



VIRGINIA

DEPARTMENT OF FIRE PROGRAMS

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2020

Auditor of Public Accounts
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AUDIT SUMMARY

We have performed an audit of the following cycles at the Virginia Department of Fire Programs (Fire Programs) for the fiscal year ended June 30, 2020:

- Management of the Fire Programs Fund;
- Procurement and contract management;
- Payroll and human resources;
- Information technology and security;
- Vehicle and asset management; and
- Grants management.

We also performed a review of fiscal policies and procedures to determine reasonableness, completeness, and conformity with state and federal requirements.

Our audit found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth's accounting and reporting system;
- matters involving internal control and its operation necessary to bring to management's attention;
- five instances of noncompliance with applicable laws and regulations or other matters that are required to be reported; and
- adequate corrective action with respect to prior audit findings identified as resolved in the [Findings Summary](#) in the Appendix.

TABLE OF CONTENTS-

Pages

AUDIT SUMMARY

AUDIT FINDINGS AND RECOMMENDATIONS

1-4

AUDIT SCOPE OVERVIEW

5-6

INDEPENDENT AUDITOR'S REPORT

7-8

APPENDIX – Findings Summary

9

AGENCY RESPONSE

10

AGENCY OFFICIALS

11

AUDIT FINDINGS AND RECOMMENDATIONS

Information Technology and Security Findings

Upgrade End-of-Life Technology

Type: Internal Control and Compliance

Repeat: No

Fire Programs utilizes end-of-life technologies in its information technology (IT) environment. Fire Programs maintains technologies that support mission essential data on IT systems running software that its vendor no longer supports.

The Commonwealth's Information Security Standard, SEC 501 (Security Standard), Section SI-2-COV, prohibits agencies from using software that is end-of-life and the vendor no longer supports to reduce unnecessary risk to the confidentiality, integrity, and availability of the agency's information systems and data.

We communicated the control weaknesses to management in a separate document marked Freedom of Information Act (FOIA) Exempt under § 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms. Fire Programs planned to complete upgrading end-of-life technologies by March 2020 but has not completed the transition yet due to the time required to procure a developer to complete the migration task.

Fire Programs should dedicate the necessary resources to implement the controls and recommendations discussed in the communication marked FOIA Exempt. Doing this will help to ensure that Fire Programs secures its systems to protect its sensitive and mission critical data.

Continue to Improve Database Security

Type: Internal Control and Compliance

Repeat: Partial (first issued in fiscal year 2019 with limited progress)

Prior Title: Improve Database Security

Fire Programs continues to not secure the databases for three sensitive systems with certain minimum information security controls in accordance with the Security Standard and industry best practices. We communicated the control weaknesses to management in a separate document marked FOIA Exempt under § 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms. The Security Standard and industry best practices require the implementation of certain controls that reduce unnecessary risk to data confidentiality, integrity, and availability in systems processing or storing sensitive information.

Fire Programs should complete efforts to secure their highly sensitive data and configure the sensitive systems according to best practices and the requirements in the Security Standard. Implementing these controls will help maintain the confidentiality, availability, and integrity of the sensitive and mission critical data stored or processed in the database.

Continue to Improve IT Risk Management and Contingency Planning Process

Type: Internal Control and Compliance

Repeat: Partial (first issued in August 2018 Internal Control Questionnaire (ICQ) special review with significant progress)

Prior Title: Improve IT Risk Management and Contingency Planning Process

Fire Programs' IT risk management and contingency planning process and documentation continues to be incomplete and does not include certain attributes to effectively evaluate and implement information security controls in accordance with the Security Standard. We communicated the control weaknesses to management in a separate document marked FOIA Exempt under § 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms. The Security Standard requires the implementation of certain controls that reduce unnecessary risk to data confidentiality, integrity, and availability in systems processing or storing sensitive information.

Fire Programs should implement the process established in June 2020 to manage the information technology risk management and contingency planning program. In addition, they should update their risk management and contingency planning documentation and ensure the documents are consistent to help protect its sensitive systems and data according to the requirements in the Security Standard.

