

## Agency Strategic Plan

## Department of the Treasury (152)

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## Mission and Vision

**Mission Statement**

The Department of the Treasury is dedicated to serving the Commonwealth by providing excellent financial management and outstanding customer service.

**Vision Statement**

The vision for the Department of the Treasury is to excel as a national leader in fiscal management, fiduciary oversight and customer service in a manner that ensures the trust and confidence of our citizens, customers and the financial community.

## Agency Values

- Customer  
*Recognizing that customer service is our highest priority.*
- Professionalism  
*Conducting ourselves in a professional manner in which the application of our knowledge, skills and abilities produces work of the highest quality.*
- Performance  
*Striving to improve performance in a competent and knowledgeable manner in achieving our mission.*
- Staff Support  
*Setting priorities to ensure high-quality services are delivered by a diverse workforce that is properly supported, trained and equipped with adequate resources.*

## Executive Progress Report

**Service Performance and Productivity**

- *Summary of current service performance*

The Department of the Treasury is an innovative, customer-driven, results-oriented state agency providing statewide financial management services for the Commonwealth. In the fiscal year 2009, Treasury invested over \$10.0 billion in state and local government funds, participated in financing \$2.2 billion in debt obligations, processed 3.4 million checks, and collected \$161.1 million in unclaimed property revenue, returned to owners \$26.8 million, and transferred \$100.0 million to the Literary Fund for public education purposes. In addition, Treasury provided liability and property insurance for the Commonwealth, its agencies and institutions, and local officials and employees in over 625 political subdivisions and non-profit organizations. Treasury manages the Commonwealth's statewide banking network that accelerates the deposit and availability of state funds received from approximately 285 regional depositing locations.

Treasury's philosophy of service through innovation is part of our culture and has been the hallmark of our program and service delivery. Treasury has a long history of increased productivity and response to customer needs. Time and again, Treasury has been successful in identifying a customer need, developing a solution to fit the need, securing the authority and resources necessary to deliver the solution and then, most importantly, making it happen. As a result, Treasury has been a leader in identifying, developing and implementing new programs to better serve our customers.

Treasury's current service performance is measured in how well the organization is achieving its desired service outcomes as illustrated by the following service area analysis:

Debt Management Service Area – The responsibilities of this service area include the issuance and management of debt obligations of the Commonwealth, its agencies, institutions, and certain authorities in the most efficient, prudent, and cost-effective manner possible, while preserving the Commonwealth's high credit ratings. The associated outcomes include:

- Maintaining the Commonwealth's Triple AAA general obligation bond rating, which is influenced by the effective management of the state's outstanding debt and the management of its debt capacity.
- Complying with debt issuance statutes and regulations to ensure the tax-exempt status of the debt obligations is maintained.
- Providing advice, assistance, and access to programs supported by this service area to agencies and institutions of the Commonwealth and local school divisions.
- Staffing authorities such as VCBA, VPBA and VPSA.

Insurance Services Service Area – The responsibilities of this service area include the administration of the statewide insurance and self-insurance programs to protect the assets of the Commonwealth through the prudent and cost-effective management of the State Insurance Reserve Trust Fund, claim and litigation management, pre-litigation legal advice and mediation programs. Insurance Services also provides legal training and loss control and prevention programs. The associated outcomes include:

- Developing statewide insurance plans that maximize risk protection through programs of liability and property protection and fidelity bonding.
- Expanding outreach programs resulting from the recent passage of legislation to offering liability coverage to free clinics and volunteer health care providers, Meals on Wheels organizations, and unlimited coverage of attorney fees and expenses awarded by a court in legal actions pursued by or against the Commonwealth.

- Managing claims and litigation in an expeditious and effective manner, providing timely and accurate information. This service area handled more than 5,210 claims and suits of all variety in Fiscal Year 2009.
- Developing loss prevention, control training and education programs and providing consultation to state agencies and localities to protect the assets of the Commonwealth.
- Developing and administering a web-based risk management information system including claims management and a property inventory program providing excellent customer service resources.

Banking and Investment Services Service Area – The responsibilities of this service area include (1) the management of State funds to maximize investment earnings within levels of prudence established by statute and guidelines, (2) the administration and management of the Local Government Investment Pool (LGIP), (3) the administration of the State Non-Arbitrage Program (SNAP) to ensure the investment of bond proceeds are in compliance with federal arbitrage rebate regulations, and (4) working in conjunction with agencies and institutions, as well as financial institution partners, to implement an effective and efficient statewide banking network developed to provide state-of-the-art cash management services and ensure the highest quality services are available to our customers. The associated outcomes include:

- Managing investments in a manner that has over the years resulted in investment income yields higher than benchmarked indices.
- Developing externally managed, extended duration portfolios to maximize investment income. Guidelines and policies for this program are reviewed annually to insure they accurately reflect market conditions, management preferences and a balanced risk-reward profile.
- Managing a more aggressive securities lending program has produced income of nearly \$11.5 million in Fiscal Year 2009.
- Administering and managing a Local Government Investment Pool (LGIP) for the benefit of localities. The LGIP offers localities the opportunity to pool their funds in a professionally managed investment fund structured to comply with Virginia's Investment of Public Funds statutes. The return on funds invested in the LGIP has exceeded its benchmarks throughout the years, enabling localities to enhance their short-term investment income. In June 2005 the LGIP received an AAAm rating from Standard & Poor's, which is the highest rating assigned to a principal stability fund. This rating was reaffirmed during Fiscal Year 2009.
- Developing an extensive, efficient statewide banking network of 39 regional banks and 4 concentration banks that accelerates the deposit and availability of state funds received from approximately 285 regional depositing locations throughout the state.
- Developing a number of cash management programs and banking services to efficiently manage the flow of funds for agencies and institutions.
- Managing the SNAP program to ensure compliance with federal arbitrage requirements.
- Forecasting receipts and disbursements to maximize investable balances.

Unclaimed Property Administration Service Area – The responsibilities of this service area include administration of the Uniform Disposition of Unclaimed Property Act and the Escheats Generally Statute, which enable the return of unclaimed property to the rightful owners and the return of abandoned real property to an active tax status within the state. The associated outcomes include:

- Developing systems and programs to ensure the processing of claims is made in an expeditious and effective manner, providing timely and accurate responses to inquiries to ensure the rightful owner is verified and property is returned.
- Conducting educational outreach and audits to enhance holder compliance and enforcement, resulting in increased collections.
- Conducting outreach efforts to enhance reunification of property with its rightful owners.
- Achieving efficiencies through increased electronic reporting from holders having 25 or more properties to report. Treasury's successful initiation and enactment of legislation during the 2004 General Assembly Session requiring electronic reporting has resulted in tripling the number of owners reported on electronic reports submitted by holders since 2004.

Accounting and Trust Services Service Area – The responsibilities of this service area include providing support services to Treasury, the Treasury Board, and several authorities for budgeting and accounting for investments, trust and bond funds, and debt issuances. In addition, the service area is responsible for the administration of the Security for Public Deposits Act to secure public deposits held in banking institutions through the collateralization of securities and the Insurance Collateral Program to safe keep securities pledged by insurance companies transacting business in the Commonwealth. The associated outcomes include:

- Developing systems and programs that have enhanced the accurate and timely accounting for investments and debt structures.
- Preparing accurate financial statements for boards and authorities staffed by Treasury.
- Paying all debt service payments on time for debt obligations ensuring compliance with debt instruments.
- Administering the Security for Public Deposits Act in a manner that safeguards Virginia public deposits held by banks and savings institutions. The program ensures compliance by public depositories and the safety of public deposits through the review of monthly bank reports and follow-up with banks not in compliance. Approximately \$4.0 billion in public deposits is secured by collateral pledged to the Treasury Board by banks and savings institutions holding Virginia public deposits. Treasury's web-based Security for Public Deposit Act reporting system allows public depositories to submit their monthly public depository reports electronically, resulting in increased efficiencies for both the depositories and the service area.
- Administering the Insurance Collateral Program in a manner that ensures the accurate accounting for and safekeeping of approximately \$424 million in securities pledged by insurance companies transacting business in the Commonwealth as required by statute.

Check Processing and Bank Reconciliation Service Area – The responsibilities of this service area include providing support services for the receipt and disbursement of state funds. The service area is responsible for the printing and

distribution of more than 3.4 million checks annually for the state payroll, retiree payments, income tax refunds, social service benefit payments, unemployment benefits, and the state's purchases of goods and services. In addition, the service area is responsible for processing stop payments and forgery claims and reconciling 72 bank accounts that on a monthly basis exceed \$28 billion in debits and credits. The associated outcomes include:

- Disbursing payments in an accurate and timely manner. Over the last five years, Treasury processed 99.87% of all checks on time.
- Providing check processing equipment that downloads agency check-write files and prints the checks. Checks are then bar-coded, presorted and grouped in zip code order to obtain the greatest postage discount allowed for the Commonwealth.
- Providing a web-based program that allows agencies direct access to check copies.
- Improving, in concert with our major banking partners, internal bank reconciliation systems have reduced the amount of time needed to reconcile bank accounts and clear reconciling items.

Administrative Services Service Area – Agency administration provides the day-to-day management and control of the agency. This service area includes the State Treasurer, Deputy State Treasurer and the Human Resources, Financial Policy, Information Systems, Procurement and Internal Audit areas. Key responsibilities include strategic planning, budgeting, personnel administration, legislative and regulatory coordination, policies and procedures guidance, data processing, internal audit, and the procurement of goods and services. The associated outcomes include:

- Providing strong management and focused strategic planning that yields innovative, customer-driven, results-oriented direction and service delivery.
  - Providing dedicated information systems staff that develops and enhances internal programs and networks required to accomplish our mission critical items and respond to customer needs.
  - Maintaining Treasury's Continuity of Operations Plan in such a manner that critical activities are maintained for the agency for an indefinite period at a "warm site" in Chesterfield County and that check processing can be continued at a "hot site" in Pennsylvania.
  - Conducting staff training and development programs that maintain a productive, informed and effective workforce needed to carry out the agency's mission and program requirements.
  - Providing a strong internal audit staff has ensured the integrity of information, operating systems and reports through strengthened controls intended to minimize the risk of errors.
  - Ensuring the requirements of the Comptroller's Directive with respect to Agency Risk Management and Internal Control Standards (ARMICS) are met.
  - Developing and maintaining financial policies and procedures to provide for management direction and a safe, productive workplace environment.
  - Providing a procurement process that is in compliance with state policies and structured to ensure the procurement of goods and services are competitively bid, costs are reasonable and that vendors are registered on the electronic procurement system (eVA). Treasury developed a contract management report system to ensure contracts are managed properly and evaluated and reviewed on a timely basis.
- *Summary of current productivity*  
Treasury's measures its productivity through performance measures tied to our strategic goals and objectives in order to monitor the efficiency and effectiveness of our services to customers. In Fiscal Year 2009:
    - The Debt Management Service Area completed 23 separate financings totaling \$2.2 billion. Included in those issues were refunding bonds that generated \$4.1 million in present value savings to the Commonwealth.
    - The Insurance Services Service Area insured over 13,656 state buildings and their contents with a value in excess of \$26 billion and, including more than \$1.7 billion in fine arts.
    - The Banking and Investment Services Service Area had \$10.0 billion in managed investment portfolios, comprised of \$4.7 billion in the general account portfolio, \$4.2 billion in the LGIP portfolio, \$1.0 billion in special portfolios, and \$102 million in outside trustee portfolios.
    - The Unclaimed Property Administration Service Area collected 6791 electronic reports containing 593,951 owners (an average of 87 owners per electronic report), handled 232,999 inquiries and processed 46,959 claims.
    - Check Processing printed and distributed over 3.4 million checks for the Commonwealth in a timely manner.

### Initiatives, Rankings and Customer Trends

- *Summary of Major Initiatives and Related Progress*  
Insurance Services Customer Service Initiatives – Treasury's Information Systems is performing several customer service enhancements for the Risk Management Division in FY2010. 1) A billing module is being created for Risk Management's CIVITAS claims system. This will provide timely and accurate billing documents for Risk Management program members as well as assist agency accounting with Risk Management's accounting and financial reporting; 2) Online credit card and check payment options will be added for members of the VanPool system thereby eliminating manual processes for Treasury employees and provide around the clock access and self-service for members of the VanPool system and; 3) Provide an automated system to allow volunteer drivers to apply online for insurance coverage required by law. In FY2011, Treasury would like to offer online insurance quotations to all customers. An automated online system is being created to allow potential insurance customers to view the costs of membership and enroll in programs via the web.

Increase in Electronic Payments and Reduction in Check Volume – Treasury is continuing its efforts to work with check-writing agencies to reduce check volume by converting payments to an electronic format. This effort will greatly reduce risk of loss and reduce costs. Since 2005, check volume has been reduced from 7.6 to 3.4 million checks. The Department of Taxation's i-file system has increased electronic tax refund payments every year. Treasury worked with the Department of Social Services to get a direct deposit program started for TANAF check recipients to go along with the child support direct deposit program already in place. The Department of Accounts now requires employee expense reimbursement payments to be electronic. Treasury worked with the Virginia Employment Commission to start an electronic payments program for unemployment checks. After many months of planning and coordinating, the pilot program began in June 2006 using pay cards to pay Virginia Employment Commission beneficiaries electronically.

Direct deposit to beneficiary's bank accounts followed in early 2007. As of the end of FY 2009, VEC paid over 99% of unemployment benefits electronically. This is Treasury's most successful electronic payments effort to date.

Bond Issuance Services – During fiscal year 2009, Treasury issued a total of \$2.2 billion in bonds to finance or refinance the capital needs of state agencies, institutions, and private colleges and universities. Included in those issues were refunding bonds that generated \$4.1 million in present value savings to the Commonwealth.

Energy Leasing Program - \$22.9 million in energy efficiency projects were financed by agencies of the Commonwealth during the year. The program enables agencies to obtain consistent and competitive credit terms for financing energy efficiency improvements for projects that the agency has evaluated and determined to be appropriate and cost effective.

Refunds for the Northern Virginia Transportation Authority – When the fees and taxes imposed by the Northern Virginia Transportation Authority (NVTA) were declared unconstitutional by the Supreme Court of Virginia on February 29, 2008, this revenue was deemed by the General Assembly to be unclaimed property. Treasury's Division of Unclaimed Property (UCP) was tasked with implementing the refund process. UCP developed web forms, adapted its database, and established a telephone information line to meet statutory requirements. By June 30, 2009, UCP had received deposits of \$12,239,899 from the NVTA and received and processed 3,050 refund claims totaling \$50,443.

Electronic Reporting by Unclaimed Property Holders - Several years ago, Treasury recognized the need to have holders of unclaimed property to report their unclaimed property utilizing electronic files. With the passage of Treasury initiated legislation in 2004, each holder having 25 or more properties was required to report electronically. As the number of electronic reports has grown and efficiencies have been achieved, Treasury would like to extend an alternative electronic reporting tool for small to medium holders to continue to increase the number of holders filing electronic reports.

Update Imaging Technology - The Division of Unclaimed Property updated its imaging and document management technology for increased efficiency and to reduce the amount of space needed in the work area to store paper documents. In regards to the storage of paper reports - the Division has scanned a large percentage of older documents and will continue to save space and increase efficiencies with respect to accessing older documents. The new Document Management System will be expanded to the Division of Risk Management in FY2010 and to the entire agency in the near future in an effort to provide electronic document management with agency line of business applications.

Office Space Requirements – The Division of Unclaimed Property staff needed additional office space for the current staff and equipment. The replacement of aging cubicle components and the procurement of additional space were needed to create a functional work environment. The Division of Unclaimed Property moved to new space on the 5th floor of the Monroe Building in July 2009. More reconfiguring of several of Treasury's Service Areas will continue to take place during the 2010-2012 biennium.

Payee Match Positive Pay Check Security Service – Treasury is using a new check security feature offered by Commonwealth's disbursement banks that matches check payee name to the payee name submitted on the check issue files transmitted to the disbursement banks to detect alterations of payee names on checks. This is an extension of the banks' positive pay feature that currently matches the amount per the physical check to the check issue file submitted to the banks. Treasury is in the process of implementing "payee match" in addition to "positive pay" for its remaining disbursement accounts. SunTrust was converted to payee match positive pay on April 8, 2009. The remaining Wachovia Social Services Account will be converted in FY2010.

- *Summary of Virginia's Ranking*

Virginia has a long tradition of great management. Virginia was named "Best State for Business" by Forbes.com in 2008, as it had been in 2006 and 2007. In 2009, the leading financial news cable channel, CNBC, designated Virginia as its "Top State for Business". The network evaluated states on 40 different measures of compositeness in 10 broad categories: cost of doing business, workforce, economy, education, quality of life, technology and innovation, transportation, cost of living, business friendliness, and access to capital. In 2009 Virginia was again designated as America's most business-friendly state in the annual independent study of "Top Ten Pro-Business States: America's Economy in the 21st century." The evaluation of state and federal economic development policies was produced by a top US corporate relocation firm, Pollina Corporate Real Estate, Inc.

Also in 2009, Virginia earned the honor of ranking among the "Five Best States to Start a Business" by U.S. News & World Report. Further, the Pew Center's Government Performance Project cited Virginia as one of four states commended for a results-oriented approach to budgeting and decision-making.

In the area of financial management, the Commonwealth has consistently earned a triple-A general obligation bond credit rating from each of the three bond rating agencies. This translates to lower borrowing costs for general obligation bonds as well as other Commonwealth borrowing programs. The Commonwealth continues to maintain the highest Tier One ranking by Moody's Investors Service in their report U.S. State Credit Scorecard. Unlike a bond rating which is forward-looking, the Scorecard uses historical data to rank the states on economy, debt, finances and management.

- *Summary of Customer Trends and Coverage*

Electronic Communications – A large percentage of all communications are now done via e-mail and web-based applications as well as through Treasury's website. Many customers and business partners are trending toward electronic communication, with web-based applications becoming more and more popular as a format for both assessing and providing information. Electronic commerce is continuing to grow through the state's electronic procurement portal, eVA. Treasury continues to expand the use of the internet to communicate with the public.

Local Government Investment Pool (LGIP) – With the successful retention of an AAAm rating of the LGIP by Standard & Poor's (S&P), the number of pool shareholders will continue to grow. The investment portfolio for LGIP was \$4.2 billion in FY 2009. In order to serve our shareholders better, during FY2010 and 2011, Treasury's Information Systems

staff will be working on creating an online LGIP database that will allow LGIP participants to view, modify and report data. This will eliminate some manual processes currently being performed by agency staff and increase customer self-service.

**Budget Challenges** – An economic downturn and sluggish revenues may require capital needs to be funded less with cash and more with borrowing.

**Increasing Interest Rates** – Economic indicators suggest a rising interest rate environment for the foreseeable future. This may increase use in variable products and techniques to contain borrowing costs.

**Greater Use of the State Insurance Reserve Fund for Non-Traditional Coverage** – Over the past five years, the State Insurance Reserve Trust Fund has been statutorily required to provide insurance coverage to free health care clinics, individual health care providers serving indigent persons, and guardians assisting recipients of mental health care services. More recently, insurance coverage has been extended to vanpools and Meals on Wheels organizations. It is anticipated there will be continued placement of certain public service type private and not-for-profit organizations and individuals under the protection of the state risk management plans.

**Growth in Unclaimed Property Holder Reporting** – Increased holder education has increased the number of holders reporting unclaimed property to the Commonwealth. As holders become more aware of the requirements of the Unclaimed Property Act, the amount of unclaimed property reported has increased, resulting in increased workloads to record such property and to locate potential owners.

**Growth in Unclaimed Property Claims** – A searchable database available at the Treasury website has generated significantly more inquiries. This database is available 24/7 and allows for those searching for property to initiate inquiries while visiting the website. Any media attention to unclaimed property or direct promotion of this search site significantly increases the number of owners submitting inquiries and filing claims for property. Treasury has done significant outreach and education about unclaimed property to the Citizens of the Commonwealth. The response has been tremendous. The volume of unclaimed property inquiries and claims processed continues to steadily increase. Inquiries received by the Unclaimed Property Division increased by 156% in FY 2009 over FY 2008. The volume of cash claims paid in FY 2009 over FY 2008 increased 39%. The non cash claims (stocks, mutual funds, and tangible property) of unclaimed property that was returned to the rightful owners increased by 60% during this time period as well. Despite the use of overtime, there is a considerable backlog of claims and inquiries due to the greatly increased activity. Increased staffing will reduce the backlog to acceptable levels; reduce reliance on overtime for ongoing activities; and reduce citizen complaints in regard to providing timely attention to claims.

