

Biennium: 2008-10 ▼

Mission and Vision**Mission Statement**

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

Vision Statement

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

Executive Progress Report**Service Performance and Productivity****• Summary of current service performance**

The Department of the Treasury is an innovative, customer-driven, results-oriented state agency providing statewide financial management services for the Commonwealth. In the fiscal year 2008, Treasury invested over \$12.2 billion in state and local government funds, participated in financing \$1.5 billion in debt obligations, processed 5.9 million checks, and collected \$111.1 million in unclaimed property revenue, returned to owners \$21.4 million, and transferred \$85.0 million to the Literary Fund for public education purposes. In addition, Treasury provided liability and property insurance for the Commonwealth, its agencies and institutions, and local officials and employees in over 550 political subdivisions, and manages the Commonwealth's statewide banking network that accelerates the deposit and availability of state funds received from approximately 285 regional depositing locations.

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

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

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

- Maintaining the Commonwealth's triple-A bond ratings, which is influenced by the effective management of the state's outstanding debt and the management of its debt capacity.
- Complying with debt issuance statutes and regulations to ensure the tax-exempt status of the debt obligations is maintained.
- Providing advice, assistance, and access to programs supported by this service area agencies and institutions of the Commonwealth and local school divisions.

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

- Developing statewide insurance plans that maximize risk protection through programs of liability and property protection and fidelity bonding.
- Expanding outreach programs resulting from the recent passage of legislation to offering liability coverage to free clinics and volunteer health care providers, Meals on Wheels organizations, and unlimited coverage of attorney fees and expenses awarded by a court in legal actions pursued by or against the Commonwealth.
- Managing claims and litigation in an expeditious and effective manner, providing timely and accurate information. This included more than 4,975 claims and suits of all variety in Fiscal 2008.
- Developing loss prevention, control training and education programs and providing consultation to state agencies and localities to protect the assets of the Commonwealth.
- Developing and administering a web-based risk management information system including claim management and property inventory program providing excellent customer service resources..

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

- Managing investments that has over the years resulted in investment income yields higher than benchmarked indices.
- Developing externally managed extended duration portfolios to maximize investment income. Guidelines and policies for this program are reviewed annually to insure they accurately reflect market conditions, management preferences and a balanced risk-reward profile.
- Managing a more aggressive securities lending program has produced income of nearly \$9.8 million in Fiscal Year 2008.
- Renegotiating management fees paid to external managers resulting in an annual savings of \$300,000.
- Administrating and managing of a Local Government Investment Pool (LGIP) for the benefit of localities. The LGIP offers localities the opportunity to pool their funds in a professionally managed investment fund structured to comply with Virginia's Investment of Public Funds statutes. The return on funds invested in the LGIP has exceeded its benchmarks throughout the years, enabling localities to enhance their investment income. In June 2005 the LGIP received an AAAm rating from Standard & Poor's, which is the highest rating assigned to a principal stability fund. This rating was reaffirmed during Fiscal Year 2008.
- Developing an extensive, efficient statewide banking network of 39 regional banks and 4 concentration banks that accelerates the deposit and availability of state funds received from approximately 285 regional depositing locations throughout the state.
- Developing a number of cash management programs and banking services to efficiently manage the flow of funds for agencies and institutions.
- Managing the SNAP program to ensure compliance with federal arbitrage requirements.
- Forecasting receipts and disbursements to maximize investable balances.

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

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

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

- Developing systems and programs that have enhanced the accurate and timely accounting for investments and debt structures.
- Preparing accurate financial statements for boards and authorities staffed by Treasury.
- Paying on time all debt service payments for debt obligations ensuring compliance with debt instruments.
- Administrating the Security for Public Deposits Act in a manner that safeguards Virginia public deposits held by banks and savings institutions. The program ensures compliance by public depositories and the safety of public deposits through the review of monthly bank reports and follow-up with banks not in compliance. Approximately \$4.9 billion in public deposits is secured by collateral pledged to the Treasury Board by banks and savings institutions holding Virginia public deposits. Treasury's web-based Security for Public Deposit Act reporting system allows public depositories to submit their monthly public depository reports electronically over the Internet, resulting in increased efficiencies for both the depositories and the service area
- Administrating the Insurance Collateral Program in a manner that ensures the accurate accounting for and safekeeping of approximately \$418.1 million in securities pledged by insurance companies transacting business in the Commonwealth as required by statute.

Check Processing and Bank Reconciliation Service Area – The responsibilities of this service area include providing support services for the receipt and disbursement of state funds. The service area is responsible for the printing and distribution of more than 5.9 million checks annually for the state payroll, retiree payments, income tax refunds, social service benefit payments, unemployment benefits, and the state's purchases of goods and services. In addition, the service area is responsible for processing stop payments and forgery claims and for reconciling 75bank accounts that on a monthly basis exceed \$26 billion in debits and credits. The associated outcomes include:

- Disbursing payments in an accurate and timely manner. Over the last five years, Treasury processed 99.8% of all checks on time.
- Providing check processing equipment that downloads agency check-write files, prints, barcodes, and presorts checks, all in one seamless process. Checks are grouped in zip code order, which affords the Commonwealth the greatest postage discount allowed.
- Providing a web-based program that allows agencies direct access to check copies.
- Improving, in concert with our major banking partners, internal bank reconciliation systems have reduced the amount of time needed to reconcile bank accounts and clear reconciling items.

Administrative Services Service Area – Agency administration provides the day-to-day management and control of the agency. This service area includes the State Treasurer, Deputy State Treasurer and the Human Resources, Financial

Policy, Information Systems, Procurement and Internal Audit areas. Key responsibilities include strategic planning, budgeting, personnel administration, legislative and regulatory coordination, policies and procedures guidance, data processing, internal audit, and the procurement of goods and services. The associated outcomes include:

- Providing strong management and focused strategic planning that yield innovative, customer-driven, results-oriented direction and service delivery.
 - Providing dedicated information systems staff that develops and enhances internal programs and networks required to accomplish our mission and respond to customer needs.
 - Maintaining Treasury's Continuity of Operations Plan in such a manner that critical activities are maintained for the agency for an indefinite period at a "warm site" in Chesterfield County and that check processing can be continued at a "hot site" in Pennsylvania.
 - Conducting staff training and development programs that maintain a productive, informed and effective workforce needed to carry out the agency's mission and program requirements.
 - Providing a strong internal audit staff has ensured the integrity of information, operating systems and reports through strengthened controls intended to minimize the risk of errors.
 - Developing and maintaining financial policies and procedures to provide for a safe and productive workplace environment.
 - Providing a procurements process in compliance with state policies and structured to ensure the procurement of goods and services are competitively bid, that costs are reasonable and that vendors are registered on the electronic procurement system (eVA). Treasury developed a contract management report system to ensure contracts are managed properly and evaluated and reviewed on a timely basis.
- *Summary of current productivity*
Treasury's measures its productivity through performance measures tied to our strategic goals and objectives in order to monitor the efficiency and effectiveness of our services to customers. In Fiscal Year 2008:
 - The Debt Management Service Area completed 11 separate financings totaling \$1.5 billion.
 - The Insurance Services Service Area insured over 13,321 state buildings and their contents with a value in excess of \$22 billion and, including more than \$692 million in fine arts.
 - The Banking and Investment Services Service Area had \$12.2 billion in managed investment portfolios, comprised of \$6.9 billion in the general account portfolio, \$4.0 billion in the LGIP portfolio, \$1.2 billion in special portfolios, and \$100 million in outside trustee portfolios.
 - The Unclaimed Property Administration Service Area collected 6872 electronic reports containing 500,688 (an average of 73 owners per electronic report).

Initiatives, Rankings and Customer Trends

- *Summary of Major Initiatives and Related Progress*
Increase in Electronic Payments and Reduction in Check Volume – Treasury is continuing its efforts to work with check-writing agencies to reduce check volume by converting payments to an electronic format. This effort will greatly reduce risk of loss and reduce costs. Since 2003, check volume has been reduced by 3.0 million checks. The Department of Taxation's i-file system has increased electronic tax refund payments every year. Treasury worked with the Department of Social Services to get a direct deposit program started for TANAF check recipients to go along with the child support direct deposit program already in place. The Department of Accounts now requires employee expense reimbursement payments to be electronic. Treasury is working with the Virginia Employment Commission to begin a direct deposit program for unemployment checks. A pilot program using pay cards to pay Virginia Employment Commission beneficiaries electronically began in June, 2006.
- Conversion of Securities Lending Program – Treasury previously used their Master Custodian as their securities lending agent as this arrangement provided for the most risk adverse and seamless program. As a result of the RFP for master custody and securities lending issued in fiscal year 2006, Treasury awarded the securities lending contract to Dresdner Bank, a third party lender. The Dresdner Bank proposal provides an 80/20 split on earnings and a \$3 million minimum guarantee for earnings to the Commonwealth during the first year. During 2007, the total securities lending income for Treasury and Lottery was \$3,867,000. Dresdner Bank projected earnings of at least \$4,800,000 after fees for the first year. If the total annual earnings or revenues after fees exceed \$5 million, the revenue sharing split becomes 85/15 on the amount over \$5 million.
- Bond Issuance Services – During fiscal year 2007, Treasury issued a total of \$2.1 billion in bonds to finance or refinance the capital needs of state agencies, institutions, and private colleges and universities. Included in those issues were refunding bonds that generated \$12.9 million in present value savings to the Commonwealth.
- Tobacco Securitization –The Tobacco Settlement Financing Corporation, a Treasury staffed body, successfully completed the sale of \$1.1 billion in Tobacco Settlement Asset-Backed bonds in May 2007. The bonds, which provided both for the refinancing of outstanding Series 2005 Bonds, and the securitization of an additional 25% of the Master Settlement Agreement (MSA) payments, provided for the deposit of \$614 million into an endowment to benefit the Tobacco Indemnification and Community Revitalization Commission. During fiscal year 2007, an investment policy for this new taxable endowment was developed.
- Higher Education Debt Capacity - Treasury assisted higher educational institutions in the development of debt capacity guidelines during fiscal year 2007 in an effort to place greater accountability on the institutions' boards of visitors to monitor and control debt burden.
- Variable Rate Debt - Following the lead of the Virginia Public Building Authority (VPBA), in fiscal year 2007. The Virginia College Building Authority (VCBA) issued \$120 million in variable rate bonds. These variable rate programs achieved interest rate savings during the year, and provide flexibility, portfolio diversity, and hedging on interest rate exposure.
- Energy Leasing Program - \$22.8 million in energy efficiency projects were financed by agencies of the Commonwealth during the year. The program enables agencies to obtain consistent and competitive credit terms for financing energy

efficiency improvements for projects that the agency has evaluated and determined to be appropriate and cost effective.

