

# **REPORT ON STATEWIDE COMPLIANCE**

**FOR THE QUARTER ENDED  
JUNE 30, 2018**



**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, 2018, and comparative FY 2017 data.

David A. Von Moll, CPA, CGFM  
Comptroller



Virginia Department of Accounts  

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## COMPLIANCE

### **Auditor of Public Accounts Reports - Executive Branch and Independent 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](http://www.apa.virginia.gov).

### ***Audit Reports – Quarter Ended June 30, 2018***

The APA issued 13 reports covering 15 State Agencies for the Executive Branch and no reports for the Independent Agencies. 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.

	<b>New Findings</b>	<b>Repeat Findings</b>	<b>Total Findings</b>	<b>CAW Received</b>
<b>Administration</b>				
None				
<b>Agriculture and Forestry</b>				
None				
<b>Commerce and Trade</b>				
Board of Accountancy	0	0	0	N/A
<b>Education</b>				
Christopher Newport University	2	0	2	YES
George Mason University	2	0	2	YES
James Madison University	2	0	2	YES

	New Findings	Repeat Findings	Total Findings	CAW Received
Longwood University	2	6	8	YES
Norfolk State University	3	4	7	YES
Old Dominion University	0	1	1	YES
Radford University	0	0	0	N/A
The College of William and Mary in Virginia <sup>(1)</sup>	1	0	1	YES
Richard Bland College	7	4	11	YES
Virginia Institute of Marine Science	0	0	0	N/A
University of Mary Washington	2	2	4	YES
Virginia Military Institute	0	0	0	N/A
<b>Executive Offices</b>				
None				
<b>Finance</b>				
None				
<b>Health and Human Resources</b>				
Virginia Foundation for Healthy Youth	0	0	0	N/A
Virginia School for the Deaf and the Blind	0	1	1	YES
<b>Independent Agencies</b>				
None				
<b>Natural Resources</b>				
None				
<b>Public Safety and Homeland Security</b>				
None				
<b>Technology</b>				
None				
<b>Transportation</b>				
None				
<b>Veterans and Defense Affairs</b>				
None				

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



## *Audit Findings - Quarter Ended June 30, 2018*

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

### **Education**

#### *Christopher Newport University*

1. Perform Periodic Vulnerability Scans
2. Improve Controls over Purchasing System Access

#### *George Mason University*

1. Improve Information Security Policies and Procedures
2. Improve Firewall Security

#### *James Madison University*

1. Improve Infrastructure Device Security
2. Assess and Classify Systems Based on Data Sensitivity

#### *Longwood University*

1. Improve Database Security and Information System Access Controls. **This is a Material Weakness.**
2. Improve Capital Asset Policies and Procedures That Support Financial Reporting. **This is a Material Weakness and a Repeat Finding.**
3. Properly Estimate Scholarship Allowance
4. Continue to Improve Oversight of Third-Party Service Providers. **This is a Repeat Finding.**
5. Continue to Improve Continuity of Operations Planning. **This is a Repeat Finding.**
6. Continue to Improve Virtual Private Network Security. **This is a Partial Repeat Finding.**
7. Continue to Improve Server Operating System Security. **This is a Partial Repeat Finding.**
8. Continue to Develop a Process for Tracking Federal Grant Time and Effort Reporting. **This is a Repeat Finding.**

#### *Norfolk State University*

1. Improve Information Security, Risk Management and Contingency Programs. **This is a Repeat Finding.**
2. Conduct Information Technology Security Audits on Sensitive Systems. **This is a Repeat Finding.**
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. Improve Firewall Management
6. Improve Controls Over the Disposal of Fixed Assets
7. Improve Controls over Terminated Employees

### *Old Dominion University*

1. Improve Enrollment Reporting Process. **This is a Partial Repeat Finding.**

### *Richard Bland College*

1. Improve the Financial Reporting Process. **This is a Repeat Finding and a Material Weakness.**
2. Strengthen Internal Controls over Capital Assets. **This is a Repeat Finding and a Material Weakness.**
3. Improve Controls Surrounding the Reconciliation between the College's and the Commonwealth's Accounting and Financial Reporting Systems
4. Require Documentation of Property Collection from Terminated Employees. **This is a Repeat Finding.**
5. Continue to Address Findings Included in U.S. Department of Education's Program Review Report
6. Strengthen Internal Controls over Verifications
7. Implement Procedures for Monitoring Third-Party Servicers
8. Strengthen Internal Controls over Federal Cash Management
9. Improve Reconciliation Process of the Commonwealth's Retirement Benefits System. **This is a Repeat Finding.**
10. Develop Procedures for Proper Accrual of Accounts Payable
11. Develop Policies and Procedures for the Write-off of Accounts Receivable

### *The College of William and Mary in Virginia*

1. Properly Classify Net Position Restrictions

### *University of Mary Washington*

1. Complete Implementation of the Process for Granting and Restricting Elevated Workstation Privileges. **This is a Repeat Finding.**
2. Improve Controls over Financial System Access. **This is a Repeat Finding.**
3. Conduct Information Technology Security Audits on Sensitive Systems
4. Improve Enrollment Reporting Process

## Health and Human Resources

### *Virginia School for the Deaf and the Blind*

1. Continue to Develop an Information Security Program. **This is a Repeat Finding.**





***Risk Alerts – Quarter Ended June 30, 2018***

No “Risk Alerts” were issued.

***Special Reports – Quarter Ended June 30, 2018***

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

Report to the Joint Legislative Audit and Review Commission for the quarter January 1, 2018 through March 31, 2018

The APA issued the following “Special Report” that contained management control findings:

2017 Internal Control Questionnaire Results for the period January 1, 2017 through December 31, 2017

***Other Audit Reports – Quarter Ended June 30, 2018***

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

Assistive Technology Loan Fund Authority for the year ended June 30, 2017

Progress Report On Selected System Development Projects in the Commonwealth

Review of the Rappahannock River Basin Commission Financial Information, and the George Washington Regional Commission’s audit report relating to fiscal year ended June 30, 2017

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

Potomac River Fisheries Commission for the year ended June 30, 2017

Tobacco Region Revitalization Commission for the year ended June 30, 2016

Virginia Small Business Financing Authority – Economic Development Cluster Federal Program for the year ended June 30, 2017



## 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
<b>Administration</b>				
Department of Elections	0	0	0	1
Department of General Services	0	1	0	0
Department of Human Resource Management	3	3	0	0
<b>Commerce and Trade</b>				
Virginia Employment Commission	6	3	0	1
<b>Education</b>				
Christopher Newport University	0	0	0	1
Department of Education	0	5	8	0
George Mason University	0	2	0	0
Longwood University	0	4	2	0
Norfolk State University	0	3	0	0
Richard Bland College	3	0	2	0
Southern Virginia Higher Education Center	0	1	0	0
The College of William and Mary in Virginia	0	0	0	2
University of Mary Washington	2	0	0	0
University of Virginia	2	0	0	1
University of Virginia Medical Center	3	0	0	0
Virginia Commonwealth University	1	2	1	0
Virginia Community College System - Central Office	0	0	1	2
John Tyler Community College	0	0	0	1
Virginia Highlands Community College	0	0	0	1
Virginia School for the Deaf and Blind	0	1	0	0
Virginia State University	2	0	2	0
<b>Finance</b>				
Department of Accounts	1	0	1	0
Department of the Taxation	5	0	0	0
Department of the Treasury	1	3	1	0

	IN PROGRESS		COMPLETED	
	On Schedule	Delayed	On Schedule	Delayed
<b>Health and Human Resources</b>				
Department of Behavioral Health and Developmental Services	2	1	1	5
Department of Health	0	1	2	1
Department of Medical Assistance Services	2	5	3	1
Department of Social Services	0	3	3	0
<b>Natural Resource</b>				
Department of Game and Inland Fisheries	3	0	0	0
<b>Public Safety and Homeland Security</b>				
Department of Alcoholic Beverage Control	0	1	0	1
Department of Corrections	0	1	1	0
Department of State Police	0	4	0	1
<b>Transportation</b>				
Department of Motor Vehicles	1	4	1	0
Department of Transportation	0	0	4	0
<b>TOTALS</b>	37	48	33	19



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

**Status:** Corrective action plan has been completed.

**Status Summary:** Completed (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 has begun the planned 2018 risk assessments. One SOR was kicked off in May 2018. The second SOR selection process is complete and work is expected to begin by August 1, 2018.

**Status Summary:** In Progress (Delayed)

#### **Department of Human Resource Management (DHRM)**

**Audit Year: 2017**

**Finding 17-01:** Improve Web Application Security Controls. **This is a Repeat Finding.**

**Status:** EWP has been developed and recruitment process has started.

**Status Summary:** In Progress (On Schedule)

**Finding 17-02/16-01/15-01:** Improve IT Risk Management and Disaster Recovery Planning. **This is a Partial Repeat Finding.**

**Status:** Analysis is in progress.

**Status Summary:** In Progress (Delayed)

**Finding 17-03/16-02/15-02:** Improve Security Awareness and Training. **This is a Repeat Finding.**

**Status:** Purchase of online classes was approved. Courses are being installed in the COVLC. DHRM staff will be able to take classes once classes are available.

**Status Summary:** In Progress (Delayed)

**Finding 17-04:** Improve Vulnerability Identification and Mitigation Process  
**Status:** EWP has been developed and recruitment process has started.  
**Status Summary:** In Progress (On Schedule)

**Finding 17-05:** Improve Database and Application Security  
**Status:** EWP has been developed and recruitment process has started.  
**Status Summary:** In Progress (On Schedule)

#### **Audit Year: 2016**

**Finding 16-03/15-03/14-01:** Improve System Security for the Time, Attendance, and Leave System. **This is a Repeat Finding.**  
**Status:** EWP has been developed and recruitment process has started.  
**Status Summary:** In Progress (Delayed)

### **Commerce and Trade**

#### **Virginia Employment Commission (VEC)**

#### **Audit Year: 2017**

**Finding 17-01/16-01:** Continue to Upgrade Unsupported Technology. **This is a Repeat Finding.**  
**Status:** VEC is in the process of converting its LAN infrastructure to a VITA-managed service. This is the last piece of unsupported technology. A VITA work order has been created (VEC 7614) for this effort.  
**Status Summary:** In Progress (Delayed)

**Finding 17-02/16-02/15-03/14-03:** Continue to Improve Oversight over IT Risk Assessments. **This is a Repeat Finding.**  
**Status:** VEC has made significant progress in documenting sensitive system risk assessments.  
**Status Summary:** In Progress (On Schedule)

**Finding 17-03/16-03/15-06:** Continue to Improve Oversight over Third-Party Service Providers. **This is a Repeat Finding.**  
**Status:** The vendor is working on obtaining a SOC 2 Type 2 Report. The ECOS Assessment was completed, reviewed by the ISO and submitted to VITA. Waiting on approval from VITA. Policies and procedures for third-party vendors are being developed.  
**Status Summary:** In Progress (On Schedule)

**Finding 17-04:** Continue to Improve Database Security. **This is a Repeat Finding.**  
**Status:** The migration of virtual to physical servers continues. VEC plans to have this resolved by June 30, 2018.  
**Status Summary:** In Progress (On Schedule)

**Finding 17-05:** Evaluate, Revise, and Implement the Change Management Process  
**Status:** VEC is in the process of updating the Change and Configuration Management Plan and processes.  
**Status Summary:** In Progress (On Schedule)

**Finding 17-06:** Risk Management and Contingency Planning Documentation  
**Status:** The Continuity Plan was updated April 30, 2018. risk assessments are in progress in accordance with the Risk Assessment Plan. The DRP, BIA and Data Sensitivity Classifications will be updated by September 2018.  
**Status Summary:** In Progress (On Schedule)

#### **Audit Year: 2016**

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

**Status:** Fire suppression drawings have been submitted to DGS (Bureau of Capital Outlay Management).

**Status Summary:** In Progress (Delayed)

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

**Status:** Corrective action plan has been completed.

**Status Summary:** Completed (Delayed)

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

**Status:** VEC is working on a separation of duties matrix for each mission essential system.

**Status Summary:** In Progress (On Schedule)

#### **Audit Year: 2015**

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

**Status:** VEC is in the process of converting its LAN infrastructure to a VITA-managed service. This is the last piece of unsupported technology. A VITA work order has been created (VEC 7614) for this effort.

**Status Summary:** In Progress (Delayed)

### **Education**

#### **Christopher Newport University (CNU)**

**Audit Year: 2016**

**Finding 16-01:** Improve Database Security

**Status:** Corrective action plan has been completed.

**Status Summary:** Completed (Delayed)

#### **Department of Education (DOE)**

**Audit Year: 2017**

**Finding 17-01:** Design and Implement Sound Internal Controls over Fiscal Activities. **This is a Material Weakness.**

**Status:** Modified established roles in Oracle Financials to prevent general ledger supervisors and certain users from recording and authorizing transactions. (Completed December 2017) DOE's Oracle consultant and the Director have reviewed the permissions that are assigned within user roles in Oracle Financials to ensure no segregation of duties violations. (Completed April 2018) Continually perform monthly reviews of financial transactions in Oracle Financials by user ID to ensure no users are recording and authorizing their own transactions. (Completed December 2017/continuous) Continually perform monthly reviews of user roles in Oracle Financials. (completed/continuous) Ensure compliance with internal controls practice that no user roles or mapped user permissions may be modified without Director's authority, documented through EIM ticketing process. (completed/continuous) Restricted access to shared reconciliation support documents/files. Preparers of reconciliation electronic files have read/write access; all other users including reviewers/approvers have read only access. (Completed February 2018)

**Status Summary:** Completed (On Schedule)

**Finding 17-02: Improve Support and Review of Financial Recording. This is a Material Weakness.**

**Status:** Modified Move Request Form (used for reclassification journal entries) to require sufficient documented justification, adequate supporting documentation (including Cardinal reports and Oracle Financials reports as appropriate for reconciling journal entries), and review/approval by the Associate Director and/or Director for all journal entries prior to being entered and posted in the General Ledger. (Completed November 2017) Correcting or reversing journal entries included as supporting documentation attached to the Move Request Form a copy of the original journal entry and adequate justification for reversal of the original journal entry. "Oracle Only" and "Cardinal Only" journal entries must include justification on the Move Request Form for why the transaction is an Oracle Only or Cardinal Only transaction. Transactions keyed directly to Cardinal must include documented explanation for direct entry to Cardinal for download to Oracle. (completed/continuous)

**Status Summary:** Completed (On Schedule)

**Finding 17-03: Perform Adequate Due Diligence before Authenticating and Paying Vendors**

**Status:** Internal processes for Fiscal Services and Procurement have been developed. Each office has revised the Administration Manual and communicated processes to all DOE staff through email and training sessions. Training sessions were completed April 2, 2018 and April 12, 2018. Training sessions were completed in March and April 2018.

