocation or recovery methodology.

Evaluate Accounting Needs

While Human Resources has not formally established an internal service fund, the collection for services and recovery of overhead cost is occurring. Therefore, Human Resources needs to begin the process of accumulating the information to accomplish the documentation of methodologies and tracking costs. Within its current framework, Management needs to determine if it has sufficient accounting information to implement this process.

Additionally, part of this evaluation is the consistent recording of the allocations and recoveries as either revenue or expenditure refunds for all activities. Appropriate accounting treatment needs to apply to all activities and forms of collections.

Education

Radford University (RU)

1. Improve Banner System Access Controls. Radford granted certain employees access to forms within the Banner system whose essential job functions do not require access to those forms.

Radford's Security Standard used to govern systems security for all internal and external IT systems states the University will "Grant IT system users' access to IT systems, networks and data based on the principle of least privilege".

The APA identified a number of forms in Banner with critical controls or access to change information that affects a wide number of transactions. The APA's review found the following control weaknesses.

- Four employees who have no responsibility for establishing and updating tuition and fee rates have modification access to tuition rate tables. These individuals included cashiers in the Student Accounting office. Granting these privileges to those responsible for receipting tuition results in a lack of segregation of duties between billing and receipting. While the APA noted that cashiers had system privileges to change tuition and fee tables, the APA did not identify any changes outside of the Board approved tuition rates for the fiscal year.
- Ten employees with no responsibility for establishing and updating fee rates have modification access to the fee table. This table sets University-wide fees such as student housing rates and meal plan rates. While the APA noted individuals who had improper system privileges to change fee tables, the APA did not identify any changes outside the Board approved boarding rates for the fiscal year.

These forms allow users to perform business-critical functions within the Banner application. The University allowed this access because personnel had not identified the forms in question as sensitive forms during the access approval or review processes. Allowing employees improper access to update forms within the Banner application reduces management's ability, in the normal course of performing their assigned functions, to prevent, or detect and correct errors.

The APA acknowledged that the University took immediate action to remove the access privileges granted to these users once identified, but the University should improve the effectiveness of its annual application access reviews in order to prevent these weaknesses in the future. The University may wish to enhance those reviews by performing them more often, providing additional training to those individuals tasked with making determinations of the reasonableness of system privileges, or any combination of the two.

In addition, the University is not removing access from Banner timely. Two terminations evaluated did not have their access removed until nearly thirty days after the employee left the University.

Finally, Radford grants the ability to both enter and approve journal entries to a limited number of users. These privileges are necessary due to the responsibilities of those with permissions; however there should be no journal entries entered directly to the operating ledger without some oversight, except in the event of an emergency. While the APA's review of all journal vouchers entered and approved by the same user during fiscal year 2011 found no inappropriate transactions, the unchecked capability presents an internal control weakness to the University. The APA recommends that management implement a periodic edit report to be reviewed by an individual outside of those with enter and approve access to review transactions entered and approved by the same user for reasonableness.

Virginia Commonwealth University (VCU)

1. **Improve Database Security.** The University should improve its protection of the databases storing critical and confidential data. The APA audit of the Oracle databases supporting the administrative systems noted a lack of automated password and logging controls over the database administrators responsible for managing Oracle.

While the University exercises automated password and logging controls for most of its Oracle users, it does not require the same degree of rigor and control over the system accounts of its Oracle database administrators. These administrator accounts have significantly more access than typical user accounts, and therefore, represent an increased security risk.

To protect the University's critical and confidential data and improve accountability for changes to this data, the APA recommends that the University establish automated password and logging controls over the administrator accounts. The APA also recommends the University use automated mechanisms to enforce password controls consistent with existing password policies, log critical administrator activity, review the logs regularly to search for inadvertent or malicious changes, and prevent administrators from gaining access to the logs so they cannot alter them.

Specifically, these controls contain descriptions of the University's security mechanisms. Therefore, the APA has communicated the details of this recommendation to management in a separate confidential document that is Freedom of Information Act Exempt under Section 2.2-3705.2 of the *Code of Virginia*.

Finance

Department of Treasury (TD)

1. **Improve Contract Administration.** Treasury's Division of Risk Management (DRM) does not have adequate procedures for documenting and assessing the third party auto claims administrator's compliance with contract provisions. In addition, annual evaluations of the contractor reflect adequate performance. This documentation is not consistent with DRM's action to require changes to the contract prior to its renewal.

Treasury should ensure all contract administrators are performing assessments and evaluations of service contracts using the contract deliverables. Contract administrators should maintain a system for documenting compliance and noncompliance with stated contract terms. Evaluations should reflect the contractor's performance with respect to the terms of the contract agreement. Treasury has taken action to ensure staff formally address contract issues in contract files.

2. **Improve IT Risk Management and Contingency Planning Process.** Treasury is paying \$117,000 annually for contingency Information Technology (IT) services that, in part, the Commonwealth's IT Infrastructure Partnership with Northrop Grumman is already contractually providing to all agencies. Treasury's current IT services use an outdated business impact analysis and risk assessment that staff prepared before its transition to the Partnership.

Excluding a declared disaster, the IT Infrastructure Partnership is contractually obligated to restore services within four hours if a server fails at the Commonwealth Enterprise Solutions Center, or within eight hours, if a server is on an agency's premises. Both of these timeframes fall within Treasury's indicated business requirements, but are not in its current business impact analysis and risk assessments.

The Commonwealth's Information Security Standard, SEC501-06, requires agencies to update their business impact analysis and risk assessments every three years, or earlier, if the agency's IT environment undergoes a significant change. These analyses and assessments are part of the update to the contingency and disaster recovery plans. Treasury developed the current business impact analysis and risk assessment in July 2008, and since then, Treasury has undergone a significant change in its IT environment as the agency has transformed its IT infrastructure to the IT Partnership.

Treasury started the process to review and update its business impact analysis and IT risk assessment based on the new IT environment in August 2011 and anticipates to have updated all documents, including the continuity of operations and disaster recovery plans, by July 1, 2012. This will allow Treasury to more accurately determine its IT contingency services needs from the Partnership and avoid paying for unnecessary services.

Health and Human Resources

Department of Behavioral Health and Developmental Services (DBHDS)

1. Refine Estimates and Report Annual Cost Settlements to the State Comptroller. DBHDS provides services which it can bill to Medicaid and Medicare. After each fiscal year, DBHDS, Medicaid and Medicare agree on a settlement amount, the difference between allowable costs and the amount Medicaid and Medicare paid during the fiscal year.

DBHDS has received an average of \$18 million each year over the past four years from settlements. DBHDS factors these settlements into their budget. Fiscal staff estimated that DBHDS will receive \$15.8 million in revenue in fiscal 2012 based on its billable costs from fiscal 2011. Going forward, management should have the fiscal staff refine their methodology for estimating DBHDS' annual cost settlements using the best information available, and report to the State Comptroller the resulting receivable or payable.

2. Improve System Access Management. During the APA's review of access management at DBHDS, the APA noted three areas in need of improvement.

Granting Capabilities

Management has not educated its system security officers on which system capabilities they should not combine because together they eliminate an internal control. The APA noted 32 instances where an employee was granted both entry and approval capabilities within the agency's accounts payable ledger. The APA also noted two employees with financial capabilities across multiple ledgers that could also change their abilities within the system. Management should limit these capabilities to maintain proper separation of duties.

The data owners should document and provide the system security officers with the user capabilities that when combined would compromise internal control within critical systems. The Security Officer in the central office should ensure system security officers do not combine incompatible roles and grant individuals these roles across the agency's information systems.

Access Monitoring

The Security Officer for the agency's financial system does not perform regular system access reviews. The Security Officer for the financial system relies on regional security officers to ensure that access to the system is reasonable and current and does not review users' capabilities in the system.

The Security Officer should work with the DBHDS' Internal Audit Director to develop regular access reviews for the agency's financial management system and other critical systems. Security Officers should periodically review user capabilities for critical systems to ensure that users do not have capabilities that allow them to circumvent internal controls.

Timely Deletion of User Accounts

The APA found nine individuals with active accounts to critical systems that no longer required this access. Allowing terminated employees to retain their access increases the possibility that disgruntled employees could jeopardize DBHDS' critical information. To reduce this risk, DBHDS' Security Officers for critical systems should conduct periodic reviews to ensure that managers delete terminated employees' accounts from their systems promptly as required by the Commonwealth's System Security Standards.

3. Improve Information Security Awareness Training. **This is a Repeat Finding.** DBHDS does not prevent employees who have not taken security awareness training from accessing mission critical, confidential and, in some instances, HIPAA protected data. The APA found four locations where all users had not had current security awareness training: Central Office (two percent), Central Virginia Training Center (19 percent), Eastern State Hospital (25 percent), and Southside Virginia Training Center (eight percent).

Requiring 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. For those facilities that combine HIPAA and security awareness training together, not receiving training is also a potential HIPAA violation.

While Human Resources track employees' completion of security awareness training, DBHDS does not have a mechanism to enforce its training policy. Additionally, the Commonwealth's Information Security Standard, SEC501-06, "*Require information security training before (or as soon as practicable after) IT system users receive access rights to the agency's IT systems, and in order to maintain these access rights.*"

The APA recommends that DBHDS dedicate the resources necessary to implement a mechanism to ensure that employees with access to sensitive data receive training according to

its policy. For example, DBHDS may institute and implement a policy to lock user accounts belonging to employees that have not completed the training requirements.

4. Test IT Continuity of Operations and Disaster Recovery Plans. While the Department of Behavioral Health and Development Services (DBHDS) continues to improve its Continuity of Operations Plans (COOPs) and Disaster Recovery Plans (DRPs), DBHDS does not perform periodic tests to ensure that these plans work.

The APA reviewed five locations, Central Virginia Training Center, Northern Virginia Training Center, Virginia Center for Behavioral Rehabilitation, Western State Hospital, and Southwestern Virginia Mental Health Institute and found that none had adequately tested and documented tests of their COOPs and DRPs during the previous year. Without performing sufficient tests over COOPs and DRPs, DBHDS is unable to ensure the plans are sufficient when an interruption to service or disaster occurs.

The APA recommends that DBHDS's management dedicate the resources necessary and delegate appropriate authority to its Information Security Officer to ensure each location is in compliance with its policy to test COOPs and DRPs annually.

Department of Medical Assistance Services (DMAS)
Department of Social Services (DSS)
Secretary of Health and Human Resources (SHHR)

As reported in management's corrective action plans, the complete and proper solution to this prior finding is taking more than a year. Due to the long-term commitment required to implement, monitor, and evaluate management's corrective actions for this finding, the APA is providing a follow-up on the progress that management is making.

The APA determined that management is making adequate progress through their corrective action plans reported to the federal government or modifying their plans to react to changing situations properly. APA will continue to provide updates on this finding in future reports until management has had enough time to fully implement their corrective actions and the APA has evaluated them for effectiveness.

1. Obtain Valid Social Security Numbers (Follow-up). **This is a Repeat Finding.** Consistent with last year, the APA found that invalid social security numbers from local departments of social services created another \$5 million in possible questioned costs for the Medicaid program. This is a result of the Commonwealth not improving the process for obtaining valid social security numbers during fiscal 2011.

In the prior year audit, the APA notified the Secretary of Health and Human Resources, Medical Assistance Services, and Social Services that local departments of social services were not correcting unverified social security numbers as required. To confirm the APA's finding, during fiscal 2011 Medical Assistance Services conducted a Medicaid Eligibility Quality Control (MEQC) pilot on the Social Security Number (SSN) verification process. In the cases reviewed, 22 percent had eligibility errors and 39 percent had technical errors. Medical Assistance Services issued its MEQC results on July 29, 2011 and subsequently implemented the Commonwealth's corrective action plan to obtain valid SSNs during fiscal 2012.

According to management, as of September 30, 2011, local departments of social services will only enroll an individual into Medicaid if they verify the applicant's SSN with the Social Security Administration. Staff must use either the State Verification Exchange System (SVES) or the State Online Query-Internet System (SOLQ-1) to verify an individual's SSN during the application process.

As a result of the time it took management to develop and implement a corrective action plan, the APA will test the effectiveness of the new process for obtaining valid SSNs during next year's audit.

Department of Rehabilitative Services (DRS)

1. Improve Timeliness of Eligibility Determination. **This is a Repeat Finding.** While the Department of Rehabilitative Services (Rehabilitative Services) made improvements since the prior year, Rehabilitative Services continues to lack sufficient enforcement for timely eligibility determinations in the Vocational Rehabilitation (VR) program. Section 361.41 of the *Code of Federal Regulations*, requires Rehabilitative Services to determine whether an individual is eligible for VR services within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services unless certain exceptional and unforeseen circumstances beyond the control of the agency preclude making an eligibility determination within 60 days. In this case, Rehabilitative Services and the individual must agree to a specific extension of time.

The APA's review found 1,100 cases within AWARE that exceeded the 60-day eligibility determination limit based on recorded dates in the system. However, of those 1,100 cases, the APA reviewed 30 and found 18 (or 60 percent) that had no documentation of an extension of the eligibility period being granted. While this is an improvement over the prior year, the Rehabilitative Services is not in compliance with the federal regulation.

The APA recommends that management continue to improve and enforce its eligibility determination policies. Management should also continue to provide additional training to counselors to increase awareness of the policy to ensure future compliance.

2. Improve IT System Controls. Rehabilitative Services does not have a complete IT security program and is lacking certain controls that improve the safeguards surrounding mission critical and confidential data. While Rehabilitative Services is actively working on improving its program, the APA found four incomplete or outdated essential components.
 - Risk Management
 - Contingency Planning
 - IT Security Awareness and Training
 - Logical Access Account Management

The Commonwealth Information Security Standard, SEC501, requires agencies to incorporate certain controls to provide mission critical and sensitive data a minimum set of safeguards. The Risk Management and Contingency Planning components provide the building blocks in creating a strong overall security program. Additionally, providing consistent security

awareness to employees and ensuring prudent employee IT user account management are components that help protect the Commonwealth's data.

The APA recommends that Rehabilitative Services dedicate the necessary resources to update the information security program with the data safeguards identified above. The APA recognizes that Rehabilitative Services assigned a new Security Analyst to continue improvements to Risk Management and Contingency Planning documents, as well as to assist the Information Security Officer in expanding the IT Security Program Manual.

Department of Social Services (DSS)

1. **Support Title IV-E Financial Claims in a Client's Case Record.** **This is a Repeat Finding.** In the prior year, the APA recommended that the Division of Family Services develop an enforcement mechanism to compel localities to provide support in a client's case record of all foster care and adoption assistance Title IV-E payments. Before implementing the new policy, the APA recommended that management have it reviewed by the Secretary of Health and Human Resources to obtain the administration's support for the change.

The APA found that the Division of Family Services performed no reviews of locality reconciliations during fiscal 2011 to determine whether the client's case record had support for payments. Further, management developed the policy without submitting it to the Secretary of Health and Human Resources for his consideration or support.

As required by 45 *Code of Federal Regulations* 1356.71, the case record must contain sufficient documentation to verify a child's eligibility in order to substantiate payments. Without an enforcement mechanism to compel localities to link all payments to a client's case record, the program will have disallowed costs. The APA again recommends that the agency develop an effective enforcement mechanism, with the support of the Secretary of Health and Human Resources, that ensures localities support each of their payments with a case record reflecting the client's eligibility.

2. **Reduce Benefit Payments for Individuals Refusing to Work.** Social Services is not following up with Local Departments of Social Services Offices (Local Offices) to ensure they are reducing benefits for individuals who fail to participate in the Virginia Initiative for Employment not Welfare (VIEW) program. Federal regulations require the State to reduce or terminate the assistance payments to a family if an individual within the family refuses to work, except where there is good cause or other exemptions established by the State. If Local Offices do not take timely action, the federal government can reduce the Commonwealth's total State Family Assistance Grant by up to five percent.

