

**REPORT ON
STATEWIDE FINANCIAL MANAGEMENT
AND COMPLIANCE**

FOR THE QUARTER ENDED DECEMBER 31, 2014



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 State wide 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, 2014, and comparative FY 2014 data. Some information in the report is for the quarter ended September 30, 2014, 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, 2014

The APA issued 9 reports covering 12 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 Racing Commission	0	0	0	N/A
Virginia Tourism Authority	0	0	0	N/A

	New Findings	Repeat Findings	Total Findings	CAW Received
Education				
Norfolk State University	4	8	12	YES
University of Virginia ⁽¹⁾				
Southwest Virginia Higher Education Center	0	0	0	N/A
University of Virginia	3	0	3	YES
University of Virginia Medical Center	2	0	2	YES
University of Virginia College at Wise	0	0	0	N/A
Virginia Commonwealth University	1	0	1	YES
Executive Offices				
None				
Finance				
None				
Health and Human Resources				
None				
Natural Resources				
Department of Game and Inland Fisheries	6	2	8	NO
Public Safety and Homeland Security				
Department of Alcoholic Beverage Control	1	2	3	YES
Technology				
None				
Transportation				
Virginia Port Authority ⁽²⁾	0	0	0	N/A
Veterans and Defense Affairs				
None				

(1) This report includes the Southwest Virginia Higher Education Center (SWHEC), University of Virginia (UVA/AD), the University of Virginia Medical Center (UVAH) and the University of Virginia's College at Wise (UVA/CW).

(2) The Virginia Port Authority audit was performed by CliftonLarsonAllen, LLP and the audit report provided to the APA.



Audit Findings - Quarter Ended December 31, 2014

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

Education

Norfolk State University (NSU)

1. Continue to Develop and Implement Policies and Procedures. **This is a Material Weakness and a Repeat Finding.** Norfolk State University (NSU) lacked policies and procedures related to key financial reporting and accounting functions, which resulted in inconsistent preparation and compilation of financial statement schedules and financial data during fiscal year 2013.

Consistency, with regard to preparation and presentation of financial data, is an essential principle of accounting. Without consistency in preparation of financial schedules, it is nearly impossible to compare financial information between periods. In addition, the lack of policies and procedures in this area greatly increases the risk of error and misstatement of financial information. Lack of policies and procedures also increases the risk, in the event of the departure of a key employee, that NSU will be unable to perform required functions in an efficient, effective, and timely manner.

Status of Corrective Action Plan

Due to the completion of the fiscal year 2012 audit in August 2014, NSU was unable to implement meaningful corrective action to resolve the APA finding during fiscal year 2013. The lack of clearly documented policies and procedures during the period under audit constitutes a material weakness in internal control and resolving this weakness will enable NSU to avoid potentially catastrophic lapses in operational functionality. Based on management's self-reported corrective action plan, NSU personnel have received detailed training on NSU's financial system and have updated and posted finance and administrative policies. Updated desk procedures for financial reporting processes have been included on a shared drive accessible by all Financial Reporting staff. Management updated policies and procedures regarding financial statement preparation while preparing the fiscal year 2014 financial statements. The APA will review these procedures for sufficiency during the completion of the fiscal year 2014 audit.

Additionally, management notified NSU personnel of the Policy Library, which can now be accessed through the NSU website. The Policy Library includes Board of Visitors policies, presidential policies, administrative policies, and any interim policies governing NSU's operations. NSU management should continue to refine and update policies and procedures within the departmental shared drives and the Policy Library as they make changes in operations to prevent future significant lapses in internal control.

2. Improve Year-end Financial Reporting Process. **This is a Material Weakness and a Repeat Finding.** The review process used to prepare the fiscal year 2013 financial statements was ineffective, resulting in thirty-eight material adjustments to financial information presented in NSU's financial statements. To prepare the fiscal year 2012 and 2013 financial statements, NSU sought outside assistance and contracted with a public accounting firm. The firm developed a grouping spreadsheet, which summarized activity by financial statement line item, starting with balances from the financial accounting system and then adding any necessary adjusting entries. While this process was an improvement over the process used in 2011, there appeared to be insufficient review of the preparation process by NSU's management. During fiscal year 2012, the APA noted instances of improper mapping of accounts within the grouping spreadsheet, which

then required material adjustments to the financial statements. Management corrected these mapping errors for fiscal year 2013. In addition to the errors related to the financial statements, the APA noted inconsistencies and inaccuracies in financial statement footnote disclosures. Many of the footnotes lacked required elements as prescribed by the Government Accounting Standards Board (GASB), and as such, required revision.

Additionally, due to timing and staffing constraints, NSU did not complete submissions to the Department of Accounts (DOA) for consolidation in the Commonwealth's Comprehensive Annual Financial Report (CAFR) for 2013. As DOA relies on the information submitted by the colleges and universities, it is essential that NSU properly complete and submit all required information to ensure fair presentation of the Commonwealth's financial report.

Status of Corrective Action Plan

Due to timing, NSU was unable to implement corrective action related to this finding during preparation of fiscal year 2012 and 2013 financial information; however, during fiscal year 2014, NSU's personnel received training using report writing software and utilized this software to prepare the fiscal year 2014 financial statements. During the completion of the 2014 financial statements, NSU documented the procedures used to generate the financial statements, footnotes, and year-end submissions. These procedures, which the APA will review for sufficiency during the completion of the fiscal year 2014 audit, will help ensure compliance with accounting standards and aid in consistency of presentation from year to year.

3. Properly Maintain Documentation for Audit. **This is a Material Weakness and a Repeat Finding.** Throughout the audit of NSU's financial statements, the APA continued to note missing or incomplete audit documentation. In some cases, there was insufficient documentation to support the specific item selected for testing. Specifically, NSU's Procurement and Accounts Payable Departments did not maintain original voucher and contract documentation for Equipment Trust Fund reimbursement requisitions, small purchase charge cards (SPCC), expenses, contracts, and prepaid expenses. While the APA was ultimately able to obtain sufficient appropriate audit evidence to support the individually published financial statements, the lack of an audit trail represents an issue that could have a significant impact on the audit process. If auditors are unable to obtain sufficient appropriate audit evidence due to lack of documentation, it could result in the inability of the auditor to provide an opinion on the financial statements.

The inability to locate needed supporting documentation for audit requests resulted in delays during the audit. Although some documentation was located, the delays resulted in inefficiency on the part of both the auditors and NSU's staff in attempting to support the financial statements. In addition, the inability to locate supporting documentation related to contract procurement and management may be indicative of noncompliance with the Agency Procurement and Surplus Property Manual (APSPM). Inadequate supporting documentation increases the risk of improper payments to vendors, improper procurement, and possibly fraud.

Recommendation

NSU initially responded to this finding during the fiscal year 2011 audit by implementing a central location and shared drive for storing audit information; however, utilizing the shared drive for storing audit information does not eliminate the requirement for maintenance of hardcopy supporting documentation such as vouchers and contract documentation. Continuing to utilize this process to ensure all information, including electronic documentation, is available and promptly provided for audit requests will significantly decrease the burden on the auditors and NSU personnel and will decrease the

amount of time required to complete the audit. In addition, the Procurement and Accounts Payable Departments should review their processes for maintaining hardcopy supporting documentation and ensure proper design and effectiveness of internal controls. NSU should maintain supporting documentation relating to SPCC purchases and expenses centrally in Accounts Payable and maintain all contract information centrally in Procurement contract files.

4. Properly Perform Reconciliations of Bank Accounts and Accounting System. **This is a Material Weakness and a Repeat Finding.** As noted in the APA's previous audit report, NSU lacked resources to promptly reconcile its primary bank account, as well as complete the reconciliation of NSU's accounting system to the Commonwealth Accounting and Reporting System (CARS) during the fiscal year under audit. While NSU has now completed past due reconciliations, the reconciliation control was not effective during the audit period.

During the APA review of the reconciliations and supporting documentation, many reconciling items were noted. Despite properly identifying reconciling items, NSU's employees did not use them to reflect properly the appropriate activity in the accounting system. In addition, supporting documentation for reconciling items was unavailable or improperly maintained, and as such, was not available to the auditors. Often, NSU's staff was unable to explain sufficiently the existence of the reconciling items and, as a result, these items continued to accumulate on each subsequent reconciliation. Many of these reconciling items may be attributed to the change in accounting systems between fiscal year 2011 and 2012, and the untimely preparation of the reconciliations, which occurred subsequent to the completion of the fiscal year.

While the completion of the reconciliations is an important part of the process, an equally important part of the process is ensuring that reconciling items have resulted in adjustments to the system. Researching reconciling items and adjusting the system, when necessary, ensures financial information is up to date and accurately reflects the current financial position of NSU. Additionally, appropriately accounting for reconciling items reduces the risk of inappropriate activity, which may go unnoticed if reconciling items are allowed to accumulate on reconciliations.

Recommendation

NSU responded to this finding from the fiscal year 2011 audit report by implementing new reconciliation procedures; however, due to the completion of the fiscal year 2011 audit in September 2013 these new reconciliation procedures were not implemented until fiscal year 2014. NSU should continue to improve their reconciliation process by using their newly developed desk procedures. Following these procedures will ensure that NSU performs timely and effective reconciliations between the accounting system and all bank accounts, as well as CARS. NSU should ensure that the new reconciliation procedures include investigating all reconciling items and adjusting the system where appropriate. Reconciling items should not continue to accumulate from month to month, and NSU should also ensure that the new procedures include a review process to ensure proper completion of reconciliations and posting of adjustments.

5. Correct Deficiencies in Fixed Asset Management Program. **This is a Material Weakness and a Repeat Finding.** As noted for the last three fiscal years, NSU had several deficiencies in internal control related to proper stewardship of fixed assets. These deficiencies included improper disposal of fixed assets; untimely completion of fixed asset physical inventories; and improper recording, tagging, or otherwise controlling fixed assets, including equipment. As expected, due to timing, the APA noted similar deficiencies during the fiscal year 2013 audit.

During the procedures, the APA noted the following:

- NSU's staff did not properly identify expenses as fixed assets and; therefore, did not appropriately tag or accurately reflect cost or useful life of these items in the fixed asset system. This deficiency resulted in improper depreciation of assets and adjustments to the financial statements.
- NSU staff did not properly identify and track construction in progress expenses using the construction in progress schedule. Construction in progress did not properly include expenses for multiple projects, which NSU personnel recorded directly to the appropriate finished capital asset category. One project remained in construction in progress despite having a completion date several years prior to the fiscal year under audit. Recording this project as construction in progress, rather than properly capitalizing the expenses, resulted in improper depreciation of the asset. Each of these instances resulted in adjustments to the financial statements.
- NSU demolished a building with a net book value of just over \$2 million during fiscal year 2013; however, NSU staff did not properly dispose of the building within the fixed asset module of the accounting system. Including this building in the fixed asset module, despite its demolition during the fiscal year, resulted in improper recording of depreciation of the asset, as well as improper recognition of the loss associated with the asset. This instance also resulted in an adjustment to the financial statements.
- NSU did not perform a physical inventory of capital assets until fiscal year 2014, which is four years after the performance of the last complete physical inventory. The delay in performing the inventory resulted in noncompliance with the Commonwealth Accounting Policies and Procedures Manual.
- NSU fully implemented the Colleague financial system at the beginning of fiscal year 2012; however, as of fiscal year end 2013, NSU staff did not reconcile the Colleague General Ledger and Colleague Fixed Asset modules.
- NSU staff used inaccurate schedules to generate financial statement information, resulting in multiple adjustments during the audit process.

Recommendation

As noted in previous audits, the lack of physical inventory, insufficient tagging of equipment, improper recording of assets in the fixed asset system, improper tracking of construction in progress, lack of reconciliations, and errors in financial reporting present a significant risk of misappropriation of assets from NSU. NSU has been working to correct deficiencies in this area, with the intent to correct the problems for fiscal year 2014 and fiscal year 2015. In addition to the items previously communicated, NSU should develop and implement a process for ensuring that it properly tracks and records all construction expenses using the construction in progress schedule, rather than adding expenses directly to the appropriate capital asset category within the capital asset footnote. NSU should perform monthly reconciliations between the Colleague General Ledger module and Colleague Fixed Asset module, identify reconciling items, and make necessary adjustments to the system. This procedure will help ensure evaluation of expenses to determine proper inclusion or exclusion from the fixed asset module. In addition, NSU should continue to perform full inventory counts every two years to help ensure proper tagging, and addition or disposal of assets from the fixed asset module. NSU should also review

information used to create the financial statements to ensure it is reasonable and properly prepared prior to preparing the financial statements.

6. Perform Internal Control Risk Assessment Procedures. **This is a Repeat Finding.** As outlined in the Commonwealth's Accounting Policies and Procedures (CAPP) Manual topic 10305, each agency head is responsible for having agency management document the agency's assessment of internal controls to include:

- Strengths, weaknesses, and risks over the recording of financial transactions in the General Ledger;
- Compliance with the agency's financial reporting requirements;
- Compliance with laws and regulations; and,
- Stewardship over the Commonwealth's assets.

The initial implementation of Agency Risk Management and Internal Control Standards (ARMICS) included the documenting, evaluating, and testing of agency-level controls. DOA provides that once NSU successfully implements the process, the institution should refresh and refine the evaluation each year. Ultimately, the agency head is required to certify that they have established, maintained, and evaluated the agency's internal control framework.

Management of NSU properly disclosed, to DOA, their inability to certify the required information for fiscal year 2013. As part of the communication with DOA, management indicated the need to empower an ARMICS coordinator to complete a comprehensive review and testing of NSU's system of internal control, prior to the subsequent required ARMICS certification.

Status of Corrective Action Plan

NSU hired an ARMICS coordinator in May 2014 to perform and document the required ARMICS reviews. NSU certified completion of ARMICS in September 2014 for the fiscal year ended June 30, 2014. While this process is now in place, the APA has not yet performed audit procedures to determine if the process is working as intended. The APA will perform follow-up procedures to assess the institution's corrective action as part of the fiscal year 2014 audit.

7. Strengthen Internal Controls over Grants Management. **This is a Material Weakness and a Repeat Finding.** NSU's Grants Accounting Department (Grants Accounting) does not have proper internal controls for tracking, recording, and reporting federal grant activity.

During the review, the APA found inaccurately recorded grants on NSU's Grant Roll Forward Schedule, which calculates year-end receivable amounts for individual grants. The APA noted instances where revenues recorded on the schedule did not agree to NSU's financial system. Additionally, the APA observed instances where employees incorrectly posted revenues to the wrong grant, recorded revenue receipts twice, and failed to post revenues received to the applicable grant.

According to 2 CFR § 215.21(b), NSU's financial management system should be sufficient to:

- ensure accurate, current and complete disclosure of financial results of each federally-sponsored project or program;
- provide effective control over and accountability for all funds; and,

- provide accounting records, including cost accounting records, which are supported by source documentation.

Proper reporting of grant activity is essential to NSU's internal and external decision makers. Insufficient controls governing grants management can lead to improper drawdown of funds, the misuse of funds, or misstatement of the amounts reported in the financial statements. Continuous and significant deficiencies in grants management can result in sanctions or loss of funds at the discretion of the federal awarding agency. Based on the internal control deficiencies noted, the APA performed detailed audit work over individual grants resulting in a decrease of approximately \$254,892 in grant-related deferred revenue and \$231,240 in grants receivable in NSU's final audited financial statements.

The deficiencies noted are likely the result of Grants Accounting's attempt to move from a cash basis to an accrual based accounting for its grants receivable. At the time of the APA review, Grants Accounting was still in the process of revising its Grants Roll Forward Schedule to adapt to the new approach. Accordingly, Grants Accounting did not have adequate policies and procedures to ensure consistent accounting of grant transactions to properly prepare and calculate balances in the Grants Roll Forward Schedule.

Recommendation

Management has indicated that it is currently evaluating and updating grant process flows and procedures, to include tracking, recording, and reporting grant activities in NSU's accounting system. As part of updating the policies and procedures, NSU's management should continue to examine the current setup and capabilities of the financial management system to ensure it can achieve effective and efficient management and reporting of federal grant awards. Improving grant management practices will improve recording and reporting of grant funds and prevent potentially negative impacts on funding.

8. **Improve Overtime Internal Controls and Processes. This is a Repeat Finding.** NSU does not have policies and procedures surrounding the reporting of overtime. During their review, the APA found that the process for submitting overtime is inadequate. Employees and supervisors continuously submit overtime for payment late and forms are improperly completed.

During the APA audit, they noted several employees with multiple overtime forms submitted during the fiscal year, which had various issues. One employee submitted overtime forms weeks after completing the required overtime, thus causing the Payroll Department to process the overtime four to five months after the overtime occurred. Multiple overtime forms lacked some of the necessary approval signatures and in some instances, employees obtained approval signatures after the overtime was completed. In addition, there were two instances where the Payroll Department could not provide original supporting documentation for overtime processed.

Effective overtime controls are essential in minimizing the opportunity for abuse and increasing the efficient use of NSU resources.

Recommendation

NSU management is currently reviewing NSU policy to ensure it complies with state policy and best practice. NSU should ensure all employees are aware of the policies and procedures and hold employees accountable when policies are not followed. In addition, NSU should maintain original supporting documentation for all overtime performed.

9. Enhance System Access Controls. NSU is not promptly terminating system access upon separation of employees from NSU. In addition, NSU has inappropriately assigned employees in Auxiliary Services access to Colleague, which is not necessary to perform their core job responsibilities.

Promptly Remove System Access

NSU did not remove Building Information Tracking System (BITS) and Lease Accounting System (LAS) access timely for three employees. NSU terminated the employee's access one month to nineteen months after the employee's separation from NSU. SEC 501 Section 5.2.2.23-24 requires the prompt removal of system access for terminated or transferred employees. The system administrator should remove access as close to the employee's date of separation as administratively possible. While the APA found no evidence of these employees accessing the system after their termination date, untimely removal of user access increases the risk of unauthorized transactions and could impact the integrity of the Commonwealth's financial systems as well as NSU's financial statements.

System Access – Least Privilege

NSU assigned Auxiliary Services employees access within Colleague that allows them to create general ledger accounts, which is not needed to perform their core job functions. As a compensating control, NSU Controller generates a report of the chart of accounts to identify any new accounts. However, NSU should consider each employee's access to all functions across all systems when managing access, and assign access in accordance with the principal of least privilege. Without properly designed system controls, NSU is not able to effectively monitor or prevent actions taken by employees. Inappropriate or unnecessary access to NSU's systems reduces management's ability, in the normal course of performing their assigned functions, to prevent or detect errors in a timely basis.

Recommendation

NSU should improve its access review process to ensure that access is only granted based on the principal of least privilege and that levels of access are updated as employees separate from NSU to mitigate the risk of unauthorized access and transactions.

10. Improve Accounts Payable Processes. **This is a Material Weakness.** NSU's Accounts Payable Department (Accounts Payable) did not adequately perform cut-off procedures for year-end expenses or comply with prompt payment provisions as specified by the Code of Virginia. Departments send invoices to Accounts Payable for processing; however, Accounts Payable does not properly time/date stamp the invoices upon receipt to support prompt payment of the invoice. In addition, departments within NSU do not always promptly send invoices to Accounts Payable in a timely fashion for processing of payment.

In accordance with generally accepted accounting principles, expenses should be recognized in the periods for which the goods or services are received. Additionally, in accordance with Commonwealth Accounting Policies and Procedures, all payments to non-governmental and privately-owned businesses should be paid the later of 30 days after the receipt of the goods, services, or invoice. The procedures outlined in topic 20300 ensure compliance with prompt pay requirements detailed in the Code of Virginia, Sections 2.2-4347 through 2.2-4356 and 2.2-5004.

During the APA review, they found multiple vouchers improperly coded resulting in material adjustments to accounts payable on the financial statements. In addition, the APA identified seven instances where payment did not occur within the appropriate time limit.

Improper designation of vouchers as payables can result in misstatements to the financial statements and can improperly shift expenses between fiscal years. Additionally, insufficient controls over time and date stamping invoices upon receipt can lead to deficiencies in prompt payment of invoices as well as identification of year-end payables.

Recommendation

The Accounts Payable Department should ensure that all invoices are date stamped on the date received. NSU should review the procedures for determining year-end accounts payable to ensure all amounts included as “P Vouchers” are for services performed during the applicable fiscal year. In addition, NSU should stress the importance to departments of providing Accounts Payable with invoices as soon as the items are received, so that they can ensure timely payment to vendors.

11. Improve Controls over Prepaid Expenses. **This is a Material Weakness.** NSU’s Accounts Payable Department did not adequately recognize prepaid expenses at fiscal year-end. In addition, Accounts Payable did not maintain policies and procedures for recognizing prepaid expenses in accordance with generally accepted accounting principles. During the APA review, they determined NSU improperly classified two vouchers. NSU personnel improperly included one voucher, for services not completed until fiscal year 2014, as a fiscal year 2013 expense, rather than a prepaid expense. Additionally, staff improperly recognized one voucher, for services performed between November 2012 and March 2013, as a prepaid expense, despite all services occurring during the fiscal year. In accordance with generally accepted accounting principles, expenses paid before the service is complete should be recognized as an asset and expensed as the service occurs.

The voucher related to fiscal year 2014, resulted in an understatement of the prepaid expense line item by \$329,049. The voucher related to services completed in 2013 resulted in an overstatement to the line item of \$7,013. It was determined that these instances resulted from inadequate procedures for recognizing prepaid expenses and staff without the requisite training or knowledge to properly recognize the expenses as prepaid.

Recommendation

Accounts Payable should develop and implement procedures for determining prepaid expenses to ensure all amounts are properly included or excluded as prepaid expenses at year-end. During the development of these procedures, Accounts Payable should evaluate the current process used to identify prepaid expenses to ensure that it is adequate and adjust accordingly.

12. Improve Controls Over the Write-Off Process. **This is a Material Weakness.** NSU’s Controllers Office (Controller’s Office) did not properly write-off bad debts for fiscal year 2013 within the financial system.

During the review of student accounts receivable, the APA determined that the Bursar’s Office processed two write-off allocations during the fiscal year under review, one in March 2013 and another in June 2013, for a total of approximately \$760,828. The Bursar’s Office properly allocated the bad debt within the student system. However, the Controller’s Office failed to book the bad debt to the financial system’s general ledger resulting in a material overstatement of student receivables reported on its financial statements.

