LEGISLATIVE
AUDIT
COMMISSION

Review of
Emergency Management Agency
Two Years Ended June 30, 2011

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REVIEW: 4388
EMERGENCY MANAGEMENT AGENCY
TWO YEARS ENDED JUNE 30, 2011

FINDINGS/RECOMMENDATIONS - 12

ACCEPTED - 6
IMPLEMENTED - 6

REPEATED RECOMMENDATIONS - 10

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 17

This review summarizes a report on the Illinois Emergency Management Agency for the two years ended June 30, 2011, filed with the Legislative Audit Commission April 17, 2012. The auditors performed a compliance examination in accordance with *Government Auditing Standards* and State law.

The primary responsibility of the Illinois Emergency Management Agency (IEMA) is to better prepare the State for natural, manmade or technological disasters, hazards, or acts of terrorism. IEMA coordinates the State's disaster mitigation, preparedness, response and recovery programs and activities, functions as the State Emergency Response Commission, and maintains a 24-hour Communication Center and State Emergency Operations Center (SEOC). IEMA assists local governments with multi-hazard emergency operations plans and maintains the Illinois Emergency Operations Plan.

IEMA's Division of Nuclear Safety (DNS) is responsible for protecting Illinois residents from the potentially harmful effects of ionizing radiation. IDNS also monitors 11 nuclear power reactors at six nuclear stations licensed to generate electricity in Illinois and inspects and escorts spent nuclear fuel shipments.

IEMA's eight Regional Offices are in Springfield, Des Plaines, Dixon, Seneca, Champaign, Collinsville, Flora and Marion. Andrew Velasquez III was the Director of the Agency for most of the first year of the two-year audit period. On May 7, 2010, Mr. Joseph Klinger was appointed Interim Director. On March 1, 2011, Jonathon Monken was approved by the Senate as IEMA Director. Mr. Monken was not previously employed by the Agency.

The average number of full-time employees is as follows:

	FY11	FY10	FY09
General Revenue	25	31	32
Radiation Protection	34	39	42
Federal Aid Disaster	-	2	-
Federal Civil Preparedness Administration	8	7	7
Emergency Management Preparedness	33	30	14

Nuclear Safety Emergency Preparedness	119	114	122
Sheffield February 1982 Agreed Order Fund	1	1	1
Radioactive Waste Facility Develop & Operation	3	3	3
TOTAL	**223**	**227**	**221**

Expenditures From Appropriations

The General Assembly appropriated a total of $610,902,169 to the Agency in FY11, of which $20.4 million was from the General Revenue Fund; almost $7.9 million was from the Radiation Protection Fund; $92 million from Federal Aid Disaster Fund; $438 million from Federal Civil Preparedness Administrative Fund; and $23.6 million from the Emergency Management Preparedness Fund; $21.2 million for the Nuclear Safety Emergency Preparedness Fund; $5.5 million from Nuclear Civil Protection Planning Fund; and $2.2 million from other funds. Appendix A summarizes these appropriations and expenditures for the period under review. Total expenditures were $213.4 million in FY11 compared to $186.5 million in FY10, an increase of $26.9 million, or 14.4%. The increase was due to the Agency receiving a Governor's discretionary appropriation of $17.1 million in FY11 due to the reimbursement made to FEMA for the Other Needs Assist Program. Also, there was a $10 million increase in awards and grants for federal disaster declarations. The Agency had about $320.7 million in unspent appropriation authority due mostly to $318 million in unexpended funds for terrorism preparedness and training costs. Lapse period spending was 12.7%

Cash Receipts

Appendix B provides a summary of the Agency's cash receipts for FY11-FY09. Total cash receipts increased from $179.8 million in FY10 to $196.7 million in FY11. Increased receipts in FY11 were due to disaster declarations and other federal projects.

Property and Equipment

Appendix C provides a summary of property and equipment for FY11 and FY10. Total property and equipment increased from $46,967,000 as of July 1, 2009 to $51,187,000 as of June 30, 2011.

Governor's Disaster Relief Fund

Emergency Management Agency made expenditures from the Governor's Disaster Relief Fund during FY11 and FY10 of $64,895, and $158,171, respectively. The Governor's Disaster Relief Fund was created to provide quick financial resources to the Agency to use in handling extraordinary State expenditures in relation to disaster emergencies within the

State. The Governor's approval for expenditures of the funds by submitting a "Release of funds" request was omitted in the approved appropriation bill for IEMA.

