

**REPORT ON
STATEWIDE FINANCIAL MANAGEMENT
AND COMPLIANCE**

FOR THE QUARTER ENDED MARCH 31, 2015



OFFICE OF THE COMPTROLLER

DEPARTMENT OF ACCOUNTS

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STATEMENT OF PURPOSE

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

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

This *Quarterly Report* includes information for the quarter ended March 31, 2015, and comparative FY 2014 data. Some information in the report is for the quarter ended December 31, 2014, which is the most current data available.

David A. Von Moll, CPA, CGFM
Comptroller



Virginia Department of Accounts

Financial Accountability. Reporting Excellence.

SPECIAL REPORT

2014 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 2015, a Statewide Information Returns compliance survey was conducted for the 2014 tax year. Based on the survey, 126 tax reporting entities (representing 253 agencies and institutions) filed 3.8 million information returns totaling \$11.95 billion. The Commonwealth filed 99.97 percent of the information returns with the IRS using electronic media.

Information Returns

Filed for Calendar Year 2014

Number of Information Returns Filed	Number of Tax Reporting Entities
No Returns	3
1 to 50 Returns	73
51 to 250 Returns	20
Over 250 Returns	30
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, 2014. When the number of information returns filed for 2014 is compared with 2013, percent changes by category range from a negative 28.0 percent for Forms 1099-B, *Proceeds from Broker and Barter Exchange Transactions*, to a positive 29.6 percent for Forms 1099-S, *Proceeds*

from Real Estate Transactions. The decrease in number of Forms 1099-B is due to a decrease in owners with property bearing interest, earning dividends, or with shares of stock that had been sold that came forward to claim their accounts as compared to the previous year. The increase in Forms 1099-S is due to the Department of Transportation having more right of way acquisitions for the construction of highways.

2014 Information Returns Reporting Results

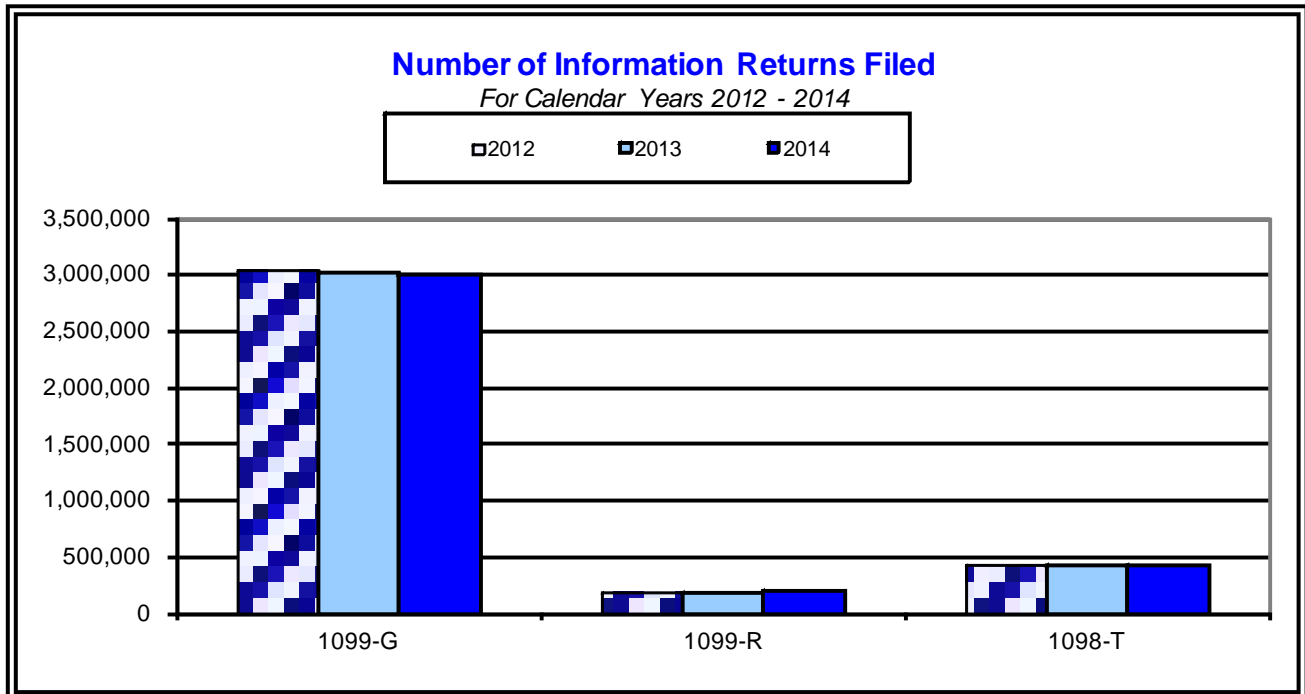
By Major Filing Category

Form Type (1)	Dollars Reported in 2014	Number of Payees in 2014	Electronic Media	Paper Media	% Change in Number of Filings from 2013
1099-G, Certain Government Payments	\$ 2,674,316,801	3,000,924	3,000,908	16	-0.9%
1099-R, Retirement	4,018,297,073	199,892	199,892	-	4.9%
1098-T, Tuition Statement	3,236,552,373	426,837	426,837	-	-1.1%
1099-MISC, Miscellaneous Income (2)	1,416,433,699	26,181	25,158	1,023	3.1%
W-2G, Certain Gambling Winnings	186,933,897	37,905	37,905	-	12.4%
1099-Q, Qualified Education Programs	324,876,151	34,004	34,004	-	5.6%
1099-S, Proceeds from Real Estate Transactions	65,684,426	1,362	1,362	-	29.6%
1042-S, Foreign Persons	17,520,109	3,137	2,912	225	-17.1%
1099-INT, Interest Income	3,831,204	33,331	33,331	-	-18.5%
1099-K, Merchant Card and Third Party Network Payments	6,602,336	158	133	25	11.3%
1099-B, Proceeds from Broker and Barter Exchange Transactions by Unclaimed Property Div. of the Treasury Department	1,847,122	399	399	-	-28.0%
1099-DIV, Dividends and Distributions	929,330	1,111	1,111	-	-12.0%
Total	\$ 11,953,824,521	3,765,241	3,763,952	1,289	-0.6%

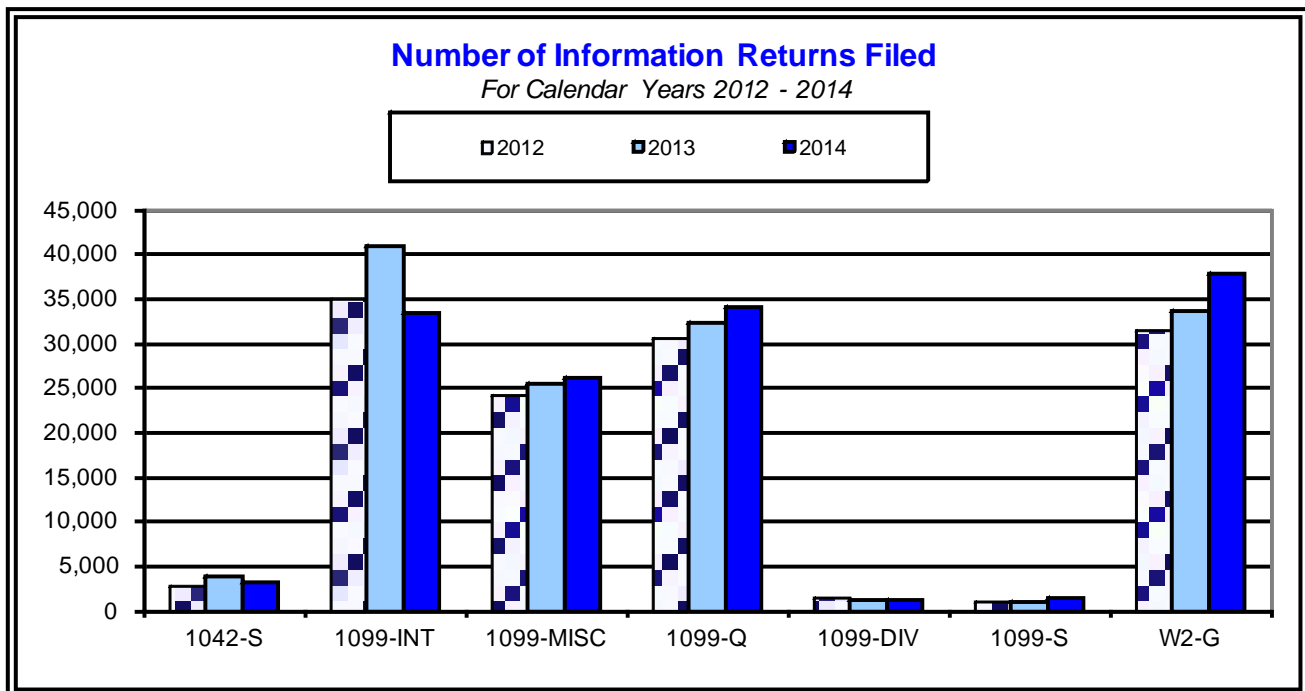
(1) Does not include Medicaid payments to third party providers made by the DMAS fiscal agent.

(2) 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.

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



Note: This chart does not include comparison 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 comparison 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 1099-B were filed. These forms are not shown above.

Discrepancy Notices

During 2014, fourteen 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 had filed information returns using (1) an incorrect taxpayer identification number or (2) taxpayer identification numbers that did not match a taxpayer record in either the IRS or Social Security Administration's databases. All agencies receiving notices complied. The IRS

has waived the proposed penalty for five of fourteen agencies notified. Of the remaining agencies, eight expect to have the penalty waived and are waiting on the IRS to review their information. Two control agencies reported paying penalties totaling \$3,800 for incorrect TIN matching or using incorrect identification numbers and one of the two control agencies is expecting to pay an additional \$600 in the near future.

Agency Training

DOA's on-line 1099 training was accessed by 158 participants from 102 agencies/higher education institutions. Some agencies/higher education institutions requested additional training. The most frequently mentioned

areas of interest were: (1) Cardinal processing, and (2) basic information returns reporting requirements, including forms and regulations.

The chart below lists the reporting entities that filed more than 500 information returns for calendar year 2014.

**Reporting Entities Filing More Than
500 Information Returns for 2014**

Reporting Entity	Number of Agencies	Number of Returns	Dollars	Automated System (s)
Department of Taxation	1	2,842,702	\$ 2,021,770,240	In-House System
Virginia Retirement System	1	199,876	4,079,597,081	TFP Software
Virginia Employment Commission	1	189,827	524,392,637	AMS
Virginia Community College System (VCCS) (1)	24	177,029	354,806,759	AIS PeopleSoft
Virginia Commonwealth University	1	45,719	487,024,728	Banner System
George Mason University	1	42,558	445,829,872	Ellucian (Former: SunGard Banner)
Virginia Lottery	1	39,195	234,562,335	JD Edwards Enterprise One
Virginia Polytechnic Institute and State University	1	37,774	516,758,378	Banner System
Virginia College Savings Plan	1	34,040	328,042,833	1099-Etc.
University of Virginia	2	30,237	601,872,285	Thomas Reuters International Tax Navigator
Old Dominion University	1	26,032	183,653,045	Banner and Secure 32 Software
James Madison University	1	24,200	258,168,627	Yearli 2014 Software - Greatland Corporation
Radford University	1	12,327	100,195,492	1099 Etc.
The College of William and Mary in Virginia	2	9,548	179,642,782	Banner System
Norfolk State University	1	7,991	60,862,721	Colleague Datatel
Virginia State University	1	7,506	98,837,901	1099 Express Enterprise 2014
Christopher Newport University	1	6,477	81,863,606	Evisions
University of Mary Washington	1	5,932	63,308,908	Banner System
Longwood University	1	5,783	55,241,958	Banner System
Department of Transportation	1	3,305	603,627,917	Cardinal
Richard Bland College	1	2,897	10,246,389	1099 Etc.
Supreme Court	1	2,881	112,223,661	IDSS Oracle Database
Virginia Military Institute	1	1,941	43,105,458	Colleague Datatel
Department of the Treasury	1	1,915	7,835,837	In-House System
Department of Forestry	1	1,287	2,544,144	Advanced Micro Solutions 1099 Etc.
Department for Aging and Rehabilitative Services	5	1,233	21,525,103	FRATE
Total	55	3,760,212	\$ 11,477,540,697	

(1) The number of returns filed by VCCS includes 176,972 Forms 1098-T filed on behalf of the 23 community colleges.

SPECIAL REPORT

2014 Year-End Payroll Processing

At the end of calendar year 2014, DOA working with 207 state agencies and institutions, verified and printed 121,696 W-2s. This was a slight increase from the number of W-2s printed in 2013.

	CY 2013	CY 2014
W-2s Printed	121,615	121,696
W-2Cs Printed	74	194*
Agencies Making Adjustments	43	56
Employee Records Requiring Year-End Adjustments	179	136

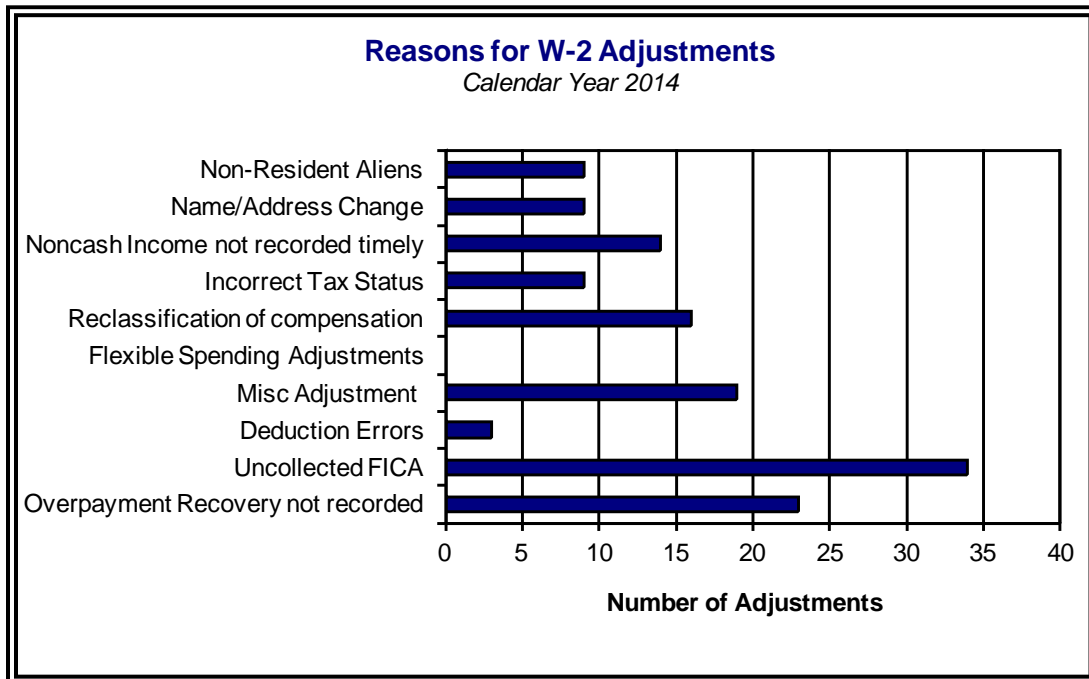
*# of W-2C's printed as of the date of this report.

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 136 employee records. Adjustments made to pre-tax deductions resulting in uncollected FICA contributed to twenty-five percent of all correcting entries. Late notification of non-cash awards resulting in additional taxable income accounted for eighty-one percent of the W2-Cs that have been produced as of this date.

W-2s are printed at the Department of Treasury using self-mailers. Upon return from Treasury, agencies are notified that 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 issues 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, 2015

The APA issued 12 reports covering 21 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	1	0	1	NO
Department of Human Resource Management	2	0	2	YES
Agriculture and Forestry				
None	0	0	0	N/A
Commerce and Trade				
Virginia Employment Commission	6	3	9	YES

	New Findings	Repeat Findings	Total Findings	CAW Received
Education				
Department of Education and Direct Aid to Public Education	4	0	4	YES
Norfolk State University	1	5	6	YES
Virginia Polytechnic Institute and State University	0	0	0	N/A
Executive Offices				
Attorney General and Department of Law ⁽¹⁾	3	0	3	YES
Finance⁽²⁾				
Department of Accounts	4	0	4	YES
Department of Planning and Budget	3	0	3	YES
Department of Taxation	3	0	3	YES
Department of Treasury ⁽³⁾	0	0	0	N/A
Health and Human Resources⁽⁴⁾				
Department of Behavioral Health and Developmental Services	7	2	9	YES
Department of Health	15	7	22	YES
Department of Medical Assistance Services	6	1	7	YES
Department of Social Services	3	3	6	YES
Office of Comprehensive Services for At-Risk Youth and Families	0	0	0	N/A
Natural Resources				
None				
Public Safety and Homeland Security				
Department of State Police	6	3	9	NO
Technology				
Innovation and Entrepreneurship Investment Authority ⁽⁵⁾	0	0	0	N/A
Transportation⁽⁶⁾				
Department of Motor Vehicles	8	0	8	YES
Department of Rail and Public Transportation	1	1	2	YES
Department of Transportation	5	3	8	YES
Veterans and Defense Affairs				
None				

(1) The Attorney General and Department of Law audit included the Division of Debt Collection.

(2) All of the following agencies were included under one report titled, "Secretary of Finance, Report on Audit For the Year Ended June 30, 2014".

(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, 2014".

(5) The Innovation and Entrepreneurship Investment Authority audit report includes the Center for Innovative Technology, a Blended Component Unit.

(6) All of the following agencies were included under one report titled, "Agencies of the Secretary of Transportation, June 30, 2014".



Audit Findings - Quarter Ended March 31, 2015

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

Administration

Compensation Board

1. Improve Controls Over Systems Access.

Department of Human Resource Management

1. Improve System Security for the Time, Attendance, and Leave System.
2. Improve Controls over the Personnel Management Information System.

