LEGISLATIVE AUDIT COMMISSION

Review of
Office of the State Fire Marshal
Two Years Ended June 30, 2020

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REVIEW #4530:
OFFICE OF THE STATE FIRE MARSHAL
TWO YEARS ENDED JUNE 30, 2020

FINDINGS/RECOMMENDATIONS – 21

IMPLEMENTED – 9
PARTIALLY IMPLEMENTED – 10
UNDER STUDY - 2

REPEATED RECOMMENDATIONS – 10

PRIOR AUDIT FINDINGS/RECOMMENDATIONS – 12

This review summarizes the auditors' report on the compliance examination of the Office of the State Fire Marshal for the two years ended June 30, 2020, filed with the Legislative Audit Commission on November 30, 2021. The auditors conducted a compliance examination in accordance with state law and *Government Auditing Standards*.

The Office of the State Fire Marshal (OSFM) was created by the State Fire Marshal Act effective July 21, 1977. The Office, as authorized by the State Fire Marshal Act is dedicated to working with its partners and providing assistance to the fire service in the protection of life, property and the environment through communication, inspection, investigation, certification and licensing.

The Office provides its services through the following operating divisions:

- Arson Investigation,
- Fire Prevention,
- Boiler and Pressure Vessel Safety,
- Petroleum and Chemical Safety,
- Personnel Standards & Education,
- Elevator Safety, and
- Technical Services Section.

The Office is located in Springfield, with additional offices in Chicago and Marion, Illinois. The Chicago office was moved from the JRTC to 555 W. Monroe in Chicago.

Mr. Matthew Perez served as State Fire Marshal during the audit period and is still serving in that capacity. He was appointed State Fire Marshal on April 1, 2015. Previously, he served two and a half years as a deputy for Kane County, 27.5 years for the Aurora Fire Department and seven years as State Fire Marshal. In total, Mr. Perez has served in public safety for approximately 37 years.

The average number of full-time equivalent employees at June 30:

AVERAGE FULL-TIME EMPLOYEES	FY18	FY19	FY20
Function			
Arson Investigation	16	16	20
Fire Prevention	19	23	23
Fire Service Outreach	2	2	3
Personnel Standards and Education	8	9	11
Petroleum and Chemical Safety	23	24	25
Boiler and Pressure Vessel Safety	20	20	20
Elevator Safety	9	9	10
Technical Services	2	2	3
Support Functions			
Fire Marshal	1	1	1
Executive	6	6	7
Fiscal	0	1	3
Internal Audit	1	1	1
Legal	7	8	8
Special Projects	3	3	4
Administrative	4	4	3
Total Full-Time Equivalent Employees	121	129	142
This schedule presents the average number of employees, by function, at the Office.			

According to the audit report, the OSFM investigated 1,156 suspected instances of arson in FY20. 198 of those used canines to help determine whether there was presence of a fire accelerant. As of FY20, OSFM 17 Special Agents, 4 of which were hired in FY20.

OSFM inspected 37,572 active boilers and pressure vessels in FY20, **a decrease of 8,045 inspections from FY19**. The percentage of boilers and pressure vessels that are past due for inspection was 4.44% in FY20 compared to 2.22% in FY19. The office indicated that this increase was due largely to a backlog that began to develop at the onset of the Covid-19 pandemic when investigations were temporarily stalled. The Office had 19 Boiler Safety Specialists at the end of FY20.

OSFM performed 11,023 fire prevention inspections in FY20, 11,567 inspections in FY19 and 9,502 inspections in FY18. **The percentage of annual school fire prevention inspections completed within the statutorily mandated one year time frame was 71% in FY20, 79% in FY19 and 65% in FY18.** The Department had 14 Fire Prevention Investigators in FY20, 16 Fire Prevention Investigations in FY19 and 11 Fire Prevention Investigations in FY18.

OSFM is also tasked with monitoring and regulating Underground Storage Tanks (USTs) used to store petroleum or other potentially toxic chemicals. The Department oversaw the maintenance of 120,983 USTs, 18,948 of which are considered active in FY20. The Department performed 9,813 UST facility inspections in FY20, 10,090 inspections in FY19 and 11,148 inspections in FY18. The Department had 18 Storage Tank Safety Specialists in FY20 and FY19.

OSFM is responsible for overseeing the voluntary firefighter certification program for firefighters in the state. Due to the COVID-19 pandemic, OSFM stopped giving certification examinations in mid-March 2020 and did not resume until May 2020. In addition, electronic testing sites reduced capacity to 50%. Due to these circumstances the number of voluntary firefighter exams dropped from 10,687 in FY19 to 7,177 in FY20. Resultantly, the number of voluntary firefighter certifications issued dropped from 12,148 in FY19 to 7,129 in FY20.

Appropriations and Expenditures

The General Assembly appropriated $43.4 million to the Office of the State Fire Marshal in FY20:

- approximately $34.5 million from the Fire Prevention Fund;
- $4.8 million from the Underground Storage Tank Fund; and
- almost $4.1 million from other funds.

Total expenditures from all funds were $38.9 in FY20 compared to $31.5 million in FY19, an increase of $7.4 million, or 23.5%. Lapse period expenditures were about $7.4 million, or 19% of total expenditures, in FY20. FY19 lapse period expenditures were $3.9 million, or 12.2% of total expenditures.

Of the total expenditures between all funds in FY20:

- $26.1 million, or 67.1% of the total expenditures, was spent on operations; and
- $12.8 million, or 32.9% of total expenditures, was expended on awards and grants.

Of the $26.1 million in operational expenditures, $11.6 million was related to salaries, and $9.4 million was related to other payroll costs such as FICA and Retirement.

Finding #7 is related to inadequate controls over monthly reconciliations and expenditure records. Finding #9 is related to inadequate controls over employee personnel files and payroll expenditures.

Cash Receipts

Total cash receipts were $5.5 million in FY20 compared to $7.6 million in FY19, a decrease of $2.1 million, or 27.6%. During fieldwork, auditors noted deficiencies with Office's receipt records. See finding #11.

Property and Equipment

	Beginning Balance	Additions	Deletions	Net Transfers	Ending Balance
FISCAL YEAR 2020					
Property					
Land and Land Improvements	$ -	$ -	$ -	$ -	$ -
Site Improvements	-	-	-	-	-
Buildings and Building Improvements	-	-	-	-	-
Equipment	4,525,893	572,349	581,480	(734,957)	3,781,805
Total	$ 4,525,893	$ 572,349	$ 581,480	$ (734,957)	$ 3,781,805
FISCAL YEAR 2019					
Property					
Land and Land Improvements	$ -	$ -	$ -	$ -	$ -
Site Improvements	-	-	-	-	-
Buildings and Building Improvements	-	-	-	-	-
Equipment	4,921,429	1,668,043	1,506,104	(557,475)	4,525,893
Total	$ 4,921,429	$ 1,668,043	$ 1,506,104	$ (557,475)	$ 4,525,893

OSFM saw a decrease in state property of approximately $1.1 million from the beginning of FY19 to the end of FY20. As noted in the above table, additions in both fiscal years mostly offset deletions. Negative net transfers contribute, in part, to the overall decrease in state property from the beginning of FY19 to the end of FY20.

Covid-19 Disclosure

According to OSFM, one of the most significant challenges faced by the Office has been the COVID-19 pandemic which, beginning in March 2020, has had some impact on the operations of the Office. Since March 18, 2020, Office executive staff have met on a routine basis (initially seven days a week and now three times per week) to ensure that Office operations could be maintained as much as possible. The challenges faced by the Office have included dealing with an office staff that is largely working remotely, dealing with field staff that must continue to provide inspection services in the midst of a pandemic, and ensuring that all staff have adequate access, training on proper use, and instruction on when to use multiple levels of Personal Protective Equipment (PPE) that will enable them to continue performing their jobs safely. The aforementioned challenges are detailed as follows:

- Office staff – In March 2020, most agency office staff began working remotely. The transition from in-office work to remote work created challenges that required the Office to quickly develop a plan that allowed its office staff to work remotely from home. While many employees had access to laptop computers that allowed them to be mobile, several office staff were without the equipment necessary to allow them to work from home. Within a short period of time the Office was able to secure all of the necessary information technology equipment that allowed all agency office staff to work

remotely and currently all office staff are working at least partially remotely, rotating into the office as needed to allow them to complete their daily work.

