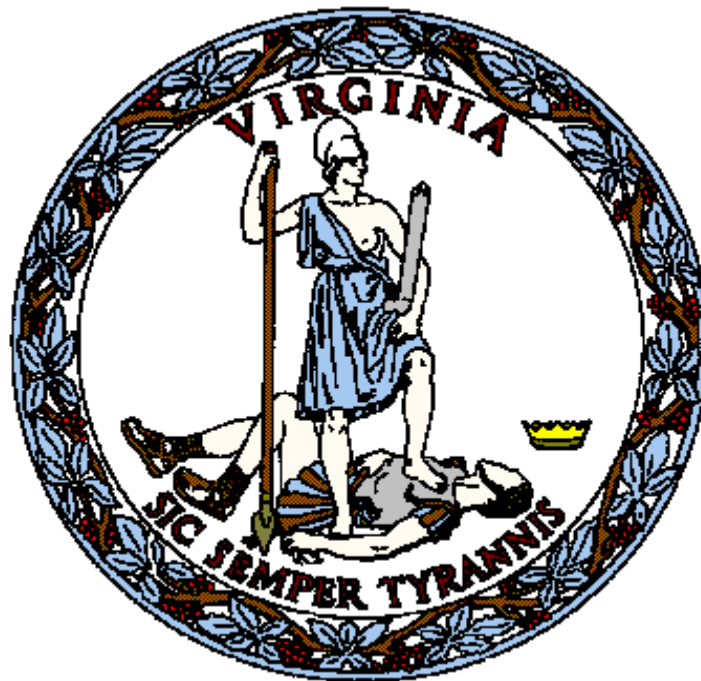


# **REPORT ON STATEWIDE COMPLIANCE**

**FOR THE QUARTER ENDED  
MARCH 31, 2018**



**OFFICE OF THE COMPTROLLER**

**DEPARTMENT OF ACCOUNTS**



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## REPORT ON STATEWIDE COMPLIANCE

*Quarter Ended March 31, 2018*

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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 March 31, 2018, and comparative FY 2017 data.

David A. Von Moll, CPA, CGFM  
Comptroller



Virginia Department of Accounts

Financial Accountability. Reporting Excellence.

## SPECIAL REPORT

### 2017 Year-End Payroll Processing

At the end of calendar year 2017, DOA working with 203 state agencies and institutions, verified and printed 118,238 W-2s. This was a slight decrease from the number of W-2s printed in 2016.

	CY 2017	CY 2016
W-2s Printed	118,238	119,599
W-2Cs Printed	76*	58*
Agencies Making Adjustments	43	59
Employee Records Requiring Year-End Adjustments	194	180

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

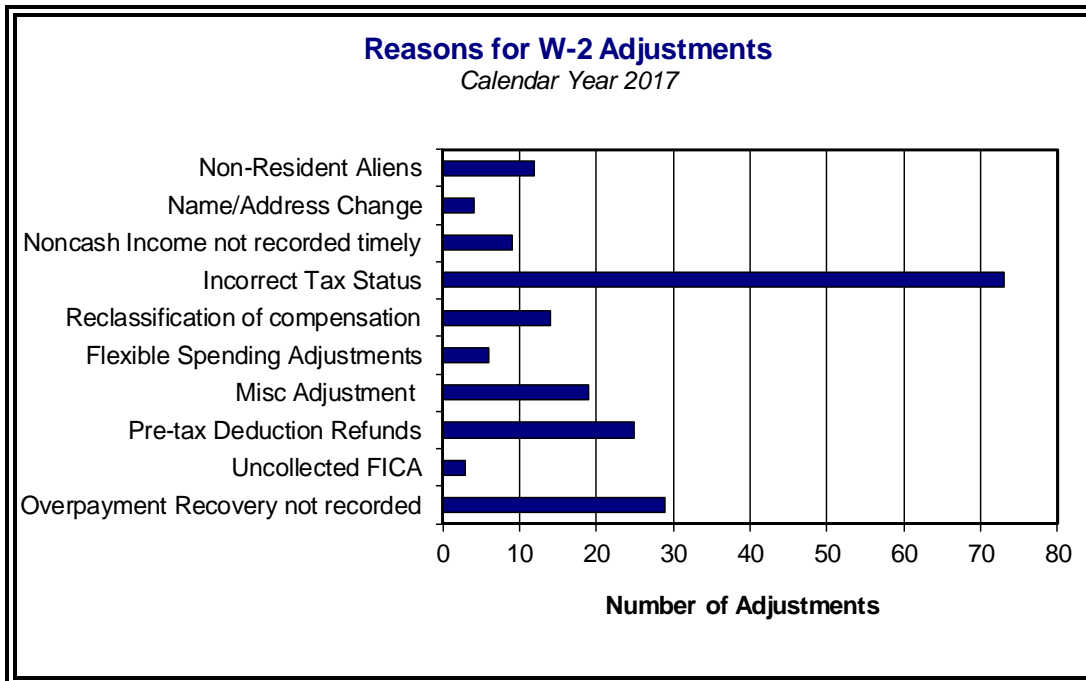
Many agencies improved the timeliness of payroll updates during the year which made it possible to begin W2 processing sooner.

As a result, required processing deadlines continue to be met without difficulty.

Submissions of certified year-end reports continue to follow the same trend as last year.

Agencies adjusted 194 employee records. Thirty-eight percent of all adjustments were required to correct taxable wages for employees resulting from incorrect tax status. Fifteen percent were due to adjustment of wages resulting from recovery of overpayments. Another thirteen percent of all adjustments were attributable to adjustments for refunds of pre-tax deductions.

