

**Review: 4341**  
**Statewide Single Audit**  
**Year Ended June 30, 2009**  
**Illinois Emergency Management Agency**

**FINDINGS/RECOMMENDATIONS – 7**

**Repeated – 3**

**Accepted – 4**  
**Implemented – 3**

**09-82. The auditors recommend IEMA establish procedures to properly identify and report expenditures under the Homeland Security Cluster to the Comptroller.**

**Findings:** IEMA does not have an adequate financial reporting process to identify programs reported under the Homeland Security Cluster program. Specifically, expenditures of approximately \$49 million were reported on the schedule of expenditures of federal awards (SEFA) using an incorrect CFDA number, and adjustments were required to accurately state the Homeland Security Cluster expenditures in the SEFA.

In discussing these conditions with IEMA personnel, they stated that the original GAAP package listed the correct CFDA numbers. However, an external vendor hired to assist in the preparation of the GAAP packages changed the CFDA numbers and resubmitted them to the IOC in a subsequent revision without the knowledge of IEMA.

**Response:** Accepted. The correct catalog of federal domestic assistance (CFDA) numbers were provided by IEMA for the GAAP packages. However, the vendor hired by the Public Safety Shared Services Center (SS) to complete IEMA's GAAP package made changes to the CFDA numbers after the first round of comments from the Illinois Office of the Comptroller without consultation or notification to IEMA. A document sent to IEMA from the vendor in December and returned with corrections, shows IEMA's attempt to inform the vendor that the CFDA numbers in one of their worksheets were incorrect. There was no mention of the changes to the GAAP packages in reference to these numbers until IEMA received draft findings from the single audit.

IEMA will research the processes employed by Shared Services and work to ensure this situation does not occur in the future.

**Updated Response:** Implemented.

**09-83. The auditors recommend IEMA deposit all federal funds received in an interest-bearing account and calculate and remit interest owed to the U.S. Treasury. (Repeated-2008)**

**Findings:** IEMA received approximately \$67,385,000 in draws under the Homeland Security Cluster program that were not deposited into an interest-bearing account. Additionally, IEMA did not calculate or remit any potential interest liability owed to the U.S. Treasury on funds received in advance of disbursement.

In discussing these conditions with IEMA personnel, they stated federal funds are currently not being deposited into an interest-bearing account. IEMA understands that federal funds drawn for non-immediate spending can be placed in an interest-bearing account for up to 120 days, as long as all interest proceeds are returned to the federal government. IEMA will pursue legislation to create an interest-bearing account.

**Response:** IEMA accepts this finding. The Agency will pursue the legislation needed to create interest-bearing accounts. However, monitoring over 30 grant accounts on a daily basis in order to track the amount of interest owed may require an additional full time headcount. This employee would track all federally drawn funds from each program account, track the number of days from receipt to expenditure and complete payment forms for voucher processing at the Public Safety Shared Services Center for the accumulation of interest payment back to the Federal Government. IEMA will also pursue an additional headcount; however, we estimate the cost to hire an individual to be more than five times the amount of interest that would be returned to the federal government.

**09-84. The auditors recommend IEMA establish procedures to either ensure vendors certify that their organization is not suspended or debarred or otherwise excluded from participation in federal assistance programs, or perform verification procedures with the EPLS (Excluded Parties List System). (Repeated-2008)**

**Findings:** IEMA did not obtain required certifications that vendors were not suspended or debarred from participation in federal assistance programs for the Homeland Security Grant program.

During a review of 30 expenditures to 4 vendors of the Homeland Security Grant program, auditors noted IEMA did not include a suspension and debarment certification in its vendor agreements. As a result, IEMA did not receive certifications that the vendors of the Homeland Security Grant program were not suspended or debarred from participation in federal assistance programs. Additionally, IEMA did not perform a verification check with the "Excluded Parties List System" (EPLS) maintained by the General Services Administration for its vendors. During the year ended June 30, 2009, IEMA expended approximately \$538,000 to vendors of the Homeland Security Grant program.

In discussing these conditions with IEMA personnel, they stated that when the auditors originally notified IEMA of this finding, the Agency's legal opinion was that appropriate debarment language already existed; however, they agreed to add additional language to all contracts. This language was added after notification by the auditors, which was not until after the beginning of the 2009 audit period.

**Response:** While the Agency believes appropriate debarment language existed prior to the Agency's audit for the period ending June 30, 2008, the Agency agreed to add additional language to all contracts to address the auditors' concerns. However, this language was not able to be added until the Agency was notified, which did not occur until after the beginning of this audit period.

