

# LEGISLATIVE AUDIT COMMISSION



Review of  
Office of the State Fire Marshal  
Two Years Ended June 30, 2012

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Springfield, Illinois 62706  
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**REVIEW: 4404**  
**OFFICE OF THE STATE FIRE MARSHAL**  
**TWO YEARS ENDED JUNE 30, 2012**

**FINDINGS/RECOMMENDATIONS - 13**  
**ACCEPTED - 6**  
**IMPLEMENTED - 7**

**REPEATED RECOMMENDATIONS - 8**

**PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 22**

This review summarizes the auditors' report of the Office of the State Fire Marshal for the two years ended June 30, 2012 filed with the Legislative Audit Commission on April 25, 2013. The auditors performed a compliance examination in accordance with *Government Auditing Standards* and State law.

The Office of the State Fire Marshal was created by the State Fire Marshal Act effective July 21, 1977. The primary function of the Office is public safety. The Office's mission is to reduce death, injury, and property loss of Illinois' citizens from fires, explosions, and other hazards. The Office provides its services through the following operating divisions: Arson Investigation, Fire Prevention, Boiler and Pressure Vessel Safety, Petroleum and Chemical Safety, Personnel Standards & Education, Elevator Safety, and Management Services. The Office is located in Springfield, with additional offices in Chicago and Marion, Illinois.

Mr. Larry Matkaitis serves as State Fire Marshal now and during the audit period. He was appointed State Fire Marshal on January 2, 2010. Previously, he served the Office as the northern regional coordinator since 2005.

Appendix A summarizes certain activities of the Office of the State Fire Marshal. According to the audit report, during FY12 the Office performed 13,078 fire prevention inspections on buildings, and a total of 45,924 State and insurance boiler and pressure vessel safety inspections. The Office conducted 1,066 arson investigations and inspected 10,026 underground storage tanks in FY10. Inspection of each tank and associated piping is required upon installation or removal.

The average number of full-time equivalent employees at June 30:

<b>Division</b>	<b>FY12</b>	<b>FY11</b>	<b>FY10</b>
Administration	28	25	23
Arson Investigation	17	19	20
Boiler & Pressure Vessel Safety	18	21	20
Elevator Safety	5	6	5
Fire Marshal (Comptroller payroll)	1	1	1

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<b><i>Division</i></b>	<b>FY12</b>	<b>FY11</b>	<b>FY10</b>
Fire Prevention	22	22	22
Underground Storage Tank	16	18	19
Personnel Standards & Education	9	11	10
Public Education	1	3	5
Technical Services	5	6	4
Homeland Security	0	1	1
<b><i>TOTAL</i></b>	<b>122</b>	<b>133</b>	<b>160</b>

**Expenditures From Appropriations**

Appendix B presents a summary of appropriations and expenditures for the two-year period under review. The General Assembly appropriated a total of \$27,681,000 to the Office of the State Fire Marshal in FY12: approximately \$22 million from the Fire Prevention Fund; \$3.4 million from the Underground Storage Tank Fund; and almost \$2.3 million from other funds. Total expenditures from all funds were \$23,040,104 in FY11 compared to \$24,863,671 in FY12, an increase of \$1.8 million, or 7.9%. The increase was due largely to increased in the personnel costs paid by the Fire Prevention Fund.

Lapse period expenditures were about \$3.3 million or 13.3% in FY12.

**Cash Receipts**

The table appearing in Appendix C summarizes cash receipts for the Office of the State Fire Marshal. Total cash receipts were \$6,700,133 in FY12 compared to \$6,612,241 in FY11. Changes are due in part to the biennial cycle of renewal fees, an increase in fines and penalties being assessed and collected on underground storage tanks, and an increase in the grant from the U.S. Environmental Protection Agency.

