

STATE OF CONNECTICUT



*AUDITORS' REPORT
DEPARTMENT OF EMERGENCY MANAGEMENT
AND HOMELAND SECURITY
FOR THE FISCAL YEARS ENDED JUNE 30, 2009, 2010 AND 2011*

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

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December 12, 2012

**AUDITORS' REPORT
DEPARTMENT OF EMERGENCY MANAGEMENT
AND HOMELAND SECURITY
FOR THE FISCAL YEARS ENDED JUNE 30, 2009, 2010 AND 2011**

We have examined the financial records of the Department of Emergency Management and Homeland Security for the fiscal years ended June 30, 2009, 2010 and 2011. This report on that examination consists of the Comments, Condition of Records, Recommendations and Certification that follow.

Financial statement presentation and auditing is done on a Statewide Single Audit basis to include all state agencies. This audit examination has been limited to assessing compliance with certain provisions of financial related laws, regulations, contracts and grants, and evaluating internal control policies and procedures established to ensure such compliance.

Pursuant to Public Act 11-51, effective July 1, 2011, the Department of Emergency Management and Homeland Security (DEMHS), as well as the Department of Public Safety (DPS), were eliminated and the Department of Emergency Services and Public Protection (DESPP) was created as a successor agency designated as the state's emergency management and homeland security agency for the state. That act established a Division of Emergency Management and Homeland Security within DESPP to carry out the function formerly carried out by DEMHS. As such, this report on the audited period ending June 30, 2011 is the last reporting period for which a separate audit report will be issued on DEMHS and subsequent reports will be issued on the combined successor agency.

COMMENTS

FOREWORD:

Title 28 of the General Statutes contains DEMHS' statutory authority and responsibility. DEMHS was created effective January 1, 2005, pursuant to Public Act 04-219. The functions, powers, duties and personnel of the Division of Homeland Security within the Department of Public Safety and the Office Of Emergency Management within the Military Department were transferred to the Department of Emergency Management and Homeland Security in accordance with the provisions of Sections 4-38d, 4-38e and 4-39 of the General Statutes.

DEMHS' principal responsibilities are to:

1. Coordinate with state and local government personnel, agencies, authorities and the private sector to ensure adequate planning, equipment, training and exercise activities by such personnel, agencies and authorities and the private sector with regard to emergency management and homeland security;
2. Coordinate, and as may be necessary, to consolidate homeland security communications and communications systems of the state government with state and local government personnel, agencies, authorities, the general public and the private sector;
3. Distribute, and as may be appropriate, to coordinate the distribution of information and security warnings to state and local government personnel, agencies, authorities and the general public; and
4. Establish standards and security protocols for the use of any intelligence information.

DEMHS is comprised of the following divisions:

Office of the Commissioner
Emergency Preparedness
Finance and Administration
Strategic Planning and Grant Administration
Training and Exercise
Office of Counter Terrorism

DEMHS' human resources functions are handled by the Department of Administrative Services' Small Agency Resource Team.

James M. Thomas and Wayne E. Sandford continued to serve as commissioner and deputy commissioner, respectively, of DEMHS until both of their retirements from state service on July 1, 2009. Peter J. Boynton was appointed commissioner, effective August 28, 2009, and Betsy J.S. Hard was appointed deputy commissioner, effective November 6, 2009, and they both served in those capacities throughout the audited period.

In accordance with Section 28-1b of the General Statutes, DEMHS has a 25 member advisory council entitled the Emergency Management and Homeland Security Coordinating Council that provides continuing guidance. The council assists in setting the strategic direction of DEMHS by discussing, developing and, as appropriate, assisting with policy and program implementation.

RÉSUMÉ OF OPERATIONS:

General Fund:

Receipts:

General Fund receipts totaled \$17,150 during the audited period and consisted mainly of refunds of prior year expenditures.

