

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

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2000**



AUDIT SUMMARY

Our audit of the Department of Criminal Justice Services for the year ended June 30, 2000, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- certain internal controls matters that we consider reportable conditions; however, we do not consider any of these to be material weaknesses; and
- one instance of noncompliance that is required to be reported.

We recommend the Department:

- Document its relationship with the Virginia Institute of Forensic Science and Medicine;
- Improve Procedures over Deposits; and
- Improve Procedures over Fixed Assets.

Our specific audit recommendations are discussed in the section entitled “Internal Control Findings and Recommendations.”

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May 25, 2001

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Department of Criminal Justice Services** for the year ended June 30, 2000. We conducted our audit according to the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objective, Scope and Methodology

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

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

Revenue and Cash Receipts
Expenditures
Fixed Assets

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

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

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

Audit Conclusions

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

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

The results of our tests of compliance disclosed one instance of noncompliance that are required to be reported under Government Auditing Standards.

The Department has taken adequate corrective action on the audit finding reported in the prior year.

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

EXIT CONFERENCE

We discussed this report with management at an exit conference held on June 28, 2001.

AUDITOR OF PUBLIC ACCOUNTS

LRC:whb
whb:51

INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

Document Relationship with Virginia Institute of Forensic Science and Medicine

The Virginia Institute of Forensic Science and Medicine formed on March 11, 1999 as a not-for-profit organization with private contributions of \$1.5 million. The Institute provides forensic training and educational opportunities in crime and death investigations. The Institute accomplishes this through training seminars, student fellowships, and research.

The Institute's governing Board includes the Director and the Forensic Science Division Director of the Department of Criminal Justice Services, the Commissioner, and the Chief Medical Examiner of the Department of Health. The Institute has a very close working relationship with several state agencies, including the Departments of Criminal Justice Services and Health.

Both the Chief Medical Examiner and the Forensic Science Division Director also serve as co-directors of the Institute. They, along with an Executive Director, manage the day-to-day operations of the Institute. The co-directors also serve as instructors and each receive salary supplements from the Institute. At the direction of the Board, the co-directors and Executive Director set the amount of the salary supplements as well as compensation amounts for instructors, students, and staff.

In fiscal 2001, the state appropriated \$1.5 million in general funds for use by the Institute. This funding will come through Criminal Justice Services and Health who were appropriated \$1 million and \$500,000, respectively for the Institute. Both departments provide administrative support to the Institute for accounting and payroll functions. In addition, the Institute shares space with the Criminal Justice Services' Forensic Science division and Health's Office of the Chief Medical Examiner. The Institute does not reimburse either agency for space or support services. The Executive Director estimates these in-kind contributions total approximately \$500,000 a year.

The Institute has five full-time employees including the Executive Director. Three of these employees are state employees while two others work as Institute employees. As of May 2001, the Institute has twelve students who are receiving paid fellowships to attend the Institute. The fellowship amounts range from \$18,000 to \$50,000 a year, depending on the area of specialization.

Recommendation

We recommend Criminal Justice Services, Health, and the Institute develop and document an agreement or memorandum of understanding that fully documents the relationship between the various entities. This is essential given the close relationship between the state and non-state entities and given that the entities are sharing assets and resources. At a minimum, this agreement should address limits on salary supplements, methods of reimbursement, authority of the Executive Director and co-directors, and other matters concerning the sharing of resources, reimbursement of cost, and other incidental costs. The Institute Board and the respective agencies should approve the agreement.

Improve Procedures over Deposits

The Department is depositing cash receipts up to nine days after the date of receipt rather than the required deposit of all state receipts on the day received or no later than the next banking day. For ten of twelve receipts tested, the Department did not deposit funds timely in accordance with state requirements. The Department should adhere to the CAPP Manual requirement and make the required deposits daily.

Improve Procedures over Fixed Assets

The Department should improve procedures for recording and tracking assets, specifically in the Forensic Science division (DFS), which has a majority of the Department's assets. The Administration division uses the Fixed Asset Accounting and Control System (FAACS) to record and track fixed assets for the entire Department. DFS also maintains a separate record of their fixed assets, but does not reconcile this information to FAACS. We reviewed DFS records and found seven assets totaling \$672,555 not recorded on FAACS. In addition, the Administration division is entering and releasing fixed asset information into FAACS only at year-end.

