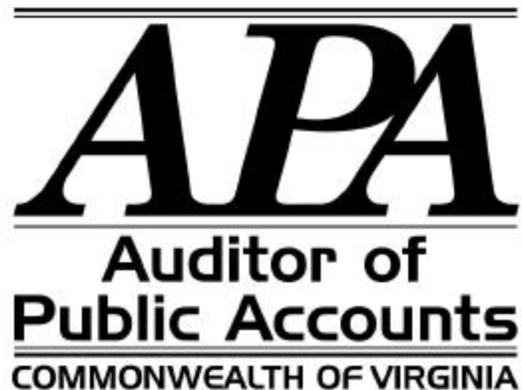


**REPORT TO THE  
JOINT LEGISLATIVE AUDIT  
AND REVIEW COMMISSION**

**FOR THE QUARTER  
APRIL 1, 2001 TO JUNE 30, 2001**



**- TABLE OF CONTENTS -**

<b>TRANSMITTAL LETTER.....</b>	<b>1</b>
 <b>EXECUTIVE SUMMARY</b>	
<b>The College of William and Mary.....</b>	<b>3-4</b>
<b>George Mason University.....</b>	<b>4</b>
<b>Department of Motor Vehicles.....</b>	<b>5</b>
<b>Virginia Correctional Enterprises, A Division of the Department of Corrections .....</b>	<b>5-6</b>
 <b>SUMMARY OF REPORTS ISSUED.....</b>	 <b>7-11</b>

July 3, 2001

The Honorable Vincent F. Callahan, Jr., Chairman  
and  
Members, Joint Legislative Audit and Review Commission  
General Assembly Building  
Capitol Square  
Richmond, Virginia 23219

This transmits our quarterly summary of reports issued for the period April 1, 2001 through June 30, 2001.

The *Executive Summary* includes reports that may be of special interest to the members of the Commission. We have included a report in the summary for the sole purpose of bringing to your attention matters of significance. These summaries do not include all findings within a report or all reports with findings.

The *Summary of Reports Issued* lists all reports released during the quarter and shows reports that have audit findings.

We will be happy to provide you, at your request, any reports in their entirety. We welcome any comments concerning this report or its contents.

Sincerely,

Walter J. Kucharski  
Auditor of Public Accounts

WJK:aom

# **EXECUTIVE SUMMARY**

## THE COLLEGE OF WILLIAM AND MARY

### Improve Systems Project Management

In February 1999, the College issued a Request for Proposal (RFP) for the implementation of an integrated information system. This system would replace three core systems: Finance, Human Resources, and Student Systems, and numerous subsystems. In December 1999, the College awarded Systems, Applications, and Products (SAP) the contract for the system and Align Consulting, Inc. an implementation services contract. In the Spring of 2000, the College began the accelerated development and implementation of its Enterprise Resource Planning System (SAP R/3), called Project ARIA. The College identified resource requirements of \$9.5 million for purchasing software, hardware, and consulting costs.

In August 2000, the College appointed the current project manager to lead Project ARIA. This project manager identified many of the problems noted below, and recommended a slower, more methodical rate of implementation and the termination of Align Consulting due to funding limitations. More importantly, he recognized that the Project would not succeed unless the College re-assessed SAP Finance functionality and addressed immediate problems with Student Systems.

The College has spent over \$5 million in college funds and over \$350,000 in private funds, with over \$400,000 in contractual costs outstanding. To date, the College has not completely implemented any core portion of the SAP R/3 system.

Significant problems noted during the planning and implementation process included the following issues:

- The College did not identify sufficient funding sources to support the full implementation of the project. To date, the College has received appropriations totaling \$2,050,000 to support project expenses and loan financing. The College is also looking at other funding sources, such as transfers from Auxiliary Enterprises fund balances.
- The Project's initial budget only addressed external costs. The College did not adequately account for any internal costs, including employees' time spent on the project, employee payroll costs, certain hardware costs, and upgrading employee workstations.
- The College insufficiently prepared for an accelerated implementation by failing to adequately make employees available to work on the project, inadequately documenting policies and procedures, and insufficiently pre-planning to maintain operations during an accelerated implementation. Involvement in Project ARIA required that employees spend significant time away from their operational responsibilities.
- The College appointed four new project managers and Align Consulting appointed three new project managers in the first seven months.
- Align Consulting had limited knowledge of higher education in Virginia, especially regarding College and Commonwealth reporting requirements.

