

# 2014-16 Strategic Plan

## Department of the Treasury [152]

### Mission

As steward of the Commonwealth's financial resources, the Department of the Treasury's mission is to ensure excellence in the management of its banking, investing, and financing services and the administration of unclaimed property and insurance programs.

### Vision

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.

### Values

**Integrity:** Maintaining the highest ethical standards and conducting our business and ourselves accordingly.

**Creativity:** Continually challenging ourselves to seek innovative and cost-effective methods to provide services.

**Accountability:** Acknowledging accountability for our actions.

**Working Environment:** Striving to create a working environment that maximizes the effectiveness and efficiency of our staff; provides clear, measurable objectives and accountability; and attracts, motivates, rewards and retains an outstanding workforce.

### Finance

#### Financial Overview

Treasury's base budget is funded 41% from general funds (\$7.8 million) and 59% from non-general funds (\$11.1 million). The non-general fund sources are: \$6.0 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; \$2 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; \$1 million for investment services provided to state and local governments; and \$.8 million for fees charged financial institutions and insurance carriers.

#### Biennial Budget

	2015 General Fund	2015 Nongeneral Fund	2016 General Fund	2016 Nongeneral Fund
Initial Appropriation for the Biennium	7,795,088	11,107,554	7,826,974	10,937,794
Changes to Initial Appropriation	0	0	238,440	910,794

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

### Customers

#### Anticipated Changes to Customer Base

#### Current Customer List

Predefined Group	User Defined Group	Number Served Annually	Potential Number of Annual Customers	Projected Customer Trend
General Assembly	Legislative Branch and Money Committees Staff	158	158	Stable
Business and Finance	Business Partners	265	265	Stable
Business and Finance	Financial Institutions Holding Virginia Public Deposits	120	120	Stable
Business and Finance	Holders of Unclaimed Property	25,600	100,000	Increase
Business and Finance	Insurance Companies Conducting Business in Virginia	1,125	1,125	Stable
Local or Regional Government Authorities	Local Government Investment Pool Customers	376	650	Increase

Local or Regional Government Authorities	Local Government Officials and Non-profit Participants - Insurance Services	650	1,000	Stable
Local or Regional Government Authorities	Local Governments for K-12 Financing Services	134	134	Stable
State Agency(s),	Boards and Authorities	25	25	Stable
State Agency(s),	Local and State Government Agencies	108	108	Stable
State Government Employee	Intra-Agency Staff	121	121	Stable
Attorney General	Executive Branch	350	350	Stable

## Partners

Name	Description
Law firms	Provide legal services to the agency and the Commonwealth
Major banking partners	Provide collection and disbursement services and Virginia's community banks providing local deposit services
Master custody bank	Safekeep investments, pricing, accounting, and investment compliance.
External investment management companies	Manage about 25%-30% of the General Account's assets and the Tobacco Indemnification Endowment Fund and the SNAP Program
Insurance brokers	Locate specialized insurance coverage that will provide protection necessary to agencies' unique lines of business or unusual but statutorily required projects
Insurance brokers and actuaries	Provide actuarial services to the agency and the Commonwealth
Investment consultant	Monitor the performance of the investment management firms and taking the lead on all investment manager searches, assisting in 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
Investment management companies, consultants and investment dealers	Provide investment services and products 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
Private sector vendors and contractors	Provide goods and services to the agency.
Standard and Poor's investment rating firm	Provide surveillance and monitoring of the Local Government Investment Pool to ensure that the fund is managed in compliance with an AAAM rating.
State agencies	Provide or receive services from the agency
State Corporation Commission	Administer the collateral pledged by insurance companies doing business in Virginia
State Council 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
Banks, Trustees, Escrow Agents, and Paying Agents	Act as agents for the issuing board in making payments to bondholders and/or protecting the interests of the bondholders
Bond and investment rating agencies	Provide credit rating services to the agency and the Commonwealth
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
Cash concentration system administrator	Facilitate the movement of deposits from regional banks into the state's concentration bank
Credit card processor	Perform credit card services for any state agency or institution and contract administration for participating localities.
Department of Accounts	Provide 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	Issue payments from Treasury on behalf of these agencies. Treasury works closely with these agencies to address check production and payment issues.
Department of Accounts, Auditor of Public Accounts, Department of Planning and Budget, and other agencies	Provide the financial statements, and financial and demographic information necessary to enable the preparation and filing of primary and secondary disclosure
Department of Education	Coordinate of K-12 financings for local school districts
Department of Planning and Budget	Compile project draw schedules, monitor projects, and control expenditures on capital projects funded through Treasury programs
Third party claims administrators and claims adjustment service providers	Provide specialized claims administration
Third Party Securities Lending Agent	Provide securities lending services for both the General Account and Lottery.
Underwriters, remarketing agents, liquidity providers	Market, remarket, sell and provide standby bond purchase support for the Commonwealth and its authorities' and boards' bonds.
Virginia Department of Transportation	Execute transportation financings
LGIP Transfer Agent	Provide fund accounting for the LGIP.

## Agency Goals

- **Ensure that all debt disclosure requirements are met and provided on a timely basis.**

### Summary and Alignment

This goal aligns to the Enterprise Strategic Priority of maintaining Virginia's AAA bond rating. In order for the Department of the Treasury to accomplish its mission of ensuring excellence in the management of its banking, investing, and financing services, the Department must to provide for the timely filing of primary and continuing disclosure documents in accordance with Municipal Securities Rulemaking Board and Securities and Exchange Commission rules and, in the case of continuing disclosure, in compliance with the undertakings provided by the issuer at the time of issuance of the bonds. This goal applies to bonds issued by entities staffed by the Department of the Treasury (i.e., Treasury Board (general obligation bonds), Virginia College Building Authority, Virginia Public Building Authority, Virginia College Building Authority and the Tobacco Settlement Financing Corporation).

### Associated State Goal

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

### Associated Societal Indicator

Bond Rating

### Objectives

- » **Deliver debt management and issuance services in the most efficient and effective manner based on customer demands, budgetary restraints, and debt affordability.**

#### Description

In order to enable the department to support Virginia's long-term objectives of Best Managed State and maintain Virginia's high credit ratings, it must: provide for debt financing in the most efficient and cost-effective manner, while ensuring the most favorable borrowing rates available; ensure debt financings are provide in compliance with statutes and regulations to maintain the tax-exempt status of bonds; and provide advice, assistance, access to programs and accurate information to customers.

#### Objective Strategies

- Enhance investor information related to bonds and bond programs on Treasury's website in order for it to be promptly available to bond investors.
- Provide for the timely, efficient and cost effective issuance and management of debt programs managed by the agency.
- Develop a debt management database for leasing programs to provide ability to query, generate and prepare required reports and improve the management of these long-term obligations of Commonwealth agencies.
- Monitor the legislative and regulatory environment to stay up-to-date on requirements and needs of regulators, investors, customers and partners to provide services in the most efficient and effective manner.
- Enhance, expand and document post bond issuance disclosure concerning the Commonwealth's and the issuing entities.
- Work with bond rating agencies to maintain a positive dialog concerning the credit quality and security for Commonwealth's bonds to help maintain the Commonwealth's high debt ratings.

• **Encourage a culture of continuous workforce improvement.**

**Summary and Alignment**

This goal aligns to the Enterprise Strategic Priority of enhancing the productivity and efficiency of state government operations. This goal also aligns with the agency's mission of serving the Commonwealth by ensuring excellence in the management of its banking, investing, and financing services and the administration of unclaimed property and insurance programs.

**Associated State Goal**

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

**Associated Societal Indicator**

Government Operations

**Objectives**

» **Complete Dashboard Reporting Project**

*Description*

Treasury is developing a Dashboard Reporting System that will allow management to integrate, gather, present, and analyze internal and external data from disparate sources. Through the dashboard, management will have more readily available and timely information to provide insight into the organization's performance related to daily operations and long-term goals. This real-time data will allow management to monitor both agency and division-level performance and facilitate fact-based decision making. Mid-level managers will be able to track progress against performance measures and goals in real-time, improving the ability to proactively manage the operations. Treasury intends to have dashboard drill down analysis capabilities to allow managers to further investigate data outliers to more readily identify anomalies, new trends, or new correlations. The dashboard will improve the agency's ability to monitor Treasury's numerous regulatory requirements, including those related to the cash and investments programs. Additionally, Treasury would like to implement a public facing dashboard to promote transparency and openness with Commonwealth citizens and stakeholders. Furthermore, the Treasury Board can utilize the dashboard to obtain more timely performance information for Treasury's various programs, including the cash and investments, Securities for Public Deposit Act, and various bond programs.

