

**AGENCIES OF THE
SECRETARY OF PUBLIC SAFETY**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2004**



REPORT SUMMARY

This report summarizes our fiscal year 2004 audit results for the Secretary of Public Safety and the eleven agencies under the secretary. The report includes a summary of audit results and an analysis of budget and actual activity during the year for each of the following agencies. We have already issued separate audit reports for some of the agencies included in this report. This audit report will act as the audit report for agencies that do not have individual reports.

Overall, our audits of public safety agencies found:

- proper recording and reporting of all transactions in all material respects, in the Commonwealth Accounting and Reporting System;
- no material weaknesses in internal controls; however, we did find reportable conditions at the Departments of Corrections and State Police, which we included in their individual reports and a finding on the Virginia Correctional Enterprises included herein; and
- no instances of noncompliance or other matters with applicable laws and regulations that are required to be reported.

The original budget in the Appropriation Act for all agencies in the Public Safety secretariat totals approximately \$1.89 billion. During the fiscal year, legislative and administrative changes increased the budget to approximately \$2.21 billion, almost a \$312 million increase. Over half of this increase resulted from changes in the budget of the Department of Emergency Management to provide additional state and federal funds for disaster operations.

This report contains more detailed information on each of the following agencies in the public safety area.

Secretary of Public Safety

Commonwealth's Attorneys' Services Council

Department of Alcoholic Beverage Control

Department of Correctional Education

Department of Corrections

Department of Criminal Justice Services

Department of Emergency Management

Department of Fire Programs

Department of Juvenile Justice

Department of Military Affairs

Department of State Police

Virginia Parole Board

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PUBLIC SAFETY OVERVIEW

The Secretary of Public Safety and eleven agencies under his guidance provide a variety of different services, all aimed at various aspects of public safety. Some of these services include:

- Enforce criminal, highway safety, and alcoholic beverage and tobacco laws;
- Investigate crimes and test crime scene evidence;
- Teach or train approximately 18,000 adults and 2,000 youths each year;
- Confine more than 32,000 felons;
- Supervise about 48,000 people on parole or probation;
- Plan and coordinate emergency response and recovery to disasters;
- Provide technical assistance, research and training for law enforcement agencies, community fire departments, and prosecutors;
- Operate juvenile correctional facilities; and
- Train about 10,000 Army and Air National Guard members.

General Funds are the primary resource for these services, and account for approximately 70 percent of the overall budget for the public safety area. The original fiscal year 2004 operating budget for agencies in the public safety secretariat totaled \$1.89 billion. Agencies requested various budget adjustments that the Department of Planning and Budget approved which resulted in a final operating budget of \$2.21 billion, an increase of almost \$312 million. Almost half of this increase was due to increases in Emergency Management's budget for additional state and federal funds for disaster operations, primarily related to Hurricane Isabel in September 2003. The following table summarizes the original and final operating budgets, as well as expenses for all public safety agencies.

Summary of Budget and Expenses for 2004

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Expenses</u> |
|---|-----------------------------|-----------------------------|-----------------------------|
| Secretary of Public Safety | \$ 601,542 | \$ 704,719 | \$ 704,555 |
| Commonwealth Attorney Services | | | |
| Council | 456,919 | 512,445 | 483,666 |
| Department of Alcoholic Beverage | | | |
| Control | 347,021,815 | 359,091,865 | 353,705,439 |
| Department of Correctional Education | 46,247,886 | 47,923,626 | 47,820,972 |
| Department of Corrections | 791,598,865 | 814,031,814 | 809,924,202 |
| Department of Criminal Justice Services | 265,988,108 | 270,996,625 | 253,735,930 |
| Department of Emergency Management | 9,644,754 | 250,470,145 | 228,889,465 |
| Department of Fire Programs | 13,644,654 | 16,396,282 | 15,170,266 |
| Department of Juvenile Justice | 184,713,948 | 194,510,441 | 184,582,433 |
| Department of Military Affairs | 26,001,824 | 31,562,940 | 30,651,704 |
| Department of State Police | 212,010,241 | 223,159,376 | 209,364,449 |
| Virginia Parole Board | <u>623,599</u> | <u>678,941</u> | <u>671,849</u> |
| Total – Public Safety Agencies | <u>\$ 1,898,554,155</u> | <u>\$ 2,210,039,219</u> | <u>\$ 2,135,704,930</u> |

Source: Commonwealth Accounting and Reporting System

PROGRAM SUMMARY

The public safety agencies receive appropriations for carrying out their various functions under 33 different programs. For some of these programs, more than one agency executes the program; however, most programs are unique to a single agency. Within the public safety agency budgets, there are four separate administrative programs, called administration and support services. The four different administrative programs have the same names but different program numbers to differentiate the function and sub-functions in the state program structure. The following table presents the programs administered by public safety agencies in descending order based on total expenses.

Summary of 2004 Expenses by Program

| Program Name (Number) | Total Expenses | Agencies Involved |
|---|-----------------------|--------------------------|
| Secure Confinement (357) | \$ 430,750,729 | DOC, DJJ |
| Alcoholic Beverage Merchandising (801) | 337,627,145 | ABC |
| Administration and Support Services (379) | 279,866,494 | DOC, DJJ |
| Disaster Planning (722) | 227,228,715 | DEM |
| Crime Detection, Investigation and Apprehension (304) | 190,251,212 | ABC, DCJS, VSP |
| Financial Assistance to Localities-General (728) | 180,222,620 | DCJS, DFP |
| Probation and Aftercare Services (351) | 106,895,161 | DJJ, VPB, DOC |
| Administration and Support Services (319) | 72,331,919 | DCJS, DJJ, VSP, DOC |
| Financial Assistance for Administration of Justice Services (390) | 50,356,909 | DCJS |
| Administration and Support Services (199) | 44,952,231 | DCE |
| Rehabilitative Industries (810) | 40,172,274 | VCE |
| Financial Assistance for Confinement in Local Areas (356) | 30,516,581 | DJJ, DOC |
| Criminal Justice Information and Systems and Statistics (302) | 27,816,987 | DCJS, VSP |
| Defense Preparedness (721) | 25,351,384 | DMA |
| Community Based Custody (350) | 22,859,883 | DJJ, DOC |
| Ground Transportation System Safety (605) | 12,421,571 | VSP |
| Criminal Justice Training, Education, and Standards (303) | 9,828,345 | DCJS, VSP, DOC |

| | | |
|--|-------------------------|------------------------|
| Classification Services (358) | 7,968,797 | DOC |
| Agribusiness (802) | 7,285,889 | DOC |
| Asset Forfeiture and Seizure (306) | 4,994,605 | DCJS |
| Instruction (197) | 4,949,202 | DCE, DMA |
| Fire Services Assistance (744) | 3,722,522 | DFP |
| State Lottery Operations (811) | 3,409,545 | ABC |
| Confinement and Custody Research, Planning, and Coordination (355) | 3,159,336 | DJJ, DOC |
| Administrative and Support Services (749) | 3,133,809 | DEMS, DFP |
| Regulation of Professions and Occupations (560) | 2,025,763 | DCJS |
| Higher Education Student Financial Assistance (108) | 1,600,000 | DMA |
| Protective Services (453) | 1,482,595 | DJJ |
| Vending, Snack Bars, & Cafeterias (806) | 980,286 | VSP |
| Administration and Support Services (719) | 704,555 | Sec. of Public Safety |
| Adjudication Training Education and Standards (326) | 483,666 | Com. Att. Ser. Council |
| Criminal Justice Research, Planning and Coordination (305) | 207,400 | DCJS |
| Auxiliary Enterprise for National Guard Operations (807) | 146,800 | DMA |
| | | |
| Total Expenses | \$ 2,135,704,930 | |

Source: Commonwealth Accounting and Reporting System

Of the programs listed above, the top six programs make up the majority of expenses for public safety agencies. Overall, these six programs account for approximately 75 percent of all expenses and we will discuss each of these in more detail.

