

# 2014-16 Strategic Plan

## Department of Accounts [151]

### Mission

Provide a uniform system of accounting, financial reporting, and internal control adequate to protect and account for the Commonwealth's financial resources while supporting and enhancing the recognition of Virginia as the best managed state in the nation.

### Vision

To be nationally recognized for accounting and financial reporting excellence; to enhance the reputation of Virginia as the best managed state in the union; to showcase Department of Accounts (DOA) employees as statewide and national leaders in the financial accounting and reporting arena; maintain financial accounting, payroll, and fixed asset systems that support the needs of the Commonwealth; and to treat employees and customers with fairness and respect.

### Values

### Finance

#### Financial Overview

DOA receives general fund appropriation for its core operations. The agency has four nongeneral funds, the Commonwealth Charge Card Rebate Fund, the Payroll Service Bureau, the Enterprise Application-Cardinal Fund, and the Enterprise Application-Performance Budgeting Fund. The Commonwealth Charge Card Rebate Fund accounts for the rebate and administrative cost associated with the Commonwealth of Virginia purchase charge card program. The Payroll Service Bureau provides payroll services to 59 other agencies; this fund accounts for the agency fees and administrative costs. The Enterprise Application Funds account for the charges to agencies for the ongoing operating costs of the Commonwealth's two enterprise financial management and budgeting application systems, Cardinal and Performance Budgeting. The Payroll Service Bureau and Enterprise Application Funds are internal service funds. These types of funds are created to account for the operations of state agencies that render services to other state agencies, institutions, or other governmental units of the Commonwealth on a cost-reimbursement basis.

#### Biennial Budget

	2015 General Fund	2015 Nongeneral Fund	2016 General Fund	2016 Nongeneral Fund
Initial Appropriation for the Biennium	11,866,585	24,899,362	12,590,740	25,251,895
Changes to Initial Appropriation	0	0	180,000	0

*(Changes to Initial Appropriation will be 0 when the plan is created. They will change when the plan is updated mid-biennium.)*

### Customers

#### Anticipated Changes to Customer Base

The customer base for the Department of Accounts is stable and changes primarily if agencies are created or closed.

#### Current Customer List

Predefined Group	User Defined Group	Number Served Annually	Potential Number of Annual Customers	Projected Customer Trend
Business and Finance	Standard and Poor's, Moody's, Fitch	3	3	Stable
Local Government Employee	Employees at Local Political Subdivisions that use the statewide systems	344	344	Stable
Local or Regional Government Authorities	Localities	325	325	Stable
Local or Regional Government Authorities	Number of non-state agencies required to comply with financial reporting directives	38	38	Stable
State Agency(s),	All state agencies and institutions	280	280	Stable
State Government Employee	Agency employees paid by Payroll Service Bureau	16,750	16,750	Stable
State Government Employee	Employees at Commonwealth Agencies and Institutions that use the statewide systems	7,430	7,430	Stable

State Government Employee	Employees of the Commonwealth	117,405	117,405	Stable
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## Partners

Name	Description
Office of the State Inspector General	Services are provided to this agency by the Finance and Administrative Services Division
State Council of Higher Education in Virginia	Services are provided to this agency by the Finance and Administrative Services Division
Agencies served by the PSB	There are 59 other state agencies who are served by the PSB
All state agencies	Since DOA is a central service agency, and this service area produces the Comprehensive Annual Financial Report of the Commonwealth, all state agencies are considered partners.
Board of Accountancy	Services are provided to this agency by the Finance and Administrative Services Division
Commonwealth Health Research Board	Services are provided to this board by the Finance and Administrative Services Division
Department of Planning and Budget	Services are provided to this agency by the Finance and Administrative Services Division
Department of the Treasury	Services are provided to this agency by the Finance and Administrative Services Division
Virginia College Savings Plan	Services are provided to this agency by the Finance and Administrative Services Division
Virginia Department of Transportation	DOA has partnered with VDOT to leverage Commonwealth resources in implementing this complex project. Phase I brought VDOT live in December 2011; and, Phase II implementation for DOA's in-house, fiscal services went live October 2012. Phase III will involve the staggered implementation of remaining state agencies with a full implementation date scheduled for July 1, 2017.
Virginia Information Technology Agency	Cardinal is a web based application run on servers operated and supported by Virginia Information Technologies Agency/Northrop Grumman.
Virginia Racing Commission	Services are provided to this agency by the Finance and Administrative Services Division

## Agency Goals

- **Maintain the integrity of the accounting and payroll systems of the Commonwealth to provide for accurate financial and accounting information.**

### Summary and Alignment

DOA provides a uniform system of accounting, financial reporting and internal controls and provides sound financial information on which financial and budgeting decisions can be made. DOA management recognizes the increasing value of information generation as a service. Supporting our customers by operating the statewide general ledger system (CARS, the system of record prior to full Cardinal implementation), the statewide payroll system (CIPPS), and the statewide fixed asset system (FAACS) is a key part of DOA's mission. Consistently maintaining a 95% up time is crucial to meeting the need of our agency customers. This goal aligns well with the agency mission statement because by maintaining the integrity of the accounting and payroll systems, the financial data is reliable and protected.

### Associated State Goal

Government and Citizens: Be recognized as the best-managed state in the nation.

### Associated Societal Indicator

Government Operations

### Objectives

- » **Meet quarterly IRS reporting requirements and payment deadlines.**

#### Description

The IRS requires quarterly reporting and payments related to payroll tax withholdings.

#### Objective Strategies

- Use automated features in the system to ensure deadlines are met.

Measures

- ◆ Percent of Internal Revenue Service (IRS) reporting requirements and payment deadlines met.

» **Maximize efficiency and minimize processing costs related to the Commonwealth purchasing card.**

*Description*

Using the Commonwealth purchasing card creates efficiencies and minimizes processing costs in the accounts payables function statewide.

*Objective Strategies*

- Analysis is performed on the Commonwealth purchases to ensure the card use is maximized. Agency card utilization is also monitored.

Measures

- ◆ Percent of eligible purchases made with the small purchase charge card by state agencies.

» **Process payroll requests timely.**

*Description*

Line agencies enter payroll requests into the system.

*Objective Strategies*

- Daily reviews of all requests for accuracy and completeness to ensure timely processing.

Measures

- ◆ Percent of payrolls reviewed and processed by the final certification date.

» **Process employee W-2's timely.**

*Description*

The Federal Government requires W-2's to be mailed to employees by the end of January each year.

*Objective Strategies*

- Timely agency certification is required to ensure processing occurs by deadlines. Process monitored to ensure timeliness and completeness.

Measures

- ◆ Percent of Internal Revenue Service (IRS) wage and tax statements (W-2's) processed by the employee deadline of January 31.

» **Ensure statewide compliance with the Prompt Payment Act.**

*Description*

The Prompt Payment Act sets guidelines that agencies must follow in paying vendors for goods and services to ensure they receive their payment in a timely manner.

*Objective Strategies*

- Agencies must follow statewide accounting policy which includes the Prompt Payment Act. Agency performance is monitored and reported to ensure compliance.

Measures

- ◆ Percentage of statewide vendor payments paid by the due date.

» **Ensure that agency systems are available for use by Department of Accounts (DOA) customers.**

*Description*

DOA customer state agencies and institutions rely on the availability of core financial systems (CARS, Cardinal and CIPPS) in order to timely and accurately process accounting transactions.

*Objective Strategies*

- Ensure that system maintenance is performed timely to prevent any unscheduled downtime to customers.

Measures

- ◆ Cost per transaction of providing core system administration for the statewide financial management systems (CARS, Cardinal and CIPPS).

- ◆ Percent of time that financial management systems are available to customer state agencies.

» **Comply with established deadlines to implement system enhancements and to meet legislative mandates and system maintenance upgrades.**

*Description*

DOA customer state agencies and institutions rely on core financial systems in order to timely and accurately process accounting transactions. Meeting legislatively mandated deadlines to implement enhancements and system maintenance upgrades to these systems is critical to ensure customers are utilizing the most statutorily compliant technology available to them.

*Objective Strategies*

- Enhancements are executed through the system maintenance request process to ensure testing and implementation by due date. Follow VITA/NG guidelines for installing system maintenance upgrades.

*Measures*

- ◆ Percent of time legislated deadlines for updating statewide financial systems are met.

• **Strengthen oversight and improve agency internal controls.**

**Summary and Alignment**

The Sarbanes/Oxley Act, federal legislation enacted in 2002, was enacted in response to frauds that were committed by publically-traded private companies such as Enron. Sarbanes/Oxley requires an overall strengthening of internal controls to prevent such frauds. Although it does not directly apply to the governmental sector, it is considered to contain best practices and its concepts have been adopted by the Commonwealth through ARMICS. Agency management is responsible for implementing a strong set of internal controls and this goal strengthens internal controls in the Commonwealth. DOA enhances vigilance over internal controls by: - Establishing internal control standards (ARMICS). - Publishing ARMICS and training agencies on this internal control directive that highlights the Virginia policy, risk assessment requirements and tools with which to assist agencies in carrying out internal control requirements. - Implementing a recovery audit program by hiring a firm that identifies duplicate or erroneous payments made by state agencies.

**Associated State Goal**

Government and Citizens: Be recognized as the best-managed state in the nation.

**Associated Societal Indicator**

Government Operations

**Objectives**

» **Monitor agencies and institutions responses to Auditor of Public Accounts (APA) audit reports.**

*Description*

The Department of Accounts (DOA) requires that agencies and institutions develop and file with DOA a response to their APA audit including corrective action workplans (CAWS) to address the Auditor's concerns. DOA monitors agency compliance with this requirement as well as the number of recurring findings an agency receives.

*Objective Strategies*

- APA reports are monitored to ensure agencies submit CAWS timely.

*Measures*

- ◆ Percentage of corrective action workplans (CAWS) that are submitted in accordance with Department of Accounts (DOA) policy.
- ◆ The number of recurring Auditor of Public Accounts (APA) internal control findings.

» **Enhance the Commonwealth of Virginia's internal controls by reconciling cash in the Commonwealth Accounting and Reporting System (CARS) and cash in the state Treasurer's system, and identifying and resolving general ledger anomalies and agency-identified reconciliation discrepancies.**

*Description*

DOA performs statewide reconciliations between CARS and Treasury and agencies reconcile their accounting records. Any discrepancies identified are resolved within one month.

*Objective Strategies*

- Detailed desk procedures as well as internal controls in place during the identification and resolution of general ledger anomalies ensure accurate and timely resolution.

*Measures*

- ◆ Percent of all general ledger anomalies and reconciliation discrepancies resolved within one month.

» **Ensure compliance with original legislative appropriations.**

*Description*

Customer agencies and institutions rely on the Department of Accounts to record, reconcile and control compliance with original legislative appropriations in a timely manner so that they are able to complete required accounting transactions without delay, but within statutory limits.