During its most recent review of random cases, Social Services found that Local Offices incorrectly handled 21 percent of their VIEW cases. The APA audited a sample of Social Services' reviews and agreed with their findings; however, the APA found that in ten percent of cases audited, Local Offices failed to reduce or terminate the benefits after Social Services notified them of the error.

Social Services should follow-up with Local Offices on the cases with known errors to ensure their correction and ensure the Local Offices are following-up to correct the underlying issues

that caused the errors in their cases. By further strengthening its monitoring process, Social Services can reduce its risk of receiving financial penalties from the federal government.

3. Modify Monitoring Plans for Changing Risk and Obtain Senior Management Approval. When changes in risk occur, Social Services does not adjust and approve a division's monitoring plans for grantees. The Division of Community and Volunteer Services coordinates the development of the various division monitoring plans to address the risks associated with the grantee's management of programs; however, each division executes their plans. But, when changes in risk occur, the divisions can deviate from their plans, but are not required to document the modification or justify their deviation from their original plans.

During fiscal 2011, the APA compared each division's actions to their approved plans and found the following deviations.

- As a result of the federal government conducting a primary review, the Division of Family Services decided not to conduct any grant monitoring reviews for their Foster Care or Adoption Assistance Title IV-E programs as planned.
- The monitoring coordinator for the Division of Benefit Programs left the agency and the position remains vacant. Due to the staff vacancy in this division, five of 36 monitoring reviews planned were not completed.

In both cases, because the divisions did not modify their monitoring plans, senior management could not assess, individually or collectively, if these deviations would have an effect on Social Services' overall risk. The monitoring plan is a dynamic tool that requires review and updating as significant changes in risk occur. Further, senior management should review and approve monitoring plans for risk acceptance and mitigation as they are developed or modified. Without senior management's review and approval of monitoring plans and acceptance of risk, Social Services could be assuming risk that is not acceptable.

The APA recommends that Social Services develop a mechanism to adjust monitoring plans as changes in risk occur and that senior management review these modifications to ensure each division's actions are acceptable and that Social Services is not assuming too much risk as a whole.

Transportation

Department of Motor Vehicles (DMV)

1. Enhance Information System Security Program. **This is a repeat finding.** The Department of Motor Vehicles (Motor Vehicles) does not update or maintain its information security program to address data safeguard weaknesses in its IT environment. In some cases these weaknesses also reflect instances of non-compliance with Commonwealth IT security standards. Without proper safeguards to protect confidential and mission critical information, Motor Vehicles incurs an increased risk of a loss of data confidentiality, compromised data integrity and unavailable data when needed.

Since APA recommendations include descriptions of security mechanisms, which are exempt from public disclosure under the *Code of Virginia*, management received a separate document containing a detailed description of the APA's recommendations. The following is a public summary.

- **Information Security Program:** Motor Vehicles developed each policy making up their information security program independently to address a specific need. Due to their separate nature, these policies present conflicting guidance, making implementation and enforcement more challenging. Further, in one instance, a document has remained unapproved by management for more than two years.

To the extent feasible, Motor Vehicles should eliminate any redundant or conflicting guidance to ensure staff compliance with their policies and procedures. Further, management should conduct an ongoing assessment and update of these documents as Motor Vehicles makes changes to its IT environment and the Commonwealth makes updates to its security standards. Finally, management should promptly and formally approve these documents to ensure their enforceability as agency policy.

- **Security Awareness Training:** Motor Vehicles does not sufficiently monitor annual security awareness training to ensure all staff and contractors receive it in accordance with Commonwealth security standards. During the most recent cycle, Motor Vehicles did not train over 200 staff and contractors (10 percent). Further, Motor Vehicles did not develop a role-based IT security training program for employees and contractors who design, manage, administer, and operate IT systems and applications.

Motor Vehicles should ensure the Information Security Officer actively monitors the completion of the annual IT Security Awareness and Training. The APA further recommends Motor Vehicles complete developing a role-based Security Awareness and Training program that gives specialized training to agency resources responsible for key areas of the information security program including, but not limited to, COOP and Disaster Recovery teams, Incident Response teams, and application design and maintenance teams.

- **Disaster Recovery and Contingency Planning:** Motor Vehicles' Disaster Recovery and Contingency Planning documents do not adequately address the responses or responsibilities required for Motor Vehicles' systems, the Commonwealth's standards for disaster recovery, or Motor Vehicles' Business Impact Analysis or Risk Assessment. Motor Vehicles' IT environment includes a significant number of applications residing in multiple locations. Motor Vehicles relies heavily on the disaster recovery services and strategies of multiple organizations to ensure its ongoing operations. Without well documented plans which are consistent with the organization's business impact analysis and risk assessments, recovery efforts may not meet the business' needs, negatively impacting their ability to carry out their mission as well as citizens confidence in their operations.

Motor Vehicles recently updated their Business Impact Analysis and Risk Assessments for their IT environment. Motor Vehicles should use these updated documents to drive a review, assessment, and update to their entire Disaster Recovery and Continuity of

Operations Plan documents, incorporating all critical systems into those documents, and ensuring that these plans address the required responses and responsibilities for all systems identified and for all parties involved in accordance with Commonwealth standards.

The APA recommends that Motor Vehicles dedicate the necessary resources to implement controls that address the weaknesses noted above. The APA also recommends that Motor Vehicles establish the appropriate policies and procedures to document expectations and to allow consistent application and enforcement.

2. Improve Database Security. Motor Vehicles does not use minimum database administrator account controls to adequately detect or prevent possible malicious or unintentional modification or disclosure of sensitive data. The Commonwealth's information security standard, SEC 501, and the Center for Internet Security (CIS) Oracle best practices recommend organizations to use certain account controls to minimize risks to sensitive data. Since APA recommendations include descriptions of security mechanisms, which are exempt from public disclosure by the *Code of Virginia*, management received a separate document containing a detailed description of the APA's recommendation. The following is a public summary of the findings.

Database administrator accounts are privileged accounts with direct access to the database and that have rights to add, change, and delete data without restrictions normally found in user applications.

- DMV does not use automated controls to enforce database administrator account compliance with password policies.
- DMV does not review specific escalated privileges given to database roles.
- DMV does not log and periodically review specific database administrator account activity.

The APA recommends that DMV dedicate the necessary resources to implement controls that address the weaknesses noted above. Specifically, the APA recommends that DMV use automated controls on all its privileged accounts to reduce the risk of unauthorized access.

The APA also recommends that DMV review the privileges granted to database roles to ensure appropriate access to data. Finally, the APA recommends that DMV log and review account activity to detect any fraudulent activity and enhance the ability to trace unauthorized activity in the database management system and its tables. Someone outside the database administrator group should perform these reviews.

3. Improve Internal Controls over Oracle Access. Motor Vehicles employees have access and capabilities in the Oracle Financial Systems beyond the scope of their current job responsibilities, thereby increasing Motor Vehicles' risk for potential inappropriate or fraudulent activity occurring and going undetected. Although Motor Vehicles reviews semi-annually that user access agrees with the documents that originally requested access, this review does not

consider any changes in an employee's job functions which did not result in a user access change request, but could impact the appropriateness of the employee's access privileges.

When granting access, Motor Vehicles should follow the principle of least privilege for access to key systems. Employees should only have those assigned privileges that are essential for their job performance. In the circumstance where management grants temporary access, management should immediately eliminate this access once the employee no longer needs this access. Excessive and/or conflicting system access increases the risk that fraudulent transactions could occur, regardless of what the employee's job responsibilities entail or the fact that the systems are logging their transactions.

The APA further recommends that Motor Vehicles expands its user access monitoring process to include consideration of current job responsibilities against current access privileges in addition to currently authorized access privileges.

4. Improve Controls over Small Purchase Charge Cards. Motor Vehicles needs to address the following issues in its Small Purchase Charge Card (SPCC) program.

- The Accounting Department paid credit card bills without knowing if the billing amounts were correct, since some cardholder supervisors did not confirm whether to pay the bill.
- A cardholder made purchases over their monthly transaction limit without their supervisor's prior approval.
- A cardholder did not keep their credit card in a secure location, which could have resulted in its misuse.
- Cardholders must prepare monthly reconciliations between a log of purchases and the credit card bill. Cardholder's supervisors did not adequately review or approve the reconciliations, and several cardholders did not retain sufficient documentation of purchased items.
- Finally, insufficient policies exist regarding allowable purchases, specifically related to articles of clothing.

Motor Vehicles management needs to perform a fundamental re-evaluation of its SPCC program, its administrative processes and policies and the risks associated with its employees' non-compliance with its administrative processes and policies. Further, management needs to regularly ensure that its cardholders and their supervisors are fully aware of their duties and responsibilities related to the SPCC program.

Department of Transportation (DOT)

1. Improve Microsoft SQL Server Security. The Virginia Department of Transportation (Transportation) does not manage its Microsoft SQL Server 2000 databases to minimize the risk of malicious or unapproved modification of data. A system of internal controls should include capabilities to prevent and detect certain actions to mission critical and confidential data. Some

of these controls are recommended by industry best practices and others are necessary to compensate for other weaknesses in an IT environment.

Since APA observations include descriptions of security mechanisms, which are exempt from public disclosure by the *Code of Virginia*, management received a separate document containing a detailed description of the APA's observations. While Transportation had planned to upgrade its legacy MS SQL Server 2000 environment to address several risks, these plans were delayed due to shifting priorities and resource limitations. It should be noted that delaying these upgrades limits Transportation's ability to adequately safeguard data and establish a proper system of internal controls over these servers.

The APA recommends that Transportation dedicate the necessary resources to execute its plans to upgrade the legacy Microsoft SQL Server 2000 databases. At a minimum, Transportation should consider establishing controls for the weaknesses previously communicated. The APA also encourages Transportation to run Microsoft Baseline Security Analyzer periodically to ensure compliance with best practices, and to document any decisions and compensating controls for those instances when Transportation needs to deviate from best practices.



Additional Recommendations – Quarter Ended March 31, 2012

The following agencies had one or more additional recommendations contained in their audit report.

1. Status of System Modernization Projects
 - Secretary of Finance
 - Secretary of Transportation
 - Department of Accounts
 - Department of Planning and Budget
 - Virginia Information Technologies Agency
 - Virginia Department of Transportation
2. Modernization of Financial Reporting Processes
 - Department of Accounts
3. High Error Rate in Foster Care Title IV-E Cases – Risk Alert
 - Department of Social Services
4. Customer Services System Integrated Systems Redesign
 - Department of Motor Vehicles

Special Reports – Quarter Ended March 31, 2012

The APA issued the following Special Reports that contained management recommendations:

Commonwealth of Virginia Single Audit Report for the year ended June 30, 2011

Progress Report on Selected Systems Development Projects in the Commonwealth – March 2012

Report on Collections of Commonwealth Revenues by Local Constitutional Officers for the year ended June 30, 2011

Report to the Joint Legislative Audit and Review Commission for the quarter October 1, 2011 through December 31, 2011

Review of the Budget and Appropriation Processing Control System for the year ended June 30, 2011

The APA issued the following Special Report that did not contain management recommendations:

Comparative Report of Local Government Expenditures and Revenues for the year ended June 30, 2011

Other Audit Reports Received – Quarter Ended March 31, 2012

The APA issued the following “Other Reports” that contained management recommendations:

State Corporation Commission for the two-year period ended June 30, 2011

The College of William and Mary in Virginia Intercollegiate Athletics Program for the year ended June 30, 2011

University of Virginia Intercollegiate Athletics Program for the year ended June 30, 2011

The APA issued the following “Other Reports” that did not contain management recommendations:

George Mason University Intercollegiate Athletics Program for the year ended June 30, 2011

James Madison University Intercollegiate Athletics Program for the year ended June 30, 2011

Longwood University Intercollegiate Athletics Program for the year ended June 30, 2011

Norfolk State University Intercollegiate Athletics Program for the year ended June 30, 2011

Radford University Intercollegiate Athletics Program for the year ended June 30, 2011

Virginia Commonwealth University Intercollegiate Athletics Program for the year ended June 30, 2011

Virginia Military Institute Intercollegiate Athletics Program for the year ended June 30, 2011

Virginia Polytechnic Institute and State University Intercollegiate Athletics Program for the year ended June 30, 2011



Summary 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 summarized in this report.

It is important to note that the finding status reported is self-reported by the agencies and will be subject to subsequent review and audit. Corrective action is considered to be delayed when it has not been completed by the original targeted date. Additional detail for the status of each finding is provided in the subsequent table.

	IN PROGRESS		COMPLETED	
	On Schedule	Delayed	On Schedule	Delayed
Administration				
State Board of Elections	0	1	0	0
Agriculture and Forestry				
None				
Commerce and Trade				
Department of Business Assistance	0	1	0	0
Virginia Employment Commission	0	2	1	0
Virginia Racing Commission	1	0	0	0
Education				
Christopher Newport University	0	0	0	1
Frontier Culture Museum of Virginia	0	0	0	1
Longwood University	1	0	0	0
Norfolk State University	0	1	0	0
Old Dominion University	0	1	0	0
Virginia Community College System				
Eastern Shore Community College	0	0	0	1
Northern Virginia Community College	0	0	0	2
Virginia Museum of Fine Arts	0	1	0	0
Virginia School for the Deaf and Blind	1	0	0	0
Executive Offices				
Office of the Attorney General and the Department of Law (OAG)	0	0	1	0
Finance				
None				
Health and Human Resources				
Department of Behavioral Health and Developmental Services	0	1	0	0
Department of Health	0	1	0	0
Department of Medical Assistance Services	0	1	0	0
Department of Rehabilitative Services	0	1	0	0
Department of Social Services	0	3	0	0

	IN PROGRESS		COMPLETED	
	On Schedule	Delayed	On Schedule	Delayed
Natural Resources				
Department of Game and Inland Fisheries	1	2	0	0
Virginia Museum of Natural History	0	0	0	1
Public Safety				
Department of Alcoholic Beverage Control	1	2	0	0
Department of Corrections	0	2	0	0
Department of Military Affairs	0	1	0	0
Department of State Police	1	1	0	0
Technology				
Virginia Information Technologies Agency	0	2	0	0
Wireless E-911 Services Board	1	1	0	0
Transportation				
Department of Motor Vehicles	0	1	0	0
Virginia Port Authority	0	1	1	0
TOTALS	7	27	3	6



Status of Prior Audit Findings

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

The first two digits of the finding number are the fiscal year audited in which the finding occurred. The next two digits represent the number of the finding that occurred in the year audited. Multiple finding numbers for one finding represent repeat findings.

