

# 2016-18 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 for the benefit 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.

**Effectiveness and efficiency:** 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 40% from general funds (\$9.2 million) and 60% from non-general funds (\$13.8 million). The non-general fund sources are: \$8.0 million from the receipt of unclaimed property used to administer the Commonwealth's unclaimed property laws; \$3.0 million from charges to state agencies and localities for insurance coverage; \$2 million from charges to select agencies for check printing services; \$.7 million from charges to debt issuing authorities and agencies for debt issuance and management services; \$1.1 million for investment services provided to state and local governments; and \$.8 million for fees charged financial institutions and insurance carriers.

#### Biennial Budget

	2017 General Fund	2017 Nongeneral Fund	2018 General Fund	2018 Nongeneral Fund
Initial Appropriation for the Biennium	9,244,847	13,788,522	7,804,767	14,267,590
Changes to Initial Appropriation	-49,285	49,285	1,013,559	179,483

*(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
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
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
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

### • GOAL #1: 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.
- 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.
- 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.

• **GOAL #2: 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**

• **GOAL #3: Deliver state-of-the-art 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**

» **Provide for the effective and efficient management of state and local government funds for the preservation of capital, liquidity and interest income for all investment funds under Treasury management**

*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; and manage and administer a local Government Investment Pool that provides value to local government which choose to invest their funds in the Pool.

*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.
- Continue to maintain the S&P AAAM rating for the Local Government Investment Pool to ensure continued service to local governments.

» **Manage and administer a state of the art cash management program and state banking network**

*Description*

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*

- 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.

#### Measures

### • GOAL #4: 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.
- 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.
- 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.

#### Measures

### • GOAL #5: 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 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

### • **GOAL #6: 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

- **GOAL #7: 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 2016, Treasury managed investments totaling \$10.2 billion in state and local government funds, issued or participated in financing \$1.6 billion in debt obligations, processed 2.0 million checks, collected \$153 million in unclaimed property revenue, returned \$41.4 million to rightful owners, and transferred \$250.3 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 2.0 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.

**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.

**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.

**Implemented a Data Breach Expense Recovery Program** - In September 2016, Treasury implemented a statewide data breach expense recovery program covering all state agencies. This program helps state agencies meet the out of pocket expense of a data breach by providing and reimbursing forensic investigations, notification requirements, credit monitoring, call centers and similar expenses required immediately following a data breach. This program helps fulfill the administration's cyber security efforts.

**Implemented a New Treasury Unclaimed Property System (TUPS)** - In March 2016, Treasury completed the design, development and implementation of the Treasury Unclaimed Property System (TUPS) to replace an inefficient two-decade old system. TUPS is web-based system which enables outreach staff to log in remotely to access live data to expedite payments to claimants. TUPS created a paperless processing environment and enabled staff to process claims more quickly and efficiently.

**New Portal Created for Filing of Annual Unclaimed Property Reports** - In October 2016, Treasury launched the Holder Upload Portal. It allowed Treasury to respond to businesses regarding their reporting issues much quicker than in the past. The holder community was appreciative of Treasury's efforts to automate filing of annual reports. Commitment to a 24-hour response time helps the company and the agency work together for the good of all citizens in Virginia.

**Simplified Estate Claim Processing** - In 2016, Treasury initiated legislation that provided the State Treasurer the authority pay claims for property of deceased owners that would otherwise have been denied. The bill allows the State Treasurer to accept an affidavit stating that the claimant is entitled to the property.

**Enhancing Pay Card Security** - In 2016, in conjunction with the Governor's Executive Directive 5, Treasury successfully converted all pre-paid debit cards used to pay recipients of child support, TANF, unemployment benefits and payroll to chip technology. This helps to protect citizens from counterfeit card fraud as well as fraudulent activity against the Commonwealth. Virginia was one the earliest states to do this conversion.

**Enhanced Credit Card Security** - In 2016, Treasury worked with various agencies to convert credit card terminals to EMV chip technology for processing credit card payments. Virginia is one of the first states to accomplish this task which protects the Commonwealth from liability for fraud losses.

