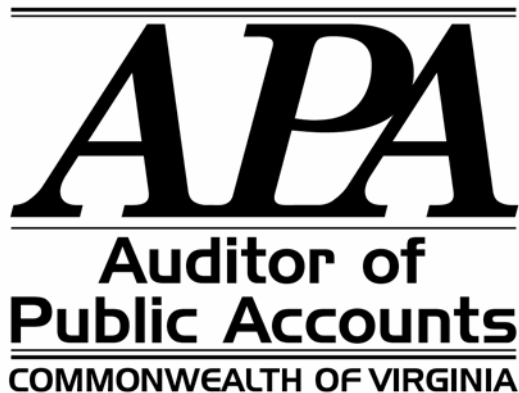


DEPARTMENT OF FIRE PROGRAMS

**REPORT ON AUDIT
FOR THE TWO-YEAR PERIOD
ENDED JUNE 30, 2006**



AUDIT SUMMARY

Our audit of the Department of Fire Programs for the two-year period ended June 30, 2006, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no matters involving internal control that require management's attention and corrective action; and
- an instance of noncompliance with applicable laws and regulations or other matters that is required to be reported.

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AUDIT FINDINGS AND RECOMMENDATIONS

Comply with the Commonwealth's Security Standard, SEC 2001

The Department of Fire Programs (Fire Programs) is not in compliance with the Commonwealth's Security Standard, SEC 2001. This places the systems and the information they contain at risk. We recommend that Fire Programs improve the following information security areas in order to comply with the Commonwealth's security standard and to mitigate their risk:

- Establish a security awareness training program;
- Complete a risk assessment;
- Complete a business impact analysis;
- Establish a disaster recovery plan to include enough specific information to recover from a disaster affecting the network, including a prioritized list for restoring services; and
- Establish data security policies and procedures to include logical access, physical access, logging and monitoring.

In order to improve Fire Program's information security plan, management will need to address the recommendations above and dedicate the necessary resources to develop, document, and implement such plans. Management should take into account the detailed specifications included in the Commonwealth's new security standard, SEC 501, which was effective July 1, 2006, and requires compliance by July 1, 2007.

AGENCY HIGHLIGHTS AND FINANCIAL SUMMARY

The Department of Fire Programs provides financial assistance and educational outreach to localities for fire services to protect the lives and property of the Commonwealth's citizens from fire emergencies and disasters. Annually, the State Corporation Commission collects insurance premiums and transfers a portion of the premiums to the Fire Programs Fund. Fire Programs also collects revenues from the sale of training materials and fees for some training programs.

During fiscal years 2005 and 2006, Fire Programs disbursed over \$14 million and \$16 million, respectively to Virginia Localities from the Fire Programs Fund. In addition, localities also received funding for additional training, the construction and repair of burn buildings, equipment, and education.

In fiscal year 2005, the budget increased approximately \$3.8 million. A portion of this increase is due to increased collections from the State Corporation Commission. Fire Programs also received additional appropriations to cover the cost associated with fire services management and coordination, training, and education. In addition, Fire Programs received funds from a Homeland Security Grant.

During fiscal year 2006, the budget increased \$4.09 million. This was due to additional funds received for burn building projects. In addition, Fire Programs received additional funding for agency grant programs and carried over grant funding from fiscal year 2005.

Analysis of Budgeted and Actual Expenses By Program For Fiscal Year 2005

<u>Program</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenses</u>
Financial Assistance to Localities – General	\$ 18,373,574	\$ 20,380,509	\$ 14,653,338
Fire Services Assistance	<u>3,428,387</u>	<u>5,269,416</u>	<u>4,518,358</u>
Total	<u>\$ 21,801,961</u>	<u>\$ 25,649,925</u>	<u>\$ 19,171,696</u>

Source: Commonwealth Accounting and Reporting System

Analysis of Budgeted and Actual Expenses By Program For Fiscal Year 2006

<u>Program</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenses</u>
Financial Assistance to Localities – General	\$ 20,224,914	\$ 21,729,224	\$ 21,012,710
Fire Services Assistance	<u>3,577,731</u>	<u>6,170,693</u>	<u>6,170,692</u>
Total	<u>\$ 23,802,645</u>	<u>\$ 27,899,917</u>	<u>\$ 27,183,402</u>

Source: Commonwealth Accounting and Reporting System

Analysis of Budgeted and Actual Expenses By Fund For Fiscal Year 2005

<u>Program</u>	<u>Actual Expenses</u>	<u>General Fund</u>	<u>Special Funds</u>	<u>Federal Fund</u>
Financial Assistance to Localities – General	\$ 14,653,338	\$ -	\$ 13,805,480	\$ 847,858
Fire Services Assistance	<u>4,518,358</u>	<u>-</u>	<u>4,518,358</u>	<u>-</u>
Total	<u>\$ 19,171,696</u>	<u>\$ -</u>	<u>\$ 18,323,838</u>	<u>\$ 847,858</u>