W-2s are printed at the Department of Treasury using self-mailers. Upon return from Treasury, agencies are notified that the W-2s are ready for pickup. CIPPS W-2s were available in Payline by January 24 for all agencies. All paper copies were picked up by January 26th for subsequent delivery to employees.



## 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 March 31, 2018*

The APA issued 7 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.

	New Findings	Repeat Findings	Total Findings	CAW Received
<b>Administration</b>				
Department of Human Resources Management	2	3	5	YES
<b>Agriculture and Forestry</b>				
None				
<b>Commerce and Trade</b>				
None				
<b>Education</b>				
Department of Education and Direct Aid to Public Education	9	2	11	YES
Virginia Polytechnic Institute and State University	0	0	0	N/A

	New Findings	Repeat Findings	Total Findings	CAW Received
Virginia State University	3	1	4	YES
<b>Executive Offices</b>				
None				
<b>Finance<sup>(1)</sup></b>				
Department of Accounts	2	0	2	YES
Department of Planning and Budget	0	0	0	N/A
Department of Taxation	5	0	5	YES
Department of the Treasury <sup>(2)</sup>	4	1	5	YES
<b>Health and Human Resources<sup>(3)</sup></b>				
Department of Behavioral Health and Developmental Services	4	5	9	YES
Department of Health	2	1	3	YES
Department of Medical Assistance Services	8	3	11	YES
Department of Social Services	2	3	5	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<sup>(4)</sup></b>				
Department of Motor Vehicles	2	2	4	YES
Department of Transportation	3	1	4	YES
<b>Veterans and Defense Affairs</b>				
None				

(1) The Secretary of Finance audit included the Department of Accounts, Department of Planning and Budget, Department of Taxation, and the Department of Treasury.

(2) The Department of the Treasury audit included Treasury Board operations.

(3) The Agencies of the Secretary of Health and Human Resources audit included the Department of Behavioral Health and Developmental Services, Department of Health, Department of Medical Assistance Services, and the Department of Social Services.

(4) The Agencies of the Secretary of Transportation audit included the Department of Motor Vehicles and the Department of Transportation.









### *Department of Health*

1. Improve Timely Removal of Critical Access. **This is a Repeat Finding.**
2. Improve Database Security
3. Strengthen Subrecipient Monitoring Process

### *Department of Medical Assistance Services*

1. Develop Processes to Facilitate the Controlling of Privileges in the Claims Processing System. **This is a Material Weakness.**
2. Remove Access to the Current Claims Processing System in a Timely Manner. **This is a Material Weakness.**
3. Complete Annual Review for the Current Claims Processing System. **This is a Material Weakness.**
4. Perform the Required Information Technology Review. **This is a Material Weakness and a Repeat Finding.**
5. Review and Document Service Organization Control Reports of Third-Party Service Providers. **This is a Repeat Finding.**
6. Ensure Employees have Proper Access Roles within the Commonwealth's Procurement System
7. Correct Policies and Procedures for E-mailing Sensitive Information to State Agencies
8. Develop Procedures and Performance Expectations for Resolving Social Security Number Discrepancies
9. Improve Collective Knowledge of Annual Accrual Reporting. **This is a Material Weakness.**
10. Improve the Accounts Receivable Collection Process. **This is a Repeat Finding.**
11. Create Policies and Procedures to Ensure Compliance with Statement of Economic Interest Requirements

### *Department of Social Services*

1. Improve Database Security for Financial Reporting System
2. Continue Improving Database Security for Case Management System. **This is a Partial Repeat Finding.**
3. Improve Policies, Procedures, and Plans for Backup and Restoration. **This is a Repeat Finding.**
4. Continue Improving Oversight of Third-Party Service Providers. **This is a Repeat Finding.**
5. Obtain and Retain Statement of Economic Interest Training Records



***Risk Alerts – Quarter Ended March 31, 2018***

The APA issued the following Risk Alert:

Mitigate Server Vulnerabilities – Department of Taxation.

***Special Reports – Quarter Ended March 31, 2018***

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

Comparative Report of Local Government Revenue and Expenditures for the fiscal year ended June 30, 2017

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

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

Commonwealth of Virginia Single Audit Report for the year ended June 30, 2017

Local Government Fiscal Distress Monitoring – March 2018

***Other Audit Reports – Quarter Ended March 31, 2018***

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

Eastern Shore Community College Review for the year ended June 30, 2017

George Mason University Intercollegiate Athletics Programs for the year ended June 30, 2017

Internal Control Report on Local Government Investment Pool, Virginia College Building Authority, Virginia Public Building Authority, and Virginia Public School Authority for the year ended June 30, 2017

James Madison University Intercollegiate Athletics Programs for the year ended June 30, 2017

Longwood University Intercollegiate Athletics Programs for the year ended June 30, 2017

Norfolk State University Intercollegiate Athletics Programs for the year ended June 30, 2017

Paul D. Camp Community College Review for the year ended June 30, 2017

Old Dominion University Intercollegiate Athletics Programs for the year ended June 30, 2017

Radford University Intercollegiate Athletics Programs for the year ended June 30, 2017

Rappahannock Community College Review for the year ended June 30, 2017

The College of William and Mary in Virginia Intercollegiate Athletics Programs for the year ended June 30, 2017

University of Virginia Intercollegiate Athletics Programs for the year ended June 30, 2017