**Aging of Virginia's Population** – While Treasury does not deliver any specific services, programs or publications directly to the seniors 65 and older, Treasury is faced with the issues of an aging workforce. Nearly half of the workforce is 50 years or older. Currently, 21% of Treasury employees are either eligible or will be eligible for full retirement within the next five years. Treasury stands to lose a lot of experience, institutional knowledge and leadership skills that will be difficult to replace. Treasury is seeking ways to be more competitive with the private sector, Richmond area local government entities and other state agencies in order to hire, retain and motivate its employees.

**Transparency** – Citizens want greater access to government. Treasury promptly responds to requests for information.

### **Future Direction, Expectations, and Priorities**

- **Summary of Future Direction and Expectations**

**Financial Reporting Controls** – Treasury plans on improving internal controls over the trust accounting and financial reporting processes in the Operations Division. The Trust Accounting area is responsible for accounting for daily transactions of the Cash Management and Investments and Debt Management Divisions as well as for providing significant financial information for development of the Commonwealth's Annual Financial Report (CAFR). Treasury provides over 70 submissions to the Department of Accounts for the CAFR and has warranted having its own year-end Financial Statement Directive from the Comptroller. The Auditor of Public Accounts (APA) has given Treasury several audit comments over the past two fiscal years. The APA recommended that Treasury Establish Adequate Reviews over Financial Records. In response to that recommendation, Treasury revised procedures and Treasury's Internal Audit Department performed a review of the Trust Accounting Section in the Operations Division. This review combined with the Agency Risk Management and Internal Controls Review performed by Treasury in FY2008 and FY2009, pointed to the need for additional staff in order to provide adequate reviews over the financial records.

**General Account Investment Policies and Guidelines Review** – Investment guidelines are reviewed annually, however, Treasury plans on having a full-scale review of our General Account Investment Policies and Guidelines. The dynamics of this portfolio and Virginia government are constantly changing as well as the financial markets in which we operate.

**Data Standardization** - Treasury is striving for the standardization of data for check printing and the charge-off processes. Due to the various formats in which data is transmitted to Treasury, the data has to be manipulated in order to be read by other systems including the Unclaimed Property System. The inconsistency of payee name format from various agencies results in a data administrator manually changing Payee names to NAUPA standard format. The check data from the agencies should be standardized to reduce manipulation (and risk of fraud) and improve efficiency. This would streamline the check printing process by eliminating 17 data formats, decrease the amount of software changes required and save hundreds of man hours spent correcting data formats. This is an initiative that Treasury will be doing throughout 2010-2012 and will require the input and assistance of other agencies. This will also require the creation of a standard processor once the format has been decided on by all agencies.

**Remote Deposit Service** – In an effort to improve efficiency, Treasury's Information Systems staff will manage changes to the Unclaimed Property System to allow for the import of remote deposit service data thereby eliminating some data entry. Treasury expects to complete this initiative in FY2010.

Recon Plus Upgrade – Treasury plans to upgrade to the most current version of Recon Plus, the software used by the Check Processing and Bank Reconciliation Service Area to reconcile the Commonwealth's bank accounts. The upgrade would provide the most up-to-date functionality and increase productivity. Treasury plans on doing the upgrade in FY2011 pending funding.

Check 21 initiative - Treasury has used the Check 21 initiative and subsequent products offered by banking partners to implement electronic deposit of check images at several state agencies. The process involves scanning images of checks and transmitting those images to the bank for deposit as opposed to carrying the physical check to the bank for deposit. This has created efficiencies within the participating agencies as well as speeding up the time for checks to clear and become available for Treasury to use for investments or to pay financial obligations of the Commonwealth. The largest of these check 21 implementations was with the Department of Taxation. Substantial efficiencies have been attained at Taxation, and Treasury's banking costs were reduced as a result of the project. Treasury continues to identify other agencies that can benefit from this program.

Electronic Payment Cards – Treasury continues to promote the Pay Card program to facilitate electronic payments to payees that cannot be paid with traditional direct deposits, or choose not to be paid in that manner. What began as a pilot program with 15 state employees receiving a portion of their pay on the pay card in late 2005, has grown to over 100,000 cards for state payment beneficiaries in Social Services, State Payroll, and the Virginia Employment Commission. The Pay Card Program is a key tool in Treasury's efforts to convert paper check payments to safer and more efficient electronic payments.

SWAM Vendor Usage Increase – One of the Administration's priorities is to expand the usage of small, women and minority-owned businesses that provide services to the Commonwealth. Treasury is a statewide provider of services that must use vendors that have the resources and capacity to provide such statewide services. As a result, our amount of truly discretionary funds is limited. Nevertheless, Treasury is using its procurement resources and those of the Department of Minority Business Enterprise to identify SWAM vendors in an effort to increase our usage of such vendors.

Increase in Electronic Payments and Reduction in Check Volume – Treasury continues to work to replace paper checks with electronic payments in the Commonwealth. In FY 2009, Treasury drafted legislation that requires recipients of six or more payments annually from the state treasury to receive those payments electronically. Electronic payments greatly reduce the risk of loss, provide for a more efficient payment system and provide a means to get payments to recipients during disasters when checks can't be delivered.

Future Risk Management Requirements – Insurance coverage needs have steadily increased as statutory requirements have expanded coverage. Over the past five years, the State Insurance Reserve Trust Fund has been statutorily required to provide insurance coverage to free health care clinics, volunteer health care providers serving indigent persons, guardians assisting recipients of mental health care services, court appointed attorneys, and pro bono attorneys providing services to indigents and legal defense to attorneys appointed as receivers by the Virginia Bar. These exposures have increased as the Virginia Tort Claims Act has been broadened. It is expected that losses incurred from this expanded coverage will increase and must be paid when due and without delay. It is difficult for actuaries to assess these kinds of exposures. It will be necessary for Treasury to forecast contributions needed from plan participants to maintain a healthy insurance reserve fund. This will be a top priority for the agency.

College and University Debt Capacity Guidelines – Institutions rely on debt to fund capital improvements. Treasury will continue to encourage the application of debt capacity guidelines adopted by the institutions' Board of Visitors.

- *Summary of Potential Impediments to Achievement*

Hiring and Retention of Staff, Replacement of Retiring Workforce – Treasury has an aging workforce. Presently, nearly half of our workforce is over age 50; higher among managers. Currently, 21 of our employees are either eligible or will be eligible for full retirement within the next five years, including several key employees. These include individuals who are currently age 60 or older plus individuals who are age 50 or older and have 25 years or more total service. In order to provide the services required by a critical, high level finance agency, Treasury employs financial professionals who are experts in their fields. Treasury employees are recruitment targets by banking, finance, investment, and insurance firms, as well as Universities and other finance agencies. Based on the five year period from 2004-2008, as the country pulls out of this recession, Treasury can expect to lose on average approximately 10% of its workforce per year. Add to that the number that could retire in the next five years, and Treasury could face a serious staffing problem. In addition, Treasury salaries are below market as compared with the private sector, Richmond area local government entities and even other state agencies. Treasury needs the ability to offer attractive salaries in order to recruit, retain and motivate its employees.

Potential Retirement of Critical Investment Management Staff - These positions are responsible for meeting one of the Key Objectives of ensuring over a trailing five-year period, the yield on the state's general fund investment earnings in the Primary Liquidity Portfolio will exceed the iMoney.Net Money Fund Monitor Yield. The sudden loss of institutional knowledge will be extremely disruptive, whether due to retirement or sudden absence from work. One of the portfolio managers has managed the LGIP since inception. The loss of a manager without a successor in place would require external management at a substantial cost to the Commonwealth. Treasury needs an individual with in-depth portfolio knowledge and experience to compliment the current investment managers due to today's extremely complex investment security structures and recent volatile economic market conditions.

Unavoidable cost adjustments - The United States Postal Service increased postage rates by one cent in May 2008 and by two cents in May 2009. To date, Treasury has absorbed these increases. For fiscal year 2010, Treasury anticipates processing 2.67 million checks for which it will pay the postage costs. At an estimated postage cost of \$.37 per check, postage costs are estimated at \$987,900 for the fiscal year. Treasury's current appropriation for postage is \$846,315. Treasury will need an increase in its general fund appropriation for postage of \$141,585 in fiscal year 2010 and similar increases in 2011 and 2012, to cover the shortfall.

Conversion of Cash Management and Investments (CMI) Position - Treasury would like to convert a P-14 position in CMI to a full-time position. This initiative is made to address increased workload requirements involved with daily mission critical banking operations and to address internal control, separation of duties requirements. A full-time position is needed to provide necessary support for the administration and functions for the statewide on-line banking systems, which are used to provide state agencies and institutions access to their banking accounts. There are currently over 600 users. This position supports access to these systems, granting authority for the transfer of funds, administering the credit card accounts and services for state agencies, and providing another level of control in the cash settlement process. Converting this position to full time will allow for better security and controls over sensitive functions and increased efficiency in providing our customers with faster service on items mentioned above, which in turn supports the business of the Commonwealth.

Budget Constraints - Treasury is struggling with deepening budget cuts while continuing to provide mission critical services to all agencies of the Commonwealth.

Exemptions to Unclaimed Property Act - While reported unclaimed property has increased in recent years, there are areas in state law where exemptions have been granted that provide limited consumer protection for property. In addition, unclaimed property holders are continually looking at ways to service charge different types of property for lack of use. Currently, the Unclaimed Property Act has a service charge provision relating charges by financial institutions only. Service charge transactions need to be clarified in the Act regarding other types of property such as payroll checks, money orders and electronic stored value cards. Exemptions of certain property from the Act and service charges by holders hinder the ability of Treasury to recover such property for the rightful owners. The National Credit Union Administration continues to assert federal preemption for dormant service charges for federally chartered credit unions.

Failure of Federal Government to Report Unclaimed Property – Currently, federal government agencies do not report unclaimed property to Virginia that belongs to Virginia citizens, including such property as matured U.S. Savings Bonds, IRS tax refunds, HUD escrow funds and U.S. Postal Service Money Orders. Such failure hinders the ability of Treasury to recover such property for the rightful owners. This issue continues to be discussed nationally and a committee of representatives from the National Association of State Treasurers (NAST) and the National Association of Unclaimed Property Administrators (NAUPA) are working with Congress to introduce legislation to force some location efforts for U.S. Savings Bonds.

State Insurance Reserve Trust Fund Transfers – The Commonwealth has a need for an insurance program of adequate, consistent and reliable financial contributions (premiums) from participating clients. Annual premiums are based, in part, upon available insurance reserve fund balances. There has been a history of money transfers from the State Insurance Reserve Trust Fund to the General Fund and elsewhere, with and without warning or an opportunity to prepare for such transfers. This practice, compounded with the failure to replace any of the money and the inability to increase premiums to make up for such transfers has the impact of weakening the State Insurance Reserve Trust Fund actuarially.

Service, Connectivity and Networking Issues - Treasury relies on Virginia Information Technologies Agency (VITA) to provide certain information systems infrastructure components.

**Service Area List**

| Service Number | Title                                    |
|----------------|--|
| 152 725 01     | Debt Management                          |
| 152 725 02     | Insurance Services                       |
| 152 725 03     | Banking and Investment Services          |
| 152 732 07     | Unclaimed Property Administration        |
| 152 732 13     | Accounting and Trust Services            |
| 152 732 16     | Check Processing and Bank Reconciliation |
| 152 732 20     | Administrative Services                  |

**Agency Background Information**

**Statutory Authority**

Treasury's statutory authority is defined in Chapter 18 of Title 2.2 (§§ 2.2-1800 through 2.2-1843) of the Code of Virginia. This chapter sets out the statutory authority and responsibilities of the Department of the Treasury and defines the duties of the position of the State Treasurer. It governs how state money is collected, invested, distributed and accounted for by the Department. It also outlines the Department's responsibility for protecting state assets through prudent risk management.

**Customers**

| Customer Group         | Customers served annually | Potential customers annually |
|------------------------|---------------------------|------------------------------|
| Boards and Authorities | 25                        | 25                           |
| Bondholders            | 0                         | 0                            |
| Business Partners      | 265                       | 265                          |

|  |           |           |
|--|-----------|-----------|
| Executive Branch Officials, Agencies and Institutions            | 108       | 108       |
| Financial Institutions Holding Virginia Public Deposits          | 123       | 123       |
| Holders of Unclaimed Property                                    | 20,200    | 65,000    |
| Insurance Companies Conducting Business in Virginia              | 1,102     | 1,102     |
| Intra-Agency Staff   | 116       | 116       |
| Legislative Branch   | 140       | 140       |
| Local Government Investment Pool Customers                       | 376       | 650       |
| Local Government Officials and Participants - Insurance Services | 650       | 1,000     |
| Local Governments for K-12 Financing Services                    | 134       | 134       |
| Virginia Citizens  | 7,500,000 | 7,500,000 |

**Anticipated Changes To Agency Customer Base**

**Debt Management Services** – The United States Congress passed the American Recovery and Reinvestment Act (ARRA) of 2009. The purpose of this legislation is to stimulate economic activity in the country. Among other programs, a very large component of AARA is a number of special bond programs. Treasury’s Division of Debt Management (Debt Management) is serving as the central point to provide expertise and leadership for the Commonwealth related to these bond programs. Many of the programs will continue through the next two years and require a great deal of resources from Debt Management. Strategically, Debt Management is planning to work on the AARA bond programs over the next biennium and beyond where needed.

**Banking and Investment Services** – The development of new banking and cash management products made available by Treasury for agencies and institutions could increase the use of these products and impact the customer base. A new request for proposal (RFP) will be issued for statewide credit card services. For the first time this procurement will not only include state agencies and institutions of higher learning, but all government entities in the Commonwealth. Local governments had requested this service from Treasury because we have the knowledge and expertise to manage the program. In providing these additional services, existing personnel will be stretched thinner. This new program along with a number of other initiatives in Banking and Investment Services will require additional personnel resources.

**Insurance Services** – Insurance coverage requirements have steadily increased as statutory requirements have required expanded coverage. It is anticipated there will be continued placement of certain public service type private and not-for-profit organizations and individuals under the protection of the state risk management plans, which will greatly change Treasury’s customer base.

**Check Processing and Bank Reconciliation Services** – Bank mergers and consolidations could reduce the number of financial institutions holding public deposits and the number of bank reconciliations needed. The trend downward in check processing has continued steadily due to efforts from Treasury to convert to electronic payments.

**Unclaimed Property Administration Services** – Increased holder education and compliance reviews should increase the number of holders reporting unclaimed property. Any new legislation drafted to add new types of reportable property or to clarify the status of certain types of reportable property could increase the amount of such property reported. Improved outreach efforts and web search functionality will continue to increase the number of unclaimed property inquiries and therefore the number of citizens served.

**Partners**

| Partner   | Description   |
|---|---|
| Actuaries   | Providing actuarial services for risk management                      |
| Bond and investment rating agencies   | Providing credit rating services                                      |
| Claims administrators and claims adjustment service providers   | Providing specialized claims administration                           |
| Financial advisors  | Providing financial services  |
| Financial institutions, including concentration banks, regional depositories, master custodians, trustees, paying agents and credit card administrators | Providing financial products and services                             |
| Insurance brokers   | Providing insurance products and services                             |
| Investment bankers and underwriters   | Providing financial resources and expertise to underwrite bond issues |
| Investment management companies, investment consultants and investment dealers  | Providing investment products and services                            |
| Law firms   | Providing bond counsel and other legal services                       |
| Private sector vendors and contractors  | Providing goods and services  |
| State agencies  | Providing services or receiving services from Treasury                |

## Products and Services

- *Description of the Agency's Products and/or Services:*

### Administrative Services

- Strategic planning for the agency
- Development and monitoring of agency goals, objectives and critical issues
- Development and management of the agency's budget
- Development and management of agency policies and procedures
- Monitoring of performance of service areas
- Providing direction and assistance to boards and authorities staffed by the agency
- Legislative development and coordination
- Development and coordination of Legislative Studies
- Regulatory development and coordination
- Development and enhancement of information systems and agency programs
- Human resource personnel administration and staff development
- Internal auditing of operational functions, internal controls and risk assessment
- Compliance with Agency Risk Management and Internal Control Standards (ARMICS)
- Procurement of agency goods and services
- Procurement contract development and management
- Facilities and telecommunications development and management
- Management of agency equipment assets and surplus property
- Freedom of Information Act management and coordination
- Development of agency publications and public relations
- Management of agency records
- Continuity of Operations Planning (COOP)

### Debt Management Services

- Debt financing review and program administration
- Coordinating American Recovery and Reinvestment Act of 2009 bonding programs
- Debt program administration, including compliance and continuing disclosure, investor relations, and rating agency relationships
- Issuance of bonds or other securities
- Monitoring and execution of refunding opportunities
- Lease program administration for equipment and energy project financing for state agencies
- Debt capacity analysis and recommendations to executive branch and legislature
- Staffing services to boards and authorities
- Debt financing and advisory services to agencies and higher education institutions
- School financing for local governments
- Technical assistance on the financial aspects of legislative proposals, impact on debt capacity, financial studies and initiatives

### Banking and Investment Services

- The Local Government Investment Pool (LGIP) open to all local governments and other public entities for the investment of their excess funds in a professionally managed pool specifically structured to meet the investment needs of Virginia's public entities.
- Development and issuance of a credit card contract for the benefit of public agencies and institutions
- Administration of the Community Bankers Bank Agreement that streamlines the placement of time deposits
- Wire Transfer/disbursement services for investments, certain vendor payments, and debt service payments
- Portfolio management for the general account investments
- State Non-Arbitrage Program (SNAP)
- External investment managers program for the general account portfolio
- Statewide banking cash management contracts and agreements
- Management of the on-line banking systems and access for approximately 1000 users
- Statewide regional depository cash concentration system
- Investment program for the Tobacco Indemnification and Community Revitalization Endowment
- Custody of financial assets held by the Commonwealth
- Securities Lending Program

### Insurance Services

- Administration of State Insurance Reserve Trust Fund
- Property insurance inventory, asset valuation, loss control and exposure data
- Property, Liability and Fidelity risk management plans
- Procurement of commercial insurance and insurance services.
- Administration of insurance claims and litigation management
- Loss prevention, loss control and training programs

### Unclaimed Property Administration Services

- Custodian for the unclaimed property until the rightful owner can be located
- Maintenance of the unclaimed property database
- Processing of unclaimed property claims
- Conducting educational outreach and audits to enhance holder compliance and enforcement
- Conducting owner outreach to enhance location of rightful owners
- Providing financial record keeping for all receipts of unclaimed property, claim disbursements, the securities portfolio, and escheat transactions
- Administration of searchable database on the Internet for citizens to search for unclaimed property
- Monitoring escheat activities with local government officials and escheators

- Auctioning of tangible property

#### Accounting and Trust Services

- Accounting for and reporting of Commonwealth debt and investments
- Payment of debt service on bonds issued
- Accounting for and reporting of Commonwealth bond and trust funds
- Preparation of annual financial statements for debt-issuing authorities staffed by Treasury including the Virginia College Building Authority, Virginia Public Building Authority, and Virginia Public School Authority
- Accounting and reporting, including the preparation of year-end financial data, for the Local Government Investment Pool and the Literary Fund
- Accounting for Treasury's risk management funds
- Administration of the Security for Public Deposits Act which protects Virginia public deposits held by banking institutions through the collateralization of securities
- Safekeeping of the securities pledged by insurance companies transacting the business of insurance in Virginia
- Accounting and budgeting for Treasury and Treasury Board

#### Check Processing and Bank Reconciliation Services

- Printing and distribution of Commonwealth checks, including state payroll, retirement, tax refunds, social service benefit and child support, unemployment benefit, and vendor payment checks
- Reconciliation of state treasury bank accounts on a monthly basis to the records of the State Comptroller
- Reconciliation of the state treasury cash position daily in conjunction with the Department of Accounts
- Processing of requests by state agencies for stop payments on vendor payment and payroll checks
- Processing of forgery claims relating to all check types
- Maintenance of a database of paid Commonwealth vendor and payroll checks for research and information purposes
- Research and resolution of outstanding debits and credits on state bank accounts
- Administration of the Commonwealth's unclaimed property statutes as it relates to outstanding vendor payment and payroll checks
- Daily monitoring of the Commonwealth's disbursement and credit card accounts for unauthorized activity

#### • *Factors Impacting Agency Products and/or Services:*

When the U. S. economy improves and the Commonwealth's salary structure and reward system remains constant, Treasury will continue to be challenged in hiring and retaining superior employees.