The Department should improve procedures to ensure the completeness and accuracy of information recorded in FAACS. The Administration division and DFS should coordinate their efforts and implement procedures to ensure that DFS assets are recorded in FAACS, since this is the Department's official fixed assets record. Procedures might include granting FAACS access to DFS, or providing DFS with FAACS reports to allow reconciliation with their internal records. The Department should also implement procedures to ensure that FAACS information is updated timely.

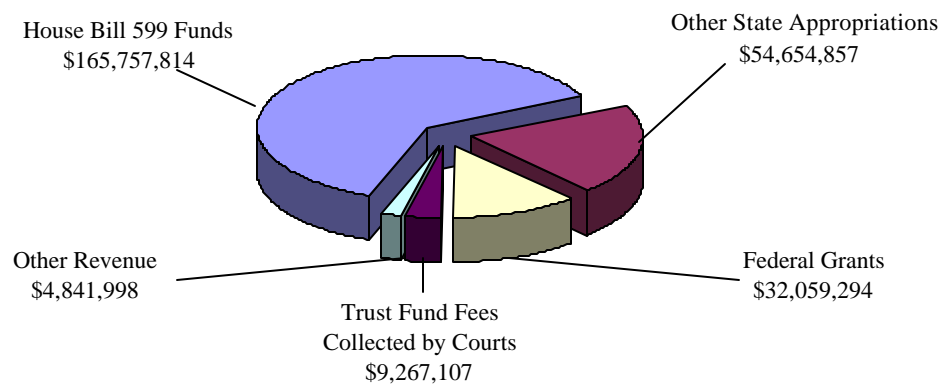
AGENCY BACKGROUND AND FINANCIAL INFORMATION

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

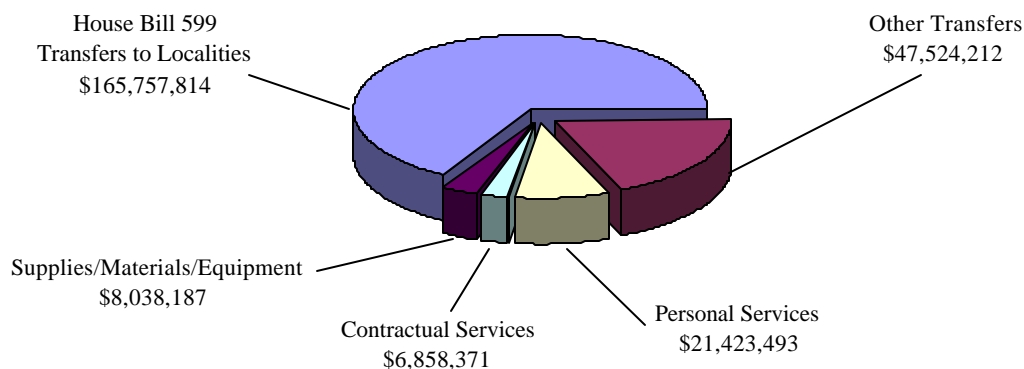
Financial Information

The Department receives primarily General Fund appropriations. The following charts provide an overview of the Department's revenues and expenses in fiscal year 2000. The Department's budget for fiscal year 2000 included an additional \$99 million in House Bill 599 funds to fully fund the allocation for localities with police departments.

Types of Revenue



Types of Expenses



Trust Funds

Intensified Drug Enforcement Fund

This fund helps localities start drug enforcement programs. Courts collect a \$2 fee on certain convicted cases and deposit collections into this fund. The Department then allocates this money to localities based on applications received or at the direction of the Governor. At June 30, 2000, this fund has a cash balance of over \$7.9 million, which it expects, will decrease over the next two years. The Department estimates increased expenses over the next two years to fund drug courts and grants under the Virginia Exile Program. The following table shows actual and budgeted financial activity through fiscal year 2002.

