

Audit Summary

Our audit of the Department of State Police for the years ended June 30, 1998 and 1999, found:

- Proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- No material weakness in internal control; however, we did identify three matters that we consider reportable conditions; and
- No instances of noncompliance that are required to be reported.

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

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February 22, 2000

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

The Honorable Richard J. Holland
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 State Police** for the years ended June 30, 1998 and 1999. We conducted our audit in accordance with 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 accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Department's internal control, and test compliance with applicable laws and regulations. We also reviewed the Department's 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 controls over the following significant cycles, classes of transactions, and account balances:

Petty Cash
Fixed Assets
Revenue
Expenditures

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 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 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 Conclusions

We found that the Department properly stated, in all material respects, 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.

We noted certain matters involving internal control and its operation that we consider to be reportable conditions. 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 Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial records. The reportable conditions are discussed in the section entitled "Internal Control Findings and Recommendations." We believe that none of the reportable conditions is a material weakness.

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

The Department has not taken adequate corrective action with respect to the previously reported finding, "Develop a Disaster Recovery Plan and Hire an Information Security Officer." Accordingly, we included this finding in the subsection entitled "Internal Control Findings and Recommendations." The Department has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this report.

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 April 12, 2000.

AUDITOR OF PUBLIC ACCOUNTS

LCR:jld
jld:29

INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

Develop a Disaster Recovery Plan and Hire an Information Security Officer

The Department does not have a disaster recovery plan to restore computing operations in the event of a disaster. Additionally, the Department does not have an information security officer. The Department maintains critical criminal and administrative information through three networks: the State Police Administrative Network, the Virginia Criminal Information Network, and the Automated Fingerprint System. These three networks are operational 24 hours a day, 365 days a year.

With the lack of a disaster recovery plan, the Department could lose vital information and resources. In addition, the Commonwealth of Virginia Information Technology Resource Management Standard 95-1 requires agencies to maintain a disaster recovery plan. The loss of information would not only affect the Department but the general public, other state agencies, and local law enforcement agencies, who rely on the Department to provide them with vital information to perform their duties. The Department requested funding in their 2000-2002 budget for a consultant to develop a disaster recovery plan. The funding was not approved, and the Department is continuing its efforts to obtain funding.

An information security officer would further improve the security of the Department's critical automated information. This position is normally responsible for coordinating agency security activities and issuing security policies and procedures. The Department has attempted to fill this position, but they have not been successful. The Department has re-advertised the position in April 2000, and is currently evaluating applicants. We recommend the Department continue with their efforts to hire an information security officer as well as prepare a disaster recovery plan.

Properly Track Location of Equipment

The Department should improve procedures for recording the location of equipment. The Department has over 10,000 pieces of equipment valued at almost \$20 million. The Department uses FAACS (Fixed Asset Accounting and Control System) to record this equipment and its locations. The Department often transfers equipment to other buildings or locations across the state. We found the following weaknesses in the Department's procedures for recording this equipment.

- The Department's procedures do not adequately track data processing equipment transferred to local police departments. The Department has almost 150 pieces of data processing equipment that is located in local police departments. The Department records the location for all data processing equipment in the State Police Administration building. This is the location of the Data Processing division; however, the division often transfers this equipment to local police departments to use with the Automated Finger Print System and Live-scan. The Department has general information on equipment by locality, but does not track individual pieces of equipment. The only way that the Department can locate a specific piece of equipment is to contact the local police departments.
- The Department did not update FAACS for location changes for 2 of 15 (13 percent) pieces of equipment tested. The Department's records showed two pieces of equipment in the State Police Administration Building; however, we found them in different buildings.

The Department's procedures should record equipment transferred to other locations in FAACS. Lack of proper controls to track and maintain transferred equipment could result in the loss of equipment. The Department should also conduct periodic inventories to review the accounting and location of all equipment.

Improve Procedures over Vehicle Issuance

The Department should improve procedures for issuing vehicles to troopers. Currently, the Department does not have a systemic method for issuing vehicles. As a result, the Department has new vehicles that are over one year old and have never been assigned. The Department currently has approximately 2,500 vehicles with 106 unassigned. Of the unassigned vehicles, 33 are new vehicles that are over one year old and have never been assigned. With each vehicle having an approximate value of \$20,000 when purchased the value of these vehicles amounts to approximately \$660,000.

The Department should develop policies and procedures to issue vehicles based on their date of delivery. It is our understanding that the Department implemented new procedures in February 2000 to ensure it issue vehicles according to delivery date.

Agency Background

The Department of State Police is the law enforcement agency for the Commonwealth, with headquarters in Richmond. The Department also has seven field divisions and 48 area offices located throughout the state. The Department has over 2,500 employees including 1,850 troopers. The Department has three bureaus: Field Operations, Criminal Investigation, and Administrative and Support Services. Below is a discussion of each of these bureaus.