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>State Board of Elections (SBE)</u>				
2010	10-02 08-02	Improve information systems security program. This is a repeat finding.	SBE has completed its Business Impact Analysis and is nearly finished with its Risk Assessment. Implementation of the changes required will be implemented after operational issues are addressed (elections and redistricting) due to a shortage of resources (vacant positions).	In Progress (Delayed)
<u>Department of Business Assistance (DBA)</u>				
2010	10-02 08-03 07-06	Complete the Agency's Information Security Program. This is a repeat finding.	DBA has implemented their new database system. The new database will represent a significant milestone to achieving compliance with COV requirements for IT Systems Security and Disaster Recovery Plans.	In Progress (Delayed)
<u>Virginia Employment Commission (VEC)</u>				
2011	11-01 11-02	Resolve Employer Wage Discrepancies Timely. Follow timekeeping and payroll procedures.	New Policies and Procedures are being developed. Slight adjustments are being made. Human Resources improved the approval process, sent quarterly reminders to managers, and performed random audits of overtime documentation. Other enhancements included enforcement of Authorized Signatory forms, new delegation forms, and an annual verification process.	In Progress (Delayed) Completed (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	11-03	Perform VATS and VABS System Access Review. This is a Repeat Finding.	The new automated system to monitor system access is completed. In April 2012, the system will be put into use.	In Progress (Delayed)
<u>Virginia Racing Commission (VRC)</u>				
2011	11-01	Use supported database software.	The agency is currently reviewing other Virginia agencies presently using System Automation-My License database software.	In Progress (On Schedule)
<u>Christopher Newport University (CNU)</u>				
2010	10-01 09-04	Improve information security management. This is a repeat finding.	Passwords were changed on November 1, 2011, from the calendar event initiated in the prior quarter. Testing of the password change confirmations has been added to the ARMICS review to ensure compliance. CNU has also procured a network appliance that can be connected to the enterprise environment and configured to automatically alert technical staff of security compromises. Management is continuing to recruit and hire a DBA Manager and Sr. DBA which will provide the necessary resources to assist in monitoring the audit logs and user access.	Completed (Delayed)
<u>Frontier Culture Museum of Virginia (FCMV)</u>				
2009	09-01	Perform fixed asset reconciliations.	The agency is currently reconciling its fixed asset accounts monthly as required by FAACS.	Completed (Delayed)
<u>Longwood University (LU)</u>				
2010	10-02 09-03	Improve Risk Management and Contingency Planning. This is a repeat finding.	The IT department is performing a Risk Management review on 32 of the 39 systems. After completion, the remaining 7 systems will be tested by functional departments. Testing is on schedule to be completed by June 30, 2012.	In Progress (On Schedule)
<u>Norfolk State University (NSU)</u>				
2010	10-01	Improve Controls Over Fixed Assets	The University recently completed a campus-wide inventory. Daily reviews are performed to flag items to be capitalized or controlled so that when they are received they can be tagged by	In Progress (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
			the warehouse personnel at the time of delivery. A weekly review is being performed to ensure all flagged items received have tag numbers assigned.	
<u>Old Dominion University (ODU)</u>				
2011	11-01 10-01	Improve risk management and contingency planning. This is a repeat finding and significant progress has been made.	The University has hired a full-time experienced Emergency Planning and Continuity of Operations Manager. The new manager completed the Business Impact Analysis, which was approved by the Vice President for Administration and Finance and the University President.	In Progress (Delayed)
<u>Eastern Shore Community College (ESCC)</u>				
2009	09-01	Improve revenue contract management.	Cold beverage vending issues have been addressed.	Completed (Delayed)
<u>Northern Virginia Community College (NVCC)</u>				
2010	10-01 09-01 08-01	Continue to Strengthen Internal Controls at Northern Virginia Community College. This is a repeat finding.	All updates to the financial operating policies and procedures have been completed, approved, and implemented. Staff training has been conducted and staff members were required to sign an acknowledgement form indicating that they have read, understood, and will comply with all applicable policies and procedures.	Completed (Delayed)
	10-02	Strengthen Internal Controls over Small Purchase Charge Card Program.	Policies and Procedures were updated. Training materials revised. Faculty and staff have been retrained.	Completed (Delayed)
<u>Virginia Museum of Fine Arts (VMFA)</u>				
2010	10-01	Improve Internal Controls over Small Purchase Charge Cards	Currently, 12 purchase cards have been revoked for various reasons. The procurement department is working to submit a final list of identified cards for elimination to the CFO. The Museum has expanded the scope of its corrective actions to consolidate cardholders from an efficiency stand point. As a result, the date for final corrective action should be June 30, 2012.	In Progress (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
<u>Virginia School for the Deaf and Blind (VSDB)</u>				
2010	10-03	Strengthen Internal Controls Over Capital Asset Useful Life Methodologies.	VSDB uses the nomenclature tables set up in the FAACS system for determining useful life. The agency will re-evaluate assets on an annual basis to determine if the useful life of an asset needs to be extended. Fixed assets have not yet been re-evaluated to determine if the useful life needs to be extended.	In Progress (On Schedule)
<u>Office of the Attorney General and the Department of Law (OAG)</u>				
2011	11-01	Strengthen Internal Controls over cash.	The OAG has developed policies and procedures surrounding cash collections of Commonwealth funds and prohibiting Finance staff from handling non-state funds.	Completed (On Schedule)
<u>Department of Behavioral Health and Developmental Services (DBHDS)</u>				
2010	10-05	Use system functionalities to improve payroll processing.	All remaining facilities not on the KRONOS system are being converted to this system now. However, DBHDS has run into server issues in completing this task, which require action from VITA. The agency is now working with VITA to attempt to rectify those issues.	In Progress (Delayed)
<u>Department of Health (DOH)</u>				
2010	10-01	Use system capabilities to ensure proper service delivery.	A schedule change must be approved by the USDA prior to implementation. The potential delay would have the following impact on the Crossroads and eWIC project phases: Pilot testing (1 local health district) would be scheduled to begin in Feb, 2013. State Roll-out would be scheduled to begin in August, 2013.	In Progress (Delayed)
<u>Department of Medical Assistance Services (DMAS)</u>				
2010	10-01	Obtain valid social security numbers.	DMAS continues to monitor the monthly SSN and Citizenship Update report which provides information on the numbers of recipients sent to SSA whose info does not match SSA info exactly. SSA is able to verify 99% of the records submitted each month as matching exactly the data that	In Progress (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
			SSA has on file. DMAS sends up between 6,000 and 9,000 recipients each month for a match, and the match fails for approx. 25-40 people each month. Those are the individuals that DSS is expected to review.	
<u>Department of Rehabilitative Services (DRS)</u>				
2010	10-03	Improve information system security program.	DRS has completed an internal audit of the Information Security Program and identified a corrective action plan for areas of non-compliance. The majority of corrective actions have been completed. Full completion estimated for March 31, 2012.	In Progress (Delayed)
<u>Department of Social Services (DSS)</u>				
2010	10-01 09-06	Establish enforcement mechanisms for foster care and adoption payments. This is a repeat finding and progress has been made.	DSS is currently up-to-date with OASIS transmissions. Compliance and substantive testing to follow.	In Progress (Delayed)
	10-02	Use system functionalities to improve financial operations.	Work continues to identify opportunities for system improvements.	In Progress (Delayed)
	10-05	Finalize responsibilities for infrastructure security. This is a repeat finding that requires Partnership action.	DSS reviewed the documents from VITA and will provide the required documentation and approval by the Commissioner. The finding should be completed after approval.	In Progress (Delayed)
<u>Department of Game and Inland Fisheries (DGIF)</u>				
2010	10-01 09-01	Improve Internal Controls and Compliance of the IT Systems Security Program. This is a repeat finding.	DGIF has developed a Business Impact Analysis. In the next version, DGIF will establish Recovery Time Objectives that approach the problems associated with excessive staff attrition and are working with appropriate officials to replace critical positions as fast as possible. The DGIF will develop a cross training program and transition work plan to minimize any future occurrences.	In Progress (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	10-02	Maintain CARS Reconciliation Records.	By the end of February 2012, DGIF plans to train Finance team members on CAPP reporting requirements, to develop new employee procedures, and to develop monthly close process schedules to ensure timely compliance. The agency also plans to research and complete all FY 2010 reconciliations by April 30, 2012.	In Progress (On Schedule)
	10-03	Improve Internal Controls over System Access.	DGIF has contracted with an IT Security Consultant and reviewed the consultant's draft report. From that report, the agency plans to implement recommended procedures and to utilize payroll data to verify system deletions.	In Progress (Delayed)
<u>Virginia Museum of Natural History (VMNH)</u>				
2010	10-03	Improve information security program.	All VMNH staff has completed the Security Awareness Training. VMNH IT security policies and procedures have been improved and a Business Impact Analysis and Risk Assessment have been developed to work in concert with the COOP.	Completed (Delayed)
<u>Department of Alcoholic Beverage Control (ABC)</u>				
2011	11-01	Improve User Account Controls.	Additional systems have been migrated to Account Central. System count is now 8 with more in development for rollout in the next quarter. Account Central is the authentication system of record within the agency, and all future applications are being built for full integration. Some legacy COTS packages are not scheduled for transition and will remain on legacy authentication mechanisms.	In Progress (On Schedule)
	11-02	Improve remote store server security.	The agency has reviewed the server configuration and has legitimate business needs for most of the requirements that have not been met. Several outstanding known issues will be addressed as part of a CIS remediation project. The project is underway, and all issues are expected to be completed by	In Progress (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
			May 15, 2012. The remaining issues will have risks identified and accepted by the business owner, mitigating controls documented, and SEC501 exceptions filed. Anticipated date for risk documentation and exception filing is May 30, 2012.	
	11-03	Improve compliance with information security program. This is a repeat finding.	In compliance with the Information Security Roadmap project underway, which has been approved by the ABC Board and provided to the APA, additional System Owner documentation has been completed to assist in the InfoSec program compliance. A completely revamped training program is currently being developed for System Owner, Data Owner, and System Administrator roles. Additional risk management and individual system security projects and documentation will be completed.	In Progress (Delayed)
Department of Corrections (DOC/CA)				
2010	10-02 09-04 09-05	Develop and Implement Policies and Procedures for Fuel Cards and Vehicle Inventory This is a repeat finding.	Policies and procedures for a vehicle inventory have been developed and implemented. DOC is still in the process of conducting the cost/benefit analysis for a fuel card inventory. The inability to hire temporary staff as well as procure fuel-pump meters has delayed the implementation of corrective actions. The finding is expected to be fully addressed by the end of February 2012.	In Progress (Delayed)
	10-03	Improve Controls and Processes Surrounding Fixed Asset Accounting and Control System	DOC is in the process of requiring all units that originate a central procurement of fixed assets to provide a copy of all documentation necessary to enter the assets into FAACS to the applicable Business Office or designated responsible party within 30 days of acceptance of the asset. In the case of the Central Agencies, the Budget Office is in the process of	In Progress (Delayed)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
			developing internal operating procedures for those units who do not have access to CARS 0426 or CARS 0463 reports, thereby improving the probability that assets are recorded in FAACS.	
<u>Department of Military Affairs (DMA)</u>				
2010	10-06	Strengthen Recording and Tagging of Equipment.	All capitalizable fixed assets and CIP have been inventoried. Other fixed assets are documented and summarized for posting to FAACS. Plans are to have inventory fully documented in FAACS and inventoried by June 30, 2012.	In Progress (Delayed)
<u>Department of State Police (VSP)</u>				
2009	09-02 07-07 05-05	Improve fleet management process. This is a repeat finding and progress has been made.	The requirements document to be used for a procurement solicitation to select a vendor to implement the corrective actions is complete. The procurement section continues to prepare the Request for Proposal (RFP); the RFP process has been delayed. Currently the automation of fuel management is cost prohibitive and is not part of this RFP.	In Progress (Delayed)
	09-03	Upgrade database system software.	The VSP has replaced 4 MAPPER programs. Three projects are underway and will result in the replacement of 7 additional programs. A consultant was procured to begin gathering requirements for STARS asset tracking. Requirements are almost complete and additional funding will be needed.	In Progress (On Schedule)
<u>Virginia Information Technologies Agency (VITA)</u>				
2010	10-02 08-01	Strengthen Inventory and Billing Controls. This is a repeat finding.	By 3/12, VITA Finance will document the process and procedures that ensure bills to agencies align with inventory. Finance staff are working with CSPMO to improve inventory accuracy and reporting. Internal Audit is reviewing to determine the appropriate owner for this finding.	In Progress (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	10-03 08-03	Create a Time Frame for Resolving Inventory Disputes. This is a repeat finding.	By 3/12, VITA Finance will complete the documentation of more effective and efficient process and procedures for escalating and resolving inventory disputes.	In Progress (Delayed)
<u>Wireless E-911 Services Board</u>				
2010	10-01	Improve Cash Management Practices	The Finance Committee has finalized a new cash management policy for consideration by the Board; however, a legislative change is required to fully implement this policy. The change will be sought during the 2012 General Assembly Session.	In Progress (On Schedule)
	10-02 09-03	Determine Accuracy of PSAP Data. This is a repeat finding.	The validation process has been completed and the results are currently being reviewed. Additionally, FY 2011 data has been collected from every PSAP along with supporting documentation that validates the data submitted.	In Progress (Delayed)
<u>Department of Motor Vehicles (DMV)</u>				
2010	10-01	Enhance information system security program.	DMV will review all IT security policies and procedures to remove/reconcile all redundancies and conflicts. All IT policies will be consolidated into one IT Security Policy and any changes will be approved by management. There will be an annual review and assessment of the policy to ensure acknowledgement of new requirements or changes in internal/external requirements. DMV has also made significant progress in monitoring staff and contractors to ensure that they receive annual security awareness training. In addition, DMV is developing an implementation plan for COOP/DR review, assessment, and updating for each sensitive system.	In Progress (Delayed)
<u>Virginia Port Authority (VPA)</u>				
2011	11-01 10-01	Improve IT Security Program.	VIT has developed and implemented an Information	In Progress (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
			Security Policy. Various portions of the Policy have been implemented.	
	11-02	Improve Microsoft SQL Server Security	All APA issues addressed and completed.	Completed (On Schedule)



Compliance Monitoring

Certification 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 Certification of Agency Reconciliation to CARS Reports.

DOA closely monitors Certification status, evaluates exceptions, and posts correcting entries in CARS. Certifications for December, January and February were due 1/31/2012, 2/29/2012 and 3/30/2012 respectively.

Certifications Late or Outstanding

As of March 31, 2012

Agency	Dec	Jan	Feb
None			

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

Response to Inquiries

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

However, in other instances, agencies do not respond timely or simply fail to respond. For the quarter ended March 31, 2012, 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, 2012, the following agencies failed to respond timely, make corrective action and/or provide additional information.

Trial Balance Review As of March 31, 2012

Agency	December	January	February
Department of Conservation Recreation	X	-	-
Central Virginia Community College	X	-	-
Deerfield Correctional Center	X	-	X
Department of Corrections-Central Administration	-	-	X

Analysis of Appropriation, Allotments and Expenditures, and Cash Balances

The Appropriation Act prohibits agencies from incurring unauthorized deficits. Therefore, credit cash balances and instances in which expenditures exceed appropriation and allotment require prompt investigation and resolution.

DOA contacts agencies in writing about credit cash balances and appropriations versus expenditure anomalies. For the quarter ended March 31, 2012, the following agencies failed to respond timely, make corrective action and/or provide additional information.

Credit Cash, Excess Expenditures, and Expenditure Credits

As of March 31, 2012

Agency	January	February	March
Norfolk State University	-	X	X

Disbursement Processing

During the quarter ended March 31, 2012, DOA deleted, at the submitting agency's request, 31 payments that were awaiting disbursement from the vendor payment file. These included duplicate payments, payments for returned items, payments with incorrect vendor information and payments of incorrect amounts. These types of transactions may point to areas where improved agency internal accounting controls should be evaluated.

