



DEPARTMENT OF FIRE PROGRAMS

REPORT ON AUDIT

FOR THE YEARS ENDED

JUNE 30, 2012 AND JUNE 30, 2013

AUDIT SUMMARY

Our audit of the Department of Fire Programs for the two-year period ended June 30, 2013, found:

- proper recording and reporting of all transactions, in all material aspects, in the Commonwealth Accounting and Reporting System;
- no matters involving internal control and its operation necessary to bring to management's attention;
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported; and
- adequate resolution of the prior year finding.

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AGENCY FINANCIAL INFORMATION

The Department of Fire Programs (Fire Programs) provides financial assistance, training, fire prevention, and life safety education. The State Fire Marshal's Office (Fire Marshal) is responsible for fire code enforcement statewide through its inspection of certain facilities.

Fire Programs' primary funding source is an annual transfer from the State Corporation Commission which represents one percent of the total direct gross premium income from certain property and casualty insurance companies. Fire Programs' programs are initially funded by a \$30 million line of credit through the Department of Accounts until the transfer is received in June of each year. The line of credit and subsequent transfer from the State Corporation Commission fund payments to localities, construction of training centers, and firefighting equipment, as well as Fire Programs' operations.

Fire Programs also collects some miscellaneous revenues. The agency collects revenues from sales through its bookstore which carries training books and materials sold to state and local fire and emergency services personnel. Bookstore sales were approximately \$301,135 in fiscal year 2012 and \$274,814 in fiscal year 2013. Fire Programs also collects training program fees, and fees for Fire Marshal permits, inspections, and certifications. Revenues received from these fees, permits, inspections, and certifications were approximately \$187,715 in fiscal year 2012 and \$193,218 in fiscal year 2013.

The following table summarizes budget and actual expenses by program for fiscal years 2012 and 2013.

<u>Analysis of Budget and Actual Expenses for Fiscal Year 2012</u>			
<u>Program</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenses</u>
Financial Assistance for Fire Services Programs	\$ 23,825,000	\$ 23,878,538	\$ 22,940,561
Fire Training and Technical Support Services	6,975,258	6,968,301	6,869,356
Regulation of Structure Safety	<u>2,752,065</u>	<u>2,783,193</u>	<u>2,654,855</u>
Total	<u>\$ 33,552,323</u>	<u>\$ 33,630,032</u>	<u>\$ 32,464,772</u>

<u>Analysis of Budget and Actual Expenses for Fiscal Year 2013</u>			
<u>Program</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenses</u>
Financial Assistance for Fire Services Programs	\$ 23,825,000	\$ 23,843,748	\$ 20,990,204
Fire Training and Technical Support Services	7,007,398	7,457,398	7,088,665
Regulation of Structure Safety	<u>2,754,626</u>	<u>2,850,727</u>	<u>2,738,766</u>
Total	<u>\$ 33,587,024</u>	<u>\$ 34,151,873</u>	<u>\$ 30,817,635</u>

As shown on the following page, the majority of Fire Programs' expenses are transfer payments to counties, cities, and towns for fire service operations. The following table summarizes expenses by major category for fiscal years 2012 and 2013.

Expenses by Type by Fiscal Year

	<u>2012</u>	<u>2013</u>
Transfer Payments	\$ 22,658,295	\$ 20,712,731
Personal Services	6,108,722	6,391,881
Contractual Services	1,749,101	1,974,130
Continuous Charges	614,705	724,516
Supplies and Materials	710,565	664,203
Equipment	<u>623,384</u>	<u>350,174</u>
Total	<u>\$ 32,464,772</u>	<u>\$ 30,817,635</u>



Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

April 4, 2014

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John M. O'Bannon, III
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the **Department of Fire Programs** (Fire Programs) for the years ended June 30, 2012, and June 30, 2013. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions in the Commonwealth Accounting and Reporting System, review the adequacy of the Fire Programs' internal controls, test compliance with applicable laws, regulations, contracts, and grant agreements, and review corrective actions of audit findings from prior year reports.

Audit Scope and Methodology

Fire Programs' management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of 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 significance and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

- Cash receipts and deposits
- Transfer payments to localities and burn building grants
- Expenses - payroll expenses, small purchase charge card, fuel charge card
- Inventory

We performed audit tests to determine whether Fire Programs' controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws, regulations, contracts, and grant agreements. Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of Fire Program's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

Conclusions

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

We noted no matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Fire Programs has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this letter.

Exit Conference and Report Distribution

We discussed this report with management on April 18, 2014.

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

AUDITOR OF PUBLIC ACCOUNTS

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AGENCY OFFICIALS

As of June 30, 2013

Department of Fire Programs

Willie G. Shelton, Jr., Executive Director

Virginia Fire Services Board

Richard E. Burch, Jr., Chairman

Kenneth J. Brown, Vice Chairman

John W. Ainslie, Jr.

Ed Altizer

Jeff Bailey

Elaine Gall

Carl Garrison, III

Robert Miner

Thomas H. Moffett

Mark Osborne

Felix Sarfo-Kantanka, Jr.

Edwin Smith

Randy Wheeler