

**REPORT ON
STATEWIDE FINANCIAL MANAGEMENT
AND COMPLIANCE**

FOR THE QUARTER ENDED JUNE 30, 2014



OFFICE OF THE COMPTROLLER

DEPARTMENT OF ACCOUNTS

Prepared and Published by
Department of Accounts
Commonwealth of Virginia
P. O. Box 1971
Richmond, VA 23218-1971

*Text and graphics were produced using
Microsoft Word for Windows in Arial
and Times New Roman fonts.*

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STATEMENT OF PURPOSE

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

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

This *Quarterly Report* includes information for the quarter ended June 30, 2014, and comparative FY 2013 data. Some information in the report is for the quarter ended March 31, 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 June 30, 2014

The APA issued 17 reports covering 22 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				
Virginia Department of Forestry	0	0	0	N/A
Commerce and Trade				
Virginia Board of Accountancy	0	0	0	N/A

	New Findings	Repeat Findings	Total Findings	CAW Received
Education				
Christopher Newport University	1	0	1	YES
The College of William and Mary in Virginia ⁽¹⁾	4	0	4	YES
Richard Bland College	2	0	2	YES
Virginia Institute of Marine Science	0	0	0	N/A
George Mason University	0	0	0	N/A
Gunston Hall	2	2	4	YES
James Madison University	0	0	0	N/A
Jamestown-Yorktown Foundation	0	1	1	YES
Old Dominion University	0	0	0	N/A
Radford University	0	0	0	N/A
Virginia Military Institute	1	0	1	YES
Virginia State University ⁽²⁾	1	0	1	YES
Executive Offices				
None				
Finance				
None				
Health and Human Resources				
Department of Health Professions	2	0	2	YES
Natural Resources				
Department of Conservation and Recreation	93	0	93	YES
Public Safety				
Department of Corrections ⁽³⁾	1	0	1	YES
Department of Emergency Management	2	3	5	NO
Department of Fire Programs	0	0	0	N/A
Virginia Correctional Enterprises ⁽³⁾	0	0	0	N/A
Virginia Parole Board ⁽³⁾	0	0	0	N/A
Technology				
None				
Transportation				
None				
Veterans Affairs and Homeland Security				
None				

(1) The APA issued one report covering The College of William and Mary in Virginia, Richard Bland College, and the Virginia Institute of Marine Sciences.

(2) This report includes Cooperative Extension and Agriculture Research Services. (Agency 234 – VSU/CEAR)

(3) The APA issued one report including Department of Corrections, Virginia Correctional Enterprises, and Virginia Parole Board.



Audit Findings - Quarter Ended June 30, 2014

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

Education

Christopher Newport University (CNU)

1. Improve Management of Return of Title IV Funds. CNU did not properly calculate and return Title IV funds for student withdrawals. The Office of Financial Aid did not use the correct number of days in the spring 2013 semester to calculate the unearned portion of Title IV funds for official and unofficial withdrawals. This resulted in a miscalculation of five out of 20 calculations (25 percent) and caused an underpayment to the U.S. Department of Education in the amount of \$408 and an overpayment of \$426. In addition, for two of four unofficial withdrawals (50 percent), CNU failed to perform a return of Title IV calculation and promptly return \$694 to the U.S. Department of Education.

Code of Federal Regulations, 34 CFR 668.22, states when a recipient of Title IV grant or loan assistance withdraws from an institution during a period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date and return the Title IV funds within a reasonable timeframe. The total number of calendar days in a payment period or period of enrollment includes all days within the period that the student was scheduled to complete, except that scheduled breaks of at least five consecutive days are excluded from the total number of calendar days. All calculations of return of Title IV funds are required to be completed within 30 days of semester end and funds are required to be returned within 45 days after the date that the institution determines the student has withdrawn. Failure to promptly identify, calculate, and return unearned Title IV funds may jeopardize continued participation in Title IV programs.

The APA recommends that management ensures each staff member involved in the Title IV process is fully trained on the federal requirements. In addition, the Office of Financial Aid should review policies, procedures, and processes to ensure students requiring calculations have been properly identified, calculations have been properly performed, and any funds to be returned are returned within the prescribed timeframes. As this calculation is an automated procedure processed through the student information system, it is important CNU ensures the system is properly calculating the amount of aid earned. Further, the Office of Financial Aid should review all student withdrawals from the spring 2013 semester and recalculate amounts to be returned to or reimbursed by the U.S. Department of Education.

The College of William and Mary in Virginia (CWM)

1. Improve the Vendor Payment Process. CWM's accounts payable department did not process vendor payments in accordance with the *Commonwealth Accounting Policies and Procedures (CAPP)* manual nor the Virginia Public Procurement Act. Although CWM has been granted the autonomy to develop its own policies and procedures as a Tier III Institution, they have elected to employ and abide by the Commonwealth's policies in this regard. Hence, in applying those policies, a review of expenditure vouchers found two processed without supporting documentation, three processed with no evidence of approval, and four processed more than 30 days after receipt of the vendor invoice.

According to CAPP Manual Topic 20310, the original vendor prepared bill must be attached to the payment as supporting documentation. The policy further states that the authorization, recordation, and control disbursement of transactions is mandatory. Additionally, §2.2-4347 of the Virginia Public Procurement Act requires payment for delivered goods and services within 30 calendar days after receipt of a proper invoice or 30 days after receipt of the goods or services, whichever is later.

The APA recommends that CWM enhance and enforce existing internal controls surrounding the disbursement process to ensure proper compliance with the CAPP Manual and the Virginia Public Procurement Act. Without adequate adherence and enforcement of these policies, CWM is exposed to the risk of improper payments being processed.

2. Improve the Termination Process. CWM should improve the process of identifying and reporting terminated employees to the Offices of Human Resources and Student Financial Aid. The APA review found six instances where faculty and student workers did not have the proper forms submitted to the required offices upon their termination. CWM's Administrative Policy and Procedures Manual requires the timely submission of these forms to ensure all property of CWM is returned prior to providing final payment of services. Adherence to this policy is a necessary component for CWM to have assurance that all property is being properly surrendered upon an employee's termination and that all levels of system access are being timely removed.

The APA recommends that CWM enforce and strengthen its existing policy regarding the timely submission of required forms upon the notification of an employee's termination. CWM should also strive to ensure all required notifications of termination are maintained within the employee's human resource file to reduce the risk of improper payment and to provide assurance of all CWM's property being returned upon an employee's termination.

3. Improve eVA Internal Controls and Compliance. CWM did not comply with several requirements contained in the eVA Electronic Procurement System Security Standards (Security Standards) issued by the Department of General Services (DGS) related to internal controls and the proper monitoring of access surrounding the use of eVA. The APA review identified several instances of improper and untimely deactivation of eVA access. The APA also found that CWM does not have an eVA Security Plan in place nor a policy detailing allowable, "on-behalf" purchases made by individuals other than the designated, purchase charge card holder. Further details related to the items referenced above and the governing sections of the Security Standards are included below.

- The Procurement Officer, who serves as the Administrative Head of the Procurement Department, was designated as one of three eVA Security Officers. As the eVA Security Officer role allows for the setting up and removal of users in eVA, Section 1.1 through 1.3 of the Security Standards indicates that only a primary and a backup should be designated as a security officer and neither should be a procurement or fiscal officer with any level of financial exposure.
- An Associate Director of Procurement was granted access to the administration application in eVA, which allows for the management of all eVA users of CWM. According to Section 2.4 of the Security Standards, this level of access should only be granted to eVA Security Officers.
- Two terminated employees of CWM were not de-activated from eVA in a timely manner. According to Section 2.8 of the Security Standards, terminated employees should be immediately reported to the Security Officer to ensure access to the system is deleted.
- An eVA user access review was performed by CWM during the year; however, it did not identify users who have never logged into the system. Section 2.8 of the Security Standards requires that access reviews include the review of all inactive users to identify individuals who no longer need access.

- CWM did not have an Entity eVA Security Plan in place as required by Section 1.3.1 of the Security Standard.
- Lastly, the APA found that CWM allows the Virginia Institute of Marine Science (VIMS) employees to make purchases through eVA on behalf of other employees who actually hold purchase charge cards. While this is an allowable practice, CWM's Small Purchase Charge Card Policy currently does not describe the process by which this should be done per guidelines included within the Security Standards.

The APA recommends that CWM improve the process by which eVA access is managed and monitored, ensuring eVA users are being granted access based on the principle of least privilege as prescribed by the Security Standards. By doing so, the risk of improper purchases will be lowered and the overall controls surrounding the procurement cycle will be improved. CWM should also revise its policy on the use of SPCC to indicate when card information can be shared and how this activity should be monitored.

4. Improve System Security Reviews. CWM does not perform adequate user access reviews of sensitive functions in the Banner System. To manage Banner access, CWM establishes user classes, which generally relate to a specific job function and identifies the Banner screens the user can view and change. By allowing inappropriate access to certain screens in Banner, CWM cannot assure the proper separation of duties exist within the system. During the review, the APA found numerous instances of inappropriate end users access levels within the system, which increases the risk of inadequate internal controls surrounding the use of Banner.

The APA recommends CWM improve the process by which access reviews to sensitive functions in Banner are performed to ensure access is granted and maintained on the principle of least privilege. At a minimum, CWM should annually perform an evaluation of access to sensitive functions to ensure adequate separation of duties exists. Further, when an access review is performed, department managers should provide justification for any employee that has access to functions deemed sensitive in nature that do not reasonably relate to their current job functions. By including the consideration of sensitive functions and forms within the Banner System access review, CWM's overall risk of improper access and processing of financial data will decrease.

5. Improve Information Security Program. Richard Bland College (RBC) does not have an information security program that provides the necessary requirements, guidance, and controls to secure its mission critical systems and sensitive data. The weaknesses identified significantly weaken the controls protecting the sensitive and mission critical systems and data at RBC.

The APA's review of RBC's information security program against the Commonwealth Information Security Standard, SEC 501-07.1 identified the following weaknesses:

- No formal IT change control management process or system is implemented for Banner hardware and software changes. Establishing a change control management process and system will reduce the risk of a change negatively impacting RBC. (*SEC 501-07.1: CM-9 Configuration Management*).
- Password requirements are not enforced as required by RBC policy. Strong passwords reduce the risk of a compromised user account. (*SEC 501-07.1: IA-5 Authenticator Management*).
- Security awareness training is not provided to all employees as required by RBC policy. Approximately 76 percent of staff did not complete annual security awareness training in fiscal year 2013. Providing annual training and security education to employees reduces

the risk of an employee making costly errors in regard to information security. (*SEC 501-07.1: AT-2 Security Awareness*).

- Backups are not stored off-site. Secure off-site storage reduces the risk of RBC losing its critical information in the event of a disaster. (*SEC 501-07.1: CP-9-COV Information System Backup*).
- Roles and responsibilities specific for the Information Security Officer (ISO) are not established. Further, the ISO is not independent of the Chief Information Officer (CIO). Segregation of duties reduces the conflict of interest between the person implementing security (CIO) and the person reviewing security compliance and controls (ISO). (*SEC 501-07.1: 2.5 Information Security Officer*).
- An up-to-date risk assessment is not documented. A risk assessment will help RBC identify potential threats for its mission critical and sensitive systems. (*SEC 501-07.1: 6 Risk Assessment*).
- Recovery Point Objectives (RPOs) are not defined. Assessing and defining RPOs will help RBC ensure complete data recovery for its mission critical systems in the event of a disaster or incident that negatively affects RBC's mission critical and sensitive systems. (*SEC 501-07.1: 3.2 Business Impact Analysis*).
- Continuity of Operations Plan (COOP) and Disaster Recovery Plan (DRP) tests are not performed. Further, DRP team members do not receive position-specific training. Annually testing the COOP and DRP, along with training the team members, will help RBC ensure its preparedness for a disaster or incident negatively affecting RBC. (*SEC 501-07.1: CP-4 Contingency Plan Testing and Exercises*).

The APA recognizes that RBC's IT management is new and is committed to strengthening its information security program moving forward. The APA recommends that RBC dedicate the necessary resources to assess and implement the controls outlined above in accordance with SEC501-07.1 and industry best practices to help strengthen RBC's security posture.

6. Improve Web Application Security. RBC lacks certain controls for its publicly facing web application that handles sensitive information for its mission critical ERP system, Banner. The Commonwealth's Information Security Standard, SEC 501-7.1, requires implementing specific controls to reduce unnecessary risk to data confidentiality, integrity, and availability.

The APA identified and communicated two weaknesses 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 it containing descriptions of security mechanisms.

Gunston Hall (GH)

1. Improve Fixed Asset Management. GH is not entering capital assets into the Fixed Asset Accounting and Control System (FAACS) nor are they updating FAACS for items that are no longer in their possession. GH has not updated and entered information for new assets acquired since 2008. A truck valued in excess of \$20,000 was purchased in 2011, but this was not entered into FAACS. In addition, a physical inventory was completed in July 2012, but FAACS was not updated for assets that were no longer in existence at the time of the inventory. Furthermore, GH was unable to provide information to document asset disposal activity. GH has chosen to utilize FAACS to keep track of controllable assets; however, they are not adequately updating FAACS for those assets either.

Commonwealth Accounting Policies and Procedures require agencies to maintain proper stewardship over all assets. Without updating FAACS, GH cannot adequately track assets, nor can they complete effective and accurate inventories.

GH should adhere to the Commonwealth's policies and procedures regarding capital asset management. Furthermore, GH should develop and maintain an adequate system of internal control to ensure that assets are properly controlled and safeguarded.

2. Designate a Purchase Card Program Administrator and Backup Program Administrator. GH does not have a designated purchase card Program Administrator (Administrator). In October 2010, the Backup Program Administrator (Backup Administrator) assumed the Administrator's responsibilities, and there is no documentation to verify that the change was reported to the Department of Accounts. The Acting Administrator is unaware of whether the annual program administrator training has been completed, and there has not been an annual analysis of cardholder limits and usage. The APA review of fiscal year 2013 usage revealed that GH only utilized three percent of their credit limit.

The Commonwealth's policies and procedures require each agency to have an Administrator and Backup Administrator. The Program Administrator Form should be completed, and both the Administrator and Backup Administrator should complete annual training. Further, the Administrator should be familiar with procurement regulations and all responsibilities outlined in the Commonwealth's policies. If an Administrator and Backup Administrator are not designated, there is a possibility that the purchase card program is not adequately administered by GH. Failure to properly administer the purchase card program increases the risk of inappropriate or fraudulent activity.

GH should develop and document internal controls to ensure compliance with the Commonwealth's purchase card program. An Administrator and Backup Administrator should be designated according to Commonwealth's policies and GH should ensure that they are adequately trained to administer the purchase card program.

3. Establish Memorandum of Agreement for Human Resource Program Assistance. **This is a Repeat Finding.** During the previous audit, the APA found that GH did not have a documented Memorandum of Agreement (agreement) with the Department of Human Resource Management (DHRM) that outlines the scope of services provided by DHRM and GH's responsibilities. As of the current audit, GH continues to rely on DHRM to enter information in the Commonwealth's Personnel Management Information System and the Benefits Eligibility System without an agreement outlining the scope of services and responsibilities of each agency.

GH and DHRM are in the process of formalizing an agreement that will establish the level and duration of service, as well as clarify the responsibilities of and controls provided by both agencies.

4. Strengthen Internal Controls over Revenue Collection and Deposit Processes. **This is a Repeat Finding.** During the previous audit, the APA found that GH did not have adequate internal controls over their revenue collection and deposit processes. Although the agency has made improvements to the process, the APA found that there is still inadequate segregation of duties as the same individual prepares the deposit certificate, enters the information into the Commonwealth Accounting and Reporting System (CARS), and reconciles the deposits to CARS. The APA recognizes that limited staffing resources restrict GH from implementing ideal internal controls; however, GH should develop compensating controls, where possible, to help decrease the risk of fraud or theft.

Jamestown-Yorktown Foundation (JYF)

1. Improve Documentation of Reconciliations and Reviews. **This is a Repeat Finding.** JYF does not have proper procedures in place to document reconciliations and supervisory review performed for the Commonwealth Integrated Payroll/Personnel System (CIPPS) to Commonwealth Accounting and Reporting System (CARS) reconciliations and the petty cash reconciliations.

Payroll reconciliations reviewed during the audit lacked documentation of preparer sign-off, completion dates, and supervisory review. In addition, after the employee responsible for the CARS to CIPPS reconciliations left the agency in June 2013, reconciliations were not completed from June 2013 to March 2014. This was due to a miscommunication between staff as to who would assume the responsibility for the reconciliation.

Petty cash reconciliations are not documented. The Petty Cash Custodian reviews the bank statement and informally reconciles the bank statement to the known petty cash payments. Commonwealth Accounting Policies and Procedures require a reconciliation of the monthly petty cash bank statement.

Reconciliations should show documentation that they have been completed and should include the preparer's signature and completion date, as well as supervisory review. Without adequate documentation and supervisory review, management cannot ensure that reconciliations are performed properly and in a timely manner. Reconciliations assist agencies in identifying processing errors. Improper and untimely reconciliations can result in the agency having undetected errors in their financial records and increases the risk of misappropriating funds. Proper documentation and signoff removes doubt of the responsibility for the task.

JYF should improve reconciliation documentation procedures to definitively show when and by whom the reconciliations and reviews are performed. Furthermore, JYF should improve petty cash controls by documenting and reviewing the petty cash reconciliation. JYF should also update internal policies to clearly identify responsibilities and processes and ensure that all job responsibilities are clearly communicated to employees.

Virginia Military Institute (VMI)

1. Improve Database Security. VMI does not have adequate controls in place to determine if database administrators (DBAs) have made unauthorized changes to sensitive and mission critical data in the UniData database management system that supports VMI's Enterprise Resource Planning system, Colleague.

The Commonwealth's Information Security Standard, SEC 501-07.1 Section 8.3, requires implementing audit and accountability controls to reduce unnecessary risk to data confidentiality, integrity, and availability. Logging database activity and reviewing the logs consistently allows data owners to ensure the integrity of data and gives assurance that unauthorized changes are not made.