**Accounts Receivable**

Appearing in Appendix D is the aging of accounts receivable from the General Revenue Fund, the Fire Prevention Fund and the Underground Storage Tank Fund. Recommendation No. 3 in the audit report relates to inadequate collection and reporting of receivables. This finding has appeared since 1990.

**Property and Equipment**

Appendix E is a summary of property and equipment changes at the Office of the State Fire Marshal during the period under review. The balance decreased from \$6,078,195 as of July 1, 2010 to \$5,847,459 at June 30, 2012.

## Accountants Findings and Recommendations

Condensed below are the 13 findings and recommendations, eight repeated, included in the audit report. The following recommendations are classified on the basis of updated information provided by Jeff Anderson, Chief Internal Auditor, Office of the State Fire Marshal, via email received August 29, 2013.

### Accepted or Implemented

**1. Implement and maintain controls to ensure vouchers are timely approved by appropriate personnel. (Repeated-2008)**

**Finding:** The Office of the State Fire Marshal (Office) did not exercise adequate controls over voucher processing. Auditors noted that eighteen of 231 vouchers tested, totaling \$54,510, were approved for payment between two and 202 days late.

Office personnel stated vouchers were approved late due to oversight.

**Updated Response:** Accepted. Agency personnel have been working to ensure that invoices are approved in a timely manner. It should be noted that on nearly all of the invoices that the auditors took exception to the agency approved payment of the vouchers within the 30 day timeframe, however payment was not made by Shared Services until after the 30 day limit mostly due to the lack of staff. The agency continues to work with Shared Services to make sure that payments are processed in a timely manner, but staffing continues to be an issue at the Shared Services center and continues to impede their ability to meet the 30 day mandate. Shared Services has been working with the Governor's Office to remedy the staffing shortage by hiring additional staff.

This is not fully resolved and will not be as long as Shared Services continues to pay bills on a delayed basis. It should be fully or nearly resolved within the Office of the State Fire Marshal at this time.

**2. Strengthen internal controls over the recording and reporting of State property by reviewing inventory and recordkeeping practices to ensure compliance with statutory and regulatory requirements. Further, ensure all equipment is accurately and timely recorded on property records and are properly valued. (Repeated-2004)**

**Finding:** The Office did not exercise adequate control over the purchase, recording and reporting of State property. Auditors noted the following during a review of the Office's equipment records:

- The Office did not timely resolve or remove five items, totaling \$8,687, noted as missing during the annual inventory certification process.

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- For two of 25 equipment additions tested, the inventory adjustments were not computed correctly, resulting in equipment overstatements totaling \$1,408.
- For seven of 25 equipment deletions tested, totaling \$6,372, the deletion request forms did not include the amounts of the items to be deleted from inventory.
- One of 25 items tested, totaling \$188, appeared on the Office's records but could not be found at the designated location within the Office.

Office personnel stated inventory items were not timely removed as the Office continued efforts to locate the missing items. Office personnel also stated that the improper calculation of asset value and non-communication of asset values of surplus items were an oversight by Office personnel.

**Updated Response:** Implemented. Bullet #1 – At the time of the audit, we were still trying to locate the missing items. Subsequently, the items have now been removed from the inventory. We will remove items in a timelier manner in the future and if the items are found they will be added back into the inventory system.

Bullet #2 – Shared Services makes inventory adjustments.

Bullet #3 – At the time the surplus delivery form was completed, we were unable to access our inventory system. CMS Surplus advised us to list all equipment information known and leave the cost information blank (\$0.00). Since this audit, our access to inventory information has improved and subsequent surplus delivery forms have and will contain cost information.

Bullet #4 – Item was located.