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

Update Imaging Technology - The Division of Unclaimed Property plans to update its imaging and document management technology in the next biennium for increased efficiency and to reduce the amount of space needed in the work area to store paper documents. In regards to the storage of paper reports, the Division plans to update the current imaging hardware and software for efficiency and obsolesce purposes.

Office Space Requirements – The Division of Unclaimed Property staff needs additional office space for the current staff and equipment. The replacement of aging cubicle components and the procurement of additional space are needed to create a functional work environment.

Unclaimed Property Demutualization Proceeds – The 2003 General Assembly passed legislation to clarify and accelerate the reporting requirements for demutualization proceeds for insurance companies that had undergone a change in their corporate ownership. Since enactment of the law, Treasury has received 38 demutualization reports from 10 companies totaling \$22 million in cash plus 1,272,944 shares of stock (primarily Wellpoint, MetLife, and Manulife stock) for the benefit of 95,406 owners. In fiscal years 2005-2007, Treasury advertised the reported owners names, which resulted in 7,329 cash claims totaling \$3,352,852 million and 3,937 stock claims returning 152,184 shares of stock and \$1,393,760 in stock sales proceeds and dividends to the rightful owner.

Unclaimed Property Stock Claims Module – In fiscal year 2005, a new module was activated in the Unclaimed Property System that allowed for the calculation of stock claims instead of paying a vendor to research stock histories and calculate dividend amounts. As a result of the development and use of this module in 2005 through 2007, 5913 stock claims have been processed in this way saving the Commonwealth \$236,520 in vendor fees. The Division plans to continue to enhance this module by obtaining corporate activity data from outside sources for more cusips which would assist in liquidating stock and mutual fund holdings which are received annually and later converted to cash. Unclaimed property claims volumes are increasing and the Division of Unclaimed Property continues to enhance owner outreach and customer service. The Division would like to explore new advertising venues and other ideas to increase public awareness of vamonneysearch.org, the web-based searchable database and inquiry system. Owner location is the primary purpose of the Unclaimed Property Act; therefore, the Division plans to dedicate staff to special owner location projects and outreach. An idea for possible efficiency is to make claim payments as an electronic disbursement rather than writing and mailing a check to the owner.

Payee Match Check Security Service – Treasury is using a new check security feature offered by Commonwealth's disbursement banks that matches check payee name to the payee name submitted on the check issue files transmitted to the disbursement banks to detect alterations of payee names on checks. This is an extension of the banks' positive pay feature that currently matches the amount per the physical check to the check issue file submitted to the banks. The expansion of this service to additional Commonwealth disbursement accounts will continue into the 2008-2010 biennium.

- *Summary of Virginia's Ranking*

Virginia has a long tradition of good management. Virginia was named "Best State for Business" by Forbes.com in 2007 for the second consecutive year. Virginia was ranked in the Top Ten for each of the six categories of measure: business costs, economic climate, growth prospects, labor, quality of life and regulatory environment. The Digital States Survey ranked Virginia as second best in the nation for effective use of digital tools for citizens. In 2007 CNBC, the leading financial news cable channel designated Virginia as its "Top State for Business". The network evaluated states on 40 different measures of compositeness in 10 broad categories: cost of doing business, workforce, economy, education, quality of life, technology and innovation, transportation, cost of living, business friendliness, and access to capital. In 2007 Virginia was designated as America's most business-friendly state in the annual independent study of "Top Ten Pro-Business States: America's Economy in the 21st century". The evaluation of state and federal economic development policies was produced by a top US corporate relocation firm, Pollina Corporate Real Estate, Inc.

The Division of Purchase and Supply, Department of General Services, was named the recipient of the 2006 Achievement of Excellence in Procurement Award from the National Purchasing Institute, a consortium of four public and two private sector procurement associations. The award is based on criteria that measure innovation, professionalism, e-procurement, productivity and leadership attributes of the procurement function. Virginia received the top score in the Government Performance Project's "Grading the States 2005" report, the nation's only comprehensive, independent analysis of how well each state is managed. Virginia received an overall score of "A-" and is the only state in the nation with straight A's across the board in four categories: money, people, infrastructure, and information.

One area of particular interest to Treasury was the Commonwealth's ranking on its money management, which received a score of "A". The Commonwealth has consistently earned a triple-A general obligation bond credit rating from each of the three bond rating agencies. This translates to lower borrowing costs for general obligation bonds as well as other Commonwealth borrowing programs. In July 2007, the Commonwealth retained its highest Tier One ranking by Moody's Investors Service in their report U.S. State Credit Scorecard. Unlike a bond rating which is forward-looking, the Scorecard uses historical data to rank the states on economy, debt, finances and management.

- *Summary of Customer Trends and Coverage*

Electronic Communications – A large percentage of all communications are now done via e-mail and websites. Many customers and business partners are tending toward electronic communication, with websites 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 its website to communicate with the public.

Local Government Investment Pool (LGIP) – With the successful assignment of a AAAM rating of the LGIP by Standard & Poor's (S&P), the number of pool shareholders will be retained and continue to grow. The compliance requirements of S&P will create additional work and require a closer monitoring of the type and maturity of investments to meet reporting, compliance and credit review requirements.

Financing Needs for Institutions of Higher Education – The baby boom continues to stretch the capacity of the Commonwealth's institutions of higher education. This places greater capital needs on the Commonwealth and the institutions to increase capacity in response to this demand. In addition, the Restructured Higher Education Financial and Administrative Operations Act of 2005, places greater reliance on the institution's ability to access its own debt capacity and oversee its debt programs.

Public Private Partnerships Activity and Alternative Financing Structures – Submissions under the Public-Private Educational Infrastructure Act, Public-Private Transportation Act and structures involving alternative financing arrangements continue to require resources to evaluate, review and comment on the financing implications of these proposals.

Budget Challenges – An economic downturn and sluggish revenues may require capital needs to be funded less with cash and more with borrowing. Increasing Interest Rates – Economic indicators suggest a rising interest rate environment for the foreseeable future. This may increase use in variable products and techniques to contain borrowing costs.

Economic Development – The desire to attract economic development to the Commonwealth places increasing demand on the state's ability to provide incentives through subsidies, infrastructure, grants, etc. Financing these contributions may be viewed as a viable option.

Kentucky Bond Case (Davis v. Kentucky) – The U. S. Supreme Court will hear a case in 2007 that may alter the state tax treatment of Virginia tax-exempt bonds. This could affect the demand and the pricing of Virginia bonds.

Mental Health Facilities – Recent events will likely cause the Commonwealth to reevaluate the current trend in the handling and treatment of mental health issues. This may strain capacity at mental health treatment facilities and increase demand for community based facilities. Financing may be used to provide an immediate response to these capital needs.

Greater Use of the State Insurance Reserve Fund for Non-Traditional Coverage – Effective July 1, 2005, Treasury began the newly legislated program of providing liability defense to attorneys appointed as receivers by the Virginia Bar. This has followed similar statutory actions requiring liability coverage for court-appointed attorneys and pro bono attorneys. Over the past five years, the State Insurance Reserve Trust Fund has been statutorily required to provide insurance coverage to free health care clinics, individual health care providers serving indigent persons, and guardians assisting recipients of mental health care services. It is anticipated there will be continued placement of certain public service type private and not-for-profit organizations and individuals under the protection of the state risk management plans.

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

Growth in Unclaimed Property Claims – A searchable database available at the Treasury website has generated significantly more inquiries. This database is available 24/7 and allows for those searching for property to initiate inquiries while visiting the website. Any media attention to unclaimed property or direct promotion of this search site significantly increases the number of owners submitting inquiries and filing claims for property.

Aging of Virginia's Population – While Treasury does not deliver any specific services, programs or publications directly to the seniors 65 and older, Treasury is faced with the issues of an aging workforce. Nearly half of the workforce is 50 years or older; 76% of employees are 40 years or older. Currently, 21% of Treasury employees are either eligible or will be eligible for full retirement within the next five years. Treasury stands to lose a lot of experience, institutional knowledge and leadership skills that will be difficult to replace. Treasury is seeking ways to be more competitive with the private sector, Richmond area local government entities and other state agencies in order to hire, retain and motivate its employees.

Future Direction, Expectations, and Priorities

- *Summary of Future Direction and Expectations*

Replacement of Retiring Workforce and Other Workforce Issues – Treasury has an aging workforce. Presently, 82% of our full-time employees are 40 years or older, with 40% over the age of 50. Currently, 34 employees are either eligible to retire or will be eligible for retirement within the next five years. The average age of our employees is 48 and the average number of years of service is 9 years. Based on the past five years, we can expect to lose on average approximately 10 employees per year for reasons other than retirement. Add to that the number who could retire in the next five years and Treasury could face a serious staffing problem. The development and training of our workforce is a top priority. A comprehensive analysis of training needs is underway. We are examining the gap between our workforce's current knowledge and skill level and the level needed for a smooth transition as our tenured and senior level employees retire. Additional funding will be requested to supply the programs needed to address this gap.

