REPORT ON
STATEWIDE FINANCIAL MANAGEMENT AND COMPLIANCE

FOR THE QUARTER ENDED MARCH 31, 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.*

TABLE OF CONTENTS

REPORT ON STATEWIDE FINANCIAL MANAGEMENT AND COMPLIANCE

Quarter Ended March 31, 2014

STATEMENT OF PURPOSE

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

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

This *Quarterly Report* includes information for the quarter ended March 31, 2014, and comparative FY 2013 data. Some information in the report is for the quarter ended December 31, 2013, which is the most current data available.

David A. Von Moll, CPA, CGFM
Comptroller

DOA
Virginia Department of Accounts
Financial Accountability. Reporting Excellence.

SPECIAL REPORT
2013 Information Returns Reporting

The federal government requires State and local governments and their subdivisions to report certain payments to the Internal Revenue Service (IRS) at calendar year-end. Generally, payments made for $600 or more during a calendar year to individuals, sole proprietors, medical and legal corporations, partnerships, trusts, and estates are considered reportable.

Studies show that information returns increase tax collections by increasing the likelihood that taxable income will be properly reported.

States have special information returns reporting requirements unique to their governmental functions. These include reporting payments for state unemployment compensation, taxable grants, reforestation payments, state tax refunds, and lottery winnings.

In February 2014, a Statewide Information Returns compliance survey was conducted for the 2013 tax year. Based on the survey, 126 tax reporting entities (representing 255 agencies and institutions) filed 3.8 million information returns totaling $12.0 billion. The Commonwealth filed 99.96 percent of the information returns with the IRS using electronic media.

Information Returns

Filed for Calendar Year 2013

Number of Information Returns Filed	Number of Tax Reporting Entities
No Returns	5
1 to 50 Returns	70
51 to 250 Returns	20
Over 250 Returns	31
Total Reporting Entities	126

The agencies and institutions of the Commonwealth filed the following types of information returns for the tax year ended December 31, 2013. When the number of information returns filed for 2013 is compared with 2012, percent changes by category range from a negative 7.1 percent for Forms 1099 DIV, *Dividends and Distributions*, to a positive 73.2 percent for Forms 1099-K, *Merchant Card and Third Party Network Payments*. The decrease in number of Forms 1099 DIV is due to the reduction in the number of stock accounts paying dividends reported by the Division of Unclaimed Property at the Treasury Department. George Mason University attributed the increase in the number of Forms 1099-K to the addition of new food vendors on campus. Virginia State University attributed the increase in the number of Forms 1099-K to providing students the opportunity to spend excess book voucher funds at external merchants. Radford University and Longwood University reported Forms 1099-K in 2013 and none in 2012.

2013 Information Returns Reporting Results

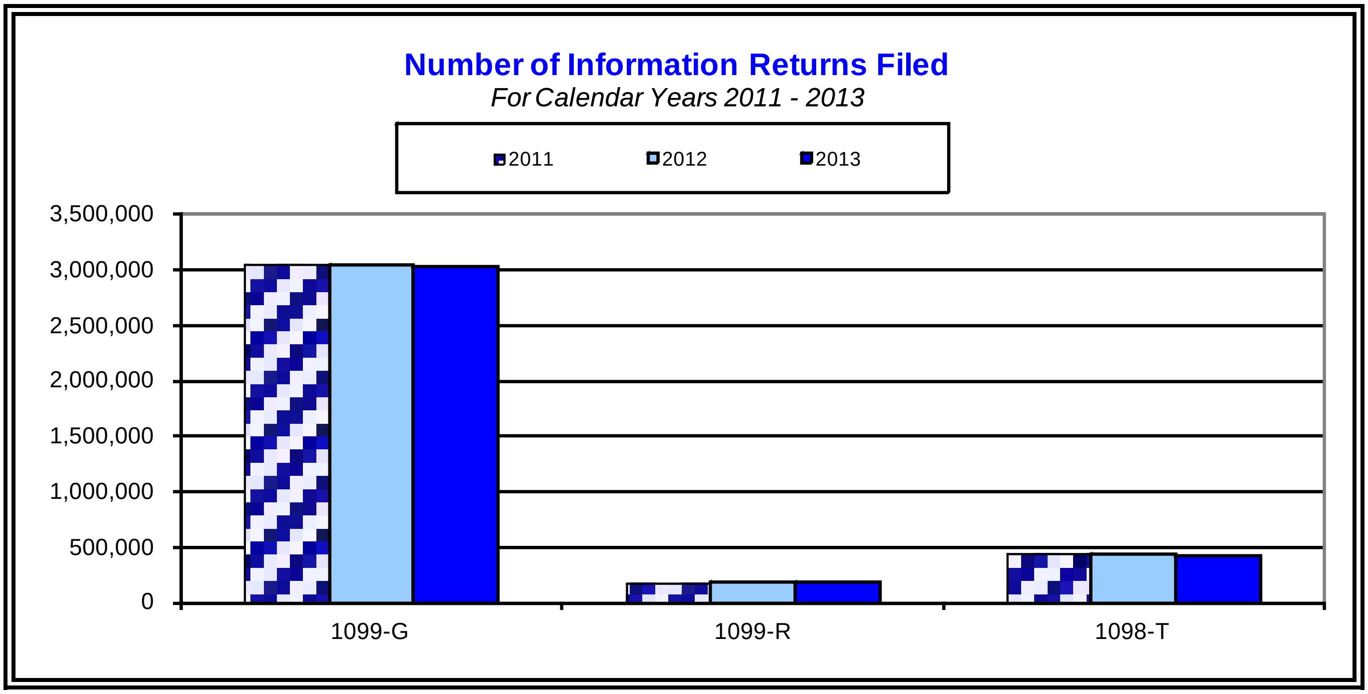
By Major Filing Category

Form Type (1)	**Dollars Reported in 2013**	**Number of Payees in 2013**	**Electronic Media**	**Paper Media**	**% Change in Number of Filings from 2012**
1099-G, Certain Government Payments	$ 2,868,263,974	3,028,325	3,028,305	20	-0.8%
1099-R, Retirement	3,766,866,071	190,641	190,555	86	4.1%
1098-T, Tuition Statement	3,124,412,632	431,521	431,521		-1.0%
1099-MISC, Miscellaneous Income (2)	1,348,225,213	25,400	24,221	1,179	5.4%
W-2G, Certain Gambling Winnings	386,750,649	33,721	33,721		7.1%
1099-Q, Qualified Education Programs	288,496,016	32,207	32,207		5.3%
1099-S, Proceeds from Real Estate Transactions	71,351,452	1,051	1,049	2	3.8%
1042-S, Foreign Persons	22,647,762	3,783	3,561	222	35.5%
1099-INT, Interest Income	19,000,975	40,914	40,914		16.9%
1099-K, Merchant Card and Third Party Network Payments	101,874,423	142	121	21	73.2%
1099-B, Proceeds from Broker and Barter Exchange Transactions by Unclaimed Property Div. of the Treasury Department	1,804,893	554	554		-23.6%
1099-DIV, Dividends and Distributions	479,508	1,263	1,263		-7.1%
Total	**$ 12,000,173,568**	**3,789,522**	**3,787,992**	**1,530**	-0.3%

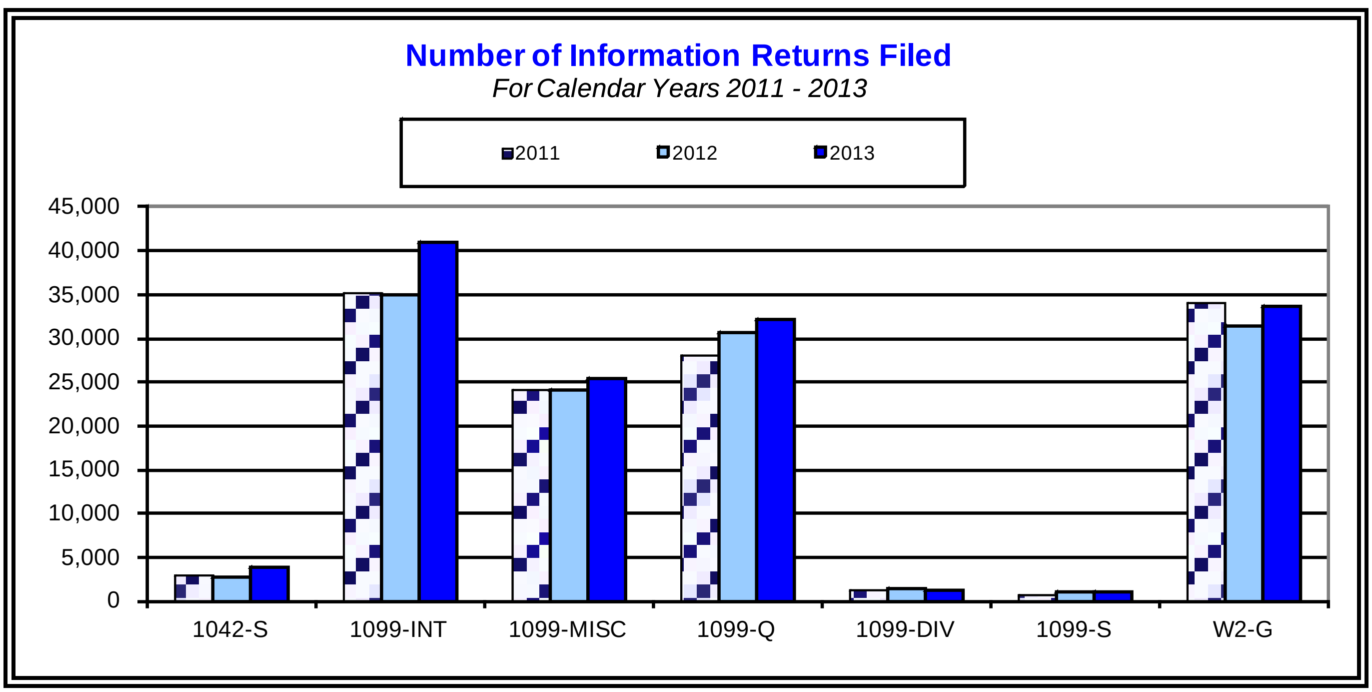
(1) Does not include payments reported on the Form 1098-E, Student Loan Interest, because the processing of these Returns are contracted out by most higher education institutions.

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

Following is a comparison of the number of returns filed in the past three years in various categories.



Note: This chart does not include comparable information for Forms 1042-S, 1099-INT, 1099-MISC, 1099-Q, 1099-DIV, 1099-S, or the W2-G which are shown on the chart below.



Note: This chart does not include comparable information for Forms 1099-G, 1099-R and 1098-T which are shown in the chart at the top of this page. Less than 1,000 Forms 1099-K and 1009-B were filed. These forms are not shown above.

Discrepancy Notices

During 2013, nine control agencies reported receiving IRS CP2100 Notices or other correspondence related to information returns filed for the previous tax years. These notices stated that the agencies (1) had filed information returns using taxpayer identification numbers that did not match a taxpayer record in either the IRS or Social Security Administration's databases, and (2) lacked the appropriate personnel to handle tax matters. All agencies receiving notices complied by requesting waivers, providing additional information, or paying a penalty. The IRS has waived the proposed penalty for four of nine agencies notified. Of the remaining agencies, four expect to have the penalty waived. One agency reported paying a penalty of $100 for omitting a digit on the vendor's identification number.

Agency Training

DOA's online 1099 training was accessed by 95 participants from 69 agencies/higher education institutions. Some agencies/higher education institutions requested additional training. The most frequently mentioned areas of interest were: (1) future tax year changes and IRS updates, (2) basic information returns reporting requirements, including forms and regulations, and (3) the ability to use ARS and FINDS capabilities in smaller agencies.

The chart below lists the reporting entities that filed more than 500 information returns for calendar year 2013.

Reporting Entities Filing More Than 500 Information Returns for 2013

Reporting Entity	Number of Agencies	Number of Returns	Dollars	Automated System (s)
Department of Taxation	1	2,843,245	$ 1,973,453,644	In-House System
Virginia Employment Commission	1	222,637	751,529,493	AMS
Virginia Retirement System	1	190,619	3,832,734,348	Adams Tax Form Helper
Virginia Community College System (VCCS) (1)	24	183,653	356,663,521	PeopleSoft Oracle Database System
Virginia Commonwealth University	1	46,107	432,332,674	Banner System
George Mason University	1	42,763	424,100,804	Ellucian (Former: SunGard Banner)
State Lottery Department	1	35,018	437,860,391	JD Edwards Enterprise One
Virginia Polytechnic Institute and State University	1	34,186	472,839,139	Banner System
University of Virginia	3	32,467	562,873,886	In-House System
Virginia College Savings Plan	1	32,239	290,222,241	AMS
Old Dominion University	1	25,383	170,321,309	Banner and Secure 32 Software
James Madison University	1	23,943	250,007,759	Winfiler Software
Radford University	1	12,236	192,800,292	AMS
The College of William and Mary in Virginia	2	9,509	171,523,964	Banner System
Norfolk State University	1	8,911	71,244,646	Colleague Datatel
Virginia State University	1	8,039	105,418,567	Express Enterprise
Christopher Newport University	1	6,469	78,201,323	Envisions
University of Mary Washington	1	6,372	62,728,020	Banner System
Longwood University	1	6,346	89,727,393	Banner System
Department of Transportation	1	2,856	635,684,587	PeopleSoft (Cardinal)
Supreme Court	1	2,855	103,512,223	IDSS Oracle Database
Department of the Treasury, Division of Unclaimed Property	1	2,262	2,487,028	In-House System
Richard Bland College	1	2,219	8,441,208	AMS
Virginia Military Institute	1	1,972	39,205,093	Colleague Datatel
Department for Aging and Rehabilitative Services	5	1,194	18,053,194	FRATE
Department of Forestry	1	1,133	2,185,230	AMS
Total	**56**	**3,784,633**	**$ 11,536,151,977**	

(1) The number of returns filed by VCCS includes 183,653 Forms 1098-T filed on behalf of the 23 community colleges.

SPECIAL REPORT
2013 Year-End Payroll Processing

At the end of calendar year 2013, DOA, working with 207 state agencies and institutions, verified and printed 121,615 W-2s. This was a slight increase from the number of W-2s printed in 2012.

	CY 2012	CY 2013
W-2s Printed	121,076	121,615
W-2Cs Printed	164	39*
Agencies Making Adjustments	59	43
Employee Records Requiring Year-End Adjustments	768	179

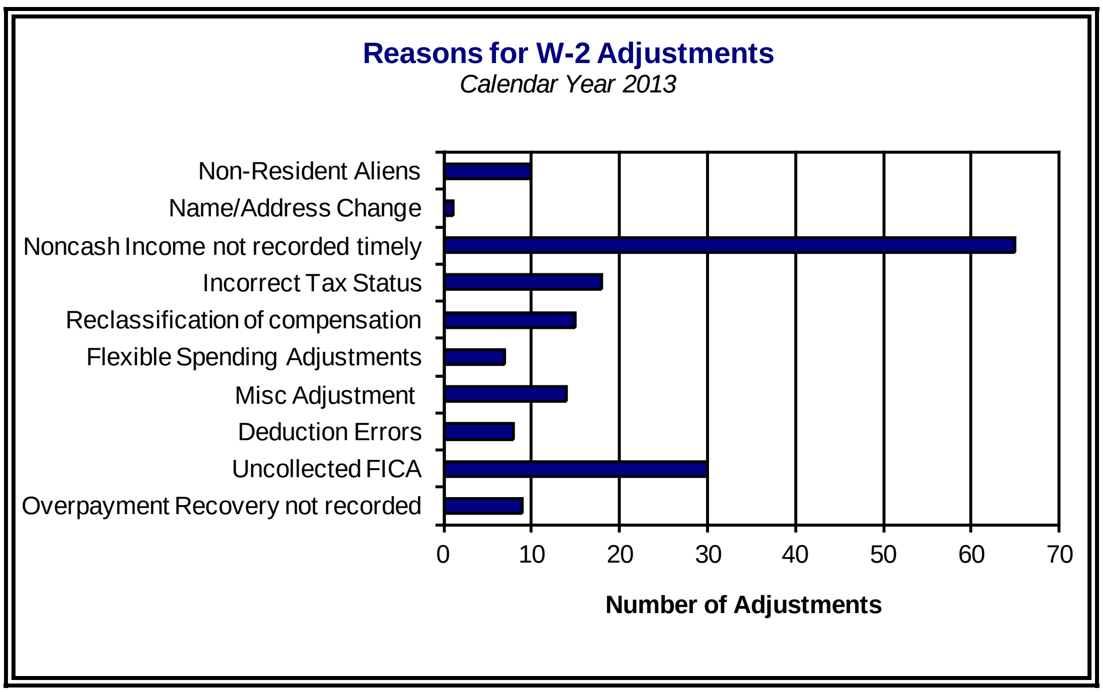
*# of W-2C's printed as of the date of this report.

The elimination of reconciliation and certification requirements at the end of the fourth quarter freed staff time for earlier attention to W-2 processing. In addition, many agencies improved the timeliness of payroll updates during the year.

As a result, required processing deadlines continue to be met without difficulty. Submissions of certified year-end reports continue to follow the same trend as last year.

Agencies adjusted 179 employee records. Late notification of non-cash awards resulting in additional taxable income contributed to thirty-seven percent of all correcting entries.

W-2s are printed at the Department of Treasury using self-mailers. Upon return from Treasury, agencies are notified when the W-2s are ready for pickup. Except for one agency, all CIPPS W-2s were available in Payline by January 16. All paper copies were picked up by January 22nd for subsequent delivery to employees.



COMPLIANCE

Auditor of Public Accounts Reports—Executive Branch Agencies

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

Each agency must provide a written response that includes a Corrective Action Workplan (CAW) to the Department of Planning and Budget, the Department of Accounts, and the agency's Cabinet Secretary when its audit report contains one or more audit findings. Workplans must be submitted within 30 days of receiving the audit report. Commonwealth Accounting Policies and Procedures (CAPP) manual, Topic No. 10205, *Agency Response to APA Audit*, contains instructions and guidance on preparing the workplan.

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

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

Audit Reports – Quarter Ended March 31, 2014

The APA issued 9 reports covering 27 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				
Compensation Board	0	0	0	N/A
Agriculture and Forestry				
None				
Commerce and Trade				
None				
Education				
Longwood University	0	0	0	N/A
State Council of Higher Education for Virginia	0	0	0	N/A

	New Findings	Repeat Findings	Total Findings	CAW Received
Education				
University of Virginia[1]				
University of Virginia	4	0	4	NO
University of Virginia Medical Center	2	0	2	NO
University of Virginia College at Wise	0	0	0	N/A
Executive Offices				
None				
Finance[2]				
Department of Accounts	3	0	3	YES
Department of Planning and Budget	0	0	0	N/A
Department of Taxation	2	0	2	YES
Department of Treasury[3]	2	0	2	YES
Health and Human Resources[6][4]				
Department for Aging and Rehabilitative Services	2	0	2	YES
Department for the Blind and Vision Impaired	0	0	0	N/A
Department of the Deaf and Hard-of-Hearing	0	0	0	N/A
Virginia Board for People with Disabilities	0	0	0	N/A
Department of Behavioral Health and Developmental Services[5]	3	0	3	YES
Department of Health[5]	14	1	15	YES
Department of Medical Assistance[5]	2	0	2	YES
Department of Social Services[5]	6	2	8	YES
Office of Comprehensive Services for At-Risk Youth and Families	0	0	0	N/A
Virginia Foundation for Healthy Youth	0	0	0	N/A
Natural Resources				
None				
Public Safety				
Department of Criminal Justice Services	0	0	0	N/A
Technology				
None				
Transportation[7]				
Department of Aviation	0	0	0	N/A
Department of Motor Vehicles	0	2	2	YES
Department of Rail and Public Transportation	2	0	2	YES
Department of Transportation[5]	8	1	9	YES
Motor Vehicle Dealer Board	0	0	0	N/A
Veterans Affairs and Homeland Security				
None				

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

(2) *All of the following agencies were included under one report titled, "Agencies of the Secretary of Finance, Report on Audit for the Year Ended June 30, 2013."*

(3) *The Department of the Treasury Audit included Treasury Board operations.*

(4) *All of the following agencies were included under one report titled, "Agencies of the Secretary of Health and Human Resources, June 30, 2013," except for Virginia Foundation for Healthy Youth.*
(5) *Included a finding considered by the APA as a "Material Weakness."*
(6) *The Department of Health Professions was not included in this audit and will have a separate audit report issued in the future.*
(7) *All of the following agencies were included under one report titled, "Agencies of the Secretary of Transportation, June 30, 2013." Additionally, the Virginia Port Authority, which is audited by a public accounting firm, is not included in the APA report.*

Audit Findings—Quarter Ended March 31, 2014

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

Education

University of Virginia – Academic Division (UVA/AD)

1. Improve User Access Controls. UVA/AD must improve its policies and controls regarding user access to the Oracle e-Business Suite.

   Policies

   The APA found that UVA/AD's user access policies reside in different areas that were not intuitive to business managers. Navigating the UVA/AD website to locate the policies and procedures should be effortless for business managers if they are expected to understand how to request, terminate, and periodically review user access. At the conclusion of the APA's audit, UVA/AD reorganized its user access policies, but the APA did not review the reorganization for effectiveness.

   Additionally, the APA found UVA/AD never requires users to change their Oracle e-Business passwords. This creates a risk if an employee's password becomes known to others who can use it to log-in and execute transactions. Forcing regular password changes limits the amount of time that a lost, stolen, or forged password can be used by someone else. The APA recommends UVA/AD set its Oracle e-Business Suite password controls to require password changes at regular intervals, such as quarterly.

   Finally, UVA/AD's policies do not require an annual user access review, even though one is regularly performed. The APA recommends UVA/AD modify its current Administrative Data Access policy to formally require an annual review.

   User Access Reviews

   UVA/AD conducts annual reviews of Oracle user access by requiring Data Access Approvers (DAA) to certify the accuracy of and need for the responsibilities assigned to employees within the DAA's area. The APA audit of user access to the Oracle Finance module found users that had incompatible responsibilities and users who were allowed to certify their own access as reasonable. As a result, the APA is concerned about the effectiveness of the current DAA annual certification process.

   Many employees have only a few responsibilities which are confined to only one business unit and for these employees the APA found the DAA annual review process proves to be effective. Complexity and risk are added when an employee has multiple responsibilities or responsibilities administered by several business units. In these cases, the DAA may not be qualified to independently certify responsibilities granted by other business units; nonetheless, the DAA is expected to research the unfamiliar responsibilities to identify and understand any segregation of duties concerns that the responsibilities can create.

   In addition, business units may be unaware that there are employees with critical responsibilities which are typically restricted to only employees actively working within their business unit. This typically results from employees transferring to other departments without having their old responsibilities revoked, or when a business unit data steward authorizes an exception for someone outside their unit to have a responsibility. Some exceptions were granted several years ago and data stewards are not periodically asked to review these exceptions for continued need.

First, the APA recommends UVA/AD adopt a policy requiring that Human Resources terminate all user responsibilities whenever an employee transfers to another department and require the new department to request new responsibilities.

Second, the APA recommends UVA/AD prohibit employees from serving as their own primary or backup approver (DAA) and Information Technology Services should run periodic reports to validate compliance. The APA also recommends that the automated system that is used to facilitate the annual review be configured to capture the DAA user ID, as well as a time/date stamp, to provide evidence that a DAA review was completed.

Third, the APA recommends UVA/AD shift away from a responsibility driven annual review and instead focus on functionality and segregation of duties concerns. This would require business departments to collaborate and identify incompatible functionality (such as creating and approving transactions) and may require that multiple DAA's and data stewards review and approve an employees' access. Business managers have identified some incompatible responsibilities on the Integrated Systems website and instruct managers to avoid assigning them to the same individual. Given that these conflicts are known, the APA recommends that Information Technology Services provide periodic reports to business managers that identify users with incompatible responsibilities and ask them to confirm the risk is acceptable and that access is still necessary for the employee to perform their job. These reports would be faster and more accurate than relying on a DAA to identify them annually.

Fourth, the APA recommends UVA/AD incorporate other aspects of authority into its annual access review, such as transaction limits and transaction approvers. In addition, Information Technology Services should provide periodic reports to Human Resources that show users whose transaction approver has terminated so a new approver can be assigned timely.

Finally, the APA recommends that Information Technology Services improve its understanding of how to obtain data from Oracle's security tables. Gaining a strong understanding would allow it to automate the review process by providing exception reports that identify users with inappropriate or incompatible functionality based on the business rules. Additionally, this would facilitate a more-focused and effective review rather than spending time certifying the hundreds of users who have responsibilities that pose little to no risk.

2. <u>Strengthen Controls over Termination of Access to Systems and Facilities.</u> UVA/AD is not ensuring terminated employees have their system access privileges revoked timely. Removing terminated employees system and facility access promptly is essential in reducing UVA/AD's exposure to improper transactions, misappropriations of assets, and unauthorized access to sensitive data and physical areas. The APA found that 100 percent of the terminated salaried employees tested continued to have access to systems through the time the APA performed the audit. Some employees had terminated as much as 14 months prior to the APA's audit and in all cases, none of the departments had notified Human Resources to terminate the employees' access.

