

REPORT ON STATEWIDE COMPLIANCE

**FOR THE QUARTER ENDED
JUNE 30, 2017**



OFFICE OF THE COMPTROLLER

DEPARTMENT OF ACCOUNTS

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STATEMENT OF PURPOSE

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

The Comptroller's *Report on Statewide 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 to highlight key findings.

This *Quarterly Report* includes information for the quarter ended June 30, 2017, and comparative FY 2016 data. Some information in the report is for the quarter ended March 31, 2017, which is the most current data available.

David A. Von Moll, CPA, CGFM
Comptroller



Virginia Department of Accounts

Financial Accountability. Reporting Excellence.

COMPLIANCE

Auditor of Public Accounts Reports - Executive Branch Agencies

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

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

The APA also reports additional recommendations that can include risk alerts, efficiency issues, or any other improvements that can be made within agency operations. Risk alerts address issues that are beyond the capacity of agency management to implement effective corrective actions. Efficiency 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 June 30, 2017

The APA issued 10 reports covering 11 State Agencies for the Executive Branch. The last column indicates whether the CAW has been received as of the date of this publication for each agency with audit findings. Note that in some cases, the CAW may not have been received because it is not yet due.

	New Findings	Repeat Findings	Total Findings	CAW Received
Administration				
None				
Agriculture and Forestry				
Department of Agriculture and Consumer Services	2	1	3	YES
Commerce and Trade				
Board of Accountancy	0	0	0	N/A
Education				
George Mason University	1	0	1	YES
Norfolk State University	3	2	5	YES
Old Dominion University	2	0	2	YES

	New Findings	Repeat Findings	Total Findings	CAW Received
Executive Offices				
Attorney General and Department of Law ⁽¹⁾	3	0	3	YES
Finance				
None				
Health and Human Resources				
Virginia Foundation for Healthy Youth	0	0	0	N/A
Natural Resources				
Department of Historic Resources	0	0	0	N/A
Public Safety and Homeland Security				
None				
Technology				
Innovation and Entrepreneurship Investment Authority ⁽²⁾	0	0	0	N/A
Transportation				
None				
Veterans and Defense Affairs				
Veterans Services Foundation	0	1	1	YES

- (1) The Attorney General and Department of Law audit included the Division of Debt Collection.
(2) The Innovation and Entrepreneurship Investment Authority audit report includes the Center for Innovative Technology, a Blended Component Unit.



Audit Findings - Quarter Ended June 30, 2017

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

Agriculture and Forestry

Department of Agriculture and Consumer Services

1. Continue to Improve IT Risk Management and Contingency Planning. **This is a Repeat Finding.**
2. Improve Database Security
3. Improve Oversight of Third-Party Service Providers

Education

George Mason University

1. Improve Database Security

Norfolk State University

1. Improve Information Security, Risk Management and Contingency Programs
2. Conduct Information Technology Security Audits on Sensitive Systems
3. Continue to Upgrade or Decommission End-of-Life Technology. **This is a Repeat Finding.**
4. Improve IT Asset Surplus and Sanitization Controls. **This is a Repeat Finding.**
5. Comply with 1500 Hour Rule for Wage Employees

Old Dominion University

1. Ensure Return of Title IV Calculations are Accurate
2. Improve Enrollment Reporting Process

Executive Offices

Attorney General and Department of Law

1. Develop and Approve Backup and Restoration Policies and Procedures
2. Improve Physical and Environmental Security
3. Improve Firewall Management

Veterans and Defense Affairs

Veterans Services Foundation

1. Improve Internal Controls over Donations. **This is a Repeat Finding.**



Additional Recommendations – Quarter Ended June 30, 2017

No APA reports containing “Additional Recommendations” were received.

Special Reports – Quarter Ended June 30, 2017

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

Payroll Service Bureau for the period July 1, 2014 through June 30, 2016

Report to the Joint Legislative Audit and Review Commission for the quarter January 1, 2017 through March 31, 2017

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

Department of Conservation and Recreation’s Status of Corrective Action from Prior Recommendations as of February 3, 2017

Department of Veterans Services Audit of Payroll Operations for the year ended June 30, 2016

Progress Report on Selected System Development Projects in the Commonwealth as of December 31, 2016

Review of Agency Performance Measures for the year ended June 30, 2015

Other Audit Reports – Quarter Ended June 30, 2017

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

9-1-1 Services Board for the year ended June 30, 2016

Assistive Technology Loan Fund Authority for the year ended June 30, 2016

University of Virginia’s College at Wise Perkins Loan Program Liquidation

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

Virginia Land Conservation Foundation Audit of Accounts and Records as of June 30, 2016



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 quarter end 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 Elections	0	4	0	0
Department of General Services	0	2	0	1
Department of Human Resource Management	0	4	0	0
Agriculture and Forestry				
Department of Agriculture and Consumer Services	1	0	0	0
Commerce and Trade				
Virginia Employment Commission	7	4	0	1
Education				
Christopher Newport University	0	1	1	0
Department of Education	0	6	3	0
George Mason University	0	1	0	0
Longwood University	2	0	2	1
Norfolk State University	0	1	0	0
Radford University	0	0	0	1
Richard Bland College	5	1	1	0
Southern Virginia Higher Education Center	1	0	0	0
The College of William and Mary in Virginia	0	2	0	0
University of Mary Washington	0	0	2	0
University of Virginia	1	1	0	0
Virginia Commonwealth University	0	2	0	0
Virginia School for the Deaf and Blind	0	1	0	0
Virginia Community College System - Central Office	0	2	0	1
Blue Ridge Community College	0	1	0	0
Central Virginia Community College	0	0	0	1
Germanna Community College	0	1	0	0
John Tyler Community College	0	1	0	0

	IN PROGRESS		COMPLETED	
	On Schedule	Delayed	On Schedule	Delayed
Mountain Empire Community College	0	1	0	0
New River Community College	0	0	0	1
Patrick Henry Community College	0	0	1	0
Paul D. Camp Community College	0	0	0	1
Southwest Virginia Community College	0	0	0	1
Virginia Highlands Community College	0	2	0	0
Finance				
Department of Accounts	1	0	0	2
Department of the Treasury	2	1	0	0
Health and Human Resources				
Department for Aging and Rehabilitative Services	0	0	0	1
Department of Behavioral Health and Developmental Services	1	4	7	3
Department of Health	0	2	7	1
Department of Medical Assistance Services	1	3	0	2
Department of Social Services	3	0	0	0
Independent Agencies				
Virginia Lottery	2	0	1	0
Virginia Retirement System	0	0	1	0
Natural Resources				
Department of Game and Inland Fisheries	0	0	2	7
Public Safety and Homeland Security				
Department of Alcoholic Beverage Control	0	1	0	1
Department of Corrections	0	1	0	0
Department of Emergency Management	0	1	3	0
Department of Military Affairs	0	0	0	2
Department of State Police	0	5	0	0
Transportation				
Department of Motor Vehicles	3	6	1	1
Department of Transportation	1	0	4	0
Veterans and Defense Affairs				
Veterans Services Foundation	0	0	0	1
TOTALS	31	62	36	30



Status of Prior Audit Findings

The policy governing the Agency Response to APA Audits requires follow-up reports on agency workplans every quarter end 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.

Administration

Department of Elections (ELECT)

Audit Year: 2015

Finding 15-01: Document Policies and Procedures for Critical Business Functions

Status: Review in conjunction with ARMICS.

Status Summary: In Progress (Delayed)

Finding 15-02: Improve Process for Payments for General Registrars and Electoral Boards

Status: ELECT has adopted procedures for the disbursement of funds and reconciliation.

Currently the agency is during an internal review to determine if the process can be automated and its cost benefit to the agency. Its anticipated that this review will be completed by December 31, 2017.

Status Summary: In Progress (Delayed)

Finding 15-03: Improve my VRS Navigator Reconciliation Processes

Status: Procedures have been adopted. Polices have been drafted and are in final review phase.

Status Summary: In Progress (Delayed)

Finding 15-04: Ensure Adequate Internal Controls Exist for Federal Reporting

Status: Reconciling completed. Reviewing procedures, with an anticipated grant close date in the first quarter of 2018.

Status Summary: In Progress (Delayed)

Department of General Services (DGS)

Audit Year: 2015

Finding 15-01: Improve Information Security Program

Status: BIA Policy has been created. VITA has been engaged to assist with vulnerability scanning and DGS is at the top of their list to begin scans. DGS started working with the project managers and VITA to resolve the inconsistencies in sensitive systems. Initial conversations have been made regarding attaching the roles and responsibilities to DGS EWP's. DGS is engaging VITA for resources and have created a draft of the Risk Assessment Plan for sensitive systems.

Status Summary: In Progress (Delayed)

Finding 15-02: Improve Application Controls. **This is a Repeat Finding.**

Status: Corrective action plan has been completed.

Status Summary: Completed (Delayed)

Finding 15-03: Improve Oversight of Third-Party Service Providers

Status: DGS continues to formalize procedures through a decision brief with the contractor. Estimated completion date is third quarter FY 2017. Oversight and security issues are required agenda topics during the weekly eVA Project Management Operations meeting, as well as the bi-monthly eVA Steering Committee Meetings.

Status Summary: In Progress (Delayed)

Department of Human Resource Management (DHRM)

Audit Year: 2016

Finding 16-01/15-01: Improve IT Risk Management and Disaster Recovery Planning. **This is a Repeat Finding.**

Status: Analysis is in progress.

Status Summary: In Progress (Delayed)

Finding 16-02/15-02: Improve Security Awareness and Training. **This is a Repeat Finding.**

Status: Analysis is in progress.

Status Summary: In Progress (Delayed)

Finding 16-03/15-03/14-01: Improve System Security for the Time, Attendance, and Leave System. (Improve Controls over the PMIS) **This is a Repeat Finding.**

Status: Analysis is in progress.

Status Summary: In Progress (Delayed)

Finding 16-04/15-04/14-02: Improve Controls over the Personnel Management Information System. **This is a Repeat Finding.**

Status: Partially completed. Looking for availability of existent staff to complete last stages.

Status Summary: In Progress (Delayed)

Agriculture and Forestry

Department of Agriculture and Consumer Affairs (VDACS)

Audit Year: 2013

Finding 13-01: Perform Timely Updates to IT Risk Management and Contingency Plans

Status: The 2017 update to agency risk assessments, risk treatment plans, and BIA have been submitted to CSRMS and approved. A work request for disaster recovery services was completed and submitted to VITA in early 2017. Initial disaster recovery testing will occur in June 2017, and each year after that in August as part of the COV disaster recovery test. Baseline configurations are being developed for the systems identified. Issues with system and data classification have been resolved.

Status Summary: In Progress (On Schedule)

Commerce and Trade

Virginia Employment Commission (VEC)

Audit Year: 2016

Finding 16-01: Upgrade Unsupported Technology

Status: VEC received an extension approval on our exception until April 30, 2017 due to some delays encountered in the projects. For the other exception VEC has a vendor under contract to complete the work an estimated timeline is being developed. Once the timeline is complete, the exception can be reviewed for approval by VITA/CSRMS.

Status Summary: In Progress (On Schedule)

Finding 16-02/15-03/14-03: Continue Improving Oversight over IT Risk Assessments and Security Audits. **This is a Repeat Finding.**

Status: VEC has contracted with a supplier to complete a Common Control Risk Assessment and 10 System Risk Assessments by December 31, 2017. These Risk Assessments were identified on the CY2017 VEC Risk Assessment Plan and will be completed as such going forward.

Status Summary: In Progress (On Schedule)

Finding 16-03/15-06: Continue Improving Oversight over Third-Party Service Providers. **This is a Repeat Finding.**

Status: VEC ISO is working with each third-party service organization to fill out the VITA Non-Premise Security Assessments in anticipation of utilizing the ECOS services offered by VITA to ensure third-party compliance with the VITA security standards. Estimated completion date is December 31, 2017.

Status Summary: In Progress (On Schedule)

Finding 16-04/15-07: Continue Improving Database Security. **This is a Repeat Finding.**

Status: VEC has implemented the necessary changes to the database security identified within this finding and will continue to improve the database security as the standards change or new patches are available.

Status Summary: Completed (Delayed)

Finding 16-05: Improve Change Management Process

Status: The change and configuration management plan has been updated to reflect firewalls and infrastructure, but has not been submitted for agency approval. Revised estimated completion date is September 30, 2017.

Status Summary: In Progress (Delayed)

Finding 16-06/15-04: Continue Improving Physical and Environmental Security. **This is a Repeat Finding.**

Status: Visitor access logs were reviewed between March 9 and March 13, 2017 and there is a calendar reminder to complete these reviews every 8 weeks. Access to review the door access logs is still being worked out. VEC is currently obtaining a quote for the price of a fire suppression system within the VEC data center and the cost of the installation. Estimated completion date is December 31, 2017.

Status Summary: In Progress (On Schedule)

Finding 16-07: Improve Procedures related to Retirement Contributions

Status: VEC is conducting reviews in accordance with established guidelines. The Finance and HR divisions have created a shared drive for posting documentation relative to U-Report resolution. Cases are actively worked with VRS. The agency has seen a significant drop in the number of cases and the length of time it takes to resolve. However, in some cases, the complexity still requires slightly greater than the target of 31 days.

Status Summary: In Progress (Delayed)

Finding 16-08: Submit Required Reports

Status: The Commission will continue to work with the vendor to finalize the controls and query logic used to prepare the ETA 581 to ensure this point is fully satisfied.

Status Summary: In Progress (On Schedule)

Finding 16-09: Ensure Tax Wage Discrepancy Report is Complete

Status: VEC has a contingency plan in place that will query the "0" payroll reports to identify discrepancies between payroll and employers quarterly tax reports. VEC is also reviewing VUIS documentation to determine the best way forward to include a change in employer account number.

Status Summary: In Progress (Delayed)

Finding 16-10/15-05: Document Separation of Duties of Individuals for Mission Critical Systems. **This is a Repeat Finding.**

Status: Each information system security plan will incorporate a separation of duties matrix. VEC has contracted with a supplier to complete 10 system security plans by December 31, 2017. The remaining security plans will be developed by December 31, 2019. VEC has also reached out to the system owners of the mission critical systems to have them create a separation of duties matrix. These should be completed by June 30, 2017.