- In the short term, efforts to centralize information technology will likely impact the ability of Treasury to maintain its management and administrative support services as effectively and efficiently as are currently provided and will likely increase agency costs.
- Virginia Information Technologies Agency's enhanced information systems security will require additional expenditures by the agency and will likely require a request for additional funds in the current and future biennium.
- Virginia Information Technologies Agency's shared rate billing model will require additional expenditures by the agency and require a request for additional funds in the current and future biennium.
- Customer assistance requests in the service areas of debt management, insurance services, banking and unclaimed property are expected to increase and will impact each of these service areas as more time is needed to respond to these requests with little or no increase in staff.
- Continued expansion of the electronic procurement system (eVA) will create new efficiencies and lower costs in the procurement of goods and services; however, for those services for which there is no eVA vendor, the eVA administrative fees incurred by the agency will continue to be a burden on the agency budget.
- The Commonwealth has a need for an insurance program of adequate, consistent and reliable financial contributions (premiums) from participating clients. Annual premiums are based, in part, upon available insurance reserve fund balances. There has been a history of money transfers from the State Insurance Reserve Trust Fund to the General Fund and elsewhere, with and without warning or an opportunity to prepare for such transfers. This practice, compounded with the failure to replace any of the money and the inability to increase premiums to make up for such transfers has severely weakened the State Insurance Reserve Trust Fund actuarially.
- Insurance coverage requirements have steadily increased as statutory requirements have required expanded coverage. Over the past five years, the State Insurance Reserve Trust Fund has been statutorily required to provide insurance coverage to free health care clinics, individual health care providers serving indigent persons, guardians assisting recipients of mental health care services, court appointed attorneys and pro bono attorneys providing services to indigents, legal defense to attorneys appointed as receivers by the Virginia Bar, and even Meals on Wheels organizations.
- It is anticipated there will be continued placement of certain public service type private and not-for-profit organizations and individuals under the protection of the state risk management plans, which will impact the types of insurance products and services offered.
- In the past year the Virginia Tort Claims Act has been amended to simplify the reporting of claims against the Commonwealth, its agencies and employees. From a rigid protocol to a simple process, it is anticipated that the changes will significantly increase the number of tort claims over the next few years.
- Insurance Services can assist clients by providing them with loss control programs and training, but these efforts cannot eliminate negative loss experiences caused by natural disasters like floods and named windstorms, nor can they eliminate unique exposures associated with the high-risk activities and services that government must provide. Rates set by commercial insurers take into account these factors and impact the products and services offered.
- The electronic functionality made available on Treasury's searchable unclaimed property website increases the efficiency of the claims process.
- Exemptions to the Unclaimed Property Act in recent years and service charges by holders assessed on unclaimed property accounts and property impact Treasury's ability to return such property to the rightful owners.
- Federal credit unions have renewed the federal preemption assertion regarding the states' ability to regulate their ability to charge dormant service charges and fees thereby creating an inequality. This inequality impacts the state chartered credit unions as well as other financial institutions when enforcing the Unclaimed Property Act.
- For FY 2003 through FY 2005 the Division received large remittances in cash and stock from demutualized insurance companies. These large remittances caused a spike in revenues and claims payments for the past few years. Since

most of the stock is sold and the majority of the claims payments are complete, it is anticipated there will be a decrease in revenue and claims payments for the next biennium.

- Treasury is researching the development of an interactive voice response call center solution to improve customer satisfaction and the efficiency with which the agency handles inquiries and claims for unclaimed property.
- The Governmental Accounting Standards Board (GASB) that establishes the accounting and financial reporting standards for governments continues to require more detailed accounting and reporting of debt and investment activity of governmental entities, which increases the workload of current staff as new pronouncements are issued and become effective.

• **Anticipated Changes in Products or Services:**

The demand for additional and improved customer services may result in the need to change the way we deliver these services through system or program changes and enhancements.

- Changes in technology, regulations, legislation, best practices, industry and markets may require a more technically trained workforce and the need for additional training for the current workforce.
- As products and services expand and become more complex, management will seek to find more efficient delivery systems and programs, as well as the means to monitor the performance of these programs through the development of internal controls and additional performance measures.
- Increased information systems security will be required to protect our internal systems and client information.
- The increased complexity, expansion, regulation and management of services and products may require additional outside resources to augment staff support.
- The Restructured Higher Education Financial and Administrative Operations Act may adversely impact the credit quality of Treasury borrowing programs (e.g., Virginia College Building Authority). Policies and guidelines may need to be amended to protect the integrity of the current bond programs.
- Variable rate debt and synthetic structures are increasingly popular with issuers to achieve interest rate savings, flexibility, portfolio diversity, and hedging on interest rate exposure. The Virginia Public Building Authority and the Virginia College Building Authority have issued variable rate bonds. These programs, while cost effective, require greater administrative oversight than for traditional fixed-rate obligations.
- The complexity of financings (e.g., the use of derivatives, foundation financed debt and other non-traditional borrowing) continues to increase.
- Traditionally, the insurance services client base included state and local governmental agencies and/or their affiliates. On July 1, 2006, insurance services was required by statute to provide medical professional liability coverage to private physicians and community hospitals. These clients are not affiliated with the administration of government. Under these circumstances, insurance services must be provided more in the manner of a private insurance company.
- The number of different types of unclaimed property financial transactions that are processed electronically is continuing to increase which may cause a reduction in owners and property reported to the Division of Unclaimed Property. The Division of Unclaimed Property will provide enhanced training of for staff to audit and process to determine if holders are in compliance with the Unclaimed Property Act.
- Accounting and Trust Services provides a significant amount of information to the Department of Accounts (DOA) for preparation of the Commonwealth Comprehensive Annual Financial Report (CAFR). Currently, there is approximately a six-month window from the end of the fiscal year until the publishing of the CAFR to meet governmental financial reporting standards. Within the financial community, there are discussions to tighten this reporting window to provide more timely annual financial data similar to reporting in the private sector. The shortening of this reporting timeframe would place a significant resource burden on Trust Services since it is very difficult to meet the current reporting deadlines and continue with routine daily operations. Any shortening of this reporting period would require additional resources to meet the new reporting deadline.
- Treasury continues to encourage the use of electronic payment mechanisms instead of checks as a means to make payment to state clients, taxpayers, retirees, employees, and vendors. Since Treasury charges the Department of Social Services, the Virginia Employment Commission, and the Virginia Retirement Systems for its check production services, as these agencies switch to electronic payment mechanisms over checks, it will impact the cost of Treasury's check production services and the funding streams to pay these costs. The switch to electronic payments will need to be monitored closely going forward so the impact on the check processing function can be evaluated and any necessary changes in production be made timely.
- Treasury will cooperate with the Department of Accounts and assist other agencies in implementing the new financial management system which will eventually replace CARS.

**Finance**

• **Financial Overview:**

Treasury base budget is funded 46% from general funds (\$8.2 million) and 54% from non-general funds (\$9.7 million). The non-general fund sources are: \$5.0 million from the receipt of unclaimed property used to administer the Commonwealth's unclaimed property laws; \$2.6 million from charges to state agencies and localities for insurance coverage; \$3 million from charges to select agencies for check printing services; \$5 million from charges to debt issuing authorities and agencies for debt issuance and management services; \$6 million for investment services provided to state and local governments; and \$7 million for fees charged financial institutions and insurance carriers.

• **Financial Breakdown:**

|                     | FY 2011            |                    | FY 2012            |                    |
|---------------------|--------------------|--------------------|--------------------|--------------------|
|                     | General Fund       | Nongeneral Fund    | General Fund       | Nongeneral Fund    |
| Base Budget         | \$8,619,468        | \$9,546,633        | \$8,619,468        | \$9,546,633        |
| Change To Base      | -\$406,047         | \$200,860          | -\$406,047         | \$200,860          |
| <b>Agency Total</b> | <b>\$8,213,421</b> | <b>\$9,747,493</b> | <b>\$8,213,421</b> | <b>\$9,747,493</b> |

*This financial summary is computed from information entered in the service area plans.*

**Human Resources**

- **Overview**

The Department of the Treasury has an authorized FTE level of 121 positions with 109 positions currently filled and twelve vacancies, of which three are established positions and nine have not been established. The 121 positions are spread among seven service areas: Debt Management (10); Insurance Services (17); Banking and Investment Services (10); Accounting and Trust Services (10); Check Processing and Bank Reconciliation (16); Unclaimed Property Administration (44); and Administrative Services (14). Of the 121 authorized positions, 39 are funded with General Funds and 82 positions are funded with Nongeneral Funds.

Since January 1, 2004 the number of full-time, classified employees (filled positions) has increased from 103 to 109. This increase is primarily due to significant increases in the amount of property received by the unclaimed property program and the number of claims filed, along with advances in technology that apply primarily to the unclaimed property and insurance services programs.

Turnover: during the 5-year period from 2004-2008, an average of nine employees per year resigned or were terminated from Treasury and an additional two employees per year retired. This equates to an average of 10.4% per year. During the first six months of 2009 one employee retired and two resigned. This low number is likely attributable to the lack of available jobs in the current economy.

Recruiting: Treasury endeavors to provide new, challenging opportunities for its staff. As such, more positions are filled internally, rather than externally. Whenever an employee transfers or is promoted to another position within the agency, the position that employee vacated must, in turn, be filled. As a result, although an average of eleven employees per year left Treasury between 2004-2008, and the number of filled positions only increased by six during that span, an average of 17 positions per year were filled. This includes new hires to state government, rehires, transfers from other agencies, internal transfers and promotions. During the first six months of 2009 five positions were filled.

Demographics: 70% of Treasury employees are female and 39% are minority. These female and minority statistics are higher than the statewide workforce averages (54% female and 34% minority). Among Treasury managers, 54% are female and 21% are minority, while among staff 77% are female and 50% are minority. These numbers are consistent with the general population and available applicant pool, considering the professional, financial nature of most of Treasury's positions and competition with the private sector for qualified women and minority candidates.

The average (total) length of service in Treasury is 13.5 years; 17.8 among managers and 11.5 for staff and the average age in Treasury is 48 years; 52 among managers and 46 for staff. Average age and length of service in Treasury is slightly higher than averages statewide of 46 and 11.9 years, respectively.

- **Human Resource Levels**

|                                   |              |   |
|-----------------------------------|--------------|---|
| Effective Date                    | 9/1/2009     |   |
| Total Authorized Position level   | 121          |   |
| Vacant Positions                  | -12          |   |
| <b>Current Employment Level</b>   | <b>109.0</b> |   |
| Non-Classified (Filled)           | 0            |   |
| Full-Time Classified (Filled)     | 109          | <i>breakout of Current Employment Level</i>                     |
| Part-Time Classified (Filled)     | 0            |   |
| Faculty (Filled)                  | 0            |   |
| Wage                              | 8            |   |
| Contract Employees                | 0            |   |
| <b>Total Human Resource Level</b> | <b>117.0</b> | <i>= Current Employment Level + Wage and Contract Employees</i> |

- **Factors Impacting HR**

**Aging workforce**

Treasury, like most agencies, is dealing with an aging workforce. As stated above, nearly half of our workforce is over age 50; higher among managers. Currently, 21 of our employees are either eligible or will be eligible for full retirement within the next five years, including several key employees. These include individuals who are currently age 60 or older plus individuals who are age 50 or older and have 25 years or more total service.

In order to provide the services required by a critical, high-level finance agency, Treasury employs financial professionals who are experts in their fields. Treasury employees are recruitment targets by banking, finance, investment, and insurance firms, as well as Universities and other finance agencies. Based on the five year period from 2004-2008, and as the country pulls out of this recession, Treasury can expect to lose on average approximately 10% of its workforce per year. Add to that the number that could retire in the next five years, and Treasury could face a serious staffing problem.

**Compensation Plan**

Treasury salaries are below market as compared with the private sector, Richmond area local government entities and even other state agencies. Despite budget restrictions, the agency has made efforts to bring key, high performing employees' salaries in line with averages for state employees in comparable positions. During the 5-year period from

2004-2008, Treasury awarded an average of 15 salary increases per year. These were in-band adjustments and related to position reallocations; they did not include salary increases due to promotions. The average increase per person was \$3,461 per year. However, despite these increases, salaries for Treasury employees still lag significantly behind the state averages for employees in their position roles. Sixty-four percent of Treasury employees' salaries are below the state averages. The average deficiency is \$4,424 or 9% per person.

Treasury needs the ability to offer attractive salaries in order to recruit, retain and motivate its employees. As stated above, Treasury employees are recruitment targets. Prior to the recession, the demands of the Sarbanes-Oxley Act have compelled private employers to increase the number of accounting and finance professionals. In addition, the State's ARMICS initiative has necessitated aggressive hiring of individuals with these skills, leaving a smaller pool of qualified applicants in the accounting and finance profession, driving up salaries and making recruiting much more difficult. As the economy improves, these trends are expected to resume.

- *Anticipated HR Changes*

In the next few years, as the recession eases, Treasury expects that the need to hire, train and retain qualified employees will become more challenging. Experts anticipate that the U.S. labor market will continue to tighten in particular areas, such as financial positions where the number of new college graduates is not expected to maintain pace with need. Treasury anticipates a continued increase in health insurance premiums, as well as increases in the cost of co-payments for service and prescription drugs. The retirement programs will suffer unprecedented strain when large numbers of new retirees begin drawing on the plan. Recruitment strategies will be needed that highlight the benefits of state service at a time when private companies are cutting back on health benefits and many pension funds are on the verge of collapse.

Because of the possibility of a significant portion of Treasury's workforce retiring or being recruited within the next five years, remaining staff must have the skills necessary to fill those vacated positions. In addition, as the recent pandemic concerns reminded us, Continuity of Operations Plans require that staff be cross trained where possible to back up their fellow employees who may be out of work an extended period of time. If the anticipated flu pandemic does indeed hit Virginia, it is estimated that as many as 30% of the population will be affected and absent from work.

In order for Treasury to maintain its high level of performance and service, Treasury must be able to recruit competent professionals or existing staff must be able to step in and fill the void created by retirements, resignations and emergency situations. Treasury's main areas for human resources focus must therefore be salary administration and training and development. Treasury will strive to make full use of Virginia's learning management system, the Knowledge Center, a cost effective way to educate a substantial number of people. We will also explore ways to provide training in subjects where on-line learning is not feasible. Although we will strive to utilize cost effective training methodologies the specific nature of many of our professional positions necessitates that an adequate training budget be maintained. As such, funding increases will be needed.

In addition, in order to attract and retain the most qualified staff, we must offer competitive salaries to prospective employees and align the salaries of current employees so their compensation is commensurate with their level of competency and requirements of their positions. Therefore, increased funding will also be needed to prepare an adequate salary administration plan including, in some cases, signing bonuses for hard-to-fill positions.

Most pressing, is the impending retirement of critical investment management staff. These positions are responsible for meeting one of the Key Objectives of ensuring over a trailing five-year period, the yield on the state's general fund investment earnings in the Primary Liquidity Portfolio will exceed the iMoney Net Money Fund Monitor Yield. The sudden loss of institutional knowledge will be extremely disruptive, whether due to retirement or sudden absence from work. The loss of a manager without a successor in place would require external management at a substantial cost to the Commonwealth. Treasury needs an individual with in-depth portfolio knowledge and experience to compliment the current investment managers due to today's extremely complex investment security structures and recent volatile economic market conditions.

## Information Technology

- *Current Operational IT Investments:*

Treasury's Information Systems Division (IT) provides Treasury with an efficient, effective platform to perform the agency's business functions. IT performs the following functions for Treasury:

- Manage VITA services assuring that they provide a level of service that is acceptable to the agency.
- Manage third party IT vendors and system development. Third parties are responsible for following the same development practices as internal IT staff.
- Create and support custom applications used by agency staff and agency customers including the public.
- Provide greater than 99% uptime for all systems IT manages.
- Respond to help desk calls for systems that the agency IT staff manages.
- Secure Treasury information using standard secure practices.

- *Factors Impacting the Current IT:*

Over time and with increased budget pressures, Treasury has relied more and more upon technology to support agency business. Treasury expects the trend to continue and increase over the next several years. Treasury IT will continue to be relied upon to increase automation, solve complex business problems, create new systems and replace old systems. Treasury staff expects timely support from their IT staff. Security related issues will continue to be a topic in the forefront of IT, as technology changes so the Treasury IT program will have to change.

Treasury IT will continue to increase security awareness over the next few years by providing enhanced user training programs and a detailed security awareness program. Security will also be increased by additional monitoring and reporting of agency systems. There will be an increased integration into the development process of the Information Security Officer (ISO) which will also assist in increasing system security.

Treasury expects the trend toward teleworking to continue with additional Treasury staff moving from the office into the home workspace, this will require additional technology and support for these users. The trend toward remote working will also assist in disaster recovery planning and experience which will assist the agency should a disaster occur.

The agency will be required to transform the IT infrastructure onto the VITA network. Downtime is expected to be minimal due to internal agency IT efforts during the transition although performance and reliability of the new network is unknown. Over the next several years the agency will be moving its email system, servers and network over to VITA. Each transformation creates its own risk. The agency IT staff will continue to mitigate this risk by assuring VITA follows a realistic and agency approved project plan.

● *Proposed IT Solutions:*

Treasury’s IT has the following goals for the 2010-2012 biennium:

- Implement a document management system throughout the agency. Document management organizes data, eliminates paper and assists in document retention enforcement. The Unclaimed Property Division has been completed. The Risk Management Division is next.
- Maintain a baseline of support for agency staff and customers by monitoring VITA services and providing direct support for agency users, business and systems.
- Expand more services on the web by creating new web based applications and moving existing applications to the web.
- Enable electronic billing in web applications where applicable to save payment processing time for Operations and other divisions.
- Integrate all Risk Management billing functions into CIVITAS to standardize program billing.
- Emphasize replacing systems that use Excel macros to eliminate security and other risks.
- Expand the ability for Treasury staff to perform telecommuting by providing tools and software that enables them to perform the same work at home as at the office.
- Create additional policy and procedure enhancements that are aligned with Treasury business, security needs and VITA policy.
- Provide enhanced user training for systems and computer security improving overall computer literacy and information security.
- Maintain a close relationship with users by maintaining a support staff internal to the agency and providing timely support for system issues.
- Improve, consolidate and standardize Risk Management systems.
- Create more emphasis on security including software solutions, tools and training for users.
- Implement improvements with Unclaimed Property inquiry and claims processing systems, which will provide more services to agency customers.

Goals listed above are future business needs and/or in-house enhancements to existing applications. At this time, the agency does not anticipate any proposed IT investments in order to continue to support business needs during the upcoming 2010-2012 budget biennium.

Treasury has not completed “transformation” to VITA. After transformation, VITA will charge Treasury additional service costs for use of disk space, storage backups, and VPN costs for which the agency is currently not paying, nor is budgeted to pay. VITA has not provided Treasury prices for these service costs, therefore these additional costs are not included as expenses in the Projected Total IT Budget. The Projected Total IT Budget will be inadequate after “transformation”.

● *Current IT Services:*

Estimated Ongoing Operations and Maintenance Costs for Existing IT Investments

|                                      | Cost - Year 1    |                    | Cost - Year 2    |                    |
|--------------------------------------|------------------|--------------------|------------------|--------------------|
|                                      | General Fund     | Non-general Fund   | General Fund     | Non-general Fund   |
| Projected Service Fees               | \$434,063        | \$283,761          | \$440,573        | \$288,018          |
| Changes (+/-) to VITA Infrastructure | \$16,000         | \$16,000           | \$16,000         | \$16,000           |
| <b>Estimated VITA Infrastructure</b> | <b>\$450,063</b> | <b>\$299,761</b>   | <b>\$456,573</b> | <b>\$304,018</b>   |
| Specialized Infrastructure           | \$82,000         | \$28,000           | \$82,000         | \$28,000           |
| Agency IT Staff                      | \$65,896         | \$656,927          | \$65,896         | \$656,927          |
| Non-agency IT Staff                  | \$0              | \$0                | \$0              | \$0                |
| Other Application Costs              | \$36,000         | \$62,000           | \$36,000         | \$62,000           |
| <b>Agency IT Current Services</b>    | <b>\$633,959</b> | <b>\$1,046,688</b> | <b>\$640,469</b> | <b>\$1,050,945</b> |

*Comments:*

The Projected IT Budget will be inadequate after "transformation". No estimated costs provided.