   On October 1, 2013, UVA/AD implemented an Off-boarding Toolkit which is applicable to all wage and salaried staff employees who terminate employment. Human Resources has communicated the new Toolkit to UVA/AD and made presentations to various management groups. In addition, Human Resources plans to perform random audits at least quarterly to ensure departments comply with the new Off-boarding Toolkit.

   The APA recommends that the UVA/AD Human Resources Department implement the new processes it has developed and perform regular audits to evaluate department compliance. The APA also recommends that Human Resources periodically compare terminated employees according to the payroll records to the systems access termination records to identify instances where departments did not notify them to terminate systems access.

3. Complete and Approve Reconciliations Timely. UVA/AD is not completing and approving reconciliations timely. In a sample of 55 reconciliations, five were prepared late and not approved, seven were prepared timely but not approved, five were prepared and approved late, and three were neither prepared nor approved.

   Reconciliations should be prepared and approved timely because they are an important internal control to promptly detect, correct, and report errors and irregularities. Late reconciliations and unreconciled accounts put UVA/AD at risk of making financial and administrative decisions based on inaccurate information.

   The APA recommends UVA/AD improve internal controls to monitor and enforce the timely preparation and approval of reconciliations. UVA/AD should ensure information captured in the Recon@UVA system is used to send electronic reminders to both the reconciliation preparer and approver when reconciliations are incomplete or becoming late.

4. Comply with UVA/AD Sole Source Policy. Procurement Services is not following UVA/AD policy and, therefore, risks allegations of unfairly awarding sole source contracts. In a sample of five, sole-source contracts, one lacked justification for a purchase over $5,000 and one lacked the consideration of alternate vendors through a market survey. The APA recommends Procurement Services improve controls that will ensure sole source purchases adhere to the UVA/AD policy.

University of Virginia Medical Center (UVAH)

1. Improve User Access Controls. UVAH must improve its controls regarding user access to PeopleSoft.

   UVAH had instances of employees with inappropriate access to both PeopleSoft Finance and Human Resources roles. UVAH's annual user access review process failed to identify the inappropriate access because reviewers were not provided sufficiently detailed information regarding role functionality.

   The APA recommends UVAH continue their current efforts to provide reviewers with more detailed information regarding role functionality. Having this detailed information will help managers more easily identify instances of inappropriate or unnecessary access.

2. Strengthen Controls over Termination of Access to Systems and Facilities. UVAH is not ensuring terminated employees have their system access privileges revoked timely. Removing terminated employees' system and facility access promptly is essential in reducing UVAH's exposure to improper transactions, misappropriations of assets, and unauthorized access to sensitive data and physical areas.

   The APA found that 16 percent of terminated employees tested continued to have access to systems and facilities ranging from 5 to 334 days after their termination date because their managers did not notify Human Resources timely.

   UVAH plans to convert the employee termination notification process to an electronic form through PeopleSoft. This will allow for the prompt removal of system and facility access for terminated employees, provided managers complete the electronic form.

   The APA recommends that the UVAH Human Resources Department implement the new processes it has developed and perform regular audits to evaluate department compliance. The APA also recommends that Human Resources periodically compare terminated employees according to the payroll records to the systems access termination records to identify instances where departments did not notify them to terminate systems access.

Finance

Department of Accounts (DOA)

1. Improve SQL Server Database Security. DOA has not implemented certain controls in its Payline System SQL database that contains sensitive information. The APA identified five control weaknesses that were communicated to management in a separate document marked Freedom of Information Act (FOIA) Exempt under Section 2.2-3705.2 of the *Code of Virginia* due to it containing descriptions of security mechanisms. The Commonwealth's IT Security Audit Standard, SEC501-07.1, requires implementing specific controls to reduce unnecessary risk to data confidentiality, integrity, and availability.

   DOA should dedicate the necessary resources to implement the controls discussed in the communication marked FOIA-Exempt in accordance with the Commonwealth's IT Security Audit Standard, SEC501-07.1.

2. Update the Physical Security Policy and Monitor Physical Access to the Data Center. DOA is not monitoring access to its data center or updating facilities security policies to reflect its changing environment. Sensitive information resides on the servers located at DOA, and physical access should be monitored to safeguard the equipment storing this information.

   DOA relocated its data center in fiscal year 2013 but has not updated its policies since fiscal year 2007. Therefore, the policies are not relevant to their current environment and not in compliance with the Commonwealth's IT security standard. In addition, the current authorized users consist of 15 individuals who have badge access to the data center, eight of which are outside contractors. DOA shares data center space with the Department of General Services (DGS) and no memorandum of understanding exists delegating responsibility for reviewing access. Having a significant number of individuals with access—including outside contractors—coupled with no monitoring of access to the data center, increases the risk that unauthorized individuals gain access to the data center.

   The APA recommends that DOA update its Facilities Security Policy and Data Center Access Policy and review the policies annually as stated in the Commonwealth's IT security standard. The APA further recommends DOA decrease the number of contractors who have access to the data center and implement a process of monitoring that access as stated in the Standard. In doing so, a memorandum of understanding between DOA and DGS will be necessary in order to assign responsibility to each agency.

3. Improve Financial Reporting and Communication with Agencies. During the 2013 audit of the Commonwealth's Comprehensive Annual Financial Report (CAFR), the APA identified the need for DOA to continue to improve communications with state agencies over the report preparation process. Adequate communication with agencies that are providing material amounts for inclusion in the CAFR is essential to DOA's ability to report complete and reliable information in its decentralized environment. Additionally, the APA identified the need to strengthen the analysis performed over areas identified as being more susceptible to material errors.

   The financial reporting process surrounding the preparation of the CAFR is susceptible to material misstatements due to the nature and extent of information consolidated by DOA in this effort. Over the course of the audit, the APA proposed several material audit adjustments related to a variety of items including inaccurate financial information received from agencies and errors related to the calculation of Net Investments in Capital Assets. The calculation of Net Investments in Capital Assets represents an area that has been identified in previous years as having errors associated with it. A majority of the data impacting this calculation derives from activity reported by the Department of the Treasury (TD) and the Department of Transportation. Due to the complexity of the data received by DOA from agencies in this regard, this area is more susceptible to having misstatements.

The APA recognizes the progress that DOA has made over the past couple of years in responding to the APA recommendations to improve communication with agencies that provide financial information that is significant to the CAFR. The APA recommends that DOA continue to improve the level and nature of communication that occurs with agencies in order to create a more proactive and collaborative financial reporting process, including further leveraging of agency-level expertise to assist in this endeavor. DOA should continue to develop and share their expectations of what they anticipate to receive from agencies which could help reduce the amount of agency resubmissions and overall CAFR audit adjustments. Lastly, DOA should enhance further its analysis performed over areas identified as being more inherently at risk to material error in an effort to minimize the risk of future misstatements.

Department of Taxation (TAX)

1. Improve Financial Reporting for Corporate Tax Refund Liability. TAX made an error in their Corporate Tax Refund liability reported to DOA. The error occurred when TAX did not follow their policies and procedures, which require they subtract an amount already reported as a notes payable. In addition, TAX did not detect the error during the review process or in the analysis performed to identify significant variances between the years. This error resulted in a $20,319,551 overstatement of the estimated Corporate Tax Refund liability.

   TAX should follow its agreed-upon policies and procedures and strengthen its review and analysis process to ensure material errors in year-end liabilities are detected before information is submitted to DOA.

2. Improve Internal Controls over Advantage Revenue Access. TAX needs to improve its internal controls over granting and monitoring system access to the Advantage Revenue system. During the APA audit, there were several areas where controls need to be improved including documentation of access structure and controls, granting of system access, and the annual recertification process. Although the APA did not find instances where these weaknesses had resulted in unauthorized transactions, TAX needs to strengthen its controls in the areas discussed below.

   TAX uses the System Access for Employees (SAFE) tool to monitor and track all types of user access from physical building access to access to the Advantage Revenue System. The APA reviewed information in SAFE to gain an understanding of and review employee access capabilities for the Advantage Revenue System, which is their critical financial reporting system. TAX uses an access structure which has several components including resources, security groups, and workgroups.

   Resources represent access to menus and potentially editable screens within Advantage Revenue. Security groups represent a set of resources for a specific group of similar functional users. For example, every employee in the Internal Audit security group is given a standard list of resources designed for their business function. Workgroups are collections of worklists, which can allow the user assigned to the worklist to review, approve, complete, correct, or add details to information in Advantage Revenue.

System Documentation

TAX does not have adequate documentation of resources and workgroups within Advantage Revenue. Written documentation of all resources within the Advantage Revenue system and the specific privileges associated with these resources, including whether these resources possess the ability to edit financial records, does not currently exist. A data field exists in the underlying table structure of Advantage Revenue that identifies whether resources are either read only or can edit underlying records, but this data field is a new addition to the table structure and is currently populated with placeholders that do not contain accurate information.

Additionally, TAX does not have adequate documentation related to workgroups. Assignment to a workgroup provides access to critical functions in Advantage Revenue, such as the ability to post or cancel journal vouchers. Written documentation describing the purpose of and accessible resources associated with the 41 workgroups did not exist during fieldwork. Written documentation of system resources whose access privileges are reliant upon assignment to a workgroup does not currently exist. The lack of adequate system documentation makes it difficult to determine exactly what capabilities a user has within the system and whether user access to these capabilities is truly appropriate.

Inappropriate Systems Access

The APA reviewed access in Advantage Revenue for the 21 employees assigned to the Revenue Accounting security groups and found 5 of the 21 (24 percent) employees had inappropriate access to a security group based on job function. Of these 21 employees, there were also three (14 percent) who had inappropriate access to the REV1 workgroup which controls the ability to approve or cancel journal vouchers. Journal vouchers are used to make adjustments to the financial information in Advantage Revenue.

The APA expanded the sample to include an additional ten employees with access to the REV1 workgroup. Of the additional sample, all ten (100 percent) employees had inappropriate access to the REV1 workgroup based on their job function.

Although TAX has compensating controls to ideally prevent and detect any unauthorized transactions, access needs to be granted under the principle of least privilege which translates to giving people the lowest level of user access that they can have and still do their jobs. Granting access under this principle is a best practice and minimizes the risk of unauthorized transactions.

Systems Access Recertification Process

TAX currently performs an annual review and recertification of systems access for all employees as required by Commonwealth of Virginia Information Technology Resource Management standard SEC 509-00. This recertification is designed to ensure that appropriate access is documented; granted on the principles of least privilege; and role based.

Of the 18 instances of inappropriate systems access discussed above, all were deemed appropriate by the designated SAFE approver during the fiscal year 2013 recertification. This brings into question how effective TAX's current recertification process is. The APA reviewed the instructions given to SAFE approvers for the recertification process and found they were provided adequate instructions on how to review employee access privileges within SAFE. However, SAFE approvers are not provided with adequate documentation of workgroup and resource capabilities to properly determine the appropriateness of their users' access. Managers need complete information when approving and reviewing system access for their employees.

Department of Treasury (TD)

1. Improve Monitoring of Administrative and Compliance Activities. TD should evaluate its monitoring and related documentation of certain administrative and compliance activities to ensure they are conducive to effective operations. The APA acknowledges that TD was understaffed during fiscal year 2013, which may have impacted its ability to monitor these administrative and compliance activities increasing TD's susceptibility to possible internal control weaknesses. The areas noted for TD to evaluate their current processes are monitoring compliance with the State and Local Government Conflict of Interests Act training requirements and adhering to their internal policies regarding access reviews and disabling access for terminated employees.

   TD has already began the process of reviewing its policies and procedures for monitoring its administrative and compliance activities by modifying the processes associated with training and disabling access, and the APA acknowledges their timely response to address these issues. As TD continues its review, the APA recommends it make necessary changes to ensure the proper processes are in place and that these processes are being followed in accordance with the applicable policies and procedures. When reviewing its policies and procedures TD should take into consideration its current staffing levels and ensure the policies are not cumbersome, yet are in line with best practices and external mandates, while providing adequate assurance over internal controls. In addition, the APA recommends that TD maintain adequate documentation to support its monitoring activities.

2. Improve Process for Paying Risk Management Administrative Invoices. TD's Division of Risk Management should improve its procedures for paying invoices for expenses other than claims. Aside from claims, Risk Management receives invoices for insurance premiums, administrative fees, etc., which are authorized for payment by Risk Management and then forwarded to TD's Operations Division for processing. An oversight by Risk Management while processing an invoice resulted in the duplicate payment of a $4.5 million invoice for an insurance premium. In this instance, the vendor promptly noticed the duplicate payment and remitted the funds back to the Commonwealth. To reduce the risk of duplicate payments, Risk Management should strengthen its procedures for tracking and reviewing invoices to ensure that they have not already been paid.

   As a result of the duplicate payment, the Operations Division has implemented additional internal controls to prevent duplicate payments. Since Risk Management personnel are responsible for reviewing and approving payments related to their operations, the APA recommends that additional internal controls be instituted during Risk Management's approval and review of invoices to detect duplicate payments prior to the invoice being sent to the Operations Division for processing.

Health and Human Resources

Department for Aging and Rehabilitative Services (DARS)

1. Implement Corrective Actions to Improve Financial Reporting Controls. DARS was found by the Department of Accounts (DOA) during its Quality Assurance Review not to have adequate policies, procedures, and controls over their financial reporting process and not to be in compliance with the Commonwealth's accounting policies and Comptrollers' Directives.

   Agencies should have adequate policies, procedures, and controls over their financial reporting process and be in compliance with the Commonwealth's accounting policies and Comptrollers' Directives.

DARS does not have sufficient controls and policies and procedures over the financial reporting process and has not complied with instructions on financial reporting directive submissions and the *Commonwealth Accounting Policies and Procedures* manual.

Without sufficient policies, procedures, and controls over the financial reporting process, DARS is at risk of providing incomplete or inaccurate information to DOA to be used in the process of compiling the Commonwealth's financial statements.

Management at DARS should continue implementing its corrective action plan to fix the deficiencies noted by DOA. Additionally, management should establish controls to ensure future compliance with the Commonwealth's accounting policies and the Comptroller's Directives.

2. <u>Notify the Department of Accounts of All Protected Personally Identifiable Information</u>. DARS and the Department for the Blind and Vision Impaired (DBVI) did not inform the DOA it had uploaded to the Commonwealth Accounting and Reporting System (CARS) client Social Security Numbers, last name, and first initial (personally identifiable information) for 261,669 individuals.

   The DOA memorandum to all Fiscal Officers of Agencies and Institutions of Higher Education dated July 13, 2007, titled "Information Not Considered Public Information" required all agencies notify DOA of any data in CARS that is restricted from public access by state or federal law.

   Management did not comply with DOA's memorandum at the time it was issued and continued to use personally identifiable information in CARS.

   The 261,669 unique records of personally identifiable information in CARS from July 1, 2010, through June 30, 2013, puts DOA at risk of disclosing this information to the public. Should this information be disclosed to the public, the Commonwealth would be liable for the costs of informing the public pursuant to the *Code of Virginia* §18.2-186.6 – Breach of Personal Information Notification. Additionally, there are 21 employees at DARS and others at DOA who have access to CARS, who do not have a business need to view personally identifiable information on the DBVI clients.

   Management should ensure DOA is aware of any personally-identifiable information in CARS so this information can be redacted in the event of a Freedom of Information Act (FOIA) request and ensure that going forward; no protected personally-identifiable information is contained within its accounting records.

Department of Behavioral Health and Developmental Services (DBHDS)

1. <u>Improve SQL Server Database Security</u>. **This is a Material Weakness**. DBHDS does not implement certain controls in its Financial Management System (FMS II) SQL database that contains sensitive information. The APA identified 13 weaknesses in controls that were communicated to management in a separate document marked Freedom of Information Act Exempt (FOIA) under Section 2.2-3705.2 of the *Code of Virginia* due to it containing descriptions of security mechanisms.

   The Commonwealth Information Security Standard, SEC 501-07.1, requires implementing specific controls to reduce unnecessary risk to data confidentiality, integrity, and availability.

   DBHDS did not adequately manage or establish appropriate information security controls for its FMS II SQL database.

   DBHDS cannot ensure confidentiality, integrity, and availability for the FMS II SQL database.

DBHDS should dedicate the necessary resources to implement the controls discussed in the communication marked FOIA-Exempt in accordance with the Commonwealth Information Security Standard, SEC 501-07.1.

2. Remove Access Promptly Upon Employee Termination. DBHDS is not removing user access promptly upon employee separation for three critical systems. The APA review found the following:

   I. DBHDS did not deactivate access for 13 of the 19 eVA users that separated during the fiscal year in a timely manner. One employee retained system access for 708 days after termination. The remaining twelve exceptions on average were not deactivated for 161 days.

   II. DBHDS did not remove AVATAR access in a timely manner for eight separated employees. After separation, four individuals retained their access between 13 and 38 days. Another three retained their access between 64 and 72 days and one retained their access for 142 days.

   III. DBHDS did not remove Commonwealth Accounting Reporting System (CARS) access in a timely manner for four separated employees. One individual had CARS access 17 days after separation and another three retained their access between 75 and 84 days after separation.

   The Commonwealth Information Security Standard SEC 501-07.1, AC-2– COV, 2.e-f, requires the prompt removal of system access for terminated or transferred employees.

   Additionally, the eVA Electronic Procurement System Security Standards section 2.8, issued by the Department of General Services (DGS) requires all system privileges shall be deactivated when the requirement for access no longer exists.

   Separation procedures are not operating effectively to identify and remove unnecessary access to eVA, AVATAR, and CARS upon employee separation. Additionally, management has not developed a process for periodically reviewing eVA, AVATAR, and CARS systems for separated employees with user access.

   Untimely removal of user access increases the risk of unauthorized individuals inappropriately entering or approving transactions, which could affect the integrity of affected systems. DBHDS should evaluate separation procedures to ensure communication channels and security protocols are in place to identify and remove access to critical systems upon termination. The DBHDS should train employees on any changes to separation procedures and develop a periodic monitoring mechanism to identify separated employees with access to critical systems.

3. Record Capital Outlay Budgets and Expenditures in GCPay as Required. DBHDS is not recording its capital outlay budgets and expenditures in GCPay for projects that use pooled funds from debt issuance.

   The Commonwealth of Virginia's Construction and Professional Services Manual, Section 3.2.4.1.1, mandates that GCPay be used for all pool-funded projects financed through the Six-year Capital Outlay Plan Advisory Committee.

   DBHDS decided to limit its use of GCPay to prevent additional costs. Per the Office of Architecture and Engineering services, DBHDS must print and process some pay requests using GCPay because some contractors do not have the capabilities to use GCPay. Contractors are charged $175 for each payment manually processed through GCPay, and the contractor passes this cost to DBHDS.

The Department of Treasury (TD) uses past costs and budget estimates to anticipate when debt issuances will need to occur to have the cash available to pay capital project expenditures. If agencies do not report budgets and expenditures centrally into GCPay, TD may not issue enough debt to cover the Commonwealth's costs, and DBHDS may not have the funds needed to pay their contractors.

Management at DBHDS should use GCPay as required by DGS and TD for all pooled fund capital projects supported by debt to ensure that funds are available to pay contractors.

Department of Health (VDH)

1. Implement User Access Controls for ROAP System – CACFP. **This is a Material Weakness**. VDH is not managing access to its Regional Office Administered Program (ROAP) system used to submit claims for reimbursement for the Child and Adult Care Feeding Program (CACFP), CFDA #10.558. Currently, there is no new user agreement form to substantiate the access being granted, there is no periodic review of granted access for reasonableness, as well as no termination process for separated or transferred employees. Additionally, several users have Database Administrator access and there is not an adequate record justifying the creation of accounts or what levels of access are reasonable.

   Commonwealth Information Security Standard SEC 501-7.1, AC-2 Account Management, details the need for managing information system accounts. These standards include, but are not limited to identifying account types and establishing authorized users for each type; requiring appropriate approvals for new user access; deactivating accounts of separated employees; and reviewing access for reasonableness at least annually.

   The ROAP system was obtained when VDH assumed administration of CACFP from the United States Department of Agriculture (USDA). When VDH implemented the ROAP system they continued to use it as if the USDA still owned it and never established controls to monitor the access of users.

   Not monitoring user access increases the risk of unauthorized transactions within the ROAP system. ROAP is a web-based system and terminated users can access the application from outside the agency after separation. Database Administrator accounts have the ability to create fictitious accounts due to their level of access and no record of new account authorizations exists. Also, management does not perform a review of transactions in the system to ensure that separated employees are not engaging in unauthorized transactions in the system.

   VDH should implement controls over the ROAP system by creating new user access agreement forms, a periodic review of access for reasonableness, and a termination of user access policy that states the need for prompt removal of access from the system. Additionally, the APA recommends the program manager maintain a record justifying the creation of new accounts. The VDH should also evaluate the level of access maintained by users and ensure that the principle of least privilege is being followed.

2. Maintain Updated Information Systems Inventory – CACFP. The Office of Information Management (OIM) at VDH does not maintain a complete list of all information systems. Specifically, OIM did not account for the ROAP system.

   The Commonwealth Information Security Standard, SEC 501-07.1, Section 8.15 (SA-1), requires a formal, documented system and services acquisition policy that includes information security considerations and that addresses purpose, scope, roles, responsibilities, management commitment, coordination among organizational entities, and compliance.

   The ROAP system was obtained when VDH assumed administration of the Child and Adult Care Feeding Program (CACFP) from the USDA. When VDH implemented the ROAP system, they continued to use it as if the USDA still owned it and did not establish appropriate information security controls.

By excluding ROAP from OIM's inventory of information systems, VDH cannot ensure that ROAP has appropriate controls that protect against information security risks. In addition, a lack of communication with Internal Audit has allowed the system to avoid appropriate internal audit coverage.

The VDH, specifically OIM, should dedicate the necessary resources to ensure that they maintain an accurate, updated inventory of all information systems owned by VDH.

3. Improve Web Application Security – CACFP. The VDH does not implement certain controls in its ROAP web application that contains sensitive information. The APA identified three weaknesses in controls that were communicated to management in a separate document marked Freedom of Information Act (FOIA) Exempt under Section 2.2-3705.2 of the *Code of Virginia* due to it containing descriptions of security mechanisms.

   The Commonwealth Information Security Standard, SEC 501-07.1, requires implementing specific controls to reduce unnecessary risk to data confidentiality, integrity, and availability.

   The ROAP system was obtained when VDH assumed administration of the Child and Adult Care Feeding Program (CACFP) from the USDA. When VDH implemented the ROAP system, they continued to use it as if the USDA still owned it and did not establish appropriate information security controls.

   VDH cannot ensure confidentiality, integrity, and availability for the ROAP web application.

   VDH should dedicate the necessary resources to implement the controls discussed in the communication marked FOIA-Exempt in accordance with the Commonwealth Information Security Standard, SEC 501-07.1.

4. Complete Subrecipient Monitoring Reviews – CACFP. **This is a Repeat Finding**. VDH did not complete the minimum number of subrecipient monitoring reviews in federal fiscal year 2012 for the Child and Adult Care Feeding Program (CACFP), CFDA #10.558. Although VDH reviewed 33.3 percent of its subrecipients in federal fiscal year 2012, it did not meet the requirement to review all sponsors once every three years. Additionally, VDH's subrecipient monitoring tracking document was missing 19 active subrecipients.

   USDA federal regulation 7 CFR § 226.6(m) requires VDH in each federal fiscal year to review 33.3 percent of all of its subrecipients as well as any subrecipients that have not been reviewed in the past three years.

   Due to staffing issues and significant turnover within the Division of Community Nutrition, VDH was not able to complete the minimum number of reviews. Also, VDH's tracking list of subrecipients was not complete, which prevented some subrecipients from being reviewed within the required three-year period. The VDH returned to the federal government $289,612 or 53.7% of the amount allocated by the USDA to Virginia for completing subrecipient reviews.

   Insufficient review by VDH increases the risk of program non-compliance at the subrecipient level. In addition, having an incomplete tracking document increases the possibility of missing reviews for the subrecipients not listed. The Commonwealth, through VDH, is liable to the federal government for any funds that program subrecipients do not use according to program regulations.

VDH should ensure all subrecipients are reviewed on a three-year basis and improve its tracking document to make sure it is complete. The VDH should also maintain adequate staffing levels to ensure that subrecipient reviews are being performed according to grant requirements.

5. Review Subrecipient Single Audit Reports and Issue Management Decisions – CACFP. VDH is not reviewing single audit reports for all subrecipients of the Child and Adult Care Feeding Program (CACFP), CFDA #10.558. VDH does not request audit reports from all entities that receive less than $500,000 from CACFP, even if the subrecipient received a single audit. As a result, staff cannot review all subrecipient audit reports for related audit findings.

   Also, VDH does not compare any subrecipient audited Schedule of Expenditures of Federal Awards (SEFA) to VDH's internal accounting records to ensure pass-through funds are properly identified for audit. For related audit findings, if any, VDH does not have a policy to issue official management decisions to its subrecipients.

   Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart D-Federal Agencies and Pass-Through Entities §__.400 Responsibilities, (d) Pass-through entity responsibilities, (4), (5), and (6), which are:

   (4) Ensure that subrecipients expending $300,000 ($500,000 for fiscal years ending after December 31, 2003) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.

   (5) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.

   (6) Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records.

   Management at VDH was not aware of their responsibilities of comparing the subrecipient SEFA to internal accounting records. Until recently there was not sufficient agency-wide guidance regarding subrecipient monitoring. Also, according to management, the Office of Family Health Services, which administers CACFP, experienced high turnover.

