

**DEPARTMENT OF STATE POLICE
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE PERIOD JULY 1, 1999
THROUGH DECEMBER 31, 2000**



AUDIT SUMMARY

Our audit of the Department of State Police for the period July 1, 1999 through December 31, 2000, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- internal control matters that we consider reportable conditions, but not material weaknesses;
- no material instances of noncompliance with applicable laws and regulations tested that are required to be reported; and
- adequate corrective action with respect to audit findings reported in the prior audit, with one exception.

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

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May 7, 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 State Police** for the period July 1, 1999 through December 31, 2000. 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:

Revenues
Expenditures
Fixed Assets
Petty Cash

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 of State Police 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 entitled "Finalize Charge Card Agreement" and "Improve Systems Development Process" are described in the section titled "Internal Control Findings and Recommendations." We believe that none of the reportable conditions are material weaknesses.

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." Accordingly, we included this finding in the section 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 representatives of management at an exit conference held on June 4, 2001.

AUDITOR OF PUBLIC ACCOUNTS

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INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

Finalize Charge Card Agreement

The Department gives state troopers Visa charge cards issued through SunTrust Bank for emergency purchases and repairs. However, the Department does not have a signed agreement with SunTrust for the use of the charge cards.

After SunTrust had responded to a request for proposal for charge cards, the Department sent them a purchase order. SunTrust then sent a Visa corporate card agreement and disclosure statement that contained terms and conditions that conflict with state compliance regulations. The Department has not signed this agreement. However according to the agreement, the use of the Visa charge cards binds the Department to the terms and conditions of the agreement. The Department has referred the matter to legal counsel. Purchases using SunTrust's charge cards totaled \$819,000 in fiscal year 2000 and were an additional \$696,000 during the first six months of fiscal year 2001.

The Department should take action to resolve this issue as soon as possible. The current agreement with SunTrust Bank violates several provisions of applicable state law and regulations.

Improve Systems Development Process

The Department lacks formal guidelines concerning the prioritizing and timely implementation of system development and program change requests. A large number of system requests that would improve the economy and efficiency of departmental resources are either not implemented timely or are not implemented in accordance with management's specifications.

The Department has experienced shortages in systems development staff. This and the lack of written program change guidelines have caused a significant backlog in requests for service.

Improved program change procedures are necessary to protect the integrity of the computer programs and the accuracy of their output. The Department should evaluate the current systems development process, implement written guidelines, and determine whether additional staffing or alternative solutions might help promote efficient operations throughout the agency.

Develop a Disaster Recovery Plan

As noted in our previous report, the Department does not have a contingency plan to restore critical computing operations in the event of a disaster. Also, the Department's systems lack the protection of a fire suppression system. The Commonwealth of Virginia Information Technology Resource Management Standard SEC2000-01.1 requires agencies to maintain adequate environmental safeguards and to develop and maintain a contingency plan to provide for continued critical business functions in the event of a disaster or other disruption.

The Department has three critical networks; the Virginia Criminal Information Network, the Automated Fingerprint System, and the State Police Administrative Network. The lack of a contingency plan and proper environmental safeguards poses a risk to the Department, state and local criminal justice agencies, and the general public. The Department has been unsuccessful in obtaining legislative approval for additional funding to hire a consultant to develop a disaster recovery plan. However, the Department has recently hired an Information Security Officer. The Department should use all resources available, both external and internal, to develop and implement a disaster recovery plan. The Department should also consider installing a suppression system to protect critical information systems equipment and data from destruction due to fire.

SELECTED AGENCY INFORMATION AND FINANCIAL HIGHLIGHTS

The Department of State Police is the Commonwealth's law enforcement agency. In addition to their headquarters, which is located in Richmond, there are seven field divisions and 48 area offices located throughout the state. The Department employs over 2,600 employees, which includes approximately 1,800 troopers. The Department is organized into three bureaus.

Field Operations - Provides both traffic enforcement and criminal law enforcement on the over 64,000 miles of state roadways and interstate highways throughout the Commonwealth. Also, Field Operations manages the Motor Vehicle Safety Inspection Program, enforces motor carrier and commercial vehicle safety regulations, and oversees the Executive Protective Unit and the Department's Aviation Unit.

