REPORT ON
STATEWIDE FINANCIAL MANAGEMENT AND COMPLIANCE

FOR THE QUARTER ENDED SEPTEMBER 30, 2012

OFFICE OF THE COMPTROLLER

DEPARTMENT OF ACCOUNTS

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Quarter Ended September 30, 2012

STATEMENT OF PURPOSE

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

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

This *Quarterly Report* includes information for the quarter ended September 30, 2012, and comparative FY 2012 data. Some information in the report is for the quarter ended June 30, 2012, which is the most current data available.

David A. Von Moll, CPA, CGFM
Comptroller

DOA
Virginia Department of Accounts
Financial Accountability. Reporting Excellence.

COMPLIANCE

Auditor of Public Accounts Reports - Executive Branch Agencies

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

Each agency must provide a written response that includes a Corrective Action Workplan (CAW) to the Department of Planning and Budget, the Department of Accounts, and the agency's Cabinet Secretary when its audit report contains one or more audit findings. Workplans must be submitted within 30 days of receiving the audit report. Commonwealth Accounting Policies and Procedures (CAPP) manual, Topic 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 September 30, 2012

The APA issued 11 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				
None				
Agriculture and Forestry				
Department of Agriculture and Consumer Services (1)	1	0	1	YES
Agricultural Council	0	0	0	N/A
Department of Forestry	0	0	0	N/A

	New Findings	Repeat Findings	Total Findings	CAW Received
Commerce and Trade				
Virginia Racing Commission	1	1	2	YES
Education				
The College of William and Mary in Virginia (2)	2	0	2	YES
Richard Bland College	1	0	1	YES
Virginia Institute of Marine Sciences	0	0	0	N/A
University of Mary Washington	1	0	1	YES
Virginia Community College System (3) (4)	1	0	1	YES
Blue Ridge Community College	0	0	0	N/A
Central Virginia Community College	0	0	0	N/A
Dabney S. Lancaster Community College	4	0	4	YES
Danville Community College	0	0	0	N/A
Eastern Shore Community College	0	0	0	N/A
Germanna Community College	0	0	0	N/A
J. Sargeant Reynolds Community College	0	0	0	N/A
John Tyler Community College	0	0	0	N/A
Lord Fairfax Community College	0	0	0	N/A
Mountain Empire Community College	2	0	2	YES
New River Community College	6	0	6	YES
Northern Virginia Community College	3	1	4	YES
Patrick Henry Community College	0	0	0	N/A
Paul D. Camp Community College	0	0	0	N/A
Piedmont Virginia Community College	0	0	0	N/A
Rappahannock Community College	0	0	0	N/A
Southside Virginia Community College	0	0	0	N/A
Southwest Virginia Community College	4	0	4	YES
Thomas Nelson Community College	0	0	0	N/A
Tidewater Community College	2	0	2	YES
Virginia Highlands Community College	1	0	1	YES
Virginia Western Community College	3	0	3	YES
Wytheville Community College	4	0	4	YES
Executive Offices				
None				
Finance				
None				
Health and Human Resources				
Virginia Foundation for Healthy Youth	0	0	0	N/A
Natural Resources				
Department of Conservation and Recreation (5)	0	0	0	N/A
Department of Game and Inland Fisheries	1	3	4	YES
Public Safety				
Department of Forensic Science	0	0	0	N/A
Technology				
Virginia Information Technologies Agency	1	0	1	YES
Transportation				
None				

	New Findings	Repeat Findings	Total Findings	CAW Received
Veterans Affairs and Homeland Security				
None				

(1) One report covering the Department of Agriculture and Consumer Services and the Virginia Agricultural Council.

(2) One report covering The College of William and Mary in Virginia, Richard Bland College, and the Virginia Institute of Marine Sciences.

(3) One report covering 23 Community Colleges and the Virginia Community College System (VCCS) Central Office.

(4) *The APA issued one internal control finding applicable to the VCCS Central Office and seven Colleges. The Central Office has taken responsibility for responding on behalf of all the applicable Colleges.*

(5) This audit includes the Virginia Land Conservation Foundation and the Chippokes Plantation Farm Foundation for the years ended June 30, 2010 and June 30, 2011.

Audit Findings - Quarter Ended September 30, 2012

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

Agriculture and Forestry

Department of Agriculture and Consumer Services (VDACS)

1. <u>Improve Oracle Database Security</u>. VDACS does not use the concept of least privilege when limiting access to Oracle audit logs and to certain Oracle system files.

   The Center for Internet Security (CIS) Oracle best practices recommends limiting access to audit logs and certain system files. Additionally, the Commonwealth's information security standard, SEC501-06, also requires agencies to "grant IT system users' access to IT systems and data based on the principle of least privilege."

   Since the APA's recommendation included descriptions of security mechanisms, they have communicated the details of this weakness to VDACS's management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the *Code of Virginia*.

   The APA recommends that VDACS dedicate the necessary resources to implement the appropriate CIS best practice internal controls and to comply with the Commonwealth's information security standard. These controls will improve the overall security posture of the database and better protect the sensitive data it contains.

Commerce and Trade

Virginia Racing Commission (VRC)

1. <u>Use Supported Database Software</u>. **This is a repeat finding.** VRC continues to use an unsupported version of the Oracle database system software for its central licensing, veterinary records management, and financial management applications. Industry best practices require that the information system software that supports agencies' essential business functions should be a version that the vendor currently supports and maintains. The impact of not having currently supported systems software places VRC's information systems at risk for data breach and exposure, loss of availability, and loss of data integrity.

   Although VRC is using the current unsupported database software, VRC does have manual processes for use in case of an application failure. The location of the database at the Commonwealth Enterprise Solutions Center does mitigate the risk of loss of this sensitive information, since the Commonwealth Information Technology Infrastructure Partnership (Partnership) houses the servers and provides logical access control to the network and monitors server activity.

   The APA recognizes, however, that VRC is currently testing a new and supported Oracle database software release. VRC anticipates full implementation of the new database software by December 31, 2012. Therefore, the APA recommends that VRC continue to dedicate the necessary resources to ensure a timely implementation.

2. Verify and Test Application and Database Backups. VRC does not perform periodic tests to verify that its application and database backups are complete and reliable. While the Partnership has responsibility for backing up VRC's data, it is VRC's responsibility to conduct joint exercises with the Partnership to ensure that its applications and databases restore successfully.

   The APA recommends that VRC designate an employee to receive and review the daily backup log from the Partnership to ensure successful completion. Further, the APA recommends that VRC schedule periodic joint tests with the Partnership that can verify successful restoration of its applications and databases.

Education

The College of William and Mary in Virginia (The College)

1. Improve Controls in the Property Control Office. The last inventory the College's Property Control Office (PCO) conducted was during fiscal year 2010; however, PCO did not complete a reconciliation of the results of that inventory to compare the Banner capital asset system with the general ledger system and make the appropriate corrections to the capital asset inventory. PCO has not conducted a follow-up inventory or as the College's Fixed Asset Procedures Manual requires "conduct a perpetual inventory, rotating departments to ensure all departments are reviewed over the course of each two-year period." Also required by the manual is the timely reconciliation of the results of the physical inventory with the accounting records.

   The APA recommends that the PCO complete a capital asset physical inventory, as required, and make all necessary corrections to the accounting system. As the College moves forward, the PCO must make the inventory of capital assets a priority and ensure the prompt reconciliation of the results and posting of corrections to the accounting system.

2. Improve Banner User Access Review. The College did not perform detailed user access reviews for the Banner system at least annually. The APA's limited review of Banner access identified individuals with access indicating inadequate separation of duties.

   The College established Banner access when they began using the system in 2004 and, although there was a detailed review of access in 2010, it is important to periodically perform a thorough review of users' classes and screens. User access accounts should be reviewed for separation of duties and least access privilege issues. As the College reviews user access, they should identify unnecessary screens and forms and delete them from the users' accounts.

   The APA recommends that the College perform a detailed comprehensive review of their user's classes and the screens in those classes to ensure they meet business needs, and eliminate access that creates inadequate separation of duties. The College should ensure that access review policies require managers to receive access reports with the information they need for evaluating an individuals' access. The College might also consider tying access to specific Employee Work Profiles. This will help ensure users have appropriate access to perform their job duties and provide the information system officer some ability to evaluate the appropriateness of access requests made by managers. These recommendations should enhance access administration and make sure the College follows best practices for access management.

Richard Bland College (RBC)

1. Improve Banner User Access Review. RBC did not perform detailed user access reviews for the Banner system at least annually. The APA's limited review of Banner access identified individuals with access indicating inadequate separation of duties.

   The College established Banner access when they began using the system in 2004 and, although there was a detailed review of access in 2010, it is important to periodically perform a thorough review of users' classes and screens. User access accounts should be reviewed for separation of duties and least access privilege issues. As RBC reviews user access, they should identify unnecessary screens and forms and delete them from the users' accounts.

   The APA recommends that RBC perform a detailed comprehensive review of their user's classes and the screens in those classes to ensure they meet business needs, and eliminate access that creates inadequate separation of duties. RBC should ensure that access review policies require managers to receive access reports with the information they need for evaluating an individuals' access. RBC might also consider tying access to specific Employee Work Profiles. This will help ensure users have appropriate access to perform their job duties and provide the information system officer some ability to evaluate the appropriateness of access requests made by managers. These recommendations should enhance access administration and make sure RBC follows best practices for access management.

University of Mary Washington (UMW)

1. Re-examine Relationships with the Foundation. UMW should re-examine its relationships with the University of Mary Washington Foundation (Foundation) and how UMW reports and discloses these transactions and relationships in the financial statements. UMW has multiple agreements with the Foundation to build, operate, maintain, manage, and lease parking, storage space, student housing, and office space.

   Some of these agreements commit UMW to provide the Foundation with certain financial assistance when the Foundation does not reach an appropriate level of funding. The initial approval of the contract did not anticipate needing to meet these requirements. While the current financial statements properly disclose this relationship as it exists today, the relationships and extent of University involvement continues to evolve over time. UMW should re-examine each of these agreements and consider appropriate disclosure in its financial statements arising from this evolutionary relationship.

Virginia Community College System (VCCS) Central Office

1. Improve Monitoring Controls Over High Risk Transactions. VCCS designed its application controls within the PeopleSoft Accounting Information System to potentially permit improper separation of duties within the general accounting and accounts payable processes. While VCCS designed roles within the application in order to accommodate both large and small business offices at each College, there are some inherent risks involved in doing this. The APA's review of application role assignments across all of the Colleges tested found multiple instances where users could perform the following high risk activities.

    - Change the vendor table and create and process accounts payable transactions, which allows for payments.
    - Enter and release general ledger entries.
    - Enter and release accounts payable entries.

    These permission combinations within the accounting system are inherently risky as they permit processes which the same users should not perform. The APA understands that many of the Colleges with minimal staff in their business office need to have these access roles for backup and contingency planning purposes in the event of an emergency or absence of key personnel. However, the Colleges should have a means of monitoring these transactions when they do occur since they carry a higher amount of risk.

    Modern accounting systems rely on programmed internal controls and not manual processes. While manual processes may create the illusion of having proper internal control and separation of duties, the responsibilities and duties as they exist in the system are what the individual can really do regardless of whether a person signs or reviews a piece of paper.

    While each College outlines how individuals manually separate their performance within processes in their policies and procedures manuals, there is an absence of a monitoring activity combined with the lack of preventive system controls discussed above. The APA believe this situation creates undue risk that managers and others could override manual policies and authorize improper transactions within the system without detection.

    The APA's additional substantive tests did not discover any inappropriate or unreasonable accounts payable or general ledger transactions. However, the System office should develop and disseminate a monitoring report to each College on a periodic basis that would identify instances where individuals have overridden these policies and procedures so management can take action to ensure that those high risk transactions are appropriate.

Dabney S. Lancaster Community College (DSLCC)

1. Improve Notification of Direct Loan Awards to Students. The Financial Aid Office is not properly notifying students of Federal Direct Loan Awards. The Financial Aid Office communicates loan awards verbally to students when they speak with a financial aid staff member instead of the required written notification to students which provide important details on the rights, options, and requirements of the student loan.

Code of Federal Regulations, Title 34 CFR 668.165(a)(2), requires institutions to properly notify students receiving direct loans, in writing, of the date and amount of the disbursement, the student's right to cancel all or a portion of a loan or loan disbursement, and the procedure and time by which the student must notify the institution that he or she wishes to cancel the loan. Failure to properly notify students in accordance with Federal Regulations may result in fines, withholding of Title IV funds, or suspension or termination of participation in Title IV programs.

2. Reconcile Financial Aid Activity to Federal Systems. DSLCC is not reconciling their accounting records with the Direct Loan Servicing System (DLSS) or their Pell financial records with the Common Origination and Disbursement (COD) system.

   In accordance with 34 CFR 685.301(e) and 34 CFR 685.201(b), colleges must report all loan disbursements and submit required records to the Direct Loan Servicing System via the COD within 30 days of disbursement. Each month, the COD provides the college with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and Loan Detail records. The Financial Aid Office should reconcile its financial records with those of the Federal Government monthly to help ensure the accuracy and completeness of both sets of records.

3. Appropriately Report Federal Pell Grant Disbursements. DSLCC must report Federal Pell Grant disbursements to COD within 30 days of disbursement but no more than seven days before disbursement in accordance with 76 FR 32961.

   In 5 of 35 (14 percent) students tested at DSLCC, the Financial Aid office did not record disbursements using the COD system for Pell awards within the required timeframe by reporting the disbursements up to six months before actual disbursement. The Financial Aid Office should report disbursements to COD within the required timeframes.

4. Properly Calculate and Return Title IV Funds. The Student Financial Aid office did not properly calculate Return of Title IV funds for students who officially or unofficially withdrew from courses and no-longer qualified for Federal Financial Aid.

   For 3 of 10 students (30 percent) tested, the APA found that DSLCC returned the total amount of aid to be returned instead of the amount required to be returned by school as by federal regulation. This caused an overpayment to the Department of Education and erroneous billings to students for returned amounts of $1,347.

   Failure to properly calculate and return Title IV funds may jeopardize continued participation in Title IV programs.

Mountain Empire Community College (MECC)

1. Improve Monitoring Controls Over High Risk Transactions. VCCS designed its application controls within the PeopleSoft Accounting Information System to potentially permit improper separation of duties within the general accounting and accounts payable processes. While VCCS designed roles within the application in order to accommodate both large and small business offices at each College, there are some inherent risks involved in doing this.

The APA's review of application role assignments across all of the Colleges tested found multiple instances where users could perform the following high risk activities.

- Change the vendor table and create and process accounts payable transactions, which allows for payments.
- Enter and release general ledger entries.
- Enter and release accounts payable entries.

These permission combinations within the accounting system are inherently risky as they permit processes which the same users should not perform. The APA understands that many of the Colleges with minimal staff in their business office need to have these access roles for backup and contingency planning purposes in the event of an emergency or absence of key personnel. However, the Colleges should have a means of monitoring these transactions when they do occur since they carry a higher amount of risk.

Modern accounting systems rely on programmed internal controls and not manual processes. While manual processes may create the illusion of having proper internal control and separation of duties, the responsibilities and duties as they exist in the system are what the individual can really do regardless of whether a person signs or reviews a piece of paper.

While each College outlines how individuals manually separate their performance within processes in their policies and procedures manuals, there is an absence of a monitoring activity combined with the lack of preventive system controls discussed above. The APA believes this situation creates undue risk that managers and others could override manual policies and authorize improper transactions within the system without detection.

The APA's additional substantive tests did not discover any inappropriate or unreasonable accounts payable or general ledger transactions. However, the System office should develop and disseminate a monitoring report to each College on a periodic basis that would identify instances where individuals have overridden these policies and procedures so management can take action to ensure that those high risk transactions are appropriate.

2. Perform Fixed Asset Physical Inventories. MECC did not perform a complete physical inventory of capital assets within the two year period established within its fixed asset accounting policy. While the APA recognizes that MECC's fixed asset employee left employment while in the process of conducting the bi-annual inventory, MECC did not finish the inventory until after the completion of the APA's fieldwork.

   Periodic inventories are a key control that helps to ensure the accuracy and integrity of capital asset records and mitigates the risk of stolen or lost College property. MECC should follow their established policies and carry out the periodic inventory in a manner that allows a 100 percent inventory of all controllable assets within a two year period to address this risk.

New River Community College (NRCC)

1. Improve Monitoring Controls Over High Risk Transactions. VCCS designed its application controls within the PeopleSoft Accounting Information System to potentially permit improper separation of duties within the general accounting and accounts payable processes. While VCCS designed roles within the application in order to accommodate both large and

small business offices at each College, there are some inherent risks involved in doing this. The APA's review of application role assignments across all of the Colleges tested found multiple instances where users could perform the following high risk activities.

- Change the vendor table and create and process accounts payable transactions, which allows for payments.
- Enter and release general ledger entries.
- Enter and release accounts payable entries.

These permission combinations within the accounting system are inherently risky as they permit processes which the same users should not perform. The APA understands that many of the Colleges with minimal staff in their business office need to have these access roles for backup and contingency planning purposes in the event of an emergency or absence of key personnel. However, the Colleges should have a means of monitoring these transactions when they do occur since they carry a higher amount of risk.

Modern accounting systems rely on programmed internal controls and not manual processes. While manual processes may create the illusion of having proper internal control and separation of duties, the responsibilities and duties as they exist in the system are what the individual can really do regardless of whether a person signs or reviews a piece of paper.

While each College outlines how individuals manually separate their performance within processes in their policies and procedures manuals, there is an absence of a monitoring activity combined with the lack of preventive system controls discussed above. The APA believes this situation creates undue risk that managers and others could override manual policies and authorize improper transactions within the system without detection.

The APA's additional substantive tests did not discover any inappropriate or unreasonable accounts payable or general ledger transactions. However, the System office should develop and disseminate a monitoring report to each College on a periodic basis that would identify instances where individuals have overridden these policies and procedures so management can take action to ensure that those high risk transactions are appropriate.

2. Perform Fixed Asset Physical Inventories. NRCC did not perform a complete capital asset inventory within the required two year period. While staff did an inventory of some equipment, they did not perform a full inventory of all controllable assets. NRCC also did not properly identify or correct reconciling items during the partial inventory.

   Periodic inventories are a key control that helps to ensure the accuracy and integrity of capital asset records and mitigates the risk of stolen or lost College property. The College should follow their established policies and carry out the periodic inventory in a manner that allows a 100 percent inventory of all controllable assets within a two year period to address this risk.