   Insufficient review of single audit reports by VDH increases the possibility of not detecting non-compliance or internal control issues at its subrecipients. Subrecipients that do not properly identify federal expenditures, or exclude amounts on their SEFA, increase the risk that VDH cannot rely on the subrecipient single audit. Furthermore, inadequate review of single audit reports prevents VDH from knowing if a subrecipient's audit necessitates adjustments to its own records.

   Without VDH issuing a management decision and following up on any related audit findings, subrecipients would not know if corrective actions are appropriate. In addition, some subrecipients may elect not to take corrective action without guidance from VDH.

   VDH's management should designate staff to review subrecipient single audits and SEFAs to ensure compliance with OMB's Circular A-133 § .400(d)(4-6).

6. Improve Controls over Federal Reporting – CACFP. VDH does not have sufficient controls in place to ensure accurate federal reporting for the CACFP, CDFA #10.558. The VDH discovered an error when asked to substantiate a number on the quarterly FNS-777 report submitted to the USDA. Additionally, VDH is unable to provide evidence that all submitted federal reports are reviewed by management prior to submission.

Line 13 on the FNS 777 report states, “I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays and unliquidated obligations are for the purposes set forth in the award documents.” By submitting and signing the report, VDH is certifying that its report is complete and correct. In addition it is a management best practice to review all reports for accuracy before they are submitted to the federal government.

According to management, due to significant understaffing and high turnover within the Office of Family Health Services’ Division of Administration there has not been a separate review of all federal reporting. In addition, VDH has no policies that require a sufficiently detailed review of federal reporting by management prior to submission.

The lack of a review process increases the risk of inaccurate reporting due to human error. Inaccurate federal reports must be resubmitted, creating operational inefficiencies.

For all amounts reported to the federal government, VDH should maintain a full and complete audit trail to supporting records. Additionally, VDH should implement policies and procedures that require a detailed and documented review of federal reports prior to submission.

7. Complete Federal Funding Accountability and Transparency Act Reporting – CACFP. VDH has not submitted timely Federal Funding Accountability and Transparency Act (FFATA) reporting for the (CACFP), CDFA #10.558. Currently VDH has only submitted FFATA data through the month of October 2012.

   FFATA and 2 CFR § 170 requires VDH to submit FFATA reporting no later than the month following the month in which VDH awards $25,000 or more in federal funds to a subrecipient.

   According to management, due to significant understaffing and high turnover within the Office of Family Health Services’ Division of Administration, VDH has been unable to complete the FFATA reporting.

   Not complying with FFATA and corresponding regulations limits the federal government and taxpayers’ ability to know which entities are receiving federal funds through VDH.

   VDH should complete FFATA reporting as required. Management should also develop written procedures for the accounting staff to ensure continuing compliance during staffing changes.

8. Establish Corrective Actions for Federal Findings – WIC. VDH has not established plans or taken actions to address 7 open findings identified by the USDA. USDA’s State Technical Assistance Reviews (STAR) of CFDA #10.557 - Supplemental Nutrition Program for Women, Infants, and Children (WIC) that took place between September 2011 and July 2012 identified seven findings which remain open.

   OMB’s Circular A-133 § .300(c) requires auditees to maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

   Due to the lack of a strong control environment, there was no prompt response to the USDA findings. In addition, WIC program management did not involve VDH’s Director of Internal Audit in the external review process as required by VDH’s Internal Audit Policy IA#1.02. As a result there was no oversight of the resolution of findings.

Not establishing plans or taking actions to correct the findings from the USDA indicates a weak control environment, which increases the risk of non-compliance. Within the STAR evaluations, USDA indicates that they could establish a claim against VDH due to findings of non-compliance. At the time of this report, no such claims were known.

Management should promptly develop and submit corrective action plans to the USDA for all open STAR findings. To ensure findings are resolved, management should also designate responsible parties for each corrective action and commit to a timeline for resolution and compliance.

9. Improve WICNET Controls over Eligibility – WIC. VDH does not have adequate controls in place in the WICNET system to provide assurance that all eligibility requirements for the 10.557 WIC are being satisfied. Within the month sampled, the APA found examples of the following:

    I. A non-Virginia resident receiving WIC benefits;
    II. No description of the documentation that was used to prove of residence for some recipients;
    III. No documentation of the nutritional risk conditions that established eligibility;
    IV. Participants with certification periods longer than the maximum allowed; and
    V. No documentation of the competent professional authority (CPA) that made the nutritional risk determination that established eligibility.

According to Special Supplemental Nutrition Program for Women, Infants, and Children, 7 C.F.R. (1985) requirements exist in the following areas:

    I. § 246.7 (c)(1) To qualify for the Program, infants, children, and pregnant, postpartum, and breastfeeding women must: (i) Reside within the jurisdiction of the State.
    II. § 246.7 (i)(4) A description of the document(s) used to determine residency and identity or a copy of the document(s) used or the applicant's written statement when no documentation exists.
    III. § 246.7 (i)(8) The specific nutritional risk conditions which established eligibility for the supplemental foods. Documentation should include health history when appropriate to the nutritional risk condition, with the applicant's or applicant's parent's or caretaker's consent.
    IV. § 246.7 (g) Certification periods.
    V. § 246.7 (i)(9) The signature and title of the competent professional authority making the nutritional risk determination, and, if different, the signature and title of the administrative person responsible for determining income eligibility under the Program.

Related causes include:

    I. According to management, at the time of the audit, the control within the WICNET system designed to stop benefits for individuals with addresses outside of Virginia was based on a table of allowable zip codes. Instead of testing the recipient's address for "VA," the control compared their zip code to the approved listing of zip codes. Because some zip codes on this table are outside of Virginia, this control will not stop recipients from receiving benefits if they live in one of the approved zip codes.
    II. Due to a critical error in the system, management made the decision to remove the requirement to type in proof of residency information for all WIC participants that transfer from other states.
    III. Due to a system error, WICNET created new certifications for certain participants and did not require nutritional risk information to be entered.
    IV. The certification lengths in question were modified by help-desk employees. Due to a lack of reasonable support for the changes made to certification length, these certifications could not be substantiated as allowable.

V. Due to WICNET's design, the system does not maintain a reliable data field that identifies the CPA involved in each certification.

The APA recommends that:

I. VDH implement controls to ensure that all participants in the Virginia WIC program are residents of Virginia;
II. VDH ensure that a description of the documentation that it used to prove of residence is retained for all participants;
III. VDH ensure that all certifications for participants have the nutritional risks documented with the certification;
IV. VDH ensure that all certification periods are within the allowable limits; and
V. VDH ensure that the signature of the CPA making the nutritional risk determination is documented for each certification.

In addition to the specific items above, VDH should establish controls to ensure that changes made to the eligibility record by the help desk are reasonable and develop a process to monitor these changes. Also, VDH should ensure that any changes to the WICNET system's business rules or edits be evaluated to ensure that no critical controls over eligibility will be eliminated.

As VDH replaces the current WICNET system with the new Crossroads WIC system, they should ensure that the new system has controls in place that meet the eligibility compliance requirements as noted above. Management should also implement ongoing processes to test these controls and others over eligibility requirements to ensure the system is working as intended.

10. <u>Review Subgrantee Single Audit Reports and Schedules of Expenditures of Federal Awards – WIC</u>. VDH is not reviewing single audit reports for subrecipients of WIC, CFDA #10.557. The VDH receives single audit reports from its subrecipients; however, staff does not document their review of the audit reports for related audit findings or the Schedule of Expenditures of Federal Awards (SEFA). As a result, VDH does not compare the subrecipient audited SEFA to VDH's internal accounting records to ensure pass-through funds are properly identified for audit. For related audit findings, if any, VDH does not have a policy requiring timely issuance of official management decisions to its subrecipients.

Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart D-Federal Agencies and Pass-Through Entities §__.400 Responsibilities, (d) Pass-through entity responsibilities, (4), (5), and (6), which are:

(4) Ensure that subrecipients expending $300,000 ($500,000 for fiscal years ending after December 31, 2003) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year;

(5) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action; and,

(6) Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records.

VDH management was not aware of their responsibilities of comparing the subrecipient SEFA to internal accounting records. Until recently there was not sufficient agency-wide guidance regarding subrecipient monitoring. Also, according to management, the Office of Family Health Services has experienced high turnover.

Insufficient review of single audit reports by VDH increases the possibility of not detecting non-compliance or internal control issues at its subrecipients. Subrecipients, who do not properly identify federal expenditures or exclude amounts on their SEFA, increase the risk that VDH cannot rely on the subrecipient single audit. Furthermore, not adequately reviewing single audit reports prevents VDH from knowing if a subrecipient's audit necessitates adjustments to its own records.

Without VDH issuing a management decision and following up on any related audit findings, subrecipients would not know if their corrective actions are appropriate. In addition, some subrecipients may elect not to take corrective action without guidance from VDH.

VDH's management should designate staff to review subrecipient single audits and SEFAs to ensure compliance with OMB's Circular A-133 § .400(d)(4-6). VDH should also designate the responsibility of issuing management decisions on related subrecipient audit findings.

11. Improve Controls over Federal Reporting – WIC. VDH does not have sufficient controls in place to ensure accurate federal reporting for the WIC, CFDA #10.557. VDH is unable to provide support for a reported amount on the annual FNS-798 report submitted to the USDA. Additionally, VDH is unable to provide evidence that all federal reports are reviewed by management in sufficient detail prior to submission.

    VDH is required by 7 CFR § 246.25 to maintain full and complete records concerning program operations. In addition, it is a best practice to create an audit trail of review before submitting reports to USDA.

    According to management, due to significant understaffing and high turnover within the Office of Family Health Services' Division of Administration there has not been a separate review of all federal reporting. In addition, VDH has no policies that require a review of federal reporting in sufficient detail by management prior to submission.

    Lack of a reporting review process increases the risk of inaccurate reporting due to human error, as discovered on the FNS-798 report. Inaccurate federal reports must be resubmitted, creating operational inefficiencies.

    For all amounts reported to the federal government, VDH should maintain a full and complete audit trail to supporting records. Additionally, VDH should implement policies and procedures that require a detailed and documented review of federal reports prior to submission.

12. Complete Federal Funding Accountability and Transparency Act Reporting – WIC. VDH stopped reporting financial information required by the FFATA for CFDA #10.557- WIC.

    FFATA and 2 CFR § 170 require VDH to report certain information to the federal government for awards of federal funds that VDH makes to sub-recipients.

    Due to significant turnover within the Office of Family Health Services' (OFHS) Division of Administration and insufficient procedures on FFATA reporting, new employees were unaware of the requirement to compile and submit the necessary subaward data to the federal government.

There was no FFATA reporting completed for WIC in federal fiscal year 2013. Not complying with FFATA and corresponding regulations prevent the federal government and taxpayers from knowing which entities are receiving federal funds through VDH.

The Division of Administration within OFHS should complete FFATA reporting. Management should also develop written procedures for the accounting staff to ensure continuing compliance during staffing changes.

13. Improve Oracle Database Security. VDH does not implement certain controls in its WICNET Oracle database that contains sensitive information. The APA identified a weakness in control that was communicated to management in a separate document marked Freedom of Information Act (FOIA) Exempt under Section 2.2-3705.2 of the *Code of Virginia* due to it containing descriptions of security mechanisms.

    The Commonwealth Information Security Standard, SEC 501-07.1, requires implementing specific controls to reduce unnecessary risk to data confidentiality, integrity, and availability.

    VDH did not adequately manage or establish appropriate information security controls for its WICNET Oracle database.

    VDH cannot ensure confidentiality, integrity, and availability for the WICNET Oracle database.

    VDH should dedicate the necessary resources to implement the controls discussed in the communication marked FOIA-Exempt in accordance with the Commonwealth Information Security Standard, SEC 501-07.1.

14. Communicate Responsibilities for ADAP Inventory and Properly Report. VDH does not maintain a written agreement with the Alexandria and Fairfax Health Districts regarding their storage of AIDS Drug Assistance Program (ADAP) drug inventory that belongs to VDH. Additionally, VDH did not initially properly report inventory at these two health districts to DOA.

    DOA's *Commonwealth Accounting Policies and Procedures* (CAPP) manual Topic No. 30515, "Supplies and Materials Inventory," requires agencies to maintain control, care, and security of all inventories.

    The Health District pharmacies were previously owned and operated by VDH. At that time, no agreement was necessary. Now that the pharmacies are funded and operated by the localities, no agreements were created to describe the localities' responsibilities for ADAP drug inventory.

    Not maintaining written agreements with health districts regarding the use, control, care, and security of inventory could result in miscommunication regarding asset ownership. In the case of misuse of federal inventories, this could result in questioned costs. In addition, not formalizing the agreement with the health districts could result in insufficient monitoring of drug inventory by VDH.

    VDH should develop and execute a written agreement with any districts possessing VDH's ADAP inventory. The VDH should ensure these agreements describe the allowable uses, required controls, and reporting of the ADAP drugs.

15. Promptly Remove WebVision Access for Separated Users. VDH did not remove the access to the WebVision system for two users in a timely manner. The two users retained their access for 6 and 15 business days after separating from VDH.

Commonwealth Information Security Standard SEC 501-7.1, AC-2 Account Management, requires: "Notifying account managers…when information system users are terminated, transferred, or information system usage or need-to-know/need-to-share changes." Also, for all internal systems, SEC 501 states that each agency shall "[p]romptly remove access when no longer required."

According to VDH, each health district has a WebVision Account Administrator that is responsible for the approval, creation, and deletion of local accounts. However, some of the local districts have experienced significant turnover and are in need of additional training to reiterate this policy.

Users retaining system access after separation increase the risk of unauthorized transactions.

VDH should implement a system to track the periodic certifications of user access from local health districts and provide training to the local business managers on VDH's policies for the timely termination of system access.

Department of Medical Assistance Services (DMAS)

1. Improve Oracle Access Controls. ***This is a Material Weakness***. DMAS did not identify the activities of the system administrator for its Oracle Governmental Financials Accounting System as an auditable event to be logged. Additionally, the system administrator user ID and password for this system is shared by three users.

   Commonwealth Information Security Standard, SEC 501-07, Section 8.3, requires agencies to identify events which need to be auditable as significant and relevant to the security of the information system. Additionally, agencies must review and update their list of auditable events at least once a year. Finally, SEC 501-06, Section 5.3.2, requires the use of a non-shared and a unique password on each account on IT systems classified as sensitive.
   Not identifying the activities of the system administrator as an auditable event was the result of a lack of coordination between system owners and the Database Administrators and knowledge of the capabilities of the Oracle Governmental Financials Accounting System that allow for activity logging. The sharing of user IDs and passwords was the result of employees not following security standards.

   As a result of not identifying system administrator's activities within its Oracle Governmental Financials Accounting System as an auditable event, DMAS is not logging or monitoring the activity associated with the system administrator user ID. By not logging or monitoring the associated activities with this user ID, management is limited in its ability to detect unauthorized or possibly fraudulent activity. User IDs with elevated privileges, such as system administrator, have the ability to alter information without adhering to application controls. Additionally, allowing system administrators to share a user ID and password eliminates management's ability to identify which individual initiated system activity and hold them accountable.

   Management should evaluate if activities of its system administrators should be auditable. If their activities are significant and relevant to the security of the information system, management should implement the audit logging functionality of the Oracle Governmental Financials Accounting System in order to properly monitor user activities. Ideally, audit trails should be automatically transferred to an external log server or written to an area of the Oracle Governmental Financials Accounting System that is inaccessible to System Administrators. Management should assign someone outside of the System Administrator group to review and maintain the system audit logs. Additionally, management should assign different user IDs and passwords to each of the systems administrators.

2. Improve Access Management to the Medicaid Management Information System. DMAS does not require the Department of Social Services (DSS) perform annual reviews of its Medicaid Management

Information System (Medicaid Management System) users. In addition, the annual review of DMAS' users only includes a review of employees who are newly hired, separated or transferred; it does not include a review of the access and privileges for all other employees who have access to the Medicaid Management System.

The Commonwealth Information Security Standard, SEC 501-07.1, Section 8.1.AC-2(j), requires that agencies review user accounts and privileges annually.

DMAS does not include a requirement in their Interagency Agreement with DSS to require DSS to perform an annual review of their system users. Additionally, DMAS lacks procedures and processes to review all of its employees' user accounts and privileges of the Medicaid Management System as required.

The Medicaid Management System is used to update Medicaid eligibility information and it is used to process Medicaid claims that total approximately $7 billion. Without reviewing user accounts and privileges annually, DMAS and DSS cannot confirm that user access is current and reasonable based on the user's job responsibilities. This increases the risk of unauthorized users being able to access and make changes to protected health information within the system.

Even though access to the Medicaid Management System is suspended for inactive users, the APA recommends that DMAS develop a mechanism to supply system owners and employee managers with a listing of user accounts and their privileges in order to review accounts and privileges annually, as required. The APA also recommends that DMAS update the Interagency Agreement with DSS to include an annual review of Medicaid Management System users. This will enable DMAS to ensure that user accounts and privileges are current and reasonable.

Department of Social Services (DSS)

1. Develop Workable Solutions to Maintain Appropriate Balance of Internal Controls. ***This is a Material Weakness***. The Information Security Officer (ISO) at DSS is not maintaining the appropriate detective controls to determine what users with elevated levels of access are doing within the Application Benefit Delivery Automation Project (ADAPT) system.

   The Commonwealth Information Security Standard, SEC 501-07.1 Section 2.5.4, requires that the ISO implement and maintain the appropriate balance of preventative, detective and corrective controls for agency information technology systems commensurate with data sensitivity, risk, and systems criticality.

   During the period under review, the Secretary of Health and Human Resources tasked the Department of Medical Assistance Services (DMAS) to perform a project to determine if discrepancies in information critical to eligibility determination existed between the Commonwealth's different case management systems. While performing this project, DMAS identified several discrepancies between the systems. As a result, DSS then tasked several employees to update information in ADAPT.

   When granting access to ADAPT, management elected to give these individuals access allowing them to make updates within the application. The access granted allowed these employees to override the eligibility determination rules and make updates directly to the supporting database. While the ISO originally objected to providing these individuals with this level of access, the access was later granted without any compensating controls.

   The ISO has a mechanism to track the actions of database administrators, which has capabilities similar to the employees in question within ADAPT. Therefore, the ISO had the ability to track what these users were doing in ADAPT. However, even though these employees could override management's controls, the ISO did not review what tasks these users were performing because the listing of cases authorized to be updated was not provided to the Division of Information Technology. Therefore, the ISO could not develop an expectation as to what would be considered a reasonable modification.

ADAPT is the case management system for the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), and Medicaid programs. Without the ISO maintaining the appropriate detective controls to determine what users with elevated levels of access are doing within ADAPT, management cannot assure itself that unauthorized transactions did not take place.

Going forward, the Divisions within DSS which authorize users to have elevated levels of access should work with the ISO to ensure enough information is provided to implement detective controls. By doing such, the ISO will be able to assure the Commissioner that DSS' systems are properly secured and that information has not been incorrectly altered.

2. Perform Health and Safety Inspection as Required. DSS is not performing the required number of health and safety inspections annually as required for all Child Welfare Agencies.

   In order to receive money from the Child Care and Development Fund, DSS must certify to the federal government that procedures are in effect to ensure providers serving children who receive subsidies comply with all applicable health and safety requirements, Health and Safety Requirements, 45 C.F.R. §98.41(d) (2012). As part of its procedures, DSS is required to inspect all licensed Child Welfare Agencies at least twice annually as prescribed by the *Code of Virginia* §63.2-1706 C.

   According to management, Regional Licensing Offices in Northern Virginia experienced an increase in caseload and employee turnover. As a result of the time it took to hire and train new employees, nine percent of the required health and safety inspections were not performed.

   While the Regional Licensing Offices implemented procedures to ensure high risk Child Welfare Agencies were inspected, some lower risk agencies were not inspected as required. The DSS reported it missed its goal of inspecting all Child Welfare Agencies to the Council on Virginia's Future, which presented this information on the Virginia Performs website.

   The APA recommends the Division of Licensing within DSS continue to monitor its Regional Licensing Offices and develop action plans to confirm that all Child Welfare Agencies are inspected twice annually. In addition, DSS should work with the Secretary of Health and Human Resources to confirm authorization for the hiring of vacant positions is granted in a timely manner. By doing such, DSS will be able to maintain continuity for performing licensing inspections and comply with the provisions outlined within the *Code of Virginia.*

3. Improve Oracle Database Security. DSS does not properly protect certain aspects of the Oracle Database Management System (DBMS) that support the Financial Accounting Analysis System (FAAS). FAAS contains sensitive information, such as financial records and personally-identifiable information. The APA identified three weaknesses in controls that were communicated to management in a separate document marked Freedom of Information Act (FOIA) Exempt under Section 2.2-3705.2 of the *Code of Virginia* due to it containing descriptions of security mechanisms.

   The Commonwealth Information Security Standard, SEC 501-07, Section AC-6 requires, and the Center for Internet Security (CIS) Oracle 11g Database best practices recommends, implementing specific controls to reduce unnecessary risk to data confidentiality, integrity, and availability.

The first weakness identified resulted from a lack of coordination between the Information Security Office and the FAAS System Owner in order to ensure that security reviews are being performed for accounts with elevated privileges. The second weakness identified was the result of DSS securing the FAAS database based on a configuration guide that does not meet the requirements in Commonwealth Information Security Standard SEC501-07. The third weakness identified was the result of an oversight of a setting that did not comply with DSS' security policy.

The DSS does not have a properly established baseline for the installation and management of the Oracle E-Business Suite (EBS) database. While, in most cases, EBS Security Configuration Guide provides proper guidance, certain criteria in this baseline do not adhere to Commonwealth Information Security Standard, SEC501-07, and is considered a risk to the Commonwealth's and Citizens' data if not implemented.

The DSS should dedicate the necessary resources to implement the controls discussed in the communication marked FOIA-Exempt and implement a baseline installation guide aligned with Commonwealth Information Security Standard, SEC501-07.

4. Implement and Improve Change Management Process for Sensitive Applications. **This is a Repeat Finding**. DSS does not have certain change management procedures and/or policies established for specific systems containing sensitive data. The APA identified three weaknesses in controls that were communicated to management in a separate document marked Freedom of Information Act (FOIA) Exempt under Section 2.2-3705.2 of the *Code of Virginia* due to it containing descriptions of security mechanisms.

   The Commonwealth Information Security Standard, SEC 501-07, Section 8.5.CM-1, requires agencies to establish change management controls so that changes to the Information Technology (IT) environment do not compromise security controls. Several best practices, such as ITIL and COBIT, provide guidance on establishing a comprehensive change management framework.

   DSS has not been able to implement central change management policies and procedures because of resource allocation and availability.

   DSS' staff is able to initiate changes to critical information and/or systems without proper documentation, preventing management from properly ensuring that changes made to these systems and their information is performed safely and within established procedures. While DSS currently exhibits proper change management procedures in practice, developing a formal change management policy for specific systems will ensure consistency through the change management process and prevent errors in application coding and data flow and ensure data availability.

   The APA recommends that DSS develop and implement central policies governing the change management practices for all systems within the organization. Having one set of policies will create consistent expectations for how changes will be performed and controlled in the future. Management should dedicate the necessary resources to document the required minimum policies and procedures for making changes to all IT systems and monitor compliance.

5. Review User Accounts and Privileges for Mission Critical Systems. For several mission critical systems, management at DSS is not reviewing, as required, user accounts and privileges for reasonableness.

   The Commonwealth Information Security Standard, SEC 501-07.1, Section 8.1.AC-2(j), requires that agencies review user accounts and privileges annually.

DSS has not performed annual access reviews for several of its mission critical systems because it lacks a policy communicating the responsibility to review access and a process for to supplying system owners and employee managers with a listing of user access privileges.

DSS uses the Automated Program to Enforce Child Support (APECS) system to manage the Child Support Enforcement Program, Energy Assistance System (EAS) to manage the Low Income Household Energy Assistance Program, and the Online Automated Services Information System (OASIS) to manage the Foster Care and Adoption Assistance programs. Collectively, these systems are used to manage approximately $841 million in payments. Without reviewing user accounts and privileges annually, DSS cannot confirm that user access is current and reasonable based on the user's job responsibilities. In effect, this increases DSS' risk of unauthorized transactions taking place within these systems.

The APA recommends that DSS develop a mechanism to supply system owners and employee managers with a listing of user accounts and their privileges. Thereafter, DSS should develop a plan to ensure that all mission critical systems are reviewed annually. By meeting this requirement of the Commonwealth Information Security Standard, DSS will be able to ensure that user accounts and privileges are current and reasonable.

6. <u>Reduce the Time it Takes to Match Payments to Case Records</u>. **This is a Repeat Finding**. The Division of Family Services (Family Services) within DSS has fallen approximately eighteen months behind in reviewing Local Departments of Social Services' (Local Departments) case records to ensure payments are made to only eligible children enrolled in the Foster Care program.

Code of Federal Regulations (45 CFR1356.71 (f) (2012)) states that the case record of the child must contain sufficient documentation to verify a child's eligibility in order to substantiate payments made on the child's behalf.
Local Departments use the statewide system, OASIS to manage their portion of the Foster Care program; however, corresponding payments are made out of their own local disbursement system. Because payments are made by the Local Departments, the statewide OASIS system was not designed to maintain a payment record for each individual. To overcome this limitation, DSS requires each Local Department to reconcile its payment records to the eligibility records in OASIS and certify that only eligible recipients are receiving payments.