*Objective Strategies*

[Nothing Entered]

Measures

» **Deliver 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.**

*Description*

In order to enable the department to achieve efficiency and effectiveness benefits and to support the agency's mission as a steward of the Commonwealth's financial resources and to encourage a culture of continuous workforce improvement, it must ensure it has a workforce that is capable of fulfilling this mission and the challenges posed.

*Objective Strategies*

- Prepare a Workforce Plan that identifies historic trends and demographics such as staffing levels, turnover, recruiting, training, workforce demographics, employee performance, succession planning and compensation.
- Develop a training program to address training needs of staff and opportunities for training. Identify budget needed to address training needs.
- Develop a program using the Knowledge Center to track training taken and direct staff to recommended training and mandatory training.
- Develop succession planning program for the agency.
- Include in employee work profiles recommended training tailored to individual needs and agency mission.

Measures

• **Deliver high-quality cash management and investment services.**

**Summary and Alignment**

This goal aligns to the Enterprise Strategic Priority of continuing to successfully manage the Commonwealth's long-term investments, assets, and liabilities. In order for the Department of the Treasury to accomplish its mission of ensuring excellence in the management of its banking, investing, and financing services, 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 Local Government Investment Pool(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.

**Associated State Goal**

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

**Associated Societal Indicator**

Government Operations

**Objectives**

» **Deliver cost effective solutions based on customer needs, creativity, market availability and fiduciary prudence.**

*Description*

In order to enable the department to achieve efficiency and effectiveness benefits to support Virginia's long-term objectives of Best Managed State, it must: provide for the effective management of state and local government funds to maximize investment earnings within levels of prudence established by statute and guidelines; manage and administer a local Government Investment Pool that provides value to local government which choose to invest their funds in the Pool; and 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 customers.

*Objective Strategies*

- 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 identified benchmark.
- Review investment securities within statutory guidelines to determine where an increase in yields is possible within overall principles of liquidity and preservation of principle.
- Review current banking contracts and requests for proposals to determine where greater efficiencies and cost savings can be negotiated.
- Develop a process to integrate critical banking and investment information on a real time basis in order to minimize errors, delays in reporting and repetitive reporting systems.
- Continue to maximize use of electronic receipts and disbursements and reduction in check payments.
- Continue to maintain the S&P AAAM rating for the Local Government Investment Pool to ensure continued service to local governments.

*Measures*

• **Ensure that all debt obligations are paid on time.**

**Summary and Alignment**

This goal aligns to the Enterprise Strategic Priority of maintaining Virginia's AAA bond rating. In order for the Department of the Treasury to accomplish its mission of ensuring excellence in the management of its banking, investing, and financing services, 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.

**Associated State Goal**

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

**Associated Societal Indicator**

Bond Rating

**Objectives**

» **Deliver debt management and issuance services in the most efficient and effective manner based on customer demands, budgetary restraints, and debt affordability.**

*Description*

In order to enable the department to support Virginia's long-term objectives of Best Managed State and maintain Virginia's high credit ratings, it must: provide for debt financing in the most efficient and cost-effective manner, while ensuring the most favorable borrowing rates available; ensure debt financings are provide in compliance with statutes and regulations to maintain the tax-exempt status of bonds; and provide advice, assistance, access to programs and accurate information to customers.

*Objective Strategies*

- Enhance investor information related to bonds and bond programs on Treasury's website in order for it to be promptly available to bond investors.
- Provide for the timely, efficient and cost effective issuance and management of debt programs managed by the agency.

- Develop a debt management database for leasing programs to provide ability to query, generate and prepare required reports and improve the management of these long-term obligations of Commonwealth agencies.
- Monitor the legislative and regulatory environment to stay up-to-date on requirements and needs of regulators, investors, customers and partners to provide services in the most efficient and effective manner.
- Enhance, expand and document post bond issuance disclosure concerning the Commonwealth's and the issuing entities.
- Work with bond rating agencies to maintain a positive dialog concerning the credit quality and security for Commonwealth's bonds to help maintain the Commonwealth's high debt ratings.

#### Measures

### • Administer the Commonwealth's risk management program to ensure coverage of Commonwealth assets in compliance with statutory requirements.

#### Summary and Alignment

This goal aligns to the Enterprise Strategic Priority of continuing to successfully manage the Commonwealth's long-term investments, assets, and liabilities. In order for the Department of the Treasury to accomplish its mission of ensuring excellence in the administration of unclaimed property and insurance programs, 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.

#### Associated State Goal

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

#### Associated Societal Indicator

Government Operations

#### Objectives

- » **Deliver the highest quality, cost effective, actuarially sound risk management services to meet the needs of Commonwealth agencies, officials, employees, and certain affiliates.**

#### Description

In order to enable the department to achieve efficiency and effectiveness benefits to support Virginia's long-term objectives of Best Managed State, it must provide for the protection of the assets of the Commonwealth through: superior insurance and risk management services; excellent claims and litigation management; expert consultation services and loss prevention and control training; prudent and cost effective management of an actuarially sound State Insurance Reserve Trust Fund; and outstanding customer service.

#### Objective Strategies

- Maintain the State Insurance Reserve Trust Fund on an actuarially sound basis.
- Expand loss prevention and loss control training and consultation services by increasing the use of social media to reach an expanding customer base.
- Improve automobile claims handling effectiveness and reduce costs by bringing the process in-house to be handled by the department's staff.
- Upgrade current web applications to provide more functionality and security features and integrate with the risk management system to improve claim adjusting, records maintenance, financial reporting and more accurate billing.

#### Measures

### • Administer the Commonwealth's Unclaimed Property Act to maximize the return of property to its rightful owners.

#### Summary and Alignment

In order to enable the department to achieve efficiency and effectiveness benefits to support the agency's mission as a steward of the Commonwealth's financial resources and the interests of its citizens, it 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; provide resourceful outreach efforts to enhance the location of owners; provide comprehensive claims verification and processing that returns property to the rightful owners in an expeditious manner; provide strategic holder compliance and enforcement efforts to maximize the required reporting of unclaimed property; and effectively administration of an escheat program for abandoned real property.

#### Associated State Goal

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

## Associated Societal Indicator

Consumer Protection

### Objectives

- » **Deliver the most efficient and responsive unclaimed property and escheat programs possible in an effort to meet the needs of our citizens, holders and localities.**

#### Description

In order to enable the department to achieve efficiency and effectiveness benefits to support Virginia's long-term objectives of Best Managed State, it 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; provide resourceful outreach efforts to enhance the location of owners; provide comprehensive claims verification and processing that returns property to the rightful owners an expeditious, economical manner; provide strategic holder compliance and enforcement efforts to maximize required reporting of unclaimed property; and effectively administer the escheat program for abandoned real property.

#### Objective Strategies

- Expand and fine-tune owner outreach, media and social media communications, community relations, marketing and public relations initiatives in an effort to maximize the return of unclaimed property to rightful owners.
- Continue the rewrite of the existing legacy unclaimed property system to a web-based application to allow for enhanced research and reporting tools and workflow technologies.
- Work with the Uniform Law Commission to revise the Uniform Unclaimed Property Act.
- Work to reduce the number of unclaimed property exemptions that have been granted that have limited consumer protection for property.
- Work to better educate localities about escheat laws and escheators on the responsibilities of their office.

#### Measures

- **Improve efficiency of accounting operations to enhance accounting and budgeting services and promote increased accountability, transparency and reporting.**

#### Summary and Alignment

This goal aligns to the Enterprise Strategic Priority of maintaining Virginia's AAA bond rating. In order for the Department of the Treasury to accomplish its mission of ensuring excellence in the management of its banking, investing, and financing services, 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.