Commerce and Trade

Virginia Employment Commission

1. Allocate Adequate Resources to Reduce IT Security Risk. **This is a Material Weakness.**
2. Improve Organizational Placement of Information Security Officer.
3. Maintain Oversight Over the Information Security Program.
4. Upgrade Unsupported and Vulnerable Operating Systems.
5. Continue to Strengthen Internal Controls over Financial Reporting. **This is a Repeat Finding. This is a Material Weakness.**
6. Confirm VABS is Calculating Maximum Benefit Amount Consistently for All Claimants.
7. Withhold Child Support Obligations from Benefit Adjustment Payments. **This is a Repeat Finding.**
8. Continue to Strengthen Tax – Wage Reconciliation Processes. **This is a Repeat Finding.**
9. Review Policies over Benefit Overpayment Reviews.

Education

Department of Education and Direct Aid to Public Education

1. Structure Contract Management to Prevent the Circumventing of Commonwealth Requirements.
2. Improve Information Security Policies and Procedures.
3. Improve Information Security Officer Designation.
4. Improve IT Risk Management Documentation.

Norfolk State University

1. Correct Deficiencies in Fixed Asset Management Program. **This is a Material Weakness and a Repeat Finding.**

2. Properly Maintain Documentation for Audit. **This is a Material Weakness and a Repeat Finding.**
3. Improve Accounts Payable Processes. **This is a Material Weakness and a Repeat Finding.**
4. Continue to Develop and Implement Policies and Procedures. **This is a Repeat Finding.**
5. Enhance System Access Controls. **This is a Repeat Finding.**
6. Improve Controls over Virginia Retirement System Navigator Data Entry.

Executive Offices

Attorney General and Department of Law

1. Strengthen Procedures for Administering Federal Programs.
2. Improve Security Awareness Training.
3. Improve Physical and Environmental Security for IT Systems.

Finance

Department of Accounts

1. Improve Controls over Cardinal Security.
2. Improve Payline Web Application and SQL Server Database Security.
3. Improve Risk Management and Continuity Planning Documentation.
4. Improve IT Security Audit Plan.

Department of Planning and Budget

1. Improve Internal Controls over System Access.
2. Enhance Performance Budgeting System Access Reviews.
3. Improve IT Risk Management and Disaster Recovery Planning Programs.

Department of Taxation

1. Improve Internal Controls over Advantage Revenue Access.
2. Update IT Risk Management Plans.
3. Improve Physical Security to Server Rooms.

Health and Human Resources

Department of Behavioral Health and Developmental Services

1. Improve Database Security. **This is a Repeat Finding.**
2. Improve IDOLS Security.
3. Develop and Submit an Information Technology Audit Plan.
4. Improve Controls over Systems Access. **This is a Repeat Finding.**
5. Improve Controls over Hours Worked by Wage Employees.

6. Improve Controls over the VNAV System.
7. Improve Controls over Payroll.
8. Improve Controls over Physical Inventory.
9. Create Policies and Procedures for Fixed Assets.

Department of Health

1. Improve Access Controls for the Crossroads System. **This is a Material Weakness.**
2. Account for All WIC EBT Food Instruments and Investigate Errors. **This is a Material Weakness.**
3. Record Accurate Time and Effort Reporting. **This is a Material Weakness.**
4. Complete Local Agency Monitoring Reviews. **This is a Material Weakness.**
5. Submit Invoices for WIC Rebates and Medicaid Claims. **This is a Material Weakness.**
6. Improve Controls over Federal Reporting WIC. **This is a Material Weakness and Repeat Finding.**
7. Improve Procurement Controls.
8. Improve User Access Controls for ROAP System. **This is a Repeat Finding.**
9. Improve Controls over Federal Reporting. **This is a Repeat Finding.**
10. Improve Internal Controls over the ROAP System Reconciliation Process for CACFP.
11. Review Subrecipient Single Audit Reports and Issue Management Decisions. **This is a Repeat Finding.**
12. Complete Subrecipient Monitoring Reviews. **This is a Repeat Finding.**
13. Complete FFATA Reporting for CACFP. **This is a Repeat Finding.**
14. Improve Database Security. **This is a Repeat Finding.**
15. Improve Access Management to Information Systems.
16. Ensure Timely Security Awareness and Training.
17. Improve VNAV Reconciliation and Confirmation Process.
18. Enforce Business Rules in Human Resource Transactions.
19. Improve Documentation to Support Salary Changes.
20. Improve Controls over Human Resources Transactions.
21. Improve Controls over Reporting Account Receivables.
22. Complete FFATA Reporting for Preparedness Grants.

Department of Medical Assistance Services

1. Improve Access Reviews of the Medicaid Management Information System. **This is a Repeat Finding.**
2. Create Formal Document that Facilitates Controlling Privileges in the Medicaid Management Information System.
3. Identify a Back-up for Medicaid Management Information System Administration and Document the Process.
4. Correct Operating Environment and Security Issues Identified by their Security Compliance Audit.
5. Strengthen Financial System Application Access.
6. Confirm that Application Access is Appropriate.
7. Rates Used by the System Should be Supported by a Signed Contract with the Same Rates

Department of Social Services

1. Document IT Systems Backup and Restoration Policy and Procedure.
2. Monitor Actions of Employees Granted Temporary Access in FAAS.
3. Ensure Compliance with the Federal Funding Accountability and Transparency Act.
4. Review User Accounts and Privileges for Mission Critical Systems. **This is a Repeat Finding.**
5. Develop Workable Solutions to Maintain Appropriate Balance of Internal Controls. **This is a Repeat Finding.**
6. Implement and Monitor a Change Management Process for Sensitive Applications. **This is a Repeat Finding.**

Public Safety and Homeland Security

Department of State Police

1. Improve Motor Vehicle Inspection Program Web Application Security.
2. Remove Excessive Computer Permissions.
3. Continue to Upgrade Database System Software. **This is a Repeat Finding.**
4. Continue to Realign Information Security Officer with Industry Best Practices. **This is a Repeat Finding.**
5. Improve Financial Management System Controls. **This is a Repeat Finding.**
6. Improve Fixed Asset Internal Controls and Processes.
7. Improve Small Purchase Charge Card Controls.
8. Improve Processes over Work Zone Project Billings.
9. Improve and Adhere to Record Retention Schedules.

Transportation

Department of Motor Vehicles

1. Develop Database and Application Baseline Security Configurations.
2. Improve Physical and Environmental Security Controls.
3. Improve IT Risk and Continuity Management Program.
4. Improve IT Security Audit Program Management.
5. Improve Termination Procedures Supporting Timely Removal of Commonwealth Systems' Access.
6. Improve Retirement Contribution Snapshot Certification Process.
7. Improve Payroll and Leave Processing.
8. Improve Management of Inactive Small Purchase Charge Cards.

Department of Transportation

1. Improve Controls over Financial Reporting. **This is a Material Weakness and a Repeat Finding.**
2. Improve Web Application Security.
3. Improve Information Security Officer Designation.
4. Improve Controls over Sub-recipient Monitoring. **This is a Repeat Finding.**

5. Improve Controls over FFATA Reporting. **This is a Repeat Finding.**
6. Improve Restorative Maintenance Project Reviews.
7. Improve the Voucher Review Process.
8. Comply with the Code of Federal Regulations.

Department of Rail and Public Transportation

1. Implement a Comprehensive Information Security Program. **This is a Repeat Finding.**
2. Properly Account for Internal Expenditure Adjustments.



Additional Recommendations – Quarter Ended March 31, 2015

The APA issued two Risk Alerts:

Department of Behavioral Health and Developmental Services: Continue to Comply with the DOJ Settlement Agreement.

Virginia State Police for the years ended June 30, 2012 and June 30, 2013: Develop a Secretary Level Transformation Strategy for State Police and VITA.

The APA issued Comments to Management to:

Department of Human Resource Management:

- Shared Responsibilities for Management of Member Data.

Secretary of Finance:

- Status of System Development Project.

Department of Accounts:

- Status of System Development Project,
- Modernization of Financial Reporting Process,
- Statewide Implementation of New Federal Grant Requirements,
- Pension Accounting Changes, and
- Shared Responsibilities for Management of Retirement System Member Data.

Virginia Retirement System:

- Shared Responsibilities for Management of Member Data

Special Reports – Quarter Ended March 31, 2015

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

Review of Compliance with the Federal Payments in Lieu of Taxes (PILT) Act for the period October 1, 2013 through September 30, 2014

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

Commonwealth of Virginia Single Audit Report for the year ended June 30, 2014

Report on Collections of Commonwealth Revenues by Local Constitutional Officers for the year ended June 30, 2014⁽¹⁾

Report to the Joint Legislative Audit and Review Commission for the quarter October 1, 2014 through December 31, 2014⁽²⁾

Review of Audit Oversight and Provisions of Supervisory Entities – February 2015

Review of Capital Project Cash Flow Requirements – January 2015

Statewide Review of Travel Expenses, Interim Report – January 2015

(1) The Report on Collections of Commonwealth Revenues by Local Constitutional Officers is a summary to JLARC of findings/recommendations included in all APA reports on local constitutional officers, except Clerks of circuit courts, issued for the year ended June 30, 2014.

(2) This report is only a summary to JLARC of all findings/recommendations in all APA reports that the APA has issued during the quarter and does not contain any "new" findings/recommendations.

Other Audit Reports Received – Quarter Ended March 31, 2015

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

Danville Community College – Review Report for the year ended June 30, 2014

Department of Housing and Community Development – Virginia Removal or Rehabilitation of Derelict Structures Fund – for the year ended June 30, 2014

Department of Military Affairs – National Guard Military Operations and Maintenance Projects Federal Grant – for the year ended June 30, 2014

Emergency Management Performance and State Homeland Security Program Federal Grants for the year ended June 30, 2014

George Mason University Intercollegiate Athletics Programs for the year ended June 30, 2014

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, 2014

James Madison University Intercollegiate Athletics Programs for the year ended June 30, 2014

Longwood University Intercollegiate Athletics Programs for the year ended June 30, 2014

Norfolk State University Intercollegiate Athletics Programs for the year ended June 30, 2014

Old Dominion University Intercollegiate Athletics Programs for the year ended June 30, 2014

Radford University Intercollegiate Athletics Programs for the year ended June 30, 2014

Rappahannock River Basin Commission for the year ended June 30, 2014

Southwest Virginia Community College - Review Report for the year ended June 30, 2014

The College of William and Mary of Virginia Intercollegiate Athletics Programs for the year ended June 30, 2014

Thomas Nelson Community College – Review Report for the year ended June 30, 2014

University of Virginia Intercollegiate Athletics Programs for the year ended June 30, 2014

Virginia Commonwealth University Intercollegiate Athletics Programs for the year ended June 30, 2014

Virginia Military Institute Intercollegiate Athletics Programs for the year ended June 30, 2014

Virginia Polytechnic Institute and State University Intercollegiate Athletics Programs for the year ended June 30, 2014

Wytheville Community College - Review Report for the year ended June 30, 2014

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

State Corporation Commission for the year ended June 30, 2014.

- Establish an Independent Line of Reporting for the Chief Internal Auditor
- Improve Information Security Program
- Follow Procurement Rules and Best Practices – **This is a Repeat Finding.**

Virginia Retirement System for the ended June 30, 2014

- Strengthen Management and Oversight of Supplemental Benefits Processing
- Consolidate Desktop Procedures for PPS Processing and Actively Monitor System Override Activity



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	0	0	1
Department of Minority Business Enterprise	0	0	0	2
Agriculture and Forestry				
Department of Agriculture and Consumer Services	2	0	0	0
Commerce and Trade				
Department of Business Assistance	0	0	0	4
Virginia Employment Commission	0	2	0	1
Education				
The College of William and Mary in Virginia	0	0	0	2
Gunston Hall	0	2	0	0
Norfolk State University	2	2	6	3
University of Virginia	2	0	1	0
University of Virginia Medical Center	1	0	1	0
Virginia Commonwealth University	0	0	1	0
Virginia Community College System Central Office	1	1	0	0
Eastern Shore Community College	0	1	0	0
Northern Virginia Community College	0	1	1	0
Southside Virginia Community College	0	0	4	0
Tidewater Community College	0	0	1	0
Virginia School for the Deaf and Blind	0	1	0	0
Finance				
Department of Taxation	0	1	0	0
Health and Human Resources				
Department of Health	0	0	1	0
Department of Health Professions	0	0	0	1
Department of Medical Assistance Services	0	1	0	0
Department of Social Services	0	2	0	0

	IN PROGRESS		COMPLETED	
	On Schedule	Delayed	On Schedule	Delayed
Natural Resources				
Department of Game and Inland Fisheries	6	1	0	2
Department of Conservation and Recreation	23	0	21	0
Public Safety				
Department of Alcoholic Beverage Control	0	2	0	0
Department of State Police	1	1	0	0
Transportation				
Department of Motor Vehicles	0	2	0	0
Department of Rail and Public Transportation	1	0	0	0
Department of Transportation	0	1	0	0
TOTALS	39	21	37	16



Status of Prior Audit Findings

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

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

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

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
<u>Department of General Services (DGS)</u>				
2012	12-01 10-02	Improve Application Controls. <i>This is a Repeat Finding.</i>	Unrestricted access to all PeopleSoft Financial System has been altered to improve segregation of duties for key Fiscal senior staff. However, this is not a static process, as changes to access in the future may be necessary.	Completed (Delayed)
<u>Department of Minority Business Enterprise (DMBE)</u>				
2013	13-01	Improve Internal Controls Over Voucher Processing	DSBSD will reduce the number of small purchase credit cards and the employees who have the cards will take training on how to use them so that they will know how to reconcile billing statements and submit it for prompt payment. In addition to the annual training offered by DOA the fiscal staff will provide additional training to cardholders if needed.	Completed (Delayed)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	13-02	Improve Internal Controls Over Small Purchase Charge Cards	Agency will reduce the number of small purchase credit cards and the employees who have the cards will take training on how to use them so that they will know how to reconcile billing statements and submit it for prompt payment.	Completed (Delayed)
<u>Department of Agriculture and Consumer Affairs (VDACS)</u>				
2013	13-01	Perform Timely Updates to IT Risk Management and Contingency Plans	VDACS has updated the Disaster Recovery Plan and will procure Disaster Recovery services when available.	In Progress (On Schedule)
	13-02	Improve Oracle Database Security	VDACS will undertake planning to see that the control is in place in the new Oracle environment.	In Progress (On Schedule)
<u>Department of Business Assistance (DBA)</u>				
2013	13-01	Improve Controls over Purchasing and Voucher Processing	DSBSD will reduce the number of small purchase credit cards and the employees who have the cards will take training on how to use them so that they will know how to reconcile billing statements and submit it for prompt payment. In addition to the annual training offered by DOA the fiscal staff will provide additional training to cardholders if needed.	Completed (Delayed)
	13-02	Improve Oversight of Travel	If travel estimates are under \$500 DSBSD will require staff to submit the Travel Authorization form with proper documentation.	Completed (Delayed)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	13-03	Develop Policies and Procedures for Terminated Employees	DSBD has an access/authorization binder that lists who can access CARS and will update the binder as required. Employees who worked with the ProTrax database will have their access removed. DSBSD will also make sure to change the names of the cell phones that have been reassigned to the correct person.	Completed (Delayed)
	13-04	Comply with Commonwealth Procurement Guidelines	DSBSD has adopted a plan that will required someone who is VCA or VCO certified handle sealed bids.	Completed (Delayed)
<u>Virginia Employment Commission (VEC)</u>				
2013	13-01	Improve Internal Controls Surrounding Employer Wage Discrepancies	VEC has begun using the automated report and a new reconciliation procedure for 90 day exceptions has been implemented.	In Progress (Delayed)
	13-02	Improve Controls over Benefit Adjustment Payments	VEC is researching a solution that may require a significant program change.	In Progress (Delayed)
	13-03	Strengthen Financial Reporting Over Accounts Receivable	VEC has updated procedural documentation to be used in preparing the AR report. VEC will continue to review spreadsheets and refine documentation to ensure the accuracy of receivables reported.	Completed (Delayed)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
<u>The College of William and Mary in Virginia (CWM)</u>				
2013	13-02	Improve the Termination Process	CWM has developed new clearance forms and distributed them for approval. Meetings with individual departments are also continuing as needed. The policy and forms have been submitted to the Office of the Provost for approval.	Completed (Delayed)
	13-03	Improve eVA Internal Controls and Compliance	CWM met with DPS/eVA global security officer via webinar and discussed options to have eVA security plan approved - waiting on DPS to advise on how to proceed.	Completed (Delayed)
<u>Gunston Hall (GH)</u>				
2013	13-01	Improve Fixed Asset Management	GH will update FAACS based on March 2015 inventory.	In Progress (Delayed)
	13-02	Designate a Purchase Card Program Administrator and Backup Program Administrator	GH is in the process of having the current Back-up Administrator reassigned to the Administrator role and have the Executive Director assigned to the Back-up Administrator role.	In Progress (Delayed)
<u>Norfolk State University (NSU)</u>				
2013	13-01	Continue to Develop and Implement Policies and Procedures. This is a Material Weakness and a Repeat Finding.	The current administration will continue to develop and document policies and procedures as we identify changes in processes and operations.	In Progress (On Schedule)
	12-01			
	11-02			

