

**REPORT ON
STATEWIDE FINANCIAL MANAGEMENT
AND COMPLIANCE**

FOR THE QUARTER ENDED DECEMBER 31, 2013



OFFICE OF THE COMPTROLLER

DEPARTMENT OF ACCOUNTS

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STATEMENT OF PURPOSE

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

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

This *Quarterly Report* includes information for the quarter ended December 31, 2013, and comparative FY 2013 data. Some information in the report is for the quarter ended September 30, 2013, which is the most current data available.

David A. Von Moll, CPA, CGFM
Comptroller



Virginia Department of Accounts

Financial Accountability. Reporting Excellence.

COMPLIANCE

Auditor of Public Accounts Reports - Executive Branch Agencies

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

Each agency must provide a written response that includes a Corrective Action Workplan (CAW) to the Department of Planning and Budget, the Department of Accounts, and the agency’s Cabinet Secretary when its audit report contains one or more audit findings. Workplans must be submitted within 30 days of receiving the audit report. Commonwealth Accounting Policies and Procedures (CAPP) manual, Topic 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 December 31, 2013

The APA issued 16 reports covering 29 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				
None				
Commerce and Trade				
Virginia Economic Development Partnership	0	0	0	N/A
Virginia Employment Commission	3	2	5	YES
Virginia Tourism Authority	0	0	0	N/A

	New Findings	Repeat Findings	Total Findings	CAW Received
Education				
Department of Education and Direct Aid to Public Education	0	0	0	N/A
Virginia Commonwealth University	4	0	4	YES
Virginia Polytechnic Institute and State University	0	0	0	N/A
Executive Offices				
Attorney General and Department of Law ⁽¹⁾ Division of Selected Agency Services ⁽²⁾	1	0	1	YES
Citizens' Advisory Council	0	0	0	N/A
Interstate Organization Contributions	0	0	0	N/A
Secretary of the Commonwealth	0	0	0	N/A
Virginia-Israel Advisory Board	0	0	0	N/A
Governor's Cabinet Secretaries ⁽³⁾				
Secretary of Administration	0	0	0	N/A
Secretary of Agriculture and Forestry	0	0	0	N/A
Secretary of Commerce and Trade	0	0	0	N/A
Secretary of Education	0	0	0	N/A
Secretary of Finance	0	0	0	N/A
Secretary of Health and Human Resources	0	0	0	N/A
Secretary of Natural Resources	0	0	0	N/A
Secretary of Public Safety	0	0	0	N/A
Secretary of Technology	0	0	0	N/A
Secretary of Transportation	0	0	0	N/A
Secretary of Veterans Affairs and Homeland Security	0	0	0	N/A
Office of the Governor	0	0	0	N/A
Office of the Lieutenant Governor	0	0	0	N/A
Finance				
None				
Health and Human Resources				
None				
Natural Resources				
Department of Environmental Quality	0	0	0	N/A
Department of Game and Inland Fisheries ⁽⁴⁾	2	3	5	YES
Public Safety				
Department of Alcoholic Beverage Control	1	1	2	YES
Technology				
Innovation and Entrepreneurship Investment Authority ⁽⁵⁾	0	0	0	N/A
Transportation				
Virginia Port Authority ⁽⁶⁾	0	0	0	N/A
Veterans Affairs and Homeland Security				
None				

- (1) *The Attorney General and Department of Law audit report includes the Division of Debt Collection.*
- (2) *The Division of Selected Agency Services audit report included four agencies.*
- (3) *The Governor’s Cabinet Secretaries audit report included Eleven Secretariats.*
- (4) *The Department of Game and Inland Fisheries audit report included deficiencies in internal control over financial reporting that are considered “material weaknesses” and other deficiencies that are considered “significant deficiencies”.*

Material Weaknesses

- *Improve Timeliness and Accuracy of Revenue Redistribution*
- *Improve Timeliness and Accuracy of Revenue Transfers to Other Agencies*

Significant Deficiencies

- *Improve Performance of CARS to CFIRS Reconciliations*
- *Improve Database Security*
- *Improve Internal Controls over System Access*

In addition to the internal control findings, the APA had one additional recommendation in the form of a Risk Alert.

- (5) *The Innovation and Entrepreneurship Investment Authority audit report includes the Center for Innovative Technology, a Blended Component Unit.*
- (6) *The Virginia Port Authority audit was performed by CliftonLarsonAllen, LLP and the audit report provided to the APA.*



Audit Findings - Quarter Ended December 31, 2013

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

Commerce and Trade

Virginia Employment Commission (VEC)

1. Improve Internal Controls Surrounding Employer Wage Discrepancies: This is a Repeat Finding. As reported in the APA's previous two audits, the Tax Reconciliation Unit is not resolving wage discrepancies in accordance with their policies and procedures. The VEC receives wage information from employers, which is reconciled to information reported by employers on their quarterly tax returns. The Unit is responsible for identifying and resolving wage discrepancies identified in the reconciliation process, which helps to ensure that wage information used in unemployment benefit calculations is accurate.

During the APA's review, they found that the Tax Reconciliation Unit did not adequately resolve eight of 51 (16 percent) wage discrepancies tested within 90 days in accordance with their policies and procedures. In addition, 23 out of 65 (35 percent) wage discrepancies tested were not tracked and monitored according to policies and procedures. These procedures require that an account be included on a tracking spreadsheet if the discrepancy is not reconciled within a week. The tracking spreadsheet is used to monitor unresolved discrepancies for continued follow up.

The APA also found three instances where the Tax Reconciliation Unit appropriately resolved a wage discrepancy, but subsequent changes in the wage information resulted in an additional discrepancy that was not detected by the Unit. This can occur when other units, such as the Monetary Determination Unit or the Auditing Unit, make changes to correct wage information but do not communicate these changes to the Tax Reconciliation Unit. As a result, the Tax Reconciliation Unit was not aware that these accounts required further follow up.

Lastly, the APA found that the Tax System does not provide a proper audit trail for reconciliations worked by the Unit. The Tax System produces reconciliation reports daily/weekly and as the items on the report are resolved, the system removes the item. The system does not retain the information appearing on the report and the Unit disposes of the reconciliation reports after 120 days due to the size of the reports produced and lack of space. This affected the APA's ability to evaluate the effectiveness of the reconciliation process throughout the audit period.

The APA believes that staffing issues in the Tax Reconciliation Unit may have contributed to the recurring issues with the wage discrepancy reconciliation process. The APA understands the Unit has experienced significant turnover as well as some staffing reassignments in recent years, which has resulted in several new, less experienced staff in this area.

The VEC is in the process of implementing several new information systems, which will significantly affect current business processes. With these changes, the APA recommends management review staffing levels, responsibilities, and training for staff in the Tax

Reconciliation Unit. Management should evaluate staffing levels in this Unit to ensure they are adequate given their current responsibilities as well as their responsibilities once the new systems are implemented. In addition, they should ensure staff in the Unit are adequately trained on their policies and procedures.

Management should review the Tax Reconciliation Unit's policies and procedures to ensure they are adequate and address situations where wage information is modified by another area, such as the Monetary Determination Unit. Additionally, the VEC should consider developing an audit trail for the reconciliation reports used by the Tax Unit once the new systems are implemented.

2. Improve Controls over Benefit Adjustment Payments: The VEC needs to improve their controls for generating benefit adjustment payments because of modified wage information. In addition, the VEC is not withholding child support payments from benefit adjustment payments as required by the Code of Virginia.

The VEC receives and processes wage data from employers through the Tax Wage Information Processing Unit (TWIP) and Monetary Determination Unit (MDU). The TWIP Unit reconciles this information and uploads wage information to the Master Wage File, which is used as the basis for benefit amount determinations. Various situations can occur where the wage information originally used as the basis for benefit payments is modified. When this occurs, the VEC generates a reprocessed monetary determination. If the claimant is owed additional benefits based on the modified information, the VEC immediately generates a benefit adjustment payment to the claimant for the amount owed. In some cases, the TWIP or MDU Unit detects errors in the modified wage information and subsequently determines the benefit adjustment payment was made in error. In these cases, the unit corrects the Master Wage File, which the Virginia Automated Benefits System (VABS) uses to generate a benefit overpayment.

As part of the APA's audit, they reviewed a sample of benefit payments over \$750 and found that most of these were benefit adjustment payments that resulted from modified wage information as discussed above. Of the 22 payments reviewed, five (23 percent) were benefit adjustment payments that were subsequently found to be in error by the VEC. In these cases, the VEC had to establish an overpayment and attempt to collect these amounts from the claimants. In addition, the APA reviewed one benefit adjustment payment that was processed in error, but was not detected by the VEC. Once this was brought to their attention, they corrected the information but they were unable to establish an overpayment due to time limitations established in the Code of Virginia.

Lastly, the Code of Virginia requires the VEC deduct child support payments owed from unemployment benefit payments. In the APA's sample of benefit adjustment payments over \$750, they also found one payment where child support owed should have been deducted, but was not. While the VEC deducts child support owed from regular unemployment benefit payments, they do not deduct child support owed from benefit adjustment payments due to a system limitation.

The APA recommends the VEC consider changing the process for the issuance of benefit adjustment payments over a certain dollar threshold to allow time for review and verification of the modified wage information. This would reduce the likelihood that an adjustment payment

will be made in error and eliminate the need for overpayment establishment and collection activities. Additionally, the APA recommends the VEC deduct child support owed from benefit adjustment payments to ensure compliance with Code of Virginia. The APA understands the VEC is in the process of replacing their current benefit information system, so they recommend the VEC consider this in their new system implementation.

3. Strengthen Financial Reporting Over Accounts Receivable: The VEC needs to strengthen their financial reporting of accounts receivable information. The VEC has significant accounts receivable for employer tax payments as well as benefit overpayments that are reported in the Commonwealth's Comprehensive Annual Financial Report.

The APA reviewed year-end activity reported to the Department of Accounts (DOA) for accounts receivable and found numerous errors and issues in the information. During their review, the APA found:

- An understatement of approximately \$1.5 million in accounts receivable for employer taxes due to a formula error in the spreadsheet.
- Numerous other smaller errors in various other calculations that impacted the estimate for the allowance for doubtful accounts. The APA also found several other instances where descriptions of information in the spreadsheets were not accurate, requiring additional explanation from the accounts receivable staff.
- While the use of estimates in accounts receivable reporting is an accepted practice, the VEC should reevaluate their methodology for several estimates used in the process. There were several estimates that were based only on one year's worth of activity; best practices suggest that having more historical data would provide a more sound methodology for the estimate. In addition, the VEC does not have written policies and procedures to document the basis for the methodologies they are using in the accounts receivable reporting process. This is also important if methodologies or assumptions are changed to ensure there is a justification and documentation to support the change.
- There was no documentation to support certain amounts on the Accounts Receivable Summary reported to DOA as follows:
 - Amounts reported as adjustments to prior quarters could not be adequately supported due to an error in the reporting process in the current system. An adjustment report from the system should be the supporting documentation for these amounts; however, the VEC has determined that this report is inaccurate and needs to be corrected. Given the new system implementations, corrections are not being made to the old system and there is not documentation to support this amount.
 - Receivables over sixty days old reported with a collection status of *with the state agency* could not be supported.

The APA recommends the VEC strengthen financial reporting processes over the accounts receivable information. This includes ensuring staff preparing the information are adequately trained and that the information is properly reviewed. In addition, it is critical that

documentation be maintained to support the process, most significantly the methodologies used to arrive at estimates used in the process. This documentation should include the basis for the methodology or any assumptions used in the process. It is the APA's understanding that the VEC is planning to work with the Department of Accounts to obtain guidance on reporting accounts receivable information. The APA recommends they continue with these efforts as part of strengthening their financial reporting processes.

4. Improve Internal Controls over Small Purchase Charge Card Program: The VEC's Procurement Unit lacks formal written internal policies and procedures surrounding their Small Purchase Charge Card Program. In addition, they did not maintain supporting documentation of their annual review of cardholder transaction limits, and a supervisor is not following the Commonwealth's policies and procedures when completing monthly reviews of the cardholder reconciliation.

The Commonwealth Accounting Policies and Procedures (CAPP) Manual states that agencies must develop and document internal control procedures to ensure compliance with Commonwealth policies and procedures and corporate purchasing card contract provisions. In addition, the CAPP Manual requires the cardholder's supervisor to review and approve, by signing and dating, the purchase log to bank statement reconciliations. Lastly, the CAPP Manual requires that the agency charge card Program Administrator or supervisor review cardholder limits annually and document the analysis in writing.

The APA recommends that the Procurement Unit evaluate and document all of their current purchasing procedures that are agency specific and not documented by the CAPP Manual. For example, the Procurement Unit should document their verbal internal policies regarding supplies and materials purchases for the warehouse and local offices to ensure that they are minimizing the appearance that they are splitting purchases to circumvent transaction limits and procurement requirements. Management should also document their verbal internal policy for processing purchases using paper checks. Management must commit the resources to ensure that all policies and procedures are documented and updated sufficiently to reduce the risk of error and allow for proper succession planning. Additionally, management should ensure compliance with the CAPP Manual by signing and dating reconciled purchase logs to bank statements and by documenting the annual review of cardholder transaction limits.

5. Status of Prior Year Finding: Follow Timekeeping and Payroll Procedures: **This is a Repeat Finding.** In the prior year, the APA found that the VEC supervisors were not consistently following internal policies, which require advance approval for overtime. In addition, employees worked more overtime hours than had been approved.

To follow up on this issue, the VEC has taken several actions. First, the VEC's Internal Audit Department performed a review of overtime payments and found similar issues to those found in the APA's review. The VEC has also continued to stress to supervisors the requirements for overtime approval. Human Resource Management Services also started conducting random post audits of overtime approval; however, this was not completed prior to the recent retirement of the Compensation Manager.

In addition, the VEC has been working with the Department of Human Resource Management to reevaluate their current procedures and determine whether they are effective given their

operations and processes. The VEC revised their overtime policy and procedures in October 2013. The APA reviewed the new policies and procedures and they appeared reasonable. The APA will continue to follow up on the issue in the fiscal year 2014 audit to ensure that the VEC properly implemented the new procedures.

Education

Virginia Commonwealth University (VCU)

1. Improve Change Management: Virginia Commonwealth University (VCU) allows IT staff with privileged system user accounts to make changes to infrastructure devices that protect and support VCU's mission critical ERP system, Banner, without management approval. Without proper acknowledgement and approval, there is a higher risk of changes negatively affecting the environment and the layers of security established to protect data in the Banner system.

The APA recommends that VCU amend its change management policy to ensure that all changes require management approval. Proper change management will help maintain confidentiality, integrity, and availability over VCU's critical systems and infrastructure.

2. Improve Firewall Management: VCU does not manage its firewall that supports its Banner ERP system and safeguards sensitive information in accordance with the Commonwealth's information security standard and industry best practices.

The APA review noted two areas of weakness that they have communicated in detail to management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia, due to their sensitivity and description of security controls.

The APA recommends that VCU implement the controls discussed in the recommendation in accordance with the current Commonwealth Information Security Standard and industry best practices, such as those published by the Center for Internet Security.

3. Review System Access for Human Resources and Payroll Employees: VCU does not perform reviews of Banner ERP system access for employees within the Human Resources and Payroll Departments. These employees have access to both personally identifiable information and payroll information, which are both intrinsically sensitive. Without regular reviews of system access there is an increased risk of fraudulent behavior within VCU due to a lack of established controls ensuring appropriate segregation of duties.

During the APA review it was determined that employee access is only reviewed during the original role granting process, and that no reviews are performed on a regular and ongoing basis. The Commonwealth Security Standard, SEC 501-07, requires that the controls for account management must include "reviewing accounts and privileges at least annually." Additionally, to ensure appropriate segregation of duties controls are maintained, VCU's

'Banner HR Security Access Process' requires ongoing reviews of employee system access for those that have access to sensitive data.

The APA recommends that VCU dedicate the necessary resources to implement regular Banner access reviews that are in line with both the Commonwealth Information Security Standard and the Banner HR Security Access Process.

4. Improve Capital Asset Inventory Procedures: For a portion of the APA's audit involving tests of internal controls over fixed assets, the APA relied on work performed by VCU's Department of Assurance Services. The work performed by Assurance Services identified that VCU's annual fixed asset inventory process failed to identify several assets that were lost, stolen, surplus, or otherwise disposed.