Accountants' Findings and Recommendations

Condensed below are the 12 findings and recommendations presented in the audit report. There were ten repeated recommendations. The following recommendations are classified on the basis of updated information provided by the Agency, via electronic mail received January 30, 2013.

Accepted or Implemented

1. Comply with SAMS procedures to ensure accurate financial information is reported to the Comptroller. Further, review current process for the preparation and review of the Grant Contract Analysis form (SCO-563) and the Activity-Grantor Agency (SCO-568) forms and allocate resources necessary to ensure a thorough review and timely submission of information to the Comptroller. (Repeated-2007)

Finding: The Illinois Emergency Management Agency (Agency) did not provide the auditors or the Office of the State Comptroller (Comptroller) with complete and accurate Interfund Activity-Grantor Agency (SCO-568) forms. Auditors noted the following errors:

- In one fund, the Catalog of Federal Domestic Assistance (CFDA) numbers for two programs were not correctly identified. The expenditures for these programs totaled $104,000.

- In one fund, the Agency incorrectly reported the transaction type code as "R" instead of "P" for one transaction amounting to $29,000. This transaction was considered a third party reimbursement and not internal reimbursement. Further, the CFDA number for this transaction was not reported.

Additionally, the GAAP forms and related Schedule of Expenditures of Federal Awards (SEFA) were not presented to the auditors in a timely manner. Auditors received the Grant/Contract Analysis (SCO-563) forms and the related SEFA two months after scheduled deadlines. Also, errors were noted during the review of the SEFA in which the expenditures and subrecipient amounts did not agree with the reported information on the SCO-563 forms. These errors were subsequently corrected by the Agency.

Response: Accepted. The Agency and Public Safety Share Services Center will continue to work together to enhance the process and the timeliness of GAAP reporting.

Updated Response: Implemented. All GAAP forms were completed on time this year. The Agency continues to work as diligently as possible to ensure all forms are completed timely and accurately.

Accepted or Implemented – continued

2. Comply with statute and SAMS and perform monthly reconciliations in a timely manner. (Repeated-2005)

Finding: The Agency did not perform timely reconciliations of Agency records to the Office of the State Comptroller (Comptroller) records. Auditors noted the following reconciliations were not performed timely or not at all:

- The Agency did not perform a reconciliation between cash receipts collected by the Agency and the Comptroller's Monthly Revenue Report (SB04) for nine funds requiring SB04 reconciliations by the Agency, during fiscal year 2010. During fiscal year 2011, the reconciliations for these funds were performed by the Agency 1 to 270 days late. In addition, the reconciliation for one fund had reconciling items outstanding for 60 to 300 days.

- The Agency did not perform a reconciliation between the Agency's cash balance and the Comptroller's Monthly Cash Report (SB05) for 13 funds during fiscal year 2010. During fiscal year 2011, the reconciliations for these funds were performed by the Agency 1 to 340 days late. In addition, reconciliations for 2 of 13 funds were not performed for 11 months, and a reconciliation for one fund was not dated, thus timeliness of reconciliation could not be determined.

Agency management stated due to lack of staffing in the fiscal area, which was partially due to the development of the Public Safety Shared Services Center, these reconciliations were not completed.

Response: Accepted. The position responsible for completing the reconciliations was hired in February 2011. Prior to this hire, there was no one to complete the reconciliations. The Agency then had another retirement in the fiscal area, which placed other fiscal operation processes in a higher priority than the reconciliations. In November 2011, the Agency was able to hire a staff member to replace the retired employee's position. The staff member is now trained and the reconciliations are now being completed.

Updated Response: Accepted. The Agency continues to work to complete the reconciliations in a timely manner. This area has struggled with staffing turnover and a slow hiring process.

3. Revise policies and practices to ensure proper segregation of duties in requisitioning, receiving and storing of equipment and commodities. (Repeated-2009)

Finding: The Agency lacked the proper segregation of duties in requisitioning, receiving and storing of equipment and commodities.

During a review of internal controls, auditors noted the receiving area for electronic data processing equipment and automobiles is centralized. However, there are no central receiving areas for items related to other expenditures.

Agency management stated the Agency is currently reviewing procedures at all locations to identify weaknesses and make changes when necessary to strengthen its internal controls.

Response: Accepted. Due to the consolidation of staff and the development of the Public Safety Shared Services Center, the Agency lost adequate staffing to ensure segregation of duties. The Agency has begun working to strengthen its internal controls. Agency management are working to align the required segregation of duties throughout the Agency.