	1998 (actual)	1999 (actual)	2000 (actual)	2001 (estimated)	2002 (estimated)
Beginning cash balance	\$4,265,679	\$5,047,334	\$6,703,118	\$7,915,944	\$5,282,488
Fees collected by courts	2,966,550	3,500,648	3,285,575	3,291,544	3,300,000
Expenses	(2,184,895)	(1,844,864)	(2,072,749)	(5,925,000)	(5,925,000)
Ending cash balance	<u>\$5,047,334</u>	<u>\$6,703,118</u>	<u>\$7,915,944</u>	<u>\$5,282,488</u>	<u>\$2,657,488</u>

Source: Commonwealth Accounting and Reporting System and Department budget estimates

Crime Victims Trust Fund

Courts collect a \$3 fee on certain cases for deposit into this fund. The Department allocates these funds, along with federal funds, to localities for victim assistance services. Types of services provided include protection, financial assistance, and court assistance. Over the past three years, this fund has built up a cash balance due, in part, to \$5 million in additional federal funding that was available in fiscal 1998. The Department's goal is to maintain a cash balance in this fund to ensure future funding requests can be satisfied. The Department is consistently monitoring this fund along with federal funds available to ensure the most appropriate source to fund grant requests. The following table shows actual and budgeted financial activity through fiscal year 2002.

	1998 (actual)	1999 (actual)	2000 (actual)	2001 (estimated)	2002 (estimated)
Beginning cash balance	\$5,476,275	\$6,994,212	\$8,147,547	\$8,667,254	\$8,383,372
Fees collected by courts	4,404,830	4,859,608	4,795,186	4,802,595	4,800,000
Expenses	(2,886,893)	(3,706,273)	(4,275,479)	(5,086,477)	(5,200,000)
Ending cash balance	<u>\$6,994,212</u>	<u>\$8,147,547</u>	<u>\$8,667,254</u>	<u>\$8,383,372</u>	<u>\$7,983,372</u>

Source: Commonwealth Accounting and Reporting System and Department budget estimates

Criminal Justice Academy Fund

Beginning in 1998, courts began collecting a \$1 fee on certain cases. The Department uses these fees to help pay for Justice Academies due to decreasing federal funds. The Department received \$1.48 million in fees in fiscal year 2000 for allocation to Justice Academies in fiscal year 2001.

Asset Forfeiture Fund

The Department records assets seized by local and state law enforcement agencies in drug-related investigations. Local agencies convert assets to cash and deposit it into this fund. The Department keeps 10 percent of the fund for administrative costs and returns 90 percent to the locality. The Department recorded approximately \$2.2 million in seized assets in fiscal year 2000, and transferred approximately \$2 million back to localities.

Integrated Criminal Justice Information System Project

The Department is managing the implementation of the Integrated Criminal Justice Information System (ICJIS) under the direction of the Secretary of Public Safety. This system will allow the sharing of information between the Departments of State Police, Motor Vehicles, Corrections, Juvenile Justice, the Supreme Court, and the Compensation Board. The goal of ICJIS is improving access to criminal history information, probation and parole reports, court disposition information, driving records, and other public safety information. System development and implementation should take six years at an estimated cost of \$20 million. The Department spent \$1.5 million in fiscal years 1999 and 2000 to contract with a consultant to develop a prototype. Although the General Assembly has not budgeted any additional funds for the project, the Department and the consultant are continuing to work on the development of a common data dictionary and resolving data integrity issues. They are also developing a project budget and schedule.

Division Information

The Department reorganized in fiscal year 1998, including the addition of the Division of Forensic Science, previously a part of the Department of General Services. The Department now has three divisions: Forensic Science, Programs and Services, and Administration. We discuss each division below.

Division of Forensic Science

The Division of Forensic Science (DFS) is a nationally accredited forensic laboratory. DFS provides forensic laboratory services to state and local law enforcement officials, medical examiners, local fire departments, and other state agencies. DFS examiners evaluate and analyze evidence, provide technical assistance and training, and provide expert testimony on crime scene evidence. DFS has a central laboratory in Richmond, and three regional laboratories in Fairfax, Roanoke, and Norfolk. The Norfolk regional lab moved into leased space in a new building in November 1999 that is part of the Norfolk public health complex.

DFS's primary funding is General Fund appropriations. Over the past several years, the Division's appropriations and staffing levels have been steadily increasing as shown in the table.

	<u>FY 1998</u> <u>(actual)</u>	<u>FY 1999</u> <u>(actual)</u>	<u>FY 2000</u> <u>(actual)</u>	<u>FY 2001</u> <u>(budgeted)</u>
State appropriations	\$15,774,649	\$17,875,958	\$22,313,635	\$25,245,016
Staffing level	186	208	218	228

The increase in appropriations and staffing levels in 1998 reflects the relocation of the DFS central laboratory into the Biotech II Building. With the relocation, the Division had to hire additional security and maintenance staff for the new building. In addition, the Division hired several more laboratory staff. The increase in appropriations and staffing levels in 1999 is due to a new contract to outsource some DNA testing, hiring of additional DNA staff, and position regrades. The increases in 2000 are for the relocation of the Norfolk regional laboratory, which will increase the laboratory capacity and allow DFS to hire additional staff.