- Field staff - As a result of the pandemic, the Office had to stop most of its inspection programs in March 2020 and did not fully resume inspections until May 2020. This has created backlogs in some inspection programs. This Office is currently dealing with this backlog through a managed overtime program which allows inspectors to work extra hours in their own areas of responsibility as well as travel to other areas of the state to assist in providing inspections in areas with large backlog.
- Personal Protective Equipment (PPE) – As with most agencies, when the COVID-19 pandemic began the Office did not have supplies of PPE. However, almost immediately the Office was able to begin securing the necessary PPE that would allow its staff to conduct their work as safely as possible, first utilizing PPE provided by the Illinois Emergency Management Agency and then by procuring PPE on its own through the normal procurement process. Currently, the Office has a stockpile of all necessary PPE and continues to distribute that PPE to all staff as needed. The Office also continues to utilize the procurement process to resupply its stock of PPE as necessary.

Emergency Purchases

The Illinois Procurement Code (30 ILCS 500/) states, "It is declared to be the policy of the state that the principles of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts…." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption when there exists a threat to public health or public safety, or when immediate expenditure is necessary for repairs to state property in order to protect against further loss of or damage to state property, to prevent or minimize serious disruption in critical state services that affect health, safety, or collection of substantial state revenues, or to ensure the integrity of state records; provided, however that the term of the emergency purchase shall not exceed 90 days. A contract may be extended beyond 90 days if the chief procurement officer determines additional time is necessary and that the contract scope and duration are limited to the emergency. Prior to the execution of the extension, the chief procurement officer must hold a public hearing and provide written justification for all emergency contracts. Members of the public may present testimony.

Notice of all emergency procurements shall be provided to the Procurement Policy Board and published in the online electronic Bulletin no later than five business days after the contract is awarded. Notice of intent to extend an emergency contract shall be provided to the Procurement Policy Board and published in the online electronic Bulletin at least 14 days before the public hearing.

A chief procurement officer making such emergency purchases is required to file a statement with the Procurement Policy Board and the Auditor General to set forth the

circumstance requiring the emergency purchase. The Legislative Audit Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

Per OSFM records, no emergency purchase statements were filed for emergency purchases in FY19. There was one emergency purchase in FY20 for a one time purchase of 23 SUVs totaling an actual final cost of $594,320. The SUVs had been competitively solicited, but the vendor failed to produce the vehicles per the agreement forcing the agency to seek to purchase them via emergency procurement.

Headquarters Designations

The State Finance Act requires all state agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each state agency is required to file reports of all its officers and employees for whom official headquarters have been designated at any location other than that at which official duties require them to spend the largest part of their working time.

As of July 2020, OSFM had 214 employees assigned to locations other than official headquarters.

Accountants' Findings and Recommendations

Condensed below are the 21 findings and recommendations included in the audit report. Of these, ten are repeated from the previous audit. The following recommendations are classified on the basis of information provided by the Office of the State Fire Marshal, via electronic mail received November 30, 2021.

1. The auditors recommend the Office work with the Governor and the General Assembly to ensure sufficient resources exist to timely conduct public school building inspections. Further, the Office should enhance its internal controls to provide assurance violation reports are timely sent to the school's applicable superintendent.

FINDING: *(Failure to Perform School Fire Inspections or Report Violations)*

The Office of the State Fire Marshal (Office) did not perform all inspections of public schools or always report identified violations to the regional superintendents (superintendent).

During testing, the auditors noted the following:

- The Office did not perform annual fire safety inspections of each public school within the State. We noted 1,218 of 3,461 (35%) and 1,248 of 3,447 (36%) schools were not inspected during Fiscal Year 2019 and Fiscal Year 2020, respectively.

- Due to insufficient documentation, we were unable to determine whether 1 of 60 (2%) inspections selected for testing was performed and whether violations were submitted to the superintendent, if violations were noted.

- The Office did not have sufficient controls in place to ensure violations identified during school inspections performed by qualified fire officials to whom the Office delegated its authority during the examination period were sent to the superintendent within 15 days of the completed inspection. More specifically, all of the school inspection reports are entered into the Office's Fire Prevention System (Mobile Eyes), and once approved, the report is automatically emailed to the superintendent. The Office does not monitor the time between the date of inspection and when the inspection report is entered into Mobile Eyes.

- Forty-eight of 60 (80%) sampled inspections of public schools conducted by the Office during the examination period contained violations noted by the inspector. For those 48 inspections containing violations, we noted the following:

    - Seventeen (35%) reports with violations did not have evidence the report had been submitted to the superintendent.

    - Six (13%) reports with violations were reported to the superintendent between 3 and 26 days late.

As in the prior examination, OSFM management stated it does not have the resources necessary to ensure all schools within the State are inspected annually. Office management also stated the fire department is responsible for sending the inspection report to the applicable superintendent. Additionally, Mobile Eyes lacks the necessary controls to ensure fire departments are submitting violations to the superintendents as required. Further, Office management stated the untimely inspections were exacerbated due to the complications with restrictions on inspections during the COVID-19 pandemic. Due to implementing adequate safety measures, the Office did not perform inspections from March 2020 through June 2020.

RESPONSE:
Accepted. The Office will work with the Governor and General Assembly to ensure sufficient resources exist to timely conduct public school building inspections. Additionally, the Office is competitively procuring a new inspection system which will increase internal controls noted by the accountants (to provide assurance violations reports are timely sent to the applicable superintendent).

UPDATED RESPONSE: Partially Implemented.

The Office is working with Governor and General Assembly to ensure sufficient resources exist to timely conduct public school building inspections and has budgeted for five additional Fire Inspectors. The Office will also continue to promote the Tier I and II classes which allow local fire departments to conduct inspection in public schools in their jurisdiction. During the audit period COVID restrictions in schools prevented inspectors from being able to do many inspections. Public school inspections have been moved to the top priority and any school that were not inspected during the previous year will be first to be completed the following year. Additionally, the Office is competitively procuring a new inspection system which will increase internal controls noted by the auditors (to provide assurance violations reports are timely sent the applicable superintendent). The Office completed the following School Inspections: 65% in FY19, 63% in FY20, and 74% in FY21.

2. The auditors recommend the Office work with the Governor and the General Assembly to ensure sufficient resources exist to timely conduct facility licensing inspections.

FINDING: *(Failure to Perform Timely Licensing Inspections at Child Care Facilities and Community-Integrated Living Arrangements)*

The Office of the State Fire Marshal (Office) did not perform all inspections requested by licensing agencies in a reasonable timeframe. The Office is required to provide the necessary fire inspections for agencies under various licensing acts. The Office receives requests for inspections directly from the licensing agency through the Fire Prevention System.

During testing, we noted the following:

- Eighteen of 60 (30%) inspections selected for testing of Child Care Facilities, requested by the Department of Children and Family Services per the Child Care Act of 1969 (225 ILCS 10/5.7), were not performed on a timely basis from the date the request was received by the Office from the licensing agency. Inspections were performed between 1 and 134 days after the reasonable 60-day turnaround time as determined by the auditor.

  The Child Care Act of 1969 (225 ILCS 10/5.7(b)) requires the Office to perform the necessary fire inspections to comply with licensing requirements for child care facilities licensed under the act.

- Eighteen of 60 (30%) inspections selected for testing of Community-Integrated Living Arrangements, requested by the Department of Human Services per the Community-Integrated Living Arrangements Licensure and Certification Act (210 ILCS 135/13(b)), were not performed on a timely basis from the date the request was received by the Office from the licensing agency. Inspections were performed

between 7 and 162 days after the reasonable 60-day turnaround time as determined by the auditor.

The Community-Integrated Living Arrangements Licensure and Certification Act (210 ILCS 135/13) requires the Office to perform the necessary fire inspections to comply with licensing requirements for community-integrated living arrangements licensed under the act.

Additionally, after the accountants performed their sample testing, Office management stated it had a backlog of 1,339 requested fire prevention inspections (not counting schools or prisons) as of June 30, 2020.

Office management stated a majority of the backlog is due to not having the resources to meet the demands of the larger regions in the State. Office management also stated the untimely inspections were exacerbated due to the complications with restrictions on inspections during the COVID-19 pandemic. Due to implementing adequate safety measures, the Office did not perform inspections from March 2020 through June 2020. Further, Office management stated the Office prioritizes requests based on license expiration dates rather than when it receives the request for the inspection.

Failure to perform timely licensing inspections as requested by the appropriate party increases the risk of facilities operating under expired licenses and represents material noncompliance with State law. It also increases the risk that residents of these facilities could be living in a potential dangerous and unsafe living condition(s).

RESPONSE:
Accepted. The Office will work with the Governor and General Assembly to ensure sufficient resources exist to timely conduct facility licensing inspections.