#### Associated State Goal

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

#### Associated Societal Indicator

Government Operations

### Objectives

- » **Deliver the most efficient accounting, budgeting, trust, and operational programs and services possible while striving to improve efficiency, promote accountability, safeguard Commonwealth assets, and enhance internal and external reporting capabilities.**

#### Description

In order to enable the department to achieve efficiency and effectiveness benefits to support Virginia's long-term objectives of Best Managed State, it must ensure: the accuracy of accounting for and preparation of financial statements and budget; the accurate and timely accounting for state investments and debt structures; the accurate and timely disbursement of state funds; the accurate recording of state receipts and reconciliation of bank accounts; the proper administration of the Security for Public Deposits Act to ensure compliance and safety of public deposits; and the accurate accounting and safekeeping of securities pledged in the Insurance Collateral Program.

#### Objective Strategies

- Develop an agency dashboard management information system structured to provide information about agency operations needed for review and status of major programs, planning and decision making.



- Continue standardization of check-write files received from check-writing agencies.
- Keep abreast of the Department of Accounts new general ledger system, Cardinal, to determine how the new accounting system can best be used to Treasury's advantage.

Measures

- ◆ Number of checks printed per year by Treasury's Check Processing and Bank Reconciliation Service Area.
- ◆ Percentage of checks delivered in a timely and accurate manner.

## Major Products and Services

In FY 2013, Treasury managed investments totaling \$9.1 billion in state and local government funds, issued or participated in financing \$1.6 billion in debt obligations, processed 2.1 million checks, collected \$115.2 million in unclaimed property revenue, returned \$29.2 million to rightful owners, and transferred \$75.0 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 500 political subdivisions and non-profit organizations. Treasury also manages the Commonwealth's statewide banking network that accelerates the deposit and availability of state funds received from approximately 285 regional depositing locations.

## Performance Highlights

**Enhanced Security for Public Deposit Reporting Capabilities** – With the instability in the banking industry over the last several years, Treasury has taken measures to enhance its procedures to monitor financial institutions' compliance with the Security for Public Deposits Act.

**Insurance Services Customer Service Initiatives** – Treasury's Information Systems upgraded and integrated several existing Risk Management web applications to include more functionality and security.

**Increase in Electronic Payments and Reduction in Check Volume** – Treasury's efforts to work with check-writing agencies to reduce check volume by converting payments to an electronic format thereby reducing risk of loss and costs. Since 2005, check volume has been reduced from 7.6 to 2.1 million checks. Treasury's payment card program has been essential in the reduction of checks.

**Energy Leasing Program** - \$23.2 million in energy efficiency projects were financed by agencies of the Commonwealth during the year. In addition, \$11.1 million in equipment was financed using the Master Equipment Leasing Purchase Program at favorable rates.

**American Reinvestment and Recovery Act** - Debt Management Division successfully utilized several of the bond programs implemented under the American Reinvestment and Recovery Act. Build America Bonds were issued for General Obligation projects, Virginia College Building Authority, Virginia Public School Authority, and Virginia Public Building Authority projects.

**Payee Match Positive Pay Check Security Service** – Treasury continues to use a 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.

**Electronic Reporting by Unclaimed Property Holders** - With the passage of Treasury initiated legislation in 2004, holders of 25 or more properties are required to report electronically. As the number of electronic reports has grown and efficiencies have been achieved, Treasury intends 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 to increase efficiency and reduce the amount of space needed in the work area to store paper documents. The new Document Management System has been expanded to include Risk Management, Operations, and Human Resources.

## Staffing

Authorized Maximum Employment Level (MEL)	121
Salaried Employees	105
Wage Employees	8
Contracted Employees	4

## Key Risk Factors



**Federal Government Uncertainty** - Due to Virginia's proximity and economic dependence on federal employment, actions (or inactions) such as furloughs and sequestration, could have a detrimental impact on Virginia's economy. In addition, regulatory, congressional, and other actions by the federal government could negatively impact Commonwealth bond ratings.

**Tax-Exempt Bond Market** - Actions by Congress and regulators that could alter the tax-exempt bond market (e.g., reducing or eliminating the tax-exemption on municipal bonds, tax reform, excluding municipals from definition of high quality liquid assets (HQLA) for banks, etc.) could have the effect of increasing state and local borrowing costs, and would limit the state and local governments' abilities to finance critical infrastructure needs.

**Master Settlement Agreement** - In 2007, the Virginia Tobacco Settlement Financing Corporation (VTSFC) issued bonds secured by 50 percent of future Master Settlement Agreement payments to be received by the Commonwealth. Declines in tobacco consumption have resulted in lower payments, which threaten the ability of the VTSFC to stay current on its debt service payments. No other security was pledged to the bondholders; however, investors will likely look to the Commonwealth for a remedy.

**Ageing Workforce** - Nearly half of Treasury's workforce is over the age of 50, including several senior management positions. Currently, 19 of Treasury's employees are either eligible or will be eligible for full retirement within the next three years. 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 could require the use of external management at a substantial cost to the Commonwealth.

**Local Government Investment Pool (LGIP)** - The LGIP is managed in accordance with Governmental Accounting Standards Board requirements and Securities and Exchange Commission (SEC) Rules for Money Market Mutual Funds. The LGIP must adopt all rules promulgated by the SEC even though LGIPs are not actually registered with or overseen by the SEC. The SEC has recently proposed changes to the rules governing registered Money Market Funds. These proposed rules could make LGIPs less attractive in general to local government participants, as well as make the funds more costly to manage. Depending on the particular changes the SEC actually adopts, there is a risk that Treasury's LGIP may not serve as the first choice of many local government entities to meet their cash management needs.

**Reported Unclaimed Property** - Reported unclaimed property has increased in recent years; however, there are areas in state law where exemptions have been granted that provide limited consumer protection for property. Exemption examples include: gift cards, rebates, promotional incentives, layaways, payments and business-to-business payables, and capital credits. In addition, unclaimed property holders are continually looking at ways to add service charges to different types of inactive property thereby depleting (or exhausting) the value of the property.

**Unclaimed Property Audits** - In several states, business communities (or holders of property) have successfully initiated legislation to limit the use of external fee-based auditors for Unclaimed Property noncompliance. The limitations on states' ability to use these auditors negatively impacts enforcement, consumer protection, efficiencies, and recoveries.

**Unclaimed Property Held by the Federal Government** - Federal government agencies are not required to report unclaimed property to states that belongs to state citizens, including such property as matured U.S. Savings Bonds, Internal Revenue Service tax refunds, Housing and Urban Development escrow funds and U.S. Postal Service Money Orders. These exemptions hinder the ability of states, including Virginia, to recover property for the rightful owners.

## Management Discussion

### General Information About Ongoing Status of Agency

**Mission Focus** - The Department of the Treasury (Treasury) continues to strive to achieve its mission to ensure excellence in the management and administration of its diverse financial programs and services through innovative fiscal management, fiduciary oversight, and instill these values in its leadership, financial professionals, and staff.

**Dashboard Reporting Project** - Treasury is developing a Dashboard Reporting System that will allow management to integrate, gather, present, and analyze internal and external data from disparate sources. Through the dashboard, management will have more readily available and timely information to provide insight into the organization's performance related to daily operations and long-term goals. This real-time data will allow management to monitor both agency and division-level performance and facilitate fact-based decision making. Mid-level managers will be able to track progress against performance measures and goals in real-time, improving the ability to proactively manage the operations. Treasury intends to have dashboard drill down analysis capabilities to allow managers to further investigate data outliers to more readily identify anomalies, new trends, or new correlations. The dashboard will improve the agency's ability to monitor Treasury's numerous regulatory requirements, including those related to the cash and investments programs.

Additionally, Treasury would like to implement a public facing dashboard to promote transparency and openness with Commonwealth citizens and stakeholders. Furthermore, the Treasury Board can utilize the dashboard to obtain more timely performance information for Treasury's various programs, including the cash and investments, Securities for Public Deposit Act, and various bond programs.

**Cash Flow Business Analysis Project.** With the aid of a business analyst, Treasury plans to analyze its cash management processes with the intent of streamlining, modernizing and automating key processes and functions. This project will include a review of: cash flow forecasting to determine real-time cash positions; funds transfer and accounting; investment trading, processing and accounting; portfolio management; and required reporting. The goal is to streamline, automate, standardize, consolidate and simplify processes and functions; reduce reliance on manual and/or paper processes; create a more well-documented, sustainable, and flexible program which adapts to the ever-changing environment; provide more timely, accessible and pertinent reporting information to internal and external stakeholders; and integrate technology where possible.