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
13-02 12-02 11-03		Improve Year-end Financial Reporting Process. This is a Material Weakness and a Repeat Finding	Key positions have been filled within the Finance and Administration division. The FY2014 University financial statements and trial balance were produced by University Accounting staff using the report writing tool, Synoptix.	Completed (Delayed)
13-03 12-03 11-04		Properly Maintain Documentation for Audit. This is a Material Weakness and a Repeat Finding.	NSU has begun evaluating current processes and has made changes towards addressing this area of concern. Accounts Payable now requires all original vouchers and supporting documentation to remain within the Accounts Payable Department and requested documentation can be copied or reviewed within the Accounts Payable Department.	In Progress (Delayed)
13-04 12-04 11-05		Properly Perform Reconciliations of Bank Accounts and Accounting System. This is a Material Weakness and a Repeat Finding.	Reconciliation procedures and processes have been updated. Reconciliations are also reviewed monthly and reconciling items are being addressed timely for posting.	Completed (Delayed)
13-05 12-05 11-06		Correct Deficiencies in Fixed Asset Management Program. This is a Material Weakness and a Repeat Finding.	The FY 2015 inventory is currently underway. NSU has also implemented a monthly reconciliation process to reconcile the general ledger to the fixed asset module and identify and correct any discrepancies.	In Progress (Delayed)
13-06 12-06 11-07		Perform Internal Control Risk Assessment Procedures. This is a Repeat Finding.	NSU conducted an extensive ARMICS review and submitted the ARMICS certification by the September 30, 2014 due date.	Completed (Delayed)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	13-07 12-07	Strengthen Internal Controls over Grants Management. This is a Material Weakness and a Repeat Finding.	NSU is currently engaged in reviewing and updating grant process flow and procedures. All grant budgets and expenditures are entered in the financial system and tracked using a unique grant project number.	Completed (On Schedule)
	13-08 12-08	Improve Overtime Internal Controls and Processes This is a Repeat Finding.	HR and Payroll developed and implemented a new policy and procedure for overtime reporting and payments.	Completed (On Schedule)
	13-09	Enhance System Access Controls	NSU is working on improving processes for updating access for systems managed by Finance and Administration. Key positions have been filled and procedures will be put into place to ensure management oversight on system access.	In Progress (On Schedule)
	13-10	Improve Accounts Payable Processes This is a Material Weakness.	Management has developed and implemented new procedures related to the accrual of accounts payable to ensure transactions are recorded in the proper fiscal year.	Completed (On Schedule)
	13-11	Improve Controls over Prepaid Expenses This is a Material Weakness.	Key positions have been filled and procedures have been put into place to ensure management oversight on identifying prepaid expenses for financial statement reporting.	Completed (On Schedule)
	13-12	Improve Controls Over the Write-Off Process This is a Material Weakness.	NSU has implemented procedures to send approved write-off documentation to Financial Services as soon as the account is written off.	Completed (On Schedule)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	12-09	Maintain Adequate Supporting Documentation and Improve Controls over Payroll Rate Changes	HR is working with Payroll to improve information / workflow processes. A workgroup of representatives from HR, Payroll, Planning and Budget as well as Grants have established internal processes which ensure that documentation is maintained properly within the employees' files as well as establish internal controls to ensure compliance.	Completed (On Schedule)
<u>University of Virginia (UVA/AD)</u>				
2014	14-01	Improve Procurement Processes	UVA/AD will focus on the specific sole source merits of individual transactions. UVA will also emphasize these Guidelines to shoppers in the field through modification of existing shopper training and targeted communications.	Completed (On Schedule)
	14-02	Improve VNAV Reconciliations and Confirmations	UVA/AD will continue to perform reconciliation from the University's payroll system to VNAV; UVA/AD will add a new step to the reconciliation procedure to ensure that documentation is retained to confirm the reconciliation was performed and all differences were researched and corrected.	(In Progress (On Schedule)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	14-03	Ensure Tuition and Fee Rates are Approved by the Board of Visitors	UVA/AD will implement the recommended approach to propose a resolution delegating authority from the Board of Visitors to the appropriate University leadership to establish mandatory fees in addition to those specifically established by the Board.	In Progress (On Schedule)
<u>University of Virginia Medical Center (UVAH)</u>				
2014	14-01	Improve VNAV Reconciliations and Confirmations	New steps have been added to the reconciliation procedure to ensure that due dates, deliverables and responsible parties are clearly specified, and that appropriate documentation of the reconciliation is retained.	In Progress (On Schedule)
	14-02	Improve Controls over the Disposal of Fixed Assets	UVAH has restored the four forklifts to its inventory, and will obtain proper documentation supporting this action. Additionally, UVAH has reviewed current policy and added steps to ensure proper documentation of all capital asset disposals, whether by sale, surplus or transfer.	Completed (On Schedule)
<u>Virginia Commonwealth University (VCU)</u>				
2014	14-01	Improve Student Health Portal Security	VCU has corrected the identified issue. VCU will also continue to establish configuration baselines and controls for the various technology platforms used within the University.	Completed (On Schedule)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
<u>Virginia Community College System Central Office (VCCS/CO)</u>				
2013	13-01	Ensure Capital Outlay Projects are Closed Out within Allowable Time Period	VCCS/CO has submitted and approved CO-14's for 32 out of the 38 identified projects. The six remaining projects are in process.	In Progress (Delayed)
	13-02	Improve Internal Controls to Ensure Data is Properly Transferred between Human Resources Systems	VCCS/CO met with DHRM to discuss an alternative approach of transmitting data from HRMS to PMIS. DHRM advised VCCS/CO to delay changing the data interface until after the PMIS conversion in 2016.	In Progress (On Schedule)
<u>Eastern Shore Community College (ESCC)</u>				
2013	13-03	Fully Implement HRMS for Leave Tracking and Reporting	ESCC has updated HRMS/AM through January 2015 and will continue to work to fully implement HRMS/AM.	In Progress (Delayed)
<u>Northern Virginia Community College (NVCC)</u>				
2013	13-01	Assign System Access Based on Least Privilege	Corrective action regarding system access is complete.	Completed (On Schedule)
	13-03	Improve Facilities Contract Management	NVCC is in the process of updating and developing policies and procedures with the goal of improving efficiencies and effectiveness of Facilities Management.	In Progress (Delayed)
<u>Southside Virginia Community College (SVCC)</u>				
2013	13-02	Assign System Access Based on Least Privilege	Corrective action regarding system access is complete.	Completed (On Schedule)
	13-03	Perform AIS Security Reviews Annually	A comprehensive review has been completed and documented via IssueTrak.	Completed (On Schedule)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	13-06	Improve Leave Liability Tracking and Reporting	Two of the employees referenced were actually correct. For the remaining four employees, several of the findings had already been identified internally and adjustments had been made in HRMS. SVCC will dedicate additional resources to maintain a separate leave tracking system to enable reconciliation to HRMS.	Completed (On Schedule)
	13-07	Properly Complete Employment Eligibility Verification Forms	SVCC has decentralized the hiring process to hiring managers for part-time employees. Hiring managers have been trained regarding the federal requirements for I-9s.	Completed (On Schedule)

Tidewater Community College (TCC)

2013	13-02	Properly Complete Termination Forms for Work Study Employees	The HR Office implemented a process in coordination with the Central Financial Aid and the campus Financial Aid offices regarding the termination of Work-Study Students in HRMS and terminating their access to other systems as necessary.	Completed (On Schedule)
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Virginia School for the Deaf and Blind (VSDB)

2012	12-06	Properly Record School Revenues	VSDB has discussed with DPB and no decisions have been made at this time.	In Progress (Delayed)
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Department of Taxation (TAX)

2013	13-02	Improve Internal Controls over Advantage Revenue Access	TAX completed the planned corrective action; however, the APA has included this item in the 2014 APA audit report as a "partial repeat."	In Progress (Delayed)
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<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
<u>Department of Health (VDH)</u>				
2013	13-03	Improve Web Application Security – CACFP	ROAP updates, modifications, and SQL upgrades have been completed.	Completed (On Schedule)
<u>Department of Health Professions (DHP)</u>				
2013	13-02	Improve Database Security	DHP's IT team selected a product that meets the criteria for addressing this audit point. The software has been purchased and installed on new hardware; however, additional testing must be conducted before the system is operational.	Completed (Delayed)
<u>Department of Medical Assistance Services (DMAS)</u>				
2013	13-02	Improve Access Management to the Medicaid Management Information System	DMAS will update/modify the Interagency Agreement with the VDSS to reflect the MMIS annual user review. DMAS is also working on developing an automated process.	In Progress (Delayed)
<u>Department of Social Services (DSS)</u>				
2013	13-05	Review User Accounts and Privileges for Mission Critical Systems	Efforts are underway to move all Mission Critical systems Security controls under the agency CISO and incorporate them into the agency's Security Access Management System (SAMS) or move the operational control of the security component to the CISO, with a few exceptions that are not experiencing review problems.	In Progress (Delayed)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	13-08*	Automate an Eligibility Control	Action on this use remains underway. No change in status to report this quarter.	In Progress (Delayed)
<u>Department of Game and Inland Fisheries (DGIF)</u>				
2014	14-01	Properly Make Prior Year Adjustments and Record Year-End Revenue	The Planning and Finance Director has had initial discussions on this matter and there are plans to schedule a follow up meeting to involve other staff. Also DGIF has drafted policies and procedures based on DOA recommendations and is working toward final adoption.	In Progress (On Schedule)
	14-02	Create Policies and Procedures for Multiple Areas in the Agency	DGIF has already drafted several policies and procedures and have spent the last few months evaluating these drafts against future requirements/opportunities of CARDINAL, eVA, and internal systems' updates.	In Progress (On Schedule)
	14-03	Improve Controls for Fixed Asset Management	DGIF has established a set inventory schedule and updated specific policies and procedures for the fixed asset/inventory control function. These policies and procedures, along with defined inventory coordinators from the regional offices, are pending final approval of the DGIF Executive Director.	In Progress (On Schedule)

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

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	14-04	Perform a Physical Inventory At Least Every Two Years	DGIF has established a set schedule for conducting physical inventories in accordance with the three year requirement. DGIF will also provide cross training of select individuals at both the Headquarters office and regional offices in the appropriate physical inventory requirements, to avoid future delays to the inventory schedule.	In Progress (On Schedule)
	14-05 12-04	Improve Database Security This is Repeat Finding.	DGIF has completed its operating system conversion, migrated databases and services to new servers, adopted new policies and procedures for IT Security, and implemented system reviews and vulnerability scans each month.	Completed (Delayed)
	14-06 12-05 11-04 10-03	Improve Internal Controls over System Access This is a Repeat Finding.	DGIF has initiated corrective actions to enhance the system security efforts on several fronts. DGIF began leveraging the NG-VITA Partnership's ticketing system (HP Service Center) to record, track and document all account requests and system access requests, and to serve as a monitoring tool until an Acceptable Use Agreement Form has been obtained from the user. DGIF has also established semi-annual IT reviews for system access, with a comprehensive review taking place between December 1, 2014 and January 30, 2015.	In Progress (Delayed)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	14-07	Conduct Thorough Review of Contribution Snapshot Prior to Certification	DGIF has increased staff training, established a backup for this critical responsibility, and begun developing a more formal procedure to properly document these requirements. Human Resources staff has also worked to ensure PMIS is consistently up to date.	In Progress (On Schedule)
	14-08	Establish an Internal Records Retention Policy	DGIF has begun identifying what areas need to have unique records retention schedules for the type of documents and reports processed by our agency, while also providing a more central focus on educating staff and coordinating compliance with regards to the general records retention schedule for the Commonwealth.	In Progress (On Schedule)
2012	12-01	Improve Timeliness and Accuracy of Revenue Redistribution	The Accounting Manager (AM) has established new policies for redistribution of revenue and has developed procedures in conjunction with the reconciliation policies and procedures. AM and Revenue Accountant have compiled all accounting tasks in relation to revenue. Accounting Branch and IMS Branch have worked together to develop detailed CFIRS download reports to enhance CFIRS/CARS reconciliation as well as separate BRTS reports to document revenue. Additionally, these same branches have come together to develop procedures to support and document the reconciliation process.	Completed (Delayed)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
<u>Department of Conservation and Recreation (DCR)</u>				
2014 Special Review	14-01 Acct-01	Define Fiscal Governance Structure	DCR is embedding the Director's Delegation of Authority within each specific policy document. The agency will update its policy on policies to indicate such.	In Progress (On Schedule)
	14-02 PYRL-01	Develop Policies and Procedures Defining Payroll Service Bureau (PSB) Agreement	DCR is waiting for the Policy to be finalized and signed.	In Progress (On Schedule)
	14-03 PYRL-02	Ensure Compliance with the PSB Scope of Services Agreement	DCR is waiting for the Policy to be finalized and signed.	In Progress (On Schedule)
	14-05 PYRL- CERT-01	Improve Payroll Pre-Certification Process	DCR is waiting for the Policy to be finalized and signed.	In Progress (On Schedule)
	14-06 PYRL- CERT-02	Develop Payroll Post-Certification Process	DCR is waiting for the Policy to be finalized and signed.	In Progress (On Schedule)
	14-09 Attch-02	Improve Controls over Financial Reporting Attachment Submission and Reduce Resubmissions	The DCR will continue to refine and enhance annual attachment training.	Completed (On Schedule)
	14-10 Attch-03	Ensure Financial Reporting Attachment Submissions are Correct	DCR will continue to refine and enhance annual attachment training.	Completed (On Schedule)
	14-11 Attch-04	Develop Policies and Procedures over Financial Reporting Attachment Submission	DCR is finalizing a policy for submission of financial statement attachments. For FY14 CAFR, accurate attachments were submitted to DOA.	Completed (On Schedule)
	14-12 Armics-01	Improve Controls over ARMICS Certifications to Comptroller	ARMICS process will be completed for fiscal year 2015 and certification submitted to DOA by September 30, 2015.	In Progress (On Schedule)
	14-13 Armics-02	Ensure ARMICS Documentation is Accurate	ARMICS process will be completed for fiscal year 2015 and certification submitted to DOA by September 30, 2015.	In Progress (On Schedule)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	14-14 Armics-03	Complete ARMICS Requirements	ARMICS process will be completed for fiscal year 2015 and certification submitted to DOA by September 30, 2015.	In Progress (On Schedule)
	14-18 FA-01	Update Fixed Asset Policies and Procedures	The DCR Fixed Assets policy was signed by the Director on February 9, 2015.	Completed (On Schedule)
	14-19 FA-02	Transfer Construction in Progress Accounts to Fixed Asset Accounts	The DCR Fixed Assets policy was signed by the Director on February 9, 2015.	Completed (On Schedule)
	14-20 FA-03	Record Assets Properly in Fixed Asset Accounting Control System (FAACS)	The DCR Fixed Assets policy was signed by the Director on February 9, 2015.	Completed (On Schedule)
	14-22 TAX-02	Record Sales Tax Collections Properly in CARS	DCR is finalizing support for usage of Fund 0263.	In Progress (On Schedule)
	14-23 AP-01	Update Accounts Payable Policies and Procedures	DCR is still in the process of drafting an Accounts Payable Policy for the agency.	In Progress (On Schedule)
	14-25 CBRF-01	Ensure All Payments from the Chesapeake Bay Restoration Fund are Allowable to the Fund	New budget moves CBRF to DLS.	Completed (On Schedule)
	14-26 CBRF-02	Report All Chesapeake Bay Restoration Fund Activity to the Division of Legislative Services	New budget moves CBRF to DLS.	Completed (On Schedule)
	14-30 LPTC-01	Properly Reconcile Land Preservation Tax Credit Payments	Process to reconcile LPTC payments has been developed and will be documented in the DCR reconciliation policy when completed.	In Progress (On Schedule)
	14-32 ATV-01	Limit Agency Transactions to Justifiable Business Reasons	ATV Policy #221 finalized and signed by the Director on February 20, 2015.	Completed (On Schedule)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	14-33 House-01	Develop and Implement Leasing Agreements for Employee Housing	Employee Housing Policy #147 was finalized and signed by the Director on March 6, 2015. A standard leasing document has been established.	Completed (On Schedule)
	14-34 House-02	Procure Leased Housing through Department of General Services	Employee Housing Policy #147 was finalized and signed by the Director on March 6, 2015. A standard leasing document has been established.	Completed (On Schedule)
	14-35 House-03	Maintain Documentation to Justify Reduced Employee Lodging Rates	DGS Director has approved a reduced rental rate in a letter dated February 4, 2015.	Completed (On Schedule)
	14-36 House-04	Maintain Documentation for State Park Housing and Report Value to Internal Revenue Service	Employee Housing Policy #147 was finalized and signed by the Director on March 6, 2015. Documentation that state housing is a condition of employment is included in all relevant park employees EWP.	Completed (On Schedule)
	14-37 House-05	Maintain Documentation for Off-State Park Housing and Report Amounts to Internal Revenue Service as Required	Employee Housing Policy #147 was finalized and signed by the Director on March 6, 2015.	Completed (On Schedule)
	14-38 House-06	Ensure Employee Lodging Rates Agree with DCR Policies	Employee Housing Policy #147 was finalized and signed by the Director on March 6, 2015. Consistent, approved rental rates are included in the policy.	Completed (On Schedule)
	14-39 House-07	Maintain Residential Fee Deduction Authorization Forms for Required Employees	Employee Housing Policy #147 was finalized and signed by the Director on March 6, 2015. All relevant park employees have signed a Residential Fee Deduction Authorization Form.	Completed (On Schedule)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	14-40 House-08	Inspect State Park Housing and Maintain Records	Employee Housing Policy #147 was finalized and signed by the Director on March 6, 2015. A residential inspection form is on file for all residential properties.	Completed (On Schedule)
	14-44 Risk M-01	Provide Documentation of Losses on State Property to State Treasury Division of Risk Management Timely	Policy still being finalized.	In Progress (On Schedule)
	14-45 Risk M-02	Use Agency Risk Management Function for All Loss Claims	Policy still being finalized.	In Progress (On Schedule)
	14-63 Travel-03	Update Agency Vehicle Management Policies	Policy being finalized.	In Progress (On Schedule)
	14-68 Proc-01	Ensure Change Orders are Properly Approved	Policy still being finalized.	In Progress (On Schedule)
	14-69 Proc-02	Maintain All Required Procurement Documentation	Policy still being finalized.	In Progress (On Schedule)
	14-71 Proc-04	Ensure Proposal Evaluation Committees Properly Document Procurement Decisions	Policy still being finalized.	In Progress (On Schedule)
	14-72 Proc-05	Restrict the Use of Request for Proposal to Appropriate Situations	Policy still being finalized.	In Progress (On Schedule)
	14-73 Proc-06	Maintain Required Documentation Justifying Use of Competitive Negotiation	Policy still being finalized.	In Progress (On Schedule)
	14-75 IT-01	Update IT Risk Assessments to Comply with Virginia Information Technologies Agency (VITA) Standards	IT Risk Assessment was submitted to VITA on December 31, 2014.	Completed (On Schedule)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	14-77 IT-03	Complete Agency Continuity Plan	Continuity Plan has been completed, signed by the Director, and will be submitted to VDEM by April 1, 2015.	Completed (On Schedule)
	14-78 IT-04	Document IT Backup and Recovery Policies	DCR is developing a plan.	In Progress (On Schedule)
	14-81 IT-07	Ensure Internal Auditor is Not Performing IT Management Functions	DCR was approved for funding for three FTW IT positions for FY16 and will move ISO responsibilities to new employees when hired.	In Progress (On Schedule)
	14-83 IT-09	Update Information Technology Policies	DCR IT policies are awaiting final review and approval before being submitted for the Director's signature.	In Progress (On Schedule)
	14-89 HR-01	Update Human Resource Policies and Procedures	The DCR Director signed the Workplace Violence Policy on February 9, 2015. Additional HR policies are in final review and awaiting Director signature.	In Progress (On Schedule)
	14-91 HR-03	Complete Employee Work Profiles Timely	DCR Human Resources has received 370 of 405 (93%) employee 2015 EWP's as of March 26, 2015. Progress will continue to be monitored.	Completed (On Schedule)
	14-93 SOEI-02	Ensure Employees Complete Conflict of Interest Act Training Timely	Per HR, all employees have completed COI training.	Completed (On Schedule)

