

**DEPARTMENT OF EMERGENCY SERVICES
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 1999**

***AUDITOR OF
PUBLIC
ACCOUNTS***



COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of the Department of Emergency Services for the year ended June 30, 1999, 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, however, we did identify one matter that we consider a reportable condition.

This finding is discussed in the section entitled, "Internal Control and Compliance Findings and Recommendations."

January 11, 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 Emergency Services** (the Department) for the year ended June 30, 1999. 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 a certain matter involving internal control and its operation that we considered to be a reportable condition. 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. This reportable condition entitled, "Actively Pursue Outstanding Accounts Receivable," is discussed in the section entitled, "Internal Control and Compliance Findings and Recommendation." We believe this reportable condition is not 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 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

JBS:kva
kva:24

AGENCY HIGHLIGHTS

The Department of Emergency Services (the Department) 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. Some of these programs are proactive, initiated in advance of the disaster, and some are reactive, only engaged once a disaster occurs.

Unique for this year, the Department planned for the potential disasters that could affect the Commonwealth as a result of the Year 2000 rollover. Preparation activities included specific response planning, procurement of a backup generator, the rental of extra phones, and obtainment of additional human resources to man the Emergency Operations Center prior to and after January 1, 2000. A federal grant of \$50,000 and special state appropriations of \$116,000 funded these activities.

Focusing on proactive programs of the Department, a recent initiative deals with the increased demand for human resources to coordinate overall activity when disasters strike the Commonwealth. The Reservist Program developed by the Department hires hourly employees and provides them with relative disaster training. Through this program, the Department maintains a pool of trained individuals that can be brought to state duty in crisis situations.

In order to deal with the fluctuating demands for resources when disasters strike across the country, the Commonwealth, through the Department, participates in the Emergency Management Assistance Compact (EMAC). Via this interstate compact, states assist each other during times of major disasters. Currently, twenty-eight 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 1999, the Commonwealth deployed both local and state government vehicles and manpower to the state of Florida to assist with forest fires and to the state of Mississippi to assist with recovery efforts after Hurricane Georges. Since the end of fiscal 1999, the Commonwealth received both vehicular and manpower assistance from five states to help 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 provides assistance for presidential-declared disasters on a reimbursement basis. The Commonwealth also provides funds for disasters declared by the Governor but not large enough to qualify for a disaster declaration. There was one federally-declared disaster during fiscal year 1999. Expenses totaled \$24.3 million for fiscal year ended June 30, 1999.

INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

During the past four years, the Department has experienced significant turnover in essential accounting positions. The fiscal division has filled several of these positions. The lack of consistent staffing within the accounting department resulted in the issue discussed below. In addition, the auditors found that during fiscal 1999, the Department of Emergency Services was not in compliance with the Federal Cash Management Improvement Act by not expending federal funds within three days from drawing them down. However, the Department corrected this in the beginning of fiscal 2000. Furthermore, the Department of Accounts performed a Compliance Review and noted non-compliance with several voucher requirements. The Department should implement corrective action plans to address the finding discussed below and those noted by the Department of Accounts.

Actively Pursue Outstanding Accounts Receivable

The Department charges the party responsible for hazardous waste spills for the expenses incurred during the clean-up, thus setting up a receivable from the responsible party. The Department has not been using available resources, such as the Debt Set-Off program, to collect these receivables. Of the \$299,166 in receivables at June 30, 1999, \$166,044 (56 percent) were greater than one year past due. Allowing receivables to age this long decreases the General Funds available for other operational expenditures.

While staffing turnover has limited the resources available to actively work on the recovery of receivables, a significant portion of these receivables have been submitted to the Attorney General's Office for collection. Management should ensure that all reasonable means are taken and all required procedures are followed to allow for the timely collection of receivables.

DEPARTMENT OF EMERGENCY SERVICES
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