**Risk Management Business Analysis Project.** With the aid of a business analyst, Treasury plans to analyze its risk management functions with the intent of streamlining, modernizing, and automating key processes and functions. This project will include a review of: managing and tracking Commonwealth insured assets; setting premium allocations to insured entities; invoicing and accounts receivable processes; and processing claims. The goal is to streamline, automate, standardize, consolidate and simplify processes and functions; reduce reliance on manual and/or paper processes; and accept online enrollment applications and credit card transactions for premium payments.

### Information Technology

Detailed information for Treasury's technology needs is outlined in the VITA Information Technology Strategic Plan. Treasury's current and future technology projects are summarized below:

As steward of the Commonwealth's financial resources, the Department of the Treasury's mission is to ensure excellence in the management of its banking, investing, and financing services and the administration of unclaimed property and insurance programs.

Treasury has a number of applications written using legacy technologies that support this mission. These legacy systems present support and maintenance issues due to the age of the technologies used and the lack of available IT resources to support them. Staff with expertise in the legacy technologies is not readily available in the marketplace, and this situation is expected to worsen in the coming years.

Virginia Auto Count and Car Care System (VACCS) Integration into Civitas (Risk Management's claims and billing system) – To enhance efficiencies in accounting and reporting and to provide for future upgrades, these stand-alone systems should be migrated to Civitas and become a module of Civitas where all member and billing data is stored and maintained. There is currently no funding for this necessary upgrade.

AdVantage – The AdVantage system utilizes legacy technologies which in the future will no longer be supported. AdVantage should be rewritten using up to date technologies. The agency needs to implement credit card processing features for the AdVantage module. There is currently no funding for this necessary upgrade.

Click and Claim System Enhancements – Unclaimed Property Division (UCP) must expand the functionality of the Click and Claim web-based page, which allows the rightful owners of unclaimed accounts to search and claim accounts reported to the Division. UCP needs to upgrade existing technology and functionality to provide for a mobile version of Click & Claim and Click & Report programs. UCP needs to enhance the functionality in the Click & Claim and Click & Report processes to allow claimants and holders to upload completed forms and supporting documentation. Non-General funds are available for these enhancements.

Treasury Unclaimed Property System (TUPS) Enhancements – UCP will continue to enhance the functionality of the newly developed TUPS application. Enhancements would include the following: Unclaimed Property Holder Upload Upgrade – UCP needs to expand the functionality of the web-based page to allow unclaimed property Holders to report and remit their annual unclaimed property report. Non-General funds are available for these enhancements.

PaperVision Upgrade – The agency needs to expand usage of the document management system to improve efficiencies, replace outdated work flows and decrease printed paper. Expansion of the system will require additional software modules and licensing.

Unclaimed Property Reporting Application – UCP needs to implement software that will support Treasury in reporting outstanding checks in accordance with §55-210 of the Code of Virginia for the due diligence and charge-off of checks process. The solution may be in the form of off the shelf software or a custom solution written in-house.

Develop Database for Leasing Programs – Debt Management (DM) needs to convert the records related to outstanding lease purchase obligations to a database format. The records are currently maintained in multiple Excel workbooks under a process that was established 25 years ago. The new system will provide the ability to query, generate and prepare required reports and improve the management of these long-term obligations of Commonwealth agencies.

Debt Management Website Enhancements – DM needs to modify and enhance investor information related to bonds and bond programs provided on Treasury's website. There is increasing demand by investors and regulators for accurate information to be promptly available to bond investors. Virginia has fallen behind other states in this effort.

Process Development, Integration and Simplification – The agency needs to improve critical business processes in order to enhance process efficiencies through automation of key processes. Processes under review would include all operating divisions. Integrating these functions electronically will greatly enhance efficiencies, reduce the risk of error and simplify the management information and reposting processes. Implementing this plan may require hiring a full time business analyst position or a contractor to manage the process.

An information technology management suite that will assist in the overall management of Information Technology resources consisting of account management, equipment inventory, software inventory, reporting, project and change management modules. The new system would replace the existing standalone Centralized Access Database (CAD) account management system and Workspaces, the Information Systems project and documentation system.

Server Virtualization – The agency is currently in the process of virtualizing all physical server hardware and implementing these virtual machines at the Commonwealth Enterprise Solutions Center (CESC). Migrating the servers to CESC and at the same time upgrading the operating systems and SQL Server database systems helps eliminate Operational Risk Issues with operating system and database system versions. Migrating away from the Monroe physical location eliminates risk associated with the servers and the physical space.

Dashboard Reporting System – The Dashboard Reporting project will allow management to integrate, gather, present, and analyze internal and external data from disparate sources. Through the dashboard, management will have more readily available and timely information to provide

insight into the organization's performance related to daily operations and long-term goals. This real-time data will allow management to monitor both agency and division-level performance and facilitate fact-based decision making. Mid-level managers will be able to track progress against performance measures and goals in real-time, improving the ability to proactively manage the operations. Treasury intends to have dashboard drill down analysis capabilities to allow managers to further investigate data outliers to more readily identify anomalies, new trends, or new correlations. The dashboard will improve the agency's ability to monitor Treasury's numerous regulatory requirements, including those related to the cash and investments programs. Additionally, Treasury would like to implement a public facing dashboard to promote transparency and openness with Commonwealth citizens and stakeholders. Furthermore, the Treasury Board can utilize the dashboard to obtain more timely performance information for Treasury's various programs, including the cash and investments, Securities for Public Deposit Act, and various bond programs.

Check Processing Data Standardization - Treasury currently receives multiple formats of data from agencies which is used to print checks. Major progress has been made to migrate some agencies to a standard format but there are still agencies using legacy formats. Completion of the migration to the new standard will allow for much easier maintenance of the check processing system.

Treasury supports a number of systems that integrate and have interfaces with Cardinal, these systems will require upgrades and replacement as a result of the new system. Agency accounting systems are not compatible with the new Cardinal system and will require replacement, this is a major effort and will likely require additional resources to meet the Cardinal production deadlines.

## Estimate of Technology Funding Needs

### Workforce Development

In order to provide the high level of performance and service required by a critical, high-level finance agency, Treasury employs financial professionals who are experts in their fields. Treasury is dealing with several challenges in maintaining a top-level staff. First, Treasury has an aging workforce. Almost half of the workforce is over age 50; higher among managers. Currently, 19 employees are either eligible or will be eligible for full retirement within the next three years, including several key employees. These include individuals who are currently age 60 or older plus individuals who are age 52 or older and have 27 years or more total service. Second, Treasury employees are recruitment targets by banking, finance, investment, and insurance firms, as well as Universities and other finance offices. In the past year, Treasury lost approximately 7% of its workforce. The current unemployment rate is 5.3%. Treasury can expect to continue to experience turnover as employers seek knowledgeable, highly skilled, well trained, candidates to fill their positions. Third, Treasury salaries are below market as compared with the private sector, Richmond area local government entities and even other state agencies. As a result of budget restrictions, the agency has not been able to make much progress to bring key, high performing employees' salaries in line with averages for comparable positions in other organizations. As the economy improves, Treasury will need to be able to offer competitive salaries in order to recruit, retain, and motivate its employees.

In order to maintain a high-level of service in light of budget constraints, Treasury has revised its training policy, using an extensive needs analysis to develop a training plan. The plan will develop specific job skills for existing staff that might be needed to step in and fill the void created by retirements, resignations and emergency situations. In addition, cross training has been augmented to address potential Continuity of Operations contingencies. Ultimately, salary issues will need to be addressed if and when funding becomes available.

### Physical Plant

The Department of the Treasury (Treasury) leases space on three floors in the Monroe Building in support of its mission. Treasury successfully meets all established requirements and standards in providing accommodations, facilities, equipment and amenities that are suitable for its employees. However, in order to better address spatial relations to accommodate the needs of the agency and staff, it is critical that the third floor space be renovated. This renovation will result in a more logical grouping of divisions and units around their specific missions, improve out-of-date furnishings and work stations, and address needs for additional space for conference and meeting rooms. There have been no major renovations to Treasury's occupancy of the third floor in over 30 years and this area is in need of repair, reorganization and renovation.