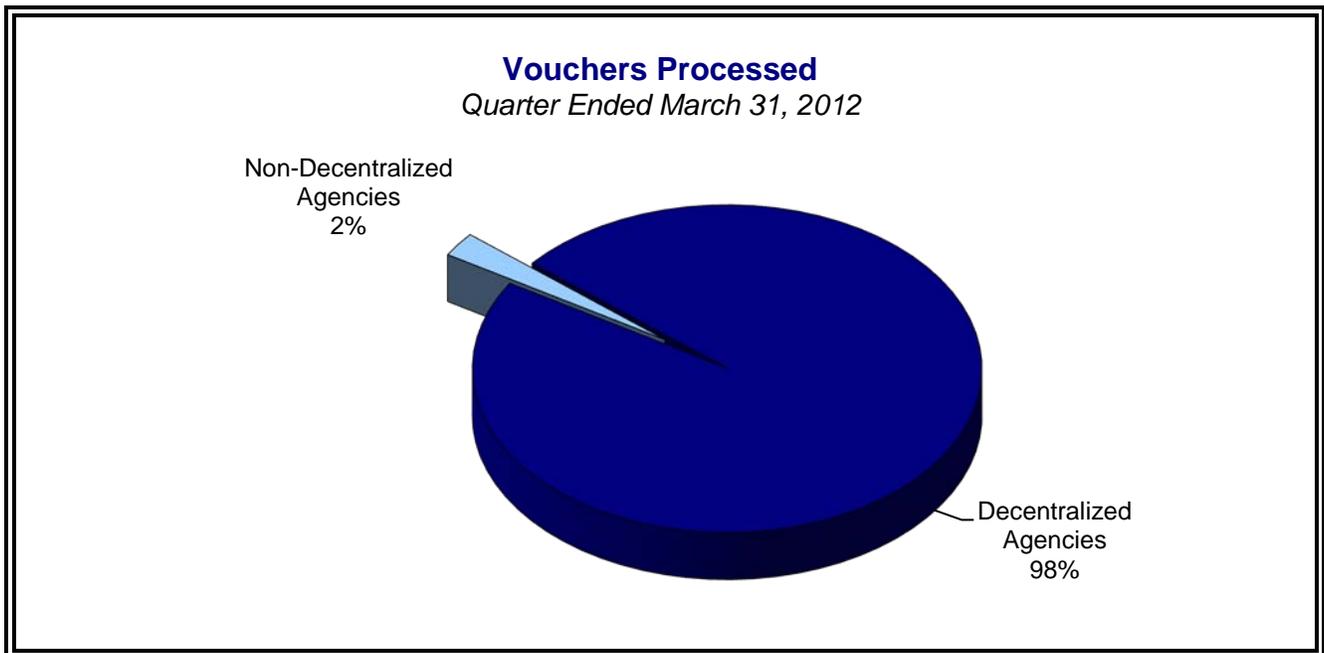
Twenty-two agencies requested deletes during the quarter. For the quarter ended March 31, 2012, no agency requested more than four vendor payment deletions.



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.

Agencies are 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. No reviews were conducted for decentralized agencies during this quarter.

Compliant Agencies

N/A

Agencies Requiring Corrective Action

Corrective Actions Needed

N/A



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 883 non-travel disbursement batches and 248 travel disbursement batches were reviewed, disclosing ten exceptions.



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, 2012		Fiscal Year 2012 To-Date		Comparative Quarter Ended March 31, 2011	
	Late	Total	Late	Total	Late	Total
Number of Payments	6,351	561,662	15,744	1,738,942	5,980	613,420
Dollars (in thousands) \$	80,730	\$1,581,539	\$150,745	\$4,794,717	\$ 34,088	1,608,318
Interest Paid on Late Payments				\$3,082		
Current Quarter Percentage of Payments in Compliance				98.9%		
Fiscal Year-to-Date Percentage of Payments in Compliance				99.1%		
Comparative Fiscal Year 2011 Percentage of Payments in Compliance				99.0%		



Prompt Payment Performance by Secretarial Area

Quarter Ended March 31, 2012

<u>Secretarial Area</u>	<u>Payments in Compliance</u>	<u>Dollars in Compliance</u>
Administration	99.8%	99.9%
Agriculture and Forestry	99.9%	98.9%
Commerce and Trade	99.4%	99.8%
Education*	98.9%	97.6%
Executive Offices	98.7%	98.7%
Finance	99.9%	99.6%
Health and Human Resources	99.5%	99.3%
Independent Agencies	99.6%	99.5%
Judicial	99.9%	99.9%
Legislative	99.8%	99.6%
Natural Resources	99.8%	97.7%
Public Safety	99.6%	99.4%
Technology	98.5%	98.9%
Transportation*	94.2%	77.9%
Veterans Affairs and Homeland Security	98.8%	93.9%
Statewide	98.9%	94.9%

Prompt Payment Performance by Secretarial Area

Fiscal Year 2012

<u>Secretarial Area</u>	<u>Payments in Compliance</u>	<u>Dollars in Compliance</u>
Administration	99.8%	99.8%
Agriculture and Forestry	99.7%	98.7%
Commerce and Trade	99.3%	99.6%
Education *	99.0%	97.5%
Executive Offices	98.6%	92.3%
Finance	99.9%	99.8%
Health and Human Resources	99.5%	99.2%
Independent Agencies	99.6%	99.4%
Judicial	99.9%	99.4%
Legislative	99.8%	99.7%
Natural Resources	99.4%	94.4%
Public Safety	99.5%	99.0%
Technology	99.1%	99.3%
Transportation*	97.5%	88.8%
Veterans Affairs and Homeland Security	98.9%	96.0%
Statewide	99.1%	96.9%

* 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, 2012, the following agencies that processed 50 or more 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, 2012**

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
Transportation			
Department of Transportation	2,230	33,324	93.3%
Education			
Gunston Hall	8	50	84.0%

For FY 2012, the following agency that processed 200 or more vendor payments

during the year was below the 95 percent prompt payment performance standard.

**Prompt Payment Compliance Rate
Agencies Below 95 Percent
Fiscal Year 2012**

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
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All agencies met the 95 percent performance standard.

E-Commerce

The primary goal of the Department of Accounts' electronic commerce initiative is to reduce the number of state issued checks by using more efficient electronic payment processes. Tools such as Financial Electronic Data Interchange (EDI), Payroll Direct Deposit, and the Small Purchase Charge Card (SPCC) are more reliable and cost effective than traditional paper checks. Electronic payments are also more secure because of the use of encryption devices and other security measures. In addition to these tools, the use of electronic earnings notices through the Payline Opt-Out program further reduces paper processing and related costs.

EDI, Direct Deposit, SPCC and Payline Opt-Out are best practices that demonstrate effective financial management, particularly during difficult economic times. They

increase efficiency in processing and eliminate wasteful use of time, paper, printing, and postage for both large and small vendor payments, payroll, and employee travel reimbursement.

Agencies and institutions are expected to embrace these practices to the fullest extent possible. Other agencies of the Commonwealth that are responsible for payment processes outside of those processed centrally have also embraced e-commerce initiatives (e.g., VEC, DSS). As a result, the methodology for accumulating the Statewide E-Commerce Performance Statistics includes additional payments made by these agencies. On the following pages, agencies and institutions are identified if e-commerce statistics indicate that they are not fully utilizing these tools.

Statewide E-Commerce Performance Statistics

	Quarter Ended March 31, 2012			Comparative Quarter Ended March 31, 2011
	E-Commerce	Total	Percent	Percent
Number of Payments	2,554,145	2,988,171	86.4%	83.9%
Payment Amounts	\$ 8,354,027,838	\$ 9,397,625,697	85.9%	88.2%

	Fiscal Year 2012 To-Date			Comparative Fiscal Year 2011
	E-Commerce	Total	Percent	Percent
Number of Payments	7,457,505	8,688,948	85.8%	85.4%
Payment Amounts	\$ 26,040,910,479	\$ 29,744,740,367	87.5%	88.4%

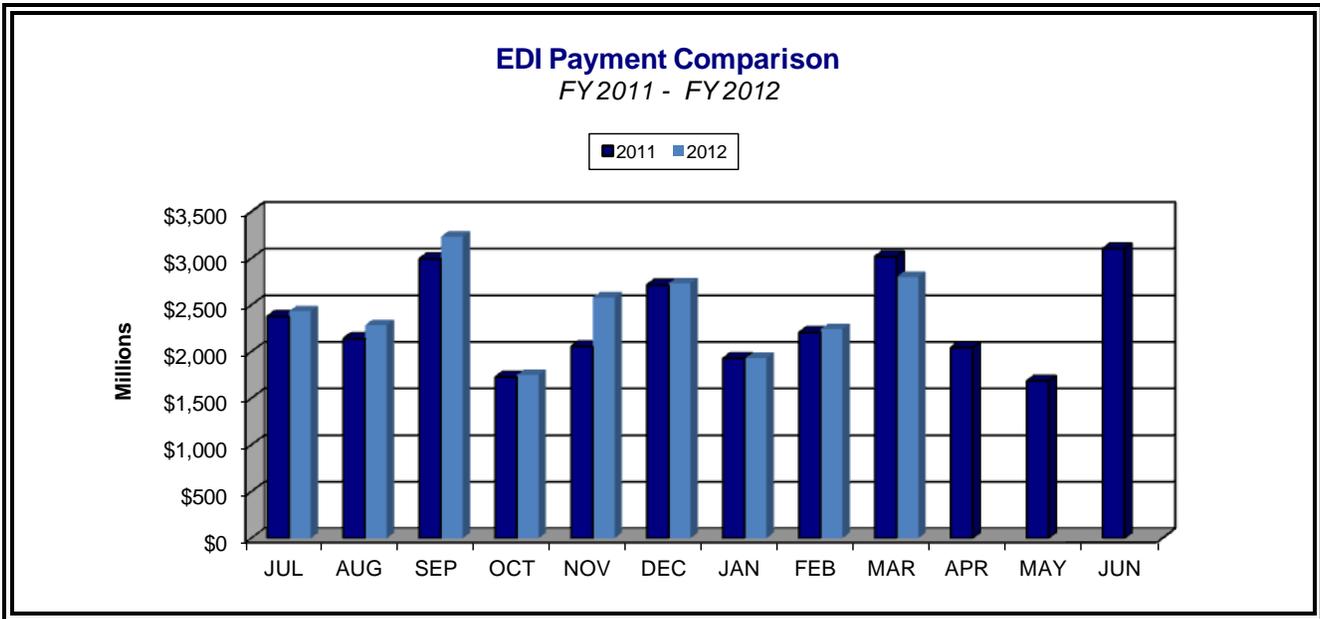
Financial Electronic Data Interchange (EDI)

The dollar volume of Financial EDI payments for the third quarter of FY 2012 was \$178 million (2.5 percent) less than the same quarter last year. The number of trading partner accounts increased by 7.6 percent from March 2011. The increase is due to

efforts to convert state employee travel reimbursements from checks to electronic payments. In addition, enrollment by corporations, sole proprietors and grantees has increased significantly due to solicitation by Department of Accounts staff.

Financial EDI Activity

Financial EDI Activity	Quarter Ended March 31, 2012	Fiscal Year 2012 To-Date	Comparative Fiscal Year 2011 To-Date
Number of Payments	51,976	169,571	173,273
Amount of Payments	\$ 6,973,832,721	\$ 21,987,540,400	\$ 21,163,818,060
Number of Invoices Paid	192,315	610,405	617,583
Estimated Number of Checks Avoided	78,647	253,978	252,178
Number of Trading Partner Accounts as of 3/31/12		60,435	56,154



Travel EDI

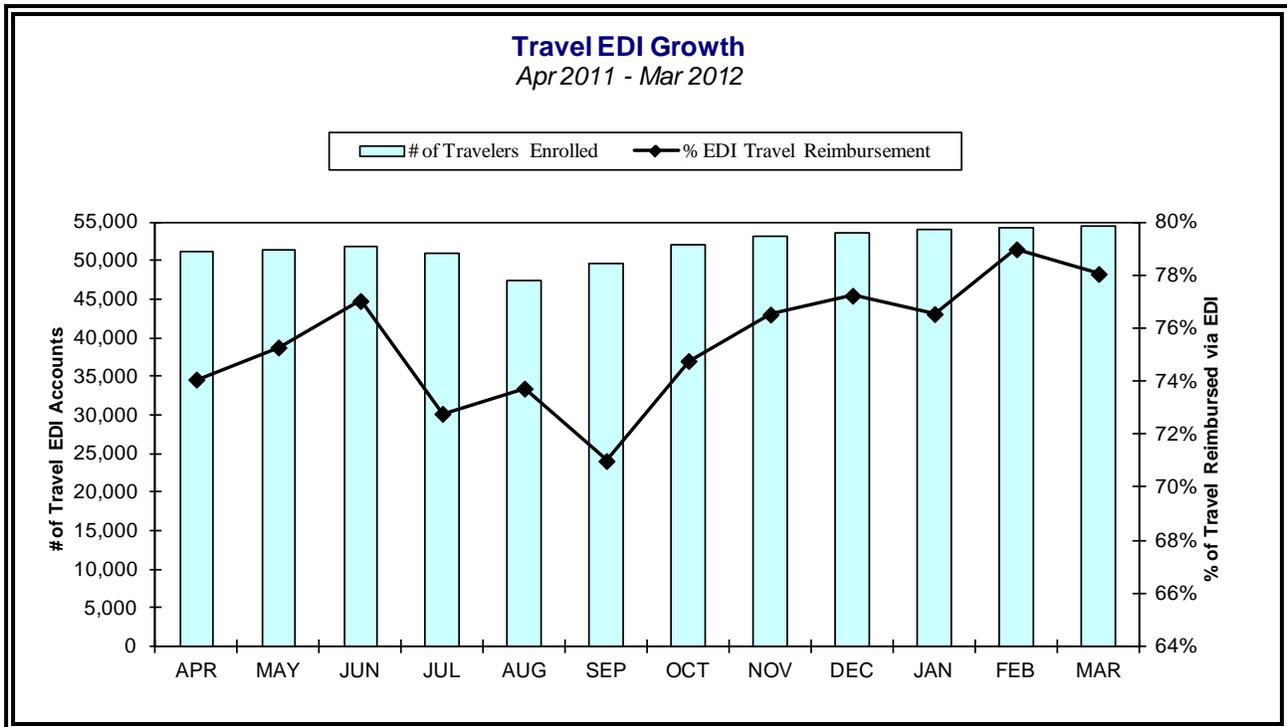
Expansion of the Travel EDI program is an integral part of the statewide effort to reduce the administrative costs associated with paying for goods and services for the Commonwealth. The Appropriation Act requires employees who travel more than twice a year to be reimbursed using EDI. DOA notified agencies 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 §4-5.04f 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 2012, 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, 2012

Secretarial Area	Employee Percent	Non-Employee Percent	Reimbursement Checks Issued
Administration	89.2%	42.1%	26
Agriculture and Forestry	95.3%	10.2%	105
Commerce and Trade	95.3%	79.7%	118
Education (1)	86.0%	35.4%	974
Executive Offices	92.0%	0.0%	13
Finance	99.6%	0.0%	7
Health and Human Resources	95.0%	36.8%	645
Independent Agencies	97.0%	31.8%	48
Judicial	33.6%	5.4%	2,609
Legislative	89.6%	50.0%	28
Natural Resources	92.6%	28.3%	121
Public Safety	89.3%	19.5%	512
Technology	94.4%	14.3%	13
Transportation (1)	91.1%	33.3%	78
Veterans Affairs & Homeland Security	87.9%	55.6%	41
Statewide for Quarter	84.0%	30.7%	5,338
<i>Fiscal Year 2012 To-Date</i>			
Statewide	82.5%	29.0%	20,944
<i>Comparative Fiscal Year 2011 To-Date</i>			
Statewide	82.8%	26.5%	18,954

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

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

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

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

Agency	Percent	Reimbursement Checks Issued
Education		
Christopher Newport University	84.9%	30
Virginia State University	81.6%	49
Southside Virginia Community College	67.8%	38
Norfolk State University	35.9%	148
Health and Human Resources		
Department of Behavioral Health and Developmental Services	79.1%	37
Independent Agencies		
State Lottery Department	84.6%	32
Judicial		
Supreme Court	43.4%	146
Juvenile and Domestic Relations District Courts	15.4%	386
General District Courts	13.7%	391
Combined District Courts	6.3%	269
Circuit Courts	5.4%	682
Natural Resources		
Department of Conservation and Recreation	79.7%	50
Public Safety		
Department of Emergency Management	67.6%	98

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.