**Auditors' Comment:** The language which was included in the vendor contracts prior to the modification made by IEMA did not refer to the federal suspension and debarment requirements.

**Updated Response:** Implemented.

**09-85. The auditors recommend IEMA perform periodic on-site reviews to ensure subrecipients are administering the federal program in accordance with the applicable laws and regulations. (Repeated-2008)**

**Findings:** IEMA is not sufficiently performing on-site reviews of subrecipients receiving federal awards under the Homeland Security Cluster.

Effective March 19, 2008, IEMA developed a formal policy for performing on-site monitoring procedures at its subrecipients, and a monitoring template to document the on-site visits was developed during March 2009. Noted during the audit, IEMA did not perform on-site subrecipient monitoring procedures from July 1, 2008 through May 31, 2009. IEMA performed two on-site subrecipient monitoring visits in June 2009; however, those reviews were not fully documented.

In discussing these conditions with IEMA personnel, they stated two on-site monitoring visits were conducted during the audit period and a more aggressive monitoring plan is being developed for state fiscal year 2010.

**Response:** IEMA agrees with the finding.

Although IEMA has established a comprehensive sub-recipient monitoring policy, which provides a mechanism to ensure grantee compliance with federal and state rules and requirements through multiple evaluation criteria, we agree that a limited number of on-site visits were made in State Fiscal Year (SFY) 2009. This policy was lauded by the U.S. Department of Homeland Security, Office of Inspector General as a thorough procedure to ensure programmatic compliance with federal and state policies and strategy. In SFY 2010, prior to the issuance on this finding, IEMA had already established an aggressive

on-site monitoring schedule of grantees of federal preparedness funds that clearly exceeds the minimum requirements of OMB Circular A-133.

It should be noted that unlike other state grant programs, IEMA only provides funds to sub-recipients on a reimbursement basis. This means the sub-recipient must have already incurred the expense and submitted proper documentation (complete vendor invoice) to IEMA, which is immediately audited for adherence to federal and state rules and regulations that govern the grant program before any funds are drawn from the U.S. Treasury and payment issued. In our opinion, much of what would be accomplished in an on-site monitoring visit, with the exception of conducting a physical inventory, has already been completed prior to funds ever being requested from the federal government. This process, which has been in place well before SFY 2009, ensures all costs are completely documented and accounted for before the issuance of funds to the grantee.

Additionally, we believe that annual A-133 Single Audits, conducted by subject matter experts, provide a much more comprehensive and thorough review of financial documents than could be accomplished by IEMA staff. IEMA continues to closely monitor sub-grantee compliance with A-133 Single Audit requirements, which is a much more comprehensive process to ensure adherence to pertinent financial and grants management rules and regulations. To oversee this monitoring function, IEMA employs a compliance officer whose responsibility is to track the submission of jurisdictional audits, ensure appropriate federal funds are included in the audit, and follow up to resolve identified findings. All A-133 Single Audits are reviewed by IEMA in an appropriate period and follow-up letters are immediately sent to the jurisdiction.

IEMA continues to refine internal policies and procedures to strengthen our ability to ensure grantee compliance with federal and state rules and requirements. Since SFY 2009, IEMA has established several stringent procurement documentation policies directly associated with sub-recipient monitoring of organizations that receive federal preparedness funds. Additionally, IEMA has initiated the development of a web-based grants management system that will enable the agency to electronically capture the on-going project monitoring of sub-grantees that takes place on a regular basis.

**09-86. The auditors recommend IEMA review the process and procedures in place to prepare the FEMA financial status report (Form 20-10) to ensure expenditures are accurately reported.**

**Findings:** IEMA did not accurately report expenditures in the Federal Emergency Management Agency (FEMA) financial status report (FEMA Form 20-10).

The FEMA Form 20-10 report is required to be submitted on a quarterly basis to report expenditure information related to the disaster public assistance grants. During the review of 12 out of 40 quarterly FEMA Form 20-10 reports submitted during the fiscal year ended June 30, 2009, auditors noted IEMA incorrectly reported the amount of the recipient share of outlays in one report as follows:

<u>Quarter Ended</u>	<u>Reported Expenditures</u>	<u>Actual Expenditures</u>	<u>Variance</u>
March 31, 2009	\$ 11,605,206	8,220,182	3,385,024

In discussing these conditions with IEMA personnel, they stated that FEMA changed the Federal/Non-Federal cost share percentages for only one of the twenty-six open disasters. This change was in effect from June 24, 2008 thru August 6, 2008 or forty-four days. The cost share change for this disaster resulted in the submission of an inaccurate quarterly report which has been corrected.