Expenditures:

General Fund expenditures during the audited period are summarized below:

	<u>Fiscal Year Ended June 30,</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Personal Services and Employee Expenses	\$3,781,536	\$3,109,967	\$2,711,404
Purchased and Contracted Services	595,255	223,174	277,719
State Aid Grants	<u>24,710</u>	<u>24,000</u>	<u>86,816</u>
Total Expenditures	<u>\$4,401,501</u>	<u>\$3,357,141</u>	<u>\$3,075,939</u>

The decrease in General Fund expenditures of over \$1,000,000 for fiscal year 2009-2010 was attributable to decreases in personal services and information technology data services, as a result of mandated statewide spending reductions. Full-time equivalent positions funded with budgeted accounts totaled 48, 41 and 42, as of June 30, 2009, 2010 and 2011, respectively, resulting in the decrease in costs for personal services. The decrease in information technology data services was due to spending reductions for such services as provided by the Department of Information Technology.

Special Revenue Funds – Federal and Other Restricted Accounts Fund:

Receipts:

Federal and Other Restricted Accounts Fund receipts during the audited period are summarized below:

	<u>Fiscal Year Ended June 30,</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Federal Aid:			
Homeland Security Grant Programs	\$11,883,375	\$ 7,158,159	\$14,119,224
FEMA Public Assistance	1,048,720	441,521	5,807,778
Public Safety and Interoperable Communications Grant Program	0	12,240	7,117,304
Other	<u>3,747,085</u>	<u>4,573,133</u>	<u>5,904,025</u>
Total Federal Aid	16,679,180	12,185,053	32,948,331
Non-Federal Aid:	<u>5,964,762</u>	<u>3,363,970</u>	<u>3,532,194</u>
Total Receipts	<u>\$22,643,942</u>	<u>\$15,549,023</u>	<u>\$36,480,525</u>

Expenditures:

Federal and Other Restricted Accounts Fund expenditures during the audited period are summarized below:

	<u>Fiscal Year Ended June 30,</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Federal:			
Homeland Security Grant Programs	\$11,174,543	\$ 9,417,361	\$12,073,080
FEMA Public Assistance	1,185,198	186,261	11,116,804
Public Safety and Interoperable Communications Grant Program	933	6,913,873	328,182
Other	<u>3,984,558</u>	<u>4,424,927</u>	<u>6,561,577</u>
Total Federal	<u>16,345,232</u>	<u>20,942,422</u>	<u>30,079,643</u>
Other Than Federal:			
Nuclear Safety Emergency Preparedness	1,912,248	1,735,179	2,512,651
School Security Competitive Grant	6,181,654	(15,434)	454,115
Other	<u>78,594</u>	<u>877,411</u>	<u>1,322,372</u>
Total Other Than Federal	<u>8,172,496</u>	<u>2,597,156</u>	<u>4,289,138</u>
Total Expenditures	<u>\$24,517,728</u>	<u>\$22,539,578</u>	<u>\$34,368,781</u>

The fluctuation in expenditures related to the Homeland Security Grant Programs were based on the amount of funds granted by the federal Department of Homeland Security for the State Homeland Security and the Law Enforcement Terrorism Prevention Programs, while the fluctuations related to the Federal Emergency Management Agency (FEMA) Public Assistance Program were attributable to presidentially-declared major disasters or emergencies that occurred during the audited period. Also, during fiscal year 2008-2009, DEMHS expended over \$6,000,000 in funds received by the state Department of Education for the development and administration of the state-funded School Security Grant Program to enhance security at schools statewide. In addition, during fiscal year 2009-2010, DEMHS expended nearly \$7,000,000 of funds awarded by the federal Department of Commerce for interoperable communications equipment.

Other Special Revenue Funds:

DEMHS also received funding from two funds for equipment purchases. Expenditures from these funds totaled \$77,221 during the audited period.

CONDITION OF RECORDS

Our testing of the Department of Emergency Management and Homeland Security's records identified the following areas that warrant comment.

Property Control and Reporting:

Criteria: Section 4-36 of the Connecticut General Statutes requires each state agency to establish and keep an inventory account in the form prescribed by the State Comptroller, and to transmit to the Comptroller, a detailed annual inventory of all real property and capitalized personal property owned by the state and in the custody of the agency.