Per action by the 2011 General Assembly, certain nonlegislative members of state boards, commissions, etc, that meet three or more times a year must receive their payments via EDI. Failure to comply with this may result in fees per §4-5.04f of the Appropriation Act.

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

Agency	Percent	Reimbursement Checks Issued
Agriculture and Forestry		
Department of Agriculture and Consumer Services	6.0%	79
Education		
Longwood University	0.0%	67
Christopher Newport University	0.0%	37
Health and Human Resources		
VA Board for People with Disabilities	7.9%	35
Department of Health	6.2%	166
Judicial		
Circuit Courts	6.0%	313
Virginia State Bar	0.0%	224
Public Safety		
Department of Criminal Justice Services	7.0%	40
Department of Forensic Science	1.0%	98

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 2012, the charge is \$5 per check. These statistics indicate noncompliance with §4-5.04f of the Appropriation Act which requires that all employees likely to travel more than twice per year be reimbursed for travel costs using electronic data interchange.

**Agency Non-Compliance Travel Check Charges
Utilization Below 80 Percent**

<u>Agency</u>	<u>Percent</u>	<u>Year-to-date Charges</u>
Education		
Norfolk State University	35.9%	\$ 450
Judicial		
Supreme Court	43.4%	450
Juvenile and Domestic Relations District Courts	15.4%	1,615
General District Courts	13.7%	1,650
Combined District Courts	6.3%	1,185
Circuit Courts	5.4%	3,170
Public Safety		
Department of Emergency Management	67.6%	395



Direct Deposit

During the third quarter of FY 2012, 517,064 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, 2012

<u>Secretarial Area</u>	<u>Direct Deposit % of Salaried Employees</u>	<u>Direct Deposit % of Wage Employees</u>
Administration	99.9%	100.0%
Agriculture and Forestry	99.0%	95.8%
Commerce and Trade	99.7%	99.8%
Education	99.8%	95.1%
Executive Offices	99.7%	73.1%
Finance	99.4%	99.5%
Health and Human Resources	99.6%	99.1%
Independent Agencies	99.6%	98.9%
Judicial	99.6%	80.9%
Legislative	99.5%	99.7%
Natural Resources	99.4%	97.8%
Veterans Affairs and Homeland Security	100.0%	98.8%
Public Safety	99.6%	98.1%
Technology	100.0%	100.0%
Transportation	99.9%	97.3%
Statewide	99.7%	95.8%
<i>Comparative</i>		
<i>Quarter Ended March 31, 2011</i>		
Statewide	99.6%	95.7%

Statewide Salaried Direct Deposit Performance

Quarter Ended March 31, 2012

Salaried Direct Deposit Participation	99.7%
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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	96.7%	30
Commerce and Trade		
Department of Business Assistance	96.3%	27
Virginia Racing Commission	85.7%	7
Health & Human Resources		
Northern Virginia Mental Health Institute	96.9%	295
Public Safety		
Virginia Parole Board	85.7%	7

Statewide Wage Direct Deposit Performance

Quarter Ended March 31, 2012

Wage Direct Deposit Participation	95.8%
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Wage Direct Deposit Below 90 Percent

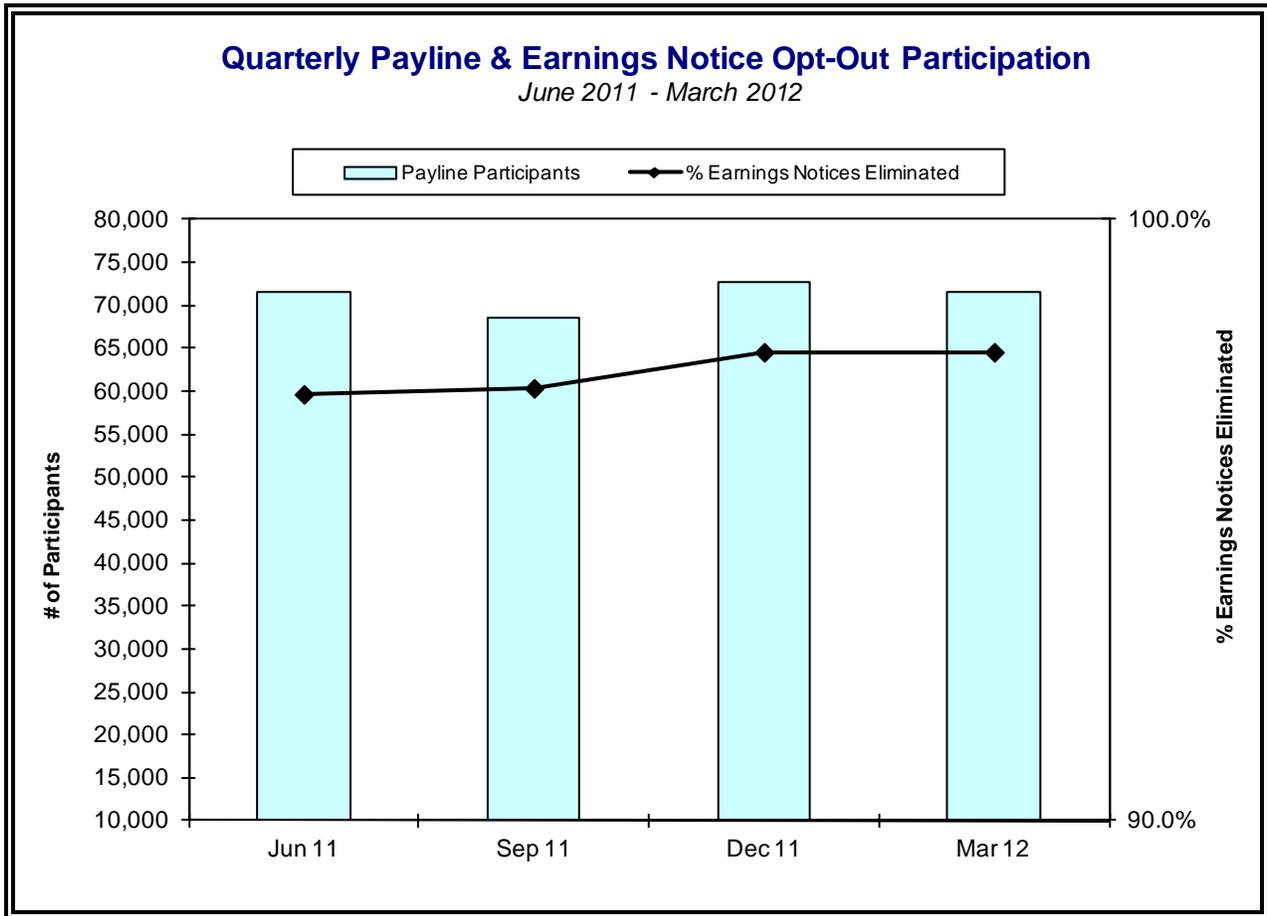
<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Education		
Mountain Empire Community College	88.1%	218
New River Community College	85.6%	313
Norfolk State University	80.0%	1,004
Radford University	88.4%	1,517
Southwest Virginia Community College	84.9%	305
Virginia Highlands Community College	75.8%	223
Virginia State University	77.5%	823
Judicial		
Combined District Courts	73.7%	19
General District Courts	72.4%	239



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 8,589,892 earnings notices.



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

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

Quarter Ended March 31, 2012

Secretarial Area	Percent Payline Participation	Percent Earnings Notices Eliminated*
Administration	97.7%	100.0%
Agriculture and Forestry	84.9%	85.9%
Commerce and Trade	96.1%	100.0%
Education	67.4%	98.9%
Executive Offices	88.4%	100.0%
Finance	98.4%	100.0%
Health and Human Resources	87.9%	97.9%
Independent Agencies	91.5%	100.0%
Judicial	83.4%	92.8%
Legislative	54.4%	69.2%
Natural Resources	83.0%	86.6%
Veterans Affairs and Homeland Security	70.5%	68.8%
Public Safety	87.8%	100.0%
Technology	97.0%	100.0%
Transportation	93.7%	100.0%
Statewide	82.5%	97.8%

<i>Comparative Quarter Ended March 31, 2011</i>		
Statewide	83.2%	97.6%

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

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

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

systematically to salary-only employees, hourly-only employees, or all employees.

Most agencies elected a global opt-out in response to the January 1, 2009, mandate. Only 22 agencies have not chosen a global opt-out and participation is reviewed to monitor progress. As of March 31, 2012 the following agencies have not met their established thresholds for eliminating earnings notice print.

Earnings Notice Elimination

Agency	Percent Earnings Notices Eliminated QE 03/31/2012	Percent Earnings Notices Eliminated QE 12/31/2011
Agriculture and Forestry		
Department of Forestry	77.9%	89.7%
Education		
Frontier Culture Museum of Virginia	69.8%	67.3%
Virginia Highlands Community College	67.8%	67.4%
Eastern Shore Community College	64.8%	64.2%
Paul D. Camp Community College	61.3%	60.8%
Judicial		
General District Courts	87.8%	89.7%



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.

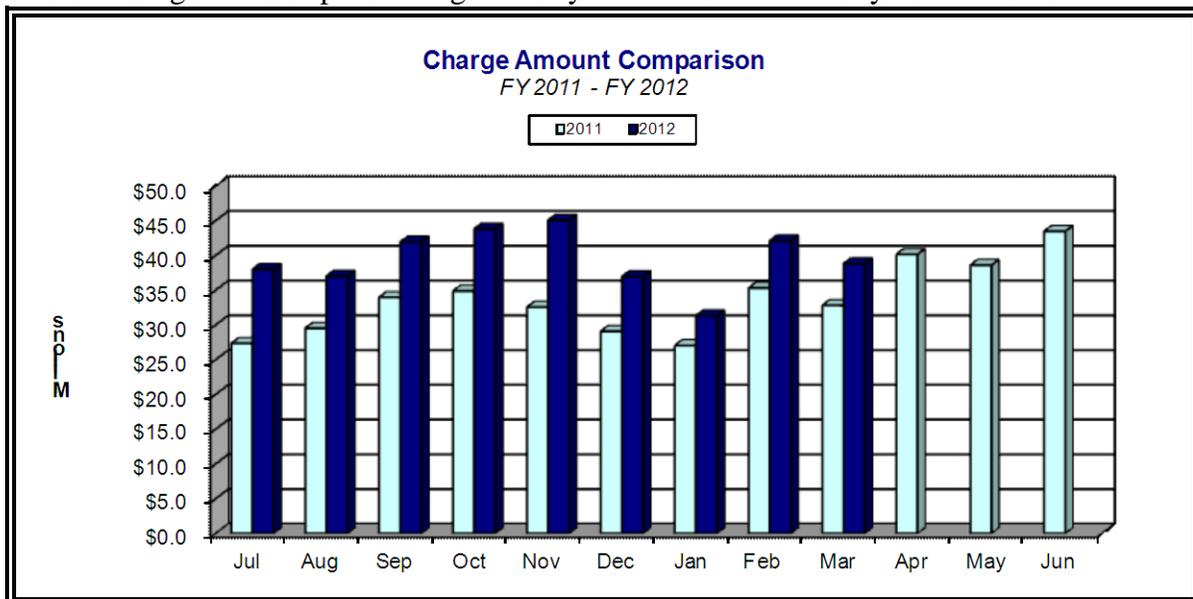
The Department of Accounts implemented a third charge card tool called ePayables in June 2011. This program allows payments processed through CARS for vendors enrolled in the program to convert their payment to a card thus increasing the card program's spend.

The total amount charged on SPCC, Gold and ePayables cards during the third quarter of FY 2012 increased by \$17.1 million or 18 percent from the same quarter last year.

Small Purchase Charge Card Program

Charge Card Activity	Quarter Ended March 31, 2012	Fiscal Year 2012 To-Date	Comparative Fiscal Year 2011 To-Date
Amount of Charges	\$ 112,241,232	\$ 354,953,276	\$ 282,448,012
Estimated Number of Checks Avoided	181,322	554,790	520,272
Total Number of Participating Agencies		210	217
Total Number of Cards Outstanding		18,078	17,863

The following chart compares charge activity for FY 2012 to activity for FY 2011:



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 §4-5.04f of the Appropriation Act, the threshold has been set at 80 percent.

For data compilation purposes, all local governments have been exempted from the utilization process.

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, 2012

Percentage Utilization for Eligible Transactions

79%

SPCC Utilization by Secretarial Area

Quarter Ended March 31, 2012

<u>Secretarial Area</u>	<u>Payments in Compliance ⁽¹⁾</u>	<u>Non-Compliant Transactions ⁽²⁾</u>
Administration	81%	691
Agriculture and Forestry	91%	327
Commerce and Trade	80%	707
Education*	87%	5,622
Executive Offices	87%	114
Finance	94%	122
Health and Human Resources**	88%	3,941
Independent Agencies	75%	840
Judicial	37%	2,294
Legislative	95%	70
Natural Resources	90%	924
Public Safety	93%	2,460
Technology	49%	250
Transportation*	63%	11,159
Veterans Affairs and Homeland Security	79%	525
Statewide	79%	30,046

* 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 80 Percent**

Agency	Payments in Compliance	Non-Compliant Transactions
Administration		
State Board of Elections	78%	25
Commerce and Trade		
Virginia Employment Commission	44%	636
Education		
Tidewater Community College	77%	596
Norfolk State University	68%	669
Eastern Shore Community College	63%	59
Health and Human Resources		
Department for the Deaf and Hard-of-Hearing	76%	16
Northern Virginia Training Center	70%	196
Department of Behavioral Health and Developmental Services	69%	131
Central Virginia Training Center	62%	427
Independent Agencies		
Virginia Retirement System	69%	147
State Corporation Commission	7%	539
Judicial		
Supreme Court	69%	191
Judicial Inquiry and Review Commission	50%	2
Board of Bar Examiners	0%	30
Circuit Courts	0%	205
Combined District Courts	0%	202
General District Courts	0%	902
Juvenile and Domestic Relations District Court	0%	468
Magistrate System	0%	126
Virginia Criminal Sentencing Commission	0%	38
Technology		
Virginia Information Technologies Agency	49%	250
Transportation		
Department of Motor Vehicles	73%	769
Department of Transportation	61%	10,348
Veterans Affairs and Homeland Security		
Sitter-Barfoot Veterans Care Center	56%	342



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 13, 2012, 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>			
Education			
University of Virginia	X		
Germanna Community College		X	
Frontier Culture Museum of Virginia			X
Independent			
Virginia Office for Protection and Advocacy	X		X
Natural Resources			
Department of Game and Inland Fisheries		X	
Public Safety			
Department of Emergency Management		X	
Transportation			
Department of Transportation		X	
<u>Airline Travel Card Program:</u>			
Commerce and Trade			
Board of Accountancy		X	
Education			
Virginia Western Community College			X



Travel Charge Card

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

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

The contract provides for the following actions on delinquent accounts:

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

The following table identifies the number of delinquent card accounts with Bank of America by agency during the quarter ended March 31, 2012, and the total amounts past due.