*Objective Strategies*

- Detailed desk procedures as well as internal controls in place during the review process ensure original legislative appropriations are reconciled and recorded timely.

*Measures*

- ◆ Percent of time the original legislative appropriations are recorded and reconciled within seven days of receipt from the Department of Planning and Budget (DPB).

• **Produce financial reports.**

**Summary and Alignment**

The achievement of an unqualified opinion on the financial statements and the receipt of the GFOA Certificate of Excellence in Financial Reporting demonstrates excellence in financial reporting and enhances the integrity of the financial information of the Commonwealth. This supports the mission of the agency directly and is the outcome and culmination of all financial management activities the agency performs.

**Associated State Goal**

Government and Citizens: Be recognized as the best-managed state in the nation.

**Associated Societal Indicator**

Government Operations

**Objectives**

» **Produce a quality Comprehensive Annual Financial Report (CAFR).**

*Description*

The CAFR contains an overview on Virginia's economy, audited financial statements, the auditor's report, and a statistical section. The CAFR is used by public officials, bond rating firms, investors, and the general public to stay informed of Virginia's financial position.

*Objective Strategies*

- To produce a quality CAFR, detailed desk procedures and appropriate internal controls have been put into place for the preparation and review process.

*Measures*

- ◆ Receive the Certificate of Excellence in Financial Reporting from the Government Finance Officers of America for the Comprehensive Annual Financial Report.

» **Accurately analyze and report general fund revenues by the current two business day deadline.**

*Description*

General fund revenues must be reported two business days after monthly close.

*Objective Strategies*

- Detailed desk procedures as well as internal controls in place for the preparation and review process ensure an accurate and timely reporting of general fund revenues.

*Measures*

- ◆ Percentage of monthly revenue reports produced within two business days of the Commonwealth Financial System (Cardinal) monthly close.

» **Develop statewide Indirect Cost Allocation Plans.**

*Description*

The statewide Indirect Cost Allocation Plans are developed by the Department of Accounts (DOA) and approved by the federal government. The plans guide agencies in recovering indirect costs associated with federal programs from federal funds.

*Objective Strategies*

- Detailed desk procedures and internal control procedures in place during the preparation and review of the Indirect Cost Allocation Plan ensure completion.

#### Measures

- ◆ Develop the annual Federal Indirect Cost Allocation Plan and the Schedule of Expenditures of Federal Awards in accordance with applicable federal regulations.

### • Coordinate and develop enterprise systems.

#### Summary and Alignment

Manage planned increases in agency IT operating costs and control the delineation of VITA IT infrastructure responsibilities in context of DOA's statewide disbursement control and financial management system responsibilities. The Commonwealth is currently in the process of replacing its aged financial accounting system (implemented in the late 1970s) with a modern, commercial off-the-shelf application. The software selected, PeopleSoft 9.1, is a robust, web-based application that will greatly enhance the Commonwealth's ability to manage and account for its financial resources. It will equip policy-makers with complete and timely data, while providing the transparency demanded by taxpayers today. The system, known as Cardinal, will develop data standards that improve the sharing of information across agencies, allow the Commonwealth to reduce the risk inherent in operating a 30 year old legacy system and keep pace with future technology improvements. More importantly, the financial base system provides a solid foundation for the Commonwealth to expand system functionality and facilitate better integration of key administrative systems across the state. This foundation will enable the state to re-engineer activities taking advantage of shared services, increasing functionality for better fiscal management, and reducing redundant agency financial systems and related cost. Cardinal Financials is being implemented in three parts. The first part implemented the Virginia Department of Transportation's financial system in December 2011. The second part implemented the base statewide financial system at DOA in October 2012. The third part of the project includes transitioning all other state agencies to the Cardinal base system planned to occur during fiscal years 2015 and 2016.

#### Associated State Goal

Government and Citizens: Be recognized as the best-managed state in the nation.

#### Associated Societal Indicator

Government Operations

#### Objectives

- » **Ensure that Cardinal, an enterprise application system, is available for use by state agency customers.**

##### Description

DOA customer state agencies and institutions rely on the availability of core financial systems like Cardinal in order to timely and accurately process accounting transactions. DOA expects to complete the statewide Cardinal rollout and decommissioning of CARS by the end of fiscal year 2016.

##### Objective Strategies

- Ensure that system maintenance is performed timely to prevent any unscheduled downtime to customers.

#### Measures

- ◆ Percentage of time the state's enterprise application system Cardinal, administered by the Department of Accounts, is available to customer state agencies.

### • Retain and develop staff.

#### Summary and Alignment

Enhance DOA's internal training, compensation and recognition programs. This is intended to encourage retention of top-performing employees and to provide the means to improve their performance. Recognition of significant accomplishments is intended to reward and encourage employees. The ability to pay in accordance with market trends and with recognition of the skills required to accomplish the work will enhance the ability to retain staff.

#### Associated State Goal

Government and Citizens: Be recognized as the best-managed state in the nation.

#### Associated Societal Indicator

Government Operations

#### Objectives

- » **Minimize agency staff vacancy levels.**

##### Description

Retaining staff is important to ensure continuity of operations. Effectiveness is enhanced and efficiencies are created due to experienced staff with institutional knowledge being retained.

##### Objective Strategies

- Retain and develop staff by partnering with employees to provide opportunities for growth and development, thereby minimizing turnover. Recruitment expediting strategies to reduce the length of time of vacancies. The addition of Database Administration's Managed Online Awareness Training (MOAT) enhances DOA's internal training.

Measures

- ◆ Percent of employees who terminated employment with DOA during the fiscal year.
- ◆ Percent of staff employed by DOA greater than 5 years.

• **Efficiently and effectively operate service bureaus to serve the payroll and accounting needs of agencies participating.**

**Summary and Alignment**

DOA operates a payroll service bureau serving 59 agencies and an accounting/accounts payable service bureau serving 8 agencies in addition to DOA. The purpose of the service bureaus is to provide more reliable and efficient processes through shared services with a high degree of professionalism while complying with state accounting and payroll policies and procedures. This goal aligns with the mission of the agency by enhancing the quality of accounting and payroll processing for participating agencies.

**Associated State Goal**

Government and Citizens: Be recognized as the best-managed state in the nation.

**Associated Societal Indicator**

Government Operations

**Objectives**

- » **Provide high quality payroll, fringe benefit and leave administration services for agencies participating in the Payroll Service Bureau (PSB).**

*Description*

Payroll Service Bureau agencies rely on the Bureau to accurately process payroll and fringe benefits and provide leave administration services so that their employees are compensated in a timely fashion.

*Objective Strategies*

- Each payroll analyst undergoes bureau training to ensure they are knowledgeable in providing high quality payroll services. In addition, a yearly survey is sent to participating agencies so they can provide feedback and a ranking to help monitor the quality of services provided.

Measures

- ◆ Rate of receipt of a 'satisfactory ranking' on the overall customer service survey for each agency served by the Department of Account's (DOA) Payroll Service Bureau (PSB) indicates timely and accurate payroll processing.

## Major Products and Services

DOA's most visible and widely used products are the statewide accounting applications, including:

- - Commonwealth Accounting and Reporting System (CARS): general ledger and disbursement control system
  - Cardinal: CARS replacement general ledger system currently in production at VDOT and DOA being implemented statewide
  - Commonwealth Integrated Payroll Personnel System (CIPPS): central payroll system
  - Fixed Asset Accounting and Control System (FAACS): fixed asset system

In addition, there are several state and federal mandates that DOA must satisfy:

- - Cash Management Improvement Act of 1990: establishes federal/state agreements regulating cash draw and interest payment responsibilities
  - Statewide Indirect Cost Allocation Plan: used to recover allowable indirect and overhead costs for agencies receiving federal grants and contracts
  - Statewide Single Audit Report: requires preparation of a "Schedule of Resolution of Prior Year Audit Findings" and the "Schedule of Expenditures of Federal Awards" for inclusion in the report
  - Internal Revenue Service (IRS) Payroll Requirements: deposit and reporting of payroll taxes on behalf of state agencies' employees
  - Governmental Accounting Standards Board (GASB) Standards: comply with GASB standards for financial reporting in order to obtain an unqualified audit opinion on the Comprehensive Annual Financial Report (CAFR)
  - Locality Distributions: distribution of approximately \$1 billion to local governments each year as part of the administration of

## Performance Highlights

A key measure that has a direct impact on the financial state of the Commonwealth as a whole is the continued receipt of an unqualified opinion on the CAFR and the Certificate of Excellence in Financial Reporting from the Government Financial Officers Association. The audited CAFR is prepared on the basis of generally accepted accounting principals (GAAP) and is used extensively by rating agencies, investment banks and others involved in the issuance and marketing of Commonwealth bonds. DOA has produced a GAAP-basis report that has received an unqualified audit opinion every year since 1986.

DOA also measures the cost per transaction of providing core system administration for the statewide financial management systems. It is anticipated that as agencies move their applications from the mainframe, the cost for those agencies remaining on the mainframe will change. DOA anticipates the transition of systems from the mainframe environment (CARS) to a web environment (Cardinal) will offer more progressive and efficient self-service delivery services, more flexibility in system design and development, a mitigation of the risk of mainframe rates rising significantly as more users go from the mainframe to client/server, and more opportunities for taking advantage of proven emerging technology.

## Staffing

Authorized Maximum Employment Level (MEL)	168
Salaried Employees	134
Wage Employees	7
Contracted Employees	0

## Key Risk Factors

Several factors will have a significant impact on the agency over the next few years:

**Aging Workforce:** DOA has 13% of staff who are currently eligible for retirement and 18% of staff eligible or over the age of 60. Transition and succession planning is critical to ensure that critical skills are transferred and proper cross-training is ongoing.

**Adequate Supply of Accounting Personnel:** Currently there is a high demand for qualified accounting personnel in both private and public sectors. This increases the difficulty of being able to recruit and retain qualified staff for open positions. As the responsible organization for establishing and ensuring compliance with accounting policy in the Commonwealth, this impediment affects DOA significantly. If DOA as an agency or other state agencies have difficulty securing qualified staff, the reliability of state financial information can be put at risk. In the long run, this may impact the quality of the CAFR and the bond rating of Virginia.

**New Accounting Policies:** The Governmental Accounting Standards Board (GASB) continues to issue new pronouncements, and there is a continuous challenge to appropriately evaluate and implement the new reporting requirements. As the statements continue to be technically challenging, additional stresses are being placed on the accounting professionals at DOA as well as the Commonwealth agencies to continue to produce more with fewer resources.

**Information Technology:** Compliance with new and evolving security policies, procedures, and monitoring is a challenge. DOA continues to expand and improve its IT disaster recovery plan to address the challenges of full compliance with the Commonwealth's IT security standards in order to reduce downtime in the event of a disaster.

