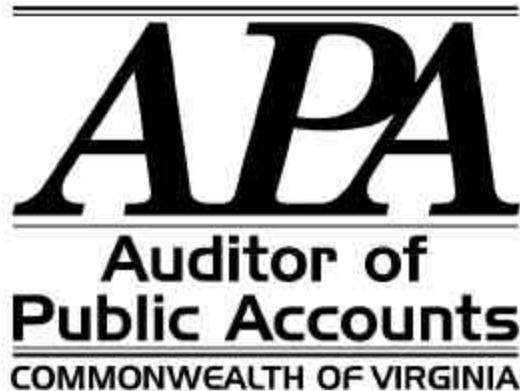


**DEPARTMENT OF CRIMINAL JUSTICE SERVICES  
RICHMOND, VIRGINIA**

**REPORT ON AUDIT  
FOR THE YEARS ENDED  
JUNE 30, 2001 AND JUNE 30, 2002**



## **AUDIT SUMMARY**

Our audit of the Department of Criminal Justice Services for the years ended June 30, 2001 and June 30, 2002, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System except for the June 30, 2002 cash and expense balances in the Crime Victims Trust Fund and the Criminal Justice Academy Fund. A coding error in fiscal year 2002 misstated these balances by \$1,601,275 and remained undetected and uncorrected until fiscal year 2003.
- a certain internal control matter that we consider a reportable condition; however, we do not consider this to be a material weaknesses;
- no instances of noncompliance that are required to be reported; and
- proper resolution of prior year findings.

- TABLE OF CONTENTS -

|   | <u>Pages</u> |
|---|--------------|
| AUDIT SUMMARY                               |              |
| INDEPENDENT AUDITOR'S REPORT                | 1-2          |
| INTERNAL CONTROL FINDING AND RECOMMENDATION | 3            |
| AGENCY BACKGROUND AND FINANCIAL INFORMATION | 4-9          |
| AGENCY OFFICIALS                            | 10           |

February 14, 2003

The Honorable Mark R. Warner  
Governor of Virginia  
State Capitol  
Richmond, Virginia

The Honorable Kevin G. Miller  
Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

### INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Department of Criminal Justice Services** for the years ended June 30, 2001 and June 30, 2002. We conducted our audit according to the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Audit Objective, Scope and Methodology

Our audit's primary objectives were to evaluate the Department's accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of internal control, and test compliance with applicable laws and regulations. We also determined the status of the audit finding contained in our prior year report.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Department's operations. We also tested transactions and performed such other auditing procedures, as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

Revenue and Cash Receipts  
Expenditures  
Fixed Assets

We obtained an understanding of the relevant policies and procedures for these internal accounting controls. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Department's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

The Department's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are processed in accordance with management's authorizations, properly recorded, and comply with applicable laws and regulations.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

### Audit Conclusions

We found that the Department properly stated, in all material aspects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System except for balances in the Crime Victims Trust Fund and Criminal Justice Academy Fund. The Department records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System and the Department's records.

We noted a certain matter involving internal control and its operation that we considered to be reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls structure that, in our judgment, could adversely affect the Department's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial records. The reportable condition is discussed in the section entitled "Internal Controls Finding and Recommendation." We believe the reportable condition is not a material weakness.

The results of our tests of compliance disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

The Department has taken adequate corrective action with respect to audit findings reported in the prior year.

This report is intended for the information of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

### EXIT CONFERENCE

We discussed this report with management at an exit conference held on March 21, 2003.

AUDITOR OF PUBLIC ACCOUNTS

LRC:whb  
whb:63

## INTERNAL CONTROL FINDING AND RECOMMENDATION

### Strengthen Reconciliation Procedures

The Department should review and strengthen their reconciliation procedures to ensure the correct recording of transactions in the Commonwealth Accounting and Reporting System (CARS). The Department's reconciliation procedures do not require staff to agree transactions recorded in CARS back to source documents as required by section 20900 of the Commonwealth Accounting and Reporting Manual. As a result, Department staff did not detect a \$1.6 million coding error until 10 months after it occurred. The error occurred in October 2001 and affected the Crime Victims Trust Fund and the Criminal Justice Training Fund. The Department detected and corrected the error in August 2002 but the balances were misstated at the end of fiscal year 2002. The Department should ensure that staff consistently and thoroughly reconcile transactions in accordance with CAPP manual requirements.