Travel Charge Card Program

As of March 31, 2012

Agency	Total Delinquent Accounts	Amounts 60 Days Past Due	Amounts 90-120 Days Past Due	Amounts >150 Days Past Due
Commerce and Trade				
Virginia Economic Development Partnership	2	53	860	55
Education				
Virginia Polytechnic Institute and State University	3	60	501	0
University of Virginia Medical Center	1	313	0	0
Virginia Military Institute	2	675	1,193	0
Virginia State University	3	577	731	0
Norfolk State University	2	667	192	0
Longwood University	2	63	482	0
Old Dominion University	2	458	0	0
George Mason University	2	0	767	0
New River Community College	1	0	0	94
Health and Human Resources				
Department of Health	1	33	590	0
Department of Social Services	1	0	0	238
Natural Resources				
Marine Resources Commission	1	560	0	0
Virginia Museum of Natural History	1	43	0	0



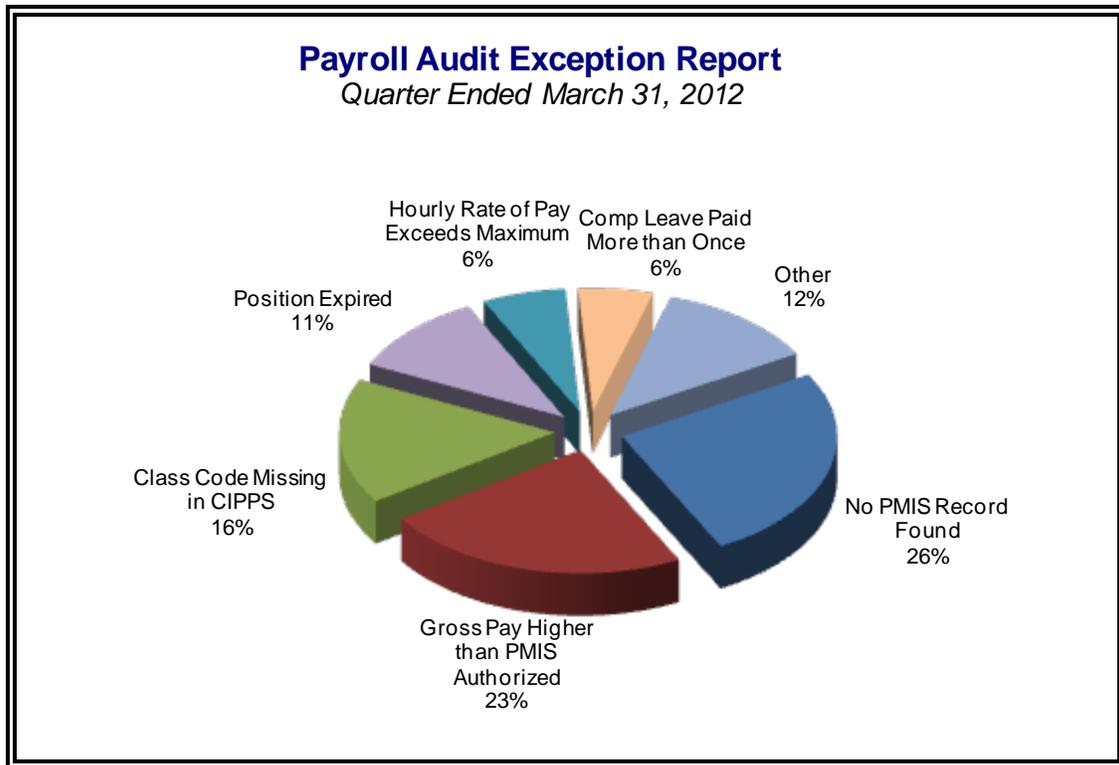
Payroll Controls

CIPPS/PMIS Payroll Audit

During the quarter, DOA's automated comparison of payroll (CIPPS) and personnel (PMIS) records examined 477,730 salaried pay transactions and 121,948 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 4,879 new exceptions noted statewide during the quarter, with an overall exception rate of 0.74%.

The statewide salaried payroll exception rate was 0.67% and the wage payroll exception rate was 1.00%. During this quarter, 16 employee paychecks were reduced to recover \$7,876.28 in overpayments.

While the largest cause of exceptions is the processing of payments to salaried employees who no longer have an active record set up in the PMIS system for their current agency, the second largest cause of exceptions is the result of agency failure to complete the salary increase authorization process by updating PMIS salary amounts *prior* to paying the increased salary amounts in CIPPS. The PMIS authorization is an important internal control over payroll processing. Such exceptions can largely be avoided through timely PMIS data entry by agency Human Resource staff. Although segregation of these Human Resource and Payroll functions is an effective internal control, coordination and communication between agency Human Resource and Payroll staffs is essential.



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

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

Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Salaried Payments
Quarter Ended March 31, 2012

<u>Agency</u>	<u># of Salaried Exceptions</u>	<u>Exceptions as a % of Salaried Payments</u>
Southern Va Mental Health Institute	25	2.10%
Total Salaried Payroll Exceptions for the Quarter		0.67%

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, 2012

Wage Payroll Exceptions for the Quarter	1.00%
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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>
<i>Education</i>	
Piedmont Virginia Community College	1



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				
Central Virginia Community College	\$ 70,856			
Jamestown-Yorktown Foundation		1		
Mountain Empire Community College			2	
New River Community College			2	
Southside Virginia Community College	21,168			
Health and Human Resources				
Central State Hospital	222,829			
Central Virginia Training Center		1		
Northern Virginia Training Center			3	
Public Safety				
Augusta Correctional Center				
Transportation				
VDOT - Hampton Roads District	291,704			

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. Health care reconciliations for the months of December, January and February were due 01/31/2012, 02/29/2012 and 03/30/2012, respectively.

**Schedule of Health Care Reconciliations
Received Late**

Agency	Dec	Jan	Feb
Virginia Veterans Care Center		X	



FINANCIAL MANAGEMENT ACTIVITY

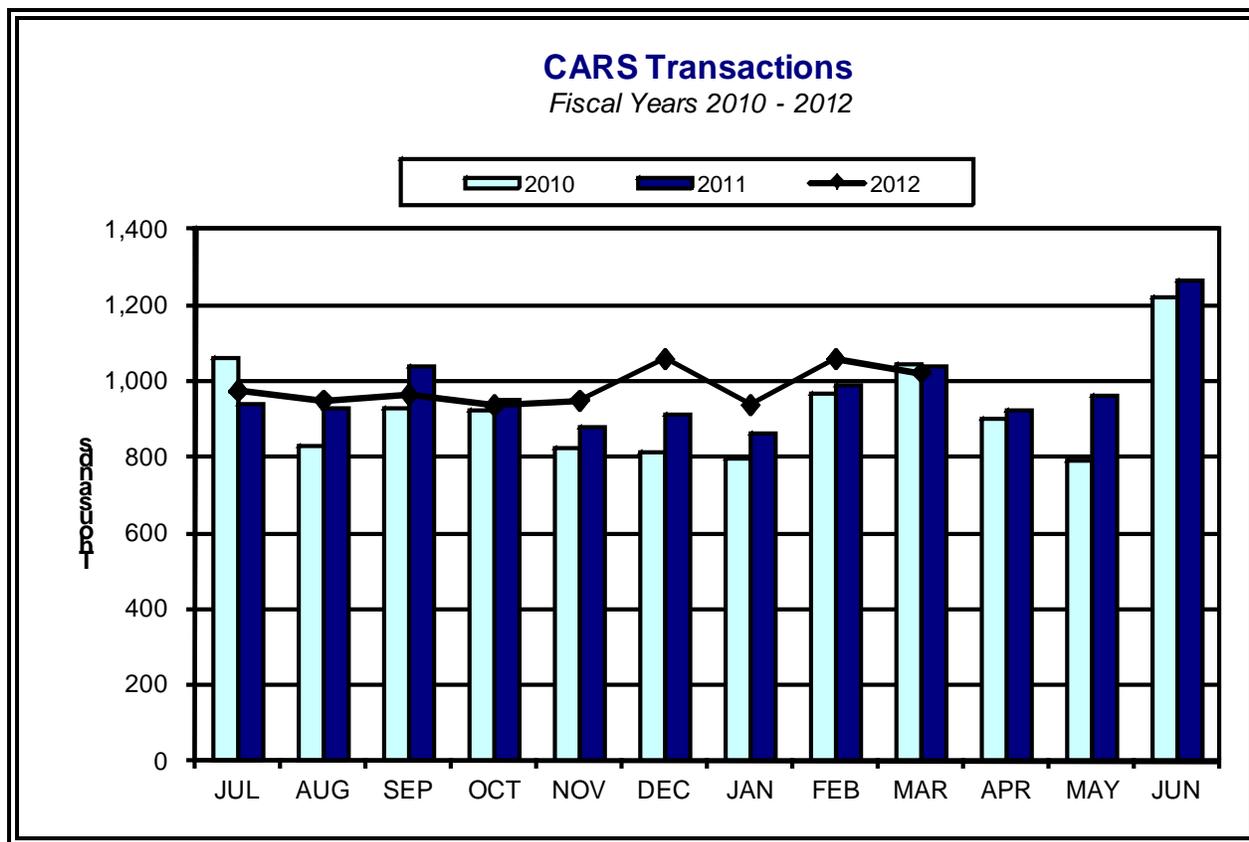
DOA monitors several types of financial activity. Various measures are used to track activities for CARS, payroll, accounts

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

Commonwealth Accounting and Reporting System (CARS)

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

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

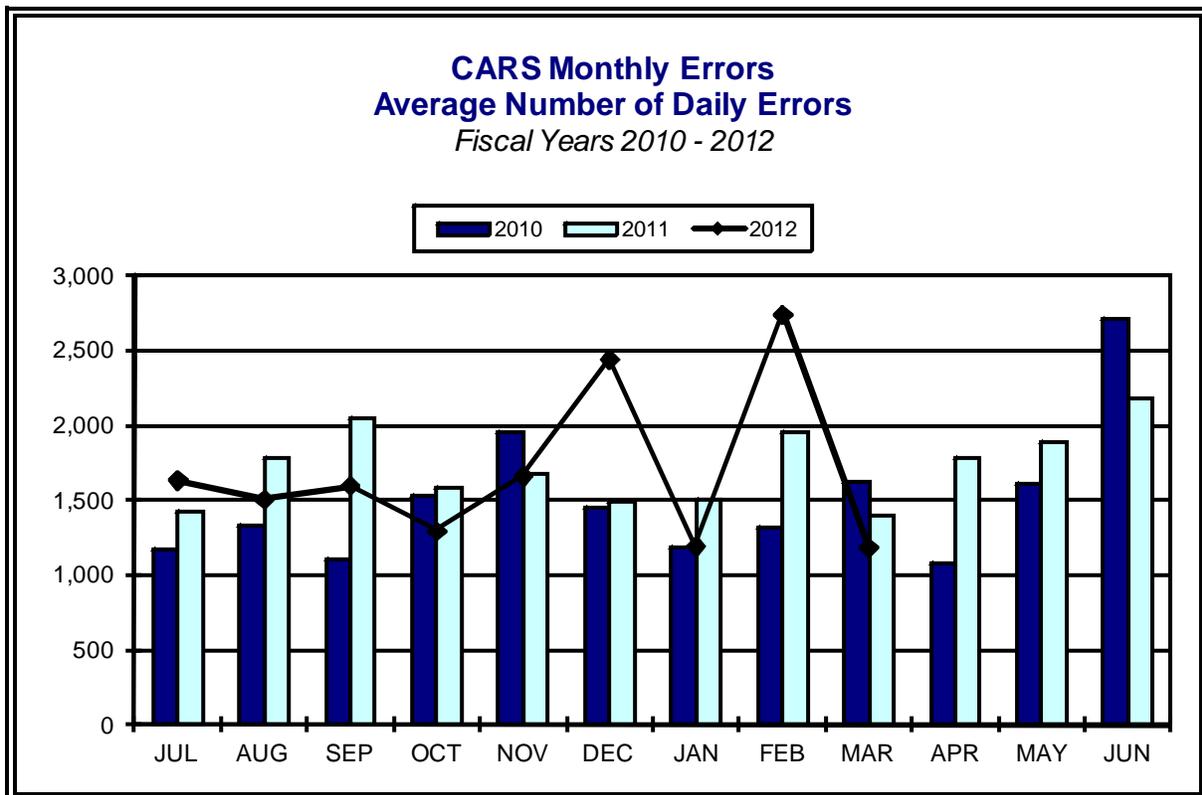


CARS Edits

One of the most important management tools used by DOA is the monitoring of CARS errors generated by standard system edits. Batches remain on the error file until problems are resolved, which, for disbursement transactions, can lead to noncompliance with prompt payment standards and poor vendor relations. During the third quarter of FY 2012, 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.

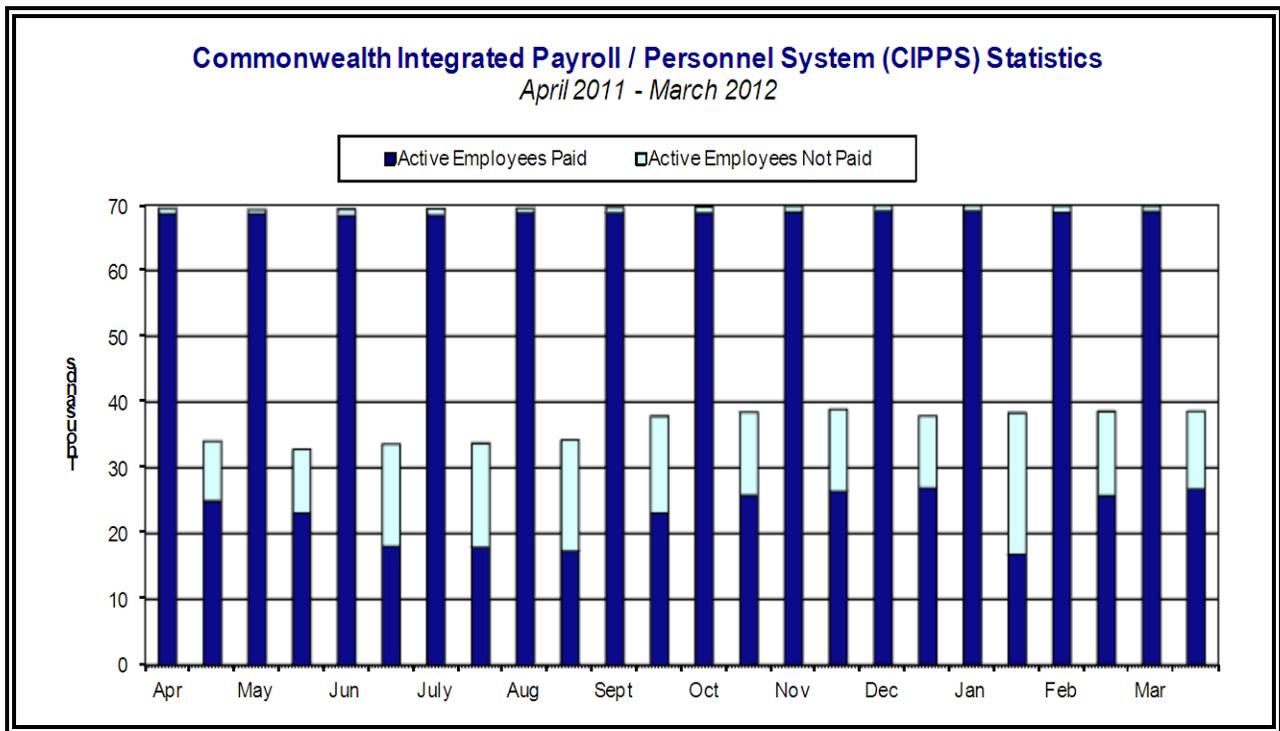
- Available Cash Negative
- Expenditures > Allotment
- Certified Amounts Not Balanced



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 108,410 employees. Payroll services are also provided through eight decentralized higher education institutions.

On average, 92,059 employees were paid each month, of which 68,953 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.

