



STATE OF ILLINOIS
**OFFICE OF THE
 AUDITOR GENERAL**

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

OFFICE OF THE STATE FIRE MARSHAL

Compliance Examination
 For the Two Years Ended June 30, 2016

Release Date: April 12, 2017

FINDINGS THIS AUDIT: 5	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	1	0	1	2006		16-3	
Category 2:	3	1	4				
Category 3:	0	0	0				
TOTAL	4	1	5				
FINDINGS LAST AUDIT: 5							

SYNOPSIS

- (16-1) The Office did not comply with statutory provisions regarding the use of assets within the Illinois Finance Authority's Fire Truck Revolving Loan Fund.
- (16-2) The 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.
- (16-4) The Office was not able to locate computer equipment during Fiscal Years 2015 and 2016.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).

Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.

Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

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

**OFFICE OF THE STATE FIRE MARSHAL
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016**

EXPENDITURE STATISTICS	2016	2015	2014
Total Expenditures.....	\$ 27,923,350	\$ 37,722,633	\$ 38,689,395
OPERATIONS TOTAL.....	\$ 21,816,162	\$ 22,517,447	\$ 22,456,402
% of Total Expenditures.....	78.1%	59.6%	58.0%
Personal Services.....	10,059,964	10,468,276	10,385,739
Other Payroll Costs (FICA, Retirement).....	7,748,149	7,462,773	7,393,846
All Other Operating Expenditures.....	4,008,049	4,586,398	4,676,817
AWARDS AND GRANTS.....	\$ 6,105,343	\$ 15,202,536	\$ 16,224,108
% of Total Expenditures.....	21.8%	40.3%	41.9%
REFUNDS.....	\$ 1,845	\$ 2,650	\$ 8,885
% of Total Expenditures.....	0.1%	0.1%	0.1%
Total Receipts.....	\$ 6,481,961	\$ 15,102,043	\$ 6,698,614
Average Number of Employees.....	117	123	130

SELECTED ACTIVITY MEASURES (Not Examined)	2016	2015	2014
Fire Investigations.....	1,039	1,007	1,100
Boiler and Pressure Vessel State Inspections.....	46,732	47,077	46,835
Fire Prevention Building Inspections.....	12,329	11,660	10,246
Fire Service Certifications.....	11,125	13,273	12,368
Fire Service Examinations.....	8,947	10,241	8,378
Underground Storage Tank Inspections.....	11,142	9,958	10,785
Elevator Licenses.....	600	1,164	544

AGENCY DIRECTOR	
During Examination Period:	Mr. Larry Matkaitis (through March 19, 2015) Mr. Leslie Albert (Acting State Fire Marshal March 20, 2015 through March 31, 2015) Mr. Matthew Perez (effective April 1, 2015)
Currently:	Mr. Matthew Perez

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**NONCOMPLIANCE WITH THE ILLINOIS FINANCE
AUTHORITY ACT**

The Office of the State Fire Marshal (Office) did not comply with statutory provisions regarding the use of assets within the Illinois Finance Authority’s Fire Truck Revolving Loan Fund (Authority’s Fund).

During testing, the auditors noted the following timeline regarding the \$8 million Fiscal Year 2015 appropriation the Office received to deposit moneys from the Fire Prevention Fund into the State Treasury’s Fire Truck Revolving Loan Fund (State Treasury’s Fund).

\$8 million appropriation from the Fire Prevention Fund for deposit into the State Treasury’s Fire Truck Revolving Loan Fund

\$8 million expended by the Fire Prevention Fund and deposited into the State Treasury’s Fire Truck Revolving Loan Fund

\$8 million expended by the State Treasury’s Fire Truck Revolving Loan Fund

A continuing appropriation requires cash deposits in the State Treasury’s Fire Truck Revolving Loan Fund be sent to the Illinois Finance Authority’s Fire Truck Revolving Loan Fund

\$8 million is in the Illinois Finance Authority’s Fire Truck Revolving Loan Fund