To exercise its supervisory responsibility, DSS has Family Services review the documentation supporting Local Departments' certifications. This is done to confirm that the certification statements are accurate and the posting of any necessary revisions. However, Family Services has fallen approximately eighteen months behind due to the labor intensive nature of its review.

Without performing its supervisory function in a timely manner, Family Services is increasing the risk that Local Departments are not properly preparing Foster Care cases to support payments. In effect, this increases the Commonwealth risk of having to repay Foster Care funds to the federal government.

Recently, Family Services has started collecting information from its Local Departments to prepare for a Title IV-E Foster Care review being performed by the federal government. To prepare for the federal review, DSS has collected electronic payment records from Local Department's for select recipients. The electronic payment records contains unique fields which can be matched to OASIS. The APA recommends that Family Services evaluate if information, similar to what the federal government uses, could be used to electronically match the Local Departments' payment records to OASIS records to validate that only eligible recipients are receiving payments.

7. Ensure the New Eligibility System is Properly Handling Cases Transferred from the Old System. DSS's eligibility system, VaCMS, did not discontinue the State's approval for five cases to get benefits under the Child Care and Development Program after the children were no longer eligible.

   Title 45, Section 98.20 of the Code of Federal Regulations states that "Children must be under age 13 (or up to age 19, if incapable of self-care or under court supervision), who reside with a family whose income does not exceed established standards…" in order to receive benefits under the Child Care Program.

   During the test of all cases, the APA discovered three cases where the participating child's thirteenth birthday had passed, but VaCMS still had the child approved for child care benefits. In two of the cases discovered, between six and forty days elapsed between the date of the child's thirteenth birthday and the removal of approval. In the third case, VaCMS had the child recorded as approved for benefits until the date of the APA discovery. The APA also discovered two cases where the participating child was reported to be outside the home and did not intend to return, but VaCMS still had the child approved for child care benefits. In one of these cases, a payment of less than $200 was made after the child was reported to be outside the home in the following fiscal year.

   To prevent children from receiving child care services who are ineligible, DSS relies on VaCMS to automatically discontinue the individual's eligibility when they age out of the program or are reported to be outside the home. VaCMS was designed to automatically suspend benefits in these instances; however, this capability is not working as intended for certain cases.

   If DSS does not correct this issue, the risk of improper payments and noncompliance with eligibility requirements will increase.

   DSS should perform an assessment of the system to ensure it is performing as desired. For any exceptions DSS should implement system changes to make the eligibility system function as intended. By doing so, DSS will mitigate the risk of improper payments and noncompliance.

8. Automate an Eligibility Control. End users are not running the external rules engine process for eligibility determination when they update critical information, which is causing ineligible individuals to continue receiving benefits from DSS.

   DSS existing case management system, ADAPT, requires the end user to manually run the eligibility determination/benefits calculation process (EDBC) each time updates are made to a case. EDBC is when the case information is run through an external rules engine and determines eligibility for the associated individuals in the TANF, SNAP, and Medicaid Programs. Case workers are required to run this process each time they update information critical to determining eligibility.

   End users of ADAPT are not running EDBC after they update information critical to determining eligibility. According to management, some end users are not choosing to run the EDBC because there is a processing cost to the department each time the process is run.

   The APA found eight instances in which new eligibility information entered into the system should have caused benefits to discontinue, but without running the EDBC process, DSS did not suspend the case.

   DSS should identify which eligibility updates it would always want to run EDBC. Thereafter, DSS should perform a cost-benefit analysis to determine if the benefits of implementing automated EDBC would outweigh the cost. By doing so, DSS will mitigate the risk of improper payments created by case workers not running EDBC. Additionally, DSS is currently undergoing a project to replace ADAPT with the Virginia Case Management System (VaCMS). The current project does not specify that the eligibility determination process should be automated with each update affecting eligibility, which DSS should consider.

DSS should perform an assessment of the system to ensure it is performing as desired. For significant exceptions DSS should implement system changes to make the eligibility system function as intended. By doing so, DSS will mitigate the risk of improper payments and noncompliance.

Transportation

Department of Motor Vehicles (DMV)

1. Improve Database Management System Security. **This is a Repeat Finding**. DMV continues to not properly protect certain aspects of a database management system which contains sensitive information such as financial records and personally identifiable information. The DMV did not address two weaknesses identified in the prior year which they had previously indicated would be corrected by the end of January 2013, until the APA brought their status to DMV's attention. Further, the APA noted an additional weakness regarding the database management system's software version.

   The APA has communicated the details of this issue to management in a separate document marked Freedom of Information Act (FOIA) Exempt under Section 2.2-3705.2 of the *Code of Virginia*, due to their sensitivity and description of security controls.

   The APA recommends that DMV dedicate the necessary resources to ensure timely implementation of all corrective action plan items. Additionally, the APA recommends that DMV address the concerns with the software version to prevent any known vulnerabilities to the database management system from being exploited.

2. Improve User Access Controls. **This is a Repeat Finding**. DMV continues to not review properly and assess user account access and privileges to some IT systems that control access to sensitive data and applications. For IT systems containing sensitive data, Commonwealth standards require agencies review all user accounts and related privileges and confirm their continued need for access.

   DMV has been working to establish a review of accounts since 2011. Once implemented this review will help to ensure that unneeded accounts are removed, assigned privileges are reviewed, and the reconciliation of account listings between various systems is completed. The APA recommends that DMV dedicate the necessary resources and attention to implement the controls outlined in their corrective action plan developed two years ago.

Department of Rail and Public Transportation (DRPT)

1. Implement a Comprehensive Information Security Program. DRPT has only ten percent of the policies and procedures required by the Commonwealth's Information Technology Standards currently in place and therefore lacks a comprehensive information security program over their information systems. While some policies and procedures do exist, including a Continuity of Operations Plan (COOP), an Acceptable Use Policy, and a records retention policy, none fully satisfy the nine component areas identified in the Commonwealth's standards. For example, the records retention policy is the Library of Virginia's policy rather than being agency specific, while the COOP is written to satisfy the Commonwealth's standards regarding continuity of business operations and not the Commonwealth's Information Technology Standards regarding the continuity of IT operations.

   The Commonwealth's Information Technology Standards outline the minimum acceptable level of information security and risk management for Commonwealth agencies. Agencies are required to provide protection of their own information systems at a level that is greater than or equal to the requirements set by the standard. Without a comprehensive information security program, DRPT increases the risk of inappropriate access to their systems and hampers their ability to ensure sufficient recovery of their systems and data in the event of a disaster. Failing to identify and outline the requirements of key information security roles and responsibilities in accordance with the Standard can also result in a lack of accountability in system users, owners, and security officers and their support of the agency's systems.

Management should ensure it is fully aware of the Commonwealth's Information Technology Standards currently in effect, as they have been recently updated. Management should then evaluate and update their existing policies and procedures and create new policies where none exist, as well as complete the required disaster recovery documents, in order to ensure their compliance with Commonwealth standards. The use of outside resources may be required to ensure that DRPT fully addresses the risks presented within their information system environment.

2. Improve System Access Monitoring. DRPT does not regularly review user access to a key system to ensure it is reasonable and appropriate. Commonwealth standards require agencies to perform such a review periodically, and at least annually. While the system's user manual contains an authority table illustrating which access levels are appropriate for different positions or departments, management does not have a process to validate user access based on the authority table. Four employees had an access level that was unreasonable based on the guidelines in the authority table. Users with improper access could affect the integrity and accuracy of the information in this system and others due to direct interfaces that are in place between those systems. DRPT should develop and implement a policy to review user access periodically, and at least annually, in accordance with Commonwealth policies, to ensure user access is reasonable and appropriate.

Department of Transportation (VDOT)

1. Improve Controls over Financial Reporting. **This is a Material Weakness. This is a Repeat Finding**. In the prior year, the APA identified errors in some of VDOT unaudited financial submissions to the Department of Accounts (DOA). The VDOT attributed most of these errors to challenges from the mid-year implementation of Cardinal and turnover within certain positions, and the errors were predominantly immaterial. However, this year we noted significant errors or omissions in the same, as well as additional submissions, and insufficient support for materially significant submissions.

   Specifically for fiscal year 2013, VDOT's unaudited accounts receivable, payables, and capital asset submissions for the Commonwealth's Comprehensive Annual Financial Report (CAFR) compilation contained omissions or errors, which in several instances resulted in material misstatements. Further, the financial reporting preparation and review processes did not include sufficient procedures to prevent or detect these errors or omissions. As a result, the APA considers this issue to be a material weakness.

   Several issues led to the omissions and errors observed and are summarized below:

   - Limitations within some fiscal and operational staff's understanding of the data obtained from their financial system as well as insufficient communication and coordination within the fiscal office contributed in part to these issues. In some cases, incorrect or incomplete data was the cause for the error, but was not identified by the staff or through the associated review process. In another instance, a keying error in executing a data query caused the incorrect data to be returned. Further, the APA observed an inability to identify individuals that have the knowledge or ability to explain transactions, leading to the errors observed in the submissions as well as difficulties in explaining why the errors existed. Fiscal staff also cited the lack of communication and coordination as a reason for a material error that agency personnel identified.

- While VDOT maintains financial reporting procedures to support each submission, in some instances, procedures for some submissions did not reflect the actual steps performed to prepare it in the current year. The omission from the procedures may have been attributable to a new or unusual activity for the current period; however, the nature of the steps taken to address that new or unusual activity was not, in all cases, captured and retained within VDOT's support for the submission. Without step-by-step procedures defining the entire submission preparation process or documentation to address new or unusual activity, VDOT increases their risk for errors from year to year in their financial reporting process, especially when turnover occurs in the key positions preparing and reviewing these submissions.

- Insufficient coordination between VDOT and DOA regarding the expectations for some submissions as well as the implementation of a new accounting standard led to material errors. VDOT changed several submissions numerous times, as VDOT had difficulty interpreting the DOA directives regarding the reporting requirements for the submission as well as the new accounting standard.

- Inadequate support for items recorded on a submission caused the submission to be considered unreliable. The VDOT recorded a $48.4 million adjustment without ensuring sufficient or appropriate support existed for the amounts. Instead, VDOT relied on a single number provided by a vendor. While the adjustment was found to be correct, lack of adequate supporting documentation increases the risk of recording and reporting improper transactions.

VDOT should ensure its financial reporting procedures over these areas provide sufficient direction for personnel regarding the support needed to prepare the submissions, including the specific system from which to obtain the data, the query criteria to be defined, as well as adequate controls to prevent or detect and correct mistakes, errors, or omissions, like those observed this year. VDOT should supplement this by increasing analytical procedures and review of variances, as well as overall review of submissions to ensure they are reasonable and consistent across submissions.

Where the same data is required for multiple submissions, VDOT should ensure fiscal and operational staff coordinate its data requests from the financial system to ensure they meet the needs for the submissions. Finally, VDOT should work with DOA to ensure the submission directions specific to VDOT are sufficiently detailed, appropriately timed, and mutually agreed-upon. Improved financial reporting controls and increased coordination with DOA will help to ensure VDOT's unaudited financial submissions are materially correct and accurately represent their operations in order to meet VDOT and the Commonwealth's financial reporting needs.

2. Improve System Access Monitoring and Management. During fiscal year 2013, VDOT did not conduct system access reviews of a critical system. Commonwealth standards require management to perform periodic reviews of all user accounts and their corresponding privileges. By not performing the system access reviews as required, management did not identify that one of its critical controls over system access, prompt removal of system access, was not working as intended. Management did not remove access timely for 46 terminated or transferred employees.

   Commonwealth standards require the prompt removal of system access for terminated or transferred employees. Best practice indicates system access should be removed as close to the employee's date of separation as administratively possible. Untimely removal of user access increases the risk of unauthorized transactions and could impact the integrity of the Commonwealth's financial systems.

Management should perform periodic reviews of all user accounts for this critical system and its corresponding privileges to mediate the risk of unauthorized access and transactions in accordance with Commonwealth standards. Due to the complexity of the system in question and number of users, VDOT will need to have a broadly coordinated review process to ensure the nature of individual access privileges are fully appreciated and appropriately questioned. Individuals assigned this responsibility should receive appropriate training and be granted sufficient authority to perform this function. Further, VDOT should evaluate and update their termination and transfer processes to ensure system access is appropriately and timely modified or deleted.

3. Improve IT Risk Assessment. VDOT does not have a complete IT Risk Assessment for one of its systems, which contains confidential and mission critical information such as personally identifiable information and data supporting the compilation of VDOT and the Commonwealth's financial statements, and the following weaknesses were identified.

   Specifically, items typically found in an IT Risk Assessment, such as data sensitivity classification, system owners, data owners, data custodians, etc., are not identified. This information allows management to better assess the risks, threats, and vulnerabilities associated with the system. The VDOT should review the current IT Risk Assessment and update the contents to reflect the information found in the IT Systems and Data Sensitivity Classifications and the Business Impact Analysis to provide consistency across the documents that support their IT Security Program and ensure compliance with Commonwealth standards.
   Further, VDOT does not have a documented process for performing an annual self-assessment or determining the continued validity of the system's IT Risk Assessment. Documenting this process will provide VDOT with better means of assessing risks, threats, and vulnerabilities in a formal, consistent manner. Doing so will also allow for better communication between management and IT staff performing the system's IT Risk Assessment and ensure compliance with Commonwealth standards.

   The APA recommends VDOT dedicate the necessary resources to address the concerns and implement the controls discussed above.

4. Improve Controls over User Access. VDOT does not have sufficient procedures in place to ensure timely termination of access to a key Commonwealth system or an effective record keeping method over this process. Of the 15 employees who terminated or changed positions during the year, VDOT could not demonstrate that access for ten was removed in a timely manner. Further, one additional employee who terminated in December 2012 still had access as of July 1, 2013.

   The system contains sensitive information. Employees with access have the ability to make changes in salary or employment information, altering the employee record. Changes made in this system feed through to other systems and can affect employee pay. Therefore, only active employees in positions that require access to this information should have access.

   VDOT should establish policies and procedures to ensure access to this Commonwealth system is removed promptly when it is determined that an employee no longer requires it. Those procedures should include follow-up to ensure requested deletions actually occur. VDOT should also ensure they retain sufficient documentation regarding removal of system access.

5. Improve Controls over FFATA Reporting. VDOT does not have sufficient controls over transparency reporting to ensure that all sub-grants are reported. The Federal Funding

Accountability and Transparency Act (FFATA) and 2 CFR 170 require VDOT to report certain information to the federal government for awards of federal funds that VDOT makes to sub-recipients. Failure to comply with FFATA and corresponding regulations prevent the federal government and taxpayers from knowing which entities are receiving federal funds through VDOT. For almost ten percent of the awards tested, VDOT could not provide evidence that the sub-grant was properly reported or excluded from reporting.

Currently, VDOT uses a manual process to support its reporting. Management sends a spreadsheet with the awards VDOT received to three different divisions and each division manually reviews all awards listed, indicating which awards were sub-awarded. However, for awards that no division indicated as sub-awarded, there is no further assurance that the award was in fact solely a VDOT administered project. Rather, VDOT relies on the lack of indication by these divisions as their validation. This process increases the risk that a sub-award could go unreported.

VDOT should improve the processes for identifying and reporting sub-grants, taking advantage of electronically available data, to ensure that all sub-grants are reported. Where sufficient data does not exist, VDOT should evaluate the potential for capturing the necessary data electronically so that the process can be automated and the risk of non-compliance minimized.

6. Improve Controls over Sub-recipient Monitoring. VDOT does not have sufficient controls to ensure all sub-recipient audit reports are received and reviewed in accordance with federal requirements. In addition, VDOT is not reviewing and comparing sub-recipient Schedule of Expenditures of Federal Awards (SEFA) to VDOT's disbursements.

   OMB Circular A-133 §__.400.(d)(3) requires pass-through entities to monitor the activities of sub-recipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. More specifically, §__.400 (d)(4) requires pass-through entities to ensure sub-recipients expending $500,000 or more in Federal awards during the sub-recipient's fiscal year have met the audit requirements of A-133 for that fiscal year. Successful performance of this requirement is dependent on the sub-recipient's fulfillment of the requirement under A-133 §__.320 (b)(2)(xi) to include the amount of expenditures associated with each Federal program in their SEFA.

   VDOT did not use the correct data when determining which sub-recipients to review; this resulted in some sub-recipients who received $500,000 or more in federal funds from VDOT not being reviewed. Further, the division that does the reviews did not compare sub-recipient SEFAs to the amount VDOT provided for the fiscal year.

   As a result, VDOT is not able to detect and determine, if a sub-recipient:
   1) Has had the required audit performed.
   2) Has an audit result that requires an adjustment to VDOT's records.
   3) Has incorrectly reported expenditures in their SEFA, which could result in a federal program incorrectly being excluded from testing.

   Management at VDOT should improve procedures to ensure that the correct sub-recipient audits are received and reviewed. In addition, management should implement procedures to review and compare sub-recipient SEFAs to VDOT's disbursements.

7. Improve Depreciation Processes and Controls in Equipment Management System. VDOT does not have adequate processes and controls to ensure that in certain situations its fleet management system, FleetFocusM5, properly and consistently records depreciation on its $288 million in assets that support its maintenance and construction operations. The FleetFocusM5 system does not track or flag when someone changes an asset's depreciation period. Changing the depreciation period is

appropriate in certain circumstances. Making the change will alter current and future depreciation each period, but will still result in full depreciation by the end of the asset's useful life. However, without being able to identify when these changes occur, VDOT cannot ensure that they are proper.

VDOT also does not comply with Governmental Accounting Standard Board's accounting principles when accounting for the correction of an error. The APA identified two conditions that occurred often where a correction was necessary. These conditions include (1) entering an asset months or years after its acquisition date and (2) recording the asset in the system without the necessary fields to calculate depreciation. When these conditions occur, VDOT sets the "periods depreciated" to a "plug" amount causing the unit to depreciate the full cost over the remaining period of depreciation rather than over the entire life. This results in an inaccurate higher monthly and yearly depreciation amount, but does result in the asset being fully depreciated by the end of its useful life. Although the total depreciation of the unit over its useful life is correct, the allocation of depreciation is incorrect.

VDOT should ensure that FleetFocusM5 tracks any changes made to a unit's depreciation periods in the system. VDOT is in the process of purchasing a query that will identify when change occurs; however, this was not in place during the audit period. VDOT should continue with the implementation of this process to ensure asset records are accurate. VDOT should also implement a new process for correcting errors that will appropriately allocate depreciation throughout the useful life of the unit.

8. Improve Retirement Reconciliation Process. VDOT has been unsuccessful in developing an efficient retirement benefit reconciliation process since the implementation of a new system at the Virginia Retirement System (VRS) in the fall of 2012. VDOT simply confirms the contribution amount provided by VRS as correct without researching any variance between the VRS calculated amount and payroll contribution amounts.

   VRS's new system changed the type of reconciliation information available as well as the expectations for this reconciliation. The contribution amount is now shown for each agency employee. Due to the size of its organization, VDOT has been unable to verify the contribution amount for each employee within the ten-day window of when the information is available and the confirmation is required.

   Commonwealth policies require each agency to reconcile VRS contributions monthly. The confirmation submitted by the agency from reconciliation efforts also asks it to verify the VRS has calculated the correct amount of contribution for the agency's employees. Confirming without researching any existing variances can cause errors in employees' VRS records due to incorrectly reported employee information. In turn, this could cause complications when an employee retires, if their contributions were not calculated correctly.

   The APA recommends VDOT develop and implement a method of researching contribution variances to address the expanded reconciliation required from the VRS modernization initiative. This may require working with the VRS and other large employers in the Commonwealth, to ensure that the most efficient and effective process is available for all large employers.

9. Improve Procedures over Routine Journal Entries. While VDOT has procedures in place for completing routine recurring journal entries, VDOT does not maintain a schedule of such journal entries and in some cases, the procedures do not fully describe the steps taken to generate the entry. Based on accounting best practices, Commonwealth policies require that all agencies have policies and procedures for accounting transactions as well as establish a routine schedule for accumulating and submitting journal entries.

Without sufficient procedures, VDOT increases the risk that required journal entries will not take place as well as the risk that entries will be incorrect, especially if there is turnover in fiscal personnel. Further, without adequate procedures, the validity and accuracy of the journal entries cannot be confirmed easily, increasing the risk for material misstatements.

VDOT's fiscal staff should expand their procedures to reflect all steps taken to create, validate, enter, and approve their routine recurring journal entries. These policies and procedures should be approved by management, contain a schedule of routine journal entries, and define appropriate supporting documentation.

❖❖❖❖❖

Additional Recommendations – Quarter Ended March 31, 2014

The APA issued the following report containing Additional Recommendations:

Agencies of the Secretary of Transportation: Department of Transportation
Risk Alert: Continue to Evaluate Access to Cardinal Data

Special Reports – Quarter Ended March 31, 2014

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

Commonwealth of Virginia Single Audit Report for the year ended June 30, 2013

Report on Collections of Commonwealth Revenues by Local Constitutional Officers for the year ended June 30, 2013

Report to the Joint Legislative Audit and Review Commission for the quarter October 1, 2013 through December 31, 2013

Review of Capital Outlay Funding and Cash Flow Processes – January 2014

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

Progress Report on Selected System Development Projects in the Commonwealth – February 2014

Review of Compliance with the Federal Payments in Lieu of Taxes (PILT) Act for the period October 1, 2012 through September 30, 2013 (1)

Other Audit Reports Received – Quarter Ended March 31, 2014

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

Blue Ridge Community College – Review Report for the year ended June 30, 2013

Central Virginia Community College – Review Report for the year ended June 30, 2013

George Mason University Intercollegiate Athletics Programs for the year ended June 30, 2013

Internal Control Report on Local Government Investment Pool, Virginia College Building Authority, Virginia Public Building Authority, and Virginia Public School Authority for the year ended June 30, 2013

James Madison University Intercollegiate Athletics Programs for the year ended June 30, 2013

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

Norfolk State University Intercollegiate Athletics Programs for the year ended June 30, 2013

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

Rappahannock River Basin Commission for the year ended June 30, 2013

The College of William and Mary in Virginia Intercollegiate Athletics Programs for the year ended June 30, 2013

University of Virginia Intercollegiate Athletics Programs for the year ended June 30, 2013

Urban Public-Private Partnership Redevelopment Fund and the Virginia Removal or Rehabilitation of Derelict Structures Fund for the year ended June 30, 2013

Veterans Services Foundation and Veterans State Nursing Home Care Grant at Department of Veterans Services for the year ended June 30, 2013

Virginia Commonwealth University Intercollegiate Athletics Programs for the year ended June 30, 2013

Virginia Military Institute Intercollegiate Athletics Programs for the year ended June 30, 2013

Virginia Polytechnic Institute and State University Intercollegiate Athletics Programs for year ended June 30, 2013

Virginia State Bar for the year ended June 30, 2013

Virginia State University Intercollegiate Athletics Programs for the year ended June 30, 2013

Virginia Tobacco Indemnification and Community Revitalization Commission for the year ended June 30, 2013

Virginia Tobacco Settlement Financing Corporation 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
State Board of Elections	0	0	0	1
Commerce and Trade				
Virginia Employment Commission	3	2	0	0
Education				
Christopher Newport University	1	0	0	0
The College of William and Mary in Virginia	1	0	0	0
Norfolk State University	0	4	0	0
Virginia Commonwealth University	1	0	3	0
Virginia Community College System				
Central Virginia Community College	0	0	0	1
Danville Community College	0	1	0	0
Frontier Culture Museum of Virginia	0	0	0	2
Virginia School for the Deaf and Blind	1	0	1	0
Virginia State University	1	0	0	0
Health and Human Resources				
Department of Health	0	1	0	0
Department of Medical Assistance Services	0	1	0	0
Department of Social Services	3	2	1	0
Natural Resources				
Department of Game and Inland Fisheries	2	3	0	0
Public Safety				
Department of Alcoholic Beverage Control	2	0	0	0
Department of Corrections	1	0	0	1
Department of State Police	2	0	0	0
Virginia Department of Emergency Management	0	0	1	4

	IN PROGRESS		COMPLETED	
	On Schedule	Delayed	On Schedule	Delayed
Transportation				
Department of Motor Vehicles	0	2	0	1
Department of Rail and Public Transportation	1	0	0	0
Department of Transportation	0	1	0	0
TOTALS	19	18	6	10

