



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
**STATE AUDITOR**

**Performance Audit Management Letter # 24 Regarding:**

A Limited Scope Performance Audit of the MS Department of Public Safety, Office of Support Services,  
Division of Fiscal Management

January 15, 2014

Mr. Albert Santa Cruz, Commissioner  
Mississippi Department of Public Safety  
Post Office Box 958  
Jackson, MS 39205

Commissioner Santa Cruz,

I am providing you this management letter and the additional attached information to bring closure to more of the items that you requested my office to review several months ago. Based on the request you made then, the Performance Audit Division began a limited scope performance audit of the Division of Fiscal Management in the Office of Support Services at MS Department of Public Safety (DPS). This portion of the request encompassed the following elements:

- 1) A review of revenues, expenditures, transfers, etc. from FY 2009 to present to ensure that all budgetary actions were appropriate and in compliance with State laws and regulations.**

*With the exception of FY 2010, it appears that the agency has not exceeded its transfer authority and that it has been in compliance with State laws and regulations, including its appropriation bill. However, throughout this project, my staff noted a lack of budget request supporting documentation, and difficulty in providing certain other budget and financial reports. DPS does rely on a non-State supported software system for some of its financial reports, but they were unable to provide certain information that my staff expected to see. Using MERLIN reports we generated, reconstructed reports from DFA, and DPS created documents, my staff was able to complete their analysis. In fact, without the Department of Finance and Administration's (DFA) assistance in re-creating certain financial and budget reports, it would have been impossible to complete this audit as specific documents were not available from DPS. My staff have recommended that in the future, budget request supporting documentation be maintained with the budget requests and certain other documents be created and used for analysis and planning throughout the year.*

- 2) **A review of the use of the \$3 million deficit appropriation to determine whether its use was appropriate and in compliance with Senate Bill 2904, passed during the 2013 regular session.**

*In reviewing Senate Bill 2904 and the supporting documentation for the request and subsequent use of the deficit funds, and in interviews with budget analysts, my staff determined that the use of the deficit appropriation was in compliance with, and matched the request to the legislature.*

- 3) **A review of the Division of Fiscal Management's operations, internal controls, policies, and procedures to ensure accountability of budget and operations for the agency.**

*In reviewing daily workflow and compliance with policies and procedures, my staff made several findings. While overall employee morale of the Division is good, it has several areas that are understaffed and where work is on the verge of exceeding, or already exceeds the daily abilities of the current staff. My staff recommends that you should attempt to fill at least six of your existing support services vacancies with emphasis on accounting positions that could be trained to provide support for grants, accounts payables, and accounts receivables, as well as direct support for the Comptroller.*

*Additionally, the Division has a need for a succession plan and mentoring/training plans to increase the skill level and capabilities of existing staff. Currently, the Comptroller appears to lack sufficient skills and experience to manage the fiscal affairs of an agency this large and complex without a heavy reliance on several highly skilled and knowledgeable individuals, at least one of whom is the former DPS Comptroller who is retired and working under contract and another who is retirement eligible. These individuals should work with the Comptroller in more of a training capacity, so that when they leave, there will not be a void of skills and capabilities. Rather, the Comptroller will have those skills and be able to pass them on to new hires. With additional permanent support staff and additional training, the Comptroller can then successfully delegate some of these responsibilities to others.*

*In reviewing internal control weaknesses from prior years, my staff noted that numerous budget control features have been implemented in the last 12 to 18 months that add accountability and stronger controls to the Division's work. Further, they noted in discussion with budget analysts, that there has been improvement over the last year as well. My staff recommended a number of additional procedural changes which are already being implemented by your staff, including utilizing certain DFA generated reports and categorizing certain activities in a more specific and descriptive manner. There is still a need to implement a progression of quarterly, semi-annual, and annual reviews of financial data in a more aggregate format. This will help not only streamline the time to formulate budget requests, but will create the predictive analytics that will provide you, the Commissioner, with a more accurate picture of your overall budget at any given time.*

*Finally, with several sub-agencies (see org chart in attached information) that operate much more independently from the Division's oversight, my staff recommends that you*