University of Virginia's College at Wise Intercollegiate Athletics Programs for the year ended June 30, 2017

Virginia Commonwealth University Intercollegiate Athletics Programs for the year ended June 30, 2017

Virginia Community College System Workforce Innovation and Opportunity Act Federal Grant Programs for the year ended June 30, 2017

Virginia Military Institute Intercollegiate Athletics Programs for the year ended June 30, 2017

Virginia Polytechnic Institute and State University Intercollegiate Athletics Programs for the year ended June 30, 2017

Virginia Removal or Rehabilitation of Derelict Structures Fund for the year ended June 30, 2017

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

Department of Criminal Justice Services – Crime Victim Assistance Federal Grant Program for the year ended June 30, 2017

Department of Military Affairs – National Guard Military Operations and Maintenance Projects Federal Grant 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	1	0	0
Department of General Services	0	1	0	0
Department of Human Resource Management	0	3	0	0
<b>Commerce and Trade</b>				
Virginia Employment Commission	6	3	1	1
<b>Education</b>				
Christopher Newport University	0	1	0	0
Department of Education	0	4	0	0
George Mason University	0	2	0	0
Longwood University	7	0	0	0
Norfolk State University	0	3	0	0
Richard Bland College	5	0	4	0
Southern Virginia Higher Education Center	0	1	0	0
The College of William and Mary in Virginia	0	2	1	0
University of Mary Washington	2	0	1	0
University of Virginia	2	1	0	1
University of Virginia Medical Center	3	0	2	0
Virginia Commonwealth University	3	1	0	1
Virginia Community College System - Central Office	1	2	0	0
John Tyler Community College	0	1	0	0
Virginia Highlands Community College	0	1	0	1
Virginia School for the Deaf and Blind	0	1	0	0
Virginia State University	0	0	1	0
<b>Executive Offices</b>				
Attorney General and Department of Law	0	0	0	2
Governor's Cabinet Secretaries	0	0	1	0
<b>Finance</b>				
Department of the Treasury	1	0	0	0

	IN PROGRESS		COMPLETED	
	On Schedule	Delayed	On Schedule	Delayed
<b>Health and Human Resources</b>				
Department of Behavioral Health and Developmental Services	0	1	0	2
Department of Health	0	1	0	0
Department of Medical Assistance Services	0	2	0	0
Department of Social Services	0	3	0	0
<b>Independent Agencies</b>				
Virginia Lottery	0	0	2	0
<b>Natural Resource</b>				
Department of Game and Inland Fisheries	3	0	5	0
<b>Public Safety and Homeland Security</b>				
Department of Alcoholic Beverage Control	2	0	0	0
Department of Corrections	2	0	2	0
Department of State Police	0	5	0	0
<b>Transportation</b>				
Department of Motor Vehicles	0	3	0	0
<b>TOTALS</b>	<b>37</b>	<b>43</b>	<b>20</b>	<b>8</b>











**Audit Year: 2015**

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

**Status:** DOE and vendor plan to complete a Gap Analysis of Information Security Program and mitigation plan by end of CY 2018 Q1 and are working with the vendor to create a plan for mitigation of any deficiencies over a 3-year cycle. Chief Information Security Officer and Deputy Superintendent of Finance & Operations have coordinated to execute an agreement for a VITA Security Audit of Sensitive Systems, including Oracle Financials. VITA Audit Services is on-site auditing VDOE's Information Security Program against the Commonwealth Security Standard. DOE policies and procedures manual has been signed and approved by the Superintendent of Public Instruction. Chief Information Security Officer and HR Office have completed a successful Security Awareness Campaign. DOE has contracted with a Vendor to perform Risk Assessments.  
**Status Summary:** In Progress (Delayed)

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

**Status:** DOE and vendor plan to complete a Gap Analysis of Information Security Program and mitigation plan by end of CY 2018 Q1 and are working with the vendor to create a plan for mitigation of any deficiencies over a 3-year cycle. Chief Information Security Officer and Deputy Superintendent of Finance & Operations have coordinated to execute an agreement for a VITA Security Audit of Sensitive Systems, including Oracle Financials. VITA Audit Services is on-site auditing DOE's Information Security Program against the Commonwealth Security Standard. DOE policies and procedures manual has been signed and approved by the Superintendent of Public Instruction. Chief Information Security Officer and HR Office have completed a successful Security Awareness Campaign. DOE has contracted with a Vendor to perform Risk Assessments.  
**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 amendments are being reviewed by Equifax counsel.

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

**Longwood University (LU)\***

**Audit Year: 2016**

**Finding 16-01: Improve Annual Financial Statement Reporting Procedures**

**Status:** Longwood acknowledges that errors were made when preparing the FY 16 financial statements. To address this issue, the Financial Reporting Analyst has created a "FY 2017 Financial Statement Preparation Plan" which includes time for the adequate review of entries and submissions before the applicable due date by the Associate VP for Administration and Finance and by the VP for Administration and Finance when deemed appropriate. The final statements will be reviewed by the Associate VP for Administration and Finance and the VP for Administration and Finance. The FY 2017 Financial Statement Preparation Plan incorporates the Fixed Asset Accountant, Capital Design & Construction Financial and Budget Specialist, Foundations, Budget Office, General Accounting, and other departments across campus that provide information (such as inventory) to ensure that the information provided in the statements is timely, accurate and complete. On-Line training provided by the Department of Accounts, Department of Accounts Financial Reporting staff and contacts at other higher education institutions will be utilized to ensure the accurate treatment of items when in doubt. Longwood is committed to ensure that the FY 17 financial statements and subsequent statements are accurate, complete and submitted timely.

