

DEPARTMENT OF FIRE PROGRAMS

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



AUDIT SUMMARY

Our audit of the Department of Fire Programs for the year ended June 30, 2009 found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System; and
- a matter involving internal control and its operation and compliance with applicable laws and regulations necessary to bring to management's attention.

- TABLE OF CONTENTS -

	<u>Pages</u>
AUDIT SUMMARY	
AUDIT FINDINGS AND RECOMMENDATIONS	1
AGENCY HIGHLIGHTS	2
AUDIT OBJECTIVES	3
AUDIT SCOPE AND METHODOLOGY	3-4
CONCLUSIONS	4
EXIT CONFERENCE AND REPORT DISTRIBUTION	4
AGENCY RESPONSE	5
AGENCY OFFICIALS	6

AUDIT FINDINGS AND RECOMMENDATIONS

Maintain Documentation for Adjunct Instructors

Fire Programs does not have hiring documentation for any adjunct instructors hired before August 2008. There are approximately 300 adjunct instructors on their payroll at any given time, who teach various training courses during the year. Fire Programs does not have documentation to support the hiring of a majority of these adjunct instructors such as a state application, federal I-9 forms, and agreed upon pay rates. It is not clear if the lack of documentation was due to employee error or a misunderstanding between Fire Programs and the Department of Human Resource Management, who processes their personnel information.

Although Fire Programs was aware of this deficiency in documentation, they have not been able to correct the issue due to internal turnover. Fire Programs implemented new procedures to begin maintaining hiring documentation for adjunct instructors hired after August 2008. As part of our review, we selected a sample of instructors hired after August 2008 and found some documentation was still missing for two of eight instructors selected.

Fire Programs needs to immediately complete their documentation for the remaining adjunct instructors currently on their payroll. At a minimum, this information should include: a completed Commonwealth of Virginia Application for Employment; Employment Eligibility Verification (I-9) form (if they are not maintained centrally); the signed, original Summary of the Commonwealth of Virginia's Policy on Alcohol and Other Drugs; and original agency forms used to initiate personnel transactions. Without adequate personnel files, Fire Programs cannot demonstrate that it hired only qualified individuals or support their payroll expenses. In addition, this documentation is necessary to comply with state and federal requirements and to protect the Commonwealth against possible federal sanctions.

Status of Prior Year Finding

We have one prior recommendation that remains partially unresolved and the following information provides an update on the status of this recommendation.

Strengthen Information Systems Security Program

Since our last audit, Fire Programs has addressed weaknesses in their information security program with the assistance of the Department of Accounts' Accounting and Internal Control Compliance Oversight Unit. In order to complete the process, Fire Programs will need Virginia Information Technologies Agency/Northrop Grumman (VITA/NG) to complete their transformation process for the Disaster Recovery Plan that Fire Programs completed in March 2009. The successful transformation process will allow VITA/NG to manage Fire Programs' infrastructure. At the time of this audit, Fire Programs was awaiting VITA/NG's plan to complete the transformation. Once VITA/NG completes the process, Fire Programs should train its employees in the information security program.

AGENCY HIGHLIGHTS

The Department of Fire Programs (Fire Programs) provides financial assistance, training, fire prevention and life safety education, and as of this fiscal year, fire code enforcement statewide, to protect lives and property from fire emergencies and disasters. Some organizational and operational changes impacted Fire Programs in fiscal year 2009. First, the State Fire Marshal's Office (SFMO) transferred from the Department of Housing and Community Development to align building code, fire code and life safety code inspection services under Fire Programs and the Secretary of Public Safety. Also, Fire Programs took back their fiscal processing responsibilities from the Department of Criminal Justice Services.

Fire Programs' funding comes primarily from an annual transfer from the State Corporation Commission (SCC). The SCC collects one percent of the total direct gross premium income from certain property and casualty insurance companies and transfers this amount to Fire Programs each June. Fire Programs then transfers most of these funds to localities to pay for training, construction of training centers, and firefighting equipment. Fire Programs also collects revenues for the sales of training materials, which individuals can purchase at their Bookstore or online, fees for some training programs, and fees for SFMO permits, inspections, and certifications.

The following table summarizes budget and actual activity by program for the year. The Regulation of Structure Safety program is a new program due to the transfer of the SFMO to Fire Programs.