Status Summary: In Progress (On Schedule)

Finding 16-11: Remove System Access Timely

Status: VEC has added the appropriate distributed system security staff to notification emails communicating when a staff member leaves the VEC or is suspended. Estimated completion date is December 31, 2017.

Status Summary: In Progress (On Schedule)

Audit Year: 2015

Finding 15-02: Obtain Approval to Use End-of-Life Operating Systems

Status: All systems that were identified in the approved exception by VITA/CSRM have been upgraded or decommissioned as of April 24, 2017, and the exception has been closed. The vendor under contract for the only remaining EOL system has developed a timeline for the project to be completed, which is October 31, 2017. This timeline has been provided to VITA/CSRM, but the exception is still in a pending status.

Status Summary: In Progress (Delayed)

Education

Christopher Newport University (CNU)

Audit Year: 2016

Finding 16-01: Improve Database Security

Status: CNU has migrated DBMS to a new server and is current with applicable security updates. CNU has implemented Oracle Unified Audit Policy.

Status Summary: In Progress (Delayed)

Finding 16-02: Improve Enrollment Reporting Process

Status: The Office of the Registrar corrected noted dates and implement automated reporting to the National Student Clearinghouse by extracting student withdrawal dates directly from the student information system. This automation will streamline the reporting process and strengthen the timeliness and accuracy of reporting to both the Clearinghouse and the National Student Loan Data System. The Office of the Registrar will also develop an internal quality assurance check to ensure the new automation process is working properly and reporting correct dates.

Status Summary: Completed (On Schedule)

Department of Education (DOE)

Audit Year: 2016

Finding 16-01: Strengthen Internal Controls over Budgeting and Fiscal Processes. **This is a Material Weakness.**

Status: A Direct Aid Recurring Payments macro has been developed. Recurring payments are undergoing secondary review before submission to Grants Monitoring Manager for review prior to validation and funds disbursement; Grants Monitoring Manager is reviewing batch data against source data to ensure accuracy prior to validation and funds disbursement. Grants Monitoring Manager has developed task review checklist to assist with review. The Journal Entries Management Review of the re-class of journal entries is being reviewed by General Accounting Manager prior to posting; the Funding Specialist is reviewing all transactions posted weekly; and the Director of Fiscal Services is spot checking transactions during review of monthly certification

for FM07. The Budget and Fiscal Services Coordination on Federal Appropriations is in place for the coordination on Federal appropriations needs. A query has been developed for OMEGA data export of claims in pending status; and the query is being refined to include SEA-level approvals only.

Status Summary: Completed (On Schedule)

Finding 16-02: Improve Oversight and Review of Financial Reporting. This is a Material Weakness.

Status: Query for data extraction has been completed. Fiscal Services management is working to update procedures for CAFR attachments for accrued payables and receivables to reflect current processes with completion by July 15, 2017. CAFR submission schedule has been completed and communicated to Fiscal Services management team. Accrued payables preparation has been re-assigned to grants and financial reporting staff.

Status Summary: In Progress (Delayed)

Finding 16-03: Retain Evidence of and Support for Information Reported to the Federal Government

Status: All FNS-777 reports include the FNS-10 30/90 day reports and are attached to support the quarterly FNS-777 report submissions. A 12-month rolling calendar has been established on a monthly schedule of Federal financial status report submissions including monthly, quarterly, semi-annual, and annual report submissions by respective due dates. All Federal financial reports are routed for approvals prior to submission. Upon final certification, reports are returned to General Accounting Manager for review to ensure all reports and supporting documentation are present prior to filing and retention, ensuring integrity of auditable files.

Status Summary: Completed (On Schedule)

Finding 16-04: Improve Access and Other Controls Related to Federal Reimbursements.

Status: An OMEGA query has been developed to report all approved pending payment claims that have updated with paid dates from Oracle to OMEGA interface. The Grants Monitoring Manager runs the query weekly and compares OMEGA paid claims data listing against validated/paid vouchers in Oracle from the previous week to ensure all paid vouchers in Oracle have updated appropriately in OMEGA as paid. The General Ledger Unit reconciles all disbursements between Oracle and Cardinal for disbursements made by Treasury, including Director certification monthly. As of December 31, 2016, the Grants Monitoring Manager researched all OMEGA reimbursement claims not liquidated/paid against Oracle and voucher records and confirmed non-payment before claims were denied in OMEGA. OMEGA user permissions to execute "Delete" actions in OMEGA assigned to OMEGA Support Specialist and Financial Systems Manager have been terminated.

Status Summary: Completed (On Schedule)

Finding 16-05: Improve Information Security Program and IT Governance. This is a Material Weakness.

Status: DOE has contracted a vendor to assist with the creation of a policies and procedures manual, selected a vendor to do a gap analysis of the entire information security program and create a plan for mitigation of any deficiencies, and has contacted vendors for quotes to perform IT sensitive system security audits.

Status Summary: In Progress (Delayed)

Finding 16-06: Improve Database Security. This is a Material Weakness.

Status: DOE has engaged a vendor to assist with documenting formal policies and procedures for monitoring database activity. DOE has requested database log access from VITA. DOE will use CIS benchmarks to baseline Oracle database configurations.

Status Summary: In Progress (Delayed)

Finding 16-07: Upgrade End-of-Life Technology. **This is a Material Weakness.**

Status: Eleven of thirteen servers have been remediated. For the 2 outstanding servers, an exception request has been accepted and approved by VITA with Host-based intrusion detection system as the compensating control.

Status Summary: In Progress (Delayed)

Audit Year: 2015

Finding 15-03: Continue to Improve Information Security Policies and Procedures. **This is a Repeat Finding.**

Status: DOE has contracted a Vendor to assist with the creation of a policies and procedures manual. DOE has selected a Vendor to do a gap analysis of the entire information security program and create a plan for mitigation of any deficiencies. DOE has contacted Vendors for quotes to perform IT Sensitive System Security Audits.

Status Summary: In Progress (Delayed)

Finding 15-04/14-04: Improve Risk Management and IT Security Audit Plan Document. **This is a Repeat Finding.**

Status: DOE has contracted a Vendor to assist with the creation of a policies and procedures manual. DOE has selected a Vendor to do a gap analysis of the entire information security program and create a plan for mitigation of any deficiencies. DOE has contacted Vendors for quotes to perform IT Sensitive System Security Audits.

Status Summary: In Progress (Delayed)

George Mason University (GMU)

Audit Year: 2015

Finding 15-02: Develop and Incorporate Information Transfer Policies, Procedures, and Agreements into the University's Information Security Program

Status: Four agreements remain to be updated, including Equifax (aka Talx), Fidelity, Hobsons, and Terra Dotta. University Counsel's office is working with Purchasing and the respective vendors to update the contractual agreements to include the new data protection language.

Status Summary: In Progress (Delayed)

Longwood University (LU)

Audit Year: 2015

Finding 15-01: Improve IT Change Management and Patch Management Policies and Procedures

Status: The Change Management Policy was removed from the website and a Change Management Procedure was put in place June 1, 2016.

Status Summary: Completed (On Schedule)

Finding 15-02: Improve Virtual Private Network Security

Status: Longwood is making progress to address the weakness communicated in the audit report regarding virtual private network (VPN) controls; however, the corrective action remains in progress. Specifically, Longwood identified additional security equipment that, when implemented, should reduce this risk to a reasonable level and better align VPN controls with industry best practices. Additionally, Longwood made progress in implementing controls to improve VPN software patching and user training, however, the corrective actions are not complete. Longwood's adopted information security standard, ISO 27002, and industry best practices, such as the Special Publication 800-53r4 published by the National Institute for Standards and Technology, require and recommend specific VPN configuration settings to better ensure the adequate protection of remotely accessed information technology resources.

Status Summary: In Progress (On Schedule)

Finding 15-03: Improve Server Operating System Security

Status: Longwood is taking corrective actions to resolve issues identified.

Status Summary: Completed (On Schedule)

Finding 15-04: Improve Oversight of Third-Party Service Providers

Status: Longwood University is making progress to address the weakness communicated in the audit report related to maintaining oversight of third-party service providers; however, the corrective action remains ongoing. Specifically, Longwood developed a Data Protection Addendum that defines data protection requirements and methods for obtaining assurance. However, Longwood is still working to develop a formal process to identify contracts that require including the Data Protection Addendum. Additionally, Longwood does not have a formal review process for obtaining assurance and approving the technical stipulations of a contract by an authorized and qualified individual, which should be included in the corrective action plan. Longwood must establish requirements in their contractual agreements with service providers to protect sensitive data up to or exceeding the requirements of Longwood's adopted information security standard, ISO 27002 and University policies.

Status Summary: In Progress (On Schedule)

Audit Year: 2014

Finding 14-01: Improve Information Security Management and Prioritization

Status: Corrective action plan has been completed.

Status Summary: Completed (Delayed)

Norfolk State University (NSU)

Audit Year: 2015

Finding 15-02: Improve IT Server Maintenance Management Controls

Status: The University has obtained the updated software and work is progressing to migrate data into the new software. The project will be completed and the old hardware decommissioned by August 2017.

Status Summary: In Progress (Delayed)

Radford University (RU)

Audit Year: 2015

Finding 15-03: Promptly Process Return of Title IV Calculations

Status: Corrective action plan has been completed.

Status Summary: Completed (Delayed)

Richard Bland College (RBC)

Audit Year: 2015

Finding 15-01/14-02: Improve Controls over Financial Reporting. This is a Repeat Finding.

Status: Chief Financial Officer will partner with CWM to implement and follow the procedures already developed by the College for financial reporting. RBC will rebuild the Banner Finance module to model the Chart of Accounts after best practices implemented by Virginia Higher Education institutions, including CWM.

Status Summary: In Progress (Delayed)

Finding 15-02: Improve Controls to Information Systems

Status: The CIO will execute a team re-design to improve the quality of the resources needed to address the FOIAE recommendation. The CIO will continue to address the weaknesses discussed in the provided FOIAE recommendation.

Status Summary: In Progress (On Schedule)

Finding 15-03: Comply with the Department of Human Resource Management Policy for Wage Employees. **This is a Repeat Finding.**

Status: RBC will transition the payroll management function to the DOA Payroll Service Bureau effective August 1, 2015. The DOA Payroll Service Bureau will provide monitoring of this guideline as part of the services rendered. HR Director will ensure those employees that have under 400 remaining hours of work remaining before April 30 are monitored to the 1,500-hour mark.

Status Summary: In Progress (On Schedule)

Finding 15-04: Improve Controls over Expenditure Vouchers

Status: RBC will update and create new desktop procedures and policies and procedures surrounding the proper financial controls over its assets and expenditures. RBC will build training sessions and educate the RBC campus of proper processes for managing state assets and procuring goods and services, as well as how to follow state mandated documentation of these endeavors, which provide sound control over state fiscal resources.

Status Summary: In Progress (On Schedule)

Finding 15-05: Improve Controls over Small Purchase Charge Cards

Status: RBC will update and create new desktop procedures and policies and procedures surrounding the proper financial controls over its assets and expenditures. RBC will build training sessions and educate the RBC campus of proper processes for managing state assets and procuring goods and services, as well as how to follow state mandated documentation of these endeavors, which provide sound control over state fiscal resources.

Status Summary: In Progress (On Schedule)

Finding 15-06/14-03: Continue to Improve Information Security Program. **This is a Repeat Finding.**

Status: The CIO will execute a team re-design to improve the quality of the resources needed to address the FOIAE recommendation. The CIO will continue to address the weaknesses discussed in the provided FOIAE recommendation.

Status Summary: In Progress (On Schedule)

Audit Year: 2014

Finding 14-05: Improve the myVRS Navigator Reconciliation Process

Status: Richard Bland College procured the services of the Payroll Service Bureau effective August 1, 2015. Helping RBC monitor and reconcile retirement contributions are part of the services offered. Human Resources will work with the Payroll Services Bureau to ensure that the data in MyVRS Navigator (VNAV) reconciles to the data in CIPPS which drives the payroll.

Status Summary: Completed (On Schedule)

Southern Virginia Higher Education Center (SVHEC)

Audit Year: 2016

Finding 16-01: Strengthen Fixed Asset Inventory and Related Documentation

Status: In order to strengthen the agency's fixed asset physical inventory procedures and related documentation, the Accounting Manager will review CAPP topics related to fixed assets each year so that she remains abreast of all requirements. This will become a part of annual training. An employee from each department will be assigned to assist the Accounting Manager with physical inventory. Physical inventory for items valued < \$5,000 will be completed on a cyclical basis (throughout the year) and the fixed asset spreadsheet updated accordingly. A physical inventory of fixed assets valued > \$5,000 will be completed in April and May of each year and any necessary corrections made in FAACS prior to June 30th. The current fixed asset spreadsheets will be revised to add additional information to document dates of physical inventory and any findings. Assets that are fully depreciated will be noted on the fixed asset reports but will remain on FAACS if they are currently in use by the agency. The agency will notify DGS if there are items that are no longer needed and will follow their guidance for disposal. Procedures for tagging items will be reviewed and updated. An agency specific policy will be written governing physical inventory procedures and will be approved by the Chief Finance and Operations Officer.

Status Summary: In Progress (On Schedule)

The College of William and Mary in Virginia (CWM)

Audit Year: 2015

Finding 15-02: Improve the Reconciliation of Retirement Contributions. This is a Repeat Finding.

Status: A new procedure for reviewing manual data entry into VNAV has been implemented during this quarter. Control of data integrity related to SNAPSHOT batch autoloads into VNAV has been addressed. A review of data inconsistencies between BANNER and VNAV has been completed. CWM has developed a plan for addressing the reconciliation of prior years' data and have begun implementing it. Additional resources have been identified and assigned to the reconciliation project. Representatives from CWM & VRS continue to meet monthly to evaluate progress on correcting records past the date on which CWM personnel can make changes. While all changes have not been accomplished to date, efforts are continuing into FY18 until the tasks are completed.