In the normal course of reporting, NSU waits until year-end to post its write-offs to the financial system. Failure to properly account for accounts receivable and related bad debt in a timely manner can

negatively impact NSU's cash flow and increases the risk of material misstatement to NSU's financial statements.

Recommendation

NSU's management, upon approval of the write-off amount, should record its bad debts in both the student and financial systems. Recording the write-off at the point in time of approval instead of at year-end, will provide some assurance that NSU is properly accounting for its bad debt.

University of Virginia (UVA/AD)

1. Improve Procurement Processes. During fiscal year 2014, the UVA/AD issued over 115,000 purchase orders. The APA obtained the procurement file and analyzed the purchase orders to isolate and categorize those that represent higher risk. That analysis identified the following:
 - Procurements valued just under the competitive request for proposal threshold of \$50,000;
 - Procurements made to the same vendor, on the same day, by the same buyer; and,
 - Procurements identified as sole source purchases.

The APA selected a sample from each of these categories and identified the following concerns.

1. The UVA/AD uses the same generic, unsigned sole source justification for most research-oriented sole source procurements rather than requiring the purchaser to explain the need for a sole source. A consequence of recording these research procurements as sole source involves eVA rebates. Whenever procurements are made from unregistered eVA vendors identified as sole source, the Department of General Services (DGS) refunds the eVA fees originally paid by the UVA/AD. The APA found some instances where the UVA/AD received eVA rebates to which they may not have been entitled had they identified the procurement as a cooperative contract or other procurement method.
2. The APA tested two Facilities Management sole source procurements and found that both had inadequate sole source justifications. These procurements involved the same vendor who was awarded two sole-source contracts to replace HVAC units based on criteria that could have been outlined in a competitive procurement and contract. Additionally, Facilities Management did not publically post these award notices in eVA or the UVA/AD's procurement website, which is linked in eVA. Both the Code of Virginia, Section 2.2-1110, and the Restructured Higher Education Financial and Administrative Operations Act require public posting of such awards.
3. The APA tested all incidences of purchases being made from the same vendor, on the same day, by the same buyer and requested justifications as to why the procurements were split. Individually the procurements fell below the \$5,000 threshold for a competitive procurement, but had they been combined they would have exceeded \$5,000. For four of these incidences (17 percent) the UVA/AD provided no justification. For five incidences (22 percent) the justifications were unreasonable and may indicate intentional splitting to avoid the delays and additional work caused by competitive procurements.
4. For one of six vendors tested (17 percent) who had procurements between \$49,000 and \$49,999.99 the buyer's original estimate of \$49,999 was later deemed insufficient as a second procurement for \$21,660 was required 10 months later. In the case where buyers estimate a procurement at just beneath the competitive procurement threshold of \$5,000 or \$50,000, they

should be conservative and consider the potential for additional purchases during the subsequent 12 month period. Increasing the value would result in more competition that may provide cost savings to the UVA/AD.

5. The UVA/AD relied on their insurance broker to procure competitively an insurance plan for college athletes at University of Virginia College at Wise (UVA/CW), valued at over \$100,000. While it is reasonable to obtain the broker's assistance in writing the procurement specifications, University's Procurement Services should have performed the procurement in-house.

To increase competition and ensure the UVA/AD receives high quality goods and services at the best price the APA recommends the following:

1. Require sole source justifications in all instances, including research, and ensure the justifications are reasonable and not based on preference. Additionally, post all sole source awards on the UVA/AD's website or in eVA as required by the Code of Virginia.
 2. Avoid splitting procurements or undervaluing them as a means to bypass the competitive procurement process. In addition, Procurement Services should monitor procurement data to identify buyers who are not adhering to the UVA/AD's Guidelines for Competition. These Guidelines require buyers to use competitive procurement when they believe the total value of goods or services to a particular vendor will exceed a competitive procurement threshold over the next 12 months.
 3. Identify procurements as cooperative contracts or other procurement methods where possible to avoid accidentally identifying a procurement as sole source, generating an eVA rebate.
2. Improve VNAV Reconciliations and Confirmations. The UVA/AD's Payroll Department does not have supporting documentation of their payroll system to VNAV reconciliation, which they should perform before submitting their Contribution Snapshot to the Virginia Retirement System (VRS). The reconciliation from the UVA/AD's payroll system to the VNAV system (VRS Navigator) is a new process implemented in fiscal year 2013. Employers are now responsible for ensuring that all employee data changes in their payroll and human resource systems are also changed in VNAV and it is the agency's obligation to ensure that the data in VNAV reconciles with their own records.

On June 15, 2014, Governmental Accounting Standards Board Statement No. 68 went into effect and will require agencies to report a pension liability on their fiscal year 2015 financial statements. Therefore, it is critical to reconcile the employee data in VNAV to ensure its accuracy since it is used to calculate the Commonwealth's total pension liability that will calculate the pension liability for the UVA/AD's fiscal year 2015 financial statements. Additionally, ensuring that employee data in the UVA/AD's payroll system is consistent with data in VNAV is a significant control in verifying that employee retirement benefit payments are accurate. Reconciling the UVA/AD's payroll system and VNAV ensures that any differences between the systems are researched and corrected.

The Payroll Department currently has a process in place to review the VNAV error report each pay period; however, they do not maintain documentation of this review. By not maintaining this documentation, the APA were unable to confirm that the Payroll Department followed their procedure and verified the accuracy and completeness of employee data in the VNAV system.

The APA recommends the Payroll Department retain sufficient documentation to demonstrate reconciliation was performed and that they verified changes in their system were properly reported in VNAV.

3. Ensure Tuition and Fee Rates are Approved by the Board of Visitors. The UVA/AD did not obtain the Board of Visitors' (the Board) approval for a \$250 case fee automatically assessed on students enrolled in the Darden School Business (Darden).

Section § 23-38.88 of the Code of Virginia states that, "the Board of Visitors of a covered institution shall have sole authority to establish tuition, fee, room, board, and other charges consistent with sum sufficient appropriation authority for all nongeneral funds as provided by the Governor and the General Assembly in the Commonwealth's biennial appropriations authorization."

The Darden case fee is for books and study materials and was historically collected by the School of Business. However, the school was having difficulty collecting the fee from students and was advised by the Budget Department to include it on the student's tuition and fee bill. UVA/AD obtained approval of this fee in April of 2012 from the Provost, John Simon, and the former Chief Financial Officer, Michael Strine. Despite receiving approval by upper management, the APA recommends that this fee be approved by the Board in accordance with the Code of Virginia, which could be accomplished by a resolution delegating to senior management the authority to establish fees in addition to those specifically established by the Board.

University of Virginia Medical Center (UVAH)

1. Improve VNAV Reconciliations and Confirmations. The UVAH did not follow the Virginia Retirement System (VRS) guidelines and confirm the accuracy of VNAV data by the 10th of the subsequent month, as detailed in the Department of Accounts Payroll Bulletin, dated January 3, 2013. Eight out of the twelve months in fiscal year 2014 were certified after the 10th day, and included time lapses ranging from 2-29 days. One exception was caused by a problem with the VRS servers, which was outside the control of the UVAH staff. However, seven exceptions remain where the UVAH did not take sufficient action to properly confirm the VNAV data timely.

These errors are the result of the UVAH not having a sufficient internal control in place to ensure the timely confirmation of VNAV data. The APA recommends that the UVAH implement a procedure to ensure compliance with VNAV requirements.

2. Improve Controls over the Disposal of Fixed Assets. The UVAH removed four forklifts from its asset management system but could not provide documentation to demonstrate the forklifts were properly surplus, sold, or transferred to another entity.

The UVAH removed the four forklifts with a net book value of \$72,085 based upon the results of their biennial capital equipment inventory, when a department representative said the forklifts were transferred to the UVA/AD. In following up with the UVA/AD, the APA found they had no record of ever receiving the four forklifts from the UVAH and further follow-up by the UVAH eventually located them still in use there.

While the total amount is insignificant to the UVAH as a whole, the breakdown of internal control over the handling of noting and deleting the disposal of capital assets is a fraud risk that could potentially lead to the misappropriation of state assets. To reduce the risk of asset misappropriation, the APA

recommends the UVAH reviews its policies and procedures over the disposal of equipment and ensure that appropriate documentation is complete before removing assets from the system.

Virginia Commonwealth University (VCU)

1. Improve Student Health Portal Security. VCU lacks certain controls to protect its Student Health Portal that contains sensitive student data covered under the Family Educational Rights and Privacy Act. Weak controls can create vulnerabilities that expose sensitive data to potential compromises, which, as a result, may lead to reputational damage and financial penalties imposed on VCU.

The APA review noted several areas of weakness that were 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 recognizes that management has been actively working to address these concerns. Therefore, the APA recommends that VCU continue to dedicate the necessary resources to implement the controls discussed in the recommendation in accordance with industry best practices and VCU Policy.

Natural Resources

Department of Game and Inland Fisheries (DGIF)

1. Properly Make Prior Year Adjustments and Record Year-End Revenue. DGIF is correcting and writing off revenue from the prior year against current year revenue instead of against fund balance, causing negative revenue source balances at year-end. DGIF collects watercraft sales taxes, saltwater fishing license fees, and state forest hunting license fees to be transferred the following month to the Department of Taxation (TAX), Virginia Marine Resource Commission (MRC), and the Department of Forestry (DOF), respectively. The Code of Virginia mandates the transfer of watercraft sales taxes, and DGIF has formal agreements with MRC and DOF establishing how and when those transfers will occur.

During the prior audit, the APA found that DGIF was not transferring these revenues accurately or timely resulting in over- or underpayments. In fiscal year 2014, DGIF identified additional errors in revenue amounts that they had transferred to TAX, MRC, and DOF in prior years that needed correction. In addition, in fiscal year 2014, DGIF decided to write off bad checks from prior years (pre-fiscal year 2014). Basic accounting practice is to correct prior period errors against fund balance. DGIF’s corrections and write-offs incorrectly hit current year revenue instead of fund balance to which the revenue balances are closed at year-end. No changes can be made for prior year revenues, only adjustments to fund balance. The fiscal year 2014 year-end balances were:

Revenues	Prior Year earned revenue	Bad check write off	Total
Watercraft Sales Tax	\$ (249,343)	\$ (3,549)	\$ (252,892)
Saltwater Fishing Licenses	(554,613)	(102)	(554,715)
State Forest Hunting Licenses	<u>(11,883)</u>	<u>-</u>	<u>(11,883)</u>
	<u>\$ (815,839)</u>	<u>\$ (3,651)</u>	<u>\$ (819,490)</u>

In addition, DGIF’s internal license system, Boat Registration and Titling System (BRTS), is not able to automatically code license sales to the appropriate revenue source for various reasons. These sales are recorded in the agency clearing accounts, sources 02100 and 02190. Due to incorrect amounts submitted or unverifiable personal information, some sales are “pending” until the correct amount is determined or personal information can be verified. These amounts may be pending for various amounts of time, which may cross into the next fiscal year. In fiscal year 2014, prior year pending amounts and prior year bad check write offs created negative balances in the agency clearing accounts, Sources 02100 and 02190. In addition, DGIF should write-off prior year bad checks against fund balance instead of current revenue. The balances at year-end resulting from bad checks and pending amounts were:

Revenue Source	Ending Balance
02100 - Licenses and Permits	\$ (111,457)
02190 - Hunting, Trapping, Angling Licenses	<u>(12,191)</u>
	<u>\$ (123,648)</u>

In total for fiscal year 2014, five revenue sources ended the fiscal year with negative balances totaling \$943,138.

The Department of Accounts (DOA) worked with DGIF after its last audit and developed a solution for DGIF to account for revenues remaining at year-end. DOA and DGIF agreed that DGIF would timely and accurately move funds out of these accounts. However, for anything remaining at year-end, DGIF would move the remaining revenues to a suspense account. Then at the beginning of the next fiscal year, DGIF would move the revenues out of the suspense account back into the revenue account.

DGIF disregarded the agreement with DOA, and instead of moving the remaining revenues to a suspense account, they moved them to a deferred revenue account. This is inappropriate because the majority of those revenues have already been earned through the sale of licenses or payment of taxes.

	Taxation	Marine Resource Commission	Forestry	Revenues Pending Distribution
Revenue Deposits	\$ 218,561	\$ 476,477	\$ 4,170	\$ -
Revenue Distributed from Holding Source	58,522	27,615	45	-
Revenues Pending Distributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,460</u>
Total Recorded as Deferred Revenue	<u>\$ 277,083</u>	<u>\$ 504,092</u>	<u>\$ 4,215</u>	<u>\$ 87,460</u>

While DGIF has improved its accuracy of making transfers to TAX, MRC, and DOF in fiscal year 2014, and also in creating reconciliations to track pending amounts in agency clearing accounts, DGIF should correct and write off prior year amounts against the prior year fund balance instead of current year revenues. DGIF should contact DOA to gain a better understanding of what procedure to use to accomplish this. DGIF should use a suspense account rather than deferred revenue in the future to hold revenues at year-end.

2. Create Policies and Procedures for Multiple Areas in the Agency. DGIF lacks clearly documented and approved policies and procedures for multiple business areas in the agency. These business areas include, but are not limited to, Commonwealth Accounting and Report System (CARS) reconciliation, fixed assets, payroll, and revenue. The Commonwealth Accounting Policies and Procedures (CAPP) Manual states that the CAPP Manual procedures alone should never eliminate the need and requirement for each agency to publish its own internal policies and procedures documents, approved in writing by agency management.

DGIF has not allocated or prioritized the appropriate resources to ensure that such internal policies and procedures are present for multiple business areas at DGIF. The lack of complete and up-to-date internal policies and procedures reflects inadequate internal controls. In addition, the lack of clearly documented policies and procedures may result in employees completing required tasks incorrectly or ineffectively and different employees may choose to complete tasks differently, thus leading to inconsistency in work performed at the agency.

DGIF should allocate and prioritize appropriate resources to ensure the creation of policies and procedures in all business areas. The policies and procedures should be properly documented, approved by the Executive Director, and communicated to employees. In addition, management should periodically review the policies and procedures to determine whether they need to be updated as a result of changes in agency systems or other processes.

3. Improve Controls for Fixed Asset Management. DGIF did not properly record, reconcile, and report fixed assets. DGIF recorded a transceiver at a value \$25,000 great than the actual cost, which resulted in the asset being classified as capital and overstating assets by \$25,000. DGIF tagged but did not record 20 breathalyzers. The breathalyzers were low dollar assets that needed to be tracked for control purposes. By not recording them, management could not track or manage the assets, which increases the risk of loss or theft. DGIF is also not reconciling its internal asset system (AIMS) with the Commonwealth's Fixed Asset Accounting and Control System (FAACS) and CARS quarterly. Finally, DGIF did not accurately prepare the Fixed Asset Supplemental Information in relation to construction in progress for use in the Commonwealth's Comprehensive Annual Financial Report (CAFR.) The information did not contain construction in progress activity for the entire fiscal year; rather it only contained information for the fourth quarter of the fiscal year.

The CAPP Manual requires Summary FAACS Users to maintain detailed records in their agency-based system and reconcile all activities quarterly with FAACS and CARS. The CAPP Manual and generally accepted accounting principles requires that assets be recorded at historical cost. The CAPP Manual requires recording of assets with a useful life greater than one year and a cost greater than \$5,000. DGIF policies also require recording assets between \$500 and \$5,000, in addition to assets that may be below \$500 but need recording for control purposes. DOA requires DGIF to submit fixed asset financial reporting information for inclusion in the CAFR since they use their own internal asset system.

DGIF does not have adequate, documented policies and procedures over fixed assets. In addition, the Fixed Asset Coordinator position was vacant for 16 months prior to April 2014. Without adequate policies and procedures, the new Fixed Asset Coordinator did not have adequate guidance or training over performing reconciliations or completing the fixed asset submission for the CAFR. With the Fixed Asset Coordinator position being vacant for 16 months, field employees did not have adequate oversight or guidance in performing their duties.

DGIF should develop and implement policies and procedures over all fixed asset areas, including but not limited to recording, reconciling, and reporting fixed assets. The Fixed Asset Coordinator needs a

thorough understanding of the requirements surrounding fixed assets, specifically for construction in progress, to help ensure that she properly performs reconciliations and submits accurate information to DOA for inclusion in the CAFR.

4. Perform a Physical Inventory At Least Every Two Years. DGIF personnel have not performed a complete physical inventory of capital assets, specifically equipment valued at over \$28 million, since 2011. DGIF's internal Asset Management Control Policies and Procedures state that a physical inventory of fixed assets is required at least once every year. Also, CAPP Manual, Section 30505 requires agencies to conduct a physical inventory of capital assets at least once every two years. Lack of compliance with this policy can result in a misstatement of assets actually held by the agency and increase the risk of undetected lost or stolen assets.

While the Law Enforcement Division completed its inventories in March and April of 2014, the other divisions and the headquarters office have not completed a physical inventory since 2011. The position of Fixed Asset Coordinator is responsible for physical inventory at the agency, with assistance from on-site staff. Until recently, DGIF did not have a dedicated Fixed Asset Coordinator to initiate a timely inventory. The position was vacant for 16 months until a new coordinator was hired in April 2014. During this time, management did not ensure that the critical Fixed Asset Coordinator responsibilities, such as initiating inventory counts, occurred. Also, except for the policy to perform a physical inventory every year, DGIF does not have a documented inventory procedure or inventory schedule for divisions to follow. A documented procedure for performing physical inventory may have given guidance to staff to conduct the inventory in the absence of a coordinator. Although DGIF has hired a Fixed Asset Coordinator, the employee is still in training and gaining an understanding of the agency's operations.

Even though the agency has hired a Fixed Asset Coordinator, DGIF should also create an appropriate schedule for conducting a physical inventory for all of the agency's divisions and locations, as well as creating documented procedures for performing the inventory. In addition, management should ensure that when positions are vacant, they identify critical activities for that position and take action to ensure that those critical activities still occur.

5. Improve Database Security. **This is a Repeat Finding.** DGIF continues to operate its databases that store confidential citizen information, such as social security numbers and drivers' license numbers, without implementing the minimum controls in accordance with internal policy, the Commonwealth's Information Security Standard, and industry best practices.

The APA communicated six areas of weakness during the fiscal year 2012 audit 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. Although these weaknesses are still not resolved, the APA recognizes that DGIF has made reasonable progress in resolving these weaknesses in accordance with their corrective action plan.

DGIF should continue to implement the controls discussed in the APA recommendation in accordance with their corrective action plan and the current Commonwealth's Information Security Standards and industry best practices, such as those published by the Center for Internet Security.

6. Improve Internal Controls over System Access. **This is a Repeat Finding.** DGIF did not adequately complete acceptable use agreements and network access forms when approving access to eVA (procurement system) and AIMS (Accounting Information Management system.) Without completing this documentation, employees may not fully understand their access limits and their responsibilities when using the systems. This increases the risk that they may use their access inappropriately or

ineffectively. DGIF also has less recourse to take corrective action when employees use the systems improperly and have not signed the completed documentation.

The Department of General Services' eVA Security Policy requires that an Acceptable Use Agreement be completed before access is given to a user. The Commonwealth Information Security Standard SEC 501 AC-2-COV also requires a documented request from the user to establish an account on any internal IT system.

The APA identified this same issue in the prior audit. DGIF has made some progress in implementing its corrective action, but it was not complete at the time of the audit. DGIF implemented a process for periodically reviewing system access, but has not implemented improved procedures over granting and terminating access and has not revised its policies and procedures to reflect any new processes or procedures. DGIF has contracted with an outside vendor to develop information security policies and procedures, including controls over system access.

As a result, the APA still found one eVA user granted access in March 2014 that did not have an acceptable use form signed before receiving access. In addition, seventeen of 21 AIMS users tested still lacked a network access form for at least one AIMS application for which they had access.

DGIF should continue its process to periodically review system access. In addition, DGIF should implement the policies and procedures developed by the contractor to ensure proper controls exist over the granting, management, and termination of system access across all information systems used by DGIF.

7. Conduct Thorough Review of Contribution Snapshot Prior to Certification. DGIF does not adequately review the Contribution Snapshot generated by VRS' MyVRSNavigator (VNAV) system to ensure that the creditable compensation in PMIS (Personnel Management Information System) agrees to the creditable compensation amount in VNAV. The Snapshot processor lacks understanding as to what extent to review the Snapshot and, therefore, only reviews the Cancelled Record Report and only glances at other information present on the Snapshot.

According to Payroll Bulletin 2014_05, agencies should reconcile the creditable compensation in PMIS to the creditable compensation amount in VNAV each month before they confirm the Snapshot in VNAV. As stated in Payroll Bulletin 2013_02, careful review of the monthly Contributions Snapshot is critical to the accuracy of the automated reconciliation. The VRS actuary uses the information in VNAV to calculate the Commonwealth's pension liabilities and inaccurate data could lead to a misstatement in the Commonwealth's financial statements.

Improper review of the Contribution Snapshot may result in the agency's improper payment of employee contributions to the Virginia Retirement System. DGIF should therefore establish procedures to ensure that the Contribution Snapshot processor thoroughly understands the extent to review the Snapshot, appropriately reconciles the creditable compensation in PMIS to VNAV prior to its certification, and maintains thorough documentation of the review process.

8. Establish an Internal Records Retention Policy. DGIF does not have an internal document retention policy describing how DGIF will apply the Library of Virginia retention schedules to its documents. As a result, various organizational units within DGIF are not properly following retention requirements over purchasing and accounting documents.

- The Capital Program Division disposes of unsuccessful bid proposals four weeks after contract award in order to prevent buildup of large amounts of documentation.

- An individual in the Planning and Finance Division automatically deletes sent emails without determining whether they contain administrative or fiscal records that must be retained.

Code of Virginia Section 42.7-11 defines “public records” as “recorded information that documents a transaction or activity by or with any public officer, agency, or employee of an agency. Regardless of physical form or characteristic, the recorded information is a public record if it is produced, collected, received, or retained in pursuance of law or in connection with the transaction of public business. The medium upon which such information is recorded has no bearing on the determination of whether the recording is a public record.” In addition, agencies should classify records as either administrative, fiscal, historical, or legal, which then drive the determination of how long to retain the record. Specifically, Library of Virginia Retention Schedule GS-102 states that agencies must retain purchasing records including but not limited to bids, bid proposals, contracts, agreements, purchase orders, and requisitions for five years after the end of the state fiscal year.