Future Risk Management Requirements – Insurance coverage needs have steadily increased as statutory requirements

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

General Account Investment Policies and Guidelines Review – Treasury plans on having a full-scale review of our General Account Investment Policies and Guidelines. The last major review was in 1994. We have had two five-year updates and investment guidelines are reviewed annually. During this time the dynamics of this portfolio and Virginia government have changed and the financial markets in which we operate have reinvented themselves. Major cyclical and structural changes have occurred in interest rates, yield curves and inflation. Also, credit exposure premiums, extension premiums, the value of options, etc. have changed and many completely new products have become available. One of the major areas of review will be asset allocation and the optimum duration of the portfolio.

Master Settlement Agreement (MSA) Payment reductions – In fiscal year 2007, certain participating manufacturers withheld a portion of their MSA payments pending resolution of a non-participating manufacturer (NPM) adjustment. Although this did not have a significant negative impact on the outstanding Tobacco bonds, it is likely to be an on-going and increasingly significant issue which may require more active administration and disclosure, and may slow the redemption and payment of Tobacco bonds.

Check 21 Act Initiative – The Check 21 initiative was a federal initiative signed into law in October 2004 to speed the clearing of paper checks through banks. One of the features of the new law related to the ability to deposit check images versus the actual checks. Treasury is working with a state agency and financial institution partner to allow the agency to take advantage of this feature in order to speed the deposit of checks received and improve the agency's efficiency.

Electronic Payment Cards – Treasury is reviewing the development of an electronic payment card that could be used to pay state employees or state beneficiaries that do not have checking accounts and would not be eligible for direct deposit. Treasury has selected a pay card vendor, and pilot programs began in fiscal year 2006 to use these cards for electronic payments for payroll and the Virginia Employment Commission and Department of Social Services beneficiaries. This product would result in an alternative payment mechanism that is both efficient for an agency and safe for recipients.

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

Increase in Electronic Payments and Reduction in Check Volume – As more electronic products and technological advances become available for the transfer of funds, Treasury is striving to work with state agencies to take advantage of these electronic products in order to convert such payments to an electronic format. This will greatly reduce risk of loss, provide for a more efficient payment system and reduce costs.

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

- *Summary of Potential Impediments to Achievement*

Hiring and Retention of Staff – As the U. S. economy continues to improve and the Commonwealth's salary structure and reward system remains constant, Treasury will continue to be challenged in hiring and retaining superior employees.

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

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

State Insurance Reserve Trust Fund Transfers – The Commonwealth has a need for an insurance program of

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

Service Area List

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

Agency Background Information

Statutory Authority

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

Customers

Customer Group	Customers served annually	Potential customers annually
Boards and Authorities	25	25
Bondholders	0	0
Business Partners	265	265
Executive Branch Officials, Agencies and Institutions	108	108
Financial Institutions Holding Virginia Public Deposits	123	123
Holders of Unclaimed Property	20,200	65,000
Insurance Companies Conducting Business in Virginia	1,102	1,102
Intra-Agency Staff	116	116
Legislative Branch	140	140
Local Government Investment Pool Customers	410	650
Local Government Officials and Participants - Insurance Services	650	1,000
Local Governments for K-12 Financing Services	134	134
Virginia Citizens	7,500,000	7,500,000

Anticipated Changes To Agency Customer Base

Administrative Services - As indicated in the Future Direction section, Treasury is dealing with an aging workforce that will change our intra-agency customer base. Programs are underway that will address the need to hire and train replacements to our workforce.

Debt Management Services - Institutions of higher education gained opportunity for greater autonomy through the Restructured Higher Education Financial and Administrative Operations Act of 2005. Greater reliance on the institutions' assessment of their own debt capacity, will require greater effort on Treasury to protect the integrity and credit quality of the borrowing programs. Debt Management will continue to encourage and assist institutions of higher education by monitoring adherence to debt management policies and debt capacity. Proposals under the Public-Private Educational Infrastructure Act, Public-Private Transportation Act and alternative financings will require resources to evaluate, review and comment on the financing implications.

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. As institutions of higher education gain greater autonomy they have expressed interest in Treasury investment services. Effective July 1, 2008, states will be required to either pledge certain assets to cover Other Post Employment Benefits (OPEBs) or reduce their assets by this amount. Treasury may be involved with other finance agencies in developing options and/or plans for this new GASB requirement.

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

Check Processing and Bank Reconciliation Services – Bank mergers and consolidations could reduce the number of financial institutions holding public deposits and the number of bank reconciliations needed. Increased conversion to electronic payments and direct deposit will reduce the number of checks processed.

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

Partners

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

Products and Services

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

Administrative Services

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

Debt Management Services

- Debt financing review and program administration
- Debt program administration, including compliance and continuing disclosure, investor relations, and rating agency relationships
- Issuance of bonds or other securities
- Monitoring and execution of refunding opportunities
- Lease program administration for equipment and energy project financing for state agencies
- Debt capacity analysis and recommendations to executive branch and legislature
- Staffing services to boards and authorities

- Debt financing and advisory services to agencies and higher education institutions
- School financing for local governments
- Technical assistance on the financial aspects of legislative proposals, impact on debt capacity, financial studies and initiatives

Banking and Investment Services

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

Insurance Services

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

Unclaimed Property Administration Services

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

Accounting and Trust Services

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

Check Processing and Bank Reconciliation Services

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

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

- As the U. S. economy continues to improve and the Commonwealth's salary structure and reward system remains constant, Treasury will continue to be challenged in hiring and retaining superior employees.
- In the short term, efforts to centralize information technology will likely impact the ability of Treasury to maintain its management and administrative support services as effectively and efficiently as are currently provided and will likely increase agency costs.
- Virginia Information Technology Authority's enhanced information systems security may require additional expenditures by the agency and will likely require a request for additional funds in the current and future biennium.

- Virginia Information Technology Authority's shared rate billing model, to be disclosed in the near future, will likely require additional expenditures by the agency and require a request for additional funds in the current and future biennium.
- Customer assistance requests in the service areas of debt management, insurance services, banking and unclaimed property are expected to increase and will impact each of these service areas as more time is needed to respond to these requests with little or no increase in staff.
- Continued expansion of the electronic procurement system (eVA) will create new efficiencies and lower costs in the procurement of goods and services; however, for those services for which there is no eVA vendor, the eVA administrative fees incurred by the agency will continue to be a burden on the agency budget.
- Issuance of Tobacco bonds has required Treasury to assume new responsibilities in the management and investment of endowment funds, and monitoring compliance with requirements (federal, state and administrative) for the bond proceeds and this new entity. The complexity of the structure and the interaction between the Tobacco Settlement Financing Corporation, the Treasury Board and the Tobacco Indemnification and Community Revitalization Commission makes this a more complex program than others managed by Treasury.
- A continued increase in separately managed portfolios increases the workload and oversight of these portfolios.
- New Local Government Investment Pool AAAm rating significantly increases reporting, compliance and credit review requirements.
- The Commonwealth has a need for an insurance program of adequate, consistent and reliable financial contributions (premiums) from participating clients. Annual premiums are based, in part, upon available insurance reserve fund balances. There has been a history of money transfers from the State Insurance Reserve Trust Fund to the General Fund and elsewhere, with and without warning or an opportunity to prepare for such transfers. This practice, compounded with the failure to replace any of the money and the inability to increase premiums to make up for such transfers has severely weakened the State Insurance Reserve Trust Fund actuarially.
- Insurance coverage requirements have steadily increased as statutory requirements have required expanded coverage. Over the past five years, the State Insurance Reserve Trust Fund has been statutorily required to provide insurance coverage to free health care clinics, individual health care providers serving indigent persons, guardians assisting recipients of mental health care services, court appointed attorneys and pro bono attorneys providing services to indigents, legal defense to attorneys appointed as receivers by the Virginia Bar, and even Meals on Wheels organizations.
- It is anticipated there will be continued placement of certain public service type private and not-for-profit organizations and individuals under the protection of the state risk management plans, which will impact the types of insurance products and services offered.
- In the past year the Virginia Tort Claims Act has been amended to simplify the reporting of claims against the Commonwealth, its agencies and employees. From a rigid protocol to a simple process, it is anticipated that the changes will significantly increase the number of tort claims over the next few years.
- Insurance Services can assist clients by providing them with loss control programs and training, but these efforts cannot eliminate negative loss experiences caused by natural disasters like floods and named windstorms, nor can they eliminate unique exposures associated with the high-risk activities and services that government must provide. Rates set by commercial insurers take into account these factors and impact the products and services offered.
- The electronic functionality made available on Treasury's searchable unclaimed property website increases the efficiency of the claims process.
- Exemptions to the Unclaimed Property Act in recent years and service charges by holders assessed on unclaimed property accounts and property impact Treasury's ability to return such property to the rightful owners.
- Federal credit unions have renewed the federal preemption assertion regarding the states' ability to regulate their ability to charge dormant service charges and fees thereby creating an inequality. This inequality impacts the state chartered credit unions as well as other financial institutions when enforcing the Unclaimed Property Act.
- For FY 2003 through FY 2005 the Division received large remittances in cash and stock from demutualized insurance companies. These large remittances caused a spike in revenues and claims payments for the past few years. Once all the stock is sold and the majority of the claims payments are complete (by end of FY 2008), it is anticipated there will be a decrease in revenue and claims payments for the next biennium.
- Treasury is researching the development of an interactive voice response call center solution to improve customer satisfaction and the efficiency with which the agency handles inquiries and claims for unclaimed property.
- The Governmental Accounting Standards Board (GASB) that establishes the accounting and financial reporting standards for governments continues to require more detailed accounting and reporting of debt and investment activity of governmental entities, which increases the workload of current staff as new pronouncements are issued and become effective.
- *Anticipated Changes in Products or Services:*
The demand for additional and improved customer services may result in the need to change the way we deliver these services through system or program changes and enhancements.
- Changes in technology, regulations, legislation, best practices, industry and markets may require a more technically trained workforce and the need for additional training for the current workforce.
- As products and services expand and become more complex, management will seek to find more efficient delivery systems and programs, as well as the means to monitor the performance of these programs through the development of internal controls and additional performance measures.
- Increased information systems security will be required to protect our internal systems and client information.
- The increased complexity, expansion, regulation and management of services and products may require additional outside resources to augment staff support.
- The Restructured Higher Education Financial and Administrative Operations Act may adversely impact the credit quality of Treasury borrowing programs (e.g., Virginia College Building Authority). Policies and guidelines may need to be amended to protect the integrity of the current bond programs.
- Variable rate debt and synthetic structures are increasingly popular with issuers to achieve interest rate savings, flexibility, portfolio diversity, and hedging on interest rate exposure. The Virginia Public Building Authority and the Virginia College Building Authority have issued variable rate bonds. These programs, while cost effective, require greater administrative oversight than for traditional fixed-rate obligations.
- The complexity of financings (e.g., the use of derivatives, foundation financed debt and other non-traditional borrowing) continues to increase.