**Status Summary:** Completed (On Schedule)

**Finding 17-04: Establish and Implement Policies and Procedures for Accessing Budgetary Information**

**Status:** The Budget Office calendar has been updated to include requests for S drive access reports from VITA on a quarterly basis. These requests must be made through the Chief Information Security Officer.

**Status Summary:** Completed (On Schedule)

**Finding 17-05: Retain Evidence of Approval for Changes in Local Funding**

**Status:** Staff has been briefed on the importance of the change control sheets and their required signatures. The Budget Office has updated its re-benchmarking guidance document to include reminders to generate change control forms and to have them signed.

**Status Summary:** Completed (On Schedule)

**Finding 17-06: Drawdown Federal Grant Funds as Instructed and Update Loan Request with Important Facts**

**Status:** Developed New Grant Program Application Approval Form to be completed by Program Offices to ensure proper notification of new sources of federal grant funding being received by DOE (other than USED and USDA). Part A of the form will be routed by the Program Office with all required supporting documentation prior to grant applications being submitted to awarding entities for consideration; Part B of the form will be routed by the Program Office upon notification of grant funding, ensuring proper follow-up for grant terms and instructions including Fiscal Services drawdown access accounts (other than existing/recurring USED and USDA grant awards), and acknowledgment by Program Offices of responsibilities for financial reporting. (Completed March 2017; implemented August 2017) Improved Fiscal Services processes to include immediate notification to the Director and Associate Director for any federal payments made for which immediate drawdown has not been made, including explanation/justification for delay in drawdowns. Current SOPs updated to document improved processes. (Completed April 2018)

Macro/queries are being re-written to facilitate review process. Manual processes are being developed. During the interim, compensating controls are in place to ensure timely draws of federal grant funds. (In Progress) Provided Department of Accounts with explanation for why DOE was placed in restricted status with HHS (SAMHSA), resulting in the request for the Treasury Loan of \$1.6 million. (Completed December 2017)

**Status Summary:** In Progress (Delayed)

**Finding 17-07: Establish Sound Budgetary Controls over Disbursements**

**Status:** Worked with EIM and determined cause of budget controls failure in OMEGA, resulting in overpayment to sub-recipient. (Completed December 2017) Worked with EIM to ensure hard-coded calculation in OMEGA for available grants balances is modified to include payments "Approved for Payment" and "Paid" status. When claims are "Approved for Payment" but not yet marked as "Paid", the hard-coded calculation in OMEGA must include the "Approved for Payment" claims (treated as encumbrances against the available grants balances) to ensure proper calculation of available remaining balances. Fiscal Services will work with EIM to communicate Fiscal Service's needs, and test solutions prior to being placed in Production. (Completed February 2018) Program Managers' meeting was completed April 2, 2018, which included an agenda topic encouraging vigilant monitoring of sub-recipients' grant award balances in OMEGA. Program offices have been strongly encouraged to perform (at least) quarterly analyses of sub-recipient grant award balances to OMEGA grant payments and OMEGA grant award remaining balances to identify any irregularities or errors requiring correction. (Completed April 2018)

**Status Summary:** Completed (On Schedule)

**Finding 17-08: Review the Commonwealth's Human Resource System Cancelled Records Report**

**Status:** Continue to review the PMIS cancelled records report in VRS daily, and make changes if appropriate. Started on January 10, 2018 and will continue each day.

**Status Summary:** Completed (On Schedule)

**Finding 17-09: Require the Review and Approval of Reconciliations**

**Status:** Enhanced the weekly OMEGA to Oracle Financials reconciliation process previously developed in FY2017 by integrating the weekly reconciliation process into the monthly reconciliations process. Each weekly reconciliation is performed by the Senior Accounting Analyst, and retained for inclusion with the monthly reconciliation process that is documented as reviewed/approved by the General Ledger Manager with final review/approval documented by the Director and/or Associate Director monthly. The monthly review/approval by Fiscal Services management is part of the monthly reconciliation process prior to certification to DOA. (Completed July 2017) SOPs are being finalized to reflect enhanced internal controls processes. (Completed April 2018)

**Status Summary:** Completed (On Schedule)

**Finding 17-10/16-05: Continue to Improve Information Security Program and IT Governance. This is a Repeat Finding.**

**Status:** Gap Analysis of Information Security Program and three-year mitigation plan nearing completion has been completed and received. The plan has been presented to the Superintendent for review and comment. VITA Audit Services delivery of Final IT Audit Report General Security Controls has been completed and received. VITA Audit Services delivery of Final IT Audit Report Test Work and completion due CY 2018 Q2/Q3 Risk Assessments of Sensitive Systems have been Completed and received.

**Status Summary:** In Progress (Delayed)

**Finding 17-11/16-06: Improve Database Security. This is a Repeat Finding.**

**Status:** Gap Analysis of Information Security Program and three-year mitigation plan nearing completion has been completed and received. The plan has been presented to the Superintendent for review and comment. VITA Audit Services delivery of Final IT Audit Report General Security Controls has been completed and received. Audit Services delivery of Final IT Audit Report Test Work and completion under review with Commonwealth Security and Risk Management.

**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:** Gap Analysis of Information Security Program and three-year mitigation plan nearing completion has been completed and received. The plan has been presented to the Superintendent for review and comment. VITA Audit Services delivery of Final IT Audit Report General Security Controls has been completed and received. Audit Services delivery of Final IT Audit Report Test Work and completion under review with Commonwealth Security and Risk Management.

**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:** Gap Analysis of Information Security Program and three-year mitigation plan nearing completion has been completed and received. The plan has been presented to the Superintendent for review and comment. VITA Audit Services delivery of Final IT Audit Report General Security Controls has been completed and received. Audit Services delivery of Final IT Audit Report Test Work and completion under review with Commonwealth Security and Risk Management.

**Status Summary:** In Progress (Delayed)

#### **George Mason University (GMU)**

##### **Audit Year: 2016**

**Finding 16-01:** Improve Database Security

**Status:** This finding is FOIAE. Status information for this finding submitted directly to APA.

**Status Summary:** In Progress (Delayed)

#### **Audit Year: 2015**

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

**Status:** GMU Counsel's office is continuing to negotiate contract amendments with Equifax. All others have been completed. Proposed data security language is being negotiated with Equifax counsel.

**Status Summary:** In Progress (Delayed)

#### **Longwood University (LU)**

##### **Audit Year: 2016**

**Finding 16-02:** Develop Procedures for Tracking Time and Effort on Federal Awards

**Status:** Effective April 25, 2017, the Grants – Post Award duties were moved to Financial Operations and now report to the Associate VP for Administration and Finance. The position is currently housed in the Office of Sponsored Programs to provide a seamless transition between pre-award and post-award functions for the Principal Investigator. The Grants – Post Award Office is currently reviewing OMB guidance and reaching out to other universities to develop an effective process for tracking time and effort on federal grants. A draft procedure has been developed and is currently being reviewed. These policies and procedures will be clearly documented and included on the Office of Sponsored Programs website by May 1, 2018.

**Status Summary:** In Progress (Delayed)

**Finding 16-03:** Improve Information Security Officer Independence and Risk Acceptance Process

**Status:** Corrective action plan has been completed.

**Status Summary:** Completed (On Schedule)

**Finding 16-04:** Improve Continuity of Operations Planning

**Status:** Several meetings have been completed with Longwood's Emergency Management Coordinator.

**Status Summary:** In Progress (Delayed)

**Finding 16-05:** Improve System Hardening for Server Operating Systems

**Status:** All new systems are in compliance with system hardening standards; progress is being made to retro fit the existing systems.

**Status Summary:** In Progress (Delayed)

**Audit Year: 2015**

**Finding 15-02:** Improve Virtual Private Network Security

**Status:** Corrective action plan has been completed.

**Status Summary:** Completed (On Schedule)

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

**Status:** The Data Protection Addendum is included in every contract solicited by Longwood through formal bidding or formal negotiation. During the ARMICS process SOC reports are requested and reviewed for those contracts that are deemed to be material financially. The final remaining step is to formulate in a written procedure the steps Longwood is currently performing.

**Status Summary:** In Progress (Delayed)

**Norfolk State University (NSU)**

**Audit Year: 2016**

**Finding 16-01:** Improve Information Security, Risk Management and Contingency Programs

**Status:** NSU Information Technology Services (ITS) is working with VITA Commonwealth Security & Risk Management (CSRM) for Centralized ISO Services to help improve the University's IT Security and Risk Management program through implementation of CIS Critical Controls framework along with cyber security best practices. NSU ITS is also working with VITA CSRM for Centralized ISO Services to revise and document the University's IT Security policies and procedures, IT Sensitive System Risk Assessments and Security Plans, and the University's BIA. Collaborative work with VITA CSRM Centralized ISO Services will at minimum; continue through June 2019, the end of the current MOU.

**Status Summary:** In Progress (Delayed)

**Finding 16-02/15-02:** Conduct Information Technology Security Audits on Sensitive Systems

**Status:** NSU ITS is currently under an agreement with VITA CSRM Security Audit Services to conduct a full SEC501 IT Security Audit. The security audit is scheduled to begin in December 2018 and will encompass all SEC501 & SEC525 controls for all NSU production sensitive systems.

**Status Summary:** In Progress (Delayed)

**Finding 16-03/15-02:** Continue to Upgrade or Decommission End-of-Life Technology. **This is a Repeat Finding.**

**Status:** NSU ITS continues to replace end-of-life technology. NSU is working to virtualize the server infrastructure, so that we are able to have all servers on the NSU four-year virtualized hardware lifecycle.

**Status Summary:** In Progress (Delayed)

**Richard Bland College (RBC)**

**Audit Year: 2016**

**Finding 16-01/15-01/14-02:** Improve Controls over Financial Reporting. **This is a Repeat Finding.**

**Status:** Controller is now working directly with staff on site at CWM to ensure schedules are completed timely. RBC has postponed the search for the Financial Reporting manager until the Executive Director is on site. RBC has reallocated resources and brought in temporary help to assist with reconciliations and year-end close on campus.

**Status Summary:** In Progress (On Schedule)

**Finding 16-03/15-05:** Improve Controls over Small Purchase Charge Cards. **This is a Repeat Finding.**

**Status:** Corrective action plan has been completed.

**Status Summary:** Completed (On Schedule)

**Finding 16-04/15-04:** Improve Controls over Expenditure Vouchers. **This is a Repeat Finding.**

**Status:** RBC hired a temporary part-time analyst to assist in the reconciliations and year-end close. RBC has hired an Executive Director to begin in September 2018. RBC is currently completing ARMICS review in partnership with internal audit at CWM.

**Status Summary:** In Progress (On Schedule)

**Finding 16-05/15-06/14-03:** Continue to Improve Information Security Program. **This is a Repeat Finding.**

**Status:** Corrective action plan has been completed.

**Status Summary:** Completed (On Schedule)

**Finding 16-13:** Develop Policies and Procedures to Identify Potential Capital Assets

**Status:** RBC completed a physical inventory on June 24, 2018. Capital assets have been identified and a procedure for tagging, tracking and disposing of capital assets is in development.

**Status Summary:** In Progress (On Schedule)

#### **Southern Virginia Higher Education Center (SVHEC)**

**Audit Year: 2016**

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

**Status:** New Accounting Manager has been hired. Job title has changed to Budget and Finance Administrator (per recommendation from DHRM). The new Budget and Finance Administrator is being trained on job duties and responsibilities. Administrator is reviewing the CAPP topics on Fixed Asset Management. Administrator is working with Department Managers and IT to get an overview of assets that are located in their respective areas. Administrator is working on compiling a master list of all assets for SVHEC. New Fiscal Technician is also being hired and will assist the Budget and Finance Administrator with fixed asset duties. CFOO is resuming work on department policies and procedures for fixed assets. This was delayed due to employment vacancies and transition of duties.

**Status Summary:** In Progress (Delayed)

#### **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:** Corrective action plan has been completed.

**Status Summary:** Completed (Delayed)

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

**Status:** Corrective action plan has been completed.

**Status Summary:** Completed (Delayed)

#### **University of Mary Washington (UMW)**

**Audit Year: 2016**

**Finding 16-03:** Completed Implementation of the Process for Granting and Restricting Elevated Workstation Privileges

**Status:** Work continues to remove local elevated privileges from non-authorized users.

**Status Summary:** In Progress (On Schedule)

**Finding 16-04:** Improve IT Risk Management and Contingency Process

**Status:** IT will enhance the disaster recovery fail-over process including creation of a schedule and document each test. IT has designated one person to manage the IT systems inventory and is in the process of creating a process for the review. Disaster recovery fail-over testing is scheduled for mid-May 2018.

