

**VIRGINIA DEPARTMENT  
OF  
EMERGENCY MANAGEMENT**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2009**



## **AUDIT SUMMARY**

Our audit of the *Virginia Department of Emergency Management*, found:

- proper recording and reporting of all transactions, in all material respects, in the *Commonwealth Accounting and Reporting System*;
- no matters involving internal control and its operations 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
- prior year audit findings were adequately resolved.

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## **FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS**

### **Properly Report Expenses on Quarterly Federal Reports**

During our 2007 audit, we found that Emergency Management's accounting records did not support the amounts reported as state match on the quarterly financial status reports submitted to the U.S. Department of Homeland Security for the Public Assistance Grant. During our follow-up review for fiscal 2008, Emergency Management staff did correct the reports and were reporting the proper current state match for the Public Assistance Grant. However, Emergency Management did not have written policies and procedures for preparing the quarterly financial status reports, and did not report correct amounts for the State Homeland Security Grant Program.

Throughout the course of the test work for the 2009 audit, we found that staff had created policies and procedures to follow for the preparation of the quarterly federal reports for the Hazard Mitigation and Homeland Security Grant Programs. Emergency Management also worked with their contacts at Homeland Security to correct the incorrect amounts previously reported. Emergency Management should continue to follow their established policies and procedures for federal reporting, moving forward to ensure the accurate submission of their financial status.

## AGENCY HIGHLIGHTS

The Virginia Department of Emergency Management (Emergency Management) directs and coordinates the Commonwealth's Comprehensive Emergency Management Program. Emergency Management works with local governments, state and federal agencies, and voluntary organizations to provide resources and expertise for disasters in four major areas: preparedness, response, recovery, and mitigation. Emergency Management develops and maintains the Commonwealth's emergency plans and blueprints for responses to a variety of scenarios, and assists communities in developing localized emergency operation plans. Emergency Management offers training courses in emergency management, hazardous materials response, and search and rescue. Emergency Management's staff also works with the Federal Emergency Management Agency (FEMA) to coordinate and administer federal financial aid programs after disaster declaration.

## FINANCIAL OPERATIONS

Emergency Management had total expenses of \$70.7 million in fiscal year 2009. Expenses from the Emergency Response and Recovery program and Emergency Preparedness program accounted for the majority of expenses.

### Analysis of Budget and Actual Expenses

<u>Program</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenses</u>
Emergency Response and Recovery	\$ 9,926,768	\$39,598,686	\$35,133,621
Emergency Preparedness	28,035,244	27,248,804	26,413,547
Administrative and Support Services	3,674,561	6,315,753	6,155,817
Virginia Emergency Operations Center	<u>3,210,367</u>	<u>3,469,372</u>	<u>3,036,496</u>
Total	<u>\$ 44,846,940</u>	<u>\$76,632,615</u>	<u>\$70,739,481</u>

*Source: Commonwealth Accounting and Reporting System*

*Note: Figures do not include capital outlay amounts.*

The increase in the Emergency Response and Recovery program's final budget resulted from an additional \$29.7 million to cover continued disaster payments from Tropical Storm Ernesto, Tropical Depression Gaston, Hurricane Isabel, and the 2006 rains. Emergency Management requested additional appropriations due to an anticipated increase in pass-through, grant, and disaster payments during fiscal year 2009; however, since there is no accurate way to forecast these payments, Emergency Management did not incur all the expected expenses. This caused the actual expenses to be less than the final budget. The increase in Administrative and Support Services final budget resulted mainly from a grant received to purchase communication equipment, a mobile command post, and first responder vehicles.

### Federal Program

Federal grants are the primary funding source for Emergency Management. Both federal and state governments 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 as a federal disaster. During fiscal year 2009, Emergency Management had three major federal grants: the Public Assistance Grant Program, the Hazard Mitigation Grant Program, and the Homeland Security Grant Program.

Emergency Management expended funds from the Public Assistant Grant Program during fiscal year 2009 in order to provide assistance to the state, localities, and private not-for-profit organizations that were in designated emergency or major disaster areas. This grant provides assistance to restore disaster-damaged projects as well as to provide sub grants to local governments and selected private non-profit facilities. The Department may use funds from this grant for removal of wreckage or debris from private or public lands, performing protective emergency measures, emergency transportation assistance, emergency telecommunications, or permanent restoration of eligible facilities. During fiscal year 2009, Emergency Management expended approximately \$21.2 million of federal funds on items or activities allowable to this grant.

In addition, Emergency Management serves as the grant administrator for all funds provided under the Public Assistance Grant Program. Emergency Management provides technical advice and assistance to eligible applicants; provides state support with project identification activities; ensures all potential applicants know of available public assistance; and submits documents necessary for the award of grants. Emergency Management also ensures that applicants adhere to all program and administrative requirements.