This finding has been previously communicated to the Board of Visitors in Assurance Services' report dated April 12, 2013. The APA has referenced the finding communicated by Assurance Services as the underlying work supports the financial statement audit and relates directly to certain financial statement balances. A corrective action plan has been approved and implementation is currently in process.

Executive Offices

Office of the Attorney General and the Department of Law (OAG)

- 1) Improve File Transfer Security: The OAG does not protect some of its sensitive data related to the Division of Debt Collection that it transfers over the internet with encryption. The Commonwealth's information security standard, SEC 501-07.1, Section AV-17-COV (2), requires agencies to "Protect the security of remote file transfer of sensitive data to and from agency IT systems by means of approved encryption."

The APA communicated the details of this issue to management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia, due to their sensitivity and description of security controls. Management has provided a corrective action plan to the APA under the same public disclosure exemption.

Natural Resources

Department of Game and Inland Fisheries (DGIF)

1. Improve Timeliness and Accuracy of Revenue Redistribution: **This is a Material Weakness.** DGIF did not properly record license revenues at the end of fiscal year 2012 or through the first six months of fiscal year 2013. DGIF conducts license sales three ways: online, through license agents, and internally at the headquarters office. DGIF records license revenues collected internally in its' Boat Registration and Titling System (BRTS). BRTS does not automatically code these license sales or related refunds to the appropriate

account code. Instead, DGIF records the revenues from these sales and any refunds in a holding account. Because refunds often occur after DGIF redistributes the related revenue, the recording of refunds causes the holding accounts to have negative balances. At the end of each month, before CARS monthly close, DGIF should process a transaction to transfer the funds to the correct revenue account. For all eighteen months of the audit period, DGIF never performed the redistribution prior to CARS month end close. This prevents DGIF from having an accurate picture of the types of revenues collected and affects its ability to determine the amount of revenue to transfer to other agencies, as described in the finding entitled “Improve Timeliness and Accuracy of Revenue Transfers to Other Agencies.”

At the end of fiscal year 2012, DGIF did not re-distribute \$631,753 in refunds to the appropriate accounts. Through the first six months of fiscal year 2013, DGIF had not redistributed \$15,334 to the correct accounts. DGIF collects some license revenues on behalf of other agencies that they should transfer to those agencies monthly. Since DGIF does not redistribute these revenues on time, the amount of monthly and annual revenues they transfer to other agencies is not accurate. Not reconciling revenues, as identified in the finding entitled “Improve Performance of CARS to CFIRS Reconciliation,” reduces DGIF’s ability to properly identify whether they have accurately and completely recorded revenues. The APA considers the lack of procedures to properly identify and redistribute revenues accurately and timely a material weakness.

DGIF should develop and implement policies and procedures to redistribute all revenues prior to CARS month end close to allow for timely and accurate revenue reporting.

2. Improve Timeliness and Accuracy of Revenue Transfers to Other Agencies: This is a Material Weakness and a Repeat Finding. DGIF did not correctly or timely transfer license revenues collected on behalf of other agencies and watercraft sales tax collected on behalf of the Department of Taxation (TAX). DGIF collects saltwater fishing license revenue for the Virginia Marine Resources Commission (MRC), state forest hunting permits for the Department of Forestry (DOF), and watercraft sales tax for TAX. DGIF transfers these revenues monthly to the applicable agency. In addition, DGIF collects boat trailer registration fees for the Department of Motor Vehicles (DMV). DGIF transfers these revenues daily. DGIF does not have formal agreements with most of these agencies that establish how and when transfers will occur. The only written agreement is with DMV. The APA found the following exceptions:

- DGIF did not transfer TAX revenues by the end of the month following collection for four out of 18 months. DGIF overpaid TAX \$521,974 because staff did not properly review transfers before approving them.
- In 31 instances, DGIF did not transfer the correct amount of revenue daily to DMV during the 18 month audit period. Usually within a month, DGIF determined what caused the difference and adjusted for it. However, in four instances, DGIF was unable to determine what caused the differences, totaling \$457.
- DGIF did not transfer MRC revenues in the month following collection for 6 out of 18 months with transfers being as much as two months late. In

addition, DGIF overpaid MRC in August 2012 by approximately \$960,000 due to a system error. DGIF chose to transfer the funds to MRC even though they knew the amount was incorrect with the intention to determine the cause and amount of the error and adjust for the difference in future transfers. Both agencies agreed that DGIF would hold future revenues until they equaled the overpayment; however, DGIF did not accurately track revenue collections against the overpayment to determine when to begin transferring funds to Marine Resources again. Therefore, as of the end of the audit period, DGIF had not transferred \$528,346 that they collected through the first six months of fiscal year 2013 after satisfying the overpayment.

- DGIF did not transfer DOF revenues in the month following collection for 13 out of 18 months. At the end of the audit period, DGIF owed DOF \$6,000 in license revenues that had been collected but not transferred.

DGIF uses data from several different systems to determine what they should transfer to agencies. DGIF uses an external POS system for sale transactions online and through license agents. The POS system automatically codes revenues to the applicable accounts. DGIF has an internal system for headquarter license sales: the Boat Registration and Titling System (BRTS). BRTS does not automatically record license revenues in the correct account codes, but instead puts all revenues into a holding account. DGIF should manually redistribute those revenues monthly so that they are included in the amount transferred to the applicable agency. DGIF Accounting staff do not have an established procedure to ensure they redistribute these revenues timely and consistently.

In addition, DGIF is recording and transferring sales revenue rather than cash. With the Commonwealth Accounting and Reporting System (CARS) being on a cash basis, this is inappropriate. In a cash basis system, revenue should be recorded when the cash is received. However, license agents sell licenses to the public and then transfer the cash to DGIF monthly. Therefore, DGIF does not receive the cash to support the sale until possibly a month after the sale. DGIF must honor the sales of the license as soon as it occurs. DGIF has struggled with the matching of these two concepts. By recording revenues in CARS based on when the revenue is earned rather than when the cash is received, DGIF has caused the revenue in CARS to be unreliable.

Finally, when the transfers do take place, DGIF Accounting staff do not properly review amounts prior to transfer, resulting in overpayments. DGIF also does not reconcile revenues at the end of each month or in total at the end of the year to determine that total collections on behalf of other agencies agree to total transfers to those agencies. The APA considers the lack of policy and procedures, not recording revenues on a cash basis, and the inability to review and properly approve transactions a material weakness.

DGIF should enter into agreements with all of the agencies for which they collect revenues to determine how and when transfers will occur. DGIF should begin recording revenues in CARS based on the receipt of cash, not the earning of revenue. DGIF should track the sale of licenses for purposes of enforcing the license separate from the receipt of cash. DGIF should develop policies and procedures to reconcile revenues, properly review and approve

transfers, and process transfers timely. DGIF needs to ensure the procedures provide for multiple trained staff that are competent to review and approve transfers.

3. **Improve Performance of CARS to CFIRS Reconciliations: This is a Repeat Finding.** DGIF is not performing all reconciliations required by Section 20900 of the CAPP manual. DGIF is currently only reconciling expenses recorded in the Comprehensive Financial Information and Reporting System (CFIRS) system to CARS monthly. DGIF does not reconcile revenues, cash, or any other accounts that are first recorded in the CFIRS system to CARS. CARS is the official accounting system of the Commonwealth and as such, agencies must reconcile all internal agency financial systems to CARS monthly.

The CAPP manual mandates that agencies reconcile all general ledger accounts by agency, fund, and program. The Department of Accounts (DOA) relies on these reconciliations to compile data for statewide reporting. Failure to reconcile, to CARS, all general ledger accounts recorded in agency internal systems can cause amounts used for statewide reporting to be incorrect. DGIF does not have policies and procedures for performing reconciliations. Because DGIF does not reconcile revenues, the APA was unable to determine whether DGIF properly recorded revenues collected in CARS and the internal financial system.

DGIF should develop reconciliation policies and procedures and perform reconciliations of all accounts as mandated by the CAPP manual. Due to the issues noted in the findings entitled “Improve Timeliness and Accuracy of Revenue Redistribution” and “Improve Timeliness and Accuracy of Revenue Transfers to Other Agencies,” DGIF should make developing procedures and reconciling revenues its first priority.

4. **Improve Database Security:** DGIF does not secure one of its databases that supports an internet-facing application and that stores sensitive citizen information, such as social security numbers and drivers’ license numbers, in accordance with the Commonwealth’s Information Security Standard and industry best practices.

The APA review noted six areas of weakness that they communicated in detail to management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia, due to their sensitivity and description of security controls. The absence of these controls weakens DGIF’s security posture and increases the risk that data is compromised, is changed, or becomes unavailable.

The APA recommends that DGIF implement the controls discussed in the APA recommendation in accordance with the current Commonwealth’s Information Security Standard and industry best practices, such as those published by the Center for Internet Security.

5. **Improve Internal Controls over System Access: This is a Repeat Finding.** DGIF does not maintain documentation of the original approval of eVA and Voucher system access, which includes the type of access requested and proof of the employee’s understanding of the limits of their access. 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. The lack of a review process has directly caused untimely

deletion of CARS access for two employees, the longest of which was twelve months after the employee's departure.

DGIF could not provide original Acceptable Use forms for two of four new eVA users and Network Access forms for five of the nine Voucher system users. To obtain access to eVA and Voucher, DGIF's policies and procedures require an Acceptable Use form and a Network Access form, respectively. DGS also mandates that eVA Acceptable Use forms be signed by employees prior to access being given. Both forms provide formal approval to the system and delineate the type of access requested and granted.

The Commonwealth's Information Security Standard SEC 501 Section 5.2.2 requires that requests for access to internal and external agency information technology (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 ensure that employees with system access sign the applicable forms prior to being given access and maintain documentation of the original access approval for all systems. DGIF is in the process of implementing periodic reviews of those with access to all systems; however, this was not in place during the audit period. DGIF should continue with the implementation of this process to ensure that system access is appropriate, reflects proper segregation of duty, and is based on employee's need for access to fulfill their job function.

Public Safety

Department of Alcoholic Beverage Control (ABC)

1. Continue to Improve IT Governance Model and IT Project Prioritization Processes: **This is a Repeat Finding.** The Department of Alcoholic Beverage Control's (ABC) business process owners have not been adequately involved in the development, planning, and requirements gathering processes of ABC's ongoing information technology (IT) projects. The lack of involvement by business process owners has resulted in an environment in which ABC's IT function is leading the business, rather than being incorporated to achieve ABC's business strategy and goals.

ABC's IT strategic plan does not consistently link to its current project listing or project tracking matrix. The APA also found that numerous projects have conflicting project sponsors, leading to ambiguous accountability among ABC's project managers. The lack of project prioritization among IT initiatives is a primary factor preventing ABC's IT governance model from moving from a reactive state to a proactive and strategic environment. Additionally, ABC's IT project prioritization methodology does not include or consider information security and corrective action plans from previous audits.

During the course of the APA audit, control deficiencies were identified indicative of the weaknesses in ABC's current IT governance model and project prioritization process. The specific elements of these deficiencies have been communicated to management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia, but are summarized as follows:

- *Database Security*, as noted in the finding "Improve Database Security," is not adequately implemented for several of ABC's mission critical systems.
- *Risk, Continuity, and Disaster Recovery Management Plans* continue to remain incomplete for ABC software applications that contain confidential and mission critical data.
- *User Access Reviews* across systems are not performed and used to assess and correct potential concerns regarding inappropriate segregation of duties.
- *Change Control Management* policies and procedures do not include requirements to update operating documentation, user procedures, or system documentation after changes are implemented in the IT environment.

The APA recommends that ABC position business process owners to take ownership in the IT project prioritization process. The APA also recommends that ABC business owners become more actively involved in the IT project planning and requirements gathering processes. This will enable ABC's IT governance model to continue to improve and properly align with ABC's business strategy and goals. Additionally, the APA recommends that ABC dedicate the necessary resources to rectify the specific control deficiencies identified above and communicated to management.

2. Improve Database Security: ABC does not adequately protect its Oracle databases that support mission critical applications and store sensitive information. Inadequate Oracle security controls can create vulnerabilities that expose sensitive data to possible compromise and potential financial fraud.

The APA review noted six areas of weakness that have been communicated in detail to management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia, due to their sensitivity and description of security controls.

The weaknesses identified significantly weaken the layered controls protecting the confidential and mission critical agency data. The APA recommends that ABC implement the controls discussed in the recommendation in accordance with the current Commonwealth Information Security Standard and industry best practices, such as those published by the Center for Internet Security.



Additional Recommendations – Quarter Ended December 31, 2013

The APA issued two Additional Recommendations.

One Audit Report containing a “Risk Alert.”

Department of Game and Inland Fisheries (DGIF) for the period
July 1, 2011 through December 31, 2012

One Other Report containing a “Matter for Board Consideration.”

Virginia Biotechnology Research Partnership Authority for the year ended June 30, 2013

Special Reports – Quarter Ended December 31, 2013

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

Department of Medical Assistance Services Vulnerability Assessment and Network
Penetration Test as of October 2013

Report to the Joint Legislative Audit and Review Commission for the quarter July 1, 2013
through September 30, 2013 – (1)

Review of the Management Agreement between CGI and the Department of Taxation –
November 2013

Review of Retail Sales and Use Tax Collection and Distribution Processes – September
2013

2013 State of Information Security in the Commonwealth of Virginia

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

General Assembly, Legislative Agencies, and Commissions of the Commonwealth of
Virginia Financial Report for the year ended June 30, 2013 – (2)

Revenue Stabilization Fund Calculations for the year ended June 30, 2013

Other Audit Reports Received – Quarter Ended December 31, 2013

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

Virginia Retirement System for the year ended June 30, 2013

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

Fort Monroe Authority for the year ended June 30, 2013 – (3)

Old Dominion University Intercollegiate Athletics Programs for the year ended June 30, 2013

State Corporation Commission for the year ended June 30, 2013.

Virginia Board of Bar Examiners for the year ended June 30, 2013

Virginia College Savings Plan for the year ended June 30, 2013

Virginia Commercial Space Flight Authority for the year ended June 30, 2013 – (4)

(1) The General Assembly, Legislative Agencies, and Commissions of the Commonwealth of Virginia Financial Report is a summary to JLARC of findings / recommendations included in all APA reports issued only during this quarter.

(2) This audit was performed by Robinson, Farmer, Cox Associates and the audit report provided to the APA.

(3) The Fort Monroe Authority audit was performed by Cherry Bekaert LLP and the audit report provided to the APA.

(4) The Commercial Space Flight Authority audit was performed by Dixon Hughes Goodman LLP and the audit report provided to the APA.



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				
Department of General Services	0	1	0	0
State Board of Elections	0	1	0	0
Commerce and Trade				
Virginia Employment Commission	0	1	0	1
Education				
Christopher Newport University	1	0	0	0
The College of William and Mary in Virginia	1	0	0	0
Norfolk State University	1	3	4	0
Virginia Community College System	0	0	3	0
Central Virginia Community College	0	1	3	0
Dabney S. Lancaster Community College	0	0	1	0
Danville Community College	1	0	1	0
Germanna Community College	0	0	2	0
Northern Virginia Community College	0	0	1	0
Patrick Henry Community College	0	0	2	0
Paul D. Camp Community College	0	0	5	0
Tidewater Community College	0	0	3	0
Virginia Highlands Community College	0	0	1	0
Virginia Western Community College	0	0	1	0
Virginia Military Institute	0	0	1	0
Virginia Museums				
Frontier Culture Museum of Virginia	0	2	0	0
Gunston Hall	0	0	4	0
Jamestown-Yorktown Foundation	0	0	3	0
Virginia School for the Deaf and Blind	2	0	2	2
Virginia State University	1	0	0	0
Finance				
Department of the Treasury	0	0	1	0

	IN PROGRESS		COMPLETED	
	On Schedule	Delayed	On Schedule	Delayed
Health and Human Resources				
Department of Health	0	1	0	0
Department of Medical Assistance Services	0	1	0	0
Department of Social Services	5	1	1	0
Natural Resources				
Department of Game and Inland Fisheries	0	1	0	0
Public Safety				
Department of Alcoholic Beverage Control	0	1	0	1
Department of Corrections	1	1	1	0
Department of State Police	2	0	0	0
Virginia Department of Emergency Management	5	0	0	0
Technology				
Virginia Information Technologies Agency	0	0	0	1
Transportation				
Department of Motor Vehicles	0	3	0	1
Department of Rail and Public Transportation	1	0	0	0
Department of Transportation	0	1	0	0
TOTALS	21	19	40	6



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
<u>Department of General Services (DGS)</u>				
2012	12-01 10-02	Improve Application Controls. This is a Repeat Finding.	The new PeopleSoft upgrade was put into production in Sept. 2013. The DGS is currently addressing some issues that were identified in user final testing.	In Progress (Delayed)
<u>State Board of Elections (SBE)</u>				
2012	12-01 10-02 08-02	Improve Information Systems Security Program. This is a Repeat Finding.	The SBE contracted with Impact Makers to complete the Business Impact Analysis and the System Sensitivity Classification.	In Progress (Delayed)
<u>Virginia Employment Commission (VEC)</u>				
2012	12-02 11-02	Follow Timekeeping and Payroll Procedures. This is a Repeat Finding.	The VEC overtime policy was revised. Human Resources (HR) will continue to remind management of required procedures.	Completed (Delayed)
2012	12-01 11-01	Resolve Employer Wage Discrepancies Timely. This is a Repeat Finding.	This finding was reissued by APA for FY 2013.	In Progress (Delayed)
<u>Christopher Newport University (CNU)</u>				
2012	12-01	Improve eVA Internal Controls and Compliance	CNU has implemented measures to ensure compliance with the requirements in the Security Standards regarding certifications, quarterly monitoring and	In Progress (On Schedule)

annual audits. Policies and procedures will be updated by January 31, 2014.

