

**DEPARTMENT OF EMERGENCY MANAGEMENT
RICHMOND, VIRGINIA**

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



AUDIT SUMMARY

Our audit of the Department of Emergency Management (formally the Department of Emergency 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;
- no instances of noncompliance with material laws and regulations that are required to be reported; and
- no material weaknesses in the internal controls tested.

December 21, 2000

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 Emergency Management** (the Department) for the year ended June 30, 2000. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objectives, 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:

Revenue and Cash Receipts
Expenditures
Federal Contract Management

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered the 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 an opinion 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 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 no matters involving internal control and its operation that we consider to be material weaknesses. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to financial operations may occur and not be detected promptly by employees in the normal course of performing their duties.

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 taken adequate corrective action with respect to audit findings reported in the prior year. This report is intended for the information of the Governor and General Assembly, management, and the people of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

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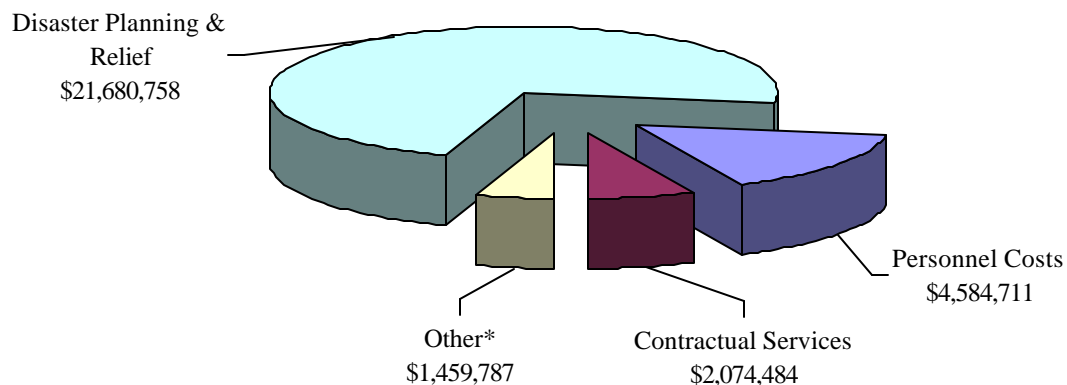
AGENCY HIGHLIGHTS

Effective July 1, 2000, the Department of Emergency Services' name changed to the Department of Emergency Management. The Department of Emergency Management directs and coordinates the Commonwealth's Comprehensive Emergency Management Program. The Department's major activities include developing and implementing hazards crisis response, recovery, and reduction programs for major emergencies and disaster relief, and ensuring the provision of assistance to local governments and citizens. In addition, the Department is also responsible for providing terrorism training to fire, rescue, and law enforcement professionals and coordinating efforts with hazardous materials teams to provide a safe, effective, and efficient response in case of a terrorist incident in the Commonwealth.

In order to deal with the fluctuating demands for resources when disasters strike, the Department participates in both the Reservist Program and the Emergency Management Assistance Compact. The Reservist Program hires hourly employees and provides them with disaster training in order to maintain a pool of trained individuals who can serve the state in crisis situations. The Emergency Management Assistance Compact (EMAC) is an interstate compact through which states assist each other during times of major disasters. Currently, 36 states participate in the compact. Under the terms of the agreement, the state requesting assistance reimburses the state providing assistance for its costs. The requesting state also assumes legal responsibility for the action of workers from the assisting state. During fiscal year 2000, the Commonwealth received both vehicular and manpower assistance from five states to assist in the recovery from Hurricane Floyd. Virginia authored the original EMAC agreement and was the first state in the nation to adopt the congressionally ratified version.

The Department receives its primary funding from Federal grants. Both federal and state government provide assistance for presidential-declared disasters on a reimbursement basis. In addition, the Commonwealth also provides funds for those disasters declared by the Governor that are not large enough to qualify for a federal disaster declaration. During fiscal year 2000, the Department received \$16 million and \$22.6 million of state and federal funds respectively. There were three major federally declared disasters during fiscal year 2000: Hurricane Floyd, Tropical Storm Dennis, and the Winter Storm. Expenses for the fiscal year ended June 30, 2000 totaled \$29.8 million, \$11.9 million of which were the result of Hurricane Floyd. The Department's use of available funding is graphed below.

FY 2000 Expenditures



*Other includes payments for supplies, equipment, rent, and utilities.

DEPARTMENT OF EMERGENCY MANAGEMENT
Richmond, Virginia

Michael Cline, State Coordinator

George Foresman, Deputy Coordinator

Ralph Jones, Technological Hazards Director

Harry Colestock, Recovery and Administrative Services Director

George Urquhart, Preparedness and Mitigation Director

Linda Coleman, Fiscal Director