Criminal Investigation - Investigates all criminal matters mandated by statute and established departmental policy. The Bureau consists of 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 conducts narcotics investigations, participates on task forces and special assignments, and conducts 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 - Includes the Divisions of Communications, Criminal Justice Information Services, Data Processing, Personnel, Property and Finance, Training, and the Planning and Research Unit.

The Department maintains critical criminal and administrative information on three major information system networks:

- The State Police Administrative Network (SPAN) maintains all of the Department's in-house applications including the Central Criminal Records Exchange, the Sex Offender Registry, and the Firearms Transactions program, which are all used to perform various types of criminal background searches;
- The Virginia Criminal Information Network (VCIN) connects the Department to other state and federal criminal justice agencies, and other states' motor vehicle departments. It is a criminal information retrieval and exchange system available to state and local police officers during traffic stops; and
- The Automated Fingerprint Identification System (AFIS) is a shared state and local computer system that houses fingerprint-based information. Fingerprints are transmitted and recorded electronically in AFIS through remote LiveScan equipment. AFIS and LiveScan equipment operate in many local agencies throughout Virginia.

Financial Information

The Department receives primarily general fund appropriations and transfers from other state agencies. In addition, 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 funding sources for fiscal year 2000.

Fiscal Year 2000 Funding Sources

General fund appropriations	\$157,213,792
State inspection sticker fees	9,774,191
Transfer from other agencies	13,822,683
Criminal records check fees	4,581,847
Federal grants and contracts	3,755,932
Sale of surplus vehicles	2,052,936
Asset forfeitures (state and federal)	1,406,684
Sex offender registry	790,419
Firearms dealer fees	417,708
Other revenues	<u>1,989,120</u>
Total	<u>\$195,805,312</u>

Source: Commonwealth Accounting and Reporting System

Annual personnel costs account for approximately 76 percent of the Department's total expenses. The following table shows expenses for fiscal year 2000.

Fiscal Year 2000 Expenses

Personnel services	\$142,742,468
Equipment	13,998,641
Contractual services	13,854,494
Supplies and materials	8,332,367
Continuous charges	4,860,891
Other	<u>1,597,361</u>
Total	<u>\$185,386,222</u>

Source: Commonwealth Accounting and Reporting System

Helicopter Installment Lease

During the first half of fiscal year 2001, the Department replaced four of its single engine helicopters, and is in the process of buying a new twin engine helicopter. With these purchases, the Department will increase State Police capability to provide rescue services, law enforcement, and establish a new helicopter medical evacuation base in Lynchburg. The cost of the helicopters is \$11,585,894, which the Department has financed through a ten-year capital lease.

The Department has taken delivery of the four single engine helicopters. However, delivery has been postponed for the twin-engine helicopter because of delays at the manufacturing plant. The Department expects delivery of the helicopter by October 2001. In the interim, the manufacturer has provided a temporary replacement helicopter at a cost of \$1 per month, until the contracted helicopter is built and delivered.

Land Mobile Radio System

In fiscal year 1999, the General Assembly included \$1.75 million in general funds for consultant services to develop the system requirements and provide project management for a Land Mobile Radio System. In fiscal year 2000, an additional \$5 million was included in general fund appropriations for this project. The Land Mobile Radio System will upgrade the existing State Police radio infrastructure and will provide a shared land mobile radio system to serve 19 state agencies involved in public safety, transportation, and natural resources. The proposed system will function statewide and consolidate dispatching functions among these agencies with the potential for use by other state, federal, and local agencies.

The Land Mobile Radio System consists of two basic components, infrastructure and non-fixed equipment inventory. The Department anticipates ownership of the infrastructure since they already maintain a considerable portion of the components needed for the infrastructure. The non-fixed equipment inventory, such as mobile computers, portables, vehicular chargers, and dispatch center control stations and consoles, will be procured on a user fee or lease basis.

While only \$6,565 was spent on this project in fiscal year 2000, costs are expected to exceed \$5.1 million and \$3.4 million in fiscal years 2001 and 2002, respectively. The Department has finalized a contract with a vendor who will provide consultant services to assess and design an upgrade for the existing land mobile radio resources, prepare the technical procurement documentation, oversee the installation and integration, and assure system performance and vendor compliance. The contract, which extends through fiscal year 2007, is expected to cost more than \$20.4 million. Current estimates for the network installation range from \$325 to \$400 million over an eight-year period.