**Conversion of Investment Program** - In 2016, Treasury, in concert with the State Non Arbitrage Program (SNAP) administrator successfully accomplished the conversion of the SNAP investment portfolio from a Prime Money Market Mutual Fund to a Local Government Investment Pool structure. This became necessary when the Securities and Exchange Commission's (SEC) made rules that would force SNAP participants to discontinue investing in the fund. The conversion, a major project, enabled SNAP Participants to preserve the required "stable value" status of their invested proceeds and retain the advantage the program provides to participants for managing arbitrage risk.

**Provided Access to Lower Cost Financing** - Treasury initiated legislation (enacted in 2016) that allows foundations of higher education in Virginia to use the Virginia College Building Authority as a conduit issuer to access the tax-exempt bond market for financing foundation-sponsored capital projects. Prior to this legislation, the foundations were limited to suing local IDA's or private bank loans, which cost more than going through the VCBA.

**Managing Statewide Credit Card Contract** - Treasury manages a credit card contract for the entire Commonwealth to enable localities and agencies to accept credit card payments. This state wide contract benefits all users since they can access this contract without the need to establish a separate contract and saves costs since the price is calculated on the combined volume. The state received over \$1.5 Billion in total credit and debit card payments during calendar year 2016.

**Brought Auto Insurance Program in-House** - In July of 2014, Treasury brought the management of the auto insurance program in-house creating efficiencies and delivering better customer service. The first year after implementation, the cost was reduced by about 11.6%, the second year (FY 16) the savings was about 10.4%.

## 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. In light of the above, S&P recently revised its outlook on the Commonwealth's "AAA" rated General Obligation bonds from "stable" to "negative".

**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, several of Treasury's employees are either eligible or will be eligible for full retirement within the next few 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.

**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.

**Conversion of Cash Management and Investments Processes to an Electronic Platform** - Treasury began the study and ultimately, the conversion of its banking and investment operations to an electronic platform. This project, began in FY15 will, upon completion in early FY 18, streamline daily information processing for bank account management, portfolio investing and risk controls while eliminating manual and repetitive processes. It will also greatly enhance Treasury's reporting capabilities, effectively giving critical information in near real time to enhance decision making.

**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 Virginia Information Technologies Agency (VITA) Information Technology Strategic Plan. Treasury's current and future technology projects are summarized below:

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.

**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.

**Treasury Unclaimed Property System (TUPS) Enhancements** – UCP will continue to enhance the functionality of the newly developed TUPS application. Enhancements would include an outreach module that enables internal TUPS users a way to facilitate creating claims on the spot, an auction module that supports UCP in selling tangible properties, and an audit module that gives the UCP audit users the ability to conduct the Holder audit process. These projects are to be completed during FY 2018.

**Unclaimed Property Reporting Application** – UCP needs to implement software that will support Treasury in reporting outstanding checks set to become unclaimed property. UCP is statutorily required to perform due diligence to attempt to find the legal owners of these checks prior to performing the charge off process and making them unclaimed property. The solution may be in the form of off the shelf software or a custom solution written in-house.

**Debt Management Website Enhancements** – Debt Management 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.

**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.

**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. Currently, the Cardinal System, Department of Accounts, Department of Taxation, and several processes from Department of Social Services (DSS) and the Virginia Retirement Services (VRS) have been transitioned. The Virginia Employment Commission and remaining processes from DSS and VRS are set to be transitioned by the end of FY 2018.

**PaperVision Upgrade and Expansion** – The agency needs to upgrade and expand usage of the document management system to improve efficiencies, replace outdated work flows and decrease printed paper. Upgrades will need to be made to be compatible with new state and agency software such as Cardinal. Expansion in the Operations, Cash Management and General Management divisions will require additional software modules and licensing.

**Frontier Upgrade** – With Server 2008 and SQL Server 2008 being replaced, Frontier needs to be upgraded to work in the new environment.

**Northrop Grumman (NG) Migration** – With the end of the NG/VITA partnership coming soon, VITA has already begun awarding contracts to new contractors for various systems within the Commonwealth. With these awards comes the migration of those systems away from NG control to the new contractor. This year, the state's mainframe, e-mail, and other systems will have to be migrated as the contracts are awarded and the details worked out with VITA and the new contractor.