## Management Discussion

### General Information About Ongoing Status of Agency

DOA's mission to provide a uniform system of accounting, financial reporting, and internal control adequate to protect and account for the Commonwealth's financial resources continues to be the driving focus of DOA's services. DOA strives to provide high level service to its customers through its payroll and fiscal service bureaus and its statewide accounting operations. DOA is expanding its service bureaus to gain further statewide efficiencies. A major initiative for DOA is the replacement of the Commonwealth's accounting system; this is discussed further under IT initiatives.

### Information Technology

Major IT initiatives underway include:

### System Modernization and Replacement

The Commonwealth is currently in the process of replacing its aged financial accounting system (implemented in the late 1970s) with a modern, commercial off-the-shelf application. The software selected, PeopleSoft 9.1, is a robust, web-based application that will greatly enhance the Commonwealth's ability to manage and account for its financial resources. It will equip policy-makers with complete and timely data, while providing the transparency demanded by taxpayers today. The system, known as Cardinal, will develop data standards that improve the sharing

of information across agencies, allow the Commonwealth to reduce the risk inherent in operating a 30 year old legacy system and keep pace with future technology improvements. More importantly, the financial base system provides a solid foundation for the Commonwealth to expand system functionality and facilitate better integration of key administrative systems across the state. This foundation will enable the state to re-engineer activities taking advantage of shared services, increasing functionality for better fiscal management, and reducing redundant agency financial systems and related cost. Cardinal Financials is being implemented in three parts. The first part implemented the Virginia Department of Transportation's financial system in December 2011. The second part implemented the base statewide financial system at DOA in October 2012. The third part of the project includes transitioning all other state agencies to the Cardinal base system planned to occur during fiscal year 2016.

### **Archival Solutions**

DOA is implementing archival solutions to manage document storage. This initiative is intended to improve security over documents and improve the efficiency with which these documents and related information are accessed. Types of documents include permanently retained electronic data interface (EDI) security forms, human resource files, Line of Duty Act records, Payroll Service Bureau records and accounts payable documentation.

### **Future of Payroll**

The Commonwealth's centralized payroll system, known as CIPPS, was implemented in the mid-1980s. It is a purchased software package supported by Infor Global Solutions (formerly McCormack and Dodge, Dun and Bradstreet, and GEAC). The application runs on the IBM mainframe and supporting programs are largely written in COBOL (**CO**mmon **B**usiness-**O**riented **L**anguage). Infor has announced technical support for the current system through May 31, 2018. Technical support is needed to obtain software updates for federal/state (Virginia has employees in 17 states) tax rate and rule changes. This critical technical support will likely be discontinued on, or soon after, that date. Additionally, most technical support (DOA and Infor) personnel either have reached or are approaching eligibility for retirement. While effective, the technology of the system is outdated from the aspect of having a sufficient pool of talent to provide support in the future.

Given the amount of lead time required to define system requirements, develop and implement the system and train the users of 200+ agencies and central support staff, moving forward with a strategic plan to replace CIPPS is critical and is underway.

### **Planned Approach – PeopleSoft (Oracle)**

COV purchased PeopleSoft for the purpose of replacing legacy enterprise systems. The purchase included the full suite of applications including Payroll. This solution also requires integration services to develop requirements, design, test and implement the solution, develop conversion programs and develop and deliver comprehensive change management and training programs.

Under this approach, DOA will leverage the existing proven Cardinal project management and production support capabilities that have successfully (on-time, on-budget) implemented Cardinal in VDOT (7,500 users), DOA, 143 Wave 1 agencies (390 users) and, by February, 2016, Wave 2 agencies (1,500 users), enabling the 30 year old CARS system to be decommissioned. A contract is available with Accenture, the Cardinal integration partner and post-production support provider, to establish a Statement of Work (SOW) to begin work on the CIPPS replacement initiative. Under this strategy DOA will continue to augment its' functional expertise (i.e., State Payroll Operations) with the existing Cardinal Enterprise System Program office's project management and PeopleSoft technical expertise and experience. By continuing this DOA/VDOT shared service approach, the need to stand-up a separate Payroll project management office will be avoided using the proven PeopleSoft product and Accenture's proven implementation methodologies.

This approach is considered substantially less risky and ultimately more cost effective than issuing a Request for Proposal to procure either or both Payroll software and implementation services. Utilizing a proven product, proven implementation methodologies, highly experienced/skilled resources with a trusted implementation partner will minimize the risk that COV will be unable to process payroll for its approximately 100,000 CIPPS employees. Implementing the CIPPS replacement on a common platform with the Cardinal statewide financial system will leverage the existing Cardinal production infrastructure and ultimately lead to lower operating costs than would be incurred with multiple software platforms.

Pursuant to an RFI, DOA obtained a high level budget estimate of approximately \$30 million as the total implementation cost to replace CIPPS. Budget language authorizing a Working Capital Advance (WCA) to fund the project has been approved. WCA repayment and payroll system operating costs will be captured through internal service fund rates following implementation. Initial work will entail a negotiated SOW to define requirements and perform a software fit/gap analysis, which will enable more refined budget estimates for total implementation costs.

### **Estimate of Technology Funding Needs**

#### **Workforce Development**

DOA is made up of many staff who are in professional accounting roles, including 24 Certified Public Accountants. There is a significant demand in both the public and private sectors for qualified accounting professionals. This demand is currently far outpacing supply. As a result, it has become increasingly difficult to recruit experienced, professional accountants. In addition it continues to be challenging to retain staff as private sector salaries prove to be more lucrative than what DOA is currently able to offer.

Another challenge affecting DOA is its aging workforce. Eighteen employees have more than 30 years of service and are over 50 and therefore eligible to retire. Another five are within five years of joining the 30 year and over 50 group. In addition, there are six employees who are over 60 but do not have 30 years of service but who may be leaving the workforce in the near future. This group near retirement makes up over 22% of our workforce. Each area of the agency will monitor the plans for their staff and perform succession planning well in advance of staff departures.

#### **Physical Plant**

DOA is centrally located in the James Monroe Building in downtown Richmond. DOA leases this space from the Department of General Services.

## Supporting Documents

**Title** **File Type**

### Service Area Plan

## Financial Oversight for Performance Budgeting System [71107]

### Description of this Program / Service Area

Performance Budgeting (PB) is the Commonwealth's central budget system administered by the Department of Planning and Budget, which facilitates reporting transparency and improved budget decision making and provides the ability to systematically link strategic and service area plans, performance measures, and budgets. PB implementation costs were funded through a WCA and systems operating costs (including WCA repayment) are being recovered through the Enterprise Applications internal service fund administered by DOA.

### Mission Alignment

The enterprise application directly supports the mission of the agency by providing a new uniform system of accounting.

### Products and Services

#### Description of Major Products and Services

This service area is an internal service fund that oversees the collection of charges to agencies for the ongoing operating costs of the Commonwealth's Performance Budgeting enterprise financial application.

#### Anticipated Changes

There are no anticipated changes to product services for this program at this time.

#### Factors Impacting

There are no factors impacting product services for this program at this time.

### Financial Overview

Amounts for the Financial Oversight for Performance Budgeting System represent an internal service fund derived from charges to agencies for the ongoing costs of the Commonwealth's Performance Budgeting enterprise application. These amounts include recovery of development and implementation costs initially funded through working capital advances. The estimated cost for the Performance Budgeting System is \$3,961,775 each year. All users of the Commonwealth's Performance Budgeting System will be assessed a surcharge based on licenses, transactions, or other meaningful methodology as determined by the Secretary of Finance and the owner of the system.

Biennial Budget

	2015 General Fund	2015 Nongeneral Fund	2016 General Fund	2016 Nongeneral Fund
Initial Appropriation for the Biennium	0	3,961,775	0	3,961,775
Changes to Initial Appropriation	0	0	0	0

## Supporting Documents

**Title** **File Type**

**Financial Oversight for Cardinal System [71108]**

**Description of this Program / Service Area**

Cardinal represents a shared vision between the offices of the Secretary of Transportation, Secretary of Finance and the Secretary of Technology to replace the Commonwealth’s financial system (CARS) and the Virginia Department of Transportation’s (VDOT) financial system (FMS) with a modern enterprise wide financial system (base financial system). Cardinal will 1) replace the two aging financial systems with an enterprise resource planning (ERP) financial system - PeopleSoft, 2) develop data standards that improve the sharing of information across agencies (Virginia Acts of the Assembly, Chapter 781, Item 460), and 3) allow the Commonwealth to reduce the risk inherent in operating up to 30 year old legacy systems and keep pace with future technology improvements. More importantly, the financial base system provides a solid foundation for the Commonwealth to expand system functionality and facilitate better integration of key administrative systems across the state. This foundation will enable the state to re-engineer activities to include taking advantage of shared services, increasing functionality for better fiscal management, and reducing redundant agency financial systems and related cost.

A contract for implementation services, a multi-agency project team and funding for the Part 3 rollout and ongoing systems operating costs are in place. Part 3 implementation costs are funded through a WCA and systems operating costs (including WCA repayment) will be recovered through the Enterprise Applications internal service fund. DOA has received additional general fund resources to support certain new and increased central functions required under Cardinal.

**Mission Alignment**

The enterprise application directly supports the mission of the agency by providing a new uniform system of accounting.

**Products and Services**

**Description of Major Products and Services**

This service area is an internal service fund that oversees the collection of charges to agencies for the ongoing operating costs of the Commonwealth's Cardinal enterprise financial application.

**Anticipated Changes**

Cardinal is being implemented to replace CARS as the Commonwealth's official general ledger accounting system based on modern PeopleSoft technology. With the implementation of the new system, business processes throughout the Commonwealth will change to be compatible with the new technology.

Cardinal Financials is being implemented in three parts. The first part implemented VDOT’s financial system (including General Ledger, Accounts Payable, Full Accounts Receivable, Project Accounting, Procurement and Time and Attendance) on December 1, 2011. The second part implements the Base statewide financial system (General Ledger, Accounts Payable, Limited Accounts Receivable) at the Department of Accounts on October 1, 2012. The third part of the project includes transitioning all other state agencies to the Cardinal Base system; at which time CARS will be retired (planned effective FY 2016). DOA will need to staff the operational support of Cardinal while simultaneously maintaining support for CARS throughout the part three implementation. A contract for implementation services, a multi-agency project team and funding strategy (Working Capital Advance for implementation and ongoing operating costs recovered through the Enterprise Applications internal service fund) is in place to implement all three phases.

**Factors Impacting**

**PPEA ERP**

DOA has invested significant resources on the core project team and steering committee of the Commonwealth's PPEA Enterprise Resource Planning project. The Commonwealth completed a comprehensive study of the Commonwealth's business processes at the enterprise level, which led to the project to replace the legacy financial management systems with commercial off-the-shelf software.