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

**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 (PI). 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 (On Schedule)

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

**Status:** No initial corrective action plan received.

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

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

**Status:** No initial corrective action plan received.

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

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

**Status:** No initial corrective action plan received.

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

**Audit Year: 2015**

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

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

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

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

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

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

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

**Norfolk State University (NSU)**

**Audit Year: 2016**

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

**Status:** Information Technology Services (ITS) has partnered with VITA via MoU to assist with auditing five of the Sensitive Systems and the development of the Information Security Program at NSU. NSU continues to work with VITA on the Business Impact Analysis that NSU expects to be completed by October 2018. The BIA is in progress and work is ongoing with the departments. The Risk Analysis will be completed following the approval of the BIA by VITA. NSU's security policies have been minimally reviewed and NSU has scheduled an audit with VITA in December 2018. The audit may be delayed based on the results of the BIA. The ITS Continuity of Operations Plan nor the Disaster Recovery Plan can be completed prior to the completion of the BIA but will reflect the current infrastructure at the time of completion. NSU has a plan in place to continue monitoring and reviewing the security program on an annual basis.

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

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

**Status:** ITS is currently working with VITA Audit Services via MoU to perform IT security Audits of five of the sensitive systems in accordance with the COVA Audit Standards. NSU has built a schedule for the audit plan to start in December 2018 and NSU is currently working with VITA and the various departments to identify the sensitive systems with the BIA. The audit may be delayed based on the results of the BIA.

**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:** ITS is coordinating with VITA to implement its Infrastructure Refresh Project for the University Network Infrastructure. Ninety-five percent of the equipment has been installed into production as of March 1, 2018. This includes configuration, testing, and installation into production in the various building locations. The Server Team continues to decommission end of life hardware and operating systems, due to staffing levels, the timing of End of Support systems being decommissioned has been delayed.

**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 Material Weakness and a Repeat Finding.**

**Status:** DOA review, which includes looking at procedures and controls, is almost complete. RBC is currently recruiting for a Manager of Financial Reporting and Compliance to assist in improving this area of deficiency.

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

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

**Status:** Procedures will be updated to comply with forthcoming changes to the DOA CAPP manual. One hundred percent of all monthly SPCC accounts are being reviewed by the Program Administrator.

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

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

**Status:** The recruitment of a new position, Manager of Financial Reporting and Compliance, is currently taking place, which will assist in developing procedures and controls. The DOA review will also be helpful in identifying specific areas of weakness along with possible solutions.

**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:** The Firewall SOP mandates upgrades bi-monthly. Dynamic software updates are scheduled automatically. RBC is running Panos 8.0.8. RBC Firewall is running Global Protect VPN Client 4.0.4. Firewall scanning is done quarterly and a fourth quarter review is conducted by a private IT Security firm. The firewall is configured to scan for anti-viruses, spyware and vulnerabilities. Two-factor authentication for VPN client Proof of Concept initiated February 28, 2018, testing DUO Securities.

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

**Finding 16-07:** Improve System Logging and Monitoring

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

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

**Finding 16-08:** Improve Database and Network Security

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

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

**Finding 16-11:** Develop and Implement Personnel Action Forms

**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:** While vigilance has increased progress, overall has not advanced as hoped. The exception is IT equipment, which continues to be properly tracked and tagged.

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

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

**Finding 15-02:** Improve Controls to Information Systems

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

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

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

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

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

**Status:** CFO resigned effective January 31, 2018. Accounting Manager is transitioning into the role of CFO/Fiscal Officer and a new Accounting Manager will be hired. Job posting will close on March 31, 2018. Work on the agency policy has been placed on hold during the transition period. Once the new Accounting Manager is hired, SVHEC will finalize the policy. IT department has completed the physical inventory of all staff computers and hardware.

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

**The College of William and Mary in Virginia (CWM)**

**Audit Year: 2016**

**Finding 16-02:** Improve Database Security Controls. **This is a Partial Repeat Finding.**

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

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

**Audit Year: 2015**

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

**Status:** For the third quarter, reconciliation reports have been run after every payroll, analyzed, and reviewed by HR staff and Finance staff. All variances have been identified and properly categorized. Any changes that can be made prior to confirming the SNAPSHOT have been made prior to confirmation. Those items, which cannot be addressed during the current period, have been researched, analyzed and corrective measures put in place to ensure that adjustments are made timely. VRS and CWM representatives continue to meet via phone to discuss outstanding issues related to the reconciliation. Focus during this final quarter of the fiscal year will be implementing any enhancements to CWM coding structure and incorporating those changes into programming to improve the accuracy of the data load and reconciliation process.

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

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

**Status:** For the third quarter, reconciliation reports have been run after every payroll, analyzed, and reviewed by HR staff and Finance staff. All variances have been identified and properly categorized. Any changes that can be made prior to confirming the SNAPSHOT have been made prior to confirmation. Those items, which cannot be addressed during the current period, have been researched, analyzed and corrective measures put in place to ensure that adjustments are made timely. VRS and CWM representatives continue to meet via phone to discuss outstanding issues related to the reconciliation. Focus during this final quarter of the fiscal year will be implementing any enhancements to CWM coding structure and incorporating those changes into programming to improve the accuracy of the data load and reconciliation process.