**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 and SQL Server Upgrades** – The agency is currently in the process of updating all Windows Server 2008 servers and all SQL Server 2008 servers to new versions at the Commonwealth Enterprise Solutions Center (CESC). Updating the servers at CESC helps eliminate Operational Risk Issues with operating system and database system versions.

## **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, several employees are either eligible or will be eligible for full retirement within the next few years, including several key employees. 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 Richmond area unemployment rate is 4.3%. 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 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. In an effort to better address spatial relations to accommodate the needs of the agency and staff, the third floor space was recently renovated. This renovation resulted 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. In FY 2018, Treasury will renovate the fifth floor to implement similar grouping and spatial improvements to the Unclaimed Property division work area.

## **Supporting Documents**

**Title**

**File Type**

## 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) Virginia Public Building Authority (VPBA) and the Tobacco Settlement Financing Corporation, 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, assists Virginia Department of Transportation staff with financings executed by the Commonwealth Transportation Board, analyzes and coordinates the approval of capital leases and other alternative financing arrangements and reviews private activity bond requests requiring the Governor's signature.

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 (DCAC), the Division provides reviews and evaluates the Commonwealth's tax-supported debt commitments and develops recommendations for consideration by the Committee on debt affordability.

The Division administers a biennial Treasury Board debt service budget of \$1.6 billion.

### 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.

- § 22.1-162 through § 22.1-175 Virginia Public School Authority
- § 23.1-1200 through § 23.1-1238 Virginia College Building Authority
- § 2.2-2260 through § 2.2-2278 Virginia Public Building Authority
- § 33.2-100 through § 33.2-3308 Highways and Other Surface Transportation Systems

### 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, equating to \$800 million in each year of the 2016-18 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 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 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, 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, financial printer 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 rules affecting municipal issuers: The Municipal Advisor Rule impacted 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 have resulted in reduced state debt capacity and the General Assembly has restricted annual borrowing for certain capital projects which requires closer monitoring of the timing of bond issuances.

**Economic Issues** - Federal budget reductions and sequestration will continue to place stresses on Virginia's economy. The consideration of tax reform at the Federal level requires working with the congressional delegation and national organizations to ensure that the tax-exemption on municipal bonds is maintained.

**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. Some of this will be done with a new website for the Division.

**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

	2017 General Fund	2017 Nongeneral Fund	2018 General Fund	2018 Nongeneral Fund
Initial Appropriation for the Biennium	593,254	499,780	593,254	499,780
Changes to Initial Appropriation	0	0	-32,546	32,546

**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 nearly 14,000 state buildings and their contents with a value in excess of \$32 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 2016.

### 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.

§ 2.2-1832 through 2.2-1843. Division of Risk Management.

§ 44-13.4 Risk management

§ 31.2-517 Authority to enter into agreements

§ 37.2-615 Authority to enter into agreements

§ 37.2-127.3 Immunity from liability for health care

§ 54.1-106 Health care professionals rendering service

§ 8.01-588.1 Bonds

§ 242-121 Defense of electoral board

§ 192-305 Restitution of property damage

§ 16.1-69.18 Bonds of judges, clerks and others

§ 33.2-1927 Liability of Commonwealth, cities, towns

§ 33.2-1909 Bonds of members

§ 15.2-1533 Bond plan

§ 15.2-1527 Bonds of officers

§ 2.2-2343 Authority may borrow money

§ 2.2-3705 Exclusion of application

§ 15.2-2792 Commonwealth and agencies

§ 15.2-106.1 Notification of license

§ 55.446. Limitation of passenger rail

### 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 (DRM) 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, DRM 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. The malpractice cap will 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** - DRM 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** - DRM 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

	2017 General Fund	2017 Nongeneral Fund	2018 General Fund	2018 Nongeneral Fund
Initial Appropriation for the Biennium	1,268,694	2,459,357	0	2,459,400
Changes to Initial Appropriation	0	0	1,548,439	0

**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 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 (CMI) administered \$10.2 billion in managed investment portfolios, comprised of \$5.6 billion in the General Account portfolio, \$4.1 billion in the LGIP portfolio, \$470 million in special portfolios, and \$54 million in outside trustee portfolios for FY 2016 .