Without an internal policy that addresses retention requirements based on record classification or the format in which correspondence occurs, such as paper or email, DGIF employees have no guidance on how to comply with state requirements. Improper retention of documentation does not allow for proper transparency of DGIF’s financial and procurement procedures and prevents auditors from conducting required testwork.

DGIF should establish and implement an internal document retention policy describing how DGIF will apply the Library of Virginia retention schedules and how the policy relates to records in various formats.

Public Safety and Homeland Security

Department of Alcoholic Beverage Control (ABC)

1. Continue to Improve IT Governance. **This is a Repeat Finding.** The Department of Alcoholic Beverage Control (ABC) has improved its information technology (IT) project prioritization and continues to improve its IT governance structure. While the ABC has made significant efforts to implement corrective actions in response to recommendations noted during the previous audit period, various weaknesses continue to exist. The APA identified and communicated these weaknesses to management in a separate document marked Freedom of Information Act Exempt (FOIAE) under Section 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms.

The Commonwealth’s Information Security Standard, SEC 501, requires agencies to use specific controls to reduce unnecessary risk to data confidentiality, integrity, and availability in systems processing or storing sensitive information.

The ABC should dedicate the necessary resources to implement the controls discussed in the communication marked FOIAE that continue to align the ABC’s operations with industry best practices and the Commonwealth’s Information Security Standard, SEC 501.

2. Improve Database Security. **This is a Repeat Finding.** The ABC does not use some required controls to protect the databases that support some critical systems in the IT environment. These databases contain sensitive information, such as personally identifiable information and operational data. The APA identified and communicated the weak controls to management in three separate documents

marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia due to specific descriptions of security mechanisms.

The Commonwealth's Information Security Standard, SEC 501, requires agencies to use specific controls to reduce unnecessary risk to data confidentiality, integrity, and availability in systems processing or storing sensitive information.

The ABC should dedicate the necessary resources to implement the controls discussed in the communication marked FOIAE and create a standard installation and configuration guide for its sensitive databases that, at a minimum, meets the requirements in the Commonwealth's Information Security Standard.

3. Improve Information Security Officer Designation. The ABC does not position the Information Security Officer (ISO) role in an organizationally independent unit from the Chief Information Officer (CIO). The Commonwealth's Information Security Standard, SEC 501 Section 2.4.1, recommends that the ISO report directly to the agency head, where practical, and should not report to the CIO.

Having the ISO role reporting to the CIO may limit effective assessment and necessary recommendations of security controls in the organization due to possible competing priorities that sometimes face the CIO. In establishing its Information Security Officer within the organization, the ABC did not fully consider the need for full independence of the Information Security Officer and the Information Security Office.

The APA recommends that the ABC evaluate the organizational placement of the ISO to eliminate any conflicts of interest in the implementation of its information security program and controls. While it may not be feasible to have the ISO report directly to the agency head, the ABC should consider placing the ISO role in a different organizational unit reporting to another executive-level position.



Additional Recommendations – Quarter Ended December 31, 2014

No APA reports containing “Additional Recommendations” were received.

Special Reports – Quarter Ended December 31, 2014

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, 2014⁽¹⁾

Revenue Stabilization Fund Calculations for the year ended June 30, 2014

The APA issued the following “Special Report” containing management recommendations:

Report to the Joint Legislative Audit and Review Commission for the quarter July 1, 2014 through September 30, 2014⁽²⁾

Review of Surplus Procedures for Electronic Devices with Storage – October 2014

Other Audit Reports Received – Quarter Ended December 31, 2014

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

Fort Monroe Authority for the year ended June 30, 2014⁽³⁾

Virginia Biotechnology Research Partnership Authority for the year ended June 30, 2014

Virginia College Savings Plan for the year ended June 30, 2014

Virginia Commercial Space Flight Authority for the year ended June 30, 2014⁽⁴⁾

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

Office of the Executive Secretary of the Supreme Court of Virginia, Clerk of the Supreme Court, Clerk of the Court of Appeals, The Judicial Inquiry and Review Commission, and Virginia Criminal Sentencing Commission for the years ended June 30, 2012 and June 30, 2013

- Track Internal Software Development Costs – Repeat Finding
- Distinguish Between Project and Enhancement
- Improve Database Security – Repeat Finding
- Improve Information Security Program – Repeat Finding
- Realign Information Security Officer with Industry Best Practices – Repeat Finding

- Continue to Improve Sensitive Systems Risk Assessment and Contingency Planning Documentation – Repeat Finding

Virginia Health Workforce Development Authority for the year ended June 30, 2013

- As a result of not correcting deficiencies identified in the prior year's audit, the APA found that VHWDA did not properly state, in all material respects, the amounts recorded and reported in VHWDA's accounting system.
- Improve Budget Approval and Financial Reporting (Repeat Issue)
- Evaluate Existing Contracts Using Required Procurement Principles (Repeat Issue)
- Separate Fiscal Duties (Repeat Issue)
- Complete Reconciliation in Timely Manner and Retain Evidence of Completion (Repeat Issue)
- Establish Accounting and Financial Policies that do not Conflict with Actual Practices (Repeat Issue)
- Eliminate Debit Card and Obtain Written Approval for Expenses

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

(2) *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.*

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

(4) *The Virginia 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
Department of Minority Business Enterprise	0	2	0	0
Agriculture and Forestry				
Department of Agriculture and Consumer Services	2	0	0	0
Commerce and Trade				
Department of Business Assistance	0	4	0	0
Virginia Employment Commission	0	3	0	2
Education				
The College of William and Mary in Virginia	0	2	1	0
Gunston Hall	0	2	0	0
Norfolk State University	4	0	3	5
Virginia Community College System Central Office	2	0	0	0
Central Virginia Community College	0	0	14	0
Danville Community College	0	0	5	0
Eastern Shore Community College	1	0	5	0
Lord Fairfax Community College	0	0	2	0
Northern Virginia Community College	1	1	3	1
Patrick Henry Community College	0	0	2	0
Paul D. Camp Community College	0	0	7	0
Piedmont Virginia Community College	0	0	4	0
Rappahannock Community College	0	0	2	0
Southside Virginia Community College	4	0	3	0
Tidewater Community College	1	0	1	1
Virginia Military Institute	0	0	1	0
Virginia School for the Deaf and Blind	0	1	0	0

Finance				
Department of Accounts	0	0	1	0
Department of Taxation	0	1	1	0
Health and Human Resources				
Department for Aging and Rehabilitative Services	0	0	0	1
Department of Health	1	0	3	1
Department of Health Professions	0	1	1	0
Department of Medical Assistance Services	0	1	0	1
Department of Social Services	0	2	0	0
Natural Resources				
Department of Game and Inland Fisheries	0	1	0	4
Department of Conservation and Recreation	44	0	8	2
Public Safety				
Department of Alcoholic Beverage Control	0	2	0	0
Department of Emergency Management	0	0	0	5
Department of State Police	1	1	0	0
Transportation				
Department of Motor Vehicles	0	2	0	0
Department of Rail and Public Transportation	1	0	0	0
Department of Transportation	0	1	0	3
TOTALS	62	28	67	26



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.

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
<u>Department of General Services (DGS)</u>				
2012	12-01 10-02	Improve Application Controls. <i>This is a Repeat Finding.</i>	Unrestricted access to all PeopleSoft Financial System has been altered to improve segregation of duties for key Fiscal senior staff. However, this is not a static process, and the current status of the project is still under evaluation and may require some adjustments.	In Progress (Delayed)
<u>Department of Minority Business Enterprise (DMBE)</u>				
2013	13-01	Improve Internal Controls Over Voucher Processing	A corrective action workplan update has not been received.	In Progress (Delayed)
	13-02	Improve Internal Controls Over Small Purchase Charge Cards	A corrective action workplan update has not been received.	In Progress (Delayed)
<u>Department of Agriculture and Consumer Affairs (VDACS)</u>				
2013	13-01	Perform Timely Updates to IT Risk Management and Contingency Plans	Disaster Recovery Plan has been updated and Procured Disaster Recovery Services are expected to be in place by September 2015.	In Progress (On Schedule)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	13-02	Improve Oracle Database Security	VDACS will undertake planning to see that the control is in place in the new Oracle environment.	In Progress (On Schedule)
<u>Department of Business Assistance (DBA)</u>				
2013	13-01	Improve Controls over Purchasing and Voucher Processing	A corrective action workplan has not been received.	In Progress (Delayed)
	13-02	Improve Oversight of Travel	A corrective action workplan has not been received.	In Progress (Delayed)
	13-03	Develop Policies and Procedures for Terminated Employees	A corrective action workplan has not been received.	In Progress (Delayed)
	13-04	Comply with Commonwealth Procurement Guidelines	A corrective action workplan has not been received.	In Progress (Delayed)
<u>Virginia Employment Commission (VEC)</u>				
2013	13-01	Improve Internal Controls Surrounding Employer Wage Discrepancies	Progress is being made towards the completion date of March 31, 2015.	In Progress (Delayed)
	13-02	Improve Controls over Benefit Adjustment Payments	The timeline for implementation of VUIS has extended beyond the original expectations; therefore, VEC is exploring a solution through the current system VABS to determine what corrections can be introduced.	In Progress (Delayed)
	13-03	Strengthen Financial Reporting Over Accounts Receivable	VEC has updated procedural documentation to be used in preparing the AR report. VEC will continue to review spreadsheets and refine documentation to ensure the accuracy of receivables reported.	In Progress (Delayed)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	13-04	Improve Internal Controls over Small Purchase Charge Card Program	Based on the APA's 2014 audit this has been completed.	Completed (Delayed)
	13-05 12-01 11-01	Resolve Employer Wage Discrepancies Timely. <i>This is a Repeat Finding.</i>	Based on the APA's 2014 audit this has been completed.	Completed (Delayed)

The College of William and Mary in Virginia (CWM)

2013	13-02	Improve the Termination Process	CWM has developed new clearance forms and distributed them for approval. Meetings with individual departments are also continuing as needed. The policy and forms have been submitted to the Office of the Provost for approval.	In Progress (Delayed)
	13-03	Improve eVA Internal Controls and Compliance	CWM met with DPS/eVA global security officer via webinar and discussed options to have eVA security plan approved - waiting on DPS to advise on how to proceed.	In Progress (Delayed)
	13-06	Improve Web Application Security	The policy has been revised and currently under review in accordance with VITA Information Security Standard COV SEC501-08.	Completed (On Schedule)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
<u>Gunston Hall (GH)</u>				
2013	13-01	Improve Fixed Asset Management	GH will update FAACS based on March 2015 inventory	In Progress (Delayed)
	13-02	Designate a Purchase Card Program Administrator and Backup Program Administrator	GH is in the process of having the current Back-up Administrator reassigned to the Administrator role and have the Executive Director assigned to the Back-up Administrator role.	In Progress (Delayed)
<u>Norfolk State University (NSU)</u>				
2012	12-01 11-02	Continue to Develop and Implement Policies and Procedures. This is a Material Weakness and a Repeat Finding.	The updating of financial reporting and accounting procedures is ongoing. As we evaluate individual reporting and accounting processes, procedures will be updated accordingly.	In Progress (On Schedule)
	12-02 11-03	Improve Year-end Financial Reporting Process. This is a Material Weakness and a Repeat Finding	Key positions have been filled within the Finance and Administration division. The FY2014 University financial statements and trial balance were produced by University Accounting staff using the report writing tool, Synoptix.	Completed (Delayed)
	12-03 11-04	Properly Maintain Documentation for Audit. This is a Material Weakness and a Repeat Finding.	The central location to store audit information is currently in use and will continue to be the mechanism used to provide the external auditors with the requested list items.	Completed (Delayed)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
12-04 11-05		Properly Perform Reconciliations of Bank Accounts and Accounting System. This is a Material Weakness and a Repeat Finding.	Reconciliations are reviewed monthly and reconciling items are being addressed timely for posting.	Completed (Delayed)
12-05 11-06		Correct Deficiencies in Fixed Asset Management Program. This is a Material Weakness and a Repeat Finding.	An external firm completed the physical inventory. Two full-time fixed asset accountants are on board and trained. The fixed asset module within the NSU's financial system has been updated with information from the inventory conducted.	Completed (Delayed)
12-06 11-07		Perform Internal Control Risk Assessment Procedures. This is a Repeat Finding.	NSU conducted an extensive ARMICS review and submitted the ARMICS certification by the September 30, 2014 due date.	Completed (Delayed)
12-07		Strengthen Internal Controls over Grants Management. This is a Material Weakness.	Management is currently engaged in reviewing and updating grant process flow and procedures. All grant budgets and expenditures are entered in the financial system and tracked using a unique grant project number.	In Progress (On Schedule)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	12-08	Improve Overtime Internal Controls and Processes	HR and Payroll are reviewing the State Policy carefully on overtime procedures to incorporate correct guidelines in the NSU policy. HR and Payroll are also reviewing and researching other State institutions' guidelines and policies to incorporate best practices for hiring managers and employees in the final overtime policy for NSU.	In Progress (On Schedule)
	12-09	Maintain Adequate Supporting Documentation and Improve Controls over Payroll Rate Changes	HR is currently in the process of extensive file review to assure that proper documentation is contained in employee files to support any pay, position or actions taken on the employee records.	In Progress (On Schedule)
	12-10	Improve Internal Controls and Compliance Surrounding Timeliness of Deposits	NSU is currently in compliance with the Commonwealth's policies and procedures over deposits.	Completed (On Schedule)
	12-11	Establish Formal Policies and Procedures for Preparing the SEFA. This is a Material Weakness	Procedures for the preparation of the Schedule of Expenditures of Federal Awards have been implemented and are in place.	Completed (On Schedule)
	12-12	Develop and Implement Policies and Procedures for Adherence to the Davis-Bacon Act	All corrective actions have been implemented and the University is in compliance with the Act.	Completed (On Schedule)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
<u>Virginia Community College System Central Office (VCCS/CO)</u>				
2013	13-01	Ensure Capital Outlay Projects are Closed Out within Allowable Time Period	Facilities Management Services has been working to complete and submit the outstanding CO-14 forms. Controls have been put in place to ensure that the capital outlay projects are closed out in accordance with state guidelines.	In Progress (On Schedule)
	13-02	Improve Internal Controls to Ensure Data is Properly Transferred between Human Resources Systems	The HRMS Standards were implemented on October 25, 2014. The target date for the consideration of expanding the data interface remains February 16, 2015.	In Progress (On Schedule)
<u>Central Virginia Community College (CVCC)</u>				
2013	13-01	Improve Segregation of Duties within Financial Systems	CVCC hired a consultant to perform a review of internal controls, policies and procedures for all financial activities and document all policies and procedures for inclusion in a manual that will detail proper internal controls for each financial activity and the appropriate segregation of duties.	Completed (On Schedule)
	13-02	Perform AIS Security Reviews Annually	CVCC acknowledges that current procedures must be reinforced which will require supervisors to perform periodic reviews of all users' access rights on an annual basis. Vice Presidents will be notified of those individuals who do not complete reviews in a timely manner and the President may also be notified in some cases.	Completed (On Schedule)

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	13-03	Deactivate User Access Promptly Upon Employee Separation	CVCC has implemented a separation process that includes a termination checklist. The list requires notification to be sent to the Information Security Officer, through IssueTrak, so that access can be removed.	Completed (On Schedule)
	13-04	Reconcile Federal Activity Reports to Accounting Records	CVCC has completed reconciliations with the G5 activity reports and will continue to reconcile all activity on a monthly basis.	Completed (On Schedule)
	13-05	Develop Desk Procedures Related to Severance Pay and Retirement	CVCC HR Department has created a Severance Process that includes the completion of the Virginia Community College System (VCCS) Checklist for Reduction in Staff and the completion of an Employee Data-Layoff spreadsheet.	Completed (On Schedule)
	13-06	Improve Process for Calculating and Deducting Leave Without Pay from Employee Paychecks	CVCC HR Department has created a separate Payroll Process for Leave without Pay payments for inclusion in the Payroll Process Procedures. Additionally, a Leave Process was also created for inclusion in the Leave Process Procedures.	Completed (On Schedule)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	13-07	Improve Controls over Leave Tracking and Reporting	CVCC HR Department has created a separate Leave Liability Process. This process details the steps in developing the accrued payroll figures. It also details the verification of leave balance amounts between the HR Analyst for Adjunct Contracts and the HR Manager ensuring checks and balances in the process.	Completed (On Schedule)
	13-08	Improve Internal Controls over Pay Changes and Record Keeping	CVCC HR Department has created a separate Adjunct Contracts Process. This process details the steps in creating and monitoring updated adjunct contracts. It also details the effective communication among HR and the division offices in processing accurate and timely paychecks for all adjunct employees.	Completed (On Schedule)
	13-09	Improve Procedures over the Certification of Payroll	CVCC HR Department has updated the detailed Payroll Process. This process details the steps in processing paychecks for all employees.	Completed (On Schedule)
	13-10	Improve Processes Related to Employee Separation	CVCC HR Department has created Separation Checklists for full-time and part-time employees.	Completed (On Schedule)
	13-11	Perform Reconciliations between VNAV and CIPPS	CVCC HR Department has created a Retirement VNAV process. The process includes detailed steps for a thorough review of the VRS reconciliation reports pulled from Reportline.	Completed (On Schedule)

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	13-12	Retain Fixed Asset Physical Inventory	CVCC conducted a physical inventory count of capital assets with review by the Vice President for Finance and Administration.	Completed (On Schedule)
	13-13	Improve Accounts Receivable Policies and Procedures	CVCC developed policies and procedures for both the aging and write-off of uncollectible accounts.	Completed (On Schedule)
	13-14	Improve Collection Procedures for Off-Site Centers	An independent consultant assisted CVCC in developing policies and procedures regarding collections for the off-site centers.	Completed (On Schedule)

Danville Community College (DCC)

2013	13-01	Properly Calculate and Return Title IV Funds	DCC will process the revenue refund to DCC Federal Funds within seven business days of receiving the list of students from the Financial Aid Office. DCC will also send the refund to the Department of Education once DCC receives the funds.	Completed (On Schedule)
	13-02	Improve Documentation of Monthly Reconciliations of Direct Loans	The Financial Aid Office will maintain documentation supporting the monthly reconciliation of the FAO's internal records to the Direct Loan System and College Business Office upon receipt of the School Account Statements (SAS) from the Common Origination and Disbursements (COD) system.	Completed (On Schedule)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	13-03	Develop and Improve Policies and Procedures	The Financial Aid Coordinator updated written policies and procedures for processing student financial aid relative to the use of TCC as a central processor.	Completed (On Schedule)
	13-04	Improve Notification of Direct Loan Awards to Students	The Financial Aid Office has developed a process for sending written notifications to all students who receive Federal Direct Loan Awards by activating the process that is available in the Student Information System (SIS).	Completed (On Schedule)
	13-05	Reconcile Federal Funds Accounts	On a monthly basis a payment distribution reconciliation of the following systems (SIS/AIS/G5) will be completed by the grant accountant on the 15th workday of each month and signed off by the Business Manager. On a quarterly basis, a reconciliation of all systems used in drawing down and depositing federal funds (COD-Fin Aid, SIS, G5, and AIS) will be performed.	Completed (On Schedule)

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<u>Eastern Shore Community College (ESCC)</u>				
2013	13-01	Improve Segregation of Duties within Financial Systems	Business office functions have been reviewed and updated. Due to the staff limitations, the Business/Human Resources Manager has the ability to process transactions in the absence of others. When this occurs, the transactions processed by the Business/HR Manager are reviewed and approved by the Vice President of Finance and Administration.	Completed (On Schedule)
	13-02	Deactivate User Access Promptly Upon Employee Separation	ESCC developed a new Employee Separation Policy and Checklist form as recommended by CAPP Manual Topic 50320. The new policy and form were approved by the College President and became effective July 1, 2014.	Completed (On Schedule)
	13-03	Fully Implement HRMS for Leave Tracking and Reporting	ESCC is working with VCCS/CO to fully implement the HRMS Absence Management System.	In Progress (On Schedule)
	13-04	Improve Written Policies and Procedures for Payroll Processes	ESCC performed a review of payroll policies and procedures. Written procedures for payroll processes were developed that clearly define the procedures performed in great detail.	Completed (On Schedule)
	13-05	Improve Processes Related to Employee Separation	ESCC developed a new Employee Separation Policy and Checklist form as recommended by CAPP Manual Topic 50320.	Completed (On Schedule)

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	13-06	Properly Approve Vendor Purchases	Procedures are in place and the business office personnel have been retrained to ensure all vendor purchases have appropriate approvals.	Completed (On Schedule)

Lord Fairfax Community College (LFCC)

2013	13-01	Improve Documentation of Monthly Reconciliations of Direct Loans	LFCC created a process to perform the reconciliation on a monthly basis to ensure compliance with federal regulations.	Completed (On Schedule)
	13-02	Develop and Improve Policies and Procedures	The Director of Financial Aid updated written policies to include the procedures for using the National Student Loan Data System (NSLDS) and the Common Origination and Disbursement (COD) system.	Completed (On Schedule)

Northern Virginia Community College (NVCC)

2013	13-01	Assign System Access Based on Least Privilege	NVCC has been working with VCCS staff to resolve the issue of appropriate controls when support personnel need enhanced access to sensitive systems. Quarterly reports will be sent to all department Managers/Directors with staff that have enhanced access.	In Progress (On Schedule)
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<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	13-02 12-01 11-03	Deactivate User Access Promptly Upon Employee Separation. This is a Repeat Finding.	The enhanced online resignation/retirement e-form notifies Procurement (eVA), NOVACard, IT, Police, Payroll, and HR (Benefits, Employee Services, and Business Partner for campus location) via an electronic ticket. Upon receipt of the notification, each respective department is responsible for deactivating user access in a timely manner.	Completed (Delayed)
	13-03	Improve Facilities Contract Management	NVCC established a new position which was elevated to a manager-level position to attract better candidates. In addition, NVCC is working with a consulting firm to assist in the review of current processes.	In Progress (Delayed)
	13-04	Improve Leave Liability Reporting	Going forward, all Leave Liability Reports will be generated from HRMS, according to the guidelines provided by VCCS, to maintain system integrity.	Completed (On Schedule)
	13-05	Perform Reconciliations between VNAV and CIPPS	The HR Director is trained and has received guidance from VCCS on completing the report. Exception reports are pulled from the DOA Reportline data base and the reconciliation is performed on a monthly basis.	Completed (On Schedule)