- The successful AAAM rating of the Local Government Investment Pool will potentially increase the number of customers served, but will require a closer monitoring of the types of investments and their maturity.
- Growing portfolio(s), coupled with new and more complex investment options and investment programs, will require more time and a highly motivated and knowledgeable staff.
- Traditionally, the insurance services client base included state and local governmental agencies and/or their affiliates. Effective July 1, 2006, insurance services will be required by statute to provide medical professional liability coverage to private physicians and community hospitals. These clients are not affiliated with the administration of government. Under these circumstances, insurance services must be provided more in the manner of a private insurance company.
- The number of different types of unclaimed property financial transactions that are processed electronically is continuing to increase which may cause a reduction in owners and property reported to the Division of Unclaimed Property. and The Division of Unclaimed Property will require have to provide enhanced training of for staff to audit and process to determine if holders are in compliance with the Unclaimed Property Act.
- Accounting and Trust Services provides a significant amount of information to the Department of Accounts (DOA) for preparation of the Commonwealth Comprehensive Annual Financial Report (CAFR). Currently, there is approximately a six-month window from the end of the fiscal year until the publishing of the CAFR to meet governmental financial reporting standards. Within the financial community, there are discussions to tighten this reporting window to provide more timely annual financial data similar to reporting in the private sector. The shortening of this reporting timeframe would place a significant resource burden on Trust Services since it is very difficult to meet the current reporting deadlines and continue with routine daily operations. Any shortening of this reporting period would require additional resources to meet the new reporting deadline.
- Treasury continues to encourage the use of electronic payment mechanisms instead of checks as a means to make payment to state clients, taxpayers, retirees, employees, and vendors. Since Treasury charges the Department of Social Services, the Virginia Employment Commission, and the Virginia Retirement Systems for its check production services, as these agencies switch to electronic payment mechanisms over checks, it will impact the cost of Treasury's check production services and the funding streams to pay these costs. The switch to electronic payments will need to be monitored closely going forward so the impact on the check processing function can be evaluated and any necessary changes in production be made timely.

Finance

• *Financial Overview:*

Treasury base budget is funded 46% from general funds (\$7.8 million) and 54% from non-general funds (\$9.2 million). The non-general fund sources are: \$4.4 million from the receipt of unclaimed property used to administer the Commonwealth's unclaimed property laws; \$2.1 million from charges to state agencies and localities for insurance coverage; \$3 million from charges to select agencies for check printing services; \$4 million from charges to debt issuing authorities and agencies for debt issuance and management services; \$5 million for investment services provided to state and local governments; and \$7 million for fees charged financial institutions and insurance carriers.

• *Financial Breakdown:*

	FY 2009		FY 2010	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
Base Budget	\$7,825,026	\$9,157,762	\$7,825,026	\$9,162,590
Change To Base	\$0	\$0	\$0	\$0
Agency Total	\$7,825,026	\$9,157,762	\$7,825,026	\$9,162,590

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

Human Resources

• *Overview*

The Department of the Treasury has an authorized FTE level of 123 positions with 105 positions currently filled and 18 vacancies, of which 9 are being actively recruited. The 123 positions are spread among seven service areas: Administrative Services (13); Debt Management (11); Insurance Services (18); Banking and Investment Services (10); Unclaimed Property Administration (41); Accounting and Trust Services (10); and Check Process and Bank Reconciliation (20). Of the 123 authorized positions, 47 are funded with General Funds and 76 positions are funded with Nongeneral Funds. See Appendix C for summary Organization Chart.

• *Human Resource Levels*

Effective Date	7/1/2008	
Total Authorized Position level	124	
Vacant Positions	-19	
Current Employment Level	105.0	
Non-Classified (Filled)	0	<i>breakout of Current Employment Level</i>
Full-Time Classified (Filled)	105	
Part-Time Classified (Filled)	0	
Faculty (Filled)	0	
Wage	7	
Contract Employees	0	
Total Human Resource Level	112.0	<i>= Current Employment Level + Wage and Contract Employees</i>

- **Factors Impacting HR**

Treasury is dealing with an aging workforce. Nearly half of our workforce are 50 years or older; 76% of our employees are 40 years or older. Currently, 21% of our employees are either eligible or will be eligible for full retirement within the next five years.

Treasury attracts employees who are experts in their fields in order to service the demands of a critical, Level I finance agency. Treasury employees are recruitment targets by banking, finance, investment, and insurance firms, and other finance agencies. Treasury needs the ability to offer attractive salaries and training opportunities in order to retain and motivate its employees.

Based on the past five years, Treasury can expect to lose on average approximately 6-7 employees per year for reasons other than retirement. Add to that the number that could retire in the next five years, and Treasury could face a serious staffing problem. Treasury salaries are below market as compared with the private sector, with Richmond area local government entities and even other state agencies. The demands of the Sarbanes-Oxley Act have compelled private employers to increase the number of accounting and finance professionals. In addition, the State's ARMICS initiative has necessitated aggressive hiring of individuals with these skills, leaving a smaller pool of qualified applicants in the accounting and finance profession, driving up salaries and making recruiting that much more difficult.

- **Anticipated HR Changes**

In the next five years, we expect that the need to hire, train and retain qualified employees will become more challenging as the U.S. labor market continues to tighten. We can expect to see a continued increase in health insurance premiums, as well as increases in the cost of co-payments for service and prescription drugs. The retirement programs will suffer unprecedented strain when large numbers of new retirees begin drawing on the plan. Recruitment strategies will be needed that highlight the benefits of state service at a time when private companies are cutting back on health benefits and many pension funds are on the verge of collapse. Because of the possibility of a significant portion of Treasury's workforce retiring within the next five years, remaining staff must have the skills necessary to fill those vacated positions. In addition, Treasury's Continuity of Operations Plan requires that all staff be cross trained where possible to back up their fellow employees who may be out of work an extended period of time. If the anticipated flu pandemic does indeed hit Virginia, it is estimated that as many as 30% of the population will be affected and absent from work.

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

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

Information Technology

- **Current Operational IT Investments:**

Treasury's Information Systems Section (IT) staff provide Treasury staff with an efficient, effective platform to perform the agencies business functions. IT's applications team approach allows for a wide understanding of the agency diverse functions spread across the five operating and one service division. This approach carefully balances the provision of IT's Goals of fault tolerance and efficiency in assuring a consistently responsive technology environment to accomplish the agency's mission.

- **Factors Impacting the Current IT:**

The largest factor affecting Treasury's Information Technology (IT) in the agency is the continuing process of the transferring responsibilities to Virginia Information Technologies Agency (VITA). While the centralization of infrastructure will simplify technology acquisition and service delivery to the agency, it represents a cultural change in user support and service delivery that presents challenges. The centralization of server infrastructure requires standardized practices to which the agency IT support staff will need to adjust. The still uncertain timing of the transformation makes forecasting needs difficult. The transformation is a significant undertaking the complexity of which cannot be overestimated. The process must be deliberate and well planned to assure no loss of service or disruption of business in agency functions.

Another factor impacting IT is the the Tele-working initiative set forth in § 2.2-2817.1 of the Code of Virginia. Providing a secure, effecting method of performing the agency's functions utilizing tele-working will require significant adjustments in agency work practices as well as an agency wide initiative to investigate a cost effective means to effect document imaging that will complement agency applications. While tele-working is essential for Continuity of Operations (COOP) planning, particularly in the case of a pandemic, Treasury must develop a cost effective means to implement this plan that meets information security standards as established by VITA.

- **Proposed IT Solutions:**

The rapid pace of change in technology and levels of user sophistication presents concerns of security and skill sets for the technology staff that support the agency's business functions. Increases in staff and training funds to keep staff abreast of technological advances are not only desirable but necessary.