Department of Alcoholic Beverage Control (ABC)

2013	13-01 12-02	Continue to Improve IT Governance Model and IT Project Prioritization Processes. <i>This is a Repeat Finding.</i>	ABC has hired consultants to assess Oracle security environment. ABC's IT department is also in the process of developing documents and some have been drafted.	In Progress (Delayed)
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<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
	13-02	Improve Database Security	FINP financial system upgrade will remediate these Oracle 10g versioning issues. However, the financial project has had many setbacks and no specific time for implementation can be given.	In Progress (Delayed)
<u>Department of State Police (VSP)</u>				
2011	11-01	Upgrade Unreliable and Unsupported Infrastructure Devices	Mediation continues with VITA on this issue. No significant changes have occurred.	In Progress (On Schedule)
	11-02 09-03	Upgrade Database System Software. <i>This is a Repeat Finding.</i>	As of March 2015, VSP is in the process of recruiting an Oracle contractor to restart the work on the HR Legacy replacement process.	In Progress (Delayed)
<u>Department of Motor Vehicles (DMV)</u>				
2013	13-01 12-01 11-02	Improve Database Management System Security. <i>This is a Repeat Finding.</i>	DMV is in the process of doing a DLCI Schema Data extraction/import scripting and documenting and scripting a data validation process.	In Progress (Delayed)
	13-02 12-03	Improve User Access Controls. <i>This is a Repeat Finding.</i>	Accounts and level of access for users of the sensitive systems will be verified by the System Owners and compiled by the IT Security Office.	In Progress (Delayed)
<u>Department of Rail and Public Transportation (DRPT)</u>				
2013	13-01	Implement a Comprehensive Information Security Program	DRPT will have a three phase project for program development and implementation that will take roughly 24 months. DRPT will utilize contract resources to develop the program.	In Progress (On Schedule)

<u>Latest Audit Year</u>	<u>Finding Number</u>	<u>Title of the APA Audit Finding</u>	<u>Current Status as Reported by Agency</u>	<u>Status Summary</u>
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Department of Transportation (VDOT)

2013	13-08	Improve Retirement Reconciliation Process	Reconciliations have been completed; new procedures have been developed, documented and implemented.	In Progress (Delayed)
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Compliance Monitoring

Certification of Agency Reconciliation to CARS Reports

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

DOA closely monitors Certification status, evaluates exceptions, and posts correcting entries in CARS. Certifications for November, December, January, and February were due 1/09/2015* 1/30/2015, 2/27/2015, and 3/31/2015 respectively.

Certifications Late or Outstanding

April 30, 2015

Agency	Nov	Dec	Jan	Feb
Virginia Commission for the Arts	2/23/2015			

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 9, 2015.

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, 2015, 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, 2015, no agencies failed to respond timely, make corrective action and/or provide additional information.

Trial Balance Review

As of March 31, 2015

Agency	Dec	Jan	Feb
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, 2015, one agency failed to respond timely, make corrective action and/or provide additional information.

Credit Cash, Excess Expenditures, and Expenditure Credits

As of March 31, 2015

None	Agency	Jan	Feb	Mar
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Disbursement Processing

During the quarter ended March 31, 2015, DOA deleted, at the submitting agency's request, 37 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.

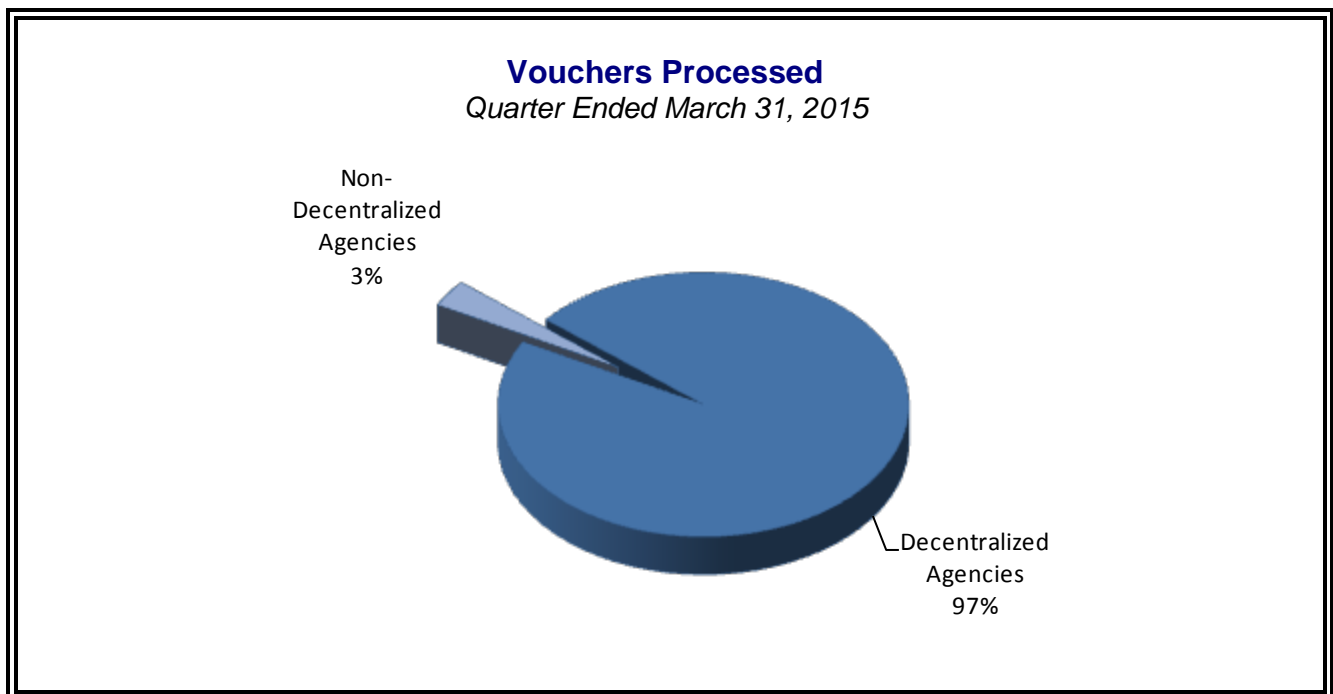
Eight separate agencies requested deletes during the quarter. For the quarter, ended March 31, 2015, no agency requested more than four vendor payment deletions.



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

Compliant Agencies

N/A

Agencies Requiring Corrective Action

Corrective Actions Needed

N/A



Non-Decentralized Agencies

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

During the quarter, DOA reviewed all non-decentralized agencies. A total of 451 non-travel disbursement batches and 124 travel disbursement batches were reviewed, disclosing three 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, 2015		Fiscal Year 2015 To-Date		Comparative Quarter Ended March 31, 2014	
	Late	Total	Late	Total	Late	Total
Number of Payments	7,212	525,507	16,085	1,708,110	5,684	537,679
Dollars (in thousands) \$	32,191	\$1,526,388	\$89,476	\$4,754,555	\$ 34,970	1,567,862
Interest Paid on Late Payments				\$27,580		
Current Quarter Percentage of Payments in Compliance				98.6%		
Fiscal Year-to-Date Percentage of Payments in Compliance				99.1%		
Comparative Fiscal Year 2014 Percentage of Payments in Compliance				98.9%		



Prompt Payment Performance by Secretarial Area

Quarter Ended March 31, 2015

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.8%	99.4%
Agriculture and Forestry	99.1%	97.8%
Commerce and Trade	93.3%	85.4%
Education*	98.4%	97.8%
Executive Offices	99.4%	99.5%
Finance	99.8%	99.4%
Health and Human Resources	98.6%	99.2%
Independent Agencies	99.6%	99.6%
Judicial	99.9%	99.9%
Legislative	100.0%	100.0%
Natural Resources	99.2%	93.7%
Public Safety and Homeland Security	98.6%	97.8%
Technology	98.5%	99.9%
Transportation*	99.6%	96.1%
Veterans and Defense Affairs	99.3%	99.5%
Statewide	98.6%	97.9%

Prompt Payment Performance by Secretarial Area

Fiscal Year 2015

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.7%	99.4%
Agriculture and Forestry	99.5%	97.3%
Commerce and Trade	97.7%	97.0%
Education*	99.0%	98.3%
Executive Offices	99.1%	96.6%
Finance	99.9%	99.5%
Health and Human Resources	99.0%	98.8%
Independent Agencies	99.7%	99.7%
Judicial	99.8%	99.9%
Legislative	99.7%	97.9%
Natural Resources	99.4%	96.9%
Public Safety and Homeland Security	98.9%	97.9%
Technology	99.3%	99.9%
Transportation*	99.5%	96.0%
Veterans and Defense Affairs	98.5%	83.1%
Statewide	99.1%	98.1%

* 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, 2015, 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, 2015**

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
Commerce and Trade			
Virginia Employment Commission	255	1,356	81.2%
Education			
Gunston Hall	4	51	92.2%
Health and Human Resources			
Department of the Deaf and Hard of Hearing	6	114	94.7%
Eastern State Hospital	98	1,628	94.0%
Public Safety and Homeland Security			
Department of Corrections - Central Administration	39	711	94.5%

For FY 2015, the following agencies that processed 200 or more vendor payments

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

**Prompt Payment Compliance Rate
Agencies Below 95 Percent
Fiscal Year 2015**

<u>Agency</u>	<u>Late Payments</u>	<u>Total Payments</u>	<u>Payments in Compliance</u>
Administration			
Department of Elections	21	374	94.4%
Commerce and Trade			
Virginia Employment Commission	314	5,233	94.0%
Education			
Frontier Culture Museum of Virginia	72	938	92.3%
Health and Human Resources			
Hiram W. Davis Medical Center	83	1,499	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, 2015			Comparative Quarter Ended March 31, 2014
	E-Commerce	Total	Percent	Percent
Number of Payments	2,230,051	2,526,802	88.3%	85.5%
Payment Amounts	\$ 9,438,336,808	\$ 10,211,923,217	92.4%	90.3%
	Fiscal Year 2015 To-Date			Comparative Fiscal Year 2014
	E-Commerce	Total	Percent	Percent
Number of Payments	6,800,496	7,803,585	87.1%	86.6%
Payment Amounts	\$ 28,242,949,579	\$ 30,565,493,326	92.4%	90.4%

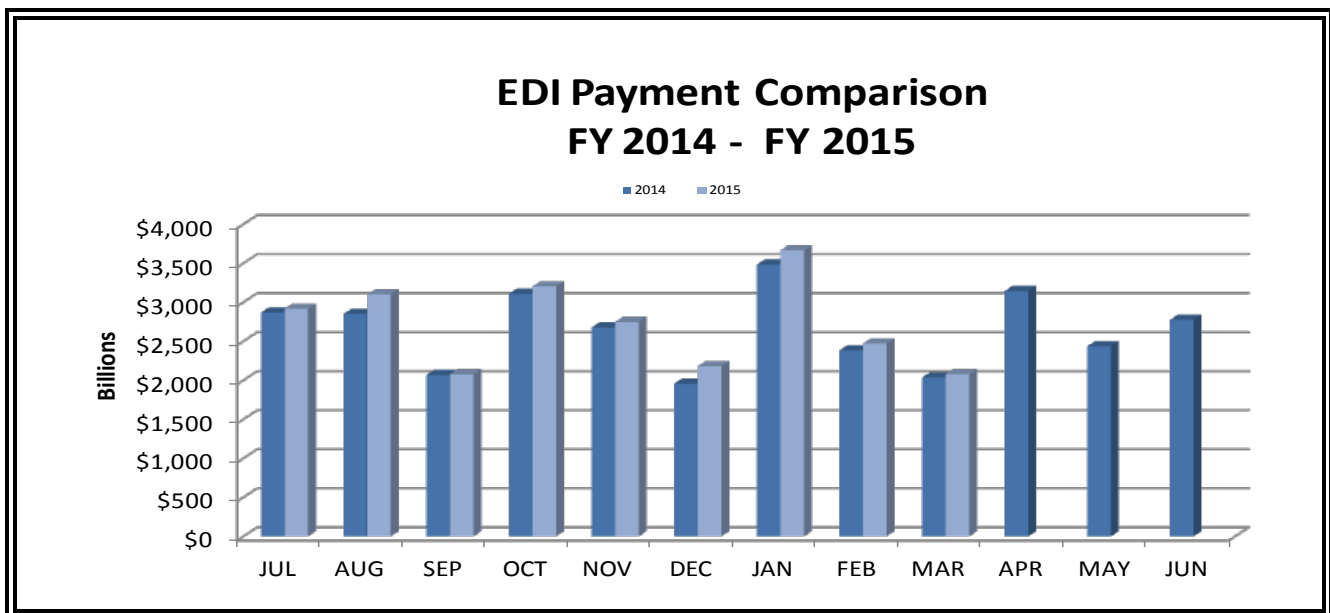
Financial Electronic Data Interchange (EDI)

The dollar volume of Financial EDI payments for the third quarter of FY 2015 was over \$315 million (4 percent) more than the same quarter last year. The number of trading partner accounts increased by 9 percent from March 2014. 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, 2015	Fiscal Year 2015 To-Date	Comparative Fiscal Year 2014 To-Date
Number of Payments	62,001	200,244	194,554
Amount of Payments	\$ 8,220,554,349	\$ 24,456,068,769	\$ 23,442,514,175
Number of Invoices Paid	183,677	575,577	585,323
Estimated Number of Checks Avoided	102,510	323,160	316,032
Number of Trading Partner Accounts as of 03/31/15		147,050	135,330



Travel EDI

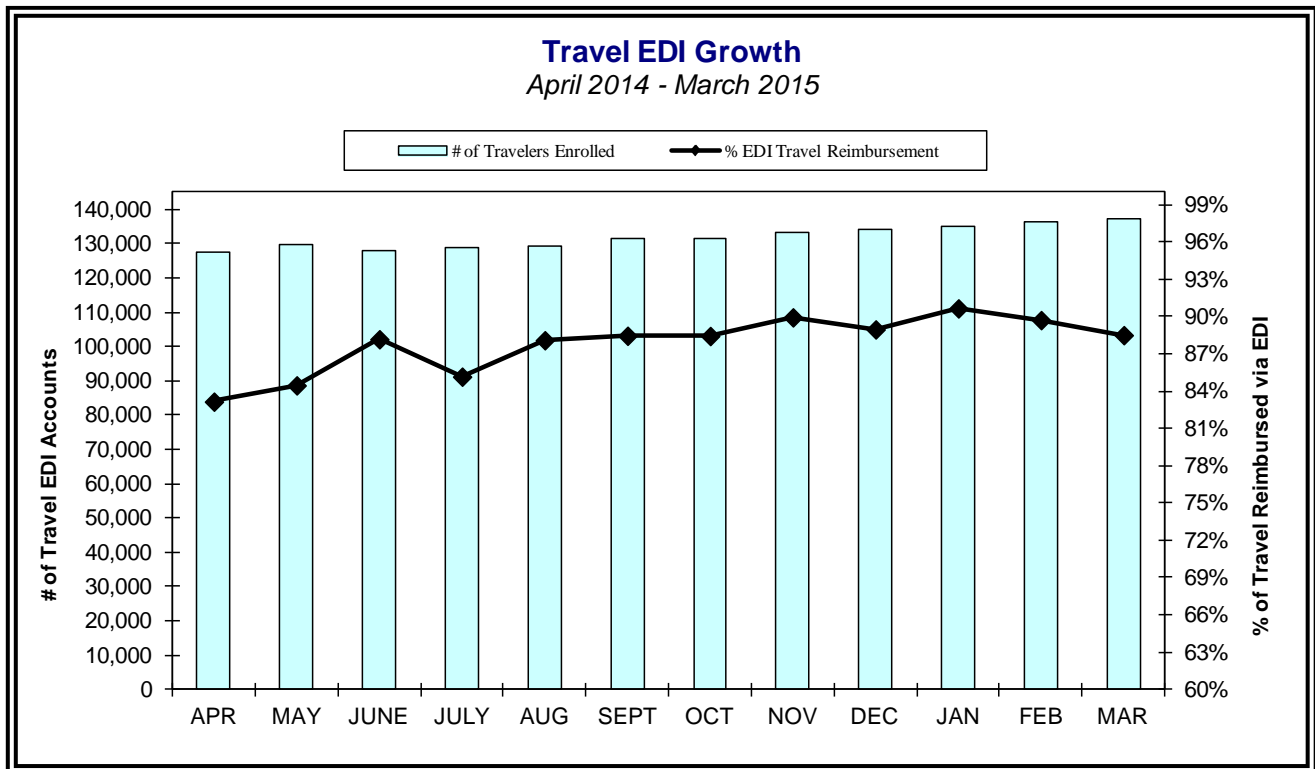
Expansion of the Travel EDI program is an integral part of the statewide effort to reduce the administrative costs associated with paying for goods and services for the Commonwealth. Per Chapter 806, 2013, Virginia Acts of Assembly §4-5.04 e.5. *State employees traveling on official business of state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

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

effort to identify areas where EDI can be expanded.