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	13-06	Ensure Payroll is Properly Authorized	HR will ensure presidential approval is documented prior to making any mass changes to pay rates. HR has implemented a Human Capital/position control report for campus locations. Reviews are conducted at the 1 st of the month to ensure all positions movements are accurate.	Completed (On Schedule)
<u>Patrick Henry Community College (PHCC)</u>				
2013	13-01	Properly Calculate and Return Title IV Funds	Procedures have been strengthened to ensure the proper identification, calculation and Return of Title IV funds.	Completed (On Schedule)
	13-02	Develop and Improve Policies and Procedures	The Financial Aid policy manual was strengthened and revised to include all aspects of Return to Title IV including PHCC's respective policies.	Completed (On Schedule)
<u>Paul D. Camp Community College (PDCCC)</u>				
2013	13-01	Improve Segregation of Duties within Financial Systems	The Human Resources (HR) Director has updated the Department of Accounts (DOA) forms to note any employees that should have access removed to Commonwealth Integrated Payroll/Personnel System (CIPPS). Access to CIPPS systems will be reviewed on at least a quarterly basis by the HR Director. Small institutions with limited number of employees will compensate through additional internal controls. Reports will be used to identify unauthorized activity.	Completed (On Schedule)

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	13-02	Deactivate User Access Promptly Upon Employee Separation	PDCCC developed a formal process to ensure it removes user access promptly upon employee separation.	Completed (On Schedule)
	13-03	Continue to Improve and Monitor Internal Control Environment to Address Internal Control Weaknesses	CVCC in conjunction with the System Office, Thomas Nelson Community College (TNCC) and McGladrey L.L.P. created a Service Level Agreement (SLA) to address internal control issues.	Completed (On Schedule)
	13-04	Ensure Payroll is Properly Authorized	PDCCC Policy 457 has been reviewed and is in compliance with CAPP Manual Topic 50305 New Employee Adds, and CAPP Manual Topic 50310 Rehires and Employee Data Changes, requiring that all new employees, and rehired employee maintenance items, are entered into Commonwealth Integrated Payroll/Personnel System (CIPPS) by the Payroll Officer.	Completed (On Schedule)
	13-05	Improve Procedures over the Certification of Payroll	PDCCC will continue to create and review the necessary reports created in HR Management System (HRMS) and the Commonwealth Integrated Payroll/Personnel System (CIPPS) per the Commonwealth Accounting Policies and Procedures (CAPP) Manual and guidance provided by the System Office.	Completed (On Schedule)

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	13-06	Improve Controls over the Funding of Payroll	PDCCC will dedicate necessary resources to ensure the payroll department is reviewing all of the appropriate employee documentation during the completion of the payroll process particularly the reconciliation of fund and program charges.	Completed (On Schedule)
	13-07	Improve Processes Related to Employee Separation	PDCCC developed a formal process, compliant with CAPP Manual Topic 50320, to ensure collection of all college property upon employee termination or separation, and to ensure that employees do not appear on payrolls after they have been terminated and that computing system access has been removed.	Completed (On Schedule)
<u>Piedmont Virginia Community College (PVCC)</u>				
2013	13-01	Properly Calculate and Return Title IV Funds	Policies and procedures will be made clear and PVCC will utilize the VCCS Custom Return to Title IV Report (R2T4). The report will be run weekly and after the grades have been posted each semester.	Completed (On Schedule)
	13-02	Improve Documentation of Monthly Reconciliations of Direct Loans	The reconciliation will be completed on a monthly basis and support will include PVCC's financial records reconciled to the School Account Statements (SAS) from the Common Origination and Disbursement system.	Completed (On Schedule)

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	13-03	Develop and Improve Policies and Procedures	The Business Office Accountant updated policies and procedures with regards to the reconciliation of the Department of Education G5 to PVCC's accounting system. The Financial Aid Director completed policies and procedures for processing student financial aid relative to the use of TCC as a central processor.	Completed (On Schedule)
	13-04	Improve Notification of Direct Loan Awards to Students	PVCC will reinforce the process of sending out notifications to students or parents of Federal Direct Loan Awards.	Completed (On Schedule)
<u>Rappahannock Community College (RCC)</u>				
2013	13-01	Return All Excess Cash to Department of Education within Required Timeframe	RHCC returned all funds to the Department of Education for the Pell program and all expenses for fiscal year 2013 were reconciled and agreed in the Accounting Information System (AIS), Student Information System (SIS), and US G5 Grants Management Systems(G5).	Completed (On Schedule)
	13-02	Reconcile Federal Funds Accounts	Reconciliations will be performed monthly with all documentation printed, forwarded to the Financial Aid Officer, and approved by the VP of Finance.	Completed (On Schedule)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
<u>Southside Virginia Community College (SVCC)</u>				
2013	13-01	Improve Segregation of Duties within Financial Systems	SVCC removed posting capability from individual's responsible for keying ATV and GL transactions. The Business Manager/Accountant will review and post. Also access was removed from the cashiers and they were granted the role of VX_SF_TPC, which allows them to link students to contracts but not bill.	Completed (On Schedule)
	13-02	Assign System Access Based on Least Privilege	A website will be built that contains all full-time positions and necessary wage positions and that shows application access for each position. Once the website is deployed, all users and supervisors will be provided a training module in the Knowledge Center and asked to validate his/her security.	In Progress (On Schedule)
	13-03	Perform AIS Security Reviews Annually	The comprehensive review has been completed. Documentation of the review in IssueTrac will be completed by December 15, 2014.	In Progress (On Schedule)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	13-04	Deactivate User Access Promptly Upon Employee Separation	A comprehensive checklist was developed to ensure all access will be removed for separated employees. Also a database was built to contain all security information for tracking purposes and will be maintained by the Security Administrators.	Completed (On Schedule)
	13-05	Record Capital Assets in Asset Management System	The piece of equipment in question has been added to the Asset Management System. Processes have been better defined to make sure all capital assets are recorded in the Asset Management System.	Completed (On Schedule)
	13-06	Improve Leave Liability Tracking and Reporting	Two of the employees referenced were actually correct. For the remaining four employees, several of the findings had already been identified internally and adjustments had been made in HRMS. SVCC will dedicate additional resources to maintain a separate leave tracking system to enable a reconciliation to HRMS.	In Progress (On Schedule)
	13-07	Properly Complete Employment Eligibility Verification Forms	SVCC has decentralized the hiring process to hiring managers for part-time employees. Hiring managers have been trained regarding the federal requirements for I-9s.	In Progress (On Schedule)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
<u>Tidewater Community College (TCC)</u>				
2013	13-01 12-01	Deactivate User Access Promptly Upon Employee Separation. This is a Repeat Finding	TCC put measures in place to improve timeliness of reporting terminations by HR to other offices that need to take action to terminate system access.	Completed (Delayed)
	13-02	Properly Complete Termination Forms for Work Study Employees	The HR Office implemented a process in coordination with the Central Financial Aid and the campus Financial Aid offices regarding the termination of Work-Study Students in HRMS and terminating their access to other systems as necessary.	In Progress (On Schedule)
	13-03	Improve Compliance over Enrollment Reporting	TCC has implemented a written procedure which will ensure that accurate graduate information is sent to the Department of Education using the National Student Loan Data System (NSLDS).	Completed (On Schedule)
<u>Virginia Military Institute (VMI)</u>				
2013	13-01	Improve Database Security	VMI successfully migrated from the UniData database to a SQL database.	Completed (On Schedule)
<u>Virginia School for the Deaf and Blind (VSDB) *</u>				
2012	12-06	Properly Record School Revenues	VSDB has discussed with DPB and no decisions have been made at this time.	In Progress (Delayed)

****DOA did not receive an updated Corrective Action Workplan status by the time period required***

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
<u>Department of Accounts (DOA)</u>				
2013	13-03	Improve Financial Reporting and Communication with Agencies	DOA has expanded and enhanced the information contained in the annual financial statement directives to provide additional guidance to agencies and institutions. DOA has offered specialized in-person directive training opportunities to all agencies and conducted all requested training in July and August. DOA has communicated with numerous agencies regarding FY 2014 directive submissions thus far and will continue to evaluate the need for additional communications with agencies throughout the FY 2014 and future CAFR cycles.	Completed (On Schedule)
<u>Department of Taxation (TAX)</u>				
2013	13-01	Improve Financial Reporting for Corporate Tax Refund Liability	Tax has ensured the estimate calculation does not include any corporate tax refunds included as a note payable.	Completed (On Schedule)
	13-02	Improve Internal Controls over Advantage Revenue Access	TAX completed the planned corrective action; however, the APA has included this item in the 2014 APA audit report as a "partial repeat."	In Progress (Delayed)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
<u>Department of Aging and Rehabilitative Services (DARS)</u>				
2013	13-01	Implement Corrective Actions to Improve Financial Reporting Controls	DARS has implemented Code of Ethics, completed ARMICS Stage 1 and 2 assessments and testing, developed procedures over annual CAFR reporting to ensure attachments are received timely and reviewed, 100% complete in FAACS inventory and computed exhibit survey and established ARMICS plan.	Completed (Delayed)
<u>Department of Health (VDH)</u>				
2013	13-01	Implement User Access Controls for ROAP System – CACFP. <i>This is a Material Weakness.</i>	Quarterly review of ROAP users is currently underway to ensure principle of least privilege is being followed and all non-approved sponsors are removed.	Completed (Delayed)
	13-03	Improve Web Application Security – CACFP	A RFP was released for ROAP replacement and bids were opened on December 15, 2014. Only 1 bid was received and the amount far exceeded the budgeted amount. DCN had budgeted \$450,000 but the bid was \$1.1 million. At this time DCN is exploring other options to replace ROAP. These include re-issuing RFP, negotiating with the one bid, and/or transfer a state system from Maryland.	In Progress (On Schedule)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	13-07	Complete Federal Funding Accountability and Transparency Act Reporting – CACFP	The Senior Accountant has documented desk procedures for FFATA reporting specific to USDA grants and currently FFATA reporting for Special Nutrition programs is current.	Completed (On Schedule)
	13-08	Establish Corrective Actions for Federal Findings – WIC	DCN replied on July 10, 2014 and have not heard back from USDA. DCN responded to the Vendor ME on September 29, 2014 and is awaiting USDA response.	Completed (On Schedule)
	13-10	Review Subgrantee Single Audit Reports and Schedules of Expenditures of Federal Awards – WIC	The agency sub-recipient monitoring policy is being revised to require that the submission of the workbook be due on or near October 31 each year.	Completed (On Schedule)

Department of Health Professions (DHP)

2013	13-01	Develop and Implement Internal Control Policies and Procedures	DHP implemented Director's Policy #76-5.11 Small Purchase Charge Cards and the SPCC training sessions were conducted as scheduled. Cardholder performance plans are updated to reflect the revised accountability language for the current performance cycle.	Completed (On Schedule)
	13-02	Improve Database Security	DHP's IT team selected a product that meets the criteria for addressing this audit point. The software has been purchased and installed on new hardware; however, additional testing must be conducted before the system is operational.	In Progress (Delayed)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
<u>Department of Medical Assistance Services (DMAS)</u>				
2013	13-01	Improve Oracle Access Controls. <i>This is a Material Weakness.</i>	OSC modified the Government Financials Information Security Plan (ISSP) regarding the SYSADMIN issue and modified access for the Fiscal Systems Administrator (FSA).	Completed (Delayed)
	13-02	Improve Access Management to the Medicaid Management Information System	DMAS will update/modify the Interagency Agreement with the VDSS to reflect the MMIS annual user review. DMAS is also working on developing an automated process.	In Progress (Delayed)
<u>Department of Social Services (DSS)</u>				
2013	13-05	Review User Accounts and Privileges for Mission Critical Systems	The review process has been piloted and work on efforts are underway to ensure that the forms to be used by LDSS will be consistent with access procedures to other VDSS systems.	In Progress (Delayed)
	13-08	Automate an Eligibility Control	Action on this use remains underway. No change in status to report this quarter.	In Progress (Delayed)
<u>Department of Game and Inland Fisheries (DGIF)</u>				
2012	12-01	Improve Timeliness and Accuracy of Revenue Redistribution	DGIF is now working to determine how to implement the original recommendation, which we now understand as a requirement, from DOA to satisfy all our needs.	In Progress (Delayed)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	12-02 11-01	Improve Timeliness and Accuracy of Revenue Transfers to Other Agencies. <i>This is a Material Weakness and a Repeat Finding.</i>	Accounting Manager and Revenue Accountant have compiled all Accounting tasks in relation to revenue. The Finance calendar currently in use is being updated with revenue and reconciliation tasks. IMS is creating automated reminders, through SQL mail alerts, to all parties associated with revenue.	Completed (Delayed)
	12-03 11-03	Improve Performance of CARS to CFIRS Reconciliations. <i>This is a Repeat Finding.</i>	Accounting Branch and IMS Branch have worked together to develop detailed CFIRS download reports to enhance CFIRS/CARS reconciliation as well as separate BRTS reports to document revenue.	Completed (Delayed)
	12-04	Improve Database Security	DGIF now logs and monitors all SQL Server activity. DGIF is conducting periodic reviews of logs at calendar and fiscal year ends.	Completed (Delayed)
	12-05 11-04 10-03	Improve Internal Controls over System Access. <i>This is a Repeat Finding.</i>	DGIF released 26 policies on December 1, 2014. Additionally, the Human Resources Division has established a process online that allows for the onboarding and off boarding of agency employees to record not only access but also equipment and knowledge transfer.	Completed (Delayed)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
<u>Department of Conservation and Recreation (DCR)</u>				
2014 Special Review	14-01 Acct-01	Define Fiscal Governance Structure	DCR is embedding the Director's Delegation of Authority within each specific policy document. The agency will update its policy on policies to indicate such.	In Progress (On Schedule)
	14-02 PYRL-01	Develop Policies and Procedures Defining Payroll Service Bureau (PSB) Agreement	DCR has a draft Payroll Policy that is awaiting final review and approval before being sent to the director for signature.	In Progress (On Schedule)
	14-03 PYRL-02	Ensure Compliance with the PSB Scope of Services Agreement	DCR has a draft Payroll Policy that is awaiting final review and approval before being sent to the director for signature.	In Progress (On Schedule)
	14-05 PYRL- CERT-01	Improve Payroll Pre-Certification Process	DCR has a draft Payroll Policy that is awaiting final review and approval before being sent to the director for signature.	In Progress (On Schedule)
	14-06 PYRL- CERT-02	Develop Payroll Post-Certification Process	DCR has a draft Payroll Policy that is awaiting final review and approval before being sent to the director for signature.	In Progress (On Schedule)
	14-08 Attch-01	Submit Financial Reporting Attachments Timely	DCR is finalizing a policy for submission of financial statement attachments. For FY14 CAFR, attachments were submitted in a timely manner with minimal errors.	Completed (On Schedule)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	14-09 Attch-02	Improve Controls over Financial Reporting Attachment Submission and Reduce Resubmissions	DCR is finalizing a policy for submission of financial statement attachments. Two Finance staff have attended DOA training with all staff expected to receive training before next year's attachments are due.	In Progress (On Schedule)
	14-10 Attch-03	Ensure Financial Reporting Attachment Submissions are Correct	DCR is finalizing a policy for submission of financial statement attachments. Two Finance staff have attended DOA training with all staff expected to received training before year end.	In Progress (On Schedule)
	14-11 Attch-04	Develop Policies and Procedures over Financial Reporting Attachment Submission	DCR is finalizing a policy for submission of financial statement attachments. For FY14 CAFR, accurate attachments were submitted to DOA.	In Progress (On Schedule)
	14-12 Armics-01	Improve Controls over ARMICS Certifications to Comptroller	DCR has a draft ARMICS policy that is awaiting final review and approval before being sent to the director for signature.	In Progress (On Schedule)
	14-13 Armics-02	Ensure ARMICS Documentation is Accurate	DCR has a draft ARMICS policy that is awaiting final review and approval before being sent to the director for signature.	In Progress (On Schedule)
	14-14 Armics-03	Complete ARMICS Requirements	DCR has a draft ARMICS policy that is awaiting final review and approval before being sent to the director for signature.	In Progress (On Schedule)
	14-18 FA-01	Update Fixed Asset Policies and Procedures	A draft Fixed Assets policy is waiting for final approval and director signature.	In Progress (On Schedule)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	14-19 FA-02	Transfer Construction in Progress Accounts to Fixed Asset Accounts	A draft Fixed Assets policy is waiting for final approval and director signature.	In Progress (On Schedule)
	14-20 FA-03	Record Assets Properly in Fixed Asset Accounting Control System (FAACS)	A draft Fixed Assets policy is waiting for final approval and director signature.	In Progress (On Schedule)
	14-21 TAX-01	Submit Sales Tax Returns and Tax Payments to the Virginia Department of Taxation	Sales tax due has been calculated and submitted to Department of Taxation. The process for calculating tax owed has been documented by Finance.	Completed (On Schedule)
	14-22 TAX-02	Record Sales Tax Collections Properly in CARS	DCR is currently researching a process for utilizing GLA 547 and Fund 0263, so funds will not revert at year end.	In Progress (On Schedule)
	14-23 AP-01	Update Accounts Payable Policies and Procedures	DCR is still in the process of drafting an Accounts Payable Policy for the agency.	In Progress (On Schedule)
	14-24 AP-02	Ensure Payments are Made in Compliance with Prompt Payment Requirements	DCR AP Policy will reaffirm the already communicated need for all invoices to be sent to AP or forwarded to AP as quickly as possible.	Completed (On Schedule)
	14-25 CBRF-01	Ensure All Payments from the Chesapeake Bay Restoration Fund are Allowable to the Fund	DCR will monitor the upcoming legislative session for budget language to move CBRF fully to DLS.	In Progress (On Schedule)
	14-26 CBRF-02	Report All Chesapeake Bay Restoration Fund Activity to the Division of Legislative Services	DCR will monitor the upcoming legislative session for budget language to move CBRF fully to DLS	In Progress (On Schedule)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	14-27 DOA-01	Repay Treasury Loans to the Commonwealth's Comptroller Timely	DCR repaid their most recent treasury loan this past September on time. In addition, the agency is working towards securing a line of credit going forward that will be used in place of treasury loans in the future. Authorizing language was included in the Governor's introduced budget.	Completed (On Schedule)
	14-30 LPTC-01	Properly Reconcile Land Preservation Tax Credit Payments	A reconciliation process will be developed and the LPTC reconciled to ensure all payments are complete and accurate.	In Progress (On Schedule)
	14-32 ATV-01	Limit Agency Transactions to Justifiable Business Reasons	DCR is changing their coding structure to eliminate the use of Task and Phase, which should greatly reduce the number of ATV's. In the short term, there may be an increase in ATV's as the agency works to clean up their accounts in preparation for the move to Cardinal.	In Progress (On Schedule)
	14-33 House-01	Develop and Implement Leasing Agreements for Employee Housing	DCR continues to work with DGS and OAG to finalize the agency Housing Policy and to specifically address this recommendation.	In Progress (On Schedule)
	14-34 House-02	Procure Leased Housing through Department of General Services	DCR continues to work with DGS and OAG to finalize the agency Housing Policy and to specifically address this recommendation.	In Progress (On Schedule)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	14-35 House-03	Maintain Documentation to Justify Reduced Employee Lodging Rates	DCR continues to work with DGS and OAG to finalize the agency Housing Policy and to specifically address this recommendation.	In Progress (On Schedule)
	14-36 House-04	Maintain Documentation for State Park Housing and Report Value to Internal Revenue Service	DCR continues to work with DGS and OAG to finalize the agency Housing Policy and to specifically address this recommendation.	In Progress (On Schedule)
	14-37 House-05	Maintain Documentation for Off-State Park Housing and Report Amounts to Internal Revenue Service as Required	DCR continues to work with DGS and OAG to finalize the agency Housing Policy and to specifically address this recommendation.	In Progress (On Schedule)
	14-38 House-06	Ensure Employee Lodging Rates Agree with DCR Policies	DCR continues to work with DGS and OAG to finalize the agency Housing Policy and to specifically address this recommendation.	In Progress (On Schedule)
	14-39 House-07	Maintain Residential Fee Deduction Authorization Forms for Required Employees	DCR continues to work with DGS and OAG to finalize the agency Housing Policy and to specifically address this recommendation.	In Progress (On Schedule)
	14-40 House-08	Inspect State Park Housing and Maintain Records	DCR continues to work with DGS and OAG to finalize the agency Housing Policy and to specifically address this recommendation.	In Progress (On Schedule)
	14-43 SPPF-03	Implement Controls to Ensure State Park Project Fund Payments are Properly Supported	ATV from fund 0263 was processed on 11/03/2014 reimbursing the SPPF for \$10,245.08.	Completed (Delayed)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	14-44 Risk M-01	Provide Documentation of Losses on State Property to State Treasury Division of Risk Management Timely	DCR has a draft Risk Management Policy that is awaiting final review and approval before being sent to the director for signature.	In Progress (On Schedule)
	14-45 Risk M-02	Use Agency Risk Management Function for All Loss Claims	DCR has a draft Risk Management Policy that is awaiting final review and approval before being sent to the director for signature.	In Progress (On Schedule)
	14-63 Travel-03	Update Agency Vehicle Management Policies	DCR is in the process of combining policy #135 and policy #141 into one comprehensive Vehicle Management Policy that will comply with OFMS.	In Progress (On Schedule)
	14-68 Proc-01	Ensure Change Orders are Properly Approved	DCR continues the process of updating the agency Procurement Policy and associated guidelines.	In Progress (On Schedule)
	14-69 Proc-02	Maintain All Required Procurement Documentation	DCR continues the process of updating the agency Procurement Policy and associated guidelines.	In Progress (On Schedule)
	14-71 Proc-04	Ensure Proposal Evaluation Committees Properly Document Procurement Decisions	DCR continues the process of updating the agency Procurement Policy and associated guidelines.	In Progress (On Schedule)
	14-72 Proc-05	Restrict the Use of Request for Proposal to Appropriate Situations	DCR continues the process of updating the agency Procurement Policy and associated guidelines.	In Progress (On Schedule)
	14-73 Proc-06	Maintain Required Documentation Justifying Use of Competitive Negotiation	DCR continues the process of updating the agency Procurement Policy and associated guidelines.	In Progress (On Schedule)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	14-74 DGS-01	Correct Procurement Issues Identified by the Department of General Services	DCR management decided that the procurement department would be better served by hiring two buyer positions instead of a Procurement Manager. The two positions were filled on 11/10/2014 providing the procurement department the additional resources it needs.	Completed (On Schedule)
	14-75 IT-01	Update IT Risk Assessments to Comply with Virginia Information Technologies Agency (VITA) Standards	DCR IT Risk Assessment plan is still in the process of being updated.	In Progress (On Schedule)
	14-76 IT-02	Develop Comprehensive Business Impact Analysis	DCR submitted their Business Impact Analysis to VITA on 12/28/2014.	Completed (On Schedule)
	14-77 IT-03	Complete Agency Continuity Plan	DCR IT Manager will be working with the DCR Continuity Coordinator to ensure the Continuity Plan is complete by the 4/1/2015 deadline.	In Progress (On Schedule)
	14-78 IT-04	Document IT Backup and Recovery Policies	Plan still being developed.	In Progress (On Schedule)
	14-80 IT-06	Implement Periodic Review of User Access to IDSS	Policy #401 has been completed.	Completed (On Schedule)
	14-81 IT-07	Ensure Internal Auditor is Not Performing IT Management Functions	DCR is moving forward with plan to hire three FTE IT positions in FY16.	In Progress (On Schedule)
	14-82 IT-08	Perform IT Security Audit of the Agriculture Best Management Practices (AgBMP) System	DCR IT Security Audit submitted to VITA on 12/28/2014.	Completed (Delayed)
	14-83 IT-09	Update Information Technology Policies	DCR IT policies are awaiting final review and approval before being submitted for the director's signature.	In Progress (On Schedule)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	14-89 HR-01	Update Human Resource Policies and Procedures	DCR Director signed the Emergency Closings Policy on 12/19/2014. Additional HR policies are in final review and awaiting director signature.	In Progress (On Schedule)
	14-90 HR-02	Complete Employee Performance Evaluations Timely	DCR Human Resources has received 399 of 405 (99%) employee evaluations as of 12/19/2014.	Completed (On Schedule)
	14-91 HR-03	Complete Employee Work Profiles Timely	DCR Human Resources has received 303 of 405 (75%) employee 2015 EWP's as of 12/29/2014. Progress will continue to be monitored.	In Progress (On Schedule)
	14-93 SOEI-02	Ensure Employees Complete Conflict of Interest Act Training Timely	Progress continues in getting all required employees to complete the COI training.	In Progress (On Schedule)

