



Overview of Recent Public Safety Agency Audits – Department of State Police and Department of Emergency Management

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Non-Mandatory Audit Approach

State Police and Emergency Management are non-mandatory audits and are subject to our risk-based approach, which classifies them as Pool II agencies

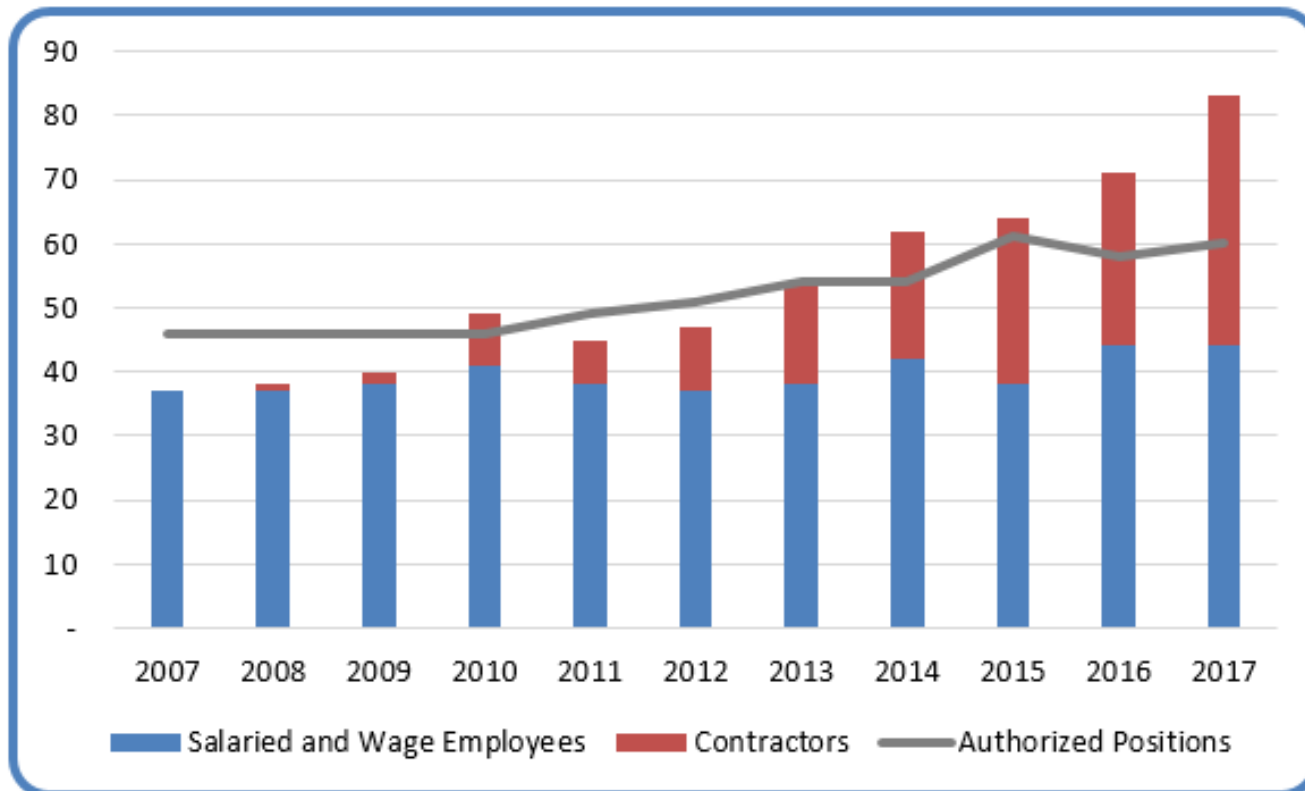
- Pool II agencies are:
 - audited for at least three consecutive years
 - focused on selected areas
 - selected areas may vary each year
 - selected areas are audited in more depth

Department of State Police

- Audit covered fiscal year 2017 and was the first year in the three-year cycle
- Audit Scope focused on two divisions
 - Information Technology (IT)
 - Property and Finance