Status Summary: In Progress (Delayed)

Finding 15-03: Improve Controls over Retirement Census Data. This is a Repeat Finding.

Status: The revised procedure for certifying that BANNER data identified for monthly upload into VNAV is complete and correct in SNAPSHOT has been implemented. HR/IT continues to evaluate/enhance BANNER reports developed as part of the new procedure. While we are able to capture and correct for discrepancies caused during the current period, other older data inconsistencies are undoubtedly causing reconciliation errors that cannot be accounted for during the current period. As cleanup of the data continues these issues will be addressed.

Status Summary: In Progress (Delayed)

University of Mary Washington (UMW)

Audit Year: 2015

Finding 15-01: Improve Policies and Procedures for Granting and Restricting Elevated Workstation Privileges

Status: Corrective action plan has been completed.

Status Summary: Completed (On Schedule)

Finding 15-02: Improve Virtual Private Network Security Controls

Status: Corrective action plan has been completed.

Status Summary: Completed (On Schedule)

University of Virginia (UVA/AD)

Audit Year: 2016

Finding 16-02/15-02: Improve Controls for Granting and Restricting Elevated Workstation Privileges

Status: UVA is continuing to test the proposed standard with representative units within the University. The updated standard is still estimated to be completed by August 2017. Compliance with the new standard will be effective in 2018.

Status Summary: In Progress (Delayed)

Finding 16-03: Improve Security Awareness Training Program

Status: UVA estimates completion of the policy updates by June 30, 2017. These policies include an annual training requirement. Compliance requirements with the new policy will be effective in 2018. The project to track and enforce training requirements was started in June 2017. The project will initially focus on completing initial training for those who have not received it. The next phase of the project will concentrate on the requirements for annual recurring training. Processes to track compliance and notify those not in compliance (and/or management) will be in place by December 2017. The start of the project to track and enforce training requirements has been delayed due to competing priorities, but is still expected to be completed by December 29, 2017.

Status Summary: In Progress (On Schedule)

Virginia Commonwealth University (VCU)

Audit Year: 2016

Finding 16-01: Continue Improving Mobile Device Security. **This is a Repeat Finding.**

Status: As of June 8, 2017, MDM options are rolled out to the VCU Massey Cancer Center, a mix of various options are offered to employees who access University email and collaboration services through their personal devices. A similar rollout is currently occurring with School of Dentistry, and will complete by June 30, 2017. VCU made the determination to target both areas based on the clinical operations conducted by both areas. Further deployment also included both Application Services and Information Security Office in VCU Office of Technology Services. Additional deployment will be considered for other areas as the deployment completes with the initial groups.

Status Summary: In Progress (Delayed)

Finding 16-02: Improve Oversight of Information Technology Third-Party Service Providers

Status: VCU Information Security Office worked with VCU's procurement office, Treasury services and the Controller's office in developing a plan on classifying, assessing, and reviewing the data security practices of third party service providers. Thus far, a business partner's security standard has been developed and published, and all offices have developed and agreed upon procedures to be used to assess new vendors and initiate periodic reviews. An inventory has been developed that includes a list of third party applications handling sensitive University information. The assessment of all applications is not yet complete and will take time.

Status Summary: In Progress (Delayed)

Virginia School for the Deaf and Blind (VSDB)

Audit Year: 2015

Finding 15-01: Document Firewall Policies and Procedures and Continue to Develop and Implement an Information Security Program. **This is a Repeat Finding.**

Status: The VSDB Board of Visitors (BOV) met in June 2017. The request was put before the Board to move forward with the next step of hiring a firm to write IT policies. The BOV agreed to move ahead with soliciting a bid for services pending funding.

Status Summary: In Progress (Delayed)

Virginia Community College System - Central Office (VCCS-CO)

Audit Year: 2015

Finding 15-01: Improve Oversight of Information Technology Third-Party Service Providers

Status: The System Office will include language in contracts requiring Providers to provide independently verified assurances of IT controls. This task has been completed. The System Office will align their security program to the current ISO version. Formal project Plan presented and approved by VCCS Governance. Conversion of ISO program update is scheduled for completion on April 20, 2018.

Status Summary: In Progress (Delayed)

Finding 15-02: Improve Vulnerability Scanning Program

Status: Corrective action plan has been completed.

Status Summary: Completed (Delayed)

Finding 15-04: Improve Effectiveness of Administrative Information System Access Controls

Status: VCCS Fiscal Services and ITS Security have provided multiple training sessions on AIS/SIS Security and will continue to do so on an ongoing basis. Additionally, AIS access roles will continue to be refined with the shifting of duties of College personnel to the Shared Services Center. The target date for corrective action has been extended until September 30, 2017, to allow more time for the transfer of duties from the remaining colleges to the Shared Services Center.

Status Summary: In Progress (Delayed)

Blue Ridge Community College (BRCC)

Audit Year: 2015

Finding 15-01: Improve Compliance over Enrollment Reporting

Status: The VCCS System Office is in the process of modifying the logic for the NSC extract and the extract should be ready prior to the Fall 2017 submissions. BRCC Will continue the manual process until the modified extract is available. The target date for completion remains December 31, 2017.

Status Summary: In Progress (Delayed)

Central Virginia Community College (CVCC)

Audit Year: 2015

Finding 15-01: Improve Compliance over Enrollment Reporting

Status: Corrective action plan has been completed.

Status Summary: Completed (Delayed)

Germanna Community College (GCC)

Audit Year: 2015

Finding 15-01: Improve Compliance over Enrollment Reporting

Status: The VCCS System Office is in the process of modifying the logic for the NSC extract and the extract should be ready prior to the Fall 2017 submissions. The target date for completion remains December 31, 2017.

Status Summary: In Progress (Delayed)

John Tyler Community College (JTCC)

Audit Year: 2015

Finding 15-01: Improve Compliance over Enrollment Reporting

Status: The VCCS System Office is in the process of modifying the logic for the NSC extract and the extract should be ready prior to the Fall 2017 submissions. The target date for completion remains December 31, 2017.

Status Summary: In Progress (Delayed)

Mountain Empire Community College (MECC)

Audit Year: 2015

Finding 15-03: Improve Compliance over Enrollment Reporting

Status: The VCCS System Office is in the process of modifying the logic for the NSC extract and the extract should be ready prior to the Fall 2017 submissions. The target date for completion remains December 31, 2017.

Status Summary: In Progress (Delayed)

New River Community College (NRCC)

Audit Year: 2015

Finding 15-05: Improve Documentation of myVRS Navigator Reconciliation Process

Status: Corrective action plan has been completed.

Status Summary: Completed (Delayed)

Patrick Henry Community College (PHCC)

Audit Year: 2015

Finding 15-03: Retain Audit Support for Financial Statement Schedules

Status: Corrective action plan has been completed.

Status Summary: Completed (On Schedule)

Paul D. Camp Community College (PDCCC)

Audit Year: 2015

Finding 15-01: Improve Compliance over Enrollment Reporting

Status: Corrective action plan has been completed.

Status Summary: Completed (Delayed)

Southwest Virginia Community College (SWVCC)

Audit Year: 2015

Finding 15-03: Improve Compliance over Enrollment Reporting

Status: Corrective action plan has been completed.

Status Summary: Completed (Delayed)

Virginia Highlands Community College (VHCC)

Audit Year: 2015

Finding 15-02: Improve Documentation of Policies and Procedures

Status: VHCC will continue to refine and document current policies and procedures. The Business Office Procedures Manual will include the policies and procedures for all critical fiscal processes in addition to the processes impacted by the implementation of the VCCS Shared Services Center. The completion date has been extended until September 30, 2017.

Status Summary: In Progress (Delayed)

Finding 15-03: Improve Compliance over Enrollment Reporting

Status: The VCCS System Office is in the process of modifying the logic for the NSC extract and the extract should be ready prior to the Fall 2017 submissions. The target date for completion remains December 31, 2017.

Status Summary: In Progress (Delayed)

Finance

Department of Accounts (DOA)

Audit Year: 2016

Finding 16-01/15-01: Continue Improving Cardinal System Security Controls. **This is a Repeat Finding.**

Status: Additional log queries are being created and tested for Accounts' production servers. Recurring monthly review meetings are held to review logs and modify and/or add additional queries as needed.

Status Summary: Completed (Delayed)

Finding 16-02: Improve Internal Controls for Creating and Updating Vendors in Cardinal

Status: The Commonwealth Vendor Group has updated written policies and procedures to reflect current internal control practices. DOA has implemented a secure WEB based portal for agencies to submit vendor enrollment/change data, effective March 1, 2017.

Status Summary: Completed (Delayed)

Finding 16-03: Adjust Practices as Needed and Request Identifying Numbers Assigned by Pass-Through Entities

Status: The FY 2017 financial reporting directives were modified to capture any identifying numbers assigned by pass-through entities. Once the directive submissions are received, they will be incorporated into the Schedule of Expenditures of Federal Awards (SEFA).

Status Summary: In Progress (On Schedule)

Department of the Treasury (TRS)

Audit Year: 2016

Finding 16-01: Maintain Adequate Staffing in Accounting and Reporting Functions

Status: Treasury will request an additional staff position during the upcoming 2018 - 2020 biennium budget development cycle.

Status Summary: In Progress (On Schedule)

Finding 16-02: Improve myVRS Navigator Documentation and Procedures

Status: Treasury is developing a process to ensure documentation of the reconciliations is maintained.

Status Summary: In Progress (On Schedule)

Audit Year: 2015

Finding 15-01: Improve Financial Reporting

Status: The Department of Accounts has changed the fund type for Unclaimed Property from a Special Purpose Trust Fund to a Special Revenue Fund, the Unclaimed Property Fund. Treasury will complete the required new template(s) for the financial statements this fiscal year. Treasury is required to estimate the unclaimed property liability and has requested the hiring of a consultant to assist in the calculation of the liability.

Status Summary: In Progress (Delayed)

Health and Human Resources

Department for Aging and Rehabilitative Services (DARS)

Audit Year: 2014

Finding 14-02: Create Payroll Policies and Procedures and Document Pre-Certification Activities

Status: Corrective action plan has been completed.

Status Summary: Completed (Delayed)

Department of Behavioral Health and Developmental Services (DBHDS)

Audit Year: 2016

Finding 16-01: Improve Controls over Financial Reporting

Status: DBHDS will ensure that the Offices of Administrative Services, Architecture and Engineering, Budget and Financial Reporting and Fiscal Services collaborate on the calculation of contractual commitments at fiscal year-end. In addition, the DBHDS has demonstrated the amount of contractual commitments DBHDS has at year-end that will be submitted to the Office of Internal Audit for review.

Status Summary: Completed (On Schedule)

Finding 16-02: Continue to Improve IT Governance. This is a Repeat Finding.

Status: DBHDS has engaged an external consulting company to assist with this audit finding (Gartner). The official start date is March 14, 2017.

Status Summary: In Progress (Delayed)

Finding 16-03/15-02: Continue to Upgrade Unsupported Technology. This is a Repeat Finding.

Status: DBHDS has engaged an external consulting company to assist with this audit finding (Gartner). The official start date is March 14, 2017. In addition, DBHDS has engaged three contractors to upgrade the operating system of 46 servers.

Status Summary: In Progress (On Schedule)

Finding 16-04/15-05: Develop Baseline Configurations for Information Systems. This is a Repeat Finding.

Status: DBHDS has engaged an external consulting company to assist with this audit finding (Gartner). The official start date is March 14, 2017. In addition, DBHDS has engaged three contractors to upgrade the operating system of 46 servers.

Status Summary: In Progress (Delayed)

Finding 16-05: Improve SQL Database Security

Status: DBHDS has improved the SQL database security to a limit the technology allows. Once the outdated technology has been upgraded then work on this audit finding can continue. DBHDS has purchased a Database Security Tool (IDERA) and is in the process of implementing the application. After which, DBHDS will improve the security of each database.

Status Summary: In Progress (Delayed)

Finding 16-06/15-11/14-04: Improve Access Controls over Financial Management System. This is a Repeat Finding.

Status: DBHDS is investigating Identity Access Management software ("IAM") to assist in remediating this audit finding. DBHDS has purchased the Identity Access Management Tool (Tools4Ever) and is in the process of implementing the application.

Status Summary: In Progress (Delayed)

Finding 16-07: Improve Internal Controls Surrounding Sensitive Documents

Status: DBHDS will ensure that The Commonwealth's Information Security Standard, SEC501-09, Section SC-8-COV is adhered to when sensitive data is transmitted to any external agency or entity. To complete this, DBHDS Information Security Office will be leading two initiatives to mitigate this risk. To assure information sent via email is encrypted (internally and externally), DBHDS is reviewing options that would push out Microsoft Outlook settings to all users assuring all emails are digitally signed and all content and attachments are encrypted for outgoing messages. To follow a layered defense approach, DBHDS is currently in the process of creating a group policy and security group to provide users that regularly send sensitive data, a file compression application that will give them the ability to encrypt all attachments. In addition, upon receiving the information from the APA reviewer, a ticket was opened with VITA on September 30, 2016. Following the subsequent confirmation received from VITA, encryption tools were installed on the devices used by staff who routinely process sensitive information.

Status Summary: Completed (On Schedule)

Finding 16-08/15-13/14-06: Improve Controls over myVRS Navigator. **This is a Repeat Finding.**

Status: Policies and procedures have been standardized for DBHDS facilities and Central Office. The access issue has been corrected.

Status Summary: Completed (Delayed)

Finding 16-09/15-12: Improve Controls over Payroll. **This is a Repeat Finding.**

Status: The payroll findings were at different facilities than the facilities cited in 2015, thus this is not a repeat for the facilities cited in FY 2016. Follow-ups will be completed to determine compliance.

Status Summary: Completed (Delayed)

Finding 16-10: Improve Internal Controls Surrounding At-Will Employees

Status: A process will be put in place to track leave balance certifications from At-Will employees and DBHDS HR will ensure that DBHDS At-Will employees certify their leave balances after January 12th of each year for the previous year. In the event of an DBHDS At-Will employee transferring to another state agency, DBHDS will ensure that a certification of leave balances will be provided to that agency by DBHDS HR.

