



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS EMERGENCY MANAGEMENT AGENCY

**COMPLIANCE EXAMINATION
For the Two Years Ended: June 30, 2011**

Release Date: April 17, 2012

Summary of Findings:

Total this audit:	12
Total last audit:	17
Repeated from last audit:	10

SYNOPSIS

- The Agency did not provide the auditors or the State Comptroller's Office with complete and accurate Interfund Activity-Grantor Agency forms.
- The Agency did not perform timely reconciliations of Agency records to the Office of the State Comptroller records.
- The Agency lacked the proper segregation of duties in the processing of receipts, receivables, and revenues.
- The Agency did not ensure that its internal auditing program fully complied with the Fiscal Control and Internal Auditing Act (FCIAA).

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

**ILLINOIS EMERGENCY MANAGEMENT AGENCY
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2011**

EXPENDITURE STATISTICS	FY 2011	FY 2010	FY 2009
Total Expenditures.....	\$ 214,675,412	\$ 186,706,751	\$ 185,174,623
OPERATIONS TOTAL.....	\$ 173,136,760	\$ 157,514,880	\$ 120,644,181
% of Total Expenditures.....	80.6%	84.4%	65.2%
Personal Services.....	12,128,330	13,370,218	13,727,118
Other Payroll Costs (FICA, Retirement).....	6,701,552	6,236,325	6,065,565
Contractual Services.....	1,920,048	2,150,724	3,145,801
All Other Operating Expenditures.....	152,386,830	135,757,613	97,705,697
GRANTS AND REFUNDS.....	\$ 40,287,583	\$ 29,006,910	\$ 64,277,737
% of Total Expenditures.....	18.8%	15.5%	34.7%
NON-APPROPRIATED FUNDS.....	\$ 1,251,069	\$ 184,961	\$ 252,705
% of Total Expenditures.....	0.6%	0.1%	0.1%
Total Receipts.....	\$ 196,716,730	\$ 179,865,669	\$ 179,809,720
Average Number of Employees.....	223	227	221

SELECTED ACTIVITY MEASURES	FY 2011	FY 2010	FY 2009
Cost of Property and Equipment	\$ 51,187,000	\$ 48,157,000	\$ 46,967,000

AGENCY DIRECTOR	
During Examination Period:	Mr. Jonathon Monken
Currently:	Mr. Jonathon Monken

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

NEED TO IMPROVE FINANCIAL REPORTING

Inaccurate accounting information provided to Office of the State Comptroller

The Agency did not provide the auditors or the State Comptroller's Office with complete and accurate Interfund Activity-Grantor Agency (SCO-568 Accounting Forms) forms.

During review, the auditors noted the following errors:

CFDA numbers incorrect

- In one fund, the Catalog of Federal Domestic Assistance (CFDA) numbers for two programs were not correctly identified. The expenditures for these programs totaled \$104,000.
- In one fund, the Agency incorrectly reported the transaction type code as "R" instead of "P" for one transaction amounting to \$29,000. This transaction was considered a third party reimbursement and not internal reimbursement. Further, the CFDA number for this transaction was not reported.

Transaction type code 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 resources necessary to ensure a thorough review and timely submission of information to the Office of the Comptroller. (Finding 1, pages 10-11) **This Finding has been repeated since 2007.**

Agency agrees with auditors

Agency officials accepted our recommendations and stated they will continue to work with Public Safety Shared Services Center to enhance the process and the timeliness of GAAP reporting. (For the previous Agency response, see Digest Footnote #1)

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

Agency failed to reconcile records to the State Comptroller timely or at all

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 or not at all:

The cash receipts and cash balance was not reconciled to State Comptroller's reports during FY2010 and not reconciled timely during FY2011

- 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 nine funds during fiscal year 2010 and during fiscal year 2011, the reconciliations for these funds were performed by the Agency 1 to 270 days late.

- 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 13 funds during fiscal year 2010 and during fiscal year 2011, the reconciliations for these funds were performed by the Agency between 1 to 340 days late. In addition, reconciliations for 2 of 13 (15%) funds were not performed for 11 months, and a reconciliation for one fund was not dated, thus timeliness of reconciliation could not be determined.

We recommended the Agency comply with the Office of the State Comptroller procedures and perform monthly reconciliations in a timely manner. (Finding 2, pages 12-13)
This Finding has been repeated since 2005.

Agency agrees with auditors

Agency officials accepted our recommendation and stated that the position responsible for completing the reconciliations was hired in February 2011. Prior to this hire, there was no one to complete the reconciliations. The Agency then had another retirement in the fiscal area, which placed other fiscal operation processes in a higher priority than the reconciliations. In November 2011, the Agency was able to hire a staff member to replace the retired employee's position. The staff member is now trained and the reconciliations are now being completed. (For the previous Agency response, see Digest Footnote #2)

NEED TO IMPROVE INTERNAL CONTROLS

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

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

During review of internal controls, the auditors noted the same individual may receive and stamp checks, make deposits into the State Treasury, approve Receipt Transmittal forms, and make any adjustments required to Agency books upon reconciliations to 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.

We recommended the Agency revise its policies and practices to ensure proper segregation of duties. (Finding 4, pages 16-17)

Agency agrees with auditors

Agency officials accepted our recommendation and stated that they are in the process of hiring one staff member to address this issue. They are in the beginning stages.

NONCOMPLIANCE WITH THE FISCAL CONTROL AND INTERNAL AUDITING ACT

The Agency did not ensure that its internal auditing program fully complied with the Fiscal Control and Internal Auditing Act (FCIAA).

Evaluation of internal fiscal and administrative controls was not performed

Internal auditing program did not include the two-year audit plan

No audits relating to internal and administrative controls for public funds received or funds held in trust were completed

During testing, the auditors noted the Agency did not perform an evaluation of its internal fiscal and administrative controls and failed to submit a certification report to the Office of the Auditor General for fiscal year 2010. In addition, the Agency's internal auditing program did not include the two-year audit plan identifying audits scheduled for the pending fiscal year. No audits relating to internal and administrative controls for public funds received or funds held in trust were completed by the Agency during the last two years.

We recommended the Agency complete internal audits of its major systems of internal accounting and administrative controls as required by the Act. Further, the Agency should perform timely evaluation of its systems of internal fiscal and administrative controls and file annual certification with the Auditor General as required by the Statewide Accounting Management System Manual and FCIAA. (Finding 9, pages 28-29)

Agency agrees with auditors

Agency officials accepted our recommendations and have developed an adequate internal control review process that ensures timely completion of the annual FCIAA certification. In March 2011, the Agency hired a Chief Internal Auditor who has developed an adequate audit program to address the required reviews defined by FCIAA. In addition, an internal audit trainee has also been hired to address auditing needs.

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

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SPECIAL ASSISTANT AUDITORS

E.C. Ortiz & Co., LLP were our special assistant auditors for this examination.

DIGEST FOOTNOTES

1. NEED TO IMPROVE FINANCIAL REPORTING

2009: “The Agency accepts this finding. Although IEMA does not have procedural control over the completion of the Agency’s GAAP package, we will continue to work with Shared Services to ensure the annual GAAP package is completed in a timely manner.”

2. UNTIMELY RECONCILIATION OF AGENCY RECORDS TO THE STATE COMPTROLLER’S MONTHLY REPORTS

2009: “The Agency accepts this recommendation and will work with Shared Services to complete reconciliations in a timely manner.”