



## Information Technology Investment Board Finance and Audit Committee October 2009

This Finance Report covers the following topics:

- Fiscal Year 2009 VITA Financial Results
  - VITA Financial Results
  - VEAP Financial Results
  - Cash Flow – Internal Service Fund
  - Accounts Receivable
  - Northrop Grumman Payments and Withheld Amounts
- Appendix
  - Combining Balance Sheets
  - Combining Statement of Revenues, Expenses and Changes in Net Assets
  - VEAP Financial Report

### FY 2009 Financial Results Financial Results Summary

	<i>FY2009 Budget</i>	<i>June 2009 YTD Actual</i>	<i>Actual as a % of Budget</i>
<b><u>All Funds</u></b>			
<b>Revenues, including transfers in</b>	<b>\$321,274,466</b>	<b>\$331,240,899</b>	<b>103.1%</b>
<b>Expenses, including transfers out</b>	<b><u>319,971,673</u></b>	<b><u>341,758,632</u></b>	<b>106.8%</b>
<b>Net Change</b>	<b><u>\$1,302,793</u></b>	<b>(10,517,733)</b>	
<b>Retained Earnings, July 1 (revised)</b>		<b><u>30,085,092</u></b>	
<b>Ending Retained Earnings</b>		<b><u><u>\$19,567,359</u></u></b>	

Overall, revenues lagged behind expenses in fiscal year 2009. Revenue and Expense details for various programs are described following the fund tables below.

**YTD Financial Results  
Internal Service Funds**

<u>ISF</u>	<i>FY 2009 Budget</i>	<i>June 2009 YTD Actual</i>	<i>Actual as a % of Budget</i>
<b>Revenues, including transfers in</b>	<b>\$261,769,414</b>	<b>\$269,459,604</b>	<b>102.9%</b>
<b>Expenses, including transfers out</b>	<u><b>\$261,769,414</b></u>	<u><b>270,870,076</b></u>	<b>103.5%</b>
<b>Net Change</b>	<u><u><b>\$0</b></u></u>	<b>(1,410,472)</b>	
<b>Retained Earnings, July 1 (revised)</b>		<u><b>11,135,549</b></u>	
<b>Ending Retained Earnings</b>		<u><u><b>\$9,725,077</b></u></u>	

The Internal Service Fund program represents the core of VITA's business, and accounts for the majority of revenues and expenses, including telecommunications, computer services, and shared rate (agency-based) services.

As was reported previously, VITA has not generated sufficient revenue to cover its expenses. The revenue shortfall is due to the lack of a fully reconciled inventory and key billing data to VITA.

VITA's preliminary projections of retained earnings and net loss for FY09 were \$4 million and \$7 million respectively. However, remedial actions were taken that substantially changed VITA's FY09 ending results. Specifically, previous withholdings on payments to Northrop Grumman for server disk storage and enterprise print, totaling \$6.3 million, were deemed a permanent short payment, and the associated expenses were removed from VITA's books.

The fund ended FY09 with retained earnings of \$9.7 million.

**YTD Financial Results  
Enterprise Funds**

<u>Enterprise</u>	<i>FY 2009 Budget</i>	<i>June 2009 YTD Actual</i>	<i>Actual as a % of Budget</i>
<b>Revenues, including transfers in</b>	<b>\$51,121,838</b>	<b>\$51,536,335</b>	<b>100.8%</b>
<b>Expenses, including transfers out</b>	<u><b>49,819,045</b></u>	<u><b>60,361,117</b></u>	<b>121.2%</b>
<b>Net Change</b>	<u><u><b>\$1,302,793</b></u></u>	<b>(8,824,782)</b>	
<b>Retained Earnings, July 1 (revised)</b>		<u><b>16,819,688</b></u>	
<b>Ending Retained Earnings</b>		<u><u><b>\$7,994,906</b></u></u>	

Year-to-date revenues for the E-911 program are right on target. Expenses, however, are running ahead of the approved budget. The program ended the fiscal year with an \$8.8 million loss, due in part to the 2009 General Assembly's direction to transfer approximately \$6 million of the program's fund balance to the Compensation Board as one of the statewide strategies to deal with the economic downturn of the past year. The remainder of the loss is attributable to higher payments to localities as a result of planned higher grant award amounts. The fund ended FY09 with retained earnings of \$8 million.