Secure Confinement administered by Corrections and Juvenile Justice, includes the costs for confinement of adults and juveniles in state facilities. Corrections operates 27 major prisons and various smaller facilities to house an average of 30,000 adult inmates. DJJ operates seven juvenile correctional centers and various smaller facilities to house an average of 1,000 juveniles.

Alcoholic Beverage Merchandising administered by Alcoholic Beverage Control, includes costs of efforts to purchase, distribute, and sell alcoholic beverages other than beer.

Administrative and Support Services is for logistical and support services for confinement and community custody efforts. Both Corrections and Juvenile Justice receive appropriations under this program.

Disaster Planning administered by Emergency Management, includes efforts to plan and conduct operations necessary to protect people and property from the effects of natural and man-made disasters.

Crime Detection, Investigation and Apprehension is for efforts to detect and investigate crime and to apprehend criminals in order to protect people and property from illegal actions. This program crosscuts several agencies including Alcoholic Beverage Control, Criminal Justice Services, and State Police.

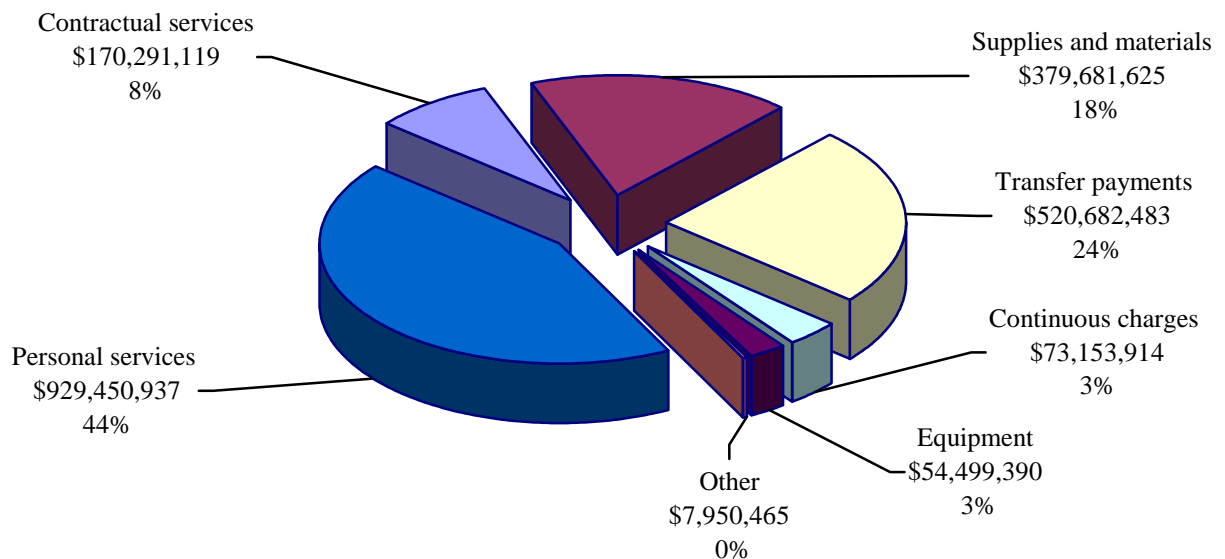
Financial Assistance to Localities provides financial assistance to localities through revenue sharing. As part of this effort, Criminal Justice Services transfers funds to local police departments and Fire Programs transfers funds to local fire departments.

NATURAL EXPENSE SUMMARY

Analyzing public safety expenses by type of expense, personal service costs and transfer payments make up nearly 70 percent of total expenses. Personal service costs include the salary and fringe benefit costs of agency employees. Overall, public safety agencies can have approximately 20,000 employees, with Corrections accounting for more than half of these positions.

Transfer payments are also a significant portion of overall expenses. As discussed above, transfer payments include payments to local fire and police departments for training and equipment. In addition, Emergency Management makes transfer payments to localities for disaster assistance. The following chart breaks down total expenses for public safety agencies by expense type for 2004.

Summary of 2004 Expenses by Type



INDIVIDUAL AGENCIES

Following is more detailed information for each of the public safety agencies, which includes the original budget, final budget, and actual results. This information is in two tables that show:

Analysis of Budget and Actual Revenues by Funding Source – This table shows resources included in the original budget, final budget, and actual revenue for the fiscal year ended June 30, 2004. The funding sources for the original budget, final budget, and actual revenue results comes from the Commonwealth Accounting and Reporting System.

Analysis of Budget and Actual Expenses by Program – This table shows original budgeted expenses by program, final budgeted expenses by program, and actual expenses by program for fiscal year ended June 30, 2004. The original budgeted expenses, final budgeted expenses, and actual expenses by program come from the Commonwealth Accounting and Reporting System.

Secretary of Public Safety

Audit Summary

We performed an audit of the Secretary of Public Safety for the year ended June 30, 2004. We reported our audit results in a separate audit report entitled "Governor's Cabinet Secretaries" issued on October 8, 2004.

Financial Summary

The Secretary of Public Safety assists the Governor in managing the operations of state agencies. The Secretary provides overall supervision and direction to the eleven agencies in the public safety secretariat. The Secretary also has the power to resolve conflicts between agencies, direct preparation of their budgets, and hold agency heads accountable for effective and efficient performance. The following schedules provide information on the operating budget and expenses for fiscal year 2004.

ANALYSIS OF BUDGETED AND ACTUAL REVENUE BY FUNDING SOURCE

| Funding source | Original budget | Final budget | Actual revenue |
|-----------------------------|-----------------|--------------|----------------|
| General fund appropriations | \$601,542 | \$704,719 | \$704,719 |
| Total resources | \$601,542 | \$704,719 | \$704,719 |

The Secretary's budget increased approximately \$103,000, to fund unanticipated salary cost of the office. In previous fiscal years, the secretary's budget did not reflect actual expenses. The budget was supplemented with transfers or unexpended balances. Our audit of the cabinet secretaries suggested that the cabinet offices adjust their budgets to reflect actual expenses.

ANALYSIS OF BUDGETED AND ACTUAL EXPENSES BY PROGRAM

| Program | Program Expenses | | | Funding Source | |
|-------------------------------------|------------------|--------------|-----------------|----------------|--------------|
| | Original budget | Final budget | Actual expenses | | General fund |
| Administrative and support services | \$601,542 | \$704,719 | \$704,555 | | \$704,555 |
| Total uses | \$601,542 | \$704,719 | \$704,555 | | \$704,555 |

Commonwealth's Attorneys' Services Council

Audit Summary

We performed an audit of the Commonwealth's Attorneys' Services Council for the period January 1, 2002, through June 30, 2004. Our audit results are included in this report.

Financial Summary

The Commonwealth's Attorneys' Services Council (Council) provides training, education and research services for the Commonwealth's attorneys and their assistants. The Council sponsors continuing education programs that allow attorneys to meet requirements mandated by the Virginia State Bar in order to maintain their licenses to practice law. The following schedules provide information on the operating budget and expenses for fiscal year 2004.