In accordance with §4-5.04 f. of the Appropriation Act, the Comptroller charges agencies for each travel reimbursement check issued in lieu of Travel EDI. Agencies are expected to take action to enroll applicable employees in the EDI program and thus avoid the fees altogether. For FY 2015, the fee is \$5 per travel reimbursement check.

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



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

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

**Travel Reimbursement
Travel EDI Performance by Secretarial Area**
Quarter Ended March 31, 2015

Secretarial Area	Employee Percent	Non-Employee Percent	Reimbursement Checks Issued
Administration	96.6%	0.0%	6
Agriculture and Forestry	98.5%	10.6%	49
Commerce and Trade	98.0%	47.3%	64
Education (1)	95.9%	47.9%	467
Executive Offices	98.6%	0.0%	8
Finance (2)	100.0%	0.0%	-
Health and Human Resources	98.8%	22.4%	306
Independent Agencies	99.1%	20.0%	13
Judicial	94.5%	4.5%	930
Legislative	97.6%	25.0%	25
Natural Resources	97.2%	34.8%	44
Public Safety	87.3%	10.5%	500
Technology	99.1%	0.0%	1
Transportation (1)(2)	99.5%	72.7%	15
Veterans Affairs and Homeland Security	99.3%	64.0%	32
Statewide for Quarter	96.0%	25.7%	2,460
<i>Fiscal Year 2015 To-Date</i>			
Statewide	95.7%	28.2%	9,823
<i>Comparative Fiscal Year 2014 To-Date</i>			
Statewide	90.9%	31.4%	14,256

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

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

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

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

Agency	Percent	Reimbursement Checks Issued
Education		
Norfolk State University	66.7%	38
Public Safety		
Department of Military Affairs	44.3%	220
Employee Relations & Training Division	64.8%	37
Divison of Community Corrections	72.7%	30

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%	42
Christopher Newport University	2.4%	40
Health and Human Resources		
Department of Social Services	8.2%	56
Judicial		
Circuit Courts	3.6%	435
Virginia State Bar	1.4%	212
Public Safety		
Department of Criminal Justice Services	6.6%	57

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

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

<u>Agency</u>	<u>Percent</u>	<u>Year-to-date Charges</u>
Education		
Norfolk State University	66.7%	\$300.00



Direct Deposit

During the third quarter of FY 2015, 512,582 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, 2015

<u>Secretarial Area</u>	<u>Direct Deposit % of Salaried Employees</u>	<u>Direct Deposit % of Wage Employees</u>
Administration	100.0%	100.0%
Agriculture and Forestry	99.6%	96.0%
Commerce and Trade	99.9%	100.0%
Education	99.9%	95.1%
Executive Offices	100.0%	100.0%
Finance	99.8%	96.1%
Health and Human Resources	99.6%	98.9%
Independent Agencies	99.7%	100.0%
Judicial	99.8%	90.0%
Legislative	99.8%	100.0%
Natural Resources	99.8%	99.3%
Public Safety and Homeland Security	99.7%	98.4%
Technology	100.0%	100.0%
Transportation	99.9%	99.7%
Veterans and Defense Affairs	99.7%	99.3%
Statewide	99.8%	96.4%
<i>Comparative</i>		
<i>Quarter Ended March 31, 2014</i>		
Statewide	99.8%	96.8%

Statewide Salaried Direct Deposit Performance

Quarter Ended March 31, 2015

Salaried Direct Deposit Participation	99.8%
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Salaried Direct Deposit Below 98 Percent

<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Public Safety and Homeland Security		
St. Brides Correctional Center	97.0%	266

Statewide Wage Direct Deposit Performance

Quarter Ended March 31, 2015

Wage Direct Deposit Participation	96.4%
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Wage Direct Deposit Below 90 Percent

<u>Agency</u>	<u>Percent</u>	<u>Number of Employees</u>
Education		
Southwest Virginia Community College	87.5%	168
Virginia Highlands Community College	87.4%	214
Radford University	81.4%	1,174
Norfolk State University	77.7%	879
Judicial		
Combined District Courts	84.2%	124
General District Courts	81.5%	143

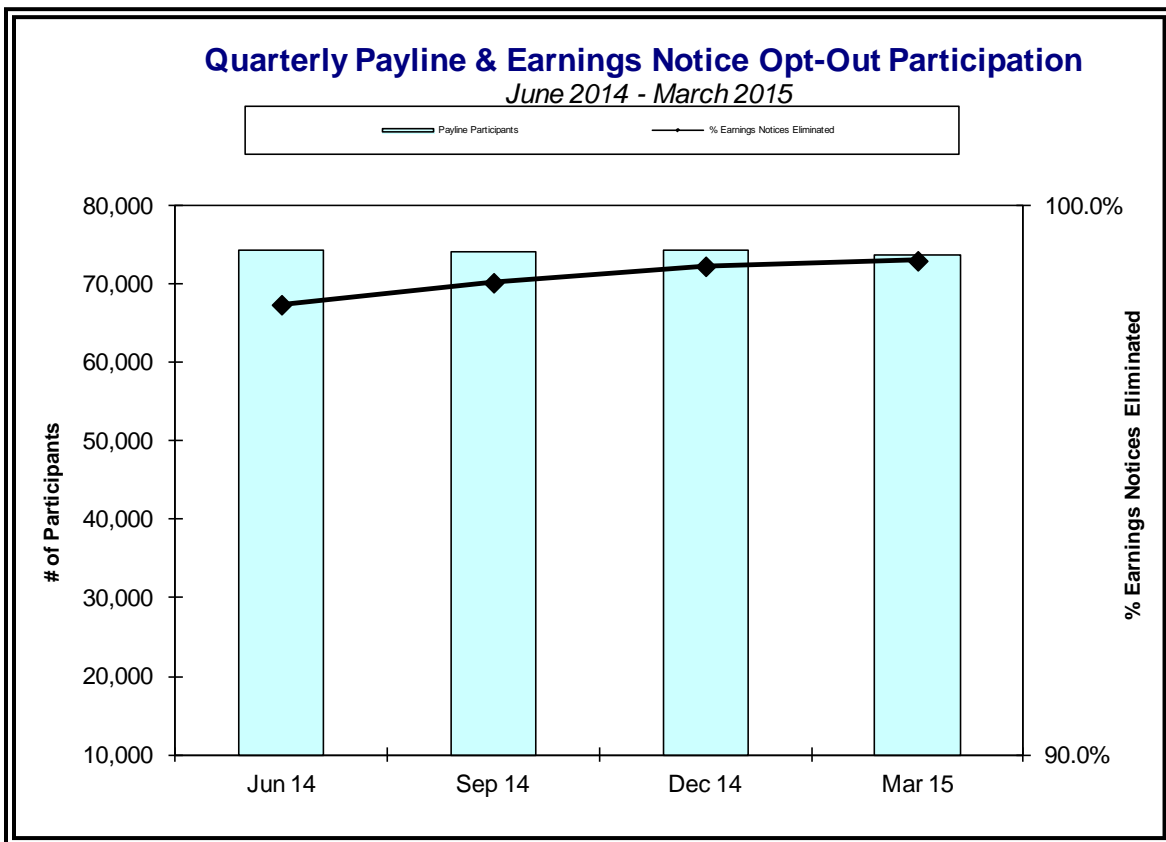


Payroll Earnings Notices

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

expected to encourage employees to enroll in Payline and discontinue receipt of centrally printed earnings notices. Since inception in November 2002, the Commonwealth has eliminated the printing of approximately 14,739,125 earnings notices.

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



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

Payline and Earnings Notice Opt-Out Participation by Secretarial Area

Quarter Ended March 31, 2015

<u>Secretarial Area</u>	<u>Percent Payline Participation</u>	<u>Percent Earnings Notices Eliminated*</u>
Administration	98.9%	100.0%
Agriculture and Forestry	85.5%	87.9%
Commerce and Trade	98.1%	99.4%
Education	70.2%	99.8%
Executive Offices	91.5%	100.0%
Finance	98.9%	100.0%
Health and Human Resources	94.0%	100.0%
Independent Agencies	95.6%	100.0%
Judicial	87.7%	94.2%
Legislative	66.9%	74.2%
Natural Resources	88.2%	96.9%
Public Safety and Homeland Security	91.6%	100.0%
Technology	98.5%	100.0%
Transportation	96.5%	100.0%
Veterans and Defense Affairs	63.1%	74.7%
Statewide	86.0%	99.0%
<i>Comparative</i>		
<i>Quarter Ended March 31, 2014</i>		
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, 2015, 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 03/31/2015	Percent Earnings Notices Eliminated QE 12/31/2014
Agriculture and Forestry		
Department of Forestry	81.0%	79.9%
Commerce and Trade		
Department of Small Business and Supplier Diversity	72.2%	77.8%
Education		
Eastern Shore Community College	67.0%	53.0%
Frontier Culture Museum of Virginia	64.0%	56.9%
Judicial		
Circuit Courts	77.2%	72.5%
Natural Resources		
Marine Resources Commission	51.3%	50.3%
Veterans and Defense Affairs		
Virginia Veterans Care Center	28.8%	29.2%



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

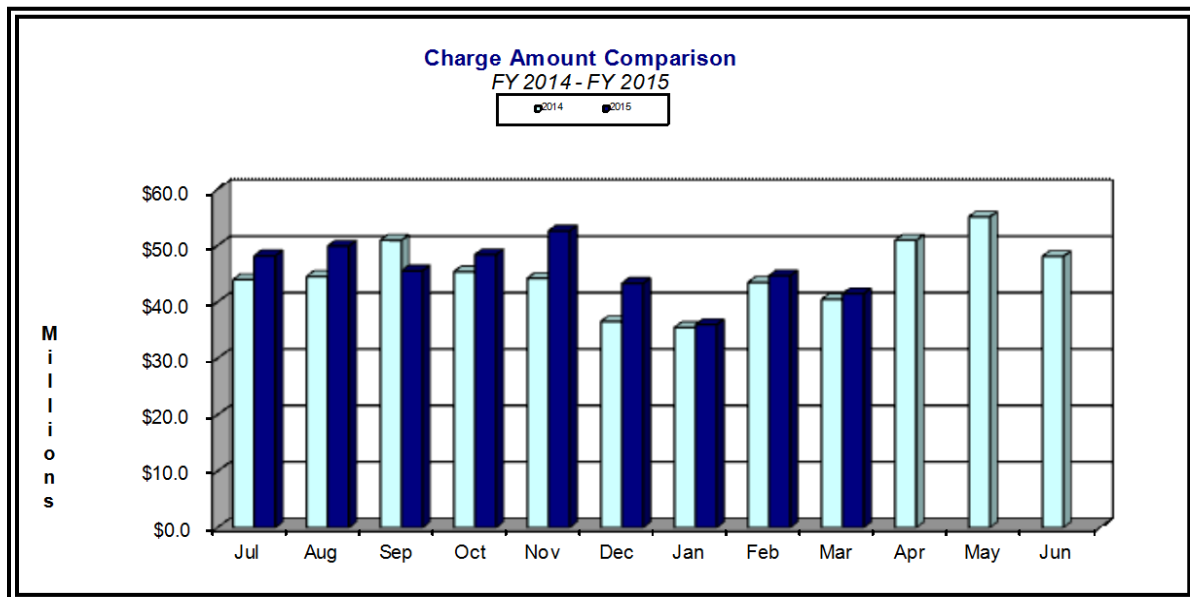
Two purchasing charge card programs offer State agencies and institutions alternative payment methods that improve administrative efficiency by consolidating invoice and payment processing for purchases of less than \$50,000. Use of the purchasing charge cards decreases the number of checks issued and 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 2015 increased by \$25 million or 6 percent from the same quarter last year.

Small Purchase Charge Card Program

Charge Card Activity	Quarter Ended March 31, 2015	Fiscal Year 2015 To-Date	Comparative Fiscal Year 2014 To-Date
Amount of Charges	\$ 122,040,397	\$ 409,796,781	\$ 384,831,035
Estimated Number of Checks Avoided	176,414	571,619	568,232
Total Number of Participating Agencies		199	201
Total Number of Cards Outstanding		14,866	15,078



SPCC Utilization Compliance

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

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

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

For data compilation purposes, all local governments have been exempted from the utilization process.

All payments under \$5,000 processed through CARS and not placed on the purchase card will be matched against VISA's vendor base in excess of 26 million merchants based on the vendor name. As part of the new monitoring process, enhancements will be made to the matching process.

Each agency will receive a report of payments to participating suppliers which should have been paid by the SPCC from DOA. Questions regarding the data can be e-mailed to cca@doa.virginia.gov. The Department of Accounts appreciates agencies' efforts to make this initiative a statewide success.

Statewide SPCC Performance

Quarter Ended March 31, 2015

Percentage Utilization for Eligible Transactions

89%

SPCC Utilization by Secretarial Area

Quarter Ended March 31, 2015

Secretarial Area	Payments in Compliance ⁽¹⁾	Non-Compliant Transactions ⁽²⁾
Administration	90%	298
Agriculture and Forestry	96%	114
Commerce and Trade	82%	492
Education*	89%	3,895
Executive Offices	96%	45
Finance	99%	46
Health and Human Resources**	90%	2,957
Independent Agencies	81%	543
Judicial	39%	1,933
Legislative	97%	45
Natural Resources	92%	681
Public Safety	94%	1,791
Technology	83%	37
Transportation*	84%	3,583
Veterans and Defense Affairs	98%	49
Statewide	89%	16,509

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

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

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

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



**Agency SPCC Performance
Utilization Below 70 Percent**

Agency	Payments in Compliance	Non-Compliant Transactions
Commerce and Trade		
Virginia Employment Commission	33%	451
Education		
Norfolk State University	51%	758
Thomas Nelson Community College	65%	294
Health and Human Resources		
Central Virginia Training Center	68%	284
Department of Behavioral Health & Development Services	62%	139
Independent Agencies		
State Corporation Commission	25%	377
Judicial		
Board of Bar Examiners	0%	25
Circuit Courts	0%	164
Combined District Courts	0%	158
General District Courts	0%	727
Juvenile and Domestic Relations District Courts	0%	448
Magistrate System	0%	131
Virginia Criminal Sentencing Commission	0%	16



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, 2015, 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.

<u>Agency</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>
<u>Purchase Card Program:</u>			
Commerce and Trade			
Department of Small Business and Supplier Diversity	X		
Education			
Frontier Culture Museum of Virginia			X
Jamestown-Yorktown Foundation	X	X	
Northern Virginia Community College	X		
Piedmont Virginia Community College			X
University of Virginia Medical Center	X	X	X
Virginia Community College System-Central Office	X		
Independent Agencies			
Virginia College Savings Plan	X		
Public Safety			
Corrections Employee Relations and Training	X		
Department of Alcoholic Beverage Control		X	
Hiram W. Davis Medical Center		X	
<u>Airline Travel Card Program:</u>			
Education			
Dabney S. Lancaster Community College		X	
Virginia Western Community College	X	X	
Independent Agencies			
State Corporation Commission		X	



Travel Charge Card

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

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

The contract provides for the following actions on delinquent accounts:

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

The following table identifies the number of delinquent card accounts with Bank of America by agency during the quarter ended March 31, 2015, and the total amounts past due.