The State Property Control Manual specifies requirements and standards that state agency property control systems must include to ensure that all assets currently owned by or in the custody of the state are properly acquired, managed and disposed of as follows:

- The Asset Management/Inventory Report/GAAP Reporting Form, CO-59, should be used to report all property owned by each state agency. Executive Branch agencies will generate information within the state's Core-CT accounting system on assets that are capitalized and depreciated and include the information on the form CO-59. If the values recorded on the form CO-59 do not reconcile with Core-CT, the agency must provide a written explanation of the discrepancy in an attachment.
- A complete physical inventory of all property must be taken by the end of each fiscal year to ensure that property control records accurately reflect the actual inventory on hand.
- Unnecessary purchases and excess inventory levels should be avoided in order to avert state resources not effectively being utilized.
- Each agency should continuously survey its property to determine which assets are no longer needed, reassign property when it is no longer required for its current use, and report to the Property Distribution Center personal property that becomes surplus to an agency's needs, unserviceable, obsolete or otherwise unusable.
- Equipment that is deemed lost, missing or unaccountable must be properly reported and removed from the inventory when identified.

- A software inventory must be established to track and control all agency software media, licenses or end user license agreements, certificates of authenticity, documentation and related items.

Condition: Reviews of DEMHS' property control and reporting during the audited period disclosed the following:

1. A physical inspection of 20 assets selected from a current inventory listing disclosed that a security assessment kit valued at \$2,168 could not be located. The kit was acquired in July 2008 with federal Law Enforcement Terrorism Prevention grant funds as part of a purchase of 40 kits totaling nearly \$78,000, with the intent of distributing the kits to municipalities. A further inspection of the inventory of all of the kits noted that a second kit could also not be located and that most of the 38 kits on hand appeared to have been unused at the date of our audit, which was nearly three years after the date of acquisition.
2. DEMHS did not reconcile the amounts reported as additions, deletions, and ending balances on form CO-59 to the state Core-CT accounting system for the fiscal years ended June 30, 2009, 2010 and 2011. Without reconciliations, the accuracy of inventory records and reporting could not be determined.
3. DEMHS did not perform a complete physical inventory during the fiscal year ended June 30, 2011.
4. DEMHS does not maintain a complete software inventory list as required by the State Property Control Manual.

Effect: Deficiencies in the control over equipment inventory result in a decreased ability to properly safeguard assets. Also, DEMHS' report to the State Comptroller was not adequately supported and DEMHS did not comply with the requirements of the State Property Control Manual.

Cause: Internal control over asset accountability and reporting was inadequate.

Recommendation: The Department of Emergency Management and Homeland Security should improve internal control over asset accountability and reporting and ensure compliance with the requirements of the State Property Control Manual. (See Recommendation 1.)

Agency Response: "We concur with the findings. An internal investigation will be conducted for the two missing kits and appropriate property loss forms will be submitted accordingly if the investigation does not locate the items in question. The remaining Security Assessment Kits will be issued to the

appropriate agencies. A change in staffing compromised completion of the software inventory. The IT Unit's Director under the Department of Emergency Services and Public Protection (DESPP) will be advised of the audit finding for resolution. The loss of the Storekeeper position in December 2009 impacted the ability to complete the inventory in a timely fashion. We will consult the appropriate state agencies and ensure that a proper reconciliation model is in place."

Revenue/Receipts:

Background:

Due to the way deposits are processed in the state's Core-CT accounting system, it is not possible for receipts to be fully recorded within 24 hours of receipt. On a daily basis, the bank deposit information is entered into Core-CT through an interface between the bank and the state.

The entered date recorded on Core-CT represents the date the deposit information was loaded into the system and was ready to be recorded by the agency. The posted date represents the date the agency recorded the receipts on the general ledger. Therefore, the posted date for the deposit should be no later than one day after the entered date.

Criteria:

Section 4-32 of the General Statutes requires that each state agency receiving any money or revenue for the state, shall, within twenty-four hours of receipt, account for and, if the total of the sums received amounts to five hundred dollars or more, deposit the same in the name of the state in depositories designated by the State Treasurer. Total daily receipts of less than five hundred dollars may be held until the total receipts to date amount to five hundred dollars, but not for a period of more than seven calendar days.

The Office of the State Treasurer's January 6, 2006 Memorandum on Deposit Reporting Timeframes requires that agencies should complete the confirmation of bank data and journalizing steps by the end of the day that the deposit information is received by the agencies through the Core-CT accounting system.