ANALYSIS OF BUDGETED AND ACTUAL REVENUE BY FUNDING SOURCE

| Funding source | Original budget | Final budget | Actual revenue |
|-----------------------------|-----------------|--------------|----------------|
| General fund appropriations | \$ 418,469 | \$ 438,614 | \$ 438,614 |
| Special revenue funds | 38,450 | 38,450 | 31,440 |
| Federal funds | - | 35,381 | 40,998 |
| Total resources | \$ 456,919 | \$ 512,445 | \$ 511,052 |

The Council's total budget increased over \$55,000, due to increases in the federal fund and general fund appropriations. During the year, the Council received federal fund appropriation transfers from the Department of Criminal Justice Services for \$30,872 for trial advocacy and homicide training programs. In addition, general fund appropriations increased \$20,145. The increase was a result of restored funding due to changes in the information technology consolidation implementation, the reappropriation of 2004 prepaid budget reductions, and transfers from Central Appropriations for salary increases and health insurance premium increases approved by the General Assembly.

ANALYSIS OF BUDGETED AND ACTUAL EXPENSES BY PROGRAM

| Program | Program Expenses | | | Funding Sources | | |
|---|------------------|--------------|-----------------|-----------------|----------------------|--------------|
| | Original budget | Final budget | Actual expenses | General fund | Special revenue fund | Federal fund |
| Adjudication training, education, and standards | \$456,919 | \$512,445 | \$483,666 | \$417,705 | \$32,977 | \$32,984 |
| Total uses | \$456,919 | \$512,445 | \$483,666 | \$417,705 | \$32,977 | \$32,984 |

Department of Alcoholic Beverage Control

Audit Summary

We performed an audit of the Department of Alcoholic Beverage Control for the year ended June 30, 2004. We reported our audit results in a separate report issued on October 8, 2004.

Financial Summary

The Department of Alcoholic Beverage Control (ABC) administers the laws of the Commonwealth pertaining to the manufacture, sale, distribution, and consumption of alcoholic beverages. ABC is also responsible for administering and enforcing tobacco laws. Alcoholic beverage sales generate a substantial amount of revenue for the Commonwealth and its localities.

The information presented below represents appropriations for ABC, and does not include funds collected by ABC on behalf of the General Fund of the Commonwealth or funds transferred to other funds. ABC collects taxes and transfers them quarterly to the General Fund of the Commonwealth, however the tax is not an appropriation of ABC. These transfers are not included in the tables below. The schedules provide information on the operating budget and expenses for fiscal year 2004.

ANALYSIS OF BUDGETED AND ACTUAL REVENUE BY FUNDING SOURCE

| Funding source | Original budget | Final budget | Actual revenue |
|------------------|-----------------|---------------|----------------|
| Enterprise funds | \$347,021,815 | \$357,667,085 | \$356,395,454 |
| Federal funds | - | 1,424,780 | 519,730 |
| Total resources | \$347,021,815 | \$359,091,865 | \$356,915,184 |

ABC's overall budget increased over \$12 million during the year, reflecting an increase of primarily \$10 million in the estimated enterprise fund revenues for increased alcoholic beverage sales. In addition, the federal budget increased over \$1.4 million because of several federal grants that were still in progress. Of the federal funds, only \$519,730 was actually collected since federal grants reimburse only incurred expenses. If ABC has not used all funds requested by the end of the year, ABC can request the carryover of the remaining portion to the next fiscal year.

ANALYSIS OF BUDGETED AND ACTUAL EXPENSES BY PROGRAM

| Program | Program Expenses | | | Funding Sources | |
|--|------------------|---------------|-----------------|-----------------|--------------|
| | Original budget | Final budget | Actual expenses | Enterprise fund | Federal fund |
| Crime and detection, investigation, and apprehension | \$ 11,861,483 | \$ 13,916,533 | \$ 12,668,749 | \$ 11,970,509 | \$698,240 |
| Alcoholic beverage merchandising | 328,151,049 | 338,166,049 | 337,627,145 | 337,594,493 | 32,652 |
| State Lottery operations | 7,009,283 | 7,009,283 | 3,409,545 | 3,409,545 | - |
| Total uses | \$347,021,815 | \$359,091,865 | \$353,705,439 | \$352,974,547 | \$730,892 |

As in the prior year, lottery operation expenses were over \$3 million less than budgeted because ABC treats lottery prize payouts as a reduction to revenue and not an expense. ABC's budget for lottery operations has been the same since they started selling lottery tickets even though the number of stores carrying lottery services has decreased. ABC has discussed reducing the lottery budget and anticipates the reduction to occur within the next two fiscal years. The lottery appropriation is limited to lottery costs and cannot supplement ABC's operational budget.

Department of Correctional Education

Audit Summary

We performed an audit of the Department of Correctional Education for the two-year period ended June 30, 2004. Our audit results are included in this report.

Financial Summary

The Department of Correctional Education (DCE) provides educational services to adults and youths in correctional facilities throughout the Commonwealth. Services help individuals become productive members of society. The following schedules provide information on the operating budget and expenses for fiscal year 2004.

ANALYSIS OF BUDGETED AND ACTUAL REVENUE BY FUNDING SOURCE

| Funding source | Original budget | Final budget | Actual revenue |
|-----------------------------|-----------------|--------------|----------------|
| General fund appropriations | \$44,489,598 | \$45,717,317 | \$45,717,317 |
| Special revenue funds | 69,770 | 140,982 | 81,074 |
| Federal funds | 1,688,518 | 2,065,327 | 2,284,549 |
| Total resources | \$46,247,886 | \$47,923,626 | \$48,082,940 |

During the fiscal year, DCE's budget increased over \$1.6 million. General fund appropriations increased \$1.2 million because of the increased employer premiums for state employee health insurance and salary increases approved by the General Assembly. In addition, DCE's special revenue budget more than doubled because DCE requested a reappropriation of prior year cash balances.

ANALYSIS OF BUDGETED AND ACTUAL EXPENSES BY PROGRAM

| Program Expenses | | | | Funding Sources | | |
|-------------------------------------|-----------------|--------------|-----------------|-----------------|----------------------|--------------|
| Program | Original budget | Final budget | Actual expenses | General fund | Special revenue fund | Federal fund |
| Administrative and support services | \$43,417,956 | \$45,054,885 | \$44,952,231 | \$42,848,576 | \$44,639 | \$2,059,016 |
| Instruction | 2,829,930 | 2,868,741 | 2,868,741 | 2,868,741 | - | - |
| Total uses | \$46,247,886 | \$47,923,626 | \$47,820,972 | \$45,717,317 | \$44,639 | \$2,059,016 |

Department of Corrections

Audit Summary

We performed an audit of the Department of Corrections, including the Virginia Parole Board, for the year ended June 30, 2004. We reported our audit results in a separate report issued on April 15, 2005.

We also performed a review of statewide fleet management procedures, which included the Department of Corrections. We issued a separate report on this review entitled “Statewide Review of Agency Owned Vehicles” in June 2004.

Financial Summary

The Department of Corrections (Corrections) operates the Commonwealth’s correctional facilities for adult offenders and directs the work of all probation and parole officers. The General Assembly divides Corrections’ budget between four administrative areas – Central Activities, Division of Community Corrections, Division of Institutions, and Virginia Correctional Enterprises.

Corrections’ agency structure requires them to budget internally at a much more detailed level. Consequently, Corrections records a number of budget adjustments to allocate the budget approved by the General Assembly to correspond with their internal operating budget. The Department of Planning and Budget must approve adjustments that transfer amounts between programs, funds, and administrative areas. In addition, the Appropriation Act does not include Corrections’ federal funds, but shows these funds as part of the Department of Criminal Justice Services’ budget thus requiring an administrative transfer of federal funds to Corrections.