Status of Prior Audit Findings

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

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

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

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
Department of General Services (DGS)				
2012	12-01 10-02	Improve Application Controls. **This is a Repeat Finding.**	The new PeopleSoft upgrade was put into production in September 2013. DGS is currently addressing some issues that were identified in user final testing.	In Progress (Delayed)
State Board of Elections (SBE)				
2012	12-01 10-02 08-02	Improve Information Systems Security Program. **This is a Repeat Finding.**	The Business Impact Analysis and the System Sensitivity Classification were delivered as a product to SBE on 1/6/2014.	Completed (Delayed)
Virginia Employment Commission (VEC)				
2013	13-01	Improve Internal Controls Surrounding Employer Wage Discrepancies	Post audit will be initiated by June 30, 2014.	In Progress (On Schedule)
	13-02	Improve Controls over Benefit Adjustment Payments	The 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	The VEC is in the process of preparing written documentation for policies and procedures, and are reviewing spreadsheets and current methodologies.	In Progress (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	13-04	Improve Internal Controls over Small Purchase Charge Card Program	Yearly review will be done each July and documented.	In Progress (Delayed)
	13-05 12-01 11-01	Resolve Employer Wage Discrepancies Timely. **This is a Repeat Finding**	Coordination between the Tax and Benefit Units has resulted in improved communication so that situations are addressed when wages are modified by another area. Automation of this effort is dependent upon the new Unemployment Insurance system being deployed.	In Progress (Delayed)
Christopher Newport University (CNU)				
2012	12-01	Improve eVA Internal Controls and Compliance.	The eVA security standards will be updated by May 31, 2014, to include monitoring and deactivation of eVA access.	In Progress (On Schedule)
The College of William and Mary in Virginia (CWM)				
2012	12-01	Improve the Financial Reporting Process.	All accounts have been mapped to financial statements in test and production. Full completion estimated to be June 30, 2014.	In Progress (On Schedule)
Norfolk State University (NSU)				
2011	11-01	Address Inadequate Staffing and Organizational Structure ***This is a Material Weakness and a Repeat Finding***	NSU has filled all key positions with the exception of the ARMICS Officer. The position is set to be filled by next quarter.	In Progress (Delayed)
	11-02	Develop and Implement Policies and Procedures: ***This is a Material Weakness***	Staff trained on Accounts Payable, Purchasing, Grants, General Ledger, Synoptix and Informer Report Writing Tools. Policies and procedures are being reviewed and updated.	In Progress (Delayed)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	11-06 10-01	Correct Deficiencies in Fixed Asset Management Program: ***This is a Material Weakness and a Repeat Finding***	NSU has obtained a contractor to conduct campus inventory. They completed their on-site physical inventory and will provide the final report in May 2014.	In Progress (Delayed)
	11-07	Perform Internal Control Risk Assessment Procedures: ***This is a Material Weakness***	A work plan has been created to address internal control risk assessments. Policies and procedures are being updated before testing.	In Progress (Delayed)
Virginia Commonwealth University (VCU/AD)				
2013	13-01	Improve Change Management	VCU has re-evaluated its change management policies and implemented additional controls to ensure all changes are approved by the appropriate level of management.	Completed (On Schedule)
	13-02	Improve Firewall Management	Security Scans on firewalls were conducted on January 30, 2014 and vulnerabilities were remediated.	Completed (On Schedule)
	13-03	Review System Access for Human Resources and Payroll Employees	Management will review an employee access report at the beginning of the fiscal year. New access request will be reviewed by management to ensure the employee is not receiving edit capabilities.	Completed (On Schedule)
	13-04	Improve Capital Asset Inventory Procedures	Departmental fixed asset custodians have been trained on the use of the new scanners; inventories were actually conducted and compared to Banner Finance.	In Progress (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
Central Virginia Community College (CVCC)				
	12-02	Improve Reporting to National Student Loan Data System (NSLDS)	The Director of Admissions and Records verifies on the NSLDS website that the Graduate files are accurate.	Completed (Delayed)
Danville Community College (DCC)				
	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. The AR Report to DOA will be the last item to address this finding.	In Progress (Delayed)
Frontier Culture Museum of Virginia (FCMV)				
2011	11-01	Improve Revenue Projection Reporting	Non-general fund revenue estimates were completed in October 2012 and have been entered into the Performance Budgeting System.	Completed (Delayed)
	11-02	Improve Small Purchase Charge Card Internal Controls	One credit card was canceled due to underutilization. Two additional cards had their limit adjusted to reflect their actual spending needs.	Completed (Delayed)
Virginia School for the Deaf and Blind (VSDB)				
2012	12-03	Develop and Implement an Information Security Program and Improve Firewall Management	VSDB has installed software and the corrective action is complete.	Completed (On Schedule)
	12-06	Properly Record School Revenues	VSDB met with DPB for insight on properly coding revenues. No decisions have been made at this time.	In Progress (On Schedule)
Virginia State University (VSU)				
2012	12-01	Ensure Compliance with Title III Endowment Investments Restrictions.	VSU completed the withdrawal forms for the Title III endowment funds from its current investment manager and is soliciting a new investment advisor.	In Progress (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
Department of Health (VDH)				
2011	11-01 10-01	Use System Capabilities to Ensure Proper Service Delivery.	Crossroads is being implemented statewide. The WIC-NET system is scheduled to be shut down for operational use on May 5, 2014.	In Progress (Delayed)
Department of Medical Assistance Services (DMAS)				
2012	12-01	Address Findings in Internal Audit Report.	Six of the seven corrective actions have been completed. The one remaining: Update contingency plan documents, is in progress. A revised draft has been developed and the new estimated completion date is December 31, 2014.	In Progress (Delayed)
Department of Social Services (DSS)				
	12-02	Create and Implement a Change Management Process for Sensitive Applications. ***Material Weakness Component.***	A draft document has been coordinated with the Gartner Group.	In Progress (Delayed)
	12-06 11-01 10-01 09-06	Further Evaluate Automating the OASIS Reconciliation Process.	A revised case review process has been completed. A new reconciliation process will be fully implemented and operational by July 1, 2014.	In Progress (Delayed)
	12-07	Develop Policies for Adjusting Title IV-E Foster Care Errors.	A DSS workgroup developed a definition and process to address Foster Care errors. Targeted implementation is July 30, 2014.	In Progress (On Schedule)
	12-09	Continue Using Performance Information to Evaluate Policy Changes.	The number of overdue reviews continues to decline.	In Progress (On Schedule)
	12-11	Work with Federal Government to Eliminate likely Questions Costs in the Future.	Staff continues to provide technical assistance to local agencies to ensure household composition rules are followed.	In Progress (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	12-12	Use Card Replacement Information to Evaluate Risk and Recommend Policy Decisions.	Completed per APA FY 2013 Audit.	Completed (On Schedule)
Department of Game and Inland Fisheries (DGIF)				
2012	12-01	Improve Timeliness and Accuracy of Revenue Redistribution	The detailed report used for reconciliations are being finalized. DOA has provided suggested procedures for revenue redistribution accuracy. These procedures will be tested after Windows 7 conversion.	In Progress (On Schedule)
	12-02 11-01	Improve Timeliness and Accuracy of Revenue Transfers to Other Agencies. **This is a Material Weakness and a Repeat Finding.**	DGIF is in the process of developing MOU's with its stakeholders. Also DGIF is working to enhance reconciliation procedures and are in the process of creating a detailed report to enhance the CIFRS-CARS reconciliation.	In Progress (Delayed)
	12-03 11-03	Improve Performance of CARS to CFIRS Reconciliations. **This is a Repeat Finding**	The Accounting Manager is in the process of developing and implementing new reconciliation policies and procedures and a training program.	In Progress (Delayed)
	12-04	Improve Database Security	DGIF has received a Commonwealth Security Exception for the existing database server security issues. It is also working with VITA to replace the existing database server, upgrade software, and harden the new server.	In Progress (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	12-05 11-04 10-03	Improve Internal Controls over System Access. **This is a Repeat Finding.**	A comprehensive review of all current employees' system access has been done. Periodic reviews will be ongoing. Also Human Resources is doing a comprehensive over haul of the agency's staff on-boarding and off-boarding processes.	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. **This is a Repeat Finding.**	ABC is currently developing a plan to enhance project management capabilities along with a process for monitoring project health and managing change request. 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)
Department of Corrections (DOC/CA)				
2012	12-01	Improve Information Security Program	DOC contracted with VITA to conduct application vulnerability scanning.	Completed (Delayed)
	12-03	Properly Identify and Remove System Access for Terminated Employees	The adoption of the annual documentation of employee system access through completion of the "Systems Access Checklist" is underway	In Progress (On Schedule)
Department of State Police (VSP)				
2011	11-01	Upgrade Unreliable and Unsupported Infrastructure Devices.	VSP and VITA are working on the final version of the proposed contract amendment.	In Progress (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
	11-02 09-03	Upgrade Database System Software. **This is a Repeat Finding.**	The contract is the final negotiation phase with Oracle for the licensed associated with the Human Resource project.	In Progress (On Schedule)
Department of Emergency Management (DEM)				
2012	12-01	Evaluate Petty Cash Needs and Strengthen Controls.	The currency in the cash drawers has been reduced. The petty cash bank accounts have been consolidated. Procedures are in place to make reimbursements in a timely manner. The cash drawers will be monitored and reconciled periodically.	Completed (Delayed)
	12-03	Improve Information System Access Controls.	Written policies and procedures regarding system access have been completed. Responsible parties are now being trained. The new process is being monitored.	Completed (Delayed)
	12-04	Improve Controls over Fuel Card Management.	VDEM is tracking and monitoring fuel purchases.	Completed (Delayed)
	12-05	Follow FMS to CARS Reconciliation Procedures.	Management has reviewed the written reconciliation policies and procedures. Also automation of the reconciliation process has been updated.	Completed (Delayed)
	12-06	Strengthen Procedures Over the Virginia Disaster Relief Fund.	VDEM will review the Virginia Disaster Relief Fund framework, application process, and supporting guidance. Appropriate changes will be implemented as necessary.	Completed (On Schedule)

Latest Audit Year	Finding Number	Title of the APA Audit Finding	Current Status as Reported by Agency	Status Summary
Department of Motor Vehicles (DMV)				
2012	12-01 11-02	Improve Database Security. **This is a Repeat Finding.**	Northup Grumman is in the process of identifying the target server. Also there is discussion with CBN in reference to the DLCI system upgrade project.	In Progress (Delayed)
	12-02	Improve Information Technology Contingency and Disaster Recovery Plan Update Process.	DMV will review the update process to ensure RTOs for all mission critical and sensitive systems. Also IT will appoint an employee to communicate changes in the IT contingency and disaster recovery plans to the agency COOP coordinator to ensure consistency.	In Progress (Delayed)
	12-03	Improve User Access Control Across Systems.	Oracle upgrade installed, configured, tested, and completed.	Completed (Delayed)
Department of Rail and Public Transportation (DRPT)				
2012	12-01	Improve Grants Monitoring and Management Processes.	On-going monitoring continues using new procedures for FY14 grants cycle. Grantee handbook is pending performance metrics for allocating funding resulting from House Bill 2313.	In Progress (On Schedule)
Department of Transportation (VDOT)				
2012	12-03	Improve Controls Supporting Davis-Bacon Act Compliance.	A Civil Rights Labor Management System is being developed and expected to go live by January 2015.	In Progress (Delayed)

Compliance Monitoring

Certification of Agency Reconciliation to CARS Reports

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

DOA closely monitors Certification status, evaluates exceptions, and posts correcting entries in CARS. Certifications for November, December, January, and February were due 01/08/2014*, 01/31/2014, 03/14/2014**, and 3/31/2014, respectively.

.

Certifications Late or Outstanding
As of April 30, 2014

Agency	Nov	Dec	Jan	Feb
Department of Small Business and Supplier Diversity	-	-	O/S	O/S
Department of Rail and Public Transportation	-	-	-	O/S
Opportunity Educational Institution	-	O/S	O/S	O/S

Key: O/S – Certification is outstanding
DATE – The date received by DOA
*Due to the holiday schedule, the due date for the November Certification was extended to January 8, 2014.
**Due to the early January Fiscal Month Close, the due date for the January Certification was extended to March 14, 2014.

Response to Inquiries

DOA regularly communicates with agencies regarding petty cash and invoice analyses, financial reporting information, and the FAACS/LAS systems. In many instances, agencies respond in a timely manner. However, in other instances, agencies do not respond timely or simply fail to respond. For the quarter ended March 31, 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 March 31, 2014, no agencies failed to respond timely, make corrective action and/or provide additional information.

Trial Balance Review

As of March 31, 2014

Agency	Jan	Feb	Mar
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 March 31, 2014, no agencies failed to respond timely, make corrective action and/or provide additional information.

Credit Cash, Excess Expenditures, and Expenditure Credits

As of March 31, 2014

Agency	Jan	Feb	Mar
None			

Disbursement Processing

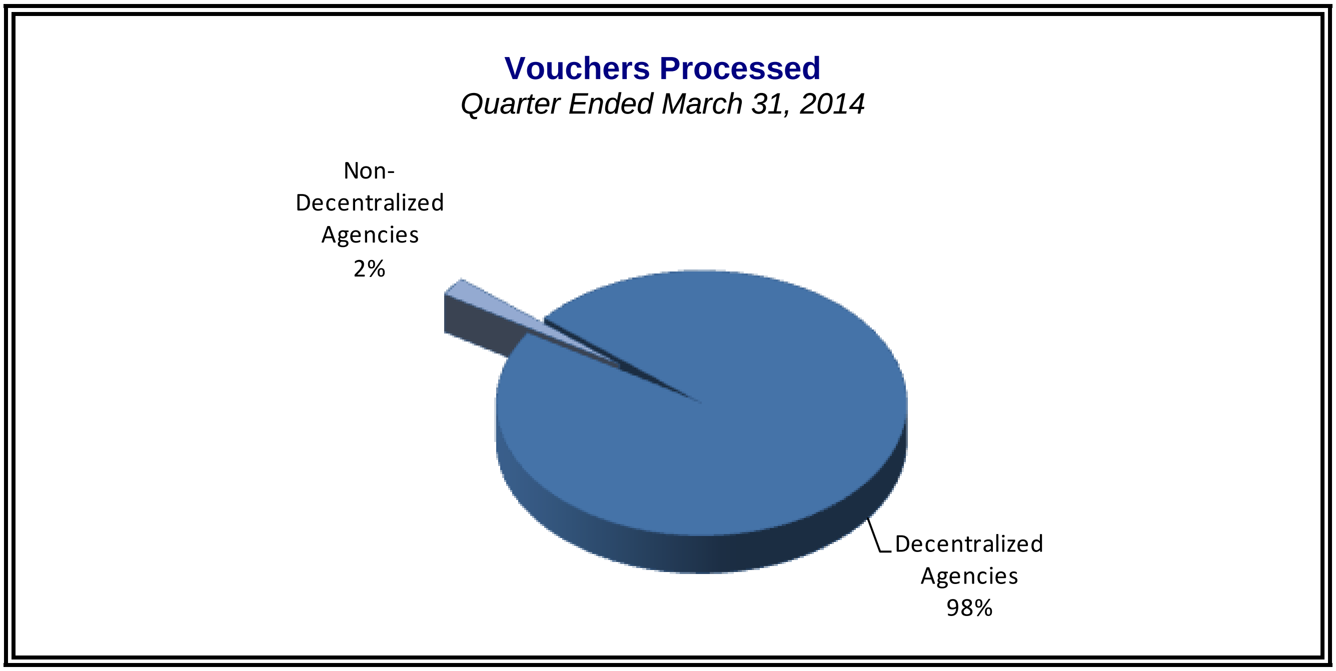
During the quarter ended March 31, 2014, DOA deleted, at the submitting agency's request, 51 payments that were awaiting disbursement from the vendor payment file. These included duplicate payments, payments for returned items, payments with incorrect vendor information and payments of incorrect amounts. These types of transactions may point to areas where improved agency internal accounting controls should be evaluated.

Thirteen separate agencies requested deletes during the quarter. For the quarter, ended March 31, 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
James Madison University

Agencies Requiring Corrective Action	Corrective Actions Needed
Virginia Employment Commission	Travel Reimbursement - Mileage

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 948 non-travel disbursement batches and 257 travel disbursement batches were reviewed, disclosing seven exceptions that were resolved prior to releasing the transactions for payment.

Prompt Payment Compliance

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

Statewide Prompt Payment Performance Statistics

	Quarter Ended March 31, 2014		Fiscal Year 2014 To-Date		Comparative Quarter Ended March 31, 2013	
	Late	Total	Late	Total	Late	Total
Number of Payments	5,684	537,679	16,165	1,705,423	**5,942**	**536,010**
Dollars (in thousands)	$ 34,970	$1,567,862	$88,253	$4,854,994	**$ 45,343**	**1,519,497**
Interest Paid on Late Payments				$54,082		
Current Quarter Percentage of Payments in Compliance				98.9%		
Fiscal Year-to-Date Percentage of Payments in Compliance				99.1%		
Comparative Fiscal Year 2013 Percentage of Payments in Compliance				**98.9%**		

Prompt Payment Performance by Secretarial Area

Quarter Ended March 31, 2014

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.8%	99.4%
Agriculture and Forestry	99.9%	99.9%
Commerce and Trade	98.9%	99.8%
Education*	98.8%	97.4%
Executive Offices	99.4%	94.7%
Finance	99.6%	97.3%
Health and Human Resources	99.2%	98.1%
Independent Agencies	99.9%	99.9%
Judicial	100.0%	100.0%
Legislative	99.9%	99.8%
Natural Resources	98.7%	97.7%
Public Safety	99.2%	98.6%
Technology	99.7%	99.9%
Transportation*	98.6%	96.7%
Veterans Affairs and Homeland Security	99.3%	96.2%
Statewide	**98.9%**	**97.8%**

Prompt Payment Performance by Secretarial Area

Fiscal Year 2014

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.8%	99.4%
Agriculture and Forestry	99.8%	99.5%
Commerce and Trade	99.1%	99.6%
Education*	98.9%	98.0%
Executive Offices	99.6%	98.3%
Finance	99.8%	98.0%
Health and Human Resources	99.2%	98.4%
Independent Agencies	99.5%	99.8%
Judicial	99.9%	99.9%
Legislative	99.9%	99.5%
Natural Resources	98.8%	97.4%
Public Safety	99.3%	98.8%
Technology	99.4%	99.9%
Transportation*	98.9%	96.7%
Veterans Affairs and Homeland Security	99.5%	97.0%
Statewide	**99.1%**	**98.2%**

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

For the quarter ended March 31, 2014, the following agencies that processed 50 or more vendor payments during the quarter were below the 95 percent prompt payment performance standard.

Prompt Payment Compliance Rate
Agencies Below 95 Percent
Quarter Ended March 31, 2014

Agency	Late Payments	Total Payments	Payments in Compliance
Education			
Frontier Culture Museum of Virginia	49	296	83.4%
Gunston Hall	12	70	82.9%
Public Safety			
Department of Military Affairs	138	2,328	94.1%

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

Agency	Late Payments	Total Payments	Payments in Compliance
Education			
Frontier Culture Museum of Virginia	77	958	92.0%
Gunston Hall	13	211	93.8%
Wytheville Community College	122	1,944	93.7%
Health and Human Resources			
Central Virginia Training Center	287	5,266	94.5%

E-Commerce

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

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

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

Statewide E-Commerce Performance Statistics

	Quarter Ended March 31, 2014			Comparative Quarter Ended March 31, 2013
	E-Commerce	Total	Percent	Percent
Number of Payments	2,324,700	2,720,122	85.5%	84.0%
Payment Amounts	$ 9,157,065,472	$ 10,144,233,189	90.3%	94.3%

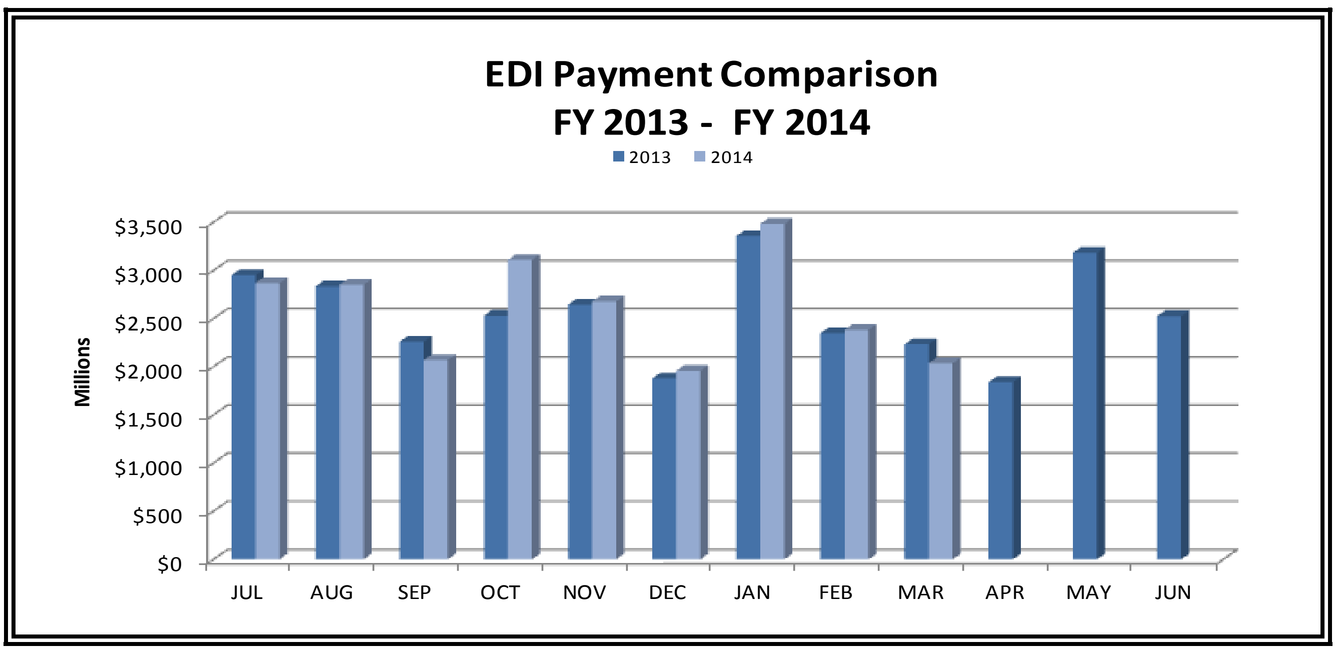
	Fiscal Year 2014 To-Date			Comparative Fiscal Year 2013 To-Date
	E-Commerce	Total	Percent	Percent
Number of Payments	7,367,500	8,504,552	86.6%	85.0%
Payment Amounts	$ 27,243,603,157	$ 30,140,299,160	90.4%	90.5%

Financial Electronic Data Interchange (EDI)

The dollar volume of Financial EDI payments for the third quarter of FY 2014 was $36 million (0.45 percent) less than the same quarter last year. The number of trading partner accounts increased by 71 percent from March 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 March 31, 2014	Fiscal Year 2014 To-Date	Comparative Fiscal Year 2013 To-Date
Number of Payments	61,746	194,554	178,033
Amount of Payments	$ 7,905,379,604	$ 23,442,514,175	$ 23,042,525,484
Number of Invoices Paid	197,645	585,323	610,367
Estimated Number of Checks Avoided	103,220	316,032	303,221
Number of Trading Partner Accounts as of 03/31/14		135,330	79,186



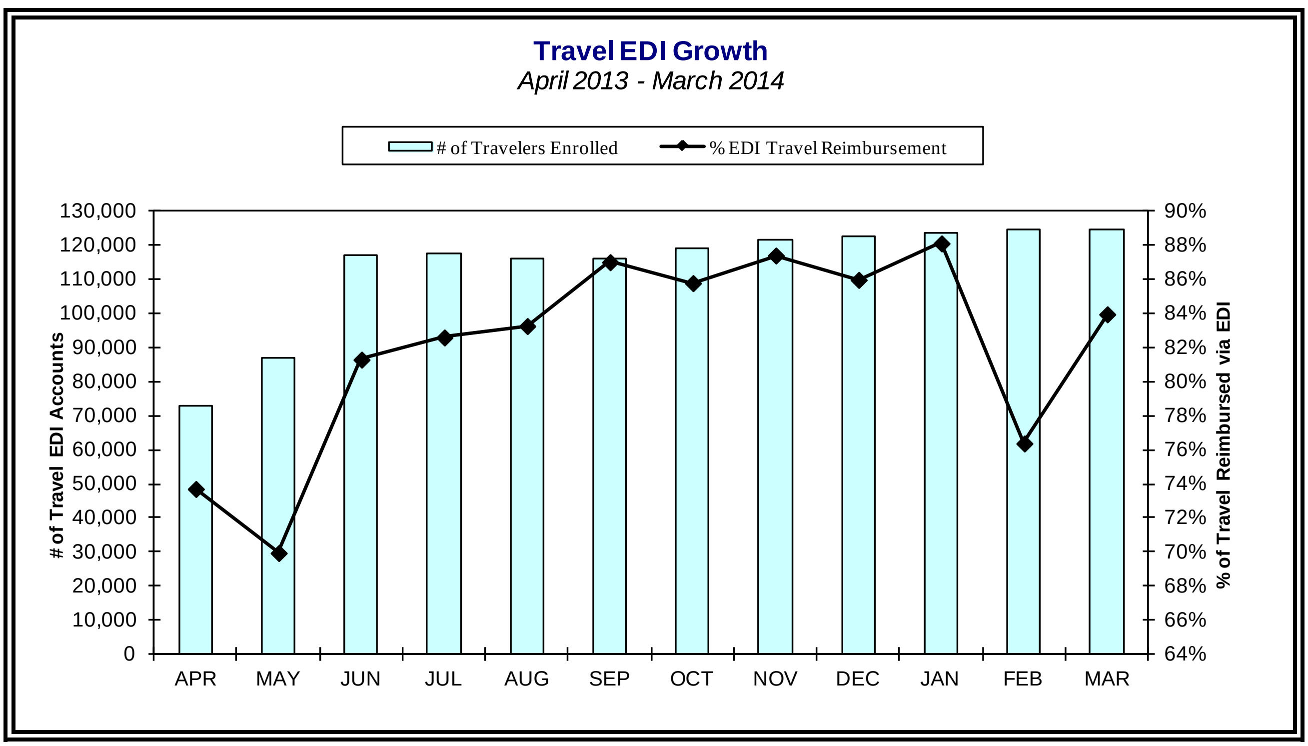
Travel EDI

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 March 31, 2014

Secretarial Area	Employee Percent	Non-Employee Percent	Reimbursement Checks Issued
Administration	96.1%	57.7%	15
Agriculture and Forestry	98.9%	10.7%	30
Commerce and Trade	99.2%	70.7%	73
Education (1)	96.4%	42.8%	505
Executive Offices	98.3%	0.0%	3
Finance (2)	99.3%	0.0%	9
Health and Human Resources	99.0%	41.9%	358
Independent Agencies	98.6%	16.7%	19
Judicial	94.7%	9.0%	924
Legislative	96.9%	13.6%	27
Natural Resources	98.5%	50.7%	52
Public Safety	89.9%	15.0%	569
Technology	100.0%	8.3%	11
Transportation (1)(2)	53.9%	77.8%	2,196
Veterans Affairs and Homeland Security	96.2%	74.4%	25
Statewide for Quarter	**88.0%**	**33.0%**	**4,816**
Fiscal Year 2014 To-Date			
Statewide	**90.9%**	**31.4%**	**14,256**
Comparative Fiscal Year 2013 To-Date			
Statewide	**76.7%**	**27.8%**	**26,099**