**Response:** IEMA accepts this finding.

It appears this finding was caused by an unusual change in the Federal/non-Federal cost share percentages under the FEMA-1771-DR-IL declaration. During this declaration, FEMA authorized a 90/10 Federal/non-Federal cost share split for a limited period for eligible Public Assistance Program projects under Category B, Emergency Protective Measures. This 90/10 cost share was just in force from the start of the incident until August 6, 2008. Any Category B project worksheets prepared for work performed during this period had this 90/10 cost share.

The typical cost share for declarations under the Public Assistance Program is 75/25. The only other declaration where we've had a 90/10 cost share was the FEMA-0997-DR-IL, 1993 Great Midwest Flood, and 90/10 was the cost share for the entire period of the disaster.

There are no known instances where a 90/10 cost share has been authorized for a short range of time within a disaster. This anomaly caused the non-Federal share number entered for the 1771 quarterly financial reports to be inaccurate. After we received notice of this discrepancy, program staff and fiscal worked together to identify payments within this time frame and submitted the corrected numbers listed above in this finding and resubmitted adjusted quarterly reports. Staff from disaster programs and fiscal will work together to insure this is not overlooked in the future.

Additionally, the Grants Management System (GMS) currently under development should enable program and fiscal staff to share necessary information and avoid these discrepancies.

**Updated Response:** Implemented.

**09-87. The auditors recommend IEMA implement procedures to ensure cash drawn in advance is disbursed in accordance with program regulations.**

**Findings:** IEMA did not minimize the time elapsing between the drawdown of federal funds from the U.S. Treasury and their disbursement for program purposes.

Noted during the review of 30 expenditures (totaling \$12,602,386) related to the Disaster Grants Public Assistance (Presidentially Declared Disasters) program, warrants were not issued for 23 expenditure vouchers, totaling \$7,148,159 within three business days of receiving federal funds intended to finance these expenditures. The number of days between the receipt of federal funds and the issuance of warrants ranged from four to fourteen business days.

In discussing these conditions with IEMA personnel, they stated the payment vouchers and federal fund draws have historically been processed simultaneously; however, processing a voucher and creating a warrant has taken more than three business days during fiscal year 2009.

**Response:** IEMA accepts this finding

The Agency currently works to minimize the time between draws and payment. IEMA's current process is to submit vouchers to Shared Services where they are entered for payment. Once the vouchers are entered, grant fiscal staff submit a request for federal funds online. It then requires at most two days for the Treasurer to receive the funds and for the Comptroller to post to their appropriate fund. An additional two days are required for assembling schedules at Shared Services and delivering that information to the Comptroller. We will review our processes to identify opportunities for improvement. However, the Agency has no control over the length of time vouchers spend at the Office of the Comptroller. We will reach out to their office to determine if the timeframe can be shortened.

**09-88. The auditors recommend IEMA follow their established internal control procedures to reconcile equipment expenditures to additions recorded in the property records.**

**Findings:** IEMA did not follow their established internal control procedures to reconcile equipment expenditures to additions recorded in the property (equipment) records.

IEMA's internal control procedures to maintain accurate property records include a monthly reconciliation between expenditures for equipment recorded in their general ledger to equipment additions recorded in the property records. As noted during the audit, IEMA did not complete any of the monthly reconciliations during the year ended June 30, 2009. Subsequent to the audit, IEMA reconciled all twelve months and noted no differences between the expenditures for equipment recorded in their general ledger and equipment added to their property records.

In discussing these conditions with IEMA personnel, they stated the reconciliation was not completed due to staffing changes created by the Public Safety Shared Services Center.

**Response:** IEMA accepts this finding.

The Agency internal control procedures state that expenditures for equipment recorded in the general ledger will be reconciled monthly with equipment additions recorded in the property records. Prior to Executive Order 6 (2006) which created the Public Safety Shared Services Center (SS) those reconciliations were completed monthly. Per the executive order fixed assets were transferred to the SS at the Illinois Department of Corrections.

SS did not complete reconciliations for State fiscal year 2009 but procedures are in place to ensure that reconciliations occur in the future. The Agency will discuss with SS ways in which the process can be improved.