The State Accounting Manual requires agencies to establish internal controls over cash receipts, including the recording of receipts in a receipts journal.

Condition:

A review of 20 receipts totaling \$76,519 disclosed the following:

1. Four receipts totaling \$822 were posted to the general ledger between one and four days after the information was available to be recorded in Core-CT, as indicated by the entered date.

2. Incorrect receipt dates were recorded in DEMHS' check register for 10 receipts totaling \$49,098, since the date recorded was one to six days after the monies were actually deposited.

Effect:

1. Untimely accounting of receipts increases the risk of loss or theft and is a violation of Section 4-32 of the General Statutes.
2. Inaccurate receipts records reduce the assurance that monies are deposited timely in accordance with Section 4-32 of the General Statutes and is a violation of State Comptroller requirements.

Cause:

Internal controls over cash receipts were inadequate.

Recommendation:

The Department of Emergency Management and Homeland Security should establish and implement internal controls to ensure that receipts are accounted for and deposited in a timely manner in accordance with Section 4-32 of the General Statutes. (See Recommendation 2.)

Agency Response:

“We concur with the findings. Relevant staff have been provided the audit findings and reminded of the requirements for making timely deposit transactions.”

Indirect Cost Rate:

Criteria:

The Office of the State Comptroller's Memorandum No. 2010-24 provides that all state agencies receiving federal or any other grants, or private funds, must compute an indirect cost rate for each fiscal year of their federal or other programs. The proposal is to be submitted for approval to the agency's cognizant federal department or agency within six months after the close of each fiscal year.

Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, provides that, where an accumulation of costs will ultimately result in charges to a federal award, a cost allocation plan should be submitted to the cognizant federal agency in accordance with Attachments C, D and E of said Circular.

Condition:

DEMHS did not develop an indirect cost rate for the audited fiscal years.

Effect:

The state is not able to recover applicable indirect costs as permitted by federal regulations.

Cause:

It appears that DEMHS failed to allocate sufficient resources needed to research and develop the indirect cost rate.

Recommendation: The Department of Emergency Management and Homeland Security should develop and submit an indirect cost rate in accordance with applicable federal and state requirements. (See Recommendation 3.)

Agency Response: “Agency concurs with the findings. Appropriate cost allocation plans will be developed. This includes the incorporation of the relevant federal and private funding into the cost allocation plans.”

Reporting:

- Criteria:*
1. Annual Report of all Real and Personal Property:
Section 4-36 of the General Statutes provides that each state agency shall, annually, on or before October first, transmit to the Office of the State Comptroller (OSC) a detailed inventory, as of June thirtieth, of all capitalized real property and personal property owned by the state and in the custody of the agency.
 2. Administrative Report to the Governor:
Section 4-60 of the General Statutes provides that the executive head of each budgeted agency shall, on or before September first, annually, deliver to the Governor a report of the activities of such agency during the fiscal year ended the preceding June thirtieth.
 3. Set-Aside Program Reports:
Section 4a-60g(m) of the General Statutes provides that on or before November 1, 1995, and quarterly thereafter, each state agency and each political subdivision of the state, other than a municipality setting aside contracts or portions of contracts, shall prepare a status report on the implementation and results of its small business and minority business enterprise set-aside program goals during the three-month period ending one month before the due date for the report. Each report shall be submitted to the Department of Administrative Services (DAS) and the Commission on Human Rights and Opportunities (CHRO).
 4. Annual Report to the General Assembly:
Section 28-1i of the General Statutes provides that not later than January 1, annually, DEMHS shall submit a report to the joint standing committee of the General Assembly having cognizance of matters relating to public safety that specifies and evaluates state-wide emergency management and homeland security activities during the preceding calendar year.

5. Nuclear Safety Emergency Program Plan:

Section 28-31, subsection (c), of the of the General Statutes requires that DEMHS, in consultation with the Department of Environmental Protection (DEP), annually submit to the Office of Policy and Management (OPM), a plan for carrying out the purposes of the Nuclear Safety Emergency Preparedness Program during the next fiscal year. The plan is to include proposed itemized expenditures and measures for the program. The Secretary of OPM is to review the plan and approve it, if it conforms to the provisions of Section 28-31.