(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	74.8%	36
Public Safety		
Department of Military Affairs	22.7%	334
Transportation		
Department of Transportation	47.1%	2,188

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
Education		
Longwood University	0.0%	57
Virginia Military Institute	0.0%	35
Judicial		
Circuit Courts	7.4%	377
Virginia State Bar	0.9%	224
Public Safety		
Department of Forensic Science	0.0%	111

The following table lists agencies that have accumulated more than $200 in employee EDI check charges for the fiscal year and have a utilization rate below 80 percent. Agencies are charged for each travel reimbursement check issued to an employee after their second check of the fiscal year. For FY 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

Agency	Percent	Year-to-date Charges
Transportation		
Department of Transportation	47.1%	$670.00

Direct Deposit

During the third quarter of FY 2014, 523,869 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 March 31, 2014

Secretarial Area	Direct Deposit % of Salaried Employees	Direct Deposit % of Wage Employees
Administration	100.0%	100.0%
Agriculture and Forestry	99.5%	95.0%
Commerce and Trade	100.0%	99.7%
Education	99.9%	95.8%
Executive Offices	100.0%	60.0%
Finance	99.7%	100.0%
Health and Human Resources	99.7%	99.0%
Independent Agencies	99.6%	100.0%
Judicial	99.8%	89.4%
Legislative	99.9%	99.5%
Natural Resources	99.8%	98.4%
Public Safety	99.8%	98.7%
Technology	100.0%	100.0%
Transportation	100.0%	98.9%
Veterans Affairs and Homeland Security	99.8%	100.0%
Statewide	**99.8%**	**96.8%**

Comparative
Quarter Ended March 31, 2013

Statewide	**99.8%**	**96.6%**

Statewide Wage Direct Deposit Performance

Quarter Ended March 31, 2014

Wage Direct Deposit Participation	96.8%

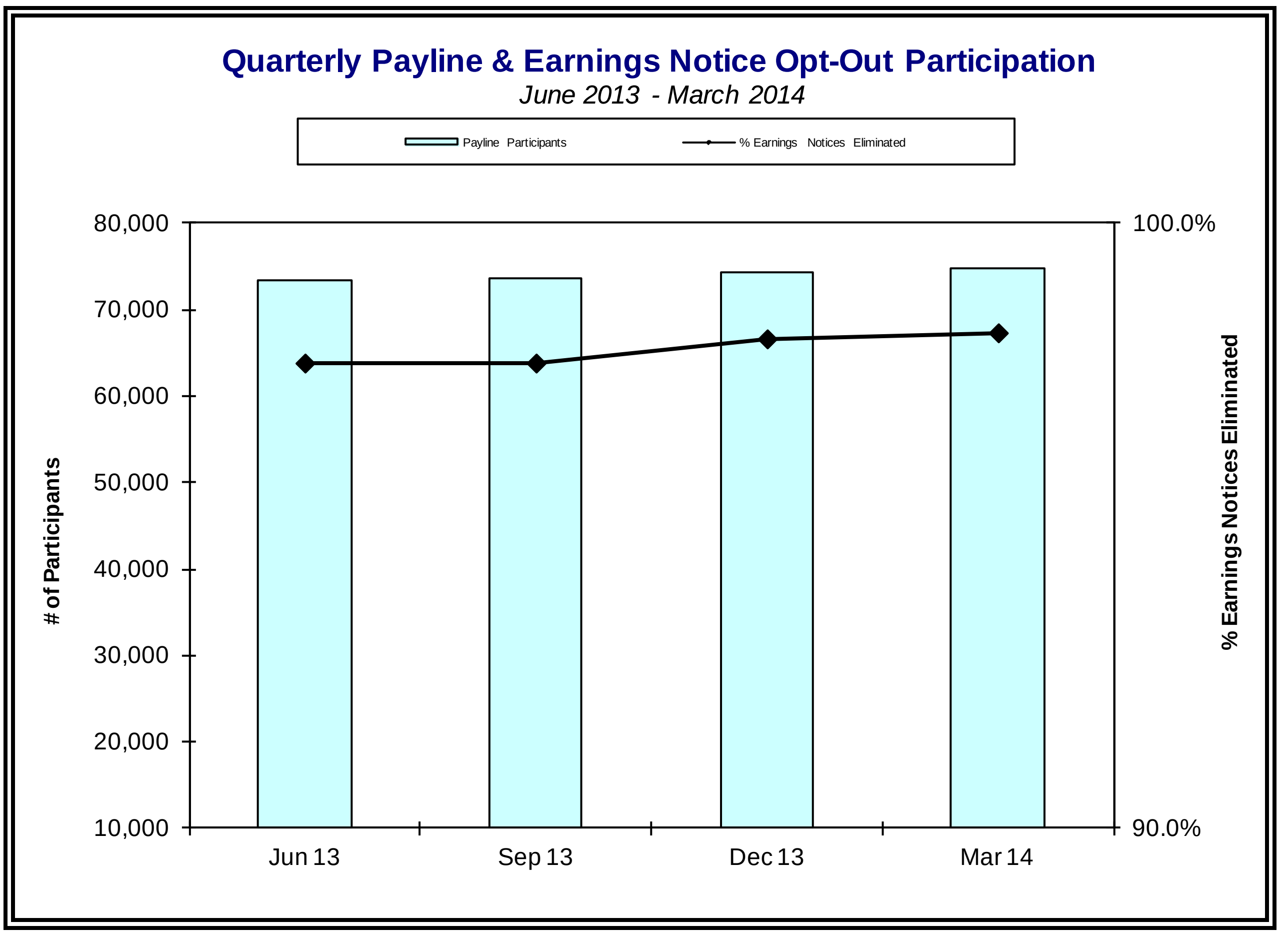
Wage Direct Deposit Below 90 Percent

Agency	Percent	Number of Employees
Education		
New River Community College	82.9%	187
Norfolk State University	76.5%	1,049
Southwest Virginia Community College	84.0%	175
Virginia Highlands Community College	83.5%	212
Executive Offices		
Selected Agencies	51.7%	29
Judicial		
Combined District Courts	71.4%	14
General District Courts	81.9%	138

Payroll Earnings Notices

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

In addition to increasing direct deposit participation, agencies and institutions are expected to encourage employees to enroll in Payline and discontinue receipt of centrally printed earnings notices. Since inception in November 2002, the Commonwealth has eliminated the printing of approximately 12,681,759 earnings notices.



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

Payline and Earnings Notice Opt-Out Participation by Secretarial Area

Quarter Ended March 31, 2014

Secretarial Area	Percent Payline Participation	Percent Earnings Notices Eliminated*
Administration	98.5%	100.0%
Agriculture and Forestry	83.1%	84.6%
Commerce and Trade	98.4%	99.5%
Education	71.6%	98.7%
Executive Offices	89.8%	100.0%
Finance	99.5%	100.0%
Health and Human Resources	92.7%	98.4%
Independent Agencies	95.1%	100.0%
Judicial	87.7%	94.2%
Legislative	56.3%	68.9%
Natural Resources	88.0%	96.8%
Public Safety	91.2%	100.0%
Technology	98.5%	100.0%
Transportation	96.1%	100.0%
Veterans Affairs and Homeland Security	71.4%	68.6%
Statewide	**86.1%**	**98.2%**
Comparative Quarter Ended March 31, 2013		
Statewide	**86.1%**	**98.2%**

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

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

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

Most agencies elected a global opt-out in response to the January 1, 2009, mandate. As of March 31, 2014, the following agencies have not met the established goal of 90% for eliminating earnings notice print

Earnings Notice Elimination

Agency	Percent Earnings Notices Eliminated QE 03/31/2014	Percent Earnings Notices Eliminated QE 12/31/2013
Agriculture and Forestry		
Department of Forestry	74.4%	88.3%
Commerce and Trade		
Department of Small Business and Supplier Diversity	72.2%	N/A
Education		
Eastern Shore Community College	61.8%	60.0%
Frontier Culture Museum of Virginia	56.4%	54.2%
Jamestown-Yorktown Foundation	82.2%	90.9%
Southwest Virginia Community College	78.0%	72.3%
Virginia Highlands Community College	58.3%	58.4%
Health and Human Resources		
Southeastern Virginia Training Center	26.1%	25.4%
Judicial		
Circuit Courts	74.7%	80.5%
Natural Resources		
Marine Resources Commission	49.0%	46.9%
Veterans Affairs and Homeland Security		
Virginia Veterans Care Center	23.6%	23.9%

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.

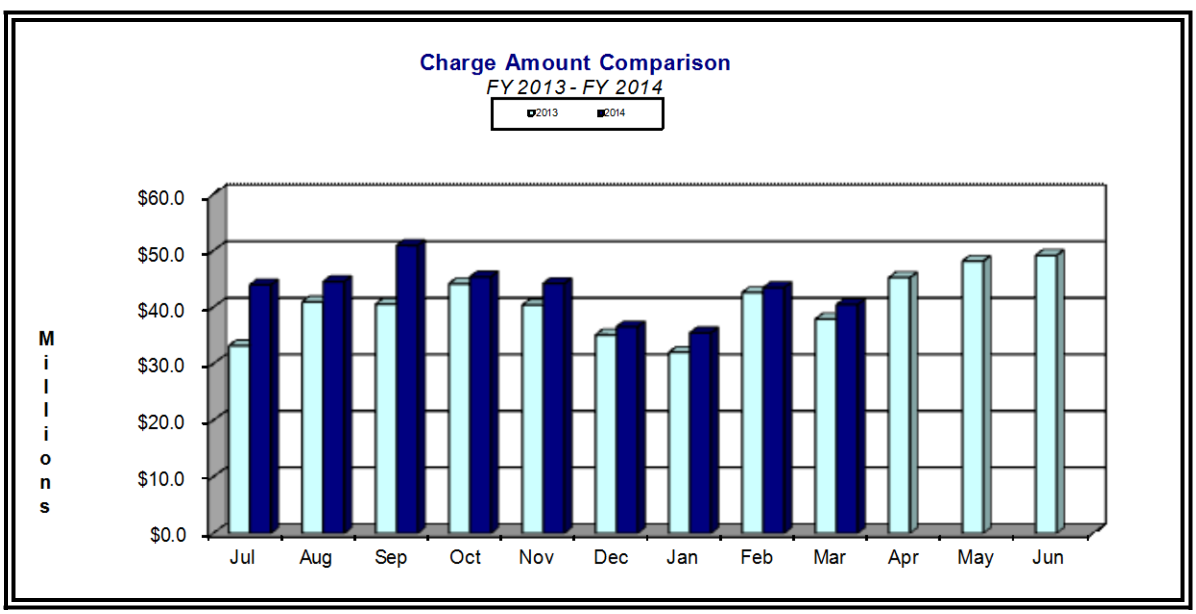
The Department of Accounts has a third charge card tool called ePayables. This program allows payments processed through CARS for vendors enrolled in the ePayables program to convert their payment to a card thus increasing the card program's spend.

The total amount charged on SPCC, Gold and ePayables cards during the third quarter of FY 2014 increased by $38 million or 11 percent from the same quarter last year.

Small Purchase Charge Card Program

Charge Card Activity	Quarter Ended March 31, 2014	Fiscal Year 2014 To-Date	Comparative Fiscal Year 2013 To-Date
Amount of Charges	$ 119,363,707	$ 384,831,035	$ 346,809,755
Estimated Number of Checks Avoided	182,589	568,232	547,814
Total Number of Participating Agencies		201	204
Total Number of Cards Outstanding*		15,078	14,875

* 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 has decided it is an appropriate time to change the compliance monitoring and enforcement process. Beginning with the quarter ended March 31, 2014, the $5 fee will no longer be assessed. Compliance data for the quarter ended March 31 is reported utilizing the current threshold of 80%. Beginning with quarters ending 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 March 31, 2014

Percentage Utilization for Eligible Transactions	**90%**

SPCC Utilization by Secretarial Area

Quarter Ended March 31, 2014

Secretarial Area	Payments in Compliance [1]	Non-Compliant Transactions [2]
Administration	90%	324
Agriculture and Forestry	96%	145
Commerce and Trade	82%	536
Education*	91%	3,666
Executive Offices	97%	39
Finance	98%	50
Health and Human Resources**	91%	2,941
Independent Agencies	83%	471
Judicial	41%	1,779
Legislative	97%	42
Natural Resources	95%	497
Public Safety	97%	1,181
Technology	89%	26
Transportation*	79%	4,875
Veterans Affairs and Homeland Security	95%	100
Statewide	**90%**	**16,672**

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

** Department for Aging and Rehabilitative Services division of DDS payments not included in the above statistics.

(1) **"Payments in Compliance"** represents the percentage of purchases made from participating SPCC vendors using the purchasing card.

(2) **"Non-Compliant Transactions"** represents the number of small purchases from participating SPCC vendors where the purchasing card was not used for payment.

Agency SPCC Performance

Utilization Below 80 Percent

Agency	Payments in Compliance	Non-Compliant Transactions
Commerce and Trade		
Virginia Employment Commission	40%	471
Education		
Norfolk State University	56%	768
Thomas Nelson Community College	76%	167
Health and Human Resources		
Central Virginia Training Center	74%	242
Department of Behavioral Health and Development	76%	89
Independent Agencies		
State Corporation Commission	20%	315
Virginia Retirement System	78%	104
Judicial		
Board of Bar Examiners	0%	22
Circuit Courts	0%	141
Combined District Courts	0%	185
General District Courts	0%	649
Juvenile and Domestic Relations District Courts	0%	477
Magistrate System	0%	106
Virginia Criminal Sentencing Commission	0%	20
Transportation		
Department of Transportation	78%	4,356

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

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

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

Agency	Jan	Feb	Mar
Purchase Card Program:			
Administration			
Secretary of Administration*		X	
Education			
University of Virginia Medical Center		X	
Virginia Community College System-Central Office		X	
Airline Travel Card Program:			
None			

*Administrative services performed by the Division of Selected Agency Support Services.

Travel Charge Card

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

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

The contract provides for the following actions on delinquent accounts:

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

The following table identifies the number of delinquent card accounts with Bank of America by agency during the quarter ended March 31, 2014, and the total amounts past due.

Travel Charge Card Program

As of March 31, 2014

Agency	Total Delinquent Accounts	Amounts 60 Days Past Due	Amounts 90-120 Days Past Due	Amounts >150 Days Past Due
Education				
Norfolk State University	1	0	349	611
University of Virginia Medical Center	1	0	279	0
Health and Human Resources				
Department of Medical Assistance Services	1	0	118	250
Natural Resources				
Virginia Museum of Natural History	1	0	232	0
Public Safety				
Commonwealth's Attorneys' Services Council	1	0	156	0

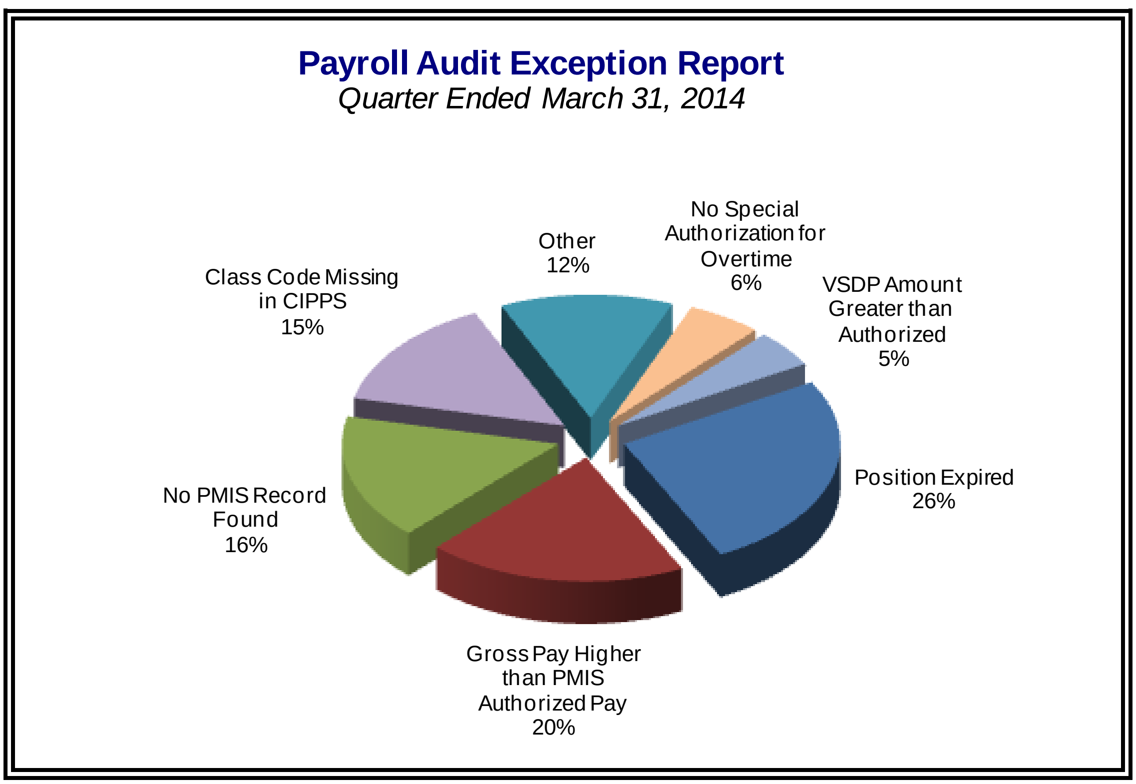
Payroll Controls

CIPPS/PMIS Payroll Audit

During the quarter, DOA's automated comparison of payroll (CIPPS) and personnel (PMIS) records examined 409,561 salaried pay transactions and 114,601 wage pay transactions. The comparison is performed following each payday and is designed to identify discrepancies between authorized salary/wage amounts in PMIS and amounts paid in CIPPS. There were 3,655 new exceptions noted statewide during the quarter, with an overall exception rate of 0.68%.

The statewide salaried payroll exception rate was 0.74% and the wage payroll exception rate was 0.48%. During this quarter, 15 employee paychecks were reduced to recover $23,148.88 in overpayments.

While the largest cause of exceptions is the processing of payments to employees whose position expiration date has not been updated in PMIS, the second largest cause of exceptions is the result of agency failure to complete the salary increase authorization process by updating PMIS salary amounts *prior* to paying the increased salary amounts in CIPPS. The PMIS authorization is an important internal control over payroll processing. Such exceptions can largely be avoided through timely PMIS data entry by agency Human Resource staff. Although segregation of these Human Resource and Payroll functions is an effective internal control, coordination and communication between agency Human Resource and Payroll staffs is essential.



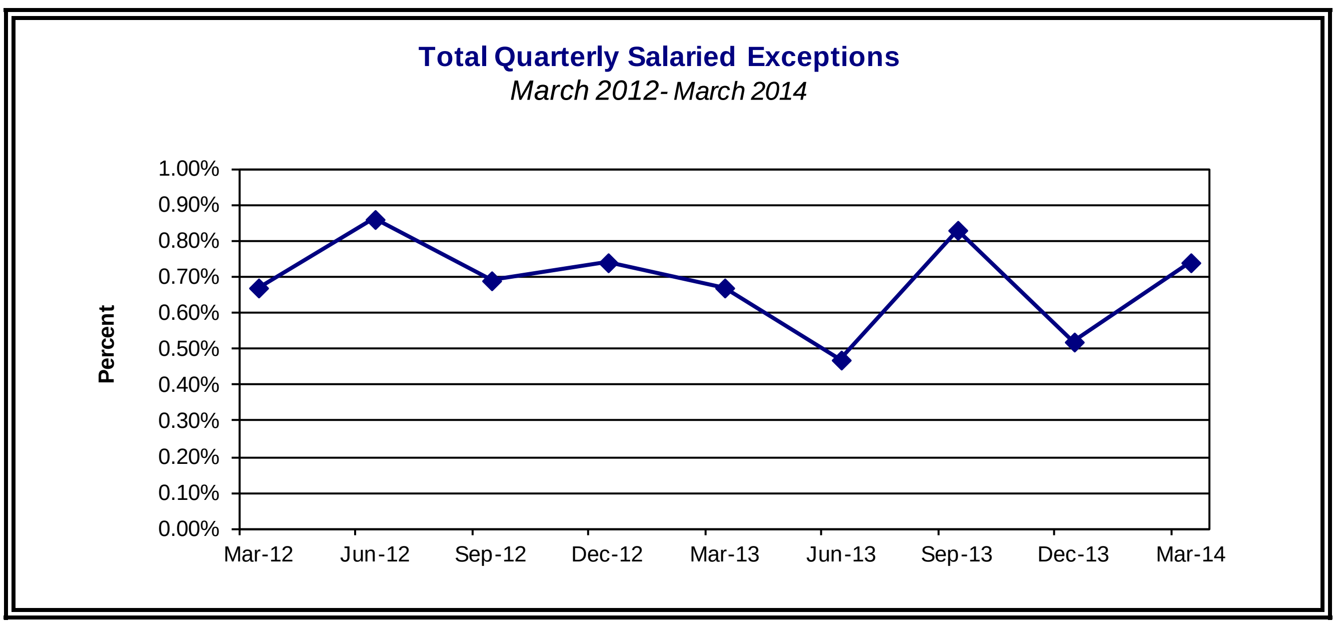
Exception percentages are calculated by dividing the number of exceptions by the number of salaried or wage employees. Agencies are reported below if the percentage of payroll exceptions to salaried or wage payments exceeds three times the statewide average for the quarter.

Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Wage Payments
Quarter Ended March 31, 2014

Agency	# of Salaried Exceptions	Exceptions as a % of Salaried Payments
Radford University	73	1.84%

Total Salaried Payroll Exceptions for the Quarter	**0.48%**

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

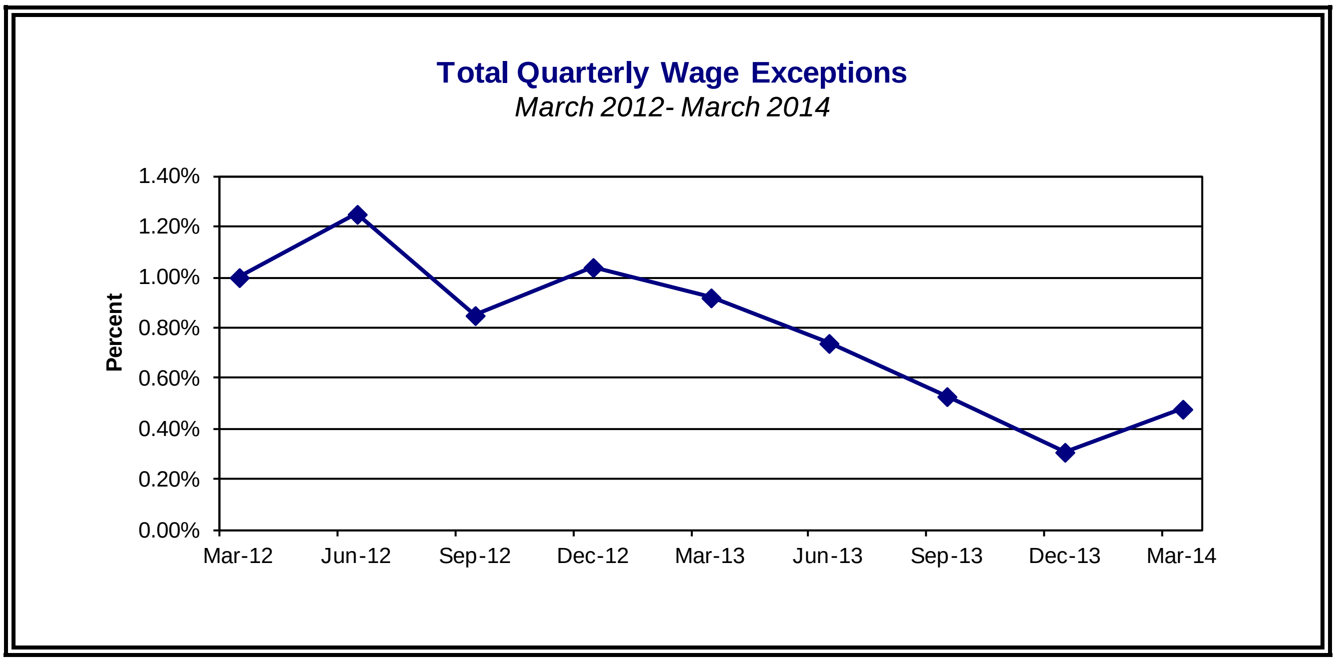


Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Wage Payments
Quarter Ended March 31, 2014

Agency	# of Salaried Exceptions	Exceptions as a % of Salaried Payments
Radford University	73	1.84%

Total Salaried Payroll Exceptions for the Quarter	**0.48%**

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



CIPPS/PMIS Exceptions

Agencies are required to submit explanations and/or reconciliations for the differences identified on the CIPPS/PMIS Unresolved Exceptions Report, within six weeks of notification. The following table lists those agencies having exceptions that remain unresolved six weeks after receipt of the report.