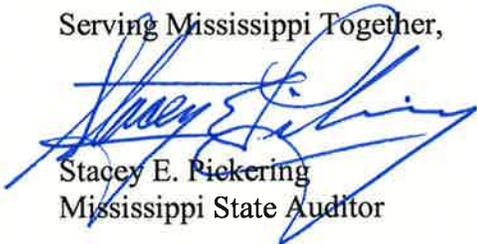
*consider studying some sort of reorganization that would place the fiscal and budget personnel of these "sub-agencies" under the direct oversight of the Comptroller.*

**4) A review of the efficiency and effectiveness of the Drivers' License Kiosk procurements and the existing contract(s) for purchase and maintenance.**

*As we agreed, in order to complete the first three elements by January 15, 2014, this is not included in my letter to you today. My staff will begin on this portion of your request within the next two months.*

I am attaching a more detailed analysis of each of these areas to this letter. I hope you find the additional information useful. Please feel free to contact me with any questions or comments you may have about this report. In closing, I wanted to let you know that while you made the request to us for this work to be done, the Governor, Lieutenant Governor, and Speaker of the House have all requested a copy of this report. Consequently, I will be providing them a copy of this letter and attached information as well.

Serving Mississippi Together,



Stacey E. Pickering  
Mississippi State Auditor

Cc: Governor Phil Bryant  
Lt. Governor Tate Reeves  
Speaker Philip Gunn



**Stacey E. Pickering**  
State Auditor

**Performance Audit Division Management Letter #24 Addendum:  
*A Limited Scope Performance Audit of the MS Department of Public Safety, Office of Support  
Services, Division of Fiscal Management***

**January 15, 2014**

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The information presented in this addendum to the management letter is arranged in the same order as the elements of the letter with a greater level of detail. It is designed to provide more specifics about the organizational and structural findings and recommendations summarized in the letter.

**REVENUE, EXPENDITURE, AND BUDGET TRANSACTION REVIEW**

The goal of the first item of the engagement with the Mississippi Department of Public Safety (DPS) was to use FY 2009 as a baseline year and review relevant supporting documentation for each of the subsequent fiscal years in order to determine whether or not expenditures and transfers were in compliance with laws and regulations, including their appropriation bills. During initial work at DPS, it became apparent that while the agency has very good documentation for day-to-day activities, it did not have good historical documentation that it could easily use to support the various years' budget requests. A number of reports had to be created or recreated upon OSA's request for information. It should be noted that the Comptroller and several other key staff came to DPS in 2012 and the remaining staff had no knowledge of where certain types of supporting documentation from prior years might be located. Further, prior administrations had ceased using certain monthly reports sent to the agency by the Department of Finance and Administration (DFA). OSA staff recommended DPS should reinstate several of those reports for use in planning and monitoring the budget more comprehensively. Since the new staff and retirees came to DPS since 2012, there have been improvements to some of the procedures that allow financial and budgetary data tracking (discussed in the section below regarding internal controls, policies, and procedures).

To conduct their work, OSA staff requested and utilized DFA generated reports, internal reports (including reports generated by the non-state legacy software known as SFAS, samples of grant reporting documents, accounts receivable and accounts payable activity reports, actual transactions, and banking deposit and reconciliation documentation. Due to the scope of the project and time limitations for project completion, OSA was only able to review DPS data and reports from FY 2010 to present to make determinations about financial and budgetary compliance with State laws and regulations.

To review DPS' expenditures, OSA staff compared DPS' spending authority, set by each fiscal year's appropriation bill, to expenditure reports (F-121 reports) prepared by DFA. OSA staff also reviewed all Z-1 forms (used to request fund escalations) on file with DFA, to ensure that if an appropriation unit's expenditures exceeded its spending authority, the appropriation unit's funds were properly escalated to cover the excess expenditures. OSA found that all funds were properly escalated to cover any excess expenditures for all fiscal years under review.

At the beginning of this performance audit, OSA did have difficulties gathering the data needed for the review and analysis. Initially, OSA requested the F-121 reports, which DFA distributes monthly to each individual agency, but was informed by DPS that they discontinued receiving this report several years prior to the current Comptroller's tenure. DPS staff were uncertain why this had happened. OSA then asked if DPS could generate similar expenditure reports by fund, using DPS' internal accounting system. DPS could not comply with this request initially, but, by the end of the review, was able to internally generate year-to-date expenditure reports by fund. DPS did contact DFA and request the F-121 reports for the fiscal years under review and DFA was able to



provide DPS and OSA with copies of these reports from micro-fiche. It is OSA's current understanding that DPS has requested DFA to resume delivering the F-121 reports monthly. **OSA recommends that DPS retain these documents and store them onsite for a minimum of three years.**

Also, in the past, DFA and LBO budget analysts for DPS have had difficulty obtaining the proper reports or have received reports containing incorrect information. However, the analysts stated that although there are still some timeliness and reporting issues, the situation has been improving over the last year. DPS staff stated that they have made an effort to continue to improve communication and reporting with DFA and LBO budget analysts by including the personnel who generate the required reports in conversations with these agencies.