During the past year CMI has begun a design and conversion of daily operations processes from manual procedures to the use of electronic means. This affects both banking and all aspects of internal investment management and reporting. This conversion should be complete by September 30, 2017.

CMI 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.

CMI 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.

§ 2.2-1800 through 2.2-1831. Department of the Treasury

§ 2.2-4605. Powers of Treasury Board relating to the administration of local government investment pool.

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

Providing investment management services for the Commonwealth's General A count, the LGIP, the Tobacco Indemnification and Community Revitalization (TICR) Fund, and various trust funds. CMI must also administer the SNAP Program which, as of December 2016, converted to an LGIP type investment portfolio form a registered money market mutual fund and which now requires more extensive reporting to an oversight by Treasury Board.

Providing monthly statements and quarterly newsletter to all LGIP 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 and the SNAP Program.

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 when market opportunities present themselves.

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 TIGR 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). In order to better serve our shareholders, Treasury has implemented and is in the process of further updating online account participation and reporting. As of June 30, 2016, the LGIP adopted GASB Statement 79 for the management and reporting of the Pool, This replaced the SEC "2a7 like" management standard the Pool had used prior to the introduction of the SEC adopting a daily floating NAV and the risk of "gates and fees" measures effective in October 2016. The LGIP is participating in the current design and subsequent conversion of CMI banking and investment processes and reporting to an electronic platform to further improve management oversight and reporting.

**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** – Changing portfolio investment policies such as the recent adoption of GASB Statement 79 for managing and reporting the LGIP and the recent conversion of the SNAP Portfolio to an independent LGIP vehicle from an SEC registered 2a-7 Money Market Fund and correspondingly adopting new and enhanced procedures require additional oversight and monitoring relating to performance, risk measurement and control. Multiple portfolios, with different and changing investment options, combined with new regulations and their unforeseen consequences will continue to 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 in the wake of major bank and financial industry regulatory changes, which, if not managed properly may have negative impacts for the Commonwealth.

### **Factors Impacting**

**Investment of Funds** - The last few years have brought a recovery in General Account revenues which, in the context of reduced availability of investment options in the wake of financial industry regulatory changes, have increased the workload and also the complexity in the management of the General Account's assets. Senior level staff retirements in both banking and investments have reduced institutional memory for policies and practices and created new challenges for existing staff. Maintaining the high level of operational skills with a skilled but newer staff is a demanding priority.

**Market Volatility** - Still evolving changes in money markets since the financial crisis of 2008-09 its impact on separately managed portfolios has increased 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 funded with general and nongeneral funds.

Biennial Budget

	2017 General Fund	2017 Nongeneral Fund	2018 General Fund	2018 Nongeneral Fund
Initial Appropriation for the Biennium	3,570,374	1,051,848	3,396,450	1,051,848
Changes to Initial Appropriation	-49,285	49,285	-331,762	126,365

**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 (UCP) collected \$309.3 million in unclaimed property revenue from holders and stock sales, returned to owners \$30.2 million in cash and \$11.3 million in securities value, and transferred \$250.3 million to the Literary Fund for public education purposes in FY 2016.

The development of the Department of the Treasury's Unclaimed Property System (TUPS) project to replace a mission critical, legacy system that has been used in the Commonwealth for 16 years by UCP was completed and the system went live on March 29, 2016. The new solution will continue to support UCP's basic functional needs of processing Holder Reports and property remittances (cash, securities, and tangible property); processing owner claims for the property; and supporting securities sales. The new application was deployed as an intranet web application, which incorporated document management and workflow management technologies. This enabled deployment of new versions of the application by applying an update to a web server, unlike previous deployments where distribution of a client executable required a visit to every user's workstation.

In FY 2016, UCP collected 8,791 electronic reports containing 1,374,468 owners (an average of 156.35 owners per electronic report) and received 2,642 paper reports containing 16,293 owners, an average of 6.17 owners per report. There were 59,028 cash claims and 1,269 securities claims were processed.

### 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.

§ 55-210.1 through § 55-210.1.29 Disposition of Unclaimed Property

§ 55-168 through 55-201.1 Escheats Generally Statute

### 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**

**Leveling in Holder Reporting and Reduction in Large One Time Holder 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 began closing in 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 2016. There has not been any major noncompliance or unreported property types identified for periods going forward. In addition, the stock sales held in FY 2014-FY 2017 cleared out the backlog of stock. Going forward the stock sales will cover stock received for one report year. These changes will reduce the transfers of unclaimed property proceeds to the Literary Fund.