UPDATED RESPONSE; Partially Implemented.
In 2017, a statutory change (P.A. 100-0313, effective August 24, 2017) took the responsibility of conducting inspections from the OSFM and delegated them to local fire departments in an effort to expedite the process. The local fire departments did not participate at the level Department of Human Services (DHS) and advocates had hoped which caused a large backlog of inspections. Consequently, the Office worked with DHS to amend the rules to return responsibility for the inspections to the OSFM (P.A. 100-0593, effective June 22. 2018). Due to these changes, at the beginning of the audit period, there was an existing backlog of inspections, in addition to those inspections requested during the audit period. The Office is also in the process of finalizing a MOU with DHS to ensure that the inspection request process is functioning as efficiently as possible to help eliminate the backlog that was created. The Office is working with the Governor and General Assembly to ensure sufficient resources exist to timely conduct facility licensing inspections. The Fire Inspectors who conduct these inspections are the same ones who do the public school inspections in finding 2020-001. The actions taken there will also impact the speed at which these inspections can be done. Again, it should be noted that during the audit period COVID restrictions prevented and delayed many inspections.

3. The auditors recommend the Office implement an adequate enforcement program to ensure compliance with the Elevator Safety and Regulation Act. In addition, the auditors recommend the Office work with the Governor and the General Assembly to ensure sufficient resources exist to adequately review and approve certifications applied for by owners of conveyance systems.

FINDING: *(Inadequate Enforcement Program)*

The Office of the State Fire Marshal (Office) failed to implement an adequate enforcement program to ensure compliance with the Elevator Safety and Regulation Act (Act).

During testing of the timeliness of conveyance inspections, auditors noted 15 of 60 (25%) selected conveyance systems did not have an annual inspection performed on them as required by the Code (41 Ill. Admin. Code 1000.140). Furthermore, after noting the lack of inspections, auditors requested the Office run a detailed report (dated May 14, 2021) to document all active conveyance systems under the Office's jurisdiction which had expired certificates of operations. The report showed 3,999 of 14,282 systems had expired certificates of operation.

Based on the lack of inspections and the number of systems with expired certifications of operation, auditors determined the Office has not implemented an adequate enforcement program to ensure compliance with the Act.

OSFM management stated the Office lacks the resources to enforce the requirements of the Act. Additionally, Office management stated the COVID-19 pandemic caused additional complications with performing conveyance inspections.

RESPONSE:
OSFM partially agrees. Even though the Office has developed what we believe to be an adequate Enforcement Plan, it does not have sufficient resources to ensure compliance with the Elevator Safety and Regulation Act. The Elevator Division is comprised of 7 staff which oversee approximately 36,000 elevators and 180 municipality agreements. It should be noted that third-party elevator companies actually conduct the inspections. Due to these circumstances, the accountants noted 25% of the conveyances tested did not have the annual inspection per the Act. The Office passed a rule which will not let an elevator company work on an elevator unless it is inspected. This rule change has increased compliance considerably. The Office is re-evaluating the program to look for efficiencies and will work with the Governor and the General Assembly to increase resources in order to decrease the number of elevators out of compliance with the Act.

UPDATED RESPONSE: Under Study.
The Office is re-evaluating the program to look for efficiencies and will work with the Governor and the General Assembly to increase resources in order to decrease the number of elevators out of compliance with the Act.

The Elevator Division is comprised of 7 staff which oversee approximately 36,000 elevators and 180 municipality agreements. It should be noted that third-party elevator companies actually conduct the inspections. Due to these circumstances, the auditors noted 25% of the conveyances tested did not have the annual inspection per the Act. The Office has had an out of compliance rate of 24% to 28% since FY16. Note: The out of compliance rate is generally 5-8% less when you pull out Accounts Receivables (Inspection Certificates are not issued until paid).

The Office passed a rule (10/01/2012) which will not let an elevator company work on an elevator unless it is inspected. This rule change has increased compliance considerably (out of compliance rate was 47% before the rule change).

4. **The auditors recommend the Office conduct annual inspections as required by the Act. Additionally, we recommend the Office maintain all documentation of external inspections performed by external parties. Finally, the auditors recommend the Office implement a way to create an accurate population of high pressure boilers operated within the State.**

FINDING: *(Inadequate Controls over High Pressure Boiler Inspections)*

The Office of the State Fire Marshal (Office) did not have sufficient controls over the performance of high pressure boiler inspections required by the Boiler and Pressure Vessel Safety Act (Act).

After selecting a sample of high pressure boilers under the Office's jurisdiction during the examination period and testing the required inspections, the accountants noted 11 of 60 (18%) items selected for testing were not purposed as high pressure boilers by the State. Hence, the accountants noted the Office failed to provide a complete and accurate population of high pressure boilers during the examination period.

Office management indicated the compiling of an inaccurate population was partially due to the Office's current system being incapable of properly producing a list of all high pressure boilers operated within the State and partially due to human error of not reviewing the population prior to supplying it to the accountants.

Due to this condition, the accountants were unable to conclude whether the Office's population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35) to test the Office's high pressure boiler inspections.

Even given the population limitation noted above which hindered the ability of the accountants to conclude whether selected samples were representative of the population as a whole, the accountants performed testing and noted the following:

- For 2 of 98 (2%) annual internal high pressure boiler inspections required for the 60 boilers selected for testing, the Office did not perform the inspections.

- The Office did not have sufficient controls to ensure documentation was maintained supporting external inspections were performed during the examination period. Due to this condition, the accountants could not determine if the inspections were completed as required by the Act for 39 of 49 (80%) annual external high pressure boiler inspections required for the 60 boilers tested.

Office management indicated the above issues were partially due to complications with the COVID-19 pandemic, limiting the ability of the Office to complete inspections as required. Office management also indicated the issues regarding documentation of external inspections was due to a misunderstanding of documentation requirements.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Office to establish and maintain a system, or systems, of controls to provide assurance resources are utilized efficiently, effectively, and in compliance with applicable law.

Failure to perform annual inspections of boiler systems proposed in the State as required by the Act represents a risk of compromising the safety of the general public in regards to power boiler systems purposed in the State. Further, without the Office providing complete and adequate documentation to enable testing, the accountants were impeded in completing their procedures and providing useful and relevant feedback to the General Assembly regarding the Office's compliance with the Act.

RESPONSE:
Accepted.

ACCOUNTANT'S COMMENT:
Auditors maintain the Office was unable to provide a complete and accurate population of high pressure boilers during the examination period. While the Office made manual corrections to the sample selected for testing, noting which items should not have been included within the population, the Office failed to provide an updated population containing only high pressure boilers.

UPDATED RESPONSE: Partially Implemented.
Historically, the Office has a noncompliance rate (regarding timely inspections) of 2%-4% out of 100,000 boilers (As of 01/03/2022 the noncompliance rate was 3.07%) The office is looking to add resources to increase compliance.

The Office updated its procedures (11/16/2021), and the external inspectors will now document all external high-pressure non-certification inspections before the certificate internal inspection. Additionally, if there was a problem with the external inspection (public safety), it would have been addressed before the internal inspection (the office could not document this fact due to the lack of external inspection reports).

The Office will also procure a new inspection system which should correct the reporting issue. The Office manually went through the report and believes the correct population was used for testing.

5. The auditors recommend the Office perform the licensing inspections required by the above stated acts to comply with the licensing requirements. Alternatively, the auditors recommend the Office work with IDPH to formally reduce the agreements to perform inspections on the Office's behalf to writing.

FINDING: *(Lack of Interagency Agreements with the Department of Public Health)*

The Office of the State Fire Marshal (Office) did not have interagency agreements with the Department of Public Health (Department) to ensure fire safety inspections were being performed to comply with licensing requirements for various facilities.

Community Living Facilities Licensing Act
During testing, auditors noted the Office did not perform fire inspections of community living facilities as required by the Community Living Facilities Licensing Act (210 ILCS 35/8.5).

Office management indicated IDPH has adopted the responsibility of conducting inspections of community living facilities; however, the Office did not have a written agreement with IDPH in place to ensure inspections were being performed as required.

MC/DD Act
During testing, auditors noted the Office did not perform fire inspections of medically complex facilities for the developmentally disabled as required by the MC/DD Act (210 ILCS 46/3-216).

Office management indicated IDPH has adopted the responsibility of conducting inspection of medically complex facilities for the developmentally disabled; however, the Office did not have a written agreement with IDPH in place to ensure inspections were being performed as required.

ID/DD Community Care Act
During testing, auditors noted the Office did not perform fire inspections of intermediate care facilities for the developmentally disabled as required by the ID/DD Community Care Act (210 ILCS 47/3-216).

Office management indicated IDPH has adopted the responsibility of conducting inspections of intermediate care facilities for the developmentally disabled; however, the Office did not have a written agreement with IDPH in place to ensure inspections were being performed as required.