- The implementation of the core Finance portion fell an estimated six months behind schedule.
- The College currently lacks adequately trained personnel to implement and maintain SAP R/3. The cost of hiring additional staff with SAP R/3 experience to maintain the system would cost the College at least an additional \$1 million in personnel expenses annually.
- The College did not meet contractual requirements and inadequately documented difficulties in installing the SAP software. This caused the College to pay an invoice totaling \$1,071,225 to SAP approximately four months after the invoice date.

We agree with the project manager's recommendation to reevaluate and address primary system development and implementation planning issues before continuing. While we concur with the College's decision to replace its core systems, inadequate funding will not support a successful implementation of the SAP R/3 system.

The College must develop a comprehensive project management plan that adequately identifies all system requirements and resources available, and addresses any problems noted in the attempted implementation of Project ARIA. Specifically, the plan should adequately address funding sources and include a detailed project budget with internal and external costs, a sufficient pre-planning phase, adequate documentation of policies and procedures, a realistic timeline, and appropriate implementation partners.

## **GEORGE MASON UNIVERSITY**

### **ADMINISTRATIVE SYSTEMS PROJECT**

During fiscal year 1999, the University had plans to develop new administrative systems in partnership with Oracle. The University financed \$3.9 million for Oracle site licenses for various tools and databases for use in a variety of projects. Also, Oracle contributed site licenses for various administrative applications valued at \$4.6 million enabling the University to commence a \$30 million project to replace the existing administrative systems. The University anticipated the additional funding to come from additional contributions of \$15 to \$17 million from Oracle as well as \$10 million in General Fund appropriations. Because of delays associated with the Oracle partnership and the University's inability to acquire the needed General Fund appropriations, the University had to develop an alternate strategy.

During fiscal years 2000 and 2001, the University made the decision not to continue the partnership for new administrative systems with Oracle. Instead, the University made the decision to upgrade its current financial and human resource systems to the Banner software offered by the vendor of its current administrative systems. This upgrade will require total resources estimated at \$4.5 million, including software, hardware, consulting, and University staff. The University is in the planning stage of the Banner project. Management has budgeted the project for fiscal years 2002 and 2003, but has not authorized funding pending approval from the Department of Technology Planning. The proposed project duration is 18 months.

## **DEPARTMENT OF MOTOR VEHICLES**

### Operating Fund Cash Flow

In the prior year's audit we reported that Motor Vehicles operating cash balances had decreased to critically low levels resulting in problems meeting payments for current obligations. During fiscal year 2000, Motor Vehicles received a \$1.8 million reimbursement from the Virginia Department of Transportation (VDOT) as provided for in the Appropriations Act. These funds represented Motor Vehicles operating funds originally transferred to VDOT and designated by VDOT for capital projects. In addition, Motor Vehicles operating revenues increased approximately 11.5 percent over the previous year. These additional revenue sources enabled Motor Vehicles to improve its cash position and to pay its bills timely. Details of how Motor Vehicles spent these additional revenues are included in the "Agency Background" section of this report.

## **VIRGINIA CORRECTIONAL ENTERPRISES, A DIVISION OF THE DEPARTMENT OF CORRECTIONS**

### Strategic Business Plan

During fiscal year 2000, the Chief Operating Officer took a lead role in completing VCE's Strategic Business and Expansion Plan. This plan is the result of a collaborative effort between VCE management, VCE employees, and Department of Corrections management. VCE is working to achieve the following goals and objectives:

#### Factory Asset Acquisition and Replacement

VCE plans to reach this goal by investing discretionary reserves into productivity initiatives including upgrading factory machinery, equipment, and information technology systems. Industries benefiting from this initiative during fiscal year 2000 were wood, metal, office systems, and laundry service.

#### Maximize Production Efficiencies and Add New Work Programs

By evaluating and consolidating manufacturing sites as necessary to provide elasticity in production capacity during peak demand seasons, VCE believes they can create efficiencies in production. They are striving to create swing facilities capable of transitioning to other products in order to relieve seasonal stress on production and delivery systems.

During fiscal year 2001, Sussex I and II became overflow storage facilities for dorm furniture. Sussex I and II will soon become partial manufacturing assembly sites for the wood industry. Using off-site storage to increase inventory of ready-to-finish products also helps VCE meet customers' "on demand" purchasing habits.