With the exception of the FY 2010 budget year (see discussion on page 4), in reviewing DPS' budget actions, OSA found that all of the activities reviewed were within the parameters of, and were in compliance with, State laws and regulations. However, OSA did note and discuss with DPS staff possible minor internal errors that did not appear to have affected their overall budgetary compliance. One example of this is the deficit appropriation request required for FY 2013. When creating the annual budget request, one best practice is to never build federal grant money that has not been awarded into the expected Special Fund revenues. If the authority to spend is granted by the legislature, but the Special Funds do not materialize, then the agency would be in a budget shortage position. It appears that the budget request for FY 2013 was at least partially dependent on federal grants which had not been, and eventually were not, awarded during the budget year. This caused a decrease in actual Special Funds and an increase in unmet financial needs. DPS has stated that they have ceased this practice of building in unawarded federal funds. OSA auditors noted that there are several variable costs which potentially created a shortfall situation (see deficit appropriation section below), noted by DPS in a February, 2013 letter to Lieutenant Governor Reeves. **OSA recommends that DPS should track these variable costs continuously and regularly using quarterly, semi-annual, and annual reports provided to the Commissioner. DPS should analyze these cost trends to provide a more accurate and complete understanding of funding needed for future years' budget requests.**

One place where DPS has implemented this level of review and monitoring is actually in a revenue area, the Driver Services Division. OSA reviewed the operations of this division and found that new procedures have been put in place to strengthen internal controls and add accountability to the revenue stream. Under the current administration, several standardized, uniform activities have been implemented that bring continuity and accountability to this cash heavy area of the agency, handling approximately \$26 million in cash payments each year. The Comptroller has instituted a system, which requires each driver services clerk to have their own individual cash deposit slip identification numbers; the clerk and the station Master Sergeant are required to reconcile, verify, report, and make daily deposits. Additionally, staff that work directly with the Comptroller review, reconcile, and analyze weekly deposit reports and monthly bank statements. **OSA recommends that DPS implement this level of review, as well as quarterly and semi-annual analysis, into other areas of revenue to provide a more clear understanding of what funding will be available for future budget years.** Such trend analysis, as well as the aggregate data it would provide, could help improve the speed and accuracy of the budget request process and ensure better budget management throughout the year.

Toward the close of this project, the Commissioner asked OSA auditors to review DPS' vehicle purchase compliance related to their appropriation bill. Using State inventory records provided by the OSA Property Division, DPS appropriation bills, and DPS budget request information found in annual Legislative Budget Report publications, OSA was able to determine the following:

<b>Review of Actual Vehicle Purchases for FY 2013 and FY 2014 To-Date</b>				
Vehicle Expenditures by Agency Number	2013 Vehicle Expenditures	2013 Vehicles Purchased	2014 Vehicle Expenditures	2014 Vehicles Purchased
711-DPS Highway Patrol	\$670,110.80	28	\$1,318,931.22	56
718-Bureau of Narcotics	\$373,471.00	42	\$414,538.00	33
<b>DPS TOTAL</b>	<b>\$1,043,581.80</b>	<b>70</b>	<b>\$1,733,469.22</b>	<b>89</b>

\* This information comes from the OSA Property Division



There are no line item appropriations, for vehicles or any other Object, in DPS' appropriation bill. Upon reviewing DPS budget request information (see chart below), OSA determined that in FY 2013, DPS spent less than anticipated on vehicles, but already in FY 2014, they appear to have spent more. However, since they have a lump sum budget with both Special and General Fund transfer authority, there is no compliance issue. Therefore, it is possible that due to other budget activity, the actual amount spent on vehicles may be more than or less than what was actually requested or recommended. Further, DPS has stated that their reason for the timing and volume of the expenditures was salaries being a priority during a budget shortfall, so vehicles purchases were delayed in FY 2013. In addition, the March 2013 hailstorm damaged 144 vehicles; the insurance company totaled 74 of those. While DPS received \$1.6 million in payments from the insurance company, this amount did not cover the total losses from the storm because insurance only covered vehicles physically located at a State-owned building during the storm.

