
REPORT DIGEST

ILLINOIS EMERGENCY MANAGEMENT AGENCY

COMPLIANCE EXAMINATION

For the Two Years Ended:
June 30, 2009

Summary of Findings:

Total this audit	17
Total last audit	3
Repeated from last audit	2

Release Date:
March 25, 2010



State of Illinois
Office of the Auditor General
WILLIAM G. HOLLAND
AUDITOR GENERAL

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SYNOPSIS

- ◆ The Agency did not provide the auditors or the Office of the State Comptroller with accurate Grant/Contract accounting reports.
- ◆ The Agency did not reconcile their records to the Office of the State Comptroller records in a timely fashion.
- ◆ The Agency lacked proper segregation of duties in the processing of receipts, receivables and revenues.
- ◆ The Agency did not have adequate controls over receipts and refunds.

{Expenditures and Activity Measures are summarized on the next page.}

ILLINOIS EMERGENCY MANAGEMENT AGENCY
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2009

EXPENDITURE STATISTICS	FY 2009	FY 2008	FY 2007
Total Expenditures (All Funds).....	\$185,174,623	\$162,648,192	\$151,388,242
<u>OPERATIONS TOTAL</u>.....	\$120,644,181	\$131,541,811	\$117,450,730
% of Total Expenditures.....	65.15%	80.87%	77.58%
Personal Services	\$13,727,118	\$13,528,375	\$13,062,140
% of Operations Expenditures	11.38%	10.29%	27.55%
Average No. of Full-time Employees.....	221	224	233
Other Payroll Costs (FICA, Retirement)	\$6,065,565	\$5,369,372	\$4,514,758
% of Operations Expenditures	5.03%	4.08%	5.20%
Contractual Services	\$3,145,801	\$2,792,506	\$2,743,264
% of Operations Expenditures	2.61%	2.12%	14.53%
All Other Operations Items	\$97,705,697	\$109,851,558	\$97,130,568
% of Operations Expenditures	80.98%	83.51%	52.72%
<u>GRANTS AND REFUNDS TOTAL</u>.....	\$64,277,737	\$25,418,155	\$33,653,825
% of Total Expenditures.....	34.71%	15.63%	22.23%
<u>NON-APPROPRIATED FUNDS</u>.....	\$252,705	\$5,688,226	\$283,687
% of Total Expenditures.....	.14%	3.50%	.19%
Cost of Property and Equipment.....	\$47,234,000	\$45,842,000	\$44,149,000

AGENCY DIRECTOR

During Audit Period: Andrew Velasquez III
Currently: Andrew Velasquez III

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

INCORRECT FINANCIAL REPORTING

**Inaccurate accounting
information provided to
Office of the State
Comptroller**

The Agency did not provide the auditors or the Office of the State Comptroller with complete and accurate accounting information for grants and contracts (SCO-563 Accounting Forms).

Upon initial review of the SCO-563 Accounting Forms provided by Agency personnel, the auditors noted the following errors:

**Reports did not include
receipts and expenditures**

- Reporting for one fund did not include receipts and expenditures for one federal program, resulting in an understatement of \$137,179 and current year revenue for the program.
- In one fund, the amounts reported as subrecipients did not agree to the Agency's detailed accounting records. The difference in expenditures was \$5,842.
- In one fund, the Catalog of Federal Domestic Assistance (CFDA) numbers for ten programs were not correctly identified. The total expenditure amounts of these programs were \$16,061,000.

CFDA numbers incorrect

We recommended the Agency comply with the Office of the State Comptroller's procedures to ensure accurate financial information is reported. Further, the Agency should review its current process for the preparation and review of the accounting reports and allocate the resources necessary to ensure a thorough review and timely submission of information to the Office of the Comptroller. (Finding 1, pages 11-12)

**Agency agrees with auditor
recommendations**

Agency officials accepted our recommendations and stated that although they do not have procedural control over the completion of the Agency's GAAP package, they will continue to work with Shared Services to ensure the annual GAAP package is completed in a timely manner.