Status Summary: Completed (On Schedule)

Finding 16-11/15-21: Comply with the Code of Virginia Economic Interest Requirements. **This is a Repeat Finding.**

Status: DBHDS has developed a process where the individuals required to file the Statement of Economic Interest form will be tracked along with their timely completion of the Conflict of Interest Training. DBHDS will require employees to take the Conflict of Interest Training that is offered and accounted for through the DBHDS Knowledge Center by March 31, 2017.

Status Summary: Completed (Delayed)

Finding 16-12: Improve Controls over Intangible Assets. **This is a Repeat Finding.**

Status: Policies for Intangible Asset Accounting and Reporting were developed during FY 2016. The policy identifies what constitutes an intangible asset, how they will be identified and the responsible parties. DBHDS concurs that the method to track intangible assets and the timing are not specified in the policies. The entire policy is currently being reviewed and revised. The policies have been reviewed and are in the process of being revised. A monthly meeting involving IS&T and Fiscal has been established to discuss new, ongoing and future projects and software purchases. DBHDS believes these changes will address the APAs concerns and resolve this issue.

Status Summary: Completed (On Schedule)

Finding 16-13: Improve Policies and Procedures over Fixed Assets. **This is a Repeat Finding.**

Status: Policies and procedures related to all aspects of Fixed Assets (Departmental Instruction 840) have been under development since May 2015, and have been completed. DBHDS is committed to providing clear, concise instructions as they relate to the appropriate management of state property.

Status Summary: Completed (On Schedule)

Finding 16-14/15-18: Improve Controls over Sale of Land. **This is a Repeat Finding.**

Status: DBHDS will ensure that there are adequate policies and procedures that cover all aspects related to the sale of land. It must be noted that the sale of land belonging to the Commonwealth is the responsibility of the DGS. DBHDS will continue to work with DGS, the Office of the Attorney General, the Department of Treasury and the facilities with FAACS responsibility to ensure that land sales are recorded according to DOA regulations. Policies and procedures have been completed.

Status Summary: Completed (On Schedule)

Finding 16-15: Improve Internal Controls over Fixed Asset Additions. **This is a Repeat Finding.**
Status: DBHDS has made progress in recording assets timely and accurately as shown by the large decrease in the error rate found during the audit. DBHDS will continue to work toward compliance regarding the accuracy and timeliness of the recording of fixed assets. DBHDS will also ensure that communication is enhanced regarding assets being moved from CIP to the proper depreciable capital asset category.
Status Summary: Completed (On Schedule)

Department of Health (VDH)

Audit Year: 2016

Finding 16-01: Improve Inventory Valuation Procedures. **This is a Material Weakness.**
Status: The Pharmacy Director has added a check process to the inventory procedure and has updated the pharmacy inventory procedure in the operations manual to reflect the addition of this valuation check process. This process was utilized for the annual physical inventory audit conducted for this fiscal year.
Status Summary: Completed (On Schedule)

Finding 16-02: Improve Timely Removal of Critical Access. **This is a Repeat Finding.**
Status: Significant progress has been made on terminating user access across the agency. In addition to enhancements to the Office of Information Management Security Portal and certification processes, the Office of Human Resources has implemented a weekly review performed by the PMIS Security Officer to identify which employees have separated. If an HR-14 has not been initiated by the separating employee's work unit, the PMIS Security Officer notifies the work units of any delinquencies.
Status Summary: Completed (On Schedule)

Finding 16-03: Complete System Access Reviews
Status: Procedures were developed and implemented. The ADAP database access reviews were completed in January 2017 for the preceding quarter and are scheduled to be done in April 2017 for the quarter January-March 2017. The e2Virginia system access reviews were done in mid-February 2017 for access through January 2017. These are now scheduled, recurring reviews.
Status Summary: Completed (On Schedule)

Finding 16-04: Ensure Proper Segregation of Duties Exist with myVRS Navigator Access Roles
Status: The review of VNAV roles and access is complete. In this review, OHR and OFM verified what roles are needed by the payroll staff. As a result, the Primary and Secondary Security Administrator roles were determined to need correction and these changes have been requested.
Status Summary: Completed (On Schedule)

Finding 16-05: Ensure Oversight of Third Party Service Providers
Status: OPGS has ensured that all new and renewed contracts, that meet the qualifications, include SOC requirement language. The Contract Administration policy has been revised to include information about SOC requirements, but it has not been communicated yet as it is still under review in OCOM.
Status Summary: In Progress (Delayed)

Finding 16-06/15-06: Record Accurate Time and Effort Reporting. **This is a Repeat Finding.**
Status: On December 29, 2016, the OEPI director e-mailed all staff stating “To respond to recent state and internal audit recommendations, Time and Effort (T&E) training was prepared to increase staff awareness about this important process.” All OEPI classified and wage employees were directed to complete the T&E Overview TRAIN course (#1068027). The TRAIN course, which includes a PowerPoint document, includes a T&E policy overview, staff assignments, procedures and deadlines and links to critical information. The PowerPoint was reviewed and approved by the VDH Office of Financial Management and the Office of the Internal Auditor prior to being released. TRAIN reports indicate 100% of the OEPI employees have reviewed the document. T&E staff reports have been reviewed and reconciled to leave records.
Status Summary: Completed (Delayed)

Finding 16-07: Improve Contract Procurement and Management Processes
Status: OEPI updated the contract log, reconciled it to the F&A system and designated staff (the General Services Business Manager) to maintain it. The F&A system is generating reminders of upcoming renewals, which are shared with OEPI program staff. OPGS has been managing OEPI transactions exceeding \$5,000 since the Spring of 2016 and both parties have agreed to formalize this arrangement. In response to state audit recommendations, OEPI transferred its vacant, senior procurement position to OPGS supervision and agreed to pay all associated costs. OPGS will handle all competitive transactions exceeding \$5,000 (which require a high level of procurement expertise) and OEPI will handle non-competitive transactions (VDH to VDH, VDH to other governmental entities, etc.). OEPI and OPGS are working to resolve remaining logistical details. The agreement, executed in March 2017, contains processing timeframes and expectations of both offices. OEPI successfully completed this work well prior to the June 30, 2017 target date.
Status Summary: Completed (On Schedule)

Finding 16-08: Improve Controls over Period of Performance
Status: In consultation with the Director of the VDH Office of Financial Management, OEPI will not be changing project codes each year to track its grants. In summary, OEPI and OFM concur that neither office is currently staffed to undertake this additional work. Both offices will continue to rely on existing controls.
Status Summary: Completed (On Schedule)

Finding 16-09: Strengthen Subrecipient Monitoring Process
Status: In regards to the electronic subrecipient folder, a team of business and program staff was convened in November 2016 to discuss this need and to elicit input from the various programs. The outcome from the meeting was a framework for the electronic folders. Progress was delayed when the Special Projects Director was reassigned to OEPI-Administration to cover the vacant OEPI Administrative Deputy position and discussions were initiated to formally transition complex OEPI procurement work to OPGS. The aforementioned issues are approaching resolution and OEPI expects to meet the September 30, 2017 target date. Monitoring activities are being discussed during the weekly ADAP leadership meeting. Required site visits for the Ryan White grant year that ends March 31, 2017 were completed. A spreadsheet to document subrecipient reviews was created to capture and monitor dates of visits, resulting reports and findings, and receipt and review of each entity’s single audit. This effort is also captured in the subrecipient workbook.
Status Summary: In Progress (Delayed)

Finding 16-10: Develop and Implement Policy for Monitoring Part-time Hours
Status: The Department of Human Resources (DHRM) Policy 2.20, Types of Employment, appropriately addresses wage employment and the limitation of 1,500 hours per agency per year. It is the practice of VDH to create a policy only in the event that VDH’s guidance is more restrictive than DHRM policy. In this case, VDH has decided to follow the DHRM policy as written; therefore, a separate VDH policy is not necessary.
Status Summary: Completed (On Schedule)

Department of Medical Assistance Services (DMAS)

Audit Year: 2016

Finding 16-01/15-01/14-02: Create Formal Documentation that Facilitates Controlling Privileges in the Medicaid Management Information System. **This is a Repeat Finding.**

Status: Corrective action plan has been completed.

Status Summary: Completed (Delayed)

Finding 16-02: Perform Information Technology Review as Required

Status: Internal Audit met with Assura on May 9, 2017 to discuss Assura's audit plan. Internal Audit discussed what information that should be provided for the audit program. Assura explained that its audit involves two assessments. The first assessment involves compliance and checks to first see if the system is in compliance with the required control. The second assessment will review effectiveness. If the control is in place, the audit will assess how effective the control is operating. During the meeting, Assura discussed what will be provided for work papers at the end of the audit and the format of the audit report.

Status Summary: In Progress (Delayed)

Finding 16-03/15-04/14-04: Correct Operating Environment and Security Issues Identified by their Security Compliance Audit. **This is a Repeat Finding.**

Status: OCS has contracted with Assura to conduct internal data classifications and risk assessments on the remaining external contracts. Assura is scheduled to finish the risk assessments by July 28, 2017. The logical access controls and Policy 8 (Incident Response) finalized on April 21, 2017.

Status Summary: In Progress (Delayed)

Finding 16-04: Review and Document Service Organization Control Reports of Third-Party Service Providers

Status: In the second quarter of 2017, the DMAS Office of Compliance and Security reviewed the SOC reports from the MMIS fiscal agent and tabulated the results for the CIO. OCS is researching information on SOC report reviews that will be used to develop policy and procedures to review the SOC reports of third party service organizations. The research includes reviewing what controls are tested and reported on in a SOC audit. On May 31, 2017, IA met with Procurement and Contract Management Division Director and the Contract Manager to further discuss identifying vendors and including requirements in the vendor contracts. On June 6, 2017, Internal Audit visited VITA's CESC facility to review the Deloitte & Touche 2016 SOC 2, Type 2 report for Northrup Grumman. In addition, the Corrective Action Plan status updates were reviewed.

Status Summary: In Progress (On Schedule)

Finding 16-05: Review VaCMS Access for Medical Assistance Services Employees

Status: DMAS Security members participated in DSS' security administrator training, scheduled for April 3, 2017. DSS uses a system called Security Access Management System (SAMS) to administer access to DSS systems including VACMS. To review user access, OCS requested a user list from DSS for all DSS systems. DSS ran a report for all DMAS users on DSS system. OCS facilitated the user access review where the DMAS Supervisors completed a review of all DMAS users DSS systems on May 24, 2017. OCS follows the SAMS Manual for accessing SAMS and managing employee account information. Additionally, OCS has documented its internal procedures with a DSS checklist that was most recently revised on December 16, 2016. OCS follows the checklist when granting access to DSS systems, including VACMS.

Status Summary: Completed (Delayed)

Finding 16-06: Continue Improving Accounts Receivable Collection Process

Status: Fiscal and RAU staff met on June 8, 2017 to discuss information that is currently available in the FAIR system as well as additional information needed to adequately monitor recipient cases. The two divisions will be working closely during the next couple of months to determine a practical way to extract data from FAIR to be automatically uploaded to the staging area of Oracle AR until the recipient's appeal rights have been exhausted. If the provider does not appeal within 30 days of the NPR letter, the system will automatically setup the receivable in Oracle AR. This will be the beginning of collection efforts for Fiscal. If the provider appeals within 30 days of the NPR, the receivable will be updated reflect an "Appeal" status and all collection efforts will cease until after the appeal decision. Normal collection efforts will resume based upon the appeal decision.

Status Summary: In Progress (Delayed)

Department of Social Services (DSS)

Audit Year: 2016

Finding 16-01: Improve Database Security

Status: DSS DBAs implemented the SECURE_CONTROL settings in the VaCMS development environment, which caused an immediate outage. The DBAs are working with Division of Enterprise Services to determine what services were impacted by the secure setting. Information Security is monitoring and working with DBA to identify the alternative security controls that will be acceptable. Account Review: DSS Information Security and Risk Management (ISRM) and Division of Information Systems (DIS) are working together to develop the account review process. The initial draft of the VDSS Oracle 12c Schema document contains test scripts for account review. The VDSS Logical Access Controls Policy will be updated to reflect the process once it has been through a review cycle. Password Requirements: DSS DIS Oracle team implemented the recommended password requirements into the VaCMS development environment, and are still testing functionality. Security recommends additional testing on smaller DSS systems (LASER or FAAS). Audit Options: DSS ISRM implemented the audit options for SYS.AUD\$ in Oracle Audit Vault, and the result overwhelmed the log database. DIS is working to procure additional audit vault storage, and ISRM is looking to validate Audit Vault on a smaller subset. Dedicate Resources: On December 7, 2016, VDSS DIS initiated Service Request 1864 Oracle Environment Security Overhaul to address APA, CMS, and IRS findings. The group has been working together with ISRM on all of the database security recommendations for APA, IRS, and CMS findings.

Status Summary: In Progress (On Schedule)

Finding 16-02: Improve Policies, Procedures, and Plans for Backup and Restoration

Status: On May 1, 2017, ISRM provided Division of Information Systems (DIS) with a revised Business Impact Analysis-IT DR Priorities document with updated RTO/RPO. DIS will coordinate those requirements into the DR services from VITA. The next step is ISRM will work with DIS to verify that revised VITA/NG DR services align with BIA.

Status Summary: In Progress (On Schedule)

Finding 16-03: Improve Oversight of Third Party Service Providers

Status: In December 2016, VITA implemented the Enterprise Cloud Oversight Services (ECOS) and this service applies to any contract that involves hosting of sensitive data or providing third-party hosted solution that is critical to an agency Mission Essential Function. ECOS will meet or exceed the APA Management Point recommendation.

Status Summary: In Progress (On Schedule)

Independent Agencies

Virginia Lottery (VAL)

Audit Year: 2016

Finding 16-01: Improve Application and Database Controls over the Dynamics AX Financial System

Status: An improved application monitoring and logging system will be implemented, and a review of user accounts and privileges will be complete by June 30, 2017.

Status Summary: In Progress (On Schedule)

Finding 16-02: Improve IT Risk Management Controls

Status: VAL continues to update sensitive system risk management controls to use the new format and continues to work with VITA and VAL Internal Audit team to complete this project by June 30, 2017.