As the Office has the overarching responsibility to ensure the inspections are being performed, failure to develop formal interagency agreements detailing the relationship between the Office and IDPH increases the risk of inspections not being adequately and timely performed as required at each licensed facility and represents noncompliance with the State law.

RESPONSE:
Accepted.

UPDATED RESPONSE: Partially Implemented.
The Office is presently working with IDPH to finalize an MOU to formally delegate its responsibility per the Act.

IDPH completes its own inspections and is responsible for licensing. At this time, IDPH can request inspections through the Office request portal if needed.

6. The auditors recommend the Office work with ISP to obtain arsonist registration information and create a hyperlink/database that can be published and made available for the public via the Office's website, or seek a legislative remedy.

FINDING: *(Failure to Establish and Maintain a Statewide Arsonist Database)*

The Office of the State Fire Marshal (Office) did not establish and maintain a Statewide Arsonist Database or make such database available to the public via its website as required by the Arsonist Registration Act (Act).

Office management stated, as it did during the previous examination, that due to a lack of funding, ISP has not provided the Office with arsonist registration information. Therefore, the Office has been unable to establish a Statewide Arsonist Database and publish it on the Office's website.

RESPONSE:
Accepted.

UPDATED RESPONSE: Partially Implemented.
The State Fire Marshal will make arsonist registration information available to the public using a hyperlink when the information is made available by the Illinois State Police (ISP).

It should be noted that ISP is working on a solution: "The resolution for this finding will be a new LEADS hot file, Persons Required to Register. The current status is In Progress. ISP has turned over requirements to a vendor. It is in process of reviewing requirements and drafting a Statement of Work (SOW). As of now, it does not have a timeline for when that development, testing, and implementation will be complete."

7. The auditors recommend the Office timely prepare reconciliations as required by the SAMS Manual and maintain adequately detailed expenditure records accurately reflecting expenditures made by the Office.

FINDING: *(Inadequate Controls over Monthly Reconciliations and Expenditure Records)*

The Office of the State Fire Marshal (Office) did not exercise adequate control over its monthly reconciliations and expenditure records. The Office utilized the Public Safety Shared Services Center (Shared Services) to perform its reconciliations and maintain its expenditure records until December 31, 2019. On January 1, 2020, Shared Services discontinued providing services to the Office. Since then, the Office has been performing its monthly reconciliations and maintaining its expenditure records.

Required Monthly Reconciliations

During testing of the Office's monthly reconciliations, auditors noted the following:

- Twelve of 31 (39%) monthly reconciliations of the Office's expenditure records to the Comptroller's Monthly Appropriation Status Report (SB01) were not completed.

- Sixteen of 31 (52%) monthly reconciliations of the Office's expenditure records to the Comptroller's SB01 were performed 8 to 102 days late.

- Thirty-one of 31 (100%) monthly reconciliations of the Office's records to the Comptroller's Object Expense/Expenditures by Quarter Report (SA02) were not completed.

- Thirty-one of 31 (100%) monthly reconciliations of the Office's records to the Comptroller's Appropriation Transfer Report (SB03) were not completed.

- Twenty-four of 24 (100%) monthly reconciliations of the Office's records to the Comptroller's Cash Report (SB05) were not completed.

- Twelve of 24 (50%) monthly reconciliations of the Office's records to the Comptroller's Revenue Status Report (SB04) were not completed.

- Eight of 24 (33%) monthly reconciliations of the Office's records to the Comptroller's SB04 were performed 20 to 149 days late.

- Two of two (100%) monthly reconciliations of the Office's records to the Comptroller's Obligation Activity Report (SC15) were not completed.

- Two of two (100%) monthly reconciliations of the Office's records to the Comptroller's Agency Contract Report (SC14) were not completed.

Expenditure Records

During testing of the Office's expenditure records, auditors could not reconcile the Office's expenditure records to the Comptroller's expenditures records. Specifically, while attempting the reconciliation, we noted the following:

- The Office's expenditure records contained two vouchers, totaling $1,618, which appeared on the Office's expenditure data, but did not appear on the Comptroller's records.

- Three vouchers, totaling $983, did not trace from the Office's expenditure records to the Comptroller's records. We noted these applicable transactions had been reversed on the Comptroller's records, but had not been reversed in the Office's expenditure records.

- The Office's FY19 payroll expenditure records contained one voucher in which the amount and the voucher number did not trace to the Comptroller's records. The difference between the Office's records and the Comptroller's records was $29,710.

- The Office's FY19 and FY20 expenditure records for the Fire Prevention Fund and the Underground Storage Tank Fund (Fund 047 and Fund 072, respectively) were not able to be traced to the Comptroller's records. Specifically, the differences between the two sets of records totaled $2,383,297 for FY19 and $415,398 for FY20.

- The Office did not update its FY20 personal services expenditure records to reflect adjustments, totaling $62,580, submitted to the Comptroller for the Fire Prevention Division Fund (580).

- The Office had six vouchers, totaling $50,734, which appeared on the Office's expenditure records as positive amounts in the individual detailed object code columns; however, auditors noted the amounts should have been negative in order to agree with the voucher total column.

In the prior examination, Office management indicated the issues noted with performing monthly reconciliations were due to a lack of staffing. In the current examination, Office management continued to indicate the issues noted with performing monthly reconciliations were due to a lack of Shared Services not having enough resources to complete the reconciliations. After taking over the reconciliations from Shared Services, Office management indicated exceptions continued as a result of management error. Office management indicated the issues noted above regarding the Office's expenditure records were also due to management error.

RESPONSE:
Accepted.

UPDATED RESPONSE: Implemented-No Change.
The majority of the work referenced in the finding was completed by Public Safety Shared Services and outside of the Offices span of control. The Office anticipates reconciliations to be completed accurately and timely moving forward (reconciliation are now completed by the Office). The Office acknowledges a journal entry was not completed in AIS to reflect the expenditure transfer from the Underground Storage Tank Fund (072) to the Fire Prevention Division Fund (580), as we were not aware that such a transaction could be made in the system. The Office did maintain records of the Expenditure Transfer Request and those documents were provided at the time of the audit. A clear process in the State's new Enterprise Resource Planning (ERP) system exists and will allow for journal entries to be made to address expenditure transfers and the Office will ensure that this process is followed for future transactions.

8. The auditors recommend the Office establish controls over reconciliations and conversion of data during system development projects, such as the ERP program.

FINDING: *(Lack of Due Diligence over ERP Transition)*

On January 1, 2020, the Office implemented the State of Illinois' ERP program as its business process management system for tracking assets, contracts, obligations, and vouchers.

As part of the Office's transition to the ERP program, they converted data from the legacy system. In order to determine if the data had converted correctly, we requested the Office's documentation and reconciliation. However, the Office was unable to provide documentation and reconciliation of opening balances to its expenditures, contract obligations, and overall remaining budget.

Further, during the testing of expenditures and reconciliations, auditors noted material exceptions. See Finding 2020-007.

Office management stated it completed all activities required by DoIT.

RESPONSE:
Accepted

UPDATED RESPONSE: Implemented-No Change.
OSFM acknowledges the inability to provide the documentation and reconciliation requested. The Office believed it did its due diligence in the transition to the new ERP system as it completed all tasks required of it by the state ERP transition team. The Office worked for nearly a year on the transition, including participating in several mock conversion cycles which involved sending data to the new system to ensure all data loaded properly into the system and to ensure all data reconciled. In each conversion cycle the agency signed off on the data, with the sign off indicating that the records

transferred were clean and they reconciled. This signoff included a final data conversion and reconciliation prior to system go-live. In addition to the mock conversion cycles, the agency engaged in user acceptance testing to ensure the system operated as it should. Finally, the agency participated in the assignment of user roles and worked to ensure that all user roles maintained the appropriate segregation of duties.

Office of Internal Audit completed a system pre-implementation review which concluded that the ERP System had applicable system access, signoffs, and testing. Internal Audit also concluded that users had applicable training.

9. The auditors recommend the Office strengthen its controls over payroll processing and ensure documentation, including Form I-9s and details of final pay to separating employees is maintained. The auditors also recommend the Office implement procedures to ensure the timely submission of timesheets and ensure the use of leave time is preapproved in accordance with Office policies.

FINDING: *(Inadequate Controls over Employee Personnel Files and Payroll Expenditures)*

The Office of the State Fire Marshal (Office) did not maintain adequate internal controls over its employee personnel files and payroll expenditures. The Office utilized the Public Safety Shared Services Center (Shared Services) to maintain its personnel records until July 31, 2019 and to process its payroll expenditures until December 31, 2019. On August 1, 2019, and January 1, 2020, respectively, Shared Services discontinued providing these services to the Office. Since then, the Office has been handling the maintenance of employee files and processing of payroll expenditures.