**Financial Overview**

Amounts for the Financial Oversight for Cardinal System represent an internal service fund derived from charges to agencies for the ongoing costs of the Commonwealth's Cardinal enterprise application. These amounts include recovery of development and implementation costs initially funded through working capital advances. The estimated cost for the Cardinal system is \$17,620,483 the first year and \$17,973,016 the second year. All users of the Commonwealth's Cardinal system will be assessed a surcharge based on licenses, transactions, or other meaningful methodology as determined by the Secretary of Finance and the owner of the system, and approved by the Joint Legislative Audit and Review Commission.

Biennial Budget

	2015 General Fund	2015 Nongeneral Fund	2016 General Fund	2016 Nongeneral Fund
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Initial Appropriation for the Biennium	0	17,620,483	0	17,973,016
Changes to Initial Appropriation	0	0	0	0

**Supporting Documents**

**Title** **File Type**

## Financial Systems Development [72401]

### Description of this Program / Service Area

Department of Account's (DOA) management recognizes the increasing value of information generation as a service. Integration between systems continues to increase, particularly between mainframe and desktop processing environments. This functional activity supports the operation of the statewide general ledger system (CARS), the statewide payroll system (CIPPS), and the statewide fixed asset system (FAACS), as well as other related statewide financial information systems.

This area includes the ongoing planning needed to promote the coordinated development and integration of hardware, database systems, application programs, and communications within DOA and between DOA and its customers. All planning is done in conformance with the guidelines of the Virginia Information Technology Agency (VITA). Weekly management status meetings and the annual update to the agency information technology plan are used to support this activity.

### Mission Alignment

This service area develops new applications that support the activities of the agency's financial IT systems, CARS, CIPPS, and FAACS, which aligns with the agency's mission of maintaining a uniform accounting system. This service area also develops and implements new web applications that DOA requires. Examples of web applications supported include Redi Virginia (Electronic Data Interchange information system), Payline (employee pay and leave information), and Reportline (DOA electronic reports system). Development is distinguished from maintenance in that development involves creating new functionality, whereas maintenance supports the continued use of existing functionality.

### Products and Services

#### Description of Major Products and Services

This area produces and maintains source code that allows DOA's financial programs and applications to meet the department's mission.

#### Anticipated Changes

##### Information Technology Security

Compliance with new and evolving security standards and policies, procedures, and monitoring is a challenge. DOA is challenged to address security within the transformed environment. DOA plans to continue spending considerable resources to comply with all VITA security standards and guidelines and to implement a comprehensive IT security program.

##### Future of Payroll

The Commonwealth's centralized payroll system, known as CIPPS, was implemented in the mid-1980s. It is a purchased software package supported by Infor Global Solutions (formerly McCormack and Dodge, Dun and Bradstreet, and GEAC). The application runs on the IBM mainframe and supporting programs are largely written in COBOL (**CO**mmun **B**usiness-**O**riented **L**anguage). Infor has announced technical support for the current system through May 31, 2018. Technical support is needed to obtain software updates for federal/state (Virginia has employees in 17 states) tax rate and rule changes. This critical technical support will likely be discontinued on, or soon after, that date. Additionally, most technical support (DOA and Infor) personnel either have reached or are approaching eligibility for retirement. While effective, the technology of the system is outdated from the aspect of having a sufficient pool of talent to provide support in the future.

Given the amount of lead time required to define system requirements, develop and implement the system and train the users of 200+ agencies and central support staff, moving forward with a strategic plan to replace CIPPS is critical and is underway.

##### Planned Approach – PeopleSoft (Oracle)

COV purchased PeopleSoft for the purpose of replacing legacy enterprise systems. The purchase included the full suite of applications including Payroll. This solution also requires integration services to develop requirements, design, test and implement the solution, develop conversion programs and develop and deliver comprehensive change management and training programs.

Under this approach, DOA will leverage the existing proven Cardinal project management and production support capabilities that have successfully (on-time, on-budget) implemented Cardinal in VDOT (7,500 users), DOA, 143 Wave 1 agencies (390 users) and, by February, 2016, Wave 2 agencies (1,500 users), enabling the 30 year old CARS system to be decommissioned. A contract is available with Accenture, the Cardinal integration partner and post-production support provider, to establish a Statement of Work (SOW) to begin work on the CIPPS replacement initiative. Under this strategy DOA will continue to augment its' functional expertise (i.e., State Payroll Operations) with the existing Cardinal Enterprise System Program office's project management and PeopleSoft technical expertise and experience. By continuing this DOA/VDOT shared service approach, the need to stand-up a separate Payroll project management office will be avoided using the proven PeopleSoft product and Accenture's proven implementation methodologies.

This approach is considered substantially less risky and ultimately more cost effective than issuing a Request for Proposal to procure either or both Payroll software and implementation services. Utilizing a proven product, proven implementation methodologies, highly experienced/skilled resources with a trusted implementation partner will minimize the risk that COV will be unable to process payroll for its approximately 100,000 CIPPS employees. Implementing the CIPPS replacement on a common platform with the Cardinal statewide financial system will leverage the existing Cardinal production infrastructure and ultimately lead to lower operating costs than would be incurred with multiple software platforms.

Pursuant to an RFI, DOA obtained a high level budget estimate of approximately \$30 million as the total implementation cost to replace CIPPS. Budget language authorizing a Working Capital Advance (WCA) to fund the project has been approved. WCA repayment and payroll system operating costs will be captured through internal service fund rates following implementation. Initial work will entail a negotiated SOW to define requirements and perform a software fit/gap analysis, which will enable more refined budget estimates for total implementation costs.

## **Cardinal**

Cardinal represents a shared vision between the offices of the Secretary of Transportation, Secretary of Finance and the Secretary of Technology to replace the Commonwealth's financial system (CARS) and the Virginia Department of Transportation's (VDOT) financial system (FMS) with a modern enterprise wide financial system (base financial system). Cardinal will 1) replace the two aging financial systems with an enterprise resource planning (ERP) financial system - PeopleSoft, 2) develop data standards that improve the sharing of information across agencies (Virginia Acts of the Assembly, Chapter 781, Item 460), and 3) allow the Commonwealth to reduce the risk inherent in operating up to 30 year old legacy systems and keep pace with future technology improvements. More importantly, the financial base system provides a solid foundation for the Commonwealth to expand system functionality and facilitate better integration of key administrative systems across the state. This foundation will enable the state to re-engineer activities to include taking advantage of shared services, increasing functionality for better fiscal management, and reducing redundant agency financial systems and related cost.

Cardinal Financials is being implemented in three parts. The first part implemented VDOT's financial system (including General Ledger, Accounts Payable, Full Accounts Receivable, Project Accounting, Procurement and Time and Attendance) on December 1, 2011. The second part implements the Base statewide financial system (General Ledger, Accounts Payable, Limited Accounts Receivable) at the Department of Accounts on October 1, 2012. The third part of the project includes transitioning all other state agencies to the Cardinal Base system; at which time CARS will be retired (planned effective FY 2016). DOA will need to staff the operational support of Cardinal while simultaneously maintaining support for CARS throughout the part three implementation. A contract for implementation services, a multi-agency project team and funding strategy (Working Capital Advance for implementation and ongoing operating costs recovered through the Enterprise Applications internal service fund) is in place to implement all three phases.

DOA also continues to expand and improve the IT disaster recovery plan in order to reduce downtime in the event of a disaster.

## **Factors Impacting**

DOA is in the process of modernizing its 25+ year-old mainframe applications and systems and moving them to web enabled technical environments. Some of DOA's IT staff, while proficient in legacy oriented languages and other mainframe technologies are transitioning to web and client server technologies. As staff train in the new technologies there will be a risk of turnover because they will have more marketable and in-demand skills. As staff leave or retire, there is an agency loss of both business knowledge and technical expertise.

The Cardinal management structure has been built on the premise of a single system instance, with a centralized application support unit leveraging VDOT's extensive PeopleSoft experience and project infrastructure. DOA and VDOT agreed State (i.e., non-contractual or consulting) Cardinal support and development staff would remain on VDOT payroll in the near-term, but over time would transition to DOA. This planned institutionalization of the statewide Cardinal support and development staff under DOA and the Enterprise Applications Internal Service Fund has begun.

## **eVa Integration**

Item 76 C.2. of Chapter 2, 2014 Special Session 1 of the Virginia Acts of Assembly (Appropriation Act for Fiscal Years 2015 and 2016) requires the Department of General Services in consultation with the Department of Accounts to develop an implementation timetable, scope, and cost for real time integration between eVA and Cardinal with the objective that the integration be completed within one year of the Cardinal Wave 1 rollout. A final timetable for integration was submitted to the Governor and Chairmen of the House Appropriations and Senate Finance Committees. This is a significant change in scope to the existing plans for Cardinal implementation and must be managed to preclude the diversion of resources currently dedicated to the successful implementation of Cardinal and subsequent decommissioning of CARS.

The ongoing support activities that are necessary as a result of the transformation to VITA place a demand on agency IT and security personnel to ensure adherence to VITA standards and alignment with VITA requirements.

The one to three-day system downtime (i.e., switch-over timeframe to back-up VITA site) currently embedded in the VITA disaster recovery and business continuity plan is inadequate and DOA is investigating better solutions to mitigate that risk.

## **Succession Planning/Staff Back-up**

Reduced staffing levels at DOA engender two critical threats to the continuity of IT service provided for DOA systems. First, there is a more limited capacity for cross-training to build staff resource backup capacity in the event of an emergency. Second, there are fewer options to ensure continuity of service due to normal attrition.

## **IT Initiatives**

DOA plans to strengthen its project management expertise and to move toward the development of a Project Management Office to improve non-routine, non-operational project planning and execution.

DOA is implementing archival solutions to manage document storage. This initiative will improve security over documents and improve the efficiency with which these documents and related information are accessed. Human Resource files and Line of Duty records have already begun the process of conversion. Other types of documents to be considered include permanently retained Electronic Data Interface (EDI) security forms, Payroll Service Bureau records, and accounts payable information.

## Financial Overview

This area is funded entirely with general fund appropriation.

Biennial Budget

	2015 General Fund	2015 Nongeneral Fund	2016 General Fund	2016 Nongeneral Fund
Initial Appropriation for the Biennium	736,513	0	736,513	0
Changes to Initial Appropriation	0	0	0	0

## Supporting Documents

Title File Type

### Service Area Plan

#### Financial Systems Maintenance [72402]

##### Description of this Program / Service Area

This service area maintains existing agency financial systems, including the statewide general ledger system called Commonwealth Accounting and Reporting System (CARS), the statewide payroll system called Commonwealth Integrated Payroll and Personnel System (CIPPS), and the statewide fixed asset system called Fixed Asset and Accounting Control System (FAACS) and associated systems and applications. This service area also maintains existing web applications such as Reportline, Payline, and Redi Virginia. Maintenance is distinguished from development in that development involves creating new functionality, whereas maintenance supports the continued use of existing functionality.