07-01-14	Public Act 098-0681 appropriated \$8 million from the Fire Prevention Fund to the Office for deposit into the State Treasury’s Fund.
12-04-14	The State Comptroller processed a voucher submitted by the Office to completely expend the \$8 million appropriation from the Fire Prevention Fund. The \$8 million was deposited into the State Treasury’s Fund.
01-12-15	The State Comptroller processed a voucher submitted by the Office to spend the entire \$8 million now on deposit in the State Treasury’s Fund to the Authority’s Fund. To process this transaction, the Office charged this expenditure against the continuing appropriation authorized by the Illinois Finance Authority Act (Act) (20 ILCS 3501/825-80(c-1)) to distribute the amount, if any, of cash received into the State Treasury’s Fund to the Authority’s Fund so long as the Office and the Illinois Finance Authority (Authority) entered into an interagency agreement that the moneys distributed would be used “for loans to fire departments and fire protection districts to purchase fire trucks and brush trucks and for no other purpose.”
01-12-15	The Governor signed Executive Order 2015-008 requiring the Governor’s Office of Management and Budget to review all grants requiring the expenditure of State funds to determine whether the grant is essential to operations.
01-15-15	The Authority received the \$8 million warrant from the State Treasury’s Fund for deposit into the Authority’s Fund.
01-20-15	The Authority deposited the \$8 million warrant into the Authority’s Fund.
01-26-15	The Governor’s Office of Management and Budget finished its review of the Office’s grants and determined the Fire Truck Revolving Loan

Office requests the Illinois Finance Authority return the \$8 million

Illinois Finance Authority’s Executive Director notes a “legal obstacle” to returning the \$8 million

Governor’s Office official requests the Authority return the \$8 million to the Office

Illinois Finance Authority’s Executive Director notes “potential for audit or legal exposure” by returning the cash

Illinois Finance Authority returns the \$8 million to the Office

Return of the \$8 million classified as an “overpayment” to deposit the \$8 million into the Fire Prevention Fund as opposed to the State Treasury’s Fire Truck Revolving Loan Fund

Classification and deposit circumvented the continuing appropriation requirement of the State Treasury’s Fire Truck Revolving Loan Fund

01-26-15 (cont.)	Program was not essential. The Office sent the Authority a letter requesting the Authority return the \$8 million.
01-27-15	An official with the Governor’s Office of Management and Budget e-mailed the Authority’s Executive Director stating the \$8 million “will not (be) available for use by the Illinois Finance Authority. Please contact me with any concerns, as I understand there may be audit issues.”
02-20-15	The Authority’s Executive Director sends an e-mail to officials from the Office and Governor’s offices indicating a “legal obstacle” to returning the \$8 million.
03-26-15	Public Act 099-0002 authorized a transfer of \$23 million from the Fire Prevention Fund into the General Revenue Fund by the conclusion of Fiscal Year 2015.
04-17-15	An official with the Governor’s Office sent an e-mail to the Authority’s Executive Director that the Governor’s legal team has reviewed the transaction and requested compliance with the letter from the Office to the Authority dated January 26, 2015.
04-21-15	The Authority’s Executive Director, after briefing both the Authority’s Chair of the Board of Directors and the Audit Committee Chair about the “potential for audit or legal exposure to the Authority by complying with this request,” directs the Authority’s Chief Financial Officer to return the \$8 million to the Office. The Authority authorizes the return of the \$8 million back to the Office.
05-12-15	The State Comptroller processed the \$8 million Expenditure Adjustment Transmittal, classified by the Office as an overpayment, to redeposit these moneys against the appropriation from the Fire Prevention Fund, not the State Treasury’s Fund. In accordance with the Statewide Accounting Management System (SAMS) Manual (Procedure 25.20.20), the Office should have returned the \$8 million from the original appropriation that generated the repayment being refunded, which was the State Treasury’s Fund as it was the appropriated fund that paid the moneys to the Authority’s Fund. If this had been done, however, the Office would have been obligated to return the money deposited into the State Treasury’s Fund back to the Authority’s Fund under the continuing appropriation provisions of the Act (20 ILCS 3501/825-80(c-1)). Therefore, the Office did not charge the return of the \$8 million against the proper fund and appropriation.

Fiscal records continue to reflect the \$8 million appropriated expenditure in the State Treasury’s Fire Truck Revolving Loan Fund

06-03-15	The State Comptroller processed a fund transfer from the Fire Prevention Fund into the General Revenue Fund for \$12.5 million.
06-24-15	The State Comptroller processed a fund transfer from the Fire Prevention Fund into the General Revenue Fund for \$5.7 million. The total transfers were \$18.2 million.
08-31-15	The Office lapsed the \$8 million appropriation from the Fire Prevention Fund for deposit into the State Treasury’s Fund. However, the Office continues to show the \$8 million appropriated expenditure from the State Treasury’s Fund for deposit into the Authority’s Fund.