### **3. Allocate necessary resources to properly report and fully pursue collections on delinquent accounts receivable. Further, carefully prepare and review accounts receivable reports to ensure accounts receivable are reported in accordance with SAMS procedures. (Repeated-1990)**

**Finding:** The Office did not accurately report accounts receivable information to the Comptroller via its Quarterly Summary of Accounts Receivable (C-97 and C-98 Reports). During testing, auditors noted the following deficiencies:

- All eight C-97 and C-98 Reports filed with the Comptroller did not contain the Estimated Uncollectible nor was the Reconciliation for Comptroller's Offset Compliance completed.
- One of eight C-97 and C-98 Reports filed with the Comptroller during FY11 contained errors when compared to underlying Office records. The accounts receivable amount reported was overstated by \$51,000.

**Accepted or Implemented – continued**

- One of eight C-97 Reports filed contained significant adjustments without adequate explanation. The Office reported an \$188,000 increasing adjustment in its C-97 Report for elevator activity for the quarter ended March 31, 2011, but failed to include a proper explanation for the adjustment as required. This adjustment represents 202% of the net receivable balance as of March 31, 2011.

Office personnel stated that a lack of communication with a third party preparer resulted in incomplete information being presented in the quarterly accounts receivable reports. Office personnel also stated that the errors and lack of adjustment explanations were a result of Office personnel oversight.

**Updated Response:** Implemented. Crowe Horwath began doing C-97s in FY11 Q4. Crowe Horwath is an accounting firm that has been contracted to provide assistance to various public safety agencies for the completion of various financial reports.

The first bullet point under finding 12-3 is in regards to Estimated Uncollectible. During FY13 Q2 for OSFM Fund 072 a policy was implemented for determining uncollectible accounts and reported accordingly to the IOC. For the Boilers and Elevators OSFM A/R accounts within Fund 001 & Fund 047, there will be a new policy that will be implemented during FY13 Q3 to correct this deficiency. Reports are being developed currently so that we will have information needed in order to calculate estimated uncollectible for these two areas. Also, within this first bullet point it was mentioned that the Reconciliation for Comptroller's Office Compliance section was not completed. Since Crowe took over the reports in FY11 Q4, this section has been filled out with the applicable information. The next two bullet points within the finding 12-3 were during the timeframe that the Assistant Deputy Director of Fiscal Accounting was preparing the reports. These two findings of errors were done FY11 Q3 and Crowe began doing the C-97s in FY11 Q4.

**4. Take appropriate measures to ensure annual performance evaluations are conducted timely and documented for all employees as required. (Repeated-2006)**

**Finding:** The Office did not conduct employee performance evaluations timely. Auditors tested 25 employees and noted 20 evaluations for 13 different employees were conducted between 39 and 181 days late.

Office personnel stated the evaluations were performed late due to oversight and competing priorities for the responsible managers. Office personnel also stated that managers are reminded of the requirements.

**Response:** Accepted. The Office will be establishing a new policy within the Office that will require immediate supervisors to complete evaluations with 10 working days from the end of the evaluation period.

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**5. Change the license template to include all information required by Statute.**

**Finding:** The Office did not include all information required under the Boiler and Pressure Vessel Repairer Regulation Act. During testing, auditors noted all 34 boiler and pressure vessel repairer licenses did not include the address of the licensee on the licenses for boiler and pressure vessel repairers.

Office personnel stated that the lack of required information on the license was an oversight by Office personnel when preparing the license template.

**Updated Response:** Implemented.

**6. Thoroughly review all applications to ensure the applicants meet all of the required criteria before licensure is granted. (Repeated-2008)**

**Finding:** The Office did not exercise adequate control over its processing of applications for boiler and pressure vessel repair licensure. Auditors tested 26 new applications for boiler and pressure vessel repair licensure, and noted licenses were issued to all 26 applicants, despite the following deficiencies noted during testing of the application files:

- Ten application files did not include evidence of registration as an Illinois Corporation or a Certificate of Authority if a foreign corporation;
- Three application files did not include the Article of Incorporation;
- Two application files did not include evidence of a letter of authority from the Illinois Secretary of State's Limited Partnership Office;
- Two application files did not include the addresses of all general partners, general managers, officers, or limited partners;
- One application files did not include evidence of the name and registered address for the corporation and the name of the registered agents for the corporation; and
- One application file could not be located.