**Status Summary:** In Progress (On Schedule)

**University of Virginia (UVA/AD)**

**Audit Year: 2017**

**Finding 17-02/16-03: Improve Security Awareness Training Program. This is a Partial Repeat Finding**

**Status:** Corrective action plan has been completed.

**Status Summary:** Completed (Delayed)

**Finding 17-03: Improve Terminated Employee Procedures**

**Status:** The current employee off-boarding process is a paper-based, manual process, dependent on hiring unit implementation, collection of signatures, and limited technology. UVA is in the process of implementing a new HR Management System for future state employee transaction management and engagement. Additional refinement of off-boarding procedures, inclusive of timeframes for completion, and impacted employee populations, are planned as part of this project. The off-boarding process will be significantly enhanced as an element of the new HR Management System's process capacity, resulting in improvement in compliance with UVA off-boarding procedures. Until the new HR Management System and off-boarding process can be implemented, Human Resources and Provost Office will revisit terminated employee procedures and define a specific timeframe for completing the off-boarding checklist, as well as identify all employee types requiring an off-boarding checklist. The revised procedures will be clearly communicated to all departments. In addition, UVA will continue to perform random audits to evaluate compliance with the off-boarding toolkit.

**Status Summary:** In Progress (On Schedule)

**Finding 17-04: Comply with Commonwealth Requirements for Wage Employees**

**Status:** HR will reinforce Human Resource Policy 2.20 and the 1,500-hour rule to all departments. In addition, Payroll/Human Resources will implement additional controls to monitor non-benefit employees' hours and communicate employees approaching the annual limit to the respective department in a timely manner. In addition, UVA is in the process of implementing a new HR management system, which will enable a more rigorous process to ensure termination takes place before the 1,500-hour threshold.

**Status Summary:** In Progress (On Schedule)

**University of Virginia Medical Center (UVAH)**

**Audit Year: 2017**

**Finding 17-01: Improve Database Security**

**Status:** The APA audited the database and noted eight areas of improvement. Two of the eight areas related to access management and were fixed immediately upon notification from the APA. The APA was notified these had been addressed. The remaining six areas noted are related specifically to the configurations prepackaged by the vendor. UVAH has been actively working with the vendor in order to determine if remediation is possible and within the ability of the database to control. The issue is not unique to UVAH.

**Status Summary:** In Progress (On Schedule)

**Finding 17-02: Improve IT Risk Management Process and Documentation**

**Status:** UVAH has a comprehensive and well defined Business Continuity Plan and Disaster Recovery Plan (BCP/DR). Included in the BCP/DR is the Business Impact Analysis. UVAH started a project near the end of fiscal year 2017 to review the current Business Impact Analysis and determine where there might be gaps related to standards listed in NIST 800-34 Contingency Planning Guide for Federal Systems. UVAH has plans to complete this gap analysis by June 30, 2018. UVAH completed the annual risk assessment for the system in March 2017. Due to the timing of the go live and the migration of certain HR systems, UVAH made a deliberate decision to defer assessments of risk for functions covered by certain vendors. Both risk assessments are set to be completed in 2018, which is still within the window of compliance.

**Status Summary:** In Progress (On Schedule)

**Finding 17-03: Improve Oversight of Third Party Service Providers**

**Status:** UVAH has developed a comprehensive risk management and assessment framework that applies to third-party vendors. The risk assessment process is a collaborative endeavor involving UVAH IT Security, Procurement, Clinical Engineering, and Senior Leadership. For third-party vendors, one of the following risk assessments need to be completed: Cloud Risk Assessment, Black Box Risk Assessment, Medical Device Risk Assessment, and Security/Exhibit Requirements. In addition, UVAH created an annual review process for the storage vendor, as well as a process to review risk assessments when a contract is up for renewal. UVAH will develop a review process that clearly exhibits and documents adherence of third parties to UVAH defined standards and controls.

**Status Summary:** In Progress (On Schedule)

**Virginia Commonwealth University (VCU)**

**Audit Year: 2017**

**Finding 17-01: Improve Risk Management and Continuity Planning Documentation**

**Status:** The VCU Server Provisioning Plan system has completed its beta testing and is expected to be used to replace the current system provisioning process on July 2, 2018. The new system will help VCU to streamline system risk assessment and review processes. As of September 2017, VCU purchased a business continuity planning (SaaS) tool called VEOCI. After several months of VCU-specific development, a three-step tool was created that allowed 16 identified units to conduct an individual hazard assessment and business impact analysis (BIA) and then build recovery strategies based on all essential functions identified. A two-phased, two-tier implementation process was started in March 2018 with intended full completion by December 31, 2018. Once the BIAs and recovery strategies are collected from the 16 units, a comprehensive UVA BIA and Business Continuity Plan will be created based on that data and made available no later than April 1, 2019 in compliance with Executive Order 41 (2011).

**Status Summary:** In Progress (Delayed)

**Finding 17-03: Comply with Commonwealth Requirements for Wage Employees**

**Status:** Corrective action plan has been completed.

**Status Summary:** Completed (On Schedule)

**Finding 17-04: Implement Newly Developed Policies over Information Technology Third-Party Service Providers**

**Status:** VCU has continued to work with third-party vendors identified as sensitive and requested assessment documentation. Currently, the completion percentage is sitting at 93 percent. All vendor NDA issues are resolved, there are three vendors who have not yet completed the assessment, but all are currently engaging with the information security team following multiple follow-ups. A risk statement is sent to business units advising them of the risk associated with incomplete assessments. VCU expects to complete the review by end of June, 2018. To further refine the assessment process, VCU has purchased a third-party risk monitoring tool to help continuously monitor these companies for data breaches and other security issues.

**Status Summary:** In Progress (On Schedule)

**Audit Year: 2016**

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

**Status:** Reviews are 93 percent completed.

**Status Summary:** In Progress (Delayed)

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

**Audit Year: 2016**

**Finding 16-01/15-01:** Continue to Improve Oversight of Information Technology Third-Party Service Providers. **This is a Repeat Finding.**

**Status:** Corrective action plan has been completed.

**Status Summary:** Completed (On Schedule)

**Finding 16-02:** Improve Procedures for Employee Separation

**Status:** Corrective action plan has been completed.

**Status Summary:** Completed (Delayed)

**Finding 16-03:** Improve Leave Accounting

**Status:** Corrective action plan has been completed.

**Status Summary:** Completed (Delayed)

**John Tyler Community College (JTCC)**

**Audit Year: 2015**

**Finding 15-01:** 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 15-03:** Improve Compliance over Enrollment Reporting

**Status:** Corrective action plan has been completed.

**Status Summary:** Completed (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 Purchase Order was issued in September 2017 to execute the Compliance Action Plan that was previously completed. Work has started and it is estimated to take about two years to complete.

**Status Summary:** In Progress (Delayed)

**Virginia State University (VSU)**

**Audit Year: 2017**

**Finding 17-01:** Improve Virtual Private Network Security

**Status:** Technology Services has re-configured the Virtual Private Client session to automatically time out after 30 minutes of idle time. The system is programmed to give the user a 15-minute alert prior to shutting down. The VPN update was submitted through VSU's formal Change Control process.

**Status Summary:** Completed (On Schedule)

**Finding 17-02: Improve User Access Controls. This is a Partial Repeat Finding.**

**Status:** Technology Services is working with Human Resources to modify the current on-boarding process. This control modification is progress. The Automated Access Request Form has been implemented. Guest access will continue to be a manual process in certain cases. The Identity Management System is currently in the planning phase. The ECOS form is in review at VITA. The system will employ both two-factor authentication and a single sign on solution. The annual access review for all sensitive systems is in progress. The lists have been distributed to Data Owners and annual security role training is scheduled for the week of July 11, 2018.

**Status Summary:** In Progress (On Schedule)

**Finding 17-03: Improve Documentation of Emergency and Sole Source Contract Procurements**

**Status:** Office of Procurement has completed revising and completing the emergency and sole source checklist and discussed this with Purchasing Officers. Discussions have been held with all Purchasing staff regarding the use of the internal emergency and sole source requirement checklist.

**Status Summary:** In Progress (On Schedule)

**Finding 17-04: Improve Internal Controls for Retirement Benefits System Census Data Reporting and Confirmation Process**

**Status:** The Office of Human Resources (HR) and Payroll have developed a procedure to ensure the VNAV reconciliation process includes proper internal controls and that the VNAV reconciliations are completed timely. Additional HR staff now have access to the VNAV system and have been crossed trained. An additional corrective action includes having the Associate Director of Human Resources assure discrepancies have been resolved. To correct the issue of the missing employee records, HR has hired a Records Coordinator who is responsible for managing all paper and electronic files.

**Status Summary:** In Progress (Completed)

## Finance

### Department of Accounts (DOA)

**Audit Year: 2017**

**Finding 17-01: Ensure all Nonexempt Active Vendors in the Commonwealth's Accounting and Financial Reporting System Have a Form W-9**

**Status:** System queries have been run to obtain a listing of all non-exempt vendors for which there is no Form W-9 in Cardinal. DOA is currently reviewing the listing of these vendors and is in the process of inactivating all non-exempt vendors that do not have a W-9 in Cardinal or eVA. All vendors that have been reviewed, and have been determined to be exempt per CVG policies and procedures, have been documented as being W-9 exempt.

**Status Summary:** In Progress (On Schedule)

**Finding 17-02: Improve Database Security**

**Status:** Implemented Auditing DML actions by DBAs/Enhanced reporting to include a comprehensive list of audit items.

**Status Summary:** Completed (On Schedule)

### Department of Taxation (TAX)

**Audit Year: 2017**

**Finding 17-01: Strengthen Access Controls**

**Status:** Separation of duties and least privilege will be addressed as part of recertification process. The AR team is working with the business areas to identify and review resources for separation as part of AR recertification. The AR Role certification will be completed by May 31, 2018, the roles based manager recertification by July 13, 2018.

**Status Summary:** In Progress (On Schedule)

**Finding 17-02: Improve Service Account Management**

**Status:** System Security plans are in the process of being updated and will include all service accounts and will be completed by September 30, 2018. Service Accounts will be managed in Sailpoint and Vaulted in Cyberark. Cyberark has been implemented and all service accounts will be added to the Cyberark process by April 30, 2019.

**Status Summary:** In Progress (On Schedule)

**Finding 17-03: Address Uncorrelated Accounts**

**Status:** Orphan accounts are the highest risk service accounts. All orphaned accounts have been removed, correlated to an identity or properly classified as a Service/System account. A process has been developed to monitor and mitigate new orphan accounts. Remainder of uncorrelated accounts on track for resolution by July 31, 2019.

**Status Summary:** In Progress (On Schedule)

**Finding 17-04: Improve Documentation over Financial Reporting System Security Functions and Features**

**Status:** The documentation will take three forms: End User Guide, Developers Guide, User guide specifically on the "Re-certification tool". A draft of the End User Guide has already been completed. Training on the "Re-certification Tool." has been completed. On track for the September 30, 2018 completion.

**Status Summary:** In Progress (On Schedule)

**Finding 17-05: Perform Annual Access Review**

**Status:** The AR Role certification will be completed by May 31, 2018, and the roles based manager recertification by July 31, 2018. Implementing other disconnected applications into the Sailpoint IAM tool is ongoing and contingent upon receiving the additional funding provided in the introduced budget.

**Status Summary:** In Progress (On Schedule)

**Department of the Treasury (TRS)**

**Audit Year: 2017**

**Finding 17-01: Improve Financial Reporting of Unclaimed Property Activity. This is a Material Weakness.**

**Status:** Unclaimed Property is awaiting the templates for the FY19 financial statements but retained notes from last year's preparation to ensure accurate entries for FY18. An estimation program for the long-term unclaimed property claims liability has been developed using analytical software and will be utilized going forward to provide this estimate.

**Status Summary:** In Progress (On Schedule)

**Finding 17-02/16-01: Improve Accounting and Financial Reporting Control Environment of Trust Accounting. This is a Repeat Finding.**

**Status:** Funding for a senior level accounting position for Trust Accounting was included in the Governor's 2018-2020 budget package submitted to the General Assembly. TRS will begin developing the Employee Work Profile for this position in early March 2018 to include restructuring Trust Accounting work responsibilities with an emphasis on succession planning. The goal is to have the position filled by August 2018. Additionally, TRS will evaluate the need for a dedicated resource to research and provide guidance on changes in financial reporting standards.

**Status Summary:** In Progress (Delayed)

**Finding 17-03: Improve Database Security**

**Status:** Controls are being implemented to improve database security.

**Status Summary:** In Progress (Delayed)



**Finding 17-04: Improve Information System Access Controls**

**Status:** The project has been started. TRS IS will provide an estimate of the development time and provide an implementation date by June 30, 2018. A detective control has been added to review approvals monthly to determine if more than one level of claim approval has been completed by the same staff member. The detective control will review for internal control weakness in claim approval until a system control can be implemented.

**Status Summary:** In Progress (Delayed)

**Finding 17-05: Improve Compliance with Prompt Pay Provisions**

**Status:** Risk Management has strengthened internal controls to ensure compliance with the prompt pay provisions of the Virginia Public Procurement Act.

**Status Summary:** Completed (On Schedule)

## Health and Human Resources

**Department of Behavioral Health and Developmental Services (DBHDS)**

**Audit Year: 2017**

**Finding 17-01: Continue to Improve IT Governance. This is a Repeat Finding.**

**Status:** Information Technology has identified the appropriate decision makers within DBHDS and included these individuals on a committee to discuss and approve IT efforts (i.e. IT Procurements). The IT Governance Committee members have met twice and they are engaged on IT decisions.