The following pages discuss the four administrative agencies listed above and the schedule below summarizes the budget for the four administrative areas. The overall budget for Corrections increased \$22.4 million. Detailed schedules for each area include information on the operating budget and expenses for fiscal year 2004.

ANALYSIS OF BUDGET TO ACTUAL BY ADMINISTRATIVE AREA

| | Original budget | Final budget |
|---------------------------------|-----------------|---------------|
| Central Activities | \$ 33,534,124 | \$ 47,199,927 |
| Community Corrections | 82,782,438 | 83,435,213 |
| Division of Institutions | 638,607,266 | 643,221,207 |
| Correctional Enterprises | 36,675,037 | 40,175,037 |
| Total Department of Corrections | \$791,598,865 | \$814,031,384 |

Central Activities

Corrections allocates amounts in the Appropriation Act under Central Activities among central administration, employee relations and the training academy. The following schedule provides information on Central Activities’ operating budget and expenses for fiscal year 2004.

ANALYSIS OF BUDGETED AND ACTUAL REVENUE BY FUNDING SOURCE

| Funding source | Original budget | Final budget | Actual revenue |
|-----------------------------|-----------------|--------------|----------------|
| General fund appropriations | \$32,434,504 | \$44,228,502 | \$44,228,502 |
| Special revenue funds | 1,099,620 | 2,492,054 | 4,528,483 |
| Dedicated funds | - | 60,778 | 60,489 |
| Federal funds | - | 418,593 | 330,769 |
| Total resources | \$33,534,124 | \$47,199,927 | \$49,148,243 |

Overall, the Central Activities budget increased \$13.6 million during fiscal year 2004. Most of this increase occurred when Corrections moved general fund appropriations from other divisions to Central Activities for the increased costs of computer-related maintenance and operations and increased costs for training correctional employees. Corrections has found that the Central Activities budget does not adequately fund its computer services and training needs and, therefore Corrections moves funds from Institutions and Community Corrections to fund these initiatives.

Corrections' actual special revenue is \$2 million more than the final budget because of additional revenues collected for work performed by inmates in the Capital Construction Unit. The amount of revenue varies based on the actual cost and amount of the work performed, and Corrections underestimated how much they would receive.

ANALYSIS OF BUDGETED AND ACTUAL EXPENSES BY PROGRAM

| Program | Program Expenses | | | Funding Sources | | |
|--|------------------|--------------|-----------------|-----------------|--------------------------------|--------------|
| | Original budget | Final budget | Actual expenses | General fund | Dedicated/special revenue fund | Federal fund |
| Administrative and support services | \$29,181,658 | \$41,222,096 | \$40,839,554 | \$38,247,851 | \$ 2,281,749 | \$309,954 |
| Criminal justice training, and education training | 3,265,590 | 4,926,285 | 4,926,285 | 4,926,285 | - | - |
| Confinement and custody research planning and coordination | 604,047 | 465,795 | 465,794 | 465,794 | - | - |
| Vending facilities, snack bars, and cafeterias | 482,829 | 585,751 | 585,751 | 585,751 | - | - |
| Total uses | \$33,534,124 | \$47,199,927 | \$46,817,384 | \$44,225,681 | \$ 2,281,749 | \$309,954 |

The increase in the Administrative and Support Services program supported the information technology initiatives already discussed above. In addition, Corrections made other adjustments for warranty overhead/capital construction projects, grants, and funding to support the evaluation of the St. Brides expansion project.

Division of Community Corrections

Community Corrections consists of programs to support community based custody facilities, correctional facilities and provides probation and parole services. The following schedules provide information on the operating budget and expenses for fiscal year 2004.

ANALYSIS OF BUDGETED AND ACTUAL REVENUE BY FUNDING SOURCE

| Funding source | Original budget | Final budget | Actual revenue |
|-----------------------------|-----------------|--------------|----------------|
| General fund appropriations | \$79,660,557 | \$77,722,641 | \$77,722,641 |
| Special revenue funds | 2,115,000 | 2,115,000 | 1,502,072 |
| Dedicated funds | 1,006,881 | 1,006,881 | 851,215 |
| Federal funds | - | 2,590,691 | 2,376,732 |
| Total resources | \$82,782,438 | \$83,435,213 | \$82,452,660 |

Overall the Community Corrections' budget did not significantly change during the year. The \$2.5 million increase in the federal fund is because Criminal Justice Services transfers federal grant funds and appropriations to Corrections.

ANALYSIS OF BUDGETED AND ACTUAL EXPENSES BY PROGRAM

| Program | Program Expenses | | | Funding Sources | | |
|--|------------------|--------------|-----------------|-----------------|--------------------------------|--------------|
| | Original budget | Final budget | Actual expenses | General fund | Dedicated/special revenue fund | Federal fund |
| Administrative and support services (Program 319) | \$2,294,832 | \$2,406,760 | \$ 2,406,677 | \$2,406,677 | \$ - | \$ - |
| Administrative and support services (Program 379) | 6,691,517 | 5,319,346 | 5,319,343 | 5,319,343 | - | - |
| Community based custody | 6,612,248 | 4,140,258 | 4,140,258 | 4,140,258 | - | - |
| Probation and reentry services | 53,836,256 | 58,066,648 | 57,400,861 | 54,354,076 | 1,012,194 | 2,034,591 |
| Secure confinement | 13,051,282 | 13,469,188 | 12,292,066 | 11,469,188 | 822,878 | - |
| Financial assistance for confinement in local facilities | - | 4,813 | 4,813 | 4,813 | - | - |
| Confinement and custody research planning and coordination | 296,303 | 28,200 | 28,200 | 28,200 | - | - |
| Total uses | \$82,782,438 | \$83,435,213 | \$81,592,218 | \$77,722,555 | \$ 1,835,072 | \$2,034,591 |

The increase in the Probation and Reentry Services program was for increased need in substance abuse and sex offender treatment programs. The increase came primarily from grants and a reduced need for transitional residential beds.

Division of Institutions

The Division of Institutions (Institutions) consists of 27 major correctional centers, 13 correctional field units, and six work centers. The following schedules provide information on the Division of Institutions as a whole, in addition to detailed information on the original budget, final budget, and expenses for fiscal year 2004 by institution.

ANALYSIS OF BUDGETED AND ACTUAL REVENUE BY FUNDING SOURCE

| Funding source | Original budget | Final budget | Actual revenue |
|-----------------------------|-----------------|---------------|----------------|
| General fund appropriations | \$619,132,180 | \$622,584,887 | \$622,584,887 |
| Special revenue funds | 19,475,086 | 19,248,521 | 21,497,508 |
| Federal funds | - | 1,387,799 | 1,437,978 |
| Total resources | \$638,607,266 | \$643,221,207 | \$645,520,373 |

Institutions' overall budget increased over \$4 million during the fiscal year. Most of the increase was reflected in general funds which occurred for various reasons including restoring funds that were used to prepay fiscal year 2004 budget reductions, the receipt of funds from the Residential Substance Abuse Treatment grant, and increases for employee salaries and insurance premiums approved by the General Assembly.