During testing, the auditors noted the Office did not:

- comply with the SAMS Manual (Procedure 25.20.20) by charging the refund against the proper appropriation;
- enforce its Intergovernmental Agreement between the Authority and the Office (Agreement) to limit the usage of moneys in the Authority’s Fund to loans to local governments; and,
- ensure its expenditure records and the records of the State Comptroller properly reflected the interfund cash transfer from the Fire Protection Fund to the State Treasury’s Fund. (Finding 1, pages 8-11).

We recommended the Office enforce its agreement by limiting the Authority’s usage of resources to any restriction imposed upon their use by law, or see a legislative remedy if management perceives a need to address some other public policy concern.

Office officials agreed

Office officials stated they agreed with the auditors’ finding but believe they acted in the best interests of the State to preserve their ability to maintain their operations.

Illinois Finance Authority response

Illinois Finance Authority officials stated they cannot run the fire truck loan program without the assistance of the State Fire Marshal to initiate and manage the program. They also stated the Authority would not have been able to loan money to purchase fire trucks if the Fire Marshal was unable to continue operations.

NONCOMPLIANCE WITH ARSONIST REGISTRATION ACT

Statewide Arsonist Database was not established and made available to the public

The 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. (Finding 2, pages 12-13)

We recommended the Office follow up with the Department of State Police to obtain arsonist information and create a hyperlink/database that can be published and made available for the public via the Office's website.

Office agreed with auditors

Office officials accepted the recommendation and stated they will make arsonist registration information available to the public using a hyperlink when made available by the Illinois State Police.

Illinois State Police response

Illinois State Police Officials stated they assumed the process used for the Law Enforcement Agencies Data System (LEADS), used to handle sex offenders, could be reused for arsonists. However, due to out-of-date technology, changes to the files are difficult. Officials also stated legislative changes to clarify statutory responsibilities and funding to purchase or build a Statewide registry software application and related processes is required.

INADEQUATE CONTROLS OVER COMPUTER EQUIPMENT

The Office was not able to locate computer equipment during Fiscal Years 2015 and 2016.

2 laptops and 2 tablet computers were not able to be located

We reviewed the Office's Annual Certification of Inventory Reports submitted to the Department of Central Management Services (DCMS) and noted four computers were missing. Specifically, in Fiscal Years 2015 and 2016, the Office stated it was unable to locate two laptops (totaling \$3,109) and two tablet computers (totaling \$2,919).

Formal assessment to determine if confidential information was maintained on missing computers that were not encrypted was not performed

The Office has established procedures regarding the proper storage of electronic data; however, there is a possibility that confidential or personal information could reside on the missing computers. Although only one of the missing laptops had encryption, we found the Office had not performed a formal assessment to determine if any confidential information was maintained on the other missing computers. Additionally, Office personnel were not able to provide property transfer forms or any other documentation showing what happened to the missing computers. (Finding 4, pages 15-16)

We recommended the Office:

- Perform a detailed assessment to determine if any of the missing computers contained confidential information.
- Review current practices to determine if enhancements can be implemented to prevent the loss or theft of computers.
- Establish procedures to immediately assess if a

computer may have contained confidential information whenever it is reported lost, stolen or missing during the annual physical inventory, and document the results of the assessment.

- Ensure confidential data is encrypted on computer equipment that is susceptible to loss or theft.

Office agreed with auditors

Office officials accepted the recommendation and stated they have completed the implementation of a new inventory system which will increase controls over inventory and decrease errors with barcode technology. Additionally, Office officials acknowledged the possibility of confidential data residing on laptops and tablet hard drives and stated they have controls in place to minimize the risk of potential exposure of confidential information and are working on additional controls to minimize the risk as well.

OTHER FINDINGS

The remaining findings pertain to performance evaluations not being completed timely and failure to ensure employees were duly licensed and insured. We will review the Office's progress towards the implementation of our recommendations in our next compliance examination.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the Office for the two years ended June 30, 2016, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance for Finding 2016-001. Except for the noncompliance described in this finding, the accountants stated the Office complied, in all material respects, with the requirements described in the report.

This compliance examination was conducted by Winkel, Parker & Foster, CPA PC.

SIGNED ORIGINAL ON FILE

BRUCE L. BULLARD
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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