**Status Summary:** Completed (Delayed)

**Finding 17-02: Improve IT Contingency Management Program**

**Status:** DBHDS is currently engaging VITA on cost estimates for the COOP and DRPs for affected servers.

**Status Summary:** In Progress (On Schedule)

**Finding 17-03/16-03/15-02: Continue to Upgrade Unsupported Technology. This is a Repeat Finding.**

**Status:** DBHDS had 67 outdated technology servers and 70 applications to updated. DBHDS has removed 48 outdated technology servers and 60 outdated applications. DBHDS will be removing 16 outdated technology servers within the next two weeks. The remaining three outdated technology servers two servers are dependent on procuring a replacement to an outdated application (i.e. Blood Glucose Monitoring Application) and one server on the closure of a training center (SWVTC) which will occur June 2018.

**Status Summary:** In Progress (Delayed)

**Finding 17-04/16-04/15-05: Develop Baseline Configurations for Information Systems. This is a Repeat Finding.**

**Status:** Servers and software have been configured. Daily compliance reports are generated from Idera SQL Compliance Manager and Idera SQL Secure.

**Status Summary:** Completed (Delayed)

**Finding 17-05: Increase Oversight over Third-Party Providers**

**Status:** DBHDS is currently working to implement BAA agreements with third-party service providers.

**Status Summary:** Completed (Delayed)

**Finding 17-06: Improve Internal Controls over Capital Asset Additions. This is a Repeat Finding.**

**Status:** DBHDS Office of Budget and Financial Reporting has reviewed the fixed asset policies and procedures for all DBHDS facilities. Adjustments to these policies and procedures have been made as needed.

**Status Summary:** Completed (Delayed)

**Finding 17-07: Improve Internal Controls over Reconciliations**

**Status:** This comment relates to two facilities (Hiram Davis and SEVTC). The FMS/AVATAR reconciliation issue has been addressed in that all reconciliations are currently performed timely. Procedures have been established requiring that all FMS/AVATAR reconciliations be sent to the Director, Cost Accounting and Reimbursement in Richmond in the event that a Field Office Reimbursement Director is not present upon completion of the monthly reconciliation. This will ensure timely reconciliation review. Cardinal to AVATAR reconciliation requires the Field Office Reimbursement staff to reconcile FMS to AVATAR and the facility fiscal staff to reconcile the FMS/Cardinal systems. The latter reconciliation process accomplishes the reconciliation of Cardinal to AVATAR with respect to revenue. The linkage of the field reimbursement office responsibilities and those of the facility fiscal office accomplish the three way match requirement of FMS/Cardinal/AVATAR revenue. The FAACS/FMS/Cardinal Reconciliation comment relates to SEVTC. The facility has developed a reconciliation process to accomplish this. The FMS/Cardinal reconciliation comment relates to Hiram Davis and SEVTC. Hiram Davis now includes accounts in their reconciliation process. SEVTC began reconciling at all appropriate levels in September, 2017.  
**Status Summary:** Completed (On Schedule)

**Finding 17-08: Improve Controls Over the Commonwealth's Retirement Benefits System. This is a Repeat Finding.**

**Status:** Revised VNAV Reconciliation procedures have been received from all DBHDS facilities. These documents are being reviewed to ensure that they include all necessary steps in the reconciliation process.

**Status Summary:** Completed (Delayed)

**Finding 17-09: Improve Controls over Payroll**

**Status:** The payroll findings were at different facilities than the facilities cited in 2015 and in 2016, thus this is not a repeat for the facilities cited in FY 2017. As mentioned, follow-ups will be completed to determine compliance.

**Status Summary:** In Progress (On Schedule)

**Department of Health (VDH)**

**Audit Year: 2017**

**Finding 17-01: Improve Timely Removal of Critical Access. This is a Repeat Finding.**

**Status:** Initial corrective action implemented, but not sufficient to prevent a repeat finding in FY17. VDH Process Improvement Analyst has formed a team to review the HR14 process, and multiple solutions are under review by the process improvement team and Deputy Leadership Team. The chosen solution will be utilized to address the recommendation and mitigate as much human error and intervention as possible for terminating user access.

**Status Summary:** In Progress (Delayed)

**Finding 17-02: Improve Database Security**

**Status:** Controls implemented or determined not feasible due to functionality issues.

**Status Summary:** Completed (On Schedule)

**Finding 17-03: Strengthen Subrecipient Monitoring Process**

**Status:** Corrective actions completed during the course of the audit.

**Status Summary:** Completed (On Schedule)

**Audit Year: 2016**

**Finding 16-05: Ensure Oversight of Third Party Service Providers**

**Status:** Corrective action plan has been completed.

**Status Summary:** Completed (Delayed)

**Department of Medical Assistance Services (DMAS)**

**Audit Year: 2017**

**Finding 17-01:** Develop Processes to Facilitate the Controlling of Privileges in the Claims Processing System. **This is a Material Weakness.**

**Status:** External consultant from Assura was brought on board to help with definition of roles and the conflict matrix working with Accenture on the new MES OPSS system.

**Status Summary:** In Progress (On Schedule)

**Finding 17-02:** Remove Access to the Current Claims Processing System in a Timely Manner. **This is a Material Weakness.**

**Status:** Exit Clearance Automation workflow process for termination of system access is in process of being completed and expected completion date is July 31, 2018.

**Status Summary:** In Progress (Delayed)

**Finding 17-03:** Complete Annual Review for the Current Claims Processing System. **This is a Material Weakness.**

**Status:** DMAS successfully automated the annual review process using Redcap (Research Electronic Data Capture) software solution and completed the annual review of MMIS-DSS in June 2018. DMAS will continue to use Redcap automation for other MMIS reviews going forward. The annual review was completed for MMIS Contractors in June/July 2017 and MMIS-DMAS in October 2017 using the manual review process. DMAS plans to include structured annual reviews in the new Identity and Access management solution that will be part of MES SSO System. Deloitte was awarded the contract for Integrated Services Solution (ISS) in March 2018, which includes the SSO solution.

**Status Summary:** Completed (Delayed)

**Finding 17-04:** Perform the Required Information Technology Review. **This is a Material Weakness and a Repeat Finding.**

**Status:** Completed in the initial report within 30 days of APA audit.

**Status Summary:** Completed (On Schedule)

**Finding 17-05/16-04:** Review and Document Service Organization Control Reports of Third-Party Service Providers. **This is a Repeat Finding.**

**Status:** OCS continues to review and document SOC reports received from vendors. Review was completed in quarter ending June 30, 2018 for the following: Conduent Lexington Data Center Conduent-FIS Outsourcing Services & Solutions (FIOSS) Magellan Pharmacy Benefits Management Solution (PBMS) Logisticare NEMT. OCS followed up with request for Corrective Action Plans (CAPs) on findings in SOC report and is tracking the CAPs to completion. SOC Reports from MES Vendors are being reviewed by VITA Enterprise Cloud Oversight Services (ECOS) this includes SOC Report from Magellan-Pharmacy Benefits Management Solution (PBMS).

**Status Summary:** In Progress (Delayed)

**Finding 17-06:** Ensure Employees have Proper Access Roles within the Commonwealth's Procurement System

**Status:** The eVA Global Security Officer clarified that DMAS does not have access to the application to manage users. DGS Account Executive manages DMAS users. The eVA Security Policy and Standards that defines roles and responsibilities were shared with OCS and this was reviewed by DMAS CISO. CISO will work with PCM Division Director or designee to document effective access review procedures.

**Status Summary:** In Progress (Delayed)

**Finding 17-07:** Correct Policies and Procedures for E-mailing Sensitive Information to State Agencies

**Status:** DMAS transitioned to Google mail on March 26, 2018. DMAS uses Virtru email encryption with Google mail starting March 26 2018. Users were notified about the requirement to use Virtru for all communications with sensitive information.

**Status Summary:** Completed (On Schedule)

**Finding 17-08:** Develop Procedures and Performance Expectations for Resolving Social Security Number Discrepancies

**Status:** Policy and procedures have been updated and are included in the Eligibility Manual Transmittal update for July 1, 2018. The RS-O-485 report has been updated to include the number of months an individual remains in the system with an incorrect SSN. Staff in the Enrollment Unit will monitor the report and provide a report to the Medical Assistance Unit Manager at DMAS on all individuals who remain on the report for three or more months.

**Status Summary:** In Progress (On Schedule)

**Finding 17-09:** Improve Collective Knowledge of Annual Accrual Reporting. **This is a Material Weakness.**

**Status:** The Budget Division has developed a document describing the procedure for completing the Accrual reporting process. This procedure will guide analysts, provide consistent work product, and ensure that accurate and timely information is provided to DOA for the CAFR. Budget has started the process of identifying the accuracy of DMAS 2017 estimates provided to DOA last year. The Budget Division is still on track to Completed the corrective action by the next annual accrual submission.

**Status Summary:** In Progress (On Schedule)

**Finding 17-10/16-06:** Improve the Accounts Receivable Collection Process. **This is a Repeat Finding.**

**Status:** Program Integrity partnered with Information Management to leverage Medicaid Enterprise Systems to meet their needs with case management and analytics. Program Integrity is introducing a new system called the Fraud & Abuse Detection System (FADS) that will serve as an analytical tool to manage cases. FADS goes live in November 2018 and will replace FAIR. After the FADS goes live, Fiscal will partner with Program Integrity to discuss the system enhancements of electronic reporting or the capability to interface with TPLRS to further automate the member receivable process. In the meantime, Fiscal has increased staffing with temporary resources to assist with member receivables. FAD goes live in November 2018 and a historical load of all cases will be available in January 2019. DMAS anticipates a completion date of six months post the last phase of implementation.

**Status Summary:** In Progress (Delayed)

**Finding 17-11:** Create Policies and Procedures to Ensure Compliance with Statement of Economic Interest Requirements

**Status:** HR developed and documented HR procedure, Conflicts of Interest Disclosure System, with an issue date of June 30, 2018.

**Status Summary:** Completed (Delayed)

#### **Department of Social Services (DSS)**

**Audit Year: 2017**

**Finding 17-01:** Improve Database Security for Financial Reporting System

**Status:** Finding 2017-031 was marked as FOIAE under §2.2-3705.2 of the Code of Virginia due to its sensitivity and description of security Control. Corrective action updates will be provided to the Auditor of Public Accounts under separate cover.

**Status Summary:** Completed (On Schedule)

**Finding 17-02:** Continue Improving Database Security for Case Management System. **This is a Partial Repeat Finding.**

**Status:** Finding 2017-031 was marked as FOIAE under §2.2-3705.2 of the Code of Virginia due to its sensitivity and description of security Control. Corrective action updates will be provided to the Auditor of Public Accounts under separate cover.

**Status Summary:** Completed (On Schedule)

**Finding 17-03/16-02:** Improve Policies, Procedures, and Plans for Backup and Restoration. **This is a Repeat Finding.**

**Status:** Finding 2017-064 was marked as FOIAE under §2.2-3705.2 of the Code of Virginia due to its sensitivity and description of security Controls. Corrective action updates will be provided to the Auditor of Public Accounts under separate cover.

**Status Summary:** In Progress (Delayed)

**Finding 17-04/16-03:** Continue Improving Oversight of Third-Party Service Providers. **This is a Repeat Finding.**

**Status:** Weekly meetings with DSS' ISRM and Division of General Services staff continue as staff review ECOS and non-ECOS documentation.

**Status Summary:** In Progress (Delayed)

**Finding 17-05:** Obtain and Retain Statement of Economic Interest Training Records

**Status:** DSS has obtained previous SOEI training records for DSS employees or board members. Historical records have been uploaded into the COV Learning System. The Division of Organizational Development has documented SOEI procedures and will continue to ensure the completion of SOEI requirements with current and new employees.

**Status Summary:** Completed (On Schedule)

#### **Audit Year: 2016**

**Finding 16-01:** Improve Database Security

**Status:** Finding 2017-031 was marked as FOIAE under §2.2-3705.2 of the Code of Virginia due to its sensitivity and description of security controls. Corrective action updates will be provided to the Auditor of Public Accounts under separate cover.

**Status Summary:** In Progress (Delayed)

### **Natural Resources**

#### **Department of Game and Inland Fisheries (DGIF)**

#### **Audit Year: 2017**

**Finding 17-03:** Improve Procedures over Physical Inventory. **This is a Repeat Finding.**

**Status:** DGIF has identified additional staff resources in the field and from other divisions to assist with fixed asset responsibility for the overall agency. Final training efforts, policy updates and system improvements will be completed this month.

**Status Summary:** In Progress (On Schedule)

**Finding 17-06:** Improve Procedures over Construction in Progress Recording and Reporting. **This is a Repeat Finding.**

**Status:** Planning and Finance Staff have continued cross training and are using current end-of-year requirements to evaluate if more steps are needed. New policy and procedure has been drafted and awaits final approval.

**Status Summary:** In Progress (On Schedule)

**Finding 17-07:** Improve Procedures Over Monthly Commonwealth Retirement System Reconciliations. **This is a Repeat Finding.**

**Status:** Human Resources Division continues cross training and review of expectations for myVRS reconciliation, and works with Planning and Finance Division to ensure compliance. New policy and procedure has been drafted and awaits final approval.