- **Current IT Services:**

Estimated Ongoing Operations and Maintenance Costs for Existing IT Investments

Cost - Year 1	Cost - Year 2
---------------	---------------

	General Fund	Non-general Fund	General Fund	Non-general Fund
Projected Service Fees	\$434,063	\$283,761	\$440,573	\$288,018
Changes (+/-) to VITA Infrastructure	\$0	\$0	\$0	\$0
Estimated VITA Infrastructure	\$434,063	\$283,761	\$440,573	\$288,018
Specialized Infrastructure	\$111,250	\$37,000	\$111,250	\$37,000
Agency IT Staff	\$0	\$0	\$0	\$0
Non-agency IT Staff	\$0	\$0	\$0	\$0
Other Application Costs	\$253,755	\$394,497	\$253,755	\$394,497
Agency IT Current Services	\$799,068	\$715,258	\$805,578	\$719,515

Comments:

[Nothing entered]

- *Proposed IT Investments*

Estimated Costs for Projects and New IT Investments

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

- *Projected Total IT Budget*

	Cost - Year 1		Cost - Year 2	
	General Fund	Non-general Fund	General Fund	Non-general Fund
Current IT Services	\$799,068	\$715,258	\$805,578	\$719,515
Proposed IT Investments	\$0	\$0	\$0	\$0
Total	\$799,068	\$715,258	\$805,578	\$719,515

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

Capital

- *Current State of Capital Investments:*

None.

- *Factors Impacting Capital Investments:*

[Nothing entered]

- *Capital Investments Alignment:*

[Nothing entered]

Agency Goals

Goal 1

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

Goal Summary and Alignment

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

Goal 2

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

Goal Summary and Alignment

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

Goal 3

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

Goal Summary and Alignment

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

Goal 4

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

Goal Summary and Alignment

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

Goal 5

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

Goal Summary and Alignment

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

Goal 6

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

Goal Summary and Alignment

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

Goal 7

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

Goal Summary and Alignment

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

Goal Objectives

- We will be prepared to act in the interest of the citizens of the Commonwealth and its infrastructure during emergency situations by actively

planning and training both as an agency and as individuals.

Objective Strategies

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

Link to State Strategy

- nothing linked

Objective Measures

- Agency's Continuity of Operations Plan (COOP) assessment score.

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

Measure Baseline Value: Date:

Measure Baseline Description: 2007 COOP Assessment Results (% out of 100)

Measure Target Value: Date:

Measure Target Description: Minimum of 75% or, if at 75%, increase the average by 5% each year

Data Source and Calculation: The COOP Assessment Review is a 24-component assessment tool that helps measure the viability of a COOP Plan. Assessment conducted in coordination with the Virginia Department of Emergency Management.

Service Area Strategic Plan

Department of the Treasury (152)

3/13/2014 9:47 am

Biennium: 2008-10

Service Area 1 of 7

Debt Management (152 725 01)

Description

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

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

Background Information

Mission Alignment and Authority

- Describe how this service supports the agency mission

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

- Describe the Statutory Authority of this Service

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

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

See Appendix B for additional statutory authority for this service area.

Customers

Agency Customer Group	Customer	Customers served annually	Potential annual customers
Bondholders	Bondholders (exact number of customers unknown)	0	0
Business Partners	Business Partners/Interagency	15	15
Executive Branch Officials, Agencies and Institutions	Governor and Secretary of Finance	2	2
Legislative Branch	Legislative Branch/money committees	140	140
Local Governments for K-12 Financing Services	Local Governments for K-12 Financing Services	134	134
Executive Branch Officials, Agencies and Institutions	Private institutions of higher education	8	26
Executive Branch Officials, Agencies and Institutions	State Agencies and state institutions of higher education	108	108
Virginia Citizens	Virginia Citizens	7,500,000	7,500,000
Boards and Authorities	Virginia Public School Authority, Virginia Public Building Authority, Virginia College Building Authority, the Treasury Board, the Debt Capacity Advisory Committee, Tobacco Indemnification and Community Revitalization Commission, and the Tobacco Settlement Financing Co	7	7

Anticipated Changes To Agency Customer Base

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Partners

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

Products and Services

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

The creation of the the Tobacco Settlement Financing Corporation and the subsequent issuance of Tobacco bonds resulted in the establishment of endowment funds, and the investment of these funds in appropriate securities. This has required additional monitoring and oversight to ensure compliance with federal, state and administrative requirements for the bond proceeds and this new entity. The amount and complexity of the program, and the interaction between the Tobacco Settlement Financing Corporation, the Treasury Board and the Tobacco Indemnification and Community Revitalization Commission makes this issue more complex than other programs managed by Treasury.

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

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

The Restructured Higher Education Financial and Administrative Operations Act may adversely impact the credit quality of Treasury borrowing programs (e.g., Virginia College Building Authority). Policies and guidelines may need to be amended to protect the integrity of the current bond programs.

- Variable rate debt and synthetic structures are increasingly popular with issuers to achieve interest rate savings, flexibility, portfolio diversity, and hedging on interest rate exposure. The Virginia Public Building Authority and the Virginia College Building Authority have issued variable rate bonds. These programs, while cost effective, require greater administrative oversight than for traditional fixed-rate obligations.
- The use of more complex financings structures (e.g., the use of derivatives, foundation financed debt and other non-traditional borrowing) continues to increase and requires greater specialization among staff.
- Transportation debt authorized in 2007 will require additional staff resources to establish the program and issue the \$3 billion in bonds over a ten year period. This will be a combined effort of VDOT and the Commonwealth Transportation Board.
- New regulations currently under consideration by the Municipal Securities Rulemaking Board and the Securities and Exchange Commission may necessitate changes in the way disclosure information is made available.
- Revenues at levels less than forecast may cause policymakers to use debt to fund capital projects previously approved for cash funding. This will likely increase financing activity of the division.
- 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.

- *Listing of Products and/or Services*

- Business Partners/Interagency for coordination of efforts, reports, analysis, and data
- Financing review and program administration
- Program administration, including compliance and continuing disclosure, investor relations, and rating agency relationships
- Issuance of bonds or other securities
- Monitoring and execution of refunding opportunities
- Lease program administration for equipment and energy project financing for state agencies
- Debt affordability analysis and recommendations to executive and legislature branches
- Staffing services to boards and authorities
- Financing and advisory services to state agencies, authorities, boards, commissions and higher education institutions
- Review and processing of private activity bond approvals for Secretary of Finance and Governor
- Service to Virginia citizens in obtaining cost-effective financing for tax-supported debt and monitoring for savings opportunities
- School capital financing to local governments and technology grants for DOE/local school divisions
- Technical assistance on the financial aspects of legislative proposals, impact on debt capacity, financial studies and initiatives

Finance

- *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.

Human Resources

• *Human Resources Overview*

Human resources for this service area include 11 full-time classified positions. Position titles and reporting structure can be found in Appendix B, Service Area Structure.

• *Human Resource Levels*

Effective Date	7/1/2008
Total Authorized Position level	11
Vacant Positions	1
Current Employment Level	10.0
Non-Classified (Filled)	0
Full-Time Classified (Filled)	10
Part-Time Classified (Filled)	0
Faculty (Filled)	0
Wage	0
Contract Employees	0
Total Human Resource Level	10.0

breakout of Current Employment Level

= Current Employment Level + Wage and Contract Employees

• *Factors Impacting HR*

Difficulty in retaining and attracting qualified staff.

- Salary compression making new hires more highly paid than current trained and experienced staff.
- As finance professionals, staff has multiple opportunities for advancement in and outside of state government. Traditional state hierarchy almost guarantees that staff turnover will continue, as advancement cannot occur without vacancies. In the private sector, the problem is addressed by a relatively flat management structure for this type of functional unit.

• *Anticipated HR Changes*

Greater specialization in the industry requires a more specialized knowledge base among staff.

Service Area Objectives

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

Link to State Strategy

- nothing linked

Objective Measures

- Average yield on bond issues

Measure Class: Agency Key Measure Type: Output Measure Frequency: Quarterly Preferred Trend: Maintain
 Measure Target Value: 0.00 Date: 6/30/2010

Measure Target Description: Equal or better than market proxy for bonds issued during FY 2009 and FY 2010.

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

Service Area Strategic Plan

Department of the Treasury (152)

3/13/2014 9:47 am

Biennium: 2008-10

Service Area 2 of 7

Insurance Services (152 725 02)

Description

This service area administers risk management, insurance, self insurance, claims and litigation management and related risk services for agencies, officials, employees and certain affiliates of the Commonwealth of Virginia, its political subdivisions, entities and organizations 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.

Background Information

Mission Alignment and Authority

- Describe how this service supports the agency mission
This service area directly aligns with the Department of the Treasury's mission of serving the Commonwealth using excellent financial management and outstanding customer service.
- Describe the Statutory Authority of this Service
Chapter 18 of Title 2.2, §§ 2.2-1833 through 2.2-1842 of the Code of Virginia, details the statutory authority for Treasury's Insurance Services service area. It states that Treasury's Division of Risk Management (DRM) will provide insurance, self-insurance, claims management and loss control services for the Commonwealth, its agencies, officials, employees, political subdivisions, constitutional officers and certain instrumentalities and affiliates as specified by statute. The Virginia Tort Claims Act, Chapter 3 of Title 8.01, §§ 8.01-195.1 through 8.01-195.12 of the Code of Virginia, governs procedures for claims against the Commonwealth and specifies the DRM authority and responsibility concerning such claims. See Appendix A, Additional Statutory Authority Information, for additional statutory authority for this service area.