**YTD Financial Results  
General Fund**

<u>General Fund</u>	<i>FY 2009 Budget</i>	<i>June 2009 YTD Actual</i>	<i>Actual as a % of Budget</i>
<b>Appropriations and transfers in</b>	<b>\$1,900,520</b>	<b>\$1,900,520</b>	<b>100.0%</b>
<b>Expenses, including transfers out</b>	<u>1,900,520</u>	<u>1,897,923</u>	<b>99.9%</b>
<b>Net Change</b>	<u><u>\$0</u></u>	<b>2,597</b>	
<b>Fund Balance, July 1</b>		<u>0</u>	
<b>Ending Fund Balance</b>		<u><u>\$2,597</u></u>	

The General Fund appropriation supports statewide IT governance and oversight. VITA staff members collaborate with key stakeholders in formulating a strategic vision and direction for IT in the Commonwealth, and then in translating that vision and direction into practical guidance in planning and implementing specific technology initiatives.

For most of the fiscal year, VITA took a very conservative approach to general fund spending due to the potential for additional budget reductions. Ultimately, most of VITA's general fund appropriation was spent by year end.

**YTD Financial Results  
Special Revenue Funds**

<u>Special Revenue and Dedicated Special Revenue</u>	<i>FY 2009 Budget</i>	<i>June 2009 YTD Actual</i>	<i>Actual as a % of Budget</i>
<b>Revenues, including transfers in</b>	<b>\$6,482,694</b>	<b>\$8,340,020</b>	<b>128.7%</b>
<b>Expenses, including transfers out</b>	<u><b>6,482,694</b></u>	<u><b>8,627,431</b></u>	<b>133.1%</b>
<b>Net Change</b>	<u><u><b>\$0</b></u></u>	<b>(287,412)</b>	
<b>Fund Balance, July 1 (revised)</b>		<u><b>2,129,855</b></u>	
<b>Ending Fund Balance</b>		<u><u><b>\$1,842,444</b></u></u>	

While VITA does have several distinct special revenue and dedicated special revenue funds, the current activity is primarily related to the Industrial Funding Adjustment (IFA) fund (which pays for acquisition and general government activities, including support to the Governor's Office, that would not normally be included as overhead billed to state agencies and other customers) and the Geographic Information Systems (Virginia Geographic Information Network) fund (which accounts for activities of the Virginia Base Mapping Program and similar activities).

In addition to the two activities described above, VITA maintained a \$342,000 balance in its Technology Infrastructure Fund. This balance was transferred to the General Fund in FY09 as required by Section 3-1.01FF.1, Chapter 781, 2009 Acts of Assembly. This transfer accounts for the loss in the Special Revenue Funds.

**YTD Financial Results  
Federal Funds**

<u>Federal</u>	<i>FY 2009 Budget</i>	<i>June 2009 YTD Actual</i>	<i>Actual as a % of Budget</i>
<b>Revenues, including transfers in</b>	<b>\$0</b>	<b>\$4,420</b>	
<b>Expenses, including transfers out</b>	<b>0</b>	<b>2,084</b>	
<b>Net Change</b>	<b><u>\$0</u></b>	<b>2,336</b>	
<b>Retained Earnings, July 1</b>		<b><u>0</u></b>	
<b>Ending Retained Earnings</b>		<b><u><u>\$2,336</u></u></b>	

VGIN received a federal grant for \$47,000. This cooperative agreement will assist the Virginia Information Technologies Agency with the further integration of the State Spatial Data Infrastructure (SSDI) needs with the National Spatial Data Infrastructure (NSDI) needs and the continued integration of the strategic visions of the VITA Integrated Services Program. A small portion was drawn down in FY 2009 to cover expenses in FY 2009 and early expenses in FY 2010. The grant period runs through February 2010.