The College of William and Mary in Virginia (CWM)

2012	12-01	Improve the Financial Reporting Process	Business requirements for the Richard Bland College (RBC) trial balance download have been provided to IT. A draft of FY end closing manual is in process.	In Progress (On Schedule)
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Norfolk State University (NSU)

2011	11-01	Address Inadequate Staffing and Organizational Structure: <i>This is a Material Weakness and a Repeat Finding.</i>	The reorganization is complete and staffing is underway.	In Progress (Delayed)
	11-02	Develop and Implement Policies and Procedures: <i>This is a Material Weakness.</i>	Policies and Procedures training has been scheduled and is underway.	In Progress (On Schedule)
	11-03	Improve Year-end Financial Reporting Process: <i>This is a Material Weakness.</i>	The NSU financial staff has been trained on the use and application of Colleague Financials report writer Synoptix.	Completed (On Schedule)
	11-04	Properly Maintain Documentation for Audit: <i>This is a Material Weakness.</i>	The NSU is maintaining both a hard and soft copy of all appropriate documents in designated areas.	Completed (On Schedule)
	11-05	Properly Perform Reconciliations of Bank Accounts and Accounting System: <i>This is a Material Weakness and a Repeat Finding.</i>	A Financial Reporting manager was hired with staffing to conduct complete reconciliations.	Completed (On Schedule)
	11-06 10-01	Correct Deficiencies in Fixed Asset Management Program: <i>This is a Material Weakness and a Repeat Finding.</i>	The NSU is in the process of selecting a vendor to conduct an inventory.	In Progress (Delayed)
	11-07	Perform Internal Control Risk Assessment Procedures: <i>This is a Material Weakness.</i>	A work plan has been created to address internal control risk assessments. Policies and procedures will be updated before testing.	In Progress (Delayed)

11-08	Properly Calculate and Return Title IV Funds	New procedures were developed and implemented.	Completed (On Schedule)
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Virginia Community College System (VCCS) Central Office

2012	12-01	Improve Segregation of Duties within AIS PeopleSoft. This is a Repeat Finding.	The Systems Office has taken the steps to improve segregation of duties within AIS and provided the colleges the ability to monitor for inappropriate activity.	Completed (On Schedule)
	12-02	Deactivate User Access Promptly Upon Employee Termination	Purchasing and HR refined the workflow for employee termination process to ensure access is deactivated within 24 hours.	Completed (On Schedule)
	12-03	Improve Policies, Procedures, and Financial Reporting over Accounts Receivable	The System Office has modified the year-end financial statement checklist where each college confirms that an allowance for doubtful accounts has been calculated.	Completed (On Schedule)

Central Virginia Community College (CVCC)

2012	12-01	Reconcile Financial Aid Activity to Direct Loan Servicing System (DLSS)	The CVCC accounting records are reconciled to the DLSS and Common Origination and Disbursement (COD) system on a monthly basis.	Completed (On Schedule)
	12-02	Improve Reporting to National Student Loan Data System (NSLDS)	Fall 2011 graduates were accurately reported to the DOE using NSLDS. However, the CVCC did not report those students receiving certificates per APA.	In Progress (Delayed)
	12-03	Improve Reporting of Pell Grant Disbursements	Policies and Procedures have been reinforced to staff to ensure all disbursements are reported to the COD System within 30 days of disbursement.	Completed (On Schedule)

12-04	Properly Calculate and Return Title IV Funds	Funds were returned to the DOE for students calculated incorrectly in Spring 2012. The process has since been improved to be in compliance with federal regulations.	Completed (On Schedule)
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Dabney S. Lancaster Community College (DSLCC)

2012	12-01	Improve Internal Controls over AIS Security Review	Organizational changes to improve the Annual Security Review have been implemented.	Completed (On Schedule)
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Danville Community College (DCC)

2012	12-01	Improve Internal Controls over AIS Security Review	The DCC will conduct an annual security review in accordance with VCCS IT Security Standard 11.2.4.	Completed (On Schedule)
	12-02	Improve Policies, Procedures, and Financial Reporting over Accounts Receivable	Policies and procedures for receivables will be updated to include the methodology used to establish an allowance for doubtful accounts and determine the write-off of uncollectable accounts.	In Progress (On Schedule)

Germanna Community College (GCC)

2012	12-01	Reconcile Financial Aid Activity to Direct Loan Servicing System	The monthly reconciliation of financial records to the School Account Statement (SAS) files has been implemented to ensure the DLSS is accurate.	Completed (On Schedule)
	12-02	Properly Calculate and Return Title IV Funds	The GCC Financial Aid Office has improved procedures to ensure the proper identification, calculation and return of the Title IV funds.	Completed (On Schedule)

Northern Virginia Community College (NVCC)

2012	12-01 11-02	Deactivate User Access Promptly Upon Employee Termination. This is a repeat finding.	An automated termination process using workflow and print outs to ensure all systems accesses are deactivated and school property is returned before termination.	Completed (On Schedule)
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Patrick Henry Community College (PHCC)

2012	12-01	Deactivate User Access Promptly Upon Employee Termination	The Purchasing Officer will be informed by HR and IT when employees terminate.	Completed (On Schedule)
	12-02	Improve Policies, Procedures, and Financial Reporting over Accounts Receivable	PHCC has developed and implemented policies and procedures to ensure receivables are accurately reported.	Completed (On Schedule)

Paul D. Camp Community College (PDCCC)

2012	12-01	Improve Control Environment	Policies and procedures have been revised, documented, and reviewed and monitored by division managers and senior management. Cross training between Financial Aid and the Business Office is complete.	Completed (On Schedule)
	12-02	Reconcile Federal Funds Accounts	The new Business Manager reconciles the federal funds bank account to the colleges records on a monthly basis. This reconciliation is reviewed by senior management.	Completed (On Schedule)
	12-03	Reconcile Federal Activity Reports to Account Records	The Federal G5 reports are reconciled to the college's accounting records monthly. This reconciliation is documented and reviewed.	Completed (On Schedule)
	12-04	Ensure Use of Appropriate Cost of Attendance	The 2011-2012 cost of attendance has been corrected and 2012-2013 cost of attendance has been verified. The procedures have been reviewed and amended to ensure the student information system is updated each year.	Completed (On Schedule)
	12-05	Properly Calculate and Return Title IV Funds	The 2011-2012 unearned Title IV funds have been returned to the Department of Education (DOE). New procedures	Completed (On Schedule)

to ensure proper identification, calculation, and the return of Title IV funds have been implemented.

Tidewater Community College (TCC)

2012	12-01	Deactivate User Access Promptly Upon Employee Termination	The College has implemented an employee termination notification process to inform other divisions timely and verify termination information.	Completed (On Schedule)
	12-02	Improve Controls over Processing Wage Employment and Termination Processes	A process is in place to support the authorization and documentation necessary to hire wage employees. HR processes were also updated to better address the termination process.	Completed (On Schedule)
	12-03	Obtain and Review Sub-Recipient Audit Reviews	A-133 audits of sub-recipients are obtained and evaluated to satisfy the compliance requirements for federal fund management.	Completed (On Schedule)

Virginia Highlands Community College (VHCC)

2012	12-01	Reconcile Federal Funds Accounts	Current reconciliation polices have been reinforced to staff to ensure reconciliations are performed and reviewed monthly.	Completed (On Schedule)
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Virginia Western Community College (VWCC)

2012	12-01	Deactivate User Access Promptly Upon Employee Termination	An email notification process is implemented to notify departments when a termination occurs.	Completed (On Schedule)
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Virginia Military Institute (VMI)

2012	12-01	Ensure Termination Procedures are Followed	Policies and procedures have been developed to ensure supervisors submit appropriate documentation when an employee is terminated.	Completed (On Schedule)
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Frontier Culture Museum of Virginia (FCMV)

2011	11-01	Improve Revenue Projection Reporting	No Corrective Action Workplan has been received for this audit.	In Progress (Delayed)
	11-02	Improve Small Purchase Charge Card Internal Controls	No Corrective Action Workplan has been received for this audit.	In Progress (Delayed)

Gunston Hall (GH)

2011	11-01	Improve Expenditure Review and Documentation	Additional safeguards regarding documentation and expenditure reviews have been implemented.	Completed (On Schedule)
	11-02	Improve Non-General Funds Revenue Estimations	The GH worked with DPB to establish a reasonable figure for receipts of non-general funds and has submitted a budget request to have the number adjusted in the upcoming budget cycle.	Completed (On Schedule)
	11-03	Establish Memorandum of Agreement for Human Resources Program Assistance	Management has chosen to continue consulting with the Department of Human Resource Management (DHRM) and obtaining data entry services on an as needed basis.	Completed (On Schedule)
	11-04	Improve Internal Controls over Revenue Collection and Deposit Processes	Controls have been implemented regarding revenue collection and depositing.	Completed (On Schedule)

Jamestown-Yorktown Foundation (JYF)

2011	11-01	Improve Information Security Standard Compliance. This is a Repeat Finding.	The JYF will review and maintain access authorization documents.	Completed (On Schedule)
	11-02	Improve Documentation of Reconciliations and Reviews	Procedures have been established to have both preparer and reviewer sign and date reconciliations.	Completed (On Schedule)
	11-03	Improve Payroll Certification Processes	New payroll procedures have been developed using the Payroll Service Bureau.	Completed (On Schedule)

Virginia School for the Deaf and Blind (VSDB)

2012	12-01	Strengthen Internal Controls Over Capital Asset Useful Life Methodologies. This is a Repeat Finding.	A procedure for evaluating the useful life of fixed assets has been developed. The school set up nomenclature codes for assets specific to VSDB.	Completed (Delayed)
2010	10-03			
	12-02	Maintain a Positive Control Environment	The VSDB will ensure that regulations regarding purchases, specifically VITA purchases will occur according to State Regulations.	Completed (On Schedule)
	12-03	Develop and Implement an Information Security Program and Improve Firewall Management	The information security program has been implemented. The firewall implementation is in progress.	In Progress (On Schedule)
	12-04	Improve Construction Contract Accounting. This is a Repeat Finding.	CAPP spreadsheets using Construction in Progress (CIP) is complete. New procedures to review invoices as a part of contract management have been implemented.	Completed (Delayed)
	12-05	Improve Reconciliation Processes	Written policies regarding the CARS and FAACS reconciliations have been developed. Also, reconciliations are currently being reviewed.	Completed (On Schedule)
	12-06	Properly Record School Revenues	VSDB to reach out to DOA and DPB for insight on properly coding revenues.	In Progress (On Schedule)

Virginia State University (VSU)

2012	12-01	Ensure Compliance with Title III Endowment Investments Restrictions	The VSU will begin divesting all Title III endowment funds from its current investment manager.	In Progress (On Schedule)
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Department of the Treasury (TD)

2012	12-01	Create Information Security Review Plan	Treasury submitted a 3 year IT Security plan to VITA which VITA approved.	Completed (On Schedule)
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Department of Health (DOH)

2011	11-01 10-01	Use System Capabilities to Ensure Proper Service Delivery	VDH rolled out the Crossroads pilot in the Crater Health District for November 18, 2013. Pilot will be rolled out in other regions between March 2014 and May 2014.	In Progress (Delayed)
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Department of Medical Assistance Services (DMAS)

2012	12-01	Address Findings in Internal Audit Report	Six of the seven findings have been completed. The one remaining: Update contingency plan documents, is scheduled to be completed in Spring 2014.	In Progress (Delayed)
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Department of Social Services (DSS)

2012	12-02	Create and Implement a Change Management Process for Sensitive Applications. Material Weakness Component.	A change management plan is in place per DSS. Corrective actions not fully complete per APA which reissued the finding in their FY 2013 audit.	In Progress (Delayed)
	12-04	Perform Risk Assessment and Develop a Monitoring Plan Before Hiring more Staff	Monitoring plan is implemented. Complete per APA.	Completed (On Schedule)
	12-06 11-01 10-01 09-06	Further Evaluate Automating the OASIS Reconciliation Process	On-site compliance reconciliations will begin in January 2014.	In Progress (On Schedule)
	12-07	Develop Policies for Adjusting Title IV-E Foster Care Errors	Work continues on OASIS data integrity (clean-up).	In Progress (On Schedule)
	12-09	Continue Using Performance Information to Evaluate Policy Changes	The number of overdue renewals continues to decline.	In Progress (On Schedule)
	12-11	Work with Federal Government to Eliminate likely Questions Costs in the Future	Staff continues to provide technical assistance to local agencies to ensure household composition rules are followed.	In Progress (On Schedule)

12-12		Use Card Replacement Information to Evaluate Risk and Recommend Policy Decisions	Awaiting FNS final rules that allow states to establish card replacement thresholds.	In Progress (On Schedule)
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Department of Game and Inland Fisheries (DGIF)

2011	11-02 10-03	Improve Internal Controls over System Access. This is a Repeat Finding.	Policies and procedures will be developed to improve system access controls with automated controls replacing manual processes when possible.	In Progress (Delayed)
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Department of Alcoholic Beverage Control (ABC)

2012	12-02	Update IT Risk Management and Contingency Plans	Progress made, presented updates to Chuck Ross, development still underway.	In Progress (Delayed)
2011	11-02	Improve Remote Store Server Security	Security concerns and access have been addressed.	Completed (Delayed)

Department of Corrections (DOC/CA)

2012	12-01	Improve Information Security Program	DOC will: 1. Build risk assessments for phones, e-mail, and network services. 2. Contract with VITA to conduct application vulnerability scanning. 3. Work on various Trading Partner Agreements.	In Progress (Delayed)
	12-02	Improve Internal Controls over Voyager Fuel Cards	Several internal control enhancements have been implemented regarding the Voyager Fuel Cards.	Completed (On Schedule)
	12-03	Properly Identify and Remove System Access for Terminated Employees	The DOC is developing a list of all accesses per employee to be used to track employee access and termination.	In Progress (On Schedule)

Department of State Police (VSP)

2011	11-01	Upgrade Unreliable and Unsupported Infrastructure Devices	VSP and VITA are working on the final version of the proposed contract amendment.	In Progress (On Schedule)
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11-02 09-03	Upgrade Database System Software. This is a Repeat Finding.	LEAMS is approaching final development and continues to be implemented. Efforts to replace remaining legacy technologies are on hold due to lack of funding.	In Progress (On Schedule)
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Department of Emergency Management (DEM)

2012	12-01	Evaluate Petty Cash Needs and Strengthen Controls	An updated Corrective Action Workplan has not been received since 08/09/2013.	In Progress (On Schedule)
	12-03	Improve Information System Access Controls	An updated Corrective Action Workplan has not been received since 08/09/2013.	In Progress (On Schedule)
	12-04	Improve Controls over Fuel Card Management	An updated Corrective Action Workplan has not been received since 08/09/2013.	In Progress (On Schedule)
	12-05	Follow FMS to CARS Reconciliation Procedures	An updated Corrective Action Workplan has not been received since 08/09/2013.	In Progress (On Schedule)
	12-06	Strengthen Procedures Over the Virginia Disaster Relief Fund	An updated Corrective Action Workplan has not been received since 08/09/2013.	In Progress (On Schedule)

Virginia Information Technologies Agency (VITA)

2011	11-01	Review Statewide IT Contracts	Implementation is complete and orders will be placed against the new contract.	Completed (Delayed)
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Department of Motor Vehicles (DMV)

2012	12-01 11-02	Improve Database Security. This is a Repeat Finding.	Definition of and successful testing of audit triggers to log applicable activity in development, testing and production.	In Progress (Delayed)
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12-02	Improve Information Technology Contingency and Disaster Recovery Plan Update Process	The rough drafts of the BIA and RA's are complete and COOP and DR are currently being worked on.	In Progress (Delayed)
12-03	Improve User Access Control Across Systems	DMV IT Security Office and Architecture staff will work with Partnership staff to take the steps to clean up the Directory, and develop a method to systematically review accounts on a periodic basis.	In Progress (Delayed)
12-04	Improve Web Application Security	Implementation of the Oracle upgrade complete. Finding resolved per APA.	Completed (Delayed)

Department of Rail and Public Transportation (DRPT)

2012	12-01	Improve Grants Monitoring and Management Processes	On-going monitoring continues using new procedures for FY14 grants cycle. Grantee handbook is pending performance metrics for allocating funding resulting from HB2313.	In Progress (On Schedule)
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Department of Transportation (VDOT)

	12-03	Improve Controls Supporting Davis-Bacon Act Compliance	Currently testing a Civil Rights Labor Management System that will assist VDOT to be more effective in monitoring payroll submissions.	In Progress (Delayed)
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Compliance Monitoring

Certification of Agency Reconciliation to CARS Reports

The Commonwealth Accounting and Reporting System (CARS) contains the Commonwealth's official accounting records. Therefore, State accounting policy requires that each agency reconcile its internal accounting records to CARS at least monthly and submit the results of the reconciliation via

the Certification of Agency Reconciliation to CARS Reports.