Customers

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

Anticipated Changes To Agency Customer Base

Partners

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

Products and Services

- Factors Impacting the Products and/or Services:
The Commonwealth has a need for an risk management and insurance program of adequate, consistent and reliable financial contributions (premiums) from participating clients. Annual premiums are based, in part, upon available insurance reserve fund balances. There has been a history of money transfers from the State Insurance Reserve Trust Fund to the General Fund and elsewhere, with and without warning or an opportunity to prepare for such transfers. This practice, compounded with the failure to replace any of the money has severely weakened the State Insurance Reserve Trust Fund actuarially.
 - Insurance coverage requirements have steadily increased as statutory requirement have expanded coverage. Over the past five years, the State Insurance Reserve Trust Fund has been statutorily required to provide insurance coverage to free health care clinics, individual health care providers serving indigent persons, guardians assisting recipients of mental health care services, court appointed attorneys and pro bono attorneys providing services to indigents and legal defense to attorneys appointed as receivers by the Virginia Bar. Coverage is now required for legal expenses covering suit by and against the Commonwealth regardless of whether there are damages. Things that cannot be actuarially

Service Area Total	\$0	\$2,081,060	\$0	\$2,081,060
Base Budget	\$0	\$2,081,060	\$0	\$2,081,060
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$0	\$2,081,060	\$0	\$2,081,060
Base Budget	\$0	\$2,081,060	\$0	\$2,081,060
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$0	\$2,081,060	\$0	\$2,081,060
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Human Resources

• *Human Resources Overview*

Human resources for this service area include 15 full-time classified positions and 2 part-time employees. Position titles and reporting structure can be found in Appendix B, Service Area Structure.

• *Human Resource Levels*

Effective Date	7/1/2008	
Total Authorized Position level	18	
Vacant Positions	3	
Current Employment Level	15.0	
Non-Classified (Filled)	0	breakout of Current Employment Level
Full-Time Classified (Filled)	15	
Part-Time Classified (Filled)	0	
Faculty (Filled)	0	
Wage	1	
Contract Employees	0	
Total Human Resource Level	16.0	= Current Employment Level + Wage and Contract Employees

• *Factors Impacting HR*

Human Resource factors impacting this service area include the aging workforce, expansion of statutory responsibilities resulting in the demand for more specialized services, and the need to attract and retain experienced insurance professionals.

• *Anticipated HR Changes*

Anticipated changes in human resources for this service area include the need for increased salary levels in order to recruit and retain qualified employees.

Service Area Objectives

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

Link to State Strategy

- nothing linked

Objective Measures

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

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

Measure Baseline Value: Date:

Measure Baseline Description:

Measure Target Value: 25 Date: 6/30/2010 Measure Target Description: The target is a 25% in self-service transactions by fiscal year 2010.

Data Source and Calculation: The data source is the Civitas system and its "Exposures" component. The calculation is the frequency by which the active Civitas system client base update their VAPS and VACCS data on-line compared to the total active Civitas system client base. This will be measured on a monthly basis and averaged for the quarter.

Service Area Strategic Plan

Department of the Treasury (152)

3/13/2014 9:47 am

Biennium: 2008-10

Service Area 3 of 7

Banking and Investment Services (152 725 03)

Description

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

Products and services include:

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

Background Information

Mission Alignment and Authority

- Describe how this service supports the agency mission

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

- Describe the Statutory Authority of this Service

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

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

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

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

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

See Appendix B, Additional Statutory Authority Information, for additional statutory authority for this service area.

Customers

Agency Customer Group	Customer	Customers served annually	Potential annual customers
Boards and Authorities	Boards and Authorities - Treasury Board	1	1
Business Partners	Business Partners	50	50
Executive Branch Officials, Agencies	Executive Branch Officials, Agencies and		

and Institutions	Institutions	108	108
Intra-Agency Staff	Intra-Agency Staff	116	116
Legislative Branch	Legislative Branch and Money Committees	140	140
Local Government Investment Pool Customers	Local Government Investment Pool Customers	410	650
Virginia Citizens	Virginia Citizens	7,500,000	7,500,000

Anticipated Changes To Agency Customer Base

Partners

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

Products and Services

● Factors Impacting the Products and/or Services:

- A collaborative effort to develop an in-house LGIP System will require additional development and implementation time and effort.
- As a result of a generally strong economy, General Account balances over the years have increased dramatically. This increases the workload and also the complexity in the management of the General Account's assets.
- The State's restrictive method of compensating and rewarding superior performing employees will present an ever increasing problem as the U.S. economy continues to strengthen. This will affect all service areas of Treasury, including and especially this service area. The younger workforce is more willing to make career changes, putting us at a serious disadvantage in adding and retaining the best work force possible.
- A continued increase in separately managed portfolios increases the workload and oversight of these portfolios.
- The Local Government Investment Pool AAAM rating significantly increases reporting, compliance and credit review requirements.
- The new taxable securitization by the Tobacco Indemnification and Community Revitalization Endowment Fund will require new investment management, both internal and external. The internal investment component will mean an increased workload for the service area from a search, management, oversight and reporting standpoint.
- The startup of the new internal cash concentration system will require additional time and resource utilization for administration and oversight.
- Increased complexity of interest income requires additional time and resource investment.
- Migration to more electronic banking requires additional staff time for both education to remain current and consulting with other agencies to achieve the most efficient and cost effective banking relations possible.

● Anticipated Changes to the Products and/or Services

- The successful AAAM rating of the Local Government Investment Pool will potentially increase the number of customers served, but will require a closer monitoring of the types of investments and their maturity.
- While GASB 40 will have a serious impact in the special and trust area, this service area will be negatively affected as well. More requirements include a more comprehensive narrative and more detailed statistical data that will have to be provided by this service area.
- A new master custody contract that will become effective April 1, 2006, may require treasury staff to assume certain tasks such as data entry for wire transfers and trades that have been previously performed by the master custodian.
- Growing portfolio(s), coupled with new and more complex investment options and investment programs, will require more time and a highly motivated and knowledgeable staff.
- A collaborative effort to develop an in-house LGIP System will require additional development and implementation time and effort.

● Listing of Products and/or Services

- Investment management services for the general account, the Local Government Investment Pool, the Tobacco Indemnification and Community Revitalization Fund, and various trust funds
- Monthly statements and quarterly newsletter to all Local Government Investment Pool participants
- Monthly report to Treasury Board, which includes a review of investment returns, investment income, comparison of investment income to both actual and relative to established benchmarks, review of general monthly economic and portfolio(s) activities, and comparison of

investment income to forecasted amount

- Monthly investment results to Executive Branch Secretaries and Agencies and Legislative Branch Money Committees
- General Account interest income forecast to Department of Taxation for their incorporation into the state-wide forecast
- Annual input and discussion of investment results to the Operations Division for inclusion in Commonwealth's Comprehensive Annual Financial Report
- Literary Fund forecast to Department of Education, Secretaries of Finance and Education, and Legislative Branch Money Committees
- Custody and safekeeping services for all financial assets held by the Commonwealth
- Wire transfer services for investments, certain vendor payments and debt service payments
- Cash management and banking consulting services to state agencies, public entities, and local governments
- Securities lending program

Finance

● *Financial Overview*

The budget for this service area is \$4,487,472 for FY 2007 and \$4,491,573 for FY 2008. Of this amount, \$291,809 in FY 2007 and \$295,910 in FY 2008 is derived from non-general fund sources. It is anticipated that the S & P fee will be funded with the LGIP fee income rather than with a General Fund appropriation. The area will need a credit analyst to assist and organize the credit evaluation process for both the General Account portfolio and the LGIP. It is anticipated that this function will be of great value in monitoring and evaluating the myriad of credit quality considerations facing investments managers. It is also anticipated that in doing so this position will free up time for the portfolio managers to perform their primary duties. Also benefiting will be the SNAP, TICR, and third party lending programs (non-general fund expenditure of \$69,160 in FY 2009 and \$71,926 in FY 2010).

● *Financial Breakdown*

	FY 2009		FY 2010		FY 2009	FY 2010						
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund								
Base Budget	\$2,759,191	\$468,757	\$2,759,191	\$473,585								
Change To Base	\$0	\$0	\$0	\$0								
Service Area Total	\$2,759,191	\$468,757	\$2,759,191	\$473,585								
Base Budget	\$2,759,191	\$468,757	\$2,759,191	\$473,585								
Change To Base	\$0	\$0	\$0	\$0								
Service Area Total	\$2,759,191	\$468,757	\$2,759,191	\$473,585								
Base Budget	\$2,759,191	\$468,757	\$2,759,191	\$473,585								
Change To Base	\$0	\$0	\$0	\$0								
Service Area Total	\$2,759,191	\$468,757	\$2,759,191	\$473,585								
Base Budget	\$2,759,191	\$468,757	\$2,759,191	\$473,585								
Change To Base	\$0	\$0	\$0	\$0								
Service Area Total	\$2,759,191	\$468,757	\$2,759,191	\$473,585								

Human Resources

● *Human Resources Overview*

Human resources for this service area include 10 full-time classified positions. Position titles and reporting structure can be found in Appendix B,

Service Area Structure.

- *Human Resource Levels*

Effective Date	7/1/2008
Total Authorized Position level	11
Vacant Positions	1
Current Employment Level	10.0
Non-Classified (Filled)	0
Full-Time Classified (Filled)	9
Part-Time Classified (Filled)	0
Faculty (Filled)	0
Wage	0
Contract Employees	0
Total Human Resource Level	10.0

breakout of Current Employment Level

= Current Employment Level + Wage and Contract Employees

- *Factors Impacting HR*

Human Resource factors impacting this service area include hiring and retaining the best professional staff, given a strong U.S. economy and the State's restrictive policy of rewarding superior performance.

- *Anticipated HR Changes*

Anticipated changes in human resources for this service area include the potential retirement of at least 20% of current senior personnel within the next five years.

Service Area Objectives

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

Link to State Strategy

- nothing linked

Objective Measures

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

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

Measure Baseline Value: Date:

Measure Baseline Description:

Measure Target Value: Date:

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

Data Source and Calculation: The data sources are the General fund investment earnings report for the Primary Liquidity Portfolio and the iMoney Net Money Fund Monitor Yield. The iMoney Net Money Fund Monitor Yield is a composite yield of 720 money market funds tracked by iMoney Net, a rating tracking service specializing in money market funds. The iMoney Fund Yield is calculated on a monthly basis and is reported on a net of fees basis.