<b>DPS Vehicles as a Budget Request Item</b> <i>(includes all sub-agencies of DPS)</i>					
<b>Capital Outlay-Vehicles</b>	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Actual	\$4,961,187.00	\$6,077,913.00	\$1,129,866.00		
Estimated		\$2,006,354.00	\$1,092,449.00	\$0.00	
Requested			\$6,334,920.00	\$5,283,809.00	\$5,563,823.00
Recommended			\$2,041,354.00	\$916,449.00	\$0.00

\* This information is compiled from information provided in Annual Legislative Budget Reports published in 2012, 2013, and 2014

## **DPS' BUDGET TRANSFER AUTHORITY**

OSA staff was asked to review DPS' Transfer Authority based on the language found in Sections 5 (General Fund Transfer Authority) and Section 11 (Special Fund Transfer Authority) of DPS' appropriation bill. Section 5 of the DPS appropriation bill states:

*The Commissioner of Public Safety shall have the authority to transfer both positions and/or State General Funds appropriated herein from any division within the Department of Public Safety to any other division within the Department of Public Safety, not to exceed twenty-five percent (25%).*

DPS did not exceed its 25 percent General Fund transfer authority in any of the fiscal years examined. OSA staff then focused their resources on the Special Fund transfer authority found in Section 11 of DPS' appropriation bill, which states:

*The Commissioner of Public Safety shall have the authority to transfer Department of Public Safety Special Funds from any division within the Department of Public Safety to any other division of the Department of Public Safety Special Funds, including, but not limited to, Funds 3711, 371C, 371E, 3713, 3714, 3715, 3740, 3741, 3742, 3744, 3747 and 3718, not to exceed Eight Million Dollars (\$8,000,000.00) collectively during Fiscal Year 2011. Further, the Department of Public Safety shall be authorized to escalate both funds and positions for any special fund monies received for Homeland Security.*

This language provides broad transfer authority by allowing DPS to transfer Special Funds from any division within DPS to any other division within DPS. For the period under review, starting in FY 2010, DPS had the authority to transfer \$6 million. The legislature increased this amount to \$8 million for FY 2011 and 2012, and increased it again to \$10 million for FY 2013. OSA performance auditors reviewed the amounts transferred for each fiscal year using documentation generated internally by DPS that displays the transfer date, amount of transfer, the transfer from fund, the remaining transfer authority balance, the transfer to fund, and the related