## Supporting Documents

Title	File Type
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## Debt Management [72501]

### Description of this Program / Service Area

This service area provides debt issuing and advisory services for the Commonwealth, certain state authorities, agencies and institutions.

As staff to the Treasury Board, Virginia Public School Authority (VPSA), Virginia College Building Authority (VCBA) and Virginia Public Building Authority (VPBA), the Debt Management Division (the Division) plans and coordinates the issuance of debt obligations for financing the capital needs of agencies, institutions of higher education, and local school division throughout the Commonwealth. The Division also administers outstanding debt obligations and monitors for opportunities to refinance the obligations for savings, and ensures compliance with applicable federal regulations (e.g., arbitrage restrictions under Internal Revenue Code; continuing disclosure requirements under Securities Exchange Commission Rule 15c2-12). The Division also administers two leasing programs for use by state agencies to finance equipment needs and energy efficiency projects, and assists Virginia Department of Transportation staff with financings executed by the Commonwealth Transportation Board.

In the area of advisory services, the Division considers and advises the administration, General Assembly staff, agencies and institutions on financing alternatives proposed or under consideration. This may include traditional options (e.g., bonded debt through established state issuing entities) or capital leases, public private partnerships, privatization etc. As staff to the Debt Capacity Advisory Committee, the Division provides reviews and evaluates the Commonwealth's tax-supported debt commitments and develops recommendations for consideration by the Committee on debt affordability.

### Mission Alignment

This service area directly aligns with the Department of the Treasury's mission of ensuring excellence in the management of its banking, investing, and financing services.

### Products and Services

#### Description of Major Products and Services

The products and services of this service area include:

- Planning and coordinating the issuance of bonds or other securities
- Evaluating projects for financing to determine the most appropriate structure, timing, and amortization of the obligations (e.g., taxable or tax-exempt, 10, 20 or 30 year amortization)
- Administering Debt programs, including regulatory compliance and continuing disclosure, post issuance compliance (and any necessary remedial actions)
- Projecting and budgeting for the annual debt service on tax-supported debt obligations for VCBA, VPBA and Commonwealth general obligation bonds, \$700 million in each year of the 2014-16 biennium
- Cultivating a positive dialog with bond rating agencies and investors through the dissemination of information related to the Commonwealth's financial condition
- Monitoring and executing the issuance of refunding bonds to take advantage of opportunities for interest rate savings
- Administering two leasing programs to provide for state agencies and institutions a ready source of funds to finance their equipment and energy efficiency projects
- Performing debt affordability analysis and estimates, and provide recommendations to Debt Capacity Advisory Committee (DCAC), executive and legislative branches
- Reviewing and evaluating financing proposals submitted by agencies requiring approval by the Treasury Board
- Advising on financing aspects of Public Private Transportation Act and Public Private Education and Infrastructure Act proposals and other alternative financing proposals
- Providing through the VPSA financing for local governments/public school divisions (k-12) for capital projects for school construction and renovation, and grants for technology and security equipment
- Providing through the VCBA financing on capital projects and educational equipment for state institutions of higher education, and serving as a conduit issuer for private institutions of higher education in the Commonwealth
- Providing through the VPBA financing for state capital projects and grants
- Providing through the Treasury Board for the issuance of Commonwealth General Obligations Bonds
- Providing technical assistance on the financial aspects of legislative proposals, impact on debt capacity, legislative studies and initiatives
- Complying with debt issuance statutes and regulations to ensure the tax-exempt status of the debt obligations is preserved
- Procuring services through Requests for Proposals or other means for services (e.g., underwriting, financial advisory, escrow agent, etc.)
- Providing advice, assistance, and access to programs supported by this service area to agencies and institutions of the Commonwealth and local school divisions
- Staffing for the VCBA, VPBA, DCAC, Tobacco Settlement Financing Corporation and VPSA, including planning and coordinating meetings, preparation and filing of minutes

### Anticipated Changes

**Securities and Exchange Commission** - The Securities and Exchange Commission (SEC) has implemented several new rules affecting municipal issuers: The Municipal Advisor Rule, which becomes effective on July 1, 2014, will change the way in which municipal issuers (including the Commonwealth and its agencies and authorities) may interact and obtain ideas from industry experts.

**Continuing disclosure** - The SEC has intensified their enforcements efforts with regard to compliance with SEC Rule 15c2-12 on continuing disclosure. This has caused underwriting firms to increase their scrutiny of issuers' compliance with their continuing disclosure undertakings.

**Debt capacity** - Recent declines in state revenues are likely to result in reduced state debt capacity.

**Economic Issues** - Federal budget reductions and sequestration will continue to place stresses on Virginia's economy.

### **Factors Impacting**

**Post Issuance Compliance** - Post issuance changes to bond-financed projects (e.g., sale, change from a governmental use) will require remedial actions to maintain the tax-exempt status of outstanding bonds. There are several expected changes in use in the coming years that will require oversight and management by Treasury to ensure compliance with under federal tax regulations. Increased emphasis from the financial markets, regulators and investors to expand, enhance, expedite and document post bond issuance compliance and disclosure.

**Due Diligence** - Increased due diligence by investors and fund managers have resulted in the need to make available current, timely and accurate financial information on the Commonwealth. To be responsive to this need, Treasury will need to provide more frequent dissemination of economic forecasts, financial performance, debt outstanding, pension data, etc. to the public.

**Debt Issuance** - Increasing demands for investment in state infrastructure (bridges, mental health facilities, roads, higher educational facilities, etc.), and the escalating cost of postponing those projects, will require policymakers to increasingly look to debt as a means to fund capital.

### **Financial Overview**

The budget for this service area is comprised of personnel costs funded through general fund and non-general fund appropriations. Non-general fund support is from Virginia Department of Transportation and Virginia Public School Authority. Fees charged to participants in NGF programs are deposited to the GF and serve to offset service area costs. Those fees are not reflected in the numbers below.

#### Biennial Budget

	<b>2015 General Fund</b>	<b>2015 Nongeneral Fund</b>	<b>2016 General Fund</b>	<b>2016 Nongeneral Fund</b>
Initial Appropriation for the Biennium	739,971	262,837	739,971	262,837
Changes to Initial Appropriation	0	0	-201,000	201,000

### **Supporting Documents**

**Title** **File Type**

## Insurance Services [72502]

### Description of this Program / Service Area

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, non-profit 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 540 political subdivisions and non-profit organizations.

This includes over 13,100 state buildings and their contents with a value in excess of \$28 billion and, including more than \$2 billion in fine arts. More than 5,150 claims and suits of all variety were handled in Fiscal Year 2011.

### Mission Alignment

This service area directly aligns with the Department of the Treasury's mission of ensuring excellence in the administration of unclaimed property and insurance programs.

### Products and Services

#### Description of Major Products and Services

Administering the State Insurance Reserve Trust Fund.

Procuring of commercial property, aircraft, watercraft and railroad insurance as well as fidelity bonds.

Administering 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.

Administering of claims and litigation management for claims and lawsuits against the Commonwealth, its agencies, officials and employees as well as constitutional officers, local government and other organizations covered by insurance services programs.

Directing claim and litigation management, property inventory, and program management systems.

Conducting loss prevention and loss control training and consultation services.

Providing pre-litigation consultation.

### Anticipated Changes

**Expanding Client Base** - Insurance services' traditional client base includes state and local governmental agencies, public service non-profit corporations and/or their affiliates. Since 2006, the Division of Risk Management (the Division) 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, The Division 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.

**Customer Service Initiatives** – Upgrades to web applications will include more functionality and security features as well as integration with the CIVITAS Risk Management System. This will permit improved claim adjusting, improved financial reporting, and more accurate billing.

**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 have and will include live webinars, teleconferences, on demand online training, learning management and risk control classes online.

### Factors Impacting

**State Insurance Reserve Trust Fund** - 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 will severely weaken the State Insurance Reserve Trust Fund actuarially.



**Expanding Coverage** - Insurance coverage requirements 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 volunteer drivers, 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. Coverage is now required for items and issues that cannot be actuarially valued. It is anticipated there will be continued placement of certain public service, 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.