Travel Charge Card Program

As of March 31, 2015

<u>Agency</u>	<u>Total Delinquent Accounts</u>	<u>Amounts 60 Days Past Due</u>	<u>Amounts 90-120 Days Past Due</u>	<u>Amounts >150 Days Past Due</u>
Commerce and Trade				
Department of Housing and Community Development	1	20	0	0
Education				
James Madison University	2	386	0	0
Norfolk State University	1	154	0	0
Virginia Commonwealth University	1	298	0	0



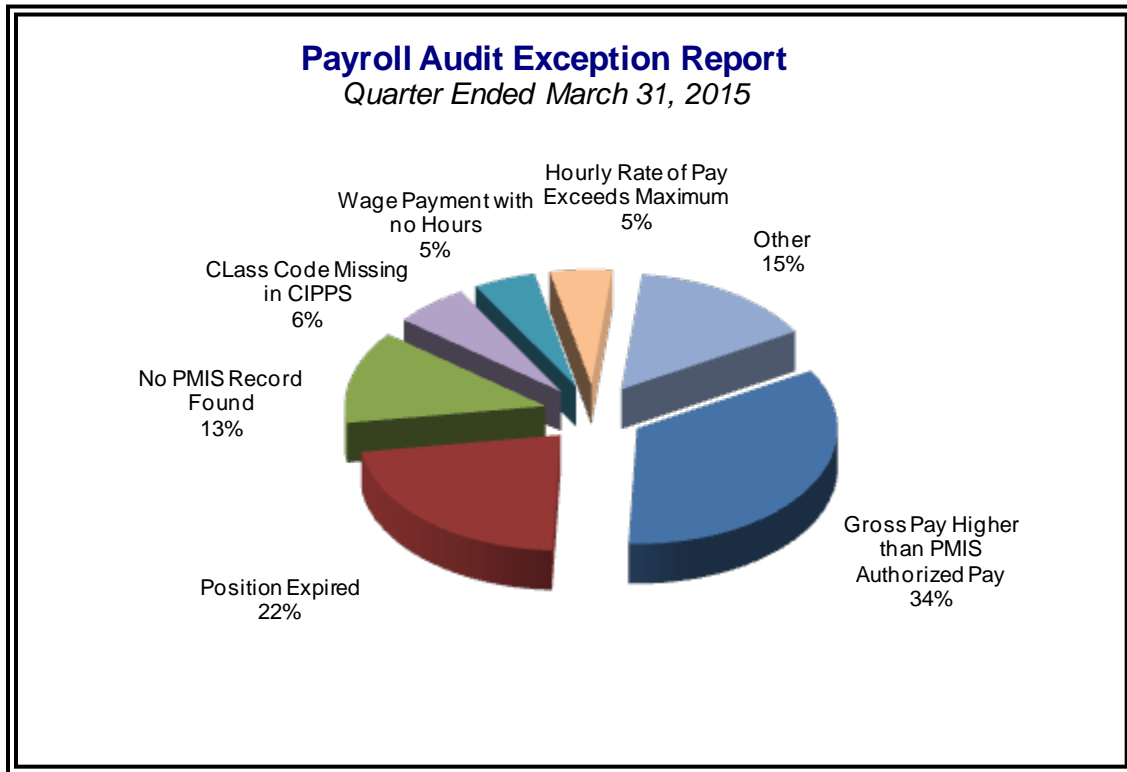
Payroll Controls

CIPPS/PMIS Payroll Audit

During the quarter, DOA's automated comparison of payroll (CIPPS) and personnel (PMIS) records examined 474,647 salaried pay transactions and 120,718 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 3,228 new exceptions noted statewide during the quarter, with an overall exception rate of 0.51%.

The statewide salaried payroll exception rate was 0.55% and the wage payroll exception rate was 0.37%. During this quarter, 5 employee paychecks were reduced to recover \$1,620.30 in overpayments.

While the largest cause of exceptions is the processing of payments to employees whose salary in PMIS is less than the amount paid to them in CIPPS, the second largest cause of exceptions is the processing of payments to employees whose expiration date has not been updated in PMIS. Such exceptions can largely be avoided through timely PMIS data entry by agency Human Resource staff. Although segregation of these Human Resource and Payroll functions is an effective internal control, coordination and communication between agency Human Resource and Payroll staffs is essential.



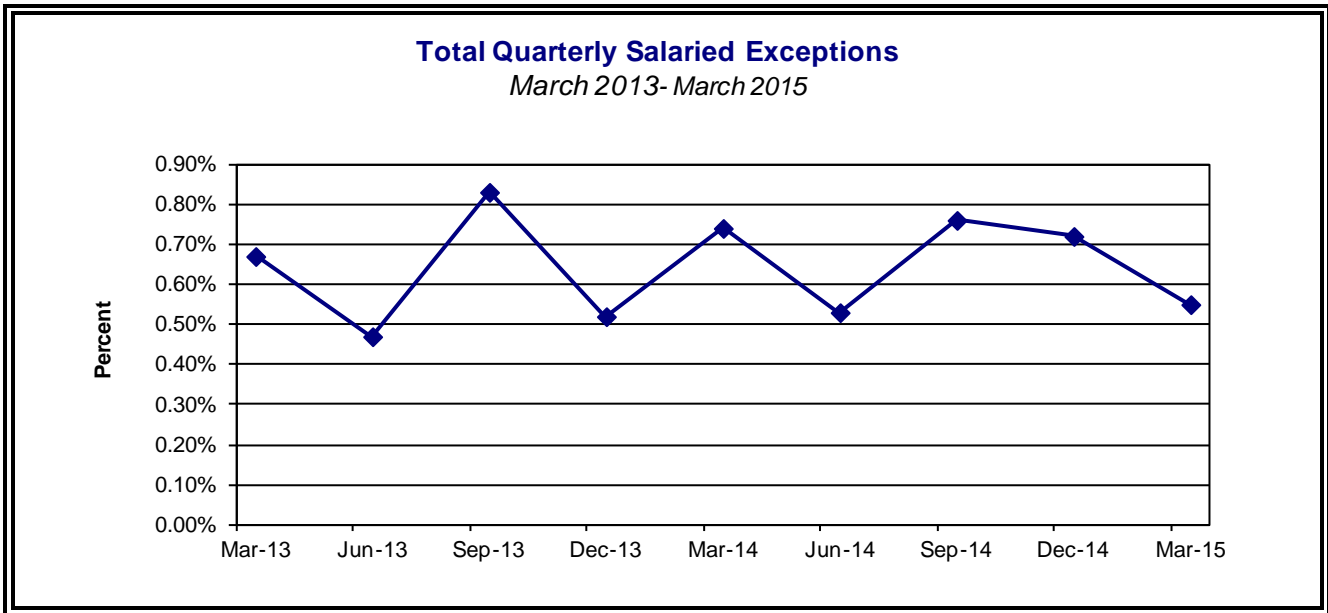
Exception percentages are calculated by dividing the number of exceptions by the number of salaried or wage employees. Agencies are reported below if the percentage

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

Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Salaried Payments
Quarter Ended March 31, 2015

<u>Agency</u>	<u># of Salaried Exceptions</u>	<u>Exceptions as a % of Salaried Payments</u>
Central Virginia Community College	21	1.85%
Total Salaried Payroll Exceptions for the Quarter		0.55%

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

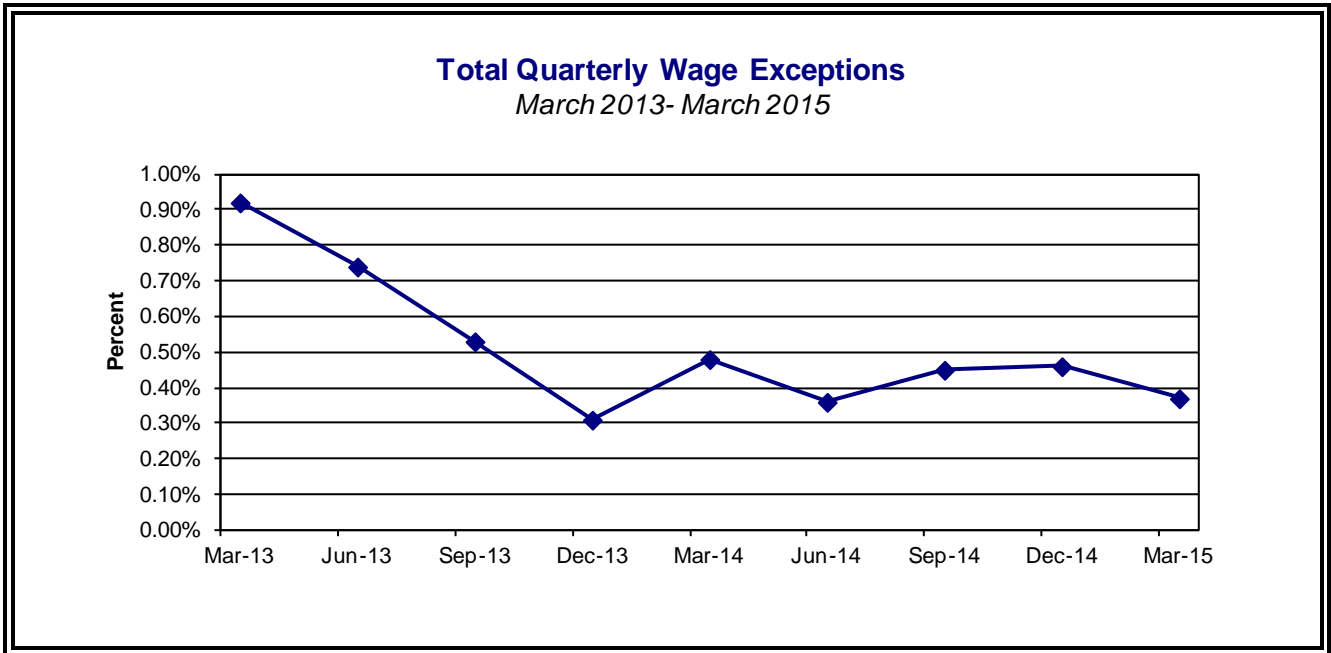


Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Wage Payments
Quarter Ended March 31, 2015

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

Total Wage Payroll Exceptions for the Quarter	0.37%
--	--------------

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



CIPPS/PMIS Exceptions

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

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

<u>Agency</u>	<u>Unresolved Exceptions</u>
<i>Education</i>	
New River Community College	8
Central Virginia Community College	3
<i>Health & Human Resources</i>	
Northern Virginia Training Center	3



Payroll Certification

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

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

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

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

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

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

Payroll Certification Compliance

Agency	Variance Amount (a)	Performed by DOA (b)	Submitted Late (c)	Corrected by DOA (d)
Education				
Germanna Community College		1		
Norfolk State University	\$693,476			
Tidewater Community College	33,055			
Wytheville Community College	5,000,000			
Health and Human Resources				
Piedmont Geriatric Hospital	34,335			

Columns show the following:

- (a) Variance in dollars for agencies whose certified amounts varied from actual computed amounts if the variance is more than \$20,000 for any payrolls processed during the quarter or the explanation for gross pay difference was submitted late.
- (b) The number of times DOA had to perform the certification function for the agency due to inadequate agency back-up.
- (c) The number of certifications that were submitted or altered later than the daily deadline.
- (d) The number of times DOA made corrections to agency certifications during the quarter.

Health Care Reconciliations

Employee health care fringe benefits costs are covered by a combination of agency-paid and employee-paid premiums. Agencies are required to return a *Certification of Automated Health Care Reconciliations* package to DOA by the close of the month following the month of coverage. This

reconciliation annotates differences between health care eligibility records (BES) and health care premium payments collected through payroll deduction. The following table lists those agencies that did not comply with reporting requirements.

**Health Care Reconciliations
as of March 31, 2015**

<u>Agency</u>	<u>Incomplete*</u>	<u>Errors*</u>	<u>Late</u>
Eastern Shore Community College			1
Patrick Henry Community College			1
Powhatan Correctional Center			1
Marion Correctional Treatment Center			1

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



FINANCIAL MANAGEMENT ACTIVITY

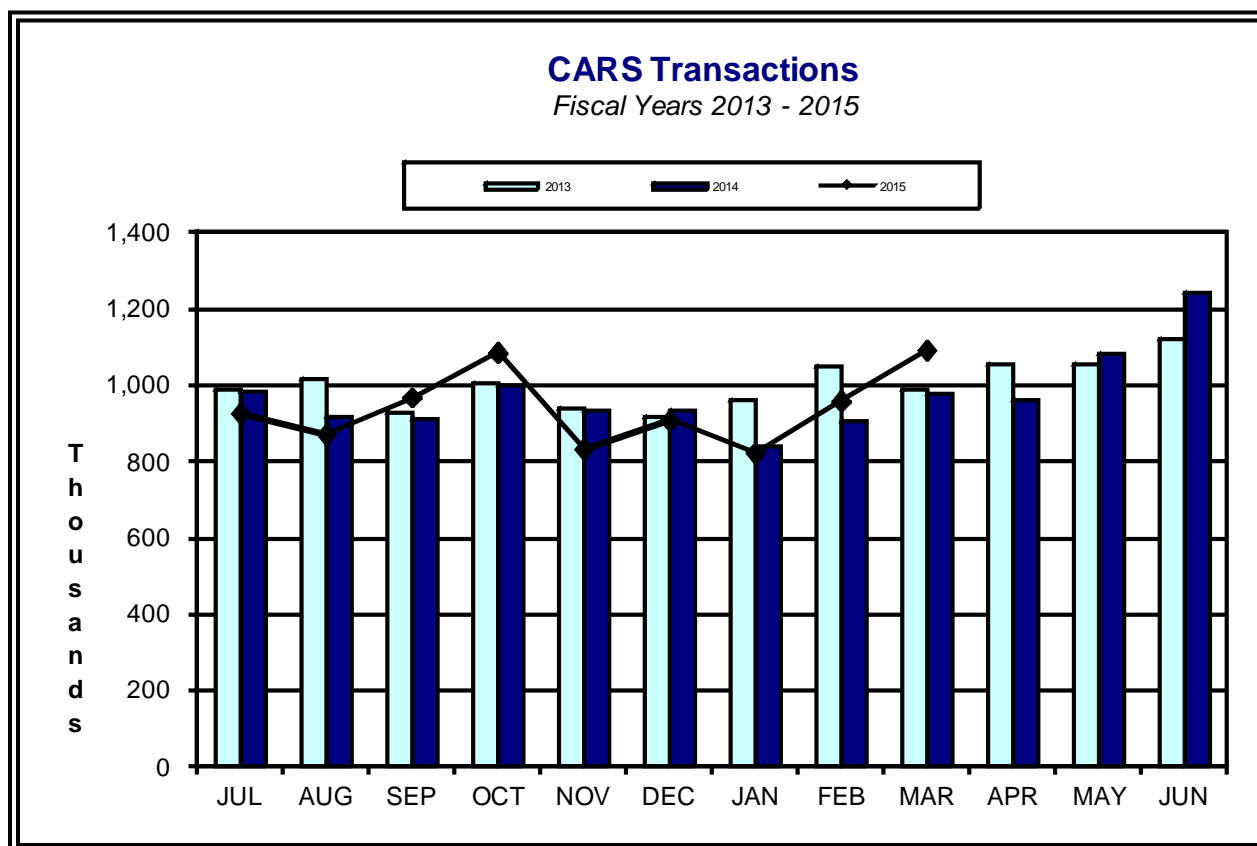
DOA monitors several types of financial activity. Various measures are used to track activities for CARS, payroll, accounts

receivable, indirect cost recoveries, treasury loans, and the Fixed Asset Accounting and Control System (FAACS).

Commonwealth Accounting and Reporting System (CARS)

CARS activity trends provide important information about statewide accounting. Currently, measures are used to track CARS transactions and error counts. A marked

increase or decrease in the number of CARS transactions may indicate that an agency has changed the way it accounts for an activity. Such change may require DOA review.

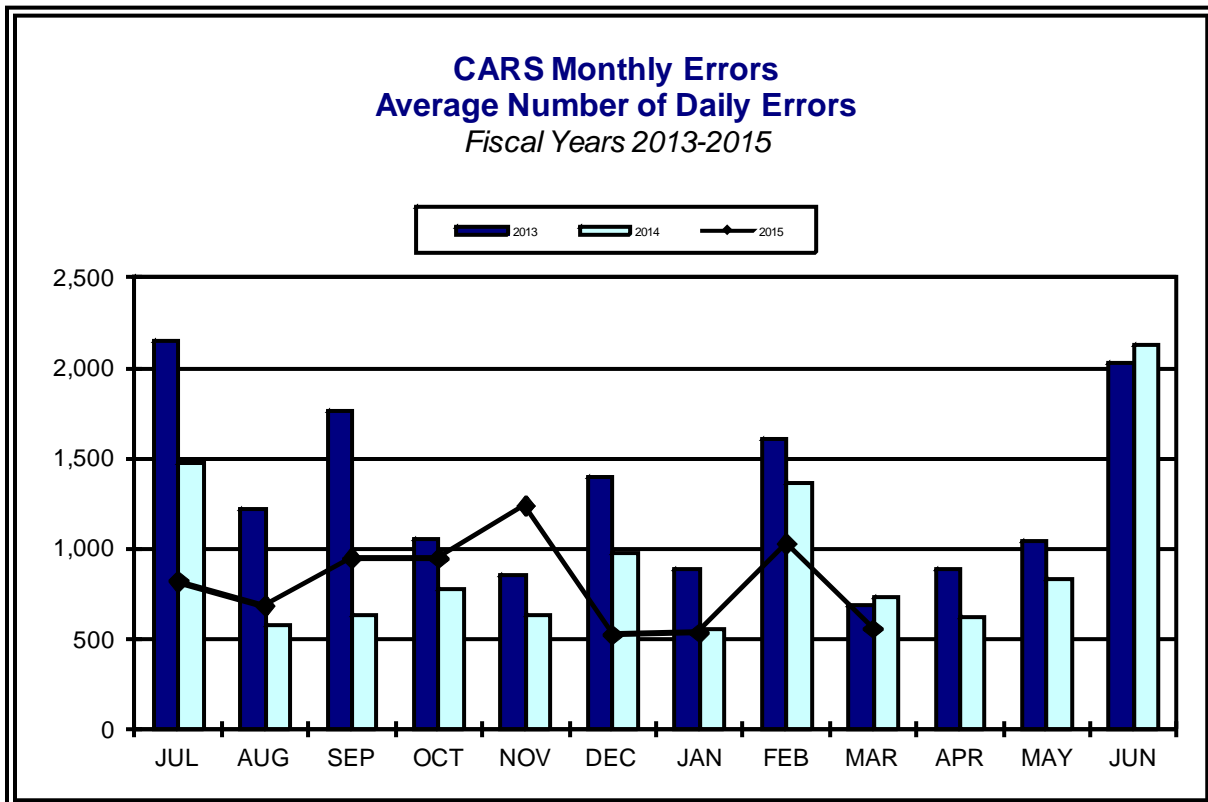


CARS Edits

One of the most important management tools used by DOA is the monitoring of CARS errors generated by standard system edits. Batches remain on the error file until problems are resolved, which, for disbursement transactions, can lead to noncompliance with prompt payment standards and poor vendor relations. During the third quarter of FY 2015, the most frequent reasons cited for transactions processing to the error file were:

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

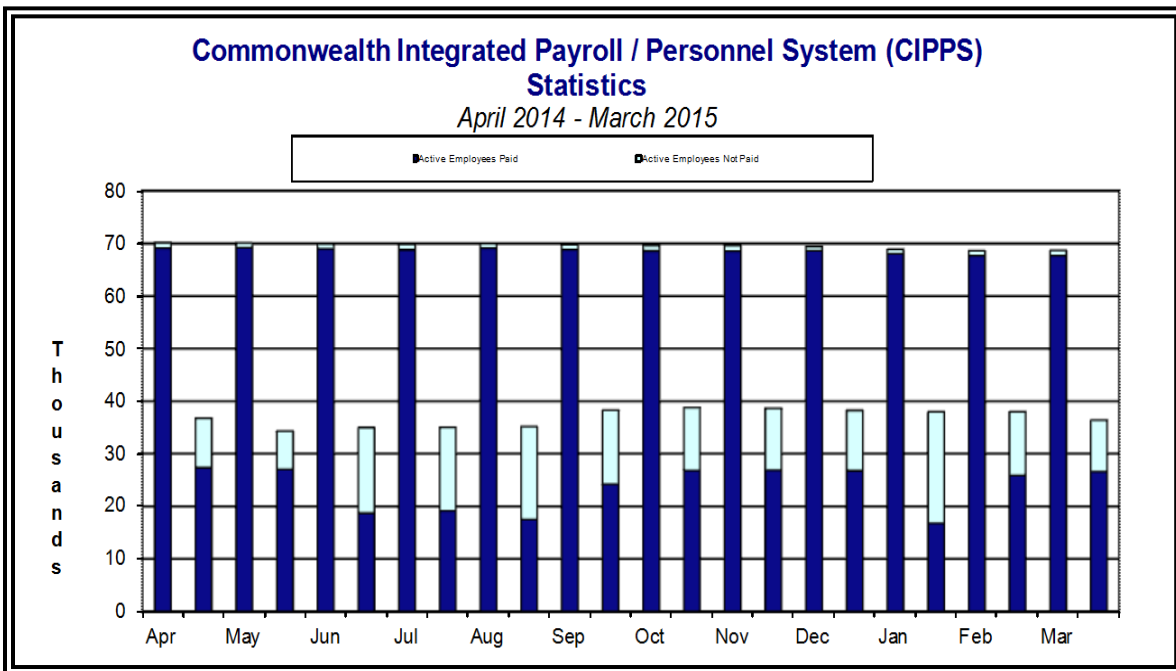
- Available Negative Cash
- Expenditures Exceeds Allotments
- Certified Amount not in Balance



Payroll

The central payroll system for State government is known as *CIPPS*, the Commonwealth Integrated Payroll Personnel System. CIPPS is one of the largest payroll operations in the Commonwealth, serving 106,197 employees. Payroll services are also provided through eight decentralized higher education institutions.

On average, 90,873 employees were paid each month, of which 67,812 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 3/31/2015	Comparative	
		As of 3/31/2014	As of 3/31/2013
Health Care**			
COVA Care	77,901	79,591	76,132
COVA Health Aware	4,089	3,549	N/A
Kaiser	2,109	2,130	2,084
Tricare	56	62	42
Optional Retirement Plans**			
Fidelity Investments	692	666	645
TIAA/CREF	1,736	1,707	1,673
Political Appointee - ORP	108	67	46
Deferred Compensation**	41,856	44,570	43,874
Flexible Reimbursement**			
Dependent Care	946	986	840
Medical Care	9,713	10,230	8,617

** 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.

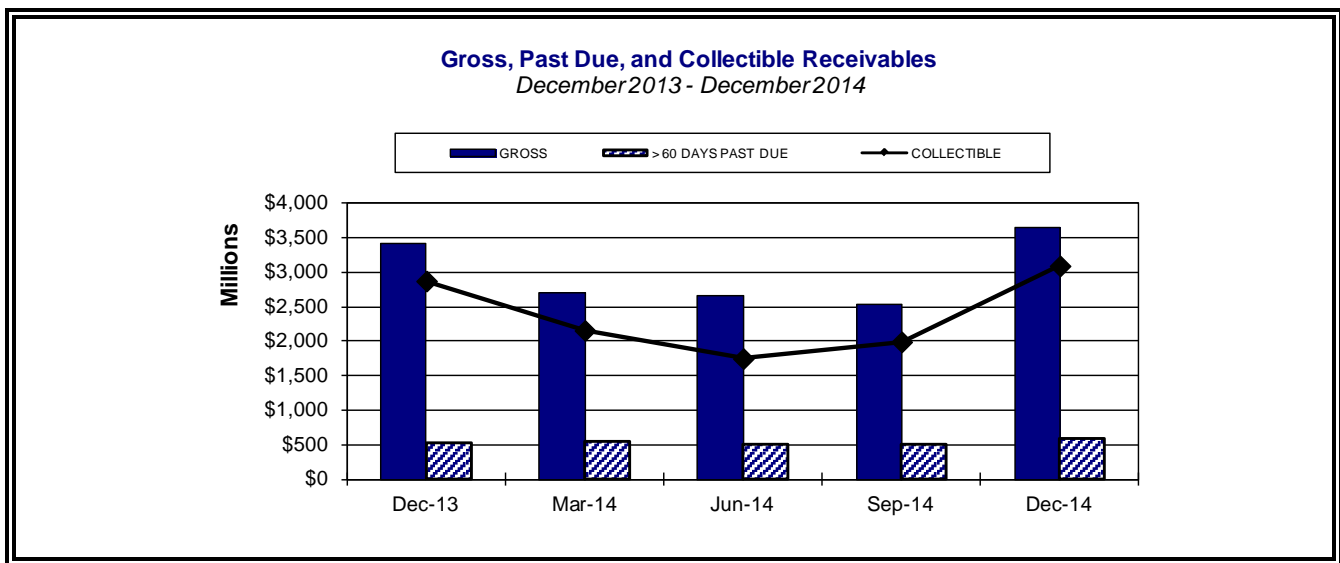
In an effort to present more meaningful information, DOA continues to exclude data from the tables (except for the final table on past due receivables) from the Department of Taxation, consisting largely of statutory assessments and non-filers assessments, and the circuit and district courts, which report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

Commonwealth agencies and institutions reported adjusted gross receivables of \$3.65

billion at December 31, 2014, with \$3.09 billion considered collectible. Receivables over 60 days past due as of December 31, 2014, totaled \$594.3 million. Of that amount, \$23.5 million was placed with private collection agencies, \$36.9 million was placed with the Division of Debt Collection and \$533.9 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, 2014, agencies expected to collect \$3.09 billion (85 percent) of the \$3.65 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

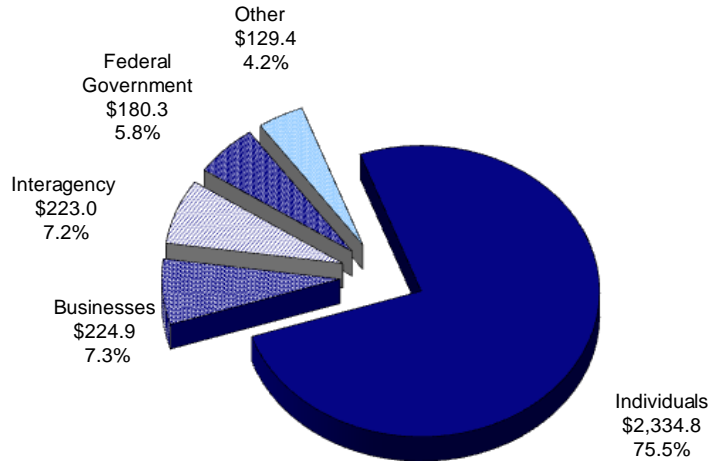
As of December 31, 2014

Fund	Source	Amount	Percent
General Fund 1%	Medicaid - Current Recoveries	\$ 13,612,194	52%
	Social Services	3,432,104	13%
	State Police Permits	2,845,347	11%
	Corrections	1,503,017	6%
	Labor and Industry Inspections	679,665	3%
	Other	2,646,399	10%
	Subtotal	24,718,726	95%
	Interagency Receivables	1,348,872	5%
Total General Fund Collectible		\$ 26,067,598	100%
Nongeneral Funds 99%	Medicaid - Dedicated Penalty Fees	\$ 58,931,771	2%
	Medicaid - Federal Reimbursements	11,030,897	1%
	Unemployment Taxes *	93,937,595	3%
	Transportation	134,032,893	4%
	Child Support Enforcement	210,856,417	7%
	Federal Government	47,121,130	2%
	DBHDS Patient Services	21,764,901	1%
	Hospital	555,996,252	18%
	Enterprise	99,243,391	3%
	Higher Education	1,573,795,330	51%
	Other	38,080,381	1%
	Subtotal	2,844,790,958	93%
	Interagency Receivables	221,632,082	7%
Total Nongeneral Fund Collectible		\$ 3,066,423,040	100%
All Funds	Grand Total		\$ 3,092,490,638 100%

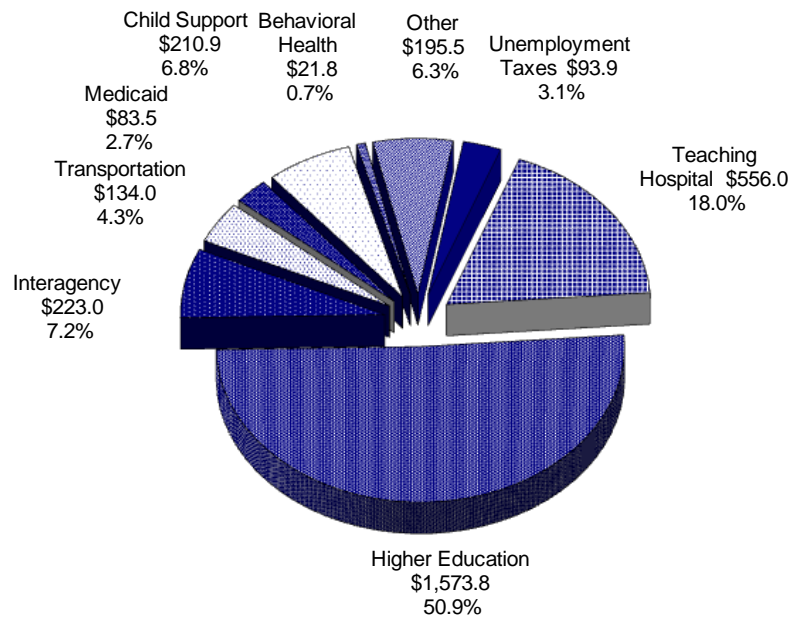
*Note: The Virginia Employment Commission provides Unemployment Taxes Information.

Summary of Receivables by Source

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



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



Not counting Taxation and the Courts, ten agencies account for 75 percent of the Commonwealth's adjusted gross and 74

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, 2014

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
University of Virginia Medical Center	\$ 619,942,674	\$ 22,081,363	\$ 597,861,311
University of Virginia - Academic Division	317,270,915	761,625	316,509,290
Virginia Polytechnic Institute and State University	308,649,651	3,043,648	305,606,003
Department of Social Services	615,477,004	373,227,310	242,249,694
Virginia Commonwealth University	228,520,450	6,211,807	222,308,643
James Madison University	149,625,551	1,706,079	147,919,472
Old Dominion University	133,519,845	2,491,493	131,028,352
Department of Transportation	127,013,136	3,354,870	123,658,266
The College of William and Mary in Virginia	103,465,564	46,877	103,418,687
Virginia Employment Commission	145,338,346	47,175,229	98,163,117
Total	\$ 2,748,823,136	\$ 460,100,301	\$ 2,288,722,835
All Other Agencies	901,101,381	97,333,578	803,767,803
Grand Total	\$ 3,649,924,517	\$ 557,433,879	\$ 3,092,490,638

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 \$7.5 million during the quarter ended December 31, 2014. The Division of Debt Collection contributed \$2.5 million. Private collection agencies collected \$2.5 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected \$2.5 million.

Private collection agencies returned \$7.0 million of accounts to agencies, and the Division of Debt Collection discharged \$2.9 million of accounts and returned \$484,739 of accounts to agencies.

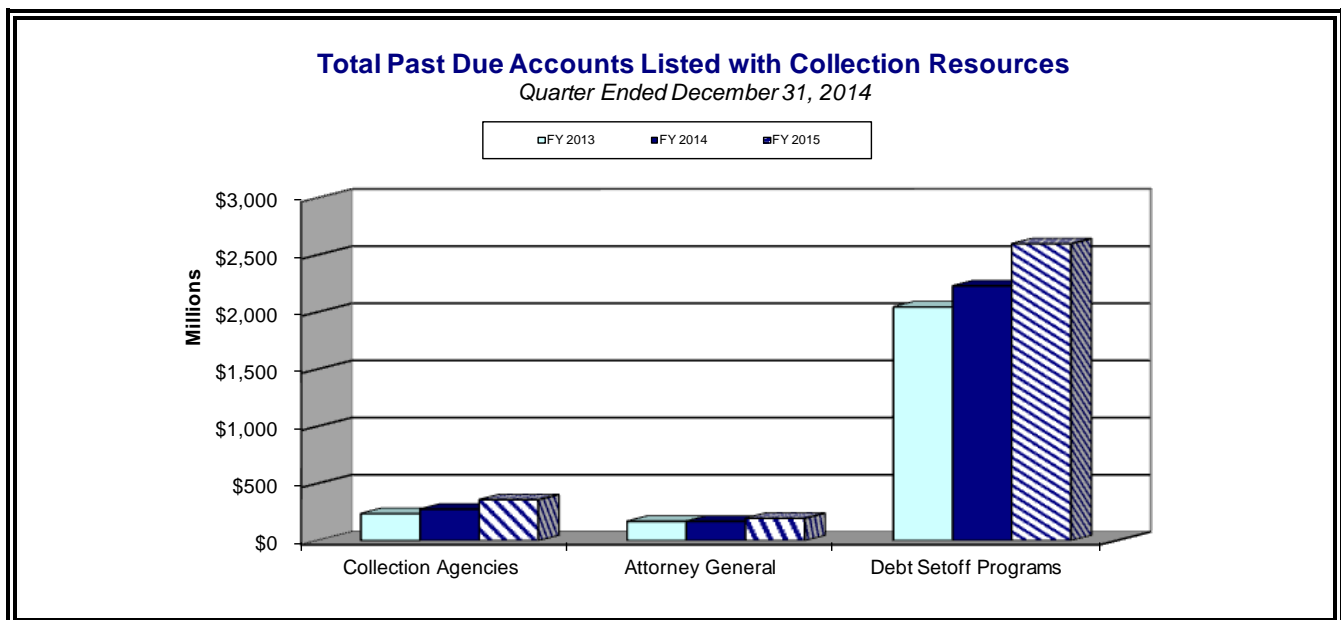
Collectible Receivables Over 60 Days Past Due

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

As of December 31, 2014

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	\$ 215,186,484	9,323	68,217	\$ 215,108,944
University of Virginia Medical Center	103,893,295	-	-	103,893,295
Virginia Employment Commission	64,740,563	13,322,759	14,434,113	36,983,691
Department of Transportation	64,325,776	1,883,244	6,932,033	55,510,499
Department of Medical Assistance Services	44,379,743	23,020	2,345,403	42,011,320
Department of Behavioral Health and Developmental Services	16,714,895	-	-	16,714,895
Department of State Police	8,285,562	-	936,663	7,348,899
Department of Health	7,315,477	56,774	2,375,902	4,882,801
Virginia Commonwealth University	6,638,600	251,693	277,828	6,109,079
Virginia Community College System	6,193,519	1,201,926	3,796	4,987,797
TOTAL	\$ 537,673,914	\$ 16,748,739	\$ 27,373,955	\$ 493,551,220
All Other Agencies	56,667,847	6,764,862	9,538,915	40,364,070
TOTAL OVER 60 DAYS	\$ 594,341,761	\$ 23,513,601	\$ 36,912,870	\$ 533,915,290
Uncollectible Amounts Placed for Collection, Including Accounts Written Off	2,562,940,884	336,160,248	160,208,715	2,066,571,921
TOTAL COLLECTION EFFORTS	\$ 3,157,282,645	\$ 359,673,849	\$ 197,121,585	\$ 2,600,487,211

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



Comptroller's Debt Setoff (CDS) Program

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

withheld, in full or in part, to satisfy the debt owed to the State. CDS collected \$2.1 million for the third quarter with a total of \$6.7 million collected through FY 2015. Please note the amount reported is before any refunds.

Receivable Trend Data

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

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

Percentage of Gross Receivables Over 60 Days Past Due

Agency	Percent 12/31/14	Comparative	
		Percent 9/30/14	Percent 6/30/14
Virginia State Police	66%	24%	53%
Department of Transportation	51%	19%	10%
Virginia Employment Commission	45%	42%	35%
Department of Medical Assistance Services	37%	37%	40%
Department of Health	37%	22%	8%
Department of Behavioral Health and Developmental Services	36%	33%	20%
Department of Social Services	35%	36%	34%
University of Virginia Medical Center	17%	13%	14%
Virginia Community College System	6%	21%	15%
Virginia Commonwealth University	3%	7%	11%
Statewide Average - All Agencies	16%	21%	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 74 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 60 percent indicates that for every dollar billed during the quarter ended December 31, 2014, the state collected 60 cents. This rate is two percent lower than last year and six percent lower than two years ago.

Collections as a Percentage of Billings

Agency	Percent 12/31/14	Comparative	
		Percent 12/31/13	Percent 12/31/12
Virginia Employment Commission	108%	104%	104%
Department of Social Services	99%	97%	95%
Department of Transportation	96%	100%	101%
Virginia Polytechnic Institute and State University	51%	59%	56%
University of Virginia - Academic Division	45%	43%	47%
The College of William and Mary in Virginia	45%	38%	32%
Virginia Commonwealth University	40%	41%	40%
Old Dominion University	32%	39%	37%
University of Virginia Medical Center	27%	27%	29%
James Madison University	24%	33%	32%
Statewide Average - All Agencies	60%	62%	66%

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 \$83.6 million at December 31, 2014, is a \$37.5 million decrease over the \$121.1 million reported at December 31, 2013. Over the same period, total past due receivables of \$48.7 million have decreased by \$35.8 million.