**Benefit Participation
Number of Participating Employees**

Benefit	As of 3/31/2012	Comparative	
		As of 3/31/2011	As of 3/31/2010
Health Care			
COVA Care	74,561	73,922	74,865
COVA Connect	7,624	7,540	7,611
Kaiser	2,142	2,138	2,081
Tricare	23	N/A	N/A
Optional Retirement Plans*			
Fidelity Investments	617	578	565
TIAA/CREF	1,658	1,616	1,599
Political Appointee - ORP	102	91	73
Deferred Compensation*	42,749	40,908	40,154
Flexible Reimbursement*			
Dependent Care	818	788	790
Medical Care	7,665	7,481	7,395

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



Accounts Receivable

Executive Summary

The *Code of Virginia* § 2.2-4800 et seq. requires the Department of Accounts, along with the Office of the Attorney General, to oversee, report on, and monitor the Commonwealth's accounts receivable program. In order to carry out this responsibility, DOA has issued policies and procedures on accounting, collecting, reporting, and writing off accounts receivable. In addition, DOA provides technical assistance to agencies and institutions and uses statistical analyses and audit reports to monitor the on-going effectiveness of agencies in managing their accounts receivable.

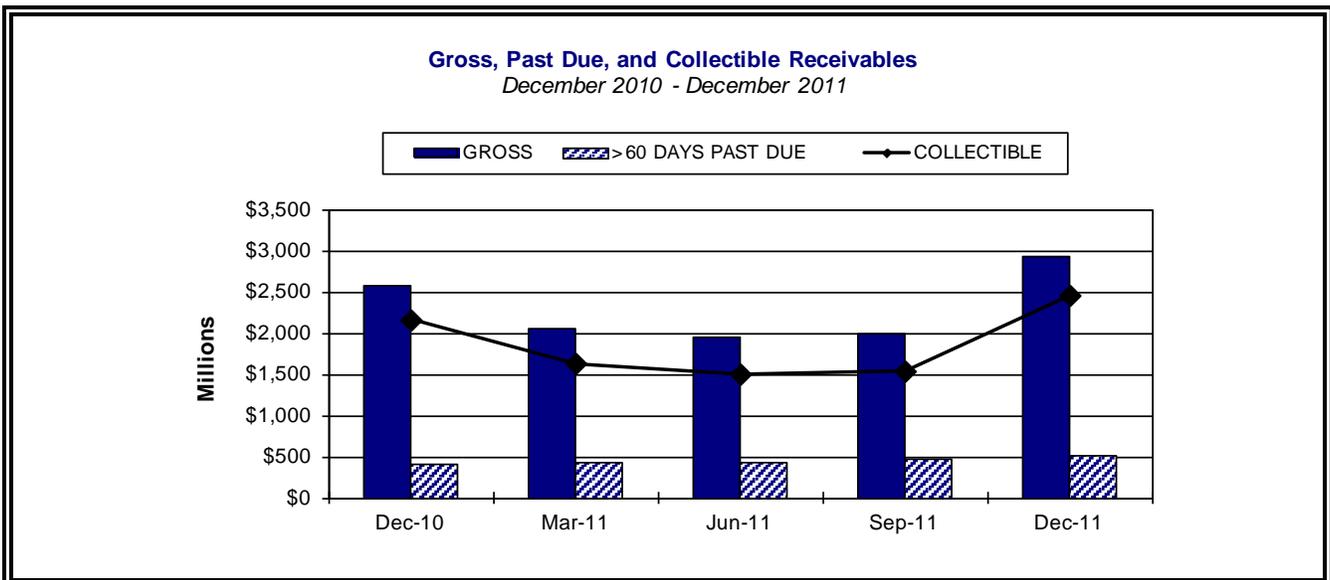
In an effort to present more meaningful information, DOA continues to exclude data from the tables (except for the final table on past due receivables) from the Department of Taxation, consisting largely of statutory assessments and non-filers assessments, and the circuit and district courts, which report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

Commonwealth agencies and institutions reported adjusted gross receivables of \$2.92

billion at December 31, 2011, with \$2.46 billion considered collectible. Receivables over 60 days past due as of December 31, 2011, totaled \$504.3 million. Of that amount, \$11.3 million was placed with private collection agencies, \$40.8 million was placed with the Division of Debt Collection and \$452.2 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, 2011, agencies expected to collect \$2.46 billion (84 percent) of the \$2.92 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

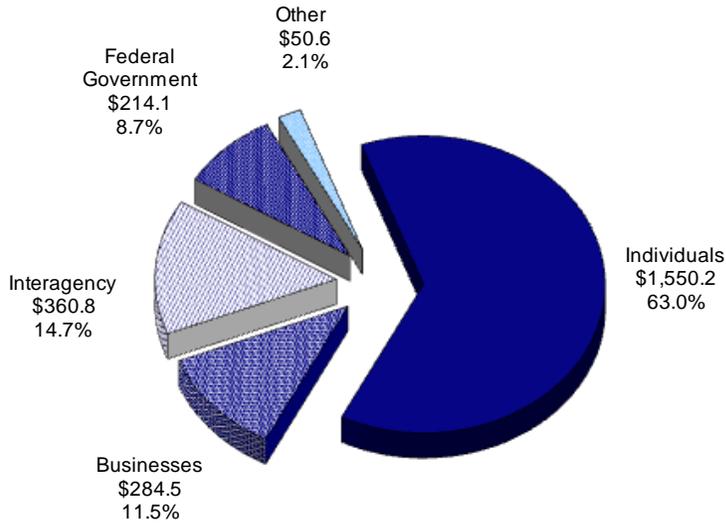
As of December 31, 2011

Fund	Source	Amount	Percent
General Fund 1%	Medicaid - Current Recoveries	\$ 16,432,420	45%
	Social Services	3,314,639	9%
	Labor and Industry Inspections	1,469,041	4%
	State Police Permits	1,967,276	5%
	Corrections	1,194,390	3%
	Other	1,692,850	5%
	Subtotal	26,070,616	71%
	Interagency Receivables	10,511,985	29%
Total General Fund Collectible		\$ 36,582,601	100%
Nongeneral Funds 99%	Medicaid - Dedicated Penalty Fees	\$ 71,313,650	3%
	Medicaid - Federal Reimbursements	5,810,223	1%
	Unemployment Taxes *	151,652,024	7%
	Transportation	32,669,289	1%
	Child Support Enforcement	165,125,442	7%
	Federal Government	33,029,765	1%
	DBHDS Patient Services	26,495,787	1%
	Hospital	175,327,219	7%
	Enterprise	83,802,385	3%
	Higher Education	1,292,105,731	54%
	Other	35,988,022	1%
	Subtotal	2,073,319,537	86%
	Interagency Receivables	350,270,479	14%
Total Nongeneral Fund Collectible		\$ 2,423,590,016	100%
All Funds	Grand Total	\$ 2,460,172,617	100%

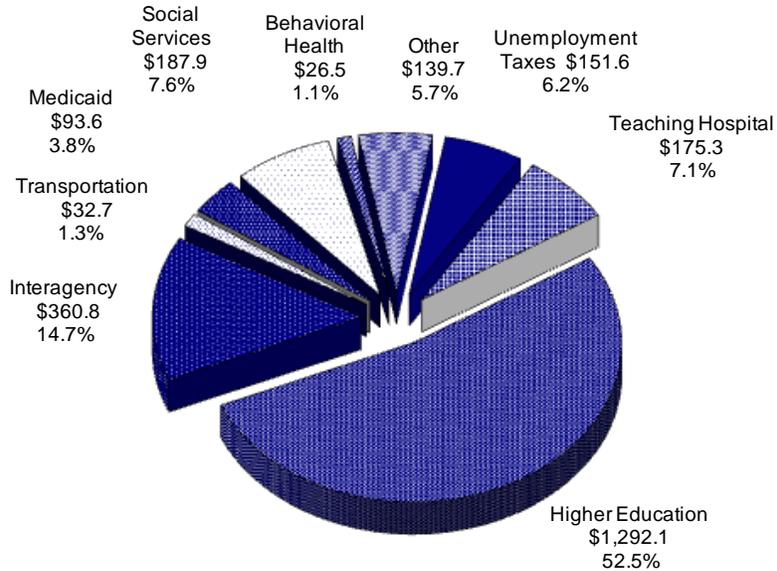
* Note: The Virginia Employment Commission provides Unemployment Taxes Information.

Summary of Receivables by Source

Sources of Collectible Receivables by Debtor
(dollars in millions)
As of December 31, 2011



Sources of Collectible Receivables by Type
(dollars in millions)
As of December 31, 2011



Not counting Taxation and the Courts, ten agencies account for 80 percent of the Commonwealth's adjusted gross and 78

percent of the adjusted collectible accounts receivable balances.

Accounts Receivable Summary
Not Including Circuit Courts, District Courts, or Department of Taxation
 As of December 31, 2011

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
University of Virginia Medical Center	\$ 425,028,973	\$ 12,196,270	\$ 412,832,703
University of Virginia - Academic Division	282,313,339	240,606	282,072,733
Virginia Polytechnic Institute and State University	258,380,453	2,948,809	255,431,644
Department of Social Services	484,264,594	292,406,360	191,858,234
Virginia Commonwealth University	192,641,954	5,296,590	187,345,364
Virginia Employment Commission	227,322,805	71,378,921	155,943,884
James Madison University	126,636,290	2,045,815	124,590,475
The College of William & Mary in Virginia	108,957,118	70,285	108,886,833
Old Dominion University	101,786,022	1,679,201	100,106,821
Department of Medical Assistance Services	126,594,989	32,914,697	93,680,292
Total	\$ 2,333,926,537	\$ 421,177,554	\$ 1,912,748,983
All Other Agencies	589,294,143	41,870,509	547,423,634
Grand Total	\$ 2,923,220,680	\$ 463,048,063	\$ 2,460,172,617

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 \$8.8 million during the quarter ended December 31, 2011. The Division of Debt Collection contributed \$2.7 million. Private collection agencies collected \$2.3 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected \$3.8 million.

Private collection agencies returned \$15.3 million of accounts to agencies, and the Division of Debt Collection discharged \$2.5 million of accounts and returned \$1.1 million of accounts to agencies.

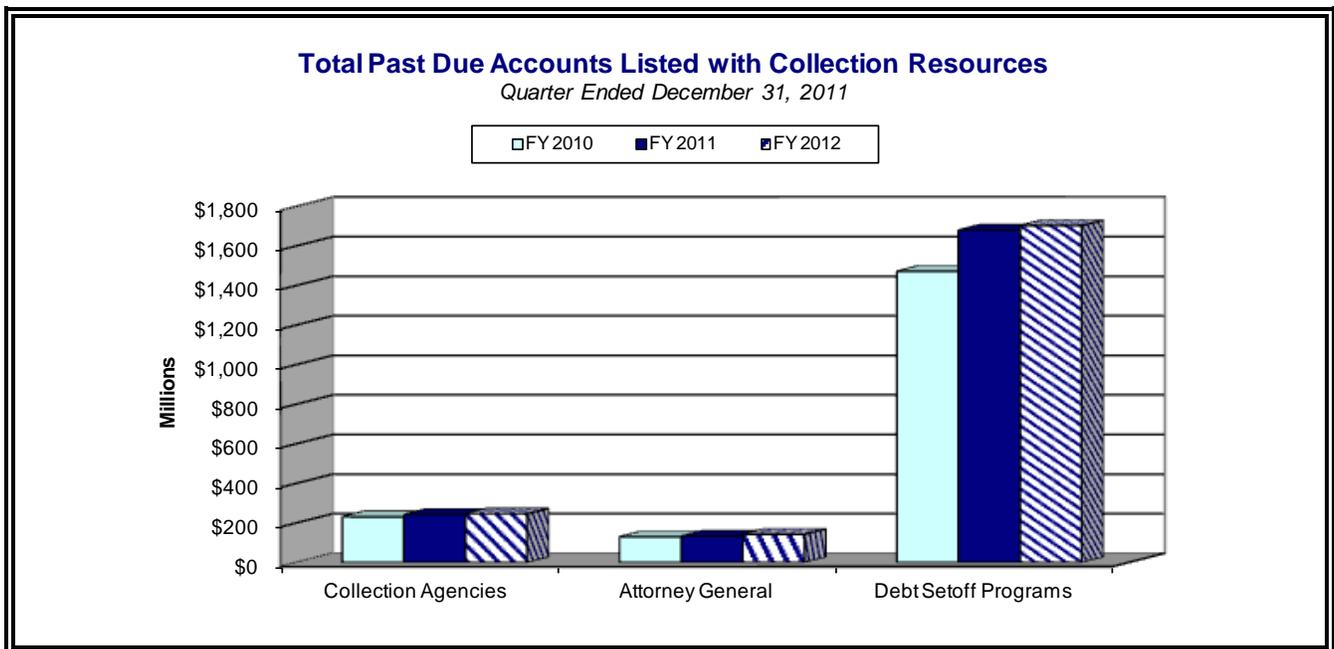
Collectible Receivables Over 60 Days Past Due

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

As of December 31, 2011

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	\$ 169,506,254	\$ 2,610	\$ 55,230	\$ 169,448,414
University of Virginia Medical Center	85,638,544	-	-	85,638,544
Virginia Employment Commission	75,156,044	4,056,898	22,029,077	49,070,069
Department of Medical Assistance Services	55,622,508	243,543	1,797,081	53,581,884
Department of Behavioral Health and Developmental Services	23,433,018	-	-	23,433,018
University of Virginia - Academic Division	12,432,575	645,415	44,247	11,742,913
Department of State Police	11,725,853	-	703,719	11,022,134
Department of Transportation	11,606,294	122,800	8,324,023	3,159,471
Virginia Commonwealth University	6,471,284	329,303	178,472	5,963,509
Department of General Services	5,712,025	-	368,240	5,343,785
TOTAL	\$ 457,304,399	\$ 5,400,569	\$ 33,500,089	\$ 418,403,741
All Other Agencies	46,967,138	5,913,810	7,299,801	33,753,527
TOTAL OVER 60 DAYS	\$ 504,271,537	\$ 11,314,379	\$ 40,799,890	\$ 452,157,268
Uncollectible Amounts Placed for Collection, Including Accounts Written Off	1,588,267,272	234,583,999	102,508,559	1,251,174,714
TOTAL COLLECTION EFFORTS	\$ 2,092,538,809	\$ 245,898,378	\$ 143,308,449	\$ 1,703,331,982

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



Comptroller's Debt Setoff (CDS) Program

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

withheld, in full or in part, to satisfy the debt owed to the State. CDS collected \$7.9 million through the third quarter of FY 2012. 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 12/31/11	Comparative	
		Percent 9/30/11	Percent 6/30/11
Department of State Police	67%	18%	25%
Department of General Services	48%	20%	16%
Department of Transportation	47%	24%	52%
Department of Medical Assistance Services	44%	43%	43%
Department of Behavioral Health and Developmental Services	44%	41%	34%
Department of Social Services	35%	35%	35%
Virginia Employment Commission	33%	46%	34%
University of Virginia Medical Center	20%	19%	15%
University of Virginia - Academic Division	4%	13%	13%
Virginia Commonwealth University	3%	9%	23%
Statewide Average - All Agencies	17%	24%	22%

Another way to measure agency debt collection effectiveness is to compare amounts collected to amounts billed. The table below presents trend percentages for the ten agencies with the highest collectible accounts receivable balances. In total, these ten agencies are responsible for 78 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 64 percent indicates that for every \$1 billed during the quarter ended December 31, 2011, the state collected 64 cents. This rate is the four percent lower than the last two years.

Collections as a Percentage of Billings

Agency	Percent 12/30/2011	Comparative	
		Percent 12/30/2010	Percent 12/30/2009
Department of Social Services	92%	91%	94%
Virginia Employment Commission	78%	100%	101%
Virginia Polytechnic Institute and State University	49%	47%	52%
Department of Medical Assistance Services	48%	56%	56%
Virginia Commonwealth University	40%	44%	42%
University of Virginia - Academic Division	39%	46%	57%
Old Dominion University	29%	30%	31%
University of Virginia Medical Center	28%	29%	32%
The College of William & Mary in Virginia	26%	27%	27%
James Madison University	21%	19%	23%
Statewide Average - All Agencies	64%	69%	69%

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 \$93.7 million at December 31, 2011, is a \$5.8 million increase over the \$87.9 million reported at December 31, 2010. Over the same period, total past due receivables of \$60.7 million have increased by \$6.8 million.

