



Quarterly Report Summary - - January 1, 2012 to March 31, 2012

Four System Development Projects Require Continuing Monitoring

- DMV cancels the Customer Services System Integrated Systems Redesign after spending \$28 million,
- Retirement System has again rescheduled the implementation dates due to vendor issues,
- VEC's Financial Management System and Unemployment Insurance Modernization Project has continued risks of inadequate systems hosting and lack of long-term financial resources, and
- Cardinal and Performance Budgeting Enterprise Applications also have no funding source for operations. (page 1)

Cardinal and Performance Budgeting Are Key to the Commonwealth's Modernizing Systems

The State Controller and Planning and Budget will use Cardinal and Performance Budgeting Enterprise Applications as the new statewide accounting and budgeting system, the Commonwealth does not have a source for funding operation. (pages 1 and 2)

Secretaries of Finance, Health and Human Resources, Transportation, and Statewide Single Audit Reports Available

The Secretarial Reports above include all of the agencies under each Secretary. The Statewide Single Audit is a financial, internal control and compliance audit of all the Commonwealth's major federal grants and contracts. The following links will direct you to these reports.

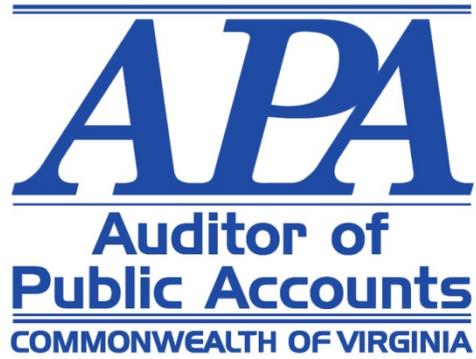
http://www.apa.virginia.gov/reports/SoF_2011.pdf

http://www.apa.virginia.gov/reports/HHR_2011.pdf

<http://www.apa.virginia.gov/reports/CTF2011.pdf>

http://www.apa.virginia.gov/reports/CommonwealthOfVirginiaSingleAuditReport%20_2011.pdf

We will be happy to provide you any reports in their entirety, or you can find all reports listed in this document at our website <http://www.apa.virginia.gov/reports.cfm>. We welcome any comments concerning this report or its contents.



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Progress Report on Selected System Development Projects in the Commonwealth

The report reflects our on-going review of \$205 million in Commonwealth systems development projects. The following systems development projects have risks that could adversely change either the project's scope, delay the implementation schedule, or increase costs.

- Cardinal and Performance Budgeting Enterprise Applications; both applications require continued financial support for their operations and maintenance; however, no funding methodology has been finalized.
- Modernization; the Retirement System has again rescheduled the implementation dates for the project and reduced the vendor's involvement.
- Customer Services System Integrated Systems Redesign; Motor Vehicles has cancelled this project after having spent about \$28 million.
- Financial Management System and Unemployment Insurance Modernization Project; risks continue in the area of systems hosting and long-term financial resources.

Our review goal is to detect problems at the earliest possible point and alert decision makers to this information, thereby reducing potential project failures. In this report, we highlight the progress of selected projects we are actively monitoring as well as any recommendations that pertain to improving project management practices.

Agencies under the Secretary of Finance

Status of System Modernization Projects

This report summarizes our fiscal year 2011 audit results for the five agencies under the Secretary of Finance and arises from our work on the Comprehensive Annual Financial Report.

Cardinal System

The Commonwealth has continued to make progress on its Cardinal system, which will replace the Commonwealth's financial system (CARS) and the Virginia Department of Transportation's (Transportation) financial system with a modern, enterprise-wide financial system (base financial system). This is a key project for the Commonwealth since the current accounting systems are outdated both in terms of the technology and available functionality. For example, due to their age and lack of integration, the Commonwealth's current systems either do not contain the information, or cannot easily exchange information, to support current state and federal initiatives related to government transparency and timelier financial reporting.

The first implementation phase of the project occurred in December 2011 with the implementation of Transportation's financial system. Plans remain intact for phase two of the implementation where the Department of Accounts (Accounts) will go-live in October 2012. Phase three, which involves an incremental roll out to all state agencies, will occur over the next several

years. Phases two and three of the implementation will provide the Commonwealth's base financial system and will consist of general ledger and accounts payable modules. These modules will provide the foundation for a modern financial system for the Commonwealth with the ability to add other modules and expand functionality in future phases.

