



# DEPARTMENT OF EMERGENCY MANAGEMENT

## REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2022

Auditor of Public Accounts  
Staci A. Henshaw, CPA

[www.apa.virginia.gov](http://www.apa.virginia.gov)

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## AUDIT SUMMARY

Our audit of the Department of Emergency Management's (Emergency Management) human resources and payroll operations and its adherence to the Department of Accounts' Agency Risk Management and Internal Control Standards (ARMICS) for the fiscal year ended June 30, 2022, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth's accounting and financial reporting system; and
- a 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 is required to be reported.

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## AUDIT FINDING AND RECOMMENDATION

### **Strengthen Internal Controls to Comply with the State and Local Government Conflict of Interests Act**

**Type:** Internal Control and Compliance

**Repeat:** No

Emergency Management did not fully comply with the State and Local Government Conflict of Interests Act (Act). During the 2022 filing period, 26 of 90 employees (29%) that Emergency Management's Human Resources Division (Human Resources) identified as in a position of trust did not complete the Statement of Economic Interest (SOEI) disclosure statement. Additionally, Human Resources did not retain records to evidence that all employees completed the training required by the Act.

Section 2.2-3114A of the Code of Virginia requires individuals in positions of trust to file a disclosure statement of their personal interests with Virginia's Conflict of Interest and Ethics Advisory Council (Council) on or before the day they assume their position. Thereafter, these individuals must complete and submit this statement annually on or before February 1. Additionally, § 2.2-3130 of the Code of Virginia requires filers to complete orientation training to help them recognize potential conflicts of interests. Filers must complete this orientation within two months of hire and at least once during each consecutive period of two calendar years. Finally, § 2.2-3129 of the Code of Virginia states that each state agency shall maintain records indicating the specific attendees, each attendee's job title, and dates of their attendance for each orientation course offered pursuant to § 2.2-3128 of the Code of Virginia for a period of not less than five years after the agency provides each course.

While Human Resources has a written policy with instructions on how to complete the filings and to follow-up with individuals that should be filing, they do not include agency-specific definitions of who should file and lack information about the required training that accompanies SOEI filings. As a result, Human Resources was unaware of the requirement to retain employee training records. Additionally, Human Resources did not follow up with the individuals who did not complete the SOEI disclosure statement because of staff turnover. Not having comprehensive policies and procedures limits Emergency Management's ability to recognize or resolve potential conflicts of interests timely.

Human Resources should implement comprehensive policies and procedures to ensure that it meets all requirements of the Act. While implementing its policies and procedures, Human Resources should incorporate guidance issued by the Council. Finally, Human Resources should monitor all employees designated in a position of trust to ensure they complete the SOEI disclosure statement and the required training once within each consecutive period of two calendar years and maintain a record of such attendance.

## AUDIT SCOPE OVERVIEW

Emergency Management's mission is to save lives through effective emergency management and homeland security programs by coordinating a collaborative approach to any complex event or disaster including, but not limited to, any natural, man-made, acts of terrorism, or cyber-related incident or event.

To achieve its mission, Emergency Management maintains a workforce of approximately 250 employees. Payroll expenses represent approximately eight percent of Emergency Management's total operating expenses in fiscal year 2022. In October 2021, Emergency Management experienced a significant change in its human resources and payroll operations when it transitioned to the Commonwealth's human resources and payroll management system. In addition, Emergency Management must also comply with numerous federal and state laws pertaining to its workforce. Significant federal and state laws pertaining to Emergency Management's workforce include, but are not limited to, the Immigration Reform and Control Act of 1986, which is a federal law and prohibits employers from hiring individuals for employment in the United States without verifying their identity and employment authorization on the Form I-9, and Virginia's State and Local Government Conflict of Interests Act which defines and prohibits inappropriate conflicts and requires disclosures of economic interest. Finally, Emergency Management must also adhere to the policies set forth within the Department of Human Resource Management's Policies and Procedures Manual and the Commonwealth's Information Security Standard, SEC 501, to maintain proper stewardship over the Commonwealth's assets. We elected to audit Emergency Management's human resource and payroll operations since we have not covered this area in recent audits and because of Emergency Management's transition to the Commonwealth's human resource and payroll management system in fiscal year 2022.

Emergency Management is also required to document and evaluate its internal controls annually through the Agency Risk Management and Internal Control Standards (ARMICS), established by the Department of Accounts (Accounts). ARMICS assists state agencies in understanding the strengths, weaknesses, and risks of recording financial transactions in the Commonwealth's accounting and reporting system; evaluating compliance with financial reporting requirements, laws, and regulations; and assessing whether the agency has maintained appropriate stewardship over the Commonwealth's assets. Accounts uses the agency's ARMICS results to evaluate whether the Commonwealth is maintaining appropriate internal control over financial reporting and its financial resources. We elected to audit Emergency Management's 2022 ARMICS submission to Accounts to make sure it met the minimum requirements set forth within Accounts' ARMICS review checklist.



Staci A. Henshaw, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

January 18, 2024

The Honorable Glenn Youngkin  
Governor of Virginia

Joint Legislative Audit  
and Review Commission

We have audited the **Department of Emergency Management's** (Emergency Management) human resources and payroll operations and its adherence to Agency Risk Management and Internal Control Standards (ARMICS) for the year ended June 30, 2022. 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 Scope and Objectives**

Our audit's primary objectives with regard to Emergency Management's human resources and payroll operations and its adherence to ARMICS were to evaluate the accuracy of recorded financial transactions in the Commonwealth's accounting and financial reporting system; review the adequacy of Emergency Management's internal controls; and test compliance with applicable laws, regulations, contracts, and grant agreements.

## **Audit 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, as they relate to the audit objectives, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. 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 as they pertain to our audit objectives.

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

### **Conclusions**

We found that Emergency Management properly stated, in all material respects, transactions recorded and reported in the Commonwealth’s accounting and financial reporting system, relating to the audit objectives.

We noted a matter pertaining to Emergency Management’s human resources operations, involving internal control and its operation and compliance with applicable laws, regulations, contracts, and grant agreements that requires management’s attention and corrective action. This matter is described in the section titled “Audit Finding and Recommendation.”

### **Exit Conference and Report Distribution**

We discussed this report with management on January 18, 2024. Management’s response to the finding 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 citizens of the Commonwealth of Virginia and is a public record.

Staci A. Henshaw  
AUDITOR OF PUBLIC ACCOUNTS

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## COMMONWEALTH OF VIRGINIA

### Department of Emergency Management

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**SHAWN G. TALMADGE, CEM**  
State Coordinator  
Deputy Homeland Security Advisor

January 19, 2024

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

RE: FY22 Cycled Audit – Virginia Department of Emergency Management

Dear Ms. Henshaw:

The Department of Emergency Management (VDEM) has reviewed the Auditor of Public Accounts (APA) report pertaining to the Audit of Emergency Management's Human Resources and payroll operations and adherence to Agency Risk Management and Internal Control Standards (ARMICS) for the year ending June 30, 2022.

We agree with the recommendation to strengthen internal controls to comply with the State and Local Government Conflict of Interests Act. VDEM has implemented tracking mechanisms to ensure employees file timely and take the required training.

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Shawn Talmadge".

Shawn Talmadge

Cc: Cheryl Adkins, Virginia Department of Emergency Management  
Mike Sidell, Auditor of Public Accounts

*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 June 30, 2022

Shawn Talmadge  
State Coordinator

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