Department of State Police

**Number of IT Staff and Contractors
Compared to Authorized Positions**
For Fiscal Years 2007 - 2017



Source: Virginia State Police

Department of State Police

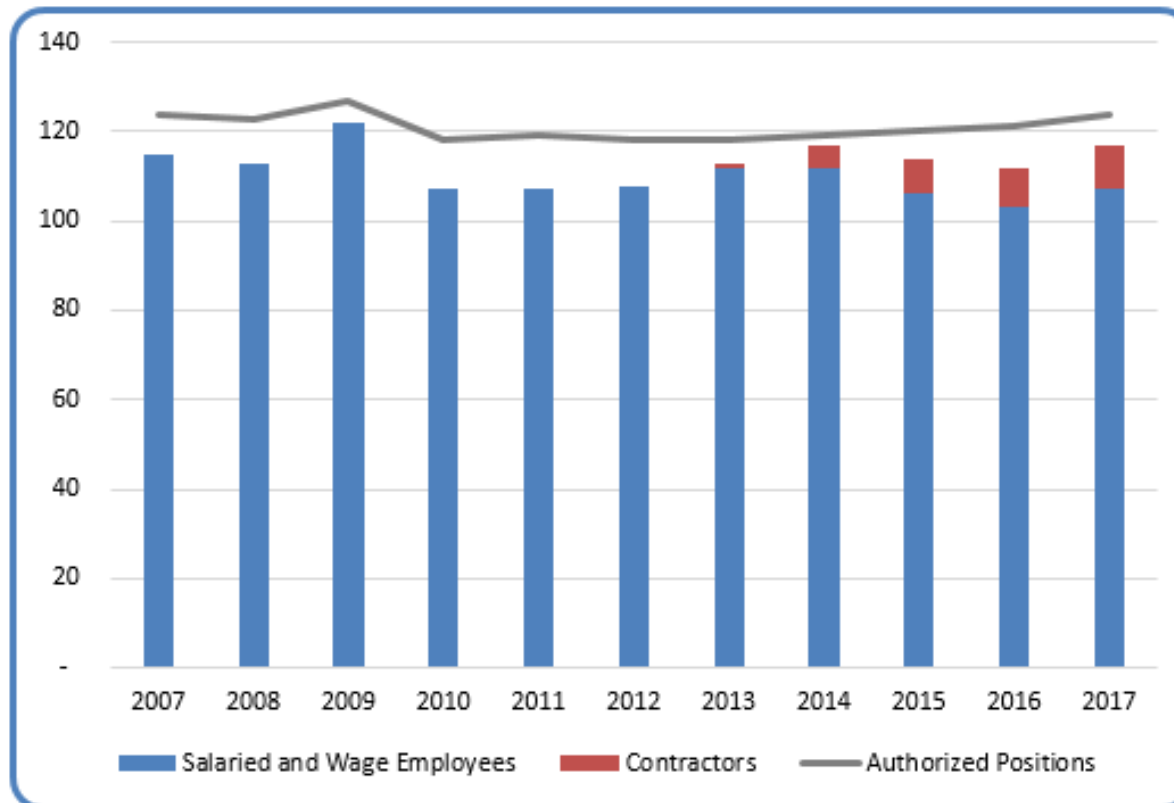
- The Information Technology Division
 - manages 63 sensitive systems
 - many run on end-of-life software components
 - IT expenses at \$17M
 - salaries and wages comprise around \$3M
 - all findings (**13 Findings**) involve non-compliance with the Information Security Standard including improving the security program, improving web application security, reviewing third-party service providers' reports, and improving user access

Department of State Police

- The Property and Finance Division
 - oversees all financial functions
 - audit scope limited to the following functions:
 - Fixed Assets
 - Procurement
 - Purchase and Sworn Charge Cards
 - Federal Grants Accounting
 - Cash Management and Accounts Receivable
 - Financial Reconciliations
 - Retirement Benefits Reconciliations

Department of State Police

**Property and Finance Division
Number of Administrative Staff and Contractors
Compared to Authorized Positions
For Fiscal Years 2007 - 2017**



Source: Virginia State Police

Department of State Police

- Property and Finance (25 audit findings)
 - Fixed Assets – Equipment \$202M;
Infrastructure \$92M (8 Findings)
 - Improve Policies and Procedures
 - Enter Assets into System Timely
 - Capitalize Assets Properly
 - Complete Physical Inventories
 - Develop Useful Lives Estimates
 - Develop Salvage Value Estimates
 - Update System to Reflect Disposals
 - Document Reconciliations