**Flexibility** - 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 provided and paid when due and without delay.

**Liability Increases** - 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. It is anticipated that the malpractice cap will gradually increase to \$3 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.

**Training** - The Division will develop loss prevention, control training and education programs and provide consultation to state agencies and localities to protect the assets of the Commonwealth.

**Web Programs** - The Division will develop and administer a web-based risk management information system, including claims management and a property inventory program.

**Financial Overview**

The budget for this service area is funded by nongeneral funds from premiums received from participants in the State Insurance Plans.

Biennial Budget

	2015 General Fund	2015 Nongeneral Fund	2016 General Fund	2016 Nongeneral Fund
Initial Appropriation for the Biennium	0	2,202,259	0	2,202,259
Changes to Initial Appropriation	0	0	175,440	120,201

**Supporting Documents**

**Title** **File Type**



## Banking and Investment Services [72503]

### Description of this Program / Service Area

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), a AAAM rated “2a7 like” fund available to local governments and other public entities of the Commonwealth for the investment of public funds, (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, (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.

Some highlights include:

The Cash Management and Investment Division administered \$9.0 billion in managed investment portfolios, comprised of \$5.1 billion in the general account portfolio, \$3.0 billion in the LGIP portfolio, \$800 million in special portfolios, and \$68 million in outside trustee portfolios for FY 2011.

During the past year the Division performed a complete review and rewrite of all Investment Policies and Goals. This included an update of investment guidelines, performance objectives and performance measurement, with particular emphasis on credit policies and risk control.

The Division hired a credit analyst to enhance the internal credit review process. This position has enabled Treasury to more closely monitor both the in-house and external portfolio managers.

The Division 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.

The Division Implemented a statewide credit card contract for over 50 agencies and 10 localities. This new contract will save the Commonwealth over \$2.6 million in annual fees.

### Mission Alignment

This service area directly aligns with the Department of the Treasury’s mission of ensuring excellence in the management of its banking, investing, and financing services.

### Products and Services

#### Description of Major Products and Services

Providing investment management services for the Commonwealth’s general account, the LGIP, the TICR Fund, and various trust funds.

Providing monthly statements and quarterly newsletter to all Local Government Investment Pool participants.

Providing monthly report to Treasury Board, which includes a review of investment returns, investment income, comparison of investment performance to established benchmarks, review of general monthly economic and portfolio(s) activities, and LGIP Compliance to S&P AAAM requirements.

Providing monthly investment results to executive branch secretaries and agencies and legislative branch money committees.

Providing annual input and discussion of investment results to the Operations Division for inclusion in Commonwealth’s Comprehensive Annual Financial Report.

Providing the Literary Fund forecast to Department of Education, Secretaries of Finance and Education, and legislative branch money committees.

Providing custody and safekeeping services for all financial assets held by the Commonwealth.

Providing wire transfer services for investments, certain vendor payments and debt service payments.

Providing cash management and banking consulting services to state agencies, public entities, and local governments.

Administering securities lending program.

Administering E Pay system for electronic collection of Courts’ and local Treasurers’ State payments.

Managing on-line banking systems and E Pay system.

Managing investment program for the Tobacco Indemnification and Community Revitalization (TICR) Endowment, including tax free and taxable portfolios.

Issuing and maintaining of a credit card contract administration for the benefit of public agencies and institutions.

Managing on-line banking systems and access for approximately 1000 users.

Administering SNAP.

Managing external investment managers program for the general account portfolio.

Managing statewide banking cash management contracts and agreements.

Managing statewide regional depository cash concentration system.

Developing a number of cash management programs and banking services to efficiently manage the flow of funds for agencies and institutions.

### **Anticipated Changes**

**Local Government Investment Pool (LGIP)** – The LGIP continues to serve localities and other public entities in the Commonwealth. The LGIP has maintained its AAAm rating from Standard and Poor's (S&P) throughout the financial crisis. Even though the ongoing economic downturn has reduced locality funds available for investment, the number of participants has remained stable. In order to better serve our shareholders, Treasury will be implementing electronic trading and online statement access for LGIP participants. This will enhance customer service, but will still require staff time providing support and assisting shareholders not electing to use online services. New financial regulations and Governmental Accounting Standards Board mandates require significant additional portfolio monitoring.

**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 contract has been awarded for statewide credit card services. For the first time this procurement includes state agencies and institutions of higher learning, as well as 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 further stretched. This new program along with a number of other technology initiatives in Banking and Investment Services such as the pre-paid debit card program will require additional personnel resources.

**Portfolio Management** – New portfolio investment policies and procedures require additional oversight and monitoring relating to performance and risk measurement and control. Multiple portfolios, with different and changing investment options, combined with new regulations and their unforeseen consequences will require a highly motivated and knowledgeable staff. The dynamics of portfolio management as well as the financial markets in which we operate are experiencing significant changes, which if not managed properly may have negative impacts for the Commonwealth.

### **Factors Impacting**

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

**Market Volatility** - The increase in market volatility since the financial crisis and its impact on separately managed portfolios increases the workload and oversight of these portfolios.

**Electronic Banking** - Administration and oversight of increased 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.

**Federal regulations** - The increase in Federal regulation and amended standards of financial activity significantly increases expenses and oversight duties all the while reducing income.

### **Financial Overview**

The budget for this service area is \$4,692,861 for FY 2015 and FY 2016.

Biennial Budget

	2015 General Fund	2015 Nongeneral Fund	2016 General Fund	2016 Nongeneral Fund
Initial Appropriation for the Biennium	3,729,127	963,734	3,729,127	963,734
Changes to Initial Appropriation	0	0	0	48,297

### **Supporting Documents**

**Title** **File Type**



## Unclaimed Property Administration [73207]

### Description of this Program / Service Area

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. This service area monitors escheat activities with local government officials and escheators and handles numerous inquiries and questions related to the process.

Some highlights include:

Treasury, through the Unclaimed Property Division (the Division) collected \$115.2 million in unclaimed property revenue, returned to owners \$22.6 million, and transferred \$75.0 million to the Literary Fund for public education purposes in FY 2013.

The Division developed a marketing strategy to promote the Unclaimed Property Program and its mission of reuniting the rightful owner with the unclaimed property held by the Treasury. This was followed with an expansion of the program's branding, logo, and merchandising as well as the Division's traditional and web-based community outreach, media relations, and advertising initiatives, and included the development of a comprehensive biennial marketing plan in 2013.

In FY 2013, the Division collected 13,005 electronic reports containing 956,645 owners (an average of 73.6 owners per electronic report), handled 144,205 inquiries and processed 53,359 claims.

### Mission Alignment

This service area directly aligns with the Department of the Treasury's mission of ensuring excellence in the administration of unclaimed property and insurance programs.

### Products and Services

#### Description of Major Products and Services

Providing searchable unclaimed property database on the Internet, available 24/7 for citizens to search and submit claims and inquiries regarding unclaimed property.

Maintaining an accurate and complete unclaimed property database.

Providing consumer protection, safekeeping for the assets and protecting the property rights for absentee owners.

Processing of unclaimed property claims; requiring the review of evidence presented; adhering to guidelines and statutes in Virginia as well as other states; operating a response center to handle inquiries, status calls, general questions; scanning and indexing of all incoming mail, analyzing need for additional evidence and requesting required documents; requesting checks to be issued for cash items; and processing stock transfer requests for security claims.

Conducting educational holder outreach and audits to enhance compliance and enforcement.

Conducting owner outreach to enhance location of rightful owners.

Submitting required regulatory reports to the appropriate agencies, i.e., 1099 reporting to the Internal Revenue Service.

Providing financial and audit information to appropriate agencies.

Providing financial record keeping for all receipts of unclaimed property, claim disbursements, securities portfolio and escheat transactions.

Responding to Freedom of Information Act requests from heir finders and others.

Publishing an annual list of owners of unclaimed property in the newspaper.

Providing 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.

Responding to escheat inquiries from citizens and localities; coordinating escheat inquest hearings; publishing the escheator certificate in the newspaper for four consecutive weeks; requesting the Order of Sale from the Governor; preparing Land Grants for each parcel sold; making timely tax payments to localities for delinquent taxes; and makes timely payments to escheators for expenses.