VMI utilizes the database management system, UniData, that does not have the capability of logging DBA activities, such as alterations made to critical data. The APA first reported this concern to management during the fiscal year 2009 audit. At that time the Institute developed a corrective action plan to replace their UniData database with Microsoft SQL Server (SQL) to remediate the concern. However, the weaknesses are still present because VMI has not completed this migration and is still relying on UniData.

VMI's original plan projected to have the new SQL database in production in June 2013. However, due to implementation issues and resource limitations, VMI has not been able to successfully implement the

new system. As a result, VMI cannot ensure confidentiality, integrity, and availability of information within the UniData database.

The APA recognizes that VMI is working towards replacing UniData with SQL to remediate these concerns; therefore, it is the recommendation that VMI dedicate the necessary resources to ensure this project is implemented in a timely manner and that the new system utilizes security controls in alignment with SEC 501-07.1 and industry best practices, such as those published by the Center for Internet Security.

Virginia State University (VSU)

1. Improve Controls Over Physical Inventory. VSU did not follow proper protocol when physical inventories performed in 2010 and 2012 identified missing assets. The missing assets, totaling \$186,224, were last known to be in the possession of a professor who left VSU in August 2010. Although VSU corresponded with the professor on several occasions throughout 2010 and 2011 asking that she return the assets, VSU has not aggressively pursued the recovery of the items. Consequently, these assets that were purchased with National Science Foundation research funds are still missing. VSU should have contacted the State Police, Inspector General, and Auditor of Public Accounts immediately when the professor failed to return the assets that belonged to VSU.

VSU should take steps to actively pursue repossession of these items. If a similar situation occurs in the future, VSU should file a report promptly with the State Police, Inspector General, and the Auditor of Public Accounts pursuant to *Code of Virginia*, Section 30-138.

Health and Human Resources

Department of Health Professions (DHP)

1. Develop and Implement Internal Control Policies and Procedures. DHP lacks documented policies and procedures in the following areas:
 - SPCC
 - License 2000 role assignments within the Access Control Policy

Maintaining adequate written policies and procedures is essential in mitigating the risk of errors. The *Commonwealth Accounting Policies and Procedures (CAPP)* manual, Section 20355, requires agencies to develop and document internal control procedures surrounding SPCC and this requirement helps ensure compliance with the Commonwealth rules and regulations as well as corporate purchasing card contract provisions. In addition to not having formal small purchase charge card policies and procedures, the auditor identified one instance of a split purchase transaction where a cardholder split a single transaction into two purchases in order to exceed the cardholders authorized limit. The CAPP manual specifically prohibits this type of activity.

In addition, the ITRM Information Security Standard requires that agencies develop, disseminate, review and update annually a formal, documented access control policy that addresses purpose, scope, roles, and responsibilities. Although DHP has implemented access control policies in the agency IT Security Plan, there are no documented definitions for License 2000 user roles giving guidance to appropriate access allowances. Without this guidance, DHP cannot ensure they have assigned least privilege or proper segregation of duties.

To minimize risk and ensure adequate internal control, management should develop and implement written internal policies and procedures.

2. Improve Database Security. DHP does not use some required controls to protect the databases that support the internet-facing prescription monitoring and health profession licensing applications. These databases contain sensitive information, such as personally identifiable information and prescription data. The APA identified and communicated the weak controls 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. DHP 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 Security Standard.

Natural Resources

Department of Conservation and Recreation (DCR)

This report is published in its entirety on the Auditor of Public Account's website, www.apa.virginia.gov.

Accounting and Fiscal Governance

1. Define Fiscal Governance Structure

Payroll

1. Develop Policies and Procedures Defining Payroll Service Bureau (PSB) Agreement
2. Ensure Compliance with the PSB Scope of Services Agreement
3. Promptly Delete Terminated Employee Commonwealth Integrated Payroll Personnel System (CIPPS) Access
4. Improve Payroll Pre-Certification Process
5. Develop Payroll Post-Certification Process
6. Assign a Backup Payroll Security Officer

Financial Reporting Attachments

1. Submit Financial Reporting Attachments Timely
2. Improve Controls over Financial Reporting Attachment Submission and Reduce Resubmissions
3. Ensure Financial Reporting Attachment Submissions are Correct
4. Develop Policies and Procedures over Financial Reporting Attachment Submission

Agency Risk Management and Internal Control Standards (ARMICS)

1. Improve Controls over ARMICS Certifications to Comptroller
2. Ensure ARMICS Documentation is Accurate
3. Complete ARMICS Requirements

Commonwealth Accounting and Reporting System (CARS) Reconciliation

1. Update CARS Reconciliation Policies and Procedures
2. Reconcile CARS Accounts Timely
3. Discontinue CARS Certifications to Comptroller if the Reconciliation is Incomplete

Fixed Asset Accounting

1. Update Fixed Asset Policies and Procedures
2. Transfer Construction in Progress Accounts to Fixed Asset Accounts
3. Record Assets Properly in Fixed Asset Accounting Control System (FAACS)

Sales Tax

1. Submit Sales Tax Returns and Tax Payments to the Virginia Department of Taxation
2. Record Sales Tax Collections Properly in CARS

Accounts Payable

1. Update Accounts Payable Policies and Procedures
2. Ensure Payments are Made in Compliance with Prompt Payment Requirements

Chesapeake Bay Restoration Fund

1. Ensure All Payments from the Chesapeake Bay Restoration Fund are Allowable to the Fund
2. Report All Chesapeake Bay Restoration Fund Activity to the Division of Legislative Services

Treasury Loans and Communication

1. Repay Treasury Loans to the Commonwealth's Comptroller Timely
2. Respond Promptly to Inquiries from the Commonwealth's Comptroller

Federal Grants Management

1. Implement Corrective Actions to Satisfy the November 23, 2013, Federal Emergency Management Agency (FEMA) Review

Land Preservation Tax Credit

1. Properly Reconcile Land Preservation Tax Credit Payments

Account Coding Structure

1. Retrain Staff on New Accounting Structure and Test Controls

Agency Transaction Vouchers

1. Limit Agency Transactions to Justifiable Business Reasons

State Park Employee Housing

1. Develop and Implement Leasing Agreements for Employee Housing
2. Procure Leased Housing through Department of General Services
3. Maintain Documentation to Justify Reduced Employee Lodging Rates
4. Maintain Documentation for State Park Housing and Report Value to Internal Revenue Service
5. Maintain Documentation for Off-State Park Housing and Report Amounts to Internal Revenue Service as Required
6. Ensure Employee Lodging Rates Agree with DCR Policies
7. Maintain Residential Fee Deduction Authorization Forms for Required Employees
8. Inspect State Park Housing and Maintain Records

State Parks Project Fund

1. Transfer the State Parks Special Project Fund to the Treasurer of Virginia
2. Implement Controls to Report State Park Project Fund Vendor Payments
3. Implement Controls to Ensure State Park Project Fund Payments are Properly Supported

Risk Management Recoveries

1. Provide Documentation of Losses on State Property to State Treasury Division of Risk Management Timely
2. Use Agency Risk Management Function for All Loss Claims

Small Purchase Charge Cards (SPCC)

1. Update SPCC Policies
2. Dedicate Necessary Resources to Monitoring the SPCC Program
3. Discontinue Use of SPCC for Routine Travel
4. Reevaluate the Number of SPCC's Issued
5. Ensure SPCC's are Not Used to Circumvent Procurement Procedures
6. Reevaluate the Number of SPCC Groups
7. Ensure SPCC Supervisors are Adequately Trained
8. Ensure SPCC's are Restricted for Use at Vendors that Accept Credit Cards
9. Maintain Itemized Receipts for SPCC Purchases
10. Ensure IT Procurements are not Completed with SPCCs
11. Maintain Supporting Documentation for All SPCC Purchases
12. Ensure SPCC Payments Include Documentation of a Business Justification
13. Implement Controls to Ensure SPCC are Not Used for Personal Purchases
14. Ensure Unallowable Hotel Cancellation Fees are not Paid on SPCC
15. Ensure Employees are not Using Split Purchase to Circumvent Procurement Controls

Travel

1. Update and Improve Travel Policies and Procedures
2. Develop Travel Card Policies and Procedures
3. Update Agency Vehicle Management Policies
4. Develop Policies and Procedures for the Commuter Choice Program
5. Ensure Travel Reimbursement Vouchers are Accurate and Complete
6. Ensure Commuter Choice Invoices are Reconciled
7. Ensure Commuter Choice Invoices are Promptly Paid

Procurement

1. Ensure Change Orders are Properly Approved
2. Maintain All Required Procurement Documentation
3. Enforce Contract Provisions
4. Ensure Proposal Evaluation Committees Properly Document Procurement Decisions
5. Restrict the Use of Request for Proposal to Appropriate Situations
6. Maintain Required Documentation Justifying Use of Competitive Negotiation

Department of General Services Review

1. Correct Procurement Issues Identified by the Department of General Services

Information Technology (IT)

1. Update IT Risk Assessments to Comply with Virginia Information Technologies Agency (VITA) Standards
2. Develop Comprehensive Business Impact Analysis
3. Complete Agency Continuity Plan
4. Document IT Backup and Recovery Policies
5. Ensure Integrated Decision Support System (IDSS) User Access Forms are Used Consistently
6. Implement Periodic Review of User Access to IDSS
7. Ensure Internal Auditor is Not Performing IT Management Functions
8. Perform IT Security Audit of the Agriculture Best Management Practices (AgBMP) System
9. Update Information Technology Policies

eVA Security

1. Require eVA Security Officer to Obtain Security Training
2. Promptly Deactivate Access for Separated Employees
3. Remove eVA Access for Inactive Employees
4. Update eVA Security Plan
5. Maintain Signed eVA Acceptable Use Agreement for All eVA Users

Human Resources

1. Update Human Resource Policies and Procedures
2. Complete Employee Performance Evaluations Timely
3. Complete Employee Work Profiles Timely

Statements of Economic Interest

1. Ensure Designated Employees File Statements of Economic Interest Timely
2. Ensure Employees Complete Conflict of Interest Act Training Timely

Public Safety

Department of Corrections (DOC)

1. Improve Internal Controls and Processes Surrounding Fixed Assets. DOC does not consistently record capital assets in the Fixed Asset Accounting and Control System (FAACS) in accordance with the *Commonwealth Accounting Policies and Procedures (CAPP)* manual and the agency's policies and procedures. DOC had multiple instances where assets were not added or disposed in accordance with CAPP Manual Topic 30305 and DOC Policy 230.1, Accounting for Fixed Assets:
 - St. Brides Correctional Center's Business Manager did not record two of three pieces of equipment from the sample reviewed into FAACS because she did not record these pieces of equipment on the Agency Log, which tracks assets to record in FAACS. In addition, the Business Manager is not performing the weekly review of potential fixed asset purchases or she would have identified these assets for recording. As a result, assets in FAACS are understated by \$67,615 for fiscal year 2013.
 - St. Brides Correctional Center's Business Manager could not provide evidence that she performed FAACS reconciliations from August 2012 through May 2013. In May 2013, the Business Manager identified that she had not recorded the transfer of assets totaling \$334,443 on the Agency Log from Corrections' absorption of the Department of Correctional Education (DCE) in August 2012. The Business Manager replaced the original reconciliations with the corrected reconciliation prepared in June 2013. Since the Central Capital Asset Specialist recorded the transfer of the assets to St. Brides in FAACS in August 2012, if the Business Manager had been properly performing the reconciliations, she would have discovered the difference between FAACS and the Agency Log immediately.
 - The Business Manager at Fluvanna Women's Correctional Center improperly recorded five assets as disposed in FAACS when the five assets were still in the possession of the Correctional Center. This resulted in a \$72,096 understatement of assets.

The central capital assets oversight position created in 2012 has led to improvements in FAACS entry at DOC. This position has strengthened controls surrounding the entry and removal of items in FAACS. However, facilities are still not always consistently adhering to the CAPP Manual and Correction's policy to ensure proper recordation in FAACS because they are not using the resources available to

perform FAACS duties. The failure to record assets in FAACS could result in inaccurate financial reporting of agency assets for the Commonwealth's financial statements.

DOC should consider implementing additional FAACS training geared towards the Fiscal Officers and employees responsible for FAACS entry at facilities. The Business Managers should properly use available resources to follow the established policies and procedures to ensure the proper recordation of capital assets in FAACS.

Department of Emergency Management (DEM)

1. Improve Financial Management Practices. DEM needs to strengthen their overall financial management practices and procedures. Over the course of the audit, the APA found a number of cash management and budgeting issues that are indicative of overall weaknesses in DEM's financial management practices.

In addition, the APA found several instances where DEM was not in compliance with federal and/or state requirements related to cash management. The federal government requires agencies minimize the amount of time between when funds are drawn down from the federal government and when they are spent. In addition, DEM's internal procedures (Federal Grants Management Drawdown Procedures) require federal drawdown's be spent within three days of receiving the money.

The *Commonwealth Accounting Policies and Procedures (CAPP)* manual also sets forth requirements over cash disbursements. Section 20315 of the CAPP manual states that agencies must make payments by the required vendor due date or 30 calendar days after the receipt of goods, whichever is later. In addition, the *Code of Virginia* requires that state agencies and institutions pay for goods and services by the required payment due date. Agencies and institutions that process 50 or more vendor payments during a quarter are required to pay 95 percent of their payments by the required due date.

The APA found the following specific issues in the audit:

- DEM had excessive federal cash on hand in late March 2013. This occurred because the Finance Director was out for a period of time and there was no one else with the capability to release expense batches. As a result, federal funds were drawn down but the corresponding expenses were not paid timely and DEM was not in compliance with federal cash management requirements or their internal procedures. In addition, they did not meet state prompt payment requirements for the quarter ended March 31, 2013. This situation also represents a staff cross-training issue in that no other Finance staffs were able to release expense batches in the absence of the Finance Director.
- The APA reviewed a sample of expenses and found that three of 19 (16 percent) payments were not paid within prompt payment requirements established in the CAPP Manual. One of these expenses was not paid on time because an appropriation was not available.
- The APA reviewed a sample of federal drawdown's and found that three of 25 (12 percent) were not spent in a timely manner as required by federal cash management requirements or DEM procedures.
- The former Finance Director made the APA aware of expense batches that were being held in December 2013 due to the lack of available funds. While this occurred after the audit period, the APA examined documentation for these batches and found that many of the related expenses had been approved for several months but had not been paid even though the federal funds had been drawn down for these expenses. In this case, DEM drew down funds from the federal

government for specific expenses and these funds were not used as intended. The Finance Director asserted that this issue was caused by a particular grant that did not reimburse the agency timely for expenses paid, thus creating a cash flow shortage. The Finance Director did not communicate the fact that expense batches were being held, thus program staff were not aware that various vendors and localities were not paid timely. The expenses that were delayed were subsequently paid in March 2014.

- DEM significantly overestimated appropriations in one program in the Federal Fund. DEM requested and the Department of Planning and Budget (DPB) approved appropriation increases of \$67 million in the Emergency Response and Recovery Program. DEM overestimated the additional appropriations by approximately \$18 million (26 percent) which brings into question how reliable the information is that is being used to support requests for appropriations increases. In accordance with DPB instructions, DEM subsequently transferred these appropriations to other programs where additional appropriations were needed.
- DEM incurs project management costs related to disaster projects which are funded with a combination of state and federal funds. These costs are initially charged to state funds until the federal reimbursement is requested and drawn down. Public Assistance staff has not been requesting and drawing down the federal funds for project management costs timely, which can cause a number of issues. First, state funds are not getting reimbursed timely, sometimes not until several years after the costs have been incurred. In fiscal year 2013, \$1.2 million in project management costs were requested and drawn down. These were reimbursements for project costs incurred in prior years. Additionally, this makes it difficult to track and monitor state expenses for disasters over the life of a disaster. Both DEM and DPB rely on information reported in the Commonwealth Accounting and Reporting System (CARS) to monitor state expenses for disaster declarations. The expense information on CARS may not be accurate if the state expenses include federal expenses which have not yet been reimbursed. The APA believes the failure to request the federal reimbursement for project management costs timely may be due to staffing and workload issues discussed elsewhere in this report.
- DEM's procedures for tracking state funded appropriations and expenses at the individual disaster level need to be improved. The Budget Director has a process for tracking and monitoring the Governor's authorization, state appropriations, and expenses by disaster. The APA reviewed this documentation as of June 30, 2013, and found there were a number of individual disasters where expenses exceeded the appropriation approved by DPB but did not exceed the overall authorization granted by the Governor. In these cases, the Budget Director is not monitoring this activity frequently enough to ensure appropriations are requested in time for the individual disaster. In addition, it came to the APA's attention that state expenses did exceed the Governor's authorization for one disaster event in fiscal year 2014. DEM and DPB are working to resolve this issue.

Overall, DEM needs to review and strengthen their overall financial management practices. While there are some inherent challenges in managing DEM's programs and funding sources, their procedures need to be strengthened to improve accountability and ensure compliance with state and federal requirements.

2. Evaluate Overtime and Staffing in the Public Assistance Program. DEM needs to review overtime policies and staffing in the Public Assistance area of the Recovery and Mitigation Division. The Public Assistance area is responsible for responding to disasters when they occur as well as continuing to monitor approved public assistance projects for years after a disaster is over. While these responsibilities do present some staffing challenges, there are some staffing and workload patterns that have developed in this area that management needs to evaluate.

During the audit, the APA found that the Public Assistance supervisor consistently worked an excessive amount of overtime in completing her job responsibilities. The supervisor worked 960 hours, 1,400 hours, and 1,300 hours of overtime, respectively, for fiscal years 2011 through 2013. DEM overtime policies and procedures, dated June 2003, address overtime policies for exempt as well as non-exempt employees. According to the policy, exempt employees are authorized to work additional hours to relieve specific peak workload needs with advance written approval that needs to be submitted to the Human Resource Office within 3 days of the end of the pay period.

The APA reviewed timesheets for the Public Assistance supervisor and found that two of 22 (nine percent) timesheets were not approved by the division director, which is required by policies and procedures. DEM policies and procedures require that timesheets with overtime be approved by the division director as well as the agency head or deputy. In addition, there was no documentation to support advance approval for overtime or an indication that this information was provided to the Human Resources area as required. While it is apparent that agency management was aware of the overtime, it appears the individual was given a verbal blanket authorization to work whatever overtime was needed and overtime would be reviewed when the timesheet was submitted.