Updated Response: Implemented. The Agency has reorganized to consolidate procurement under the Chief of Staff, ensuring that all ordering takes place separate from the areas that will receive the goods.

4. Revise policies and practices to ensure proper segregation of duties in the processing of receipts, receivables and revenues. (Repeated-2009)

Finding: The Agency lacked the proper segregation of duties in the processing of receipts, receivables, and revenues.

During a review of internal controls, auditors noted the same individual may receive and stamp checks, make deposits into the State Treasury, approve Receipt Deposit Transmittal forms, and make any adjustments required to Agency books upon reconciliations to Office of the State Comptroller records. Additionally, the individual involved in the billing duties is also responsible for maintaining and reporting of accounts receivable balances.

Agency management stated due to the consolidation of services under Public Safety Shared Services Center, the Agency was left with only one staff to perform duties. Due to the staffing limitations and budget constraints, the Agency has had difficulty obtaining staff to ensure adequate segregation of duties.

Updated Response: Implemented. The Agency has hired another staff member and reorganized the Fiscal Bureau to comply with the recommendation.

5. Strengthen controls over voucher processing to ensure accuracy of vouchers and payments, documentation of invoice receipt and voucher payment date, and timely approval of vouchers, including accurate interest as required. In addition, recoup a duplicate travel payment. (Repeated-2009)

Accepted or Implemented – continued

<u>Finding</u>: The Agency did not maintain adequate controls over voucher payment processing and payment of certain expenditures timely. During a review of 285 voucher payments, auditors noted the following:

- Thirty-four vouchers totaling $380,468 were approved for payment 2 to 225 days late.
- Fifty vouchers totaling $402,543 were paid 1 to 328 days late. Interest charges for eight of 50 vouchers were paid; however, errors were noted in the computation of interest payments resulting in underpayment of interest by $745. In addition, the Agency did not approve for payment vendor interest charges totaling $2,622 on 42 of 50 vouchers where interest charges were required to be automatically calculated and paid by the Agency. In these instances, the invoices were not paid by the Office of the State Comptroller (Comptroller) within 60 days of receipt.
- Forty vouchers were not stamped received by the Agency. In these cases, invoice date was used to determine timely payment.
- Payments for three vouchers were not supported by vendor's invoices or official receipts, or not supported at all.
- One voucher amounting to $6,900 did not agree with the warrant obtained from the Comptroller amounting to $4,869. The difference amounted to $2,031 and the payment pertained to the annual calibration of test equipment.
- Accounts payable payment forms for three invoices totaling $2,918,218 were not signed by the Agency representative.
- Payments for four vouchers totaling $433,501 were not recorded in the proper fiscal year.
- Payment for one voucher amounting to $190 pertained to a duplicate travel reimbursement.

Agency management stated these exceptions occurred due to the deconsolidation of Fiscal Office functions within the Agency. Error in computing vendor interest charges was due to Public Safety Shared Services Center (PSSSC) utilizing the wrong date received. The PSSSC was utilizing the date they received the bill and not when the Agency received the bill.

<u>Response:</u> Accepted. The Agency has begun working to consolidate these functions under the Chief Fiscal Officer and provide for increased internal controls and management over vouchering processes.

The PSSSC utilized the date the invoice was received at the PSSSC Accounts Payable since no received date was stamped on the invoice by the Agency. The PSSSC will work with the Agency to ensure that each invoice has an Agency received date.

Updated Response: Implemented. The Agency has returned the accounts payable function back to the agency from Shared Services. We believe having accounts payable within the agency helps to improve the timeliness and accuracy of voucher processing.

6. Review process to ensure all contracts are filed with the Comptroller per State statutes and related guidelines. Further, establish appropriate procedures to ensure all contracts are executed prior to the start of services. (Repeated-2009)

Finding: The Agency has not established adequate internal controls over contracts to ensure they were filed with the Office of the State Comptroller on a timely basis and were properly executed prior to performance of services. During a review of 23 contractual agreements, auditors noted the following:

- Nine contracts were filed to the Comptroller 2 to 225 days late.
- Two contracts were executed subsequent to contract start dates. These contracts were executed 41 to 50 days after the beginning of the contract start date.

Agency management stated contracts were not usually filed within 15 days due to the current contract review process in place between the Agency and the Public Safety Shared Services Center (PSSSC). Management also stated untimely execution of contracts was due to oversight.

