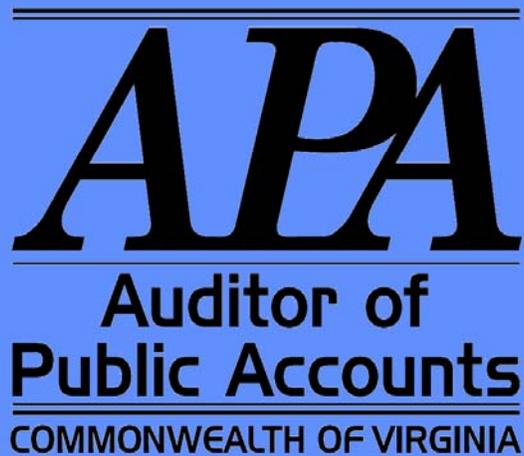


DEPARTMENT OF FIRE PROGRAMS

**REPORT ON AUDIT
FOR THE TWO-YEAR PERIOD ENDED
JUNE 30, 2008**



AUDIT SUMMARY

Our audit of the Department of Fire Programs for the two-year period ended June 30, 2008, found:

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

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AUDIT FINDINGS AND RECOMMENDATIONS

Strengthen Information Systems Security Program

The Department of Fire Programs (Fire Programs) has improved its information security program since our last audit, but there are some key components that still require strengthening to be fully compliant with the Commonwealth's information security standards. Fire Programs has performed a business impact analysis and risk assessments of identified sensitive systems; however, they have not developed a continuity of operations plan or disaster recovery plan.

Fire Programs is working with the Accounting and Internal Control Compliance Oversight unit at the Department of Accounts (Accounts) in developing an information systems security program. They anticipate completing their program in May 2009 and should ensure they address the items noted above in their final plan.

Prepare Log for Small Purchase Charge Card Purchases

Fire Programs small purchase charge cardholders are not consistently preparing a purchase log as required. Two of three cardholders selected in our audit test did not prepare the purchase log to so that they could compare purchases to the credit card statement. The Commonwealth's Accounting Policies and Procedures manual as well as Fire Programs' internal policies require each cardholder maintain a purchase log for performing the statement comparison. Fire Programs should retrain cardholders and support staff on small purchase charge card policies and procedures and enforce the procedures. If cardholders cannot follow the Fire Program's process, management should remove this responsibility from them.

AGENCY HIGHLIGHTS

The Department of Fire Programs provides financial assistance, as well as training and technical assistance to localities for fire services to protect the lives and property from fire emergencies and disasters. Fire Programs receives administrative support from several other agencies.

The Department of Criminal Justice Services (DCJS) performed its fiscal processing, the Department of Human Resource Management performs personnel functions, and the Department of Accounts' payroll service bureau processes the payroll. Fire Programs will be performing its own fiscal processing beginning in fiscal year 2009.

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, and fees for some training programs.

The following tables summarize budget and actual activity in both fiscal years. DCJS requested that Planning and Budget process budget adjustments for Fire Programs which were also included in the legislature's amended budget in fiscal year 2007. This resulted in overstating the final budget by \$3.5 million for the Fire Assistance for Fire Services program. In fiscal year 2008, Fire Programs' original budget included an additional \$2.8 million budget increase for anticipated expenses to support the Aid to Localities program, the burn building grant program, and categorical grants.

Analysis of Budgeted and Actual Expenses by Program for Fiscal Year 2007

<u>Program</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenses</u>
Fire Training and Technical Support Services	\$ 6,352,369	\$ 6,474,019	\$ 5,786,490
Financial Assistance for Fire Services Programs	<u>18,304,144</u>	<u>26,613,946</u>	<u>20,381,339</u>
TOTAL	<u>\$24,656,513</u>	<u>\$33,087,965</u>	<u>\$26,167,829</u>

Analysis of Budgeted and Actual Expenses by Program for Fiscal Year 2008

<u>Program</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenses</u>
Fire Training and Technical Support Services	\$ 5,884,832	\$ 6,884,832	\$ 6,538,968
Financial Assistance for Fire Services Programs	<u>21,532,537</u>	<u>22,732,537</u>	<u>21,677,625</u>
TOTAL	<u>\$27,417,369</u>	<u>\$29,617,369</u>	<u>\$28,216,593</u>

Source: Commonwealth Accounting and Reporting System



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

March 6, 2009

The Honorable Timothy M. Kaine
Governor of Virginia
State Capital
Richmond, Virginia

The Honorable M. Kirkland Cox
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have audited the financial records and operations of the **Department of Fire Programs** (Fire Programs) for the period July 1, 2006, through June 30, 2008. 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 in the Commonwealth Accounting and Reporting System, review the adequacy of Fire Programs' 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 Programs' 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 materiality and control 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 cards
Revenues
Information Security

We performed audit tests to determine whether Fire Programs' 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 and records, and observation of Fire Programs' 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 certain matters involving internal control and its operation and compliance with applicable laws and regulations that require management's attention and corrective action. These matters are described in the section entitled "Audit Findings and Recommendations."

Fire Programs has made progress on the prior year finding, but it is not completely resolved and is therefore repeated in this report.

Exit Conference and Report Distribution

We discussed this report with management on March 30, 2009. 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

Virginia Department of Fire Programs

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March 27, 2009

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 two-year period ended June 30, 2008.

Strengthen Information Systems Security Program

The agency is committed to complying with the SEC 501 Security Standard. The agency is dependent on the VITA/Northrup-Gruman partnership to provide services contained in the standards to which the agency is held accountable. Fire Programs continues to work collaboratively with the partnership to move forward on compliance concerns. The agency has realigned agency staff to partner with both the Department of Accounts and VITA/Northrup-Gruman staff to complete the comprehensive requirements contained in those documents.

As cited, the agency has already completed the business impact analysis and risk assessments of sensitive systems. The agency will enhance its existing continuity of operations plan to include information systems security and submit to the Department of Emergency Management by April 1, 2009. Further, the agency will develop a disaster recovery plan, completing and implementing the security programs in May 2009. Currently, the agency's disaster recovery plan stands at 75% completion.

Prepare Log for Small Purchase Charge Card Purchases

As cited, Fire Programs' internal policies require each cardholder to maintain an ongoing purchase log for reconciliation to monthly charge statements. The agency has retrained all cardholders and support staff on program policies and procedures as required annually by the Department of Accounts. Further, the agency has modified its electronic purchase log and documented procedures to more adequately validate the review and approval process by management and the review and pre-audit process of accounts payable to ensure compliance with the policies and procedures. Finally, senior management has adopted a "no tolerance for non-compliance" position, and will support revocation of privileges and appropriate disciplinary action for cardholders who fail to comply with the program policies and procedures.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "W.G. Shelton, Jr.", written over a horizontal line.

W.G. Shelton, Jr.
Executive Director

SECRETARY AND AGENCY OFFICIALS

Honorable John W. Marshall, Secretary of Public Safety

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

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