## AGENCY BACKGROUND AND FINANCIAL INFORMATION

The Department of Criminal Justice Services provides operational and support services to local governments to promote and enhance public safety. The Department provides educational programs, technical assistance, grant funding, and forensic laboratory services. The Department receives most of its funding from state appropriations and federal grants. The majority of the state appropriations go to localities as part of the House Bill 599 program. This program provides assistance to localities with police departments in an effort to balance state financial aid to local law enforcement agencies. The Department also collects licensing and certification fees for private security firms, and administers several trust funds.

### Financial Information

The Department received General Fund appropriations of approximately \$228 million and \$227 million in fiscal year 2001 and 2002, respectively. These funds account for 80% of the Departments funds. The Department also collects revenues for private security licenses, various fees collected through the courts, and federal grants and contracts.

The majority of the Department's expenses are transfers to localities to fund police departments, known as "House Bill 599 transfers." The Code of Virginia requires a biennial calculation of the amount to be allocated to each police department. The following table provides an overview of the Department's operating expenses for fiscal years 2001 and 2002. The Department also received approximately \$1.1 million in bond proceeds over the two-year period to build a new driver training facility at Fort Pickett. The activity related to this capital project is not included in the following table.

|  | <u>2001</u>           | <u>2002</u>           |
|--|-----------------------|-----------------------|
| House Bill 599 Transfers to Localities                                       | \$ 171,741,671        | \$ 167,445,890        |
| Financial Assistance to Localities for administration<br>of justice programs | 56,731,171            | 57,373,588            |
| Division of Forensic Science operations                                      | 22,850,621            | 26,669,906            |
| Other expenses   | 14,225,152            | 14,038,165            |
| Other transfers  | <u>18,245,147</u>     | <u>20,544,451</u>     |
| Total operating expenses   | <u>\$ 283,793,762</u> | <u>\$ 286,072,000</u> |

*Source: Commonwealth Accounting and Reporting System*

The expenses for the Division of Forensic Science increased because a new Forensics laboratory opened in Norfolk. The amount of other transfers increased between the years due to additional transfers required in the amended fiscal year 2002 budget.

The amended 2002 budget also included various budget reductions that have affected the Department. These included budget reductions from Executive Order 74 in the amount of \$8.7 million that included a \$5 million reduction in House Bill 599 funds due to revised revenue estimates. The amended budget also included across the board reductions of \$2.0 million. The Department implemented these budget reductions through reductions in various grants and programs and reducing expenses for supplies and materials.

## Trust Funds

### Intensified Drug Enforcement Fund

This fund helps localities start drug enforcement programs. Courts collect a \$2 fee on certain convicted cases and deposit collections into this fund. The Department then allocates this money to localities based on applications received or at the direction of the Governor. At June 30, 2001, this fund had a cash balance of over \$7.2 million, which it expects, will decrease over the next two years due to mandated transfers to the general fund. The following table shows actual and budgeted financial activity through fiscal year 2004.

|                          | 2000<br><u>(actual)</u> | 2001<br><u>(actual)</u> | 2002<br><u>(actual)</u> | 2003<br><u>(estimated)</u> | 2004<br><u>(estimated)</u> |
|--------------------------|-------------------------|-------------------------|-------------------------|----------------------------|----------------------------|
| Beginning cash balance   | \$ 6,703,118            | \$ 7,915,944            | \$ 7,236,275            | \$ 657,091                 | \$ (121,240)               |
| Fees collected by courts | 3,285,575               | 3,485,558               | 3,124,188               | 3,100,000                  | 3,100,000                  |
| Expenses                 | <u>(2,072,749)</u>      | <u>(4,165,227)</u>      | <u>(9,703,372)</u>      | <u>(3,878,331)</u>         | <u>(3,500,000)</u>         |
| Ending cash balance      | <u>\$ 7,915,944</u>     | <u>\$ 7,236,275</u>     | <u>\$ 657,091</u>       | <u>\$ (121,240)</u>        | <u>\$ (521,240)</u>        |

Source: Commonwealth Accounting and Reporting System and Department budget estimates

(Included in the expenses, are transfers mandated by the Appropriations Act to the General Fund of \$5M in FY 02 and \$3.5 in FY 03 and FY 04.)