DOA closely monitors Certification status, evaluates exceptions, and posts correcting entries in CARS. Certifications for September and October were due 10/31/2013 and 12/6/2013 respectively.

Certifications Late or Outstanding

As of January 7, 2014

Agency	Sep	Oct
None		

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

Compliance with Comptroller's Directives

Annually, all agencies and higher education institutions are required to submit information pursuant to the Comptroller's financial statement directives. The data is integral to the successful completion of the

Commonwealth's Comprehensive Annual Financial Report (CAFR). For the FY 2013 reporting period, the following issues were noted.

Comptroller's Directive 1-13, *Directive Compliance Guidelines for State Agencies*

Department of Conversation and Recreation – reported inaccurate data in the Fixed Asset Accounting and Control System that required significant modifications to report appropriate balances in the CAFR.

Comptroller's Directive 2-13, *Directive Compliance Guidelines for Higher Education Institutions*

Norfolk State University – failed to submit the financial statement template and other related information.

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 December 31, 2013, all responses have been received within an acceptable timeframe, except as noted above.

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 December 31, 2013, no agencies failed to respond timely, make corrective action and/or provide additional information.

Trial Balance Review

As of December 31, 2013

Agency	Oct	Nov	Dec
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 December 31, 2013, no agencies failed to respond timely, make corrective action and/or provide additional information.

Credit Cash, Excess Expenditures, and Expenditure Credits

As of December 31, 2013

Agency	Oct	Nov	Dec
None			

Disbursement Processing

During the quarter ended December 31, 2013, DOA deleted, at the submitting agency's request, 17 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.

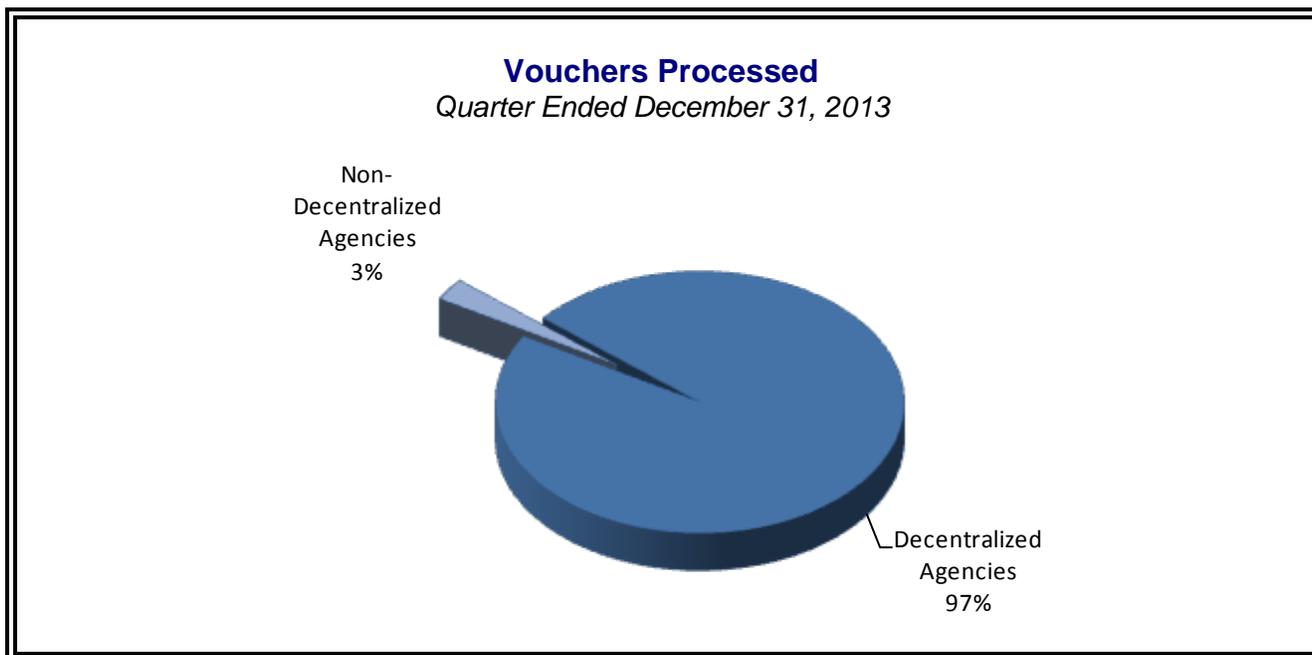
Fifteen separate agencies requested deletes during the quarter. For the quarter, ended December 31, 2013, no agency requested more than four vendor payment deletions.



Paperwork Decentralization

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

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



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

Decentralized Agencies

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

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

Although an agency's report may state that it "generally complies with the CAPP Manual" and not require a formal corrective action plan, most reports do contain some findings and recommendations. Agencies are strongly

encouraged to address these findings. Repeat occurrences of the same findings in future reviews may result in the agency having to prepare a formal corrective action plan.

Agencies are evaluated for compliance with the following sections of the Commonwealth Accounting Policies and Procedures CAPP Manual:

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

Agencies are generally selected each quarter using a systematic risk evaluation of all decentralized agencies. No reviews were completed for a decentralized agency during this quarter.

Compliant Agencies

N/A

Agencies Requiring Corrective Action

Corrective Actions Needed

N/A



Non-Decentralized Agencies

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

officers, for whom this additional safeguard is warranted.

During the quarter, DOA reviewed all non-decentralized agencies. A total of 905 non-travel disbursement batches and 407 travel disbursement batches were reviewed, disclosing nine 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 December 31, 2013		Fiscal Year 2014 To-Date		Comparative Quarter Ended December 31, 2012	
	Late	Total	Late	Total	Late	Total
Number of Payments	4,848	591,218	10,481	1,167,744	5,398	569,505
Dollars (in thousands) \$	23,937	\$1,528,868	\$53,283	\$3,287,132	\$ 47,985	1,559,254
Interest Paid on Late Payments				\$7,265		
Current Quarter Percentage of Payments in Compliance				99.2%		
Fiscal Year-to-Date Percentage of Payments in Compliance				99.1%		
Comparative Fiscal Year 2013 Percentage of Payments in Compliance				99.1%		



Prompt Payment Performance by Secretarial Area

Quarter Ended December 31, 2013

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.8%	99.0%
Agriculture and Forestry	99.7%	99.6%
Commerce and Trade	99.3%	99.7%
Education*	99.0%	98.4%
Executive Offices	99.7%	99.9%
Finance	99.9%	99.0%
Health and Human Resources	99.3%	99.4%
Independent Agencies	99.5%	99.8%
Judicial	99.9%	99.9%
Legislative	99.8%	99.2%
Natural Resources	98.9%	95.4%
Public Safety	99.4%	99.2%
Technology	99.1%	99.9%
Transportation*	99.2%	96.0%
Veterans Affairs and Homeland Security	99.5%	97.1%
Statewide	99.2%	98.4%

Prompt Payment Performance by Secretarial Area

Fiscal Year 2014

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.8%	99.4%
Agriculture and Forestry	99.8%	99.3%
Commerce and Trade	99.2%	99.5%
Education*	99.0%	98.3%
Executive Offices	99.7%	99.9%
Finance	99.8%	98.7%
Health and Human Resources	99.1%	98.5%
Independent Agencies	99.4%	99.8%
Judicial	99.9%	99.9%
Legislative	99.9%	99.3%
Natural Resources	98.9%	97.3%
Public Safety	99.4%	99.0%
Technology	99.3%	99.9%
Transportation*	99.1%	96.7%
Veterans Affairs and Homeland Security	99.5%	97.4%
Statewide	99.1%	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, and may include local payments. These agencies and institutions are decentralized for vendor payment processing.

For the quarter ended December 31, 2013, 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 December 31, 2013**

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
Education			
Frontier Culture Museum of Virginia	18	300	94.0%
Wytheville Community College	74	681	89.1%
Health and Human Resources			
Central Virginia Training Center	103	1,701	93.9%
Hiram W Davis Medical Center	24	439	94.5%
Independent Agencies			
Virginia Office for Protection and Advocacy	16	103	84.5%

For FY 2014, the following agencies that processed 200 or more vendor payments

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

**Prompt Payment Compliance Rate
Agencies Below 95 Percent
Fiscal Year 2014**

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
Education			
Wytheville Community College	102	1,373	92.6%
Health and Human Resources			
Central Virginia Training Center	206	3,590	94.3%
Independent Agencies			
Virginia Office for Protection and Advocacy	21	230	90.9%

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 December 31, 2013			Comparative Quarter Ended December 31, 2012
	E-Commerce	Total	Percent	Percent
	Number of Payments	2,512,839	2,899,650	86.7%
Payment Amounts	\$ 9,029,620,898	\$ 9,907,183,125	91.1%	88.5%
	Fiscal Year 2014 To-Date			Comparative Fiscal Year 2013 To-Date
	E-Commerce	Total	Percent	Percent
	Number of Payments	5,042,800	5,784,430	87.2%
Payment Amounts	\$ 18,086,537,685	\$ 19,996,065,971	90.5%	88.5%

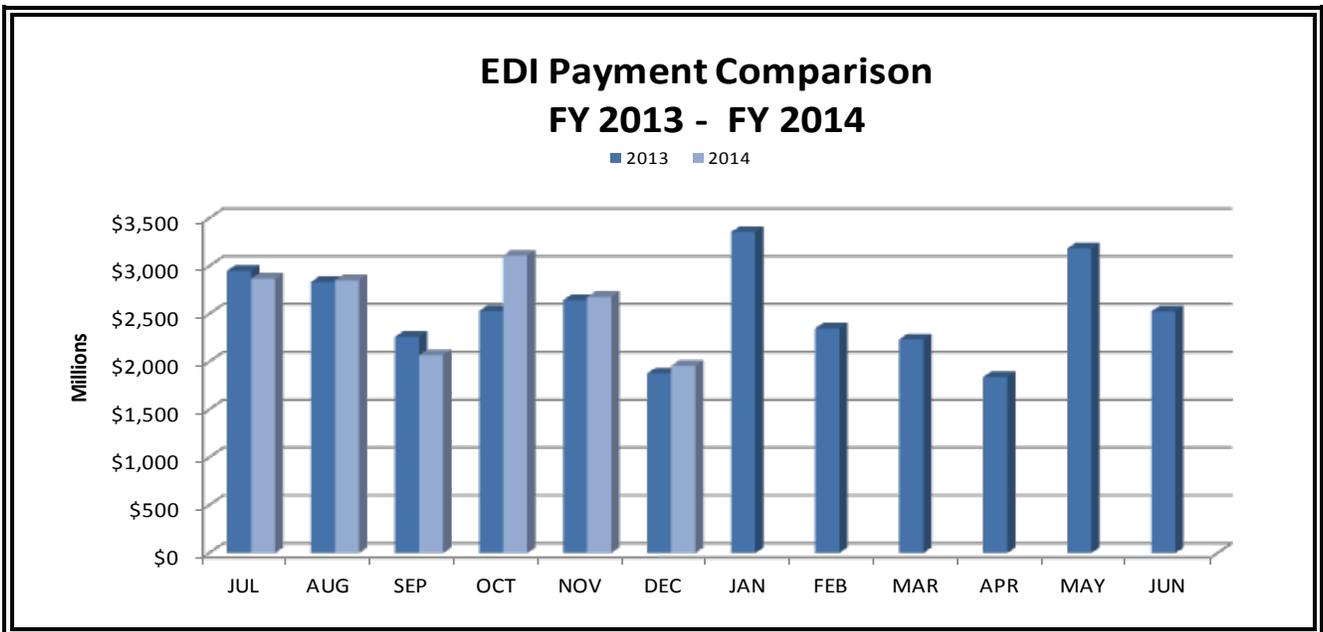
Financial Electronic Data Interchange (EDI)

The dollar volume of Financial EDI payments for the second quarter of FY 2014 was over \$691 million (10 percent) more than the same quarter last year. The number of trading partner accounts increased by 105 percent from December 2012. The increase is due to efforts to convert state employee travel reimbursements from checks to electronic payments. In February 2013, Department of

Accounts began a process efficiency that utilizes employee CIPPS banking for travel reimbursements. This increased the number of payments made via EDI and the number of trading partner accounts. 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 December 31, 2013	Fiscal Year 2014 To-Date	Comparative Fiscal Year 2013 To-Date
Number of Payments	69,362	132,808	120,705
Amount of Payments	\$ 7,745,289,234	\$ 15,537,134,571	\$ 15,101,171,802
Number of Invoices Paid	198,644	387,678	411,428
Estimated Number of Checks Avoided	109,383	212,812	204,858
Number of Trading Partner Accounts as of 12/31/13		131,170	63,992



Travel EDI

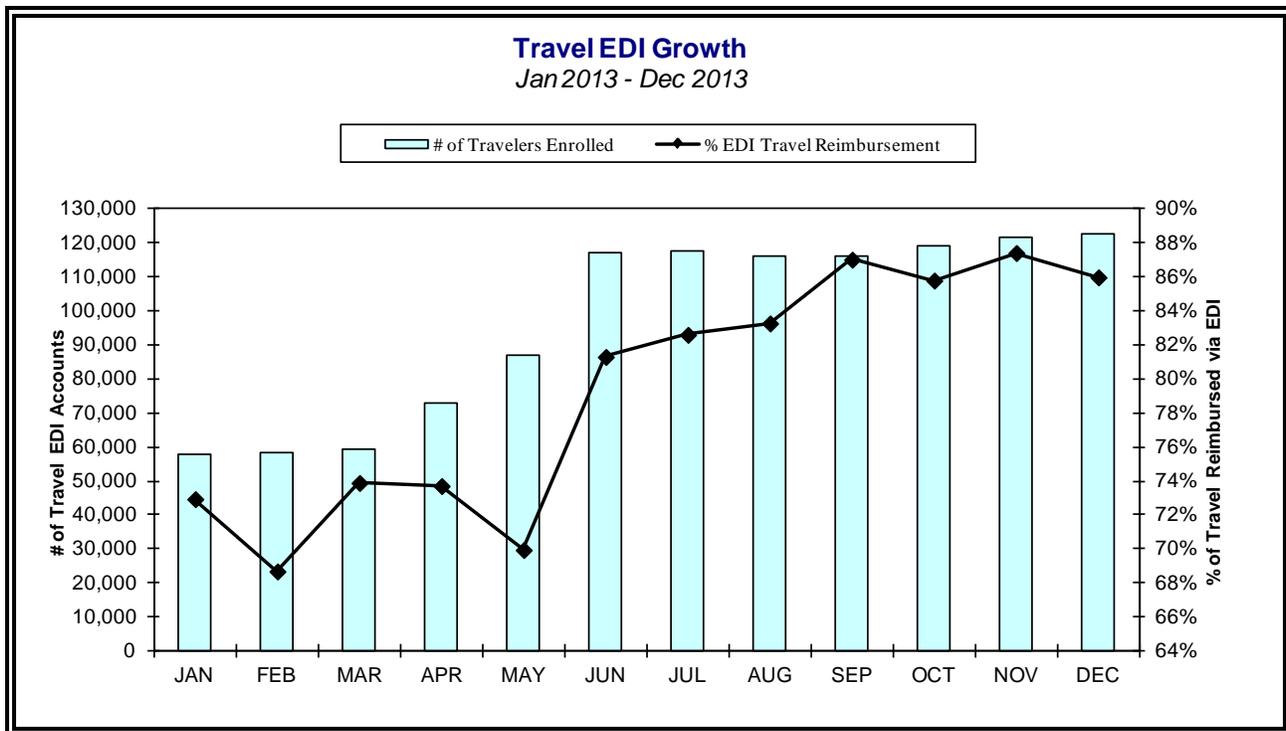
Expansion of the Travel EDI program is an integral part of the statewide effort to reduce the administrative costs associated with paying for goods and services for the Commonwealth. Per Chapter 806, 2013, Virginia Acts of Assembly §4-5.04 e.5. *State employees traveling on official business of state government shall be reimbursed for their travel costs using the same bank account authorized by the employee in which their net pay is direct deposited.*

DOA completed implementation of this change in May 2013. The change does not apply to employees whose net pay goes to an EPPI Card. Those employees should provide a bank account for travel reimbursements. Quarterly utilization statistics are provided to the EDI Coordinators of each agency in an

effort to identify areas where EDI can be expanded.