● *Proposed IT Investments*

Estimated Costs for Projects and New IT Investments

|  |  |
|--|--|
|  |  |
|--|--|

|                                       | Cost - Year 1 |                  | Cost - Year 2 |                  |
|---------------------------------------|---------------|------------------|---------------|------------------|
|                                       | General Fund  | Non-general Fund | General Fund  | Non-general Fund |
| Major IT Projects                     | \$0           | \$0              | \$0           | \$0              |
| Non-major IT Projects                 | \$0           | \$0              | \$0           | \$0              |
| Agency-level IT Projects              | \$0           | \$0              | \$0           | \$0              |
| Major Stand Alone IT Procurements     | \$0           | \$0              | \$0           | \$0              |
| Non-major Stand Alone IT Procurements | \$0           | \$0              | \$0           | \$0              |
| <b>Total Proposed IT Investments</b>  | \$0           | \$0              | \$0           | \$0              |

● *Projected Total IT Budget*

|                         | Cost - Year 1 |                  | Cost - Year 2 |                  |
|-------------------------|---------------|------------------|---------------|------------------|
|                         | General Fund  | Non-general Fund | General Fund  | Non-general Fund |
| Current IT Services     | \$633,959     | \$1,046,688      | \$640,469     | \$1,050,945      |
| Proposed IT Investments | \$0           | \$0              | \$0           | \$0              |
| <b>Total</b>            | \$633,959     | \$1,046,688      | \$640,469     | \$1,050,945      |

[Appendix A](#) - Agency's information technology investment detail maintained in VITA's ProSight system.

**Capital**

- *Current State of Capital Investments:*  
None.
- *Factors Impacting Capital Investments:*  
N/A
- *Capital Investments Alignment:*  
N/A

**Agency Goals**

**Goal 1**

We will encourage a culture of continuous improvement, delivering the highest quality, customer-focused services possible and driven by a diverse, well-trained workforce capable of accomplishing the agency's mission and being accountable for their actions.

**Goal Summary and Alignment**

This goal aligns with the agency's mission of serving the Commonwealth by providing excellent financial management and outstanding customer service.

**Goal 2**

We will deliver high-quality cash management services, driven by cost effective solutions, creativity and fiduciary prudence.

**Goal Summary and Alignment**

In order for the Department of the Treasury to accomplish its mission of serving the Commonwealth by providing excellent financial management and outstanding customer service, the Department must (1) provide for the effective management of state and local government funds to maximize investment earnings within levels of prudence established by statute and guidelines, (2) manage and administer a LGIP that provides value to local governments which choose to invest their funds in the LGIP, and (3) work with agencies and institutions, as well as financial institution partners, to implement an effective and efficient statewide banking network developed to provide state-of-the-art cash management services to ensure the highest quality services are available to our customers.

**Goal 3**

We will deliver debt management and issuance services in the most efficient and effective manner while striving to maintain the Commonwealth's high debt ratings.

**Goal Summary and Alignment**

In order for the Department of the Treasury to accomplish its mission of serving the Commonwealth by providing excellent financial management and outstanding customer service, the Department must (1) provide for debt financing in the most efficient and cost-effective manner, while ensuring the most favorable borrowing rates available, (2) ensure debt financings are provided in compliance with statutes and regulations to maintain the tax-exempt status of bonds, and (3)

provide advice, assistance, access to programs and accurate information to customers.

#### Goal 4

We will deliver the highest quality, cost effective risk management services to meet the needs of the Commonwealth.

##### Goal Summary and Alignment

In order for the Department of the Treasury to accomplish its mission of serving the Commonwealth by providing excellent financial management and outstanding customer service, the Department must provide for protection of the assets of the Commonwealth through (1) superior insurance and risk management services, (2) excellent claims and litigation management, (3) expert consultation services and loss prevention and control training (4) prudent and cost effective management of the State Insurance Reserve Trust Fund, and (5) outstanding customer service.

#### Goal 5

We will deliver the most efficient and responsive unclaimed property program possible in an effort to meet the needs of our citizens and holders.

##### Goal Summary and Alignment

In order for the Department of the Treasury to accomplish its mission of serving the Commonwealth by providing excellent financial management and outstanding customer service, the Department must administer an unclaimed property program in accordance with the Uniform Disposition of Unclaimed Property Act and the Escheats Generally Statute that provides for the return of unclaimed property to the rightful owners and the return of abandoned real property to an active tax status. This program must provide for (1) effective outreach efforts to enhance the location of owners, (2) efficient claims verification and processing made in an expeditious manner to return property to the rightful owners, (3) aggressive holder compliance and enforcement efforts to enhance the required reporting of unclaimed property, and (4) effective administration of an escheat program for abandoned real property.

#### Goal 6

We will deliver statewide and agency accounting, budgeting, trust, and operational services timely and accurately while striving to improve efficiency, promote accountability, and reduce costs.

##### Goal Summary and Alignment

In order for the Department of the Treasury to accomplish its mission of serving the Commonwealth by providing excellent financial management and outstanding customer service, the Department must provide for (1) the accurate accounting for and preparation of financial statements for boards and authorities staffed by Treasury, (2) the accurate and timely accounting for state investments and debt structures, (3) the proper administration of and accounting for Treasury's budget, (4) the accurate and timely disbursement of state funds in accordance with the Prompt Payment Act, (5) the accurate recording of state receipts and reconciliation of bank accounts (6) the proper administration of the Security for Public Deposits Act to ensure compliance by public depositories and the safety of public deposits, and (7) the accurate accounting and safekeeping of securities pledged by insurance companies transacting business in the Commonwealth in compliance with the Insurance Collateral Program.

#### Goal 7

We will strengthen the culture of preparedness across state agencies, their employees and customers.

##### Goal Summary and Alignment

This goal ensures compliance with federal and state regulations, policies and procedures for Commonwealth preparedness, as well as guidelines promulgated by the Assistant to the Governor for Commonwealth Preparedness, in collaboration with the Governor's Cabinet, the Commonwealth Preparedness Working Group, the Department of Planning and Budget and the Council on Virginia's Future. The goal supports achievement of the Commonwealth's statewide goal of protecting the public's safety and security, ensuring a fair and effective system of justice and providing a prepared response to emergencies and disasters of all kinds.

##### Goal Objectives

- We will be prepared to act in the interest of the citizens of the Commonwealth and its infrastructure during emergency situations by actively planning and training both as an agency and as individuals.

###### Objective Strategies

- The agency Emergency Coordination Officer will stay in continuous communication with the Office of Commonwealth Preparedness and the Virginia Department of Emergency Management and other Commonwealth Preparedness Working Group Agencies.

###### Link to State Strategy

- nothing linked

###### Objective Measures

- Agency's Preparedness Assessment Score

Measure Class:  Measure Type:  Measure Frequency:  Preferred Trend:

Measure Baseline Value:  Date:

Measure Baseline Description: Agency Preparedness Assessment Results - Average VERT Non-Essential

Measure Target Value: 75 Date: 6/30/2012

Measure Target Description: Agency Preparedness Assessment Results - Average VERT Non-Essential

Data Source and Calculation: The Agency Preparedness Assessment is an all-hazards assessment tool that measures agencies' compliance with requirements and best practices. The assessment has components including Physical Security, Continuity of Operations, Information Security, Vital Records, Fire Safety, Human Resources, Risk Management and Internal Controls, and the National Incident Management System (for Virginia Emergency Response Team – VERT - agencies only).

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Service Area Strategic Plan

Department of the Treasury (152)

3/13/2014 9:46 am

Biennium: 2010-12

Service Area 1 of 7

Debt Management (152 725 01)

Description

This service area provides debt issuing and advisory services for the Commonwealth, state authorities, agencies and institutions. The products and services of this service area include:

- Debt program administration, including compliance and continuing disclosure, investor relations, and rating agency relationships.
- Providing knowledge and expertise relative to the American Recovery and Reinvestment Act of 2009 for the Commonwealth.
- Issuance of bonds or other securities
- Monitoring and execution of refunding opportunities
- Lease program administration for equipment and energy project financing for state agencies
- Debt affordability analysis and recommendations to executive and legislative branches
- Staffing services to boards and authorities
- Debt financing and advisory services to state agencies, authorities, boards, commissions and higher education institutions
- School capital financing for local governments and technology grants for local school divisions
- Technical assistance on the financial aspects of legislative proposals, impact on debt capacity, financial studies and initiatives

Some highlights include:

Bond Issuance Services – During fiscal year 2009, Treasury issued a total of \$2.2 billion in bonds to finance or refinance the capital needs of state agencies, institutions, and private colleges and universities. Included in those issues were refunding bonds that generated \$4.1 million in present value savings to the Commonwealth.

Energy Leasing Program - \$22.9 million in energy efficiency projects were financed by agencies of the Commonwealth during the year. The program enables agencies to obtain consistent and competitive credit terms for financing energy efficiency improvements for projects that the agency has evaluated and determined to be appropriate and cost effective.

Master Equipment Lease Program - \$32.8 million in equipment financings for agencies of the Commonwealth in FY2009.

Background Information

Mission Alignment and Authority

- Describe how this service supports the agency mission

This service area directly aligns with the Department of the Treasury’s mission of serving the Commonwealth by providing excellent financial management and customer service.

- Describe the Statutory Authority of this Service

This service area supports several debt-issuing Boards and Authorities including the Treasury Board, the Virginia Public Building Authority, the Virginia Public School Authority (VPSA), the Virginia College Building Authority (VCBA), the Debt Capacity Advisory Committee, and the Tobacco Settlement Financing Corporation. Article X, Section 9 of the Virginia Constitution provides the basis for the issuance of state debt. Chapter 3.1 – 3.3 of Title 23 relate to debt of the VCBA and Chapter 11 of Title 22.1 relates to the VPSA. The VPBA is defined by Chapter 22, Article 6 of Title 2.2. Title 33.1 governs transportation debt and Chapter 3 of Title 23 addresses higher education debt.

The issuance of taxable and tax-supported debt is federally regulated by the Securities & Exchange Commission (SEC), the Municipal Securities Rulemaking Board and the Internal Revenue Service regarding maintaining the tax-exempt status of bond issues. Additionally, SEC Rule 15c2-12 mandates that municipalities must submit annual financial information to certain securities information repositories and provide notice of certain events material to their bonds or notes.

Customers

| Agency Customer Group                                 | Customer  | Customers served annually | Potential annual customers |
|---|---|---------------------------|----------------------------|
| Bondholders   | Bondholders (exact number of customers unknown)           | 0                         | 0                          |
| Business Partners                                     | Business Partners/Interagency                             | 15                        | 15                         |
| Executive Branch Officials, Agencies and Institutions | Governor and Secretary of Finance                         | 2                         | 2                          |
| Legislative Branch                                    | Legislative Branch/money committees                       | 140                       | 140                        |
| Local Governments for K-12 Financing Services         | Local Governments for K-12 Financing Services             | 134                       | 134                        |
| Executive Branch Officials, Agencies and Institutions | Private institutions of higher education                  | 8                         | 26                         |
| Executive Branch Officials, Agencies and Institutions | State Agencies and state institutions of higher education | 108                       | 108                        |

|                        |   |           |           |
|------------------------|---|-----------|-----------|
| Virginia Citizens      | Virginia Citizens   | 7,500,000 | 7,500,000 |
| Boards and Authorities | Virginia Public School Authority, Virginia Public Building Authority, Virginia College Building Authority, the Treasury Board, the Debt Capacity Advisory Committee, Tobacco Indemnification and Community Revitalization Commission, and the Tobacco Settlement Financing Co | 7         | 7         |

**Anticipated Changes To Agency Customer Base**

Debt Management Services – The United States Congress passed the American Recovery and Reinvestment Act (ARRA) of 2009. The purpose of this legislation is to stimulate economic activity in the country. Among other programs, a very large component of AARA is a number of special bond programs. Treasury’s Division of Debt Management (Debt Management) is serving as the central point to provide expertise and leadership for the Commonwealth related to these bond programs. Many of the programs will continue through the next two years and require a great deal of resources from Debt Management. Strategically, Debt Management is planning to work on the AARA bond programs over the next biennium and beyond where needed.

**Partners**

| Partner   | Description  |
|---|--|
| Banks, Trustees, and Paying Agents  | Act as agents for the issuing board in making payments to bondholders and/or protecting the interests of the bondholders   |
| Bond Counsel and the Office of the Attorney General   | Assist the area in drafting and/or reviewing legislative proposals, bond documents and otherwise ensuring bonds are issued in accordance with applicable law               |
| Department of Accounts, Auditor of Public Accounts, Department of Planning and Budget, and other agencies | Provided the financial statements, and financial and demographic information necessary to enable the preparation and filing of primary and secondary disclosure            |
| Department of Education   | Coordination of K-12 financings for local school districts   |
| Department of Planning and Budget   | Monitors, projects, and controls expenditures on capital projects funded through Treasury programs   |
| Financial Advisors  | Perform financial analyses and assist in representing the Commonwealth to investors and rating agencies  |
| State Counsel of Higher Education for Virginia  | Review of 9(d) feasibility studies and for facilitating the Virginia College Building Authority equipment financing program; review private college financing applications |
| Virginia Department of Transportation   | Executing transportation financings  |

**Products and Services**

● *Factors Impacting the Products and/or Services:*

Treasury’s Division of Debt Management (Debt Management) is serving as the central point to provide expertise and leadership for the Commonwealth related to the American Recovery and Reinvestment Act (ARRA) of 2009 bond programs as stated above. Many of the programs will continue through the next two years and require a great deal of resources from Debt Management.

The requirements for review and approval of specialized financing (e.g., capital leases, energy financings) are contained in various sources (statutes, budget, etc.), causing confusion on the part of agencies and institutions seeking financing approval.

● *Anticipated Changes to the Products and/or Services*

Debt Management is tracking and acquiring data on nine bonding programs associated with the American Recovery and Reinvestment Act of 2009. Debt Management is the central in the Commonwealth to provide coordination and expertise of these bonding programs.

Variable rate debt and synthetic structures are increasingly popular with issuers to achieve interest rate savings, flexibility, portfolio diversity, and hedging on interest rate exposure. The Virginia Public Building Authority and the Virginia College Building Authority have issued variable rate bonds. These programs, while cost effective, require greater administrative oversight than for traditional fixed-rate obligations.

The use of more complex financings structures (e.g., foundation financed debt and other non-traditional borrowing) continues to increase and requires greater specialization among staff.

Transportation debt authorized in 2007 will require additional staff resources to establish the program and issue the \$3 billion in bonds over a ten year period. This will be a combined effort of VDOT and the Commonwealth Transportation Board. As of 7/1/2009, none of the remaining \$3 billion has been issued.

New regulations currently under consideration by the Municipal Securities Rulemaking Board and the Securities and Exchange Commission have necessitated changes in the way disclosure information is made available through the new Electronic Municipal Market Access System (EMMA).

Revenues at levels less than forecast may cause policymakers to use debt to fund capital projects previously approved for cash funding. This will likely increase financing activity of the division.



|                |           |     |           |     |
|----------------|-----------|-----|-----------|-----|
| Change To Base | -\$10,361 | \$0 | -\$10,361 | \$0 |
|----------------|-----------|-----|-----------|-----|

|                    |           |           |           |           |
|--------------------|-----------|-----------|-----------|-----------|
| Service Area Total | \$690,705 | \$260,280 | \$690,705 | \$260,280 |
| Base Budget        | \$701,066 | \$260,280 | \$701,066 | \$260,280 |
| Change To Base     | -\$10,361 | \$0       | -\$10,361 | \$0       |

|                    |           |           |           |           |
|--------------------|-----------|-----------|-----------|-----------|
| Service Area Total | \$690,705 | \$260,280 | \$690,705 | \$260,280 |
| Base Budget        | \$701,066 | \$260,280 | \$701,066 | \$260,280 |
| Change To Base     | -\$10,361 | \$0       | -\$10,361 | \$0       |

|                    |           |           |           |           |
|--------------------|-----------|-----------|-----------|-----------|
| Service Area Total | \$690,705 | \$260,280 | \$690,705 | \$260,280 |
| Base Budget        | \$701,066 | \$260,280 | \$701,066 | \$260,280 |
| Change To Base     | -\$10,361 | \$0       | -\$10,361 | \$0       |

|                    |           |           |           |           |
|--------------------|-----------|-----------|-----------|-----------|
| Service Area Total | \$690,705 | \$260,280 | \$690,705 | \$260,280 |
|--------------------|-----------|-----------|-----------|-----------|

**Human Resources**

- *Human Resources Overview*  
Human resources for this service area includes 10 full-time classified positions.
- *Human Resource Levels*

|                                   |             |
|-----------------------------------|-------------|
| Effective Date                    | 9/1/2009    |
| Total Authorized Position level   | 10          |
| Vacant Positions                  | 0           |
| <b>Current Employment Level</b>   | <b>10.0</b> |
| Non-Classified (Filled)           | 0           |
| Full-Time Classified (Filled)     | 10          |
| Part-Time Classified (Filled)     | 0           |
| Faculty (Filled)                  | 0           |
| Wage                              | 0           |
| Contract Employees                | 0           |
| <b>Total Human Resource Level</b> | <b>10.0</b> |

*breakout of Current Employment Level*

*= Current Employment Level + Wage and Contract Employees*

- *Factors Impacting HR*  
Difficulty in retaining and attracting qualified staff.
  - Salary compression making new hires more highly paid than current trained and experienced staff.
  - As finance professionals, staff has multiple opportunities for advancement in and outside of state government. Traditional state hierarchy almost guarantees that staff turnover will continue, as advancement cannot occur without vacancies. In the private sector, the problem is addressed by a relatively flat management structure for this type of functional unit.
  - Staff is adequate for current workload only. Any increase in workload would require additional staff.
- *Anticipated HR Changes*  
Greater specialization in the industry requires a more specialized knowledge base among staff.

Key employee may be retiring within the next two to five years.

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**Service Area Objectives**

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- We will achieve better rates on Virginia's bonds than the average rates of comparable bonds issued nationwide.

**Link to State Strategy**

- nothing linked

**Objective Measures**

- Average yield on bond issues

Measure Class:  Measure Type:  Measure Frequency:  Preferred Trend:

Measure Target Value:  Date:

Measure Target Description: Equal or better than market proxy for bonds issued during FY 2011 and FY 2012.

Data Source and Calculation: Yields on fixed-rate, tax-exempt bonds issued under programs staffed by the service area (i.e., general obligation bonds, bonds issued by the Virginia Public Building Authority, Virginia College Building Authority, and the Virginia Public School Authority) will be benchmarked against the Delphis Hanover scale for the sale date to determine how the Virginia transaction compared to the proxy. Following a sale, yields for each maturity will be compared to same day composite yields reported on the Delphis Hanover scale for comparably rated bonds (i.e., AAA to AAA, AA to AA) to determine the variances by maturity. The average basis point variance will be calculated for the issue. This result should be less than or equal to zero (i.e., equal to or better than the proxy). Resulting averages will be averaged for the fiscal year.

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Service Area Strategic Plan

Department of the Treasury (152)

3/13/2014 9:46 am

Biennium: 2010-12

Service Area 2 of 7

Insurance Services (152 725 02)

Description

This service area administers risk management, insurance, self insurance, claims and litigation management and related risk services for agencies, officials, employees and certain affiliates of the Commonwealth of Virginia, its political subdivisions, entities, organizations and individuals as specified by statute. The risk management service mission is to provide protection of the Commonwealth's assets, using a high level of expertise resulting in the most cost effective delivery of insurance coverage, claim and litigation management, risk services and loss control activities.

Highlights include:

Liability and property insurance for the Commonwealth, its agencies and institutions, and employees, and over 625 political subdivisions and non-profit organizations.

This includes over 13,656 state buildings and their contents with a value in excess of \$26 billion and, including more than \$1.7 billion in fine arts. More than 5,210 claims and suits of all variety were handled in Fiscal Year 2009.

Background Information

Mission Alignment and Authority

- Describe how this service supports the agency mission

This service area directly aligns with the Department of the Treasury's mission of serving the Commonwealth using excellent financial management and outstanding customer service.

- Describe the Statutory Authority of this Service

Chapter 18 of Title 2.2, §§ 2.2-1833 through 2.2-1842, 8.01-195.4 through 8.01-195.9, 8.01-588.1, 15.2-1527, 15.2-1533, 15.2-2702, 15.2-4509, 15.2-4526, 16.1-69.18, 24.2-121, 32.1-11.5, 32.1-127.3, 37.2-512, 37.2-615, 54.1-106, and 56.446.1 of the Code of Virginia, details the statutory authority for Treasury's Insurance Services service area. It states that Treasury's Division of Risk Management (DRM) will provide insurance, self-insurance, claims management and loss control services for the Commonwealth, its agencies, officials, employees, political subdivisions, constitutional officers and certain instrumentalities, affiliates and individuals as specified by statute. The Virginia Tort Claims Act, Chapter 3 of Title 8.01, §§ 8.01-195.1 through 8.01-195.12 of the Code of Virginia, governs procedures for claims against the Commonwealth and specifies the DRM authority and responsibility concerning such claims.