3. Improve Payroll and Leave Controls. NRCC could not provide work study timesheets for fiscal year 2011. Colleges must verify that an appropriate party has properly completed and authorized all source documents such as timecards, timesheets, or any other authorization to pay or adjust an employee's pay, and those documents are accurate and recorded in the

payroll system. Additionally, the Colleges must maintain evidence of any changes so that it is accessible for current or future reviews. Not having the appropriate evidence of student work-study work times increases the risk that the College may have to repay the Federal Government all of amounts paid. NRCC should revise its records retention procedures to ensure payroll source documents are properly maintained and accessible for a reasonable period of time.

Additionally, NRCC could not provide policies, procedures, or supporting evidence for their leave liability accrual. While the APA was able to materially substantiate the College's leave liability through alternative analytical procedures, NRCC should develop, implement, and adhere to consistent procedures for calculating leave liability each year.

4. Improve Notification of Direct Loan Awards to Students. The Financial Aid Office is not properly notifying students of Federal Direct Loan Awards. The Financial Aid Office communicates loan awards verbally to students when they speak with a financial aid staff member instead of the required written notification to students which provide important details on the rights, options, and requirements of the student loan.

   Code of Federal Regulations, Title 34 CFR 668.165(a)(2), requires institutions to properly notify students receiving direct loans, in writing, of the date and amount of the disbursement, the student's right to cancel all or a portion of a loan or loan disbursement, and the procedure and time by which the student must notify the institution that he or she wishes to cancel the loan. Failure to properly notify students in accordance with Federal Regulations may result in fines, withholding of Title IV funds, or suspension or termination of participation in Title IV programs.

5. Reconcile Financial Aid Activity to Federal Systems. NRCC is not reconciling their accounting records with DLSS or their Pell financial records with the COD system.

   In accordance with 34 CFR 685.301(e) and 34 CFR 685.201(b), colleges must report all loan disbursements and submit required records to the DLSS via the COD within 30 days of disbursement. Each month, the COD provides the college with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and Loan Detail records. The Financial Aid Office should reconcile its financial records with those of the Federal Government monthly to help ensure the accuracy and completeness of both sets of records.

6. Properly Calculate and Return Title IV Funds. Student Financial Aid offices at the college did not properly calculate Return of Title IV funds for students who officially or unofficially withdrew from courses and no-longer qualified for Federal Financial Aid.

   NRCC inaccurately calculated return of Title IV funds for students that withdrew in fall 2010 and spring 2011. The APA found errors in 26 out of 31 student accounts tested resulting in the College incorrectly returning $2,830 in Title IV funds to the U. S. Department of Education. In spring 2011, NRCC incorrectly reduced the original award amounts prior to completing the return to Title IV calculation resulting in the total grants and loans awarded, for the purposes of the calculation, to be understated. The Code of Federal Regulations 668.22 (e) (ii) requires the College to calculate the percentage earned by the student on the total of the Title IV grants and loans awarded. In fall 2010, NRCC used an inaccurate number of days in the semester for the purpose of determining the proportion of unearned financial aid.

Failure to properly calculate and return Title IV funds may jeopardize continued participation in Title IV programs.

Northern Virginia Community College (NVCC)

1. Improve Monitoring Controls Over High Risk Transactions. VCCS designed its application controls within the PeopleSoft Accounting Information System to potentially permit improper separation of duties within the general accounting and accounts payable processes. While VCCS designed roles within the application in order to accommodate both large and small business offices at each College, there are some inherent risks involved in doing this. The APA's review of application role assignments across all of the Colleges tested found multiple instances where users could perform the following high risk activities.

    - Change the vendor table and create and process accounts payable transactions, which allows for payments.
    - Enter and release general ledger entries.
    - Enter and release accounts payable entries.

    These permission combinations within the accounting system are inherently risky as they permit processes which the same users should not perform. The APA understands that many of the Colleges with minimal staff in their business office need to have these access roles for backup and contingency planning purposes in the event of an emergency or absence of key personnel. However, the Colleges should have a means of monitoring these transactions when they do occur since they carry a higher amount of risk.

    Modern accounting systems rely on programmed internal controls and not manual processes. While manual processes may create the illusion of having proper internal control and separation of duties, the responsibilities and duties as they exist in the system are what the individual can really do regardless of whether a person signs or reviews a piece of paper.

    While each College outlines how individuals manually separate their performance within processes in their policies and procedures manuals, there is an absence of a monitoring activity combined with the lack of preventive system controls discussed above. The APA believes this situation creates undue risk that managers and others could override manual policies and authorize improper transactions within the system without detection.

2. Deactivate Separated Employees' Finance Application Access Timely. The APA's review of all active AIS and SIS PeopleSoft users found 15 terminated employees with active access to NVCC's Student Information System. It is a generally accepted best practice for timely removal of all application access upon employee termination to enhance the security of sensitive and mission critical data and processes.

    Management needs to change the current College procedures for removing access to the network, operating systems, and applications to include the timely removal of all system access. The APA recommends that NVCC develop, implement, and enforce adequate procedures to ensure deleting all system access in a timely manner upon employee termination.

3. Deactivate Separated Employees' Procurement Application (eVA) Access Timely. The APA found that the College personnel were not following employee separation procedures for the removal of information system access to various applications. NVCC did not remove access to eVA for 19 of 27 terminated employees within a reasonable time after separation.

   The Department of General Services' (General Services) eVA Electronic Procurement System Security Standards section 3.1.5 requires the deactivation of all system privileges within 24 hours after an employee's termination. Compliance with these standards is necessary to prevent misuse and possible fraud. eVA is a web application that anyone can access by computer; therefore, deactivating eVA user IDs promptly is necessary to keep former employees from accessing the system after their termination.

4. Strengthen Controls over Purchase Card Program. **This is a repeat finding.** NVCC continues to have inadequate control over its purchase card program. Individual cardholders for NVCC that are responsible for maintaining relevant documentation supporting charge card purchases were unable to provide complete purchase logs, reconciliations, or supporting receipts.

   NVCC should enforce their established policies and procedures for use of small purchase charge cards. Management may employ procedures to enhance the enforcement of the policies and procedures through monitoring processes, increased training, increasing the pre-approval process for purchase card transactions, or any combination of the three. When management identifies cardholders who are not following the College's policies and procedures, they should take appropriate action in order to mitigate the risk of fraud, waste and abuse by cardholders.

Southwest Virginia Community College (SWVCC)

1. Improve Monitoring Controls Over High Risk Transactions. VCCS designed its application controls within the PeopleSoft Accounting Information System to potentially permit improper separation of duties within the general accounting and accounts payable processes. While VCCS designed roles within the application in order to accommodate both large and small business offices at each College, there are some inherent risks involved in doing this. The APA's review of application role assignments across all of the Colleges tested found multiple instances where users could perform the following high risk activities.

   - Change the vendor table and create and process accounts payable transactions, which allows for payments.
   - Enter and release general ledger entries.
   - Enter and release accounts payable entries.

   These permission combinations within the accounting system are inherently risky as they permit processes which the same users should not perform. The APA understands that many of the Colleges with minimal staff in their business office need to have these access roles for backup and contingency planning purposes in the event of an emergency or absence of key personnel. However, the Colleges should have a means of monitoring these transactions when they do occur since they carry a higher amount of risk.

Modern accounting systems rely on programmed internal controls and not manual processes. While manual processes may create the illusion of having proper internal control and separation of duties, the responsibilities and duties as they exist in the system are what the individual can really do regardless of whether a person signs or reviews a piece of paper.

While each College outlines how individuals manually separate their performance within processes in their policies and procedures manuals, there is an absence of a monitoring activity combined with the lack of preventive system controls discussed above. The APA believes this situation creates undue risk that managers and others could override manual policies and authorize improper transactions within the system without detection.

The APA's additional substantive tests did not discover any inappropriate or unreasonable accounts payable or general ledger transactions. However, the System office should develop and disseminate a monitoring report to each College on a periodic basis that would identify instances where individuals have overridden these policies and procedures so management can take action to ensure that those high risk transactions are appropriate.

2. Appropriately Report Federal Pell Grant Disbursements. SWVCC must report Federal Pell Grant disbursements to COD within 30 days of disbursement but no more than seven days before disbursement in accordance with 76 FR 32961.

   In 16 of 35 (46 percent) students tested at SWVCC, the Financial Aid office did not record disbursements using the COD system for Pell awards within the required timeframe by reporting the disbursements up to six months before actual disbursement. The Financial Aid Office should report disbursements to COD within the required timeframes.

3. Properly Calculate and Return Title IV Funds. Student Financial Aid offices at the college did not properly calculate Return of Title IV funds for students who officially or unofficially withdrew from courses and no-longer qualified for Federal Financial Aid.

   SWVCC returned incorrect Title IV funds for 19 of 20 students tested (95 percent). The College used an inaccurate number of days in the semester for the purpose of determining the proportion of unearned financial aid. This caused overpayments of $871 and underpayments of $7,664 to the Department of Education.

   Failure to properly calculate and return Title IV funds may jeopardize continued participation in Title IV programs.

4. Improve Student Financial Aid Control Environment. The APA found that the SWVCC lacks adequate contingency planning and documented procedures sufficient to ensure continued control over Student Financial Aid processes in the event that key personnel cannot perform their duties. The APA found that management of the college has not fully trained or cross-trained their staff on various financial aid processes.

SWVCC has only one trained employee to perform critical financial aid duties including the management of Title IV refunds, federal reporting and reconciliations, and eligibility determinations. The lack of cross training other individuals or documenting procedures performed by this individual sufficient to ensure continuity during their absence creates substantial risk over controls in the Financial Aid process.

The APA recommends that the college devote the resources necessary to ensure continuity in operations in the Financial Aid office in the event of an absence of their respective managers. Proper contingency planning would include cross-training financial aid staff to perform multiple duties and adequately documenting procedures that reflects the operations of the office.

Tidewater Community College (TCC)

1. Improve Monitoring Controls Over High Risk Transactions. VCCS designed its application controls within the PeopleSoft Accounting Information System to potentially permit improper separation of duties within the general accounting and accounts payable processes. While VCCS designed roles within the application in order to accommodate both large and small business offices at each College, there are some inherent risks involved in doing this. The APA's review of application role assignments across all of the Colleges tested found multiple instances where users could perform the following high risk activities.

    - Change the vendor table and create and process accounts payable transactions, which allows for payments.
    - Enter and release general ledger entries.
    - Enter and release accounts payable entries.

    These permission combinations within the accounting system are inherently risky as they permit processes which the same users should not perform. The APA understands that many of the Colleges with minimal staff in their business office need to have these access roles for backup and contingency planning purposes in the event of an emergency or absence of key personnel. However, the Colleges should have a means of monitoring these transactions when they do occur since they carry a higher amount of risk.

    Modern accounting systems rely on programmed internal controls and not manual processes. While manual processes may create the illusion of having proper internal control and separation of duties, the responsibilities and duties as they exist in the system are what the individual can really do regardless of whether a person signs or reviews a piece of paper.

    While each College outlines how individuals manually separate their performance within processes in their policies and procedures manuals, there is an absence of a monitoring activity combined with the lack of preventive system controls discussed above. The APA believes this situation creates undue risk that managers and others could override manual policies and authorize improper transactions within the system without detection.

    The APA's additional substantive tests did not discover any inappropriate or unreasonable accounts payable or general ledger transactions. However, the System office should develop and disseminate a monitoring report to each College on a periodic basis that would identify instances where individuals have overridden these policies and procedures so management can take action to ensure that those high risk transactions are appropriate.

2. Deactivate Separated Employees' Procurement Application (eVA) Access Timely. The APA found that the College personnel were not following employee separation procedures for the removal of information system access to various applications. The APA found that the TCC did not remove access to eVA for 5 of 8 terminated employees within a reasonable time after separation.

   General Services' eVA Electronic Procurement System Security Standards section 3.1.5 requires the deactivation of all system privileges within 24 hours after an employee's termination. Compliance with these standards is necessary to prevent misuse and possible fraud. eVA is a web application that anyone can access by computer, therefore; deactivating eVA user IDs promptly is necessary to keep former employees from accessing the system after their termination.

Virginia Highlands Community College (VHCC)

1. Improve Monitoring Controls Over High Risk Transactions. VCCS designed its application controls within the PeopleSoft Accounting Information System to potentially permit improper separation of duties within the general accounting and accounts payable processes. While VCCS designed roles within the application in order to accommodate both large and small business offices at each College, there are some inherent risks involved in doing this. The APA's review of application role assignments across all of the Colleges tested found multiple instances where users could perform the following high risk activities.

   - Change the vendor table and create and process accounts payable transactions, which allows for payments.
   - Enter and release general ledger entries.
   - Enter and release accounts payable entries.

   These permission combinations within the accounting system are inherently risky as they permit processes which the same users should not perform. The APA understands that many of the Colleges with minimal staff in their business office need to have these access roles for backup and contingency planning purposes in the event of an emergency or absence of key personnel. However, the Colleges should have a means of monitoring these transactions when they do occur since they carry a higher amount of risk.

   Modern accounting systems rely on programmed internal controls and not manual processes. While manual processes may create the illusion of having proper internal control and separation of duties, the responsibilities and duties as they exist in the system are what the individual can really do regardless of whether a person signs or reviews a piece of paper.

   While each College outlines how individuals manually separate their performance within processes in their policies and procedures manuals, there is an absence of a monitoring activity combined with the lack of preventive system controls discussed above. The APA believes this situation creates undue risk that managers and others could override manual policies and authorize improper transactions within the system without detection.

The APA's additional substantive tests did not discover any inappropriate or unreasonable accounts payable or general ledger transactions. However, the System office should develop and disseminate a monitoring report to each College on a periodic basis that would identify instances where individuals have overridden these policies and procedures so management can take action to ensure that those high risk transactions are appropriate.

Virginia Western Community College (VWCC)

1. <u>Reconcile Financial Aid Activity to Federal Systems</u>. VWCC is not reconciling their accounting records with the DLSS or their Pell financial records with the COD system.

   In accordance with 34 CFR 685.301(e) and 34 CFR 685.201(b), colleges must report all loan disbursements and submit required records to the DLSS via the COD within 30 days of disbursement. Each month, the COD provides the college with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and Loan Detail records. The Financial Aid Office should reconcile its financial records with those of the Federal Government monthly to help ensure the accuracy and completeness of both sets of records.

2. <u>Properly Calculate and Return Title IV Funds</u>. The Student Financial Aid office at the college did not properly calculate Return of Title IV funds for students who officially or unofficially withdrew from courses and no-longer qualified for Federal Financial Aid.

   The APA found that VWCC returned incorrect amounts for 3 of 12 students tested (25 percent). This caused overpayments and underpayments to the Department of Education and erroneous billings to students for returned amounts. For two students, the college overpaid $340.32 and erroneously billed those students for the returned aid, and for one student, the college returned $373.20 less than it should have to the Department of Education.

   Failure to properly calculate and return Title IV funds may jeopardize continued participation in Title IV programs.

3. <u>Improve Student Financial Aid Control Environment</u>. The APA found that VWCC lacks adequate contingency planning and documented procedures sufficient to ensure continued control over Student Financial Aid processes in the event that key personnel cannot perform their duties. The APA found that management of the college has not fully trained or cross-trained their staff on various financial aid processes.

   Over the past few years, VWCC has had significant turnover of key Financial Aid staff. As a result, management has not resolved prior control recommendations, has not created clearly defined roles and tasks for staff, and has not provided adequate training on federal compliance requirements. The impact of incomplete management oversight caused delays in processing student aid transactions and noncompliance with federal requirements.

   The APA recommends that the college devote the resources necessary to ensure continuity in operations in the Financial Aid office in the event of an absence of their respective managers. Proper contingency planning would include cross-training financial aid staff to perform multiple duties and adequately documenting procedures that reflects the operations of the office.

Wytheville Community College (WCC)

1. Improve Monitoring Controls Over High Risk Transactions. VCCS designed its application controls within the PeopleSoft Accounting Information System to potentially permit improper separation of duties within the general accounting and accounts payable processes. While VCCS designed roles within the application in order to accommodate both large and small business offices at each College, there are some inherent risks involved in doing this. The APA's review of application role assignments across all of the Colleges tested found multiple instances where users could perform the following high risk activities.

    - Change the vendor table and create and process accounts payable transactions, which allows for payments.
    - Enter and release general ledger entries.
    - Enter and release accounts payable entries.

    These permission combinations within the accounting system are inherently risky as they permit processes which the same users should not perform. The APA understands that many of the Colleges with minimal staff in their business office need to have these access roles for backup and contingency planning purposes in the event of an emergency or absence of key personnel. However, the Colleges should have a means of monitoring these transactions when they do occur since they carry a higher amount of risk.

    Modern accounting systems rely on programmed internal controls and not manual processes. While manual processes may create the illusion of having proper internal control and separation of duties, the responsibilities and duties as they exist in the system are what the individual can really do regardless of whether a person signs or reviews a piece of paper.

    While each College outlines how individuals manually separate their performance within processes in their policies and procedures manuals, there is an absence of a monitoring activity combined with the lack of preventive system controls discussed above. The APA believes this situation creates undue risk that managers and others could override manual policies and authorize improper transactions within the system without detection.

    The APA's additional substantive tests did not discover any inappropriate or unreasonable accounts payable or general ledger transactions. However, the System office should develop and disseminate a monitoring report to each College on a periodic basis that would identify instances where individuals have overridden these policies and procedures so management can take action to ensure that those high risk transactions are appropriate.

2. Update the Authorized Signatory Card for Local Fund Accounts. A terminated WCC employee had bank signatory authority for more than eleven months after resigning. This signatory authority allowed this individual to act as a representative with the bank on behalf of WCC. Although the APA found no indication of misappropriation of funds, this represents an internal control weakness.

WCC should establish, implement, and document a process to update signature authority immediately upon employee separation. Management should also periodically review the appropriateness of signatory authority as an additional measure to prevent unauthorized access.

3. Deactivate Separated Employees' Procurement Application (eVA) Access Timely. The APA found that the College personnel were not following employee separation procedures for the removal of information system access to various applications. The WCC did not have a process in place to review user access to the eVA application periodically.

   General Services' eVA Electronic Procurement System Security Standards section 3.1.5 requires the deactivation of all system privileges within 24 hours after an employee's termination. Compliance with these standards is necessary to prevent misuse and possible fraud. eVA is a web application that anyone can access by computer, therefore; deactivating eVA user IDs promptly is necessary to keep former employees from accessing the system after their termination.