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

**University of Mary Washington (UMW)**

**Audit Year: 2016**

**Finding 16-03:** Complete 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 failover 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)

**Finding 16-05:** Improve Continuity of Operations Plan Testing

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

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

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

**Audit Year: 2017**

**Finding 17-01/16-02/15-02:** Improve Controls for Granting and Restricting Elevated Workstations Privileges. **This is a Partial Repeat Finding.**

**Status:** In October 2017, UVA published guidance for granting and restricting elevated workstation privileges, with March 2018 set as the deadline for required compliance. The corrective action for this finding is now complete.

**Status Summary:** Completed (Delayed)

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

**Status:** UVA has published guidance that will require annual security training effective March 2018. UVA currently has a manual process in place for enforcing compliance with the existing requirement to complete security training. In enforcing compliance, UVA has taken a risk-based approach with a goal of one hundred percent compliance for users with access to highly sensitive data. For those users with access to highly sensitive data, as of December 15, 2017, UVA has ninety-nine percent compliance with the requirement. By January 5, 2018, UVA will be at 100% compliance for this population. For those who do not have access to highly sensitive data, UVA currently has ninety-two percent compliance. UVA will continue to work with this population to improve compliance.

**Status Summary:** In Progress (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:** Database Security

**Status:** The APA audited the database and noted eight areas of improvement. Two of the eight areas related to access management were fixed immediately upon notification from the APA. APA was notified that 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 UVA.

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



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

**Status:** The 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 the upcoming year (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)

**Finding 17-04: Improve Monitoring over Estimated Accounts Payable**

**Status:** UVAH reconciles this account every month. In addition to the monthly reconciliation of this account, highlighting the components, an additional vendor query will be run against the accounts payable account to either further substantiate the need for the accrual, or to verify the accrual needs to be reversed. The two accruals noted were an oversight during the reconciliation process

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

**Finding 17-05: Improve Policies and Procedures for Removal of Terminated Employee Badge Access**

**Status:** UVAH will implement a new policy, termination of team member badges, that upon notification from Medical Center computing, the ID Badge office has 24 hours to terminate the badge in the system. In addition, to electronically document the termination date of the employee's badge, the date will be entered into the expiration field in the ID badge system. Per system logs, of the nineteen terminated employees tested, none of them used their badges post the termination date.

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

**Virginia Commonwealth University (VCU)**

**Audit Year: 2017**

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

**Status:** As a beta, VCU has rolled out a new system provisioning plan system that helps to streamline the assessment and tracking of system security plans. This system is currently being tested within the central technology services area, and extended to selected external departments. Testing is estimated to wrap up by early summer 2018, where the system will then replace the existing system. The new system will help us to streamline system risk assessment and review processes. Veoci was purchased by VCU to help with enterprise risk management and BIAs. The product is in the final stages of customization. A 12-month rollout plan was proposed and approved by the VP of Safety & Risk Management and the VP of Public Safety.

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

**Finding 17-02:** Improve Management Oversight of Wage Employee Timekeeping

**Status:** Timekeeping system was modified to display two weeks rather than just current one. This is helping employees see errors in their time more readily.

**Status Summary:** Completed (Delayed)

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

**Status:** VCU HR Compliance Office runs SAS report for hourly workers "remaining hours" every pay period starting in January. HR Compliance contacts HR liaisons to alert them of workers who are projected to have fewer than 100 hours remaining. Contact is made via email and by telephone to advise that 1) employee must reduce their hours so they will not go over 1,480 or 2) employee must be taken off of the schedule until May 1. VCU HR Compliance has created a process in ARMICS to ensure VCU complies with the Manpower Control Act. Additionally, a SAS report has been created to identify hourly workers who hold more than one job, ensuring that departments are aware.

**Status Summary:** In Progress (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 eighty-one percent. Some disputes between executions of NDAs have slowed down the review process slightly, but VCU is still optimistic in meeting the June 30, 2018 deadline. In addition to these reviews, VCU has successfully implemented a system to keep track and continuously monitor sensitive vendors for changes in security posture or data breaches. This will help VCU to identify issues with vendors more quickly and monitor vendor security posture in near real time.

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

**Audit Year: 2016**

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

**Status:** Reviews are eighty-one percent complete.

**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:** The ISO security program update is still scheduled to be completed by April 20, 2018.

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

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

**Status:** Target date for completion has been extended until April 30, 2018, to allow additional time to communicate the forms and process changes to the System Office at the Town Hall meeting on April 24, 2018.

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

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

**Status:** Target date for completion has been extended until April 30, 2018, in order to finalize the clearance form and provide additional communication to supervisors regarding the form.

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















**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)



## Compliance Monitoring

### **Agency Risk Management and Internal Control Standards (ARMICS) Compliance**

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

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

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

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

1. Late submission of the annual certification statement (without an extension authorized by DOA) will result in citation in the current year's 9/30 Comptroller's Quarterly Report (QR).
2. Submission of Exhibit 4: Agency Statement, which states that the agency has not complied with ARMICS, will result in continued citation in the QR until the agency complies with the ARMICS standards and submits an ARMICS certification. The status of the agency's submitted Corrective Action Plan (CAP) will be reported until the ARMICS certification has been received.
3. 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 March 31, 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 received .
Library of Virginia	Exhibit 4 Filed	Yes	Agency states corrective action will be completed by June 30, 2018. Quarterly status update received.
State Council of Higher Education for Virginia	Exhibit 4 Filed	Yes	Agency states corrective action will be completed by June 30, 2018. Quarterly status update received.
Virginia Racing Commission	Exhibit 4 Filed	Yes	Agency initially stated corrective action will be completed by February 28, 2018. Revised completion date to June 30, 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:

Agency Name	Reason for Non-Compliance	Quarterly Corrective Action Plan Received	Status of Corrective Action
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.
State Corporation Commission	Substantial non-compliance with ARMICS process based on a QAR.	Yes	In process. Agency initially stated corrective action would be completed by December 31, 2016. Revised completion date to 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. The completed decentralized agency review reports were not finalized for distribution during this quarter.