In an attempt to reduce overtime, the Recovery and Mitigation Division Director limited overtime to 15 hours a week starting in April 2013; however, the review of timesheets for the Public Assistance supervisor shows that her overtime exceeded the limit for eight of 11 (73 percent) pay periods tested between April and December 2013.

This excessive amount of overtime consistently occurring over time brings into question a number of issues that management needs to address. First, this amount of overtime creates challenges in terms of monitoring and approving the overtime worked each pay period. Second, it does not appear that overtime policies and procedures are being followed in this situation. Management needs to ensure procedures are being followed. DEM may also need to review their procedures to ensure they are adequate relative to agency operations and address situations that may arise given their unique mission.

Lastly, management needs to review the staffing and workload approach in the Public Assistance area which includes the number of staff as well as the experience and training needed for staff in this area. The Public Assistance area currently has almost 1,900 open projects which cover nine disasters dating back to December 2009. These projects are worked by a staff of approximately five individuals (director, supervisor and three staff). Management needs to consider what is an effective workload distribution as well as the need for cross training. The current situation puts the agency at some risk in the event of loss of key staff in the Public Assistance area. In addition, after a certain amount of overtime employees are subject to burnout and not being efficient in their work, resulting in work taking longer than it should, which then compounds the problem.

3. Evaluate Petty Cash Needs and Strengthen Controls. **This is a Repeat Finding**. In the prior audit, the APA recommended that DEM review petty cash funds on hand and evaluate whether these funds are necessary. Additionally, the APA recommended DEM strengthen the current procedures including a lack of timely reimbursements, a lack of periodic counts of the cash funds, and inaccurate monthly petty cash reconciliations.

The APA followed up on the prior year finding and found that DEM had made some improvements, but procedures over petty cash reconciliations could be further strengthened. DEM has a petty cash bank account as well as two petty cash funds. To address the prior year finding, DEM reduced the petty cash account to a more appropriate amount, strengthened procedures over the petty cash account, and resolved the outstanding reconciling items.

Currently, the petty cash bank account is reconciled monthly and the petty cash drawers are reconciled quarterly. By reconciling petty cash at different periods, this can cause the monthly petty cash reconciliation to be inaccurate, since it does not properly reflect the correct balance of the petty cash drawers. In addition, DEM did not follow their policies and procedures in addressing monthly bank fees and interest payments in a timely manner.

The APA recommends that DEM review its policies and procedures and implement a consistent reconciliation process that will accurately reflect the petty cash balances and has proper supporting documentation. Procedures should be followed to ensure the service fees and interest receipts are reconciled timely. Inadequate procedures over petty cash funds increases the risk for the agency.

4. Improve Controls Over Fuel Card Management. **This is a Repeat Finding.** In the prior audit, the APA recommended that DEM follow procedures outlined in the Office of Fleet Management Services (OFMS) Manual. Additionally, the APA recommended that fuel card holders submit gas receipts to the Fuel Card Account Custodian to ensure the purchases are appropriate and reconcile charges to the monthly vendor statement.

The APA followed up on the prior year finding on management over fuel charge cards and found that DEM is in the process of developing new procedures over this area, but they are not completed as of the end of March 2014.

As a result, DEM did not follow the *OFMS Policies and Procedures* manual for its fuel card program during the period reviewed. As part of the APA audit this year, some additional analysis of fuel charge card program data were performed and found various questionable purchases (e.g., multiple fill ups, after hours and holiday purchases). While these purchases may have been valid, DEM staff was unable to provide explanations for the purchases since cardholders are not yet required to submit gas receipts to the Fuel Card Account Custodian for review. Without this type of documentation, it is difficult to understand the specifics of each situation and purchase.

As discussed above, DEM is in the process of developing their Fuel Card Program procedures and anticipates these procedures will be implemented by the end of fiscal year 2014. The lack of procedures increases the risk that inappropriate purchases will be made with the fuel cards and go undetected.

5. Follow FMS to CARS Reconciliation Procedures. **This is a Repeat Finding.** In the APA prior audit, it was recommended DEM ensure Finance staff follows reconciliation procedures and CAPP Manual requirements to improve the efficiency of the process. Additionally, the APA recommended the Financial Management System (FMS) to CARS reconciliation be signed and dated when reviewed and approved by management to ensure the reconciliations have been reviewed and approved timely.

The APA followed up on the prior year finding and found DM had made significant improvements in this area, but DEM still needs to improve the timeliness of the reconciliations. To address the prior year finding, DEM improved their reconciliation format and documentation supporting the reconciliations.

One area where DEM should continue to strengthen the reconciliation process is to ensure all aspects of the reconciliation are completed timely. For example, the CARS to the FMS reconciliation for June 2013 was certified to the Department of Accounts (DOA) on July 15, 2013, but the reconciliation was not completed until March 2014. In addition, the December 2013 reconciliation was certified to DOA on January 30, 2014, but the reconciliation was not completed until February 2014. In these cases, DEM had performed the reconciliation to ensure that CARS information was correct prior to certifying to DOA, but staff did not completely resolve and document variances in the FMS information until much later.

The APA recommends the fiscal staff resolve reconciliation variances timely to ensure the reconciliations are completed prior to certifying to DOA. This would ensure compliance with the CAPP Manual by certifying that the CARS reconciliation has been performed, reconciling variances are resolved, and the reconciliation is accurate.



Additional Recommendations – Quarter Ended June 30, 2014

No Additional Recommendations were reported.

Special Reports – Quarter Ended June 30, 2014

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

Report to the Joint Legislative Audit and Review Commission for the quarter January 1, 2014 through March 31, 2014⁽¹⁾

Review of Transportation’s Highway Asset Management and Maintenance - May 2014

Other Audit Reports Received – Quarter Ended June 30, 2014

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

Assistive Technology Loan Fund Authority for the year ended June 30, 2013

Virginia Office for Protection and Advocacy for the period July 1, 2011 through December 31, 2013

Virginia Small Business Financing Authority for the year ended June 30, 2013

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

Potomac River Fisheries Commission for the year ended June 30, 2013

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



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
Commerce and Trade				
Virginia Employment Commission	1	4	0	0
Education				
Christopher Newport University	0	0	1	0
The College of William and Mary in Virginia	0	0	0	1
Danville Community College	0	0	0	1
Norfolk State University	0	3	0	1
University of Virginia				
University of Virginia	1	0	3	0
University of Virginia Medical Center	0	0	2	0
Virginia Commonwealth University	0	0	1	0
Virginia School for the Deaf and Blind	1	0	0	0
Virginia State University	0	0	1	0
Finance				
Department of Accounts	1	0	0	2
Department of Taxation	2	0	0	0
Department of Treasury	1	0	1	0
Health and Human Resources				
Department for Aging and Rehabilitative Services	1	0	1	0
Department of Behavioral Health and Developmental Services	0	0	3	0
Department of Health	6	0	9	1
Department of Medical Assistance Services	2	0	0	1
Department of Social Services	2	1	6	2
Natural Resources				
Department of Game and Inland Fisheries	0	5	0	0

	IN PROGRESS		COMPLETED	
	On Schedule	Delayed	On Schedule	Delayed
Public Safety				
Department of Alcoholic Beverage Control	2	0	0	0
Department of Corrections	0	0	1	0
Department of State Police	2	0	0	0
Transportation				
Department of Motor Vehicles	0	2	0	1
Department of Rail and Public Transportation	1	0	2	0
Department of Transportation	4	0	5	1
TOTALS	27	16	36	11



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>	DGS IT staff is currently working on this issue. It has changed some of the access rights and are testing them before moving them into production.	In Progress (Delayed)
<u>Virginia Employment Commission (VEC)</u>				
2013	13-01	Improve Internal Controls Surrounding Employer Wage Discrepancies	Coordination of efforts between the Tax and Benefits units has resulted in improved processes when there has been a modification to wage information.	In Progress (Delayed)
	13-02	Improve Controls over Benefit Adjustment Payments	VEC continues to work on the development and deployment of the new automated tax and benefit system.	In Progress (On Schedule)
	13-03	Strengthen Financial Reporting Over Accounts Receivable	Planned actions have been completed; however, the finding will be left open until the APA FY 2014 audit.	In Progress (Delayed)
	13-04	Improve Internal Controls over Small Purchase Charge Card Program	Planned actions have been completed; however, the finding will be left open until the APA FY 2014 audit.	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>
	13-05 12-01 11-01	Resolve Employer Wage Discrepancies Timely. <i>This is a Repeat Finding.</i>	Post audit has initiated. Results will follow on a future update.	In Progress (Delayed)
<u>Christopher Newport University (CNU)</u>				
2012	12-01	Improve eVA Internal Controls and Compliance	Completed per recent APA Audit.	Completed (On Schedule)
<u>The College of William and Mary in Virginia (CWM)</u>				
2012	12-01	Improve the Financial Reporting Process	Completed per recent APA Audit.	Completed (Delayed)
<u>Danville Community College (DCC)</u>				
2012	12-02	Improve Policies, Procedures, and Financial Reporting over Accounts Receivable (AR)	All policies, procedures and methodologies to account for AR are updated and in compliance with the CAPP Manual. They were implemented with the completion and submission of the AR report.	Completed (Delayed)
<u>Norfolk State University (NSU)</u>				
2011	11-01	Address Inadequate Staffing and Organizational Structure. <i>This is a Material Weakness and a Repeat Finding.</i>	NSU has filled all key positions.	Completed (Delayed)
	11-02	Develop and Implement Policies and Procedures. <i>This is a Material Weakness.</i>	NSU is in the process of updating all Finance & Administrative policies.	In Progress (Delayed)
	11-06 10-01	Correct Deficiencies in Fixed Asset Management Program. <i>This is a Material Weakness and a Repeat Finding.</i>	CBIZ Valuation Company has issued the final report for the physical inventory. NSU is currently analyzing the report and will use the data to update the Fixed Assets Module in the financial system.	In Progress (Delayed)
	11-07	Perform Internal Control Risk Assessment Procedures. <i>This is a Material Weakness.</i>	A work plan has been created to address internal control risk assessments. Policies and procedures are being updated before testing.	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>University of Virginia (UVA)</u>				
2013	13-01	Improve User Access Controls	UVA implemented changes to the Integrated System website to improve policy clarity and accessibility. Users are also required to change their passwords annually.	Completed (On Schedule)
	13-02	Strengthen Controls over Termination of Access to Systems and Facilities	All Integrated System (HR/Fin) and SIS administrative responsibilities are terminated within 24 hours of employee termination.	Completed (On Schedule)
	13-03	Complete and Approve Reconciliations Timely	UVA developed better monitoring tools, enabling it to identify and target communications to those units with the lowest compliance rates. It also identified invalid and outdated approval role assignments, which are actively being reviewed and updated.	In Progress (On Schedule)
	13-04	Comply with UVA/AD Sole Source Policy	All sole source procurements will be reviewed by a departmental 3 rd party which wasn't involved in the transaction on a monthly basis going forward.	Completed (On Schedule)
<u>University of Virginia Medical Center (UVAH)</u>				
2013	13-01	Improve User Access Controls	UVAH has provided detailed role and function descriptions of each role to the managers.	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>
	13-02	Strengthen Controls over Termination of Access to Systems and Facilities	Quarterly termination audits will be conducted by the Controller's Office to ensure notifications are received within 48 hours.	Completed (On Schedule)
<u>Virginia Commonwealth University (VCU)</u>				
2013	13-04	Improve Capital Asset Inventory Procedures	VCU purchased bar code scanner equipment and software. Inventory will be monitored electronically and compared with Banner Finance.	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 (On Schedule)
<u>Virginia State University (VSU)</u>				
2012	12-01	Ensure Compliance with Title III Endowment Investments Restrictions	Completed per recent APA Audit.	Completed (On Schedule)
<u>Department of Accounts (DOA)</u>				
2013	13-01	Improve SQL Server Database Security	The DBA has enabled audit logging on DOA-DBC Cluster Server of all DBA activity. The logs are reviewed by the ISO for any suspicious activity and any/all findings are reported to IT Director.	Completed (Delayed)
	13-02	Update the Physical Security Policy and Monitor Physical Access to the Data Center	DOA received the signed MOU from DGS on 5/14/14.	Completed (Delayed)
	13-03	Improve Financial Reporting and Communication with Agencies	DOA plans to provide directive training opportunities to all agencies and will evaluate the need for additional communications with agencies throughout the FY 2014 and future CAFR cycles.	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>Department of Taxation (TAX)</u>				
2013	13-01	Improve Financial Reporting for Corporate Tax Refund Liability	This corrective action is on track for completion in August 2014 when the submissions are prepared for the FY 2014 financial statements.	In Progress (On Schedule)
	13-02	Improve Internal Controls over Advantage Revenue Access	TAX is in the process of improving its documentation of user access for the Advantage Revenue application and improved guidance for Advantage Revenue access approvers.	In Progress (On Schedule)
<u>Department of Treasury (TD)</u>				
2013	13-01	Improve Monitoring of Administrative and Compliance Activities	TD has drafted a revised Procurement Policy that is awaiting review and approval.	In Progress (On Schedule)
	13-02	Improve Process for Paying Risk Management Administrative Invoices	TD has already instituted additional internal controls to prevent duplicate payments. Additionally, Risk Management will review its processes and make appropriate modifications, as necessary.	Completed (On Schedule)
<u>Department of Aging and Rehabilitative Services (DARS)</u>				
2013	13-01	Implement Corrective Actions to Improve Financial Reporting Controls	DARS and DSA have implemented Code of Ethics, engaged a contractor to assist with ARMICS Stage 1 and 2 assessments and testing, and developed procedures over annual CAFR reporting to ensure attachments were timely and reviewed. DARS is 70% complete in FAACS inventory for DARS and DSAs. DARS has also completed exhibit surveys and established ARMICS plan.	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	Notify the Department of Accounts of All Protected Personally Identifiable Information	DARS has notified DOA of any personally identifiable information in CARS so this information can be redacted in the event of a Freedom of Information Act. Also as of July 1, 2013, we no longer send any personally identifiable information on voucher payments.	Completed (On Schedule)

Department of Behavioral Health and Developmental Services (DBHDS)

2013	13-01	Improve SQL Server Database Security. <i>This is a Material Weakness.</i>	Enhancements have been made in the form of an SQL server upgrade. This increases compliance with the SEC501 industry best practices.	Completed (On Schedule)
	13-02	Remove Access Promptly Upon Employee Termination	The employee termination process has been improved to provide much better assurance that employee access to key systems is terminated timely.	Completed (On Schedule)
	13-03	Record Capital Outlay Budgets and Expenditures in GCPay as Required	All pooled capital outlay projects are now recorded in GCPAY.	Completed (On Schedule)

Department of Health (VDH)

2013	13-01	Implement User Access Controls for ROAP System – CACFP. <i>This is a Material Weakness.</i>	User Agreements are currently being approved for Summer Food Service Program. Quarterly review of users is currently underway to ensure principle of least privilege is being followed and all non-approved sponsors are removed.	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	Maintain Updated Information Systems Inventory – CACFP	VDH's ISO has developed a baseline, VDH IT Systems Inventory. The baseline inventory is being reviewed in consultation with Internal Audit and OIM as it relates to the VDH Internal Audit Plan and the VDH Application Roadmap. The VDH IT Systems Inventory will be used in parallel with the VDH Application Roadmap and the VITA Technology Roadmap to identify application, server, and system life cycles.	In Progress (On Schedule)
	13-03	Improve Web Application Security – CACFP	VDH OIM has implemented header sanitization and enhanced password controls for ROAP. VDH is reliant upon VITA/NG to complete the work request for the web server upgrade in July 2014.	In Progress (On Schedule)
	13-04 12-01	Complete Subrecipient Monitoring Reviews – CACFP. <i>This is a Repeat Finding.</i>	All scheduled (33.3%) mandatory administrative reviews have been completed.	Completed (On Schedule)
	13-05	Review Subrecipient Single Audit Reports and Issue Management Decisions – CACFP	All SFSP sponsor applications included a question regarding total FFY 2013 funds received. All in excess of \$500,000 were required to submit their most recent A-133 audit.	Completed (On Schedule)
	13-06	Improve Controls over Federal Reporting – CACFP	Completed per recent APA Audit.	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	Complete Federal Funding Accountability and Transparency Act Reporting – CACFP	The Office of Family Health Services' Business Unit can verify submission of the batched reports; however the Business Unit continues to work with the federal reporting site's (FSRS.gov) helpdesk to determine why information that has been submitted is not available on USASpending.gov.	In Progress (On Schedule)
	13-08	Establish Corrective Actions for Federal Findings – WIC	The WIC Financial Review was conducted during the week of March 17, 2014. USDA sent their findings to VDH on May 14, 2014 and VDH responded on June 18, 2014. VDH is awaiting USDA's response or closure.	In Progress (On Schedule)
	13-09	Improve WICNET Controls over Eligibility – WIC	Crossroads is fully implemented statewide. Data base will be reviewed by the end of July 2014.	Completed (On Schedule)
	13-10	Review Subgrantee Single Audit Reports and Schedules of Expenditures of Federal Awards – WIC	The OFHS Administrative Deputy will also review Schedules of Expenditures of Federal Awards for those sub-recipients that are required to prepare SEFAs.	In Progress (On Schedule)
	13-11	Improve Controls over Federal Reporting – WIC	The FNS Form 798 is reviewed by management staff before submission and all changes or comments are maintained in an auditable trail.	Completed (On Schedule)
	13-12	Complete Federal Funding Accountability and Transparency Act Reporting – WIC	FFATA reports have been submitted timely for WIC.	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>
	13-13	Improve Oracle Database Security	WICNET was evaluated per the APA finding and additional controls implemented in the database schema and application.	Completed (On Schedule)
	13-14	Communicate Responsibilities for ADAP Inventory and Properly Report	MOAs were executed for Fairfax and Alexandria are for 5 years and expire March 31, 2018. In June, our staff observed inventory counts at Fairfax and Alexandria. We reviewed the procedures for those inventories including ordering procedures and quantities.	Completed (On Schedule)
	13-15	Promptly Remove WebVision Access for Separated Users	The CIO provided resources and guidance to support the development of the ISPortal that will facilitate the collection and reporting of account certifications across the agency.	Completed (On Schedule)
2011	11-01 10-01	Use System Capabilities to Ensure Proper Service Delivery	As of May 5, 2014, Crossroads was fully implemented statewide. WIC-NET is no longer in use for certifying/recertifying participants.	Completed (Delayed)