Public Act 09-27, effective October 1, 2009, amended subsection (c) to change the date of the plan's submission from November 1 to May 1, annually.

Condition:

Reviews of DEMHS' financial reporting systems during the audited period disclosed the following:

1. The Annual Report of all Real and Personal Property was submitted to the State Comptroller two months and four months after the due date for fiscal years 2009-2010 and 2010-2011, respectively.
2. The Administrative Reports to the Governor for fiscal years 2008-2009 and 2009-2010 were both submitted one month after the due date.
3. The Set-Aside Program Reports were submitted late to the Department of Administrative Services for the second quarter of fiscal year 2008-2009, for all quarters of fiscal year 2009-2010, and for the first quarter of fiscal year 2010-2011. The reports were submitted between five days to four months after the respective due dates.
4. DEMHS was unable to provide a copy of the Annual Report to the General Assembly for fiscal year 2009-2010 or any evidence of its submission.
5. The Nuclear Safety Emergency Program Plans required to be submitted to OPM during the audited period were submitted late. The dates that the applicable plans were signed by the DEMHS Commissioner follow:

<u>Fiscal Year</u>	<u>Date Due</u>	<u>Date Signed</u>
2009-2010	November 1, 2008	November 2, 2009
2010-2011	May 1, 2010	July 27, 2010
2011-2012	May 1, 2011	June 9, 2011

Effect: The failure to adhere to statutory reporting requirements prevents the intended distribution of information to the individuals that require the data in order to make informed decisions. Further, the Nuclear Safety Emergency Program operated without the guidance and requirements of an approved plan for expenditures and program measures.

Cause: The reasons for the delays in the submissions of the required reports include changes in staffing assignments and procedures for report preparation and the lack of priority or proper allocation of time to complete the reports in a timely manner. Regarding the Annual Report to the General Assembly, we were informed that the report was completed; however, DEMHS personnel was unable to provide a copy of the report or any documentation of its submittal. This appears to be an administrative oversight.

Recommendation: The Department of Emergency Management and Homeland Security should strive to comply with reporting timeframes provided for in Sections 4-36, 4-60, 4a-60g(m), 28-1i, and 28-31, subsection (c), of the General Statutes. (See Recommendation 4.)

Agency Response: “Agency concurs with the findings. We will work on establishing and achieving timely submissions of requirements with appropriate staff elements and outside agencies. Late submission of the CO-59 for fiscal year 2011 occurred as a result of multiple storm responses as part of the agency’s efforts in Emergency Management. The Annual Report to the General Assembly was filed in a timely fashion.”

RECOMMENDATIONS

Status of Prior Audit Recommendations:

- The Department should strengthen internal controls over equipment inventory to better comply with the requirements of the State Property Control Manual and form CO-59 reporting instructions, as provided for by the State Comptroller's Office. – This recommendation was implemented in part and additional related deficiencies were noted; therefore, this recommendation is being repeated in modified form.
- Receipts should be accounted for in a timely manner. – This recommendation is being repeated in modified form for additional weaknesses noted during the review of cash receipts for the current audited period.
- DEMHS should strive to comply with the nuclear safety emergency preparedness plan reporting timeframe provided for in Section 28-31, subsection (c), of the General Statutes. – This recommendation is being repeated in modified form to include additional findings that were noted related to DEMHS' compliance with statutory reporting requirements.

Current Audit Recommendations:

- 1. The Department of Emergency Management and Homeland Security should improve internal control over asset accountability and reporting and ensure compliance with the requirements of the State Property Control Manual.**

Comment:

Reviews of property control and reporting disclosed: (1) out of 40 security assessment kits acquired in July 2008, two could not be located and, of the 38 on hand, most appeared to be unused at the date of our audit nearly three years after acquisition, (2) amounts reported on CO-59 reports for the audited periods were not reconciled to the state's Core-CT accounting system, (3) a complete physical inventory was not performed for the fiscal year ended June 30, 2011, and (4) a complete software inventory list was not maintained.