4. Perform Fixed Asset Physical Inventories. WCC did not complete a capital asset inventory within the required two year period. The APA recognizes that Wytheville also experienced significant turnover during the audit period, however the periodic inventory process is a critical control in ensuring the existence and completeness of equipment.

   Periodic inventories are a key control that helps to ensure the accuracy and integrity of capital asset records and mitigates the risk of stolen or lost College property. The Colleges should follow their established policies and carry out the periodic inventory in a manner that allows a 100 percent inventory of all controllable assets within a two year period to address this risk.

Natural Resources

Department of Game and Inland Fisheries (DGIF)

1. Improve Timeliness and Accuracy of Revenue Recordation and Transfers to Taxation. DGIF did not properly record revenues for boat registration and titling and watercraft sales tax in the Commonwealth Accounting and Reporting System (CARS) and DGIF's Comprehensive Financial Information and Reporting System (CFIRS) at the end of fiscal years 2011 and 2012. In addition, DGIF did not transfer the watercraft sales tax to the Department of Taxation (TAX) timely or completely and has consistently failed to do so for at least the past three fiscal years, resulting in DGIF building a cash balance of $1.6 million in watercraft sales tax as of June 30, 2012.

   Recording Revenue

   DGIF receives boat registration and titling fees and watercraft sales taxes monthly through the mail. DGIF deposits the revenues and records them in a revenue clearing account until month end when they process a transaction to transfer the funds to the correct revenue account. Monthly and at fiscal year-end, and before CARS closes, DGIF should re-distribute the revenues in the clearing account to the proper revenue account. A portion of these funds are watercraft sales tax that DGIF should transfer to TAX each month for the preceding month.

At the end of fiscal year 2011, DGIF did not re-distribute $527,186 in revenues to the appropriate revenue accounts. DGIF attempted to redistribute $456,789 of this revenue in fiscal year 2012; however, they improperly recorded the transactions in the revenue clearing account instead of reducing fund balance. At year end, the Department of Accounts closes all revenues (and expenses) to fund balance in CARS. Therefore, agencies cannot make changes to these revenues and expenses, but can only make adjustments to fund balance. DGIF has also not made the proper allocation of revenue at the end of fiscal year 2012.

Transfers of Collections

DGIF has not transferred all watercraft sales tax received to TAX. For fiscal years 2010, 2011, and 2012, the revenues received have exceeded the revenues transferred by the following amounts, respectively: $503,412, $195,594, and $485,760.

Finding and Recommendations

During fiscal years 2011 and 2012, DGIF experienced significant understaffing in the Finance area due to high turnover of experienced staff and a lack of documented accounting procedures for a number of transaction processing areas. This turnover and lack of documented policies and procedures contributed to the errors noted above.

DGIF should immediately transfer the $1.6 million in watercraft sales tax to TAX. DGIF should review boating revenues recorded in CARS and CFIRS and determine what adjustments they should make to ensure proper reporting of revenues. DGIF should continue to develop policies and procedures for all areas as recommended last year.

2. Improve Internal Controls and Compliance over IT Systems Security Program. **This is a repeat finding.** DGIF has made progress on its information security program since prior year's review. However, there are key components that DGIF must complete to ensure compliance with the Commonwealth's information security standards.

    - *Business Impact Analysis (BIA):* DGIF still does not include the Recovery Point Objective for each function, as required by ITRM Standards. The identification of these is necessary to properly assess risk.

    - *Security Awareness Training Program:* While DGIF has improved its general security awareness training program, DGIF still does not have role-based (with the exception of the Law Enforcement Division) or technical IT security training programs for employees and contractors who design, manage, administer, and operate IT systems and applications. For instance, DGIF needs to provide role-based training to the continuity of operations team that covers additional information security responsibilities incumbent on these positions.

- *Disaster Recovery Plan (DRP):* DGIF does not routinely test and verify recovery plans for its sensitive data. Without a standard process to evaluate the outcomes of its disaster recovery tests, DGIF cannot determine whether it is adequately prepared for potential disruption or disaster. The Commonwealth's information security standard, SEC 501-06, requires agencies to document DRP tests, their outcomes, and any recommendations. This documentation is instrumental for an agency to determine if any changes are necessary to ensure successful and continuous agency operation.

DGIF should complete the remaining items missing in the BIA and ensure that these elements flow through to the other areas of the IT Security Plan. DGIF's management should dedicate the necessary resources to develop and implement a role-based Security Awareness and Training program that gives specialized training to agency resources responsible for key areas of the information security program. Finally, the APA recommends that DGIF routinely test and document their DRP, as well as hold a "post-mortem" that includes the results of the test and any recommendations to improve its contingency plans.

3. <u>Perform CARS Reconciliations Timely</u>. **This is a repeat finding.** DGIF did not perform any reconciliations during fiscal year 2011. However, once requested, DGIF correctly completed reconciliations for the entire fiscal year 2011 by the end of the fiscal year 2012, finding no material differences requiring adjustment. Reconciliations compare internal system information with summary information in CARS; therefore, DGIF must ensure accuracy of all of its financial activity in CARS. These reconciliations are the key to ensuring that information uploaded to CARS is complete by identifying, explaining, and adjusting, as necessary, all material differences between CARS and CFIRS. DGIF must certify monthly and at year-end that CARS data is accurate. DGIF is not identifying, explaining, and adjusting those significant differences between amounts reported in CFIRS and CARS before certifying this information to the Department of Accounts.

   The State Comptroller requires that agencies reconcile CARS information to internal systems and certify monthly and at year-end that all CARS data is correct. DGIF cannot certify that the data is correct until they explain any material differences between systems.

   DGIF should properly perform reconciliations each month, including explaining and adjusting differences as needed, and retain all necessary support to substantiate that they are performing these monthly and year-end reconciliations timely.

4. <u>Improve Internal Controls over System Access</u>. **This is a repeat finding.** DGIF does not maintain documentation of the original approval of system access, which includes the type of access requested. DGIF also does not perform periodic reviews of system access to ensure that access remains appropriate over time as employees come and go and change positions and responsibilities.

   <u>*eVA*</u>

   In eVA, the APA found one employee with access for eight years after their separation from DGIF. However, DGIF has set up controls in eVA to reduce the risk of inappropriate purchases through eVA by terminated employees. Allowing terminated employees or employees with changes in responsibilities to retain their access increases the risk that employees will jeopardize the confidentiality, integrity, and availability of DGIF's critical information. DGIF does not review system access on a regular basis but only at the request of employees' supervisors or upper management.

Agency Information Management System (AIMS) and Comprehensive Financial Information and Reporting System (CFIRS)

DGIF could not provide Network Access forms for 8 of 24 new AIMS users and 3 of 8 new CFIRS users. To obtain access to any DGIF system, DGIF's policies and procedures require a Network Access form. Network Access forms provide approval and delineate the type of access requested.

The Commonwealth Security Standards SEC 501 Section 5.2.2 requires that requests for access to internal and external agency IT systems are documented and kept on file, that agencies remove access promptly when no longer required, that it be based on the employee's need to fulfill their job responsibilities, and that all user accounts and privileges associated with these accounts be reviewed for the continued need to access agency IT systems.

DGIF should review its processes for granting, deleting, and reviewing access to ensure that individuals responsible for granting access keep all documents for these actions on file, and those responsible for deleting access do so promptly after an employee's termination. DGIF should also periodically review all employees' access to any system to ensure that access is appropriate, reflects proper segregation of duty, and considers the employee's need for access to fulfill their job function.

Technology

Virginia Information Technologies Agency (VITA)

1. Review Statewide IT Contracts. VITA maintains some standing contracts with various vendors to provide services to state agencies and institutions. One of VITA's service contracts is a contract for IT staff augmentation. The contract is with a vendor who provides access to IT staff augmentation services from a network of subcontractors. This allows agencies and institutions to employ the subcontractors' staff to provide in-house application development, maintenance and other IT services without hiring staff.

   VITA entered into a two-year contract with the original vendor in November 2005 to provide IT staff augmentation services to the Commonwealth of Virginia. The terms of the contract allowed VITA to extend the contract for three one-year extensions without rebidding the contract. VITA extended the contract in 2007, in 2008, and finally in 2009. The contract expired on November 22, 2010.

   In 2010, VITA was in the process of transitioning the state's IT staff augmentation services from the original vendor to a newly awarded contract with a different vendor. However, within nine months VITA terminated the contract with the new vendor for non-performance.

Because the contract with the original vendor had not yet expired and to cause the least amount of disruption to agency IT projects, VITA began transitioning services back to the original vendor. VITA issued an emergency contract extension until December 31, 2011 to allow for sufficient time to transition staff and rebid the expiring original vendor's contract.

However, in April 2011, VITA determined that it could not complete the transition and rebidding process by December 31, 2011. VITA extended the contract without competitive bidding for another two years, expiring on December 31, 2013 with the option of one one-year renewal thereafter.

The Commonwealth paid approximately $20 million for work performed under this contract in fiscal year 2011. During the first three quarters in fiscal year 2012, the Commonwealth paid an additional $26.5 million. This increase does not indicate that the emergency extension is used to only complete projects already undertaken, as required by the Virginia Public Procurement Act.

As of May 2012, VITA indicates that limited resources may again delay the rebidding process. This may require VITA to invoke the one-year optional extension until December 31, 2014 to allow sufficient time to rebid the contract and transition staff. That extension will take the contract three years past its original emergency extension without competitive rebidding or negotiation.

The APA recommends that VITA allocate the necessary resources to perform timely reviews, solicitations, and negotiations of the Commonwealth's Information Technology contracts per the requirements of the Virginia Public Procurement Act.

Additional Recommendations – Quarter Ended September 30, 2012

No APA reports were received that contained additional recommendations.

Special Reports – Quarter Ended September 30, 2012

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

Report to the Joint Legislative Audit and Review Commission for the quarter April 1, 2012 through June 30, 2012

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

Commonwealth of Virginia Court Operations for the year ended June 30, 2011

Other Audit Reports Received – Quarter Ended September 30, 2012

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

Virginia's Judicial System for the year ended June 30, 2011

Virginia State Lottery Department for the year ended June 30, 2012

The APA recommended that the Lottery update their Risk Assessment and related portions of their Business Impact Analysis (BIA) and Continuity of Operation Plan (COOP). Also, the Lottery should follow through on its plan to upgrade a particular IT infrastructure device in September 2012. Finally, the Lottery should encrypt sensitive data stored on back-up media or establish mitigating controls to improve security of data while in transit to and from off-site storage locations.

Virginia Workers' Compensation Commission Report on Audit for the years ended June 30, 2010 and June 30, 2011

The Virginia Workers' Compensation Commission (Commission) does not have a complete and implemented information security program. However, significant progress has been made since the last audit toward becoming compliant with the Commonwealth's Security Standards, SEC 501. The Commission is anticipating full implementation by April 1, 2013.

Wireless E911 Services Board for the year ended June 30, 2011

The prior finding, Improve Cash Management Practices, has been resolved.

The prior finding, Determine Accuracy of PSAP Data, has been partially resolved. The APA recognizes that significant progress has been made with respect to this item. Complete corrective action is expected during fiscal year 2013.

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

Commonwealth of Virginia Court Operations for the year ended June 30, 2011

State Lottery Department "Decades of Dollars"—Report on Applying Agreed-Upon Procedures for the period February 3, 2011 through March 31, 2012

State Lottery Department "Power Ball"—Report on Applying Agreed-Upon Procedures for the period April 1, 2011 through March 31, 2012

State Lottery Department "Power Play"—Report on Applying Agreed-Upon Procedures for the period April 1, 2011 through March 31, 2012

State Lottery Department "Mega Millions"—Report on Applying Agreed-Upon Procedures for the period April 1, 2011 through March 31, 2012

State Lottery Department "Megaplier"—Report on Applying Agreed-Upon Procedures for the period January 18, 2011 through March 31, 2012

State Lottery Department "Win for Life"—Report on Applying Agreed-Upon Procedures for the period April 1, 2011 through March 31, 2012

Auditor of Public Accounts Reports - Executive Branch Agencies

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
Department of Human Resource Management	1	0	0	0
Agriculture and Forestry				
None				
Commerce and Trade				
Virginia Employment Commission	0	2	0	0
Virginia Racing Commission	0	1	0	0
Education				
Christopher Newport University	2	0	0	0
New College Institute	0	0	1	0
Virginia School for the Deaf and Blind	0	1	0	0
Virginia State University	4	0	0	0
Executive Offices				
None				
Finance				
None				
Health and Human Resources				
Department of Health	0	1	0	0
Department of Medical Assistance Services	0	1	0	0
Department of Rehabilitative Services *1.*	1	0	0	0
Department of Social Services	0	3	0	0
Natural Resources				
Department of Game and Inland Fisheries	0	2	0	1
Public Safety				
Department of Alcoholic Beverage Control	0	2	0	0
Department of Corrections	1	1	0	0
Department of Fire Programs	0	0	1	0
Department of Military Affairs	0	1	0	0
Department of State Police	2	0	1	0

	IN PROGRESS		COMPLETED	
	On Schedule	Delayed	On Schedule	Delayed
Technology				
Wireless E-911 Services Board	0	1	0	0
Transportation				
Department of Motor Vehicles	2	1	0	0
Department of Transportation	1	0	0	0
Virginia Port Authority	0	1	0	0
TOTALS	14	19	3	1

1. *Effective July 1, 2012, the Department of Rehabilitative Services became known as the Department for Aging and Rehabilitative Services.*

Status of Prior Audit Findings

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

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

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
State Board of Elections (SBE)				
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 is delayed because positions were not approved and conflicted with election periods.	In Progress (Delayed)
Department of Human Resource Management (DHRM)				
2011	11-01	Improve Documentation, Cost Tracking, and Accounting for Overhead Allocations and Service Billings	The Time and Leave system is still in development for the entire Commonwealth.	In Progress (On Schedule)
Virginia Employment Commission (VEC)				
2011	11-01	Resolve Employer Wage Discrepancies Timely.	Policies and procedures have been developed and implemented. Finalization pending post-implementation review.	In Progress (Delayed)
	11-03	Perform VATS and VABS System Access Review. **This is a Repeat Finding.**	IT follow-up is being conducted to ensure use by management.	In Progress (Delayed)
Virginia Racing Commission (VRC)				
2011	11-01	Use supported database software.	The agency will take part in a collaborative venture with other states for a universal licensing system. The system should be ready for the start of the 2013 racing season.	In Progress (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
Christopher Newport University (CNU)				
2011	11-01	Strengthen Internal Controls over Capital Outlay	The University has developed a process to ensure the timely completion of the HECO forms in accordance with University Policy.	In Progress (On Schedule)
	11-02	Limit Employee Functions within Banner Finance	The University Comptroller is restructuring all Banner classes to ensure all employee's access is in scope and relevant to each position.	In Progress (On Schedule)
New College Institute (NCI)				
2011	11-01	Segregate Grant Funds by Source	Competed in the 2nd year of a two year APA Audit as noted by the APA in their report.	Completed (On Schedule)
Virginia School for the Deaf and Blind (VSDB)				
2010	10-03	Strengthen Internal Controls Over Capital Asset Useful Life Methodologies	Fixed assets have not yet been re-evaluated to determine if the useful life needs to be extended. The target date has been extended.	In Progress (Delayed)
Virginia State University (VSU)				
2011	11-01	Approve and Implement Information Security Program	BIA: Reports Complete. COOP: Completed and Approved. Back-up and Restore: In Process.	In Progress (On Schedule)
	11-02	Improve Review of Financial Statements	Management is developing a structured process and checklist with increased managerial review and strengthen controls over the financial reporting process.	In Progress (On Schedule)
	11-03	Improve Timely Deletion of Terminated Employees from CIPPS	Personnel in Administration and Human Resources are currently reviewing applicable processes.	In Progress (On Schedule)
	11-04	Improve Process for Setting Small Purchase Charge Card Monthly Limits	The Program Administrator has completed a Spend Analysis from the Prior Year. Recommendations based on that analysis will be issued to each cardholder's supervisor.	In Progress (On Schedule)
Department of Health (DOH)				
2011	10-01	Use system capabilities to ensure proper service delivery.	USDA approval obtained and five months have been added to the development schedule. Pilot district set for August 2013 and the Statewide rollout on January 2014. The final completion date is set for June 2014.	In Progress (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
Department of Medical Assistance Services (DMAS)				
2011	11-05 10-01	Obtain valid social security numbers. **This is a repeat finding.**	DMAS (along with DSS and LDSS) have implemented a process to ensure the integrity and validity of SSNs used between the agencies. It includes internal controls and reporting mechanisms along with regular monitoring. DMAS plans to use a consultant to identify additional enhancements to the process.	In Progress (Delayed)
Department of Rehabilitative Services (DRS) **Effective July 1, 2012 known as Department for Aging and Rehabilitative Services (DARS)**				
2011	11-02	Improve IT System Controls	Several improvements have been made to IT Security. Enhanced awareness training is planned with controlled mandatory compliance.	In Progress (On Schedule)
Department of Social Services (DSS)				
2011	11-01 10-01 09-06	Establish enforcement mechanisms for foster care and adoption payments (Title IV-E). **This is a repeat finding and progress has been made.**	Progress continues to be made. OASIS transmissions and reconciliations are timely. DSS is also reviewing deficient localities regarding OASIS processing and contacting them for correction.	In Progress (Delayed)
2010	10-02	Use system functionalities to improve financial operations.	Final corrective action based on an upcoming ORACLE release due in October 2013.	In Progress (Delayed)
	10-05	Finalize responsibilities for infrastructure security. **This is a repeat finding that requires Partnership action.**	Continued negotiation with VITA over Portable Device Encryption and the CPS/APS Hotline.	In Progress (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
Department of Game and Inland Fisheries (DGIF)				
2010	10-01 09-01	Improve Internal Controls and Compliance of the IT Systems Security Program. **This is a repeat finding.**	The BIA process is almost complete. A DRP testing plan is being developed. A role-based Security Awareness plan is to be procured and implemented.	In Progress (Delayed)
	10-02	Maintain CARS Reconciliation Records.	All reconciliations are now done in a timely manner. Prior reconciliations are on file.	Completed (Delayed)
	10-03	Improve Internal Controls over System Access.	Implementation of consultant recommended employee change procedures is underway.	In Progress (Delayed)
Department of Alcoholic Beverage Control (ABC)				
2011	11-01	Improve User Account Controls.	Additional systems have been migrated to Account Central. System count is now eight 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 (Delayed)
	11-02	Improve remote store server security.	A project is underway to identify risks, involve business owners, mitigate controls to be added, and filing of exceptions with VITA. Expected completion is December 31, 2012.	In Progress (Delayed)
Department of Corrections (DOC)				
2011	11-01	Improve Internal Controls over Procurement of Contractual Services and Contract Administration	End users have reviewed contracts to ensure a Contract Administrator file is in place for each contract. Also, Quick Quotes and unsealed proposal solicitations will be added to the Agency's Contract Review / Approval Transmittal (Checklist) of documents to be submitted directly to Head Quarters. Once the form has been revised all business managers and buyers will be notified of their responsibility regarding the new requirements.	In Progress (On Schedule)