Department of Medical Assistance Services (DMAS)

2013	13-01	Improve Oracle Access Controls. <i>This is a Material Weakness.</i>	The IM Office of Compliance and Security (OSC) will update the Government Financials Information System Sensitive Security Plan to reflect this separation in administrator duties.	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	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 (On Schedule)
2012	12-01	Address Findings in Internal Audit Report	Completed per recent APA Audit.	Completed (Delayed)
<u>Department of Social Services (DSS)</u>				
2013	13-01	Develop Workable Solutions to Maintain Appropriate Balance of Internal Controls. <i>This is a Material Weakness.</i>	Elevated privileges are only granted after CISO review and approval.	Completed (On Schedule)
	13-02	Perform Health and Safety Inspection as Required	The Division of Licensing filled vacancies, and through close monthly monitoring and reporting were able to complete 100% of the Code mandated inspections for FY 2014.	Completed (On Schedule)
	13-03	Improve Oracle Database Security	DSS implemented the APA suggested settings from the Oracle 11g Best Practices.	Completed (On Schedule)
	13-04 12-02	Implement and Improve Change Management Process for Sensitive Applications. <i>This is a Repeat Finding and a Material Weakness Component.</i>	Draft document continues to be refined within the DSS-IT Council. The selection of the change management tool is underway.	In Progress (On Schedule)
	13-05	Review User Accounts and Privileges for Mission Critical Systems	Work continues on this finding and is expected to be completed by next quarter.	In Progress (Delayed)
	13-06 12-06 11-01 10-01 09-06	Reduce the Time it Takes to Match Payments to Case Records. <i>This is a Repeat Finding.</i>	The improved reconciliation process has been fully integrated into the Title IV-E manual and is fully operational.	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	Ensure the New Eligibility System is Properly Handling Cases Transferred from the Old System	A review done by the local department identified cases where two children had special needs warranting services and have since been documented correctly.	Completed (On Schedule)
	13-08	Automate an Eligibility Control	Action on this use remains underway. No change in status to report this quarter.	In Progress (On Schedule)
2012	12-07	Develop Policies for Adjusting Title IV-E Foster Care Errors	Completed per recent APA Audit.	Completed (Delayed)
	12-09	Continue Using Performance Information to Evaluate Policy Changes	Completed per recent APA Audit.	Completed (On Schedule)
	12-11	Work with Federal Government to Eliminate likely Questions Costs in the Future	Effective with the implementation of the MAGI methodology, the household composition has changed to the tax filing unit.	Completed (Delayed)

Department of Game and Inland Fisheries (DGIF)

2012	12-01	Improve Timeliness and Accuracy of Revenue Redistribution	The Accounting Manager is working with the IMS department to finalize the detailed report used for the reconciliation. A revised procedure noted by the DOA Quality Assurance Team is being evaluated.	In Progress (Delayed)
	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>	Reconciliation reports and supporting documents are being created and continuously reviewed for possible revisions. The goal is to ensure appropriate detail is included going forward.	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>
	12-03 11-03	Improve Performance of CARS to CFIRS Reconciliations. <i>This is a Repeat Finding.</i>	The Accounting Manager has established policies and procedures, and worked with IMS to develop process for defining reconciliation reports and supporting documents. Training programs are happening simultaneously.	In Progress (Delayed)
	12-04	Improve Database Security	Phase III of a comprehensive overhaul of the Department's Information Security Program is currently underway. The agency currently has an approved security exception for SQL.	In Progress (Delayed)
	12-05 11-04 10-03	Improve Internal Controls over System Access. <i>This is a Repeat Finding.</i>	DGIF is working with Information Security Vendor, to complete the development of an Information Resource Acceptable Use Policy, a Security Awareness and Training Policy, a Logical Access Control Policy, an IT Personnel Security Policy and an Information Security Program Document that will govern agency actions regarding this issue.	In Progress (Delayed)

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>	Continued progress on risk, continuity and disaster recovery management.	In Progress (On Schedule)
	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 (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>Department of Corrections (DOC/CA)</u>				
2012	12-03	Properly Identify and Remove System Access for Terminated Employees	The adoption of the annual documentation of employee system access through the completion of the "Systems Access Checklist" has been formally put in place to identify user access to a variety of computer applications for the approximately 11,300 employees.	Completed (On Schedule)
<u>Department of State Police (VSP)</u>				
2011	11-01	Upgrade Unreliable and Unsupported Infrastructure Devices	Concerns surrounding support for all Criminal Justice Agencies were raised. New contract verbiage is being reviewed by VITA.	In Progress (On Schedule)
	11-02 09-03	Upgrade Database System Software. <i>This is a Repeat Finding.</i>	VSP is establishing a plan for the replacement of all legacy technologies within the next 18 months.	In Progress (On Schedule)
<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)
2012	12-02	Improve Information Technology Contingency and Disaster Recovery Plan Update Process	Completed per recent APA Audit.	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 Rail and Public Transportation (DRPT)</u>				
2013	13-01	Implement a Comprehensive Information Security Program	DRPT has hired outside consultants to evaluate and propose an Information Security Compliance Action Plan.	In Progress (On Schedule)
	13-02	Improve System Access Monitoring	DRPT has developed a report to capture access levels for all users. Access levels are being monitored quarterly.	Completed (On Schedule)
2012	12-01	Improve Grants Monitoring and Management Processes	DRPT developed procedures for program management oversight. Grant files have been moved to a shared drive.	Completed (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>	The Fiscal Division has met with DOA twice to review submission requirements and discuss issues. Fiscal Division has also met with the Cardinal team. The report parameters for AP accruals still needs to be decided upon between Cardinal and DOA. The remaining items are in progress.	In Progress (On Schedule)
	13-02	Improve System Access Monitoring and Management	VDOT has developed a repeatable process to conduct a more robust review across all user accounts in the agency and has completed a pilot process with three central office divisions and one district.	Completed (On Schedule)
	13-03	Improve IT Risk Assessment	VDOT has refined the procedures and documentation and has completed the review for the remaining organizational areas.	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>
	13-04	Improve Controls over User Access	VDOT has strengthened procedures and created an internal system to track requests for disabling PMIS access. VDOT will follow up with DHRM to ensure they have received and processed our requests. The process enhancements should ensure that PMIS access is removed promptly as necessary.	Completed (On Schedule)
	13-05	Improve Controls over FFATA Reporting	VDOT has improved its processes for identifying projects that were sub-awarded and are now more automated and streamlined. The Fiscal Department will work with the other VDOT divisions involved with identifying sub-awards to develop documentation and identification of sub-awards	In Progress (On Schedule)
	13-06	Improve Controls over Sub-recipient Monitoring	VDOT is currently reviewing its processes for identifying subrecipients that qualify for audit and will make revisions to the procedures to ensure the correct subrecipient audits are received and reviewed. VDOT will also revise its audit review program to include review and comparison of it's disbursements to subrecipient SEFAs for the FY 2013 audit reports and forward.	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	Improve Depreciation Processes and Controls in Equipment Management System	VDOT has revised the process to show any missed depreciation as a one-time depreciation adjustment in the month of asset entry into M5. The asset will still be fully depreciated at the end of its useful life, but future months and fiscal years will no longer show inflated depreciation. VDOT has also implemented M5 software changes that will provide the capability to track depreciation changes.	Completed (On Schedule)
	13-08	Improve Retirement Reconciliation Process	VDOT has identified the discrepancies, made progress on interface problem resolutions and developed procedures for confirming the VNAV file monthly within the given short timeframe.	In Progress (On Schedule)
	13-09	Improve Procedures over Routine Journal Entries	VDOT has strengthened its current processes by updating its procedures to include a schedule of all recurring journal entries, with documented steps for completion.	Completed (On Schedule)
2012	12-03	Improve Controls Supporting Davis-Bacon Act Compliance	Completed per recent APA Audit.	Completed (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 March, April, May, and June were due 04/30/2014, 05/30/2014, 06/30/2014, and 07/17/2014 respectively.

Certifications Late or Outstanding

As of August 8, 2014

Agency	Mar	Apr	May	Jun
Wallen's Ridge Correctional Center	-	-	-	08/06/14
Southwestern Virginia Training Center	-	-	-	08/08/14

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 June 30, 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 June 30, 2014, no agencies failed to respond timely, make corrective action and/or provide additional information.

Trial Balance Review

As of June 30, 2014

Agency	Apr	May	Jun
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 June 30, 2014, no agencies failed to respond timely, make corrective action and/or provide additional information.

Credit Cash, Excess Expenditures, and Expenditure Credits

As of June 30, 2014

Agency	Apr	May	Jun
None			

Disbursement Processing

During the quarter ended June 30, 2014, DOA deleted, at the submitting agency's request, 46 payments that were awaiting disbursement from the vendor payment file. These included duplicate payments, payments for returned items, payments with incorrect vendor information and payments of incorrect amounts. These types of transactions may point to areas where improved agency internal accounting controls should be evaluated.

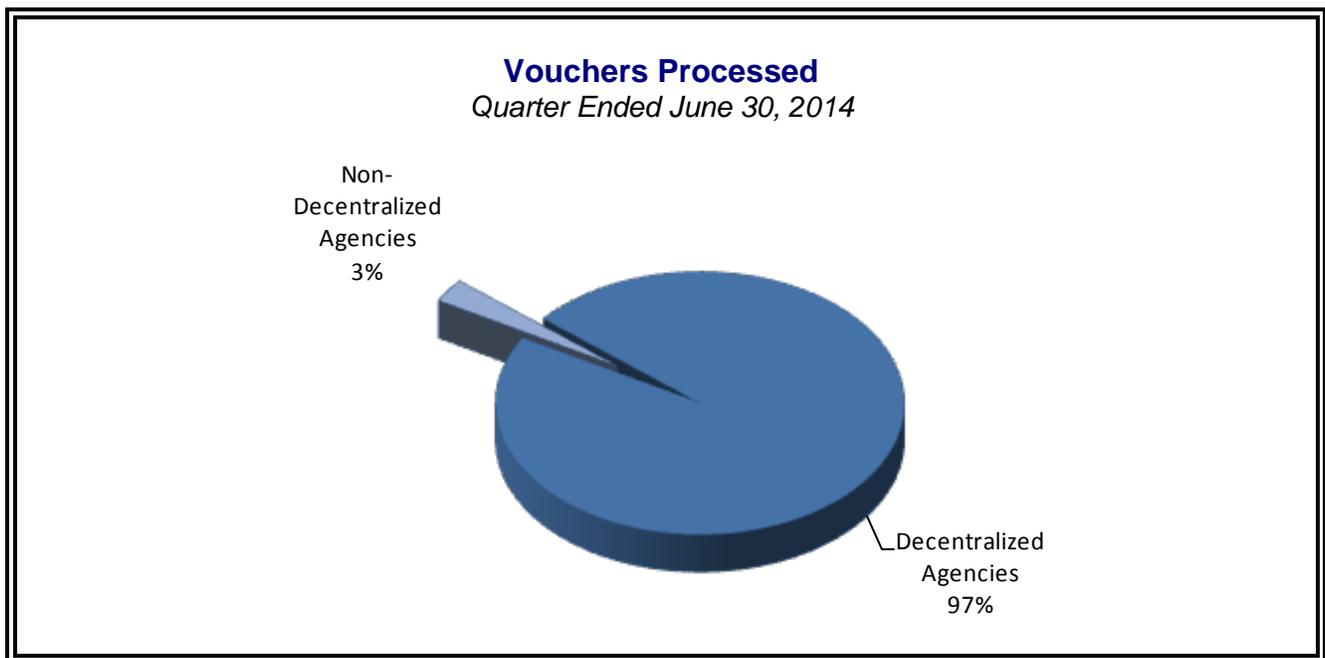
Twenty-three separate agencies requested deletes during the quarter. For the quarter, ended June 30, 2014, no agency requested more than four vendor payment deletions.



Paperwork Decentralization

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

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



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

Decentralized Agencies

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

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

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

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

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

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

Agencies are generally selected each quarter using a systematic risk evaluation of all decentralized agencies. Two reviews were completed for a decentralized agency during this quarter.

Compliant Agencies

Virginia Information Technologies Agency

Agencies Requiring Corrective Action

Department of Human Resource Management

Corrective Actions Needed

Telework Reimbursements and
Travel Voucher Documentation



Non-Decentralized Agencies

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

officers, for whom this additional safeguard is warranted.

During the quarter, DOA reviewed all non-decentralized agencies. A total of 983 non-travel disbursement batches and 428 travel disbursement batches were reviewed, disclosing two 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 June 30, 2014		Fiscal Year 2014 To-Date		Comparative Quarter Ended June 30, 2013	
	Late	Total	Late	Total	Late	Total
Number of Payments	4,588	586,511	20,753	2,291,934	5,106	617,650
Dollars (in thousands) \$	19,563	\$1,373,457	\$107,816	\$6,228,451	\$ 35,002	1,731,399
Interest Paid on Late Payments				\$56,683		
Current Quarter Percentage of Payments in Compliance				99.2%		
Fiscal Year-to-Date Percentage of Payments in Compliance				99.1%		
Comparative Fiscal Year 2013 Percentage of Payments in Compliance					99.2%	

Prompt Payment Performance by Secretarial Area

Quarter Ended June 30, 2014

<u>Secretarial Area</u>	<u>Payments in Compliance</u>	<u>Dollars in Compliance</u>
Administration	99.9%	99.9%
Agriculture and Forestry	99.8%	99.0%
Commerce and Trade	99.6%	99.8%
Education*	99.0%	98.3%
Executive Offices	98.1%	95.5%
Finance	99.9%	99.9%
Health and Human Resources	99.4%	98.8%
Independent Agencies	99.7%	99.6%
Judicial	99.9%	99.9%
Legislative	100.0%	100.0%
Natural Resources	99.6%	97.2%
Public Safety	99.6%	99.0%
Technology	98.9%	99.7%
Transportation*	99.2%	98.4%
Veterans Affairs and Homeland Security	99.6%	98.3%
Statewide	99.2%	98.6%

Prompt Payment Performance by Secretarial Area

Fiscal Year 2014

<u>Secretarial Area</u>	<u>Payments in Compliance</u>	<u>Dollars in Compliance</u>
Administration	99.8%	99.5%
Agriculture and Forestry	99.8%	99.4%
Commerce and Trade	99.2%	99.6%
Education*	98.9%	98.1%
Executive Offices	99.2%	98.0%
Finance	99.8%	98.7%
Health and Human Resources	99.2%	98.5%
Independent Agencies	99.6%	99.8%
Judicial	99.9%	99.9%
Legislative	99.9%	99.6%
Natural Resources	99.0%	97.4%
Public Safety	99.4%	98.9%
Technology	99.3%	99.9%
Transportation*	99.0%	97.1%
Veterans Affairs and Homeland Security	99.5%	97.3%
Statewide	99.1%	98.3%

* 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 June 30, 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 June 30, 2014**

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
Education			
Frontier Culture Museum of Virginia	20	186	89.2%
Gunston Hall	4	69	94.2%
Norfolk State University	534	3,740	85.7%
The Science Museum of Virginia	57	793	92.8%
Executive Offices			
Office of the Inspector General	13	72	81.9%
Health and Human Resources			
Central Virginia Training Center	88	1,371	93.6%

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

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

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

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
Education			
Frontier Culture Museum of Virginia	97	1,144	91.5%
Gunston Hall	17	280	93.9%
Norfolk State University	709	11,649	93.9%
Health and Human Resources			
Central Virginia Training Center	375	6,637	94.3%



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 June 30, 2014			Comparative Quarter Ended June 30, 2013
	E-Commerce	Total	Percent	Percent
	Number of Payments	2,361,832	2,691,089	87.8%
Payment Amounts	\$ 9,619,632,993	\$ 10,171,811,287	94.6%	91.5%
	Fiscal Year 2014 To-Date			Comparative Fiscal Year 2013 To-Date
	E-Commerce	Total	Percent	Percent
	Number of Payments	9,729,332	11,195,641	86.9%
Payment Amounts	\$ 36,863,236,150	\$ 40,312,110,447	91.4%	89.9%

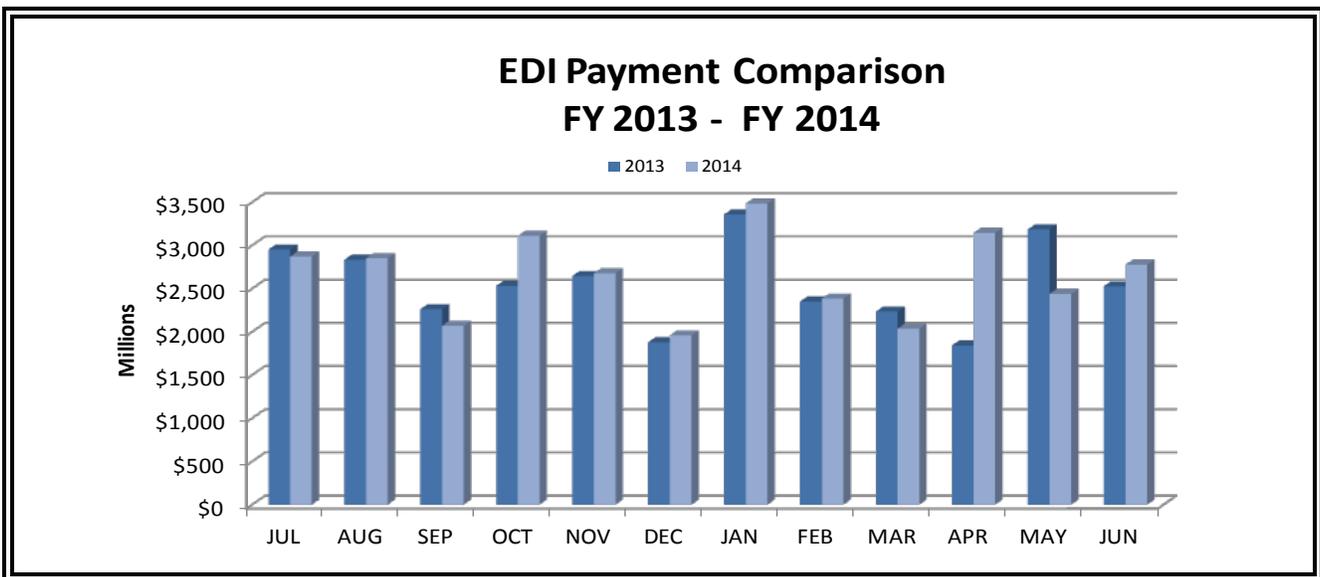
Financial Electronic Data Interchange (EDI)