Response: Accepted. The Agency has begun working to consolidate these functions under the Chief Fiscal Officer and provide for increased internal controls and management over contracting processes. In addition, IEMA also hired an Agency Procurement Officer in December 2011, which has added additional internal controls to address these issues.

The PSSSC will continue to work with the Agency to obtain the required documentation to file the contract with the Comptroller in a timely manner.

Updated Response: Implemented. The Agency has hired an Agency Procurement Officer who works closely with the Agency's legal office and fiscal office to ensure contracts are filed timely. Additionally, the Agency is in the process of bringing the responsibility for filing contract obligation documents back to the agency from Shared Services.

7. Strengthen controls over cash receipts and refunds by ensuring all checks received are recorded in a control log or date stamped as they are received and submitting complete and accurate Receipt Deposit Transmittal (RDTs) to the Office of the State Comptroller in a timely manner. Also, make deposits on a timely basis to maximize interest earned. (Repeated-2009)

Accepted or Implemented – continued

<u>Finding</u>: The Agency did not have adequate controls over receipts and refunds. During a review of 60 receipts and 16 refunds for FY10 and FY11, totaling $53,871,082, auditors noted the following:

- Timeliness of deposit could not be determined for 50 receipts and all 16 refunds tested because the Agency does not maintain documentation of the date receipts and refunds were received. Detailed testing indicated that checks totaling $11,476,544 were deposited 2 to 165 days after the date of the check.

- One Receipt Deposit Transmittal (RDT), amounting to $2,049,338, did not include original signature of the authorized Agency official.

- Nine RDTs, totaling $38,941,538, did not include a list of instrument type codes.

Agency management stated RDT forms were recently altered to include CFDA numbers and during this transition, the instrument type code was inadvertently left off. Additionally, management stated they did not require Mailroom to date stamp checks when received since these checks were routed to various departments. Many times payments were received without remittance information and it was necessary to research whether the payment was actually intended for one of the Agency's programs prior to the proper application of such payment. This was why receipts were not deposited within the required time frames. Further, management stated the original signature of the Agency official for one RDT was missing due to oversight.

<u>Updated Response:</u> Accepted. The Agency has hired an additional employee in the Accounts Receivable Unit and is also pursuing the deployment of an electronic check depositing system through the Treasurer's Office. This would allow the Agency to deposit checks on site rather than preparing and physically taking checks to the Treasurer's Office every day.

8. Adhere to the requirements of the State Property Control Act and review procedures to ensure that the property and equipment records are properly maintained and accurately reported to DCMS and the Office of the State Comptroller. (Repeated-2009)

<u>Finding</u>: The Agency did not have adequate controls over its property and equipment and related records. In performing tests of 80 equipment items for FY10 and FY11, auditors noted the following:

- One item, amounting to $3,687, was transferred to surplus but was still included on the property listing.

- Four items, totaling $78,071, were located at sites other than the location listed on the property control records.
- One item, amounting to $2,339, was included on the property listing but was determined to be lost.
- Fifteen items, totaling $472,700, were not found on the list of equipment submitted by the Agency to the Department of Central Management Services.

Auditors also noted the Certifications of Inventory for FY10 and FY11 submitted to DCMS were inaccurate. The following errors were noted:

- Amount of inventory per FY10 Certification of Inventory totaled $48,080,778, while amount of inventory per Agency's detailed listing totaled $41,995,542. The difference amounted to $6,085,236.
- Amount of inventory per FY11 Certification of Inventory and per Agency's detailed listing totaled $188,140,581. Through further examination of Agency's master list of inventory, it was determined that the correct inventory total should be $49,997,493, thus total inventory was overstated by $138,143,088.

During a review of Agency's Report of State Property (C-15) for FY10 and FY11, auditors noted the following:

- Total amount of equipment deletions and transfers for 3rd and 4th quarter of C-15 reports for FY10 and FY11 did not agree with Agency's detailed inventory record. A net difference of $779 was noted.
- Transfers from Capital Development Board (CDB) during the 4th quarter of FY10 and 1st quarter of FY11, totaling $9,370 and $35,793, respectively were erroneously reflected in the C-15 report as equipment additions instead of building and building improvement additions.

Agency management stated the Public Safety Shared Services Center (PSSSC) enters inventory data into the Agency's inventory system. Due to the inventory process being deconsolidated within the Agency and also the additional steps of involving the PSSSC, errors were noted on the inventory records. In addition, discrepancies noted on the inventory certifications were due to wrong formulas utilized during the creation of the report.