UNTIMELY RECONCILIATION OF AGENCY RECORDS TO THE STATE COMPTROLLER'S REPORTS

Agency failed to reconcile records to State Comptroller records timely

The Agency did not perform timely reconciliations of their records to the Office of the State Comptroller records. The auditors noted the following reconciliations were not performed timely:

- The Agency did not perform a reconciliation between Agency expenditures and the Office of the State Comptroller's Monthly Appropriations Status Report for 4 of 12 (33%) months during fiscal year 2009 and 1 of 12 (8%) months during fiscal year 2008 in a timely manner. In addition, four monthly reconciliations for one fund during fiscal year 2009 and for one month of 2008 could not be provided by the Agency.
- The Agency did not perform a reconciliation between cash receipts collected by the Agency and the Office of the State Comptroller's Monthly Revenue Report for 4 of 12 (33%) months during fiscal year 2009 and 2 of 12 (17%) months during fiscal year 2008 in a timely manner. In addition, the reconciliation of one fund's balance for one month in each of fiscal years 2009 and 2008 was performed using an incorrect Comptroller's Report balance.
- The Agency did not perform a reconciliation between the Agency's cash balance and the Office of the State Comptroller's Monthly Cash Report. For fiscal years 2009 and 2008, the Agency was unable to provide reconciliations to the Monthly Cash Reports for all funds administered by the Agency.

Five months of reconciliations could not be provided to auditors

Cash was not reconciled to the State Comptroller's reports for two fiscal years

We recommended the Agency comply with the Office of the State Comptroller procedures and perform monthly reconciliations in a timely manner. (Finding 2, pages 13-14)

Agency officials accepted our recommendation and stated they will work with Shared Services to complete reconciliations in a timely manner.

Agency agrees with auditor recommendation

INADEQUATE SEGREGATION OF DUTIES

The Agency lacked proper segregation of duties in the

processing of receipts, receivables and revenues.

During our review of internal controls we 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 the Office of the State Comptroller records. In addition, the individual involved in the billing process is also responsible for maintaining and reporting of accounts receivable balances as well as investigating billing disputes.

Same individual can receive checks, make deposits, and record adjustments to Agency records

We recommended the Agency revise its policies and practices to ensure proper segregation of duties. (Finding 4, pages 17-18)

Agency officials accepted our recommendation and will request additional personnel to enable proper segregation of duties. Until such time when personnel can be added, the Agency will actively review other means to adequately segregate the duties of this section.

Agency accepts auditor recommendation

INADEQUATE INTERNAL CONTROLS OVER CASH RECEIPTS AND REFUNDS

The Agency did not have adequate controls over receipts and refunds.

We tested 50 receipts and 21 refunds, totaling \$43,316,956, which were directly received by the agency and noted:

Receipts and refunds totaled \$43,316,956

- The timeliness of deposits could not be determined for certain refunds and receipts tested totaling \$296,952 due to lack of documentation of date received.
- The Receipt Deposit Transmittals (RDTs) totaling \$1,873,245 contained incorrect State Comptroller source codes. Further, a total of \$3,852,510 in federal receipts were coded incorrectly.

We recommended the Agency strengthen its controls over cash receipts and refunds by date stamping deposits upon receipt and submitting complete and accurate RDTs to

the Office of the State Comptroller in a timely manner.
(Finding 7, pages 24-25)

Agency officials accepted our recommendations and stated that the incorrect source codes have been corrected by updating the code at the Office of the State Comptroller.

**Agency accepts auditor
recommendation**

AUDITORS' OPINION

We conducted a compliance examination of the Agency as required by the Illinois State Auditing Act. We have not audited any financial statements of the Agency for the purpose of expressing an opinion because the Agency does not, nor is it required to, prepare financial statements.

WILLIAM G. HOLLAND, Auditor General

WGH:MKL:pp

SPECIAL ASSISTANT AUDITORS

De Raimo Hillger & Associates were our special assistant auditors for this examination.