Department of Alcoholic Beverage Control (ABC)

2013	13-01 12-02	Continue to Improve IT Governance Model and IT Project Prioritization Processes. <i>This is a Repeat Finding.</i>	ABC risk assessments are underway.	In Progress (Delayed)
	13-02	Improve Database Security	ABC has an extended plan to upgrade the financial system to modern technology that incorporates standard security controls.	In Progress (Delayed)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
<u>Department of Emergency Management (DEM)</u>				
2013	13-01	Improve Financial Management Practices	Hiring additional staff to monitor activities and applied for Treasury Loan to assist with cash flow shortage. DEM's Budget Office has worked with DPB and Budget to implement changes. The budget manager has been working with the Recovery and Mitigation division to put processes in place to monitor expenditures on a monthly basis and utilize projections from events.	Completed (Delayed)
	13-02	Evaluate Overtime and Staffing in the Public Assistance Program	All overtime has ceased with the Public Assistance area of the Recovery and Mitigation division.	Completed (Delayed)
	13-03 12-01	Evaluate Petty Cash Needs and Strengthen Controls. This is a Repeat Finding	Policies and procedures have been revised and finalized. Accurate reconciliations have been completed that follow the CAPP Manual requirements.	Completed (Delayed)
	13-04 12-04	Improve Controls Over Fuel Card Management. This is a Repeat Finding.	Policies and procedures have been revised and finalized. Accurate reconciliations have been completed that follow the CAPP Manual requirements.	Completed (Delayed)
	13-05 12-05	Follow FMS to CARS Reconciliation Procedures. This is a Repeat Finding	Policies and procedures have been revised and finalized. Accurate reconciliations have been completed that follow the CAPP Manual requirements.	Completed (Delayed)
<u>Department of State Police (VSP)</u>				
2011	11-01	Upgrade Unreliable and Unsupported Infrastructure Devices	VSP is in mediation with VITA to determine a course of action for the transformation of VSP.	In Progress (On Schedule)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	11-02 09-03	Upgrade Database System Software. <i>This is a Repeat Finding.</i>	Funding has not been resolved for VSP to move forward with the replacement of the remaining legacy applications. Resources have been moved to the Cardinal project. Additional resources have been requested but not yet approved.	In Progress (Delayed)
<u>Department of Motor Vehicles (DMV)</u>				
2013	13-01 12-01 11-02	Improve Database Management System Security. <i>This is a Repeat Finding.</i>	DMV is in the process of doing a DLCI Schema Data extraction/import scripting and documenting and scripting a data validation process.	In Progress (Delayed)
	13-02 12-03	Improve User Access Controls. <i>This is a Repeat Finding.</i>	Accounts and level of access for users of the sensitive systems will be verified by the System Owners and compiled by the IT Security Office.	In Progress (Delayed)
<u>Department of Rail and Public Transportation (DRPT)</u>				
2013	13-01	Implement a Comprehensive Information Security Program	DRPT is working with a consultant to develop a comprehensive information security plan as recommended.	In Progress (On Schedule)
<u>Department of Transportation (VDOT)</u>				
2013	13-01 12-02	Improve Controls over Financial Reporting. <i>This is a Material Weakness and Repeat Finding.</i>	Current procedures for preparing submissions have been updated, including additional review, cross-checking and/or analytical steps.	Completed (Delayed)
	13-05	Improve Controls over FFATA Reporting	Fiscal Division has improved its processes for identifying projects that were sub-awarded and are now more automated and streamlined.	Completed (Delayed)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	13-06	Improve Controls over Sub-recipient Monitoring	VDOT will revise its audit review program to include review and comparison of VDOT's disbursements to subrecipient SEFAs for the FY 2013 audit reports and forward.	Completed (Delayed)
	13-08	Improve Retirement Reconciliation Process	Procedures have been implemented and items in backlog are being addressed.	In Progress (Delayed)



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 Report.

DOA closely monitors Certification status, evaluates exceptions, and posts correcting entries in CARS. Certifications for September and October were due 10/31/2014 and 12/05/2014 respectively.

Certifications Late or Outstanding

As of January 23, 2015

Agency	Sep	Oct
Virginia Commission for the Arts	O/S	O/S

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

Response to Inquiries

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

However, in other instances, agencies do not respond timely or simply fail to respond. For the quarter ended December 31, 2014, all responses have been received within an acceptable timeframe.

Trial Balance Review

As an integral part of the monthly reconciliation process, each agency should review their monthly trial balance for any anomalies and investigate and correct immediately. If the anomaly cannot be corrected at the agency level, the problem should be noted on the exception register.

DOA monitors selected general ledger balances and contacts agencies in writing about certain irregular balances. For the quarter ended December 31, 2014, no agencies failed to respond timely, make corrective action and/or provide additional information.

Trial Balance Review

As of December 31, 2014

Agency	Oct	Nov
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, 2014, 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, 2014

Agency	Oct	Nov	Dec
None			

Disbursement Processing

During the quarter ended December 31, 2014, DOA deleted, at the submitting agency's request, 35 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.

Twelve separate agencies requested deletes during the quarter. For the quarter, ended December 31, 2014, one agency requested more than four vendor payment deletions.

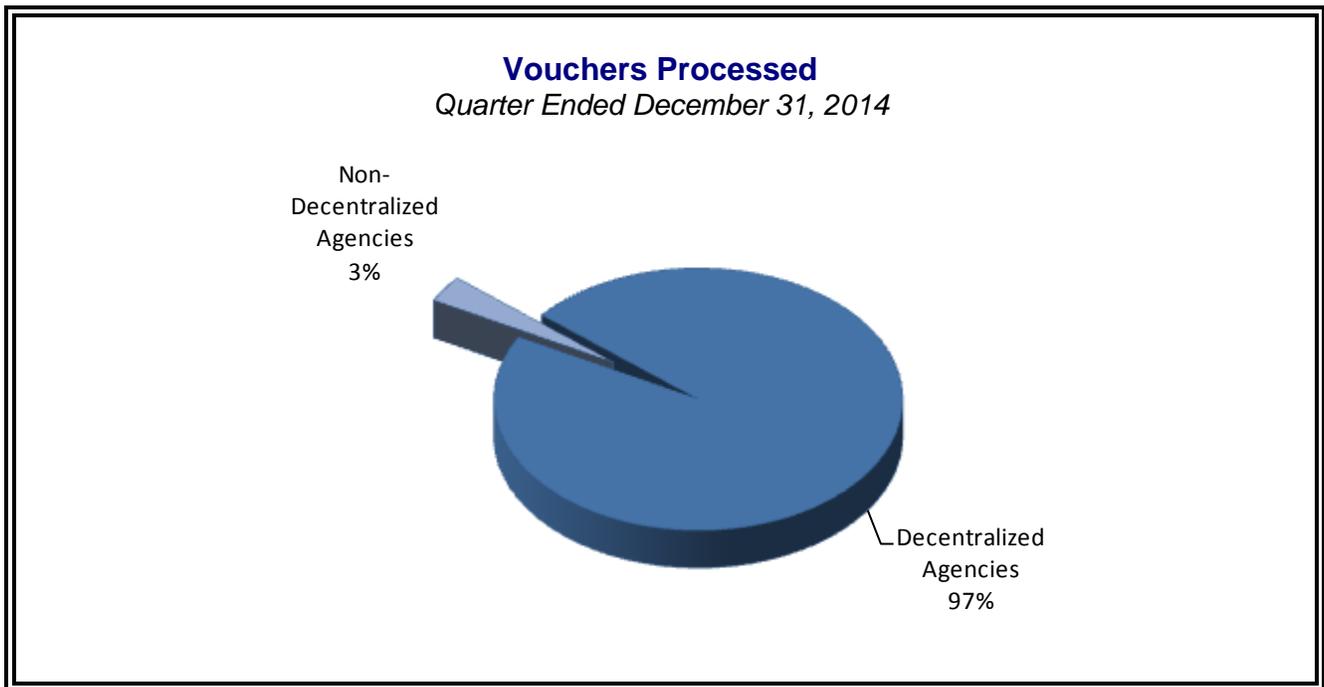
- Department of Rehabilitative Services (262)



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. One review was completed for decentralized agencies during this quarter.

Compliant Agencies

Department of Game and Inland Fisheries

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) or agencies for which the cost of delegation is greater than the efficiency benefits to be gained through decentralization.

During the quarter, DOA reviewed all non-decentralized agencies. A total of 490 non-travel disbursement batches and 168 travel disbursement batches were reviewed, disclosing seven exceptions that were resolved prior to releasing the transactions for payment.



Prompt Payment Compliance

The *Code of Virginia* requires that State agencies and institutions pay for goods and services by the required payment due date. The reporting required by the *Code of Virginia* §2.2-4356 is being met by the information presented here. This section details the number and dollar amounts of late payments by secretarial area, institutions and

agencies, and the total amount of interest paid. Agencies and institutions that process 50 or more vendor payments during a quarter are reported as not meeting Prompt Pay requirements if fewer than 95 percent of their payments are processed by the required due date.

Statewide Prompt Payment Performance Statistics

	Quarter Ended December 31, 2014		Fiscal Year 2015 To-Date		Comparative Quarter Ended December 31, 2013	
	Late	Total	Late	Total	Late	Total
Number of Payments	4,098	565,877	8,873	1,182,603	4,848	591,218
Dollars (in thousands) \$	29,069	\$1,492,590	\$57,285	\$3,228,167	\$ 23,937	1,528,868
Interest Paid on Late Payments				\$26,791		
Current Quarter Percentage of Payments in Compliance				99.3%		
Fiscal Year-to-Date Percentage of Payments in Compliance				99.2%		
Comparative Fiscal Year 2014 Percentage of Payments in Compliance				99.1%		



Prompt Payment Performance by Secretarial Area

Quarter Ended December 31, 2014

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.5%	99.0%
Agriculture and Forestry	99.7%	95.7%
Commerce and Trade	99.3%	98.7%
Education*	99.2%	98.8%
Executive Offices	98.7%	92.4%
Finance	99.8%	99.4%
Health and Human Resources	99.3%	98.6%
Independent Agencies	99.8%	99.8%
Judicial	99.5%	99.9%
Legislative	99.0%	93.2%
Natural Resources	99.6%	98.9%
Public Safety and Homeland Security	98.8%	96.6%
Technology	99.9%	99.9%
Transportation*	99.4%	95.4%
Veterans and Defense Affairs	98.9%	98.5%
Statewide	99.3%	98.1%

Prompt Payment Performance by Secretarial Area

Fiscal Year 2015

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.7%	99.4%
Agriculture and Forestry	99.7%	97.1%
Commerce and Trade	99.3%	99.5%
Education*	99.2%	98.5%
Executive Offices	98.9%	95.3%
Finance	99.9%	99.5%
Health and Human Resources	99.2%	98.6%
Independent Agencies	99.8%	99.8%
Judicial	99.7%	99.9%
Legislative	99.5%	96.0%
Natural Resources	99.4%	98.3%
Public Safety and Homeland Security	99.1%	97.9%
Technology	99.7%	99.9%
Transportation*	99.5%	96.0%
Veterans and Defense Affairs	98.2%	76.8%
Statewide	99.2%	98.2%

* 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, 2014, 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, 2014**

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
Administration			
Department of Elections	11	124	91.1%
Education			
Central Virginia Community College	45	748	94.0%
Public Safety and Homeland Security			
Department of Emergency Management	43	698	93.8%
Department of Corrections - Division of Institutions	112	1,605	93.0%

For FY 2015, 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 2015**

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
Administration			
Department of Elections	21	278	92.4%
Health and Human Resources			
Hiram W. Davis Medical Center	79	998	92.1%
Education			
Frontier Culture Museum of Virginia	66	681	90.3%

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 30, 2014			Comparative Quarter Ended December 31, 2013
	E-Commerce	Total	Percent	Percent
Number of Payments	2,283,279	2,632,126	86.7%	86.7%
Payment Amounts	\$ 9,350,834,440	\$ 9,979,470,697	93.7%	91.1%
	Fiscal Year 2015 To-Date			Comparative Fiscal Year 2014
	E-Commerce	Total	Percent	Percent
Number of Payments	4,570,445	5,276,783	86.6%	87.2%
Payment Amounts	\$ 18,804,612,771	\$ 20,353,570,109	92.4%	90.5%

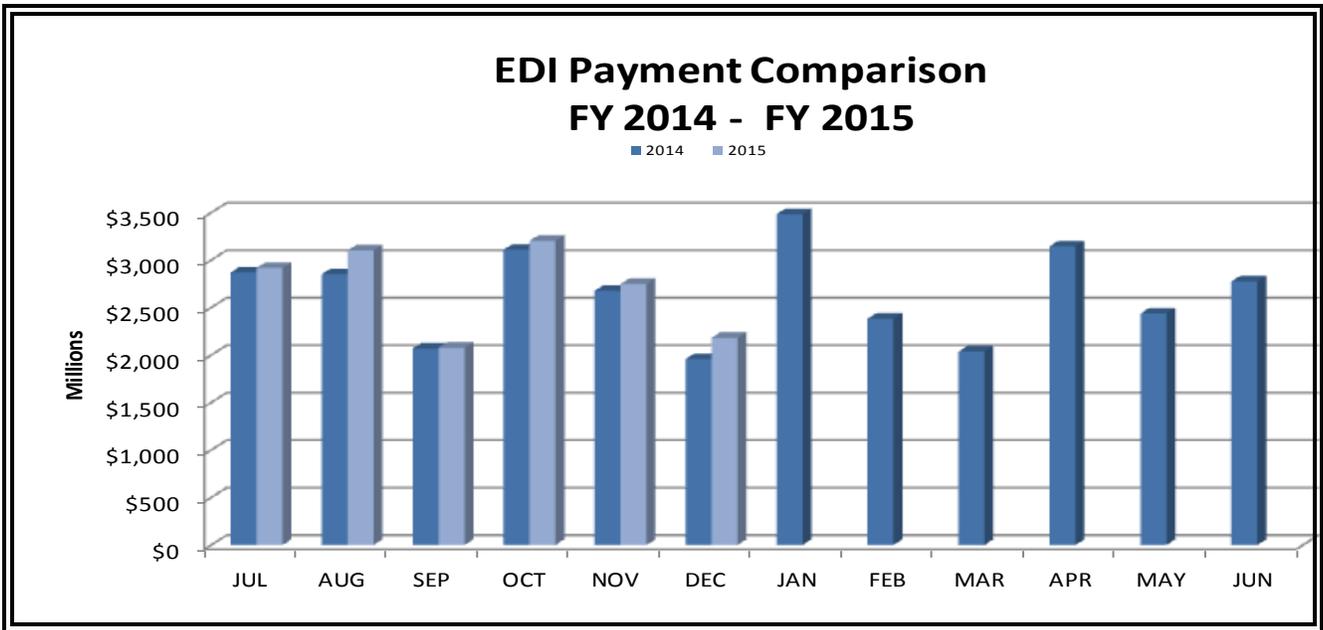
Financial Electronic Data Interchange (EDI)

The dollar volume of Financial EDI payments for the second quarter of FY 2015 was over \$390 million (5 percent) more than the same quarter last year. The number of trading partner accounts increased by 9 percent from December 2013. 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, 2014	Fiscal Year 2015 To-Date	Comparative Fiscal Year 2014 To-Date
Number of Payments	74,191	138,243	132,808
Amount of Payments	\$ 8,135,015,876	\$ 16,235,514,420	\$ 15,537,134,571
Number of Invoices Paid	200,570	391,900	387,678
Estimated Number of Checks Avoided	116,217	220,650	212,812
Number of Trading Partner Accounts as of 12/31/14		143,357	131,170



Travel EDI

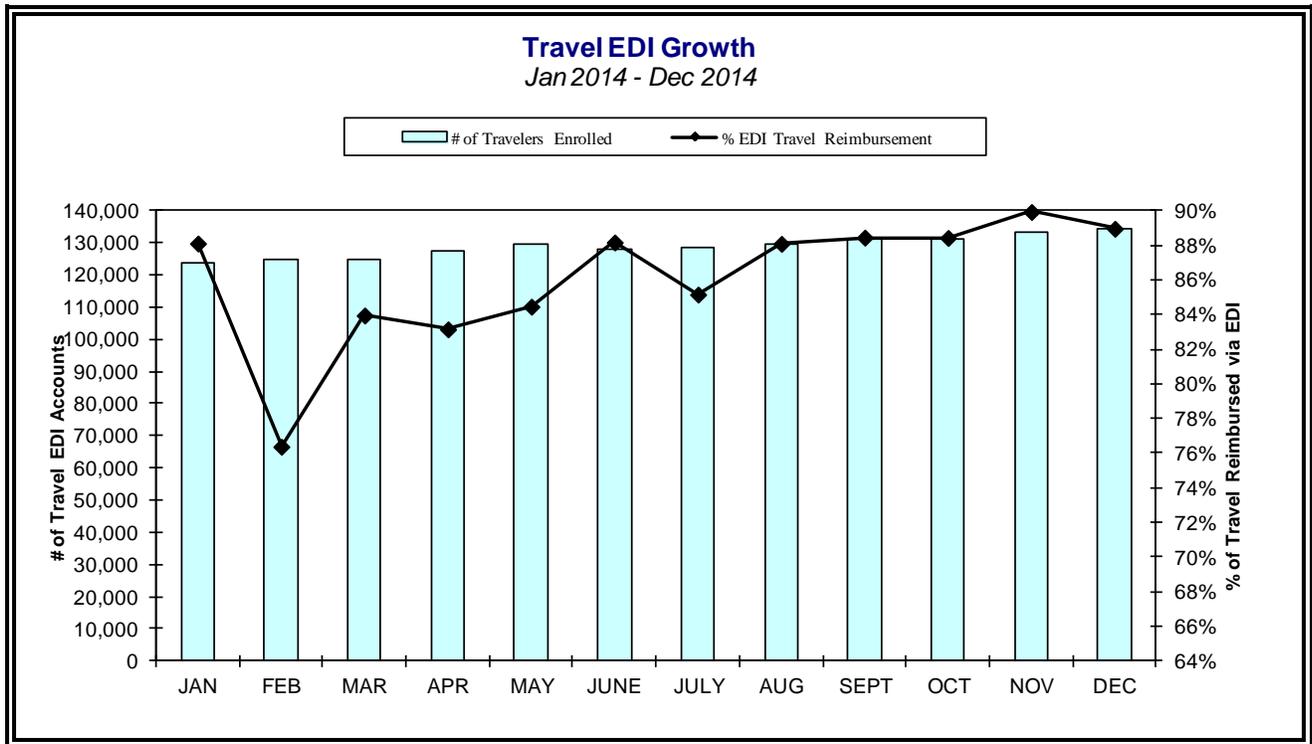
Expansion of the Travel EDI program is an integral part of the statewide effort to reduce the administrative costs associated with paying for goods and services for the Commonwealth. Per Chapter 806, 2013, Virginia Acts of Assembly §4-5.04 e.5. *State employees traveling on official business of state 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 2015, 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, 2014

Secretarial Area	Employee Percent	Non-Employee Percent	Reimbursement Checks Issued
Administration	97.8%	0.0%	12
Agriculture and Forestry	95.3%	5.7%	62
Commerce and Trade	99.2%	36.6%	54
Education (1)	95.8%	42.4%	996
Executive Offices	98.4%	0.0%	45
Finance (2)	99.0%	0.0%	5
Health and Human Resources	98.3%	24.5%	634
Independent Agencies	98.6%	25.0%	30
Judicial	94.0%	7.8%	1,192
Legislative	96.6%	18.2%	43
Natural Resources	96.3%	53.2%	75
Public Safety	91.3%	9.7%	479
Technology	98.4%	0.0%	3
Transportation (1)(2)	99.5%	66.7%	19
Veterans Affairs and Homeland Security	99.4%	65.9%	30
Statewide for Quarter	96.3%	27.1%	3,679
<i>Fiscal Year 2015 To-Date</i>			
Statewide	95.6%	29.5%	7,363
<i>Comparative Fiscal Year 2014 To-Date</i>			
Statewide	92.4%	30.6%	9,440

(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	72.1%	70
Health and Human Resources		
Department of Health Professions	70.1%	43
Public Safety		
Department of Emergency Services	73.5%	67
Employee Relations & Training Division	57.6%	50

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 & Consumer Services	5.7%	33
Education		
Norfolk State University	0.0%	37
Longwood University	0.0%	164
Executive Offices		
Office of Attorney General	0.0%	40

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 2015, the charge is \$5 per check. These statistics indicate noncompliance with §4-5.04f of the Appropriation Act which requires that all employees likely to travel more than twice per year be reimbursed for travel costs using electronic data interchange.