Employee Payroll Expenditures

During testing, auditors noted the following:

- Five of 60 (8%) personal service expenditure vouchers selected for testing, totaling $240,988, could not be located by the Office. Therefore, auditors could not determine if the vouchers were processed timely and properly.

- Personnel files for 4 of 15 (27%) terminated employees selected for testing did not include adequate support for the recalculation of their final payout amounts. Therefore, auditors could not test the accuracy of the amounts paid out, which totaled $20,228.

- Five of 15 (33%) terminated employees selected for testing received inaccurate final payouts. The amount underpaid by the Office in these instances totaled $689.

Office management indicated the vouchers and support for final payouts were lost in the file transition from the Public Safety Shared Service Center to the Office when the Public Safety Shared Service Center was disbanded. Office management further indicated the underpayments were due to employee error.

Employee Personnel Files

- Two of 28 (7%) employees tested did not have an Employment Eligibility Verification Form (Form I-9) in his or her employee file.

- The Employee Section of the Form I-9 for 4 of 28 (14%) employees tested was not properly filled out. For two of the employees, Section B was not completed. For the other two employees, the certification box was not signed by the employer or authorized representative.

- One of 28 (4%) employees tested did not timely complete their Form I-9. The employee completed their Form I-9 687 days after their employment began.

- Seven of 10 (70%) employees tested submitted his or her timesheets after the close of business on the 15th or the last day of the month following the applicable pay period. Untimely submission was noted for 13 of 77 (17%) timesheets tested, ranging from 1 to 7 days late.

- Seven of 10 (70%) employees tested submitted his or her leave slips after the employee already took the leave. Untimely submission was noted for 19 of 201 (9%) leave slips tested, ranging from 1 to 21 days late. All exceptions in leave time related to personal and vacation leave.

Office management indicated the issues noted above were due to employee error and the transition of files and duties from Shared Services to the Office when it disbanded.

RESPONSE:
Accepted.

UPDATED RESPONSE: Implemented-No Change.
The office completed the transition of all Fiscal and Personnel functions from the Public Safety Shared Services Center (PSSSC) to the Office of the State Fire Marshal. With this transition, the Office is in a good position with staff and expertise to decrease any issues in Fiscal or Personnel. See below responses to the dot points noted by the auditors above.

Employee Payroll Expenditures

Dot points 1 and 2 regarding missing documentation:
The Office made considerable effort to find the missing documentation and at this point must consider it lost and will have to assume the payouts were completed correctly by the PSSSC.

Dot point 3 regarding the $689 net underpayment was due to employee error.

Employee Personnel Files

Dot points 1 through 3 regarding Form I-9:

The Office's review determined that the files were maintained, and employee orientations were completed at the PSSSC. The Office worked with employees to obtain Form I-9 and applicable information. Additionally, Form I-9 is currently part of the OSFM employee orientation process and the HR manager works with employees to make sure they are completed correctly.

Dot point 4 regarding late timesheets:
Employees are encouraged to complete timesheets as soon as possible after the first workday following the end of the time period. This is encouraged so timekeeping and payroll can close on their scheduled due dates. The current Office Attendance Tracking system sends out reminders daily (after the time period ends) to ensure timely submission. The Office has updated the employee handbook to reflect this process.

Dot point 5 regarding late leave slips:

Sick time is the only type of benefit time that can be submitted after the time has been taken. OSFM will continue to remind employees that when at all practical, employees should submit leave requests prior to the time being taken and document this in the Office's Attendance Tracking system. For the occurrences identified in this audit, employees had notified their supervisor and received either verbal or email written approval to take the time.

10. The auditors recommend the Office implement the necessary controls to adequately administer and record its contractual and interagency agreements and ensure compliance with applicable statutes. Finally, the auditors recommend the Office implement a way to create a complete and accurate population of interagency agreements.

FINDING: *(Inadequate Controls over Contractual and Interagency Agreements)*

Contractual Agreements

During testing of contractual agreements, auditors noted the following:

- For one of five (20%) agreements tested, totaling $665,610, the Contract Obligation Document (COD) was not properly completed. We noted an incorrect Award Code was entered on the COD.

- One of five (20%) agreements tested was not approved prior to the performance of services or receipt of goods. The contract was approved 398 days after the performance of services and receipt of goods.

  OSFM management indicated the incorrect COD was a data entry error. Further, Office management indicated the other issue was caused by management oversight regarding statutorily required procedures.

Interagency Agreements

After selecting a sample of interagency agreements and completing testing of the examination procedures, auditors noted the Office failed to provide a complete population of interagency agreements in effect during the examination period. Specifically, auditors discovered an interagency agreement between the Office and the Illinois Fire Service Institute (IFSI) was not included in the initial population of interagency agreements originally provided to the auditor.

Office management indicated the compiling of an incomplete population was due to human error as the population was compiled manually.

Due to this condition, auditors concluded the Office's population records for interagency agreements were not sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35).

Even given the population limitations noted above which hindered the ability of the accountants to conclude whether selected samples were representative of the population as a whole, the accountants noted the following issues:

- One of five (20%) interagency agreements tested was not signed by the appropriate parties and agreed to in a timely manner. Specifically, auditors noted the interagency agreement with DoIT was signed by all appropriate parties 191 days after the commencement date.

  Office management indicated the late signing of the interagency agreement was due to management oversight.

- For one of five (20%) interagency agreements tested, the Office was not in compliance with the agreement. Specifically, we noted the Office submitted its FY19 and FY20 Annual Reports to the Illinois Finance Authority (Authority) one and six days late, respectively.

  Office management indicated the untimely submission of the Annual Reports was due to employee error.

RESPONSE:
Accepted.

ACCOUNTANT'S COMMENT:
The Office contradicts itself with its response by agreeing with the finding while simultaneously stating the contract was not executed late due to the invoices being paid after the execution of the contract. Auditors do not dispute the fact the invoices were paid after the execution of the contract; however, as stated in the finding, the Office received the goods and services laid out in the agreement prior to the contract being executed.

Further, auditors maintain the Office was unable to provide a complete and accurate population of interagency agreements. While the Office indicated the population of interagency agreements was accurate after the inclusion of the agreement discovered by us, auditors were unable to conclude whether there were other agreements not included on the initial listing.

UPDATED RESPONSE: Implemented-No Change.
Failure to include the proper code on the Contract Obligation Document (COD) was due to employee error. The Office will work to ensure that proper codes are included on CODs.

While the Office understands the auditor's concerns with regard to the contract signature date, the Office believes that the contract was not executed late (invoices were not paid prior to the execution of the contract).

The Office signed the IGA referenced by the auditors as soon as it was presented to the Office. The Office will work with DoIT to ensure that future IGA's are provided to the Office prior to the begin date of the IGA.

The Office agrees that required reports were not submitted timely. The Office will work to ensure that all reports are filed in accordance with the requirements of the IGA's.

The population issue noted was an error and the correct population was used for testing.

11. The auditors recommend the Office take action to establish and maintain appropriate internal controls over its receipts by:

1. **Establishing a proper segregation of duties over its receipts,**
2. **Maintaining a more detailed cash receipt journal,**
3. **Revoking inspection certificates issued until the associated fee is paid,**
4. **Timely remitting C-64 forms to the Comptroller, and**
5. **Ensuring the receipt date is documented for all receipts received by the Office.**

FINDING: *(Inadequate Controls over Receipts)*

OSFM (Office) did not maintain adequate internal controls over its receipt processing. The Office utilized the Public Safety Shared Services Center (Shared Services) to perform

its receipt processing until March 31, 2019. On April 1, 2019, Shared Services discontinued providing services to the Office. Since then, receipts have been processed by the Office.

During testing, auditors noted the following:

- The Office failed to maintain adequate segregation of duties over its receipt processing procedures. More specifically, auditors noted one individual performed three parts of the transaction cycle, including:
    - **Authorization** by reviewing and approving transactions, including both depositing funds into the State Treasury's clearing accounts and preparing Receipt Deposit Transmittal (C-64) forms.
    - **Custody** by handling physical checks and maintaining electronic and physical records.
    - **Recordkeeping** by preparing entries and maintaining the Office's internal accounting records.

  While the Office does have another individual responsible for the reconciliation part of the transaction cycle, we noted issues with its reconciliations during the examination period. See Finding 2020-007.

- While the Office does have a cash receipt journal, the accountants noted the cash receipts journal is not sufficiently detailed to reflect the Office's full population of receipts. More specifically, the Office's cash receipts journal lists receipts by batches, excluding individual check numbers, payors, and amounts.