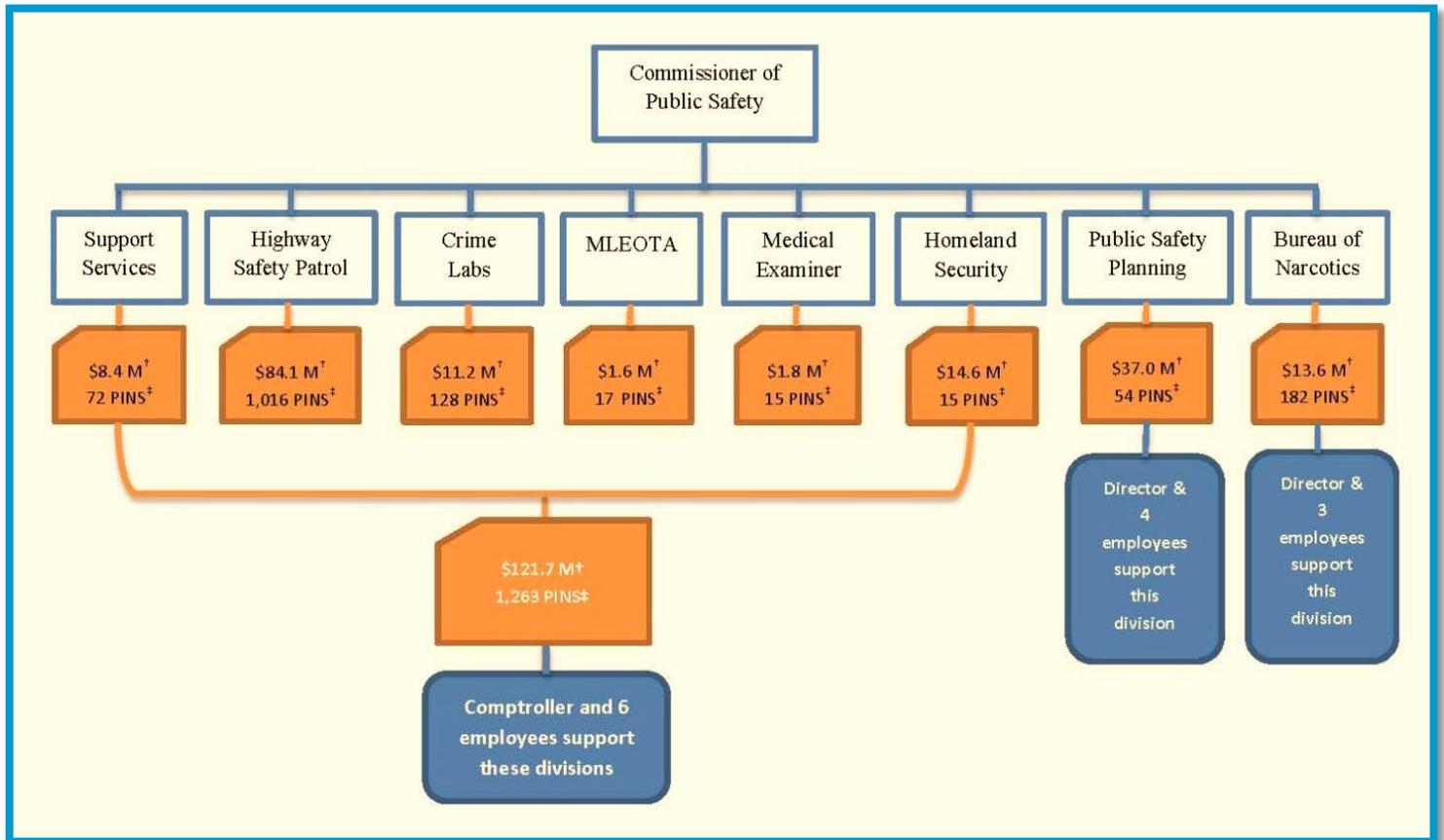


transaction number for the transfer (except for the FY 2010 report which does not show the transaction numbers for transfers).

OSA staff then compared this documentation to expenditure records received from DFA as well as to OSA generated MERLIN reports. The DFA reports showed total expenditures by Minor Object Code for each fund under DPS' transfer authority. Using the Minor Object Code 89150 (the code for transferring funds out), the transfer expenditures for every fund were totaled and compared to the maximum transfer authority stated in section 11 of DPS' appropriation bill. For FY 2010, OSA noted that the total Special Funds transferred was \$9,167,120.55, potentially exceeding the allowable transfer authority of \$6,000,000, by \$3,167,120.55. However, this exact amount of transfers could not be verified due to the lack of transaction numbers on the transfer document generated by DPS for FY 2010, as mentioned above, and the time limitations of this project. For FYs 2011, 2012, and 2013, the total Special Fund transfers examined did not exceed the transfer authority set forth by the appropriation bill.

The finding for FY 2010 led OSA staff to generate MERLIN reports for each of the remaining fiscal years (FY 2011, 2012, and 2013) in order to compare the transaction numbers listed on DPS' internal documents to transaction numbers listed in MERLIN. Using the documentation from MERLIN, OSA was able to identify each Special Fund transfer transaction shown in DPS' internal documents. However, 21 other transactions were labeled as transfers between funds, but not included on the internal transfer document. When OSA inquired about these other transactions, DPS staff was able to produce evidence for seventeen of the twenty-one transactions showing they were actually reimbursement payments between funds, but labeled in MERLIN as transfers and used the 89150 Minor Object Code, which is the most accurate Minor Object Code to use for re-imbursement payments between funds. One of the remaining four transactions was a transfer of funds in FY 2011, which DPS could produce documentation for but was not included on the internal transfer sheet. Regarding the final three transactions, two in FY 2012 and one in FY 2011, DPS could not provide supporting evidence at this time. For all reimbursement transactions in the future, **OSA recommends that DPS label reimbursement transactions in the line description as reimbursements rather than transfers to increase the accuracy and transparency of DPS' transfer authority. Also, DPS should ensure that all transfers between funds are recorded properly and maintained with other transfer documentation.**