The project development and implementation cost budget is \$58 million for phases one and two and Transportation and a working capital advance of approximately \$7.3 million are funding this phase. Transportation is currently funding all operating costs. As of December 2011, project expenses totaled approximately \$49 million. The project development and implementation cost budget is \$57 million for phase three and a working capital advance will fund this phase. Charges through an internal service fund will fund operating costs and repayment of the working capital advance.

Performance Budgeting System

During fiscal year 2011, Planning and Budget and the Virginia Information Technologies Agency (VITA) Enterprise Applications Division continued their efforts to implement the Performance Budgeting System to replace the legacy budgeting systems, Program Budget System (PROBUD) and Form 27 Automated Transaction System (FATS), as well as other ancillary databases, spreadsheets, and documents previously supporting the Commonwealth's strategic planning and budgeting processes. In September 2010, phase one implementation occurred and addressed four functional areas: budget development (operating and capital), six-year financial planning, and budget execution.

In June 2011, management temporarily suspended the phase two implementation, addressing the remaining two areas of agency spending plans and strategic planning. Phase two was originally scheduled for completion in April 2011. This decision allowed the project team to focus on correcting and adding enhancements to the phase one functionality and stabilizing that environment in time for the fall 2011 budget season. The project team re-started phase two activities in December 2011 and anticipates completion of this phase and overall project close out by March 2012. After project close out the system will enter the maintenance phase of the system development life cycle.

Funding for this \$15 million project comes from a working capital advance administered by VITA. The Appropriation Act directs the repayments of the advance from enhanced collections, cost recoveries, inter-agency collaborative projects, and other initiatives. No repayment from these sources has occurred to date.

Enterprise Applications Internal Service Fund

The Commonwealth has not finalized the funding methodology to support system maintenance and operation costs for these new systems. Item 250.10 of Chapter 890, 2011 Acts of Assembly, provides the authority for a new internal service fund that Accounts will manage and authorizes the Secretary of Finance to establish a fee charged to agencies to support enterprise system administration. However, the Secretary of Finance has not finalized the method for assessing the fee. Future changes to these fees will require the Joint Legislative Audit and Review Commission's approval.

SUMMARY OF REPORTS ISSUED

The following reports on audit were released by this Office during the period January 1, 2012 to March 31, 2012. Those reports which included findings in the area of internal controls or compliance are indicated by an (*) asterisk.

Independent Agencies

State Corporation Commission for the two-year period ended June 30, 2011*

Executive Departments

Administration

Department of Employment Dispute Resolution for the three-year period ended June 30, 2011
Department of Human Resource Management for the three-year period ended June 30, 2011*
Department of Minority Business Enterprise for the period January 1, 2009 through June 30, 2011

Commerce and Trade

Virginia Board of Accountancy for the year ended June 30, 2011
Virginia National Defense Industrial Authority for the year ended June 30, 2011
Virginia Tourism Authority for the year ended June 30, 2011

Education

Department of Education and Direct Aid to Public Education for the year ended June 30, 2011
State Council of Higher Education for Virginia for the period July 1, 2008 through June 30, 2011

Colleges and Universities

George Mason University for the year ended June 30, 2011
George Mason University Intercollegiate Athletics Program for the year ended June 30, 2011
James Madison University Intercollegiate Athletics Program for the year ended June 30, 2011
John Tyler Community College Reaccreditation Review for the year ended June 30, 2011
Longwood University Intercollegiate Athletics Program for the year ended June 30, 2011
Norfolk State University Intercollegiate Athletics Program for the year ended June 30, 2011
Radford University for the year ended June 30, 2011*
Radford University Intercollegiate Athletics Program for the year ended June 30, 2011
The College of William and Mary in Virginia Intercollegiate Athletics Program for the year ended June 30, 2011*

University of Virginia Intercollegiate Athletics Program for the year ended June 30, 2011*
Virginia Commonwealth University for the year ended June 30, 2011*
Virginia Commonwealth University Intercollegiate Athletics Program for the year ended
June 30, 2011
Virginia Military Institute Intercollegiate Athletics Program for the year ended June 30, 2011
Virginia Polytechnic Institute and State University Intercollegiate Athletics Program for the year
ended June 30, 2011