##### Mission Alignment

This service area supports the mission of the Department of Accounts (DOA) by maintaining the systems that provide a uniform system of accounting for the Commonwealth.

##### Products and Services

###### Description of Major Products and Services

The product for this area is the development and maintenance of programming code from written and verbal requirements.

###### Anticipated Changes

Anticipated changes impacting this service area are discussed in the description of the Financial Systems Development service area (15172401).

###### Factors Impacting

Factors impacting this service area are discussed in the description of the Financial Systems Development service area (15172401).

## Financial Overview

This area is completely funded by general fund appropriation.

Biennial Budget

	2015 General Fund	2015 Nongeneral Fund	2016 General Fund	2016 Nongeneral Fund
Initial Appropriation for the Biennium	1,060,044	0	1,060,044	0
Changes to Initial Appropriation	0	0	0	0

## Supporting Documents

Title File Type

## Service Area Plan

### Computer Services [72404]

#### Description of this Program / Service Area

Integration between systems continues to increase, particularly between mainframe and desktop processing environments. This service area supports the operation of the statewide general ledger system (CARS), the statewide payroll system (CIPPS), and the statewide fixed asset system (FAACS), as well as other related statewide financial information systems. DOA transitioned to Virginia Information Technologies Agency (VITA) in July, 2004. DOA continues to monitor the performance of the transformed functions, in conjunction with VITA.

#### Mission Alignment

This service area includes services provided by a VITA/NG production control group, and an operations group with DOA oversight. Production control service ensures that nightly programs and job streams are executed in CARS, CIPPS, and FAACS to meet requested schedules. Included in this service area is the DOA responsibilities to procure, install and maintain the agency hardware environment, which includes the networked desktop environment, which supports more than 130 users. It also includes related services provided to other agencies such as remote print distribution. On a typical day 600,000 lines of print are distributed electronically to remote sites.

#### Products and Services

##### Description of Major Products and Services

Statewide systems, CARS, CIPPS, FAACS and associated systems.

##### Anticipated Changes

Cardinal, the Commonwealth's new general ledger enterprise application system, is being phased into production and will eventually replace the CARS system. Refer to the service area titled Financial Systems Development for more information.

##### Factors Impacting

The factors noted in the service area titled Financial Systems Development are applicable to this service area.

#### Financial Overview

The financial information in this service area reflects the cost for services provided by VITA (non telecommunication).

Biennial Budget

	2015 General Fund	2015 Nongeneral Fund	2016 General Fund	2016 Nongeneral Fund
Initial Appropriation for the Biennium	1,573,899	0	1,573,899	0
Changes to Initial Appropriation	0	0	0	0

#### Supporting Documents

**Title** **File Type**

**General Accounting [73701]****Description of this Program / Service Area**

The Department of Accounts (DOA) maintains the official accounts for the Commonwealth in the Commonwealth Accounting and Reporting System (CARS). Deposit and disbursement transactions are entered by agencies online during the workday and computer edited against authorized spending levels in nightly batch runs. A daily reconciliation of the state's cash position in the books of the Comptroller to the books of the State Treasurer is performed. Various accounting reports are generated for use by agency and DOA staff to reconcile the accounts each day and identify and resolve any discrepancies that are identified.

All disbursements of public funds must be processed through CARS.

**Appropriation Control**

This service area involves the internal control procedures used by state government to enforce compliance with appropriation law. Following enactment of the Appropriation Act, both DOA and the Department of Planning and Budget (DPB) become responsible for ensuring that appropriation law is followed. DPB authorizes the expenditure of appropriated funds through the allotment process, while DOA enforces this authorization through the automated edits and manual procedures that support the general ledger. This service area includes the preparation of year-end reconciliations that account for all expenditures as authorized in the Appropriation Act.

**Support Locality Revenue Deposits**

DOA has general oversight for deposit reconciliation for all sources of state revenue. However, a separate service involves the processing of deposits from local governments and the court system. Given the many different administrative environments found among local governments and the various state courts, DOA has assumed a higher level of processing responsibility for these deposits. Each month, DOA handles an average of 2,800 local deposit certificates. Following a decentralization initiative begun in early 2003, entry of these deposit transactions into the central accounting system is largely executed by localities. A related responsibility is the monthly summarization and certification of recordation taxes, a portion of which are ultimately due to localities. This service also includes procedures for refunding forfeited bail bonds as ordered by a court.

**Interest Calculation**

Virginia statutory and appropriation law frequently allocates interest income earned by the Treasurer to specific nongeneral funds. This requires detailed calculations and recordkeeping necessary to allocate interest and demonstrate compliance with the related legal provisions.

**Comptroller's Debt Setoff Program**

Section 2.2-4806, Code of Virginia, authorizes the recovery of overdue debts owed to the Commonwealth from suppliers for amounts to be paid for procured goods and services. This is a debt setoff program similar to that used by the Department of Taxation (TAX) to recover debts from state tax refunds. Since its inception in 1991 through FY 2014, this program has recovered in excess of \$187.5 million in overdue debts owed to the Commonwealth. The \$187.5 million includes funds initially setoff but ultimately returned to the vendors because the debt was recovered by other means.

**Loan, Line of Credit and Grant Coordination**

The Appropriation Act provides for intra-governmental loans and lines of credit from the Department of Treasury to support state programs that are anticipating nongeneral funds from federal grants and contracts, bond sales, and similar situations. The Comptroller's office is responsible for development of procedures for agencies to follow in applying and justifying such requests. DOA must administer these financial transactions including interest calculation, timing of repayment, and proper accounting and reporting. This service includes the processing of state grants to nonstate agencies as authorized by the Appropriation Act and regulated by DPB.

**Financial Electronic Data Interchange (FEDI)**

FEDI increases administrative efficiency and reduces costs through the replacement of check payments with automated transactions. The program was implemented in 1994. The Commonwealth has over 136,980 trading partners accepting electronic payments including vendors, localities, state agencies/employees and grant recipients. In May 2013, DOA implemented a systemic change whereby employees who have direct deposit for payroll were automatically enrolled in the EDI program.

**Distributions to Local Governments**

The State Comptroller is mandated by law to distribute certain funds to local governments. Such distributions include funds allocated to localities pursuant to the sales and use tax based upon school age population, a percentage of Department of Alcoholic Beverage Control (ABC) profits based on total population, and recordation tax for which the total distribution is fixed but each locality's share is based upon their collections as compared to total collections.

**Personal Property Tax Relief Act (PPTRA)**

DOA disburses funds to local governments pursuant to the Personal Property Tax Relief Act.

**Purchase Charge Card Program**

The Purchase Charge Card Program which includes the Small Purchase Charge Card (SPCC), Gold Card, and ePayables, was initiated to reduce the volume and cost of accounts payable transactions. The SPCC program was implemented January 1, 1995, and offers state agencies and institutions an alternative payment method when making small purchases under \$5,000. The "Gold" card program assists in capturing payments over the \$5,000 threshold. ePayables was implemented in June 2011 to capture card spending after an accounting voucher has been entered for payment for enrolled vendors. In 2014, over \$678 million was purchased under this program and the Commonwealth received over \$9 million in

rebates from the charge card vendor.

### **Travel Card Program**

The travel card program is comprised of the Airline Travel Card (ATC) and the Individual Liability Travel Card. The ATC is used by agencies to book airline and mass rail tickets; whereas, the Individual Liability Travel Card is for travelers to use while in travel status. ATC cards are paid monthly by each agency to the charge card vendor. Typically, individuals traveling more than two times per year hold an Individual Liability Travel Card for official state business travel. Employees request and receive reimbursement for travel expenses as they complete travel, but must pay their travel charge bills monthly. In 2014 there were over 40 agencies with ATC's and over 2,700 Individual Liability Travel Cards.

### **Mission Alignment**

The General Accounting service area directly supports the mission of the agency by ensuring the integrity of the general ledger system and providing a uniform system of accounting.

### **Products and Services**

#### **Description of Major Products and Services**

This service area provides all accounting reports for state agencies through the CARS system.

#### **Anticipated Changes**

##### **Information Technology**

Compliance with new and evolving security policies, procedures, and monitoring is a challenge. DOA is challenged to address security within the ongoing transformation changes. DOA plans to spend considerable resources to comply with all VITA security standards and guidelines and to implement a comprehensive IT security program. DOA also continues to expand and improve the IT disaster recovery plan in order to reflect the transformation and in order to address the new challenges resulting from the transformation in order to reduce downtime in the event of a disaster.

##### **U.S. Treasury Offset Program**

The Commonwealth is currently in the planning stage of expanding its involvement in the U.S. Treasury Offset Program (TOPS). This initiative involves a reciprocal agreement between Virginia and the U.S. Treasury to offset payments to individuals and businesses for debts owed to Virginia and the federal government. Currently, the Commonwealth, through the Department of Taxation participates in the Federal Refund Offset. This level of participation is limited to Virginia Income Tax debts.

An expansion of this program involves including tax debts for taxes other than Individual Income tax as well as all other debts to state agencies (Non-Tax Debts). This expansion will require one time programmatic changes to Cardinal as well as additional staff resources to support the ongoing expanded collection efforts. The Commonwealth is currently scheduled to begin offsetting federal debts against Commonwealth vendor payments in the January to March 2017 time frame which is not a component of TOPS but a requirement to participate in TOPS.

#### **Factors Impacting**

##### **Adequate Supply of Accounting Personnel**

Currently there is a high demand for qualified accounting personnel in both the non-governmental and governmental community. This increases the difficulty of being able to find qualified staff for open positions. This impediment affects not only DOA as an agency but DOA as the responsible organization for establishing and ensuring compliance with accounting policy throughout state government. If DOA as an agency or other state agencies have difficulty securing qualified staff, the reliability of state financial information is at risk. In the long run, this could impact the Comprehensive Annual Financial Report of the Commonwealth (CAFR) and/or the bond rating of Virginia.

##### **Cardinal Implementation**

Cardinal is being implemented in partnership with the Virginia Department of Transportation (VDOT) and will replace the Commonwealth's outdated general ledger, the Commonwealth Accounting and Reporting System (CARS) using modern and industry leading Enterprise Resource Planning (ERP) software, PeopleSoft. Cardinal will provide powerful reporting capabilities, optimize standardization and transparency and meet increasingly complex financial reporting demands. Given the critical role the Commonwealth's general ledger system plays in meeting our financial management goals and objectives, Cardinal will mitigate the significant risks of relying upon the current aged and increasingly difficult to support general ledger system. Cardinal represents an essential first step toward providing critical business functionality to agencies and to enable the Commonwealth to optimize the benefits of a full ERP solution.

Cardinal Financials is being implemented in three phases. The first part implemented VDOT's financial system (including General Ledger, Accounts Payable, Full Accounts Receivable, Project Accounting, Procurement and Time and Attendance) on December 1, 2011. The second part implements the Base statewide financial system (General Ledger, Accounts Payable, Limited Accounts Receivable) at DOA on October 1, 2012.