### Crime Victims Trust Fund

Courts collect a \$3 fee on certain cases for deposit into this fund. The Department allocates these funds, along with federal funds, to localities for victim assistance services. Types of services provided include protection, financial assistance, and court assistance. Over the past four years, this fund has built up a cash balance due, in part, to \$5 million in additional federal funding that was available in fiscal 1998. The Department's goal is to maintain a cash balance in this fund to ensure future funding requests can be satisfied. The Department is consistently monitoring this fund, along with federal funds available, to ensure the most appropriate source funds grant requests. The following table shows adjusted actual and budgeted financial activity through fiscal year 2004.

|                          | 2000<br><u>(actual)</u> | 2001<br><u>(actual)</u> | 2002<br><u>(actual)</u> | 2003<br><u>(estimated)</u> | 2004<br><u>(estimated)</u> |
|--------------------------|-------------------------|-------------------------|-------------------------|----------------------------|----------------------------|
| Beginning cash balance   | \$ 8,147,547            | \$ 8,667,254            | \$ 8,776,008            | \$ 8,666,964               | \$ 8,145,547               |
| Fees collected by courts | 4,795,186               | 5,051,072               | 4,611,036               | 4,819,098                  | 4,834,720                  |
| Expenses                 | <u>(4,275,479)</u>      | <u>(4,942,318)</u>      | <u>(4,720,080)</u>      | <u>(5,340,515)</u>         | <u>(5,874,566)</u>         |
| Ending cash balance      | <u>\$ 8,667,254</u>     | <u>\$ 8,776,008</u>     | <u>\$ 8,666,964</u>     | <u>\$ 8,145,547</u>        | <u>\$ 7,105,701</u>        |

Source: Commonwealth Accounting and Reporting System and Department budget estimates; 2002 expenses and cash have been adjusted to properly account for a transaction coding error.

### Criminal Justice Academy Fund

Beginning in 1998, courts began collecting a \$1 fee on certain cases. The Department uses these fees to help pay for Justice Academies due to decreasing federal funds. The Department received \$1.56 million in fees in fiscal year 2001 for allocation to Justice Academies in fiscal year 2002. For fiscal year 2002, the Department received \$1.5 million in fees to allocate in fiscal year 2003.



### Asset Forfeiture Fund

The Department records assets seized by local and state law enforcement agencies in drug-related investigations. Local agencies convert assets to cash and deposit it into this fund. The Department keeps 10 percent of the fund for administrative costs and returns 90 percent to the locality. The Department recorded approximately \$4.3 million in seized assets in fiscal year 2001, and transferred approximately \$3.1 million back to localities. For fiscal year 2002, the Department recorded approximately \$3.1 million and transferred \$3.1 million back to localities.

### Virginia Integrated Justice Program Project

The Department is managing the implementation of the Virginia Integrated Justice Program (IJP), formerly the Integrated Criminal Justice Information System (ICJIS), under the direction of the Secretary of Public Safety. This system will allow the sharing of information between the Departments of State Police, Motor Vehicles, Corrections, and Juvenile Justice, the Supreme Court, and the Compensation Board. The goal of IJP is improving access to criminal history information, probation and parole reports, court disposition information, driving records, and other public safety information. The project schedule for system development, implementation, and testing is a little more than three years. The Project Steering Committee developed a General Concept and Scope Document, which is the basis for creating the Project Baseline and determining the associated costs of the project.

A revised budget shows a planned cost of \$6.5 million, down from the \$8.1 million previously budgeted. The primary funding source for the project is a federal grant under the Crime Identification Technology Act, which has allocated \$6.5 million over the next two years. The planned project costs include the estimated cost to provide procurement, installation, management, maintenance, support, training, and internal staffing to complete the project. Currently, the Project Steering Committee has identified a Strategic Plan and is revising the workplan to modify the deliverables and reduce the project cost to the allocated budget.

### Department Organization

The Department had some organizational changes in fiscal year 2002. The Department's director retired in December 2001, and there was an Acting Director until June 2002, when there was a new Director appointed. The Department has three divisions: Forensic Science, Programs and Services, and Administration. We discuss each division below.