- 2. The Department of Emergency Management and Homeland Security should establish and implement internal controls to ensure receipts are accounted for and deposited in a timely manner in accordance with Section 4-32 of the General Statutes.**

Comment:

A review of 20 receipts disclosed that four were posted to the general ledger between one and four days after the information was available to be recorded in Core-CT and, for ten, incorrect receipt dates were recorded in the check register.

- 3. The Department of Emergency Management and Homeland Security should develop and submit an indirect cost rate in accordance with applicable federal and state requirements.**

Comment:

DEMHS did not develop an indirect cost rate for fiscal years 2008-2009, 2009-2010 and 2010-2011.

- 4. The Department of Emergency Management and Homeland Security should strive to comply with reporting timeframes provided for in Sections 4-36, 4-60, 4a-60g(m), 28-1i, and 28-31, subsection (c), of the General Statutes.**

Comment:

Reviews of compliance with reporting requirements disclosed late submissions during the audited period of the Annual Report of all Real and Personal Property, Administrative Reports to the Governor, Set-Aside Program Reports, and the Nuclear Safety Emergency Preparedness Plan. Also, DEMHS was unable to provide a copy, or any evidence of submission, of the Annual Report to the General Assembly for the fiscal year ended June 30, 2010.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes, we have audited the books and accounts of the Department of Emergency Management and Homeland Security for the fiscal years ended June 30, 2009, 2010, and 2011. This audit was primarily limited to performing tests of the agency's compliance with certain provisions of laws, regulations, contracts and grant agreements and to understanding and evaluating the effectiveness of the agency's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grant agreements applicable to the agency are complied with, (2) the financial transactions of the agency are properly initiated, authorized, recorded, processed, and reported on consistent with management's direction, and (3) the assets of the agency are safeguarded against loss or unauthorized use. The financial statement audits of the Department of Emergency Management and Homeland Security for the fiscal years ended June 30, 2009, 2010 and 2011, are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Department of Emergency Management and Homeland Security complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grant agreements, and to obtain a sufficient understanding of the internal controls to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

Internal Control over Financial Operations, Safeguarding of Assets and Compliance:

Management of the Department of Emergency Management and Homeland Security is responsible for establishing and maintaining effective internal control over financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts, and grants. In planning and performing our audit, we considered the Department of Emergency Management and Homeland Security's internal control over its financial operations, safeguarding of assets, and compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the agency's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control over those control objectives. Accordingly, we do not express an opinion on the effectiveness of the Department of Emergency Management and Homeland Security's internal control over those control objectives.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct on a timely basis, unauthorized, illegal or irregular transactions, or breakdowns in the safekeeping of any assets or resources. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that

noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions and/or material noncompliance with certain provisions of laws, regulations, contracts, and grant agreements that would be material in relation to the agency's financial operations will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial operations, safeguarding of assets, and compliance with requirements was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial operations, safeguarding of assets, and compliance with requirements that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over the agency's financial operations, safeguarding of assets, or compliance with requirements that we consider to be a material weaknesses, as defined above. However, we consider the following deficiencies, described in detail in the accompanying Condition of Records and Recommendations sections of this report, to be significant deficiencies: Recommendation 1 – Property Control and Reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Department of Emergency Management and Homeland Security complied with laws, regulations, contracts and grant agreements, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the agency's financial operations, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters which we reported to agency management in the accompanying Condition of Records and Recommendations sections of this report.

The Department of Emergency Management and Homeland Security's response to the findings identified in our audit are described in the accompanying Condition of Records section of this report. We did not audit the Department of Emergency Management and Homeland Security's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of agency management, the Governor, the State Comptroller, the Appropriations Committee of the General Assembly and the Legislative Committee on Program Review and Investigations. However, this report is a matter of public record and its distribution is not limited.

CONCLUSION

We wish to express our appreciation for the cooperation and courtesies extended to our representatives by the personnel of the Department of Emergency Management and Homeland Security and the Department of Administrative Services during this examination.

Vincent Filippa

Vincent Filippa
Principal Auditor

Approved:



John C. Geragosian
Auditor of Public Accounts



Robert M. Ward
Auditor of Public Accounts