**YTD Financial Results  
Virginia Enterprise Applications Program**

	<i>June 2009 YTD Actual General Funds</i>	<i>June 2009 YTD Actual Special Revenue Fund (VERIS)</i>	<i>June 2009 YTD Actual Working Capital Advance</i>
<b><u>All Funds</u></b>			
<b>Resources Available to Spend</b>	<b>\$1,628,727</b>	<b>\$691,750</b>	<b>\$11,683,436</b>
<b>Expenses</b>	<b>1,628,252</b>	<b>642,034</b>	<b>2,514,406</b>
<b>Remaining Balances June 30, 2009</b>	<b>\$475</b>	<b>\$49,716</b>	<b>\$9,169,030</b>

As expected, general fund dollars were used almost in their entirety prior to fiscal year end.

For FY 2009, the Special Revenue Fund operated largely on a pure reimbursement basis. Funds were spent by VEAP (prior to enterprise applications moving into VITA) and then reimbursed in total by the State Board of Elections.

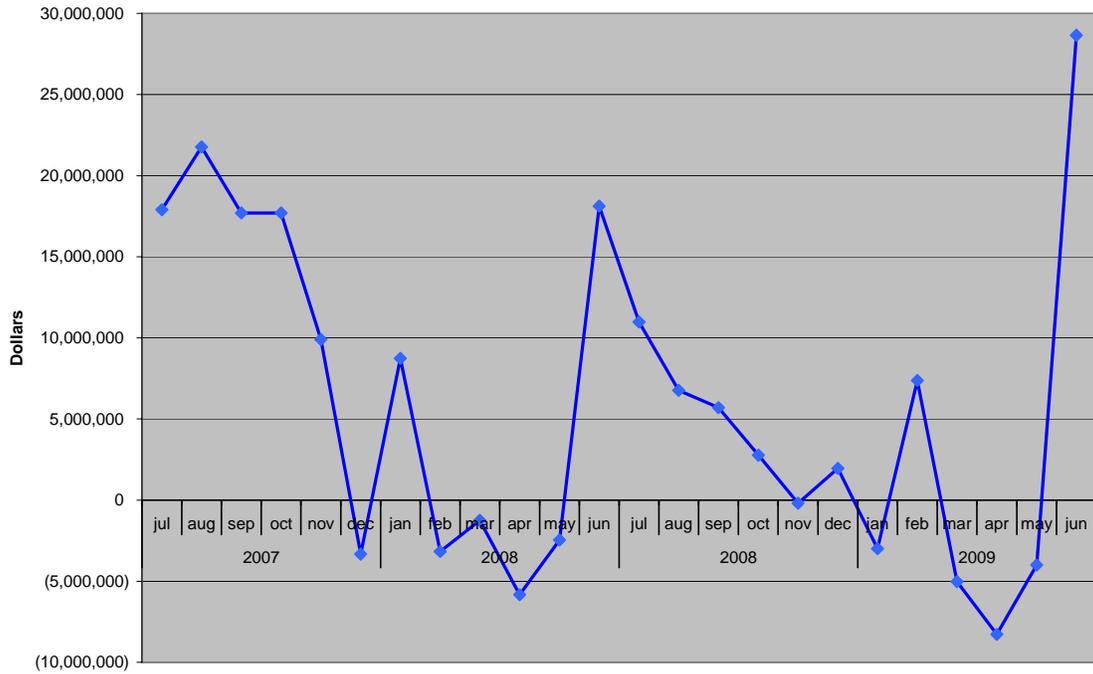
The resources available to spend of \$11.7 million in the working capital advance fund represent the amount drawn down against the available \$30 million. However, for spending in FY 2009, only \$5.5 million was authorized by the Department of Planning and Budget (DPB) from working capital plus \$700,000 in prior year carry-over funds. Of the amount authorized, \$2.5 million was spent. VITA has requested reappropriation of the remaining funds for FY 2010.

**Cash Flow – Internal Service Fund (ISF)**

**ISF Cash with Treasurer of Virginia**

<b>Cash with Treasurer of Virginia (not including loans)</b>	
<b>June 30, 2008</b>	<b>\$ 18,120,580</b>
<b>June 30, 2009</b>	<b>\$ 28,500,803</b>

VITA - ISF Cash On-Hand (end of month)



The chart above reflects revenue collections net of expenditures at the end of each month, and DOES NOT include working capital cash advances/treasury loans. Those loans totaled approximately \$15 million for much of the fiscal year, but were repaid prior to fiscal year end.