**Status Summary:** In Progress (On Schedule)

## Public Safety and Homeland Security

### Department of Alcoholic Beverage Control (ABC)

**Audit Year:** 2017

**Finding 17-01:** Improve Database Security

**Status:** ABC has an ongoing project, led by the Data Services Manager, to improve database security.

**Status Summary:** In Progress (Delayed)

**Finding 17-02:** Upgrade or Decommission End-of-Life Operating Servers. **This is a Repeat Finding**

**Status:** ABC has an IT Strategic Plan and a formal ERP Strategy that spans a five-year time frame and includes three phases. This strategy has been presented to VITA as a Program - and the first phase of the Program is the project to replace ABC's financial system. ABC has instituted a Project Steering Committee that meets weekly to review new project ideas, discuss progress on approved projects, and prioritize and re-prioritize projects as necessary to align with available resources and align with ABC's current needs and priorities. ABC is attempting to set up a meeting in January with the Oversight Committee. ABC has also hired a permanent CIO to guide the IT Division and ABC's IT strategic plan and ERP strategy. ABC has also expressed to the General Assembly ABC's need for funding for new IT infrastructure as well as a new modern warehouse facility.

**Status Summary:** Completed (Delayed)

### Department of Corrections (DOC)

**Audit Year:** 2017

**Finding 17-01:** Improve Controls Over Building and Grounds Inventory at Fluvanna Correction Center for Women

**Status:** All initiatives listed in the Corrective Action and Applicable Deliverables section have been started and continue to be refined. While significant gains have been made related to the Corrective Action Plans, the B&G Superintendent needs to add another three months to the original estimated completion date.

**Status Summary:** In Progress (Delayed)

**Finding 17-02:** Improve Internal Controls over Purchasing System Access

**Status:** Corrective action plan has been completed.

**Status Summary:** Completed (On Schedule)

### Department of State Police (VSP)

**Audit Year:** 2014

**Finding 14-01:** Improve Motor Vehicle Inspection Program Web Application Security

**Status:** VSP and VITA agreed to Enterprise readiness and use of new contracts in December 2018. VSP will work with new vendors to implement the security tools to address this finding (review of log files). Funding for the tools may be required.

**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 statewide roll out continues. Three of seven divisions will be completed by July 2018. Rollout should be completed by Q1 2019. Project is on track. Human Resources project continues to make progress. Scheduled completion early 2019. CARE, CPAS, and WARS Mapper systems are to be replaced by CAD expansion. Project is underway. IBR Cobol system - vendor and FBI are working out VSP's data certification. Scheduled to deploy late July 2018. CCH project is completed. Communications equipment (AIMS) project is completed. Asset Tracking (AIMS phase 2) project is completed.

**Status Summary:** In Progress (Delayed)

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

**Status:** Asset Tracking (AIMS phase 2) is completed. AIMS Phase 1 is completed. This item is completed from IT perspective. PFD has contracted with Sunflower for a consultant to discuss fixed asset policies and procedures. Revised completion date to September 2018.

**Status Summary:** In Progress (Delayed)

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

**Status:** PFD has met with VDOT on the work zone billing issue. Also, PFD has on its ITIB project list for a comprehensive billings project during FY19.

**Status Summary:** In Progress (Delayed)

#### **Audit Year: 2011**

**Finding 11-01:** Upgrade Unreliable and Unsupported Infrastructure Devices

**Status:** Corrective action plan has been completed.

**Status Summary:** Completed (Delayed)

### **Transportation**

#### **Department of Motor Vehicles (DMV)**

#### **Audit Year: 2017**

**Finding 17-01:** Improve Controls over Financial Reporting. **This is a Repeat Finding.**

**Status:** Fahrenheit has completed their external audit and prepared documented procedures and review of upcoming Directives. They will remain onsite during this FY End for guidance and support. A new Assistant Controller has been hired and holds a CPA certification.

**Status Summary:** In Progress (Delayed)

**Finding 17-02/16-05:** Continue Improving Application Security Controls. **This is a Partial Repeat Finding.**

**Status:** A project has been established for this effort and resources are being secured. Project is underway, on target for dates provided.

**Status Summary:** In Progress (Delayed)

**Finding 17-03:** Improve Database Security

**Status:** DMV has developed baseline security configurations that exceed the requirements of Commonwealth security standards to meet DMV needs. As identified during the audit, compliance must be maintained during upgrades and new developments, and oversight on these controls must be performed. To mitigate this finding DMV will strengthen the database maintenance procedures and expand the monitoring capability of the database environment.

**Status Summary:** Completed (On Schedule)

**Finding 17-04:** Improve Information Technology Change Management Program

**Status:** DMV recognizes its obligation for the protection of configuration information found within change management requests and is taking the steps necessary to improve it. The current process utilized VITA services that were considered secure in the past but have since been determined deficient for DMV needs. DMV had multiple representatives on the selection team for the new VITA

Managed Service Integrator, and provided security requirements for the change management platform being delivered. With the impending implementation of the new platform this year, DMV feels it's in the best interest of the taxpayers that DMV not invest in new solution today but instead establish a series of mitigating controls that will ensure the required level of protection while DMV focuses its resources on the migration to the new platform being provided.

**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. Project is underway, on target for dates provided.

**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. Project is underway, on target for dates provided.

**Status Summary:** In Progress (Delayed)

#### **Department of Transportation (DOT)**

#### **Audit Year: 2017**

**Finding 17-01:** Improve Internal Controls over Financial Reporting of Service Concession Arrangements. **This is a Material Weakness.**

**Status:** New position created for Service Concession Arrangements (SCA). SCA Procedures were completed and located on Fiscal Public network site. Process changes include developing a template for documenting key attributes of SCA's, and periodic meetings and discussions with VDOT divisions involved with the SCA agreements to gather information and updates on SCA projects.

**Status Summary:** Completed (On Schedule)

**Finding 17-02:** Improve Internal Controls over Financial Reporting

**Status:** Beginning FY 2018, Fiscal Division has re-classed all VDEM reimbursements as 4009084 revenue/prior year expenditures instead of as expenditure credits. This is because federal reimbursements are received years after expenditures are incurred to assist with a disaster. Fiscal Division worked with Administrative Services Division to review and validate non-construction contracts and developed a process for reporting non-construction contract commitments for FY2018. DOA Cardinal Team has completed updating the Cardinal Leave Liability Report according to DOA's directive. DOA validated the program logic used in the report. VDOT has also reviewed and validated the updated data for reporting FY2018.

**Status Summary:** Completed (On Schedule)

**Finding 17-03:** Continue to Improve Internal Controls over Retirement Contribution Reconciliations. **This is a Partial Repeat Finding.**

**Status:** Human Resources will document and implement improved internal processes requiring resolution of all reconciling items prior to the Department's monthly snapshot confirmation. This is already a requirement in the VDOT reconciliation process. If there are any complications preventing correction of errors due to unforeseen circumstances including system issues on the PMIS/DHRM or VRS/VNAV end, this will be documented and communicated with VRS prior to snapshot confirmation. Retaining supporting documentation related to the cause of reconciling items, as well as the dates and methods of resolution. In December of 2017, VDOT added additional notes to the weekly reconciliation files detailing the fix required, who is responsible (VRS or VDOT HR or VDOT Payroll) and when it was corrected. This is now part of the documentation process moving forward. Retaining a completed file for weekly reconciliations. In October of 2017, HR added a report that tracks the history of all VNAV errors that were corrected. This historical tracking will continue to be part of the process moving forward. In March of 2018, VDOT added another PMIS discrepancy



report to the list of reports reviewed and worked prior to snapshots which will allow VDOT to prevent more errors from occurring in VNAV.

In February of 2018, VDOT's CFO sent a letter to VRS requesting additional assistance/resources to clear the backlog of VNAV errors pending VRS action. These are the errors impacting retirees and current/former VDOT employees that cannot be fixed by VDOT. VRS met with VDOT leadership in June of 2018 to discuss processes and a partnership to improve error clean-up timeframes. VRS has committed to clearing the backlog of errors by the end of the current fiscal year and have made significant progress to date. VDOT HR is also requesting status updates on the backlog items that are submitted each month. An item only comes off of the list submitted for VRS action once it has been resolved and the resolution date and action is noted on the VDOT tracking spreadsheet. Monthly meetings between VDOT HR/Payroll and VRS have increased in frequency to work through the backlog of items. VDOT has also updated tracking spreadsheets to retain more detailed information on the errors and resolution, including dates and statues for each errors along with responsible party - VDOT HR, VDOT Payroll, or VRS. These files are retained in HR and Payroll. VDOT has also hired a wage employee to focus solely on reconciliations and other myVRS issues. This dedicated resource ensures the weekly and monthly discrepancy reports are worked timely and errors corrected prior to snapshot confirmation.

**Status Summary:** Completed (On Schedule)

**Finding 17-04:** Completed Separating Employee Checklists Timely

**Status:** VDOT has implemented an automated means for monitoring submission of separating employee checklists. On March 15, 2018, VDOT HR revised the Separating Employee Checklist and launched this along with an HR SOP outlining roles and responsibilities and the new procedure for collecting the checklists. The checklist and requirements were communicated to all VDOT supervisors by District HR Managers following the roll-out. The HR scorecard monitored and worked by the HR Managers was updated to reflect the checklist as a measured compliance item that the HR Managers will periodically report out on their progress. Each district has put into place new procedures for ensuring the tracking of and completion of the checklists by supervisors.

**Status Summary:** Completed (On Schedule)



## **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," the 2004 work entitled, "Enterprise Risk Management," and the May 2013 revision to COSO's "Internal Control Integrated Framework."

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. Non-compliance with the processes required for successful completion of ARMICS; therefore, the agency's ARMICS submission was rejected by DOA. This will result in continued citation in the QR until the agency has complied with the ARMICS certification process and has submitted an ARMICS certification or Exhibit 4 (with required CAP).
4. 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, 2018, the following agencies were not in compliance with the ARMICS process based on their 2017 ARMICS submission:

The following agencies did not comply with ARMICS in FY 2017 and submitted an Exhibit 4 Certification Statement:

<b>Agency Name</b>	<b>Reason for Non-Compliance</b>	<b>Initial Corrective Action Plan Received</b>	<b>Status of Corrective Action</b>
Frontier Culture Museum of Virginia	Exhibit 4 Filed	Yes	Agency states corrective action will be completed by June 30, 2018. Quarterly status update not received.
Library of Virginia	Exhibit 4 Filed	Yes	Agency initially stated corrective action would be completed by June 30, 2018. Revised completion date to November 30, 2018. Quarterly status update received.
State Council of Higher Education for Virginia	Exhibit 4 Filed	Yes	Agency initially stated corrective action would be completed by June 30, 2018. Revised completion date to September 28, 2018. Quarterly status update received.

The following agency's' Fiscal Year 2017 ARMICS Certification was rejected by DOA for not complying with ARMICS Minimum Requirements:

<b>Agency Name</b>	<b>Reason for Non-Compliance</b>	<b>ARMICS Certification or Exhibit 4 Received</b>
Department of Game and Inland Fisheries	FY17 ARMICS Certification Rejected	No

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

<b>Agency Name</b>	<b>Reason for Non-Compliance</b>	<b>Quarterly Corrective Action Plan Received</b>	<b>Status of Corrective Action</b>
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.



### *Decentralized Agencies*

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

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

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

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

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

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

Agencies are generally selected each quarter using a systematic risk evaluation of all decentralized agencies. One review was completed for decentralized agencies during this quarter. The other completed decentralized agency review reports were not finalized for distribution during this quarter.

### **Compliant Agencies**

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Department of Behavioral Health and Developmental Services



## 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 2018 To-Date		Comparative Fiscal Year Ended June 30, 2017	
	Late	Total	Late	Total
Number of Payments	35,475	2,510,577	30,766	2,396,377
Dollars (in thousands)	\$220,761	\$7,982,035	\$ 189,304	7,298,775
Interest Paid on Late Payments		\$14,076		
Fiscal Year-to-Date Percentage of Payments in Compliance		98.6%		
Comparative Fiscal Year 2016 Percentage of Payments in Compliance		98.7%		



## Prompt Payment Performance by Secretarial Area

*Fiscal Year 2018*

<b>Secretarial Area</b>	<b>Payments in Compliance</b>	<b>Dollars in Compliance</b>
Administration	97.7%	98.4%
Agriculture and Forestry	99.6%	97.8%
Commerce and Trade	98.7%	98.3%
Education*	98.6%	97.8%
Executive Offices	99.5%	98.2%
Finance	99.7%	97.8%
Health and Human Resources	98.1%	92.6%
Independent Agencies	99.5%	98.4%
Judicial	99.8%	99.9%
Legislative	99.8%	99.7%
Natural Resources	98.1%	94.2%
Public Safety and Homeland Security	98.6%	98.3%
Technology	100.0%	100.0%
Transportation*	99.2%	96.1%
Veterans and Defense Affairs	98.7%	93.1%
<b>Statewide</b>	<b>98.6%</b>	<b>97.2%</b>

\*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 2018, 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 2018*

<b>Agency</b>	<b>Late Payments</b>	<b>Total Payments</b>	<b>Payments in Compliance</b>
<b>Administration</b>			
Virginia Information Technologies Agency	551	4,849	88.6%
<b>Education</b>			
Central Virginia Community College	219	2,233	90.2%
Dabney S Lancaster Community College	180	1,601	88.8%
Danville Community College	155	2,567	94.0%
Eastern Shore Community College	94	560	83.2%
Germanna Community College	217	3,187	93.2%
Gunston Hall	36	259	86.1%
Lord Fairfax Community College	266	4,974	94.7%
Patrick Henry Community College	211	3,880	94.6%
Paul D Camp Community College	132	1,216	89.1%
Piedmont Virginia Community College	271	2,664	89.8%
Rappahannock Community College	285	2,543	88.8%
Southwest Virginia Community College	182	1,653	89.0%
Thomas Nelson Community College	562	3,540	84.1%
Virginia Community College System - Shared Services Center	25	387	93.5%
Virginia Highlands Community College	128	1,893	93.2%
<b>Health and Human Resources</b>			
Department for the Deaf and Hard of Hearing	52	557	90.7%
Virginia Board for People with Disabilities	19	346	94.5%
<b>Public Safety and Homeland Security</b>			
Department of Military Affairs	863	9,447	90.9%

## **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 June were due on 7/17/2018.

### **Certifications Late or Outstanding**

*As of August 7, 2018*

<b>Agency</b>	<b>Jun</b>
Rappahannock Community College	7/24/18
New College Institute	7/24/18

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

\*The FY 2018 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 17, 2018. E-mail and Fax copies were accepted on July 17<sup>th</sup> with the expectation that the original would be received by July 18, 2018.