Office personnel stated that licenses were issued in the tested cases, despite the missing items from the application files, due to misinterpretation of the Administrative Rules and oversight.

**Updated Response:** Implemented. The Boiler Division has developed a "checklist", for use when reviewing a received application to ensure that each required document is included. The Boiler Division has "rewritten" the letter/request that is sent to all applicants, which explains what they must include each time they renew. The Division has gone through all repairer firm files, and verified that they were in good standing with the Secretary of State. Those lacking this information were contacted and files updated. We believe we have fully implemented this recommendation.

**Accepted or Implemented – continued**

**7. Implement necessary controls to identify and perform inspections in a timely manner. (Repeated-2002)**

**Finding:** The Office did not conduct inspections of boilers and pressure vessels in a timely manner. Auditors noted twenty-one of 50 boiler and pressure vessel inspections tested were not performed in a timely manner. These inspections were performed between one and 73 days late.

The number of active boilers and pressure vessels requiring inspections increased from fiscal year 2011 to 2012, 97,605 to 99,085, respectively. In correlation with the increase in active units, the number of inspections performed increased from 43,551 in fiscal year 2011 to 45,924 in fiscal year 2012. The increase in inspections occurred despite the decrease in inspectors down from 21 to 18 during fiscal years 2011 and 2012, respectively. The increase in active units and decrease in inspectors has resulted in an increase in the past due inspections from 0.14% in fiscal year 2011 to 3.30% in fiscal year 2012.

Office personnel cited various reasons for late inspections, including difficulty in gaining access to some locations that are largely unmanned (such as car washes) and locations that must cease operations altogether to permit a proper inspection. In addition, Office management stated location owners generally resist inspections prior to their certificate expiration dates because it reduces the amount of time between billings. Office personnel stated the decrease in inspectors was due to retirements within the division. The Office stated these positions will be filled through normal procedures.

**Updated Response:** Implemented. JCAR approved changes to the administrative rules to allow leeway from the time of expiration of the inspection certificate till the inspection can be completed. The “Adopted Rules” for the Boiler Safety Act, Section 120.20, Administrative, paragraph t); Inspection and Inspection reports, “now gives up to 90 days to inspect an object”, The inspection is not “late” until it is 90 days past due.

**8. Ensure that the administrative rules properly reflect the requirements of the statute.**

**Finding:** The Office did not charge the appropriate reinstatement fees for lapsed fire equipment distributor and related employee licenses. Auditors tested a sample of 25 fees collected for fire equipment distributor and related employee licenses, and this sample included three fees collected for the reinstatement of lapsed licenses. In all 3 cases, auditors noted reinstatement fees collected, totaling \$140, were not consistent with the fees set forth in the Fire Equipment Distributor and Employee Regulation Act of 2011.

The Act requires the Office to assess a fee of \$50 for licenses that have lapsed over 60 days. However, the Office’s administrative rules states the reinstatement fee for employee licenses and distributor licenses are assessed at \$20 and \$100, respectively.

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Office personnel stated that inappropriate fees were assessed for reinstatement fees due to oversight of inconsistencies between statute and administrative rules.

**Response:** Accepted. The Fire Equipment Distributor and Employee License reinstatement fees were not properly assessed. We agree the rules do not match what the Act says. The Act states the reinstatement fee is \$50 and the rules state that the reinstatement fees are \$100 for distributors and \$20 for employees. We have contacted General Counsel as a first step in submitting a rule change that will make the reinstatement fee \$50 for distributors and employees as required by the Act. Draft rules are completed and are going for agency approval.

### 9. Change the license and wallet card templates to include all information required by statute.

**Finding:** The Office did not include all information required under the Fire Equipment Distributor and Employee Regulation Act of 2011. Auditors noted all twenty-five fire equipment distributor and employee licenses tested did not include the issuance date on the license and wallet card.