ANALYSIS OF BUDGETED AND ACTUAL EXPENSES BY PROGRAM

| Program | Program Expenses | | | Funding Sources | | |
|---|------------------|---------------|-----------------|-----------------|----------------------|--------------|
| | Original budget | Final budget | Actual expenses | General fund | Special revenue fund | Federal fund |
| Administrative and support services (Program 319) | \$45,777,142 | \$ 44,011,953 | \$ 44,011,212 | \$ 44,011,212 | \$ - | \$ - |
| Administrative and support services (Program 379) | 213,345,205 | 210,167,172 | 209,790,370 | 202,645,879 | 6,277,354 | 867,137 |
| Secure confinement | 366,421,577 | 373,778,898 | 372,286,057 | 360,709,109 | 11,576,948 | - |
| Classification services | 7,000,925 | 7,968,798 | 7,968,797 | 7,968,797 | - | - |
| Agribusiness | 6,054,015 | 7,285,984 | 7,285,889 | 7,248,262 | 11,707 | 25,920 |
| Corrections special reserve fund | 8,402 | 8,402 | - | - | - | - |
| Total uses | \$638,607,266 | \$643,221,207 | \$641,342,325 | \$622,583,259 | \$17,866,009 | \$893,057 |

The following schedule shows the allocation of the Division of Institutions' budget to the correctional centers and field units. Each correctional center and field unit receives a budget for the facilities operations. The entire budget for the Division of Institutions as outlined in the Appropriation Act does not allocate the budget to the correctional centers and field units. Budget personnel at Corrections develop information by institution and field unit to include fringe rates, salaries, position levels, and organizational structure. The staff uses this information to determine the amount needed for each institution. Once each institution receives its allocation the staff allocates the remaining amount to the "Division of Institutions." This allocation covers centrally budgeted medical expenses, wastewater treatment costs, as well as some administrative costs.

ANALYSIS OF BUDGET TO ACTUAL BY INSITUTION

| | Original budget | Final budget | Actual expenses |
|--|-----------------|---------------|-----------------|
| Division of Institutions | \$ 65,578,450 | \$ 79,188,919 | \$ 77,334,812 |
| Powhatan reception and classification | 6,836,097 | 8,988,032 | 8,988,032 |
| Southampton reception and classification | 4,123,781 | 4,803,394 | 4,803,394 |
| Augusta | 22,076,562 | 22,414,683 | 22,414,683 |
| Bland | 15,295,770 | 15,551,196 | 15,551,196 |
| Brunswick | 22,076,562 | 21,017,102 | 21,017,102 |
| Buckingham | 19,086,524 | 18,588,155 | 18,588,155 |
| Coffeewood | 16,066,385 | 16,155,979 | 16,155,979 |
| Deep Meadow | 17,423,198 | 17,200,000 | 17,200,000 |
| Deerfield | 9,813,364 | 9,995,629 | 9,995,334 |
| Dillwyn | 15,475,468 | 14,632,591 | 14,632,591 |
| Fluvanna | 26,988,261 | 26,305,716 | 26,305,368 |
| Greensville | 58,311,715 | 59,469,927 | 59,467,443 |
| Haynesville | 17,897,082 | 17,578,868 | 17,558,001 |
| Indian Creek | 15,822,884 | 16,239,393 | 16,239,393 |
| James River | 13,878,080 | 14,369,504 | 14,369,504 |
| Keen Mountain | 15,661,254 | 15,458,164 | 15,458,164 |
| Lunenburg | 16,968,381 | 16,644,469 | 16,644,469 |
| Marion | 12,418,945 | 11,564,159 | 11,564,159 |
| Mecklenburg | 17,120,042 | 16,784,772 | 16,784,772 |
| Nottoway | 24,715,187 | 22,840,225 | 22,840,225 |
| Powhatan | 23,739,113 | 24,045,383 | 24,045,383 |
| Red Onion | 20,675,437 | 20,810,360 | 20,810,359 |
| Southampton | 13,852,514 | 14,692,185 | 14,692,185 |
| St. Brides | 12,439,861 | 10,065,659 | 10,065,659 |
| Sussex I | 26,303,341 | 25,503,823 | 25,503,823 |
| Sussex II | 24,259,133 | 23,177,912 | 23,177,911 |
| Virginia Correctional Center for Women | 11,672,261 | 11,731,629 | 11,731,629 |
| Wallens Ridge | 23,039,259 | 20,580,410 | 20,580,392 |
| Central Region Field Units | 17,244,137 | 9,598,278 | 9,598,278 |
| Northern Region Field Units | 11,886,376 | - | - |
| Eastern Region Field Units | - | 11,461,155 | 11,461,123 |
| Western Region Field Units | 19,861,842 | 25,763,536 | 25,762,807 |
| Total - Institutions | \$ 638,607,266 | \$643,221,207 | \$ 641,342,325 |

In response to prior budget reductions, Corrections reorganized their field units and regions. As part of this realignment, Corrections closed the Northern Region Field Unit and reassigned some field units to the Eastern region.

Virginia Correctional Enterprises

Audit Summary

We performed an audit of Virginia Correctional Enterprises (Correctional Enterprises) for the year ended June 30, 2004. Our audit results are included in this report.

Financial Summary

Correctional Enterprises employs non-violent inmates to provide various services to taxpayer-supported and not-for-profit organizations. Correctional Enterprises is primarily a program to keep inmates employed while teaching them a trade. They operate various industries including the production of license plates, clothing, shoes, laundry, wood furniture, office systems, and automotive services. Correctional Enterprises operates solely from funds charged for goods. The following schedules provide information on the operating budget and expenses for fiscal year 2004.

ANALYSIS OF BUDGETED AND ACTUAL REVENUE BY FUNDING SOURCE

| Funding source | Original budget | Final budget | Actual revenue |
|-----------------------|-----------------|--------------|----------------|
| Special revenue funds | \$36,675,037 | \$40,175,037 | \$42,636,616 |
| Total resources | \$36,675,037 | \$40,175,037 | \$42,636,616 |

Correctional Enterprises' budget reflects the increase in sales during the fiscal year. The original budget used historical sales which included the effects of the budget reductions. During fiscal year 2004, financial conditions in the state improved, resulting in state agencies and universities purchasing more goods through VCE. Increases in sales were partially due to \$2 million in furniture for the Department of Health, as well as clothing sales to Corrections.

ANALYSIS OF BUDGETED AND ACTUAL EXPENSES BY PROGRAM

| Program | Program Expenses | | Funding Sources | |
|---------------------------|------------------|--------------|-----------------|----------------------|
| | Original budget | Final budget | Actual expenses | Special Revenue fund |
| Rehabilitative industries | \$36,675,037 | \$40,175,037 | \$40,172,274 | \$40,172,274 |
| Total uses | \$36,675,037 | \$40,175,037 | \$40,172,274 | \$40,172,274 |

Department of Criminal Justice Services

Audit Summary

We performed an audit of the Department of Criminal Justice Services for the two-year period ended June 30, 2004. Our audit results are included in this report.

Financial Summary

The Department of Criminal Justice Services (DCJS) provides operational and support services to local governments for the criminal justice system to improve and promote public safety. DCJS also provides technical assistance, education programs, and forensic scientific services. The following schedule provides information on the operating budget and expenses for fiscal year 2004.

ANALYSIS OF BUDGETED AND ACTUAL REVENUE BY FUNDING SOURCE

| Funding source | Original budget | Final budget | Actual revenue |
|-----------------------------|-----------------|---------------|----------------|
| General fund appropriations | \$218,360,342 | \$223,356,704 | \$223,356,704 |
| Special revenue funds | 4,526,332 | 8,032,137 | 8,316,134 |
| Trust and agency | - | 3,389,224 | 3,498,574 |
| Dedicated funds | 8,544,029 | 12,845,165 | 11,201,227 |
| Federal funds | 34,557,405 | 23,373,395 | 29,995,849 |
| Total resources | \$265,988,108 | \$270,996,625 | \$276,368,488 |

DCJS's overall budget increased more than \$5 million during the year due to increases in several different funds offset by decreases in federal funds. DCJS experienced increases in general fund appropriations, special revenues funds, trust and agency funds and dedicated funds. Overall, increases were primarily due to the reappropriation of prior year balances and more monies received under the forfeited asset sharing program than originally anticipated. The federal fund decrease occurred because DCJS passed federal funds through to various other state agencies, resulting in an appropriation transfer.