The Hazard Mitigation Grant Program (HMGP) is a cost-shared program administered by the Federal Emergency Management Agency (FEMA), the Department of Homeland Security, and Emergency Management. The purpose of the Hazard Mitigation Grant (HMGP) is to mitigate the vulnerability of life and property to future disasters during the recovery and reconstruction process following an actual disaster. To accomplish this purpose, FEMA assists States to avoid or lessen the impact of natural hazards through such strategies as safer building practices and the improvement of existing structures and supporting infrastructure. During fiscal year 2009, Emergency Management expended approximately \$3.6 million of federal funds for this grant.

To accomplish its purpose, FEMA awards HMGP grants to States, which in turn may award sub-grants to other State agencies, local governments, and other eligible entities. Each State administers the HMGP according to a FEMA-State Agreement, a comprehensive Standard or Enhanced State Mitigation Plan, and a State HMGP Administration Plan. FEMA must approve these plans before the State can award funds. FEMA assists the State, approves or denies project applications, and reviews the State's quarterly and final reports.

Finally, the purpose of the Homeland Grant Security Program (HGSP) is to improve and enhance the Nation's ability to prevent, deter, respond to, and recover from threats and incidents of terrorism and to enhance regional preparedness. The HSGP provides financial assistance to the States, as well as through the States to local governments, to support activities such as planning, equipment, training, and exercises to address critical resource gaps identified in the assessments and priorities outlined within each States' Homeland Security Strategy. Emergency Management expended approximately \$11.6 million of federal funds on this grant during fiscal year 2009.

<u>Federal Expenses and Transfers</u>		
<u>Expense Category:</u>	<u>Expense</u>	<u>Percent of Total</u>
Transfer Payments	\$44,485,107	82%
Contractual Services	3,309,540	6%
Personal Services	4,461,133	8%
Other	<u>2,338,538</u>	<u>4%</u>
Totals	<u>\$54,594,318</u>	<u>100%</u>

*Source: Commonwealth Accounting and Reporting System*

The majority of federal expenses were transfer payments, which consisted of payments to provide assistance to the state, localities, and private non-profit organizations in designated emergency or major disaster areas. Federal contractual expenses for fiscal year 2009 were primarily for the Homeland Security Exercise and Evaluation Program, along with telecommunication expenses, charge card payments, and building maintenance and rental contracts. The Homeland Security Exercise and Evaluation Program provides VDEM the funds to design, evaluate, and test plans intended to help VDEM efficiently mitigate an emergency. The remaining expenses were for personal services including payroll and benefit payments, supplies, equipment, and insurance.

#### Non-Federal Expenses

In addition to the three major programs, Emergency Management had approximately \$16.25 million in non-federal expenses in fiscal year 2009. The majority of these expenses consisted of transfer payments, payroll, and contractual services.

#### 2009 Non-Federal Expenses and Transfers

<u>Expense Category:</u>	<u>Expense</u>	<u>Percent of Total</u>
Transfer Payments	\$ 8,270,242	51%
Personal Services	5,020,556	31%
Contractual Services	1,782,561	11%
Other	<u>1,108,348</u>	<u>7%</u>
Totals	<u>\$16,253,707</u>	<u>100%</u>

Non-federal transfer payments, or disaster assistance to locality payments, are state funds to localities to help cover the cost of disasters not large enough to qualify for federal assistance. These payments cover matching funds when federal funds are available. During fiscal year 2009, Emergency Management's transfer payments helped support past disasters such as Tropical Storm Ernesto, Tropical Depression Gaston, and Hurricane Isabel. Personal services expenses included overtime hours worked during open disasters as well as the need to temporarily increase staffing levels, pending reimbursement from federal funds.



# Commonwealth of Virginia

Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218

Walter J. Kucharski, Auditor

January 26, 2010

The Honorable Robert F. McDonnell  
Governor of Virginia

The Honorable M. Kirkland Cox  
Chairman, Joint Legislative Audit  
and Review Commission

We have audited the financial records and operations of the **Virginia Department of Emergency Management (Emergency Management)** for the year ended June 30, 2009. 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 objective was to test compliance for the Statewide Single Audit. In support of this objective, we evaluated the accuracy of recorded financial transactions on the Commonwealth Accounting and Reporting System and in Emergency Management's accounting records, reviewed the adequacy of Emergency Management's internal controls, tested for compliance with applicable laws, regulations, contracts, and grant agreements, and reviewed corrective actions of audit findings from prior year reports.

## Audit Scope and Methodology

Emergency Management'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.

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.

Federal grant revenues and expenditures  
for Hazard Mitigation, and State  
Homeland Security Grant Program

Network security and system access



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 and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, contracts, and reconciliations, and observation of Emergency Management's operations. We tested transactions and performed analytical procedures, including budgetary analyses.

### Conclusions

We found that Emergency Management properly stated, in all related material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. Emergency Management 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 and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Emergency Management has taken adequate corrective action with respect to audit findings reported in the prior year.

### Exit Conference and Report Distribution

We discussed this report with management on January 20, 2010.

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

AG/alh

VIRGINIA DEPARTMENT OF EMERGENCY MANAGEMENT

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