Finance

Agencies of the Secretary of Finance for the year ended June 30, 2011*

Health and Human Resources

Agencies of the Secretaries of Health and Human Resources for the year ended June 30, 2011*

Natural Resources

Department of Environmental Quality for the years ended June 30, 2010 and June 30, 2011

Public Safety

Commonwealth's Attorneys' Services Council for the year ended June 30, 2011

Transportation

Agencies of the Secretary of Transportation for the year ended June 30, 2011*

Special Reports

Commonwealth of Virginia Single Audit Report for the year ended June 30, 2011*
Comparative Report of Local Government Expenditures and Revenues for the year ended
June 30, 2011 (Available at <http://www.apa.virginia.gov/ComparativeReport.cfm>)
Progress Report on Selected Systems Development Projects in the Commonwealth –
March 2012*
Report on Collections of Commonwealth Revenues by Local Constitutional Officers for the year
ended June 30, 2011*
Report to the Joint Legislative Audit and Review Commission for the quarter October 1, 2011
through December 31, 2011*
Review of the Budget and Appropriation Processing Control System for the year ended
June 30, 2011

Clerks of the Circuit Courts

Cities:

City of Suffolk – January 1, 2011 through December 31, 2011

Counties:

County of Halifax – April 1, 2010 through December 31, 2011*

County of Highland – April 1, 2010 through December 31, 2011

State Accounts

Cities:

City of Danville for the year ended June 30, 2011*

City of Hopewell – for the year ended June 30, 2011

City of Norfolk for the year ended June 30, 2011

City of Richmond for the year ended June 30, 2011*

City of Salem for the year ended June 30, 2011*

City of Williamsburg for the year ended June 30, 2011

City of Winchester for the year ended June 30, 2011

Counties:

County of Alleghany (Turnover) for the year ended December 31, 2011

County of Amherst (Turnover) for the year ended December 31, 2011

County of Amherst for the year ended June 30, 2011*

County of Bath (Turnover) for the year ended December 31, 2011

County of Botetourt (Turnover) for the year ended December 31, 2011

County of Charles City (Turnover) for the year ended December 31, 2011

County of Dinwiddie (Turnover) for the year ended December 31, 2011

County of Floyd (Turnover) for the year ended December 29, 2011

County of Franklin for the year ended June 30, 2011

County of Greensville (Turnover) for the year ended December 31, 2011

County of Henry for the year ended June 30, 2011

County of James City for the year ended June 30, 2011

County of Lee for the year ended June 30, 2011*

County of Louisa (Turnover) for the year ended December 31, 2011

County of Lunenburg (Turnover) for the year ended December 31, 2011

County of Nelson (Turnover) for the year ended December 30, 2011

County of New Kent (Turnover) for the year ended December 30, 2011

County of Northumberland for the year ended June 30, 2011

County of Orange for the year ended June 30, 2011*

County of Patrick (Turnover) for the year ended December 31, 2011

County of Prince Edward for the year ended June 30, 2011

County of Roanoke for the year ended June 30, 2011*

County of Rockbridge (Turnover) for the year ended December 31, 2011

County of Rockingham for the year ended June 30, 2011*

County of Scott (Turnover) for the year ended December 31, 2011
County of Tazewell (Turnover) for the year ended December 27, 2011

General Receivers

Cities:

City of Charlottesville for the year ended June 30, 2011*

Counties:

County of Buchanan for the year ended June 30, 2011

County of King George for the year ended June 30, 2011*

Magistrates

Cities:

City of Alexandria – July 1, 2010 through June 30, 2011*

City of Charlottesville – July 1, 2010 through June 30, 2011

City of Chesapeake – July 1, 2010 through June 30, 2011

City of Emporia – July 1, 2010 through June 30, 2011

City of Hampton – July 1, 2010 through June 30, 2011

City of Hopewell – July 1, 2010 through June 30, 2011

City of Lynchburg – July 1, 2010 through June 30, 2011

City of Newport News – July 1, 2010 through June 30, 2011*

City of Norfolk – July 1, 2010 through June 30, 2011

City of Portsmouth – July 1, 2010 through June 30, 2011

City of Roanoke – July 1, 2010 through June 30, 2011*

City of Virginia Beach – July 1, 2010 through June 30, 2011

Counties:

County of Accomack – July 1, 2010 through June 30, 2011

County of Alleghany – July 1, 2010 through June 30, 2011

County of Amherst – July 1, 2010 through June 30, 2011

County of Appomattox – July 1, 2010 through June 30, 2011

County of Arlington – July 1, 2010 through June 30, 2011

County of Bath – July 1, 2010 through June 30, 2011

County of Botetourt – July 1, 2010 through June 30, 2011

County of Brunswick – July 1, 2010 through June 30, 2011

County of Buckingham – July 1, 2010 through June 30, 2011*

County of Charles City – July 1, 2010 through June 30, 2011

County of Charlotte – July 1, 2010 through June 30, 2011

County of Culpeper - July 1, 2010 through June 30, 2011

County of Cumberland – July 1, 2010 through June 30, 2011

County of Dickenson - July 1, 2010 through June 30, 2011

County of Dinwiddie – July 1, 2010 through June 30, 2011

County of Essex – July 1, 2010 through June 30, 2011
County of Fairfax – July 1, 2010 through June 30, 2011
County of Fauquier – July 1, 2010 through June 30, 2011
County of Franklin – July 1, 2010 through June 30, 2011
County of Frederick – July 1, 2010 through June 30, 2011
County of Halifax – July 1, 2010 through June 30, 2011
County of Hanover – July 1, 2010 through June 30, 2011
County of Henrico – July 1, 2010 through June 30, 2011
County of James City/City of Williamsburg – July 1, 2010 through June 30, 2011
County of King William – July 1, 2010 through June 30, 2011
County of Lancaster - July 1, 2010 through June 30, 2011
County of Lee – July 1, 2010 through June 30, 2011
County of Mecklenburg – July 1, 2010 through June 30, 2011*
County of Montgomery - July 1, 2010 through June 30, 2011
County of Orange – July 1, 2010 through June 30, 2011
County of Patrick - July 1, 2010 through June 30, 2011
County of Pittsylvania – July 1, 2010 through June 30, 2011
County of Prince William – July 1, 2010 through June 30, 2011
County of Pulaski – July 1, 2010 through June 30, 2011
County of Richmond – July 1, 2010 through June 30, 2011
County of Roanoke – July 1, 2010 through June 30, 2011
County of Rockbridge – July 1, 2010 through June 30, 2011
County of Scott - July 1, 2010 through June 30, 2011
County of Shenandoah – July 1, 2010 through June 30, 2011
County of Sussex – July 1, 2010 through June 30, 2011
County of Washington – July 1, 2010 through June 30, 2011
County of Westmoreland – July 1, 2010 through June 30, 2011
County of Wise/City of Norton – July 1, 2010 through June 30, 2011
County of Wythe – July 1, 2010 through June 30, 2011

General District Courts

Cities:

City of Alexandria – July 1, 2010 through June 30, 2011
City of Charlottesville – July 1, 2010 through June 30, 2011
City of Chesapeake – July 1, 2010 through June 30, 2011
City of Fairfax – July 1, 2010 through June 30, 2011
City of Hampton – July 1, 2010 through June 30, 2011
City of Lynchburg – July 1, 2010 through June 30, 2011
City of Martinsville - July 1, 2010 through June 30, 2011
City of Newport News (Criminal Division) – July 1, 2010 through June 30, 2011*
City of Newport News (Traffic Division) – July 1, 2010 through June 30, 2011
City of Norfolk – July 1, 2010 through June 30, 2011
City of Portsmouth – July 1, 2010 through June 30, 2011
City of Richmond (Traffic Division) – July 1, 2010 through June 30, 2011*

City of Roanoke – July 1, 2010 through June 30, 2011
City of Staunton – July 1, 2010 through June 30, 2011
City of Virginia Beach – July 1, 2010 through June 30, 2011*
City of Waynesboro – July 1, 2010 through June 30, 2011
City of Winchester – July 1, 2010 through June 30, 2011

Counties:

County of Accomack – July 1, 2010 through June 30, 2011*
County of Albemarle – July 1, 2010 through June 30, 2011*
County of Amherst – July 1, 2010 through June 30, 2011
County of Appomattox – July 1, 2010 through June 30, 2011*
County of Arlington – July 1, 2010 through June 30, 2011*
County of Botetourt – July 1, 2010 through June 30, 2011*
County of Brunswick – July 1, 2010 through June 30, 2011
County of Charlotte – July 1, 2010 through June 30, 2011
County of Clarke – July 1, 2010 through June 30, 2011
County of Culpeper - July 1, 2010 through June 30, 2011
County of Fairfax – July 1, 2010 through June 30, 2011
County of Fauquier – July 1, 2010 through June 30, 2011
County of Franklin – July 1, 2010 through June 30, 2011
County of Frederick – July 1, 2010 through June 30, 2011
County of Halifax – July 1, 2010 through June 30, 2011
County of Hanover – July 1, 2010 through June 30, 2011
County of Henrico – July 1, 2010 through June 30, 2011
County of James City/City of Williamsburg – July 1, 2010 through June 30, 2011
County of King and Queen – July 1, 2010 through June 30, 2011
County of King William – July 1, 2010 through June 30, 2011
County of Lancaster - July 1, 2010 through June 30, 2011
County of Louisa - July 1, 2010 through June 30, 2011
County of Mathews – July 1, 2010 through June 30, 2011
County of Mecklenburg – July 1, 2010 through June 30, 2011
County of Middlesex – July 1, 2010 through June 30, 2011
County of Nelson – July 1, 2010 through June 30, 2011
County of Northampton – July 1, 2010 through June 30, 2011
County of Northumberland – July 1, 2010 through June 30, 2011
County of Pittsylvania – July 1, 2010 through June 30, 2011
County of Prince William – July 1, 2010 through June 30, 2011*
County of Pulaski – July 1, 2010 through June 30, 2011
County of Roanoke – July 1, 2010 through June 30, 2011
County of Rockbridge – July 1, 2010 through June 30, 2011
County of Shenandoah – July 1, 2010 through June 30, 2011*
County of Smyth – July 1, 2010 through June 30, 2011*
County of Warren – July 1, 2010 through June 30, 2011*
County of Washington - July 1, 2010 through June 30, 2011
County of Wise/City of Norton – July 1, 2010 through June 30, 2011*
County of Wythe – July 1, 2010 through June 30, 2011

County of York - July 1, 2010 through June 30, 2011

Combined District Courts

Cities:

City of Buena Vista - July 1, 2010 through June 30, 2011
City of Emporia – July 1, 2010 through June 30, 2011
City of Falls Church – July 1, 2010 through June 30, 2011
City of Franklin – July 1, 2010 through June 30, 2011*
City of Galax – July 1, 2010 through June 30, 2011
City of Hopewell - July 1, 2010 through June 30, 2011
City of Radford – July 1, 2010 through June 30, 2011
City of Salem – July 1, 2010 through June 30, 2011

Counties:

County of Alleghany – July 1, 2010 through June 30, 2011
County of Bath – July 1, 2010 through June 30, 2011
County of Buckingham – July 1, 2010 through June 30, 2011*
County of Charles City – July 1, 2010 through June 30, 2011
County of Craig – July 1, 2010 through June 30, 2011
County of Cumberland – July 1, 2010 through June 30, 2011
County of Dickenson - July 1, 2010 through June 30, 2011
County of Dinwiddie – July 1, 2010 through June 30, 2011
County of Essex – July 1, 2010 through June 30, 2011
County of Floyd – July 1, 2010 through June 30, 2011
County of Fluvanna - July 1, 2010 through June 30, 2011
County of Giles – July 1, 2010 through June 30, 2011
County of Goochland - July 1, 2010 through June 30, 2011
County of Grayson – July 1, 2010 through June 30, 2011
County of Greene - July 1, 2010 through June 30, 2011
County of Greenville – July 1, 2010 through June 30, 2011
County of Highland – July 1, 2010 through June 30, 2011
County of King George - July 1, 2010 through June 30, 2011
County of Lee – July 1, 2010 through June 30, 2011
County of Lunenburg - July 1, 2010 through June 30, 2011
County of Madison – July 1, 2010 through June 30, 2011
County of Nottoway – July 1, 2010 through June 30, 2011
County of Orange – July 1, 2010 through June 30, 2011*
County of Prince George – July 1, 2010 through June 30, 2011
County of Rappahannock – July 1, 2010 through June 30, 2011*
County of Richmond – July 1, 2010 through June 30, 2011
County of Southampton – July 1, 2010 through June 30, 2011
County of Surry - July 1, 2010 through June 30, 2011
County of Sussex – July 1, 2010 through June 30, 2011