Another issue that OSA auditors identified was the organizational structure involved in the financial and budget process. The Comptroller currently has official and direct fiscal oversight of DPS-Highway Patrol (and its sub-agencies), but does not have direct fiscal oversight of the two sub-agencies, Public Safety Planning (PSP) and Mississippi Bureau of Narcotics (MBN). While the budget personnel in these sub-agencies provide information to the Comptroller's office, the Comptroller does not have direct oversight of those personnel. Based on both total dollar amounts and total number of personnel, OSA has noted a significant financial/budget resource disparity as shown in the chart on the following page:

**FISCAL MANAGEMENT SUPPORT AT DEPARTMENT OF PUBLIC SAFETY**

<sup>†</sup>Total dollar amounts are from SB 2971, 2013 regular session and include General and Special Funds appropriations

<sup>‡</sup>Total staff positions are from SB 2971 2013 regular sessions and are the authorized General and Special Fund allocated PINS, and are not necessarily filled positions. Currently, the agency has 129 total unfilled positions.

It is no longer efficient for an agency such as DPS to have separate fiscal management divisions in sub-agencies, which all report to the Commissioner. **OSA recommends that DPS should consider an organization of resources that maximizes the financial and budgetary efficiency and effectiveness of the overall agency.** Even though various “sub agencies” exist—and were created or brought under the DPS umbrella at different times—DPS should ensure that it is able to maximize both daily financial operations and that it has sufficient resources available for long-term budget analysis and planning. In the future, the Commissioner should consider an organizational structure where the PSP and MBN financial/budget directors regularly report to the Comptroller. This would allow for more continuity of operations, a more streamlined budgetary process, improved internal controls, and an integrated review of the ongoing budget development for the agency in a more direct and timely manner.

**\$3 MILLION DEFICIT APPROPRIATION**

The DPS Commissioner asked OSA to review a deficit appropriation requested by DPS for FY 2013, totaling \$3,012,134.00, and granted in Senate Bill Number 2904. OSA requested documentation from DPS, DFA, LBO and several others that explained the need for and the planned use of the request. OSA also reviewed the deficit appropriation and the subsequent use of the funds provided by the legislature. DPS provided a letter addressed to Lieutenant Governor Reeves, written by Colonel Donnell Berry, dated February 5, 2013. This letter states the General Fund appropriations for DPS, for FY 2013, would not be sufficient to cover payroll obligations for the current fiscal year. Further, the letter states that DPS will have a fund shortage of \$3,012,402 and lists several



potential reasons for the shortage, including retirement contributions, rising fuel and ammunition costs, potential increased salary expenses due to retirements, and unanticipated maintenance costs for vehicles. DPS received the appropriation and the funds were placed into Special Fund 371S. DPS provided OSA with MERLIN expenditure reports showing the following expenditures for Special Fund 371S for FY 2013:

- Salaries and Wages - \$2,124,855.22
- SPAHRS Refunds of Deductions - \$82.25
- Overtime Salaries and Wages - \$7,407.78
- Employees' Retirement Matching - \$428,435.71
- Salaries, Social Security Matching - \$155,133.49
- Group Health Insurance Contribution Match - \$289,401.41
- Group Life Insurance Match - \$5,424.66
- Cafeteria Plan – Administration Fee - \$1,370.20
- Fuels Gasoline - \$0.18

These expenditures total \$3,012,110.90. In Senate Bill Number 2904 for FY 2013, the language for the appropriation states the funds are for the operations of the Department of Public Safety – Highway Patrol, with no other obligatory language. Budget analysts also stated that DPS had requested the deficit appropriation to cover salary costs through the end of the fiscal year. During its review, OSA found no evidence that the deficit appropriation was spent on anything other than for what it was requested.

#### **DPS' DIVISION OF FISCAL MANAGEMENT'S OPERATIONS, INTERNAL CONTROLS, POLICIES, AND PROCEDURES**

As part of the scope of this performance audit, OSA evaluated the Fiscal Management Division's adherence to policies and procedures and their general operations as it relates to cash management, accounts payable and receivable, grants management, and the budget process (oversight and preparation). The employees within this unit appear to have sufficient internal controls, are following established policies and procedures, and are efficient and effective in their daily routines. OSA staff observed the daily workflow of this Unit and determined that even though its employees as a whole have good morale, it has several areas that are understaffed and where work is on the verge of exceeding, or already exceeds the daily abilities of the current staff. The employees of each of these departments appear to be providing sufficient, timely information that could be used for budget oversight if utilized by management.

