

LEGISLATIVE AUDIT COMMISSION



Review of
Emergency Management Agency
Two Years Ended June 30, 2009

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**REVIEW: 4341
EMERGENCY MANAGEMENT AGENCY
TWO YEARS ENDED JUNE 30, 2009**

FINDINGS/RECOMMENDATIONS - 17

**ACCEPTED - 8
IMPLEMENTED - 9**

REPEATED RECOMMENDATIONS - 2

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 3

This review summarizes a report on the Illinois Emergency Management Agency for the two years ended June 30, 2009, filed with the Legislative Audit Commission March 25, 2010. The auditors performed a compliance examination in accordance with *Government Auditing Standards* and State law.

The Illinois Emergency Management Agency is responsible for the coordination, management and administration of the State's emergency management, homeland security and nuclear safety programs. IEMA functions as the State Emergency Response Commission and maintains a 24-hour Communications Center. The agency assists local governments with multi-hazard emergency operations plans and maintains the Illinois Emergency Operations Plan. The 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 the two-year period covered by the audit. On May 7, 2010, Mr. Joseph Klinger was appointed Interim Director. Mr. Klinger has more than 20 years of experience with IEMA primarily in the Radioactive Materials Program. He served as Assistant Director since January 2007.

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

| | FY09 | FY08 | FY07 |
|--|-------------|-------------|-------------|
| General Revenue Fund | 32 | 29 | 35 |
| Radiation Protection Fund | 42 | 42 | 33 |
| Federal Civil Preparedness Administration | 7 | 7 | 7 |
| Emergency Management Preparedness | 14 | 18 | 15 |
| Nuclear Safety Emergency Preparedness | 122 | 124 | 138 |
| Sheffield Agreed Order Fund | 1 | 1 | 1 |
| Low Level Radioactive Waste Facility Development and Operation Fund | 0 | 0 | 0 |
| TOTAL | 221 | 224 | 233 |

Expenditures From Appropriations

The General Assembly appropriated a total of \$416,336,107 to the Agency in FY09, of which \$13.4 million was from the General Revenue Fund; \$7.3 million was from the Radiation Protection Fund; \$21.2 million from the Nuclear Safety Emergency Preparedness Fund; \$5.5 million from Nuclear Civil Protection Planning Fund; \$82 million from Federal Aid Disaster Fund; \$270.1 million from Federal Civil Preparedness Administrative Fund; and \$14.5 million from the Emergency Management Preparedness Fund; and \$2.3 million from other funds. Appendix A summarizes these appropriations and expenditures for the period under review. Total expenditures increased from \$151 million in FY07 to almost \$157 million in FY08 and almost \$185 million in FY09. The primary reason for the increase was grants received in areas that received federal disaster declarations. The Agency had about \$231.4 million in unspent appropriation authority due mostly to \$191 million in unexpended funds for terrorism preparedness and training costs. Lapse period spending was 10.5%

Cash Receipts

Appendix B provides a summary of the Agency's cash receipts for FY07-FY09. Total cash receipts decreased from \$164.6 million in FY07 to \$130 million in FY08, and then increased to \$179.8 million in FY09. The decrease in receipts between FY07 and FY08 was related to Illinois no longer receiving reimbursement for support for Louisiana and Mississippi because of Hurricane Katrina, and less funding through the Federal Civil Preparedness Administrative Fund. Increased receipts in FY09 were due to disaster declarations for severe ice storms, snow storms and tornadoes. Receipts of fees from the nuclear reactor annual assessment decreased by \$9 million, or more than 50%, because fees are assessed based on a mandated fund balance which causes variations in the amounts collected each year.

Property and Equipment

Appendix C provides a summary of property and equipment for FY09 and FY08. Total property and equipment increased from \$44,149,000 as of July 1, 2007 to \$47,234,000 as of June 30, 2009.

Governor's Disaster Relief Fund

Appendix D summarizes Emergency Management Agency expenditures from the Governor's Disaster Relief Fund during FY09 and FY08. 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. Funding cannot be used until the declaration of a disaster.

Accountants' Findings and Recommendations

Condensed below are the 17 findings and recommendations presented in the audit report. There were seven repeated recommendations. The following recommendations are classified on the basis of information provided by Jennifer Ricker, Chief of Staff, via electronic mail received October 21, 2010.