#### Division of Forensic Science

The Division of Forensic Science (DFS) is a nationally accredited forensic laboratory. DFS provides forensic laboratory services to state and local law enforcement officials, medical examiners, local fire departments, and other state agencies. DFS examiners evaluate and analyze evidence, provide technical assistance and training, and provide expert testimony on crime scene evidence. DFS has a central laboratory in Richmond, and three regional laboratories in Fairfax, Roanoke, and Norfolk. The Norfolk regional lab is a leased space that is part of the Norfolk public health complex.

Division of Forensic Science's primary funding is General Fund appropriations. The Division's appropriations and staffing levels for the past several years are shown in the following table.

|                      | FY 2000<br><u>(actual)</u> | FY 2001<br><u>(actual)</u> | FY 2002<br><u>(actual)</u> | FY 2003<br><u>(budgeted)</u> |
|----------------------|----------------------------|----------------------------|----------------------------|------------------------------|
| State appropriations | \$22,313,635               | \$21,893,481               | \$25,738,389               | \$24,306,799                 |
| Staffing level       | 218                        | 228                        | 228                        | 238                          |

Beginning July 1, 1999, DFS began working with the Virginia Institute of Forensic Science and Medicine. The Institute is a not-for-profit corporation funded with state and private funds. The Institute provides forensic training and educational opportunities in crime and death investigations. However, there was no appropriation of state funds to the Institute for fiscal year 2003.

### Forensic Cases

One of the Division's primary responsibilities is examination and analysis of crime scene evidence. Currently, DFS receives evidence in over 60,000 cases each year. The Division's goal is a 30-day turnaround on forensic cases. Over the last several years, DFS management has taken many steps to reduce the backlog of cases and improve the timeliness of evidence testing. To address these issues, management requested and received additional positions and DFS staff has worked periods of compensated overtime. Additionally, DFS has upgraded the pay of positions several times to improve the division's ability to attract and retain qualified examiners. DFS examiners also try to improve efficiency by reducing the testing of duplicate pieces of evidence and concentrating on the most conclusive pieces of evidence. The following case statistics show the activity through June 30, 2002.

| <u>Forensic Cases</u>       | <u>FY 1999</u> | <u>FY 2000</u> | <u>FY 2001</u> | <u>FY 2002</u> |
|-----------------------------|----------------|----------------|----------------|----------------|
| Beginning backlog           | 6,909          | 8,567          | 3,210          | 4,758          |
| Cases received              | 58,492         | 61,296         | 66,020         | 66,100         |
| Cases completed             | 56,834         | 66,643         | 64,465         | 65,454         |
| Ending backlog              | 8,567          | 3,210          | 4,765          | 5,404          |
| Ending backlog over 30 days | 4,292          | 1,066          | 2,398          | 2,239          |
| Average days in system      | 51             | 39             | 27             | 39             |

Source: DFS Workload Summary by Section Report

### DNA Samples

The Division must perform a DNA analysis on blood samples of all convicted felons. These results go into a national database of DNA profiles to help in solving cases in other states. The Division has had difficulty keeping up with the volume of DNA samples, and DFS management has taken steps to address these issues over the last several years. They have increased DNA personnel and updated DNA testing methods to increase their testing capacity. DFS estimates they can analyze approximately 10,000 samples in-house each year. DFS' contract with an outside vendor to perform DNA analysis on some of the samples expired June 30, 2002. The Division is planning to handle all of the work by themselves. The recent General Assembly session did provide DFS with an additional ten non-funded full-time positions. DFS will reduce part-time positions in order to fund these full-time positions. However, a time frame to finish the remaining 70,000 backlog samples is uncertain. The following chart shows DNA testing results since 1999.

| <u>Convicted Felon<br/>DNA Samples</u> | <u>FY 1999</u> | <u>FY 2000</u> | <u>FY 2001</u> | <u>FY 2002</u> |
|--|----------------|----------------|----------------|----------------|
| Samples received                       | 23,920         | 24,775         | 24,209         | 22,738         |
| Samples completed                      | 66,479         | 61,041         | 78,122         | 105,365        |

Source: *Division of Forensic Science DNA Databank*

### Alcohol Breath Testing Program

The Division also administers the Breath Alcohol Testing program, which the Department of Alcoholic Beverage Control funds. DFS trains and certifies law enforcement officers to operate breath alcohol testing equipment. The Division also certifies breath alcohol equipment throughout the state.