Continue to Improve Logging and Monitoring

Type: Internal Control and Compliance

Repeat: Partial (first issued in August 2018 ICQ special review with limited progress)

Prior Title: Improve Logging and Monitoring

Fire Programs continues to not implement certain audit logging and monitoring safeguards that are in accordance with the Security Standard. We communicated two control weaknesses to management in a separate document marked FOIA Exempt under § 2.2-3705.2 of the Code of Virginia due to its sensitivity and description of security controls.

The Security Standard requires audit logging and monitoring controls to protect the confidentiality, integrity, and availability of sensitive and mission critical data. Due to limited resources, Fire Programs was not able to implement the necessary safeguards described in the FOIA Exempt document and comply with the Security Standard. Fire Programs should implement the proper monitoring controls. This will enable Fire Programs to protect the confidentiality, integrity, and availability of its mission critical and sensitive data.

Continue to Improve Security Awareness Training

Type: Internal Control and Compliance

Repeat: Partial (first issued in August 2018 ICQ special review with significant progress)

Prior Title: Improve Security Awareness Training

Fire Programs continues to not adequately manage and maintain its security awareness and training program in accordance with the Security Standard. We communicated the control weaknesses

to management in a separate document marked FOIA exempt under § 2.2-3705.2 of the Code of Virginia due to its sensitivity and description of security controls.

The Security Standard requires that Fire Programs implement a security awareness training process to ensure users take security awareness training. Fire Programs transitioned to a new program but has not completed the process for all users. Fire Programs should fully implement the new security awareness training process. This will enable Fire Programs to protect the confidentiality, integrity, and availability of its mission critical and sensitive data.

Payroll and Human Resources Finding

Confirm the Commonwealth's Retirement Benefits System's Snapshot Timely

Type: Internal Control

Repeat: Partial (first issued in fiscal year 2019 with significant progress)

Prior Title: Comply with Procedures for Reconciling Retirement Benefits System Information

Fire Programs did not confirm the Commonwealth's retirement benefits system's (benefits system) contribution snapshot timely. For one of three months (33%) tested, Fire Programs confirmed the contribution snapshot one day late. The benefits system's Employer Manual for Contribution Confirmation and Payment Scheduling, requires employers to submit the contribution snapshot for each month by the 10th of the following month. Untimely confirmation of the contribution snapshot delays benefits processing which can result in late or inaccurate payment of retirement contributions; misstatements in the pension liability reported in the Commonwealth's financial statements; and incorrect benefit payments to retirees.

Submission of the confirmation snapshot was the responsibility of the former Chief Administrative Officer who did not perform duties timely, and management did not follow up to ensure this employee was completing responsibilities as assigned. Management should take steps to strengthen controls over the confirmation procedures to ensure the agency is confirming contribution snapshots timely.

Procurement and Contract Management Findings

Comply with Contract Administration Requirements

Type: Internal Control

Repeat: Partial (first issued in fiscal year 2019 with limited progress)

Fire Programs does not assign contract administrators for agency contracts. For all active fiscal year 2020 contracts, there was no administrator assignment in writing. The Agency Procurement and Surplus Property Manual (APSPM), Chapter 10, requires the assignment of an administrator for each contract in writing with clearly outlined responsibilities. Failure to have an assigned contract administrator with designated responsibilities increases the risk that contract billing and payment errors will occur. In addition, Fire Programs cannot assure specific contract performance and could pay for services not within the contract scope.

The prior Purchasing Manager left the agency in early 2020 and had not begun to address the contract management issues noted during the prior audit. Management did not fill the Purchasing Manager position until late June of 2020 and the new Purchasing Manager did not have time to review and update the current contracts prior to fiscal year end. The current Purchasing Manager has taken steps to update procedures with respect to contract management to ensure adherence to APSPM requirements. Fire Programs should continue their efforts to ensure management follows APSPM requirements, including the assignment of contract administrators in writing for all contracts.

Perform Proper Administration of Contracts

Type: Internal Control

Repeat: Partial (first issued in fiscal year 2019 with limited progress)

Fire Programs does not perform proper contract administration for a large contract to implement a new system. The original contract administrator left the agency in October 2018, and management did not assign a new administrator. There is evidence that the agency has begun to address proper administration of the contract by performing the annual vendor evaluation; however, the contract continues to be active with no designated contract administrator.