Service Area Strategic Plan

Department of the Treasury (152)

3/13/2014 9:47 am

Biennium: 2008-10

Service Area 4 of 7

Unclaimed Property Administration (152 732 07)

Description

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

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

Background Information

Mission Alignment and Authority

- Describe how this service supports the agency mission

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

- Describe the Statutory Authority of this Service

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

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

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

See Appendix A, Additional Statutory Authority Information, for additional statutory authority for this service area.

Customers

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

Anticipated Changes To Agency Customer Base

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

Partners

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

Products and Services

- Factors Impacting the Products and/or Services:

The electronic functionality made available on the searchable unclaimed property website increases the efficiency of the claims process.

- Treasury is researching the development of an interactive voice response call center solution to improve customer satisfaction and the efficiency

Total	\$0	\$4,366,487	\$0	\$4,366,487
Base Budget	\$0	\$4,366,487	\$0	\$4,366,487
Change To Base	\$0	\$0	\$0	\$0
Service Area Total	\$0	\$4,366,487	\$0	\$4,366,487
Base Budget	\$0	\$4,366,487	\$0	\$4,366,487
Change To Base	\$0	\$0	\$0	\$0
Service Area Total	\$0	\$4,366,487	\$0	\$4,366,487

Human Resources

• *Human Resources Overview*

Human resources for this service area include 38 full-time classified positions and 3 part-time employees. Position titles and reporting structure can be found in Appendix B, Service Area Structure.

• *Human Resource Levels*

Effective Date	7/1/2008
Total Authorized Position level	43
Vacant Positions	5
Current Employment Level	38.0
Non-Classified (Filled)	0
Full-Time Classified (Filled)	38
Part-Time Classified (Filled)	0
Faculty (Filled)	0
Wage	4
Contract Employees	0
Total Human Resource Level	42.0

breakout of Current Employment Level

= Current Employment Level + Wage and Contract Employees

• *Factors Impacting HR*

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

• *Anticipated HR Changes*

Anticipated changes in human resources for this service area include employees at the management and supervisory levels that will reach the age and number of years service required for retirement. In addition, there are at least others at other levels that will be eligible to retirement within the next five years.

Service Area Objectives

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

Link to State Strategy

- nothing linked

Objective Measures

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

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

Measure Target Value: 99 Date: 6/30/2010

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

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

Service Area Strategic Plan

Department of the Treasury (152)

3/13/2014 9:47 am

Biennium: 2008-10 ▼

Service Area 5 of 7

Accounting and Trust Services (152 732 13)

Description

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

Products and services include:

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

Background Information

Mission Alignment and Authority

- *Describe how this service supports the agency mission*

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

- *Describe the Statutory Authority of this Service*

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

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

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

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

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

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

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

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

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

See Appendix B, Additional Statutory Authority Information, for additional statutory authority for this service area.

Customers

Agency Customer Group	Customer	Customers served annually	Potential annual customers
Boards and Authorities	Boards and Authorities	5	5
Bondholders	Bondholders	0	0
Executive Branch Officials, Agencies and Institutions	Executive Branch Officials, Agencies and Institutions	108	108
Financial Institutions Holding Virginia Public Deposits	Financial Institutions Holding Virginia Public Deposits	123	123
Insurance Companies Conducting Business in Virginia	Insurance Companies Conducting Business in Virginia	1,102	1,102

	\$522,779	\$927,004	\$522,779	\$927,004
Change To Base	\$0	\$0	\$0	\$0
Service Area Total	\$522,779	\$927,004	\$522,779	\$927,004

Human Resources

- *Human Resources Overview*
Human resources for this service area include 10 full-time classified accounting positions. Position titles and reporting structure can be found in Appendix B, Service Area Structure.
- *Human Resource Levels*

Effective Date	7/1/2008	
Total Authorized Position level	10	
Vacant Positions	2	
Current Employment Level	8.0	
Non-Classified (Filled)	0	breakout of Current Employment Level
Full-Time Classified (Filled)	8	
Part-Time Classified (Filled)	0	
Faculty (Filled)	0	
Wage	0	
Contract Employees	0	
Total Human Resource Level	8.0	= Current Employment Level + Wage and Contract Employees

- *Factors Impacting HR*
Since the passage of the Sarbanes-Oxley Act by Congress, there has been a significant increase in the demand for accounting professionals. Within the last few years it has become increasing difficult to attract and retain the services of qualified accounting staff, especially with experience in the governmental sector. We believe this trend will continue into the near future. This trend has resulted in having to pay higher starting salaries than in the past. Due to this development, the agency will need to place more emphasis on attracting and retaining its accounting professionals. One means of doing this will be to concentrate on providing more training and career development opportunities to staff and to provide more competitive salaries.
- *Anticipated HR Changes*
Historically Trust Services has had a higher turnover rate than the agency average. Because the turnover rate has been high, there has been and will continue to be a strong focus on cross training of staff to ensure operations are not impacted by staff vacancies.

Service Area Objectives

- Ensure that all debt obligations are paid on time.

Link to State Strategy

- nothing linked

Objective Measures

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

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

Measure Target Value: 100 Date: 6/30/2010

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

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

Department of the Treasury (152)

3/13/2014 9:47 am

Biennium: 2008-10

Service Area 6 of 7

Check Processing and Bank Reconciliation (152 732 16)

Description

This service area prints and distributes Commonwealth checks and reconciles Commonwealth bank accounts.

Products and services include:

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

Background Information

Mission Alignment and Authority

- *Describe how this service supports the agency mission*
This service area directly aligns with the Department of the Treasury's mission of serving the Commonwealth by providing excellent financial management and outstanding customer service.
- *Describe the Statutory Authority of this Service*
Code of Virginia §2.2-1810 requires the State Treasurer to reconcile State bank accounts monthly.

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

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

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

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

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

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

See Appendix A for additional statutory authority for this service area.

Customers

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

Anticipated Changes To Agency Customer Base

Other than future bank mergers and consolidations, we do not anticipate changes in our customer base in the near future.

Partners

Partner	Description
Department of Accounts	Provides Treasury receipt and disbursement transactions of the Commonwealth as recorded per its general ledger system. Treasury uses this information to reconcile to bank activity.

Department of Accounts for vendor payment and payroll checks, the Virginia Retirement System, the Department of Social Services, the Department of Taxation, and the Virginia Employment Commission

The Department of the Treasury issues Commonwealth checks on behalf of these agencies. Treasury works closely with these agencies to address check production and payment issues.

Financial Institutions Provide banking services and products.

Private sector vendors and contractors Provide goods and services to the agency.

Products and Services

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

Treasury monitors changes in U. S. Postal regulations closely and their impact on its check production and distribution services. In addition to printing Commonwealth checks, Treasury barcodes and presorts the checks it prints to mail at discounted postage rates. The U. S. Postal Service continues to tighten regulations that govern the quality of mail that receives postage discounts to reduce the volume of undeliverable mail they must handle. Treasury will need to continue to comply with these more stringent regulations to continue to receive discounted postage rates. Treasury saves approximately \$227,000 per year on postage discounts.

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

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

Treasury will continue to implement a new check security feature offered by the Commonwealth’s disbursement bank that matches payee name per check to payee name submitted on check issue file to detect alterations of payee names on checks. This is an extension of the bank’s positive pay features that matches amount per the physical check and the check issue file. Payee Match Positive Pay has already been successfully implemented for general warrant and retirement checks. This feature will be expanded to other check types where it is deemed necessary.

- Treasury continues to encourage the use of electronic payment mechanisms instead of checks as a means to make payment to state clients, taxpayers, retirees, employees, and vendors. Since Treasury charges the Department of Social Services, the Virginia Employment Commission, and the Virginia Retirement Systems for its check production services, as these agencies switch to electronic payment mechanisms over checks, it will impact the cost of Treasury’s check production services and the funding streams to pay these costs. The switch to electronic payments will need to be monitored closely going forward so the impact on the check processing function can be evaluated and any necessary changes in production be made timely.

• *Listing of Products and/or Services*

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

Finance

• *Financial Overview*

The budget for this service area is used primarily to fund check production costs including postage, check stock, and printer and computer hardware and software maintenance. This service area is funded by general fund appropriations and special revenue funds from fees collected from the Department of Social Services, the Virginia Employment Commission, and the Virginia Retirement System for the processing of their checks. Treasury prints and mails approximately 2,939,000 general warrant, tax refund, and retirement checks annually for which it receives a general fund appropriation to cover its postage costs for this service.

• *Financial Breakdown*

	FY 2009		FY 2010		FY 2009	FY 2010
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund		
Base Budget	\$2,770,673	\$319,351	\$2,770,673	\$319,351		
Change To Base	\$0	\$0	\$0	\$0		
Service Area Total	\$2,770,673	\$319,351	\$2,770,673	\$319,351		
Base Budget	\$2,770,673	\$319,351	\$2,770,673	\$319,351		
Change To Base	\$0	\$0	\$0	\$0		
Service Area Total	\$2,770,673	\$319,351	\$2,770,673	\$319,351		

Human Resources

• *Human Resources Overview*

Human resources for this service area include 20 full-time classified positions. Position titles and reporting structure can be found in Appendix B, Service Area Structure.