Status Summary: In Progress (On Schedule)

Finding 16-03: Improve System Patch Management

Status: System patches are identified, tested, and installed in accordance with the VITA and Lottery security standards. VAL will update its Patch Management Standard to explicitly commit these practices in writing within the policy by February 28, 2017.

Status Summary: Completed (On Schedule)

Virginia Retirement System (VRS)

Audit Year: 2016

Finding 16-01: Improve Reporting of Cash and Investments. **This is a Partial Repeat.**

Status: VRS is in the process of preparing the FY 2017 CAFR. As part of that effort, VRS will be providing DOA with a series of schedules to support their preparation of the Commonwealth's CAFR.

Status Summary: Completed (On Schedule)

Natural Resources

Department of Game and Inland Fisheries (DGIF)

Audit Year: 2015

Finding 15-01: Improve Internal Controls over Recording and Reviewing Transactions. **This is a Repeat Finding.**

Status: DGIF developed and implemented ongoing training and refreshers for DGIF accounting and programmatic staff to facilitate a better understanding of basic accounting principles for more accurate recording and approval of transactions.

Status Summary: Completed (Delayed)

Finding 15-02: Properly Reconcile and Suspend Amounts in Revenue Clearing Accounts. **This is a Repeat Finding.**

Status: DGIF developed and implemented controls within budget and accounting functions to include monthly investigation, documented explanation and timely correction (if applicable) of revenue and expenditure variances in all revenue source codes, with emphasis on Source 2100 and Source 2190.

Status Summary: Completed (Delayed)

Finding 15-03/14-04: Perform a Physical Inventory at Least Every Two Years. **This is a Repeat Finding.**

Status: DGIF allocated additional resources to Fixed Asset and Inventory functions, to ensure that priorities, such as physical inventory and relocation, and proper updating of inventory records occurs as intended.

Status Summary: Completed (Delayed)

Finding 15-04: Improve Procedures for CARS Reconciliation

Status: DGIF developed additional procedures for CARS reconciliation that are consistent with Commonwealth Accounting Policies and Procedures and that provide for appropriate documentation/explanation of any variances found in the reconciliation process before certification.

Status Summary: Completed (Delayed)

Finding 15-05: Improve Procedures over Construction in Progress

Status: DGIF developed and implemented written policies and procedures and new controls over the Construction in Progress (CIP) processes that are in line with Commonwealth procedures, provide for quarterly reconciliation with FAACS, and that define what information is to be maintained within the CIP spreadsheet and for reconciliation purposes.

Status Summary: Completed (Delayed)

Finding 15-06: Conduct Thorough Reconciliations Between HR System and myVRS Navigator. **This is a Repeat Finding.**

Status: DGIF provided new training to promote a better understanding of, and documentation requirements for the HR/myVRS Navigator reconciliation requirements between Payroll Services Bureau and DGIF.

Status Summary: Completed (On Schedule)

Finding 15-07: Conduct Adequate Pre and Post Payroll Certification Procedures

Status: DGIF provided new training to promote a better understanding of our requirements for pre and post payroll certification activities, as set forth in the Commonwealth Accounting Policies and Procedures and PSB's Business Process Overview document.

Status Summary: Completed (On Schedule)

Audit Year: 2014

Finding 14-02: Create Policies and Procedures for Multiple Areas in the Agency

Status: Corrective action plan has been completed.

Status Summary: Completed (Delayed)

Finding 14-03: Improve Controls for Fixed Asset Management

Status: Corrective action plan has been completed.

Status Summary: Completed (Delayed)

Public Safety and Homeland Security

Department of Alcoholic Beverage Control (ABC)

Audit Year: 2016

Finding 16-02: Improve Web Application Security

Status: In house team training completed. Plan developed to reduce risk profile of web apps, expected completion December 31, 2017.

Status Summary: In Progress (Delayed)

Finding 16-03/15-03/13-02: Finalize Security Exception Requests for Unsupported Databases

Status: Corrective action plan has been completed.

Status Summary: Completed (Delayed)

Department of Corrections (DOC)

Audit Year: 2015

Finding 15-02: Manage Offender Trust Accounts in Accordance with Requirements
Status: A report is currently being distributed to facility staff so affected accounts can be remedied. This process takes place on a monthly basis after offender payroll has posted. The system vendor is currently working to correct the issue within CORIS. DOC also continues to work with the system vendor to ensure that the controls built-in to CORIS are functioning properly.
Status Summary: In Progress (Delayed)

Department of Emergency Management (DEM)

Audit Year: 2016

Finding 16-01: Strengthen Internal Controls over Time and Effort Reporting for Federal Grants
Status: Payroll was restructured with the FY18 budget process; SOPs are in final stages to incorporate 2CFR200 standards.
Status Summary: In Progress (On Schedule)

Finding 16-02: Issue Management Decisions on Sub-Grantee Single Audit Findings
Status: Vacancies have been filled and monitoring has taken place and ongoing.
Status Summary: Completed (On Schedule)

Finding 16-03: Complete Sub-Grantee Risk Assessments in a Timely Manner
Status: Risk assessments have been completed and monitoring is ongoing.
Status Summary: Completed (On Schedule)

Finding 16-04: Strengthen Internal Controls over Agency Transaction Vouchers
Status: All tasks have been completed; the accounting branch within VDEM is fully staffed and procedures are in place and being conducted according to the Standard Operating Procedures.
Status Summary: Completed (On Schedule)

Department of Military Affairs (DMA)

Audit Year: 2015

Finding 15-01: Improve Controls around the Agency Small Purchase Charge Card Program
Status: SPCC Policy has been published as part of our larger Procurement SOP.
Status Summary: Completed (Delayed)

Finding 15-02: Maintain Compliance with Statement of Economic Interest Requirements
Status: All personnel have been trained and verified by agency attorney.
Status Summary: Completed (Delayed)

Department of State Police (VSP)

Audit Year: 2014

Finding 14-01: Improve Motor Vehicle Inspection Program Web Application Security
Status: SLAIT report is being finalized by end of June. The report will detail the necessary security tool sets to automate the solution to this finding. Funding will be needed to procure out-of-scope security tools. Installation of AV software scheduled to be complete by June 30, 2017.
Status Summary: In Progress (Delayed)

Finding 14-03/11-02/09-03: Continue to Upgrade Database System Software. **This is a Repeat Finding.**
Status: Evidence project scanner issues are resolved, and pilot is scheduled to begin mid-July 2017. VITA delivered work request for statewide wireless rollout that will need to be executed for Evidence to rollout statewide.
Status Summary: In Progress (Delayed)

Finding 14-06: Improve Fixed Asset Internal Controls and Processes

Status: The STARS AIMS project Phase 1 (STARS equipment/vehicles/NOC) is complete. Phase 2 (VEX/warehouse/everything else) is pending contract modification for the project to begin.

Status Summary: In Progress (Delayed)

Finding 14-08: Improve Processes over Work Zone Project Billings

Status: The Property and Finance Division has asked Oracle to perform a best practice review (OEBS STEPS) of current billing and accounts receivable processes. Also consideration of using Agency Use Field 1 to track agency specific grant project information which will be recorded through Time and Labor when Cardinal Payroll is implemented for VSP to assist with automating the billing processes for work zones and private security agreements. No further update at this time.

Status Summary: In Progress (Delayed)

Audit Year: 2011

Finding 11-01: Upgrade Unreliable and Unsupported Infrastructure Devices (Develop a Secretary Level Transformation Strategy for State Police and VITA)

Status: SLAIT report will be finalized by the end of June. VITA has engaged Mandiant / Fire Eye to conduct another study of CESC and VSP security infrastructure as well as review the SLAIT reports. Mandiant will provide a recommendation on a path forward. The draft SOW is under negotiation now. No concrete timeframe for completion is known at this time.

Status Summary: In Progress (Delayed)

Transportation

Department of Motor Vehicles (DMV)

Audit Year: 2016

Finding 16-01: Improve Controls over Financial Reporting. **This is a Material Weakness.**

Status: DMV has met with Department of Accounts to determine the new supplemental attachments required for 2017 to address Financial Reporting and Advance Payments for Motor Vehicle License Fees. DMV has determined internal programming is necessary to accommodate the upcoming directive.

Status Summary: In Progress (On Schedule)

Finding 16-02/15-01/14-01/13-01/12-01/11-02: Continue to Improve Database and Application Baseline Security Configurations. **This is a Repeat Finding.**

Status: Multiple databases, applications, and operating systems have had security baselines applied. Since this process has a high probability of causing a service disruption its being handle following our SDLC process with multiple iterations of testing.

Status Summary: In Progress (Delayed)

Finding 16-03/15-03/14-03: Continue to Improve IT Risk and Continuity Management Program. **This is a Repeat Finding.**

Status: DMV has undergone a series of departmental BIA's to determine sensitive processes/data that was then used to establish a sensitive system listing and 23 new Risk Assessments. DMV is also establishing processes for the reoccurring review and update of these documents. Information from this effort is feeding into a revamping of our Continuity Plan and DR plans. DR plan testing has been performed twice in the last 9 months, another exercise is set for Fall 2017.

Status Summary: Completed (Delayed)

Finding 16-04/15-04: Improve IT Software Maintenance and Management Controls. **This is a Repeat Finding.**

Status: Significant process has been made in the upgrade/removal of unsupported software in the environment. There's still a number of systems that are due to their complexity are taking longer to migrate.

Status Summary: In Progress (Delayed)

Finding 16-05: Improve Application Security Controls. **This is a Partial Repeat Finding.**

Status: A project has been established for this effort and resources are being secured. Expectation is to start the project by the end of 2017.

Status Summary: In Progress (Delayed)

Finding 16-06: Improve Data Backup and Restoration Procedures

Status: DMV will adjust backup schedules, update the Agency's Continuity Plan, and provide feedback to the business units for updating their respective elements of the Continuity Plan. DMV will update its policy to reflect the inclusion of the system backup process to ensure data is not maintained longer than approved retention periods.

Status Summary: In Progress (Delayed)

Finding 16-07: Improve Logical Access Security Controls

Status: DMV will grant the review staff read-only access of the appropriate group membership and perform a review.

Status Summary: Completed (On Schedule)

Finding 16-08: Improve Internal Controls over Small Purchase Charge Card Processing

Status: ARMICS assessments regarding new testing and procedures were established March 2017. SPCC card holder reconciliation reviews have started. This process will continue through June 30, 2017. At that time, DMV will update policies/procedures to accurately address cardholder requirements. Training: Annual card summit training event to include a one-day refresher training was completed for PAs on March 16, 2017. Additional training requests were sent to DOA/CCA and Bank of America for PAs prior to the March 16th training. DOA/CCA and Bank of America has agreed to schedule future training dates with the PAs. In-house training will be completed as needed and the expected completion is June 30, 2017. ARMICS mid-year assessments and testing has been completed by March 2017. ARMICS mid-year assessments include requesting hotel receipts or online payment receipts for all their bookings, and then providing them with the SPCC logs to the authorized approver. Expected completion date is March 31, 2017.

Status Summary: In Progress (On Schedule)

Audit Year: 2015

Finding 15-05: Improve System Authentication Controls

Status: A project has been established for this effort and resources are being secured. Expectation is to start the project by the end of 2017.

Status Summary: In Progress (On Schedule)

Finding 15-08: Create Processes for Review and Assessment of Third Party Vendors' Controls

Status: Since November 2015, progress has been made by drafting a Third Party Assurance Framework and forming a Third Party Assurance Committee. By May 2016, all contracts and MOUs were reviewed for SEC 525 and ARMICS considerations and those in scope have been identified. ARMICS assessments and training have been updated. Procedures for SOC report review are being developed. Contract language to require vendor assurances has been drafted and shared with DGS for statewide usage. A centralized repository, using SharePoint, was created to track review of SOC reports and any required remediation efforts. APA staff were briefed on agency progress in August 2016.

Status Summary: In Progress (Delayed)

Audit Year: 2013

Finding 13-02/12-03: Improve User Access Controls. **This is a Repeat Finding.**

Status: A project has been established for this effort and resources are being secured. Expectation is to start the project by the end of the year.

Status Summary: In Progress (Delayed)

Department of Transportation (VDOT)

Audit Year: 2016

Finding 16-01: Improve Oracle Database Security

Status: The Department is in the process of implementing changes to the Oracle settings identified as part of the audit. The changes have been implemented in the non-Production environment and are being evaluated for any application impacts. After the evaluation is completed, the changes will be implemented into the Production environment along with updating related documentation (policies/procedures/configurations). New database documentation will be reviewed and formalized into the appropriate VDOT document repository.

Status Summary: Completed (On Schedule)

Finding 16-02/15-07: Continue to Upgrade Unsupported Technology. **This is a Repeat Finding.**

Status: The Department currently has an effort underway with the Partnership to upgrade the hardware, operating system, and Oracle version of the identified unsupported technology. The new infrastructure is expected to be delivered by the end of January 2017 by VITA and VDOT will need 90 days to configure/test the environment before migration. The migration is expected to take 30-60 days to allow the business to validate full functionality and deploy into Production. VDOT will follow up with VITA Security to identify any necessary controls and exceptions that are required for this environment.

Status Summary: Completed (On Schedule)

Finding 16-03: Continue to Develop and Implement Formal IT Hardening Policies and Procedures. **This is a Partial Repeat Finding.**

Status: The progress is on track for September 30, 2017 completion. Database hardening standards have been documented, gap analysis performed, and remediation underway.

Status Summary: In Progress (On Schedule)

Finding 16-04: Continue to Strengthen Internal Controls Governing the Economic Interest Disclosure Process. **This is a Repeat Finding.**

Status: Implemented internal guidelines for designating VDOT positions required to submit a SOEI.

Status Summary: Completed (On Schedule)

Finding 16-05: Retain Documentation Supporting Retirement Contribution Reconciliations

Status: Historical reconciliation data will be saved weekly and monthly. Existing VNAV reconciliation procedures will be updated to reflect the requirement to save the reconciliation data.