The dollar volume of Financial EDI payments for the fourth quarter of FY 2014 was over \$808 million (10.7 percent) more than the same quarter last year. The number of trading partner accounts increased by 9 percent from June 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 June 30, 2014	Fiscal Year 2014 To-Date	Comparative Fiscal Year 2013 To-Date
Number of Payments	76,011	270,565	251,159
Amount of Payments	\$ 8,359,141,147	\$ 31,801,655,322	\$ 30,594,050,987
Number of Invoices Paid	230,510	815,833	826,888
Estimated Number of Checks Avoided	122,400	438,437	418,495
Number of Trading Partner Accounts as of 06/30/14		136,764	125,226



Travel EDI

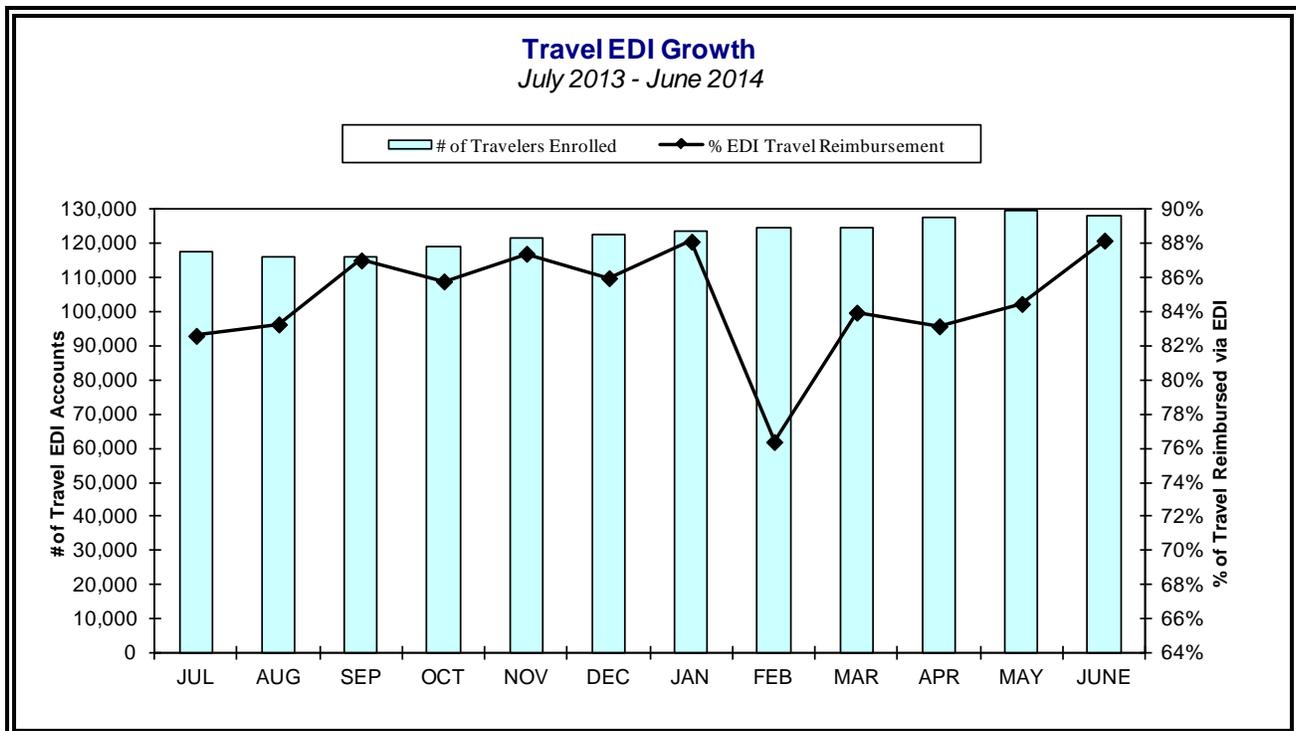
Expansion of the Travel EDI program is an integral part of the statewide effort to reduce the administrative costs associated with paying for goods and services for the Commonwealth. Per Chapter 806, 2013, Virginia Acts of Assembly §4-5.04 e.5. *State employees traveling on official business of state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

DOA completed implementation of this change in May 2013. The change does not apply to employees whose net pay goes to an EPPI Card. Those employees should provide a bank account for travel reimbursements.

Quarterly utilization statistics are provided to the EDI Coordinators of each agency in an effort to identify areas where EDI can be expanded.

In accordance with §4-5.04 f. of the Appropriation Act, the Comptroller charges agencies for each travel reimbursement check issued in lieu of Travel EDI. Agencies are expected to take action to enroll applicable employees in the EDI program and thus avoid the fees altogether. For FY 2014, the fee is \$5 per travel reimbursement check.

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



The following table lists by secretarial area the percentage of travel reimbursements that were made via EDI versus the number of checks that were written for travel reimbursements during the quarter. *The*

statistics are shown for employees and non-employees. These statistics do not necessarily show non-compliance with the Appropriation Act requirements.

**Travel Reimbursement
Travel EDI Performance by Secretarial Area**
Quarter Ended June 30, 2014

Secretarial Area	Employee Percent	Non-Employee Percent	Reimbursement Checks Issued
Administration	97.8%	15.7%	63
Agriculture and Forestry	98.8%	7.2%	85
Commerce and Trade	99.5%	75.0%	62
Education (1)	94.7%	44.6%	1,049
Executive Offices	99.3%	0.0%	3
Finance (2)	97.9%	0.0%	21
Health and Human Resources	98.6%	36.0%	560
Independent Agencies	97.8%	33.3%	37
Judicial	94.9%	6.9%	1,220
Legislative	98.3%	40.0%	34
Natural Resources	98.4%	43.8%	68
Public Safety	98.1%	9.9%	397
Technology	100.0%	0.0%	6
Transportation (1)(2)	56.5%	33.3%	2,065
Veterans Affairs and Homeland Security	95.1%	55.8%	60
Statewide for Quarter	91.6%	30.8%	5,730
<i>Fiscal Year 2014 To-Date</i>			
Statewide	91.1%	31.2%	19,986
<i>Comparative Fiscal Year 2013 To-Date</i>			
Statewide	77.5%	28.5%	36,840

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

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	66.8%	134
Virginia Military Institute	80.6%	33
Public Safety		
Department of Emergency Management	83.5%	39

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
Administration		
Department of General Services	0.0%	59
Agriculture and Forestry		
Department of Agriculture & Consumer Services	4.4%	65
Commerce and Trade		
Department of Mines, Minerals, & Energy	0.0%	30
Education		
Longwood University	0.0%	104
Norfolk State University	0.0%	32
Virginia Commission for the Arts	9.7%	28
Virginia Military Institute	0.0%	30
Judicial		
Circuit Courts	6.2%	458
Virginia State Bar	1.8%	329
Public Safety		
Commonwealths Attorneys' Services Council	0.0%	64
Department of Criminal Justice Services	4.5%	85
Department of Forensic Science	0.0%	124

The following table lists agencies that have accumulated more than \$250 in employee EDI check charges for the fiscal year and have a utilization rate below 80 percent. Agencies are charged for each travel reimbursement check issued to an employee after their second check of the fiscal year.

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

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

<u>Agency</u>	<u>Percent</u>	<u>Year-to-date Charges</u>
Education		
Norfolk State University	66.8%	\$590.00
Transportation		
Department of Transportation	45.8%	\$2,785.00



Direct Deposit

During the fourth quarter of FY 2014, 527,933 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 June 30, 2014

<u>Secretarial Area</u>	<u>Direct Deposit % of Salaried Employees</u>	<u>Direct Deposit % of Wage Employees</u>
Administration	99.9%	100.0%
Agriculture and Forestry	99.6%	97.9%
Commerce and Trade	99.9%	99.2%
Education	99.9%	97.9%
Executive Offices	100.0%	61.7%
Finance	99.6%	100.0%
Health and Human Resources	99.6%	98.9%
Independent Agencies	99.7%	100.0%
Judicial	99.8%	89.3%
Legislative	99.7%	99.5%
Natural Resources	99.7%	96.6%
Public Safety	99.7%	98.5%
Technology	100.0%	100.0%
Transportation	100.0%	99.8%
Veterans Affairs and Homeland Security	100.0%	98.6%
Statewide	99.8%	97.9%

*Comparative
Quarter Ended June 30, 2013*

Statewide	99.7%	97.7%
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Statewide Salaried Direct Deposit Performance

Quarter Ended June 30, 2014

Salaried Direct Deposit Participation	99.8%
--	--------------

Salaried Direct Deposit Below 98 Percent

<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Administration		
Compensation Board	93.3%	15
Health and Human Resources		
Southside Virginia Training Center	94.3%	404

Statewide Wage Direct Deposit Performance

Quarter Ended June 30, 2014

Wage Direct Deposit Participation	97.9%
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Wage Direct Deposit Below 90 Percent

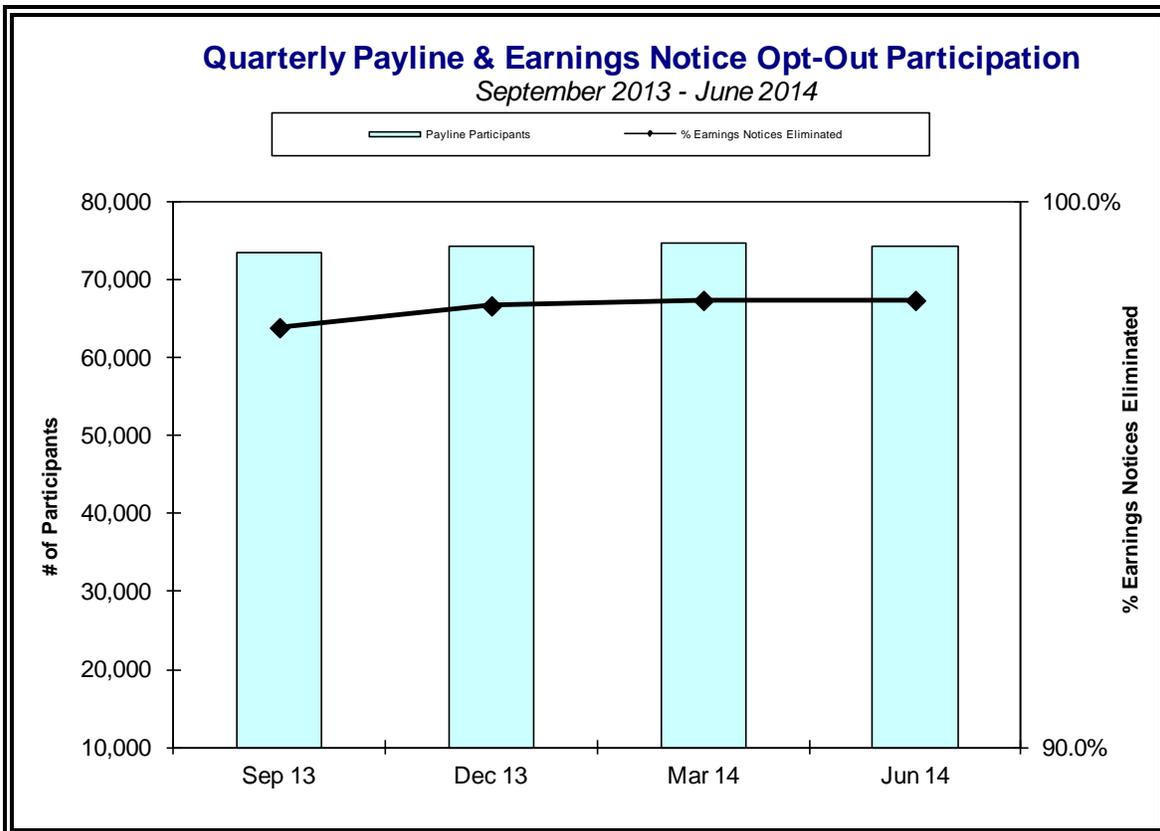
<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Education		
Radford University	86.0%	379
Executive Offices		
Selected Agencies	59.1%	44
Judicial		
General District Courts	83.3%	162
Combined District Courts	80.0%	15



Payroll Earnings Notices

Elimination of earnings notices associated with direct deposit is an additional method for increasing the benefits of electronic payments. Employees are currently able to obtain enhanced information online using the web-based Payline system.

In addition to increasing direct deposit participation, agencies and institutions are expected to encourage employees to enroll in Payline and discontinue receipt of centrally printed earnings notices. Since inception in November 2002, the Commonwealth has eliminated the printing of approximately 13,201,276 earnings notices.



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

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

Quarter Ended June 30, 2014

Secretarial Area	Percent Payline Participation	Percent Earnings Notices Eliminated*
Administration	87.8%	100.0%
Agriculture and Forestry	83.5%	86.0%
Commerce and Trade	98.0%	99.1%
Education	75.9%	99.2%
Executive Offices	89.1%	100.0%
Finance	99.3%	100.0%
Health and Human Resources	92.0%	98.4%
Independent Agencies	93.9%	100.0%
Judicial	86.6%	93.3%
Legislative	51.9%	64.8%
Natural Resources	75.3%	97.5%
Public Safety	90.9%	100.0%
Technology	97.0%	100.0%
Transportation	96.5%	100.0%
Veterans Affairs and Homeland Security	71.1%	68.8%
Statewide	86.7%	98.2%
<i>Comparative</i>		
<i>Quarter Ended June 30, 2013</i>		
Statewide	86.0%	97.7%

* 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 June 30, 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 06/30/2014	Percent Earnings Notices Eliminated QE 03/31/2014
Agriculture and Forestry		
Department of Forestry	78.7%	74.4%
Commerce and Trade		
Department of Small Business and Supplier Diversity	67.3%	72.2%
Education		
Eastern Shore Community College	68.9%	61.8%
Frontier Culture Museum of Virginia	49.2%	56.4%
Jamestown-Yorktown Foundation	89.2%	82.2%
Southwest Virginia Community College	87.2%	78.0%
Virginia Highlands Community College	77.0%	58.3%
Health and Human Resources		
Southeastern Virginia Training Center	26.5%	26.1%
Judicial		
Circuit Courts	71.9%	74.7%
General District Courts	89.1%	90.6%
Natural Resources		
Marine Resources Commission	49.0%	49.0%
Veterans Affairs and Homeland Security		
Virginia Veterans Care Center	23.9%	23.6%



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.

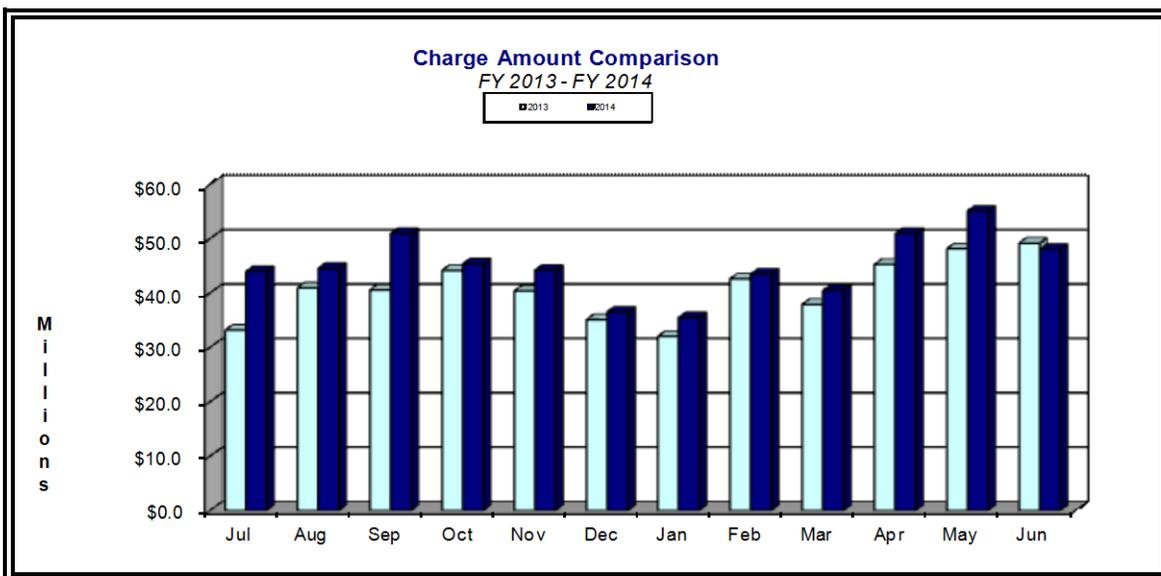
The Department of Accounts has a third charge card tool called ePayables. This program allows payments processed through CARS for vendors enrolled in the ePayables program to convert their payment to a card thus increasing the card program’s spend.

The total amount charged on SPCC, Gold and ePayables cards during the fourth quarter of FY 2014 increased by \$11.5 million or 8 percent from the same quarter last year.