Accepted or Implemented

- 1. Comply with SAMS procedures to ensure accurate financial information is reported to the Office of the State Comptroller. Further, review current process for the preparation and review of Grant/Contract Analysis (SCO-563) Forms and allocate resources necessary to ensure a thorough review and timely submission of information to the Office of the State Comptroller. (Repeated-2007)**

Findings: The Illinois Emergency Management Agency did not provide the auditors or the Office of the State Comptroller with complete and accurate Grant/Contract Analysis (SCO-563 Forms) Forms. Upon review of the SCO-563 Forms provided for the Agency, auditors noted the following errors:

- Reporting for one fund did not include receipts and expenditures for one federal program, resulting in an understatement of federal expenditures of \$137,179 and current year revenue for the program.
- In one fund, the amounts reported as subrecipients on Form SCO-563 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 was \$16,061,000.

In addition, the GAAP Forms and related Schedule of Expenditures of Federal Awards (SEFA) were not presented to the auditors in a timely manner. Auditors received forms two months after scheduled deadlines.

Agency management stated that working under Executive Order #6 and its corresponding Interagency Agreement, the Agency does not have procedural control over the completion of the Agency GAAP packages. Under the Executive Order, this responsibility was transferred to the Public Safety Shared Services Center (Shared Services).

Updated Response: Implemented. This year the Agency worked directly with the vendor contracted by the Public Safety Shared Services Center and turned in the components of the 2010 GAAP package in an accurate and timely manner.

Accepted or Implemented - continued

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

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

- The Agency did not perform a timely reconciliation between Agency expenditures and the Office of the State Comptroller's Monthly Appropriations Status Report for four of 12 months during FY09 and one of 12 months during FY08 in a timely manner. These reconciliations were performed between four and 41 days late. In addition, four months of reconciliation reports for part of one fund during FY09 and for one month of one fund during FY08, could not be provided by the Agency. Also, the agency should notify the Comptroller's Office of any irreconcilable differences so that corrective action can be taken. Reconciling items should be adjusted promptly to ensure accurate records and correct financial reporting.
- The Agency did not perform a timely reconciliation between cash receipts collected by the Agency and the Office of the State Comptroller's Monthly Revenue Report for four of 12 months during FY09 and two of 12 months during FY08 in a timely manner. These reconciliations were performed between four and 59 days late. In addition, the Agency should notify the Comptroller's Office of any irreconcilable differences so that the necessary corrective action can be taken. Reconciling items should be adjusted promptly to ensure accurate records and correct financial reporting.
- 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.

Agency management stated that it entered into an interagency agreement with the Illinois Department of Corrections with respect to fiscal services. The scope and responsibility of certain functions were not clearly defined during the negotiation process, and therefore some of the responsibilities were shared and some were missed.

Updated Response: Accepted – ongoing. The Agency has received updates from the Public Safety Shared Services Center and expenditure reconciliations have been consistent and timely.

REVIEW: 4341

3. Revise policies and practices to ensure proper segregation of duties over equipment.

Findings: 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 that the Agency lacked the proper segregation of duties in requisitioning, receiving and storing of equipment and commodities. There are no central receiving areas for items related to other expenditure areas. In many bureaus, the department or individual that ordered the item is responsible for receiving the item. The same individual within a department or grant program area can approve a requisition or contract, order the goods, sign as receiver of the goods and approve the bill for payment.

Agency management stated that the Agency does have a clear separation of duties for all major purchases of equipment, contractual services and commodities. However, a central receiving area for the same purchases is not always available as the Agency works from 15 locations across the State. Many of these locations are minimally staffed and lack the volume of deliveries to dedicate receiving personnel.

Updated Response: Accepted – ongoing. The Agency is attempting to fill positions, which would address this issue.

4. Revise policies and practices to ensure proper segregation of duties over receipts.

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

During a review of internal controls, auditors noted that the Agency lacked the proper segregation of duties in the processing of receipts, billings and receivables. Billing disputes could be investigated by the same individual participating in the billing process. 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 Comptroller records. The individual involved in the billing duties is also responsible for maintaining and reporting of accounts receivable balances. Billing disputes could be investigated by the same individual participating in the billing process.

Agency management stated that pursuant to the Intergovernmental Cooperation Act, the agency entered into an interagency agreement with the Illinois Department of Corrections with respect to fiscal services. Several employees of the agency were transferred to shared services as a result of the agreement; however, the receipts, receivables, and revenue functions along with fee compliance remained at the agency. The transfer of employees impacted the agency's ability to maintain adequate segregation of duties.

Accepted or Implemented - continued

Response: Accepted. The Agency 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.

Updated Response: Accepted – ongoing. The Agency is currently attempting to fill positions that will assist in addressing this deficiency.