## E-Commerce

### *Travel Check Charges*

In accordance with Chapter 1, 2018 Special Session I, 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 2018.

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**

<b>Agency by Secretarial Area</b>	<b>Quarter Ended June 30, 2018</b>	<b>Fiscal Year 2018 To-date Charges</b>
<b>Commerce and Trade</b>		
Department of Housing and Community Development	\$5.00	\$5.00
<b>Education</b>		
Virginia Military Institute	\$140.00	\$230.00
Virginia State University	\$45.00	\$115.00
Cooperative Extension and Agricultural Research Services	\$0.00	\$15.00
Richard Bland College	\$5.00	\$5.00
J. Sargeant Reynolds Community College	\$5.00	\$5.00
Eastern Shore Community College	\$5.00	\$35.00
Central Virginia Community College	\$5.00	\$5.00
<b>Health and Human Resources</b>		
Department of Health	\$10.00	\$25.00
<b>Judicial</b>		
Magistrate System	\$55.00	\$200.00
Circuit Courts	\$190.00	\$625.00
General District Courts	\$285.00	\$925.00
Juvenile and Domestic Relations District Courts	\$55.00	\$180.00
<b>Legislative</b>		
Virginia State Crime Commission	\$5.00	\$10.00
<b>Natural Resources</b>		
Department of Game and Inland Fisheries	\$10.00	\$15.00
<b>Public Safety and Homeland Security</b>		
Department of Military Affairs	\$25.00	\$45.00
Department of Emergency Management	\$60.00	\$305.00
Department of Corrections - Central Administration	\$0.00	\$15.00
Virginia Correctional Enterprises	\$0.00	\$35.00
Augusta Correctional Center	\$0.00	\$5.00
Department of Juvenile Justice	\$5.00	\$10.00
Department of Alcoholic Beverage Control	\$10.00	\$50.00
<b>Transportation</b>		
Department of Motor Vehicles	\$5.00	\$15.00
<b>Veterans and Defense Affairs</b>		
Department of Veterans Services	\$0.00	\$15.00

### ***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, 2018, 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 2018.

**Agency****Purchase Card Program :****# of Late Payments    Fiscal Month Paid Late****Education**

Central Virginia Community College – Shared Services	5	Oct, Dec, Feb, Mar, Apr
Dabney S. Lancaster Community College	1	Oct
Dabney S. Lancaster Community College – Shared Services	3	Oct, Dec, Jan
Danville Community College - Shared Services	1	Feb
Department of Education, Central Office Operations	1	Feb
Eastern Shore Community College – Shared Services	2	Oct, Dec
Frontier Culture Museum of Virginia	1	Sep
Germanna Community College – Shared Services	4	Oct, Dec, Jan, May
James Madison University	1	Oct
New College Institute	1	Dec
Paul D. Camp Community College – Shared Services	2	Oct, May
Piedmont Virginia Community College – Shared Services	2	Oct, Feb
Rappahannock Community College – Shared Services	4	Oct, Dec, Feb, May
Richard Bland College	2	July, Dec
Thomas Nelson Community College – Shared Services	2	Oct, Dec
University of Virginia Medical Center	5	Dec, Jan, Mar, Apr, May
Virginia Community College System-Central Office	1	Nov
Virginia Community College System-Shared Services Center	5	Nov, Dec, Jan, Feb, Mar
Virginia Highlands Community College	1	Mar
Virginia State University	1	Dec
Virginia Western Community College – Shared Services	1	Oct

**Finance**

Department of Taxation	1	Dec
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**Health and Human Resources**

Department of Medical Assistance Services	1	May
Northern Virginia Mental Health Institute	1	Mar
Southwestern Virginia Mental Health Institute	1	Mar

**Legislative**

Auditor of Public Accounts	1	Sept
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**Natural Resources**

Department of Game and Inland Fisheries	1	Jun
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**Public Safety and Homeland Security**

Buckingham Correctional Center	1	Jun
Deep Meadow Correctional Center	1	Nov
Department of Emergency Management	2	Aug, Jun
Keen Mountain Correctional Center	2	Aug, Nov
River North Correctional Center	2	Apr, Jun

**Transportation**

Virginia Port Authority	1	July
Department of Transportation – Northern District	1	Nov
Department of Transportation – Richmond	1	Nov

**Airline Travel Card Program :****Education**

The College of William and Mary in Virginia	1	July
Virginia Institute of Marine Science	1	July
Virginia Museum of Fine Arts	1	Sep

**Veterans and Defense Affairs**

Department of Veterans Services	1	Oct
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### *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 2018, and the total amounts that became past due during the fiscal year.

## Travel Charge Card Program

*Fiscal Year 2018*

<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 &gt;150 Days Past Due</u>
<b>Education</b>				
Longwood University	4	4,431	906	398
Norfolk State University	8	1,966	2,720	0
Old Dominion University	2	1,335	0	0
State Council of Higher Education for Virginia	2	221	221	0
University of Virginia Medical Center	1	137	0	0
Virginia Commonwealth University	4	3,989	0	0
Virginia Military Institute	1	166	0	0
Virginia Polytechnic Institute and State University	6	1,219	608	131
Virginia State University	11	5,223	3,293	0
<b>Health and Human Resources</b>				
Department of Health	2	803	0	0



## Payroll Controls

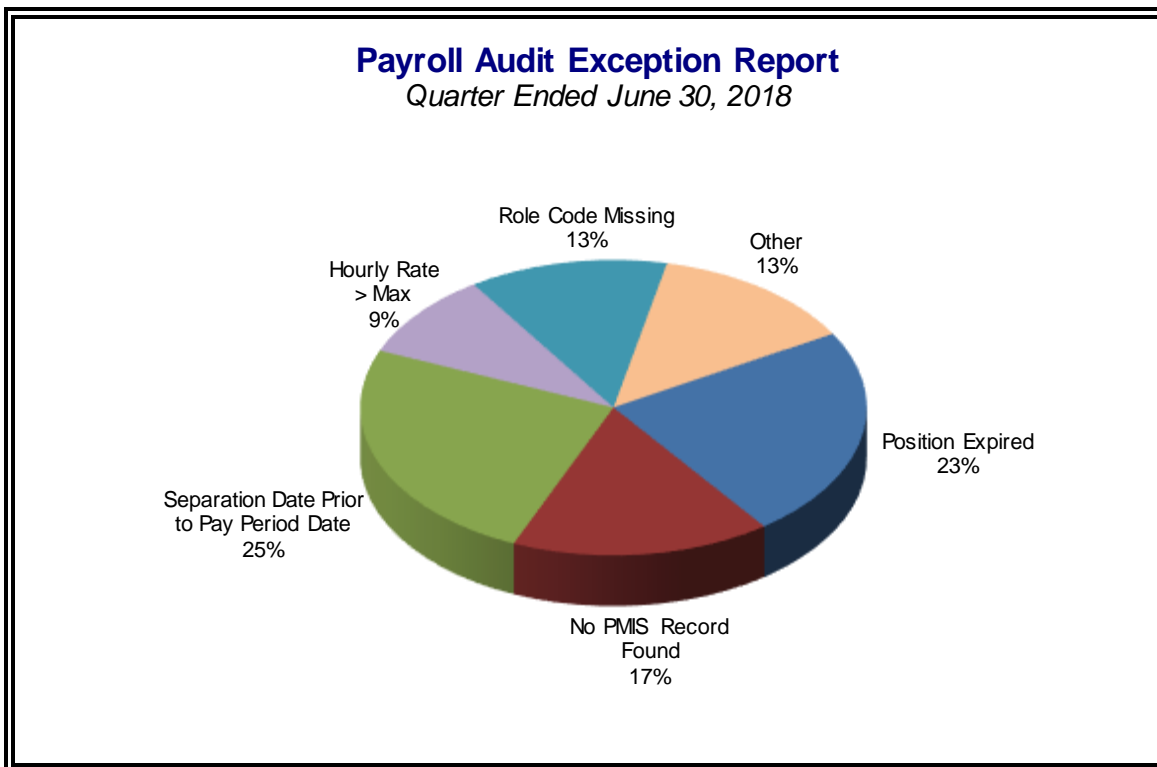
### *CIPPS/PMIS Payroll Audit*

During the quarter, DOA's automated comparison of payroll (CIPPS) and personnel (PMIS) records examined 398,164 salaried pay transactions and 153,408 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 3,105 new exceptions noted statewide during the quarter, with an overall exception rate of 0.03%.

The statewide salaried payroll exception rate was 0.10% and the wage payroll exception rate was 0.09%. During this quarter, 12 employee

paychecks were reduced to recover \$ 3,116.75 in overpayments.

While the largest cause of exceptions are employees whose separation date is prior to the pay period begin date, the second largest cause of exceptions are due to processing payroll for employees whose positions have expired. These exceptions can 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

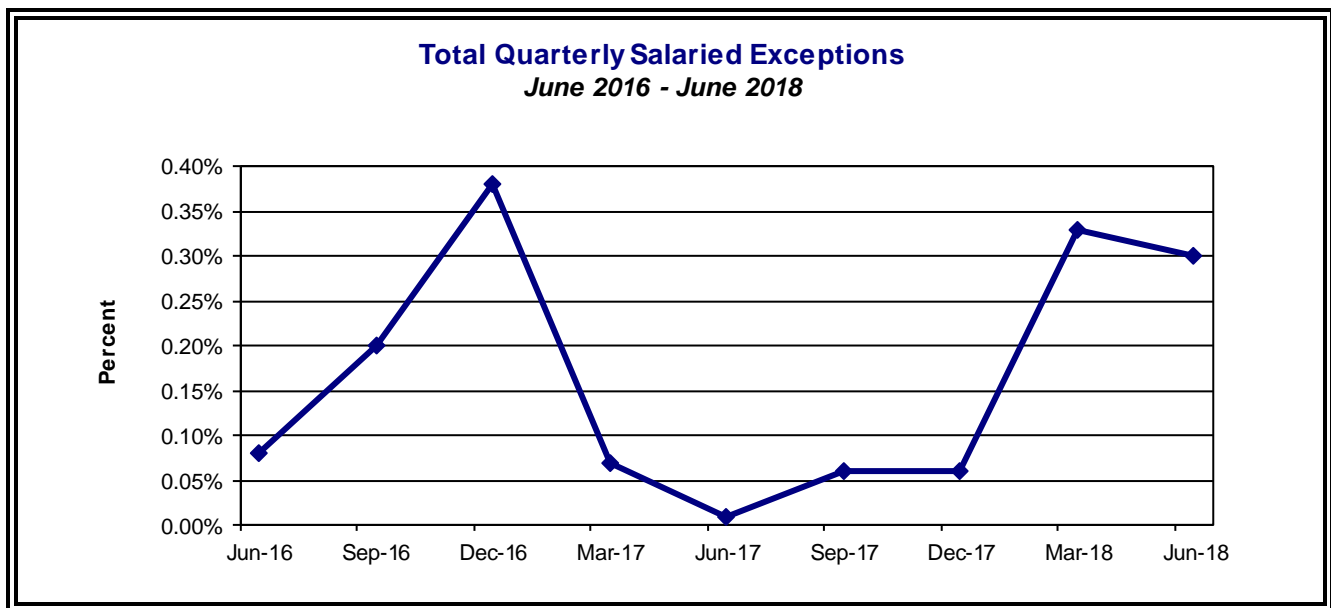
payments exceeds three times the statewide average for the quarter. None of the agencies exceeded the allowed threshold for wage or salaried payments during the quarter ending June 30, 2018.

**Payroll Exception Audit**  
**Agency Payroll Exceptions as a Percent of Salaried Payments**  
*Quarter Ended June 30, 2018*

<u>Agency</u>	<u># of Salaried Exceptions</u>	<u>Exceptions as a % of Salaried Payments</u>
Eastern State Hospital	29	0.69%

<b>Salaried Payroll Exceptions for the Quarter</b>	<b>0.30%</b>
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The following chart compares payroll exceptions as a percentage of salaried payments by quarter for the past two years.