Department of State Police

- Procurement - \$61M in eVA (3 Findings)
 - Publish Updated Policies and Procedures Manual
 - Improve Sole Source Documentation
 - Perform Contract Management Responsibilities
- Purchase and Sworn Charge Cards – 2,019 cards with \$11.4M in purchases (5 Findings)
 - Align Purchase Policies to State Comptroller CAPP
 - Perform P-Card Administrator Responsibilities
 - Retain Documentation to Support P-Card Program
 - Complete Reconciliations Timely
 - Complete Cardholder and Supervisor Training

Department of State Police

- Federal Grants - \$13M in Grants (1 Finding)
 - Submit Indirect Cost Rate Proposals Timely
- Cash Management and Accounts Receivable-Treasury Loan and Receivables such as Work Zone Billings for VDOT (5 Findings)
 - Document Treasury Loan Policies and Procedures
 - Align Internal Procedures with the Virginia Debt Collection Act
 - Improve the Accounts Receivable Collection Process
 - Improve Accounts Receivable Tracking
 - Improve Work Zone Billings Processes

Department of State Police

- Financial Reconciliations (1 Finding)
 - Document Reconciliation Policies and Procedures
- Retirement Benefits Reconciliations (1 Finding)
 - Confirm Retirement Contribution Snapshots Timely
- Most findings resulted from no policies and procedures
- Policies and procedures are vital to communicate management's expectations, and are even more important when using temporary labor

Department of State Police

- State Police is transitioning to VITA's new managed services contracts which may help with staffing shortage, but State Police will still be responsible for its security program
- The Superintendent accepted responsibility for the findings and is committed to implementing our recommendations
- We plan to follow-up on the effectiveness of their corrective action in Spring 2020

Department of Emergency Management

- Audit covered fiscal years 2017 and 2018 and was the first year in the three-year cycle
- Audit Scope focused on
 - Federal grants management over certain compliance requirements for non-disaster related grants
 - Financial management practices over the Radiological Emergency Preparedness Fund

Department of Emergency Management

- Audit Results

- 5 Audit Findings and Recommendations

- Continue to Strengthen Time and Effort Reporting
 - Strengthen Internal Controls Over Journal Entries
 - Improve Controls Over Payroll Adjustments
 - Improve Process for Allocating Overhead Costs
 - Continue to Improve Management of the Radiological Emergency Preparedness Fund

- \$851,000 in Federal questioned costs due to a lack of documentation to support charges

Department of Emergency Management

- Our audit report also includes a “Comment to Management” which discusses concerns about the agency’s ability to sustain the current level of operating expenses going forward
- DEM has undergone significant organizational and operational changes since 2015 which have resulted in increases in operating expenses
- Funding for operating expenses has remained relatively stable over this period and any carryforward funds have been exhausted

Department of Emergency Management

Emergency Management Expenses – Fiscal Years 2016 – 2018

| | 2016 | 2017 | 2018 |
|-----------------------|---------------------|---------------------|---------------------|
| Operating expenses | \$22,369,651 | \$26,231,587 | \$28,728,117 |
| Transfer payments | 29,307,555 | 51,949,103 | 44,065,061 |
| Total Expenses | \$51,677,206 | \$78,180,690 | \$72,793,178 |