5. Implement additional controls to ensure that expenditures are approved timely, paid timely and are accurate.

Findings: The Agency did not process certain expenditures accurately and did not pay certain expenditures in a timely manner.

Auditors noted many deficiencies during testing of 275 expenditures for Contractual Services, Travel, Commodities, Printing, Equipment, Telecommunications, Electronic Data Processing, Operation of Automotive Equipment, and Grant Expenditures.

Agency management stated that pursuant to the Intergovernmental Cooperation Act, the agency entered into an interagency agreement with the Illinois Department of Corrections with respect to fiscal services. Finance personnel were involved in many pre-transfer meetings and pre-transfer changes in vouchering procedures and staff. The changes and confusion regarding transferring personnel and responsibilities is likely to have contributed to the errors in processing.

Updated Response: Accepted – ongoing. The Agency is working in cooperation with Shared Services to improve voucher processing accuracy and timeliness.

6. Review contracting policies and procedures to ensure compliance with statutes and SAMS Procedures.

Findings: The Agency did not process contractual agreements in accordance with established procedures. During testing of twenty-five contractual agreements and ten contractual agreements for expenditures greater than \$3,000,000, auditors noted the following exceptions:

- One of 25 contractual agreements tested, totaling \$15,000, was not on file with the State Comptroller's Office. Fourteen of 25 (56%) contractual agreements tested, totaling \$790,113, were filed between one and 59 days late with the State Comptroller's Office.
- Two of 25 contractual agreements, totaling \$239,500, did not contain the Procurement of Domestic Products certification.

REVIEW: 4341

- Five of 25 contractual agreements, totaling \$335,424, were signed between 37 and 92 days after the date of commencement of services per the contract.
- Two of 25 contractual agreements, totaling \$745,260, tested did not provide an explanation for being exempt from bidding.
- Two of 25 contractual agreements tested, totaling \$804,800, were not posted on the Illinois Procurement Bulletin.
- One of 25 contractual agreements tested, totaling \$271,830, did not contain Financial Interest and potential Conflicts of Interest Disclosures.
- Four of 25 contractual agreements, totaling \$56,550, were not dated by the vendor, agency official, or both.
- Two of the ten contractual agreements tested, totaling \$8,810,350, were signed after the date of commencement of services.

Agency management stated the current contracts have been updated to include the requirements of the Procurement of Domestic Products Acts and Conflict of Interest Disclosures. In addition, public safety issues prompted the Agency to begin services under some contracts before the contracts were finalized, as budget restraints delayed the processing of contracts.

Updated Response: Implemented. All Agency contracts now include the requirements of the Procurement of Domestic Products Acts and Conflict of Interest Disclosures.

7. Strengthen controls over cash receipts and refunds by date stamping deposits upon receipt and submitting complete and accurate Receipt Deposit Transmittals to the Office of the Comptroller in a timely manner.

Findings: The Agency did not have adequate controls over receipts and refunds. The Auditors tested 50 receipts and 21 refunds, totaling \$43,316,956, which were directly received by the Agency during the examination period and noted the following weaknesses:

- The timeliness of deposit could not be determined for five refunds and one receipt tested totaling \$296,952 due to the Agency not maintaining documentation of the date received.

Accepted or Implemented - continued

- The Receipt Deposit Transmittals (RDTs) for two receipts tested, totaling \$1,873,245, contained incorrect SAMS Source Codes. Subsequently it was determined that a total of \$3,852,510 in federal receipts had been coded incorrectly.

Agency management stated that many times payments are received without remittance information and it may be necessary to research whether the payment is actually intended for one of the Agency's programs prior to the proper application of such payment. Management stated that coding errors were the result of changes that were not completed with the Office of the Comptroller.

Updated Response: Implemented. The incorrect source codes were corrected at the Office of the Comptroller last year.

- 8. Adhere to the requirements of State Property Control Act and its procedures to ensure that the property and equipment records are properly maintained. Further, adhere to the requirements of SAMS and submit the Agency Report of State Property (C-15 reports) to the Office of the Comptroller accurately.**

Findings: The Agency had inadequate controls over its property and equipment and related records. In performing tests of Agency equipment, auditors found exceptions with 36 of the 248 (15%) items that were reviewed. The following exceptions were noted:

- Seven items (two automobiles and five items of office equipment), with an estimated cost of \$33,700, were viewed by auditors, however were not listed on the property control records.
- Twenty-two items, with an approximate cost of \$52,732, were found at a location other than the location listed in the property control records.
- Two items (desk and satellite dish), with a cost of \$1,333, were physically inspected and appeared to be obsolete.
- Five items, totaling \$61,313, were sent to surplus but still remained on the property control records. Three of these items were automobiles.