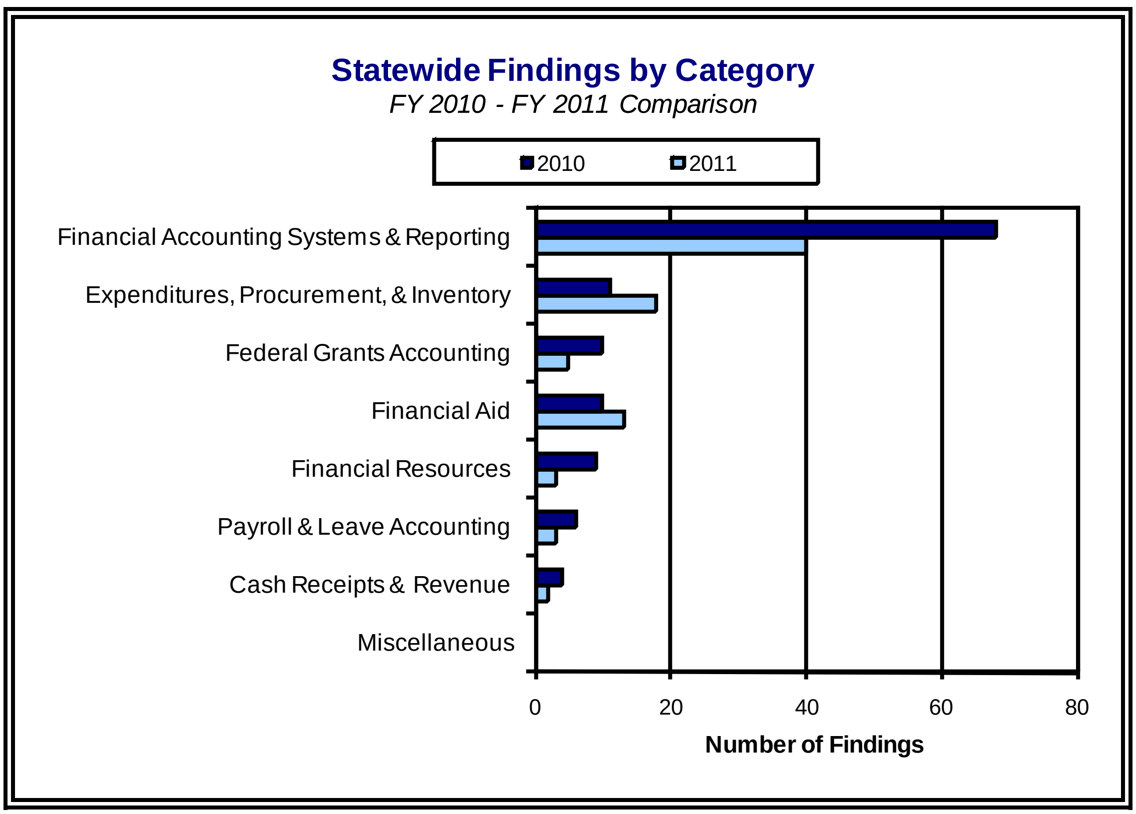
Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
2010	10-03	Improve Controls and Processes Surrounding Fixed Asset Accounting and Control System. **This is a repeat finding.**	A fixed asset inventory is under way. DOC has hired a Capital Asset Specialist to correct and maintain fixed asset accounting at DOC.	In Progress (Delayed)
<u>Department of Fire Programs (DFP)</u>				
2011	11-01	Improve Internal Controls over Bookstore Inventory	12 Step process completed to address inventory issues in the Bookstore. Controls are now functioning.	Completed (On Schedule)
<u>Department of Military Affairs (DMA)</u>				
2010	10-06	Strengthen Recording and Tagging of Equipment.	All Fixed Assets and CIP have been entered into FAACS. An employee has been hired to work on a Statewide inventory. 25% of locations have been completed.	In Progress (Delayed)
<u>Department of State Police (VSP)</u>				
2011	11-01	Upgrade Unreliable and Unsupported Infrastructure Devices	Discussions continue with NG. The Partnership has decided not to replace critical switches until the "Transformation" takes place.	In Progress (On Schedule)
	11-02 09-03	Upgrade database system software. **This is a Repeat Finding.**	Implementation of LEAMS software will replace an additional 7 Mapper Programs.	In Progress (On Schedule)
	11-03	Improve Financial System Access Management	The finding has been addressed including segregating financial responsibilities, establishing compensating controls, and enforcing the principle of least privilege for all Information Technology Employees.	Completed (On Schedule)
<u>Wireless E-911 Services Board</u>				
2011	11-01 10-02 09-03	Determine Accuracy of PSAP Data. **This is a repeat finding.**	About one-half of the funds owed to the Board by the PSAPS have been collected so far. When all funds are collected they will be redistributed using the validation study formula approved by the Board.	In Progress (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
Department of Motor Vehicles (DMV)				
2011	11-01 10-01	Enhance information system security program. **This is a Repeat Finding** • Information Security Program • Security Awareness Training • Disaster Recovery and Contingency Planning	The DMV is reviewing and revising information security policies. Security awareness training is complete for employees and is underway for Contractors. This will be an annual event and includes monitoring for compliance. The DMV is hiring a Contractor to complete the IT portion of the COOP and Disaster Recovery plans. A draft of the Non-IT COOP has been written.	In Progress (Delayed)
	11-02	Improve Database Security	The DMV is working with NG to address database security issues.	In Progress (On Schedule)
	11-04	Improve Controls Over Small Purchase Charge Cards (SPCC)	The DMV has addressed several training, policy, and procedural issues to address issues cited by the APA. Significant progress has been made; however, a few procedural corrections remain including hiring a dedicated SPCC manager, writing some procedures, and increased internal auditing of SPCC operations.	In Progress (On Schedule)
Virginia Department of Transportation (VDOT)				
2011	11-01	Improve Microsoft SQL Server Security	Migration to SQL Server 2008 is not yet complete. SQL Server 2005 and 2008 instances have been reconfigured to provide appropriate alerts. SQL Server Security Configuration under review.	In Progress (On Schedule)
Virginia Port Authority (VPA)				
2011	11-01 10-01	Improve IT Security Program	Some security policies are still being developed and implemented.	In Progress (Delayed)

Annual Summary of APA Audit Findings

As of September 30, 2012, the Auditor of Public Accounts had issued 51 audit reports for 114 Executive Branch agencies for the fiscal year ending 2011. Of these reports, 28 reflected no internal control weaknesses or compliance findings. The remaining 23 audit reports, covering 76 agencies contained 84 audit findings that cited internal control weaknesses and instances of noncompliance. For the fiscal year ending 2010, 35 of 56 reports contained findings and 118 total findings were reported.

Category	New Findings	Repeat Findings	Total Findings
Financial Accounting Systems & Reporting	30	10	40
Expenditures, Procurement, & Inventory	16	2	18
Federal Grants Accounting	3	2	5
Financial Aid	13	-	13
Financial Resources	2	1	3
Payroll & Leave Accounting	2	1	3
Cash Receipts & Revenue	2	-	2
Miscellaneous	-	-	-
Total	**68**	**16**	**84**



Compliance Monitoring

Agency Risk Management and Internal Control Standards (ARMICS) Compliance

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

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

Non-compliance with ARMICS can take two forms:

1. Incomplete or late submission of the annual certification statement (without an extension authorized by DOA).

2. Substantial non-compliance with the processes required for the successful implementation of ARMICS based on a Quality Assurance Review (QAR) performed by the DOA.

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

As of September 30, 2012, the following agencies were not in compliance with ARMICS:

Agency Name	**Reason for Non-Compliance**
Department of Business Assistance	Late submission of annual certification indicating substantial non-compliance of the ARMICS process
Department of General Services	Late submission of annual certification

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 July and August were due 8/31/2012 and 9/30/2012, respectively.

Certifications Late or Outstanding

As of October 31, 2012

Agency	Jul	Aug
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 September 30, 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 September, 2012, the following agencies failed to respond timely, make corrective action and/or provide additional information.

Trial Balance Review

As of September 30, 2012

Agency	Jul	Aug
None		

Analysis of Appropriation, Allotments and Expenditures, and Cash Balances

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

DOA contacts agencies in writing about credit cash balances and appropriations versus expenditure anomalies. For the quarter ended September 30, 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 September 30, 2012

Agency	July	August	September
Paul D. Camp Community College	-	X	X

Disbursement Processing

During the quarter ended September 30, 2012, DOA deleted, at the submitting agency's request, 26 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.

Ten separate agencies requested deletes during the quarter. For the quarter ended September 30, 2012, no agency requested more than four vendor payment deletions.

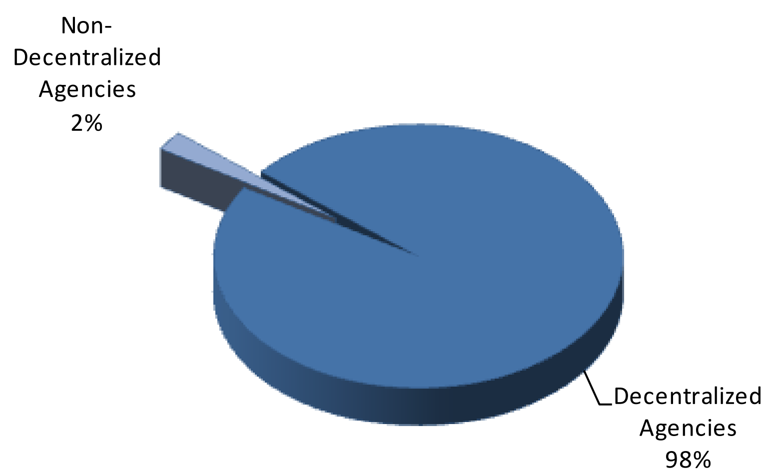
Paperwork Decentralization

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.

Vouchers Processed

Quarter Ended September 30, 2012



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. One review was completed for a decentralized agency during this quarter.

Compliant Agencies
State Lottery Department

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 829 non-travel disbursement batches and 370 travel disbursement batches were reviewed, disclosing seven exceptions that were resolved prior to releasing the transactions for payment.

Prompt Payment Compliance

The *Code of Virginia* requires that State agencies and institutions pay for goods and services by the required payment due date. The reporting required by the *Code of Virginia* §2.2-4356 is being met by the information presented here. This section details the number and dollar amounts of late payments by secretarial area, institutions and agencies, and the total amount of interest paid. Agencies and institutions that process 50 or more vendor payments during a quarter are reported as not meeting Prompt Pay requirements if fewer than 95 percent of their payments are processed by the required due date.

Statewide Prompt Payment Performance Statistics

	Quarter Ended September 30, 2012		Fiscal Year 2013 To-Date		Comparative Quarter Ended September 30, 2011	
	Late	Total	Late	Total	Late	Total
Number of Payments	4,678	553,079	4,678	553,079	**4,793**	**595,033**
Dollars (in thousands)	$ 27,867	$1,692,300	$27,867	$1,692,300	**$ 37,669**	**1,718,359**
Interest Paid on Late Payments				$2,047		
Current Quarter Percentage of Payments in Compliance				99.2%		
Fiscal Year-to-Date Percentage of Payments in Compliance				99.2%		
Comparative Fiscal Year 2012 Percentage of Payments in Compliance				**99.2%**		

Prompt Payment Performance by Secretarial Area

Quarter Ended September 30, 2012

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.6%	99.4%
Agriculture and Forestry	99.7%	96.7%
Commerce and Trade	99.4%	99.5%
Education*	99.1%	98.5%
Executive Offices	99.9%	99.9%
Finance	99.6%	96.9%
Health and Human Resources	99.2%	99.4%
Independent Agencies	99.4%	99.6%
Judicial	99.9%	99.9%
Legislative	99.5%	99.9%
Natural Resources	99.4%	97.8%
Public Safety	99.5%	98.8%
Technology	99.2%	99.2%
Transportation*	98.6%	95.8%
Veterans Affairs and Homeland Security	99.4%	99.5%
Statewide	**99.2%**	**98.4%**

Prompt Payment Performance by Secretarial Area

Fiscal Year 2013

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.6%	99.4%
Agriculture and Forestry	99.7%	96.7%
Commerce and Trade	99.4%	99.5%
Education *	99.1%	98.5%
Executive Offices	99.9%	99.9%
Finance	99.6%	96.9%
Health and Human Resources	99.2%	99.4%
Independent Agencies	99.4%	99.6%
Judicial	99.9%	99.9%
Legislative	99.5%	99.9%
Natural Resources	99.4%	97.8%
Public Safety	99.5%	98.8%
Technology	99.2%	99.2%
Transportation*	98.6%	95.8%
Veterans Affairs and Homeland Security	99.4%	99.5%
Statewide	**99.2%**	**98.4%**

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

For the quarter ended September 30, 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 September 30, 2012

Agency	Late Payments	Total Payments	Payments in Compliance
Administration			
State Board of Elections	13	147	91.2%
Education			
Gunston Hall	4	54	92.6%
Health and Human Resources			
Commonwealth Center for Children and Adolescents	10	133	92.5%
Independent Agencies			
Virginia Office for Protection and Advocacy	9	146	93.8%

For FY 2013, 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 2013

Agency	Late Payments	Total Payments	Payments in Compliance

All agencies met the 95 percent performance standard.

E-Commerce

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

EDI, Direct Deposit, SPCC and Payline Opt-Out are best practices that demonstrate effective financial management, particularly during difficult economic times. They increase efficiency in processing and eliminate wasteful use of time, paper, printing, and postage for both large and small vendor payments, payroll, and employee travel reimbursement.

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

Statewide E-Commerce Performance Statistics

	Quarter Ended September 30, 2012			Comparative Quarter Ended September 30, 2011
	E-Commerce	Total	Percent	Percent
Number of Payments	2,314,543	2,692,646	86.0%	85.6%
Payment Amounts	$ 9,334,518,982	$ 10,467,301,030	89.2%	87.9%

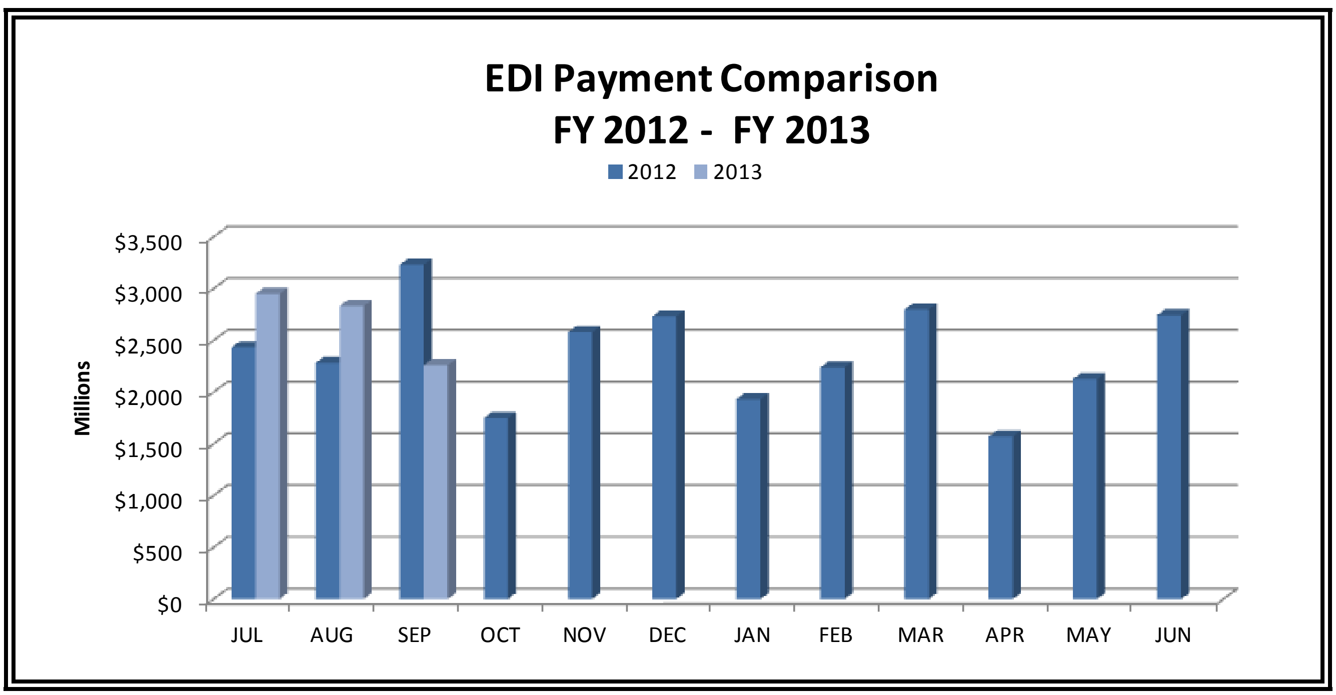
	Fiscal Year 2013 To-Date			Comparative Fiscal Year 2011
	E-Commerce	Total	Percent	Percent
Number of Payments	2,314,543	2,692,646	86.0%	85.6%
Payment Amounts	$ 9,334,518,982	$ 10,467,301,030	89.2%	87.9%

Financial Electronic Data Interchange (EDI)

The dollar volume of Financial EDI payments for the first quarter of FY 2013 was $97 million (1.2 percent) more than the same quarter last year. The number of trading partner accounts increased by 6.7 percent from June 2012. 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 September 30, 2012	Fiscal Year 2013 To-Date	Comparative Fiscal Year 2012 To-Date
Number of Payments	58,811	58,811	58,314
Amount of Payments	$ 8,047,601,289	$ 8,047,601,289	$ 7,950,201,143
Number of Invoices Paid	206,556	206,556	214,666
Estimated Number of Checks Avoided	181,381	181,381	88,393
Number of Trading Partner Accounts as of 9/30/12		62,354	58,430