In accordance with §4-5.04 f. 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 2014, 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 December 31, 2013

Secretarial Area	Employee Percent	Non-Employee Percent	Reimbursement Checks Issued
Administration	98.2%	46.2%	18
Agriculture and Forestry	96.7%	9.4%	50
Commerce and Trade	97.3%	81.5%	75
Education (1)	94.9%	50.7%	895
Executive Offices	99.6%	0.0%	1
Finance (2)	99.4%	0.0%	4
Health and Human Resources	98.6%	29.6%	776
Independent Agencies	98.5%	17.2%	45
Judicial	92.4%	8.2%	1,206
Legislative	97.3%	49.0%	47
Natural Resources	98.5%	37.1%	63
Public Safety	96.9%	11.2%	431
Technology	99.4%	0.0%	15
Transportation (1)(2)	66.1%	66.7%	1,041
Veterans Affairs and Homeland Security	87.7%	31.7%	72
Statewide for Quarter	93.4%	32.7%	4,739
<i>Fiscal Year 2014 To-Date</i>			
Statewide	92.4%	30.6%	9,440
<i>Comparative Fiscal Year 2013 To-Date</i>			
Statewide	77.0%	26.4%	18,278

(1) Statistics do not include agencies and institutions decentralized for vendor payment processing.
 (2) Statistics include both travel and non-travel payments.

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

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

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

Agency	Percent	Reimbursement Checks Issued
Education		
Norfolk State University	69.6%	58
Public Safety		
Department of Emergency Management	71.5%	76
Transportation		
Department of Transportation	53.2%	1,022

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	9.7%	28
Education		
Virginia State University	6.3%	30
Longwood University	2.1%	46
Virginia Military Institute	0.0%	45
Health & Human Resources		
Virginia Board for People with Disabilities	9.9%	64
Department of Behavior Health and Development Services	7.6%	122
Judicial		
Circuit Courts	4.9%	327
Virginia State Bar	0.7%	281
Public Safety		
Department of Criminal Justice Services	2.7%	73
Department of Forensic Science	0.8%	124
Commonwealth's Attorneys' Services Council	0.0%	56

The following table lists agencies that have accumulated more than \$150 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 2014, the charge is \$5 per check. These statistics indicate noncompliance with §4-5.04f of the Appropriation Act which requires that all employees likely to travel more than twice per year be reimbursed for travel costs using electronic data interchange.

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

<u>Agency</u>	<u>Percent</u>	<u>Year-to-date Charges</u>
Transportation		
Department of Transportation	53.2%	\$425.00



Direct Deposit

During the second quarter of FY 2014, 535,920 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. All agencies have attained a salaried direct deposit performance rate of at least 98% and will be reported only if performance drops below that rate during the quarter.

Direct Deposit Performance by Secretarial Area

Quarter Ended December 31, 2013

<u>Secretarial Area</u>	<u>Direct Deposit % of Salaried Employees</u>	<u>Direct Deposit % of Wage Employees</u>
Administration	99.9%	100.0%
Agriculture and Forestry	99.4%	96.0%
Commerce and Trade	100.0%	100.0%
Education	99.9%	95.5%
Executive Offices	99.8%	68.8%
Finance	99.6%	96.0%
Health and Human Resources	99.6%	99.1%
Independent Agencies	99.7%	100.0%
Judicial	99.8%	89.9%
Legislative	99.7%	100.0%
Natural Resources	99.7%	97.6%
Public Safety	99.8%	98.7%
Technology	100.0%	100.0%
Transportation	100.0%	99.4%
Veterans Affairs and Homeland Security	99.2%	100.0%
Statewide	99.8%	96.7%
<i>Comparative</i>		
<i>Quarter Ended December 31, 2012</i>		
Statewide	99.4%	96.3%

Statewide Wage Direct Deposit Performance

Quarter Ended December 31, 2013

Wage Direct Deposit Participation	96.7%
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Wage Direct Deposit Below 90 Percent

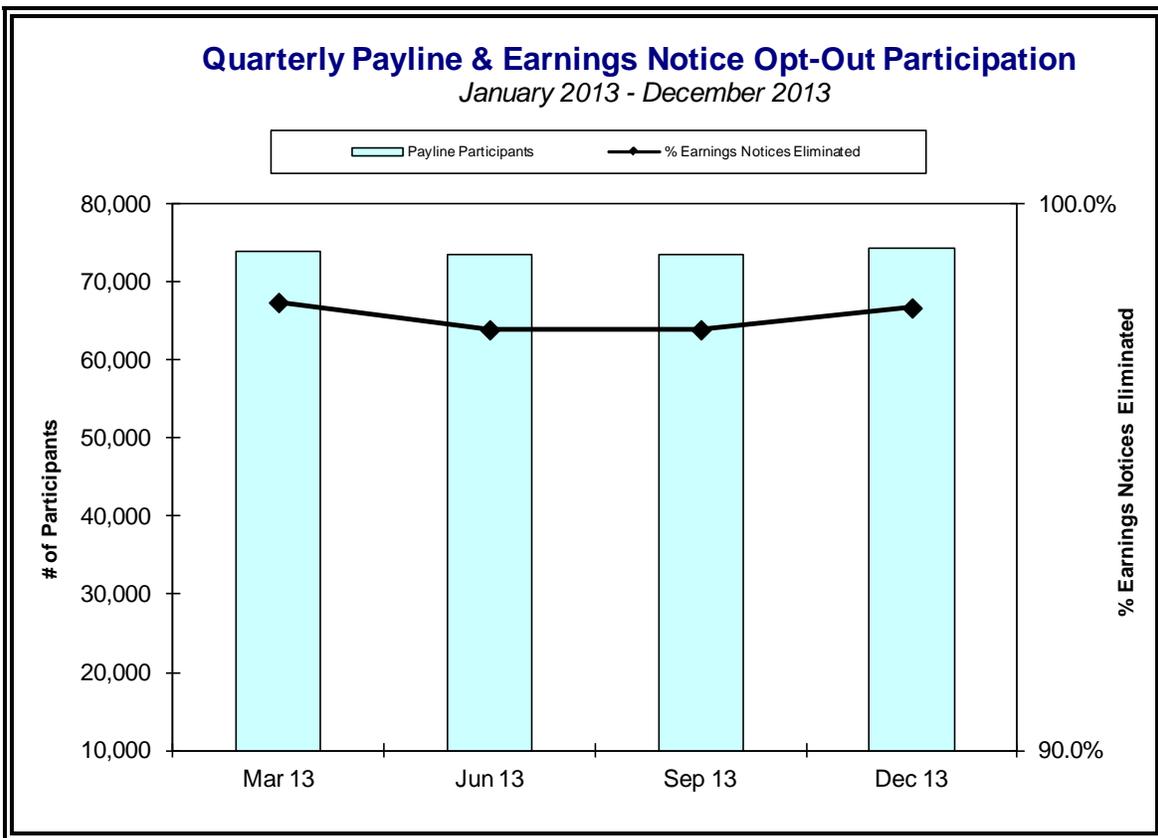
<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Education		
New River Community College	79.6%	167
Radford University	79.7%	1,047
Southwest Virginia Community College	81.0%	216
Virginia Highlands Community College	80.5%	241
Independent Agencies		
Executive Offices	60.0%	25
Judicial		
Combined District Courts	79.7%	14
General District Courts	71.4%	114



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 12,168,532 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 December 31, 2013

Secretarial Area	Percent Payline Participation	Percent Earnings Notices Eliminated*
Administration	99.3%	100.0%
Agriculture and Forestry	85.5%	88.0%
Commerce and Trade	98.3%	100.0%
Education	72.4%	98.6%
Executive Offices	91.6%	100.0%
Finance	99.8%	100.0%
Health and Human Resources	91.6%	98.2%
Independent Agencies	94.9%	100.0%
Judicial	87.9%	94.8%
Legislative	65.1%	74.5%
Natural Resources	85.4%	88.8%
Public Safety	90.7%	100.0%
Technology	97.8%	100.0%
Transportation	94.8%	100.0%
Veterans Affairs and Homeland Security	70.9%	69.7%
Statewide	86.0%	98.1%
<i>Comparative</i>		
<i>Quarter Ended December 31, 2012</i>		
Statewide	80.1%	98.2%

* 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, employees in specific units or all employees.

Most agencies elected a global opt-out in response to the January 1, 2009, mandate. As of December 31, 2013, the following agencies have not met the established goal of 90% for eliminating earnings notice print.

Earnings Notice Elimination

Agency	Percent Earnings Notices Eliminated QE 12/31/2013	Percent Earnings Notices Eliminated QE 09/30/2013
Agriculture and Forestry		
Department of Agriculture and Consumer Services	87.8%	82.8%
Department of Forestry	88.3%	90.8%
Education		
Eastern Shore Community College	60.0%	59.3%
Frontier Culture Museum of Virginia	54.2%	54.4%
Southwest Virginia Community College	72.3%	78.2%
Virginia Highlands Community College	58.4%	54.5%
Health and Human Resources		
Southeastern Virginia Training Center	25.4%	25.7%
Judicial		
Circuit Courts	80.5%	75.5%
Natural Resources		
Department of Conservation and Recreation	77.4%	56.4%
Marine Resources Commission	46.9%	49.0%
Veterans Affairs and Homeland Security		
Virginia Veterans Care Center	23.9%	23.5%



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.

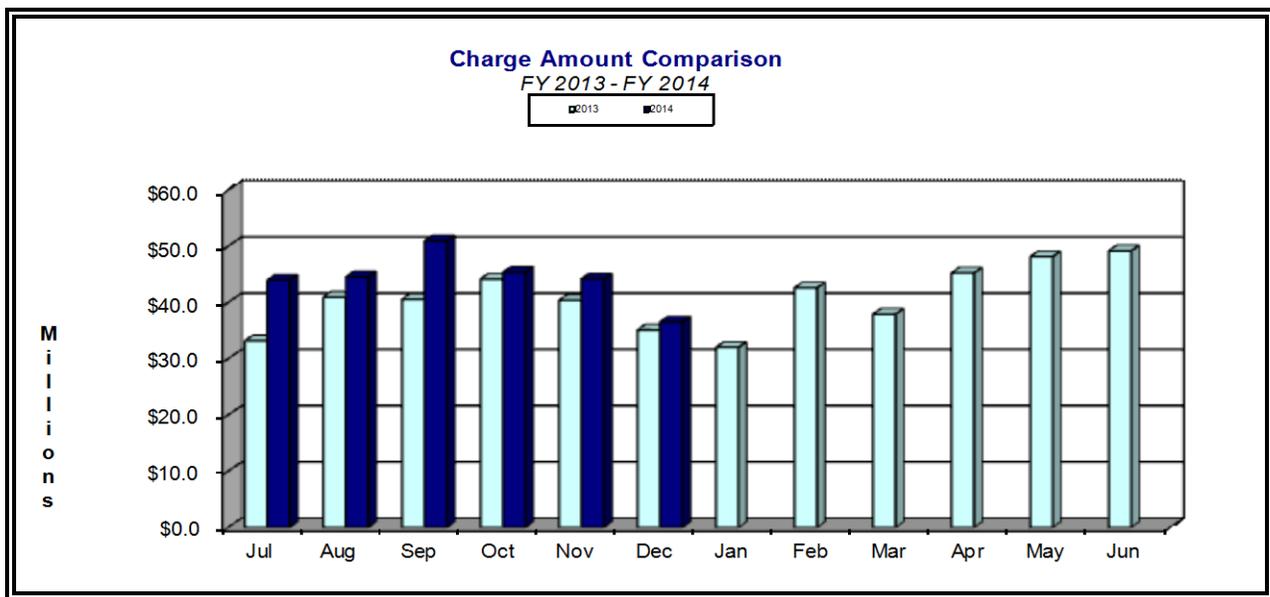
The Department of Accounts has a third charge card tool called ePayables. This program allows payments processed through CARS for vendors enrolled in the ePayables program to convert their payment to a card thus increasing the card program’s spend.

The total amount charged on SPCC, Gold and ePayables cards during the second quarter of FY 2014 increased by \$6.4 million or 5 percent from the same quarter last year.

Small Purchase Charge Card Program

Charge Card Activity	Quarter Ended December 31, 2013	Fiscal Year 2014 To-Date	Comparative Fiscal Year 2013 To-Date
Amount of Charges	\$ 126,040,273	\$ 265,467,328	\$ 234,304,694
Estimated Number of Checks Avoided	198,438	385,643	369,741
Total Number of Participating Agencies		202	208
Total Number of Cards Outstanding*		15,003	14,849

* Individual Liability Travel Charge Cards have been removed from the total Cards Outstanding counts for Fiscal Year-To-Date 2013 and 2014.



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 December 31, 2013

Percentage Utilization for Eligible Transactions

86%

SPCC Utilization by Secretarial Area

Quarter Ended December 31, 2013

<u>Secretarial Area</u>	<u>Payments in Compliance ⁽¹⁾</u>	<u>Non-Compliant Transactions ⁽²⁾</u>
Administration	87%	479
Agriculture and Forestry	94%	213
Commerce and Trade	81%	630
Education*	89%	4,894
Executive Offices	93%	68
Finance	97%	103
Health and Human Resources**	87%	4,538
Independent Agencies	79%	675
Judicial	41%	2,155
Legislative	95%	54
Natural Resources	92%	782
Public Safety	95%	2,045
Technology	51%	232
Transportation*	68%	8,900
Veterans Affairs and Homeland Security	95%	129
Statewide	86%	25,897

* 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	36%	543
Education		
Norfolk State University	51%	1,189
Thomas Nelson Community College	79%	213
Health and Human Resources		
Central Virginia Training Center	69%	320
Department for Aging and Rehabilitative Services	67%	1,955
Department of Behavioral Health and Development Services	73%	110
Northern Virginia Mental Health Institute	70%	222
Virginia Board for People with Disabilities	78%	15
Independent Agencies		
State Corporation Commission	78%	24
Virginia Retirement System	74%	129
Judicial		
Board of Bar Examiners	0%	27
Circuit Courts	0%	191
Combined District Courts	0%	199
General District Courts	0%	921
Juvenile and Domestic Relations District Courts	0%	462
Magistrate System	0%	106
Supreme Court	76%	147
Virginia Criminal Sentencing Commission	0%	18
Technology		
Virginia Information Technologies Agency	51%	232
Transportation		
Department of Motor Vehicles	77%	753
Department of Transportation	66%	8,104

SPCC and ATC Payment Compliance

Agencies and institutions participating in the Charge Card program are required to submit Bank of America VISA payments via EDI no later than the 7th of each month. Failure to pay the correct amount when due jeopardizes the Commonwealth’s contractual relationship with the charge card vendor and may result in suspension of an agency’s charge card program. Any agency that pays their bill late by more than two (2) business days is reported. For the month of October, this represents the bill date of October 15, 2013, with the payment due no later than November 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.