Analysis of Budgeted and Actual Expenses by Program for Fiscal Year 2009

<u>Program</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenses</u>
Regulation of Structure Safety	\$ 3,095,101	\$ 3,126,544	\$ 2,937,401
Fire Training and Technical Support Services	6,876,413	7,981,413	7,215,146
Financial Assistance for Fire Services Programs	<u>22,325,000</u>	<u>22,325,000</u>	<u>20,952,583</u>
TOTAL	<u>\$32,296,514</u>	<u>\$33,432,957</u>	<u>\$31,105,130</u>

Changes Impacting FY 2010

The Governor's budget reduction plan announced in September 2009 included some items that will significantly impact Fire Programs in fiscal year 2010. Historically, Fire Programs has received its transfer from SCC in June of each year. This transfer funded payments to localities as well as operations in the subsequent year. In accordance with the Governor's budget reduction plan, the June 2010 SCC transfer will go to the General Fund of the Commonwealth, and a \$30 million line of credit replaces this funding. Fire Programs will use the line of credit to fund payments to localities as well as operations in fiscal year 2011 and then use the June 2011 transfer from the SCC to repay the line of credit. Fire Programs will then again rely on the line of credit for fiscal 2012 with the same repayment process, which will continue into the future.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

January 29, 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 **Department of Fire Programs** (Fire Programs) 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 objectives were to evaluate the accuracy of recorded financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of Fire Programs's internal controls, test compliance with applicable laws and regulations, and review corrective actions of audit findings from prior year reports.

Audit Scope and Methodology

Fire Program'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.

- Expenses, specifically transfer payments, payroll, and small purchase charge card
- Agency transaction vouchers
- Cash receipts

We performed audit tests to determine whether Fire Program'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, and contracts, and observation of Fire Program's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

Conclusions

We found that Fire Programs properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. Fire Programs 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 a matter involving internal control and its operation and compliance with applicable laws and regulations that require management's attention and corrective action. This matter is described in the section entitled "Audit Findings and Recommendations."

Fire Programs has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this letter.

Exit Conference and Report Distribution

We discussed this report with management on February 16, 2010. Management's response has been included at the end of this report.

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

LCW/clj



COMMONWEALTH of VIRGINIA

W.G. Shelton, Jr.
EXECUTIVE DIRECTOR

Virginia Department of Fire Programs

1005 Technology Park Drive
Glen Allen, VA 23059-4500
Phone: 804/ 371-0220
Fax: 804/ 371-3444

February 5, 2010

Auditor of Public Accounts
Post Office Box 1295
Richmond VA 23218

The Department of Fire Programs concurs with the Auditor of Public Accounts' findings and recommendations as presented in the audit report for the fiscal year ended June 30, 2009.

Maintain Documentation for Adjunct Instructors

As cited, Fire Programs implemented new procedures to maintain appropriate hiring documentation for adjunct instructors hired after August 1, 2008. Fire Programs has launched an immediate initiative to have all adjunct instructors hired (or re-hired) prior to August 1, 2008 complete new documents including the State Application for Employment (along with a copy of the adjunct instructor's student transcript from the Fire Services Training Records System (FSTRS) to document their employment credentials), the I-9 Form, Adjunct Instructor Wage Agreement, and the Alcohol and Drug Policy form. Fire Programs understands and accepts the criticality of complying with the State and Federal documentation requirements, and is committed to completing this initiative as quickly as possible, but not later than June 30, 2010. Finally, Fire Programs has enhanced its documented procedures and practices for hiring adjunct instructors going forward to ensure that all adjunct instructor files contain the required documentation to demonstrate that Fire Programs hires only qualified individuals, and to properly support its payroll expenses.

Status of Prior Year Finding: Strengthen Information Systems Security Program

As noted in the Audit Findings and Recommendations, Fire Programs (with the assistance of the Department of Accounts) has completed all corrective actions within its control to resolve the information systems security issues. Once VITA/NG completes the transformation plan to meet Fire Programs' business needs and completes the transformation process, Fire Programs will train all employees in the information systems security program. Fire Programs remains committed to working with VITA/NG throughout the process while awaiting the transformation plan and implementation by participating in monthly meetings with VITA/NG.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "W.G. Shelton, Jr.".

W.G. Shelton, Jr.
Executive Director

SECRETARY AND AGENCY OFFICIALS
(as of June 30, 2009)

Honorable John W. Marshall, Secretary of Public Safety

Willie G. Shelton, Jr., Executive Director, Department of Fire Programs

VIRGINIA FIRE SERVICES BOARD

Michael Reilly, Chairman

Richard E. Burch, Jr. Vice Chairman

Ed Altizer

James M. Armstrong

Kaye Brown

Kenneth J. Brown

Elaine Gall

Carl Garrison II

Kenneth L. Jones

Felix Sarfo-Kantanka, Jr.

William B. Kyger, Jr.

Thomas H. Moffett

Brian Mullins

Robert F. Scott

Joe Wilson