Customers

| Agency Customer Group  | Customer   | Customers served annually | Potential annual customers |
|--|--|---------------------------|----------------------------|
| Boards and Authorities   | Boards and Authorities   | 25                        | 25                         |
| Business Partners  | Business Partners  | 8                         | 12                         |
| Executive Branch Officials, Agencies and Institutions            | Executive Branch Officials, Agencies and Institutions            | 108                       | 108                        |
| Intra-Agency Staff   | Intra-Agency Staff   | 116                       | 116                        |
| Legislative Branch   | Legislative Branch   | 140                       | 140                        |
| Local Government Officials and Participants - Insurance Services | Local Government Officials and Participants - Insurance Services | 650                       | 1,000                      |
| Virginia Citizens  | Virginia Citizens  | 7,500,000                 | 7,500,000                  |

Anticipated Changes To Agency Customer Base

Insurance coverage requirements have steadily increased as statutory requirements have required expanded coverage. It is anticipated there will be continued placement of certain public service type private and not-for-profit organizations and individuals under the protection of the state risk management plans, which will greatly change Treasury's customer base.

Partners

| Partner   | Description   |
|---|---|
| Actuaries   | Analyze exposures and calculate monetary contributions necessary to maintain the viability of the risk management programs                                      |
| Insurance brokers   | Locate specialized insurance coverage that will provide protection necessary to agencies' unique lines of business or unusual but statutorily required projects |
| Law firms   | Provide legal defense and subrogation services promised by the risk management plans  |
| Third party claims administrators and claims adjustment service providers | Provide specialized claims administration   |

Products and Services

- *Factors Impacting the Products and/or Services:*

The Commonwealth has a need for a risk management and insurance program of adequate, consistent and reliable financial contributions (premiums) from participating clients. Annual premiums are based, in part, upon available insurance reserve fund balances. There has been a history of money transfers from the State Insurance Reserve Trust Fund to the General Fund and elsewhere, with and without warning or an opportunity to prepare for such transfers. This practice, compounded with the failure to replace any of the money has severely weakened the State Insurance Reserve Trust Fund actuarially.

- Insurance coverage requirements have steadily increased as statutory requirement have expanded coverage. Over the past five years, the State Insurance Reserve Trust Fund has been statutorily required to provide insurance coverage to free health care clinics, individual health care providers serving indigent persons, guardians assisting recipients of mental health care services, court appointed attorneys and pro bono attorneys providing services to indigents and legal defense to attorneys appointed as receivers by the Virginia Bar. Coverage is now required for legal expenses covering suit by and against the Commonwealth regardless of whether there are damages. Things that cannot be actuarially valued. It is anticipated there will be continued placement of certain public service type private and not-for-profit organizations and individuals under the protection of the state risk management plans, which will impact the types of risk management, insurance products and self-insurance services offered.

- Insurance and/or self-insurance arrangements must be flexible enough to provide liability or property coverage for unforeseeable client groups and unforeseeable situations. The losses that arise from expanded coverage must be provide and paid when due and without delay.

- Over the past 5 years, insurance market forces combined with state agencies' property loss experience significantly increased the cost of commercial property insurance. The medical malpractice cap is now at \$2 million. Insurance Services can assist clients by providing them with loss control programs and training, but these efforts cannot eliminate negative loss experiences caused by natural disasters like floods and named windstorms, nor can they eliminate unique exposures associated with the high-risk activities and services that government must provide.

- *Anticipated Changes to the Products and/or Services*

Insurance Services' traditional client base includes state and local governmental agencies and/or their affiliates. Since 2006, this service area has been required by statute to provide medical professional liability coverage to private physicians and community hospitals, and general liability protection to as diverse a group as the Meals on Wheels organizations. These clients are not affiliated with the administration of government. Under these circumstances, DRIM must act more in the manner of a private insurance company. This has required additional training, and information system upgrades and a stable, protected fund program. It is anticipated that proceeds from this new program will need to be sufficient to cover necessary expenses. The General Assembly expanding coverage to Meals on Wheels organizations in 2008 and volunteer drivers providing medical transportation to the elderly, indigent and disabled in 2009, placed additional strains on existing resources.

Insurance Services Customer Service Initiatives – Treasury's Information Systems is performing several customer service enhancements for the Risk Management Division in FY2010. 1) A billing module is being created for Risk Management's CIVITAS claims system. This will provide timely and accurate billing documents for Risk Management program members as well as assist agency accounting with Risk Management's accounting and financial reporting; 2) Online credit card and check payment options will be added for members of the VanPool system eliminating manual processes for Treasury employees and provide around the clock access and self-service for members of the VanPool system and; 3) Provide an automated system to allow volunteer drivers to apply online for insurance coverage required by law. In FY2011, Treasury would like to offer online insurance quotations to all customers. An automated online system is being created to allow potential insurance customers to view the costs of membership and enroll in programs via the web.

Imaging Technology - The new Document Management System will be expanded to the Division of Risk Management in FY2010 and to the entire agency in the near future in an effort to provide electronic document management with agency line of business applications.

Use of Media in Training and Education – Technology has dramatically increased the means, methods and value of training. Insurance Services will explore and use the most cost effective means available to provide the needed and desired training to its clients. Projects will include live webinars, teleconferences, on demand online training, Learning Management and Risk Control classes online.

- *Listing of Products and/or Services*

- Administration of the State Insurance Reserve Trust Fund
- Procurement of commercial property, aircraft, watercraft and railroad insurance as well as fidelity bonds.
- Administration of Risk Management Plans to provide authority and guidelines for the Insurance Services Programs authorized by the Code of Virginia and approved by the Governor
- Administration of claims and litigation management for claims and lawsuits against the Commonwealth, its agencies, officials and employees as well as local government and other organizations covered by Insurance Services programs
- Claim and Litigation management, property inventory, and program management systems.
- Loss prevention and loss control training and consultation services
- Pre-litigation consultation

- *Financial Overview*

The budget for this service area is funded by nongeneral funds from premiums received from participants in the State Insurance Plans. General funds are included pursuant to Chapter 506 of the Acts of Assembly of 2006.

- *Financial Breakdown*

|                    | FY 2011      |                 | FY 2012      |                 | FY 2011 | FY 2012 |
|--------------------|--------------|-----------------|--------------|-----------------|---------|---------|---------|---------|---------|---------|---------|---------|
|                    | General Fund | Nongeneral Fund | General Fund | Nongeneral Fund |         |         |         |         |         |         |         |         |
| Base Budget        | \$259,995    | \$2,081,060     | \$259,995    | \$2,081,060     |         |         |         |         |         |         |         |         |
| Change To Base     | -            | \$100,129       | -            | \$100,129       |         |         |         |         |         |         |         |         |
| Service Area Total | \$0          | \$2,181,189     | \$0          | \$2,181,189     |         |         |         |         |         |         |         |         |
| Base Budget        | \$259,995    | \$2,081,060     | \$259,995    | \$2,081,060     |         |         |         |         |         |         |         |         |
| Change To Base     | -            | \$100,129       | -            | \$100,129       |         |         |         |         |         |         |         |         |
| Service Area Total | \$0          | \$2,181,189     | \$0          | \$2,181,189     |         |         |         |         |         |         |         |         |
| Base Budget        | \$259,995    | \$2,081,060     | \$259,995    | \$2,081,060     |         |         |         |         |         |         |         |         |
| Change To Base     | -            | \$100,129       | -            | \$100,129       |         |         |         |         |         |         |         |         |
| Service Area Total | \$0          | \$2,181,189     | \$0          | \$2,181,189     |         |         |         |         |         |         |         |         |
| Base Budget        | \$259,995    | \$2,081,060     | \$259,995    | \$2,081,060     |         |         |         |         |         |         |         |         |
| Change To Base     | -            | \$100,129       | -            | \$100,129       |         |         |         |         |         |         |         |         |
| Service Area Total | \$0          | \$2,181,189     | \$0          | \$2,181,189     |         |         |         |         |         |         |         |         |
| Base Budget        | \$259,995    | \$2,081,060     | \$259,995    | \$2,081,060     |         |         |         |         |         |         |         |         |
| Change To Base     | -            | \$100,129       | -            | \$100,129       |         |         |         |         |         |         |         |         |
| Service Area Total | \$0          | \$2,181,189     | \$0          | \$2,181,189     |         |         |         |         |         |         |         |         |
| Base Budget        | \$259,995    | \$2,081,060     | \$259,995    | \$2,081,060     |         |         |         |         |         |         |         |         |
| Change To Base     | -            | \$100,129       | -            | \$100,129       |         |         |         |         |         |         |         |         |
| Service Area Total | \$0          | \$2,181,189     | \$0          | \$2,181,189     |         |         |         |         |         |         |         |         |

**Human Resources**

- *Human Resources Overview*

Human resources for this service area include 16 full-time classified positions and 1 part-time employee.

- *Human Resource Levels*

|                                   |             |   |
|-----------------------------------|-------------|---|
| Effective Date                    | 9/1/2009    |   |
| Total Authorized Position level   | 17          |   |
| Vacant Positions                  | 1           |   |
| <b>Current Employment Level</b>   | <b>16.0</b> |   |
| Non-Classified (Filled)           | 0           |   |
| Full-Time Classified (Filled)     | 16          | <i>breakout of Current Employment Level</i>                     |
| Part-Time Classified (Filled)     | 0           |   |
| Faculty (Filled)                  | 0           |   |
| Wage                              | 1           |   |
| Contract Employees                | 0           |   |
| <b>Total Human Resource Level</b> | <b>17.0</b> | <i>= Current Employment Level + Wage and Contract Employees</i> |

- Factors Impacting HR**  
 Human Resource factors impacting this service area include the aging workforce, expansion of statutory responsibilities resulting in the demand for more specialized services, and the need to attract and retain experienced insurance professionals.
- Anticipated HR Changes**  
 Anticipated changes in human resources for this service area include the need for increased salary levels in order to recruit and retain qualified employees.

**Service Area Objectives**

- Improve efficiency of Insurance Service’s responses to clients’ requests for services by providing on-line access to customers and measuring the usage by clients.

**Link to State Strategy**

- nothing linked

**Objective Measures**

- Percentage of client base making use of the CIVITAS system’s on-line, self-service system to update their Virginia Agency Property System (VAPS) and Virginia Auto Count and Car Care System (VACCS) records.

Measure Class: Other Measure Type: Output Measure Frequency: Quarterly Preferred Trend: Up

Frequency Comment: The calculation will be made monthly and averaged for the quarter.

Measure Baseline Value: 8.5 Date: 7/1/2008

Measure Baseline Description:

Measure Target Value: 30 Date: 6/30/2012

Measure Target Description: The target is a 30% in self-service transactions by FY 2012.

Data Source and Calculation: The data source is the CIVITAS system and its “Exposures” component. The calculation is the percentage of the number of customers utilizing the CIVITAS system client base to update their VAPS and VACCS data on-line compared to Fiscal Year 2007.



## Service Area Strategic Plan

## Department of the Treasury (152)

3/13/2014 9:46 am

Biennium: 2010-12 ▼

## Service Area 3 of 7

## Banking and Investment Services (152 725 03)

## Description

This service area provides for (1) the management and investment of state funds, (2) the administration and management of the Local Government Investment Pool (LGIP) (3) the administration of the State Non-Arbitrage Program to ensure the investment of bond proceeds are in compliance with federal arbitrage rebate regulations, (4) the management of the Commonwealth's statewide banking network and cash concentration system, and (5) the development of banking and cash management services for state agencies and institutions.

Products and services include:

- Portfolio management and investment of the Commonwealth's general account operating funds and special and trust funds
- The LGIP, a AAAm rated "2a7 like" fund available to local governments and other public entities of the Commonwealth for the investment of public funds.
- Development and issuance of a credit card contract administration for the benefit of public agencies and institutions
- Administration of the Community Bankers Bank Agreement that streamlines the placement of time deposits
- Wire transfer and disbursement services for investments, certain vendor payments, and debt service payments
- Management of the on-line banking systems and access for approximately 1000 users
- Administration of the State Non-Arbitrage Program (SNAP)
- Management of external investment managers program for the general account portfolio
- Statewide banking cash management contracts and agreements
- Statewide regional depository cash concentration system
- Interest income forecast and cash flow projections
- Investment program for the Tobacco Indemnification and Community Revitalization Endowment
- Custody of financial assets held by the Commonwealth.

Some highlights include:

The Banking and Investment Services Service Area had \$10.0 billion in managed investment portfolios, comprised of \$4.7 billion in the general account portfolio, \$4.2 billion in the LGIP portfolio, \$1.0 billion in special portfolios, and \$102 million in outside trustee portfolios for FY2009.

The securities lending program has produced income of nearly \$11.5 million in Fiscal Year 2009.

The service area manages an extensive, efficient statewide banking network of 39 regional banks and 4 concentration banks that accelerates the deposit and availability of state funds received from approximately 285 regional depositing locations throughout the state.

## Background Information

## Mission Alignment and Authority

- *Describe how this service supports the agency mission*

This service area directly aligns with the Department of the Treasury's mission of serving the Commonwealth by providing excellent financial management and outstanding customer service.

- *Describe the Statutory Authority of this Service*

Chapter 18 of Title 2.2, §2.2-1807 of the Code of Virginia charges the State Treasurer with the custody of all Commonwealth funds and other funds held in a fiduciary capacity; §2.2-1800 through §2.2-1843 mandates how the State Treasurer shall receive, disburse, invest and account for funds; and §2.2-1806 jointly authorizes and empowers the Governor and State Treasurer to invest excess funds. Chapter 45, The Investment of Public Funds Act (§2.2-4500 through §2.2-4517) describes the legal investments for public funds as well as for public sinking funds. Annual operations related to portfolio management and investment services for funds of the Commonwealth are provided for in the Appropriation Act §3-1.01 H.

Chapter 18 of Title 2.2, §2.2-2415 and §2.2-2416 of the Code of Virginia requires that the Treasury Board exercise general supervision over all investments of state funds, control and manage all sinking funds and other funds in possession of the Commonwealth in a fiduciary capacity, and exercise such other powers and perform such other duties conferred or imposed upon it by law including the formation and operation of the Local Government Investment Pool (LGIP) created by Chapter 46 of Title 2.2. The State Treasurer is expected to issue guidelines for the investment of local funds upon request in Chapter 31 of Title 58, §58.1-3156 of the Code of Virginia. Chapter 46 of Title 3.1, §3.1-1109.1 of the Code of Virginia mandates the administration of the investment program for the Tobacco Indemnification and Community Revitalization Endowment.

Chapter 18 of Title 2.2, §2.2-1803 of the Code of Virginia outlines Treasury's responsibility for maintenance of bank accounts and the regulation of depositing state funds. Treasury's responsibility for deposits in banks and security of deposits is mandated in §2.2-1815.

Chapter 3 of Title 23, §23-21 of the Code of Virginia states that proceeds of Higher Education bonds and revenues shall be paid into State Treasury and Chapter 1 of Title 33.1, §33.1-23.03:5 requires the State Treasurer to administer the investment program for the Transportation Trust Fund.

Statutory authority for Banking and Investment Services is also regulated by Federal statute through the Federal Cash Management Improvement Act which relates to the management of funds provided by the federal government for programs administered by the Commonwealth and the Federal Debt Collection Improvement Act - Section 31001 (X) which requires the acceptance of all federal payments via electronic funds transfer (EFT). Further, the Government Non-Arbitrage Investment Act requires that Treasury makes available to the Commonwealth and its local governments a program to assist with the investment and accounting for bond proceeds in compliance with federal arbitrage rebate regulations. The Commonwealth's State Non-Arbitrage Program (SNAP) is outlined in Chapter 47 of Title 2.2, §2.2-4700 through §2.2-4705 of the Code of Virginia.

### Customers

| Agency Customer Group                                 | Customer  | Customers served annually | Potential annual customers |
|---|---|---------------------------|----------------------------|
| Boards and Authorities                                | Boards and Authorities - Treasury Board               | 1                         | 1                          |
| Business Partners                                     | Business Partners                                     | 50                        | 50                         |
| Executive Branch Officials, Agencies and Institutions | Executive Branch Officials, Agencies and Institutions | 108                       | 108                        |
| Intra-Agency Staff                                    | Intra-Agency Staff                                    | 116                       | 116                        |
| Legislative Branch                                    | Legislative Branch and Money Committees               | 140                       | 140                        |
| Local Government Investment Pool Customers            | Local Government Investment Pool Customers            | 376                       | 650                        |
| Virginia Citizens                                     | Virginia Citizens                                     | 7,500,000                 | 7,500,000                  |

*Anticipated Changes To Agency Customer Base*  
None at this time.

### Partners

| Partner                                    | Description   |
|--|---|
| Cash concentration system administrator    | Facilitates the movement of deposits from regional banks into the state's concentration bank  |
| Credit card administrator                  | Perform credit card services for any state agency or institution  |
| External investment management companies   | Responsible for the management of about 25%-30% of the General Account's assets and the Tobacco Indemnification Endowment Fund and the SNAP Program   |
| Investment consultant                      | Responsible for monitoring the performance of the investment management firms and taking the lead on all investment manager searches, the development of investment policies and guidelines and reporting investment results to the Commonwealth Treasury Board |
| Investment dealers                         | Compete in the purchase and sale of securities  |
| Major banking partners                     | Provide collection and disbursement services and Virginia's community banks providing local deposit services  |
| Master custody bank                        | Responsible for all safekeeping of investments, pricing, accounting, and investment compliance, as well as acting as transfer agent for the Local Government Investment Pool and providing the fund accounting function for the Pool                            |
| Standard and Poor's investment rating firm | Provides surveillance and monitoring of the Local Government Investment Pool to ensure that the fund is managed in compliance with an AAAM rating.  |
| Third Party Securities Lending Agent       | Provides securities lending services for both the General Account and Lottery.  |

### Products and Services

- *Factors Impacting the Products and/or Services:*

As a result of a stressed economy, General Account balances over the years have decreased dramatically. This increases the workload and also the complexity in the management of the General Account's assets. A Credit Analyst has been hired to assist with monitoring the portfolio for downgrades and evaluate the credit risk of investments.

- A continued increase in separately managed portfolios increases the workload and oversight of these portfolios.

- The taxable securitization by the Tobacco Indemnification and Community Revitalization Endowment Fund will require new investment management, both internal and external. The internal investment component will mean an increased workload for the service area from a search, management, oversight and reporting standpoint.

- Migration to more electronic banking requires additional staff time for both education to remain current and consulting with other agencies to achieve the most efficient and cost effective banking relations possible. Currently, Treasury's Banking Services manages over 1000 user accounts.

- *Anticipated Changes to the Products and/or Services*

Local Government Investment Pool (LGIP) – With the successful retention of an AAAM rating of the LGIP by Standard & Poor's (S&P), the number of pool shareholders will continue to grow. The investment portfolio for LGIP was \$4.2 billion in FY 2009. In order to serve our shareholders better, during FY2010 and 2011, Treasury's Information Systems



|                |             |           |             |           |
|----------------|-------------|-----------|-------------|-----------|
| Budget         | \$4,045,672 | \$587,435 | \$4,045,672 | \$587,435 |
| Change To Base | -\$6,699    | \$0       | -\$6,699    | \$0       |

|                    |             |           |             |           |
|--------------------|-------------|-----------|-------------|-----------|
| Service Area Total | \$4,038,973 | \$587,435 | \$4,038,973 | \$587,435 |
| Base Budget        | \$4,045,672 | \$587,435 | \$4,045,672 | \$587,435 |
| Change To Base     | -\$6,699    | \$0       | -\$6,699    | \$0       |

|                    |             |           |             |           |
|--------------------|-------------|-----------|-------------|-----------|
| Service Area Total | \$4,038,973 | \$587,435 | \$4,038,973 | \$587,435 |
| Base Budget        | \$4,045,672 | \$587,435 | \$4,045,672 | \$587,435 |
| Change To Base     | -\$6,699    | \$0       | -\$6,699    | \$0       |

|                    |             |           |             |           |
|--------------------|-------------|-----------|-------------|-----------|
| Service Area Total | \$4,038,973 | \$587,435 | \$4,038,973 | \$587,435 |
|--------------------|-------------|-----------|-------------|-----------|

**Human Resources**

- *Human Resources Overview*  
Human resources for this service area include 10 full-time classified positions and 1 part-time employee.
- *Human Resource Levels*

|                                   |             |
|-----------------------------------|-------------|
| Effective Date                    | 9/1/2009    |
| Total Authorized Position level   | 10          |
| Vacant Positions                  | 0           |
| <b>Current Employment Level</b>   | <b>10.0</b> |
| Non-Classified (Filled)           | 0           |
| Full-Time Classified (Filled)     | 10          |
| Part-Time Classified (Filled)     | 0           |
| Faculty (Filled)                  | 0           |
| Wage                              | 1           |
| Contract Employees                | 0           |
| <b>Total Human Resource Level</b> | <b>11.0</b> |

*breakout of Current Employment Level*

*= Current Employment Level + Wage and Contract Employees*

- *Factors Impacting HR*  
Human Resource factors impacting this service area include hiring and retaining the best professional staff, given the State's restrictive policy of rewarding superior performance.