<u>Agency</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
<u>Purchase Card Program:</u>			
Administration			
Department of Human Resource Management		X	
Public Safety			
Department of Corrections-Institutions		X	
Wallens Ridge State Prison		X	
<u>Airline Card Program:</u>			
Education			
Dabney S. Lancaster Community College			X
Norfolk State University			X
Patrick Henry Communtiy College		X	
Independent Agencies			
State Corporation Commission			X



Travel Charge Card

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

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

The contract provides for the following actions on delinquent accounts:

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

The following table identifies the number of delinquent card accounts with Bank of America by agency during the quarter ended December 31, 2013, and the total amounts past due.

Travel Charge Card Program

As of December 31, 2013

<u>Agency</u>	<u>Total Delinquent Accounts</u>	<u>Amounts 60 Days Past Due</u>	<u>Amounts 90-120 Days Past Due</u>	<u>Amounts >150 Days Past Due</u>
Administration				
Department of General Services	1	495	0	0
Commerce and Trade				
Virginia Tourism Authority	1	753	0	0
Education				
James Madison University	2	1,122	0	0
Norfolk State University	6	1,274	0	0
Old Dominion University	2	551	0	0
The College of William and Mary in Virginia	1	172	0	0
University of Virginia	2	441	0	0
Virginia Military Institute	1	1,413	0	0
Virginia Polytechnic Institute and State University	3	437	0	0
Virginia State University	1	1,073	0	0
Virginia Western Community College	1	554	0	0
Health and Human Resources				
Department for Aging and Rehabilitative Services	1	16	0	0
Department for the Blind and Vision Impaired	1	267	0	0
Department of Health	2	295	62	0
Woodrow Wilson Rehabilitation Center	1	345	0	0
Independent Agencies				
State Corporation Commission	1	300	0	0
Public Safety				
Department of Juvenile Justice	1	17	0	0
Department of Corrections	1	267	0	0
Transportation				
Department of Motor Vehicles	2	504	0	0
Department of Transportation	1	789	0	0



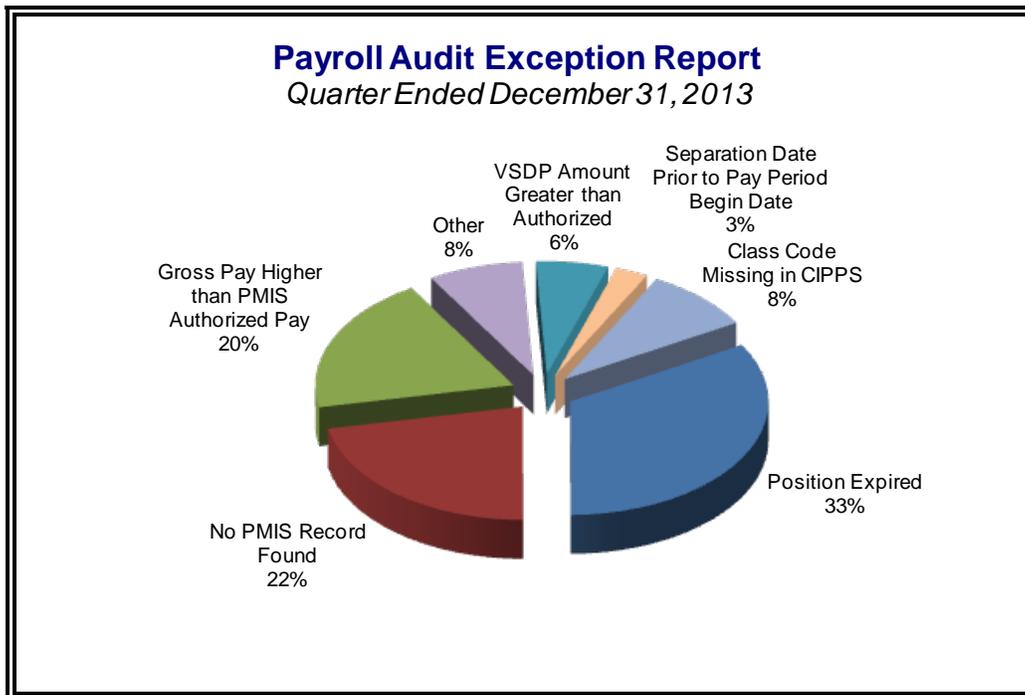
Payroll Controls

CIPPS/PMIS Payroll Audit

During the quarter, DOA's automated comparison of payroll (CIPPS) and personnel (PMIS) records examined 479,332 salaried pay transactions and 131,965 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 2,858 new exceptions noted statewide during the quarter, with an overall exception rate of 0.48%.

The statewide salaried payroll exception rate was 0.52% and the wage payroll exception rate was 0.31%. During this quarter, 25 employee paychecks were reduced to recover \$13,171.10 in overpayments.

While the largest cause of exceptions is the processing of payments to employees whose position expiration date has not been updated in PMIS, 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 December 31, 2013

<u>Agency</u>	<u># of Salaried Exceptions</u>	<u>Exceptions as a % of Salaried Payments</u>
Piedmont Virginia Community College	54	4.53%
Dabney S Lancaster Community College	14	2.77%

Total Salaried Payroll Exceptions for the Quarter	0.52%
--	--------------

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 December 31, 2013

Wage Payroll Exceptions for the Quarter	0.31%
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The following chart compares payroll exceptions as a percentage of wage payments by quarter for the past two years.



CIPPS/PMIS Exceptions

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

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

<u>Agency</u>	<u>Unresolved Exceptions</u>
<i>Education</i>	
Longwood University	3
Piedmont Virginia Community College	15
<i>Health & Human Resources</i>	
Southwestern Virginia Training Center	31
<i>Public Safety</i>	
Department of Juvenile Justice	1



Payroll Certification

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

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

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

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

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

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

Payroll Certification Compliance

Agency	Variance Amount (a)	Performed by DOA (b)	Submitted Late (c)	Corrected by DOA (d)
Education				
Blue Ridge Community College	\$ 23,371			
J. Sargeant Reynolds Community College	45,760			
New River Community College			4	
Piedmont Virginia Community College *	322			
Virginia State University	61,070			
Health and Human Resources				
Central State Hospital	50,829			
Transportation				
VDOT - Culpeper District	125,854			
VDOT - Staunton District *	1,049			

* Explanation for gross pay difference submitted late

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 September, October and November were due 10/31/2013, 11/30/2013 and 12/31/2013, respectively.

**Schedule of Health Care Reconciliations
Received Late**

<u>Agency</u>	<u>Sept</u>	<u>Oct</u>	<u>Nov</u>
Christopher Newport University	X		
Paul D. Camp Community College			X
Piedmont Virginia Community College	X		
Virginia Commonwealth University	U	U	U

* U – Reconciliation outstanding as of 12/31/2013

* X – Late



FINANCIAL MANAGEMENT ACTIVITY

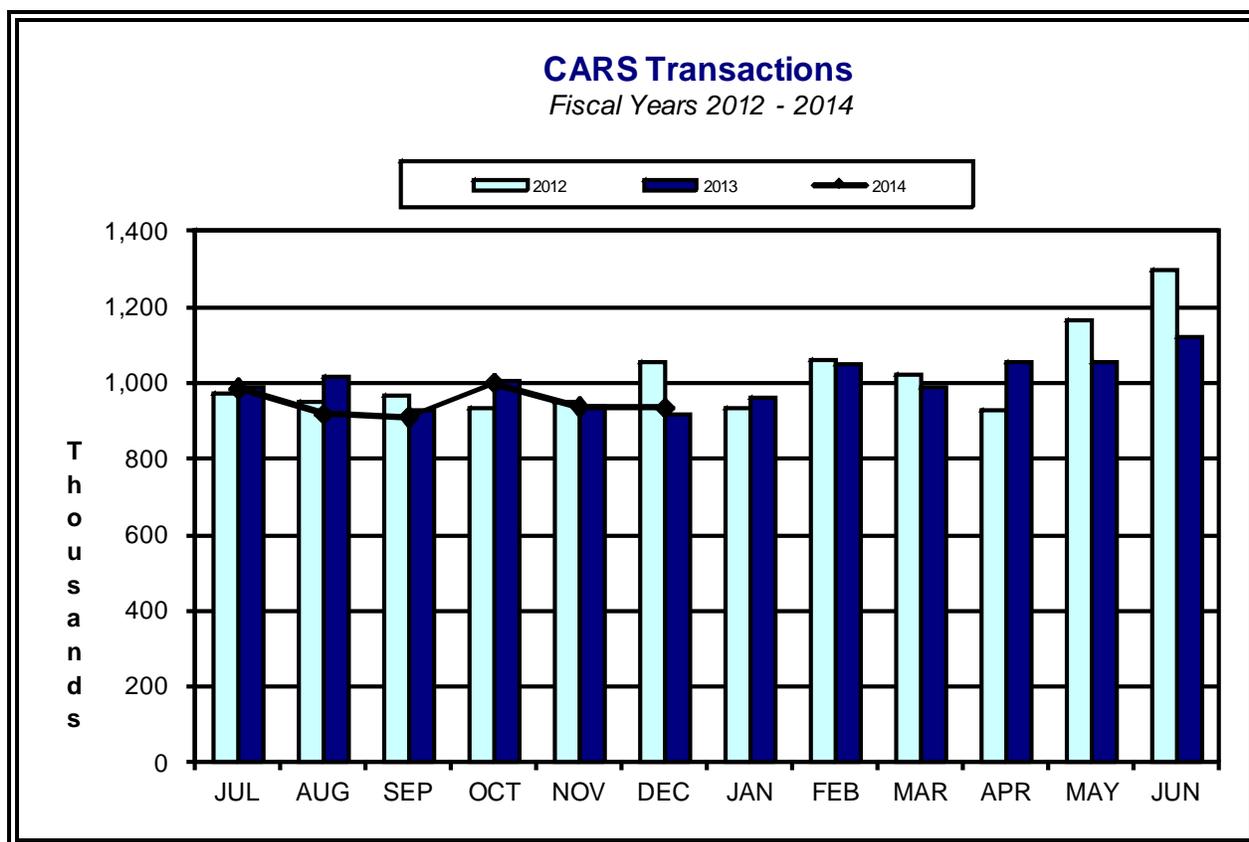
DOA monitors several types of financial activity. Various measures are used to track activities for CARS, payroll, accounts

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.

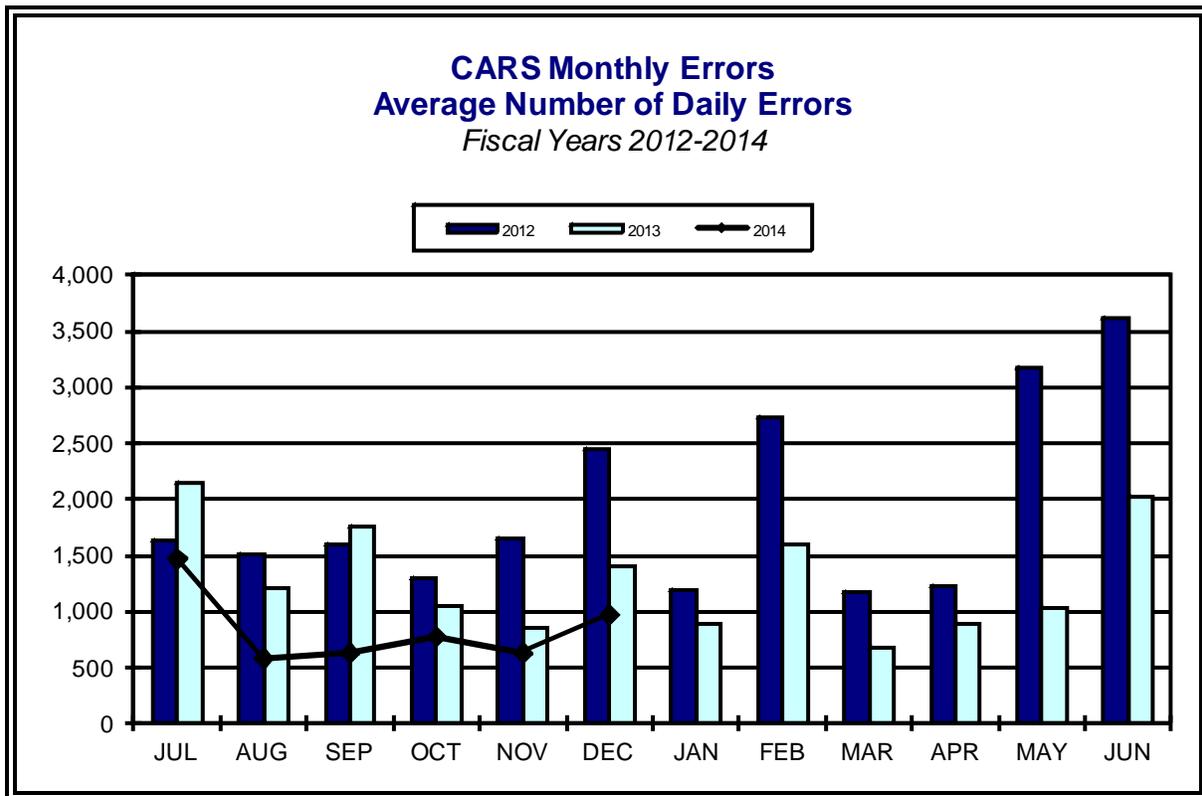


CARS Edits

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 second quarter of FY 2014, the most frequent reasons cited for transactions processing to the error file were:

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

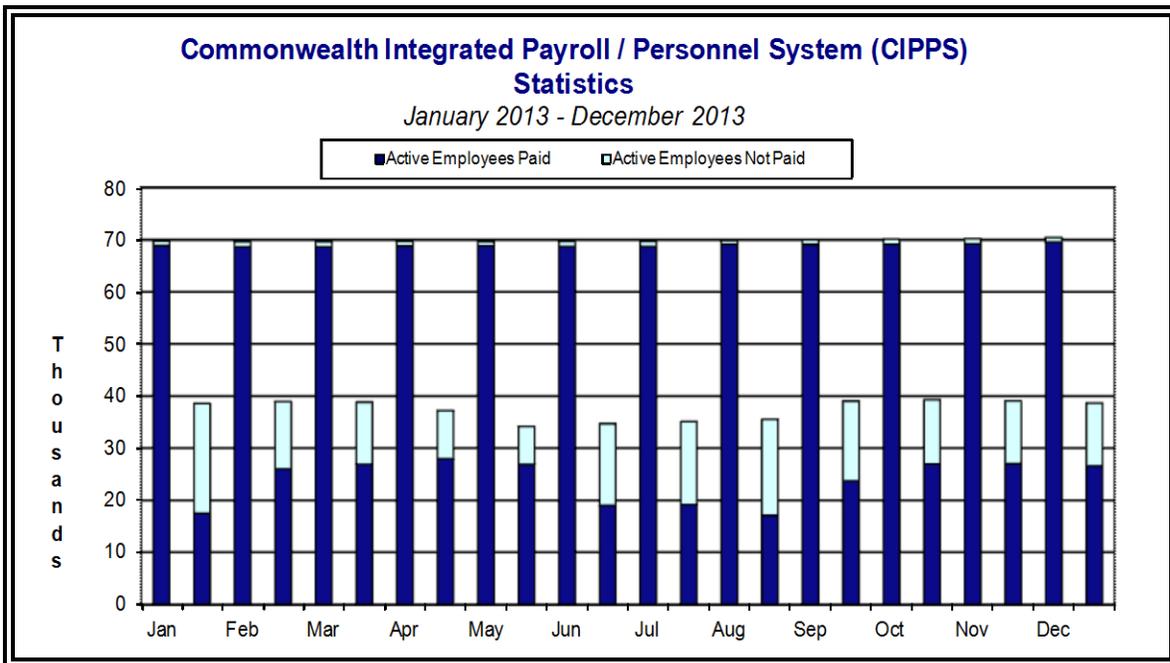
- Available Negative Cash
- Expenditures > Allotment
- Certified Amount not in Balance



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 109,286 employees. Payroll services are also provided through eight decentralized higher education institutions.