Agency	Unresolved Exceptions
Education	
J. Sargeant Reynolds Community College	7
Tidewater Community College	4
University of Mary Washington	8
Health & Human Resources	
Eastern State Hospital	1

Payroll Certification

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

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

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

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

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

Payroll Certification Compliance

Agency	Variance Amount (a)	Performed by DOA (b)	Submitted Late (c)	Corrected by DOA (d)
Education				
New River Community College			2	
Piedmont Virginia Community College	$102			
Commerce and Trade				
Department of Small Business and Supplier Diversity**			2	

** Payroll certification performed by DOA's Payroll Service Bureau

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* form to DOA by the close of the month following the month of coverage. This reconciliation annotates differences between health care eligibility records (BES) and health care premium payments collected through payroll deduction. The following table lists those agencies that were late in submitting their certification. Health care reconciliations for the months of December, January and February were due 01/31/2014, 02/28/2014 and 03/31/2014, respectively.

Schedule of Health Care Reconciliations Received Late

Agency	Dec	Jan	Feb
Christopher Newport University	X		
Department of Military Affairs *			X
Eastern Shore Community College			X
Virginia Highlands Community College		X	

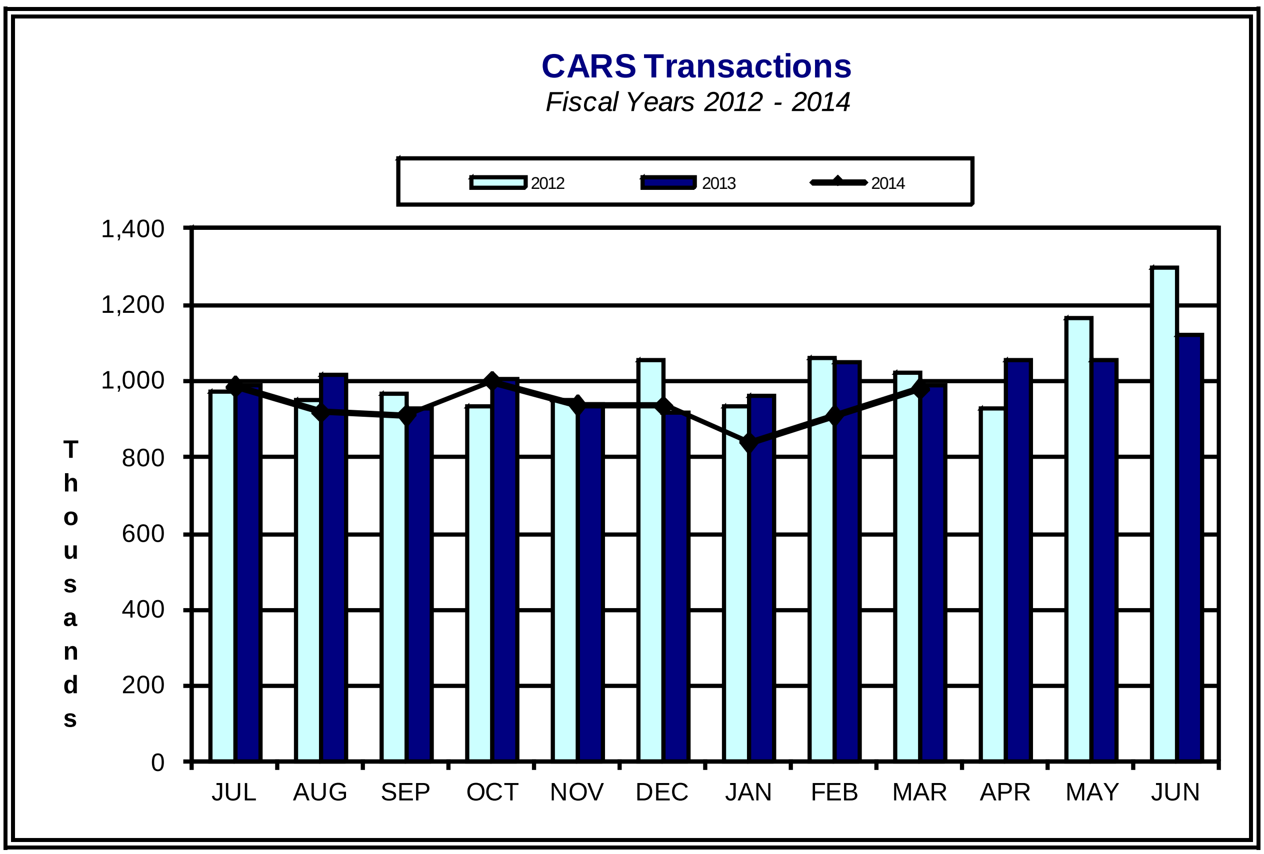
X – Late
*Healthcare Reconciliations are performed by DOA's Payroll Service Bureau

FINANCIAL MANAGEMENT ACTIVITY

DOA monitors several types of financial activity. Various measures are used to track activities for CARS, payroll, accounts receivable, indirect cost recoveries, treasury loans, and the Fixed Asset Accounting and Control System (FAACS).

Commonwealth Accounting and Reporting System (CARS)

CARS activity trends provide important information about statewide accounting. Currently, measures are used to track CARS transactions and error counts. A marked increase or decrease in the number of CARS transactions may indicate that an agency has changed the way it accounts for an activity. Such change may require DOA review.

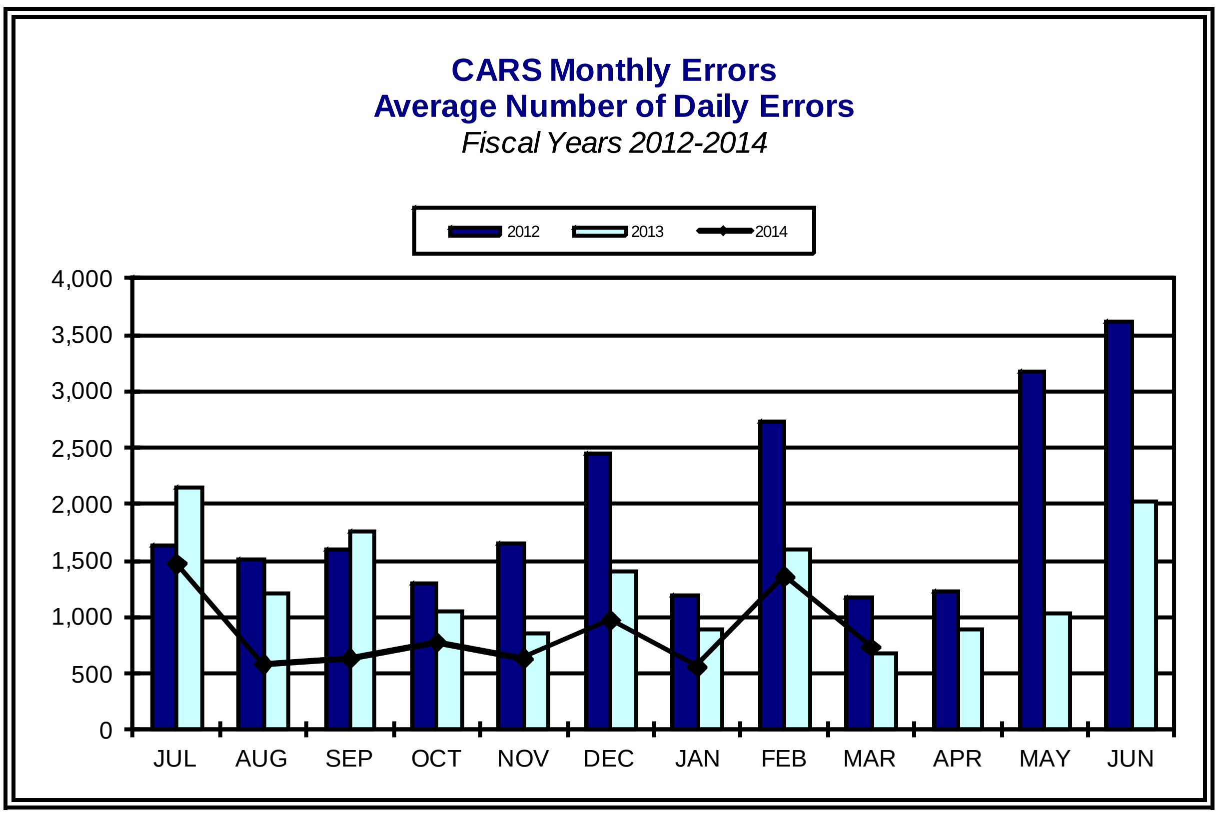


CARS Edits

One of the most important management tools used by DOA is the monitoring of CARS errors generated by standard system edits. Batches remain on the error file until problems are resolved, which, for disbursement transactions, can lead to noncompliance with prompt payment standards and poor vendor relations. During the third quarter of FY 2014, the most frequent reasons cited for transactions processing to the error file were:

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

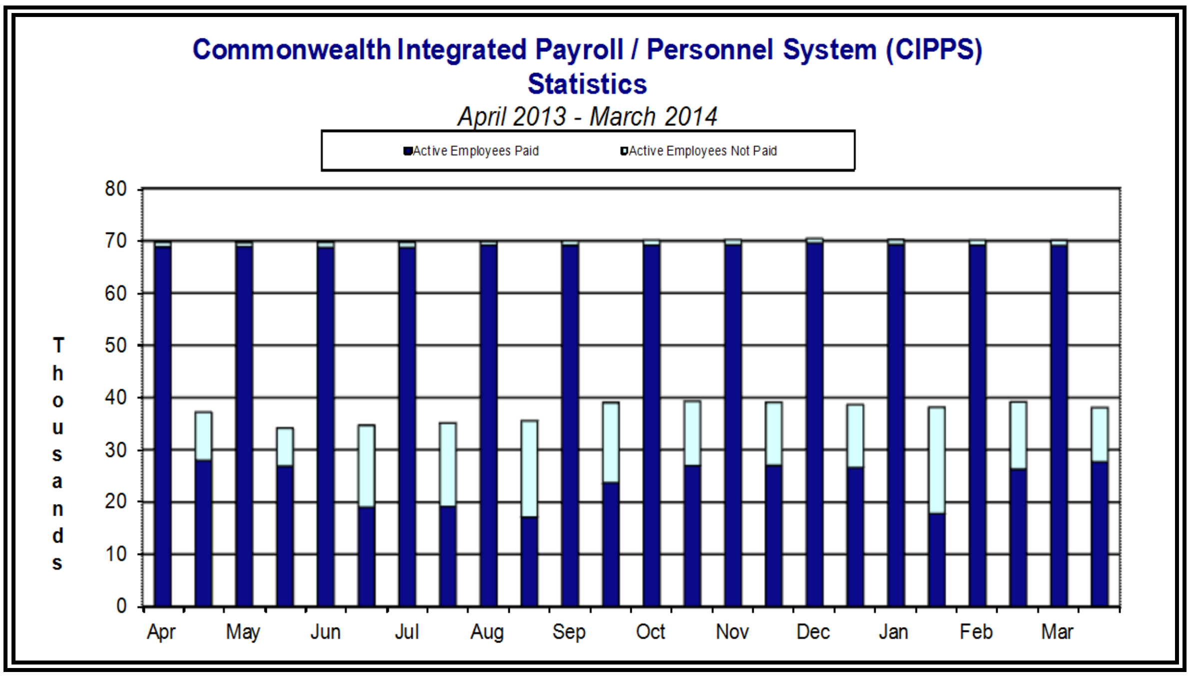
Agencies may avoid funding errors by more closely monitoring cash and allotment balances. Sound agency cash management practices should be developed to ensure transactions are not submitted to CARS when funding is not available. Agencies should develop procedures to ensure certified amounts are calculated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



Payroll

The central payroll system for State government is known as *CIPPS,* the Commonwealth Integrated Payroll Personnel System. CIPPS is one of the largest payroll operations in the Commonwealth, serving 108,628 employees. Payroll services are also provided through eight decentralized higher education institutions.

On average, 93,045 employees were paid each month, of which 69,146 were salaried employees.



Note: The first bar for each month represents salaried employees, and the next bar represents wage employees. Not all active employees are paid on a current basis. Examples would include employees on extended leave without pay and adjunct faculty not teaching during the current semester.

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

Benefit Participation by CIPPS Agencies

The Commonwealth offers a variety of benefits to state employees, including health care, optional retirement plans, deferred compensation, and flexible reimbursement programs.

Benefit Participation
Number of Participating Employees

Benefit	As of 3/31/2014	Comparative As of 3/31/2013	As of 3/31/2012
Health Care*			
COVA Care	79,591	76,132	74,561
COVA Health Aware	3,549	N/A	N/A
Kaiser	2,130	2,084	2,142
Tricare	62	42	23
Optional Retirement Plans**			
Fidelity Investments	666	645	617
TIAA/CREF	1,707	1,673	1,658
Political Appointee - ORP	67	46	102
Deferred Compensation**	44,570	43,874	42,749
Flexible Reimbursement**			
Dependent Care	986	840	818
Medical Care	10,230	8,617	7,665

* COVA Connect discontinued as of July 2013

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

Accounts Receivable

Executive Summary

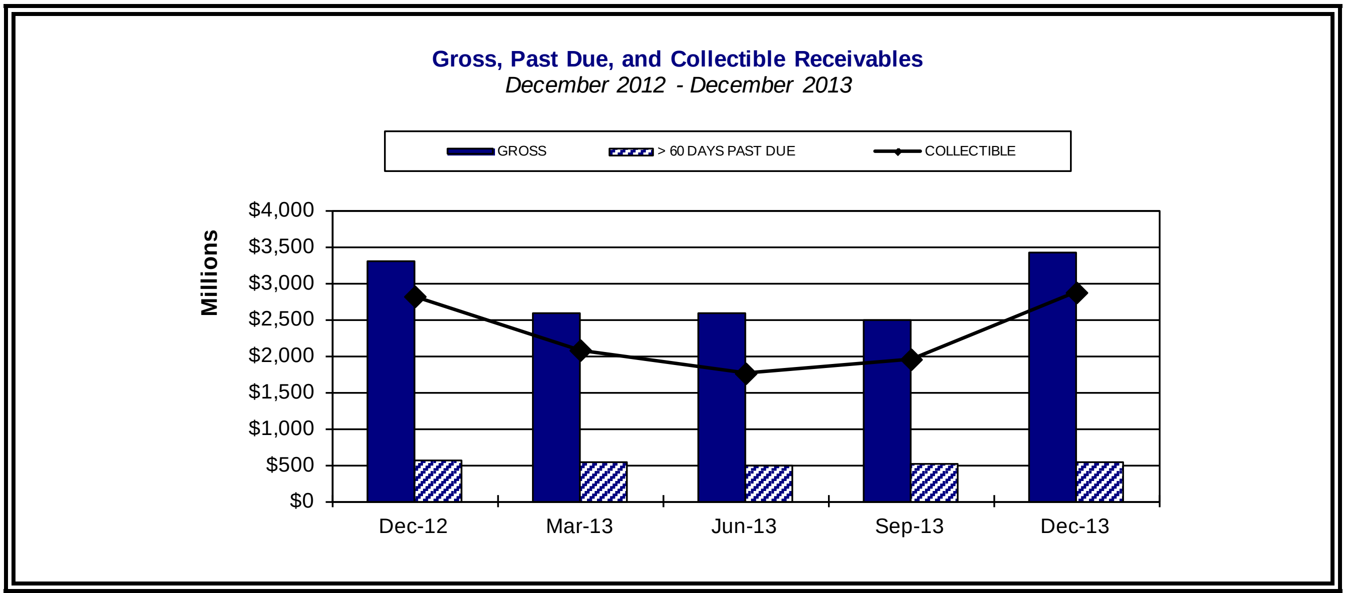
The *Code of Virginia* § 2.2-4800 et seq. requires the Department of Accounts, along with the Office of the Attorney General, to oversee, report on, and monitor the Commonwealth's accounts receivable program. In order to carry out this responsibility, DOA has issued policies and procedures on accounting,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

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

Commonwealth agencies and institutions reported adjusted gross receivables of $3.42 billion at December 31, 2013, with $2.87 billion considered collectible. Receivables over 60 days past due as of December 31, 2013, totaled $540.6 million. Of that amount, $19.2 million was placed with private collection agencies, $34.6 million was placed with the Division of Debt Collection and $486.8 million was retained in-house for additional collection efforts.

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

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



As of December 31, 2013, agencies expected to collect $2.87 billion (84 percent) of the $3.42 billion adjusted gross receivables. About 1 percent is due to the General Fund, primarily for benefit recoveries and sales of permits. The balance, which contains Medicaid penalties that are no longer revertible, is due to several nongeneral funds.

Collectible Receivables by Fund

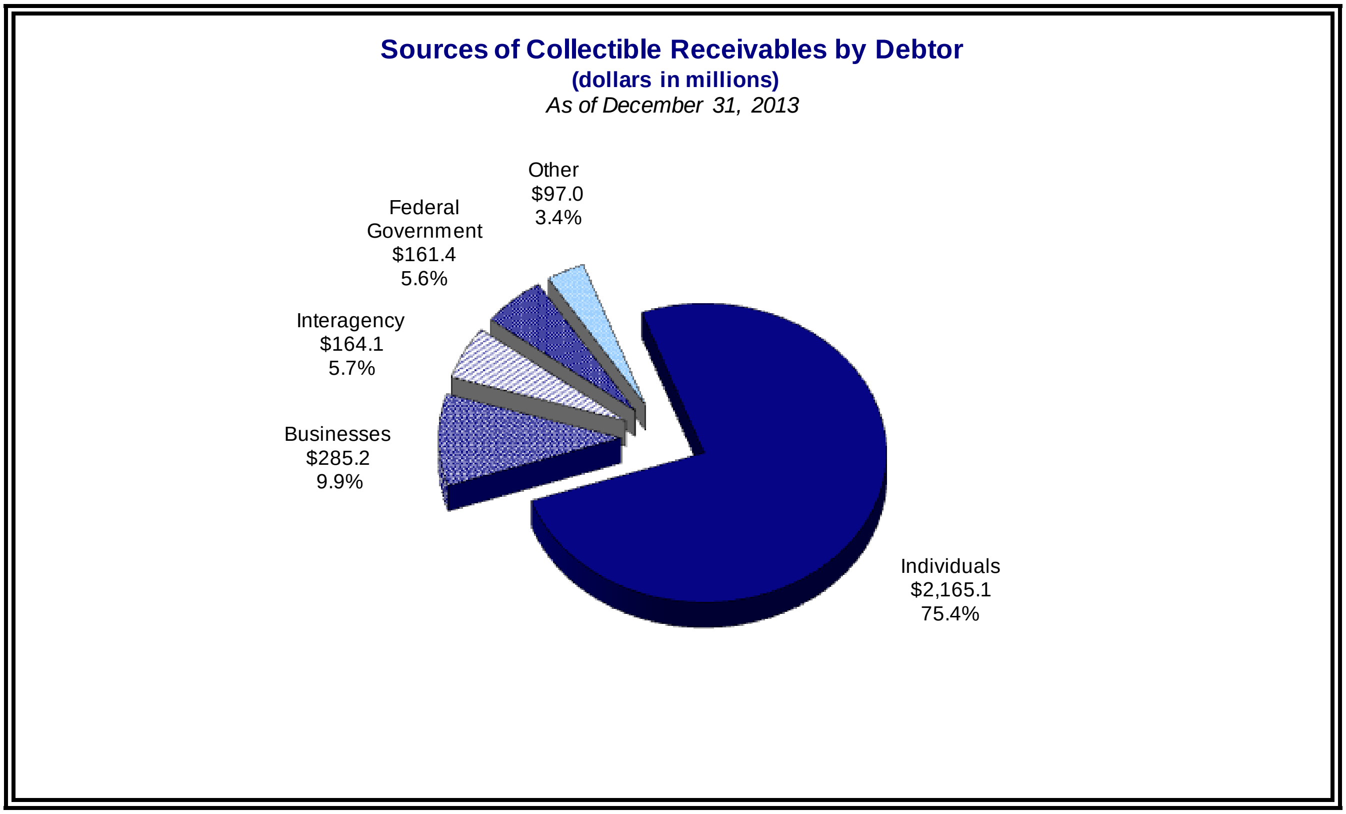
Not Including Circuit Courts, District Courts, or Department of Taxation

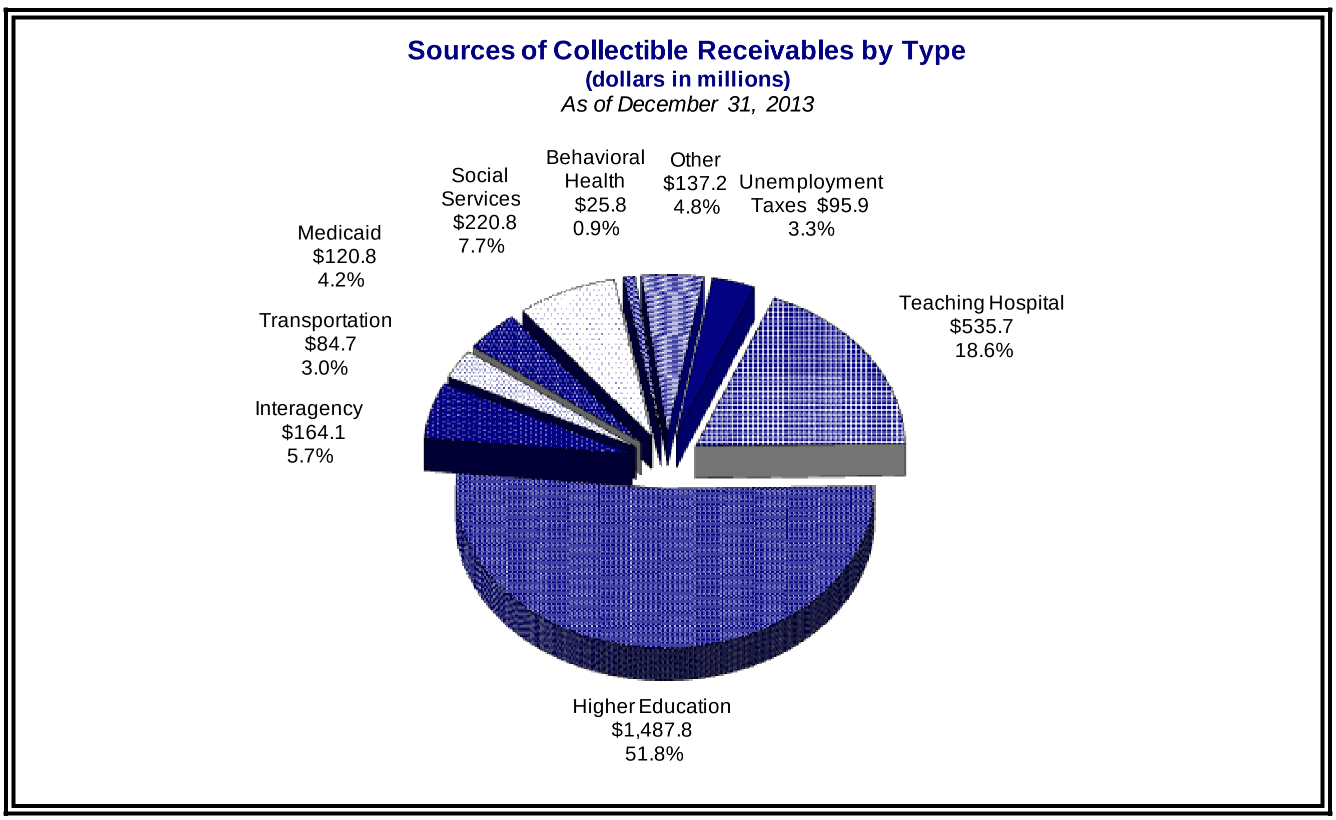
As of December 31, 2013

Fund	Source	Amount	Percent
General Fund	Medicaid - Current Recoveries	$ 18,617,184	56%
1%	Social Services	3,413,090	10%
	Labor and Industry Inspections	780,818	2%
	State Police Permits	1,650,730	5%
	Corrections	1,352,864	4%
	Other	2,591,753	8%
	Subtotal	28,406,439	85%
	Interagency Receivables	4,821,012	15%
	Total General Fund Collectible	**$ 33,227,451**	**100%**
Nongeneral Funds	Medicaid - Dedicated Penalty Fees	$ 79,224,146	3%
99%	Medicaid - Federal Reimbursements	22,946,645	1%
	Unemployment Taxes *	95,871,523	3%
	Transportation	84,690,681	3%
	Child Support Enforcement	196,658,548	7%
	Federal Government	47,111,130	2%
	DBHDS Patient Services	25,795,520	1%
	Hospital	535,726,922	19%
	Enterprise	74,507,032	2%
	Higher Education	1,487,842,352	52%
	Other	29,935,496	1%
	Subtotal	2,680,309,995	94%
	Interagency Receivables	159,239,018	6%
	Total Nongeneral Fund Collectible	**$ 2,839,549,013**	**100%**
All Funds	**Grand Total**	**$ 2,872,776,464**	**100%**

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

Summary of Receivables by Source





Not counting Taxation and the Courts, ten agencies account for 78 percent of the Commonwealth's adjusted gross and 76 percent of the adjusted collectible accounts receivable balances.