Conducting securities sales and annual tangible property auctions.

Processing holder reports including balancing, data entry and uploading electronic holder reports.

### **Anticipated Changes**

**Rewrite of existing UPS application into TUPS, a web-based application** – The development of the Department of the Treasury's Unclaimed Property System (TUPS) is a project to replace a mission critical, legacy system that has been used in the Commonwealth for 16 years by the Division. The new solution will continue to support the Division's basic functional needs of processing Holder Reports and property remittances (cash, securities, and tangible property); processing owner claims for the property; and supporting Division auditors. The new application is being deployed as an intranet web application, which will allow for enhanced reporting tools and workflow technologies. This will enable deployment of new versions of the application by applying an update to a web server, unlike today where distribution of a client executable requires a visit to every user's workstation.

**Leveling in Holder Reporting and Reduction in Large One Time Remittances** – Holder reporting is expected to level in the next biennium as there have been no demutualizations of large insurance companies as was the trend in the early 2000s. The audits of major insurance companies for unreported death benefits will be completed in 2015 and 2016. Therefore, reporting going forward for insurance death benefits will cover one year rather than the catch up reporting that increased remittances from FY 2011 through FY 2014. There has not been any major noncompliance or unreported property types identified for periods going forward.

**Implementation of the Department of Accounts New Cardinal Accounting System** – The Division will have to develop or acquire new staff with the accounting expertise that will have the necessary skills to interact directly with the new Cardinal application. Additionally, the new TUPS application will need to generate disbursement data directly to Cardinal for issuing claim checks. Record layouts for these files will need to be incorporated into TUPS, and if TUPS is not implemented on time, the disbursement and receipt record layout formatting changes may also have to be incorporated into UPS. Monthly costs for user access, data storage, and amortization of development costs will be significantly higher with Cardinal as compared to the costs for the existing CARS system.

**Expanded Outreach and Marketing** - The Division will continue to expand and fine-tune outreach, media, community relations marketing and public relations initiatives. The Division grew its community outreach to include 68 events in FY2014. Combined community outreach and proactive public relations efforts totaled over \$8 million returned to rightful owners for the fiscal year. The Division will also continue its branding expansion, focusing on new internet/social media, traditional media and advertising, and audio-visual opportunities to increase consumer awareness and utilization of the program into the next biennium.

**Office Space Requirements** –The Division moved to a new space on the 5th floor of the Monroe Building in July 2009 without modification or upgrades to the work space and cubicle components left by another agency. The carpet, cubicle components, and other furnishings are in need of replacement and reconfiguration to meet the needs of the staff and processing functions.

**Revision to the Uniform Unclaimed Property Act** – The Uniform Law Commission has convened to revise the Uniform Unclaimed Property Act. It is expected that the draft will be complete and ready for adoption by the Commission in July 2016. Representatives from the Division are members of the NAUPA Uniform Unclaimed Property Act Revision Committee and actively participate in the meetings to provide input and gain an understanding of the issues and positions of the various participant groups.

### **Factors Impacting**

**Staffing** - As the Division continues to implement a paperless work environment that requires multiple applications to interact, it will require a staff who can apply these electronic solutions to a broad citizen constituency. Highly skilled financial professionals will need to be able to quickly assimilate a myriad of facts, consider the implications of various decision paths, make appropriate financial decisions, record these actions in multiple databases, and be able to accurately and adequately explain their decisions to a potentially less sophisticated audience. The demand for processing greater volumes in a reduced timeframe will continue to grow. More than 50% of the current job classifications are Administrative positions and current staff have neither the professional experience nor financial expertise to meet today's job requirements.

**Website** - Development is currently underway for a new searchable unclaimed property website that will significantly increase the efficiency of the claims process.

**Call Center** - 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.

**Consumer Protection Exemptions** - 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 Code 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.

**System Upgrade** - The Division'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, 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. The current language and platform supporting the Unclaimed Property System are no longer widely used and support is becoming obsolete. The entire Unclaimed Property System will require an upgrade to a new version to meet current development standards during the 2012-2014 biennium.

**Federal Government** - 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, Internal Revenue Service tax refunds, Housing and Urban Development escrow funds, and U.S. Postal Service Money Orders. This issue continues to be discussed nationally.

### 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.

#### Biennial Budget

	<b>2015 General Fund</b>	<b>2015 Nongeneral Fund</b>	<b>2016 General Fund</b>	<b>2016 Nongeneral Fund</b>
Initial Appropriation for the Biennium	0	5,380,640	0	5,210,880
Changes to Initial Appropriation	0	0	0	475,643

### Supporting Documents

**Title** **File Type**

## Accounting and Trust Services [73213]

### Description of this Program / Service Area

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

Some highlights include:

At June 30, 2014, approximately \$7.5 billion in public deposits, net of Federal Deposit Insurance Corporation coverage, was secured by securities pledged as collateral to the Treasury Board by the banks and savings institutions holding Virginia public deposits.

Treasury's web-based SPDA reporting system allows public depositories to submit their public depository compliance reports electronically, resulting in increased efficiencies for both the depositories and this service area.

At June 30, 2014, over \$431 million in securities pledged by insurance companies conducting business in the Commonwealth were held as collateral by the Treasury for the benefit of Virginia insurance policyholders.

On behalf of the Commonwealth and its debt-issuing authorities, Treasury made debt service payments totaling \$1.4 billion in FY 2014.

### Mission Alignment

This service area directly aligns with the Department of the Treasury's mission of ensuring excellence in the management of its banking, investing, and financing services and the administration of unclaimed property and insurance programs.

### Products and Services

#### Description of Major Products and Services

Providing accounting and financial reporting for various debt-issuing authorities of the Commonwealth, including the VCBA, VPBA, VPSA, and the Tobacco Settlement Financing Corporation.

Providing payment of debt of the Commonwealth and related debt-issuing authorities where the State Treasurer has been designated as debt paying agent.

Providing accounting and financial reporting for the Local Government Investment Pool.

Providing accounting for the Literary Fund in accordance with the management of the Fund by the Department of Education.

Administering the Security for Public Deposits Act on behalf of the Commonwealth Treasury Board, Virginia governments, and the financial community which protects Virginia public deposits held by banking institutions by their pledging of securities to collateralize their public deposit balances.

Administering and safekeeping of securities of insurance companies that are doing business in Virginia that are held as collateral to protect Virginia insurance policy holders.

Providing accounting and budgeting for the Department of the Treasury and the Treasury Board.

Providing accounting and financial reporting for Commonwealth investments, bond, construction, and other debt-related funds held by the State Treasurer.

Providing accounting for the Commonwealth's risk management funds.

### Anticipated Changes

**Cardinal Transition** – In February 2016, Treasury will transition to Cardinal, the Commonwealth's new accounting and financial reporting system administered by the Department of Accounts. Prior to this time, Treasury will need to make the necessary program modifications to successfully interface with Cardinal. Due to the many varied stand-alone functions that Treasury performs for the Commonwealth, it is anticipated that this endeavor will require significant accounting and information systems resources of the agency. Some of Treasury's stand alone functions that will interface with Cardinal are: (1) payment of insurance claims – CIVITAS SYSTEM, (2) bank reconciliation reconciling items – FRONTIER SYSTEM, (3) investment and debt accounting transactions – APS2 and interface macros, (4) printing of Commonwealth checks from files received from Cardinal - CHECK PROCESSING SYSTEM, (5) making wire disbursements based on instructions from Cardinal. Each of these functions has its own system requirements and will require individual system modifications to interface with Cardinal.

### Factors Impacting

**Governmental Accounting Standards Board** - The Governmental Accounting Standards Board 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.

**Staffing** - There continues to be a strong demand for accounting professionals. It continues to be 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.

### 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.

#### Biennial Budget

	2015 General Fund	2015 Nongeneral Fund	2016 General Fund	2016 Nongeneral Fund
Initial Appropriation for the Biennium	492,601	1,077,662	492,601	1,077,662
Changes to Initial Appropriation	0	0	0	0

### Supporting Documents

**Title** **File Type**

## Check Processing and Bank Reconciliation [73216]

### Description of this Program / Service Area

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

Some Highlights include:

In FY 2014, Treasury printed and distributed 100% of all checks on time, Check Processing printed and distributed over 2 million checks for the Commonwealth, and Bank Reconciliation reconciled more than 70 bank accounts on a monthly basis for the Commonwealth.