Increases in the Banking Services workload - Treasury would like to convert a P-14 position in Cash Management and Investments (CMI) to a full-time position. This initiative is made to address increased workload requirements involved with daily mission critical banking operations and to address internal control, separation of duties requirements. A full-time position is needed to provide necessary support for the administration and functions for the statewide on-line banking systems, which are used to provide state agencies and institutions access to their banking accounts. There are currently over 600 users, most with multiple accounts. This position supports access to these systems, granting authority for the transfer of funds, administering the credit card accounts and services for state agencies, and providing another level of control in the cash settlement process. Converting this position to full time will allow for better security and controls over sensitive functions and increased efficiency in providing our customers with faster service on items mentioned above, which in turn supports the business of the Commonwealth.

- *Anticipated HR Changes*  
Anticipated changes in human resources for this service area include the potential retirement of at least 20% of current senior personnel within the next five years, several positions are key personnel.

Potential Retirement of Critical Investment Management Staff - These positions are responsible for meeting one of the Key Objectives of ensuring over a trailing five-year period, the yield on the state's general fund investment earnings in the Primary Liquidity Portfolio will exceed the iMoney.Net Money Fund Monitor Yield. The sudden loss of institutional

knowledge will be extremely disruptive, whether due to retirement or sudden absence from work. One of the portfolio managers has managed the LGIP since inception. The loss of a manager without a successor in place would require external management at a substantial cost to the Commonwealth. Treasury needs an individual with in-depth portfolio knowledge and experience to compliment the current investment managers due to today's extremely complex investment security structures and recent volatile economic market conditions.

#### Service Area Objectives

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- We will ensure, over a trailing five-year period, the yield on the state's general fund investment earnings in the Primary Liquidity Portfolio will exceed the iMoney Net Money Fund Monitor Yield.

##### Link to State Strategy

- nothing linked

##### Objective Measures

- Number of basis points by which the industry benchmark is exceeded.

Measure Class:  Measure Type:  Measure Frequency:  Preferred Trend:

Measure Baseline Value:  Date:

Measure Baseline Description:

Measure Target Value:  Date:

Measure Target Description: Exceed the benchmark by 15 basis points over a trailing five-year period.

Data Source and Calculation: The data sources are the General fund investment earnings report for the Primary Liquidity Portfolio and the iMoney Net Institutional Money Fund Report Averages™ Yield. The iMoney Net Institutional Money Fund Report Averages™ Yield is a composite yield of taxable institutional money market funds tracked by iMoney Net, a rating tracking service specializing in money market funds. The iMoney Net Institutional Money Fund Report Averages™ Yield is calculated on a monthly basis and is reported on a net of fees basis.

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Service Area Strategic Plan

Department of the Treasury (152)

3/13/2014 9:46 am

Biennium: 2010-12

Service Area 4 of 7

Unclaimed Property Administration (152 732 07)

Description

This service area administers the Virginia Uniform Disposition of Unclaimed Property Act (UPA) and the Escheats Generally Statute. The UPA protects the property rights of owners of tangible and intangible personal property held by holders. The Escheats Generally Statute assists localities by returning abandoned real estate back to an active tax-earning status. The products and services of this service area include:

- Serve as custodian for unclaimed property until the rightful owner can be located
- Maintain the unclaimed property database
- Process unclaimed property claims
- Provide outstanding customer service to Virginia citizens, former Virginia citizens, non-citizens, local, state, and federal agencies, organizations and businesses during the claims and the reporting process
- Conduct educational outreach and audits to enhance holder compliance and enforcement
- Conduct owner outreach to enhance location of rightful owners
- Provide financial record keeping for all receipts of unclaimed property, claim disbursements, the securities portfolio, and escheat transactions
- Administer searchable database on the Internet for citizens to search for unclaimed property
- Monitor escheat activities with local government officials and escheators

Some highlights include:

Treasury, through the Unclaimed Property Administration Service Area collected \$161.1 million in unclaimed property revenue, returned to owners \$26.8 million, and transferred \$100.0 million to the Literary Fund for public education purposes in FY 2009.

The Service Area collected 6,791 electronic reports containing 593,951 owners (an average of 87 owners per electronic report), handled 232,999 inquiries and processed 46,959 claims.

Background Information

Mission Alignment and Authority

- Describe how this service supports the agency mission

This service area directly aligns with the Department of the Treasury’s mission of serving the Commonwealth by providing excellent financial management and outstanding customer service.

- Describe the Statutory Authority of this Service

Chapter 11.1 of Title 55, §§55-210.1 through 55-210.30 of the Code of Virginia, the Uniform Disposition of Unclaimed Property Act, states that property is presumed abandoned between one and 15 years after it became payable, dependent upon the type of property and the type of organization holding the property. This Code section also outlines requirements and procedures to be followed surrounding the collection and return of unclaimed property. Further procedures can be found in Regulation 1 VAC 75-40, Unclaimed Property Administrative Review Process.

Chapter 10 of Title 55, §§55-168 through 55-200.1 of the Code of Virginia, the Escheats Generally Statute, addresses requirements of local escheators and procedures to be followed in the event real property becomes abandoned. Regulation 1 VAC 75-30, Regulations Governing Escheats, also outlines escheator requirements and ensures they have obtained the proper bonds for their appointment.

The 1999 Appropriation Act, Item 297, requires this service area to provide an unclaimed property owner database on the Internet.

Customers

| Agency Customer Group                                 | Customer                                   | Customers served annually | Potential annual customers |
|---|--|---------------------------|----------------------------|
| Holders of Unclaimed Property                         | Holders of Unclaimed Property              | 20,200                    | 65,000                     |
| Executive Branch Officials, Agencies and Institutions | Local and State Government Agencies        | 680                       | 680                        |
| Business Partners                                     | Unclaimed Property Offices in Other States | 50                        | 55                         |
| Virginia Citizens                                     | Virginia Citizens                          | 7,500,000                 | 7,500,000                  |

Anticipated Changes To Agency Customer Base

Growth in Holder Reporting - Increased holder education should increase the number of holders reporting unclaimed property. Any new legislation to add a new type of reportable property or designed to clarify the status of certain types of reportable property could potentially increase the amount of such property reported.

Growth in Unclaimed Property Claims – A searchable database available at the Treasury website has generated significantly more inquiries. In addition, Treasury has done significant outreach and education about unclaimed property to the Citizens of the Commonwealth. The response has been tremendous. The volume of unclaimed property inquiries and claims processed continues to steadily increase. Inquiries received by the Unclaimed Property Division increased by 156%

in FY 2009 over FY 2008. Treasury will continue with citizen education and outreach programs.

## Partners

| Partner                                | Description  |
|--|--|
| Private sector vendors and contractors | Provide goods and services to the agency and the Commonwealth and our service area partners. The Unclaimed Property Division uses private vendors for securities custody services, securities corporate activity information, auditing, report processing, service specific software application development, informational database service providers for owner location, and searchable national unclaimed property database operator. |

## Products and Services

- *Factors Impacting the Products and/or Services:*

Refunds for the Northern Virginia Transportation Authority – When the fees and taxes imposed by the Northern Virginia Transportation Authority (NVTA) were declared unconstitutional by the Supreme Court of Virginia on February 29, 2008, this revenue was deemed by the General Assembly to be unclaimed property. Treasury's Division of Unclaimed Property (UCP) was tasked with implementing the refund process. UCP developed web forms, adapted its database, and established a telephone information line to meet statutory requirements. By June 30, 2009, UCP had received deposits of \$12,239,899 from the NVTA and received and processed 3,050 refund claims totaling \$50,443.

Electronic Reporting by Unclaimed Property Holders - Several years ago, Treasury recognized the need to have holders of unclaimed property report their unclaimed property utilizing electronic files. With the passage of Treasury initiated legislation in 2004, each holder having 25 or more properties was required to report electronically. As the number of electronic reports has grown and efficiencies have been achieved, Treasury would like to extend an alternative electronic reporting tool for small to medium holders to continue to increase the number of holders filing electronic reports.

Update Imaging Technology - The Division of Unclaimed Property updated its imaging and document management technology for increased efficiency and to reduce the amount of space needed in the work area to store paper documents. The Division has scanned a large percentage of older documents and will continue to save space and increase efficiencies with respect to accessing older documents. The new Document Management System will be expanded to the Division of Risk Management in FY2010 and to the entire agency in the near future in an effort to provide electronic document management with agency line of business applications.

Office Space Requirements – The Division of Unclaimed Property staff needed additional office space for the current staff and equipment. The replacement of aging cubicle components and the procurement of additional space were needed to create a functional work environment. The Division Unclaimed Property moved to new space on the 5th floor of the Monroe Building in July 2009. More reconfiguring of several of Treasury's Service Areas will continue to take place during the 2010-2012 biennium.

Other:

- The electronic functionality made available on the searchable unclaimed property website increases the efficiency of the claims process.
  - Treasury is researching the development of an interactive voice response call center solution to improve customer satisfaction and the efficiency with which the agency handles inquiries and claims for unclaimed property.
  - While reported unclaimed property has increased in recent years, there are areas in the law where exemptions have been granted that provide limited consumer protection for property. In addition, unclaimed property holders are continually looking at ways to service charge different types of property for lack of use. Currently, the Unclaimed Property Act has a service charge provision in the section that relates to financial institutions only. Service charge transactions need to be clarified in the Act regarding other types of property such as payroll checks, money orders and electronic stored value cards. Exemptions of certain property from the Act and service charges by holders hinder the ability of the agency to recover such property for the rightful owners.
  - The Division of Unclaimed Property's database system was implemented in 1997 with an estimated life of 5 years. The Unclaimed Property System has received enhancements and modifications and the addition of some ancillary tools (Website, searchable database, web administration inquiry tools, DRS reporting software, etc.) through the years. However, each of these tools must be enhanced on a regular basis to continue being viable and efficient in meeting the changing business and constituent needs.
  - Currently, Federal Government Agencies do not report unclaimed property to Virginia that belongs to the citizens of Virginia, including but not limited to matured U.S. Savings Bonds, IRS tax refunds, HUD escrow funds, and U.S. Postal Service Money Orders. This issue continues to be discussed nationally.
- *Anticipated Changes to the Products and/or Services*
- Growth in Holder Reporting - Increased holder education should increase the number of holders reporting unclaimed property. Any new legislation to add a new type of reportable property or designed to clarify the status of certain types of reportable property could potentially increase the amount of such property reported.

Electronic Reporting by Unclaimed Property Holders - Several years ago, Treasury recognized the need to have holders of unclaimed property report their unclaimed property utilizing electronic files. With the passage of Treasury initiated legislation in 2004, each holder having 25 or more properties was required to report electronically. As the number of electronic reports has grown and efficiencies have been achieved, Treasury would like to extend an alternative electronic reporting tool for small to medium holders to continue to increase the number of holders filing electronic reports. Treasury is also exploring the capability of accepting electronic signatures on the holder reporting forms.

Growth in Unclaimed Property Claims – A searchable database available at the Treasury website has generated

significantly more inquiries. This database is available 24/7 and allows for those searching for property to initiate inquiries while visiting the website. Any media attention to unclaimed property or direct promotion of this search site significantly increases the number of owners submitting inquiries and filing claims for property. Treasury has done significant outreach and education about unclaimed property to the Citizens of the Commonwealth. The response has been tremendous. The volume of unclaimed property inquiries and claims processed continues to steadily increase. Inquiries received by the Unclaimed Property Division increased by 156% in FY 2009 over FY 2008. The volume of cash claims paid in FY 2009 over FY 2008 increased 39%. The non cash claims (stocks, mutual funds, and tangible property) of unclaimed property that were returned to the rightful owners increased by 60% during this time period as well. Despite the use of overtime, there is a considerable backlog of claims and inquiries due to the greatly increased activity. Increased staffing will reduce the backlog to acceptable levels; reduce reliance on overtime for ongoing activities; and reduce citizen complaints in regard to providing timely attention to claims.

Remote Deposit Service – In an effort to improve efficiency, Treasury’s Information Systems staff will manage changes to the Unclaimed Property System to allow for the import of remote deposit service data thereby eliminating some data entry. Treasury expects to complete this initiative in FY2010.

Reduction in Large Remittances - For FY 2003 through FY 2005 the Division received large remittances in cash and stock from demutualized insurance companies. These large remittances caused a spike in revenues for the past few years. It is anticipated there will be a decrease in revenue from this source for the next biennium.

Online Auctions – FY2009 was the first year all auction bids were accepted online. The auction was very successful and the dollars generated exceeded expectations.

● *Listing of Products and/or Services*

- Provides searchable unclaimed property database on the Internet, available 24/7 for citizens to search and submit inquiries regarding unclaimed property
- Maintenance of unclaimed property database
- Provides consumer protection and custody for the assets and property rights for absentee owners
- Processing of unclaimed property claims
- Conducts educational outreach and audits to enhance holder compliance and enforcement
- Conducts owner outreach to enhance location of rightful owners
- Submits regulatory reports to the appropriate agencies, i.e., 1099 reporting to the IRS
- Provides financial and audit information to appropriate agencies
- Provides financial record keeping for all receipts of unclaimed property, claim disbursements, securities portfolio and escheat transactions
- Responds to Freedom of Information Act responses to heir finders and others
- Publishes a list of owners of unclaimed property in the newspaper at least annually
- Provides reporting instructions and other information to holders of unclaimed property in the Holder Reporting Forms & Instructions booklet that is posted on the service area’s webpage and distributed by U.S. Mail each reporting cycle
- Coordinates escheat inquest hearings, publish the escheator certificate in the newspaper for four consecutive weeks, request the Order of Sale from the Governor, prepare Land Grants for each parcel sold, make timely tax payments to localities for delinquent taxes and make timely payments to escheators for expenses
- Conducts securities sales and annual tangible property auctions
- Processes holder reports including balancing, data entry and uploading electronic holder reports
- Responds to escheat inquiries from citizens and localities

**Finance**

● *Financial Overview*

The budget for this service area is funded from nongeneral funds. The service area receives revenue primarily from holders of unclaimed property that is held by the State Treasurer in a custodial capacity. Operating expenses are appropriated; a reserve is maintained for payments for revenue refunds to owners of unclaimed property when claims are filed; and each year the remainder is transferred to the Literary Fund.

● *Financial Breakdown*

|                | FY 2011      |                 | FY 2012      |                 | FY 2011 | FY 2012 | FY 2011 | FY 2012 | FY 2011 | FY 2012 |
|----------------|--------------|-----------------|--------------|-----------------|---------|---------|---------|---------|---------|---------|
|                | General Fund | Nongeneral Fund | General Fund | Nongeneral Fund |         |         |         |         |         |         |
| Base Budget    | \$0          | \$4,399,187     | \$0          | \$4,399,187     |         |         |         |         |         |         |
| Change To Base | \$0          | \$40,577        | \$0          | \$40,577        |         |         |         |         |         |         |
| Service Area   | \$0          | \$4,439,764     | \$0          | \$4,439,764     |         |         |         |         |         |         |

|                |     |             |     |             |
|----------------|-----|-------------|-----|-------------|
| Total          |     |             |     |             |
| Base Budget    | \$0 | \$4,399,187 | \$0 | \$4,399,187 |
| Change To Base | \$0 | \$40,577    | \$0 | \$40,577    |

|                    |     |             |     |             |
|--------------------|-----|-------------|-----|-------------|
| Service Area Total | \$0 | \$4,439,764 | \$0 | \$4,439,764 |
| Base Budget        | \$0 | \$4,399,187 | \$0 | \$4,399,187 |
| Change To Base     | \$0 | \$40,577    | \$0 | \$40,577    |

|                    |     |             |     |             |
|--------------------|-----|-------------|-----|-------------|
| Service Area Total | \$0 | \$4,439,764 | \$0 | \$4,439,764 |
| Base Budget        | \$0 | \$4,399,187 | \$0 | \$4,399,187 |
| Change To Base     | \$0 | \$40,577    | \$0 | \$40,577    |

|                    |     |             |     |             |
|--------------------|-----|-------------|-----|-------------|
| Service Area Total | \$0 | \$4,439,764 | \$0 | \$4,439,764 |
|--------------------|-----|-------------|-----|-------------|

**Human Resources**

- *Human Resources Overview*  
Human resources for this service area include 44 full-time classified positions and 3 part-time employees.

- *Human Resource Levels*

|                                   |             |   |
|-----------------------------------|-------------|---|
| Effective Date                    | 9/1/2009    |   |
| Total Authorized Position level   | 44          |   |
| Vacant Positions                  | 3           |   |
| <b>Current Employment Level</b>   | <b>41.0</b> |   |
| Non-Classified (Filled)           | 0           | <i>breakout of Current Employment Level</i>                     |
| Full-Time Classified (Filled)     | 41          |   |
| Part-Time Classified (Filled)     | 0           |   |
| Faculty (Filled)                  | 0           |   |
| Wage                              | 3           |   |
| Contract Employees                | 0           |   |
| <b>Total Human Resource Level</b> | <b>44.0</b> | <i>= Current Employment Level + Wage and Contract Employees</i> |

- *Factors Impacting HR*  
Human Resource factors impacting this service area include the need for specialized training and knowledge in unclaimed property issues, the Unclaimed Property Act, and case law for the administration and management team and the audit and compliance group. This specialized knowledge takes a number of years to obtain. In addition, the audit and compliance group is required to travel, which causes staff turnover. Various holder advocates that assist businesses with reducing their unclaimed property liability and establish policies and procedures to ensure accurate reporting do recruit from state unclaimed property departments, offering more attractive salaries and benefits. The claims area has had to add staff in recent years because of the increasing workload and there is turnover in this area because of the heavy volumes of work and low salaries. Staff is continually being trained to use new technology and systems as they are introduced.

The volume of unclaimed property inquiries and claims processed continues to steadily increase. Inquiries received by the Unclaimed Property Division increased by 156% in FY 2009 over FY 2008. The volume of cash claims paid in FY 2009 over FY 2008 increased 39%. The non cash claims (stocks, mutual funds, and tangible property) of unclaimed property that were returned to the rightful owners increased by 60% during this time period as well. Despite the use of overtime, there is a considerable backlog of claims and inquiries due to the greatly increased activity. Increased staffing will reduce the backlog to acceptable levels; reduce reliance on overtime for ongoing activities; and reduce citizen complaints in regard to providing timely attention to claims.

- *Anticipated HR Changes*  
Three claims positions are needed in the Unclaimed Property Division.

Anticipated changes in human resources for this service area include employees at the management and supervisory

levels that will reach the age and number of years service required for retirement. In addition, there are at least others at other levels that will be eligible to retirement within the next five years.

#### Service Area Objectives

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- Increase the percentage of valid unclaimed property claims paid within 60 calendar days of receipt of verifying information.

##### Link to State Strategy

- nothing linked

##### Objective Measures

- Percentage of valid unclaimed property claims paid within 60 calendar days.

Measure Class:  Measure Type:  Measure Frequency:  Preferred Trend:

Measure Target Value:  Date:

Measure Target Description: 99% of valid unclaimed property claims will be paid within 60 calendar days.

Data Source and Calculation: Data source is internal system records of claims made and payments made. Calculation is the total number of claims paid within 60 calendar days divided by the total number of valid claims received for the report month, computed on a monthly basis and averaged for the quarter.

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## Service Area Strategic Plan

## Department of the Treasury (152)

3/13/2014 9:46 am

Biennium: 2010-12 ▼

## Service Area 5 of 7

## Accounting and Trust Services (152 732 13)

## Description

This service area provides statewide trust accounting and reporting services to Commonwealth agencies, institutions, and several of its debt-issuing authorities.

Products and services include:

- Accounting for and reporting of Commonwealth debt
- Accounting for and reporting of Commonwealth investments
- Payment of Commonwealth debt service
- Accounting for and reporting of Commonwealth bond and trust funds
- Accounting and reporting for the Virginia Public School Authority
- Preparation of annual financial statements for debt-issuing authorities staffed by Treasury including the Virginia College Building Authority, Virginia Public Building Authority, and Virginia Public School Authority
- Accounting and reporting, including the preparation of year-end financial data, for the Local Government Investment Pool and the Literary Fund
- Accounting for Treasury's risk management funds
- Administration of the Security for Public Deposits Act which protects Virginia public deposits held by banking institutions through the collateralization of securities
- Administration and safekeeping of the securities pledged by insurance companies transacting the business of insurance in Virginia
- Accounting and budgeting for Treasury and Treasury Board

Some highlights include:

In FY2009, approximately \$4.0 billion in public deposits was secured by collateral pledged to the Treasury Board by banks and savings institutions holding Virginia public deposits.