Source: Commonwealth Accounting and Reporting System

Analysis of Budgeted and Actual Expenses By Fund For Fiscal Year 2006

<u>Program</u>	<u>Actual Expenses</u>	<u>General Fund</u>	<u>Special Funds</u>	<u>Federal Fund</u>
Financial Assistance to Localities – General	\$ 21,012,710	\$ 32,000	\$ 19,886,867	\$1,093,843
Fire Services Assistance	<u>6,170,692</u>	<u>-</u>	<u>6,170,692</u>	<u>-</u>
Total	<u>\$ 27,183,402</u>	<u>\$ 32,000</u>	<u>\$ 26,057,559</u>	<u>\$1,093,843</u>

Source: Commonwealth Accounting and Reporting System



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

May 18, 2007

The Honorable Timothy M. Kaine
Governor of Virginia
State Capital
Richmond, Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have audited the records and operations of the Department of Fire Programs for the period July 1, 2004 through June 30, 2006. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

AUDIT OBJECTIVES

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of Fire Programs' internal controls, and test compliance with applicable laws and regulations.

AUDIT SCOPE AND METHODOLOGY

Fire Programs 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 regarding the reliability of reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

- Aid to localities
- Expenditures
- Appropriations
- Network security

We performed audit tests to determine whether Fire Programs' 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. Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of Fire Programs' operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

CONCLUSIONS

We found that Fire Programs properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. Fire Programs records its transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation; however, we noted a matter involving compliance with applicable laws and regulations that requires management's attention and corrective action. This matter is described in the section entitled "Audit Findings and Recommendations."

EXIT CONFERENCE AND REPORT DISTRIBUTION

We discussed this report with management on June 7, 2007. Management's response has been included at the end of this report.

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

AUDITOR OF PUBLIC ACCOUNTS



COMMONWEALTH of VIRGINIA

W. G. Shelton, Jr.
EXECUTIVE DIRECTOR

Virginia Department of Fire Programs

Administration & Support Branch
1005 Technology Park Drive
Glen Allen, VA 23059-4500
Phone: 804/ 371-0220
Fax: 804/ 371-3444

May 18, 2007

The Auditor of Public Accounts
P. O. Box 1295
Richmond, Virginia 23218

Dear Sir:

The Department of Fire Programs concurs with the Auditor of Public Accounts' finding that the agency is not in compliance with the Commonwealth's Security Standard, SEC 2001. The agency understands that this places the systems and the information they contain at risk. In order to become compliant the Department of Fire Programs will improve the following information security areas in order to comply with the Commonwealth's security standard and to mitigate their risk:

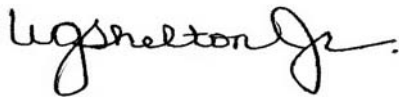
- **Establish a Security Awareness Training Program** – this will be completed by utilizing a three step approach. First the agency will provide security awareness training for each new employee as part of the overall new employee orientation process. Secondly the agency will provide refresher training for all current employees in security awareness. This will be handled at the quarterly All-Hands meetings. Lastly the agency will send by email routine security updates with a focus on security awareness, which actually began May 1st.
- **Complete a Risk Assessment** – This risk assessment will be completed by the IT and Statistics Manager by June 30, 2007. The agency will use the ITRM guidelines 506-01 in developing its risk assessment.
- **Complete a Business Impact Analysis** – The Department of Fire Programs will be developing policies and procedures that will include the business impact analysis as described in our agency Continuity of Operation Plan (COOP) which will be completed by June 30, 2007.
- **Establish a Disaster Recovery Plan** – The Department of Fire Programs will be developing policies and procedures that will include a disaster recovery plan as described in our agency Continuity of Operation Plan (COOP) which will be

completed by June 30, 2007. The plan will include a prioritized list for restoring services.

- **Establish Data Security Policies and Procedures** – The Department of Fire Programs will be establishing data security policies and procedures to include logical access, physical access, logging and monitoring which will be completed by June 30, 2007.

The Department of Fire Programs by completing the steps outlined above will meet all recommendations that were stated in the APA report. The agency will dedicate the necessary resources to develop, document, and implement such plans. The guidelines that will be utilized will be the detailed specifications that are included in the Commonwealth's new security standard, SEC 501, which was effective July 1, 2006, and requires compliance by July 1, 2007.

Sincerely,



W. G. Shelton, Jr.
Executive Director

SECRETARY AND AGENCY OFFICIALS

Honorable John W. Marshall, Secretary of Public Safety

Willie G. Shelton, Jr., Executive Director, Department of Fire Programs

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