Phases 1 and 2 were funded by VDOT and a Working Capital Advance (WCA). The third phase of the project includes transitioning all other state agencies to the Cardinal Base system; at which time CARS will be retired (planned effective FY 2017).

##### **Standard Vendor Database**

Virginia Acts of Assembly, Chapter 3, Item 260 B.2., requires the State Comptroller, as a condition of utilizing the Working Capital Advance necessary to fund the implementation of Cardinal, to establish and maintain a standard vendor database. This requirement is necessary to

facilitate the exchange of vendor information between agencies in a format and content that allows the Commonwealth to uniformly identify and report vendors, goods and services and other information to monitor the use of the Commonwealth's resources and to minimize the risk of improper payments to vendors. This requirement is emphasized by repeated past audit recommendations by the Auditor of Public Accounts and related Appropriation Act language.

Currently, with the exception of EDI vendors, vendor data is maintained by each individual agency. In some cases agencies maintain their own vendor databases and in other cases agencies simply enter vendor data for each disbursement processed. Therefore, no central standardization of vendor information has been implemented to-date in the Commonwealth and no central function or staffing supporting the creation and maintenance of standard vendor data currently exists. Consequently, substantial duplication of vendor data maintenance functions exist across agencies. While establishing this central function will reduce agency levels of effort currently supporting this activity, given the tens of thousands of vendors (including procurement vendors and non-procurement vendors) with whom the Commonwealth does business statewide, this is a substantial and challenging new DOA function.

### **General Accounting and Financial Reporting**

Cardinal will provide the Commonwealth with new robust accounting, reporting, and transparency capabilities. However, its technical complexity demands additional accounting analytical resources to maintain accountability of the Commonwealth's financial resources.

CARS is a functionally limited and outdated mainframe application, which is table driven and has been in operation for over 30 years. These tables, along with voluminous system customizations, simplify and control CARS usage by fiscal staff across the Commonwealth, significantly minimizing the risk of accounting and reporting errors. Over the many years of CARS operation, the number of DOA staff dedicated to analytical monitoring and reporting has been reduced in recognition of CARS' stability, relatively low risk as well as the relatively strong and institutionalized level of CARS experience that generally exists among agency fiscal staff. The current substantially decentralized statewide financial management organizational structure has resulted. The current level of stability, low risk and institutionalized experience has been reached over the past 30 years CARS has been in operation. Such advantages will be completely eliminated with the implementation of Cardinal. However, the decentralized financial management organizational structure will remain, demanding new internal control and central oversight strategies.

Cardinal is built on the most recent version of PeopleSoft, which is functionally robust and flexible, but highly complex. This flexibility and complexity, along with the Commonwealth's highly decentralized financial management organizational structure, create a much higher risk of user error than exists currently under CARS. Unless adequately monitored centrally, this risk potentially could result in material accounting and reporting inaccuracies and inappropriate use of state funds. To mitigate this risk, DOA will strengthen its General Accounting and Financial Reporting units to provide the central oversight necessary to detect and correct these damaging events prior to their occurrence.

The General Accounting Unit within the Department of Accounts has among its responsibilities the requirement to maintain the accuracy and integrity of accounting data recorded in the Commonwealth's general ledger. The general ledger is currently contained within the Commonwealth Accounting and Reporting System (CARS) implemented in July of 1986. Satisfying these requirements involves establishing processes to accurately and timely record thousands of transactions daily, generate and validate meaningful financial reports and oversee the reconciliation and validation process executed by over 280 state agencies to ensure the accuracy of data contained within CARS. Additionally, many of the economically driven distributions to Local Governments are calculated and executed from complex programs contained within the programmatic coding within CARS. The migration from CARS to Cardinal will necessitate a complete re-engineering of many of these processes. Given the enormous differences between the aged CARS and the new and robust Cardinal, this business process re-engineering effort will be significant.

Additionally, since the Commonwealth has elected to employ a staggered implementation strategy over three fiscal years, the Commonwealth will be running CARS and Cardinal in parallel for this time period. While this approach significantly reduces operational risk, it will require the General Accounting team support two general ledger processes simultaneously including but not limited to executing complex reconciliation procedures to ensure the accuracy of data in both systems.

### **eVa Integration**

Item 76 C.2. of Chapter 2, 2014 Special Session 1 of the Virginia Acts of Assembly (Appropriation Act for Fiscal Years 2015 and 2016) requires the Department of General Services in consultation with the Department of Accounts to develop an implementation timetable, scope, and cost for real time integration between eVA and Cardinal with the objective that the integration be completed within one year of the Cardinal Wave 1 rollout. The final timetable for integration was submitted to the Governor and Chairmen of the House Appropriations and Senate Finance Committees. This is a significant change in scope to the existing plans for Cardinal implementation and must be managed to preclude the diversion of resources currently dedicated to the successful implementation of Cardinal and subsequent decommissioning of CARS.

### **Financial Overview**

This service area is funded with both general and nongeneral fund appropriation. Nongeneral funds are used to account for services provided by General Accounting for the small purchase charge card program, statewide nongeneral fund interest calculations, higher education non-level 3 oversight, and higher education level 3 oversight.

Biennial Budget

	2015 General Fund	2015 Nongeneral Fund	2016 General Fund	2016 Nongeneral Fund
Initial Appropriation for the Biennium	2,593,767	821,956	3,033,054	821,956
Changes to Initial Appropriation	0	0	0	0

Supporting Documents

Title File Type

**Disbursements Review [73702]****Description of this Program / Service Area****Compliance Assurance**

This service area's organizational objective is to compile, review and produce the Comptroller's Report on Statewide Financial Management and Compliance, and to review, evaluate and report on current statewide decentralized agency compliance with expenditure and disbursement policies defined in the Commonwealth Accounting Policies and Procedures (CAPP) manual. This service area also provides professional and technical training programs and timely assistance for improving agency compliance with CAPP procedures. This service area provides a pre-audit function for non-decentralized agencies as well as follow up on agency corrective action workplans for deficiencies noted in Auditor of Public Accounts (APA) audit reports.

**Decentralized Pre-audit**

Since 1992, the Department of Accounts (DOA) has been in the process of decentralizing the pre-audit function to individual agencies under a delegation of authority from the State Comptroller. This activity includes the identification of qualified agencies, negotiation of delegation agreements, and quality control reviews that monitor delegated pre-audit performance for compliance with published policies and procedures and advice to agencies of corrective measures that may be needed.

**Quarterly Financial Report**

This service area is responsible for the Report on Statewide Financial Management and Compliance. Each quarter, DOA provides the Governor, the Governor's Cabinet and state agency heads with a comprehensive report on various measures used to monitor the degree to which agencies have complied with various accounting and financial management policies, procedures and standards of performance.

**Mission Alignment**

This service area aligns closely with DOA's mission as its purpose is to evaluate and report on agency financial accountability and compliance. This is achieved via the goal of assisting agencies in meeting their responsibilities for providing reliable and accurate financial information, for protecting Commonwealth resources and for supporting, and enhancing the recognition of Virginia as the best managed state in the union.

**Products and Services****Description of Major Products and Services**

This service area produces audit reports when they review decentralized agencies disbursement records. These audit reports serve to inform agencies on where they deviated from state accounting policies and procedures and how to improve their future performance.

**Anticipated Changes**

The implementation of Cardinal will provide the Commonwealth with a modern Enterprise Resource Planning (ERP) financial management system, giving the State robust financial management capabilities and numerous other advantages over CARS. With this implementation, many processes will be streamlined and improved to better utilize Cardinal functionality.

One of these processes that will be modified, for the benefit of both DOA and State agencies, is the pre-audit process. The Code of Virginia, § 2.2-1822, requires the Comptroller to ensure that all warrants are audited prior to disbursement. More than twenty years ago, DOA delegated this responsibility to agencies that met specific accountability criteria in a program known as "The Comptroller's Financial Records Decentralization Program." This program increases agency processing flexibility and reduces expenditure processing costs. Over time, most State agencies opted for participation in this program.

With the improved accountability in Cardinal and the greater reporting capabilities it offers, all State agencies will now be required to operate under the decentralized records program. Utilizing a systematic risk evaluation of all decentralized agencies DOA currently performs a quality control review, including detailed tests of agency transactions, to ensure compliance with all applicable Commonwealth Accounting Policies and Procedures (CAPP) Manual topics as well as Federal and State Law. Agencies that are currently subject to pre-audit processes will now be included in this evaluation process.

**Factors Impacting****Technological Advances**

As technology continues to change and advance, the disbursements review unit must stay abreast of these changes and modify their audit approach to ensure proper testing is completed.

**Financial Overview**

The budget for this area is funded with all general fund appropriation.

Biennial Budget

	2015 General Fund	2015 Nongeneral Fund	2016 General Fund	2016 Nongeneral Fund
Initial Appropriation for the Biennium	986,052	0	986,052	0
Changes to Initial Appropriation	0	0	180,000	0

**Supporting Documents**

**Title** **File Type**

## Payroll Operations [73703]

### Description of this Program / Service Area

The State Payroll Operations service area administers the central payroll system (CIPPS) and ensures and facilitates the administration of payroll and benefits for state employees. Most state employees are served by CIPPS, although the largest 4 year state-supported colleges and universities operate independent payroll systems. Agencies may calculate several payrolls on a weekly, biweekly, semimonthly or monthly basis, or "as needed" to cover special situations and demands. About 1,000 payroll staff at over 200 agencies and institutions are granted secure access to the central payroll system. The distribution of pay is primarily by direct deposit (about 99.8% of all salaried employees).

Employers are subject to severe financial penalties for inaccurate reporting of federal tax withholding. The Department of Accounts (DOA) deposits about \$220 million each quarter on behalf of over 200 state agency employers. This activity includes the administration of the Federal Automated Deposit program (FAD), preparation and electronic filing of quarterly withholding reports (Internal Revenue Service Form 941), preparation of year end filings for over 121,000 W-2 forms, electronic reporting to the IRS and the Social Security Administration, and preparation and filing of adjusted forms as needed (Forms 941C, W-2C, and W-3C).

Accounting and disbursements processing for benefits covers the deduction, reconciliation, disbursement and accounting for all amounts deducted from employee pay for both state benefit and supplemental deduction programs. The major benefit deductions include health care, Section 125 flexible spending accounts, and the Section 457 deferred compensation program. This service also includes the transmission of data to the Virginia Retirement System (VRS) for retirement service credit recording, as well as the accounting of funds for employees who are eligible and have elected to participate in one of the three optional retirement programs offered in place of VRS. All deducted amounts are reconciled before the funds are disbursed to the appropriate receiving party. Deductions for other purposes are also supported including, CVC (charitable foundation contributions), child support orders, garnishment fees, dues for employee associations and premiums for supplemental insurance coverage and tax-deferred annuities.