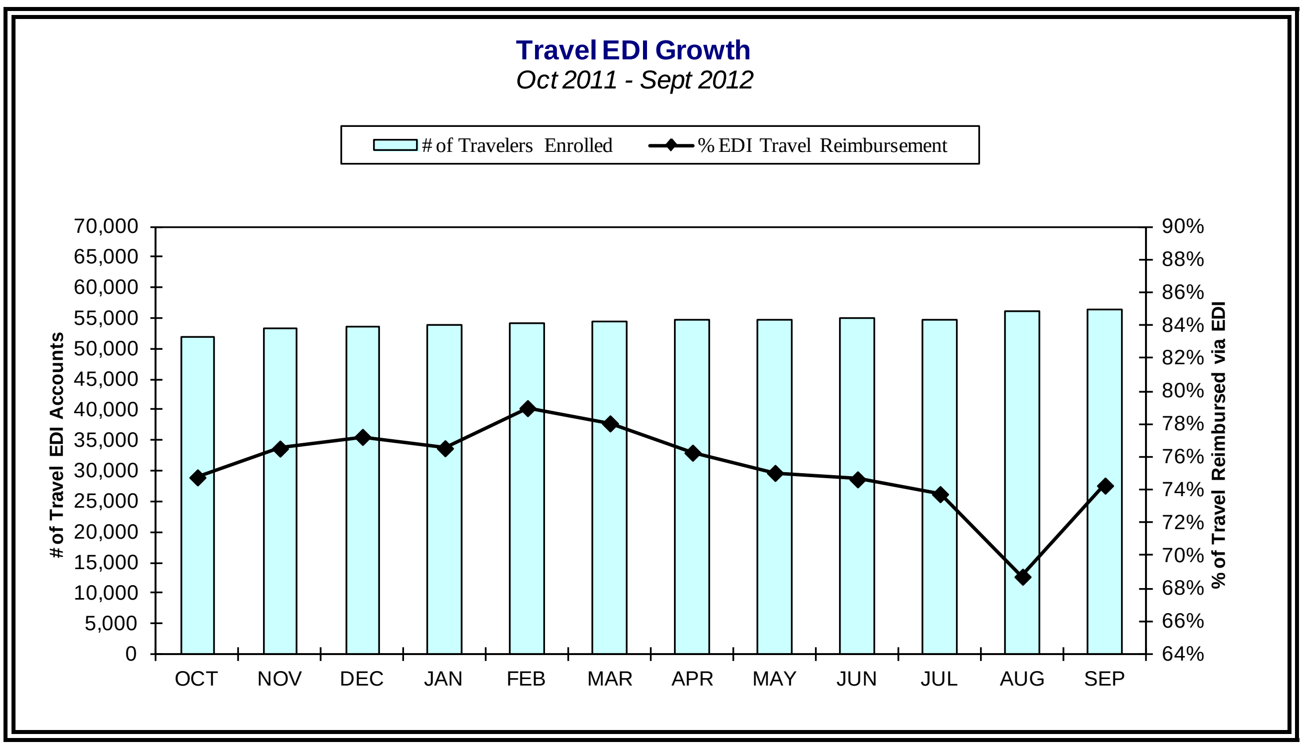
Travel EDI

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 2013, the fee is $5 per travel reimbursement check.

Agencies are highly encouraged to sign up board and commission members and other non-employees that receive travel reimbursements on a recurring basis.



The following table lists by secretarial area the percentage of travel reimbursements that were made via EDI versus the number of checks that were written for travel reimbursements during the quarter. *The statistics are shown for employees and non-employees.* These statistics do not necessarily show non-compliance with the Appropriation Act requirements.

Travel Reimbursement
Travel EDI Performance by Secretarial Area

Quarter Ended September 30, 2012

Secretarial Area	Employee Percent	Non-Employee Percent	Reimbursement Checks Issued
Administration	91.6%	45.0%	24
Agriculture and Forestry	96.2%	3.5%	108
Commerce and Trade	94.3%	72.0%	141
Education (1)	83.6%	25.9%	1,225
Executive Offices	96.9%	0.0%	5
Finance	94.4%	0.0%	29
Health and Human Resources	93.4%	36.2%	731
Independent Agencies	93.2%	32.4%	114
Judicial	32.3%	8.3%	3,330
Legislative	88.9%	33.9%	97
Natural Resources	91.5%	58.3%	124
Public Safety	81.7%	7.7%	1,118
Technology	94.2%	11.1%	16
Transportation (1)	58.8%	6.9%	1,053
Veterans Affairs & Homeland Security	76.7%	55.1%	59
Statewide for Quarter	**77.7%**	**25.1%**	**8,174**
Fiscal Year 2013 To-Date			
Statewide	**77.7%**	**25.1%**	**8,174**
Comparative Fiscal Year 2012 To-Date			
Statewide	**78.9%**	**24.1%**	**7,926**

(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.

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Agency Employee EDI Performance
Utilization Below 85 Percent

Agency	Percent	Reimbursement Checks Issued
Education		
Virginia State University	80.3%	47
Christopher Newport University	72.8%	40
Lord Fairfax Comminty College	63.5%	31
Southside Virginia Community College	61.8%	42
Norfolk State University	41.4%	92
Health and Human Resources		
Department of Behaviorial Health and Developmental Services	84.2%	32
Department for Aging and Rehabilitative Services	83.5%	55
Independent Agencies		
State Lottery Department	81.8%	35
Judicial		
Court of Appeals	40.8%	29
Supreme Court	25.5%	622
General District Courts	16.4%	429
Juvenile and Domestic Relations District Courts	14.5%	438
Combined District Courts	7.2%	270
Circuit Courts	4.7%	715
Natural Resources		
Department of Conservation and Recreation	71.4%	60
Public Safety		
Division of Institutions	83.9%	31
Division of Community Corrections	80.3%	36
Department of Emergency Management	62.0%	84
Division of Military Affairs	27.2%	227
Wallens Ridge State Prison	65.3%	33
Transportation		
Department of Transportation	44.3%	967

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	4.0%	73
Education		
Longwood University	0.0%	72
Tidewater Community College	0.0%	39
Health and Human Resources		
Department of Health	7.3%	152
Judicial		
Circuit Courts	8.0%	370
Virginia State Bar	0.9%	233
Public Safety		
Department of Criminal Justice Services	1.0%	101
Department of Forensic Science	0.0%	176
Legislative		
Commission of VASAP	7.89%	35

The following table lists agencies that have accumulated more than $100 in employee EDI check charges for the fiscal year and have a utilization rate below 80 percent. Agencies are charged for each travel reimbursement check issued to an employee after their second check of the fiscal year. For FY 2013, 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

Agency	Percent	Year-to-date Charges
Transportation		
Department of Transportation	44.3%	$145.00
Judicial		
Supreme Court	25.5%	$110.00
General District Courts	16.4%	$975.00
Juvenile and Domestic Relations District Courts	14.5%	$965.00
Combined District Courts	7.2%	$435.00
Circuit Courts	4.7%	$2,405.00
Public Safety		
Department of Emergency Management	62.0%	$205.00

Direct Deposit

During the first quarter of FY 2013, 571,886 checks were avoided using direct deposit. Effective August 1, 2008, direct deposit was mandated for all new hires. Agencies may mandate direct deposit for all eligible employees at their discretion.

Direct Deposit Performance by Secretarial Area

Quarter Ended September 30, 2012

Secretarial Area	Direct Deposit % of Salaried Employees	Direct Deposit % of Wage Employees
Administration	99.9%	100.0%
Agriculture and Forestry	98.9%	95.9%
Commerce and Trade	99.9%	100.0%
Education	99.7%	97.0%
Executive Offices	99.3%	72.0%
Finance	99.7%	99.4%
Health and Human Resources	99.5%	98.8%
Independent Agencies	99.7%	99.1%
Judicial	99.7%	81.1%
Legislative	99.7%	100.0%
Natural Resources	99.4%	96.8%
Public Safety	99.4%	98.4%
Technology	99.6%	100.0%
Transportation	99.9%	99.2%
Veterans Affairs and Homeland Security	99.5%	96.6%
Statewide	**99.6%**	**97.2%**

Comparative *Quarter Ended September 30, 2011*		
Statewide	**99.6%**	**95.2%**

Statewide Salaried Direct Deposit Performance

Quarter Ended September 30, 2012

Salaried Direct Deposit Participation	99.6%

Salaried Direct Deposit Below 98 Percent

Agency	Percent	Number of Employees
Natural Resources		
Department of Historic Resources	97.4%	38
Public Safety		
Sussex One State Prison	96.4%	387

Statewide Wage Direct Deposit Performance

Quarter Ended September 30, 2012

Wage Direct Deposit Participation	97.2%

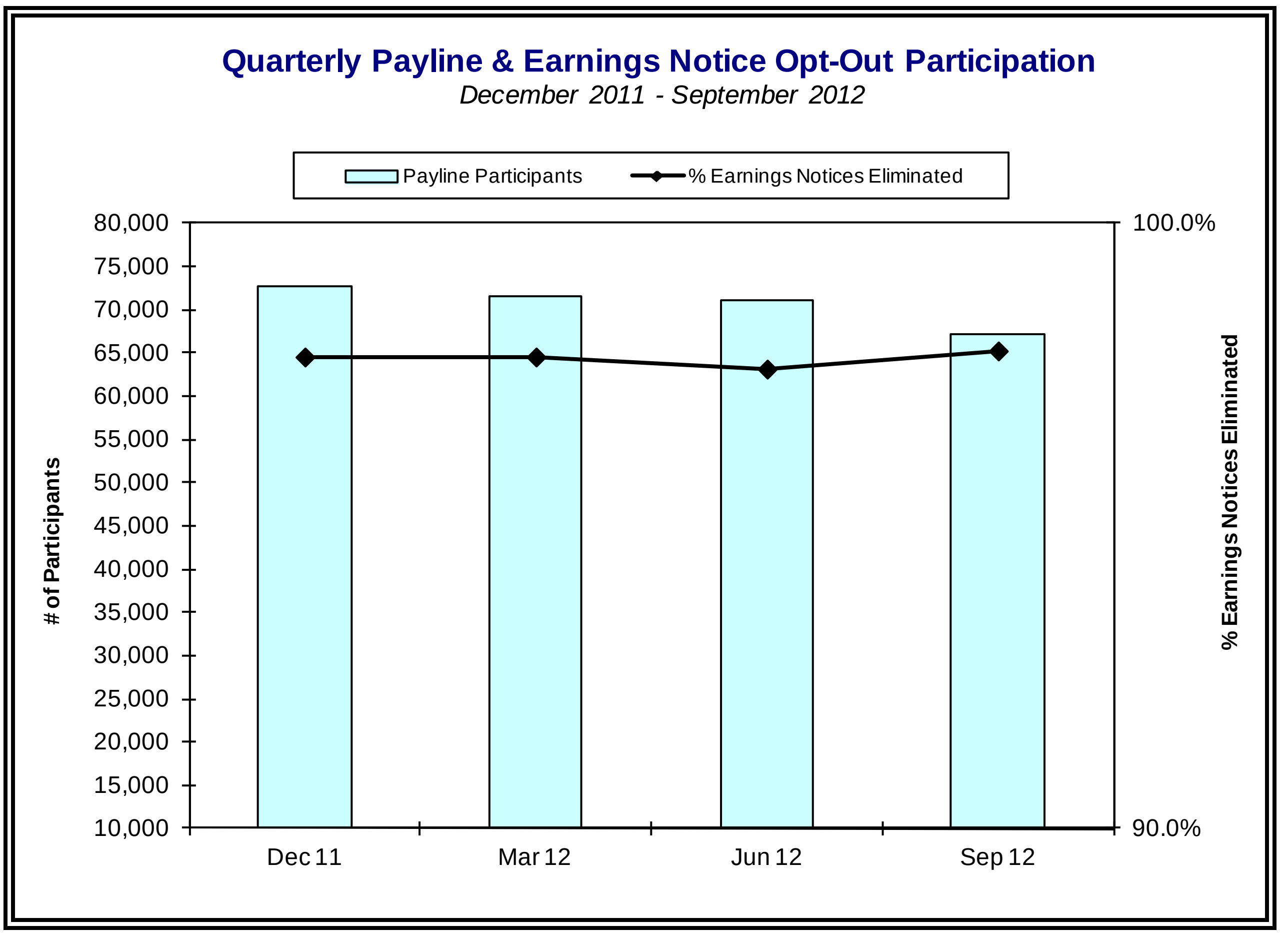
Wage Direct Deposit Below 90 Percent

Agency	Percent	Number of Employees
Education		
Paul D. Camp Community College	88.5%	113
Southwest Virginia Community College	86.5%	237
Virginia Highlands Community College	79.4%	228
Virginia State University	88.2%	424
Health and Human Resources		
Northern Virginia Mental Health Institute	85.0%	20
Judicial		
Combined District Courts	61.5%	13
General District Courts	73.5%	219

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 9,593,937 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 September 30, 2012

Secretarial Area	Percent Payline Participation	Percent Earnings Notices Eliminated*
Administration	95.6%	100.0%
Agriculture and Forestry	81.5%	84.1%
Commerce and Trade	94.2%	100.0%
Education	70.9%	99.7%
Executive Offices	82.8%	96.7%
Finance	96.9%	100.0%
Health and Human Resources	85.8%	98.2%
Independent Agencies	89.7%	100.0%
Judicial	81.3%	94.1%
Legislative	63.7%	75.4%
Natural Resources	74.5%	79.1%
Public Safety	96.0%	100.0%
Technology	92.0%	100.0%
Transportation	66.8%	70.4%
Veterans Affairs and Homeland Security	85.1%	100.0%
Statewide	**82.5%**	**97.9%**
Comparative Quarter Ended September 30, 2011		
Statewide	**84.8%**	**97.2%**

- 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 September 30, 2012, the following agencies have not met their established thresholds for eliminating earnings notice print.

Earnings Notice Elimination

Agency	Percent Earnings Notices Eliminated QE 09/30/2012	Percent Earnings Notices Eliminated QE 06/30/2012
Natural Resources		
Marine Resources Commission	43.4%	43.7%

❖❖❖❖❖

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.

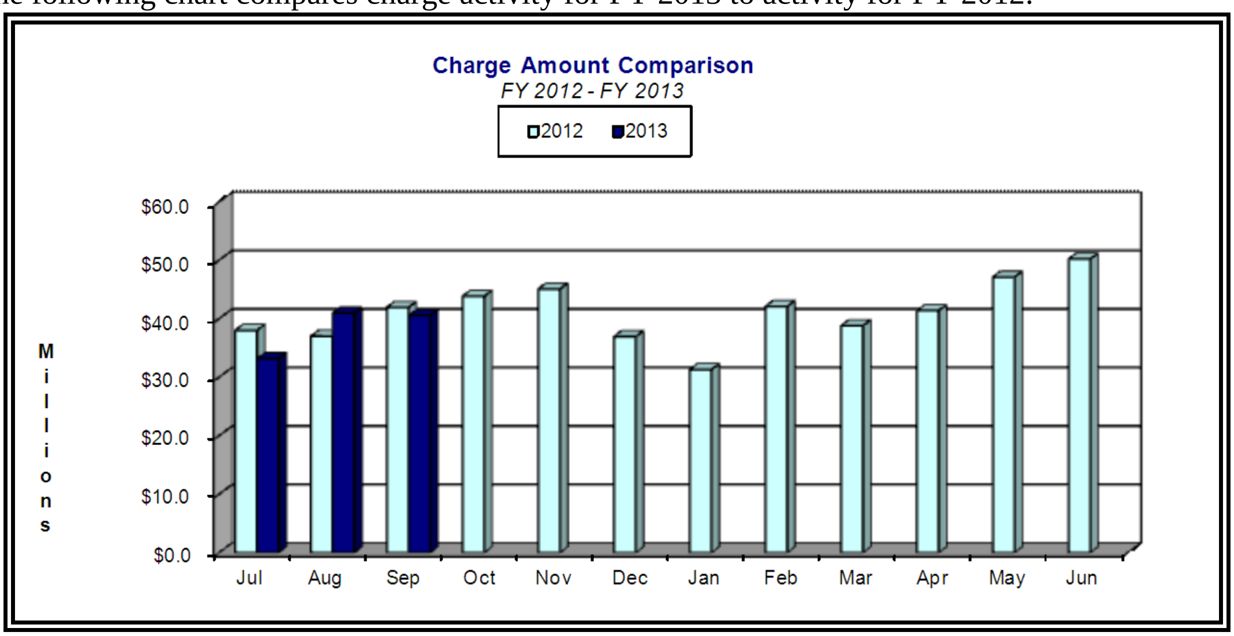
The Department of Accounts has a third charge card tool called ePayables. This program allows payments processed through CARS for vendors enrolled in the ePayables program to convert their payment to a card thus increasing the card program's spend.

The total amount charged on SPCC, Gold and ePayables cards during the first quarter of FY 2013 decreased by $2.2 million or 2 percent from the same quarter last year.

Small Purchase Charge Card Program

Charge Card Activity	Quarter Ended September 30, 2012	Fiscal Year 2013 To-Date	Comparative Fiscal Year 2012 To-Date
Amount of Charges	$ 114,668,525	$ 114,668,525	$ 116,904,024
Estimated Number of Checks Avoided	180,110	180,110	182,024
Total Number of Participating Agencies		206	211
Total Number of Cards Outstanding		18,131	17,978

The following chart compares charge activity for FY 2013 to activity for FY 2012:



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 September 30, 2012

Percentage Utilization for Eligible Transactions	**79%**

SPCC Utilization by Secretarial Area

Quarter Ended September 30, 2012

Secretarial Area	Payments in Compliance (1)	Non-Compliant Transactions (2)
Administration	83%	669
Agriculture and Forestry	93%	229
Commerce and Trade	82%	635
Education*	87%	5,174
Executive Offices	89%	105
Finance	94%	127
Health and Human Resources**	86%	4,693
Independent Agencies	74%	836
Judicial	34%	2,299
Legislative	97%	41
Natural Resources	92%	1,039
Public Safety	93%	2,679
Technology	46%	276
Transportation*	62%	10,910
Veterans Affairs and Homeland Security	78%	532
Statewide	**79%**	**30,244**

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

** Department for Aging and 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
Commerce and Trade		
Virginia Employment Commission	50%	550
Education		
Virginia State University	79%	465
Thomas Nelson Community College	78%	170
Tidewater Community College	77%	490
Eastern Shore Community College	77%	40
Norfolk State University	66%	589
Health and Human Resources		
Department for the Deaf & Hard-of-Hearing	79%	10
Western State Hospital	79%	217
Central Virginia Training Center	69%	330
Northern Virginia Training Center	67%	212
Department of Behavioral Health and Developmental Services	65%	131
Independent Agencies		
Virginia Retirement System	68%	162
State Corporation Commission	11%	528
Judicial		
Supreme Court	63%	232
Judicial Inquiry and Review Commission	58%	5
Board of Bar Examiners	0%	31
Circuit Courts	0%	180
Combined District Courts	0%	209
General District Courts	0%	921
Juvenile and Domestic Relations District Court	0%	436
Magistrate System	0%	122
Virginia Criminal Sentencing Commission	0%	42
Technology		
Virginia Information Technologies Agency	46%	276
Transportation		
Department of Motor Vehicles	69%	888
Department of Transportation	60%	9,984
Veterans Affairs and Homeland Security		
Sitter-Barfoot Veterans Care Center	54%	335

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 7^{th} of each month. Failure to pay the correct amount when due jeopardizes the Commonwealth's contractual relationship with the charge card vendor and may result in suspension of an agency's charge card program. Any agency that pays their bill late by more than two (2) days is reported. For the month of July, this represents the bill date of July 13, 2012, with the payment due no later than August 7th.