ANALYSIS OF BUDGETED AND ACTUAL EXPENSES BY PROGRAM

| Program | Program Expenses | | | | Funding Sources | | | |
|---|------------------|--------------|-----------------|--|-----------------|------------------------------------|------------------|--------------|
| | Original budget | Final budget | Actual expenses | | General fund | Dedicated/ Special Revenue fund | Trust and Agency | Federal fund |
| Administrative and Support Services | \$ 1,151,409 | \$ 1,974,159 | \$1,849,079 | | \$1,210,245 | \$638,834 | - | - |
| Criminal Justice Information and Systems and Statistics | 140,532 | 73,952 | 73,952 | | 73,952 | - | - | - |
| Criminal Justice Training, Education, and Standards | 1,682,118 | 1,650,397 | 1,640,536 | | 1,615,396 | 25,140 | - | - |
| Crime Detection, Investigation and Apprehension | 27,215,039 | 27,990,039 | 23,812,807 | | 23,812,807 | - | - | - |

| | | | | | | | | |
|---|---------------|---------------|---------------|--|---------------|--------------|-------------|--------------|
| Criminal Justice Research, Planning and Coordination | 404,419 | 207,403 | 207,403 | | 207,403 | - | - | - |
| Asset Forfeiture and Seizure | 2,402,709 | 5,102,709 | 4,994,605 | | - | 4,994,605 | - | - |
| Financial Assistance for Administration of Justice Services | 62,942,296 | 63,192,575 | 50,356,909 | | 21,709,556 | 6,297,970 | 1,436,467 | 20,912,916 |
| Regulation of Professions and Occupations | 1,274,710 | 2,030,515 | 2,025,763 | | - | 2,025,763 | - | - |
| Financial Assistance to Localities-General | 168,774,876 | 168,774,876 | 168,774,876 | | 168,774,876 | - | - | - |
| Total Uses | \$265,988,108 | \$270,996,625 | \$253,735,930 | | \$217,404,235 | \$13,982,312 | \$1,436,467 | \$20,912,916 |

The expenses in the Financial Assistance for Administration of Justice Services program was \$13 million less than the budget because of timing of federal grant funding, which represents mostly reimbursement grants, that causes left over appropriations that carry forward into the following year.

Department of Emergency Management

Audit Summary

We performed an audit of the Department of Emergency Management (Emergency Management) for the year ended June 30, 2004. Our audit results are included in this report.

We conducted a review of Homeland Security and Bioterrorism funds, which includes the Department of Emergency Management. We issued this report on May 6, 2005.

Financial Summary

The Department of Emergency Management maintains the State Emergency Operations Plan. Emergency Management provides disaster planning, including hazards crisis response, training, and operates the Virginia Emergency Operations Center. In addition, they provide financial assistance for disaster response and recovery efforts. Emergency Management also funds programs that develop preventive measures that can help reduce or eliminate future potential damage caused by disasters. The following schedule provides information on the operating budget and expenses for fiscal year 2004.

ANALYSIS OF BUDGETED AND ACTUAL REVENUE BY FUNDING SOURCE

| Funding source | Original budget | Final budget | Actual revenue |
|-----------------------------------|-----------------|---------------|----------------|
| General fund appropriations | \$ 3,009,488 | \$ 3,049,572 | \$ 3,049,572 |
| Special revenue funds | 1,565,559 | 45,618,526 | 55,556,163 |
| Commonwealth transportation funds | 808,053 | 808,053 | 1,019,528 |
| Federal funds | 4,261,654 | 200,993,994 | 224,262,295 |
| | | | |
| Total resources | \$ 9,644,754 | \$250,470,145 | \$283,887,558 |

Emergency Management's budget increased \$240 million during the fiscal year. The increase represents additional state and federal funding received to provide payments to localities and state agencies for Hurricane Isabel disaster activities. Hurricane Isabel struck Virginia in September 2003, resulting in a state of emergency and a federal disaster declaration. As a result, Emergency Management received approximately \$187 million in federal revenue for disaster activities. In addition, the Governor appropriated \$53 million in state funds for disaster assistance, included as special revenue funds above. Emergency Management also received \$32 million in federal funds for the State Homeland Security Grant program. Actual revenues exceeded the final budget in both special revenue and federal funds because Emergency Management did not know the exact amount of disaster funds they would receive.

ANALYSIS OF BUDGETED AND ACTUAL EXPENSES BY PROGRAM

| Program | Program Expenses | | | | Funding Sources | | |
|-------------------------------------|------------------|---------------|-----------------|--|-----------------|----------------------|-----------------------------------|
| | Original budget | Final budget | Actual expenses | | General fund | Special revenue fund | Commonwealth transportation funds |
| Administrative and support services | \$1,249,766 | \$ 1,933,912 | \$ 1,660,750 | | \$ 886,621 | \$ 115,968 | \$ - |
| Disaster planning and operations | 8,394,988 | 248,536,233 | 227,228,715 | | 2,127,383 | 43,304,897 | 808,053 |
| Total uses | \$9,644,754 | \$250,470,145 | \$228,889,465 | | \$3,014,004 | \$43,420,865 | \$ 808,053 |

Department of Fire Programs

Audit Summary

We performed an audit of the Department of Fire Programs for the two-year period ended June 30, 2004. Our audit results are included in this report.

Financial Summary

The Department of Fire Programs provides financial and educational assistance to localities for fire services to protect the lives and property of the Commonwealth's citizens from fire emergencies and disasters. The following schedule provides information on the operating budget and expenses for fiscal year 2004.

ANALYSIS OF BUDGETED AND ACTUAL REVENUE BY FUNDING SOURCE

| Funding source | Original budget | Final budget | Actual revenue |
|-----------------------|-----------------|--------------|----------------|
| Special revenue funds | \$13,519,654 | \$16,106,282 | \$22,767,311 |
| Federal funds | 125,000 | 290,000 | - |
| Total resources | \$13,644,654 | \$16,396,282 | \$22,767,311 |

During the fiscal year, Fire Program's budget increased approximately \$2.7 million due to additional funds received from the State Corporation Commission (SCC). SCC annually transfers an amount to Fire Programs based on collections of fire insurance premiums. Fire Programs then transfers the funds to localities for local fire departments. Actual revenues exceeded the budget because Fire Programs underestimated the amount of the SCC transfer.

ANALYSIS OF BUDGETED AND ACTUAL EXPENSES BY PROGRAM

| Program Expenses | | | Funding Sources | | |
|--|-----------------|--------------|-----------------|----------------------|--------------|
| Program | Original budget | Final budget | Actual expenses | Special revenue fund | Federal fund |
| Financial assistance to localities-general | \$10,691,775 | \$12,041,775 | \$11,447,744 | \$11,362,779 | \$ 84,965 |
| Fire services assistance | 2,952,879 | 4,354,507 | 3,722,522 | 3,722,522 | - |
| Total uses | \$13,644,654 | \$16,396,282 | \$15,170,266 | \$15,085,301 | \$ 84,965 |

Expenses appear to be approximately \$7 million less than actual revenue; however, this is the result of a timing difference because the SCC transfer to Fire Programs occurs in mid-June of each fiscal year and Fire Programs then transfers the funds the following fiscal year. Thus, the revenues reported for fiscal year 2004 will be used for fiscal year 2005 expenses.