Small Purchase Charge Card Program

Charge Card Activity	Quarter Ended June 30, 2014	Fiscal Year 2014 To-Date	Comparative Fiscal Year 2013 To-Date
Amount of Charges	\$ 154,053,236	\$ 538,884,271	\$ 489,339,996
Estimated Number of Checks Avoided	213,023	781,255	752,119
Total Number of Participating Agencies		200	202
Total Number of Cards Outstanding*		14,825	14,722

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



SPCC Utilization Compliance

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

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 current 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 June 30, 2014

Percentage Utilization for Eligible Transactions **88%**

SPCC Utilization by Secretarial Area

Quarter Ended June 30, 2014

<u>Secretarial Area</u>	<u>Payments in Compliance ⁽¹⁾</u>	<u>Non-Compliant Transactions ⁽²⁾</u>
Administration	91%	345
Agriculture and Forestry	97%	148
Commerce and Trade	82%	639
Education*	86%	6,732
Executive Offices	95%	61
Finance	97%	113
Health and Human Resources**	90%	3,894
Independent Agencies	83%	567
Judicial	40%	2,156
Legislative	98%	26
Natural Resources	93%	860
Public Safety	96%	1,523
Technology	89%	33
Transportation*	75%	6,093
Veterans Affairs and Homeland Security	98%	41
Statewide	88%	23,231

* 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	38%	566
Education		
Norfolk State University	37%	1,896
Health and Human Resources		
Central Virginia Training Center	65%	355
Northern Virginia Training Center	66%	242
Independent Agencies		
State Corporation Commission	15%	405
Judicial		
Board of Bar Examiners	0%	49
Circuit Courts	0%	207
Combined District Courts	0%	182
General District Courts	0%	782
Juvenile and Domestic Relations District Courts	0%	484
Magistrate System	0%	109
Virginia Criminal Sentencing Commission	0%	34

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 April, this represents the bill date of April 15, 2014, with the payment due no later than May 7th.

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

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

Agency	Apr	May	June
<u>Purchase Card Program:</u>			
Education			
New College Institute			X
Paul D. Camp Community College		X	
University of Virginia Medical Center	X		
Health & Human Resources			
Northern Virginia Mental Health Institute		X	
Public Safety			
Department of Corrections--Division of Institutions			X
<u>Airline Travel Card Program:</u>			
Education			
Virginia State University	X		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 June 30, 2014, and the total amounts past due.

Travel Charge Card Program

As of June 30, 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>
Administration				
State Board of Elections	1	21	0	0
Commerce and Trade				
Virginia Employment Commission	1	49	0	0
Virginia Tourism Authority	1	0	156	810
Education				
Dabney S. Lancaster Community College	1	140	151	0
George Mason University	1	432	0	0
James Madison University	4	368	12	0
Mountain Empire Community College	1	44	0	0
Norfolk State University	3	209	166	1,526
Tidewater Community College	1	20	140	209
University of Virginia Medical Center	1	35	0	0
Virginia Highlands Community College	1	130	0	0
Virginia Military Institute	1	422	0	0
Virginia Polytechnic Institute and State University	1	360	0	0
Virginia State University	5	1,427	829	0
Health and Human Resources				
Department for Aging and Rehabilitative Services	1	27	0	0
Department for the Blind and Vision Impaired	1	0	317	0
Department of Behavioral Health and Developmental Services	1	23	0	0
Department of Health	3	400	14	0
Department of Medical Assistance Services	1	215	0	0
Department of Social Services	1	0	4,739	0
Independent Agencies				
State Corporation Commission	1	736	0	0
Natural Resources				
Department of Conservation and Recreation	1	403	0	0
Virginia Museum of Natural History	1	0	430	1,523



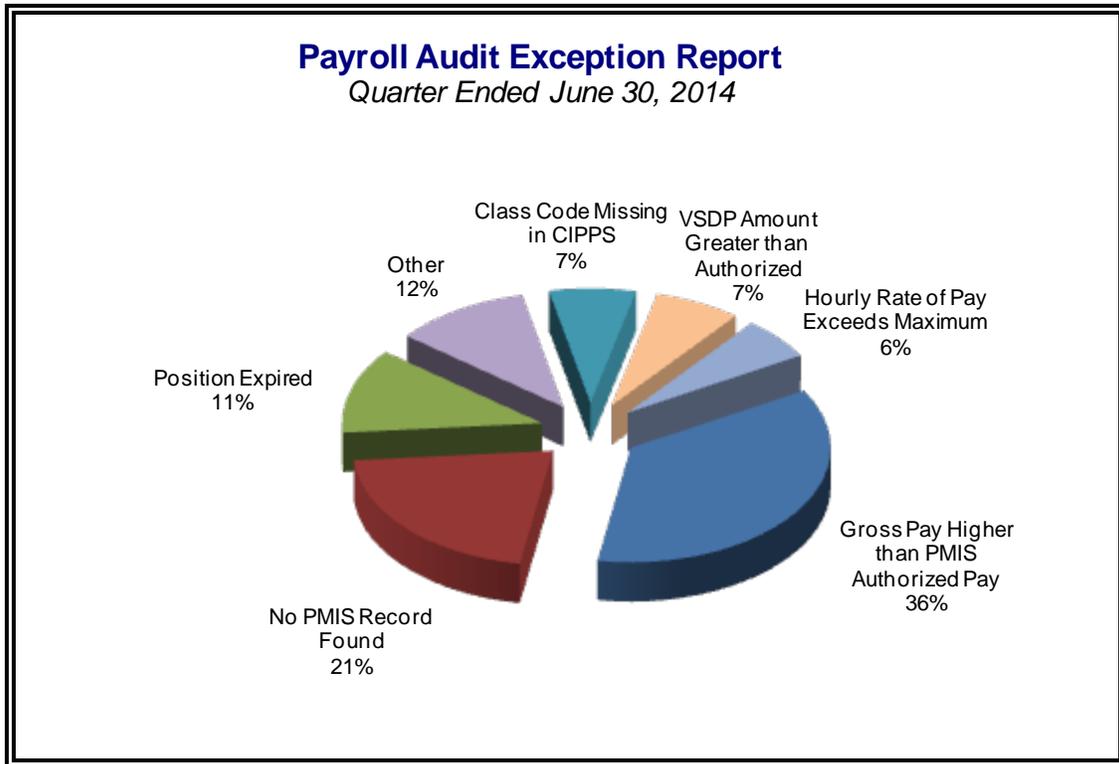
Payroll Controls

CIPPS/PMIS Payroll Audit

During the quarter, DOA's automated comparison of payroll (CIPPS) and personnel (PMIS) records examined 410,821 salaried pay transactions and 138,074 wage pay transactions. The comparison is performed following each payday and is designed to identify discrepancies between authorized salary/wage amounts in PMIS and amounts paid in CIPPS. There were 2,928 new exceptions noted statewide during the quarter, with an overall exception rate of 0.49%.

The statewide salaried payroll exception rate was 0.53% and the wage payroll exception rate was 0.36%. During this quarter, 26 employee paychecks were reduced to recover \$15,318.34 in overpayments.

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



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

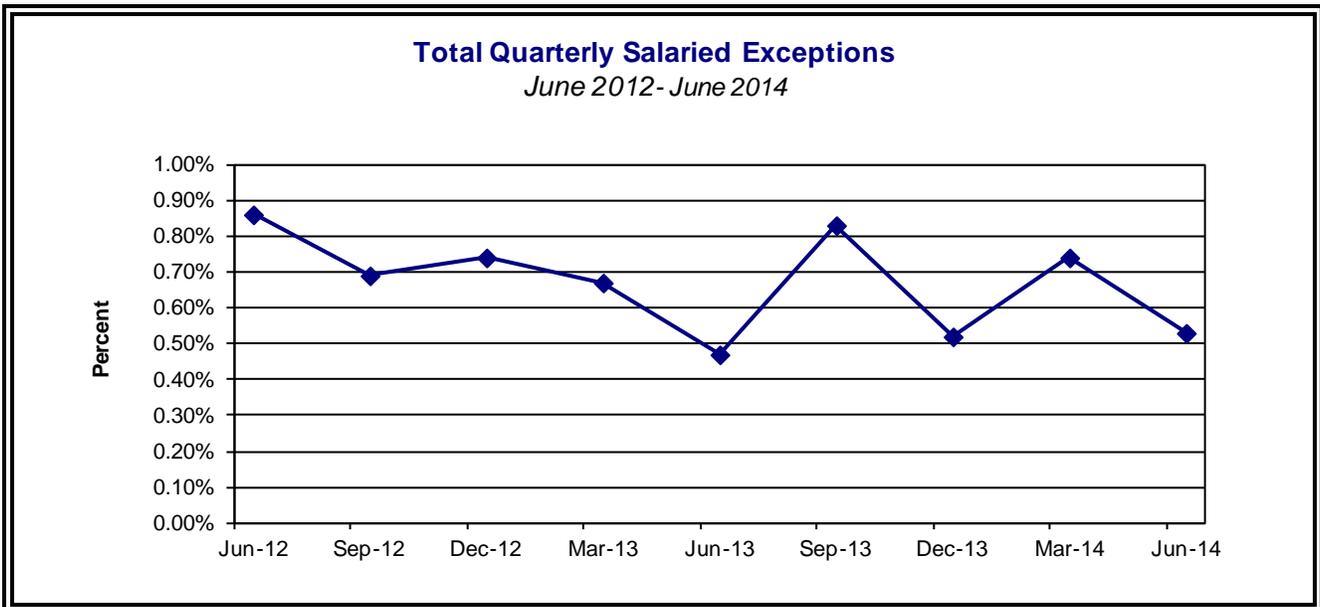
of payroll exceptions to salaried or wage payments exceeds three times the statewide average for the quarter.

Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Wage Payments
Quarter Ended June 30, 2014

<u>Agency</u>	<u># of Wage Exceptions</u>	<u>Exceptions as a % of Wage Payments</u>
None		

Total Wage Payroll Exceptions for the Quarter	0.53%
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The following chart compares payroll exceptions as a percentage of salaried payments by quarter for the past two years.

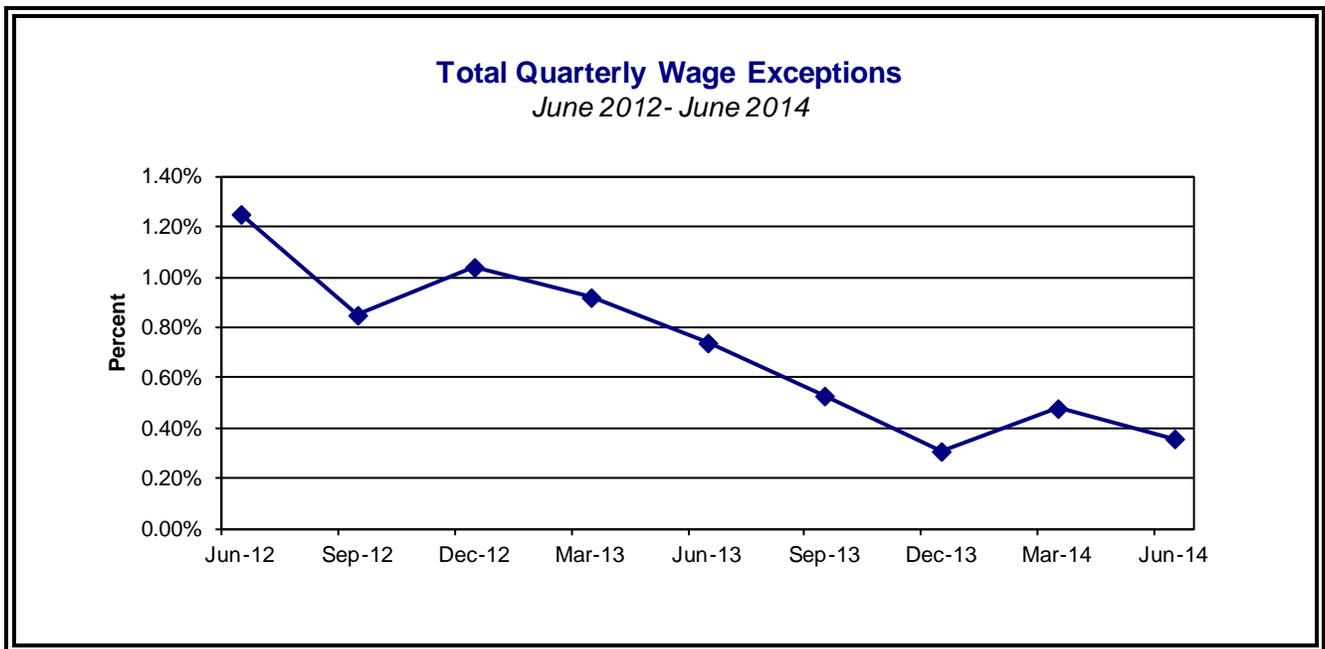


Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Wage Payments
Quarter Ended June 30, 2014

Agency	<u># of Wage Exceptions</u>	<u>Exceptions as a % of Wage Payments</u>
None		

Total Wage Payroll Exceptions for the Quarter	0.53%
--	--------------

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>Health and Human Resources</i>	
Eastern State Hospital	9
Southwestern Virginia Mental Health Institute	3
Virginia Center for Behavioral Rehabilitation	2
<i>Public Safety</i>	
Employee Relations and Training Division	4
Department of Juvenile Justice	1
<i>Transportation</i>	
Department of Transportation- Central Office	3



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				
Paul D. Camp Community College		1		
Virginia Community College System	\$690,506			
Central Virginia Community College	32,279			
Health and Human Resources				
Central Virginia Training Center		1		
Department for Aging and Rehabilitative Services	24,649			
Department of Social Services	3,541,710			
Judicial				
Circuit Courts	44,400			
Public Safety				
Wallens Ridge Correctional Center	5,040,000			

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 backup.
- (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 June 30, 2014

<u>Agency</u>	<u>Incomplete*</u>	<u>Errors*</u>	<u>Late</u>
Virginia Lottery			1
Thomas Nelson Community College			1
Southwestern Virginia Training Center			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

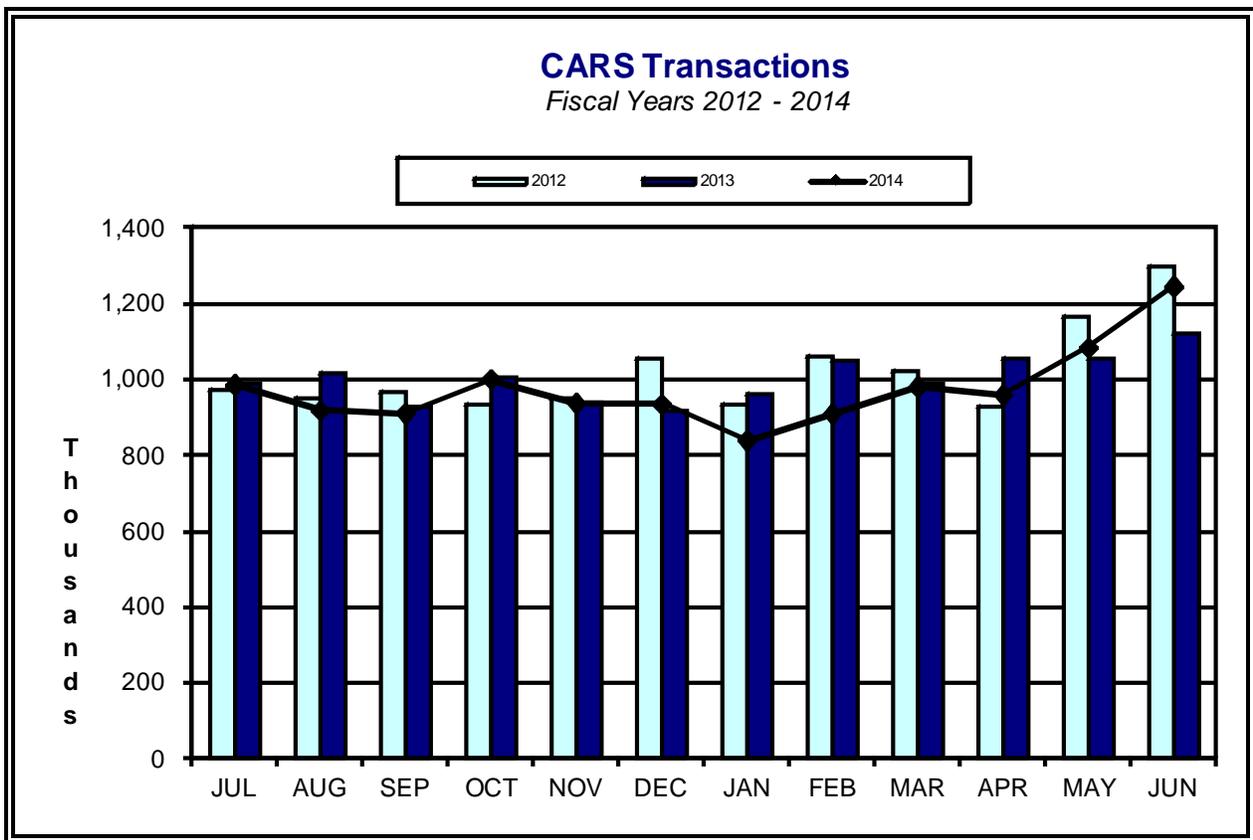
DOA monitors several types of financial activity. Various measures are used to track activities for CARS, payroll, accounts

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.