On average, 96,136 employees were paid each month, of which 69,295 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 12/31/2013	Comparative	
		As of 12/31/2012	As of 12/31/2011
Health Care*			
COVA Care	79,821	76,278	74,627
COVA Health Aware	3,437	N/A	N/A
Kaiser	2,130	2,101	2,144
Tricare	63	41	22
Optional Retirement Plans**			
Fidelity Investments	665	635	611
TIAACREF	1,714	1,672	1,663
Political Appointee - ORP	44	104	99
Deferred Compensation**	44,300	43,264	42,264
Flexible Reimbursement**			
Dependent Care	994	837	805
Medical Care	10,246	8,618	7,638

* COVA Connect discontinued as of July 2013

** 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.

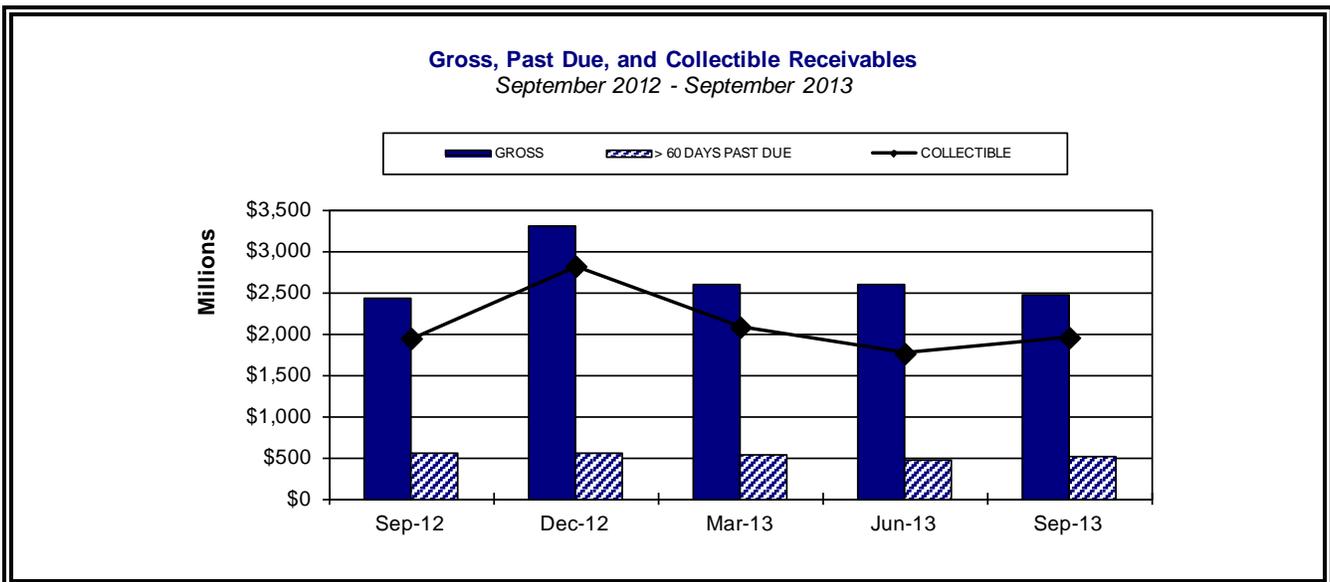
In an effort to present more meaningful information, DOA continues to exclude data from the tables (except for the final table on past due receivables) from the Department of Taxation, consisting largely of statutory assessments and non-filers assessments, and the circuit and district courts, which report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

Commonwealth agencies and institutions reported adjusted gross receivables of \$2.48

billion at September 30, 2013, with \$1.95 billion considered collectible. Receivables over 60 days past due as of September 30, 2013, totaled \$507.1 million. Of that amount, \$30.1 million was placed with private collection agencies, \$37.0 million was placed with the Division of Debt Collection and \$440.0 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 September 30, 2013, agencies expected to collect \$1.95 billion (79 percent) of the \$2.48 billion adjusted gross receivables. About 2 percent is due to the General Fund, primarily for benefit recoveries and sales of

permits. The balance, which contains Medicaid penalties that are no longer revertible, is due to several nongeneral funds.

Collectible Receivables by Fund

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

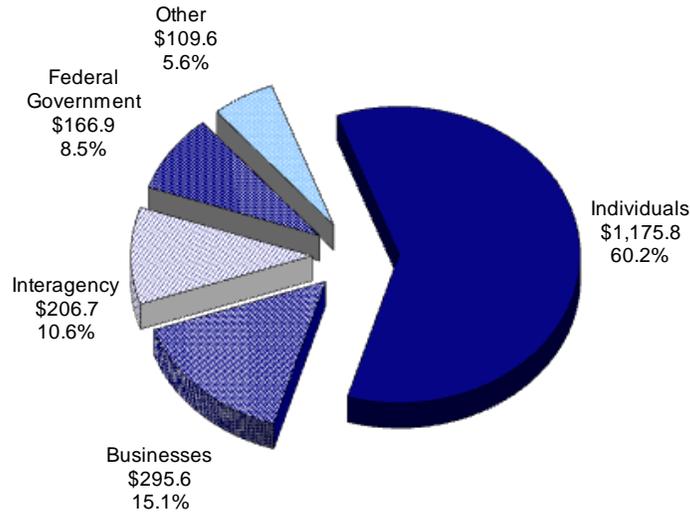
As of September 30, 2013

Fund	Source	Amount	Percent
General Fund 2%	Medicaid - Current Recoveries	\$ 17,945,246	53%
	Social Services	3,427,057	10%
	Labor and Industry Inspections	991,048	3%
	State Police Permits	1,742,650	5%
	Corrections	1,439,486	4%
	Other	1,698,271	5%
	Subtotal	27,243,758	80%
	Interagency Receivables	6,794,019	20%
Total General Fund Collectible		\$ 34,037,777	100%
Nongeneral Funds 98%	Medicaid - Dedicated Penalty Fees	\$ 76,521,589	4%
	Medicaid - Federal Reimbursements	21,667,665	1%
	Unemployment Taxes *	106,261,624	6%
	Transportation	90,436,527	5%
	Child Support Enforcement	192,456,757	10%
	Federal Government	40,613,911	2%
	DBHDS Patient Services	29,768,609	2%
	Hospital	506,267,832	26%
	Enterprise	75,023,022	4%
	Higher Education	545,460,943	28%
	Other	36,129,113	2%
	Subtotal	1,720,607,592	90%
	Interagency Receivables	199,935,477	10%
Total Nongeneral Fund Collectible		\$ 1,920,543,069	100%
All Funds	Grand Total	\$ 1,954,580,846	100%

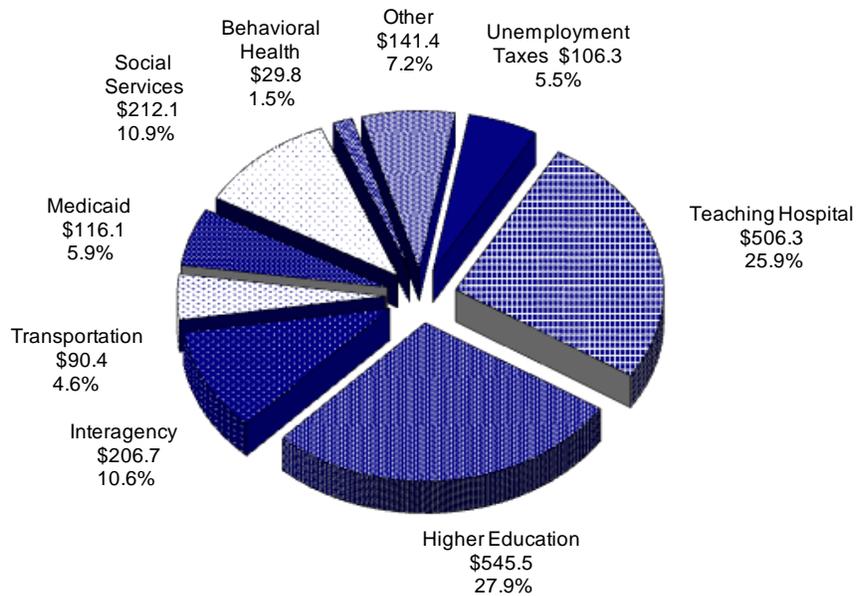
* Note: The Virginia Employment Commission provides Unemployment Taxes Information.

Summary of Receivables by Source

Sources of Collectible Receivables by Debtor
(dollars in millions)
As of September 30, 2013



Sources of Collectible Receivables by Type
(dollars in millions)
As of September 30, 2013



Not counting Taxation and the Courts, ten agencies account for 80 percent of the Commonwealth's adjusted gross and 77

percent of the adjusted collectible accounts receivable balances.

Accounts Receivable Summary
Not Including Circuit Courts, District Courts, or Department of Taxation
As of September 30, 2013

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
University of Virginia Medical Center	\$ 553,140,069	\$ 20,106,400	\$ 533,033,669
Department of Social Services	557,798,903	340,727,360	217,071,543
Virginia Polytechnic Institute and State University	149,884,987	3,083,300	146,801,687
Department of Medical Assistance Services	157,272,813	40,890,931	116,381,882
Virginia Employment Commission	176,694,651	65,142,111	111,552,540
University of Virginia - Academic Division	109,438,389	1,605,362	107,833,027
Virginia Commonwealth University	85,913,584	5,957,460	79,956,124
Department of Transportation	73,797,607	1,647,748	72,149,859
George Mason University	69,431,514	1,102,582	68,328,932
State Lottery Department	60,440,951	-	60,440,951
Total	\$ 1,993,813,468	\$ 480,263,254	\$ 1,513,550,214
All Other Agencies	485,416,381	44,385,749	441,030,632
Grand Total	\$ 2,479,229,849	\$ 524,649,003	\$ 1,954,580,846

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 \$9.8 million during the quarter ended September 30, 2013. The Division of Debt Collection contributed \$1.0 million. Private collection agencies collected \$2.9 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected \$5.9 million.

Private collection agencies returned \$12.4 million of accounts to agencies, and the Division of Debt Collection discharged \$277,925 of accounts and returned \$621,082 of accounts to agencies.

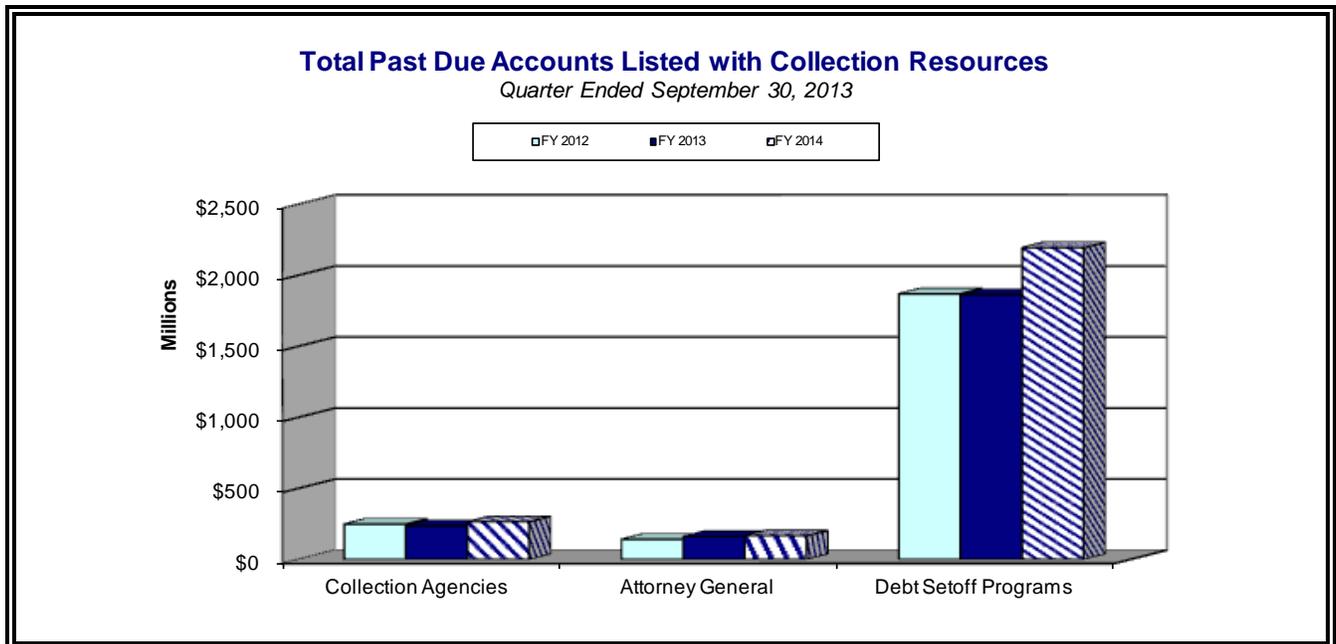
Collectible Receivables Over 60 Days Past Due

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

As of September 30, 2013

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	\$ 196,848,316	\$ 3,410	\$ 54,428	\$ 196,790,478
Virginia Employment Commission	78,907,673	20,862,035	15,027,915	43,017,723
University of Virginia Medical Center	60,769,803	-	-	60,769,803
Department of Medical Assistance Services	54,828,170	22,720	2,360,018	52,445,432
Department of Transportation	14,172,605	-	6,876,291	7,296,314
Department of Behavioral Health and Developmental Services	13,563,561	-	-	13,563,561
Virginia Community College System	12,503,091	3,054,811	-	9,448,280
Virginia Polytechnic Institute and State University	7,290,343	826,042	1,015,309	5,448,992
Virginia Commonwealth University	6,618,697	231,697	173,007	6,213,993
Virginia State University	6,356,545	258,977	-	6,097,568
TOTAL	\$ 451,858,804	\$ 25,259,692	\$ 25,506,968	\$ 401,092,144
All Other Agencies	55,234,902	4,846,183	11,496,487	38,892,232
TOTAL OVER 60 DAYS	\$ 507,093,706	\$ 30,105,875	\$ 37,003,455	\$ 439,984,376
Uncollectible Amounts Placed for Collection, Including Accounts Written Off	2,119,989,654	234,995,593	129,631,509	1,755,362,552
TOTAL COLLECTION EFFORTS	\$ 2,627,083,360	\$ 265,101,468	\$ 166,634,964	\$ 2,195,346,928

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 \$3.2 million through the second quarter of FY 2014. Please note the amount reported is before any refunds.

Receivable Trend Data

One way to measure an agency's effectiveness at collecting its accounts receivable is to look at how efficient collection procedures are on accounts that are more than 60 days past due. The following

table looks at trend percentages of receivables over 60 days past due as a percentage of gross receivables for the agencies with the largest amounts over 60 days past due.

Percentage of Gross Receivables Over 60 Days Past Due

Agency	Percent 9/30/13	Comparative	
		Percent 6/30/13	Percent 3/31/13
Virginia State University	59%	24%	52%
Virginia Employment Commission	45%	34%	12%
Department of Social Services	35%	34%	35%
Department of Medical Assistance Services	35%	44%	47%
Department of Behavioral Health and Developmental Services	27%	28%	43%
Virginia Community College System	20%	14%	28%
Department of Transportation	19%	9%	23%
University of Virginia Medical Center	11%	11%	11%
Virginia Commonwealth University	8%	13%	43%
Virginia Polytechnic Institute and State University	5%	7%	7%
Statewide Average - All Agencies	20%	19%	20%

Another way to measure agency debt collection effectiveness is to compare amounts collected to amounts billed. The table below presents trend percentages for the ten agencies with the highest collectible accounts receivable balances. In total, these ten agencies are responsible for 77 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 87 percent indicates that for every dollar billed during the quarter ended September 30, 2013, the state collected 87 cents. This rate is one percent lower than last year and the same as two years ago.

Collections as a Percentage of Billings

Agency	Percent 9/30/13	Comparative	
		Percent 9/30/12	Percent 9/30/11
Virginia Employment Commission	122%	124%	116%
Department of Transportation	104%	97%	89%
State Lottery Department	98%	100%	97%
University of Virginia - Academic Division	98%	94%	96%
Department of Social Services	95%	91%	91%
George Mason University	92%	82%	78%
Virginia Commonwealth University	84%	83%	83%
Virginia Polytechnic and State University	84%	90%	92%
University of Virginia Medical Center	26%	27%	29%
Department of Medical Assistance Services	18%	61%	39%
Statewide Average - All Agencies	87%	88%	87%

Commonwealth Receivables Analysis

The following individual accounts receivable narratives describe agency collection programs and related trend information:

Department of Medical Assistance Services (DMAS)

DMAS is responsible for overseeing service delivery to eligible recipients, and reviewing and auditing the providers of a variety of federally and State funded health care programs. These programs include Medicaid, Family Access to Medical Insurance Security (FAMIS), and State and Local Hospitalization (SLH) programs.