Agencies are credited under prompt payment reporting for timely payment of each purchasing charge card transaction. ***Effective July 1, 2007, any late payments on the Airline Travel Card (ATC) will be reflected in this section along with purchase card late payments. If an agency is late paying their ATC bill, agency prompt payment statistics may be adjusted downward to reflect each ATC bill submitted as a late payment.***

The following table lists agencies more than two days late in submitting their payments by each program type.

Agency	Jul	Aug	Sep
Purchase Card Program:			
Commerce and Trade			
Department of Housing and Community Development	X		
Education			
George Mason University		X	X
Independent			
Virginia Office for Protection and Advocacy		X	X
Natural Resources			
Department of Conservation and Recreation		X	
Department of Game and Inland Fisheries		X	
Public Safety			
Mecklenburg Correctional Center	X		
Airline Travel Card Program:			
None			

Travel Charge Card

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

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

The contract provides for the following actions on delinquent accounts:

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

The following table identifies the number of delinquent card accounts with Bank of America by agency during the quarter ended September 30, 2012, and the total amounts past due.

Travel Charge Card Program

As of September 30, 2012

Agency	Total Delinquent Accounts	Amounts 60 Days Past Due	Amounts 90-120 Days Past Due	Amounts >150 Days Past Due
Administration				
State Board of Elections	2	185	711	0
Commerce and Trade				
Department of Housing and Community Development	1	220	50	0
Department of Labor and Industry	2	751	0	0
Virginia Economic Development Partnership	1	451	0	0
Virginia Tourism Authority	1	185	231	332
Education				
University of Virginia	1	622	0	0
Virginia Polytechnic Institute and State University	1	1,712	0	0
Virginia Commonwealth University	6	2,696	0	0
Virginia State University	6	2,878	190	0
James Madison University	3	2,150	383	0
Radford University	1	730	0	0
Old Dominion University	1	199	2,001	0
George Mason University	1	289	0	0
Virginia Community College System - System Office	1	120	0	0
Virginia Western Community College	1	0	148	0
Health and Human Resources				
Department of Health	2	413	0	0
Department for the Blind and Vision Impaired	1	134	0	0
Natural Resources				
Department of Conservation and Recreation	1	702	0	0
Public Safety				
Department of Military Affairs	1	0	0	163
Department of Criminal Justice Services	1	301	250	0
Commonwealth Attorneys' Services Council	1	113	0	0

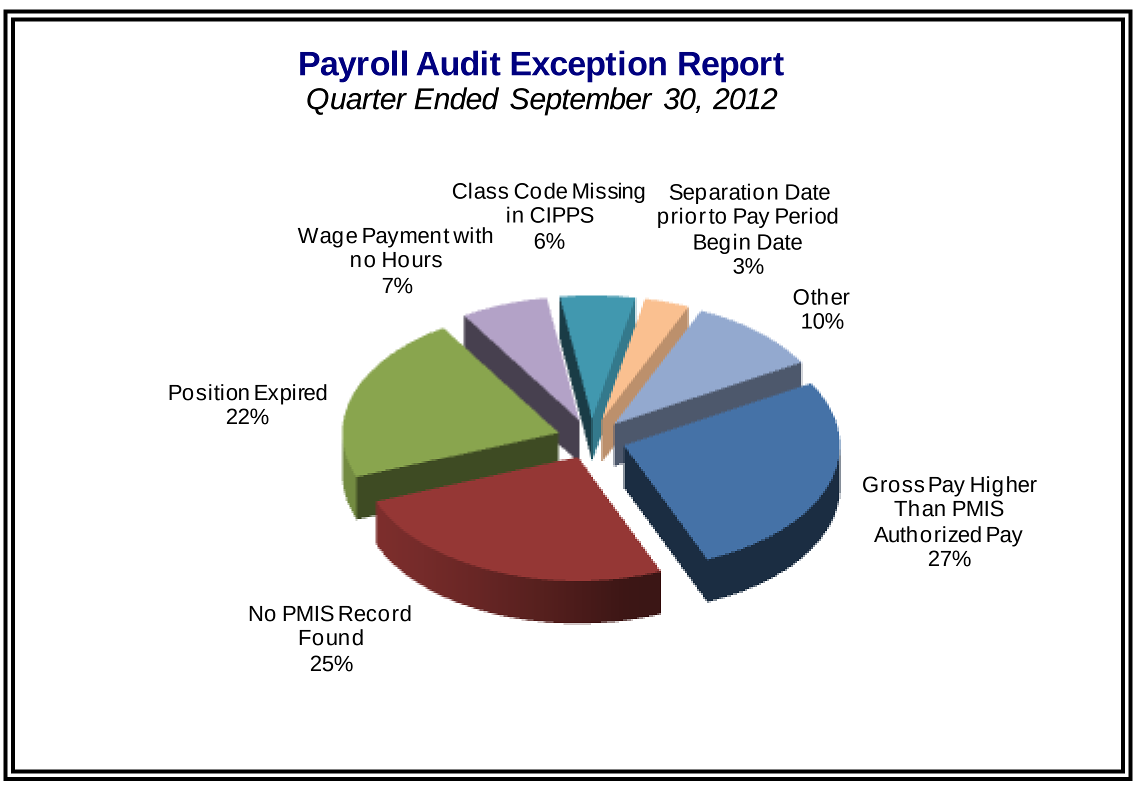
Payroll Controls

CIPPS/PMIS Payroll Audit

During the quarter, DOA's automated comparison of payroll (CIPPS) and personnel (PMIS) records examined 479,123 salaried pay transactions and 103,843 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 4,387 new exceptions noted statewide during the quarter, with an overall exception rate of 0.72%.

The statewide salaried payroll exception rate was 0.69% and the wage payroll exception rate was 0.85%. During this quarter, 17 employee paychecks were reduced to recover $20,576.66 in overpayments.

While the 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 second 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 PMIS authorization is an important internal control over payroll processing. Such exceptions can largely be avoided through timely PMIS data entry by agency Human Resource staff. Although segregation of these Human Resource and Payroll functions is an effective internal control, coordination and communication between agency Human Resource and Payroll staffs is essential.



Exception percentages are calculated by dividing the number of exceptions by the number of salaried or wage employees. Agencies are reported below if the percentage of payroll exceptions to salaried or wage payments exceeds three times the statewide average for the quarter.

Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Salaried Payments
Quarter Ended September 30, 2012

Agency	# of Salaried Exceptions	Exceptions as a % of Salaried Payments
Eastern Shore Community College	9	3.72%
Total Salaried Payroll Exceptions for the Quarter		**0.69%**

The following chart compares payroll exceptions as a percentage of salaried payments by quarter for the past two years.

Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Wage Payments
Quarter Ended September 30, 2012

Wage Payroll Exceptions for the Quarter	0.85%

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.

Agency	Unresolved Exceptions
Education	
Piedmont Virginia Community College	2

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				
Southside Virginia Community College	$ 1,054,652			
John Tyler Community College	452,313			
New River Community College			3	
Health and Human Resources				
Central Virginia Training Center	106,893			
Department of Health	1,081,559			
Judicial				
Juvenile and Domestic Relations Court	44,042			
Public Safety				
Greensville Correctional Center	61,738			
Transportation				
Department of Transportation	168,789			

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 June, July and August were due 07/31/2012, 08/31/2012 and 09/28/2012, respectively.

Schedule of Health Care Reconciliations Received Late

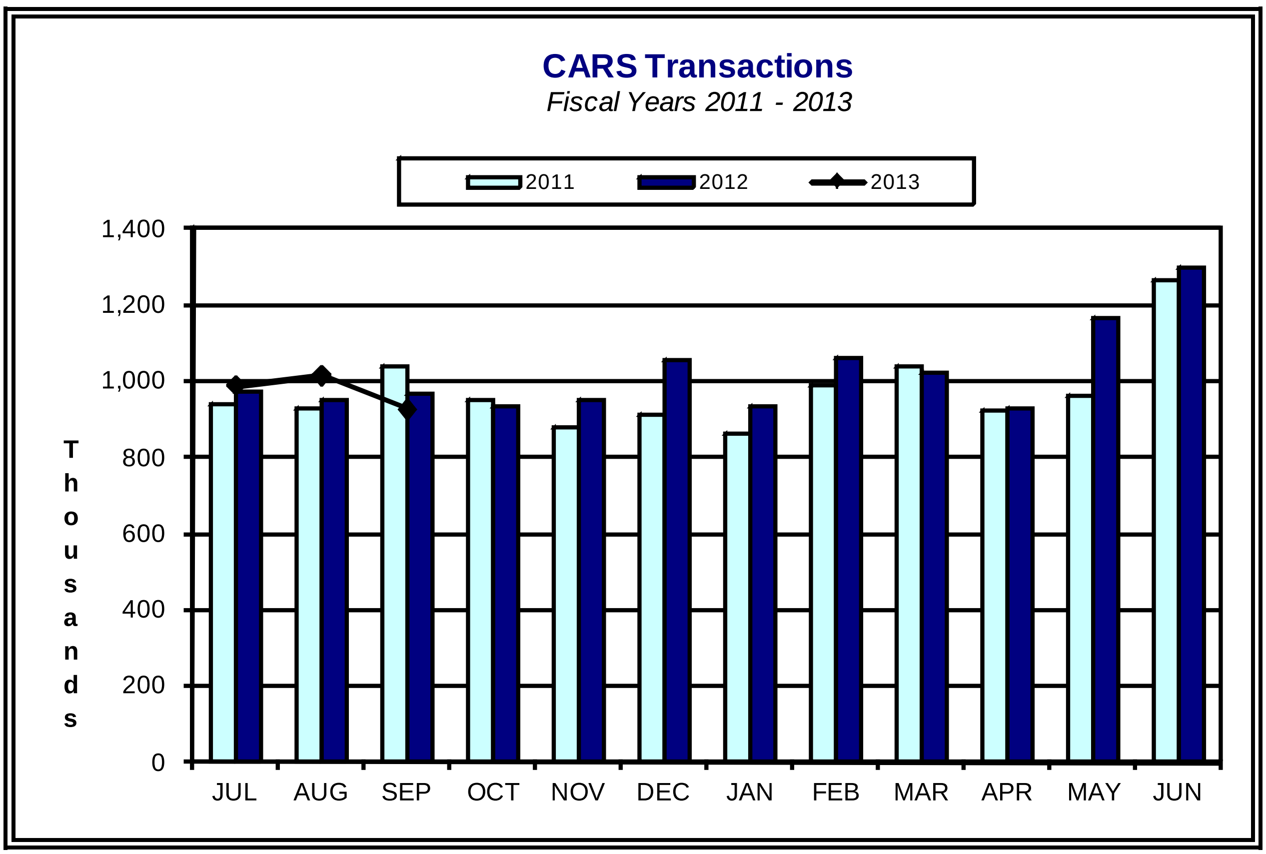
Agency	June	July	Aug
Christopher Newport University	x		
New River Community College	x		
St. Brides Correctional Center			x
Green Rock Correctional Center			x

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.

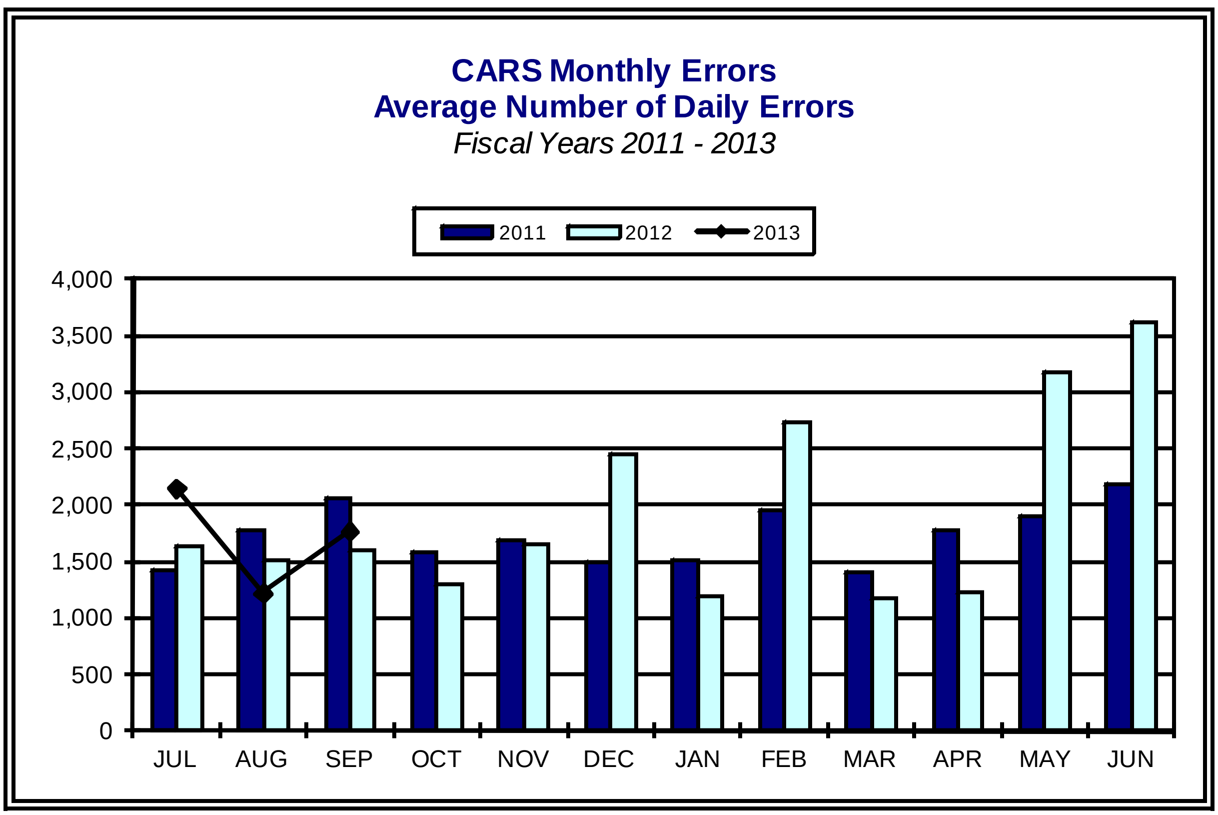


CARS Edits

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 first quarter of FY 2013, the most frequent reasons cited for transactions processing to the error file were:

- Available Cash Negative
- Expenditures > Allotment
- Cost Code Not In Table

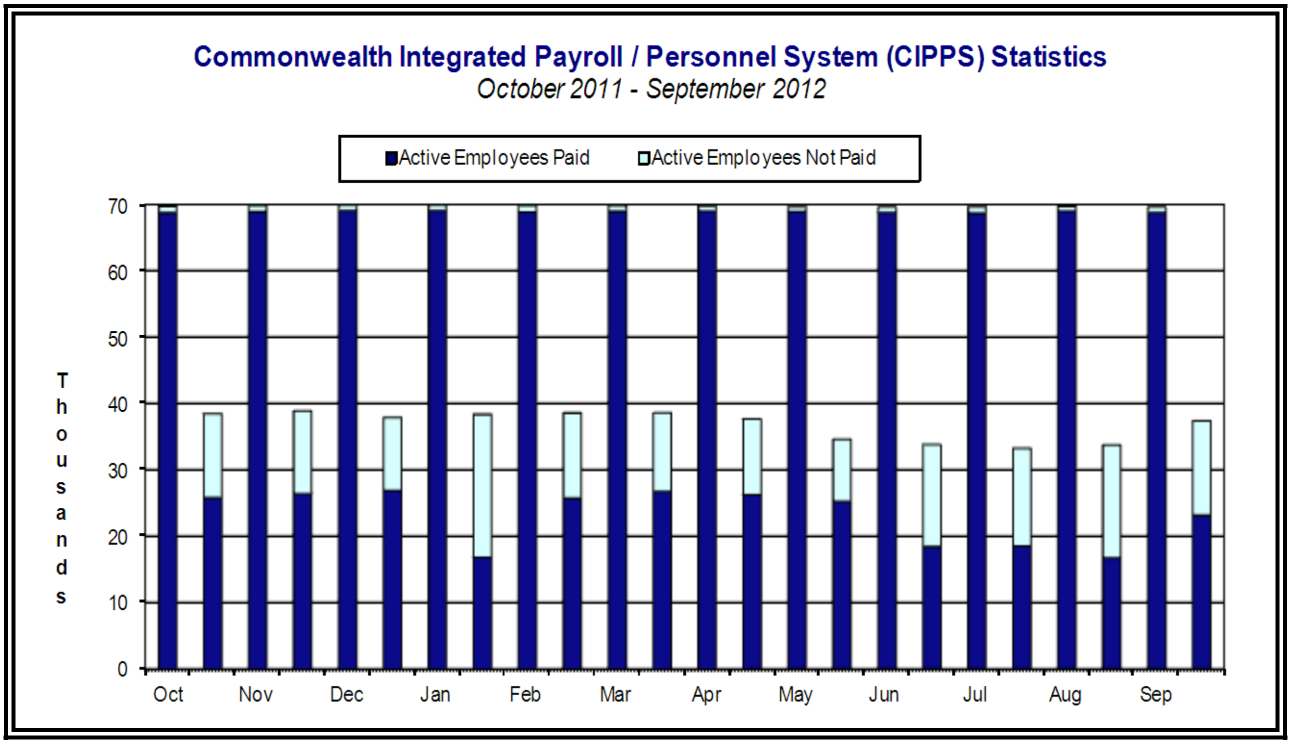
Agencies may avoid funding errors by more closely monitoring cash and allotment balances. Sound agency cash management practices should be developed to ensure transactions are not submitted to CARS when funding is not available. Agencies should develop procedures to ensure certified amounts are calculated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



Payroll

The central payroll system for State government is known as *CIPPS*, the Commonwealth Integrated Payroll Personnel System. CIPPS is one of the largest payroll operations in the Commonwealth, serving 104,497 employees. Payroll services are also provided through eight decentralized higher education institutions.