## Analysis of Appropriation, Allotments and Expenditures, and Cash Balances

The Appropriation Act prohibits agencies from incurring unauthorized deficits. Therefore, credit cash balances and instances in which expenditures exceed appropriation and allotment require prompt investigation and resolution.

DOA contacts agencies in writing about credit cash balances and appropriations versus expenditure anomalies. For the quarter ended March 31, 2018, one agency failed to respond timely, make corrective action and/or provide additional information.

### Credit Cash, Excess Expenditures, and Expenditure Credits

*As of April 17, 2018*

Agency	January	February	March
Frontier Culture Museum of Virginia	-	X	X

### 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 December, January and February were due 1/31/2018, 2/28/2018, and 3/30/2018 respectively.

### Certifications Late or Outstanding

*As of May 10, 2018*

Agency	Dec	Jan	Feb
The Science Museum of Virginia	-	4/17/18	-
Frontier Culture Museum of Virginia	-	-	O/S
Department of the Treasury – Trust Funds	3/12/18	-	-

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



## Response to Inquiries

DOA regularly communicates with agencies regarding petty cash and invoice analyses, financial reporting information, and the FAACS/LAS systems. In many instances, agencies respond in a timely manner.

However, in other instances, agencies do not respond timely or simply fail to respond. For the quarter ended March 31, 2018, all responses have been received within an acceptable timeframe, except as noted below.

Frontier Culture Museum of Virginia – failure to respond to Fund 08 Reimbursement Memorandums and failure to respond to repeated follow-up communications from Department of Accounts staff. The Fund 08 Reimbursement Memorandum requests Attachment A be returned within 5 workdays of receipt. This information has been requested monthly since December 1, 2017, for the FY 2018 October – March balances, with no response received to date.

## E-Commerce

### *Travel Check Charges*

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

EDI program and thus avoid the fees altogether. The following table lists agencies that have incurred travel check charges during the third 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 March 31, 2018</b>	<b>Fiscal Year 2018 To-date Charges</b>
<b>Education</b>		
Virginia Military Institute	\$50.00	\$90.00
Virginia State University	\$30.00	\$70.00
Cooperative Extension and Agricultural Research Services	\$10.00	\$15.00
Eastern Shore Community College	\$10.00	\$30.00
<b>Health and Human Resources</b>		
Department of Health	\$0.00	\$15.00
<b>Judicial</b>		
Magistrate System	\$40.00	\$145.00
Circuit Courts	\$160.00	\$435.00
General District Courts	\$245.00	\$640.00
Juvenile and Domestic Relations District Courts	\$25.00	\$125.00
<b>Legislative</b>		
Virginia State Crime Commission	\$0.00	\$5.00
<b>Natural Resources</b>		
Department of Game and Inland Fisheries	\$5.00	\$5.00
<b>Public Safety and Homeland Security</b>		
Department of Military Affairs	\$15.00	\$20.00
Department of Emergency Management	\$180.00	\$245.00
Department of Corrections - Central Administration	\$10.00	\$15.00
Virginia Correctional Enterprises	\$10.00	\$35.00
Augusta Correctional Center	\$5.00	\$5.00
Department of Juvenile Justice	\$0.00	\$5.00
Department of Alcoholic Beverage Control	\$20.00	\$40.00
<b>Transportation</b>		
Department of Motor Vehicles	\$10.00	\$10.00
<b>Veterans and Defense Affairs</b>		
Department of Veterans Services	\$10.00	\$15.00