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

<u>Agency</u>	<u>Percent</u>	<u>Year-to-date Charges</u>
Education		
Norfolk State University	72.1%	\$170.00



Direct Deposit

During the second quarter of FY 2015, 536,597 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, 2014

<u>Secretarial Area</u>	<u>Direct Deposit % of Salaried Employees</u>	<u>Direct Deposit % of Wage Employees</u>
Administration	99.7%	100.0%
Agriculture and Forestry	99.6%	96.5%
Commerce and Trade	100.0%	100.0%
Education	99.9%	96.6%
Executive Offices	100.0%	100.0%
Finance	99.6%	99.1%
Health and Human Resources	99.5%	99.4%
Independent Agencies	99.4%	92.9%
Judicial	99.8%	90.4%
Legislative	99.9%	99.4%
Natural Resources	99.7%	99.0%
Public Safety and Homeland Security	99.7%	98.4%
Technology	100.0%	100.0%
Transportation	99.9%	99.0%
Veterans and Defense Affairs	99.1%	98.5%
Statewide	99.7%	97.2%
<i>Comparative</i>		
<i>Quarter Ended December 31, 2013</i>		
Statewide	99.8%	96.7%

Statewide Salaried Direct Deposit Performance

Quarter Ended December 31, 2014

Salaried Direct Deposit Participation	99.7%
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Salaried Direct Deposit Below 98 Percent

<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Public Safety and Homeland Security		
Powhatan Correctional Center	96.2%	210

Statewide Wage Direct Deposit Performance

Quarter Ended December 31, 2014

Wage Direct Deposit Participation	97.2%
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Wage Direct Deposit Below 90 Percent

<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Education		
Southwest Virginia Community College	85.9%	369
Virginia Highlands Community College	85.7%	336
Radford University	79.9%	1,110
Independent		
Virginia Lottery	83.8%	37
Judicial		
Combined District Courts	88.9%	18
General District Courts	84.2%	165

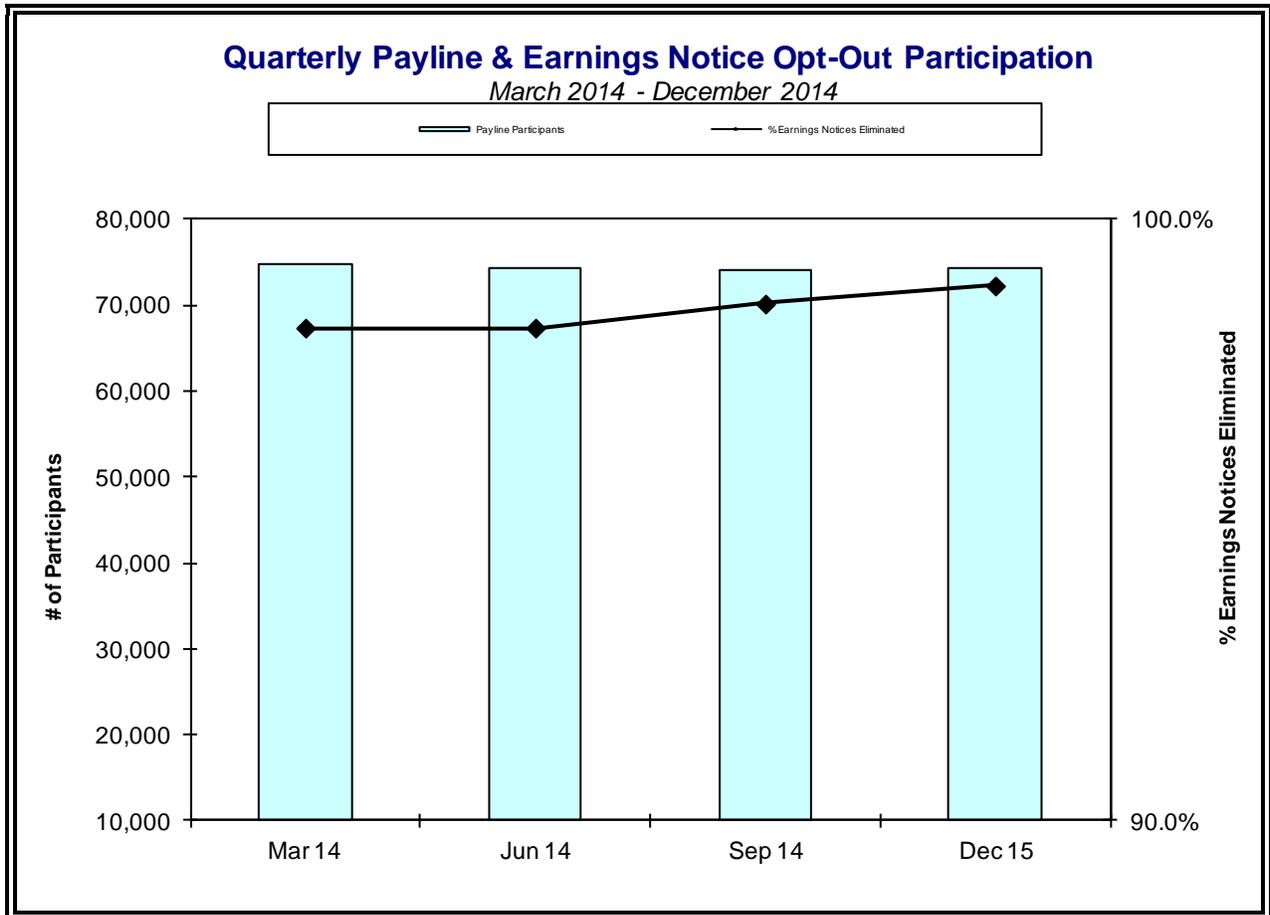


Payroll Earnings Notices

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.

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 14,233,323 earnings notices.

In addition to increasing direct deposit participation, agencies and institutions are



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, 2014

Secretarial Area	Percent Payline Participation	Percent Earnings Notices Eliminated*
Administration	98.0%	100.0%
Agriculture and Forestry	83.5%	86.9%
Commerce and Trade	97.9%	99.5%
Education	61.7%	99.7%
Executive Offices	87.8%	100.0%
Finance	99.1%	100.0%
Health and Human Resources	92.9%	100.0%
Independent Agencies	95.2%	100.0%
Judicial	85.8%	92.7%
Legislative	65.8%	74.5%
Natural Resources	87.0%	96.9%
Public Safety and Homeland Security	91.5%	100.0%
Technology	94.2%	100.0%
Transportation	96.5%	100.0%
Veterans and Defense Affairs	67.0%	74.1%
Statewide	82.4%	98.9%
<i>Comparative</i>		
<i>Quarter Ended December 31, 2013</i>		
Statewide	86.0%	98.1%

* 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, 2014, 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 12/31/2014	Percent Earnings Notices Eliminated QE 09/30/2014
Agriculture and Forestry		
Department of Forestry	79.9%	91.0%
Commerce and Trade		
Department of Small Business and Supplier Diversity	77.8%	66.7%
Education		
Frontier Culture Museum of Virginia	56.9%	58.9%
Eastern Shore Community College	53.0%	66.7%
Judicial		
General District Courts	88.5%	87.6%
Circuit Courts	72.5%	70.3%
Natural Resources		
Marine Resources Commission	50.3%	49.3%
Veterans and Defense Affairs		
Virginia Veterans Care Center	29.2%	25.6%



Small Purchase Charge Card (SPCC) and Increased Limit (Gold) Card

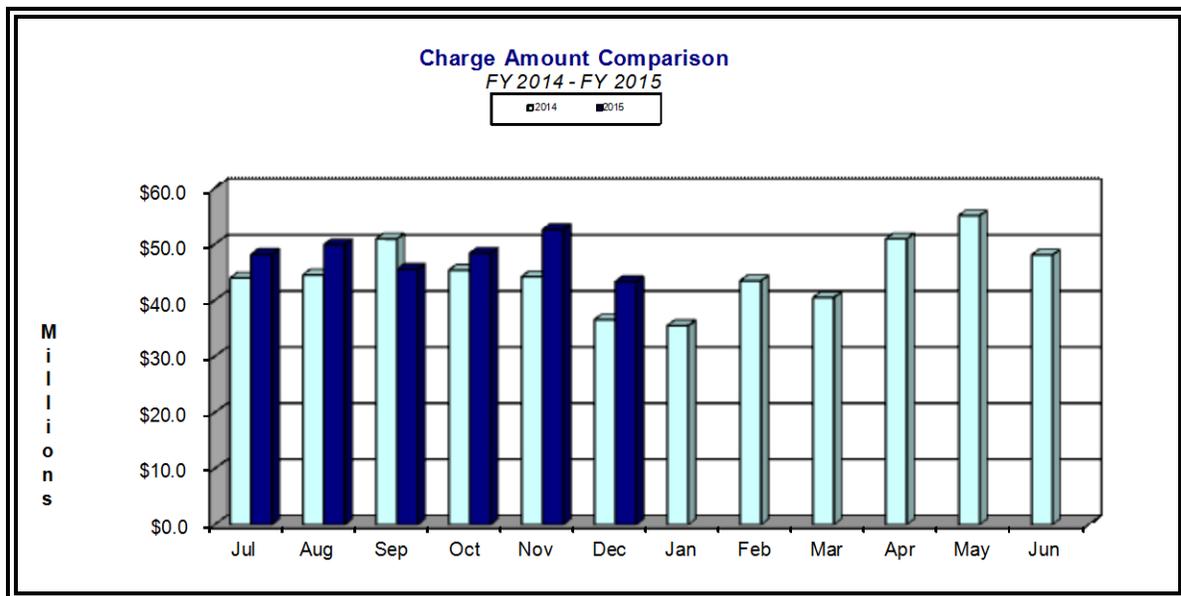
Two purchasing charge card programs offer State agencies and institutions alternative payment methods that improve administrative efficiency by consolidating invoice and payment processing for purchases of less than \$50,000. Use of the purchasing charge cards decreases the number of checks issued and 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 2015 increased by \$18.2 million or 14 percent from the same quarter last year.

Small Purchase Charge Card Program

Charge Card Activity	Quarter Ended December 31, 2014	Fiscal Year 2015 To-Date	Comparative Fiscal Year 2014 To-Date
Amount of Charges	\$ 144,201,636	\$ 287,756,384	\$ 265,467,328
Estimated Number of Checks Avoided	200,357	395,205	385,643
Total Number of Participating Agencies		202	202
Total Number of Cards Outstanding		14,788	15,003



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.

Section 4-5.04 f. of the Appropriations Act authorizes the Comptroller to collect a \$5 underutilization fee when in his judgment agencies have failed to comply with the Commonwealth's electronic commerce initiatives to reduce unnecessary administrative costs for the printing and mailing of state checks and earning notices. Now that these programs have matured and agencies have embraced these initiatives, DOA believes it is an appropriate time to change the compliance monitoring and enforcement process. Beginning with the quarter ended March 31, 2014, the \$5 fee is no longer assessed. Compliance data for the quarter ended March 31 was reported utilizing the old threshold of 80%. Beginning with the quarter ended June 30, 2014, the compliance criteria for reporting purposes will utilize a threshold of 70%. The new reporting process will utilize the reduced compliance threshold

of 70% and monitoring agencies' performance using trend analysis. DOA will continue to monitor utilization and agencies with reduced utilization trends will be contacted for explanation.

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. As part of the new monitoring process, enhancements will be made to the matching process.

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. The Department of Accounts appreciates agencies' efforts to make this initiative a statewide success.

Statewide SPCC Performance

Quarter Ended December 31, 2014

Percentage Utilization for Eligible Transactions

89%

SPCC Utilization by Secretarial Area

Quarter Ended December 31, 2014

Secretarial Area	Payments in Compliance ⁽¹⁾	Non-Compliant Transactions ⁽²⁾
Administration	92%	301
Agriculture and Forestry	96%	137
Commerce and Trade	83%	566
Education*	90%	4,179
Executive Offices	97%	35
Finance	98%	67
Health and Human Resources**	89%	3,538
Independent Agencies	84%	497
Judicial	39%	2,100
Legislative	98%	21
Natural Resources	92%	733
Public Safety	95%	1,687
Technology	63%	124
Transportation*	79%	5,130
Veterans Affairs and Homeland Security	98%	38
Statewide	89%	19,153

* 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 70 Percent**

Agency	Payments in Compliance	Non-Compliant Transactions
Commerce and Trade		
Virginia Employment Commission	37%	505
Education		
Norfolk State University	52%	974
Independent Agencies		
State Corporation Commission	21%	337
Judicial		
Board of Bar Examiners	0%	22
Circuit Courts	0%	166
Combined District Courts	0%	170
General District Courts	0%	839
Juvenile and Domestic Relations District Courts	0%	490
Magistrate System	0%	113
Virginia Criminal Sentencing Commission	0%	19
Technology		
Virginia Information Technologies Agency	63%	124



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, 2014, 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 Small Business and Supplier Diversity	X		
Education			
Northern Virginia Community College			X
Southside Virginia Community College	X		
University of Virginia Medical Center	X	X	
Natural Resources			
Department of Game and Inland Fisheries	X		
Public Safety			
Department of Military Affairs	X		X
<u>Airline Travel Card Program:</u>			
Education			
Virginia Western Community College	X	X	
Health & Human Resources			
Department of Health Professions			X
Department of Juvenile Justice	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, 2014, and the total amounts past due.

Travel Charge Card Program

As of December 31, 2014

<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>
Education				
Eastern Shore Community College	1	35	0	0
George Mason University	5	588	913	0
J. Sargeant Reynolds Community College	1	0	271	0
James Madison University	6	3,292	0	0
Longwood University	3	224	0	0
Norfolk State University	2	29	68	127
The College of William and Mary in Virginia	1	47	0	0
Thomas Nelson Community College	1	396	0	0
University of Virginia	1	0	164	0
University of Virginia Medical Center	1	95	0	0
Virginia Commonwealth University	3	1,876	0	0
Virginia Military Institute	3	923	149	0
Virginia Polytechnic Institute and State University	4	2,351	0	0
Virginia State University	5	1,037	587	0
Virginia Western Community College	1	17	0	0
Wytheville Community College	1	615	0	0
Health and Human Resources				
Department for Aging and Rehabilitative Services	1	126	0	0
Department of Health	2	285	0	0
Department of Medical Assistance Services	1	106	0	0
Department of Social Services	4	518	0	0
Independent Agencies				
Virginia Retirement System	1	93	0	0
Technology				
Virginia Information Technologies Agency	1	231	0	0
Transportation				
Department of Motor Vehicles	3	1,255	627	0



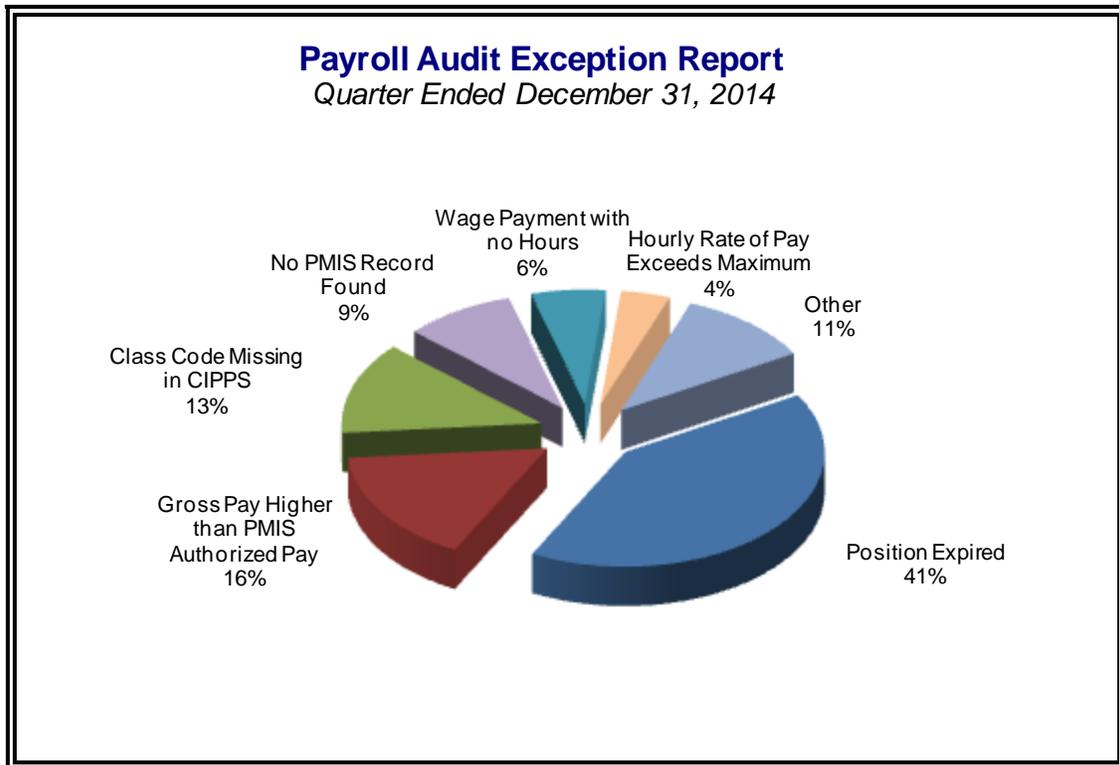
Payroll Controls

CIPPS/PMIS Payroll Audit

During the quarter, DOA's automated comparison of payroll (CIPPS) and personnel (PMIS) records examined 342,658 salaried pay transactions and 114,748 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 3,232 new exceptions noted statewide during the quarter, with an overall exception rate of 0.66%.

The statewide salaried payroll exception rate was 0.72% and the wage payroll exception rate was 0.46%. During this quarter, 10 employee paychecks were reduced to recover \$3,266.32 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 employees whose salary in PMIS is less than the amount paid to them in CIPPS. 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.



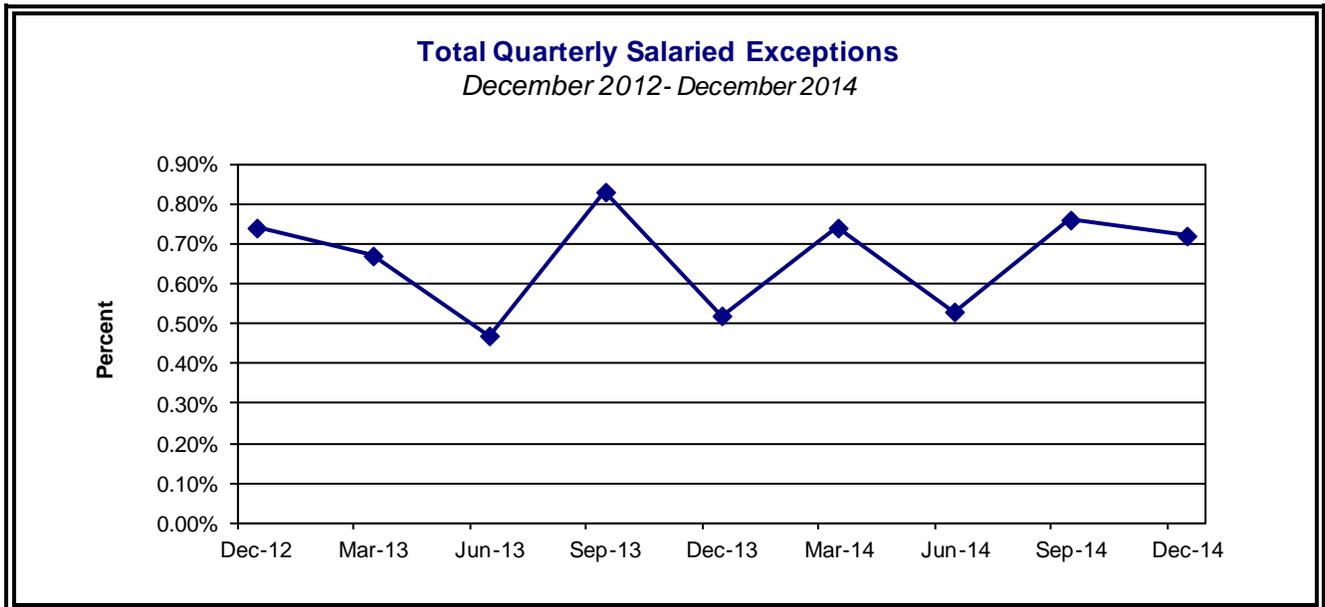
Exception percentages are calculated by dividing the number of exceptions by the number of salaried or wage employees. Agencies are reported below if the percentage

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, 2014

<u>Agency</u>	<u># of Salaried Exceptions</u>	<u>Exceptions as a % of Salaried Payments</u>
Central Virginia Community College	23	2.86%
Mountain Empire Community College	19	2.70%
Total Salaried Payroll Exceptions for the Quarter		0.72%

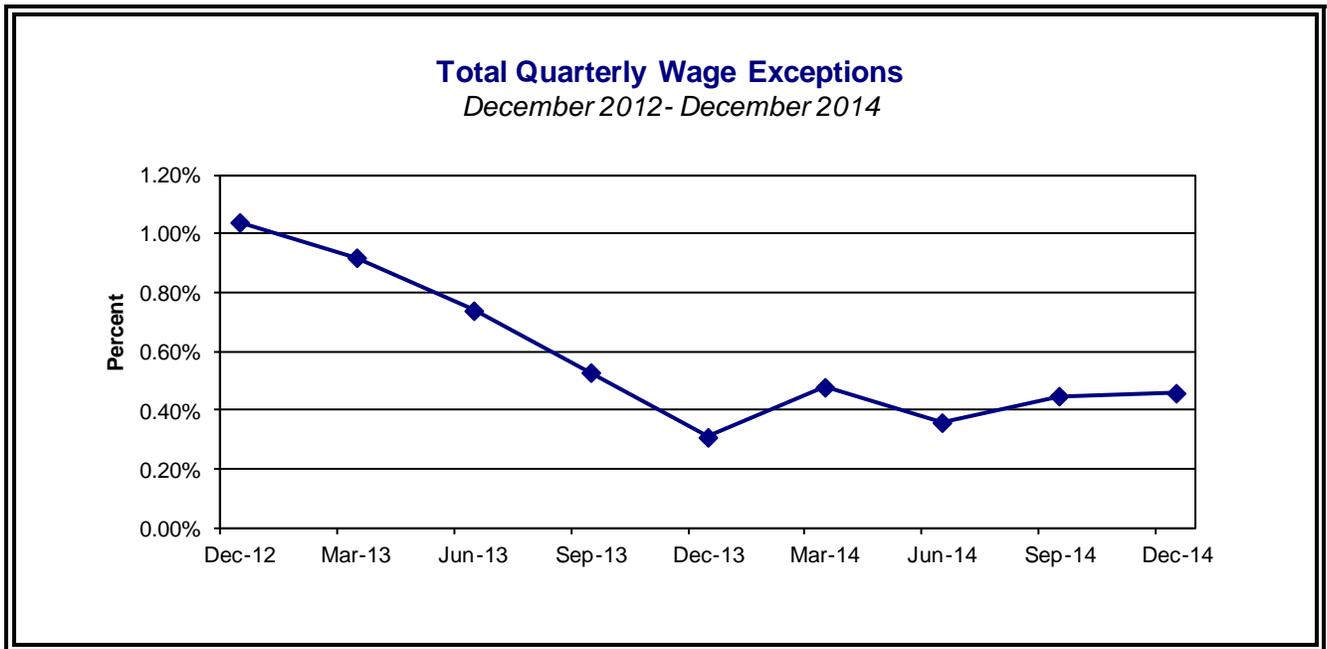
The following chart compares payroll exceptions as a percentage of salaried payments by quarter for the past two years.



Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Salaried Payments
Quarter Ended December 31, 2014

<u>Agency</u>	<u># of Salaried Exceptions</u>	<u>Exceptions as a % of Salaried Payments</u>
Central Virginia Community College	23	2.86%
Mountain Empire Community College	19	2.70%
Total Salaried Payroll Exceptions for the Quarter		0.72%

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>	
Norfolk State University	2
<i>Health & Human Resources</i>	
Eastern State Hospital	1
Northern Virginia Training Center	2
Southern Virginia Mental Health Institute	4
<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				
Radford University		1		
Health and Human Resources				
Western State Hospital	64,999			
Judicial				
Virginia State Bar			2	
Public Safety and Homeland Security				
Department of Alcoholic Beverage Control		1		
Haynesville Correctional Center	1,066,353			
Marion Correctional Treatment Center	36,000			
Transportation				
VDOT - Hampton Roads District	20,923			

Columns show the following:

- (a) Variance in dollars for agencies whose certified amounts varied from actual computed amounts if the variance is more than \$20,000 for any payrolls processed during the quarter or the explanation for gross pay difference was submitted late.
- (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* package 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 did not comply with reporting requirements.

Health Care Reconciliations as of December 31, 2014

<u>Agency</u>	<u>Incomplete*</u>	<u>Errors*</u>	<u>Late</u>
Patrick Henry Community College			1
Blue Ridge Community College			1
Mountain Empire Community College			1
Keen Mountain Correctional Center			1
Virginia Foundation For Healthy Youth			1

*Agencies that do not comply within the grace period or with more than two occurrences over the most recent 5-month period are reported.



FINANCIAL MANAGEMENT ACTIVITY

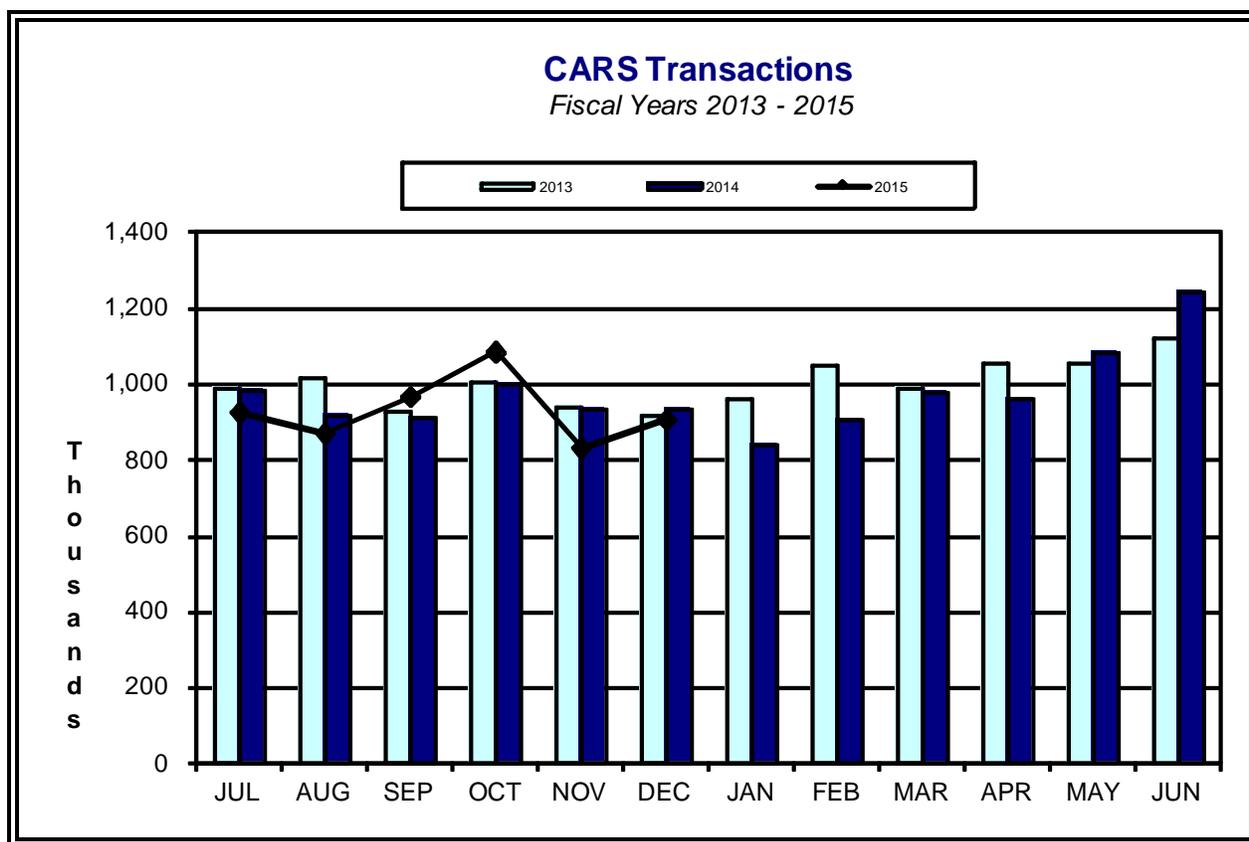
DOA monitors several types of financial activity. Various measures are used to track activities for CARS, payroll, accounts

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.

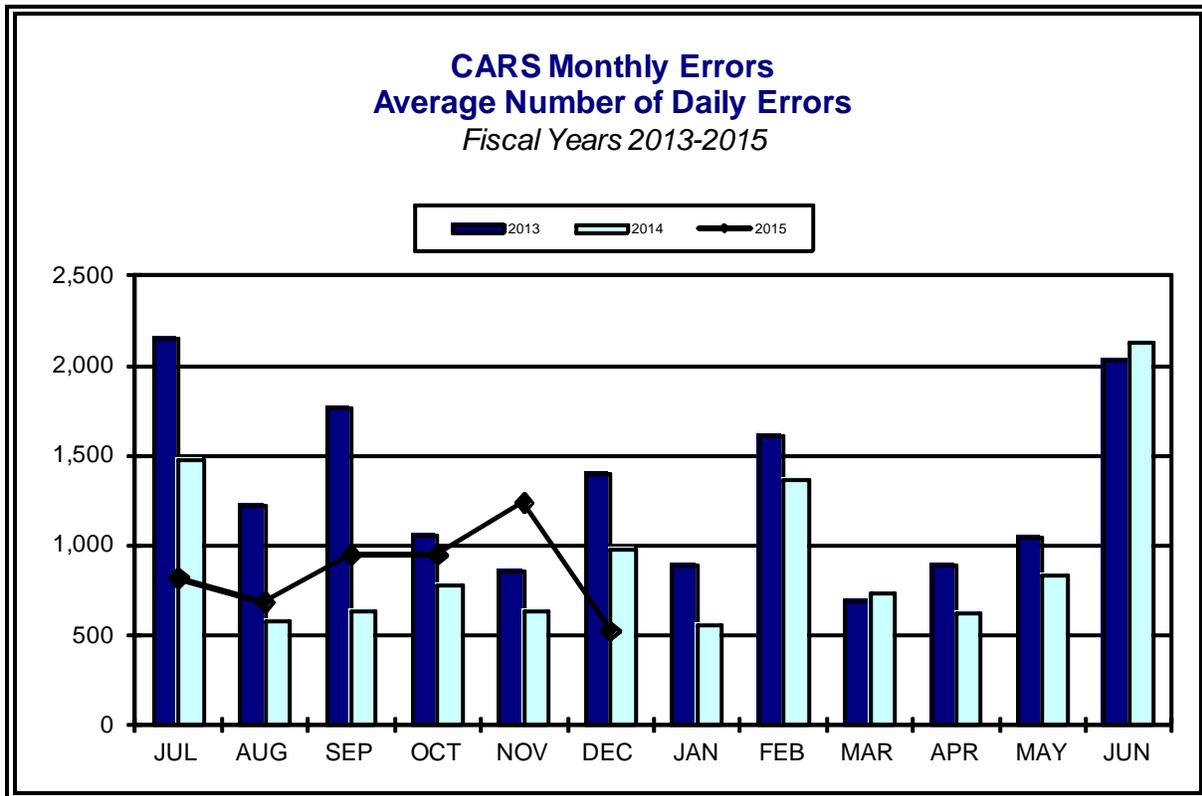


CARS Edits

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 2015, 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.

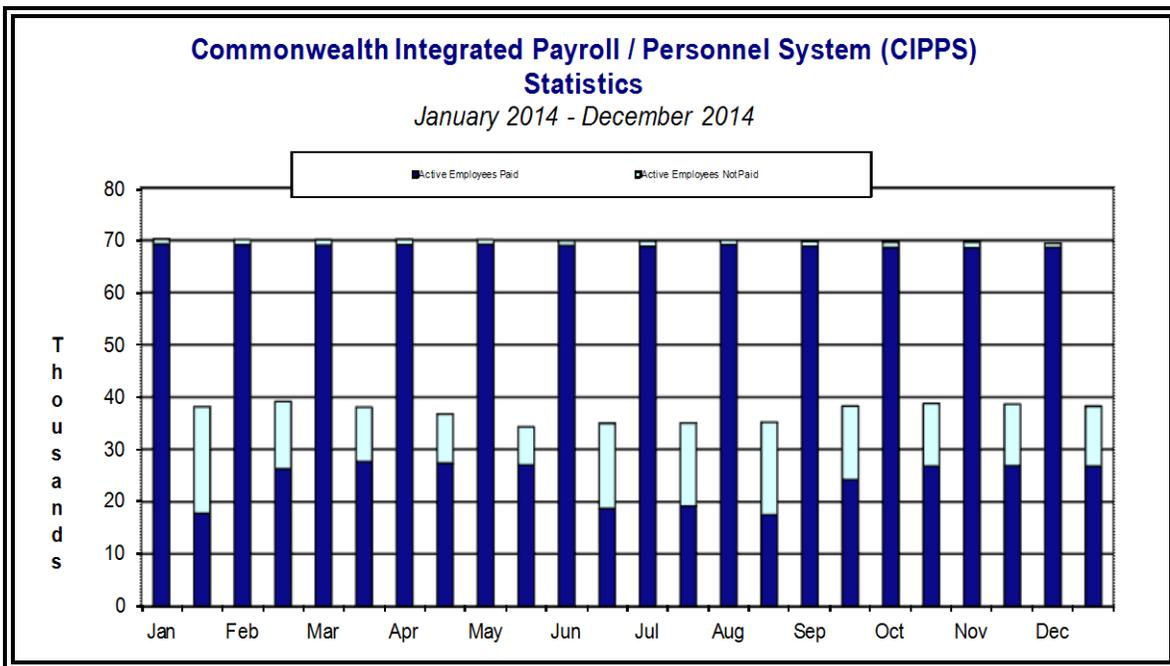
- Available Negative Cash
- Certified Amount not in Balance
- FM Not =CFM/PFM/P13



Payroll

The central payroll system for State government is known as *CIPPS*, the Commonwealth Integrated Payroll Personnel System. CIPPS is one of the largest payroll operations in the Commonwealth, serving 108,116 employees. Payroll services are also provided through eight decentralized higher education institutions.

On average, 95,416 employees were paid each month, of which 68,592 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 12/31/2014	Comparative	
		As of 12/31/2013	As of 12/31/2012
Health Care**			
COVA Care	78,740	79,821	76,278
COVA Health Aware	3,988	3,437	N/A
Kaiser	2,106	2,130	2,101
Tricare	60	63	41
Optional Retirement Plans**			
Fidelity Investments	693	665	635
TIAA/CREF	1,745	1,714	1,672
Political Appointee - ORP	107	44	104
Deferred Compensation**	42,330	44,300	43,264
Flexible Reimbursement**			
Dependent Care	936	994	837
Medical Care	9,706	10,246	8,618

** 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.

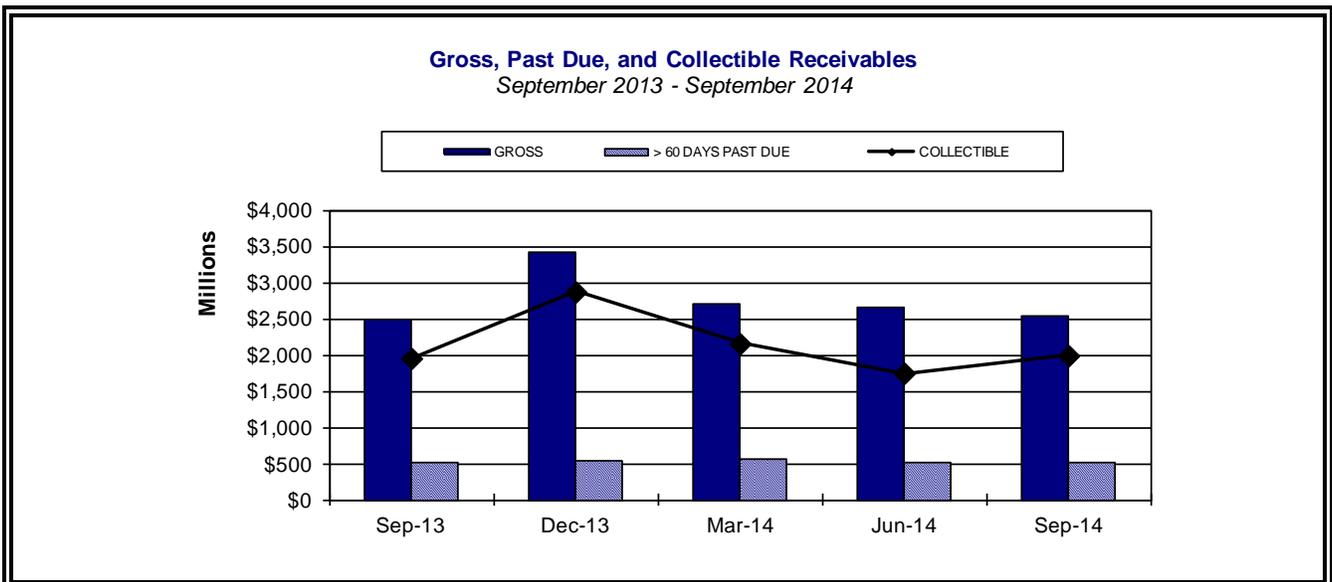
In an effort to present more meaningful information, DOA continues to exclude data from the tables (except for the final table on past due receivables) from the Department of Taxation, consisting largely of statutory assessments and non-filers assessments, and the circuit and district courts, which report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

Commonwealth agencies and institutions reported adjusted gross receivables of \$2.53

billion at September 30, 2014, with \$1.99 billion considered collectible. Receivables over 60 days past due as of September 30, 2014, totaled \$523.5 million. Of that amount, \$9.2 million was placed with private collection agencies, \$31.7 million was placed with the Division of Debt Collection and \$482.6 million was retained in-house for additional collection efforts.

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

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



As of September 30, 2014, agencies expected to collect \$1.99 billion (79 percent) of the \$2.53 billion adjusted gross receivables. About 1 percent is due to the General Fund, primarily for benefit recoveries and sales of

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

Collectible Receivables by Fund

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

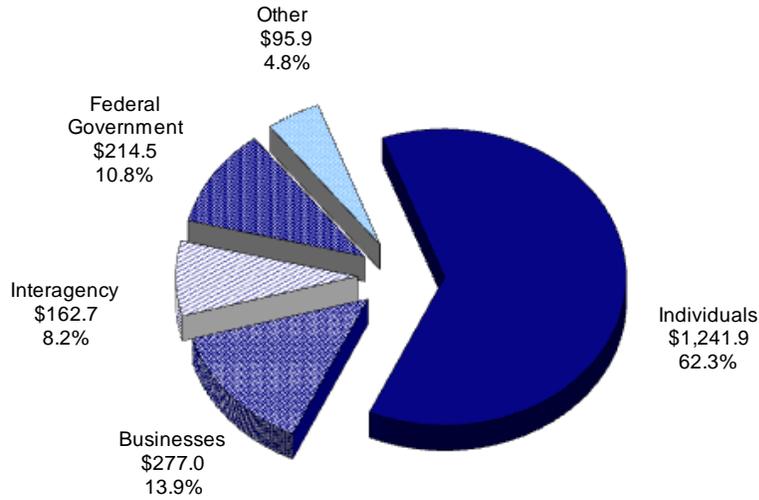
As of September 30, 2014

Fund	Source	Amount	Percent
General Fund 1%	Medicaid - Current Recoveries	\$ 14,127,027	52%
	Social Services	3,419,220	13%
	State Police Permits	2,363,657	9%
	Corrections	1,329,640	5%
	Labor and Industry Inspections	798,135	3%
	Other	3,339,875	12%
	Subtotal	25,377,554	94%
	Interagency Receivables	1,737,041	6%
Total General Fund Collectible		\$ 27,114,595	100%
Nongeneral Funds 99%	Medicaid - Dedicated Penalty Fees	\$ 60,667,010	3%
	Medicaid - Federal Reimbursements	11,269,571	1%
	Unemployment Taxes *	102,698,748	5%
	Transportation	123,810,160	6%
	Child Support Enforcement	207,519,553	11%
	Federal Government	39,313,563	2%
	DBHDS Patient Services	22,146,018	1%
	Hospital	614,486,329	32%
	Enterprise	83,140,237	4%
	Higher Education	491,764,047	25%
	Other	47,155,666	2%
	Subtotal	1,803,970,902	92%
	Interagency Receivables	160,924,569	8%
Total Nongeneral Fund Collectible		\$ 1,964,895,471	100%
All Funds	Grand Total	\$ 1,992,010,066	100%

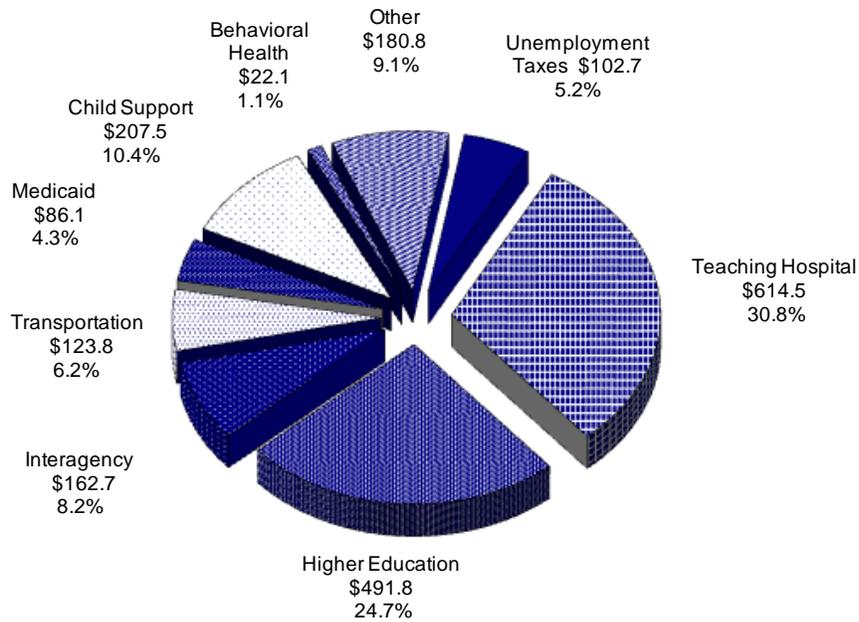
* Note: The Virginia Employment Commission provides Unemployment Taxes Information.

Summary of Receivables by Source

Sources of Collectible Receivables by Debtor
(dollars in millions)
As of September 30, 2014



Sources of Collectible Receivables by Type
(dollars in millions)
As of September 30, 2014



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, 2014

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
University of Virginia Medical Center	\$ 643,083,552	\$ 24,404,294	\$ 618,679,258
Department of Social Services	594,577,920	366,946,240	227,631,680
Department of Transportation	115,459,140	1,575,560	113,883,580
Virginia Polytechnic Institute and State University	112,693,482	3,043,648	109,649,834
Virginia Employment Commission	158,367,795	51,356,478	107,011,317
Department of Medical Assistance Services	124,729,867	38,666,259	86,063,608
Virginia Commonwealth University	82,632,699	6,211,807	76,420,892
Virginia Lottery	68,784,559	-	68,784,559
George Mason University	66,712,635	1,319,566	65,393,069
University of Virginia - Academic Division	61,452,756	582,428	60,870,328
Total	\$ 2,028,494,405	\$ 494,106,280	\$ 1,534,388,125
All Other Agencies	504,342,082	46,720,141	457,621,941
Grand Total	\$ 2,532,836,487	\$ 540,826,421	\$ 1,992,010,066

In addition to internal administrative collection efforts, agencies have three other collection tools available to them. These are computerized matching and debt setoff programs at the Departments of Taxation, Lottery and Accounts, private collection agencies, and the Attorney General's Division of Debt Collection.