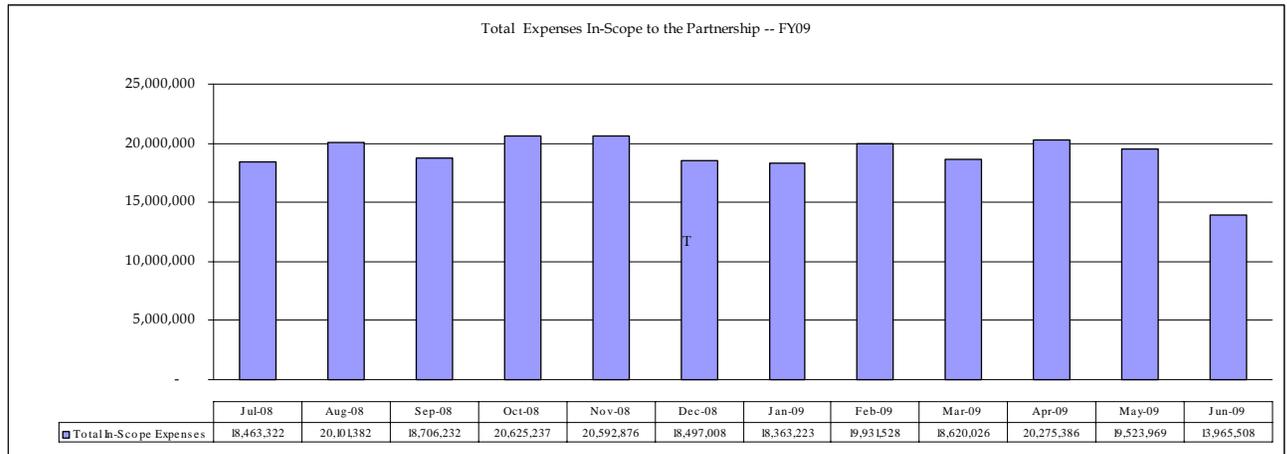
<b>Accounts Receivable (as of June 30, 2009)</b>				
	<b>Total</b>	Current	1-30 Days	> 30 Days
Telecommunications	<b>9,523,144</b>	9,109,690	266,063	147,391
Computer Services	<b>4,315,121</b>	4,045,870	183,016	86,235
Decentralized Services	<b>11,507,410</b>	837,944	3,785,701	6,883,765
Time & Materials	<b>243,692</b>	182,222	11,475	49,995
Other	<b>188,673</b>	3,766	177,829	7,078
<b>Total Internal Service Funds</b>	<b>25,778,040</b>	14,179,492	4,424,084	7,174,464

Total receivables decreased 46% (\$22 million) from April to June. More importantly, receivables greater than 30 days past due decreased by almost half due to diligent collection efforts by the Finance staff and typical year-end spending patterns by agencies. Agencies with the largest balances greater than 30 days past due include:

- Social Services
- Health
- Central Virginia Training Center
- Rehabilitative Services
- Employment Commission
- Tax
- Education
- Environmental Quality

With the exception of Central Virginia Training Center, most past due amounts are related to inventory and other billing disputes. It is estimated that \$3.3 million in inventory disputes and at least \$1.3 million in service delivery disputes ultimately may be uncollectible.

## Payments Against the Contractual Cap



## Payment Withholding

Over the past two years, the amounts set forth below have to date been withheld from payment to Northrop Grumman for the reasons stated and are pending resolution of the issues involved.

<u>Issue</u>	<u>Withheld Amount</u>
<b>Server Disc Storage</b> - Data available under recovers server storage in use -- permanent short pay	\$2,426,916
<b>Enterprise Printing</b> - Data available under recovers enterprise print in use -- permanent short pay	\$3,840,384
<b>Financial and Operational Audits</b> - Incomplete or inaccurate audits from calendar year 1 and 2	\$250,000
<b>Procedures Manual</b> - Not delivered when promised	\$625,000
<b>ITIL Optimization</b> - Not delivered when promised	\$1,200,000
<b>TOTAL</b>	<b>\$8,342,300</b>

# Appendix