Status Summary: Completed (On Schedule)

Veterans and Defense Affairs

Veterans Services Foundation (VSF)

Audit Year: 2015

Finding 15-01: Improve Internal Controls Over Donations

Status: Corrective action plan has been completed.

Status Summary: Completed (Delayed)



Compliance Monitoring

Agency Risk Management and Internal Control Standards (ARMICS) Compliance

ARMICS is a comprehensive, risk based, approach to Internal Control. It is based on the Treadway Commission's Committee of Sponsoring Organizations, 1992 publication "Internal Control Framework" and their 2004 work entitled, "Enterprise Risk Management."

ARMICS provides standards and guidance for establishing and assessing agency internal controls in order to more effectively manage risk and maintain accountability. The ARMICS process culminates with an annual certification by the agency head and fiscal officer that they have established, maintained, and evaluated their agencies' internal control framework and tested key controls. DOA conducts periodic Quality Assurance Reviews (QAR) and issues reports on agency ARMICS implementations.

Although an agency's QAR report may state that it "generally" or minimally complies with the ARMICS standards, most reports contain some findings and recommendations, which agencies are strongly encouraged to address.

Non-compliance with ARMICS can take several forms and will be reported, as stated below:

1. Late submission of the annual certification statement (without an extension authorized by DOA) will result in citation in the current year's 9/30 Comptroller's Quarterly Report (QR).
2. Submission of Exhibit 4: Agency Statement, which states that the agency has not complied with ARMICS, will result in continued citation in the QR until the agency complies with the ARMICS standards and submits an ARMICS certification. The status of the agency's submitted Corrective Action Plan (CAP) will be reported until the ARMICS certification has been received.
3. Substantial non-compliance with the processes required for the successful completion of ARMICS (based on a QAR performed by DOA) will result in continued citation in the QR until the agency has complied with ARMICS and has submitted an ARMICS certification. The status of the agency's submitted CAP will be reported until the ARMICS certification has been received.

As of June 30, 2017, the following agencies were not in compliance with the ARMICS process based on their 2016 ARMICS submission:

Agency Name	Reason for Non-Compliance	Quarterly Corrective Action Plan Received	Status of Corrective Action
Department of Criminal Justice Services	Exhibit 4 Filed & Submitted Late Certification for FY16	Yes	Agency states corrective action will be completed by September 30, 2017. Quarterly status update received. No CAW progress reported.
Department of Fire Programs	Exhibit 4 Filed	Yes	Agency originally stated corrective action would be completed by June 30, 2017. Revised completion date to September 30, 2017. Quarterly status update received.
Department of Historic Resources	DOA requested an amended FY16 certification	N/A	Agency has indicated that an updated FY16 certification is being formulated and will be submitted.
Virginia Employment Commission	Exhibit 4 Filed	Yes	As of June 30, 2017, the agency has certified that ARMICS has been completed for FY16, and the corrective action plan has been completed.

The following agencies were not in compliance with the ARMICS process based on a QAR performed:

Agency Name	Reason for Non-Compliance	Quarterly Corrective Action Plan Received	Status of Corrective Action
Department of Criminal Justice Services	Substantial non-compliance with ARMICS process based on a QAR.	Yes	In process. Agency states corrective action will be completed by September 30, 2017. Quarterly status update received. No CAW progress reported.
Department of Housing and Community Development	Substantial non-compliance with ARMICS process based on a QAR.	Yes	Agency states corrective action will be completed by August 31, 2017. Quarterly status update received.
Library of Virginia	Substantial non-compliance with ARMICS process based on a QAR.	Yes	Agency states corrective action will be completed by June 30, 2018. Quarterly status update received.

Agency Name	Reason for Non-Compliance	Quarterly Corrective Action Plan Received	Status of Corrective Action
State Corporation Commission	Substantial non-compliance with ARMICS process based on a QAR.	Yes	In process. Agency originally stated corrective action would be completed by December 31, 2016. Revised completion date to September 30, 2017. Quarterly status update received.
Division of Mines Minerals and Energy	Substantial non-compliance with ARMICS process based on a QAR.	Yes	Agency filed a completed CAP as of June 30, 2017.
Department of Medical Assistance Services	Substantial non-compliance with ARMICS process based on a QAR.	Yes	In process. Agency originally stated corrective action would be completed by September 30, 2016. Revised completion date to September 30, 2017. Quarterly status update received.
Department of Fire Programs	Substantial non-compliance with ARMICS process based on a QAR.	Yes	Agency originally stated corrective action would be completed by June 30, 2017. Revised completion date to September 30, 2017. Quarterly status update received .



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. The completed decentralized agency review reports were not finalized for distribution during this quarter.



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 200 or more vendor payments during the year 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

	Fiscal Year 2017 To-Date		Comparative Fiscal Year Ended June 30, 2016	
	Late	Total	Late	Total
Number of Payments	30,766	2,396,377	27,546	2,274,572
Dollars (in thousands)	\$189,304	\$7,298,775	\$ 196,507	7,611,531
Interest Paid on Late Payments		\$14,775		
Fiscal Year-to-Date Percentage of Payments in Compliance		98.7%		
Comparative Fiscal Year 2016 Percentage of Payments in Compliance		98.8%		



Prompt Payment Performance by Secretarial Area

Fiscal Year 2017

Secretarial Area	Payments in Compliance	Dollars in Compliance
Administration	99.6%	98.8%
Agriculture and Forestry	99.6%	99.1%
Commerce and Trade	98.4%	98.9%
Education*	98.9%	97.8%
Executive Offices	99.5%	99.4%
Finance	99.4%	99.0%
Health and Human Resources	97.8%	94.3%
Independent Agencies	99.7%	98.9%
Judicial	99.8%	99.9%
Legislative	99.8%	97.9%
Natural Resources	97.9%	89.8%
Public Safety and Homeland Security	98.8%	98.1%
Technology	99.8%	99.0%
Transportation*	99.4%	96.4%
Veterans and Defense Affairs	98.6%	90.8%
Statewide	98.7%	97.4%

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

For FY 2017, 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 2017

Agency	Late Payments	Total Payments	Payments in Compliance
Education			
Gunston Hall	28	255	89.0%
Patrick Henry Community College	228	3,848	94.1%
Health and Human Resources			
Grants to Localities	230	3,759	93.9%

Certification of Agency Reconciliation to Cardinal Reports

The Commonwealth's accounting and reporting system, Cardinal, contains the Commonwealth's official accounting records. Therefore, State accounting policy requires that each agency reconcile its internal accounting records to Cardinal at least monthly and submit the results of the reconciliation via the Certification of Agency Reconciliation to Cardinal.

DOA closely monitors Certification status, evaluates exceptions, and posts correcting entries in Cardinal. Certifications for March, April, May and June were due 05/03/2017, 05/31/2017, 06/30/2017 and 07/19/2017 respectively.

Certifications Late or Outstanding

As of August 31, 2017

Agency	Mar	Apr	May	Jun
Virginia Commission for the Arts	8/15/17	8/18/17	8/18/17	8/24/17

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

*The FY 2017 Year-End Closing Memorandum to the heads of all state agencies and institutions and all fiscal officers required that the final June Certification be received in the Comptroller's Office by 5:00 p.m. on July 19, 2017. E-mail and Fax copies were accepted on July 19th with the expectation that the original would be received by July 20, 2017.

E-Commerce

Travel Check Charges

In accordance with Chapter 836, 2017 Virginia Acts of Assembly § 4-5.04 f., the Comptroller charges agencies \$5 for travel reimbursement checks issued in lieu of Travel EDI. Agencies are charged for each travel reimbursement check issued to an employee after their second check of the fiscal year. Agencies are expected to take action to enroll applicable employees in the

EDI program and thus avoid the fees altogether. The following table lists agencies that have incurred travel check charges during the fourth quarter of FY 2017.

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

Agency Non-Compliance Travel Check Charges

Agency by Secretarial Area	Quarter Ended June 30, 2017	Fiscal Year 2017 To-date Charges
Commerce and Trade		
Department of Labor and Industry	\$0.00	\$10.00
Education		
Virginia Military Institute	\$160.00	\$295.00
Virginia State University	\$30.00	\$70.00
Eastern Shore Community College	\$15.00	\$40.00
Dabney S. Lancaster Community College	\$0.00	\$5.00
Central Virginia Community College	\$0.00	\$10.00
Southside Virginia Community College	\$5.00	\$10.00
J. Sargeant Reynolds Community College	\$5.00	\$15.00
Health and Human Resources		
Wilson Workforce and Rehabilitation Center	\$0.00	\$5.00
Department of Health	\$15.00	\$95.00
Department of Social Services	\$25.00	\$70.00
Department of Behavioral Health and Developmental Services	\$15.00	\$15.00
Southwestern Virginia Mental Health Institute	\$0.00	\$5.00
Independent Agencies		
State Corporation Commission	\$0.00	\$15.00
Virginia Lottery	\$15.00	\$15.00
Judicial		
Magistrate System	\$55.00	\$295.00
Circuit Courts	\$180.00	\$615.00
General District Courts	\$335.00	\$1,100.00
Juvenile and Domestic Relations District Courts	\$55.00	\$205.00
Legislative		
Capitol Square Preservation Council	\$5.00	\$5.00
Virginia Conflict of Interest and Ethics Advisory Council	\$10.00	\$45.00
Natural Resources		
Department of Game and Inland Fisheries	\$5.00	\$20.00
Public Safety and Homeland Security		
Department of Emergency Management	\$210.00	\$580.00
Department of Corrections - Central Administration	\$0.00	\$5.00
Virginia Correctional Enterprises	\$5.00	\$25.00
Department of Alcoholic Beverage Control	\$25.00	\$60.00
Department of Military Affairs	\$5.00	\$75.00
Department of Fire Programs	\$0.00	\$5.00
Transportation		
Department of Motor Vehicles	\$5.00	\$20.00
Department of Transportation	\$10.00	\$10.00

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 example, the bill date of April 15, 2017, with the payment due May 7th, will be cited for payments made May 10th or later.

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 during fiscal year 2017.

Agency

<u>Purchase Card Program:</u>	<u># of Late</u>	<u>Fiscal Month Paid</u>
<u>Commerce and Trade</u>	<u>Payments</u>	<u>Late</u>
Department of Housing and Community Development	1	Feb
Education		
Frontier Culture Museum of Virginia	3	Aug, Sep, May
New College Institute	1	July
Richard Bland College	1	July
Thomas Nelson Community College	1	July
University of Virginia Medical Center	4	Aug, Nov, Feb, Apr
Health and Human Resources		
Southeastern Virginia Training Center	1	Jan
Judicial		
Indigent Defense Commission	1	June
Legislative		
Capitol Square Preservation Council	1	Apr
Natural Resources		
Department of Game and Inland Fisheries	1	June
Public Safety and Homeland Security		
Keen Mountain Correctional Center	1	Oct
Virginia Correctional Enterprises	2	Nov, Jan
Wallens Ridge State Prison	1	Feb
Veterans and Defense Affairs		
Sitter & Barfoot Veterans Care Center	1	Sep
Transportation		
Department of Rail and Public Transportation	1	Aug
Department of Transportation	2	Aug, Sep
<u>Airline Travel Card Program:</u>		
<u>Commerce and Trade</u>		
Department of Housing and Community Development	1	Feb
<u>Education</u>		
Virginia Western Community College	1	July
<u>Health and Human Resources</u>		
Department of Medical Assistance Services	2	Aug, Mar
Department of Social Services	1	Apr
<u>Transportation</u>		
Department of Rail and Public Transportation	1	Aug
Virginia Port Authority	1	Dec

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 fiscal year 2017, and the total amounts that became past due during the fiscal year. All accounts were paid in full by June 30, 2017.

Travel Charge Card Program

Fiscal Year 2017

<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>
Agriculture and Forestry				
Department of Agriculture and Consumer Services	1	161	0	0
Secretary of Agriculture and Forestry	1	273	0	0
Commerce and Trade				
Department of Labor and Industry	1	1,395	0	0
Education				
Longwood University	1	264	0	0
Norfolk State University	3	87	1,300	0
University of Virginia Medical Center	2	765	0	0
Virginia Commonwealth University	1	963	0	0
Virginia Museum of Fine Arts	2	0	805	5,638
Virginia Polytechnic Institute and State University	6	1,527	378	74
Executive Offices				
Attorney General and Department of Law	1	315	0	0
Health and Human Resources				
Department for Aging and Rehabilitative Services	1	243	0	0
Department of Health	2	1,051	0	0
Independent Agencies				
State Corporation Commission	2	1,523	0	0
Virginia Retirement System	1	53	211	0
Public Safety and Homeland Security				
Department of Emergency Management	1	146	0	0
Transportation				
Department of Transportation	2	171	203	0



Payroll Controls

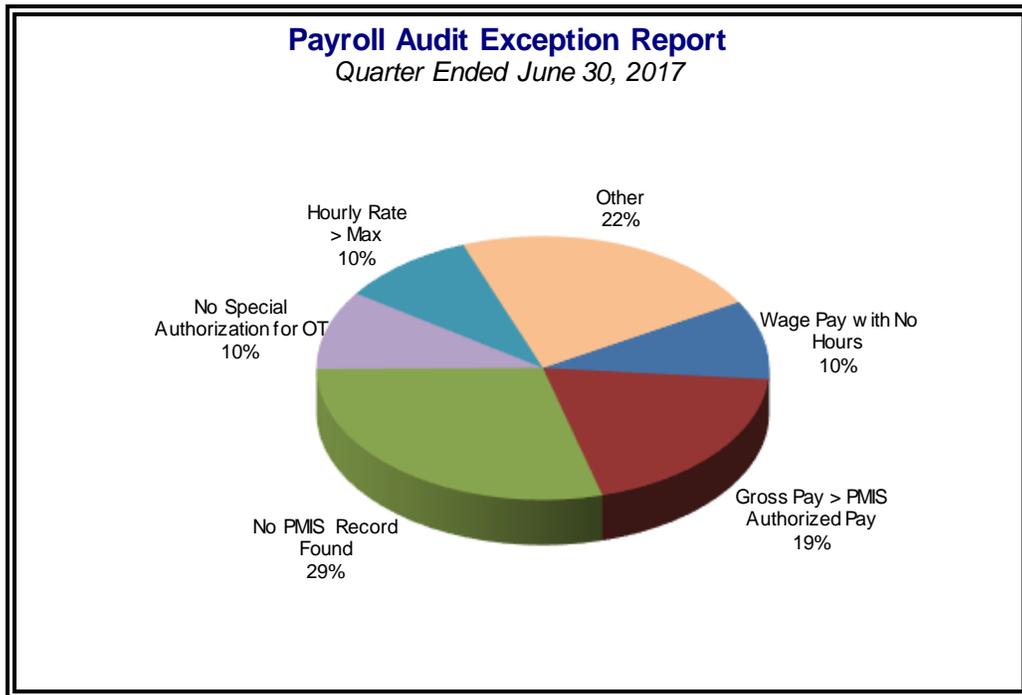
CIPPS/PMIS Payroll Audit

During the quarter, DOA's automated comparison of payroll (CIPPS) and personnel (PMIS) records examined 399,151 salaried pay transactions and 130,643 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 3,235 new exceptions noted statewide during the quarter, with an overall exception rate of 0.004%.