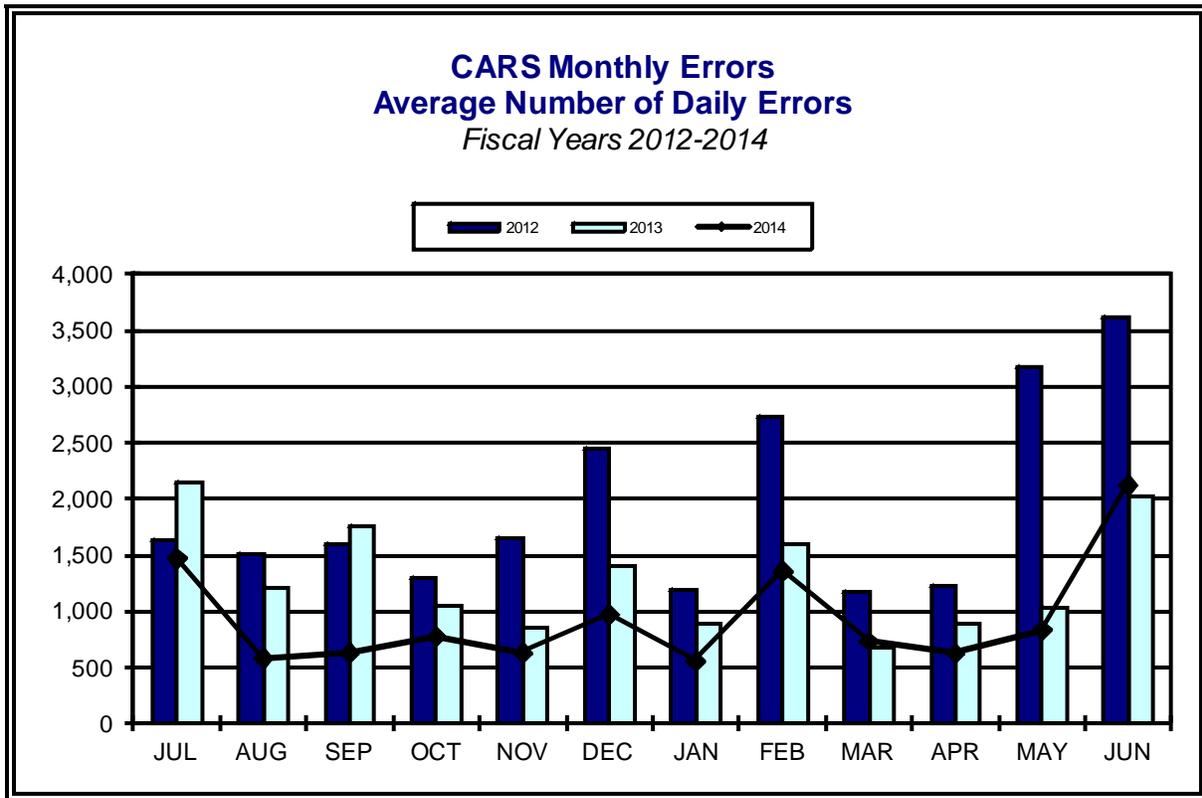


CARS Edits

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

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

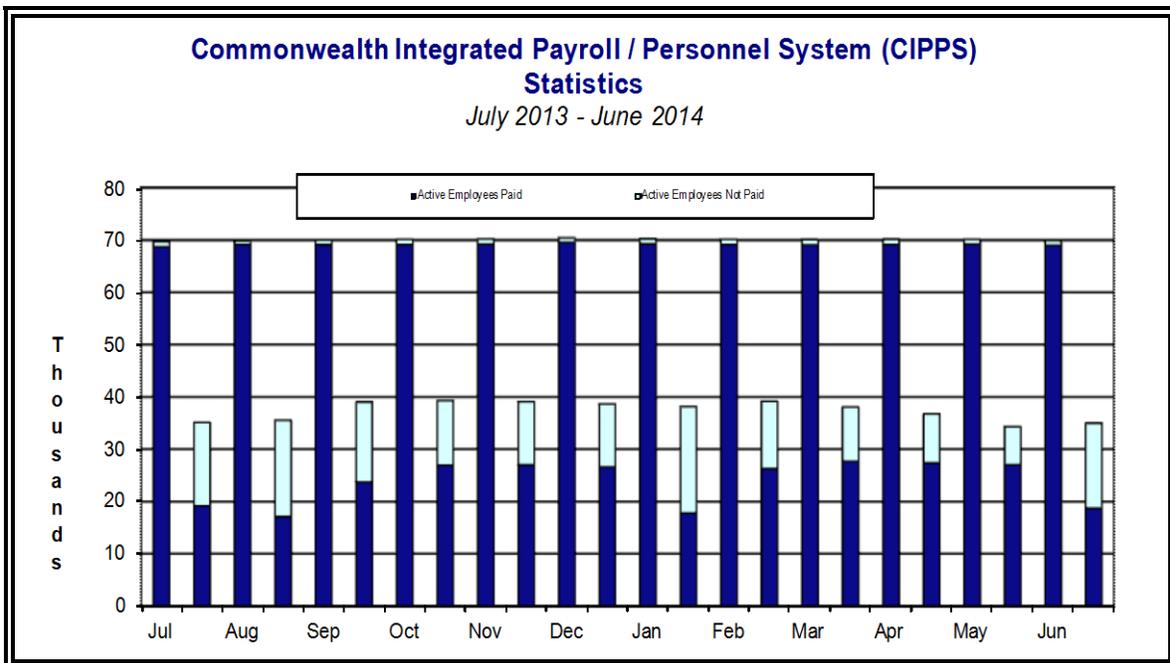
- Available Negative Cash
- Expenditures > Allotment
- Certified Amount not in Balance



Payroll

The central payroll system for State government is known as *CIPPS*, the Commonwealth Integrated Payroll Personnel System. CIPPS is one of the largest payroll operations in the Commonwealth, serving 105,444 employees. Payroll services are also provided through eight decentralized higher education institutions.

On average, 93,461 employees were paid each month, of which 69,115 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 6/30/2014	Comparative	
		As of 6/30/2013	As of 6/30/2012
Health Care**			
COVA Care	79,098	76,023	74,250
COVA Health Aware	3,636	N/A	N/A
Kaiser	2,111	2,061	2,141
Tricare	59	43	22
Optional Retirement Plans**			
Fidelity Investments	581	566	528
TIAA/CREF	1,535	1,515	1,489
Political Appointee - ORP	79	44	102
Deferred Compensation**	43,804	43,575	42,807
Flexible Reimbursement**			
Dependent Care	964	830	804
Medical Care	10,040	8,457	7,528

** 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.

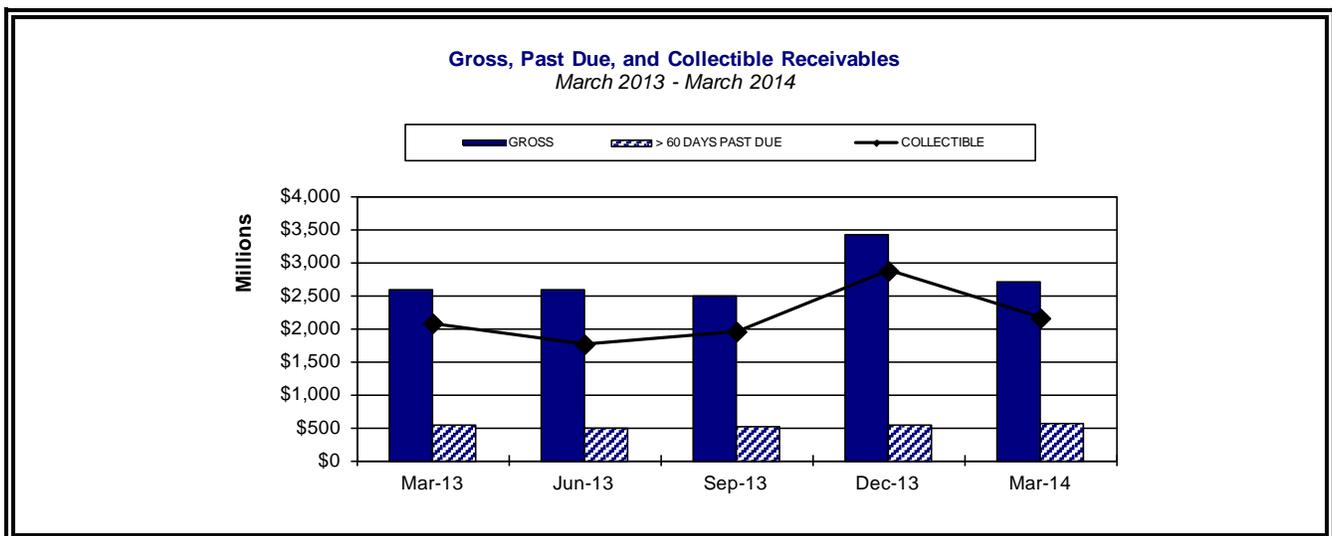
In an effort to present more meaningful information, DOA continues to exclude data from the tables (except for the final table on past due receivables) from the Department of Taxation, consisting largely of statutory assessments and non-filers assessments, and the circuit and district courts, which report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

Commonwealth agencies and institutions reported adjusted gross receivables of \$2.70

billion at March 31, 2014, with \$2.16 billion considered collectible. Receivables over 60 days past due as of March 31, 2014, totaled \$554.6 million. Of that amount, \$10.2 million was placed with private collection agencies, \$33.1 million was placed with the Division of Debt Collection and \$511.3 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 March 31, 2014, agencies expected to collect \$2.16 billion (80 percent) of the \$2.70 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

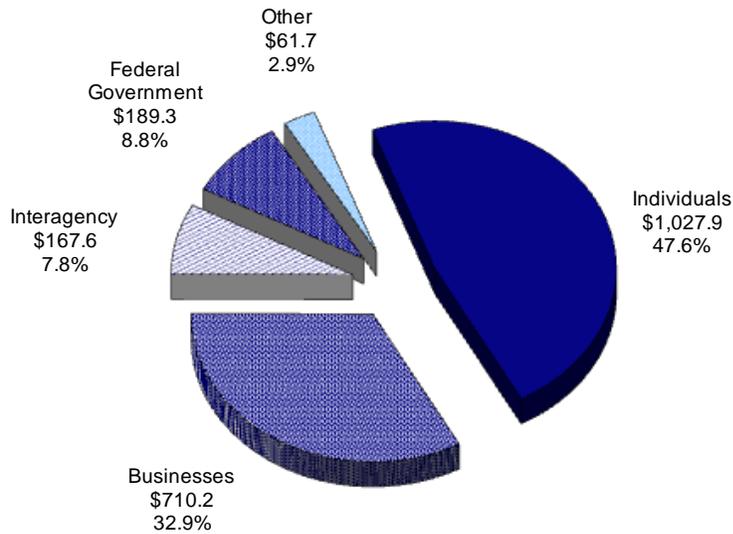
As of March 31, 2014

Fund	Source	Amount	Percent
General Fund 1%	Medicaid - Current Recoveries	\$ 18,401,520	57%
	Social Services	3,403,580	11%
	Labor and Industry Inspections	605,511	2%
	State Police Permits	1,975,043	6%
	Corrections	1,402,598	4%
	Other	2,489,760	8%
	Subtotal	28,278,012	88%
	Interagency Receivables	3,827,749	12%
	Total General Fund Collectible	\$ 32,105,761	100%
	Nongeneral Funds 99%	Medicaid - Dedicated Penalty Fees	\$ 78,361,807
Medicaid - Federal Reimbursements		26,592,525	1%
Unemployment Taxes *		513,103,703	24%
Transportation		79,112,747	4%
Child Support Enforcement		200,642,784	10%
Federal Government		37,697,265	2%
DBHDS Patient Services		20,333,918	1%
Hospital		554,801,397	26%
Enterprise		93,274,826	4%
Higher Education		327,587,444	15%
Other		29,348,648	1%
Subtotal		1,960,857,064	92%
Interagency Receivables		163,780,340	8%
Total Nongeneral Fund Collectible	\$ 2,124,637,404	100%	
All Funds	Grand Total	\$ 2,156,743,165	100%

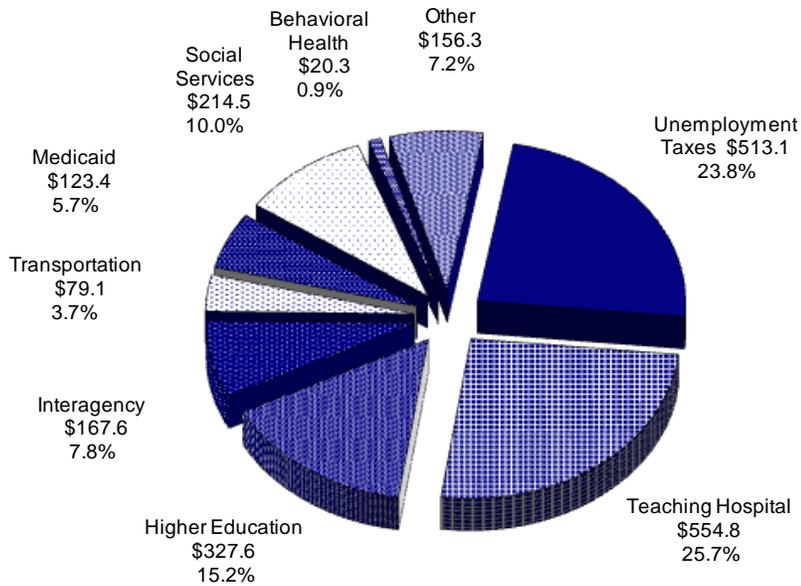
* Note: The Virginia Employment Commission provides Unemployment Taxes Information.

Summary of Receivables by Source

Sources of Collectible Receivables by Debtor
(dollars in millions)
As of March 31, 2014



Sources of Collectible Receivables by Type
(dollars in millions)
As of March 31, 2014



Not counting Taxation and the Courts, ten agencies account for 86 percent of the Commonwealth's adjusted gross and 85

percent of the adjusted collectible accounts receivable balances.

Accounts Receivable Summary
Not Including Circuit Courts, District Courts, or Department of Taxation
As of March 31, 2014

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
University of Virginia Medical Center	\$ 597,737,048	\$ 22,033,910	\$ 575,703,138
Virginia Employment Commission	582,513,854	64,790,992	517,722,862
Department of Social Services	576,435,293	354,355,103	222,080,190
Department of Medical Assistance Services	167,072,226	43,438,779	123,633,447
Virginia Polytechnic Institute and State University	99,969,046	3,083,300	96,885,746
State Lottery Department	79,422,330	-	79,422,330
Department of Transportation	67,737,141	1,680,478	66,056,663
University of Virginia - Academic Division	56,852,825	1,057,576	55,795,249
Virginia Commonwealth University	53,189,959	5,957,460	47,232,499
Virginia Information Technologies Agency	41,908,597	-	41,908,597
Total	\$ 2,322,838,319	\$ 496,397,598	\$ 1,826,440,721
All Other Agencies	374,347,536	44,045,092	330,302,444
Grand Total	\$ 2,697,185,855	\$ 540,442,690	\$ 2,156,743,165

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 \$30.8 million during the quarter ended March 31, 2014. The Division of Debt Collection contributed \$2.4 million. Private collection agencies collected \$2.1 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected \$26.3 million.

Private collection agencies returned \$29.4 million of accounts to agencies, and the Division of Debt Collection discharged \$513,861 of accounts and returned \$925,934 of accounts to agencies.

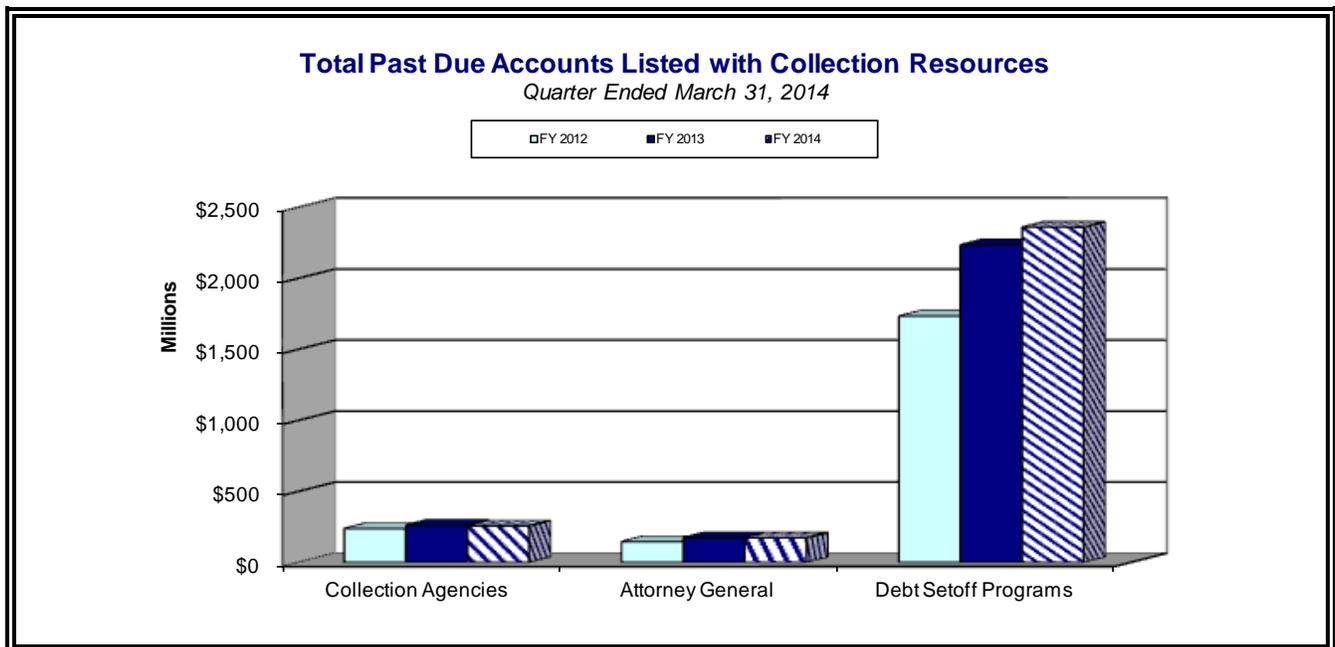
Collectible Receivables Over 60 Days Past Due

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

As of March 31, 2014

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	\$ 204,948,885	\$ 4,973	\$ 67,478	\$ 204,876,434
Department of Medical Assistance Services	78,684,195	22,720	2,346,291	76,315,184
Virginia Employment Commission	77,067,546	-	12,671,064	64,396,482
University of Virginia Medical Center	74,324,780	-	-	74,324,780
Department of Behavioral Health and Developmental Services	14,083,897	-	-	14,083,897
Department of Transportation	11,094,251	-	6,090,046	5,004,205
Virginia Community College System	10,349,091	3,024,279	-	7,324,812
Virginia Commonwealth University	8,763,620	275,152	179,502	8,308,966
George Mason University	8,051,782	2,129,859	-	5,921,923
Virginia Polytechnic Institute and State University	7,062,696	1,032,359	1,074,506	4,955,831
TOTAL	\$ 494,430,743	\$ 6,489,342	\$ 22,428,887	\$ 465,512,514
All Other Agencies	60,219,959	3,743,346	10,716,681	45,759,932
TOTAL OVER 60 DAYS	\$ 554,650,702	\$ 10,232,688	\$ 33,145,568	\$ 511,272,446
Uncollectible Amounts Placed for Collection, Including Accounts Written Off	2,236,150,910	247,434,571	140,290,330	1,848,426,009
TOTAL COLLECTION EFFORTS	\$ 2,790,801,612	\$ 257,667,259	\$ 173,435,898	\$ 2,359,698,455

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 \$2.9 million for the fourth quarter with a total of \$14.8 million collected through FY 2014. Please note the amount reported is before any refunds.