Department of Juvenile Justice

Audit Summary

We performed an audit of the Department of Juvenile Justice for the two-year period ended June 30, 2004. Our audit results are included in this report.

Financial Summary

The Department of Juvenile Justice operates juvenile correctional centers, court service units supporting juvenile and domestic relations courts, and provides financial assistance to localities for secure detention facilities and community-based treatment programs for juvenile offenders. The following schedule provides information on the operating budget and expenses for fiscal year 2004.

ANALYSIS OF BUDGETED AND ACTUAL REVENUE BY FUNDING SOURCE

| Funding source | Original budget | Final budget | Actual revenue |
|----------------------------|-----------------|---------------|----------------|
| General fund appropriation | \$175,986,676 | \$180,871,554 | \$180,871,554 |
| Special revenue funds | 1,318,000 | 1,446,600 | 607,216 |
| Dedicated funds | 87,101 | 87,101 | 20,758 |
| Federal funds | 7,322,171 | 12,105,186 | 8,326,845 |
| Total resources | \$184,713,948 | \$194,510,441 | \$189,826,373 |

During the fiscal year, Juvenile Justice's overall budget increased \$9.7 million, reflecting increases in both the general fund and federal fund. General fund appropriation increases reflect Central Appropriation transfers for increases in employer health insurance premiums and salary increases approved by the General Assembly. Juvenile Justice received additional federal funds for treatment programs, independent living programs, and food service programs for juvenile offenders; however, actual federal revenue was \$3.6 million less than expected because Title IV-E transfers from the Department of Social Services were discontinued based on results of a federal review.

ANALYSIS OF BUDGETED AND ACTUAL EXPENSES BY PROGRAM

| Program Expenses | | | | | Funding Sources | | | |
|--|-----------------|---------------|-----------------|--|-----------------|----------------------|----------------|--------------|
| Program | Original budget | Final budget | Actual expenses | | General fund | Special Revenue fund | Dedicated fund | Federal fund |
| Administrative and support services (Program 319) | \$ 12,395,731 | \$ 12,507,826 | \$ 12,290,819 | | \$ 12,137,260 | \$ 1,712 | - | \$ 151,847 |
| Administrative and support services (Program 379) | 23,448,957 | 25,094,706 | 23,917,227 | | 21,717,246 | 94,021 | 16,863 | 2,089,097 |
| Community based custody | 19,704,555 | 19,560,744 | 18,719,625 | | 18,384,221 | - | - | 335,404 |
| Probation and re-entry services | 50,787,748 | 52,282,304 | 48,822,451 | | 47,117,945 | 132,572 | - | 1,571,934 |
| Confinement and custody research, planning, and coordination | 11,949 | 3,379,110 | 2,665,342 | | 407,090 | 35,374 | - | 2,222,878 |

| | | | | | | | | |
|---|---------------|---------------|---------------|--|---------------|-----------|----------|-------------|
| Financial assistance for confinement in local areas | 29,947,678 | 31,410,109 | 30,511,768 | | 28,965,107 | - | - | 1,546,661 |
| Secure confinement | 46,397,330 | 48,421,842 | 46,172,606 | | 45,515,953 | 425,763 | - | 230,890 |
| Protective services | 2,020,000 | 1,853,800 | 1,482,595 | | 1,482,595 | - | - | - |
| Total uses | \$184,713,948 | \$194,510,441 | \$184,582,433 | | \$175,727,417 | \$689,442 | \$16,863 | \$8,148,711 |

Department of Military Affairs

Audit Summary

We performed an audit of the Department of Military Affairs for the two-year period ended June 30, 2004. Our audit results are included in this report.

Financial Summary

The Department of Military Affairs manages, trains, and supervises the Virginia National Guard, the Virginia State Defense Force, the naval Militia, and the unorganized militia. The following schedule provides information on the operating budget and expenses for fiscal year 2004.

ANALYSIS OF BUDGETED AND ACTUAL REVENUE BY FUNDING SOURCE

| Funding source | Original budget | Final budget | Actual revenue |
|----------------------------|-----------------|--------------|----------------|
| General fund appropriation | \$6,916,091 | \$6,960,245 | \$6,960,245 |
| Special revenue funds | 495,456 | 764,512 | 787,475 |
| Dedicated funds | 100,000 | 2,178,138 | 2,063,595 |
| Federal funds | 18,490,277 | 21,660,045 | 18,428,009 |
| Total resources | \$26,001,824 | \$31,562,940 | \$28,239,324 |

Military Affairs' budget increased over \$5.5 million during the fiscal year, primarily due to increases in federal and dedicated funds. Dedicated funds increased due to additional revenues generated from the rental of armories, in addition to funds received to aid in the response and recovery of the Hurricane Isabel disaster. Military Affairs' federal budget increased due to additional funds received under the federal state cooperative agreements, in addition to funds received from the federal Office of Homeland Security. Actual federal fund revenue was approximately \$3 million less than the final budget because Military Affairs received some funds from the federal government in advance in June 2003, in the prior fiscal year.

ANALYSIS OF BUDGETED AND ACTUAL EXPENSES BY PROGRAM

| Program | Program Expenses | | | Funding Sources | | | |
|--|------------------|--------------|-----------------|-----------------|----------------------|----------------|--------------|
| | Original budget | Final budget | Actual expenses | General fund | Special revenue fund | Dedicated fund | Federal fund |
| Administrative and support services | \$ 1,411,053 | \$ 1,489,312 | \$ 1,473,059 | \$ 1,285,107 | \$ - | \$ 18,800 | \$ 169,152 |
| Higher education student financial assistance | 1,600,000 | 1,600,000 | 1,600,000 | 1,600,000 | - | - | - |
| Instruction | 2,854,196 | 2,854,196 | 2,080,461 | 640,045 | - | 28,792 | 1,411,624 |
| Defense preparedness | 19,950,369 | 25,433,226 | 25,351,384 | 3,266,875 | 576,895 | 2,022,734 | 19,484,880 |
| Auxiliary enterprise for National Guard operations | 186,206 | 186,206 | 146,800 | - | 146,800 | - | - |
| Total uses | \$26,001,824 | \$31,562,940 | \$30,651,704 | \$ 6,792,027 | \$ 723,695 | \$ 2,070,326 | \$21,065,656 |

Department of State Police

Audit Summary

We performed an audit of the Department of State Police for the year ended June 30, 2004. Our audit results are included in this report.

We performed two other reviews during the year that included aspects of the Department of State Police. We performed a review of State Police information system development efforts. We issued a separate report on this review entitled "Review of Information Systems Development and Implementation Methodology" in December 2004.

We also performed a review of statewide fleet management policies and procedures, which included the Department of State Police. We issued a separate report on this review entitled "Statewide Review of Agency Owned Vehicles" in June 2004.

Financial Summary

The Department of State Police enforces criminal, traffic, and regulatory laws and provides specialized training for other law enforcement agencies and supervises the motor vehicle inspection program. State Police also maintains computer systems that provide law enforcement agencies with crime statistics and information on criminals. The following schedule provides information on the operating budget and expenses for the fiscal year 2004.