As part of the factory asset acquisition and replacement goal previously mentioned, Nottoway Correctional Center received a new five axis Komo Accu-Router that will mill laminated plywood into true shapes to size as well as drill and counter sink holes for sub-assembly parts. This new machinery will reduce purchasing costs for ready-to-assemble parts and increase cutting speeds. In addition, wood industry shops began using AutoCad during fiscal year 2000. This software program updates methods of instruction on the

production floor pertaining to parts manufacturing and related specifications. Implementation of this software will dramatically reduce waste and increase production.

#### Upgrade VCE Information Technology System

VCE is planning the upgrade of its mainframe to a PC client/server based system in conjunction with the implementation of the Department of Corrections planned Integrated Corrections Information System (ICIS). In addition, VCE would like to install a bar code system and upgrade the data network in the distribution system during the ICIS implementation.

#### Expand and Improve VCE's Marketing Sales and Strategies

During the past fiscal year, VCE began testing different incentives to stimulate sales during off-peak seasons. The results are mixed, however, VCE will continue to test new ideas to increase sales.

VCE is working to make its catalog more user friendly and adaptable to future e-commerce applications. The new VCE catalog has new divider pages with color photographs, improved product listings and descriptions, and color swatches in response to customer suggestions.

VCE is involved with eVA, the electronic purchasing initiative proposed by the Division of Purchase and Supply. Initially, VCE will offer many of the "Quick Ship" items through the site. As eVA matures and VCE moves forward with the new automation system, VCE will add product lines to this state mandated procurement site. This site will eventually permit use of the American Express small purchase charge card for payment.

#### Explore New Products and Markets

VCE is assessing the potential for inter-state sales of existing VCE products and ready-to-assemble kits. A new line of ready-to-assemble wood products is complete, and VCE is currently developing marketing strategies for them. The line, "Collegiate," will target higher education institutions.

To aggressively pursue Prison Industry Enhancement (PIE) and manpower relationships with private companies, VCE has created and filled a PIE Coordinator position. VCE began discussions with four new private companies during fiscal 2001. Additional industries under current review include an optical shop, plastic bag operation, embroidery operation, upgrade of shoe and boot models for new potential customers, pallet operation, tire recycling operation, and the new alternator refurbishing project.

# **SUMMARY OF REPORTS ISSUED**

## **SUMMARY OF REPORTS ISSUED**

The following reports on audit were released by this Office during the period April 1, 2001 through June 30, 2001. Those reports which included findings in the area of internal controls or compliance are indicated by an (\*) asterisk.

### **State Agencies and Institutions**

#### **Executive Departments**

##### **Executive Offices**

Selected Agencies for the year ended June 30, 2000\*

##### **Administration**

Department of Veterans' Affairs for the year ended June 30, 2000\*

##### **Commerce and Trade**

Department of Agriculture and Consumer Services for the year ended June 30, 2000\*

Department of Labor and Industry for the year ended June 30, 2000

Department of Professional and Occupational Regulation for the years ended June 30, 1999  
and June 30, 2000

Virginia Small Business Financing Authority for the year ended June 30, 2000

##### **Education**

State Council of Higher Education for Virginia for the two-year period ended June 30, 2000

##### **Colleges and Universities**

College of William and Mary for the year ended June 30, 2000\*

George Mason University for the year ended June 30, 2000\*

George Mason University, Intercollegiate Athletic Programs for the year ended June 30, 2000

James Madison University for the year ended June 30, 2000\*

James Madison University, Intercollegiate Athletic Programs for the year ended June 30, 2000

Longwood College for the year ended June 30, 2000

Mary Washington College for the year ended June 30, 2000

### **Colleges and Universities (con't)**

Old Dominion University for the year ended June 30, 2000  
Radford University for the year ended June 30, 2000\*  
Radford University, Intercollegiate Athletic Programs for the year ended June 30, 2000  
Virginia Commonwealth University, Intercollegiate Athletic Programs for the year ended  
June 30, 2000  
Virginia Military Institute for the year ended June 30, 2000\*  
Virginia Military Institute, Intercollegiate Athletic Programs for the year ended June 30, 2000  
Virginia State University for the year ended June 30, 2000\*  
WNSB-FM Radio Station (A Public Telecommunications Entity Licensed to Norfolk  
State University) for the year ended June 30, 2000

### **Health and Human Resources**

Agencies Serving Virginians with Disabilities for the year ended June 30, 2000\*  
Department of Health Professions for the year ended June 30, 2000\*  
Department of Mental Health, Mental Retardation, and Substance Abuse Services  
for the year ended June 30, 2000\*