Receivable Trend Data

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

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

Percentage of Gross Receivables Over 60 Days Past Due

Agency	Percent 3/31/14	Comparative	
		Percent 12/31/13	Percent 9/30/13
Department of Medical Assistance Services	47%	47%	35%
Department of Social Services	36%	35%	35%
Department of Behavioral Health and Developmental Services	33%	29%	27%
Virginia Community College System	24%	7%	20%
George Mason University	19%	17%	4%
Virginia Commonwealth University	16%	3%	8%
Department of Transportation	16%	22%	19%
Virginia Employment Commission	13%	49%	45%
University of Virginia Medical Center	12%	12%	11%
Virginia Polytechnic Institute and State University	7%	2%	5%
Statewide Average - All Agencies	21%	16%	20%

Another way to measure agency debt collection effectiveness is to compare amounts collected to amounts billed. The table below presents trend percentages for the ten agencies with the highest collectible accounts receivable balances. In total, these ten agencies are responsible for 85 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 98 percent indicates that for every dollar billed during the quarter ended March 31, 2014, the state collected 98 cents. This rate is two percent lower than last year and the same as two years ago.

Collections as a Percentage of Billings

Agency	Percent 3/31/14	Comparative	
		Percent 3/31/13	Percent 3/31/12
University of Virginia - Academic Division	342%	336%	322%
Virginia Commonwealth University	314%	311%	301%
Virginia Polytechnic and State University	206%	183%	214%
Virginia Information Technologies Agency	104%	115%	108%
Department of Transportation	102%	122%	94%
Department of Social Services	95%	97%	101%
State Lottery Department	92%	100%	93%
Department of Medical Assistance Services	73%	54%	69%
University of Virginia Medical Center	26%	29%	28%
Virginia Employment Commission	22%	28%	40%
Statewide Average - All Agencies	98%	100%	98%

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 \$123.6 million at March 31, 2014, is a \$19.0 million increase over the \$104.6 million reported at March 31, 2013. Over the same period, total past due receivables of \$83.6 million have increased by \$13.8 million.

University of Virginia Medical Center (UVAH)

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

UVAH collectible receivables of \$575.7 million at March 31, 2014, were a \$69.6 million increase from the \$506.1 million reported the previous year. Past due receivables increased by \$43.2 million to \$233.8 million at March 31, 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 \$517.7 million at March 31, 2014, a decrease of \$18.9 million from the previous year. Total past due receivables were \$79.6 million, a \$6.7 million increase over last year. VEC collects employer tax receivables in-house. The Attorney General's Office is involved in contested cases. Unemployment benefit overpayments to individuals are referred to private collections agencies after in-house efforts have produced no results and when debtors have left the state.

Virginia Information Technologies Agency (VITA)

VITA is the state's central information technologies provider. VITA operates the information technology infrastructure for much of State government, providing both hardware and services. VITA also procures hardware and software for agencies and institutions of higher education.

VITA reported collectible receivables at March 31, 2014, of \$41.9 million, which is a decrease of \$2.1 million reported in the previous year. Most of these receivables are due from other state agencies. As of March 31, 2014, \$1.2 million was over 60 days past due, a decrease of \$459,744 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 March 31, 2014, the State Lottery reported net receivables of \$79.4 million, a \$12.1 million increase from the previous year. Billings increased by \$16.9 million and collections decreased by \$1.4 million during the March 31, 2014 quarter when compared to the March 31, 2013 quarter. At March 31, 2014, the State Lottery had \$300,760 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 March 31, 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 March 31, 2014, the University reported net collectible receivables of \$96.9 million, a decrease of \$7.8 million over the prior year. At the same time, total past due receivables of \$13.6 million increased by \$254,190 over the prior year.

The University uses a variety of collection methods to encourage payments. At March 31, 2014, VPISU had \$7.1 million of accounts over 60 days past due. \$1.1 million was placed with the Attorney General's Division of Debt Collection, another \$1.0 million was placed with private collection agencies, and \$5.0 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 March 31, 2014, the Department reported collectible receivables of \$20.3 million, a \$12.1 million decrease over the previous year. \$22.4 million was past due, with \$14.1 million being over 60 days past due. Total past due receivables decreased by \$12.1 million over the year, and accounts over 60 days past due decreased by \$12.5 million. At March 31, 2014, the Department had a total of \$7.8 million of accounts placed with the Attorney General and \$1.1 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 March 31, 2014, VDOT reported \$66.1 million of collectible receivables, an increase of \$26.2 million from the prior year. VDOT also reported \$12.4 million total past due and \$11.1 million being over 60 days past due. Past due receivables increased by \$1.7 million over the year, while receivables over 60 days past due increased by \$1.8 million. VDOT reports that the large majority of the accounts over 60 days past due continue to be amounts owed by cities, counties and towns that are participating on long-term construction projects with the department and where the local fund shares are provided by local debt financing.

VDOT reported placing \$6.1 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 March 31, 2014, DSS reported gross receivables of \$576.4 million, an allowance for doubtful accounts of \$354.3 million and collectible receivables of \$222.1 million. Past due receivables totaled \$208.2 million, of which \$204.9 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for \$526.7 million (91 percent) of the gross receivables, \$326.1 million (92 percent) of the allowance for doubtful accounts and \$200.6 million (90 percent) of the collectible receivables.

From March 31, 2013 to March 31, 2014, gross receivables increased by \$35.9 million and collectible receivables increased by \$6.6 million. Total past due receivables increased by \$16.0 million and receivables over 60 days past due increased by \$15.7 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 March 31, 2014, DRPT had gross and net receivables of \$39.4 million. The majority of this money is due via an interagency transfer from VDOT. DRPT reported past due receivables of \$2.8 million at March 31, 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 March 31, 2014, VCU had \$47.2 million of collectible receivables, a \$1.2 million decrease from March 31, 2013. Total past due accounts were \$9.3 million, a \$14.2 million decrease from March 31, 2013. Accounts over 60 days past due (\$8.8 million) decreased by \$14.2 million from the prior year. Billings increased by \$3.2 million to \$76.8 million and collections increased by \$12.1 million to \$241.2 million for the March 31, 2014 quarter, when compared to the March 31, 2013 quarter.

The following table is prepared to present the March 31, 2014, aging information in conformity with the provisions of the *Code of Virginia* § 2.2-603.E.(ii).

Commonwealth's total \$2.75 billion past due accounts receivable at March 31, 2014. Another 18 agencies accounted for 27 percent (\$755.5 million), leaving 55 other agencies to comprise the last two percent at \$39.9 million

Taxation and the Circuit and District Courts accounted for 71 percent (\$1.95 billion) of the

Agencies with the Largest Volume of Past Due Receivables

As of March 31, 2014

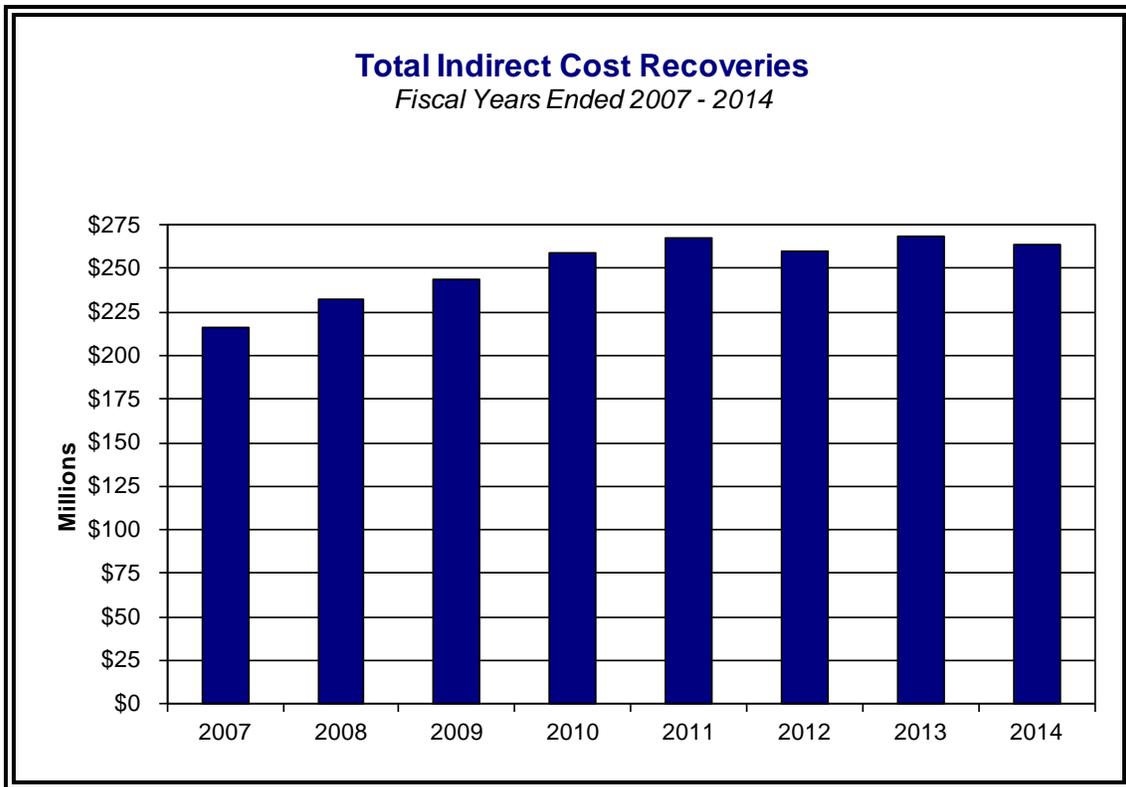
Agency	Total Past Due	1 to 180 Days Past Due	181 to 365 Days Past Due	Over One Year
Department of Taxation	\$ 1,582,655,791	\$ 167,018,908	\$ 169,660,012	\$ 1,245,976,871
Localities' Circuit and District Courts	372,045,817	34,911,082	63,142,491	273,992,244
Total - Taxation Assessments and Court Fines and Fees	\$ 1,954,701,608	\$ 201,929,990	\$ 232,802,503	\$ 1,519,969,115
All Other Large Dollar Agencies:				
University of Virginia Medical Center	233,822,554	210,416,939	18,151,702	5,253,913
Department of Social Services	208,160,374	9,937,987	9,916,120	188,306,267
Department of Medical Assistance Services	83,566,260	36,290,607	8,838,994	38,436,659
Virginia Employment Commission	79,604,141	12,787,210	11,655,489	55,161,442
Department of Behavioral Health and Developmental Services	22,410,074	17,788,448	15,122	4,606,504
University of Virginia - Academic Division	21,492,543	19,682,069	1,288,234	522,240
Virginia Community College System	16,856,132	13,316,021	2,312,835	1,227,276
Virginia Polytechnic Institute and State University	13,638,009	10,842,389	910,075	1,885,545
Department of Transportation	12,383,265	3,852,928	2,737,772	5,792,565
George Mason University	11,221,165	8,874,754	1,736,531	609,880
Department of State Police	9,344,199	5,150,652	2,391,474	1,802,073
Virginia Commonwealth University	9,337,538	3,693,445	1,521,771	4,122,322
Virginia Information Technologies Agency	6,507,534	6,331,486	78,737	97,311
Old Dominion University	6,055,707	5,278,456	700,524	76,727
Virginia Port Authority	5,789,782	5,789,782	-	-
Department of General Services	5,780,973	2,337,110	795,488	2,648,375
Virginia Workers' Compensation Commission	5,742,392	1,284,818	1,269,131	3,188,443
Norfolk State University	3,816,366	3,251,693	159,356	405,317
Total - Largest Dollar Volume Agencies	\$ 755,529,008	\$ 376,906,794	\$ 64,479,355	\$ 314,142,859
All Other Agencies	39,945,878	23,354,560	5,767,722	10,823,596
Grand Total Past Due Receivables	\$ 2,750,176,494	\$ 602,191,344	\$ 303,049,580	\$ 1,844,935,570



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.



Indirect Cost Recoveries from Grants and Contracts
Fiscal Year 2014

Fund	Year-to-Date		
	Higher Ed	Non-Higher Ed	Total
Nongeneral:			
Agency / Institution (1)	\$ 151,062,995	\$ 81,956,968	\$ 233,019,963
Statewide	26,022,064	650,433	26,672,497
Agency / Institution ARRA	2,663,568	437,243	3,100,811
Statewide ARRA	8,646	14,735	23,381
Total Nongeneral	\$ 179,757,273	\$ 83,059,379	\$ 262,816,652
General:			
Agency (Cash Transfers)	-	-	-
Statewide	-	1,233,690	1,233,690
Statewide (Cash Transfers)	-	-	-
Total General	\$ -	\$ 1,233,690	\$ 1,233,690
Total All Funds	\$ 179,757,273	\$ 84,293,069	\$ 264,050,342

- (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 \$50,825,148 representing the Department of Social Services' estimate of indirect cost recoveries received.



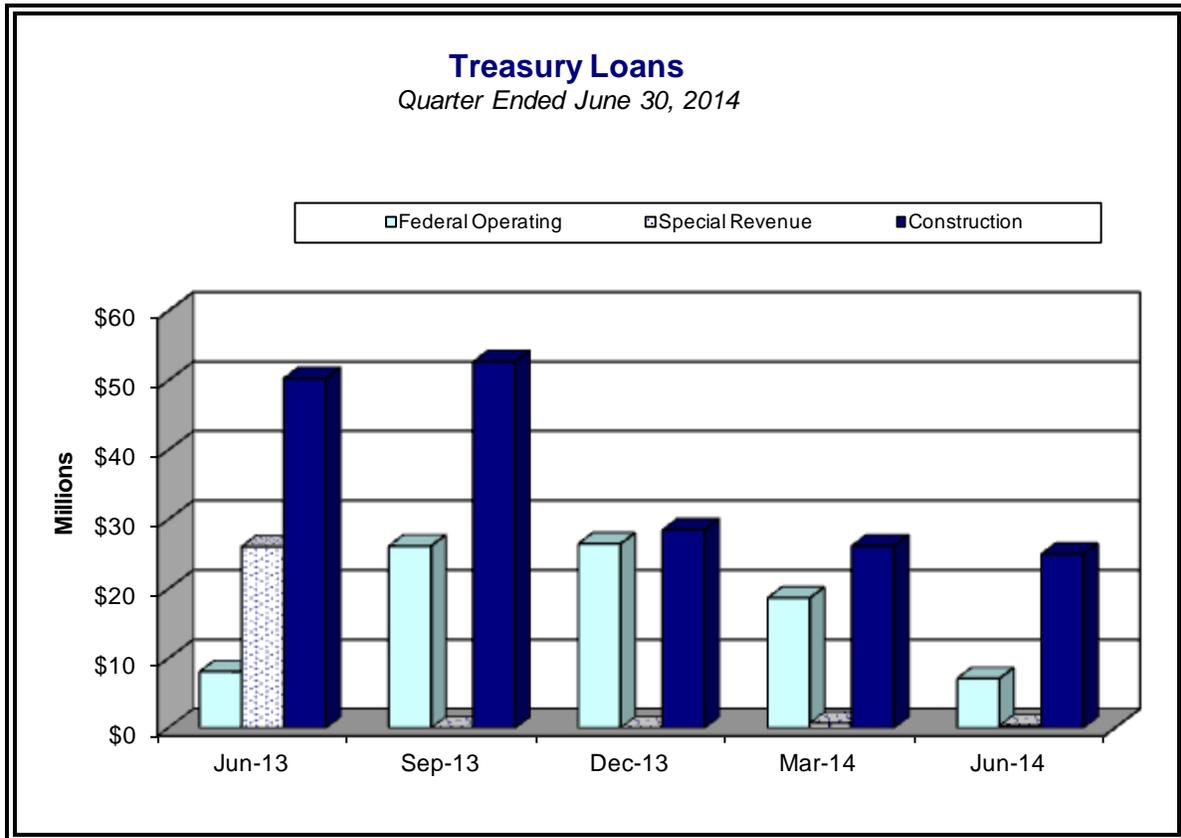
Loans and Advances

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 June 30, 2014, was \$32.4 million.



Significant New Loans / Drawdowns	New Balance
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Department of Conservation and Recreation (DCR)	
Drawdown on a \$2.4 million loan used to pay expenditures incurred in anticipation of reimbursement from an approved federally funded grant.	\$ 1,400,000.00
Virginia College Building Authority (VCBA)	
Drawdown on a \$50 million loan used to provide cash to reimburse institutions of higher education for expenditures made on authorized projects under the 21 st Century Program.	\$ 19,232,445.95

Significant Loan Repayments	Prior Balance
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Department of Veterans Services (DVS)	
Repayment on a \$4.2 million loan used to pay expenditures incurred in anticipation of reimbursement from an approved federally funded grant.	\$ 1,065,360.30
Virginia State Police (VSP)	
Repayment on a \$1.2 million loan used to pay expenditures incurred in anticipation of reimbursement from an approved federally funded grant.	\$ 1,230,762.00
George Mason University (GMU)	
Repayment on a \$12.5 million loan used to pay expenditures incurred in anticipation of reimbursement from an approved federally funded grant.	\$ 12,500,000.00
Virginia College Building Authority (VCBA)	
Repayment on a \$50 million loan used to provide cash to reimburse institutions of higher education for expenditures made on authorized projects under the 21 st Century Program.	\$ 19,232,445.95

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 June 30, 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 June 30, 2014, was \$45.7 million.

Lines of Credit, which provide funding for recurring shortfalls of operating cash and are authorized in §3-2.03 of the Appropriation Act. The total of outstanding lines of credit as of June 30, 2014, was \$53.3 million.