DOA requires state agencies and institutions to use the computerized matching and debt setoff programs for receivables that are 30 days or more past due. DOA also requires the use of private collection agencies on delinquent accounts that are 60 days or more past due which are not sent to the Attorney General's Division of Debt Collection.

The Office of the Attorney General requires state agencies and institutions to send accounts of \$3,000 or more and 60 days or more past due to the Division of Debt Collection.

These additional collection tools recovered \$10.4 million during the quarter ended September 30, 2014. The Division of Debt Collection contributed \$1.7 million. Private collection agencies collected \$3.5 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected \$5.2 million.

Private collection agencies returned \$4.5 million of accounts to agencies, and the Division of Debt Collection discharged \$3.2 million of accounts and returned \$2.2 million of accounts to agencies.

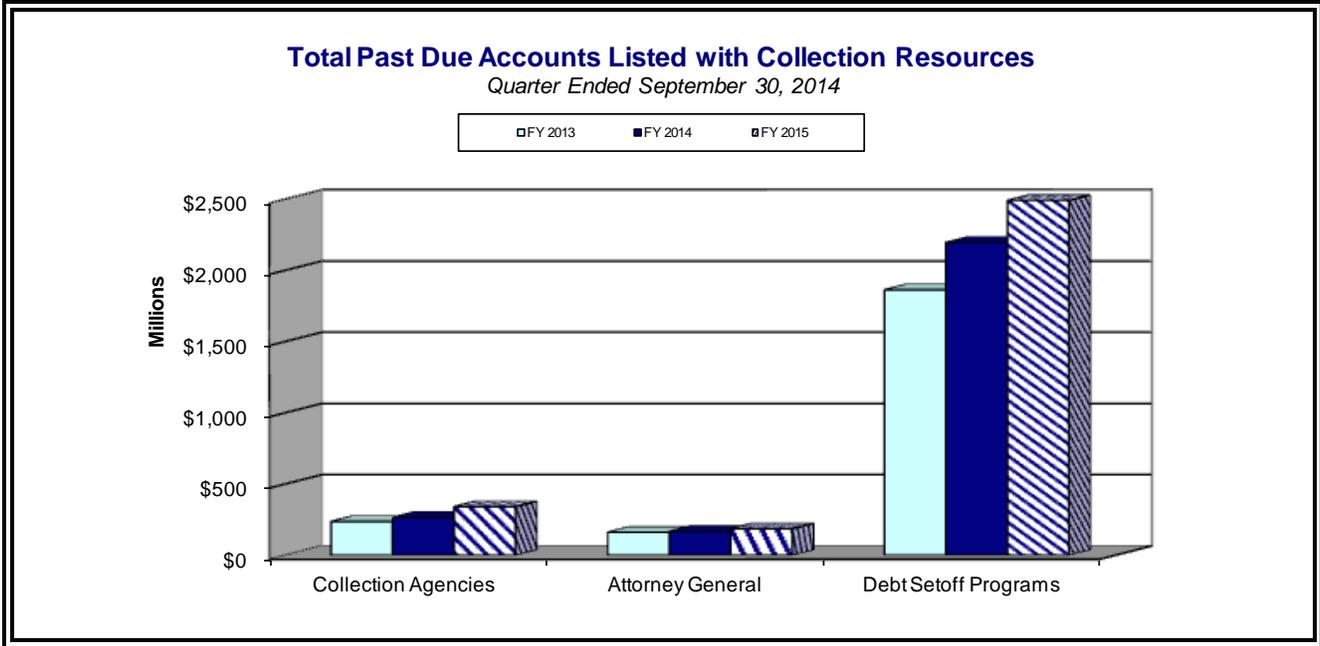
Collectible Receivables Over 60 Days Past Due

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

As of September 30, 2014

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	\$ 211,818,094	\$ 9,323	\$ 67,970	\$ 211,740,801
University of Virginia Medical Center	86,323,662	-	-	86,323,662
Virginia Employment Commission	66,975,518	-	10,246,516	56,729,002
Department of Medical Assistance Services	46,387,013	22,719	2,346,586	44,017,708
Department of Transportation	22,332,665	-	6,726,760	15,605,905
Department of Behavioral Health and Developmental Services	16,449,608	-	-	16,449,608
Virginia Community College System	13,233,119	2,835,091	257,677	10,140,351
Virginia Commonwealth University	5,603,662	255,788	205,072	5,142,802
Department of Health	4,990,881	52,769	2,373,397	2,564,715
Virginia Workers' Compensation Commission	4,465,519	925,852	3,539,667	-
TOTAL	\$ 478,579,741	\$ 4,101,542	\$ 25,763,645	\$ 448,714,554
All Other Agencies	44,882,152	5,069,234	5,884,406	33,928,512
TOTAL OVER 60 DAYS	\$ 523,461,893	\$ 9,170,776	\$ 31,648,051	\$ 482,643,066
Uncollectible Amounts Placed for Collection, Including Accounts Written Off	2,493,853,212	331,816,050	154,095,792	2,007,941,370
TOTAL COLLECTION EFFORTS	\$ 3,017,315,105	\$ 340,986,826	\$ 185,743,843	\$ 2,490,584,436

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



Comptroller’s Debt Setoff (CDS) Program

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

withheld, in full or in part, to satisfy the debt owed to the State. CDS collected \$2.0 million for the second quarter with a total of \$4.6 million collected through FY 2015. 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 9/30/14	Comparative	
		Percent 6/30/14	Percent 3/31/14
Virginia Workers' Compensation Commission	82%	85%	85%
Virginia Employment Commission	42%	35%	13%
Department of Medical Assistance Services	37%	40%	47%
Department of Social Services	36%	34%	36%
Department of Behavioral Health and Developmental Services	33%	20%	33%
Department of Health	22%	8%	25%
Virginia Community College System	21%	15%	24%
Department of Transportation	19%	10%	16%
University of Virginia Medical Center	13%	14%	12%
Virginia Commonwealth University	7%	11%	16%
Statewide Average - All Agencies	21%	19%	21%

Another way to measure agency debt collection effectiveness is to compare amounts collected to amounts billed. The table below presents trend percentages for the ten agencies with the highest collectible accounts receivable balances. In total, these ten agencies are responsible for 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 86 percent indicates that for every dollar billed during the quarter ended September 30, 2014, the state collected 86 cents. This rate is one percent lower than last year and two percent lower than two years ago.

Collections as a Percentage of Billings

Agency	Percent 9/30/14	Comparative	
		Percent 9/30/13	Percent 9/30/12
Virginia Employment Commission	132%	122%	124%
Virginia Lottery	100%	98%	100%
Department of Transportation	99%	104%	97%
Virginia Polytechnic and State University	96%	84%	90%
University of Virginia - Academic Division	96%	98%	94%
George Mason University	93%	92%	82%
Department of Social Services	90%	95%	91%
Virginia Commonwealth University	84%	84%	83%
Department of Medical Assistance Services	54%	18%	61%
University of Virginia Medical Center	26%	26%	27%
Statewide Average - All Agencies	86%	87%	88%

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 \$86.1 million at September 30, 2014, is a \$30.3 million decrease over the \$116.4 million reported at September 30, 2013. Over the same period, total past due receivables of \$51.1 million have decreased by \$10.1 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 \$618.7 million at September 30, 2014, were a \$85.7 million increase from the \$533.0 million reported the previous year. Past due receivables decreased by \$77.6 million to \$127.8 million at September 30, 2014.

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 \$107.0 million at September 30, 2014, a decrease of \$4.6 million from the previous year. Total past due receivables were \$69.6 million, a \$12.6 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, 2014, of \$37.0 million, which is a decrease of \$807,489 reported in the previous year. Most of these receivables are due from other state agencies. As of September 30, 2014, \$733,687 was over 60 days past due, a decrease of \$232,312 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, 2014, the State Lottery reported net receivables of \$68.8 million, a \$8.4 million increase from the previous year. Billings decreased by \$10.0 million and collections decreased by \$5.4 million during the September 30, 2014 quarter when compared to the September 30, 2013 quarter. At September 30, 2014, the State Lottery had \$291,769 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, 2014, 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, 2014, the University reported net collectible receivables of \$109.6 million, a decrease of \$37.2 million over the prior year. At the same time, total past due receivables of \$16.2 million decreased by \$15.6 million over the prior year.

The University uses a variety of collection methods to encourage payments. At September 30, 2014, VPISU had \$3.0 million of accounts over 60 days past due. \$644,358 was placed with the Attorney General's Division of Debt Collection, another \$889,524 was placed with private collection agencies, and \$1.5 million was subject to additional in-house efforts.

Department of Behavioral Health and Developmental Services (DBHDS)

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

At September 30, 2014, the Department reported collectible receivables of \$27.7 million, a \$2.1 million decrease over the previous year. \$22.4 million was past due, with \$16.5 million being over 60 days past due. Total past due receivables increased by \$1.9 million over the year, and accounts over 60 days past due increased by \$2.8 million. At September 30, 2014, the Department had a total of \$9.2 million of accounts placed with the Attorney General and \$1.2 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, 2014, VDOT reported \$113.9 million of collectible receivables, an increase of \$41.8 million from the prior year. VDOT also reported \$27.8 million total past due and \$22.3 million being over 60 days past due. Past due receivables increased by \$11.3 million over the year, while receivables over 60 days past due increased by \$8.1 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 \$6.7 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, 2014, DSS reported gross receivables of \$594.6 million, an allowance for doubtful accounts of \$367.0 million and collectible receivables of \$227.6 million. Past due receivables totaled \$215.1 million, of which \$211.8 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for \$544.8 million (92 percent) of the gross receivables, \$337.3 million (92 percent) of the allowance for doubtful accounts and \$207.5 million (91 percent) of the collectible receivables.

From September 30, 2013 to September 30, 2014, gross receivables increased by \$36.8 million and collectible receivables increased by \$10.5 million. Total past due receivables increased by \$15.2 million and receivables over 60 days past due increased by \$15.0 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, 2014, DRPT had gross and net receivables of \$19.6 million. The majority of this money is due via an interagency transfer from VDOT. DRPT reported past due receivables of \$1.8 million at September 30, 2014.

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, 2014, VCU had \$76.4 million of collectible receivables, a \$3.6 million decrease from September 30, 2013. Total past due accounts were \$9.2 million, a \$1.0 million increase from September 30, 2013. Accounts over 60 days past due (\$5.6 million) decreased by \$1.0 million from the prior year. Billings increased by \$8.7 million to \$286.1 million and collections increased by \$7.8 million to \$241.5 million for the September 30, 2014 quarter, when compared to the September 30, 2013 quarter.

The following table is prepared to present the September 30, 2014, aging information in conformity with the provisions of the *Code of Virginia* § 2.2-603.E.(ii).

Commonwealth's total \$2.65 billion past due accounts receivable at September 30, 2014. Another 18 agencies accounted for 25 percent (\$668.7 million), leaving 55 other agencies to comprise the last two percent at \$47.1 million.

Taxation and the Circuit and District Courts accounted for 73 percent (\$1.94 billion) of the

Agencies with the Largest Volume of Past Due Receivables

As of September 30, 2014

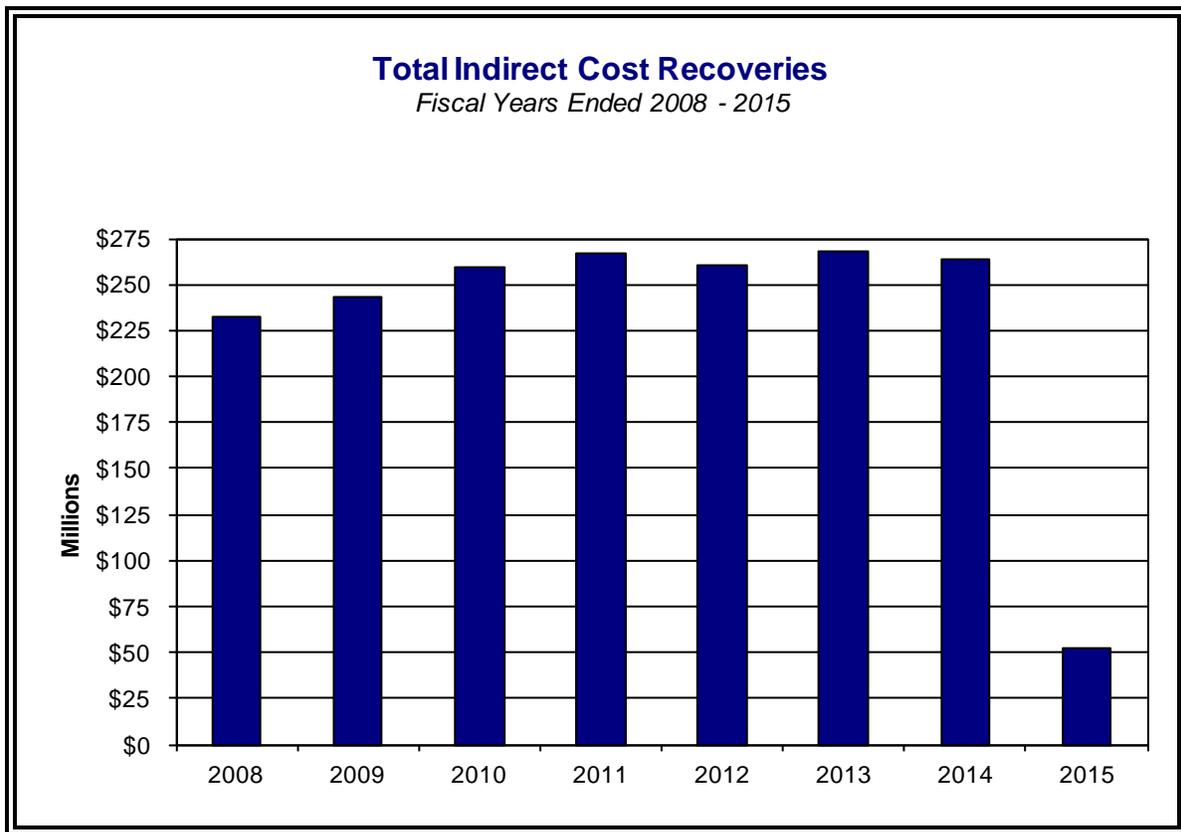
Agency	Total Past Due	1 to 180 Days Past Due	181 to 365 Days Past Due	Over One Year
Department of Taxation	\$ 1,566,515,949	\$ 241,028,583	\$ 108,840,741	\$ 1,216,646,625
Localities' Circuit and District Courts	369,099,363	40,135,239	59,694,722	269,269,402
Total - Taxation Assessments and Court Fines and Fees	\$ 1,935,615,312	\$ 281,163,822	\$ 168,535,463	\$ 1,485,916,027
All Other Large Dollar Agencies:				
Department of Social Services	215,141,974	10,292,725	10,236,893	194,612,356
University of Virginia Medical Center	127,823,215	93,729,892	26,625,081	7,468,242
Virginia Employment Commission	69,632,765	14,209,930	9,198,632	46,224,203
Department of Medical Assistance Services	51,101,217	8,002,608	7,012,498	36,086,111
Virginia Community College System	30,277,660	27,376,775	1,449,773	1,451,112
Department of Transportation	27,774,275	20,528,991	1,419,983	5,825,301
Department of Behavioral Health and Developmental Services	22,417,803	17,460,925	14,084	4,942,794
George Mason University	20,490,284	18,689,216	955,982	845,086
Virginia Polytechnic Institute and State University	16,241,769	13,920,279	446,465	1,875,025
University of Virginia - Academic Division	13,796,718	12,442,750	1,007,004	346,964
Old Dominion University	12,128,426	11,632,334	411,623	84,469
Department of State Police	11,424,275	8,724,998	812,620	1,886,657
Department of General Services	11,272,901	8,364,630	368,623	2,539,648
James Madison University	9,826,569	9,153,436	243,482	429,651
Virginia Commonwealth University	9,186,529	3,861,868	2,723,436	2,601,225
University of Mary Washington	7,016,188	6,008,628	123,242	884,318
Department of Health	6,672,028	4,060,409	150,659	2,460,960
Virginia State University	6,468,244	5,222,641	721,643	523,960
Total - Largest Dollar Volume Agencies	\$ 668,692,840	\$ 293,683,035	\$ 63,921,723	\$ 311,088,082
All Other Agencies	47,062,607	29,686,127	6,245,451	11,131,029
Grand Total Past Due Receivables	\$ 2,651,370,759	\$ 604,532,984	\$ 238,702,637	\$ 1,808,135,138



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 2015 reflects indirect cost recoveries through December 31, 2014.

Indirect Cost Recoveries from Grants and Contracts

Fiscal Year 2015

Fund	Year-to-Date		
	Higher Ed	Non-Higher Ed	Total
Nongeneral:			
Agency / Institution (1)	\$ 11,355,263	\$ 39,183,824	\$ 50,539,087
Statewide	36,197	413,667	449,864
Agency / Institution ARRA	397,954	238	398,192
Statewide ARRA	-	5	5
Total Nongeneral	\$ 11,789,414	\$ 39,597,734	\$ 51,387,148
General:			
Agency (Cash Transfers)	-	-	-
Statewide	-	596,263	596,263
Statewide (Cash Transfers)	-	-	-
Total General	\$ -	\$ 596,263	\$ 596,263
Total All Funds	\$ 11,789,414	\$ 40,193,997	\$ 51,983,411

- (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 \$27,603,565 representing the Department of Social Services' estimate of indirect cost recoveries received.



Loans and Advances

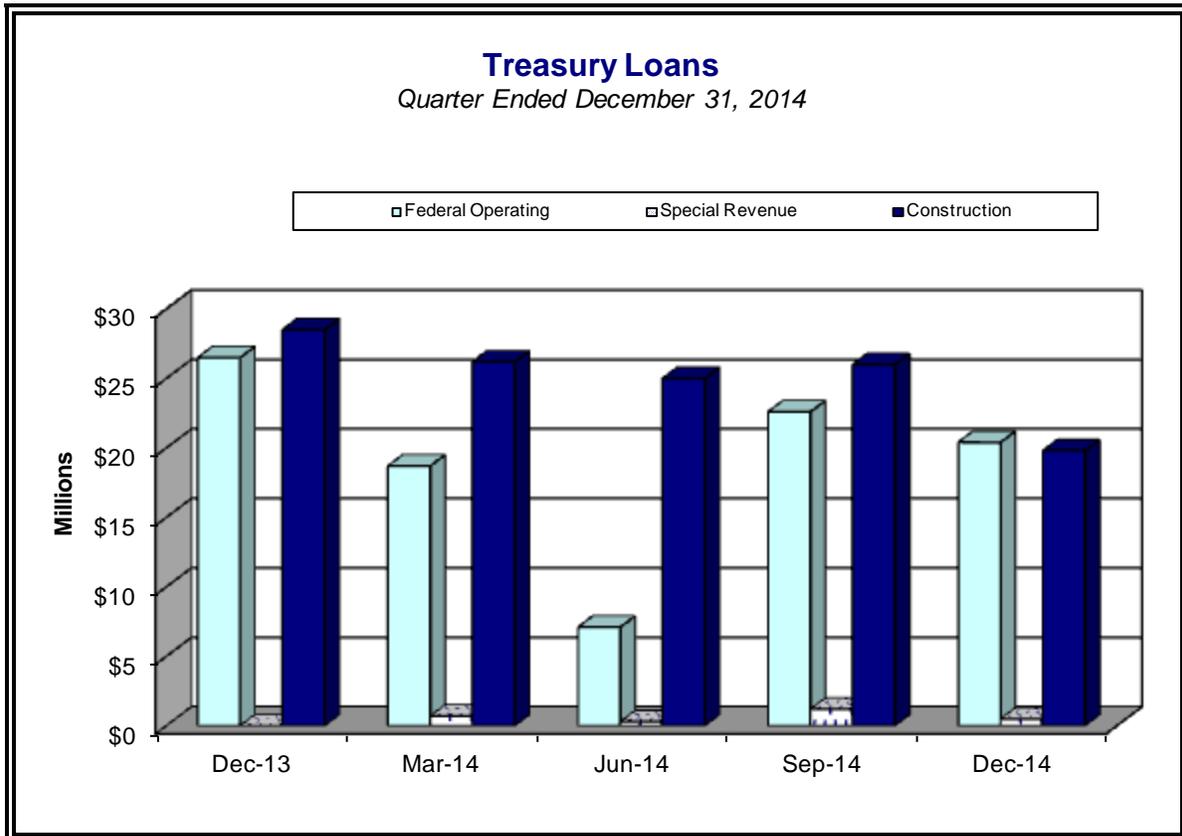
Treasury loans may be used to advance funds to a State agency or institution for a designated purpose prior to some form of reimbursement, typically federal or special revenues. They are loans of a temporary nature, approved on the basis of the following conditions:

- **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, 2014 was \$40.8 million.



Significant New Loans / Drawdowns	New Balance
<p>Department of Military Affairs (DMA) Drawdown on a \$15 million loan used to replace advances from cooperative agreements and maintenance reserve projects that may be delayed by the DOD accounting system (GFEBS) implementation.</p>	\$ 2,000,000.00
<p>Roanoke Higher Education Center (RHEC) Drawdown on a \$2.4 million loan used to fund the RHEC renovation to waterproof the building.</p>	\$ 2,363,291.00

Significant Loan Repayments	Prior Balance
<p>Department of Military Affairs (DMA) Repayment on a \$15 million loan used to replace advances from cooperative agreements and maintenance reserve projects that may be delayed by the DOD accounting system (GFEBS) implementation.</p>	\$ 3,900,000.00
<p>Department of Accounts (DOA) Repayment on a \$1.2 million loan used for costs associated with the Cardinal system.</p>	\$ 1,182,958.99
<p>Department of General Services (DGS) Repayment on a \$11 million loan used for the renovation of the Washington Building.</p>	\$ 7,127,739.78
<p>Virginia Military Institute (VMI) Repayment on a \$1 million loan used to improve post facilities, Phase II.</p>	\$ 1,000,000.00

Other methods not charted but used to ensure an agency or institution has sufficient operating cash include authorized appropriation deficits, working capital advances, and lines of credit.

- **Authorized Appropriation Deficits**, which provide funding, when authorized by the Governor, under emergency conditions as described in §4-3.01 and §4-3.02 of the Appropriation Act. There were no deficit loans/appropriations as of December 31, 2014.
- **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, 2014 was \$54.1 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, 2014 was \$73 million.