Treasury's web-based Security for Public Deposit Act reporting system allows public depositories to submit their monthly public depository reports electronically, resulting in increased efficiencies for both the depositories and the service area.

In FY2009, \$424 million in securities pledged by insurance companies transacting business in the Commonwealth was accounted for.

All debt payments were made on time in FY2009.

## Background Information

## Mission Alignment and Authority

- *Describe how this service supports the agency mission*

This service area directly aligns with the Department of the Treasury's mission of serving the Commonwealth by providing excellent financial management and outstanding customer service.

- *Describe the Statutory Authority of this Service*

Code of Virginia §2.2-1807 states that the State Treasurer shall be charged with the custody of all Commonwealth funds and other funds held in a fiduciary capacity; §§2.2-4500 through §2.2-4501 mandates that the State Treasurer shall receive, disburse, invest and account for funds

Code of Virginia §2.2-1806 jointly authorizes and empowers the Governor and State Treasurer to invest excess funds

Code of Virginia §23-21 and various bond resolutions and covenants with bondholders designate the State Treasurer as trustee to invest, account and maintain 9(c) and various 9(d) debt

The enabling legislation creating various debt-issuing authorities of the Commonwealth such as the VCBA, VPBA, and VPSA requires the preparation of an annual report

Code of Virginia §2.2-4602, creating the Local Government Investment Pool, requires the State Treasurer to provide for the investment accounting for the funds received from local officials

Code of Virginia §23-20.1 authorizes the replacement of a lost Commonwealth bond or coupon by the State Treasurer

The Security for Public Deposits Act under Chapter 44, Title 2.2 of the Code of Virginia provides for a uniform method to secure Virginia public deposits held by financial institutions through the pledge of securities as collateral by the financial institutions. Treasury administers the SPDA on behalf of the Commonwealth Treasury Board

Code of Virginia, Article 7, §38.2-1045 through §38.2-1058 requires insurance companies that do business in Virginia to deposit securities with the State Treasurer to be held as collateral. Treasury is responsible for the safekeeping of this collateral

Code of Virginia §22.1-143 establishes the State Treasurer as the accountant of the Literary Fund

## Customers

| Agency Customer Group                                   | Customer  | Customers served annually | Potential annual customers |
|---|---|---------------------------|----------------------------|
| Boards and Authorities                                  | Boards and Authorities                                  | 5                         | 5                          |
| Bondholders   | Bondholders   | 0                         | 0                          |
| Executive Branch Officials, Agencies and Institutions   | Executive Branch Officials, Agencies and Institutions   | 108                       | 108                        |
| Financial Institutions Holding Virginia Public Deposits | Financial Institutions Holding Virginia Public Deposits | 123                       | 123                        |
| Insurance Companies Conducting Business in Virginia     | Insurance Companies Conducting Business in Virginia     | 1,102                     | 1,102                      |
| Intra-Agency Staff                                      | Intra-Agency Staff                                      | 116                       | 116                        |
| Legislative Branch                                      | Legislative Branch                                      | 140                       | 140                        |
| Virginia Citizens                                       | Virginia Citizens                                       | 7,500,000                 | 7,500,000                  |

### Anticipated Changes To Agency Customer Base

We do not anticipate changes in our customer base in the near future.

## Partners

| Partner  | Description   |
|--|---|
| Department of Education                                | Administration of the Literary Fund   |
| Financial institutions and investment management firms | Invest and serve as custodians of state funds, including bond proceeds and debt service funds |
| Private sector vendors and contractors                 | Provide goods and services to the agency  |
| State Corporation Commission                           | Administration of the collateral pledged by insurance companies doing business in Virginia    |

## Products and Services

- *Factors Impacting the Products and/or Services:*

The Governmental Accounting Standards Board (GASB) that establishes the accounting and financial reporting standards for governments continues to require more detailed accounting and reporting of debt and investment activity of governmental entities, which increases the workload of current staff as new pronouncements are issued and become effective.

Since the passage of the Sarbanes-Oxley Act by Congress, there has been a significant increase in the demand for accounting professionals. Within the last two years it has become increasingly difficult to attract and retain the services of qualified accounting staff, especially with experience in the governmental sector. Treasury believes this trend will continue into the near future.

- *Anticipated Changes to the Products and/or Services*

Accounting and Trust Services provides a significant amount of information to the Department of Accounts (DOA) for preparation of the Commonwealth Comprehensive Annual Financial Report (CAFR). Currently, there is approximately a six-month window from the end of the fiscal year until the publishing of the CAFR to meet governmental financial reporting standards. Within the financial community, there are discussions to tighten this reporting window to provide more timely annual financial data similar to reporting in the private sector. The shortening of this reporting timeframe would place a significant resource burden on Trust Services since it is very difficult to meet the current reporting deadlines and continue with routine daily operations. Any shortening of this reporting period would require additional resources to meet the new reporting deadline.

Financial Reporting Controls – Treasury plans on improving internal controls over the trust accounting and financial reporting processes in the Operations Division. The Trust Accounting area is responsible for accounting for daily transactions of the Cash Management and Investments and Debt Management Divisions as well as for providing significant financial information for development of the Commonwealth's Annual Financial Report (CAFR). Treasury provides over 70 submissions to the Department of Accounts for the CAFR and has warranted having its own year-end Financial Statement Directive from the Comptroller. The Auditor of Public Accounts (APA) has given Treasury several audit comments over the past two fiscal years. The APA recommended that Treasury establish adequate reviews over financial records. In response to that recommendation, Treasury revised procedures and Treasury's Internal Audit Department performed a review of the Trust Accounting Section in the Operations Division. This review combined with the Agency Risk Management and Internal Controls Review performed by Treasury in FY2008 and FY2009, pointed to the need for additional staff in order to provide adequate reviews over the financial records.

- *Listing of Products and/or Services*

- Accounting and financial reporting for Commonwealth investments, bond, construction, and other debt-related funds held by the State Treasurer
- Accounting and financial reporting for various debt-issuing authorities of the Commonwealth, including the VCBA, VPBA, VPSA
- Payment of debt of the Commonwealth and related debt-issuing authorities where the State Treasurer has been designated as debt paying agent

- Accounting and financial reporting for the Local Government Investment Pool
- Accounting for the Literary Fund in accordance with the management of the Fund by the Department of Education
- Administration of the Security for Public Deposits Act on behalf of the Commonwealth Treasury Board, Virginia governments, and the financial community
- Administration and safekeeping of securities of insurance companies that are doing business in Virginia that are held as collateral to protect Virginia insurance policy holders
- Accounting and budgeting for the Department of the Treasury and the Treasury Board

**Finance**

● *Financial Overview*

The budget for this service area is primarily to fund personal service costs and bank safekeeping fees. The primary revenue streams that fund this service area are general fund appropriations and special revenue funds from annual administrative fees charged insurance companies that operate in Virginia and financial institutions that hold public funds under the Security for Public Deposits Act.

● *Financial Breakdown*

|                    | FY 2011      |                 | FY 2012      |                 | FY 2011 | FY 2012 | FY 2011 | FY 2012 |
|--------------------|--------------|-----------------|--------------|-----------------|---------|---------|---------|---------|
|                    | General Fund | Nongeneral Fund | General Fund | Nongeneral Fund |         |         |         |         |
| Base Budget        | \$468,059    | \$966,858       | \$468,059    | \$966,858       |         |         |         |         |
| Change To Base     | -\$6,865     | \$0             | -\$6,865     | \$0             |         |         |         |         |
| Service Area Total | \$461,194    | \$966,858       | \$461,194    | \$966,858       |         |         |         |         |
| Base Budget        | \$468,059    | \$966,858       | \$468,059    | \$966,858       |         |         |         |         |
| Change To Base     | -\$6,865     | \$0             | -\$6,865     | \$0             |         |         |         |         |
| Service Area Total | \$461,194    | \$966,858       | \$461,194    | \$966,858       |         |         |         |         |
| Base Budget        | \$468,059    | \$966,858       | \$468,059    | \$966,858       |         |         |         |         |
| Change To Base     | -\$6,865     | \$0             | -\$6,865     | \$0             |         |         |         |         |
| Service Area Total | \$461,194    | \$966,858       | \$461,194    | \$966,858       |         |         |         |         |

**Human Resources**

● *Human Resources Overview*

Human resources for this service area include 10 full-time classified accounting positions.

● *Human Resource Levels*

|                                   |             |   |
|-----------------------------------|-------------|---|
| Effective Date                    | 9/1/2009    |   |
| Total Authorized Position level   | 10          |   |
| Vacant Positions                  | 2           |   |
| <b>Current Employment Level</b>   | <b>8.0</b>  |   |
| Non-Classified (Filled)           | 0           | <i>breakout of Current Employment Level</i>                     |
| Full-Time Classified (Filled)     | 8           |   |
| Part-Time Classified (Filled)     | 0           |   |
| Faculty (Filled)                  | 0           |   |
| Wage                              | 2           |   |
| Contract Employees                | 0           |   |
| <b>Total Human Resource Level</b> | <b>10.0</b> | <i>= Current Employment Level + Wage and Contract Employees</i> |

● *Factors Impacting HR*

Since the passage of the Sarbanes-Oxley Act by Congress, there has been a significant increase in the demand for accounting professionals. Within the last few years it has become increasing difficult to attract and retain the services of qualified accounting staff, especially with experience in the governmental sector. Treasury believes this trend will continue into the near future. This trend has resulted in having to pay higher starting salaries than in the past. Due to this development, the agency will need to place more emphasis on attracting and retaining its accounting

professionals. One way of accomplishing this will be to concentrate on providing more training and career development opportunities to staff and to provide more competitive salaries.

- *Anticipated HR Changes*

Additional staff is needed in order to provide adequate reviews over the financial records.

Historically Trust Services has had a higher turnover rate than the agency average. Because the turnover rate has been high, there has been and will continue to be a strong focus on cross training of staff to ensure operations are not impacted by staff vacancies.

#### Service Area Objectives

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- Ensure that all debt obligations are paid on time.

**Link to State Strategy**

- nothing linked

**Objective Measures**

- Percentage of debt payment obligations that are paid on time.

Measure Class:  Measure Type:  Measure Frequency:  Preferred Trend:

Measure Target Value:  Date:

Measure Target Description: Since missing a debt obligation payment has serious consequences for the Commonwealth, the target for this performance measure is 100% of all debt obligation payments will be made on time.

Data Source and Calculation: Data source is internal debt service schedule of payment due dates and date payments are made. Calculation is the number of debt service payments made by the due date divided by the total number of debt service payments to be made computed on a monthly basis and averaged for the quarter.

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## Service Area Strategic Plan

## Department of the Treasury (152)

3/13/2014 9:46 am

Biennium: 2010-12 ▾

## Service Area 6 of 7

## Check Processing and Bank Reconciliation (152 732 16)

## Description

This service area prints and distributes Commonwealth checks and reconciles Commonwealth bank accounts. Products and services include:

- Printing and distribution of Commonwealth checks, including state payroll, retirement, tax refunds, social service benefit and child support, unemployment benefit, and vendor payment checks
- Reconciliation of state treasury bank accounts on a monthly basis to the records of the State Comptroller
- Reconciliation of the state treasury cash position daily in conjunction with the Department of Accounts
- Processing of requests by state agencies for stop payments on vendor payment and payroll checks
- Processing of forgery claims relating to all check types
- Maintenance of a database of paid Commonwealth vendor payment and payroll checks for research and information purposes
- Research and resolution of outstanding debits and credits on state bank accounts
- Administration of the Commonwealth's unclaimed property statutes as it relates to outstanding vendor payment and payroll checks
- Daily monitoring of the Commonwealth's disbursement and credit card accounts for unauthorized activity

Some Highlights include:

Over the last five years, Treasury has processed 99.87% of all checks on time.

Check Processing printed and distributed over 3.4 million checks for the Commonwealth during FY2009.

Bank Reconciliation is responsible for processing stop payments and forgery claims and reconciling 72 bank accounts that on a monthly basis exceed \$28 billion in debits and credits.

## Background Information

## Mission Alignment and Authority

- *Describe how this service supports the agency mission*

This service area directly aligns with the Department of the Treasury's mission of serving the Commonwealth by providing excellent financial management and outstanding customer service.

- *Describe the Statutory Authority of this Service*

Code of Virginia §2.2-1810 requires the State Treasurer to reconcile State bank accounts monthly.

Code of Virginia §2.2-1821 and §2.2-1825 authorizes the State Treasurer to issue checks signed by the State Treasurer drawn upon warrants issued the State Comptroller.

To ensure compliance with Code of Virginia §2.2-1802 and §2.2-1803 by state agencies and institutions, Bank Reconciliation monitors compliance with the Commonwealth's depository requirements for state funds,

Code of Virginia §2.2-1826 and §2.2-1827 authorizes the State Treasurer to issue replacement checks for checks that have been lost or destroyed before having been paid.

To meet the requirements of the Uniform Commercial Code §8.4-406, Bank Reconciliation monitors for unauthorized transactions posting to the Commonwealth's bank accounts.

Code of Virginia §2.2-1811 requires the State Treasurer to report and remit outstanding Commonwealth checks to Treasury's Division of Unclaimed Property in accordance with the Commonwealth's unclaimed property statutes.

Code of Virginia §2.2-1812 authorizes the State Treasurer to certify to the validity of canceled Commonwealth check copies which when certified are admissible in evidence as an original check.

## Customers

| Agency Customer Group                                 | Customer  | Customers served annually | Potential annual customers |
|---|---|---------------------------|----------------------------|
| Boards and Authorities                                | Boards and Authorities                                | 11                        | 11                         |
| Business Partners                                     | Business Partners                                     | 50                        | 50                         |
| Executive Branch Officials, Agencies and Institutions | Executive Branch Officials, Agencies and Institutions | 108                       | 108                        |
| Intra-Agency Staff                                    | Intra-Agency Staff                                    | 116                       | 116                        |
| Legislative Branch                                    | Legislative Branch                                    | 140                       | 140                        |
| Virginia Citizens                                     | Virginia Citizens                                     | 7,500,000                 | 7,500,000                  |

## Anticipated Changes To Agency Customer Base

Other than future bank mergers and consolidations, changes in our customer base are not anticipated in the near future.

## Partners

| Partner   | Description  |
|---|--|
| Department of Accounts  | Provides Treasury receipt and disbursement transactions of the Commonwealth as recorded per its general ledger system. Treasury uses this information to reconcile to bank activity. |
| Department of Accounts for vendor payment and payroll checks, the Virginia Retirement System, the Department of Social Services, the Department of Taxation, and the Virginia Employment Commission | The Department of the Treasury issues Commonwealth checks on behalf of these agencies. Treasury works closely with these agencies to address check production and payment issues.    |
| Financial Institutions  | Provide banking services and products.   |
| Private sector vendors and contractors  | Provide goods and services to the agency.  |

## Products and Services

- *Factors Impacting the Products and/or Services:*

Treasury monitors changes in U. S. Postal regulations closely and their impact on its check production and distribution services. In addition to printing Commonwealth checks, Treasury uses an outside vendor to barcode and presort the checks it prints to mail at discounted postage rates. The U. S. Postal Service continues to tighten regulations that govern the quality of mail that receives postage discounts to reduce the volume of undeliverable mail they must handle. Treasury will need to continue to comply with these more stringent regulations to continue to receive discounted postage rates. Treasury saves approximately \$185,000 per year on postage discounts.

Treasury continues to evaluate the new products and services offered by the financial services community to determine their benefit to the Commonwealth to improve services and safeguard Commonwealth financial assets.

Unavoidable cost adjustments - The United States Postal Service increased postage rates by one cent in May 2008 and by two cents in May 2009. To date, Treasury has absorbed these increases. For fiscal year 2010, Treasury anticipates processing 2.67 million checks for which it will pay the postage costs. At an estimated postage cost of \$.37 per check, postage costs are estimated at \$987,900 for the fiscal year. Treasury's current appropriation for postage is \$846,315. Treasury will need an increase in its general fund appropriation for postage of \$141,585 in fiscal year 2010 and similar increases in 2011 and 2012, to cover the shortfall.

- *Anticipated Changes to the Products and/or Services*

Increase in Electronic Payments and Reduction in Check Volume – Treasury is continuing its efforts to work with check-writing agencies to reduce check volume by converting payments to an electronic format. This effort will greatly reduce risk of loss and reduce costs. Since 2005, check volume has been reduced from 7.6 to 3.4 million checks. In FY 2009, Treasury drafted legislation that requires recipients of six or more payments annually from the state treasury to receive those payments electronically. Electronic payments greatly reduce the risk of loss, provide for a more efficient payment system and provide a means to get payments to recipients during disasters when checks can't be delivered.

Note: Treasury is proposing a new Agency productivity measure for the Check Processing and Bank Reconciliation Service Area. One of Treasury's strategic initiatives is to increase the number of electronic payments in order to reduce the number of paper checks. Paper check volume has been reduced from 9.3 million in FY 2003 to 4.4 million in FY 2008 through a number of Treasury initiatives to increase electronic payments. Electronic payments are much less costly and offer many other advantages and efficiencies. The electronic payments are also a key component in disaster planning. Treasury would like to compare the number of checks printed annually and set targets for the reduction in printed check volume over time.

Payee Match Positive Pay Check Security Service – Treasury is using a new check security feature offered by Commonwealth's disbursement banks that matches check payee name to the payee name submitted on the check issue files transmitted to the disbursement banks to detect alterations of payee names on checks. This is an extension of the banks' positive pay feature that currently matches the amount per the physical check to the check issue file submitted to the banks. Treasury is in the process of implementing "payee match" in addition to "positive pay" for its remaining disbursement accounts. SunTrust was converted to payee match positive pay on April 8, 2009. The remaining Wachovia Social Services Account will be converted in FY2010.

Data Standardization - Treasury is striving for the standardization of data for check printing and the charge-off processes. Due to the various formats in which data is transmitted to Treasury, the data has to be manipulated in order to be read by other systems including the Unclaimed Property System. The inconsistency of payee name format from various agencies results in a data administrator manually changing Payee names to NAUPA standard format. The check data from the agencies should be standardized to reduce manipulation (and risk of fraud) and improve efficiency. This would streamline the check printing process by eliminating 17 data formats, decrease the amount of software changes required and save hundreds of man hours spent correcting data formats. This is an initiative that Treasury will be doing throughout 2010-2012 and will require the input and assistance of other agencies. This will also require the creation of a standard processor once the format has been decided on by all agencies.

Recon Plus Upgrade – Treasury plans to upgrade to the most current version of Recon Plus, the software used by the Check Processing and Bank Reconciliation Service Area to reconcile the Commonwealth's bank accounts. The upgrade would provide the most up-to-date functionality and increase productivity. Treasury plans on doing the upgrade in FY2011 pending funding.

- *Listing of Products and/or Services*

- Printing and distribution of state checks.
- Printing and distribution of payroll direct deposit notices.
- Reconciliation of state bank accounts.
- Check stop payment and re-issuance services.
- Processing of forgery claims relating to state checks.
- Maintenance of a check imaging retrieve system for paid state checks.
- Research and resolution of outstanding debits and credits on state bank accounts.
- Transfer of the balances of outstanding Commonwealth checks to Treasury's Division of Unclaimed Property in accordance with state statutes.
- Certification to the validity of copies of Commonwealth checks upon request.

**Finance**

- *Financial Overview*

The budget for this service area is used primarily to fund check production costs including postage, check stock, and printer and computer hardware and software maintenance. This service area is funded by general fund appropriations and special revenue funds from fees collected from the Department of Social Services, the Virginia Employment Commission, and the Virginia Retirement System for the processing of their checks. Treasury prints and mails approximately 2.67 million general warrant, tax refund, and retirement checks annually for which it receives a general fund appropriation to cover its postage costs for this service.