The APSPM, Section 10, requires the assignment of an administrator on each contract in writing with clearly outlined responsibilities. Additionally, APSPM 10.12 requires that contract files contain documentation of all contract changes, negotiations, or other contract specific events. While Fire Programs has finalized the policies and procedures over procurement that clearly speak to proper administration and adherence to the APSPM, it is not evident that they followed the specific requirements during fiscal year 2020. The prior Purchasing Manager left the agency in early 2020 and had not begun to address this contract management issues noted during the prior audit. Management did not fill the Purchasing Manager position until late June of 2020.

Failure to have an assigned contract administrator with designated responsibilities increases the risk that contract billing and payment errors will occur. In addition, failure to maintain documentation of contract changes or other contract events could lead to Fire Programs not receiving the proper services or making improper payments to the contractor. Fire Programs should comply with APSPM requirements on all aspects of contract administration to include assignment of contract administrators. This should include assignment of a contract administrator knowledgeable in the aspects of this contract.

AUDIT SCOPE OVERVIEW

Fire Programs provides funding, professional development, operational support and technical assistance, data collection and research, and fire prevention inspections for both professional and volunteer fire departments throughout the Commonwealth. The agency is organized into three branches: Administration, Training, and State Fire Marshal's Office. Seven division offices, located throughout the state, support the agency mission. The Administration Division manages the areas within our audit scope, including financial reporting, procurement and contract management, payroll and human resources, information technology and security, vehicles, and legislative actions and compliance with Code of Virginia requirements. The Assistant Chief of Administration and Risk Management Services has the primary responsibility for oversight of these areas with input from the Executive Director.

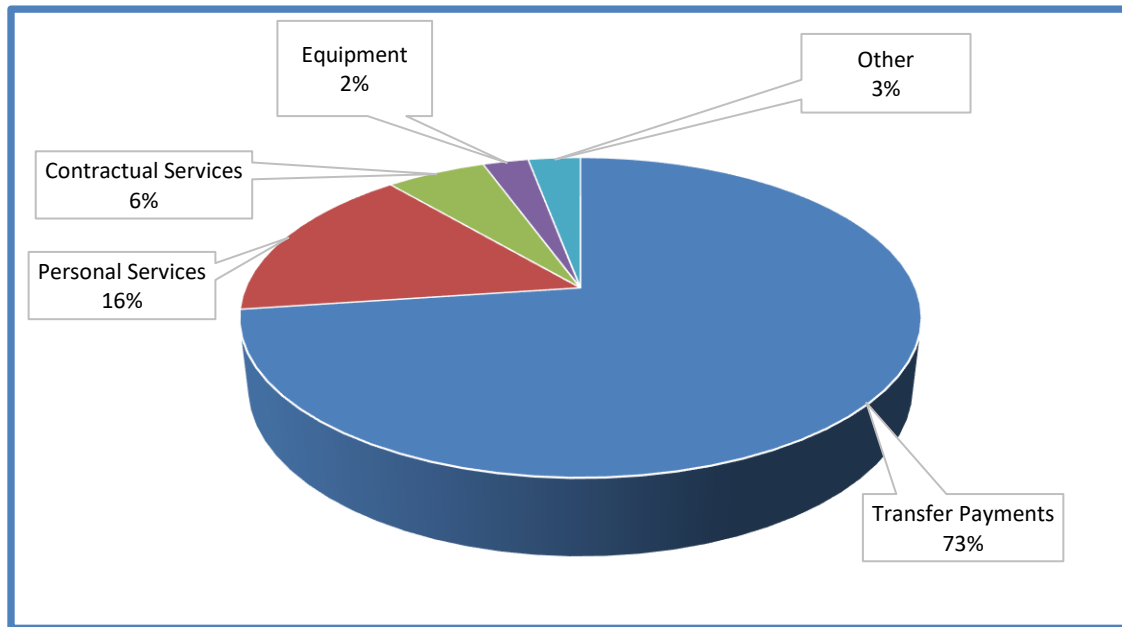
In our prior report we identified that Fire Programs did not have an adequate internal control environment. The findings indicated weaknesses in many areas, including lack of policies and procedures, financial reporting, procurement and contract management, information technology and security, and payroll and human resources. In addition, we found that overall employee morale was low resulting in high employee turnover. We followed up on all findings from prior years report and found that Fire Programs has made significant improvements. While there are still findings included in this report where corrective action is ongoing, we found that management has taken steps to strengthen the control environment by creating a culture and attitude that supports the importance of maintaining internal controls.