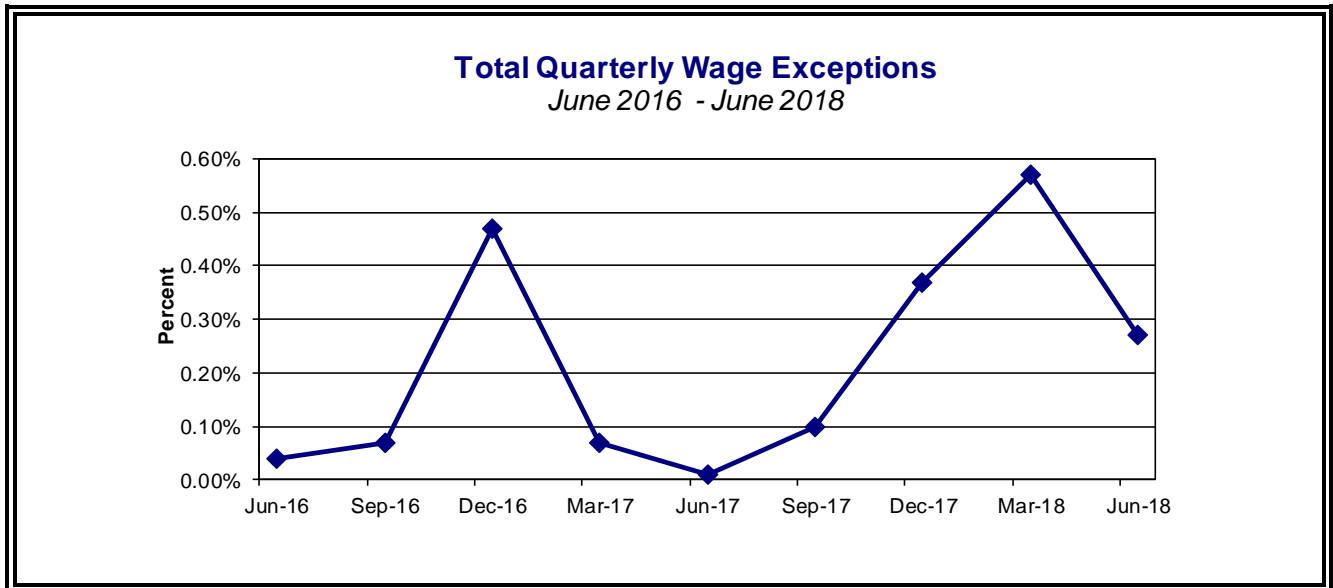
**Payroll Exception Audit**  
**Agency Payroll Exceptions as a Percent of Wage Payments**  
*Quarter Ended June 30, 2018*

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

**Wage Payroll Exceptions for the Quarter**

**0.27%**

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.

<b>Agency</b>	<b>Unresolved Exceptions</b>
Eastern State Hospital	23
Paul D. Camp Community College	16
Piedmont Virginia Community College	14
Lord Fairfax Community College	13
Department of Health	6
Central Virginia Community College	3
Virginia Alcoholic Beverage Control Authority	1
Southside Virginia Community College	1



## *Payroll Certification*

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

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

and are not consistent with sound internal control over payroll.

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

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

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

## Payroll Certification Compliance

<b>Agency</b>	<b>Variance Amount (a)</b>	<b>Performed by DOA (b)</b>	<b>Submitted Late (c)</b>	<b>Corrected by DOA (d)</b>
<b>Education</b>				
Thomas Nelson Community College	\$89,258			
University of Mary Washington	99,641			
<b>Judicial</b>				
General District Courts	62,600			
<b>Public Safety and Homeland Security</b>				
Deep Meadow Correctional Center	47,534			
Wallens Ridge State Prison	173,456			
<b>Veterans and Defense Affairs</b>				
Virginia Veterans Care Center	2,999,994			

\* Certifications entered for these agencies by Department of Accounts

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.



## Accounts Receivable

### Executive Summary

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

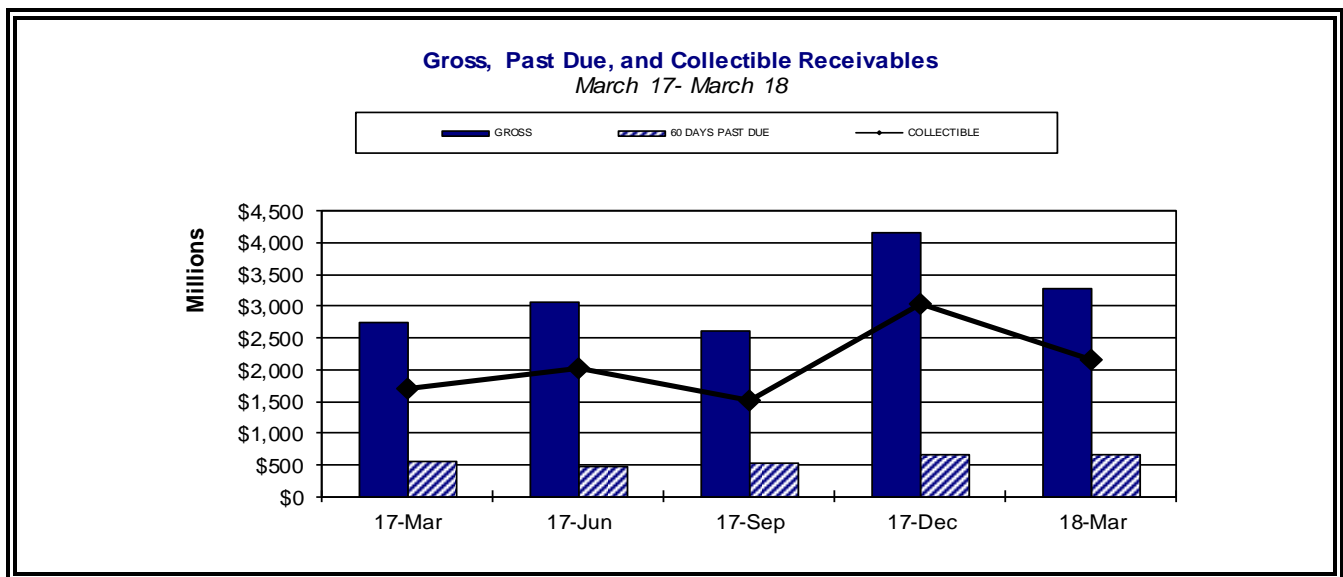
In an effort to present more meaningful information, DOA continues to exclude data from the tables (except for the final table on past due receivables) from the Department of Taxation, consisting largely of statutory assessments and non-filers assessments, and the circuit and district courts, which report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

Commonwealth agencies and institutions reported adjusted gross receivables of \$3.28

billion at March 31, 2018, with \$2.17 billion considered collectible. Receivables over 60 days past due as of March 31, 2018, totaled \$675.5 million. Of that amount, \$35.7 million was placed with private collection agencies, \$44.5 million was placed with the Division of Debt Collection and \$595.3 million was retained in-house for additional collection efforts.

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

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



As of March 31, 2018, agencies expected to collect \$2.17 billion (66% percent) of the \$3.27 billion adjusted gross receivables. About 1 percent is due to the General Fund, primarily for benefit recoveries and sales of permits. The

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

### Collectible Receivables by Fund

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

*As of March 31, 2018*

<b>Fund</b>	<b>Source</b>	<b>Amount</b>	<b>Percent</b>
<b>General Fund</b> <b>1%</b>	Medicaid - Current Recoveries	\$ 14,703,764	48%
	Social Services	3,504,160	11%
	State Police Permits	7,167,183	23%
	Corrections	1,350,922	4%
	Labor and Industry Inspections	1,184,317	4%
	Other	313,451	1%
	Subtotal	28,223,797	92%
	Agency to Agency Receivables	2,438,982	8%
	<b>Total General Fund Collectible</b>	<b>\$ 30,662,779</b>	<b>100%</b>
<b>Nongeneral Funds</b> <b>99%</b>	Medicaid - Dedicated Penalty Fees	\$ 63,558,774	3%
	Medicaid - Federal Reimbursements	9,828,977	1%
	Unemployment Taxes *	298,712,624	14%
	Transportation	87,998,758	4%
	Child Support Enforcement	248,844,593	12%
	Federal Government	66,024,023	3%
	DBHDS Patient Services	14,216,087	1%
	Hospital	589,397,481	27%
	Enterprise	99,588,023	4%
	Higher Education	361,481,436	16%
	Other	44,178,278	3%
	Subtotal	1,883,829,054	88%
	Agency to Agency Receivables	255,958,176	12%
	<b>Total Nongeneral Fund Collectible</b>	<b>\$ 2,139,787,230</b>	<b>100%</b>
<b>All Funds</b>	<b>Grand Total</b>	<b>\$ 2,170,450,009</b>	<b>100%</b>

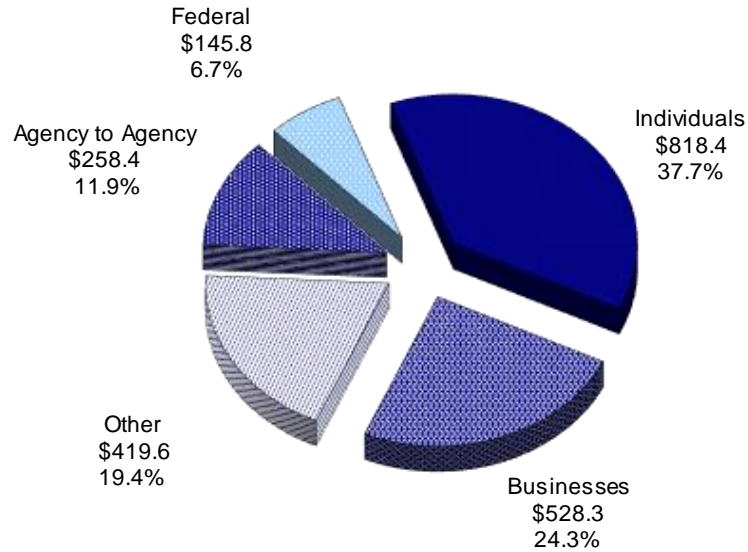
\*Note: The Virginia Employment Commission provides Unemployment Taxes Information.

## Summary of Receivables by Source

### Sources of Collectible Receivables by Debtor

(dollars in millions)

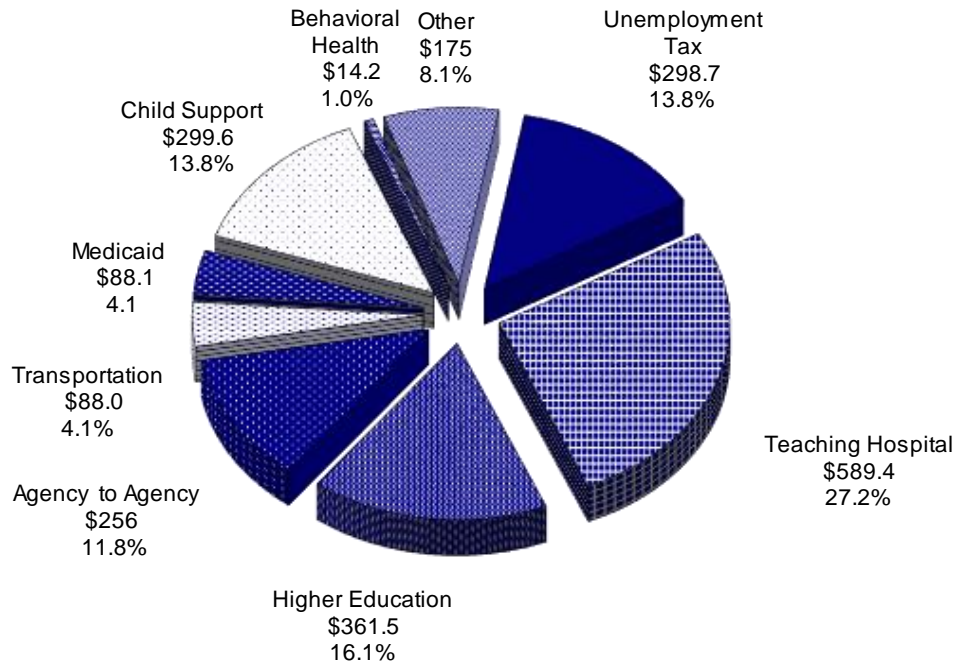
As of March 31, 2018



### Sources of Collectible Receivables by Type

(dollars in millions)

As of March 31, 2018



Not counting Taxation and the Courts, ten agencies account for 86 percent of the Commonwealth's adjusted gross and 82

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, 2018*

Agency	Gross	Allowance for Uncollectible Accounts	Collectible
University of Virginia Medical Center	\$ 1,165,971,460	\$ 520,905,769	\$ 645,065,691
Virginia Employment Commission	334,344,284	32,970,717	301,373,567
Department of Social Services	734,740,483	435,147,942	299,592,541
Virginia Polytechnic Institute and State University	108,812,667	1,749,037	107,063,630
Department of Medical Assistance Services	122,349,327	34,257,812	88,091,515
Department of Transportation	90,497,252	4,207,156	86,290,096
Virginia Lottery	71,978,583	-	71,978,583
University of Virginia - Academic Division	67,423,131	1,706,864	65,716,267
Virginia Commonwealth University	62,163,957	5,538,011	56,625,946
Virginia Community College System-Central Office	49,229,260	1,650,796	47,578,464
<b>Total</b>	<b>\$ 2,807,510,404</b>	<b>\$ 1,038,134,104</b>	<b>\$ 1,769,376,300</b>
All Other Agencies	469,199,646	68,125,937	401,073,709
<b>Grand Total</b>	<b>\$ 3,276,710,050</b>	<b>\$ 1,106,260,041</b>	<b>\$ 2,170,450,009</b>

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 \$52.5 million during the quarter ended March 31, 2018. The Division of Debt Collection contributed \$1.6 million. Private collection agencies collected \$2.5 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected \$48.4 million.

Private collection agencies returned \$10.0 million of accounts to agencies, and the Division of Debt Collection discharged \$1.1 million of accounts and returned \$1.7 million of accounts to agencies.