Office personnel stated that the lack of required information on the license and wallet card was an oversight by Office personnel when preparing the license and wallet card templates.

**Response:** Implemented. The certificates and identification cards issued from the Fire Equipment Distributor and Employee Licensing program did not have an issue date on them. We have since fixed this problem in the program software and now the certificates and cards contain all the information as required by the Act. This recommendation has been resolved.

### 10. Establish a fee schedule for inspections performed or seek a legislative remedy to the statutory requirement. (Repeated-2010)

**Finding:** The Elevator Safety Review Board within the Office of the State Fire Marshal did not comply with the Elevator Safety and Regulation Act.

The Elevator Safety Division was created in January 2003 to oversee the enforcement of elevator safety standards. Auditors noted the Board did not adopt a fee schedule for elevator inspections as required.

Office personnel stated private companies perform the elevator inspections throughout the State; therefore, the Office does not currently perform elevator inspections. Due to the Office not performing inspections, they determined it was not necessary to adopt a fee

**Accepted or Implemented – concluded**

schedule for inspections. Private companies perform the inspection, and once the elevator has passed an inspection the inspection report is sent to the Office, and at that time a certificate is presented to the customer.

**Updated Response:** Accepted. The Office of the State Fire Marshal does not perform elevator inspections. Rather it licenses inspectors and inspection companies to do so. The fees for such inspections are set by the open market; as such the OSFM cannot set a fee for elevator inspections. We will be requesting a statute change to remove the reference to adopting inspection fees.

**11. Establish and impose a fee for duplicate licenses as required by the Fire Sprinkler Contractor Licensing Act.**

**Finding:** The Office did not adopt a rule to establish the fee amount for duplicate copies of licenses as required. The Office issued two fire sprinkler contractor duplicate licenses during fiscal years 2012 and 2011. For the issuance of the aforementioned licenses the Office received receipts of \$50 during each fiscal year.

Office personnel stated that an administrative rule establishing a fee for duplicate licenses was not established due to oversight.

**Response:** Accepted. This finding identified that our rules did not identify a fee for issuing duplicate licenses as required by the Act. We have drafted rule changes and will circulate for management approval.

**12. Continue to pursue legislative remedy to the statutory requirement. (Repeated-2008)**

**Finding:** The Office did not maintain a 7-member administrative panel as required by the Hazardous Material Emergency Response Reimbursement Act.

The administrative panel was statutorily required to be formed to review claims made against the Hazardous Material Emergency Reimbursement Fund and to determine reasonable and necessary expenses to be reimbursed to an emergency response agency. The panel had no designated members and had not met once in the past 5 years or more.

Office personnel stated there have been no claims filed during the last several years; therefore, the panel has not needed to meet.

**Response:** Accepted. We submitted legislation to have the Fire Advisory Committee assume the responsibility for this action and dissolve the administrative panel identified in the Hazardous Material Emergency Reimbursement Act. This bill passed the Senate but

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was not voted on by the House of Representatives prior to the end of the 96th General Assembly. We will continue to try to resolve this issue in the future.

### **13. Develop and approve an identity protection policy as required in the Identity Protection Act.**

**Finding:** The Office failed to implement the provisions of the Identity Protection Act which required the Office to draft and approve an identity-protection policy by June 1, 2011.

Office personnel stated a policy is currently being drafted to address the Act. The policy did not get established prior to the implementation deadline due to competing priorities for the Office's limited staff.

**Updated Response:** Implemented. We have fully implemented with a policy, lesson plan, and presentation. All employees have received the training on the Identity Protection Act.

### **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

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Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

During both FY11 and FY12 the Office of the State Fire Marshal did not file any 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 of its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time.

The Office of the State Fire Marshal indicated in July 2012 that 72 employees were assigned to locations other than official headquarters.