- The population of receipts provided by the Office could not be reconciled to the Office of Comptroller's (Comptroller) Monthly Revenue Status (SB04) report or to the Office prepared Comparative Schedule of Cash Receipts and Reconciliation of Cash Receipts to Deposits Remitted to the State Comptroller (see page 77).

Due to these conditions, the accountants were unable to conclude whether the Office's population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35) to test the Office's receipts.

Even given the population limitation noted above which hindered the ability of the accountants to conclude whether selected samples were representative of the population as a whole, the accountants performed testing and noted the following:

- For one of six (17%) returned checks due to insufficient funds selected for testing, a subsequent payment had not been received by the Office and the related Boiler Inspection Certificate was not revoked.

- Two of 60 (3%) Receipt Deposit Transmittals (C-64) forms tested, totaling $16,770, were not timely remitted to the Comptroller. The C-64 forms were submitted 16 days late.

- Two of three (67%) refund receipts tested, totaling $2,139, were not date stamped by the Office. As a result, the accountants were unable to determine when the checks were received and whether the checks were deposited in a timely manner.

In the prior and current examination, OSFM management indicated the issues noted with receipt processing were due to limited staffing, conflicting priorities, and oversight.

RESPONSE:
Accepted.

ACCOUNTANT'S COMMENT:
We maintain a cash receipts journal detailing individual check numbers, payors, and amounts is necessary, given the lack of controls noted and the fact the Office was unable to reconcile its receipt records to the Comptroller's SB04 reports or the Office prepared *Comparative Schedule of Cash Receipts and Reconciliation of Cash Receipts to Deposits Remitted to the State Comptroller* (see page 77).

UPDATED RESPONSE: Implemented.
The office hired an additional staff to increase segregation of duties controls over receipts.

The Office agrees that the cash receipts journal is by batch and does not list the individual check numbers, payors and amounts. Detailing this information out on the cash receipts journal is not necessary or cost effective. The information can be found on the system or in the filing cabinet (The Office deposited 20,996 check in FY19 and 15,756 in FY20 and one check can include many payers). Additionally, the Office deposit process includes applicable reconciliation/balancing controls between office systems, cash receipts journal, bank deposits, and the Comptroller's Office).

Other exceptions noted including the reconciliation were a result of employee error.

12. The auditors recommend the Office implement controls to obtain sufficient information about responsible parties to enable the collections of accounts receivable, or seek a legislative remedy to require up-front payment for an inspection at the time when an inspection is scheduled. Further, the Office should refer qualifying debt to the Bureau for external collection efforts. Finally, the auditors recommend the Office implement additional procedures as necessary to ensure adequate supporting documentation is maintained to substantiate its reporting of receivables.

FINDING: *(Inadequate Controls over Fees)*

REVIEW: Office of the State Fire Marshal – FY20-21 Compliance Exam

The Office of the State Fire Marshal (Office) did not exercise adequate controls over its collection and revenue recognition of fees. The Office utilized the Public Safety Shared Services Center (Shared Services) to perform its receipt processing and quarterly reporting of receivables until March 31, 2019. On April 1, 2019, Shared Services discontinued providing services to the Office. Since then, receipts have been processed by the Office.

During testing, auditors noted the following:

- During review of the Office's process for collecting inspection fees for boilers and pressure vessels, auditors noted the Office lacked an adequate process for identifying the party responsible for paying the fee. The Office has three ways for triggering an inspection by the Office, each of which lacked a process to gather all information needed to collect on the resulting account receivable, such as the identity of the responsible party and its corresponding taxpayer identification number (TIN). Then, when the actual inspection occurs, the Office's inspector only confirms the mailing address and, if the person providing the inspector access to the boiler is willing to provide it, the e-mail address for the entity that pays the building's costs. After the inspection, the Office sends an invoice to the address confirmed by the inspector and, if the amount is not timely paid, the Office sends quarterly statements demanding payment.

  Under this process, the Office does not gather enough information to establish and collect each account receivable as established by the Illinois State Collection Act of 1986.

  Both in the prior examination and the current examination, Office management stated the Office does not believe it is cost effective to collect all of the information required to identify the party responsible for paying the receivable.

- For all remaining fees, the Office did not refer any of its delinquent accounts receivable to the Department of Revenue's Debt Collection Bureau.

  Both in the prior examination and the current examination, Office personnel stated the Office does not believe it is cost effective to refer delinquent accounts to the Department of Revenue's Debt Collection Bureau.

- The Office was unable to provide supporting documentation to substantiate the $1.662 million net accounts receivable balance reported in the Fiscal Year 2019 Fourth Quarter Quarterly Summary of Accounts Receivable - Accounts Receivable Activity (Form C-97), Quarterly Summary of Accounts Receivable - Aging of Total Gross Receivables (Form C-98), and Quarterly Summary of Accounts Receivable - External Collections Activity for Accounts Over 180 Days Past Due (Form C-99).

OSFM management indicated some exceptions noted above are a result of Shared Services not providing the supporting documentation for the reports to the Office after the

transition. After taking over the reporting from Shared Services, Office management indicated the other exceptions were a result of employee error.

RESPONSE:
Accepted.

UPDATED RESPONSE: Under Study-No Change.
The Office agrees that not all FEIN's or Social Security Numbers are collected and that the failure to collect this information hinders the ability to submit past due amounts for Comptroller Offset or other debt collection methods. The Office works to collect this information, but it is hindered by the fact that businesses and individuals are not legally required to provide the information to the Office. The Office will evaluate what, if anything, it can do to collect the information necessary to allow it to file offset and debt collection claims.

In the past the Office has referred accounts to outside collection bureaus that have been identified for use by the Department of Revenue. The Office has been unsuccessful utilizing this route for debt collection and has determined that the costs associated with gathering all required information and filling out required paperwork outweigh the benefits.

The Office acknowledges issues with supporting documentation. The documentation sought by the auditors were not provided to the Office by the Public Safety Shared Services Center, who was responsible for the Office's quarterly reporting. The Office now submits these reports, and all records are kept by the Office.

13. The auditors recommend the Office strengthen its controls over grant monitoring to ensure all requirements of the grant agreements are adhered to by its grantees. Further, the auditors recommend the Office implement the policies and procedures as required by the Grant Accountability and Transparency Act.

FINDING: *(Inadequate Controls over Grant Agreements)*

During testing of 3 non-small equipment grant agreements, auditors noted the following:

- For one of three (33%) agreements tested, the grantee did not submit payment requests within thirty days of the end of the quarter. Auditors noted the requests were submitted between 10 to 26 days late.

- For three of three (100%) agreements tested, the grantees did not submit quarterly financial reports within thirty days of the end of the quarter. Auditors noted the reports were submitted between 30 to 276 days late, or not at all.

- For three of three (100%) agreements tested, the grantees did not submit a Close-out Financial Report within 60 calendar days following the end of the period of performance of the agreement.

- For three of three (100%) agreements tested, the grantees did not submit Annual Financial Reports within 180 days after the grantee's fiscal year ending on or after June 30.

- For three of three (100%) agreements tested, the grantees did not submit quarterly Performance Reports.

- For three of three (100%) agreements tested, the grantees did not submit a Close-out Performance Report within 60 calendar days following the end of the period of performance.

- For one of three (33%) agreements tested, the Office did not ensure the Grantee's payment requests contained a required certification statement.

- For one of three (33%) agreements tested, the Grantee did not return the remaining grant funds as required by the grant agreement. Specifically, the accountant noted the Grantee's Periodic Financial Report (Report) submitted to the Office shows an unspent balance of the awarded amount, totaling $36,105. The Office indicated the Grantee did expend all grant funds and it made an error when preparing the Report; however, the Office could not provide additional support showing all the grant funds were expended by the Grantee.

In addition to the conditions above, auditors noted the Office has not implemented the rules issued by the Governor's Office of Management and Budget.

During the prior examination, Office management indicated the issues noted above were due to using standard grant language rather than modified language for each grant. During the current examination, Office management indicated the issues noted above continued due to competing priorities, including circumstances out of the Office's control (i.e. COVID-19), which interfered with the Office's ability to re-write grant agreements.

RESPONSE:
Accepted.

UPDATED RESPONSE: Partially Implemented.
The Office has created new grant agreements that fit more in line with the types of grants issued by the Office. The new agreements address each exception noted by the auditors. The Office will work on implementing the rules required by the Grant Accountability and Transparency Act.

14. The auditors recommend the Office adopt controls to ensure all TA-2 reports are filed with the LAC in a timely manner. Further, the auditors recommend the Office should adopt controls to ensure all employees certify they are duly licensed and insured before using a privately-owned vehicle to travel on State business. Finally, the auditors recommend the Office ensure travel vouchers are timely submitted and the headquarters is reviewed to ensure it traces to the TA-2 reports.