University of Virginia Medical Center (UVAH)

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

UVAH collectible receivables of \$597.9 million at December 31, 2014, were a \$39.0 million increase from the \$558.9 million reported the previous year. Past due receivables increased by \$32.2 million to \$247.0 million at December 31, 2014.

Virginia Employment Commission (VEC)

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

VEC collectible receivables were \$98.2 million at December 31, 2014, a decrease of \$2.1 million from the previous year. Total past due receivables were \$67.0 million, a \$17.3 million decrease over last year. VEC collects employer tax receivables in-house. The Attorney General's Office is involved in contested cases. Unemployment benefit overpayments to individuals are referred to private collections agencies after in-house efforts have produced no results and when debtors have left the state.

Virginia Information Technologies Agency (VITA)

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

VITA reported collectible receivables at December 31, 2014, of \$43.7 million, which is a decrease of \$1.1 million reported in the previous year. Most of these receivables are due from other state agencies. As of December 31, 2014, \$798,237 was over 60 days past due, an increase of \$149,829 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, 2014, the State Lottery reported net receivables of \$79.9 million, a \$23.8 million increase from the previous year. Billings increased by \$6.8 million and collections decreased by \$8.9 million during the December 31, 2014 quarter when compared to the December 31, 2013 quarter. At December 31, 2014, the State Lottery had \$195,838 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, 2014, DOE had no accounts receivable due from the Federal government under Direct Aid to Public Education. This is consistent with the prior year.

Virginia Polytechnic Institute and State University (VPISU)

VPISU is one of the Commonwealth's largest universities and one of two land grant institutions in the state. At December 31, 2014, the University reported net collectible receivables of \$305.6 million, a decrease of \$2.6 million over the prior year. At the same time, total past due receivables of \$7.3 million decreased by \$4.0 million over the prior year.

The University uses a variety of collection methods to encourage payments. At December 31, 2014, VPISU had \$3.7 million of accounts over 60 days past due. \$732,762 was placed with the Attorney General's Division of Debt Collection, another \$844,351 was placed with private collection agencies, and \$2.1 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, 2014, the Department reported collectible receivables of \$21.8 million, a \$4.0 million decrease over the previous year. \$24.6 million was past due, with \$16.7 million being over 60 days past due. Total past due receivables increased by \$2.8 million over the year, and accounts over 60 days past due increased by \$2.7 million. At December 31, 2014, the Department had a total of \$9.4 million of accounts placed with the Attorney General and \$1.3 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, 2014, VDOT reported \$123.7 million of collectible receivables, an increase of \$52.7 million from the prior year. VDOT also reported \$77.9 million total past due and \$64.3 million being over 60 days past due. Past due receivables increased by \$60.0 million over the year, while receivables over 60 days past due increased by \$48.1 million. VDOT reports that the large majority of the accounts over 60 days past due continue to be amounts owed by cities, counties and towns that are participating on long-term construction projects with the department and where the local fund shares are provided by local debt financing.

VDOT reported placing \$6.9 million of their accounts over 60 days past due with the Attorney General's Division of Debt Collection.

Department of Social Services (DSS)

Social Services provides financial assistance to eligible individuals and families through 121 local departments of social services. The assistance programs include the Temporary Assistance for Needy Families (TANF), Medicaid, Food Stamps, and Community Services Block Grants. In addition to the assistance programs, DSS is the federally - mandated state agency to provide child support enforcement assistance. Child support paid for children receiving money from an assistance program is required to be paid to reimburse the federal and state funds which provide the assistance. Overpayments of assistance benefits from ineligible participants must also be repaid to the originating funds. Receivables due from the Federal government usually are the Federal share of assistance payments and allowable cost recoveries made through the local offices during the preceding month.

At December 31, 2014, DSS reported gross receivables of \$615.5 million, an allowance for doubtful accounts of \$373.2 million and collectible receivables of \$242.3 million. Past due receivables totaled \$218.6 million, of which \$215.2 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for \$553.6 million (90 percent) of the gross receivables, \$342.7 million (92 percent) of the allowance for doubtful accounts and \$210.9 million (87 percent) of the collectible receivables.

From December 31, 2013 to December 31, 2014, gross receivables increased by \$38.9 million and collectible receivables increased by \$14.1 million. Total past due receivables increased by \$14.4 million and receivables over 60 days past due increased by \$14.1 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, 2014, DRPT had gross and net receivables of \$24.9 million. The majority of this money is due via an interagency transfer from VDOT. DRPT reported past due receivables of \$2.0 million at December 31, 2014.

Virginia Commonwealth University (VCU)

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

At December 31, 2014, VCU had \$222.3 million of collectible receivables, a \$10.5 million increase from December 31, 2013. Total past due accounts were \$16.0 million, a \$67,238 increase from December 31, 2013. Accounts over 60 days past due (\$6.6 million) decreased by \$72,946 from the prior year. Billings increased by \$18.7 million to \$243.8 million and collections increased by \$4.5 million to \$97.6 million for the December 31, 2014 quarter, when compared to the December 31, 2013 quarter.

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

Commonwealth's total \$2.84 billion past due accounts receivable at December 31, 2014. Another 18 agencies accounted for 30 percent (\$851.2 million), leaving 56 other agencies to comprise the last two percent at \$45.5 million.

Taxation and the Circuit and District Courts accounted for 68 percent (\$1.94 billion) of the

Agencies with the Largest Volume of Past Due Receivables

As of December 31, 2014

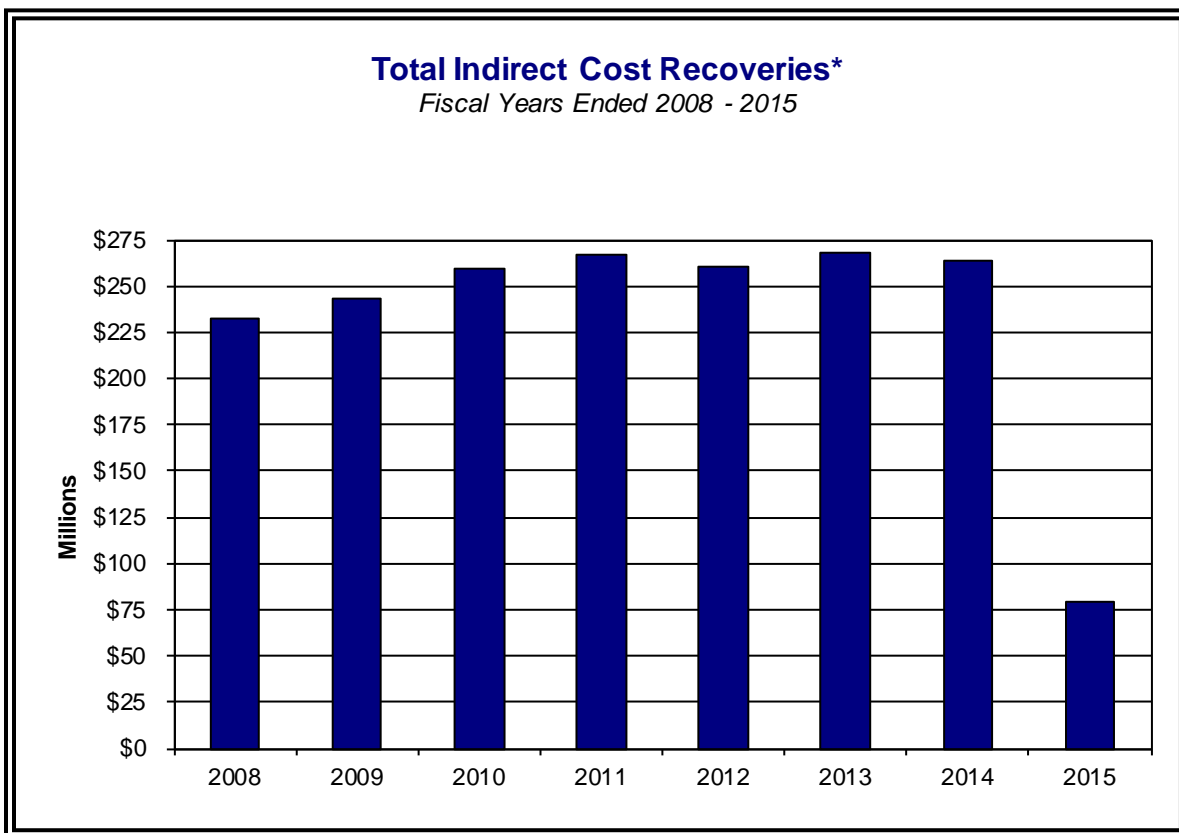
Agency	Total Past Due	1 to 180 Days Past Due	181 to 365 Days Past Due	Over One Year
Department of Taxation	\$ 1,572,310,281	\$ 229,479,382	\$ 125,747,298	\$ 1,217,083,601
Localities' Circuit and District Courts	368,157,554	37,771,177	61,995,127	268,391,250
Total - Taxation Assessments and Court Fines and Fees	\$ 1,940,467,835	\$ 267,250,559	\$ 187,742,425	\$ 1,485,474,851
All Other Large Dollar Agencies:				
University of Virginia Medical Center	246,979,826	214,682,237	22,865,237	9,432,352
Department of Social Services	218,556,970	10,439,787	10,410,414	197,706,769
Department of Transportation	77,868,496	67,324,818	4,900,732	5,642,946
Virginia Employment Commission	67,017,587	10,594,610	9,993,635	46,429,342
Department of Medical Assistance Services	48,691,971	11,007,201	4,430,980	33,253,790
Virginia Community College System	46,953,080	45,055,926	768,233	1,128,921
Department of Behavioral Health and Developmental Services	24,627,867	18,536,195	18,684	6,072,988
University of Mary Washington	22,003,561	21,004,795	97,518	901,248
University of Virginia - Academic Division	18,621,332	16,761,139	1,188,802	671,391
Virginia Commonwealth University	15,958,456	10,080,710	1,640,272	4,237,474
George Mason University	10,806,108	8,633,508	1,339,475	833,125
Department of State Police	10,329,879	6,995,726	1,342,045	1,992,108
Department of Health	8,601,712	5,890,648	85,207	2,625,857
Virginia Port Authority	7,327,742	7,074,794	245,605	7,343
Virginia Polytechnic Institute and State University	7,322,047	5,096,805	412,212	1,813,030
Old Dominion University	7,044,290	6,520,772	421,242	102,276
Virginia Information Technologies Agency	6,566,755	6,395,824	59,291	111,640
Department of General Services	5,968,681	3,104,030	336,222	2,528,429
Total - Largest Dollar Volume Agencies	\$ 851,246,360	\$ 475,199,525	\$ 60,555,806	\$ 315,491,029
All Other Agencies	45,516,037	27,612,744	5,564,954	12,338,339
Grand Total Past Due Receivables	\$ 2,837,230,232	\$ 770,062,828	\$ 253,863,185	\$ 1,813,304,219



Indirect Costs

The Department of Accounts prepares a Federal Statewide Indirect Cost Allocation Plan (SICAP) annually that identifies the central service agency General Fund support provided to all State agencies. Agencies receiving Federal grants or contracts prepare indirect cost rate proposals or cost allocation plans that include both the agency (agency

specific overhead expenditures) and Statewide (overhead expenditures incurred by the State's central service agencies for support provided to other State agencies) indirect costs associated with the administration and management of federal, State, or private grant and contract activity.



*FY 2015 reflects indirect cost recoveries through March 31, 2015.

Indirect Cost Recoveries from Grants and Contracts

Fiscal Year 2015

Fund	Year-to-Date		Total
	Higher Ed	Non-Higher Ed	
Nongeneral:			
Agency / Institution (1)	\$ 16,852,495	\$ 59,938,541	\$ 76,791,036
Statewide	47,748	651,195	698,943
Agency / Institution ARRA	557,936	238	558,174
Statewide ARRA	-	5	5
Total Nongeneral	\$ 17,458,179	\$ 60,589,979	\$ 78,048,158
General:			
Agency (Cash Transfers)	-	-	-
Statewide	-	1,127,073	1,127,073
Statewide (Cash Transfers)	-	-	-
Total General	\$ -	\$ 1,127,073	\$ 1,127,073
Total All Funds	\$ 17,458,179	\$ 61,717,052	\$ 79,175,231

- (1) The Department of Social Services records all federal monies received in CARS. However, they do not separately classify such receipts between direct and indirect. Included in the agency nongeneral fund category is \$42,461,894 representing the Department of Social Services' estimate of indirect cost recoveries received.



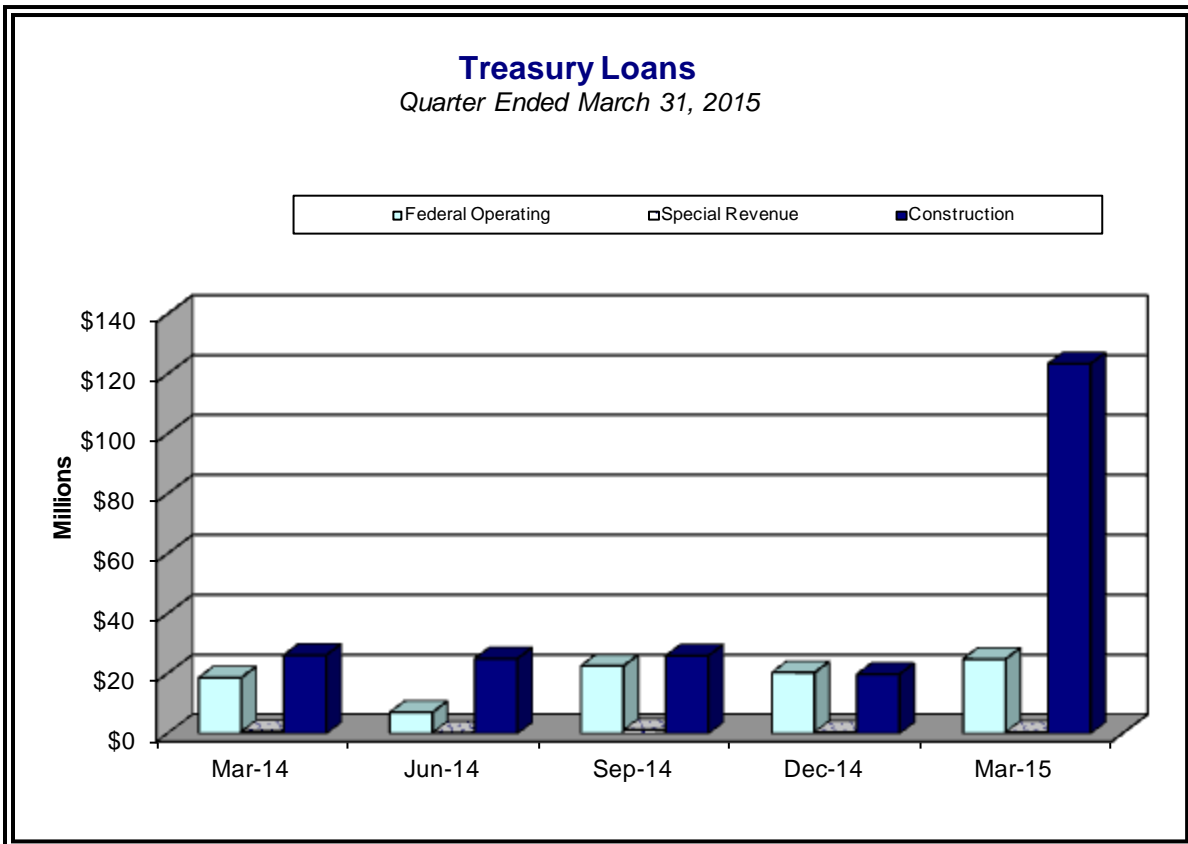
Loans and Advances

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, 2015 was \$148.9 million.



Significant New Loans / Drawdowns	New Balance
<p>Department of Military Affairs (DMA) Drawdown on a \$15 million loan used to replace advances from cooperative agreements and maintenance reserve projects that may be delayed by the DOD accounting system (GFEBS) implementation.</p>	\$ 13,000,000.00
<p>Virginia Community College System (VCCS) Drawdown on a \$4 million loan used to cover temporary cash needs related to reimbursement based federal grants.</p>	\$ 4,000,000.00
<p>Virginia College Building Authority (VCBA) Drawdown on a \$150 million loan used to provide cash to reimburse institutions of higher education for expenditures made on authorized capital projects under the 21st Century Program.</p>	\$ 116,808,213.99

Significant Loan Repayments	Prior Balance
<p>Department of Military Affairs (DMA) Repayment on a \$15 million loan used to replace advances from cooperative agreements and maintenance reserve projects that may be delayed by the DOD accounting system (GFEBS) implementation.</p>	\$ 7,100,000.00
<p>Department of General Services (DGS) Repayment on a \$13 million loan used for the renovation of the State Capital Building.</p>	\$ 13,151,217.00
<p>Virginia Community College System (VCCS) Repayment on a \$6 million loan used to cover temporary cash needs related to reimbursement based federal grants.</p>	\$ 5,000,000.00

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

- **Authorized Appropriation Deficits**, which provide funding, when authorized by the Governor, under emergency conditions as described in §4-3.01 and §4-3.02 of the Appropriation Act. There were no deficit loans/appropriations as of March 31, 2015.
- **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, 2015 was \$58.1 million.
- **Lines of Credit**, which provide funding for recurring shortfalls of operating cash and are authorized in §3-2.03 of the Appropriation Act. The total of all outstanding lines of credit as of March 31, 2015 was \$84.2 million.