### Division of Programs and Services

The Division has eight sections: Crime Prevention and Enforcement, Standards and Training, Correctional Services, Victims Services, Private Security, Research Center, Juvenile Services, and Grants Administration.

Crime Prevention and Enforcement manages the Comprehensive Crime Prevention Plan, school and youth safety, and crime prevention through environmental design. They also coordinate law enforcement agency accreditation, manage law enforcement grants, maintain the model policy manual for law enforcement agencies, and coordinate training in the areas of community policing and drug investigation and management.

Standards and Training manages academy certification and funding, maintains criminal history record information, and monitors criminal justice personnel training. This section also provides job task analysis, jail personnel training, civil process training, and monitors training standards and the relevancy of training courses.

Correctional Services works on a broad range of correctional issues inclusive of state and federal prisons, local and regional jails, state probation and parole, local probation and community-based corrections, pretrial services, and diverse correctional programs and services.

Victims Services develops and supports crime assistance programs throughout the state. Using state and federal funds, the section currently has six discrete grant programs – the Victim/Witness (V/W) program, V-STOP program, Sexual Assault, and Rural Domestic Violence. The section recently received federal funds to assist victims of the 9/11 terrorist attacks on the Pentagon. The section also administers a Grant to Encourage Arrest Policies, which supports an analysis of law enforcement response to domestic violence and also supports sub-grants to three other statewide agencies.

The V/W program supports programs in 112 localities and two statewide programs. The V-STOP program currently supports 94 state and local grant programs. They also provide a mentoring program to V/W staff, and training to local service providers and criminal justice officials. The staff monitors, assesses, and disseminates information about legislation and studies affecting crime victims. The Sexual Assault program was established October 1, 1999, and supports 38 local private non-profit organizations and 2 statewide programs. The Rural Domestic Violence program was established July 1, 2000, and currently supports nine localities.

Private Security Services manages the licensing and regulation of private and electronic security industries including businesses, individual officers and investigators, and training schools. They maintain active records of approximately 35,000 private security practitioners and businesses. This section also

monitors training received by private security officers and investigates complaints against them. Private Security Services collects fees for business licenses, training schools, and individual applicants.

The Research Center provides research and data support to task forces and commissions throughout the state, evaluates criminal justice programs, forecasts inmate populations, calculates and recommends allocation of the state's Financial Assistance to localities, as well as provides statistical reporting for the criminal justice community. The Technical Services section within Research and Development coordinates the integration of the criminal justice information systems at courts, law enforcement agencies, and the Department of Corrections, enforcing privacy and security standards over these systems. They also assist in linking local criminal justice databases with regional, state, and national information pools.

Juvenile Services administers the planning, policy development, and funding of juvenile justice and delinquency prevention initiatives funded by federal or state resources. Staff provides coordination, program support, technical assistance, training, and monitoring of programs designed to address juvenile justice improvement, delinquency prevention, and programs to improve the investigation, prosecution, and administrative and judicial handling of child abuse cases.

Grants Administration administers state and federal grants, reviews grant requests, makes awards, and responds to sub-grantee inquiries. This section currently manages approximately 1,200 grants.

#### Division of Administration

The Division of Administration manages the Department's support activities including Human Resources, Finance, Procurement, Information Systems, Public Relations, and Office Services. The Finance section performs all fiscal management functions and prepares required state and federal reports. The Finance section also provides budgetary support for the Commonwealth's Attorneys' Services Council and fiscal management functions for the Department of Fire Programs.

AGENCY OFFICIALS

Leonard G. Cooke, Director

Criminal Justice Services Board

Robin Stanaway, Chairman

Stephen Baril  
Emily Bryant  
Linda Curtis  
J.R. Dewan  
Helen Fahey  
Thomas Fore  
Atlas Gaskins  
Timothy Gresham  
Catherine Hammond  
Frederick Hodnett, Jr  
John Jabe  
David Marsden  
Gerald Massengill  
Robert Maxey, Jr.  
Walter MacFarlane  
Dennis. Mook  
Nancy Ross  
Richard Savage  
Michael Sheffield  
Mary Kay Wakefield  
Patricia West