FINDING: *(Inadequate Controls over Travel)*

Travel Headquarter Reports

During testing of Travel Headquarter (TA-2) Reports, auditors noted one of four (25%) TA-2 Reports filed by the Office with the Legislative Audit Commission (LAC) during the examination period was filed on September 6, 2018, 53 days later than the required submission date of July 15th.

License and Insurance Certifications

Upon testing the Office's procedures, auditors noted 17 of 28 (61%) employees selected for testing in FY19 and 11 of 28 (39%) employees selected for testing in FY20, for a total of 28 of 56 (50%) instances tested, did not have a completed Certification of License and Minimum Liability Coverage on file. As such, auditors were unable to determine if they had been completed for each of the employees during the applicable fiscal year.

Travel Vouchers

During detail testing of travel vouchers, auditors noted the following:

- Four of 61 (7%) vouchers tested, totaling $338, were submitted to the Office by the traveler between 67 and 141 days after the last day of travel occurred.

- Five of 61 (8%) vouchers tested, totaling $1,261, included a headquarters designation that did not agree to the TA-2 reports submitted by the Office for the corresponding time periods.

Office management indicated the issues noted above were due to oversight and employee error. Failure to comply with the State Finance Act decreases the effectiveness of oversight controls intended to prevent misuse and mismanagement of State property and resources.

RESPONSE:
Accepted.

UPDATED RESPONSE: Implemented-No Change.

The Office did not submit one TA-2 report timely (employee oversite). The office will work to ensure that all reports are submitted on the required deadlines.

Additionally, the Office will now require all employees to turn in a completed Certification of License and Minimum Liability Coverage certifications. This procedure change should address the exceptions noted by the accountants.

15. The auditors recommend the Office implement controls to provide assurance:
   1. Vehicles receive required maintenance in a timely manner,
   2. Maintenance records are complete and accurate,
   3. Motor vehicle accidents are timely reported to CMS, and
   4. Vehicle mileage records are carefully reviewed for errors and discrepancies.

FINDING: *(Inadequate Controls over State Vehicles)*

Specifically, it was noted the Office did not comply with required vehicle maintenance and vehicle accident reporting rules, and did not maintain adequate vehicle records.

Vehicle Maintenance Testing

During testing of maintenance records for State vehicles, auditors noted the following:

- 13 of 27 (48%) vehicles tested did not have routine oil changes performed within the mileage or time intervals required by CMS. All of the vehicles tested were under or at nine years old during the period. The oil change overages ranged from 671 to 22,513 miles beyond the allowed interval. For these 13 vehicles, the number of untimely oil changes noted for each vehicle ranged from one to seven instances during the examination period.

- 11 of 27 (41%) vehicles tested did not have routine tire rotations performed within the mileage or time intervals required by the CMS. The tire rotation overages ranged from 1,330 and 24,650 miles beyond the allowed interval. For these 11 vehicles, the number of untimely tire rotations noted for each vehicle ranged from one to three instances during the examination period.

- One of 27 (4%) vehicles tested did not have support for the required tire rotation during the period. The vehicle met the mileage requirement to have one rotation during the period.

- Three of five (60%) vehicle inspections were not performed as required by CMS during FY19. In addition, three of 15 (20%) vehicle inspections were not performed as required by CMS during FY20.

Accidents Involving State Vehicles

Specifically, the accountants noted there were three accidents for which they received support from the Office which were not reported to CMS, and, therefore, were left off of the Auto Liability Report obtained from CMS. Hence, the accountants noted the Office failed to provide a complete and accurate population of accidents that occurred during the examination period.

Office management indicated the listing did not reconcile due to not entering the claims into the system per the requirements due to error.

Due to these conditions, the accountants were able to conclude the Office's population records for operation of automobile accidents were not sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C §205.35).

Even given the population limitations noted above which hindered the ability of the accountants to conclude whether selected samples were representative of the population as a whole, the accountants noted the following issue:

The Office did not timely file its Motorist's Report of Illinois Motor Vehicle Accident Reports (Form SR-1) for 3 of 14 (21%) accidents tested. The accidents were reported between 5 and 239 days late.

Vehicle Records

During testing of vehicle records for the Office's state vehicles, auditors were unable to verify the accuracy of the mileage reported for 1 of 27 (4%) vehicles tested. For this vehicle, auditors noted inconsistent odometer readings when examining its card transactions and CMS Garage maintenance receipts.

In the prior examination, Office management indicated the issues noted over its compliance with state vehicle requirements were due to employee errors. In the current examination, Office management continued to indicate the cause of the errors noted above were due to employee error and complications due to the COVID-19 pandemic.

RESPONSE:
Accepted.

UPDATED RESPONSE: Partially Implemented-No Change.
The Office is in the process of moving from a paper process to a new electronic "Vehicle System" developed by the Department of Revenue. The new Vehicle System will increase controls over documentation and required service on vehicles.

16. The auditors recommend the Office strengthen its internal controls over state property by:

1. **Reviewing the Office's property listing, including recent equipment transactions, to ensure it is complete and accurate,**
2. **Timely recording equipment transactions,**
3. **Maintaining documentation to support the completeness and accuracy of property deletions,**
4. **Ensuring Form C-15s submitted to the Comptroller are accurate, and**
5. **Properly reporting all leases with a fair market value in excess of $5,000 to the Comptroller.**

FINDING: *(Inadequate Controls over State Property)*

Property Leases

During testing, auditors noted the Office did not record seven capital lease property items, totaling $38,453, on its property listing after being notified from the Office of Comptroller (Comptroller) of the proper cost.

Equipment Vouchers

During testing, auditors noted the following:

- When purchasing decals for the Office's vehicles, each costing $375, the Office failed to add the cost of the decals to total acquisition value of the vehicles in its property listing. The Office purchased decals for 13 vehicles acquired during the examination period.

- Two of 3 (67%) property vouchers tested, included property items, totaling $136,088, which were not added to the Office's property listing. Due to this condition, the items were also not included on the annual certification of inventory sent to the Department of Central Management Services (DCMS).

Forwards Testing

During testing, auditors found the following:

- One of 18 (6%) items selected for testing, totaling $2,749, was not marked with an Office tag.

Equipment Additions and Deletions Testing

During testing, auditors noted the following:

- The Office's population of FY20 deletions it provided to the accountants could not be reconciled to the amounts it reported to the Comptroller. Specifically, auditors noted a difference of $176,811 between the Office's population and the amount it

reported to the Comptroller. Thus, the Office was unable to provide a complete and accurate population of deletions.

- The Office's provided populations of net transfers for FY19 and FY20 had differences, totaling $268,286 and $179,008, respectively, when compared to the amounts reported to the Comptroller. Since the testing of additions include the transfers-in and the testing of deletions include the transfers-out, the Office was unable to provide complete and accurate populations of its additions and its deletions.

Due to these conditions, the accountants were unable to conclude whether the Office's population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35) to test the Office's equipment.

Even given the population limitation noted above which hindered the ability of the accountants to conclude whether selected samples were representative of the population as a whole, the accountants performed testing and noted the following:

- Five of 60 (8%) items selected for testing, totaling $250,000, were added to the Office's property listing between 6 and 1,922 days late.

- Fourteen of 60 (23%) items selected for testing, totaling $232,282, were removed from the Office's property listing between 249 and 392 days late.

- For 21 of 58 (36%) transfers out (deletions) tested, the Office did not report the correct value of the items to CMS on the property change forms. This resulted in the Office underreporting the value of its transfers out to DCMS by $234.

- The Office did not retain deletion approval documentation for 2 of 60 (3%) deletions tested, totaling $100,000.

During both the previous and current examinations, OSFM management indicated these issues were the result of human error.

RESPONSE:
Accepted

UPDATED RESPONSE: Implemented-No Change.
The Office completed a full reconciliation of its assets to its inventory system and financial records during the transition from the Office's legacy inventory system to the new ERP inventory system. During this reconciliation some issues were identified and inventory records were updated to address those issues to ensure that all records transferred to the new ERP inventory system were up to date and that all inventory related financial documents were correct. The new ERP inventory system now contains accurate records that are also reflected on the C-15 reports.

The Office currently engages in routine reconciliations of its inventory system to financial records. This is done on a quarterly basis to ensure that what is reported in the inventory system matches the transactions that have taken place for the quarter and to ensure what is reported on the C-15 reports submitted to the Comptroller are accurate.

Effective July 1, 2021, as a result of GASB 87, capital lease values are no longer required to be reported on inventory.

17. The auditors recommend the Office obtain adequate resources and implement controls to timely execute statutory changes and adopt administrative rules.