Accounts Receivable Summary

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

As of December 31, 2013

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
University of Virginia Medical Center	$ 580,152,512	$ 21,276,368	$ 558,876,144
Virginia Polytechnic Institute and State University	311,320,651	3,083,300	308,237,351
University of Virginia - Academic Division	295,615,372	221,396	295,393,976
Department of Social Services	576,551,323	348,303,314	228,248,009
Virginia Commonwealth University	217,711,581	5,957,460	211,754,121
James Madison University	141,093,943	1,734,609	139,359,334
Department of Medical Assistance Services	163,665,272	42,552,971	121,112,301
Old Dominion University	112,391,094	2,113,946	110,277,148
The College of William and Mary in Virginia	104,544,488	96,069	104,448,419
Virginia Employment Commission	165,730,846	65,419,989	100,310,857
Total	**$ 2,668,777,082**	**$ 490,759,422**	**$ 2,178,017,660**
All Other Agencies	749,836,173	55,077,369	694,758,804
Grand Total	**$ 3,418,613,255**	**$ 545,836,791**	**$ 2,872,776,464**

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 $6.0 million during the quarter ended December 31, 2013. The Division of Debt Collection contributed $1.4 million. Private collection agencies collected $1.9 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected $2.7 million.

Private collection agencies returned $4.0 million of accounts to agencies, and the Division of Debt Collection discharged $617,812 of accounts and returned $45,126 of accounts to agencies

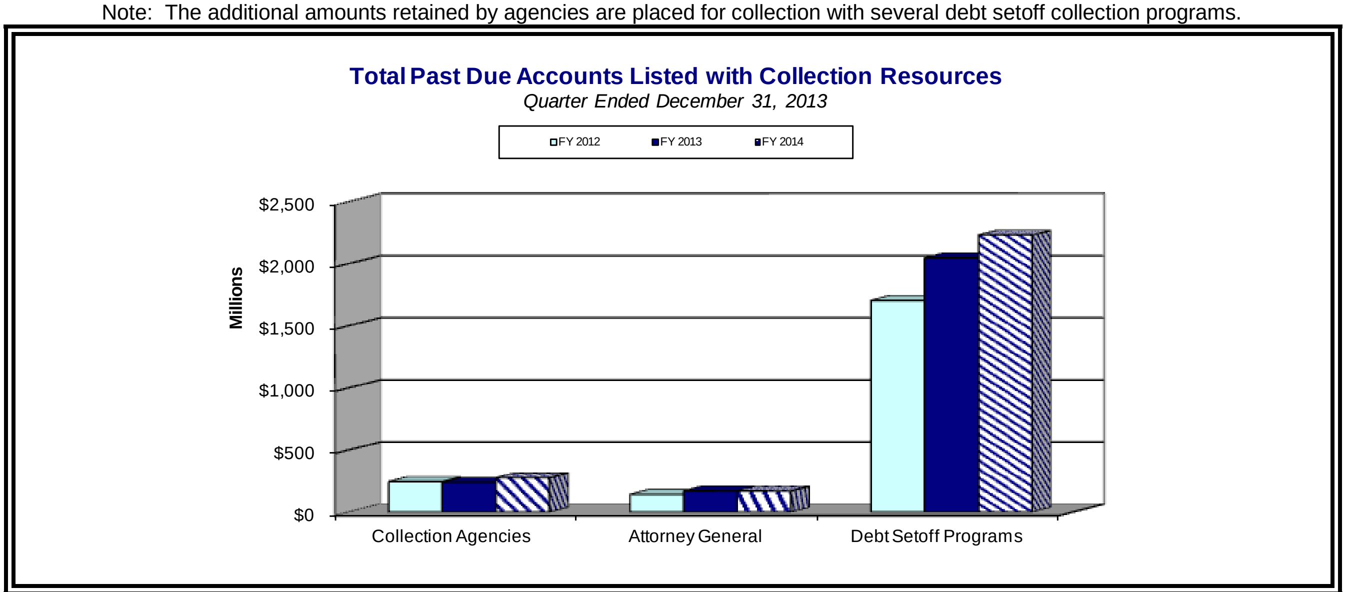
Collectible Receivables Over 60 Days Past Due

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

As of December 31, 2013

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	$ 201,064,631	$ 4,472	$ 67,236	$ 200,992,923
Virginia Employment Commission	81,161,593	8,767,727	12,965,564	59,428,302
Department of Medical Assistance Services	76,963,440	22,720	2,346,556	74,594,164
University of Virginia Medical Center	70,820,694	-	-	70,820,694
Department of Transportation	16,206,755	-	7,355,669	8,851,086
Department of Behavioral Health and Developmental Services	14,008,639	-	-	14,008,639
University of Virginia - Academic Division	6,979,390	397,622	44,247	6,537,521
Virginia Commonwealth University	6,711,546	226,232	192,382	6,292,932
Virginia Community College System	6,478,952	2,177,524	1,770	4,299,658
Virginia Polytechnic Institute and State University	5,951,991	1,010,511	1,108,126	3,833,354
TOTAL	**$ 486,347,631**	**$ 12,606,808**	**$ 24,081,550**	**$ 449,659,273**
All Other Agencies	54,284,151	6,652,021	10,512,689	37,119,441
TOTAL OVER 60 DAYS	**$ 540,631,782**	**$ 19,258,829**	**$ 34,594,239**	**$ 486,778,714**
Uncollectible Amounts Placed for Collection, Including Accounts Written Off	2,139,273,048	258,083,471	136,774,515	1,744,415,062
TOTAL COLLECTION EFFORTS	**$ 2,679,904,830**	**$ 277,342,300**	**$ 171,368,754**	**$ 2,231,193,776**

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 $5.7 million through the third quarter of FY 2014. Please note the amount reported is before any refunds.

Receivable Trend Data

One way to measure an agency's effectiveness at collecting its accounts receivable is to look at how efficient collection procedures are on accounts that are more than 60 days past due. The following table looks at trend percentages of receivables over 60 days past due as a percentage of gross receivables for the agencies with the largest amounts over 60 days past due.

Percentage of Gross Receivables Over 60 Days Past Due

Agency	Percent 12/30/13	Comparative Percent 9/30/13	Comparative Percent 6/30/13
Virginia Employment Commission	49%	45%	34%
Department of Medical Assistance Services	47%	35%	44%
Department of Social Services	35%	35%	34%
Department of Behavioral Health and Developmental Services	29%	27%	28%
Department of Transportation	22%	19%	9%
University of Virginia Medical Center	12%	11%	11%
Virginia Community College System	7%	20%	14%
Virginia Commonwealth University	3%	8%	13%
University of Virginia - Academic Division	2%	5%	5%
Virginia Polytechnic Institute and State University	2%	5%	7%
Statewide Average - All Agencies	**16%**	**20%**	**19%**

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 76 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 62 percent indicates that for every dollar billed during the quarter ended December 31, 2013, the state collected 62 cents. This rate is four percent lower than last year and two percent lower than two years ago

Collections as a Percentage of Billings

		Comparative	
Agency	**Percent 12/31/13**	**Percent 12/31/12**	**Percent 12/31/11**
Virginia Employment Commission	104%	104%	78%
Department of Social Services	97%	95%	92%
Virginia Polytechnic and State University	59%	56%	49%
University of Virginia - Academic Division	43%	47%	39%
Department of Medical Assistance Services	42%	44%	48%
Virginia Commonwealth University	41%	40%	40%
Old Dominion University	39%	37%	29%
The College of William and Mary in Virginia	38%	32%	26%
James Madison University	33%	32%	21%
University of Virginia Medical Center	27%	29%	28%
Statewide Average - All Agencies	**62%**	**66%**	**64%**

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 $121.1 million at December 31, 2013, is an $17.0 million increase over the $104.1 million reported at December 31, 2012. Over the same period, total past due receivables of $84.5 million have increased by $14.0 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 $558.9 million at December 31, 2013, were a $22.6 million increase from the $536.3 million reported the previous year. Past due receivables decreased by $127.9 million to $214.8 million at December 31, 2013.

Virginia Employment Commission (VEC)

VEC is responsible for paying unemployment insurance benefits to workers who have become unemployed. VEC also provides employment assistance for job seekers and analyzes and reports on a variety of labor market information.

VEC collectible receivables were $100.3 million at December 31, 2013, a decrease of $3.9 million from the previous year. Total past due receivables were $84.3 million, a $9.6 million increase over last year. VEC collects employer tax receivables in-house. The Attorney General's Office is involved in contested cases. Unemployment benefit overpayments to individuals are referred to private collections agencies after in-house efforts have produced no results and when debtors have left the state.

Virginia Information Technologies Agency (VITA)

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

VITA reported collectible receivables at December 31, 2013, of $44.8 million, which is a decrease of $11.4 million reported in the previous year. Most of these receivables are due from other state agencies. As of December 31, 2013, $648,408 was over 60 days past due, a decrease of $3.1 million from the previous year.

State Lottery Department (SLD)

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

At December 31, 2013, the State Lottery reported net receivables of $56.1 million, a $11.3 million decrease from the previous year. Billings increased by $49.1 million and collections increased by $67.6 million during the December 31, 2013 quarter when compared to the December 2012 quarter. At December 31, 2013, the State Lottery had $404,150 that was over 60 days past due. The total amount owed is covered by surety bonds.

Department of Education (DOE)

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

At December 31, 2013, DOE had no accounts receivable due from the Federal government under Direct Aid to Public Education. This is consistent with the prior year.

Virginia Polytechnic Institute and State University (VPISU)

VPISU is one of the Commonwealth's largest universities and one of two land grant institutions in the state. At December 31, 2013, the University reported net collectible receivables of $308.2 million, an increase of $29.8 million over the prior year. At the same time, total past due receivables of $11.3 million increased by $1.1 million over the prior year.

The University uses a variety of collection methods to encourage payments. At December 31, 2013, VPISU had $5.9 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 $3.8 million was subject to additional in-house efforts.

Department of Behavioral Health and Developmental Services (DBHDS)

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

At December 31, 2013, the Department reported collectible receivables of $25.8 million, a $4.6 million decrease over the previous year. $21.8 million was past due, with $14.0 million being over 60 days past due. Total past due receivables decreased by $11.2 million over the year, and accounts over 60 days past due decreased by $12.4 million. At December 31, 2013, the Department had a total of $6.9 million of accounts placed with the Attorney General and $1.0 million listed in Taxation's Debt Setoff Programs.

Department of Transportation (VDOT)

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

At December 31, 2013, VDOT reported $71.0 million of collectible receivables, a decrease of $27.6 million from the prior year. VDOT also reported $17.9 million total past due and $16.2 million being over 60 days past due. Past due receivables decreased by $1.5 million over the year, while receivables over 60 days past due increased by $1.9 million. VDOT reports that the large majority of the accounts over 60 days past due continue to be amounts owed by cities, counties and towns that are participating on long-term construction projects with the department and where the local fund shares are provided by local debt financing.

VDOT reported placing $7.4 million of its accounts that were 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 December 31, 2013, DSS reported gross receivables of $576.6 million, an allowance for doubtful accounts of $348.3 million and collectible receivables of $228.2 million. Past due receivables totaled $204.2 million, of which $201.1 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for $516.3 million (90 percent) of the gross receivables, $319.6 million (92 percent) of the allowance for doubtful accounts and $196.7 million (86 percent) of the collectible receivables.

From December 31, 2012 to December 31, 2013, gross receivables increased by $46.7 million and collectible receivables increased by $17.7 million. Total past due receivables increased by $15.9 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 December 31, 2013, DRPT had gross and net receivables of $21.0 million. The majority of this money is due via an interagency transfer from VDOT. DRPT reported past due receivables of $2.2 million at December 31, 2013.

Virginia Commonwealth University (VCU)

VCU, based in Richmond, offers more than 200 degree programs to over 32,000 students in a variety of fields ranging from accounting to pharmacy at both undergraduate and graduate levels.

At December 31, 2013, VCU had $211.8 million of collectible receivables, a $7.9 million increase from December 31, 2012. Total past due accounts were $15.9 million, a $1.8 million increase from December 31, 2012. Accounts over 60 days past due ($6.7 million) increased by $415,225 from the prior year. Billings increased by $6.7 million to $225.1 million and collections increased by $6.6 million to $93.1 million for the December 31, 2013 quarter, when compared to the December 31, 2012 quarter.

The following table is prepared to present the December 31, 2013, aging information in conformity with the provisions of the *Code of Virginia* § 2.2-603.E.(ii).

Taxation and the Circuit and District Courts accounted for 71 percent ($2.07 billion) of the Commonwealth's total $2.91 billion past due accounts receivable at December 31, 2013. Another 18 agencies accounted for 27 percent ($795.9 million), leaving 70 other agencies to comprise the last two percent at $42.3 million.

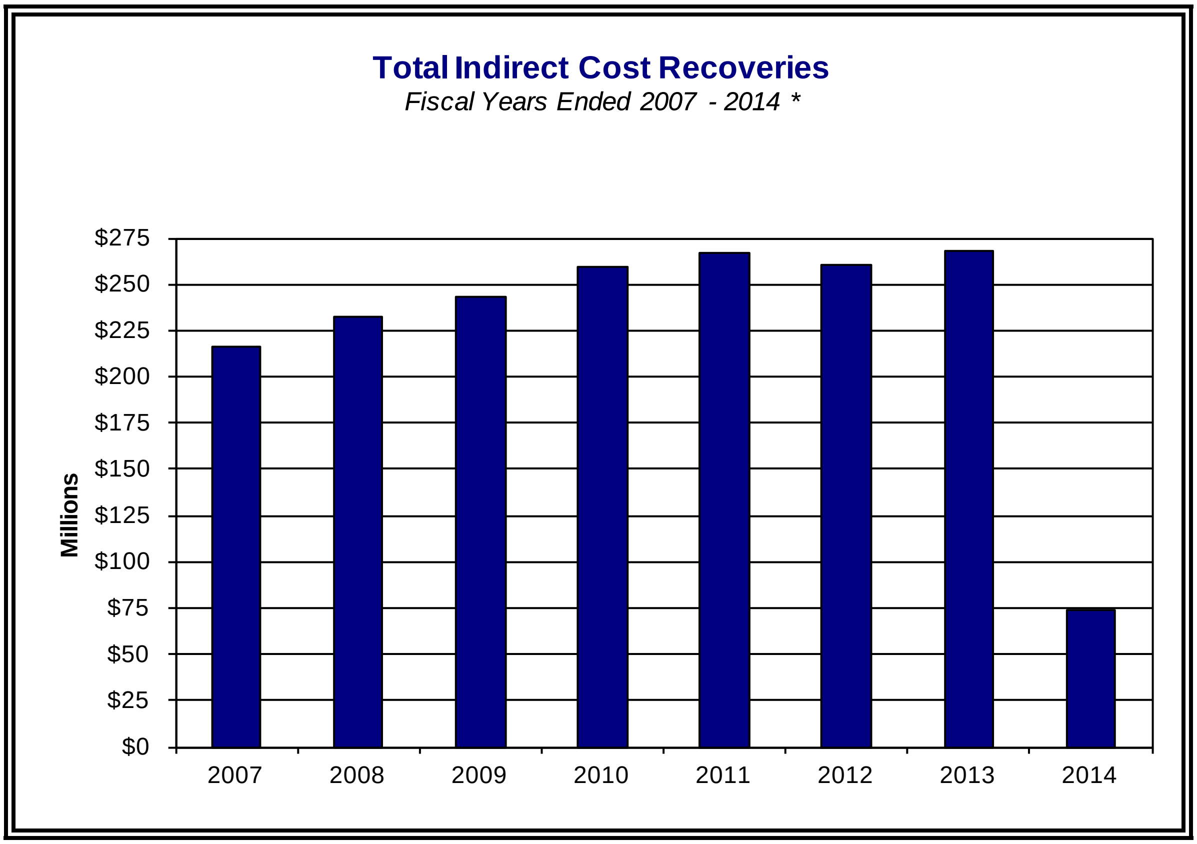
Agencies with the Largest Volume of Past Due Receivables

As of December 31, 2013

Agency	Total Past Due	1 to 180 Days Past Due	181 to 365 Days Past Due	Over One Year
Department of Taxation	$ 1,701,526,181	$ 183,502,522	$ 162,449,485	$ 1,355,574,174
Localities' Circuit and District Courts	367,930,068	39,686,698	64,668,743	263,574,627
Total - Taxation Assessments and Court Fines and Fees	**$ 2,069,456,249**	**$ 223,189,220**	**$ 227,118,228**	**$ 1,619,148,801**
All Other Large Dollar Agencies:				
University of Virginia Medical Center	214,834,842	195,159,385	15,830,770	3,844,687
Department of Social Services	204,216,503	9,749,073	9,730,058	184,737,372
Department of Medical Assistance Services	84,452,959	37,509,676	5,397,487	41,545,796
Virginia Employment Commission	84,274,238	17,665,369	11,120,487	55,488,382
Virginia Community College System	51,642,933	48,659,701	2,235,517	747,715
University of Mary Washington	23,212,299	22,084,185	361,080	767,034
Department of Behavioral Health and Developmental Services	21,825,270	17,597,269	13,382	4,214,619
Department of Transportation	17,905,769	9,328,009	1,621,662	6,956,098
University of Virginia - Academic Division	17,624,075	15,281,200	1,857,182	485,693
Virginia Commonwealth University	15,891,218	10,110,285	1,366,010	4,414,923
Virginia Polytechnic Institute and State University	11,290,302	8,312,591	836,820	2,140,891
George Mason University	9,712,934	7,951,008	1,007,023	754,903
Department of General Services	8,302,393	5,228,108	364,655	2,709,630
Virginia Information Technologies Agency	6,834,579	6,667,083	39,388	128,108
Department of State Police	6,770,686	4,861,457	184,924	1,724,305
Department of Motor Vehicles	5,888,338	4,416,277	318,938	1,153,123
Virginia Port Authority	5,735,315	5,735,315	-	-
Virginia Workers' Compensation Commission	5,535,064	1,212,285	1,261,230	3,061,549
Total - Largest Dollar Volume Agencies	**$ 795,949,717**	**$ 427,528,276**	**$ 53,546,613**	**$ 314,874,828**
All Other Agencies	42,257,537	28,826,105	4,488,699	8,942,733
Grand Total Past Due Receivables	**$ 2,907,663,503**	**$ 679,543,601**	**$ 285,153,540**	**$ 1,942,966,362**

Indirect Costs

The Department of Accounts prepares a Federal Statewide Indirect Cost Allocation Plan (SICAP) annually that identifies the central service agency General Fund support provided to all State agencies. Agencies receiving Federal grants or contracts prepare indirect cost rate proposals or cost allocation plans that include both the agency (agency specific overhead expenditures) and Statewide (overhead expenditures incurred by the State's central service agencies for support provided to other State agencies) indirect costs associated with the administration and management of federal, State, or private grant and contract activity.



* FY 2014 reflects indirect cost recoveries through March 31, 2014.

Indirect Cost Recoveries from Grants and Contracts

Fiscal Year 2014

Fund	Year-to-Date Higher Ed	Year-to-Date Non-Higher Ed	Year-to-Date Total
Nongeneral:			
Agency / Institution (1)	$ 16,536,313	$ 55,423,087	$ 71,959,400
Statewide	89,912	963,937	1,053,849
Agency / Institution ARRA	830,695	80,577	911,272
Statewide ARRA	20	3,855	3,875
Total Nongeneral	**$ 17,456,940**	**$ 56,471,456**	**$ 73,928,396**
General:			
Agency (Cash Transfers)	-	-	-
Statewide	-	331,387	331,387
Statewide (Cash Transfers)	-	-	-
Total General	**$ -**	**$ 331,387**	**$ 331,387**
Total All Funds	**$ 17,456,940**	**$ 56,802,843**	**$ 74,259,783**

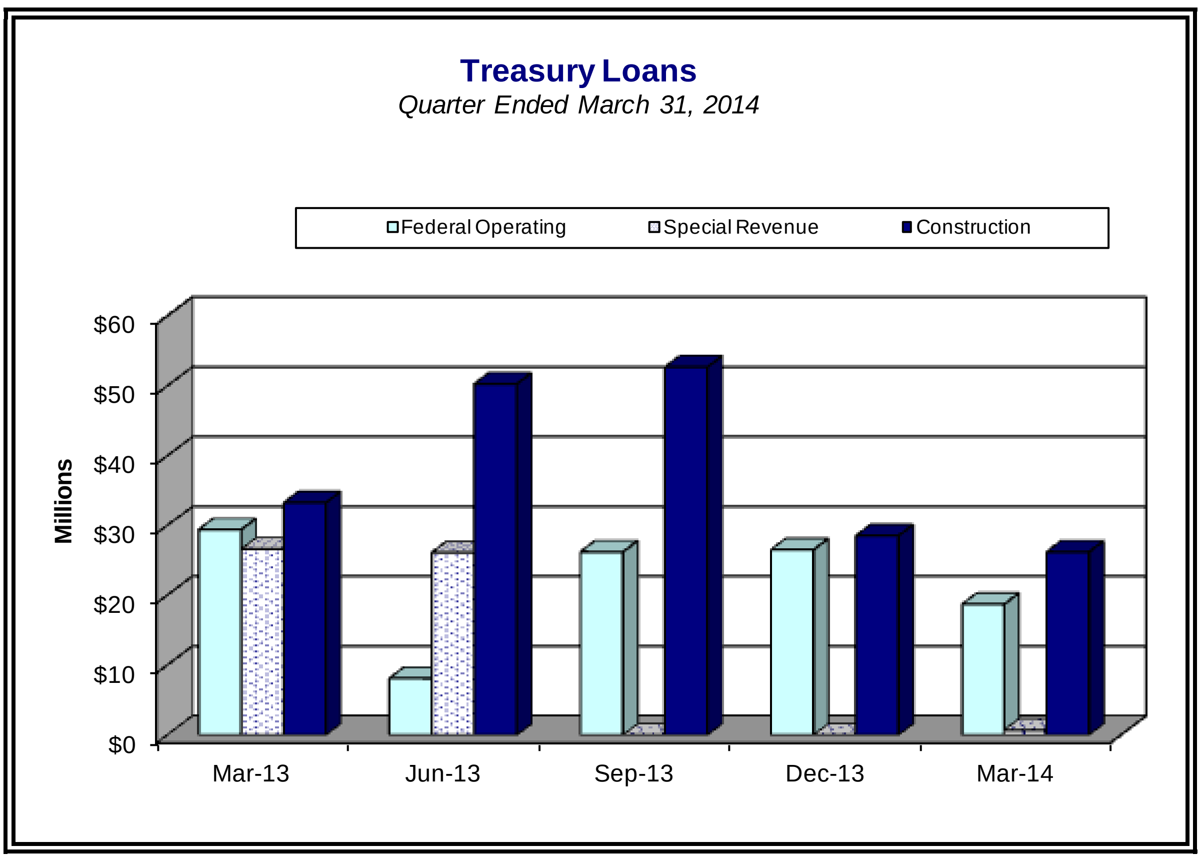
(1) Department of Social Services records all federal monies received in CARS. However, it they do not separately classify such receipts between direct and indirect. Included in the agency nongeneral fund category is $38,381,011 representing the Department of Social Services' estimate of indirect cost 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 March 31, 2014 was $45.6 million.



Significant New Loans / Drawdowns		New Balance
Virginia Community College System (VCCS)		
Drawdown on a $6 million loan used to pay expenditures incurred in anticipation of reimbursement from an approved federally funded grant.	$	5,000,000.00

Significant Loan Repayments		Prior Balance
Department of General Services (DGS)		
Repayment on a $1.5 million loan used for the Virginia Distribution Center.	$	1,500,000.00
Virginia Community College System (VCCS)		
Repayment on a $6 million loan used to pay expenditures incurred in anticipation of reimbursement from an approved federally funded grant.	$	6,000,000.00
Department of Military Affairs (DMA)		
Payment on a $15 million loan used to pay expenditures incurred in anticipation of reimbursement from the National Guard Bureau.	$	6,500,000.00

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

- **Authorized Appropriation Deficits**, which provide funding, when authorized by the Governor, under emergency conditions as described in §4-3.01 and §4-3.02 of the Appropriation Act. There were no deficit loans/appropriations as of March 31, 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 March 31, 2014, was $43.0 million.

  Lines of Credit, which provide funding for recurring shortfalls of operating cash and are authorized in §3-2.03 of the Appropriation Act. The total of all outstanding lines of credit as of March 31, 2014, was $72.3 million.