Auditors also noted that the Agency submitted a Certification of Inventory as of February 27, 2009 to the Department of Central Management Services that was inaccurate as follows:

- A total of 140 unlocated equipment items, totaling \$128,136 were reported. However, it appears that the unlocated items reported should have only been 18, totaling \$8,140.

The following errors were noted on the Agency Report of State Property (Form C-15) submitted by the Agency:

REVIEW: 4341

- Quarterly Agency Reports of State Property for FY08 and FY09 incorrectly reported capital lease equipment assets that had expired. This amount was \$67,415.

Agency management stated that pursuant to the Intergovernmental Cooperation Act the agency entered into an interagency agreement with the Illinois Department of Corrections with respect to fiscal services. The scope and responsibility of certain functions were not clearly defined during the negotiation process, and therefore some communications between the agency and shared services were not clear. The Agency experienced some delays in posting of additions and deletions from the inventory system.

Updated Response: Accepted—ongoing. Since the end of the audit period, all items have been accounted for and proper documentation has been submitted to CMS. The Agency is working in cooperation with the Public Safety Shared Services Center to ensure inventory records are updated in a timely manner.

9. Comply with the Illinois Emergency Agency Act by ensuring adequate resources are available to monitor the timely submission of complete and accurate Emergency Operation Plans (EOPs).

Findings: The Agency did not consistently follow its policies and procedures to ensure that each Agency's Region Coordinator monitored the timely submission of complete and accurate Emergency Operation Plans (EOPs) by their respective Emergency Services and Disaster Agencies. Upon review of 25 plans, auditors noted the following exceptions at one regional office:

- In the files of 12 of 25 (48%) plans, auditors noted no evidence that the plans had been reviewed for completeness and in compliance with standards.
- Three of the 25 plans reviewed were not current. These plans had not been updated within the past two years.
- One of the 25 plans selected appeared to be missing most of the required data.
- Auditors were unable to determine if the plan submissions were in line with their annual filing period for twelve of the 25 selected.

Agency management stated that policies and procedures are in place; however, inadvertently omissions occurred in one regional office.

Updated Response: Implemented. The Agency has addressed the issue with the relevant employee and continues to monitor all regions for compliance.

Accepted or Implemented - continued

- 10. Comply with the Low-Level Radioactive Waste Management Act by ensuring the required financial reports are prepared and timely submitted to all parties as required.**

Findings: The Agency did not prepare the required financial reports for the Low-Level Radioactive Waste Facility Closure, Post-Closure Care and Compensation Fund between July 1, 2007 and June 30, 2009. During testing, the Agency could not provide reports submitted during the examination period. There was no financial activity in this fund during this examination period.

Agency management stated that the Chief Finance Officer was not aware of this responsibility after the merger of the Illinois Emergency Management Agency and the Department of Nuclear Safety.

Updated Response: Implemented. The Chief Fiscal Officer hired last year has prepared the reports accordingly.

- 11. Comply with the Radiation Protection Act of 1990 by continuing to work with the Governor's office to fill vacant board positions and replace board members as necessary.**

Findings: The Radiological Technologist Accreditation Advisory Board is required to have 13 members on the board, and each member is to serve no more than two 3-year terms. At June 30, 2009 the advisory board had 12 members. Ten of the 12 board members have served longer than two 3-year terms (6 years).

Agency management stated that the appointment of new board members has been requested through the Governor's office and the agency is awaiting a response.

Response: Accepted. Although the Agency has no authority to make appointments to this Board, recommendations were made to the Office of the Governor regarding these appointments and the Statute allows for members to continue to serve until a successor is appointed or a member receives reappointment. The current administration has committed to getting these appointments made as quickly as possible.

Updated Response: Implemented. The Governor has made new appointments and only two out of thirteen appointments are currently expired.

- 12. Work with the Illinois Environmental Protection Agency to develop an informational and technical assistance program as mandated by the Illinois Chemical Safety Act.**

REVIEW: 4341

Findings: The Agency did not develop an informational and technical assistance program relating to emergency preparedness to business as required by the Illinois Chemical Safety Act.

Agency management stated that the low volume of inquiries and the unique nature of those received have discouraged the Agency from instituting a universal program for addressing Technical Assistance.

Updated Response: Accepted – ongoing. The Agency is currently working with the IL Environmental Protection Agency to provide information and technical assistance as described under the IL Chemical Safety Act.

13. 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).

Findings: 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 testing, the Agency was unable to provide evidence that eight of the 25 incident reports, viewed by auditors, were sent to the appropriate LEPC.