The statewide salaried payroll exception rate was 0.01% and the wage payroll exception rate

was 0.01%. During this quarter, 6 employee paychecks were reduced to recover \$462.23 in overpayments.

The largest cause of exceptions is due to the processing of payroll with no corresponding PMIS record found. This 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. None of the agencies exceeded the allowed threshold for wage or salaried payments during the quarter ending June 30, 2017.

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



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>
Education	
Dabney S. Lancaster Community College	1
Transportation	
Virginia Department of Transportation - Salem District	6



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				
Central Virginia Community College	\$169,479			
Germanna Community College	127,103			
J. Sargeant Reynolds Community College	1,044,450			
New River Community College	22,311			
Piedmont Community College				1
Health and Human Resources				
Central Virginia Training Center	1,113,386			
Commonwealth Ctr for Children and Adolescents	21,438			
Piedmont Geriatric Center	23,057			
Public Safety and Homeland Security				
Department of Alcoholic Beverage Control	1,146,099			
Division of Community Corrections	57,518			
Haynesville Correctional Center	47,806			

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 June 30, 2017**

<u>Agency</u>	<u>Incomplete*</u>	<u>Errors*</u>	<u>Late</u>
Piedmont Virginia Community College			1
Germanna Community College			1

*Agencies with more than two occurrences over the most recent 5-month period are reported.



Accounts Receivable

Executive Summary

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

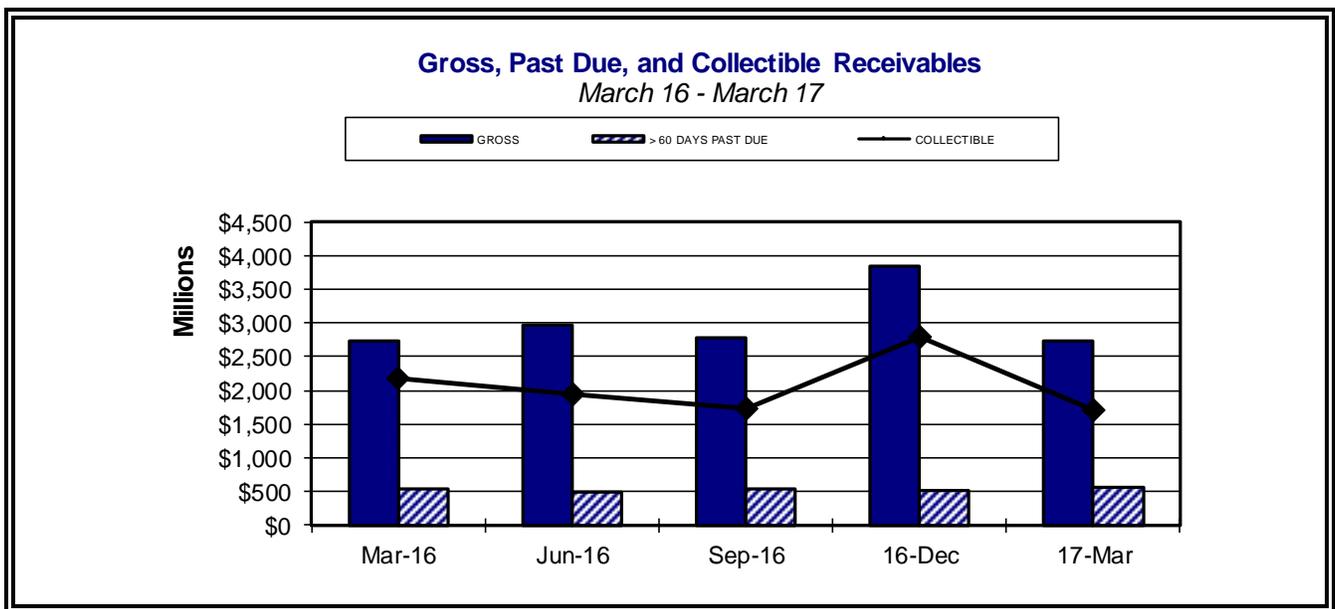
In an effort to present more meaningful information, DOA continues to exclude data from the tables (except for the final table on past due receivables) from the Department of Taxation, consisting largely of statutory assessments and non-filers assessments, and the circuit and district courts, which report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

Commonwealth agencies and institutions reported adjusted gross receivables of \$2.74

billion at March 31, 2017, with \$1.70 billion considered collectible. Receivables over 60 days past due as of March 31, 2017, totaled \$556.1 million. Of that amount, \$19.6 million was placed with private collection agencies, \$38.6 million was placed with the Division of Debt Collection and \$497.9 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 March 31, 2017, agencies expected to collect \$1.70 billion (62 percent) of the \$2.74 billion adjusted gross receivables. About 2 percent is due to the General Fund, primarily for benefit recoveries and sales of permits. The

balance, which contains Medicaid penalties that are no longer revertible, is due to several non-general funds.

Collectible Receivables by Fund

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

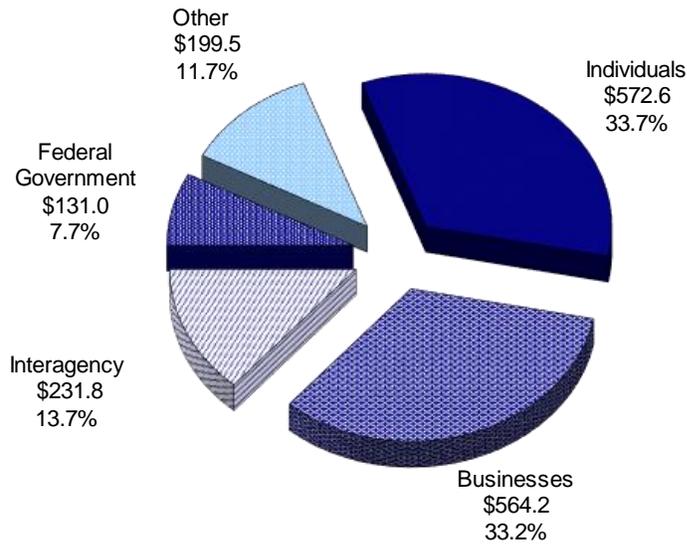
As of March 31, 2017

Fund	Source	Amount	Percent
General Fund 2%	Medicaid - Current Recoveries	\$ 14,153,861	51%
	Social Services	3,506,953	13%
	State Police Permits	3,541,120	13%
	Corrections	994,469	3%
	Labor and Industry Inspections	1,006,636	4%
	Other	1,994,613	7%
	Subtotal	25,197,652	91%
	Interagency Receivables	2,523,159	9%
Total General Fund Collectible		\$ 27,720,811	100%
Nongeneral Funds 98%	Medicaid - Dedicated Penalty Fees	\$ 61,040,066	4%
	Medicaid - Federal Reimbursements	10,283,309	1%
	Unemployment Taxes *	332,020,266	20%
	Transportation	202,995,282	12%
	Child Support Enforcement	236,815,319	14%
	Federal Government	41,383,356	2%
	DBHDS Patient Services	19,410,579	1%
	Hospital	28,939,459	2%
	Enterprise	77,651,857	4%
	Higher Education	381,251,447	23%
	Other	50,326,892	3%
	Subtotal	1,442,117,832	86%
	Interagency Receivables	229,263,870	14%
Total Nongeneral Fund Collectible		\$ 1,671,381,702	100%
All Funds	Grand Total	\$ 1,699,102,513	100%

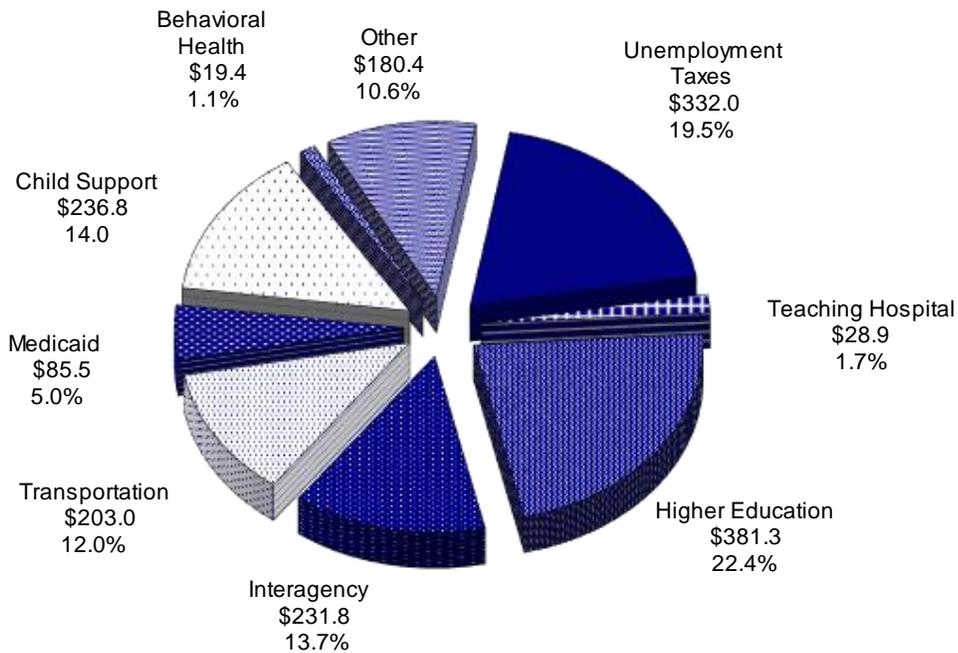
*Note: The Virginia Employment Commission provides Unemployment Taxes Information.

Summary of Receivables by Source

Sources of Collectible Receivables by Debtor
(dollars in millions)
As of March 31, 2017



Sources of Collectible Receivables by Type
(dollars in millions)
As of March 31, 2017



Not counting Taxation and the Courts, ten agencies account for 84 percent of the Commonwealth's adjusted gross and 76

percent of the adjusted collectible accounts receivable balances.

Accounts Receivable Summary
Not Including Circuit Courts, District Courts, or Department of Taxation
As of March 31, 2017

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
Virginia Employment Commission	\$ 383,452,796	\$ 47,389,626	\$ 336,063,170
Department of Social Services	660,981,510	415,895,702	245,085,808
Department of Transportation	227,621,927	4,036,266	223,585,661
Virginia Polytechnic Institute and State University	98,959,250	1,647,360	97,311,890
Department of Medical Assistance Services	123,892,971	38,415,735	85,477,236
Virginia Commonwealth University	78,107,779	6,155,423	71,952,356
University of Virginia - Academic Division	70,470,635	1,631,800	68,838,835
Virginia Lottery	67,231,475	-	67,231,475
University of Virginia Medical Center	532,595,311	477,912,132	54,683,179
Virginia Information Technologies Agency	48,092,539	-	48,092,539
Total	\$ 2,291,406,193	\$ 993,084,044	\$ 1,298,322,149
All Other Agencies	444,765,031	43,984,667	400,780,364
Grand Total	\$ 2,736,171,224	\$ 1,037,068,711	\$ 1,699,102,513

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 \$120.1 million during the quarter ended March 31, 2017. The Division of Debt Collection contributed \$2.0 million. Private collection agencies collected \$3.5 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected \$114.6 million.

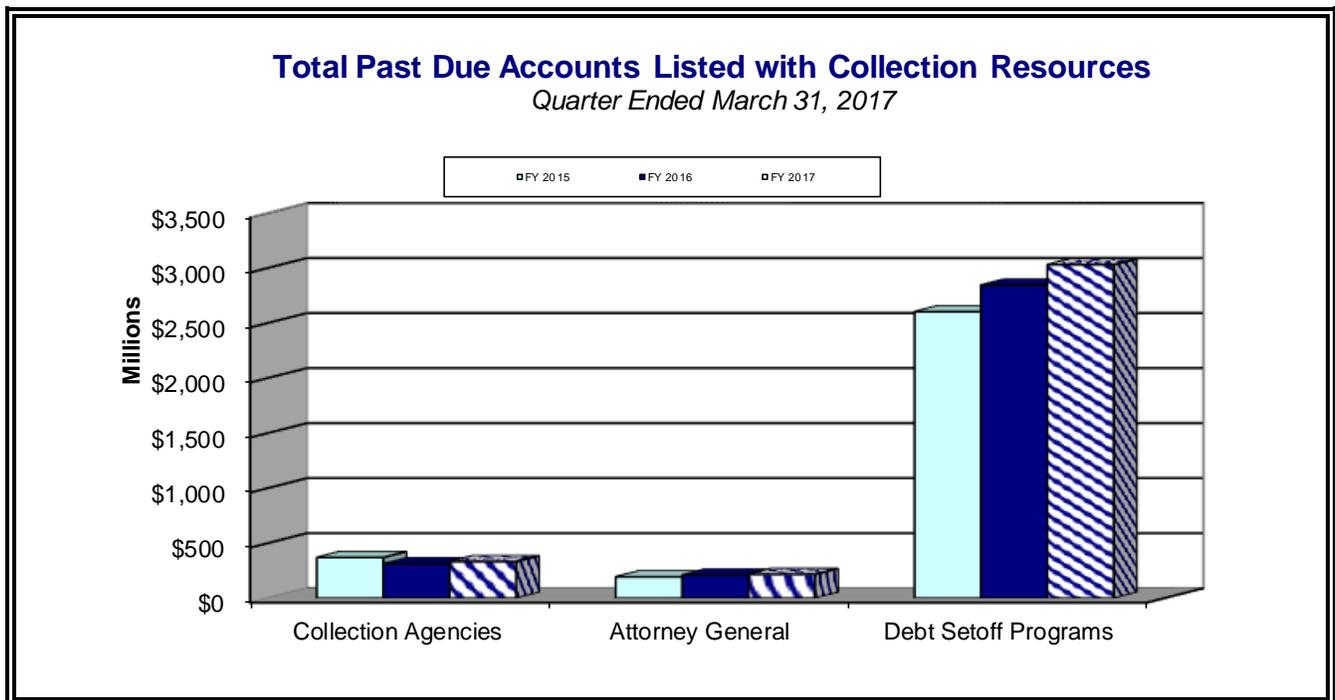
Private collection agencies returned \$17.2 million of accounts to agencies, and the Division of Debt Collection discharged \$8.9 million of accounts and returned \$1.2 million of accounts to agencies.