- The Bureau of Field Operations (BFO) patrols more than 64,000 miles of the state's highway systems. BFO operates a centralized communication center to provide immediate assistance to police officers. BFO also operates vehicle inspection programs for commercial and private vehicles. The BFO also manages the Aviation Unit, tactical teams, canine teams, and scuba diving teams.
- The Bureau of Criminal Investigation (BCI) investigates all criminal matters mandated by statute and established Department policy. BCI performs investigations through four divisions: General Investigation, Drug Enforcement, Criminal Intelligence, and Insurance Fraud. The General Investigation division investigates certain felonies, as well as requests from various officials. The Drug Enforcement division has 111 special agents who conduct narcotics investigations, participate on task forces and special assignments, and conduct routine drug enforcement activities. The Criminal Intelligence division operates the Virginia Criminal Intelligence Center, which provides information to various law enforcement agencies. The Insurance Fraud division established on January 1, 1999 performs independent inquiries and conducts investigations of insurance fraud.
- Administrative and Support Services consists mostly of the Department's non-sworn personnel. The Bureau includes the Divisions of Communications, Criminal Justice Information Services, Data Processing, Personnel, Property and Finance, Training, and a Planning and Research Unit.

The Department has critical criminal and administrative information on three major information system networks: State Police Administrative Network (SPAN), Virginia Criminal Information Network (VCIN), and the Automated Fingerprint Identification System (AFIS). SPAN maintains all of the Department's in-house applications including the central criminal records exchange, sex offender registry, and the firearms transactions program. The central criminal records exchange, sex offender registry, and firearms transaction programs are all used to perform various types of criminal background searches.

VCIN connects the Department to other state and federal criminal justice agencies, and other states' motor vehicle departments. VCIN is a retrieval and information exchange system for state and local police officers during traffic stops. AFIS is a shared state and local computer system, which supplements VCIN. AFIS and Live-scan equipment operate in local agencies throughout Virginia. Live-scan equipment electronically records and transmits arrest and finger print information to AFIS.

Financial Information

The Department receives primarily general fund appropriations and transfers from other state agencies. The Department collects fees for central criminal record searches, sex offender registry searches, firearm transaction program inquiries, and state inspection stickers. Revenue also comes from state and federal asset forfeitures, surplus property sales, insurance recoveries, and federal grants. The following table shows the Department's revenue sources for fiscal years 1998 and 1999.

	<u>1998</u>	<u>1999</u>
General fund appropriations	\$ 127,608,615	\$ 147,370,492
State inspection sticker fees	9,186,192	9,330,991
Transfer from other agencies	16,114,428	11,491,813
Criminal records check fees	3,834,130	4,339,617
Federal grants and contracts	3,095,820	3,243,560
Sale of surplus vehicles	1,403,048	1,078,897
Asset forfeitures (state and federal)	474,352	1,373,107
Sex offender registry	409,275	556,815
Firearms dealer fees	385,680	377,761
Other revenues	<u>1,415,338</u>	<u>1,456,884</u>
Total	<u>\$ 163,926,878</u>	<u>\$ 180,619,937</u>

Source: Commonwealth Accounting and Reporting System

The Department's general fund appropriations increased by almost \$20 million from 1998 to 1999, while transfers from other agencies decreased by almost \$5 million. In 1998, the Department received an \$8.9 million transfer from the Department of Motor Vehicles (DMV) to replace general fund appropriations. In 1999, the Department received a direct increase in its general fund appropriations rather than a transfer from DMV. The Department's 1999 general fund appropriations also funded position regrades and the employment of 190 new troopers. In 1999, the Department also began receiving a transfer from the State Corporation Commission to fund the new Insurance Fraud division, which receives a portion of insurance premiums collected.

The Department records its fees and collections in several special revenue funds on CARS. Several of these funds had accumulated significant cash balances as of June 30, 1999. The Department's combined cash balance in all special revenue funds as of June 30, 1999 was over \$12 million. The majority of this balance was in the fund used to record fees for state inspections, funds received from the SCC for the Insurance Fraud Division and DMV for the H.E.A.T. (Help Eliminate Auto Theft) program. At June 30, 1999, this fund's cash balance was over \$7.4 million. Most of this balance is for transfers received from SCC and DMV towards the end of the year, which are then used for the Insurance Fraud division and the H.E.A.T program in the following year. The Department's other special revenues funds include funds to account for proceeds from the sale of motor vehicles, fees collected for sex offender registry searches, and various forfeited and seized assets.

The majority of the Department's expenses are personnel costs. Personnel costs accounted for more than 70 percent of the Department's total expenses in both 1998 and 1999. The increase in the personnel expenses from 1998 to 1999 comes from position regrades and hiring more troopers. The following table details expenses for fiscal 1998 and 1999.

	<u>1998</u>	<u>1999</u>
Personnel services	\$ 112,699,904	\$ 127,905,515
Equipment	14,821,286	13,673,345
Contractual services	14,287,595	14,326,393
Supplies and materials	7,519,456	7,298,266
Continuous charges	7,138,553	4,912,992
Other	<u>1,237,596</u>	<u>1,261,003</u>
Total	<u>\$ 157,704,390</u>	<u>\$ 169,377,514</u>

Source: Commonwealth Accounting and Reporting System