Agency management stated that it is included as a recipient of notifications along with the Local Emergency Planning Committees (LEPC); however, it had not changed its automated processes to insure the LEPCs are notified.

Updated Response: Implemented. Currently, the Act requires the Local Emergency Planning Committees and IEMA be notified of an incident involving the release of hazardous materials. In another location of the Act, IEMA is required to notify the Local Emergency Planning Committees. Although redundant, we have initiated new procedures to contact the Local Emergency Planning Committees to ensure they have been notified of the incident and document completion of the notification.

14. Review and formalize the disaster contingency plan. Additionally, ensure adequate documentation is maintained for all recovery testing conducted.

Findings: The Agency lacked documentation relating to the planning and testing of its applications and data. The Agency had developed a disaster recovery plan; however, the plan had not been formalized or updated since May 2007. In addition, the Agency did not maintain adequate documentation of recovery testing conducted.

Accepted or Implemented – concluded

REVIEW: 4341

Agency management stated testing had been conducted during the audit period. However, due to lack of resources, documentation had not been properly developed.

Updated Response: Accepted—ongoing. The Agency is working to develop information technology documentation to provide detail covering our current practices, procedures and testing.

15. Establish appropriate controls and procedures to ensure compliance with the Illinois Human Rights Act.

Findings: The Agency did not comply with the Illinois Human Rights Act by ensuring all employees receive training on sexual harassment.

Five of the 25 (20%) employees tested were provided with sexual harassment training more than 6 months after their date of hire. Additionally, there was no evidence that four of the 25 employees tested had participated in sexual harassment training.

Agency management stated that pursuant to the Intergovernmental Cooperation Act, the agency entered into an interagency agreement with the Illinois Department of Corrections with respect to human resources functions. The scope and responsibility of certain functions were transferred to shared services, however staffing and resources to monitor and provide employee training timely were not available.

Updated Response: Implemented. The Agency is now handling all sexual harassment training and has implemented a new policy requiring mandatory yearly sexual harassment training for all employees.

16. Comply with the Illinois Administrative Code and Agency policies by completing and approving annual performance evaluations in a timely manner.

Findings: The Agency did not conduct employee performance evaluations in accordance with the Illinois Administrative Code and Agency policies.

During testing of personnel files, auditors noted three of 25 employee personnel files did not contain a current performance evaluation or their performance evaluation was not performed timely.

Agency management stated that pursuant to the Intergovernmental Cooperation Act, the agency entered into an interagency agreement with the Illinois Department of Corrections with respect to human resources functions. The scope and responsibility of certain functions were not clearly defined during the negotiation process, and therefore some of the responsibilities were transferred completely to shared services and some were missed.

REVIEW: 4341

Response: Accepted. The Agency will continue to work in cooperation with Shared Services to insure timely completion of employee performance evaluations.

Updated Response: Accepted—ongoing. The Agency continues to try to complete evaluations in a timely manner.

17. Review policies and procedures to ensure compliance with the State Comptroller Act and SAMS procedures when completing the Agency Fee Imposition Report.

Findings: The Agency did not include conference fees on its Agency Fee Imposition Reports for fiscal years 2009 and 2008.

During receipt testing and a review of the Office of the State Comptroller's Monthly Revenue Report for fiscal years 2009 and 2008, auditors noted conference fees were received; however, these fees were not included on the Agency Fee Imposition Report. The Agency received conference fees of \$57,749 for fiscal year 2009 and \$164,945 for fiscal year 2008.

Agency management stated that it interpreted the receipts collected from attendees as donations for the reimbursement of costs and not fees.

Updated Response: Implemented. The Agency is no longer charging a conference fee and continues to report all fees on the report.

Emergency Purchases

The Illinois Purchasing Act (30 ILCS 505/1) states, "The principle 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 for emergencies "involving public health, public safety, or where immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage ... prevent or minimize serious disruption in State services or to insure the integrity of State records, or to avoid lapsing or loss of federal or donated funds. The Chief procurement officer may promulgate rules extending the circumstances by which a purchasing agency may make 'quick purchases', including but not limited to items available at a discount for a limited period of time."

State agencies are required to file an affidavit with the Auditor General for emergency procurements that are an exception to the competitive bidding requirements per the Illinois Purchasing Act. The affidavit is to set forth the circumstance requiring the emergency purchase. The Commission receives quarterly reports of all emergency purchases from the

REVIEW: 4341

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 no affidavits for emergency purchases.

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 2, 2009, eight employees were assigned to locations other than official headquarters.