- *Financial Breakdown*

|                           | FY 2011            |                  | FY 2012            |                  | FY 2011 | FY 2012 |
|---------------------------|--------------------|------------------|--------------------|------------------|---------|---------|
|                           | General Fund       | Nongeneral Fund  | General Fund       | Nongeneral Fund  |         |         |
| Base Budget               | \$2,293,700        | \$319,350        | \$2,293,700        | \$319,350        |         |         |
| Change To Base            | -\$52,851          | \$0              | -\$52,851          | \$0              |         |         |
| <b>Service Area Total</b> | <b>\$2,240,849</b> | <b>\$319,350</b> | <b>\$2,240,849</b> | <b>\$319,350</b> |         |         |
| Base Budget               | \$2,293,700        | \$319,350        | \$2,293,700        | \$319,350        |         |         |
| Change To Base            | -\$52,851          | \$0              | -\$52,851          | \$0              |         |         |
| <b>Service Area Total</b> | <b>\$2,240,849</b> | <b>\$319,350</b> | <b>\$2,240,849</b> | <b>\$319,350</b> |         |         |

**Human Resources**

- *Human Resources Overview*

Human resources for this service area include 16 full-time classified positions.

- *Human Resource Levels*

|                                   |             |   |
|-----------------------------------|-------------|---|
| Effective Date                    | 9/1/2009    |   |
| Total Authorized Position level   | 16          |   |
| Vacant Positions                  | 6           |   |
| <b>Current Employment Level</b>   | <b>10.0</b> |   |
| Non-Classified (Filled)           | 0           | <i>breakout of Current Employment Level</i>                     |
| Full-Time Classified (Filled)     | 10          |   |
| Part-Time Classified (Filled)     | 0           |   |
| Faculty (Filled)                  | 0           |   |
| Wage                              | 0           |   |
| Contract Employees                | 0           |   |
| <b>Total Human Resource Level</b> | <b>10.0</b> | <i>= Current Employment Level + Wage and Contract Employees</i> |

- *Factors Impacting HR*

None to report.

- *Anticipated HR Changes*

Treasury anticipates some changes in workforce over the next two to four years due to retirements.

- 
- We will strive to increase the use of electronic payments and reduce the number of checks printed. We will ensure that Commonwealth checks are printed and distributed accurately and timely in accordance with agency procedures.

**Link to State Strategy**

- nothing linked

**Objective Measures**

- Reduce the number of checks printed by the Commonwealth 5% by July 1, 2012.

Measure Class:  Measure Frequency:  Preferred Trend:

Measure Baseline Value:  Date:

Measure Baseline Description: Treasury printed 3.44 million checks in FY 2009.

Measure Target Value:  Date:

Measure Target Description: Treasury will reduce the number of checks printed 5% by July 1, 2012.

Data Source and Calculation: Number of checks printed per year by Treasury's Check Processing and Bank Reconciliation Service Area. Compare the number of checks printed in FY 2009 to the number checks printed in FY 2012. The Measure Baseline and Target Values are in millions.

- Percentage of checks delivered in a timely and accurate manner.

Measure Class:  Measure Type:  Measure Frequency:  Preferred Trend:

Measure Target Value:  Date:

Measure Target Description: Percentage of checks delivered in a timely and accurate manner will exceed 99.7% for FY 2011 and FY 2012.

Data Source and Calculation: The data source is internal accounting records of checks printed. The calculation is the number of checks distributed each day divided by the total number of checks to be distributed each issue date based on required distribution dates for each check type. The calculation is computed on a monthly basis and averaged for the quarter.

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Service Area Strategic Plan

Department of the Treasury (152)

3/13/2014 9:46 am

Biennium: 2010-12

Service Area 7 of 7

Administrative Services (152 732 20)

Description

As a central state agency, the Department of the Treasury provides statewide services to citizens and agencies and institutions of the Commonwealth. The Administrative Services service area of Treasury provides the day-to-day management and control of the agency and its seven service areas. This service area includes the State Treasurer, Deputy State Treasurer and the functional areas of Financial Policy, Human Resources, Information Systems, Internal Audit, and Procurement. Products and services include:

- Strategic planning for the agency
- Development and monitoring of agency goals, objectives and critical issues
- Development and management of the agency's budget
- Development and management of agency policies and procedures
- Monitoring of performance of service areas
- Providing direction and assistance to boards and authorities staffed by the agency
- Legislative development and coordination
- Development and coordination of Legislative Studies
- Regulatory development and coordination
- Development and enhancement of information systems and agency programs
- Human resource personnel administration and staff development
- Internal auditing of operational functions, internal controls and risk assessment
- Procurement of agency goods and services
- Procurement contract development and management
- Facilities and telecommunications development and management
- Management of agency equipment assets and surplus property
- Freedom of Information Act management and coordination
- Development of agency publications and public relations
- Management of agency records management program
- Compliance with the Comptroller's Directive with respect to Agency Risk Management and Internal Control Standards (ARMICS)
- Maintenance of Treasury's Continuity of Operations Plan

Background Information

Mission Alignment and Authority

- *Describe how this service supports the agency mission*  
This service area directly aligns with the Department of the Treasury's mission of serving the Commonwealth by providing excellent financial management and outstanding customer service.
- *Describe the Statutory Authority of this Service*  
Chapter 18 of Title 2.2 (§§ 2.2-1800 through 2.2-1843) of the Code of Virginia defines the Department of the Treasury's statutory authority. This chapter sets out the statutory authority and responsibilities of the Department of the Treasury and defines the duties of the position of the State Treasurer. It governs how state money is collected, invested, distributed and accounted for by the Department. It also outlines the Department's responsibility for the management of state debt as well as how it protects state assets through prudent risk management plans.

Customers

| Agency Customer Group                                 | Customer               | Customers served annually | Potential annual customers |
|---|------------------------|---------------------------|----------------------------|
| Boards and Authorities                                | Boards and Authorities | 11                        | 11                         |
| Business Partners                                     | Business Partners      | 200                       | 200                        |
| Executive Branch Officials, Agencies and Institutions | Executive Branch       | 108                       | 108                        |
| Legislative Branch                                    | General Assembly       | 140                       | 140                        |
| Intra-Agency Staff                                    | Treasury Staff         | 116                       | 116                        |
| Virginia Citizens                                     | Virginia Citizens      | 7,500,000                 | 7,500,000                  |

Anticipated Changes To Agency Customer Base

The Department of the Treasury serves as a central state agency, providing statewide services to internal and external customers of the Commonwealth through its seven service areas. In its oversight role, the Administrative Services service area provides administrative control and guidance to each of the seven service areas and, therefore, the Department's overall customer base is broad. Although the customer base of the individual service areas will change over time as noted in the individual service areas customer base, because Treasury's overall customer base is broad, it is not anticipated that the overall Administrative Services base will change in regard to the potential customers served with the exception of Intra-Agency customers. Treasury is dealing with an aging workforce that will change our intra-agency customer base.

Partners

| Partner | Description |
|---------|-------------|
|---------|-------------|

|   |   |
|---|---|
| Bond and investment rating agencies                                 | Provide credit rating services to the agency and the Commonwealth           |
| Financial advisors  | Provide financial services to the agency and the Commonwealth               |
| Financial institutions  | Provide financial services and products to the agency and the Commonwealth  |
| Insurance brokers and actuaries                                     | Provide actuarial services to the agency and the Commonwealth               |
| Investment management companies, consultants and investment dealers | Provide investment services and products to the agency and the Commonwealth |
| Law firms   | Provide legal services to the agency and the Commonwealth                   |
| Private sector vendors and contractors                              | Provide goods and services to the agency and the Commonwealth               |
| State agencies  | Provide or receive services from the agency                                 |

### Products and Services

- *Factors Impacting the Products and/or Services:*

Electronic Communications – A large percentage of all communications are now done via e-mail and web-based applications as well as through Treasury's website. Many customers and business partners are tending toward electronic communication, with web-based applications becoming more and more popular as a format for both assessing and providing information. Electronic commerce is continuing to grow through the state's electronic procurement portal, eVA. Treasury continues to expand the use of the internet to communicate with the public.

Aging of Virginia's Population – While Treasury does not deliver any specific services, programs or publications directly to the seniors 65 and older, Treasury is faced with the issues of an aging workforce. Nearly half of the workforce is 50 years or older. Currently, 21% of Treasury employees are either eligible or will be eligible for full retirement within the next five years. Treasury stands to lose a lot of experience, institutional knowledge and leadership skills that will be difficult to replace. Treasury is seeking ways to be more competitive with the private sector, Richmond area local government entities and other state agencies in order to hire, retain and motivate its employees.

Transparency – Citizens want greater access to government. Treasury promptly responds to requests for information.

Small, Women and Minority owned business (SWaM) Vendor Usage Increase – One of the Administration's priorities is to expand the usage of small, women and minority-owned businesses that provide services to the Commonwealth. Treasury is a statewide provider of services that must use vendors that have the resources and capacity to provide such statewide services. As a result, our amount of truly discretionary funds is limited. Nevertheless, Treasury is using its procurement resources and those of the Department of Minority Business Enterprise to identify SWaM vendors in an effort to increase our usage of such vendors.

Hiring and Retention of Staff, Replacement of Retiring Workforce – Treasury has an aging workforce. Presently, nearly half of our workforce is over age 50; higher among managers. Currently, 21 of our employees are either eligible or will be eligible for full retirement within the next five years, including several key employees. These include individuals who are currently age 60 or older plus individuals who are age 50 or older and have 25 years or more total service. In order to provide the services required by a critical, high level finance agency, Treasury employs financial professionals who are experts in their fields. Treasury employees are recruitment targets by banking, finance, investment, and insurance firms, as well as universities and other finance agencies. Based on the five year period from 2004-2008, as the country pulls out of this recession, Treasury can expect to lose on average approximately 10% of its workforce per year. Add to that the number that could retire in the next five years, and Treasury could face a serious staffing problem. In addition, Treasury salaries are below market as compared with the private sector, Richmond area local government entities and even other state agencies. Treasury needs the ability to offer attractive salaries in order to recruit, retain and motivate its employees.

Budget Constraints - Treasury is struggling with deepening budget cuts while continuing to provide mission critical services to all agencies of the Commonwealth.

Budget Unknowns - Treasury has not completed "transformation" to VITA. After transformation, VITA will charge Treasury additional service costs for use of disk space, storage backups, and VPN costs for which the agency is currently not paying, nor is budgeted to pay. VITA has not provided Treasury prices for these service costs, therefore these additional costs are not included as expenses in the Projected Total IT Budget. The Projected Total IT Budget will be inadequate after "transformation".

Service, Connectivity and Networking Issues - Treasury relies on VITA to provide certain information systems infrastructure components that are critical to the fulfillment of Treasury's mission.

#### Other factors:

- In the short term, efforts to centralize information technology will likely impact the ability of Treasury to maintain its management and administrative support services as effectively and efficiently as are currently provided and will likely increase agency costs.
- Virginia Information Technologies Agency's enhanced information systems security may require additional expenditures by the agency and will likely require a request for additional funds in the current and future bienniums.
- Virginia Information Technologies Agency's shared rate billing model, to be disclosed in the near future, will likely require additional expenditures by the agency and require a request for additional funds in the current and future bienniums.

- Customer assistance requests in the service areas of debt management, insurance services, banking and unclaimed property are expected to increase and will impact each of these service areas as more time is needed to respond to these requests with little or no increase in staff.
- Expansion of the web-based electronic government capability will increase the efficiency of Treasury management and open new, more efficient means to communicate with customers and deliver our services.
- Continued expansion of the electronic procurement system (eVA) will create new efficiencies and lower costs in the procurement of goods and services; however, for those services for which there is no eVA vendor, the eVA administrative fees incurred by the agency will continue to be a burden on the agency budget.
- *Anticipated Changes to the Products and/or Services*  
The demand for additional and improved customer services may result in the need to change the way we deliver these services through system or program changes and enhancements.
  - Changes in technology, regulations, legislation, best practices, industry and markets may require a more technically trained workforce and the need for additional training for the current workforce.
  - As products and services expand and become more complex to deliver, management will seek to find more efficient delivery systems and programs, as well as the means to monitor the performance of these programs through the development of internal controls and additional performance measures.
  - Increased information systems security will be required to protect our internal systems and client information.
  - The increased complexity, expansion, regulation and management of services and products may require additional outside resources to augment staff support.
- *Listing of Products and/or Services*
  - Agency Strategic Plan, including goals and objectives for the agency, is provided for staff, Secretary of Finance and the Department of Planning and Budget and is available to the General Assembly and to citizens through the agency website
  - Agency Legislative Action Summaries and Enrolled Bill Reviews provided to the Secretary of Finance
  - Agency Legislative Studies provided to the Secretary of Finance and the General Assembly as requested
  - Agency Regulations provided periodically to Legislative Services for publishing and made available to the citizens
  - Agency Procurement Dashboard Report provided monthly to the Department of General Services detailing electronic procurements made
  - Agency Small, Women and Minority-owned Businesses Report provided to the Department of Minority Business Enterprise quarterly detailing SWAM procurements
  - Contract Management Reports provided to staff monthly to ensure actions are taken on the Department's 75 contracts when required
  - Small Purchase Charge Card Program (SPCC) Annual Cardholder Review Certification and other similar SPCC reports provided annually to the Department of Accounts
  - Small Purchase Charge Card monthly procurement statement reconciliation provided to the Department of Accounts
  - Requests for Proposals provided to vendors for the procurement of goods and services resulting in contracts
  - Freedom of Information Act and constituent mail research and response provided to citizens upon request
  - Development and monitoring of agency goals, objectives and critical issues
  - Agency Records Management Reports provided to the State Library for archived documents
  - Agency Weekly Report provided to the Secretary of Finance detailing agency activity, actions and actions needed by the Governor
  - Agency Report provided to the Secretary of the Commonwealth on the membership of boards and authorities staffed by Treasury
  - Conflict of Interest Reports provided to the Secretary of the Commonwealth for staff and board and authority members for boards and authorities staffed by Treasury
  - Agency Internal Audit Reports and results of Treasury's Internal Audit Questionnaire provided to management regarding audit findings and corrective actions needed
  - Agency Internal Control Assessment of agency operations provided to State Comptroller annually
  - Central Garage Pool Mileage Report provided monthly to the Department of General Services regarding mileage usage of Pool vehicles assigned to Treasury
  - Vehicle Utilization Report provided annually to the Secretary of Transportation justifying the statutory basis for assignment of agency vehicles
  - Agency Recycling Report provided to the Department of Environmental Quality annually
  - Assessment of Mandates on State and Local Governments provided to the Commission on Local Government annually
  - Agency Budget and Critical Issues provided annually to the Secretary of Finance and the Department of Planning and Budget
  - Guidance Documents Listing provided to the Department of Planning and Budget annually and posted to the Virginia Regulatory Town Hall providing general information to agency staff or the public on how to implement or interpret state law or agency regulations
  - Executive Order 52(1999) Report provided to the Department of Human Resource Management, Workers Compensation Division annually dealing with the frequency and type of workers compensation claims for the

report year

- Employment Dispute Resolution Report provided to the Department of Employee Dispute Resolution annually detailing the number of Standards of Conduct notices issued for the report year as well as the number of grievances filed and their status and outcome
- Updates to the Workforce Planning Document regarding the agency's manpower strategic plan provided to the Department of Human Resource Management as needed
- Employee Suggestion Program Activity Report provided to Department of Human Resource Management annually
- Cardholder Identification Access Report showing various employee access levels to the Monroe Building provided annually to the Deputy State Treasurer
- Executive Order 6(2002) Report provided to the Secretary of Commerce and Trade annually listing all national organizations to which dues are paid and the status of any negotiations or contact with each regarding conference or conventions that might be held in the Commonwealth
- Database Index Report containing detailed information of agency computer databases provided to the Library of Virginia annually
- Records Destruction Forms provided to the Library of Virginia periodically
- Agency Policies and Procedures on a variety of issues that give general direction to staff in the performance of their responsibilities
- Agency Head Executive Agreement Performance Measures provided to the Governor annually
- Agency Performance Measures provided quarterly to the Department of Planning and Budget
- Direction and assistance to boards and authorities staffed by Treasury
- Treasury Board Report and Minutes provided monthly to the Treasury Board
- Agency Proposed Legislation provided to the Secretary of Finance and to the General Assembly
- Treasury's Continuity of Operations Plan submitted to the Virginia Department of Emergency Management on April 1 of each year pursuant to Executive Order 44(2007)

**Finance**

● *Financial Overview*

The budget for this service area is \$1,774,317 for fiscal years 2011 and 2012. Of this amount, 44% is funded with general funds and 56% is funded from nongeneral funds. Changes may be required by future actions of the General Assembly as budgets are developed for this biennium.

● *Financial Breakdown*

|                           | FY 2011          |                  | FY 2012          |                  |
|---------------------------|------------------|------------------|------------------|------------------|
|                           | General Fund     | Nongeneral Fund  | General Fund     | Nongeneral Fund  |
| Base Budget               | \$850,976        | \$932,463        | \$850,976        | \$932,463        |
| Change To Base            | -\$69,276        | \$60,154         | -\$69,276        | \$60,154         |
| <b>Service Area Total</b> | <b>\$781,700</b> | <b>\$992,617</b> | <b>\$781,700</b> | <b>\$992,617</b> |

**Human Resources**

● *Human Resources Overview*

Human resources for this service area include 2 appointed/at-will positions, 12 full-time classified positions and one part-time position.

● *Human Resource Levels*

|                                   |             |
|-----------------------------------|-------------|
| Effective Date                    | 9/1/2009    |
| Total Authorized Position level   | 14          |
| Vacant Positions                  | 0           |
| <b>Current Employment Level</b>   | <b>14.0</b> |
| Non-Classified (Filled)           | 0           |
| Full-Time Classified (Filled)     | 14          |
| Part-Time Classified (Filled)     | 0           |
| Faculty (Filled)                  | 0           |
| Wage                              | 1           |
| Contract Employees                | 0           |
| <b>Total Human Resource Level</b> | <b>15.0</b> |

*breakout of Current Employment Level*

*= Current Employment Level + Wage and Contract Employees*

● *Factors Impacting HR*

Aging Workforce - Treasury, like most agencies, is dealing with an aging workforce. As stated above, nearly half of our

workforce is over age 50; higher among managers. Currently, 21 of our employees are either eligible or will be eligible for full retirement within the next five years, including several key employees. These include individuals who are currently age 60 or older plus individuals who are age 50 or older and have 25 years or more total service.

In order to provide the services required by a critical, high level finance agency, Treasury employs financial professionals who are experts in their fields. Treasury employees are recruitment targets by banking, finance, investment, and insurance firms, as well as Universities and other finance agencies. Based on the five year period from 2004-2008, as the country pulls out of this recession, Treasury can expect to lose on average approximately 10% of its workforce per year. Add to that the number that could retire in the next five years, and Treasury could face a serious staffing problem.

Compensation Plan - Treasury salaries are below market as compared with the private sector, with Richmond area local government entities and even other state agencies. Despite budget restrictions, the agency has made efforts to bring key, high performing employees' salaries in line with averages for state employees in comparable positions. During the 5-year period from 2004-2008, Treasury awarded an average of 15 salary increases per year. These were in-band adjustments and related to position reallocations; they did not include salary increases due to promotions. The average increase per person was \$3,461 per year. However, despite these increases, salaries for Treasury employees still lag significantly behind the state averages for employees in their position roles. Sixty-four percent of Treasury employees' salaries are below the state averages. The average deficiency is \$4,424 or 9% per person.

- **Anticipated HR Changes**

In order for Treasury to maintain its high level of performance and service, the agency must be able to recruit competent professionals or existing staff must be able to step in and fill the void created by retirements, resignations and emergency situations. Treasury's main areas for human resources focus must therefore be salary administration and training and development. Although Treasury will strive to utilize cost effective training methodologies the specific nature of many of our professional positions necessitates that an adequate training budget be maintained. Funding increases will be needed.

#### Service Area Objectives

- Ensure that resources are used efficiently and programs are managed effectively, and in a manner consistent with applicable state and federal requirements.

**Link to State Strategy**

- nothing linked

**Objective Measures**

- Percent of administrative measures marked as "meets expectations" (green indicator) for the agency.

Measure Class:  Measure Type:  Measure Frequency:  Preferred Trend:

Measure Baseline Value:  Date:

Measure Baseline Description: FY 2009 score of the Agency for Administrative Measures

Measure Target Value:  Date:

Measure Target Description: 100% of the Agency Administrative Measures will be marked as meeting expectations for the agency by fiscal year 2012.

Data Source and Calculation: There are currently 13 administrative measures organized into five categories. Each measure has a different data source. Agencies should refer to the administrative measures data source information table to locate the data source for each measure. The table is located in Virginia Performs / Agency Planning and Performance / Administrative Measures. Calculation: Agencies select the appropriate colored indicator (green, yellow, red) for each measure, depending on results. A gray indicator is used for measures where data are unavailable. The agency administration measure is the percent of the administrative measures that have a green indicator (meets expectations). Exclude items with a gray indicator from the calculation.