### Mission Alignment

This service area supports the mission of the agency by processing payrolls efficiently, effectively and accurately.

### Products and Services

#### Description of Major Products and Services

Processes payrolls daily which results in the distribution of funds to state employees.

Prepares the Report on Statewide Financial Management and Compliance.

#### Anticipated Changes

The Commonwealth's centralized payroll system, known as CIPPS, was implemented in the mid-1980s. It is a purchased software package supported by Infor Global Solutions (formerly McCormack and Dodge, Dun and Bradstreet, and GEAC). The application runs on the IBM mainframe and supporting programs are largely written in COBOL (**CO**mmon **B**usiness-**O**riented **L**anguage). Infor has announced technical support for the current system through May 31, 2018. Technical support is needed to obtain software updates for federal/state (Virginia has employees in 17 states) tax rate and rule changes. This critical technical support will likely be discontinued on, or soon after, that date. Additionally, most technical support (DOA and Infor) personnel either have reached or are approaching eligibility for retirement. While effective, the technology of the system is outdated from the aspect of having a sufficient pool of talent to provide support in the future.

Given the amount of lead time required to define system requirements, develop and implement the system and train the users of 200+ agencies and central support staff, moving forward with a strategic plan to replace CIPPS is critical.

#### **Planned Approach – PeopleSoft (Oracle)**

COV purchased PeopleSoft for the purpose of replacing legacy enterprise systems. The purchase included the full suite of applications including Payroll. This solution also requires integration services to develop requirements, design, test and implement the solution, develop conversion programs and develop and deliver comprehensive change management and training programs.

Under this approach, DOA will leverage the existing proven Cardinal project management and production support capabilities that have successfully (on-time, on-budget) implemented Cardinal in VDOT (7,500 users), DOA, 143 Wave 1 agencies (390 users) and, by February, 2016, Wave 2 agencies (1,500 users), enabling the 30 year old CARS system to be decommissioned. A contract is available with Accenture, the Cardinal integration partner and post-production support provider, to establish a Statement of Work (SOW) to begin work on the CIPPS replacement initiative. Under this strategy DOA will continue to augment its' functional expertise (i.e., State Payroll Operations) with the existing Cardinal Enterprise System Program office's project management and PeopleSoft technical expertise and experience. By continuing this DOA/VDOT shared service approach, the need to stand-up a separate Payroll project management office will be avoided using the proven PeopleSoft product and Accenture's proven implementation methodologies.

This approach is considered substantially less risky and ultimately more cost effective than issuing a Request for Proposal to procure either or both Payroll software and implementation services. Utilizing a proven product, proven implementation methodologies, highly experienced/skilled

resources with a trusted implementation partner will minimize the risk that COV will be unable to process payroll for its approximately 100,000 CIPPS employees. Implementing the CIPPS replacement on a common platform with the Cardinal statewide financial system will leverage the existing Cardinal production infrastructure and ultimately lead to lower operating costs than would be incurred with multiple software platforms.

Pursuant to an RFI, DOA obtained a high level budget estimate of approximately \$30 million as the total implementation cost to replace CIPPS. Budget language authorizing a Working Capital Advance (WCA) to fund the project has been approved. WCA repayment and payroll system operating costs will be captured through internal service fund rates following implementation. Initial work will entail a negotiated SOW to define requirements and perform a software fit/gap analysis, which will enable more refined budget estimates for total implementation costs.

### **Factors Impacting**

While currently staffed at an appropriate level, the payroll operations division's services could be impacted by the loss of institutional knowledge if key employees were to leave DOA through a change in job or through retirement.

Additionally, any federal or state legislation affecting payroll requirements must be monitored closely in order to determine the impact on the calculation and processing of payroll.

### **Financial Overview**

This service area is almost entirely funded by general fund appropriation. A small reimbursement is received annually from the Health Insurance Fund to cover services rendered for the fund.

#### Biennial Budget

	<b>2015 General Fund</b>	<b>2015 Nongeneral Fund</b>	<b>2016 General Fund</b>	<b>2016 Nongeneral Fund</b>
Initial Appropriation for the Biennium	1,142,831	0	1,142,831	0
Changes to Initial Appropriation	0	0	0	0

### **Supporting Documents**

**Title** **File Type**

**Financial Reporting [73704]****Description of this Program / Service Area**

The Virginia Constitution requires accounts be maintained and reported based upon when cash is received and paid out. This service area involves ongoing reporting of cash activity in the state accounts throughout the year. The Department of Accounts (DOA) reports cash activity in state accounts throughout the year for the Governor, Secretary of Finance and General Assembly, including the monthly report on the cash position of the Commonwealth. This service area provides the monthly revenue report to compare actual revenue collections to the official revenue estimate. A general fund preliminary report is prepared by August 15 each year. Both the monthly revenue and general fund preliminary reports are required by law.

This service area produces the Comprehensive Annual Financial Report (CAFR) of the Commonwealth, which is audited by the Auditor of Public Accounts. Generally accepted accounting principles (GAAP) for states and local governments are promulgated by the Governmental Accounting Standards Board (GASB) and include the recognition of accrued assets and liabilities along with other non-cash accounting requirements. In order to obtain all of the financial information necessary to prepare the CAFR, DOA issues the state Agency, Higher Education, and Component Unit Financial Statement Directives. These directives provide guidance and assistance to state agencies, institutions of higher education, and component units on the GAAP presentation of financial statement information.

This service area summarizes and simplifies the presentation of information contained in the CAFR in a report often referred to as the “popular report.” This report is intended to better inform the public about the Commonwealth’s financial condition without excessive detail or the use of technical accounting terms. This service area also produces the Schedule of Expenditures of Federal Awards for inclusion in the Statewide Single Audit Report. The schedule is prepared in accordance with the requirements of the Office of Management and Budget (OMB) Federal Circular A-133.

The Code of Virginia (§2.2-4801 et seq., the Virginia Debt Collection Act) assigns DOA the responsibility to provide oversight reporting and monitoring for the procedures used by state agencies to collect accounts receivable. Data on accounts receivable balances are compiled quarterly. These data are also used for the CAFR and Popular Annual Financial Report (PAFR).

This service area prepares two indirect cost allocation plans. The first is prepared in accordance with OMB Circular A-87 and is used by agencies entitled to recover indirect costs from federal grants and contracts. The plan is audited and approved by the federal government on behalf of the Commonwealth and recovered over \$268 million from federal sources in FY 2013. In addition, a second “full costing” plan is developed for Department of Planning and Budget (DPB) that supports the recovery of indirect costs borne by the general fund on behalf of nongeneral funded agencies and programs. The Appropriation Act is used to recover these costs for the general fund. In FY 2013, \$6.7 million was recovered for the general fund through this program.

This service area accounts for all major land, building and equipment assets of the Commonwealth. Also included is the accounting for certain capital leases, which are reflected as assets in the Commonwealth financial statements. Typically about 45,000 fixed asset transactions are processed annually.

**Financial Reporting and Accounting Quality Assurance**

The audited December 15 Comprehensive Annual Financial Report (CAFR) is prepared on the basis of generally accepted accounting principles (GAAP) and is used extensively by rating agencies, investment banks and others involved in the issuance and marketing of Commonwealth bonds. Virginia has produced a GAAP basis report that has received an unqualified audit opinion every year since 1986. This activity involves selecting state agencies for quality assurance reviews based on risk analysis. A review of the agency prepared financial reporting attachments is conducted and documented. A report is prepared detailing findings and recommendations for improvement in the process and is discussed with agency management. This activity improves the reliability of accounting data submitted for inclusion in the CAFR and helps to define agency training needs as it relates to financial reporting.

**Enterprise Risk Management**

DOA continues strengthening and improving the Enterprise Risk Management (ARMICS) guidance providing state agencies with tools and information regarding overall risk management and reviewing efforts to ensure adequate internal controls exist in agencies

**Cash Management Improvement Act**

The Financial Reporting area administers the requirements of the federal Cash Management Improvement Act (CMIA) of 1990. CMIA governs the timely transfer and expenditure of funds between the federal government and the states for major federal assistance programs. It provides an interest calculation and exchange incentive for the time the state and/or federal government hold each other's money to compensate each other for the time value of the funds. As part of this process, states negotiate an annual agreement with the United States Department of the Treasury that specifies the funds transfer procedures for the major federal assistance programs in the agreement.

**Mission Alignment**

This service area supports the mission of the agency by enhancing the integrity of the Commonwealth's financial reporting. The unqualified audit opinion and the receipt of the Certificate of Excellence in Financial Reporting are evidence of the value of this area.

## **Products and Services**

### **Description of Major Products and Services**

The Comprehensive Annual Financial Report (CAFR) for the Commonwealth of Virginia.

The Preliminary Annual Report of the Commonwealth.

The Popular Annual Financial Report (PAFR).

### **Anticipated Changes**

#### **New Accounting Policies**

The Governmental Accounting Standards Board (GASB) continues to issue new pronouncements, and there is a continuous challenge to appropriately evaluate and implement the new reporting requirements. As the statements continue to be technically challenging, additional stresses are being placed on the accounting professionals in DOA as well as in the Commonwealth as a whole to continue to produce more with fewer resources.

#### **Enhanced Collections**

The Department of Accounts (DOA) plans to implement a more robust Accounts Receivables reporting and debt collection initiative. Currently agencies are required to submit for collection certain debt balances exceeding \$3,000 owed and more than 60 days past due to the Division of Debt Collection (DDC) within the Attorney General's office. Additionally, agencies submit summary level accounts receivable data to the DOA for reporting purposes.

The DOA initiative will strengthen central management over these processes by requiring agencies to provide detailed account data to DOA, including the number of accounts and amounts submitted to the DDC. Agencies will also be required to provide status updates regarding internal collection efforts for accounts retained by the agency for collection as well as report on interest, administrative, handling fees and other fees being charged to facilitate collections of past due accounts receivable in accordance with Code of Virginia, Sections 2.2-4800 et seq.

The DOA initiative includes:

- Developing best practices for debt collection and A/R within the Commonwealth
- Monitoring statewide collection efforts
- Establishing a statewide Accounts Receivable User Group
- Developing trend lines for accounts receivable balances and collection efforts, and
- Ensuring that agencies comply with the Code of Virginia and DOA guidance regarding accounts receivable.

### **Factors Impacting**

#### **Adequate Supply of Accounting Personnel**

Currently there is a high demand for qualified accounting personnel in both the non-governmental and governmental community. This increases the difficulty of being able to find qualified staff for open positions. This impediment affects not only DOA as an agency but DOA as the responsible organization for establishing and ensuring compliance with accounting policy in the Commonwealth. If DOA or other state agencies have difficulty securing qualified staff, the reliability of state financial information is at risk. In the long run, this may impact the CAFR and/or the bond rating of Virginia.