### Mission Alignment

This service area directly aligns with the Department of the Treasury's mission of ensuring excellence in the management of its banking, investing, and financing services and the administration of unclaimed property and insurance programs.

### Products and Services

#### Description of Major Products and Services

Printing and distributing Commonwealth checks, including state payroll, retirement, tax refunds, social service and child support, unemployment, and vendor payment checks.

Printing and distribution of payroll direct deposit notices.

Reconciling state bank accounts on a monthly basis.

Providing check stop payment and re-issuance services.

Processing forgery claims relating to state checks.

Maintaining check imaging retrieve system for paid state checks.

Providing research and resolution of outstanding debit and credit adjustments to state bank accounts.

Transferring balances of unpaid Commonwealth checks to Treasury's Division of Unclaimed Property in accordance with state statutes.

Certifying the validity of Commonwealth checks upon request.

Reconciling the state cash position daily in conjunction with the Department of Accounts.

Maintaining a database of paid Commonwealth vendor payment and payroll checks for research and information purposes.

Providing a web-based program that allows state agencies direct access to paid check copies.

Improving, in concert with our major banking partners, internal bank reconciliation systems to reduce the amount of time needed to reconcile bank accounts and clear reconciling items.

### Anticipated Changes

**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. 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 cannot be delivered. Electronic payments also reduce distribution costs. Since 2005, annual check volumes have been reduced from 7.6 to 2 million checks.

**Payee Match Positive Pay Check Security Service** – Treasury uses a check security feature offered by Commonwealth's disbursement banks that matches the payee name on the physical check presented at the bank for payment to the payee name submitted on the check issue files transmitted to Treasury's 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 amount per the check issue file submitted to the banks.

**Data Standardization** - Treasury is striving for the standardization of data printed on Commonwealth checks. The check data 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 the man hours spent correcting data formats.

### Factors Impacting

**Postal Regulations** - Treasury monitors changes in U. S. Postal regulations, services, and service costs 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 realize 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 make every effort to continue to comply with these more stringent regulations to continue to receive discounted postage rates. Treasury will also monitor and respond to postal price increases and evaluate the price impact on the agency's budget and service level.

**Products and Services** - 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.

### 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 1.6 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.

#### Biennial Budget

	2015 General Fund	2015 Nongeneral Fund	2016 General Fund	2016 Nongeneral Fund
Initial Appropriation for the Biennium	1,983,573	219,634	1,983,573	219,634
Changes to Initial Appropriation	0	0	264,000	0

### Supporting Documents

**Title** **File Type**

**Administrative Services [73220]****Description of this Program / Service Area**

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, Internal Controls and Procurement.

**Mission Alignment**

This service area directly aligns with the Department of the Treasury's mission of serving the Commonwealth by ensuring excellence in the management of its banking, investing, and financing services and the administration of unclaimed property and insurance programs.

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

Developing agency's 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.

Developing agency's Legislative Action Summaries and Enrolled Bill Reviews provided to the Secretary of Finance.

Providing Agency Legislative Studies to the Secretary of Finance and the General Assembly as requested.

Maintaining and updating Agency Regulations periodically.

Providing monthly Agency Procurement Dashboard Report to the Department of General Services detailing electronic procurements.

Providing Agency Small, Women and Minority-owned Businesses Report to the Department of Minority Business Enterprise detailing SWaM procurements.

Providing contract Management Reports to agency staff monthly to ensure actions are taken on the Department's 75 contracts when required.

Providing Small Purchase Charge Card Program (SPCC) Annual Cardholder Review Certification and other similar SPCC reports annually to the Department of Accounts.

Providing Small Purchase Charge Card monthly procurement statement reconciliation to the Department of Accounts.

Providing Requests for Proposals provided to vendors for the procurement of goods and services resulting in contracts.

Providing Freedom of Information Act and constituent mail research and response to citizens upon request.

Developing and monitoring of agency goals, objectives and critical issues.

Providing Agency Records Management Reports to the State Library for the archiving and the destruction of agency documents.

Providing Agency Weekly Report provided to the Secretary of Finance detailing agency activity, actions and actions needed by the Governor.

Providing an annual report on the membership of boards and authorities staffed by Treasury to the Secretary of the Commonwealth.

Providing Conflict of Interest Reports to the Secretary of the Commonwealth for staff and board and authority members for boards and authorities staffed by Treasury.

Providing Agency Internal Audit Reports provided to management regarding audit findings and corrective actions needed.

Providing Agency Internal Control Assessment of agency operations provided to State Comptroller annually.

Providing Central Garage Pool Mileage Report monthly to the Department of General Services regarding mileage usage of Pool vehicles assigned to Treasury.

Providing Vehicle Utilization Report annually to the Secretary of Transportation justifying the statutory basis for assignment of agency vehicles.

Providing Assessment of Mandates on State and Local Governments to the Commission on Local Government annually.

Providing Agency Budget and Critical Issues annually to the Secretary of Finance and the Department of Planning and Budget.

Providing Guidance Documents Listing 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.

Providing report pursuant to Executive Order 52(1999) 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.

Providing Employment Dispute Resolution Report 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.

Providing updates to the Workforce Planning Document regarding the agency's manpower strategic plan to the Department of Human Resource Management as needed.

Maintaining a Centralized Access Database tracking Cardholder Identification Access Report showing various employee access levels to the Monroe Building and agency resources.

Providing report pursuant to Executive Order 6(2002) 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.

Providing annually Database Index Report containing detailed information of agency computer databases to the Library of Virginia.

Maintaining Agency Policies and Procedures on a variety of issues that give general direction to staff in the performance of their responsibilities.

Providing Agency Head Executive Agreement Performance Measures to the Governor annually.

Providing Agency Performance Measures quarterly to the Department of Planning and Budget.

Providing direction and assistance to boards and authorities staffed by Treasury.

Providing Treasury Board Report and Minutes monthly to the Treasury Board.

Providing the agency's Proposed Legislation to the Secretary of Finance and to the General Assembly.

Submitting the agency's Continuity of Operations Plan to the Virginia Department of Emergency Management on April 1 of each year pursuant to Executive Order 44(2007).

### **Anticipated Changes**

**Service Delivery** - 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.

**Training Needs** - 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.

**Best Practices** - 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.

**Systems Security** - Increased information systems security will be required to protect our internal systems and client information.

**Outsourcing** - The increased complexity, expansion, regulation and management of services and products may require additional outside resources to augment staff support.

**Audit Positions** - Internal controls will be strengthened with the replacement of the Internal Auditor and the Internal Controls Coordinator.

### **Factors Impacting**

**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. The General Management division developed an agency policy to assist Unclaimed Property develop social media sites such as Facebook and YouTube to expand its outreach efforts.

**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 Treasury’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. Treasury procured Pay Card Services with a vendor that uses a SWaM subcontractor to run its customer service center in Northern Virginia to administer the contract. Treasury continues to pursue such opportunities.

**Hiring and Retention of Staff, Replacement of Retiring Workforce** – Treasury has an aging workforce. Presently, over half of our workforce is over age 50; higher among managers. 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. 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 challenged by deepening budget cuts while continuing to provide mission critical services to all agencies of the Commonwealth.

**Web-based Programs** - 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.

**Vendors Fees** - 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.

**Financial Overview**

The budget for this service area is \$1,850,604 for fiscal year 2015 and \$1,882,490 for fiscal year 2016. Of the amount for fiscal year 2015, 46% is funded with general funds and 54% is funded from nongeneral funds. Of the amount for fiscal year 2016, 47% is funded with general funds and 53% is funded from nongeneral funds. Changes may be required by future actions of the General Assembly as budgets are developed for this biennium.

Biennial Budget

	2015 General Fund	2015 Nongeneral Fund	2016 General Fund	2016 Nongeneral Fund
Initial Appropriation for the Biennium	849,816	1,000,788	881,702	1,000,788
Changes to Initial Appropriation	0	0	0	65,653

**Supporting Documents**

**Title** **File Type**