Collectible Receivables Over 60 Days Past Due

*Not Including Circuit Courts, District Courts or the Department of Taxation
As of March 31, 2017*

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	\$ 240,808,336	\$ 10,322	\$ 54,332	\$ 240,743,682
Department of Medical Assistance Services	73,157,817	43,144	558,891	72,555,782
Virginia Employment Commission	54,829,836	8,405,564	17,373,028	29,051,244
University of Virginia Medical Center	53,586,063	-	-	53,586,063
Department of Behavioral Health and Developmental Services	24,053,442	-	-	24,053,442
Department of Transportation	11,985,473	522,555	10,854,180	608,738
Virginia Commonwealth University	10,476,637	150,859	268,623	10,057,155
George Mason University	9,359,022	2,060,762	221,412	7,076,848
University of Virginia - Academic Division	9,152,011	238,912	44,247	8,868,852
Old Dominion University	6,406,124	1,972,870	-	4,433,254
TOTAL	\$ 493,814,761	\$ 13,404,988	\$ 29,374,713	\$ 451,035,060
All Other Agencies	62,301,326	6,235,781	9,193,891	46,871,654
TOTAL OVER 60 DAYS	\$ 556,116,087	\$ 19,640,769	\$ 38,568,604	\$ 497,906,714
Uncollectible Amounts Placed for Collection, Including Accounts Written Off	3,581,461,203	332,975,566	217,680,379	3,030,805,258
TOTAL COLLECTION EFFORTS	\$ 4,137,577,290	\$ 352,616,335	\$ 256,248,983	\$ 3,528,711,972

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 a total of \$11.3 million in FY 2017. Please note the amount reported is before any refunds.

Receivable Trend Data

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

of receivables over 60 days past due as a percentage of gross receivables for the agencies with the largest amounts over 60 days past due.

Percentage of Gross Receivables Over 60 Days Past Due

Agency	Percent 3/31/17	Comparative	
		Percent 3/31/16	Percent 3/31/15
Department of Medical Assistance Services	59%	31%	37%
Department of Behavioral Health and Developmental Services	48%	45%	36%
Department of Social Services	36%	36%	36%
George Mason University	22%	21%	22%
Virginia Employment Commission	14%	14%	13%
Old Dominion University	13%	13%	12%
Virginia Commonwealth University	13%	16%	18%
University of Virginia - Academic Division	13%	14%	12%
University of Virginia Medical Center	10%	13%	14%
Department of Transportation	5%	13%	39%
Statewide Average - All Agencies	20%	20%	21%

Another way to measure agency debt collection effectiveness is to compare amounts collected to amounts billed. The table below presents trend percentages for the ten agencies with the highest collectible accounts receivable balances. In total, these ten agencies are responsible for 76 percent of the Commonwealth's collectible receivables balances, as adjusted to exclude the Department of Taxation and the circuit and district courts. Percentages over 100 percent indicate the collection of prior balances as well as current billings.

In evaluating these percentages, it is important to understand that the percentages may fluctuate based on how the different agencies conduct their business and the cycles that those businesses typically follow.

The statewide average of 102 percent indicates that for every dollar billed during the quarter ended March 31, 2017, the state collected one dollar and two cents. This rate is the same as last year and one percent higher than two years ago.

Collections as a Percentage of Billings

Agency	Percent 3/31/17	Comparative	
		Percent 3/31/16	Percent 3/31/15
Virginia Commonwealth University	315%	227%	325%
University of Virginia - Academic Division	250%	280%	252%
Virginia Polytechnic Institute and State University	218%	219%	205%
Department of Social Services	106%	100%	96%
Virginia Information Technologies Agency	100%	98%	97%
Virginia Lottery	99%	101%	101%
Department of Transportation	95%	98%	111%
Department of Medical Assistance Services	65%	51%	54%
University of Virginia Medical Center	27%	26%	26%
Virginia Employment Commission	26%	28%	23%
Statewide Average - All Agencies	102%	102%	101%

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 \$85.5 million at March 31, 2017, is a \$1.9 million decrease over the \$87.4 million reported at March 31, 2016. Over the same period, total past due receivables of \$75.9 million have increased by \$32.5 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 \$54.7 million at March 31, 2017, were a \$675.6 million decrease from the \$730.3 million reported the previous year. Past due receivables decreased by \$96.6 million to \$176.0 million at March 31, 2017.

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 \$336.1 million at March 31, 2017, a decrease of \$24.7 million from the previous year. Total past due receivables were \$81.6 million, a \$19.2 million increase over last year. VEC collects employer tax receivables in-house. The Attorney General's Office is involved in contested cases. Unemployment benefit overpayments to individuals are referred to private collections agencies after in-house efforts have produced no results and when debtors have left the state.

Virginia Information Technologies Agency (VITA)

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

VITA reported collectible receivables at March 31, 2017, of \$48.1 million, which is an increase of \$2.6 million reported in the previous year. Most of these receivables are due from other state agencies. As of March 31, 2017, \$844,449 was over 60 days past due, an increase of \$164,871 from the previous year.

Virginia Lottery (VL)

The Virginia Lottery 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 Virginia Lottery games are covered by surety bonds and deposit Lottery receipts into bank accounts approved by the State Treasurer.

At March 31, 2017, the Virginia Lottery reported net receivables of \$67.2 million, a \$5.8 million decrease from the previous year. Billings decreased by \$997,981 and collections decreased by \$6.8 million during the March 31, 2017 quarter when compared to the March 31, 2016 quarter. At March 31, 2017, the Virginia Lottery had \$285,813 that was over 60 days past due. The total amount owed is covered by surety bonds.

Department of Education (DOE)

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

At March 31, 2017, DOE did not have any receivables due from the Federal government under Direct Aid to Public Education. This is consistent with the prior year.

Virginia Polytechnic Institute and State University (VPISU)

VPISU is one of the Commonwealth's largest universities and one of two land grant institutions in the state. At March 31, 2017, the University reported net collectible receivables of \$97.3 million, an increase of \$6.3 million over the prior year. At the same time, total past due receivables of \$8.3 million decreased by \$569,306 over the prior year.

The University uses a variety of collection methods to encourage payments. At March 31, 2017, VPISU had \$5.3 million of accounts over 60 days past due. \$921,865 was placed with private collection agencies, and \$4.2 million was subject to additional in-house efforts.

Department of Behavioral Health and Developmental Services (DBHDS)

DBHDS operates 14 facilities around the State to treat patients. These facilities account for nearly all of the department's receivables, consisting primarily of fees due for patient care. DBHDS bills third party insurers and patient assistance programs such as Medicare and Medicaid whenever they are available. In other cases, the Department looks to responsible family members and tangible real and personal property for payment. When property is located, a lien is filed in the local courts so that when estates are liquidated, DBHDS can recover some of the costs involved in a patient's care.

At March 31, 2017, the Department reported collectible receivables of \$19.4 million, a \$370,977 increase over the previous year. \$33.0 million was past due, with \$24.1 million being over 60 days past due. Total past due receivables decreased by \$970,003 over the year, and accounts over 60 days past due increased by \$576,017. At March 31, 2017, the Department had a total of \$11.1 million of accounts placed with the Attorney General and \$1.4 million listed in Taxation's Debt Setoff Programs.

Department of Transportation (VDOT)

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

At March 31, 2017, VDOT reported \$223.6 million of collectible receivables, an increase of \$152.0 million from the prior year. VDOT also reported \$23.2 million total past due and \$12.0 million being over 60 days past due. Past due receivables increased by \$3.3 million over the year, while receivables over 60 days past due increased by \$2.1 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 \$10.9 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 119 local departments of social services. The assistance programs include the Temporary Assistance for Needy Families (TANF), Medicaid, Food Stamps, and Community Services Block Grants. In addition to the assistance programs, DSS is the federally - mandated state agency to provide child support enforcement assistance. Child support paid for children receiving money from an assistance program is required to be paid to reimburse the federal and state funds which provide the assistance. Overpayments of assistance benefits from ineligible participants must also be repaid to the originating funds. Receivables due from the Federal government usually are the Federal share of assistance payments and allowable cost recoveries made through the local offices during the preceding month.

At March 31, 2017, DSS reported gross receivables of \$661.0 million, an allowance for doubtful accounts of \$415.9 million and collectible receivables of \$245.1 million. Past due receivables totaled \$244.6 million, of which \$240.8 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for \$621.6 million (94 percent) of the gross receivables, \$384.8 million (93 percent) of the allowance for doubtful accounts and \$236.8 million (97 percent) of the collectible receivables.

From March 31, 2016 to March 31, 2017, gross receivables increased by \$22.2 million and collectible receivables increased by \$4.4 million. Total past due receivables increased by \$10.6 million and receivables over 60 days past due increased by \$10.4 million.

Department of Rail and Public Transportation (DRPT)

DRPT is responsible for overseeing Virginia's railroads, providing funding and project resources for public transportation, and researching feasible alternatives for commuters. DRPT works closely with VDOT, the railroads, local governments, the Washington Metropolitan Area Transit Authority, and the Federal Transit Authority.

At March 31, 2017, DRPT had gross and net receivables of \$18.8 million. The majority of this money is due via an interagency transfer from VDOT. DRPT reported \$1.8 million of past due receivables at March 31, 2017.

Virginia Commonwealth University (VCU)

VCU, based in Richmond, offers more than 225 degree programs to over 31,000 students in a variety of fields ranging from accounting to pharmacy at both undergraduate and graduate levels.

At March 31, 2017, VCU had \$72.0 million of collectible receivables, a \$15.4 million increase from March 31, 2016. Total past due accounts were \$11.6 million, a \$1.0 million decrease from March 31, 2016. Accounts over 60 days past due (\$10.5 million) increased by \$454,180 from the prior year. Billings decreased by \$53.7 million to \$86.8 million and collections decreased by \$46.3 million to \$273.2 million for the March 31, 2017 quarter, when compared to the March 31, 2016 quarter.

The following table is prepared to present the March 31, 2017, aging information in conformity with the provisions of the *Code of Virginia* § 2.2-603.E.(ii).

Commonwealth's total \$2.88 billion past due accounts receivable at March 31, 2017. Another 18 agencies accounted for 26 percent (\$748.8 million), leaving 58 other agencies to comprise the last one percent at \$39.5 million.

Taxation and the Circuit and District Courts accounted for 73 percent (\$2.09 billion) of the

Agencies with the Largest Volume of Past Due Receivables

As of March 31, 2017

Agency	Total Past Due	1 to 180 Days Past Due	181 to 365 Days Past Due	Over One Year
Department of Taxation	\$ 1,724,868,539	\$ 141,772,515	122,318,700	1,460,777,324
Localities' Circuit and District Courts	367,895,282	37,931,039	66,113,736	263,850,507
Total - Taxation Assessments and Court Fines and Fees	\$ 2,092,763,821	\$ 179,703,554	\$ 188,432,436	\$ 1,724,627,831
All Other Large Dollar Agencies:				
Department of Social Services	244,638,407	11,744,903	11,671,210	221,222,294
University of Virginia Medical Center	175,998,292	158,076,853	13,842,485	4,078,954
Virginia Employment Commission	81,560,506	32,844,316	9,054,428	39,661,762
Department of Medical Assistance Services	75,915,076	7,986,362	4,756,208	63,172,506
Department of Behavioral Health and Developmental Services	32,987,606	23,996,791	35,756	8,955,059
Department of Transportation	23,176,555	12,379,484	2,242,193	8,554,878
University of Virginia - Academic Division	21,189,098	18,102,787	1,998,565	1,087,746
George Mason University	14,155,828	11,702,973	1,825,262	627,593
Virginia Community College System	12,852,131	10,995,822	1,011,315	844,994
Virginia Commonwealth University	11,558,016	5,226,932	1,761,112	4,569,972
Old Dominion University	8,461,847	6,876,402	1,229,952	355,493
Virginia Polytechnic Institute and State University	8,254,851	6,927,994	675,872	650,985
Virginia Information Technologies Agency	8,105,986	7,673,983	326,219	105,784
Department of State Police	7,812,936	2,668,398	1,405,039	3,739,499
Virginia Workers' Compensation Commission	6,394,522	2,297,135	1,601,594	2,495,793
Department of General Services	6,053,764	2,410,407	941,075	2,702,282
Norfolk State University	5,895,793	3,402,871	191,684	2,301,238
Department of Labor and Industry	3,805,914	712,917	544,083	2,548,914
Total - Largest Dollar Volume Agencies	\$ 748,817,128	\$ 326,027,330	\$ 55,114,052	\$ 367,675,746
All Other Agencies	39,533,610	25,166,882	5,419,487	8,947,241
Grand Total Past Due Receivables	\$ 2,881,114,559	\$ 530,897,766	\$ 248,965,975	\$ 2,101,250,818