## Payroll Controls

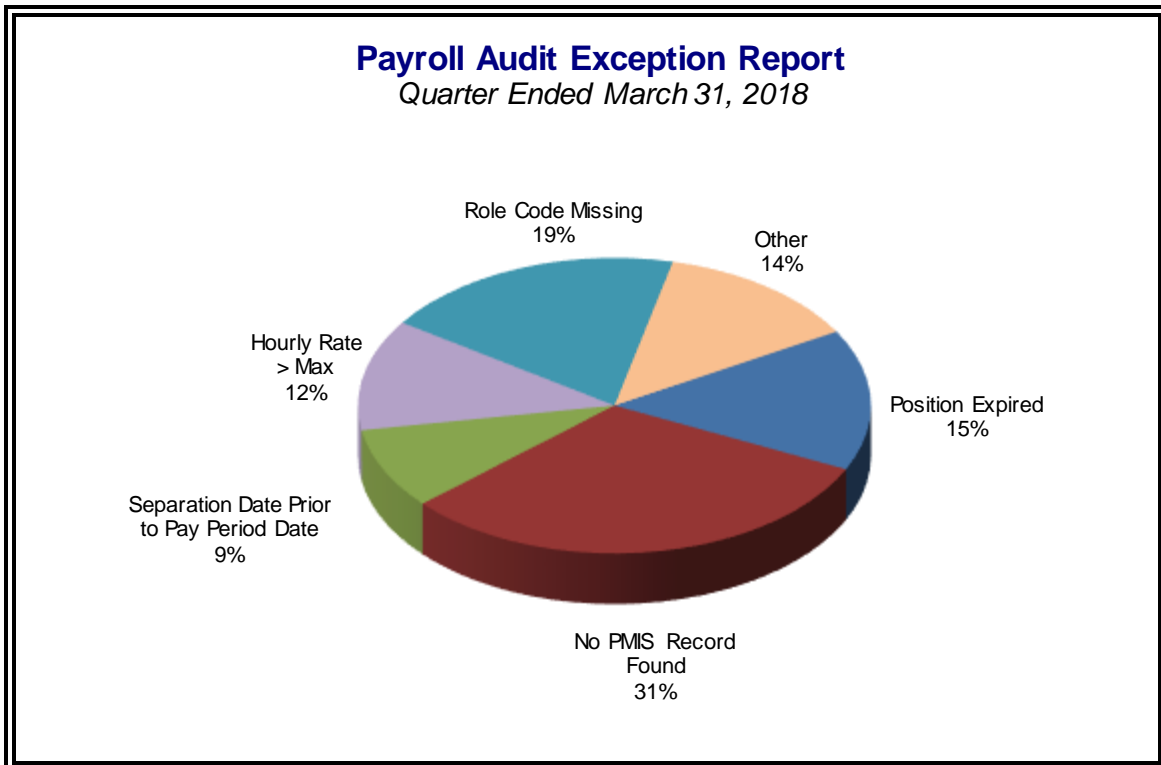
### *CIPPS/PMIS Payroll Audit*

During the quarter, DOA's automated comparison of payroll (CIPPS) and personnel (PMIS) records examined 397,504 salaried pay transactions and 112,499 wage pay transactions. The comparison is performed following each payday and is designed to identify discrepancies between authorized salary/wage amounts in PMIS and amounts paid in CIPPS. There were 2,863 new exceptions noted statewide during the quarter, with an overall exception rate of 0.04%.

The statewide salaried payroll exception rate was 0.11% and the wage payroll exception rate was 0.19%. During this quarter, 8 employee

paychecks were reduced to recover \$1,188.43 in overpayments.

While the second largest cause of exceptions are due to missing role codes in CIPPS, the largest cause of exceptions are due to processing payroll with no corresponding PMIS records found. 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

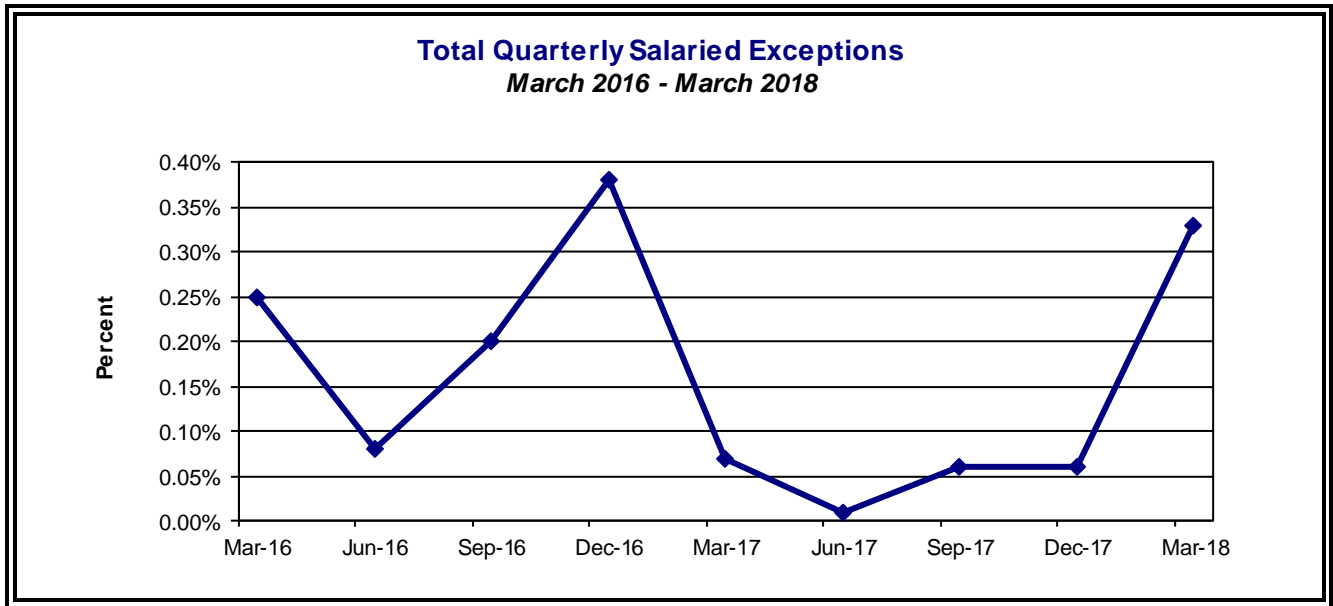
payments exceeds three times the statewide average for the quarter. None of the agencies exceeded the allowed threshold for wage or salaried payments during the quarter ending March 31, 2018.