Fire Programs receives the majority (89%) of their funding (approximately \$43 million) through an annual transfer from the State Corporation Commission that is deposited into the Fire Programs Fund. The transfer is comprised of an annual assessment of all insurance companies that write insurance covering fire, other property and casualty, marine, homeowners, and farm owners. We ensured compliance with regulatory requirements for administrative expenses from this fund which are not to exceed 25 percent.

During the fiscal year 2020 audit, we chose to review the payroll, procurement and contract management, information technology and security, vehicle and asset management, and grants management cycles, as well as management of the Fire Programs Fund. Our primary purpose in reviewing these cycles was to follow up on findings related to the ICQ special report and the 2019 report. The majority of the Fire Programs Fund is mandated to be spent on aid to localities, including grants for dry hydrants and burn buildings. Approximately 73 percent of agency expenses are transfer payments to localities. Personal services are the next largest expense, comprising 16 percent of annual expenses. Chart 1 provides an overview of expenses by type.

Fiscal Year 2020 Expenses by Type

Chart 1



Source: Commonwealth's Accounting and Financial Reporting System



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

July 19, 2021

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Kenneth R. Plum
Chairman, Joint Legislative Audit
and Review Commission

We have audited the management of the Fire Programs Fund, procurement and contract management, payroll and human resources, information technology and security, vehicle and asset management, and grants management cycles, as well as the existence and conformity of fiscal policies and procedures of the **Virginia Department of Fire Programs** (Fire Programs) for the year ended June 30, 2020. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Scope and Objectives

Our audit's primary objectives with regard to the management of the Fire Programs Fund, procurement and contract management, payroll and human resources, information technology and security, vehicle and asset management, and grants management cycles, as well as the existence and conformity of fiscal policies and procedures, were to evaluate the accuracy of transactions as recorded in the Commonwealth's accounting and financial reporting system; review the adequacy of Fire Programs' internal controls; test compliance with applicable laws, regulations, contracts, and grant agreements; and review corrective actions of audit findings from prior year reports.

Audit Methodology

Fire Programs' management has responsibility for establishing and maintaining internal control and complying with applicable laws, regulations, contracts, and grant agreements. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws, regulations, contracts, and grant agreements.

We gained an understanding of the overall internal controls, both automated and manual, as they relate to the audit objectives, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Agency'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, regulations, contracts, and grant agreements as they pertain to our audit objectives.

Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of Fire Programs' operations. We performed analytical procedures, including budgetary and trend analyses. We also tested details of transactions to achieve our objectives.

A nonstatistical sampling approach was used. Our samples were designed to support conclusions about our audit objectives. An appropriate sampling methodology was used to ensure the samples selected were representative of the population and provided sufficient, appropriate evidence. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Conclusions

We found that Fire Programs properly stated, in all material respects, transactions recorded and reported in the Commonwealth's accounting and financial reporting system, relating to the audit objectives.

We noted certain matters pertaining payroll and human resources, procurement and contract management, and information systems security and technology, involving internal control and its operation and compliance with applicable laws, regulations, contracts, and grant agreements that require management's attention and corrective action. These matters are described in the section titled "Audit Findings and Recommendations."

Fire Programs has taken adequate corrective action with respect to audit findings identified as resolved in the Findings Summary in the Appendix. Prior year findings where corrective action is still ongoing are listed as repeat in the Findings Summary and included in the section titled "Audit Findings and Recommendations."

Exit Conference and Report Distribution

We discussed this report with management on September 13, 2021. Management's response to the findings identified in our audit is included in the section titled "Agency Response." We did not audit management's response and, accordingly, we express no opinion on it.