On average, 88,317 employees were paid each month, of which 68,811 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 9/30/2012	Comparative As of 9/30/2011	Comparative As of 9/30/2010
Health Care			
COVA Care	75,954	74,332	73,560
COVA Connect	6,365	7,553	7,564
Kaiser	2,116	2,139	2,120
Tricare	41	N/A	N/A
Optional Retirement Plans*			
Fidelity Investments	633	581	567
TIAA/CREF	1,647	1,637	1,606
Political Appointee - ORP	103	94	88
Deferred Compensation*	42,907	41,376	39,531
Flexible Reimbursement*			
Dependent Care	813	790	765
Medical Care	8,487	7,528	7,344

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

Accounts Receivable

Executive Summary

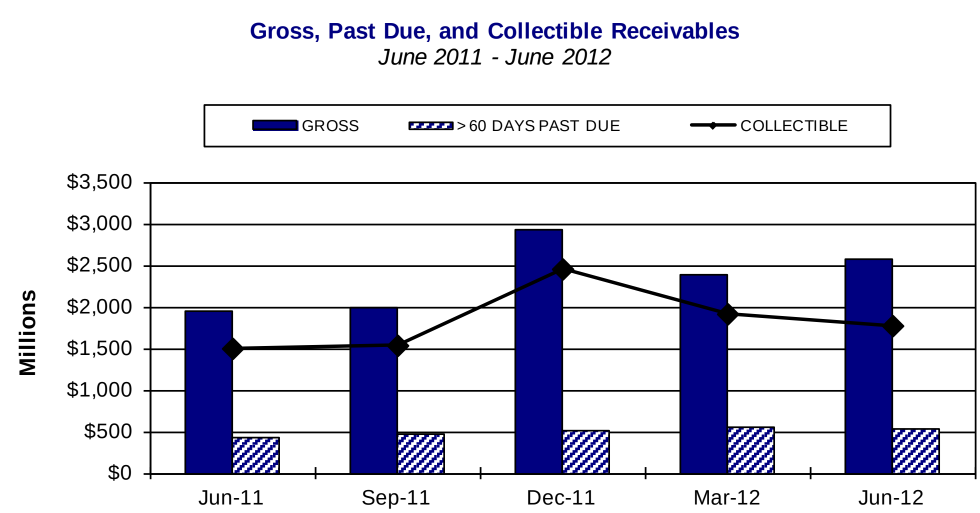
The *Code of Virginia* § 2.2-4800 et seq. requires the Department of Accounts, along with the Office of the Attorney General, to oversee, report on, and monitor the Commonwealth's accounts receivable program. In order to carry out this responsibility, DOA has issued policies and procedures on accounting, 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 $2.58 billion at June 30, 2012, with $1.78 billion considered collectible. Receivables over 60 days past due as of June 30, 2012, totaled $537.7 million. Of that amount, $9.1 million was placed with private collection agencies, $42.0 million was placed with the Division of Debt Collection and $486.6 million was retained in-house for additional collection efforts.

It is important to note that the adjusted state receivables largely consist of unemployment taxes, tuition and fees, and billings for several indigent care programs, which present numerous special challenges in collection. "Trade receivables" typical of the private sector, which are generated by billings for the provision of goods and/or services, make up only a small portion of the state's receivables.

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



As of June 30, 2012, agencies expected to collect $1.78 billion (69 percent) of the $2.58 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

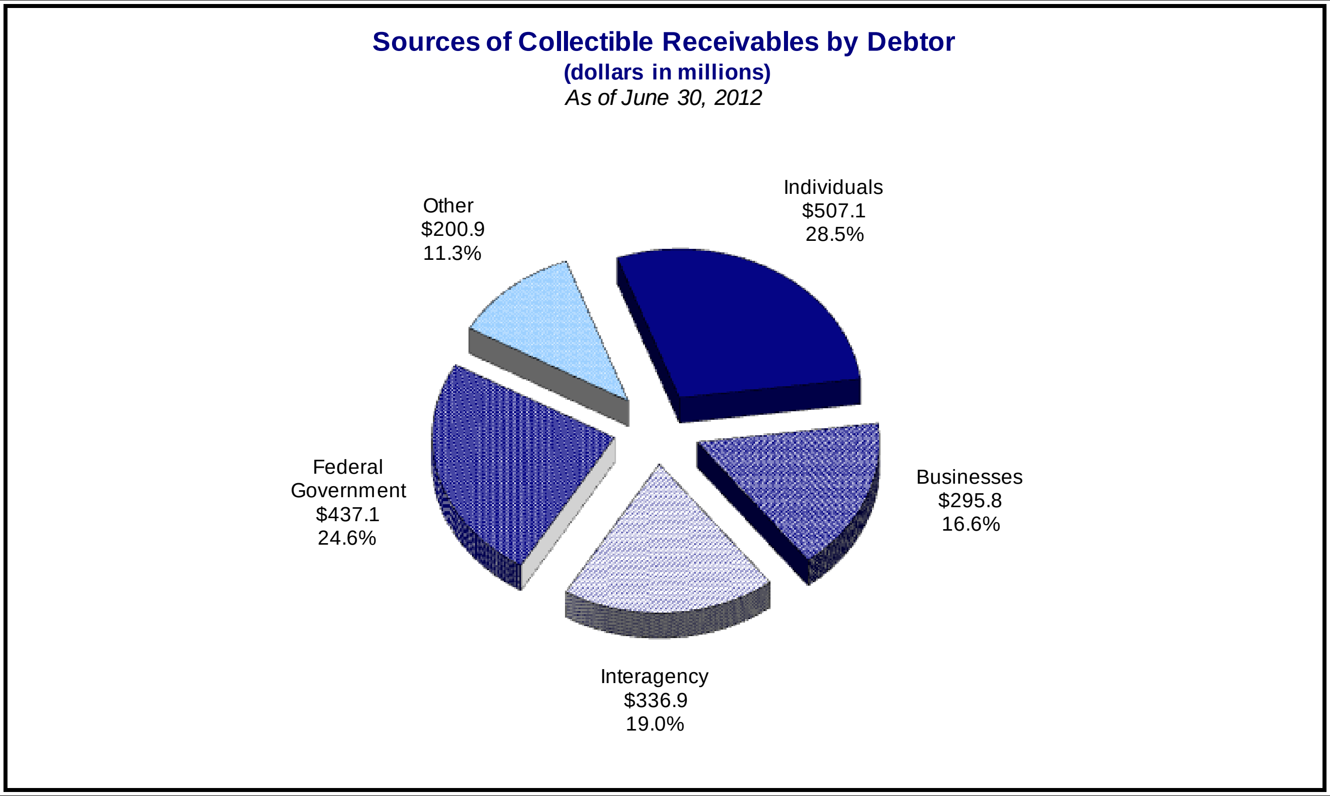
Not Including Circuit Courts, District Courts, or Department of Taxation

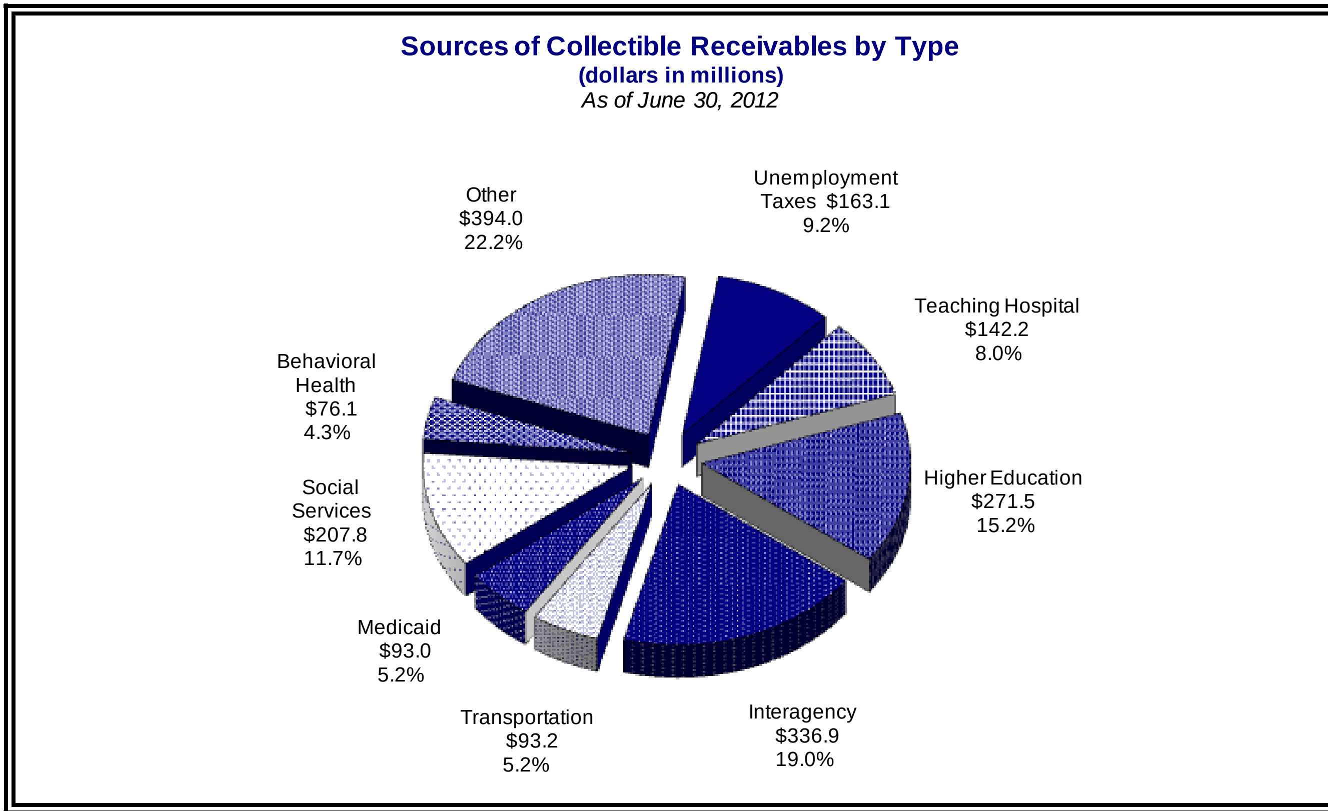
As of June 30, 2012

Fund	Source		Amount	Percent
General Fund	Medicaid - Current Recoveries	$	15,711,651	60%
1%	Social Services		3,292,945	12%
	Labor and Industry Inspections		732,180	3%
	State Police Permits		1,268,595	5%
	Corrections		1,169,346	4%
	Other		2,498,206	9%
	Subtotal		24,672,923	93%
	Interagency Receivables		1,751,191	7%
	Total General Fund Collectible	**$**	**26,424,114**	**100%**
Nongeneral Funds	Medicaid - Dedicated Penalty Fees	$	68,100,099	4%
99%	Medicaid - Federal Reimbursements		9,163,687	1%
	Unemployment Taxes *		163,066,743	9%
	Transportation		93,191,979	5%
	Child Support Enforcement		173,019,934	10%
	Federal Government		333,153,977	19%
	DBHDS Patient Services		76,131,971	4%
	Hospital		142,238,668	8%
	Enterprise		72,613,731	4%
	Higher Education**		271,526,423	16%
	Other		14,017,431	1%
	Subtotal		1,416,224,643	81%
	Interagency Receivables		335,175,588	19%
	Total Nongeneral Fund Collectible	**$**	**1,751,400,231**	**100%**
All Funds	**Grand Total**	**$**	**1,777,824,345**	**100%**

* Note: The Virginia Employment Commission provides Unemployment Taxes Information.
**Note: The amount applicable to Norfolk State University (NSU) is $3.5 million greater than the amount reported for NSU in the Commonwealth's FY 2012 Comprehensive Annual Financial Report. NSU was unable to provide an explanation for the difference.

Summary of Receivables by Source





Not counting Taxation and the Courts, ten agencies account for 79 percent of the Commonwealth's adjusted gross and 73 percent of the adjusted collectible accounts receivable balances.

Accounts Receivable Summary

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

As of June 30, 2012

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
Department of Education-Direct Aid to Localities	$ 221,181,609	$ -	$ 221,181,609
Department of Social Services	521,546,385	304,905,053	216,641,332
University of Virginia Medical Center	531,727,798	328,932,215	202,795,583
Virginia Employment Commission	236,756,221	69,447,315	167,308,906
University of Virginia - Academic Division	124,007,242	4,279,047	119,728,195
Department of Medical Assistance Services	125,698,012	32,681,484	93,016,528
Department of Transportation	84,110,573	951,622	83,158,951
Virginia Polytechnic Institute and State University	75,180,963	2,668,000	72,512,963
Virginia Community College System	60,867,176	1,617,975	59,249,201
State Lottery Department	55,313,865	-	55,313,865
Total	**$ 2,036,389,844**	**$ 745,482,711**	**$ 1,290,907,133**
All Other Agencies	544,021,597	57,104,385	486,917,212
Grand Total	**$ 2,580,411,441**	**$ 802,587,096**	**$ 1,777,824,345**

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 $33.6 million during the quarter ended June 30, 2012. The Division of Debt Collection contributed $2.1 million. Private collection agencies collected $5.4 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected $26.1 million.

Private collection agencies returned $10.1 million of accounts to agencies, and the Division of Debt Collection discharged $2.7 million of accounts and returned $1.9 million of accounts to agencies.

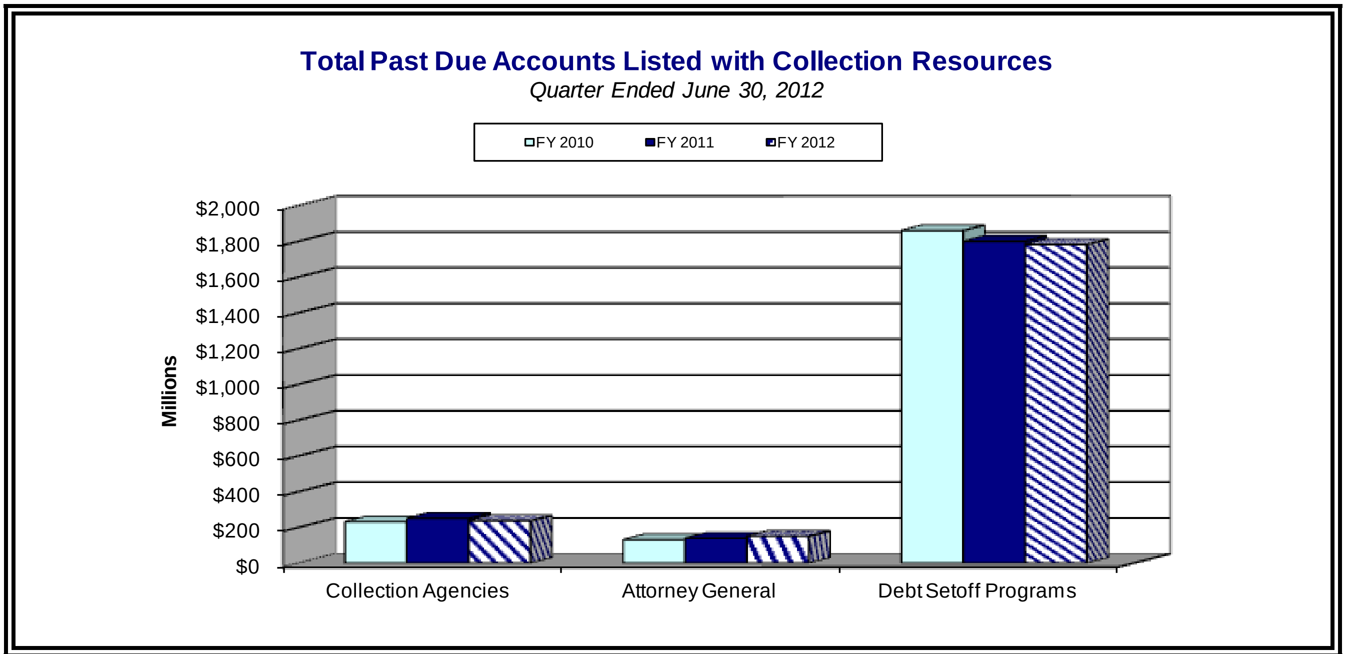
Collectible Receivables Over 60 Days Past Due

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

As of June 30, 2012

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	$ 177,353,063	$ 2,910	$ 54,203	$ 177,295,950
University of Virginia Medical Center	124,579,533	-	-	124,579,533
Virginia Employment Commission	88,935,573	746,239	23,039,389	65,149,945
Department of Medical Assistance Services	54,048,916	192,889	2,669,059	51,186,968
Department of Behavioral Health and Developmental Services	26,921,972	-	-	26,921,972
Department of Transportation	8,597,260	18,141	7,055,621	1,523,498
University of Virginia - Academic Division	6,500,593	529,896	44,247	5,926,450
Virginia Commonwealth University	5,637,934	282,909	187,963	5,167,062
Virginia Polytechnic Institute and State University	3,788,854	1,016,902	1,189,521	1,582,431
Virginia Community College System	3,637,168	1,803,540	-	1,833,628
TOTAL	**$ 500,000,866**	**$ 4,593,426**	**$ 34,240,003**	**$ 461,167,437**
All Other Agencies	37,665,867	4,526,609	7,730,442	25,408,816
TOTAL OVER 60 DAYS	**$ 537,666,733**	**$ 9,120,035**	**$ 41,970,445**	**$ 486,576,253**
Uncollectible Amounts Placed for Collection, Including Accounts Written Off	1,630,263,779	227,793,975	107,539,527	1,294,930,277
TOTAL COLLECTION EFFORTS	**$ 2,167,930,512**	**$ 236,914,010**	**$ 149,509,972**	**$ 1,781,506,530**

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 $3.0 million through the first quarter of FY 2013. 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

		Comparative	
Agency	Percent 6/30/12	Percent 3/31/12	Percent 12/31/11
Department of Medical Assistance Services	43%	44%	44%
Virginia Employment Commission	38%	12%	33%
Department of Social Services	34%	37%	35%
Department of Behavioral Health and Developmental Services	33%	37%	44%
University of Virginia Medical Center	23%	26%	20%
Virginia Commonwealth University	11%	21%	3%
Department of Transportation	10%	39%	47%
Virginia Community College System	6%	19%	13%
University of Virginia - Academic Division	5%	18%	4%
Virginia Polytechnic Institute and State University	5%	5%	2%
Statewide Average - All Agencies	**21%**	**23%**	**17%**

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 73 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 80 percent indicates that for every $1 billed during the quarter ended June 30, 2012, the state collected 80 cents. This rate is seven percent lower than last year and four percent lower than two years ago.