Updated Response: Accepted. The Agency has worked closely with Shared Services to ensure a much more accurate inventory process. IEMA's most recent inventory certification was completed on time with a much smaller number of discrepencies.

Accepted or Implemented – concluded

9. Complete internal audits of its major systems of internal accounting and administrative controls as required by statute. Further, perform timely evaluation of systems of internal fiscal and administrative controls and file annual certification with the Auditor General as required by SAMS and FCIAA.

Finding: The Agency did not ensure that its internal auditing program fully complied with the Fiscal Control and Internal Auditing Act (FCIAA).

Through examination of the Agency's fiscal controls, auditors noted the Agency did not perform an evaluation of its internal fiscal and administrative controls and failed to submit a certification report to the Office of the Auditor General for fiscal year 2010. In addition, the Agency's internal auditing program did not include the two-year audit plan identifying audits scheduled for the pending fiscal year.

Agency management stated the Chief Internal Audit position was filled during the last quarter of fiscal year 2011. Failure to submit the FCIAA certification was due to the change in fiscal staff in fiscal year 2010.

Updated Response: Accepted. The Agency hired a Chief Internal Auditor in March 2011 who developed an adequate audit program to address required FCIAA reviews. However, that employee took a position at another agency in September 2012. The Agency is currently engaged in interviews for a replacement.

10. Comply with the Illinois Emergency Planning and Community Right to Know Act by ensuring and documenting that all incidents reported to the State Emergency Response Commission (SERC) are reported to the appropriate Local emergency Planning Committee (LEPC). (Repeated-2009)

Finding: The Agency did not have adequate documentation to ensure all incidents of a release of hazardous materials reported to the State Emergency Response Commission (SERC) were then reported to the appropriate Local Emergency Planning Committee (LEPC).

During a review of the notification sent to LEPC, the Agency was unable to provide evidence that 14 of the 25 incident reports, sampled by auditors, were sent to the appropriate LEPC.

Agency management stated the documentation of the notification of incidents could not always be retrieved even though the Agency had verbally and/or emailed the LEPC.

Updated Response: Implemented. The Agency now ensures that our 24/7 Communications Center contacts the appropriate LEPC and documents the contact.

11. Comply with the Nuclear Safety Law of 2004 by conducting a study on the use of nuclear power or on nuclear safety. If the statutory mandate is not applicable to the Agency, then seek legislative remedy to the statutory requirement.

Finding: The Agency did not comply with the Nuclear Safety Law of 2004 by failing to conduct a study on the use of nuclear power or on nuclear safety, formulating the State's general nuclear policy, and publicizing the findings of all studies.

Agency management stated the Agency does not have the board expertise or staff to conduct these studies and formulate a general nuclear policy for the State.

Updated Response: Accepted. The Agency accepts the finding; however, the Agency does not have the expertise, funding or staff to conduct such a study. The Agency is attempting to pursue legislation to eliminate the requirement.

12. Comply with the Illinois Administrative Code and Agency policies by completing annual performance evaluations in a timely manner. (Repeated-2009)

Finding: The Agency did not conduct employee performance evaluations in accordance with the Illinois Administrative Code and Agency policies. During a review of personnel files of 40 employees, auditors noted the following:

- One employee did not have a performance evaluation in FY 2010.
- Ten employees did not have a performance evaluation in FY 2011.
- Five performance evaluations reviewed for FY10 were not timely submitted. Performance evaluations were submitted 7 to 57 days late.
- Ten performance evaluations reviewed for FY11 were not timely submitted. Performance evaluations were submitted 24 to 110 days late.

Agency management stated due to staffing limitations and budget constraints, Bureau Chiefs and Managers have taken more operational function duties. Because of this, certain managerial functions are being performed at a later date.

Updated Response: Accepted. The Agency is working to ensure performance evaluations are completed in a timely manner.

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 procurement shall be provided to the Procurement Policy Board and published in the online electronic Bulletin no later than 3 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 an affidavit with the Procurement Policy Board and the Auditor General. The affidavit is 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.

During the audit period, the Emergency Management Agency filed one affidavit for an emergency purchase totaling $167,046.72 for Superfund Project clean-up oversight.

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.

The Illinois Emergency Management Agency indicated as of July 5, 2011, nine employees were assigned to locations other than official headquarters.