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

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

AVC/clj

FINDINGS SUMMARY

Finding	Follow Up	Fiscal Year(s)
Develop and Implement Information Security Policies and Procedures	Resolved	ICQ*, 2019**
Improve Oversight over Service Providers	Resolved	ICQ*, 2019**
Improve IT Governance	Resolved	ICQ*, 2019**
Formalize Financial Policies and Procedures	Resolved	ICQ*, 2019**
Retain Documentation of SPCC Transaction Limit Increases	Resolved	2019**
Ensure Timely Preparation of Small Purchase Charge Card Reconciliation	Resolved	2019**
Formalize Policies and Procedures for Tracking Aid to Localities	Resolved	ICQ*, 2019**
Improve Internal Controls over Fuel Reconciliation	Resolved	ICQ*, 2019**
Develop Policies and Procedures for Travel Reimbursements	Resolved	ICQ*
Maintain Proper Controls over Assets	Resolved	ICQ*
Comply with DHRM Requirements for Tuition Reimbursements	Resolved	ICQ*
Comply with Department of Accounts Standards for ARMICS Testing	Resolved	ICQ*, 2019**
Comply with Requirements for Executive Leave	Resolved	ICQ*, 2019**
Ensure Proper Administration of the Commonwealth's Purchasing System	Resolved	2019**
Properly Maintain Wage Employee Records	Resolved	2019**
Comply with Conflict-of-Interest Training Requirements	Resolved	2019**
Ensure Proper Tracking of Laws and Regulations	Resolved	2019**
Improve Monitoring of Access to the Commonwealth's Attendance and Leave System	Resolved	2019**
Improve Access Approval Process for the Commonwealth's Attendance and Leave System	Resolved	2019**
Formalize Policies and Procedures for the Commonwealth's Purchasing System	Resolved	2019**
Formalize Policies and Procedures for Monthly Reconciliations	Resolved	2019**
Formalize Process to Ensure Compliance with Statement of Economic Interest Filing	Resolved	2019**
Document Procedures for Completion and Monitoring of Employment Eligibility Forms	Resolved	2019**
Monitor Wage Employee Hours	Resolved	2019**
Improve Controls over Employee Termination Process	Resolved	2019**
Formalize Policies and Procedures for the Payroll Certification Process	Resolved	2019**
Continue to Improve Database Security	Repeat***	2019**, 2020
Continue to Improve IT Risk Management and Contingency Planning Process	Repeat***	ICQ*, 2019**, 2020
Continue to Improve Logging and Monitoring	Repeat***	ICQ*, 2019**, 2020
Continue to Improve Security Awareness Training	Repeat***	ICQ*, 2019**, 2020
Confirm the Commonwealth's Retirement Benefits System's Snapshot Timely	Repeat***	2019**, 2020
Comply with Contract Administration Requirements	Repeat***	2019**, 2020
Perform Proper Administration of Contracts	Repeat***	2019**, 2020
Upgrade End-of-Life Technology	New	2020

*ICQ - Special Review of Fire Programs covering period from July 1, 2015, through June 30, 2018

** Report period July 1, 2017, through March 31, 2019

*** Follow-up Status on prior year findings identified as "Repeat" indicates sufficient corrective action on a prior recommendation is not complete; therefore, the prior year finding has been fully or partially repeated.



COMMONWEALTH of VIRGINIA

Garrett Dyer
ACTING EXECUTIVE DIRECTOR

Virginia Department of Fire Programs

Brook Pittinger
ASSISTANT CHIEF OF ADMINISTRATION
AND RISK MANAGEMENT SERVICES

Wednesday, September 15, 2021

Staci Henshaw
Auditor of Public Accounts
James Monroe Building
101 North 14th Street
8th Floor Richmond, VA 23219

Management's Response to the 2021 APA Audit

The Auditor of Public Accounts (APA) returned to the Virginia Department of Fire Programs (VDFP) in May 2021 to conduct an in-depth audit of the Agency's administrative activities for the fiscal year ending June 30, 2020 (FY2020). The audit also included a review of fiscal policies and procedures to determine reasonableness, completeness, and conformity with state and federal requirements.

The Agency appreciates the APA's cooperation in reviewing our progress to ensure the development, implementation and adherence to all required policies, standards and regulations. VDFP will continue to review and evaluate our policies and procedures to determine continual process improvement opportunities. The Agency looks forward to our continued relationship with the APA and the opportunities to improve our business processes.

Sincerely,

A handwritten signature in black ink, appearing to read "Garrett Dyer", written over a printed name label.

Garrett Dyer

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VIRGINIA DEPARTMENT OF FIRE PROGRAMS

As of June 30, 2020

Michael T. Reilly
Executive Director

Brook Pittinger
Assistant Chief for Administration and Risk Management