



DEPARTMENT OF EMERGENCY MANAGEMENT

AUDIT OF SELECT FEDERAL PROGRAMS FOR THE YEAR ENDED JUNE 30, 2021

Auditor of Public Accounts
Staci A. Henshaw, CPA

www.apa.virginia.gov

(804) 225-3350



AUDIT SUMMARY

Our audit of the Disaster Grants – Public Assistance (Presidentially Declared Disasters) federal grant program, administered by the Department of Emergency Management (Emergency Management), for the fiscal year ended June 30, 2021, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth's accounting and reporting system and in Emergency Management's grants management systems; and
- one matter involving internal control and its operation necessary to bring to management's attention that also represents an instance of noncompliance with applicable laws and regulations or other matters that are required to be reported.

We consider the finding titled "Complete Federal Funding Accountability and Transparency Act Reporting" to be material noncompliance that will result in a qualified opinion for the Disaster Grants – Public Assistance (Presidentially Declared Disasters) federal grant program in the Commonwealth's Single Audit report for the year ended June 30, 2021. Compliance with such requirements is necessary, in our opinion, for the Commonwealth to comply with the requirements applicable to this federal grant program. The Single Audit report will be available on APA's website at <http://www.apa.virginia.gov> in February 2022.

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INTERNAL CONTROL AND COMPLIANCE FINDING AND RECOMMENDATION

Complete Federal Funding Accountability and Transparency Act Reporting

Type: Internal Control and Compliance

Severity: Material Weakness

Repeat: No

Emergency Management did not complete Federal Funding Accountability and Transparency Act (FFATA) reporting for the Disaster Grants – Public Assistance (Presidentially Declared Disasters) federal grants program. During fiscal year 2021, Emergency Management disbursed approximately \$33 million in first-tier subawards from the Disaster Grants program to a subrecipient. First-Tier subawards account for approximately 15 percent of the program’s fiscal year expenses.

Title 2 U.S. Code of Federal Regulations (CFR) Part 170 Appendix A requires the non-federal entity to report each obligating action exceeding \$30,000 to the FFATA Subrecipient Reporting System (FSRS). Emergency Management did not report this information due to the COVID-19 vaccination effort that took place during the fiscal year. Not uploading obligating actions to the FSRS could result in a citizen or federal official having a distorted view as to how Emergency Management is obligating federal funds.

Emergency Management should complete the necessary FFATA reporting requirements in accordance with 2 CFR Part 170 Appendix A.



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

January 28, 2022

The Honorable Glenn Youngkin
Governor of Virginia

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

We have audited the financial records and operations of the **Disaster Grants – Public Assistance (Presidentially Declared Disasters)** federal grant program, administered by the Department of Emergency Management (Emergency Management), for the year ended June 30, 2021. We conducted this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, in support of the Commonwealth's Single Audit. 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 Objectives

Our audit's primary objective was to audit the Disaster Grants – Public Assistance (Presidentially Declared Disasters) federal grant program in support of the Commonwealth's Single Audit. In support of this objective, we evaluated the accuracy of recorded financial transactions in the Commonwealth's accounting and financial reporting system and Emergency Management's grants management systems. We also reviewed the adequacy of Emergency Management's internal controls over compliance with applicable laws, regulations, contracts, and grant agreements.

Audit Scope and Methodology

Management of Emergency 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, sufficient to plan the audit. We considered materiality and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the Disaster Grants – Public Assistance (Presidentially Declared Disasters) federal grant program.

We performed audit tests to determine whether Emergency Management’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. Our audit procedures included inquiries of appropriate personnel; inspection of documents, records, and contracts; and observation of the Emergency Management’s operations. We performed analytical procedures, including budgetary and trend analyses, and 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.

Our consideration of internal control over compliance was for the limited purpose described in the section “Audit Objectives” and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the section titled “Internal Control and Compliance Finding and Recommendation,” we identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that material noncompliance in one of Emergency Management’s federal grant programs will not be prevented or detected and corrected on a timely basis. We consider the deficiency titled “Complete Federal Funding Accountability and Transparency Act Reporting” described in the section titled “Internal Control and Compliance Finding and Recommendation,” to be a material weakness. The material weakness titled “Complete Federal Funding Accountability and Transparency Act” will result in a qualified opinion on compliance for the Disaster Grants – Public Assistance (Presidentially Declared Disasters) federal grant program. Compliance with such requirements is necessary, in our opinion, for the Commonwealth to comply with the requirements applicable to this federal program.

Conclusions

We found that Emergency Management properly stated, in all material respects, the amounts recorded and reported in the Commonwealth’s accounting and financial reporting system and its grants management systems.

We noted certain matters 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 "Internal Control and Compliance Finding and Recommendation."

Since the finding noted above has been identified as a material weakness, it will be reported as such in the "Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance," which is included in the Commonwealth of Virginia's Single Audit report for the year ended June 30, 2021. The Single Audit report will be available at www.apa.virginia.gov in February 2022.

Exit Conference and Report Distribution

We discussed this report with management on January 28, 2022. Management's response to the findings and recommendations 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 the citizens of the Commonwealth of Virginia and is a public record.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

KJS/clj



COMMONWEALTH OF VIRGINIA

Department of Emergency Management

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SHAWN G. TALMADGE
State Coordinator of
Emergency Management

ERIN SUTTON
Chief Deputy State Coordinator
of Emergency Management

February 9, 2022

Ms. Staci A. Henshaw, CPA
Auditors of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

RE: APA Audit Report on the Department of Emergency Management

Dear Ms. Henshaw:

The Department of Emergency Management has reviewed that Auditor of Public Accounts (APA) report pertaining to the Department of Emergency Management for the Disaster Grants – Public Assistance (Presidentially Declared Disasters). We understand the finding titled "Complete Federal Funding Accountability and Transparency Act" and appreciate the opportunity to respond to the recommendation.

The Department of Emergency Management will provide viable responses to the finding accompanied by plans to appropriately and specifically address the issues raised by the APA. Combined with actions already taken and currently under way, the Department's objective to comply with applicable laws and regulations will serve to strengthen and control our operations and financial records.

Please let me know if you have any questions regarding the response.

Sincerely,

A handwritten signature in blue ink, appearing to read "Erin Sutton".

Erin Sutton
Chief Deputy Coordinator

Cc: Shawn Talmadge
Ms. Cheryl Adkins

*Saving lives through effective emergency management and homeland security.
"A Ready Virginia is a Resilient Virginia."*

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DEPARTMENT OF EMERGENCY MANAGEMENT

As of January 2022

Shawn Talmadge
State Coordinator

Cheryl Adkins
Deputy State Coordinator for Financial Management and Chief Financial Officer