• *Human Resource Levels*

Effective Date	7/1/2008
Total Authorized Position level	19
Vacant Positions	7
Current Employment Level	12.0
Non-Classified (Filled)	0
Full-Time Classified (Filled)	14
Part-Time Classified (Filled)	0
Faculty (Filled)	0
Wage	1
Contract Employees	0
Total Human Resource Level	13.0

breakout of Current Employment Level

= Current Employment Level + Wage and Contract Employees

• *Factors Impacting HR*

None to report.

• *Anticipated HR Changes*

Treasury anticipates that there will be the need to replace 25% of the bank reconciliation workforce over the next two to four years due to retirements.

Service Area Objectives

- We will ensure that Commonwealth checks are printed and distributed accurately and timely in accordance with agency procedures.

Link to State Strategy

- nothing linked

Objective Measures

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

Measure Class: Agency Key Measure Type: Output Measure Frequency: Quarterly Preferred Trend: Maintain

Measure Target Value: 99.7 Date: 6/30/2010

Measure Target Description: Percentage of checks delivered in a timely and accurate manner will exceed 99.7% for FY 2009 and FY 2010.

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

Department of the Treasury (152)

3/13/2014 9:47 am

Biennium: 2008-10

Service Area 7 of 7

Administrative Services (152 732 20)

Description

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

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

Background Information

Mission Alignment and Authority

- *Describe how this service supports the agency mission*

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

- *Describe the Statutory Authority of this Service*

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

See Appendix B, Additional Statutory Authority Information, for additional statutory authority for this service area.

Customers

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

Anticipated Changes To Agency Customer Base

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

Partners

Partner	Description
Bond and investment rating agencies	Provide credit rating services to the agency and the Commonwealth
Financial advisors	Provide financial services to the agency and the Commonwealth

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

Products and Services

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

As the U.S. economy continues to improve and the Commonwealth's salary structure and reward system remains constant, Treasury will continue to be challenged in hiring and retaining qualified employees with which to provide the products and services our customers deserve.

- In the short term, efforts to centralize information technology will likely impact the ability of Treasury to maintain its management and administrative support services as effectively and efficiently as are currently provided and will likely increase agency costs.
- Virginia Information Technology Authority's enhanced information systems security may require additional expenditures by the agency and will likely require a request for additional funds in the current and future bienniums.
- Virginia Information Technology Authority's shared rate billing model, to be disclosed in the near future, will likely require additional expenditures by the agency and require a request for additional funds in the current and future bienniums.
- Customer assistance requests in the service areas of debt management, insurance services, banking and unclaimed property are expected to increase and will impact each of these service areas as more time is needed to respond to these requests with little or no increase in staff.
- Expansion of the web-based electronic government capability will increase the efficiency of Treasury management and open new, more efficient means to communicate with customers and deliver our services.
- Continued expansion of the electronic procurement system (eVA) will create new efficiencies and lower costs in the procurement of goods and services; however, for those services for which there is no eVA vendor, the eVA administrative fees incurred by the agency will continue to be a burden on the agency budget.

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

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

- Changes in technology, regulations, legislation, best practices, industry and markets may require a more technically trained workforce and the need for additional training for the current workforce.
- As products and services expand and become more complex to deliver, management will seek to find more efficient delivery systems and programs, as well as the means to monitor the performance of these programs through the development of internal controls and additional performance measures.
- Increased information systems security will be required to protect our internal systems and client information.
- The increased complexity, expansion, regulation and management of services and products may require additional outside resources to augment staff support.

- *Listing of Products and/or Services*

- Agency Strategic Plan, including goals and objectives for the agency, is provided for staff, Secretary of Finance and the Department of Planning and Budget and is available to the General Assembly and to citizens through the agency website
- Agency Legislative Action Summaries and Enrolled Bill Reviews provided to the Secretary of Finance
- Agency Legislative Studies provided to the Secretary of Finance and the General Assembly as requested
- Agency Regulations provided periodically to Legislative Services for publishing and made available to the citizens
- Agency Procurement Dashboard Report provided monthly to the Department of General Services detailing electronic procurements made
- Agency Small, Women and Minority-owned Businesses Report provided to the Department of Minority Business Enterprise quarterly detailing SWAM procurements
- Contract Management Reports provided to staff monthly to ensure actions are taken on the Department's 75 contracts when required
- Small Purchase Charge Card Program (SPCC) Annual Cardholder Review Certification and other similar SPCC reports provided annually to the Department of Accounts
- Small Purchase Charge Card monthly procurement statement reconciliation provided to the Department of Accounts
- Requests for Proposals provided to vendors for the procurement of goods and services resulting in contracts
- Freedom of Information Act and constituent mail research and response provided to citizens upon request
- Development and monitoring of agency goals, objectives and critical issues
- Agency Records Management Reports provided to the State Library for archived documents
- Agency Weekly Report provided to the Secretary of Finance detailing agency activity, actions and actions needed by the Governor
- Agency Report provided to the Secretary of the Commonwealth on the membership of boards and authorities staffed by Treasury
- Conflict of Interest Reports provided to the Secretary of the Commonwealth for staff and board and authority members for boards and authorities staffed by Treasury
- Agency Internal Audit Reports and results of Treasury's Internal Audit Questionnaire provided to management regarding audit findings and corrective actions needed

- Agency Internal Control Assessment of agency operations provided to State Comptroller annually
- Central Garage Pool Mileage Report provided monthly to the Department of General Services regarding mileage usage of Pool vehicles assigned to Treasury
- Vehicle Utilization Report provided annually to the Secretary of Transportation justifying the statutory basis for assignment of agency vehicles
- Agency Recycling Report provided to the Department of Environmental Quality annually
- Assessment of Mandates on State and Local Governments provided to the Commission on Local Government annually
- Agency Budget and Critical Issues provided annually to the Secretary of Finance and the Department of Planning and Budget
- Guidance Documents Listing provided to the Department of Planning and Budget annually and posted to the Virginia Regulatory Town Hall providing general information to agency staff or the public on how to implement or interpret state law or agency regulations
- Executive Order 52(1999) Report provided to the Department of Human Resource Management, Workers Compensation Division annually dealing with the frequency and type of workers compensation claims for the report year
- Employment Dispute Resolution Report provided to the Department of Employee Dispute Resolution annually detailing the number of Standards of Conduct notices issued for the report year as well as the number of grievances filed and their status and outcome
- Updates to the Workforce Planning Document regarding the agency's manpower strategic plan provided to the Department of Human Resource Management as needed
- Employee Suggestion Program Activity Report provided to Department of Human Resource Management annually
- Cardholder Identification Access Report showing various employee access levels to the Monroe Building provided annually to the Deputy State Treasurer
- Executive Order 6(2002) Report provided to the Secretary of Commerce and Trade annually listing all national organizations to which dues are paid and the status of any negotiations or contact with each regarding conference or conventions that might be held in the Commonwealth
- Database Index Report containing detailed information of agency computer databases provided to the Library of Virginia annually
- Records Destruction Forms provided to the Library of Virginia periodically
- Agency Policies and Procedures on a variety of issues that give general direction to staff in the performance of their responsibilities
- Agency Head Executive Agreement Performance Measures provided to the Governor annually
- Agency Performance Measures provided quarterly to the Department of Planning and Budget
- Direction and assistance to boards and authorities staffed by Treasury
- Treasury Board Report and Minutes provided monthly to the Treasury Board
- Agency Proposed Legislation provided to the Secretary of Finance and to the General Assembly
- Executive Order 44(2007) mandated update of the Continuity of Operations Plan on April 1 of each year to be sent to the Virginia Department of Emergency Management

Finance

● *Financial Overview*

The budget for this service area is \$1,517,409 for fiscal year 2009 and \$1,515,127 for FY 2010. Of this amount, \$931,906 (61%) is funded with general funds and \$585,503 (39%) is funded from nongeneral funds. Changes may be required by future actions of the General Assembly as budgets are developed for this biennium.

● *Financial Breakdown*

	FY 2009		FY 2010	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
Base Budget	\$996,255	\$734,823	\$996,255	\$734,823
Change To Base	\$0	\$0	\$0	\$0
Service Area Total	\$996,255	\$734,823	\$996,255	\$734,823

Human Resources

● *Human Resources Overview*

Human resources for this service area include 2 appointed/at-will positions and 11 full-time classified positions. Position titles and reporting structure can be found in Appendix B, Service Area Structure.

● *Human Resource Levels*

Effective Date	1/1/2006
Total Authorized Position level	12
Vacant Positions	0
Current Employment Level	12.0
Non-Classified (Filled)	0
Full-Time Classified (Filled)	12

breakout of Current Employment Level

Part-Time Classified (Filled)	0
Faculty (Filled)	0
Wage	1
Contract Employees	0
Total Human Resource Level	13.0 = <i>Current Employment Level + Wage and Contract Employees</i>

- Factors Impacting HR**
 The primary human resource factor impacting this service area is the ability to satisfy the demand for qualified professional staff and to retain staff. As the economy continues to improve, competition for professional staff will continue to demand greater resources in order to attract and keep qualified professionals. More emphasis will need to be placed on the development of competitive salary structures, training and career development opportunities.
- Anticipated HR Changes**
 Anticipated changes in human resources for this service area include the potential retirement of 30% of staff over the next five years. The improved economy may make attracting and retaining qualified staff even more difficult. Greater specialization in programs managed by Treasury will require a more specialized knowledge base among staff.

Service Area Objectives

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

Link to State Strategy

- nothing linked

Objective Measures

- Percent of Management Scorecard categories marked as "Meets Expectations".

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

Measure Target Value: Date:

Measure Target Description: 100% of the Governor's Management Standards Scorecard categories will be marked as meeting expectations for the agency by fiscal year 2010.

Data Source and Calculation: The data source will be the Virginia Performs Management Standards Scorecard. The calculation will be the percent of Governor's Management Standards Scorecard categories marked as "meets expectations" for the agency.