**Office Space Requirements** – UCP 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 convened to revise the Uniform Unclaimed Property Act. The draft was approved by the Commission in July 2016 with the final draft ready in October 2016. Several states will introduce this legislation in 2017. The results will be reviewed to determine whether the new Act would be beneficial to the citizens of Virginia.

### **Factors Impacting**

**Staffing** - As UCP continues its efforts 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** – Changes are needed for the 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 activity. 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 Modifications and Enhancements** - UCP's new Treasury Unclaimed Property System (TUPS) was implemented at the end of March 2016. TUPS has already received several enhancements and modifications that were excluded from the project that have created efficiencies. There are several additional enhancements that are planned in the years going forward that will automate additional processes and provide the addition of some ancillary tools and integration (Website, searchable database, web administration inquiry tools, reporting software, etc.). 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.

**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

	2017 General Fund	2017 Nongeneral Fund	2018 General Fund	2018 Nongeneral Fund
Initial Appropriation for the Biennium	0	7,258,687	0	7,732,623
Changes to Initial Appropriation	0	0	0	0

**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, 2016, approximately \$8.9 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, 2016, over \$409 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 \$1.7 billion in FY 2016.

### 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.

§ 2.2-1807 Investments, etc., in custody of State Treasurer.

§ 2.2-4500 Legal investments for public sinking funds.

§ 2.2-4501 Legal investments for other public funds.

§ 2.2-1806 Investment of current funds in state treasury; withdrawals and transfers of moneys to be invested.

§ 2.2-4602 Local government investment pool created.

§ 2.2-4400 through § 2.2-4411 Virginia Security for Public Deposits Act.

§ 38.2-1045 through § 38.2-1058 Deposits required of insurers generally.

§ 22.1-143 Money belonging to Fund received in treasury; accountant.

### Products and Services

#### Description of Major Products and Services

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

Paying 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 services for the Local Government Investment Pool.

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

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

Administering and safekeeping 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 services for Commonwealth investments, bond, construction, and other debt-related funds held by the State Treasurer.

Providing accounting and financial reporting services 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**

**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

	<b>2017 General Fund</b>	<b>2017 Nongeneral Fund</b>	<b>2018 General Fund</b>	<b>2018 Nongeneral Fund</b>
Initial Appropriation for the Biennium	576,531	1,087,734	576,531	1,087,734
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 2016, Treasury printed and distributed 100% of all checks on time, Check Processing printed and distributed approximately 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.

§ 2.2-1800 through §2.2-1812 General Provisions

§ 2.2-1813 through §2.2-1818 State Depositories

§ 2.2-1819 through § 2.2-1827 Disbursement from State Treasury

§ 8.4-101 through § 8.4-504 Commercial Code -- Bank Deposits and Collections

### Products and Services

#### Description of Major Products and Services

Printing and distribution of 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 retrieval 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

	<b>2017 General Fund</b>	<b>2017 Nongeneral Fund</b>	<b>2018 General Fund</b>	<b>2018 Nongeneral Fund</b>
Initial Appropriation for the Biennium	2,254,963	219,634	2,254,963	219,634
Changes to Initial Appropriation	0	0	-150,000	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.

Chapter 18 of Title 2.2 (§§ 2.2-1800 through 2.2-1843) of the Code of Virginia

### 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 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 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 41 (2011).

### **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.

### **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 Small Business and Supplier Diversity to identify SWaM vendors in an effort to increase our usage of such vendors, including the recently designated micro business designation. 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 need to be competitive 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 funded with general and nongeneral funds. Changes may be required by future actions of the General Assembly as budgets are developed for this biennium.

Biennial Budget

	2017 General Fund	2017 Nongeneral Fund	2018 General Fund	2018 Nongeneral Fund
Initial Appropriation for the Biennium	981,031	1,211,482	983,569	1,216,571
Changes to Initial Appropriation	0	0	-20,572	20,572

**Supporting Documents**

**Title** **File Type**