DMAS' collectible accounts receivable of \$116.4 million at September 30, 2013, is an \$18.3 million increase over the \$98.1 million reported at September 30, 2012. Over the same period, total past due receivables of \$61.2 million have decreased by \$41.1 million.

University of Virginia Medical Center (UVAH)

UVAH provides primary and specialty health care for Central Virginia by operating a 500 bed hospital, a School of Medicine, and over 20 research centers. The majority of its receivables consist of Medicaid and Medicare reimbursements and payments from third party insurers.

UVAH collectible receivables of \$533.0 million at September 30, 2013, were an \$11.2 million decrease from the \$544.2 million reported the previous year. Past due receivables decreased by \$73.9 million to \$205.4 million at September 30, 2013.

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 \$111.6 million at September 30, 2013, a decrease of \$4.2 million from the previous year. Total past due receivables were \$82.2 million, a \$9.8 million decrease 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 September 30, 2013, of \$37.8 million, which is a decrease of \$7.6 million reported in the previous year. Most of these receivables are due from other state agencies. As of September 30, 2013, \$965,999 was over 60 days past due, a decrease of \$1.1 million from the previous year.

State Lottery Department (SLD)

The State Lottery Department is an independent agency responsible for operating the State's on-line lottery and scratch-off games and actively participates in four multi-state games, Mega Millions, Powerball, Win for Life and Decades of Dollars. Retail merchants who sell the State Lottery games are covered by surety bonds and deposit Lottery receipts into bank accounts approved by the State Treasurer.

At September 30, 2013, the State Lottery reported net receivables of \$60.4 million, a \$4.6 million increase from the previous year. Billings increased by \$27.3 million and collections increased by \$24.1 million during the September 30, 2013 quarter when compared to the September 30, 2012 quarter. At September 30, 2013, the State Lottery had \$389,381 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 September 30, 2013, DOE had no accounts receivable due from the Federal government under Direct Aid to Public Education. This is consistent with the prior year.

Virginia Polytechnic Institute and State University (VPISU)

VPISU is one of the Commonwealth's largest universities and one of two land grant institutions in the state. At September 30, 2013, the University reported net collectible receivables of \$146.8 million, an increase of \$29.3 million over the prior year. At the same time, total past due receivables of \$31.8 million increased by \$7.8 million over the prior year.

The University uses a variety of collection methods to encourage payments. At September 30, 2013, VPISU had \$7.3 million of accounts over 60 days past due. \$1.0 million was placed with the Attorney General's Division of Debt Collection, another \$826,042 was placed with private collection agencies, and \$5.4 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 September 30, 2013, the Department reported collectible receivables of \$29.8 million, a \$1.1 million decrease over the previous year. \$20.5 million was past due, with \$13.6 million being over 60 days past due. Total past due receivables decreased by \$11.5 million over the year, and accounts over 60 days past due decreased by \$12.1 million. At September 30, 2013, the Department had a total of \$7.0 million of accounts placed with the Attorney General and \$1.0 million 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 September 30, 2013, VDOT reported \$72.1 million of collectible receivables, a decrease of \$28.9 million from the prior year. VDOT also reported \$16.5 million total past due and \$14.2 million being over 60 days past due. Past due receivables increased by \$4.1 million over the year, while receivables over 60 days past due increased by \$4.2 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 \$6.9 million of their accounts over 60 days past due with the Attorney General's Division of Debt Collection.

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 September 30, 2013, DSS reported gross receivables of \$557.8 million, an allowance for doubtful accounts of \$340.7 million and collectible receivables of \$217.1 million. Past due receivables totaled \$199.9 million, of which \$196.8 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for \$505.3 million (91 percent) of the gross receivables, \$312.8 million (92 percent) of the allowance for doubtful accounts and \$192.5 million (89 percent) of the collectible receivables.

From September 30, 2012 to September 30, 2013, gross receivables increased by \$46.7 million and collectible receivables increased by \$17.9 million. Total past due receivables increased by \$15.8 million and receivables over 60 days past due increased by \$15.5 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 September 30, 2013, DRPT had gross and net receivables of \$25.2 million. The majority of this money is due via an interagency transfer from VDOT. DRPT reported past due receivables of \$1.5 million at September 30, 2013.

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 September 30, 2013, VCU had \$80.0 million of collectible receivables, a \$7.9 million increase from September 30, 2012. Total past due accounts were \$8.2 million, a \$383,224 decrease from September 30, 2012. Accounts over 60 days past due (\$6.6 million) increased by \$64,972 from the prior year. Billings increased by \$12.1 million to \$277.4 million and collections increased by \$13.0 million to \$233.7 million for the September 30, 2013 quarter, when compared to the September 30, 2012 quarter.

The following table is prepared to present the September 30, 2013, aging information in conformity with the provisions of the *Code of Virginia* § 2.2-603.E.(ii).

Commonwealth's total \$2.88 billion past due accounts receivable at September 30, 2013. Another 18 agencies accounted for 27 percent (\$764.2 million), leaving 70 other agencies to comprise the last one percent at \$54.5 million.

Taxation and the Circuit and District Courts accounted for 72 percent (\$2.06 billion) of the

Agencies with the Largest Volume of Past Due Receivables

As of September 30, 2013

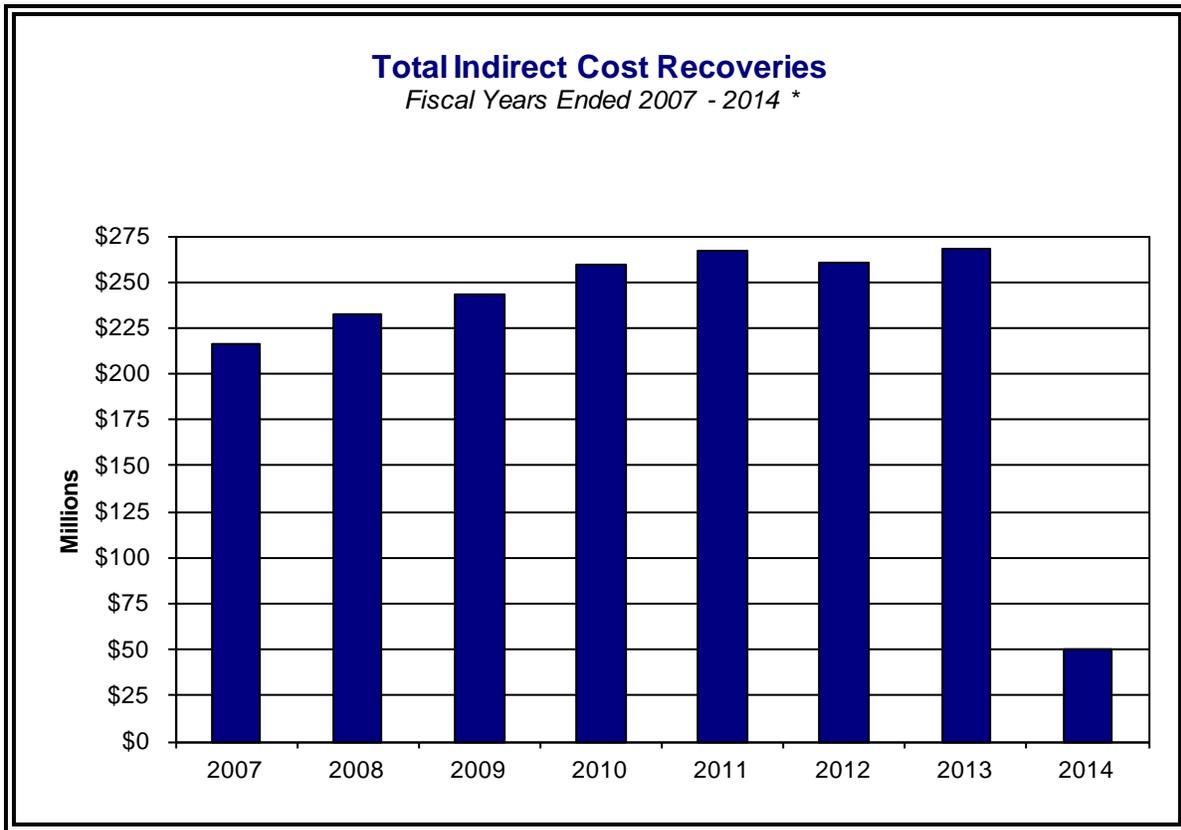
Agency	Total Past Due	1 to 180 Days Past Due	181 to 365 Days Past Due	Over One Year
Department of Taxation	\$ 1,695,556,129	\$ 235,649,583	\$ 178,404,192	\$ 1,281,502,354
Localities' Circuit and District Courts	368,204,345	39,870,485	61,278,391	267,055,469
Total - Taxation Assessments and Court Fines and Fees	\$ 2,063,760,474	\$ 275,520,068	\$ 239,682,583	\$ 1,548,557,823
All Other Large Dollar Agencies:				
University of Virginia Medical Center	205,438,631	185,570,773	14,761,465	5,106,393
Department of Social Services	199,930,617	9,550,161	9,512,671	180,867,785
Virginia Employment Commission	82,235,946	16,349,406	10,058,442	55,828,098
Department of Medical Assistance Services	61,163,632	11,784,706	9,602,372	39,776,554
Virginia Polytechnic Institute and State University	31,818,726	27,108,298	1,374,236	3,336,192
Virginia Community College System	30,277,176	27,147,264	1,860,369	1,269,543
University of Virginia - Academic Division	24,323,186	22,502,841	1,102,052	718,293
Department of Behavioral Health and Developmental Services	20,476,717	16,909,388	15,236	3,552,093
George Mason University	16,897,043	15,398,968	708,406	789,669
Department of Transportation	16,501,582	8,170,884	1,466,995	6,863,703
Old Dominion University	12,623,040	12,345,328	239,976	37,736
Norfolk State University	11,051,448	10,628,996	25,778	396,674
Department of General Services	9,537,378	6,833,688	121,642	2,582,048
Department of State Police	9,500,733	7,589,366	188,783	1,722,584
James Madison University	9,043,286	8,377,685	201,695	463,906
Virginia Commonwealth University	8,165,754	3,304,717	2,131,896	2,729,141
Virginia State University	7,959,261	6,794,426	670,853	493,982
Department of Motor Vehicles	7,282,957	5,919,384	207,313	1,156,260
Total - Largest Dollar Volume Agencies	\$ 764,227,113	\$ 402,286,279	\$ 54,250,180	\$ 307,690,654
All Other Agencies	54,514,975	36,492,651	5,333,841	12,688,483
Grand Total Past Due Receivables	\$ 2,882,502,562	\$ 714,298,998	\$ 299,266,604	\$ 1,868,936,960



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 2014 reflects indirect cost recoveries through December 31, 2013.

Indirect Cost Recoveries from Grants and Contracts

Fiscal Year 2014

Fund	Year-to-Date		
	Higher Ed	Non-Higher Ed	Total
Nongeneral:			
Agency / Institution (1)	\$ 11,646,243	\$ 36,882,633	\$ 48,528,876
Statewide	118,421	589,563	707,984
Agency / Institution ARRA	590,474	73,760	664,234
Statewide ARRA	20	3,312	3,332
Total Nongeneral	\$ 12,355,158	\$ 37,549,268	\$ 49,904,426
General:			
Agency (Cash Transfers)	-	-	-
Statewide	-	328,144	328,144
Statewide (Cash Transfers)	-	-	-
Total General	\$ -	\$ 328,144	\$ 328,144
Total All Funds	\$ 12,355,158	\$ 37,877,412	\$ 50,232,570

- (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 \$25,532,565 representing the Department of Social Services' estimate of indirect cost recoveries received.



Loans and Advances

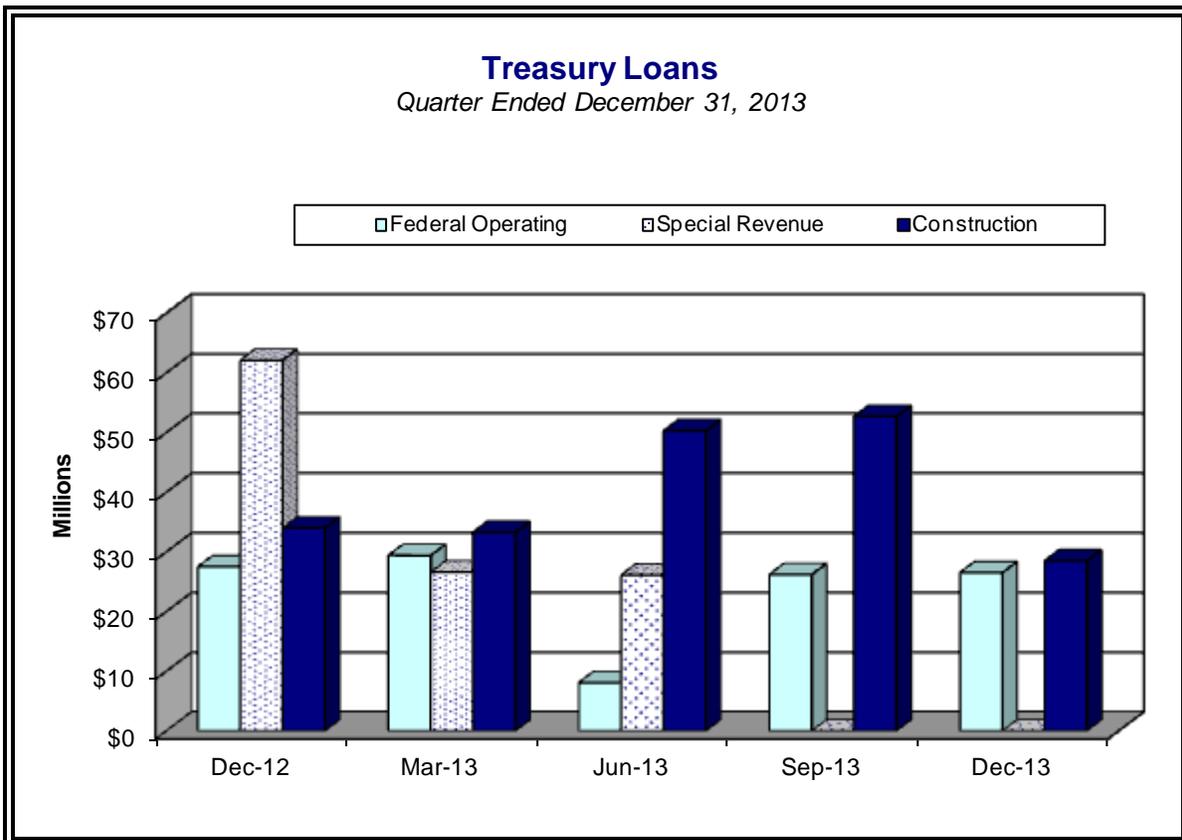
Treasury loans may be used to advance funds to a State agency or institution for a designated purpose prior to some form of reimbursement, typically federal or special revenues. They are loans of a temporary nature, approved on the basis of the following conditions:

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

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

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

The total of all types of treasury loans as of December 31, 2013 was \$55.0 million.



Significant New Loans / Drawdowns	New Balance
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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.	\$ 3,000,000.00
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Significant Loan Repayments	Prior Balance
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Virginia Military Institute (VMI)

Repayment on a \$1.4 million loan used to provide cash for the design, planning and improvements to the swimming pool, dining facility, barracks, and other post facilities.	\$ 1,180,000.00
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Department of Military Affairs (DMA)

Payment on a \$15 million loan used to pay expenditures incurred in anticipation of reimbursement from the National Guard Bureau.	\$ 2,500,000.00
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College of William and Mary (CWM)

Repayment on a \$23 million loan used to provide cash for payment of obligations associated with property acquisition and required repairs for the Hospitality House Hotel.	\$ 23,000,000.00
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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 December 31, 2013.
- **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 December 31, 2013 was \$41.9 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 December 31, 2013 was \$64.2 million.