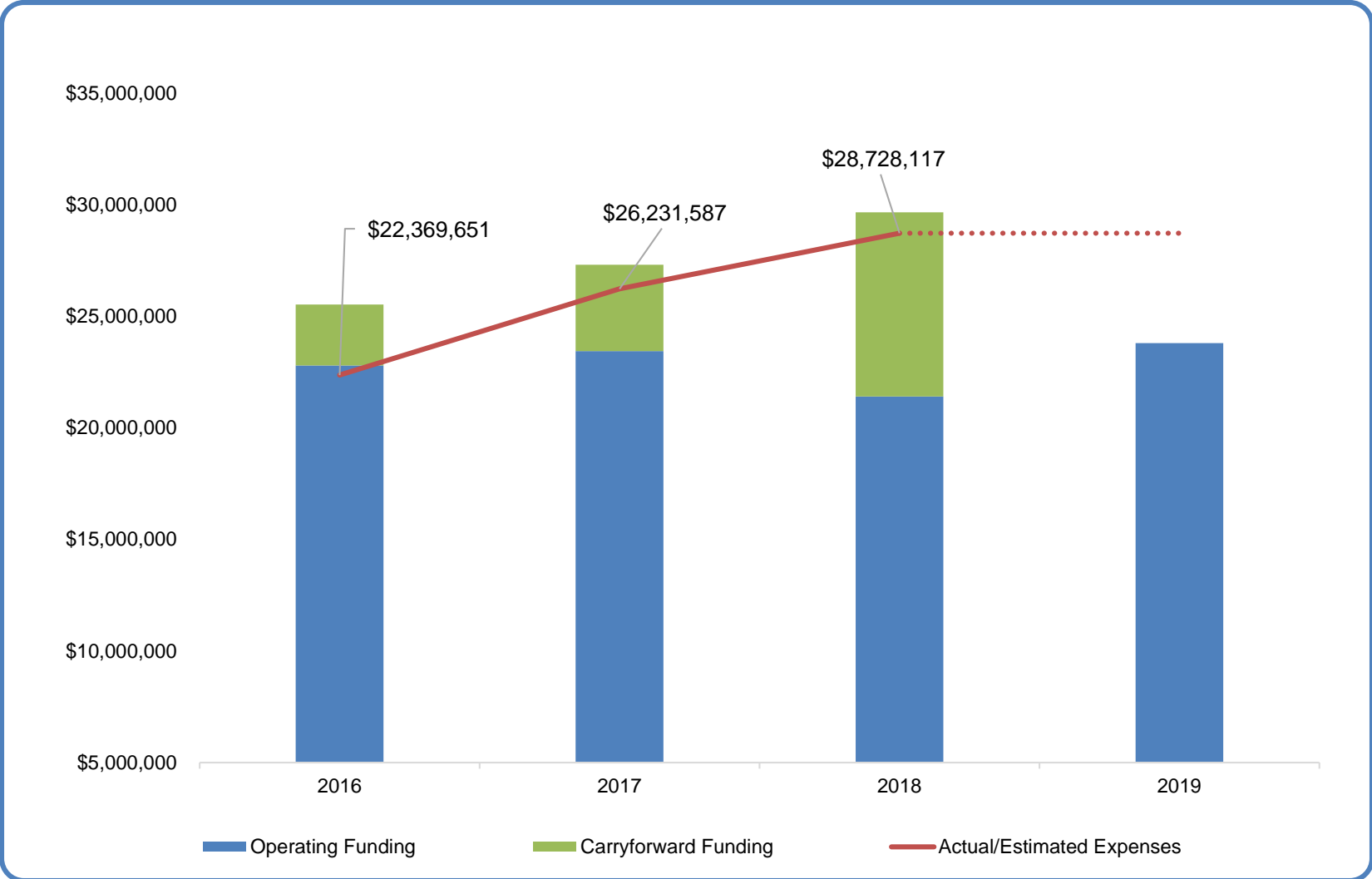
- Area of concern addressed in the audit report is Operating Expenses which have increased over \$6 million since 2016

Department of Emergency Management

Analysis of Operating Expenses – Fiscal Years 2016 – 2018

| | 2016 | 2017 | 2018 | \$ Change 2016 - 2018 | % Change 2016 - 2018 |
|---------------------------------|---------------------|---------------------|---------------------|--------------------------|-------------------------|
| Payroll and fringe benefits | \$10,278,525 | \$11,798,214 | \$13,917,146 | \$3,638,621 | 35% |
| Overhead and fixed costs | 4,578,212 | 5,551,505 | 5,165,792 | 587,580 | 13% |
| Program expenses | 7,512,914 | 8,881,868 | 9,645,179 | 2,132,265 | 28% |
| Total Operating Expenses | \$22,369,651 | \$26,231,587 | \$28,728,117 | \$6,358,466 | 28% |

Operating Expenses vs. Operating Revenues Fiscal Years 2016 – 2018, with 2019 Projection



Department of Emergency Management

- Agency's response to the audit discussed overall funding concerns and also cited \$5 million in operating expense cuts they will implement in fiscal year 2019
- APA is in the process of performing additional federal compliance work on two federal programs included in the Commonwealth's 2018 Statewide Single Audit based on increased risk and results of this audit
- APA report on additional federal work expected to be released in November 2018

Links to Audit Reports

- Full reports on the State Police and Emergency Management audits can be found on the APA website, www.apa.virginia.gov, or at the links below:
 - <http://www.apa.virginia.gov/reports/VirginiaDepartmentofEmergencyManagement2018.pdf>
 - <http://www.apa.virginia.gov/reports/VirginiaDepartmentofStatePoliceCycledAgency2017.pdf>