Collections as a Percentage of Billings

		Comparative	
Agency	**Percent 6/30/12**	**Percent 6/30/11**	**Percent 6/30/10**
Virginia Employment Commission	236%	197%	159%
State Lottery Department	113%	102%	103%
Virginia Polytechnic Institute and State University	99%	115%	118%
University of Virginia - Academic Division	98%	104%	91%
Department of Social Services	94%	88%	101%
Department of Transportation	87%	106%	69%
Department of Medical Assistance Services	71%	82%	60%
Virginia Community College System	66%	135%	124%
Department of Education-Direct Aid to Localities	54%	46%	51%
University of Virginia Medical Center	25%	31%	33%
Statewide Average - All Agencies	**80%**	**87%**	**84%**

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 $93.0 million at June 30, 2012, is a $4.5 million increase over the $88.5 million reported at June 30, 2011. Over the same period, total past due receivables of $56.7 million have decreased by $644,604.

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 $202.8 million at June 30, 2012, were a $114.9 million decrease from the $317.7 million reported the previous year. Past due receivables increased by $110.5 million to $255.0 million at June 30, 2012.

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 $167.3 million at June 30, 2012, an increase of $18.8 million from the previous year. Total past due receivables were $93.5 million, a $15.0 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 June 30, 2012, of $41.7 million, which is an increase of $6.3 million reported in the previous year. Most of these receivables are due from other state agencies. As of June 30, 2012, $1.9 million was over 60 days past due, an increase of $228,423 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 June 30, 2012, the State Lottery reported net receivables of $55.3 million, an $8.5 million increase from the previous year. Billings increased by $14.7 million and collections increased by $36.7 million during the June 30, 2012 quarter when compared to the June 30, 2011 quarter. At June 30, 2012, the State Lottery had $303,470 that was over 60 days past due. The total amount owed is covered by surety bonds.

Department of Education (DOE)

Education acts as the pass-through agency for state and federal education funds and determines the allocation of funds to local school divisions under the Direct Aid to Public Education Program. Localities file expenditure reimbursement requests with the Department who then reviews the claims for accuracy and correctness. Eligible expenditures under federal grants are paid by DOE, which then draws down the money from the U. S. Department of Education.

At June 30, 2012, DOE had $221.2 million in accounts receivable due from the Federal government under Direct Aid to Public Education. This is a $53.0 million decrease over the prior year.

Virginia Polytechnic Institute and State University (VPISU)

VPISU is one of the Commonwealth's largest universities and one of two land grant institutions in the state. At June 30, 2012, the University reported net collectible receivables of $72.5 million, an increase of $16.2 million over the prior year. At the same time, total past due receivables of $8.1 million decreased by $344,498 over the prior year.

The University uses a variety of collection methods to encourage payments. At June 30, 2012, VPISU had $3.8 million of accounts over 60 days past due. $1.2 million was placed with the Attorney General's Division of Debt Collection, another $1.0 million was placed with private collection agencies, and $1.6 million was subject to additional in-house efforts.

Department of Behavioral Health and Developmental Services (DBHDS)

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

At June 30, 2012, the Department reported collectible receivables of $47.1 million, a $40.0 million decrease over the previous year. $53.5 million was past due, with $26.9 million being over 60 days past due. Total past due receivables increased by $23.2 million over the year, and accounts over 60 days past due increased by $7.0 million. At June 30, 2012, the Department had a total of $6.9 million of accounts placed with the Attorney General and $697,928 listed in Taxation's Debt Setoff Programs.

Department of Transportation (VDOT)

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

At June 30, 2012, VDOT reported $83.2 million of collectible receivables, an increase of $53.6 million from the prior year. VDOT also reported $14.4 million total past due and $8.6 million being over 60 days past due. Past due receivables decreased by $3.9 million over the year, while receivables over 60 days past due decreased by $6.9 million. VDOT reports that the large majority of the accounts over 60 days past due continue to be amounts owed by cities, counties and towns that are participating on long-term construction projects with the department and where the local fund shares are provided by local debt financing.

VDOT reported placing $7.1 million of their accounts over 60 days past due with the Attorney General's Division of Debt Collection, and $18,141 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 June 30, 2012, DSS reported gross receivables of $521.5 million, an allowance for doubtful accounts of $304.9 million and collectible receivables of $216.6 million. Past due receivables totaled $180.1 million, of which $177.4 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for $454.2 million (87 percent) of the gross receivables, $281.2 million (92 percent) of the allowance for doubtful accounts and $173.0 million (80 percent) of the collectible receivables.

From June 30, 2011, to June 30, 2012, gross receivables increased by $64.9 million and collectible receivables increased by $38.0 million. Total past due receivables increased by $16.4 million and receivables over 60 days past due increased by $16.2 million.

Department of Rail and Public Transportation (DRPT)

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

At June 30, 2012, DRPT had gross and net receivables of $36.8 million. The majority of this money is due via an interagency transfer from VDOT. DRPT reported past due receivables of $4.0 million at June 30, 2012.

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 June 30, 2012, VCU had $46.7 million of collectible receivables, a $31.1 million increase from June 30, 2011. Total past due accounts were $9.1 million, a $319,709 increase from June 30, 2011. Accounts over 60 days past due ($5.6 million) increased by $814,202 from the prior year. Billings increased by $34.0 million to $94.8 million and collections increased by $34,799 to $81.5 million for the June 30, 2012 quarter, when compared to the June 30, 2011 quarter.

The following table is prepared to present the June 30, 2012, aging information in conformity with the provisions of the *Code of Virginia* § 2.2-603.E.(ii).

Taxation and the Circuit and District Courts accounted for 70 percent ($1.84 billion) of the Commonwealth's total $2.61 billion past due accounts receivable at June 30, 2012. Another 18 agencies accounted for 29 percent ($741.7 million), leaving 71 other agencies to comprise the last one percent at $32.6 million.

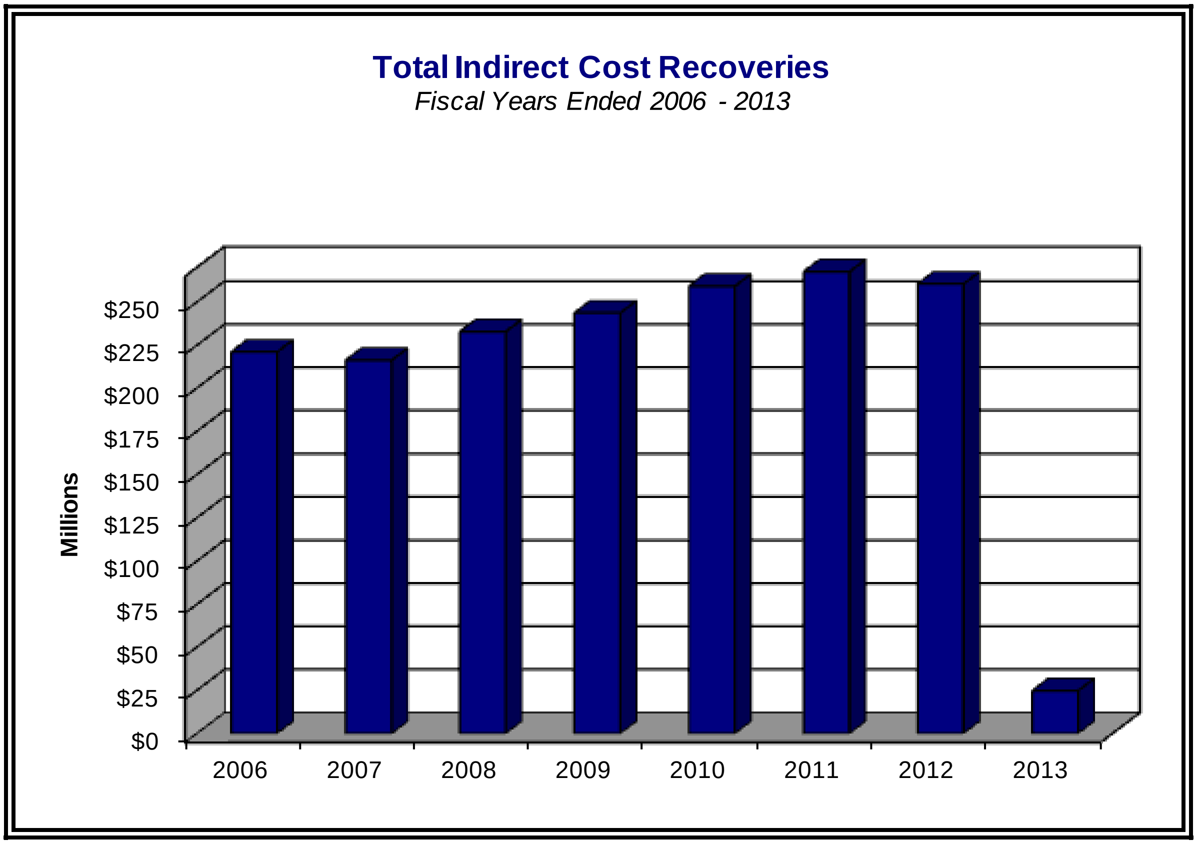
Agencies with the Largest Volume of Past Due Receivables

As of June 30, 2012

Agency	Total Past Due	1 to 180 Days Past Due	181 to 360 Days Past Due	Over One Year
Department of Taxation	$ 1,473,213,339	$ 212,828,105	$ 161,444,782	$ 1,098,940,452
Localities' Circuit and District Courts	363,735,775	35,282,155	62,860,091	265,593,529
Total - Taxation Assessments and Court Fines and Fees	**$ 1,836,949,114**	**$ 248,110,260**	**$ 224,304,873**	**$ 1,364,533,981**
All Other Large Dollar Agencies:				
University of Virginia Medical Center	255,032,566	202,967,474	41,366,753	10,698,339
Department of Social Services	180,123,876	8,585,324	8,564,631	162,973,921
Virginia Employment Commission	93,497,715	31,783,661	15,925,283	45,788,771
Department of Medical Assistance Services	56,710,314	9,508,016	9,963,800	37,238,498
Department of Behavioral Health and Developmental Services	53,452,886	38,717,597	14,397	14,720,892
University of Virginia - Academic Division	29,527,967	27,133,247	1,471,487	923,233
Department of Transportation	14,445,008	6,339,494	673,983	7,431,531
Virginia Commonwealth University	9,128,152	4,085,728	2,608,741	2,433,683
Virginia Polytechnic Institute and State University	8,050,904	5,615,148	923,785	1,511,971
George Mason University	7,235,465	6,272,962	909,622	52,881
Virginia Community College System	5,676,316	4,170,186	783,532	722,598
Virginia Workers' Compensation Commission	4,821,925	2,254,695	1,026,947	1,540,283
Department of Health	4,459,900	2,456,649	218,543	1,784,708
Department of Rail & Public Transportation	4,020,851	4,020,851	-	-
Department of State Police	4,004,740	2,008,109	322,767	1,673,864
State Corporation Commission	3,941,334	3,328,142	467,689	145,503
Virginia Information Technologies Agency	3,834,715	2,593,074	584,745	656,896
Department of General Services	3,737,433	1,548,707	443,248	1,745,478
Total - Largest Dollar Volume Agencies	**$ 741,702,067**	**$ 363,389,064**	**$ 86,269,953**	**$ 292,043,050**
All Other Agencies	32,584,582	20,761,751	3,524,008	8,298,823
Grand Total Past Due Receivables	**$ 2,611,235,763**	**$ 632,261,075**	**$ 314,098,834**	**$ 1,664,875,854**

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 2013 reflects indirect cost recoveries through September 30, 2012

Indirect Cost Recoveries from Grants and Contracts

Fiscal Year 2013

Fund	Year-to-Date Higher Ed	Year-to-Date Non-Higher Ed	Year-to-Date Total
Nongeneral:			
Agency / Institution (1)	$ 6,261,385	$ 17,511,691	$ 23,773,076
Statewide	21,554	244,802	266,356
Agency / Institution ARRA	468,132	19,221	487,353
Statewide ARRA	-	1,716	1,716
Total Nongeneral	**$ 6,751,071**	**$ 17,777,430**	**$ 24,528,501**
General:			
Agency (Cash Transfers)	-	-	-
Statewide	-	184,402	184,402
Statewide (Cash Transfers)	-	-	-
Total General	**$ -**	**$ 184,402**	**$ 184,402**
Total All Funds	**$ 6,751,071**	**$ 17,961,832**	**$ 24,712,903**

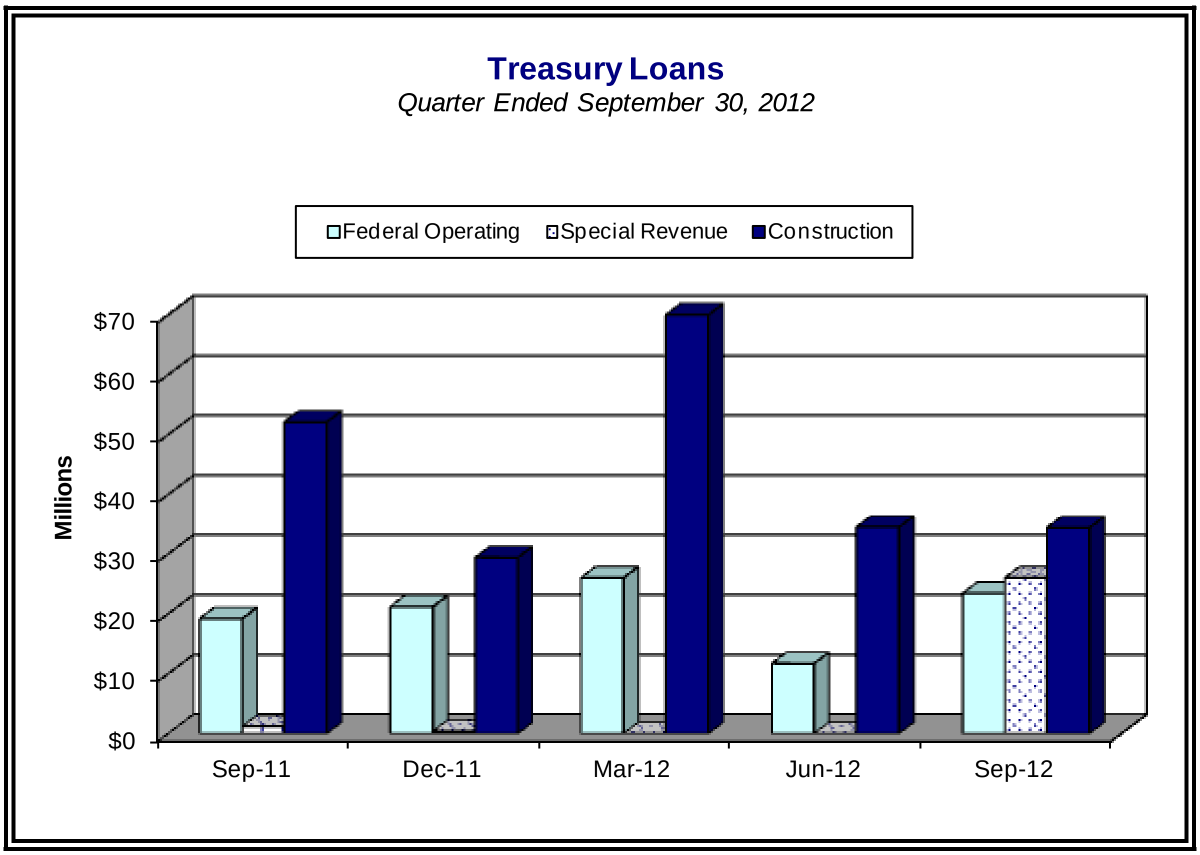
(1) The Department of Social Services records all federal monies received in CARS. However, they do not separately classify such receipts between direct and indirect. Included in the agency nongeneral fund category is $12,216,095 representing the Department of Social Services' estimate of indirect cost recoveries received. This does not include covered higher education institutions.

Loans and Advances

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

- **Anticipation of Federal Operating Funds** supports the operations of federal grants and contract programs for which advance funding has been delayed or for those that require expenditure of funds prior to federal reimbursement.
- **Anticipation of Special Revenue Funds** supports the operations of non-general funded activities when collections are spread unevenly throughout the year while expenses require steady funding.
- **Construction** supports capital projects in anticipation of the sale of authorized debt or other financing for such projects.

The total of all types of treasury loans as of September 30, 2012 was $83.8 million.



Significant New Loans / Drawdowns		New Balance
Department of Military Affairs (DMA)		
Drawdown on a $15 million loan used to pay expenditures incurred in anticipation of reimbursement from the National Guard Bureau.	$	5,000,000.00
George Mason University (GMU)		
Drawdown on a $12.5 million loan used to provide operating funds while awaiting federal reimbursements for approved grants and contracts.	$	12,500,000.00
Department of Transportation (VDOT)		
Drawdown on a $26 million loan used to fund amounts associated with the Launch Pad 0-A and liquid fueling facility improvements at the Mid-Atlantic Regional Spaceport to Orbital Sciences.	$	26,000,000.00

Significant Loan Repayments		Prior Balance
Department of Education (DOE)		
Repayment on a $5.5 million loan used to provide funding for the local school division School Nutrition Programs pending receipt of federal grant funds from the United States Department of Agriculture (USDA).	$	5,493,061.26

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 September 30, 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 September 30, 2012 was $27.7 million.

- **Lines of Credit**, which provide funding for recurring shortfalls of operating cash and are authorized in §3-2.03 of the Appropriation Act. The total of all outstanding lines of credit as of September 30, 2012 was $67.6 million.