University of Virginia Medical Center (UVAH)

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

UVAH collectible receivables of \$412.8 million at December 31, 2011, were a \$105.0 million increase from the \$307.8 million reported the previous year. Past due receivables increased by \$108.0 million to \$232.8 million at December 31, 2011.

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 \$155.9 million at December 31, 2011, an increase of \$73.4 million from the previous year. Total past due receivables were \$79.5 million, an \$11.0 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, 2011, of \$52.6 million, which is an increase of \$4.3 million reported in the previous year. Most of these receivables are due from other state agencies. As of December 31, 2011, \$2.9 million was over 60 days past due, a decrease of \$2.6 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 four multi-state games, Mega Millions, Powerball, Win for Life and Decades of Dollars. 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, 2011, the State Lottery reported net receivables of \$65.3 million, an \$8.8 million increase from the previous year. Billings increased by \$12.9 million and collections increased by \$12.4 million during the December 31, 2011 quarter when compared to the December 31, 2010 quarter. At December 31, 2011, the State Lottery had \$247,375 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, 2011, 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, 2011, the University reported net collectible receivables of \$255.4 million, an increase of \$4.9 million over the prior year. At the same time, total past due receivables of \$9.4 million increased by \$1.5 million over the prior year.

The University uses a variety of collection methods to encourage payments. At December 31, 2011, VPISU had \$5.5 million of accounts over 60 days past due. \$1.7 million was placed with the Attorney General's Division of Debt Collection, another \$1.2 million was placed with private collection agencies and \$3.3 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, 2011, the Department reported collectible receivables of \$26.5 million, a \$622,372 decrease over the previous year. \$29.3 million was past due, with \$23.4 million being over 60 days past due. Total past due receivables increased by \$9.6 million over the year, and accounts over 60 days past due increased by \$12.2 million. At December 31, 2011, the Department had a total of \$6.5 million of accounts placed with the Attorney General and \$618,036 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, 2011, VDOT reported \$24.8 million of collectible receivables, a decrease of \$6.5 million from the prior year. VDOT also reported \$14.4 million total past due and \$11.6 million being over 60 days past due. Past due receivables decreased by \$2.9 million over the year, while receivables over 60 days past due decreased by \$2.8 million. VDOT reports that the large majority of the accounts over 60 days past due continue to be amounts owed by cities, counties and towns that are participating on long-term construction projects with the department and where the local fund shares are provided by local debt financing.

VDOT reported placing \$8.3 million of their accounts over 60 days past due with the Attorney General's Division of Debt Collection, and \$122,800 with private collection agencies.

Department of Social Services (DSS)

Social Services provides 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, 2011, DSS reported gross receivables of \$484.3 million, an allowance for doubtful accounts of \$292.4 million and collectible receivables of \$191.9 million. Past due receivables totaled \$172.2 million, of which \$169.5 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for \$433.5 million (90 percent) of the gross receivables, \$268.4 million (92 percent) of the allowance for doubtful accounts and \$165.1 million (86 percent) of the collectible receivables.

From December 31, 2010, to December 31, 2011, gross receivables increased \$44.3 million and collectible receivables increased by \$7.6 million. Total past due receivables increased by \$17.1 million and receivables over 60 days past due increased by \$16.8 million.

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

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

At December 31, 2011, DRPT had gross and net receivables of \$22.5 million. The majority of this money is due via an interagency transfer from VDOT. DRPT reported past due receivables of \$230,360 at December 31, 2011.

Virginia Commonwealth University (VCU)

VCU, based in Richmond, offers more than 200 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, 2011, VCU had \$187.3 million of collectible receivables, a \$1.9 million increase from December 31, 2010. Total past due accounts were \$17.6 million, a \$4.0 million increase from December 31, 2010. Accounts over 60 days past due (\$6.5 million) increased by \$914,834 from the prior year. Billings increased by \$16.1 million to \$216.0 million and collections decreased by \$2.2 million to \$86.2 million for the December 31, 2011 quarter, when compared to the December 31, 2010 quarter.

The following table is prepared to present the December 31, 2011, aging information in conformity with the provisions of the *Code of Virginia* § 2.2-603.E.(ii).

Commonwealth's total \$3.14 billion past due accounts receivable at December 31, 2011. Another 18 agencies accounted for 24 percent (\$745.2 million), leaving 71 other agencies to comprise the last one percent at \$38.6 million.

Taxation and the Circuit and District Courts accounted for 75 percent (\$2.36 billion) of the

Agencies with the Largest Volume of Past Due Receivables

As of December 31, 2011

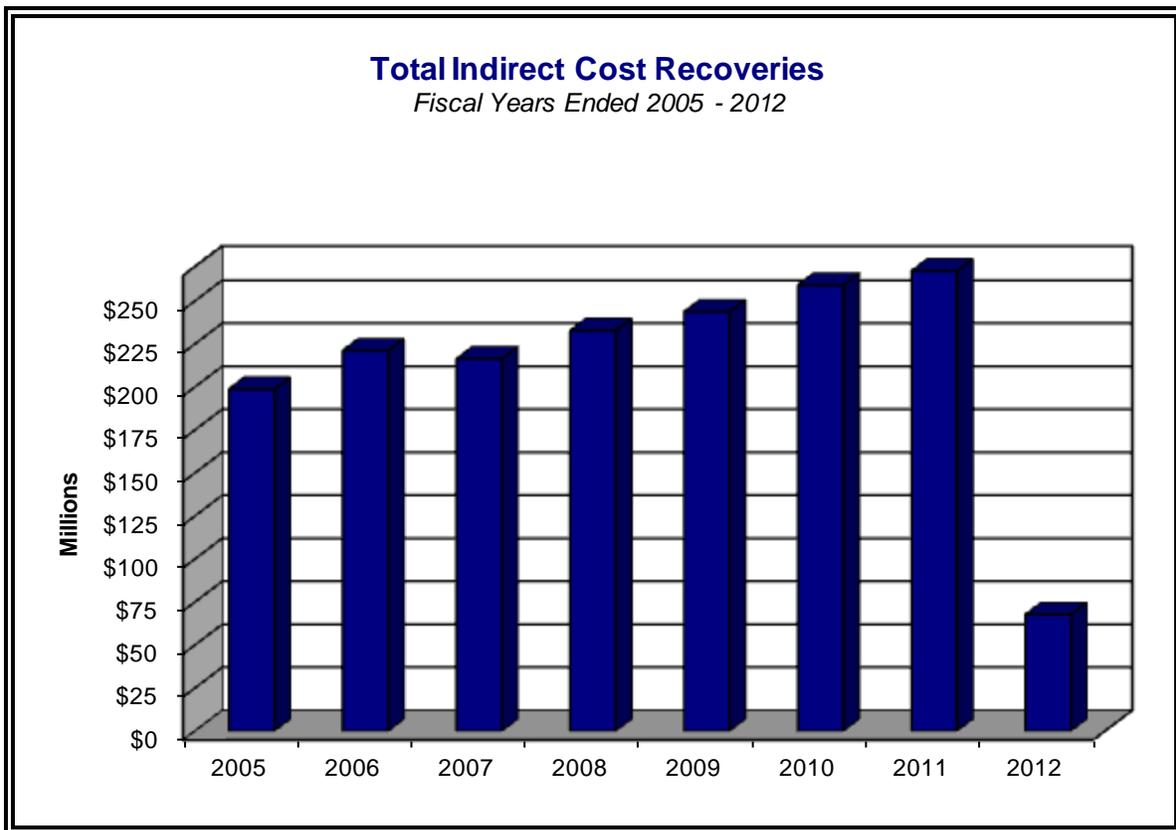
Agency	Total Past Due	1 to 180 Days Past Due	181 to 360 Days Past Due	Over One Year
Department of Taxation	\$ 1,923,471,820	\$ 245,357,787	\$ 195,896,674	\$ 1,482,217,359
Localities' Circuit and District Courts	435,833,566	39,026,022	68,092,075	328,715,469
Total - Taxation Assessments and Court Fines and Fees	\$ 2,359,305,386	\$ 284,383,809	\$ 263,988,749	\$ 1,810,932,828
All Other Large Dollar Agencies:				
University of Virginia Medical Center	232,759,230	197,830,793	21,255,683	13,672,754
Department of Social Services	172,156,509	8,213,372	8,198,875	155,744,262
Virginia Employment Commission	79,469,361	18,685,784	19,635,631	41,147,946
Department of Medical Assistance Services	60,679,431	14,776,580	11,319,941	34,582,910
University of Virginia - Academic Division	46,585,446	43,635,182	1,646,863	1,303,401
Department of Behavioral Health and Developmental Services	29,302,975	19,515,852	62,098	9,725,025
University of Mary Washington	20,078,044	19,426,432	105,131	546,481
Virginia Commonwealth University	17,639,269	12,355,637	1,527,911	3,755,721
Department of Transportation	14,370,690	4,746,028	1,113,856	8,510,806
Department of State Police	13,021,589	10,836,683	428,630	1,756,276
Virginia Information Technologies Agency	10,154,075	8,646,178	916,920	590,977
Virginia Polytechnic Institute and State University	9,402,913	6,744,684	760,565	1,897,664
Virginia Community College System	9,149,288	7,046,765	1,180,833	921,690
Longwood University	7,459,746	7,456,316	993	2,437
George Mason University	7,363,181	6,439,436	451,844	471,901
Department of General Services	7,118,691	5,222,414	118,557	1,777,720
Department of Health	4,287,245	2,031,032	400,143	1,856,070
Old Dominion University	4,220,188	4,073,687	82,412	64,089
Total - Largest Dollar Volume Agencies	\$ 745,217,871	\$ 397,682,855	\$ 69,206,886	\$ 278,328,130
All Other Agencies	38,600,189	23,776,052	5,181,518	9,642,619
Grand Total Past Due Receivables	\$ 3,143,123,446	\$ 705,842,716	\$ 338,377,153	\$ 2,098,903,577



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 2012 reflects indirect cost recoveries through March 31, 2012.

Indirect Cost Recoveries from Grants and Contracts

Fiscal Year 2012

Fund	Year-to-Date		Total
	Higher Ed	Non-Higher Ed	
Nongeneral:			
Agency / Institution (1)	\$ 17,064,327	\$ 47,638,734	\$ 64,703,061
Statewide	67,358	809,985	877,343
Agency / Institution ARRA	1,104,382	259,456	1,363,838
Statewide ARRA	312	14,664	14,976
Total Nongeneral	\$ 18,236,379	\$ 48,722,839	\$ 66,959,218
General:			
Agency (Cash Transfers)	-	-	-
Statewide	-	729,605	729,605
Statewide (Cash Transfers)	-	-	-
Total General	\$ -	\$ 729,605	\$ 729,605
Total All Funds	\$ 18,236,379	\$ 49,452,444	\$ 67,688,823

- (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 \$30,707,734 representing the Department of Social Services' estimate of indirect cost recoveries received. This does not include covered higher education institutions.

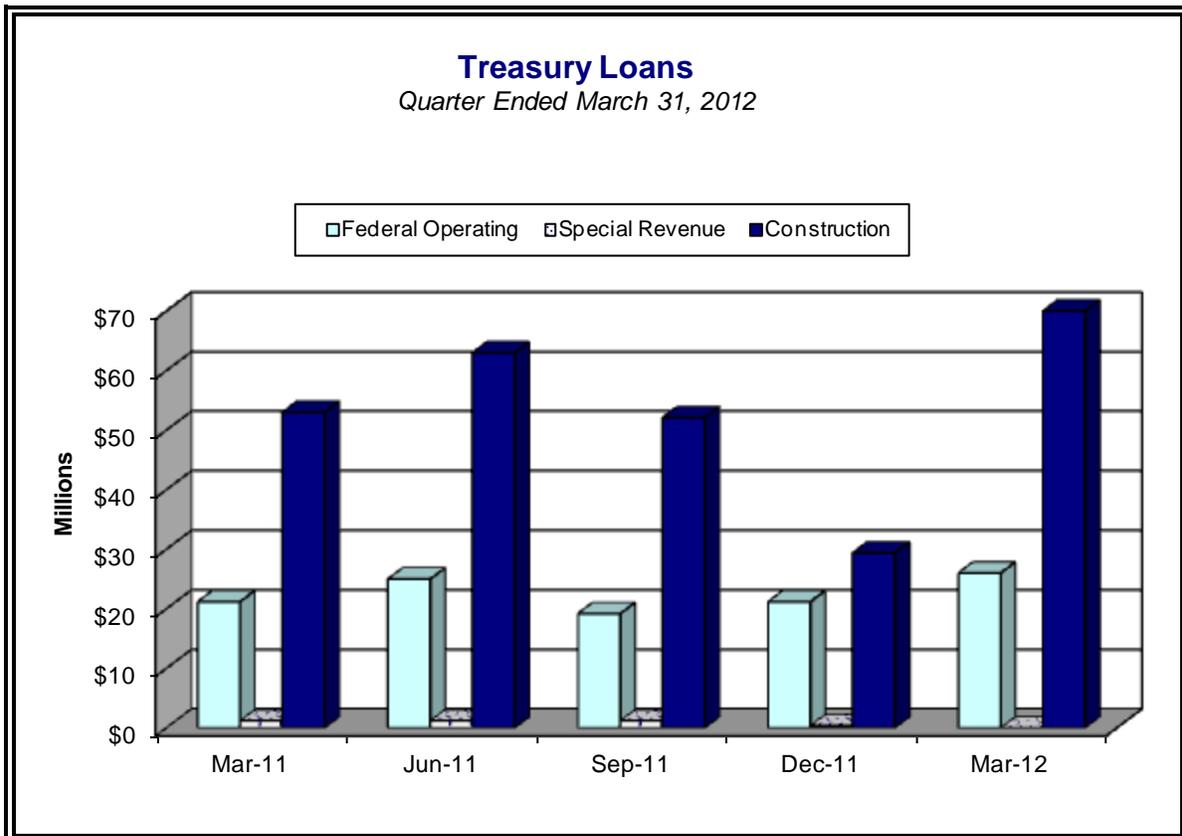


Loans and Advances

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, 2012 was \$96 million.



Significant New Loans / Drawdowns	New Balance
Department of Military Affairs (DMA) Drawdown on a \$23 million loan used to pay expenditures incurred in anticipation of reimbursement from the National Guard Bureau.	\$ 4,000,000.00
Virginia Community College System (VCCS) Drawdown on an \$8 million loan used to pay expenditures incurred in anticipation of reimbursement from an approved federally funded grant.	\$ 4,000,000.00
Virginia College Building Authority (VCBA) Drawdown on a \$60 million loan used to reimburse institutions of higher education for expenditures made on authorized capital projects under the 21st Century program.	\$ 40,504,634.00
Virginia Information Technologies Agency (VITA) Drawdown on a \$30 million working capital advance for the Enterprise Applications Division, for expenditures from anticipated revenues from enhanced collections, cost recoveries, inter-agency collaborative projects and other sources of initiatives.	\$ 5,328,533.00

Significant Loan Repayments	Prior Balance
Department of Military Affairs (DMA) Repayment on a \$23 million loan used to pay expenditures incurred in anticipation of reimbursement from the National Guard Bureau.	\$ 4,000,000.00

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. There were no deficit loans/appropriations as of March 31, 2012.
- **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, 2012 was \$27 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, 2012 was \$80.5 million.