#### **Cardinal Implementation**

The Comprehensive Annual Financial Report (CAFR) is one of the most complex and voluminous financial reporting documents the Commonwealth prepares. The process to complete this report involves the gathering of relevant accounting and reporting data from several sources. This process has been refined over the past three decades resulting in a stable and efficient standardized process. The primary source for CAFR data is the Commonwealth general ledger system of record – currently CARS. Migration towards the implementation of PeopleSoft based Cardinal, along with its robust but very different capabilities will necessitate significant changes in the process to compile and complete the CAFR. Additionally, since the Commonwealth has elected to employ a staggered implementation strategy over three fiscal years, the Financial Reporting team will have to continue preparing the CAFR utilizing CARS data while simultaneously identifying the process changes generated by a PeopleSoft based general ledger. This process will ultimately lead to a dual or parallel process for the preparation FY 2016 CAFR. In summary, the migration from CARS to Cardinal will result in a significant increase in the level of effort required in Financial Reporting.

#### **Potential Fixed Asset System Replacement**

Item 252 C.1. of Chapter 2 requires the Department of Accounts to participate in a work group convened by the Secretaries of Finance and Administration for the purpose of evaluating options for improving the efficiency and accuracy of the Commonwealth's current method of collecting and maintaining state property. This effort will include options for consolidating state property management information systems in production at the Department of Accounts, Department of General Services, and the Department of Treasury into an enterprise information system solution.

This effort may lead to the replacement of the Fixed Asset Accounting and Control System (FAACS) currently utilized by DOA to record and report certain assets that meet defined eligibility requirements for inclusion in the Comprehensive Annual Financial Report of the Commonwealth. FAACS has been in production in DOA for approximately three decades. The process to replace FAACS will involve significant resource requirements from DOA to ensure the data necessary for accurate financial reporting continues to be recorded.

**Financial Overview**

This area is entirely funded by general fund appropriation.

Biennial Budget

	<b>2015 General Fund</b>	<b>2015 Nongeneral Fund</b>	<b>2016 General Fund</b>	<b>2016 Nongeneral Fund</b>
Initial Appropriation for the Biennium	2,340,452	0	2,554,216	0
Changes to Initial Appropriation	0	0	0	0

**Supporting Documents**

**Title** **File Type**

## General Management and Direction [79901]

### Description of this Program / Service Area

The Department of Account's (DOA) Finance and Administration Division is an administrative service bureau that supports the routine technical aspects of administrative operations for more than one agency, to include processing payroll, accounts payable and receivable, and accounting reconciliation services. To accomplish this, the DOA administrative services staff adopted a customer-oriented approach to their work which emphasized quality attention to service needs regardless of whether the service was for DOA or another supported agency. Currently, the division provides at least one but up to and including all of these services to the Departments of Accounts, Treasury, and Planning and Budget, the State Council of Higher Education in Virginia, the Commonwealth Health Research Board, the Virginia Racing Commission, the Virginia Board of Accountancy, and the Office of the State Inspector General, and the Virginia College Savings Plan.

To provide uniform accounting procedures for state government, DOA publishes the Commonwealth Accounting Policies and Procedures Manual (CAPP). The CAPP is a four volume set of prescribed accounting practices which is used by all agencies of state government. An Electronic Publishing Unit manages the frequent revisions to the CAPP which are required by changes in state or federal law, generally-accepted accounting principles, or administrative policy. The CAPP manual consists of 2,400 pages spanning 150 topics and is updated regularly and posted online.

This service area also manages the process for Line of Duty Act claims for the Commonwealth. DOA is responsible for making lump sum payments to the beneficiaries of certain public safety personnel (e.g., police, fire, rescue) who die from work-related causes and an increasing number of monthly payments for health insurance for disabled public safety personnel injured in the line of duty and their spouses and dependents.

§ 2.2-814, Code of Virginia, requires the state Comptroller be served for claims against the Commonwealth whenever the specific responsible state official cannot be determined.

DOA's public records unit is the official repository for all documents pertaining to cash deposit and disbursement transactions, unless that responsibility has been delegated by the state Comptroller pursuant to the decentralization initiative described earlier. A residual responsibility remains for the storage of records pertaining to non-decentralized agencies, including those of elected officials, and for the records generated by DOA's own central processing activity.

Finance and Administration manages a web-based, reports distribution system used by statewide fiscal staff, human resources personnel, and localities to access DOA system-generated reports. The system is called Reportline and has in excess of 1,500 statewide users. The system is available to Commonwealth of Virginia agency personnel, as well as local Treasurer and Clerk of the Court personnel.

Human Resources accurately manages the payroll, fringe benefit, leave administration, and Virginia Sickness and Disability Program functions for three additional state agencies--Department of Planning and Budget, Virginia College Savings Plan, and the Department of the Treasury--for a total of over 415 classified and hourly employees.

### Mission Alignment

This area handles the accounting, budgeting, payroll, and human resources activities for DOA and other agencies.

### Products and Services

#### Description of Major Products and Services

Fiscal Service Bureau which provides fiscal services to other state agencies.

The Commonwealth Accounting Policies and Procedures (CAPP) manual that provides policy guidance to agencies of the Commonwealth.

Line of Duty Act claim and insurance payments.

Reportline, a web-based reports distribution system used by agency and locality fiscal personnel.

#### Anticipated Changes

The Fiscal Service Bureau continues to expand and there could be opportunities to create efficiencies statewide by providing services to additional agencies.

#### Factors Impacting

##### **New Accounting System**

The Commonwealth is currently in the process of replacing its aged financial accounting system, CARS, implemented in the late 1970's, with a modern, off-the-shelf application, Cardinal. The software selected--PeopleSoft 9.1--is a robust, web-based application that will greatly enhance the Commonwealth's ability to manage and account for its financial resources equipping policy makers with complete and timely data, while providing the transparency demanded by taxpayers today.

The implementation of the new system will directly affect the fiscal services center in that the service center will complete and maintain all accounting records and reconciliations related to the new system. This includes managing the invoicing and receipt of payment for usage of the system by other agencies. For more information, refer to the Financial Oversight for Enterprise Applications (71108) service area.

The new Cardinal system will be accounted for in an Internal Service Fund. This fund will be maintained by the Department of Accounts. Maintaining the fund includes: preparation of budget documents for budgetary purposes and rate monitoring by the Department of Planning and Budget; billing; accounts payable; financial directive attachment preparation; and capitalization of assets.

In addition, DOA will coordinate with VDOT the execution of a MOU that outlines the responsibilities of VDOT and DOA to ensure efficient and effective utilization of resources in the development, implementation, ongoing support and accounting for the Cardinal Project and ongoing operations. The Cardinal management structure has been built on the premise of a single instance, with a centralized application support unit leveraging VDOT's extensive PeopleSoft experience and project infrastructure. DOA and VDOT agreed State (i.e., non-contractual or consulting) Cardinal support and development staff would remain on VDOT payroll in the near-term, but over time would transition to DOA payroll through attrition. This planned institutionalization of the statewide Cardinal support and development staff under DOA and the Enterprise Applications Internal Service Fund is intended to occur over many years.

In addition, the change in nomenclature between the old CARS system and new Cardinal system will necessitate an update to the CAPP manual.

### Vendor Database

Virginia Acts of Assembly, Chapter 3, Item 260 B.2., requires the State Comptroller, as a condition of utilizing the Working Capital Advance necessary to fund the implementation of Cardinal, to establish and maintain a standard vendor database. This requirement is necessary to facilitate the exchange of vendor information between agencies in a format and content that allows the Commonwealth to uniformly identify and report vendors, goods and services and other information to monitor the use of the Commonwealth's resources and to minimize the risk of improper payments to vendors. This requirement is emphasized by repeated past audit recommendations by the Auditor of Public Accounts and related Appropriation Act language.

Currently, with the exception of EDI vendors, vendor data is maintained by each individual agency. In some cases agencies maintain their own vendor databases and in other cases agencies simply enter vendor data for each disbursement processed. Therefore, no central standardization of vendor information has been implemented to-date in the Commonwealth and no central function or staffing supporting the creation and maintenance of standard vendor data currently exists. Consequently, substantial duplication of vendor data maintenance functions exist across agencies. While establishing this central function will reduce agency levels of effort currently supporting this activity, given the tens of thousands of vendors (including procurement vendors and non-procurement vendors) with whom the Commonwealth does business statewide, this is a substantial and challenging new DOA function.

### New Accounting Policies

The Governmental Accounting Standards Board (GASB) continues to issue new pronouncements, and there is a continuous challenge to appropriately evaluate and implement these new requirements.

### Financial Overview

This area is entirely funded by general fund appropriation.

#### Biennial Budget

	2015 General Fund	2015 Nongeneral Fund	2016 General Fund	2016 Nongeneral Fund
Initial Appropriation for the Biennium	1,433,027	0	1,504,131	0
Changes to Initial Appropriation	0	0	0	0

### Supporting Documents

**Title** **File Type**

**Payroll Service Bureau [82601]**

**Description of this Program / Service Area**

The Department of Accounts (DOA) operates a payroll service bureau (PSB) that supports agency-level payroll, leave, and certain human resource and benefit data entry activities for over 16,750 employees in 59 state agencies. In addition to performing the processing responsibilities for payroll, leave accounting and benefit administration, the PSB also prepares payroll-related reconciliations and certifications required by the Commonwealth Accounting Policies and Procedures (CAPP) Manual. These reconciliations include retirement benefits, healthcare benefits, Leave Liability attachment, reciprocal tax administration, certification of the Quarterly and Annual Taxable Wages, explanations for Commonwealth Integrated Payroll and Personnel System/Personnel Management Information System (CIPPS/PMIS) exceptions and gross pay differences. To support the Department of Human Resource Management (DHRM) policies governing wage employees, the PSB prepares and files the monthly Employee Position Report (EPR) information and maintains the 1,500 Hour Wage Reporting.

**Mission Alignment**

This area improves the effectiveness of processing pay for 59 agencies in the Commonwealth.

**Products and Services**

**Description of Major Products and Services**

The product for this area is the timely payment of more than 16,750 employees each pay period.

**Anticipated Changes**

As the PSB continues to expand to provide services to more agencies, it will be responsible for completing the timely payroll for an increasing number of employees.

**Factors Impacting**

New legislative payroll and/or leave requirements at both the federal and state level directly affect the PSB and must be monitored closely in order to determine the impact.

**Financial Overview**

This area is an internal service fund and is entirely funded by fees collected for services.

Biennial Budget

	2015 General Fund	2015 Nongeneral Fund	2016 General Fund	2016 Nongeneral Fund
Initial Appropriation for the Biennium	0	2,495,148	0	2,495,148
Changes to Initial Appropriation	0	0	0	0

**Supporting Documents**

**Title** **File Type**