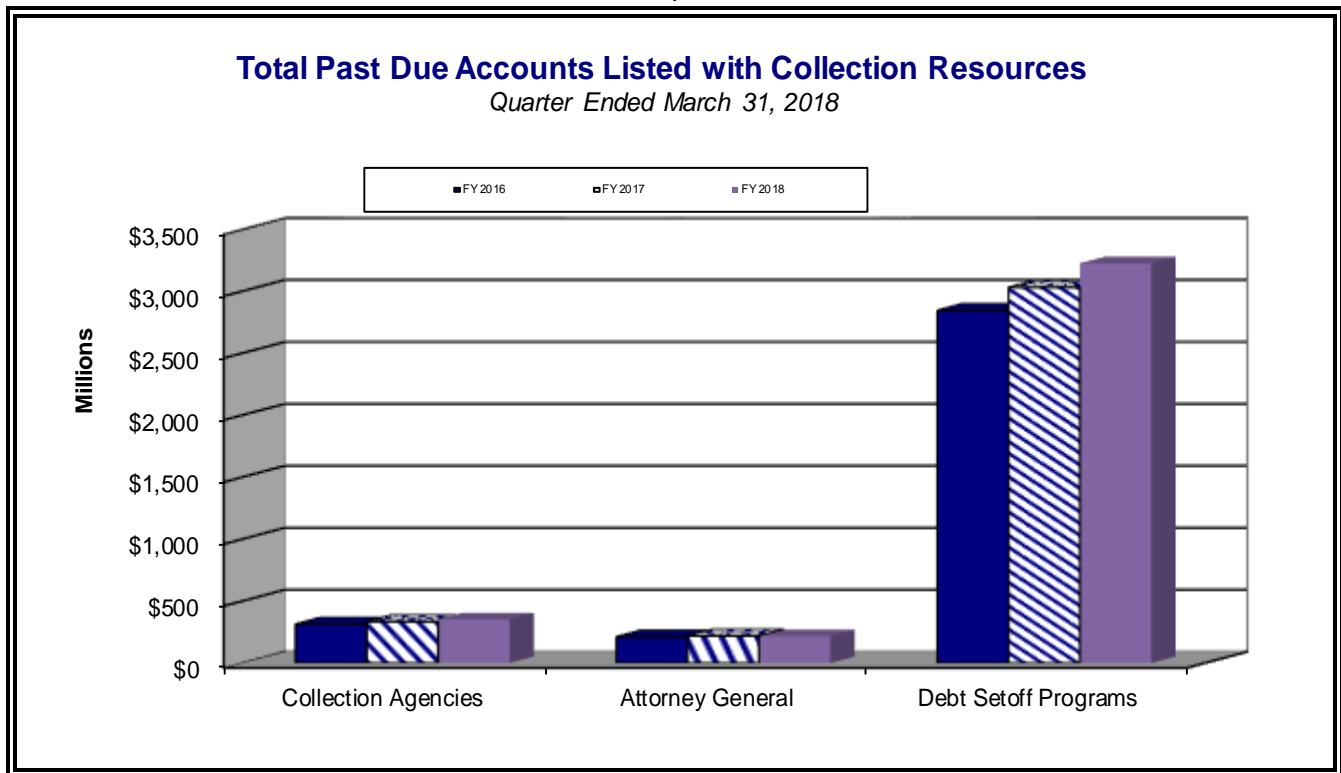
## Collectible Receivables Over 60 Days Past Due

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

*As of March 31, 2018*

Agency	Total Over 60 Days	With Collection Agency	With Attorney General	Retained by State Agency
Department of Social Services	\$ 252,741,915	\$ 4,945	\$ 54,228	\$ 252,682,742
University of Virginia Medical Center	182,843,572	15,959,605	1,565,575	165,318,392
Virginia Employment Commission	52,692,000	8,579,239	16,363,806	27,748,955
Department of Medical Assistance Services	38,270,068	119,201	1,157,865	36,993,002
Department of Behavioral Health and Developmental Services	29,057,685	-	-	29,057,685
Department of Transportation	13,142,547	398,995	7,794,171	4,949,381
Department of State Police	11,879,845	-	921,492	10,958,353
George Mason University	10,695,127	2,365,443	201,525	8,128,159
University of Virginia - Academic Division	10,006,668	254,477	7,880,679	1,871,512
University of Virginia	8,520,629	431,056	44,247	8,045,326
<b>TOTAL</b>	<b>\$ 609,850,056</b>	<b>\$ 28,112,961</b>	<b>\$ 35,983,588</b>	<b>\$ 545,753,507</b>
All Other Agencies	65,601,005	7,597,294	8,497,870	49,505,841
<b>TOTAL OVER 60 DAYS</b>	<b>\$ 675,451,061</b>	<b>\$ 35,710,255</b>	<b>\$ 44,481,458</b>	<b>\$ 595,259,348</b>
Uncollectible Amounts Placed for Collection, Including Accounts Written Off	3,795,933,267	352,612,752	217,771,027	3,225,549,488
<b>TOTAL COLLECTION EFFORTS</b>	<b>\$ 4,471,384,328</b>	<b>\$ 388,323,007</b>	<b>\$ 262,252,485</b>	<b>\$ 3,820,808,836</b>

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 \$12.3 million in FY 2018. 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**

<b>Agency</b>	<b>Percent 3/30/18</b>	<b>Comparative</b>	
		<b>Percent 3/30/17</b>	<b>Percent 3/30/16</b>
Department of State Police	78%	50%	37%
Department of Behavioral Health and Developmental Services	50%	48%	45%
Department of Social Services	34%	36%	45%
Department of Medical Assistance Services	31%	59%	31%
George Mason University	23%	22%	21%
Virginia Commonwealth University	16%	13%	16%
Virginia Employment Commission	16%	14%	14%
University of Virginia Medical Center	16%	10%	13%
Department of Transportation	15%	5%	13%
University of Virginia - Academic Division	13%	13%	14%
<b>Statewide Average - All Agencies</b>	<b>21%</b>	<b>20%</b>	<b>20%</b>

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 82 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 68 percent indicates that for every dollar billed during the quarter ended March 31, 2018, the state collected sixty-eight cents. This rate is the one percent lower than last year and five percent lower than two years ago.

### Collections as a Percentage of Billings

Agency	Percent 3/30/18	Comparative	
		Percent 3/30/17	Percent 3/30/16
Virginia Commonwealth University	317%	315%	227%
University of Virginia - Academic Division	261%	250%	280%
Virginia Polytechnic Institute and State University	222%	218%	219%
Virginia Community College System-Central Office	130%	115%	128%
Department of Transportation	117%	95%	98%
Department of Social Services	110%	106%	100%
Virginia Lottery	99%	99%	101%
Department of Medical Assistance Services	63%	65%	51%
Virginia Employment Commission	27%	26%	28%
University of Virginia Medical Center	26%	27%	26%
<b>Statewide Average - All Agencies</b>	<b>106%</b>	<b>102%</b>	<b>102%</b>

## 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 \$88.1 million at March 31, 2018, is a \$2.6 million increase over the \$85.5 million reported at March 31, 2017. Over the same period, total past due receivables of \$40.9 million have decreased by \$15 million from \$75.9 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 \$645.1 million at March 31, 2018, were a \$590.4 million increase from the \$54.7 million reported the previous year. Past due

receivables increased by \$252.4 million to \$428.4 million over the previous year.

### ***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 \$301.4 million at March 31, 2018, a decrease of \$34.7 million from the previous year. Total past due receivables were \$57.4 million, a \$24.2 million decrease from 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, 2018, of \$47.0 million, which is a decrease of \$1.1 million reported in the previous year. Most of these receivables are

due from other state agencies. As of March 31, 2018, \$1.3 million was over 60 days past due, an increase of \$.5 million from the previous year.

### ***Virginia Lottery (VAL)***

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, 2018, the Virginia Lottery reported net receivables of \$72.0 million, a \$4.8 million increase from the previous year. Billings increased by \$20.6 million and collections increased by \$21.0 million during the March 31, 2018 quarter when compared to the March 31, 2017 quarter. At March 31, 2018, the Virginia Lottery had \$394,040 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, 2018, 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, 2018, the University reported net collectible receivables of \$107.1 million, an increase of \$9.8 million over the prior year. At the same time, total past due receivables of \$8.9 million increased by \$0.6 million over the prior year.

The University uses a variety of collection methods to encourage payments. At March 31, 2018, VPISU/ID had \$5.9 million of accounts over 60 days past due. Of that amount, \$814,724 was placed with private collection agencies, and \$4.9 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, 2018, DBHDS reported collectible receivables of \$14.2 million, a \$5.2 million decrease over the previous year. \$40.2 million was past due, with \$29.1 million being over 60 days past due. Total past due receivables increased by \$7.2 million over the year, and accounts over 60 days past due increased by \$5.0 million. At March 31, 2018, the Department had a total of \$14.3 million of accounts placed with the Attorney General and \$1.1 million listed in Taxation's Debt Setoff Programs.

### ***Department of Transportation (VDOT)***

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

At March 31, 2018, VDOT reported \$86.3 million of collectible receivables, a decrease of \$137.3 million from the prior year. VDOT also reported \$25.0 million total past due and \$13.1 million being over 60 days past due. Past due receivables increased by \$1.8 million over the year, while receivables over 60 days past due decreased by \$1.2 million. VDOT reports that the large majority of the accounts over 60 days past due continue to be amounts owed by cities, counties and towns that are participating on long-term construction projects with the department and where the local fund shares are provided by local debt financing.

VDOT reported placing \$7.8 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, 2018, DSS reported gross receivables of \$734.7 million, an allowance for doubtful accounts of \$435.1 million and collectible receivables of \$299.6 million. Past due receivables totaled \$256.7 million, of which \$252.7 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for \$653.3 million (89 percent) of the gross receivables, \$404.4 million (93 percent) of the allowance for doubtful accounts and \$248.8 million (83 percent) of the collectible receivables.

From March 31, 2017 to March 31, 2018, gross receivables increased by \$73.7 million and collectible receivables increased by \$54.5 million. Total past due receivables increased by \$12.1 million and receivables over 60 days past due increased by \$11.9 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, 2018, DRPT had gross and net receivables of \$15.7 million. The majority of this money is due via an interagency transfer from VDOT. DRPT reported \$642,175 of past due receivables at March 31, 2018.

***Virginia Commonwealth University (VCU)***

VCU, based in Richmond, offers 225 degree and certificate programs through VCU's 13 schools and one college to over 31,000 students. VCU is designated as a research university with very high research activity by the Carnegie Foundation. A broad array of university-approved centers and institutes of excellence, involving faculty from multiple disciplines in public policy, biotechnology and health care discoveries, supports the University's research mission.

At March 31, 2018, VCU had \$56.6 million of collectible receivables, a \$15.4 million decrease from March 31, 2017. Total past due accounts were \$10.5 million, a \$1.1 million decrease from March 31, 2017. Accounts over 60 days past due (\$10.0 million) decreased by \$466,969 from the prior year. Billings decreased at March 31, 2018 by \$876,898 to \$85.9 million and collections decreased by \$1.1 million to \$272.1 million for the March 31, 2018 quarter, when compared to the March 31, 2017 quarter.

Taxation and the Circuit and District Courts accounted for 72 percent (\$2.57 billion) of the Commonwealth's total \$3.58 billion past due accounts receivable at March 31, 2018.

Another 18 agencies accounted for 27 percent (\$979.3 million), leaving 58 other agencies to comprise the last one percent at \$38.7 million.

### Agencies with the Largest Volume of Past Due Receivables

As of March 31, 2018

Agency	Total Past Due	1 to 180 Days Past Due	181 to 365 Days Past Due	Over One Year
Department of Taxation	\$ 1,753,018,985	144,213,508	130,369,001	1,478,436,476
Localities' Circuit and District Courts	812,848,755	52,687,072	41,946,134	718,215,549
<b>Total - Taxation Assessments and Court Fines and Fees</b>	<b>\$ 2,565,867,740</b>	<b>\$ 196,900,580</b>	<b>\$ 172,315,135</b>	<b>\$ 2,196,652,025</b>
<b>All Other Large Dollar Agencies:</b>				
University of Virginia Medical Center	428,362,351	349,447,673	61,390,652	17,524,026
Department of Social Services	256,747,794	12,327,191	12,284,148	232,136,455
Virginia Employment Commission	57,367,738	8,890,572	8,326,637	40,150,529
Department of Medical Assistance Services	40,991,330	9,065,574	5,269,223	26,656,533
Department of Behavioral Health and Developmental Services	40,163,574	28,569,780	30,680	11,563,114
Department of Transportation	25,014,531	15,898,293	2,188,802	6,927,436
University of Virginia - Academic Division	22,871,905	19,809,959	1,387,137	1,674,809
Virginia Community College System	14,872,496	13,207,146	1,544,264	121,086
George Mason University	14,708,088	11,783,498	2,063,906	860,684
Virginia Information Technologies Agency	13,872,037	13,560,791	134,706	176,540
Department of State Police	13,076,156	4,165,014	3,012,564	5,898,578
Virginia Commonwealth University	10,545,172	4,723,023	1,846,296	3,975,853
Old Dominion University	9,148,187	7,262,817	1,575,032	310,338
Virginia Polytechnic Institute and State University	8,928,837	7,847,220	751,573	330,044
Norfolk State University	7,018,615	3,993,177	445,491	2,579,947
Department of General Services	6,221,862	2,393,767	923,471	2,904,624
Virginia Workers' Compensation Commission	4,859,412	1,022,265	931,162	2,905,985
Department of Labor and Industry	4,523,260	359,640	388,166	3,775,454
<b>Total - Largest Dollar Volume Agencies</b>	<b>\$ 979,293,345</b>	<b>\$ 514,327,400</b>	<b>\$ 104,493,910</b>	<b>\$ 360,472,035</b>
All Other Agencies	38,670,537	24,090,418	5,923,763	8,656,356
<b>Grand Total Past Due Receivables</b>	<b>\$ 3,583,831,622</b>	<b>\$ 735,318,398</b>	<b>\$ 282,732,808</b>	<b>\$ 2,565,780,416</b>