The Director of Accounts Receivables works with two people. The current Director has been in the position for a number of years and was in a different position in the department prior to that. The Accounts Payable Director has been in that position for ten years and has 3 subordinates. They appear to have adequate controls over the daily operations, they are efficient in their daily routine, and they appear to be in compliance with established policies and procedures. In both areas, several additional controls, in the form of reports and report reviews, have been implemented. Given their current staffing levels and daily operations, they either have fallen behind recently (and temporarily), or they are on the verge of falling behind in processing the financial activities of the agency. **OSA believes the Division has a need for a succession plan and mentoring/training plans to increase the skill level and capabilities of existing staff.** With additional permanent support staff and additional training, the Comptroller can then successfully delegate some of these responsibilities to others.

With regard to the Grants Management department, OSA interviewed staff, reviewed reports, and observed process and procedure implementation. DPS appears to comply with federal guidelines regarding administrative costs and personnel. OSA also reviewed their procedures for record retention and found that they appear to comply with federal grant requirements. In almost all grant management positions, federal funds may only be used to pay the salary of a person who actually works on a grant. Three individuals work on 44 federal grants. Specifically, two people manage the very complex federal Real ID grants and one person oversees the remaining 42 federal grants. The two individuals who work on the Real ID grant are paid 100% out from federal Real ID grant funds. The other individual is paid out of the remaining federal grants. Their knowledge, efficiency, use of checklists, and their well-managed daily routine are what appear to allow them to adequately function. They



appear to work well and closely with other sub-agencies that are actually conducting the grant work, also. However, this department could use at least one additional person to more equitably distribute the federal grants workload and ensure a continuity of operations that would fail with the loss of a person. They, like the other departments that OSA reviewed, appear to have adequate daily operational procedures that result in a low risk of error, but due to understaffing, they have very little room for personnel loss. Currently, there are two vacancies in the Division that are not being filled due to budget constraints and priority being placed on line employees, such as State Troopers. Therefore, **OSA recommends that DPS should attempt to fill at least six of its existing support services vacancies.** DPS should place an emphasis on accounting positions that could be trained to provide support for grants, accounts payables, and accounts receivables, as well as direct support for the Comptroller.

In reviewing the Comptroller's operations and annual budget preparation process, it appears that the Comptroller—by necessity—relies on a number of other individuals in order to maintain certain budget activities. With the exception of certain transfer reports and monthly budget reports, OSA auditors found little evidence of the type of historical trend analysis reports that would allow the Comptroller to provide the Commissioner with accurate budgetary direction in a timely manner.

With the number of routine and daily activities currently conducted by the Comptroller, there is little or no room for the sort of budgetary oversight needed in such a complex agency. Additionally, the Comptroller appears to lack sufficient skills and experience to manage the fiscal affairs of an agency this large and complex without a heavy reliance on several highly skilled and knowledgeable individuals, at least one of whom is the former DPS Comptroller who is retired and working under contract and another who is retirement eligible. One other individual runs many of the reports that the Comptroller uses and appears to know many of the processes almost better than the Comptroller.

While there is nothing inherently wrong with—and OSA acknowledges the need in some cases for—a reliance on subordinates to provide good data analysis and reports, the Comptroller needs more depth and breadth of experience to compensate when any of the above mentioned individuals leave the agency. **OSA recommends that these individuals should work with the Comptroller in more of a training capacity, so that when they leave, there will not be a void of skills and capabilities.** Rather, the Comptroller will have those skills and understanding and will be able to pass them on to new hires. **OSA also recommends that the Comptroller undertake budget analysis in a more meaningful way that would allow her to provide the Commissioner and others with a strong view of the budget “big picture.”** OSA staff were concerned by the amount of time it took to generate certain documents that could provide a periodic picture of DPS budget position. The Comptroller was able to show supporting documentation for budget requests, but also stated that while she sits down with some staff from the sub agencies during budget request preparation time, she does not really have the time to thoroughly review all of the supporting documentation.