Juvenile and Domestic Relations Courts

Cities:

City of Alexandria – July 1, 2010 through June 30, 2011
City of Charlottesville – July 1, 2010 through June 30, 2011
City of Chesapeake – July 1, 2010 through June 30, 2011*
City of Danville – July 1, 2010 through June 30, 2011
City of Hampton – July 1, 2010 through June 30, 2011
City of Lynchburg - July 1, 2010 through June 30, 2011
City of Martinsville – July 1, 2010 through June 30, 2011
City of Newport News - July 1, 2010 through June 30, 2011
City of Norfolk – July 1, 2010 through June 30, 2011
City of Petersburg – July 1, 2010 through June 30, 2011
City of Portsmouth – July 1, 2010 through June 30, 2011
City of Roanoke – July 1, 2010 through June 30, 2011*
City of Staunton – July 1, 2010 through June 30, 2011
City of Suffolk – July 1, 2010 through June 30, 2011
City of Virginia Beach – July 1, 2010 through June 30, 2011
City of Waynesboro – July 1, 2010 through June 30, 2011
City of Winchester – July 1, 2010 through June 30, 2011

Counties:

County of Accomack – July 1, 2010 through June 30, 2011*
County of Albemarle – July 1, 2010 through June 30, 2011
County of Amherst – July 1, 2010 through June 30, 2011
County of Appomattox - July 1, 2010 through June 30, 2011
County of Arlington – July 1, 2010 through June 30, 2011
County of Augusta – July 1, 2010 through June 30, 2011
County of Charlotte – July 1, 2010 through June 30, 2011
County of Clarke – July 1, 2010 through June 30, 2011
County of Culpeper - July 1, 2010 through June 30, 2011
County of Fairfax – July 1, 2010 through June 30, 2011*
County of Fauquier - July 1, 2010 through June 30, 2011
County of Gloucester – July 1, 2010 through June 30, 2011
County of Halifax – July 1, 2010 through June 30, 2011
County of Hanover – July 1, 2010 through June 30, 2011*
County of Henrico – July 1, 2010 through June 30, 2011*
County of James City/City of Williamsburg – July 1, 2010 through June 30, 2011
County of King and Queen – July 1, 2010 through June 30, 2011
County of King William – July 1, 2010 through June 30, 2011
County of Lancaster - July 1, 2010 through June 30, 2011
County of Loudoun - July 1, 2010 through June 30, 2011
County of Louisa – July 1, 2010 through June 30, 2011*
County of Mathews – July 1, 2010 through June 30, 2011

County of Mecklenburg – July 1, 2010 through June 30, 2011
County of Middlesex – July 1, 2010 through June 30, 2011
County of Montgomery - July 1, 2010 through June 30, 2011
County of Nelson – July 1, 2010 through June 30, 2011
County of New Kent – July 1, 2010 through June 30, 2011
County of Northampton – July 1, 2010 through June 30, 2011
County of Northumberland – July 1, 2010 through June 30, 2011
County of Page – July 1, 2010 through June 30, 2011
County of Pittsylvania – July 1, 2010 through June 30, 2011
County of Prince William - July 1, 2010 through June 30, 2011
County of Pulaski – July 1, 2010 through June 30, 2011
County of Roanoke – July 1, 2010 through June 30, 2011
County of Rockbridge – July 1, 2010 through June 30, 2011*
County of Smyth - July 1, 2010 through June 30, 2011
County of Stafford – July 1, 2010 through June 30, 2011
County of Warren - July 1, 2010 through June 30, 2011
County of Wise – July 1, 2010 through June 30, 2011
County of Wythe – July 1, 2010 through June 30, 2011

*Denotes management control finding