### **Natural Resources**

Department of Conservation and Recreation for the year ended June 30, 2000\*  
Department of Environmental Quality for the year ended June 30, 2000  
Department of Game and Inland Fisheries for the year ended June 30, 2000

### **Public Safety**

Department of Correctional Education for the two-year period ended June 30, 2000\*  
Department of Fire Programs for the period July 1, 1999 through December 31, 2000\*  
Department of Juvenile Justice for the year ended June 30, 2000\*  
Department of State Police for the period July 1, 1999 through December 31, 2000\*  
Virginia Correctional Enterprises, Department of Corrections for the period January 1, 2000  
through December 31, 2000\*

### **Transportation**

Department of Motor Vehicles for the year ended June 30, 2000\*

## Clerks of the Circuit Courts

### Cities:

City of Alexandria for the period ended October 1, 199 through December 31, 2000  
City of Buena Vista for the period ended October 1, 199 through December 31, 2000\*  
City of Chesapeake for the period ended October 1, 199 through December 31, 2000  
City of Hampton for the period ended October 1, 199 through December 31, 2000  
City of Newport News for the period ended October 1, 199 through December 31, 2000  
City of Petersburg for the period ended October 1, 199 through December 31, 2000\*  
City of Portsmouth July 1, 1999 through September 30, 2000  
City of Richmond - Manchester for the period ended July 1, 1997 through December 31, 2000  
City of Richmond - John Marshall for the period ended July 1, 1998 through December 31, 2000  
City of Staunton for the period ended October 1, 199 through December 31, 2000

### Counties:

County of Albemarle for the period ended October 1, 199 through December 31, 2000  
County of Appomattox for the period ended October 1, 199 through June 30, 2000  
County of Bath for the period ended December 11, 1999 through December 31, 2000  
County of Brunswick for the period ended July 1, 1998 through December 31, 2000\*  
County of Buckingham for the period ended October 1, 1999 through March 31, 2001  
County of Charles City for the period ended July 1, 1999 through December 31, 2000\*  
County of Chesterfield for the period ended July 1, 1998 through December 31, 2000  
County of Craig for the period ended October 1, 1999 through September 30, 2000  
County of Cumberland for the period ended October 1, 1999 through December 31, 2000  
County of Giles for the period ended October 1, 1999 through December 31, 2000  
County of Gloucester for the period ended July 1, 1999 through December 31, 2000  
County of Grayson for the period ended July 1, 1998 through September 30, 2000  
County of Halifax for the period ended October 1, 1999 through December 31, 2000\*  
County of Hanover for the period ended January 1, 2000 through December 31, 2000  
County of Henry for the period ended January 1, 2000 through December 31, 2000  
County of James City/Williamsburg for the period ended January 1, 2000 through September 30, 2000  
County of King George for the period ended April 1, 1998 through December 31, 2000\*  
County of Mathews for the period ended October 1, 1999 through December 31, 2000\*  
County of Middlesex for the period ended October 1, 1999 through December 31, 2000  
County of Montgomery for the period ended October 1, 1999 through December 31, 2000\*  
County of Nelson for the period ended January 1, 2000 through December 31, 2000  
County of Pittsylvania for the period ended October 1, 1999 through September 30, 2000  
County of Roanoke County for the period ended January 1, 2000 through September 30, 2000  
County of Rockbridge for the period ended January 1, 2000 through December 31, 2000  
County of Rockingham for the period ended October 1, 1999 through December 31, 2000\*  
County of Smyth for the period ended October 1, 1999 through December 31, 2000  
County of Stafford for the period ended July 1, 1998 through December 31, 2000\*

## **Clerks of the Circuit Courts**

### **Counties (con't.):**

County of Surry for the period ended January 1, 2000 through December 31, 2000  
County of Westmoreland for the period ended October 1, 1999 through September 30, 2000  
County of Wythe for the period ended October 1, 1999 through December 31, 2000\*

## **General Receivers**

### **Cities:**

City of Bristol for the year ended June 30, 2000  
City of Norfolk for the year ended June 30, 2000

### **Counties:**

County of Dickenson for the year ended June 30, 2000  
County of Fairfax for the year ended June 30, 2000  
County of King George for the year ended June 30, 2000  
County of Lee for the year ended June 30, 2000  
County of Richmond for the period July 1, 1999 through June 30, 2000  
County of Russell for the period April 1, 1998 through June 30, 2000  
County of Washington for the ended June 30, 2000