In reviewing internal control weaknesses from prior years, OSA auditors noted that numerous budget control features have been implemented in the last 12 to 18 months that add accountability and stronger controls to the Division's work. Further, they noted in discussion with budget analysts, that there has been improvement over the last year as well. OSA has recommended a number of additional procedural changes which are already being implemented by the Comptroller, including utilizing certain DFA generated reports and categorizing certain activities in a more specific and descriptive manner. There is still a need to implement a progression of quarterly, semi-annual, and annual reviews of financial data in a more aggregate format. This will help not only streamline the time to formulate budget requests, but will create the predictive analytics that will provide you, the Commissioner, with a more accurate picture of your budget overall at any given time.

Finally, as noted earlier in this report, with several sub-agencies that operate much more independently from the Division's oversight, **OSA recommends that DPS study ways that reorganization of financial and budget management operations could result in more streamlined activities.** OSA further recommends that in addition to filling as many of the vacant positions as they can in the Division, that DPS consider some sort of reorganization that would place the fiscal and budget personnel of these “sub-agencies” under the direct oversight of the Comptroller.



## CONCLUSION

At the Commissioner of Public Safety's Request, OSA Performance Auditors examined budget operations, internal controls, and policies and procedures for the Division of Fiscal Management. Internal controls over day-to-day operations at DPS appear to be adequate. In its review of budget and appropriation compliance, OSA found only in FY 2010 (see page 4), and under a prior administration, where it appeared that DPS had exceeded their special fund transfer authority. In all subsequent years, they appear to have remained in compliance with their statutory spending and transfer authority limits. It should be re-stated that DPS has very broad transfer authority in both special and general funds and also that DPS has a lump sum budget. Therefore, there are no line-item spending requirements in their appropriation bill. DPS' need to be able to respond to emergencies and the fluid nature of certain parts of the agency make the lump sum budget a valuable tool.

In reviewing vehicle purchases, OSA noted that while they did spend less on vehicles than they originally planned in FY 2013, it appears they have made that up already in FY 14. Their reasoning for cutting back on vehicle purchases was due to extenuating circumstances of the March 2013 hailstorm—for which the agency incurred high losses, as well as an unanticipated budget shortfall.

During FY 2013, DPS requested and received a \$3.01 million deficit appropriation. In its review, OSA noted several issues that need to be resolved in order to prevent, or at least lessen the likelihood of, the need for more deficit appropriations in the future. Certainly, unanticipated shortfalls can occur, just as the loss of federal grants and across the board budget cuts can have a negative impact on an agency's ability to conduct basic mission-oriented business and meet its budget goals. However, while such methods may not totally eliminate unanticipated costs, planning and trend analysis at a high level can help alleviate the severity and impact of such actions. The following are a few ways that planning and trend analysis can help an agency stay within the parameters of its budget appropriation:

- Knowing that fuel costs have been fluctuating and will continue to do so, trend analysis can help project the future fuel needs for State Troopers. This information can be derived locally from actual use records or from internet data sites that track fuel cost trends.
- Vehicle maintenance records over time can provide baseline and minimum budgetary needs guidance. Additionally, increasing cost trends can be calculated and then applied to future budget requests. The same is true about anticipating and preparing for the replacement cycle for expendable items such as tires, computers, radios, etc.
- Planning around the possibilities of retirements by determining those who are retirement eligible over a 1, 3, and 5-year period of time will help with budget preparation and understanding true fiscal requirements.
- Increases in retirement contributions are announced in advance of budget cycles, therefore, with planning, those additional costs can be built-in and justified in a budget request.
- Long- and short-term analysis of the cost of new hires can be calculated and projected for budgeting purposes.
- Commodity cost increases over time can be analyzed to predict future trends. Again, while certain spikes may not be able to be fully anticipated, such trend analysis can alleviate shortfalls and aid in budget justification.
- In any budget request, only actual awarded federal grant funds should be referenced. An agency should never build in federal grant money that has not already been awarded. This can lead to a severe shortage of available funds and an increase in required funding need outside of the annual appropriation.

With this in mind, OSA believes that only with some additional changes to budget preparation and planning, as well as additional training opportunities for the current Comptroller, DPS should be able to lessen the potential need for future deficit appropriations. OSA has recommended the Commissioner should seriously consider reorganizing the various fiscal departments located in Public Safety Planning and the Bureau of Narcotics under the DPS Support Services Fiscal Division. This reorganization offers the Comptroller the needed staff resources to be most efficient and effective, as well as creating a stronger internal control and oversight system of fiscal resources, without having to hire additional new personnel.