Beginning July 1, 1999, DFS began working with the Virginia Institute of Forensic Science and Medicine. The Institute is a not-for-profit corporation funded with state and private funds. The Institute provides forensic training and educational opportunities in crime and death investigations. We discuss the Institute in more detail in the finding entitled "Document Relationship with the Virginia Institute of Forensic Science and Medicine" in the "Internal Control Findings and Recommendations" section of this report.

Forensic Cases

One of the Division's primary responsibilities is examination and analysis of crime scene evidence. Currently, DFS receives evidence in over 60,000 cases each year. The Division's goal is a 30-day turnaround on forensic cases. Over the last several years, DFS management has taken many steps to reduce the backlog of cases and improve the timeliness of evidence testing. To address these issues, management requested and received additional positions and DFS staff has worked periods of compensated overtime. Additionally, DFS has upgraded the pay of positions several times to improve the division's ability to attract and retain qualified examiners. DFS examiners also try to improve efficiency by reducing the testing of duplicate pieces of evidence and concentrating on the most conclusive pieces of evidence. The following case statistics show the activity through May 31, 2001.

<u>Forensic Cases</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001 (through 05/31/01)</u>
Beginning backlog	3,715	5,115	6,909	8,567	3,220
Cases received	54,992	57,700	58,492	61,296	60,492
Cases completed	53,592	55,906	56,834	66,643	58,552
Ending backlog	5,115	6,909	8,567	3,220	5,160
Ending backlog over 30 days	2,024	3,042	4,292	1,066	2,235
Average days in system	33	44	51	39	27

Source: DFS Workload Summary by Section Report

DNA Samples

The Division must perform a DNA analysis on blood samples of all convicted felons. These results go into a national database of DNA profiles to help in solving cases in other states. The Division has had difficulty keeping up with the volume of DNA samples, and DFS management has taken steps to address these issues over the last several years. They have increased DNA personnel and updated DNA testing methods to increase their testing capacity. DFS estimates they can analyze approximately 10,000 samples in-house each year. In addition, DFS contracted with an outside vendor to perform DNA analysis on some of the samples. The \$9 million contract was effective July 1, 1998, and covers three years. Under the contract, the vendor will test 50,000-60,000 samples each year. Although DFS has made progress in eliminating the backlog, there are still over 100,000 samples awaiting testing as of May 2001. To address this backlog, DFS

is planning to renew the contract with the outside vendor for an additional year. The following chart shows DNA testing results since 1997.

Convicted Felon DNA Samples	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	FY 2001 (through 05/31/01)
Samples received	19,540	26,140	23,920	24,775	22,174
Samples completed	2,448	4,665	66,479	61,041	74,447

Source: Division of Forensic Science

Alcohol Breath Testing Program

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

Division of Programs and Services

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

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

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

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

Victims Services develops and supports crime assistance programs throughout the state. Using state and federal funds, the section currently has four discrete grant programs – the Victims/Witness (V/W) program, V-STOP program, Sexual Assault, and Rural Domestic Violence. The V/W program supports programs in 111 localities and 3 statewide programs. The V-STOP program currently supports 107 state and local grant programs. They also provide a mentoring program to V/W staff, and training to local service providers and criminal justice officials. The staff monitors, assesses, and disseminates information about legislation and studies affecting crime victims. The Sexual Assault program was established October 1, 1999, and supports 37 local private non-profit organizations and 2 statewide programs. The Rural Domestic Violence program was established July 1, 2000, and supports 11 localities.

Private Security Services manages the licensing and regulation of private and electronic security industries including businesses, individual officers and investigators, and training schools. They maintain

active records of approximately 30,000 security guards and businesses. This section also monitors training received by private security officers and investigates complaints against them. Private Security Services collects fees for business licenses, training schools, and individual certifications.

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

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

Grants Administration administers state and federal grants, reviews grant requests, makes awards, and responds to sub-grantee inquiries. This section currently manages approximately 1,300 grants.

Division of Administration

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