ANALYSIS OF BUDGETED AND ACTUAL REVENUE BY FUNDING SOURCE

| Funding Source | Original budget | Final budget | Actual revenue |
|-----------------------------------|-----------------|---------------|----------------|
| General Fund appropriations | \$162,423,729 | \$161,673,435 | \$161,673,435 |
| Special funds | 26,607,231 | 27,531,186 | 28,761,614 |
| Commonwealth transportation funds | 6,947,276 | 6,947,276 | 6,357,943 |
| Trust and agency | 20,000 | 20,000 | 722,283 |
| Dedicated | 3,725,000 | 3,725,000 | 3,707,486 |
| Federal funds | 12,287,005 | 23,262,479 | 23,440,989 |
| Total resources | \$212,010,241 | \$223,159,376 | \$224,663,750 |

State Police's budget increased more than \$11 million throughout the fiscal year, primarily because of increases in the federal budget. Most of the increase occurred because State Police received additional federal funds for security services, including services related to the 9-11 terrorist attacks, and Homeland Security grants.

ANALYSIS OF BUDGETED AND ACTUAL EXPENSES BY PROGRAM

| Program Expenses | | | | | Funding Sources | | | | |
|---|-----------------|---------------|-----------------|--|-----------------|-------------------------|----------------------------------|------------------|--------------|
| Program | Original Budget | Final Budget | Actual Expenses | | General Fund | Dedicated/ Special Fund | Commonwealth Transportation Fund | Trust and Agency | Federal Fund |
| Administrative & Support Services | \$10,226,929 | \$11,791,625 | \$11,774,132 | | \$11,766,623 | \$7,509 | - | - | - |
| Criminal Justice Information and Systems and Statistics | 26,759,524 | 30,287,156 | 27,743,035 | | 19,809,008 | 6,282,071 | - | - | 1,651,956 |
| Criminal Justice Training, Education, and Standards | 3,261,525 | 3,261,525 | 3,261,524 | | 3,261,524 | - | - | - | - |
| Crime Detection, Investigation & Apprehension | 153,204,319 | 160,979,173 | 153,769,652 | | 124,973,102 | 7,953,557 | 5,748,917 | 5,580 | 15,088,496 |
| Ground Transportation System Safety | 18,159,604 | 16,441,557 | 12,421,571 | | - | 8,823,811 | - | - | 3,597,760 |
| Vending, Snack Bars, and Cafeterias | 398,340 | 398,340 | 394,535 | | - | 394,535 | - | - | - |
| Total uses | \$212,010,241 | \$223,159,376 | \$209,364,449 | | \$159,810,257 | \$23,461,483 | \$5,748,917 | \$5,580 | \$20,338,212 |

Virginia Parole Board

Audit Summary

The Virginia Parole Board was included in an audit report for the Department of Corrections for the fiscal year ended June 30, 2004 issued April 15, 2005.

Financial Summary

The Virginia Parole Board establishes the Commonwealth's policies and procedures regarding the parole of inmates. The agency reviews information for prisoners considered eligible for parole and grants, denies and revokes parole accordingly. The following schedule provides information on the operating budget and expenses for fiscal year 2004.

ANALYSIS OF BUDGETED AND ACTUAL REVENUE BY FUNDING SOURCE

| Funding Source | Original budget | Final budget | Actual revenue |
|-----------------------------|-----------------|--------------|----------------|
| General fund appropriations | \$623,599 | \$678,941 | \$678,941 |
| Total resources | \$623,599 | \$678,941 | \$678,941 |

Parole Board's budget increased more than \$55,000 during the fiscal year. The overall increase was a result of \$46,000 in general funds restoring 2003 prepaid budget reductions.

ANALYSIS OF BUDGETED AND ACTUAL REVENUE BY FUNDING PROGRAM

| Program | Program Expenses | | | Funding Sources | |
|---------------------------------|------------------|--------------|-----------------|-----------------|--------------|
| | Original Budget | Final Budget | Actual Expenses | | General Fund |
| Probation and re-entry services | \$ 623,599 | \$678,941 | \$671,849 | | \$ 671,849 |
| Total uses | \$ 623,599 | \$678,941 | \$671,849 | | \$ 671,849 |



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

April 15, 2005

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

The Honorable Lacey E. Putney
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, VA

Gentlemen:

We have completed our audit of the financial records and operations of the agencies under the **Secretary of Public Safety** for the fiscal year ended June 30, 2004. We conducted our audit in accordance with Governmental Auditing Standards, issued by the Comptroller General of the United States. As part of our audit, we have also completed a review of the original and final operating budgets for agencies under the Secretary of Public Safety for fiscal year ended June 30, 2004.

Objectives and Scope

Our audit of the agencies under the Secretary of Public Safety primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting Systems, review the adequacy of internal control, and test compliance with applicable laws and regulations. We also reviewed the corrective actions of audit findings from prior year reports.

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 the following significant cycles, classes of transactions and account balances:

Commonwealth's Attorneys' Services Council – appropriations and expenses

Virginia Correctional Enterprises – sales and costs of goods sold, expenses

Department of Correctional Education – appropriations, revenues and expenses

Department of Criminal Justice Services – appropriations, revenues and expenses

Department of Emergency Management – appropriations, revenues and expenses

Department of Fire Programs – revenues and expenses

Department of Juvenile Justice – appropriations, revenues and expenses

Department of Military Affairs – appropriations, revenues and expenses

Department of State Police – appropriations, expenses and inventory

We also performed various audit work at the Secretary of Public Safety, Department of Corrections, and the Department of Alcoholic Beverages. These audit results have been reported by this office in other audit reports.

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the agencies' 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 agency'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 regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance 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 controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

Audit Conclusion

We found that the agencies properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The agencies record 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.

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

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Agencies have taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this report with the exception of the aforementioned finding.

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 and with the Secretary of Public Safety staff at an exit conference held on May 19, 2005.

AUDITOR OF PUBLIC ACCOUNTS

INTERNAL CONTROL FINDING AND RECOMMENDATION

Internal control findings for the Departments of Corrections and State Police are not included here as they have been previously reported in separate audit reports.

Virginia Correctional Enterprises

Strengthen Internal Controls Over Syteline Access

Virginia Correctional Enterprises does not have adequate procedures for controlling access to their internal general ledger system, Syteline. We reviewed employee access to Syteline and found three employees with full access to all functions including accounts payable, accounts receivable, and manager functions. This level of access is excessive, and provides employees with the ability to circumvent other internal controls.

Currently, there is no documented procedure or standard documentation required for granting Syteline access. Syteline has over 130 functions with various access options, so there are a large number of possible access combinations. Given this, the agency needs to have more formal procedures for requesting, approving, and granting access to Syteline. The procedures should include a documented request, a review to determine that the access requested is compatible with the employee's job responsibilities, and subsequent documented approval. These procedures should also include a periodic review of all employee access to Syteline to ensure access is appropriate, given that job responsibilities and employees can periodically change.

Failure to control Syteline access could lead to individuals gaining improper entry into the system with the ability to complete the full procurement cycle. We recommend the Virginia Correctional Enterprise agency formalize the process for granting Syteline access based on job responsibility and maintaining segregation of duties. The process should include a periodic review of access levels.

Agency Response:

Virginia Correctional Enterprises management agreed with the finding and recommendation. Management will develop a formal procedure that ensures the proper Syteline "permissions" are given to individuals within the organization. In addition, procedures will ensure "permissions" are commensurate with the requirements of their job and within the authority and scope of their responsibilities.

Responsibility: Don Guillory with the assistance of the IT – Syteline Coordinator and appropriate Department Heads as needed;

Due Date: 1st Quarter of FY2006

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