**Payroll Exception Audit**  
**Agency Payroll Exceptions as a Percent of Salaried Payments**  
*Quarter Ended March 31, 2018*

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

<b>Salaried Payroll Exceptions for the Quarter</b>	<b>0.33%</b>
----------------------------------------------------	--------------

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

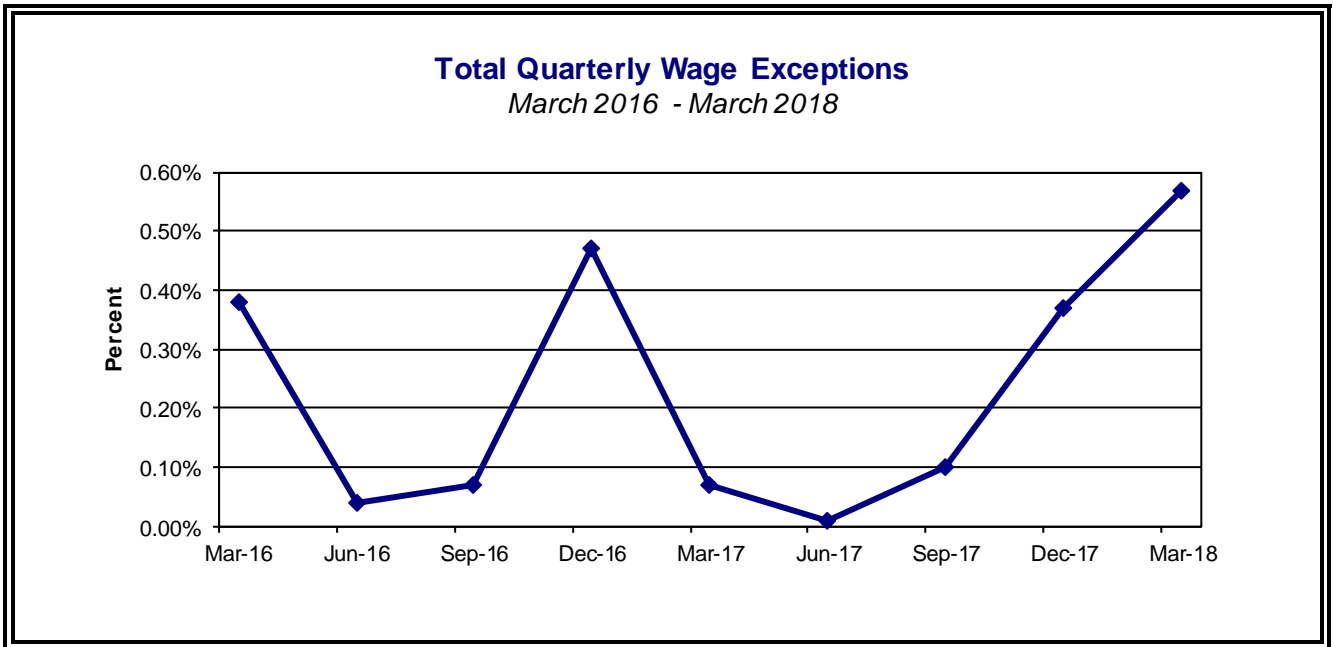


**Payroll Exception Audit**  
**Agency Payroll Exceptions as a Percent of Wage Payments**  
*Quarter Ended March 31, 2018*

<u>Agency</u>	<u># of Wage Exceptions</u>	<u>Exceptions as a % of Wage Payments</u>
Virginia State University	22	0.82%

<b>Wage Payroll Exceptions for the Quarter</b>	<b>0.57%</b>
------------------------------------------------	--------------

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>
Norfolk State University	1
Paul D. Camp Community College	12
Piedmont Virginia Community College	18
Tidewater Community College	36
Virginia Alcoholic Beverage Control Authority	1
VSU - Cooperative Extension & Agricultural Research Service	2
Woodrow Wilson Rehabilitation Center	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

<u>Agency</u>	<u>Variance Amount (a)</u>	<u>Performed by DOA (b)</u>	<u>Submitted Late (c)</u>	<u>Corrected by DOA (d)</u>
<b>Finance</b>				
Department of Planning and Budget*			3	
Department of Accounts			3	
Department of the Treasury*			3	
<b>Health and Human Resources</b>				
Virginia Foundation for Healthy Youth	\$30,000			
<b>Public Safety and Homeland Security</b>				
Department of Corrections - Division of Community Corrections	51,176			
Department of Juvenile Justice	44,718			

\* 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.



### *Health Care Reconciliations*

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

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

### **Health Care Reconciliations as of March 31, 2018**

<u>Agency</u>	<u>Incomplete*</u>	<u>Errors*</u>	<u>Late</u>
Virginia State University	2		1
Longwood University			2
Piedmont Virginia Community College			2
John Tyler Community College			2

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



**Loans and Advances**

Treasury loans may be used to advance funds to a State agency or institution for a designated purpose prior to some form of reimbursement, typically federal or special revenues. They are loans of a temporary nature, approved on the basis of the following conditions:

- **Anticipation of Federal Operating Funds** supports the operations of federal grants and contract programs for which advance funding has been delayed or for those that require expenditure of funds prior to federal reimbursement.

- **Anticipation of Special Revenue Funds** supports the operations of non-general funded activities when collections are spread unevenly throughout the year while expenses require steady funding.
- **Construction** supports capital projects in anticipation of the sale of authorized debt or other financing for such projects.

For the quarter ended March 31, 2018, the following agency failed to repay their Treasury Loan by the established due date.

**Treasury Loan Repayments  
Late or Outstanding**  
*As of March 31, 2018*

<b>Agency</b>	<b>Loan Type</b>	<b>Loan Amount</b>	<b>Outstanding Balance</b>	<b>Due Date</b>
Department of Education	Anticipation of Federal Operating Funds	\$1,591,171.74	\$124,252.19	12/31/2017