Further, the Office should:

1. **adopt minimum basic training requirements for the administration of opioid antagonists as required by the IFPTA,**
2. **amend its administrative rules to reflect changes to the PECLA, and**
3. **make sure all references within its administrative rules reflect the current environment.**

FINDING: *(Failure to Timely Implement Statutory Changes)*

Public Act 99-0480 (Effective on September 9, 2015)

During testing, auditors noted the Office did not adopt rules requiring training in the administration of opioid antagonists as part of the minimum basic training requirements to become a fire fighter.

In the prior year examination, Office management indicated it was conducting an internal review to determine the appropriate placement for this mandate within its administrative rules. During the current examination, Office management indicated the changes were not completed due to a lack of resources and the time it takes to get the rules through the process.

Public Act 97-0428 (Effective on August 16, 2011)

During testing, auditors noted the Office had not amended its administrative rules which implement the Petroleum Equipment Contractors Licensing Act (PECLA) since the rules were initially adopted on September 13, 2003. Subsequently, auditors noted Public Act 97-0428, effective on August 16, 2011, made several amendments to the PECLA that have not been codified in the Office's rules. In addition, auditors noted the Office's rules within the Illinois Administrative Code (Code) for the PECLA (41 Ill. Admin. Code 172) continue to reference another Code citation (41 Ill. Admin. Code 170) that was repealed on September 2, 2010.

PECLA (225 ILCS 729/25) requires the Office to promulgate rules consistent with the provisions of this Act for the administration and enforcement of the PECLA.

In the prior year examination, the Office indicated the rule change was delayed due to other priorities and the need to make statutory changes first. During the current examination, Office management indicated the statutory changes were made; however, the Office did not have the time to also make the rule changes.

RESPONSE:
Accepted.

UPDATED RESPONSE: Partially Implemented-No Change.
The Office believed it had applicable controls to identify changes in its statutory requirements and timely adoption of administrative rules.

The office historically has had staffing issues within the Legal Division as well as several large non-agency initiated statutory issues which consumed resources. In recent years, the Office has added several legal staff and has budgeted for more in FY23 in order to make better progress on the regulatory agenda. See below responses regarding the public acts.

Public Act 99-0480
The Office has determined the appropriate placement for this mandate within its administrative rules. The Office anticipates filing rules amendments for 41 Ill. Adm. Code 141 in 2022.

Public Act 97-0428
The Office updated the PECLA legislation, and it passed both houses on May 31, 2021 (as part of HB 806). The bill was then signed by the Governor and became law as Public Act 102-0020 with the effective date of Jan 1, 2022. The Office subsequently began appropriate rules review in June 2021. The Office is currently reviewing rules for revision and anticipates filing rules amendments for 41 Ill. Adm. Code 172 in CY22.

18. The auditors recommend the Office work with the Associated Fire Fighters of Illinois to complete the educational program and associated documents and add the information to the Office's website.

FINDING: *(Failure to Comply with the Illinois Fire Protection Training Act)*

The Office of the State Fire Marshal (Office) did not comply with certain requirements of the Illinois Fire Protection Training Act (Act). Specifically, auditors noted an educational program or literature for fire fighters on the history of the fire service labor movement had not been created as of June 30, 2021. As a result, the Office did not make the educational program or literature available on its website as required by the Act.

Office management stated the Associated Fire Fighters of Illinois is currently working on the educational program and associated literature, and the Office will add a link to the information as soon as it is available.

RESPONSE;
Accepted.

UPDATED RESPONSE: Partially Implemented.
The Associated Fire Fighters of Illinois (AFFI) is currently working on the educational program and associated literature. Progress has been delayed by the COVID-19 pandemic and staff turnover. The Office will add a link to the information as soon as it is available. AFFI President Chuck Sullivan has indicated that they anticipate the program to be completed and available by May of 2022.

19. The auditors recommend the Office take appropriate measures to ensure performance evaluations are conducted timely and maintained in each employee's file.

FINDING: *(Inadequate Controls over Performance Evaluations)*

During the testing of 28 employee personnel files, auditors noted 5 of 47 (11%) employee performance evaluations selected for testing were not maintained in the employees' files. Additionally, 3 of 47 (6%) employee performance evaluations tested were completed between 51 and 189 days late.

The Office was first cited for noncompliance with performing timely performance evaluations during the compliance examination for the two years ended June 30, 2006. In the years since the finding was first noted, the Office has not been successful in correcting the finding.

In the prior examination, Office management indicated the issues noted with performing timely performance evaluations were the result of the Employee Handbook having a 10-day time requirement which did not allow for enough time to complete the evaluations. In the current examination, Office management updated the Employee Handbook to require the evaluations be performed within four months of the evaluation period. Office management indicated the errors noted during the current examination were due to employee error. Further, Office management indicated the performance evaluations were not maintained because of management error.

RESPONSE:
Accepted.

UPDATED RESPONSE: Implemented-No Change.
The Office updated the Employee Handbook on 10/31/19 to reflect the change from 10 days to 4 months, which will now correspond with the new AFSCME union contract. OSFM Human Resources currently tracks evaluation due dates and sends out reminder emails to supervisors to ensure timely submission.

20. The auditors recommend the Office enter into a detailed agreement with DoIT to ensure prescribed requirements and available security mechanisms are in place to protect the security, processing integrity, availability, and confidentiality of its systems and data.

FINDING: *(Lack of Agreement to Ensure Compliance with IT Security Requirements)*

The Office and DoIT entered into two Intergovernmental Agreements (Agreements) during the examination period: 1) July 1, 2018 through June 30, 2019, and 2) July 1, 2019 through June 30, 2022. The Agreements outlined the transfer of assets and staff; however, they did not address detailed requirements and roles and responsibilities associated with the security, processing integrity, availability, and confidentiality of the Office's systems and data.

The Office has the ultimate responsibility to ensure its critical and confidential systems and data are adequately secured. As such, this responsibility is not limited because the information technology functions were transferred to DoIT.

Office management indicated they believed the requirements and roles and responsibilities were outlined within the Executive Order and as such were not required to be documented within the Agreement.

Without an adequately detailed formal agreement identifying the Office's responsibilities and DoIT's responsibilities over the Office's data and systems, the Office is unable to obtain assurance of the adequacy of controls to ensure the security, processing integrity, availability, and confidentiality of its systems and data.

RESPONSE:
Accepted.

ACCOUNTANT'S COMMENT:
As stated above, the IGA does not address detailed requirements and roles and responsibilities associated with the security, processing integrity, availability, and confidentiality of the Office's systems and data. Specifically, the IGA does not document the Office's security requirements over its applications and data, the roles and responsibilities specific to the Office and DoIT, as a service provider to the agency, or the specific controls related to the environment in which the Office's applications and data reside. Without such documented controls, we are confused as to how the Office can ensure adequate controls are in place to ensure the security, processing integrity, availability, and confidentiality of its systems and data.

UPDATED RESPONSE: Partially Implemented-No Change.
The Office believes that the current Intergovernmental Agreement DoIT) addresses the recommendation of the auditors. The IGA specifically includes language regarding IT security and incorporates all DoIT policies into the IGA and states that "DoIT shall adhere to these policies in providing services to Client Agency and in maintaining data on behalf

of Client Agency." The Office will discuss this finding with DoIT to see if there are additional ways to adjust the IGA to meet the requirements sought by the auditors.

21. The auditors recommend the Office evaluate and secure computers to ensure confidential information is protected and notify DoIT of all missing IT equipment as required.

FINDING: *(Inadequate Controls over Missing IT Equipment)*

During the examination period, the Office documented four laptops, totaling $6,057, which had been lost or stolen. As part of testing, auditors requested the Office's documentation of its notification to DoIT regarding the missing IT equipment as required by DoIT's Enterprise Information Security Policy and Information Security Incident Management Policy; however, the Office was unable to provide such documentation.

Further, DoIT's Enterprise Information Security Policy and Information Security Incident Management Policy, states all employees, contractors, and third-party providers of the State of Illinois shall report any and all Information Security Incidents to the DoIT Division of Information Security.

Office management indicated they were unaware of the policy.

RESPONSE:
Accepted.

UPDATED RESPONSE:
Implemented-No Change. The Office acknowledges there were four computers that could not be located but believes that all computers are adequately secured to ensure confidential information is protected.

DoIT's policy is to secure laptops by imagining them with BitLocker Drive Encryption. BitLocker is a data protection feature that integrates with the operating system and addresses the threats of data theft or exposure from lost, stolen, or inappropriately decommissioned computers. Confidential information is secure on Office laptops if lost or stolen.

The notification of DoIT of the lost laptops was due to employee error.